

Small Meeting with Outside Directors Main Q&A

Q. What challenges does MUFG face in further increasing corporate value?

A. Director Honda: When I was appointed as a director five and a half years ago, I stated that MUFG's greatest potential was in capital productivity. We analyzed ROE, conducted detailed assessments, including the possibility of reducing equity holdings and comparing the margins on JPY- and non-JPY loans with peers, to identify opportunities to increase corporate value. Although the ROE is improving, instead of just aiming for the No. 1 position among the three megabanks, we need to have further discussions about our position among the G-SIBs to meet market expectations. I understand that the medium- to long-term ROE target is an interim goal. In raising ROE, with an above 12% level within our vision, it's crucial to define our risk appetite for each business and determine how to allocate capital. The Board has been discussing this matter.

Director Ueda: I believe MUFG has three major management issues. First, establish profitability that is not dependent on the impact of one-off interest rate hikes. Conversion to a profit structure capable of consistently increasing ROE during favorable periods of rising interest rates will be critical. Second is the acceleration of agile operations and digitalization, including the use of AI. Third, as global business growth becomes increasingly important, enhance collaboration with Morgan Stanley (MS) and increase profits through our franchise, including partner banks in Asia, while also managing risks appropriately. I will facilitate these discussions as a director.

Q. What are your thoughts on the significance and expectations for the new management starting in April?

A. Director Ueda: Optimal management differs depending on the business environment. Broadly speaking, this refers to defensive or offensive management. For example, immediately after the global finance crisis, meticulous management with strength in defense was required. Currently, I believe MUFG needs management capable of leading the transformation. MUFG's management is generally diligent and sincere, with a strong ability to analyze a range of issues. On the other hand, a large organization requires strong leadership to achieve dynamic transformation. I believe individuals with balanced strength on these points were selected as the new CEOs for MUFG, the bank, and the securities.

Director Honda: There are three reasons I expect Mr. Hanzawa to thrive as the new CEO. Firstly, he has served in a position with oversight for the whole group for an extended period. For example, he was a member of the team that established a management strategy involving substantial change, such as investment in MS. Secondly, he has built strong relationships with Japanese and overseas financial regulators over an extended period. Operating within the regulatory framework is critical in the financial industry, and an individual who understands regulators' aims and the side effects

of regulations is invaluable. Thirdly, he is very kind and well respected inside and outside the company. It's very important that the members of the organization can unite under a trusted leader.

Q. How would you evaluate the current state of corporate governance?

A. Director Honda: Corporate governance reform among Japanese corporations is said to have advanced, but I think the governance structure is still insufficient. According to information released by TSE in October 2025, only 2.5% of listed Japanese companies, which include MUFG, were structured as “a company with three committees.” A company with three committees must establish Nominating, Compensation, and Audit Committees. This is very different in terms of governance from companies with other structures. I would appreciate your understanding of MUFG's honest approach to investors, as we have chosen to be a company with three committees. However, there is much more room for improvement of the governance structure, and various discussions are ongoing.

Director Ueda: From a corporate management perspective, MUFG's risk management-related discussions and materials are high quality. On the other hand, from a practical standpoint, including the response to the actual incidents, there are three main issues. Firstly, significant time was spent on the post-incident explanation and discussions on preventing recurrence. However, more focus should be on discussing how to prevent problems from occurring in the first place. Secondly, top management must become more attuned to events in the front office. Detecting increased or emerging risks and making on-the-spot corrections, rather than implementing measures only after significant problems are identified, is desirable. Thirdly, the process of reporting various issues to top management is difficult to see from the outside, and I will contribute to improvement, including through Board discussions.

CFO Togawa: The executive side is aware that ensuring proactive actions by the second line, such as risk management, and the third line, which is the internal audit, is an issue. In the reporting process to the Board, we previously submitted reports after certain actions were taken. Now, we are reporting to minimize time lags to the extent possible, for example, by using sessions other than the Board's main meeting. I understand we need to further refine the process.

Q. What is the “transformation,” as a factor required for the new CEO?

A. Director Ueda: MUFG's diligent culture is our strength, but it can also be a hindrance. For example, the direction of the short-term change is clear, but the medium- to long-term direction for the whole group is still unclear. In addition, I feel that the atmosphere that encourages taking on new initiatives is still lacking. A discussion of how to compete with global peers by leveraging MUFG's uniqueness and strengths is necessary. Furthermore, there is room to improve the utilization of “spilled over talent,” whose capabilities are not being utilized. As we need to make

substantial changes to address various issues, individuals leading the transformation must be sympathetic yet capable of responding quickly when something feels off. Someone who can quickly correct the course if something feels off, while sympathizing with favorable events to quickly achieve results, is desirable as the CEO.

Q. Director Honda stated that the values of the MS partnership were not sufficiently reflected in the share price at the time of appointment. Currently, where is MUFG's advantage not leveraged, and what is not appreciated by the market?

A. Director Honda: MUFG's greatest strength is the CIB business. It has various strengths, including a Japanese and non-Japanese customer base, as well as project and structured finance. For example, leveraged financing to private equity firms stands head and shoulders above other megabanks. In addition, I believe project and structured financing businesses are among the top 3 globally, based on my career experience. Some of the revenues from these businesses are reported by MS, and for some projects, MUFG can only recognize profits based on the investment ratio. Therefore, a simple comparison with other megabanks, excluding MS, does not yield an apples-to-apples comparison. There may be opinions that shifting some profit opportunities to MS is undesirable. However, many projects have been made possible through the partnership with MS. Getting involved in complex projects, including participation by younger MUFG employees, has improved skills. The value cannot be assessed with revenues alone.

On the other hand, reducing equity holdings is an issue. I have been pointing this out since my appointment, and we have been making significant progress since then. However, due to the rise in the share price, the market value balance has not decreased substantially. I have noted that the reduction must be accelerated.

Q. What is your strategy regarding the number of directors and reducing the proportion of outside directors?

A. Director Ueda: Prior to my appointment as an outside director, I had the impression that the size of the Board and the number of outside directors were large. However, when I attended a Board meeting, I was impressed by the high quality, as members with diverse backgrounds offered a range of perspectives. Considering the quality of the discussions, the number of directors did not feel odd, as opposed to the initial impression. I now prefer discussions under this format. One disadvantage of the large Board is the time restriction for stating opinions. Balancing these is the difficult point. Reducing the number of outside directors raises delicate issues, but for outside director appointments, we are having early discussions, including the required backgrounds and the skills-matrix approach.

Q. Is there a need to enhance the independence of the Audit Committee?

A. Director Honda: The current Audit Committee for the holding company has five members, comprising three outside directors and two internal non-executive directors. Each group entity including the bank, trust bank, and securities, etc., has established an Audit Committee and frequently exchanges opinions with the holding company Audit Committee. In fact, a very large number of Audit Committee members are involved. Enhancing the independence of the Audit Committee may seem ideal, but in a large organization engaged in diverse business areas, increasing the number of members could possibly result in insufficient time for discussion, so I believe careful consideration is necessary.

Q. Equity holdings should be discussed in relation to capital productivity, including the allocation of capital released by reducing the holdings. However, the discussions tend to focus on the technicalities of how much reduction has been achieved. What is being discussed at the Board?

A. Director Ueda: Personally, I believe deeper discussions are necessary. As an outside director, my basic position is that equity holdings should be reduced, subject to a detailed assessment of capital efficiency and shareholder value. Regarding current equity holdings, strict management with clear explanations from executives is critical. The Board will have discussions, including on purpose, economic rationale, and consistency with the capital cost, and request a review of the policy for issues that will continue to be held without a clear rationale. Ultimately, a realistic method will be explored under the premise of avoiding impairment of capital efficiency and shareholder value. Holding the executive officers accountable in the decision-making process is critical. We will monitor the situation closely. Investors cannot be expected to be convinced if the outside directors are not.

Director Honda: From the perspective of allocation of released capital, the Board is discussing the Risk Appetite Framework and Risk Appetite Statement. MUFG has adopted a business group structure. Under the increased geopolitical risk, regional portfolios must be considered across business groups. We will continue to discuss the optimal route towards around 12% ROE, based on the analysis of how much new and existing capital should be allocated to each region and business.

CFO Togawa: Overseas investors frequently ask whether we would allocate capital to domestic business as the Japanese economy shifts towards regrowth. In fact, we have used part of the profits from the reduction in equity holdings in FY24 to improve the book value of our bond portfolio and have also allocated the released capital to domestic loans. However, as the overall business portfolio, including overseas, is growing like a concentric circle, this may be difficult to see from the outside. Regarding the target of around 12% ROE, the directors have begun discussing the optimal region and business for capital allocation. We will deepen the discussion towards the new Medium-Term Business Plan (MTBP) starting in FY27.

Q. What is the current approach to MUFG's capital cost?

A. CFO Togawa: I believe there has been no significant change in the level of capital cost on an implied basis. Taking the investment in Shriram Finance as an example, the decision was made based on the comparison with the hurdle rate calculated by adding the difference between the Indian and Japanese risk-free rates to the capital cost.

Director Honda: As symbolized by the fact that the majority of MUFG employees are overseas, cash flow generated from corporate activities has diversified to non-JPY currencies. For projects executed in local currencies, the capital cost for each currency must be taken into investment decision-making. I believe the executives and outside directors have a consistent understanding of this point.

Q. What is the criteria for inorganic investments? I understand that whether the returns exceed the capital cost used to be an important criterion. As the ROE has improved significantly and the medium- to long-term ROE target is around 12%, what are the current investment criteria?

A. CFO Togawa: Investment decisions are not made solely based on whether the returns exceed the capital cost, not only for inorganic investments, but also for organic projects, including lending. We assess profitability by whether it contributes to achieving the medium- to long-term ROE target.

Q. Are there cases where the Board opposes the executives' policies regarding inorganic investments?

A. Director Ueda: Rather than constantly smooth decision-making, the executives and outside directors are engaged in various discussions, including the hurdle rates and expected ultimate synergies. Regarding the Shriram Finance investment, the discussion was not limited to the investment target. It included India's growth potential as a country. If the views presented by the executives differ from the directors' opinions, we would certainly hit the brakes and encourage careful consideration.

Q. What was the background for investing in Shriram Finance, and how will it contribute to MUFG's value creation?

A. CFO Togawa: Investment in Shriram Finance was decided broadly based on four points. Firstly, Shriram has a quite unique business model in India. Secondly, it has consistently maintained an ROE of about 15%, and further growth is expected in the Indian auto market. Thirdly, Shriram is an independent non-bank, and MUFG's investment will improve its creditworthiness and should

reduce its financing costs. Fourthly, it holds a deposit-taking license despite being a non-bank. In addition, Shriram Finance was confirmed to have a corporate culture compatible with MUFG's, facilitating a strong partnership. Accordingly, we approved the investment.

Director Ueda: Shimadzu Corporation, where I am engaged in management, is experiencing significant sales growth in the Indian market for analytical & measuring instruments and medical systems. Accordingly, I believe the MUFG investment based on the outlook that the market, including the auto area, will grow further, is appropriate. Going forward, we must carefully assess potential risk factors, such as unique Indian regulations and social systems, and the degree of corporate culture compatibility throughout the organization, including the front line.

Q. What is your risk awareness regarding the exposures to the Americas' data centers, and what information is shared with the Board?

A. CFO Togawa: We report the status of the data center project to the Board and the Risk Committee. MUFG has extensive PF expertise, and the Americas data center project has limited exposure. Although the project is large, certain amount of the stakes have been distributed to investors.

Director Honda: As MUFG builds its project track record, including collaborations with MS, we are avoiding excessive risk concentration by limiting the final holding to a small amount. We have been promoting the transformation of the O&D business model, and it has advanced further over the past 3-4 years. The Board is receiving reports on the progress.

Q. What is the progress in organizational culture reform based on the measures taken for improvement and preventing recurrence of incidents?

A. Director Honda: Based on the engagement survey and branch visits, my impression is that many employees are proud to work for MUFG. They are actively taking steps to prevent recurrence, such as thoroughly checking for any unintended violations. The number of reports to the internal consultation desk has also increased.

Director Ueda: Improvement measure items have been quantified, making it easier to assess and explain progress. Items with delays are being discussed, which I believe is a strength. However, not only engagement scores but also individual employee well-being perspective are important for eliminating incidents. This is a key issue for Japanese corporations and for Japan as a whole. I expect MUFG to take a leadership role and serve as a model in demonstrating how to measure and improve in this area.

Q. What discussions are being held by the Board on building AI governance?

A. CFO Togawa: We invited COO Ito of Sakana AI to a study group for the Board members in

February. We exchanged opinions on the opportunities and risks involved. While we haven't finalized our approach to risk management and governance, we are currently discussing measures to prevent “uncontrolled AI,” such as using AI tools in business without proper oversight.

Director Ueda: As companies advance their AI initiatives, MUFG leads in keeping up with the cutting-edge technologies. Instead of just gathering information, it engages in deeper discussions, such as creating financial AI in collaboration with players like Sakana AI. Ideas are being proposed, like training AI to learn the implicit knowledge of veteran employees and making it explicit for business use. This is highly valued as an effective initiative, both for improving risk management and capturing business opportunities. If the pace of this initiative continues, MUFG should be able to establish a very strong market position.

Q. On climate change, what are the priority issues discussed by the Board?

A. Director Honda: Over the past year, the Board has discussed climate change at least 3-4 times. The topics included financed emissions and financing that contribute to emissions reductions, such as regular loans and project financing. Regarding NZBA, while continuing to promote initiatives as before, we discussed the benefits of membership from various perspectives, and we ultimately decided to withdraw in March 2025. Meanwhile, we chose to stay with Net Zero Asset Management.

Our commitment to reach net zero by 2050 remains unchanged. As we work toward that goal, I believe it is important to discuss options that do not significantly impair our corporate value.

Q. As you continue to expand your business globally, isn't it important to enhance independence to diversify the Board and further develop the skills of outside directors?

A. CFO Togawa: The current Board members include experts from various fields, such as Director Snider, who is an attorney; Director Pangestu, who served as Indonesia's State Minister; and Director Suzuki, who holds a top management position at an IT firm. We will continue working on diversifying and strengthening the Board of Directors.

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