

Management Message

CEO Message



Beyond Awakening Envisioning a Future MUFG

Hironori Kamezawa

President & Group CEO

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Gratified & ready to manage through epic change

This message is written in an unsettling atmosphere, marked by turbulent shifts in tariff policies that are upending presumptions from earlier this year.

At the World Economic Forum meeting in Davos in January, I heard two dominant themes: the *United States and Artificial Intelligence*. Broad enthusiasm for the US was evident—marked by hope the American economy would push ahead with new deregulation and productive changes—with a sense of urgency to join the momentum and not miss out.

But barely three months later came a flurry of tariff discussions. The haphazard dynamics of these monumental market manipulations have been described as the biggest challenge to the global economic order in the 80 years since WWII ended.

The other dominant Davos topic was AI, a *de facto* component of virtually all discussions, and we didn't seem able to consider anything of substance free of its context. I was reminded again how profoundly this tectonic technology is destined to transform business—a process well underway, as we all know.

Can we dispute that these two Davos themes, forces of the current US administration and AI, are historic disrupters of the existing order? Can we visualize how they will alter society's global apparatus, even in the short time before this message is published? Clearly, no.

At the end of April I visited New York, then proceeded to

Europe at the beginning of May. As you might expect, I encountered a variety of thoughtful minds and perspectives—and it seemed clear that the heady Davos atmosphere had evaporated.

Uncertainty eclipsed excitement; a risk-off mood predominated; and funds and capital appeared to struggle in search of a destination. Some participants appeared apprehensive too, yet despite their anxieties sent signals that skimping on preparations to seize the next opportunity might be a mistake.

I intuitively felt this was going to be a tough but fascinating 2025, a year we'll likely look back on as an inflection point in history. At the same time, I felt grateful and honored to be in a CEO position during an epoch-shaping moment like this, leading an institution prepared to navigate wisely with substantive management.

When uncertainty and its risks abound, it's vital to integrate a sense of purpose with a sense of direction. This requires habitually weighing a host of factors and decisions with prudence and independence, which MUFG has done well in the past. Our environment has always been difficult, and management has never been easy. During the 20 years since MUFG was established, we have worked smart to interpret trends and forces, and worked hard to adapt to change. That is why MUFG is where we are today.

Below, I'll begin by recognizing the environment and identifying challenges related to the US and AI themes, among others, and explain how we intend to manage through today's uncertainty.

Ongoing environment and challenges

The current US administration policy shifts could be seen as a resurgence of conservatism. But if so, it's the first case I can remember in the absence of an economic crisis. Instead, they seem to spring from pent-up US dissatisfaction due to imbalances in the current international order.

It's important to understand this as a structural issue that can't be autonomously corrected in the present international monetary system. In fact, it's possible that it can't be solved at all without reforming the global economic order.

Given these circumstances, Japan needs to reformulate its national strategy for long-term economic growth. And as a representative financial group in Japan, MUFG has a responsibility to help generate robust growth in its economy. Fortunately, we've built a business portfolio and network that's unique among our global peers over the 20 years; there's much more we can do for Japan and the world by leveraging our capabilities.

Regarding AI, ChatGPT 4 sent shockwaves around the world when it was introduced in 2023, and its effect has snowballed ever since. In my CEO message two years ago, I wrote that AI was still incapable of genuinely "understanding" meaning. Last year, I wrote it had likely drawn closer to upending that assumption. Since then, generative AI has evolved remarkably with the release of OpenAI o1 by OpenAI.

And it continues to evolve. Research is advancing across borders and disciplines with diversity, divergence—and speed. These advances include mathematical approaches; quantum and other physical approaches; and biological approaches such

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as neuroscience, all with the potential for breathtaking leaps. Humans already outsource a portion of our thinking to AI, starting with the Digital Transformation of human thinking, and it likely has made much deeper inroads than we realize. What interests me most at the moment is what it means to *understand*.

A central question is what we humans actually do with language. I had always thought of it as a tool for communication, but when I was struggling with communicating in English when I worked in the US, it dawned on me that at its core, language is in fact a tool for thinking. Conversing in Japanese, like all native speakers I was subconsciously spinning an ongoing cycle of speaking while thinking and thinking while speaking. But because I could not think that fluidly in English, I really couldn't speak without inhibition or deepen my thinking through conversation.

You probably have experienced a conversation when something you hadn't realized suddenly became clear, when a point suddenly snapped into sharper focus as your perceptions began to shift and reorganize. This is language at work, guiding human beings to think and learn and understand.

Until now, digital and IT technologies have been external tools to support our activities. But generative AI has the potential not only to substitute for some elements of our thinking; it can also expand our intellectual horizons by actually *integrating* with our inner cognitive processes as they form our thoughts. How we grasp and capitalize on this potential is destined to be a key management theme for financial institutions, and indeed all sectors.

Mr. Marc Benioff, CEO of Salesforce, has said, "Today's CEOs are the final generation of executives who will lead exclusively human workforces." Future executives can expect to lead

Column 1

Essence of AI—Replacement and Expansion, Concrete and Abstract

What is the essence of AI? When reflecting on this question, I came across *Seisei AI jidai no gengoron* (Linguistics in the Era of Generative AI), a thought-provoking book by Professor Masachi Osawa, a renowned sociologist. It offered a wealth of insights that resonated with me. On impulse, I reached out to Prof. Osawa—and we ended up having a discussion.

I believe that humans are fundamentally better at abstraction and generalization. That said, using AI allows for deeper discussions—and in some cases, even higher levels of abstraction. When people talk about AI, the conversation often turns to concerns about replacement and job loss. Indeed, machines have long replaced human labor, IT systems have taken over clerical work, and now AI is capable of performing tasks that involve thinking. For example, some say that junior analysts may lose their roles because AI can efficiently handle part of corporate analysis. But I don't believe that this is the true essence of AI.

There is another important perspective—one I learned from Prof. Osawa—about how we take responsibility for failure. AI-generated answers can sometimes be wrong, and we must approach those outputs with a critical mindset. The key question is: are we prepared to take ownership of an AI



At a dialogue with Prof. Masachi Osawa

failure as if it were our own? We need to clearly define roles: AI may handle processes, but humans must maintain control of objectives. If we delegate even the task of setting the agenda to AI, we run the risk that it grabs it and runs.

What is required of us as human beings are a high level of thinking and the ability to act. Prof. Osawa remarked that humans have the potential to achieve breakthroughs by strategically leveraging AI as a disposable tool. I wholeheartedly agree. For humans, Liberal arts, with their timeless value, are essential for cultivating critical thinking. Equally important is building experiential knowledge—real-world wisdom that accumulates through action. At MUFG, we strive to steadily strengthen these capabilities in each colleague and evolve into an "AI native" organization that seamlessly integrates the strengths of both AI and human resources.

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organizations with the assumption that AI is part of the team. Our generation needs to prepare for that reality.

Looking back on 20 years of MUFG

MUFG is celebrating our 20th anniversary this year. When the company was established in 2005, I was launching a new department, the Credit Portfolio Management Office in the Credit Policy & Planning Division. To quantify and proactively manage credit risks is standard practice today, but it was a new concept back then, and support for the effort was scarce from both internal and external stakeholders. Still, as head of the new department, I brought my colleagues together and worked step-by-step to build the strategy, organization and policy & procedures.

Since then, MUFG has transformed significantly. Time after time, challenges like what I worked on two decades ago have risen throughout the organization. And today, I can see firsthand that by embracing these challenges, MUFG has evolved as a result of three significant transformations.

The first phase was to establish MUFG and build its foundation. During this period, we forged a business alliance with Morgan Stanley and strengthened our investment banking capabilities. In Japan, we launched Mitsubishi UFJ NICOS and made ACOM a subsidiary of MUFG. The group foundation established in this phase is still in place as our bedrock today.

In the second phase, we strengthened our presence in the ASEAN region. We were active investors in commercial banks across Asia, including Bank of Ayudhya (KS) in Thailand and Bank Danamon (BDI) in Indonesia, expanding our regional footprint. Combined with the first phase, this formed the basis for MUFG's unique business portfolio.

The third phase was marked by challenges to transform our business model. In Japan, we became more resilient; overseas, we shifted our focus from business quantity to business quality. Our growing earning power such as increasing fee income led to an increase in net profits. Remarkably, we improved our risk/return profile by placing more emphasis on profitability. We also consolidated branches in Japan to make our financial structure more muscular and lean.

With a new focus, we vigorously pursued acquisitions in the AM/IS field, invested in domestic and international digital fields, and established new funds. At the same time, we completed the sale of Union Bank, reinvigorated our portfolio decisively through swift investments and divestments, and inculcated the spirit of a new MUFG byword into our culture: *Agility*.

To bolster ROE management, we optimized the business portfolio in line with our stated *Purpose*, to be "Committed to empowering a brighter future" as the guiding principle for management

decisions. We consistently aimed our transformation at delivering financial capabilities aligned with contemporary needs. As these efforts bore fruit, in fiscal 2024 our profit doubled from its pre-pandemic level, and ROE improved significantly to 9.9%, achieving our medium- to long-term ROE target range of 9–10% while delivering quantity and quality growth.

Envisioning a future MUFG

With 20 years of history for hindsight, the question now is: Where is MUFG heading?

In May, we announced an increase in our medium- to long-term ROE target (with the standard defined by JPX) to 12%, and our aim to achieve market capitalization of 30 trillion yen. To succeed, we need to refine and strengthen the portfolio we've built over the years.

As Japan's largest financial institution, MUFG has a role to help drive the nation's industrial and energy policies, and fuel its growth along with that of our customers, especially as the Japanese economy is expected to continue on its dynamic new trajectory.

In the retail business, we will place "M-tto," a new service brand announced in May, at the center of the business, and build a resilient platform to coalesce our teeming customer base in cooperation with partner companies. We will meet challenges such as AM/IS, Asia, digital, and inorganic investment in growth regions like the US and India, while refining our unique portfolio accordingly.

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But beyond all this, the ultimate fact is that our business cannot grow and stay strong without helping resolve issues that hamper society. So our seven business groups will leverage their combined strengths to champion positive social and economic values on a global basis, and raise the corporate value of MUFG in the process.

At the same time, we will keep working on the linchpin of our business strategies, corporate transformation. Since my appointment as CEO, I've been advocating cultural reform to create an organization where colleagues are expected—and equipped—to think independently, make informed decisions, and act on them quite naturally.

AI will assume a vital role in this regard too, but while discussions on AI tend to focus on applications and use cases, what truly matters is whether we can build a highly functional foundation comprising data, processes, and rules—with AI in the mix. We're committed to unlocking and managing the value of data while building an environment where AI and humans can seamlessly engage, communicate, and collaborate in decision-making. AI agents will help us transform data into knowledge and knowledge into power. Envisioning the future beyond is exhilarating. As we pursue robust growth, we will transcend our current frontiers and transform into a thriving organization determined to bring innovation to society beyond what's expected of a traditional financial institution. This will propel us toward fulfilling our vision: to be the world's most trusted financial group.

Still, it must be said that all other measures of success in our business would crumble without the bedrock of trust. MUFG faced a serious misconduct case last year that shook that trust and the credibility we've carefully built over the years.

The entire industry felt the impact, and as CEO, obviously I take this extremely seriously. We are reviewing our risk awareness, our internal control systems, and our in-house rules top-to-bottom, and are committed to deploying all measures necessary to prevent any recurrence.

It bears repeating, again and again, that without the trust and confidence of our customers and society, we simply cannot perform or function—or ultimately even exist. No matter how society evolves, it's imperative to comply with its laws, regulations, social norms and ethical standards. This requires rock-steady judgment about what must change, and what absolutely must not.

Delivering on commitments to a brighter future*¹

Fulfilling our commitment to empowering a brighter future is at the strategic heart of our current Medium-term Business plan. We've recently made notable progress on its strategies, including "Driving Social & Environmental Progress."

A Confucian principle says, *Put righteousness before profit*. It clearly sets the priority—moral behavior is primary and paves the path to rewards. In the same spirit, as a financial institution we first have a duty to identify society's challenges and understand that our business exists to help overcome them. It's easy to reverse those priorities when we're immersed in our daily work. We have to pay active attention to keep them in the Confucian order: We're here to help solve social issues through the power of our financial services. Profit will follow. Not vice-versa.

I believe this so strongly that I envision MUFG ten years from now being defined by how well we honor those priorities. Our role and responsibilities are to connect the social and economic values of our customers with our own, and put them to work symbiotically.

In April, we published a paper, *Driving Social & Environmental Progress for our Brighter Future*, about MUFG's commitment to help solve social issues. We explain initiatives led by MUFG colleagues, the positive impact we wish to offer society, and the vision of a brighter future we commit to fulfill. That said, our journey in confronting society's challenges is far from complete. For example, when setting "impact indicators"—metrics assessing how our initiatives actually have a useful effect—we took the conspicuous challenge of defining quantitative targets to hit. Admittedly, we haven't been able to measure our impact across all concerns—yet. But with ongoing feedback from all manner of stakeholders, we will pursue and capture substantive data.

Seize the growth

Regarding the "profit" side of the Confucian "righteousness" principle, our MTBP is keenly focused on growth. As mentioned, we're refining and fortifying one of MUFG's greatest strengths—the unique business portfolio we've built over the past 20 years—to grow alongside the global and Japanese economies. We believe its unique and diversified profile is particularly powerful for uncertain times. So are the bold revisions we've made to our processes and structures to support sustainable growth.

 *1 MUFG Driving Social & Environmental Progress - for our Brighter Future



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Strengthening the domestic retail customer base

A strategic focus for MUFG is the relationship with our retail business in Japan, and the scale of its strong customer base. This enormous community is preparing to pass assets to the next generation, and we must build relationships with it, too. By transitioning Mitsubishi UFJ eSmart Securities and WealthNavi to wholly owned subsidiaries, and through the system integration of Mitsubishi UFJ NICOS, we're now more relevant and accessible to younger generations, while still familiar and convenient to customers across all age groups.

This May, we launched a new service brand, M-tto, with the core concept of creating "connection." This comprehensive, life-stage-based financial service offers people gentle support through their daily activities and spans entire life stages. As a first step, we seamlessly integrated various financial services around the MUFG Bank app. We also developed a new point-accrual program that makes it easy to earn credits from daily routines. These build value and can be conveniently used at Visa-affiliated merchants worldwide.

We plan to launch several additional initiatives in fiscal 2026, including a loyalty program rewarding customers for maintaining connection with the MUFG Group, and a unified point system across the Group, "M-tto Points." We are also establishing a new digital bank based on a fresh concept combining the best of both digital and physical face-to-face channels. And to become the trusted partner for major life events, such as inheritances, we're developing a digital platform to help transfer valuable assets to the next generation.

MUFG is already the only financial group in Japan offering the full range of financial services an individual might need

throughout a lifetime—from banking to trust and securities, settlement, and asset management. All these services, now seamlessly connected, set a standard of flexibility and responsiveness to individual needs as they change through life—assets to use, save, grow, and pass along—delivering financial services across generations.

The heart of our strategy is a steadfast commitment to the customer-first philosophy. Their convenience is top priority. We intend to deliver core financial services entirely within the MUFG Group with a *platform* strengthened by collaboration with external partners. M-tto will serve as a centerpiece to deepen connections with customers and collaboration across Group companies. Our goal is to become a truly integrated, thoroughly connected MUFG—and an exceptional platform provider.

Strengthening APAC business and platform resilience

Asia accounts for approximately 20% of MUFG revenue, and the world's largest lending exposure within the APAC region. KS and BDI have performed powerfully through retail services such as auto loans, helping drive a fivefold increase in net operating profits in Asia over the past decade. In fiscal 2024, profits reached a record high of around 500 billion yen. Despite emerging macroeconomic headwinds, including persistently high household debt, aging populations, and interest-rate cuts, the region's long-term growth potential remains high, and MUFG will continue to see Asia-Pacific as our second home market. We are committed to strengthening the competitiveness of our partner banks while building what we describe as an "MUFG Economic Sphere" through initiatives that include expanding digital investments, deepening collaboration with local conglomerates, and capturing growth opportunities in India.

In fiscal 2029—the final year of our next Medium-Term Business Plan three-year cycle—we aim to increase net income (excluding amortization of intangible assets) to approximately 1.6 times compared to fiscal 2024. As we grow our overall earnings in Asia and advance our "Asia x Digital" strategy [brief descriptive phrase], we will establish an even more stable and well-balanced business portfolio where digital businesses account for roughly 20% of the GCB Business Group's net operating profits.

It's also important to expand our business in Asia to help overcome social challenges using financial inclusion tools. By expanding access to financial services for a large population with limited choices, and creating new opportunities for commerce, we aim to help reduce poverty and elevate the quality of life throughout the region.

The GCIB-GM integrated model & collaborating with Morgan Stanley

Our business model took a major evolutionary step when the GCIB and GM Business Groups integrated operations; an initiative to build fee income through Origination & Distribution and cross-selling has produced steady results; and the balance sheet now shows notably better profit. Moving forward, we will further enhance risk diversification and risk-taking through strengthening our securitization business and other initiatives.

In particular, our business in the US—the world's largest economy—accounts for 30% of MUFG's total revenues. Following the sale of Union Bank in 2022, we shifted our management resources to focus on wholesale operations, a business that now offsets the decline in revenues after the sale while delivering strong profit growth. In project finance, one of

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MUFG's core strengths, we've maintained our No.1 position in the US for 15 consecutive years—and No. 1 in the world for three—consistently outperforming competitors.

Our partnership with Morgan Stanley continues to evolve steadily and warmly. In May, I had the opportunity to appear on stage with Morgan Stanley CEO Ted Pick at the Japan Summit, co-hosted by our two organizations. To an audience of around 2,000, we shared the achievements of our partnership so far, and our vision for the future. I've known Ted for more than 20 years, and at the Davos conference was invited to a small dinner hosted by Morgan Stanley. Ted introduced me to prominent investors and CEOs there, and shared a personal story from 2008—when MUFG first invested in Morgan Stanley—along with heartfelt words of appreciation. His sincere remarks moved me deeply.

This partnership is not only built on my relationship with Ted, but also on the expanding network of colleagues engaged across both organizations in joint efforts on a broadening range of activities. I truly feel that collaboration between our two firms is also deepening through many layers, and a unique and unparalleled relationship of trust has taken root. We will continue to build on this robust foundation of mutual trust as our partnership continues to grow in new dimensions.

Accelerate transformation & innovation

Cultural reform

Equipping MUFG to excel in a dynamic environment, I've championed cultural reform through *Challenge* and *Agility*—two themes newly added to our statement of *Values*. Cultural reform has come to the forefront of importance given how

deeply and quickly society is changing, thus requiring more nimble, less timid organizations. The key to showcase how “MUFG has changed” to outside observers is to transform the internal mindset of colleagues and create a culture hungry for the next new challenge. So instead of looking backward, our focus should face forward to what we want to become.

I remind colleagues that the future is not a simple extension of the present, and clinging to the present—much less the past—means we can never help shape our own future.

One key theme of our current MTBP is *Agility*. To build an organization able to quickly respond to new circumstances, we launched the *Agility Transformation Promotion Office*, a cross-functional team promoting collaboration across the organization, and began implementing agile management. We will expand this initiative across the organization to seed and feed corporate transformation.

Collaboration with digital companies in Japan and abroad has also encouraged cultural reform, in the sense that exposure to forward-facing technology helps invigorate the MUFG mindset. The CEO of one of our investees told me, “At first I assumed that as the biggest financial institution in the country, MUFG would be incredibly slow to act. But I've been astonished by how quickly decisions are made.” That's affirmation that our culture is in fact reforming, and more proof that working alongside stimulating partner cultures can inspire our own evolution.

Human capital management

Frankly, I'm not fond of the term “human capital.” I understand it's widely used, but I can't shake the feeling it treats people as assets—and that doesn't sit well with me. People should be

treated as people; our colleagues embody our company itself. A company has no intrinsic presence, but any one of our colleagues who directly interacts with the public shows our human face, offers our handshake of integrity, and makes the eye contact so vital to trust.

In June, we published the *Human Capital Report*, to express how, and how seriously, we value our colleagues. It states our beliefs about people and draws the connection between how they're treated and what we profess are our values. It describes the nature of people MUFG hopes to attract and develop, and the type of workplace we aim to create, where colleagues think for themselves and speak up with passion. I want MUFG to be an appealing company richly populated with such people.

Drawing strength from awakening 1,200 MUFG teams

“I want to awaken MUFG.”

This was the message I shared in last year's CEO Message. A year has passed since then, and my conviction has only grown stronger.

In April, we held our most comprehensive MUFG general managers meeting ever. Around 1200 department and branch managers from MUFG, the Bank, the Trust Bank, the Securities, NICOS, ACOM, Mitsubishi UFJ Asset Management, and our partner banks in Japan and abroad—these all came together for one event, the first in-person gathering of this scale since MUFG was established in 2005. It was a breathtaking moment for me.

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Of course, I took full advantage to convey my “awakening” message to these 1,200 general managers, and several approached me later to say “I will awaken my team” at the branch or division. That struck a chord with me. Behind those managers stand more than 150,000 colleagues. Considering MUFG is a collective of 1200 unique organizations, if each of these unleashes its potential and truly awakens, I am convinced that MUFG would be much stronger than ever.

Our company has earned trust through a long heritage of integrity, and is now supported by a formidable customer base, a global network, and the imposing strengths of our collective Group. My role as CEO is clear: to lead this impressive enterprise to its next transformation of cultural reform, remove

both visible and invisible barriers to agility and spirit, offer an open workplace where colleagues freely engage in thought, and build an environment where everyone can eagerly embrace challenges without fear of change, retribution, or even failure. Over the years, I’ve seen enough to know that those with the courage to welcome what’s new are those who open doors to the future. Supporting this process of awakening is my mission and responsibility.

Precisely because of the power of change, certain things must stay constant. Among them is fidelity to purpose. MUFG’s stated *Purpose* to be *Committed to empowering a brighter future* for all stakeholders demands that we anchor ourselves in its ethos.

As each colleague develops the ability to think independently, make informed decisions, and act with speed and resolve, one by one we move closer to an awakened MUFG.

Putting righteousness first and profit second, we can produce profound social and economic value, and meet our responsibility to serve stakeholders with integrity that deserves their trust.

The view from my window shows on the horizon a future MUFG, awake with a vision to pioneer far ahead.

Hironori Kamezawa
President & Group CEO

Column 2

Another CEO Message^{*2}

I began to wonder—could AI write a CEO message?

With that question in mind, I decided to experiment with generative AI and created an “AI version” of the CEO Message.

I had the AI study my past CEO Messages, as well as my external and internal communications, along with evaluation criteria from external agencies who review the integrated reports. The AI tool also referred to the CEO messages of Mr. Masahiro Okafuji, Chairman & CEO of ITOCHU Corporation—whose integrated reports consistently receive high praise.

The first draft the AI produced was well-written but felt flat and impersonal. As Prof. Osawa observed, “AI’s output is excellent, but average”—and that was exactly the impression it left. Still, there were some moments that made me think, That’s clever or That’s insightful. Using those AI-generated expressions as a starting point, I was also able to deepen my own thinking and truly experience how AI can help expand the thought process.

Please feel free to check out the AI-generated version. We will continue expanding our use of AI in various fields.

^{*2} AI CEO Message

