Investor Presentation for FY2024

Main Q&A

Q. What was the rationale for revising the mid- to long-term ROE target to approximately 12%?

A. The mid- to long-term ROE target assumes no additional gains from the sale of equity holdings, along with an increase in the BOJ policy rate that remains at a certain level. The target considers the effects of organic and inorganic strategies, as well as share repurchases. For other criteria, we believe that a share price of ¥3,100 and a market capitalization of around ¥30 trillion may be possible, depending on the assumptions. During the previous Medium-Term Business Plan (MTBP), we announced the ROE target at 7.5% as the minimum level which is necessary to gain positive recognition from the capital market. It was initially seen as an ambitious target, but we focused on enhancing risk-returns, increasing commission fees, and investing in digital and AM/IS areas to diversify profit sources under the negative interest rate environment in Japan. As a result, a 10% ROE is now within sight, with the rise in interest rates. It could be increased to about 11% with organic growth, but to demonstrate our ambition for further growth, we have set the mid- to long-term ROE target at around 12%. To reach this goal, we must increase net operating profits by about ¥1 trillion and we believe we can generate roughly half of this through increased interest income and organic growth. The other half is projected to come from investment banking business and investments in growth areas including AM/IS, digital, and Asia. In the investment banking business, significant progress is being made in the GCIB area, and since notable changes has been observed domestically, we have expectations for further improvements in profitability.

Q. Is the mid- to long-term ROE target based on the assumption of catching up with major US banks?

A. Our aim is not to catch up with major US banks, given that our main markets and business portfolios differ. The target was established with consideration for MUFG’s potential to grow as Japan's largest financial institution, while also recognizing that half of our portfolio's profits are generated overseas.

Q. When do you expect to achieve the mid- to long-term ROE target? What level will the CET1 ratio be?

A. We have not specified a timeline and the assessment of the impact of trade policies is necessary. First, we will focus on increasing ROE and expect the CET1 ratio to rise accordingly. We do not anticipate revising the target range of the CET1 ratio during this MTBP, but will discuss the treatment considering the relationship with unrealized gains on available-for-sale securities going forward.

Q. What was the background for setting the FY2025 financial targets? Do you have the means to manage downward pressure on profit if the business environment changes due to trade policies?

A. When we announced the current MTBP, we set the target of profit growth based on the assumption of no environmental tailwinds, such as rising yen interest rates, and presented the impact of those rising interest rates separately. However, this conservative assumption created the impression that the financial target was also conservative. This time, we kept that in mind and focused on creating a clear and simple plan.
To respond to changes in the business environment, we recorded an appropriate level of reserves in FY2024, considering the status of trade policies. We also rebalanced our bond portfolio and recorded a reasonable size of impairment losses. The plan indicates a goal we consider achievable at present, following the implementation of necessary measures. It will be reviewed if the business environment changes significantly. We believe similar measures would still be necessary even if we incorporated certain risks we recognize under current situation.

Q. When will you decide on the timing for announcing the financial targets for the final year of the MTBP? Additionally, what level of profit growth should be expected if the changes in the environment remain within expectations?

A. We cannot make a decision at the moment because we must carefully assess the business environment. There are several potential opportunities for decision-making, such as the second half of the year or April 2026. Countries including

Japan and China are promoting trade negotiations with the US under the 90-day temporary tariff reduction. It should become clearer by summer, and we will monitor the situation closely.
Based on past results, if the business environment remains within expectations, we believe the financial targets for the final year of the MTBP could include at least a ¥100.0 billion increase in profits attributable to the owners of the parent and a ROE slightly above 10%. However, there are various uncertain factors for FY2026. We will first focus on achieving the financial targets for FY2025.

Q. What is the outlook for the BOJ's monetary policy, and when should investments in domestic bonds be increased?

A. Currently, we anticipate a 25bps interest rate hike around March 2026. However, there are various views due to uncertainties, including the House of Councilors election in July, the status of trade negotiations, FX fluctuations, and changes in government bond ratings in countries. While we cannot disclose our investment policy on domestic bonds, if we assume that interest rates will rise, there might be a consideration of increasing investments when those rates become sufficiently high, although the current situation does not warrant a significant increase in our position.

Q. Considering the impact of the current tariff negotiations, can we expect sustainable growth in customer segment profits?

A. We believe that customer segments will maintain strong profit growth. We have focused on enhancing the resilience of the domestic business and revitalizing the overseas business to redesign our business model and improve risk-returns. A disciplined RWA allocation, implementing an evaluation system for the front office based on that policy, and diversification of profit sources have led to improved lending spreads and increased commission fees in Japan. Overseas, we divested MUFG Union Bank and redirected resources to the wholesale business in the U.S. We are also promoting reforms toward the O&D business model. The actual growth status may be difficult to gauge solely by nominal figures like loan balances and spreads, but commission fees, which we prioritize, are rising in terms of both stock- and flow-based fees.
We believe that stock-type fees will not be significantly affected by trade policies. Among flow-type fees, ECM/DCM-related fees may decline, but demand for

commercial banking services should increase in such a scenario. We believe that profit growth in customer segments is sustainable since the functions we provide and related commission fees have been diversified among Japan and abroad.

Q. The outlook for capital allocation regarding FY2025 assumes utilizing capital for increasing RWA and growth investment. What specific assumptions have been made?

A. Regarding RWA, reducing low-profitability assets has been progressing ahead of schedule. We will further increase high-profitability assets and utilize capital for growth investments if good opportunities arise.

Q. Commission fees have increased significantly, but since it includes the impact of FX fluctuation, is there a possibility that the pace of growth will slow down going forward? To achieve mid- to long-term ROE target of around 12%, are there any other businesses aside from the areas mentioned that you have expectations for growth?

A. Commission fees include the impact of the weak yen, etc., and needs to be adjusted. However, the growth in foreign exchange and settlement profits comes from consistent pricing negotiations largely in Japan, and therefore, has further room for improvement. Fees associated with overseas loans are increasing due to advancements in O&D initiatives in the U.S. and given that we plan to promote these initiatives in Europe going forward, there is potential for additional growth. In the AM/IS area, MUAM’s assets under management (AuM) are increasing steadily due to the initiative to make Japan a leading asset management center. Moreover, we can expect growth from acquired companies. The investment banking business will also be expanded to meet the mid- to long-term ROE target, and we will keep pursuing inorganic growth. Therefore, we do not expect the pace of growth to slow down.

Q. Will there be a shift in bond investments due to the progress made in selling equity holdings?

A. The bond investment policy will not change significantly for now. Our balance sheet has expanded to ¥400 trillion, primarily due to a substantial increase in deposits. While we also need to increase loans, the improvements made in efficiency with O&D mean that loans are not growing at the same pace as deposits; therefore, we are covering the difference with investment securities. Since stock and bond prices have a negative correlation, we have been able to take positions leveraging this relationship. However, as the sale of equity holdings progresses, we must consider long-term strategies.

Q. The target for net profits before amortization of intangible assets in Asia for FY2029 is 1.6x higher than that for FY2024. What is the breakdown, including organic and inorganic growth?

A. For growth investment, we have already invested approximately ¥600 billion in the Asia x digital area since the previous MTBP period. In addition to the growth of our investees, we believe these investments will contribute to profits by FY2029 through collaboration with MUFG Group companies, including partner banks. and we will continue to consider investments for growth in the Asia x digital area. However, since new investments may not immediately contribute to earnings, we will primarily achieve profit growth through our existing investees.

Q. For improvement of the domestic lending rate, how is the difference among peers being analyzed?

A. We believe there is room for improvement. The FY2024 Q4 lending spread for large corporates remained flat, partly due to the impact of a repayment on a large LBO transaction. The proportion of high profitable products are shown on page 51, and it is growing in both large corporates and SMEs. Within the loan portfolio, fixed-rate loans still make up a substantial proportion, although the percentage of floating-rate loans has slightly increased over the past year. We believe this is a sign of a delayed effect compared to our peers, considering the time lag in rate negotiations.

Q. What is your assessment of the current status of the Group-integrated strategy for mass retail business?

A. We lagged in proactive strategies, particularly regarding credit cards. However, thanks to various measures, number of new account openings and card memberships have started to increase. The framework for implementing proactive strategies is being established, supported by the rebound in the housing loan balance, the wholly-owned subsidiary of Mitsubishi UFJ eSmart Securities and WealthNavi, and the NICOS systems integration being on track. We are closely analyzing the status of our peers and believe they have yet to establish a viable business model. We will leverage the advantages of being a late starter. It is essential to ensure maximum utilization of our services that generate fees within our financial economic sphere and capture 100% of the profits at MUFG. As fees decline across the industry and competition for monetization intensifies, we aim to boost profits by ensuring that our customers utilize multiple products and services for a longer period.

Q. What is your approach towards growth investment in India, and what is the uniqueness of MUFG in Asia?

A. India is our missing piece. We believe that finding a strong partner is the key, and we will continue our search.
MUFG has two unique advantages in Asia. Firstly, we have one of the world's largest loan balances in the APAC region (excluding China and Hong Kong), and secondly, we have built a solid presence in the Asia x digital area. We have opportunities to touch upon potential acquisitions and partnerships, and have developed an ecosystem in which a rebound in the regional economy will enhance MUFG's profits.

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