Appointing a Leader Equipped with Strong Execution Skills to Foster a Culture That Encourages Those Who Take on Challenging Endeavors

The Committee Focused on Selection of the Optimal Candidate for New Group CEO with an Emphasis on Competencies

Q. Please tell us about what led to the recent change in Group CEO.

Nomoto: When I took the office of outside director, Mr. Mike was concurrently serving as Group CEO and President & CEO of MUFG Bank. However, the Nominating and Governance Committee was aware of the need to shift the burden of one of these two key positions off him at the earliest possible date as the situation was an exceptional. Accordingly, throughout fiscal 2019 we engaged in discussions aimed at determining the best candidates for leading the Group and the Bank going forward.

Matsuyama: Mr. Mike had two positions to concurrently fill; on the one hand, he was expected to take the lead in swiftly pushing ahead with the medium-term business plan (MTBP) and, on the other, he needed to meet customer expectations by taking on the duties of Bank CEO. However, we knew that this situation could not hold for too long. His one-year leadership resulted in solid outcomes in many respects, most notably regarding initiatives taken under the MTBP. It was with these achievements in mind that we appointed Mr. Kamezawa as his successor as Group CEO; we believe Mr. Mike to be the best individual for spearheading reforms at the Bank. In sum, this change in Group CEO exemplifies our constant focus on selecting optimal candidates in light of their competencies.

Nomoto: A year ago, we had a sense of crisis, believing that the selection of the best Group CEO candidate for leading MUFG into the future was of crucial importance. We were aware of the gravity of this appointment and our choice was in no way a merely nominal appointment of a successor.

Matsuyama: That is true. The MUFG Group needs a leader capable of indicating the direction reforms should take and spearheading their implementation. These traits will prove essential as it strives to maintain its global presence amid a financial industry environment that is seeing rapid change, including the advance of digitalization.

Nomoto: When it came to choosing a candidate for spearheading reforms, committee members placed particular emphasis on identifying an individual who could utilize digital technologies to transform business models. Digital technologies will be an integral part of financial services going forward. Having experienced business reforms of this kind myself, I was convinced that possessing knowledge about necessary technologies is not enough, given the breathtaking pace of technological advancements. Rather, the leader must be capable of conceptualizing and clearly communicating his/her vision with regard to how to utilize technologies to realize desired outcomes. The leader also has to be decisive in executing necessary action plans to this end. Results of reforms largely depend on a highly spirited leader who has these competencies.

Matsuyama: Breaking with precedent, we have appointed Mr. Kamezawa, who has no experience as Bank CEO, as Group CEO. Traditionally, the candidate pool for MUFG Group CEO has comprised former Bank CEOs, with due consideration given to seniority. However, we have been concerned that holding with tradition would mean that the majority of candidates would prove too old to handle reforms that, in today’s business environment, should be executed at an ever more rapid pace. My own career development was in corporations where Japan’s traditional seniority-based principles were largely irrelevant. Perhaps because of this, I believe that leaders should be selected based solely on their possession of the competencies required and ability to create a strong organization functioning as “one team.” This standard can be applied equally to candidates for Group CEO and heads of subsidiaries, and it cannot be said that a leading position at one entity is superior to any other similar position.

Nomoto: We also conducted good, long interviews with candidates. Haven’t we?

Matsuyama: Although I have experienced outside director positions at multiple corporations, I have never seen a nominating committee that allocates such significant resources to the identification of successor candidates. We actually held a number of interviews and spent a length of time on each round of the process. Also, we benefited greatly from the input of the interviewees’ colleagues and staff. In addition to supervisors’ evaluations, these inputs helped us make unbiased judgments.

Fulfilling MUFG’s Social Mission in the Aftermath of the COVID-19 Pandemic

Q. The spread of the COVID-19 is currently affecting society in a major way. Against this backdrop, could you share your thoughts on roles MUFG must fulfill?

Nomoto: Currently, a number of customers, including individuals, SMEs and even major enterprises, are beset by fundraising-related issues—the most critical problem triggered by the pandemic. Moreover, the effectiveness of government-led assistance measures is limited. Once their fundraising needs are met, however, customers must be able to figure out how to restore their finances and businesses as economic activity normalizes. Accordingly, financial institutions are being called on to focus even more strongly on fulfilling their social mission, namely, helping resolve this problem by acting as a “partner” to customers and by empathetically providing consultation to those seeking to maintain their livelihoods and keep their businesses going.

Matsuyama: I agree. A major crisis of this kind reminds us that banks especially are expected to function as part of the social infrastructure.

Nomoto: In response to the state of emergency declared by the government, MUFG branches acted quickly to implement such measures as installing acrylic partitions and helping branch visitors avoid close contact with each other. This attests to the utmost priority they have placed on ensuring customer safety. Moreover, MUFG began teleconferencing meetings with corporate clients to minimize infection risks. Employee health has also been a top priority.

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been a priority, with thoroughgoing measures put in place. Furthermore, MUFG employees are highly motivated despite the crisis, and their immediate response to the pandemic have been impressive. I am grateful to their dedication and hope to directly communicate my words of appreciation to them.

Matsuyama: Looking ahead, MUFG should continue to meet essential fundraising needs among its customers while keeping an eye on risk control. This is important to helping restore economy. In the post-pandemic environment, MUFG is also expected to help businesses identify new growth opportunities amidst circumstances where people go about their daily lives aware of the risk of disease resurgence.

Nomoto: In the course of economic recovery, financial institutions will face growing calls to partner with their corporate clients to restore their businesses. Thus, the true value of financial services will become increasingly dependent on how well they meet customer needs. It is important for banks to put their heads together with corporate clients struggling to get over difficult circumstances and provide them with optimal counsel. To this end, financial institutions should not only be well-versed in financial data but up to date on new technologies. We need to keep an eye on the movement of people and society as a whole. With this in mind, MUFG must become the new social norm, there will be irreversible changes in the movement of people and goods. Such changes, of course, affect businesses and society as a whole. With this in mind, MUFG must assist its customers’ proactive efforts to transition to new types of business and adapt to resulting changes in the business environment.

Matsuyama: Exactly. I assume that, as the implementation of pandemic countermeasures becomes the new social norm, there will be irreversible changes in the movement of people and goods. Such changes, of course, affect businesses and society as a whole. With this in mind, MUFG must assist its customers’ proactive efforts to transition to new types of business and adapt to resulting changes in the business environment.

Nomoto: Acting as a partner to each of our customers, all employees must exercise empathy and look at the issues customers are confronting from the customers’ perspective. This approach will naturally result in the type of service described by Ms. Matsuyama. MUFG boasts an extensive customer base and also maintains a number of Group companies capable of offering a variety of financial solutions. Accordingly, MUFG is well-positioned to help its customers find opportunities in difficult situations and create new businesses via the combination of its expertise in business matching, M&A, business succession and other methodologies.

The Importance of Balancing Proactive Risk-Taking and the Maintenance of Trust
Q. What challenges should MUFG take on in connection with business model reforms?

Nomoto: I have participated in brisk discussions to determine MUFG’s future business model over the course of the year since joining the ranks of Board members. However, as MUFG constitutes a corporate group encompassing a broad range of business fields, the Board of Directors is asked to make decisions about a wide breadth of items. Also, Board members must study and discuss a large volume of information prior to deciding on each agenda item. We are given well-structured meeting materials designed to provide detailed information. Honestly, however, it takes time to go through and understand the context of these materials. Our primary role as outside directors is to act on behalf of shareholders, investors and customers and to provide our opinions on matters being discussed in the context of how to help resolve issues stakeholders are now confronting, how to enhance convenience for them and how to ensure sustainability based on the accurate assessment of opportunities and risks. Considering the environment surrounding their clients and must closely assess their potential sources of strength to help them get on a recovery track by adjusting the products and services they offer or even the fields their businesses cover.

Matsuyama: Although the Board of Directors was discussing digitalization even before the emergence of COVID-19, the pace of relevant decision making accelerated greatly due to the pandemic. I also expect this trend to help MUFG accelerate its ongoing efforts to reduce costs—one of lingering issues it has been confronting—via reviving operational modes.

Nomoto: The incorporation of IT and other digital technologies is one of promising solutions that will help enhance management efficiency. However, my impression is that we have yet to conceive a clear vision of the future financial services to deliver, how MUFG will realize such services via the use of these technologies and to whom it will seek to offer such services.

Matsuyama: Over the course of the selection process that resulted in the appointment of Mr. Kamezawa as Group CEO, Board members were at the very least able to share a sense of crisis arising from the realization that MUFG cannot remain in existence without a successful digital transformation.

This means a lot to all of us. Moreover, my expectations are high for Mr. Kamezawa as he is equipped with strong execution skills. Going forward, MUFG must compete against fintech companies and other players from different industries while creating new services via the use of digital technologies. In this light, I am happy to see that MUFG’s management is increasingly leaning toward an aggressive approach that strategically aims to seize new growth opportunities even in the face of risk.

Nomoto: From early in his career, Mr. Kamezawa has been involved in breaking into business areas and fields new to MUFG. Bringing this experience to the job of Group CEO, he will be in a good position to foster a corporate culture supporting a sound approach to risk-taking among all MUFG Group companies. I personally believe that businesspeople who hope to one day become leaders should be courageous enough to get involved in something risky when they are younger. In reality, no enterprise will be wrecked by a wrong decision made by one of its young employees. For their part, employees who are willing to take risks will be in position to learn valuable lessons and are more likely to sense potential risks in similar circumstances. In contrast, those who have never experienced risky situations are usually not so sensitive and, therefore, cannot be entrusted with important decision making.

Matsuyama: It is important for MUFG to strike a balance between a proactive business approach involving that kind of risk-taking and the maintenance of trust as a financial institution providing social infrastructure. This is where we are called on to play our part.

Fostering a Culture That Encourages Those Who Take on Challenging Endeavors
Q. What is your evaluation of the corporate culture reforms currently under way at MUFG?

Matsuyama: I assume that it must be extremely difficult to change the prevailing corporate culture in such a large organization. Moreover, financial groups typically evaluate their employees based on a “demerit system” as they consider risk management to be one of their most important duties.

Nomoto: Decades ago, a mistake-intolerant culture worked very well for financial institutions. A strong sense of responsibility with regard to the accurate implementation of procedures helped them gain trust amid ongoing economic growth. Moreover, as the business and the number of employees was ever-expanding, the “demerit system” was necessary to ensure the fair and efficient treatment of employees. Today, however, financial institutions are called to create new value through change. Accordingly, MUFG must foster a culture that encourages employees to courageously take on new endeavors and tolerates their mistakes.

Matsuyama: MUFG needs a structure that facilitates change.

Nomoto: That’s right. To this end, top management must engage in frank communications with employees and send them a convincing message about the need for transition to a new corporate culture. This is a matter of the utmost importance. Although it may take some time, the success of business model reforms, I believe, hinges on the creation of a corporate culture that nurtures employees who have a wealth of experience in terms of both achieving successes and suffering setbacks.

Matsuyama: The fallout from the COVID-19 pandemic is expected to remain ongoing for the time being, but I would like to help MUFG to find good opportunities to effect change amid the crisis and support a sound approach to risk-taking. To avoid misunderstanding, I empathize with MUFG’s traditional culture placing utmost emphasis on maintaining trust, which is essential for financial institutions. This valuable legacy must be passed on to future generations. At the same time, of course, I hope that MUFG acquires a new trait—being an innovation-oriented corporate group.

Nomoto: In the real world, we have to deal with a mixture of what needs to be preserved and what needs to be changed. As outside directors, however, we would like to intentionally focus on matters that need to change and help MUFG address them by proactively offering our opinions.