

# Investor Presentation for FY2025H1

## Main Q&A

Q. What is your current outlook on the medium- to long-term ROE target of around 12%? You have already reached a 12.5% ROE in H1. Will you be able to achieve a higher ROE?

A. In addition to the effects of the measures implemented, the BOJ policy rate has given a boost, and the ROE is increasing faster than initially expected. The timeline for achieving the medium- to long-term ROE target of around 12% is also moving earlier, and I understand there are additional expectations. We want to take steady steps to ensure we meet the 12% goal first.

Q. In aiming at the medium- to long-term ROE target, are there areas in the business portfolio you are considering scaling back?

A. Instead of scaling back specific parts of the current portfolio, we are considering increasing the share of profits from focus areas. For example, AM/IS profits are growing, but its share of the Group's profits is only about 6%. We want to raise this to at least double digits, around 14-15% ideally. Furthermore, we aim to prioritize and expand in areas such as Digital, Asia, and the US.

Q. What is your opinion on the risks related to the US private credit market and AI data center projects?

A. We believe our business portfolio is quite resilient. GCIB Business Group is shifting focus toward O&D business. While we will take risks selectively, we do not hold them all and have significant amount of assets that can be sold externally. Involvement in many projects has enabled us to capture market trends in a timely manner, which in turn has led to risk management.

On a macro basis, we don't think there is a problem with the credit cycle. However, we think it is important to carefully monitor the situation, particularly the credit management abilities of private credit firms, on a case-by-case basis.

Some see the current market as an AI bubble. However, we believe the AI boom today is fundamentally different from the IT bubble, etc., because it involves movement of "things" like data centers, chips, and electricity. At present, we want to implement solid risk

management and keep up with the AI growth trend. At the same time, we will closely monitor how cash flow can be generated using AI created from “things.”

Q. Is there any likelihood of raising the target range for the CET1 ratio?

A. We are not considering significant changes at the moment. However, in a rapidly changing environment, we believe sufficient capital must be maintained to ensure we can consider various options. The specific CET1 ratio will be discussed during the development of the next MTBP. Our focus will be on increasing the ROE first, then considering raising the CET1 ratio, in that order.

Q. What is the outlook for the BOJ’s monetary policy, and your investment policy on domestic bonds?

A. We believe a rate hike in December or January is possible. We assume that the terminal rate will be around 1.25%. However, it could go higher if the rate hike is delayed, as we shift from cost-push to underlying inflation with ongoing price increases. On domestic bond investment, one of our criteria is 10yr JGB yield of around 2% when the terminal rate is reached. We will make careful investments, monitoring the timing of interest rate hikes.

Q. How is the funding demand in Japan and overseas? What is the competitive advantage of MUFG in overseas business?

A. There is robust funding demand in Japan and overseas. In Japan, mainly large corporations are actively engaging in corporate actions, with projects growing in size. We have been able to respond to these demands by leveraging our consolidated strength, and we believe we have significant competitiveness. Overseas, we have the No. 1 presence globally in project finance space. By leveraging this presence and extensive expertise, we have successfully captured funding demand in competition with foreign banks. Furthermore, through our efforts, including collaboration with Morgan Stanley, we have been able to secure transactions for which typical Japanese banks might not be asked to participate. I can confidently say we have a competitive edge.

Q. What is the situation in AI-related and India investments?

A. In the AI area, general-purpose and domain-specialized models have different applications, so we will invest in both to capture and combine them based on their features. In general-purpose AI, we aim to promote various collaborations with OpenAI. In domain-specialized AI, we are jointly developing an AI agent for MUFG with Sakana AI. Furthermore, we

have invested in Third Intelligence with a long-term perspective, and we want to provide solid support. Our business partners have appreciated our employees' level of AI literacy, and we aim to further accelerate this trend. We have made substantial AI-related investments, and do not have a plan to make further large-scale investments at this moment. We continue to believe India is a growth area. Future inorganic investments will be considered based on the project pipelines, among other factors.

Q. Which areas of organic growth will make a significant contribution towards achieving the medium- to long-term ROE target?

A. Domestic corporate business has achieved both notable improvements in risk-adjusted returns and higher profits from commission fee growth over the past 5-6 years. It is expected to play a major role in future organic growth. Retail ROE remains low, but we will aim for double-digit ROE by establishing the business model through steady implementation of the current measures. The acceleration of GCIB Business Group's O&D business is also contributing significantly. We aim to achieve around 12% ROE as a Group, with each domestic and overseas business contributing to improve the ROE.

Q. Does the increase in expenses YoY include M-tto related strategic expenses?

A. Our strength lies in the bank's dominance in the number of accounts and deposit volume, and we want to leverage this to increase transactions throughout the Group. On the other hand, we are cautious about the increasing presence of online banks driven by the growth in new accounts. Therefore, we are strategically allocating expenses as upfront investments to implement various measures, including M-tto and the digital bank.

In the expense breakdown, costs for Retail & Digital Business Group, including advertising, represent the largest portion of business enhancement expenses. Corporate infrastructure, etc., includes costs for system integration at NICOS, as well as expenses for Group cybersecurity measures and AI-related investments.

Q. On AI strategy, what are the details of the ¥30.0 billion expected effect in the current MTBP? Also, do you have plans to increase the cumulative investment ¥60.0 billion in the current MTBP?

A. AI is already integrated into customer information management systems, internal procedure search functions, and systems development. ¥30.0 billion is our present understanding of the expected effect, and the figure may increase.

¥60.0 billion is the cumulative investment solely for AI and does not include investments in other digital areas. However, we do not expect the amount to increase at this time. We

will maintain disciplined cost control. We expect returns on AI investments to start growing in a while, and we aim to accelerate initiatives next year and the following year based on the results.

Q. What is your view on the difference in profit levels between H1 and H2?

A. In recent years, profits tend to be skewed toward H1, such as gains from the sale of equity holdings and treasury revenue reporting aimed at stable profit growth. Considering these patterns, we rebalanced the bond portfolio in H2 in FY2024, improving the profit for FY2025 onwards. We have successfully implemented measures to achieve stable profit growth by reporting significant profits in H1, and the trend is expected to continue for the foreseeable future.

Q. What is the reason for expecting significant medium- to long-term growth for the business in Americas?

A. We have expectations for both the growth of the overall market in Americas, as well as increased market share for MUFG. There are some concerns regarding a potential market bubble, but economic fundamentals are solid, and we expect strong financing demand to continue for some time. By promoting a shift away from the traditional Japanese banking business model, we are gaining recognition as a bank comparable to the global top players. Our partnership with Morgan Stanley is also gaining recognition, leading to substantial demand and increased opportunities to participate in large transactions. We definitely see the steady growth of our presence in the Americas.

Q. What is your expected future market capitalization as you work towards the medium- to long-term ROE target of approximately 12%?

A. Currently, our market capitalization is getting close to ¥30 trillion. Considering environmental changes such as the policy rate hikes in Japan and our future growth, we can expect, for example, a share price of ¥3,000 to be within our vision when the ROE reaches 11%, and the market capitalization may increase to around ¥33 trillion.

Q. As you aim for a medium- to long-term ROE target of approximately 12%, what is the expected level of expense ratio?

A. As the Japanese policy rate rises and profit margins grow, the expense ratio must stay below 60%. However, we do not believe the expense operation itself requires significant changes. Engaging in inorganic projects will change the business portfolio and the expense

structures. The level of expense ratio differs significantly between businesses. We want to consider the optimal expense ratio level based on the portfolio situation when we reach 12% ROE.

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