



Identifying the leader for MUFG who can best navigate an ever more uncertain world.

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The Group CEO nomination process

Q. Could you explain why Mr. Mike was appointed as the new CEO? Please also elaborate on the screening process and the circumstances surrounding this appointment.

In fiscal 2018, the Nominating and Governance Committee met on 13 separate occasions. The primary objectives of these meetings were to determine who would fill the Group CEO and key managerial positions at the holding company as well as top management positions at the Bank, the Trust Bank, the Securities HD and other Group subsidiaries. The committee also discussed succession plans with a focus on nurturing candidates for these important positions.

Following my assumption of the position of committee chair, the nominations of presidential candidates for the Bank and the Securities Business and a Group CEO candidate for the holding company went smoothly. This was largely due to the wealth of information and preparatory analysis provided before each committee session.

The committee has in place prescribed criteria regarding competencies, abilities, background and other desired attributes for specific positions. Based on these criteria, candidates are identified by executives and then classified into age groups. Outside directors, who account for the majority of the committee membership, proceed to assess the suitability of each individual. We have already compiled a list of

candidates eligible to take up the aforementioned positions in the future. The lineup will, of course, be updated over time to secure best possible candidates in light of changes in the business environment. We are committed to maintaining this practice.

The nomination of Mr. Mike as the Group CEO was finalized over a series of seven committee sessions launched in summer 2018. Although the committee had already identified several CEO candidates in the course of regular succession plan reviews, this series of sessions focused on closely assessing each candidate for their personality, execution skills, past career and performance track record. We also commissioned an external firm to conduct a 360-degree assessment. These data sets were thoroughly reviewed in light of the prescribed criteria for the CEO position.

We then narrowed down the number of candidates and conducted face-to-face interviews with each individual. Finally, the committee prepared and submitted its recommendation with regard to the Group CEO appointment to the Board of Directors, which, in turn, approved it.

In the course of this process, we placed particular emphasis on ability to adapt to the current operating environment. First and foremost, MUFG is heading toward globalization. Currently, 40% of consolidated profits are accounted for by overseas operations. After MUFG completes overseas acquisitions in such countries as Indonesia, this figure may increase to more

than 50%. For MUFG, it is therefore important to secure individuals who can take a management approach that is better suited to the globalized environment. Second, MUFG must remain relevant amid the emergence of FinTech and digitalization. Third, MUFG needs to adapt itself to changes in customer needs and employee awareness. In sum, this appointment of a new CEO has been aimed at securing an individual capable of accelerating the Group's medium- to long-term initiatives designed to address these issues and, in the process, re-imagining MUFG. This is the most significant point.

The nomination of Mr. Mike was thus based on conclusions reached via careful and multifaceted discussions.

As a matter of fact, Mr. Mike's past career boasts a diverse range of activity. He engaged in corporate finance at home and abroad while being involved in system- and administration-related operations as well as corporate planning. Moreover, he spearheaded the management integration of banks in Japan and Thailand. Another of his strengths is his abundant overseas experience in such countries as the United Kingdom, the United States and Thailand. Because of these traits, he was considered up to the mark for a leader of MUFG in terms of knowledge, skills and performance track record.

In addition, I believe that leaders must be resilient and optimistic if they are to successfully navigate businesses amid the harsh environment and prevailing sense of uncertainty about the future. Mr. Mike has the exactly that kind of personality. Furthermore, he is an open-minded leader who is willing to listen to the opinions of his staff at any time. This is also a very positive quality. As such, the committee determined that he is equipped with a number of credentials that are essential to today's corporate leadership.

Dual-hat leadership as President & CEO of MUFG Bank

Q. Some people question MUFG's rationale for allowing Mr. Mike to concurrently serve as President & Group CEO of the holding company and President & CEO of the Bank. Could you explain the committee's reasoning regarding this?

From the governance perspective, it is not desirable to allow a single individual to concurrently serve as Group CEO of the holding company and President & CEO of the Bank, which represents the largest operating

subsidiary of the MUFG Group. This was the unanimous view of all committee members.

Nevertheless, we identified four reasons to allow this dual-hat leadership.

First, the implementation of the medium-term business plan must be accelerated. This is MUFG's most important task. In this light, we expect that Mr. Mike can exercise his leadership more strongly if he is allowed to concurrently fill two key positions.

Second, it has been only a year and a half since he assumed the position of President & CEO of the Bank. Because he has acquired an extremely favorable reputation among bank customers and employees, we concluded that in the interests of supporting the Bank's businesses and maintaining its organizational vitality, it would be best if he continued to hold said position.

Third, although it was feared that dual-hat leadership would place an excessive burden on Mr. Mike, we have concluded that the appointment of Deputy Presidents would help resolve this issue. In particular, Mr. Hironori Kamezawa, who is quite capable of handling internal administration and is charged with spearheading digital transformation, is expected to offer strong assistance.

Lastly, we have determined that, despite the aforementioned concern about the Group's governance, the appointment of Mr. Mike would not necessarily undermine it as both the holding company and the Bank are equipped with robust governance systems supported by boards of directors with multiple outside directors. These are the reasons why we agreed to allow the dual-hat leadership under these special circumstances.

Q. Thank you. Now, there is an opinion that the position of Chairman of the Board should be assumed by an external individual independent from any MUFG business units. What are your thoughts on this?

The committee discussed whether or not the Chairman position should be filled by an outside director. We are, of course, aware of the benefits of such appointments. However, whoever holds the position must also be knowledgeable about the Company's overall operations and the latest trends among regulatory authorities in Japan and overseas as he or she presides over the selection of agenda items and the handling of discussions.

An Interview with an Outside Director

Although I used to serve as an outside director myself at several different corporations, I believe that being the Chairman of MUFG's Board of Directors entails particularly formidable tasks and is more challenging than equivalent positions at other companies. For example, MUFG is quite a large corporate group in terms of the business scope and operational diversity of its subsidiaries. Also, the Company's network spans almost the entire globe. Moreover, MUFG must ensure strict compliance with complex financial regulations at home and abroad as well as robust relations with authorities. This task is unique to the financial industry.

With this in mind, we have concluded that from the viewpoint of improving MUFG's corporate value, an individual equipped with business experience at financial institutions and knowledge of regulations imposed by authorities must be better at handling the Board of Directors' discussions and facilitating in-depth deliberation.

A Board boasting a diversity of backgrounds

Q. The latest lineup of outside directors includes three newly appointed individuals. What was the committee's focus when it nominated new outside director candidates?

We believe that the composition of MUFG's Board of Directors needs to be diverse and well-balanced in terms of its members' backgrounds. Accordingly, the first keyword for the nomination of candidates is "specialty." Board members include specialists in finance, accounting and legal affairs in addition to corporate managers like me. The second keyword is "diversity." Currently, the Board of Directors includes three women. It also welcomed two foreign nationals as outside directors. They are from the United States and Thailand, both of which represent strategically important areas supporting MUFG's overseas operations. The individual from Thailand, who had served as Governor of the Bank of Thailand, is female. The overall composition of the Board of Directors, in my opinion, is well-balanced. Thanks to the inclusion of foreign nationals in fiscal 2017, the Board of Directors has been better positioned to address each agenda item in depth.

Looking ahead, we will keep focusing on "specialty" and "diversity" in our future nominations of director candidates. Taking a look at our newly appointed outside directors, Ms. Mariko Fujii boasts extensive experience in finance. Mr. Kaoru Kato, who had served

at NTT DOCOMO, INC., is expected to bring his insights into IT and consumer businesses and thereby help MUFG overcome its inexperience in these fields. Mr. Hirofumi Nomoto is also an experienced corporate manager as he is a former CEO of Tokyu Corporation, a major railway company in Japan.

In the course of selecting candidates, we also keep an eye out for individuals who can serve as chairs of the four committees operating under the Board of Directors while providing both new appointees and their predecessors with sufficient handover periods.

Q. How do you find foreign national candidates for outside directors?

MUFG's day-to-day operations involve association with people from countries overseas. Also, MUFG's management team members are acquainted with a broad range of businesspeople abroad. Moreover, the Company maintains the Global Advisory Board,* which boasts a membership consisting of prominent individuals from the Americas, Europe and Asia. Thanks to these advantageous circumstances, MUFG is positioned to enjoy a broad range of options, and I believe that the Company is not likely to have any troubles with appointing candidates from among foreign nationals.

* Please also see page 88-89 for details about the Global Advisory Board.

Q. Could you describe the atmosphere of Board meetings?

Before I joined MUFG's Board of Directors five years ago, I speculated that it was probably a conservative organization disinclined to honest and open discussion. But that just wasn't the case. MUFG has an open-minded culture that encourages its people to say what they really think and offer feedback. Furthermore, the Company is quite fast to act upon such feedback. This was beyond my expectations.

Currently, I serve as the chair of Independent Outside Directors Meetings that are usually held right after Board meetings. Held without the presence of the top management executives, Independent Outside Directors Meetings focus on obtaining a broad range of opinions from outside directors, addressing such matters as improving the content of presentation materials used at Board of Directors meetings and tackling the medium- to long-term management challenges the Company is now facing. Conclusions reached at these meetings are immediately reported to

the Chairman and Group CEO. Thankfully, they are quick to incorporate these opinions, and I often find that the Board of Directors' operations are improved accordingly at subsequent meetings.

In addition, some members asserted that the meeting length is too short to address the large number of agenda items discussed by the Board of Directors. The length of each Board of Directors meeting has thus been prolonged to one and a half business days. Although outside directors are all busy people, I nevertheless believe that this is a positive move in terms of securing robust governance.

I must also note that outside directors, including myself, benefit a lot from Board Educational Sessions that provide opportunities to acquire in-depth knowledge about the issues MUFG is confronting. For example, these sessions include status updates on the Company's U.S. operations and the latest trends in FinTech. Themes for each session are determined based on requests from outside directors who are willing to learn more about specific subjects.

Lastly, outside directors are briefed on agenda items several days prior to each Board of Directors meeting. This briefing usually takes four to five hours, and contributes significantly to the quality of discussion undertaken at the subsequent Board of Directors meeting.

The development of governance systems is an unending voyage

Q. What challenges will the Board of Directors tackle with the initiative of outside directors?

Over the course of the five years since I joined MUFG's Board of Directors, the Company has undergone a number of changes. Thanks to various measures it has implemented, MUFG has successfully settled its basic operational framework for the Board of Directors. Going forward, the Company must focus on improving the quality of the Board of Directors' operations. The pursuit of sophisticated governance systems is an ongoing, unending voyage. Financial institutions like MUFG are facing a great number of challenges that must be addressed, while the surrounding business environment evolves at an astonishingly fast pace. That's why MUFG directors are expected to take on an ever increasing number of agenda items, with frequent changes in lineups and priorities, to be discussed at Board of Directors meetings and committee meetings.

I therefore believe that the most significant challenge is how to accurately address each item submitted for discussion.

With the aim of enhancing its governance systems, MUFG employs external consultants to conduct annual evaluations of the working practices of the Board of Directors. All the directors, including those in executive positions and those who play purely supervisory roles, are asked to submit their feedback on the effectiveness of the Board of Directors and key committees. More specifically, directors fill out questionnaires designed to draw out their opinions on such matters as whether the issues identified in the previous evaluations have been remedied or improved. This is followed by one-hour interviews with each individual. Results are discussed at a Nominating and Governance Committee meeting, and then reported to and deliberated by the Board of Directors. This process exemplifies various initiatives aimed at enhancing the effectiveness of the Board of Directors' operations.

Q. Finally, could you share your thoughts on the candidates for taking over after Mr. Mike and the younger talent expected to lead the future of MUFG?

Sometimes I feel that MUFG has an overabundance of excellent human resources. The Company has an outstanding pool of talent. However, no business sector is immune from the impact of radical societal changes now under way. Accordingly, it is important to accurately identify the best possible candidates with desired traits in light of the prevailing situation.

The Nominating and Governance Committee not only identifies future top management candidates; it prepares the list of candidates for key positions in subsequent generations. Outside directors, including myself, are intentionally creating opportunities to directly engage with those of younger generations at MUFG.

MUFG aims to remain an energizer for and a contributor to Japanese and global economies well into the future. To this end, stably securing excellent candidates who will, in turn, lead the Company from generation to generation is of critical importance. We will therefore periodically review and update the list of next-generation corporate leader candidates by giving due consideration to needs of the time. This is, I believe, another important mission the Nominating and Governance Committee is called to carry out.