MUFG Investors Day 2023
Main Q&A

<u>Digital Service Business Group (DS)</u>

Q: Please explain the strategy for consumer finance (CF) business.

A: Customer demand is increasing, and we want to maintain the growth of the CF business, leveraging the competitive edge of ACOM and MUFG Bank and ACOM's superior credit management capabilities. In addition, Kanmu, Inc. has become a consolidated subsidiary. Its product Vandle Card is popular mainly with the younger generation, and we would like to expand the younger customer base through Kanmu.

Q: Cost reduction had been the driver for ROE improvement, but personnel and non-personnel expenses are expected to increase. Please explain the outlook for expense ratio and ROE for the next three years.

A: During the current Medium-Term Business Plan (MTBP) period, cost reduction through branch network optimization was the driver for improving ROE. However, the branch optimization phase has completed, and we intend to expand customer touchpoints. We must increase the touchpoints while controlling the cost for the next MTBP. We expect to increase light offices in railway stations and malls flexibly, and our branch optimization efforts have enabled flexible channel developments.
In addition, we want to reduce the administration volume at call centers and branch counters by enhancing procedures that can be completed using apps and increasing transactions with tablets to reduce costs.

Q: What was the factor for the +1.5ppt revision of the ROE target for fiscal 2023?

A: Main reason for the target ROE exceeding the original target is the larger than expected cost reduction due to the reduction of the number of branches and volume of administration, mainly for MUFG Bank.

Q: Do you think ROE can be improved in the next MTBP despite cost increases?

A: Compared to the current MTBP, we expect ROE improvement from cost reduction will be limited for the next MTBP. We must change our business model to improve the ROE.
Our challenge is that MUFG's extensive product line-up is not connected with each other. We're working on the "trees" but haven't created a "forest." We will take comprehensive actions to link the products.

Q: Please explain the challenges for improving Mitsubishi UFJ NICOS (NICOS) profitability and outlook.

A: NICOS is implementing systems integration to improve safety and reduce cost. At the same time, the initiatives to improve its function are continuing steadily.
In addition to efforts by NICOS on its own, we will provide Group-based support, such as customer referral to NICOS at the time of new account opening at MUFG Bank.
Furthermore, we want to engage in B to B to Small B, i.e., capture mass corporate transactions by providing services to companies that have large numbers of mass corporate customers.

Q: Please explain the current initiatives and outlook for utilizing new technologies, including AI.
A: We have started a trial of ChatGPT and plan to make it available to all bank employees by the end of the year. Based on the result of the demonstration, we expect considerable time saving through report summarization, etc. We also want to reduce costs by using ChatGPT for referencing internal procedures and responding to customer inquiries. Regarding quantum computing, we invested in Groovenauts and felt it could be used for various purposes.
AI may lead to a paradigm shift in the banking and financial services business. We are promoting measures with a Group-wide project team.

Q: Are you utilizing customer data on a Group-basis?
A: At present, there is minimal data linkage between group entities. However, the life time value (LTV) business must evolve, and we want to establish Group-based data.

Q: Please explain about challenges for cross-entity cooperation other than for NICOS.
A: Collaboration with au Kabucom is also a challenge. The outflow of funds from MUFG Bank to external internet securities accounts is increasing, and we want to guide this to au Kabucom accounts. To do this, transactions with au Kabucom must offer "benefits" for the customers. We will enhance cooperation.

Q: Are you actually calculating the LTV figures? Or is it still at a conceptual stage?
A: We have just started LTV calculation by entity and do not have presentable data.
Timing for earning revenues by generation differs by entity. We will improve LTV management by collecting data from each entity.

Q: Please explain the outlook and current pipeline for BaaS (Banking as a Service).
Also, what is the strength of MUFG's BaaS?
A: Functions customers require may involve overall financial functions or specific functions. Therefore, we plan to offer several different patterns of BaaS, such as "general banking type" and "specific function type." We want to differentiate by enabling customers to select the

functions they want to use from MUFG's wide range of services.

The number of projects in the pipeline is limited to single digits as the BaaS system is currently under development. However, we are leveraging MUFG's large corporate transaction base and contacting more than 100 businesses in cooperation with the Retail & Commercial Banking Business Group (R&C) and Japanese Corporate & Investment Banking Business Group (JCIB).

If a new customer is acquired through BaaS, the initial profit opportunity should involve account transfers and salary deposits. These may become revenues for Business Groups other than DS, and we believe DS's role includes providing a platform to all Business Groups. In addition, we will focus on initiatives to transition mass retail and mass corporate customers from DS to R&C and JCIB by focusing on LTV to contribute to the ROE improvement for other Business Groups.

Retail & Commercial Banking Business Group (R&C)

Q: Please explain the necessary measures and outlook for achieving the 7.5% Group ROE target in the next MTBP.

A: The 6.5% ROE target for fiscal 2023 is a 5% improvement compared to the final year of the previous MTBP. Steadily working on existing initiatives will improve ROE further. Efficiently source pipelines by focusing on corporate business-led wealth management (WM) business and increase fee income through such as real estate and asset management business to improve ROE. In addition, a higher yen interest rate should contribute to further revenue growth. In new areas, we are considering the creation of a common thread through the currently multi-faceted start-up investment strategies and scaling the corporate turnaround business.

Q: Investment assets from retail clients and pipelines based on business succession is expanding. Is this the result of the spread of the use of the WM digital platform?

A: Pipelines based on business succession are increasing due to the consolidation of corporate and retail WM business in branches. Clear visualization of Group cooperation through the WM digital platform has contributed.

Q: Please explain the background for the improvement of corporate loan spread between fiscal 2020 and fiscal 2022. Also, when do you think the spread will return to the level before the introduction of negative interest rates?

A: Loan spreads have bottomed out during the current MTBP. The change in the mindset of employees through disciplined pricing operations, including deal screening, had a significant impact. The base rate for loans will increase as the yen interest rate rises, so spread recovery is unlikely unless we negotiate steadily with customers. The appropriate interest rate level when current account under the Bank of Japan starts bearing interest will be carefully discussed during the preparation of the next MTBP.

Q: Please explain your assessment of fiscal 2022 investment assets from retail clients and fiscal 2023 outlook.

A: We focused on accumulating assets less affected by the market volatility for fiscal 2022, but it was a challenging year for the overall asset management business. For fiscal 2023, the investment trust fund distribution amount exceeded fiscal 2022 in banking and securities channels in June, and there is a steady demand for insurance for succession purposes, but there is a significant difference depending on products and channels. We have set a high target for fiscal 2023 and will carefully manage the progress.

Q: For foreign currency deposits, there is a risk of a decrease in spreads with increased expectations for higher interest rates from customers. What is your opinion?

A: We enjoyed the benefit of higher interest rates overseas in fiscal 2022, but the customer expectation may rise, and competition may intensify from the second half of fiscal 2023 to fiscal 2024. The foreign currency deposit spread has remained high since the start of fiscal 2023 and continues to contribute to our revenue, but it is expected to contract in the future.

Q: For yen-denominated loans that mature in fiscal 2023, what negotiations are being held to improve the spread?

A: Depending on the customer's view of rates, some convert from short-term to long-term borrowings. In such a case, careful pricing based on ratings and duration will be critical.
In addition, we can generate high-added-value loan transactions such as LBO loans. By establishing a team that covers funds who are the prospective buyers, we can flexibly originate LBO loans depending on the situation. For real estate, we have widened the deal approval range by ensuring thorough discussion between sales and credit. This has resulted in the execution of a total of about ¥30 billion in new loans in fiscal 2022.
We want to secure spreads in highly competitive SME lending through corporate turnaround businesses such as DIP finance and loans to high-net-worth customers.

Q: Please explain the categorization of the 200,000 corporate customers and 1,700,000 retail customers and strategies for each category.

A: We have about 240,000 corporate customers, of which about 2,600 are listed companies. There are about 15,000 large corporations and about 180,000 SMEs; the remainder are public service corporations and financial institutions. Many SMEs are reconsidering the significance of listing due to the Tokyo Stock Exchange reform, and there is a demand related to capital policy. Of the retail customers, about 500,000 are wealth management customers, and we will invest our resources in approximately 20,000 high-end customers.

Customer categorization leaves room for improvement, and we will continue to consider ways to efficiently support our customers and improve productivity.

Japanese Corporate & Investment Banking Business Group (JCIB)

Q: The profitability matrix on page 19 of the presentation indicates steady profitability improvement from fiscal 2020. Is there room for further profitability improvement in the next MTBP?

A: We improved profitability for about 60% of customers through the measures. We plan to maintain this pace of improvement with the same intensity.

Q: How much reduction of equity holdings is planned for the next MTBP period?

A: We expect to achieve the ¥500 billion reduction target for the current MTBP and will carefully follow through. The target for the next MTBP is currently being prepared. We will announce the details at a later date.

Q. Is there room to improve ROE for JCIB further in the next MTBP or beyond?

A: Fiscal 2022 ROE was 10%, and we set a high goal of 11% for fiscal 2023. JCIB will strive to drive ROE improvement for the whole of MUFG.

Q: Would you consider pursuing revenue volume if further ROE improvement becomes difficult?

A: The management believes balancing the volume and quality is critical. Our priority is not only the volume of revenue. We will maintain the quality for appropriate business operations.

Q: Foreign currency deposit spread has improved for fiscal 2022 and fiscal 2023. As the US interest rate hike seems to have stabilized, please explain your view on the spread outlook.

A: We expect the US dollar interest rate to stay at the current level during fiscal 2023, but we would like to continue to improve our spread at the current pace. Interest rates may peak in mid- to late-fiscal 2024, so we will implement appropriate pricing control with close attention to rate sensitivity.

Q: Yen loan spread has improved from 0.41% in fiscal 2021 to 0.47% in fiscal 2022. What is the expected level for fiscal 2023?

A: Spot-base spread has improved further from fiscal 2022 with our efforts to improve loan spreads, and we want to maintain this pace. This includes both the enhancement of risk-taking capabilities and the effect of spread improvement through regular negotiation with customers. Loans with high spreads account for around 10% of overall exposure but contribute about 30% of revenue. We want to steadily promote our efforts by balancing risk-taking and regular spread improvement.

Q: What is the level of investment balance for the co-creation of business for the next MTBP?

A: The next MTBP details are being reviewed. For example, the government expects over 150 trillion yen in GX (green transformation) investment in the next decade. We must keep a close eye on the progress of such initiatives.

Q: Please provide specific figures for the returns on investment for the co-creation business, if available.

A: The investment for the co-creation business is not positioned as an extension of regular business transactions, but it is a new risk-taking initiative. Therefore, we must carefully determine the risk and receive appropriate returns for our business through negotiation with the customers. Specifics will be announced when we make progress in the preparation of the next MTBP.

Q: What is the logic used for capital allocation to JCIB?

A: Capital allocation can be based on the economic capital approach using the assumption of various risks or the RWA approach. For JCIB, RWA is converted to capital, and ROE is calculated based on that capital.

Q: On equity holdings, what is the ultimate level you are aiming at? Will you aim at zero holdings or maintain a certain volume of truly significant equity holdings?

A: The reduction target for the next MTBP is being prepared. We have promoted reduction at a considerable pace until now. We will set the target for the next MTBP referencing external standards such as ISS (proxy advisory firm).

Global Commercial Banking Business Group (GCB)

Q: Where is the prospective area of growth in Asia? Please also explain the position you are aiming for in Asia.

A: We maintain our policy to prioritize the four ASEAN countries and develop business in surrounding countries. Since starting investment in Asia, we focused on building a commercial banking platform and enhancing/collaborating with partner banks. In the last few years, we have been building a foundation for digital financing and trying to find the optimal balance with the commercial banking business. We will be focusing on India, which has high growth potential. We already invested in DMI Finance and would like to make more investments.

Q: What is the level of ROE you will aim at in three years?

A: We want to aim at double digits ROE before deduction of goodwill amortization, etc. Due to the feature of the Business Group that expands business through inorganic growth, we cannot avoid amortization of goodwill. However, we want to contribute to the ROE for MUFG overall in terms of ROE after amortization.

Q: What was the cause of the increase in expenses for BDI?

A: BDI operated as a nonbank prior to our acquisition, with businesses with high yields, such as auto financing and micro financing, as the mainstay business. Therefore, they focused on capturing the volume of deposits by presenting high interest rates rather than appealing with settlement and savings features. As microfinancing contracted with the change in the regulatory environment, BDI enhanced corporate banking business as a new pillar of revenue through collaboration with MUFG. It achieved the No.1 growth in loan balance among the top ten Indonesian banks in fiscal 2022.

It needs to enhance consumer financing and retail banking business going forward and has invested in branches, IT, human resources, brand, etc., since the last fiscal year. Expenses have increased due to prioritizing investment for future sustainable growth over short-term revenue.

Q: What is the timing for BDI's ROE to exceed 10%, and what are the challenges for achieving that?

A: Organic growth takes time, so we are promoting enhancement and diversification of BDI's profitability by using some inorganic strategies such as the acquisition of a subsidiary of Home Credit, Mandala Multifinance, retail assets of Standard Chartered Bank, and establishment of the Garuda Fund. We expect some results during the next MTBP period.

Q: Will BDI be the most significant management issue for several years?

A: KS remains the revenue driver. As the Thai market matures, we are capturing growth opportunities in surrounding countries through M&A. The key will be how to turn them into revenue. On the other hand, BDI was significantly affected by COVID-19, and the quality of the business platform at the time of acquisition also differed from KS. Hence, it requires support from MUFG to build its revenue platform. KS and BDI will be the two pillars of revenue, and our primary strategy is to pursue the optimal balance between area expansion in surrounding countries and digital financing.

Q: With the sale of MUFG Union Bank (MUB), the Business Group is focused on Asia. Has this led to any changes in risk-taking capabilities and risk management methods?

A: In the six months since the sale of MUB in December 2022, we have completed five M&A transactions, and three announced transactions are scheduled to be completed by the end of this fiscal year or by Q1 next fiscal year. By reinvesting the capital obtained from the sale

of MUB, we are making steady progress in the digital financing initiatives in Asia.
In addition, the concentration of the business portfolio in Asia resulted in solid discussions and information sharing between the partner banks, leading to various ideas and acceleration of collaboration. Collaboration with partner banks such as Home Credit will increase.

Q: Please explain the impact of increased BDI personnel expenses due to inflation. Also, the retail segment accounts for a large portion of the loan balance for KS. Is the quality being managed?

A: Indonesia's average 10-year CPI has remained around 4%, and personnel expenses have exceeded the CPI for the whole banking industry. We believe it is a necessary cost to secure competitive personnel, but the headcount for BDI alone has been reduced from a maximum of over 30,000 to around 9,000. The personnel expense is being managed with discipline.
The ratio of retail loans has been increasing over the years for KS, but the operation is sound, with a relatively low percentage of non-performing loans compared with peers. KS has established a framework for controlling the quality of lending, from the credit analysis at the entry point, management during the term, and flexible revision of policies and guidelines, to collateral management and collection. They can maintain credit quality by applying this framework to acquired companies.

Q: The investment amount for digital financing is stated to be approximately ¥150.0 billion on page 29 of the presentation. Was this within projection? Will you be making similar size investments going forward?

A: M&A transactions depend on the situation of the target, so we don't manage it with investment budgets. On the other hand, investment capital is calculated for the whole Group and allocated to each Business Group. The ratio of Asian portfolio assets has increased with the sale of MUB, but we will continue to make investments with attention to disciplined return and by determining the quality of the business and management regardless of the size of the investment.

Global Corporate & Investment Banking Business Group (GCIB)

Q: Please explain the target ROE for the next MTBP and the composition for achieving the target.

A: Given MUFG as a whole is aiming at 9-10% ROE for the medium- to long-term, GCIB would like to achieve at least double-digit ROE. The key drivers that would make this possible include Balance Sheet Optimization (BSO), enhancement in O&D/OtoD, and investment in new businesses.
For new businesses, we will leverage the Mars Growth Capital (Mars)'s expertise into other regions and collaboration with Morgan Stanley (MS). Profit contribution by Mars for fiscal

2022 was approximately ¥1Bn on net profits basis. We will target approximately ¥3Bn in fiscal 2023 and aim at further growth and profit increase from the next MTBP onwards.

Q: Please explain the background for the significant reduction of RWA for low profitability assets below GCIB's ROE target.

A: The number of low-profitability clients had been reduced by approximately 40% as a result of disciplined quad-based portfolio management and capturing cross sell opportunities of flow products. Profitability was monitored regularly based on shared KPIs throughout all regions. Disciplined deal screening was performed to approve new transactions.

Q: The plan for fiscal 2023 is to increase RWA and improve ROE in parallel. Please explain the growth driver and focus area for this.

A: We consider middle market direct lending to be the growth driver, hence upon the sale of MUB, we incorporated its middle market and wholesale banking business into GCIB. In addition, we recruited 25 people with extensive experience both in lines of business and credit in Emerging Tech business from the Silicon Valley Bank. In this area, we aim to efficiently operate utilizing Mars' AI technology and expertise.

For institutional investors' business, we will further promote secured finance, which steadily performs, and flow product business initiatives jointly operated with Global Markets Business Group.

Q: The ratio of low profitability assets (total RWA basis) is improving by 4ppt annually. Will you be able to maintain this pace for the next MTBP or in the medium- to long-term?

A: Maintaining this pace may be unrealistic as difficult negotiations with our clients are expected. However, we will make steady and unrelenting efforts, including continuous uplift in profitability hurdle. For fiscal 2022, the most significant improvement was recorded in Asia. Many companies in Asia do not have external ratings, which tends to increase RWA if the Basel III standardized approach (SA) floor is applied. There is room for improvement around this.

Q: Please explain the impact of uncertainty on the timing of the finalization of Basel III and the possibility of more stringent liquidity requirements on the U.S. business.

A: Application of the SA floor may lower the ROE for shorter period transactions, but the impact of the SA floor should be insignificant as we already have a model for supply-chain finance where deals are originated and then sold to investors.

Regarding non-JPY liquidity, we have been enforcing stricter requirements such as enhanced monitoring by the committee with relevant departments such as risk management, credit, and treasury, and reduction in unused non-JPY commitment lines. Released RWA will be allocated to transactions with higher margin, such as secured finance and U.S. direct lending.

Q: Will the RWAs which are released through BSO be allocated to other businesses in GCIB, or will part of it be distributed to other Business Groups?

A: Basically, released RWAs will be allocated to other areas within GCIB. For example, it can be allocated to project finance for infrastructure and renewable energy projects, where demand is growing and MUFG has strength. Project finance was once an asset heavy business and tenor was long, but it has gradually pivoted to a high-profitability O&D/OtoD type of business.

Q: DCM and ECM had low demand in fiscal 2022. Please explain the status of the pipeline for the next 12 months.

A: The market environment was challenging for DCM in fiscal 2022, but the demand at the moment is not as weak as we expected. However, recovery of non-investment grade (Non-IG) markets may take longer. For fiscal 2023, we have positively made progress compared to the plan so far, and we believe the targets can be achieved unless a significant recession occurs. We do not engage in ECM and M&A advisory services by our own, but instead we leverage MS's strong capability.

Q: Who are the competitors for direct lending? Also, please explain why you are seeking to strengthen direct lending.

A: The main competitors are institutional investors, private equity firms, and sponsor companies.

The reason for strengthening direct lending is due to expectation of high-margin lending while reducing the unused balance of non-JPY commitment lines. We will control risks by focusing on sponsor-led companies industries/asset classes where MUFG has strength. We do not expect direct lending to comprise the majority of our balance sheet.

Global Markets Business Group

Q: Please explain the purpose and background for the "Alliance 2.0" FX trading business collaboration. Also, what is its level of financial impact?

A: Our awareness of challenges caused by the intensified competition in the FX business is as stated in the press release. Under this awareness, the collaboration aims to utilize the advanced platform of MS and leverage the mutually complementary strength of the companies in customer segments, regions, and currencies to benefit from the economy of scale and provide better services to customers. For example, by internalizing the transaction flows of both companies through mutually complementary relationships, profitability is expected to improve with the increase in internal married transactions. This will further enhance pricing capacities enabling us to maintain and expand transaction volume and revenue even in a competitive environment where limited companies increasingly dominate transaction flow. Certain trading functions such as determination of quoted market prices, unusual transactions (spot/overnight), and foreign currency funding transactions such as currency swaps and medium- to long-term yen investment by the MUFG Bank will remain in the bank.

The strategic decision was driven by the determination and intention to mitigate future risks in the business areas through immediate collaboration efforts. Right after my appointment as the Group Head at the start of fiscal 2022, I contacted Ted Pick of MS directly to discuss the detailed idea, which led to a wider discussion. Sharing the awareness of issues and a sense of crisis between the top managements from the beginning led to building a trusting relationship and became the driving force of promoting this collaboration among all layers. MUFG expects an annual financial impact of over ¥10 billion to ¥20 billion as synergy effects on ordinary profits basis, from the third year onwards. There will be several billion yen of system investment, including the IT systems connection between MUFG Bank and MS, and setting up anonymous customer name functions. The cost will be shared equally, and several hundred million yen of amortized cost will be incurred annually for a certain period. On the other hand, the capital used for the maintenance and development of in-house IT systems can be allocated to the maintenance and enhancement of MS IT system platform. A proportionate excess of IT-related human resources created in MUFG Bank can be assigned to other business/systems projects.

Q: Recent interest rate environment seems difficult for securing capital gain. Please explain the details of the method for accumulating capital gain through treasury operation.

A: Treasury profit had a strong start for fiscal 2023. We have secured reasonable revenue ahead of the plan, including through the flexible operation of accumulating long-position in the U.S. Treasury in Q4 fiscal 2022 when the interest rate increased and selling them in Q1 fiscal 2023 when the interest rate decreased. For fiscal 2023, we aim to offset the deteriorating financial income with capital gains. We are likely to exceed the target.

Q: Please explain the details of the enhancement of pricing capability through economy of scale in the “Alliance 2.0” FX trading business collaboration. In addition, what is the positioning you will aim for in the FX area?

A: In terms of enhancing the pricing capabilities, the quoting speed will approximately double, and capacity for accepting trades will increase substantially. In addition, latency will be reduced correspondingly. In terms of enhancing the products and services line-up, currency-pair coverage will increase by more than three times, and we can also provide more detailed services according to the customer’s needs by installing sophisticated trading algorithms. These services will be provided via PC browsers and apps, leading to further customer convenience. Regarding the positioning in the industry, MUFG Bank will aim for the top presence in FX business in Asia. Through this collaboration, we will likely be among the top 5 in Asia.

Q: Please explain your current opinion on the possibility and outlook for the BOJ to change its monetary policy.

A: As I stated in the interviews with the Nikkei on April 12 and Jiji Press on May 20, we expect BOJ to review or end the yield curve control at the Monetary Policy Meeting on July 28th or in October. They may start revising the negative interest rate policy as early as 4Q fiscal 2023, but our main scenario is fiscal 2024 onwards.

Q: Please explain the risk of downgrading for JGB and its negative effect on foreign currency funding, including scenarios of downgrading of country rating to "BBB" and "BB."

A: We believe the most significant point for evaluation of government bonds by rating agencies is the "stable absorption of government bonds," followed by "sharp depreciation of the currency, and consistent current account deficit," etc. Regarding "stable absorption of government bonds," the key is to what extent this can be secured by the outright purchase of JGBs by the BOJ when it shifts from Quantitative and Qualitative Monetary Easing (QQE) to normalization. Note that it would be difficult for deposit-taking financial institutions to hold JGB positions equivalent to the pre-QQE level due to the continued increase in issuance during the period and more stringent financial regulations. In contrast to a decade ago, before the QQE started, BOJ currently holds approximately 50% of JGBs, whereas the share of deposit-taking financial institutions decreased to less than 10%. The capacity of deposit-taking financial institutions to purchase JGBs in the future is expected to be about 30% of the amount currently held by the BOJ, considering the regulatory environment and other issues. It would be difficult to absorb the position presently held by BOJ as they did in the past. Hence, the assessment of the risk of JGB downgrading, i.e., from the feasibility of stable absorption to the medium- to long-term impact on Japanese interest rates, will heavily rely on the composition of JGB buyers that would replace BOJ, including foreign investors. Please also refer to the material for my presentation on the theme of "Stable Absorption of the Government Bond" at the 3rd round of the Study Group on Government Debt Management held by the Ministry of Finance on Friday, June 2, 2023, available on the MoF website. (Japanese only)

If the country rating for Japan is downgraded from "A" to "BBB," it will at least affect foreign currency funding from the sovereign accounts of other countries using JGB as collateral. This will negatively impact the amount and cost of financing for Japanese banks if they are affected by foreign currency liquidity risk. We are not expecting a downgrade to "BB" (non-investment grade) at this point, but if this happens, the impact will not be limited to individual issues such as foreign currency financing for financial institutions. Japan's economy and national strength could substantially fall into a default situation. Please refer to the material on the MoF website for the details of this topic.

Asset Management & Investor Services Group (AM/IS)

Q: Is the AlbaCore alternative credit management fees more profitable than traditional assets? Also, please explain how much the asset under management (AuM) is expected to increase in the medium- to long-term.

A: Alternatives area is more profitable compared to traditional assets. In addition, there is substantial demand for alternatives, and AlbaCore's alternative credit management AuM is expected to maintain at least a double-digit CAGR going forward.

Q: Will the inorganic growth strategy continue to focus on alternatives?

A: Yes. We secured alternative credit functions with the AlbaCore acquisition, but we will continue to review necessary strategic investments to fill the white space.

Q: Publicly offered equity investment trust balance is increasing in Japan, but eMAXIS is an index fund aiming at the lowest level of management fees in the industry. On the back of that, may the revenue contribution be not significant even if the high growth in balance?

A: Revenue contribution is not as significant as active funds, but the total AuM for the eMAXIS Slim series has exceeded five trillion yen. The growth is accelerating, with the AuM increasing by about one trillion yen in the past three months. It should lead to significant business in the long term.

Q: Please explain the factors behind the domestic IS reaching No.1 in assets under administration (AuA).

A: The convenience of the ability to use The Master Trust Bank of Japan, which provides services in Japan, together with overseas MUFG investor services, has been appreciated. Our strength is providing one-stop service for a wide range of business operations.

Q: What is the strength of AlbaCore? Also, please explain the policy on collaboration with FSI and MUTB.

A: AlbaCore is an alternative investment company established in 2016. It has USD 9.1 billion AuM, a considerable size in the European alternative credit area. Sourcing through negotiated transactions rather than competitive bidding has led to its solid performance. The acquisition was complementary to FSI in the private debt area for its alternative investment. We expect collaboration in the supply of seed money and cross-selling to large investor clients that do not overlap with FSI.

Q: What is the purpose of including AlbaCore in the FSI group?

A: FSI is the main player in the overseas asset management area, so AlbaCore would function better under FSI. FSI has several unique active investment teams and has a governance function that supervises various teams. We decided that it would be best to position AlbaCore in the FSI group, including for internal control purposes.

Q: The asset management area is increasingly dominated by few players due to the fall in management fees, accelerating M&A, including in the traditional assets area. Will you need to focus on increasing AuM going forward?

A: Size is one of the crucial factors, but simply getting larger is not the answer. Our inorganic growth strategy is focused on the alternatives area, and the priority for the traditional assets area is not high. Strong investment capabilities and cost control through sharing management infrastructure is the key to being chosen by our customers, and we are continuing to review the optimal framework.

Q: Please explain how much of the capital inflow into investment trusts was achieved through D-Canvas.

A: The app makes investing simple, resulting in an increase in transfers from deposit products with guaranteed principal to investment trusts for defined contribution pension funds. The amount is around ¥100.0 billion yen, including the change in market value, and we will accelerate this momentum.

Q: Please explain the future inorganic growth strategy for IS area.

A: IS is the key driver for the next MTBP. Our strength is providing a one-stop service for a wide range of business operations rather than just fund administration. To increase revenue through inorganic growth, we will increase available functions and expand our customer base through cross-selling.

Q: Please explain how much the AM/IS will account for MUFG's net operating profits during the next MTBP period.

A: AM/IS accounted for about 8% of MUFG's net operating profits in fiscal 2021 and about 6% in fiscal 2022. We will aim at 10% during the next MTBP. The net operating profit for fiscal 2022 was around ¥100.0 billion, and we will aim at ¥140.0 to ¥150.0 billion for the next MTBP.

End