

## Small Meeting with Directors Mariko Fujii, Yasushi Shingai, and Koichi Tsuji

### Main Q&A

Q: How would you candidly evaluate the performance of Group CEO Kamezawa and MUFG's top management over the past year?

A: Director Fujii: The management team is functioning well as a team under the leadership of Group CEO Kamezawa and each strategy in the Medium-Term Business Plan (MTBP) is steadily yielding results. They are tackling new challenges and transformation with a sense of urgency and I hope they will continue to do so while anticipating changes in the world. As an outside director, I will carefully supervise the progress.

Director Shingai: I have been impressed with the steady progress being made toward the MTBP goals and with the investments for future growth in the digital domain and Asian region. I also appreciate the fact that the sale of MUFG Union Bank (MUB) was closed successfully.

The challenges going forward will be the formulation of a U.S. strategy after the MUB sale and structural reforms in Europe. Also, I have always felt that the terms of office for the CEO and heads of business groups are too short in terms of advancing reforms.

Director Tsuji: Group CEO Kamezawa has been steering the company firmly and unwaveringly through various circumstances. The fact that the other executives also have a clear understanding of past issues warrants a certain amount of praise. Regarding the sale of MUB, I commend the speed with which the sale was handled despite its difficulty, but the U.S. strategy shall be monitored closely going forward. As a global bank, it is also important that we set forth a solid strategy for Asia and Europe.

Q: What are MUFG's governance issues and areas that need improvement?

A: Director Fujii: The composition of the Board of Directors is appropriate, given that the majority of them are outside directors with diverse backgrounds and skills, and that the internal directors are made up of the Chairman, President & CEO, and those who concurrently serve as heads of the Bank, the Trust Bank, and the Securities. The Board of Directors, including each committee, conduct evaluations on their effectiveness by utilizing external organizations, and efforts towards improvement have taken root. Initiatives to conduct high-quality discussions efficiently include information sharing with executives through prior explanations to the Board of Directors and educational

sessions, and flexible management of committees have been taken, but we will continue to work to enhance our capabilities.

Director Tsuji: Governance cannot be simplified easily given the complexity of MUFG as an organization, but we need to address problems such as inefficient communication. There is no lack of effectiveness in oversight, but more time should be secured for discussions to give advice. Complex governance may be taking up some of that time and there is room for more simplification and improved communication.

Q: How would you evaluate the Group's efforts to achieve carbon neutrality since it announced the MUFG Carbon Neutrality Declaration in May 2021?

A: Director Shingai: In the five years since my appointment as an outside director, significant progress has been made in addressing climate change in areas including business, rule-making/sharing of opinions, reduction in GHG emissions in the company's own operations, responsible investment, and strengthening of the organization. The MUFG Transition White Paper expresses MUFG's desire to contribute to the transition toward carbon neutrality while clearly stating that each country and region is in a different situation. As a director, I also supported this policy.

Executives are currently working towards disclosing the progress of MUFG's various initiatives on climate change in early fiscal 2023. We will also monitor and provide advice.

Q: What kind of discussions are you having to achieve the medium- to long-term ROE target (9-10%)?

A: Director Shingai: To achieve our medium- to long-term ROE target, we would like to have thorough discussions while examining the next MTBP. We need to achieve an ROE that exceeds the cost of capital in order to increase corporate value, but it is important to not only improve ROE but also to work on reducing the cost of capital. For example, I believe that MUFG is working the hardest among its competitors to reduce equity holdings. We must continue to work on this to cut capital costs.

Q: In some cases, proposals for the appointment of directors have been submitted at general shareholders' meetings to strengthen carbon neutral initiatives. What are your thoughts on the effectiveness of this?

A: Director Fujii: This is a general answer, but when the Nominating and Governance Committee nominates candidates for director, there is a selection criteria to consider if the

candidate has the qualities, experience, and past achievements suitable to become a director at MUFG. In addition to the four expertise, corporate management, finance, finance & accounting, and legal affairs, which make up the skill matrix from the past, experience of “Global,” “IT/Digital”, and “Sustainability” are also taken into account when selecting candidates.

Q: The audit report states that the main questions brought up by the Audit Committee were “respond to important internal control issues” and the “strengthening, accelerating, and optimizing the settlement process.” Specifically, what kind of issues do you think there are?

A: Director Tsuji: There is room for more optimization and acceleration in various areas of the settlement process. There are also some discussions on the accounting standards for which conclusions have not been reached. As the organization expands through M&A, we have been discussing the need to centralize financial information and reform the settlement process, and we are considering a review of this. It will be a long-term project that will require an upgrade of the IT system and I hope that it will also lead to improved processes and optimization for the entire organization.

Q: MUFG's corporate culture has started to change significantly over the past few years. What triggered the change?

A: Director Shingai: MUFG is a large company, so it takes some time for a change in direction to take place after a decision has been made. The changes in the past few years are in part the result of reforms by past CEOs, but it is also important to note that under the current MTBP, Group CEO Kamezawa and others are working head-on to transform the corporate culture and have continued to make steady efforts to raise the motivation among employees.

Q: A portion of compensation for directors and officers that is linked to medium- to long-term performance is determined by comparison with domestic competitors, but should it not be compared with global competitors instead?

A: Director Fujii: It is important to make comparisons with global financial institutions, but there is also difficulty to do so because the financial industry is affected by the economic conditions and regulations of each country. It is also important that we win over competitors in the domestic market.

Q: I understand that the reduction of equity holdings is accelerating, but what are your

thoughts on the ideal level?

A: Director Shingai: I also worked on reducing cross-shareholdings while I was the CFO of JT. One point was that we reduced shares that were not worth the economic value. Another point was that even cross-shareholdings could not protect the company and that it was of utmost importance to increase corporate value to gain support from shareholders and investors. There is no change to my basic belief that equity holdings should be reduced as much as possible, but I also think they could be held for economic reasons if the return exceeds the cost. I believe it would be worthwhile to study the economic value of holding such stocks.

Director Fujii: From the viewpoint of controlling the risks associated with holding such stocks and responding to international financial regulations, etc., I recognize the basic policy is to reduce the equity holdings. I hope that the reduction is accelerated going forward, partly because awareness has increased with the revisions to the Corporate Governance Code.

Q: I have the impression that MUFG's top management changes after a fixed, short period of time. What is the ideal form of succession?

A: Director Fujii: Given the outcome, you may get the impression that the top management changes after a certain period of time, but it is the result of various discussions. The Nominating and Governance Committee discusses the composition, qualifications, and many other factors of the management team, while also considering the business environment and management strategy.

Q: Is there a system in place that enables prompt sharing of information with directors and allows them to provide appropriate advice when there is a sudden change in the external environment?

A: Director Fujii: There are few cases in which individual incidents are brought up as an agenda among the Board of Directors because of our governance structure, but information is shared through extraordinary committee meetings and timely reporting to the Board of Directors in the event of an emergency. We also identify matters with the most concern as top risks and conduct risk monitoring through a preventive assessment of the internal and external environment. This system allows us to provide timely reports and advice.

Director Shingai: The Risk Committee deliberates on risk-related matters while reviewing risk scenarios and stress scenarios whenever appropriate. Since we are a

company with committees, we delegate matters that should be passed on to the executives, but many outside directors, including myself, have pointed out that it is an important part of managing an organization to report bad information to the CEO as soon as possible. This is because the view from the CEO is different from the view from the officer in charge.

Q: As an outside director, how are you contributing to the U.S. strategy after the sale of MUB?

A: Director Tsuji: Information is shared by executives in a timely manner, including those in the early stages of consideration, and we monitor whether decisions are being made in line with the direction that should be taken. Regarding the acquisition strategy, I am focusing on speed as well as the selection process for the acquisition target.

Director Shingai: To strengthen corporate transactions in the U.S., it will be important to build closer cooperation between the Bank, the Trust Bank, and the Securities, and to expand our collaboration with Morgan Stanley. It is vital that we first conduct an overall assessment of MUFG's position and hold discussions from both an organic and inorganic perspectives.

Q: I get the impression that the Japanese banking industry makes adjustments so that profits end up slightly higher than the profit target presented at the beginning of the fiscal year. What are your thoughts on this?

A: Director Tsuji: If profits need to be adjusted in the fourth quarter because the profit target at the beginning of the fiscal year was conservative and cautious, this practice would need to change (there is a risk of arbitrary profit adjustments). Profits are only an outcome. However, this does not mean that an aggressive plan with a high risk of a downward revision should be made. The plan needs to be clear.

Q: Discussions on PBR are progressing at the Tokyo Stock Exchange, but what are your thoughts on MUFG's disclosure of information?

A: Director Shingai: To improve PBR, it is important to achieve an ROE that exceeds the cost of capital. We are currently sowing the seeds for the next MTBP such as investment projects in Asia and it is important that we share our equity story for future growth with investors. Regarding climate change initiatives, we must ascertain returns by taking into account both financed emissions and RWA. It is crucial that MUFG's situation is understood, and that the information is disclosed in a way that raises expectations for

achieving an ROE that exceeds the cost of capital and sustainable future growth.

Q: What can be done to reduce the cost of capital?

A: Director Shingai: It is a very difficult issue, but I think it is important to build a source of revenue that is not linked to market conditions. To that end, I would like to have discussions with executives on the possible options that we have.

Q: What kind of discussions are being held among the Board of Directors on the framework for examining the rationality of equity holdings and how information should be disclosed?

A: Director Fujii: Outside directors are highly aware of the framework for verifying the rationality of equity holdings and how information should be disclosed. In fact, our efforts to reduce them are speeding up and we will continue to disclose the progress in a timely manner.

Director Shingai: We also disclose our policy on equity holdings and the process of examining their significance and economic rationality in our Integrated Report. The examination results are closely monitored by the Board of Directors.

Q: From today's discussion, I still get the impression that there is a problem with speed. What is your sense of awareness on this issue?

A: Director Tsuji: There are many issues that need to be addressed within the company and it is possible that time is being spent on building consensus among the relevant departments before reaching a decision. In other words, although the response time is quick after an issue is selected as an important agenda that requires immediate attention, it takes time to get to that point. In contrast, the top management's decision-making has become faster and there have been no cases of inaction by the organization after top management has made a decision.

Director Shingai: Under Group CEO Kamezawa, we are continuously working on transforming the corporate culture and have been monitoring the results on a regular basis. We have confirmed that individuals increasingly have a better sense of speed and willingness to take on challenges, so the issue now lies in the simplicity and speediness of the organization as a whole. We have started reassessing the complicated procedures and rules, and will keep an eye on future outcomes and progress.

END