

MUFG Investors Day 2025

Main Q&A

Retail & Digital Business Group

Q. Platform integration is advancing. What are the challenges and themes moving forward?

A. MUFG Group offered various services, but each entity provided them separately, and the products did not lead to repeated transactions. In June this year, we connected the MUFG Bank app with other services, including credit cards, online securities, and Coin+, creating a comprehensive financial services app. Under the integrated MUFG retail brand “M-tto,” we will support our customers throughout their lives with a range of services. Specifically, we will introduce Group-wide rewards with a common ID and a loyalty program that upgrades with more and longer use. By offering a wide range of services—from payments and investments to inheritance—we will realize lifetime value (LTV) management. We also plan to connect it with the digital bank, excellent club, and digital platform for inheritance. Through these services, customers can earn common points and receive upgrades in the loyalty program.

What I find particularly interesting is the digital platform for inheritance. Although still in the conceptual stage, we want to offer better fees and interest rates for the entire family when they register and open a bank account. At inheritance, assets can be smoothly allocated according to a predetermined ratio, and the rewards and loyalty stage earned by the parent generation can also be transferred. Our goal is to connect with customers across generations and support them throughout their lives.

Q. Will you use competitive pricing for deposits, like you did for housing loans?

A. In the mass retail business, it’s becoming more difficult to gain recognition and stay competitive without being featured in comparisons by influencers on social media or affiliate rankings. Housing loans significantly contribute to LTV, with expectations of leading to various transactions after full repayment. We have set strategic interest rates since October 2024. We are implementing strict cost-cutting measures through digitalized procedures and automated operations. Considering the LTV, including the cross-selling effects of housing loans, we can continue to remain profitable. These efforts have resulted in increased new disbursements, and we have been reviewing the preferential rates as interest rates rise, resulting in the achievement of volume and profitability.

Deposits are core products that lead to other transactions and are central to the ROE of Retail & Digital Business Group. The interest rate sensitivity of deposits as a whole will not be increased without careful consideration. We will raise customer awareness, including through a limited-time term deposit campaign.

Q. Is M-tto expected to require upfront investments and then contribute to profits from FY2027 onward?

A. Various services, including the digital bank, are scheduled to be deployed in 2H FY2026. Transactions are projected to increase gradually, with an expected profit contribution of 35-40 billion yen from the final year of the current Medium-Term Business Plan (MTBP) toward the next MTBP. Since we incur the costs first, the expense ratio for Retail & Digital Business Group will rise slightly, but we do not anticipate significant expenditure. We will implement measures while carefully monitoring the cost-benefit effects.

Q. What was the reason for establishing the digital bank, and how does it impact existing businesses?

A. We have consistently grown our deposit market share, but despite increasing deposit balances, our market share has stayed flat over the past few years. This is caused by some new and existing customers moving their funds to online banks. Starting transactions early when customers are young and offering lifelong services to secure profits is essential for LTV management. There is a risk of rapid deposit outflows when younger generations—who only have digital bank accounts—inherit money. This is a significant concern over the next several decades. Additionally, customer needs are changing quickly and dynamically. While we can adapt for a few years, there's a limit to how well we can keep up with these changes with our current system. Because of these factors, launching a digital bank quickly is essential.

The existing app and the digital bank will operate together, so overlapping features won't be an issue. For example, opening a digital bank account will be very easy if the customer already has the MUFG Bank app. We will also provide 24/7 auto sweep links with the MUFG Bank account. This will eliminate the need to transfer salary deposits, enabling us to maintain transactions that boost LTV, prevent deposits from moving to online banks, and attract digitally savvy customers.

Q. Are you likely to increase ownership for group companies that are not wholly-owned?

A. Profits are limited for each service within the mass retail business, so overall profitability should be considered for the whole business. Therefore, maintaining core financial services within subsidiaries is crucial to prevent profit loss. Additionally, swift decision-making is needed to respond to changing customer needs, but the speed can differ significantly between a JV and a subsidiary. Some of our group companies are not wholly-owned subsidiaries, but we will ensure strong collaboration.

Q. Your competitors are openly collaborating and developing strong economic spheres. What makes the M-tto points attractive?

A. By enabling conversion with other companies' rewards, M-tto points are linked to different

economic spheres. If third-party rewards programs are directly introduced, reward points must be recorded as costs when they are issued, regardless of whether the customer redeems those points. With our own reward program, a specific reserve will be required at the time of point issuance, but these will not be recognized as costs unless the points are redeemed, which is a significant benefit for MUFG. While enjoying these advantages, we aim to increase overall appeal by expanding our economic sphere and improving the quality of the M-tto services.

Q. Is the launch of the digital bank expected to provide benefits such as increasing available human resources?

A. The digital bank will be launched with a lightweight system and a small team. Considering that the working-age population will decline and the labor shortage will increase, we must steadily promote digitalization and develop services that require less human involvement. Therefore, we will eliminate tasks that require human resources as part of the digital bank operation, such as call centers, to the greatest extent possible. The expected effect of the digital bank is to expand the services we want with fewer staff. However, this does not mean we can significantly cut the staff needed for existing businesses.

Q. Can you provide details on the branch strategy, such as the number of branches and their breakdown by functions?

A. We have focused on reducing the number of branches and creating a streamlined branch network. We don't plan to increase the total number of branches significantly, but we will expand the number of M-tto squares, targeting individual customers. Our goal is to develop a branch network that effectively meets customer needs by strategically categorizing branch functions. We intend to maintain the current size and adjust branch roles based on their functions, so the overall cost of branches should not rise significantly.

Q. Current MTBP involves substantial spending. How will it produce profits?

A. The current MTBP involves significant costs as we develop the M-tto framework to grow the customer base. In the next MTBP, the benefits of M-tto will become evident, and we will shift into a phase of boosting profitability. We will incur upfront costs during the current MTBP, but we will closely monitor the cost-effectiveness.

Q. What are the specific initiatives for human capital?

A. We have launched the Customer Service (CS) course for those aiming to become specialists in branch management. The course starts with teller services and ultimately prepares employees to become branch managers. The goal is to secure retail-focused and dedicated human resources. We were aware of the issue that the branch teller service staff were aging, while the younger generation was assigned to other operations. Therefore, we recruited

approximately 100 people for the CS course in FY2025, and they have been assigned to branches following their training. As we continue recruitment in FY2026, we want to increase the appeal of the retail business to attract more human resources.

Q. What initiatives are needed for Retail & Digital Business Group to achieve the company's medium- to long-term target ROE of about 12%?

A. Retail & Digital Business Group's role is to steadily secure the customer base and introduce them to other Business Groups. For example, customers who moved from the mass-affluent segment (AFL) to the WM segment in FY2024 make up about 6% of WM segment customers as of the end of March 2025. Looking at the status of WM customers ten years ago, only 4% belonged to the WM segment. Nearly 30% migrated from AFL, and about 70% migrated from the mass retail. Therefore, securing the mass retail customer base is essential for the growth of the WM business. It is not necessarily appropriate to attempt to achieve profitability solely through the mass retail business. We also play an important role in terms of ratings by capturing sticky deposits.

We recognize that the current level of ROE is low, and we are aware of the company-wide medium- to long-term target ROE of 12%. ROE will remain flat during the current MTBP due to the upfront costs of building the framework, but we aim to reach double-digit ROE during the next MTBP and achieve 12% in the following MTBP.

Q. Please explain your approach to LTV.

A. For LTV calculation, we consider the cross-selling effect, meaning how using one product influences another. For example, a customer with a salary deposit transaction is more likely to purchase investment trusts than customers without this transaction. LTV accounts for this and estimates the expected future gross profits based on transaction patterns and conversion rates. It allows us to quantitatively capture the cross-selling effect of low-profitability transactions, such as salary deposits, account transfers, and housing loans, and helps determine how much cost can be allocated for campaigns and other initiatives. Because LTV calculation is complex and figures change with improved calculation methods and expanded transaction categories, we chose the number of customers and multiple transaction usage rate—key indicators for increasing LTV—as KPIs.

Commercial Banking & Wealth Management Business Group

Q. Of the 40,000 target companies for approaching the owners, what level of profit can be expected from the 30,000 companies that haven't been visited?

A. Targeted companies to approach their owners are those identified through dialogue with customers as needing a capital strategy. As shown in the three circle model, the approach and status of business and asset succession, as well as business strategies, vary by customer.

Therefore, potential profit should not differ much between visited and unvisited customers. Unvisited customers include many that don't have a specific view yet, but as they develop their strategy, profit opportunities should emerge.

Q. Competitors are beginning to offer online banking for high-net-worth customers. Have you considered partnering with M-tto?

A. I'd like to begin by highlighting the three key strengths of our advisory model. First, we have more robust banking, trust banking, and securities functions compared to other financial groups. Second, we possess superior expertise, even though this is hard to quantify. For example, we have a solid team with an average tenure of 13 years in the department that focuses on capital strategy, along with many qualified employees, including tax professionals and others. Third, through strong relationships built with corporate owners, we can address business succession needs as well as basic asset management requirements. It's not easy to comment on other companies, but we take a different approach with the mass retail and wealth management segments. For the mass retail customers, our core competence is providing quick service to customers. In contrast, we offer detailed group-based services to wealth management customers, with relationship managers (RMs) assigned across branches nationwide. This highlights clear differences in our business models. Since customers' asset situations constantly change, we carefully consider linking with M-tto, such as cross-group coordination. We will continue to develop unique businesses that remain resilient in any competitive landscape.

Q. How much do you think the ROE could increase? Is 20% being considered?

A. Fee income from MBO and investment products and insurance products for retail and corporate customers has notably contributed to the improvement of the ROE over the past four to five years. Assuming the environment stays in line with current assumptions, our target is to reach approximately 15.5% by FY2026. Beyond that, increasing interest and fee income will be crucial, though JPY interest rates will significantly influence results. For risk assets, which form the denominator in ROE calculations, we have concentrated on enhancing lending quality. We will now focus on building profitable assets by expanding our risk-taking scope. Additionally, we will consider O&D, and with these strategies combined, our aim is for the business to approach an ROE close to 20%.

Japanese Corporate & Investment Banking Business Group (JCIB)

Q. The divestment of equity holdings should have a particularly significant impact on JCIB. What is the medium- to long-term target ROE?

A. The numerator of the Business Group ROE does not include gains from the divestment of equity holdings, but it does include dividend income, etc. Therefore, progress in divesting

equity holdings will negatively impact earnings by tens of billions of yen. Nonetheless, we will adhere to our policy of actively promoting the divestment of equity holdings. We will generate sufficient profit to more than offset the tens of billions of yen loss through increased risk-taking, strategic pricing, and initiatives like the value co-creation approach, although this may take some time. JCIB's goal is to achieve an ROE of 12% or more through these efforts.

Q. What is the status of financing demands and the transaction pipeline, given the impact of trade policies?

A. Large corporations have strong financing needs, and we have a solid pipeline. In addition to an active trend of group reorganizations, various projects, including delisting, are underway. Many companies have set aside budgets for M&A within their medium-term business plans, and we have plenty of projects in our pipeline. The number of projects involving Japanese real estate, such as acquisitions by foreign investors, is also increasing. Against this backdrop, the average loan balance for large corporates has been rising since March 2025. M&A valuations were initially adjusted after trade policies were reported in the media, but the market has regained momentum. FX volume has also remained stable. However, we will continue monitoring the situation closely, as unexpected events and sluggish corporate investment could still occur.

Q. What areas require DX for JCIB?

A. The main goal of using AI is to provide comprehensive support to RMs, such as through a proposal data lake. This will help RMs save considerable time, allowing more focus on visiting customers and other tasks. We can also consider building infrastructure that connects the Bank, the Trust Bank and the Securities entities via a platform, enabling quick and accurate information sharing. Our goal is to provide services like these, adding higher value for customers.

Global Commercial Banking Business Group

Q. What are the planned recovery measures for KS and BDI?

A. KS continues to face challenges, compared to other banks, due to the downward trend in the Thai macroeconomic environment, the impact of US trade policies, and high household debt levels. However, the corporate business is making progress in collaboration with other Business Groups, gradually capturing more of its value chain. Credit costs have bottomed out in FY2024, and there are no further concerns. Additionally, if the macroeconomic environment stabilizes and the effects of interest rate cuts realizes, improvements are expected by FY2026.

BDI has struggled to secure CASA deposits, but investments in branch office reform and

digital finance to increase customer touchpoints are beginning to show results, leading to about a 3% increase in the CASA deposit ratio from December 2024. The company is also planning a business merger of Adira and Mandala for the auto loan business. Successful opportunities are expected to arise through franchise integration and effective use of MUFG platforms.

- Q. What is your view on the attractiveness of investing in commercial banks in India, given the current economic cycle? Also, what is the status of your pipeline?
- A. India has a larger market than other ASEAN nations, so we are very interested. We expect robust GDP growth of 6-7%, driven by demographics and consistent infrastructure investments by the government. However, we need to pay close attention to the different regulations affecting commercial banks and non-banks. We are focusing on the next decade in India and considering significant investments. Finding a good partner is crucial. We are evaluating multiple candidates and will carefully review various terms and conditions, as well as whether we can discuss details based on shared values.
- Q. You will aim for over 10% ROE after amortization in FY2029. Will this be driven by India and Asia x digital? Can this be achieved through organic growth?
- A. Asia x digital will be a key driver. Looking at profit growth over the next five years, partner banks expect about 10%, while digital investees anticipate close to 30% profit growth. We aim to increase the share of digital investees in the Business Group's profits to 20% by FY2029 through profit growth and additional investment. The “over 10%” figure does not include large-scale acquisitions in India.

Asset Management & Investor Services Group (AM/IS)

- Q. What are the focus areas of your investment strategy by region and sector?
- A. By region, we mainly made acquisitions overseas, but we also include the domestic market. The number of candidates is currently limited, as domestic AM companies are part of each financial group. However, we anticipate that more options will become available as the reorganization under the “making Japan a leading asset management center” initiative makes progress. Europe and the US will be our primary overseas targets, with a strong emphasis on the US, which accounts for about half of the global AuM. Creating synergies remains challenging because MUFG does not have a retail network in the US, while US AM firms serve both retail and corporate customers. The US market is very competitive and tends to have higher valuation multiples. We will carefully evaluate product competitiveness and customer base.
- In terms of areas, we are focusing on alternatives but will also consider traditional assets. Alternative assets tend to be expensive but have high growth potential. On the other hand,

traditional assets are relatively cheaper but offer less growth. Both options are feasible, but choosing traditional assets based solely on the product is difficult, and a certain volume will probably be necessary.

Q. Has there been any change in your inorganic strategy since last year?

A. There is no change in the direction. We view it as a tool to expand our operations, and we have not set a specific target for the acquisition amount. Regarding changes from last year, discussions are ongoing about revising the Japanese accounting standard, and the treatment of goodwill may change. We will review ROE both before and after amortization for future considerations.

Q. There was a previous explanation that the ratio of AM/IS in the overall MUFG net operating profits will be increased. To achieve the medium- to long-term ROE target of about 12%, what ratio is being considered?

A. In FY2024, the Business Group accounted for 11% of total gross profits and nearly 9% of net operating profits. While net operating profits for AM/IS are increasing, their contribution has also grown due to a decline in overall net operating profits of last fiscal year caused by bond portfolio rebalancing. Reaching double-digit contribution is one of our goals, and we plan to double this figure. Since the AM/IS business has a high ROE, we want to increase its share of net operating profits across MUFG, thereby boosting the overall ROE.

Q. What level of AuA will you target in fund administration? What functions will be needed to achieve that goal?

A. Alternative fund administration had an AuA of nearly 850 billion dollars as of May 2024. Publicly available data on the AuA of other companies is limited, so this includes some estimates, but we are ranked about No. 7 in the global league table. We have been rapidly expanding our business over the past few years, but the gap remains significant, at about 150 billion dollars with the top five companies and about 500 billion dollars with the top three. One of our goals is to join the top five ranking. The main business operations for IS are administration, banking, and corporate services. Seven of the top 10 league table companies offer a full line of services. Corporate services remain a white space for us, and an acquisition in this area should help us aim for a higher ranking.

Global Corporate & Investment Banking Business Group (GCIB)

Q. Regarding improving RORA, how do you evaluate the past, what are the future initiatives, and how will they contribute to the growth of GCIB?

A. Until the previous fiscal year, we enhanced RORA by steadily promoting the sale of low-profitability assets and the purchase of high-profitability assets under the Balance Sheet

Optimization (BSO) policy. As a result, the loan spread widened by a total of 50 bps during the previous and current MTBP. Based on an average loan balance of about 24 trillion yen, this translates to a profit increase of roughly 120 billion yen. We believe it will be crucial to increase activities focused on more origination and distribution through PJ Evolution, especially by participating in deals as a lead left bank. We will pursue this alongside further enhancement of risk management. Currently, annual deal origination is around 20 trillion yen, but our goal is to increase this by 1.5 times to 30 trillion yen over the medium to long term. Recently, overall origination amounts have been rising due to increased demand and larger deals for Project Finance (PF), including digital infrastructure like AI data centers and transition finance such as renewables and LNG. We are receiving increased inquiries. MUFG has established a global top position in PF and aims to further expand opportunities as lead left banks. Internally, RMs have relied somewhat on lending profits, but we have fundamentally shifted our strategy and initiated a framework that emphasizes fee income and cross-selling. The fee income from the origination of approximately 20 trillion yen is currently about 350 billion yen, or roughly 1.75%. We believe it is possible to raise this income to 700 billion yen over the medium to long term.

Q. What effect do trade policies have on US businesses?

A. The Americas region is our most important market, accounting for about 60% of overall gross profits for GCIB. Currently, many customers are holding back on M&A and new investments due to extreme uncertainties regarding tariff rates and included items. On the other hand, there is strong funding demand for AI data centers, which have little direct relation to trading. We aim to secure lead left positions by leveraging our experience and expertise in PF. Some customers are also reviewing their supply chains, so we are proposing various supply-chain financing solutions. By product, securitization is seeing some demand for digital infrastructure leasing contracts, in addition to traditional auto and credit card loans. There is increased demand for structuring, such as creation of tranches according to the required yield level for insurance companies under private equity groups. To meet these needs, Global Structured Solutions (GSS) is collaborating with the Global Markets Business Group to develop proposals that combine risk management, monitoring, and restructuring functions of the Global Markets Business Group with sector knowledge from GCIB. For example, we have a stronger position than US and other foreign banks in specific asset classes, such as infrastructure net asset value (NAV). While the impact of trade policies is unavoidable, we see it as more of a business opportunity.

Global Markets Business Group

Q. What are your thoughts on the BOJ's monetary policy outlook, policy rate, and terminal rate? Also, what is your policy on Japanese government bonds (JGB) investments?

- A. In terms of monetary policy outlook, one possibility is that the policy rate might be increased by 0.25% to reach 0.75%, at the earliest at the monetary policy meeting on October 30th, or by January 2026 at the latest. Looking forward, the direction of US-Japan tariffs negotiations will remain a key factor unless it becomes clear. For example, if the optimistic scenario materializes where tariffs are somewhat reduced and an early agreement is reached by the end of the first half, a rate hike on October 30th becomes more probable. Furthermore, if the foreign exchange rate trends toward a weaker yen, such as ¥155/US\$, the chance of an earlier rate increase rises. On the other hand, if the 25% rate also applies to the reciprocal tariff rate, decision-making on interest rate hikes could become more complex. Political and fiscal trends, including political dynamics, are expected to significantly influence the BOJ's decision on rate hikes.

Domestic price trends, based on the Teikoku Databank's survey at the end of June and the latest BOJ report, suggest that the risk of prices remaining higher than expected may be increasing. As (i) a delayed interest rate hike coupled with a prolonged period of deeply negative real interest rates causes further Yen depreciation, and (ii) the supply shock from labor shortages intensifies, if the likelihood of fully implementing expansionary fiscal policies—such as a consumption tax cut—to stimulate demand rather than supply rises, attention should also be given to increases in long- and super-long-term interest rates and the risk of the BOJ falling behind the curve as inflation accelerates further, potentially leading to stagflation—although these are tail risks.

Regarding the terminal rate, assuming that price and economic trends remain aligned with the BOJ's outlook, we expect the policy rate to ultimately rise to a range of 1.25% to 1.50%. For JGB investment, our policy for the foreseeable future is to maintain a conservative portfolio, mainly focusing on managing the risk of increasing unrealized losses and capital impairment for “AFS securities,” and to invest cautiously, considering the terminal rate and concerns about fiscal deterioration. We have sufficient capacity for JGB investment, including transfers from the BOJ's current account, and continue to evaluate regulations related to interest rate risk volume, such as IRRBB.

- Q. What are your thoughts on the US interest rate outlook and your foreign bond portfolio investment policy?

- A. We must recognize that the Federal Reserve may face a tough decision on interest rate cuts if tariffs cause inflation to accelerate unexpectedly again. Our main scenario assumes one interest rate cut by the end of this year or by March 2026. After that, we anticipate gradual reductions, such as one every three months, with the terminal rate in the range of 3.50% to 3.75%, approximately 0.75% below the current level.

Regarding foreign bond investments, we sold a significant portion of issues with unrealized losses in FY2024, which is expected to positively impact income by 100 billion yen or more in FY2025. Actual unrealized gains and losses have also shifted into positive territory for

the foreign bond portfolio. Our strategy remains cautious, maintaining an average duration of around five years and utilizing these financial buffers.

The announcement of US trade policies has caused volatility in both domestic and international markets since the start of this fiscal year. We are steadily controlling the deterioration in unrealized gains and losses by adopting a conservative approach to position management for both yen and foreign bonds, using gains from flexible hedging strategies.

End