FY2025 IR Presentation

Main Q&A

Q. What are MUFG's strengths and challenges, and what is the CEO's personal motto?

A. Beyond our customer base and network assets, MUFG's strength comes from its diverse business portfolio, supported by the collective strength of the Group. Enhancing this aspect is a key mission for me. The challenges involve better integration from the perspective of the Group's collective strength and driving Group-wide improvements to become an AI-native corporation with heightened urgency.
My personal motto is a Japanese saying, "strong conviction reaches heaven," which means that with strong conviction, your aspirations will reach beyond and ultimately be realized. As the CEO, I aim to be committed to unwavering will and delivering results.

Q. Is the management policy, which emphasizes both capital efficiency and shareholder returns, including RORA management, unchanged?

A. The basic policy on capital management remains unchanged as the fundamental premise, and we will continue operating within the CET1 ratio target range. Although the CET1 ratio at the end of March was below the lower limit of the target range, we anticipate it will return to within the range in FY26 H1. We resolved to conduct a share repurchase of up to ¥100bn to emphasize our commitment to returning value to shareholders. As CEO, I will continue focusing on shareholder returns and capital efficiency metrics such as RORA and ROE.

Q. What is CEO's view of the target ROE level for MUFG?

A. Our current ROE is nearing the medium- to long-term target of approximately 12%. However, compared with global peers, we remain in the mid-range. To improve further, we need to benchmark against the financial indicators of top-tier banks. Given the differences in financial indicators and interest rates in their respective home markets, we believe an ROE in the mid-10% range serves as a benchmark. Accordingly, we will consider this ROE level when preparing the MTBP, including whether the relevant time frame should be the next MTBP period or the medium- to long-term.

Q. What will be the share of each region in the revenue portfolio in 10 years' time, and which business group would you prioritize for growth?

A. As we are a financial group with Japan as the mother market, I have a strong motivation to increase the share of domestic business in the revenue portfolio by providing firm support for domestic growth. On the other hand, from a 10-year perspective, given challenges such as a declining birthrate and an aging population in Japan, growth rates should be higher in Asia and the Americas. As a result, I believe Asia and the Americas will increase their share of the revenue portfolio, while Japan's share will decrease. By business unit, the Asset Management & Investor Services Business Group is one of MUFG's strengths, and I believe its share of net operating profit should be at least in the double digits, ideally reaching the high 10% range.

Q. What is your view on the sustainability of funding needs?

A. Funding needs continue to be robust both domestically and internationally, with no change expected in FY26. Japanese companies are likely to continue reviewing their supply chains and business portfolios. Moreover, high funding demand is anticipated for AI/DX initiatives, GX investments in the materials sector, and capital-related projects such as going-private transactions. Beyond managing overall funding demand, MUFG will also take flexible approaches to respond to the growing size of individual projects.

Q. Will you prioritize addressing expanding funding demand and focus more on increasing dividends along with high profit growth than the total payout ratio?

A. Currently, we are not planning a major decrease in the total payout ratio. We recognize the importance of shareholder returns and will consider them while balancing funding demand and growth investments.

Q. Regarding domestic business, with sluggish deposit growth, what role will MUFG, as the leading bank, play in meeting the increasing funding demand?

A. We believe MUFG can grow as our customers grow, and meeting domestic funding demand reliably is a fundamental premise. Deposits, which serve as a funding source, may grow more slowly than in the past. However, our basic policy is to leverage the collective strengths of the Group to provide services, build medium- to long-term relationships with customers, and steadily accumulate deposits. MUFG's retail business has the strength to provide Group-integrated financial services that support customers throughout their lives. Our focus is on providing seamless services, from deposits and payments to inheritance. Emut was introduced in FY25 as a central element of this strategy. We plan to enhance our offerings through a second phase that includes digital banking and, in the third phase, further develop by integrating finance and AI, aiming to deliver more convenient and valuable services and products.

At the same time, enhancing funding methods that do not rely on the balance sheet is essential. Specifically, we believe there are options, such as leveraging the Asset Management & Investor Services (AM&IS) Business Group’s relationships with global investors to pursue transactions in a Group-integrated manner, from deal origination to investor distribution, and collaborating with companies outside the Group, including domestic life and non-life insurers, to jointly undertake initiatives through fund structures.

Q. What is the reason for the increase in RWA for the Commercial Banking & Wealth Management (CWM) and Global Markets Business Groups in the FY26 RWA plan?

A. CWM expects loan growth. Businesses that performed strongly in FY25, including LBO, business succession, and real estate finance, are expected to continue growing in FY26, with deal sizes increasing. Meanwhile, Global Markets must establish adequate hedging positions in response to interest rate uncertainty, which increases RWA.

Q. Do you have adequate provisions for fund-related and Middle East exposures, and what is the potential risk of loss going forward?

A. The balance of exposures is limited relative to total exposure. We maintain a high ratio of investment-grade funds and have sufficient provisions for the Middle East. Although we must cautiously monitor future developments, we expect FY26 credit cost of ¥350.0bn, flat YoY, given the current credit portfolio.

Q. What is the reason behind the solid fee revenue results?

A. The promotion of the O&D business has driven strong growth, and the upward trend in fee revenue is expected to continue. For FY25, in addition to loan-related fees in Japan and overseas and solution-related revenues, fee income growth was also driven by acquisitions such as MPMS in Australia.

Q. To establish an economic sphere in Asia for MUFG, what measures are necessary, such as enhancing cooperation? What indicators should investors monitor to confirm progress?

A. As a new initiative, we launched MUFG UNITY, a service that enables seamless settlement connections between partner banks and MUFG Bank. Cooperation between commercial banking and digital financial businesses is also being promoted. However, progress in these areas is not yet sufficient, and we will consider making clear disclosures on progress, to the extent possible.

Q. What does Mr. Hanzawa consider his strength as a business leader?

A. I have spent a relatively long time working in corporate planning and research and have also been involved in multiple integrations. I have analyzed changes in the business environment from a broad perspective, formulated forward-looking strategies and implemented them. I would like to continue demonstrating these capabilities in my role as Group CEO.

Q. What are your expectations for the CET1 ratio in one or two years?

A. I expect the CET1 ratio to return to the lower limit of the target range in FY26 H1 and to increase to 10 to 20 bps above that limit by the end of FY26, while balancing profit accumulation and growth investment. A specific view on the level two years from now will be considered while preparing for the next MTBP.

Q. In previous years, trading revenue tended to be the driver of H1 performance. Taking into account the expected recovery in the CET1 ratio through profit accumulation, what is the outlook for this fiscal year?

A. Based on the Global Markets Business Group's profit plan and the outlook that the CET1 ratio will recover to the lower limit of the target range, we decided to implement a ¥100 billion share repurchase in H1.

Q. What is the FX sensitivity of the CET1 ratio?

A. As a result of the FX hedging implemented in FY25, capital sensitivity to FX movements is currently limited.

Q. Do you intend to aim at shareholder value comparable to global top banks through market capitalization and ROE? Do you have a business model in mind to achieve this with?

A. We believe ROE and market capitalization are key pillars from the perspective of capital efficiency and scale. Although we have not yet established a specific target, we believe it is important to determine the appropriate ratio for regions—Japan, the U.S., and Asia—and business areas— commercial banking, investment banking, and AM&IS. In particular, achieving a higher ROE will require increasing the AM&IS revenue contribution within the overall business portfolio, and we will thoroughly discuss this in preparation for the next MTBP.

Q. Regarding Asian investees, have you reached a stage to accelerate the pursuit of focus and prioritization?

A. The level of growth and the financial market environment vary significantly across Asian countries. We have begun developing solid strategies for each country, and in the process, we want to have detailed discussions on cases that require additional resource allocation for further growth and on cases that warrant consideration of divestment, as further growth cannot be expected given the country's growth potential and competitiveness.

Q. Are you considering raising the CET1 ratio target range for the next MTBP?

A. To aim for ROE above 12%, we must increase our risk appetite and capital levels accordingly. We will provide a detailed explanation regarding our vision on the balance between ROE and capital at the MTBP announcement in the next fiscal year.

Q. I expect further progress in the reduction of equity holdings. What is your current approach?

A. Reduction of equity holdings is an important management issue, and we will keep focus on achieving the current MTBP target of sale of ¥700bn for now. The progress rate is over 80%, including agreed but not yet executed sales, and we will continue selling while maintaining careful communication with our customers. We will deepen our discussion on future targets as we prepare for the next MTBP.
During the previous fiscal year, the ratio of market value balance to consolidated net assets decreased, partly due to steady progress in reducing deemed shareholdings, which were excluded from the ¥700bn target.

Q. What are the future focus areas for the AM&IS business?

A. In both asset management and investor services, we will promote enhancing overall capabilities and expanding into new areas. In the asset management area, we plan to strengthen our efforts on products where our involvement has been limited, such as private assets. In investor services, we see potential for growth, especially as we have recently entered the domestic alternative fund administration market.

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