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## CEO Message



# Unleashing Potential Honoring Our Purpose

**Hironori Kamezawa**  
President & Group CEO

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Notice to Stakeholders: The Financial Services Agency has taken administrative action regarding inappropriate handling of customer information and solicitation concerning MUFG Group's banking-securities collaborative business. We sincerely apologize for the inconvenience and concern this has caused our stakeholders. We take this administrative action very seriously and have established an improvement plan focused on more effective and specific measures to reinforce internal control systems. We will diligently execute the improvement plan as a Group and implement measures to prevent recurrence. Our priority is to restore any compromised trust as swiftly as possible and remain fully committed to sustainable growth.

#### Has MUFG really changed?

"Mr. Kamezawa?"

As I was taking a walk in my neighborhood last autumn, a jogger approached and ran past me. He then turned around suddenly and called my name.

"I think MUFG has changed. I just wanted to tell you."

It caught me off-guard and I wasn't sure what he meant. But he explained with a smile that he was a former MUFG employee who now works for an overseas corporation. He was validating a belief I expressed in these pages last year: MUFG is changing for the better – and people are noticing.

If a former employee familiar with our company observes from

outside that we've evolved in a positive way, perhaps we truly have. In fact, this was the third time something like this had recently happened. Our speed of decision-making, the atmosphere of our internal discussions, the expansion of our overseas online network – all these elements and a number of others have been elevated at MUFG. They seem to have translated into material improvements that our stakeholders notice.

However, we still get our share of negative feedback; some of it works its way through the organization to reach me – but likely just a small percentile. So as I resumed my walk, I found myself wondering, has my own experience at MUFG changed accordingly? My daily work life has a procedural rhythm. I arrive at the office about the same time on most days. My workstyle, meetings, interactions, even business dinners, all seem to fit a familiar pattern. I have to wonder how much status quo remains static throughout our company.

Organizational inertia is not unique to MUFG, but the fact is we have too many meetings, including meetings to prepare for meetings. Some of our policies and procedures remain ossified. Important aspects of our organization continue to move forward, but the core is hard to budge.

I initiated fundamental reforms when assuming the role of CEO four years ago – reforms in Culture, Business, and Process – to propel our transformation forward. Today, we see progress, although in my estimation we're considerably less than halfway toward our goal – so the real work lies ahead if we are to set into motion a virtuous cycle of perpetual improvement. This means doubling down on our commitment to cultural reform at MUFG.

This commitment therefore pervades our new Medium-Term Business Plan (MTBP) that launched in April 2024. And in the

following pages, I wish to explain why and how, beginning with the current environment and global economic trends.

#### Challenges arising from our environment and economic trends.

First, our current environment. We live in an era of unprecedented division among societal sectors, including nationalities, economies, policies, cultures, communities, and individuals – divisions that can be traced in some cases to decentralization caused by diversifying needs and values across the globe.

Nations witnessing the US and China locked in a historic power struggle are adopting distinct and often unique positions on global affairs, including the Middle East conflict and the war in Ukraine. The international order is growing more fragmented and chaotic, and its tensions will not be resolved soon. We must factor this into our business considerations.

Digital technology has fueled diversification in significant ways, placing power in individual hands to instantly fulfill personalized needs. This "power to the person" makes ultimate democracy more than a theoretical possibility, and has even given rise to such movements as the Decentralized Autonomous Organization.

At the same time, despite divisions it helped create, digital technology also makes it much easier for people to connect and create new virtual communities linked through shared values that transcend borders of all kinds.

These complex developments – rife with contradictions – have momentum that shows no end. Generative AI is making inroads into everyday lives and will be a game-changer that transforms,

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even upends, more than a few business models very soon. Indeed, 2024 marks the advent of the generative AI era, an inflection point on society's path to a digitalized future. MUFG must be a vital player in that future.

Regarding the global economy, as inflationary trends settle in the US and Europe, monetary policy will ease and interest rates will seek equilibrium. In Japan, a normalized interest-rate environment is emerging as the prolonged regime of low interest, low inflation, and low wages finally abates. Businesses will pursue higher returns and feel a stronger need for asset-value growth to surpass inflation, assuming reasonable interest payments and costs. And customers will have higher expectations for asset formulation and investment returns.

This presents a significant opportunity for the Japanese economy, which has been stagnant for three decades. I believe that as Japan's largest financial institution, MUFG has a duty – and ability – to help restore a growth trajectory to its mother market.

### Medium- to Long-term Vision

In developing our MTBP, we dove deeply into topics including the macroeconomic environment, our strengths and weaknesses, our competitors' activities, social trends, and our vision for finance in five to ten years. We shared a rich variety of perspectives at our Management Focus Meeting, a periodic gathering of about 20 leaders we began a few years ago. This body includes the C-Suite, business-group heads, and top management from the Bank, Trust Bank, and Securities, and functions as my "Cabinet."

I always urge these participants to share honest opinions on

### Column 1 | An Era of AI-Natives

With the emergence of generative AI, we've entered an era that could be called the "DX of human thinking" marked by outsourcing elements of human thought – essentially relegating part of the process to digital "minds." Working in tandem with intelligent learning devices can deepen our comprehension, interactions, and productivity in ways beyond our current imagination.

I'm not alone in envisioning a world on a fast-approaching horizon where AI is incorporated into all manner of products and services. As generative technologies become refined, and their costs decrease through intense competition, issues like so-called machine "hallucinations" of false results will resolve, and generative AI will become faster, safer, and more accurate – a game-changer not just for business but society as a whole.

Let me put on my mathematical sciences hat for a moment, to share how shocked I was recently to hear a university professor specializing in artificial intelligence claim that "Generative AI is now capable of deductive reasoning."

This was stunning news. Generative AI has until now been deemed capable only of inductive reasoning, analyzing massive volumes of data to reach a probable conclusion using the large-language model. It was considered incapable of solving mathematical problems requiring deductive reasoning.

But AI recently solved a proof problem in geometry by combining a language model with a symbolic deduction engine that derives conclusions by applying logical rules to symbols. Programming is a way of logical reasoning, so AI's

ability to write its own program to solve a proof problem shows deductive reasoning capability – a genuine paradigm shift.

In a column for our MUFG Report last year, I wrote that AI still fell short of truly understanding topics discussed in pages like these – but apparently over the past year, it has drawn closer to upending that assumption.

Eventually – maybe soon – the primary difference between AI and humans might be blood & bone, and emotions. Just as people with no experience in a given field can master it by gleaning knowledge from a deep library of various media, a world where AI can learn, grasp, and genuinely understand complex concepts seems just around the corner.

In our immediate future, AI will touch virtually everything, and only technology developed in tandem with AI will be able to maintain a competitive pace of productivity. "AI native" human resources will be required to integrate AI into all organizational aspects touching human behavior.

With this sense of urgency, we've established an intelligence team at MUFG, charged with addressing this question: How will AI change the world?

And this: How must MUFG change accordingly?

Now more than ever, humans are required to deepen and widen their cognition, comprehension, and capabilities of capturing the substance of complex matters. MUFG must ride the crest of this wave.

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matters beyond their business areas and positions. The cross-dynamic of their thoughts has become more robust with each meeting, and added depth to our discussions in forging the new MTBP.

This process ultimately led us to reaffirm the significance of our stated Purpose, to be “Committed to empowering a brighter future.” We concluded that the ideal state is for MUFG to embody this Purpose, our ‘reason for being,’ and it should be consistent across the mid- to long-term. The question was, how can we accomplish this through our next three-year plan?

Historically, societies have evolved with connections among nations, entities, communities, and individuals, drawing them together for prosperity and fulfillment.

With forces of division now threatening these bonds of connection, the ability to build and sustain bridges spanning all manner of borders becomes more significant. A bridge requires a trustworthy foundation – in our case, the trust earned through our long heritage, our formidable customer base, and the global reach of our network. MUFG group companies also have the unique ability to build meaningful

bridges connecting our diverse stakeholder communities. With these abilities, MUFG intends to play a cohesive societal role by bringing various stakeholder communities together through financial empowerment.

This concept is central to embodying our Purpose through our new MTBP.

#### Review of our previous three-year plan.

During our previous MTBP, we defined our stated Purpose, shifted our management focus to foster more colleague engagement, and instigated cultural reform. We directed management attention squarely toward return on equity. And we achieved results related to each of the plan’s pillars: Corporate Transformation, Growth Strategy, and Structural Reform.

Over three years – in a challenging environment – we strengthened the earnings power and resilience of our business model. We substantially bolstered our risk-adjusted return by improving profitability without increasing risk-weighted assets.

Our net operating profit increased by about 600 billion yen over those three years, a multiple of approximately 1.5 times, primarily in customer segments. And completing the sale of Union Bank in the US was emblematic of structural reform, a demonstration of bold, decisive, swift, impactful action.

We repeatedly stated that ROE was our most significant commitment, and in the final year of that previous MTBP, ROE reached 8.5%, notably exceeding our 7.5% target. Share price tripled in three years, outperforming other megabanks and major global financial institutions. And in the near future, our

market capital is likely to achieve a top-ten rank. I feel confident the market appreciates our efforts.

Regarding shareholder return, we’ve maintained our progressive dividend policy and increased dividend-per-share for FY2023 to 41 yen, up from 25 yen in FY2020 – a 64% dividend growth. And we repurchased 1 trillion yen of shares during the plan’s three years, exceeding 2.2 trillion yen in total shareholder return.

#### Aspirations of our new three-year plan.

Building on successes of the previous plan, we position our new MTBP as “three years to pursue and produce growth.” We will deploy our growth strategies while addressing prominent social issues head-on, and speed our own transformation to improve corporate value. Because our earnings power improved during the previous plan and our business model grew more resilient, we’re deploying these strengths with singular focus to speed growth over the next three years.

We’re becoming more assertive in seizing opportunities presented by green transformation (“GX”), digital transformation (“DX”), and the normalized interest environment in Japan as we undergo structural transformation.

In an intensely competitive and mercurial environment, success requires assertive strategies – but also a solid foundation. To draw an analogy from the game of Go, success builds on boldly attacking an opponent’s territory while fortifying weak areas in your own. In business terms, this means deploying aggressive growth strategies while investing in human capital and infrastructure such as IT systems, AI, and data platforms.

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Pillars of the new MTBP.

Our new MTBP consists of three pillars, Expand & Refine Growth Strategies, Drive Social & Environmental Progress, and Accelerate Transformation & Innovation.

We developed the first pillar, Expand & Refine Growth Strategies, with analytics across areas of potential growth based on products and channels, then articulating seven strategies for maximum competitiveness in each sector.

These strategies include:

1. Enhancing our retail customer base to maximize LTV – lifetime value – and
2. Strengthening our succession business by accelerating the Corporate & Wealth Management model, primarily to generate growth in Japan.

Our overseas strategies include:

3. Collaboration between GCIB and Global Markets to build profit, and
4. Cooperation with partner banks for growth in Asia.

Our focus on

5. Asset Management and
6. GX

is on social issues and fortifying both economic value and social values as we

7. Build a new business portfolio to drive medium- to long-term growth.

A few key examples:

**Enhancing our retail customer base, in terms of strategy 1.**

Deploying this strategy requires targeted efforts, including

enhancing customer touchpoints with an optimal mix of face-to-face, remote, and digital channels. Business groups will create seamless connections among products and services

within our diverse portfolio and propose blends to match a customer's life stage. For instance, a customer with an MUFG Bank deposit account at the core might choose an option to

Column 2 | Taking Ownership of "Purpose"

In developing our new MTBP, we discussed what to embody as a leading Japanese financial institution from every pertinent angle we could reasonably conceive. This process led us to reaffirm the significance of our Purpose – to be "Committed to empowering a brighter future."

This corporate Purpose serves as a unifying force among diverse viewpoints in our leadership discussions. It is also an abiding North Star for decisions and actions we take every day.

To fully harness this 'power of purpose' at an organizational level, the ideal is for each colleague to internalize a personal interpretation of purpose through the lens of one's life work. This is why MUFG consistently offers and promotes opportunities for colleagues to gather and discuss their own view of 'purpose.'

When I share my view of what I call "My Way" – personal core values and beliefs – I say it was likely shaped by time in a Catholic kindergarten, where I was exposed to the daily practice of compassion and acceptance, and a natural inclination toward objective observation. These caused an early and lasting inflection point.

As I entered young adulthood and began considering my life's path, that early inflection translated into a clear desire: to make a useful contribution to society. I majored in mathematics at university and graduate school, but found myself at a crossroads, a choice between pursuing math at an academic level or entering the real-world workforce. Even now, the beauty of mathematics attracts me, but my drive to contribute directly to society won out.

Whenever discussing 'My Way' with colleagues, I touch on the importance of personal interpretations of the MUFG Way. 'My Way' encompasses individual beliefs and values, whereas the MUFG Way reflects the company's stated Purpose. An individual's interpretation of the MUFG Way represents the intersection where personal and corporate values coalesce – and ideally, align.

My personal definition of the MUFG Way involves providing our colleagues, and our stakeholders across society, with tools they can use to empower a brighter future. It is management's responsibility to create a transparent and worker-friendly environment that encourages us all to move forward. The more colleagues who process and apply the MUFG Way in a personal dimension, the stronger our company and its contributions become.

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bundle products and services as varied as credit cards, housing loans, and securities, while earning incentive points for choosing MUFG services.

Creative collaboration with external partners is valuable for developing fresh ideas to expand our customer base. Since 2022, MUFG has engaged in "Banking as a Service (BaaS)" to provide financial functions through third parties. For example, starting with "d smart bank" – a digital account-services product jointly developed with NTT DoCoMo – we have also promoted BaaS offerings such as asset-formulation support through a synergistic platform called "Money Canvas" in tandem with various corporations.

We have agreed on a capital and business alliance with WealthNavi Inc. as well, involving a platform providing "comprehensive proposals on money" tailored to each customer's life stage. Collaborations like this, with partners offering unique strengths, help our business grow with fresh ideas and new technologies.

#### **Cooperation with partner banks for growth in Asia, in terms of strategy 4.**

Unlocking the potential of our second mother market – Asia outside Japan – is key to our overseas growth strategy.

A decade has passed since we began investing in Asian partner banks. These partners have since grown significantly and helped us accrue business management expertise throughout the ASEAN region and establish a conventional financial platform in Asia. We now have the world's largest lending exposures in APAC outside of China and Hong Kong.

To build a unique economic zone for MUFG over the next

decade, we will consolidate the conventional platform with one newly created through investments in businesses that offer digital financial services. These investment targets will help us address the social issue of financial inclusion in Asia, through digitalized services for customers with little or no access to traditional financial tools.

#### **Supporting the government policy of "Promoting Japan as a Leading Asset Management Center," in terms of strategy 5.**

This policy is an ambitious project in which the government's goal is to connect excess capital – mainly from households, concentrated in deposits and savings – with GX and DX investments by large corporations, meeting funding needs of startups showing solid prospects. As this builds Japan's overall growth capacity, returns will be allocated to households, which will in turn be connected to new growth investments, completing a virtuous cycle.

This expansive project – not limited to Japan – will link investment capital to opportunities globally, and allow MUFG to contribute as a comprehensive financial services group, offering direct and indirect financial functions, touchpoints for a wide range of customers, and the reach of a global network.

Finally, we have decided to make Mitsubishi UFJ Asset Management a subsidiary of the holding company as the fourth foundational MUFG cornerstone, joining the Bank, Trust Bank, and Securities. We will enhance its capabilities and double its assets under management by the end of FY2029. We will also leverage revision of the Nippon Individual Savings Account system to support flow of funds from savings to investment, and promote financial literacy efforts to help each new generation flourish through financial and economic understanding.

These are some key examples, among others, of how our new MTBP strategies will generate growth in Japan and capture the upside of growth overseas, starting with Asia – while being socially relevant by promoting solutions to issues confronting the global community.

### The second pillar is to Drive Social & Environmental Progress.

In developing this pillar, we identified ten priority issues under the subheads Sustainable Society, Vibrant Society, and Resilient Society.

Given society's heightened interest in GX, serving economic and social values in tandem has become an integral component of building corporate value. To effectively build our own prosperity, we should serve not only customers' financial value but also stakeholders' social values.

For example, to achieve a carbon-neutral society, MUFG can serve social values by supporting technology emerging to reduce CO<sub>2</sub> emissions. This leads to new approaches being more widely recognized and ultimately integrated across society, with the effect of promoting decarbonization – and expanding economic value concurrently for customers and other stakeholders. Financial value, including interest and fees, will then accrue to MUFG in return for our services. Helping society move toward carbon neutrality will also build MUFG's social value. As illustrated above, it is vital for us to maintain a mindset of making connections among the economic and social values of MUFG and our stakeholders – not limited to customers – and enhance both forms of value synergistically.

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Our previous MTBP business strategies focused on social issues. Our new plan shifts into a higher gear with strong emphasis on social impact. We have set specific Key Performance Indicators – KPIs – for priority themes and will vigorously promote initiatives driving them.

Certain priority themes in our MTBP are especially pertinent: Climate change measures, natural capital, and biodiversity restoration.

Regarding climate change measures, MUFG issued a “Transition White Paper 2023” to promote understanding among stakeholders – notably, Western policymakers – of our internal initiatives and targets outlined in our Carbon Neutrality Declaration, and of Japan’s progress along its roadmap toward carbon neutrality. We followed this with the “MUFG Climate Report 2024” on our internal transition plan, including processes for achieving our own targets.

The keys to MUFG’s transition plan are disciplined support for transitioning, and monitoring progress toward our 2030 interim targets. The report aims to promote various stakeholders’ understanding of our transitioning plan and initiatives.

In July 2024, I assumed the chair of the Glasgow Financial Alliance for Net Zero (GFANZ) Japan Branch – the organization of financial institutions committed to accelerating decarbonization – and from this vantage point I intend to communicate our commitment to act responsibly on the path to carbon neutrality.

Natural capital and biodiversity restoration were also added to our priority themes. We published our MUFG Taskforce on Nature-related Financial Disclosures Report to promote

stakeholder understanding of our approach and the solutions we offer customers in this sphere. Specifically, we will support new technology with sustainability-related finance to the scale of 100 trillion yen by 2030.

A vibrant society requires innovative startups and growth industries that drive the economy. Accordingly, MUFG will pursue transactions to fuel startups that show strong growth potential and are linked to solutions for social issues.

We have found that entrepreneurs today tend to establish companies that address social issues, and have a keen awareness of social needs. They also make strong efforts to improve corporate value and keep their enterprises on that track. Perhaps most important, their beliefs and sense of purpose are reflected in their mission statements. We wish to be their partner of choice in every stage of their growth, providing support beyond financial services, such as helping develop business strategies, in a spirit of genuine collaboration.

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### The third pillar is to Accelerate Transformation & Innovation.

Cultural reform is the core of corporate transformation. Our previous MTBP emphasized what we call the MUFG Way – a pledge of shared values – and efforts to drive transformation. These included our headquarters building project, with its sensitivity to contemporary workstyles; open-application systems such as “MUFG SOUL”; CSR activities planned by employees; and Spark X, a new-business incubator, which among other ideas has produced new “PROTHIRD” outsourcing services for condominium Boards of Directors.

A common thread among these efforts is how voluntarily and passionately our colleagues engage in new projects. This indicates that a new mindset for welcoming challenges is taking root.

At the beginning of this message, I described encountering a former colleague on a walk through my neighborhood. That brief exchange supports a recent MUFG finding that close to 60% of our current colleagues feel that “the company has changed for the better.”

But much remains to be done. We must accelerate our transformation and focus more keenly on agility as an MUFG cultural value that can strengthen customer trust. This is why we revised how we express the MUFG Way by formally adding Agility to our list of stated corporate values.

To embed its practice into our culture, we will categorically assess agility in performance evaluations, procedures, meeting operations, roles, and authorizations, rigorously and without exception. We aim to become a company where each colleague is expected – and equipped – to think independently, make informed decisions, and act on them quickly.

It seems self-evident that colleagues are more engaged in a workplace with transparent communication, where opinions are shared freely in an open and frank atmosphere regardless of title or position, and – when assigned to a task – they can make quick decisions that lead to subsequent appropriate action.

To support this environment, we place a high priority on developing human capital. We intend to reward positive outcomes from colleagues fulfilling their own sense of purpose at work by encouraging them to take on new challenges, in line with incentives in our revised personnel policies. Going

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forward, we are dedicated to making substantial investments in a broad spectrum of human capital, which include offering our employees opportunities for skill development. This means aligning human-resources investments with business strategies, including an HR system geared toward enhancing professional skills in the Bank, Trust Bank, and Securities; and expanding education, training, and reskilling programs. We also promote DEI, health, and productivity management for frank exchange of diverse opinions among colleagues.

Our fundamental commitment to the aims of this pillar is to implement a range of corporate transformations for continued sustainable growth, including software that supports the base of all business activities, including cultural reform and human capital investment; enhancing AI and data platforms; and strengthening systems development resources.

### Awakening our full potential.

Every January 1, I choose a single Japanese “kanji” logographic character to represent a touchstone theme for the coming year. This year, I chose:

覚 (*Kaku*)

This means ‘awaken’ and reflects my desire to embrace a new era – to refocus my own life philosophy on a personal level; and on a professional level to arouse the formidable capabilities of MUFG as a positive force for change.

In January, I had the opportunity to host an interview session with Mr. Shohei Ohtani, the Los Angeles Dodgers baseball superstar and longstanding MUFG spokesperson. I asked, “In

terms of mountain climbing, how far are you from your own summit?” He said, “I’ve probably climbed 60 to 70% of the way.”

But he didn’t leave it at that; he went on to share his view that the projected height of a personal peak is aspirational and always subject to change. “I’m not at my summit,” he said, “and I’d like to make it higher.”

Ohtani was observing that those who actively seek growth are different from those satisfied with the status quo. Already having achieved so much, he still has not accepted limits and is recalibrating his potential ever higher.

Mr. Ohtani’s relentless pursuit of self-improvement is an inspiration to constantly challenge ourselves to grow, personally and professionally. He caused me to reaffirm my mission at MUFG – to awaken the full breadth and depth of our vast capabilities for growth and for social contribution.

We will keep addressing social issues while evolving our growth strategies, and press forward with our transformation into an entity that fully embodies our purpose of being “Committed to empowering a brighter future.”

I view our colleagues as the company itself. A team of dedicated, skilled professionals who think independently, communicate productively, and work together will by definition form a strong organization. We want people who ask themselves questions such as, What do I want to accomplish at MUFG? What excites me about my work? What gives me a sense of growth?

Financial institutions tend to be conservative – and there is deep virtue in steadiness and stability. But being responsible financiers



[https://www.bk.mufg.jp/admin/modal/ohtani\\_special/index/crosstalk.html](https://www.bk.mufg.jp/admin/modal/ohtani_special/index/crosstalk.html)

does not require hidebound thinking in ossified organizations. Instead, I envision MUFG as pursuing and producing vigorous growth, committed to a bright, sustainable future, and unafraid of change in honoring these ideals.

Just as that neighborhood jogger professed to me in person last autumn.

Thank you for your continued support as we strive toward these goals.

**Hironori Kamezawa**  
President & Group CEO