

FY2013 Interim Results Presentation

Main Q&A

Q: It seems that domestic corporate lending growth has slowed since six months ago. What is your outlook for the second half? Also, how long do you expect it will take for the increase in capex to contribute to increased bank lending?

A: Since last year, the lending balance has increased due primarily to demand for funds from large companies, such as for large-scale M&A finance and lending to electric power companies. Although the decline in the lending balance to medium-size firms and SMEs has continued, recently the situation seems to be changing. The balance of lending to medium-size firms has turned upward, while the rate of decline in lending to SMEs has decreased. Under Abenomics, we expect increased demand for funds to emerge next year. We believe that factors such as regulatory reform will improve managers' sentiment, leading to moves to implement new capex.

Q: What is your view on the balance between ASEAN countries and China in strategy in Asia?

A: In May the moves towards ending monetary easing in the U.S. also had an impact on ASEAN countries, but these effects seem to be stabilizing currently. There is a view that when monetary easing finally ends it will have a larger effect, but some believe that this has already been discounted in the markets and will not have a large effect, but looking ahead we need to exercise caution.

Although there are a couple of different views of Chinese economy, China has clearly expressed the intention to pursue economic reform and this is a positive step for future growth. The establishment of a trial free trade zone in Shanghai is another factor that creates expectation for future growth accompanying deregulation.

Both the ASEAN countries and China are important regions for our Asia strategy, and we believe it is important to keep a well balance between those countries.

Q: Despite MUFG's good business results, its PBR is less than 1.0; how do you see the current share price?

A: Regarding the current share price, I feel responsibility as a President & CEO, and

find it unsatisfactory that the PBR is less than 1.0. I think that the market may see the results we have achieved as insufficient, or that we haven't gained sufficient trust regarding sustained growth in the future. In order to improve the market valuation we have to show results. We have been doing what we need to do strategically, and we have also done what we said we would do. Looking ahead we hope to show the benefits of what we have done in our results.

Q: Tell me about the priorities of your capital policy and MUFG's policy on share buybacks.

A: Our capital policy is to enhance further shareholder returns and make strategic investment for sustainable growth while maintaining solid equity capital. Regarding maintaining solid equity capital, we regard it to be considered excluding unrealized gains on marketable securities. Viewed this way, excluding unrealized gains on marketable securities (1.7%) from our CET1 ratio (11.6%), we can consider our capital policy base as 9.9%.

In our medium-term business plan, our target CET1 ratio is 9.5%; MUFG's required equity capital of 8.5% plus a one percent buffer. There is no change to this. Regarding future share buybacks, based on the current level of 9.9% we will make decisions taking into account the overall effects of such factors as the share acquisition of Bank of Ayudhya (a maximum effect of minus 0.6%), increases or decreases in risk assets, and profits.

Q: Regarding JGBs, I understand that as the BOJ is progressively buying JGBs, basically MUFG will be reducing its holdings. For example, when interest rates rise with the end of monetary easing in the U.S., will MUFG then increase its JGB balance again? Also, what are your thoughts on reorganizing your portfolio?

A: Theoretically, our JGB balance decreases as the BOJ purchases more JGBs, and when interest rates stop falling and start rising again we will restore our balance of JGBs.

Regarding portfolio reorganization, as our JGB balance decreased we slightly increased our foreign bond holdings, but we temporarily halted this after seeing the market's movements in May. As a result, our deposits with the BOJ have been kept at high level. As markets are continually moving our portfolio structure will be along with such movements.