Q: The macro-economic assumptions that form the basis for MUFG’s Medium-term Business Plan appear to include an assumption that the unsecured call rate will increase in fiscal 2014. If the interest rate environment doesn’t change from the current situation, will your net income estimation level of 800 billion yen for fiscal 2014 change?
A: Since we are assuming an increase in the unsecured call rate in latter part of fiscal 2014, the effect of this on our net income estimation is minimal. Basically, we formulated our Medium-term Business Plan on the basis that the current interest rate environment will generally persist.

Q: It seems that you are almost achieving the target of having your Common Equity Tier 1 ratio to exceed 9.5%. Would it be correct to assume that you will prioritize achieving this target before considering further shareholder returns?
A: We are assuming the G-SIFIs surcharge level applicable to us will be 1 to 1.5% rather than 2 to 2.5% because investment banking is not our main business. Assuming that is the case, you could say that we have already achieved the required level. However, from an operational perspective, we believe a degree of capital buffer is necessary. Therefore, we will take a flexible approach in our capital strategy. We are not saying that “Until we achieve 9.5% we won’t do strategic investments nor consider further returns to shareholders.”

Regarding dividends, our goal is to steadily increase the dividends per share by strengthening our platform to generate profits on a sustainable basis. We are not thinking that it is the best to continue a 12 yen dividend per year. If there are no good investment opportunities to utilize our capital, we may consider buying back shares as an option as well. However, we cannot definitively fix our plan beforehand and will manage our business and capital with the 9.5% Common Equity Tier1 ratio in mind.
Q: There is a debate on how to treat the interest rate risk in banking account under capital regulation. What is your thinking on the risks of holding JGBs?

A: There is an ongoing debate about the regulations relating to ALM. Moreover, as a general matter, we do not want net gains on sales of debt securities to be a major factor in our financial results. On the other hand, we do not believe that future regulatory developments will completely prohibit ALM activities. We believe, under both Basel III and IFRS, certain levels of ALM activities will be allowed taking into account the circumstances of each country. However, we do not want to have excessive expectations and our Medium-term Business Plan was formulated on that basis.

Q: It could be said that Retail business is facing a difficult environment from tougher competition in housing loan interest rates, etc. Do you believe that the Retail business will continue to be a driver of earnings?

A: The loan spread on housing loans is certainly narrowing and income from housing loans in general is expected to decline. On the other hand, in investment product sales, we believe that we can use our strengths to cross-sell in order to grow faster than the overall market. The Retail business is rooted in deposits. Currently it isn’t generating profits because of the historically low interest rates environment. However, once interest rates begin to go up, it can be a source to generate several hundred billion yen of revenue. For our banking business, retail deposits are the basis of business and provide a safety valve for us. Accordingly, we will continue to put effort into this business. We will also work hard in further developing our internet and electronic banking operations. Although they may not contribute to earnings during this Medium-term Business Plan period, we are making IT investments for the future. We plan to lay the foundations in this three year period in order to claim the overwhelming number one spot in the future.