As filed with the Securities and Exchange Commission on July 28, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period to

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number 1-10277

KABUSHIKI KAISHA MITSUBISHI UFJ FINANCIAL GROUP
(Exact name of Registrant as specified in its charter)

MITSUBISHI UFJ FINANCIAL GROUP, INC.
(Translation of Registrant's name into English)

Japan

(Jurisdiction of incorporation or organization)

7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8330
Japan

(Address of principal executive offices)

Naoki Muramatsu, +81-3-3240-8111, +81-3-3240-7073, address is same as above

(Name, Telephone, Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, without par value	New York Stock Exchange(1)
American depositary shares, each of which represents one share of common stock	New York Stock Exchange

(1) The listing of the registrant's common stock on the New York Stock Exchange is for technical purposes only and without trading privileges.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

$2,300,000,000 Fixed/Floating Rate Non-Cumulative Preferred Securities of MUFG Capital Finance 1 Limited, and Mitsubishi UFJ Financial Group, Inc.'s Guarantee thereof

€750,000,000 Fixed/Floating Rate Non-Cumulative Preferred Securities of MUFG Capital Finance 2 Limited, and Mitsubishi UFJ Financial Group, Inc.'s Guarantee thereof

Restricted Share Units granting rights to common stock pursuant to the UnionBanCal Corporation Stock Bonus Plan

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

At March 31, 2011, (1) 14,150,894,620 shares of common stock (including 16,723,747 shares of common stock held by the registrant and its consolidated subsidiaries as treasury stock), (2) 156,000,000 shares of first series of class 5 preferred stock, and (3) 1,000 shares of class 11 preferred stock.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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For purposes of this Annual Report, we have presented our consolidated financial statements in accordance with accounting principles generally accepted in the United States, or US GAAP, except for risk-adjusted capital ratios, business segment financial information and some other specifically identified information. Unless otherwise stated or the context otherwise requires, all amounts in our financial statements are expressed in Japanese yen.

When we refer in this Annual Report to "MUFG," "we," "us," "our" and the "Group," we generally mean Mitsubishi UFJ Financial Group, Inc. and its consolidated subsidiaries, but from time to time as the context requires, we mean Mitsubishi UFJ Financial Group, Inc. as an individual legal entity. Similarly, references to "MTFG" and "UFJ Holdings" are to Mitsubishi Tokyo Financial Group, Inc. and to UFJ Holdings, Inc., respectively, as well as to MTFG and UFJ Holdings and their respective consolidated subsidiaries, as the context requires. Unless the context otherwise requires, references in this Annual Report to the financial results or business of the "MTFG group" and the "UFJ group" refer to those of MTFG and UFJ Holdings and their respective consolidated subsidiaries. In addition, our "banking subsidiaries" refers to The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi UFJ Trust and Banking Corporation and, as the context requires, their respective consolidated subsidiaries engaged in the banking business. References in this Annual Report to "yen" or "¥" are to Japanese yen and references to "US dollars," "US dollar," "dollars," "US$" or "$" are to United States dollars. Unless the context otherwise requires, references to the "Great East Japan Earthquake" generally mean the earthquake and the ensuing tsunami in the northeastern region of Japan that occurred on March 11, 2011, as well as the subsequent accidents at the Fukushima Daiichi Nuclear Power Plant. Our fiscal year ends on March 31 of each year. References to years not specified as being fiscal years are to calendar years.

We usually hold the ordinary general meeting of shareholders of Mitsubishi UFJ Financial Group, Inc. in June of each year in Tokyo.

Forward-Looking Statements

We may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with or submitted to the US Securities and Exchange Commission, or SEC, including this Annual Report, and other reports to shareholders and other communications.

The US Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking information to encourage companies to provide prospective information about themselves. We rely on this safe harbor in making these forward-looking statements.

Forward-looking statements appear in a number of places in this Annual Report and include statements regarding our intent, business plan, targets, belief or current expectations or the current belief or current expectations of our management with respect to our results of operations and financial condition, including, among other matters, our problem loans and loan losses. In many, but not all cases, we use words such as "anticipate," "aim," "believe," "estimate," "expect," "intend," "plan," "probability," "risk," "will," "may" and similar expressions, as they relate to us or our management, to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those which are aimed, anticipated, believed, estimated, expected, intended or planned, or otherwise stated.

Our forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. We identify in this Annual Report in "Item 3.D. Key Information—Risk Factors," "Item 4.B. Information on the Company—Business Overview," "Item 5. Operating and Financial Review and Prospects" and elsewhere, some, but not necessarily all, of the important factors that could cause these differences.

We do not intend to update our forward-looking statements. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data

The selected statement of operations data and selected balance sheet data set forth below have been derived from our audited consolidated financial statements.

Except for risk-adjusted capital ratios, which are calculated in accordance with Japanese banking regulations based on information derived from our consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP, and the average balance information, the selected financial data set forth below are derived from our consolidated financial statements prepared in accordance with US GAAP.

You should read the selected financial data set forth below in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements and other financial data included elsewhere in this Annual Report on Form 20-F. These data are qualified in their entirety by reference to all of that information.

	Fiscal years ended March 31,				
	2007	2008	2009	2010	2011
	(in millions, except per share data and number of shares)				
Statement of operations data:					
Interest income	¥ 3,915,729	¥ 4,366,811	¥ 3,895,794	¥ 2,758,504	¥ 2,550,947
Interest expense	1,585,963	2,087,094	1,599,389	774,400	670,673
Net interest income	2,329,766	2,279,717	2,296,405	1,984,104	1,880,274
Provision for credit losses	358,603	385,740	626,947	647,793	292,035
Net interest income after provision for credit losses	1,971,163	1,893,977	1,669,458	1,336,311	1,588,239
Non-interest income	1,947,936	1,778,114	175,099	2,453,865	1,709,445
Non-interest expense	2,767,253	3,620,336	3,608,784	2,508,060	2,460,446
Income (loss) from continuing operations before income tax expense (benefit)	1,151,846	51,755	(1,764,227)	1,282,116	837,238
Income tax expense (benefit)	552,826	553,045	(259,928)	407,040	439,900
Income (loss) from continuing operations	599,020	(501,290)	(1,504,299)	875,076	397,338
Loss from discontinued operations—net	(1,251)	(2,670)	—	—	—
Net income (loss) before attribution of noncontrolling interests	597,769	(503,960)	(1,504,299)	875,076	397,338
Net income (loss) attributable to noncontrolling interests	16,481	38,476	(36,259)	15,257	(64,458)
Net income (loss) attributable to Mitsubishi UFJ Financial Group	¥ 581,288	¥ (542,436)	¥ (1,468,040)	¥ 859,819	¥ 461,796
Net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	¥ 300,227	¥ (557,014)	¥ (1,491,593)	¥ 838,141	¥ 440,856
Amounts per share:					
Basic earnings (loss) per common share—income (loss) from continuing operations available to common shareholders of Mitsubishi UFJ Financial Group	¥ 29.98	¥ (53.79)	¥ (137.84)	¥ 68.01	¥ 31.20
Basic earnings (loss) per common share—net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	29.86	(54.05)	(137.84)	68.01	31.20
Diluted earnings (loss) per common share—income (loss) from continuing operations available to common shareholders of Mitsubishi UFJ Financial Group	29.80	(53.79)	(137.84)	67.87	31.08
Diluted earnings (loss) per common share—net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	29.68	(54.05)	(137.84)	67.87	31.08
Number of shares used to calculate basic earnings (loss) per common share (in thousands)	10,053,408	10,305,911	10,821,091	12,324,315	14,131,567
Number of shares used to calculate diluted earnings (loss) per common share (in thousands)	10,053,409(1)	10,305,911	10,821,091	12,332,681(1)	14,144,737(1)
Cash dividends per share declared during the fiscal year:					
—Common stock	¥ 9.00	¥ 13.00	¥ 14.00	¥ 11.00	¥ 12.00
	$ 0.08	$ 0.11	$ 0.14	$ 0.12	$ 0.14
—Preferred stock (Class 3)	¥ 60.00	¥ 60.00	¥ 60.00	¥ 60.00	¥ 30.00
	$ 0.52	$ 0.51	$ 0.61	$ 0.65	$ 0.34
—Preferred stock (Class 5)	—	—	—	¥ 100.50	¥ 115.00
	—	—	—	$ 1.10	$ 1.33
—Preferred stock (Class 8)	¥ 23.85	¥ 15.90	¥ 7.95	—	—
	$ 0.21	$ 0.14	$ 0.07	—	—
—Preferred stock (Class 9)	¥ 18.60	—	—	—	—
	$ 0.16	—	—	—	—
—Preferred stock (Class 10)	¥ 19.40	—	—	—	—
	$ 0.17	—	—	—	—
—Preferred stock (Class 11)	¥ 7.95	¥ 5.30	¥ 5.30	¥ 5.30	¥ 5.30
	$ 0.07	$ 0.05	$ 0.05	$ 0.06	$ 0.06
—Preferred stock (Class 12)	¥ 17.25	¥ 11.50	¥ 11.50	—	—
	$ 0.15	$ 0.10	$ 0.12	—	—

	At March 31,				
	2007	2008	2009	2010	2011
	(in millions)				
Balance sheet data:					
Total assets	¥188,929,469	¥195,766,083	¥193,499,417	¥200,084,397	¥202,861,288
Loans, net of allowance for credit losses	94,210,391	97,867,139	99,153,703	90,870,295	86,261,519
Total liabilities(2)	177,611,175	186,612,152	187,032,297	190,981,557	194,190,251
Deposits	126,587,009	129,240,128	128,331,052	135,472,496	136,631,704
Long-term debt	14,389,930	13,675,250	13,273,288	14,162,424	13,356,728
Total equity(2)	11,318,294	9,153,931	6,467,120	9,102,840	8,671,037
Capital stock(3)	1,084,708	1,084,708	1,127,552	1,643,238	1,644,132

	Fiscal years ended March 31,				
	2007	2008	2009	2010	2011
	(in millions, except percentages)				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other financial data:					
Average balances:					
Interest-earning assets	¥168,767,341	¥172,467,323	¥173,242,745	¥175,465,293	¥180,372,977
Interest-bearing liabilities	146,796,013	156,151,982	156,084,859	158,156,363	161,344,664
Total assets	188,311,147	197,946,692	196,214,390	195,562,072	204,785,257
Total equity(2)	10,799,391	10,038,425	8,069,262	7,861,277	8,988,345
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Return on equity and assets:					
Net income (loss) available to common shareholders as a percentage of total average assets	0.16%	(0.28)%	(0.76)%	0.43%	0.22%
Net income (loss) available to common shareholders as a percentage of total average equity(2)	2.78%	(5.55)%	(18.48)%	10.66%	4.90%
Dividends per common share as a percentage of basic earnings per common share	30.14%	—(4)	—(4)	16.17%	38.46%
Total average equity as a percentage of total average assets(2)	5.73%	5.07%	4.11%	4.02%	4.39%
Net interest income as a percentage of total average interest-earning assets	1.38%	1.32%	1.33%	1.13%	1.04%
Credit quality data:					
Allowance for credit losses	¥ 1,112,453	¥ 1,134,940	¥ 1,156,638	¥ 1,315,615	¥ 1,240,456
Allowance for credit losses as a percentage of loans	1.17%	1.15%	1.15%	1.43%	1.42%
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	¥ 1,699,500	¥ 1,679,672	¥ 1,792,597	¥ 2,007,619	¥ 2,064,477
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	1.78%	1.70%	1.79%	2.18%	2.36%
Allowance for credit losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	65.46%	67.57%	64.52%	65.53%	60.09%
Net loan charge-offs	¥ 262,695	¥ 355,892	¥ 576,852	¥ 468,400	¥ 342,100
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net loan charge-offs as a percentage of average loans	0.27%	0.37%	0.58%	0.49%	0.39%
Average interest rate spread	1.24%	1.19%	1.23%	1.08%	0.99%
Risk-adjusted capital ratio calculated under Japanese GAAP(5)	12.54%	11.19%	11.77%	14.87%	14.89%

Notes:

(1) Includes the common shares potentially issuable by conversion of the Class 11 Preferred Stock.

(2) Effective April 1, 2009, we adopted new accounting guidance regarding noncontrolling interests in subsidiaries. See "*Noncontrolling Interests*" under "*Accounting Changes*" in Note 1 to our consolidated financial statements included elsewhere in this Annual Report for details. As a result, we have reclassified average balances, as well as year end balances, of "Total liabilities" and "Total equity" in the fiscal years ended March 31, 2007 to 2009. Accordingly "Net income (loss) available to common shareholders as a percentage of total average equity" and "Total average equity as a percentage of total average assets" have been reclassified.

(3) Amounts include common shares. Redeemable Class 3 and 5 Preferred Stock are excluded.

(4) Percentages of basic loss per common share have not been presented because such information is not meaningful.

(5) Risk-adjusted capital ratios have been calculated in accordance with Japanese banking regulations, based on information derived from our consolidated financial statements prepared in accordance with Japanese GAAP.

Exchange Rate Information

The tables below set forth, for each period indicated, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per US$1.00. On July 8, 2011, the noon buying rate was ¥80.64 to US$1.00 and the inverse noon buying rate was US$1.24 to ¥100.00.

	Year 2011					
	February	**March**	**April**	**May**	**June**	**July(1)**
High	¥81.48	¥82.98	¥85.26	¥82.12	¥80.98	¥81.26
Low	¥83.79	¥78.74	¥81.31	¥80.12	¥79.87	¥80.64

Note:
(1) Period from July 1, 2011 to July 8, 2011.

	Fiscal years ended March 31,				
	2007	**2008**	**2009**	**2010**	**2011**
Average (of month-end rates)	¥116.55	¥113.61	¥100.85	¥92.49	¥85.71

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the risks described in this section, which is intended to disclose all of the risks that we consider material based on the information currently available to us, as well as all the other information in this Annual Report, including our consolidated financial statements and related notes, "Item 5. Operating and Financial Review and Prospects," "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk" and "Selected Statistical Data."

Our business, operating results and financial condition could be materially and adversely affected by any of the factors discussed below. The trading price of our securities could decline due to any of these factors. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described in this section and elsewhere in this Annual Report. See "Forward-Looking Statements."

Risks Related to Our Business

Because a large portion of our assets are located in Japan and our business operations are conducted primarily in Japan, we may incur further losses if economic conditions in Japan worsen.

Our performance is particularly affected by the general economic conditions of Japan where we are headquartered and conduct a significant amount of our business. As of March 31, 2009, 2010 and 2011, 73.9%, 74.5% and 71.9% of our total assets were related to Japanese domestic assets, respectively, including Japanese national government and Japanese government agency bonds which accounted for 69.8%, 75.8% and 79.6% of our total investment securities portfolio. Moreover, approximately three quarters of our total interest and non-interest income related to such income generated in Japan. Furthermore, as of March 31, 2011, our domestic loans in Japan accounted for approximately 80% of our total loans outstanding.

During the fiscal year ended March 31, 2011, although there were signs of recovery in economic conditions in Japan, the Japanese economy began to weaken in the second half of the fiscal year ended March 31, 2011 after the government ended many aspects of its economic stimulus package and as the Japanese yen continued to appreciate against major foreign currencies thereby weakening the competitive strength of Japanese exports. The Japanese yen appreciated from ¥93.04 to US$1 as of March 31, 2010 to ¥83.15 to US$1 as of March 31, 2011. As of July 15, 2011, the exchange rate was ¥79.20 to US$1. Furthermore, the Japanese economy has experienced a significant downturn since the Great East Japan Earthquake that occurred on March 11, 2011. The Nikkei Stock Average, which is an average of 255 blue chip stocks listed on the Tokyo Stock Exchange, declined from ¥10,434.38 on March 10, 2011 to ¥8,605.15 on March 15, 2011. The Nikkei Stock Average gradually recovered to ¥9,974.47 on July 15, 2011. In addition, Japan's seasonally adjusted real gross domestic product for the quarter ended March 31, 2011 decreased 1.0%, or 3.7% on an annualized basis, compared to the same period of the previous year. The Japanese economy could further deteriorate due to the Great East Japan Earthquake, particularly the disruptions in the supply chain and infrastructure for Japan's major manufacturing industries as well as the nuclear crisis and electricity supply shortages. While significant funds will be required to address these issues, there is significant uncertainty regarding the Japanese political leadership to timely formulate effective solutions to provide the necessary financial support and compensation and to develop other policies in response to the Great East Japan Earthquake. In particular, since the Japanese Cabinet submitted a bill to the Diet of Japan in June 2011, there has been a significant political debate regarding a compensation scheme for damages related to the nuclear accidents as well as a scheme to financially support electric utilities that are subject to the damage claims. Many aspects of the legislative solution, including the actual implementation of such schemes, are uncertain at this time. Depending on the timing and approach of any policy or scheme, significant costs may be incurred by the Japanese government, specific electric utilities or a broad range of participants in the Japanese economy, which in turn may significantly affect the Japanese economy.

Since, as described above, our domestic loans in Japan accounted for a significant portion of our loan portfolio, the Great East Japan Earthquake has resulted in, and will likely further cause, indirect adverse effects on our financial results such as increases in credit costs as the credit quality of some borrowers could deteriorate. For a further discussion, see "—Risks Related to Our Business—We may suffer additional credit-related losses in the future if our borrowers are unable to repay their loans as expected or if the measures we take in reaction to, or in anticipation of, our borrowers' deteriorating repayment abilities prove inappropriate or insufficient."

In addition, our Japanese domestic marketable equity securities portfolio and Japanese government bond portfolio may be adversely affected, depending on how the Japanese economy reacts after the Great East Japan Earthquake and what governmental policies may be adopted for reconstruction, compensation and recovery. Deteriorating or stagnant economic conditions in Japan may also result in a decrease in the volume of financial transactions in general, which in turn may reduce our domestic income from fees and commissions.

For a further discussion of our results of operations on a geographic basis, see "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Geographic Segment Analysis."

If the global economy deteriorates again, our credit-related losses may increase, and the value of the financial instruments we hold may decrease, resulting in losses.

Despite some signs of a recovery from the recent global financial downturn, the global economy remains susceptible to economic and political developments. For example, the United States and some European nations continue to experience weak employment and large financial deficits while struggling to stimulate their economies. As of March 31, 2011, based principally on the domicile of obligors, assets related to the United States and Europe accounted for approximately 12% and 8%, respectively, of our total assets. If the global economy deteriorates or the global economic recovery slows down again, the availability of credit may become limited, and some of our borrowers may default on their loan obligations to us, increasing our credit losses. In addition, the growing concern over the sovereign debt problem in some European countries may limit liquidity in the global financial market. Some of our credit derivative transactions may also be negatively affected, including the protection we sold through single name credit default swaps, index and basket credit default swaps, and credit linked notes. The notional amounts of these protections sold as of March 31, 2011 were ¥2.9 trillion, ¥0.7 trillion and ¥0.2 trillion, respectively. In addition, if credit market conditions worsen, our capital funding structure may need to be adjusted or our funding costs may increase, which could have a material adverse impact on our financial condition and results of operations.

Furthermore, we have incurred losses, and may incur further losses, as a result of changes in the fair value of our financial instruments resulting from weakening market conditions. For example, declines in fair value of our investment securities, particularly equity investment securities, resulted in our recording impairment losses of ¥858.9 billion, ¥117.5 billion and ¥139.0 billion for each of the three fiscal years ended March 31, 2009, 2010 and 2011. As of March 31, 2011, approximately 40% of our total assets were financial instruments for which we measure fair value on a recurring basis, and less than 1% of our total assets were financial instruments for which we measure fair value on a nonrecurring basis. Generally, in order to establish the fair value of these instruments, we rely on quoted market prices. If the value of these financial instruments declines, a corresponding write-down may be recognized in our consolidated statement of operations. In addition, because we hold a large amount of investment securities, short-term fluctuations in the value of our securities may trigger losses or exit costs for us to manage our risk. For more information on our valuation method for financial instruments, see "Item 5. Operating and Financial Review and Prospects—Critical Accounting Estimates."

We may suffer additional credit-related losses in the future if our borrowers are unable to repay their loans as expected or if the measures we take in reaction to, or in anticipation of, our borrowers' deteriorating repayment abilities prove inappropriate or insufficient.

When we lend money or commit to lend money, we incur credit risk, or the risk of losses if our borrowers do not repay their loans. We may incur significant credit losses or have to provide for a significant amount of additional allowance for credit losses if:

- large borrowers become insolvent or must be restructured;
- domestic or global economic conditions, either generally or in particular industries in which large borrowers operate, deteriorate;
- the value of the collateral we hold, such as real estate or securities, declines; or
- we are adversely affected by corporate credibility issues among our borrowers, to an extent that is worse than anticipated.

As a percentage of total loans, nonaccrual and restructured loans and accruing loans contractually past due 90 days or more ranged from 1.78% to 2.36% as of the five recent fiscal year-ends, reaching its highest level of 2.36% as of March 31, 2011 as total loans decreased to ¥87.5 trillion while nonaccrual and restructured loans and accruing loans contractually past due 90 days or more increased to ¥2.1 trillion. In particular, restructured loans increased by ¥0.23 trillion compared to the prior fiscal year-end, mainly due to increased restructurings of domestic loans to small and medium enterprises and domestic residential mortgage loans to individuals. If the recession in Japan worsens, our problem loans and credit-related expenses may increase. An increase in problem loans and credit-related expenses would adversely affect our results of operations, weaken our financial condition and erode our capital base. For a discussion of our problem loans, see "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financial Condition" and "Selected Statistical Data—Loan Portfolio."

Due to the nuclear power plant accidents in Fukushima Prefecture following the Great East Japan Earthquake in March 2011, certain areas were affected by radiation contamination, and the Kanto region of Japan experienced electricity supply shortages in the spring of 2011. Electricity supply remains in short supply, affecting not only the Kanto region but also the rest of Japan. Electricity supply shortages are expected to have a significant negative impact on the recovery efforts in the northeastern region of Japan and could also disrupt the economic and industrial activities in other regions of Japan and across a wide range of industry sectors in Japan. In addition, the recovery efforts may require significant costs incurred to repair the damaged facilities, to secure alternative sources of electricity, parts and other materials, and to provide financial support or compensation for affected individuals and companies. As a result, our borrowers' financial condition and creditworthiness could deteriorate, and our credit-related expenses with respect to our domestic credit portfolio could increase.

We may provide additional loans, equity capital or other forms of support to troubled borrowers in order to facilitate their restructuring and revitalization efforts. We may also forbear from exercising some or all of our rights as a creditor against them, and we may forgive loans to them in conjunction with their debt restructuring. We may take these steps even when such steps might not be warranted from the perspective of our short-term or narrow economic interests or a technical analysis of our legal rights against those borrowers, in light of other factors such as our longer-term economic interests, and our commitment to support the Japanese economy. These practices may substantially increase our exposure to troubled borrowers and increase our losses. Credit losses may also increase if we elect, or are forced by economic or other considerations, to sell or write off our problem loans at a larger discount, in a larger amount or in a different time or manner, than we may otherwise want.

Although we, from time to time, enter into credit derivative transactions, including credit default swap contracts, to manage our credit risk exposure, such transactions may not provide the protection against credit defaults that we intended due to counterparty defaults or otherwise. The credit default swap contracts could also result in significant losses. As of March 31, 2011, the total notional amount of the credit default swaps we sold and credit-linked notes was ¥3.8 trillion. In addition, negative changes in financial market conditions may restrict the availability and liquidity of credit default swaps. For more information on our credit derivative transactions, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report.

Our loan losses could prove to be materially different from our estimates and could materially exceed our current allowance for credit losses, in which case we may need to provide for additional allowance for credit losses and may also record credit losses beyond our allowance. Our allowance for credit losses in our loan portfolio is based on evaluations about customers' creditworthiness and the value of collateral we hold. Negative changes in economic conditions or our borrowers' repayment abilities could require us to provide for additional allowance. For example, borrowers in wider regions in Japan may be adversely affected due to the compensation issues for affected individuals and companies, electricity power supply shortages, supply chain disruptions and other indirect consequences of the Great East Japan Earthquake beyond our expectations, and as a result, our borrowers may incur greater financial and/or nonfinancial losses than our estimations. In such case, we may need to provide for additional allowance for credit losses. Also, the regulatory standards or guidance on establishing allowances may also change, causing us to change some of the evaluations used in determining the allowances. As a result, we may need to provide for additional allowance for credit losses. For a discussion of our allowance policy, see "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financial Condition."

If the Japanese stock market or other global markets decline in the future, we may incur losses on our securities portfolio and our capital ratios will be adversely affected.

A decline in Japanese stock prices could reduce the value of the Japanese domestic marketable equity securities that we hold, which accounted for 6.2% of our total investment securities portfolio, or 1.8% of our total assets, as of March 31, 2011. The Nikkei Stock Average declined from ¥11,089.94 at March 31, 2010 to ¥9,755.10 at March 31, 2011, mainly reflecting investor sentiment that remains cautious in light of uncertainties surrounding the global financial and capital markets and the adverse impact of the Great East Japan Earthquake. If stock market prices further decline or do not improve, we may incur additional losses on our securities portfolio. Because we hold a large amount of Japanese domestic marketable equity securities, even short-term fluctuations in the value of our securities may trigger losses or exist costs for us to manage our risk. Further declines in the Japanese stock market or other global markets may also materially and adversely affect our capital ratios and financial condition. For a detailed discussion of our holdings of marketable equity securities and the effect of market declines on our capital ratios, see "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Adequacy" and "Selected Statistical Data—Investment Portfolio."

If our strategic alliance with Morgan Stanley fails, we could suffer financial or reputational loss.

We have entered into a global strategic alliance with Morgan Stanley, under which we operate two joint venture securities companies in Japan, engage in joint corporate finance operations in the United States and pursue other cooperative opportunities. As a result of our voluntary conversion on June 30, 2011 of the convertible preferred stock previously issued to us by Morgan Stanley, we currently hold approximately 22.4% of the voting rights in Morgan Stanley and continue to hold approximately $520 million of perpetual non-cumulative non-convertible preferred stock with a 10% dividend. In addition, we have appointed a second representative to Morgan Stanley's board of directors.

We initially entered into this strategic alliance in October 2008 with a view towards long-term cooperation with Morgan Stanley, and currently plan to deepen the strategic alliance, given that the voluntary conversion of the convertible preferred stock to the common stock was completed as described above. However, due to any unexpected changes in social, economic or financial conditions, or any failure to integrate or share staff, products or services, or to operate, manage or implement the business strategy of the securities joint venture companies or other cooperative opportunities as planned, we may be unable to achieve the expected synergies from this alliance.

If our strategic alliance with Morgan Stanley is terminated, it could have a material negative impact on our business strategy, financial condition, and results of operations. For example, because we conduct our securities operations in Japan through the joint venture companies we have with Morgan Stanley, such termination may result in our inability to attain the planned growth in this line of business.

In addition, with our current investment in Morgan Stanley, we have neither a controlling interest in, nor control over the business operations of Morgan Stanley. If Morgan Stanley makes any business decisions that are inconsistent with our interests, we may be unable to achieve the goals initially set out for the strategic alliance. Furthermore, although we do not control Morgan Stanley, given the magnitude of our investment, if Morgan Stanley encounters financial or other business difficulties, we may suffer a financial loss on our investment or damage to our reputation.

Following the conversion of the preferred stock into common stock as described above, Morgan Stanley is expected to be treated as an equity-method affiliate of MUFG in the future consolidated financial statements prepared by MUFG. Accordingly, Morgan Stanley's performance will have a more significant impact on our results of operations as a result of equity method accounting.

For a detailed discussion of our strategic alliance with Morgan Stanley, see "Item 5. Operating and Financial Review and Prospects—Recent Developments."

Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results.

We have a large loan portfolio in the consumer lending industry as well as large shareholdings in subsidiaries and equity method investees in the consumer finance industry. Our domestic loans to consumers amount to approximately one-fifth of our total outstanding loans. Of this amount, the consumer loans provided by Mitsubishi UFJ NICOS, Co., Ltd., which is our primary consumer financing subsidiary, was ¥872.0 billion as of March 31, 2011, compared to ¥1,032.6 billion as of March 31, 2010. Mitsubishi UFJ NICOS's consumer loan portfolio has been adversely affected by a series of regulatory reforms recently implemented in Japan.

The Japanese government has been implementing regulatory reforms affecting the consumer lending industry in recent years. In December 2006, the Diet passed legislation to reform the regulations relating to the consumer lending business, including amendments to the Law Concerning Acceptance of Investment, Cash Deposit and Interest Rate, etc., which, effective June 18, 2010, reduced the maximum permissible interest rate from 29.2% per annum to 20% per annum. The regulatory reforms also included amendments to the Law Concerning Lending Business, which, effective June 18, 2010, abolished the so-called "gray-zone interest."

Gray-zone interest refers to interest rates exceeding the limits stipulated by the Interest Rate Restriction Law (between 15% per annum to 20% per annum depending on the amount of principal). Prior to June 18, 2010, gray-zone interest was permitted under certain conditions set forth in the Law Concerning Lending Business. As a result of the regulatory reforms, all interest rates are now subject to the lower limits imposed by the Interest Rate Restriction Law, compelling lending institutions, including our consumer finance subsidiaries and equity method investees, to lower the interest rates they charge borrowers. The new regulations that became effective on June 18, 2010 also have had a further negative impact on the business of consumer finance companies as one of those new regulations requires, among other things, consumer finance companies to limit their lending to a single customer to a maximum of one third of the customer's annual income regardless of the customer's repayment capability, significantly reducing business opportunities for the affected consumer financing companies.

In addition, as a result of decisions by the Supreme Court of Japan prior to June 18, 2010 imposing stringent requirements under the Law Concerning Lending Business for charging gray-zone interest rates, consumer finance companies have experienced a significant increase in borrowers' claims for reimbursement of previously collected interest payments in excess of the limits stipulated by the Interest Rate Restriction Law.

Following the various legal developments in June 2010 and other industry developments, Mitsubishi UFJ NICOS revised its estimate by updating management's future forecast to reflect new reimbursement claims information and other data. As of March 31, 2010 and 2011, we had ¥84.2 billion and ¥136.9 billion of allowance for repayment of excess interest, respectively. For the fiscal years ended March 31, 2010 and 2011, we recorded provisions for repayment of excess interest of ¥44.8 billion and ¥85.7 billion, respectively. For the same periods, one of our equity method investees engaged in consumer lending had a negative impact of ¥23.1 billion and ¥96.4 billion, respectively, on equity in losses of equity method investees in our consolidated statement of operations. We intend to carefully monitor future developments and trends.

These developments have adversely affected, and these and any future developments may further adversely affect, the operations and financial condition of our subsidiaries and borrowers which are engaged in consumer lending, which in turn may affect the value of our related shareholdings and loan portfolio. In particular, to further strengthen our consumer finance business as a core business of our group, in August 2008, we increased our interest in our consolidated subsidiary, Mitsubishi UFJ NICOS, and separately, in October 2008, increased our interest in ACOM CO., LTD., an equity method investee. In March 2011, we made an additional capital injection of approximately ¥85.0 billion in Mitsubishi UFJ NICOS. As a result of these investments, any negative developments in the consumer finance industry may have a greater impact on our consolidated results of operations and financial condition.

Increases in interest rates could adversely affect the value of our bond portfolio.

The aggregate estimated fair value of the Japanese government and corporate bonds and foreign bonds, including US Treasury bonds, that we hold has increased in recent fiscal years to 24.9% of our total assets as of March 31, 2011. In particular, the Japanese government and Japanese government agency bonds accounted for 22.6% of our total assets as of March 31, 2011. For a detailed discussion of our bond portfolio, see "Selected Statistical Data—Investment Portfolio."

The Bank of Japan has been maintaining a very low policy rate (uncollateralized overnight call rate) of 0.10% in an effort to lift the economy out of deflation. Short-term interest rates continue to decline because of the Bank of Japan's so-called "monetary easing policy." Interest rates in other major global financial markets, including the United States and the European Union, have remained at historic low levels in recent years. An increase in relevant interest rates, particularly if such increase is unexpected or sudden, may have a significant negative effect on the value of our bond portfolio. See "Item 5. Operating and Financial Review and Prospects—Business Environment."

Fluctuations in foreign currency exchange rates may result in transaction losses on translation of monetary assets and liabilities denominated in foreign currencies as well as foreign currency translation losses with respect to our foreign subsidiaries and equity method investees.

Fluctuations in foreign currency exchange rates against the Japanese yen create transaction gains or losses on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies. To the extent that our foreign currency-denominated assets and liabilities are not matched in the same currency or appropriately hedged, we could incur losses due to future foreign exchange rate fluctuations. During the fiscal year ended March 31, 2011, the average balance of our foreign interest-earning assets was ¥49.5 trillion and the average balance of our foreign interest-bearing liabilities was ¥34.4 trillion, representing 27.4% of our average total interest-earning assets and 21.3% of our average total interest-bearing liabilities during the same period. For the fiscal year ended March 31, 2011, net foreign exchange gains, which primarily include transaction gains on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies and net gains on currency derivatives instruments entered into for trading purposes, were ¥260.7 billion, compared to net foreign exchange gains of ¥216.7 billion for the previous fiscal year. In addition, we may incur foreign currency translation losses with respect to our foreign subsidiaries and equity method investees due to fluctuations in foreign currency exchange rates. The average exchange rate for the fiscal year ended March 31, 2011 was ¥85.72 per US$1.00, compared to the average exchange rate for the fiscal year ended March 31, 2010 of ¥92.85 per US$1.00. The average exchange rate for the conversion of the US dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2010 was ¥87.81 per US$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2009 of ¥93.57 per US$1.00. The change in the average exchange rate of the Japanese yen against the US dollar and other foreign currencies had the effect of decreasing total revenue by ¥135.6 billion, net interest income by ¥47.1 billion and income before income tax expense by ¥91.2 billion, respectively, for the fiscal year ended March 31, 2011. For more information on foreign exchange gains and losses and foreign currency translation gains and losses, see "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Results of Operations."

Any adverse changes in the business of Union Bank, an indirect wholly-owned subsidiary in the United States, could significantly affect our results of operations.

Union Bank, N.A., or Union Bank, is the primary subsidiary of UnionBanCal Corporation, or UNBC, which is an indirect wholly-owned subsidiary in the United States. Union Bank has historically contributed to a significant portion of our net income. UNBC reported net income of $269 million for the fiscal year ended December 31, 2008, net loss of $65 million for the fiscal year ended December 31, 2009, and net income of $573 million for the fiscal year ended December 31, 2010. Any adverse developments which could arise at Union Bank have a great negative impact on our results of operation and financial condition. The risks relating to Union Bank have increased as Union Bank has been expanding its business through acquisitions of community banks. In April 2010, Union Bank acquired approximately $600 million in total assets and assumed more than $400 million in deposits of Tamalpais Bank, a California-based bank, and acquired approximately $3.2 billion in total assets and assumed approximately $2.5 billion in deposits of Frontier Bank, a Washington-based bank, pursuant to its respective purchase and assumption agreements with the US Federal Deposit Insurance Corporation. If Union Bank is unable to achieve the benefits expected from its business strategies, including its business expansion strategy through acquisitions of failing community banks, we will suffer an adverse financial impact. Other factors that have negatively affected, and could continue to negatively affect, Union Bank's results of operations include adverse economic conditions, such as a downturn in the real estate and housing industries in California and other states within the United States, substantial competition in the banking markets in California and other states within the United States and uncertainty over the US economy, as well as the threat of terrorist attacks, fluctuating oil prices, rising interest rates, negative trends in debt ratings, additional costs which may arise from enterprise-wide compliance, or failure to comply, with applicable laws and regulations, such as the US Bank Secrecy Act and related amendments under the USA PATRIOT Act, and any adverse impact of the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

We may incur further losses as a result of financial difficulties relating to other financial institutions, both directly and through the effect they may have on the overall banking environment and on their borrowers.

Some domestic and foreign financial institutions, including banks, non-bank lending and credit institutions, securities companies and insurance companies, have experienced declining asset quality and capital adequacy and other financial problems. This may lead to severe liquidity and solvency problems, which have in the past resulted in the liquidation, government control or restructuring of affected institutions. In addition, allegations or governmental prosecution of improper trading activities or inappropriate business conduct of a specific financial institution could also negatively affect the public perception of other global financial institutions individually and the global financial industry as a whole. These developments may adversely affect our financial results.

Financial difficulties relating to financial institutions could adversely affect us because we have extended loans, some of which may need to be classified as nonaccrual and restructured loans, to banks, securities companies, insurance companies and other financial institutions that are not our consolidated subsidiaries. Our loans to banks and other financial institutions have been more than 5% of our total loans as of each year-end in the three fiscal years ended March 31, 2011, with the percentage increasing from 7.7% to 8.0% between March 31, 2010 and March 31, 2011. We may also be adversely affected because we are a shareholder of some other banks and financial institutions that are not our consolidated subsidiaries, including Japanese regional banks as part of our strategic equity investment securities portfolio. In addition, we currently hold an approximately 22.4% of the voting rights in Morgan Stanley. We may also be adversely affected because we enter into transactions, such as derivative transactions, in the ordinary course of business, with other banks and financial institutions as counterparties. For example, we enter into credit derivatives with banks, broker-dealers, insurance and other financial institutions for managing credit risk exposures, for facilitating client transactions, and for proprietary trading purpose. The notional amount of the protection we sold through these instruments was ¥3.8 trillion as of March 31, 2011.

In addition, financial difficulties relating to financial institutions could indirectly have an adverse effect on us because:

- we may be requested to participate in providing assistance to support distressed financial institutions that are not our consolidated subsidiaries;
- the government may elect to provide regulatory, tax, funding or other benefits to those financial institutions to strengthen their capital, facilitate their sale or otherwise, which in turn may increase their competitiveness against us;
- deposit insurance premiums could rise if deposit insurance funds prove to be inadequate;
- bankruptcies or government support or control of financial institutions could generally undermine confidence in financial institutions or adversely affect the overall banking environment;
- failures or financial difficulties experienced by other financial institutions could result in additional regulations or requirements that increase the cost of business for us; and
- negative media coverage of the financial industry, regardless of its accuracy and applicability to us, could affect customer or investor sentiment, harm our reputation and have a materially adverse effect on our business or the price of our securities.

Our strategy to expand the range of our financial products and services and the geographic scope of our business globally may fail if we are unable to anticipate or manage new or expanded risks that entail such expansion.

We continue to seek opportunities to expand the range of our products and services beyond our traditional banking and trust businesses, through development and introduction of new products and services or through acquisitions of or investments in financial institutions with products and services that complement our business. For example, taking advantage of our financial holding company status which enables us to underwrite securities, we are currently seeking to expand our corporate banking operations in the United States. In addition, the sophistication of financial products and management systems has been growing significantly in recent years. As a result, we are exposed to new and increasingly complex risks. Some of the activities that our subsidiaries are expected to engage in, such as derivatives and foreign currency trading, present substantial risks. In some cases, we have only limited experience with the risks related to the expanded range of these products and services. In addition, we may not be able to successfully develop or operate the necessary information systems. As a result, we may not be able to foresee the risks relating to new products and services. As we expand the geographic scope of our business, we will also be exposed to risks that are unique to particular jurisdictions or markets. Our risk management systems may prove to be inadequate and may not work in all cases or to the degree required. The substantial market, credit, compliance and regulatory risks in relation to the expanding scope of our products, services and trading activities or expanding our business beyond our traditional markets, could result in us incurring substantial losses. In addition, our efforts to offer new services and products or penetrate new markets may not succeed if product or market opportunities develop more slowly than expected, if our new services or products are not well accepted among customers, or if the profitability of opportunities is undermined by competitive pressures. For a detailed discussion of our risk management systems, see "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk."

Unanticipated economic changes in, and measures taken in response to such changes by, emerging market countries could result in additional losses.

We are increasingly active, through a network of branches and subsidiaries, in emerging market countries, particularly countries in Asia, Latin America, Central and Eastern Europe, and the Middle East. For example, based principally on the domicile of obligors, assets related to Asia and Oceania, excluding Japan, increased 29.6% from ¥8.42 trillion as of March 31, 2010 to ¥10.91 trillion as of March 31, 2011, accounting for 5.4% of our total assets as of March 31, 2011. The economies of emerging market countries can be volatile and susceptible to adverse changes and trends in the global financial markets. For example, a decline in the value of local currencies of these countries could negatively affect the creditworthiness of some of our borrowers in these countries. The loans we have made to borrowers and banks in these countries are often denominated in US dollars, Euro or other foreign currencies. These borrowers often do not hedge the loans to protect against fluctuations in the values of local currencies. A devaluation of the local currency would make it more difficult for a borrower earning income in that currency to pay its debts to us and other foreign lenders. In addition, some countries in which we operate may attempt to support the value of their currencies by raising domestic interest rates. If this happens, the borrowers in these countries would have to devote more of their resources to repaying their domestic obligations, which may adversely affect their ability to repay their debts to us and other foreign lenders. The limited credit availability resulting from these conditions may adversely affect economic conditions in some countries. This could cause a further deterioration of the credit quality of borrowers and banks in those countries and cause us to incur further losses. In addition, should there be excessively rapid economic growth and increasing inflationary pressure in some of the emerging market countries, such developments could adversely affect the wider regional and global economies. Some emerging market countries may also change their monetary or other economic policies in response to economic and political instabilities or pressures, which are difficult to predict. As of March 31, 2011, based on the domicile of obligors, our assets in Europe, Asia and Oceania (excluding Japan), and other areas (excluding Japan and the United States) were ¥17.04 trillion, ¥10.91 trillion and ¥5.65 trillion, representing 8.4%, 5.4% and 2.8% of our total assets, respectively. See "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financial Condition."

Our business may be adversely affected by competitive pressures, which have partly increased due to regulatory changes and recent market changes in the financial industry domestically and globally.

In recent years, the Japanese financial system has been undergoing significant changes and regulatory barriers to competition have been reduced. In particular, any further reform of the Japanese postal savings system, under which the Japan Post Group companies, including Japan Post Bank Co., Ltd., were established in October 2007, could substantially increase competition within the financial services industry as Japan Post Bank, with the largest deposit base and branch network in Japan, may begin to offer financial services in competition with our business operations generating fee income. In addition, there has been significant consolidation and convergence among financial institutions domestically and globally, and this trend may continue in the future and further increase competition in the market. A number of large commercial banks and other broad-based financial services firms have merged or formed strategic alliances with, or have acquired, other financial institutions both in Japan and overseas. As a result of the strategic alliance and the joint venture companies that we formed with Morgan Stanley, we may be newly perceived as a competitor by some of the financial institutions with which we had a more cooperative relationship in the past. If we are unable to compete effectively in this more competitive and deregulated business environment, our business, results of operations and financial condition will be adversely affected. For a more detailed discussion of our competition in Japan, see "Item 4.B. Information on the Company—Business Overview—Competition—Japan."

Future changes in accounting standards and regulatory requirements could have a negative impact on our business and results of operations.

Future developments or changes in laws, regulations, policies, standards, voluntary codes of practice and their effects are unpredictable and beyond our control. For example, Japanese and other international organizations that set accounting standards have released proposals to revise accounting standards applicable to retirement benefit obligations. The Accounting Standards Board of Japan has published proposals that, if adopted, would require companies preparing their financial statements in accordance with Japanese GAAP to record as liabilities on balance sheets actuarial losses and unrecognized past service cost, which are currently not recorded as liabilities on balance sheets. The proposed changes, if adopted, could have a significant negative impact on our capital ratios since we calculate our capital ratios in accordance with Japanese banking regulations based on information derived from our financial statements prepared in accordance with Japanese GAAP. For more information, see "—Risks Related to Our Business—We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations."

In addition, in response to the recent instabilities in financial markets, several international organizations which set accounting standards have released proposals to revise standards on accounting for financial instruments. Accounting standards applicable to financial instruments remain subject to debate and revision by international organizations which set accounting standards. If the current accounting standards change in the future, the reported values of some of our financial instruments may need to be modified, and such modification could have a significant impact on our financial results or financial condition. For more information, see "Item 5. Operating and Financial Review and Prospects—Critical Accounting Estimates."

We could also be required to incur significant expenses to comply with new standards and regulations. For example, if we adopt a new accounting system in the future, we may be required to incur significant additional costs for establishing and implementing effective internal controls, which may materially and adversely affect our financial condition and results of operations.

In addition, additional regulatory requirements could have an adverse impact on our future business and results of operations. For example, regulations relating to the consumer lending business which became effective in June 2010 impose, among other things, a limit on the amount of borrowing available to individual borrowers, which in turn have negatively affected our profitability. For more information on regulatory changes in the consumer finance industry, see "—Risks Related to Our Business—Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results."

Transactions with counterparties in countries designated by the US Department of State as state sponsors of terrorism may lead some potential customers and investors in the United States and other countries to avoid doing business with us or investing in our shares.

We, through our banking subsidiaries, engage in business activities with entities in or affiliated with Iran, including transactions with counterparties owned or controlled by the Iranian government, and the banking subsidiary has a representative office in Iran. The US Department of State has designated Iran and other countries as "state sponsors of terrorism," and US law generally prohibits US persons from doing business with such countries. We currently have business activities with entities in or affiliated with Iran in accordance with our policies and procedures designed to ensure compliance with regulations applicable in the jurisdictions in which we operate.

Our transactions with counterparties in or affiliated with Iran consist primarily of loans, the outstanding balance of which was approximately $17.3 million, representing less than 0.001% of our total assets, as of March 31, 2011. We do not have any loans outstanding to the financial institutions specifically listed by the US government. We do not believe our business activities relating to Iran are material to our business or financial condition. In addition to the loans, we also receive deposits or hold assets on behalf of several individuals resident in Japan who are citizens of countries designated as state sponsors of terrorism.

We are aware of initiatives by US governmental entities and non-government entities, including institutional investors such as pension funds, to adopt or consider adopting laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with Iran and other countries identified as state sponsors of terrorism. It is possible that such initiatives may result in our being unable to gain or retain entities subject to such prohibitions as customers, counter-parties or investors in our shares. In addition, depending on socio-political developments, our reputation may suffer due to our association with these countries. The above circumstances could have an adverse effect on our business and financial condition.

During the fiscal year ended March 31, 2011, US federal and state governments enacted new legislation designed to limit economic and financial transactions with Iran by limiting the ability of financial institutions that may have engaged in any one of a broad range of activities related to Iran to conduct various transactions in the relevant jurisdictions. Furthermore, since September 2010, the Japanese government has implemented a series of measures under the Foreign Exchange and Foreign Trade Act, such as freezing the assets of designated financial institutions and others that could contribute to Iran's nuclear activities, and our most recently modified policies and procedures take into account the new Japanese regulatory requirements. There remains a risk of potential US regulatory action against us, however, if US regulators perceive the modified policies and procedures not to be in compliance with applicable regulations.

We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations.

We, as a holding company, and our Japanese banking subsidiaries are required to maintain risk-weighted capital ratios above the levels specified in the capital adequacy guidelines of the Financial Services Agency of Japan. As of March 31, 2011, our total risk-adjusted capital ratio was 14.89% compared to the minimum risk-adjusted capital ratio required of 8.00%, and our Tier I capital ratio was 11.33% compared to the minimum Tier I capital ratio required of 4.00%. Our capital ratios are calculated in accordance with Japanese banking regulations based on information derived from our financial statements prepared in accordance with Japanese GAAP. In addition, some of our subsidiaries are also subject to the capital adequacy rules of various foreign countries, including the United States where each of MUFG, BTMU, MUTB and UNBC is a financial holding company under the US Bank Holding Company Act. We or our banking subsidiaries may be unable to continue to satisfy the capital adequacy requirements because of:

- increases in credit risk assets and expected losses we or our subsidiaries may incur due to fluctuations in our or our subsidiaries' loan and securities portfolios as a result of deteriorations in the credit of our borrowers and the issuers of equity and debt securities;
- increases in credit costs we or our subsidiaries may incur as we or our subsidiaries dispose of problem loans or as a result of deteriorations in the credit of our borrowers;
- declines in the value of our or our subsidiaries' securities portfolio;

- changes in the capital ratio requirements or in the guidelines regarding the calculation of bank holding companies' or banks' capital ratios or changes in the regulatory capital requirements for securities firms;
- a reduction in the value of our or our subsidiaries' deferred tax assets;
- adverse changes in foreign currency exchange rates; or
- other adverse developments discussed in these risk factors.

The Group of Central Bank Governors and Heads of Supervision has made a series of announcements regarding the new global regulatory framework, which has been referred to as "Basel III," to strengthen the regulation, supervision and risk management of the banking sector. Various Basel III measures are expected to be introduced in phases starting in calendar 2013, including those designed to raise the level of minimum capital requirements and to establish an internationally harmonized leverage ratio and a global minimum liquidity standard. In addition, in July 2011, the Basel Committee on Banking Supervision proposed additional loss absorbency requirements to supplement the common equity Tier I capital requirement ranging from 1% to 2.5% for global systemically important banks, depending on the bank's systemic importance. Based on the Basel III framework, the Japanese capital ratio framework, which is currently based on Basel II, is likely to be revised to implement the more stringent requirements. Likewise, local banking regulators outside of Japan such as those in the United States are likely to revise the capital and liquidity requirements imposed on our subsidiaries and operations in those countries to implement the more stringent requirements of Basel III as adopted in those countries.

If our capital ratios fall below required levels, the Financial Services Agency of Japan could require us to take a variety of corrective actions, including withdrawal from all international operations or suspension of all or part of our business operations. In addition, if the capital ratios of our subsidiaries subject to capital adequacy rules of foreign jurisdictions fall below the required levels, the local regulators could also take action against them that may result in reputational damage or financial losses to us. For a discussion of our capital ratios and the related regulatory guidelines, see "Item 4.B. Information on the Company—Business Overview—Supervision and Regulation" and "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Adequacy."

If the goodwill recorded in connection with our acquisitions becomes impaired, we may be required to record impairment losses, which may adversely affect our financial results and the price of our securities.

In accordance with US GAAP, we account for our business combinations using the acquisition method of accounting. We recorded the excess of the purchase price over the fair value of the assets and liabilities of the acquired companies as goodwill. US GAAP requires us to test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

For the fiscal year ended March 31, 2009, the global financial crisis and recession led to a decline in our market capitalization and negatively affected the fair value of our reporting units for purposes of our periodic testing of goodwill for impairment. As a result, we recorded ¥845.8 billion of goodwill impairment losses for the fiscal year ended March 31, 2009. For the fiscal years ended March 31, 2010 and 2011, we recorded ¥0.5 billion and nil of goodwill impairment losses, respectively. As of March 31, 2011, the balance of goodwill was ¥363.4 billion.

We may be required to record additional impairment losses relating to goodwill in future periods if the fair value of any of our reporting units declines below the fair value of related assets net of liabilities. Any additional impairment losses will negatively affect our financial results, and the price of our securities could be adversely affected. For a detailed discussion of our periodic testing of goodwill for impairment and the goodwill recorded, see "Item 5. Operating and Financial Review and Prospects—Critical Accounting Estimates—Accounting for Goodwill and Intangible Assets" and "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financial Condition—Goodwill."

Risks Related to Owning Our Shares

It may not be possible for investors to effect service of process within the United States upon us or our directors, corporate auditors or other management members, or to enforce against us or those persons judgments obtained in US courts predicated upon the civil liability provisions of the US federal or state securities laws.

We are a joint stock company incorporated under the laws of Japan. Almost all of our directors, corporate auditors or other management members reside outside the United States. Many of our assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for US investors to effect service of process within the United States upon us or these persons or to enforce, against us or these persons, judgments obtained in the US courts predicated upon the civil liability provisions of the US federal or state securities laws.

We believe there is doubt as to the enforceability in Japan, in original actions or in actions brought in Japanese courts to enforce judgments of US courts, of claims predicated solely upon the US federal or state securities laws mainly because the Civil Execution Act of Japan requires Japanese courts to deny requests for the enforcement of judgments of foreign courts if foreign judgments fail to satisfy the requirements prescribed by the Civil Execution Act, including:

- the jurisdiction of the foreign court be recognized under laws, regulations, treaties or conventions;
- proper service of process be made on relevant defendants, or relevant defendants be given appropriate protection if such service is not received;
- the judgment and proceedings of the foreign court not be repugnant to public policy as applied in Japan; and
- there exist reciprocity as to the recognition by a court of the relevant foreign jurisdiction of a final judgment of a Japanese court.

Judgments obtained in the US courts predicated upon the civil liability provisions of the US federal or state securities laws may not satisfy these requirements.

Risks Related to Owning Our ADSs

As a holder of ADSs, you have fewer rights than a shareholder of record in our shareholder register since you must act through the depositary to exercise these rights.

The rights of our shareholders under Japanese law to take actions such as voting, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to shareholders of record. Because the depositary, through its custodian, is the record holder of the shares underlying the American Depositary Shares, or ADSs, only the depositary can exercise shareholder rights relating to the deposited shares. ADS holders, in their capacity, will not be able to directly bring a derivative action, examine our accounting books and records and exercise appraisal rights. We have appointed The Bank of New York Mellon as depositary, and we have the authority to replace the depositary.

Pursuant to the deposit agreement among us, the depositary and a holder of ADSs, the depositary will make efforts to exercise voting or any other rights associated with shares underlying ADSs in accordance with the instructions given by ADS holders, and to pay to ADS holders dividends and distributions collected from us. However, the depositary can exercise reasonable discretion in carrying out the instructions or making distributions, and is not liable for failure to do so as long as it has acted in good faith. Therefore, ADS holders may not be able to exercise voting or any other rights in the manner that they had intended, or may lose some or all of the value of the dividends or the distributions. Moreover, the depositary agreement that governs the obligations of the depositary may be amended or terminated by us and the depositary without your consent, notice, or any reason. As a result, you may be prevented from having the rights in connection with the deposited shares exercised in the way you had wished or at all.

ADS holders are dependent on the depositary to receive our communications. We send to the depositary all of our communications to ADS holders, including annual reports, notices and voting materials, in Japanese. ADS holders may not receive all of our communications with shareholders of record in our shareholder register in the same manner or on an equal basis. In addition, ADS holders may not be able to exercise their rights as ADS holders due to delays in the depositary transmitting our shareholder communications to ADS holders. For a detailed discussion of the rights of ADS holders and the terms of the deposit agreement, see "Item 10.B. Additional Information—Memorandum and Articles of Association."

Item 4. Information on the Company.

A. History and Development of the Company.

Mitsubishi UFJ Financial Group, Inc.

MUFG is a bank holding company incorporated as a joint stock company (*kabushiki kaisha*) under the Company Law of Japan. We are the holding company for The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., or MUMSS, Mitsubishi UFJ NICOS Co., Ltd., or Mitsubishi UFJ NICOS, and other companies engaged in a wide range of financial businesses.

On April 2, 2001, The Bank of Tokyo-Mitsubishi, Ltd., Mitsubishi Trust and Banking Corporation, or Mitsubishi Trust Bank, and Nippon Trust Bank Limited established Mitsubishi Tokyo Financial Group, Inc., or MTFG, to be a holding company for the three entities. Before that, each of the banks had been a publicly held company. On April 2, 2001, through a stock-for-stock exchange, they became wholly owned subsidiaries of MTFG, and the former shareholders of the three banks became shareholders of MTFG. Nippon Trust Bank Limited was later merged into Mitsubishi Trust Bank.

On June 29, 2005, the merger agreement between MTFG and UFJ Holdings was approved at the general shareholders meetings of MTFG and UFJ Holdings. As the surviving entity, Mitsubishi Tokyo Financial Group, Inc. was renamed "Mitsubishi UFJ Financial Group, Inc." The merger of the two bank holding companies was completed on October 1, 2005.

On September 30, 2007, MUSHD, which was then called "Mitsubishi UFJ Securities Co., Ltd.," or MUS, became our wholly owned subsidiary through a share exchange transaction.

On October 13, 2008, we made an investment in Morgan Stanley as part of a global strategic alliance. On June 30, 2011, we converted the convertible preferred stock previously issued to us by Morgan Stanley into shares of common stock, resulting in our holding approximately 22.4% of the voting rights in Morgan Stanley. Morgan Stanley is expected to be treated as an equity-method affiliate of MUFG in the future consolidated financial statements prepared by MUFG. We and Morgan Stanley continue to pursue a variety of business opportunities in Japan and abroad in accordance with the global strategic alliance.

On October 21, 2008, we completed a tender offer for outstanding shares of ACOM CO., LTD. common stock, raising our ownership in ACOM to approximately 40%.

On November 4, 2008, BTMU completed the acquisition of all of the shares of common stock of UnionBanCal Corporation, or UNBC, not owned by BTMU and, as a result, UNBC became a wholly owned indirect subsidiary of MUFG.

On May 1, 2010, we and Morgan Stanley integrated our securities and investment banking businesses in Japan into two joint venture securities companies, one of which is MUMSS created by spinning off the wholesale and retail securities businesses conducted in Japan from MUSHD and subsequently assuming certain operations in Japan from a subsidiary of Morgan Stanley.

Our registered address is 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan, and our telephone number is 81-3-3240-8111.

For a discussion of recent developments, see "Item 5. Operating and Financial Review and Prospects—Recent Developments."

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

BTMU is a major commercial banking organization in Japan that provides a broad range of domestic and international banking services from its offices in Japan and around the world. BTMU's registered head office is located at 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8388, Japan, and its telephone number is 81-3-3240-1111. BTMU is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law.

BTMU was formed through the merger, on January 1, 2006, of Bank of Tokyo-Mitsubishi and UFJ Bank Limited after their respective parent companies, MTFG and UFJ Holdings, merged to form MUFG on October 1, 2005.

Bank of Tokyo-Mitsubishi was formed through the merger, on April 1, 1996, of The Mitsubishi Bank, Limited and The Bank of Tokyo, Ltd.

The origins of Mitsubishi Bank can be traced to the Mitsubishi Exchange Office, a money exchange house established in 1880 by Yataro Iwasaki, the founder of the Mitsubishi industrial, commercial and financial group. In 1895, the Mitsubishi Exchange Office was succeeded by the Banking Division of the Mitsubishi Goshi Kaisha, the holding company of the "Mitsubishi group" of companies. Mitsubishi Bank had been a principal bank to many of the Mitsubishi group companies but broadened its relationships to cover a wide range of Japanese industries, small and medium-sized companies and individuals.

Bank of Tokyo was established in 1946 as a successor to The Yokohama Specie Bank, Ltd., a special foreign exchange bank established in 1880. When the government of Japan promulgated the Foreign Exchange Bank Law in 1954, Bank of Tokyo became the only bank licensed under that law. Because of its license, Bank of Tokyo received special consideration from the Ministry of Finance in establishing its offices abroad and in many other aspects relating to foreign exchange and international finance.

UFJ Bank was formed through the merger, on January 15, 2002, of The Sanwa Bank, Limited and The Tokai Bank, Limited.

Sanwa Bank was established in 1933 when the three Osaka-based banks, the Konoike Bank, the Yamaguchi Bank, and the Sanjyushi Bank merged. Sanwa Bank was known as a city bank having the longest history in Japan, since the foundation of Konoike Bank can be traced back to the Konoike Exchange Office established in 1656. The origin of Yamaguchi Bank was also a money exchange house, established in 1863. Sanjyushi Bank was founded by influential fiber wholesalers in 1878. The corporate philosophy of Sanwa Bank had been the creation of the premier banking services especially for small and medium-sized companies and individuals.

Tokai Bank was established in 1941 when the three Nagoya-based banks, the Aichi Bank, the Ito Bank, and the Nagoya Bank merged. In 1896, Aichi Bank took over businesses of the Jyuichi Bank established by wholesalers in 1877 and the Hyakusanjyushi Bank established in 1878. Ito Bank and Nagoya Bank were established in 1881 and 1882, respectively. Tokai Bank had expanded the commercial banking business to contribute to economic growth mainly of the Chubu area in Japan, which is known for the manufacturing industry, especially automobiles.

Mitsubishi UFJ Trust and Banking Corporation

MUTB is a major trust bank in Japan, providing trust and banking services to meet the financing and investment needs of clients in Japan and the rest of Asia, as well as in the United States and Europe. MUTB's registered head office is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan, and its telephone number is 81-3-3212-1211. MUTB is a joint stock company *(kabushiki kaisha)* incorporated in Japan under the Company Law.

MUTB was formed on October 1, 2005 through the merger of Mitsubishi Trust and Banking Corporation, or Mitsubishi Trust Bank, and UFJ Trust Bank Limited. As the surviving entity, Mitsubishi Trust Bank was renamed "Mitsubishi UFJ Trust and Banking Corporation."

Mitsubishi Trust Bank traces its history to The Mitsubishi Trust Company, Limited, which was founded by the leading members of the Mitsubishi group companies in 1927. The Japanese banking and financial industry was reconstructed after World War II and, in 1948, Mitsubishi Trust Bank was authorized to engage in the commercial banking business, in addition to its trust business, under the new name Asahi Trust & Banking Corporation. In 1952, the bank changed its name again, to "The Mitsubishi Trust and Banking Corporation."

Nippon Trust Bank and The Tokyo Trust Bank, Ltd., which were previously subsidiaries of Bank of Tokyo-Mitsubishi, were merged into Mitsubishi Trust Bank on October 1, 2001.

UFJ Trust Bank was founded in 1959 as The Toyo Trust & Banking Company, Limited, or Toyo Trust Bank. The Sanwa Trust & Banking Company, Limited, which was a subsidiary of Sanwa Bank, was merged into Toyo Trust Bank on October 1, 1999. The Tokai Trust & Banking Company, Limited, which was a subsidiary of Tokai Bank, was merged into Toyo Trust Bank on July 1, 2001. Toyo Trust Bank was renamed "UFJ Trust Bank Limited" on January 15, 2002.

Mitsubishi UFJ Securities Holdings Co., Ltd.

MUSHD is a wholly owned subsidiary of MUFG. MUSHD functions as an intermediate holding company of MUFG's global securities business. MUSHD's registered head office is located at 5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6317, Japan, and its telephone number is 81-3-6213-2550. MUSHD is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law. MUSHD has major overseas subsidiaries in London, New York, Hong Kong, Singapore, Shanghai and Geneva.

In April 2010, MUSHD, which was previously called "Mitsubishi UFJ Securities Co., Ltd.," or MUS, became an intermediate holding company by spinning off its securities and investment banking business operations to a wholly owned operating subsidiary established in December 2009, currently MUMSS. Upon the consummation of the corporate spin-off transaction, the intermediate holding company was renamed "Mitsubishi UFJ Securities Holdings Co., Ltd." and the operating subsidiary was renamed "Mitsubishi UFJ Securities Co., Ltd." The operating subsidiary was subsequently renamed MUMSS in May 2010 upon integration of our securities operations in Japan with those of Morgan Stanley.

MUS was formed through the merger between Mitsubishi Securities Co., Ltd. and UFJ Tsubasa Securities Co., Ltd. on October 1, 2005, with Mitsubishi Securities Co., Ltd. being the surviving entity. The surviving entity was renamed "Mitsubishi UFJ Securities Co., Ltd." and, in September 2007, became our wholly-owned subsidiary through a share exchange transaction.

Mitsubishi Securities was formed in September 2002 through a merger of Bank of Tokyo-Mitsubishi's securities subsidiaries and affiliate, KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd. and Tokyo-Mitsubishi Personal Securities Co., Ltd., and Mitsubishi Trust Bank's securities affiliate, Issei Securities Co., Ltd. In July 2005, MTFG made Mitsubishi Securities a directly-held subsidiary by acquiring all of the shares of Mitsubishi Securities common stock held by Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank.

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

MUMSS is our core securities and investment banking subsidiary. MUMSS was created as one of the two Japanese joint venture securities companies in May 2010 between Morgan Stanley and us as part of our global strategic alliance. MUMSS succeeded to the investment banking operations conducted in Japan by a subsidiary of Morgan Stanley and the wholesale and retail securities businesses conducted in Japan by MUS. MUFG, through MUSHD, holds 60% voting and economic interests in MUMSS. MUMSS's registered head office is located at 5-2 Marunouchi 2-chome, Chiyoda-ku, Tokyo Japan, and its telephone number is 81-3-6213-8500.

MUMSS is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law. For more information on our strategic alliance with Morgan Stanley, see "—B. Business Overview—Global Strategic Alliance with Morgan Stanley" and "Item 5. Operating and Financial Review and Prospects—Recent Developments."

Mitsubishi UFJ NICOS Co., Ltd.

Mitsubishi UFJ NICOS is a major credit card company in Japan that issues credit cards, including those issued under the MUFG, NICOS, UFJ and DC brands, and provides a broad range of credit card and other related services for its card members in Japan. Mitsubishi UFJ NICOS is a consolidated subsidiary of MUFG. Mitsubishi UFJ NICOS's registered head office is located at 33-5, Hongo 3-chome, Bunkyo-ku, Tokyo 113-8411, Japan, and its telephone number is 81-3-3811-3111. Mitsubishi UFJ NICOS is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law.

On August 1, 2008, Mitsubishi UFJ NICOS became a wholly owned subsidiary of MUFG through a share exchange transaction. On the same day, we entered into a share transfer agreement with The Norinchukin Bank, or Norinchukin, under which we sold some of our shares of Mitsubishi UFJ NICOS common stock to Norinchukin. Currently, Mitsubishi UFJ NICOS is a consolidated subsidiary of MUFG. In March 2011, we and Norinchukin made additional equity investments in Mitsubishi UFJ NICOS in proportion to our and Norinchukin's respective beneficial ownership of approximately 85% and 15%.

Mitsubishi UFJ NICOS was formed through the merger, on April 1, 2007, of UFJ NICOS Co., Ltd. and DC Card Co., Ltd. As the surviving entity, UFJ NICOS Co., Ltd. was renamed "Mitsubishi UFJ NICOS Co., Ltd."

UFJ NICOS was formed through the merger, on October 1, 2005, of Nippon Shinpan Co., Ltd. and UFJ Card Co., Ltd. Originally founded in 1951 and listed on the Tokyo Stock Exchange in 1961, Nippon Shinpan was a leading company in the consumer credit business in Japan. Nippon Shinpan became a subsidiary of MUFG at the time of the merger with UFJ Card.

Prior to the merger between MTFG and UFJ Holdings in October 2005, DC Card was a subsidiary of MTFG while UFJ Card was a subsidiary of UFJ Holdings.

B. Business Overview

We are one of the world's largest and most diversified financial groups with total assets of ¥203 trillion as of March 31, 2011. The Group is comprised of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries and affiliates, for which we are the holding company. As a bank holding company, we are regulated under the Banking Law of Japan. Our services include commercial banking, trust banking, securities, credit cards, consumer finance, asset management, leasing and many more fields of financial services. The Group has the largest overseas network among the Japanese banks, comprised of offices and subsidiaries, including Union Bank, N.A., or Union Bank, in more than 40 countries.

While maintaining the corporate cultures and core competencies of BTMU, MUTB, MUMSS (through MUSHD) and Mitsubishi UFJ NICOS, we, as the holding company, seek to work with them to find ways to:

- establish a more diversified financial services group operating across business sectors;
- leverage the flexibility afforded by our organizational structure to expand our business;
- benefit from the collective expertise of BTMU, MUTB, MUMSS (through MUSHD) and Mitsubishi UFJ NICOS;
- achieve operational efficiencies and economies of scale; and
- enhance the sophistication and comprehensiveness of the Group's risk management expertise.

In order to further enhance our operations and increase profits, in April 2004 we introduced an integrated business group system comprising three core business areas: Retail, Corporate, and Trust Assets. These three businesses serve as the Group's core sources of net operating profit. In March 2011, the sales and trading business of MUMSS was transferred from the Integrated Corporate Banking Business Group to the Global Markets group, as described below. In July 2011, we added the Integrated Global Business Group (MUFG Global) as a fourth area by shifting some of our global operations mainly from the Integrated Corporate Banking Business Group. This change in our business segment was implemented to more effectively coordinate and enhance our group-wide efforts to strengthen and expand overseas operations. Our remaining business areas are grouped into Global Markets and Other. In addition, MUFG's role as the holding company has expanded from strategic coordination to integrated strategic management. Group-wide strategies are determined by the holding company and executed by the banking subsidiaries and other subsidiaries.

In October 2008, as part of our medium-term strategy to expand our operations in the United States, each of MUFG, BTMU, MUTB and UNBC became a financial holding company under the US Bank Holding Company Act. For more information, see "Item 3.D. Key Information—Risk Factors—Risks Related to Our Business—We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations" and "Item 4.B. Information on the Company—Business Overview—Supervision and Regulation—United States."

MUFG Management Philosophy

MUFG's management philosophy serves as the basic policy in conducting its business activities, and provides guidelines for all group activities. It is also the foundation for management decisions, including the formulation of management strategies and management plans, and serves as the core value for all employees. BTMU, MUTB, MUMSS (through MUSHD) and Mitsubishi UFJ NICOS adopted the MUFG's management philosophy as their own respective management philosophy, and the entire group strives to comply with this philosophy. The details of the MUFG's management philosophy are set forth below:

- We will respond promptly and accurately to the diverse needs of our customers around the world and seek to inspire their trust and confidence;
- We will offer innovative and high-quality financial services by actively pursuing the cultivation of new business areas and developing new technologies;
- We will comply strictly with all laws and regulations and conduct our business in a fair and transparent manner to gain the public's trust and confidence;
- We will seek to inspire the trust of our shareholders by enhancing corporate value through continuous business development and appropriate risk management, and by disclosing corporate information in a timely and appropriate manner;
- We will contribute to progress toward a sustainable society by assisting with development in the areas in which we operate and conducting our business activities with consideration for the environment; and
- We will provide the opportunities and work environment necessary for all employees to enhance their expertise and make full use of their abilities.

We have declared our message to the world as "Quality for You," with management's emphasis on quality. "Quality for You" means that by providing high-quality services, we aspire to help improve the quality of the lives of individual customers, and the quality of each corporate customer. The "You" expresses the basic stance of MUFG that we seek to contribute not only to the development of our individual customers but also communities and society. We believe that delivering superior quality services, reliability, and global coverage will result in more profound and enduring contributions to society.

Integrated Retail Banking Business Group

The Integrated Retail Banking Business Group covers all domestic retail businesses, including commercial banking, trust banking and securities businesses, and enables us to offer a full range of banking products and services, including financial consulting services, to retail customers in Japan. This business group integrates the retail business of BTMU, MUTB and MUMSS as well as retail product development, promotion and marketing in a single management structure. Some of our retail services are offered through our network of MUFG Plazas providing individual customers with one-stop access to our comprehensive financial product offerings of integrated commercial banking, trust banking and securities services.

Deposits and retail asset management services. We offer a full range of bank deposit products including a non-interest-bearing deposit account that is redeemable on demand and intended primarily for payment and settlement functions, and is fully insured by the Deposit Insurance Corporation of Japan without a maximum amount limitation.

We offer a variety of asset management and asset administration services to individuals, including savings instruments such as current accounts, ordinary deposits, time deposits, deposits at notice and other deposit facilities. We also offer trust products, such as money trusts, and other investment products, such as investment trusts and foreign currency deposits.

We create portfolios tailored to customer needs by combining savings instruments and investment products. We also provide a range of asset management and asset administration products as well as customized trust products for high net worth individuals, as well as advisory services relating to, among other things, the purchase and disposal of real estate and effective land utilization, and testamentary trusts.

Investment trusts. We provide a diverse lineup of investment trust products allowing our customers to choose products according to their investment needs through BTMU, MUTB and MUMSS as well as kabu.com Securities, which specializes in online financial services. In the fiscal year ended March 31, 2011, BTMU offered a total of 10 new investment trusts. As of March 31, 2011, BTMU offered our clients a total of 76 investment trusts. Moreover, BTMU has placed significant importance on ensuring providing after-sales advice to all of our customers who have purchased our investment trust products.

Insurance. We offer insurance products to meet the needs of our customers as a sales agent of third party insurance companies. Our current lineup of insurance products consists of investment-type individual annuities, foreign currency-denominated insurance annuities and yen-denominated fixed-amount annuity insurance. We also offer single premium term insurance. BTMU has been offering life, medical and cancer insurance since December 2007, nursing-care insurance since April 2008 and car insurance since July 2009. As of March 31, 2011, BTMU offers 38 varieties of life insurance products (28 life insurance, seven medical and nursing-care insurance and three cancer insurance products) at 452 BTMU branches. Professional insurance sales representatives, called “Insurance Planners,” have been assigned to each branch where these insurance products are sold in order to ensure that the branch responds to our customers’ needs. MUTB also offers whole term life insurance and medical insurance at all of its branches.

Financial products intermediation services. We offer financial products intermediation services through BTMU acting as an agent with three MUFG securities companies (MUMSS, Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd., and kabu.com Securities Co., Ltd.) and through MUTB acting as an agent with MUMSS. We offer securities, including publicly offered stocks, foreign and domestic investment trusts, Japanese government bonds, foreign bonds and various other products. As of March 31, 2011, BTMU employed approximately 425 employees seconded from MUMSS. We seek to optimize the deployment of the securities service personnel within our group in accordance with our initiatives where approximately 155 of the 425 were assigned to branches in Japan as sales representatives, approximately 214 employees were employed in the capacity of Retail Money Desk, or RMD, representatives to assist the branch sales force, and the remaining 56 employees were assigned to the headquarters of BTMU (Financial Instruments Intermediary Service Office).

Loans. We offer housing loans, card loans, and other loans to individuals. With respect to housing loans, in addition to housing loans incorporating health insurance for seven major illnesses, which are underwritten by third party insurance companies, BTMU began offering in June 2009 preferential interest rates under its "Environmentally Friendly Support" program to customers who purchase "environment-conscious" houses (e.g., houses with solar electric systems) which meet specific criteria in response to increasing public interest in environmental issues. In September 2009, BTMU launched "housing loans with home mortgage insurance," which BTMU jointly developed with the Japan Housing Finance Agency, a governmental agency under the Japanese government's economic stimulus measures, under which the agency indemnifies BTMU for losses from housing loans. BTMU also offers a card loan service called "BANQUIC," for which applications can be accepted through the internet, telephone, TV telephone and mobile phone. A customer who has an account with BTMU can obtain loans through the "BANQUIC" service by having the loan proceeds directly remitted to the customer's BTMU account. The service is available at BTMU branches and BTMU-affiliated ATMs at convenience stores with no ATM transaction fees. BTMU continues to strive to meet a wide variety of customer needs by enhancing our product offerings and increasing customers' ease of access to our services.

In response to the Great East Japan Earthquake in March 2011, which devastated the northeastern region of Japan, BTMU and MUTB are offering eased conditions and preferential interest rates for the loans to the affected individuals who wish to apply for loans.

Credit cards. Among our group companies, Mitsubishi UFJ NICOS and BTMU issue credit cards and also offer some preferential services provided by other MUFG group companies (including preferential rates for BTMU housing loans) to holders of "MUFG card" issued by Mitsubishi UFJ NICOS and gold cards issued by BTMU. BTMU has expanded value-added services and benefits for bank-issued credit card holders, including a point program where credit card holders can earn points by using their credit cards and exchange the points earned for cash or other preferential treatment for banking transactions through BTMU.

Retail securities business. We conduct our retail securities business in Japan through MUMSS which was formed in May 2010 through the integration of the domestic wholesale and retail securities business previously conducted by MUS and the investment banking business conducted by Morgan Stanley Japan Securities Co., Ltd., or Morgan Stanley Japan. See "—Global Strategic Alliance with Morgan Stanley."

Domestic Network. We offer products and services through a wide range of channels, including branches, ATMs (including convenience store ATMs shared by multiple banks), Mitsubishi-Tokyo UFJ Direct (telephone, internet and mobile phone banking), the Video Counter and postal mail.

We offer integrated financial services combining our banking, trust banking and securities services at MUFG Plazas. These Plazas provide retail customers with integrated and flexible suite of services at one-stop outlets. As of March 31 2011, we provided those services through 35 MUFG Plazas.

To provide exclusive membership services to high net worth individual customers, we have private banking offices featuring lounges and private rooms where customers can receive wealth management advice and other services in a relaxing and comfortable setting. As of March 31, 2011, we had 29 private banking offices in the Tokyo metropolitan area, Nagoya and Osaka.

To improve customer convenience, BTMU has enhanced its ATM network and ATM related services. BTMU has also ceased to charge ATM transaction fees from customers of BTMU and MUTB for certain transactions. In addition, BTMU has reduced commissions for transactions conducted through ATMs located in convenience stores. Furthermore, BTMU currently shares its ATM network with eight Japanese local banks, AEON Bank, Ltd. and the banks belonging to the Japan Agricultural Cooperatives bank group. BTMU has also ceased to charge ATM transaction fees from customers who use these banks' ATMs for certain transactions.

"Jibun Bank Corporation" is a partnership between BTMU and KDDI Corporation, a major telecommunications company in Japan. Jibun Bank provides banking services primarily through mobile phone networks. Since the launch of its banking services in July 2008, Jibun Bank has reached 1.2 million accounts and ¥223 billion in deposit balance as of March 31, 2011.

Trust agency operations. We offer MUTB's trust related products and advisory services through our trust agency system not only for MUTB customers but also for BTMU and MUMSS customers. As of March 31, 2011, BTMU engaged in eight businesses as the trust banking agent for MUTB: testamentary trusts, inheritance management, asset succession planning, inheritance management agency operations, business management financial consulting, lifetime gift trusts, share disposal trusts, and marketable securities administration trusts. MUMSS engaged in three businesses as the trust banking agent for MUTB: testamentary trusts, inheritance management and asset succession planning. Financial consultants (sales managers specializing in inheritance business) have been sent from MUTB to BTMU. Because of Japan's aging society, customer demand for inheritance-related advice is increasing and we aim to significantly strengthen our ability to cross-sell the inheritance products to our existing customers.

Integrated Corporate Banking Business Group

The Integrated Corporate Banking Business Group covers all domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses. Through the integration of these business lines, diverse financial products and services are provided to our corporate clients, from large corporations to medium-sized and small businesses. The business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of our corporate customers.

Commercial Banking

We provide various financial solutions, such as loans and fund management, remittance and foreign exchange services, to meet the requirements of small and medium-sized enterprise, or SME, customers. We also help our customers develop business strategies, such as inheritance-related business transfers and stock listings.

CIB (Corporate and Investment Banking)

We offer advanced financial solutions mainly to large corporations through corporate and investment banking services. Product specialists globally provide derivatives, securitization, syndicated loans, structured finance, and other services. We also provide investment banking services, such as M&A advisory, bond and equity underwriting, to meet our customers' needs.

A large part of our investment banking business in Japan is provided by MUMSS which was formed in May 2010 through the integration of the domestic wholesale and retail securities business previously conducted by MUS and the investment banking business conducted by Morgan Stanley Japan. See "—Global Strategic Alliance with Morgan Stanley."

Transaction Banking

We provide online banking services that allow customers to make domestic and overseas remittances electronically. We also provide a global cash pooling/netting service, and the "Treasury Station", a fund management system for a multi-company group. These services are designed particularly for customers who have global business activities.

Trust Banking

MUTB's experience and know-how in the asset management business, real estate brokerage and appraisal services, and stock transfer agency service also enable us to offer services tailored to the financial strategies of each client, including securitization of real estate, receivables and other assets.

Integrated Trust Assets Business Group

The Integrated Trust Assets Business Group covers asset management and administration services for products such as pension trusts and security trusts by integrating the trust banking expertise of MUTB and the international strengths of BTMU. The business group provides a full range of services to corporate and pension funds, including stable and secure pension fund management and administration, advice on pension schemes, and payment of benefits to scheme members. Our Integrated Trust Assets Business Group combines MUTB's trust assets business, comprising trust assets management services, asset administration and custodial services, and the businesses of Mitsubishi UFJ Global Custody S.A., Mitsubishi UFJ Asset Management Co., Ltd. and KOKUSAI Asset Management Co., Ltd.

Mitsubishi UFJ Global Custody S.A., which was established on April 11, 1974 and was formerly named Bank of Tokyo-Mitsubishi UFJ (Luxembourg) S.A., provides global custody services, administration services for investment funds and fiduciary and trust accounts, and other related services to institutional investors.

Mitsubishi UFJ Asset Management and KOKUSAI Asset Management provide asset management and trust products and services mainly to high net worth individuals, branch customers and corporate clients in Japan.

Integrated Global Business Group ("MUFG Global")

The Integrated Global Business Group ("MUFG Global") was established on July 1, 2011, to effectively coordinate and enhance our group-wide efforts to strengthen and expand overseas operations. MUFG Global is designed to clarify the leadership in, and enhance the coordination for, our overseas strategies on a group-wide basis.

Overseas business development has been an important pillar of our growth strategy. Aiming to further raise our presence in the global financial market, we are shifting our current approach where each of our group companies individually promotes its overseas business to a more group-wide approach. The new approach is designed to enable us to exercise our comprehensive expertise to more effectively provide our overseas customers with value-added services.

As global financial regulations have become increasingly stringent following the recent global financial crisis, the realignment in the global financial industry has accelerated with financial institutions merging and entering into alliances particularly in Europe and the United States. Moreover, the importance of emerging markets in Asia and other regions has been rapidly growing, and the business environment surrounding the international financial industry is becoming more complex. In addition, customers' financing needs are becoming more diverse and sophisticated as their activities are becoming more globalized.

Against this background, MUFG Global covers overseas businesses, including commercial banking services such as loans, deposits and cash management services, retail banking, trust assets and securities businesses (with the retail banking and trust assets businesses being conducted through Union Bank), through a global network of more than 500 offices outside Japan to provide customers with financial products and services that meet their increasingly diverse and sophisticated financing needs.

CIB (Corporate and Investment Banking)

Our CIB business primarily serves large corporations, financial institutions, and sovereign and multinational organizations with a comprehensive set of solutions for their financing needs. Through our global network of offices and branches, we provide a full range of services, including corporate banking services such as providing credit commitments and arranging the issuance of asset-backed commercial paper, investment banking services such as debt/equity issuance, and M&A advisory services, to help clients develop financial strategies. To meet clients' expectations for their various financing needs, we have established a client-oriented coverage business model and coordinate our product experts who can offer innovative finance services all around the world. With our acquisition from The Royal Bank of Scotland Group plc of project finance assets consisting of loans for natural resource, power and other infrastructure projects in Europe, the Middle-East and Africa, and related assets in December 2010, we continue to seek to strengthen our project finance business, which is one of the core businesses of CIB. For more information on our transaction with The Royal Bank of Scotland Group, see "Item 5. Operating and Financial Review and Prospects—Recent Developments."

Transaction Banking

We have Transaction Banking Offices around the world through which we provide commercial banking products and services for corporations and financial institutions in managing and processing domestic and cross-border payments, mitigating professional risk for international trade, and performing asset and liability management. We provide customers with support for their domestic, regional and global trade finance and cash management programs through our extensive global network.

Union Bank

UNBC is a wholly owned indirect subsidiary of MUFG. UNBC is a US bank holding company with Union Bank being its primary subsidiary. Union Bank is a leading regional bank headquartered in California, ranked by the Federal Deposit Insurance Corporation, or FDIC, as the 21st largest in the United States in terms of total deposits as of March 2011. Union Bank provides a wide range of financial services to consumers, small businesses, middle-market companies and major corporations, primarily in California, Oregon, Washington, and Texas as well as nationally and internationally. In April 2010, Union Bank acquired loans and other assets and assumed deposits and other liabilities of Tamalpais Bank, a California-based bank, and Frontier Bank, a Washington-based bank, from the FDIC in separate FDIC-assisted transactions.

Global Markets

Global Markets covers asset and liability management and strategic investment of BTMU and MUTB, and sales and trading of financial products of BTMU and MUTB. In March 2011, the sale and trading business of MUMSS was transferred from the Integrated Corporate Banking Business Group to the Global Markets.

Other

Other mainly consists of the corporate centers of the holding company, BTMU, MUTB and MUMSS.

Global Strategic Alliance with Morgan Stanley

As of March 31, 2011, we held a total of approximately 47 million shares of Morgan Stanley common stock, Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock ("Series B Preferred Stock") with a face value of approximately $7,839 million and a 10% dividend, and Perpetual Non-Cumulative Non-Convertible Preferred Stock ("Series C Preferred Stock") with a face value of approximately $520 million and a 10% dividend.

On June 30, 2011, we converted all of the Series B Preferred Stock for approximately 385 million shares of the common stock. As a result, we hold a total of approximately 432 million shares of Morgan Stanley common stock, which represent approximately 22.4% of the voting rights in Morgan Stanley based on the number of shares of common stock of Morgan Stanley outstanding as of June 30, 2011. We also have a right to designate two directors of Morgan Stanley. Morgan Stanley is expected to be treated as an equity-method affiliate of MUFG in the future consolidated financial statements prepared by MUFG. For more information, see "Item 5. Operating and Financial Review and Prospects—Recent Developments."

In May 2010, we and Morgan Stanley integrated our respective Japanese securities companies by forming two securities joint venture companies. We converted the wholesale and retail securities businesses conducted in Japan by MUS into MUMSS. Morgan Stanley contributed the investment banking operations conducted in Japan by its former wholly-owned subsidiary, Morgan Stanley Japan, to MUMSS, and converted the sales and trading and capital markets businesses conducted in Japan by Morgan Stanley Japan into an entity called Morgan Stanley MUFG Securities, Co., Ltd., or MSMS. We hold a 60% economic interest in MUMSS and MSMS, and Morgan Stanley holds a 40% economic interest in MUMSS and MSMS. We hold a 60% voting interest and Morgan Stanley holds a 40% voting interest in MUMSS, and we hold a 49% voting interest and Morgan Stanley holds a 51% voting interest in MSMS. Morgan Stanley's and our economic and voting interests in the securities joint venture companies are held through intermediate holding companies. We have retained control of MUMSS and we account for our interest in MSMS under the equity method due to our significant influence over MSMS. The board of directors of MUMSS has fifteen members, nine of whom are designated by us and six of whom are designated by Morgan Stanley. The board of directors of MSMS has ten members, six of whom are designated by Morgan Stanley and four of whom are designated by us. The CEO of MUMSS is designated by us and the CEO of MSMS is designated by Morgan Stanley.

We have also expanded the scope of our global strategic alliance with Morgan Stanley into new geographies and businesses, including (1) a loan marketing joint venture that will provide clients in the United States with access to expand the world-class lending and capital markets services from both companies, (2) an agreement to establish business referral arrangements in Asia, Europe, the Middle East and Africa, covering capital markets, loans, fixed income sales and other businesses, (3) a global commodities referral agreement whereby BTMU and its affiliates will refer clients in need of commodities-related hedging solutions to certain affiliates of Morgan Stanley, and (4) an employee secondment program to share best practices and expertise in a wide range of business areas.

See "Item 3.D. Key Information—Risk Factors—Risks Related to Our Business—If our strategic alliance with Morgan Stanley fails, we could suffer financial or reputational loss."

Competition

We face strong competition in all of our principal areas of operations. The structural reforms in the regulation of the financial industry has resulted in some significant changes in the Japanese financial system and prompted banks to merge or reorganize their operations, thus changing the nature of the competition from other financial institutions as well as from other types of businesses.

Japan

The Banking Law of Japan currently permits banks to engage in certain types of securities business, including retail sales of investment funds and government and municipal bonds, and, through a domestic and overseas securities subsidiary, all types of securities business, with appropriate registration with or approval of the Financial Services Agency, an agency of the Cabinet Office. In addition, the Banking Law was amended in December 2008 to expand the scope of permissible activities of banks, permitting banks to engage in emissions trading and, through their subsidiaries and certain affiliates, Islamic financing. Further increases in competition among financial institutions are expected in these new areas of permissible activities.

The current regulatory environment and market factors have facilitated the entry of various Japanese non-bank financial institutions, non-financial companies as well as foreign financial institutions into the Japanese domestic market. For example, Orix Corporation, a non-bank financial institution, and the Seven & i Holdings group and Sony Corporation, which were both non-financial companies, began to offer various banking services, often through non-traditional distribution channels. Citigroup Inc. conducts its banking business in Japan through a locally incorporated banking subsidiary.

In addition, as foreign exchange controls have been generally eliminated, customers can now have direct access to foreign financial institutions, with which we must also compete.

In recent years, the Japanese government has identified several governmental financial institutions as candidates to privatize. In particular, the privatization of Japan Post Group companies could substantially increase competition within the financial services industry as Japan Post Bank Co., Ltd. is the world's largest holder of deposits. Since December 2009, however, the Japanese government's privatization plan for the Japan Post Group companies has been suspended. See "—The Japanese Financial System—Government Financial Institutions."

In the retail banking sector, customers often seek a broad range of financial products and services, such as investment trusts and insurance products. Recently, competition has increased due to the development of new products and distribution channels. For example, Japanese banks have started competing with one another by developing innovative proprietary computer technologies that allow them to deliver basic banking services in a more efficient manner, such as internet banking services, and to create sophisticated new products in response to customer demand.

The trust assets business is a growth area that is becoming increasingly competitive because of regulatory changes in the industry that have expanded the products and services that can be offered since the mid-2000s. In addition, there is growing corporate demand for changes in the trust regulatory environment, such as reforms of the pension system and related accounting regulations under Japanese GAAP. Competition may increase in the future as changes are made to respond to such corporate demand and regulatory barriers to entry are lowered.

Integration. Since their formation in 2000 and 2001, the so-called Japanese "mega bank" groups, including us, the Mizuho Financial Group, and the Sumitomo Mitsui Financial Group have continued to expand their businesses and financial group capabilities. Heightened competition among the mega bank groups is currently expected in the securities sector as they have recently announced plans to expand, or have expanded, their respective securities businesses. In May 2010, we and Morgan Stanley created two securities joint venture companies in Japan, MUMSS and MSMS, by integrating the operations of MUS and Morgan Stanley Japan. In May 2009, Mizuho Securities Co., Ltd. acquired Shinko Securities Co., Ltd., and announced in March 2011 that the Mizuho Financial Group would consider integrating Mizuho Securities and Mizuho Investors Co., Ltd. In October 2009, the Sumitomo Mitsui Financial Group acquired the former Nikko Cordial Securities Inc. and other businesses from Citigroup Inc. In October 2009, The Sumitomo Trust and Banking Co., Ltd. acquired Nikko Asset Management Co., Ltd. from Citigroup Inc., and, in April 2011, Sumitomo Trust and Banking and Chuo Mitsui Trust Holdings Inc. established Sumitomo Mitsui Trust Holdings, Inc. to integrate their businesses. As a result, competition is expected to intensify in the asset management and trust assets businesses. For a discussion of the two securities joint venture companies created by us and Morgan Stanley, see "—Business Overview—Global Strategic Alliance with Morgan Stanley."

The mega bank groups are also expected to face heightened competition with other financial groups. For example, the Nomura Group acquired Lehman Brothers Holdings Inc.'s franchise in the Asia-Pacific region and investment banking businesses in Europe and the Middle East in October 2008.

Foreign

In the United States, we face substantial competition in all aspects of our business. We face competition from other large US and foreign-owned money-center banks, as well as from similar institutions that provide financial services. Through Union Bank, we currently compete principally with US and foreign-owned money-center and regional banks, thrift institutions, insurance companies, asset management companies, investment advisory companies, consumer finance companies, credit unions and other financial institutions.

In other international markets, we face competition from commercial banks and similar financial institutions, particularly major international banks and the leading domestic banks in the local financial markets in which we conduct business. In addition, we may face further competition as a result of recent investments, mergers and other business tie-ups among global financial institutions.

The Japanese Financial System

Japanese financial institutions may be categorized into three types:

- the central bank, namely the Bank of Japan;
- private banking institutions; and
- government financial institutions.

The Bank of Japan

The Bank of Japan's role is to maintain price stability and the stability of the financial system to ensure a solid foundation for sound economic development.

Private Banking Institutions

Private banking institutions in Japan are commonly classified into two categories (the following numbers are based on information published by the Financial Services Agency of Japan available as of June 29, 2011:

- ordinary banks (128 ordinary banks and 57 foreign commercial banks with ordinary banking operations); and
- trust banks (18 trust banks, including four Japanese subsidiaries of foreign financial institutions).

Ordinary banks in turn are classified as city banks, of which there are five, including BTMU, and regional banks, of which there are 105 and other banks, of which there are 18. In general, the operations of ordinary banks correspond to commercial banking operations in the United States. City banks and regional banks are distinguished based on head office location as well as the size and scope of their operations.

The city banks are generally considered to constitute the largest and most influential group of banks in Japan. Generally, these banks are based in large cities, such as Tokyo, Osaka and Nagoya, and operate nationally through networks of branch offices. City banks have traditionally emphasized their business with large corporate clients, including the major industrial companies in Japan. However, many of these banks, including BTMU, in recent years have increased their emphasis on other markets, such as small and medium-sized companies and retail banking.

With some exceptions, the regional banks tend to be much smaller in terms of total assets than the city banks. Each of the regional banks is based in one of the Japanese prefectures and extends its operations into neighboring prefectures. Their clients are mostly regional enterprises and local public utilities. The regional banks also lend to large corporations. In line with the recent trend among financial institutions toward mergers or business tie-ups, various regional banks have announced or are currently negotiating or pursuing integration transactions.

Trust banks, including MUTB, provide various trust services relating to money trusts, pension trusts and investment trusts and offer other services relating to real estate, stock transfer agency and testamentary services as well as banking services.

In recent years, almost all of the city banks have consolidated with other city banks and in some cases, with trust banks. Integration among these banks was achieved, in most cases, through the use of a bank holding company.

In addition to ordinary banks and trust banks, other private financial institutions in Japan, including shinkin banks or credit associations, and credit cooperatives, are engaged primarily in making loans to small businesses and individuals.

Government Financial Institutions

Since World War II, a number of government financial institutions have been established. These corporations are wholly owned by the government and operate under its supervision. Their funds are provided mainly from government sources. Certain types of operations undertaken by these institutions have been or are planned to be assumed by, or integrated with the operations of, private corporations, through privatization and other measures.

Among them are the following:

- The Development Bank of Japan, which was established for the purpose of contributing to the economic development of Japan by extending long-term loans, mainly to primary and secondary sector industries, and which was reorganized as a joint stock company in October 2008 as part of its ongoing privatization process, the target completion date for which has been postponed until some time between April 2020 and March 2022;
- Japan Finance Corporation, which was formed in October 2008, through the merger of the International Financial Operations of the former Japan Bank for International Cooperation, National Life Finance Corporation, Agriculture, Forestry and Fisheries Finance Corporation, and Japan Finance Corporation for Small and Medium Enterprise, the primary purposes of which are to supplement and encourage the private financing of exports, imports, overseas investments and overseas economic cooperation, and to supplement private financing to the general public, small and medium enterprises and those engaged in agriculture, forestry and fishery (with Japan Bank for International Cooperation expected to be split from Japan Finance Corporation and become a separate government-owned entity in April 2012);
- Japan Housing Finance Agency, which was originally established in June 1950 as the Government Housing Loan Corporation for the purpose of providing housing loans to the general public, was reorganized as an incorporated administrative agency and became specialized in securitization of housing loans in April 2007; and
- The Japan Post Group companies, a group of joint stock companies including Japan Post Bank, which were formed in October 2007 as part of the Japanese government's privatization plan for the former Japan Post, a government-run public services corporation, which had been the Postal Service Agency until March 2003. Since December 2009, the Japanese government's privatization plan for the Japan Post Group companies has been suspended.

Supervision and Regulation

Japan

Supervision. The Financial Services Agency of Japan, an agency of the Cabinet Office, or FSA, is responsible for supervising and overseeing financial institutions, making policy for the overall Japanese financial system and conducting insolvency proceedings with respect to financial institutions. The Bank of Japan, as the central bank for financial institutions, also has supervisory authority over banks in Japan, based primarily on its contractual agreements and transactions with the banks.

The Banking Law. Among the various laws that regulate financial institutions, the Banking Law and its subordinated orders and ordinances are regarded as the fundamental law for ordinary banks and other private financial institutions. The Banking Law addresses capital adequacy, inspections and reporting to banks and bank holding companies, as well as the scope of business activities, disclosure, accounting, limitation on granting credit and standards for arm's length transactions for them. As a result of the amendment to the Banking Law and the Financial Instruments and Exchange Law, effective as of June 2009, firewall regulations that separate bank holding companies or banks from affiliated securities companies have become less stringent. On the other hand, bank holding companies, banks and other financial institutions are required to establish an appropriate system to better cope with conflicts of interest that may arise from their business operations.

Bank holding company regulations. A bank holding company is prohibited from carrying on any business other than the management of its subsidiaries and other incidental businesses. A bank holding company may have any of the following as a subsidiary: a bank, a securities company, an insurance company and a foreign subsidiary that is engaged in the banking, securities or insurance business. In addition, a bank holding company may have as a subsidiary, any company that is engaged in a finance-related business, such as a credit card company, a leasing company or an investment advisory company. Certain companies that are designated by a ministerial ordinance as those that cultivate new business fields may also become the subsidiary of a bank holding company.

Capital adequacy. The capital adequacy guidelines adopted by the FSA that are applicable to Japanese bank holding companies and banks with international operations closely follow the risk-weighted approach introduced by the Basel Committee on Banking Supervision of the Bank for International Settlements, or BIS. Since March 2007, Japanese banks have been subject to standards reflecting the Basel Committee standards called "International Convergence of Capital Measurement and Capital Standards: A Revised Framework," or Basel II.

Under the FSA guidelines reflecting Basel II, we and our banking subsidiaries currently use the Advanced Internal Ratings-Based Approach, or the AIRB approach, to calculate capital requirements for credit risk. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to the overall MUFG capital requirements and a few subsidiaries adopted a phased rollout of the internal ratings-based approach. We and our banking subsidiaries adopted the Standardized Approach to calculate capital requirements for operational risk. As for market risk, we and our banking subsidiaries adopted the Internal Models Approach mainly to calculate general market risk and adopted the Standardized Methodology to calculate specific risk.

The capital adequacy guidelines are in accordance with the Basel II standards for a target minimum standard ratio of capital to modified risk-weighted assets of 8.0% on both consolidated and non-consolidated bases for banks with international operations, including BTMU and MUTB, or on a consolidated basis for bank holding companies with international operations, such as MUFG. Modified risk-weighted assets is the sum of risk-weighted assets compiled for credit risk purposes, market risk equivalent amount divided by 8% and operational risk equivalent amount divided by 8%.

Capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Tier I capital generally consists of shareholders' equity items, including common stock, preferred stock, capital surplus, noncontrolling interests and retained earnings (which includes deferred tax assets). However, recorded goodwill and other items, such as treasury stock, and unrealized losses on investment securities classified as "securities available for sale" under Japanese GAAP, net of taxes, if any, are deducted from Tier I capital. Tier II capital generally consists of:

- the amount (up to a maximum of 0.6% of credit risk-weighted assets) by which eligible reserves for credit losses exceed expected losses in the internal ratings-based approach, and general reserves for credit losses, subject to a limit of 1.25% of modified risk-weighted assets determined by the partial use of the Standardized Approach (including a phased rollout of the internal ratings-based approach);
- 45% of the unrealized gains on investment securities classified as "securities available for sale" under Japanese GAAP;
- 45% of the land revaluation excess;
- the balance of perpetual subordinated debt; and
- the balance of subordinated term debt with an original maturity of over five years and preferred stock with a maturity up to 50% of Tier I capital.

Tier III capital generally consists of short-term subordinated debt with an original maturity of at least two years and which is subject to a "lock-in" provision, which stipulates that neither interest nor principal may be paid if such payment would cause the bank's overall capital amount to be less than its minimum capital requirement. At least 50% of the minimum total capital requirements must be maintained in the form of Tier I capital.

Amendments to the capital adequacy guidelines limiting the portion of Tier I capital consisting of deferred tax assets became effective on March 31, 2006. The restrictions are targeted at major Japanese banks and their holding companies, which include MUFG and its banking subsidiaries. The banks subject to the restrictions will not be able to reflect in their capital adequacy ratios any deferred tax assets that exceed the limit of 20% of their Tier I capital.

In September 2009, the Group of Central Bank Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a comprehensive set of measures to modify the existing three pillars of the Basel II framework. In December 2009, the Basel Committee announced a package of proposals to strengthen global capital and liquidity regulations with the goal of promoting a more resilient banking sector. The proposals cover the following four key areas;

- raising the quality, consistency and transparency of the capital base;
- strengthening the risk coverage of the capital framework;
- introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a minimum capital requirement treatment based on appropriate review and calibration;
- introducing a series of measures to promote the build-up of capital buffers in good times that can be drawn upon in periods of stress; and
- introducing a global minimum liquidity standard for internationally active banks that includes a 30-day liquidity coverage ratio requirement underpinned by a longer-term structural liquidity ratio.

These measures have not been adopted. However, if adopted, the Japanese capital ratio framework, which is currently based on Basel II, is expected to be revised to implement these measures, thereby imposing possibly more stringent requirements.

In regards to the proposals, the Group of Central Bank Governors and Heads of Supervision reached an agreement on the new global regulatory framework, which has been referred to as "Basel III", in July and September 2010. In December 2010, the Basel Committee agreed on the details of the Basel III rules. The agreement on Basel III includes the following:

- raising the quality of capital to ensure banks are able to better absorb losses on both a going concern and a gone concern basis;
- increasing the risk coverage of the capital framework, in particular for trading activities, securitizations, exposures to off-balance sheet vehicles and counterparty credit exposures arising from derivatives;
- raising the level of minimum capital requirements, including an increase in the minimum common equity requirement from 2% to 4.5%, which is planned to be phased in between January 1, 2013 and January 1, 2015, and a capital conservation buffer of 2.5%, which is planned to be phased in between January 1, 2016 and year end 2018, bringing the total common equity requirement to 7%;
- introducing an internationally harmonized leverage ratio to serve as a backstop to the risk-based capital measure and to contain the build-up of excessive leverage in the system;
- raising standards for the supervisory review process (Pillar 2) and public disclosures (Pillar 3), together with additional guidance in the areas of sound valuation practices, stress testing, liquidity risk management, corporate governance and compensation;
- introducing minimum global liquidity standards consisting of both a short term liquidity coverage ratio and a longer term, structural net stable funding ratio; and
- promoting the build up of capital buffers that can be drawn down in periods of stress, including both a capital conservation buffer and a countercyclical buffer to protect the banking sector from periods of excess credit growth.

In January 2011, the Basel Committee issued its final "minimum requirements to ensure loss absorbency at the point of non-viability." The requirements are designed to ensure that all classes of capital instruments fully absorb losses at the point of non-viability before taxpayers are exposed to loss, and require, among other things, that all non-common Tier I and Tier II instruments, such as non-cumulative perpetual preferred stock and subordinated debt, issued by an internationally active bank, be either written-off or converted into common equity upon the occurrence of certain trigger events. Instruments issued on or after January 1, 2013, must meet the new requirements to be included in regulatory capital. Instruments issued prior to January 1, 2013, that do not meet the requirements, but that meet all of the entry criteria for additional Tier I or Tier II capital, will be considered as instruments that no longer qualify as additional Tier I or Tier II capital and will be phased out from January 1, 2013 in accordance with the above Basel III framework.

In July 2011, the Basel Committee on Banking Supervision proposed additional loss absorbency requirements to supplement the common equity Tier I capital requirement ranging from 1% to 2.5% for global systemically important banks, depending on the bank's systemic importance. The additional loss absorbency requirements are expected to be phased in between January 1, 2016 and December 31, 2018, and will become fully effective on January 1, 2019.

Based on the Basel III framework, the Japanese capital ratio framework, which is currently based on Basel II, is likely to be revised to implement the more stringent requirements. Likewise, local banking regulators outside of Japan such as those in the United States are likely to revise the capital and liquidity requirements imposed on our subsidiaries and operations in those countries to implement the more stringent requirements of Basel III as adopted in those countries. The new risk-weighted asset structure expected to be proposed under Basel III may also encourage us to modify our business model to focus more on flow-based client market businesses, such as transactional banking and asset management. We will continue to assess the potential impact of Basel III and other regulatory standards related thereto.

Inspection and reporting. By evaluating banks' systems of self-assessment, auditing their accounts and reviewing their compliance with laws and regulations, the FSA monitors the financial soundness of banks, including the status and performance of their control systems for business activities. The FSA implemented the Financial Inspection Rating System, or FIRST, for deposit-taking financial institutions which has become applicable to major banks since April 1, 2007. By providing inspection results in the form of graded evaluations (i.e., ratings), the FSA expects this rating system to motivate financial institutions to voluntarily improve their management and operations. Additionally, the FSA currently takes the "better regulation" approach in its financial regulation and supervision. This consists of four pillars: (1) optimal combination of rules-based and principles-based supervisory approaches; (2) timely recognition of priority issues and effective response; (3) encouraging voluntary efforts by financial firms and placing greater emphasis on providing them with incentives; and (4) improving the transparency and predictability of regulatory actions, in pursuit of improvement of the quality of financial regulation and supervision.

The FSA, if necessary to secure the sound and appropriate operation of a bank's business, may request the submission of reports or materials from, or conduct an on-site inspection of, the bank or the bank holding company. If a bank's capital adequacy ratio falls below a specified level, the FSA may request the bank to submit an improvement plan and may restrict or suspend the bank's operations when it determines that action is necessary.

In addition, the Securities and Exchange Surveillance Commission of Japan inspects banks in connection with their securities business as well as financial instruments business operators, such as securities firms.

The Bank of Japan also conducts inspections of banks similar to those undertaken by the FSA. The Bank of Japan Law provides that the Bank of Japan and financial institutions may agree as to the form of inspection to be conducted by the Bank of Japan.

Laws limiting shareholdings of banks. The provisions of the Anti-Monopoly Law that prohibit a bank from holding more than 5% of another company's voting rights do not apply to a bank holding company. However, the Banking Law prohibits a bank holding company and its subsidiaries from holding, on an aggregated basis, more than 15% of the voting rights of companies other than those which can legally become subsidiaries of bank holding companies.

Banks are also prohibited from holding shares in other companies exceeding their Tier I capital.

Financial Instruments and Exchange Law. The Financial Instruments and Exchange Law not only preserves the basic concepts of the former Securities and Exchange Law, but is also intended to provide additional protection for investors. The law also regulates sales of a wide range of financial instruments and services, requiring financial institutions to improve their sales rules and strengthen compliance frameworks and procedures. Among the instruments that the Japanese banks deal in, derivatives, foreign currency-denominated deposits, and variable insurance and annuity products are subject to regulations covered by the sales-related rules of conduct under the law.

Article 33 of the Financial Instruments and Exchange Law generally prohibits banks from engaging in securities transactions. However, bank holding companies and banks may, through a domestic or overseas securities subsidiary, conduct all types of securities business, with appropriate approval from the FSA. Similarly, registered banks are permitted to provide securities intermediation services and engage in certain other similar types of securities related transactions, including retail sales of investment funds and government and municipal bonds.

Anti-money laundering laws. Under the Law for Prevention of Transfer of Criminal Proceeds, banks and other financial institutions are required to report to the responsible ministers—in the case of banks, the Commissioner of the FSA—any assets which they receive while conducting their businesses that are suspected of being illicit profits from criminal activities.

Law concerning trust business conducted by financial institutions. Under the Trust Business Law, joint stock companies that are licensed by the Prime Minister as trust companies, including non-financial companies, are allowed to conduct trust business. In addition, under the Law Concerning Concurrent Operation for Trust Business by Financial Institutions, banks and other financial institutions, as permitted by the Prime Minister, are able to conduct trust business. The Trust Business Law provides for a separate type of registration for trustees who conduct only administration type trust business. The Trust Business Law also provides for various duties imposed on the trustee in accordance with and in addition to the Trust Law.

Deposit insurance system and government measures for troubled financial institutions. The Deposit Insurance Law is intended to protect depositors if a financial institution fails to meet its obligations. The Deposit Insurance Corporation was established in accordance with that law.

City banks (including BTMU), regional banks, trust banks (including MUTB), and various other credit institutions participate in the deposit insurance system on a compulsory basis.

Under the Deposit Insurance Law, the maximum amount of protection is ¥10 million per customer within one bank. All deposits are subject to the ¥10 million maximum, except for non-interest bearing deposits that are redeemable on demand and used by the depositor primarily for payment and settlement functions (the "settlement accounts"). Deposits in settlement accounts are fully protected without a maximum amount limitation. Certain types of deposits are not covered by the deposit insurance system, such as foreign currency deposits and negotiable certificates of deposit. As of April 1, 2011, the Deposit Insurance Corporation charges insurance premiums equal to 0.107% on the deposits in the settlement accounts, which are fully protected as mentioned above, and premiums equal to 0.082% on the deposits in other accounts.

Since 1998, the failure of a number of large-scale financial institutions has led to the introduction of various measures with a view to stabilizing Japan's financial system, including financial support from the national budget.

Under the Deposit Insurance Law, a Financial Reorganization Administrator can be appointed by the Prime Minister if a bank is unable to fully perform its obligations with its assets or may suspend or has suspended repayment of deposits. The Financial Reorganization Administrator will take control of the assets of the troubled bank, dispose of the assets and search for another institution willing to take over its business. The troubled bank's business may also be transferred to a "bridge bank" established by the Deposit Insurance Corporation for the purpose of the temporary maintenance and continuation of operations of the troubled bank, and the bridge bank will seek to transfer the troubled bank's assets to another financial institution or dissolve the troubled bank. The Deposit Insurance Corporation protects deposits, as described above, either by providing financial aid for costs incurred by the financial institution succeeding the insolvent bank or by paying insurance money directly to depositors. The financial aid, provided by the Deposit Insurance Corporation, may take the form of a monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock, or loss sharing. The Deposit Insurance Law also provides for exceptional measures to cope with systemic risk in the financial industry.

Further, against the background of the global financial crisis, in December 2008 the Law Concerning Special Measures for Strengthening of Financial Function was amended in order to enable the Japanese government to take special measures in order to strengthen the capital of financial institutions. Under the law, banks and other financial institutions may apply to receive capital injections from the Deposit Insurance Corporation, subject to government approval, which will be granted subject to the fulfillment of certain requirements, including, among other things, the improvement of profitability and efficiency, facilitation of financing to small and medium-sized business enterprises in the local communities, and that the financial institution is not insolvent. The application deadline is March 31, 2012.

Law Concerning the Temporary Measures for the Facilitation of Finance to Small and Medium-sized Firms and Others. In December 2009, the Law Concerning the Temporary Measures for the Facilitation of Finance to Small and Medium-sized Firms and Others became effective, requiring financial institutions, among other things, to make an effort to reduce their customers' burden of loan payment by employing methods such as modifying the term of loans at the request of eligible borrowers, including small and medium-sized firms and individual home loan borrowers. The new legislation also requires financial institutions to internally establish a system to implement the requirements of the legislation and periodically make public disclosure of and report to the relevant authority on the status of implementation. The legislation has been extended to March 31, 2012.

Personal Information Protection Law. With regards to protection of personal information, the Personal Information Protection Law requires, among other things, Japanese banking institutions to limit the use of personal information to the stated purpose and to properly manage the personal information in their possession, and forbids them from providing personal information to third parties without consent. If a bank violates certain provisions of the law, the FSA may advise or order the bank to take proper action. In addition, the Banking Law and the Financial Instruments and Exchange Law provide certain provisions with respect to appropriate handling of customer information.

Law Concerning Protection of Depositors from Illegal Withdrawals Made by Counterfeit or Stolen Cards. This law requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits made using counterfeit or stolen bank cards. The law also requires financial institutions to compensate depositors for any amount illegally withdrawn using counterfeit bank cards, unless the financial institution can verify that it acted in good faith without negligence, and there is gross negligence on the part of the relevant account holder.

Government Reforms to Restrict Maximum Interest Rates on Consumer Lending Business. In December 2006, the Diet passed legislation to reform the regulations relating to the consumer lending business, including amendments to the Law Concerning Acceptance of Investment, Cash Deposit and Interest Rate, etc., which, effective June 18, 2010, reduced the maximum permissible interest rate from 29.2% per annum to 20% per annum. The regulatory reforms also included amendments to the Law Concerning Lending Business which, effective June 18, 2010, abolished the so-called "gray-zone interest." Gray-zone interest refers to interest rates exceeding the limits stipulated by the Interest Rate Restriction Law (between 15% per annum to 20% per annum depending on the amount of principal). Prior to June 18, 2010, gray-zone interests were permitted under certain conditions set forth in the Law Concerning Lending Business. As a result of the regulatory reforms, all interest rates are now subject to the lower limits imposed by the Interest Rate Restriction Law, compelling lending institutions, including our consumer finance subsidiaries and equity method investees, to lower the interest rates they charge borrowers. Furthermore, the new regulations, which became effective on June 18, 2010, require, among other things, consumer finance companies to review the repayment capability of borrowers before lending, thereby limiting the amount of borrowing available to individual borrowers.

In addition, as a result of decisions made by the Supreme Court of Japan prior to June 18, 2010, imposing stringent requirements for charging such gray-zone interest rates, consumer finance companies have experienced a significant increase in borrowers' claims for reimbursement of previously collected interest payments in excess of the limits stipulated by the Interest Rate Restriction Law. We continue to carefully monitor future developments and trends of the claims. See "Item 3.D. Key Information—Risk Factors—Risks Related to Our Business—Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results."

United States

As a result of our operations in the United States, we are subject to extensive US federal and state supervision and regulation.

Overall supervision and regulation. We are subject to supervision, regulation and examination with respect to our US operations by the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, pursuant to the US Bank Holding Company Act of 1956, as amended, or the BHCA, and the International Banking Act of 1978, as amended, or the IBA, because we are a bank holding company and a foreign banking organization, respectively, as defined pursuant to those statutes. The Federal Reserve Board functions as our "umbrella" supervisor under amendments to the BHCA effected by the Gramm-Leach-Bliley Act of 1999, which among other things:

- prohibited further expansion of the types of activities in which bank holding companies, acting directly or through nonbank subsidiaries, may engage;
- authorized qualifying bank holding companies to opt to become "financial holding companies," and thereby acquire the authority to engage in an expanded list of activities; and
- modified the role of the Federal Reserve Board by specifying new relationships between the Federal Reserve Board and the functional regulators of nonbank subsidiaries of both bank holding companies and financial holding companies.

The BHCA generally prohibits each of a bank holding company and a foreign banking organization that maintains branches or agencies in the United States from, directly or indirectly, acquiring more than 5% of the voting shares of any company engaged in nonbanking activities in the United States unless the bank holding company or foreign banking organization has elected to become a financial holding company, as discussed above, or the Federal Reserve Board has determined, by order or regulation, that such activities are so closely related to banking as to be a proper incident thereto and has granted its approval to the bank holding company or foreign banking organization for such an acquisition. The BHCA also requires a bank holding company or foreign banking organization that maintains branches or agencies in the United States to obtain the prior approval of an appropriate federal banking authority before acquiring, directly or indirectly, the ownership of more than 5% of the voting shares or control of any US bank or bank holding company. In addition, under the BHCA, a US bank or a US branch or agency of a foreign bank is prohibited from engaging in various tying arrangements involving it or its affiliates in connection with any extension of credit, sale or lease of any property or provision of any services.

On October 6, 2008, we became a financial holding company. At the same time, BTMU, MUTB, and UNBC, which are also bank holding companies, elected to become financial holding companies. As noted above, as a financial holding company we are authorized to engage in an expanded list of activities. These activities include those deemed to be financial in nature or incidental to such financial activity, including among other things merchant banking, insurance underwriting, and a full range of securities activities. In addition, we are permitted to engage in certain specified nonbanking activities deemed to be closely related to banking, without prior notice to or approval from the Federal Reserve Board. To date, we have utilized this expanded authority by electing to engage in certain securities activities, including securities underwriting, indirectly through certain of our securities subsidiaries. In order to maintain our status as a financial holding company that allows us to expand our activities, we must continue to meet certain standards established by the Federal Reserve Board.

Those standards require that we exceed the minimum standards applicable to bank holding companies that have not elected to become financial holding companies. These higher standards include meeting the "well capitalized" and "well managed" standards for financial holding companies as defined in the regulations of the Federal Reserve Board. In addition, as a financial holding company, we must ensure that our US banking subsidiaries identified below meet certain minimum standards under the Community Reinvestment Act of 1977. At this time, we continue to comply with these standards.

US branches and agencies of subsidiary Japanese banks. Under the authority of the IBA, our banking subsidiaries, BTMU and MUTB, operate six branches, two agencies and five representative offices in the United States. BTMU operates branches in Los Angeles and San Francisco, California; Chicago, Illinois; New York, New York; and Seattle, Washington; agencies in Atlanta, Georgia and Houston, Texas; and representative offices in Washington, D.C; Minneapolis, Minnesota; Dallas, Texas; Jersey City, New Jersey; and Florence, Kentucky. MUTB operates a branch in New York, New York.

The IBA provides, among other things, that the Federal Reserve Board may examine US branches and agencies of foreign banks, and each branch and agency shall be subject to on-site examination by the appropriate federal or state bank supervisor as frequently as would a US bank. The IBA also provides that if the Federal Reserve Board determines that a foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, or if there is reasonable cause to believe that the foreign bank or its affiliate has committed a violation of law or engaged in an unsafe or unsound banking practice in the United States, the Federal Reserve Board may order the foreign bank to terminate activities conducted at a branch or agency in the United States.

US branches and agencies of foreign banks must be licensed, and are also supervised and regulated, by a state or by the Office of the Comptroller of the Currency, or the OCC, the federal regulator of national banks. All of the branches and agencies of BTMU and MUTB in the United States are state-licensed. Under US federal banking laws, state-licensed branches and agencies of foreign banks may engage only in activities that would be permissible for their federally-licensed counterparts, unless the Federal Reserve Board determines that the additional activity is consistent with sound practices. US federal banking laws also subject state-licensed branches and agencies to the single-borrower lending limits that apply to federal branches and agencies, which generally are the same as the lending limits applicable to national banks, but are based on the capital of the entire foreign bank.

As an example of state supervision, the branches of BTMU and MUTB in New York are licensed by the New York State Superintendent of Banks, or the Superintendent, pursuant to the New York Banking Law. Under the New York Banking Law and the Superintendent's Regulations, each of BTMU and MUTB must maintain with banks in the State of New York eligible assets as defined and in amounts determined by the Superintendent. These New York branches must also submit written reports concerning their assets and liabilities and other matters, to the extent required by the Superintendent, and are examined at periodic intervals by the New York State Banking Department. In addition, the Superintendent is authorized to take possession of the business and property of BTMU and MUTB located in New York whenever events specified in the New York Banking Law occur.

US banking subsidiaries. We indirectly own and control three US banks:

- Bank of Tokyo-Mitsubishi UFJ Trust Company, New York, New York (through BTMU, a registered bank holding company),
- Mitsubishi UFJ Trust & Banking Corporation (U.S.A.), New York, New York (through MUTB, a registered bank holding company), and
- Union Bank (through BTMU and its subsidiary, UNBC, a registered bank holding company).

Bank of Tokyo-Mitsubishi UFJ Trust Company and Mitsubishi UFJ Trust & Banking Corporation (U.S.A.) are chartered by the State of New York and are subject to the supervision, examination and regulatory authority of the Superintendent pursuant to the New York Banking Law. Union Bank is a national bank subject to the supervision, examination and regulatory authority of the OCC pursuant to the National Bank Act.

The Federal Deposit Insurance Corporation, or the FDIC, is the primary federal agency responsible for the supervision, examination and regulation of the two New York-chartered banks referred to above. The FDIC may take enforcement action, including the issuance of prohibitive and affirmative orders, if it determines that a financial institution under its supervision has engaged in unsafe or unsound banking practices, or has committed violations of applicable laws and regulations. The FDIC insures the deposits of all three US banking subsidiaries up to legally specified maximum amounts. In the event of the failure of an FDIC-insured bank, the FDIC is virtually certain to be appointed as receiver, and would resolve the failure under provisions of the Federal Deposit Insurance Act. An FDIC-insured institution that is affiliated with a failed or failing FDIC-insured institution can be required to indemnify the FDIC for losses resulting from the insolvency of the failed institution, even if this causes the affiliated institution also to become insolvent. In the liquidation or other resolution of a failed FDIC-insured depository institution, deposits in its US offices and other claims for administrative expenses and employee compensation are afforded priority over other general unsecured claims, including deposits in offices outside the United States, non-deposit claims in all offices and claims of a parent company. Moreover, under longstanding Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength for its banking subsidiaries and to commit resources to support such banks.

Bank capital requirements and capital distributions. Our US banking subsidiaries are subject to applicable risk-based and leverage capital guidelines issued by US regulators for banks and bank holding companies. In addition, BTMU and MUTB, as foreign banking organizations that have US branches and agencies and that are controlled by us as a financial holding company, are subject to the Federal Reserve's requirements that they be "well-capitalized" based on Japan's risk based capital standards, as well as "well managed." All of our US banking subsidiaries and BTMU, MUTB, and UNBC are "well capitalized" as defined under, and otherwise comply with, all US regulatory capital requirements applicable to them. The Federal Deposit Insurance Corporation Improvement Act of 1991, or FDICIA, provides, among other things, for expanded regulation of insured depository institutions, including banks, and their parent holding companies. As required by FDICIA, the federal banking agencies have established five capital tiers ranging from "well capitalized" to "critically undercapitalized" for insured depository institutions. As an institution's capital position deteriorates, the federal banking regulators may take progressively stronger actions, such as further restricting affiliate transactions, activities, asset growth or interest payments. In addition, FDICIA generally prohibits an insured depository institution from making capital distributions, including the payment of dividends, or the payment of any management fee to its holding company, if the insured depository institution would subsequently become undercapitalized.

The availability of dividends from insured depository institutions in the United States is limited by various other statutes and regulations. The National Bank Act and other federal laws prohibit the payment of dividends by a national bank under various circumstances and limit the amount a national bank can pay without the prior approval of the OCC. In addition, state-chartered banking institutions are subject to dividend limitations imposed by applicable federal and state laws.

Other regulated US subsidiaries. Our nonbank subsidiaries that engage in securities-related activities in the United States are regulated by appropriate functional regulators, such as the SEC, any self-regulatory organizations of which they are members, and the appropriate state regulatory agencies. These nonbank subsidiaries are required to meet separate minimum capital standards as imposed by those regulatory authorities.

Anti-Money Laundering Initiatives and the USA PATRIOT Act. A major focus of US governmental policy relating to financial institutions in recent years has been aimed at preventing money laundering and terrorist financing. The USA PATRIOT Act of 2001 substantially broadened the scope of US anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The US Department of the Treasury has issued a number of implementing regulations that impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of their customers. In addition, the bank regulatory agencies carefully scrutinize the adequacy of an institution's policies, procedures and controls. As a result, there has been an increased number of regulatory sanctions and law enforcement authorities have been taking a more active role.

Failure of a financial institution to maintain and implement adequate policies, procedures and controls to prevent money laundering and terrorist financing could in some cases have serious legal and reputational consequences for the institution, including the incurring of expenses to enhance the relevant programs, the imposition of limitations on the scope of their operations and the imposition of fines and other monetary penalties.

Foreign Corrupt Practices Act. In recent years, US regulatory and enforcement agencies including the US Securities and Exchange Commission and the US Department of Justice have significantly increased their enforcement efforts of the Foreign Corrupt Practices Act, or the FCPA. The FCPA prohibits US securities issuers, US domestic entities, and parties doing substantial business within the United States (including their shareholders, directors, agents, officers, and employees) from making improper payments to non-US government officials in order to obtain or retain business. The FCPA also requires US securities issuers to keep their books and records in detail, accurately, and in such a way that they fairly reflect all transactions and dispositions of assets. Those enforcement efforts have targeted a wide range of US and foreign-based entities and have been based on a broad variety of alleged fact patterns, and in a number of cases have resulted in the imposition of substantial criminal and civil penalties or in agreed payments in settlement of alleged violations. Failure of a financial institution doing business in the United States to maintain adequate policies, procedures, internal controls, and books and records on a global basis that address compliance with FCPA requirements could in some cases have serious legal and reputational consequences for the institution, including the incurring of expenses to enhance the relevant programs and the imposition of fines and other monetary penalties.

Regulatory Reform Legislation. In response to the global financial crisis and the perception that lax supervision of the financial industry in the United States may have been a contributing cause, new legislation designed to reform the system for supervision and regulation of financial firms doing business in the United States called the "Dodd-Frank Wall Street Reform and Consumer Protection Act," or the Dodd-Frank Act, was signed into law on July 21, 2010. The Dodd-Frank Act is complex and extensive in its coverage and contains a wide range of provisions that would affect financial institutions operating in the United States, including our US operations. Included among these provisions, among other things, are sweeping reforms designed to reduce systemic risk presented by very large financial firms, promote enhanced supervision, regulation, and prudential standards for financial firms, establish comprehensive supervision of financial markets, impose new limitations on permissible financial institution activities and investments, expand regulation of the derivatives markets, protect consumers and investors from financial abuse, and provide the government with the tools needed to manage a financial crisis. Many aspects of the legislation require subsequent regulatory action by supervisory agencies for full implementation and to date a number of proposals for regulatory rule-making have been issued by those supervisory agencies that, if finally adopted, would have an impact on our operations. Since those rules are, for the most part, not yet adopted in final form, at this time we are unable to assess with certainty the potential impact of the Dodd-Frank Act on our operations. Certain aspects of the Dodd-Frank Act may not have a material impact on our operations. For example, those provisions of the Dodd-Frank Act which are commonly referred to as the "Volcker Rule" would require that we cease conducting proprietary trading activities (i.e., trading in securities and financial instruments for our own account) except for such trading activities that are conducted solely outside of the United States. Most of our proprietary trading activities are generally executed in Japan, and, therefore, we have only a limited number of proprietary trading activities in the US subsidiaries. Accordingly, assuming that there will be no significant increase in revenues attributable to proprietary trading activities in proportion to our total revenues at the time of implementation of the Volcker Rule, the loss of a portion of our proprietary trading revenues due to the implementation of the rule would not be material to our operations. However, based on the current status of the pending proposals, it is likely that certain other aspects of the Dodd-Frank Act could have a material impact on the structure and activities of, and prudential standards applicable to, our operations. We continue to carefully monitor future developments and trends of the Volcker Rule.

Foreign Account Tax Compliance Act. On March 28, 2010, the Foreign Account Tax Compliance Act, or the FATCA, was enacted into law. The FATCA is designed to curb offshore tax abuses by US persons by imposing a 30% withholding tax on certain non-US entities that refuse to disclose the identities of those US persons to the US government. The US Department of the Treasury, or the US Treasury, acting through the Internal Revenue Service, is responsible for issuing implementing regulations. Although the US Treasury has issued some preliminary guidance for implementation, final comprehensive rules and regulations governing implementation of the FATCA have not yet been proposed. The FATCA is likely to require non-US financial institutions to develop extensive systems capabilities and internal processes to identify and report US persons who are subject to FATCA requirements. The FATCA will also require US and non-US financial institutions that make US withholdable payments to non-US entities to identify and make withholdings from those payments if those non-US entities refuse to disclose the identities of US persons to the US government. Developing and implementing those capabilities and processes is likely to be a complex and costly process and failure to do so in an adequate manner may subject any such institution to serious legal and reputational consequences, including the impositions of fines and other monetary policies. The FATCA becomes effective on January 1, 2013, and at this time we are unable to assess with certainty the potential impact of the FATCA on our operations.

C. Organizational Structure.

The following chart presents our corporate structure summary as of March 31, 2011:

(As of March 31, 2011)

- Mitsubishi UFJ Financial Group
  - Mitsubishi UFJ Financial Group, Inc.
  - The Bank of Tokyo-Mitsubishi UFJ, Ltd.
    - Domestic
      - The Bank of Tokyo-Mitsubishi UFJ, Ltd.
      - kabu.com Securities Co., Ltd.
      - Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd.
      - MU Frontier Servicer Co., Ltd.
      - NBL Co., Ltd.
      - Mitsubishi UFJ Factors Limited
      - Mitsubishi UFJ Research and Consulting Co., Ltd.
      - Mitsubishi UFJ Capital Co., Ltd.
      - BOT Lease Co., Ltd.
    - Overseas
      - UnionBanCal Corporation
      - BTMU Capital Corporation
      - BTMU Leasing & Finance, Inc.
      - PT U Finance Indonesia
      - PT. BTMU-BRI Finance
  - Mitsubishi UFJ Trust and Banking Corporation
    - Domestic
      - Mitsubishi UFJ Trust and Banking Corporation
      - The Master Trust Bank of Japan, Ltd.
      - MU Investments Co., Ltd.
      - Mitsubishi UFJ Real Estate Services Co., Ltd.
    - Overseas
      - Mitsubishi UFJ Trust & Banking Corporation (U.S.A.)
      - Mitsubishi UFJ Global Custody S.A.
      - Mitsubishi UFJ Trust International Limited
  - Mitsubishi UFJ Securities Holdings Co., Ltd.
    - Domestic
      - Mitsubishi UFJ Securities Holdings Co., Ltd.
      - Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
      - KOKUSAI Asset Management Co., Ltd.
    - Overseas
      - Mitsubishi UFJ Securities International plc
      - Mitsubishi UFJ Securities (USA), Inc.
      - Mitsubishi UFJ Wealth Management Bank (Switzerland), Ltd.
      - Mitsubishi UFJ Securities (HK) Holdings, Limited
  - CF subsidiaries (1)
    - Domestic
      - Mitsubishi UFJ NICOS Co., Ltd.
  - Other businesses
    - Domestic
      - Mitsubishi UFJ Asset Management Co., Ltd. (2)

Notes:

(1) Consumer finance subsidiaries.

(2) On April 1, 2011, MUFG transferred the shares it held in Mitsubishi UFJ Asset Management Co., Ltd. to MUTB and BTMU. As a result, from the same date, Mitsubishi UFJ Asset Management Co., Ltd. became a consolidated subsidiary of MUTB.

Set forth below is a list of our principal consolidated subsidiaries at March 31, 2011:

Name	Country of Incorporation	Proportion of Ownership Interest (%)	Proportion of Voting Interest(1) (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Japan	*100.00%*	*100.00%*
kabu.com Securities Co., Ltd.	Japan	*56.07%*	*56.07%*
Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd.	Japan	*50.98%*	*50.98%*
MU Frontier Servicer Co., Ltd.	Japan	*96.47%*	*96.47%*
NBL Co., Ltd.	Japan	*89.74%*	*89.74%*
Mitsubishi UFJ Factors Limited	Japan	*100.00%*	*100.00%*
Mitsubishi UFJ Research and Consulting Ltd.	Japan	*69.45%*	*69.45%*
Mitsubishi UFJ Capital Co., Ltd	Japan	*40.26%*	*40.26%*
BOT Lease Co., Ltd.	Japan	*22.57%*	*22.57%*
Tokyo Credit Services, Ltd.	Japan	*74.00%*	*74.00%*
Tokyo Associates Finance Corp.	Japan	*100.00%*	*100.00%*
Mitsubishi UFJ Personal Financial Advisers Co., Ltd.	Japan	*73.69%*	*73.69%*
MU Business Engineering, Ltd.	Japan	*100.00%*	*100.00%*
Defined Contribution Plan Consulting of Japan Co., Ltd.	Japan	*77.49%*	*77.49%*
Mitsubishi UFJ Trust and Banking Corporation	Japan	*100.00%*	*100.00%*
The Master Trust Bank of Japan, Ltd.	Japan	*46.50%*	*46.50%*
MU Investments Co., Ltd.	Japan	*100.00%*	*100.00%*
Mitsubishi UFJ Real Estate Services Co., Ltd.	Japan	*100.00%*	*100.00%*
Ryoshin DC Card Company, Ltd.	Japan	*75.20%*	*75.20%*
Mitsubishi UFJ Securities Holdings Co., Ltd.	Japan	*100.00%*	*100.00%*
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	Japan	*60.00%*	*60.00%*
KOKUSAI Asset Management Co., Ltd.	Japan	*66.76%*	*66.81%*
MU Hands-on Capital Co., Ltd.	Japan	*50.00%*	*50.00%*
Mitsubishi UFJ NICOS Co., Ltd.	Japan	*84.98%*	*84.98%*
Mitsubishi UFJ Asset Management Co., Ltd.	Japan	*100.00%*	*100.00%*
UnionBanCal Corporation	USA	*100.00%*	*100.00%*
BTMU Capital Corporation	USA	*100.00%*	*100.00%*
BTMU Leasing & Finance, Inc.	USA	*100.00%*	*100.00%*
PT U Finance Indonesia	Indonesia	*95.00%*	*95.00%*
PT. BTMU-BRI Finance	Indonesia	*55.00%*	*55.00%*
BTMU Participation (Thailand) Co., Ltd.	Thailand	*24.49%*	*24.49%*
Mitsubishi UFJ Trust & Banking Corporation (U.S.A.)	USA	*100.00%*	*100.00%*
Mitsubishi UFJ Trust International Limited	UK	*100.00%*	*100.00%*
Mitsubishi UFJ Baillie Gifford Asset Management Limited	UK	*51.00%*	*51.00%*
Mitsubishi UFJ Global Custody S.A.	Luxembourg	*100.00%*	*100.00%*
MU Trust Consulting (Shanghai) Co., Ltd.	Peoples' Republic of China	*100.00%*	*100.00%*
Mitsubishi UFJ Securities (USA), Inc.	USA	*100.00%*	*100.00%*
Mitsubishi UFJ Securities International plc	UK	*100.00%*	*100.00%*
Mitsubishi UFJ Securities (HK) Holdings, Limited	Peoples' Republic of China	*100.00%*	*100.00%*
Mitsubishi UFJ Securities (Singapore), Limited.	Singapore	*100.00%*	*100.00%*
Mitsubishi UFJ Wealth Management Bank (Switzerland), Ltd.	Switzerland	*100.00%*	*100.00%*
BTMU Lease (Deutschland) GmbH	Germany	*100.00%*	*100.00%*

Note:

(1) Includes shares held in trading accounts, custody accounts and others.

D. Property, Plant and Equipment

Premises and equipment at March 31, 2010 and 2011 consisted of the following:

	At March 31, 2010	At March 31, 2011
	(in millions)	
Land	¥ 399,893	¥ 391,602
Buildings	680,085	694,384
Equipment and furniture	681,886	667,073
Leasehold improvements	235,807	225,407
Construction in progress	17,206	15,007
Total	2,014,877	1,993,473
Less accumulated depreciation	1,019,710	1,030,925
Premises and equipment—net	¥ 995,167	¥ 962,548

Our registered address is 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan. At March 31, 2011, we and our subsidiaries conducted our operations either in premises we owned or in properties we leased.

The following table presents the book values of our material offices and other properties at March 31, 2011:

	Book value
	(in millions)
Owned land	¥391,602
Owned buildings.	222,422

The buildings and land we own are primarily used by us and our subsidiaries as offices and branches. Most of the buildings and land we own are free from material encumbrances.

During the fiscal year ended March 31, 2011, we invested approximately ¥98.3 billion, primarily for office renovations and relocation.

Item 4A. Unresolved Staff Comments.

None.

Item 5. Operating and Financial Review and Prospects.

The following discussion and analysis should be read in conjunction with "Item 3.A. Key Information—Selected Financial Data," "Selected Statistical Data" and our consolidated financial statements and related notes included elsewhere in this Annual Report.

Introduction

We are a holding company for The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., or MUMSS (through Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, an intermediate holding company), Mitsubishi UFJ NICOS Co., Ltd., or Mitsubishi UFJ NICOS, and other subsidiaries. Through our subsidiaries and affiliated companies, we engage in a broad range of financial businesses and services, including commercial banking, investment banking, trust banking and asset management services, securities businesses, and credit card businesses, and provide related services to individual and corporate customers.

Key Income and Expense Figures

The following are some key figures prepared in accordance with US GAAP relating to our business:

	Fiscal years ended March 31,		
	2009	2010	2011
		(in billions)	
Net interest income	¥ 2,296.4	¥ 1,984.1	¥ 1,880.3
Provision for credit losses	626.9	647.8	292.0
Non-interest income	175.1	2,453.9	1,709.4
Non-interest expense	3,608.8	2,508.1	2,460.5
Net income (loss) before attribution of noncontrolling interests	(1,504.3)	875.1	397.3
Net income (loss) attributable to Mitsubishi UFJ Financial Group	(1,468.0)	859.8	461.8
Diluted earnings (loss) per common share—net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	(137.84)	67.87	31.08
Total assets (at end of period)	193,499.4	200,084.4	202,861.3

Our revenues consist of net interest income and non-interest income.

Net interest income. Net interest income is a function of:

- the amount of interest-earning assets,
- the amount of interest-bearing liabilities,
- the general level of interest rates,
- the so-called "spread," or the difference between the rate of interest earned on interest-earning assets and the rate of interest paid on interest-bearing liabilities, and
- the proportion of interest-earning assets financed by non-interest-bearing liabilities and equity.

Our net interest income for the fiscal year ended March 31, 2011 decreased compared to that for the prior fiscal year mainly as a result of decreases in interest rates as well as decreases in our lending volume. The following table shows changes in our net interest income by changes in volume and by changes in rates for the fiscal year ended March 31, 2010 compared to the fiscal year ended March 31, 2009 and the fiscal year ended March 31, 2011 compared to the fiscal year ended March 31, 2010:

	Fiscal year ended March 31, 2009 versus fiscal year ended March 31, 2010			Fiscal year ended March 31, 2010 versus fiscal year ended March 31, 2011		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume(1)	Rate(1)	Net change	Volume(1)	Rate(1)	Net change
			(in millions)			
Domestic	¥ 36,512	¥(138,086)	¥(101,574)	¥(41,926)	¥(56,372)	¥ (98,298)
Foreign	(148,262)	(62,465)	(210,727)	34,637	(40,169)	(5,532)
Total	¥(111,750)	¥(200,551)	¥(312,301)	¥ (7,289)	¥(96,541)	¥(103,830)

Note:

(1) Volume/rate variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change."

The continuing low interest rate environment in Japan had a negative effect on our overall interest spread during the period. The following is a summary of the amount of interest-earning assets and interest-bearing liabilities average interest rates, the interest rate spread and non-interest-bearing liabilities for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,					
	2009		2010		2011	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
	(in billions, except percentages)					
Interest-earning assets:						
Domestic	¥121,686.4	1.70%	¥127,830.2	1.34%	¥130,922.3	1.16%
Foreign	51,556.3	3.53	47,635.1	2.20	49,450.7	2.08
Total	¥173,242.7	2.25%	¥175,465.3	1.57%	¥180,373.0	1.41%
Financed by:						
Interest-bearing liabilities:						
Domestic	¥124,716.0	0.58%	¥124,431.3	0.37%	¥126,908.2	0.29%
Foreign	31,368.9	2.80	33,725.1	0.93	34,436.4	0.87
Total	156,084.9	1.02	158,156.4	0.49	161,344.6	0.42
Non-interest-bearing liabilities	17,157.8	—	17,308.9	—	19,028.4	—
Total	¥173,242.7	0.92%	¥175,465.3	0.44%	¥180,373.0	0.37%
Interest rate spread		1.23%		1.08%		0.99%
Net interest income as a percentage of total interest-earning assets		1.33%		1.13%		1.04%

Provision for credit losses. Provision for credit losses is charged to operations to maintain the allowance for credit losses at a level deemed appropriate by management.

Non-interest income. Non-interest income consists of:

- fees and commissions, including
  - trust fees,
  - fees on funds transfer and service charges for collections,
  - fees and commissions on international business,
  - fees and commissions on credit card business,
  - service charges on deposits,
  - fees and commissions on securities business,
  - fees on real estate business,
  - insurance commissions,
  - fees and commissions on stock transfer agency services,
  - guarantee fees,
  - fees on investment funds business, and
  - other fees and commissions;

- foreign exchange gains (losses)—net, which primarily include net gains (losses) on currency derivative instruments entered into for trading purposes and transaction gains (losses) on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies;
- trading account profits (losses)—net, which primarily include net profits (losses) on trading account securities and interest rate derivative contracts entered into for trading purposes, including assets relating to the following activities:
  - Trading purpose activities, which are conducted mainly for the purpose of generating profits either through transaction fees or arbitrage gains and involve frequent and short-term selling and buying of securities, commodities or others; and
  - Trading account assets relating to application of certain accounting rules, which are generally not related to trading purpose activities, but simply classified as trading accounts due to application of certain accounting rules, such as assets that are subject to fair value option accounting treatment or investment securities held by variable interest entities that are classified as trading account securities;

  Of the two categories, trading purpose activities represent a smaller portion of our trading accounts profits;
- investment securities gains (losses)—net, which primarily include net gains (losses) on sales and impairment losses on securities available for sale;
- equity in losses of equity method investees;
- gains on sales of loans; and
- other non-interest income.

The following table is a summary of our non-interest income for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	2010	2011
		(in billions)	
Fees and commissions income	¥1,188.5	¥1,139.5	¥1,128.4
Foreign exchange gains (losses)—net	(206.2)	216.7	260.7
Trading account profits (losses)—net	(257.8)	761.5	133.9
Investment securities gains (losses)—net	(658.7)	223.0	121.8
Equity in losses of equity method investees	(60.1)	(104.0)	(90.6)
Gains on sales of loans	6.4	21.2	14.5
Other non-interest income	163.0	196.0	140.7
Total non-interest income	¥ 175.1	¥2,453.9	¥1,709.4

Core Business Areas

During the fiscal year ended March 31, 2011, we operated our main businesses under an integrated business group system, which integrates the operations of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries in the following three areas—Retail, Corporate and Trust Assets. These three businesses serve as the core sources of our revenue. For the fiscal year ended March 31, 2011, operations that were not covered under the integrated business group system were classified under Global Markets and Other. For further information, see “Business Segment Analysis.”

Our business segment information is based on financial information prepared in accordance with Japanese GAAP, as adjusted in accordance with internal management accounting rules and practice and is not consistent with our consolidated financial statements included elsewhere in this Annual Report, which have been prepared in accordance with US GAAP. For information on reconciliation of operating profit under the internal management reporting system to income before income tax expense shown on the consolidated statements of income, see Note 27 to our consolidated financial statements included elsewhere in this Annual Report. The following table sets forth the relative contributions to operating profit for the fiscal year ended March 31, 2011 of the three core business areas and the other business areas based on our business segment information:

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group					Integrated Trust Assets Business Group	Global Markets	Other	Total
		Domestic	Overseas			Total				
			Other than UNBC	UNBC	Overseas total					
	(in billions)									
Net revenue	¥1,347.5	¥893.6	¥347.1	¥267.2	¥614.3	¥1,507.9	¥157.0	¥556.2	¥ (37.2)	¥3,531.4
Operating expenses	945.0	460.1	202.7	174.9	377.6	837.7	97.2	105.1	152.0	2,137.0
Operating profit (loss)	¥ 402.5	¥433.5	¥144.4	¥ 92.3	¥236.7	¥ 670.2	¥ 59.8	¥451.1	¥(189.2)	¥1,394.4

In July 2011, we added the Integrated Global Business Group as a fourth area by shifting some of our global operations mainly from the Integrated Corporate Banking Business Group. This change in our business segment was implemented to more effectively coordinate and enhance our group-wide efforts to strengthen and expand overseas operations.

Summary of Our Recent Financial Results and Financial Condition

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥461.8 billion for the fiscal year ended March 31, 2011, compared to net income attributable to Mitsubishi UFJ Financial Group of ¥859.8 billion for the fiscal year ended March 31, 2010. Our diluted earnings per share of common stock (net income available to common shareholders of Mitsubishi UFJ Financial Group) for the fiscal year ended March 31, 2011 was ¥31.08, compared to diluted earnings per share of common stock of ¥67.87 for the fiscal year ended March 31, 2010. Income before income tax expense for the fiscal year ended March 31, 2011 was ¥837.2 billion, compared to income before income tax expense of ¥1,282.1 billion for the fiscal year ended March 31, 2010.

Our business and results of operations as well as our assets are heavily influenced by economic conditions particularly in Japan. In the first half of fiscal year ended March 31, 2011, there were signs of recovery in the Japanese economy, compared to the negative trends that continued throughout the previous fiscal year, backed by growth in exports due to strong demand in Asian countries and due to government stimulus package to boost the economy. However, the Japanese economy began to weaken in the second half of the fiscal year ended March 31, 2011 when many elements of the government stimulus package ended and the Japanese yen continued to appreciate against major foreign currencies, which in turn weakened the competitive strength of Japanese exports. The slowdown in the Japanese economy furthered in March 2011 when the Great East Japan Earthquake hit the northeastern region of Japan, which caused a drastic decrease in production volume, and negatively impacted export levels and private consumption trends. See "—Introduction—Business Environment."

For the fiscal year ended March 31, 2011, domestic revenue, which consists of interest income and non-interest income, was ¥2,969.0 billion, while total foreign revenue was ¥1,291.4 billion, with the United States contributing ¥446.5 billion, Asia and Oceania (excluding Japan) contributing ¥470.9 billion and Europe contributing ¥238.7 billion. As a percentage of total revenue, for the three fiscal years ended March 31, 2011, domestic revenue declined to 69.7% for the fiscal year ended March 31, 2011.

For the fiscal year ended March 31, 2011, domestic net loss attributable to Mitsubishi UFJ Financial Group was ¥103.0 billion, while the corresponding total foreign net income was ¥564.8 billion. In particular, Asia and Oceania (excluding Japan) contributed ¥193.4 billion to our net income, more than half of which was derived from net interest income from China, whereas the United States and Europe contributed ¥171.8 billion and ¥90.0 billion, respectively, reflecting trading gains and net interest income. In light of these trends, we plan to seek growth opportunities particularly in Asia and the United States.

More specifically, our net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2011 mainly reflected the following:

- Net interest income was ¥1,880.3 billion, a decrease of ¥103.8 billion from ¥1,984.1 billion for the previous fiscal year mainly due to the lower interest rate environment in Japan, which negatively affected our interest spread;

- Provision for credit losses was ¥292.0 billion, a decrease of ¥355.8 billion from ¥647.8 billion for the previous fiscal year, reflecting the decrease in provision for credit losses in both domestic and foreign loan portfolio. While the decrease in domestic portfolio was mainly due to the absence of a large amount of provisions for a few borrowers with large exposure observed in previous year, decrease in foreign portfolio was mainly attributable to decrease in Union Bank and other overseas offices as a result of the slight recovery in the world economy, particularly in the United States;

- Fees and commissions income was ¥1,128.4 billion, a decrease of ¥11.1 billion from ¥1,139.5 billion for the previous fiscal year primarily due to a general decrease in the volume of businesses generating other fees and commissions, trust fees and guarantee fees. The decrease in fees and commissions income was partially offset by an increase of ¥9.2 billion in fees and commissions on credit card business from member stores as the use of credit cards increased and an increase of ¥9.1 billion in fees on securities businesses as the trading volume of securities recovered from the previous year;

- Net foreign exchange gains were ¥260.7 billion, compared to net foreign exchange gains of ¥216.7 billion for the previous fiscal year, mainly due to an improvement in gains other than derivative contracts such as gains in foreign currency exchange, partially offset by the losses associated with the appreciation of Japanese yen against the US dollar and other currencies;

- Net trading account profits were ¥133.9 billion, compared to net trading account profits of ¥761.5 billion for the previous fiscal year, largely due to a decrease of evaluation of securities because of the decline of stock prices and an increase in interest rates in foreign markets at the end of March 2011. On the other hand, net losses on interest rate and other derivative contracts were ¥3.1 billion, compared to ¥88.5 billion in the previous fiscal year, mainly due to an increase in gains on equity contracts and credit derivatives, which were partially offset by a decrease in gains (losses) on interest rate contracts; and

- Net investment securities gains were ¥121.8 billion, compared to net gains of ¥223.0 billion for the previous fiscal year, mainly reflecting losses on sales of marketable equity securities because of the decline of the stock markets in Japan, partially offset by increasing profit of sales on securities available for sale as conditions in the debt securities market improved.

Our total loans outstanding at March 31, 2011 were ¥87.50 trillion, a decrease of ¥4.69 trillion from ¥92.19 trillion at March 31, 2010. Before unearned income, net unamortized premiums and net deferred loan fees, our loan balance at March 31, 2011 consisted of ¥67.55 trillion of domestic loans and ¥20.05 trillion of foreign loans. Due to a general decrease in the demand for loans, domestic loans decreased ¥4.47 trillion and foreign loans decreased ¥0.22 trillion between March 31, 2010 and March 31, 2011. The total allowance for credit losses at March 31, 2011 was ¥1,240.5 billion, a decrease of ¥75.1 billion from ¥1,315.6 billion at March 31, 2010 as a result of a decrease in the amount of formula allowance.

Total investment securities increased ¥4.11 trillion to ¥59.16 trillion at March 31, 2011 from ¥55.05 trillion at March 31, 2010, primarily due to an increase of ¥5.29 trillion in Japanese national government bonds and Japanese government agency bonds, partially offset by a ¥0.79 trillion decrease in marketable equity securities, a ¥0.34 trillion decrease in corporate bonds and a ¥0.36 trillion decrease in foreign government and official institutions bonds. Our investments in Japanese national government and government agency bonds increased as part of our asset and liability management policy with respect to investing the amount of yen-denominated deposited funds exceeding our net loans. As a result, our holdings of Japanese national and government and Japanese government agency bonds as a percentage of our assets increased to relatively high levels as of March 31, 2011, accounting for 22.0% of our total assets. Regarding marketable equity securities, the decline in overall stock prices of Japanese equity securities resulted in a decrease in our marketable equity securities by ¥0.8 trillion between March 31, 2010 and March 31, 2011.

Our financial results for the fiscal year ending March 31, 2012, as well as our financial condition at the end of that period, will be heavily dependent on how our borrowers and the Japanese economy respond to the effects of the Great East Japan Earthquake that struck the northeastern region of Japan in March 2011. The operations of many Japanese companies and individuals have been adversely affected by the earthquake and the electricity power supply shortages following the accidents at the Fukushima Daiichi Nuclear Power Plant. As a result, the credit quality of some of our borrowers may deteriorate further than we currently expect, which could affect our credit costs and loan portfolio. In addition, the value of our portfolio of Japanese equity securities as well as Japanese government bonds will be affected by how the Japanese economy reacts after the earthquake and what governmental policies may be adopted for compensation, reconstruction and recovery. See "Item 3.D. Key Information—Risk Factors—Because a large portion of our assets are located in Japan and our business operations are conducted primarily in Japan, we may incur further losses if economic conditions in Japan worsen." and "—Business Environment" below.

Business Environment

We engage, through our subsidiaries and affiliated companies, in a broad range of financial businesses and services, including commercial banking, investment banking, trust banking and asset management services, securities businesses and credit card businesses, and provide related services to individuals primarily in Japan and the United States and to corporate customers around the world. Our results of operations and financial condition are exposed to changes in various external economic factors, including:

- general economic conditions;
- interest rates;
- currency exchange rates; and
- stock and real estate prices.

Economic Environment in Japan

The Japanese economy showed signs of recovery in the first half of the fiscal year ended March 31, 2011 with increasing exports, especially to other parts of Asia, and as governmental economic stimulus measures continued to produce positive effects. Japan's real GDP grew at an annualized 3.8% quarter on quarter for the July-September 2010 period, marking the fourth straight quarter of positive growth, with exports, private consumptions and private business investments showing 6.6%, 3.3% and 4.4% of annualized quarter on quarter growth, respectively. However, the Japanese economy began to weaken in the second half of the fiscal year ended March 31, 2011 after the government ended many aspects of its economic stimulus package and as the Japanese yen continued to appreciate against major foreign currencies thereby weakening the competitive strength of Japanese exports. Private consumption and exports decreased annualized 3.9% and 3.3%, respectively, quarter on quarter for the October-December 2010 period, leading to a decline in annualized real GDP growth rate to a negative 3.0% quarter on quarter in the same period. The slowdown in the Japanese economy furthered when the Great East Japan Earthquake hit the Tohoku region in Japan in March 2011. The earthquake and the subsequent accidents at the Fukushima Daiichi Nuclear Power Plant have affected the Japanese economy on a nationwide basis, negatively impacting private consumption levels, export volume and corporate production levels. Annualized GDP growth rate for the January-March 2011 period dropped 3.7% quarter on quarter, reflecting the weakness in the Japanese economy that continued from the previous quarter as well as the impact of the earthquake that occurred in early March 2011.

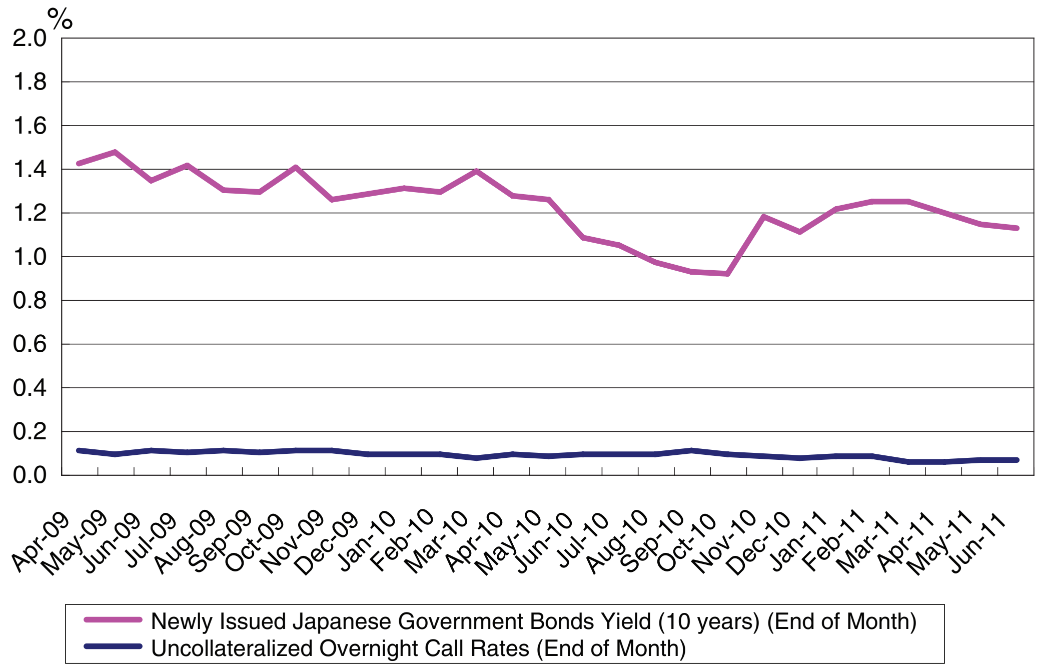
Selected indicators for the Japanese economy are discussed below:

- Corporate Production: Industrial production plunged by 15.5% in March 2011 following the earthquake especially led by the huge drop in transportation machinery (such as automobiles) by approximately 50%. Although manufacturing production recovered slightly in subsequent months (April +1.6% and May +5.7% according to the Ministry of Economy, Trade and Industry), the supply chain and networks for plants and other supplies may not be fully restored, and production levels for transportation machinery remain below pre-earthquake levels as of May 2011. Electricity supply shortages, which are expected to continue throughout the summer of 2011, may also adversely impact the recovery of corporate production.
- Exports: Although nominal exports rose by 14.8% year on year in early March 2011, exports experienced a significant decrease starting mid- to late March 2011 dropping by 5.9% and 13.3% year on year, respectively. Export levels declined due to supply capacity issues caused by both physical damage of facilities as well as the domestic supply chain in Japan becoming disfunctional after the earthquake.
- Employment Conditions: The employment situation, which had been improving gradually until early March 2011, deteriorated significantly following the earthquake with new job openings dropped by 7.1% month over month in March 2011 and unemployment rate slightly increased by 0.2 percentage points to 4.8% month over month in March 2011. The deteriorating employment situation mainly reflects the adjustments in employment being implemented in the private industry sectors that were affected by the downturn in the economy.
- Private Consumption: Real private consumption decreased by an annualized rate of 2.2% in the January-March 2011 period mainly due to a decline in the consumption of durable goods, such as automobiles. Services spending also dropped notably after the earthquake as consumers have been voluntarily withdrawing from participating in events and purchasing discretionary items.

The Bank of Japan has maintained a monetary easing policy during the fiscal year ended March 31, 2011 to stimulate the economy that has been persistently weak since the financial crisis. In October 2010, the Bank of Japan lowered its target interest rate to between 0% and 0.1% from 0.1% to support the economy and stimulate sustainable growth. Since the Great East Japan Earthquake, the Bank of Japan has focused on limiting the adverse effects on the economy. To date, the central bank's main measures have been (1) to increase financial supply to the short-term financial markets through the central bank's buying operations, (2) to increase funds for asset purchases to purchase risk assets, and (3) to supply capital to financial institutions located in areas affected by the earthquake. Further monetary easing may be possible as the Japanese government revises the second supplementary budget proposal for the fiscal year ending March 31, 2012. The proposal is expected to be submitted to the Diet during the summer of 2011, if the Japanese yen continues to appreciate against other currencies. Along with the monetary easing policy, the central bank has maintained a very low policy rate (uncollateralized overnight call rate) of 0.10% or lower in an effort to lift the economy.

Euro-yen 3-month TIBOR fell to approximately 0.33% as of July 1, 2011, the lowest level since 2006. Long-term interest rates have also remained at the historical low level, due to uncertainty in the global economy, weakness in stock prices and low expectations for a near-term rate hike in the United States, as the US government maintained a monetary easing policy until June 2011. The yield on newly-issued ten-year Japanese government bonds fell to around 1.1% as of early July 2011.

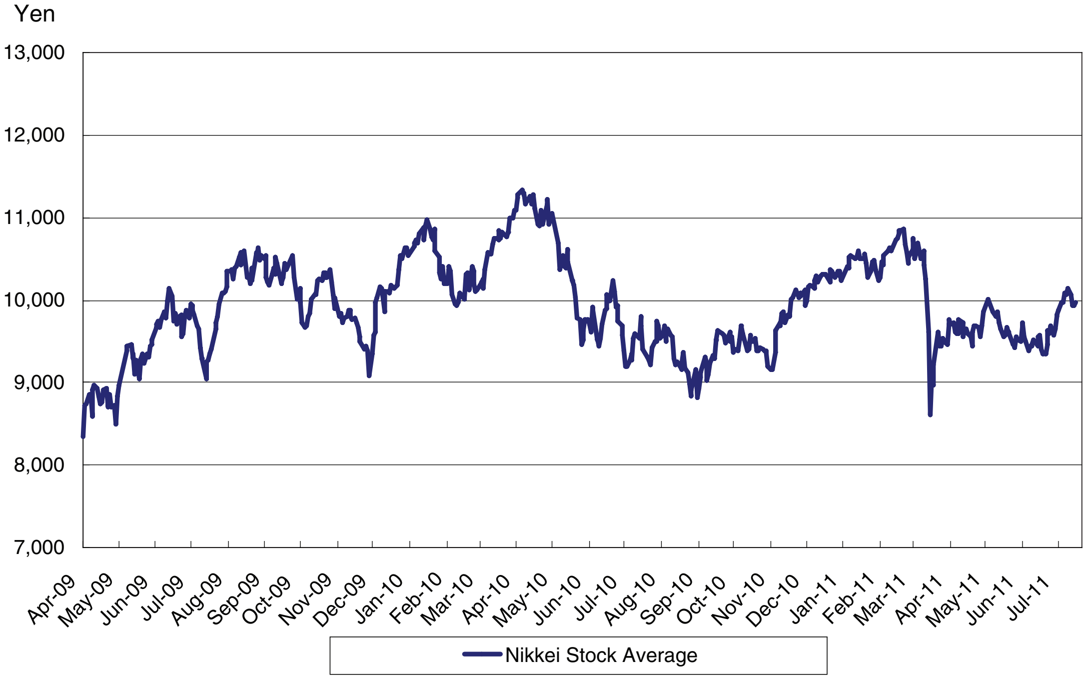
The following chart shows the interest rate trends in Japan since April 2009:



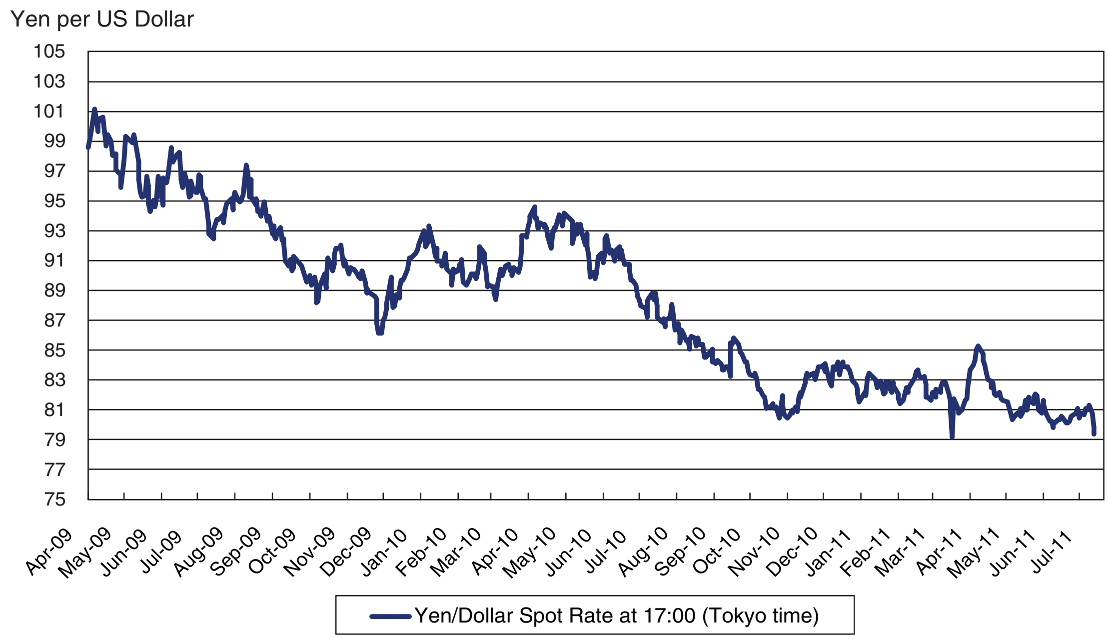
Regarding the Japanese stock market, the closing price of the Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, decreased from ¥11,089.94 at March 31, 2010 to ¥8,824.06 at the end of August 2010, then moved upward to nearly ¥11,000 just before the earthquake hit the northeastern part of Japan, which led to precipitous drop in stock price to ¥8,605.15 on March 15, 2011, just four days after the earthquake. The downward trend in Japanese stock price in the first half of fiscal year ended March 31, 2011 and upward trend in the later half were generally consistent with those of global stocks. The downward trend in stock prices in the first half reflected the impact of the sovereign debt crisis in some of the European countries, the effect of the cessation of QE1 in the United States that resulted in money flowing from stocks to safer securities, and weak corporate activities and operating results in most of the developed countries. The stock price started to move upward then, reflecting gradual improvement in the global economy, lower possibility of further decline in base interest rates and improved investor sentiment.

The Japanese stock prices then suddenly dropped precipitously after the earthquake, especially due to the nuclear disaster at Fukushima Daiichi Nuclear Power Plant, all of which created negative sentiment among investors on Japanese economy outlook. The Nikkei Stock Average then gradually recovered to ¥9,755.10 at March 31, 2011, along with the gradual recovery in other global stock indices. The closing price of the Tokyo Stock Price Index, or TOPIX, a composite index of all stocks listed on the First Section of the Tokyo Stock Exchange, also decreased from 978.81 at March 31, 2010 to 869.38 at March 31, 2011, the trend of which during the fiscal year ended March 31, 2011 was more or less the same with that of the Nikkei Stock Average.

Despite the Bank of Japan's policy to increase monetary supply, investor sentiment in the Japanese stock market remains cautious due in part to uncertainty regarding the Japanese political leadership, the continuing strength of the Japanese yen, weak employment conditions, and the continuing uncertainties on how the earthquake and its after-effects, such as the electricity power shortages expected during the summer of 2011, will impact the Japanese economy going forward. As of July 15, 2011, the closing price of the Nikkei Stock Average was ¥9,974.47 and the TOPIX closed at 859.36. The following chart shows the daily closing price of the Nikkei Stock Average since April 2009:



The Japanese yen appreciated against other currencies throughout the fiscal year ended March 31, 2011. The Japanese yen appreciated from ¥93.04 to US$1 as of March 31, 2010 to ¥83.15 to US$1 as of March 31, 2011. The strong Japanese yen appears to reflect rising risk aversion among Japanese investors and the lower interest rates outside of Japan, which led to lower capital outflow from Japan. The Japanese yen has also appreciated against the Euro during the period, as a result of the sovereign debt crisis and the subsequent tightening of monetary policies in Europe. The Japanese yen stood at ¥117.57 to €1 as of March 31, 2011 as compared to ¥124.92 to €1 as of March 31, 2010. As of July 15, 2011, the Japanese yen was at ¥79.20 to US$1 and ¥111.76 to €1. The following chart shows the foreign exchange rates expressed in Japanese yen per US dollar since April 2009:



In calendar 2010, the average prices for both residential and commercial real estate experienced declines for the third consecutive year, although the pace of decline softened compared to the last year, reflecting the slight recovery in the Japanese economy. According to a survey conducted by the Japanese government, the average residential land price declined by 2.7% between January 1, 2010 and January 1, 2011. The average commercial land price declined by 3.8% during the same period. In the three major metropolitan areas of Tokyo, Osaka and Nagoya, the average residential land price declined by 1.8% between January 1, 2010 and January 1, 2011, while the average commercial land price declined by 2.5% during the same period. In the local regions other than the major metropolitan areas in Japan, the average residential and commercial land prices continued to decline for the seventh consecutive year with the rates of decline between January 1, 2010 and January 1, 2011, being 3.6% and 4.8%, respectively.

According to Teikoku Databank, a Japanese research institution, the number of companies that filed for legal bankruptcy in Japan from April 2010 to March 2011 was 11,496, a decrease by 10.6% from the previous fiscal year, reflecting a moderate recovery of the Japanese economy for the fiscal year ended March 31, 2011. More specifically, the decrease in the number of companies that filed for legal bankruptcy was mainly due to the positive effects of the Japanese government's economic stimulus measures which supported widespread industries financially. The aggregate amount of liabilities subject to bankruptcy filings between April 2010 and March 2011 was approximately ¥4.56 trillion, decreased by 35.1% attributable to the absence of corporate reorganization filings by Japan Airlines group companies in January 2010 and a decrease in number of bankruptcies in large corporations.

International Financial Markets

With respect to the international financial and economic environment, the US economy continued to recover with the annualized real GDP growth rate averaging 2.9% in calendar 2010. According to the US Bureau of Labor Statistics, the unemployment rate decreased from its cyclical high at more than 10% in October 2009 to 9.2% in June 2011, remaining virtually unchanged since the beginning of calendar 2011. Reflecting the weak recovery of the US economy, inflationary pressure has been limited. Even with upward pressure on prices, core CPI (consumer inflation less food and energy) remained at historical low at the mid 1% range (annualized). As of June 2011, the core CPI on a year-on-year basis increased to 1.6%.

Although household disposable income has been increasing due to the effects of economic stimulus measures and tax reductions by the US government, consumer sentiment remains weak in part because of the high unemployment rates. In the corporate sector, production is increasing due to improved inventory cycles and increasing exports and capital investments.

In the European Union, or EU, signs of recovery from the global recession have been weaker with the average real GDP growth rate for calendar 2011 being 1.7%. There have been clear differences among the EU member states in the economic growth. In calendar 2010, the growth was primarily led by that of Germany with an annualized real GDP growth rate of 3.6% while countries with fiscal problems, such as Greece, Ireland and Portugal, have demonstrated very low or negative growth throughout the period. The following is a brief description of economies in the major state countries:

- Germany—The German economy constitutes approximately 30% of the EU economy and previously reached its highest growth rate since the reunification of Germany. German exports and manufacturing orders that led the German economy have begun to fall since early 2011, as positive effects from the weaker euro in 2010 gradually faded away. Private consumption maintained positive growth of around 2% on an annualized basis, supported by a historical low unemployment rate of around 7% in April 2011.
- Countries with debt problems—Expectations of Greek debt restructuring in the market led to a worsening of sovereign risks of peripheral EU member states, such as Portugal or Ireland. Furthermore, strict fiscal austerity limited recovery in Greece and Portugal.

The total inflation rate was 2.7% year on year in May 2011, reaching well above the ECB's target level of price stability (below 2.0%) for six consecutive months due to higher global commodity prices. To prevent inflation, the ECB raised its refi-rate from 1.00% to 1.25% in April 2011 and from 1.25% to 1.50% in July 2011, clearly conveying a vigilant stance on inflation to the market.

Recent Developments

We continue to pursue global growth opportunities, and in this context, strengthened our strategic alliance with Morgan Stanley and expanded Union Bank's business through acquisitions of community banks during the fiscal year ended March 31, 2011. We plan to continue to selectively review and consider growth opportunities that will enhance our global competitiveness. To better respond to the rapidly changing regulatory and competitive environment, we have also completed several transactions that affect the capital structure at the holding company level or at the subsidiary level. We will continue to monitor regulatory developments and pursue prudent transactions that will create a strong capital structure to enable us to contribute to the real economy, both domestically and globally, as a provider of a stable source of funds and high quality financial services.

Effects of the Great East Japan Earthquake

On March 11, 2011, the Tohoku region of Japan experienced a major earthquake and tsunami, which caused major property damage in the region. The Great East Japan Earthquake disrupted economic activity in the region and also indirectly affected Japan nationwide. Infrastructure and facilities in the region suffered damage, causing supply chain disruptions relating to parts and supplies manufactured in the region. The direct impact of the earthquake to us was primarily physical damage to our tangible assets, such as real estate properties and system infrastructure, and was limited only to the Tohoku region. Of the more than 600 branches that BTMU has in Japan, only six branches are located in the region directly impacted by the earthquake. Our real estate properties of those six branches did not suffer any serious damage, and all of them continued their operations through the end of normal business hours on the day of the earthquake and resumed their operations on the next business day of the earthquake.

The Great East Japan Earthquake also triggered accidents at the Fukushima Daiichi Nuclear Power Plant, causing radiation contamination in the surrounding areas. As a result, the Japanese government has relocated residents from certain designated areas. We do not have any branches or offices in the evacuation area established by the Japanese government due to the accidents at the Fukushima Daiichi Nuclear Power Plant. The accidents have also resulted in an electricity power supply shortage, which has negatively affected the output capacity of many Japanese companies.

The Great East Japan Earthquake has resulted in, and will likely further cause, indirect adverse effects on our financial results such as an increase in credit costs as the credit quality of some of our borrowers may deteriorate. Our loans outstanding to borrowers in the Tohoku region as of March 31, 2011 was proportionately small, constituting less than 1% of our total loans outstanding. Soon after the earthquake, BTMU and MUTB were ready to offer special loan products and programs designed to financially assist borrowers affected by the Great East Japan Earthquake.

In addition, the Great East Japan Earthquake has contributed to impairment losses on investment securities for the fiscal year ended March 31, 2011, though we are unable to quantify the loss directly caused by the earthquake separately from losses caused by other economic factors. At this time, we are uncertain of the potential impact of the earthquake for the fiscal year ending March 31, 2012, because the operating environment will be influenced by numerous factors, including, but not limited to, general Japanese economic condition, pace of the market recovery (if any) and governmental policies for compensation and reconstruction, specifically a scheme to financially support electric utilities that are subject to damage claims and the treatment of their major debt and equity holders under such scheme, including us.

Securities Joint Ventures with Morgan Stanley

As part of our strategic alliance with Morgan Stanley, in May 2010, Morgan Stanley and we integrated our respective Japanese securities companies by forming two securities joint ventures. We converted our wholesale and retail securities businesses in Japan conducted by MUS into MUMSS. Morgan Stanley contributed its Japanese investment banking operations conducted by its former wholly-owned subsidiary, Morgan Stanley Japan Securities Co., Ltd., or Morgan Stanley Japan, to MUMSS. Morgan Stanley Japan was renamed Morgan Stanley MUFG Securities, Co., Ltd., or MSMS. We hold a 60% economic interest in MUMSS and MSMS, and Morgan Stanley holds a 40% economic interest in MUMSS and MSMS. We hold a 60% voting interest and Morgan Stanley holds a 40% voting interest in MUMSS, and we hold a 49% voting interest and Morgan Stanley holds a 51% voting interest in MSMS. Morgan Stanley's and our economic and voting interests in the securities joint venture companies are held through intermediate holding companies. We have retained control of MUMSS and account for it as a consolidated subsidiary. We account for our interest in MSMS under the equity method due to our significant influence over MSMS.

In April 2011, Mitsubishi UFJ Securities Holdings Co., Ltd. or MUSHD, announced its decision to subscribe to all the shares to be issued by MUMSS through a third-party allotment. MUSHD acquired the shares in the third party allotment to improve and strengthen the capital base and financial position of MUMSS following an approximately ¥80 billion loss recorded by MUMSS from its fixed-income position trading business. The loss related to this particular fixed income position trading was comprised of mark-to-market losses and the cost of withdrawing from the business, the majority of which reflected the cost of withdrawing from the business. As a result of recognizing the large loss, MUMSS scaled down the particular area of fixed income position trading that gave rise to the loss, and after the review of the exposure risk tests and limits, MUMSS is revising its risk exposure protocols to reduce the risk of comparable losses in the future. Subsequent to the acquisition of additional shares in MUMSS, we continue to hold a 60% economic and voting interest in MUMSS.

Conversion of Morgan Stanley Convertible Preferred Stock to Common Stock

Pursuant to an agreement we entered into with Morgan Stanley in April 2011, we converted all of the Morgan Stanley convertible preferred stock that we previously held into common stock on June 30, 2011. Under the terms of the transaction, we exchanged convertible preferred stock with a face value of approximately $7.8 billion and a 10% per annum dividend for approximately 385 million shares of Morgan Stanley common stock, including approximately 75 million additional Morgan Stanley common stock, resulting from the adjustment to the conversion rate pursuant to the agreement. As a result, we hold approximately 22.4% of voting rights in Morgan Stanley based on the number of shares of common stock of Morgan Stanley outstanding as of June 30, 2011. We have also appointed a second representative to Morgan Stanley's board of directors. This conversion further strengthens the global strategic alliance between Morgan Stanley and us. Morgan Stanley is expected to be treated as an equity-method affiliate of MUFG in the future consolidated financial statements prepared by MUFG. The conversion may have an impact on our consolidated statement of operations, especially for the six months ending September 30, 2011, depending on factors including the fair value of our Morgan Stanley interest at the time of conversion as well as the market price of Morgan Stanley common stock at the end of the period.

Subscription to Mitsubishi UFJ NICOS Capital Increase through Allotment to Existing Shareholders

In February 2011, MUFG and The Norinchukin Bank announced that they decided to subscribe to additional shares issued by Mitsubishi UFJ NICOS Co., Ltd., through allotment to existing shareholders. The two shareholders subscribed for 653,594,771 shares at ¥153 per share for a total aggregate amount of approximately ¥100 billion. We subscribed to an amount consistent with our ownership interest in Mitsubishi UFJ NICOS. Mitsubishi UFJ NICOS issued the shares, and the shareholders agreed to subscribe to the shares, to ensure the sound implementation of Mitsubishi UFJ NICOS's new medium-term business plan and to strengthen Mitsubishi UFJ NICOS's financial position, which in turn is expected to strengthen our credit card business.

Acquisition and Cancellation of First Series of Class 3 Preferred Stock

In April 2010, we acquired and cancelled all of the outstanding shares of our First Series of Class 3 Preferred Stock at ¥2,500 per share for an aggregate purchase price of ¥250 billion. The preferred stock was reflected as part of our Tier I capital before acquisition and cancellation.

Redemption of Preferred Securities issued by an Overseas Special Purpose Company

In July 2011, we redeemed all of the outstanding shares of our preferred securities (non-dilutive preferred securities) issued by MUFG Capital Finance 3 Limited, an overseas special purpose company of MUFG, at ¥10 million per preferred security for an aggregate purchase price of ¥120 billion. The preferred security was reflected as part of our Tier I capital before redemption.

Agreement to Acquire The Royal Bank of Scotland Group's Project Finance Related Assets

In December 2010, we entered into a sale and purchase agreement with The Royal Bank of Scotland Group plc, or RBS, to acquire from RBS approximately £3.3 billion of project finance related assets consisting of loans for natural resource, power and other infrastructure projects in Europe, the Middle-East and Africa, and related assets. In connection with this acquisition, we plan to acquire associated derivatives through one of our subsidiaries, Mitsubishi UFJ Securities International plc (London). The transaction contemplated by the agreement is subject to required regulatory approvals and third party consents and is expected to be completed by the fall of 2011.

Agreements with the FDIC to Acquire Assets and Assume Liabilities of Failing Community Banks

In April 2010, Union Bank, our indirect wholly owned subsidiary in the United States, entered into a Purchase and Assumption Agreement with the FDIC as a receiver of Frontier Bank of Everett, Washington to purchase certain assets and assume certain deposit and other liabilities of Frontier Bank. Of the approximately $3.2 billion in total assets acquired, Union Bank acquired approximately $2.9 billion in loans and other real estate owned which are covered under a loss share agreement with the FDIC. Union Bank also assumed approximately $2.5 billion in deposits and $372.0 million of borrowings and other liabilities.

Also in April 2010, Union Bank entered into a Purchase and Assumption Agreement with the FDIC as a receiver of Tamalpais Bank of San Rafael, California to purchase certain assets and assume certain deposits and other liabilities of Tamalpais Bank. Of the approximately $0.6 billion in total assets acquired, Union Bank acquired approximately $0.5 billion in loans and other real estate owned which are covered under a loss share agreement with the FDIC. Union Bank also assumed more than $0.4 billion in deposits.

Critical Accounting Estimates

Our consolidated financial statements included elsewhere in this Annual Report are prepared in accordance with US GAAP. Many of the accounting policies require management to make difficult, complex or subjective judgments regarding the valuation of assets and liabilities. The accounting policies are fundamental to understanding our operating and financial review and prospects. The notes to our consolidated financial statements included elsewhere in this Annual Report provide a summary of our significant accounting policies. The following is a summary of the critical accounting estimates:

Allowance for Credit Losses

The allowance for credit losses represents management's estimate of probable losses in our loan portfolio. The evaluation process, including credit-ratings and self-assessments, involves a number of estimates and judgments. The allowance is based on two principles of accounting guidance: (1) the guidance on contingencies requires that losses be accrued when they are probable of occurring and can be estimated, and (2) the guidance on accounting by creditors for impairment of a loan requires that losses be accrued based on the difference between the loan balance, on the one hand, and the present value of expected future cash flows discounted at the loan's original effective interest rate, the fair value of collateral or the loan's observable market value, on the other hand.

Effective from the fiscal year ended March 31, 2011, we adopted new accounting guidance regarding disclosures about the credit quality of financing receivables and the allowance for credit losses. The new disclosure guidance defines a portfolio segment as the level at which an entity develops and documents a systematic methodology to determine the allowance for credit losses and a class of financing receivables as the level of disaggregation of portfolio segments based on the initial measurement attribute, risk characteristics and methods for assessing risk. We have divided our allowance for loan losses into portfolio segments—Commercial, Residential, Card and UNBC. We further divide the Commercial segment into classes. The classes within the Commercial segment are domestic, foreign, and loans acquired with deteriorated credit quality. Within the domestic, we further disaggregate into the industry type based on our monitoring and assessing credit risks. Under this new disclosure guidance, the allowance is presented by portfolio segment. The adoption of this new disclosure guidance did not affect overall methodologies or policies used to establish our allowance for credit losses during the fiscal year ended March 31, 2011.

For the Commercial and UNBC segments, our allowance for credit losses primarily consists of an allocated allowance. The allocated allowance comprises (a) the allowance for individual loans specifically identified for evaluation, (b) the allowance for large groups of smaller-balance homogeneous loans, and (c) the formula allowance. The allocated allowance within the Commercial segment also includes the allowance for country risk exposure. Both the allowance for country risk exposure and the formula allowance are provided for performing loans that are not subject to either the allowance for individual loans specifically identified for evaluation or the allowance for large groups of smaller-balance homogeneous loans. The allowance for country risk exposure within the Commercial segment covers transfer risk which is not specifically covered by other types of allowance. Each of these components is determined based upon estimates that can and do change when actual events occur.

The allowance for credit losses within the UNBC segment also includes the unallocated allowance which captures losses that are attributable to various economic events, industry or geographic sectors whose impact on the portfolio have occurred but have yet to be recognized in the allocated allowance.

For the Residential and Card segments, the loans are smaller-balance homogeneous loans and pooled by the risk ratings based on the number of delinquencies. We principally determine the allowance for credit losses based on the probability of insolvency by the number of actual delinquencies and historical loss experience.

For all portfolio segments, key elements relating to the policies and discipline used in determining the allowance for credit losses are credit classification and the related borrower categorization process. The categorization is based on conditions that may affect the ability of borrowers to service their debt, taking into consideration current financial information, historical payment experience, credit documentation, public information, analyses of relevant industry segments and current trends. In determining the appropriate level of the allowance, we evaluate the probable loss by category of loan based on its type and characteristics.

Our actual losses could be more or less than the estimates. For further information regarding our methodologies used in establishing the allowance for credit losses by portfolio segments and allowance for credit losses policies, see Note 1 to our consolidated financial statements included elsewhere in this Annual Report and "—B. Liquidity and Capital Resources—Financial Condition—Allowance for Credit Losses, Nonperforming and Past Due Loans."

In addition to the allowance for credit losses on our loan portfolio, we maintain an allowance for credit losses on off-balance sheet credit instruments, including commitments to extend credit, a variety of guarantees and standby letters of credit and other financial instruments. Such allowance is included in other liabilities.

Determining the adequacy of the allowance for credit losses requires the exercise of considerable judgment and the use of estimates, such as those discussed above. To the extent that actual losses differ from management's estimates, additional provisions for credit losses may be required that would adversely impact our operating results and financial condition in future periods.

Impairment of Investment Securities

US GAAP requires the recognition in earnings of an impairment loss on investment securities for a decline in fair value that is other than temporary. Determination of whether a decline is other than temporary often involves estimating the outcome of future events. Management judgment is required in determining whether factors exist that indicate that an impairment loss has been incurred at the balance sheet date. These judgments are based on subjective as well as objective factors. We conduct a review semi-annually to identify and evaluate investment securities that have indications of possible impairment. The assessment of other than temporary impairment requires judgment and therefore can have an impact on the results of operations. Impairment is evaluated considering various factors, and their significance varies from case to case.

Debt and marketable equity securities. In determining whether a decline in fair value below cost is other than temporary for a particular equity security, we generally consider factors such as the ability and positive intent to hold the investments for a period of time sufficient to allow for any anticipated recovery in fair value. In addition, indicators of an other than temporary decline for marketable equity securities include, but are not limited to, the extent of decline in fair value below cost and the length of time that the decline in fair value below cost has continued. If a decline in fair value below cost is 20% or more or has continued for six months or more, we generally deem such decline as an indicator of an other than temporary decline. We also consider the current financial condition and near-term prospects of issuers primarily based on the credit standing of the issuers as determined by our credit rating system.

For debt securities, other than temporary impairment is recognized in earnings if we have an intent to sell the debt security or if it is more likely than not we will be required to sell the debt security before recovery of its amortized cost basis. When we do not intend to sell the debt security and if it is more likely than not that we will not be required to sell the debt security before recovery of its amortized cost basis, the credit component of an other than temporary impairment of a debt security is recognized in earnings, but the noncredit component is recognized in accumulated other changes in equity from nonowner sources.

Certain securities held by BTMU, MUTB and certain other subsidiaries, which primarily consist of debt securities issued by the Japanese national government and generally considered to be of minimal credit risk, are determined not to be impaired as the respective subsidiaries do not have intention to sell the securities, or those subsidiaries are not more likely than not required to sell before recovery of their amortized cost basis.

The determination of other than temporary impairment for certain debt securities held by UNBC, our US subsidiary, which primarily consist of residential mortgage backed securities and certain asset-backed securities, are made on the basis of a cash flow analysis and monitoring of performance of such securities, as well as whether UNBC intends to sell, or is more likely than not required to sell, the securities before recovery of their amortized cost basis.

Nonmarketable equity securities. Nonmarketable equity securities are equity securities of companies that are not publicly traded or are thinly traded. Such securities are primarily held at cost less other than temporary impairment if applicable. For the securities carried at cost, we periodically monitor the status of each investee, including the investee's credit ratings and changes in the value of our share in the investees' net assets as compared with the value at the time of investment. When we determine that the decline is other than temporary, nonmarketable equity securities are written down to the estimated fair value, determined based on such factors as the ratio of our investment in the issuer to the issuer's net assets and the latest transaction price if applicable. When the decline is other than temporary, certain nonmarketable equity securities issued by public companies, such as preferred stock convertible to marketable common stock in the future, are written down to fair value estimated by commonly accepted valuation models, such as option pricing models based on a number of factors, including the quoted market price of the underlying marketable common stock, volatility and dividend payments as appropriate.

The markets for equity securities and debt securities are inherently volatile, and the values of both types of securities have fluctuated significantly in recent years. Accordingly, our assessment of potential impairment involves risks and uncertainties depending on market conditions that are global or regional in nature and the condition of specific issuers or industries, as well as management's subjective assessment of the estimated future performance of investments. If we later conclude that a decline is other than temporary, the impairment loss may significantly affect our operating results and financial condition in future periods.

For further information on the amount of the impairment losses and the aggregate amount of unrealized gross losses on investment securities, see Note 3 to our consolidated financial statements included elsewhere in this Annual Report.

Allowance for Repayment of Excess Interest

We maintain an allowance for repayment of excess interest based on an analysis of past experience of reimbursement of excess interest, borrowers' profile, recent trend of borrowers' demand for reimbursement, and appropriate management's future forecasts. The allowance is recorded as a liability in Other liabilities. For further information, see "Item 3.D. Key Information—Risk Factors—Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results."

Income Taxes

Valuation of deferred tax assets. A valuation allowance for deferred tax assets is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Future realization of the tax benefit of existing deductible temporary differences or carryforwards ultimately depends on the existence of sufficient taxable income in future periods.

In determining a valuation allowance, we perform a review of future taxable income (exclusive of reversing temporary differences and carryforwards) and future reversals of existing taxable temporary differences. Future taxable income is developed from forecasted operating results, based on recent historical trends and approved business plans, the eligible carryforward periods and other relevant factors. For certain subsidiaries where strong negative evidence exists, such as the existence of significant amounts of operating loss carryforwards, cumulative losses and the expiration of unused operating loss carryforwards in recent years, a valuation allowance is recognized against the deferred tax assets to the extent that it is more likely than not that they will not be realized.

Among other factors, forecasted operating results, which serve as the basis of our estimation of future taxable income, have a significant effect on the amount of the valuation allowance. In developing forecasted operating results, we assume that our operating performance is stable for certain entities where strong positive evidence exists, including core earnings based on past performance over a certain period of time. The actual results may be adversely affected by unexpected or sudden changes in interest rates as well as an increase in credit-related expenses due to the deterioration of economic conditions in Japan and material declines in the Japanese stock market to the extent that such impacts exceed our original forecast. In addition, near-term taxable income is also influential on the amount of the expiration of unused operating loss carryforwards since the Japanese corporate tax law permits operating losses to be deducted for a predetermined period generally no longer than seven years. For further information on the amount of operating loss carryforwards and the expiration dates, see Note 7 to our consolidated financial statements included elsewhere in this Annual Report.

Because the establishment of the valuation allowance is an inherently uncertain process involving estimates as discussed above, the currently established allowance may not be sufficient. If the estimated allowance is not sufficient, we will incur additional deferred tax expenses, which could materially affect our operating results and financial condition in future periods.

Tax reserves. We provide reserves for unrecognized tax benefits as required under guidance on accounting for uncertainty in income taxes. In applying the guidance, we consider the relative risks and merits of positions taken in tax returns filed and to be filed, considering statutory, judicial, and regulatory guidance applicable to those positions. The guidance requires us to make assumptions and judgments about potential outcomes that lie outside management's control. To the extent the tax authorities disagree with our conclusions, and depending on the final resolution of those disagreements, our effective tax rate may be materially affected in the period of final settlement with tax authorities.

Accounting for Goodwill and Intangible Assets

US GAAP requires us to test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired, using a two-step process that begins with an estimation of the fair value of a reporting unit of our business, which is to be compared with the carrying amount of the unit, to identify potential impairment of goodwill. A reporting unit is an operating segment or component of an operating segment that constitutes a business for which discrete financial information is available and is regularly reviewed by management. The fair value of a reporting unit is defined as the amount at which the unit as a whole could be bought or sold in a current transaction between willing parties. For a reporting unit for which an observable quoted market price is not available, the fair value is determined using an income approach. In the income approach, the present value of expected future cash flows is calculated by taking the net present value based on each reporting unit's internal forecasts. The discount rate reflects current market capitalization. A control premium factor is also considered in relation to market capitalization.

If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss recorded in our consolidated statements of operations. This test requires comparison of the implied fair value of the unit's goodwill with the carrying amount of that goodwill. The estimate of the implied fair value of the reporting unit's goodwill requires us to allocate the fair value of a reporting unit to all of the assets and liabilities of that reporting unit, including unrecognized intangible assets, if any, since the implied fair value is determined as the excess of the fair value of a reporting unit over the net amounts assigned to its assets and liabilities in the allocation. Accordingly, the second step of the impairment test also requires an estimate of the fair value of individual assets and liabilities, including any unrecognized intangible assets that belong to that unit. A change in the estimation could have an impact on impairment recognition since it is driven by hypothetical assumptions, such as customer behavior and interest rate forecasts. The estimation is based on information available to management at the time the estimation is made.

Intangible assets are amortized over their estimated useful lives unless they have indefinite useful lives. Amortization for intangible assets is computed in a manner that best reflects the economic benefits of the intangible assets. Intangible assets having indefinite useful lives are subject to annual impairment tests. An impairment exists if the carrying value of an indefinite-lived asset exceeds its fair value. For other intangible assets subject to amortization, an impairment is recognized if the carrying amount exceeds the fair value of the intangible asset.

Accrued Severance Indemnities and Pension Liabilities

We have defined retirement benefit plans, including lump-sum severance indemnities and pension plans, which cover substantially all of our employees. Severance indemnities and pension costs are calculated based upon a number of actuarial assumptions, including discount rates, expected long-term rates of return on our plan assets and rates of increase in future compensation levels. In accordance with US GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods, and affect our recognized net periodic pension costs and accrued severance indemnities and pension obligations in future periods. Differences in actual experience or changes in assumptions may affect our financial condition and operating results in future periods.

The discount rates for the domestic plans are set to reflect the interest rates of high-quality fixed-rate instruments with maturities that correspond to the timing of future benefit payments.

In developing our assumptions for expected long-term rates of return, we refer to the historical average returns earned by the plan assets and the rates of return expected to be available for reinvestment of existing plan assets, which reflect recent changes in trends and economic conditions, including market prices. We also evaluate input from our actuaries, as well as their reviews of asset class return expectations.

Valuation of Financial Instruments

We measure certain financial assets and liabilities at fair value. The majority of such assets and liabilities are measured at fair value on a recurring basis, including trading securities, trading derivatives and investment securities. In addition, certain other assets and liabilities are measured at fair value on a non-recurring basis, including held for sale loans which are carried at the lower of cost or fair value, collateral dependent loans and nonmarketable equity securities subject to impairment.

We have elected the fair value option for certain foreign securities classified as available for sale, whose unrealized gains and losses are reported in income.

The guidance on the measurement of fair value defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We have an established and documented process for determining fair value in accordance with the guidance. To determine fair value, we use quoted market prices which include those provided from pricing vendors, where available. We generally obtain one price or quote per instrument and do not adjust it to determine fair value of the instrument. Certain asset-backed securities are valued based on non-binding quotes provided by independent broker-dealers where no or few observable inputs are available to measure fair value. We do not adjust such broker-dealer quotes to the extent that there is no evidence that would indicate that the quotes are not indicative of the fair values of the securities. We perform internal price verification procedures to ensure that the quotes provided from the independent broker-dealers are reasonable. Such verification procedures include analytical review of periodic price changes, comparison analysis between periodic price changes and changes of indices such as a credit default swap index, or inquiries regarding the underlying inputs and assumptions used by the broker-dealers such as probability of default, prepayment rate and discount margin. These verification procedures are periodically performed by independent risk management departments. For collateralized loan obligations ("CLOs") backed by general corporate loans, the fair value is determined by weighting the internal model valuation and the non-binding broker-dealer quotes. If quoted market prices are not available to determine fair value of derivatives, the fair value is based upon valuation techniques that use, where possible, current market-based or independently sourced parameters, such as interest rates, yield curves, foreign exchange rates, volatilities and credit curves. The fair values of trading liabilities are determined by discounting future cash flows at a rate which incorporates our own creditworthiness. In addition, valuation adjustments may be made to ensure that the financial instruments are recorded at fair value. These adjustments include, but are not limited to, amounts that reflect counterparty credit quality, liquidity risk, and model risk. Our financial models are validated and periodically reviewed by risk management departments independent of divisions that created the models.

For a further discussion of the valuation techniques or models applied to the material assets or liabilities, see "Fair Value" in Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

Fair Value Hierarchy

The guidance on the measurement of fair values establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data. Based on the observability of the inputs used in the valuation techniques, the following three-level hierarchy is established by the guidance:

- Level 1—Unadjusted quoted prices for identical instruments in active markets.
- Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the instruments.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instruments.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement of the financial instrument. We review and update the fair value hierarchy on a half year basis. For the categorization within the valuation hierarchy by the financial instruments, see "Fair Value" in Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

The following table summarizes the assets and liabilities accounted for at fair value on a recurring basis by level under the fair value hierarchy at March 31, 2010 and 2011:

	March 31, 2010		March 31, 2011	
	Fair Value (in billions)	Percentage of Total	Fair Value (in billions)	Percentage of Total
Assets:				
Level 1	¥57,648	73.2%	¥61,332	73.0%
Level 2	17,164	21.8	19,149	22.8
Level 3	3,964	5.0	3,494	4.2
Total	¥78,776	100.0%	¥83,975	100.0%
As a percentage of total assets	39.4%		41.4%	
Liabilities:				
Level 1	¥ 3,315	26.7%	¥ 3,128	22.9%
Level 2	8,659	69.6	10,353	75.9
Level 3	457	3.7	157	1.2
Total	¥12,431	100.0%	¥13,638	100.0%
As a percentage of total liabilities	6.5%		7.0%	

Level 3 assets decreased ¥470 billion during the fiscal year ended March 31, 2011 mainly because Level 3 trading derivative assets decreased ¥281 billion and Level 3 securities available for sale decreased ¥160 billion. Level 3 liabilities decreased ¥300 billion during the fiscal year ended March 31, 2011 mainly due to Level 3 trading derivative liabilities decreased ¥273 billion. As a result, Level 3 trading derivatives decreased ¥8 billion on a net basis.

The decrease of ¥160 billion in Level 3 securities available for sale was mainly driven by the decrease in corporate bonds, most of which were private placement bonds issued by Japanese non-pubic companies. Level 3 corporate bonds decreased ¥155 billion for the fiscal year ended March 31, 2011 due mainly to the redemption amounted to ¥371 billion and the transfer out of Level 3 hierarchy amounted to ¥298 billion. Transfers of corporate bonds out of and into Level 3 were due to changes in the impact of unobservable credit worthiness inputs to the entire fair value measurement of the private placement bonds issued by Japanese non-public companies. Unobservable credit worthiness inputs include probability of default based on credit rating of the bond issuers and potential losses in the event of default, all of which are based on our internal data. The decrease of the corporate bonds was offset by an increase in corporate bonds amounted to ¥504 billion due mainly to transfer into Level 3 which resulted from decline of creditworthiness of the bonds.

The net decrease in ¥8 billion of Level 3 trading derivatives was mostly attributable to fluctuation of interest rate contracts, foreign exchange contracts and commodity contracts. Such net decrease mainly consisted of ¥15 billion of net settlements in interest rate contracts, ¥31 billion of interest rate contracts and foreign exchange contracts transferred into Level 3, and ¥21 billion of interest rate contracts and commodity contracts transferred out of Level 3.

For further information regarding fair value measurements, see "Fair Value" in Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

Accounting Changes and Recently Issued Accounting Pronouncements

See "Accounting Changes" and "Recently Issued Accounting Pronouncements" in Note 1 to our consolidated financial statements included elsewhere in this Annual Report.

A. Operating Results

Results of Operations

The following table sets forth a summary of our results of operations for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	2010	2011
		(in billions)	
Interest income	¥ 3,895.8	¥2,758.5	¥2,551.0
Interest expense	1,599.4	774.4	670.7
Net interest income	2,296.4	1,984.1	1,880.3
Provision for credit losses	626.9	647.8	292.0
Non-interest income	175.1	2,453.9	1,709.4
Non-interest expense	3,608.8	2.508.1	2,460.5
Income (loss) before income tax expense (benefit)	(1,764.2)	1,282.1	837.2
Income tax expense (benefit)	(259.9)	407.0	439.9
Net income (loss) before attribution of noncontrolling interests	¥(1,504.3)	¥ 875.1	¥ 397.3
Net income (loss) attributable to noncontrolling interests	(36.3)	15.3	(64.5)
Net income (loss) attributable to Mitsubishi UFJ Financial Group	¥(1,468.0)	¥ 859.8	¥ 461.8

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥461.8 billion for the fiscal year ended March 31, 2011, a decrease of ¥398.0 billion from ¥859.8 billion for the fiscal year ended March 31, 2010. Our diluted earnings per share of common stock (net income available to common shareholders of Mitsubishi UFJ Financial Group) for the fiscal year ended March 31, 2011 was ¥31.08, a decrease of ¥36.79 from ¥67.87 for the fiscal year ended March 31, 2010. Income before income tax expense for the fiscal year ended March 31, 2011 was ¥837.2 billion, a decrease of ¥444.9 billion from ¥1,282.1 billion for the fiscal year ended March 31, 2010.

Net Interest Income

The following is a summary of the interest rate spread for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,					
	2009		2010		2011	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
			(in billions, except percentages)			
Interest-earning assets:						
Domestic	¥121,686.4	1.70%	¥127,830.2	1.34%	¥130,922.3	1.16%
Foreign	51,556.3	3.53	47,635.1	2.20	49,450.7	2.08
Total	¥173,242.7	2.25%	¥175,465.3	1.57%	¥180,373.0	1.41%
Financed by:						
Interest-bearing liabilities:						
Domestic	¥124,716.0	0.58%	¥124,431.3	0.37%	¥126,908.2	0.29%
Foreign	31,368.9	2.80	33,725.1	0.93	34,436.4	0.87
Total	156,084.9	1.02	158,156.4	0.49	161,344.6	0.42
Non-interest-bearing liabilities	17,157.8	—	17,308.9	—	19,028.4	—
Total	¥173,242.7	0.92%	¥175,465.3	0.44%	¥180,373.0	0.37%
Interest rate spread		1.23%		1.08%		0.99%
Net interest income as a percentage of total interest-earning assets		1.33%		1.13%		1.04%

We use interest rate and other derivative contracts to manage the risks affecting the values of our financial assets and liabilities. Although these contracts are generally entered into for risk management purposes, a majority of them do not meet the specific conditions to qualify for hedge accounting under US GAAP and thus are accounted for as trading assets or liabilities. Any gains or losses resulting from such derivative instruments are recorded as part of net trading account profits or losses. Therefore, our net interest income for each of the fiscal years ended March 31, 2009, 2010 and 2011 was not materially affected by gains or losses resulting from such derivative instruments. For a detailed discussion of our risk management systems, refer to "Non-Interest Income" and "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk."

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Net interest income for the fiscal year ended March 31, 2011 was ¥1,880.3 billion, a decrease of ¥103.8 billion from ¥1,984.1 billion for the fiscal year ended March 31, 2010. The decrease in our net interest income mainly reflected the decrease of outstanding loans and the impact of the low interest rate environment that continued throughout the fiscal year ended March 31, 2011. In Japan, the Bank of Japan maintained monetary easing policies, including its "zero interest rate" policy, throughout the fiscal year ended March 31, 2011. In this environment, the average interest rate on domestic interest-earning assets decreased more than the decrease in the average interest rate on domestic interest-bearing liabilities. Central banks outside of Japan also continued to reduce or maintained their base interest rates at low levels to counter deflationary pressures caused by the financial crisis and the economic recession.

The average interest rate spread (average interest rate for interest-earning assets minus average interest rate for interest-bearing liabilities) decreased nine basis points from 1.08% for the fiscal year ended March 31, 2010 to 0.99% for the fiscal year ended March 31, 2011. For the fiscal year ended March 31, 2011, the average rate on interest-bearing liabilities decreased from 0.49% to 0.42% mainly due to the lower average rate on total deposits. However, the average rate on loans and investment securities decreased further due to lower domestic interest rates, which resulted in a decrease in the average interest rate spread. Consequently, net interest income decreased ¥103.8 billion due to changes in interest rates.

Average interest-earning assets for the fiscal year ended March 31, 2011 were ¥180,373.0 billion, an increase of ¥4,907.7 billion from ¥175,465.3 billion for the fiscal year ended March 31, 2010. This increase in average interest-earning assets was primarily attributable to an increase of ¥13,435.9 billion in investment securities, partially offset by a ¥7,717.3 billion decrease in both domestic and foreign loans. The increase in investment securities was mainly due to an increase in investment in Japanese national government and government agency bonds as part of our asset and liability management policy applicable to the increased amount of yen-denominated deposited funds. The increase in the average balance of investment securities and decrease in the average rate resulted in a slight increase in our interest income in investment securities for the fiscal year ended March 31, 2011 by ¥17.0 billion compared to the prior fiscal year, which was more than offset by a decrease in interest income from domestic and foreign loans of ¥249.9 billion due to a decrease of outstanding loans and lower average domestic interest rate.

Average interest-bearing liabilities for the fiscal year ended March 31, 2011 were ¥161,344.7 billion, an increase of ¥3,188.3 billion from ¥158,156.4 billion for the fiscal year ended March 31, 2010. The increase was primarily attributable to an increase of ¥2,351.8 billion in domestic interest-bearing deposits and ¥1,571.9 billion in domestic other short-term borrowings and trading account liabilities, partially offset by a decrease of ¥1,009.0 billion in due to trust account. The increase in domestic interest-bearing deposits was mainly due to increases in deposits from retail markets. Despite the increase in the average balance of interest-bearing liabilities, the decrease in the average rate resulted in a decrease of our interest expense for the fiscal year ended March 31, 2011 by ¥103.7 billion compared to the prior fiscal year.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Net interest income for the fiscal year ended March 31, 2010 was ¥1,984.1 billion, a decrease of ¥312.3 billion from ¥2,296.4 billion for the fiscal year ended March 31, 2009. The decrease in our net interest income mainly reflected the impact of the low interest rate environment that continued throughout the fiscal year ended March 31, 2010. In Japan, the Bank of Japan implemented monetary easing policies and maintained its "zero interest rate" policy throughout the fiscal year ended March 31, 2010. As a result, the average interest rate on domestic interest-earning assets decreased more than the decrease in the average interest rate on domestic interest-bearing liabilities. Central banks outside of Japan also continued to reduce their base interest rates to counter deflationary pressures caused by the financial crisis and the economic recession.

The average interest rate spread on interest-bearing liabilities (average interest rate for interest-earning assets minus average interest rate for interest-bearing liabilities) decreased 15 basis points from 1.23% for the fiscal year ended March 31, 2009 to 1.08% for the fiscal year ended March 31, 2010. For the fiscal year ended March 31, 2010, the average rate on interest-bearing liabilities decreased from 1.02% to 0.49% mainly due to lower foreign interest rates. However, the average rate on interest-earning assets decreased further due to lower foreign interest rates, which resulted in a decrease in the average interest rate spread. Consequently, net interest income decreased ¥200.6 billion due to changes in interest rates.

Average interest-earning assets for the fiscal year ended March 31, 2010 were ¥175,465.3 billion, an increase of ¥2,222.6 billion from ¥173,242.7 billion for the fiscal year ended March 31, 2009. This increase in average interest-earning assets was primarily attributable to an increase of ¥9,533.4 billion in investment securities, partially offset by a ¥4,654.9 billion decrease in both domestic and foreign loans. The increase in investment securities was mainly due to an increase in investment in Japanese national government and government agency bonds as part of our asset and liability management policy with respect to investing the amount of yen-denominated deposited funds. The increase in the average balance of domestic interest-earning assets resulted in an increase in our interest income from domestic assets for the fiscal year ended March 31, 2010 by ¥34.7 billion compared to the prior fiscal year, which was more than offset by a decrease in interest income from foreign assets of ¥92.9 billion due to lower average foreign interest-earning assets.

Average interest-bearing liabilities for the fiscal year ended March 31, 2010 were ¥158,156.4 billion, an increase of ¥2,071.5 billion from ¥156,084.9 billion for the fiscal year ended March 31, 2009. The increase was primarily attributable to an increase of ¥2,723.2 billion in foreign interest-bearing deposits, partially offset by a decrease of ¥1,822.4 billion in other short-term borrowings and trading account liabilities. The increase in foreign interest-bearing deposits was mainly due to increases in money market deposits and time deposits as depositors sought the safety of deposits at large financial institutions in light of the unstable economic conditions. The increase in the average balance of interest-bearing liabilities increased our interest expense for the fiscal year ended March 31, 2010 by ¥53.5 billion compared to the prior fiscal year.

Provision for Credit Losses

Provision for credit losses is charged to operations to maintain the allowance for credit losses at a level deemed appropriate by management. For the description of the approach and methodology used to establish the allowance for credit losses, see "—B. Liquidity and Capital Resources—Financial Condition—Allowance for Credit Losses, Nonperforming and Past Due Loans."

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Provision for credit losses for the fiscal year ended March 31, 2011 was ¥292.0 billion, a decrease of ¥355.8 billion from ¥647.8 billion for the fiscal year ended March 31, 2010. The provision for credit losses decreased ¥132.1 billion and ¥223.7 billion in our domestic and foreign loan portfolio, respectively. While the decrease in the domestic portfolio was mainly due to the absence of a large amount of provisions for a few borrowers with large exposure observed in the previous fiscal year, the decrease in the foreign portfolio was mainly attributable to a decrease in the provisions relating to Union Bank and other overseas offices as a result of the slight recovery in the world economy, particularly in the United States.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Provision for credit losses for the fiscal year ended March 31, 2010 was ¥647.8 billion, an increase of ¥20.9 billion from ¥626.9 billion for the fiscal year ended March 31, 2009. The increase in provision for credit losses was mainly due to weakening of the financial condition of borrowers, especially, in the manufacturing, wholesale and retail, and other industries categories.

Non-Interest Income

The following table is a summary of our non-interest income for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	2010	2011
		(in billions)	
Fees and commissions income:			
Trust fees	¥ 125.4	¥ 107.2	¥ 100.5
Fees on funds transfer and service charges for collections	147.7	145.9	142.5
Fees and commissions on international business	64.1	61.2	58.5
Fees and commissions on credit card business	141.4	137.4	146.6
Service charges on deposits	31.6	27.4	22.2
Fees and commissions on securities business	112.1	129.7	138.9
Fees on real estate business	19.8	19.9	22.6
Insurance commissions	28.1	22.9	27.5
Fees and commissions on stock transfer agency services	62.9	53.0	51.9
Guarantee fees	77.6	70.5	64.3
Fees on investment funds business	130.6	127.3	130.4
Other fees and commissions	247.2	237.1	222.5
Total	1,188.5	1,139.5	1,128.4
Foreign exchange gains (losses)—net	(206.2)	216.7	260.7
Trading account profits (losses)—net:			
Net profits (losses) on interest rate and other derivative contracts	555.5	(88.5)	(3.1)
Net profits (losses) on trading account securities, excluding derivatives	(813.3)	850.0	137.0
Total	(257.8)	761.5	133.9
Investment securities gains (losses)—net:			
Net gains on sales of securities available for sale:			
Debt securities	120.9	83.7	147.0
Marketable equity securities	28.4	213.5	87.4
Impairment losses on securities available for sale:			
Debt securities	(155.5)	(29.8)	(20.5)
Marketable equity securities	(660.7)	(62.9)	(115.6)
Other	8.2	18.5	23.5
Total	(658.7)	223.0	121.8
Equity in losses of equity method investees	(60.1)	(104.0)	(90.6)
Gains on sales of loans	6.4	21.2	14.5
Other non-interest income	163.0	196.0	140.7
Total non-interest income	¥ 175.1	¥2,453.9	¥1,709.4

Net foreign exchange gains (losses) are comprised of foreign exchange gains (losses) related to derivative contracts, foreign exchange gains (losses) other than derivative contracts and foreign exchange gains (losses) related to the fair value option.

Foreign exchange gains (losses) related to derivative contracts were net gains (losses) primarily on currency derivative instruments entered into for trading purposes. For the details of derivative contracts, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report. Foreign exchange gains other than derivative contracts include transaction gains (losses) on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies. The transaction gains (losses) on the translation into Japanese yen fluctuate from period to period depending upon the spot rates at the end of each fiscal year. In principle, all transaction gains (losses) on translation of monetary assets and liabilities denominated in foreign currencies are included in current earnings. Foreign exchange gains (losses) related to the fair value option include transaction gains (losses) on translation into Japanese yen for securities under fair value option. For the details of the fair value option, see Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

Trading account assets or liabilities are carried at fair value and changes in the value of trading account assets or liabilities are recorded in net trading account profits (losses). Activities reported in our net trading account profits (losses) can generally be classified into two categories:

- Trading purpose activities, which are conducted mainly for the purpose of generating profits either through transaction fees or arbitrage gains and involve frequent and short-term selling and buying of securities, commodities or others; and
- Trading account assets relating to application of certain accounting rules, which are generally not related to trading purpose activities, but simply classified as trading accounts due to application of certain accounting rules.

Of the two categories, trading purpose activities represent a smaller portion of our trading account profits.

We generally do not separate for financial reporting purposes customer originated trading activities from those with non-customer related, proprietary trading activities. When an order for a financial product is placed by a customer, a dealer offers a price which includes certain transaction fees, often referred to as the "margin" to the market price. The margin is determined by considering factors such as administrative costs, transaction amount and liquidity of the applicable currency. Once the customer agrees to the offered price, the deal is completed and the position is recorded in our ledger as a single entry without any separation of components. To manage the risk relating to the customer side position, we often enter into the other side of transaction with the market. Unrealized gains and losses as of the period-end for both the customer side position and the market side position are recorded within the same trading account profits and losses.

Net trading account profits (losses) are comprised of net profits (losses) on derivative contracts and net profits (losses) on trading account securities, excluding derivatives.

Net profits (losses) on derivative contracts are reported for net profits (losses) on our trading in overall derivative instruments which relate to primarily trading purpose activities, primarily includes:

- *Interest rate contract*s: Interest rate contracts are mainly utilized to manage interest rate risks which could arise from mismatches between assets and liabilities resulting from customer originated trading activities.
- *Equity contracts*: Equity contract are mainly utilized to manage the risk that would arise from price fluctuations of stocks held in connection with customer transactions.
- *Credit derivatives:* Credit derivatives are mainly utilized as a part of our credit portfolio risk management.

Derivative instruments for trading purposes also include those used as hedges of net exposures rather than for specifically identified assets or liabilities, which do not meet the specific criteria for hedge accounting.

Net profits (losses) on trading account securities, excluding derivatives are comprised of net profits (losses) on trading account securities and net profits (losses) on trading account securities under the fair value option. Net profits (losses) on trading account securities primarily constitute gains and losses on trading and valuation of trading securities which relate to trading purpose activities. Investment securities held by certain consolidated variable interest entities are included due to the applicable accounting treatments. Net profits (losses) on securities under the fair value option relate to activities rather are classified within trading accounts due to certain accounting treatments. For the details of the fair value option, see Notes 29 to our consolidated financial statements included elsewhere in this Annual Report.

Net investment securities gains (losses) primarily include net gains (losses) on sales of marketable securities, particularly debt securities and marketable equity securities that are classified as securities available for sale. In addition, impairment losses are recognized as an offset of net investment securities gains (losses) when management concludes that declines in fair value of investment securities are other than temporary.

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Non-interest income for the fiscal year ended March 31, 2011 was ¥1,709.4 billion, a decrease of ¥744.5 billion, from ¥2,453.9 billion for the fiscal year ended March 31, 2010. This decrease was primarily due to a decrease in net trading account profits of ¥627.6 billion from ¥761.5 billion for the fiscal year ended March 31, 2010 to ¥133.9 billion for the fiscal year ended March 31, 2011 and a decrease in net investment securities profits of ¥101.2 billion from ¥223.0 billion for the fiscal year ended March 31, 2010 to ¥121.8 billion for the fiscal year ended March 31, 2011.

Fees and commissions income

Fees and commissions income for the fiscal year ended March 31, 2011 was ¥1,128.4 billion, a decrease of ¥11.1 billion from ¥1,139.5 billion for the fiscal year ended March 31, 2010. This decrease was primarily due to a decrease of ¥14.6 billion in other fees and commissions, a decrease of ¥6.7 billion in trust fees, and a decrease of ¥6.1 billion in guarantee fees, reflecting a general decrease in the volume of these businesses. The decrease in fees and commissions income was partially offset by an increase of ¥9.2 billion in fees and commissions on credit card business mainly from member stores as the use of credit cards increased and an increase of ¥9.1 billion in fees on securities businesses as the trading volume of securities recovered from the prior year.

Net foreign exchange gains (losses)

Net foreign exchange gains for the fiscal year ended March 31, 2011 were ¥260.7 billion, compared to net foreign exchange gains of ¥216.7 billion for the fiscal year ended March 31, 2010. During the fiscal year ended March 31, 2011, the yen accelerated its appreciation against the US dollar. Foreign exchange gains other than derivative contracts increased from the previous fiscal year, mainly due to the translation gains on monetary liabilities denominated in foreign currencies. On the other hand, foreign exchange losses related to the fair value option increased from the previous fiscal year, mainly due to the translation losses on securities denominated in foreign currencies. Gains on foreign exchange derivative contracts increased mainly due to the improvement of our position in currency derivative contracts. The following table sets forth the details of our foreign exchange gains and losses for the fiscal years ended March 31, 2010 and 2011:

	Fiscal years ended March 31,	
	2010	**2011**
	(in billions)	
Foreign exchange gains (losses)—net:		
Foreign exchange derivative contracts	¥ 31.2	¥ 79.8
Foreign exchange gains other than derivative contracts	557.2	1,018.4
Foreign exchange losses related to the fair value option	(371.7)	(837.5)
Total	¥ 216.7	¥ 260.7

Net trading account profits (losses)

Net trading account profits of ¥133.9 billion were recorded for the fiscal year ended March 31, 2011, compared to net trading account profits of ¥761.5 billion for the fiscal year ended March 31, 2010. The following table sets forth the details of our trading account profits and losses for the fiscal years ended March 31, 2010 and 2011:

	Fiscal years ended March 31,	
	2010	2011
	(in billions)	
Trading account profits (losses)—net:		
Net profits (losses) on interest rate and other derivative contracts		
Interest rate contracts	¥ 213.4	¥ (27.4)
Equity contracts	(217.2)	20.8
Commodity contracts	(9.0)	2.1
Credit derivatives	(97.3)	(5.9)
Other	21.6	7.3
Total	¥ (88.5)	¥ (3.1)
Net profits (losses) on trading account securities, excluding derivatives		
Trading account securities	¥ 522.7	¥ 68.4
Trading account securities under the fair value option	327.3	68.6
Total	¥ 850.0	¥137.0

The decrease in net trading account profits (losses) was largely due to a decrease of net profits on trading account securities, excluding derivatives. Net profits (losses) on trading account securities, excluding derivatives are comprised of two items—net profits (losses) on trading account securities and net profits (losses) on trading account securities under the fair value option. Net profits on trading account securities decreased from ¥522.7 billion for the fiscal year ended March 31, 2010 to ¥68.4 billion for the fiscal year ended March 31, 2011, mainly due to a decrease in gains on valuation of foreign currency denominated debt securities, resulting from an increase in interest rates for foreign currency denominated trading account securities and a decrease in gains on valuation and sales of domestic equity securities, affected by low stock prices. Net profits on trading account securities under the fair value option decreased from ¥327.3 billion for the fiscal year ended March 31, 2010 to ¥68.6 billion for the fiscal year ended March 31, 2011, mainly due to a decrease in gains on valuation of foreign currency denominated debt securities, resulting from an increase in interest rates for foreign currency denominated trading account securities.

On the other hand, net losses on interest rate and other derivative contracts decreased from ¥88.5 billion for the fiscal year ended March 31, 2010 to ¥3.1 billion for the fiscal year ended March 31, 2011, mainly due to an increase in gains on equity contracts of ¥238.0 billion and a decrease in losses on credit derivatives of ¥91.4 billion, which was partially offset by a decrease in profits on interest rate contracts of ¥240.8 billion. Net profit on equity contracts in the fiscal year ended March 31, 2011, was mainly due to the downward trend in equity stock prices during the period, resulting in a positive impact on the value of our stock futures and options. Net losses on credit derivatives decreased from the previous fiscal year as the credit spreads continued to shrink through the fiscal year ended March 31, 2011. We recorded losses because of our larger net position in protection bought. Profits on interest rate contracts decreased from the previous fiscal year mainly due to a decrease in transaction volume, resulting in a decrease in unrealized gains on interest rate derivative contracts, and our securities subsidiary recording trading losses related to interest rate swaps, which led to a net loss on interest rate contracts for the fiscal year ended March 31, 2011.

Net investment securities gains (losses)

Net investment securities gains for the fiscal year ended March 31, 2011 were ¥121.8 billion, a decrease of ¥101.2 billion from ¥223.0 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to a decrease in gains on sales of marketable equity securities to ¥87.4 billion, and an increase of impairment losses on marketable equity securities to ¥115.6 billion for the fiscal year ended March 31, 2011, compared to

¥213.5 billion and ¥62.9 billion for the fiscal year ended March 31, 2010, respectively, reflecting the weakness in the Japanese domestic stock prices following the Great East Japan Earthquake. The Nikkei Stock Average was ¥9,755.10 as of March 31, 2011, compared to ¥11,089.94 as of March 31, 2010. These factors were offset by an increase in gains on debt securities available for sale of ¥147.0 billion for the fiscal year ended March 31, 2011, an increase of ¥63.3 billion from ¥83.7 billion for the fiscal year ended March 31, 2010, which reflected the low interest rate due to Japan's long-stagnant economy and the monetary easing policy of the Bank of Japan.

Equity in losses of equity method investees

We recorded equity in losses of equity method investees of ¥90.6 billion for the fiscal year ended March 31, 2011, a decrease of ¥13.4 billion from ¥104.0 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to losses associated with our equity method investees in the consumer finance industry.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Non-interest income for the fiscal year ended March 31, 2010 was ¥2,453.9 billion, an increase of ¥2,278.8 billion, from ¥175.1 billion for the fiscal year ended March 31, 2009. This increase reflects net foreign exchange gains of ¥216.7 billion for the fiscal year ended March 31, 2010 compared to net losses of ¥206.2 billion for the fiscal year ended March 31, 2009, net trading account profits of ¥761.5 billion for the fiscal year ended March 31, 2010 compared to net losses of ¥257.8 billion for the fiscal year ended March 31, 2009, and net investment securities gains of ¥223.0 billion for the fiscal year ended March 31, 2010 compared to net losses of ¥658.7 billion for the fiscal year ended March 31, 2009. These improvements were partially offset by a ¥49.0 billion decrease in fees and commissions from ¥1,188.5 billion for the fiscal year ended March 31, 2009 to ¥1,139.5 billion for the fiscal year ended March 31, 2010.

Fees and commissions income

Fees and commissions income for the fiscal year ended March 31, 2010 were ¥1,139.5 billion, a decrease of ¥49.0 billion from ¥1,188.5 billion for the fiscal year ended March 31, 2009. This decrease was primarily due to a decrease of ¥18.2 billion in trust fees, a decrease of ¥9.9 billion in fees and commissions on stock transfer agency services and a decrease of ¥7.1 billion in guarantee fees. The decreases in the various categories of fees and commissions reflected the general decrease in transaction volume for all types of financial transactions and activities as the economy remained weak. The decrease of the various categories was partially offset by a ¥17.6 billion increase in fees and commissions on securities businesses from the prior fiscal year as the overall volume of securities trading recovered with the improvement in stock prices in general.

Net foreign exchange gains (losses)

Net foreign exchange gains for the fiscal year ended March 31, 2010 were ¥216.7 billion, compared to net foreign exchange losses of ¥206.2 billion for the fiscal year ended March 31, 2009. The gains in foreign exchange were mainly due to an improvement in our overall position in currency swap contracts and options fees, partially offset by the losses associated with the appreciation of Japanese yen against the US dollar and other currencies.

Net trading account profits (losses)

Net trading account profits of ¥761.5 billion were recorded for the fiscal year ended March 31, 2010, compared to net trading account losses of ¥257.8 billion for the fiscal year ended March 31, 2009.

The improvement in net trading account profits was largely due to the net profits on trading account securities, excluding derivatives, of ¥850.0 billion for the fiscal year ended March 31, 2010, compared to net losses of ¥813.3 billion for the fiscal year ended March 31, 2009. This improvement mainly reflected an increase in profit on valuation of foreign currency denominated securities that was recorded under the fair value option. This was partially offset by a net loss of ¥88.5 billion on interest rate and other derivative contracts for the fiscal year ended March 31, 2010 as compared to net profits of ¥555.5 billion for the fiscal year ended March 31, 2009. Net losses on interest rate and other derivative contracts were mainly reflective of a ¥217 billion loss in equity contracts and a ¥97 billion loss in credit derivatives, partially offset by a ¥213 billion profit in interest rate contracts. Those derivative contracts were primarily held for risk management purposes, yet the majority did not meet the conditions to qualify for hedge accounting under US GAAP and thus were accounted for as trading positions.

Net investment securities gains (losses)

Net investment securities gains for the fiscal year ended March 31, 2010 were ¥223.0 billion compared to a net loss of ¥658.7 billion for the fiscal year ended March 31, 2009.

The net investment securities losses for the fiscal year ended March 31, 2009 mainly reflected large impairment losses of ¥660.7 billion on marketable equity securities available for sale and of ¥155.5 billion on debt securities available for sale. Impairment losses associated with marketable equity securities and debt securities available for sale for the fiscal year ended March 31, 2010 were ¥62.9 billion and ¥29.8 billion respectively, as the global market conditions throughout the fiscal year ended March 31, 2010 did not deteriorate further than the levels recorded at the end of the fiscal year ended March 31, 2009. In addition, net gains on sales of marketable equity securities increased to ¥213.5 billion for the fiscal year ended March 31, 2010 from ¥28.4 billion for the fiscal year ended March 31, 2009, reflecting the weak yet slightly improving market conditions as well as our increased volume of sales, while net gains on sales of debt securities available for sale decreased to ¥83.7 billion for the fiscal year ended March 31, 2010 from ¥120.9 billion for the fiscal year ended March 31, 2009, reflecting a decrease in the volume of sales of domestic securities by our banking subsidiaries.

Equity in losses of equity method investees

We recorded equity in losses of equity method investees of ¥104.0 billion for the fiscal year ended March 31, 2010, an increase of ¥43.9 billion from ¥60.1 billion for the fiscal year ended March 31, 2009. The larger losses in the fiscal year ended March 31, 2010 were mainly due to increased losses associated with our equity method investees primarily in the consumer finance industry.

Non-Interest Expense

The following table shows a summary of our non-interest expense for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	2010	2011
		(in billions)	
Salaries and employee benefits	¥ 873.4	¥ 908.2	¥ 864.0
Occupancy expenses—net	171.9	171.1	162.5
Fees and commission expenses	209.8	196.5	212.5
Outsourcing expenses, including data processing	267.8	215.4	194.8
Depreciation of premises and equipment	132.1	120.3	99.7
Amortization of intangible assets	278.2	225.0	220.0
Impairment of intangible assets	126.9	12.4	26.6
Insurance premiums, including deposit insurance	113.8	112.5	113.9
Communications	62.9	57.1	53.0
Taxes and public charges	85.7	69.1	65.9
Provision for repayment of excess interest	47.9	44.8	85.7
Impairment of goodwill	845.8	0.5	—
Other non-interest expenses	392.6	375.2	361.9
Total non-interest expense	¥3,608.8	¥2,508.1	¥2,460.5

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Non-interest expense for the fiscal year ended March 31, 2011 was ¥2,460.5 billion, a decrease of ¥47.6 billion from ¥2,508.1 billion for the previous fiscal year. This decrease was mainly due to the decrease in salaries and employee benefits of ¥44.2 billion to ¥864.0 billion for the fiscal year ended March 31, 2011 from ¥908.2 billion for the fiscal year ended March 31, 2010. In addition, outsourcing expenses, including data processing expenses, decreased. On the other hand, provision for repayment of excess interest increased to ¥85.7 billion for the fiscal year ended March 31, 2011, compared to ¥44.8 billion for the fiscal year ended March 31, 2010.

Salaries and employee benefits

Salaries and employee benefits for the fiscal year ended March 31, 2011 were ¥864.0 billion, a decrease of ¥44.2 billion from ¥908.2 billion for the previous fiscal year. This decrease was mainly due to a decrease of retirement benefit expense at our banking and trust banking subsidiaries because an improvement of economic circumstances for the fiscal year ended March 31, 2010 resulted in a decrease of amortization of actuarial losses.

Fees and commission expenses

Fees and commission expenses for the fiscal year ended March 31, 2011 were ¥212.5 billion, an increase of ¥16.0 billion from ¥196.5 billion for the fiscal year ended March 31, 2010. The increase reflects the overall increase in transaction fees recorded in our banking subsidiary as transaction volume increased.

Outsourcing expenses, including data processing

Outsourcing expenses, including data processings, for the fiscal year ended March 31, 2011 were ¥194.8 billion, a decrease of ¥20.6 billion from ¥215.4 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to a decrease in fees for temporary staff agency and fees for transportation as a result of continuous reviewing of the outsourcing expenses at each of our subsidiary level.

Provision for repayment for excess interest

Provision for repayment for excess interest for the fiscal year ended March 31, 2011 was ¥85.7 billion, an increase of ¥40.9 billion from ¥44.8 billion for the fiscal year ended March 31, 2010. This increase was mainly due to a change in accounting estimates in our consumer finance subsidiary. Prior to the fiscal year ended March 31, 2011, Mitsubishi UFJ NICOS, our consumer finance subsidiary had estimated the allowance for repayment of excess interest based primarily on historical reimbursement rates of excess interest. For the fiscal year ended March 31, 2011, Mitsubishi UFJ NICOS revised its estimate by updating management's future forecast to reflect new reimbursement claims information and other data following various legal and industry developments that occured during the fiscal year.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Non-interest expense for the fiscal year ended March 31, 2010 was ¥2,508.1 billion, a decrease of ¥1,100.7 billion from ¥3,608.8 billion for the previous fiscal year. This decrease was primarily attributable to the significant decrease in impairment of both goodwill and other intangible assets. Impairment losses recorded with respect to goodwill and other intangible assets were ¥0.5 billion and ¥12.4 billion, respectively, for the fiscal year ended March 31, 2010, as compared to ¥845.8 billion and ¥126.9 billion, respectively, for the fiscal year ended March 31, 2009. The decrease in these non-interest expenses was partially offset by a ¥34.8 billion increase in salaries and employee benefits.

Salaries and employee benefits

Salaries and employee benefits for the fiscal year ended March 31, 2010 were ¥908.2 billion, an increase of ¥34.8 billion from ¥873.4 billion for the previous fiscal year. This increase was mainly due to an increase in allowance for bonuses reflecting the improvement in operating results and an increase in employee retirement expenses as a result of an increase in the number of employees who retired in the fiscal year ended March 31, 2010 and an increase in amortization of net actuarial loss.

Fees and commission expenses

Fees and commission expenses for the fiscal year ended March 31, 2010 were ¥196.5 billion, a decrease of ¥13.3 billion from ¥209.8 billion for the fiscal year ended March 31, 2009. The decrease reflects the overall decrease in transaction volume for all types of financial transactions and activities as the economy remained weak.

Depreciation of premises and equipment

Depreciation of premises and equipment for the fiscal year ended March 31, 2010 was ¥120.3 billion, a decrease of ¥11.8 billion from ¥132.1 billion for the previous fiscal year. This decrease was primarily attributable to a smaller base for depreciation in which we applied the declining-balance method.

Amortization of Intangible Assets

Amortization of intangible assets for the fiscal year ended March 31, 2010 was ¥225.0 billion, a decrease of ¥53.2 billion from ¥278.2 billion for the previous fiscal year. The decrease was mainly due to a ¥31.4 billion decrease in amortization expenses on software at BTMU and termination of some of our software outsourcing contracts that reduced amortization expenses by ¥13.2 billion during the fiscal year ended March 31, 2010.

Impairment of intangible assets

Impairment of intangible assets for the fiscal year ended March 31, 2010 was ¥12.4 billion, a decrease of ¥114.5 billion from ¥126.9 billion for the previous fiscal year. The decrease reflected the fact that, as compared to the significant impairment of intangible assets related to our consumer finance subsidiary for the fiscal year ended March 31, 2009, we did not have an equally significant impairment of intangible assets for the fiscal year ended March 31, 2010.

Impairment of goodwill

In the fiscal year ended March 31, 2010, we recorded an impairment of goodwill of ¥0.5 billion that was significantly lower than the impairment of goodwill of ¥845.8 billion for the previous fiscal year. The impairment of goodwill for the previous fiscal year reflected, among other factors, the global financial market crisis and recession which negatively impacted the fair value of our reporting units for the purposes of our periodic testing of goodwill for impairment. For further information, see Note 6 to our consolidated financial statements included elsewhere in this Annual Report.

Income Tax Expense (Benefit)

The following table presents a summary of our income tax expense (benefit) for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	**2010**	**2011**
	(in billions, except percentages)		
Income (loss) before income tax expense (benefit)	¥(1,764.2)	¥1,282.1	¥837.2
Income tax expense (benefit)	¥ (259.9)	¥ 407.0	¥439.9
Effective income tax rate	14.7%	31.7%	52.5%
Combined normal effective statutory tax rate	40.6%	40.6%	40.6%

Reconciling items between the combined normal effective statutory tax rates and the effective income tax rates for the fiscal years ended March 31, 2009, 2010 and 2011 are summarized as follows:

	Fiscal years ended March 31,		
	2009	**2010**	**2011**
Combined normal effective statutory tax rate	40.6%	40.6%	40.6%
Increase (decrease) in taxes resulting from:			
Nondeductible expenses	(0.2)	0.2	0.3
Dividends from foreign subsidiaries	(0.3)	0.0	0.1
Foreign tax credits and payments	(0.7)	0.7	3.3
Lower tax rates applicable to income of subsidiaries	0.0	(0.7)	(0.6)
Change in valuation allowance	(2.3)	(5.8)	10.6
Realization of previously unrecognized tax effects of subsidiaries	(1.7)	(0.9)	(3.7)
Nontaxable dividends received	0.4	(0.1)	(2.7)
Impairment of goodwill	(19.5)	0.0	0.0
Undistributed earnings of subsidiaries	(1.5)	(1.6)	(1.5)
Tax and interest expense for uncertainty in income taxes	(1.0)	0.6	0.2
Expiration of loss carryforward	(0.6)	0.2	6.4
Other—net	1.5	(1.5)	(0.5)
Effective income tax rate	14.7%	31.7%	52.5%

The effective income tax rate of 52.5% for the fiscal year ended March 31, 2011 was 11.9% higher than the combined normal effective statutory tax rate of 40.6%. This higher effective income tax rate primarily reflected an increase in the valuation allowance against deferred tax assets which accounted for 10.6% of the difference between the combined normal effective statutory tax rate and the effective income tax rate. The valuation allowance increased ¥85.2 billion to ¥726.8 billion at March 31, 2011 from ¥641.6 billion at March 31, 2010, as a result of an additional valuation allowance related to operating loss carryforwards by certain subsidiaries that were no longer deemed to be “more likely than not” to be realized.

The effective income tax rate of 31.7% for the fiscal year ended March 31, 2010 was 8.9 percentage points lower than the combined normal effective statutory tax rate of 40.6%. This lower effective income tax rate primarily reflected a decrease in the valuation allowance against deferred tax assets which accounted for 5.8 percentage points of the difference between the combined normal effective statutory tax rate and the effective income tax rate. The valuation allowance decreased ¥88.3 billion to ¥641.6 billion at Mach 31, 2010 from ¥729.9 billion at March 31, 2009, as a result of our projected ability to utilize net operating loss carryforward, against future taxable income for the fiscal year ended March 31, 2010 in excess of the previously projected taxable income for the fiscal year ended March 31, 2009 and improved probability of realization of future tax benefits based on increased expected taxable income in future periods.

The effective income tax rate of 14.7% for the fiscal year ended March 31, 2009 was 25.9 percentage points lower than the combined normal effective statutory tax rate of 40.6%. This lower effective income tax rate primarily reflected an impairment loss on goodwill which was recognized as a result of declines in the fair value of reporting units used for impairment testing purposes due to the continuing global financial market instability. In addition, this lower tax rate reflected the increased valuation allowance for operating loss carryforwards that were no longer deemed to be realizable due to the global economic slowdown.

Net income (loss) attributable to noncontrolling interests

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

We recorded a net loss attributable to noncontrolling interests of ¥64.5 billion for the fiscal year ended March 31, 2011, compared to net income attributable to noncontrolling interests of ¥15.3 billion for the previous fiscal year. This was mainly due to the loss recorded at MUMSS in the fiscal year ended March 31, 2011, which resulted mainly from the approximately ¥80.0 billion loss from fixed income position trading business including the cost of withdrawing from the business.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

We recorded net income attributable to noncontrolling interests of ¥15.3 billion for the fiscal year ended March 31, 2010, compared to a net loss attributable to noncontrolling interests of ¥36.3 billion for the previous fiscal year. The improvement was mainly due to the absence of ¥29.1 billion of goodwill impairment losses at Mitsubishi UFJ NICOS that was recorded in the fiscal year ended March 31, 2009.

Business Segment Analysis

We measure the performance of each of our business segments primarily in terms of "operating profit." Operating profit and other segment information in this Annual Report are based on the financial information prepared in accordance with Japanese GAAP as adjusted in accordance with internal management accounting rules and practices. Accordingly, the format and information are not consistent with our consolidated financial statements prepared on the basis of US GAAP. For example, operating profit does not reflect items such as a part of provision for credit losses (primarily an equivalent of formula allowance under US GAAP), foreign exchange gains (losses) and investment securities gains (losses).

During the fiscal year ended March 31, 2011, we operated our main businesses under an integrated business group system, which integrates the operations of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries in the following three areas—Retail, Corporate, and Trust Assets. This integrated business group system is intended to enhance synergies by promoting more effective and efficient collaboration between our subsidiaries. Under this system, as the holding company, we formulate strategies for our Group on an integrated basis, which is then executed by the subsidiaries. Through this system, we aim to reduce overlapping of functions within our Group, thereby increasing efficiency and realizing the benefits of group resources and scale of operations. Moreover, through greater integration of our shared expertise in banking, trust and securities businesses, we aim to deliver a more diverse but integrated lineup of products and services for our customers.

For the fiscal year ended March 31, 2011, operations that are not covered by the integrated business group system were classified under Global Markets and Other.

In July 2011, we added the Integrated Global Business Group as a fourth area by shifting some of our global operations mainly from the Integrated Corporate Banking Business Group. This change in our business segment was implemented to more effectively coordinate and enhance our group-wide efforts to strengthen and expand overseas operations.

The following is a brief explanation of our business segments applicable during the fiscal year ended March 31, 2011:

Integrated Retail Banking Business Group—Covers all domestic retail businesses, including commercial banking, trust banking and securities businesses. This business group integrates the retail business of BTMU, MUTB, MUSHD, Mitsubishi UFJ NICOS and other subsidiaries as well as retail product development, promotion and marketing in a single management structure. At the same time, this business group has developed and implemented MUFG Plaza, a one-stop, comprehensive financial services concept that provides integrated banking, trust and securities services.

Integrated Corporate Banking Business Group—Covers all domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses as well as UNBC. Through the integration of these business lines, diverse financial products and services are provided to our corporate clients. This business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of our corporate customers. UNBC is a bank holding company in the United States, whose primary subsidiary, Union Bank, N.A., or Union Bank, is one of the largest commercial banks in California by both total assets and total deposits. Union Bank provides a wide range of financial services to consumers, small businesses, middle market companies and major corporations, primarily in California, Oregon and Washington but also nationally and internationally.

Integrated Trust Assets Business Group—Covers asset management and administration services for products such as pension trusts and security trusts by integrating the trust banking expertise of MUTB and the global network of BTMU. This business group provides a full range of services to corporate and other pension funds, including stable and secure pension fund management and administration, advice on pension schemes and payment of benefits to scheme members.

Global Markets—Covers asset and liability management and strategic investment of BTMU and MUTB, and sales and trading of financial products of BTMU, MUTB and MUMSS.

Other—Consists mainly of the corporate centers of MUFG, BTMU and MUTB. The elimination of duplicated amounts of net revenue among business segments is also reflected in Other.

Effective March 24, 2011, we modified our managerial accounting methods mainly by transferring the sales and trading business of MUMSS from the Integrated Corporate Banking Business Group segment to the Global Markets segment. The presentation set forth below has been reclassified to conform to the new basis of managerial accounting. For further information, see Note 27 to our consolidated financial statements included elsewhere in this Annual Report. Our business segment information is based on financial information prepared in accordance with Japanese GAAP, as adjusted in accordance with internal management accounting rules and practices and is not consistent with our consolidated financial statements included elsewhere in this Annual Report, which has been prepared in accordance with US GAAP.

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group					Integrated Trust Assets Business Group	Global Markets	Other	Total
		Domestic	Overseas			Total				
			Other than UNBC	UNBC	Overseas total					
	(in billions)									
Fiscal year ended March 31, 2009										
Net revenue	¥1,321.3	¥1,012.8	¥356.8	¥256.8	¥613.6	¥1,626.4	¥171.1	¥442.8	¥(227.4)	¥3,334.2
Operating expenses	975.1	508.9	173.3	157.3	330.6	839.5	93.3	118.2	182.3	2,208.4
Operating profit (loss)	¥ 346.2	¥ 503.9	¥183.5	¥ 99.5	¥283.0	¥ 786.9	¥ 77.8	¥324.6	¥(409.7)	¥1,125.8
Fiscal year ended March 31, 2010										
Net revenue	¥1,435.2	¥ 885.4	¥347.3	¥265.3	¥612.6	¥1,498.0	¥157.2	¥594.5	¥ (79.8)	¥3,605.1
Operating expenses	988.2	464.2	204.0	168.1	372.1	836.3	91.4	113.1	175.5	2,204.5
Operating profit (loss)	¥ 447.0	¥ 421.2	¥143.3	¥ 97.2	¥240.5	¥ 661.7	¥ 65.8	¥481.4	¥(255.3)	¥1,400.6
Fiscal year ended March 31, 2011										
Net revenue	¥1,347.5	¥ 893.6	¥347.1	¥267.2	¥614.3	¥1,507.9	¥157.0	¥556.2	¥ (37.2)	¥3,531.4
Operating expenses	945.0	460.1	202.7	174.9	377.6	837.7	97.2	105.1	152.0	2,137.0
Operating profit (loss)	¥ 402.5	¥ 433.5	¥144.4	¥ 92.3	¥236.7	¥ 670.2	¥ 59.8	¥451.1	¥(189.2)	¥1,394.4

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Net revenue of the Integrated Retail Banking Business Group decreased ¥87.7 billion to ¥1,347.5 billion for the fiscal year ended March 31, 2011 from ¥1,435.2 billion for the fiscal year ended March 31, 2010. Net revenue of the Integrated Retail Banking Business Group mainly consists of revenues from commercial banking operations, such as deposits and lending operations, and fees related to sales of investment products to retail customers, as well as fees of subsidiaries within the Integrated Retail Banking Business Group. The decrease in net revenue reflected the decrease of outstanding loans and the impact of the low interest rate environment that continued throughout the fiscal year ended March 31, 2011, partially offset by an increase of fees from sales of investment trusts.

Operating expenses of the Integrated Retail Banking Business Group decreased ¥43.2 billion to ¥945.0 billion for the fiscal year ended March 31, 2011 from ¥988.2 billion for the fiscal year ended March 31, 2010. This is mainly due to a reduction of operating expenses in many of our subsidiaries.

Operating profit of the Integrated Retail Banking Business Group decreased ¥44.5 billion to ¥402.5 billion for the fiscal year ended March 31, 2011 from ¥447.0 billion for the fiscal year ended March 31, 2010.

Net revenue of the Integrated Corporate Banking Business Group increased ¥9.9 billion to ¥1,507.9 billion for the fiscal year ended March 31, 2011 from ¥1,498.0 billion for the fiscal year ended March 31, 2010. Net revenue of the Integrated Corporate Banking Business Group mainly consists of revenues from corporate lending and other commercial banking operations, investment banking and trust banking businesses in relation to corporate clients, as well as fees received by subsidiaries within the Integrated Corporate Banking Business Group. The increase in net revenue was mainly due to our recording a smaller loss on derivative transactions compared to that for the prior fiscal year.

With regard to the domestic businesses, net revenue of ¥893.6 billion was recorded for the fiscal year ended March 31, 2011, a slight increase of ¥8.2 billion from the previous fiscal year. This increase was mainly due to an increase in gains from securities business partially offset by a decrease in fees and commissions.

With regard to the overseas businesses, net revenue of ¥614.3 billion was recorded for the fiscal year ended March 31, 2011, a slight increase of ¥1.7 billion from the previous fiscal year. This increase was mainly due to increased revenues recorded by Union Bank.

Operating expenses of the Integrated Corporate Banking Business Group were ¥837.7 billion for the fiscal year ended March 31, 2011, a slight increase of ¥1.4 billion from the fiscal year ended March 31, 2010.

Operating profit of the Integrated Corporate Banking Business Group increased ¥8.5 billion to ¥670.2 billion for the fiscal year ended March 31, 2011 from ¥661.7 billion for the fiscal year ended March 31, 2010. This increase was mainly due to our recording a smaller loss on derivative transactions compared to that for the prior fiscal year.

Net revenue of the Integrated Trust Assets Business Group slightly decreased ¥0.2 billion to ¥157.0 billion for the fiscal year ended March 31, 2011 from ¥157.2 billion for the fiscal year ended March 31, 2010. Net revenue of the Integrated Trust Assets Business Group mainly consists of fees from asset management and administration services for products, such as pension trusts and investment trusts.

Operating expenses of the Integrated Trust Assets Business Group increased ¥5.8 billion to ¥97.2 billion for the fiscal year ended March 31, 2011 from ¥91.4 billion for the fiscal year ended March 31, 2010.

Operating profit of the Integrated Trust Assets Business Group decreased ¥6.0 billion to ¥59.8 billion for the fiscal year ended March 31, 2011 from ¥65.8 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to the increase in operating expenses as stated above.

Net revenue of Global Markets decreased ¥38.3 billion to ¥556.2 billion for the fiscal year ended March 31, 2011 from ¥594.5 billion for the fiscal year ended March 31, 2010. Effective March 24, 2011, the sales and trading business of MUMSS was included in Global Markets business and was the main factor in the decrease in net revenue, as MUMSS recorded an approximately ¥80 billion loss from its fixed-income position trading business in the fiscal year ended March 31, 2011.

Operating expenses of Global Markets decreased ¥8.0 billion to ¥105.1 billion for the fiscal year ended March 31, 2011 from ¥113.1 billion for the fiscal year ended March 31, 2010.

Operating profit of the Global Markets decreased ¥30.3 billion to ¥451.1 billion for the fiscal year ended March 31, 2011 from ¥481.4 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to the loss recorded by MUMSS in the fiscal year ended March 31, 2011.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Net revenue of the Integrated Retail Banking Business Group increased ¥113.9 billion to ¥1,435.2 billion for the fiscal year ended March 31, 2010 from ¥1,321.3 billion for the fiscal year ended March 31, 2009. Net revenue of the Integrated Retail Banking Business Group mainly consists of revenue from commercial banking operations, such as deposits and lending operations, and fees related to the sales of investment products to retail customers, as well as fees of subsidiaries within the Integrated Retail Banking Business Group. The increase in net revenue mainly reflects the consolidation for the full fiscal year of ACOM CO., LTD., a consumer finance company which became a consolidated subsidiary for purposes of Japanese GAAP in October 2008. ACOM remains an equity method investee under US GAAP. The increase was partially offset by a decrease in revenue from deposits caused by lower interest rates and a decrease in revenue from the operations of Mitsubishi UFJ NICOS reflecting lower consumption under the depressed economy.

Operating expenses of the Integrated Retail Banking Business Group increased ¥13.1 billion to ¥988.2 billion for the fiscal year ended March 31, 2010 from ¥975.1 billion for the fiscal year ended March 31, 2009. The increase in operating expenses mainly reflects the consolidation of ACOM for the full fiscal year.

Operating profit of the Integrated Retail Banking Business Group increased ¥100.8 billion to ¥447.0 billion for the fiscal year ended March 31, 2010 from ¥346.2 billion for the fiscal year ended March 31, 2009. This increase reflects the consolidation for the full fiscal year of ACOM, which increased operating profit by ¥154.0 billion.

Net revenue of the Integrated Corporate Banking Business Group decreased ¥128.4 billion to ¥1,498.0 billion for the fiscal year ended March 31, 2010 from ¥1,626.4 billion for the fiscal year ended March 31, 2009. Net revenue of the Integrated Corporate Banking Business Group mainly consists of revenues from corporate lending and other commercial banking operations, investment banking and trust banking businesses in relation to corporate clients, as well as fees of subsidiaries within the Integrated Corporate Banking Business Group. The decrease in net revenue was mainly due to a decrease in net revenue from domestic businesses.

With regard to the domestic businesses, net revenue of ¥885.4 billion was recorded for the fiscal year ended March 31, 2010, a decrease of ¥127.4 billion from the previous fiscal year. This decrease was mainly due to a decrease in net interest income from deposits in other banks and due to losses associated with CDS transactions for managing credit risk exposures, partially offset by an increase in net interest income from corporate lending and an increase in profits from the securities business reflecting an increase in securities trading activity by our customers.

With regard to the overseas businesses, net revenue of ¥612.6 billion was recorded for the fiscal year ended March 31, 2010, a decrease of ¥1.0 billion from the previous fiscal year. This decrease was mainly due to losses associated with CDS hedging for managing credit risk exposures, partially offset by an increase in net interest and fee revenues.

Operating expenses of the Integrated Corporate Banking Business Group were ¥836.3 billion for the fiscal year ended March 31, 2010, a decrease of ¥3.2 billion from the fiscal year ended March 31, 2009.

Operating profit of the Integrated Corporate Banking Business Group decreased ¥125.2 billion to ¥661.7 billion for the fiscal year ended March 31, 2010 from ¥786.9 billion for the fiscal year ended March 31, 2009. This decrease was mainly due to the decrease in net revenue as stated above.

Net revenue of the Integrated Trust Assets Business Group decreased ¥13.9 billion to ¥157.2 billion for the fiscal year ended March 31, 2010 from ¥171.1 billion for the fiscal year ended March 31, 2009. Net revenue of the Integrated Trust Assets Business Group mainly consists of fees from asset management and administration services for products such as pension trusts and investment trusts. The decrease in net revenue was mainly due to a decrease in net revenue from pension trusts and investment trusts.

Operating expenses of the Integrated Trust Assets Business Group decreased ¥1.9 billion to ¥91.4 billion for the fiscal year ended March 31, 2010 from ¥93.3 billion for the fiscal year ended March 31, 2009.

Operating profit of the Integrated Trust Assets Business Group decreased ¥12.0 billion to ¥65.8 billion for the fiscal year ended March 31, 2010 from ¥77.8 billion for the fiscal year ended March 31, 2009. This decrease was mainly due to the decrease in net revenue as stated above.

Net revenue of Global Markets increased ¥151.7 billion to ¥594.5 billion for the fiscal year ended March 31, 2010 from ¥442.8 billion for the fiscal year ended March 31, 2009. The increase in net revenue was mainly due to improved results from our asset liability management for both domestic and overseas operations.

Geographic Segment Analysis

The table immediately below sets forth our total revenue, income (loss) before income tax expense (benefit) and net income (loss) attributable to Mitsubishi UFJ Financial Group on a geographic basis for the fiscal years ended March 31, 2009, 2010 and 2011. Assets, income and expenses attributable to foreign operations are allocated to geographical areas based on the domicile of the debtors and customers. For further information, see Note 28 to our consolidated financial statements included elsewhere in this Annual Report.

	Fiscal years ended March 31,		
	2009	2010	2011
		(in billions)	
Total revenue (interest income and non-interest income):			
Domestic	¥ 2,924.4	¥3,605.0	¥2,969.0
Foreign:			
United States of America	568.7	604.4	446.5
Europe	233.7	355.0	238.7
Asia/Oceania excluding Japan	329.7	482.6	470.9
Other areas[1]	14.4	165.4	135.3
Total foreign	1,146.5	1,607.4	1,291.4
Total	¥ 4,070.9	¥5,212.4	¥4,260.4
Income (loss) before income tax expense (benefit):			
Domestic	¥(1,357.4)	¥ 539.9	¥ 186.1
Foreign:			
United States of America	(210.3)	208.4	180.0
Europe	(237.5)	224.4	108.1
Asia/Oceania excluding Japan	110.8	273.0	232.1
Other areas[1]	(69.8)	36.4	130.9
Total foreign	(406.8)	742.2	651.1
Total	¥(1,764.2)	¥1,282.1	¥ 837.2
Net income (loss) attributable to Mitsubishi UFJ Financial Group			
Domestic	¥(1,064.3)	¥ 189.7	¥ (103.0)
Foreign:			
United States of America	(223.5)	193.0	171.8
Europe	(229.5)	199.1	90.0
Asia/Oceania excluding Japan	119.4	241.4	193.4
Other areas[1]	(70.1)	36.6	109.5
Total foreign	(403.7)	670.1	564.7
Total	¥(1,468.0)	¥ 859.8	¥ 461.7

Note:
(1) Other areas primarily include Canada, Latin America, the Caribbean and the Middle East.

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Domestic net loss attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2011 was ¥103.0 billion, compared to domestic net income attributable to Mitsubishi UFJ Financial Group of ¥189.7 billion for the fiscal year ended March 31, 2010. This was mainly due to the losses recorded by our consumer finance subsidiary and affiliate and securities subsidiary.

Foreign net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2011 was ¥564.7 billion, compared to foreign net income attributable to Mitsubishi UFJ Financial Group of ¥670.1 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to a decrease of non-interest income from overseas business in Europe.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Domestic net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2010 was ¥189.7 billion, compared to a net loss attributable to Mitsubishi UFJ Financial Group of ¥1,064.3 billion for the fiscal year ended March 31, 2009. This improvement mainly reflected lower losses associated with revaluation of trading debt and equity securities that were recorded for the fiscal year ended March 31, 2010, compared to significantly higher losses recorded in the previous fiscal year primarily due to unfavorable market conditions.

Foreign net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2010 was ¥670.1 billion, compared to a net loss attributable to Mitsubishi UFJ Financial Group of ¥403.7 billion for the fiscal year ended March 31, 2009. This improvement was primarily due to lower revaluation and foreign exchange losses attributable to our assets and operations in the United States and Europe, which losses were significantly higher in the fiscal year ended March 31, 2009.

Effect of Change in Exchange Rates on Foreign Currency Translation

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

The average exchange rate for the fiscal year ended March 31, 2011 was ¥85.72 per US$1.00, compared to the prior fiscal year's average exchange rate of ¥92.85 per US$1.00. The average exchange rate for the conversion of the US dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2010 was ¥87.81 per US$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2009 of ¥93.57 per US$1.00.

The change in the average exchange rate of the Japanese yen against the US dollar and other foreign currencies had the effect of decreasing total revenue by ¥135.6 billion, net interest income by ¥47.1 billion and income before income tax expense by ¥91.2 billion, respectively, for the fiscal year ended March 31, 2011.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

The average exchange rate for the fiscal year ended March 31, 2010 was ¥92.85 per US$1.00, compared to the prior fiscal year's average exchange rate of ¥100.54 per US$1.00. The average exchange rate for the conversion of the US dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2009 was ¥93.57 per US$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2008 of ¥103.46 per US$1.00.

The change in the average exchange rate of the Japanese yen against the US dollar and other foreign currencies had the effect of decreasing total revenue by ¥181.3 billion, net interest income by ¥67.0 billion and income before income tax expense by ¥78.3 billion, respectively, for the fiscal year ended March 31, 2010.

B. Liquidity and Capital Resources

Financial Condition

Total Assets

Our total assets at March 31, 2011 were ¥202.86 trillion, an increase of ¥2.78 trillion from ¥200.08 trillion at March 31, 2010. The increase in total assets mainly reflected increases in investment securities of ¥4.1 trillion, interest-earning deposits in other banks of ¥2.6 trillion, and receivables under resale agreements of ¥1.3 trillion. These increases were partially offset by decreases in net loans of ¥4.6 trillion.

We have allocated a substantial portion of our assets to international activities. As a result, reported amounts are affected by changes in the value of the Japanese yen against the US dollar and other foreign currencies. Foreign assets are denominated primarily in US dollars. The following table shows our total assets at March 31, 2010 and 2011 by geographic region based principally on the domicile of the obligors:

	At March 31,	
	2010	2011
	(in trillions)	
Japan	¥149.02	¥145.78
Foreign:		
United States of America	21.63	23.48
Europe	15.80	17.04
Asia/Oceania excluding Japan	8.42	10.91
Other areas[1]	5.21	5.65
Total foreign	51.06	57.08
Total	¥200.08	¥202.86

Note:
(1) Other areas primarily include Canada, Latin America, the Caribbean and the Middle East.

At March 31, 2011, the exchange rate was ¥83.15 per US$1.00, as compared with ¥93.04 at March 31, 2010. The Japanese yen amount of foreign currency-denominated assets decreased as the relevant exchange rates resulted in an increase in the value of the Japanese yen relative to such foreign currencies. The appreciation of the Japanese yen against the US dollar and other foreign currencies between March 31, 2010 and March 31, 2011 resulted in a decrease in the Japanese yen amount of our total assets at March 31, 2011 by ¥4.52 trillion.

Loan Portfolio

The following table sets forth our loans outstanding, before deduction of allowance for credit losses, at March 31, 2010 and 2011, based on classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes, which is not necessarily based on use of proceeds.

	At March 31,	
	2010	2011
	(in billions)	
Domestic:		
Manufacturing	¥12,027.8	¥11,248.0
Construction	1,427.9	1,280.9
Real estate	12,261.6	11,660.8
Services	3,714.1	3,417.7
Wholesale and retail	8,597.2	8,443.6
Banks and other financial institutions[1]	4,159.6	3,421.4
Communication and information services	1,339.8	1,249.3
Other industries	9,393.0	8,410.1
Consumer	19,096.8	18,420.9
Total domestic	72,017.8	67,552.7
Foreign:		
Governments and official institutions	490.4	516.6
Banks and other financial institutions[1]	2,970.5	3,565.5
Commercial and industrial	14,252.7	13,116.4
Other	2,554.2	2,853.7
Total foreign	20,267.8	20,052.2
Unearned income, unamortized premium—net and deferred loan fees—net	(99.7)	(102.9)
Total[2]	¥92,185.9	¥87,502.0

Notes:

(1) Loans to the so-called non-bank finance companies are generally included in the "Banks and other financial institutions" category. Non-bank finance companies are primarily engaged in consumer lending, factoring and credit card businesses.

(2) The above table includes loans held for sale of ¥102.3 billion and ¥65.2 billion at March 31, 2010 and 2011, respectively, which are carried at the lower of cost or estimated fair value.

Loans account for our largest use of funds. The average loan balance accounted for 54.43% of total interest-earning assets for the fiscal year ended March 31, 2010 and 48.67% for the fiscal year ended March 31, 2011.

At March 31, 2011, our total loans were ¥87.50 trillion, a decrease of ¥4.69 trillion from ¥92.19 trillion at March 31, 2010. Before unearned income, net unamortized premiums and net deferred loan fees, our loan balance at March 31, 2011 consisted of ¥67.55 trillion of domestic loans and ¥20.05 trillion of foreign loans, while the loan balance at March 31, 2010 consisted of ¥72.02 trillion of domestic loans and ¥20.27 trillion of foreign loans. Between March 31, 2010 and March 31, 2011, domestic loans decreased ¥4.47 trillion and foreign loans decreased ¥0.22 trillion.

The decrease in domestic loans during the fiscal year ended March 31, 2011 was mainly due to a decrease in loan demand as the Japanese economy slowed down significantly in the fiscal year ended March 31, 2011. Loans outstanding to the other industries, manufacturing, and banks and other financial institutions categories, decreased ¥0.98 trillion, ¥0.78 trillion, and ¥0.74 trillion, respectively. The decrease in loans outstanding to the other industries category was mainly due to the decrease in loans outstanding to governmental institutions.

The decrease in foreign loans during the fiscal year ended March 31, 2011 was mainly due to a decrease in demand for loans from the commercial and industrial category, which decreased ¥1.14 trillion. This decrease was partially offset by an increase of ¥0.60 trillion in loans outstanding to the banks and other financial institutions category.

Allowance for Credit Losses, Nonperforming and Past Due Loans

The following table shows a summary of the changes in the allowance for credit losses for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	**2010**	**2011**
		(in billions)	
Balance at beginning of fiscal year	¥1,134.9	¥1,156.6	¥1,315.6
Provision for credit losses	626.9	647.8	292.0
Charge-offs:			
Domestic	(559.0)	(401.9)	(338.3)
Foreign	(44.3)	(118.9)	(47.5)
Total	(603.3)	(520.8)	(385.8)
Recoveries:			
Domestic	23.7	48.3	34.7
Foreign	2.8	4.1	9.0
Total	26.5	52.4	43.7
Net charge-offs	(576.8)	(468.4)	(342.1)
Others[1]	(28.4)	(20.4)	(25.0)
Balance at end of fiscal year	¥1,156.6	¥1,315.6	¥1,240.5

Note:

(1) Others principally include losses (gains) from foreign exchange translation. In addition, for the fiscal year ended March 31, 2010, others include adjustments related to restructuring of business operations.

Allowance for credit losses and recorded investment in loans by portfolio segment at March 31, 2011 are shown below:

At March 31, 2011:	Commercial	Residential	Card	UNBC	Total
			(in billions)		
Allowance for credit losses:					
Balance at end of fiscal year:					
Individually evaluated for impairment	¥ 587.9	¥ 86.5	¥ 47.0	¥ 9.8	¥ 731.2
Collectively evaluated for impairment	277.1	76.7	35.3	85.2	474.3
Loans acquired with deteriorated credit quality	30.6	2.0	0.4	2.0	35.0
Allowance for credit losses total	¥ 895.6	¥ 165.2	¥ 82.7	¥ 97.0	¥ 1,240.5
Loans:					
Balance at end of fiscal year:					
Individually evaluated for impairment	¥ 1,341.7	¥ 300.8	¥150.7	¥ 55.2	¥ 1,848.4
Collectively evaluated for impairment	65,094.0	15,826.8	704.9	3,793.7	85,419.4
Loans acquired with deteriorated credit quality	119.5	22.4	16.5	113.5	271.9
Total loans(1)	¥66,555.2	¥16,150.0	¥872.1	¥3,962.4	¥87,539.7

Note:

(1) Total loans in the above table do not include loans held for sale.

As previously discussed, the provision for credit losses for the fiscal year ended March 31, 2011 was ¥292.0 billion, a decrease of ¥355.8 billion from ¥647.8 billion for the fiscal year ended March 31, 2010. The provision for credit losses decreased ¥132.1 billion and ¥223.7 billion in our domestic and foreign loan portfolios, respectively. While the decrease in the domestic portfolio was mainly due to the absence of a large amount of provisions for a few borrowers with large exposure observed in the previous fiscal year, the decrease in the foreign portfolio was mainly attributable to a decrease in Union Bank and other overseas offices as a result of the slight recovery in the world economy, particularly in the United States.

For the fiscal year ended March 31, 2011, the ratio of the provision for the credit losses of ¥292.0 billion to the average loan balance of ¥87.79 trillion at period-end was 0.33%, and that to the total average interest-earning assets for the period of ¥180.37 trillion was 0.16%.

Charge-offs for the fiscal year ended March 31, 2011 were ¥385.8 billion, a decrease of ¥135.0 billion from ¥520.8 billion for the fiscal year ended March 31, 2010. The decrease in charge-offs was mainly due to the decrease in charge-offs in the domestic real estate category and the decrease in the foreign bank and other financial institutions category.

The total allowance for credit losses at March 31, 2011 was ¥1,240.5 billion, a decrease of ¥75.1 billion from ¥1,315.6 billion at March 31, 2010 as we recorded a provision for credit losses of ¥292.0 billion, while we had net charge-offs of ¥342.1 billion.

The following table presents comparative data in relation to the principal amount of nonperforming loans sold and reversal of allowance for credit losses:

	Principal amount of loans(1)	Allowance for credit losses(2)	Loans, net of allowance	Reversal of allowance for credit losses
		(in billions)		
For the fiscal year ended March 31, 2010	¥74.6	¥24.5	¥50.1	¥(16.0)
For the fiscal year ended March 31, 2011	¥66.6	¥11.0	¥55.6	¥ (7.5)

Notes:

(1) Represents principal amount after the deduction of charge-offs made before the sales of nonperforming loans.

(2) Represents allowance for credit losses at the latest balance-sheet date.

Through the sale of nonperforming loans to third parties, additional provisions or gains may arise from factors such as a change in the credit quality of the borrowers or the value of the underlying collateral subsequent to the prior reporting date, and the risk appetite and investment policy of the purchasers.

Due to the inherent uncertainty of factors that may affect negotiated prices which reflect the borrowers' financial condition and the value of underlying collateral, the fact that we recorded no additional cost during the reported period is not necessarily indicative of the results that we may record in the future.

In connection with the sale of loans, including performing loans, we recorded net gains of ¥17.8 billion and net gains of ¥10.4 billion for the fiscal years ended March 31, 2010 and 2011, respectively.

The following table summarizes the allowance for credit losses by component at March 31, 2010 and 2011:

	At March 31,	
	2010	2011
	(in billions)	
Allocated allowance:		
Specific—individual loans specifically identified for evaluation	¥ 770.3	¥ 743.9
Large groups of smaller balance homogeneous loans	103.9	110.5
Loans exposed to specific country risk	0.8	0.7
Formula—Normal or Close Watch, excluding loans identified as a troubled debt restructuring	423.0	361.1
Unallocated allowance	17.6	24.3
Total allowance	¥1,315.6	¥1,240.5

Allowance policy

Our credit rating system is closely linked to the risk grading standards set by the Japanese regulatory authorities for asset evaluation and assessment, and is used as a basis for establishing the allowance for credit losses and charge-offs. The categorization is based on conditions that may affect the ability of borrowers to service their debt, such as current financial condition and results of operations, historical payment experience, credit documentation, other public information and current trends. For a discussion of our credit rating system, see "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk—Credit Risk Management—Credit Rating System."

Change in total allowance and provision for credit losses

At March 31, 2011, the total allowance for credit losses was ¥1,240.5 billion, representing 1.42% of our total loan portfolio. At March 31, 2010, the total allowance for credit losses was ¥1,315.6 billion, representing 1.43% of our total loan portfolio.

The total allowance decreased to ¥1,240.5 billion at March 31, 2011 from ¥1,315.6 billion at March 31, 2010 primarily as a result of a decrease in the amount of formula allowance.

During the fiscal year ended March 31, 2011, there was no significant change in our general allowance policy, which affected our allowance for credit losses for the period, resulting from directives, advice or counsel from governmental or regulatory bodies.

As to the impact of the Great East Japan Earthquake on allowance for credit losses, our loans outstanding to borrowers in the Tohoku region as of March 31, 2011 was proportionally small. However, borrowers in other regions in Japan may also be affected due to the compensation issues for affected individuals and companies, electricity power supply shortages, supply chain disruptions and other indirect consequences of the earthquake. Our financial statements were prepared reflecting the anticipated consequences to the extent possible based on the information available to us, and the allowance for credit losses also reflected such anticipated consequences to the extent possible. See "Item 3.D. Key Information—Risk Factors—Because a large portion of our assets are located in Japan and our business operations are conducted primarily in Japan, we may incur further losses if economic conditions in Japan worsen." and "—Recent Developments—Effects of the Great East Japan Earthquake."

Allocated allowance for individual loans specifically identified for evaluation.

The allocated credit loss allowance for individual loans specifically identified for evaluation represents the allowance against impaired loans required under the guidance on accounting by creditors for impairment of a loan. Impaired loans include certain nonaccrual loans and restructured loans. We generally discontinue the accrual of interest income on loans when substantial doubt exists as to the full and timely collection of either principal or interest, or when principal or interest is contractually past due one month or more with respect to loans of our domestic banking subsidiaries, including BTMU and MUTB, and 90 days or more with respect to loans of certain banking subsidiaries abroad. Loans are classified as restructured loans when we grant a concession to borrowers for economic or legal reasons related to the borrowers' financial difficulties.

Detailed reviews of impaired loans are performed after a borrower's annual or semi-annual financial statements first become available. In addition, as part of an ongoing credit review process, our credit officers monitor changes in all customers' creditworthiness, including bankruptcy, past due principal or interest, downgrades of external credit ratings, declines in the stock price, business restructuring and other events, and reassess our ratings of borrowers in response to such events. This credit monitoring process forms an integral part of our overall risk management process. An impaired loan is evaluated individually based on the present value of expected future cash flows discounted at the loan's original effective interest rate, the loan's estimated marketable price or the fair value of the collateral at the annual and semi-annual period year end, if the loan is collateral-dependent as of a balance-sheet date.

Based upon a review of the financial status of borrowers, our banking subsidiaries may grant various concessions (modification of loan terms) to troubled borrowers at the borrowers' request, including reductions in the stated interest rates, debt write-offs, and extensions of maturity dates. All of these loans are reported and disclosed as either "restructured loans" or "nonaccrual loans." According to the policies of each of our banking subsidiaries, such modifications are made to mitigate the near-term burden of the loans to the borrowers and to better match the payment terms with the borrowers' expected future cash flows or, in cooperation with other creditors, to reduce the overall debt burden of the borrowers so that they may normalize their operations, in each case to improve the likelihood that the loans will be repaid in accordance with the revised terms. The nature and amount of the concessions depend on the particular financial condition of each borrower. In principle, however, none of our banking subsidiaries modify the terms of loans to borrowers that are considered "Likely to Become Bankrupt," "Virtually Bankrupt," or "Bankrupt" under the self-assessment categories established by Japanese banking regulations because in these cases there is little likelihood that the modification of loan terms would enhance recovery of the loans.

The allowance for individual loans specifically identified for evaluation as of March 31, 2011 was ¥743.9 billion, a decrease of ¥26.4 billion from ¥770.3 billion as of March 31, 2010. This decrease reflected a decrease in nonaccrual loans to the domestic other industries category and the domestic real estate category.

Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more

The following table summarizes nonaccrual and restructured loans, and accruing loans that are contractually past due 90 days or more as to principal or interest payments, at March 31, 2010 and 2011:

	At March 31,	
	2010	2011
	(in billions, except percentages)	
Nonaccrual loans:		
Domestic:		
Manufacturing	¥ 111.2	¥ 138.0
Construction	33.5	48.5
Real estate	214.4	152.3
Services	79.5	76.6
Wholesale and retail	135.5	172.7
Banks and other financial institutions	2.3	7.3
Communication and information services	73.6	33.2
Other industries	116.8	37.3
Consumer	355.0	321.8
Total domestic	1,121.8	987.7
Foreign	247.2	181.5
Total nonaccrual loans	1,369.0	1,169.2
Restructured loans:		
Domestic:		
Manufacturing	140.1	172.6
Construction	25.1	25.5
Real estate	56.8	79.0
Services	83.0	107.9
Wholesale and retail	89.1	116.4
Banks and other financial institutions	3.0	2.6
Communication and information services	24.0	27.7
Other industries	38.3	15.6
Consumer	105.6	253.4
Total domestic	565.0	800.7
Foreign	47.2	38.9
Total restructured loans	612.2	839.6
Accruing loans contractually past due 90 days or more:		
Domestic	25.9	55.5
Foreign	0.5	0.2
Total accruing loans contractually past due 90 days or more	26.4	55.7
Total nonaccrual and restructured loans and accruing loans contractually past due 90 days or more	¥ 2,007.6	¥ 2,064.5
Total loans	¥92,185.9	¥87,502.0
Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more, as a percentage of total loans	2.18%	2.36%

Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more increased ¥56.9 billion to ¥2,064.5 billion at March 31, 2011 from ¥2,007.6 billion at March 31, 2010. Similarly, the percentage of such nonperforming loans to total loans increased to 2.36% at March 31, 2011 from 2.18% at March 31, 2010.

Total nonaccrual loans were ¥1,169.2 billion at March 31, 2011, a decrease of ¥199.8 billion from ¥1,369.0 billion at March 31, 2010. Domestic nonaccrual loans decreased ¥134.1 billion between March 31, 2010 and March 31, 2011, mainly due to the upgrade of some large borrowers in the other industries category and the communication and information services category. Foreign nonaccrual loans decreased ¥65.7 billion between March 31, 2010 and March 31, 2011, was mainly due to sell-off of nonaccrual loans at some overseas branches as well as fewer new nonaccrual loans than previous year resulting from the recovery in the global world economy.

Total restructured loans were ¥839.6 billion at March 31, 2011, an increase of ¥227.4 billion from ¥612.2 billion at March 31, 2010. The restructured loans set forth in the above table are current in accordance with the applicable restructured contractual terms. Domestic restructured loans increased ¥235.7 billion to ¥800.7 billion at March 31, 2011 from ¥565.0 billion at March 31, 2010 mainly due to an increase of loans, such as residential mortgage loans, which accounted for the ¥147.8 billion increase in the restructured loans in the consumer category.

We from time to time provide additional loans, equity capital or other forms of support, including repayment extensions, reductions in applicable interest rates, forbearance of exercising our rights as a creditor, or forgiveness of loans, to borrowers classified as nonaccrual and restructured loans and accruing loans contractually past due 90 days or more, based on our internal policy, in order to facilitate their restructuring and revitalization efforts. We decide whether to grant additional financial support to those borrowers on a case by case basis. Factors that affect our decision include the prospects of those borrowers recovering their ability to service their debt to an extent where they are reasonably expected to be reclassified as normal borrowers in the future, as a result of an improvement in the operations and financial condition of those borrowers. All loans subject to modifications, restructuring and other concessions are categorized as nonaccrual or restructured loans.

Impaired loans and Impairment allowance

Impaired loans include certain nonaccrual loans and restructured loans. The following table summarizes the balances of impaired loans and related impairment allowances at March 31, 2010 and 2011:

	At March 31,			
	2010		2011	
	Loan balance	Impairment allowance	Loan balance	Impairment allowance
	(in billions)			
Requiring an impairment allowance	¥1,465.1	¥770.3	¥1,591.8	¥743.9
Not requiring an impairment allowance(1)	360.8	—	301.3	—
Total(2)	¥1,825.9	¥770.3	¥1,893.1	¥743.9
Percentage of the allocated allowance to total impaired loans	42.19%		39.30%	

Notes:

(1) These loans do not require an allowance for credit losses under the guidance on accounting by creditors for impairment of a loan since the fair values of the impaired loans equal or exceed the recorded investments in the loans.

(2) In addition to impaired loans presented in the above table, there were loans held for sale that were impaired in the amount of ¥4.7 billion and ¥14.5 billion at March 31, 2011 and 2010, respectively.

Impaired loans increased by ¥67.2 billion from ¥1,825.9 billion at March 31, 2010 to ¥1,893.1 billion at March 31, 2011, reflecting the increase in restructured loans.

The percentage of the allocated allowance to total impaired loans decreased 2.89 percentage points to 39.30% at March 31, 2011 from 42.19% at March 31, 2010. The decrease was mainly due to a charge-off relating to one borrower which required a higher percentage of allowance in the previous year as well as an increase in the proportion of residential mortgage loans to domestic individuals within restructured loans which generally requires a lower percentage of allowance.

Allocated allowance for large groups of smaller-balance homogeneous loans

The allocated credit loss allowance for large groups of smaller-balance homogeneous loans is focused on loss experience for the pools of loans rather than on an analysis of individual loans. Large groups of smaller-balance homogeneous loans primarily consist of first mortgage housing loans to individuals. The allowance for groups of performing loans is based on historical loss experience over a period. In determining the level of the allowance for delinquent groups of loans, we classify groups of homogeneous loans based on the risk rating and/or the number of delinquencies. We determine the credit loss allowance for delinquent groups of loans based on the probability of insolvency by the number of actual delinquencies and actual loss experience.

The allocated credit loss allowance for large groups of smaller-balance homogeneous loans was ¥110.5 billion at March 31, 2011, an increase of ¥6.6 billion from ¥103.9 billion at March 31, 2010.

Allocated allowance for country risk exposure

The allocated credit loss allowance for country risk exposure is based on an estimate of probable losses relating to the exposure to countries that we identify as having a high degree of transfer risk. The countries to which the allowance for country risk exposure relates are decided based on a country risk grading system used to assess and rate the transfer risk to individual countries. The allowance is generally determined based on a function of default probability and expected recovery ratios, taking external credit ratings into account.

The allocated allowance for country risk exposure was ¥0.7 billion at March 31, 2011, a decrease of ¥0.1 billion from ¥0.8 billion at March 31, 2010.

Formula allowance for Normal or Close Watch, excluding loans identified as a troubled debt restructuring

The formula allowance is calculated by applying estimated loss factors to outstanding substandard, special mention and unclassified loans. In evaluating the inherent loss for these loans, we rely on a statistical analysis that incorporates a percentage of total loans based on historical loss experience.

The formula allowance decreased ¥61.9 billion to ¥361.1 billion at March 31, 2011 from ¥423.0 billion at March 31, 2010. The decrease in formula allowance was partially due to a decrease in loan balance to borrowers categorized as "Normal" as well as a decrease in the ratio of allowance for such loans, and partially due to a decrease in formula allowance relating to foreign borrowers categorized as "Close Watch", excluding loans identified as a troubled debt restructuring.

Each of our banking subsidiaries has computed the formula allowance based on estimated credit losses using a methodology defined by the credit rating system. Estimated losses inherent in the loan portfolio at the balance sheet date are calculated by multiplying the default ratio by the nonrecoverable ratio (determined as a complement of the recovery ratio). The default ratio is determined by each credit risk rating, taking into account the historical number of defaults of borrowers within each credit risk rating divided by the total number of borrowers within that credit risk rating existing at the beginning of the three-year observation period. The recovery ratio is mainly determined by the historical experience of collections against loans in default. The default ratio, the recovery ratio and other indicators are continually reviewed and improved to compute the formula allowance and the allowance for off-balance sheet instruments. In addition, an appropriate adjustment to the formula allowance and the allowance for off-balance sheet instruments, considering the risk of losses from large obligors and other credit risks, is examined and made by analyzing the difference between the allowance computed by multiplying the default ratio by the nonrecoverable ratio and the allowance calculated based on the loss experience ratio.

UNBC, our largest overseas subsidiary, calculates the formula allowance by applying loss factors to outstanding loans and certain unused commitments, in each case based on the internal risk grade of such loans, leases and commitments. Changes in risk grades affect the amount of the formula allowance. Loss factors are based on their historical loss experience and may be adjusted for significant factors that, in management's judgment, affect the collectibility of the portfolio as of the evaluation date. Loss factors are developed in the following ways:

- loss factors for individually graded credits are derived from a migration model that tracks historical losses over a period, which we believe captures the inherent losses in our loan portfolio; and
- pooled loan loss factors (not individually graded loans) are based on expected net charge-offs. Pooled loans are loans that are homogeneous in nature, such as consumer installment, home equity, residential mortgage loans and certain small commercial and commercial real estate loans.

Though there are a few technical differences in the methodology used for the formula allowance for credit losses as mentioned above, we examine the overall sufficiency of the formula allowance periodically by back-test comparison with the actual loss experience subsequent to the balance sheet date.

Unallocated allowance

The unallocated allowance is based on management's evaluation of conditions that are not directly reflected in the determination of the formula and specific allowances. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they may not be identified with specific problem credits. The conditions evaluated in connection with the unallocated allowance include the following, which were considered to exist at the balance sheet date:

- general economic and business conditions affecting our key lending areas;
- credit quality trends (including trends in nonperforming loans expected to result from existing conditions);
- collateral values;
- loan volumes and concentrations;
- specific industry conditions;
- recent loss experience;
- duration of the current economic cycle;
- bank regulatory examination results; and
- findings of internal credit examination.

Executive management reviews these conditions quarterly in discussion with our senior credit officers. To the extent that any of these conditions are evidenced by a specifically identifiable problem credit as of the evaluation date, management's estimate of the effect of such conditions may be reflected as a specific allowance. Where any of these conditions are not evidenced by a specifically identifiable problem credit as of the evaluation date, management's evaluation of the probable loss related to such conditions is reflected in the unallocated allowance.

The unallocated allowance increased ¥6.7 billion to ¥24.3 billion at March 31, 2011 from ¥17.6 billion at March 31, 2010.

Allowance for off-balance sheet credit instruments

In addition to the allowance for credit losses on the loan portfolio, we maintain an allowance for credit losses on off-balance sheet credit instruments, including commitments of credit, guarantees and standby letters of credit. This allowance is included in other liabilities. With regard to the specific allocated allowance for specifically identified credit exposure and the allocated formula allowance, we apply the same methodology that we use in determining the allowance for loan credit losses. The allowance for credit losses on off-balance sheet credit instruments was ¥73.6 billion at March 31, 2011, a decrease of ¥12.1 billion from ¥85.7 billion at March 31, 2010.

Investment Portfolio

Our investment securities are primarily comprised of Japanese national government and Japanese government agency bonds, corporate bonds and marketable equity securities. Japanese national government and Japanese government agency bonds are mostly classified as securities available for sale. We also hold Japanese national government bonds which are classified as securities being held to maturity.

Historically, we have held equity securities of some of our customers for strategic purposes, in particular, to maintain long-term relationships with these customers. However, we have been reducing our investment in equity securities because we believe that from a risk management perspective, reducing the price fluctuation risk in our equity portfolio is imperative. As of March 31, 2010 and March 31, 2011, the aggregate value of our marketable equity securities under Japanese GAAP satisfied the requirements of the legislation prohibiting banks from holding equity securities in excess of their Tier I capital.

Investment securities increased ¥4.11 trillion to ¥59.16 trillion at March 31, 2011 from ¥55.05 trillion at March 31, 2010 due primarily to a ¥5.29 trillion increase in Japanese national government and Japanese government agency bonds, partially offset by a ¥0.79 trillion decrease in marketable equity securities, a ¥0.34 trillion decrease in corporate bonds and a ¥0.36 trillion decrease in foreign government and official institutions bonds. Investment securities other than securities available for sale or being held to maturity (i.e., nonmarketable equity securities set forth on our consolidated balance sheet as other investment securities) were primarily carried at cost of ¥1.69 trillion and ¥1.70 trillion at March 31, 2010 and March 31, 2011, respectively, because their fair values were not readily determinable. See "—Critical Accounting Estimates—Fair Value Hierarchy."

The following table shows information as to the amortized costs and estimated fair values of our investment securities available for sale and being held to maturity at March 31, 2010 and 2011:

	At March 31,					
	2010			2011		
	Amortized cost	Estimated fair value	Net unrealized gains (losses)	Amortized cost	Estimated fair value	Net unrealized gains (losses)
	(in billions)					
Securities available for sale:						
Debt securities:						
Japanese national government and Japanese government agency bonds	¥39,431.1	¥39,432.9	¥ 1.8	¥44,756.8	¥44,719.6	¥ (37.2)
Japanese prefectural and municipal bonds	272.8	280.9	8.1	193.7	200.3	6.6
Foreign governments and official institutions bonds	1,340.8	1,345.2	4.4	973.2	988.8	15.6
Corporate bonds	3,394.3	3,474.7	80.4	3,058.7	3,139.5	80.8
Mortgage-backed securities	991.3	994.7	3.4	1,171.7	1,168.9	(2.8)
Asset-backed securities[(1)]	329.6	327.8	(1.8)	452.3	452.4	0.1
Other debt securities	1.0	1.0	—	1.0	1.0	—
Marketable equity securities	3,083.0	4,554.7	1,471.7	2,755.0	3,765.1	1,010.1
Total securities available for sale	¥48,843.9	¥50,411.9	¥1,568.0	¥53,362.4	¥54,435.6	¥1,073.2
Debt securities being held to maturity[(2)]	¥ 2,943.8	¥ 3,027.9	¥ 84.1	¥ 3,017.2	¥ 3,059.0	¥ 41.8

Notes:
(1) AAA and AA-rated products account for approximately three-fifths of our asset-backed securities.
(2) See Note 3 to our consolidated financial statements included elsewhere in this Annual Report for more details.

Net unrealized gains on securities available for sale decreased ¥494.8 billion to ¥1,073.2 billion at March 31, 2011 from ¥1,568.0 billion at March 31, 2010. This decrease primarily consisted of a ¥461.6 billion decrease in net unrealized gains on marketable equity securities. The decrease in net unrealized gains of ¥461.6 billion on marketable equity securities was mainly due to the decrease in stock prices which adversely affected our holdings of Japanese equity securities. Our investments in Japanese national government and government agency bonds increased as part of our asset and liability management policy applicable to the increased amount of yen-denominated deposited funds. We, however, had net unrealized losses as of March 31, 2011 on our holdings of Japanese national government and Japanese government agency bonds due to its deteriorating credit caused mainly by the Japanese national fiscal deficit and the uncertainty regarding the Japanese political leadership.

The amortized cost of securities being held to maturity increased ¥73.4 billion compared to the previous fiscal year mainly due to a ¥157.3 billion increase in foreign securities as we shifted our investment portfolio allocation to counter the low interest rate environment in the domestic bond market, partially offset by the redemption of Japanese national government bonds classified as securities being held to maturity.

As of March 31, 2011, we had approximately ¥1.70 trillion of other investment securities, a significant portion of which was comprised of our investment in Morgan Stanley as convertible preferred shares. Following the conversion completed on June 30, 2011, the Morgan Stanley common shares will be excluded from other investment securities.

	At March 31,	
	2010	2011
	(in billions)	
Other investment securities:		
Unlisted preferred securities[(1)]	¥1,491	¥1,489
Investment securities held by investment companies and brokers and dealers[(2)]	35	37
Others, including nonmarketable equity securities[(3)]	165	178
Total	¥1,691	¥1,704

Notes:
(1) These securities were mainly issued by public companies. Those securities were carried at cost.
(2) These investment securities were held by certain subsidiaries subject to specialized industry accounting principles for investment companies and brokers and dealers, and were measured at fair value.
(3) These securities were mainly equity securities issued by unlisted companies. Those securities were carried at cost.

Other investment securities are comprised of unlisted preferred securities, investment securities held by investment companies, and brokers and dealers, and others, including nonmarketable equity securities.

Unlisted preferred securities were the largest portion of this category, which include preferred stocks of ¥862 billion issued by Morgan Stanley and a preferred security of ¥370 billion issued by BTMU Preferred Capital 9 limited, which is our non-consolidated funding vehicle at March 31, 2011. However, we converted the preferred stocks issued by Morgan Stanley into Morgan Stanley common stock on June 30, 2011, which will significantly decrease the balance of unlisted preferred securities. Other unlisted preferred socks represent those issued by several Japanese public companies.

Nonmarketable equity securities are mainly issued by small and medium sized customers in a wide range of industries located in Japan.

There was no significant change of balance in other investment securities from March 31, 2010 to March 31, 2011.

Cash and Due from Banks

Cash and due from banks fluctuate significantly from day to day depending upon financial market conditions. Cash and due from banks at March 31, 2011 was ¥3.23 trillion, an increase of ¥0.37 trillion from ¥2.86 trillion at March 31, 2010. The increase was primarily due to an increase in the cash balance of our domestic offices.

Interest-earning Deposits in Other Banks

Interest-earning deposits in other banks fluctuate significantly from day to day depending upon financial market conditions. Interest-earning deposits in other banks at March 31, 2011 were ¥7.33 trillion, an increase of ¥2.55 trillion from ¥4.78 trillion at March 31, 2010. This increase primarily reflected an increase in interest-earning deposits both in domestic and overseas offices.

Receivables under Resale Agreements

Receivables under resale agreements at March 31, 2011 were ¥4.87 trillion, an increase of ¥1.33 trillion from ¥3.54 trillion at March 31, 2010. The increase was primarily due to an increase in transaction volume of receivables under resale agreements at our overseas subsidiaries to manage and invest increased customer deposits and an increase in reverse repo transactions in our overseas securities subsidiaries.

Deferred Tax Assets

Deferred tax assets at March 31, 2011 was ¥1.29 trillion, relatively unchanged from the balance at March 31, 2010. While there was a decrease in deferred tax assets relating to net operating loss carryforwards, there was an offsetting increase in deferred tax assets relating to unrealized gains on investment securities, resulting in no significant change in the amount of deferred tax assets.

Total Liabilities

At March 31, 2011, total liabilities were ¥194.19 trillion, an increase of ¥3.21 trillion from ¥190.98 trillion at March 31, 2010, while the total balance of deposits was ¥136.63 trillion at March 31, 2011, an increase of ¥1.16 trillion from ¥135.47 trillion at March 31, 2010. The increases in total deposits of ¥1.16 trillion, other short-term borrowing of ¥2.39 trillion and trading account liabilities of ¥1.22 trillion were partially offset by decreases in payables under securities lending transactions of ¥1.53 trillion and due to trust accounts of ¥0.93 trillion.

The appreciation of the Japanese yen against the US dollar and other foreign currencies between March 31, 2010 and March 31, 2011 resulted in a decrease in the Japanese yen amount of foreign currency-denominated liabilities at March 31, 2011 by ¥3.98 trillion.

Deposits

Deposits are our primary source of funds. Total average balance of deposits increased ¥3.07 trillion to ¥133.09 trillion for the fiscal year ended March 31, 2011 from ¥130.02 trillion for the fiscal year ended March 31, 2010.

The balance of domestic deposits increased ¥2.81 trillion to ¥115.54 trillion at March 31, 2011 from ¥112.73 trillion at March 31, 2010, and the balance of foreign deposits decreased ¥1.65 trillion from ¥22.74 trillion at March 31, 2010 to ¥21.09 trillion at March 31, 2011. Within domestic deposits, the balance of interest-bearing deposits increased, partially in response to depositors' preference to seek the safety of deposits at large financial institutions. The decrease in foreign deposits was mainly due to an appreciation of Japanese yen and a decrease in foreign interest-bearing deposits of our overseas offices, especially in the United States and Europe.

Short-term Borrowings

We use short-term borrowings as a funding source and in our management of interest rate risk. For management of interest rate risk, short-term borrowings are used in asset-liability management operations to match interest rate risk exposure resulting from loans and other interest-earning assets and to manage funding costs of various financial instruments at an appropriate level, based on our forecast of future interest rate levels. Short-term borrowings consist of call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions, due to trust accounts and other short-term borrowings.

Short-term borrowings increased ¥0.91 trillion to ¥25.93 trillion at March 31, 2011 from ¥25.02 trillion at March 31, 2010. This increase was primarily attributable to an increase of ¥2.39 trillion in other short-term borrowings which mainly included borrowings from the Bank of Japan and other financial institutions.

Long-term Debt

Long-term debt at March 31, 2011 was ¥13.36 trillion, a decrease of ¥0.80 trillion from ¥14.16 trillion at March 31, 2010. This decrease was mainly due to a decrease in subordinated debts in overseas offices. For further information, see Note 12 to our consolidated financial statements included elsewhere in this Annual Report.

Benefit Obligations

As of March 31, 2010 and 2011, we had benefit obligations of ¥1,887.1 billion and ¥1,928.3 billion, respectively, and the fair value of our plan assets was ¥2,108.5 billion and ¥2,004.1 billion, respectively. The fair value of our plan assets has fluctuated significantly depending on the general market conditions in recent fiscal years. If the fair value of our pension plan assets declines or our investment return on our pension plan assets decreases, or if a change is made in the actuarial assumptions on which the calculations of the projected pension obligations are based, we may incur losses. Changes in the interest rate environment could also result in an increase in our pension obligations and annual funding costs. In addition, unrecognized prior service costs may be incurred if our pension plans are amended.

Sources of Funding and Liquidity

Our primary source of liquidity is from a large balance of deposits, mainly ordinary deposits, certificates of deposit and time deposits. Time deposits have historically shown a high rollover rate among our corporate customers and individual depositors. Due to our broad customer base in Japan and the depositors' recent preference to seek the safety of deposits at large financial institutions, the balance of our deposits increased from ¥135.47 trillion at March 31, 2010 to ¥136.63 trillion at March 31, 2011. As of March 31, 2011, our deposits exceeded our loans, net of allowance for credit losses of ¥86.26 trillion, by ¥50.37 trillion. These deposits provide us with a sizable source of stable and low-cost funds. Our average deposits, combined with average total equity of ¥8.99 trillion, funded 69.4% of our average total assets of ¥204.79 trillion during the fiscal year ended March 31, 2011.

The remaining funding was primary provided by short-term borrowings and long-term senior and subordinated debt. Short-term borrowings consist of call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions, due to trust account, and other short-term borrowings. From time to time, we have issued long-term instruments such as straight bonds with maturities between three to five years. Liquidity may also be provided by the sale of financial assets, including securities available for sale, trading account securities and loans. Additional liquidity may be provided by the maturity of loans.

Total Equity

The following table presents a summary of our total equity at March 31, 2010 and 2011:

	At March 31,	
	2010	2011
	(in billions, except percentages)	
Preferred stock	¥ 442.1	¥ 442.1
Common stock	1,643.2	1,644.1
Capital surplus	6,619.5	6,395.7
Retained earnings appropriated for legal reserve	239.6	239.6
Unappropriated retained earnings (Accumulated deficit)	(18.1)	254.4
Accumulated other changes in equity from nonowner sources, net of taxes	(45.4)	(620.8)
Treasury stock, at cost	(14.0)	(11.3)
Total Mitsubishi UFJ Financial Group shareholders' equity	¥8,866.9	¥8,343.8
Noncontrolling interests	235.9	327.2
Total equity	¥9,102.8	¥8,671.0
Ratio of total equity to total assets	4.55%	4.27%

Total equity decreased ¥431.8 billion to ¥8,671.0 billion at March 31, 2011 from ¥9,102.8 billion at March 31, 2010. The ratio of total equity to total assets also showed a decrease of 0.28 percentage points to 4.27% at March 31, 2011 from 4.55% at March 31, 2010. The decrease in total equity, and the resulting decrease in the ratio to total assets, at March 31, 2011 were principally attributable to a decrease in accumulated other changes in equity from nonowner sources, net of taxes of ¥575.4 billion, mainly due to ¥284.3 billion decrease in unrealized gains on investment and ¥184.0 billion decrease in foreign currency translation adjustments.

Due to our holdings of a large amount of marketable Japanese equity securities and the volatility of the equity markets in Japan, changes in the fair value of marketable equity securities have significantly affected our total equity in recent years. The following table presents information relating to the accumulated net unrealized gains, net of taxes, in respect of investment securities classified as available for sale at March 31, 2010 and 2011:

	At March 31,	
	2010	2011
	(in billions, except percentages)	
Accumulated net unrealized gains on investment securities	¥588.2	¥303.9
Accumulated net unrealized gains to total equity	6.46%	3.51%

Capital Adequacy

We are subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which we operate. Failure to meet minimum capital requirements can initiate mandatory actions by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements. Moreover, if our capital ratios are perceived to be low, our counterparties may avoid entering into transactions with us, which in turn could negatively affect our business and operations. For further information, see "Item 3.D. Key Information—Risk Factors—We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations."

We continually monitor our risk-adjusted capital ratio closely and manage our operations in consideration of the capital ratio requirements. These ratios are affected not only by fluctuations in the value of our assets, including our credit risk assets such as loans and equity securities, the risk weights of which depend on the borrowers' or issuers' internal ratings, marketable securities and deferred tax assets, but also by fluctuations in the value of the Japanese yen against the US dollar and other foreign currencies and by general price levels of Japanese equity securities.

Capital Requirements for Banking Institutions in Japan

A Japanese banking institution is subject to the minimum capital adequacy requirements both on a consolidated basis and a stand-alone basis, and is required to maintain the minimum capital irrespective of whether it operates independently or as a subsidiary under the control of another company. A bank holding company is also subject to the minimum capital adequacy requirements on a consolidated basis. Under the guidelines of the FSA, capital is classified into three tiers, referred to as Tier I, Tier II and Tier III capital. Our Tier I capital generally consists of shareholders' equity items, including common stock, non-cumulative preferred stock, capital surplus, noncontrolling interests and retained earnings (which includes deferred tax assets). However, recorded goodwill and other items, such as treasury stock and unrealized losses on investment securities classified as "securities available for sale" under Japanese GAAP, net of taxes, if any, are deducted from Tier I capital. Our Tier II capital generally consists of the amount (up to a maximum of 0.6% of credit risk-weighted assets) by which eligible reserves for credit losses exceed expected losses in the internal ratings-based approach, or the IRB approach, and general reserves for credit losses, subject to a limit of 1.25% of modified risk-weighted assets determined by the partial use of the Standardized Approach (including a phased rollout of the IRB approach), 45% of the unrealized gains on investment securities classified as "securities available for sale" under Japanese GAAP, 45% of the land revaluation excess, the balance of perpetual subordinated debt and the balance of subordinated term debt with an original maturity of over five years subject to certain limitations, up to 50% of Tier I capital. Our Tier III capital consists of short-term subordinated debt with an original maturity of at least two years, subject to certain limitations. At least 50% of the minimum capital requirements must be maintained in the form of Tier I capital.

The eligible regulatory capital set forth in the FSA's guidelines discussed above was modified as of March 31, 2007 to reflect the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework," often referred to as "Basel II." Afterwards, in response to the recent financial crisis, "Basel III" has been developed by the Basel Committee on Banking Supervision as a comprehensive set of reform measures designed to further strengthen the regulation, supervision and risk management of the banking sector. Among these measures, new capital standards are expected to be introduced in phases between calendar 2013 and 2015, and additional measures, such as new liquidity ratio and leverage ratio standards, are expected to be implemented in phases thereafter. In addition, details of the capital surcharges applicable to systemically important financial institutions, generally referred to as SIFIs, are expected to be subject to additional loss absorbency requirements to be phased in between calendar 2016 and 2018. We intend to carefully monitor further developments with an aim to enhance our corporate value and maximize shareholder value by integrating the various strengths within the MUFG group.

For further information, see "Item 3.D. Key Information—Risk Factors—We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations."

As of March 31, 2010 and 2011, we have calculated our risk-weighted assets in accordance with the FSA guidelines reflecting Basel II. In determining capital ratios under the FSA guidelines reflecting Basel II, we and our banking subsidiaries used the advanced internal ratings-based approach, or the AIRB approach, to calculate capital requirements for credit risk as of the end of March 2010 and 2011. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to the overall MUFG capital requirements and a few subsidiaries adopted a phased rollout of the internal ratings-based approach. Market risk is reflected in the risk-weighted assets by applying the Internal Models Approach to calculate general market risk and the Standardized Methodology to calculate specific risk. Under the Internal Models Approach, we principally use a historical simulation model to calculate value-at-risk amounts by estimating the profit and loss on our portfolio by applying actual fluctuations in historical market rates and prices over a fixed period. Under the FSA guidelines reflecting Basel II, we reflect operational risk in the risk-weighted assets by applying the Standardized Approach. Specifically, operational risk capital charge is determined based on the amount of gross profit allocated to business lines multiplied by a factor ranging from 12% to 18%.

For additional discussion of the calculation of our capital ratios, see Note 19 to our consolidated financial statements included elsewhere in this Annual Report.

Under the Japanese regulatory capital requirements, our consolidated capital components, including Tier I, Tier II and Tier III capital and risk-weighted assets, are calculated from our consolidated financial statements prepared under Japanese GAAP. Also, each of the consolidated and stand-alone capital components and risk-weighted assets of our banking subsidiaries in Japan is calculated from consolidated and non-consolidated financial statements prepared under Japanese GAAP.

For a detailed discussion of the capital adequacy guidelines adopted by the FSA and proposed amendments, see "Item 4.B. Information on the Company—Business Overview—Supervision and Regulation—Japan—Capital Adequacy."

Mitsubishi UFJ Financial Group Ratios

The table below presents our consolidated total capital, risk-weighted assets and risk-adjusted capital ratios at March 31, 2010 and 2011. Underlying figures are calculated in accordance with Japanese banking regulations based on information derived from our consolidated financial statements prepared in accordance with Japanese GAAP, as required by the FSA. The percentages in the tables below are rounded down. For further information, see Note 19 to our consolidated financial statements included elsewhere in this Annual Report.

	At March 31, 2010	At March 31, 2011	Minimum capital ratios required
	(in billions, except percentages)		
Capital components:			
Tier I capital	¥10,009.6	¥ 9,953.3	
Tier II capital includable as qualifying capital	4,449.6	3,920.5	
Tier III capital includable as qualifying capital	—	—	
Deductions from total qualifying capital	(467.4)	(793.0)	
Total risk-based capital	¥13,991.8	¥13,080.8	
Risk-weighted assets	¥94,081.3	¥87,804.9	
Capital ratios:			
Tier I capital	10.63%	11.33%	4.00%
Total risk-adjusted capital	14.87	14.89	8.00

Our Tier I capital ratio and total risk-adjusted capital ratio at March 31, 2011 were 11.33% and 14.89%, respectively. The increase in total risk-adjusted capital ratio was mainly due to a decrease in risk weighted assets during the fiscal year ended March 31, 2011 as the amount of our net loans and the value of marketable equity securities decreased. At March 31, 2011, management believed that we were in compliance with all capital adequacy requirements to which we were subject.

Capital Ratios of Our Major Banking Subsidiaries in Japan

The table below presents the risk-adjusted capital ratios of BTMU and MUTB at March 31, 2010 and 2011. Underlying figures are calculated in accordance with Japanese banking regulations based on information derived from their consolidated and non-consolidated financial statements prepared in accordance with Japanese GAAP, as required by the FSA. The percentages in the table below are rounded down. For further information, see Note 19 to our consolidated financial statements included elsewhere in this Annual Report.

	At March 31,		Minimum capital ratios required
	2010	2011	
Consolidated capital ratios:			
BTMU			
Tier I capital	10.84%	11.42%	4.00%
Total risk-adjusted capital	15.54	15.82	8.00
MUTB			
Tier I capital	12.47	13.02	4.00
Total risk-adjusted capital	16.02	15.93	8.00
Stand-alone capital ratios:			
BTMU			
Tier I capital	11.59	12.09	4.00
Total risk-adjusted capital	16.34	16.61	8.00
MUTB			
Tier I capital	12.09	12.64	4.00
Total risk-adjusted capital	16.10	16.01	8.00

At March 31, 2011, management believes that our banking subsidiaries were in compliance with all capital adequacy requirements to which they were subject.

Capital Requirements for Banking Institutions in the United States

In the United States, UNBC and its banking subsidiary, Union Bank, our largest subsidiaries operating outside Japan, are subject to various regulatory capital requirements administered by US Federal banking agencies, including minimum capital requirements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, they must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under US regulatory accounting practices. Their capital amounts and prompt corrective action classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

In addition, BTMU and MUTB are subject to the Federal Reserve's requirements as foreign banking organizations that have US branches and agencies and that are controlled by us as a financial holding company.

For a detailed discussion of the capital adequacy guidelines applicable to us in the United States, see "Item 4.B. Information on the Company—Business Overview—Supervision and Regulation—United States—Bank Capital Requirements and Capital Distributions."

Capital Ratios of Banking Subsidiaries in the United States

The table below presents the risk-adjusted capital ratios of UNBC and Union Bank, both subsidiaries of BTMU, at December 31, 2009 and 2010:

	At December 31,		Minimum capital ratios required	Ratios OCC requires to be "well capitalized"
	2009	2010		
UNBC:				
Tier I capital (to risk-weighted assets)	11.82%	12.44%	4.00%	—
Tier I capital (to quarterly average assets)(1)	9.45	10.34	4.00	—
Total capital (to risk-weighted assets)	14.54	15.01	8.00	—
Union Bank:				
Tier I capital (to risk-weighted assets)	11.39%	11.53%	4.00%	6.00%
Tier I capital (to quarterly average assets)(1)	9.05	9.55	4.00	5.00
Total capital (to risk-weighted assets)	13.73	13.85	8.00	10.00

Note:
(1) Excludes certain intangible assets.

Management believes that, at December 31, 2010, UNBC and Union Bank met all capital adequacy requirements to which they were subject.

At December 31, 2009 and 2010, the Office of the Comptroller of the Currency, or OCC, categorized Union Bank as "well-capitalized." To be categorized as "well-capitalized," Union Bank must maintain minimum ratios of Total and Tier I capital to risk-weighted assets and of Tier I capital to quarterly average assets (the Leverage ratio) as set forth in the table. There are no conditions or events since December 31, 2010 that would cause management to believe Union Bank's category has changed.

Capital Requirements for Securities Firms in Japan and Overseas

We have securities subsidiaries in Japan and overseas, which are also subject to regulatory capital requirements. In Japan, the Financial Instruments and Exchange Law of Japan and related ordinances require financial instruments firms to maintain a minimum capital ratio of 120% calculated as a percentage of capital accounts less certain fixed assets, as determined in accordance with Japanese GAAP, against amounts equivalent to market, counterparty credit and operations risks. Specific guidelines are issued as a ministerial ordinance which details the definition of essential components of the capital ratios, including capital, deductible fixed asset items and risks, and related measures. Failure to maintain a minimum capital ratio will trigger mandatory regulatory actions. A capital ratio of less than 140% will call for regulatory reporting and a capital ratio of less than 100% may lead to a suspension of all or part of the business for a period of time and cancellation of registration. Overseas securities subsidiaries are subject to the relevant regulatory capital requirements of the countries or jurisdictions in which they operate.

Capital Adequacy Ratio of MUMSS

On April 1, 2010, MUS became an intermediate holding company and was renamed as Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, whose operating subsidiary succeeded to the former MUS's domestic operations and, on May 1, 2010, succeeded to the investment banking operations conducted in Japan by Morgan Stanley Japan Securities Co., Ltd. and was renamed as Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., or MUMSS. MUMSS is required to meet the capital adequacy ratios.

At March 31, 2010 and 2011, MUMSS' capital accounts less certain fixed assets of ¥505.7 billion and ¥250.4 billion represented 348.0% and 219.4% of the total amounts equivalent to market, counterparty credit and operations risks, respectively, as calculated pursuant to the Financial Instruments and Exchange Law of Japan.

For further information, see Note 19 to our consolidated financial statements included elsewhere in this Annual Report.

Non-exchange Traded Contracts Accounted for at Fair Value

The use of non-exchange traded or over-the-counter contracts provides us with the ability to adapt to the varied requirements of a wide customer base while mitigating market risks. Non-exchange traded contracts are accounted for at fair value, which is generally based on pricing models or quoted market prices for instruments with similar characteristics. Gains or losses on non-exchange traded contracts are included in "Trading account profits (losses)—net" in our consolidated statements of operations included elsewhere in this Annual Report. The following table summarizes the changes in fair value of non-exchange traded contracts for the fiscal years ended March 31, 2010 and 2011:

	Fiscal years ended March 31,	
	2010	2011
	(in millions)	
Net fair value of contracts outstanding at beginning of fiscal year	¥38,225	¥37,138
Changes attributable to contracts realized or otherwise settled during the fiscal year	(8,079)	(6,147)
Fair value of new contracts when entered into during the fiscal year	(3,433)	2,346
Other changes in fair value, principally revaluation at end of fiscal year	10,425	(9,834)
Net fair value of contracts outstanding at end of fiscal year	¥37,138	¥23,503

During the fiscal year ended March 31, 2011, the fair value of non-exchange traded contracts decreased mainly due to contracts settled during the fiscal year, and a decline in the fair value by the fluctuations of foreign exchange rates or of credit default swaps embedded in collateralized debt obligations.

The following table summarizes the maturities of non-exchange traded contracts at March 31, 2011:

	Net fair value of contracts—unrealized gains	
	Prices provided by other external sources	Prices based on models and other valuation methods
	(in millions)	
Maturity less than 1 year	¥ 219	¥ 9,513
Maturity less than 3 years	273	8,941
Maturity less than 5 years	23	1,641
Maturity 5 years or more	(332)	3,225
Total fair value	¥ 183	¥23,320

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information

See the discussions in "—Business Environment," "—Recent Developments," "—A. Operating Results" and "—B. Liquidity and Capital Resources."

E. Off-balance Sheet Arrangements

In the normal course of our business, we engage in several types of off-balance sheet arrangements to meet the financing needs of our customers, including various types of guarantees, commitments to extend credit and commercial letters of credit. The following table summarizes these commitments at March 31, 2011:

	Amount of commitment by expiration period			
	1 year or less	1-5 years	Over 5 years	Total
	(in billions)			
Guarantees:				
Standby letters of credit and financial guarantees	¥ 1,636	¥ 1,052	¥ 904	¥ 3,592
Performance guarantees	1,524	537	152	2,213
Derivative instruments	55,469	86,586	10,608	152,663
Guarantees for the repayment of trust principal(1)	—	—	—	—
Liabilities of trust account	4,066	326	539	4,931
Others	130	—	—	130
Total guarantees	62,825	88,501	12,203	163,529
Other off-balance sheet instruments:				
Commitments to extend credit	45,810	15,488	843	62,141
Commercial letters of credit	633	8	—	641
Commitments to make investments	35	49	29	113
Others	16	—	—	16
Total other off-balance sheet instruments	46,494	15,545	872	62,911
Total	¥109,319	¥104,046	¥13,075	¥226,440

Note:

(1) Effective April 1, 2010, we adopted new guidance that amends the accounting for consolidation of VIEs. As a result, there were no obligations under guarantees for repayment of trust principal at March 31, 2011. See Note 23 to our consolidated financial statements included elsewhere in this Annual Report.

See Note 22 to our consolidated financial statements, included elsewhere in this Annual Report, for a description of the nature of our guarantees and other off-balance sheet instruments.

The contractual amounts of these guarantees and other off-balance sheet instruments represent the amounts at risk if the contracts were to be fully drawn upon as a result of a subsequent default by our customer and a decline in the value of the underlying collateral. Because many of these commitments expire without being drawn upon, the total contractual or notional amounts of these commitments do not necessarily represent our future cash requirements. At March 31, 2011, approximately 48% of these commitments will expire within one year, 46% from one year to five years and 6% after five years. Such risks are monitored and managed as a part of our risk management system as set forth in “Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.” We evaluate off-balance sheet arrangements in the manner described in Note 1 to our consolidated financial statements included elsewhere in this Annual Report.

The fees generated specifically from off-balance sheet arrangements are not a dominant source of our overall fees and commissions.

Some of our off-balance sheet arrangements are related to activities of special purpose entities, most of which are variable interest entities, or VIEs. For further information, see Note 23 to our consolidated financial statements included elsewhere in this Annual Report.

F. Tabular Disclosure of Contractual Obligations

The following table shows a summary of our contractual cash obligations outstanding at March 31, 2011:

	Payments due by period				
	Less than 1 year	1-3 years	3-5 years	Over 5 years	Total
	(in billions)				
Contractual cash obligations:					
Time deposit obligations	¥49,516	¥ 9,863	¥1,559	¥ 138	¥61,076
Long-term debt obligations	1,443	2,856	2,067	6,962	13,328
Capital lease obligations	13	11	4	1	29
Operating lease obligations	78	119	97	355	649
Purchase obligations	28	37	12	27	104
Total(1)(2)	¥51,078	¥12,886	¥3,739	¥7,483	¥75,186

Notes:

(1) The total amount of expected future pension payments is not included in the above table or the total amount of commitments outstanding at March 31, 2011 as such amount is not currently determinable. We expect to contribute approximately ¥55.3 billion for pension and other benefits for our employees for the fiscal year ending March 31, 2012. For further information, see Note 13 to our consolidated financial statements included elsewhere in this Annual Report.

(2) The above table does not include unrecognized tax benefits and interest and penalties related to income tax associated with the guidance on accounting for uncertainty in income taxes. For further information, see Note 7 to our consolidated financial statements included elsewhere in this Annual Report.

Purchase obligations include any legally binding contractual obligations that require us to spend more than ¥100 million annually under the contract. Purchase obligations in the table primarily include commitments to make investments into corporate recovery or private equity investment funds.

G. Safe Harbor

See the discussion under “Forward-Looking Statements.”

Item 6. Directors, Senior Management and Employees.

A. Directors and Senior Management

The following table sets forth the members of our board of directors as of July 1, 2011, together with their respective dates of birth, positions and experience:

Name (Date of Birth)	Position in MUFG	Business Experience	
Takamune Okihara (July 11, 1951)	Chairman	April 1974	Joined Sanwa Bank
		March 2001	Executive Officer of Sanwa Bank
		January 2002	Executive Officer of UFJ Bank
		May 2003	Senior Executive Officer of UFJ Bank
		May 2004	President and CEO of UFJ Bank
		June 2004	Director of UFJ Holdings
		October 2005	Managing Officer of MUFG
		January 2006	Deputy President of BTMU
		April 2008	Deputy Chairman of BTMU (incumbent)
			Retired from Managing officer of MUFG
		June 2010	Chairman of MUFG (incumbent)
Kinya Okauchi (September 10, 1951)	Deputy Chairman and Chief Audit Officer	April 1974	Joined Mitsubishi Trust Bank
		June 2001	Director (Non-Board Member Director) of Mitsubishi Trust Bank
		April 2003	Managing Director (Non-Board Member Director) of Mitsubishi Trust Bank
		March 2004	Managing Director of Mitsubishi Trust Bank
		June 2004	Director of MTFG
		June 2005	Senior Managing Director of Mitsubishi Trust Bank
		October 2005	Director of MUFG
			Senior Managing Director of MUTB
		June 2007	Managing Officer of MUFG
		June 2008	President of MUTB (incumbent)
			Director of MUFG
		April 2010	Deputy Chairman of MUFG (incumbent)
Katsunori Nagayasu (April 6, 1947)	President and CEO	May 1970	Joined Mitsubishi Bank
		June 1997	Director of Bank of Tokyo-Mitsubishi
		June 2000	Retired from Director of Bank of Tokyo-Mitsubishi
			Managing Director of Nippon Trust Bank
		April 2001	Director of MTFG
		October 2001	Managing Director of Mitsubishi Trust Bank
		June 2002	Retired from Managing Director of Mitsubishi Trust Bank
			Managing Director of Bank of Tokyo-Mitsubishi
		April 2004	Director and Managing Officer of MTFG
		June 2004	Managing Officer of MTFG
		January 2005	Senior Managing Director of Bank of Tokyo-Mitsubishi
		May 2005	Deputy President of Bank of Tokyo-Mitsubishi
		October 2005	Managing Officer of MUFG
		December 2005	Retired from Managing Officer of MUFG
		January 2006	Deputy President of BTMU
		June 2006	Deputy President of MUFG
		April 2008	Director of MUFG
			President of BTMU (incumbent)
		April 2010	President and CEO of MUFG (incumbent)

Name (Date of Birth)	Position in MUFG	Business Experience	
Tatsuo Tanaka (September 19, 1949)	Deputy President and Chief Global Strategy Officer	April 1973	Joined Bank of Tokyo
		June 2001	Non-Board Member Director of Bank of Tokyo-Mitsubishi
		May 2004	Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi
		January 2006	Managing Executive Officer of BTMU
		April 2008	Senior Managing Executive Officer of BTMU Managing Officer of MUFG
		June 2008	Deputy President of BTMU
		June 2011	Retired from Deputy President of BTMU Deputy President of MUFG (incumbent)
Nobuyuki Hirano (October 23, 1951)	Deputy President and Chief Strategic Alliance Officer	April 1974	Joined Mitsubishi Bank
		June 2001	Non-Board Member Director of Bank of Tokyo-Mitsubishi
		July 2004	Executive Officer of MTFG
		May 2005	Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi
		June 2005	Managing Director of Bank of Tokyo-Mitsubishi Director of MTFG
		October 2005	Director of MUFG
		January 2006	Managing Director of BTMU
		October 2008	Senior Managing Director of BTMU
		June 2009	Deputy President of BTMU (incumbent) Managing Officer of MUFG
		June 2010	Director of MUFG
		October 2010	Deputy President of MUFG (incumbent)
Taihei Yuki (October 3, 1952)	Senior Managing Director and Chief Financial Officer	April 1977	Joined Mitsubishi Trust Bank
		June 2004	Director (Non-Board Member Director) of Mitsubishi Trust Bank
		October 2005	Executive Officer of MUTB
		June 2006	Managing Executive Officer of MUTB
		June 2007	Managing Director of MUTB Director of MUFG
		June 2008	Managing Officer of MUFG
		June 2009	Senior Managing Director of MUTB
		June 2010	Retired from Managing Officer of MUFG
		June 2011	Retired from Senior Managing Director of MUTB Director of BTMU (incumbent) Senior Managing Director of MUFG (incumbent)
Ichiro Hamakawa (February 6, 1956)	Managing Director and Chief Planning Officer	April 1978	Joined Sanwa Bank
		May 2005	Executive Officer of UFJ Holdings
		October 2005	Executive Officer of MUFG Executive Officer of UFJ Bank
		December 2005	Retired from Executive Officer of MUFG
		January 2006	Executive Officer of BTMU
		January 2009	Managing Executive Officer of BTMU
		May 2011	Retired from Managing Executive Officer of BTMU Managing Officer of MUFG
		June 2011	Director of MUTB (incumbent) Managing Director of MUFG (incumbent)

Name (Date of Birth)	Position in MUFG	Business Experience	
Masao Hasegawa (April 20, 1955)	Managing Director and Chief Compliance and Risk Officer	April 1979	Joined Bank of Tokyo
		May 2005	Managing Director & General Manager of Bank of Tokyo-Mitsubishi (Holland) N.V.
		January 2006	Managing Director & General Manager of Bank of Tokyo-Mitsubishi UFJ (Holland) N.V
		April 2008	Executive Officer of BTMU
		May 2008	Executive Officer of MUFG
		May 2010	Retired from Executive Officer of BTMU
			Managing Officer of MUFG
		June 2010	Director of MUSHD (incumbent)
			Managing Director of MUFG (incumbent)
Toshiro Toyoizumi (October 26, 1949)	Director	April 1973	Joined Mitsubishi Bank
		June 2001	Non-Board Member Director of Bank of Tokyo-Mitsubishi
		May 2004	Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi
		January 2006	Managing Executive Officer of BTMU
		June 2007	Managing Officer of MUFG
		April 2008	Senior Managing Executive Officer of BTMU
		May 2009	Retired from Managing Officer of MUFG
		June 2009	Deputy President of BTMU
		May 2010	Managing Officer of MUFG
		April 2011	Retired from Deputy President of BTMU
			Retired from Managing Officer of MUFG
			President & CEO of MUSHD (incumbent)
			President & CEO of MUMSS (incumbent)
		June 2011	Director of MUFG (incumbent)
Shunsuke Teraoka (December 4, 1953)	Director	April 1976	Joined Toyo Trust Bank
		May 2002	Executive Officer of UFJ Trust Bank
		May 2004	Director and Executive Officer of UFJ Trust Bank
		May 2005	Director and Senior Executive Officer of UFJ Trust Bank
		October 2005	Managing Executive Officer of MUTB
		June 2008	Senior Managing Director of MUTB
		June 2010	Deputy President of MUTB (incumbent)
			Director of MUFG (incumbent)
Tatsuo Wakabayashi (September 29, 1952)	Director	April 1977	Joined Mitsubishi Trust Bank
		June 2004	Director (Non-Board Member Director) of Mitsubishi Trust Bank
		October 2005	Executive Officer of MUTB
		June 2006	Managing Executive Officer of MUTB
		June 2008	Managing Director of MUTB
		June 2009	Senior Managing Director of MUTB (incumbent)
		June 2010	Managing Officer of MUFG
		June 2011	Director of MUFG (incumbent)

Name (Date of Birth)	Position in MUFG	Business Experience	
Takashi Oyamada (November 2, 1955)	Director	April 1979	Joined Mitsubishi Bank
		June 2005	Executive Officer of MTFG
			Non-Board Member Director of Bank of Tokyo-Mitsubishi
		October 2005	Executive Officer of MUFG
		January 2006	Executive Officer of BTMU
		January 2009	Managing Executive Officer of BTMU
		June 2009	Managing Director of BTMU (incumbent)
			Director of MUFG (incumbent)
Hiroyuki Noguchi (May 7, 1958)	Director	April 1981	Joined Tokai Bank
		January 2006	General Manager, Chiba-Chuo Commercial Banking Office of BTMU
		September 2006	General Manager, Shintomicho Commercial Banking Office of BTMU
		May 2009	General Manager, Nihonbashi-Chuo Commercial Banking Office of BTMU
		June 2009	Executive Officer of BTMU
		May 2011	Retired from Executive Officer of BTMU
		June 2011	Senior Executive Officer of MUSHD
			Senior Executive Officer of MUMSS
			Managing Director of MUMSS (incumbent)
			Managing Director of MUSHD (incumbent)
			Director of MUFG (incumbent)
Ryuji Araki (January 29, 1940)	Director	April 1962	Joined the Toyota Motor Co., Ltd.
		September 1992	Director, Member of the Board of TOYOTA MOTOR CORPORATION (TOYOTA)
		June 1997	Managing Director, Member of the Board of TOYOTA
		June 1999	Senior Managing Director, Member of the Board of TOYOTA
		June 2001	Vice President, Member of the Board and Representative Director of TOYOTA
		June 2002	Auditor of Aioi Insurance Company Limited. (Aioi Insurance)
		June 2005	Senior Advisor to the Board of TOYOTA
			Chairman and Representative Director of Aioi Insurance
			Chairman of TOYOTA FINANCIAL CORPORATION. (TFS)
		June 2007	Advisor of TFS
		June 2008	Advisor of TOYOTA (incumbent)
			Advisor of Aioi Insurance
		June 2009	Retired from Advisor of TFS
			Director of MUFG (incumbent)
		October 2010	Advisor of Aioi Nissay Dowa Insurance Co., Ltd. (incumbent)

Name (Date of Birth)	Position in MUFG	Business Experience	
Kazuhiro Watanabe (May 19, 1947)	Director	April 1974	Public Prosecutor, Tokyo District Public Prosecutors Office
		July 1998	Assistant Vice-minister of Justice (Deputy Director-General for Criminal Affairs Bureau)
		April 2001	Public Prosecutor, Supreme Public Prosecutors Office
		January 2002	Chief Public Prosecutor, Nara District Public Prosecutors Office
		September 2004	Chief Public Prosecutor, Maebashi District Public Prosecutors Office
		September 2005	Chief Public Prosecutor, Nagoya District Public Prosecutors Office
		June 2007	Chief Public Prosecutor, Yokohama District Public Prosecutors Office
		July 2008	Superintending Prosecutor, Sapporo High Public Prosecutors Office
		July 2009	Retired from Superintending Prosecutor, Sapporo High Public Prosecutors Office
		September 2009	Attorney at Law
			Joined Dai-ichi Tokyo Bar Association
			Professor of Law, Tokai University Law School (incumbent)
		June 2010	Director of MUFG (incumbent)
		January 2011	Attorney at Law of Higashimachi LPC (incumbent)
Takuma Otoshi (October 17, 1948)	Director	July 1971	Joined IBM Japan, Ltd. (IBM Japan)
		March 1994	Director of IBM Japan
		March 1997	Managing Director of IBM Japan
		December 1999	President of IBM Japan
		June 2004	Director of MTFG
		October 2005	Director of MUFG (incumbent)
		April 2008	President & Chairman of IBM Japan
		January 2009	Chairman of IBM Japan (incumbent)

The following table sets forth our corporate auditors as of July 1, 2011, together with their respective dates of birth, positions and experience:

Name (date of birth)	Position in MUFG	Business experience	
Tetsuo Maeda (June 10, 1951)	Corporate Auditor (Full-Time)	April 1974	Joined Toyo Trust Bank
		May 2000	Executive Officer of Toyo Trust Bank
		January 2002	Executive Officer of UFJ Trust Bank
		May 2003	Senior Executive Officer of UFJ Trust Bank
		September 2004	Director and Senior Executive Officer of UFJ Trust Bank
		October 2005	Managing Director of MUTB
		June 2006	Senior Managing Director of MUTB
		June 2009	Retired from Senior Managing Director of MUTB
			Corporate Auditor (Full-Time) of MUFG (incumbent)
Takehiko Nemoto (August 20, 1953)	Corporate Auditor (Full-Time)	April 1976	Joined Mitsubishi Bank
		June 2004	Non-Board Member Director of Bank of Tokyo-Mitsubishi
		October 2005	Executive Officer of MUFG
		January 2006	Executive Officer of BTMU
		October 2008	Managing Executive Officer of BTMU
		May 2009	Managing Officer of MUFG
		June 2009	Managing Director of BTMU
		October 2010	Senior Managing Director of BTMU
		May 2011	Retired from Managing Officer of MUFG
		June 2011	Retired from Senior Managing Director of BTMU
			Corporate Auditor (Full-Time) of MUFG (incumbent)
Tsutomu Takasuka (February 11, 1942)	Corporate Auditor	April 1967	Became a member of the Japanese Institute of Certified Public Accountants
		June 1985	Partner at Mita Audit Corporation
		February 1990	Partner at Tohmatsu & Co.
		September 2002	Resigned Tohmatsu & Co.
		April 2004	Professor, Department of Business Administration, Bunkyo Gakuin University
		October 2004	Full-time Corporate Auditor of Bank of Tokyo-Mitsubishi
		June 2005	Corporate Auditor of MTFG
		October 2005	Corporate Auditor of MUFG (incumbent)
		January 2006	Full-time Corporate Auditor of BTMU (incumbent)
		March 2010	Retired from Professor, Department of Business Administration, Bunkyo Gakuin University
Kunie Okamoto (September 11, 1944)	Corporate Auditor	June 1969	Joined Nippon Life Insurance Company (Nippon Life)
		July 1995	Director of Nippon Life
		March 1999	Managing Director of Nippon Life
		March 2002	Senior Managing Director of Nippon Life
		April 2005	President of Nippon Life
		June 2005	Corporate Auditor of UFJ Holdings
		October 2005	Corporate Auditor of MUFG (incumbent)
		April 2011	Chairman of Nippon Life (incumbent)

Name (date of birth)	Position in MUFG	Business experience	
Yasushi Ikeda (April 18, 1946)	Corporate Auditor	April 1972	Admitted to the Bar Joined the Tokyo Bar Association
		April 1977	Partner of the law firm Miyake Imai & Ikeda (incumbent)
		June 2009	Corporate Auditor of MUFG (incumbent)

The board of directors and corporate auditors may be contacted through our headquarters at Mitsubishi UFJ Financial Group, Inc., 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan.

All directors and corporate auditors were elected at a general meeting of shareholders. The regular term of office of a director is one year from the date of election, and the regular term of office of a corporate auditor is four years from the date of election. Directors and corporate auditors may serve their terms until the close of the annual general meeting of shareholders held in the last year of their terms. Directors and corporate auditors may serve any number of consecutive terms. No family relationship exists among any of our directors or corporate auditors. None of our directors is party to a service contract with MUFG or any of its subsidiaries that provides for benefits upon termination of employment.

B. Compensation

The aggregate amount of compensation paid, including benefits in kind granted and any contingent and deferred compensation but excluding retirement allowances paid, by MUFG and its subsidiaries during the fiscal year ended March 31, 2011 to our directors (excluding outside directors), to corporate auditors (excluding outside auditors) and to outside directors and auditors, was ¥1,032 million, ¥85 million and ¥101 million, respectively.

The following table sets forth the details of individual compensation paid, including benefits in kind granted but excluding retirement allowances paid, by MUFG and its subsidiaries in an amount equal to or exceeding ¥100 million during the fiscal year ended March 31, 2011:

			Compensation paid		
Directors	Aggregate amount	Paid by	Annual salary	Stock options	Bonus
	(in millions of yen)				
Katsunori Nagayasu	¥119	MUFG	¥12	¥ 6	¥ 5
		BTMU	45	28	23

Prior to June 28, 2007, in accordance with customary Japanese practice, when a director or corporate auditor retired, a proposal to pay a retirement allowance was submitted at the annual ordinary general meeting of shareholders for approval. The retirement allowance consisted of a one-time payment of a portion of the allowance paid at the time of retirement and periodic payments of the remaining amount for a prescribed number of years. After the shareholders' approval was obtained, the retirement allowance for a director or corporate auditor was fixed by the board of directors or by consultation among the corporate auditors in accordance with our internal regulations and practice and generally reflected the position of the director or corporate auditor at the time of retirement, the length of his service as a director or corporate auditor and his contribution to our performance. MUFG did not set aside reserves for any retirement payments for directors and corporate auditors made under this practice. Pursuant to a one-time shareholders' approval in June 2007 for the retirement allowances to be paid to the directors and corporate auditors who were elected prior to that date at the time of their retirement, the aggregate amount of retirement allowance paid by MUFG and its subsidiaries during the fiscal year ended March 31, 2011 to our directors (excluding outside directors), to corporate auditors (excluding outside auditors) and to outside directors and auditors, who have retired from their respective positions held at MUFG or, if such directors and corporate auditors concurrently held positions at MUFG's subsidiaries, who have retired from such positions, was ¥136 million, ¥2 million and nil, respectively.

As part of our compensation structure, on June 28, 2007, our shareholders approved the creation of a stock-based compensation plan for our directors, corporate auditors and certain of our officers. On November 21, 2007, the board of directors adopted a plan entitled "First Series of Stock Acquisition Rights of Mitsubishi UFJ Financial Group, Inc." for our directors, corporate auditors and certain of our officers. Under the stock-based compensation plan, on December 6, 2007, we allotted an aggregate of 3,224 stock acquisition rights to our directors and an aggregate of 493 stock acquisition rights to our corporate auditors for their respective services to MUFG and its subsidiaries. Each stock acquisition right represents a right to purchase 100 shares of MUFG common stock at ¥1 per share of common stock. The stock acquisition rights were subject to a one-year vesting period. The rights are exercisable until December 5, 2037, but only after the date on which a grantee's service as a director or corporate auditor terminates. The fair value of each stock acquisition right was ¥103,200.

As part of our compensation structure, on June 27, 2008, the board of directors adopted another stock-based compensation plan entitled "Second Series of Stock Acquisition Rights of Mitsubishi UFJ Financial Group, Inc." for our directors, corporate auditors and certain of our officers. Under the stock-based compensation plan, on July 15, 2008, we allotted an aggregate of 4,690 stock acquisition rights to our directors and an aggregate of 495 stock acquisition rights to our corporate auditors for their respective services to MUFG and its subsidiaries. Each stock acquisition right represents a right to purchase 100 shares of MUFG common stock at ¥1 per share of common stock. The stock acquisition rights were subject to a one-year vesting period. The rights are exercisable until July 14, 2038, but only after the date on which a grantee's service as a director, corporate auditor or officer terminates. The fair value of each stock acquisition right was ¥92,300.

As part of our compensation structure, on June 26, 2009, the board of directors adopted another stock-based compensation plan entitled "Third Series of Stock Acquisition Rights of Mitsubishi UFJ Financial Group, Inc." for our directors, corporate auditors and certain of our officers. Under the stock-based compensation plan, on July 14, 2009, we allotted an aggregate of 6,466 stock acquisition rights to our directors and an aggregate of 872 stock acquisition rights to our corporate auditors for their respective services to MUFG and its subsidiaries. Each stock acquisition right represents a right to purchase 100 shares of MUFG common stock at ¥1 per share of common stock. The stock acquisition rights were subject to a one-year vesting period. The rights are exercisable until July 13, 2039, but only after the date on which a grantee's service as a director, corporate auditor or officer terminates. The fair value of each stock acquisition right was ¥48,700.

As part of our compensation structure, on June 29, 2010, the board of directors adopted another stock-based compensation plan entitled "Fourth Series of Stock Acquisition Rights of Mitsubishi UFJ Financial Group, Inc." for our directors, corporate auditors and certain of our officers. Under the stock-based compensation plan, on July 16, 2010, we allotted an aggregate of 8,014 stock acquisition rights to our directors and an aggregate of 1,149 stock acquisition rights to our corporate auditors for their respective services to MUFG and its subsidiaries. Each stock acquisition right represents a right to purchase 100 shares of MUFG common stock at ¥1 per share of common stock. The stock acquisition rights are subject to a one-year vesting period. The rights are exercisable until July 15, 2040, but only after the date on which a grantee's service as a director, corporate auditor or officer terminates. The fair value of each stock acquisition right was ¥36,600.

As part of our compensation structure, on June 29, 2011, the board of directors adopted another stock-based compensation plan entitled "Fifth Series of Stock Acquisition Rights of Mitsubishi UFJ Financial Group, Inc." for our directors, corporate auditors and certain of our officers. Under the stock-based compensation plan, on July 20, 2011, we allotted an aggregate of 7,740 stock acquisition rights to our directors and an aggregate of 1,160 stock acquisition rights to our corporate auditors for their respective services to MUFG and its subsidiaries. Each stock acquisition right represents a right to purchase 100 shares of MUFG common stock at ¥1 per share of common stock. The stock acquisition rights are subject to a one-year vesting period. The rights are exercisable until July 19, 2041, but only after the date on which a grantee's service as a director, corporate auditor or officer terminates. The fair value of each stock acquisition right was ¥33,700.

UNBC Employee Equity-Based Incentive Plan

UNBC has a discretionary employee equity-based incentive plan under which selected employees of UNBC and its subsidiaries are paid some or a portion of annual bonuses in the form Restricted Share Units representing a right to receive American Depositary Receipts, or ADRs, evidencing American Depositary Shares, or ADSs, each exchangeable for one share of MUFG common stock, from an independent trust established to administer the plan grants upon the satisfaction of vesting conditions as determined by the Executive Compensation and Benefits Committee of UNBC's board of directors, consistent with the plan and pursuant to a Restricted Share Unit Agreement between UNBC and the grantees.

Unless otherwise provided in the relevant Restricted Share Unit Agreement, Restricted Share Units will become vested and nonforfeitable as follows: one-third (33-$^{1}/_{3}$%) of a grantee's Restricted Share Units would vest on each one year anniversary of the date of the award such that all of the Restricted Share Units would be fully vested after three years from the date of the award so long as the grantee remains an employee of UNBC or its subsidiaries.

The ADSs to be delivered to grantees will be purchased on the open market by the trustee of the independent trust pursuant to a trust agreement between UNBC and the trustee.

UNBC began granting Restricted Share Units in November 2010. As of June 30, 2011, 7,283,114 Restricted Share Units have been granted under the plan.

Share Ownership

As of June 30, 2011, our directors and corporate auditors held the following numbers of shares of our common stock:

Directors	Number of Shares Registered
Takamune Okihara	19,220
Kinya Okauchi	15,100
Katsunori Nagayasu	9,940
Tatsuo Tanaka	7,530
Nobuyuki Hirano	24,600
Taihei Yuki	28,830
Ichiro Hamakawa	4,000
Masao Hasegawa	57,100
Toshiro Toyoizumi	27,400
Shunsuke Teraoka	5,040
Tatsuo Wakabayashi	7,000
Takashi Oyamada	11,350
Hiroyuki Noguchi	5,200
Ryuji Araki	22,900
Kazuhiro Watanabe	0
Takuma Otoshi	3,000

Corporate Auditors	Number of Shares Registered
Tetsuo Maeda	62,330
Takehiko Nemoto	2,000
Tsutomu Takasuka	0
Kunie Okamoto	536
Yasushi Ikeda	0

C. Board Practices

Our articles of incorporation provide for a board of directors of not more than twenty members and not more than seven corporate auditors. Our corporate officers are responsible for executing our business operations, and our directors oversee these officers and set our fundamental strategies.

We currently have sixteen directors. Our board of directors has ultimate responsibility for the administration of our affairs. By resolution, our board of directors shall appoint, from the directors, representative directors who may represent us severally. Our board of directors shall appoint a president and may also appoint a chairman, deputy chairmen, deputy presidents, senior managing directors and managing directors from their members by resolution. Deputy presidents assist the president, and senior managing directors and managing directors assist the president and deputy presidents, if any, in the management of our day-by-day operations.

We currently have three outside directors as members of our board of directors. Under the Company Law, an outside director is defined as a person who has never been an executive director (*gyomu shikko torishimariyaku*), executive officer (*shikkoyaku*), manager (*shihainin*) or any other type of employee of the company or any of its subsidiaries prior to his or her appointment.

Under the Company Law, a resolution of the board of directors is required if any director wishes to engage in any business that is in competition with us or any transaction with us. Additionally, no director may vote on a proposal, arrangement or contract in which that director is deemed to be particularly interested.

Neither the Company Law nor our articles of incorporation contain special provisions as to the borrowing power exercisable by a director, the retirement age of our directors and corporate auditors or a requirement of our directors and corporate auditors to hold any shares of our capital stock.

The Company Law requires a resolution of the board of directors for a company to determine the execution of important businesses, to acquire or dispose of material assets, to borrow substantial amounts of money, to employ or discharge managers (*shihainin*) and other important employees, and to establish, change or abolish branch offices or other material corporate organizations, to float bonds, to establish internal control systems, and to exempt a director from liability to the company in accordance with applicable laws and regulations.

We currently have five corporate auditors, including three outside corporate auditors. An outside corporate auditor is defined under the Company Law as a person who has not served as a director, account assistant, executive officer (*shikkoyaku*), manager (*shihainin*) or any other type of employee of the company or any of its subsidiaries prior to his or her appointment.

Our corporate auditors, who are not required to be certified public accountants, have various statutory duties, including principally:

- the examination of the financial statements, business reports, proposals and other documents which our board of directors prepares and submits to a general meeting of shareholders;
- the examination of our directors' administration of our affairs; and
- the preparation and submission of a report on their examination to a general meeting of shareholders.

Our corporate auditors are obligated to attend meetings of our board of directors, and to make statements at the meetings if they deem necessary, although they are not entitled to vote at the meetings. Our corporate auditors comprise the board of corporate auditors, which determines matters relating to the performance of audits. The Company Law provides that a company that has or is required to have a board of corporate auditors must have three or more corporate auditors, and at least half of the corporate auditors must be outside corporate auditors. In a company that has or is required to have a board of corporate auditors, one or more of the corporate auditors must be designated by the board of corporate auditors to serve on a full-time basis.

Under the Company Law and our articles of incorporation, we may exempt, by resolution of the board of directors, our directors and corporate auditors from liabilities to the company arising in connection with their failure to execute their duties without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, we have entered into a liability limitation agreement with each outside director and outside corporate auditor which limits the maximum amount of their liability to the company arising in connection with a failure to execute their duties without gross negligence to the greater of either ¥10 million or the aggregate sum of the amounts prescribed in paragraph 1 of Article 425 of the Company Law and Articles 113 and 114 of the Company Law Enforcement Regulations.

The Company Law permits two types of governance systems for large companies, including MUFG. The first system is for companies with audit, nomination and compensation committees, and the other is for companies with corporate auditors. We have elected to adopt a corporate governance system based on corporate auditors.

Under the Company Law, if a company has corporate auditors, the company is not obligated to have any outside directors or to have any audit, nomination or compensation committees. Although we have adopted a board of corporate auditors, we have three outside directors as part of our efforts to further enhance corporate governance. In an effort to further enhance our corporate governance, we have also voluntarily established an internal audit and compliance committee and a nomination and compensation committee to support our board of directors.

Internal Audit and Compliance Committee. The internal audit and compliance committee, a majority of which is comprised of outside directors and specialists, deliberates important matters relating to internal audits, internal control of financial information, financial audits, compliance, corporate risk management, and other internal control systems. This committee makes reports and proposals to the board of directors about important matters for deliberation and necessary improvement measures. We aim to enhance the effectiveness of internal audit functions by utilizing the external view points provided by the internal audit and compliance committee members. The chairman of the internal audit and compliance committee is Ryuji Araki, who is an outside director. The other members of this committee are Kazuhiro Watanabe , an outside director, Yoshinari Tsutsumi, an attorney-at-law, Hideo Kojima, a certified public accountant, and Kinya Okauchi, a deputy chairman and the chief audit officer. The internal audit and compliance committee met thirteen times between April 2010 and March 2011.

Nomination and Compensation Committee. The nomination and compensation committee, a majority of which is comprised of outside directors, deliberates matters relating to the appointment and dismissal of our directors and the directors of our subsidiaries, the compensation framework of our directors and the directors of our subsidiaries, as well as the compensation of our top management and the top management of our subsidiaries. The nomination and compensation committee makes reports and proposals to the board of directors about important matters for deliberation and necessary improvement measures. The chairman of the nomination and compensation committee is Takuma Otoshi , an outside director . The other members of this committee are Ryuji Araki and Kazuhiro Watanabe, who are also outside directors, and Katsunori Nagayasu, President and CEO. The nomination and compensation committee met seven times between April 2010 and March 2011.

For additional information on our board practices and the significant differences in corporate governance practices between MUFG and US companies listed on the New York Stock Exchange, see "—A. Directors and Senior Management" and "Item 16.G. Corporate Governance."

D. Employees

As of March 31, 2011, we had approximately 80,400 employees, an increase of approximately 1,400 employees compared with the number of employees as of March 31, 2010. In addition, as of March 31, 2011, we had approximately 32,600 part-time and temporary employees. The following tables show the percentages of our employees in our different business units and in different locations as of March 31, 2011:

Business unit	
Bank of Tokyo-Mitsubishi UFJ:	
Retail Banking Business Unit	19%
Corporate Banking Business Unit	13
Global Business Unit	26
Global Markets Unit	1
Operations and Systems Unit	9
Corporate Center/Independent Divisions	2
Mitsubishi UFJ Trust and Banking Corporation:	
Trust-Banking	5
Trust Assets	3
Real Estate	1
Global Markets	1
Administration and subsidiaries	3
Mitsubishi UFJ Securities Holdings:	
Sales Marketing Business Unit	5
Global Investment Banking Business Unit	1
Global Markets Business Unit	1
International Business Unit	1
Corporate Center and Others	3
Mitsubishi UFJ NICOS:	
Business Marketing Division	2
Credit Risk Management & Risk Assets Administration Division	1
Operations Division	1
Systems Division	0
Corporate Division	0
Others	2
	100%

Location	
Bank of Tokyo-Mitsubishi UFJ:	
Japan	44%
United States	16
Europe	2
Asia/Oceania excluding Japan	8
Other areas	1
Mitsubishi UFJ Trust and Banking Corporation:	
Japan	12
United States	0
Europe	0
Asia/Oceania excluding Japan	0
Mitsubishi UFJ Securities Holdings:	
Japan	9
United States	0
Europe	1
Asia/Oceania excluding Japan	0
Mitsubishi UFJ NICOS:	
Japan	5
United States	0
Europe	0
Asia/Oceania excluding Japan	0
Others	2
	100%

Most of our employees are members of our employees' union, which negotiates on behalf of employees in relation to remuneration and working conditions. We believe our labor relations to be good.

E. Share Ownership

The information required by this item is set forth in "—B. Compensation."

Item 7. Major Shareholders and Related Party Transactions.

A. Major Shareholders

Common Stock

As of March 31, 2011, we had 768,753 registered shareholders of our common stock. The ten largest holders of our common stock appearing on the register of shareholders as of March 31, 2011, and the number and the percentage of such shares held by each of them, were as follows:

Name	Number of shares held	Percentage of total shares in issue
Japan Trustee Services Bank, Ltd. (Trust account)(1)	850,123,600	6.00%
The Master Trust Bank of Japan, Ltd. (Trust account)(1)	660,478,900	4.66
SSBT OD05 Omnibus Account—Treaty Clients	302,011,150	2.13
Nippon Life Insurance Company	271,322,953	1.91
The Bank of New York Mellon as Depositary Bank for DR Holders(2)	253,204,861	1.78
Japan Trustee Services Bank, Ltd. (Trust account 9)(1)	236,328,600	1.67
State Street Bank and Trust Company	233,211,189	1.64
Meiji Yasuda Life Insurance Company(3)	175,000,000	1.23
Toyota Motor Corporation	149,263,153	1.05
State Street Bank and Trust Company	146,358,371	1.03
Total	3,277,302,777	23.15%

Notes:

(1) Includes the shares held in trust accounts, which do not disclose the names of beneficiaries.

(2) An owner of record for our American depositary shares.

(3) These shares are those held in a pension trust account with The Master Trust Bank of Japan, Ltd. for the benefit of retirement plans with voting rights retained by Meiji Yasuda Life Insurance Company.

As of March 31, 2011, 383,402 shares, representing less than 0.01% of our outstanding common stock, were held by our directors and corporate auditors. Our major shareholders do not have different voting rights.

As of March 31, 2011, 1,922,645,291 shares, representing 13.58% of our outstanding common stock, were owned by 316 US shareholders of record who are resident in the United States, one of whom is the ADR depository's nominee holding 253,204,861 shares, or 1.78%, of our issued common stock.

Preferred Stock

No holder of our preferred stock has the right to vote at a general meeting of shareholders, except:

- from the commencement of our ordinary general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to such meeting; or
- from the close of any ordinary general meeting of shareholders if a proposed resolution to declare a preferred dividend is not approved at such meeting;

in each case, unless and until such time as a resolution of an ordinary general meeting of shareholders declaring a preferred dividend is passed.

Holders of our preferred stock are entitled to vote at a meeting separately held for their respective classes of preferred stock in accordance with the Company Law. A resolution of a separate meeting of class shareholders is required for the following actions, but only if the action is likely to prejudice the interests of the relevant class shareholders:

- an amendment to our articles of incorporation to (a) create a new class of shares, (b) change the terms of shares, or (c) increase the total number of authorized shares or the total number of authorized shares of a class of stock, except in some cases, such as an amendment to change a class of stock to callable stock, the resolution of, or the unanimous consent from, relevant class shareholders is required, regardless of whether the action is likely to prejudice their interests;

- a consolidation of shares;
- a share split;
- an allotment of shares to our existing shareholders;
- an allotment of stock acquisition rights to our existing shareholders; and
- a merger, corporate split, stock for stock exchange, or stock for stock transfer.

Class 11 preferred stock is convertible into shares of our common stock as described in "Item 10.B. Additional Information—Memorandum and Articles of Association."

The shareholders of our preferred stock, appearing on the register of shareholders as of March 31, 2011, and the number and the percentage of such shares held by each of them, were as follows:

First series of class 5 preferred stock

Name	Number of shares held	Percentage of total shares in issue
Nippon Life Insurance Company	40,000,000	25.64%
Meiji Yasuda Life Insurance Company	40,000,000	25.64
Taiyo Life Insurance Company	20,000,000	12.82
Daido Life Insurance Company	20,000,000	12.82
Tokio Marine & Nichido Fire Insurance Co., Ltd.	20,000,000	12.82
Nipponkoa Insurance Company, Limited	12,000,000	7.69
Aioi Nissay Dowa Insurance Co., Ltd.	4,000,000	2.56
Total	156,000,000	100%

Class 11 preferred stock

Name	Number of shares held	Percentage of total shares in issue
UFJ Trustee Services PVT. (Bermuda) Limited as the trustee of UFJ International Finance (Bermuda) Trust	1,000	100%
Total	1,000	100%

B. Related Party Transactions

On June 30, 2011, we converted the convertible preferred stock issued to us by Morgan Stanley into shares of Morgan Stanley common stock, resulting in us holding approximately 22.4% of the voting rights in Morgan Stanley. Following the conversion of the preferred stock into common stock, Morgan Stanley is expected to be treated as an equity-method affiliate of MUFG in the future consolidated financial statements prepared by MUFG. In April 2011, MUSHD made a ¥30 billion capital injection into MUMSS. For a detailed discussion of the foregoing transactions, see "Item 5. Operating and Financial Review and Prospects—Recent Developments."

We and our banking subsidiaries had, and expect to have in the future, banking transactions and other transactions in the ordinary course of business with our related parties. Although for the fiscal year ended March 31, 2011, such transactions included, but were not limited to, call money, loans, electronic data processing, leases and management of properties, those transactions were immaterial and were made at prevailing market rates, terms and conditions and do not involve more than the normal risk of collectibility or present other unfavorable features.

None of our directors or corporate auditors, and none of the close members of their respective families, has had any transactions or has any presently proposed transactions that are material or any transactions that are unusual in their nature or conditions, involving goods, services or tangible or intangible assets, to which we were, are or will be a party.

No loans have been made to our directors or corporate auditors other than in the normal course of business, on normal commercial terms and conditions, involving the normal risk of collectibility, and presenting normal features. In addition, no loans have been made to our directors or executive officers or corporate auditors other than as permitted under Section 13(k) of the US Securities Exchange Act and Rule 13k-1 promulgated thereunder.

No family relationship exists among any of our directors or corporate auditors. No arrangement or understanding exists between any of our directors or corporate auditors and any other person pursuant to which any director or corporate auditor was elected to their position at MUFG.

As part of our compensation structure, we have granted stock acquisition rights to our directors and corporate auditors. For a detailed discussion of the stock acquisition rights, see "Item 6.B. Directors, Senior Management and Employees—Compensation."

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information.

A. Consolidated Statements and Other Financial Information

The information required by this item is set forth in our consolidated financial statements starting on page F-1 of this Annual Report and in "Selected Statistical Data" starting on page A-1 of this Annual Report.

Legal Proceedings

From time to time, we are involved in various litigation matters and other legal proceedings, including regulatory actions. Although the final resolution of any such matters and proceedings could have a material effect on our consolidated operating results for a particular reporting period, based on our current knowledge and consultation with legal counsel, we believe the current litigation matters and other legal proceedings, when ultimately determined, will not materially affect our results of operations or financial position.

Distributions

Our board of directors submits a recommendation for a year-end dividend for our shareholders' approval at the ordinary general meeting of shareholders customarily held in June of each year. The year-end dividend is usually distributed immediately following shareholders' approval to holders of record at the end of the preceding fiscal year. In addition to year-end dividends, we may make cash distributions by way of interim dividends to shareholders of record as of September 30 of each year as distribution of surplus by resolution of our board of directors. On June 29, 2011, we paid year-end dividends in the amount of ¥6 per share of common stock for the fiscal year ended March 31, 2011.

See "Item 10.B. Additional Information—Memorandum and Articles of Association" for additional information on our dividends policy.

Under the Japanese foreign exchange regulations currently in effect, dividends paid on shares held by non-residents of Japan may be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which ADSs are issued, the depositary is required, to the extent that in its judgment it can convert Japanese yen on a reasonable basis into US dollars and transfer the resulting US dollars to the United States, to convert all cash dividends that it receives in respect of deposited shares into US dollars and to distribute the amount received, after deduction of any applicable withholding taxes, to the holders of ADSs. See "Item 10.D. Additional Information—Exchange Controls—Foreign Exchange and Foreign Trade Law."

B. Significant Changes

Other than as described in this Annual Report, no significant changes have occurred since the date of our consolidated financial statements included in this Annual Report.

Item 9. The Offer and Listing.

A. Offer and Listing Details

Market Price Information

The following table shows, for the periods indicated, the reported high and low sale prices for shares of our common stock on the Tokyo Stock Exchange, or the TSE, and of the ADSs on the New York Stock Exchange, or the NYSE.

	Price per share on the TSE		Price per ADS on the NYSE	
	High	Low	High	Low
	(yen)		(US$)	
Fiscal year ended March 31, 2007	1,950	1,260	16.75	11.01
Fiscal year ended March 31, 2008	1,430	782	11.72	7.95
Fiscal year ended March 31, 2009	1,173	377	11.11	3.71
Fiscal year ended March 31, 2010				
First quarter	699	470	6.84	4.79
Second quarter	624	475	6.53	5.32
Third quarter	523	437	5.78	4.89
Fourth quarter	506	443	5.54	4.91
Fiscal year ended March 31, 2011				
First quarter	520	399	5.56	4.48
Second quarter	440	386	5.06	4.52
Third quarter	446	364	5.42	4.50
Fourth quarter	476	321	5.68	4.44
February	476	421	5.66	5.19
March	468	321	5.68	4.44
Fiscal year ending March 31, 2012				
April	402	367	4.80	4.36
May	404	367	4.98	4.43
June	393	355	4.88	4.40
July (through July 15)	419	389	5.18	4.87

B. Plan of Distribution

Not applicable.

C. Markets

The primary market for our common stock is the TSE. Our common stock is also listed on the Osaka Securities Exchange and the Nagoya Stock Exchange in Japan. ADSs, each representing one share of common stock, are quoted on the NYSE under the symbol, "MTU."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information.

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our Corporate Purpose

Article 2 of our Articles of Incorporation provides that our corporate purpose is to carry on the following businesses:

- administration of management of banks, trust banks, specialized securities companies, insurance companies or other companies which we may own as our subsidiaries under the Japanese Banking Law; and
- any other businesses incidental to the foregoing businesses mentioned in the preceding clause.

Board of Directors

For discussion of the provisions of our Articles of Incorporation as they apply to our directors, see "Item 6.C. Directors, Senior Management and Employees—Board Practices."

Common Stock

We summarize below the material provisions of our Articles of Incorporation, our share handling regulations and the Company Law (Law No. 86 of 2005, also known as the Companies Act) as they relate to a type of joint stock company known as *kabushiki kaisha*, within which we fall. Because it is a summary, this discussion should be read together with our Articles of Incorporation and share handling regulations, which have been filed as exhibits to this Annual Report.

General

A joint stock company is a legal entity incorporated under the Company Law. The investment and rights of the shareholders of a joint stock company are represented by shares of stock in the company and shareholders' liability is limited to the amount of the subscription for the shares.

As of June 29, 2011, our authorized common share capital was comprised of 33,000,000,000 shares of common stock with no par value.

As of March 31, 2011, a total of 14,150,894,620 shares of common stock (including 16,723,747 shares of common stock held by us and our consolidated subsidiaries as treasury stock) had been issued. Each of the shares issued and outstanding was fully paid and non-assessable.

As of June 29, 2011, we were authorized to issue 920,001,000 shares of preferred stock, including 120,000,000 shares of class 3 preferred stock, 400,000,000 shares of each of the first to fourth series of class 5 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 5 preferred stock does not exceed 400,000,000 shares), 200,000,000 shares of each of the first to fourth series of class 6 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 6 preferred stock does not exceed 200,000,000 shares), 200,000,000 shares of each of the first to fourth series of class 7 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 7 preferred stock does not exceed 200,000,000 shares), and 1,000 shares of class 11 preferred stock. As of March 31, 2011, we had 156,000,000 shares of first series class 5 preferred stock, and 1,000 shares of class 11 preferred stock issued and outstanding.

We may issue shares from our authorized but unissued share capital following a resolution to that effect by our board of directors. An increase in our authorized share capital is only possible by amendment of our Articles of Incorporation, which generally requires shareholders' special approval.

In order to assert shareholder rights against us, a shareholder must have its name and address registered on our register of shareholders, in accordance with the Company Law and our share handling regulations. The registered holder of deposited shares underlying the ADSs is the depositary for the ADSs, or its nominee. Accordingly, holders of ADSs will not be able to assert shareholder rights other than as provided in the agreement among us, the depositary and the holders of the ADSs.

A law to establish a new central clearing system for shares of listed companies and to eliminate the issuance and use of certificates for such shares became effective on January 5, 2009. Under the "Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks etc.," a new central clearing system was established and the shares of all Japanese companies listed on any Japanese stock exchange are now subject to the new central clearing system. As of January 5, 2009, we were deemed to be a company which would no longer issue share certificates for our shares, and all existing share certificates for such shares have become automatically null and void, without us being required to collect those share certificates from shareholders. The transfer of such shares is effected through entry in the books maintained under the new central clearing system. Only shares that were deposited with the Japan Securities Depository Center as of January 5, 2009 are immediately transferable under the new central clearing system.

Dividends

Dividends are distributed in proportion to the number of shares owned by each shareholder on the record date for the dividend. Dividends for each financial period may be distributed following shareholders' approval at a general meeting of shareholders.

Payment of dividends on common stock is subject to the preferential dividend rights of holders of preferred stock.

Under the Banking Law and our Articles of Incorporation, our financial accounts are closed on March 31 of each year, and dividends, if any, are paid to shareholders of record as of March 31 following shareholders' approval at a general meeting of shareholders. In addition to year-end dividends, our board of directors may by resolution declare an interim cash dividend to shareholders of record as of September 30 of each year. Under the

Company Law, distribution of dividends will take the form of distribution of surplus (as defined below). We will be permitted to make distributions of surplus to our shareholders any number of times per fiscal year pursuant to resolutions of our general meetings of shareholders, subject to certain limitations described below. Distributions of surplus are in principle required to be authorized by a resolution of a general meeting of shareholders. Distributions of surplus would, however, be permitted to be made pursuant to a resolution of our board of directors if:

(a) our Articles of Incorporation so provide (our Articles of Incorporation currently contain no such provisions);

(b) the normal term of office of our directors is one year; and

(c) certain conditions concerning our non-consolidated annual financial statements and certain documents for the latest fiscal year as required by an ordinance of the Ministry of Justice are satisfied.

In an exception to the above rule, even if the requirements described in (a) through (c) are not met, we are permitted to make distributions of surplus in cash to our shareholders by resolutions of the board of directors once per fiscal year as mentioned above concerning interim cash dividend.

Under the Company Law, distributions of surplus may be made in cash or in kind in proportion to the number of shares of common stock held by each shareholder. A resolution of a general meeting of shareholders or our board of directors authorizing a distribution of surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders or (as the case may be) our board of directors, grant to our shareholders the right to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders (see the description of a "special resolution" in "—Voting Rights").

Under the Company Law, we may make distribution of surplus to the extent that the aggregate book value of the assets to be distributed to shareholders does not exceed the distributable amount (as defined below) as of the effective date of such distribution of surplus. The amount of surplus (the "surplus") at any given time shall be the amount of our assets and the book value of our treasury stock after subtracting the amounts of items (1) through (5) below as they appear on our non-consolidated balance sheet as of the end of our last fiscal year, and after reflecting the changes in our surplus after the end of our last fiscal year, by adding the amounts of items (6), (7) and (8) below and/or subtracting the amounts of items (9), (10) and (11) below:

(1) our liabilities;

(2) our stated capital;

(3) our additional paid-in capital;

(4) our accumulated legal reserve;

(5) other amounts as are set out in an ordinance of the Ministry of Justice;

(6) (if we transferred our treasury stock after the end of the last fiscal year) the transfer price of our treasury stock after subtracting the book value thereof;

(7) (if we decreased our stated capital after the end of the last fiscal year) the amount of decrease in our stated capital (excluding the amount transferred to additional paid-in capital or legal reserve);

(8) (if we decreased our additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of decrease in our additional paid-in capital or legal reserve (excluding the amount transferred to stated capital);

(9) (if we cancelled our treasury stock after the end of the last fiscal year) the book value of the cancelled treasury stock;

(10) (if we distributed surplus to shareholders after the end of the last fiscal year) the amount of the assets distributed to shareholders by way of such distribution of surplus; and

(11) other amounts as are set out in an ordinance of the Ministry of Justice.

A distributable amount (the "distributable amount") at any given time shall be the aggregate amount of (a) the surplus, (b) the amount of profit as recorded for the period after the end of our last fiscal year until the date of an extraordinary settlement of account (if any) as is set out in an ordinance of the Ministry of Justice and (c) the transfer price of our treasury stock in the same period, after subtracting the amounts of the following items:

(1) the book value of our treasury stock;

(2) (if we transferred our treasury stock after the end of the last fiscal year) the transfer price of our treasury stock;

(3) the losses recorded for the period after the end of our last fiscal year until the date of an extraordinary settlement of account (if any) as set out in an ordinance of the Ministry of Justice; and

(4) other amounts as set out in an ordinance of the Ministry of Justice.

In Japan, the "ex-dividend" date and the record date for any dividends precede the date of determination of the amount of the dividend to be paid. The market price of shares generally becomes ex-dividend on the third business day prior to the record date. Under our Articles of Incorporation, we are not obligated to pay any dividends which are left unclaimed for a period of five years after the date on which they first became payable.

Capital and Reserves

Under the Company Law, we may reduce our additional paid-in capital or legal reserve (without limitation as to the amount of such reduction) as mentioned previously, generally by resolution of a general meeting of shareholders and, if so resolved in the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. We may also reduce our stated capital generally by special resolution of a general meeting of shareholders and, if so resolved in the same resolution, such reduction may account for the whole or any part of the amount of such reduction as additional paid-in capital or legal reserve. Conversely, we may reduce our surplus and increase either (i) stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case by resolution of a general meeting of shareholders.

Stock Splits

Stock splits of our outstanding stock may be effected at any time by resolution of the board of directors. When a stock split is to be effected, we may increase the authorized share capital to cover the number of shares to be increased by the stock split by amending our Articles of Incorporation by resolution of the board of directors without approval by special resolution of the general meeting of shareholders, unless more than one class of stock is issued and outstanding. We must give public notice of the stock split, specifying a record date at least two weeks prior to the record date.

We conducted a stock split pursuant to which each of our shares of common and preferred stock were split into 1,000 shares of the respective classes of securities, effective as of September 30, 2007. Our Articles of Incorporation were amended to increase the authorized share capital to cover the number of shares increased by the stock split, which amendment became effective simultaneously with the effectiveness of the stock split.

Unit Share (tan-gen kabu) System

We have adopted a unit share system, where 100 shares of either common or preferred stock shall each constitute a unit, as the amendment of our Articles of Incorporation to provide for such system was approved at the shareholders' meetings on June 27 and 28, 2007.

Under the unit share system, each unit is entitled to one voting right. A holder of less than one unit has no voting right. Our Articles of Incorporation provide that the holders of shares constituting less than a full unit will not have shareholder rights except for those specified in the Company Law or an ordinance of the Ministry of Justice, including rights (i) to receive dividends, (ii) to receive cash or other assets in case of consolidation or split of shares, stock-for-stock exchange or stock-for-stock transfer, corporate split or merger or (iii) to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders. Shareholders may require us to purchase shares constituting less than a unit at the current market price. In addition, holders of shares constituting less than a unit may require us to sell them such number of shares, which, when combined with the number of shares already held by such holder, shall constitute a whole unit of share; provided that we will be obliged to comply with such request only when we own a sufficient number of shares to accommodate the desired sale and purchase. The board of directors may reduce the number of shares constituting a unit or cease to use the unit share system by amendments to the Articles of Incorporation without shareholders' approval even though amendments to the Articles of Incorporation generally require a special resolution of the general meeting of shareholders.

General Meeting of Shareholders

The ordinary general meeting of our shareholders is usually held in June of each year in Tokyo. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders who are entitled to vote at the relevant general meeting of shareholders. The record date for ordinary general meetings of our shareholders is March 31.

Any shareholder holding at least 300 voting rights or 1% of the total number of voting rights for six consecutive months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a written request to a director at least eight weeks prior to the date of the meeting. The number of minimum voting rights, minimum percentage and time period necessary for exercising the minority shareholder rights described above may be decreased or shortened if our Articles of Incorporation so provide. Our Articles of Incorporation currently contain no such provisions.

Voting Rights

A holder of shares of our common stock is generally entitled to one voting right for each unit of common stock held. The following shares of common stock are not entitled to voting rights even when such shares constitute a whole unit, and such shares of common stock are not considered when determining whether a quorum exists for a shareholders' meeting:

- treasury stock;
- shares held by a company in which we, we and our subsidiaries or our subsidiaries own 25% or more of the total voting rights; and
- shares issued after the record date as a result of conversion of convertible stock, exercise of stock acquisition rights, and fractional shareholders becoming a shareholder of a whole unit share.

On the other hand, holders of certain class of preferred stock shall be entitled to a voting right for each unit of preferred stock held under certain conditions provided for by relevant laws or regulations and our Articles of Incorporation, for example, when a proposal to pay the full amount of preferential dividends on any class of preferred stock in compliance with the terms of such preferred stock is not included in the agenda of the relevant shareholders meeting. See "—Preferred Stock."

Under our Articles of Incorporation, except as otherwise provided by law or by other provisions of our Articles of Incorporation, a resolution can be adopted at a shareholders' meeting by the holders of a majority of the voting rights represented at the meeting. The Company Law and our Articles of Incorporation require a quorum of not less than one-third of the total number of voting rights for election of our directors and corporate auditors.

The Company Law and our Articles of Incorporation provide that a quorum of not less than one-third of outstanding voting rights, excluding those owned by our subsidiaries and affiliates of which we own, directly or indirectly, 25 percent or more, must be present at a shareholders' meeting to approve specified corporate actions, such as:

- the amendment of our Articles of Incorporation, except in some limited cases;
- the repurchase of our own stock from a specific shareholder other than our subsidiary;
- the consolidation of shares;
- the offering to persons other than shareholders of stock at a specially favorable price, or of stock acquisition rights or bonds or notes with stock acquisition rights with specially favorable conditions;
- the removal of a corporate auditor;
- the exemption from liability of a director or corporate auditor, with certain exceptions;
- a reduction in stated capital with certain exceptions in which a shareholders' resolution is not required;
- a distribution of in-kind dividends which meets certain requirements;
- the transfer of the whole or an important part of our business, except in some limited circumstances;
- the acquisition of the whole business of another company, except in some limited circumstances;
- a dissolution, merger or consolidation, except for certain types of mergers;
- a stock-for-stock exchange (*kabushiki-kokan*) or stock-for-stock transfer (*kabushiki-iten*), except in some limited circumstances; and
- a corporate split, except in some limited circumstances.

A special resolution representing at least two-thirds of the voting rights represented at the meeting is required to approve these actions.

Our Articles of Incorporation do not include any provision that grants shareholders cumulative voting rights at elections of directors or corporate auditors.

Subscription Rights

Holders of our shares have no preemptive rights under our Articles of Incorporation. Under the Company Law, however, our board of directors may determine that shareholders be given subscription rights in connection with a particular issue of new shares. In this case, these subscription rights must be given on uniform terms to all shareholders, and if a specified record date is set, it must be announced in a public notice at least two weeks prior to the record date. A notification to each individual shareholder must also be given at least two weeks prior to the subscription date.

Under the Company Law, rights to subscribe for new shares may not be transferred; however, we may allot stock acquisition rights to shareholders without consideration, and such rights will be transferable.

Stock Acquisition Rights

We may issue stock acquisition rights (*shinkabu yoyakuken*), which in the United States are often in the form of warrants, or bonds with stock acquisition rights that cannot be detached (*shinkabu yoyakuken-tsuki shasai*), which in the United States are often in the form of convertible bonds or bonds with non-detachable warrants. Except where the issuance would be on "specially favorable" conditions, the issuance of stock acquisition rights or bonds with stock acquisition rights may be authorized by a resolution of our board of directors. Upon exercise of the stock acquisition rights, the holder of such rights may acquire shares by paying the applicable exercise price or, if so determined by a resolution of our board of directors, by making a substitute payment, such as having the convertible bonds redeemed for no cash in lieu of the exercise price.

Liquidation Rights

Upon our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and preferred distributions to holders of shares of our preferred stock will be distributed among the holders of shares of our common stock in proportion to the number of shares they own.

Transfer Agent

MUTB is the transfer agent for our common stock. The office of MUTB for this purpose is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan. MUTB maintains our register of shareholders.

Reports to Shareholders

We furnish to our shareholders notices, in Japanese, of shareholders' meetings, annual business reports, including our financial statements, and notices of resolutions adopted at our shareholders' meetings.

Record Dates

As stated above, March 31 is the record date for the payment of annual dividends, if any, and the determination of shareholders entitled to vote at ordinary general meetings of our shareholders. September 30 is the record date for the payment of interim dividends, if any. In addition, by a resolution of our board of directors and after giving at least two weeks' prior public notice, we may at any time set a record date in order to determine the shareholders who are entitled to the rights pertaining to our shares.

Repurchase of Our Shares

We may repurchase our own shares:

- through the Tokyo Stock Exchange or other stock exchanges on which our shares are listed, if authorized by a resolution of a general meeting of shareholders or our board of directors;
- by way of a tender offer, if authorized by a resolution of a general meeting of shareholders or our board of directors;
- from a specific party, if authorized by a special resolution of a general meeting of shareholders and we give notice thereof to shareholders prior to such general meeting, in general;
- from all shareholders of a specific class of shares offering to sell their shares, if authorized by a resolution of a general meeting of shareholders or our board of directors and we give a public notice or notice thereof to all of the shareholders (if we repurchase any class of preferred stock, notices to all shareholders of the relevant class of preferred stock); or
- from our subsidiaries, if authorized by a resolution of the board of directors.

When the repurchase is made by us from a specific party, as authorized by a special resolution of a general meeting of shareholders, any shareholder may make a demand to a director, five days or more prior to the relevant shareholders' meeting, that we also repurchase the shares held by that shareholder. However, no such right will be available if the shares have a market price, and if the purchase price does not exceed the then market price calculated in a manner set forth in an ordinance of the Ministry of Justice.

Repurchase of our own shares described above must satisfy various specified requirements. In general, the same restrictions on the distributable amount as described in the seventh paragraph under "—Common Stock—Dividends." are applicable to the repurchase of our own shares, so the total amount of the repurchase price may not exceed the distributable amount.

We may hold our own shares so repurchased without restrictions. In addition, we may cancel or dispose of our repurchased shares by a resolution of our board of directors. As of March 31, 2011, we (excluding our subsidiaries) owned 83,014 shares of treasury stock.

Preferred Stock

The following is a summary of information concerning the shares of our preferred stock, including brief summaries of the relevant provisions of our Articles of Incorporation, the share handling regulations and the Company Law as currently in effect. The detailed rights of our preferred stock are set out in our Articles of Incorporation and the resolutions of our board of directors relating to the issuance of the relevant stock.

General

As of March 31, 2011, we were authorized under our Articles of Incorporation to issue five classes of preferred stock totaling 920,001,000 shares of preferred stock, including 120,000,000 shares of class 3 preferred stock, 400,000,000 shares of each of the first to fourth series of class 5 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 5 preferred stock does not exceed 400,000,000 shares), 200,000,000 shares of each of the first to fourth series of class 6 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 6 preferred stock does not exceed 200,000,000 shares), 200,000,000 shares of each of the first to fourth series of class 7 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 7 preferred stock does not exceed 200,000,000 shares) and 1,000 shares of class 11 preferred stock. Our preferred stock has equal preference over our shares of common stock with respect to dividend entitlements and distribution of assets upon our liquidation. However, holders of shares of our preferred stock are not entitled to vote at general meetings of shareholders, subject to the exceptions provided under our Articles of Incorporation. As of March 31, 2011, 156,000,000 shares of first series class 5 preferred stock and 1,000 shares of class 11 preferred stock had been outstanding, but there were no shares of class 3, 6 or 7 preferred stock outstanding. We may, at any time, following necessary authorization as described in the first paragraph under "Repurchase of Our Shares," purchase and cancel, at fair value, any shares of preferred stock outstanding out of the distributable amount.

We may acquire shares of class 3, first to fourth series of class 5 and first to fourth series of class 6 preferred stock at our discretion pursuant to the terms and conditions provided by our Articles of Incorporation and the resolution of our board of directors. We may acquire outstanding shares, if any, of class 3 preferred stock at ¥2,500 per share, in whole or in part, on or after February 18, 2010. The provisions for acquisition of shares of first to fourth series of class 5 and first to fourth series of class 6 preferred stock will be determined by the board of directors at the time of issuance of such preferred stock. When issued, any holder of shares of first to fourth series of class 6 preferred stock or first to fourth series of class 7 preferred stock may request acquisition of shares of such preferred stock in exchange for shares of our common stock during the period determined by resolution of the board of directors adopted at the time of issuance of such shares of preferred stock. Any shares of first to fourth series of class 6 preferred stock or first to fourth series of class 7 preferred stock for which no request for acquisition in exchange for shares of our common stock is made during such period will be mandatorily acquired on the day immediately following the last day of such period (the "Mandatory Acquisition Date") in the number obtained by dividing an amount equivalent to the subscription price per each relevant share of preferred stock by the average daily closing price of our common stock as reported by the Tokyo Stock Exchange for the 30 trading days commencing on the 45th trading day prior to the Mandatory Acquisition Date.

Any holder of shares of class 11 preferred stock may request acquisition of shares of the relevant preferred stock in exchange for shares of our common stock during the period as provided for in the attachment to our Articles of Incorporation. Any shares of class 11 preferred stock for which no request for acquisition in exchange for shares of our common stock is made during such period will be mandatorily acquired on the Mandatory Acquisition Date in the number obtained by dividing an amount equivalent to the subscription price per each relevant share of preferred stock by the average daily closing price of our common stock as reported by the Tokyo Stock Exchange for the 30 trading days commencing on the 45th trading day prior to the Mandatory Acquisition Date.

Preferred Dividends

In priority to the payment of dividends to holders of our common stock, the amount of preferred dividends payable each fiscal year for each class of our preferred stock is set forth below:

- class 3 preferred stock: ¥60.00 per share as set by the resolution of our board of directors dated January 27, 2005 and amended to reflect the stock split pursuant to our Articles of Incorporation;
- first series of class 5 preferred stock: ¥115.00 per share;
- second to fourth series of class 5 preferred stock: to be set by resolution of our board of directors at the time of issuance, up to a maximum of ¥250.00 per share;
- first to fourth series of class 6 preferred stock: to be set by resolution of our board of directors at the time of issuance, up to a maximum of ¥125.00 per share;
- first to fourth series of class 7 preferred stock: to be set by resolution of our board of directors at the time of issuance, up to a maximum of ¥125.00 per share; and
- class 11 preferred stock: ¥5.30 per share.

In the event that our board of directors decides to pay an interim dividend to holders of record of our common stock as of September 30 of any year, we will, in priority to the payment of that interim dividend, pay a preferred interim dividend in the amount specified in our Articles of Incorporation to holders of record of our preferred stock as of September 30 of the same year. The amount of any preferred interim dividend will be deducted from the preferred dividend payable on the relevant class of our preferred stock for the same fiscal year.

No preferred dividend will be paid on any of our preferred stock converted into our common stock for the period from the date following the record date for the preferred dividend or preferred interim dividend last preceding the relevant conversion date to the relevant conversion date, but the common stock issued upon conversion will be entitled to receive any dividend payable to holders of record of common stock upon the next succeeding record date for common stock dividends.

No payment of dividends on our preferred stock or any other shares can be made unless we have a sufficient distributable amount and a resolution to distribute such distributable amount is obtained at the relevant ordinary general meeting of shareholders, in the case of annual preferred dividends, or at the board of directors, in the case of preferred interim dividends.

Dividends on our preferred stock are non-cumulative. If the full amount of any dividend is not declared on our preferred stock in respect of any fiscal year, holders of our preferred stock do not have any right to receive dividends in respect of the deficiency in any subsequent fiscal year, and we will have no obligation to pay the deficiency or to pay any interest regardless of whether or not dividends are paid in respect of any subsequent fiscal year. The holders of our preferred stock are not entitled to any further dividends or other participation in or distribution of our profits.

Liquidation Rights

In the event of our voluntary or involuntary liquidation, record holders of our preferred stock are entitled, equally in rank as among themselves, to receive before any distribution out of our residual assets is made to holders of our common stock, a distribution out of our residual assets of:

- ¥2,500 per share of class 3 preferred stock;
- ¥2,500 per share of first to fourth series of class 5 preferred stock;
- ¥2,500 per share of first to fourth series of class 6 preferred stock;
- ¥2,500 per share of first to fourth series of class 7 preferred stock; and
- ¥1,000 per share of class 11 preferred stock.

The holders of our preferred stock are not entitled to any further dividends or other participation in or distribution of our residual assets upon our liquidation.

Voting Rights

No holder of our preferred stock has the right to receive notice of, or to vote at, a general meeting of shareholders, except as otherwise specifically provided under our Articles of Incorporation or other applicable law. Under our Articles of Incorporation, holders of our preferred stock will be entitled to receive notice of, and have one voting right per unit of preferred stock at, our general meetings of shareholders:

- from the commencement of our ordinary general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to such meeting; or
- from the close of any ordinary general meeting of shareholders if a proposed resolution to declare a preferred dividend is not approved at such meeting.

In each case, holders of our preferred stock will be entitled to receive notice of and vote at the relevant general meetings of shareholders unless and until such time as a resolution of an ordinary general meeting of shareholders declaring a preferred dividend is passed.

For more information, see "Item 7.A Major Shareholders and Related Party Transactions—Major Shareholders—Preferred Stock."

American Depositary Shares

The Bank of New York Mellon will issue the American depositary receipts, or ADRs. Each ADR will represent ownership interests in American depositary shares, or ADSs. As a result of the 1,000-for-one stock split that became effective on September 30, 2007, each ADS represents one share of our common stock. Each ADS is held by The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, acting as custodian, at its principal office in Tokyo, on behalf of The Bank of New York Mellon, acting as depositary. Each ADS will also represent securities, cash or other property deposited with The Bank of New York Mellon but not distributed to ADS holders. The Bank of New York Mellon's corporate trust office is located at 101 Barclay Street, New York, New York 10286 and its principal executive office is located at One Wall Street, New York, New York 10286.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The Bank of New York Mellon will actually be the registered holder of the common stock, so you will have to rely on it to exercise your rights as a shareholder. Our obligations and the obligations of The Bank of New York Mellon are set out in a deposit agreement among us, The Bank of New York Mellon and you, as an ADS holder. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR.

Share Dividends and Other Distributions

The Bank of New York Mellon has agreed to pay to you the cash dividends or other distributions it or the custodian receives on shares of common stock or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

Cash. The Bank of New York Mellon will convert any cash dividend or other cash distribution we pay on our common stock into US dollars, if it can do so on a reasonable basis and can transfer the US dollars to the United States. If that is not possible or if any approval from the Japanese government is needed and cannot be obtained, the deposit agreement allows The Bank of New York Mellon to distribute the Japanese yen only to those ADS holders to whom it is possible to do so. The Bank of New York Mellon will hold the Japanese yen it cannot convert for the account of the ADS holders who have not been paid. It will not invest the Japanese yen and it will not be liable for any interest.

Before making a distribution, any withholding taxes that must be paid under Japanese law will be deducted. See "—Taxation—Japanese Taxation." The Bank of New York Mellon will distribute only whole US dollars and cents and will round fractional cents to the nearest whole cent. If the relevant exchange rates fluctuate during a time when The Bank of New York Mellon cannot convert the Japanese currency, you may lose some or all of the value of the distribution.

Shares. The Bank of New York Mellon may distribute new ADSs representing any shares we may distribute as a dividend or free distribution, if we furnish The Bank of New York Mellon promptly with satisfactory evidence that it is legal to do so. The Bank of New York Mellon will only distribute whole ADSs. It will sell shares which would require it to issue a fractional ADS and distribute the net proceeds in the same way as it distributes cash dividends. If The Bank of New York Mellon does not distribute additional ADSs, each ADS will also represent the new shares.

Rights to receive additional shares. If we offer holders of our common stock any rights to subscribe for additional shares of common stock or any other rights, The Bank of New York Mellon may, after consultation with us, make those rights available to you. We must first instruct The Bank of New York Mellon to do so and furnish it with satisfactory evidence that it is legal to do so. If we do not furnish this evidence and/or do not give these instructions, and The Bank of New York Mellon decides that it is practical to sell the rights, The Bank of New York Mellon will sell the rights and distribute the proceeds in the same way as it distributes cash dividends. The Bank of New York Mellon may allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If The Bank of New York Mellon makes rights available to you, upon instruction from you it will exercise the rights and purchase the shares on your behalf. The Bank of New York Mellon will then deposit the shares and issue ADSs to you. It will only exercise the rights if you pay it the exercise price and any other charges the rights require you to pay.

US securities laws may restrict the sale, deposit, cancellation and transfer of the ADSs issued after the exercise of the rights. For example, you may not be able to trade the ADSs freely in the United States. In this case, The Bank of New York Mellon may issue the ADSs under a separate restricted deposit agreement which will contain the same provisions as the deposit agreement, except for changes needed to put the restrictions in place. The Bank of New York Mellon will not offer you rights unless those rights and the securities to which the rights relate are either exempt from registration or have been registered under the US Securities Act with respect to a distribution to you. We will have no obligation to register under the Securities Act those rights or the securities to which they relate.

Other distributions. The Bank of New York Mellon will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, The Bank of New York Mellon has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property.

The Bank of New York Mellon is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us or The Bank of New York Mellon to make them available to you.

Deposit, Withdrawal and Cancellation

The Bank of New York Mellon will issue ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York Mellon will register the appropriate number of ADSs in the names you request and will deliver the ADSs at its corporate trust office to the persons you request.

In certain circumstances, subject to the provisions of the deposit agreement, The Bank of New York Mellon may issue ADSs before the deposit of the underlying shares. This is called a pre-release of ADSs. A pre-release is closed out as soon as the underlying shares are delivered to the depositary. The depositary may receive ADSs instead of the shares to close out a pre-release. The depositary may pre-release ADSs only on the following conditions:

- Before or at the time of the pre-release, the person to whom the pre-release is made must represent to the depositary in writing that it or its customer, as the case may be, owns the shares to be deposited;
- The pre-release must be fully collateralized with cash or collateral that the depositary considers appropriate; and
- The depositary must be able to close out the pre-release on not more than five business days' notice.

The pre-release will be subject to whatever indemnities and credit regulations that the depositary considers appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of a pre-release.

You may turn in your ADSs at the Corporate Trust Office of The Bank of New York Mellon's office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York Mellon will deliver (1) the underlying shares to an account designated by you and (2) any other deposited securities underlying the ADS at the office of the custodian. Or, at your request, risk and expense, The Bank of New York Mellon will deliver the deposited securities at its Corporate Trust Office.

As a result of the stock split and the adoption of the unit share system on September 30, 2007, the ADSs may only be presented for cancellation and release of the underlying shares of common stock or other deposited securities in multiples of 100 ADSs. Holders of ADRs evidencing less than 100 ADSs are not entitled to delivery of any underlying shares or other deposited securities unless ADRs, together with other ADRs presented by the same holder at the same time, represent in the aggregate at least 100 ADSs. If any ADSs are surrendered but not cancelled pursuant to the preceding sentence, The Bank of New York Mellon will execute and deliver an ADR or ADRs evidencing the balance of ADSs not so cancelled to the person or persons surrendering the same.

Voting Rights

If you are an ADS holder on a record date fixed by The Bank of New York Mellon, you may instruct The Bank of New York Mellon to vote the shares underlying your ADSs at a meeting of our shareholders in accordance with the procedures set forth in the deposit agreement.

The Bank of New York Mellon will notify you of the upcoming meeting and arrange to deliver our voting materials to you. The notice shall contain (a) such information as is contained in such notice of meeting, (b) a statement that as of the close of business on a specified record date you will be entitled, subject to any applicable provision of Japanese law and our Articles of Incorporation, to instruct The Bank of New York Mellon as to the exercise of the voting rights, if any, pertaining to the amount of shares or other deposited securities represented by your ADSs, and (c) a brief statement as to the manner in which such instructions may be given, including an express indication that instructions may be given to The Bank of New York Mellon to give a discretionary proxy to a person designated by us. Upon your written request, received on or before the date established by The Bank of New York Mellon for such purpose, The Bank of New York Mellon shall endeavor in so far as practicable to vote or cause to be voted the amount of shares or other deposited securities represented by your ADSs in accordance with the instructions set forth in your request. So long as Japanese law provides that votes may only be cast with respect to one or more whole shares or other deposited securities, The Bank of New York Mellon will aggregate voting instructions to the extent such instructions are the same and vote such whole shares or other deposited securities in accordance with your instructions. If, after aggregation of all instructions to vote received by The Bank of New York Mellon, any portion of the aggregated instructions constitutes instructions with respect to less than a whole share or other deposited securities, The Bank of New York Mellon will not vote or cause to be voted the shares or other deposited securities to which such portion of the instructions apply. The Bank of New York Mellon will not vote or attempt to exercise the right to vote that attaches to the shares or other deposited securities, other than in accordance with the instructions of the ADS holders. If no instructions are received by The Bank of New York Mellon from you with respect to any of the deposited securities represented by your ADSs on or before the date established by The Bank of New York Mellon for such purpose, The Bank of New York Mellon shall deem you to have instructed The Bank of New York Mellon to give a discretionary proxy to a person designated by us with respect to such deposited securities and The Bank of New York Mellon shall give a discretionary proxy to a person designated by us to vote such deposited securities, provided that no such instruction shall be given with respect to any matter as to which we inform The Bank of New York Mellon (and we have agreed to provide such information as promptly as practicable in writing) that (1) we do not wish such proxy given, (2) substantial opposition exists or (3) such matter materially and adversely affects the rights of holders of shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct The Bank of New York Mellon to vote your shares. In addition, The Bank of New York Mellon is not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions as long as it has acted in good faith. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.

Fees and Expenses

See "Item 12.D. Description of Securities Other than Equity Securities—American Depositary Shares."

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities underlying your ADSs. The Bank of New York Mellon may refuse to transfer your ADSs or allow you to withdraw the deposited securities underlying your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities underlying your ADSs to pay any taxes owed and you will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any property remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If we:

- reclassify, split up or consolidate any of our shares or the deposited securities;
- recapitalize, reorganize, merge, liquidate, consolidate or sell all or substantially all of our assets or take any similar action; or
- distribute securities on the shares that are not distributed to you, then,

(1) the cash, shares or other securities received by The Bank of New York Mellon will become deposited securities and each ADS will automatically represent its equal share of the new deposited securities unless additional ADSs are issued; and

(2) The Bank of New York Mellon may, and will if we request, issue new ADSs or ask you to surrender your outstanding ADSs in exchange for new ADSs, identifying the new deposited securities.

Amendment and Termination

We may agree with The Bank of New York Mellon to amend the deposit agreement and the ADSs without your consent for any reason. If the amendment adds or increases fees or charges, except for taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses, or prejudices an important right of ADS holders, it will only become effective three months after The Bank of New York Mellon notifies you of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADS, to agree to the amendment and to be bound by the ADSs and the deposit agreement as amended. However, no amendment will impair your right to receive the deposited securities in exchange for your ADSs.

The Bank of New York Mellon will terminate the deposit agreement if we ask it to do so, in which case it must notify you at least 30 days before termination. The Bank of New York Mellon may also terminate the deposit agreement if The Bank of New York Mellon has told us that it would like to resign and we have not appointed a new depositary bank within 60 days.

If any ADSs remain outstanding after termination, The Bank of New York Mellon will stop registering the transfers of ADSs, will stop distributing dividends to ADS holders and will not give any further notices or do anything else under the deposit agreement other than:

(1) collect dividends and distributions on the deposited securities;

(2) sell rights and other property offered to holders of deposited securities; and

(3) deliver shares and other deposited securities in exchange for ADSs surrendered to The Bank of New York Mellon.

At any time after one year following termination, The Bank of New York Mellon may sell any remaining deposited securities. After that, The Bank of New York Mellon will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The Bank of New York Mellon's only obligations will be to account for the money and other cash and with respect to indemnification and to retain depositary documents. After termination, our only obligations will be with respect to indemnification and to pay certain amounts to The Bank of New York Mellon.

Limitations on Obligations and Liability to ADS Holders

The deposit agreement expressly limits our obligations and the obligations of The Bank of New York Mellon. It also limits our liability and the liability of The Bank of New York Mellon. We and The Bank of New York Mellon:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if either is prevented or delayed by law, any provision of our Articles of Incorporation or circumstances beyond their control from performing their obligations under the deposit agreement;
- are not liable if either exercises or fails to exercise discretion permitted under the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party unless indemnified to their satisfaction; and
- may rely upon any advice of or information from legal counsel, accountants, any person depositing shares, any ADS holder or any other person believed in good faith to be competent to give them that advice or information.

In the deposit agreement, we and The Bank of New York Mellon agree to indemnify each other for liabilities arising out of acts performed or omitted by the other party in accordance with the deposit agreement.

Requirements for Depositary Actions

Before The Bank of New York Mellon will issue or register transfer of an ADS, make a distribution on an ADS, or permit withdrawal of shares, it may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The Bank of New York Mellon may refuse to deliver, transfer, or register transfers of ADSs generally when its transfer books are closed, when our transfer books are closed or at any time if it or we think it advisable to do so.

You have the right to cancel your ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (1) The Bank of New York Mellon has closed its transfer books or we have closed our transfer books; (2) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on the shares;
- when you or other ADS holders seeking to withdraw shares owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Reports and Other Communications

The Bank of New York Mellon will make available for your inspection at its corporate trust office any reports and communications, including any proxy soliciting material, that it receives from us, if those reports and communications are both (a) received by The Bank of New York Mellon as the holder of the deposited securities and (b) made generally available by us to the holders of the deposited securities. If we ask it to, The Bank of New York Mellon will also send you copies of those reports it receives from us.

Inspection of Transfer Books

The Bank of New York Mellon will keep books for the registration and transfer of ADSs, which will be open for your inspection at all reasonable times. You will only have the right to inspect those books if the inspection is for the purpose of communicating with other owners of ADSs in connection with our business or a matter related to the deposit agreement or the ADSs.

C. Material Contracts

Except as described elsewhere in this Annual Report, all material contracts entered into by us in the past two years preceding the filing of this Annual Report were entered into in the ordinary course of business.

D. Exchange Controls

Foreign Exchange and Foreign Trade Law

The Foreign Exchange and Foreign Trade Law of Japan and the cabinet orders and ministerial ordinances incidental thereto, collectively known as the Foreign Exchange Law, set forth, among other matters, the regulations relating to the receipt by non-residents of Japan of payment with respect to shares to be issued by us and the acquisition and holding of shares by non-residents of Japan and foreign investors, both as defined below. It also applies in some cases to the acquisition and holding of ADSs representing such shares acquired and held by non-residents of Japan and by foreign investors. Generally, the Foreign Exchange Law currently in effect does not affect the right of a non-resident of Japan to purchase or sell an ADR outside Japan for non-Japanese currency.

"Non-residents of Japan" are defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally, the branches and offices of non-resident corporations which are located in Japan are regarded as residents of Japan while the branches and offices of Japanese corporations located outside Japan are regarded as non-residents of Japan.

"Foreign investors" are defined as:

- non resident individuals;
- corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan;
- corporations of which 50% or more of the shares are directly or indirectly held by individuals not resident of Japan and corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan; and
- corporations, a majority of officers (or a majority of officers having the power of representation) of which are non-resident individuals.

Dividends and Proceeds of Sales

Under the Foreign Exchange Law, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. The acquisition of our shares by non-residents by way of a stock split is not subject to any notification or reporting requirements.

Acquisition of Shares

In general, a non-resident who acquires shares from a resident of Japan is not subject to any prior filing requirement, although the Foreign Exchange Law empowers the Minister of Finance of Japan to require a prior approval for any such acquisition in certain limited circumstances.

If a foreign investor acquires our shares, and, together with parties who have a special relationship with that foreign investor, holds 10% or more of our issued shares as a result of such acquisition, the foreign investor must file a report of such acquisition with the Minister of Finance and any other competent Minister by the fifteenth day of the month immediately following the month to which the date of such acquisition belongs. In certain limited circumstances, however, a prior notification of such acquisition must be filed with the Minister of Finance and any other competent Minister, who may modify or prohibit the proposed acquisition.

Deposit and Withdrawal under American Depositary Facility

The deposit of shares with us, in our capacity as custodian and agent for the depositary, in Tokyo, the issuance of ADSs by the depositary to a non-resident of Japan in respect of the deposit and the withdrawal of the underlying shares upon the surrender of the ADSs are not subject to any of the formalities or restrictions referred to above. However, where as a result of a deposit or withdrawal the aggregate number of shares held by the depositary, including shares deposited with us as custodian for the depositary, or the holder surrendering ADSs, as the case may be, would be 10% or more of the total outstanding shares, a report will be required, and in specified circumstances, a prior notification may be required, as noted above.

Reporting of Substantial Shareholdings

The Financial Instruments and Exchange Law of Japan requires any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a company listed on any Japanese financial instruments exchange or whose shares are traded on the over-the-counter market in Japan to file with the director of a competent finance bureau within 5 business days a report concerning such shareholdings.

A similar report must also be filed in respect of any subsequent change of 1% or more in any such holding ratio or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such person upon exchange of exchangeable securities, conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by such holder and the issuer's total issued shares of capital stock. Copies of such report must also be furnished to the issuer of such shares and all Japanese financial instruments exchanges on which the shares are listed or (in the case of shares traded over-the-counter) the Japan Securities Dealers Association.

E. Taxation

Japanese Taxation

The following sets forth the material Japanese tax consequences to owners of shares of our common stock or ADSs who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which the relevant income is attributable, which we refer to as "non-resident holders" in this section. The statements regarding Japanese tax laws below are based on the laws in force and as interpreted by the Japanese taxation authorities as at the date of this Annual Report and are subject to changes in the applicable Japanese laws, double taxation treaties, conventions or agreements or interpretations thereof occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares of our common stock or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident and any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

For the purpose of Japanese tax law and the Convention between the Government of the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "Tax Convention"), a US holder of ADSs will be treated as the owner of the shares of our common stock underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder of shares of our common stock or ADSs is subject to Japanese withholding tax on dividends paid by us. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by us to non-resident holders is 7% for dividends to be paid on or before December 31, 2013 pursuant to Japanese tax law. After such date, the maximum withholding rate for US holders (as defined below), which is generally set at 10% of the gross amount distributed, shall be applicable pursuant to the Tax Convention.

The Tax Convention establishes the maximum rate of Japanese withholding tax which may be imposed on dividends paid to a US resident not having a permanent establishment in Japan. Under the Tax Convention, the maximum withholding rate for US holders (as defined below) is generally set at 10% of the gross amount distributed. However, the maximum rate is 5% of the gross amount distributed if the recipient is a corporation and owns directly or indirectly, on the date on which entitlement to the dividends is determined, at least 10% of the voting shares of the paying corporation. Furthermore, the amount distributed shall not be taxed if the recipient is (i) a pension fund which is a US resident, provided that such dividends are not derived from the carrying on of a business, directly or indirectly, by such pension fund or (ii) a parent company with a controlling interest in the paying company and satisfies certain other requirements. US holders (as defined below) are urged to consult their own tax advisors with respect to their eligibility for benefits under the Tax Convention.

Japanese tax law provides in general that if the Japanese statutory rate is lower than the maximum rate applicable under tax treaties, conventions or agreements, the Japanese statutory rate shall be applicable. The rate of Japanese withholding tax applicable to dividends paid by us to non-resident holders is 7% for dividends to be paid on or before December 31, 2013 and 15% thereafter, except for dividends paid to any individual non-resident holder who holds 3% (5% on or before September 30, 2011) or more of our issued shares for which the applicable rate is 20%.

Non-resident holders of shares who are entitled to a reduced rate of Japanese withholding tax on payments of dividends on the shares of our common stock or ADSs by us are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before the payment of dividends. A standing proxy for non-resident holders may provide this application service for the non-resident holders. Non-resident holders who do not submit an application in advance will generally be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate of an applicable tax treaty.

Gains derived from the sale or other disposition of shares of our common stock or ADSs by a non-resident holder are not, in general, subject to Japanese income or corporation taxes or other Japanese taxes.

Any deposits or withdrawals of shares of our common stock by a non-resident holder in exchange for ADSs are not subject to Japanese income or corporation tax.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired shares of our common stock or ADSs as legatee, heir or donee, even if none of the individual, the decedent or the donor is a Japanese resident.

US Taxation

The following sets forth the material US federal income tax consequences of the ownership of shares and ADSs by a US holder, as defined below. This summary is based on US federal income tax laws, including the US

Internal Revenue Code of 1986, or the Code, its legislative history, existing and proposed Treasury regulations thereunder, published rulings and court decisions, and the Tax Convention (as defined above), all of which are subject to change, possibly with retroactive effect.

The following summary is not a complete analysis or description of all potential US federal income tax consequences to a particular US holder. It does not address all US federal income tax considerations that may be relevant to all categories of potential purchasers, certain of which (such as banks or other financial institutions, insurance companies, dealers in securities, tax-exempt entities, non-US persons, persons holding a share or an ADS as part of a "straddle," "hedge," conversion or integrated transaction, holders whose "functional currency" is not the US dollar, holders liable for alternative minimum tax and holders of 10% or more of our voting shares) are subject to special tax treatment. This summary does not address any foreign, state, local or other tax consequences of investments in our shares or ADSs.

This summary addresses only shares or ADSs that are held as capital assets within the meaning of Section 1221 of the Code.

As used herein, a "US holder" is a beneficial owner of shares or ADSs, as the case may be, that is, for US federal income tax purposes:

- a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any political subdivision thereof;
- an estate, the income of which is subject to US federal income tax regardless of its source; or
- a trust
  - the administration of which is subject to (1) the supervision of a court within the United States and (2) the control of one or more US persons as described in Section 7701(a)(30) of the Code; or
  - that has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

A "Non-US holder" is any beneficial holder of shares or ADSs that is not a US holder.

If a partnership holds shares or ADSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding shares or ADSs, you should consult your tax advisor.

We urge US holders to consult their own tax advisors concerning the US federal, state and local and other tax consequences to them of the purchase, ownership and disposition of shares or ADSs.

This summary is based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with their respective terms. For US federal income tax purposes, holders of ADSs will be treated as the owners of the shares represented by the ADSs. Accordingly, withdrawals or deposits of shares in exchange for ADSs generally will not be subject to US federal income tax.

The US Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the beneficial ownership of the underlying shares (for example, pre-releasing ADSs to persons who do not have beneficial ownership of the securities underlying the ADSs). Accordingly, the discussion on the creditability of Japanese taxes and the availability of the reduced rate of tax for dividends received by certain non-corporate US holders, each as described below, could be affected by actions taken by intermediaries in the chain of ownership between the holder of ADSs and us if, as a result of such actions, the holders of ADSs are not properly treated as beneficial owners of the underlying shares. We are not aware of any intention to take any such actions, and accordingly, the remainder of this discussion assumes that holders of ADSs will be properly treated as beneficial owners of the underlying shares.

Special adverse US federal income tax rules apply if a US holder holds shares or ADSs of a company that is treated as a "passive foreign investment company" (a "PFIC") for any taxable year during which the US holder held shares or ADSs, as discussed in more detail below. US holders should consult their own tax advisors as to the potential application of the PFIC rules to their ownership and disposition of shares or ADSs.

Taxation of Dividends

Subject to the application of the PFIC rules discussed below, US holders will include the gross amount of any distribution received with respect to shares or ADSs (before reduction for Japanese withholding taxes), to the extent paid out of our current or accumulated earnings and profits (as determined for US federal income tax purposes), as ordinary income in their gross income. As discussed below, for certain US holders, dividends may be eligible for a reduced rate of taxation. The amount of distribution of property other than cash will be the fair market value of such property on the date of the distribution. Dividends received by a US holder will not be eligible for the "dividends-received deduction" allowed to US corporations in respect of dividends received from other US corporations. To the extent that an amount received by a US holder exceeds such holder's allocable share of our current earnings and profits, such excess will be applied first to reduce such holder's tax basis in its shares or ADSs, thereby increasing the amount of gain or decreasing the amount of loss recognized on a subsequent disposition of the shares or ADSs. Then, to the extent such distribution exceeds such US holder's tax basis, such excess will be treated as capital gain. However, we do not maintain calculations of our earnings and profits in accordance with US federal income tax principles, and US holders should therefore assume that any distribution by us with respect to shares or ADSs will constitute ordinary dividend income. The amount of the dividend will be the US dollar value of the Japanese yen payments received. This value will be determined at the spot Japanese yen/US dollar rate on the date the dividend is received by the depositary in the case of US holders of ADSs, or by the shareholder in the case of US holders of shares, regardless of whether the dividend payment is in fact converted into US dollars at that time. If the Japanese yen received as a dividend are not converted into US dollars on the date of receipt, a US holder will have basis in such Japanese yen equal to their US dollar value on the date of receipt, and any foreign currency gains or losses resulting from the conversion of the Japanese yen will generally be treated as US source ordinary income or loss. If the Japanese yen received as a dividend are converted into US dollars on the date of receipt, a US holder will generally not be required to recognize foreign currency gain or loss in respect of the dividend income.

If a US holder is eligible for benefits under the Tax Convention, the holder may be able to claim a reduced rate of Japanese withholding tax. All US holders should consult their tax advisors about their eligibility for reduction of Japanese withholding tax. A US holder may claim a deduction or a foreign tax credit, subject to other applicable limitations, only for tax withheld at the appropriate rate. A US holder should not be allowed a foreign tax credit for withholding tax for any portion of the tax that could have been avoided by claiming benefits under the Tax Convention. For foreign tax credit limitation purposes, the dividend will be income from sources outside the United States. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends we pay will constitute "passive income" or, in the case of certain US holders, "financial services income." The rules governing US foreign tax credits are very complex and US holders should consult their tax advisors regarding the availability of foreign tax credits under their particular circumstances.

Subject to applicable exceptions with respect to short-term and hedged positions, qualified dividends received by non-corporate US holders prior to January 1, 2013 from a qualified corporation may be eligible for reduced rates of taxation. Qualified corporations include those foreign corporations eligible for the benefits of a comprehensive income tax treaty with the United States that the US Treasury Department determines to be satisfactory for these purposes and that includes an exchange of information provision. The Tax Convention meets these requirements. We believe that we are a qualified foreign corporation and that dividends received by US investors with respect to our shares or ADSs will be qualified dividends. Dividends received by US investors from a foreign corporation that was a PFIC in either the taxable year of the distribution or the preceding taxable year are not qualified dividends.

Passive Foreign Investment Company Considerations

Special adverse US federal income tax rules apply if a US holder holds shares or ADSs of a company that is treated as a PFIC, for any taxable year during which the US holder held shares or ADSs. A foreign corporation will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income is passive income (the "income test"), or (ii) 50% or more of the average fair market value of its assets (determined quarterly) is attributable to assets that produce or are held for the production of passive income (the "asset test"). For this purpose, passive income generally includes dividends, interest, royalties, rents and certain gains from the sale of stock and securities. If a foreign corporation owns at least 25% (by value) of the stock of another corporation, the corporation will be treated, for purposes of the PFIC tests, as owning a proportionate share of the other corporation's assets and receiving its proportionate share of the other corporation's income. The determination of whether a foreign corporation is a PFIC is made annually.

Proposed Treasury regulations convert what would otherwise be passive income into non-passive income when such income is banking income earned by an active bank. Based upon these proposed Treasury regulations and upon certain management estimates and assumptions, we do not believe that we were a PFIC for the year ending March 31, 2011 because we did not meet either the income test or the asset test, although the proportion of our assets that produce or are held for the production of passive income increased as compared to earlier years. The determination of whether we are a PFIC must be made annually and involves a fact-intensive analysis based upon, among other things, the composition of our income and assets and the value of our assets from time to time. It is possible that we may become a PFIC in the fiscal year ending March 31, 2012 or any future taxable year due to changes in our income composition or relatively small changes in our asset composition. In addition, a decrease in the price of our shares may also result in our becoming a PFIC. Furthermore, there can be no assurance that the above-described proposed Treasury regulations will be finalized in their current form and, in any event, the application of the proposed Treasury regulations is not clear. If we were classified as a PFIC in any year during which a US holder owns shares or ADSs and the US holder does not make a "mark-to-market" election, as discussed below, we generally would continue to be treated as a PFIC as to such US holder in all succeeding years, regardless of whether we continue to meet the income or asset test discussed above. US Holders are urged to consult their own tax advisors with respect to the tax consequences to them if we were to become a PFIC for any taxable year in which they own our shares or ADSs.

If we were classified as a PFIC for any taxable year during which a US holder holds our shares or ADSs, the US holder would generally not receive capital gains treatment upon the sale of the shares or ADSs and would be subject to increased tax liability (generally including an interest charge) upon the sale or other disposition of the shares or ADSs or upon the receipt of certain distributions treated as "excess distributions," unless the US holder makes the mark-to-market election described below. An excess distribution generally would be any distribution to a US holder with respect to shares or ADSs during a single taxable year that is greater than 125% of the average annual distributions received by a US holder with respect to shares or ADSs during the three preceding taxable years or, if shorter, during the US holder's holding period for the shares or ADSs.

Mark-to-Market Election. If the shares or ADSs are regularly traded on a registered national securities exchange or certain other exchanges or markets, then such shares or ADSs would constitute "marketable stock" for purposes of the PFIC rules, and a US holder would not be subject to the foregoing PFIC rules if such holder made a mark-to-market election. After making such an election, the US holder generally would include as ordinary income each year during which the election is in effect and during which we are a PFIC the excess, if any, of the fair market value of our shares or ADSs at the end of the taxable year over such holder's adjusted basis in such shares or ADSs. These amounts of ordinary income would not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. A US holder also would be allowed to take an ordinary loss in respect of the excess, if any, of the holder's adjusted basis in our shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income that was previously included as a result of the mark-to-market election). A US holder's tax basis in our shares or ADSs would be adjusted to reflect any income or loss amounts resulting from a mark-to-market election. If made, a mark-to-market election would be effective for the taxable year for which the election was made and for all subsequent taxable years unless the shares or ADSs cease to qualify as "marketable stock" for purposes of the PFIC rules or the Internal Revenue Service consented to the revocation of the election. In the event that we are classified as a PFIC, US holders are urged to consult their tax advisors regarding the availability of the mark-to-market election, and whether the election would be advisable in the holder's particular circumstances.

QEF Election. The PFIC rules outlined above also would not apply to a US holder if such holder alternatively elected to treat us as a "qualified electing fund" or "QEF". An election to treat us as a QEF will not be available, however, if we do not provide the information necessary to make such an election. We will not provide US holders with the information necessary to make a QEF election, and thus, the QEF election will not be available with respect to our shares.

Notwithstanding any election made with respect to our shares, dividends received with respect to our shares will not constitute "qualified dividend income" if we are a PFIC in either the year of the distribution or the preceding taxable year. Dividends that do not constitute qualified dividend income are not eligible for taxation at the reduced tax rate described above in "—Taxation of Dividends." Instead, such dividends would be subject to tax at ordinary income rates.

If a US holder owns shares or ADSs during any year in which we are a PFIC, the US holder must also file IRS Form 8621 regarding distributions received on the shares or ADSs, any gain realized on the shares or ADSs, and any "reportable election" in accordance with the instructions to such form. In addition, under recently enacted legislation, each US shareholder of a PFIC is required to file such annual information as is specified by the US Treasury Department, which has not yet enacted regulations or other authority specifying what information must be filed. US holders are urged to consult their own tax advisors concerning the US federal income tax consequences of holding Offered Shares if the Company were considered a PFIC in any taxable year.

Taxation of Capital Gains

Subject to the application of the PFIC rules discussed above, upon a sale or other disposition of shares or ADSs, a US holder will recognize a gain or loss in an amount equal to the difference between the US dollar value of the amount realized and the US holder's tax basis, determined in US dollars, in such shares or ADSs. Such gains or losses will be capital gains or losses and will be long-term capital gains or losses if the US holder's holding period for such shares or ADSs exceeds one year. A US holder's adjusted tax basis in its shares or ADSs will generally be the cost to the holder of such shares or ADSs. Any such gains or losses realized by a US holder upon disposal of the shares or ADSs will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations under the Code.

Information Reporting and Backup Withholding

Dividends paid on shares or ADSs to a US holder, or proceeds from a US holder's sale or other disposition of shares or ADSs, may be subject to information reporting requirements. Those dividends or proceeds from sale or disposition may also be subject to backup withholding unless the US holder:

- is a corporation or other exempt recipient, and, when required, demonstrates this fact; or
- provides a correct taxpayer identification number on a properly completed US Internal Revenue Service Form W-9 or substitute form, certifies that the US holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Any amount withheld under these rules will be creditable against the US holder's US federal income tax liability or refundable to the extent that it exceeds such liability if the US holder provides the required information to the Internal Revenue Service. If a US holder is required to and does not provide a correct taxpayer identification number, the US holder may be subject to penalties imposed by the Internal Revenue Service. All holders should consult their tax advisors as to their qualification for the exemption from backup withholding and the procedure for obtaining an exemption.

In addition, for taxable years beginning after March 18, 2010, new legislation requires certain US holders who are individuals that hold certain foreign financial assets (which may include our shares or ADSs) to report information relating to such assets, subject to certain exceptions. US Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our shares and ADSs.

Additional Tax on Investment Income

For taxable years beginning after December 31, 2012, US Holders that are individuals, estates or trusts and whose income exceeds certain thresholds will be subject to a 3.8% Medicare contribution tax on unearned income, including, among other things, dividends on, and capital gains from the sale or other taxable disposition of, shares or ADSs, subject to certain limitations and exceptions.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We file periodic reports and other information with the SEC. You may read and copy any document that we file with the SEC at the SEC's public reference room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference rooms. The SEC also maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC (http://www.sec.gov). Some of this information may also be found on our website at http://www.mufg.jp.

I. Subsidiary Information

Please refer to discussion under "Item 4.C. Information on the Company—Organizational Structure."

Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

Numerous changes in our business environment have occurred as a result of globalization of the financial industry, the advancement of information technology and changes in economic conditions. We aim to be a global and comprehensive financial group encompassing leading commercial and trust banks, and securities firms in Japan. Risk management plays an increasingly important role as the risks faced by financial groups such as us increase in scope and variety.

We identify various risks arising from businesses based on uniform criteria, and implement integrated risk management to ensure a stronger financial condition and to maximize shareholder value. Based on this policy, we identify, measure, control and monitor a wide variety of risks so as to achieve a stable balance between earnings and risks. We undertake risk management to create an appropriate capital structure and to achieve optimal allocation of resources.

Risk Classification

At the holding company level, we broadly classify and define risk categories faced by the Group including those that are summarized below. Group companies perform more detailed risk management based on their respective operations.

Type of Risk	Definition
Credit Risk	The risk of financial loss in credit assets (including off-balance sheet instruments) caused by deterioration in the credit conditions of counterparties. This category includes country risk.
Market Risk	Market risk is the risk of financial loss where the value of our assets and liabilities could be adversely affected by changes in market variables such as interest rates, securities prices and foreign exchange rates. Market liquidity risk is the risk of financial loss caused by the inability to secure market transactions at the required volume or price levels as a result of market turbulence or lack of trading liquidity.
Liquidity Risk	The risk of incurring loss if a poor financial position at a group company hampers the ability to meet funding requirements or necessitates fund procurement at interest rates markedly higher than normal.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.
• Operations Risk	The risk of incurring loss that might be caused by negligence of correct operational processing, or by incidents or misconduct by either officers or staff, as well as risks similar to this risk.
• Information Asset Risk	The risk of loss caused by loss, alteration, falsification or leakage of information, or by destruction, disruption, errors or misuse of information systems, as well as risks similar to this risk.
• Reputation Risk	The risk of loss due to deterioration in reputation as a consequence of the spread of rumors among customers or in the market, or as a consequence of inadequate response to the circumstance by MUFG, as well as risks similar to this risk.

Risk Management System

We have adopted an integrated risk management system to promote close cooperation among the holding company and group companies. The holding company and the major subsidiaries (which include The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, and Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD) each appoint a Chief Risk Management Officer and establish an independent risk management division. At the Risk Management Committees, our management members discuss and dynamically manage various types of risks from both qualitative and quantitative perspectives. The board of directors determines risk management policies for various types of risk based on the discussions held by these committees.

The holding company seeks to enhance group-wide risk identification, to integrate and improve the Group's risk management system and related methods, to maintain asset quality, and to eliminate concentrations of specific risks. Group-wide risk management policy is determined at the holding company level and each group company implements and improves its own risk management system based on this policy.

Business Continuity Management

Based on a clear critical response rationale and associated decision-making criteria, we have developed systems to ensure that operations are not interrupted or can be restored to normal quickly in the event of a natural disaster or system failure so as to minimize any disruption to customers and markets. A crisis management team within the holding company is the central coordinating body in the event of any emergency. Based on information collected from crisis management personnel at the major subsidiaries, this central body would assess the overall impact of a crisis on the Group's business and establish task forces that could implement all countermeasures to restore full operations. We have business continuity plans to maintain continuous operational viability in the event of natural disasters, system failures and other types of emergencies. Regular training drills are conducted to upgrade the practical effectiveness of these systems.

The recent massive earthquake that struck the northeastern region of Japan on March 11, 2011 created unprecedented and extreme circumstances, including radiation leakage caused by the accidents at the Fukushima Daiichi Nuclear Power Plant, an electricity power supply shortage and a need for all companies in Japan, including us, to reduce their electricity consumption during the summer of 2011. We have initiated a comprehensive review of our existing business continuity plan to more effectively respond to these circumstances as well as further extreme scenarios, such as further radioactive contamination in the Tokyo metropolitan area and a sudden massive blackout in major metropolitan areas in Japan.

Implementation of Basel Regulation

Basel II, as adopted by the Japanese FSA, has been applied to Japanese banks since March 31, 2007. Basel II is a comprehensive regulatory framework based on "three pillars": (1) minimum capital requirements, (2) the self-regulation of financial institutions based on supervisory review process, and (3) market discipline through the disclosure of information. Based on the principles of Basel II, MUFG has adopted the Advanced Internal Ratings-Based Approach to calculate its capital requirements for credit risk since March 31, 2009. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to our overall capital requirements and a few subsidiaries have adopted a phased rollout of the internal ratings-based approach. MUFG has adopted the Standardized Approach to calculate its capital requirements for operational risk. As for market risk, MUFG has adopted the Internal Models Approach mainly to calculate general market risk and adopted the Standardized Method to calculate specific risk.

In response to the recent financial crisis, "Basel III" has been developed by the Basel Committee on Banking Supervision as a comprehensive set of reform measures designed to further strengthen the regulation, supervision and risk management of the banking sector. Among these measures, new capital standards are expected to be introduced in phases between calendar 2013 and 2015, and additional measures, such as new liquidity ratio and leverage ratio standards, are expected to be implemented in phases thereafter. In addition, in July 2011, the Basel Committee on Banking Supervision proposed additional loss absorbency requirements to supplement the common equity Tier I capital requirement ranging from 1% to 2.5% for global systemically important banks, depending on the bank's systemic importance, to be phased in between January 2016 and December 2018. We intend to carefully monitor further developments with an aim to enhance our corporate value and maximize shareholder value by integrating the various strengths within the MUFG group.

Credit Risk Management

Credit risk is the risk of losses due to deterioration in the financial condition of a borrower. We have established risk management systems to maintain asset quality, manage credit risk exposure and achieve earnings commensurate with risk.

Our major banking subsidiaries (which include BTMU and MUTB) apply a uniform credit rating system for asset evaluation and assessment, loan pricing, and quantitative measurement of credit risk. This system also underpins the calculation of capital requirements and management of credit portfolios. We continually seek to upgrade credit portfolio management, or CPM, expertise to achieve an improved risk-adjusted return based on the Group's credit portfolio status and flexible response capability to economic and other external changes.

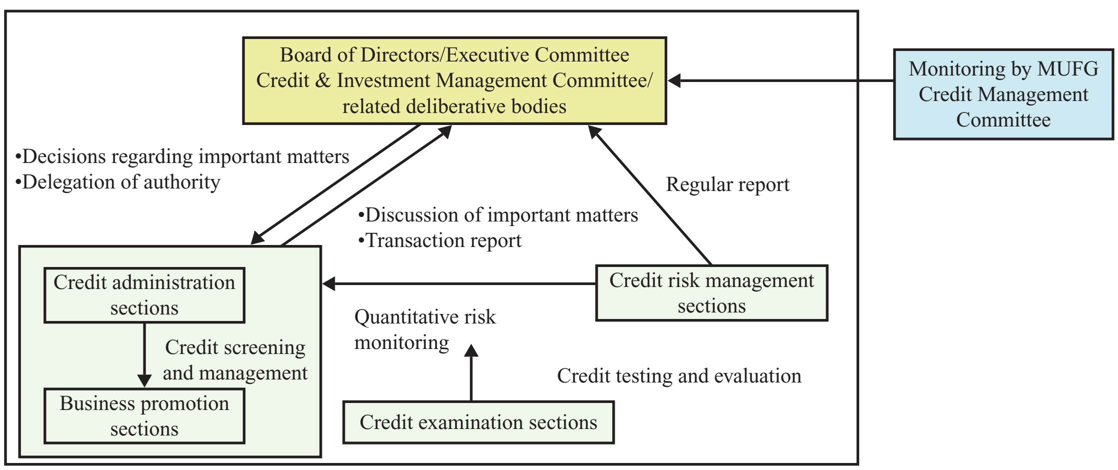
Credit Risk Management System

The credit portfolios of our major banking subsidiaries are monitored and assessed on a regular basis by the holding company to maintain and improve asset quality. A uniform credit rating and asset evaluation and assessment system is used to ensure timely and proper evaluation of all credit risks.

Under our credit risk management system, each of our subsidiaries in the banking, securities, consumer finance, and leasing businesses, manages its respective credit risk on a consolidated basis based on the attributes of the risk, while the holding company oversees and manages credit risk on an overall group-wide basis. The holding company also convenes regular committee meetings to monitor credit risk management at banking subsidiaries and to issue guidance where necessary.

Each major banking subsidiary has in place a system of checks and balances in which a credit administration section that is independent of the business promotion sections screens individual transactions and manages the extension of credit. At the management level, regular meetings of the Credit & Investment Management Committee and related deliberative bodies ensure full discussion of important matters related to credit risk management. Besides such checks and balances and internal oversight systems, credit examination sections also undertake credit testing and evaluation to ensure appropriate credit risk management.

The following diagram summarizes the credit risk management framework for our major banking subsidiaries:



Credit Rating System

MUFG and its major banking subsidiaries use an integrated credit rating system to evaluate credit risk. The credit rating system consists primarily of borrower rating, facility risk rating, structured finance rating and asset securitization rating.

Country risk is also rated on a uniform group-wide basis. Our country risk rating is reviewed periodically to take into account relevant political and economic factors, including foreign currency availability.

Risk exposure for small retail loans, such as residential mortgage loans, is managed by grouping loans into various pools and assigning ratings at the pool level.

Borrower rating

Our borrower rating classifies borrowers into 15 grades based on evaluations of their expected debt-service capability over the next three to five years.

The following table sets forth our borrower grades:

Definition of MUFG Borrower Rating

MUFG Borrower Rating	MUFG Borrower Rating Definition
1	The capacity to meet financial commitments is extremely certain, and the borrower has the highest level of creditworthiness.
2	The capacity to meet financial commitments is highly certain, but there are some elements that may result in lower creditworthiness in the future.
3	The capacity to meet financial commitments is sufficiently certain, but there is the possibility that creditworthiness may fall in the long run.
4	There are no problems concerning the capacity to meet financial commitments, but there is the possibility that creditworthiness may fall in the long run.
5	There are no problems concerning the capacity to meet financial commitments, and creditworthiness is in the middle range.
6	There are no problems concerning the capacity to meet financial commitments presently, but there are elements that require attention if the situation changes.
7	There are no problems concerning the capacity to meet financial commitments presently, but long-term stability is poor.
8	There are no problems concerning the capacity to meet financial commitments presently, but long-term stability is poor, and creditworthiness is relatively low.
9	The capacity to meet financial commitments is somewhat poor, and creditworthiness is the lowest among “Normal” customers.
10 through 12	Borrowers who must be closely monitored because of the following business performance and financial conditions: (1) Borrowers who have problematic business performance, such as virtually delinquent principal repayment or interest payment; (2) Borrowers whose business performance is unsteady, or who have unfavorable financial conditions; (3) Borrowers who have problems with loan conditions, for whom interest rates have been reduced or shelved.
10	Although business problems are not serious or their improvement is seen to be remarkable, there are elements of potential concern with respect to the borrower’s management, and close monitoring is required.
11	Business problems are serious, or require long-term solutions. Serious elements concerning business administration of the borrower have emerged, and subsequent debt repayment needs to be monitored closely.
12	Borrowers who fall under the criteria of Rating 10 or 11 and have “Restructured Loans”. Borrowers who have “Loans contractually past due 90 days or more”. (As a rule, delinquent borrowers are categorized as “Likely to Become Bankrupt,” but the definition here applies to borrowers delinquent for 90 days or more because of inheritance and other special reasons.)
13	Borrowers who pose a serious risk with respect to debt repayment, loss is likely to occur in the course of transactions. While still not bankrupt, these borrowers are in financial difficulty, with poor progress in achieving restructuring plans, and are likely to become bankrupt in the future.
14	While not legally bankrupt, borrowers who are considered to be virtually bankrupt because they are in serious financial difficulty and have no prospects for an improvement in their business operations.
15	Borrowers who are legally bankrupt (i.e., who have no prospects for continued business operations because of non-payment, suspension of business, voluntary liquidation, or filing for legal liquidation).

The Japanese regulatory authorities require Japanese banks to categorize borrowers as follows:

- Normal borrowers (generally corresponding to borrowers in categories 1 through 9 in our ratings), which are borrowers that are performing well, with no significant financial concerns;
- Borrowers requiring close watch (generally corresponding to borrowers in categories 10 through 12 in our ratings), which include loans that have been amended to allow for delays or forgiveness of interest payments, borrowers experiencing difficulty in complying with loan terms and conditions and borrowers that are recording losses or performing badly;
- Borrowers likely to become bankrupt (generally corresponding to borrowers in category 13 in our ratings), which relate to borrowers who pose a serious risk with respect to debt repayment, loss is likely to occur in the course of transactions. While still not bankrupt, these borrowers are in financial difficulty, with poor progress in achieving restructuring plans, and are likely to become bankrupt in the future;
- Virtually bankrupt borrowers (generally corresponding to borrowers in category 14 in our ratings), which are not legally bankrupt, but borrowers who are considered to be virtually bankrupt because they are in serious financial difficulty and have no prospects for an improvement in their business operations; and
- Bankrupt borrowers or de facto bankrupt borrowers (generally corresponding to borrowers in category 15 in our ratings), which are borrowers who are legally bankrupt (i.e., who have no prospects for continued business operations because of non-payment, suspension of business, voluntary liquidation, or filing for legal liquidation) proceedings.

The primary data utilized in our assessment of borrowers include the borrower's financial statements and notes thereto as well as other public disclosure made by the borrower. In addition, when appropriate and possible, we obtain non-public financial and operating information from borrowers, such as the borrower's business plan, borrower's self-evaluation of its operating assets and other borrower information about its business and products.

Based on the borrower and industry information, we assign borrower ratings mainly by applying financial scoring models—either developed internally or by third party vendors, depending on the borrower's attributes, whether the borrower is domestic or foreign, whether the borrower is a large corporation or small and medium-sized corporation, and whether the borrower is corporate entity or another type of legal entities (school, hospital, fund, etc.).

For example, for domestic small and medium-sized corporations, which constitute the largest borrower attribute in our current loan portfolio in terms of number of borrowers, we have adopted an internally developed financial scoring model, exclusively designed and developed for such attribute. We have carefully selected various financial ratios that we believe to be useful and meaningful to quantitatively measure and assess the borrowers' financial standings and repayment capability. Such financial ratios represent, among other things, borrowers' growth, profitability, stability, cash flow, company size and capital efficiency. The model is periodically validated against historical results. The following is an illustration of some of the financial ratio we utilize as part of our financial scoring model:

- To measure growth: Sales growth, and growth in total assets;
- To measure profitability: Current profit to sales, and profit before tax to sales; and
- To measure stability: Equity ratio and current ratio.

The financial score obtained through the models is reviewed and when necessary, adjusted downward to reflect our qualitative assessment of the borrower's financial strength and other factors that could affect the borrower's ability to service the debt. For example, we take into account: capability of turning around the business (in case of borrowers with losses) or recovering positive net worth (in case of borrowers with negative net worth), industry risk, management risk, legal risk, as well as our assessment of the probability of receiving support from parent companies (if the borrower is a subsidiary of a large listed company).

When adjusting the results of primary financial scoring assigned to borrowers with losses, we consider the severity of losses and the possibility of improving operating results. We analyze and assess whether the loss is temporary, the trend in operating results is improving, or the loss is expected to continue for an extended period. When adjusting the results of primary financial scoring assigned to borrowers with losses or borrowers with negative net worth, we also analyze whether the borrower can return to a positive net worth, and the time period needed to achieve such recovery (one to two years, three to five years, or five years or more).

In addition, adjustments based on industry risk are based on future prospects, applicable laws and regulations, and other factors surrounding the industry. Adjustments for management risk reflect our assessment of management's track record, the composition of the management team including the board of directors, any succession management plan as well as the risk management and compliance framework of the borrower. Adjustments for legal risk are made when the borrower is facing a lawsuit and when there is a possibility of a significant claim payment related to product liability, intellectual property, environmental problems, building standard law, and other legal issues.

When assessing the probability of receiving support from parent companies, various factors are examined, such as the parent company's credit standings, whether key management personnel are sent by the parent, whether the borrower is consolidated by the parent, and the proportion of the borrower in consolidated sales and/or profits of the parent.

In addition, we consider outside ratings, and its internal borrower ratings may be adjusted when deemed appropriate.

Facility risk rating

Facility risk rating is used to evaluate and classify the quality of individual credit facilities, including guarantees and collateral. Ratings are assigned by quantitatively measuring the estimated loss rate of a facility in the event of a default.

Structured finance rating and asset securitization rating

Structured finance rating and asset securitization rating are also used to evaluate and classify the quality of individual credit facilities, including guarantees and collateral, and focus on the structure, including the applicable credit period, of each credit facility. In evaluating the debt service potential of a credit facility, we scrutinize its underlying structure to determine the likelihood of the planned future cash flows being achieved.

Pool assignment

Each major banking subsidiary has its own system for pooling and rating small retail loans designed to reflect the risk profile of its loan portfolios.

Asset Evaluation and Assessment System

The asset evaluation and assessment system is used to classify assets held by financial institutions according to the probability of collection and the risk of any impairment in value based on borrower classifications consistent with the borrower ratings and the status of collateral, guarantees, and other factors.

The system is used to conduct write-offs and allocate allowances against credit risk in a timely and adequate manner.

Quantitative Analysis of Credit Risk

MUFG and its major banking subsidiaries manage credit risk by monitoring credit amount and expected losses, and run simulations based on internal models to estimate the maximum amount of credit risk. These models are used for internal management purposes, including loan pricing and measuring economic capital.

When quantifying credit risk amounts using the internal models, MUFG and its major banking subsidiaries consider various parameters, including probability of default, or PD, loss given default, or LGD, and exposure at default, or EAD, used in their borrower ratings, facility risk ratings and pool assignments as well as any credit concentration risk in particular borrower groups or industry sectors. MUFG and its major banking subsidiaries also share credit portfolio data in appropriate cases.

Loan Portfolio Management

We aim to achieve and maintain levels of earnings commensurate with credit risk exposure. Products are priced to take into account expected losses, based on the internal credit ratings.

We assess and monitor loan amounts and credit exposure by credit rating, industry and region. Portfolios are appropriately managed to limit concentrations of risk in specific categories by establishing Large Credit Guidelines.

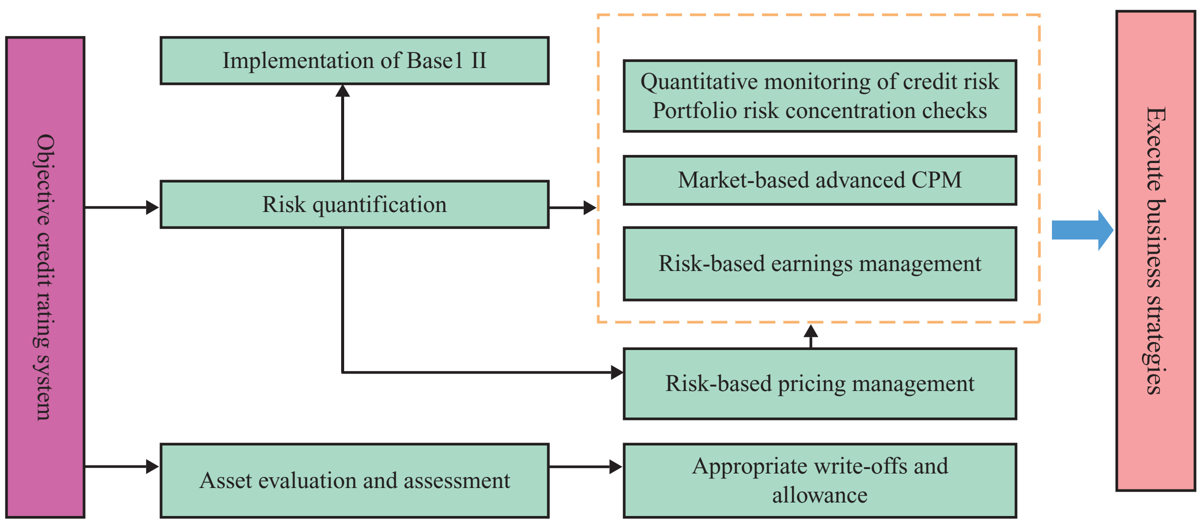
To manage country risk, we have established specific credit ceilings by country. These ceilings are reviewed when there is any material change in a country's credit standing, in addition to regular review.

Continuous CPM Improvement

With the prevalence of securitized products and credit derivatives in global markets, we seek to supplement conventional CPM techniques with advanced methods based on the use of such market-based instruments.

Through credit risk quantification and portfolio management, we aim to improve the risk return profile of the Group's credit portfolio, using financial markets to rebalance credit portfolios in a dynamic and active manner based on an accurate assessment of credit risk. The following diagram summarizes our CPM framework:

Credit Portfolio Management (CPM) Framework



Risk Management of Strategic Equity Portfolio

Strategic equity investment risk is the risk of loss caused by a decline in the prices of our equity investments.

We hold shares of various corporate clients for strategic purposes, in particular to maintain long-term relationships with these clients. These investments have the potential to increase business revenue and appreciate in value. At the same time, we are exposed to the risk of price fluctuation in the Japanese stock market. For that reason, in recent years, it has been a high priority for us to reduce our equity portfolio to limit the risks associated with holding a large equity portfolio, but also to comply with a regulatory framework that prohibits Japanese banks from holding an amount of shares in excess of their adjusted Tier I capital after September 2006.

We use quantitative analysis to manage the risks associated with the portfolio of equities held for strategic purposes. According to internal calculations, the market value of our strategically held (Tokyo Stock Exchange-listed) stocks (excluding foreign stock exchange-listed stocks) as of March 31, 2011 was subject to a variation of approximately ¥4.05 billion when TOPIX index moves one point in either direction.

We seek to manage and reduce strategic equity portfolio risk based on such types of simulation. The aim is to keep this risk at appropriate levels compared with Tier I capital while generating returns commensurate with the degree of risk exposure.

Market Risk Management

Market risk is the risk that the value of our assets and liabilities could be adversely affected by changes in market variables such as interest rates, securities prices, or foreign exchange rates.

Management of market risk at MUFG aims to control related risk exposure across the Group while ensuring that earnings are commensurate with levels of risk.

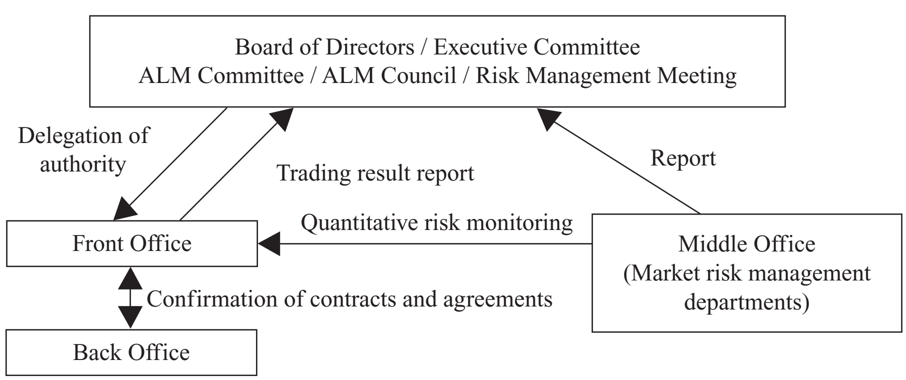
Market Risk Management System

We have adopted an integrated system to manage market risk from our trading and non-trading activities. The holding company monitors group-wide market risk, while each of the major subsidiaries manages its market risks on a consolidated and global basis.

At each of the major subsidiaries, checks and balances are maintained through a system in which back and middle offices operate independently from front offices. In addition, separate Asset-Liability Management, or ALM, Committee, ALM Council and Risk Management Meetings are held at each of the major subsidiaries every month to deliberate important matters related to market risk and control.

The holding company and the major subsidiaries allocate economic capital commensurate with levels of market risk and determined within the scope of their capital bases. The major subsidiaries have established quantitative limits relating to market risk based on their allocated economic capital. In addition, in order to keep losses within predetermined limits, the major subsidiaries have also set limits for the maximum amount of losses arising from market activities. The following diagram summarizes the market risk management system of each major subsidiary:

Market Risk Management System of Our Major Subsidiaries



Market Risk Management and Control

At the holding company and the major subsidiaries, market risk exposure is reported to the Chief Risk Management Officers on a daily basis. At the holding company, the Chief Risk Management Officer monitors market risk exposure across the Group as well as the major subsidiaries' control over their quantitative limits for market risk and losses. Meanwhile, the Chief Risk Management Officers at the major subsidiaries monitor their own market risk exposure and their control over their quantitative limits for market risk and losses. In addition, various analyses on risk profiles, including stress testing, are conducted and reported to the Executive Committees and the Corporate Risk Management Committees on a regular basis. At the business unit levels in the major subsidiaries, the market risks on their marketable assets and liabilities, such as interest rate risk and foreign exchange rate risk, are controlled by entering into various hedging transactions using marketable securities and derivatives.

As part of our market risk management activities, we use certain derivative financial instruments to manage our interest rate and currency exposures. We maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. We enter into interest rate swaps and other contracts as part of our interest rate risk management strategy primarily to alter the interest rate sensitivity of our loans, investment securities and deposit liabilities. Our principal objectives in risk management include asset and liability management. Asset and liability management is viewed as one of the methods for us to manage our interest rate exposures on interest-earning assets and interest-bearing liabilities. Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options and futures, allow us to effectively manage our interest rate risk position. Option contracts primarily consist of caps, floors, swaptions and options on index futures. Futures contracts used for asset and liability management activities are primarily index futures providing for cash payments based upon the movement of an underlying rate index. We enter into forward exchange contracts, currency swaps and other contracts in response to currency exposures resulting from on-balance sheet assets and liabilities denominated in foreign currencies in order to limit the net foreign exchange position by currency to an appropriate level.

These market risk management activities are performed in accordance with the predetermined rules and procedures. The internal auditors as well as independent accounting auditors regularly verify the appropriateness of the management controls over these activities and the risk evaluation models adopted.

Market Risk Measurement Model

Market risks consist of general risks and specific risks. General market risks result from changes in entire markets, while specific risks relate to changes in the prices of individual stocks and bonds which are independent of the overall direction of the market.

To measure market risks, MUFG uses the VaR method which estimates changes in the market value of portfolios within a certain period by statistically analyzing past market data. Since the daily variation in market risk is significantly greater than that in other types of risk, MUFG measures and manages market risk using VaR on a daily basis.

Market risk for trading and non-trading activities is measured using a uniform market risk measurement model. The principal model used for these activities is historical simulation (HS) model (holding period, 10 business days; confidence interval, 99%; and observation period, 701 business days). The HS model calculates VaR amounts by estimating the profit and loss on the current portfolio by applying actual fluctuations in market rates and prices over a fixed period in the past. This method is designed to capture certain statistically infrequent movements, such as a fat tail, and accounts for the characteristics of financial instruments with non-linear behavior. Independent auditors, who were engaged only in the particular audit, verified the accuracy and appropriateness of this internal market risk model. The holding company and banking subsidiaries use the HS model to calculate Basel II regulatory capital adequacy ratios.

In calculating VaR using the HS method, we have implemented an integrated market risk measurement system throughout the Group. Our major subsidiaries calculate their VaR based on the risk and market data prepared by the information systems of their front offices and other departments. The major subsidiaries provide this risk data to the holding company, which calculates overall VaR, taking into account the diversification effect among all portfolios of the major subsidiaries.

For the purpose of internally evaluating capital adequacy on an economic capital basis in terms of market risk, we use this market risk measurement model to calculate risk amounts based on a holding period of one year and a confidence interval of 99%.

Monitoring and managing our sensitivity to interest rate fluctuations is the key to managing market risk in MUFG's non-trading activities. The major banking subsidiaries take the following approach to measuring risks concerning core deposits, loan prepayments and early deposit withdrawals.

To measure interest rate risk relating to deposits without contract-based fixed maturities, the amount of "core deposits" is calculated through a statistical analysis based on deposit balance trend data and the outlook for interest rates on deposits, business decisions, and other factors. The amount of "core deposit" is categorized into various groups of maturity terms of up to five years (2.5 years on average) to recognize interest rate risk. The calculation assumptions and methods to determine the amount of core deposits and maturity term categorization are regularly reviewed.

Meanwhile, deposits and loans with contract-based maturities are sometimes cancelled or repaid before their maturity dates. To measure interest rate risk for these deposits and loans, we reflect these early termination events mainly by applying early termination rates calculated based on a statistical analysis of historical repayment and cancellation data together with historical market interest rate data.

Summaries of Market Risks (Fiscal Year Ended March 31, 2011)

Trading activities

The aggregate VaR for our total trading activities as of March 31, 2011 was ¥18.17 billion, comprising interest rate risk exposure of ¥20.15 billion, foreign exchange risk exposure of ¥3.81 billion, and equity-related risk exposure of ¥0.51 billion. Compared with the VaR as of March 31, 2010, we experienced an increase in market risk during the fiscal year ended March 31, 2011, primarily due to an increase in yen interest rate risk.

Our average daily VaR for the fiscal year ended March 31, 2011 was ¥16.07 billion. Based on a simple sum of figures across market risk categories, interest rate risk accounted for approximately 64%, foreign exchange risk for approximately 28% and equity-related risk for approximately 6%, of our total trading activity market risks.

Due to the nature of trading operations which involves frequent changes in trading positions, market risk varied substantially during the fiscal year, depending on our trading positions.

The following tables set forth the VaR related to our trading activities by risk category for the periods indicated:

April 1, 2009—March 31, 2010	Average	Maximum[(1)]	Minimum[(1)]	March 31, 2010
		(in billions)		
MUFG	¥18.02	¥25.66	¥11.29	¥17.06
Interest rate	16.36	22.06	11.90	18.08
Yen	11.81	17.49	7.57	11.61
US Dollars	6.30	11.72	3.36	11.31
Foreign exchange	5.11	10.36	1.70	4.05
Equities	2.93	8.05	0.90	1.94
Commodities	0.50	0.93	0.20	0.61
Less diversification effect	(6.88)	—	—	(7.62)

April 1, 2010—March 31, 2011	Average	Maximum[(1)]	Minimum[(1)]	March 31, 2011
		(in billions)		
MUFG	¥16.07	¥25.22	¥12.15	¥18.17
Interest rate	15.54	20.15	12.36	20.15
Yen	8.46	13.51	5.27	11.32
US Dollars	8.49	11.78	5.97	9.01
Foreign exchange	6.75	16.89	0.29	3.81
Equities	1.56	3.62	0.27	0.51
Commodities	0.57	1.28	0.22	0.59
Less diversification effect	(8.35)	—	—	(6.89)

Assumptions for VaR calculations:

Historical simulation method
Holding period: 10 business days
Confidence interval: 99%
Observation period: 701 business days

Note:

(1) The maximum and minimum VaR overall and for various risk categories were taken from different days. A simple summation of VaR by risk category is not equal to total VaR due to the effect of diversification.

The average daily VaR by quarter in the fiscal year ended March 31, 2011 was as follows:

Quarter	Daily average VaR
	(in billions)
April—June 2010	¥15.73
July—September 2010	14.55
October—December 2010	16.66
January—March 2011	17.39

The quantitative market risk figures from trading activities tend to fluctuate widely due to the market sensitive nature of trading business. During the fiscal year ended March 31, 2011, the revenue from our trading activities has been relatively stable, keeping positive numbers in 192 days out of 261 trading days in the period. During the same period, there were 66 days with positive revenue exceeding ¥1 billion and 13 days with negative revenue exceeding minus ¥1 billion.

Non-trading Activities

The aggregate VaR for our total non-trading activities as of March 31, 2011, excluding market risks related to our strategic equity portfolio and measured using the same standards as trading activities, was ¥559.9 billion. Market risks related to interest rates equaled ¥524.1 billion and equities-related risks equaled ¥159.3 billion. Compared with the VaR for MUFG at March 31, 2010, the increase in the overall market risk was ¥104.2 billion. Market risks related to interest rates increased ¥93.2 billion. Equity related risks increased ¥12.2 billion.

Based on a simple sum of figures across market risk categories, interest rate risks accounted for approximately 77% of our total non-trading activity market risks. Looking at a breakdown of interest rate related risk by currency, at March 31, 2011, the yen accounted for approximately 41% while the US dollar accounted for approximately 51%.

The following table shows the VaR related to our non-trading activities by risk category for the fiscal year ended March 31, 2011:

April 1, 2010—March 31, 2011	Average	Maximum(1)	Minimum(1)	March 31, 2011
		(in billions)		
Interest rate	¥514.6	¥607.6	¥424.9	¥524.1
Yen	235.8	274.1	179.1	257.5
US Dollars	326.7	422.2	259.3	324.2
Foreign exchange	0.1	0.8	0.0	0.0
Equities	138.8	187.4	89.9	159.3
Total(1)	541.7	629.7	451.1	559.9

Assumptions for VaR calculations:

Historical simulation method
Holding period: 10 business days
Confidence interval: 99%
Observation period: 701 business days

Note:

(1) The maximum and minimum VaR overall for each category and in total were taken from different days. The equities-related risk figures do not include market risk exposure from our strategic equity portfolio. A simple summation of VaR by risk category is not equal to total VaR due to the effect of diversification.

The average daily interest rate VaR by quarter in the fiscal year ended March 31, 2011 was as follows.

Quarter	Daily average VaR
	(in billions)
April—June 2010	¥481.78
July—September 2010	540.55
October—December 2010	574.01
January—March 2011	570.74

Comparing the proportion of each currency's interest rate VaR to the total interest rate VaR as of March 31, 2011 against that as of March 31, 2010, there were a 5 percentage point increase in Japanese yen from 36% to 41%, a 5 percentage point decrease in Euro from 13% to 8%, and no change in US dollar at 51%.

Backtesting

We conduct backtesting in which a VaR is compared with actual realized and unrealized losses on a daily basis to verify the accuracy of our VaR measurement model. We also conduct additional backtesting using other methods, including testing VaR against hypothetical losses and testing VaR by various changing parameters such as confidence intervals and observation periods used in the model.

Actual losses never exceeded VaR in the fiscal year ended March 31, 2011. This means that our VaR model provided reasonably accurate measurements of market risk during the fiscal year.

Stress Testing

We have adopted an HS-VaR model, which calculates a VaR as a statistically possible amount of losses in a fixed confidence interval based on historical market volatility. However, the HS-VaR model is not designed to capture certain abnormal market fluctuations. In order to complement this weakness of the model, MUFG conducts portfolio stress testing to measure potential losses using a variety of scenarios.

The holding company and the major subsidiaries conduct stress testing on a daily, monthly and quarterly basis to monitor their overall portfolio risk by applying various scenarios. For example, daily stress testing at the holding company estimates maximum potential losses in each market on the current trading portfolio based on the worst ten-day historical volatility recorded during the VaR observation period of 701 days.

In light of increased market volatility since the second half of calendar 2007, we have implemented additional tests under various stress scenarios to supplement VaR and are applying the test results to risk management.

Liquidity Risk Management

Liquidity risk is the risk of incurring losses if a poor financial position hampers the ability to meet funding requirements, or necessitates fund procurement at interest rates markedly higher than normal.

Our major subsidiaries maintain appropriate liquidity in both Japanese yen and foreign currencies by managing their funding sources and mechanism, such as liquidity gap, liquidity-supplying products such as commitment lines, and buffer assets.

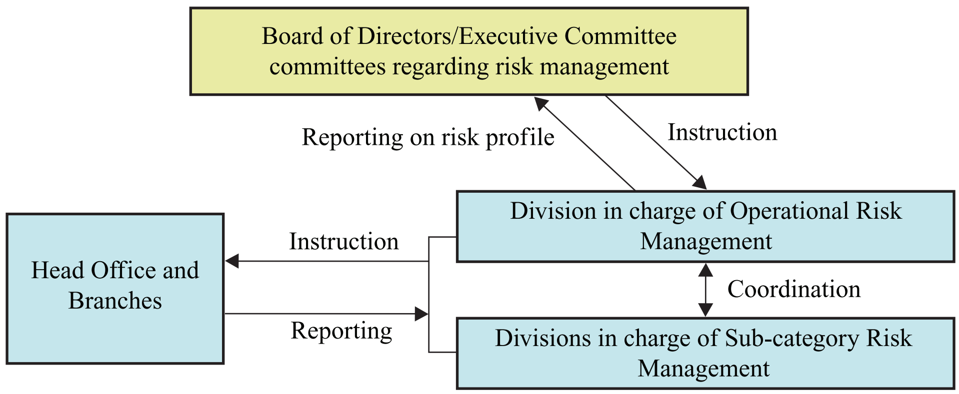
We have established a group-wide system for managing liquidity risk by categorizing the risk in the following three stages: Normal, With-Concern, and Critical. The front offices and risk management offices of the major subsidiaries and the holding company exchange information and data on liquidity risk even at the Normal stage. At higher alert stages, we centralize information about liquidity risk and discuss issues relating to group-wide liquidity control actions among group companies, if necessary. We have also established a system for liaison and consultation on funding in preparation for contingency, such as natural disasters, wars and terrorist attacks. The holding company and the major subsidiaries conduct group-wide contingency preparedness drills on a regular basis to ensure smooth implementation in the event of an emergency.

Operational Risk Management

Operational risk refers to the risk of loss caused by either internal control issues, such as inadequate operational processes or misconduct, system failures, or external factors such as serious political instability, major terrorist activity, health epidemics and natural disasters. The term includes a broad range of risks that could lead to losses, including operations risk, information asset risk, reputation risk, legal risk, and tangible asset risk. These risks that comprise operational risk are referred to as sub-category risks.

MUFG's board of directors has approved the MUFG Operational Risk Management Policy as a group-wide policy for managing operational risk. This policy sets forth the core principles regarding operational risk management, including the definition of operational risk, and the risk management system and processes. The policy also requires the board of directors and the Executive Committee to formulate fundamental principles of operational risk management and establish and maintain an appropriate risk management system. The Chief Risk Management Officer is responsible for recognizing, evaluating, and appropriately managing operational risk in accordance with the fundamental principles formulated by the board of directors and the Executive Committee. A division in charge of operational risk management must be established that is independent of business promotion sections to manage overall operational risk in a comprehensive manner. These fundamental principles have also been approved by the boards of directors of the major subsidiaries, providing a consistent framework for operational risk management of the Group. The diagram below sets forth the operational risk management system of each major banking subsidiary:

Operational Risk Management System of Our Major Banking Subsidiaries

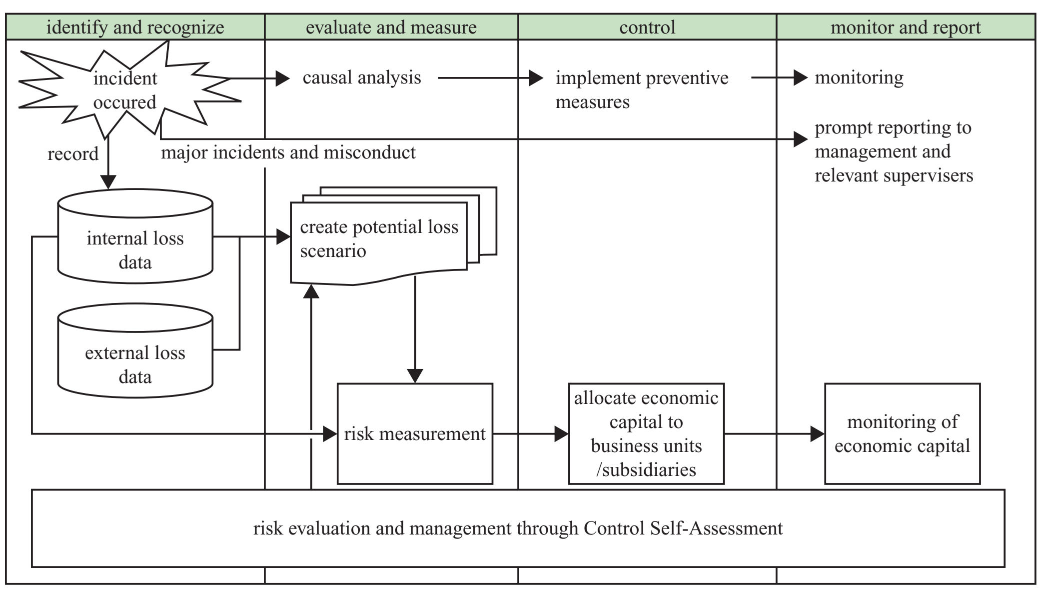


As set forth in the following diagram, we have established a risk management framework for loss data collection, control self assessment (CSA), and measurement of operational risk in order to appropriately identify, recognize, evaluate, measure, control, monitor and report operational risk.

We have also established group-wide reporting guidelines with respect to loss data collection and its monitoring. We focus our efforts on ensuring accurate assessment of the status of operational risk losses and the implementation of appropriate countermeasures, while maintaining databases of internal and external loss events.

The following diagram summarizes our operational risk management framework:

Operational Risk Management Framework



Operations Risk Management

Operations risk refers to the risk of loss that is attributable to the actions of executives or employees, whether accidental or the result of neglect or deliberate misconduct. The Group companies offer a wide range of financial services, ranging from commercial banking products such as deposits, exchange services and loans to trust and related services covering pensions, securities, real estate and securitization, as well as transfer agent services. Cognizant of the potentially significant impact that operations risk-related events could have in terms of both economic losses and damage to our reputation, our banking subsidiaries continue to improve their management systems to create and apply appropriate operations risk-related controls.

Specific ongoing measures to reduce operations risk include the development of databases to manage, analyze and prevent the recurrence of related loss events; efforts to tighten controls over administrative procedures and related operating authority, while striving to improve human resources management; investments in systems to improve the efficiency of administrative operations; and programs to expand and upgrade internal auditing and operational guidance systems.

Senior management receives regular reports on the status of our businesses from an operations risk management perspective. We work to promote the sharing within the Group of information and expertise concerning any operational incidents and the measures implemented to prevent any recurrence.

Efforts to upgrade the management of operations risk continue with the aim of providing our customers with a variety of high-quality services.

Information Asset Risk Management

Information asset risk refers to the risk of loss caused by loss, alteration, falsification or leakage of information, or by destruction, disruption, errors or misuse of information systems, as well as risks similar to this risk. In order to ensure proper handling of information and prevent loss or leakage of information, our major banking subsidiaries strive to better manage and reduce such risks through the appointment of managers with specific responsibilities for information security issues, the establishment of internal procedures, training courses designed for all staff, and the implementation of measures to ensure stable IT systems control. We have also formulated the Personal Information Protection Policy as the basis for ongoing programs to protect the confidentiality of personal information.

Systems planning, development and operations include appropriate design and extensive testing phases to ensure that systems are designed to help prevent failures while providing sufficient safeguards for the security of personal information. The status of the development of any mission-critical IT systems is reported regularly to senior management. We have developed disaster countermeasures systems and have also been investing in duplication of the Group’s IT infrastructure to minimize damage in the event of any system failure. Emergency drills are conducted to help increase staff preparedness.

With the aim of preventing any recurrence, we also work to promote sharing of information within the Group related to the causes of any loss or leakage of information, or system failure.

Compliance

Basic Policy

The MUFG Group’s policy is to strictly observe laws, regulations and internal rules, and conduct its business in a fair, trustworthy and highly transparent manner based on the Group’s management philosophy of obtaining the trust and confidence of society as a whole. Furthermore, we have established an ethical framework and code of conduct as the basic ethical guidelines for the Group’s directors and employees. We have expressed our commitment to building a corporate culture in which we act with integrity and fairness in conformity with these guidelines.

In addition, as we expand the geographic scope of our business globally, we are increasingly committed to keeping abreast with developments in laws and regulations of the jurisdictions in which we operate, including anti-money laundering and anti-bribery, etc. We continue to work to ensure an appropriate compliance structure globally across the MUFG Group to enable sound and appropriate business management both in Japan and abroad.

Ethical Framework

1. Establishment of trust

We will remain keenly aware of the Group's social responsibilities and public mission and will exercise care and responsibility in the handling of customer and other information.

By conducting sound and appropriate business operations and disclosing corporate information in a timely and appropriate manner, we will seek to establish enduring public trust in the Group.

2. Putting customers first

We will always consider our customers, and through close communication will endeavor to satisfy them and gain their support by providing financial services that best meet their needs.

3. Strict observance of laws, regulations and internal rules

We will strictly observe applicable laws, regulations and internal rules, and will conduct our business in a fair and trustworthy manner that conforms to societal norms. As a global comprehensive financial group, we will also respect internationally accepted standards.

4. Respect for human rights and the environment

We will respect the character and individuality of others, work to maintain harmony with society, and place due importance on the protection of the global environment that belongs to all mankind.

5. Disavowal of anti-social elements

We will stand resolutely against any anti-social elements that threaten public order and safety.

Compliance Framework

Management and coordination of compliance-related matters are the responsibility of separate compliance management divisions established at the holding company and the major subsidiaries. Each compliance management division formulates compliance programs and organizes training courses to promote compliance, and regularly reports to each company's board of directors and Executive Committee on the status of compliance activities.

The holding company and each major subsidiary have also established voluntary committees, such as an Internal Audit and Compliance Committee, where members from outside the Group account for a majority, and a Group Compliance Committee. Through these measures, we have established a structure for deliberating key issues related to compliance. Additionally, the holding company has the Group Chief Compliance Officer, or CCO, Committee which deliberates important matters related to compliance and compliance-related issues for which the Group should share a common understanding.

CCO of Holding Company

Directors responsible for compliance at the holding company and the major subsidiaries have been named the CCOs of their respective companies. The CCOs of the major subsidiaries have also been appointed as the deputy CCOs of the holding company to assist the CCO of the holding company. This system promotes the prompt reporting of group-wide compliance-related information to the holding company and also allows the CCO of the holding company to effectively provide compliance-related guidance, advice, and instructions to MUFG Group companies.

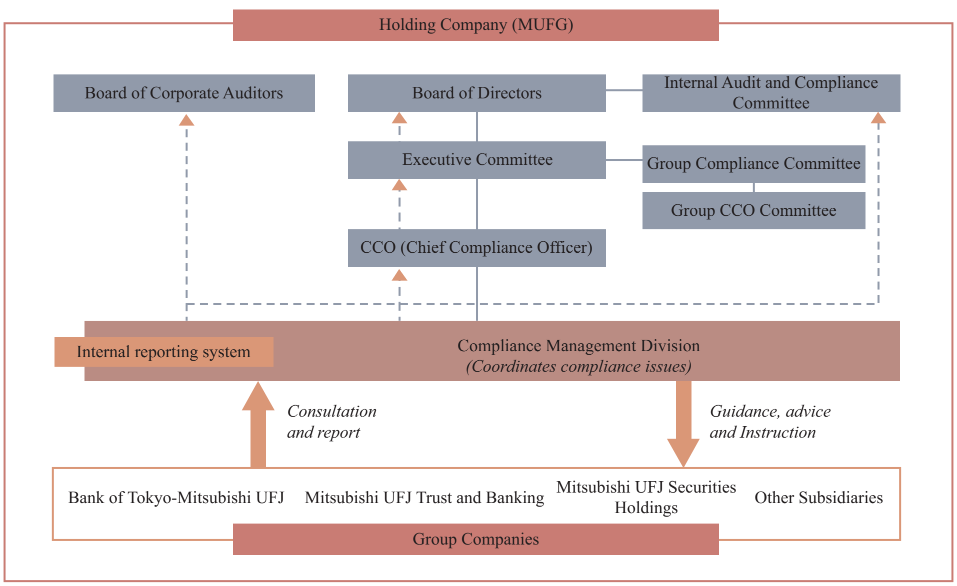
Group CCO Committee

The Group CCO Committee consists of the CCO of the holding company as the committee chairman and the CCOs of the major subsidiaries.

By timely holding meetings, the Group CCO Committee seeks to promote greater sharing of compliance-related information among the MUFG Group companies and works to strengthen the Group's incident prevention controls and to help the Group companies respond to unforeseen problems. The Committee also continues to strive to improve compliance systems throughout the Group.

The following diagram summarizes our compliance framework:

Compliance Framework



Internal Reporting System and Accounting Auditing Hotline

The major subsidiaries have established internal reporting systems that aim to identify compliance issues early so that any problems can be quickly rectified. This system includes an independent external compliance hotline. Furthermore, the holding company has set up an MUFG Group Compliance Helpline that acts in parallel with group-company internal reporting systems and provides a reporting channel for directors and employees of group companies.

In addition to these internal reporting systems, the holding company has also established an accounting auditing hotline that provides a means to report any problems related to MUFG accounting.

MUFG Accounting Auditing Hotline

MUFG has set up an accounting auditing hotline to be used to make reports related to instances of improper practices (violations of laws and regulations) and inappropriate practices, or of practices raising questions about such impropriety or inappropriateness, regarding accounting and internal control or audits related to accounting in Group companies. The reporting process works as follows, and may be carried out via letter or e-mail:

Hokusei Law Office
Address: Kojimachi 4-3-4, Chiyoda-ku, Tokyo
e-mail: MUFG-accounting-audit-hotline@hokusei-law.com

When reporting information please pay attention to the following:

- Please include the name of the company concerned, and provide detailed information with respect to the matter. Without detailed factual information there is a limit to how much our investigations can achieve.
- Anonymous information will be accepted.
- No information regarding the identity of the informant will be passed on to third parties without the approval of the informant him-or herself. However, this excludes instances where disclosure is legally mandated, or to the extent that the information is necessary for surveys or reports, when data may be passed on following the removal of the informant's name.
- Please submit reports in either Japanese or English.
- If the informant wishes, we will endeavor to report back to the informant on the response taken within a reasonable period of time following the receipt of specific information, but cannot promise to do so in all instances.

Internal Audit

Role of Internal Audit

Internal audit functions within MUFG seek to provide independent verification of the adequacy and effectiveness of internal control systems. This includes monitoring the status of risk management and compliance systems, which are critical to the maintenance of sound and appropriate business operations. Internal audit results are reported to senior management. An additional role of internal audit is to make suggestions to help improve or rectify any issues or specific problems that are identified.

Group Internal Audit Framework

The board of directors at the holding company level has instituted MUFG's internal audit policy to define the policy, function and organizational position of internal audits. Separate internal audit divisions have been created within the holding company and certain subsidiaries. Through close cooperation and collaboration among the internal audit divisions in each of these subsidiaries, these internal audit divisions provide coverage for the entire group and also support the board of directors in monitoring and overseeing all MUFG operations.

In addition to having primary responsibility for initiating and preparing plans and proposals related to internal audits of the entire Group, the Internal Audit Division at the holding company monitors and, as necessary, guides, advises and administers the internal audit divisions of subsidiaries and affiliated companies. The internal audit divisions within the major subsidiaries conduct audits of the respective head office and branch operations of these companies. In addition, each of these internal audit divisions undertakes direct audits of their respective subsidiaries, and monitors and oversees the separate internal audit functions established within them. This helps to evaluate and verify the adequacy and effectiveness of internal controls within MUFG on a consolidated basis.

Implementing Effective and Efficient Internal Audits

To ensure that internal audit processes use available resources with optimal effectiveness and efficiency, the internal audit divisions implement risk-focused internal audits in which the nature and magnitude of the associated risks are considered in determining audit priorities and the frequency and depth of internal audit activities. The internal audit divisions ensure that audit personnel attend key meetings, collect important internal control documents and access databases to facilitate efficient off-site monitoring.

Independence of Internal Audit Divisions

To strengthen the respective boards of directors' monitoring and supervision of operational execution status and to enhance the independence of the internal audit divisions, the holding company and the major subsidiaries have established internal audit and compliance committees. These committees receive reports from the internal audit divisions on important matters, including the results of the internal audits and basic policies for planning internal audits. The deliberations of the internal audit and compliance committees concerning such matters are then reported to the respective boards of directors.

Item 12. Description of Securities Other than Equity Securities.

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees, charges and other payments relating to ADSs

As a holder of our ADSs, you will be required to pay to The Bank of New York Mellon, as depositary for the ADSs, or the "Depositary," either directly or indirectly, the following fees or charges. The Depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees.

ADR holders must pay:	For:
$5.00 (or less) per 100 ADSs (or portion thereof)	Each issuance of an ADS, including as a result of a distribution of shares or rights or other property
	Each cancellation of an ADS, including if the agreement terminates
$0.02 (or less) per ADSs	Any cash distribution, to the extent permitted by any securities exchange on which the ADSs may be listed for trading
A fee equivalent to the fee that would be payable if securities distributed to the ADR holder had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders
Registration or transfer fees	Transfer and registration of shares on the share register of the foreign registrar from your name to the name of The Bank of New York Mellon or its agent when you deposit or withdraw shares
Expenses of The Bank of New York Mellon	Conversion of foreign currency to US dollars cable, telex and facsimile transmission expenses
Taxes and other governmental charges The Bank of New York Mellon or BTMU, as custodian, have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary

Fees Waived by the Depositary for the Fiscal Year Ended March 31, 2011

For the fiscal year ended March 31, 2011, the Depositary waived $134,737.58 of standard out-of-pocket maintenance costs for the ADRs, which consisted of the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile, and telephone calls.

Fees Waived by the Depositary for Future Periods

The Depositary has agreed to waive the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile, and telephone calls.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

None.

Item 15. Controls and Procedures.

Disclosure Controls and Procedures.

An evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer, or CEO, and the Chief Financial Officer, or CFO, of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the US Securities Exchange Act of 1934, as of the end of the period covered by this Annual Report.

Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2011.

Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the US Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed by, or under the supervision of, MUFG's principal executive and principal financial officers, and effected by MUFG's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP and includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of MUFG;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of MUFG are being made only in accordance with authorizations of management and directors of MUFG; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of MUFG's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management evaluated the effectiveness of our internal control over financial reporting as of March 31, 2011 based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, management has concluded that MUFG maintained effective internal control over financial reporting as of March 31, 2011.

The effectiveness of our internal control over financial reporting as of March 31, 2011 has been audited by Deloitte Touche Tohmatsu LLC, an independent registered public accounting firm, as stated in its report, presented on page 169.

Changes in Internal Control Over Financial Reporting.

During the period covered by this Annual Report, there has been no change in our internal control over financial reporting that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Mitsubishi UFJ Financial Group, Inc.
(Kabushiki Kaisha Mitsubishi UFJ Financial Group):

We have audited the internal control over financial reporting of Mitsubishi UFJ Financial Group, Inc. (Kabushiki Kaisha Mitsubishi UFJ Financial Group) ("MUFG") and subsidiaries (together, the "MUFG Group") as of March 31, 2011 based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The MUFG Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the MUFG Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

The MUFG Group's internal control over financial reporting is a process designed by, or under the supervision of, the MUFG Group's principal executive and principal financial officers, or persons performing similar functions, and effected by the MUFG Group's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The MUFG Group's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the MUFG Group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the MUFG Group are being made only in accordance with authorizations of management and directors of the MUFG Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the MUFG Group's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the MUFG Group maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of the MUFG Group as of March 31, 2010 and 2011, and the related consolidated statements of operations, changes in equity from nonowner sources, equity, and cash flows for each of the three years in the period ended March 31, 2011 (all expressed in Japanese Yen) and our report dated July 28, 2011 expressed an unqualified opinion on those financial statements and included explanatory paragraphs relating to (i) the restatement of the parenthetic note to Trading account assets in the consolidated balance sheet at March 31, 2010 as discussed in Note 8 to the consolidated financial statements, (ii) the restatements of certain information in the disclosures of pledged assets and collateral, regulatory capital requirements, and variable interest entities as discussed in Notes 8, 19 and 23 to the consolidated financial statements, and (iii) the changes in methods of accounting for (a) defined benefit pension and other post retirement plans (measurement date provision), (b) fair value measurements, (c) fair value option for financial assets and financial liabilities, (d) noncontrolling interests, (e) other-than-temporary impairments on investment securities, and (f) consolidation of variable interest entities all described in Note 1 to the consolidated financial statements.

/s/ Deloitte Touche Tohmatsu LLC
DELOITTE TOUCHE TOHMATSU LLC

Tokyo, Japan
July 28, 2011

Item 16A. Audit Committee Financial Expert.

Our board of corporate auditors has determined that Mr. Tsutomu Takasuka is an "audit committee financial expert" as defined in Item 16A of Form 20-F and is "independent" as defined in the listing standards of the New York Stock Exchange. Mr. Takasuka, a corporate auditor, has spent most of his business career auditing Japanese corporations as a certified public accountant and was a professor at Bunkyo Gakuin University from April 2004 to March 31, 2010. Mr. Takasuka is an "outside corporate auditor" under Japanese law.

Item 16B. Code of Ethics.

We have adopted a code of ethics, which constitutes internal rules named ethical framework and code of conduct, compliance rules and compliance manual, each of which applies to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions.

Our compliance rules set forth the necessity of adherence to our ethical framework and code of conduct by our directors, executive officers and employees. These rules also set forth the roles and responsibilities of our employees, compliance officers, Compliance Division and others in the event of a breach of the compliance rules.

Our compliance manual was created to identify, and to promote compliance by our directors, executive officers and employees with, the relevant laws and regulations in conjunction with our ethical framework and code of conduct and compliance rules. This manual also sets forth the procedures regarding the handling of conflicts of interest for our directors and the promotion of conduct that meets our ethical framework and code of conduct and compliance rules for employees.

A copy of the sections of our ethical framework and code of conduct, compliance rules, compliance manual, and rules of employment relating to the "code of ethics" (as defined in paragraph (b) of Item 16B. of Form 20-F) is attached as Exhibit 11 to this Annual Report. The code of ethics has been amended to emphasize certain fundamental principles and to reorganize and improve its presentation as part of our ongoing effort to enhance our corporate governance framework. For a detailed discussion of our current compliance structure, see "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk—Compliance." No waivers of the ethical framework and code of conduct, compliance rules, compliance manual and rules of employment have been granted to our principal executive officer, principal financial officer, principal accounting officer, directors and corporate auditors, during the fiscal year ended March 31, 2011.

Item 16C. Principal Accountant Fees and Services.

Fees and Services of Deloitte Touche Tohmatsu LLC

The aggregate fees billed by Deloitte Touche Tohmatsu LLC, our independent registered public accounting firm and its affiliates, for the fiscal years ended March 31, 2010 and 2011 are presented in the following table:

	2010	2011
	(in millions)	
Audit fees	¥5,100	¥5,373
Audit-related fees	210	368
Tax fees	252	201
All other fees	39	—
Total	¥5,601	¥5,942

The description of our fees billed for each category described above is as follows:

Audit fees—Audit fees are primarily for annual audit of our financial statements, review of our semi-annual condensed financial statements, statutory audit of our financial statements and audits of our subsidiary financial statements and attestation services relating to the internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act.

Audit-related fees—Audit-related fees primarily include accounting consultations, agreed upon procedures on internal controls, employee benefit plan audit, and advisory services relating to the internal control reviews.

Tax fees—Tax fees relate primarily to tax compliance, including assistance with preparation of tax return filings, tax advisory and tax planning services.

All other fees—All other fees primarily include agreed upon procedures related to advice on operational risk management, and to operational audits of our overseas branches.

Pre-Approval Policies and Procedures for Services by Deloitte Touche Tohmatsu LLC

Our board of corporate auditors performs the pre-approval function required by applicable SEC rules and regulations. Our board of corporate auditors has established pre-approval policies and procedures that MUFG and its subsidiaries must follow before engaging Deloitte Touche Tohmatsu LLC to perform audit and permitted non-audit services.

When MUFG or a subsidiary intends to engage Deloitte Touche Tohmatsu LLC to perform audit and permitted non-audit services, it must make an application for pre-approval on either a periodic or case-by-case basis.

- *Periodic application* is an application for pre-approval made each fiscal year for services that are expected to be provided by Deloitte Touche Tohmatsu LLC during the next fiscal year.
- *Case-by-case application* is an application for pre-approval made on a case-by-case basis for services to be provided by Deloitte Touche Tohmatsu LLC that are not covered by the periodic application.

Pre-approval is resolved in principle by our board of corporate auditors prior to engagement, although if necessary a full-time corporate auditor may consider any case-by-case application for pre-approval on behalf of the board of corporate auditors prior to the next scheduled board meeting. Such decisions made individually by a full-time corporate auditor are reported to and ratified by the board of corporate auditors as appropriate at the next scheduled board meeting.

Fees approved pursuant to the procedures described in paragraph 2-01(c)(7)(i)(C) of Regulation S-X, which provides for an exception to the general requirement for pre-approval in certain circumstances, were less than 0.1% of the total fees for each of the fiscal years ended March 31, 2010 and 2011.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

In reliance upon the general exemption contained in Rule 10A-3(c)(3) under the US Securities Exchange Act of 1934, MUFG does not have an audit committee. Rule 10A-3 provides an exemption from the listing standards of the New York Stock Exchange, or the NYSE, relating to audit committees for foreign companies like MUFG that have a board of corporate auditors established pursuant to applicable Japanese law and Articles of Incorporation. MUFG's reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its board of corporate auditors to act independently and to satisfy the other requirements of Rule 10A-3.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Issuer Purchases of Common Stock

	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 to April 30, 2010	7,765	¥501.70	—	—
May 1 to May 31, 2010	4,161	476.31	—	—
June 1 to June 30, 2010	3,146	431.75	—	—
July 1 to July 31, 2010	3,837	408.85	—	—
August 1 to August 31, 2010	3,991	424.89	—	—
September 1 to September 30, 2010	3,588	408.54	—	—
October 1 to October 31, 2010	4,009	391.26	—	—
November 1 to November 30, 2010	5,653	391.41	—	—
December 1 to December 31, 2010	17,563	427.21	—	—
January 1 to January 31, 2011	8,129	446.91	—	—
February 1 to February 28, 2011	3,623	449.68	—	—
March 1 to March 31, 2011	3,057	435.07	—	—
Total	68,522	435.52	—	—

Note:

(1) All of the purchased shares were shares constituting less than one unit (100 shares) purchased from registered holders of such shares at the current market price of those shares.

We did not make any purchases of our shares other than the above for the fiscal year ended March 31, 2011.

In connection with UNBC's employee equity-based incentive plan, 14,040 ADSs were purchased by the trustee of the independent trust in the fiscal year ended March 31, 2011. For a discussion of UNBC's employee equity-based incentive plan, see "Item 6.B. Directors, Senior Management and Employees—Compensation."

Item 16F. Change in Registrant's Certifying Accountant.

None.

Item 16G. Corporate Governance.

The New York Stock Exchange, or the NYSE, allows NYSE-listed companies that are foreign private issuers, such as MUFG, with certain exceptions, to follow home-country practices in lieu of the corporate governance practices followed by US companies pursuant to the NYSE's Listed Company Manual. The following sections summarize the significant differences between MUFG's corporate governance practices and those followed by US listed companies under the NYSE's Listed Company Manual.

1. A NYSE-listed US company must have a majority of directors that meet the independence requirements under Section 303A of the NYSE's Listed Company Manual.

As of June 30, 2011, MUFG has three outside directors as members of its board of directors. Under the Company Law, an "outside director" is defined as a director who has not served as an executive director *(gyomu shikko torishimariyaku)*, executive officer *(shikkoyaku)*, manager *(shihainin)* or any other type of employee of the relevant company or any of its subsidiaries prior to his or her appointment.

For MUFG and other large Japanese companies employing a corporate governance system based on a board of corporate auditors, the Company Law has no requirement for independent directors or similar requirement with respect to directors. Tokyo Stock Exchange rules require listed companies, including MUFG, to identify at least one individual who the company believes will unlikely have a conflict of interests with general shareholders and have such individual serve as an independent director or corporate auditor.

For companies employing the corporate auditor system such as MUFG, the task of overseeing the management of the company is assigned to the corporate auditors as well as the board of directors. At least half of the corporate auditors are required to be an "outside corporate auditor".

2. A NYSE-listed US company must have an audit committee composed entirely of independent directors.

Under the Company Law, MUFG and other Japanese companies (excluding companies with committees established pursuant to the Company Law) are not obliged to establish an audit committee.

As discussed above, MUFG employs a corporate auditor system as stipulated by the Company Law. Accordingly, MUFG has established a board of corporate auditors consisting of corporate auditors with a statutory duty to audit MUFG directors' performance of their professional duties and to review and report on the manner and results of the audit of MUFG's financial statements, for the benefit of MUFG's shareholders.

The Company Law requires companies having a board of corporate auditors, including MUFG, to elect at least three corporate auditors through a resolution adopted at a general meeting of shareholders. At least half of the corporate auditors must be an "outside corporate auditor," which is defined as a corporate auditor who has not served as a director, account assistant, executive officer *(shikkoyaku)*, manager *(shihainin)*, or any other employee of the relevant company or any of its subsidiaries.

As of June 30, 2011, MUFG had five corporate auditors, three of whom are outside corporate auditors.

3. A NYSE-listed US company must have a compensation committee composed entirely of independent directors.

Under the Company Law, MUFG and other Japanese companies (excluding companies with committees established pursuant to the Company Law) are not obliged to establish a compensation committee.

The maximum aggregate amounts of compensation for MUFG's directors and corporate auditors are approved at MUFG's general meeting of shareholders. The amount and allocation of compensation for each MUFG director are then proposed to, and voted upon by, the board of directors. The amount and allocation of compensation for each MUFG corporate auditor are determined through discussions and agreement among MUFG's corporate auditors.

4. A NYSE-listed US company must have a nominating or corporate governance committee composed entirely of independent directors.

Under the Company Law, MUFG and other Japanese companies (excluding companies with committees established pursuant to the Company Law) are not obliged to establish a nominating or corporate governance committee.

MUFG's directors are elected or dismissed at MUFG's general meeting of shareholders in accordance with the relevant provisions of the Company Law and MUFG's articles of incorporation. MUFG's corporate auditors are also elected or dismissed at MUFG's general meeting of shareholders. A proposal by MUFG's board of directors to elect a corporate auditor needs the consent of its board of corporate auditors. MUFG's board of corporate auditors is empowered to adopt a resolution requesting that MUFG's directors submit a proposal for election of a corporate auditor to MUFG's general meeting of shareholders.

The corporate auditors have the right to state their opinion concerning the election or dismissal of a corporate auditor at MUFG's general meeting of shareholders.

5. A NYSE-listed US company must obtain shareholder approval with respect to any equity compensation plan.

Under the Company Law, a public company seeking to issue "stock acquisition rights" (granting the holder thereof the right to acquire from the issuer shares of its stock at a prescribed price) must obtain the approval of its board of directors, not its shareholders.

When stock acquisition rights are issued under terms and conditions that are especially favorable to the recipients thereof, such issuance must be approved by a "special resolution" of a general meeting of shareholders. Under MUFG's articles of incorporation, the quorum for a special resolution is at least one-third of the total outstanding voting rights, and the approval of at least two-thirds of the voting rights represented at the relevant general meeting of shareholders of MUFG is required to pass a special resolution.

6. A NYSE-listed US company must adopt and disclose Corporate Governance Guidelines and a Code of Business Conduct and Ethics, and it must also disclose any exemptions granted to directors or executives.

Under the Company Law, the Financial Instruments and Exchange Law of Japan and applicable stock exchange rules, Japanese companies, including MUFG, are not obliged to adopt and disclose corporate governance guidelines or a code of business conduct and ethics for directors, officers and employees. In order to further enhance its disclosure, however, MUFG has decided to disclose the details of its corporate governance in its Annual Securities Report and related disclosure reports.

MUFG has also adopted a code of ethics, compliance rules and a compliance manual which it believes are compliant with the requirements for a Code of Ethics as set forth under Section 406 of the US Sarbanes-Oxley Act. MUFG has disclosed the relevant sections of its code of ethics, compliance rules and compliance manual as an exhibit to this Annual Report. No exemptions from MUFG's code of ethics, compliance rules or compliance manual were granted to its directors or executives during the fiscal year ended March 31, 2011.

7. A NYSE-listed US company must hold regularly scheduled executive sessions where participants are limited to non-management directors.

Under the Company Law, Japanese corporations are not obliged to hold executive sessions where participants are limited to non-management directors. Such executive sessions are also not required under MUFG's internal corporate governance rules.

PART III

Item 17. Financial Statements.

In lieu of responding to this item, we have responded to Item 18 of this Annual Report.

Item 18. Financial Statements.

The information required by this item is set forth in our consolidated financial statements starting on page F-1 of this Annual Report.

Item 19. Exhibits.

Exhibit	Description
1(a)	Articles of Incorporation of Mitsubishi UFJ Financial Group, Inc., as amended on June 26, 2009. (English translation)*
1(b)	Board of Directors Regulations of Mitsubishi UFJ Financial Group, Inc., as amended on December 24, 2010. (English translation)
1(c)	Corporation Meetings Regulations of Mitsubishi UFJ Financial Group, Inc., as amended on December 24, 2010. (English translation)
1(d)	Share Handling Regulations of Mitsubishi UFJ Financial Group, Inc., as amended on June 26, 2009. (English Translation)*
2(a)	Form of American Depositary Receipt.**
2(b)	Form of Deposit Agreement, amended and restated as of December 22, 2004, among Mitsubishi Tokyo Financial Group, Inc. (subsequently renamed Mitsubishi UFJ Financial Group, Inc.), The Bank of New York Mellon and the holders from time to time of American Depositary Receipts issued thereunder.**
4(a)	Integration and Investment Agreement, dated as of March 30, 2010, by and between Mitsubishi UFJ Financial Group, Inc. and Morgan Stanley.***
4(b)	Transaction Agreement, dated as of April 21, 2011, between Morgan Stanley and Mitsubishi UFJ Financial Group, Inc.
4(c)	Amended and Restated Investor Agreement, dated as of June 30, 2011, between Morgan Stanley and Mitsubishi UFJ Financial Group, Inc.
8	Subsidiaries of the Company—see "Item 4.C. Information on the Company—Organizational Structure."
11	Ethical framework and code of conduct, compliance rules, compliance manual and rules of employment of Mitsubishi UFJ Financial Group, Inc. applicable to its directors and managing officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. (English translation of relevant sections)
12	Certifications required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
13	Certifications required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
15	Consent of independent registered public accounting firm.

Exhibit	Description
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

Notes:

* Incorporated by reference to our annual report on Form 20-F (File No. 333-98061-99) filed on September 2, 2009.

** Incorporated by reference to our annual report on Form 20-F (File No. 333-98061-99) filed on September 28, 2006.

*** Incorporated by reference to our annual report on Form 20-F (File No. 333-98061-99) filed on August 16, 2010.

SELECTED STATISTICAL DATA

Due to close integration of our foreign and domestic activities, it is difficult to make a precise determination of the assets, liabilities, income and expenses of our foreign operations. The foreign operations as presented include the business conducted by overseas subsidiaries and branches, and the international business conducted by the several international banking-related divisions headquartered in Japan. Our management believes that the results appropriately represent our domestic and foreign activities.

I. Distribution of Assets, Liabilities and Equity; Interest Rates and Interest Differential

Average Balance Sheets, Interest and Average Rates

The following table shows our average balances, interest and average interest rates for the fiscal years ended March 31, 2009, 2010 and 2011. Average balances are generally based on a daily average while a month-end average is used for certain average balances when it is not practicable to obtain applicable daily averages. The average balances determined by such methods are considered to be representative of our operations.

	Fiscal years ended March 31,								
	2009			2010			2011		
	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate
	(in millions, except percentages)								
Assets:									
Interest-earning assets:									
Interest-earning deposits in other banks:									
Domestic	¥ 644,550	¥ 11,900	1.85%	¥ 894,396	¥ 4,177	0.47%	¥ 844,158	¥ 2,334	0.28%
Foreign	5,103,530	112,932	2.21	3,734,585	22,520	0.60	4,155,697	26,854	0.65
Total	5,748,080	124,832	2.17	4,628,981	26,697	0.58	4,999,855	29,188	0.58
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions:									
Domestic	5,264,909	30,626	0.58	5,051,284	9,240	0.18	2,605,457	4,689	0.18
Foreign	6,846,958	248,114	3.62	6,062,075	26,324	0.43	7,795,164	56,498	0.72
Total	12,111,867	278,740	2.30	11,113,359	35,564	0.32	10,400,621	61,187	0.59
Trading account assets:									
Domestic	7,305,737	72,511	0.99	7,601,584	56,612	0.74	7,570,433	54,525	0.72
Foreign	13,556,131	388,023	2.86	12,721,988	251,346	1.98	12,284,124	250,689	2.04
Total	20,861,868	460,534	2.21	20,323,572	307,958	1.52	19,854,557	305,214	1.54
Investment securities[(1)]:									
Domestic	31,950,811	352,235	1.10	40,039,924	293,874	0.73	51,269,029	305,405	0.60
Foreign	2,411,191	121,092	5.02	3,855,490	179,706	4.66	6,062,278	185,132	3.05
Total	34,362,002	473,327	1.38	43,895,414	473,580	1.08	57,331,307	490,537	0.86
Loans[(2)]:									
Domestic	76,520,426	1,607,122	2.10	74,242,963	1,347,611	1.82	68,633,228	1,157,071	1.69
Foreign	23,638,502	951,239	4.02	21,261,004	567,094	2.67	19,153,409	507,750	2.65
Total	100,158,928	2,558,361	2.55	95,503,967	1,914,705	2.00	87,786,637	1,664,821	1.90
Total interest-earning assets:									
Domestic	121,686,433	2,074,394	1.70	127,830,151	1,711,514	1.34	130,922,305	1,524,024	1.16
Foreign	51,556,312	1,821,400	3.53	47,635,142	1,046,990	2.20	49,450,672	1,026,923	2.08
Total	173,242,745	3,895,794	2.25	175,465,293	2,758,504	1.57	180,372,977	2,550,947	1.41
Non-interest-earning assets:									
Cash and due from banks	2,922,401			2,846,828			2,757,581		
Other non-interest-earning assets	21,240,425			18,456,550			22,959,330		
Allowance for credit losses	(1,191,181)			(1,206,599)			(1,304,631)		
Total non-interest-earning assets	22,971,645			20,096,779			24,412,280		
Total assets	¥196,214,390			¥195,562,072			¥204,785,257		

Notes:

(1) Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material.

(2) Average balances on loans outstanding include all nonaccrual and restructured loans. See "III. Loan Portfolio." The amortized portion of net loan origination fees (costs) is included in interest income on loans, representing an adjustment to the yields of an insignificant amount.

	Fiscal years ended March 31,								
	2009			2010			2011		
	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate
	(in millions, except percentages)								
Liabilities and equity:									
Interest-bearing liabilities:									
Deposits:									
Domestic	¥ 95,431,983	¥ 381,109	0.40%	¥ 95,634,273	¥ 220,073	0.23%	¥ 97,986,094	¥ 136,243	0.14%
Foreign	16,459,276	355,347	2.16	19,182,441	133,796	0.70	19,787,919	119,947	0.61
Total	111,891,259	736,456	0.66	114,816,714	353,869	0.31	117,774,013	256,190	0.22
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:									
Domestic	11,263,438	89,694	0.80	10,938,556	21,632	0.20	10,437,839	27,043	0.26
Foreign	7,395,052	285,182	3.86	7,850,081	37,599	0.48	8,643,969	45,616	0.53
Total	18,658,490	374,876	2.01	18,788,637	59,231	0.32	19,081,808	72,659	0.38
Due to trust account—Domestic	1,479,736	6,843	0.46	1,683,607	6,119	0.36	674,622	807	0.12
Other short-term borrowings and trading account liabilities:									
Domestic	7,289,639	82,807	1.14	6,513,029	43,840	0.67	8,084,897	40,445	0.50
Foreign	3,599,444	87,717	2.44	2,553,648	21,914	0.86	2,286,431	22,384	0.98
Total	10,889,083	170,524	1.57	9,066,677	65,754	0.73	10,371,328	62,829	0.61
Long-term debt:									
Domestic	9,251,228	160,773	1.74	9,661,842	168,256	1.74	9,724,767	166,190	1.71
Foreign	3,915,063	149,917	3.83	4,138,886	121,171	2.93	3,718,126	111,998	3.01
Total	13,166,291	310,690	2.36	13,800,728	289,427	2.10	13,442,893	278,188	2.07
Total interest-bearing liabilities:									
Domestic	124,716,024	721,226	0.58	124,431,307	459,920	0.37	126,908,219	370,728	0.29
Foreign	31,368,835	878,163	2.80	33,725,056	314,480	0.93	34,436,445	299,945	0.87
Total	156,084,859	1,599,389	1.02	158,156,363	774,400	0.49	161,344,664	670,673	0.42
Non-interest-bearing liabilities	32,060,269			29,544,432			34,452,248		
Total equity	8,069,262			7,861,277			8,988,345		
Total liabilities and equity	¥196,214,390			195,562,072			204,785,257		
Net interest income and interest rate spread		¥2,296,405	1.23%		¥1,984,104	1.08%		¥1,880,274	0.99%
Net interest income as a percentage of total interest-earning assets			1.33%			1.13%			1.04%

The percentage of total average assets attributable to foreign activities was 30.1%, 28.7% and 28.9%, respectively, for the fiscal years ended March 31, 2009, 2010 and 2011.

The percentage of total average liabilities attributable to foreign activities was 31.0%, 29.3% and 29.4%, respectively, for the fiscal years ended March 31, 2009, 2010 and 2011.

Analysis of Net Interest Income

The following table shows changes in our net interest income by changes in volume and by changes in rate for the fiscal year ended March 31, 2010 compared to the fiscal year ended March 31, 2009 and the fiscal year ended March 31, 2011 compared to the fiscal year ended March 31, 2010.

	Fiscal year ended March 31, 2009 versus fiscal year ended March 31, 2010			Fiscal year ended March 31, 2010 versus fiscal year ended March 31, 2011		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume(1)	Rate(1)	Net change	Volume(1)	Rate(1)	Net change
	(in millions)					
Interest income:						
Interest-earning deposits in other banks:						
Domestic	¥ 3,436	¥ (11,159)	¥ (7,723)	¥ (223)	¥ (1,620)	¥ (1,843)
Foreign	(24,356)	(66,056)	(90,412)	2,651	1,683	4,334
Total	(20,920)	(77,215)	(98,135)	2,428	63	2,491
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions:						
Domestic	(1,195)	(20,191)	(21,386)	(4,404)	(147)	(4,551)
Foreign	(25,557)	(196,233)	(221,790)	9,033	21,141	30,174
Total	(26,752)	(216,424)	(243,176)	4,629	20,994	25,623
Trading account assets:						
Domestic	2,834	(18,733)	(15,899)	(231)	(1,856)	(2,087)
Foreign	(22,650)	(114,027)	(136,677)	(8,796)	8,139	(657)
Total	(19,816)	(132,760)	(152,576)	(9,027)	6,283	(2,744)
Investment securities(2):						
Domestic	76,330	(134,691)	(58,361)	73,129	(61,598)	11,531
Foreign	67,878	(9,264)	58,614	80,726	(75,300)	5,426
Total	144,208	(143,955)	253	153,855	(136,898)	16,957
Loans:						
Domestic	(46,665)	(212,846)	(259,511)	(98,091)	(92,449)	(190,540)
Foreign	(88,261)	(295,884)	(384,145)	(55,892)	(3,452)	(59,344)
Total	(134,926)	(508,730)	(643,656)	(153,983)	(95,901)	(249,884)
Total interest income:						
Domestic	34,740	(397,620)	(362,880)	(29,820)	(157,670)	(187,490)
Foreign	(92,946)	(681,464)	(774,410)	27,722	(47,789)	(20,067)
Total	¥ (58,206)	¥(1,079,084)	¥(1,137,290)	¥ (2,098)	¥(205,459)	¥(207,557)

Notes:

(1) Volume/rate variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change."

(2) Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material.

	Fiscal year ended March 31, 2009 versus fiscal year ended March 31, 2010			Fiscal year ended March 31, 2010 versus fiscal year ended March 31, 2011		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume(1)	Rate(1)	Net change	Volume(1)	Rate(1)	Net change
	(in millions)					
Interest expense:						
Deposits:						
Domestic	¥ 806	¥(161,842)	¥(161,036)	¥ 5,287	¥ (89,117)	¥ (83,830)
Foreign	50,975	(272,526)	(221,551)	4,116	(17,965)	(13,849)
Total	51,781	(434,368)	(382,587)	9,403	(107,082)	(97,679)
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:						
Domestic	(2,515)	(65,547)	(68,062)	(1,030)	6,441	5,411
Foreign	16,539	(264,122)	(247,583)	3,995	4,022	8,017
Total	14,024	(329,669)	(315,645)	2,965	10,463	13,428
Due to trust account—Domestic	864	(1,588)	(724)	(2,506)	(2,806)	(5,312)
Other short-term borrowings and trading account liabilities:						
Domestic	(8,077)	(30,890)	(38,967)	9,264	(12,659)	(3,395)
Foreign	(20,374)	(45,429)	(65,803)	(2,431)	2,901	470
Total	(28,451)	(76,319)	(104,770)	6,833	(9,758)	(2,925)
Long-term debt:						
Domestic	7,150	333	7,483	1,091	(3,157)	(2,066)
Foreign	8,176	(36,922)	(28,746)	(12,595)	3,422	(9,173)
Total	15,326	(36,589)	(21,263)	(11,504)	265	(11,239)
Total interest expense:						
Domestic	(1,772)	(259,534)	(261,306)	12,106	(101,298)	(89,192)
Foreign	55,316	(618,999)	(563,683)	(6,915)	(7,620)	(14,535)
Total	¥ 53,544	¥(878,533)	¥(824,989)	¥ 5,191	¥(108,918)	¥(103,727)
Net interest income:						
Domestic	¥ 36,512	¥(138,086)	¥(101,574)	¥(41,926)	¥ (56,372)	¥ (98,298)
Foreign	(148,262)	(62,465)	(210,727)	34,637	(40,169)	(5,532)
Total	¥(111,750)	¥(200,551)	¥(312,301)	¥ (7,289)	¥ (96,541)	¥(103,830)

Note:

(1) Volume/rate variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change."

II. Investment Portfolio

The following table shows information as to the value of our investment securities available for sale and being held to maturity at March 31, 2009, 2010 and 2011:

	At March 31,								
	2009			2010			2011		
	Amortized cost	Estimated fair value	Net unrealized gains (losses)	Amortized cost	Estimated fair value	Net unrealized gains (losses)	Amortized cost	Estimated fair value	Net unrealized gains (losses)
					(in millions)				
Securities available for sale:									
Domestic:									
Japanese national government and Japanese government agency bonds	¥23,846,153	¥23,892,774	¥ 46,621	¥39,431,089	¥39,432,861	¥ 1,772	¥44,756,826	¥44,719,622	¥ (37,204)
Corporate bonds	3,698,535	3,776,958	78,423	3,293,831	3,374,095	80,264	2,851,439	2,931,950	80,511
Marketable equity securities	3,318,143	3,937,517	619,374	2,960,293	4,417,031	1,456,738	2,635,801	3,652,035	1,016,234
Other securities	737,866	739,494	1,628	611,292	615,010	3,718	575,417	580,527	5,110
Total domestic	31,600,697	32,346,743	746,046	46,296,505	47,838,997	1,542,492	50,819,483	51,884,134	1,064,651
Foreign:									
U.S. Treasury and other U.S. government agencies bonds	87,998	91,044	3,046	1,180,899	1,178,334	(2,565)	590,333	596,995	6,662
Other governments and official institutions bonds	97,563	99,587	2,024	159,851	166,892	7,041	382,842	391,796	8,954
Mortgage-backed securities	559,937	555,397	(4,540)	901,848	909,448	7,600	1,105,307	1,103,924	(1,383)
Other securities	347,422	297,316	(50,106)	304,761	318,205	13,444	464,458	458,785	(5,673)
Total foreign	1,092,920	1,043,344	(49,576)	2,547,359	2,572,879	25,520	2,542,940	2,551,500	8,560
Total	¥32,693,617	¥33,390,087	¥696,470	¥48,843,864	¥50,411,876	¥1,568,012	¥53,362,423	¥54,435,634	¥1,073,211
Securities being held to maturity:									
Domestic:									
Japanese national government and Japanese government agency bonds	¥ 1,352,213	¥ 1,369,652	¥ 17,439	¥ 1,076,900	¥ 1,094,150	¥ 17,250	¥ 1,026,443	¥ 1,034,430	¥ 7,987
Other securities	187,015	188,789	1,774	170,704	173,569	2,865	137,237	138,506	1,269
Total domestic	1,539,228	1,558,441	19,213	1,247,604	1,267,719	20,115	1,163,680	1,172,936	9,256
Foreign:									
U.S. Treasury and other U.S. government agencies bonds	82,491	83,892	1,401	139,039	142,086	3,047	193,339	196,143	2,804
Other governments and official institutions bonds	122,463	123,153	690	468,519	473,481	4,962	699,977	701,480	1,503
Other securities	1,068,171	1,060,960	(7,211)	1,088,639	1,144,635	55,996	960,193	988,439	28,246
Total foreign	1,273,125	1,268,005	(5,120)	1,696,197	1,760,202	64,005	1,853,509	1,886,062	32,553
Total	¥ 2,812,353	¥ 2,826,446	¥ 14,093	¥ 2,943,801	¥ 3,027,921	¥ 84,120	¥ 3,017,189	¥ 3,058,998	¥ 41,809

Nonmarketable equity securities presented in Other investment securities in the consolidated financial statements were primarily carried at cost of ¥1,390,315 million, ¥1,655,812 million and ¥1,667,220 million, at March 31, 2009, 2010 and 2011, respectively. The corresponding estimated fair values at those dates were not readily determinable. Investment securities held by certain subsidiaries subject to specialized industry accounting principles for investment companies and broker and dealers presented in Other investment securities were carried at fair value of ¥43,809 million, ¥35,026 million and ¥37,024 million, at March 31, 2009, 2010 and 2011, respectively.

The following table presents the book values, maturities and weighted average yields of investment securities available for sale and being held to maturity, excluding equity securities, at March 31, 2011. Weighted average yields are calculated based on amortized cost. Yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect of such calculation would not be material:

	Maturities within one year		Maturities after one year but within five years		Maturities after five years but within ten years		Maturities after ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(in millions, except percentages)									
Securities available for sale:										
Domestic:										
Japanese national government and Japanese government agency bonds	¥11,962,143	0.10%	¥26,625,312	0.54%	¥3,961,778	0.89%	¥2,170,389	1.77%	¥44,719,622	0.51%
Corporate bonds	408,260	1.03	2,001,836	1.00	466,447	1.12	55,407	1.49	2,931,950	1.03
Other securities	255,214	0.54	172,977	0.93	133,195	1.80	19,141	1.16	580,527	0.96
Total domestic	12,625,617	0.14	28,800,125	0.58	4,561,420	0.94	2,244,937	1.75	48,232,099	0.55
Foreign:										
U.S. Treasury and other U.S. government agencies bonds	150,394	0.92	440,833	1.48	5,768	4.48	—	—	596,995	1.37
Other governments and official institutions bonds	188,565	1.18	67,215	3.07	134,833	2.29	1,183	5.97	391,796	1.89
Mortgage-backed securities	—	—	17,052	3.87	78,158	3.91	1,008,714	3.14	1,103,924	3.20
Other securities	14,428	1.29	305,799	1.59	19,744	1.18	5,762	6.30	345,733	1.63
Total foreign	353,387	1.07	830,899	1.70	238,503	2.79	1,015,659	3.16	2,438,448	2.32
Total	¥12,979,004	0.16%	¥29,631,024	0.61%	¥4,799,923	1.02%	¥3,260,596	2.19%	¥50,670,547	0.64%
Securities being held to maturity:										
Domestic:										
Japanese national government and Japanese government agency bonds	¥ 460,605	1.38%	¥ 565,813	0.86%	¥ 25	—%	¥ —	—%	¥ 1,026,443	1.09%
Other securities	93,492	1.41	42,748	1.44	—	—	997	1.71	137,237	1.42
Total domestic	554,097	1.38	608,561	0.90	25	—	997	1.71	1,163,680	1.13
Foreign:										
U.S. Treasury and other U.S. government agencies bonds	39,385	1.95	151,505	2.03	2,449	8.29	—	—	193,339	2.09
Other governments and official institutions bonds	195,791	2.27	504,186	1.87	—	—	—	—	699,977	1.98
Other securities	163	6.61	42,426	1.70	416,097	0.85	501,507	0.86	960,193	0.89
Total foreign	235,339	2.22	698,117	1.89	418,546	0.89	501,507	0.86	1,853,509	1.43
Total	¥ 789,436	1.63%	¥ 1,306,678	1.43%	¥ 418,571	0.89%	¥ 502,504	0.86%	¥ 3,017,189	1.31%

Excluding U.S. Treasury and other U.S. government agencies bonds and Japanese national government bonds, none of individual issuers held in our investment securities portfolio exceeded 10% of our consolidated total Mitsubishi UFJ Financial Group shareholders' equity at March 31, 2011.

III. Loan Portfolio

The following table shows our loans outstanding, before deduction of allowance for credit losses, by domicile and type of industry of borrower at March 31 of each of the five fiscal years ended March 31, 2011. Classification of loans by industry is based on the industry segment loan classification as defined by the Bank of Japan for regulatory reporting purposes and is not necessarily based on use of proceeds:

	At March 31,				
	2007	2008	2009	2010	2011
			(in millions)		
Domestic:					
Manufacturing	¥10,869,329	¥11,178,924	¥ 12,922,822	¥12,027,795	¥11,248,033
Construction	1,812,454	1,728,534	1,803,541	1,427,933	1,280,899
Real estate(1)	10,432,600	10,857,072	10,436,795	12,261,588	11,660,798
Services(1)	6,902,660	6,553,980	6,750,442	3,714,148	3,417,689
Wholesale and retail	9,317,518	9,308,599	9,760,805	8,597,192	8,443,580
Banks and other financial institutions(2)	4,358,275	4,671,499	4,836,047	4,159,603	3,421,419
Communication and information services	1,167,630	1,150,438	732,652	1,339,753	1,249,272
Other industries	10,559,974	10,806,144	9,515,861	9,393,031	8,410,092
Consumer	21,954,409	21,517,672	20,542,398	19,096,832	18,420,864
Total domestic	77,374,849	77,772,862	77,301,363	72,017,875	67,552,646
Foreign:					
Governments and official institutions	374,157	316,761	351,134	490,376	516,637
Banks and other financial institutions(2)	1,694,951	2,100,057	2,687,004	2,970,470	3,565,502
Commercial and industrial	13,470,223	16,189,725	17,550,544	14,252,704	13,116,390
Other	2,459,577	2,706,750	2,510,521	2,554,209	2,853,671
Total foreign	17,998,908	21,313,293	23,099,203	20,267,759	20,052,200
Total	95,373,757	99,086,155	100,400,566	92,285,634	87,604,846
Unearned income, unamortized premiums—net and deferred loan fees—net	(50,913)	(84,076)	(90,225)	(99,724)	(102,871)
Total(3)	¥95,322,844	¥99,002,079	¥100,310,341	¥92,185,910	¥87,501,975

Notes:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, loans to lease financing companies of ¥2,392,425 million and ¥2,012,242 million were included in “Real estate” at March 31, 2010 and 2011, respectively. In prior periods through March 31, 2009, the related balances had been included in “Services.”

(2) Loans to the so-called non-bank finance companies are generally included in “Banks and other financial institutions”. Non-bank finance companies are primarily engaged in consumer lending, factoring and credit card businesses.

(3) The above table includes loans held for sale of ¥113,580 million, ¥505,626 million, ¥119,596 million, ¥102,268 million and ¥65,162 million at March 31, 2007, 2008, 2009, 2010 and 2011, respectively, which are carried at the lower of cost or estimated fair value.

Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table shows the maturities of our loan portfolio at March 31, 2011:

	Maturity			
	One year or less	One to five years	Over five years	Total
		(in millions)		
Domestic:				
Manufacturing	¥ 7,092,761	¥ 3,683,349	¥ 471,923	¥11,248,033
Construction	776,934	429,478	74,487	1,280,899
Real estate(1)	3,276,454	4,271,456	4,112,888	11,660,798
Services(1)	1,711,531	1,285,164	420,994	3,417,689
Wholesale and retail	5,764,342	2,401,153	278,085	8,443,580
Banks and other financial institutions	1,776,798	1,559,777	84,844	3,421,419
Communication and information services	576,418	557,600	115,254	1,249,272
Other industries	4,907,640	2,187,986	1,314,466	8,410,092
Consumer	2,190,200	4,088,042	12,142,622	18,420,864
Total Domestic	28,073,078	20,464,005	19,015,563	67,552,646
Foreign	8,664,184	7,277,053	4,110,963	20,052,200
Total	¥36,737,262	¥27,741,058	¥23,126,526	¥87,604,846

The above loans due after one year which had predetermined interest rates and floating or adjustable interest rates at March 31, 2011 are shown below:

	Domestic	Foreign	Total
		(in millions)	
Predetermined rate	¥13,058,507	¥ 1,745,979	¥14,804,486
Floating or adjustable rate	26,421,061	9,642,037	36,063,098
Total	¥39,479,568	¥11,388,016	¥50,867,584

Note:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, "Real estate" includes loans to lease financing companies of ¥960,129 million, ¥955,171 million, ¥96,942 million within the above maturity classifications, respectively at March 31, 2011. In prior periods through March 31, 2009, the related balances had been included in "Services."

Nonaccrual, Past Due and Restructured Loans

We generally discontinue the accrual of interest income on loans when substantial doubt exists as to the full and timely collection of either principal or interest. Specifically, when principal or interest is contractually past due one month or more with respect to loans within all classes of the Commercial segment, three months or more with respect to loans within the Card and UNBC segments, and six months or more with respect to loans within the Residential segment.

The following table shows the distribution of our nonaccrual loans, restructured loans and accruing loans which are contractually past due 90 days or more as to principal or interest payments at March 31 of each of the five fiscal years ended March 31, 2011, based on the domicile and type of industry of the borrowers:

	At March 31,				
	2007	2008	2009	2010	2011
			(in millions)		
Nonaccrual loans:					
Domestic:					
Manufacturing	¥ 82,206	¥ 109,023	¥ 87,649	¥ 111,235	¥ 137,987
Construction	45,027	44,322	55,760	33,449	48,479
Real estate[1]	142,681	164,521	263,831	214,367	152,317
Services[1]	140,464	142,795	104,594	79,517	76,597
Wholesale and retail	133,344	156,816	139,000	135,523	172,712
Banks and other financial institutions	16,712	10,591	14,826	2,322	7,238
Communication and information services	32,035	45,115	36,853	73,615	33,198
Other industries	140,224	36,192	20,615	116,741	37,335
Consumer	301,819	318,861	372,944	355,040	321,823
Total domestic	1,034,512	1,028,236	1,096,072	1,121,809	987,686
Foreign:					
Governments and official institutions	47	45	4,279	70,529	62,683
Banks and other financial institutions	3,730	2,793	56,628	19,880	21,452
Commercial and industrial	46,536	111,852	81,990	135,622	73,707
Other	1,519	1,529	10,553	21,169	23,651
Total foreign	51,832	116,219	153,450	247,200	181,493
Total	¥1,086,344	¥1,144,455	¥1,249,522	¥1,369,009	¥1,169,179
Restructured loans:					
Domestic	¥ 548,569	¥ 492,230	¥ 457,838	¥ 565,008	¥ 800,620
Foreign	42,117	25,035	63,750	47,184	38,930
Total	¥ 590,686	¥ 517,265	¥ 521,588	¥ 612,192	¥ 839,550
Accruing loans contractually past due 90 days or more:					
Domestic	¥ 20,649	¥ 14,954	¥ 15,047	¥ 25,871	¥ 55,549
Foreign[2]	1,821	2,998	6,440	547	199
Total	¥ 22,470	¥ 17,952	¥ 21,487	¥ 26,418	¥ 55,748
Total	¥1,699,500	¥1,679,672	¥1,792,597	¥2,007,619	¥2,064,477

Notes:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, nonaccrual loans to lease financing companies of ¥28,547 million and ¥2,143 million were included in “Real estate” at March 31, 2010 and 2011, respectively. In prior periods through March 31, 2009, the related balances had been included in “Services.”

(2) Foreign accruing loans contractually past due 90 days or more do not include ¥25,425 million of FDIC covered loans held by UNBC which are subject to the guidance on loans and debt securities acquired with deteriorated credit quality at March 31, 2011.

Gross interest income which would have been accrued at the original terms on domestic nonaccrual and restructured loans outstanding during the fiscal year ended March 31, 2011 was approximately ¥87.3 billion, of which ¥40.7 billion was included in the results of operations for the fiscal year. Gross interest income which would have been accrued at the original terms on foreign nonaccrual and restructured loans outstanding for the fiscal year ended March 31, 2011 was approximately ¥13.8 billion, of which ¥5.3 billion was included in the results of operations for the fiscal year.

Potential Problem Loans

We do not have potential problem loans where known information about possible credit problems of borrowers causes management to have serious doubts as to the borrowers' ability to comply with the present loan repayment terms that are not disclosed as nonaccrual, past due and/or restructured loans.

Foreign Loans Outstanding

We had no cross-border outstandings to borrowers in any foreign country which in total exceeded 0.75% of consolidated total assets at March 31, 2009, 2010 and 2011. Cross-border outstandings are defined, for this purpose, as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets denominated in Japanese yen or other non-local currencies. Material local currency loans outstanding which are neither hedged nor funded by local currency borrowings are included in cross-border outstandings.

Guarantees of outstandings of borrowers of other countries are considered to be outstandings of the guarantor. Loans made to, or deposits placed with, a branch of a foreign bank located outside the foreign bank's home country are considered to be loans to, or deposits with, the foreign bank. Outstandings of a country do not include principal or interest amounts of which are supported by written, legally enforceable guarantees by guarantors of other countries or the amounts of outstandings to the extent that they are secured by tangible, liquid collateral held and realizable by BTMU, MUTB and their subsidiaries outside the country in which they operate.

In addition to credit risk, cross-border outstandings are subject to country risk that as a result of political or economic conditions in a country, borrowers may be unable or unwilling to pay principal and interest according to contractual terms. Other risks related to cross-border outstandings include the possibility of insufficient foreign exchange and restrictions on its availability.

In order to manage country risk, we establish various risk management measures internally. Among other things, we regularly monitor economic conditions and other factors globally and assess country risk in each country where we have cross-border exposure. For purposes of monitoring and controlling the amount of credit exposed to country risk, we set a country limit, the maximum amount of credit exposure for an individual country, in consideration of the level of country risk and our ability to bear such potential risk. We also determine our credit policy for each country in accordance with our country risk level and our business plan with regard to the country. Assessment of country risk, establishment of country limits, and determination of country credit policies are subject to review and approval by our senior management and are updated periodically.

Loan Concentrations

At March 31, 2011, there were no concentrations of loans to a single industry group of borrowers, as defined by the Bank of Japan industry segment loan classifications, which exceeded 10% of our consolidated total loans, except for loans in a category disclosed in the table of loans outstanding above.

Credit Risk Management

We have a credit rating system, under which borrowers and transactions are graded on a worldwide basis. We calculate probability of default by statistical means and manage our credit portfolio based on this credit rating system. For a detailed description of this system and other elements of our risk management structure, see "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk—Credit Risk Management."

IV. Summary of Loan Loss Experience

The following table shows an analysis of our loan loss experience by type of borrowers' business for each of the five fiscal years ended March 31, 2011:

	Fiscal years ended March 31,				
	2007	2008	2009	2010	2011
	(in millions, except percentages)				
Allowance for credit losses at beginning of fiscal year	¥1,012,227	¥1,112,453	¥1,134,940	¥1,156,638	¥1,315,615
Provision for credit losses	358,603	385,740	626,947	647,793	292,035
Charge-offs:					
Domestic:					
Manufacturing	27,043	41,587	83,121	41,933	32,162
Construction	18,902	24,097	44,180	22,707	7,414
Real estate(1)	12,845	11,775	76,734	75,446	14,453
Services(1)	26,274	39,336	64,418	29,264	22,112
Wholesale and retail	43,169	70,173	118,144	76,407	54,498
Banks and other financial institutions	1,790	13,873	25,310	542	608
Communication and information services	16,322	30,868	19,632	23,540	36,871
Other industries	5,396	9,865	10,472	7,225	62,711
Consumer	137,461	138,370	117,021	124,792	107,473
Total domestic	289,202	379,944	559,032	401,856	338,302
Total foreign	13,912	6,540	44,266	118,916	47,468
Total	303,114	386,484	603,298	520,772	385,770
Recoveries:					
Domestic	35,466	28,475	23,692	48,269	34,653
Foreign	4,953	2,117	2,754	4,103	9,017
Total	40,419	30,592	26,446	52,372	43,670
Net charge-offs	262,695	355,892	576,852	468,400	342,100
Others(2)	4,318	(7,361)	(28,397)	(20,416)	(25,094)
Allowance for credit losses at end of fiscal year	¥1,112,453	¥1,134,940	¥1,156,638	¥1,315,615	¥1,240,456
Allowance for credit losses applicable to foreign activities:					
Balance at beginning of fiscal year	¥ 123,080	¥ 109,654	¥ 136,656	¥ 307,343	¥ 327,568
Balance at end of fiscal year	¥ 109,654	¥ 136,656	¥ 307,343	¥ 327,568	¥ 185,871
Provision (credit) for credit losses	¥ (8,516)	¥ 38,637	¥ 240,015	¥ 134,966	¥ (86,674)
Ratio of net charge-offs during the fiscal year to average loans outstanding during the fiscal year	0.27%	0.37%	0.58%	0.49%	0.39%

Notes:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, the charge-offs to lease financing companies of ¥174 million and ¥396 million were included in "Real estate" for the fiscal year ended March 31, 2010 and 2011, respectively. In prior periods through March 31, 2009, the related amounts had been included in "Services."

(2) Others principally include losses (gains) from foreign exchange translation. In addition, for the fiscal year ended March 31, 2010, others include adjustments related to restructuring of business operations.

The following table shows an allocation of our allowance for credit losses at March 31 of each of the five fiscal years ended March 31, 2011:

	At March 31,									
	2007		2008		2009		2010		2011	
	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans
	(in millions, except percentages)									
Domestic:										
Manufacturing	¥ 108,303	11.40%	¥ 125,824	11.28%	¥ 112,412	12.87%	¥ 177,753	13.03%	¥ 202,505	12.84%
Construction	41,016	1.90	43,043	1.74	45,234	1.80	31,764	1.55	41,012	1.46
Real estate(1)	85,183	10.94	112,899	10.96	116,460	10.39	112,154	13.29	98,873	13.31
Services(1)	123,020	7.24	126,832	6.61	88,829	6.72	88,435	4.02	92,336	3.90
Wholesale and retail	129,701	9.77	141,870	9.39	115,109	9.72	148,637	9.32	197,296	9.64
Banks and other financial institutions	73,925	4.57	59,200	4.72	38,189	4.82	20,015	4.51	26,505	3.91
Communication and information services	33,699	1.22	37,251	1.16	37,549	0.73	67,273	1.45	32,570	1.43
Other industries	175,989	11.07	97,019	10.91	65,363	9.48	110,545	10.18	58,539	9.60
Consumer	224,926	23.02	244,652	21.72	223,865	20.46	213,889	20.69	280,665	21.02
Foreign:										
Governments and official institutions	420	0.39	880	0.32	2,349	0.35	70,017	0.53	28,406	0.59
Banks and other financial institutions	3,668	1.78	6,858	2.12	76,518	2.68	29,030	3.22	26,853	4.07
Commercial and industrial	103,259	14.12	126,693	16.34	211,307	17.48	203,611	15.44	114,352	14.97
Other	2,307	2.58	2,225	2.73	17,169	2.50	24,910	2.77	16,260	3.26
Unallocated	7,037	—	9,694	—	6,285	—	17,582	—	24,284	—
Total	¥1,112,453	100.00%	¥1,134,940	100.00%	¥1,156,638	100.00%	¥1,315,615	100.00%	¥1,240,456	100.00%
Allowance as a percentage of loans	1.17%		1.15%		1.15%		1.43%		1.42%	
Allowance as a percentage of nonaccrual and restructured loans and accruing loans contractually past due 90 days or more	65.46%		67.57%		64.52%		65.53%		60.09%	

Note:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, the allowance for credit losses to lease financing companies of ¥25,111 million and ¥8,113 million were included in "Real estate" at March 31, 2010 and 2011, respectively. In prior periods through March 31, 2009, the related balances had been included in "Services." Percentages of loans in "Lease financing" at March 31, 2010 and 2011 were 2.59% and 2.30%, respectively.

While the allowance for credit losses contains amounts allocated to components of specifically identified loans as well as a group on a portfolio of loans, the allowance for credit losses is available for credit losses in the entire loan portfolio and the allocations shown above are not intended to be restricted to the specific loan category. Accordingly, as the evaluation of credit risks changes, allocations of the allowance will be changed to reflect current conditions and various other factors.

V. Deposits

The following table shows the average amount of, and the average rate paid on, the following deposit categories for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,					
	2009		2010		2011	
	Average amount	Average rate	Average amount	Average rate	Average amount	Average rate
	(in millions, except percentages)					
Domestic offices:						
Non-interest-bearing demand deposits	¥ 12,896,727	—%	¥ 12,958,611	—%	¥ 13,124,899	—%
Interest-bearing demand deposits	44,359,163	0.17	45,659,544	0.05	48,752,031	0.03
Deposits at notice	1,890,640	0.83	1,647,972	0.12	1,484,688	0.07
Time deposits	43,895,395	0.58	43,178,140	0.42	42,263,313	0.25
Certificates of deposit	5,286,785	0.66	5,148,617	0.34	5,486,062	0.20
Foreign offices:						
Non-interest-bearing demand deposits	2,280,553	—	2,240,971	—	2,188,544	—
Interest-bearing deposits, principally time deposits and certificates of deposit	16,459,276	2.16	19,182,441	0.70	19,787,919	0.61
Total	¥127,068,539		¥130,016,296		¥133,087,456	

Deposits at notice represent interest-bearing demand deposits which require the depositor to give two or more days notice in advance of withdrawal.

The average amounts of total deposits by foreign depositors included in domestic offices for the fiscal years ended March 31, 2009, 2010 and 2011 were ¥439,346 million, ¥417,259 million and ¥420,721 million, respectively.

At March 31, 2011, the balances and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US$121 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2011) or more and total foreign deposits issued in amounts of US$100,000 or more are shown in the following table:

	Time deposits	Certificates of deposit	Total
		(in millions)	
Domestic offices:			
Three months or less	¥ 7,480,022	¥4,585,535	¥12,065,557
Over three months through six months	5,303,435	482,415	5,785,850
Over six months through twelve months	5,189,703	206,960	5,396,663
Over twelve months	3,594,225	117,795	3,712,020
Total	¥21,567,385	¥5,392,705	¥26,960,090
Foreign offices			¥13,898,728

VI. Short-Term Borrowings

The following table shows certain additional information with respect to our short-term borrowings for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	2010	2011
	(in millions, except percentages)		
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:			
Average balance outstanding during the fiscal year	¥18,658,490	¥18,788,637	¥19,081,808
Maximum balance outstanding at any month-end during the fiscal year	18,427,340	19,343,978	19,459,592
Balance at end of fiscal year	18,427,340	17,364,371	16,806,667
Weighted average interest rate during the fiscal year	2.01%	0.32%	0.38%
Weighted average interest rate on balance at end of fiscal year	0.97%	0.30%	0.37%
Due to trust account:			
Average balance outstanding during the fiscal year	¥ 1,479,736	¥ 1,683,607	¥ 674,622
Maximum balance outstanding at any month-end during the fiscal year	1,796,846	1,795,280	752,244
Balance at end of fiscal year	1,796,846	1,559,631	633,541
Weighted average interest rate during the fiscal year	0.46%	0.36%	0.12%
Weighted average interest rate on balance at end of fiscal year	0.42%	0.32%	0.12%
Other short-term borrowings:			
Average balance outstanding during the fiscal year	¥ 6,664,948	¥ 6,371,845	¥ 7,313,927
Maximum balance outstanding at any month-end during the fiscal year	9,190,011	6,319,721	9,544,575
Balance at end of fiscal year	7,867,378	6,097,336	8,488,197
Weighted average interest rate during the fiscal year	1.61%	0.49%	0.34%
Weighted average interest rate on balance at end of fiscal year	0.85%	0.27%	0.24%

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Mitsubishi UFJ Financial Group, Inc.
(Kabushiki Kaisha Mitsubishi UFJ Financial Group):

We have audited the accompanying consolidated balance sheets of Mitsubishi UFJ Financial Group, Inc. (Kabushiki Kaisha Mitsubishi UFJ Financial Group) ("MUFG") and subsidiaries (together, the "MUFG Group") as of March 31, 2010 and 2011, and the related consolidated statements of operations, changes in equity from nonowner sources, equity, and cash flows for each of the three years in the period ended March 31, 2011 (all expressed in Japanese Yen). These financial statements are the responsibility of MUFG's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the MUFG Group as of March 31, 2010 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the consolidated financial statements, the parenthetic note to Trading account assets in the accompanying consolidated balance sheet at March 31, 2010 has been restated. As discussed in Notes 8, 19 and 23 to the consolidated financial statements, certain information in the disclosures of pledged assets and collateral, regulatory capital requirements, and variable interest entities has been restated.

As discussed in Note 1 to the consolidated financial statements, MUFG changed its methods of accounting for defined benefit pension and other postretirement plans (measurement date provision), fair value measurements, and fair value option for financial assets and financial liabilities in the fiscal year ended March 31, 2009, its methods of accounting for noncontrolling interests and other-than-temporary impairments on investment securities in the fiscal year ended March 31, 2010, and its method of accounting for consolidation of variable interest entities in the fiscal year ended March 31, 2011.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MUFG Group's internal control over financial reporting as of March 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 28, 2011 expressed an unqualified opinion on MUFG Group's internal control over financial reporting.

/s/ Deloitte Touche Tohmatsu LLC
DELOITTE TOUCHE TOHMATSU LLC

Tokyo, Japan
July 28, 2011

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2010 AND 2011

	2010	2011
	(in millions)	
ASSETS		
Cash and due from banks (Note 8)	¥ 2,862,523	¥ 3,230,804
Interest-earning deposits in other banks (including ¥10,201 million and ¥4,365 million measured at fair value under fair value option in 2010 and 2011) (Notes 8 and 29)	4,780,861	7,333,767
Call loans and funds sold (Note 10)	508,922	448,787
Receivables under resale agreements (including ¥30,832 million and ¥26,192 million measured at fair value under fair value option in 2010 and 2011) (Note 29)	3,543,020	4,872,171
Receivables under securities borrowing transactions	5,770,044	3,600,318
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥8,409,598 million and ¥8,251,723 million in 2010 (restated) and 2011) (including ¥8,918,156 million and ¥11,917,000 million measured at fair value under fair value option in 2010 and 2011) (Notes 8, 21 and 29)	27,663,076	28,824,795
Investment securities (Notes 3, 8 and 29):		
Securities available for sale—carried at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of ¥4,107,734 million and ¥1,297,912 million in 2010 and 2011)	50,411,876	54,435,634
Securities being held to maturity—carried at amortized cost (including assets pledged that secured parties are permitted to sell or repledge of ¥566,313 million and ¥959,241 million in 2010 and 2011) (estimated fair value of ¥3,027,921 million and ¥3,058,998 million in 2010 and 2011)	2,943,801	3,017,189
Other investment securities	1,690,838	1,704,244
Total investment securities	55,046,515	59,157,067
Loans, net of unearned income, unamortized premiums and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of ¥3,476,841 million and ¥3,246,293 million in 2010 and 2011) (Notes 4 and 8)	92,185,910	87,501,975
Allowance for credit losses (Note 4)	(1,315,615)	(1,240,456)
Net loans	90,870,295	86,261,519
Premises and equipment—net (Note 5)	995,167	962,548
Accrued interest	240,267	233,224
Customers' acceptance liability	49,143	69,950
Intangible assets—net (Notes 2 and 6)	1,116,117	991,521
Goodwill (Notes 2 and 6)	381,498	363,392
Deferred tax assets (Notes 7 and 14)	1,287,611	1,285,013
Other assets (Notes 4, 8, 13 and 14)	4,969,338	5,226,412
Total assets	¥200,084,397	¥202,861,288
Assets of consolidated VIEs included in total assets above that can be used only to settle obligations of consolidated VIEs (Note 23)		
Cash and due from banks		¥ 7,640
Interest-earning deposits in other banks		15,006
Trading account assets		1,157,263
Investment securities		493,085
Loans		7,156,823
All other assets		329,746
Total assets of consolidated VIEs		¥ 9,159,563

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS—(Continued)
MARCH 31, 2010 AND 2011

	2010	2011
	(in millions)	
LIABILITIES AND EQUITY		
Deposits (Notes 8 and 9):		
Domestic offices:		
Non-interest-bearing	¥ 15,201,298	¥ 16,421,024
Interest-bearing	97,526,535	99,120,619
Overseas offices:		
Non-interest-bearing	2,403,147	2,316,207
Interest-bearing	20,341,516	18,773,854
Total deposits	135,472,496	136,631,704
Call money and funds purchased (Notes 8 and 10)	1,883,824	2,313,487
Payables under repurchase agreements (Note 8)	11,846,656	12,389,075
Payables under securities lending transactions (Note 8)	3,633,891	2,104,105
Due to trust account (Note 11)	1,559,631	633,541
Other short-term borrowings (including ¥4,506 million and ¥673 million measured at fair value under fair value option in 2010 and 2011) (Notes 8, 12 and 29)	6,097,336	8,488,197
Trading account liabilities (Notes 21 and 29)	8,688,826	9,908,974
Obligations to return securities received as collateral (Note 29)	3,229,321	3,267,775
Bank acceptances outstanding	49,143	69,950
Accrued interest	218,117	181,814
Long-term debt (including ¥615,618 million and ¥575,969 million measured at fair value under fair value option in 2010 and 2011) (Notes 8, 12 and 29)	14,162,424	13,356,728
Other liabilities (Notes 1, 7, 8, 13, 14 and 24)	4,139,892	4,844,901
Total liabilities	190,981,557	194,190,251
Commitments and contingent liabilities (Notes 22 and 24)		
Mitsubishi UFJ Financial Group shareholders' equity (Note 19):		
Capital stock (Notes 15 and 16):		
Preferred stock—aggregate liquidation preference of ¥640,001 million and ¥390,001 million in 2010 and 2011, with no stated value	442,100	442,100
Common stock—authorized, 33,000,000,000 shares; issued, 14,148,414,920 shares and 14,150,894,620 shares in 2010 and 2011, with no stated value	1,643,238	1,644,132
Capital surplus (Note 16)	6,619,525	6,395,705
Retained earnings (Accumulated deficit) (Notes 17 and 33):		
Appropriated for legal reserve	239,571	239,571
Unappropriated retained earnings (Accumulated deficit)	(18,127)	254,411
Accumulated other changes in equity from nonowner sources, net of taxes	(45,435)	(620,844)
Treasury stock, at cost—21,069,229 common shares and 16,723,747 common shares in 2010 and 2011	(13,954)	(11,251)
Total Mitsubishi UFJ Financial Group shareholders' equity	8,866,918	8,343,824
Noncontrolling interests (Note 18)	235,922	327,213
Total equity	9,102,840	8,671,037
Total liabilities and equity	¥200,084,397	¥202,861,288
Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Mitsubishi UFJ Financial Group (Note 23)		
Other short-term borrowings		41,252
Long-term debt		1,668,642
All other liabilities		207,916
Total liabilities of consolidated VIEs		¥ 1,917,810

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	2009	2010	2011
		(in millions)	
Interest income:			
Loans, including fees (Note 4)	¥2,558,361	¥1,914,705	¥1,664,821
Deposits in other banks	124,832	26,697	29,188
Investment securities:			
Interest	309,835	305,080	320,067
Dividends	163,492	168,500	170,470
Trading account assets	460,534	307,958	305,214
Call loans and funds sold	15,010	4,110	5,613
Receivables under resale agreements and securities borrowing transactions	263,730	31,454	55,574
Total	3,895,794	2,758,504	2,550,947
Interest expense:			
Deposits	736,456	353,869	256,190
Call money and funds purchased	24,973	5,683	5,931
Payables under repurchase agreements and securities lending transactions	349,903	53,548	66,728
Due to trust account	6,843	6,119	807
Other short-term borrowings and trading account liabilities	170,524	65,754	62,829
Long-term debt	310,690	289,427	278,188
Total	1,599,389	774,400	670,673
Net interest income	2,296,405	1,984,104	1,880,274
Provision for credit losses (Note 4)	626,947	647,793	292,035
Net interest income after provision for credit losses	1,669,458	1,336,311	1,588,239
Non-interest income:			
Fees and commissions income (Note 25)	1,188,512	1,139,543	1,128,358
Foreign exchange gains (losses)—net (Note 26)	(206,153)	216,720	260,683
Trading account profits (losses)—net (Note 26)	(257,807)	761,472	133,905
Investment securities gains (losses)—net (Note 3)(1)	(658,679)	223,030	121,803
Equity in losses of equity method investees	(60,051)	(104,098)	(90,628)
Gains on sales of loans (Note 4)	6,401	21,232	14,558
Other non-interest income (Note 18)	162,876	195,966	140,766
Total	175,099	2,453,865	1,709,445
Non-interest expense:			
Salaries and employee benefits (Note 13)	873,371	908,213	863,996
Occupancy expenses—net (Notes 5 and 24)	171,902	171,098	162,498
Fees and commissions expenses	209,750	196,515	212,460
Outsourcing expenses, including data processing	267,790	215,397	194,842
Depreciation of premises and equipment (Note 5)	132,121	120,268	99,661
Amortization of intangible assets (Note 6)	278,241	225,000	219,980
Impairment of intangible assets (Note 6)	126,885	12,400	26,566
Insurance premiums, including deposit insurance	113,803	112,539	113,892
Communications	62,943	57,064	53,048
Taxes and public charges	85,743	69,073	65,882
Provision for repayment of excess interest (Notes 1 and 24)	47,865	44,808	85,709
Impairment of goodwill (Note 6)	845,842	461	—
Other non-interest expenses (Notes 4, 5, 6 and 18)	392,528	375,224	361,912
Total	3,608,784	2,508,060	2,460,446

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS—(Continued)
FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	2009	2010	2011
		(in millions)	
Income (loss) before income tax expense (benefit)	(1,764,227)	1,282,116	837,238
Income tax expense (benefit) (Note 7)	(259,928)	407,040	439,900
Net income (loss) before attribution of noncontrolling interests	(1,504,299)	875,076	397,338
Net income (loss) attributable to noncontrolling interests	(36,259)	15,257	(64,458)
Net income (loss) attributable to Mitsubishi UFJ Financial Group	¥(1,468,040)	¥ 859,819	¥461,796
Income allocable to preferred shareholders:			
Cash dividends paid	¥ 6,399	¥ 21,678	¥ 20,940
Beneficial conversion feature (Note 15)	9,478	—	—
Income allocable to preferred shareholders of Mitsubishi UFJ NICOS Co., Ltd.:			
Effect of induced conversion of Mitsubishi UFJ NICOS Co., Ltd. Class 1 stock (Note 2)	7,676	—	—
Net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	¥(1,491,593)	¥ 838,141	¥440,856
		(in Yen)	
Earnings (loss) per common share applicable to common shareholders of Mitsubishi UFJ Financial Group (Notes 17 and 20):			
Basic earnings (loss) per common share—net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	¥ (137.84)	¥ 68.01	¥ 31.20
Diluted earnings (loss) per common share—net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	(137.84)	67.87	31.08

(1) The following credit losses are included in Investment securities gains (losses)—net:

	2010	2011
	(in millions)	
Decline in fair value	¥ 27,962	¥ 17,495
Other changes in equity from nonowner sources—net	1,860	2,993
Total credit losses	¥ 29,822	¥ 20,488

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FROM NONOWNER SOURCES FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	Gains (Losses) before income tax expense (benefit)	Income tax (expense) benefit	Gains (Losses) net of income tax expense (benefit)
		(in millions)	
Fiscal year ended March 31, 2009:			
Net loss before attribution of noncontrolling interests			¥(1,504,299)
Other changes in equity from nonowner sources:			
Net unrealized holding losses on investment securities	¥(2,070,144)	¥ 840,309	(1,229,835)
Reclassification adjustment for losses included in net loss before attribution of noncontrolling interests	629,566	(254,987)	374,579
Total	(1,440,578)	585,322	(855,256)
Net unrealized gains on derivatives qualifying for cash flow hedges	15,180	(6,105)	9,075
Reclassification adjustment for gains included in net loss before attribution of noncontrolling interests	(8,615)	3,380	(5,235)
Total	6,565	(2,725)	3,840
Pension liability adjustments	(721,816)	289,201	(432,615)
Reclassification adjustment for losses included in net loss before attribution of noncontrolling interests	992	(345)	647
Total	(720,824)	288,856	(431,968)
Foreign currency translation adjustments	(332,132)	16,963	(315,169)
Reclassification adjustment for losses included in net loss before attribution of noncontrolling interests	11,094	(1,959)	9,135
Total	(321,038)	15,004	(306,034)
Total changes in equity from nonowner sources			(3,093,717)
Net loss attributable to noncontrolling interests			(36,259)
Other changes in equity from nonowner sources attributable to noncontrolling interests			(8,027)
Total changes in equity from nonowner sources attributable to Mitsubishi UFJ Financial Group			¥(3,049,431)
Fiscal year ended March 31, 2010:			
Net income before attribution of noncontrolling interests			¥ 875,076
Other changes in equity from nonowner sources:			
Net unrealized holding gains on investment securities (including unrealized gain of ¥1,103 million, net of tax, related to debt securities with credit component realized in earnings)	¥ 1,187,682	¥(441,401)	746,281
Reclassification adjustment for gains included in net income before attribution of noncontrolling interests	(224,560)	90,894	(133,666)
Total	963,122	(350,507)	612,615
Net unrealized gains on derivatives qualifying for cash flow hedges	3,621	(1,322)	2,299
Reclassification adjustment for gains included in net income before attribution of noncontrolling interests	(11,711)	4,617	(7,094)
Total	(8,090)	3,295	(4,795)
Pension liability adjustments	352,647	(138,293)	214,354
Reclassification adjustment for losses included in net income before attribution of noncontrolling interests	48,296	(19,427)	28,869
Total	400,943	(157,720)	243,223
Foreign currency translation adjustments	25,036	5,542	30,578
Reclassification adjustment for losses included in net income before attribution of noncontrolling interests	18,420	(8,136)	10,284
Total	43,456	(2,594)	40,862
Total changes in equity from nonowner sources			1,766,981
Net income attributable to noncontrolling interests			15,257
Other changes in equity from nonowner sources attributable to noncontrolling interests			5,435
Total changes in equity from nonowner sources attributable to Mitsubishi UFJ Financial Group			¥ 1,746,289

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FROM NONOWNER SOURCES—(Continued) FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	Gains (Losses) before income tax expense (benefit)	Income tax (expense) benefit	Gains (Losses) net of income tax expense (benefit)
		(in millions)	
Fiscal year ended March 31, 2011:			
Net income before attribution of noncontrolling interests			¥ 397,338
Other changes in equity from nonowner sources:			
Net unrealized holding losses on investment securities (including unrealized gain of ¥1,778 million, net of tax, related to debt securities with credit component realized in earnings)	¥(354,577)	¥143,262	(211,315)
Reclassification adjustment for gains included in net income before attribution of noncontrolling interests	(122,524)	50,395	(72,129)
Total	(477,101)	193,657	(283,444)
Net unrealized gains on derivatives qualifying for cash flow hedges	88	(5)	83
Reclassification adjustment for gains included in net income before attribution of noncontrolling interests	(5,740)	2,255	(3,485)
Total	(5,652)	2,250	(3,402)
Pension liability adjustments	(185,002)	73,483	(111,519)
Reclassification adjustment for losses included in net income before attribution of noncontrolling interests	10,774	(4,344)	6,430
Total	(174,228)	69,139	(105,089)
Foreign currency translation adjustments	(207,159)	7,014	(200,145)
Reclassification adjustment for losses included in net income before attribution of noncontrolling interests	21,327	(9,021)	12,306
Total	(185,832)	(2,007)	(187,839)
Total changes in equity from nonowner sources			(182,436)
Net loss attributable to noncontrolling interests			(64,458)
Other changes in equity from nonowner sources attributable to noncontrolling interests			(3,935)
Total changes in equity from nonowner sources attributable to Mitsubishi UFJ Financial Group			¥(114,043)

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY
FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	2009	2010	2011
		(in millions)	
Preferred stock (Note 15):			
Balance at beginning of fiscal year	¥ 247,100	¥ 442,100	¥ 442,100
Issuance of new shares of Class 5 preferred stock	195,000	—	—
Balance at end of fiscal year	¥ 442,100	¥ 442,100	¥ 442,100
Common stock (Note 16):			
Balance at beginning of fiscal year	¥ 1,084,708	¥1,127,552	¥1,643,238
Issuance of new shares of common stock	42,844	515,662	—
Issuance of new shares of common stock by way of exercise of the stock acquisition rights	—	24	894
Balance at end of fiscal year	¥ 1,127,552	¥1,643,238	¥1,644,132
Capital surplus (Note 16):			
Balance at beginning of fiscal year	¥ 5,791,300	¥6,095,820	¥6,619,525
Gains on induced conversion of shares of Mitsubishi UFJ NICOS Co., Ltd. Class 1 stock (Note 2)	71,103	—	—
Purchase of subsidiary shares from noncontrolling interest holders	—	—	4,337
Beneficial conversion feature of preferred stock (Note 15)	9,478	—	—
Stock-based compensation expense (Note 30)	14,418	1,695	876
Stock option and other share based compensation payouts as a result of UnionBanCal Corporation's privatization (Note 30)	(21,063)	—	—
Conversion of preferred stock to common stock by a subsidiary	—	(641)	—
Issuance of new shares of common stock by way of exercise of the stock acquisition rights	—	—	893
Losses on sales of shares of treasury stock	(7,500)	—	—
Issuance of new shares of Class 5 preferred stock (Note 15)	194,183	—	—
Issuance of new shares of common stock and sale of treasury stock (Note 16)	43,906	522,414	—
Redemption of Class 3 preferred stock (Note 15)	—	—	(250,000)
Change in ownership interest of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the securities joint venture (Note 2)	—	—	20,550
Other—net	(5)	237	(476)
Balance at end of fiscal year	¥ 6,095,820	¥6,619,525	¥6,395,705
Retained earnings appropriated for legal reserve (Note 17):			
Balance at beginning of fiscal year	¥ 239,571	¥ 239,571	¥ 239,571
Balance at end of fiscal year	¥ 239,571	¥ 239,571	¥ 239,571
Unappropriated retained earnings (Accumulated deficit) (Note 17):			
Balance at beginning of fiscal year	¥ 935,309	¥ (845,778)	¥ (18,127)
Net income (loss) attributable to Mitsubishi UFJ Financial Group	(1,468,040)	859,819	461,796
Cash dividends:			
Common stock—¥14.00 in 2009, ¥11.00 in 2010 and ¥12.00 in 2011 per share	(146,937)	(128,062)	(169,636)
Preferred stock (Class 3)—¥60.00 in 2009 and 2010, and ¥30.00 in 2011 per share	(6,000)	(6,000)	(3,000)
Preferred stock (Class 5)—¥100.50 in 2010 and ¥115.00 in 2011 per share	—	(15,678)	(17,940)
Preferred stock (Class 8)— ¥7.95 in 2009 per share	(140)	—	—
Preferred stock (Class 12)— ¥11.50 in 2009 per share	(259)	—	—
Beneficial conversion feature of preferred stock (Note 15)	(9,478)	—	—
Losses on exchange of shares of treasury stock for shares of Mitsubishi UFJ NICOS Co., Ltd. (Note 2)	(47,507)	—	—
Losses on sales of shares of treasury stock for shares of Mitsubishi UFJ NICOS Co., Ltd. (Note 2)	(35,966)	—	—
Losses on sales of shares of treasury stock	(119,223)	(261)	(84)
Effect of induced conversion of Mitsubishi UFJ NICOS Co., Ltd. Class 1 stock (Note 2)	(7,676)	—	—
Effect of adopting new guidance on consolidation of certain variable interest entities (Note 23)	—	—	1,408
Effect of adopting new guidance on recognition and presentation of other-than-temporary impairments (Note 1)	—	118,210	—
Effect of adopting new guidance on defined benefit pension and other postretirement plans (Note 1)	(132)	—	—
Effect of adopting new guidance on fair value measurements (Note 1)	27,317	—	—
Effect of adopting new guidance on fair value option for financial assets and financial liabilities (Note 1)	32,979	—	—
Other—net	(25)	(377)	(6)
Balance at end of fiscal year (Note 33)	¥ (845,778)	¥ (18,127)	¥ 254,411

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY—(Continued)
FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	2009	2010	2011
		(in millions)	
Accumulated other changes in equity from nonowner sources, net of taxes:			
Net unrealized gains on investment securities (Note 3):			
Balance at beginning of fiscal year	¥ 973,697	¥ 95,213	¥ 588,196
Net change during the fiscal year	(858,334)	611,193	(284,505)
Effect of adopting new guidance on fair value option for financial assets and financial liabilities, net of taxes (Note 1)	(20,150)	—	—
Effect of adopting new guidance on recognition and presentation of other-than-temporary impairments, net of taxes (Note 1)	—	(118,210)	—
Effect of adopting new guidance on consolidation of certain variable interest entities (Note 23)	—	—	242
Balance at end of fiscal year	¥ 95,213	¥ 588,196	¥ 303,933
Net unrealized gains (losses) on derivatives qualifying for cash flow hedges (Note 21):			
Balance at beginning of fiscal year	¥ 1,764	¥ 6,507	¥ 1,712
Net change during the fiscal year	4,743	(4,795)	(3,402)
Balance at end of fiscal year	¥ 6,507	¥ 1,712	¥ (1,690)
Pension liability adjustments (Note 13):			
Balance at beginning of fiscal year	¥ 122,848	¥ (446,469)	¥ (203,960)
Net change during the fiscal year	(437,743)	242,509	(103,751)
Effect of adopting new guidance on defined benefit pension and other postretirement plans, net of taxes (Note 1)	(131,574)	—	—
Balance at end of fiscal year	¥ (446,469)	¥ (203,960)	¥ (307,711)
Foreign currency translation adjustments:			
Balance at beginning of fiscal year	¥ (178,889)	¥ (468,946)	¥ (431,383)
Net change during the fiscal year	(290,057)	37,563	(184,181)
Effect of adopting new guidance on consolidation of certain variable interest entities (Note 23)	—	—	188
Balance at end of fiscal year	¥ (468,946)	¥ (431,383)	¥ (615,376)
Balance at end of fiscal year	¥ (813,695)	¥ (45,435)	¥ (620,844)
Treasury stock:			
Balance at beginning of fiscal year	¥ (727,293)	¥ (10,675)	¥ (13,954)
Purchases of shares of treasury stock (Note 16)	(2,919)	(5,588)	(250,138)
Sales of shares of treasury stock	537,542	2,806	1,262
Redemption of shares of treasury stock	—	—	250,000
Net decrease (increase) resulting from changes in voting interests in its consolidated subsidiaries and affiliated companies	(2,883)	(497)	1,579
Exchange of shares of treasury stock for shares of Mitsubishi UFJ NICOS Co., Ltd. (Note 2)	184,878	—	—
Balance at end of fiscal year	¥ (10,675)	¥ (13,954)	¥ (11,251)
Total Mitsubishi UFJ Financial Group shareholders' equity	¥6,234,895	¥8,866,918	¥8,343,824

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY—(Continued)
FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	2009	2010	2011
		(in millions)	
Noncontrolling interests:			
Balance at beginning of fiscal year	¥ 663,816	¥ 232,225	¥ 235,922
Initial origination of noncontrolling interests	60,858	45,130	39,799
Transactions between noncontrolling interest shareholders and the related consolidated subsidiaries	(203,115)	3,555	17,540
Exchange of shares of treasury stock for shares of Mitsubishi UFJ NICOS Co., Ltd. and sale of shares of Mitsubishi UFJ NICOS Co., Ltd.	(137,603)	—	—
Decrease in noncontrolling interests related to exclusion of subsidiaries from consolidation	(92,298)	(59,973)	(36,911)
Decrease in noncontrolling interests related to disposition of subsidiaries	(2,778)	—	(480)
Change in ownership interest of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the securities joint venture (Note 2)	—	—	127,270
Net income (loss) attributable to noncontrolling interests	(36,259)	15,257	(64,458)
Dividends paid to noncontrolling interests	(9,698)	(5,393)	(6,362)
Other changes in equity from nonowner sources, net of taxes:			
Net unrealized holding gains (losses) on investment securities	(86)	1,808	1,056
Reclassification adjustment for losses (gains) included in net income (loss) attributable to noncontrolling interests in relation to net unrealized holding gains (losses) on investment securities	3,164	(386)	5
Net unrealized losses on derivatives qualifying for cash flow hedges	(93)	—	—
Reclassification adjustment for gains included in net income (loss) attributable to noncontrolling interests in relation to net unrealized losses on derivatives qualifying for cash flow hedges	(810)	—	—
Pension liability adjustments	(655)	616	(1,355)
Reclassification adjustment for losses included in net income (loss) attributable to noncontrolling interests in relation to pension liability adjustments	6,430	98	17
Foreign currency translation adjustments	(15,973)	3,273	(3,687)
Reclassification adjustment for losses (gains) included in net income (loss) attributable to noncontrolling interests in relation to foreign currency translation adjustments	(4)	26	29
Effect of adopting new guidance on consolidation of certain variable interest entities (Note 23)	—	—	19,551
Other—net	(2,671)	(314)	(723)
Balance at end of fiscal year	¥ 232,225	¥ 235,922	¥ 327,213
Total equity	¥6,467,120	¥9,102,840	¥8,671,037

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	2009	2010	2011
		(in millions)	
Cash flows from operating activities:			
Net income (loss) before attribution of noncontrolling interests	¥ (1,504,299)	¥ 875,076	¥ 397,338
Adjustments to reconcile net income (loss) before attribution of noncontrolling interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	410,362	345,268	319,641
Impairment of goodwill (Note 6)	845,842	461	—
Impairment of intangible assets (Note 6)	126,885	12,400	26,566
Provision for credit losses (Note 4)	626,947	647,793	292,035
Investment securities losses (gains)—net	658,679	(223,030)	(121,803)
Changes in financial instruments measured at fair value under fair value option, excluding trading account securities—net (Note 29)	217,933	(50,295)	110,003
Foreign exchange losses (gains)—net	1,304,438	(236,055)	76,391
Equity in losses of equity method investees	60,051	104,098	90,628
Provision for deferred income tax expense (benefit)	(401,367)	316,388	316,626
Decrease (increase) in trading account assets, excluding foreign exchange contracts	(4,390,178)	801,245	1,148,259
Increase (decrease) in trading account liabilities, excluding foreign exchange contracts	1,493,062	(184,013)	1,456,811
Decrease in accrued interest receivable and other receivables	73,374	3,322	26,815
Decrease in accrued interest payable and other payables	(103,573)	(6,866)	(18,190)
Net increase in accrued income taxes and decrease in income tax receivables	103,164	5,762	6,875
Increase (decrease) in allowance for repayment of excess interest (Note 24)	(3,316)	7,378	52,722
Net increase in collateral for derivative transactions	(497,629)	(132,610)	(37,209)
Other—net	13,438	23,663	94,330
Net cash provided by (used in) operating activities	(966,187)	2,309,985	4,237,838
Cash flows from investing activities:			
Proceeds from sales of investment securities available for sale (including proceeds from securities under fair value option) (Note 3)	76,089,849	74,475,416	78,141,353
Proceeds from maturities of investment securities available for sale (including proceeds from securities under fair value option) (Note 3)	29,796,236	46,056,462	29,841,882
Purchases of investment securities available for sale (including purchases of securities under fair value option) (Note 3)	(114,561,896)	(135,509,931)	(116,023,266)
Proceeds from maturities of investment securities being held to maturity	1,497,026	296,420	415,008
Purchases of investment securities being held to maturity	(296,772)	(433,118)	(644,793)
Proceeds from sales of other investment securities	37,773	104,040	28,156
Purchases of common stock investment in ACOM CO., LTD., an affiliated company of MUFG	(152,971)	—	—
Purchases of other investment securities	(958,616)	(379,154)	(39,196)
Net decrease (increase) in loans	(6,286,913)	5,919,699	2,751,433
Net decrease (increase) in interest-earning deposits in other banks	2,236,492	(1,273,410)	(2,916,248)
Net decrease in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions	4,598,497	233,782	350,828
Proceeds from sales of premises and equipment	36,269	17,878	14,732
Capital expenditures for premises and equipment	(154,607)	(114,230)	(98,323)
Purchases of intangible assets	(195,482)	(171,405)	(151,775)
Proceeds from sales of consolidated VIEs and subsidiaries—net	110,010	1,290	45,957
Other—net	(48,474)	(38,171)	(8,631)
Net cash used in investing activities	(8,253,579)	(10,814,432)	(8,292,883)

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	2009	2010	2011
		(in millions)	
Cash flows from financing activities:			
Net increase in deposits	2,664,202	9,408,480	2,211,211
Net increase (decrease) in call money, funds purchased, and payables under repurchase agreements and securities lending transactions	2,343,192	(1,048,232)	747,174
Net increase (decrease) in due to trust account	335,840	(237,215)	(68,911)
Net increase (decrease) in other short-term borrowings	2,576,140	(1,720,216)	2,533,987
Proceeds from issuance of long-term debt	2,917,573	3,478,615	2,573,277
Repayment of long-term debt	(2,756,725)	(2,467,525)	(3,109,981)
Proceeds from issuance of common stock, net of stock issue expenses	280,460	1,036,053	—
Proceeds from issuance of new shares of preferred stock, net of stock issue expenses	388,623	—	—
Proceeds from sales of treasury stock	187,147	1,077	327
Payments for acquisition of preferred stock (Note 15)	—	—	(250,000)
Payments to acquire treasury stock (Note 16)	(2,697)	(4,621)	(86)
Dividends paid	(153,217)	(149,486)	(190,299)
Dividends paid to noncontrolling interests	(12,864)	(5,908)	(6,314)
Payments related to privatization of UnionBanCal Corporation (Notes 2 and 30)	(410,373)	—	—
Other—net	(57,022)	4,256	15,525
Net cash provided by financing activities	8,300,279	8,295,278	4,455,910
Effect of exchange rate changes on cash and cash equivalents	(99,951)	440	(32,584)
Net increase (decrease) in cash and cash equivalents	(1,019,438)	(208,729)	368,281
Cash and cash equivalents at beginning of fiscal year	4,090,690	3,071,252	2,862,523
Cash and cash equivalents at end of fiscal year	¥ 3,071,252	¥ 2,862,523	¥ 3,230,804
Supplemental disclosure of cash flow information:			
Cash paid during the fiscal year for:			
Interest	¥ 1,643,730	¥ 831,847	¥ 725,400
Income taxes, net of refunds	38,275	84,890	116,399
Non-cash investing and financing activities:			
Obtaining assets by entering into capital lease	5,408	5,763	5,576
Acquisition of noncontrolling interests in Mitsubishi UFJ NICOS Co., Ltd. in exchange for treasury stock (Note 2)	131,445	—	—
Transfer to securities from loans resulting from securitizations (Note 4)	60,671	—	—
Transfer to trading account assets from investment securities available for sale (Note 29)	10,448,079	—	—
Transfer to investment securities being held to maturity from trading account assets (Note 3)	1,053,029	—	—
Union Bank's term borrowing issued in its fiscal year ended December 31, 2008, but settled on January 2, 2009	91,030	—	—
Transfer to investment securities being held to maturity from investment securities available for sale (Note 3)	—	111,895	—
Exchange of shares in Senshu Bank for shares in Senshu Ikeda Holdings, Inc. (Note 18):			
Acquisition of shares of Senshu Ikeda Holdings, Inc. recorded at fair value	—	79,073	—
Deconsolidation of Senshu Bank at book value	—	50,069	—
Exchange of ownership interest in Mitsubishi UFJ Morgan Stanley Securities, Co., Ltd. for equity investment in Morgan Stanley MUFG Securities, Co., Ltd. in connection with the securities joint venture (Note 2):			
Noncontrolling interest in Mitsubishi UFJ Morgan Stanley Securities, Co., Ltd.	—	—	127,270
Capital surplus	—	—	20,550
Adoption of new guidance on consolidation of certain variable interest entities (Note 23):			
Increase in total assets, excluding cash and cash equivalents	—	—	237,008
Increase in total liabilities	—	—	214,887
Union Bank's acquisitions (Note 2):			
Fair value of assets acquired	—	—	322,312
Fair value of liabilities assumed	—	—	328,332

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Mitsubishi UFJ Financial Group, Inc. ("MUFG") is a holding company for The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU"), Mitsubishi UFJ Trust and Banking Corporation ("MUTB"), Mitsubishi UFJ Securities Holdings Co., Ltd. ("MUSHD"), Mitsubishi UFJ NICOS Co., Ltd. ("Mitsubishi UFJ NICOS"), and other subsidiaries. MUSHD is an intermediate holding company for Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("MUMSS"). See Note 2 for more information on the securities joint venture with Morgan Stanley. Through MUFG's subsidiaries and affiliated companies, MUFG engages in a broad range of financial operations, including commercial banking, investment banking, trust banking and asset management services, securities businesses, and credit card businesses, and provides related services to individual and corporate customers. See Note 27 for more information by business segment.

Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which MUFG is incorporated and principally operates. The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America ("US GAAP"). In certain respects, the accompanying consolidated financial statements reflect adjustments which are not included in the consolidated financial statements issued by MUFG and certain of its subsidiaries in accordance with applicable statutory requirements and accounting practices in their respective countries of incorporation. The major adjustments include those relating to (1) investment securities, (2) derivative financial instruments, (3) allowance for credit losses, (4) income taxes, (5) consolidation, (6) premises and equipment, (7) transfer of financial assets, (8) accrued severance indemnities and pension liabilities, (9) goodwill and other intangible assets and (10) lease transactions.

Fiscal periods of certain subsidiaries, which end on or after December 31, and MUFG's fiscal year, which ends on March 31, have been treated as coterminous. For the fiscal years ended March 31, 2009, 2010 and 2011, the effect of recording intervening events for the three-month periods ended March 31 on MUFG's proportionate equity in net income of subsidiaries with fiscal periods ended on or after December 31, would have resulted in an increase of ¥2.42 billion to net loss, an increase of ¥3.90 billion to net income and an increase of ¥13.87 billion to net income, respectively. No intervening events occurred during each of the three-month periods ended March 31, 2009, 2010 and 2011 which, if recorded, would have had material effects to consolidated total assets, loans, total liabilities, deposits or total equity as of March 31, 2009, 2010 and 2011.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to management judgment primarily relate to the allowance for credit losses on loans and off-balance sheet credit instruments, valuation allowances of deferred tax assets, tax reserves, valuation of financial instruments, goodwill, intangible assets, investment securities and accrued severance indemnities and pension liabilities.

Summary of Significant Accounting Policies

Significant accounting policies applied in the accompanying consolidated financial statements are summarized below:

Consolidation—The consolidated financial statements include the accounts of MUFG, its subsidiaries and certain variable interest entities ("VIEs") (together, the "MUFG Group"). In situations in which the MUFG Group has control through either majority ownership of voting stock and/or other means, including, but not limited to, the power to direct or influence entity management and policies, such entities are consolidated and noncontrolling interests are recorded in Total equity. Intercompany items have been eliminated. Investments in affiliated companies (companies over which the MUFG Group has the ability to exercise significant influence) are accounted for by the equity method of accounting and are reported in Other assets. The MUFG Group's equity interest in the earnings of these equity investees and gains or losses realized on disposition of such investments are reported in Equity in losses of equity method investees.

Before April 1, 2010, the MUFG Group consolidated VIEs when MUFG had a variable interest that will absorb majority of the VIE's expected losses or receive majority of its expected residual returns or both. After the adoption of new guidance on April 1, 2010, the MUFG Group consolidates VIEs if it has the power to direct the activities of the VIE which most significantly impact its economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity, except certain VIEs that are deemed as investment companies. For VIEs that are considered investment companies, the MUFG Group determines whether it is the primary beneficiary by evaluation of whether it absorbs a majority of expected losses, receives a majority of expected residual returns or both. See *Accounting Changes—Amendment of Accounting for Consolidation of Variable Interest Entities* and Note 23 for the details of VIEs.

Assets that the MUFG Group holds in an agency, fiduciary or trust capacity are not assets of the MUFG Group and, accordingly, are not included in the accompanying consolidated balance sheets.

Cash Flows—For the purposes of reporting cash flows, cash and cash equivalents are defined as those amounts included in the consolidated balance sheets under the caption Cash and due from banks with original maturities of 90 days or less. Cash flows from qualified hedging activities are classified in the same category as the items being hedged.

Translation of Foreign Currency Financial Statements and Foreign Currency Transactions—Financial statements of overseas entities are translated into Japanese yen using the respective fiscal year-end exchange rates for assets and liabilities. Income and expense items are translated at average rates of exchange for the respective fiscal periods.

Foreign currency translation gains and losses related to the financial statements of overseas entities of the MUFG Group, net of related income tax effects, are credited or charged directly to Foreign currency translation adjustments, a component of accumulated other changes in equity from nonowner sources. Tax effects of gains and losses on foreign currency translation of financial statements of overseas entities are not recognized unless it is apparent that the temporary differences will reverse in the foreseeable future.

Foreign currency-denominated assets and liabilities are translated into the functional currencies of the individual entities included in consolidation at the respective fiscal year-end foreign exchange rates. Foreign currency-denominated income and expenses are translated using average rates of exchange for the respective fiscal periods. Gains and losses from such translation are included in Foreign exchange gains (losses)—net, as appropriate.

Repurchase Agreements, Securities Lending and Other Secured Financing Transactions—Securities sold with agreements to repurchase ("repurchase agreements"), securities purchased with agreements to resell ("resale agreements") and securities lending and borrowing transactions are accounted for as secured financing or lending transactions, if control over the securities is not surrendered. If they meet the relevant conditions for the surrender of control, they are accounted for as sales of securities with related off-balance sheet forward repurchase commitments or purchases of securities with related off-balance sheet forward resale commitments. For the fiscal years ended March 31, 2009, 2010 and 2011, there were no such transactions accounted for as sales.

Collateral—For secured lending transactions, including resale agreements, securities borrowing transactions, commercial lending and derivative transactions, the MUFG Group, as a secured party, generally has the right to require the counterparties to provide collateral, including letters of credit, cash, securities and other financial assets. For most securities lending transactions, the MUFG Group maintains strict levels of collateralization governed by daily mark-to-market analysis. Financial assets pledged as collateral are generally negotiable financial instruments and are permitted to be sold or repledged by secured parties. If the MUFG Group sells these financial assets received as collateral, it recognizes the proceeds from the sale and its obligation to return the collateral. For secured borrowing transactions, principally repurchase agreements and securities lending transactions and derivative transactions, where the secured party has the right to sell or repledge financial assets pledged as collateral, the MUFG Group separately discloses those financial assets pledged as collateral in the consolidated balance sheets.

Trading Account Securities—Securities and money market instruments held in anticipation of short-term market movements and for resale to customers are included in Trading account assets, and short trading positions of these instruments are included in Trading account liabilities. Trading positions are carried at fair value on the consolidated balance sheets and recorded on a trade date basis. Changes in the fair value of trading positions are recognized currently in Trading account profits (losses)—net, as appropriate. The MUFG Group has elected fair value option accounting for certain foreign securities. See Note 29 for a further discussion of fair value option accounting.

Investment Securities—Debt securities for which the MUFG Group has both the ability and positive intent to hold to maturity are classified as Securities being held to maturity and carried at amortized cost. Debt securities that the MUFG Group may not hold to maturity and marketable equity securities, other than those classified as Trading account securities, are classified as Securities available-for-sale, and are carried at their fair values, with unrealized gains and losses reported on a net-of-tax basis within Accumulated other changes in equity from nonowner sources, which is a component of equity. Other investment securities include nonmarketable equity securities carried at their acquisition cost, and also securities held by subsidiaries that are investment companies or broker and dealers. Such securities held by those subsidiaries are subject to the specialized industry accounting principles for investment companies and broker and dealers applicable for those subsidiaries. Securities of those subsidiaries are carried at their fair values.

Individual debt and equity securities are written down to fair value with the resulting losses charged to consolidated statements of operations when, in the opinion of management, a decline in estimated fair value below the cost of such securities is other than temporary. Such impairment loss is included in Investment securities gains (losses)—net in the consolidated statements of operations. In determining other than temporary declines in fair value to be recognized as an impairment loss on investment securities, the MUFG Group generally considers factors such as the ability and positive intent to hold the investments for a period of time sufficient to allow for any anticipated recovery in fair value, the financial condition of the issuer, the extent of decline in fair value, and the length of time that the decline in fair value below cost has existed. The MUFG

Group adopted the new guidance which amends the other than temporary impairment model for debt securities on April 1, 2009. See *Accounting Changes-Recognition and Presentation of Other-Than-Temporary Impairments* for a further discussion. This new guidance did not affect the other than temporary impairment model for equity securities. Interest and dividends on investment securities are reported in Interest income. Dividends are recognized when the shareholder right to receive the dividend is established. Gains and losses on disposition of investment securities are computed using the average cost method and are recognized on the trade date.

Derivative Financial Instruments—The MUFG Group engages in derivative activities involving swaps, forwards, futures, options, and other types of derivative contracts. Derivatives are used in trading activities to generate trading revenues and fee income for its own account and to respond to the customers' financial needs. Derivatives are also used to manage its market risk exposures to fluctuations in interest and foreign exchange rates, equity and commodity prices, and counterparty credit risk.

Derivatives entered into for trading purposes are carried at fair value and are reported as Trading account assets or Trading account liabilities. The fair values of derivative contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a gross basis. Changes in the fair value of such contracts are recognized currently in Foreign exchange gains (losses)—net with respect to foreign exchange contracts and in Trading account profits (losses)—net with respect to interest rate contracts and other types of contracts.

Embedded features that are not clearly and closely related to the host contracts and meet the definition of derivatives are separated from the host contracts and measured at fair value unless the contracts embedding the derivatives are measured at fair value in their entirety.

Derivatives are also used to manage exposures to fluctuations in interest and foreign exchange rates arising from mismatches of asset and liability positions. Certain of those derivatives are designated by the MUFG Group and qualify for hedge accounting. A derivative is designated as a hedging instrument at the inception of each such hedge relationship and the MUFG Group documents, for such individual hedging relationships, the risk management objective and strategy, including identifying the item being hedged, identifying the specific risk being hedged and the method used to assess the hedge's effectiveness. In order for a hedging relationship to qualify for hedge accounting, the changes in the fair value of the derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows of the hedged items attributable to the risk being hedged. Any ineffectiveness, which arises during the hedging relationship, is recognized in Non-interest income or expense in the period in which it arises. All qualifying hedging derivatives are valued at fair value and included in Other assets or Other liabilities. For cash flow hedges, the unrealized changes in fair value to the extent effective are recognized in Accumulated other changes in equity from nonowner sources. Amounts realized on cash flow hedges related to variable rate loans are recognized in Net interest income in the period when the cash flow from the hedged item is realized. The fair value of cash flow hedges related to forecasted transactions, if any, is recognized in Non-interest income or expense in the period when the forecasted transaction occurs. Any difference that arises from gains or losses on hedging derivatives offsetting corresponding gains or losses on the hedged items, and gains and losses on derivatives attributable to the risks excluded from the assessment of hedge effectiveness are recognized in Non-interest income or expense.

Loans—Loans originated by the MUFG Group ("originated loans") are carried at the principal amount outstanding, adjusted for unearned income and deferred net nonrefundable loan fees and costs. Originated loans held and intended for dispositions or sales in secondary markets are transferred to the held-for-sale classification and carried at the lower of cost or estimated fair value generally on an individual loan basis. Loan origination fees, net of certain direct origination costs, are deferred and recognized over the contractual life of the loan as an adjustment of yield using a method that approximates the interest method. Interest income on loans that are not impaired is accrued and credited to interest income as it is earned. Unearned income and discounts or premiums on purchased loans are deferred and recognized over the contractual lives of the loans using a method that approximates the interest method when such purchased loans are outside the scope of the guidance on loans and debt securities acquired with deteriorated credit quality as described below.

The MUFG Group divides its loan portfolio into the following segments—Commercial, Residential, Card and UnionBanCal Corporation ("UNBC") based on the segments used by the MUFG Group to determine the allowance for credit losses. The MUFG Group further divides the Commercial segment into classes based on initial measurement attributes, risk characteristics, or its method of monitoring and assessing credit risk.

Originated loans are considered impaired when, based on current information and events, it is probable that the MUFG Group will be unable to collect all the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Past due status is determined based on the contractual terms of the loan and the actual number of days since the last payment date, and is considered in determining impairment. Originated loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is generally evaluated on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

Originated loans are generally placed on nonaccrual status when substantial doubt exists as to the full and timely collection of either principal or interest. Specifically when principal or interest is contractually past due one month or more with respect to loans within all classes of the Commercial segment, three months or more with respect to loans within the Card and UNBC segments, and six months or more with respect to loans within the Residential segment. A nonaccrual loan may be restored to an accrual status when interest and principal payments become current and management expects that the borrower will make future contractual payments as scheduled. When a loan is placed on nonaccrual status, interest accrued but not received is generally reversed against interest income. Cash receipts on nonaccrual loans, for which the ultimate collectibility of principal is uncertain, are applied as principal reductions; otherwise, such collections are credited to income. The MUFG Group does not capitalize any accrued interest in the principal balances of impaired loans at each balance sheet date.

In accordance with the guidance on loans and debt securities acquired with deteriorated credit quality, impaired loans acquired for which it is probable that the MUFG Group will be unable to collect all contractual receivables are initially recorded at the present value of amounts expected to be received. For these impaired loans, the related valuation allowances are not carried over or created initially. Accretable yield is limited to the excess of the investor's estimate of undiscounted cash flows over the investor's initial investment in the loan. Subsequent increases in cash flows expected to be collected are recognized prospectively through adjustment of the loan's yield over its remaining life after reduction of any remaining allowance for credit losses for the loan established after its acquisition, if any, while any decrease in such cash flows below those initially expected at acquisition plus additional cash flows expected to be collected arising from changes in estimate after acquisition are recognized as impairments.

Loan Securitization—The MUFG Group securitizes and services commercial, industrial, and residential loans in the normal course of business. The MUFG Group accounts for a transfer of loans in a securitization transaction as a sale if it meets relevant conditions for the surrender of control. Otherwise, the transfer is accounted for as a collateralized borrowing transaction. Interests in loans sold through a securitization accounted for as a sale may be retained in the form of subordinated tranches or beneficial interests. These retained interests are primarily recorded in Securities available for sale. The previous carrying amount of the loans involved in the transfer is allocated between the loans sold and the retained interests based on their relative fair values at the date of the securitization. Since quoted market prices are generally not available, the MUFG Group usually estimates fair value of these retained interests based on the present value of future expected cash flows by using modeling techniques that involve management's best estimates of key assumptions, which may include default ratio, recovery rates, and discount rates. See *Accounting Changes—Amendment of Accounting for Transfers of Financial Assets* and Note 29 for details of fair value measurements.

Allowance for Credit Losses—The MUFG Group maintains an allowance for credit losses to absorb probable losses inherent in the loan portfolio. Actual credit losses (amounts deemed uncollectible, in whole or in part), net of recoveries, are generally determined based on detailed loan reviews and a credit assessment by management at each balance sheet date, and are deducted from the allowance for credit losses as net charge-offs. The MUFG Group generally applies its charge-off policy to all loans in its portfolio regardless of the type of borrower. Management believes that the provision for credit loss is adequate and the allowance is at the appropriate amount to absorb probable losses inherent in the loan portfolio. During the fiscal year, the MUFG Group did not make any significant changes to the methodologies or policies used to determine its allowance for credit losses.

Key elements relating to the policies and discipline used in determining the allowance for credit losses are credit classification and the related borrower categorization process. The categorization is based on conditions that may affect the ability of borrowers to service their debt, taking into consideration current financial information, historical payment experience, credit documentation, public information, analyses of relevant industry segments or current trends. In determining the appropriate level of the allowance, the MUFG Group evaluates the probable loss by category of loan based on its type and characteristics.

The methodologies used to estimate the allowance for each portfolio segment are as follows.

Commercial segment

In the Commercial segment, the methodology for assessing the appropriateness of the allowance consists of several key elements, which include the allocated allowance for individual loans specifically identified for evaluation, the formula allowance, the allocated allowance for country risk exposure, and the allocated allowance for large groups of smaller-balance homogeneous loans.

The allocated allowance for individual loans specifically identified for evaluation represents the impairment allowance determined in accordance with the guidance on accounting by creditors for impairment of a loan. The factors considered by management in determining impairment is the internal credit rating assigned to each borrower which represents the borrower's creditworthiness determined based on payment status, number of delinquencies, and the probability of collecting principal and interest payments when due. The impairment of a loan is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or on the loan's observable market price, or based on the fair value of the collateral if the loan is collateral dependent.

The formula allowance is applied to loans that are categorized as Normal or Close Watch, excluding loans identified as a troubled debt restructuring ("TDR"), based on the internal credit rating and historical loss factors which are based on the loss experience. Loans categorized as Normal represent those that are not deemed to have collectibility issues. Loans categorized as Close Watch represent those that require close monitoring due to borrowers' unstable business performance or their financial condition. Estimated losses inherent in the loans at the balance sheet date are calculated by multiplying the default ratio by the nonrecoverable ratio (determined as a complement of the recovery ratio). The default ratio is determined by each internal credit rating, taking into account the historical number of defaults of borrowers within each internal credit rating divided by the total number of borrowers. The recovery ratio is mainly determined by the historical experience of collections against loans in default. The default ratio, the recovery ratio and other indicators are continually reviewed to determine the appropriate level of the allowance. Because the evaluation of inherent loss for these loans involves a high degree of uncertainty, subjectivity and judgment, the estimation of the formula allowance is back-tested by comparing the allowance with the actual results subsequent to the balance sheet date. The results of such back-testing are evaluated by management to determine whether the manner and level of formula allowance needs to be changed in subsequent years.

The allocated allowance for country risk exposure is a country-specific allowance for Normal and Close Watch loans, excluding loans identified as a TDR. The allowance is established to supplement the formula allowance for these loans, based on an estimate of probable losses relating to the exposure to countries that are identified by management to have a high degree of transfer risk. The measurement is based on a function of default probability and the recovery ratio with reference to external credit ratings. For the allowance for individual cross-border loans specifically identified for evaluation, the MUFG Group incorporates transfer risk in its determination of the related allowance.

The allocated allowance for large groups of smaller-balance homogeneous loans is established through a process that begins with estimates of probable losses inherent in the portfolio. These estimates are based upon various analyses, including historical delinquency and historical loss experience.

Residential segment

In the Residential segment, the loans are comprised of smaller-balance homogeneous loans that are pooled by their internal credit ratings based on the number of delinquencies. The loans in this segment are generally secured by collateral. Collateral values are based on internal valuation sources, and the allowance is determined for unsecured amounts. The allowance for the nondelinquent group of loans is determined based on historical loss experience. For delinquent groups of loans, the MUFG Group determines the allowance based on the probability of insolvency by the number of actual delinquencies and historical loss experience.

Card segment

In the Card segment, the loans are smaller-balance homogeneous loans that are pooled by their internal credit rating based on the number of delinquencies. The allowance for loans in this segment is basically determined based on the probability of insolvency by the number of actual delinquencies and historical loss experience. For calculating the allocated allowance for loans specifically identified for evaluation, impaired loans are aggregated for the purpose of measuring impairment using historical loss factors.

UNBC segment

In the UNBC segment, the methodology for assessing the appropriateness of the allowance consists of several key elements, which include the allocated allowance for individual loans specifically identified for evaluation, the formula allowance, the allocated allowance for large groups of smaller-balance homogeneous loans, and the unallocated allowance.

The allocated allowance for individual loans specifically identified for evaluation is established for loans when management determines that the MUFG Group will be unable to collect all amounts due according to the contractual terms of the loan agreement, including interest payments. Impaired loans are carried at the lower of the recorded investment in the loan, the present value of expected future cash flows discounted at the loan's effective rate, the loan's observable market price, or the fair value of the collateral, if the loan is collateral dependent.

The formula allowance is calculated by applying historical loss factors to outstanding loans. Historical loss factors are based on the historical loss experience and may be adjusted for significant factors that, in management's judgment, affect the collectibility of the portfolio as of the balance sheet date.

The allocated allowance for large groups of smaller-balance homogeneous loans is established for consumer loans as well as for smaller balance commercial loans. These loans are managed by a pool basis, and loss factors are based on expected net charge-off ranges.

The unallocated allowance represents an estimate of additional losses inherent in the loan portfolio and is composed of attribution factors, which are based upon management's evaluation of various conditions that are not directly or indirectly measured in the determination of the allocated allowance. The conditions used for consideration of the unallocated allowance at each balance sheet date include factors such as, existing general economic and business conditions affecting the key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, specific industry conditions, recent loss experience, duration of the current business cycle, bank regulatory examination results and findings of the internal credit examiners. The MUFG Group reviews these conditions and has an internal discussion with senior credit officers on a quarterly basis.

Allowance for Off-Balance Sheet Credit Instruments—The MUFG Group maintains an allowance for credit losses on off-balance sheet credit instruments, including commitments to extend credit, guarantees, standby letters of credit and other financial instruments. The allowance is recorded as a liability in Other liabilities. The MUFG Group adopts the same methodology used in determining the allowance for credit losses on loans. Potential credit losses related to derivatives are considered in the fair value of the derivatives.

Net changes in the allowance for off-balance sheet credit instruments are accounted for as Other non-interest expenses.

Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is charged to operations over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. MUFG, BTMU and MUTB apply the declining-balance method in depreciating their premises and equipment, while other subsidiaries mainly apply the straight-line method, at rates principally based on the following estimated useful lives:

	Years
Buildings	15 to 50
Equipment and furniture	2 to 20
Leasehold improvements	3 to 39

Maintenance, repairs and minor improvements are charged to operations as incurred. Major improvements are capitalized. Net gains or losses on dispositions of premises and equipment are included in Other non-interest income or expense, as appropriate.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount to future undiscounted net cash flows expected to be generated by the asset. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset or assets are grouped with other assets and liabilities at the lowest level with independent and identifiable cash flows. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less estimated cost to sell.

Asset retirement obligations related to restoration of certain leased properties upon lease termination are recorded in Other liabilities with a corresponding increase in leasehold improvements. The amounts represent the present value of expected future cash flows associated with returning such leased properties to their original condition. The difference between the gross and present value of expected future cash flows is accreted over the life of the related leases as a non-interest expense.

Goodwill—Before April 1, 2009, the MUFG Group had recognized goodwill, as of the acquisition date, measured as the excess of the cost of investments in subsidiaries over its share of the fair value of net assets. After the adoption of new guidance on accounting for business combinations on April 1, 2009, the MUFG Group recognizes goodwill, as of the acquisition date, measured as the excess of fair value, including that of noncontrolling interests, over net assets of the acquiree. Goodwill related to investments in equity method investees is included in Other assets as a part of the carrying amount of investments in equity method investees.

Goodwill arising from a business combination is not amortized but is tested at least annually for impairment. Goodwill is recorded at a designated reporting unit level for the purpose of assessing impairment. A reporting unit is an operating segment, or an identified business unit one level below an operating segment. An impairment loss is recognized to the extent that the carrying amount of goodwill exceeds its implied fair value.

Intangible assets—Intangible assets consist of software, core deposit intangibles, customer relationships, trade names and other intangible assets. These are amortized over their estimated useful lives unless they have indefinite useful lives. Amortization of intangible assets is computed in a manner that best reflects the economic benefits of the intangible assets as follows:

	Useful lives (years)	Amortization method
Software	2 to 10	Straight-line
Core deposit intangibles	5 to 19	Declining-balance
Customer relationships	12 to 27	Declining-balance
Trade names	5 to 40	Straight-line

Intangible assets having indefinite useful lives, primarily certain customer relationships, are not amortized but are subject to annual impairment tests. An impairment exists if the carrying value of an indefinite-lived intangible asset exceeds its fair value. For other intangible assets subject to amortization, an impairment is recognized if the carrying amount is not recoverable and the carrying amount exceeds the fair value of the intangible asset.

The MUFG Group capitalizes certain costs associated with the acquisition or development of internal-use software. Costs subject to capitalization are salaries and employee benefits for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of time spent directly on the project. Once the software is ready for its intended use, the MUFG Group begins to amortize capitalized costs on a straight-line basis.

Accrued Severance and Pension Liabilities—The MUFG Group has defined benefit pension plans and other postretirement benefit plans, including severance indemnities plans. The liabilities related to these plans are computed and recognized based on actuarial computations. Net actuarial gains and losses that arise from differences between actual experience and assumptions are generally amortized over the average remaining service period of participating employees if it exceeds the corridor, which is defined as the greater of 10% of plan assets or the projected benefit obligation. Under the guidance related to employers' accounting for defined benefit pension and other postretirement plans, the MUFG Group recognizes a net liability or asset to report the funded status of its defined benefit pension and other postretirement plans in the consolidated balance sheets and recognizes changes in the funded status of defined benefit pension and other postretirement plans in the year in which the changes occur in Accumulated other changes in equity from nonowner sources. The costs of the plans, based on actuarial computations of current and future employee benefits, were charged to Salaries and employee benefits. The MUFG Group measures plan assets and benefit obligations as of the date of the consolidated balance sheets.

Long-Term Debt—Premiums, discounts and issuance costs of long-term debt are amortized based on the method that approximates the interest method over the terms of the long-term debt.

Obligations under Guarantees—The MUFG Group provides customers with a variety of guarantees and similar arrangements, including standby letters of credit, financial and performance guarantees, credit protections, and liquidity facilities. The MUFG Group recognizes guarantee fee income over the guarantee period based on the contractual terms of the guarantee contracts. It is the MUFG Group's business practice to receive a guarantee fee at the inception of the guarantee, which approximates market value of the guarantee and is initially recorded as a liability, which is then recognized as guarantee fee income ratably over the guarantee period.

Allowance for Repayment of Excess Interest—The MUFG Group maintains an allowance for repayment of excess interest based on an analysis of past experience of reimbursement of excess interest, borrowers' profile, recent trend of borrowers' demand for reimbursement, and appropriate management's future forecasts. The allowance is recorded as a liability in Other liabilities. In relation to the estimate of this allowance, see Note 1 "*Change in Accounting Estimates*" section for the details.

Fees and Commissions—Revenue recognition of major components of fees and commissions is as follows:

- Fees on funds transfer and collection services, service charges on deposit accounts, fees and commissions on securities business, fees on real estate business, insurance commissions, fees and commissions on stock transfer agency services, fees on investment funds business, and fees and commissions from other services are generally recognized as revenue when the related services are performed or recognized over the period that the service is provided.
- Fees from trade-related financing services are recognized over the period of the financing.
- Trust fees are recognized on an accrual basis, generally based on the volume of trust assets under management and/or the operating performance for the accounting period of each trust account. With respect to trust accounts with guarantee of trust principal, trust fees are determined based on the profits earned by individual trust account during the trust accounting period, less deductions, including provision for reserve, impairment for individual investments and dividends paid to beneficiary certificate holders. The trust fees for these trust accounts are accrued based on the amounts expected to be earned during the accounting period of each trust account.
- Annual fees and royalty and other service charges related to credit card business are recorded on a straight-line basis as services are provided.
- Interchange income from the credit card business is recognized as billed.

- Fees on guarantees are generally recognized over the contractual periods of the respective guarantees. Amounts initially recorded as a liability corresponding to the obligations at fair value are generally recognized as revenue over the terms of the guarantees as the MUFG Group is deemed to be released from the risk under guarantees.

Income Taxes—The provision for income taxes is determined using the asset and liability method of accounting for income taxes. Under this method, deferred income taxes reflect the net tax effects of (1) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (2) operating loss and tax credit carryforwards. A valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized. The provision for deferred taxes is based on the change in the net deferred tax asset or liability during the fiscal year.

Free Distributions of Common Shares—As permitted by the Company Law, Japanese companies, upon approval by the Board of Directors, may make a free distribution of shares, in the form of a "stock split" as defined, to shareholders. In accordance with generally accepted accounting practice in Japan, such distribution does not give rise to any change in capital stock or capital surplus accounts. Common shares distributed are recorded as shares issued on the distribution date. See Note 16 for further information.

Earnings (Loss) per Common Share—Basic earnings per share ("EPS") excludes dilutive effects of potential common shares and is computed by dividing income available to common stock shareholders by the weighted average number of common shares outstanding for the period, while diluted EPS gives effect to all dilutive potential common shares that were outstanding during the period. See Note 20 for the computation of basic and diluted EPS.

Treasury Stock—The MUFG Group presents its treasury stock, including shares of MUFG owned by its subsidiaries and affiliated companies, as a reduction of equity on the consolidated balance sheets at cost and accounts for treasury stock transactions under an average cost method. Gains (losses) on sales of treasury stock are charged to capital surplus, and unappropriated retained earnings.

Comprehensive Income (Loss)—Comprehensive income (loss) includes net income (loss) before attribution to noncontrolling interests and other changes in equity from nonowner sources. All changes in unrealized gains and losses on investment securities, unrealized gains and losses on derivatives qualifying for cash flow hedges, pension liability adjustments and foreign currency translation adjustments constitute changes in equity from nonowner sources and are presented, with related income tax effects, in the consolidated statements of changes in equity from nonowner sources.

Stock-Based Compensation—MUFG and certain of its subsidiaries have stock-based compensation plans. Stock-based compensation expenses are recognized based on the grant date fair value of share based compensation over the period during which an employee is required to provide service in accordance with the terms of the plans. See Note 30 for further discussion of stock-based compensation plans.

Reclassifications

Certain reclassifications and format changes have been made to the consolidated financial statements for the fiscal years ended March 31, 2009 and 2010 to conform to the presentation for the fiscal year ended March 31, 2011.

These reclassifications and format changes include the presentation of "Changes in financial instruments measured at fair value under fair value option, excluding trading account securities —net (Note 29)" as a separate line item which had previously been presented as "Other—net" in cash flows from operating activities in the consolidated statements of cash flows for the fiscal years ended March 31, 2009 and 2010.

These reclassifications and format changes did not result in a change to previously reported financial positions and results of operations.

Change in Accounting Estimates

The MUFG Group periodically updates underlying assumptions to make a current estimate of the allowance for credit losses. During the fiscal year ended March 31, 2009, MUTB adopted an advanced estimation to determine the appropriate level of formula allowance, which is estimated based primarily on the default ratio and the recoverable ratio. Previously, the recoverable ratio was computed according to the amount of the secured part of the loan or appraisal of the collateral, which was discounted by a certain rate. Due to the accumulation of the historical data, MUTB has begun incorporating the historical recovery data of the unsecured portion of loans and of the respective collateral for its respective recoverable ratios since the fiscal year ended March 31, 2009. For the fiscal year ended March 31, 2009, the effect from those changes had a positive impact on Income (loss) before income tax expense (benefit) and Net income (loss) attributable to Mitsubishi UFJ Financial Group of ¥104 billion and ¥62 billion, respectively, and a corresponding impact on both basic and diluted earnings (loss) per common share of ¥5.69 per share.

The MUFG Group observed that the market for collateralized loan obligations (“CLOs”) backed by general corporate loans became significantly inactive compared with normal market activity due to the reduction in liquidity of certain debt securities resulting from the global financial market instability in the second half of the fiscal year ended March 31, 2009. Under such circumstances, the MUFG Group concluded that the unadjusted non-binding quotes from broker-dealers became less reflective of the fair values for CLOs backed by general corporate loans. Consequently, during the second half of the fiscal year ended March 31, 2009, the MUFG Group changed the valuation method for estimating the fair value of such CLOs from the method adopting unadjusted quotes from independent broker-dealers to the estimation method by weighting the internal model prices and the non-binding broker-dealer quotes. This change in valuation method was accounted for prospectively as a change in accounting estimate. See Note 29 for the details of the valuation method.

Prior to the fiscal year ended March 31, 2011, Mitsubishi UFJ NICOS, an MUFG’s consumer finance subsidiary had estimated the allowance for repayment of excess interest (see Note 24 for the details of this allowance) based primarily on historical reimbursement rates of excess interest. For the fiscal year ended March 31, 2011, Mitsubishi UFJ NICOS revised its estimate by updating management’s future forecast to reflect new reimbursement claims information and other data following various legal and industry developments that occurred during the fiscal year. For the fiscal year ended March 31, 2011, the effect from the changes had a negative impact on Income (loss) before income tax expense (benefit) and Net income (loss) attributable to Mitsubishi UFJ Financial Group of ¥61 billion and ¥49 billion, respectively, and a corresponding impact on both basic and diluted earnings (loss) per common share of ¥3.45 per share.

Accounting Changes

Defined Benefit Pension and Other Postretirement Plans—In September 2006, the FASB issued new guidance related to employers’ accounting for defined benefit pension and other postretirement plans. The new guidance clarifies that defined benefit assets and obligations should be measured as of the date of the entity’s consolidated balance sheets. The requirement to measure plan assets and benefit obligations as of the date of the consolidated balance sheets was effective for fiscal years ending after December 15, 2008.

The MUFG Group adopted the new measurement date provisions on April 1, 2008 which changed the measurement date for plan assets and benefit obligations of BTMU and some of its domestic subsidiaries from

December 31 to March 31 by using the approach that remeasured plan assets and benefit obligations as of March 31, 2008. The MUFG Group recognized ¥411 million in gains on settlement during the period from January 1, 2008 to March 31, 2008 and recorded a decrease in the beginning balance of retained earnings as of April 1, 2008 by ¥132 million, net of taxes, and a decrease in the beginning balance of accumulated other changes in equity from nonowner sources as of April 1, 2008 by ¥131,574 million, net of taxes, as a result of adopting this provision. The impact on the beginning balance of accumulated other changes in equity from nonowner sources upon adoption of the new measurement date provisions as of April 1, 2008 is mainly due to a decrease in the fair value of plan assets of ¥175,680 million and an increase in benefit obligations of ¥32,382 million, net of ¥4,333 million in settlements during the period from January 1, 2008 to March 31, 2008 recognized as lump-sum payments for the fiscal year ended March 31, 2008. The increase was caused by a decline in the discount rate from December 31, 2007 to March 31, 2008.

Fair Value Measurements—In September 2006, the FASB issued new guidance on the measurement of fair value. This new guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. In addition, it applies under other accounting topics that require or permit fair value measurements since the FASB previously concluded in those accounting topics that fair value is the relevant measurement attribute. Accordingly, this new guidance does not require any new fair value measurements. Under the new guidance, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, a fair value hierarchy is established that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data. Fair value measurements are separately disclosed by level within the fair value hierarchy. This new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with early adoption permitted. It shall be applied prospectively, except for the provisions related to block discounts, and existing derivative and hybrid financial instruments measured at fair value using the transaction price. This new guidance nullifies the guidance which requires the deferral of trade date gains or losses on derivatives where the fair value of those derivatives were not obtained from a quoted market price, supported by comparison to other observable market transactions, or based upon a valuation technique incorporating observable market data. The new guidance also precludes the use of a blockage factor when measuring financial instruments traded in an active market at fair value and requires consideration of nonperformance risk when measuring liabilities at fair value. Effective April 1, 2008, the MUFG Group adopted the new guidance for measurement of fair value. Upon its adoption, the difference between the carrying amount and fair value of the derivatives measured under the previous guidance was recognized as a cumulative effect to the beginning balance of retained earnings as of April 1, 2008 in the amount of ¥27,317 million, net of taxes.

In February 2008, the FASB issued new guidance on the application of fair value measurements for purposes of lease classification or measurement and new guidance on the effective date of the application of fair value measurements. The first guidance amends the fair value measurement guidance to exclude lease accounting, and other accounting topics that address fair value measurements for the purposes of lease classification or measurement. However, this scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value, regardless of whether those assets and liabilities are related to leases. The second guidance applies to nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis and defers the effective date of the fair value measurement guidance to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for those items. The MUFG Group adopted the guidance on April 1, 2008 to all financial assets and liabilities measured and disclosed on a fair value basis, excluding the nonfinancial assets and liabilities. For the nonrecurring nonfinancial assets and nonfinancial liabilities, including premises and equipment, intangible assets and goodwill measured at fair value for impairment, the MUFG Group adopted the fair value measurement guidance on April 1, 2009. The adoption of this new guidance did not have a material impact on the MUFG Group's financial position and results of operations.

In October 2008, the FASB issued new guidance to clarify how an entity would determine fair value in a market that is not active. This guidance was effective upon issuance and did not have a material impact on the MUFG Group's financial position and results of operations.

In April 2009, the FASB staff issued an amendment to the fair value measurement guidance, providing additional guidance for estimating fair value when the volume and level of activity for the asset or liability has significantly decreased, including guidance on identifying circumstances that indicate a transaction is not orderly. This amendment requires entities to disclose, in both interim and annual periods, the inputs and valuation techniques used to measure fair value and provide by major categories of debt and equity securities, the fair value hierarchy and Level 3 roll-forward disclosures. This amendment was effective prospectively for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The MUFG Group adopted this amendment on April 1, 2009, which had no material impact on its financial position and results of operations.

See Note 29 for a further discussion of the adoption of the new fair value measurement guidance.

Fair Value Option for Financial Assets and Financial Liabilities—In February 2007, the FASB issued new guidance which provided an option for measuring certain financial assets and financial liabilities using fair value. This guidance allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities and certain other items at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. This guidance was effective for fiscal years beginning after November 15, 2007. Early adoption is permitted subject to certain conditions. The MUFG Group adopted this guidance on April 1, 2008. The MUFG Group elected the fair value option for foreign securities classified as available-for-sale held by BTMU and MUTB in the amount of ¥10,448,079 million, whose unrealized gains and losses were reported within accumulated other changes in equity from nonowner sources as of March 31, 2008. BTMU and MUTB economically manage, through their asset and liability management activities, risks associated with their foreign currency-denominated financial assets and liabilities related to fluctuation of foreign exchange rates. However, prior to the adoption of this guidance for these securities, gains and losses on translation of these securities were reflected in other changes in equity from nonowner sources, while gains and losses on translation of foreign currency-denominated financial liabilities were included in current earnings. The MUFG Group elected the fair value option for these securities to mitigate accounting mismatches related to fluctuations of foreign exchange rates. As a result of adopting the fair value option on these securities, MUFG recorded an increase in the beginning balance of retained earnings as of April 1, 2008 of ¥20,150 million, net of taxes. In addition, the MUFG Group elected the fair value option for certain financial instruments held by MUSHD's foreign subsidiaries, which increased the beginning balance of retained earnings as of April 1, 2008 of ¥12,829 million, net of taxes.

Noncontrolling Interests—In December 2007, the FASB issued new guidance which requires companies to clearly identify and present ownership interests in subsidiaries held by parties other than the parent in the consolidated financial statements within the equity section but separate from the parent's equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interests be clearly identified and presented on the face of the consolidated statements of operations; changes in parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for similarly as equity transactions; and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. This guidance is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. The MUFG Group adopted this guidance on April 1, 2009. As a result, effective April 1, 2009, ¥232,225 million of noncontrolling interests as of March 31, 2009 was reclassified from Other liabilities to Equity on its consolidated balance sheets.

Recognition and Presentation of Other-Than-Temporary Impairments—In April 2009, the FASB staff issued guidance, which amends the other than temporary impairment model for debt securities. This guidance requires an entity to recognize an other than temporary impairment of a debt security if the entity has the intent to sell the debt security or if it is more likely than not the entity will be required to sell the debt security before recovery of its amortized cost basis. In addition, this guidance requires an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings or the noncredit component in accumulated other changes in equity from nonowner sources when the entity does not intend to sell the debt security and if it is more likely than not that the entity will not be required to sell the debt security before recovery of its amortized cost basis. This guidance also requires additional disclosures, such as the calculation of credit losses, as well as factors considered in reaching a conclusion that an investment is not other than temporarily impaired by major security types. This guidance is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The MUFG Group adopted this guidance on April 1, 2009. The cumulative effect of the change included a decrease in the opening balance of Accumulated deficit at April 1, 2009 of ¥118,210 million, net of taxes with a corresponding adjustment to accumulated other changes in equity from nonowner sources. See Note 3 for a further discussion on this guidance.

Amendment of Accounting for Transfers of Financial Assets—In June 2009, the FASB issued new guidance which clarifies the application of certain derecognition concepts and eliminates the concept of a qualifying special purpose entity. The guidance also clarifies the concept of “surrendered control” to consider any continuing involvement with the transferred assets regardless of when the terms were agreed. In addition, the guidance introduces the term “participating interest” to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. Finally, the guidance eliminated certain alternatives with respect to initial recognition and measurement and replaced them with a requirement that a transferor recognize and initially measure all assets obtained including a transferor’s beneficial interest and liabilities incurred as a result of a transfer of financial assets accounted for as a sale, at fair value. This guidance is effective for the first annual reporting period beginning after November 15, 2009, and interim periods within that year, with early application prohibited. The MUFG Group adopted this guidance on April 1, 2010, which had no impact on its financial position and results of operations. See Note 4 for details of the additional disclosures required by this guidance.

Amendment of Accounting for Consolidation of Variable Interest Entities—In June 2009, the FASB issued new guidance which amends the accounting for consolidation of VIEs. This guidance changes the guidance by modifying the characteristics for assessing a primary beneficiary to include entities that have the power to direct the activities of the variable interest entity which significantly impact its economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity. The primary beneficiary determination must be reassessed on an ongoing basis. In addition, this guidance amends the identification of VIEs by eliminating the scope exception for qualified special purpose entities and adding an additional reconsideration event for determining whether an entity is a variable interest entity. This guidance is effective from April 1, 2010 for the MUFG Group.

In February 2010, the FASB issued further guidance which defers the requirements of the consolidation guidance for determining beneficiary of VIEs for certain investment funds including mutual funds, private equity funds, hedge funds, venture capital funds, mortgage real estate investment funds, and certain real estate investment funds.

The MUFG Group has elected to apply the new guidance above prospectively. Accordingly, prior periods have not been restated. See Note 23 for more information of disclosures required by the guidance.

Disclosure about Fair Value Measurements—In January 2010, the FASB issued new guidance which requires a new disclosure and clarifies existing disclosure requirements on fair value measurements. The guidance requires additional disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and activity in Level 3 fair value measurement. This guidance also clarifies existing disclosure requirements regarding level of disaggregation and valuation inputs and techniques. This guidance is effective for interim and annual reporting period beginning after December 15, 2009, except for the disclosure of the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which is effective for interim and annual reporting beginning after December 15, 2010 with early application permitted. The MUFG Group adopted this guidance on April 1, 2010, except for the disclosure with regard to the Level 3 activity, which had no impact on its financial position and results of operations. See Note 29 for a further discussion on this guidance.

Amendment of Accounting for Impaired Loans when the Pool of Loans is Accounted for as a Single Asset—In April 2010, the FASB issued new guidance which amends the accounting for modifications of loans that are acquired with evidence of credit deterioration and accounted for as a pool. The amendment provides that modifications of such loans, which are acquired with evidence of credit deterioration and accounted for as a pool, do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loans are included is impaired if expected cash flows for the pool change. No additional disclosures are required as a result of this guidance. This guidance is effective for modifications of loans accounted for within pools occurring in the first interim or annual period ending on or after July 15, 2010, with early application permitted. Upon initial adoption of the guidance, an entity may make a one-time election to terminate accounting for loans as a pool. This election may be applied on a pool-by-pool basis and does not preclude an entity from applying pool accounting to subsequent acquisitions of loans with credit deterioration. The MUFG Group adopted this guidance on April 1, 2010, which had no material impact on its financial position and results of operations.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses—In July 2010, the FASB issued new guidance which requires additional disclosures and amends existing disclosure requirements on allowances for credit losses and the credit quality of financial receivables. The guidance requires additional disclosures on credit quality indicators of financing receivables, aging of past due financing receivables, nature and extent of TDR and modifications, and significant purchases and sales of financing receivables on a disaggregated basis. Existing guidance is amended to require disclosure of financing receivables on a more disaggregated basis. This guidance is effective for interim and annual reporting periods ending on or after December 15, 2010. Specific items regarding activity that occurs during a reporting period, such as the allowance roll-forward and modification disclosures will be required for interim and annual reporting periods beginning on or after December 15, 2010. The MUFG Group adopted this guidance on March 31, 2011, except for the disclosures about items regarding activity that occurs during a reporting period which are effective for interim and annual reporting periods beginning on or after December 15, 2010. The guidance affected the MUFG Group's disclosures about the credit quality of financing receivables and allowances for credit losses, but did not affect its financial position and results of operations. See Note 4 for details of disclosures required by this guidance.

In January 2011, the FASB issued further guidance which defers the effective date for disclosures about TDRs by creditors until the FASB finalizes its project on determining what constitutes a TDR for a creditor. The MUFG Group adopted this guidance immediately upon the issuance, which had no impact on its financial position and results of operations.

In April 2011, the FASB issued further guidance which finalizes its project on determining what constitutes a TDR for a creditor. Under this guidance, the deferred date for disclosures about TDRs by creditors is effective for the first interim and annual periods beginning on or after June 15, 2011. See Recently Issued Accounting Pronouncement—*Amendment to Accounting for a Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring* for details.

Recently Issued Accounting Pronouncements

Amendments to Accounting Scope of Embedded Credit Derivatives—In March 2010, the FASB issued new guidance which clarifies the scope exception related to embedded credit derivatives. This guidance addresses how to determine which embedded credit derivative features, including those in collateralized debt obligations and synthetic collateralized debt obligations, are considered to be embedded derivatives that are exempt from potential bifurcation and separate accounting requirement. This guidance is effective for the first interim reporting period beginning after June 15, 2010 with early application permitted at the beginning of the first interim reporting period beginning after the issuance of this new guidance. In initially adopting this new guidance, an entity may elect the fair value option for any investment in a beneficial interest in a securitized financial asset. The election of the fair value option is irrevocable and should be determined on an instrument-by-instrument basis at the beginning of the reporting period of initial adoption. The MUFG Group does not expect that the adoption of the guidance will have a material impact on its financial position and results of operations.

Amendment to Accounting for A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring—In April 2011, the FASB issued new guidance on a creditor's evaluation of whether a modification or restructuring of a receivable is a TDR. This clarifies the guidance on a creditor's evaluation of whether the creditor has granted a concession and whether the debtor is experiencing financial difficulties. This guidance also clarifies that a creditor is precluded from using the borrower's effective rate test when assessing whether a concession has been granted to the borrower. This guidance is effective for the first interim or annual reporting period beginning on or after June 15, 2011. An entity is required to apply this guidance retrospectively for all modifications and restructuring activities that have occurred from the beginning of the annual period of adoption. For receivables that are newly considered impaired under the guidance on accounting by creditors for impairment of a loan, an entity should measure the impairment of those receivables prospectively in the first period of adoption and disclose the total amount of receivables and the related allowance for credit losses as of the end of the period of adoption. Early adoption is permitted. The MUFG Group has not completed the study of what effect this guidance will have on its financial position and results of operations.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs—In May 2011, the FASB issued new guidance, which amends certain accounting and disclosure requirements related to fair value measurements, that result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. This guidance is effective during interim and annual period beginning after December 15, 2011. The MUFG Group has not completed the study of what effect this guidance will have on its financial position and results of operations.

Amendments to the Presentation of Comprehensive Income—In June 2011, the FASB issued new guidance which amends presentation and disclosure requirements of other comprehensive income. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity and requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance is effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption of this guidance is permitted. This new guidance will only affect the presentation of other comprehensive income, and will not affect the MUFG Group's financial position and results of operations.

2. BUSINESS DEVELOPMENTS

Mitsubishi UFJ NICOS Co., Ltd.

In 2008, the MUFG Group reorganized the capital structure of Mitsubishi UFJ NICOS, a 76%-owned subsidiary, by eliminating the only outstanding class of capital stock other than the common stock and by having The Norinchukin Bank ("Norinchukin") become the sole noncontrolling shareholder. This reorganization was carried out in order to further enhance the strategic integrity and flexibility of the MUFG Group and to strive for effective utilization of managerial resources within the MUFG Group.

Pursuant to the reorganization, on August 1, 2008, MUFG acquired, through a share exchange, all the outstanding Mitsubishi UFJ NICOS common stock and all the outstanding Mitsubishi UFJ NICOS Class 1 stock whereby MUFG issued MUFG common stock at a ratio of 0.37 shares of MUFG common stock for every one share of Mitsubishi UFJ NICOS common stock and 1.39 shares of MUFG common stock for every one share of Mitsubishi UFJ NICOS Class 1 stock. MUFG, then, sold 244 million shares of Mitsubishi UFJ NICOS common stock to Norinchukin. Furthermore, MUFG converted all of Mitsubishi UFJ NICOS Class 1 stock acquired from Norinchukin into Mitsubishi UFJ NICOS common stock. As a result, the ownership by MUFG of Mitsubishi UFJ NICOS decreased to approximately 85% from 100%.

The reorganization was accounted for as follows:

The assets and liabilities acquired through the purchase of the noncontrolling interest of Mitsubishi UFJ NICOS were accounted for using the purchase method of accounting and were recorded based on their fair value as of August 1, 2008. The MUFG common stock issued in the share exchange was valued at ¥131 billion based on the average market price for a reasonable period before and after the date the terms of the acquisition were agreed to and announced. As a result, MUFG owned all the outstanding Mitsubishi UFJ NICOS common stocks. The MUFG Group recorded approximately ¥23 billion of goodwill and ¥27 billion of intangible assets.

The acquisition of Mitsubishi UFJ NICOS Class 1 stock and the sale of Mitsubishi UFJ NICOS common stock were treated as one unit of account within the context of MUFG's conversion of the Class 1 stock. The transactions were accounted for as: (i) a capital transaction representing an induced conversion by Norinchukin of Mitsubishi UFJ NICOS Class 1 stock for approximately 186.6 million shares of Mitsubishi UFJ NICOS common stock, and (ii) the sale by MUFG of approximately 57.4 million shares of Mitsubishi UFJ NICOS common stock, and (iii) the issuance of 69.5 million shares of MUFG common stock. As a result, MUFG recognized a credit to capital surplus of ¥71 billion and recognized ¥8 billion as a direct charge to retained earnings representing the effect of the inducement calculated based on the excess number of Mitsubishi UFJ NICOS common stock deemed received by Norinchukin (over the number of Mitsubishi UFJ NICOS common stock that it would have otherwise received had it converted Mitsubishi UFJ NICOS Class 1 stock under its contractual terms). In addition, gains on the sale of the 57.4 million shares of Mitsubishi UFJ NICOS common stock of ¥6 billion were recognized in the statements of operations. Furthermore, net loss available to common shareholders of Mitsubishi UFJ Financial Group was increased by ¥8 billion attributable to the effect of the induced conversion in the calculation of EPS.

All the MUFG common stock issued to effect the foregoing transactions was previously held as treasury stock. The difference between their carrying amounts and the amount at which the corresponding reissuance was measured was respectively recorded in capital surplus and unappropriated retained earnings.

On March 30, 2011, MUFG and Norinchukin increased the capital of Mitsubishi UFJ NICOS through allotment to existing shareholders. MUFG and Norinchukin acquired ¥85 billion and ¥15 billion of new common shares in Mitsubishi UFJ NICOS, respectively, with no change of ownership in the shares of Mitsubishi UFJ NICOS between MUFG and Norinchukin.

UnionBanCal Corporation

BTMU acquired approximately 36% ownership of UNBC through cash tender offers, valuing the transaction at approximately ¥389 billion. The offer expired on September 26, 2008, with purchase of the shares being effective on October 1, 2008. After the offer, BTMU owned approximately 97% of UNBC's outstanding common stock and acquired the remaining common stock on November 4, 2008. As a result of the tender offers, followed by the second-step merger, UNBC became a wholly-owned subsidiary of BTMU. BTMU previously owned approximately 64% of UNBC. The assets and liabilities acquired through the purchase of the noncontrolling interest of UNBC were measured based on their fair value as of October 1, 2008. The MUFG Group initially recorded approximately ¥175 billion of goodwill and ¥67 billion of intangible assets. The purpose of making UNBC a wholly-owned subsidiary is to achieve greater management flexibility and aim to further strengthen the MUFG Group's presence in the United States.

On April 16 and 30, 2010, Union Bank, N.A. ("Union Bank"), a subsidiary of UNBC, entered into Purchase and Assumption Agreements with the Federal Deposit Insurance Corporation ("FDIC") to acquire certain assets and assume certain liabilities of Tamalpais Bank and Frontier Bank and thereby recorded goodwill and core deposit intangible assets of ¥8,068 million and ¥1,648 million, respectively. The assets acquired and liabilities assumed were recorded at their estimated, provisional fair values on the acquisition date. During the fiscal year ended December 31, 2010, UNBC's management reviewed and, where necessary, adjusted the acquisition date fair values. For a period of up to one year from the date of acquisition (defined as the measurement period), UNBC's management may further adjust the acquisition date fair values. In connection with the acquisition, Union Bank also entered into two loss share agreements with the FDIC—one for single-family residential mortgage loans and another for commercial loans, the related unfunded commitments and other covered assets.

Securities Joint Venture with Morgan Stanley

The MUFG Group and Morgan Stanley entered into a securities joint venture to integrate their securities business. The purpose of the joint venture is to collaborate in providing capital markets services to investment banking clients of the MUFG Group and Morgan Stanley and to offer a wide range of products and services, including Morgan Stanley's global products and services to the MUFG Group's retail and middle market customers in Japan as well as to investment banking clients of both parties. The two joint venture companies will continue to offer products and services in sales and trading and research areas separately.

In relation to the integration of the securities companies in Japan, the former Mitsubishi UFJ Securities Co., Ltd. ("MUS") was restructured into an intermediate holding company, MUSHD, and a securities business subsidiary, MUS. On May 1, 2010, MUS changed its name to MUMSS and the MUFG Group's ownership interest in MUMSS also changed from 100% to 60%, with Morgan Stanley holding the remaining 40% voting and economic interest. Since the MUFG Group has retained control of MUMSS, the change in the MUFG Group's ownership interest has been accounted for as an equity transaction and the MUFG Group has recorded ¥127 billion and ¥21 billion of noncontrolling interests and capital surplus, respectively. MUMSS continues the existing Japan based retail, middle markets, capital markets and sales and trading businesses of the former MUS while integrating the investment banking team of the former Morgan Stanley Japan Securities Co., Ltd. ("MSJS").

On May 1, 2010, MSJS was renamed to Morgan Stanley MUFG Securities Co., Ltd. ("MSMS"). MSMS continues to provide the existing sales and trading and capital markets operations of the former MSJS. The MUFG Group holds a 49% voting interest and a 60% economic interest in MSMS while Morgan Stanley holds the remaining 51% voting interest and 40% economic interest. The MUFG Group applies the equity method of accounting to MSMS due to its significant influence.

3. INVESTMENT SECURITIES

The amortized costs, gross unrealized gains and losses and estimated fair values of investment securities available for sale and being held to maturity at March 31, 2010 and 2011 were as follows:

At March 31, 2010:	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(in millions)			
Securities available for sale:				
Debt securities:				
Japanese national government and Japanese government agency bonds	¥39,431,089	¥ 63,871	¥62,099	¥39,432,861
Japanese prefectural and municipal bonds	272,829	8,148	77	280,900
Foreign governments and official institutions bonds	1,340,750	8,882	4,406	1,345,226
Corporate bonds	3,394,320	88,762	8,434	3,474,648
Residential mortgage-backed securities	934,203	16,004	8,796	941,411
Commercial mortgage-backed securities	57,098	2	3,805	53,295
Asset-backed securities	329,590	773	2,545	327,818
Other debt securities	1,037	—	—	1,037
Marketable equity securities	3,082,948	1,477,616	5,884	4,554,680
Total	¥48,843,864	¥1,664,058	¥96,046	¥50,411,876
Securities being held to maturity:				
Debt securities:				
Japanese national government and Japanese government agency bonds	¥ 1,076,900	¥ 17,250	¥ —	¥ 1,094,150
Japanese prefectural and municipal bonds	42,348	585	—	42,933
Foreign governments and official institutions bonds	607,558	8,309	300	615,567
Corporate bonds	127,369	2,280	—	129,649
Asset-backed securities	1,086,788	56,245	253(1)	1,142,780
Other debt securities	2,838	4	—	2,842
Total	¥ 2,943,801	¥ 84,673	¥ 553	¥ 3,027,921

Note:
(1) UNBC reclassified CLOs, which totaled ¥111,895 million at fair value, from securities available for sale to securities being held to maturity during the fiscal year ended March 31, 2010. As a result of the reclassification, the unrealized losses at the date of transfer remained in accumulated other changes in equity from nonowner sources in the accompanying consolidated balance sheets was ¥48,914 million before taxes at March 31, 2010 and not included in the table above.

At March 31, 2011:	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
		(in millions)		
Securities available for sale:				
Debt securities:				
Japanese national government and Japanese government agency bonds	¥44,756,826	¥ 75,017	¥112,221	¥44,719,622
Japanese prefectural and municipal bonds	193,712	6,578	9	200,281
Foreign governments and official institutions bonds	973,175	16,472	856	988,791
Corporate bonds	3,058,698	84,262	3,418	3,139,542
Residential mortgage-backed securities	1,140,271	11,593	13,293	1,138,571
Commercial mortgage-backed securities	31,485	181	1,276	30,390
Asset-backed securities	452,280	665	555	452,390
Other debt securities	960	—	—	960
Marketable equity securities	2,755,016	1,073,797	63,726	3,765,087
Total	¥53,362,423	¥1,268,565	¥195,354	¥54,435,634
Securities being held to maturity:				
Debt securities:				
Japanese national government and Japanese government agency bonds	¥ 1,026,443	¥ 7,987	¥ —	¥ 1,034,430
Japanese prefectural and municipal bonds	22,667	178	—	22,845
Foreign governments and official institutions bonds	893,316	6,758	2,451	897,623
Corporate bonds	138,810	1,165	46	139,929
Asset-backed securities	935,876	32,144	3,930	964,090
Other debt securities	77	4	—	81
Total	¥ 3,017,189	¥ 48,236	¥ 6,427	¥ 3,058,998

Investment securities other than securities available for sale or being held to maturity (i.e., nonmarketable equity securities presented in Other investment securities) were primarily carried at cost of ¥1,655,812 million and ¥1,667,220 million, at March 31, 2010 and 2011, respectively, because their fair values were not readily determinable. A considerable portion of these balances consist of preferred equity securities, including preferred stock issued by Morgan Stanley. The MUFG Group periodically monitors the status of each investee including the credit ratings and changes in the MUFG Group's share of net assets in the investees as compared with its shares at the time of investment, or utilizes commonly accepted valuation models for certain nonmarketable equity securities issued by public companies which are convertible to marketable common stock in the future, to determine if impairment losses exist. See Note 29 for the details of these commonly accepted valuation models. The MUFG Group performs a self-assessment of the credit ratings of issuers of nonmarketable equity securities. The credit ratings are generally updated once a year based on the annual financial statements of issuers. In addition, if an event that could impact the credit rating of an issuer occurs, the MUFG Group reassesses the appropriateness of the credit rating assigned to the issuer in order to maintain an updated credit rating. As a result of these self-assessments, the impairment losses recognized on these nonmarketable securities were ¥42,620 million, which mainly resulted from impairment of a limited number of companies categorized in the financial institution and construction industries, ¥24,751 million, which mainly resulted from impairment of a limited number of companies categorized in the financial institution and transportation industries, and ¥2,882 million, which did not include any significant impairment losses from specific companies, in the fiscal years ended March 31, 2009, 2010 and 2011, respectively. Those impairment losses were recognized based on those companies' particular circumstances.

The impairment of cost-method investments is not evaluated when valuation models are not applicable if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. Accordingly, the MUFG Group did not estimate the fair value of such investments which had aggregated costs of ¥532,419 million and ¥515,263 million, at March 31, 2010 and 2011, respectively, since it was not practical. Investment securities held by certain subsidiaries subject to specialized industry accounting principles for investment companies and broker and dealers presented in Other investment securities were carried at fair value of ¥35,026 million and ¥37,024 million at March 31, 2010 and 2011, respectively.

See Note 29 for the methodologies and assumptions used to estimate the fair values.

The amortized cost and estimated fair values of debt securities being held to maturity and the estimated fair values of debt securities available for sale at March 31, 2011 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Securities not due at a single maturity date and securities embedded with call or prepayment options, such as mortgage-backed securities, are included in the table below based on their original final maturities.

	Held-to-maturity		Available for sale
	Amortized cost	Estimated fair value	Estimated fair value
		(in millions)	
Due in one year or less	¥ 789,436	¥ 794,613	¥12,979,004
Due from one year to five years	1,306,678	1,316,578	29,631,024
Due from five years to ten years	418,571	439,161	4,799,923
Due after ten years	502,504	508,646	3,260,596
Total	¥3,017,189	¥3,058,998	¥50,670,547

For the fiscal years ended March 31, 2009, 2010 and 2011, gross realized gains on sales of investment securities available for sale were ¥224,507 million, ¥344,353 million and ¥270,384 million, respectively, and gross realized losses on sales of investment securities available for sale were ¥75,165 million, ¥47,117 million and ¥35,966 million, respectively.

For the fiscal years ended March 31, 2009, 2010 and 2011, losses resulting from impairment of investment securities to reflect the decline in value considered to be other than temporary were ¥858,874 million, ¥117,485 million and ¥139,020 million, respectively, which were included in Investment securities gains (losses)—net in the consolidated statements of operations. The losses of ¥858,874 million for the fiscal year ended March 31, 2009 included losses of ¥155,489 million from debt securities available for sale mainly classified as Japanese national government bonds and corporate bonds, and ¥660,719 million from marketable equity securities. The losses of ¥117,485 million for the fiscal year ended March 31, 2010 primarily included losses of ¥29,822 million from debt securities available for sale mainly classified as corporate bonds and ¥62,912 million from marketable equity securities. The losses of ¥139,020 million for the fiscal year ended March 31, 2011 included losses of ¥20,488 million from debt securities available for sale mainly classified as corporate bonds, and ¥115,650 million from marketable equity securities.

The following tables show the unrealized gross losses and estimated fair values of investment securities available for sale and being held to maturity at March 31, 2010 and 2011 by length of time that individual securities in each category have been in a continuous loss position:

At March 31, 2010:	Less than 12 months		12 months or more		Total		
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Number of securities
				(in millions)			
Securities available for sale:							
Debt securities:							
Japanese national government and Japanese government agency bonds	¥21,109,870	¥ 25,459	¥1,806,501	¥36,640	¥22,916,371	¥ 62,099	114
Japanese prefectural and municipal bonds	10,009	77	—	—	10,009	77	3
Foreign governments and official institutions bonds	822,500	4,404	138	2	822,638	4,406	122
Corporate bonds	431,826	4,709	292,544	3,725	724,370	8,434	5,314
Residential mortgage-backed securities	269,805	2,269	76,545	6,527	346,350	8,796	123
Commercial mortgage-backed securities	2,946	250	47,396	3,555	50,342	3,805	28
Asset-backed securities	12,546	1,672	20,705	873	33,251	2,545	26
Marketable equity securities	96,997	5,711	1,554	173	98,551	5,884	119
Total	¥22,756,499	¥ 44,551	¥2,245,383	¥51,495	¥25,001,882	¥ 96,046	5,849
Securities being held to maturity:							
Debt securities:							
Foreign governments and official institutions bonds	¥ 85,069	¥ 300	¥ —	¥ —	¥ 85,069	¥ 300	9
Asset-backed securities	9,571	20	138,402	233	147,973	253	226
Total	¥ 94,640	¥ 320	¥ 138,402	¥ 233	¥ 233,042	¥ 553	235

At March 31, 2011:	Less than 12 months		12 months or more		Total		
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Number of securities
				(in millions)			
Securities available for sale:							
Debt securities:							
Japanese national government and Japanese government agency bonds	¥24,169,306	¥ 95,292	¥ 998,080	¥16,929	¥25,167,386	¥112,221	136
Japanese prefectural and municipal bonds	10,111	9	—	—	10,111	9	6
Foreign governments and official institutions bonds	96,431	855	524	1	96,955	856	43
Corporate bonds	309,067	2,051	148,667	1,367	457,734	3,418	3,155
Residential mortgage-backed securities	528,791	10,281	32,139	3,012	560,930	13,293	281
Commercial mortgage-backed securities	—	—	22,236	1,276	22,236	1,276	13
Asset-backed securities	16,708	56	35,961	499	52,669	555	23
Marketable equity securities	610,711	63,580	542	146	611,253	63,726	123
Total	¥25,741,125	¥172,124	¥1,238,149	¥23,230	¥26,979,274	¥195,354	3,780
Securities being held to maturity:							
Debt securities:							
Foreign governments and official institutions bonds	¥ 191,109	¥ 1,255	¥ 47,145	¥ 1,196	¥ 238,254	¥ 2,451	23
Corporate bonds	7,120	46	—	—	7,120	46	4
Asset-backed securities	259,446	3,840	126,948	90	386,394	3,930	247
Total	¥ 457,675	¥ 5,141	¥ 174,093	¥ 1,286	¥ 631,768	¥ 6,427	274

The following describes the nature of the MUFG Group's investments and the conclusions reached on the temporary or other than temporary status of the unrealized losses.

Japanese national government and Japanese government agency bonds, Foreign governments and official institutions bonds

As of March 31, 2011, the unrealized losses associated with Japanese national government bonds, Japanese government agency bonds, foreign governments bonds and foreign official institutions bonds are not expected to have any credit losses due to the creditworthiness of sovereign countries and related entities which are guaranteed by the governments, and such unrealized losses are primarily driven by changes in interest rates, not due to credit losses. Therefore, the MUFG Group expects to recover the entire amortized cost basis of these securities and as such has not recorded any impairment losses in the accompanying consolidated statements of operations.

Residential and commercial mortgage-backed securities

As of March 31, 2011, the unrealized losses associated with federal agency residential mortgage-backed securities, which are issued by Government-Sponsored Enterprises ("GSE") of the United States and collateralized by residential mortgage loans, are expected to be primarily driven by changes in interest rates and not due to credit losses. The unrealized losses associated with other non-agency residential and commercial mortgage-backed securities issued by financial institutions with no guarantee from a GSE are primarily rated investment grade, and with consideration of other factors, such as expected cash flow analysis, the MUFG Group expects to recover the entire amortized cost basis of these securities. As such, no impairment was recorded in the accompanying consolidated statements of operations.

Asset-backed securities

As of March 31, 2011, the unrealized losses associated with asset-backed securities are primarily related to certain CLOs, which are structured finance products that securitize diversified pools of loan assets into multiple classes of notes from the cash flows generated by such loans, and pay the note holders through the receipt of interest and principal repayments from the underlying loans. Certain of these CLOs are highly illiquid securities for which fair values are difficult to obtain. Unrealized losses arise from widening credit spreads, credit quality of the underlying collateral, uncertainty regarding the valuation of such securities and the market's opinion of the performance of the fund managers. Cash flow analysis of the underlying collateral provides an estimate of other-than-temporary impairment ("OTTI"), which is performed when the fair value of a security is lower than its amortized cost. Any security with a change in credit rating is also subject to cash flow analysis to determine whether or not an other-than-temporary impairment exists. The MUFG Group monitored performance of securities and performed expected cash flow analysis, which indicated no observable credit quality issues on such securities at March 31, 2011. As a result, although the fair value of the CLOs portfolio declined during the years ended March 31, 2010 and 2011, no impairment was recorded in the accompanying consolidated statements of operations.

Corporate bonds

As of March 31, 2011, the unrealized losses associated with the corporate bonds are primarily related to private placement bonds issued by Japanese non-public companies. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the bonds as estimated using the MUFG Group's cash flow projections using its base assumptions. The key assumptions include probability of default based on credit rating of the bond issuers and loss given default.

The following table presents a roll-forward of the credit loss component recognized in earnings. The balance at beginning of each fiscal year represents the credit loss component for which OTTI occurred on debt securities in prior periods. The additions represent the first time a debt security was credit impaired or when subsequent credit impairments have occurred. The credit loss component is reduced when the corporate bonds are sold or mature. Additionally, the credit loss component is reduced if the MUFG Group receives or expects to receive cash flows in excess of what the MUFG Group previously expected to receive over the remaining life of the credit impaired debt securities.

	2010	2011
	(in millions)	
Balance at beginning of fiscal year	¥ 40,556	¥ 36,591
Additions:		
Initial credit impairments	24,587	14,087
Subsequent credit impairments	5,235	6,401
Reductions:		
Securities sold or matured	(33,787)	(21,621)
Balance at end of fiscal year	¥ 36,591	¥ 35,458

The cumulative decline in fair value of the credit impaired debt securities, which were mainly corporate bonds, held at March 31, 2010 and 2011 was ¥29,228 million and ¥23,708 million, respectively. Of which, the credit loss component recognized in earnings was ¥36,591 million and ¥35,458 million, and the remaining related to all other factors recognized in accumulated other changes in equity from nonowner sources before taxes was ¥7,363 million and ¥11,750 million at March 31, 2010 and 2011, respectively.

Marketable equity securities

The MUFG Group has determined that unrealized losses on marketable equity securities are temporary based on its ability and positive intent to hold the investments for a period of time sufficient to allow for any anticipated recovery and the results of its review conducted to identify and evaluate investments that have indications of possible impairments. Impairment is evaluated considering various factors, and their relative significance varies from case to case. The MUFG Group's review includes, but is not limited to, consideration of the following factors:

The length of time that fair value of the investment has been below cost—The MUFG Group generally deems a continued decline of fair value below cost for six months or more to be other than temporary.

The extent to which the fair value of investments has been below cost as of the end of the reporting period—The MUFG Group's investment portfolio is exposed to volatile equity prices affected by many factors including investors' perspectives as to future economic factors and the issuers' performance. The MUFG Group generally deems the decline in fair value below cost of 20% or more as an indicator of an other than temporary decline in fair value.

The financial condition and near-term prospects of the issuer—The MUFG Group considers the financial condition and near-term prospects of the issuer primarily based on the credit standing of the issuers as determined by its credit rating system.

At March 31, 2011, unrealized losses on marketable equity securities which have been in a continuous loss position are considered temporary based on the evaluation as described above, and since the MUFG Group primarily makes these investments for strategic purposes to maintain long-term relationship with its customers.

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans at March 31, 2010 and 2011, by domicile and type of industry of borrowers are summarized below:

Classification of loans by industry is based on the industry segment loan classification as defined by the Bank of Japan.

	2010	2011
	(in millions)	
Domestic:		
Manufacturing	¥12,027,795	¥11,248,033
Construction	1,427,933	1,280,899
Real estate	12,261,588	11,660,798
Services	3,714,148	3,417,689
Wholesale and retail	8,597,192	8,443,580
Banks and other financial institutions(1)	4,159,603	3,421,419
Communication and information services	1,339,753	1,249,272
Other industries	9,393,031	8,410,092
Consumer	19,096,832	18,420,864
Total domestic	72,017,875	67,552,646
Foreign:		
Governments and official institutions	490,376	516,637
Banks and other financial institutions(1)	2,970,470	3,565,502
Commercial and industrial	14,252,704	13,116,390
Other	2,554,209	2,853,671
Total foreign	20,267,759	20,052,200
Unearned income, unamortized premiums—net and deferred loan fees—net	(99,724)	(102,871)
Total(2)	¥92,185,910	¥87,501,975

Notes:

(1) Loans to the so-called non-bank finance companies are generally included in the "Banks and other financial institutions" category. Non-bank finance companies are primarily engaged in consumer lending, factoring and credit card businesses.

(2) The above table includes loans held for sale of ¥102,268 million and ¥65,162 million at March 31, 2010 and 2011, respectively, which are carried at the lower of cost or estimated fair value.

Nonaccrual and restructured loans were ¥1,981,201 million and ¥2,008,729 million at March 31, 2010 and 2011, respectively. Had interest on these loans been accrued pursuant to the original terms, gross interest income on such loans for the fiscal years ended March 31, 2010 and 2011 would have been approximately ¥96.2 billion and ¥101.1 billion, respectively, of which approximately ¥38.8 billion and ¥46.0 billion, respectively, were included in interest income on loans in the accompanying consolidated statements of operations. Accruing loans contractually past due 90 days or more were ¥26,418 million and ¥55,748 million at March 31, 2010 and 2011, respectively.

The MUFG Group provided commitments to extend credit to customers with restructured loans. The amounts of such commitments were ¥23,885 million and ¥13,796 million at March 31, 2010 and 2011, respectively. See Note 22 for further discussion of commitments to extend credit.

Nonaccrual Loans

The nonaccrual status of loans by class at March 31, 2011 is shown below:

	2011
	(in millions)
Commercial	
Domestic	¥ 686,084
Manufacturing	137,275
Construction	48,338
Real estate	128,282
Services	74,234
Wholesale and retail	171,870
Banks and other financial institutions	7,238
Communication and information services	32,978
Other industries	36,163
Consumer	49,706
Foreign-excluding UNBC	102,869
Residential	129,777
Card	141,445
UNBC	78,623
Total(1)	¥1,138,798

Note:
(1) Total loans in the above table do not include loans held for sale and loans acquired with deteriorated credit quality.

Impaired Loans

The MUFG Group's impaired loans primarily include nonaccrual loans and restructured loans. The following table shows information about impaired loans at March 31, 2010:

	2010	
	Recorded Loan Balance	Impairment Allowance
	(in millions)	
Requiring an impairment allowance	¥1,465,040	¥770,262
Not requiring an impairment allowance(1)	360,812	—
Total(2)	¥1,825,852	¥770,262

Notes:
(1) These loans do not require an allowance for credit losses under the guidance on accounting by creditors for impairment of a loan since the fair values of the impaired loans equal or exceed the recorded investments in the loans.
(2) In addition to impaired loans presented in the above table, there were loans held for sale that were impaired of ¥14,524 million at March 31, 2010.

The following table shows information about impaired loans by class at March 31, 2011:

At March 31, 2011:	Recorded Loan Balance: Requiring an Impairment Allowance	Recorded Loan Balance: Not Requiring an Impairment Allowance(1)	Recorded Loan Balance: Total	Unpaid Principal Balance	Related Allowance
			(in millions)		
Commercial					
Domestic	¥ 943,041	¥265,039	¥1,208,080	¥1,282,887	¥521,797
Manufacturing	257,443	45,046	302,489	311,359	139,522
Construction	51,092	22,244	73,336	78,027	31,626
Real estate	118,840	64,139	182,979	207,373	56,099
Services	136,659	36,066	172,725	186,939	68,946
Wholesale and retail	235,655	49,312	284,967	295,069	144,049
Banks and other financial institutions	3,592	6,266	9,858	11,993	1,658
Communication and information services	45,353	12,572	57,925	59,482	26,416
Other industries	43,028	8,246	51,274	51,981	30,931
Consumer	51,379	21,148	72,527	80,664	22,550
Foreign-excluding UNBC	132,442	1,157	133,599	134,294	66,066
Loans acquired with deteriorated credit quality	37,125	147	37,272	60,799	11,826
Residential	277,704	29,527	307,231	393,742	87,450
Card	149,953	1,766	151,719	173,568	46,963
UNBC	51,530	3,667	55,197	68,452	9,793
Total(2)	¥1,591,795	¥301,303	¥1,893,098	¥2,113,742	¥743,895

Notes:

(1) These loans do not require an allowance for credit losses under the guidance on accounting by creditors for impairment of a loan since the fair values of the impaired loans equal or exceed the recorded investments in the loans.

(2) In addition to impaired loans presented in the above table, there were loans held for sale that were impaired of ¥4,726 million at March 31, 2011.

The average recorded investments in impaired loans were approximately ¥1,556 billion, ¥1,717 billion and ¥1,866 billion, respectively, for the fiscal years ended March 31, 2009, 2010 and 2011.

For the fiscal years ended March 31, 2009, 2010 and 2011, the MUFG Group recognized interest income of approximately ¥40.0 billion, ¥33.4 billion and ¥42.0 billion, respectively, on impaired loans. Interest income on nonaccrual loans for all classes was recognized on a cash basis when ultimate collectibility of principal was certain; otherwise, cash receipts were applied as principal reductions. Interest income on accruing impaired loans, including restructured loans, was recognized on an accrual basis to the extent that the collectibility of interest income was reasonably certain based on management’s assessment.

Credit Quality Indicator

Credit quality indicators of loans by class at March 31, 2011 are shown below:

At March 31, 2011:	Normal	Close Watch	Likely to become Bankrupt or Legally/Virtually Bankrupt	Total(1)
	(in millions)			
Commercial				
Domestic	¥45,354,265	¥4,357,196	¥686,431	¥50,397,892
Manufacturing	9,957,029	1,141,101	137,275	11,235,405
Construction	1,007,788	223,791	48,306	1,279,885
Real estate	9,793,308	1,023,691	128,401	10,945,400
Services	2,878,813	445,863	74,234	3,398,910
Wholesale and retail	7,411,408	829,277	171,870	8,412,555
Banks and other financial institutions	3,110,731	298,554	7,238	3,416,523
Communication and information services	1,074,367	140,614	32,978	1,247,959
Other industries	8,210,660	156,090	36,163	8,402,913
Consumer	1,910,161	98,215	49,966	2,058,342
Foreign-excluding UNBC	14,992,355	1,006,010	39,490	16,037,855
Loans acquired with deteriorated credit quality	41,144	56,201	22,119	119,464
Total	¥60,387,764	¥5,419,407	¥748,040	¥66,555,211

At March 31, 2011:	Accrual	Nonaccrual	Total(1)
		(in millions)	
Residential	¥16,015,242	¥134,773	¥16,150,015
Card	¥ 727,880	¥144,163	¥ 872,043

	Risk Ratings Based on the Number of Delinquencies		Risk Ratings Based on Internal Credit Ratings		
At March 31, 2011:	Accrual	Nonaccrual	Pass	Criticized	Total(1)(2)
			(in millions)		
UNBC	¥1,715,853	¥21,595	¥1,767,355	¥275,762	¥3,780,565

Notes:

(1) Total loans in the above table do not include loans held for sale.

(2) Total loans of UNBC do not include FDIC covered loans and small business loans which are not individually rated totaling ¥181,850 million. See Note 2 for a further discussion on FDIC covered loans.

The MUFG Group categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt including current financial information, historical payment experience, credit documentation, public information and current economic trends.

The primary credit quality indicator for loans within all classes of the Commercial segment is the internal credit rating assigned to each borrower (internal credit ratings of 1 to 15). The MUFG Group assesses several factors, such as debt service potential, net worth analysis, and the level of earnings, to determine the internal credit rating, considering the probability of default. Based on the internal credit rating, loans within the Commercial segment are categorized as Normal (internal credit ratings of 1 to 9), Close Watch (internal credit ratings of 10 to 12), and Likely to become Bankrupt or Legally/Virtually Bankrupt (internal credit ratings of 13 to 15). Loans categorized as Normal represent those that are not deemed to have collectability issues. Loans categorized as Close Watch represent those that require close monitoring due to one or more of the following conditions: problems with meeting their financial obligations (e.g., principal repayments or interest payments in arrears), poor or fluctuating business performance, unfavorable financial condition of their businesses, and difficulties in fulfilling loan obligations. Loans categorized as Likely to become Bankrupt or Legally/Virtually Bankrupt represent those that have a higher probability of default than Close Watch due to major debt repayment problems or borrower's legal or virtual bankruptcy and are subject to specific procedures, such as legal liquidation, business suspension, winding up of business, and private liquidation.

The accrual status is a primary credit quality indicator for loans within the Residential segment, the Card segment and consumer loans within the UNBC segment. The accrual status of these loans is determined by the number of delinquent payments. See Note 1 for further details of categorization of Accrual and Nonaccrual.

Commercial loans within the UNBC segment are categorized as either Pass or Criticized based on the internal credit rating assigned to each borrower. Criticized loans include those loans that are potentially weak, as the borrower has begun to exhibit deteriorating trends, well-defined weaknesses, which, if not corrected, could jeopardize the full satisfaction of the debt, and critical weaknesses that make full collection improbable on the basis of currently existing facts and conditions.

For the Commercial, Residential and Card segments, credit quality indicators are based on March 31 information. For the UNBC segment, credit quality indicators are basically based on December 31 information.

Past Due Analysis

Age analysis of past due loans by class at March 31, 2011 are shown below:

At March 31, 2011:	1-3 months Past Due	Greater Than 3 months	Total Past Due	Current	Total Loans[(1)(2)]	Recorded Investment> 90 Days and Accruing
				(in millions)		
Commercial						
Domestic	¥ 55,100	¥ 98,225	¥153,325	¥50,244,567	¥50,397,892	¥ 8,640
Manufacturing	10,355	9,485	19,840	11,215,565	11,235,405	30
Construction	6,346	4,456	10,802	1,269,083	1,279,885	42
Real estate	6,365	37,688	44,053	10,901,347	10,945,400	3,182
Services	6,505	10,317	16,822	3,382,088	3,398,910	457
Wholesale and retail	11,774	11,921	23,695	8,388,860	8,412,555	116
Banks and other financial institutions	24	6,213	6,237	3,410,286	3,416,523	6
Communication and information services	5,814	5,047	10,861	1,237,098	1,247,959	15
Other industries	1,487	4,496	5,983	8,396,930	8,402,913	4
Consumer	6,430	8,602	15,032	2,043,310	2,058,342	4,788
Foreign-excluding UNBC	1,068	74,054	75,122	15,962,733	16,037,855	—
Residential	93,200	55,485	148,685	15,978,909	16,127,594	46,265
Card	34,107	79,196	113,303	742,264	855,567	—
UNBC	24,610	27,951	52,561	3,786,856	3,839,417	163
Total	¥208,085	¥334,911	¥542,996	¥86,715,329	¥87,258,325	¥55,068

Notes:

(1) Total loans in the above table do not include loans held for sale and loans acquired with deteriorated credit quality.

(2) Total loans of UNBC do not include ¥9,450 million of FDIC covered loans which are not subject to the guidance on loans and debt securities acquired with deteriorated credit quality. See Note 2 for a further discussion on FDIC covered loans.

Allowance for Credit Losses

Changes in the allowance for credit losses for the fiscal years ended March 31, 2009, 2010 and 2011 are shown below:

	2009	2010	2011
		(in millions)	
Balance at beginning of fiscal year	¥1,134,940	¥1,156,638	¥1,315,615
Provision for credit losses	626,947	647,793	292,035
Charge-offs	603,298	520,772	385,770
Less—Recoveries	26,446	52,372	43,670
Net charge-offs	576,852	468,400	342,100
Others[(1)]	(28,397)	(20,416)	(25,094)
Balance at end of fiscal year	¥1,156,638	¥1,315,615	¥1,240,456

Note:

(1) Others principally include losses (gains) from foreign exchange translation. In addition, for the fiscal year ended March 31, 2010, others include adjustments related to restructuring of business operations.

Allowance for credit losses and recorded investment in loans by portfolio segment at March 31, 2011 are shown below:

At March 31, 2011:	Commercial	Residential	Card	UNBC	Total
			(in millions)		
Allowance for credit losses:					
Balance at end of fiscal year:					
Individually evaluated for impairment	¥ 587,863	¥ 86,514	¥ 46,963	¥ 9,793	¥ 731,133
Collectively evaluated for impairment	277,130	76,734	35,265	85,209	474,338
Loans acquired with deteriorated credit quality	30,618	1,967	379	2,021	34,985
Allowance for credit losses total	¥ 895,611	¥ 165,215	¥ 82,607	¥ 97,023	¥ 1,240,456
Loans:					
Balance at end of fiscal year:					
Individually evaluated for impairment	¥ 1,341,679	¥ 300,756	¥150,716	¥ 55,197	¥ 1,848,348
Collectively evaluated for impairment	65,094,068	15,826,839	704,851	3,793,669	85,419,427
Loans acquired with deteriorated credit quality	119,464	22,420	16,476	113,549	271,909
Total loans[1]	¥66,555,211	¥16,150,015	¥872,043	¥3,962,415	¥87,539,684

Note:
(1) Total loans in the above table do not include loans held for sale.

Nonperforming loans were actively disposed of by sales during recent years. The allocated allowance for credit losses for such loans was removed from the allowance for credit losses and transferred to the valuation allowance for loans held for sale upon a decision to sell. Net charge-offs in the above table include the decrease in the allowance for credit losses due to loan disposal activity amounting to ¥13.2 billion, ¥6.8 billion and ¥0.6 billion for the fiscal years ended March 31, 2009, 2010 and 2011, respectively.

Loans Acquired in a Transfer

In accordance with the guidance on loans and debt securities acquired with deteriorated credit quality, the following table sets forth information regarding loans acquired in connection with mergers, for which it is probable, at acquisition, that the MUFG Group will be unable to collect all contractually required payments receivable.

	2010	2011
	(in millions)	
Loans acquired during the fiscal year:		
Contractually required payments receivable at acquisitions	¥ 807	¥341,843
Cash flows expected to be collected at acquisitions	90	181,663
Fair value of loans at acquisition	90	152,263
Accretable yield for loans within the scope of the guidance on loans and debt securities acquired with deteriorated credit quality:		
Balance at beginning of fiscal year	¥ 82,219	¥ 60,925
Additions	—	29,401
Accretion	(32,121)	(27,321)
Disposals	—	—
Reclassifications from nonaccretable difference	11,035	23,184
Deconsolidation of a subsidiary	(208)	—
Foreign currency translation adjustments	—	(1,461)
Balance at end of fiscal year	¥ 60,925	¥ 84,728
Loans within the scope of the guidance on loans and debt securities acquired with deteriorated credit quality:		
Outstanding balance at beginning of fiscal year	¥654,150	¥522,015
Outstanding balance at end of fiscal year	522,015	662,369
Carrying amount at beginning of fiscal year	248,511	188,719
Carrying amount at end of fiscal year	188,719	271,909
Nonaccruing loans within the scope of the guidance on loans and debt securities acquired with deteriorated credit quality:		
Carrying amount at acquisition date during fiscal year	¥ 90	¥ 760
Carrying amount at end of fiscal year	53,459	29,833
Provisions within the scope of the guidance on loans and debt securities acquired with deteriorated credit quality:		
Balance of allowance for loan losses at beginning of fiscal year	¥ 23,443	¥ 25,906
Additional provisions during fiscal year	8,987	13,516
Reductions of allowance during fiscal year	4,047	2,202
Balance of allowance for loan losses at end of fiscal year	25,906	34,985

The MUFG Group considered prepayments in the determination of contractual cash flows and cash flows expected to be collected based on historical results.

Lease Receivables

As part of its financing activities, the MUFG Group enters into leasing arrangements with customers. The MUFG Group's leasing operations are performed through leasing subsidiaries and consist principally of direct financing leases involving various types of data processing equipment, office equipment and transportation equipment.

As of March 31, 2010 and 2011, the components of the investment in direct financing leases were as follows:

	2010	2011
	(in millions)	
Minimum lease payments receivable	¥744,027	¥638,287
Estimated residual values of leased property	33,339	26,713
Less—unearned income	(61,398)	(59,333)
Net investment in direct financing leases	¥715,968	¥605,667

Future minimum lease payment receivables under noncancelable leasing agreements as of March 31, 2011 were as follows:

	Direct financing leases
	(in millions)
Fiscal year ending March 31:	
2012	¥222,133
2013	159,965
2014	112,993
2015	62,589
2016	32,552
2017 and thereafter	48,055
Total minimum lease payment receivables	¥638,287

Government-led Loan Restructuring Program

Under the legislation enacted by the Japanese Diet in June 1996, which incorporates the restructuring program for the loans of seven failed housing-loan companies (the "Jusen"), the Deposit Insurance Corporation ("DIC") established a Housing Loan Administration Corporation ("HLAC") to collect and dispose of the loans of the liquidated Jusen. In 1999, HLAC merged with the Resolution and Collection Bank Limited to create the Resolution and Collection Corporation ("RCC"), which is wholly owned by the DIC.

Financial institutions, including the MUFG Group, waived the repayment of substantial amounts of the loans to the Jusen and transferred the remaining balances to HLAC. Financial institutions were requested to make loans to HLAC to finance its collection activities, and in the fiscal year ended March 31, 1997, the MUFG Group made loans of ¥407,078 million with an original maturity term of 15 years. The 15-year term loans to HLAC, which are guaranteed by the DIC under the legislation and the loan agreements, mature in 2011 and earn interest at TIBOR (Tokyo Interbank Offered Rate) plus 0.125%. On October 1, 2005, the MUFG Group acquired, at fair value, loans of the UFJ Holdings Group to HLAC in connection with the merger with UFJ Holdings. During the fiscal years ended March 31, 2010 and 2011, certain of these loans were repaid before maturity. At March 31, 2010 and 2011, outstanding loans to RCC were ¥179,270 million and ¥169,559 million, respectively.

Under this restructuring program, a Financial Stabilization Fund (the "Special Fund") was established within the DIC, and the Bank of Japan and other financial institutions established another fund (the "New Fund"). These funds are principally invested in Japanese government bonds. The MUFG Group made non-interest-earning deposits of ¥176,089 million with the Special Fund and the New Fund in the fiscal year ended March 31, 1997. The deposit balances as of March 31, 2010 and 2011, which are included in Other assets, were ¥378,119 million and ¥362,695 million, respectively, reflecting a present value discount and subsequent accretion of the discount during the period until the expected maturity date. The non-interest-earning deposits with these funds are expected to mature in 15 years from the deposit dates, which coincides with the planned operational lifespan of RCC.

After 15 years of collection activities of the Jusen loans by RCC, the MUFG Group expects all collection activities will be completed by December 2011. As the end of RCC's operations is approaching, the amount of the loss (so-called "stage two loss"), which may ultimately be incurred through the collection activities, has been becoming clearer. In May 2011, the Japanese Diet enacted a law to partially revise the Deposit Insurance Law. Although it has already been decided that the loss should be shared equally between the Japanese government and private financial institutions, the revised law clarified the details of how the Japanese government will absorb the half of the loss. On the other hand, the second half of the loss, which has to be absorbed by private financial institutions, would be covered by the investment income earned by the Special Fund during the 15 years. However, if the loss exceeds the total of investment income earned by the Special Fund, such an excess loss would be covered by the deposits with the Special Fund. As a possibility of such an excess loss becomes higher, the MUFG Group recognized impairment losses for the deposits with the Special Fund of ¥22,705 million, which are included in Other non-interest expenses, for the fiscal year ended March 31, 2011.

The management currently believes that all loans to RCC, deposits with the New Fund, and deposits, net of impairment losses, with the Special Fund will be collectible according to their respective terms.

Sales of Loans

The MUFG Group originates various types of loans to corporate and individual customers in Japan and overseas in the normal course of its business. In order to improve its loan quality, BTMU and MUTB actively disposed of nonperforming loans. Most of such nonperforming loans were disposed of by sales to third parties without any continuing involvement. Management of BTMU and MUTB generally approves disposals after significant sales terms, including prices, are negotiated. As such, loans are disposed of by sales shortly after the loans are transferred to the held-for-sale classification. The net loss on the sales of loans was ¥1,728 million for the fiscal year ended March 31, 2009. The net gains on the sales of loans were ¥17,764 million and ¥10,382 million for the fiscal years ended March 31, 2010 and 2011, respectively.

Loan Securitization

During the fiscal year ended March 31, 2009, the MUFG Group securitized commercial loans without recourse of ¥68,090 million to a special purpose entity which was accounted for as a trust. The MUFG Group's retained interests consisted of senior beneficial interests of ¥60,671 million which were recorded as investment securities. The subordinated beneficial interests of ¥7,419 million were sold and the gains or losses recognized were not material. The MUFG Group had no significant securitization transactions accounted for as sales for the fiscal years ended March 31, 2010 and 2011.

The initial fair value of the senior beneficial interests at the date of the securitization was estimated based on the present value of future expected cash flows using inputs which are observable for the asset or liability either directly or indirectly and amounted to ¥57,461 million which was initially classified as Level 2 assets within the fair value hierarchy. The key inputs and assumptions used in measuring the initial fair value were one month forward rates of 0.33% to 1.07% and anticipated credit spreads of 1.73% to 4.83%. A possibility of prepayment was not considered in measuring fair value because it was not assumed to occur for commercial loans.

The carrying amount of the investment securities was allocated between the senior beneficial interests and the subordinated beneficial interests based on their relative fair values at the date of the securitization. The senior beneficial interests are carried at their fair values, and the unrealized holding gains and losses are excluded from earnings and reported as a net amount in a separate component of shareholders' equity until realized. The fair value of the senior beneficial interests was ¥38,227 million and ¥22,032 million at March 31, 2010 and 2011, respectively. The purpose of the special purpose entity is to hold and manage only loans without recourse. The following table reflects principal amounts related to assets and liabilities of the special purpose entity at March 31, 2010 and 2011:

	2010	2011
	(in millions)	
Principal amounts of commercial loans in trusts	¥47,605	¥25,638
Senior beneficial interests retained by the MUFG Group	¥40,791	¥22,854
Subordinated beneficial interests sold to investors	6,814	2,784
Total beneficial interests	¥47,605	¥25,638

The MUFG Group provides servicing for beneficial interests in the securitized loans. However, no servicing assets or liabilities were recorded as a result of this transaction since the MUFG Group received adequate compensation. The MUFG Group has never provided contractual or noncontractual financial support to the special purpose entity or subordinated beneficial interests holders during or before the present period. Also, there were no liquidity arrangements, guarantees or other commitments provided by third parties related to the transferred financial assets. At March 31, 2010 and 2011, key economic assumptions used in measuring the fair value of the senior beneficial interests were as follows:

	2010	2011
One month forward rate	(0.20) - 0.90%	(0.22) - 0.79%
Credit spread	3.11 - 7.89%	2.80 - 7.20%

At March 31, 2010 and 2011, the sensitivities of the fair value to an immediate adverse change of 10 basis points ("bp") and 20bp, and 10% and 20% were as follows:

	2010	2011
One month forward rate:		
Impact of 10bp adverse change	99.70 - 99.91%	99.85 - 99.92%
Impact of 20bp adverse change	99.42 - 99.84%	99.70 - 99.84%
Credit spread:		
Impact of 10% adverse change	97.99 - 99.65%	99.02 - 99.79%
Impact of 20% adverse change	96.00 - 99.31%	98.04 - 99.57%

The sensitivities are hypothetical. In this table, the effect of a variation in a particular assumption on the fair value of the senior beneficial interests was calculated without changing any other assumption; in reality, changes could be correlated and changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

The table below summarizes certain cash flows between the MUFG Group and the special purpose entity for the fiscal year ended March 31, 2010 and 2011.

	2010	2011
	(in millions)	
Cash flows from collections received on senior beneficial interests	19,799	17,937
Cash flows from dividends on senior beneficial interests	419	209
Servicing fees collected	3	4

There were no other loans that were managed with the securitized loans, and both the transferred assets and the retained assets had no delinquencies at the end of March 31, 2010 and 2011. No credit losses had been incurred from those loans for the fiscal years ended March 31, 2010 and 2011.

Related Party Loans

In some cases, the banking subsidiaries of MUFG make loans to related parties, including their directors and executive officers, in the course of their normal commercial banking business. At March 31, 2010 and 2011, outstanding loans to such related parties were not significant.

In the opinion of management, these related party loans were made on substantially the same terms, including interest rates and collateral requirements, as those terms prevailing at the date these loans were made. For the fiscal years ended March 31, 2009, 2010 and 2011, there were no loans to related parties that were charged-off. Additionally, at March 31, 2009, 2010, and 2011, there were no loans to related parties that were impaired.

5. PREMISES AND EQUIPMENT

Premises and equipment at March 31, 2010 and 2011 consisted of the following:

	2010	2011
	(in millions)	
Land	¥ 399,893	¥ 391,602
Buildings	680,085	694,384
Equipment and furniture	681,886	667,073
Leasehold improvements	235,807	225,407
Construction in progress	17,206	15,007
Total	2,014,877	1,993,473
Less accumulated depreciation	1,019,710	1,030,925
Premises and equipment-net	¥ 995,167	¥ 962,548

Premises and equipment include capitalized leases, principally related to data processing equipment, which amounted to ¥92,175 million and ¥66,006 million at March 31, 2010 and 2011, respectively. Accumulated depreciation on such capitalized leases at March 31, 2010 and 2011 amounted to ¥70,284 million and ¥52,223 million, respectively.

BTMU has entered into sales agreements to sell its buildings and land and, under separate agreements, leased those properties back for its business operations, including bank branches. BTMU either provided nonrecourse financings to the buyers for the sales proceeds or invested in the equities of the buyers. As a result, BTMU was considered to have continuing involvement with the properties. For accounting and reporting purposes, these transactions were accounted for under the financing method with the sales proceeds recognized as a financing obligation. The properties were reported on the consolidated balance sheets and depreciated. The financing obligation at March 31, 2010 and 2011 was ¥52,189 million and ¥50,875 million, respectively.

For the fiscal years ended March 31, 2009, 2010 and 2011, the MUFG Group recognized ¥7,480 million, ¥9,198 million and ¥11,332 million, respectively, of impairment losses for long-lived assets, primarily real estate which was either formerly used for its banking operations and is no longer used or real estate that is being used where recovery of the carrying amount is doubtful. In addition, ¥2,955 million, ¥1,350 million and ¥199 million of impairment losses were recognized for real estate held for sale for the fiscal years ended March 31, 2009, 2010 and 2011, respectively. These losses are included in Other non-interest expenses. In computing the amount of impairment losses, fair value was determined primarily based on market prices, if available, or the estimated price based on an appraisal.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The table below presents the changes in the carrying amount of goodwill by business segment during the fiscal years ended March 31, 2010 and 2011:

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group					Integrated Trust Assets Business Group	Global Markets	Total
		Domestic	Overseas			Total			
(in millions)			Other than UNBC	UNBC	Overseas Total				
Balance at March 31, 2009:									
Goodwill	¥ 840,055	¥ 885,234	¥152,203	¥217,202	¥369,405	¥1,254,639	¥22,527	¥2,300	¥2,119,521
Accumulated impairment losses	(840,055)	(884,773)	(532)	—	(532)	(885,305)	(14,735)	—	(1,740,095)
	¥ —	¥ 461	¥151,671	¥217,202	¥368,873	¥ 369,334	¥ 7,792	¥2,300	¥ 379,426
Impairment loss	—	(461)	—	—	—	(461)	—	—	(461)
Foreign currency translation adjustments and other	—	—	—	2,533	2,533	2,533	—	—	2,533
Balance at March 31, 2010:									
Goodwill	840,055	885,234	152,203	219,735	371,938	1,257,172	22,527	2,300	2,122,054
Accumulated impairment losses	(840,055)	(885,234)	(532)	—	(532)	(885,766)	(14,735)	—	(1,740,556)
	¥ —	¥ —	¥151,671	¥219,735	¥371,406	¥ 371,406	¥ 7,792	¥2,300	¥ 381,498
Goodwill acquired during the fiscal year(2)	—	—	—	8,068	8,068	8,068	—	—	8,068
Foreign currency translation adjustments and other	—	—	—	(26,174)	(26,174)	(26,174)	—	—	(26,174)
Balance at March 31, 2011:									
Goodwill	840,055	885,234	152,203	201,629	353,832	1,239,066	22,527	2,300	2,103,948
Accumulated impairment losses	(840,055)	(885,234)	(532)	—	(532)	(885,766)	(14,735)	—	(1,740,556)
	¥ —	¥ —	¥151,671	¥201,629	¥353,300	¥ 353,300	¥ 7,792	¥2,300	¥ 363,392

Notes:

(1) See Note 27 for the business segment information of the MUFG Group.

(2) See Note 2 for the goodwill acquired in connection with various acquisitions.

Goodwill impairment losses of ¥845,842 million and ¥461 million were recognized for the fiscal years ended March 31, 2009 and 2010, respectively. There were no impairment losses recognized for the fiscal year ended March 31, 2011. Reporting units for which impairment losses were recognized are as follows:

Business Segment	Reporting Unit	Impairment loss 2009	Impairment loss 2010
		(in millions)	
Integrated Retail Banking Business Group	BTMU-Retail	¥636,322	¥ —
Integrated Retail Banking Business Group	Mitsubishi UFJ NICOS-Retail	193,579	—
Integrated Corporate Banking Business Group—Domestic	BTMU-Corporate	—	461
Integrated Corporate Banking Business Group—Domestic	MUSHD-Corporate	1,206	—
Integrated Trust Assets Business Group	MUTB-Trust	14,735	—
		¥845,842	¥461

For the fiscal year ended March 31, 2009, the MUFG group recognized ¥845,842 million as an impairment of goodwill, mainly due to the financial crisis. MUFG's stock price declined from ¥860 at March 31, 2008 to ¥476 at March 31, 2009, and market capitalization continuously diminished. That made our financing forecast weak and negatively affected the fair value of MUFG's reporting units. As a result of readjustment of further projections performed by management, the fair value of most reporting units which is based on discounted cash flows fell below the carrying amount, and goodwill relating to the BTMU-Retail, Mitsubishi UFJ NICOS-Retail, MUSHD-Corporate, and MUTB-Trust reporting units was impaired.

The fair value of those reporting units was estimated using the present value of expected future cash flows.

Other Intangible Assets

The table below presents the gross carrying amount, accumulated amortization and net carrying amount, in total and by major class of intangible assets at March 31, 2010 and 2011:

	2010			2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
			(in millions)			
Intangible assets subject to amortization:						
Software	¥1,263,031	¥ 707,888	¥ 555,143	¥1,374,334	¥ 839,872	¥534,462
Core deposit intangibles	638,290	329,163	309,127	632,533	377,325	255,208
Customer relationships	208,118	100,419	107,699	207,670	113,435	94,235
Trade names	60,058	8,616	51,442	51,579	10,209	41,370
Other	4,006	2,282	1,724	4,173	2,648	1,525
Total	¥2,173,503	¥1,148,368	1,025,135	¥2,270,289	¥1,343,489	926,800
Intangible assets not subject to amortization:						
Indefinite-lived customer relationships			61,491			42,224
Indefinite-lived trade names			4,459			4,459
Other			25,032			18,038
Total			90,982			64,721
Total			¥1,116,117			¥991,521

Intangible assets subject to amortization acquired during the fiscal year ended March 31, 2010 amounted to ¥168,722 million, which primarily consisted of ¥168,423 million of software. The weighted average amortization periods for these assets are 5 years. There is no significant residual value estimated for these assets. Intangible assets not subject to amortization acquired during the fiscal year ended March 31, 2010 amounted to ¥1,667 million.

Intangible assets subject to amortization acquired during the fiscal year ended March 31, 2011 amounted to ¥153,887 million, which primarily consisted of ¥151,992 million of software. The weighted average amortization periods for these assets are 6 years. There is no significant residual value estimated for these assets. Intangible assets not subject to amortization acquired during the fiscal year ended March 31, 2011 amounted to ¥332 million.

For the fiscal years ended March 31, 2009, 2010 and 2011, the MUFG Group recognized ¥126,885 million, ¥12,400 million and ¥26,566 million, respectively, of impairment losses for intangible assets whose carrying amounts exceeded their fair value. In computing the amount of impairment losses, fair value was determined primarily based on the present value of expected future cash flows, the estimated value based on appraisals, or market prices.

The impairment loss for the fiscal year ended March 31, 2009 included losses of ¥83,088 million and ¥36,672 million relating to customer relationships in the Integrated Retail Banking Business Group and Integrated Trust Assets Business Group, which were subject to and not subject to amortization, respectively. These intangible assets were valued based on the present value of expected future cash flows. Estimated future cash flows were revised downwards due to the global financial market instability. Accordingly, the MUFG Group reevaluated these intangible assets and recognized impairment losses.

The impairment loss for the fiscal year ended March 31, 2010 included a loss of ¥9,239 million relating to the contractual rights of a business alliance, which was reported under the Integrated Retail Banking Business Group. The intangible asset was not subject to amortization and was aggregated in Other intangible assets. The fair value of the intangible asset was calculated based on the present value of expected future cash flows. Estimated future cash flows were revised downwards due to a change in the business environment within our credit card business. Accordingly, the MUFG Group reevaluated the intangible asset and recognized an impairment loss.

The impairment loss for the fiscal year ended March 31, 2011 included a loss of ¥19,267 million relating to customer relationships under the Integrated Trust Assets Business Group and a loss of ¥6,226 million relating to the contractual rights of a business alliance reported under the Integrated Retail Banking Business Group. These intangible assets were not subject to amortization. The intangible assets were valued based on discounted expected future cash flows. Estimated future cash flows of the above customer relationships were revised downwards due to the global financial environment where low interest rates were expected to continue, and the Japanese yen appreciated against major currencies, and its adverse impact to the growth prospect of trust assets. The estimated future cash flows of the above contractual rights were revised downwards due to the severe environment of the credit card business. Accordingly, the MUFG Group reevaluated the intangible assets and recognized impairment losses.

Also, for the fiscal year ended March 31, 2011, the MUFG Group recognized a loss of ¥16,370 million in Other non-interest expenses in the consolidated statements of operations from the disposal of software for internal use due to a suspension of the system integration project by one of MUFG's subsidiaries.

The estimated aggregate amortization expense for intangible assets for the next five fiscal years is as follows:

	(in millions)
Fiscal year ending March 31:	
2012	¥212,190
2013	179,776
2014	136,009
2015	101,529
2016	73,126

7. INCOME TAXES

The detail of current and deferred income tax expense (benefit) for the fiscal years ended March 31, 2009, 2010 and 2011 were as follows:

	2009	2010	2011
		(in millions)	
Current:			
Domestic	¥ 27,180	¥ 36,993	¥ 52,982
Foreign	114,259	53,659	70,292
Total	141,439	90,652	123,274
Deferred:			
Domestic	(293,849)	297,989	299,725
Foreign	(107,518)	18,399	16,901
Total	(401,367)	316,388	316,626
Income tax expense (benefit)	(259,928)	407,040	439,900
Income tax expense (benefit) reported in equity relating to:			
Investment securities	(585,322)	350,507	(193,657)
Derivatives qualifying for cash flow hedges	2,725	(3,295)	(2,250)
Pension liability adjustments	(288,856)	157,720	(69,139)
Foreign currency translation adjustments	(15,004)	2,594	2,007
Total	(886,457)	507,526	(263,039)
Total	¥(1,146,385)	¥914,566	¥ 176,861

Reconciliation of Effective Income Tax Rate

Income taxes in Japan applicable to the MUFG Group are imposed by the national, prefectural and municipal governments, and in the aggregate resulted in a normal effective statutory rate of approximately 40.6% for the fiscal years ended March 31, 2009, 2010 and 2011. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of operations to the combined normal effective statutory tax rate for the fiscal years ended March 31, 2009, 2010 and 2011 are as follows:

	2009	2010	2011
Combined normal effective statutory tax rate	40.6%	40.6%	40.6%
Nondeductible expenses	(0.2)	0.2	0.3
Dividends from foreign subsidiaries	(0.3)	0.0	0.1
Foreign tax credit and payments	(0.7)	0.7	3.3
Lower tax rates applicable to income of subsidiaries	0.0	(0.7)	(0.6)
Change in valuation allowance	(2.3)	(5.8)	10.6
Realization of previously unrecognized tax effects of subsidiaries	(1.7)	(0.9)	(3.7)
Nontaxable dividends received	0.4	(0.1)	(2.7)
Impairment of goodwill	(19.5)	0.0	0.0
Undistributed earnings of subsidiaries	(1.5)	(1.6)	(1.5)
Tax and interest expense for uncertainty in income taxes	(1.0)	0.6	0.2
Expiration of loss carryforward	(0.6)	0.2	6.4
Other—net	1.5	(1.5)	(0.5)
Effective income tax rate	14.7%	31.7%	52.5%

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are computed for each tax jurisdiction using currently enacted tax rates applicable to periods when the temporary differences are expected to reverse. The tax effects of the items comprising the MUFG Group's net deferred tax assets at March 31, 2010 and 2011 were as follows:

	2010	2011
	(in millions)	
Deferred tax assets:		
Allowance for credit losses	¥ 902,282	¥ 887,531
Operating loss carryforwards	518,948	259,183
Loans	12,746	2,785
Accrued liabilities and other	397,255	438,045
Premises and equipment, including sale-and-leaseback transactions	128,158	126,905
Derivative financial instruments	28,861	67,312
Investment securities (including trading account assets at fair value under fair value option)	82,470	212,511
Accrued severance indemnities and pension plans	100,804	169,349
Valuation allowance	(641,619)	(726,774)
Total deferred tax assets	1,529,905	1,436,847
Deferred tax liabilities:		
Intangible assets	212,845	164,291
Lease transactions	50,611	51,239
Other	55,055	57,749
Total deferred tax liabilities	318,511	273,279
Net deferred tax assets	¥1,211,394	¥1,163,568

The valuation allowance was provided primarily against deferred tax assets recorded at MUFG and its subsidiaries with operating loss carryforwards. The amount of the valuation allowance is determined based on a review of future taxable income (exclusive of reversing temporary differences and carryforwards) and future reversals of existing taxable temporary differences. Future taxable income is developed from forecasted operating results, based on recent historical trends and approved business plans, the eligible carryforward periods and other relevant factors. For certain subsidiaries where strong negative evidence exists, such as the existence of significant amounts of operating loss carryforwards, cumulative losses and the expiration of unused operating loss carryforwards in recent years, a valuation allowance was recognized against the deferred tax assets as of March 31, 2010 and 2011 to the extent that it is more likely than not that they will not be realized.

Income taxes are not provided on undistributed earnings of certain foreign subsidiaries that are considered to be indefinitely reinvested in the operations of such subsidiaries. At March 31, 2010 and 2011, the undistributed earnings of such foreign subsidiaries amounted to approximately ¥26,179 million and ¥ 26,378 million, respectively. Determination of the amount of unrecognized deferred tax liabilities with respect to these undistributed earnings is not practicable because of the complexity associated with its hypothetical calculation including foreign withholding taxes and foreign tax credits. MUFG has neither plans nor the intention to dispose of investments in such foreign subsidiaries and, accordingly, does not expect to record capital gains or losses, or otherwise monetize the undistributed earnings of such foreign subsidiaries.

Operating Loss and Tax Credit Carryforwards

At March 31, 2011, the MUFG Group had operating loss carryforwards of ¥575,403 million and tax credit carryforwards of ¥4,496 million for tax purposes. Such carryforwards, if not utilized, are scheduled to expire as follows:

	Operating loss carryforwards	Tax credit carryforwards
	(in millions)	
Fiscal year ending March 31:		
2012	¥ 80,439	¥ —
2013	202,905	—
2014	27,994	—
2015	13,259	—
2016	45,350	—
2017	12,373	—
2018 and thereafter	168,407	3,923
No definite expiration date	24,676	573
Total	¥575,403	¥ 4,496

The above table represents the operating loss carryforwards for corporate tax. In addition, at March 31, 2011, BTMU and MUTB had operating loss carryforwards of ¥375,609 million for enterprise tax whose effective tax rate is 7.0%. If not utilized, such operating loss carryforwards will expire in 2012.

Uncertainty in Income Tax

The following is a roll-forward of the MUFG Group's unrecognized tax benefits for the fiscal years ended March 31, 2009, 2010 and 2011:

	2009	2010	2011
		(in millions)	
Balance at beginning of fiscal year	¥44,764	¥72,857	¥75,479
Gross amount of increases for current year's tax positions	23,960	2,771	406
Gross amount of decreases for current year's tax positions	—	—	(1,482)
Gross amount of increases for prior years' tax positions	15,104	15,208	9,113
Gross amount of decreases for prior years' tax positions	(5,459)	(5,506)	(8,698)
Net amount of changes relating to settlements with tax authorities	447	(6,695)	(4,434)
Decreases due to lapse of applicable statutes of limitations	(14)	(1,281)	(1,479)
Foreign exchange translation	(5,945)	(1,875)	(7,608)
Balance at end of fiscal year	¥72,857	¥75,479	¥61,297

The total amount of unrecognized tax benefits at March 31, 2009, 2010 and 2011 that, if recognized, would affect the effective tax rate are ¥25,471 million, ¥27,192 million and ¥24,639 million, respectively. The remainder of the uncertain tax positions have offsetting amounts in other jurisdictions or are temporary differences.

The MUFG Group classifies interest and penalties, if applicable, related to income taxes as Income tax expense (benefit). Accrued interest and penalties (not included in the "unrecognized tax benefits" above) are a component of Other liabilities. The following is a roll-forward of the interest and penalties recognized in the consolidated financial statements for the fiscal years ended March 31, 2009, 2010 and 2011:

	2009	2010	2011
		(in millions)	
Balance at beginning of fiscal year	¥4,047	¥ 5,842	¥7,273
Total interest and penalties in the consolidated statements of operations	2,588	4,490	585
Total cash settlements and foreign exchange translation	(793)	(3,059)	(825)
Balance at end of fiscal year	¥5,842	¥ 7,273	¥7,033

The MUFG Group is subject to ongoing tax examinations by the tax authorities of the various jurisdictions in which it operates. The following are the major tax jurisdictions in which the MUFG Group operates and the status of years under audit or open to examination:

Jurisdiction	Tax years
Japan	2011
United States—Federal	2007 and forward
United States—California	2005 and forward
United States—New York	2001 and forward
United States—New York City	2001 and forward

The MUFG Group does not anticipate any significant increases or decreases to unrecognized tax benefits within the next 12 months. However, the MUFG Group is under continuous examinations by the tax authorities in various domestic and foreign jurisdictions and many of these examinations are resolved every year. Therefore, the MUFG Group's estimate of unrecognized tax benefits is subject to change based on new developments and information.

Income (Loss) before Income Tax Expense (Benefit)

Income (loss) before income tax expense (benefit) by jurisdiction for the fiscal years ended March 31, 2009, 2010 and 2011 was as follows:

	2009	2010	2011
		(in millions)	
Domestic income (loss)	¥(1,776,405)	¥ 870,192	¥443,304
Foreign income	12,178	411,924	393,934
Total	¥(1,764,227)	¥1,282,116	¥837,238

8. PLEDGED ASSETS AND COLLATERAL

Pledged Assets

At March 31, 2011, assets mortgaged, pledged, or otherwise subject to lien were as follows:

	(in millions)
Trading account securities	¥ 8,616,845
Investment securities	4,361,431
Loans	6,450,799
Other	59,198
Total	¥19,488,273

The above pledged assets were classified by type of liabilities to which they related as follows:

	(in millions)
Deposits	¥ 388,298
Call money and funds purchased	484,606
Payables under repurchase agreements and securities lending transactions	9,634,077
Other short-term borrowings and long-term debt	8,943,147
Other	38,145
Total	¥19,488,273

Note:
Subsequent to the issuance of the MUFG Group's consolidated financial statements for the fiscal year ended March 31, 2010, management determined that the trading account assets pledged that secured parties are permitted to sell or repledge for the fiscal year ended March 31, 2010 was erroneously disclosed. Such amount has been restated from the amount previously reported as follows in the parenthetic note to Trading account assets in the consolidated balance sheet:

	2010	
	As previously reported	As restated
	(in millions)	
Trading account assets pledged that secured parties are permitted to sell or repledge	¥8,712,347	¥8,409,598

In addition, at March 31, 2011, certain investment securities, principally Japanese national government and Japanese government agency bonds, loans, and other assets aggregating ¥25,804,091 million were pledged as collateral for acting as a collection agent of public funds, for settlement of exchange at the Bank of Japan and the Tokyo Bankers Association, for derivative transactions and for certain other purposes.

The MUFG Group engages in on-balance sheet securitizations. These securitizations of mortgage and apartment loans, that do not qualify for sales treatment, are accounted for as secured borrowings. The amount of loans in the table above represents, the carrying amount of these transactions with the carrying amount of the associated liabilities included in other short-term borrowings and long-term debt.

Under Japanese law, Japanese banks are required to maintain certain reserves on deposit with the Bank of Japan based on the amount of deposit balances and certain other factors. There are similar reserve deposit requirements for foreign offices engaged in banking businesses in foreign countries. At March 31, 2010 and 2011 the reserve funds maintained by the MUFG Group, which are included in Cash and due from banks and Interest-earning deposits in other banks, were ¥2,041,048 million and ¥4,128,505 million, respectively. Average reserves during the fiscal years ended March 31, 2010 and 2011 were ¥1,961,783 million and ¥2,301,810 million, respectively.

Collateral

The MUFG Group accepts and provides financial assets as collateral for transactions, principally commercial loans, repurchase agreements and securities lending transactions, call money, and derivatives. Financial assets eligible for such collateral include, among others, marketable equity securities, trade and notes receivable and certificates of deposit.

Secured parties, including creditors and counterparties to certain transactions with the MUFG Group, may sell or repledge financial assets provided as collateral. Certain contracts, however, may not be specific about the secured party's right to sell or repledge collateral under the applicable statutes and, therefore, whether or not the secured party is permitted to sell or repledge collateral would differ depending on the interpretations of specific provisions of the existing statutes, contract or certain market practices. If the MUFG Group determines, based on available information, that a financial asset provided as collateral might not be sold or repledged by the secured parties, such collateral is not separately reported in the consolidated balance sheets. If a secured party is permitted to sell or repledge financial assets provided as collateral by contract or custom under the existing statutes, the MUFG Group reports such pledged financial assets separately on the face of the consolidated balance sheets. At March 31, 2011, the MUFG Group pledged ¥31,491 billion of assets that may not be sold or repledged by the secured parties.

Certain banking subsidiaries accept collateral for commercial loans and certain banking transactions under a standardized agreement with customers, which provides that these banking subsidiaries may require the customers to provide collateral or guarantees with respect to the loans and other banking transactions. Financial assets pledged as collateral are generally negotiable and transferable instruments, and such negotiability and transferability is authorized by applicable legislation. In principle, Japanese legislation permits these banking subsidiaries to repledge financial assets accepted as collateral unless otherwise prohibited by contract or relevant statutes. Nevertheless, the MUFG Group did not sell or repledge nor does it plan to sell or repledge such collateral accepted in connection with commercial loans before a debtor's default or other credit events specified in the agreements as it is not customary within the banking industry in Japan to dispose of collateral before a debtor's default and other specified credit events. Derivative agreements commonly used in the marketplace do not prohibit a secured party's disposition of financial assets received as collateral, and in resale agreements and securities borrowing transactions, securities accepted as collateral may be sold or repledged by the secured parties. At March 31, 2010 and 2011, the fair value of the collateral accepted by the MUFG Group that is permitted to be sold or repledged was approximately ¥19,044 billion and ¥12,352 billion, respectively, of which approximately ¥7,634 billion and ¥8,227 billion, respectively, was sold or repledged(1). The amount includes the collateral that may be repledged under the current Japanese legislation but the MUFG Group does not dispose of before the counterparties' default in accordance with the customary practice within the Japanese banking industry.

At March 31, 2010 and 2011, the cash collateral paid for derivative transactions, which is included in other assets, were ¥634,299 million and ¥766,617 million, respectively and the cash collateral received for derivative transactions, which is included in other liabilities, were ¥260,233 million and ¥337,192 million, respectively.

Note:
(1) Subsequent to the issuance of the MUFG Group's consolidated financial statements for the fiscal year ended March 31, 2010, management determined that the fair value of the collateral accepted by the MUFG Group that is permitted to be sold or repledged and the collateral which was sold or repledged were erroneously disclosed. Such amounts have been restated from the amount previously reported of ¥19,093 billion and ¥6,983 billion, respectively.

9. DEPOSITS

The balances of time deposits, including certificates of deposit ("CDs"), issued in amounts of ¥10 million (approximately US$121 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2011) or more with respect to domestic deposits and issued in amounts of US$100,000 or more with respect to foreign deposits were ¥27,253,035 million and ¥14,411,085 million, respectively, at March 31, 2010, and ¥26,960,090 million and ¥13,898,728 million, respectively, at March 31, 2011.

The maturity information at March 31, 2011 for domestic and foreign time deposits, including CDs, is summarized as follows:

	Domestic	Foreign
	(in millions)	
Due in one year or less	¥35,704,148	¥13,812,257
Due after one year through two years	6,427,398	247,805
Due after two years through three years	3,051,730	135,808
Due after three years through four years	676,089	32,901
Due after four years through five years	814,135	35,665
Due after five years	110,927	27,508
Total	¥46,784,427	¥14,291,944

10. CALL LOANS AND FUNDS SOLD, AND CALL MONEY AND FUNDS PURCHASED

A summary of funds transactions for the fiscal years ended March 31, 2009, 2010 and 2011 is as follows:

	2009	2010	2011
	(in millions, except percentages and days)		
Average balance during the fiscal year:			
Call money and funds purchased	¥ 3,051,725	¥ 2,349,445	¥ 2,173,923
Call loans and funds sold	1,080,630	651,778	656,322
Net funds purchased position	¥ 1,971,095	¥ 1,697,667	¥ 1,517,601
Call money and funds purchased:			
Outstanding at end of fiscal year:			
Amount	¥ 2,235,858	¥ 1,883,824	¥ 2,313,487
Principal range of maturities	1 day to 30 days	1 day to 30 days	1 day to 30 days
Weighted average interest rate	0.33%	0.28%	0.29%
Maximum balance at any month-end during the fiscal year	¥ 4,133,609	¥ 2,611,306	¥ 2,488,885
Weighted average interest rate paid during the fiscal year	0.82%	0.24%	0.27%

Average balances are generally based on a daily average while a month-end average is used for certain average balances when it is not practicable to obtain applicable daily averages.

11. DUE TO TRUST ACCOUNT

MUTB holds assets on behalf of its customers in an agent, fiduciary or trust capacity. Such trust account assets are not the MUFG Group's proprietary assets and are managed and accounted for separately.

However, excess cash funds of individual trust accounts are often placed with MUTB which manages the funds together with its own funds in its proprietary account. Due to trust account reflects a temporary placement of the excess funds from individual trust accounts and, in view of the MUFG Group's funding, due to trust account is similar to short-term funding, including demand deposits and other overnight funds purchased. The balance changes in response to the day-to-day changes in the excess funds placed by the trust accounts. A summary of due to trust account transactions for the fiscal years ended March 31, 2009, 2010 and 2011 is as follows. See Note 22 for further discussion of this account's decrease:

	2009	2010	2011[(1)]
	(in millions, except percentages)		
Average balance outstanding during the fiscal year	¥1,479,736	¥1,683,607	¥674,622
Maximum balance at any month-end during the fiscal year	1,796,846	1,795,280	752,244
Weighted average interest rate during the fiscal year	0.46%	0.36%	0.12%

Note
(1) Effective April 1, 2010, the MUFG Group adopted new guidance that amends the accounting for consolidation of VIEs. As a result, the amount of average balance outstanding, the maximum balance at any month-end and weighted average interest rate during the fiscal year ended March 31, 2011 decreased. See Note 23 for further discussion of the adoption of the new guidance.

12. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2010 and 2011, the MUFG Group had unused lines of credit for short-term financing amounting to ¥9,802,803 million and ¥19,984,360 million, respectively. The amounts principally consist of the lines of collateralized intraday overdrafts without interest charges and collateralized overnight loans on bills at the official discount rate granted by the Bank of Japan, which are used to cover shortages in the Bank of Japan account and to meet liquidity needs. The MUFG Group may borrow from the Bank of Japan on demand up to the total amount of collateral eligible for credit extension.

Other short-term borrowings at March 31, 2010 and 2011 were comprised of the following:

	2010	2011
	(in millions, except percentages)	
Domestic offices:		
Commercial paper	¥1,208,690	¥1,262,885
Borrowings from the Bank of Japan	2,861,400	5,513,650
Borrowings from other financial institutions	209,030	175,951
Other	73,560	65,843
Total domestic offices	4,352,680	7,018,329
Foreign offices:		
Commercial paper	907,641	732,910
Borrowings from other financial institutions	819,633	730,479
Other	17,416	6,595
Total foreign offices	1,744,690	1,469,984
Total	6,097,370	8,488,313
Less unamortized discount	34	116
Other short-term borrowings—net	¥6,097,336	¥8,488,197
Weighted average interest rate on outstanding balance at end of fiscal year	0.27%	0.24%

Long-term debt (with original maturities of more than one year) at March 31, 2010 and 2011 was comprised of the following:

	2010	2011
	(in millions)	
MUFG:		
Obligations under capital leases	¥ 45	¥ 22
Unsubordinated debt[1]:		
Fixed rate bonds, payable in Japanese yen, due 2010-2011, principally 0.59%-1.21%	230,000	—
Subordinated debt[1]:		
Adjustable rate bonds, payable in Japanese yen, no stated maturity, principally 3.92%-4.42%	380,500	380,500
Adjustable rate borrowings, payable in Japanese yen, no stated maturity, principally 2.42%-4.78%	2,500	2,500
Adjustable rate borrowings, payable in US dollars, no stated maturity, principally 6.25%	465	416
Adjustable rate borrowings, payable in Euro, no stated maturity, principally 4.75%-5.17%	1,251	1,176
Adjustable rate borrowings, payable in other currencies excluding Japanese yen, US dollars, and Euro, no stated maturity, principally 6.20%[2]	421	402
Floating rate borrowings, payable in Japanese yen, no stated maturity, principally 3.05%-3.17%	16,208	16,209
Total	631,390	401,225
BTMU:		
Obligations under capital leases	¥ 27,888	¥ 17,937
Obligation under sale-and-leaseback transactions	52,189	50,875
Unsubordinated debt[1]:		
Fixed rate bonds, payable in Japanese yen, due 2011-2027, principally 0.26%-2.69%	1,626,600	1,485,402
Fixed rate bonds, payable in US dollars, due 2012-2015, principally 1.60%-3.85%	219,574	400,561
Fixed rate bonds, payable in other currencies excluding Japanese yen, and US dollars, due 2012-2014, principally 5.40%-5.58%[2]	17,056	64,496
Fixed rate borrowings, payable in Japanese yen, due 2011-2023, principally 0.25%-0.50%	18,327	7,428
Fixed rate borrowings, payable in US dollars, due 2018, principally 7.49%	586	462
Fixed rate borrowings, payable in other currencies excluding Japanese yen, and US dollars, due 2011-2013, principally 1.50%-5.65%[2]	4,687	1,294
Adjustable rate bonds, payable in Japanese yen, due 2014, principally 1.71%	20,000	20,000
Floating rate bonds, payable in US dollars, due 2014, principally 0.97%	—	41,575
Floating rate borrowings, payable in US dollars, due 2014-2016, principally 0.62%-0.79%	325,640	424,065
Total	2,232,470	2,445,283
Subordinated debt[1]:		
Fixed rate bonds, payable in Japanese yen, due 2011-2031, principally 1.13%-2.91%	1,649,855	1,910,698
Fixed rate borrowings, payable in Japanese yen, due 2011-2035, principally 0.71%-3.62%	129,433	216,940
Fixed rate bonds, payable in US dollars, due 2011, principally 7.40%	371,098	167,380
Fixed rate borrowings, payable in US dollars, due 2013, principally 6.76%	122,714	108,393
Adjustable rate bonds, payable in Japanese yen, due 2018-2019, principally 0.99%-1.75%	93,700	93,700
Adjustable rate borrowings, payable in Japanese yen, due 2012-2028, principally 0.36%-2.90%	544,100	574,500
Adjustable rate borrowings, payable in Japanese yen, no stated maturity, principally 0.90%-4.78%	1,392,700	1,083,800
Adjustable rate borrowings, payable in US dollars, due 2016-2017, principally 0.71%-0.78%	229,157	145,928
Adjustable rate borrowings, payable in US dollars, no stated maturity, principally 1.13%-6.25%	232,600	207,875
Adjustable rate bonds, payable in Euro, due 2015, principally 3.50%	124,920	—
Adjustable rate borrowings, payable in Euro, due 2017, principally 1.45%	112,428	11,757
Adjustable rate borrowings, payable in Euro, no stated maturity, principally 4.75%-5.17%	164,270	154,605
Adjustable rate borrowings, payable in other currencies excluding Japanese yen, US dollars, and Euro, due 2017, principally 1.30%[2]	38,610	36,820
Adjustable rate borrowings, payable in other currencies excluding Japanese yen, US dollars, and Euro, no stated maturity, principally 6.20%[2]	79,326	75,648
Floating rate borrowings, payable in Japanese yen, due 2020-2027, principally 0.52%-0.87%	52,800	38,100
Total	5,337,711	4,826,144
Obligations under loan securitization transaction accounted for as secured borrowings, due 2011-2045, principally 0.39%-6.66%	2,847,735	2,640,007
Total	10,497,993	9,980,246

	2010	2011
	(in millions)	
Other subsidiaries:		
Obligations under capital leases	¥ 16,551	¥ 11,398
Unsubordinated debt[1]:		
Fixed rate borrowings, bonds and notes, payable in Japanese yen, due 2011-2038 principally 0.00%-10.30%	491,310	378,528
Fixed rate borrowings, bonds and notes, payable in US dollars, due 2011-2038, principally 0.00%-10.00%	193,447	23,573
Fixed rate borrowings, bonds and notes, payable in Euro, due 2011, principally 1.75%	—	436
Fixed rate borrowings, bonds and notes, payable in other currencies excluding Japanese yen, US dollars, and Euro, due 2011-2038, principally 0.00%-11.30%[2]	3,518	3,389
Floating/Adjustable rate borrowings, bonds and notes, payable in Japanese yen, due 2011-2040, principally 0.00%-22.40%	1,205,153	1,231,674
Floating/Adjustable rate borrowings, bonds and notes, payable in US dollars, due 2011-2038, principally 0.00%-14.00%	131,494	401,646
Floating rate bonds and notes, payable in Euro, due 2012-2014, principally 0.00%-0.50%	504	228
Floating rate borrowings, bonds and notes, payable in other currencies excluding Japanese yen, US dollars, and Euro, due 2011-2038, principally 0.00%-11.50%[2]	3,740	16,079
Other institutions, due 2035, principally 1.64%-3.58%	4,684	3,812
Total	2,033,850	2,059,365
Subordinated debt[1]:		
Fixed rate borrowings, bonds and notes, payable in Japanese yen, due 2011-2030, principally 0.93%-3.04%	298,163	349,629
Fixed rate bonds and notes, payable in US dollars, due 2013-2030, principally 5.25%-11.33%	111,923	97,085
Adjustable rate borrowings, bonds and notes, payable in Japanese yen, due 2016-2020, principally 0.58% -2.70%	157,600	97,300
Adjustable rate borrowings, bonds and notes, payable in Japanese yen, no stated maturity, principally 1.93%-3.50%	125,900	104,118
Floating rate borrowings, bonds and notes, payable in Japanese yen, due 2011-2015, principally 0.08%-1.80%	176,330	161,823
Floating rate bonds and notes, payable in US dollars, due 2010, principally 1.39%	461	—
Other miscellaneous debt	3	—
Total	870,380	809,955
Obligations under loan securitization transaction accounted for as secured borrowings, due 2011-2017, principally 0.40%-3.02%	112,260	94,539
Total	3,033,041	2,975,257
Total	¥14,162,424	¥13,356,728

Notes:
(1) Adjustable rate debts are debts where interest rates are reset in accordance with the terms of the debt agreements, and floating rate debts are debts where interest rates are repriced in accordance with movements of markets indices.
(2) Minor currencies, such as British pound, Brazilian real, Chinese yuan, Indonesian rupiah, Hong Kong dollars etc, have been summarized into the “Other currencies” classification.

The MUFG Group uses derivative financial instruments for certain debts to manage its interest rate and currency exposures. The derivative financial instruments include swaps, forwards, options and other types of derivatives. As a result of these derivative instruments, the effective rates reflected in the table above may differ from the coupon rates. The interest rates for the adjustable and floating rate debt shown in the above table are those in effect at March 31, 2010 and 2011.

Certain debt agreements permit the MUFG Group to redeem the related debt, in whole or in part, prior to maturity at the option of the issuer on terms specified in the respective agreements.

The following is a summary of maturities of long-term debt subsequent to March 31, 2011:

	MUFG	BTMU	Other subsidiaries	Total
	(in millions)			
Fiscal year ending March 31:				
2012	¥ 9	¥ 838,774	¥ 617,310	¥ 1,456,093
2013	6	1,006,347	413,182	1,419,535
2014	4	1,088,535	359,173	1,447,712
2015	2	907,146	249,794	1,156,942
2016	—	772,680	141,070	913,750
2017 and thereafter	401,204	5,366,764	1,194,728	6,962,696
Total	¥401,225	¥9,980,246	¥2,975,257	¥13,356,728

13. SEVERANCE INDEMNITIES AND PENSION PLANS

Defined Benefit Pension Plans

The MUFG Group has funded contributory and non-contributory defined benefit pension plans (“pension benefits”), which cover substantially all of their employees and provide for lifetime annuity payments commencing at age 65 based on eligible compensation at the time of severance, rank, years of service and other factors.

BTMU and certain domestic subsidiaries, MUSHD, Mitsubishi UFJ NICOS and some subsidiaries of MUFG have non-contributory Corporate Defined Benefit Pension plans (“CDBPs”) which provide benefits to all their domestic employees. MUTB has a contributory CDBP similar to these non-contributory CDBPs.

In addition to the CDBPs, BTMU and MUTB have non-contributory closed Tax-Qualified Pension Plans (“closed TQPPs”), which are defined benefit pension plans that provide benefits to certain retired employees, excluding directors in Japan, based on eligible compensation at the time of severance, years of service and other factors. MUTB also has a contributory closed TQPP in addition to the non-contributory closed TQPPs.

The MUFG Group also offers qualified and nonqualified defined benefit pension plans in foreign offices and subsidiaries for their employees. The qualified plans are non-contributory defined pension plans, which provide benefits upon retirement based on years of service and average compensation and cover substantially all of the employees of such foreign offices and subsidiaries. With respect to the offices and subsidiaries in the United States of America, the qualified plans are funded on a current basis in compliance with the requirement of the Employee Retirement Income Security Act of the United States of America. The nonqualified plans are non-contributory defined benefit pension plans, under which certain employees earn pay and interest credits on compensation amounts above the maximum stipulated by applicable laws under the qualified plans.

Severance Indemnities Plans

The MUFG Group has severance indemnities plans (“SIP”s) under which their employees in Japan, other than those who are directors, are entitled, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, to lump-sum severance indemnities based on eligible compensation at the time of severance, rank, years of service and other factors. Under SIPs, benefit payments in the form of a lump-sum cash payment with no option to receive annuity payments, upon mandatory retirement at normal retirement age or earlier termination of employment, are provided. When a benefit is paid in a single payment to a benefit payee under the plans, the payment represents final relief of the obligation.

Other Postretirement Plans

The MUFG Group's foreign offices and subsidiaries, primarily in the United States of America, provide their employees with certain postretirement medical and life insurance benefits ("other benefits").

Net periodic cost of pension benefits and other benefits for the fiscal years ended March 31, 2009, 2010 and 2011 include the following components:

	Domestic subsidiaries			Foreign offices and subsidiaries					
	2009	2010	2011	2009		2010		2011	
	Pension benefits and SIP	Pension benefits and SIP	Pension benefits and SIP	Pension benefits	Other benefits	Pension benefits	Other benefits	Pension benefits	Other benefits
	(in millions)								
Service cost—benefits earned during the fiscal year	¥ 39,443	¥ 41,823	¥ 39,713	¥ 7,448	¥ 945	¥ 6,414	¥ 872	¥ 6,092	¥ 909
Interest costs on projected benefit obligation	32,926	29,071	33,184	11,301	1,369	10,587	1,226	10,900	1,335
Expected return on plan assets	(68,710)	(49,826)	(56,105)	(16,820)	(1,373)	(15,309)	(936)	(16,220)	(1,086)
Amortization of net actuarial loss	1,653	51,980	15,600	2,133	320	2,682	678	1,386	516
Amortization of prior service cost	(7,373)	(9,801)	(10,576)	77	(78)	39	(67)	51	(61)
Amortization of net obligation at transition	(5)	(1)	—	—	192	—	123	—	115
Loss on settlements and curtailment	4,463	3,037	3,706	—	—	—	—	—	—
Net periodic benefit cost	¥ 2,397	¥ 66,283	¥ 25,522	¥ 4,139	¥ 1,375	¥ 4,413	¥1,896	¥ 2,209	¥ 1,728

The following table summarizes the assumptions used in computing the present value of the projected benefit obligations and the net periodic benefit cost:

	Domestic subsidiaries			Foreign offices and subsidiaries					
	2009	2010	2011	2009		2010		2011	
	Pension benefits and SIP	Pension benefits and SIP	Pension benefits and SIP	Pension benefits	Other benefits	Pension benefits	Other benefits	Pension benefits	Other benefits
Weighted-average assumptions used:									
Discount rates in determining expense	1.93%	1.66%	2.05%	5.74%	6.01%	5.70%	5.77%	6.10%	6.04%
Discount rates in determining benefit obligation	1.66	2.05	1.91	5.70	5.77	6.10	6.04	5.67	5.36
Rates of increase in future compensation level for determining expense	3.10	3.07	3.06	4.51	—	4.64	—	4.72	—
Rates of increase in future compensation level for determining benefit obligation	3.07	3.06	3.23	4.64	—	4.72	—	4.67	—
Expected rates of return on plan assets	3.13	3.02	2.98	7.84	8.00	7.50	8.00	7.49	8.00

The following tables present the assumed health care cost trend rates for foreign offices and subsidiaries, which are used to measure the expected cost of benefits for the next year, and the effect of a one-percentage-point change in the assumed health care cost trend rate:

	UNBC		Other than UNBC	
	2010[(1)]	2011[(1)]	2010[(1)]	2011[(1)]
Initial trend rate	9.38%	9.12%	8.00%	7.50%
Ultimate trend rate	5.00%	5.00%	5.00%	5.00%
Year the rate reaches the ultimate trend rate	2018	2018	2016	2016

	UNBC		Other than UNBC	
	One-percentage-point increase	One-percentage-point decrease	One-percentage-point increase	One-percentage-point decrease
	(in millions)			
Effect on total of service and interest cost components	¥ 266	¥ (221)	¥ 73	¥ (57)
Effect on postretirement benefit obligation	2,273	(1,934)	898	(695)

Note:

(1) Fiscal periods of UNBC and foreign subsidiaries end on December 31. Therefore, above tables present the rates and amounts at December 31, 2009 and 2010, respectively.

The following table sets forth the combined funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2010 and 2011:

	Domestic subsidiaries				Foreign offices and subsidiaries			
	2010		2011		2010		2011	
	Non-contributory pension benefits and SIP	Contributory pension benefits	Non-contributory pension benefits and SIP	Contributory pension benefits	Pension benefits	Other benefits	Pension benefits	Other benefits
	(in millions)							
Change in benefit obligation:								
Benefit obligation at beginning of fiscal year	¥1,408,695	¥389,060	¥1,303,012	¥367,501	¥179,523	¥22,990	¥193,008	¥23,552
Service cost	35,593	6,230	34,320	5,393	6,414	872	6,092	909
Interest cost	22,569	6,502	25,608	7,576	10,587	1,226	10,900	1,335
Plan participants' contributions	—	1,065	—	1,061	14	408	12	439
Acquisitions/ Divestitures	(19,084)	—	(577)	—	—	—	19	—
Amendments	(19)	—	8,242	—	—	—	1	—
Actuarial loss (gain)	(75,323)	(22,251)	26,935	13,353	766	(349)	14,290	1,944
Benefits paid	(51,789)	(13,105)	(52,583)	(13,427)	(6,922)	(1,762)	(6,377)	(1,714)
Lump-sum payment	(17,630)	—	(16,805)	—	(79)	(12)	(194)	(10)
Translation adjustments	—	—	—	—	2,705	179	(22,671)	(2,802)
Benefit obligation at end of fiscal year	1,303,012	367,501	1,328,152	381,457	193,008	23,552	195,080	23,653
Change in plan assets:								
Fair value of plan assets at beginning of fiscal year	1,249,747	407,340	1,436,335	474,487	145,529	11,383	183,445	14,240
Actual return (loss) on plan assets	211,838	73,637	(61,992)	(17,535)	30,292	2,912	23,418	1,679
Employer contributions	33,599	5,550	26,737	6,787	12,452	1,209	11,728	1,168
Acquisitions/ Divestitures	(7,060)	—	13	—	—	—	26	—
Plan participants' contributions	—	1,065	—	1,061	14	408	12	439
Benefits paid	(51,789)	(13,105)	(52,583)	(13,427)	(6,922)	(1,762)	(6,377)	(1,714)
Translation adjustments	—	—	—	—	2,080	90	(22,122)	(1,769)
Fair value of plan assets at end of fiscal year	1,436,335	474,487	1,348,510	451,373	183,445	14,240	190,130	14,043
Amounts recognized in the consolidated balance sheets:								
Prepaid benefit cost	¥ 176,107	¥106,986	¥ 71,972	¥ 69,916	¥ 7,732	¥ —	¥ 9,947	¥ —
Accrued benefit cost	(42,784)	—	(51,614)	—	(17,295)	(9,312)	(14,897)	(9,610)
Net amount recognized	¥ 133,323	¥106,986	¥ 20,358	¥ 69,916	¥ (9,563)	¥(9,312)	¥ (4,950)	¥(9,610)

The aggregated accumulated benefit obligations of these plans at March 31, 2010 and 2011 were as follows:

	Domestic subsidiaries		Foreign offices and subsidiaries	
	2010	2011	2010	2011
	(in millions)			
Aggregated accumulated benefit obligations	¥1,654,197	¥1,685,442	¥176,662	¥181,239

The projected benefit obligations, accumulated benefit obligations and fair value of plan assets for the plans with accumulated benefit obligations in excess of plan assets at March 31, 2010 and 2011 were as follows:

	Domestic subsidiaries		Foreign offices and subsidiaries	
	2010	2011	2010	2011
	(in millions)			
Projected benefit obligations	¥112,287	¥115,835	¥40,061	¥27,588
Accumulated benefit obligations	107,247	110,342	38,926	26,927
Fair value of plan assets	69,503	69,059	23,855	12,750

BTMU, MUTB, MUMSS, Mitsubishi UFJ NICOS and other subsidiaries paid special lump-sum termination benefits which are not a part of pension plans to certain early-terminated employees. The amounts charged to operations for such early termination benefits for the fiscal years ended March 31, 2009, 2010 and 2011 were ¥11,247 million, ¥13,617 million and ¥17,098 million, respectively.

For the fiscal year ended March 31, 2009, the MUFG Group adopted the measurement date provision of the pension accounting guidance which changed the measurement date for the plan assets and benefit obligations of BTMU and certain domestic subsidiaries to coincide with the MUFG Group's fiscal year-end date. The MUFG Group recorded a decrease in the beginning balance of retained earnings by ¥132 million, net of taxes, and a decrease in the beginning balance of accumulated other changes in equity from nonowner sources by ¥131,574 million, net of taxes, as a result of adopting this provision.

The following table presents the amounts recognized in accumulated other changes in equity from nonowner sources of the MUFG Group at March 31, 2010 and 2011:

	Domestic subsidiaries		Foreign offices and subsidiaries			
	2010	2011	2010		2011	
	Pension benefits and SIP	Pension benefits and SIP	Pension benefits	Other benefits	Pension benefits	Other benefits
	(in millions)					
Net actuarial loss	¥ 336,910	¥ 493,526	¥ 55,454	¥ 6,690	¥ 54,427	¥ 6,709
Prior service cost	(62,083)	(43,264)	229	(304)	172	(181)
Net obligation at transition	—	—	—	363	—	245
Gross pension liability adjustments	274,827	450,262	55,683	6,749	54,599	6,773
Taxes	(110,688)	(180,954)	(21,930)	(2,607)	(21,486)	(2,675)
Net pension liability adjustments	¥ 164,139	¥ 269,308	¥ 33,753	¥ 4,142	¥ 33,113	¥ 4,098

The following table presents the changes in equity from nonowner sources in the fiscal years ended March 31, 2010 and 2011:

	Domestic subsidiaries		Foreign offices and subsidiaries			
	2010	2011	2010		2011	
	Pension benefits and SIP	Pension benefits and SIP	Pension benefits	Other benefits	Pension benefits	Other benefits
	(in millions)					
Net actuarial loss (gain) arising during the year	¥(337,425)	¥175,922	¥(14,070)	¥(2,330)	¥ 7,129	¥1,360
Prior service cost arising during the year	504	8,243	1	—	28	34
Losses (gains) due to amortization:						
Net actuarial loss	(51,980)	(15,600)	(2,682)	(678)	(1,386)	(516)
Prior service cost	9,801	10,576	(39)	67	(51)	61
Net obligation at transition	1	—	—	(123)	—	(115)
Curtailment and settlement	(3,037)	(3,706)	—	—	—	—
Foreign currency translation adjustments	—	—	938	148	(6,804)	(800)
Total changes in Accumulated other changes in equity from nonowner sources	¥(382,136)	¥175,435	¥(15,852)	¥(2,916)	¥(1,084)	¥ 24

The following table presents the expected amounts that will be amortized from accumulated other changes in equity from nonowner sources as components of net periodic benefit cost, before taxes, for the fiscal year ending March 31, 2012:

	Domestic subsidiaries	Foreign offices and subsidiaries	
	Pension benefits and SIP	Pension benefits	Other benefits
	(in millions)		
Net actuarial loss	¥ 28,298	¥3,805	¥520
Prior service cost	(10,465)	29	(55)
Net obligation at transition	—	—	82
Total	¥ 17,833	¥3,834	¥547

Investment policies

MUFG's investment policy for plan assets is based on an asset liability matching strategy which is intended to maintain adequate liquidity for benefit payments and to achieve a stable increase in the plan assets in the medium and long term through proper risk control and return maximization. As a general rule, investment policies for plan assets are reviewed periodically for some plans and in the following situations for all plans: (1) large fluctuations in pension plan liabilities caused by modifications to pension plans, or (2) changes in the market environment. The plan assets allocation strategies are the principal determinant in achieving expected investment returns on the plan assets. Actual asset allocations may fluctuate within acceptable ranges due to market value variability. Plan assets are managed by a combination of internal and external asset management companies and are rebalanced when market fluctuations cause an asset category to fall outside of its strategic asset allocation range. Performance of each plan asset category is compared against established indices and similar plan asset groups to evaluate whether the risk associated with the portfolio is appropriate for the level of return.

The weighted-average target asset allocation of plan assets for the pension benefits and other benefits at March 31, 2011 was as follows:

	Domestic subsidiaries	Foreign offices and subsidiaries	
Asset category	**Pension benefits and SIP**	**Pension benefits**	**Other benefits**
Japanese equity securities	24.8%	0.2%	—%
Japanese debt securities	47.7	0.1	—
Non-Japanese equity securities	16.1	60.0	70.0
Non-Japanese debt securities	7.5	30.7	30.0
Real estate	—	8.2	—
Short-term assets	3.9	0.8	—
Total	100.0%	100.0%	100.0%

Basis and procedure for estimating long-term return of each asset category

MUFG's expected long-term rate of return on plan assets for domestic defined benefit pension plans and SIPs is based on a building-block methodology, which calculates the total long-term rate of return of the plan assets by aggregating the weighted rate of return derived from both long-term historical performance and forward-looking return expectations from each asset category.

MUFG has determined the expected long-term rate of return for each asset category as below:

- Japanese equity securities: the rate for Japanese debt securities plus a premium for the risk associated with Japanese equity securities
- Japanese debt securities: economic growth rate of Japan
- Non-Japanese equity securities: the rate for non-Japanese debt securities plus a premium for the risk associated with non-Japanese equity securities
- Non-Japanese debt securities: global economic growth rate

Foreign offices and subsidiaries periodically reconsider the expected long-term rate of return for their plan assets. They evaluate the investment return volatility of different asset categories and compare the liability structure of their pension and other benefits to those of other companies, while considering their funding policy to maintain a funded status sufficient to meet participants' benefit obligations, and reduce long-term funding requirements and pension costs. Based on this information, foreign offices and subsidiaries update the expected long-term rate of return.

Cash flows

The MUFG Group expects to contribute to the plan assets for the fiscal year ending March 31, 2012 based upon its current funded status and expected asset return assumptions as follows:

For the pension benefits of domestic subsidiaries	¥ 51.8 billion
For the pension benefits of foreign offices and subsidiaries	2.3 billion
For the other benefits of foreign offices and subsidiaries	1.2 billion

Estimated future benefit payments

The following table presents benefit payments expected to be paid, which include the effect of expected future service for the fiscal years indicated:

	Domestic subsidiaries	Foreign offices and subsidiaries	
	Pension benefits and SIP	Pension benefits	Other benefits
		(in millions)	
Fiscal year ending March 31:			
2012	¥ 80,436	¥ 6,505	¥ 1,350
2013	80,245	7,082	1,444
2014	82,658	7,664	1,557
2015	84,609	8,252	1,656
2016	86,396	9,094	1,764
Thereafter (2017-2021)	442,027	59,054	10,308

Fair value measurement of the plan assets

The following is a description of the valuation methodologies used for plan assets measured at fair value as well as the classification of the plan assets pursuant to the valuation hierarchy described in Note 29 "Fair Value."

Government bonds and other debt securities

When quoted market prices are available in an active market, the MUFG Group adopts the quoted market prices to measure the fair value of securities and such securities are classified in Level 1 of the valuation hierarchy. Level 1 securities include Japanese government bonds, most of non-Japanese government bonds and certain corporate bonds. When quoted market prices are available but not traded actively, such securities are classified in Level 2 of the valuation hierarchy. When quoted prices are not available, the MUFG Group generally estimates fair values by using non-binding prices obtained from independent pricing vendors. Such securities are generally classified in Level 2 of the valuation hierarchy. Level 2 securities include certain non-Japanese government bonds, official institutions bonds and corporate bonds. When there is lack of liquidity for securities or significant inputs adopted to the fair value measurements are unobservable, such securities are classified in Level 3 of the valuation hierarchy. Such Level 3 securities mainly consist of non-Japanese corporate bonds.

Marketable equity securities

When quoted market prices are available in an active market, the MUFG Group adopts the quoted market prices to measure the fair value of marketable equity securities and such securities are classified in Level 1 of the valuation hierarchy. When quoted market prices are available but not traded actively, such securities are classified in Level 2 of the valuation hierarchy.

Japanese pooled funds

Japanese pooled funds are investment fund vehicles designed for Japanese pension plan investments under Japanese pension trust fund regulations. Based upon the nature of the funds' investments, Japanese pooled funds are categorized into four major fund types; Japanese marketable equity securities type, Japanese debt securities type, Non-Japanese marketable equity securities type and Non-Japanese debt securities type. The other types of funds invest in short-term financial instruments or loans receivable. Japanese pooled funds are generally readily redeemable at their net asset values. The fair values of Japanese pooled funds are measured at their net asset values and generally classified in Level 2 of the valuation hierarchy. Japanese pooled funds classified in Level 3 of the valuation hierarchy have underlying investments in non-Japanese debt securities and loans receivable whose fair values are measured by using significant unobservable inputs and there is inherent lack of the funds' liquidity.

Other investment funds

Other investment funds include mutual funds, private investments funds, common collective funds, private equity funds and real estate funds. The listed investment funds or mutual funds are valued at quoted market prices and classified in Level 1 or Level 2 of the valuation hierarchy. When there is no available market quotation, the fair values are generally determined at net asset values. The funds for which the fair values are measured at their net asset value are classified either in Level 2 or Level 3 depending on the nature of any restrictions on the investor's ability to redeem its investments at the measurement date or in the near future. Other investment funds classified in Level 3 of the valuation hierarchy mainly consist of certain private investment funds and real estate funds whose fair values are not measured at their net asset values but by using significant unobservable inputs and there is inherent lack of the funds' liquidity.

Japanese general accounts of life insurance companies

These instruments are contracts with life insurance companies that guarantee return of a certain level of fixed income, which are mainly invested in assets with low market risk such as Japanese debt securities. They are measured at conversion value and classified in Level 2 in the valuation hierarchy.

Other investments

Other investments mainly consist of call loans and the rest consist of miscellaneous accounts such as deposits with banks and short term investments. These instruments are generally classified in Level 1 or Level 2 of the valuation hierarchy depending on observability of the inputs to measure their fair values.

The following table presents the fair value of each major category of plan assets as of March 31, 2010 and 2011:

Pension benefits and SIP Investments:

At March 31, 2010	Domestic subsidiaries				Foreign offices and subsidiaries			
Assets category	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
				(in millions)				
Japanese government bonds	¥105,424	¥ —	¥ —	¥ 105,424	¥ —	¥ —	¥ —	¥ —
Non-Japanese government bonds	30,787	2,217	—	33,004	3,793	—	—	3,793
Other debt securities(1)	2,675	51,562	2,813	57,050	—	14,849	—	14,849
Japanese marketable equity securities(2)	700,991	1,372	—	702,363	—	—	—	—
Non-Japanese marketable equity securities	34,265	1,262	—	35,527	13,284	—	—	13,284
Japanese pooled funds:								
Japanese marketable equity securities(2)	—	119,103	—	119,103	—	—	—	—
Japanese debt securities(1)	—	243,673	—	243,673	—	—	—	—
Non-Japanese marketable equity securities	—	146,050	—	146,050	—	—	—	—
Non-Japanese debt securities	—	96,557	6,209	102,766	—	—	—	—
Other	—	11,958	2,501	14,459	—	—	—	—
Total pooled funds	—	617,341	8,710	626,051	—	—	—	—
Other investment funds	—	77,682	26,934	104,616	67,284	77,368	5,085	149,737(4)
Japanese general account of life insurance companies(3)	—	153,644	—	153,644	—	—	—	—
Other investments	1,584	91,559	—	93,143	451	768	563	1,782
Total	¥875,726	¥996,639	¥38,457	¥1,910,822	¥84,812	¥92,985	¥5,648	¥183,445

At March 31, 2011	Domestic subsidiaries				Foreign offices and subsidiaries			
Assets category	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)							
Japanese government bonds	¥ 81,695	¥ —	¥ —	¥ 81,695	¥ —	¥ —	¥ —	¥ —
Non-Japanese government bonds	41,397	2,406	—	43,803	3,304	4,693	—	7,997
Other debt securities(1)	4,294	53,829	6,356	64,479	—	8,794	—	8,794
Japanese marketable equity securities(2)	620,056	86	—	620,142	—	—	—	—
Non-Japanese marketable equity securities	21,755	446	93	22,294	14,350	—	—	14,350
Japanese pooled funds:								
Japanese marketable equity securities(2)	—	87,472	—	87,472	—	—	—	—
Japanese debt securities(1)	—	236,111	—	236,111	—	—	—	—
Non-Japanese marketable equity securities	—	158,832	—	158,832	—	—	—	—
Non-Japanese debt securities	—	72,564	6,313	78,877	—	—	—	—
Other	—	9,058	2,501	11,559	—	—	—	—
Total pooled funds	—	564,037	8,814	572,851	—	—	—	—
Other investment funds	—	102,855	37,694	140,549	84,315	63,551	9,982	157,848(4)
Japanese general account of life insurance companies(3)	—	150,583	—	150,583	—	—	—	—
Other investments	2,053	101,434	—	103,487	72	713	356	1,141
Total	¥771,250	¥975,676	¥52,957	¥1,799,883	¥102,041	¥77,751	¥10,338	¥190,130

Notes:

(1) These debt securities include debt securities issued by the MUFG Group in the amount of ¥1,331 million (0.07% of plan assets) and ¥1,821 million (0.10% of plan assets) to the pension benefits and SIPs at March 31, 2010 and 2011, respectively.

(2) Japanese marketable equity securities include common stocks issued by the MUFG Group in the amount of ¥7,169 million (0.38% of plan assets) and ¥5,522 million (0.31% of plan assets) to the pension benefits and SIPs at March 31, 2010 and 2011, respectively.

(3) "Japanese general accounts of life insurance companies" is a contract with life insurance companies that guarantees a return of approximately 1.18% (from April 1, 2009 to March 31, 2010) and 1.24% (from April 1, 2010 to March 31, 2011).

(4) Other investment funds of the foreign offices and subsidiaries are mainly comprised of ¥62,688 million of mutual funds and ¥31,003 million of common collective funds, and of ¥79,520 million of mutual funds and ¥19,829 million of common collective funds, which were held by UNBC at December 31, 2009 and 2010, respectively.

Other post retirement plan investments:

	Foreign offices and subsidiaries							
	March 31, 2010				March 31, 2011			
Assets category	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)				(in millions)			
Other investment funds(1)	¥7,897	¥6,343	¥—	¥14,240	¥7,980	¥6,063	¥—	¥14,043

Note:

(1) Other investment funds mainly consist of mutual funds and common collective funds.

The following tables present a reconciliation of plan assets measured at fair value using significant unobservable inputs (Level 3) during the fiscal years ended March 31, 2010 and 2011:

Pension benefits and SIP Investments:

	Domestic subsidiaries						
Assets category	March 31, 2009	Realized gains (losses)	Unrealized gains (losses)	Purchase, sales and settlements	Transfer into Level 3	Transfer out of Level 3	March 31, 2010
				(in millions)			
Other debt securities	¥ 5,348	¥ 387	¥ 107	¥(3,270)	¥303	¥(62)	¥ 2,813
Non-Japanese marketable equity securities	7	—	—	(7)	—	—	—
Japanese pooled funds:							
Non-Japanese debt securities	5,081	—	1,128	—	—	—	6,209
Other	2,503	—	(2)	—	—	—	2,501
Total pooled funds	7,584	—	1,126	—	—	—	8,710
Other investment funds	17,848	(100)	2,885	6,301	—	—	26,934
Total	¥30,787	¥ 287	¥ 4,118	¥ 3,024	¥303	¥(62)	¥38,457

	Foreign offices and subsidiaries						
Assets category	March 31, 2009	Realized gains (losses)	Unrealized gains (losses)	Purchase, sales and settlements	Transfer into Level 3	Transfer out of Level 3	March 31, 2010
				(in millions)			
Other investment funds	¥ 7,481	¥ —	¥(2,501)	¥ 105	¥ —	¥ —	¥ 5,085
Other investments	400	—	27	136	—	—	563
Total	¥ 7,881	¥ —	¥(2,474)	¥ 241	¥ —	¥ —	¥ 5,648

	Domestic subsidiaries						
Assets category	March 31, 2010	Realized gains (losses)	Unrealized gains (losses)	Purchase, sales and settlements	Transfer into Level 3	Transfer out of Level 3	March 31, 2011
				(in millions)			
Other debt securities	¥2,813	¥(25)	¥ (117)	¥ 4,222	¥—	¥(537)	¥ 6,356
Non-Japanese marketable equity securities	—	—	(24)	117	—	—	93
Japanese pooled funds:							
Non-Japanese debt securities	6,209	—	104	—	—	—	6,313
Other	2,501	—	—	—	—	—	2,501
Total pooled funds	8,710	—	104	—	—	—	8,814
Other investment funds	26,934	(41)	1,845	8,956	—	—	37,694
Total	¥38,457	¥(66)	¥1,808	¥13,295	¥—	¥(537)	¥52,957

	Foreign offices and subsidiaries						
Assets category	March 31, 2010	Realized gains (losses)	Unrealized gains (losses)	Purchase, sales and settlements	Transfer into Level 3	Transfer out of Level 3	March 31, 2011
				(in millions)			
Other investment funds	¥5,085	¥—	¥129	¥4,366	¥402	¥—	¥ 9,982
Other investments	563	—	(28)	(179)	—	—	356
Total	¥5,648	¥—	¥101	¥4,187	¥402	¥—	¥10,338

Defined Contribution Plans

The MUFG Group maintains several qualified defined contribution plans in its domestic and foreign offices and subsidiaries, all of which are administered in accordance with applicable local laws and regulations. Each office and subsidiary matches eligible employee contributions up to a certain percentage of benefits-eligible compensation per pay period, subject to plan and legal limits. Terms of the plan, including matching percentage and vesting periods, are individually determined by each office and subsidiary.

The cost of these defined contribution plans charged to operations for the fiscal years ended March 31, 2009, 2010 and 2011 were ¥5,242 million, ¥4,735 million and ¥5,525 million, respectively.

14. OTHER ASSETS AND LIABILITIES

Major components of other assets and liabilities at March 31, 2010 and 2011 were as follows:

	2010	2011
	(in millions)	
Other assets:		
Accounts receivable:		
Receivables from brokers, dealers and customers for securities transactions	¥ 725,490	¥ 885,842
Other	768,120	757,942
Investments in equity method investees	585,459	675,829
Non-interest-earning deposits with the Special Fund and the New Fund (Note 4)	378,119	362,695
Prepaid benefit cost (Note 13)	290,825	151,835
Cash collateral paid (Note 8)	634,299	766,617
Other	1,587,026	1,625,652
Total	¥4,969,338	¥5,226,412
Other liabilities:		
Accounts payable:		
Payables to brokers, dealers and customers for securities transactions	¥ 996,985	¥1,361,773
Other	775,149	900,446
Deferred tax liabilities	76,217	121,445
Allowance for off-balance sheet credit instruments	85,651	73,616
Accrued benefit cost (Note 13)	69,391	76,121
Guarantees and indemnifications	52,655	46,965
Cash collateral received (Note 8)	260,233	337,192
Accrued and other liabilities	1,823,611	1,927,343
Total	¥4,139,892	¥4,844,901

Investments in equity method investees include marketable equity securities carried at ¥219,867 million and ¥113,789 million at March 31, 2010 and 2011, respectively. Corresponding aggregated market values were ¥262,519 million and ¥226,409 million, respectively. Investments in equity method investees also include investments in MSMS at ¥183,054 million at March 31, 2011.

The MUFG Group periodically evaluates whether a loss in value of investments in equity method investees is other than temporary. As a result of evaluations, the MUFG Group recognized other than temporary declines in the value of an investment and recorded impairment losses related to certain affiliated companies of ¥60,871 million, ¥104,045 million and ¥19,305 million for the fiscal years ended March 31, 2009, 2010 and 2011, respectively. The impairment losses are included in Equity in losses of equity method investees in the consolidated statements of operations.

15. PREFERRED STOCK

Pursuant to the Articles of Incorporation, MUFG was authorized to issue 120,000,000 shares of Class 3 Preferred Stock, 400,000,000 shares of Class 5 Preferred Stock, 200,000,000 shares of Class 6 Preferred Stock, 200,000,000 shares of Class 7 Preferred Stock and 1,000 share of Class 11 Preferred Stock without par value.

All classes of preferred stock are non-voting and have preference over common stock for the payment of dividends and the distribution of assets in the event of a liquidation or dissolution of MUFG. They are all non-cumulative and non-participating with respect to dividend payments. Shareholders of Class 5 and Class 11 Preferred Stock have the right to receive a liquidation distribution at ¥2,500 and ¥1,000 per share, respectively, and do not have the right to participate in any further liquidation distributions.

The number of shares of preferred stock issued and outstanding at March 31, 2009, 2010 and 2011 was as follows:

	Outstanding at March 31, 2009	Net change	Outstanding at March 31, 2010	Net change	Outstanding at March 31, 2011
			(number of shares)		
Preferred stock:					
Class 3	100,000,000	—	100,000,000	(100,000,000)	—
Class 5	156,000,000	—	156,000,000	—	156,000,000
Class 11	1,000	—	1,000	—	1,000
Total	256,001,000	—	256,001,000	(100,000,000)	156,001,000

None of the Class 6 and 7 Preferred Stock has been issued.

The aggregate liquidation preference of preferred stock issued and outstanding at March 31, 2009, 2010 and 2011 was as follows:

	Aggregate amount at March 31, 2009	Net change	Aggregate amount at March 31, 2010	Net change	Aggregate amount at March 31, 2011
			(in millions)		
Preferred stock:					
Class 3	¥250,000	¥—	¥250,000	¥(250,000)	¥ —
Class 5	390,000	—	390,000	—	390,000
Class 11	1	—	1	—	1
Total	¥640,001	¥—	¥640,001	¥(250,000)	¥390,001

Preferred stock included in Capital stock on the consolidated balance sheets at March 31, 2009, 2010 and 2011 was ¥442,100 million, which consisted of ¥122,100 million of Class 1, ¥125,000 million of Class 3 and ¥195,000 million of Class 5 Preferred Stock.

The portion of proceeds from the sale of shares that is designated as capital stock is determined by resolution of the Board of Directors of MUFG, however, at least 50% of the issue price of newly issued shares is required to be designated as capital stock at the time of incorporation or share issuance under the Company Law. Proceeds in excess of amounts designated as capital stock are designated as capital surplus. However, these provisions are not applied in a company reorganization, such as a merger, company split and share exchange. Preferred Stock Classes 8 through 12 were issued in exchange for UFJ Holdings' preferred stock and recorded in Capital surplus.

On April 2, 2001, MUFG issued 81,400 shares of Class 1 Preferred Stock at an aggregate issue price of ¥244,200 million. ¥122,100 million was included in Preferred stock and the remaining amount was included in Capital surplus, net of stock issue expenses. MUFG redeemed 40,700 shares during the fiscal year ended March 31, 2005 and the remaining 40,700 shares during the fiscal year ended March 31, 2006. At each redemption, Capital surplus decreased by ¥122,100 million, totaling ¥244,200 million, as provided in the Commercial Code of Japan ("Code") and the Articles of Incorporation of MUFG.

On February 17, 2005, MUFG issued 100,000 shares of Class 3 Preferred Stock at ¥2.5 million per share, the aggregate amount of the issue price being ¥250.0 billion.

On October 3, 2005, MUFG issued 200,000 shares of Class 8 Preferred Stock, 150,000 shares of Class 9 Preferred Stock, 150,000 shares of Class 10 Preferred Stock, 1 share of Class 11 Preferred Stock and 200,000 shares of Class 12 Preferred Stock in exchange for Class II, IV, V, VI and VII Preferred Stock of UFJ Holdings at an exchange ratio of 1 share of MUFG's Class 8, 9, 10, 11 and 12 Preferred Stock for each share of UFJ Holdings' Class II, IV, V, VI and VII Preferred Stock, respectively.

On October 4, 2005, 69,300 shares of Class 8 Preferred Stock and 57,850 shares of Class 9 Preferred Stock were converted into 122,763.51 and 127,096.45 shares of common stock, respectively, for the repayment of public funds.

On December 6, 2005, 51,900 shares of Class 8 Preferred Stock and 24,700 shares of Class 12 Preferred Stock were converted into 91,939.77 and 31,030.15 shares of common stock, respectively, for the repayment of public funds.

On February 28, 2006, 51,800 shares of Class 8 Preferred Stock and 12,450 shares of Class 9 Preferred Stock were converted into 91,762.63 and 22,733.70 shares of common stock, respectively, for the repayment of public funds.

On April 27, 2006, 45,400 shares of Class 12 Preferred Stock were converted into 57,035.18 shares of common stock.

On May 23, 2006, 9,300 shares of Class 8 Preferred Stock and 89,357 shares of Class 10 Preferred Stock originally issued by UFJ Holdings and held by the RCC were exchanged for 179,639 shares of common stock. The aggregate face amounts of the preferred stock exchanged were ¥27,900 million and ¥178,714 million, respectively. Subsequent to the exchanges, MUFG purchased 179,639 shares of common stock and an additional 7,923 shares of common stock as treasury stock for an aggregate amount of ¥286,970 million.

On June 8, 2006, 79,700 shares of Class 9 Preferred Stock, 60,643 shares of Class 10 Preferred Stock and 16,700 shares of Class 12 Preferred Stock were exchanged for 277,245 shares of common stock. The aggregate face amounts of the preferred stock exchanged were ¥159,400 million, ¥121,286 million and ¥16,700 million, respectively. Subsequent to the exchanges, these shares of common stock were sold in the open market. As a result, MUFG completed the repayment of all public funds received by the MUFG Group in accordance with the Law Concerning Emergency Measures for the Early Strengthening of Financial Functions.

On June 29, 2006, 9,300 shares of Class 8 Preferred Stock, 79,700 shares of Class 9 Preferred Stock, 150,000 shares of Class 10 Preferred Stock and 16,700 shares of Class 12 Preferred Stock, which had been recorded as treasury stock, were retired.

On February 14, 2007, 22,800 shares of Class 12 Preferred Stock were exchanged for 28,643 shares of common stock.

On February 19, 2007, 45,400 shares of Class 12 Preferred Stock were exchanged for 57,035 shares of common stock.

On March 13, 2007, 11,300 shares of Class 12 Preferred Stock were exchanged for 14,195 shares of common stock.

On March 29, 2007, 79,500 shares of Class 12 Preferred Stock, which had been recorded as treasury stock, were retired.

On September 30, 2007, a share of all classes of Preferred Stock was divided into 1,000 shares.

On August 1, 2008, 17,700,000 shares of Class 8 Preferred Stock were exchanged for 43,895,180 shares of common stock.

On September 25, 2008, 17,700,000 shares of Class 8 Preferred Stock, which had been recorded as treasury stock, were retired.

On September 30, 2008, 22,400,000 shares of Class 12 Preferred Stock were exchanged for 28,140,710 shares of common stock.

On October 31, 2008, 22,400,000 shares of Class 12 Preferred Stock, which had been recorded as treasury stock, were retired.

On November 17, 2008, MUFG issued 156,000,000 shares of Class 5 Preferred Stock at ¥ 2,500 per share, the aggregate amount of the issue price being ¥390.0 billion.

Through the period from February 3, 2009 to February 16, 2009, 11,300,000 shares of Class 12 Preferred Stock were exchanged for 14,681,040 shares of common stock.

On February 27, 2009, 11,300,000 shares of Class 12 Preferred Stock, which had been recorded as treasury stock, were retired.

On April 1, 2010, MUFG acquired 100,000,000 shares of Class 3 Preferred Stock. On the same day, these 100,000,000 shares of Class 3 Preferred Stock were retired.

Preferred Stock Outstanding as of March 31, 2011

Class 5 Preferred Stock

Class 5 Preferred Stock is redeemable at the option of MUFG. At the time of issuance, the Board of Directors determines an issue price, an annual dividend (not to exceed ¥250 per share), and redemption terms, including a redemption price.

Class 5 Preferred Stock was issued by means of a third-party allocation to Nippon Life Insurance Company, Meiji Yasuda Life Insurance Company, TAIYO LIFE INSURANCE COMPANY, DAIDO LIFE INSURANCE COMPANY, Tokio Marine & Nichido Fire Insurance Co., Ltd., NIPPONKOA Insurance Company, Limited and Aioi Insurance Company, Limited. The preferred stock does not have voting rights at any general meetings of shareholders, unless otherwise provided by applicable laws and regulations. Preferred dividends are set to be ¥115 per share annually, except as of March 31, 2009. Preferred dividends were ¥43 per share as of March 31, 2009.

Class 11 Preferred Stock

Class 11 preferred stockholders are entitled to receive annual non-cumulative dividends of ¥5.30 per share with priority over common stockholders.

Class 11 Preferred Stock is convertible into fully paid shares of MUFG common stock at the election of holders from establishment of MUFG to July 31, 2014, except during certain excluded periods, at an initial conversion price of ¥918.70 per share of common stock, subject to anti-dilution adjustments. The conversion price was subject to reset annually on July 15 from 2006 to 2013 to the average market price of the common stock for the 30 trading day period, if the average market price was less than the conversion price prior to the reset but not less than ¥918.70 per share. The acquisition price and the acquisition floor price of Class 11 Preferred Stock were adjusted as ¥889.60 per share on December 15, 2008, ¥888.40 per share on January 14, 2009, ¥867.60 per share on December 21, 2009, and ¥865.90 per share on December 25, 2009, in accordance with the provisions relating to the adjustment of the acquisition price set forth in the terms and conditions of Class 11 Preferred Stock.

All Class 11 Preferred Stock outstanding on August 1, 2014 will be mandatorily converted into shares of common stock at a conversion ratio of ¥1,000 divided by the higher of the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to August 1, 2014 or ¥802.60.

Beneficial Conversion Feature

Convertible preferred stock contains a beneficial conversion feature if the effective conversion price (either initially or after being reset) for a share of common stock upon conversion is less than the market price of a share of common stock when the preferred stock was issued.

Beneficial conversion feature discounts are measured as the excess of the market price of a share of common stock when the preferred stock is issued over the initial or reset preferred stock conversion price per share of common stock. Beneficial conversion feature discounts are charged to Capital surplus when recognized and amortized to retained earnings as non-cash preferred dividends using the effective yield method. Initial beneficial conversion feature discounts are amortized over the period from the issuance date of the preferred stock to the mandatory conversion date. Contingent beneficial conversion feature discounts are recognized when the reset conversion price is determinable and amortized over the period from the conversion price reset date to the mandatory conversion date. Any remaining unamortized beneficial conversion feature discount when preferred stock is converted at the option of the holder before the mandatory conversion date is immediately charged to retained earnings as a non-cash preferred dividend.

The changes in the unamortized discount arising from beneficial conversion features of the preferred stock during the fiscal year ended March 31, 2009 were as follows:

	Class 8	Class 11	Class 12	Total
		(in millions)		
Fiscal year ended March 31, 2009:				
Balance at March 31, 2008	¥ 1,160	¥ 1	¥ 7,658	¥ 8,819
Addition on conversion price/ratio reset	—	—	659	659
Amortization to retained earnings	(1,160)	(1)	(3,618)	(4,779)
Charged to retained earnings on conversion of preferred stock	—	—	(4,699)	(4,699)
Balance at March 31, 2009	¥ —	¥—	¥ —	¥ —

The above balances at March 31, 2008 were fully amortized to retained earnings or charged to retained earnings on conversion of preferred stock by March 31, 2009.

16. COMMON STOCK AND CAPITAL SURPLUS

The changes in the number of issued shares of common stock during the fiscal years ended March 31, 2009, 2010 and 2011 were as follows:

	2009	2010	2011
		(shares)	
Balance at beginning of fiscal year	10,861,643,790	11,648,360,720	14,148,414,920
Issuance of new shares of common stock by conversion of Class 8 Preferred Stock	43,895,180	—	—
Issuance of new shares of common stock by conversion of Class 12 Preferred Stock	42,821,750	—	—
Issuance of new shares of common stock by way of Offering (Public Offering)	634,800,000	2,337,000,000	—
Issuance of new shares of common stock by way of Third-Party Allotment	65,200,000	163,000,000	—
Issuance of new shares of common stock by way of exercise of the stock acquisition rights	—	54,200	2,479,700
Balance at end of fiscal year	11,648,360,720	14,148,414,920	14,150,894,620

Under the Company Law, issuances of common stock, including conversions of bonds and notes, are required to be credited to the common stock account for at least 50% of the proceeds and to the legal capital surplus account ("legal capital surplus") for the remaining amounts.

The Company Law permits Japanese companies, upon approval by the Board of Directors, to issue shares in the form of a "stock split," as defined in the Company Law. Also, prior to April 1, 1991, Japanese companies were permitted to issue free share distributions. BTMU and MUTB from time to time made free share distributions. These free distributions usually ranged from 5% to 10% of outstanding common stock and publicly-owned corporations in the United States issuing shares in similar transactions would be required to account for them as stock dividends as of the shareholders' record date by reducing retained earnings and increasing the appropriate capital accounts by an amount equal to the fair value of the shares issued. The application of such United States accounting practice to the cumulative free distributions made by BTMU and MUTB at March 31, 2011, would have increased capital accounts by ¥1,910,106 million with a corresponding decrease in unappropriated retained earnings (accumulated deficit).

The Company Law permits that common stock, legal reserve, additional paid-in capital, and other capital surplus and retained earnings can be transferred among these accounts under certain conditions upon the approval of a shareholders' meeting. The Company Law limits the increase of paid in capital in case disposition of treasury stock and issuance of common stock are performed at the same time.

Common Stock Issued during the fiscal year ended March 31, 2009

On December 15, 2008, MUFG issued 634,800,000 shares of common stock by way of offering and sold 300,000,000 shares of common stock through a secondary offering of shares by way of sale of Treasury stock. Both types of stock were offered at ¥399.80 per share (issue price and selling price at ¥417.00 per share) for ¥253,793 million and ¥119,940 million, respectively. As a result, ¥29,811 million was included in Capital stock, and the same amount was also included in Capital surplus.

On December 16, 2008, MUFG sold 65,200,000 shares of common stock through a secondary offering of shares by way of over-allotment, in which an underwriter borrows securities from certain shareholder(s) of MUFG to sell the shares, at a selling price of ¥417.00 per shares for ¥27,188 million. In connection with the secondary offering by way of over-allotment, on January 14, 2009, MUFG issued 65,200,000 new shares of common stock by way of third-party allotment at ¥399.80 per share for ¥26,067 million. As a result, ¥13,033 million was included in Capital stock, and the same amount was also included in Capital surplus.

As for Capital surplus, the fee retained by MUFG's subsidiary as underwriting compensation, net of stock issue expense, was included in the total Capital surplus balance in addition to the balance mentioned above.

Common Stock Issued during the fiscal year ended March 31, 2010

On December 21, 2009, MUFG issued 2,337,000,000 shares of common stock by way of offering. This type of stock was offered at ¥412.53 per share (issue price and selling price at ¥428.00 per share) for ¥964,082 million. As a result, ¥482,041 million was included in Capital stock, and the same amount was also included in Capital surplus.

On December 22, 2009, MUFG sold 163,000,000 shares of common stock through a secondary offering of shares by way of over-allotment, in which an underwriter borrows securities from certain shareholder(s) of MUFG to sell the shares, at a selling price of ¥428.00 per shares for ¥69,764 million. In connection with the secondary offering by way of over-allotment, on December 25, 2009, MUFG issued 163,000,000 new shares of common stock by way of third-party allotment at ¥412.53 per share for ¥67,242 million. As a result, ¥33,621 million was included in Capital stock, and the same amount was also included in Capital surplus.

As for Capital surplus, the fee retained by MUFG's subsidiary as underwriting compensation, net of stock issue expense, was included in the total Capital surplus balance in addition to the balance mentioned above.

Treasury Stock

The Company Law permits Japanese companies to effect purchases of their own shares pursuant to a resolution by the shareholders at an annual general meeting until the conclusion of the following ordinary general meeting of shareholders, and to hold such shares as their treasury stock indefinitely regardless of purpose. However, the Company Law requires the amount of treasury stock purchased should be within the amount of retained earnings available for dividends. Disposition of treasury stock is subject to the approval of the Board of Directors and is to follow the procedures similar to a public offering of shares for subscription.

Parent Company Shares Held by Subsidiaries and Affiliated Companies

At March 31, 2011, certain subsidiaries and affiliated companies owned shares of common stock of MUFG. Such shares are included in treasury stock in the consolidated balance sheets and deducted from the MUFG's shareholders' equity.

17. RETAINED EARNINGS, LEGAL RESERVE AND DIVIDENDS

In addition to the Company Law, Japanese banks, including BTMU and MUTB, are required to comply with the Banking Law of Japan (the "Banking Law").

Legal Reserve Set Aside as Appropriation of Retained Earnings and Legal Capital Surplus

Under the Company Law

The Company Law provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated and set aside as a legal reserve until the aggregate amount of legal reserve set aside as an appropriation of retained earnings and the legal capital surplus equals 25% of stated capital as defined in the Company Law.

Under the Banking Law

The Banking Law provides that an amount at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period shall be appropriated and set aside as a legal reserve until the aggregate amount of legal reserve set aside as appropriation of retained earnings and the legal capital surplus equals 100% of stated capital as defined in the Company Law.

Transfer of Legal Reserve

Under the Company Law

Under the Company Law, Japanese companies, including MUFG, were permitted, pursuant to a resolution by the shareholders at a general meeting, to make legal reserve set aside as appropriation of retained earnings and legal capital surplus available for dividends until the aggregate amount of the legal reserve and legal capital surplus equals 25% of stated capital as defined in the Company Law.

Under the Company Law, Japanese companies, including MUFG, BTMU and MUTB, are permitted, primarily pursuant to a resolution by the shareholders at a general meeting, to transfer legal capital surplus and legal reserve to stated capital and/or retained earnings without limitations of thresholds, thereby effectively removing the thresholds provided for in the Company Law and Banking Law at the company's discretion.

Under the Banking Law

Under the Banking Law, Japanese banks, including BTMU and MUTB, were permitted, pursuant to a resolution by the shareholders at a general meeting, to make legal reserve set aside as an appropriation of retained earnings and legal capital surplus available for dividends until the aggregate amount of the legal reserve and legal capital surplus equals 100% of stated capital as defined in the Company Law.

Unappropriated Retained Earnings (Accumulated Deficit) and Dividends

In addition to the provision that requires an appropriation for legal reserve as described above, the Company Law and the Banking Law impose certain limitations on the amount available for dividends.

Under the Company Law, the amount available for dividends is based on the amount recorded in MUFG's general books of account maintained in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"). The adjustments included in the accompanying consolidated financial statements but not recorded in MUFG's general books of account, as explained in Note 1, have no effect on the determination of retained earnings available for dividends under the Company Law. Under the Banking Law, MUFG, BTMU and MUTB have to meet the minimum capital adequacy requirements and distributions of retained earnings of MUFG, BTMU and MUTB, which are otherwise distributable to shareholders, are restricted in order to maintain the minimum 4.0% Tier I capital for capital adequacy purpose.

MUFG was established on April 2, 2001 with common stock of ¥924,400 million, preferred stock of ¥222,100 million, legal capital surplus of ¥2,838,693 million and no retained earnings in accordance with the Code and Japanese GAAP.

On October 1, 2005, MUFG started with common stock and preferred stock of ¥1,383,052 million, legal capital surplus of ¥3,577,570 million and retained earnings of ¥757,458 million in accordance with the Code and Japanese GAAP.

MUFG's amount available for dividends, at March 31, 2011, was ¥4,326,307 million, which is based on the amount recorded in MUFG's general books of account under Japanese GAAP.

Annual dividends, including those for preferred stock, are approved by the shareholders at an annual general meeting held subsequent to the fiscal year to which the dividends are applicable. In addition, a semi-annual interim dividend payment may be made by resolution of the Board of Directors, subject to limitations imposed by the Company Law and the Banking Law.

In the accompanying consolidated statements of equity, dividends and appropriations to legal reserve shown for each fiscal year represent dividends approved and paid during the fiscal year and the related appropriation to legal reserve.

18. NONCONTROLLING INTERESTS

Deconsolidation of Subsidiaries

The amounts of gains (losses) recognized due to deconsolidation of subsidiaries for the fiscal years ended March 31, 2009, 2010 and 2011 were ¥(320) million, ¥32,420 million and ¥(10,323) million, respectively, and gains related to the remeasurement of retained investments for the fiscal years ended March 31, 2010 and 2011 were ¥18,782 million and nil, respectively. These gains and losses were recognized under "Other non-interest income" and "Other non-interest expenses," respectively in the consolidated statements of operations.

On October 1, 2009, Senshu Bank Ltd., a former consolidated subsidiary of the MUFG Group, and The Bank of Ikeda Ltd. ("Bank of Ikeda") incorporated Senshu Ikeda Holdings, Inc. through a share exchange transaction based on the business integration agreement entered into by BTMU, Senshu Bank and Bank of Ikeda on May 25, 2009. As a result of the business integration, the MUFG Group acquired shares of Senshu Ikeda Holdings, Inc. in exchange for the MUFG Group's shares of Senshu Bank and ceased to have controlling financial interests in Senshu Bank. Senshu Bank was deconsolidated, and Senshu Ikeda Holdings, Inc. became an equity method investee of MUFG from October 1, 2009. MUFG recorded the retained investment at fair value, as measured by the quoted market price of Senshu Ikeda Holdings, Inc. and recognized a gain of ¥29,004 million in the consolidated statement of operations.

Changes in MUFG's Ownership Interests in Subsidiaries

Transactions between Mitsubishi UFJ Financial Group and the noncontrolling interest holders for the fiscal years ended March 31, 2010 and 2011 were as follow:

	2010	2011
	(in millions)	
Net income attributable to Mitsubishi UFJ Financial Group	¥859,819	¥461,796
Transactions between Mitsubishi UFJ Financial Group and the noncontrolling interest holders:		
Conversion of preferred stock to common stock issued by a subsidiary	(641)	—
Change in ownership interest of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the securities joint venture (Note 2)	—	20,550
Other	221	3,859
Net transfers from (to) noncontrolling interest holders	(420)	24,409
Change from net income attributable to Mitsubishi UFJ Financial Group and transactions between Mitsubishi UFJ Financial Group and the noncontrolling interest holders	¥859,399	¥486,205

19. REGULATORY CAPITAL REQUIREMENTS

Japan

MUFG, BTMU, MUTB and MUSHD are subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which they operate. Failure to meet minimum capital requirements will initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on MUFG's consolidated financial statements.

In Japan, MUFG, BTMU, and MUTB are subject to regulatory capital requirements promulgated by the Financial Services Agency of Japan ("FSA") in accordance with the provisions of the Banking Law and related regulations. A banking institution is subject to the minimum capital requirements both on a consolidated basis and a stand-alone basis, and is required to maintain the minimum capital irrespective of whether it operates independently or as a subsidiary under the control of another company. When a bank holding company manages operations of its banking subsidiaries, it is required to maintain the minimum capital adequacy ratio on a consolidated basis in the same manner as its subsidiary banks. The FSA provides two sets of capital adequacy guidelines. One is a set of guidelines applicable to Japanese banks and bank holding companies with foreign offices conducting international operations, as defined, and the other is applicable to Japanese banks and bank holding companies that are not engaged in international operations conducted by foreign offices.

Under the capital adequacy guidelines applicable to a Japanese banking institution with international operations conducted by foreign offices, a minimum capital ratio of 8.0% is required.

The Basel Committee on Banking Supervision of the Bank for International Settlements ("BIS") sets capital adequacy standards for all internationally active banks to ensure minimum level of capitals.

The Basel Committee worked over recent years to revise the 1988 Accord, and in June 2004, "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" called Basel II was released. MUFG calculated capital ratios as of March 31, 2010 and 2011 in accordance with Basel II.

Basel II is based on "three pillars": (1) minimum capital requirements, (2) the self-regulation of financial institutions based on supervisory review process, and (3) market discipline through the disclosure of information. The framework of the 1988 Accord, Basel I, is improved and expanded to be included in "minimum capital requirements" as the first pillar of Basel II.

As for the denominator of the capital ratio, retaining the Basel I Framework, Basel II provides more risk-sensitive approaches and a range of options for determining the risk-weighted assets.

"Credit Risk"

The revised Framework provides options for determining the risk-weighted assets for credit risk to allow banks to select approaches that are most appropriate for their level of risk assessment while the Basel I Framework provided a sole measurement approach. Banks choose one of three approaches: "Standardized Approach", "Foundation Internal Ratings-Based Approach ("FIRB")" or "Advanced Internal Ratings-Based Approach ("AIRB")."

"Market Risk"

In the "Amendment to the Capital Accord to incorporate market risks" of the year 1996, a choice between two methodologies "the Standardized Methodology" and "Internal Models Approach" is permitted. "Combination of Internal Models Approach and the Standardized Methodology" is also allowed under certain conditions. This is unchanged in Basel II.

"Operational Risk"

Operational risk, which is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, is newly added in Basel II. Basel II presents three methods for calculating operational risk capital charges: (i) the Basic Indicator Approach; (ii) the Standardized Approach; or (iii) Advanced Measurement Approaches ("AMA"). Banks adopt one of the three approaches to determine the risk-weighted assets for operational risk.

Banks need to obtain approval from their supervisors prior to adopting the following approaches to calculate capital requirements for each risk:

- the Internal Ratings-Based ("IRB") Approach for credit risk
- the Internal Models Approach for market risk
- the Standardized Approach and AMA for operational risk

On the other hand, as for the numerator of the capital ratio, Basel II takes over in principle the eligible regulatory capital stipulated in Basel I.

Capital is classified into three tiers, referred to as Tier I, Tier II and Tier III capital and deductions from capital.

Tier I capital generally consists of equity items, including common stock, preferred stock, capital surplus, noncontrolling interests and retained earnings, less any recorded goodwill and other items such as treasury stock. Tier II capital generally consists of general reserves for credit losses up to 1.25% of risk-weighted assets, 45% of the unrealized gains on investment securities available for sale, 45% of the land revaluation excess, the balance of perpetual subordinated debt and the balance of subordinated term debt with an original maturity of over five years subject to some limitations, up to 50% of Tier I capital. Preferred stock is includable in Tier I capital unless the preferred stock has a fixed maturity, in which case, such preferred stock will be a component of Tier II capital. Tier III capital generally consists of short-term subordinated debt with an original maturity of at least two years, subject to certain limitations. At least 50% of a bank's capital base must be maintained in the form of Tier I capital.

Deductions include a banks' holdings of capital issued by other banks, or deposit-taking institutions and investments in subsidiaries engaged in banking and financial activities which are not consolidated in accordance with Japanese GAAP.

Due to a change in credit risk measurement by adopting Basel II, general provisions for credit losses can be included in Tier II capital according to the proportion of credit risk-weighted assets subject to the Standardized Approach only. Under the IRB approach, the capital is adjusted by the amount of the difference between total eligible provisions and total expected losses calculated within the IRB approach. Under certain conditions, banks are also required to deduct from regulatory capital securitization exposure, any increase in equity capital resulting from a securitization transaction and expected losses on equity exposures under the Probability of Default/Loss Given Default approach.

If a banking institution is not engaged in international operations conducted by foreign offices, it is subject to another set of capital adequacy requirements with a minimum capital ratio of 4.0%. Such guidelines incorporate measures of risk under the risk-weighted approach similar to the guidelines applicable to banking institutions with international operations. Qualifying capital is classified into Tier I and Tier II capital.

The Banking Law and related regulations require that one of three categories be assigned to banks and bank holding companies, based on its risk-adjusted capital adequacy ratio if the bank fails to meet the minimum target capital adequacy ratio. These categories indicate capital deterioration, which may be subject to certain prompt corrective action by the FSA.

MUFG, BTMU and MUTB have international operations conducted by foreign offices, as defined, and are subject to the 8.0% capital adequacy requirement.

The MUFG Group's proprietary assets do not include trust assets under management and administration in a capacity of agent or fiduciary and, accordingly trust account assets are generally not included in the capital measure. However, guarantees for trust principal are counted as off-balance sheet items requiring a capital charge in accordance with the capital adequacy guidelines.

In Basel II, MUFG and most of its major subsidiaries adopt AIRB to calculate capital requirements for credit risk. MUFG and most of its major subsidiaries adopt the Standardized Approach to calculate capital requirements for operational risk. As for market risk, MUFG and most of its major subsidiaries adopt the Internal Models Approach mainly to calculate general market risk and adopt the Standardized Methodology to calculate specific risk.

The risk-adjusted capital amounts and ratios of MUFG, BTMU and MUTB presented in the following table are based on amounts calculated in accordance with Japanese GAAP as required by the FSA:

	Actual		For capital adequacy purposes	
	Amount	Ratio	Amount	Ratio
	(in millions, except percentages)			
Consolidated:				
At March 31, 2010:				
Total capital (to risk-weighted assets):				
MUFG	¥13,991,766	14.87%	¥7,526,507	8.00%
BTMU	11,965,085	15.54	6,158,125	8.00
MUTB	1,737,210	16.02	867,354	8.00
Tier I capital (to risk-weighted assets):				
MUFG	10,009,643	10.63	3,763,253	4.00
BTMU	8,349,500	10.84	3,079,062	4.00
MUTB	1,352,012	12.47	433,677	4.00
At March 31, 2011:				
Total capital (to risk-weighted assets):				
MUFG	¥13,080,826	14.89%	¥7,024,396	8.00%
BTMU	11,469,704	15.82	5,798,844	8.00
MUTB	1,704,267	15.93	855,483	8.00
Tier I capital (to risk-weighted assets):				
MUFG	9,953,332	11.33	3,512,198	4.00
BTMU	8,284,108	11.42	2,899,422	4.00
MUTB	1,392,725	13.02	427,742	4.00
Stand-alone:				
At March 31, 2010:				
Total capital (to risk-weighted assets):				
BTMU	¥11,667,072	16.34%	¥5,711,394	8.00%
MUTB	1,738,081	16.10	863,354	8.00
Tier I capital (to risk-weighted assets):				
BTMU	8,276,159	11.59	2,855,697	4.00
MUTB	1,305,511	12.09	431,677	4.00
At March 31, 2011:				
Total capital (to risk-weighted assets):				
BTMU	¥11,238,512	16.61%	¥5,410,825	8.00%
MUTB	1,706,845	16.01	852,749	8.00
Tier I capital (to risk-weighted assets):				
BTMU	8,179,095	12.09	2,705,413	4.00
MUTB	1,347,399	12.64	426,374	4.00

MUMSS and other securities subsidiaries in Japan and overseas are also subject to regulatory capital requirements of the countries or jurisdictions in which they operate. In Japan, the Financial Instruments and Exchange Law and related ordinance require financial instruments firms to maintain a minimum capital ratio of 120% calculated as a percentage of capital accounts less certain fixed assets, as determined in accordance with Japanese GAAP, against amounts equivalent to market, counterparty credit and operations risks. Specific guidelines are issued as a ministerial ordinance which details the definition of essential components of the capital ratios, including capital, deductible fixed asset items and risks, and related measures. Failure to maintain a minimum capital ratio will trigger mandatory regulatory actions. A capital ratio of less than 140% will call for regulatory reporting and a capital ratio of less than 100% may lead to a suspension of all or part of the business for a period of time and cancellation of a registration.

At March 31, 2010 and 2011, MUMSS's capital accounts less certain fixed assets of ¥505,693 million and ¥250,421 million, were 348.0%[(1)] and 219.4% of the total amounts equivalent to market, counterparty credit and operations risks, respectively.

Management believes, as of March 31, 2011, that MUFG, BTMU, MUTB and other regulated securities subsidiaries met all capital adequacy requirements to which they are subject.

Note:

(1) Subsequent to the issuance of the MUFG Group's consolidated financial statements for the fiscal year ended March 31, 2010, management determined that MUMSS's capital ratio calculated as a percentage of capital accounts less certain fixed assets against amounts equivalent to market, counterparty credit and operations risks at March 31, 2010 was erroneously disclosed. Such percentage has been restated from 342.9% to 348.0%.

United States of America

In the United States of America, UNBC and its banking subsidiary Union Bank, BTMU's largest subsidiaries operating outside Japan, are subject to various regulatory capital requirements administered by U.S. Federal banking agencies, including minimum capital requirements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, UNBC and Union Bank must meet specific capital guidelines that involve quantitative measures of UNBC's and Union Bank's assets, liabilities, and certain off-balance sheet items as calculated under U.S. regulatory accounting practices. UNBC's and Union Bank's capital amounts and Union Bank's prompt corrective action classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require UNBC and Union Bank to maintain minimum ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to quarterly average assets (as defined).

The figures on the tables below are calculated according to Basel I as UNBC and Union Bank do not meet the criteria in the new U.S. rules which would make adoption of the new Basel II rules mandatory. UNBC's and the Union Bank's actual capital amounts and ratios are presented as follows:

	Actual		For capital adequacy purposes	
	Amount	Ratio	Amount	Ratio
	(in millions, except percentages)			
UNBC:				
At December 31, 2009:				
Total capital (to risk-weighted assets)	$9,203	14.54%	$5,064	8.00%
Tier I capital (to risk-weighted assets)	7,485	11.82	2,532	4.00
Tier I capital (to quarterly average assets)(1)	7,485	9.45	3,169	4.00
At December 31, 2010:				
Total capital (to risk-weighted assets)	$9,685	15.01%	$5,161	8.00%
Tier I capital (to risk-weighted assets)	8,029	12.44	2,581	4.00
Tier I capital (to quarterly average assets)(1)	8,029	10.34	3,106	4.00

Note:
(1) Excludes certain intangible assets.

	Actual		For capital adequacy purposes		Ratios OCC requires to be "well capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in millions, except percentages)					
Union Bank:						
At December 31, 2009:						
Total capital (to risk-weighted assets)	$8,686	13.73%	$5,062	8.00%	$6,327	10.00%
Tier I capital (to risk-weighted assets)	7,207	11.39	2,531	4.00	3,796	6.00
Tier I capital (to quarterly average assets)(1)	7,207	9.05	3,184	4.00	3,980	5.00
At December 31, 2010:						
Total capital (to risk-weighted assets)	$8,866	13.85%	$5,119	8.00%	$6,399	10.00%
Tier I capital (to risk-weighted assets)	7,377	11.53	2,560	4.00	3,840	6.00
Tier I capital (to quarterly average assets)(1)	7,377	9.55	3,089	4.00	3,861	5.00

Note:
(1) Excludes certain intangible assets.

Management believes, as of December 31, 2010, that UNBC and Union Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2009 and 2010, the most recent notification from the U.S. Office of the Comptroller of the Currency ("OCC") categorized Union Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," Union Bank must maintain a minimum total risk-based capital ratio of 10%, a Tier I risk-based capital ratio of 6%, and a Tier I leverage ratio of 5% as set forth in the table. There are no conditions or events since that notification that management believes have changed Union Bank's category.

20. EARNINGS (LOSS) PER COMMON SHARE APPLICABLE TO COMMON SHAREHOLDERS OF MUFG

Reconciliations of net income (loss) and weighted average number of common shares outstanding used for the computation of basic EPS to the adjusted amounts for the computation of diluted EPS for the fiscal years ended March 31, 2009, 2010 and 2011 are as follows:

	2009	2010	2011
		(in millions)	
Income (loss) (Numerator):			
Net income (loss) attributable to Mitsubishi UFJ Financial Group	¥(1,468,040)	¥ 859,819	¥ 461,796
Income allocable to preferred shareholders:			
Cash dividends paid	(6,399)	(21,678)	(20,940)
Beneficial conversion feature	(9,478)	—	—
Effect of induced conversion of Mitsubishi UFJ NICOS Co., Ltd. Class 1 stock (Note 2)	(7,676)	—	—
Net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	(1,491,593)	838,141	440,856
Effect of dilutive instruments:			
Convertible preferred stock—Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd.	—	(1,123)	(1,232)
Stock options—kabu.com Securities	—	(1)	0
Net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group and assumed conversions	¥(1,491,593)	¥ 837,017	¥ 439,624

	2009	2010	2011
		(thousands of shares)	
Shares (Denominator):			
Weighted average common shares outstanding	10,821,091	12,324,315	14,131,567
Effect of dilutive instruments:			
Convertible preferred stock	—	1	1
Stock options	—	8,365	13,169
Weighted average common shares for diluted computation	10,821,091	12,332,681	14,144,737

	2009	2010	2011
		(in yen)	
Earnings (loss) per common share applicable to common shareholders of Mitsubishi UFJ Financial Group:			
Basic earnings (loss) per common share:			
Net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	¥ (137.84)	¥ 68.01	¥ 31.20
Diluted earnings (loss) per common share:			
Net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	¥ (137.84)	¥ 67.87	¥ 31.08

For the fiscal year ended March 31, 2009, Class 11 Preferred Stock, convertible preferred stock issued by Senshu Bank and Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd. and stock options issued by MUFG, kabu.com Securities, MU Hands-on Capital Ltd. and FOODSNET Corporation could potentially dilute EPS but were not included in the computation of diluted EPS due to their antidilutive effects.

For the fiscal year ended March 31, 2010, stock options issued by MU Hands-on Capital Ltd. could potentially dilute earnings per common share but were not included in the computation of diluted earnings per common share due to their antidilutive effects.

In computing the number of the potentially dilutive common shares for the fiscal years ended March 31, 2010 and 2011, Class 11 Preferred Stock has been based on the conversion price of ¥865.9 at March 31, 2010 and 2011.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The MUFG Group uses various derivative financial instruments both for trading purposes and for purposes other than trading (primarily risk management purposes) in the normal course of business to meet the financial needs of its customers, as a source of revenue and to manage its exposures to a variety of risks. Market risk is the possibility that future changes in market indices make the financial instruments less valuable. The MUFG Group is a party to derivatives, including swaps, forwards, options and other types of derivatives, dealing primarily with market risk associated with interest rates, foreign currencies, equity and commodity prices, and credit risk associated with counterparty's nonperformance of transactions.

Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract, which may exceed the value of underlying collateral. To reduce credit risk, the MUFG Group may require collateral or guarantees based on a case-by-case assessment of creditworthiness of each customer and evaluation of the instrument. The MUFG Group also uses master netting agreements in order to mitigate overall counterparty credit risk.

Trading Activities

The MUFG Group's trading activities include dealing and customer accommodation activities. As part of its trading activities, the MUFG Group offers a variety of derivative financial instruments and debt instruments for managing interest rate and foreign exchange risk to its domestic and foreign corporate and financial institution customers. The MUFG Group also enters into other types of derivative transactions, including equity and credit-related contracts, for its own account.

Risk Management Activities

As part of MUFG's risk management activities, asset and liability management is viewed as one of the methods for the MUFG Group to manage its interest rate exposures on interest-bearing assets and liabilities. The MUFG Group uses certain derivative financial instruments in order to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. For example, an increase or a decrease of interest income and interest expense on hedged variable rate assets and liabilities as a result of interest rate fluctuations are expected to substantially offset the variability in earnings by gains and losses on the derivative instruments that are linked to these hedged assets and liabilities.

The MUFG Group enters into interest rate swaps and other contracts primarily to manage the interest rate volatility of its loans, investment securities and deposit liabilities. Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options and futures, allow the MUFG Group to effectively manage its interest rate risk position. Option contracts primarily consist of caps, floors, swaptions and options on index futures. Futures contracts used for asset and liability management activities are primarily index futures providing for cash payments based upon the movement of an underlying rate index. The MUFG Group enters into forward exchange contracts, currency swaps and other contracts in response to currency exposures resulting from on-balance sheet assets and liabilities denominated in foreign currencies in order to limit the net foreign exchange position by currency to an appropriate level.

Derivatives Designated as Hedges

The MUFG Group adopts hedging strategies and applies hedge accounting to certain derivative transactions entered by UNBC whose fiscal periods end on December 31.

Cash Flow Hedges

Hedging Strategies for Variable Rate Loans, Borrowings and Certificates of Deposit ("CDs") and Other Time Deposits

UNBC engages in several types of cash flow hedging strategies related to forecasted future interest payments, with the hedged risk being the variability in those payments due to changes in the designated benchmark rate, e.g., U.S. dollar LIBOR. In these strategies, the hedging instruments are matched with groups of similar variable rate instruments such that the reset tenor of the variable rate instruments and that of the hedging instrument are identical at inception. Cash flow hedging strategies include the utilization of purchased floor, cap, collars and corridor options and interest rate swaps. At December 31, 2010, the weighted average remaining life of the currently active cash flow hedges was approximately 3 years.

UNBC uses ¥81.5 billion notional amount of interest rate swaps to hedge interest rate variability of a forecasted fixed rate debt issuance in the first half of 2011. The swaps are accounted for as a cash flow hedge and UNBC expects to terminate the swaps when the debt is issued. Upon termination of the swaps, any unrealized gain or loss on these swaps will be amortized into interest expense over the life of the debt.

UNBC uses purchased interest rate floors to hedge the variable cash flows associated with 1-month or 3-month LIBOR indexed loans. Payments received under the floor contract offset the decline in loan interest income if the relevant LIBOR index falls below the floor's strike rate.

UNBC uses interest rate floor corridors to hedge the variable cash flows associated with 1-month or 3-month LIBOR indexed loans. Net payments to be received under the floor corridor contracts offset the decline in loan interest income if the relevant LIBOR index falls below the corridor's upper strike rate, but only to the extent the index remains above the lower strike rate. The corridor will not provide protection from declines in the relevant LIBOR index to the extent it falls below the corridor's lower strike rate.

UNBC uses interest rate collars to hedge the variable cash flows associated with 1-month or 3-month LIBOR indexed loans. Net payments received under the collar contract offset declines in loan interest income if the relevant LIBOR index falls below the collar's floor strike rate, while net payments paid reduce the increase in loan interest income if the LIBOR index rises above the collar's cap strike rate.

UNBC uses interest rate swaps to hedge the variable cash flows associated with 1-month or 3-month LIBOR indexed loans. Payments received (or paid) under the swap contract offset fluctuations in loan interest income caused by changes in the relevant LIBOR index. As such, these instruments hedge all fluctuations in the loans' interest income caused by changes in the relevant LIBOR index.

UNBC uses purchased interest rate caps to hedge the variable interest cash flows associated with 1-month or 3-month LIBOR indexed borrowings. Payments received under the cap contract offset the increase in borrowing interest expense if the relevant LIBOR index rises above the cap's strike rate.

UNBC uses interest rate swaps to hedge interest rate variability of LIBOR based borrowings. The swaps are accounted for as a cash flow hedge. Payments received (or paid) under the swap contract offset fluctuations in borrowing interest expense caused by changes in the relevant LIBOR index. As such, these instruments hedge all fluctuations in the borrowings' interest expense caused by changes in the relevant LIBOR index.

UNBC uses purchased interest rate caps to hedge the variable interest cash flows associated with the forecasted issuance and rollover of short-term, fixed rate CDs. In these hedging relationships, UNBC hedges the change in interest rates based on 1-month, 3-month, and 6-month LIBOR, which is consistent with the CDs' original term to maturity and reflects their repricing frequency. Net payments to be received under the cap contract offset increases in interest expense caused by the relevant LIBOR index rising above the cap's strike rate.

UNBC uses interest rate cap corridors to hedge the variable cash flows associated with the forecasted issuance and rollover of short-term, fixed rate CDs. In these hedging relationships, UNBC hedges changes in interest rates, either 1-month, 3-month, or 6-month LIBOR, based on the original term to maturity of the CDs. Net payments received under the cap corridor contract offset increases in deposit interest expense caused by the relevant LIBOR index rising above the corridor's lower strike rate, but only to the extent the index does not exceed the upper strike rate. The corridor will not provide protection from increases in the relevant LIBOR index to the extent it rises above the corridor's upper strike rate.

Hedging transactions are structured at inception so that the notional amounts of the hedging instruments are matched to an equal principal amount of loans, CDs, or borrowings, the index and repricing frequencies of the hedging instruments match those of the loans, CDs, or borrowings and the period in which the designated hedged cash flows occurs is equal to the term of the hedge instruments. As such, most of the ineffectiveness in the hedging relationship results from the mismatch between the timing of reset dates on the hedging instruments versus those of the loans, CDs or borrowings.

For cash flow hedges, the effective portion of the gain or loss on the hedging instruments is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged cash flows are recognized in net interest income. Gains and losses representing hedge ineffectiveness or hedge components excluded from the assessment of hedge effectiveness are recognized in noninterest expense in the period in which they arise. At March 31, 2011, the MUFG Group expects to reclassify approximately ¥2.1 billion of net losses from accumulated other comprehensive income to net interest income for the fiscal year ending March 31, 2012. This amount could differ from amounts actually realized due to changes in interest rates and the addition of other hedges subsequent to March 31, 2011.

Notional Amounts of Derivative Contracts

The following table summarizes the notional amounts of derivative contracts at March 31, 2010 and 2011:

	Notional amounts[1]	
	2010	2011
	(in trillions)	
Interest rate contracts	¥692.2	¥ 967.6
Foreign exchange contracts	112.7	121.6
Equity contracts	2.0	2.1
Commodity contracts	1.4	2.0
Credit derivatives	7.9	7.1
Others	1.1	1.2
Total	¥817.3	¥1,101.6

Note:
(1) Includes both written and purchased protection.

Impact of Derivatives on the Consolidated Balance Sheets

The following table summarizes fair value information on derivative instruments that are recorded on the MUFG Group's consolidated balance sheets at March 31, 2010 and 2011:

	Fair value of derivative instruments[1][5]		
At March 31, 2010:	Not designated as hedges[2]	Designated as hedges[3]	Total derivatives[4]
		(in billions)	
Derivative assets:			
Interest rate contracts	¥6,372	¥ 9	¥6,381
Foreign exchange contracts	2,200	—	2,200
Equity contracts	46	—	46
Commodity contracts	172	—	172
Credit derivatives	65	—	65
Total derivative assets	¥8,855	¥ 9	¥8,864
Derivative liabilities:			
Interest rate contracts	¥6,118	¥ 1	¥6,119
Foreign exchange contracts	2,094	—	2,094
Equity contracts	121	—	121
Commodity contracts	118	—	118
Credit derivatives	69	—	69
Others[6]	(108)	—	(108)
Total derivative liabilities	¥8,412	¥ 1	¥8,413

At March 31, 2011:	Fair value of derivative instruments(1)(5) Not designated as hedges(2)	Designated as hedges(3)	Total derivatives(4)
		(in billions)	
Derivative assets:			
Interest rate contracts	¥ 7,420	¥ 2	¥ 7,422
Foreign exchange contracts	2,315	—	2,315
Equity contracts	82	—	82
Commodity contracts	171	—	171
Credit derivatives	45	—	45
Total derivative assets	¥10,033	¥ 2	¥10,035
Derivative liabilities:			
Interest rate contracts	¥ 7,330	¥ —	¥ 7,330
Foreign exchange contracts	2,279	—	2,279
Equity contracts	85	—	85
Commodity contracts	137	—	137
Credit derivatives	47	—	47
Others(6)	(117)	—	(117)
Total derivative liabilities	¥ 9,761	¥ —	¥ 9,761

Notes:
(1) The fair value of derivative instruments is presented on a gross basis even when derivative instruments are subject to master netting agreements. Cash collateral payable and receivables associated with derivative instruments are not added to or netted against the fair value amounts.
(2) The derivative instruments which are not designated as a hedging instrument are held for trading and risk management purposes, and are classified in Trading account assets/liabilities except for (6).
(3) The MUFG Group adopts hedging strategies and applies hedge accounting to certain derivative transactions entered by UNBC. The derivative instruments which are designated as a hedging instrument are classified in Other assets or Other liabilities.
(4) This table does not include contracts with embedded derivatives for which the fair value option has been elected.
(5) For more information about fair value measurement and assumptions used to measure the fair value of derivatives, see Note 29.
(6) Others include bifurcated embedded derivatives carried at fair value, which are classified in Deposits and Long-term debt.

Impact of Derivatives and Hedged Items on the Consolidated Statements of Operations and on Accumulated Other Changes in Equity from Nonowner Sources

The following tables reflect more detailed information regarding the derivative-related impact on the consolidated statements of operations by accounting designation for the fiscal years ended March 31, 2010 and 2011:

Gains and losses for trading and risk management derivatives (not designated as hedging instruments)

For the fiscal year ended March 31, 2010:	Trading and risk management derivatives gains and losses (Not designated as hedging instruments) Foreign exchange gains (losses)—net	Trading account profits (losses)—net	Total
		(in billions)	
Interest rate contracts	¥ —	¥ 213	¥ 213
Foreign exchange contracts	33	—	33
Equity contracts	—	(217)	(217)
Commodity contracts	—	(9)	(9)
Credit derivatives	—	(97)	(97)
Others	(2)	22	20
Total	¥ 31	¥ (88)	¥ (57)

For the fiscal year ended March 31, 2011:	Trading and risk management derivatives gains and losses (Not designated as hedging instruments) Foreign exchange gains (losses)—net	Trading account profits (losses)—net	Total
		(in billions)	
Interest rate contracts	¥—	¥(27)	¥(27)
Foreign exchange contracts	80	—	80
Equity contracts	—	21	21
Commodity contracts	—	2	2
Credit derivatives	—	(6)	(6)
Others	—	7	7
Total	¥80	¥ (3)	¥ 77

Gains and losses for derivatives designated as cash flow hedges

For the fiscal year ended March 31, 2010:	Gains and losses for derivatives designated as cash flow hedges The amount of gains (losses) recognized in Accumulated other changes in equity from nonowner sources on derivative instruments (Effective portion)	Gains (Losses) reclassified from Accumulated other changes in equity from nonowner sources into income (Effective portion) Classification	Amount	Gains (Losses) recognized in income on derivative instruments (Ineffective portion and amount excluded from effectiveness testing) Classification	Amount
		(in billions)			
Interest rate contracts	¥ 4	Interest income	¥ 12		¥ —
Total	¥ 4		¥ 12		¥ —

For the fiscal year ended March 31, 2011:	Gains and losses for derivatives designated as cash flow hedges The amount of gains (losses) recognized in Accumulated other changes in equity from nonowner sources on derivative instruments (Effective portion)	Gains (Losses) reclassified from Accumulated other changes in equity from nonowner sources into income (Effective portion) Classification	Amount	Gains (Losses) recognized in income on derivative instruments (Ineffective portion and amount excluded from effectiveness testing) Classification	Amount
		(in billions)			
Interest rate contracts	¥ —	Interest income	¥ 6		¥ —
Total	¥ —		¥ 6		¥ —

Embedded Derivatives

Features embedded in other non-derivative hybrid contracts are separated from the host contracts and measured at fair value when they are not clearly and closely related to the host contracts and meet the definition of a derivative. The change in the fair value of such an embedded derivative is recognized currently in earnings, unless it qualifies as a hedge. The fair value of the embedded derivative is presented in the consolidated balance sheets with the host contract. The MUFG Group accounts for credit-linked notes as host contracts with embedded derivatives and measures the entire contracts at fair value.

Credit Derivatives

The MUFG Group enters into credit derivatives to manage credit risk exposures, to facilitate client transactions, and for proprietary trading purposes, under which they provide counterparty protection against the risk of default on a set of debt obligations issued by a specified reference entity or entities. Types of these credit derivatives include principally single name credit default swaps, index and basket credit default swaps and credit-linked notes. The MUFG Group will have to perform under a credit derivative if a credit event as defined under the contract occurs. Such credit events include bankruptcy, dissolution or insolvency of the referenced entity, default and restructuring of the obligations of the referenced entity. The MUFG Group's counterparties are banks, broker-dealers, insurance and other financial institutions. The contractual or notional amounts of these instruments represent the maximum potential amounts of future payments without consideration of possible recoveries under recourse provisions or from collateral held or pledged. The table below summarizes certain information regarding protection sold through credit default swaps and credit-linked notes as of March 31, 2010 and 2011:

	Protection sold				
	Maximum potential/Notional amount by expiration period				Estimated fair value
At March 31, 2010:	Less than 1 year	1-5 years	Over 5 years	Total	(Asset)/ Liability[1]
			(in millions)		
Single name credit default swaps:					
Investment grade[2]	¥611,227	¥1,990,256	¥ 46,345	¥2,647,828	¥ (13,822)
Non-investment grade	66,900	173,671	279	240,850	4,035
Not rated	5,499	11,334	—	16,833	13
Total	683,626	2,175,261	46,624	2,905,511	(9,774)
Index and basket credit default swaps held by BTMU:					
Investment grade[2]	80,460	177,249	149,174	406,883	923
Non-investment grade	71,950	45,017	—	116,967	1,656
Not rated	10,420	—	—	10,420	(25)
Total	162,830	222,266	149,174	534,270	2,554
Index and basket credit default swaps held by MUSHD:					
Investment grade[2]	980	298,140	4,000	303,120	(5,380)
Non-investment grade	—	30,867	—	30,867	455
Not rated	—	35,116	—	35,116	(926)
Total	980	364,123	4,000	369,103	(5,851)
Index and basket credit default swaps held by MUTB:					
Normal	30,000	—	—	30,000	(103)
Close Watch[3]	3,000	—	—	3,000	26
Total	33,000	—	—	33,000	(77)
Total index and basket credit default swaps sold	196,810	586,389	153,174	936,373	(3,374)
Total credit default swaps sold	¥880,436	¥2,761,650	¥199,798	¥3,841,884	¥ (13,148)
Credit-linked notes[4]	¥ —	¥ 39,240	¥195,005	¥ 234,245	¥(199,863)

	Protection sold				
	Maximum potential/Notional amount by expiration period				Estimated fair value
At March 31, 2011:	Less than 1 year	1-5 years	Over 5 years	Total	(Asset)/ Liability(1)
	(in millions)				
Single name credit default swaps:					
Investment grade(2)	¥611,719	¥1,876,565	¥ 73,711	¥2,561,995	¥ (10,589)
Non-investment grade	108,045	179,289	249	287,583	(1,611)
Not rated	9,872	13,505	—	23,377	(60)
Total	729,636	2,069,359	73,960	2,872,955	(12,260)
Index and basket credit default swaps held by BTMU:					
Investment grade(2)	93,121	47,755	86,016	226,892	(661)
Non-investment grade	3,520	36,908	—	40,428	15
Not rated	—	8,847	—	8,847	(184)
Total	96,641	93,510	86,016	276,167	(830)
Index and basket credit default swaps held by MUSHD:					
Investment grade(2)	30,669	367,549	2,000	400,218	(7,247)
Non-investment grade	—	30,155	—	30,155	(383)
Not rated	—	6,939	—	6,939	240
Total	30,669	404,643	2,000	437,312	(7,390)
Total index and basket credit default swaps sold	127,310	498,153	88,016	713,479	(8,220)
Total credit default swaps sold	¥856,946	¥2,567,512	¥161,976	¥3,586,434	¥ (20,480)
Credit-linked notes(4)	¥ —	¥ 33,217	¥174,436	¥ 207,653	¥(117,870)

Notes:
(1) Fair value amounts are shown on a gross basis prior to cash collateral or counterparty netting.
(2) The MUFG Group considers ratings of Baa3/BBB- or higher to meet the definition of investment grade.
(3) Reference entities classified as "Close Watch" require close monitoring due to one or more of the following conditions: problems with meeting their financial obligations (e.g., principal repayments or interest payments in arrears), poor or fluctuating business performance, unfavorable financial condition of their businesses, and difficulties in fulfilling loan obligations.
(4) Fair value amounts shown represent the fair value of the hybrid instruments.

Single name credit default swaps—A credit default swap protects the buyer against the loss of principal on a bond or loan in case of a default by the issuer. The protection buyer pays a periodic premium over the life of the contracts and is protected for the period. The MUFG Group in turn will have to perform under a credit default swap if a credit event as defined under the contracts occurs. In order to provide an indication of the current payment/performance risk of the credit default swaps, the external credit ratings, primarily Moody's and Standard & Poor's ("S&P") credit ratings, of the underlying reference entity of the credit default swaps are disclosed.

Index and basket credit default swaps—Index and basket credit default swaps are credit default swaps that reference multiple names through underlying baskets or portfolios of single name credit default swaps. Typically, in the event of a default on one of the underlying names, the MUFG Group will have to pay a pro rata portion of the total notional amount of the credit default index or basket contract. In order to provide an indication of the current payment/performance risk of these credit default swaps, BTMU and MUSHD rating scale based upon the entity's internal ratings, which generally correspond to ratings defined by primarily Moody's and S&P, of the underlying reference entities comprising the basket or index were calculated and disclosed. As for the current payment/performance risk of these credit default swaps, MUTB rating scale is based upon the entity's internal ratings, which is the same credit rating system utilized for estimating probabilities of default within its loan portfolio.

Credit-linked notes ("CLNs")—The MUFG Group has invested in CLNs, which are hybrid instruments containing embedded derivatives, in which credit protection has been sold to the issuers of the notes. If there is a credit event of a reference entity underlying the CLN, the principal balance of the note may not be repaid in full to the MUFG Group. As part of its financing activities, MUSHD and other securities subsidiaries in Japan and overseas issue CLNs.

The MUFG Group may economically hedge its exposure to credit derivatives by entering into offsetting derivative contracts. The carrying value and notional amounts of credit protection sold in which the MUFG Group held purchased protection with identical underlying referenced entities were approximately ¥12 billion and ¥2,948 billion, respectively, at March 31, 2010, and approximately ¥19 billion and ¥2,848 billion, respectively, at March 31, 2011.

Collateral is held by the MUFG Group in relation to these instruments. Collateral requirements are determined at the counterparty level and cover numerous transactions and products as opposed to individual contracts.

Credit Risk, Liquidity Risk and Credit-risk-related Contingent Features

Certain of the MUFG Group's derivative instruments contain provisions that require the MUFG Group's debt to maintain an investment grade credit rating from each of the major credit rating agencies. If the MUFG Group's debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request payments on early termination or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position at March 31, 2010 and 2011 was approximately ¥3.3 trillion and ¥3.5 trillion, respectively, for which the MUFG Group has posted collateral of approximately ¥295 billion and ¥329 billion, respectively, in the normal course of business. The amount of additional collateral and early termination amount which could be requested if the MUFG Group's debt falls below investment grade was ¥170 billion and ¥73 billion, respectively, as of March 31, 2010 and ¥204 billion and ¥147 billion, respectively, as of March 31, 2011.

22. OBLIGATIONS UNDER GUARANTEES AND OTHER OFF-BALANCE SHEET INSTRUMENTS

Obligations under Guarantees

The MUFG Group provides customers with a variety of guarantees and similar arrangements, including standby letters of credit, financial and performance guarantees, credit protections, liquidity facilities, other off-balance sheet credit-related support and similar instruments, in order to meet the customers' financial and business needs. The table below summarizes the contractual or notional amounts with regard to obligations under guarantees and similar arrangements at March 31, 2010 and 2011. The contractual or notional amounts of these instruments represent the maximum potential amounts of future payments without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

For certain types of derivatives, such as written interest rate options and written currency options, the maximum potential future payments are unlimited. Accordingly, it is impracticable to estimate the maximum potential amount of future payments. As such, the notional amounts of the related contracts, other than the maximum potential payments, are included in the table.

The MUFG Group mitigates credit risk exposure resulting from guarantees by utilizing various techniques, including collateralization in the form of cash, securities, and real properties based on management's credit assessment of the guaranteed parties and the related credit profile. In order to manage the credit risk exposure, the MUFG Group also enters into sub-participation contracts with third parties who will fund a portion of the credit facility and bear its share of the loss to be incurred in the event that the borrower fails to fulfill its obligations. The following table includes guarantees of ¥195.7 billion and ¥147.3 billion at March 31, 2010 and 2011, respectively, which are participated out to third parties. The contractual or notional amounts summarized in the following table do not necessarily bear any direct relationship to the future actual credit exposure, primarily because of those risk management techniques.

At March 31, 2010:	Maximum potential/ Contractual or Notional amount	Amount by expiration period		
		Less than 1 year	1-5 years	Over 5 years
	(in billions)			
Standby letter of credit and financial guarantees	¥ 4,223	¥ 2,147	¥ 1,036	¥ 1,040
Performance guarantees	2,242	1,438	682	122
Derivative instruments	81,244	29,371	48,502	3,371
Guarantee for repayment of trust principal	1,104	89	1,007	8
Liabilities of trust accounts	4,326	3,393	293	640
Others	183	180	1	2
Total	¥ 93,322	¥36,618	¥51,521	¥ 5,183

At March 31, 2011:	Maximum potential/ Contractual or Notional amount	Amount by expiration period		
		Less than 1 year	1-5 years	Over 5 years
	(in billions)			
Standby letter of credit and financial guarantees	¥ 3,592	¥ 1,636	¥ 1,052	¥ 904
Performance guarantees	2,213	1,524	537	152
Derivative instruments	152,663	55,469	86,586	10,608
Liabilities of trust accounts	4,931	4,066	326	539
Others	130	130	—	—
Total(1)	¥163,529	¥62,825	¥88,501	¥12,203

Note
(1) Effective April 1, 2010, the MUFG Group adopted new guidance that amends the accounting for consolidation of VIEs. As a result, there were no obligations under guarantees for repayment of trust principal at March 31, 2011. See Note 23 for further discussion of the adoption of the new guidance.

Nature of Guarantee Contracts

Standby letters of credit and financial guarantees generally include an obligation of an issuer or a designated third-party to guarantee the performance of the customer to the beneficiary under the terms of contracts such as lending contracts and other similar financial transactions. The MUFG Group is required to make payments to the guaranteed parties in the event that the customers fail to fulfill the obligations under the contracts. The guarantees whose contractual maturities are over 5 years are mainly comprised of guarantees of housing loans.

Performance guarantees are the contracts that contingently require the MUFG Group to make payments to the guaranteed party based on another party's failure to perform under an obligating agreement, except financial obligation. For example, performance guarantees include guarantees of completion of construction projects.

Derivative instruments that are deemed to be included within the definition of guarantees as prescribed in the guidance on guarantees include certain written options and credit default swaps. In order for the MUFG Group to determine if those derivative instruments meet the definition of guarantees as prescribed in the guidance on guarantees, the MUFG Group tracks whether the counterparties are actually exposed to the losses that will result from the adverse change in the underlyings. Accordingly, the MUFG Group has disclosed information on all credit default swaps and certain written options for which there is a possibility of meeting the definition of guarantees as prescribed in the guidance on guarantees, regardless of whether the counterparties have assets or liabilities related to the underlyings of the derivatives. However, credit derivatives sold by the MUFG Group at March 31, 2010 and 2011 are excluded from this presentation, as they are disclosed in Note 21.

Guarantees for the repayment of trust principal include guarantees which the MUFG Group provided for the repayment of principal of certain types of trust products, including certain jointly operated designated money in trusts and loan trusts. The MUFG Group manages and administers trust assets in a capacity of agent or fiduciary on behalf of its customers and trust assets are segregated from the assets of the MUFG Group, which keeps separate records for the trust activities. The MUFG Group, in principle, does not assume any risks associated with the trust assets under management, however, as permitted by applicable laws, the MUFG Group provides guarantees for the repayment of principal of such trust products. While the contract amount of such guarantees for repayment of trust principal at March 31, 2010 was ¥1,104 billion, it was nil at March 31, 2011. The decrease in its amount was due to the consolidation of certain jointly operated designated money in trust on adoption of new guidance that amended the accounting for the consolidation of VIEs, and due to the redemption of matured loan trusts which were no longer provided. See Note 23 for further discussion of the adoption of the new guidance.

Liabilities of trust accounts represent the trustee's potential responsibility for temporary payments to creditors of liabilities of trust accounts making use of funds of the MUFG Group, unless there are the certain agreements with trust creditors that have provisions limiting the MUFG Group's responsibility as a trustee to the trust account assets. A trust may incur external liabilities to obtain certain services during the terms of the trust arrangement. While, in principle, any liabilities of a trust are payable by the trust account and its beneficiaries, a trustee's responsibility may be interpreted to encompass temporary payments for the trust account liabilities when the trust account does not maintain sufficient liquidity available for such liabilities unless the agreement with trust creditors does not limit the trustee's responsibility to the trust account assets. At March 31, 2010 and 2011, there were liabilities of ¥4,326 billion and ¥4,931 billion, respectively, in the segregated records of trust accounts including the amounts related to liabilities with provisions limiting trustee responsibility. Liabilities of trust accounts principally included obligations to return collateral under security lending transactions. The MUFG Group has experienced no significant losses on such responsibilities and its exposure to the risk associated with the temporary payments is judged to be remote because trust account liabilities are generally covered by the corresponding trust account assets; the MUFG Group continuously monitors the liabilities of trust accounts and assesses the trust account's ability to perform its obligations to prevent any unfavorable outcomes; and the MUFG Group claims its recourse for its temporary payments against the trust account assets and the beneficiaries.

Other includes security lending indemnifications. Security lending indemnifications are the indemnifications for institutional customers of securities lending transactions against counterparty default. All lending transactions are collateralized, primarily by cash.

Carrying Amount

At March 31, 2010 and 2011, the carrying amounts of the liabilities related to guarantees and similar instruments set forth above were ¥1,171,417 million and ¥1,904,425 million, respectively, which are included in Other liabilities and Trading account liabilities. However, credit derivatives sold by the MUFG Group at March 31, 2010 and 2011 are excluded from this presentation, as they are disclosed in Note 21. In addition, Other liabilities also include an allowance for off-balance sheet instruments of ¥41,991 million and ¥38,582 million at March 31, 2010 and 2011, respectively, related to these transactions.

Performance Risk

The MUFG Group monitors the performance risk of its guarantees using the same credit rating system utilized for estimating probabilities of default within its loan portfolio. The MUFG Group credit rating system is consistent with both the method of evaluating credit risk under Basel II and those of third-party credit rating agencies. On certain underlying referenced credits or entities, ratings are not available. Such referenced credits are included in the “Not rated” category.

Presented in the table below is the maximum potential amount of future payments classified based upon internal credit ratings as of March 31, 2010 and 2011. The determination of the maximum potential future payments is based on the notional amount of the guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses, if any, on these guarantees.

		Amount by borrower grade			
At March 31, 2010:	**Maximum potential/ Contractual or Notional amount**	**Normal**	**Close watch(1)**	**Likely to become Bankrupt or Legally/ Virtually Bankrupt(2)**	**Not rated**
			(in billions)		
Standby letters of credit and financial guarantees	¥4,223	¥3,876	¥301	¥17	¥29
Performance guarantees	2,242	2,173	55	2	12
Total	¥6,465	¥6,049	¥356	¥19	¥41

		Amount by borrower grade			
At March 31, 2011:	**Maximum potential/ Contractual or Notional amount**	**Normal**	**Close watch(1)**	**Likely to become Bankrupt or Legally/ Virtually Bankrupt(2)**	**Not rated**
			(in billions)		
Standby letters of credit and financial guarantees	¥3,592	¥3,356	¥215	¥13	¥ 8
Performance guarantees	2,213	2,147	49	2	15
Total	¥5,805	¥5,503	¥264	¥15	¥23

Notes:

(1) Borrowers classified as “Close watch” require close monitoring due to one or more of the following conditions: problems with meeting their financial obligations (e.g., principal repayments or interest payments in arrears), poor or fluctuating business performance, unfavorable financial condition of their businesses, and difficulties in fulfilling loan obligations.

(2) Borrowers classified as “Likely to become Bankrupt or Legally/Virtually Bankrupt” represent those that have a higher probability of default than Close watch due to major debt repayment problems or borrower’s legal or virtual bankruptcy and are subject to specific procedures, such as legal liquidation, business suspention, winding up of business, and private liquidation.

The guarantees the MUFG Group does not classify based upon internal credit ratings are as follows.

The MUFG Group records all derivative contracts at fair value. Aggregate market risk limits have been established, and market risk measures are routinely monitored against these limits. The MUFG Group also manages its exposure to these derivative contracts through a variety of risk mitigation strategies, including, but not limited to, offsetting economic hedge positions. The MUFG Group expects the risk of loss to be remote and believes that the notional amounts of the derivative contracts generally exceed its exposure.

Guarantees for the repayment of trust principal include guarantees which the MUFG Group provides for the repayment of principal of certain types of trust products, including certain jointly operated designated money in trusts and loan trusts. The MUFG Group stably manages and administers such trust products with attention to risk and the profitability of trust assets. Management believes that the MUFG Group will not incur any losses on the guarantees. Effective April 1, 2010, the MUFG Group adopted new guidance that amends the accounting for consolidation of VIEs. As a result, there were no obligations under guarantees for repayment of trust principal at March 31, 2011.

Liabilities of trust accounts represent the trustee's potential responsibility for temporary payments to creditors of liabilities of trust accounts making use of funds of the MUFG Group. The MUFG Group has experienced no significant losses on such responsibilities and its exposure to the risk associated with the temporary payments is judged to be remote because trust account liabilities are generally covered by the corresponding trust account assets.

The MUFG Group conducts securities lending transactions for institutional customers as a fully disclosed agent. At times, securities lending indemnifications are issued to guarantee that a security lending customer will be made whole in the event the borrower does not return the security subject to the lending agreement and collateral held is insufficient to cover the market value of the security. All lending transactions are collateralized, primarily by cash. At March 31, 2011, the MUFG Group had no exposure that would require it to pay under this securities lending indemnification, since the collateral market value exceeds the securities lent.

Other Off-balance Sheet Instruments

In addition to obligations under guarantees and similar arrangements set forth above, the MUFG Group issues other off-balance sheet instruments to meet the financial needs of its customers and for purposes other than trading. Such off-balance sheet instruments consist of lending-related commitments, including commitments to extend credit and commercial letters of credit that the MUFG Group provides to meet the financing needs of its customers. Once the MUFG Group issues these financial instruments, the MUFG Group is required to extend credit to or make certain payments to the customers or beneficiaries specified pursuant to the underlying contracts unless otherwise provided in the contracts. Since many of these commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. At March 31, 2011, approximately 74% of these commitments will expire within one year, 25% from one year to five years and 1% after five years. The table below summarizes the contractual amounts with regard to these commitments at March 31, 2010 and 2011:

	2010	2011
	(in billions)	
Commitments to extend credit	¥61,020	¥62,141
Commercial letters of credit	628	641
Commitments to make investments	126	113
Other	6	16

Commitments to extend credit, which generally have fixed expiration dates or other termination clauses, are legally binding agreements to lend to customers. Commitments are different from guarantees in that the commitments are generally revocable or have provisions that enable the MUFG Group to avoid payments in the event of violations of any conditions of the contracts and certain deterioration of the potential borrowers' financial condition. Commitments to extend credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

Commercial letters of credit, used for facilitating trade transactions, are generally secured by underlying goods. The MUFG Group continually monitors the type and amount of collateral and other security, and requires counterparties to provide additional collateral or guarantors as necessary.

Commitments to make investments are legally binding contracts to make additional contributions to corporate recovery or private equity investment funds in accordance with limited partnership agreements. Some of these funds, in which the MUFG Group has significant variable interests, are described in Note 23.

23. VARIABLE INTEREST ENTITIES

In the normal course of its business, the MUFG Group has financial interests and other contractual obligations in various entities which may be deemed to be VIEs such as asset-backed conduits, various investment funds, special purpose entities created for structured financing, repackaged instruments, and entities created for the securitization of the MUFG Group's assets.

The following table presents the assets and liabilities of consolidated VIEs, recorded on the consolidated balance sheet at March 31, 2010. Prior to April 1, 2010, the variable interest holder that would absorb a majority of the entity's expected losses, receive a majority of the entity's residual returns or both was deemed to be the primary beneficiary and consolidated the VIE.

Consolidated VIEs	Consolidated assets						Consolidated liabilities			
At March 31, 2010:	Total	Cash	Trading account assets	Investment securities	Loans	All other assets	Total	Other short-term borrowings	Long-term debt	All other liabilities
	(in millions)									
Asset-backed conduits	¥5,185,451	¥ 83,516	¥ 949	¥305,942	¥4,786,104	¥ 8,940	¥5,193,733	¥4,534,058	¥ 340,999	¥318,676
Investment funds	1,383,520	45,890	1,174,889	19,114	1,670	141,957	64,791	717	31,070	33,004
Special purpose entities created for structured financing	199,005	1,831	—	2,025	191,868	3,281	199,432	26,352	172,871	209
Repackaged instruments	55,047	—	42,032	13,015	—	—	55,319	—	54,743	576
Securitization of the MUFG group's assets	2,692,795	213	3,851	—	2,603,024	85,707	2,710,615	13,000	2,696,043	1,572
Others	166,652	31,774	799	—	102,858	31,221	165,930	103,131	31,695	31,104
Total	¥9,682,470	¥163,224	¥1,222,520	¥340,096	¥7,685,524	¥271,106	¥8,389,820	¥4,677,258	¥3,327,421	¥385,141

The assets and liabilities of consolidated VIEs presented in the table above include intercompany transactions between consolidated VIEs and the MUFG Group, the primary beneficiary. In consolidation, the eliminated amounts of assets were ¥125,813 million of Cash and due from banks and Interest-earning deposits in other banks, ¥711 million of Trading account assets, ¥415 million of Investment securities, ¥193,953 million of Loans and ¥7,414 million of All other assets at March 31, 2010. The eliminated amounts of liabilities were ¥3,335,342 million of Other short-term borrowings, ¥1,518,273 million of Long-term debt and ¥57,591 million of All other liabilities at March 31, 2010.

The following table presents the total assets of significant non-consolidated VIEs, the maximum exposure to loss resulting from the MUFG Group's involvement with non-consolidated VIEs and the assets and liabilities of non-consolidated VIEs at March 31, 2010:

Significant Non-consolidated VIEs			On-balance sheet assets					On-balance sheet liabilities	
At March 31, 2010:	Assets	Maximum exposure	Total	Trading account assets	Investment securities	Loans	All other assets	Total	All other liabilities
				(in millions)					
Asset-backed conduits	¥ 5,060,968	¥1,972,562	¥1,073,035	¥ 1,375	¥ 77,742	¥ 993,918	¥ —	¥ —	¥ —
Investment funds	15,681,299	833,828	810,295	298,264	177,638	319,712	14,681	—	—
Special purpose entities created for structured financing	12,022,760	1,834,411	1,596,711	20,858	83,563	1,479,700	12,590	—	—
Repackaged instruments	36,848,306	1,430,813	1,426,517	256,111	716,754	453,652	—	—	—
Others	8,135,057	1,511,718	1,065,275	3,438	331,826	730,011	—	5,547	5,547
Total	¥77,748,390	¥7,583,332	¥5,971,833	¥580,046	¥1,387,523	¥3,976,993	¥27,271	¥5,547	¥5,547

Note: The balances of Trading account assets and Investment securities categorized as Investment funds for Significant Non-consolidated VIEs as at March 31, 2010 have been restated as follows:

Significant Non-consolidated VIEs	As previously reported On-balance sheet assets		As restated On-balance sheet assets	
At March 31, 2010:	Trading account assets	Investment securities	Trading account assets	Investment Securities
		(in millions)		
Investment funds	¥43,638	¥432,264	¥298,264	¥177,638

In June 2009, the FASB issued new guidance that amends the existing guidance for consolidation of VIEs. This new accounting guidance significantly changes the way an enterprise determines whether to consolidate a variable interest entity. The MUFG group adopted this new guidance on April 1, 2010, which resulted in the consolidation and deconsolidation of certain VIEs. The net increase in the MUFG Group's consolidated assets, liabilities and shareholders' equity attributable to noncontrolling interests was ¥237,008 million, ¥214,887 million and ¥19,551 million, respectively, as of April 1, 2010. The cumulative effect on retained earnings was an increase of ¥1,408 million upon adoption. The newly consolidated VIEs primarily comprise jointly operated designated money in trusts that are categorized as "Trust Arrangements" in the table below as of March 31, 2011. Those trust arrangements were categorized as "others" in the Significant Non-consolidated VIEs table at March 31, 2010. See Analysis of Each Transaction Category—Trust Arrangements for more information.

The following table presents the assets and liabilities of consolidated VIEs recorded on the consolidated balance sheet at March 31, 2011:

Consolidated VIEs	Consolidated assets						
At March 31, 2011:	Total	Cash and due from banks	Interest-earning deposits in other banks	Trading account assets	Investment securities	Loans	All other assets
	(in millions)						
Asset-backed conduits	¥ 5,080,030	¥33,432	¥38,418	¥ 569	¥391,751	¥4,603,010	¥ 12,850
Investment funds	1,342,526	9,872	20,102	1,113,959	15,637	654	182,302
Special purpose entities created for structured financing	171,509	273	1,524	14,200	2,025	146,287	7,200
Repackaged instruments	46,014	—	—	29,360	—	16,654	—
Securitization of the MUFG group's assets	2,456,025	—	209	—	—	2,359,936	95,880
Trust arrangements	1,030,902	—	4,778	33	83,609	938,213	4,269
Others	147,657	307	27,058	—	73	85,273	34,946
Total	¥10,274,663	¥43,884	¥92,089	¥1,158,121	¥493,095	¥8,150,027	¥337,447

	Consolidated liabilities				
	Total	Deposits	Other short-term borrowings	Long-term debt	All other liabilities
Asset-backed conduits	¥5,085,180	¥ —	¥4,434,957	¥ 227,120	¥423,103
Investment funds	69,270	—	1,187	17,898	50,185
Special purpose entities created for structured financing	156,387	—	17,077	138,577	733
Repackaged instruments	46,082	—	—	45,680	402
Securitization of the MUFG group's assets	2,458,876	—	27,400	2,429,956	1,520
Trust arrangements	1,030,686	1,017,160	—	—	13,526
Others	147,008	—	88,683	31,932	26,393
Total	¥8,993,489	¥1,017,160	¥4,569,304	¥2,891,163	¥515,862

The assets and liabilities of consolidated VIEs presented in the table above include intercompany transactions between consolidated VIEs and the MUFG Group, the primary beneficiary. In consolidation, the eliminated amounts of assets were ¥36,244 million of Cash and due from banks, ¥77,083 million of Interest-earning deposits in other banks, ¥858 million of Trading account assets, ¥10 million of Investment securities, ¥993,204 million of Loans and ¥7,701 million of All other assets at March 31, 2011. The eliminated amounts of liabilities were ¥3,179,780 million of Other short-term borrowings, ¥1,220,590 million of Long-term debt and ¥65,341 million of All other liabilities at March 31, 2011.

In general, the creditors or beneficial interest holders of consolidated VIEs have recourse only to the assets of those VIEs and do not have recourse to other assets of the MUFG Group, except where the MUFG Group is only contractually required to provide credit enhancement or program-wide liquidity.

The following table presents the total assets of non-consolidated VIEs, the maximum exposure to loss resulting from the MUFG Group's involvement with non-consolidated VIEs and the assets and liabilities of non-consolidated VIEs at March 31, 2011:

Non-consolidated VIEs			On-balance sheet assets					On-balance sheet liabilities	
At March 31, 2011:	Assets	Maximum exposure	Total	Trading account assets	Investment securities	Loans	All other assets	Total	All other liabilities
			(in millions)						
Asset-backed conduits	¥ 4,938,696	¥1,681,550	¥1,161,889	¥ 596	¥ 144,946	¥1,016,347	¥ —	¥ —	¥ —
Investment funds	12,787,846	441,844	434,767	132,280	115,281	178,808	8,398	—	—
Special purpose entities created for structured financing	13,503,700	2,183,868	1,854,368	20,313	71,840	1,758,754	3,461	—	—
Repackaged instruments	15,424,831	1,069,179	1,008,013	104,612	561,876	341,525	—	—	—
Trust arrangements	29,908	28,285	27,252	—	—	27,252	—	5,791	5,791
Others	10,456,456	1,319,938	1,051,194	13,348	302,544	735,302	—	1	1
Total	¥57,141,437	¥6,724,664	¥5,537,483	¥271,149	¥1,196,487	¥4,057,988	¥11,859	¥5,792	¥5,792

Maximum exposure to loss on each type of entity is determined, based on the carrying amount, which approximates the fair value, of any on-balance sheet assets and any off-balance sheet liability held, net of any recourse liabilities. Therefore, the maximum exposure to loss represents the maximum loss the MUFG Group could possibly incur at each balance sheet date and does not reflect the likelihood of such a loss being incurred. The difference between the amount of on-balance sheet assets and the maximum exposure to loss primarily comprises the remaining undrawn commitments.

Analysis of Each Transaction Category

Asset-Backed Conduits

This category primarily comprises the following:

Multi-Seller Conduits (MUFG-sponsored Asset-Backed Commercial Paper ("ABCP") Conduits and Other ABCP Conduits)

The MUFG Group administers several conduits under asset-backed financing programs under which the conduits purchase financial assets, primarily trade accounts receivable, from the MUFG Group's customers by issuing short-term financing instruments, primarily commercial paper, to third-party investors. Under the asset-backed financing programs, the MUFG Group acts as an agent for the conduits, which enter into agreements with the MUFG Group's customers where the customers transfer financial assets to the conduits in exchange for monetary consideration. The MUFG Group also underwrites commercial paper for the conduits that is secured by the assets held by them and provides program-wide liquidity and credit enhancement facilities to the conduits. The MUFG Group receives fees related to the services it provides to the conduits and the program-wide liquidity and credit enhancement. The MUFG Group considers itself to be the primary beneficiary of the multi-seller conduits because, as an agent and sponsor, the MUFG Group has the power to direct activities of the conduits that most significantly impact the conduits' economic performance and also has the obligation to absorb losses of the conduits that could potentially be significant to the conduits through the program-wide liquidity and credit enhancement. Consequently, the MUFG Group consolidates the conduits.

In addition to the entities described above, the MUFG Group participates as a provider of financing to several conduits that are administered by third parties. Most of these conduits are established under a multi-seller asset-backed financing program and the MUFG Group provides financing along with other financial institutions. With respect to these conduits, the MUFG Group is not considered as the primary beneficiary because the MUFG Group's participation to the conduits is only to provide financing along with other third-party financial institutions and it does not have the power to direct the activities of the conduits. Consequently, the MUFG Group does not consolidate the conduits.

Asset-Backed Conduits (MUFG-sponsored Asset-Backed Loan ("ABL") Programs and Other Programs)

The MUFG Group administers several conduits under asset-backed financing programs where the MUFG Group provides financing to fund the conduits' purchases of financial assets, comprising primarily trade accounts receivable, from its customers. The MUFG Group acts as an agent and sponsor for the conduits, which enter into agreements with the MUFG Group's customers where the customers transfer assets to the conduits in exchange for monetary consideration. In most cases the MUFG Group is the sole provider of financing that is secured by the assets held by the conduits. The MUFG Group considers itself to be the primary beneficiary of the conduits because, as an agent and sponsor for the conduits, the MUFG Group has the power to direct activities of the conduits, such as selection of the assets to be purchased and condition for purchases, and debt collection from the original obligors, that most significantly impact the conduits' economic performance, and also has the obligation to absorb losses of the conduits that could potentially be significant to the conduits through financing it provides. Consequently, the MUFG Group consolidates the conduits.

In addition, the MUFG Group is involved with entities, which take in most cases the form of a trust, where originators of financial assets, which primarily comprise lease receivables, entrust the assets with trust banks and receive beneficial certificates in trusts in exchange. The originators then transfer the beneficiary certificates to the MUFG Group in exchange for cash. The originators of the financial assets entrusted continue to be involved in the assets as servicers. Because the originators are deemed to have the power to direct activities of the entities that most significantly impact the entities' economic performance through their role as a servicer, the MUFG Group is not considered as the primary beneficiary of these entities. Consequently, the MUFG Group does not consolidate these entities.

The MUFG Group also participates as a provider of financing to the ABL programs that are managed by third parties. The MUFG Group is not considered as the primary beneficiary of the entities used in these programs as the MUFG Group's participation to the entities is only to provide financing with other third parties and it does not have the power to direct the activities of the conduits. Consequently, the MUFG Group does not consolidate the entities used in these programs.

Investment Funds

On February 2010, the FASB issued an accounting standards update that indefinitely defers the application of the new guidance for consolidation of VIEs on entities that are deemed as investment companies, which include most of corporate recovery funds, private equity funds, and investment trusts. For VIEs that are considered investment companies, the MUFG Group determines whether its the primary beneficiary by evaluation of whether it absorbs a majority of expected losses, receives a majority of expected residual returns, or both.

This category primarily comprises the following:

Corporate Recovery Funds

These entities are established by fund managers, which are unrelated to the MUFG Group, for the purpose of investing in debt or equity instruments issued by distressed companies. After investment, the fund managers work closely with the management of the issuers and attempt to enhance corporate value by various means including corporate restructuring and reorganization. Their exit strategies include, among others, sales to others and initial public offerings.

Typically, these entities take the form of a limited partnership which is entirely funded by general and limited partner interests. In some cases, the general partners of the partnerships are entities that have no substantive decision making ability. The fund managers that establish these partnerships assume investment management and day-to-day operation by entering into asset management contracts with the general partners. These partnerships are, therefore, financing vehicles and as such are considered as VIEs. In other cases, the general partners have substantive decision making ability but the partnerships are considered as VIEs when the general partners' equity investments in the partnerships are considered as non-substantive, usually based on the percentage interest held, and they do not have substantive limited partner interests.

The MUFG Group mostly serves as a limited partner in corporate recovery funds. While the MUFG Group's share in partnership interest is generally insignificant, in certain cases, the MUFG Group is the only limited partner and it consolidates these partnerships as the primary beneficiary.

Private Equity Funds

The MUFG Group is involved in venture capital funds that are established by either the MUFG Group's entities or fund managers unrelated to the MUFG Group. These entities have specific investment objectives in connection with their acquisition of equity interests, such as providing financing and other support to start-up businesses, medium and small entities in a particular geographical area, and to companies with certain technology or companies in a high-growth industry.

These entities typically take the form of a limited partnership and usually are entirely funded by general and limited partner interests. The general partners of the partnerships in some cases are entities that have no substantive decision making ability. The fund managers that establish these partnerships assume investment management and day-to-day operation by entering into asset management contracts with the general partners. These partnerships are, therefore, financing vehicles and as such are considered as VIEs. In other cases, the general partners have substantive decision making ability but the partnerships are considered VIEs because the general partners' equity investments in the partnerships are disproportionate to their voting rights and the limited partners have the majority of the economics without any voting rights. The MUFG Group consolidates the private equity funds when it owns a majority of the interests issued by the private equity funds.

The MUFG Group participates in these partnerships as a general partner or limited partner. While the MUFG Group's share in partnership interests is generally limited, in certain cases, the MUFG Group provides most of the financing to the partnership. It consolidates these funds as the primary beneficiary because the MUFG Group absorbs a majority of the expected losses or receives a majority of the expected residual returns.

Investment Trusts

The MUFG Group invests in investment trusts that are professionally managed collective investment schemes which pool money from many investors and invest in, among others, equity and debt securities. Most of these funds take the form of a trust where there is a separation in investment decisions, which is assumed by an investment manager who has no investment in a trust, and ownership through beneficiary interests issued by a trust are owned by investors. Therefore, these investment trusts are considered as VIEs. Based on the previous guidance, the MUFG Group consolidates investment trusts when it absorbs a majority of the expected losses or receives a majority of the expected residual returns.

Buy-out Financing Vehicles

The MUFG Group provides financing to buy-out vehicles. The buy-out vehicles are established by equity investments from, among others, private equity funds or the management of target companies for the purpose of purchasing the equity shares of target companies. Along with other financial institutions, the MUFG Group provides financing to the buy-out vehicles in the form of loans. While the buy-out vehicles' equity is normally substantive in its amount and the rights and obligations associated with it, in some cases, the vehicles have equity that is insufficient to absorb expected variability primarily because the amount provided by equity investors is nominal in nature. These vehicles engage in non-investment activities, and are considered as VIEs. Assessment as to whether the MUFG Group is the primary beneficiary is required under the new guidance. In most cases, the MUFG Group's participation to these vehicles is only to provide financing to the vehicles, and the power to direct the activities that most significantly impact the economic performance of the vehicles is held by the management of target companies. As a result, the MUFG Group is not considered as the primary beneficiary of these vehicles and does not consolidate them.

Other Investment Funds

The MUFG Group's investments in VIEs through UNBC primarily consist of equity investments in low income housing credit ("LIHC") structures, designed to generate a return primarily through the realization of federal tax credits. UNBC considers itself as the primary beneficiary of certain types of LIHC investments.

LIHC Unguaranteed Syndicated Investment Funds

UNBC creates the investment funds, serves as the managing investor member, and sells limited investor member interests to third parties. UNBC receives benefits through income from the structuring of these funds, servicing fees for managing the funds and, as an investor member, tax benefits and tax credits to reduce the UNBC tax liability. UNBC considers itself to be the primary beneficiary and consolidated them upon adoption of the new guidance because, as a sponsor and managing member of the funds, it has the power to direct activities that most significantly impact the funds' economic performance and also has the obligation to absorb losses of the funds that could potentially be significant to the funds.

LIHC Guaranteed Syndicated Investment Funds

UNBC also forms limited liability companies, which in turn invest in LIHC operating partnerships, to create LIHC guaranteed syndicated investment funds. Interests in these funds are sold to third parties who pay a premium for a guaranteed return. UNBC earns structuring fees from the sale of these funds and asset management fees. UNBC serves as the funds' sponsor and non-member asset manager, and also guarantees a minimum rate of return throughout the investment term, therefore, it directs the activities that most significantly impact the funds economic performance and also has an obligation to absorb losses pertaining to its minimum rate of return guarantee to investors. Therefore, the MUFG Group is considered as the primary beneficiary of these funds and consolidates them.

Special Purpose Entities Created for Structured Financing

This category primarily comprises the following:

Leveraged Leasing Vehicles

These entities are established to raise funds to purchase or build equipment and machinery including, among others, commercial vessels, passenger and cargo aircraft, and production equipment for the purpose of leasing them to lessees who use the equipment and machinery as part of their business operations. These entities typically take the form of a limited partnership or a special purpose company where they fund their purchases of equipment and machinery via senior and subordinate financing. In some cases, the entities are funded only by senior financing or there is a guarantee provided to the senior financing by parties unrelated to those providing the senior financing. In most cases, the MUFG Group participates in the senior financing and does not participate in the subordinate financing or provide guarantees. Generally, because the MUFG Group's participation in these entities is only to provide financing, it does not have the power to direct the activities of the entities that most significantly impact the economic performance of the entities. Therefore, the MUFG Group does not consider itself to be the primary beneficiary of these entities, except for limited circumstances where the MUFG Group is directly involved with the structuring of the transaction and has the power to direct the activities of the entities that most significantly impact the economic performance of the entities, and does not consolidate them.

Project Financing Vehicles

These entities are established to raise funds in connection with, among others, production of natural resources, construction and development of urban infrastructure (including power plants and grids, highways and ports), and the development of real estate properties or complexes. These projects typically involve special purpose companies which issue senior and subordinate financing to raise funds in connection with the various projects. The subordinate financing is usually provided by parties that will ultimately make use of the assets constructed or developed. By contrast, the senior financing is typically provided by financial institutions, including the MUFG Group. Because the MUFG Group's participation to these entities is only to provide financing, it does not have the power to direct the activities that most significantly impact the economic performance of these entities. Therefore, the MUFG Group is not considered as the primary beneficiary of these entities and does not consolidate them.

Sale and Leaseback Vehicles

The MUFG Group is involved with vehicles that acquire assets, primarily real estate, from the MUFG Group's clients and other unrelated parties where the sellers of the assets continue to use the assets through leaseback agreements. These vehicles typically take the form of a limited partnership where the general partner effectively has no power to direct the activities that most significantly impact the economic performance because an equity holder of the general partner serves a perfunctory role. Therefore, these vehicles are considered as VIEs. The subordinated financing of these vehicles is usually provided by the sellers of the assets, with the MUFG Group providing senior financing for the vehicles. Because the MUFG Group's participation to these vehicles is only to provide financing, it does not have the power to direct the activities that most significantly impact the economic performance of these entities. Therefore, the MUFG Group is not considered as the primary beneficiary and does not consolidate them.

Securitization of Client Real Estate Properties

These entities are established for the purpose of securitizing real estate properties held by the MUFG Group's customers. In most cases, these entities take the form of a limited partnership or a special purpose company. These entities are designed to have non-substantive power to direct the activities that most significantly impact the economic performance because the general partner or an equity holder serves a perfunctory role. The entities are typically funded by senior and subordinated financing where the original owners of the properties provide the subordinated financing, primarily in the form of partnership interests or subordinated notes, and financial institutions, including the MUFG Group, provide senior financing in the form of senior loans. Because the MUFG Group's participation to these vehicles is only to provide financing, it does not have the power to direct the activities that most significantly impact the economic performance of these entities. Therefore, the MUFG Group is not considered as the primary beneficiary and does not consolidate these entities.

Repackaged Instruments

This category primarily comprises the following:

Investments in Financially-Engineered Products

The MUFG Group is involved in special purpose entities that have been established to issue financial products through the engineering and repackaging of existing financial instruments, such as collateralized debt obligations ("CDOs") and synthetic CDOs. These special purpose entities are considered as VIEs because holders of equity investment at risks do not have the power to direct the activities that most significantly impact the economic performance. These special purpose entities are generally arranged and managed by parties that are not related to the MUFG Group. The MUFG Group's involvement with the entities arranged and managed by third parties is for investment purposes. In these cases, the MUFG Group participates as one of many other investors and the MUFG Group typically holds investments in senior tranches or tranches with high credit ratings. Therefore, the MUFG Group does not have the power to direct activities of the entities that most significantly impact the entities' economic performance, and thus is not considered as the primary beneficiary of these entities and does not consolidate these entities.

In certain instances, special purpose entities have been established and are managed by the MUFG Group. The MUFG Group's involvement includes establishing and arranging the transaction and underwriting securities issued by the entities to general investors. For these entities, the MUFG Group has the power to direct activities that most significantly impact the economic performance and it has the obligation to absorb losses or receive benefits that could potentially be significant to the entities. As such, the MUFG Group considers itself as the primary beneficiary of these entities and consolidates them.

Investments in Securitized Financial Instruments

The MUFG Group holds investments in special purpose entities that issue securitized financial products. The assets held by the special purpose entities include credit card receivables and residential mortgage loans. These entities are established and managed by parties that are unrelated to the MUFG Group and the MUFG Group's involvement with these entities is for its own investment purposes. In all cases, the MUFG Group participates as one of many other investors and the MUFG Group does not have the power to direct activities of the entities that most significantly impact the entities' economic performance. Therefore, the MUFG Group is not considered as the primary beneficiary of these entities and does not consolidate them.

Securitization of the MUFG Group's Assets

The MUFG Group establishes entities to securitize its own financial assets that include, among others, corporate and retail loans and lease receivables. The entities used for securitization, which typically take the form of a special purpose company or a trust, are established by the MUFG Group and, in most cases, issue senior and subordinate interests or financing. After securitization, the MUFG Group typically continues to service securitized assets as a servicer. The MUFG Group may also retain subordinate interests or financing or other interests. The MUFG Group is considered as the primary beneficiary and consolidates the entities used for securitization since it has the obligation to absorb losses through subordinate interests, and also has the power for determining and implementing of policies as servicer that give it the ability to manage the entities assets that become delinquent or are in default in order to improve the economic performance of the entity.

Trust Arrangements

The MUFG Group offers, primarily through its wholly-owned trust banking subsidiary, MUTB, a variety of trust products and services including securities investment trusts, pension trusts and trusts used as securitization vehicles. In a typical trust arrangement, however, the MUFG Group manages and administers assets on behalf of the customers in an agency, fiduciary and trust capacity and does not assume risks associated with the entrusted assets. The trusts are generally considered as VIEs because the trust beneficiaries, who provide all of the equity at risk, usually do not have power to direct the activities that most significantly impact its economic performance in the arrangements. The MUFG Group, however, is not considered as the primary beneficiary, except for the case mentioned below, because it merely receives fees for compensation of its services on terms that are customary for these activities and the fees are insignificant relative to the total amount of the entities' economic performance and variability. Therefore, the MUFG Group does not consolidate these entities.

With respect to the jointly operated designated money in trusts, MUTB pools money from investors or trust beneficiaries and determines how best to invest it. MUTB typically invests in high-quality financial assets, including government bonds, corporate bonds and corporate loans including loans to MUTB and receives fees as compensation for services. In this role as a sponsor of these products, MUTB provides guarantees under which it is required to compensate a loss on the stated principal of the trust beneficial interests. MUTB is considered as the primary beneficiary of these products because it is exposed to a potentially significant amount of losses and also has the power to direct activities of these products that most significantly impact the economic performance. Upon consolidation of the jointly operated designated money in trusts, the certificates issued to the trust beneficiaries are accounted for as deposit liabilities as the products are structured and marketed to customers similar to MUTB's term deposit products.

MUTB considers the likelihood of incurring losses on the face value guarantee to be highly remote. In the trusts' operational history that extends over decades, the face value guarantee has never been called upon. The variability in fair value of the net assets of jointly operated designated money in trusts has been primarily affected by the fluctuations in interest rates, and the majority of such variability has been absorbed by general investors. Accordingly, under previous guidance, the MUFG Group was not considered as the primary beneficiary because it would not absorb a majority of the entity's expected losses, receive a majority of the entity's residual returns or both.

Others

This category primarily comprises the following:

Financing Vehicles of the MUFG Group's Customers

The MUFG Group is involved with several entities that are established by the MUFG Group's customers. These entities borrow funds from financial institutions and extend loans to their group entities. These entities effectively work as fund-raising vehicles for their respective group companies and enable the groups to achieve efficient financing by integrating their financing activities into a single entity. In all cases the MUFG Group is not considered as the primary beneficiary because the MUFG Group's participation to these entities is only to provide financing, and the customers effectively hold the power to direct activities of these entities that most significantly impact the economic performance of the entities. Consequently, the MUFG Group does not consolidate these entities.

Funding Vehicles

The MUFG Group has established several wholly-owned, off-shore vehicles which issue securities, typically preferred stock that is fully guaranteed by the MUFG Group, to investors unrelated to the MUFG Group to fund purchases of debt instruments issued by the MUFG Group. These entities are considered as VIEs because the MUFG Group's investment in the vehicles' equity is not considered at risk and substantive as the entire amount raised by the vehicles was used to purchase debt instruments issued by the MUFG Group. Because the MUFG Group does not have variable interests in these financing vehicles, these financing vehicles are not considered as the MUFG Group's subsidiaries.

Troubled Borrowers

During the normal course of business, the borrowers from the MUFG Group may experience financial difficulties and sometimes enter into certain transactions that require the MUFG Group to assess whether they would be considered as VIEs due to their difficult financial position. While in most cases such borrowers are not considered as VIEs when the transactions take place, in limited circumstances they are considered as VIEs due to insufficient equity investment at risk. In all cases, however, the MUFG Group is not considered as the primary beneficiary because the power to direct activities that most significantly impact the economic performance of the troubled borrowers resides with management of the troubled borrowers, and the MUFG Group, as a lender, does not have power over or assume any role in management. Therefore, the MUFG Group does not consolidate these troubled borrowers.

24. COMMITMENTS AND CONTINGENT LIABILITIES

Lease Commitments

The MUFG Group leases certain technology systems, office space and equipment under noncancelable agreements expiring through the fiscal year 2046.

Future minimum rental commitments for noncancelable leases at March 31, 2011 were as follows:

	Capitalized leases	Operating leases
	(in millions)	
Fiscal year ending March 31:		
2012	¥14,313	¥ 78,031
2013	7,320	64,992
2014	4,176	54,560
2015	2,907	49,446
2016	1,015	47,490
2017 and thereafter	1,333	354,793
Total minimum lease payments	31,064	¥649,312[(1)]
Amount representing interest	(1,707)	
Present value of minimum lease payments	¥29,357	

Note:
(1) One of MUFG's subsidiaries has entered into non-cancelable operating lease agreements and will commence them after March 31, 2011. The total minimum lease payments of ¥57,186 million under these commitments have been included in the above table.

Total rental expense for the fiscal years ended March 31, 2009, 2010 and 2011 was ¥110,433 million, ¥108,591 million and ¥109,471 million, respectively.

Repayment of Excess Interest

The Japanese government implemented regulatory reforms affecting the consumer lending industry. In December 2006, the Diet passed legislation to reduce the maximum permissible interest rate under the Investment Deposit and Interest Rate Law from 29.2% per annum to 20% per annum. The reduction in interest rates was implemented in June 2010. The regulatory reforms also included amendments to the Law Concerning Lending Business which, effective on June 18, 2010, abolished the so-called "gray-zone interest." Gray-zone interest refers to interest rates exceeding the limits stipulated by the Interest Rate Restriction Law (between 15% per annum to 20% per annum depending on the amount of principal). Under the regulatory reforms, all interest rates for loans originated after this reform are subject to the lower limits imposed by the Interest Rate Restriction Law. Furthermore, the new regulations require stringent review procedures for consumer finance companies before lending, and with the exception of certain provisions, one of those new regulations introduces a limit on aggregate credit extensions to one-third of the borrower's annual income.

Formerly, consumer finance companies were able to charge interest rates exceeding the limits stipulated by the Interest Rate Restriction Law so long as the payment was made voluntarily by the borrowers and the lender complied with various notice and other requirements. Accordingly, MUFG's consumer finance subsidiaries and equity method investee offered loans at interest rates above the Interest Rate Restriction Law. Upon the implementation of the regulatory reforms in June 2010, they lowered the interest rates for loans originated after this reform to below the Interest Rate Restriction Law.

In 2006, the Supreme Court of Japan passed decisions in a manner more favorable to borrowers requiring reimbursement of previously paid interest exceeding the limits stipulated by the Interest Rate Restriction Law in certain circumstances. Borrowers' claims for reimbursement of excess interest increased due to such decisions and other regulatory changes. At March 31, 2010 and 2011, the allowance for repayment of excess interest established by MUFG's consumer finance subsidiaries, which was included in Other liabilities, was ¥84,216 million and ¥136,906 million, respectively. In relation to the estimate of the allowance, see Note 1 "*Change in Accounting Estimates*" section for the details. The expenses recognized relating to the allowance are shown as provision for repayment of excess interest in the consolidated statements of operations. For the fiscal years ended March 31, 2009, 2010 and 2011, an MUFG's equity method investee had a negative impact of ¥15,829 million, ¥23,109 million and ¥96,399 million, respectively, on Equity in losses of equity method investees in the consolidated statements of operations. An increase in provision for repayment of excess interest at the MUFG's equity method investee was due to the increase in the number of borrowers' claims for reimbursement of excess interest, which was triggered by the application of the Corporate Reorganization Act of a peer company caused by the enforcement of the regulation against consumer finance companies in June 2010.

Litigation

The MUFG Group is involved in various litigation matters. Management, based upon their current knowledge and the results of consultation with counsel, makes appropriate levels of litigation reserve. Management believes that the amounts of the MUFG Group's liabilities, when ultimately determined, will not have a material adverse effect on the MUFG Group's financial position, results of operations or cash flows.

25. FEES AND COMMISSIONS INCOME

Details of fees and commissions income for the fiscal years ended March 31, 2009, 2010 and 2011 were as follows:

	2009	2010	2011
		(in millions)	
Trust fees	¥ 125,451	¥ 107,175	¥ 100,519
Fees on funds transfer and service charges for collections	147,658	145,865	142,459
Fees and commissions on international business	64,128	61,201	58,462
Fees and commissions on credit card business	141,421	137,394	146,570
Service charges on deposits	31,586	27,420	22,169
Fees and commissions on securities business	112,143	129,730	138,868
Fees on real estate business	19,770	19,876	22,593
Insurance commissions	28,065	22,869	27,466
Fees and commissions on stock transfer agency services	62,878	53,040	51,926
Guarantee fees	77,592	70,489	64,347
Fees on investment funds business	130,654	127,329	130,402
Other fees and commissions	247,166	237,155	222,577
Total	¥1,188,512	¥1,139,543	¥1,128,358

Trust fees consist primarily of fees earned by fiduciary asset management and administration services for corporate pension plans, investment funds, etc. Fees on funds transfer and service charges for collection are earned by providing settlement services such as domestic fund remittances and domestic collection services. Fees and commissions on international business primarily consist of fees from international fund transfer and collection services, and trade-related financing services. Fees and commissions on credit card business are composed of interchange income, annual fees, royalty and other service charges from franchisees. Service charges on deposits are fees charged for deposits such as checking account deposits. Fees and commissions on securities business include underwriting, brokerage and advisory services and arrangement fees on securitizations. Fees on real estate business primarily consist of fees from real estate agent services. Insurance commissions are earned by acting as agent for insurance companies to sell insurance products. Fees and commissions on stock transfer agency services consist of fees earned primarily by stock title transfers and agency services for the calculation and payment of dividends. Guarantee fees are earned by providing guarantees on residential mortgage loans. Fees on investment funds business primarily consist of management fees for investment funds. Other fees and commissions include various arrangement fees and agent fees excluding the fees mentioned above.

26. TRADING ACCOUNT PROFITS AND LOSSES

The MUFG Group performs trading activities through market-making, sales and arbitrage, while maintaining risk levels within appropriate limits in accordance with its risk management policy.

The MUFG Group has trading securities and trading derivative assets and liabilities for this purpose. In addition, the trading securities include foreign currency-denominated debt securities such as foreign government or official institution bonds, corporate bonds and mortgage-backed securities, which are mainly comprised of securities measured at fair value under fair value option.

Net trading gains (losses) for the fiscal years ended March 31, 2009, 2010 and 2011 were comprised of the following:

	2009	2010	2011
		(in millions)	
Interest rate and other derivative contracts	¥ 555,505	¥ (88,486)	¥ (3,095)
Trading account securities, excluding derivatives	(813,312)	849,958	137,000
Trading account profits (losses)—net	(257,807)	761,472	133,905
Foreign exchange derivative contracts(1)	(829,605)	31,154	79,840
Net trading gains (losses)	¥(1,087,412)	¥792,626	¥213,745

Note:

(1) Gains (losses) on foreign exchange derivative contracts are included in Foreign exchange gains (losses)—net in the accompanying consolidated statements of operations. Foreign exchange gains (losses)—net in the accompanying consolidated statements of operations are also comprised of foreign exchange gains (losses) other than derivative contracts and foreign exchange gains (losses) related to the fair value option.

For further information on the methodologies and assumptions used to estimate fair value, see Note 29, which also shows fair values of trading securities by major category. Note 21 discloses further information regarding the derivative-related impact on Trading account profits (losses)—net by major category.

27. BUSINESS SEGMENTS

The business segment information, set forth below, is derived from the internal management reporting system used by management to measure the performance of the MUFG Group's business segments. In addition, the business segment is based on the financial information prepared in accordance with Japanese GAAP as adjusted in accordance with internal management accounting rules and practices. Accordingly, the format and information is not consistent with the consolidated financial statements prepared on the basis of US GAAP. A reconciliation is provided for the total amounts of segments' total operating profit with income (loss) before income tax expense (benefit) under US GAAP.

See Note 28 for financial information relating to the MUFG Group's operations by geographic area. The geographic financial information is consistent with the basis of the accompanying consolidated financial statements.

The following is a brief explanation of the MUFG Group's business segments.

Integrated Retail Banking Business Group—Covers all domestic retail businesses, including commercial banking, trust banking and securities businesses. This business group integrates the retail business of BTMU, MUTB, MUSHD, Mitsubishi UFJ NICOS and other subsidiaries as well as retail product development, promotion and marketing in a single management structure. At the same time, the business group has developed and implemented MUFG Plaza, a one-stop, comprehensive financial services concept that provides integrated banking, trust and securities services.

Integrated Corporate Banking Business Group—Covers all domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses as well as UNBC. Through the integration of these business lines, diverse financial products and services are provided to the MUFG Group's corporate clients. The business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of the MUFG Group's corporate customers. UNBC is a bank holding company in the United States, whose primary subsidiary, Union Bank, is one of the largest commercial banks in California by both total assets and total deposits. Union Bank provides a wide range of financial services to consumers, small businesses, middle market companies and major corporations, primarily in California, Oregon and Washington but also nationally and internationally.

Integrated Trust Assets Business Group—Covers asset management and administration services for products such as pension trusts and security trusts by integrating the trust banking expertise of MUTB and the global network of BTMU. The business group provides a full range of services to corporate and other pension funds, including stable and secure pension fund management and administration, advice on pension schemes, and payment of benefits to scheme members.

Global Markets—Covers asset and liability management and strategic investment of BTMU and MUTB, and sales and trading of financial products of BTMU, MUTB and MUMSS.

Other—Consists mainly of the corporate centers of MUFG, BTMU and MUTB. The elimination of duplicated amounts of net revenue among business segments is also reflected in Other.

Effective March 24, 2011, there were changes made in the managerial accounting methods mainly by transferring the sales and trading business of MUMSS from the Integrated Corporate Banking Business Group segment to the Global Markets segment. The table set forth below has been reclassified to conform to the new basis of managerial accounting:

(in billions)	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group: Domestic	Integrated Corporate Banking Business Group: Overseas: Other than UNBC	Integrated Corporate Banking Business Group: Overseas: UNBC	Integrated Corporate Banking Business Group: Overseas: Overseas total	Integrated Corporate Banking Business Group: Total	Integrated Trust Assets Business Group	Global Markets	Other	Total
Fiscal year ended March 31, 2009:										
Net revenue	¥1,321.3	¥1,012.8	¥356.8	¥256.8	¥613.6	¥1,626.4	¥171.1	¥442.8	¥(227.4)	¥3,334.2
BTMU and MUTB:	733.9	915.1	254.2	—	254.2	1,169.3	70.8	388.2	(263.5)	2,098.7
Net interest income	614.9	470.9	110.5	—	110.5	581.4	—	246.0	10.1	1,452.4
Net fees	108.8	342.9	94.4	—	94.4	437.3	70.8	(10.9)	(42.0)	564.0
Other	10.2	101.3	49.3	—	49.3	150.6	—	153.1	(231.6)	82.3
Other than BTMU and MUTB*	587.4	97.7	102.6	256.8	359.4	457.1	100.3	54.6	36.1	1,235.5
Operating expenses	975.1	508.9	173.3	157.3	330.6	839.5	93.3	118.2	182.3	2,208.4
Operating profit (loss)	¥ 346.2	¥ 503.9	¥183.5	¥ 99.5	¥283.0	¥ 786.9	¥ 77.8	¥324.6	¥(409.7)	¥1,125.8
Fiscal year ended March 31, 2010:										
Net revenue	¥1,435.2	¥ 885.4	¥347.3	¥265.3	¥612.6	¥1,498.0	¥157.2	¥594.5	¥ (79.8)	¥3,605.1
BTMU and MUTB:	660.0	786.1	229.2	—	229.2	1,015.3	61.2	517.7	(95.4)	2,158.8
Net interest income	541.2	438.6	140.6	—	140.6	579.2	—	355.1	(23.8)	1,451.7
Net fees	107.3	335.8	105.5	—	105.5	441.3	61.2	(13.3)	(46.3)	550.2
Other	11.5	11.7	(16.9)	—	(16.9)	(5.2)	—	175.9	(25.3)	156.9
Other than BTMU and MUTB*	775.2	99.3	118.1	265.3	383.4	482.7	96.0	76.8	15.6	1,446.3
Operating expenses	988.2	464.2	204.0	168.1	372.1	836.3	91.4	113.1	175.5	2,204.5
Operating profit (loss)	¥ 447.0	¥ 421.2	¥143.3	¥ 97.2	¥240.5	¥ 661.7	¥ 65.8	¥481.4	¥(255.3)	¥1,400.6
Fiscal year ended March 31, 2011:										
Net revenue	¥1,347.5	¥ 893.6	¥347.1	¥267.2	¥614.3	¥1,507.9	¥157.0	¥556.2	¥ (37.2)	¥3,531.4
BTMU and MUTB:	635.6	795.5	250.5	—	250.5	1,046.0	59.5	616.4	(45.3)	2,312.2
Net interest income	511.8	428.2	129.8	—	129.8	558.0	—	314.7	2.2	1,386.7
Net fees	116.6	308.4	105.6	—	105.6	414.0	59.5	(10.0)	(47.6)	532.5
Other	7.2	58.9	15.1	—	15.1	74.0	—	311.7	0.1	393.0
Other than BTMU and MUTB*	711.9	98.1	96.6	267.2	363.8	461.9	97.5	(60.2)	8.1	1,219.2
Operating expenses	945.0	460.1	202.7	174.9	377.6	837.7	97.2	105.1	152.0	2,137.0
Operating profit (loss)	¥ 402.5	¥ 433.5	¥144.4	¥ 92.3	¥236.7	¥ 670.2	¥ 59.8	¥451.1	¥(189.2)	¥1,394.4

* Includes MUFG and its subsidiaries other than BTMU and MUTB.

Reconciliation

As set forth above, the measurement bases and the income and expenses items of the internal management reporting system are different from the accompanying consolidated statements of operations. Therefore, it is impracticable to present reconciliations of all of the business segments' information, other than operating profit, to corresponding items in the accompanying consolidated statements of operations.

A reconciliation of the operating profit under the internal management reporting system for the fiscal years ended March 31, 2009, 2010 and 2011 above to income (loss) before income tax expense (benefit) shown on the consolidated statements of operations is as follows:

	2009	2010	2011
		(in billions)	
Operating profit:	¥ 1,126	¥1,401	¥1,394
Provision for credit losses	(627)	(648)	(292)
Trading account profits (losses)—net	(392)	387	(70)
Equity investment securities gains (losses)—net	(538)	207	8
Debt investment securities losses—net	(104)	(11)	(105)
Foreign exchange gains (losses)—net	(48)	118	146
Equity in losses of equity method investees	(60)	(104)	(91)
Impairment of goodwill	(846)	—	—
Impairment of intangible assets	(127)	(12)	(27)
Provision for repayment of excess interest	(48)	(45)	(86)
Other—net	(100)	(11)	(40)
Income (loss) before income tax expense (benefit)	¥(1,764)	¥1,282	¥ 837

28. FOREIGN ACTIVITIES

Foreign operations include the business conducted by overseas offices, as well as international business conducted from domestic offices, principally several international banking-related divisions of BTMU's and MUTB's Head Office in Tokyo, and involve various transactions with debtors and customers residing outside Japan. Close integration of the MUFG Group's foreign and domestic activities makes precise estimates of the amounts of assets, liabilities, income and expenses attributable to foreign operations difficult and necessarily subjective. Assets, income and expenses attributable to foreign operations are allocated to geographical areas based on the domicile of the debtors and customers.

Generally, interest rates with respect to funds borrowed and loaned between domestic and foreign operations are based on prevailing money market rates appropriate for the transactions. In general, the MUFG Group has allocated all direct expenses and a proportionate share of general and administrative expenses to income derived from foreign loans and other transactions by the MUFG Group's foreign operations. The following table sets forth estimated total assets at March 31, 2009, 2010 and 2011, and estimated total revenue, total expense, income (loss) before income tax expense (benefit) and net income (loss) attributable to Mitsubishi UFJ Financial Group for the respective fiscal years then ended:

	Domestic	Foreign				Total
	Japan	United States of America	Europe	Asia/Oceania excluding Japan	Other areas(1)	
	(in millions)					
Fiscal year ended March 31, 2009:						
Total revenue(2)	¥ 2,924,414	¥ 568,655	¥ 233,703	¥ 329,672	¥ 14,449	¥ 4,070,893
Total expense(3)	4,281,841	778,956	471,273	218,851	84,199	5,835,120
Income (loss) before income tax expense (benefit)	(1,357,427)	(210,301)	(237,570)	110,821	(69,750)	(1,764,227)
Net income (loss) attributable to Mitsubishi UFJ Financial Group	(1,064,387)	(223,501)	(229,462)	119,442	(70,132)	(1,468,040)
Total assets at end of fiscal year	142,996,407	23,092,047	14,981,793	7,473,868	4,955,302	193,499,417
Fiscal year ended March 31, 2010:						
Total revenue(2)	¥ 3,604,965	¥ 604,395	¥ 355,005	¥ 482,588	¥ 165,416	¥ 5,212,369
Total expense(3)	3,065,026	396,009	130,576	209,560	129,082	3,930,253
Income before income tax expense	539,939	208,386	224,429	273,028	36,334	1,282,116
Net income attributable to Mitsubishi UFJ Financial Group	189,751	192,970	199,093	241,445	36,560	859,819
Total assets at end of fiscal year	149,023,436	21,624,397	15,804,022	8,421,156	5,211,386	200,084,397
Fiscal year ended March 31, 2011:						
Total revenue(2)	2,969,012	446,521	238,658	470,868	135,333	4,260,392
Total expense(3)	2,782,950	266,549	130,533	238,735	4,387	3,423,154
Income before income tax expense	186,062	179,972	108,125	232,133	130,946	837,238
Net income (loss) attributable to Mitsubishi UFJ Financial Group	(103,003)	171,838	90,032	193,422	109,507	461,796
Total assets at end of fiscal year	145,778,973	23,481,443	17,044,207	10,908,164	5,648,501	202,861,288

Notes:
(1) Other areas primarily include Canada, Latin America, the Caribbean and Middle East.
(2) Total revenue is comprised of Interest income and Non-interest income.
(3) Total expense is comprised of Interest expense, Provision for credit losses and Non-interest expense.

The following is an analysis of certain asset and liability accounts related to foreign activities at March 31, 2010 and 2011:

	2010	2011
	(in millions)	
Cash and due from banks	¥ 347,773	¥ 304,188
Interest-earning deposits in other banks	4,039,789	5,132,127
Total	¥ 4,387,562	¥ 5,436,315
Trading account assets	¥14,826,329	¥18,393,393
Investment securities	¥ 5,648,126	¥ 6,003,420
Loans—net of unearned income, unamortized premiums and deferred loan fees	¥20,161,551	¥19,962,692
Deposits	¥22,672,788	¥20,918,476
Funds borrowed:		
Call money, funds purchased	¥ 173,829	¥ 213,930
Payables under repurchase agreements	6,559,641	5,870,083
Payables under securities lending transactions	261,270	270,189
Other short-term borrowings	1,744,690	1,469,984
Long-term debt	3,913,889	3,430,606
Total	¥12,653,319	¥11,254,792
Trading account liabilities	¥ 2,778,540	¥ 3,338,947

29. FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under the applicable accounting guidance. The guidance also specifies a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data. Based on the observability of the inputs used in the valuation techniques, the following three-level hierarchy is specified by the guidance:

- Level 1—Unadjusted quoted prices for identical instruments in active markets.
- Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the instruments.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instruments.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The MUFG Group has an established and documented process for determining fair values in accordance with the guidance. When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is based upon valuation techniques that use, where possible, current market-based or non-market-based parameters, such as interest rates, yield curves, foreign exchange rates, volatilities and credit curves. The fair values of liabilities are determined by discounting future cash flows at a rate which incorporates the MUFG Group's own creditworthiness. In addition, valuation adjustments may be made to ensure the financial instruments are recorded at fair value. These adjustments include, but not limited to, amounts that reflect counterparty credit quality, liquidity risk and model risk.

The following section describes the valuation methodologies adopted by the MUFG Group to measure fair values of certain financial instruments. The discussion includes the general classification of such financial instruments in accordance with the valuation hierarchy, a brief explanation of the valuation techniques, the significant inputs to those models, and any additional significant assumptions.

Interest-earning Deposits in Other Banks

Certain interest-earning deposits are measured at fair value by using discounted cash flows due to election of the fair value option. Cash flows are estimated based on the terms of the contracts and discounted by markets rates applicable to the maturity of the contracts, which are adjusted to reflect credit risks on counterparties. As the inputs into the valuation are readily observable, these deposits are classified in Level 2 of the valuation hierarchy.

Receivables Under Resale Agreements

Certain receivables under resale agreements are measured at fair value by using discounted cash flows due to election of the fair value option. Cash flows are estimated based on the terms of the contracts and discounted by the interest rates applicable to the maturity of the contracts, which are adjusted to reflect credit risks on counterparties. These receivables are classified in Level 2 of the valuation hierarchy.

Trading Account Assets and Liabilities—Trading Securities

When quoted prices are available in an active market, the MUFG Group adopts the quoted market prices to measure the fair values of securities and such securities are classified in Level 1 of the valuation hierarchy. Examples of Level 1 securities include certain Japanese and foreign government bonds, residential mortgage-backed securities and marketable equity securities.

When quoted market prices are available but not traded actively, such securities are classified in Level 2 of the valuation hierarchy. These securities include certain Japanese government agency bonds, Japanese prefectural and municipal bonds, foreign governments and official institutions bonds, corporate bonds, residential mortgage-backed securities and equity securities.

When quoted market prices are not available, the MUFG Group estimates fair values by using internal valuation techniques, quoted price of securities with similar characteristics or non-binding prices obtained from independent pricing vendors. Such securities include certain commercial papers, corporate bonds, asset-backed securities and residential mortgage-backed securities. For commercial papers, the MUFG Group estimates fair value by using discounted cash flow techniques. The cash flows are estimated in accordance with the terms of contracts and discounted using a discount rate based on yield curve estimated from market rates appropriate to the securities. Commercial papers are generally classified in Level 2 of the valuation hierarchy. For corporate bonds, the MUFG Group estimates fair value by using the internal models. Key inputs of the internal models include estimated cash flows based on the terms of the contracts, yield curves based on the market rates and volatilities. Corporate bonds which are valued using such methods are generally classified in Level 2 of the valuation hierarchy. If such key inputs are unobservable, they are classified in Level 3 of the valuation hierarchy. Certain investments in funds valued at net assets value are classified in Level 2 if they can be redeemed at their net asset value at the measurement date or in the near future.

When there is less liquidity for securities or significant inputs adopted in the fair value measurements are less observable, such securities are classified in Level 3 of the valuation hierarchy. Examples of such Level 3 securities include CLOs backed by general corporate loans, which are classified in asset-backed securities. Those CLO's are measured by weighting the estimated amounts from the internal models and the non-binding quotes from the independent broker-dealers. The weight of the broker-dealer quote is determined based on the result of inquiries to the broker-dealers for their basis of the fair value calculation with consideration of activity level of the market. Key inputs of the internal models include projected cash flows through an analysis of underlying loans, probability of default which incorporates market indices such as LCDX which is an index of loan credit default swaps, repayment rates and discount rates reflecting liquidity premiums based on historical market data.

Trading Account Assets and Liabilities—Derivatives

Exchange-traded derivatives valued using quoted prices are classified in Level 1 of the valuation hierarchy. Examples of Level 1 derivative include security future transactions and interest rate future transactions. However, the majority of the derivative contracts entered into by the MUFG Group are traded over-the-counter and valued using internally developed techniques as there are no quoted market prices for such instruments. The valuation models and inputs vary depending on the types and contractual terms of the derivative instruments. The principal models adopted to value those instruments include discounted cash flows, the Black-Scholes model and the Hull-White model. The key inputs include interest rate yield curve, foreign currency exchange rate, volatility, credit quality of the counterparty or the MUFG Group and spot price of the underlying. These models are commonly accepted in the financial industry and key inputs to the models are readily observable from an actively quoted market. Derivative instruments valued by such models and inputs are generally classified in Level 2 of the valuation hierarchy. Examples of such Level 2 derivatives include plain interest rate swaps, foreign currency forward contracts and currency option contracts.

Derivatives that are valued based on models with significant unobservable input are classified in Level 3 of the valuation hierarchy. Examples of Level 3 derivatives include long-term interest rate or currency swaps and certain credit derivatives, where significant inputs such as volatility, credit curves and correlation of such inputs are unobservable.

Investment Securities

Investment securities include available for sale debt and equity securities, whose fair values are measured using the same methodologies as the trading securities described above except for certain private placement bonds issued by Japanese non-public companies. Fair values of certain private placement bonds issued by Japanese non-public companies are measured based on discounted cash flow methods by using discount rate applicable to the maturity of the bonds, which are adjusted to reflect credit risk of issuers. From the second half of fiscal year ended March 31, 2010, the credit risk of issuers are included in the future cash flows being discounted at the date applicable to the maturity of the bonds. The private placement bonds are generally utilized to finance medium or small size non-public companies as an alternative of loans. These bonds are classified as either Level 2 or Level 3 of the valuation hierarchy depending on the significance of the adjustments for unobservable credit worthiness input. This account also includes investments in nonmarketable equity securities which are subject to specialized industry accounting practice. The valuation of such nonmarketable equity securities involves significant management judgment due to the absence of quoted market prices, lack of liquidity and the long term nature of these investments. Further, there may be restriction of transfer on nonmarketable equity securities. The MUFG Group values such securities initially at transaction price and subsequently adjusts valuations considering evidence such as current sales transactions of similar securities, initial public offerings, recent equity issuances and change in financial condition of an investee company. Nonmarketable equity securities are included in Level 3 of the valuation hierarchy.

Other Assets

Other assets measured at fair value mainly consist of securities that may be sold or repledged under securities lending transactions, money in trust for segregating cash deposited by customers on security transactions and derivative assets designated as hedging instruments. The securities under lending transaction mainly consist of certain Japanese and foreign government bonds which are valued using the methodologies described in the *"Trading Account Assets and Liabilities—Trading Securities"* above.

Money in trust for segregating cash deposited by customers on security transactions mainly consists of certain Japanese government bonds which are valued using the methodologies described in the *"Trading Account Assets and Liabilities—Trading Securities"* above and is included in Level 1 or Level 2 of the valuation hierarchy depending on the component assets.

The fair values of derivatives designated as hedging instruments are measured using the methodologies described in the *"Trading Account Assets and Liabilities—Derivatives"* above.

Obligations to Return Securities Received as Collateral

Obligations to return securities received as collateral under the securities lending transactions are measured at fair values of securities received as collateral. The securities received as collateral consist primarily of certain Japanese and foreign government bonds, whose fair values are measured using the methodologies described in the "*Trading Account Assets and Liabilities—Trading Securities*" above.

Other Short-term Borrowings and Long-term Debt

Other short-term borrowings and long-term debt are measured at fair values due to election of the fair value option. These instruments under the fair value option are measured principally using internally developed models such as the discounted cash flow method. Where the inputs into the valuation are mainly based on observable inputs, these instruments are classified in Level 2 of the valuation hierarchy. Where significant inputs are unobservable, they are classified in Level 3 of the valuation hierarchy.

Market Valuation Adjustments

Counterparty credit risk adjustments are applied to certain financial assets such as over-the-counter derivatives. As not all counterparties have the same credit rating, it is necessary to take into account the actual credit rating of a counterparty to arrive at the fair value. In addition, the counterparty credit risk adjustment takes into account the effect of credit risk mitigates such as pledged collateral and legal right of offsets with the counterparty.

Own credit risk adjustments which reflect own creditworthiness are applied to financial liabilities measured at fair value.

Liquidity adjustments are applied mainly to the instruments classified in Level 3 of the fair value hierarchy when recent prices of such instruments are unobservable in inactive or less active markets. The liquidity adjustments are based on the facts and circumstances of the markets including the availability of external quotes and the time since the latest available quote.

Model valuation adjustments such as unobservable parameter valuation adjustments may be provided when the fair values of instruments are determined based on internally developed models. Examples of such adjustments include adjustments to the model price of certain derivative financial instruments where parameters such as correlation are unobservable. Unobservable parameter valuation adjustments are applied to mitigate the possibility of error in the model based estimate value.

Investments in Certain Entities That Calculate Net Asset Value per Share

The MUFG Group has investments mainly in hedge funds, private equity funds, and real estate funds included in recurring and nonrecurring items.

Hedge funds are multi-disciplinary hedge funds that employ a fundamental bottom-up investment approach across various asset classes and strategies. The MUFG Group's investments in these funds are generally redeemable on a monthly-quarterly basis with 30-90 days notice.

Private equity funds have specific investment objectives in connection with their acquisition of equity interests, such as providing financing and other support to start-up businesses, medium and small entities in a particular geographical area, and to companies with certain technology or companies in a high-growth industry. Generally, these investments cannot be redeemed with the funds and the return of invested capital and its gains are derived from distributions received upon the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the fund would be liquidated within a ten year period.

Real estate funds invest globally and primarily in real estate companies, debt recapitalizations and direct property. These investments are generally not redeemable with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds would be liquidated within a three year period.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the financial instruments carried at fair value by level within the fair value hierarchy as of March 31, 2010 and 2011:

	March 31, 2010			
	Level 1	Level 2	Level 3	Fair Value
	(in millions)			
Assets				
Trading account assets:				
Trading securities[1]	¥13,308,112	¥ 4,332,959	¥1,166,538	¥18,807,609
Debt securities				
Japanese national government and Japanese government agency bonds	4,480,316	94,718	—	4,575,034
Japanese prefectural and municipal bonds	—	91,076	—	91,076
Foreign governments and official institutions bonds	6,237,215	487,898	171,534	6,896,647
Corporate bonds	—	1,072,625	494,987	1,567,612
Residential mortgage-backed securities	1,402,188	200,096	56,468	1,658,752
Commercial mortgage-backed securities	—	—	17,315	17,315
Asset-backed securities	—	127,301	389,061	516,362
Other debt securities	—	5,166	—	5,166
Commercial paper	—	1,473,625	—	1,473,625
Equity securities[2]	1,188,393	780,454	37,173	2,006,020
Trading derivative assets	25,878	8,446,637	382,952	8,855,467
Investment securities:				
Securities available for sale	43,871,776	4,176,491	2,363,609	50,411,876
Debt securities				
Japanese national government and Japanese government agency bonds	38,324,775	1,108,086	—	39,432,861
Japanese prefectural and municipal bonds	—	277,831	3,069	280,900
Foreign governments and official institutions bonds	1,223,777	33,852	87,597	1,345,226
Corporate bonds	—	1,311,183	2,163,465	3,474,648
Residential mortgage-backed securities	3,839	910,745	26,827	941,411
Commercial mortgage-backed securities	—	38,820	14,475	53,295
Asset-backed securities	—	260,723	67,095	327,818
Other debt securities	—	47	990	1,037
Marketable equity securities	4,319,385	235,204	91	4,554,680
Other investment securities	—	1,122	33,904	35,026
Others[3][4]	442,086	206,447	17,217	665,750
Total	¥57,647,852	¥17,163,656	¥3,964,220	¥78,775,728
Liabilities				
Trading account liabilities:				
Trading securities sold, not yet purchased	¥ 166,020	¥ 2,629	¥ —	¥ 168,649
Trading derivative liabilities	77,470	8,031,143	411,564	8,520,177
Obligation to return securities received as collateral	3,071,320	158,001	—	3,229,321
Others[5]	—	467,590	45,347	512,937
Total	¥ 3,314,810	¥ 8,659,363	¥ 456,911	¥12,431,084

	March 31, 2011			
	Level 1	Level 2	Level 3	Fair Value
	(in millions)			
Assets				
Trading account assets:				
Trading securities[1]	¥12,644,634	¥ 5,009,610	¥1,137,411	¥18,791,655
Debt securities				
Japanese national government and Japanese government agency bonds	2,739,773	132,582	—	2,872,355
Japanese prefectural and municipal bonds	—	70,279	—	70,279
Foreign governments and official institutions bonds	6,857,423	1,042,185	115,557	8,015,165
Corporate bonds	—	1,277,076	554,364	1,831,440
Residential mortgage-backed securities	2,151,410	310,459	53,688	2,515,557
Commercial mortgage-backed securities	—	—	39,076	39,076
Asset-backed securities	—	86,468	353,835	440,303
Other debt securities	—	6,896	—	6,896
Commercial paper	—	1,457,637	—	1,457,637
Equity securities[2]	896,028	626,028	20,891	1,542,947
Trading derivative assets	76,514	9,854,646	101,980	10,033,140
Interest rate contracts	14,201	7,391,719	14,618	7,420,538
Foreign exchange contracts	169	2,232,386	81,945	2,314,500
Equity contracts	48,101	32,266	1,411	81,778
Commodity contracts	14,043	154,768	2,512	171,323
Credit derivative contracts	—	43,507	1,494	45,001
Investment securities:				
Securities available for sale	48,178,801	4,053,521	2,203,312	54,435,634
Debt securities				
Japanese national government and Japanese government agency bonds	43,813,364	906,258	—	44,719,622
Japanese prefectural and municipal bonds	—	199,227	1,054	200,281
Foreign governments and official institutions bonds	723,020	135,362	130,409	988,791
Corporate bonds	—	1,131,570	2,007,972	3,139,542
Residential mortgage-backed securities	2,587	1,112,201	23,783	1,138,571
Commercial mortgage-backed securities	—	22,243	8,147	30,390
Asset-backed securities	—	421,598	30,792	452,390
Other debt securities	—	—	960	960
Marketable equity securities	3,639,830	125,062	195	3,765,087
Other investment securities	—	1,116	35,908	37,024
Others[3][4]	432,154	229,825	15,303	677,282
Total	¥61,332,103	¥19,148,718	¥3,493,914	¥83,974,735
Liabilities				
Trading account liabilities:				
Trading securities sold, not yet purchased	¥ 27,988	¥ 2,580	¥ —	¥ 30,568
Trading derivative liabilities	30,647	9,708,928	138,831	9,878,406
Interest rate contracts	2,116	7,253,626	74,576	7,330,318
Foreign exchange contracts	279	2,229,960	49,034	2,279,273
Equity contracts	19,581	52,870	11,892	84,343
Commodity contracts	8,671	127,065	1,533	137,269
Credit derivative contracts	—	45,407	1,796	47,203
Obligation to return securities received as collateral	3,069,717	198,058	—	3,267,775
Others[5]	—	442,946	18,183	461,129
Total	¥ 3,128,352	¥10,352,512	¥ 157,014	¥13,637,878

Notes:
(1) Includes securities under fair value option.
(2) Includes investments valued at net asset value of ¥304,120 million and ¥193,249 million at March 31, 2010 and 2011, respectively. The unfunded commitments related to these investments at March 31, 2010 and 2011 are ¥6,455 million and ¥5,780 million, respectively. These investments are mainly hedge funds.

(3) Includes interest-earning deposits in other banks, receivables under resale agreements, securities under lending transactions, money in trust for segregating cash deposited by customers on security transactions and derivatives designated as hedging instruments.
(4) Includes investments valued at net asset value of real estate funds, hedge funds and private equity funds, whose fair values at March 31, 2010 were ¥7,050 million, ¥4,002 million and ¥3,972 million, respectively, and those at March 31, 2011 were ¥7,332 million, ¥3,986 million and ¥3,220 million, respectively. The amounts of unfunded commitments related to these real estate funds, hedge funds and private equity funds at March 31, 2010 were ¥2,758 million, ¥3,325 million and ¥3,532 million, respectively, and those at March 31, 2011 were ¥1,940 million, ¥2,542 million and ¥2,901 million, respectively.
(5) Includes other short-term borrowings, long-term debt, bifurcated embedded derivatives carried at fair value and derivative liabilities designated as hedging instruments.

Transfers Between Level 1 and Level 2

During the fiscal year ended March 31, 2011, the transfers between Level 1 and Level 2 were not significant.

Changes in Level 3 Recurring Fair Value Measurements

The following table presents a reconciliation of the assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the fiscal years ended March 31, 2010 and 2011. When a determination is made to classify a financial instrument within Level 3, the determination is based upon the significance of the unobservable parameters to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable or Level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources); accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology.

		Total realized/ unrealized gains (losses)						
	March 31, 2009	Included in earnings	Included in other changes in equity from nonowner sources	Purchases, issuances and settlements	Transfer into Level 3[6]	Transfer out of Level 3[6]	March 31, 2010	Change in unrealized gains (losses) included in earnings for assets and liabilities still held at March 31, 2010
	(in millions)							
Assets								
Trading account assets:								
Trading securities[1]	¥1,906,009	¥182,968[2]	¥ —	¥(580,019)	¥ 14,582	¥ (357,002)	¥1,166,538	¥91,316[2]
Debt securities								
Foreign governments and official institutions bonds	193,673	1,420	—	(4,367)	—	(19,192)	171,534	(1,041)
Corporate bonds	509,257	29,123	—	3,631	14,582	(61,606)	494,987	22,984
Residential mortgage-backed securities	113,495	17,091	—	(74,118)	—	—	56,468	11,328
Commercial mortgage-backed securities	16,401	7,387	—	(6,473)	—	—	17,315	6,763
Asset-backed securities	702,996	70,737	—	(330,899)	—	(53,773)	389,061	45,512
Other debt securities	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—
Equity securities	370,187	57,210	—	(167,793)	—	(222,431)[5]	37,173	5,770
Trading derivatives (Net)	4,491	(16,391)[2]	(45)	(37,378)	24,767	(4,056)	(28,612)	30,262[2]
Investment securities:								
Securities available for sale	3,335,664	(4,857)[3]	30,835	(349,625)	308,526	(956,934)	2,363,609	(24,775)[3]
Debt securities								
Japanese prefectural and municipal bonds	4,471	13	—	(1,415)	—	—	3,069	8
Foreign governments and official institutions bonds	24,148	(6)	4,235	59,220	—	—	87,597	(6)
Corporate bonds	3,043,083	(4,845)	23,113	(382,381)	308,526	(824,031)	2,163,465	(24,792)
Residential mortgage-backed securities	32,302	(1)	38	(5,512)	—	—	26,827	(1)
Commercial mortgage-backed securities	18,086	1	(503)	(3,109)	—	—	14,475	1
Asset-backed securities	205,271	(85)	2,543	(7,731)	—	(132,903)	67,095	(16)
Other debt securities	1,357	56	40	(463)	—	—	990	31
Marketable equity securities	6,946	10	1,369	(8,234)	—	—	91	—
Other investment securities	42,681	(7,757)[4]	46	(328)	—	(738)	33,904	(8,089)[4]
Others	18,312	(1,212)[4]	—	117	—	—	17,217	(1,027)[4]
Total	¥5,307,157	¥152,751	¥ 30,836	¥(967,233)	¥347,875	¥(1,318,730)	¥3,552,656	¥87,687
Liabilities								
Others	¥ (133,087)	¥ (1,526)[4]	¥(17,391)	¥ 5,955	¥153,524	¥ 38	¥ 45,347	¥ 6,876[4]
Total	¥ (133,087)	¥ (1,526)	¥(17,391)	¥ 5,955	¥153,524	¥ 38	¥ 45,347	¥ 6,876

	March 31, 2010	Total realized/unrealized gains (losses): Included in earnings	Total realized/unrealized gains (losses): Included in other changes in equity from nonowner sources	Purchases, issuances and settlements	Transfer into Level 3[6]	Transfer out of Level 3[6]	March 31, 2011	Change in unrealized gains (losses) included in earnings for assets and liabilities still held at March 31, 2011
	(in millions)							
Assets								
Trading account assets:								
Trading securities[1]	¥1,166,538	¥ 2,077[2]	¥ —	¥ (98,921)	¥ 87,162	¥ (19,445)	¥1,137,411	¥(10,933)[2]
Debt securities								
Foreign governments and official institutions bonds	171,534	(1,720)	—	(64,468)	10,211	—	115,557	(6,688)
Corporate bonds	494,987	(12,756)	—	9,697	76,949[7]	(14,513)[7]	554,364	(7,892)
Residential mortgage-backed securities	56,468	5,963	—	(8,743)	—	—	53,688	5,062
Commercial mortgage-backed securities	17,315	3,425	—	18,336	—	—	39,076	2,890
Asset-backed securities	389,061	(632)	—	(29,662)	—	(4,932)	353,835	(4,306)
Equity securities	37,173	7,797	—	(24,081)	2	—	20,891	1
Trading derivatives—net	(28,612)	(9,821)[2]	5,948	(23,117)	31,005	(12,254)	(36,851)	(4,571)[2]
Interest rate contracts—net	(45,467)	(4,991)	—	(14,513)	14,212	(9,199)	(59,958)	6
Foreign exchange contracts—net	6,440	46	5,963	(5,245)	16,826	8,881	32,911	(2,201)
Equity contracts—net	(8,272)	(982)	(15)	(1,212)	—	—	(10,481)	(2,417)
Commodity contracts—net	14,003	276	—	(1,331)	(33)	(11,936)	979	434
Credit derivative contracts—net	4,684	(4,170)	—	(816)	—	—	(302)	(393)
Investment securities:								
Securities available for sale	2,363,609	(431)[3]	7,476	(354,656)	503,817	(316,503)	2,203,312	(16,526)[3]
Debt securities								
Japanese prefectural and municipal bonds	3,069	9	3	(2,027)	—	—	1,054	2
Foreign governments and official institutions bonds	87,597	(378)	1,888	41,302	—	—	130,409	(296)
Corporate bonds	2,163,465	3,844	6,150	(371,409)	503,817[7]	(297,895)[7]	2,007,972	(14,699)
Residential mortgage-backed securities	26,827	(1,629)	180	(1,595)	—	—	23,783	(1)
Commercial mortgage-backed securities	14,475	(1,522)	863	(5,669)	—	—	8,147	(1,522)
Asset-backed securities	67,095	(733)	(1,612)	(15,350)	—	(18,608)	30,792	11
Other debt securities	990	(20)	—	(10)	—	—	960	(20)
Marketable equity securities	91	(2)	4	102	—	—	195	(1)
Other investment securities	33,904	384[4]	(337)	2,670	—	(713)	35,908	(131)[4]
Others	17,217	(1,489)[4]	—	(425)	—	—	15,303	(1,182)[4]
Total	¥3,552,656	¥ (9,280)	¥13,087	¥(474,449)	¥621,984	¥(348,915)	¥3,355,083	¥(33,343)
Liabilities								
Others	¥ 45,347	¥ 2,453[4]	¥21,184	¥ (3,905)	¥ 378	¥ —	¥ 18,183	¥(14,902)[4]
Total	¥ 45,347	¥ 2,453	¥21,184	¥ (3,905)	¥ 378	¥ —	¥ 18,183	¥(14,902)

Notes:
(1) Includes trading securities under fair value option.
(2) Included in trading account profits (losses)—net and in foreign exchange gains (losses)—net.
(3) Included in investment securities gains (losses)—net.
(4) Included in trading account profits (losses)—net.
(5) The MUFG Group reclassified investments in certain hedge funds from Level 3 to Level 2 because they were redeemable at net asset value at the measurement date or in the near future.

(6) All transfers out of Level 3 or into Level 3 were assumed to have occurred at the beginning of the period during the fiscal year ended March 31, 2011 while all transfers out of Level 3 were assumed to have occurred at the end of the period during the fiscal year ended March 31, 2010.

(7) Transfers out of and into Level 3 for corporate bonds were due to changes in the impact of unobservable credit worthiness inputs to the entire fair value measurement of the private placement bonds issued by Japanese non-public companies. Unobservable credit worthiness inputs include probability of default based on credit rating of the bond issuers and loss given default which are based on the MUFG Group's internal data.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities may be measured at fair value on a nonrecurring basis in periods subsequent to their initial recognition. These assets are subject to fair value adjustments that result from the application of the lower of cost or fair value accounting or write-downs of individual assets. The following table presents the carrying value of assets measured at fair value on a nonrecurring basis by level within the fair value hierarchy as of March 31, 2010 and 2011:

	March 31, 2010			
	Level 1	Level 2	Level 3	Total carrying value
	(in millions)			
Assets				
Investment securities[1]	¥ —	¥ —	¥ 14,127	¥ 14,127
Loans	10,346	37,247	385,979	433,572
Premises and equipment	—	—	11,025	11,025
Intangible assets	—	—	52,262	52,262
Other assets[1][2]	144,659	—	29,781	174,440
Total	¥155,005	¥37,247	¥493,174	¥685,426

Notes:

(1) Includes investments valued at net asset value of ¥22,686 million. The unfunded commitments related to these investments are ¥12,269 million. These investments are private equity funds.

(2) Includes investments in equity method investees.

	March 31, 2011			
	Level 1	Level 2	Level 3	Total carrying value
	(in millions)			
Assets				
Investment securities[1]	¥ —	¥ —	¥ 5,185	¥ 5,185
Loans	12,243	14,843	343,696	370,782
Loans held for sale	—	1,901	4,726	6,627
Collateral dependent loans	12,243	12,942	338,970	364,155
Premises and equipment	—	—	10,371	10,371
Intangible assets	—	—	32,833	32,833
Other assets	51,083	—	20,128	71,211
Investments in equity method investees[1]	51,083	—	13,853	64,936
Other	—	—	6,275	6,275
Total	¥63,326	¥14,843	¥412,213	¥490,382

Note:

(1) Includes investments valued at net asset value of ¥14,098 million. The unfunded commitments related to these investments are ¥5,407 million. These investments are private equity funds.

The following table presents the nonrecurring changes in fair value which have been recorded during the fiscal years ended March 31, 2010 and 2011:

	Losses for the fiscal year ended March 31, 2010
	(in millions)
Investment securities	¥ 26,262
Loans	211,471
Premises and equipment	10,548
Intangible assets	12,400
Other assets(1)	110,722
Total	¥371,403

Note:

(1) Includes investments in equity method investees. The MUFG Group recorded impairment losses on investments in equity method investees, in mainly a consumer finance company, of ¥110,189 million.

	Losses for the fiscal year ended March 31, 2011
	(in millions)
Investment securities	¥ 3,364
Loans	160,862
Loans held for sale	1,263
Collateral dependent loans	159,599
Premises and equipment	11,497
Intangible assets	26,566
Other assets	23,827
Investments in equity method investees	21,895
Other	1,932
Total	¥226,116

Investment securities include mainly impaired cost-method nonmarketable equity securities which were written down to fair value during the period. The fair values are determined based on recent financial position and projected future cash flows of investees.

Loans include loans held for sale and collateral dependent loans. Loans held for sale are recorded at the lower of cost or estimated fair value. The fair value of the loans held for sale is based on secondary market, recent transactions or discounted cash flows. These loans are principally classified in Level 3 of the valuation hierarchy, and when quoted prices are available but not traded actively, such loans held for sale are classified in Level 2 of the valuation hierarchy. Collateral dependent loans are measured at fair value of the underlying collateral. Collaterals are comprised mainly of real estate and exchange traded equity securities. The MUFG Group maintains an established process for internally determining the fair value of real estate, using the following valuation techniques and assumptions. Collateral dependent loans that are measured based on underlying real estate collateral are classified in Level 3 of the valuation hierarchy.

- *Replacement cost approach.* The replacement cost approach is primarily used for buildings and land they are built on. This approach calculates the collateral value based on the replacement cost of the property as of the valuation date. Replacement cost tables and useful life tables used for this approach are developed by appraising subsidiaries.

- *Sales comparison approach.* The sales comparison approach is mainly used for land. The collateral value is based on Japanese government official land prices and standard land prices, considering the results of comparison analysis between the official roadside value which is used for tax purposes and the related government official land and standard land prices.
- *Income approach.* The income approach is, as a general rule, applied to all rental properties. This approach calculates the collateral value using expected future cash flows. In this approach, the expected annual net operating income is discounted by the related capitalization yield. The significant assumptions within the income approach are the expected annual net operating income and capitalization yield. The expected annual net operating income is estimated based on rental income of the property. The capitalization yield is determined based on the location and use of the property by appraising subsidiaries. The capitalization yield may be adjusted to reflect the trends in locations, occupancy rates and rent level and other factors.

Premises and equipment consist of those assets which were written down to fair value. The fair values are determined based on price obtained from an appraiser or discounted cash flows. These impaired premises and equipment are classified as Level 3 of the valuation hierarchy.

Intangible assets consist of those assets which were written down to fair values. The fair values are determined based on discounted cash flows. These impaired intangible assets are classified as Level 3 of the valuation hierarchy.

Other assets mainly consist of investments in equity method investees which were written down to fair value due to impairment. The MUFG Group records impairment losses when a decline in fair value below cost is other than temporary based on the quoted market price. The impairment losses are included in equity in losses of equity method investees in the consolidated statements of operations. When investments in equity method investees are marketable equity securities, the fair values are determined based on quoted market prices. Impaired investments in equity method investees which are marketable equity securities are classified in either Level 1 or Level 2 of the valuation hierarchy. When investments in equity method investees are nonmarketable equity securities, the fair values are determined using the same methodologies as impaired nonmarketable equity securities described above. Impaired investments in equity method investees which are nonmarketable equity securities are classified in Level 3 of the valuation hierarchy.

Fair Value Option

The MUFG Group elected the fair value option for foreign currency-denominated debt securities and equity securities held by BTMU and MUTB. The election was made to mitigate accounting mismatches related to fluctuations of foreign exchange rates as the gains and losses on translation of these securities were reflected in other changes in equity from nonowner sources, while the gains and losses on translation of foreign currency-denominated financial liabilities were included in current earnings.

The MUFG Group also elected the fair value option for certain financial instruments held by MUSHD’s foreign subsidiaries because those financial instruments are managed on a fair value basis, and these exposures are considered to be trading-related positions. These financial assets are included in interest-earning deposits in other banks and receivables under resale agreements. These financial liabilities are included in other short-term borrowings and long-term debt. Unrealized gains and losses on such financial instruments are recognized in the consolidated statements of operations.

The following table presents the gains or losses recorded during the fiscal years ended March 31, 2010 and 2011 related to the eligible instruments for which the MUFG Group elected the fair value option:

	For the fiscal year ended March 31,					
	2010			2011		
	Trading account profits (losses)	Foreign exchange gains (losses)	Total changes in fair value	Trading account profits (losses)	Foreign exchange gains (losses)	Total changes in fair value
	(in millions)					
Financial assets:						
Interest-earning deposits in other banks	¥ (1,277)	¥ —	¥ (1,277)	¥ 243	¥ —	¥ 243
Receivables under resale agreements(1)	(5,240)	—	(5,240)	4,736	—	4,736
Trading account securities	327,338	(371,660)	(44,322)	68,618	(837,459)	(768,841)
Total	¥320,821	¥(371,660)	¥(50,839)	¥ 73,597	¥(837,459)	¥(763,862)
Financial liabilities:						
Other short-term borrowings(1)	530	—	530	(454)	—	(454)
Long-term debt(1)	56,282	—	56,282	(114,528)	—	(114,528)
Total	¥ 56,812	¥ —	¥ 56,812	¥(114,982)	¥ —	¥(114,982)

Note:
(1) Change in value attributable to the instrument-specific credit risk related to those financial assets and liabilities are not material.

The following table presents the differences between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of March 31, 2010 and 2011, for long-term receivables and debt instruments for which the fair value option has been elected:

	2010			2011		
	Remaining aggregate contractual amounts outstanding	Fair value	Fair value under remaining aggregate contractual amounts outstanding	Remaining aggregate contractual amounts outstanding	Fair value	Fair value over (under) remaining aggregate contractual amounts outstanding
	(in millions)					
Financial assets:						
Receivables under resale agreements	¥ 31,500	¥ 30,832	¥ (668)	¥ 26,000	¥ 26,192	¥ 192
Total	¥ 31,500	¥ 30,832	¥ (668)	¥ 26,000	¥ 26,192	¥ 192
Financial liabilities:						
Long-term debt	¥792,059	¥615,618	¥(176,441)	¥722,752	¥575,969	¥(146,783)
Total	¥792,059	¥615,618	¥(176,441)	¥722,752	¥575,969	¥(146,783)

Interest income and expense and dividend income related to the assets and liabilities for which the fair value option is elected are measured based on the contractual rates specified in the transactions and reported in the consolidated statements of operations as either interest income or expense, depending on the nature of the related asset or liability.

Estimated Fair Value of Financial Instruments

In addition to financial instruments measured and disclosed on a fair value basis, the disclosure of the estimated fair value of financial instruments that are not carried at fair value is also required. The following is a summary of carrying amounts and estimated fair values of financial instruments at March 31, 2010 and 2011:

	2010		2011	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	(in billions)			
Financial assets:				
Cash and due from banks, Interest-earning deposits in other banks, Call loans and funds sold, and Receivables under resale agreements and Receivable under securities borrowing transactions	¥ 17,465	¥ 17,465	¥ 19,486	¥ 19,486
Trading account assets, excluding derivatives	18,808	18,808	18,792	18,792
Investment securities	54,514	55,058	58,642	59,108
Loans, net of allowance for credit losses	90,870	91,812	86,262	87,054
Other financial assets	4,361	4,361	4,677	4,677
Derivative financial instruments:				
Trading activities	8,855	8,855	10,033	10,033
Activities qualifying for hedges	9	9	2	2
Financial liabilities:				
Non-interest-bearing deposits, Call money and funds purchased, and Payables under repurchase agreements and Payable under securities lending transactions	¥ 34,969	¥ 34,969	¥ 35,544	¥ 35,544
Interest-bearing deposits	117,868	117,972	117,894	117,960
Trading account liabilities, excluding derivatives	169	169	31	31
Obligations to return securities received as collateral	3,229	3,229	3,268	3,268
Due to trust account	1,560	1,560	634	634
Other short-term borrowings	6,097	6,097	8,488	8,488
Long-term debt	14,162	14,369	13,357	13,557
Other financial liabilities	3,981	3,981	4,635	4,635
Derivative financial instruments:				
Trading activities	8,520	8,520	9,878	9,878
Activities qualifying for hedges	1	1	—	—

Not all of the financial instruments held by the MUFG Group are recorded at fair value on the consolidated balance sheets. The methodologies and assumptions used to estimate fair value of financial instruments that are not recorded at fair value on the consolidated balance sheets are summarized below:

Cash and due from banks, Interest-earning deposits in other banks, Call loans and funds sold, Receivables under resale agreements and Receivable under securities borrowing transactions—For cash and due from banks including interest-earning deposits in other banks, call loans and funds sold, receivables under resale agreements and receivable under securities borrowing transactions, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature and limited credit risk.

Investment securities—The fair values of investment securities other than those classified as available for sale or being held to maturity (i.e., nonmarketable equity securities) are not readily determinable as they do not have quoted market prices or secondary market prices available. The fair values of certain nonmarketable equity securities, such as preferred stock convertible to marketable common stock in the future, issued by public companies are determined by utilizing commonly accepted valuation models, which applies a logic to derive a fair value using the present value of dividend cash flows and option prices. For option prices, the Trinomial Tree Method determines possible paths of future stock prices using a forward rate for a common stock, and the price is calculated by multiplying the possible paths of future stock prices by the expected cash flows generated from the probability of exercising options or upon exercising of the options. Parameters used for the valuation include but are not limited to stock price, volatility and credit spread. The valuation is performed on a quarterly basis. At the time of any sale, the MUFG Group generally separately calculates a valuation to be used in sales price negotiations with the counterparty. The price agreed between the MUFG Group and a counterparty is also used as a reference for validating the appropriateness of previous valuations of the investment. The MUFG Group performs periodic validation of the valuation models. Specifically, the sensitivity and appropriateness of parameters are verified by using different valuation models employed by the MUFG Group. It is not practicable for the MUFG Group to estimate the fair value of other nonmarketable securities issued by non-public companies for which a quoted market price is not available. For these securities, the MUFG Group is unable to estimate fair value without incurring undue cost because they comprise investments in numerous unlisted companies and each investment represents an insignificant percentage relative to each company. Therefore, the above summary does not include the carrying amounts of such investment securities. The amounts not included in the above summary are ¥532 billion and ¥515 billion at March 31, 2010 and 2011, respectively.

Loans—The fair value of loans are estimated by discounting expected future cash flows based on types of loans, internal ratings and possibility of prepayment using the discount rates which include adjustments to reflect the expectations about possible variations to the current market rates. For certain residential loans with variable interest rates provided to individual home owners, the carrying amount is presented as the fair value since such carrying amount approximates the fair value, unless the creditworthiness of the borrower has changed significantly since the loan origination. Where quoted market prices or estimated fair values are available, primarily for loans to refinancing countries, loans held for sales and certain other foreign loans, the fair values are based on such market prices and estimated fair values, including secondary market prices. For receivables from bankrupt, virtually bankrupt, and likely to become bankrupt borrowers, credit loss is estimated based on the present value of expected future cash flow or the expected amount to be collected from collaterals and guarantees. The carrying amount is presented as the fair value since the fair value approximates such carrying amount.

Other financial assets—The estimated fair values of other financial assets, which primarily include accrued interest receivable, customers' acceptance liabilities and accounts receivable, approximate their carrying amounts. The above summary does not include the carrying amounts of investments in equity method investees amounting to ¥585 billion and ¥676 billion at March 31, 2010 and 2011, respectively.

Non-interest-bearing deposits, Call money and funds purchased, Payables under repurchase agreements and Payable under securities lending transactions—For non-interest-bearing deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. For call money and funds purchased, payables under repurchase agreements and payable under securities lending transactions, the carrying amount are reasonable estimate of the fair value because of their short-term nature and limited credit risk.

Interest–bearing deposits—For variable rate time deposits, the carrying amount is presented as the fair value because the market interest rate is reflected in such deposits within a short time period. Fixed rate time deposits are grouped by certain maturity lengths. The fair value of such deposits are estimated by discounting expected future cash flows using the discount rates that would be applied to newly accepted deposits.

Due to trust account—Since these are cash deposits with no maturity, the carrying amount is presented as the fair value as the fair value approximates such carrying amount.

Other short-term borrowings—For most other short-term borrowings, the carrying amount is presented as the fair value since such carrying amount approximates the fair value because of their short-term nature and limited credit risk.

Long-term debt—The fair value of corporate bonds issued by the MUFG Group is determined based on market price of these corporate bonds. The fair value of fixed rate corporate bonds without market prices is the present value of expected future cash flow from these borrowings, which is discounted at an interest rate generally applicable to similar borrowings reflecting the premium applicable to the MUFG Group. For variable rate corporate bonds without market prices, the carrying amount of such bonds is presented as the fair value since such carrying amount approximates the fair value. This is on the basis that the market interest rate is reflected in the fair value of such corporate bonds because such bond terms were set within a short time period and that there has been no significant impact on the fair value of those bonds.

Other financial liabilities—The estimated fair values of other financial liabilities, which primarily include accrued interest payable, bank acceptances, accounts payable and obligations under standby letters of credit and guarantees, approximate their carrying amounts. The fair values of obligations under standby letters of credit and guarantees are based on fees received or receivable by the MUFG Group.

The fair values of certain off-balance sheet financial instruments held for purposes other than trading, including commitments to extend credit and commercial letters of credit, are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the credit quality. The aggregate fair value of such instruments at March 31, 2010 and 2011 was not material.

The fair value estimates presented herein are based on pertinent information available to management at March 31, 2010 and 2011. These amounts have not been comprehensively revalued since that date and, therefore, current estimates of fair values may have changed significantly from the amounts presented herein.

30. STOCK-BASED COMPENSATION

The following describes stock-based compensation plans of MUFG, BTMU, MUTB, MUSHD, MUMSS and UNBC.

MUFG, BTMU, MUTB, MUSHD and MUMSS

MUFG, BTMU, MUTB, MUSHD and MUMSS elected to introduce a stock-based compensation plan for directors, executive officers and corporate auditors (“officers”) and obtained the necessary shareholder approval at their respective ordinary general meetings.

Following the approval, MUFG resolved at the meeting of the Board of Directors to issue stock compensation type stock options (“Stock Acquisition Rights”) to officers of MUFG, BTMU, MUTB, MUSHD and MUMSS. Usually, the Stock Acquisition Rights would be issued and granted to these officers once a year.

The class of shares to be issued or transferred on exercise of the Stock Acquisition Rights is common stock of MUFG. The number of shares to be issued or transferred on exercise of each Stock Acquisition Right (“number of granted shares”) is 100 shares. In the event of stock split or stock merger of common stock of

MUFG, the number of granted shares shall be adjusted in accordance with the ratio of stock split or stock merger. If any events occur that require the adjustment of the number of granted shares (e.g., mergers, consolidations, corporate separations or capital reductions of MUFG), MUFG shall appropriately adjust the number of granted shares to a reasonable extent.

The contractual term of the Stock Acquisition Rights is approximately 30 years from the date of grant. Some of the Stock Acquisition Rights vest on the date of grant and the rest of the rights graded vest depending on the holder's service period as officers. The Stock Acquisition Rights are only exercisable after the date on which the following conditions are met: (1) holder as a director or an executive officer loses the status of both director and executive officer, and (2) a holder as a corporate auditor loses the status of a corporate auditor. The exercise price is ¥1 per share.

The following is a summary of the Stock Acquisition Rights transactions of MUFG, BTMU, MUTB, MUSHD and MUMSS for the fiscal year ended March 31, 2011:

	Fiscal year ended March 31, 2011			
	Number of shares	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in millions)
Outstanding, beginning of fiscal year	9,974,800	¥ 1		
Granted	7,911,800	1		
Exercised	(2,883,000)	1		
Forfeited or Expired	(146,400)	1		
Outstanding, end of fiscal year	14,857,200	¥ 1	28.57	¥5,690
Exercisable, end of fiscal year	—	¥—	—	¥ —

The fair value of the Stock Acquisition Rights is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions described in the following table. The risk-free rate is based on the Japanese government bonds yield curve in effect at the date of grant based on the expected term. The expected volatility is based on the historical data from traded common stock of MUFG. The expected term is based on the average service period of officers of MUFG, BTMU, MUTB, MUSHD and MUMSS, which represents the expected outstanding period of the Stock Acquisition Rights granted. The expected dividend yield is based on the dividend rate of common stock of MUFG at the date of grant.

	Fiscal years ended March 31,	
	2010	2011
Risk-free interest rate	0.53%	0.23%
Expected volatility	44.46%	43.97%
Expected term (in years)	4	4
Expected dividend yield	2.25%	2.91%

The weighted average grant date fair value of the Stock Acquisition Rights granted during the fiscal years ended March 31, 2010 and 2011 was ¥48,700 and ¥36,600, respectively.

The MUFG Group recognized ¥2,638 million and ¥2,839 million of compensation cost related to the Stock Acquisition Rights with ¥1,073 million and ¥1,155 million of corresponding tax benefit during the fiscal years ended March 31, 2010 and 2011, respectively. As of March 31, 2011, the total unrecognized compensation cost related to the Stock Acquisition Rights was ¥560 million and it is expected to be recognized over a period of three months.

Cash received from exercise of the Stock Acquisition Rights for the fiscal year ended March 31, 2011 was ¥3 million. The actual tax benefit realized for the tax deductions from exercise of the Stock Acquisition Rights was ¥836 million for the fiscal year ended March 31, 2011.

UNBC

UnionBanCal Corporation Stock Bonus Plan (Stock Bonus Plan)

Effective as of April 27, 2010, UNBC adopted the Stock Bonus Plan. Under the Stock Bonus Plan, UNBC grants restricted stock units settled in American Depositary Receipts (ADRs) representing shares of common stock of UNBC's indirect parent company, MUFG, to key employees at the discretion of the Executive Compensation and Benefits Committee of the Board of Directors (the Committee). The Committee determines the number of shares, vesting requirements and other features and conditions of the restricted stock units. Under the Stock Bonus Plan, MUFG ADRs are purchased in the open market upon the vesting of the restricted stock units, through a revocable trust. There is no amount authorized to be issued under the Plan since all shares are purchased in the open market. These awards generally vest pro-rata on each anniversary of the grant date and become fully vested three years from the grant date, provided that the employee has completed the specified continuous service requirement. Generally, the grants vest earlier if the employee dies, is permanently and totally disabled, retires under certain grant, age and service conditions, or terminates employment under certain conditions.

Under the Stock Bonus Plan, the restricted stock unit participants do not have dividend rights, voting rights or other stockholder rights. The grant-date fair value of these awards is equal to the closing price of the MUFG ADRs on date of grant.

On November 15, 2010, UNBC granted 3,995,505 restricted stock units under the Stock Bonus Plan to certain key employees, with a grant date fair value of $4.72 per unit and pro-rata vesting for the majority of the restricted stock units on April 15, 2011, 2012 and 2013. During 2010, there were 41,320 restricted stock units forfeited and 10,595 restricted stock units vested. Compensation cost for these restricted stock units is being recognized over the period during which the employees are required to provide service. UNBC recognized $3 million of compensation cost, which includes the impact of estimated forfeitures, with a corresponding tax benefit of $1 million. As of December 31, 2010, there was $16 million unrecognized compensation cost, which is expected to be recognized over 3 years, related to the 3,943,590 restricted stock units outstanding.

Management Stock Plans prior to Privatization Transaction in 2008

On November 4, 2008, all outstanding awards under the management stock plans were canceled in exchange for the right to receive the cash value of those awards. These plans were terminated in December 2008, and no additional awards were granted under these plans in 2009 and 2010.

31. PARENT COMPANY ONLY FINANCIAL INFORMATION

Distributions of retained earnings of BTMU and MUTB are restricted in order to meet the minimum capital adequacy requirements under the Banking Law. Also, retained earnings of these banking subsidiaries are restricted, except for ¥4,099,736 million, in accordance with the statutory reserve requirements under the Company Law at March 31, 2011 (see Notes 17 and 19).

The following table presents the parent company only financial information of MUFG:

Condensed Balance Sheets

	2010	2011
	(in millions)	
Assets:		
Cash and interest-earning deposits with banks	¥ 86,491	¥ 151,531
Investments in subsidiaries and affiliated companies	10,240,801	9,607,046
Investment in Morgan Stanley	988,731	967,621
Other assets	73,868	97,435
Total assets	¥11,389,891	¥10,823,633
Liabilities and Shareholders' equity:		
Short-term borrowings from subsidiaries	¥ 1,129,452	¥ 1,566,981
Long-term debt from subsidiaries and affiliated companies	1,088,149	792,203
Long-term debt	230,045	22
Other liabilities	75,327	120,603
Total liabilities	2,522,973	2,479,809
Total shareholders' equity	8,866,918	8,343,824
Total liabilities and shareholders' equity	¥11,389,891	¥10,823,633

Condensed Statements of Operations

	2009	2010	2011
		(in millions)	
Income:			
Dividends from subsidiaries and affiliated companies	¥ 241,129	¥203,443	¥341,687
Dividends from Morgan Stanley	43,041	78,244	71,216
Management fees from subsidiaries	16,985	17,522	16,510
Interest income	651	8	102
Foreign exchange gains—net	42,531	43,461	93,310
Other income	6,043	5,946	1,923
Total income	350,380	348,624	524,748
Expense:			
Operating expenses	15,404	15,296	13,981
Interest expense to subsidiaries and affiliated companies	34,436	41,921	42,752
Interest expense	5,247	4,087	2,856
Other expense	1,758	1,326	934
Total expense	56,845	62,630	60,523
Equity in undistributed net income (loss) of subsidiaries and affiliated companies	(1,740,354)	613,264	61,902
Income (loss) before income tax expense	(1,446,819)	899,258	526,127
Income tax expense	21,221	39,439	64,331
Net income (loss)	¥(1,468,040)	¥859,819	¥461,796

Condensed Statements of Cash Flows

	2009	2010	2011
		(in millions)	
Operating activities:			
Net income (loss)	¥(1,468,040)	¥ 859,819	¥ 461,796
Adjustments and other	1,793,971	(634,891)	(120,881)
Net cash provided by operating activities	325,931	224,928	340,915
Investing activities:			
Proceeds from sales and redemption of stock investment in subsidiaries and affiliated companies	24,002	1,526	250,000
Purchases of equity investments in subsidiaries and affiliated companies	(941,617)	(1,406,479)	(89,042)
Purchases of other investment securities	(927,944)	(5)	—
Net decrease (increase) in interest-earning deposits with banks	21,267	(49,663)	(70,502)
Other—net	(1,495)	(52,481)	(1,486)
Net cash provided by (used in) investing activities	(1,825,787)	(1,507,102)	88,970
Financing activities:			
Net increase in short-term borrowings from subsidiaries	879,460	143,403	531,197
Proceeds from issuance of long-term debt to subsidiaries and affiliated companies	391,997	380,499	—
Repayment of long-term debt	(220,000)	(100,007)	(230,025)
Repayment of long-term debt to subsidiaries and affiliated companies	(3,700)	(12,800)	(295,652)
Proceeds from issuance of common stock, net of stock issue expenses	278,725	1,026,341	—
Proceeds from issuance of preferred stock, net of stock issue expenses	388,623	—	—
Proceeds from sales of treasury stock	184,617	30	4
Payments for acquisition of preferred stock	—	—	(250,000)
Payments to acquire treasury stock	(238,842)	(246)	(30)
Dividends paid	(153,260)	(149,551)	(190,455)
Other—net	(3,035)	(2,269)	(386)
Net cash provided by (used in) financing activities	1,504,585	1,285,400	(435,347)
Net increase (decrease) in cash and cash equivalents	4,729	3,226	(5,462)
Cash and cash equivalents at beginning of fiscal year	8,533	13,262	16,488
Cash and cash equivalents at end of fiscal year	¥ 13,262	¥ 16,488	¥ 11,026

32. SEC REGISTERED FUNDING VEHICLES ISSUING NON-DILUTIVE PREFERRED SECURITIES

In February 2006, MUFG established MUFG Capital Finance 1 Limited, MUFG Capital Finance 2 Limited and MUFG Capital Finance 3 Limited, wholly owned funding vehicles in the Cayman Islands, for the issuance of preferred securities to enhance the flexibility of its capital management.

On March 17, 2006, MUFG Capital Finance 1 Limited, MUFG Capital Finance 2 Limited and MUFG Capital Finance 3 Limited registered with the SEC and issued $2,300,000,000 in 6.346% non-cumulative preferred securities, €750,000,000 in 4.850% non-cumulative preferred securities and ¥120,000,000,000 in 2.680% non-cumulative preferred securities (collectively, the "Preferred Securities"), respectively. Total net proceeds before expenses were approximately $4.17 billion. All of the ordinary shares of MUFG Capital Finance 1 Limited, MUFG Capital Finance 2 Limited and MUFG Capital Finance 3 Limited are owned by MUFG. MUFG fully and unconditionally guarantees the payment of dividends and payments on liquidation or redemption of the obligations under the Preferred Securities.

The Preferred Securities entitle holders to receive a non-cumulative preferential cash dividend starting on July 25, 2006 and on January 25 and July 25 of each year thereafter. These funding vehicles will not be obligated to pay dividends on the Preferred Securities upon the occurrence of certain events relating to the financial condition of MUFG. From July 25, 2016, dividends on the Preferred Securities will be re-calculated at a floating rate per annum.

The dollar-denominated and euro-denominated preferred securities are subject to redemption on any dividend payment date on or after July 25, 2016. The yen-denominated preferred securities are subject to redemption on any dividend payment date on or after July 25, 2011. All the Preferred Securities are subject to redemption in whole (but not in part) at any time upon the occurrence of specified events, in each case at the option of each of the funding vehicles and subject to necessary government approvals.

The Preferred Securities are non-dilutive and not convertible into MUFG's common shares. The Preferred Securities were included as part of MUFG's Tier I capital at March 31, 2010 and 2011 under its capital adequacy requirements.

These funding vehicles are not consolidated as the MUFG Group's subsidiaries. See Note 23 for discussion. The funds raised through such funding vehicles are primarily loaned to the MUFG Group and presented as Long-term debt in the consolidated balance sheet at March 31, 2010 and 2011.

Subsequent to March 31, 2011, on July 25, 2011, MUFG redeemed a total of ¥120,000,000,000 of non-cumulative and non-dilutive perpetual preferred securities issued by MUFG Capital Finance 3 Limited.

33. SUBSEQUENT EVENTS

MUFG has evaluated subsequent events requiring recognition or disclosure in the consolidated financial statements through the date these consolidated financial statements were issued.

Conversion of Morgan Stanley's Stock

On April 21, 2011, MUFG and Morgan Stanley entered into an agreement to convert MUFG's outstanding Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock in Morgan Stanley ("Series B Preferred Stock") with a face value of $7.8 billion and a 10% dividend, into Morgan Stanley's common stock.

On June 30, 2011, MUFG converted the Series B Preferred Stock for approximately 385 million shares of Morgan Stanley's common stock, including approximately 75 million shares resulting from the adjustment to the conversion rate pursuant to the agreement. As a result, MUFG holds approximately 22.4% of the voting right on Morgan Stanley, and MUFG will apply equity method of accounting for common stock in Morgan Stanley due to the significant influence over Morgan Stanley.

Approval of Dividends

On June 29, 2011, the shareholders approved the payment of cash dividends to the shareholders of record on March 31, 2011, of ¥57.50 per share of Class 5 Preferred Stock, ¥2.65 per share of Class 11 Preferred Stock, totaling ¥8,970 million, and ¥6.00 per share of Common stock, totaling ¥84,904 million.

Stock Compensation Type Stock Options (Stock Acquisition Rights)

On July 20, 2011, MUFG allotted the directors, executive officers and corporate auditors of MUFG, BTMU, MUTB, MUSHD and MUMSS stock acquisition rights to acquire an aggregate amount of 8,323,100 shares of MUFG's common stock. The stock acquisition rights have an exercise price of ¥1 per common share, and are exercisable until July 19, 2041.

Redemption of "Non-dilutive" Preferred Securities Issued by a Special Purpose Company

On July 25, 2011, MUFG redeemed a total of ¥120 billion of non-cumulative and non-dilutive perpetual preferred securities issued by a special purpose company in the Cayman Islands called MUFG Capital Finance 3 Limited. These securities were previously accounted for as part of MUFG's Tier I capital at March 31, 2011 under the BIS capital adequacy requirements.

* * * * *

Signature

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

MITSUBISHI UFJ FINANCIAL GROUP, INC.

By: /s/ KATSUNORI NAGAYASU

Name: **Katsunori Nagayasu**
Title: **President and Chief Executive Officer**

Date: July 28, 2011

EXHIBIT INDEX

Exhibit	Description
1(a)	Articles of Incorporation of Mitsubishi UFJ Financial Group, Inc., as amended on June 26, 2009. (English translation)*
1(b)	Board of Directors Regulations of Mitsubishi UFJ Financial Group, Inc., as amended on December 24, 2010. (English translation)
1(c)	Corporation Meetings Regulations of Mitsubishi UFJ Financial Group, Inc., as amended on December 24, 2010. (English translation)
1(d)	Share Handling Regulations of Mitsubishi UFJ Financial Group, Inc., as amended on June 26, 2009. (English Translation)*
2(a)	Form of American Depositary Receipt.**
2(b)	Form of Deposit Agreement, amended and restated as of December 22, 2004, among Mitsubishi Tokyo Financial Group, Inc. (subsequently renamed Mitsubishi UFJ Financial Group, Inc.), The Bank of New York Mellon and the holders from time to time of American Depositary Receipts issued thereunder.**
4(a)	Integration and Investment Agreement, dated as of March 30, 2010, by and between Mitsubishi UFJ Financial Group, Inc. and Morgan Stanley.***
4(b)	Transaction Agreement, dated as of April 21, 2011, between Morgan Stanley and Mitsubishi UFJ Financial Group, Inc.
4(c)	Amended and Restated Investor Agreement, dated as of June 30, 2011, between Morgan Stanley and Mitsubishi UFJ Financial Group, Inc.
8	Subsidiaries of the Company—see "Item 4.C. Information on the Company—Organizational Structure."
11	Ethical framework and code of conduct, compliance rules, compliance manual and rules of employment of Mitsubishi UFJ Financial Group, Inc. applicable to its directors and managing officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. (English translation of relevant sections)
12	Certifications required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
13	Certifications required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
15	Consent of independent registered public accounting firm.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

Notes:

* Incorporated by reference to our annual report on Form 20-F (File No. 333-98061-99) filed on September 2, 2009.

** Incorporated by reference to our annual report on Form 20-F (File No. 333-98061-99) filed on September 28, 2006.

*** Incorporated by reference to our annual report on Form 20-F (File No. 333-98061-99) filed on August 16, 2010.

Exhibit 1(b)

[Translation]

REGULATIONS OF THE BOARD OF DIRECTORS

Article 1. (Purpose)

The purpose of these Regulations shall be to govern the Board of Directors of the Company appropriately and smoothly.

Article 2. (Amendment and Abolition)

The amendment and abolition of these Regulations shall be subject to a resolution of the Board of Directors.

Article 3. (Organization)

1. The Board of Directors shall be composed of all the Directors.
2. Corporate Auditors shall attend any meeting of the Board of Directors and express their opinions thereat, if deemed necessary by such Corporate Auditors.

Article 4. (Authority)

The Board of Directors shall determine the management of the affairs of the Company and supervise the performance of duties of Directors.

Article 5. (Meetings to be Held)

A meeting of the Board of Directors shall be held once every month in general. Provided, however, that in cases of emergency, an extraordinary meeting of the Board of Directors may be held.

Article 6. (Person Entitled to Convene Meetings)

1. The Chairman and Director shall convene meetings of the Board of Directors.
2. If the Chairman and Director is unable to act as such, or if the Board of Directors does not appoint the Chairman and Director by its resolution, one of the other Directors shall act as Chairman and Director in accordance with the order of priority previously determined by the Board of Directors.
3. From time to time, each Director may request to convene a meeting of the Board of Directors by submitting to the person entitled to convene meetings a document stating the agenda to be submitted at the requested meeting.
4. Each Corporate Auditor may request the convocation of a meeting of the Board of Directors pursuant to laws and regulations.

Article 7. (Notice of Convocation)

1. Notice to convene a meeting of the Board of Directors shall be given to each Director and each Corporate Auditor at least three (3) days prior to the date of the meeting. Provided, however, that the foregoing shall not apply in cases of emergency.
2. If the unanimous consent of all of the Directors and Corporate Auditors is obtained, the meeting of the Board of Directors may be held without taking the procedures for convening meetings.

Article 8. (Chairman)

1. The Chairman and Director shall act as chairman of all meetings of the Board of Directors.
2. If the Chairman and Director is unable to act as such, or if the Board of Directors does not appoint the Chairman and Director by its resolution, one of the other Directors shall act as Chairman and Director in accordance with the order of priority previously determined by the Board of Directors.

Article 9. (Committees)

1. The Board of Directors may establish committees under its umbrella.
2. The committees shall deliberate specified matters, delegated by the Board of Directors.

Article 10. (Resolution)

1. Unless otherwise provided for by law or regulation, resolutions of a meeting of the Board of Directors shall be adopted by an affirmative vote of a majority of the Directors present who constitute in number a majority of the Directors who are entitled to vote.
2. Any Director who has special interests in any matter to be resolved as set out in the preceding paragraph may not participate in a resolution regarding such matter.
3. In case that a Director proposes a matter to be resolved by the Board of Directors and then all of the Directors who may participate in a resolution of such proposal unanimously consent to such proposal in writing or electronically, the Board of Directors shall be deemed to have approved such proposal. Provided, however, that this provision shall not apply when any Corporate Auditor expresses his/her objection to such proposal.

Article 11. (Matters to be Resolved)

The following matters shall be subject to the resolution of the Board of Directors.

I. Matters related to basic policy of management of the group of the Company

II. Matters provided for by laws and regulations and the Articles of Incorporation:

1. Matters related to the convocation of the General Meeting of Shareholders;
2. Matters related to approval of accounting documents and supplementary statements thereof;
3. Matters related to interim dividends;
4. Matters related to issuance or sale of shares;
5. Matters related to issuance of class shares authorized to be issued by the Articles of Incorporation;
6. Matters related to stock acquisition rights (Matters related to issuance or sale of stock acquisition rights and free allotment of stock acquisition rights);
7. Matters related to acquisition of the Company’s own shares;
8. Matters related to cancellation of the Company’s own shares;
9. Matters related to splits of shares;
10. Matters related to free allotment of shares;
11. Matters related to establishment, amendment and abolition of the Share Handling Regulations;
12. Matters related to the share transfer agent, etc. and its handling office;
13. Matters related to bonds;
14. Matters related to Representative Directors and Directors with Executive Power;

15. Matters related to Executive Officers and Managing Officers;
16. Matters related to the approval of transactions conducted by Director(s) in competition with the Company's businesses and transactions conducted by Director(s) with the Company on his/her own behalf;
17. Matters related to partial exemption from liabilities of Directors and Corporate Auditors;
18. Disposal and acquisition of material property;
19. Borrowings of large amounts;
20. Election and dismissal of important employees;
21. Establishment, relocation and abolition of important corporate organizations;
22. Matters related to the internal control system (Article 362, Paragraph 4, Item 6 of the Corporation Act); and
23. Any other matters to be resolved at the Board of Directors pursuant to laws and regulations or the Articles of Incorporation.

III. Matters related to the committees reporting to the Board of Directors

IV. Important matters related to the administration of management of subsidiaries of the Company

V. Any other important matters

Article 12. (Reports)

1. Directors shall report the state of the management of the affairs of the Company to the Board of Directors. Provided, however, that the Representative Director may make reports on behalf of the Directors.
2. Any Director who has conducted a transaction in competition with the interests of the Company or a transaction with the Company on his/her own behalf shall report the material facts of such transaction to the Board of Directors.
3. If any Director, Corporate Auditor or Accounting Auditor notifies all of the Directors and Corporate Auditors of matters to be reported to the Board of Directors, such matters shall not be required to be reported to the Board of Directors. Provided, however, that this provision shall not apply when any person who is elected by the Representative Director(s) or by a resolution of the Board of Directors as a Director to manage the affairs of the Company reports the state of the performance of his/her duties.

Article 13. (Minutes)

The minutes shall be prepared in writing pursuant to laws and regulations and the Directors and Corporate Auditors present shall put their names and affix their seals thereto; and the minutes shall be kept at the head office for ten (10) years.

Supplemental Provisions

These regulations shall become effective as from October 1, 2005.

Amendment History

Amended as of May 1, 2006

Amended as of June 29, 2006

Amended as of December 24, 2010

-End-

Exhibit 1(c)

[Translation]

CORPORATION MEETINGS REGULATIONS

Chapter I. General Provisions

Article 1. (General Provisions)

1. The structure and operation of the Executive Committee as provided for in Article 11 of the Office Organization Rules and those of the Committees as provided for in Article 12 of the Office Organization Rules shall be governed by these Regulations.
2. The Corporate Policy Meeting is established to contribute to the discussions and decision making at the Executive Committee. The organization and administration of the Corporate Policy Meeting shall be governed by these Regulations.

Article 2. (Amendment and Abolition)

The amendment to and abolition of these Regulations shall be determined by the Board of Directors.

Chapter II. Executive Committee

Article 3. (Members and Attendees)

1. The Executive Committee shall consist of all Representative Directors and Directors nominated by the President & CEO of the Company (hereinafter referred to as the "Committee Members").
2. The President & CEO may, if he/she deems necessary, require any of the Group Heads of the Integrated Business Groups to attend meetings of the Executive Committee as members.
3. The President & CEO may, if he/she deems necessary, require any of the Directors other than the Committee Members, the Executive Officers and the Directors of the relevant subsidiary of the Company, etc. to attend meetings of the Executive Committee.

Article 4. (President)

1. The President & CEO shall convene meetings of the Executive Committee and preside over such meeting.
2. If the President & CEO is prevented from so acting, one of the other members shall act as President & CEO in accordance with the order of priority previously determined by the Executive Committee.

Article 5. (Date of Meetings)

Meetings of the Executive Committee shall be held, in principle, once every two (2) weeks; provided, however, that in case of need, such meetings shall be held from time to time.

Article 6. (Matters to be Discussed and Determined)

1. The Executive Committee shall, in principle, discuss and determine the following general important matters concerning management of the Company pursuant to the basic policies determined by the Board of Directors:
    1) Matters to be submitted to the meeting of the Board of Directors;
    2) Matters entrusted by the Board of Directors;
    3) Execution policies concerning general management and control;
    4) Adjustment of important matters concerning the subsidiaries of the Company, etc.;
    5) Important matters concerning administration and management of the subsidiaries of the Company, etc.;

6) Matters concerning establishment of, and amendment to and abolition of, rules;

7) Matters required to be submitted to the Executive Committee by provisions stipulated in various rules and regulations; and

8) Any other matters which the President & CEO deems necessary.

2. The matters to be discussed and determined set forth in the preceding paragraph shall be submitted by any of the Committee Member(s) in control of such matters, or the Group Heads of the Integrated Business Groups who attend meetings of the Executive Committee pursuant to Article 3, Paragraph 2 hereof, or the Directors other than Committee Member(s) or Executive Officers who attend meetings of the Executive Committee pursuant to Article 3, Paragraph 3 hereof.

Article 7. (Method of Discussion and Determination)

1. The proceedings of a meeting of the Executive Committee shall be determined by the President & CEO with the unanimous consent of all the Committee Members present thereat who shall constitute in number a majority of the Committee Members.

2. If unanimous consent is not given by all the Committee Members present at such meeting, the President & CEO shall determine the relevant item of business in consideration of their opinions upon consultation with the Chairman or, in the event a Deputy Chairman is appointed, with the Chairman and the Deputy Chairman.

Article 8. (Discussion and Determination in Writing)

1. Notwithstanding the provisions of Article 6 hereof, in special circumstances, the circulation of a written resolution drafted by the person making such proposal may be substituted for the holding of a meeting of the Executive Committee.

2. In the case of the preceding paragraph, the person making such proposal must report on such matters as discussed and determined to the next Executive Committee.

Article 9. (Emergency Treatment)

1. In case of emergency, such as a natural disaster, etc., and if there is no time for discussion at the Executive Committee or for circulation of a written resolution, irrespective of the provisions set forth in Article 6 hereof, the President & CEO may take any and all expedient steps as may be necessary as an urgent matter.

2. In the case of the preceding paragraph, the President & CEO shall immediately report on such steps to the Executive Committee.

Article 10. (Report and Exchange of Information)

Each of the Committee Members, or the Group Heads of the Integrated Business Groups who attend meetings of the Executive Committee pursuant to Article 3, Paragraph 2 hereof, or the Directors other than the Committee Member(s) or the Executive Officers who attend meetings of the Executive Committee pursuant to Article 3, Paragraph 3 hereof shall report on the state of the execution of business at meetings of the Executive Committee according to the circumstances and also exchange general information with one another.

Article 11. (Minutes)

The substance of the proceedings of meetings of the Executive Committee and the results thereof shall be recorded in the minutes by the Corporate Administration Division, and the President & CEO shall affix his/her name and seal to such minutes, which shall be kept at the head office of the Company for ten (10) years.

Article 12. (Communication)

The matters resolved by the Executive Committee shall be rapidly communicated to the relevant Executive Officers and General Managers, etc.

Chapter III. Committee

Article 13. (Purpose and Matters to be Deliberated)

The Committee shall arrange, examine and deliberate the following matters upon a mandate given by the President & CEO in order to contribute to the discussions and decision making of the Executive Committee:

1) Matters concerning management policies of the whole group;

2) Matters concerning management plans of the whole group;

3) Matters concerning risk management of the whole group;

4) Matters concerning adjustment of management and execution policies among the subsidiaries of the Company; and

5) Any other specified matters necessary for deliberation by the Executive Committee.

Article 14. (Establishment and Constitution)

1. The Executive Committee shall establish the Committee, which shall consist of several members appointed by the President & CEO.
2. The President & CEO may appoint Directors with Executive Power, etc. of the subsidiaries of the Company to be members as described in the preceding paragraph.

Article 15. (Chairman)

1. The Committee shall have a Chairman.
2. The Chairman of the Committee shall preside over the Committee.
3. The Committee may have a Vice-Chairman whenever necessary.
4. The President & CEO shall appoint a Chairman and a Vice-Chairman of the Committee from among its members.
5. If the Chairman of the Committee is prevented from so acting, the Vice-Chairman or any other member appointed by the President & CEO shall act on his/her behalf.

Article 16. (Secretariat)

1. The Committee shall have a secretariat.
2. The secretariat shall be under the direction of the Chairman of the Committee and take charge of the business concerning the Committee.

Article 17. (Convocation)

The Chairman of the Committee shall convene the meetings of the Committee.

Article 18. (Deliberation)

1. The members of the Committee must attend meetings of the Committee themselves and perform careful and active discussions from the viewpoint of the whole group for the purpose of speedy completion of the deliberations by the Committee.

2. If any member is absent from a meeting, he/she may, in advance, submit his/her written opinion to the Chairman of the Committee.
3. The Committee may require the persons concerned to attend a meeting of the Committee and hear their opinions thereat whenever necessary.
4. The Committee may require each Division or subsidiary of the Company, etc. to submit materials or to make any other united efforts whenever necessary.

Article 19. (Submission, Report)

1. The Chairman of the Committee or the member of the Committee nominated by the Chairman shall from time to time submit or report on important matters deliberated at the Committee to the Executive Committee.
2. In making the reports set forth in the preceding paragraph the minority opinions must be also added thereto.
3. If a long time is required for the deliberation set forth in Paragraph 1 of this article, the Chairman of the Committee or the member of the Committee nominated by the Chairman must make interim reports on the progress of such deliberation according to the circumstances.

Article 20. (Examination Meeting)

The Committee may have an examination meeting in order for smooth deliberation.

Chapter IV. Corporate Policy Meeting

Article 21. (Purpose and Matters to be Deliberated)

The purpose of the Corporate Policy Meeting is to exchange views and discuss on the basic direction of important matters with regard to the management and administration of the Company and the group on a consolidated basis, for the contribution to the decision making at the Executive Committee.

Article 22. (Constitution)

The Corporate Policy Meeting shall consist of the Committee Members, the relevant Directors, Executive Officers and General Managers, and the Directors, etc. of the relevant subsidiaries of the Company.

Article 23. (Date of Meetings)

The Corporate Policy Meeting shall be held in case of need from time to time.

Article 24. (Secretariat)

The secretariat of the Corporate Policy Meeting shall be the Corporate Planning Division.

Supplemental Provision

These regulations shall become effective as from October 1, 2005.

Amendment History

July 31, 2006 Article 4, Paragraph 2 was amended.

December 24, 2010 Chapter headings were amended.

Exhibit 4(b)

TRANSACTION AGREEMENT

dated as of

April 21, 2011

between

MORGAN STANLEY

and

MITSUBISHI UFJ FINANCIAL GROUP, INC.

TABLE OF CONTENTS

ARTICLE 8
TERMINATION

ARTICLE 9
MISCELLANEOUS

TRANSACTION AGREEMENT

TRANSACTION AGREEMENT (this "**Agreement**") dated as of April 21, 2011 between MORGAN STANLEY, a Delaware corporation (the "**Company**"), and MITSUBISHI UFJ FINANCIAL GROUP, INC., a joint stock company organized under the laws of Japan (the "**Investor**").

WITNESSETH:

WHEREAS, the Investor is the record and beneficial owner of all of the issued and outstanding shares of the Company's 10% Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock, par value $0.01 per share (the "**Series B Preferred Shares**");

WHEREAS, the Company and the Investor are parties to an Investor Agreement dated as of October 13, 2008 (as amended on October 27, 2008, the "**Investor Agreement**");

WHEREAS, the Company desires the Investor to convert all of the Series B Preferred Shares owned by it into Common Stock; and

WHEREAS, in connection with such conversion, the Company and the Investor have agreed to make certain changes to the Investor Agreement and other matters.

NOW THEREFORE, in consideration of the premises and of the respective representations, warranties, covenants and conditions contained herein, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.01. *Definitions*. (a)**.** As used herein, the following terms have the following meanings:

"**Adjusted Conversion Rate**" means initially 49.1713 shares of Common Stock per Series B Preferred Share, subject to adjustment in the same manner, and at the same time, as the Conversion Rate (as such term is defined in the Series B CoD) in connection with any issuance, dividend or distribution described in Section 11(a)(i) of the Series B CoD.

"**Applicable Law**" means, with respect to any Person, any transnational, domestic or foreign federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

"**Bankruptcy Exceptions**" means applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity.

"**Business Day**" means any day other than a Saturday, Sunday or a legal holiday in New York City or in Tokyo, Japan, or any other day on which commercial banks in New York City or in Tokyo, Japan are authorized or required by law or government decree to close.

"**Bylaws**" means the Amended and Restated Bylaws of the Company.

“**Certificate of Incorporation**” means the Amended and Restated Certificate of Incorporation of the Company.

“**Closing Date**” means the date of the Closing.

“**Common Stock**” means the common stock, par value $.01 per share, of the Company.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Federal Reserve**” means the Board of Governors of the Federal Reserve System.

“**Governmental Authority**” means any transnational, domestic or foreign federal, state or local governmental, regulatory or administrative authority, securities exchanges, self-regulatory organizations, department, court, agency or official, including any political subdivision thereof.

“**Investor Agreement Amendment**” means an amendment to the Investor Agreement in the form attached hereto as Exhibit A.

“**Material Adverse Effect**” means any fact, circumstance, event, change, effect or occurrence that, individually or in the aggregate with all other facts, circumstances, events, changes, effects or occurrences, has a material adverse effect on (i) the business, assets, liabilities, results of operation or financial condition of the Company and its subsidiaries taken as a whole or (ii) the ability of the Company to consummate the Transactions, other than, in each case, any adverse effect (A) resulting from the announcement of the Transactions or (B) attributable to the Company’s indirect minority ownership in Mitsubishi UFJ Morgan Stanley Securities, Co. Ltd.

“**NYSE**” means the New York Stock Exchange.

“**Person**” means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a Governmental Authority.

“**Required Approvals**” means (i) a determination from the Federal Reserve that the consummation of the Transactions would not cause the Federal Reserve’s prior determination that the Investor does not control the Company to change and, if deemed necessary by the Federal Reserve, approval of the Transactions pursuant to Sections 3 and 4 of the Bank Holding Company Act of 1956, as amended, and Section 163 of the Dodd-Frank Act; (ii) a determination from the Federal Deposit Insurance Corporation that the consummation of the Transactions would not cause the Federal Deposit Insurance Corporation’s prior determination that the Investor is not deemed to control the Company for purposes of Section 3(w)(5) of the Federal Deposit Insurance Act to change; (iii) all approvals or authorizations of, filings and registrations with, and notifications to, all Governmental Authorities, including those set forth on Schedule A hereto, that are necessary to consummate the Transactions and (iv) the Requisite Shareholder Approval.

“**SEC**” means the Securities and Exchange Commission.

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“**Series B CoD**” means the Amended Certificate of Designations of Preferences and Rights of the Series B Preferred Shares.

“**Shares**” means, collectively, the New Shares and the Series D Preferred Shares.

"**Transaction Documents**" means this Agreement and the Investor Agreement Amendment.

"**Transactions**" means the transactions contemplated by the Transaction Documents.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Term	**Section**
Agreement	Preamble
Closing	2.01
Code	5.04
Company	Preamble
Company Preferred Stock	3.02
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Substantial Detriment	5.01(e)
Voting Debt	3.02

Section 1.02. *Other Definitional and Interpretative Provisions.* The words "hereof", "herein" and "hereunder" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation", whether or not they are in fact followed by those words or words of like import. "Writing", "written" and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. References to "law", "laws" or to a particular statute or law shall be deemed also to include any and all Applicable Law.

ARTICLE 2

TRANSACTIONS

Section 2.01. *Closing*. The consummation of the Transactions (the "**Closing**") shall take place at the offices of Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York, as soon as reasonably practicable after the satisfaction of the conditions set forth in Article 6 but in no event later than two Business Days thereafter, or at such other time or place as the Company and the Investor may agree. At the Closing:

(a) the Investor shall convert all of the Series B Preferred Shares owned by it into Common Stock pursuant to, and in accordance with, Section 9 and Section 10(b) of the Series B CoD, whereupon the Company shall deliver to the Investor the number of shares of Common Stock, registered in the name of the Investor, to which the Investor is entitled as a result of such conversion pursuant to the Series B CoD (such shares of Common Stock, the "**New Shares**") (it being understood that, as of the date hereof, after giving effect to the adjustment to the Conversion Rate contemplated by Section 5.05, it is anticipated that the Company shall deliver to the Investor 385,464,097 New Shares pursuant to this Section upon conversion of the Series B Preferred Shares); and

(b) each of the Company and the Investor shall deliver to each other duly executed counterparts of the Investor Agreement Amendment.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Investor as of the date hereof that:

Section 3.01. *Organization, Authority and Significant Subsidiaries*. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as currently conducted, and, except as would not be reasonably likely to have a Material Adverse Effect, has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business so as to require such qualification; each subsidiary of the Company that is a "significant subsidiary" within the meaning of Rule 1-01(w) of Regulation S-X under the Securities Act (individually a "**Significant Subsidiary**" and collectively the "**Significant Subsidiaries**") has been duly organized and is validly existing in good standing under the laws of its jurisdiction of organization.

Section 3.02. *Capitalization.* The authorized capital stock of Company consists of 3,500,000,000 shares of Company Common Stock, and 30,000,000 shares of preferred stock ("**Company Preferred Stock**"), par value $0.01 per share, of which, as of March 31, 2011, (1) 1,545,064,012 shares of Common Stock were issued and outstanding, (2) 46,000 shares of Company Preferred Stock are designated as Floating Rate Non-Cumulative Preferred Stock, Series A, 44,000 of which were outstanding (the "**Series A Preferred Stock**"), which shares of Series A Preferred Stock are represented by 44,000,000 depositary receipts, each representing 1/1,000 of a share of Series A Preferred Stock, (3) 7,839,209 shares of Company Preferred Stock are designated as 10% Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock, of which 7,839,209 shares were outstanding, (4) 1,160,791 shares of Company Preferred Stock are designated as 10% Series C Non-Cumulative Non-Voting Perpetual Preferred Stock, of which 519,882 shares were outstanding, and (5) 69,651,276 shares of Common Stock were subject to issuance pursuant to outstanding options, restricted stock units, performance share units, warrants and convertible securities. As of such date, the Company held 58,849,062 shares of Company Common Stock in its treasury. Except as listed above or in connection with the Transactions, the Series B CoD and the Series D CoD, the Company has not reserved any shares of Common Stock. No bonds, debentures, notes or other indebtedness having the right to vote on any matters on which the shareholders of the

Company may vote ("**Voting Debt**") are issued and outstanding. Except (x) as listed above, (y) as set forth in this Agreement and (z) for the granting of additional equity awards to employees and directors in the ordinary course of business, the Company does not have and is not bound by any outstanding subscriptions, options, warrants, calls, repurchase rights, commitments, or agreements of any character calling for the purchase or issuance of, or securities or rights convertible into or exchangeable or exercisable for, any shares of Common Stock or any other equity securities of the Company or Voting Debt or any securities representing the right to purchase or otherwise receive any shares of capital stock of the Company (including any rights plan or agreement).

Section 3.03. *Authorization, Enforceability of Transaction Documents*. (a) The Company has the power and authority to enter into the Transaction Documents and to carry out its obligations hereunder and thereunder. The execution, delivery and performance of the Transaction Documents by the Company and the consummation of the Transactions have been duly authorized by all necessary corporate action on the part of the Company.

(b) This Agreement has been, and at the Closing the Investor Agreement Amendment will be, validly executed and delivered by the Company and assuming due authorization, execution and delivery of such agreement by the Investor, this Agreement constitutes and the Investor Agreement Amendment will constitute a valid and binding obligation of the Company, enforceable against it in accordance with its terms, except to the extent that the enforcement thereof may be limited by the Bankruptcy Exceptions.

(c) As of the date of execution of the Transaction Documents, neither the execution, delivery and performance by the Company hereof and thereof, nor the consummation of the Transactions, nor compliance by the Company with any of the provisions thereof, will violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of or result in the creation of, any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any Significant Subsidiary under any of the terms, conditions or provisions of (i) its certificate of incorporation or bylaws or (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company or any Significant Subsidiary is a party or by which it may be bound, or to which the Company or any Significant Subsidiary or any of the properties or assets of the Company or any Significant Subsidiary may be subject, or (iii) subject to receipt of the Required Approvals and compliance with the statutes and regulations referred to in the next paragraph, any statute, rule or regulation or any judgment, ruling, order, writ, injunction or decree applicable to the Company or any Significant Subsidiary or any of their respective properties or assets except, in the case of clauses (ii) and (iii), for those occurrences that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(d) Other than in connection or in compliance with the provisions of the Securities Act and the securities or blue sky laws of the various states, and other than the Required Approvals, to the best knowledge of the Company, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any Governmental Authority or any third party is necessary for the Transactions.

Section 3.04. *Authorization of Common Stock and Series D Preferred Shares*. (a) The New Shares have been duly authorized by all necessary corporate action on the part of the Company. Upon the issuance of the New Shares, the New Shares will (i) be validly issued, fully paid and nonassessable, (ii) not have been issued in violation of any preemptive or other similar right, and (iii) if such shares are treasury shares, be free of any adverse claim.

(b) The Series D Preferred Shares have been duly authorized by all necessary corporate action on the part of the Company. Upon the issuance of the Series D Preferred Shares in exchange for the Series B Preferred Shares as contemplated in Article 7, the Series D Preferred Shares will (i) be validly issued, fully paid and nonassessable and (ii) not have been issued in violation of any preemptive or other similar right.

Section 3.05. *Shareholder Approvals*. No approval of the Company's stockholders is required under any law, under the regulations and policies of any securities exchange in connection therewith, or under the Certificate of Incorporation or the Bylaws to effect the Transactions, other than the Requisite Shareholder Approval.

Section 3.06. *No Material Adverse Effect.* Since December 31, 2010 and except as described in the SEC Reports, no event or circumstance has occurred that, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

The Investor represents and warrants to the Company that:

Section 4.01. *Investor Status*. (a) The Investor is (i) a QIB and an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act, (ii) aware that the issuance of the Shares to it is being made in reliance on a private placement exemption from registration under the Securities Act and (iii) acquiring the Shares for its own account or for the account of a QIB.

(b) The Investor understands and agrees on behalf of itself and on behalf of any investor account for which it is acquiring the Shares, and each subsequent holder of Shares by its acceptance thereof will be deemed to agree, that such Shares are being offered in a transaction not involving any public offering within the meaning of the Securities Act, that such Shares have not been and will not be registered under the Securities Act and that such Shares may be offered, resold, pledged or otherwise transferred only in accordance with any applicable provision of the Investor Agreement as amended (i) in a transaction not involving a public offering, (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (iii) pursuant to an effective registration statement under the Securities Act, or (iv) to the Company or one of its subsidiaries, in each of cases (i) through (iv) in accordance with any applicable securities laws of any State of the United States, and that it will, and each subsequent holder is required to, notify any subsequent purchaser of Shares from it of the resale restrictions referred to above, as applicable, and will provide the Company and the transfer agent such certificates and other information as they may reasonably require to confirm that the transfer by it complies with the foregoing restrictions, if applicable.

(c) The Investor understands that, unless sold pursuant to a registration statement that has been declared effective under the Securities Act or in compliance with Rule 144, the Company may require that the Shares bear a legend or other restriction substantially to the following effect (it being agreed that if the Shares are not certificated, other appropriate restrictions shall be implemented to give effect to the following):

THIS SECURITY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (i) IN A TRANSACTION NOT INVOLVING A PUBLIC OFFERING, (ii) PURSUANT TO ANY OTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, INCLUDING RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) SUBJECT TO THE ISSUER'S RIGHT PRIOR

TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (ii) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO IT, (iii) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (iv) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, IN EACH OF CASES (i) THROUGH (iv) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

(d) In addition, for so long as the holder of the relevant Shares is subject to transfer restrictions contained in the Investor Agreement as amended, the Company may require that the Shares bear a legend or other restriction substantially to the following effect: "THIS SECURITY IS SUBJECT TO RESTRICTIONS ON TRANSFER SET FORTH IN AN INVESTOR AGREEMENT AS AMENDED, DATED [ ], AMONG THE COMPANY AND CERTAIN OTHER PARTIES THERETO." Such legend shall be removed at the request of any holder thereof that is not subject to the transfer restrictions contained in the Investor Agreement as amended.

(e) The Investor further represents and warrants that it (i) is able to fend for itself in the Transactions, (ii) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the Shares and (iii) has the ability to bear the economic risks of its prospective investment and can afford the complete loss of such investment.

(f) The Investor acknowledges that (i) it has conducted its own investigation of the Company and the terms of the Shares, (ii) it has had access to the Company's public filings with the SEC and to such financial and other information as it deems necessary to make its decision to purchase the Shares, and (iii) has been offered the opportunity to ask questions of the Company and received answers thereto, as it deemed necessary in connection with the decision to purchase the Shares.

(g) The Investor understands that the Company will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements and agrees that if any of the representations and acknowledgements deemed to have been made by it by its purchase of the Shares is no longer accurate, it shall promptly notify the Company. If it is acquiring Shares as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing representations, acknowledgements and agreements on behalf of such account.

Section 4.02. *Listing and Reporting Requirements*. The Investor acknowledges that the Common Stock is listed on the NYSE and the Company is required to file reports containing certain business and financial information with the SEC pursuant to the reporting requirements of the Exchange Act and that it is able to obtain copies of such reports.

Section 4.03. *Foreign Jurisdictions*. The Investor acknowledges that no action has been or will be taken in any jurisdiction outside the United States by the Company that would permit an offering of the Shares, or possession or distribution of offering materials in connection with such issue of Shares, in any jurisdiction outside the United States where action for that purpose is required. Each such person outside the United States will comply with all Applicable Laws in each foreign jurisdiction in which it purchases, offers, sells or delivers Shares or has in its possession or distributes any offering material, in all cases at its own expense.

Section 4.04. *Ownership of Series B Preferred Shares; Authorization of the Transaction Documents*. (a) The Investor is the record and beneficial owner of 7,839,209 Series B Preferred Shares, free and clear of any lien, security interest, charge or encumbrance.

(b) The Investor has full right, power, authority and capacity to enter into the Transaction Documents and to consummate the Transactions and has taken all necessary action to authorize the execution, delivery and performance of the Transaction Documents.

(c) This Agreement has been, and at the Closing the Investor Agreement Amendment will be, validly executed and delivered by the Investor and assuming due authorization, execution and delivery of such agreement by the Company, this Agreement constitutes and the Investor Agreement Amendment will constitute a valid and binding obligation of the Investor, enforceable against it in accordance with its terms, except to the extent that the enforcement thereof may be limited by the Bankruptcy Exceptions

Section 4.05. *No Reliance on Advice*. The Investor understands and agrees that nothing in this Agreement, the Company's public filings with the SEC or any other materials presented to the Investor in connection with the purchase and sale of the New Shares or the Exchange constitutes legal, tax or investment advice. The Investor has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of the Shares and has made its own assessment and has satisfied itself concerning the relevant tax and other economic considerations relevant to its investment in the Shares.

ARTICLE 5

COVENANTS

The Company and the Investor agree that:

Section 5.01. *Regulatory Matters*. (a) The parties shall cooperate with each other and use their respective reasonable best efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties (including any unions, works councils or other labor organizations) and Governmental Authorities that are necessary or advisable to consummate the Transactions as promptly as practicable. Each of the Company and the Investor shall have the right to review in advance, and, to the extent practicable, each will consult the other on, in each case subject to Applicable Law relating to the confidentiality of information, the information that appears in any filing made with, or written materials submitted to, any third party or any Governmental Authority in connection with the Transactions. In exercising the foregoing right, each of the parties shall act reasonably and as promptly as practicable. The parties shall consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary or advisable to consummate the Transactions and each party will keep the other apprised of the status of matters relating to completion of the Transactions.

(b) Each of the parties shall, upon request, furnish to the other all information concerning itself, its subsidiaries, directors, officers and stockholders, and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of any of them or any of their respective subsidiaries to any Governmental Authority in connection with the Transactions.

(c) Each of the parties shall promptly advise the other upon receiving any communication from any Governmental Authority regarding any Required Approvals that causes such party to believe that there is a reasonable likelihood that any Required Approval will not be obtained or that the receipt of any such Required Approval may be materially delayed.

(d) From the date of this Agreement through the Closing, (i) the parties shall further cooperate with each other and use their respective reasonable best efforts to enter into a written agreement or agreements to implement such information sharing and other processes as are necessary to comply with the disclosure and other regulatory requirements that will, or will continue to, apply under Applicable Law (including the Exchange Act, the Banking Act of Japan and the Financial Instruments and Exchange Law of Japan and the rules and regulations promulgated thereunder) after the consummation of the Transactions and (ii) the Company shall cooperate with the Investor to provide such information as is necessary and to take such action from time to time as may be necessary for the Investor to apply the equity method of accounting for its investment in the Company after the consummation of the Transactions; *provided* that, without limitation of any of the Investor's other remedies with respect to any breach of this Section 5.01(d) by the Company, the Company's performance of its covenants and obligations under this Section 5.01(d) shall not be a condition to the Closing.

(e) Notwithstanding anything to the contrary contained in this Agreement, the parties hereby agree and acknowledge that neither this Section 5.01 nor the "reasonable best efforts" standard shall require, or be construed to require, the Company or any of its subsidiaries or other affiliates or the Investor or any of its subsidiaries or other affiliates, in order to obtain any permits, consents, approvals or authorizations, or any terminations or waivers of any applicable waiting periods, to propose, negotiate or offer to effect, or consent or commit to, any terms, condition or restrictions that are reasonably likely to materially and adversely impact (i) the Investor's or any of its subsidiaries' ability to own or operate any of their respective businesses or operations or ability to conduct any such businesses or operations substantially as conducted as of the date of this Agreement, (ii) the Company's or any of its subsidiaries' ability to own or operate any of their respective businesses or operations or ability to conduct any such businesses or operations substantially as conducted as of the date of this Agreement or (iii) the Investor's ability to acquire, hold, dispose of or vote the Shares and realize the economic incidents of ownership of such Shares (any such effect described in clauses (i), (ii) or (iii), a "**Substantial Detriment**").

Section 5.02. *NYSE Listing*. The Company shall use its reasonable best efforts to cause the New Shares to be approved for listing on the NYSE (to the extent not already done), subject to official notice of issuance, prior to the Closing.

Section 5.03. *Publicity*. No written public release or written announcement concerning any of the Transaction Documents shall be issued by any party without the prior written consent of the other party (which consent shall not be unreasonably withheld), except as such release or announcement may be required by law or the rules or regulations of any securities exchange, in which case the party required to make the release or announcement shall, to the extent reasonably practicable, allow the other party reasonable time to comment on such release or announcement in advance of such issuance. The provisions of this Section 5.03 shall not restrict the ability of a party to summarize or describe the Transactions in any prospectus or similar offering document so long as the other party is provided a reasonable opportunity to review such disclosure in advance.

Section 5.04. *Tax Treatment.* The parties agree (i) to treat the Transactions as a tax-free "recapitalization" within the meaning of Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (ii) that no "other property or money" (other than any cash received in lieu of fractional shares) has been received in connection with the Transactions that has the effect of distribution of a dividend under Section 356(a)(2) of the Code, and the Company shall not withhold from any amount hereunder (other than any cash received in lieu of fractional shares or any cash dividend paid on the Series B Preferred Shares or the Series D Preferred Shares).

Section 5.05. *Adjustment of Conversion Rate.* With effect as of immediately prior to the Closing, the Board of Directors of the Company shall increase the Conversion Rate from the Conversion Rate (as such term is defined in the Series B CoD) to the Adjusted Conversion Rate pursuant to, and in accordance with, Section 11(a)(xii) of the Series B CoD. Such increase in the Conversion Rate shall remain in effect for 20 Business Days. The Company shall give the Conversion Agent (as such term is defined in the Series B CoD) and DTC (as such term is defined in the Series B CoD) notice of such increase in the Conversion Rate (and that such increase will be effective for 20 Business Days) at least 15 days prior to the Closing. If the Closing does not occur, no increase in the Conversion Rate pursuant to this Section 5.05 shall become effective.

Section 5.06. Transfer Restrictions. The Investor agrees that, except pursuant to the Exchange, until the Closing has occurred or this Agreement has been terminated, it shall not, directly or indirectly, sell, transfer, pledge, encumber, assign, distribute, gift or otherwise dispose of any or all of the Series B Preferred Shares or Common Stock issuable upon conversion of the Series B Preferred Shares.

Section 5.07. *Requisite Shareholder Approval.* The Company shall take, in accordance with Applicable Law and its Certificate of Incorporation and Bylaws, all action necessary to convene a shareholders' meeting as promptly as practicable after the execution of this Agreement, to consider and vote upon such matters as may be required by the rules of the NYSE in order to effect the Transactions (the "**Requisite Shareholder Approval**"), shall recommend to its shareholders that they approve such matters, and shall not postpone or adjourn such meeting except to the extent required by Applicable Law.

Section 5.08. *New Committee.* The Company shall take, in accordance with Applicable Law and its Certificate of Incorporation and Bylaws, all action necessary to constitute the Global Operations and Technology Committee and appoint the Investor Director (as defined in the Investor Agreement Amendment) as a member of such committee, in each case subject to the occurrence of the Closing.

Section 5.09. *Registration Rights Agreements.* (a) Effective as of the Closing, the definition of the term "Registrable Securities" under the Registration Rights Agreement, dated as of October 13, 2008, between the Company and the Investor (as amended, the "**Registration Rights Agreement**") shall be deemed to include any shares of Common Stock issued upon conversion of the Series D Preferred Shares. This Section 5.09(a) shall be deemed to amend the Registration Rights Agreement accordingly.

(b) Section 2.6 of the Registration Rights Agreement is hereby amended to read as follows: "The registration rights granted under this Article II shall terminate with respect to any Holder as of the later of (1) the last day of the first calendar month in which the sum of the Shares held by such Holder and the maximum number of Shares issuable upon conversion of other Securities held by such Holder may be sold in a single transaction without limitation under Rule 144 and (2) the last day of the first calendar month in which the sum of the Shares held by such Holder and the maximum number of Shares issuable upon conversion of other Securities held by such Holder are less than 10.0% of the total shares of Common Stock then outstanding." This Section 5.09(b) shall be deemed to amend the Registration Rights Agreement accordingly.

ARTICLE 6

Conditions to Closing

Section 6.01. *Conditions to Obligations of the Company and the Investor*. The obligations of the Company and the Investor to consummate the Closing are subject to the satisfaction of the following conditions:

(a) No provision of any Applicable Law shall prohibit the consummation of the Closing.

(b) The Required Approvals shall have been obtained or made and shall be in full force and effect and all waiting periods under the Required Approvals shall have expired or been terminated, in each case without the imposition of any term, condition or consequence the acceptance of which would constitute a Substantial Detriment, and no Governmental Authority shall have instituted an investigation or proceeding that would reasonably be expected to result in a judgment, injunction, order or decree prohibiting the Closing.

Section 6.02. *Conditions to Obligation of the Investor*. The obligation of the Investor to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) The representations and warranties of the Company contained in this Agreement shall be true and correct on and as of the date hereof and on and as of the Closing Date as if made on and as of the Closing Date (except for (x) such representations or warranties made as of the date hereof or as of another date, which shall be true and correct as of such date and (y) the representations and warranties contained in Section 3.06, which shall be true and correct as of the date hereof), and the Investor shall have received a certificate of the chief executive officer of the Company, dated as of the Closing Date, certifying to that fact.

(b) The Company shall have performed in all material respects all of its covenants and obligations in this Agreement that are to be performed at or prior to the Closing (excluding any covenants or obligations under Section 5.01(d), 5.02 or 5.07), and the Investor shall have received a certificate of a senior officer of the Company, dated as of the Closing Date, certifying to that fact.

(c) The New Shares shall have been approved for listing on the NYSE, subject to official notice of issuance.

(d) The Investor shall have received a written opinion, dated the Closing Date, from Davis Polk & Wardwell LLP, as counsel to the Company, as to the validity of the New Shares, in the form attached hereto as Exhibit B.

(e) The Company shall have taken all action necessary to constitute the Global Operations and Technology Committee and appoint the Investor Director (as defined in the Investor Agreement Amendment) as a member of such committee, in each case subject to the occurrence of the Closing.

(f) The Company shall have duly executed and delivered to the Investor the Investor Agreement Amendment.

Section 6.03. *Conditions to Obligation of the Company*. The obligation of the Company to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) The representations and warranties of the Investor contained in this Agreement shall be true and correct on and as of the date hereof and on and as of the Closing Date as if made on and as of the Closing Date (except for any such representations or warranties made as of the date hereof or as of another date, which shall be true and correct as of such date).

(b) The Investor shall have performed in all material respects all of its covenants and obligations in this Agreement that are to be performed at or prior to the Closing.

(c) The Investor shall have duly executed and delivered to the Company the Investor Agreement Amendment.

ARTICLE 7

EXCHANGE ELECTION

Section 7.01. *Right To Exchange.* At any time prior to the earlier of (x) the Closing and (y) the termination of this Agreement pursuant to Section 8.01, the Investor may irrevocably elect, in its sole discretion, to exchange (the "**Exchange**") all, but not less than all, of the Series B Preferred Shares then held by it for an equal number of newly issued shares of the Company's 10% Series D Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock, par value $0.01 per share (the "**Series D Preferred Shares**"), having the terms set forth in the Series D CoD, if the Closing Price of the Common Stock has exceeded 150% of the then applicable Conversion Price on any Trading Day preceding the date the Investor provides notice to the Company of such election. Such notice shall be given in accordance with Section 9.02 and shall specify the date (the "**Exchange Date**") on which the Exchange is to occur, which shall be a Business Day and which shall be no earlier than the third Business Day immediately succeeding the date, determined in accordance with Section 9.02, on which the Company receives such notice.

Section 7.02. *Exchange Closing.* The consummation of the Exchange (the "**Exchange Closing**") shall take place at the offices of Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York, on the Exchange Date, or at such other time or place as the Company and the Investor may agree. At the Exchange Closing, the Investor shall present and surrender the certificate representing all of the Series B Preferred Shares then held by it, whereupon the Company shall deliver to the Investor a certificate, in substantially the same form as the certificate so surrendered, representing an equal number of Series D Preferred Shares, registered in the name of the Investor or, if the Series B Preferred Shares are not held in certificated form, the Investor and the Company shall deliver a letter to BNY Mellon Shareowner Services, acting in its capacity as registrar and transfer agent for the Series B Preferred Shares and the Series D Preferred Shares, instructing it to reflect on its books (i) the delivery by the Investor to the Company of all Series B Preferred Shares then held by the Investor and (ii) the issuance by the Company to the Investor of an equal number of newly issued Series D Preferred Shares. At the Exchange Closing, the Company shall cause Davis Polk & Wardwell LLP, as counsel to the Company, to deliver a written opinion, dated the date of the Exchange Closing, as to the validity of the Series D Preferred Shares, in the form attached hereto as Exhibit C. Prior to the Exchange Closing, the Company shall file a Certificate of Designations of Preferences and Rights (the "**Series D CoD**") with respect to the Series D Preferred Shares in the form attached hereto as Exhibit D in the office of the Secretary of State of the State of Delaware.

Section 7.03. *Effect Of Exchange.* (a) Following the Exchange Closing,

(i) non-cumulative cash dividends shall be payable on the Series D Preferred Shares in accordance with the Series D CoD from and including the Dividend Payment Date for the Series B Preferred Shares immediately preceding the date on which the Exchange Closing occurs; *provided* that if the Exchange Closing occurs after a Dividend Record Date for the Series B Preferred Shares and on or prior to the immediately succeeding Dividend Payment Date for the Series B Preferred Shares, dividends on the Series D Preferred Shares shall be payable from and including such immediately succeeding Dividend Payment Date (it being understood that in such circumstances, dividends for the period that includes the date of the Exchange Closing shall be payable on the Series B Preferred Shares, notwithstanding that the Investor will have exchanged the Series B Preferred Shares for Series D Preferred Shares prior to the relevant Dividend Payment Date for the Series B Preferred Shares and the Series B Preferred Shares shall no longer be outstanding on such Dividend Payment Date); and

(ii) all references in this Agreement (other than references in this Article 7) and in the Investor Agreement attached hereto as Exhibit A to the words "Series B" shall be deemed to be references to the words "Series D," unless the context otherwise requires.

(b) The consummation of the Exchange Closing shall not affect the Company's and the Investor's other rights and obligations under this Agreement (including, without limitation, the obligation to effect the Closing pursuant to Section 2.01).

Section 7.04. *Definitions.* For purposes of this Article 7, each of the terms "Closing Price," "Conversion Price" and "Trading Day" shall have the meaning given to such terms in the Series B CoD.

ARTICLE 8

TERMINATION

Section 8.01. *Grounds for Termination*. This Agreement may be terminated at any time prior to the Closing:

(a) by either the Investor or the Company if the Closing shall not have occurred by October 14, 2011; *provided* that the right to terminate this Agreement under this Section 8.01(a) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date;

(b) by either the Investor or the Company in the event that any Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Transactions and such order, decree, ruling or other action shall have become final and nonappealable; or

(c) by the mutual written consent of the Investor and the Company.

The party desiring to terminate this Agreement pursuant to Section 8.01(a) or Section 8.01(b) shall give notice of such termination to the other party.

Section 8.02. *Effect of Termination*. In the event of termination of this Agreement as provided in Section 8.01, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto except that nothing herein shall relieve either party from liability for any breach of any covenant of this Agreement; *provided* that Section 7.03(a) shall survive the termination of this Agreement following an Exchange Closing and *provided further* that Section 5.09(b) shall survive termination of this Agreement.

ARTICLE 9

MISCELLANEOUS

Section 9.01. *Survival of Representations, Warranties and Agreements*. Notwithstanding any investigation made by any party to this Agreement, all covenants, agreements, representations and warranties made by the Company and the Investor herein (excluding any covenants or obligations of the Company under Section 5.01(d)) shall survive the execution of this Agreement and the Closing.

Section 9.02. *Notices*. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile and electronic mail transmission), and shall be given,

if to the Investor, to:

Mitsubishi UFJ Financial Group, Inc.
7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8388, Japan
Attention: General Manager
Strategic Alliance Office
Corporate Planning Division
Facsimile No.: +81 (3) 3240 5324
E-mail: Tetsuya_Niimi@hd.mufg.jp

with a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004
Attention: Donald J. Toumey
Keiji Hatano
Facsimile No.: (212) 558-3588
Email: toumeyd@sullcrom.com
hatanok@sullcrom.com

if to the Company, to:

Morgan Stanley
1585 Broadway
New York, NY 10036
Attention: Ruth Porat
Facsimile No.: (212) 507-0437
Email: ruth.porat@morganstanley.com

with a copy to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
Attention: Thomas J. Reid
Marc O. Williams
Facsimile No.: (212) 701-5800
Email: tom.reid@davispolk.com
marc.williams@davispolk.com

or such other address, facsimile number or email address as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be (i) deemed to have been duly given when delivered by hand or overnight courier service, or when received by facsimile transmission or electronic mail transmission if promptly confirmed (in the case of electronic mail transmission, by means such as by the "return receipt requested" function, return electronic mail or other written acknowledgment by the intended recipient) and (ii) deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

Section 9.03. *Amendments and Waivers*. (a). Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 9.04. *Expenses*. Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

Section 9.05. *Successors and Assigns*. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto.

Section 9.06. *Governing Law*. This Agreement will be governed by, construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed wholly within the State of Delaware, without giving effect to the conflicts of laws principles thereof that would govern, construe or enforce the Agreement under laws other than the State of Delaware.

Section 9.07. *Jurisdiction*. The Investor irrevocably submits to the nonexclusive jurisdiction of any Delaware State or United States Federal court sitting in the County of New Castle, Delaware over any suit, action or proceeding arising out of or relating to this Agreement or the Transactions. The Investor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF

OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.07.

Section 9.08. *Process Agent*. The Investor irrevocably appoints MUFG North America, 1251 Avenue of the Americas, New York, NY 10020-1104, to act as its agent for service of process and any other documents in proceedings in the State of New York, the State of Delaware or any other proceedings in connection with this Agreement.

Section 9.09. *Counterparts; Effectiveness; Third Party Beneficiaries*. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations, or liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns.

Section 9.10. *Entire Agreement*. This Agreement, the Investor Agreement, the Investor Agreement Amendment and the Registration Rights Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof and thereof.

Section 9.11. *Severability*. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the Transactions is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the Transactions be consummated as originally contemplated to the fullest extent possible.

Section 9.12. *Specific Performance*. The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in any Delaware State or United States Federal court sitting in the County of New Castle, Delaware, in addition to any other remedy to which they are entitled at law or in equity.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

MORGAN STANLEY

By: /s/ James P. Gorman

Name: James P. Gorman
Title: President &
Chief Executive Officer

MITSUBISHI UFJ FINANCIAL GROUP, INC.

By: /s/ Katsunori Nagayasu

Name: Katsunori Nagayasu
Title: President &
Chief Executive Officer

Exhibit A

<u>Form of Investor Agreement Amendment</u>

AMENDED AND RESTATED

INVESTOR AGREEMENT

BY AND BETWEEN

MORGAN STANLEY

AND

INVESTOR

DATED AS OF [   ], 2011

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AMENDED AND RESTATED INVESTOR AGREEMENT (this "Agreement"), by and between Morgan Stanley, a Delaware corporation (the "Company") and Mitsubishi UFJ Financial Group, Inc., a joint stock company organized under the laws of Japan (the "Investor"), dated as of [ ], 2011.

W I T N E S S E T H:

WHEREAS, the Company and the Investor have entered into a Securities Purchase Agreement, dated September 29, 2008 and amended by the First Amendment to Securities Purchase Agreement, dated as of October 3, 2008, the Second Amendment to Securities Purchase Agreement, dated as of October 8, 2008 and the Third Amendment to Securities Purchase Agreement, dated as of October 13, 2008 (such Securities Purchase Agreement, as so amended and as it may be further amended from time to time, the "Purchase Agreement"), pursuant to which the Investor purchased and acquired from the Company, and the Company issued and sold to the Investor, (i) shares of the 10% Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock, par value $.01 per share of the Company (the "Series B Preferred Stock"), which is convertible into shares of Common Stock, par value $.01 per share of the Company (the "Common Stock"), and (ii) shares of the 10% Series C Non-Cumulative Non-Voting Perpetual Preferred Stock, par value $.01 per share of the Company, (together with Series B Preferred Stock, "Preferred Stock");

WHEREAS, the Company and the Investor have entered into the Transaction Agreement dated as of April 21, 2011 (the "Transaction Agreement") and the execution and delivery of this Agreement is a condition to the closing of the transactions contemplated therein;

WHEREAS, the Company and the Investor are parties to that certain Investor Agreement, dated as of October 13, 2008 and amended by the First Amendment to Investor Agreement, dated as of October 27, 2008 (the Investor Agreement, as so amended, the "Investor Agreement"); and

WHEREAS, the Company and the Investor have determined to further amend and restate the Investor Agreement as set forth herein.

NOW, THEREFORE, in consideration of the premises and of the respective representations, warranties, covenants and conditions contained herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. In addition to other terms defined elsewhere in this Agreement, as used in this Agreement, the following terms shall have the meanings ascribed to them below:

"Affiliate" or "affiliate" means, with respect to a specified Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, the specified Person (as used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise).

"Agreement" shall have the meaning assigned in the preamble hereto.

"Applicable Law" shall have the meaning assigned in the Transaction Agreement.

"Beneficially Own" shall mean, with respect to any securities, having "beneficial ownership" of such securities for purposes of Rule 13d-3 or 13d-5 under the Exchange Act as in effect on the date hereof, and "Beneficial Ownership" shall have the corresponding meaning. "Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean any day other than a Saturday, Sunday or a legal holiday in New York City or in Tokyo, Japan, or any other day on which commercial banks in New York City or in Tokyo, Japan are authorized or required by law or government decree to close.

"Closing Date" shall have the meaning assigned in the Purchase Agreement.

"Common Stock" shall have the meaning assigned in the recitals hereto.

"Company" shall have the meaning assigned in the preamble hereto.

"Company Proprietary Information" shall have the meaning set forth in Section 8.1.

"Controlled Affiliate" shall mean any Affiliate of the specified Person that is, directly or indirectly, controlled (as defined in the definition of "Affiliate") by the specified Person.

"Covered Securities" shall mean Common Stock and any securities convertible into or exercisable or exchangeable for Common Stock that are not Excluded Securities.

"Designated Securities" shall have the meaning assigned in Section 5.2(a).

"Director" shall mean any member of the Board.

"Economic Interest Percentage" shall mean, calculated at any particular point in time, the ratio, expressed as a percentage, of (x) the aggregate number of shares of Common Stock Beneficially Owned by the Investor at the relevant time (for purposes of this definition, treating the Series B Preferred Stock as fully converted into the underlying Common Stock) to (y) the total number of shares of Common Stock outstanding at the relevant time, on a Fully Diluted Basis.

"Exchange Act" shall mean the Securities Exchange Act of 1934, or any successor federal statute, and the rules and regulations promulgated thereunder, all as amended, and as the same may be in effect from time to time.

"Excluded Securities" shall mean any securities that are (i) issued by the Company pursuant to any employment contract, employee or benefit plan, stock purchase plan, stock ownership plan, stock option or equity compensation plan or other similar plan whereby stock is being issued or offered to a trust, other entity or otherwise, to or for the benefit of any employees, potential employees, officers or directors of the Company, (ii) issued by the Company in connection with a business combination or other merger, acquisition or disposition transaction, (iii) issued with reference to the common stock of a subsidiary (e.g., a carve-out transaction), (iv) issued in connection with a dividend investment or stockholder purchase plan or (v) issued upon the conversion, exchange or exercise of any security or right or purchase obligation outstanding as of the date hereof in accordance with its terms as such terms exist as of the date hereof.

"Fully Diluted Basis" shall mean based on the total number of shares of the relevant class of stock or type of equity interest that would be outstanding on the relevant date assuming the exercise of all options, warrants and other rights or obligations (including purchase contracts) to acquire such relevant class of stock or type of equity interest (without regard to exercisability, vesting or similar provisions and restrictions thereof) and the conversion or exchange of all securities convertible into or exchangeable for stock or equity interest (without regard to exercisability, vesting or similar provisions and restrictions thereof).

"Governmental Entity" shall have the meaning assigned in the Purchase Agreement.

"Hedge" shall mean, in respect of the Common Stock, to enter into any swap or any other agreement, transaction or series of transactions that hedges or transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such Common Stock, whether any such transaction, swap or series of transactions is to be settled by delivery of securities, in cash or otherwise.

"Investor" shall have the meaning assigned in the preamble hereto.

"Investor Director" shall have the meaning assigned in Section 3.1(a).

"Investor Nominee" shall have the meaning assigned in Section 3.1(a).

"Investor Percentage Interest" shall mean, as of any date, the percentage equal to (i) the aggregate number of shares of Common Stock Beneficially Owned by the Investor (treating the Series B Preferred Stock and any other securities of the Company convertible into or exercisable or exchangeable for Common Stock that are Beneficially Owned by the Investor or its Affiliates as fully converted into or exercised or exchanged for the underlying Common Stock) divided by (ii) the total number of outstanding shares of Common Stock (treating (x) the Series B Preferred Stock and any other securities of the Company convertible into or exercisable or exchangeable for Common Stock that are Beneficially Owned by the Investor or its Affiliates as fully converted into or exercised or exchanged for the underlying Common Stock and (y) all shares of Common Stock issuable upon conversion or exercise or exchange of any other then outstanding securities convertible into or exercisable or exchangeable for Common Stock, to the extent such other securities are Covered Securities sold in a Qualified Offering, as having been issued).

"Investor Proprietary Information" shall have the meaning set forth in Section 8.2.

"Investor Rights Termination Event" shall be deemed to have occurred if, at the close of any Business Day following the Closing Date, the Investor's Economic Interest Percentage is less than 10%.

"Nominee Disclosure Information" shall have the meaning assigned in Section 3.1(b).

"Person" shall mean a legal person, including any individual, corporation, company, partnership, joint venture, association, joint-stock company, trust, limited liability company or unincorporated association or any other entity or organization, including a government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preemptive Rights Expiration Date" shall have the meaning assigned in Section 5.6.

"Preferred Stock" shall have the meaning assigned in the recitals hereto.

"Private Placement" shall have the meaning set forth in Section 5.2(b).

"Process Agent" shall have the meaning set forth in Section 9.12.

"Purchase Agreement" shall have the meaning assigned in the recitals hereto.

"Qualified Offering" shall mean a public or nonpublic offering of Covered Securities for cash, and, for the avoidance of doubt, shall include all Covered Securities issued in respect of such offering pursuant to the exercise of preemptive rights.

"Registration Rights Agreement" shall mean the Registration Rights Agreement, dated as of October 13, 2008, as amended by the amendment dated April 21, 2011.

"Related Agreements" shall mean the Purchase Agreement and Registration Rights Agreement.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"Securities" shall mean shares of Common Stock and Preferred Stock.

"Securities Act" shall mean the U.S. Securities Act of 1933, and any similar or successor federal statute, and the rules and regulations promulgated thereunder, all as amended, and as the same may be in effect from time to time.

"Standstill Period" shall have the meaning set forth in Section 3.4.

"Subsidiary" shall mean, with respect to any Person, any other Person more than fifty percent (50%) of the shares of the voting stock or other voting interests of which are owned or controlled, or the ability to select or elect more than fifty percent (50%) of the directors or similar managers is held, directly or indirectly, by such first Person or one or more of its Subsidiaries or by such first Person and one or more of its Subsidiaries. A Subsidiary that is directly or indirectly wholly owned by another Person except for directors' qualifying shares shall be deemed wholly owned for the purposes of this Agreement.

"Transaction Agreement Closing Date" shall mean the closing provided for in Section 2.01 of the Transaction Agreement.

"Transfer" shall have the meaning set forth in Section 4.1.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the Company. The Company represents and warrants to the Investor as of the date hereof as follows:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, and has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

(b) This Agreement and all transactions and obligations contemplated hereby have been duly and validly authorized by all necessary action on the part of the Company.

(c) This Agreement has been duly executed and delivered by the Company and, assuming due authorization and valid execution and delivery by the Investor, is a valid and legally binding obligation of the Company, enforceable against it in accordance with its terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights.

Section 2.2 Representations and Warranties of the Investor. The Investor represents and warrants to the Company as of the date hereof as follows:

(a) The Investor has been duly incorporated and is validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

(b) This Agreement and all transactions and obligations contemplated hereby have been duly and validly authorized by all necessary action on the part of the Investor.

(c) This Agreement has been duly executed and delivered by the Investor and, assuming due authorization and valid execution and delivery by the Company, is a valid and legally binding obligation of the Investor, enforceable against it in accordance with its terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights.

ARTICLE III

BOARD REPRESENTATION AND VOTING; STANDSTILL PROVISIONS

Section 3.1 Board of Directors. (a) Until an Investor Rights Termination Event, the Company shall take all lawful action to cause the number (specified in subsection (e) of this Section 3.1) of the Investor's senior officers or directors designated by the Investor in writing to the Company (each, an "Investor Nominee") who satisfy any applicable regulatory requirements applicable to directors or director nominees to the Board to be members of the Board (each such Investor Nominee elected to the Board, an "Investor Director"). The Investor may designate one Investor Director to be appointed as a member of such committees of the Board as the Investor may designate, subject to any applicable legal or stock exchange requirements and except as necessary to maintain best practices in corporate governance regarding such appointment. For the avoidance of doubt, the Company acknowledges that each Investor Director shall be entitled to vote on all matters in his or her discretion. Moreover, the Company acknowledges that each Investor Director, in his or her capacity as such, will have the same access as other directors to management and other directors with respect to matters relating to the operation, financial and all other policies of the Company and the ability to participate in the processes by which those policies are made. Without limitation of the foregoing, each Investor Director shall have the same ability as other directors to attend (in his or her capacity as a director) all meetings of committees of the Board, including the Audit, Nominating/Governance, Compensation Committees and the newly constituted Global Operations and Technology Committee. For purposes of this Section 3.1, Investor shall mean Mitsubishi UFJ Financial Group, Inc., notwithstanding any Transfer to a Controlled Affiliate.

(b) Until an Investor Rights Termination Event, at any annual or special meeting of shareholders of the Company at which Directors are to be elected (and at which a seat held by an Investor Director is subject to election), the Company shall, provided the Investor shall have complied with the immediately succeeding sentence of this paragraph (b), renominate each such Investor Director, or nominate another Investor Nominee or other Nominees designated by the Investor in writing to be elected to the Board, and shall use its best efforts to cause such person(s) to be elected to such position. The Investor shall notify the Company of its proposed nominee(s) to the Board, in writing, no later than the latest date on which stockholders of the Company may make nominations to the Board in accordance with the bylaws of the Company, together with all information concerning such nominee(s) reasonably requested by the Company, so that the Company can comply with applicable disclosure rules (the "Nominee Disclosure Information"); provided that in the event the Investor fails to provide any such notice, the Investor Nominee(s) shall be the person(s) then serving as the Investor Director(s) as long as the Investor provides the Nominee Disclosure Information to the Company promptly upon request by the Company.

(c) In the event of the death, disability, resignation or removal of an Investor Director, the Board will promptly elect to the Board an Investor Nominee to fill the resulting vacancy, which such individual shall then be deemed an Investor Director for all purposes hereunder.

(d) All obligations of the Company pursuant to this Section 3.1 shall terminate, and the Investor shall cause the Investor Director(s) to resign from the Board, immediately upon the occurrence of an Investor Rights Termination Event.

(e) Until the first time at which the Investor Percentage Interest has been less than 20% for a period of six consecutive months, the Investor shall continue to have the right to designate two Investor Nominees pursuant to Section 3.1(a). From such date until an Investor Rights Termination Event, the Investor shall have the right to designate one Investor Nominee pursuant to Section 3.1(a).

Section 3.2 Voting. The Investor agrees to cause each share of Common Stock Beneficially Owned by it that is entitled to vote in any election for Directors to be present in person or represented by proxy at all meetings of stockholders of the Company, so that all such shares shall be counted as present for determining the presence of a quorum at such meetings. The provisions of this Section 3.2 shall not apply at any time that the Company is not in compliance with its obligations under Section 3.1 or following the occurrence of an Investor Rights Termination Event.

Section 3.3 Standstill Restrictions. During the Standstill Period (as defined in Section 3.4), the Investor shall not, and shall not permit any of its Affiliates to, without the prior written consent of the Company:

(i) acquire, agree to acquire or make any public proposal to acquire, directly or indirectly, Beneficial Ownership of any voting securities or assets of the Company or its Subsidiaries, except (A) the acquisition of securities or assets by the Investor or any of its wholly owned Subsidiaries from the Investor or any such Subsidiary, (B) Beneficial Ownership resulting from the acquisition of interests in any unrelated Person that has Beneficial Ownership of shares of Common Stock, provided, in the case of this clause (B) that (1) the acquisition of Beneficial Ownership of Common Stock was not the primary purpose of the acquisition of interests in such unrelated Person, (2) the Investor or the relevant Affiliate divests, or causes the unrelated Person to divest, any such shares of Common Stock reasonably promptly in a commercially reasonable manner, and (3) any such shares of Common Stock shall not be counted in any calculation of the Investor's Economic Interest Percentage, (C) pursuant to the exercise of preemptive rights pursuant to Article V, or, prior to the time Investor first takes an action described in Section 5.6(ii), purchases of Common Stock in the open market up to a cap, which cap shall be an Investor Percentage Interest of 22.4% (provided that if such limitation would result in the Investor being limited to an Economic Interest Percentage of less than 20%, then such limitation shall instead be equal to the lesser of (x) an Economic Interest Percentage of 20% and (y) an Investor Percentage Interest of 24.9%), or (D) on behalf of customers in the ordinary course of their respective financial services businesses;

(ii) deposit any shares of Common Stock in a voting trust or similar arrangement or subject any shares of Common Stock to any voting agreement, pooling arrangement or similar arrangement, or grant any proxy with respect to any shares of Common Stock;

(iii) publicly propose to enter into, directly or indirectly, any merger or other business combination or similar transaction with, or change in control transaction involving, the Company or its Subsidiaries;

(iv) make, or in any way join in, directly or indirectly, any "solicitation" of "proxies" (as such terms are used in the proxy rules of the SEC) to vote any securities of the Company or its Subsidiaries (it being understood that (A) the Investor is entitled to exercise the voting rights with respect to the Securities in its discretion (and without regard to the recommendation of the Board or management of the Company), (B) the Investor may publicly propose that Board take actions that the Investor supports or refrain from taking actions that the Investor opposes and (C) the Investor may vote in favor of proposals made by other stockholders (and without regard to the recommendation of the Board with respect thereto));

(v) [Reserved.]

(vi) seek a release of the restrictions contained in this Section 3.3, in any manner that would require public disclosure thereof;

(vii) form, join or in any way participate in a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) that, with respect to any securities of the Company or its Subsidiaries, would be required under Section 13(d) of the Exchange Act and the rules and regulations thereunder to file a Statement on Schedule 13D with the SEC as a "person" (within the meaning of Section 13(d)(3) of the Exchange Act); or

(viii) publicly disclose any plan or proposal with respect to the foregoing.

Notwithstanding anything to the contrary herein, the Company acknowledges that the Investor may provide guidance and participate with respect to matters relating to the Company's business, including operational and financial policies. It is understood between the Company and Investor that (A) the Investor is entitled to exercise the voting rights with respect to the Securities in its discretion (and without regard to the recommendation of the Board or management of the Company), (B) the Investor may privately or publicly propose that the Board or the Company take actions that the Investor supports or refrain from taking actions that the Investor opposes and (C) the Investor may publicly state its position with regard to proposals made by other stockholders and vote in favor of or against proposals made by other stockholders (and without regard to the recommendation of the Board with respect thereto.

The restrictions on the Investor contained in this Section 3.3 shall not apply at any time that the Company is not in compliance with its obligations under Section 3.1.

Section 3.4 Standstill Period. "Standstill Period" shall mean the period from the date hereof until the earlier of (i) October 13, 2013, and (ii) the occurrence of an Investor Rights Termination Event; provided, however, that the parties shall, prior to the expiration of the Standstill Period, discuss in good faith whether to extend the Standstill Period (with no obligation to extend). In addition, the Standstill Period shall be suspended, and the restrictions of Section 3.3 shall not apply, upon the failure of any Investor Nominee to be elected to the Board within 60 calendar days following any annual or special meeting of shareholders of the Company at which an Investor Nominee stood for election but was nevertheless not elected, provided that the Standstill Period shall resume and the restrictions of Section 3.3 shall apply, from and after the date that such Investor Nominee (or an alternate designated by the Investor) is elected or appointed to the Board.

Section 3.5 Cooperation. The Company shall cooperate with the Investor to provide such information as is necessary to and to take such action from time to time as may be necessary for the Investor to apply the equity method of accounting for its investment in the Company. Upon the Transaction Agreement Closing, (i) the number of directors on the Board shall be increased by one and (ii) the Board will elect to the Board a senior officer or director of the Investor to be designated by the Investor in writing to the Company who satisfies any applicable regulatory requirements applicable to directors or director nominees to the Board to be a member of the Board and an Investor Director hereunder. So long as the Investor is entitled pursuant to this Article III to designate two Investor Directors, the Company agrees to maintain a Board having at least 14 members, provided that the size of the Board may temporarily be less than 14 members for a reasonable period of time necessary to fill any temporary vacancy on the Board. In the event that the Company and the Investor have not entered into the written agreement or agreements referred to in Section 5.01(d)(i) of the Transaction Agreement, then the Company and the Investor shall further cooperate with each other and use their respective reasonable best efforts to enter such an agreement or agreements promptly thereafter. The Company and the Investor shall cooperate for the purpose of complying with the disclosure and other regulatory requirements that will, or will continue to, apply under Applicable Law (including the Exchange Act, the Banking Act of Japan and the Financial Instruments and Exchange Law of Japan and the rules and regulations promulgated thereunder).

ARTICLE IV

TRANSFER RESTRICTIONS

Section 4.1 Transfer Restrictions. (a) Prior to October 13, 2011, the Investor shall not, within any period of three months, offer, sell, pledge or otherwise transfer ("Transfer") Securities or Hedge its direct or indirect exposure to Common Stock, in one transaction or a series of transactions involving Securities, having an aggregate value exceeding $2.5 billion, in each case, other than (i) to a Controlled Affiliate that agrees to be bound by the provisions of this Agreement as if it were the Investor hereunder or (ii) as may be required by order or decree of any Governmental Entity having jurisdiction over the Investor or in the reasonable discretion of the Investor to comply with any applicable statute, rule or regulation. In the event that prior to October 13, 2011, any Person who was a transferee pursuant to clause (i) of the preceding sentence ceases to be a Controlled Affiliate of Investor, then any prior Transfer to such Person pursuant to clause (i) shall become null and void and ownership and title to any such securities so Transferred shall revert to Investor. The Investor shall immediately notify the Company if it engages in any of the transactions referred to in this Section 4.1.

(b) At any time during which Investor is permitted to Transfer any Securities, the Investor shall not, without prior approval of the Board, knowingly Transfer such Securities to any one Person (or group of related Persons) if such Transfer would result in such Person (or group of related Persons) Beneficially Owning in excess of 5% the then-outstanding shares of Common Stock. The foregoing shall not apply to Transfers (i) consisting only of block trades executed at prevailing market prices obtainable at the time of such Transfer through brokers in transactions on the NYSE, provided that the transferor does not know or have reason to believe that such Transfer would result in such Person (or group of related Persons) Beneficially Owning in excess of 5% of the then-outstanding shares of Common Stock, or (ii) effected through widely distributed public offerings.

(c) The Investor's rights under this Agreement will not be transferable to any transferee of any shares of Common Stock or Preferred Stock, other than a transferee that is and remains a wholly owned Subsidiary of the Investor.

(d) Any certificates for Securities issued pursuant to the Purchase Agreement or issued upon conversion or exchange of Securities or issued in respect of any transfer of Securities shall bear a legend or legends (and appropriate comparable notations or other arrangements will be made with respect to any uncertificated shares) referencing restrictions on transfer of such shares under the Securities Act and under this Agreement; provided, that the holder of any certificate(s) bearing any such legend (or any uncertificated shares subject to such notations or arrangements) shall be entitled to receive from the Company new certificates for a like number of Securities not bearing such legend (or the elimination or termination of such notations or arrangements) upon the request of such holder and upon (x) such time as such restriction is no longer applicable, and (y) delivery of an opinion of counsel to such holder, which opinion is reasonably satisfactory in form and substance to the Company and its counsel, that the restriction referenced in such legend (or such notations or arrangements) is no longer required in order to ensure compliance with the Securities Act.

(e) Nothing in this Section 4.1 (other than Section 4.1(b)) shall restrict Investor from Transferring, and the Investor is hereby permitted to Transfer, any Securities in order to reduce the number of Securities owned by it below 24% of "a class of voting stock" of the Company, as calculated for purposes of the Bank Holding Company Act of 1956, as amended (the "BHCA"). If at any time the Company reduces the number of shares of its Common Stock outstanding, it shall use reasonable best efforts to notify the Investor promptly if the Investor would own a number of Securities exceeding 24% of "a class of voting stock" of the Company, as calculated for purposes of the BHCA. For purposes of such calculation, the Company shall be permitted to rely on the number of shares of Common Stock reported as Beneficially Owned by the Investor in its most recent Schedule 13D filing with the SEC.

ARTICLE V

PREEMPTIVE RIGHTS

Section 5.1 Preemptive Rights. If the Company offers to sell Covered Securities in a Qualified Offering, the Investor shall be afforded the opportunity to acquire from the Company, for the same price and on the same terms as such Covered Securities are offered, in the aggregate up to the amount of Covered Securities required to permit the Investor's Investor Percentage Interest immediately after giving effect to the issuance of such Covered Securities (including the issuance of Covered Securities pursuant to this Section 5.1) to be equal to the Investor's Investor Percentage Interest immediately prior to the issuance of any such Covered Securities, but only to the extent that the Investor Percentage Interest does not as a consequence exceed 22.4% (provided that if such limitation would result in the Investor being limited to an Economic Interest Percentage of less than 20%, then such limitation shall instead be equal to the lesser of (x) an Economic Interest Percentage of 20% and (y) an Investor Percentage Interest of 24.9%). For the avoidance of doubt, in the event that the issuance of Covered Securities in a Qualified Offering involves the purchase of a package of securities that includes Covered Securities and other securities in the same Qualified Offering, Investor shall have the right to acquire a pro rata portion of such other securities, together with a pro rata portion of such Covered Securities, at the price and on the terms that such other securities are purchased by the other purchaser or purchasers of such Covered Securities and other securities and, if the Investor chooses to acquire Covered Securities pursuant to this Section 5.1, it shall also acquire a pro rata portion of such other securities at such price and on such terms.

Section 5.2 Notice. (a) In the event the Company intends to make a Qualified Offering of Covered Securities that is an underwritten public offering or a private offering made to Qualified Institutional Buyers (as such term is defined in Rule 144A under the Securities Act) for resale pursuant to Rule 144A under the Securities Act, the Company shall give the Investor written notice of its intention (including, in the case of a registered public offering and to the extent possible, a copy of the prospectus included in the registration statement filed in respect of such offering), describing, to the extent then known, the anticipated amount of securities, price and other material terms upon which the Company proposes to offer the same. The Investor shall have 24 hours (which shall not include any hours during any day that is not a Business Day) from the date and time of receipt of any such notice to notify the Company in writing that it intends to exercise such preemptive purchase rights and as to the amount of Covered Securities the Investor desires to purchase, up to the maximum amount calculated pursuant to Section 5.1 (the "Designated Securities"). Such notice shall constitute a non-binding indication of interest of Investor to purchase the Designated Securities so specified at the range of prices and other terms set forth in the Company's notice to it. The failure to respond during such 24-hour period shall constitute a waiver of preemptive rights in respect of such offering. To the extent the Company shall give the Investor notice of any such offer prior to the public announcement thereof, the Investor shall agree to confidentiality and restriction on trading terms reasonably acceptable to the Company. The failure of the Investor to agree to such terms within 24 hours (which shall not include any hours during any day that is not a Business Day) after the date and time of receipt of the Company's notice as described in this clause shall constitute a waiver of the Investor's preemptive rights in respect of such offering.

(b) If the Company proposes to make a Qualified Offering of Covered Securities that is not an underwritten public offering or Rule 144A offering (a "Private Placement"), the Company shall give the Investor written notice of its intention, describing, to the extent then known, the anticipated amount of securities, price and other material terms upon which the Company proposes to offer the same. The Investor shall have 48 hours (which shall not include any hours during any day that is not a Business Day) from the date and time of receipt of the notice required by the immediately preceding sentence to notify the Company in writing that it intends to exercise such preemptive purchase rights and as to the amount of Designated Securities the Investor desires to purchase, up to the maximum amount calculated pursuant to Section 5.1. Such notice shall constitute a non-binding indication of interest of the Investor to purchase the amount of Designated Securities so specified (or a proportionately lesser amount if the amount of Covered Securities to be offered in such Private Placement is subsequently reduced) upon the price and other terms set forth in the Company's notice to it. The failure of the Investor to respond during the 48-hour period (which shall not include any hours during any day that is not a Business Day) referred to in the second preceding sentence shall constitute a waiver of the preemptive rights in respect of such offering. To the extent the Company shall give the Investor notice of any such offer prior to the public announcement thereof, the Investor shall agree to confidentiality and restriction on trading terms reasonably acceptable to the Company. The failure of the Investor to agree to such terms within 48 hours (which shall not include any hours during any day that is not a Business Day) after the date and time of receipt of the Company's notice as described in this clause shall constitute a waiver of the Investor's preemptive rights in respect of such offering.

Section 5.3 Purchase Mechanism. (a) If the Investor exercises its preemptive purchase rights provided in Section 5.2(a), the Company shall offer the Investor, if such underwritten public offering or Rule 144A offering is consummated, the Designated Securities (as adjusted to reflect the actual size of such offering when priced) at the same price as the Covered Securities are offered to the investors in such offering and shall provide written notice of such price to the Investor as soon as practicable prior to such consummation. Contemporaneously with the execution of any underwriting agreement or purchase agreement entered into between the Company and the underwriters or initial purchasers of such underwritten public offering or Rule 144A offering, the Investor shall, if it continues to wish to exercise its preemptive rights with respect to such offering, enter into an instrument in form and substance reasonably satisfactory to the Company acknowledging the Investor's binding obligation to purchase the Designated Securities to be acquired by it and containing representations, warranties and agreements of the Investor that are customary in private placement transactions and, in any event, no less favorable to the Investor than any underwriting or purchase agreement entered into by the Company in connection with such offering, and the Investor's failure to enter into such an instrument at or prior to such time shall constitute a waiver of preemptive rights in respect of such offering. Any offers and sales pursuant to this Article V in the context of a registered public offering shall be also conditioned on reasonably acceptable representations and warranties of the Investor regarding its status as the type of offeree to whom a private sale can be made concurrently with a registered offering in compliance with applicable securities laws.

(b) If the Investor exercises its preemptive rights provided in Section 5.2(b), the closing of the purchase of the Covered Securities with respect to which such right has been exercised shall be conditioned on the consummation of the Private Placement giving rise to such preemptive purchase rights and shall take place simultaneously with the closing of the Private Placement or on such other date as the Company and the Investor shall agree in writing; provided that the actual amount of Covered Securities to be sold to the Investor pursuant to its exercise of preemptive rights hereunder shall be reduced if the aggregate amount of Covered Securities sold in the Private Placement is reduced and, at the option of the Investor (to be exercised by delivery of written notice to the Company within five Business Days of receipt of notice of such increase), shall be increased if such aggregate amount of Covered Securities sold in the Private Placement is increased. In connection with its purchase of Designated Securities, Investor shall, if it continues to wish to exercise its preemptive rights with respect to such offering, execute an agreement containing representations, warranties and agreements of Investor that are substantially similar in all material respects to the agreements executed by other purchasers in such Private Placement.

Section 5.4 Cooperation. The Company and the Investor shall cooperate in good faith to facilitate the exercise of the Investor's preemptive rights hereunder, including securing any required approvals or consents, in a manner that does not jeopardize the timing, marketing, pricing or execution of any offering of the Company's securities. In the event that within 60 days of the date hereof the Company proposes to offer or sell securities in a single transaction or series of transactions for aggregate proceeds in excess of $500,000,000, the Company shall consult with Investor concerning such transaction or transactions prior to undertaking such transaction.

Section 5.5 Limitation of Rights. Notwithstanding the above, nothing set forth in this Article V shall confer upon the Investor the right to purchase any securities of the Company other than Designated Securities.

Section 5.6 Termination of Preemptive Rights. The preemptive right to purchase Covered Securities granted by this Article V shall not be available for any offering that commences at any time after (i) October 13, 2013 (the "Preemptive Rights Expiration Date") or (ii) the date on which the Investor Transfers any of the Securities that it acquired on the Closing Date or the Common Stock issued upon conversion of any Securities, or Hedges its exposure to the Common Stock, except as contemplated by clause (i) or (ii) of the first sentence of Section 4.1(a) and Section 4.1(e); provided, however, that the parties shall, no later than 3 months prior to the Preemptive Rights Expiration Date, discuss in good faith whether to extend the Preemptive Rights Expiration Date (with no obligation to extend).

ARTICLE VI

[RESERVED]

ARTICLE VII

EFFECTIVENESS AND TERMINATION

Section 7.1 Termination. Other than the termination provisions applicable to particular Sections of this Agreement that are specifically provided elsewhere in this Agreement, this Agreement shall terminate (a) upon the mutual written agreement of the Company and the Investor or (b) at such time as the Investor no longer Beneficially Owns any Securities.

ARTICLE VIII

CONFIDENTIALITY

Section 8.1 Company Proprietary Information. (a) The Investor hereby agrees to, and to cause its employees, representatives and Controlled Affiliates to, and shall instruct its Affiliates that are not Controlled Affiliates to, keep confidential the Company Proprietary Information and to utilize the Company Proprietary Information only for purposes related to the purpose for which such information was disclosed. "Company Proprietary Information" shall mean any and all confidential information of the Company, including without limitation non-public information relating to the Company's finances and results, technology, trade secrets, know-how, customers, business plans, marketing activities, financial data and other business affairs that is disclosed by the Company to the Investor Directors, the Investor (or its Affiliates and representatives) or is learned by an Investor Director while acting in his or her capacity as such; provided, however, that "Company Proprietary Information" does not include any information that: (i) is, or subsequently becomes, publicly available without breach of these confidentiality provisions; or (ii) is or becomes known or available to the Investor from a source other than the Company that, to the receiving party's knowledge, is not prohibited from disclosing such Company Proprietary Information to the receiving party by a contractual, legal or fiduciary obligation owed by such other third party to the Company.

(b) In the event that the Investor or any of its Affiliates or representatives is requested pursuant to, or required by, applicable law, regulation or legal process to disclose any Company Proprietary Information, then before substantively responding to any such request or requirement, the Investor will provide the Company with prompt written notice of any such request or requirement so that the Company may seek a protective order or other appropriate remedy, or both, or waive compliance with the provisions of this Section 8.1 or other appropriate remedy, or if the Company so directs, the Investor will exercise its own reasonable best efforts to assist the Company in obtaining a protective order or other appropriate remedy at the Company's expense. If, failing the entry of a protective order or other appropriate remedy or the receipt of a waiver hereunder, disclosure of any Company Proprietary Information is, in the opinion of the Investor's counsel, required, the Investor may furnish only that portion of the Company Proprietary

Information which in the opinion of the Investor's counsel is required to be so furnished pursuant to law, regulation or legal process. In any event, the Investor will cooperate fully with any action by the Company to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Company Proprietary Information.

Section 8.2 Investor Proprietary Information. (a) The Company hereby agrees to, and to cause its employees, representatives and Controlled Affiliates to, and shall instruct its Affiliates that are not Controlled Affiliates to, keep confidential the Investor Proprietary Information and to utilize the Investor Proprietary Information only for purposes related to the purpose for which such information was disclosed. "Investor Proprietary Information" shall mean any and all confidential information of the Investor, including without limitation non-public information relating to the Investor's finances and results, technology, trade secrets, know-how, customers, business plans, marketing activities, financial data and other business affairs that is disclosed by the Investor to the Company (or its Affiliates and representatives) in connection with the Investor's investment in the Company or the Strategic Alliance as defined in the Purchase Agreement; provided, however, that "Investor Proprietary Information" does not include any information that: (i) is, or subsequently becomes, publicly available without breach of these confidentiality provisions; or (ii) is or becomes known or available to the Company from a source other than the Investor that, to the receiving party's knowledge, is not prohibited from disclosing such Investor Proprietary Information to the receiving party by a contractual, legal or fiduciary obligation owed by such other third party to the Investor.

(b) In the event that the Company or any of its Affiliates or representatives is requested pursuant to, or required by, applicable law, regulation or legal process to disclose any Investor Proprietary Information, then before substantively responding to any such request or requirement, the Company will provide the Investor with prompt written notice of any such request or requirement so that the Investor may seek a protective order or other appropriate remedy, or both, or waive compliance with the provisions of this Section 8.2 or other appropriate remedy, or if the Investor so directs, the Company will exercise its own reasonable best efforts to assist the Investor in obtaining a protective order or other appropriate remedy at the Investor's expense. If, failing the entry of a protective order or other appropriate remedy or the receipt of a waiver hereunder, disclosure of any Investor Proprietary Information is, in the opinion of the Company's counsel, required, the Company may furnish only that portion of the Investor Proprietary Information which in the opinion of the Company's counsel is required to be so furnished pursuant to law, regulation or legal process. In any event, the Company will cooperate fully with any action by the Investor to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Investor Proprietary Information.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Successors and Assigns. Except as and to the extent set forth in Section 4.1(a), neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto, in whole or in part (whether by operation of law or otherwise), without the prior written consent of each of the other parties. Notwithstanding the foregoing, the Investor may assign any of its rights or obligations under this Agreement to any direct or indirect wholly owned Subsidiary of the Investor, but the assignor shall remain liable for the assignee's nonperformance of any such obligations. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. Any attempted assignment in violation of this Section 9.1 shall be void.

Section 9.2 Amendments; Waiver. This Agreement may be amended only by an agreement in writing executed by the Company and the Investor. Any party may waive in whole or in part any benefit or right provided to it under this Agreement, such waiver being effective only if contained in a writing executed by the waiving party. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon breach thereof shall constitute a waiver of any such breach or of any other covenant, duty, agreement or condition, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

Section 9.3 Notices. Except as otherwise provided in this Agreement, all notices, requests, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier service, or when received by facsimile transmission or electronic mail transmission if promptly confirmed (in the case of electronic mail transmission, by means such as by the "return receipt requested" function, return electronic mail or other written acknowledgment by the intended recipient), as follows:

If to the Company:

Morgan Stanley
Attention: Chief Financial Officer
1585 Broadway
New York, NY 10036
E-mail: ruth.porat@morganstanley.com

with copies to:

Davis Polk & Wardwell LLP
Attention: Thomas J. Reid
Marc O. Williams
450 Lexington Avenue
New York, NY 10017
Fax: (212) 701-5800
E-mail: tom.reid@davispolk.com
marc.williams@davispolk.com

If to the Investor:

Mitsubishi UFJ Financial Group, Inc.
Attention: Chief Manager
Strategic Alliance Office
Corporate Planning Division
7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8388, Japan
Fax: +81 (3) 3240 5324
E-mail: Tetsuya_Niimi@hd.mufg.jp

with copies to:

Sullivan & Cromwell LLP
Attention: Donald J. Toumey
Keiji Hatano
125 Broad Street
New York, NY 10004
Fax: (212) 558-3588
E-mail: toumeyd@sullcrom.com
hatanok@sullcrom.com

or to such other address, facsimile number or telephone as either party may, from time to time, designate in a written notice given in a like manner.

Section 9.4 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts executed in and to be performed entirely within such State, without giving effect to the conflicts of laws principles thereof that would govern, construe or enforce the Agreement under laws other than the State of Delaware.

Section 9.5 Submission to Jurisdiction. The Investor irrevocably submits to the non-exclusive jurisdiction of any Delaware State or United States Federal court sitting in the County of New Castle, Delaware over any suit, action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The Investor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.5.

Section 9.6 Headings. The descriptive headings of the several sections in this Agreement are for convenience only and do not constitute a part of this Agreement and shall not be deemed to limit or affect in any way the meaning or interpretation of this Agreement.

Section 9.7 Entire Agreement. This Agreement, the Related Agreements and the schedules and exhibits attached to any such documents constitute the entire agreement between the Company and the Investor with respect to the subject matter hereof. This Agreement and the Related Agreements supersede all prior agreements with respect to the subject matter hereof.

Section 9.8 Severability. If any term or provision of this Agreement or any application thereof shall be declared or held invalid, illegal or unenforceable, in whole or in part, whether generally or in any particular jurisdiction, such provision shall be deemed amended to the extent, but only to the extent, necessary to cure such invalidity, illegality or unenforceability, and the validity, legality and enforceability of the remaining provisions, both generally and in every other jurisdiction, shall not in any way be affected or impaired thereby.

Section 9.9 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

Section 9.10 Interpretation. When a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” and “including” are used in this Agreement, they are deemed to be followed by the words “without limitation.” For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned under generally accepted accounting principles in the United States, and (c) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

Section 9.11 Specific Performance. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

Section 9.12 Process Agent. The Investor irrevocably appoints MUFG North America, 1251 Avenue of the Americas, New York, NY 10020-1104, to act as its agent for service of process and any other documents in proceedings in the State of New York or the State of Delaware or any other proceedings in connection with this Agreement.

Section 9.13 No Third Party Beneficiaries. Except for the transferees contemplated by clause (i) of the second sentence of Section 4.1(a), nothing in this Agreement, expressed or implied, is intended to confer upon any Person, other than the parties hereto or their respective successors, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective authorized officers as of the date set forth at the head of this Agreement.

MORGAN STANLEY

By: __________________________________
Name:
Title:

MITSUBISHI UFJ FINANCIAL GROUP, INC.

By: __________________________________
Name:
Title:

[Signature Page to Amended and Restated Investor Agreement]

Exhibit B

Form of Corporate Counsel Opinion (New Shares)

[Date]

Mitsubishi UFJ Financial Group, Inc.
Attention: Chief Manager, Corporate Planning Division
7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo

Ladies and Gentlemen:

We have acted as special counsel for Morgan Stanley, a Delaware corporation (the "**Company**"), in connection with the Transaction Agreement between Mitsubishi UFJ Financial Group, Inc. ("**MUFG**") and the Company dated as of April 21, 2011 (the "**Transaction Agreement**") and an amendment to the Investor Agreement between MUFG and the Company dated as of [ ], 2011 (together with the Transaction Agreement, the "**Transaction Documents**"). The Transaction Agreement sets forth the terms and conditions under which MUFG will convert all the shares it holds of the Company's 10% Series B Non-Cumulative Non-Voting Perpetual Convertible Stock, par value $0.01 per share (the "**Series B Securities**"), into shares of common stock, par value $.01 per share, of the Company (the "**Underlying Securities**"). The Series B Securities were issued pursuant to the provisions of the Amended Certificate of Designations of Preferences and Rights dated as of October 13, 2008.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion.

Based upon the foregoing, we are of the opinion that:

1. The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, and has corporate power and authority to own its property, conduct its business and enter into and perform its obligations pursuant to the Transaction Documents.
2. Each of the Transaction Documents has been duly authorized, executed and delivered by the Company and each of the Transaction Documents is a valid and binding agreement of the Company, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability.
3. The Underlying Securities initially issuable upon conversion of the Series B Securities have been duly authorized and reserved and, when issued upon conversion of the Series B Securities in accordance with the terms of the Series B Securities, will be validly issued, fully paid and non-assessable, and the issuance of such shares will not be subject to any preemptive rights under the General Corporation Law of the State of Delaware or the certificate of incorporation or the bylaws of the Company.
4. Assuming the accuracy of the representations, warranties and agreements of the Company and MUFG in the Transaction Agreement, it is not necessary in connection with the issuance and delivery of the Underlying Securities to MUFG, in the manner provided for in the Transaction Agreement, to register the Underlying Securities under the Securities Act of 1933, as amended, it being understood that no opinion is expressed as to any subsequent offer or resale of any Underlying Security.
5. The execution and delivery by the Company of each of the Transaction Documents, and the performance by the Company of its obligations thereunder, do not contravene any provision of the certificate of incorporation or the bylaws of the Company.

In rendering the opinions in paragraph (2) above, we have assumed that (i) the execution, delivery and performance by each party thereto of each Transaction Document to which it is a party, (a) are within its corporate powers, (b) do not contravene, or constitute a default under, the certificate of incorporation or bylaws or other constitutive documents of such party, (c) require no action by or in respect of, or filing with, any governmental body, agency or official and (d) do not contravene, or constitute a default under, any provision of applicable law or regulation or any judgment, injunction, order or decree or any agreement or other instrument binding upon such party, *provided* that we make no such assumption to the extent that we have specifically opined as to such matters with respect to the Company, and (ii) each Transaction Document is a valid, binding and enforceable agreement of MUFG.

We are members of the Bar of the State of New York, and the foregoing opinion is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the federal laws of the United States of America, except that we express no opinion as to any law, rule or regulation that is applicable to the Company, the Transaction Documents, the Series B Securities or such transactions solely because such law, rule or regulation is part of a regulatory regime applicable to either party to the Transaction Documents or any of its affiliates due to the specific assets or business of such party or such affiliate.

This opinion is rendered solely to you in connection with the Transaction Agreement. This opinion may not be relied upon by you for any other purpose or relied upon by any other person or furnished to any other person without our prior written consent.

Very truly yours,

Exhibit C

Form of Corporate Counsel Opinion (Series D Preferred Shares)

[Date]

Mitsubishi UFJ Financial Group, Inc.
Attention: Chief Manager, Corporate Planning Division
7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo

Ladies and Gentlemen:

We have acted as special counsel for Morgan Stanley, a Delaware corporation (the "**Company**"), in connection with the Transaction Agreement between Mitsubishi UFJ Financial Group, Inc. ("**MUFG**") and the Company dated as of April 21, 2011 (the "**Transaction Agreement**"). The Transaction Agreement sets forth the terms and conditions under which MUFG will convert all the shares it holds of the Company's 10% Series B Non-Cumulative Non-Voting Perpetual Convertible Stock, par value $0.01 per share (the "**Series B Securities**"), into shares of common stock, par value $.01 per share, of the Company (the "**Underlying Securities**"). The Series B Securities were issued pursuant to the provisions of the Amended Certificate of Designations of Preferences and Rights dated as of October 13, 2008. MUFG has the right under the terms and conditions set forth in the Transaction Agreement to exchange the Series B Securities it holds for an equal number of shares of the Company's 10% Series D Non-Cumulative Non-Voting Perpetual Convertible Stock, par value $0.01 per share (the "**Series D Securities**"). If issued, the Series D Securities will be convertible into the Underlying Securities on the terms and conditions set forth in the Transaction Agreement and the form of Certificate of Designations attached as Exhibit D to the Transaction Agreement.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion.

Based upon the foregoing, we are of the opinion that:

1. The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, and has corporate power and authority to own its property and conduct its business.

2. The Series D Securities have been duly authorized and, when issued and delivered to MUFG in exchange for the Series B Securities it holds pursuant to the Transaction Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such shares will not be subject to any preemptive rights under the General Corporation Law of the State of Delaware or the certificate of incorporation or the bylaws of the Company.

3. The Underlying Securities initially issuable upon conversion of the Series D Securities have been duly authorized and reserved and, when issued upon conversion of the Series D Securities in accordance with the terms of the Series D Securities, will be validly issued, fully paid and non-assessable, and the issuance of such shares will not be subject to any preemptive rights under the General Corporation Law of the State of Delaware or the certificate of incorporation or the bylaws of the Company.

4. Assuming the accuracy of the representations, warranties and agreements of the Company and MUFG in the Transaction Agreement, it is not necessary in connection with the issuance and delivery of the Series D Securities to MUFG, in the manner provided for in the Transaction Agreement, to register the Series D Securities under the Securities Act of 1933, as amended, it being understood that no opinion is expressed as to any subsequent offer or resale of any Series D Security.

5. Assuming the accuracy of the representations, warranties and agreements of the Company and MUFG in the Transaction Agreement, it is not necessary in connection with the issuance and delivery of the

Underlying Securities to MUFG upon conversion of the Series D Securities, in accordance with the terms of the Series D Securities, to register the Underlying Securities under the Securities Act of 1933, as amended, it being understood that no opinion is expressed as to any subsequent offer or resale of any Underlying Security.

We are members of the Bar of the State of New York, and the foregoing opinion is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the federal laws of the United States of America, except that we express no opinion as to any law, rule or regulation that is applicable to the Company, the Transaction Agreement, the Series B Securities, the Series D Securities or such transactions solely because such law, rule or regulation is part of a regulatory regime applicable to either party to the Transaction Agreement or any of its affiliates due to the specific assets or business of such party or such affiliate.

This opinion is rendered solely to you in connection with the Transaction Agreement. This opinion may not be relied upon by you for any other purpose or relied upon by any other person or furnished to any other person without our prior written consent.

Very truly yours,

Exhibit D

Form of Certificate of Designations of Preferences and Rights of the 10% Series D Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock, par value $0.01 per share

CERTIFICATE OF DESIGNATIONS OF PREFERENCES AND RIGHTS
OF THE
10% SERIES D NON-CUMULATIVE NON-VOTING PERPETUAL
CONVERTIBLE PREFERRED STOCK
($1,000 LIQUIDATION PREFERENCE PER SHARE)

OF

MORGAN STANLEY

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

MORGAN STANLEY, a Delaware corporation (the "*Corporation*"), DOES HEREBY CERTIFY that, pursuant to resolutions of the Board of Directors of the Corporation adopted on April 20, 2011, the creation of Series D Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock, par value $0.01 per share, liquidation preference $1,000 per share ("*Series D*"), of the Corporation was authorized and the designation, preferences, privileges, voting rights, and other special rights and qualifications, limitations and restrictions of the Series D, in addition to those set forth in the Certificate of Incorporation and Bylaws of the Corporation, are fixed as follows:

1. *Designation*. The distinctive serial designation of such series of preferred stock is "Series D Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock." Each share of Series D shall be identical in all respects to every other share of Series D, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 3 below.

2. *Number of Shares.* The authorized number of shares of Series D shall be 7,839,209. Shares of Series D that are purchased or otherwise acquired by the Corporation, or converted into Common Stock or another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock provided that this Section 2 shall not apply to any purchase or other acquisition of shares of Series D by any Subsidiary of the Corporation.

3. *Dividends*.

(a) **Rate.** Holders of shares of Series D shall be entitled to receive, only when, as and if declared by the Board of Directors or a duly authorized committee thereof out of funds of the Corporation legally available for payment, non-cumulative cash dividends on the liquidation preference of $1,000 per share at a rate per annum equal to 10%. Declared dividends on the Series D shall be payable from and including the date (the "*Dividend Accrual Date*") that is the Dividend Payment Date (as such term is defined in the Amended Certificate of Designations of Preferences and Rights (the "*Series B CoD*") of the Corporation's 10% Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock) immediately preceding the Issue Date; provided that if the Issue Date occurs after a Dividend Record Date (as defined in the Series B CoD) and on or prior to the immediately succeeding Dividend Payment Date (as defined in the Series B CoD), the "Dividend Accrual Date" shall be such immediately succeeding Dividend Payment Date. Declared dividends shall be payable quarterly, in arrears, on each January 15, April 15, July 15 and October 15 (each such date a "*Dividend Payment Date*"), commencing on the first such date after the Issue Date, unless the Issue Date occurs after a Dividend Record Date (as defined in the Series B CoD) and on or prior to the immediately succeeding Dividend Payment Date (as defined in the Series B CoD), in which case declared dividends shall be payable, in arrears, commencing on the second such Dividend Payment Date after the Issue Date. If any date on which dividends would otherwise be payable shall not be a Business Day (as defined below), then the date of payment of dividends need not be made on such date, but such payment of dividends may be made on the next succeeding day that is a Business Day with the same force and effect as if made on the Dividend Payment Date, and no additional dividends shall be payable nor shall interest accrue on the amount payable from and after such Dividend Payment Date to the next succeeding Business Day. "*Business Day*" means any day that is not a Saturday or Sunday and that, in New York City, is not a day on which banking institutions generally are authorized or obligated by law or executive order to be closed.

Dividends on the Series D shall not be cumulative; Holders of Series D shall not be entitled to receive any dividends not declared by the Board of Directors or a duly authorized committee thereof and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared. Accordingly, if the Board of Directors (or a duly authorized committee thereof) does not declare a dividend on the Series D payable in respect of any Dividend Period before the related Dividend Payment Date, such dividend will not accrue and the Corporation will have no obligation to pay a dividend for that Dividend Period on that Dividend Payment Date or at any future time, whether or not dividends on the Series D are declared for any future Dividend Period. Declared and unpaid dividends shall not bear interest.

Dividends that are payable on the Series D on any Dividend Payment Date will be payable to holders of record of Series D as they appear on the stock register of the Corporation on the applicable Dividend Record Date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors or a duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "*Dividend Record Date*"). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

The term "*Dividend Period*" means the period from and including each Dividend Payment Date to but excluding the next succeeding Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the Dividend Accrual Date and shall end on but exclude the next Dividend Payment Date). Dividends payable on the Series D shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

(b) **Priority of Dividends**. The Series D will rank (i) senior to the Common Stock (as defined below) and any class or series of the Corporation's capital stock expressly stated to be junior to the Series D, (ii) junior to any class or series of the Corporation's capital stock expressly stated to be senior to the Series D (issued with the requisite consent of the Holders of the Series D, if required) and (iii) at least equally with each other class or series of Preferred Stock (as defined below) that the Corporation may issue with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the Corporation. So long as any share of Series D remains outstanding, no dividend or distribution shall be paid or declared on Junior Stock, and no Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, during a Dividend Period, unless the full dividend for the latest completed Dividend Period on all outstanding shares of Series D has been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing limitation shall not apply to (i) repurchases, redemptions or other acquisitions of shares of Junior Stock in connection with (1) any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants or (2) a dividend reinvestment or stockholder stock purchase plan; (ii) an exchange, redemption, reclassification or conversion of any class or series of Junior Stock, or any junior stock of a Subsidiary of the Corporation, for any class or series of Junior Stock; (iii) the purchase of fractional interests in shares of Junior Stock under the conversion or exchange provisions of Junior Stock or the security being converted or exchanged; (iv) any declaration of a dividend in connection with any stockholders' rights plan, or the issuance of rights, stock or other property under any stockholders' rights plan, or the redemption or repurchase of rights pursuant to the plan; or (v) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equal or junior to that stock. In addition, the foregoing limitation shall not restrict the ability of Morgan Stanley & Co. Incorporated, or any other affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a related Dividend Period) in full upon the Series D and any shares of Parity Stock, all dividends declared on the Series D and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the related Dividend Period) shall be declared *pro rata* so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series D and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the related Dividend Period) bear to each other.

Subject to the foregoing, dividends (payable in cash, securities or other property) may be determined by the Board of Directors or a duly authorized committee of the Board of Directors and may be declared and paid on the Common Stock and any other stock ranking, as to dividends, equally with or junior to the Series D, from time to time out of any funds legally available for such payment, and the Series D shall not be entitled to participate in any such dividends.

4. *Liquidation Rights*.

(a) **Voluntary or Involuntary Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, Holders of Series D shall be entitled to receive out of the assets of the Corporation or proceeds thereof available for distribution to stockholders of the Corporation, after satisfaction of all liabilities, if any, to creditors of the Corporation and subject to the rights of holders of any shares of capital stock of the Corporation then outstanding ranking senior to or *pari passu* with the Series D in respect of distributions upon liquidation, dissolution or winding up of the Corporation, and before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other classes or series of capital stock of the Corporation ranking junior to the Series D as to such distribution, a liquidating distribution in an amount equal to $1,000 per share, together with an amount equal to all dividends, if any, that have been declared but not paid prior to the date of payment of such distribution (but without any accumulation in respect of dividends that have not been declared prior to such payment date). Holders of the Series D will not be entitled to any other amounts from the Corporation after they have received their full liquidation preference.

(b) **Partial Payment.** If in any distribution described in Section 4(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preference (as defined below) in full to all Holders of Series D and all holders of any stock of the Corporation ranking equally with the Series D as to such distribution, the amounts paid to the Holders of Series D and to the holders of all such other stock shall be paid *pro rata* in accordance with the respective aggregate Liquidation Preference of the Holders of Series D and the holders of all such other stock. In any such distribution, the "*Liquidation Preference*" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series D and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable). Holders of the Series D will not be entitled to any other amounts from the Corporation after they have received the full amounts provided for in this Section 4 and will have no right or claim to any of the Corporation's remaining assets.

(c) **Residual Distributions**. If the Liquidation Preference on the Series D and any other shares of the Corporation's stock ranking equally as to such liquidation distribution has been paid in full, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 4, the merger or consolidation of the Corporation with or into any other corporation or other entity, including a merger or consolidation in which the Holders of Series D receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

5. *Voting Rights.*

(a) **General.** The Holders of Series D shall not have any voting rights except as set forth below and as determined by the Board of Directors or an authorized committee thereof or as otherwise from time to time required by law.

(b) **Right to Elect Two Directors Upon Nonpayment Events**. If and whenever dividends on any shares of the Series D, or any other Voting Preferred Stock, shall have not been declared and paid for the equivalent of six or more Dividend Periods, whether or not for consecutive Dividend Periods (a "*Nonpayment*"), the holders of such shares, voting together as a class with holders of any and all other series of Voting Preferred Stock then outstanding, will be entitled to vote for the election of a total of two additional members of the Board of Directors (the "*Preferred Stock Directors*"); *provided* that the election of any such directors shall not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or any other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors; and *provided further* that the Board of Directors shall at no time include more than two Preferred Stock Directors. In that event, the number of directors on the Board of Directors shall automatically increase by two, and the new directors shall be elected at a special meeting called at the request of the holders of record of at least 20% of the Series D or of any other series of Voting Preferred Stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), and at each subsequent annual meeting. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment shall be made by written notice, signed by the requisite holders of Series D or other Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 16 below, or as may otherwise be required by law. The voting rights will continue until dividends on the shares of the Series D and any such series of Voting Preferred Stock shall have been fully paid (or declared and a sum sufficient for the payment of such dividends shall have been set aside for such payment) for at least four regular dividend periods following the Nonpayment.

If and when dividends for at least four regular dividend periods following a Nonpayment have been fully paid (or declared and a sum sufficient for such payment shall have been set aside) on the Series D and any other class or series of Voting Preferred Stock, the holders of the Series D and all other holders of Voting Preferred Stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent Nonpayment), the term of office of each Preferred Stock Director so elected shall terminate and the number of directors on the Board of Directors shall automatically decrease by two. In determining whether dividends have been paid for at least four regular dividend periods following a Nonpayment, the Corporation may take account of any dividend it elects to pay for any dividend period after the regular dividend date for that period has passed.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series D together with all series of Voting Preferred Stock then outstanding (voting together as a single class) to the extent such holders have the voting rights described above. So long as a Nonpayment shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election after a Nonpayment) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series D and all Voting Preferred Stock when they have the voting rights described above (voting together as a single class); *provided* that the filling of each vacancy shall not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or any other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors. Any such vote to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting called at the request of the holders of record of at least 20% of the Series D or of any other series of Voting Preferred Stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

The term "*Voting Preferred Stock*" means any other class or series of Preferred Stock of the Corporation ranking equally with the Series D as to payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable. Voting Preferred Stock includes the Corporation's Floating Rate Non-Cumulative Preferred Stock, Series A (the "*Series A*"), the Corporation's 10% Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock, and the Corporation's 10% Series C Non-Cumulative Non-Voting Perpetual Preferred Stock (the "*Series C"*), in each case, if outstanding, and any class or series of Preferred Stock, whether or not cumulative, that the Corporation may issue in the future, to the extent their like voting rights are exercisable at such time. Whether a plurality, majority or other portion of the shares of Series D and any other Voting Preferred Stock have been voted in favor of any matter shall be determined by reference to the relative liquidation preferences of the shares voted.

(c) **Other Voting Rights**. So long as any shares of Series D are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least two-thirds of the shares of Series D and any Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) **Authorization of Senior Stock**. Any amendment or alteration of the provisions of the Certificate of Incorporation or this Certificate of Designations to authorize or create, or increase the authorized amount of, any shares of any class or series of stock of the Corporation ranking senior to the Series D with respect to the payment of dividends or the distribution of assets upon any liquidation, dissolution or winding up of the Corporation;

(ii) **Amendment of Series D**. Any amendment, alteration or repeal of any provision of the Certificate of Incorporation or this Certificate of Designations, whether by merger, consolidation or otherwise, so as to materially and adversely affect the special rights, preferences, privileges and voting powers of the Series D, taken as a whole; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations**. Any consummation of a binding share exchange or reclassification involving the Series D, or of a merger or consolidation of the Corporation with another entity, unless in each case (x) the shares of Series D remain outstanding or are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding as securities of the Corporation or such other entity as permitted by clause (x) or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series D, taken as a whole;

provided, *however*, that for all purposes of this Section 5(c), neither the issuance of any Series D in accordance with the terms of the Transaction Agreement (as defined below) as in effect on the date hereof nor the creation and issuance, or an increase in the authorized or issued amount, of any other class or series of Preferred Stock ranking equally with the Series D with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation will be deemed to adversely affect the rights, preferences, privileges or voting powers of, and neither will require the affirmative vote or consent of, the holders of outstanding shares of Series D. In addition, any conversion of the Series D pursuant hereto shall not be deemed to adversely affect the rights, preferences, privileges and voting powers of the Series D. For purposes of clarification, no Holder of Series D shall have any voting rights with respect to any binding share exchange, reclassification, merger or consolidation which complies with the provisions of clause (iii)(x) and (y) hereof.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 5(c) for which a vote is otherwise required would adversely affect one or more but not all other series of Voting Preferred Stock (including the Series D for this purpose), then only such series of Preferred Stock as are adversely affected by and otherwise entitled to vote on the matter shall vote on the matter together as a class in lieu of all other series of Preferred Stock. If all series of a class of Preferred Stock that are otherwise entitled to vote on the matter are not equally affected by the proposed amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described above, there shall be required a two-thirds approval of the class and a two-thirds approval of each series that will have a diminished status and that is otherwise entitled to vote thereon.

(d) **Changes for Clarification**. Without the consent of the holders of the Series D, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series D, the Corporation may amend, alter, supplement or repeal any terms of the Series D:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series D that is not inconsistent with the provisions of this Certificate of Designations.

(e) **Procedures for Voting and Consents**. The rules and procedures for calling and conducting any meeting of the holders of Series D (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or a duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series D is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series D and any Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series D are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

(f) **Authorization of Certain Parity Stock.** Until October 13, 2013, if the Initial Holder or an Affiliate thereof beneficially owns shares of Series D representing at least 15% of the shares of Series D initially issued to the Initial Holder, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the consent of the Initial Holder shall be necessary for effecting or validating any amendment or alteration of the provisions of the Certificate of Incorporation or this Certificate of Designations to authorize or create, or increase the authorized amount of, any shares of any class or series of stock of the Corporation ranking pari passu with the Series D with respect to the payment of dividends or the distribution of assets upon any liquidation, dissolution or winding up of the Corporation if such class or series of stock:

(i) is issued for consideration with a fair market value that is less than the liquidation preference thereof;

(ii) has a dividend rate that is (x) higher than the dividend rate applicable to the Series D and (y) substantially higher than the dividend rate that would then be carried by a substantially equivalent publicly traded security then issued by a similar issuer with a long-term unsecured debt credit rating substantially equivalent to that of the Corporation; or

(iii) is convertible or exchangeable into Common Stock at a per share conversion or exchange price that is less than the closing price of the Common Stock on the day prior to the date of issuance thereof or the date that a binding agreement for the purchase and sale of such shares is entered into, if different from the date of issuance;

provided, *however*, that this paragraph (f) shall not apply (and no vote or consent of the Initial Holder or any other Holder of any Series D shall be required) in connection with any of the following: (A) any authorization, creation or issuance of any preferred stock in connection with any merger, business combination or share exchange involving an unaffiliated third party for the purpose of replacing or substituting the outstanding series or class of preferred stock of such third party; (B) any broadly distributed underwritten offering of securities registered under the Securities Act of 1933, as amended; or (C) any broadly distributed placement of securities in a transaction exempt from registration under Rule 144A promulgated under the Securities Act of 1933.

6. *Redemption.* The shares of Series D shall not be redeemable.

7. *Rank.* Any stock of any class or classes or series of the Corporation shall be deemed to rank:

(a) prior to shares of the Series D, either as to dividends or upon liquidation, dissolution or winding up, or both, if the holders of stock of such class or classes or series shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the Holders of shares of the Series D;

(b) on a parity with shares of the Series D, either as to dividends or upon liquidation, dissolution or winding up, or both, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share thereof be different from those of the Series D, if the holders of stock of such class or classes or series shall be entitled by the terms thereof to the receipt of dividends or of amounts distributed upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority of one over the other as between the holders of such stock and the Holders of shares of Series D (the term "*Parity Preferred Stock*" being used to refer to any stock on a parity with the shares of Series D, either as to dividends or upon liquidation, dissolution or winding up, or both, as the content may require); and

(c) junior to shares of the Series D, either as to dividends or upon liquidation, dissolution or winding up, or both, if such class or classes or series shall be common stock or if the Holders of the Series D shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of stock of such class or classes or series.

The Series D shall rank, as to dividends and upon liquidation, dissolution or winding up, on a parity with the Series A, the Series C and any Parity Preferred Stock issued hereafter.

8. *Additional Definitions.* As used herein with respect to Series D:

"*Capital Stock*" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, excluding any debt securities convertible into such equity.

"*Cash*" means such coin or currency of the United States as at any time of payment is legal tender for the payment of public and private debts.

"*Close of Business*" means 5:00 p.m., New York City time.

"*Closing Price*" of the Common Stock or any securities distributed in a Spin-Off, as the case may be, means, as of any date of determination:

(a) the closing price on that date or, if no closing price is reported, the last reported sale price, of shares of the Common Stock or such other securities on the New York Stock Exchange on that date; or

(b) if the Common Stock or such other securities are not traded on the New York Stock Exchange, the closing price on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock or such other securities are so traded or, if no closing price is reported, the last reported sale price of shares of the Common Stock or such other securities on the principal U.S. national or regional securities exchange on which the Common Stock or such other securities are so traded on that date; or

(c) if the Common Stock or such other securities are not traded on a U.S. national or regional securities exchange, the last quoted bid price on that date for the Common Stock or such other securities in the over-the-counter market as reported by Pink Sheets LLC or a similar organization; or

(d) if the Common Stock or such other securities are not so quoted by Pink Sheets LLC or a similar organization, the market price of the Common Stock or such other securities on that date as determined by a nationally recognized independent investment banking not affiliated with the Corporation retained by the Corporation for this purpose.

For the purposes of this Certificate of Designations, all references herein to the closing price and the last reported sale price of the Common Stock on the New York Stock Exchange shall be such closing price and last reported sale price as reflected on the website of the New York Stock Exchange (www.nyse.com) and as reported by Bloomberg Professional Service; provided that in the event that there is a discrepancy between the closing price and the last reported sale price as reflected on the website of the New York Stock Exchange and as reported by Bloomberg Professional Service, the closing price and the last reported sale price on the website of the New York Stock Exchange shall govern.

"*Common Stock*" means the common stock, $0.01 par value, of the Corporation.

"*Conversion Agent*" shall mean BNY Mellon Shareowner Services, acting in its capacity as conversion agent for the Series D, and its successors and assigns or any other conversion agent appointed by the Corporation.

"*Conversion Date*" means each of a Mandatory Conversion Date and a Non-Mandatory Conversion Date.

"*Conversion Price*" at any time means for each share of Series D the price equal to $1,000 divided by the Conversion Rate in effect at such time (initially $25.25).

"*Conversion Rate*" means initially 39.604 shares of Common Stock per share of Series D, subject to adjustment in accordance with the provisions of this Certificate of Designations.

"*Depositary*" means DTC or its nominee or any successor depositary appointed by the Corporation.

"*DTC*" means The Depository Trust Company, together with its successors and assigns.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Ex-Dividend Date*" means the first date on which the Common Stock trades, regular way, on the relevant exchange, or in the relevant market from which the Closing Price was obtained, without the right to receive such dividend or distribution.

"*Fair Market Value*" means the amount which a willing buyer would pay a willing seller in an arm's-length transaction as determined by the Board of Directors.

"*Fundamental Change*" means the occurrence, prior to the Mandatory Conversion Date, of one of the following:

(i) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of common equity of the Corporation representing more than 50% of the voting power of the outstanding Common Stock;

(ii) consummation of any consolidation or merger of the Corporation or similar transaction or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Corporation and its subsidiaries, taken as a whole, to any Person other than one of the Corporation's subsidiaries, in each case pursuant to which the Common Stock will be converted into, or receive a distribution of the proceeds in, cash, securities or other property, other than pursuant to a transaction in which the Persons that "beneficially owned" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, voting shares of the Corporation immediately prior to such transaction beneficially own, directly or indirectly, voting shares representing a majority of the total voting power of all outstanding classes of voting shares of the continuing or surviving Person or the ultimate parent entity thereof immediately after the transaction; or

(iii) shares of the Common Stock or shares of any other stock into which the Series D is convertible are not listed for trading on any United States national securities exchange or cease to be traded in contemplation of a delisting (other than as a result of a transaction described in clause (ii) above);

provided, however, that a Fundamental Change with respect to clauses (i) and (ii) above will not be deemed to have occurred if at least 90% of the consideration received by holders of the Common Stock in the transaction or transactions consists of shares of common stock or American Depositary Receipts in respect of common stock that are traded on a U.S. national securities exchange or that will be so traded when issued or exchanged in connection with a Fundamental Change; and *provided, further*, that with respect to any shares of Series D that are beneficially owned by the Initial Holder or its affiliates, a Fundamental Change with respect to clauses (i) or (ii) above will not be deemed to have occurred if the Initial Holder or any of its affiliates is part of the person or group referred to in clause (i) above or is a counterparty to the Corporation in any of the transactions referred to in clause (ii) above.

"*Holder*" means the Person in whose name the shares of Series D are registered, which may be treated by the Corporation, Transfer Agent, Registrar, dividend disbursing agent and Conversion Agent as the absolute owner of the shares of Series D for the purpose of disbursing dividends and settling conversions and for all other purposes.

"*Initial Holder*" means Mitsubishi UFJ Financial Group, Inc.

"*Issue Date*" means the date of original issuance of the Series D.

"*Junior Stock*" means any class or series of capital stock of the Corporation that ranks junior to Series D as to the payment of dividends and rights in dissolution, liquidation and winding up of the Corporation. Junior Stock includes the Common Stock.

"*Make-Whole Acquisition*" means the occurrence, prior to the Mandatory Conversion Date, of one of the following:

(i) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of common equity of the Corporation representing more than 50% of the voting power of the outstanding Common Stock; or

(ii) consummation of any consolidation or merger of the Corporation or similar transaction or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Corporation and its subsidiaries, taken as a whole, to any Person other than one of the Corporation's subsidiaries, in each case pursuant to which the Common Stock will be converted into, or receive distributions of the proceeds in, cash, securities or other property, other than pursuant to a transaction in which the Persons that "beneficially owned" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly, voting shares of the Corporation immediately prior to such transaction beneficially own, directly or indirectly, voting shares representing a majority of the total voting power of all outstanding classes of voting shares of the continuing or surviving Person or the ultimate parent entity thereof immediately after the transaction;

provided, however, that a Make-Whole Acquisition will not be deemed to have occurred if at least 90% of the consideration received by holders of the Common Stock in the transaction or transactions consists of shares of common stock or American Depositary Receipts in respect of common stock that are traded on a U.S. national securities exchange or that will be so traded when issued or exchanged in connection with a Make-Whole Acquisition; and *provided, further*, that with respect to any shares of Series D that are beneficially owned by the Initial Holder or its affiliates, a Make-Whole Acquisition will not be deemed to have occurred if the Initial Holder or any of its affiliates is part of the person or group referred to in clause (i) above or is a counterparty to the Corporation in any of the transactions referred to in clause (ii) above.

"*Make-Whole Acquisition Stock Price*" means the consideration paid per share of Common Stock in a Make-Whole Acquisition. If such consideration consists only of cash, the Make-Whole Acquisition Stock Price shall equal the amount of cash paid per share of Common Stock. If such consideration consists of any property other than cash, the Make-Whole Acquisition Stock Price shall be the average of the Closing Price per share of Common Stock on each of the 10 consecutive Trading Days up to, but not including, the Make-Whole Acquisition Effective Date.

"*Mandatory Conversion Date*" means the 3rd Trading Day immediately following the first date after termination of the Transaction Agreement pursuant to Article 8 thereof as of which, for 20 Trading Days within any period of 30 consecutive Trading Days beginning after such termination date and preceding such first date, the Closing Price of the Common Stock has exceeded 150% of the then applicable Conversion Price.

"*Non-Mandatory Conversion Date*" means an Early Conversion Date, a Make-Whole Acquisition Conversion Date or a Fundamental Change Conversion Date.

"*Open of Business*" means 9:00 a.m., New York City time.

"*Parity Stock*" means any other class or series of stock of the Corporation that ranks equally with the Series D in the payment of dividends and rights in dissolution, liquidation and winding up of the Corporation.

"*Person*" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.

"*Preferred Stock*" means any and all series of preferred stock of the Corporation, including the Series D.

"*Reference Price*" means the price per share of Common Stock in connection with a Fundamental Change. If the holders of shares of Common Stock receive only cash in connection with the Fundamental Change, the Reference Price shall be the cash amount paid per share. Otherwise the Reference Price shall be the average of the Closing Price per share of Common Stock on each of the 10 Trading Days up to, but not including, the effective date of the Fundamental Change.

"*Registrar*" shall mean BNY Mellon Shareowner Services, acting in its capacity as registrar for the Series D, and its successors and assigns or any other registrar appointed by the Corporation.

"*Subsidiary*" means with respect to any Person, any other Person more than fifty percent (50%) of the shares of the voting stock or other voting interests of which are owned or controlled, or the ability to select or elect more than fifty percent (50%) of the directors or similar managers is held, directly or indirectly, by such first Person or one or more of its Subsidiaries or by such first Person and one or more of its Subsidiaries.

"*Trading Day*" means a day on which the Common Stock (i) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the Close of Business and (ii) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.

"*Transaction Agreement*" means the Transaction Agreement, dated as of April 21, 2011, between the Corporation and the Investor listed on the signature page thereto.

"*Transfer Agent*" shall mean BNY Mellon Shareowner Services, acting in its capacity as transfer agent for the Series D, and its respective successors and assigns or any other transfer agent appointed by the Corporation.

9. *Early Conversion at the Option of the Holder.* Other than during a Make-Whole Acquisition Conversion Period, any Holder shall have the right to convert such Holder's shares of Series D, in whole or in part (but in no event less than one share of Series D), at any time prior to the Mandatory Conversion Date ("*Early Conversion*"), into shares of Common Stock at the then applicable Conversion Rate, subject to satisfaction of the conversion procedures set forth in Section 10(b). The date of such Early Conversion is referred to herein as the "*Early Conversion Date*."

10. *Conversion.*

(a) *Mandatory Conversion on Mandatory Conversion Date.*

(i) [Omitted Intentionally.]

(ii) On the Mandatory Conversion Date, all of the outstanding shares of Series D will mandatorily convert into shares of Common Stock at the then applicable Conversion Rate. No action shall be required by the Holder thereof. The person or persons entitled to receive the shares of Common Stock issuable upon mandatory conversion of Series D will be treated as the record holder(s) of such shares of Common Stock as of the Close of Business on the Mandatory Conversion Date. Except as provided under Section 11(a)(xv), prior to the Close of Business on the Mandatory Conversion Date, the shares of Common Stock issuable upon conversion of the Series D will not be deemed to be outstanding for any purpose and Holders shall have no rights with respect to such shares of Common Stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the Common Stock, by virtue of holding the Series D.

(iii) In addition to the number of shares of Common Stock issuable pursuant to this Section 10(a), if applicable, the Holders on a Mandatory Conversion Date shall have the right to receive an amount equal to any declared and unpaid dividends on the Series D for the most recent Dividend Period ending on a Mandatory Conversion Date to the extent such Holders were the Holders of record as of the Dividend Record Date for such dividend.

(b) *Conversion Procedures for a Non-Mandatory Conversion Date.* To effect conversion on a Non-Mandatory Conversion Date, a Holder who:

(i) holds a beneficial interest in a global certificate representing the Series D must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program and, if required, pay funds equal to the dividend payable on the next Dividend Payment Date to which such Holder is not entitled by virtue of Section 10(e) and, if required, pay all transfer or similar taxes or duties, if any; or

(ii) holds shares of Series D in certificated form must:

(A) complete and manually sign the conversion notice on the back of the Series D certificate or a facsimile of the conversion notice;

(B) deliver the completed conversion notice and the certificated shares of Series D to be converted to the Conversion Agent;

(C) if required, furnish appropriate endorsements and transfer documents;

(D) if required, pay funds equal to the dividend payable on the next Dividend Payment Date to which such Holder is not entitled by virtue of Section 10(e); and

(E) if required, pay all transfer or similar taxes or duties, if any.

The conversion will be effective on the date on which a Holder has satisfied all of the foregoing requirements, to the extent applicable, which shall be the applicable Non-Mandatory Conversion Date. A Holder will not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of Common Stock if such Holder exercises its conversion rights, but such Holder will be required to pay any transfer or similar tax or duty that may be payable relating to any transfer involved in the issuance or delivery of Common Stock in a name other than the name of such Holder. A certificate representing Common Stock will be issued and delivered only after all applicable taxes and duties, if any, payable by the Holder have been paid in full.

The person or persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record Holder(s) of such shares of Common Stock as of the Close of Business on the applicable Non-Mandatory Conversion Date. No allowance or adjustment, except as set forth in Section 11(a), shall be made in respect of dividends payable to Holders of Common Stock of record as of any date prior to such applicable Non-Mandatory Conversion Date. Prior to such applicable Non-Mandatory Conversion Date, shares of Common Stock issuable upon conversion of any shares of Series D shall not be deemed outstanding for any purpose, and Holders shall have no rights with respect to the Common Stock (including voting rights, rights to respond to tender offers for the Common Stock and rights to receive any dividends or other distributions on the Common Stock) by virtue of holding shares of Series D.

In the event that a conversion is effected with respect to shares of Series D representing fewer than all the shares of Series D held by a Holder, upon such conversion the Corporation shall execute and the Registrar shall countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares of Series D as to which conversion was not effected.

The Corporation shall deliver the shares of Common Stock to which the Holder converting pursuant to Section 9(a) is entitled on or prior to the third Trading Day immediately following the applicable Non-Mandatory Conversion Date.

(c) *Conversion Upon Make-Whole Acquisition*.

(i) In the event of a Make-Whole Acquisition, each Holder shall have the option to convert its shares of Series D (a "*Make-Whole Acquisition Conversion*") at the then applicable Conversion Rate during the period (the "*Make-Whole Acquisition Conversion Period*") beginning on the effective date of the Make-Whole Acquisition (the "*Make-Whole Acquisition Effective Date*") and ending on the date that is 30 days after the Make-Whole Acquisition Effective Date and receive an additional number of shares of Common Stock in the form of Make-Whole Shares as set forth in this Section 10(c). The date of such Make-Whole Acquisition Conversion is referred to herein as the "*Make-Whole Acquisition Conversion Date*."

(ii) The number of "*Make-Whole Shares*" shall be determined for the Series D by reference to the table below for the applicable Make-Whole Acquisition Stock Price:

\$21.375	**\$22.50**	**\$25.00**	**\$27.50**	**\$30.00**	**\$32.50**	**\$35.00**	**\$40.00**
9.3474	8.2446	6.1634	4.4726	3.0670	1.8785	0.8903	0.0000

(A) The exact Make-Whole Acquisition Stock Prices and Effective Dates may not be set forth in the table above, in which case:

(1) if the Make-Whole Acquisition Stock Price is between two Make-Whole Acquisition Stock Price amounts in the table, the number of Make-Whole Shares will be determined by straight-line interpolation between the number of Make-Whole Shares set forth for the higher and lower Make-Whole Acquisition Stock Price amounts;

(2) if the Make-Whole Acquisition Stock Price is in excess of $40.00 per share (subject to adjustment pursuant hereto), no Make-Whole Shares will be issued upon conversion of the Series D; and

(3) if the Make-Whole Acquisition Stock Price is less than $21.375 per share (subject to adjustment pursuant hereto), no Make-Whole Shares will be issued upon conversion of the Series D.

(B) The Make-Whole Acquisition Stock Prices set forth in the table above (and the corresponding prices set forth in clauses (2) and (3) above) are subject to adjustment pursuant hereto and shall be adjusted as of any date the Conversion Rate is adjusted. The adjusted Make-Whole Acquisition Stock Prices (and corresponding prices set forth in clauses (2) and (3) above) shall equal the Make-Whole Acquisition Stock Prices (and corresponding prices set forth in clauses (2) and (3) above), respectively, applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment giving rise to the Make-Whole Acquisition Stock Price adjustments and the denominator of which is the Conversion Rate as so adjusted. The number of Make-Whole Shares in the table above shall also be subject to adjustment in the same manner as the Conversion Rate pursuant to Section 11.

(iii) On or before the twentieth day prior to the date on which the Corporation anticipates consummating the Make-Whole Acquisition (or, if later, within two Business Days after the Corporation becomes aware of a Make-Whole Acquisition described in clause (i) of the definition of such term), a written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the date on which the Make-Whole Acquisition is anticipated to be effected;

(B) the date, which shall be 30 days after the Make-Whole Acquisition Effective Date, by which the Make-Whole Acquisition conversion option must be exercised;

(C) the amount of cash, securities and other consideration payable per share of Common Stock or Series D, respectively; and

(D) the instructions a Holder must follow to exercise its conversion option in connection with such Make-Whole Acquisition.

(iv) To exercise a Make-Whole Acquisition Conversion option, a Holder must, no later than the Close of Business on the date by which the Make-Whole Acquisition Conversion option must be exercised as specified in the notice delivered under Section 10(c)(iii), comply with the procedures set forth in Section 10(b).

(v) If a Holder does not elect to exercise the Make-Whole Acquisition Conversion option pursuant to this Section 10(c), the shares of Series D or successor securities held by it shall remain outstanding but shall not be eligible to receive Make-Whole Shares.

(vi) Upon a Make-Whole Acquisition Conversion, the Conversion Agent shall, except as otherwise provided in the instructions provided by the Holder thereof in the written notice provided to the Corporation or its successor as set forth in Section 10(b), deliver to the Holder such cash, securities or other property as are issuable with respect to Make-Whole Shares in the Make-Whole Acquisition.

(vii) In the event that a Make-Whole Acquisition Conversion is effected with respect to shares of Series D or successor securities representing fewer than all the shares of Series D or successor securities held by a Holder, upon such Make-Whole Acquisition Conversion, the Corporation or its successor shall execute and the Conversion Agent shall, unless otherwise instructed in writing, countersign and deliver to the Holder thereof, at the expense of the Corporation or its successors, a certificate evidencing the shares of Series D or such successor securities held by the Holder as to which a Make-Whole Acquisition Conversion was not effected.

(viii) If a Holder elects to convert its shares of Series D in connection with a Make-Whole Acquisition, such Holder shall not be entitled to an adjusted conversion price pursuant to Section 10(g) to the extent such Make-Whole Acquisition also constitutes a Fundamental Change.

(d) *Registration of Common Stock*. In the event that a Holder shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such Series D should be registered or the address to which the certificate or certificates representing such shares of Common Stock should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the Holder as shown on the records of the Corporation and to send the certificate or certificates representing such shares of Common Stock to the address of such Holder shown on the records of the Corporation.

(e) *Dividends*. If a Non-Mandatory Conversion Date on which a Holder elects to convert Series D is prior to the Close of Business on the Dividend Record Date relating to any declared dividend for the Dividend Period in which such Holder is electing to convert, such Holder will not have the right to receive any declared dividends for that Dividend Period. If a Non-Mandatory Conversion Date on which a Holder elects to convert Series D is after the Close of Business on the Dividend Record Date for any declared dividend and prior to the Dividend Payment Date, such Holder shall receive that dividend on the relevant Dividend Payment Date if such Holder was the Holder of record at the Close of Business on the Dividend Record Date for that dividend. Notwithstanding the preceding sentence, if the Non-Mandatory Conversion Date is after the Close of Business on the Dividend Record Date and prior to the Open of Business on the Dividend Payment Date, whether or not such Holder was the Holder of record at the Close of Business on the Dividend Record Date, the Holder must pay to the Conversion Agent upon conversion of the shares of Series D an amount in cash equal to the dividend payable on the Dividend Payment Date for the then-current Dividend Period on the shares of Series D being converted.

(f) *Outstanding Shares of Series D*. Shares of Series D shall cease to be outstanding on the applicable Conversion Date, subject to the right of Holders of such shares to receive shares of Common Stock issuable upon conversion of such shares of Series D.

(g) *Conversion Upon Fundamental Change*.

(i) If the Reference Price in connection with a Fundamental Change is less than the then applicable Conversion Price, a Holder may convert each share of Series D during the period beginning on the effective date of the Fundamental Change and ending on the date that is 30 days after the effective date of such Fundamental Change at an adjusted conversion price equal to the greater of (1) the Reference Price and (2) $12.6250, subject to adjustment as described herein (the "*Base Price*"). The date of such conversion upon a Fundamental Change is referred to herein as the "*Fundamental Change Conversion Date*."

(ii) The Base Price shall be adjusted as of any date the Conversion Rate of the Series D is adjusted pursuant hereto. The adjusted Base Price shall equal the Base Price applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment giving rise to the Base Price adjustment and the denominator of which is the Conversion Rate as so adjusted. If the Reference Price is less than the Base Price, Holders shall receive a maximum of 79.2079 shares of Common Stock per share of Series D (subject to adjustment in a manner inverse to the adjustments to the Base Price).

(iii) On or before the 20th day prior to the date on which the Corporation anticipates consummating the Fundamental Change (or, if later, within two Business Days after the Corporation becomes aware of a Fundamental Change described in clause (i) of the definition of such term), a written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the date on which the Fundamental Change is anticipated to be effected; and

(B) the date, which shall be 30 days after the effective date of a Fundamental Change, by which the Fundamental Change conversion option must be exercised.

(iv) On the effective date of a Fundamental Change, another written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the date that shall be 30 days after the effective date of the Fundamental Change;

(B) the adjusted conversion price following the Fundamental Change;

(C) the amount of cash, securities and other consideration payable per share of Common Stock or Series D, respectively; and

(D) the instructions a Holder must follow to exercise its conversion option in connection with such Fundamental Change.

(v) To exercise its conversion option upon a Fundamental Change, a Holder must, no later than the Close of Business on the date by which the conversion option upon the Fundamental Change must be exercised as specified in the notice delivered under Section 10(g)(iv), comply with the procedures set forth in Section 10(b).

(vi) If a Holder does not elect to exercise its conversion option upon a Fundamental Change pursuant to this Section 10(g), the shares of Series D or successor securities held by it will remain outstanding but shall not thereafter be entitled to convert in accordance with Section 10(g).

(vii) Upon a conversion upon a Fundamental Change, the Conversion Agent shall, except as otherwise provided in the instructions provided by the Holder thereof in the written notice provided to the Corporation or its successor as set forth in Section 10(b), deliver to the Holder such cash, securities or other property as are issuable with respect to the adjusted conversion price following the Fundamental Change.

(viii) In the event that a conversion upon a Fundamental Change is effected with respect to shares of Series D or successor securities representing fewer than all the shares of Series D or successor securities held by a Holder, upon such conversion the Corporation or its successor shall execute and the Conversion Agent shall, unless otherwise instructed in writing, countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares of Series D or such successor securities held by the Holder as to which a conversion upon a Fundamental Change was not effected.

(ix) If a Holder elects to convert its shares of Series D in connection with a Fundamental Change, such Holder shall not be entitled to Make-Whole Shares pursuant to Section 10(c) to the extent such Fundamental Change also constitutes a Make-Whole Acquisition.

(h) A Holder cannot effect both a Make-Whole Acquisition Conversion and a Fundamental Change Conversion with respect to a share of Series D.

(i) Notwithstanding anything to the contrary in this Certificate of Designations, a Holder of shares of Series D shall not, for a period of 35 calendar days after any Conversion Date, sell any shares of Common Stock or other equity securities it receives upon conversion of the shares it converted on such Conversion Date.

11. *Anti-Dilution Adjustments.*

(a) The Conversion Rate shall be adjusted from time to time by the Corporation as follows:

(i) If the Corporation, at any time or from time to time while any of the Series D is outstanding, issues shares of Common Stock as a dividend or distribution on shares of Common Stock, or if the Corporation effects a share split or share combination in respect of the Common Stock, then the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{OS'}{OS_0}$$

where

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the Record Date for such dividend or distribution, or the Close of Business on the effective date of such share split or combination, as applicable;

CR' = the new Conversion Rate in effect immediately after the Close of Business on the Record Date for such dividend or distribution, or the Close of Business on the effective date of such share split or share combination, as applicable;

OS_0 = the number of shares of Common Stock outstanding immediately prior to the Close of Business on the Record Date for such dividend or distribution, or the Close of Business on the effective date of such share split or share combination, as applicable; and

OS' = the number of shares of Common Stock outstanding immediately after such dividend or distribution, or the Close of Business on the effective date of such share split or share combination, as applicable.

The Corporation will not pay any dividend or make any distribution on shares of Common Stock held in treasury by the Corporation.

(ii) Except as otherwise provided for by Section 11(a)(iv) below, if the Corporation, at any time or from time to time while any of the Series D is outstanding, distributes to all or substantially all holders of its outstanding shares of Common Stock any rights or warrants entitling them for a period of not more than 45 calendar days from the Record Date of such distribution to subscribe for or purchase shares of Common Stock at a price per share less than the Closing Price of the Common Stock on the Trading Day immediately preceding the Record Date of such distribution, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the Record Date for such distribution;

CR' = the new Conversion Rate in effect immediately after the Close of Business on the Record Date for such distribution;

OS_0 = the number of shares of Common Stock outstanding immediately prior to the Close of Business on the Record Date for such distribution;

X = the total number of shares of Common Stock issuable pursuant to such rights or warrants; and

Y = the number of shares of Common Stock equal to the aggregate price payable to exercise such rights or warrants divided by the average of the Closing Prices of the Common Stock over the ten consecutive Trading Day period ending on the Trading Day immediately preceding the Ex-Dividend Date for such distribution.

To the extent that shares of Common Stock are not delivered pursuant to such rights or warrants upon the expiration or termination of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the distribution of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock actually delivered.

In determining the aggregate price payable to exercise such rights or warrants, there shall be taken into account any amount payable on exercise thereof, with the value of such consideration, if other than Cash, to be determined in good faith by the Corporation's Board of Directors.

(iii) If the Corporation, at any time or from time to time while any of the Series D is outstanding, shall, by dividend or otherwise, distribute to all or substantially all holders of its Common Stock shares of any class of Capital Stock of the Corporation (other than Common Stock as covered by Section 11(a)(i) above), evidences of its indebtedness, assets, property or rights or warrants to acquire the Corporation's Capital Stock or other securities, but excluding (i) dividends or distributions as to which an adjustment under Section 11(a)(i), Section 11(a)(ii) or Section 11(a)(iv) hereof shall apply, (ii) dividends or distributions paid exclusively in Cash and (iii) Spin-Offs to which the provision set forth below in this Section 11(a)(iii) shall apply (any of such shares of Capital Stock, indebtedness, assets, property or rights or warrants to acquire the Corporation's Common Stock or other securities, hereinafter in this Section 11(a)(iii) called the "*Distributed Property*"), then, in each such case the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

Where

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the Record Date for such distribution;

CR' = the new Conversion Rate in effect immediately after the Close of Business on the Record Date for such distribution;

SP_0 = the average of the Closing Prices of the Common Stock over the ten consecutive Trading Day period ending on the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and

FMV = the fair market value (as determined in good faith by the Corporation's Board of Directors) of the portion of Distributed Property with respect to each outstanding share of Common Stock on the Record Date for such distribution.

Notwithstanding the foregoing, if the then fair market value (as so determined) of the portion of the Distributed Property so distributed applicable to one share of Common Stock is equal to or greater than SP_0 as set forth above, in lieu of the foregoing adjustment, the Corporation shall distribute to each Holder on the date the Distributed Property is distributed to holders of Common Stock, but without requiring such Holder to convert its shares of Series D, the amount of Distributed Property such Holder would have received had such Holder owned a number of shares of Common Stock equal to the Conversion Rate on the record date fixed for determination for stockholders entitled to receive such distribution. If the Board of Directors determines the fair market value of any distribution for purposes of this Section 11(a)(iii) by reference to the actual or when issued trading market for any securities, it shall in doing so consider the prices in such market over the same period used in computing the average of the Closing Prices of the Common Stock for purposes of calculating SP_0 in the formula in this Section 11(a)(iii).

With respect to an adjustment pursuant to this Section 11(a)(iii) where there has been a payment of a dividend or other distribution on the Common Stock consisting of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Corporation (a "*Spin-Off*"), the Conversion Rate in effect immediately before the Close of Business on the tenth Trading Day immediately following, and including, the effective date of the Spin-Off shall be increased based on the following formula:

$$CR' = CR_0 \text{ x } \frac{FMV + MP_0}{MP_0}$$

where

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the 10th Trading Day immediately following, and including, the effective date of the Spin-Off;

CR' = the new Conversion Rate in effect from and after the Close of Business on the 10th Trading Day immediately following, and including, the effective date of the Spin-Off;

FMV = the average of the Closing Prices of the Capital Stock or similar equity interest distributed to holders of Common Stock applicable to one share of Common Stock over the 10 consecutive Trading Day period immediately following, and including, the effective date of the Spin-Off; and

MP_0 = the average of the Closing Prices of Common Stock over the 10 consecutive Trading Day period immediately following, and including, the effective date of the Spin-Off.

Such adjustment shall occur on the 10^{th} Trading Day immediately following, and including, the effective date of the Spin-Off (it being agreed that notwithstanding Section 9(a), the Holder of the Series D shall not be entitled to convert the Series D pursuant to an Early Conversion prior to such 10^{th} Trading Day).

For purposes of this Section 11(a)(iii), Section 11(a)(i) and Section 11(a)(ii) hereof, any dividend or distribution to which this Section 11(a)(iii) is applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock to which Section 11(a)(i) or 11(a)(ii) hereof applies (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets or shares of Capital Stock other than such shares of Common Stock or rights or warrants to which Section 11(a)(i) or 11(a)(ii) hereof applies (and any Conversion Rate adjustment required by this Section 11 (a)(iii) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants to which Section 11(a)(i) or 11(a)(ii) hereof applies (and any further Conversion Rate adjustment required by Section 11(a)(i) and 11(a)(ii) hereof with respect to such dividend or distribution shall then be made), except (A) the Close of Business on the Record Date of such dividend or distribution shall be substituted for "the Close of Business on the Record Date," "the Close of Business on the Record Date or the Close of Business on the effective date," "after the Close of Business on the Record Date for such dividend or distribution or the Close of Business on the effective date of such share split or share combination" and "the Close of Business on the Record Date for such distribution" within the meaning of Section 11(a)(i) and Section 11(a)(ii) hereof and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding immediately prior to the Close of Business on the Record Date or the Close of Business on the effective date" within the meaning of Section 11(a)(i) hereof.

(iv) If the Corporation, at any time or from time to time while any of the Series D is outstanding, distributes rights or warrants to all holders of Common Stock entitling the holders thereof to subscribe for, purchase or convert into shares of the Corporation's Capital Stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("*Trigger Event*"): (x) are deemed to be transferred with such shares of Common Stock; (y) are not exercisable; and (z) are also issued in respect of future issuances of Common Stock, shall be deemed not to have been distributed for purposes of Section 11(a)(iii) above, (and no adjustment to the Conversion Rate under Section 11(a)(iii) above will be required) until the occurrence of the earliest Trigger Event and a distribution or deemed distribution under the terms of such rights or warrants at which time an appropriate adjustment (if any is required) to the Conversion Rate shall be made in the same manner as provided for under Section 11(a)(iii) above. If any such rights or warrants are subject to events, upon the occurrence of which such rights or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights or warrants with such rights (and a termination or expiration of the existing rights or warrants without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants (of the type described in the preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 11(a)(iv) was made, (1) in the case of any such rights or warrants that shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a Cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights or warrants had not been issued.

(v) (1) If the Corporation, at any time or from time to time while any of the Series D is outstanding, makes a regular, quarterly Cash dividend or distribution to all or substantially all holders of Common Stock during any quarterly fiscal period that exceeds $0.27 (the "*Initial Dividend Threshold*"), the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the Record Date for such dividend or distribution;

CR1 = the new Conversion Rate in effect immediately after the Close of Business on the Record Date for such dividend or distribution;

SP_0 = the average Closing Price of the Common Stock over the ten consecutive Trading Days ending on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution;

C = the amount in Cash per share the Corporation distributes or dividends to holders of Common Stock in excess of the Initial Dividend Threshold.

The Initial Dividend Threshold shall be adjusted in a manner inversely proportional to adjustments to the Conversion Rate; *provided* that no adjustment shall be made to the Initial Dividend Threshold for any adjustment made to the Conversion Rate pursuant to clauses (1) or (2) of this Section 11(a)(v).

(2) If the Corporation pays any cash dividend or distribution that is not a regular, quarterly cash dividend or distribution to all or substantially all holders of Common Stock, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the Record Date for such dividend or distribution;

CR_1 = the new Conversion Rate in effect immediately after the Close of Business on the Record Date for such dividend or distribution;

SP_0 = the average Closing Price of the Common Stock over the ten consecutive Trading Days ending on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and

C = the amount in Cash per share the Corporation distributes or dividends to holders of Common Stock

(3) Notwithstanding the foregoing, if the portion of the Cash so distributed applicable to one share of Common Stock is equal to or greater than SP_0 as set forth above, in lieu of the foregoing adjustment, the Corporation shall distribute to each Holder on the date the Cash dividend or distribution is paid to holders of Common Stock, but without requiring such Holder to convert its shares of Series D, the amount of Cash such Holder would have received had such Holder owned a number of shares of Common Stock equal to the Conversion Rate on the Record Date for such dividend or distribution. If such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(4) For the avoidance of doubt, for purposes of this Section 11(a)(v), in the event of any reclassification of the Common Stock, as a result of which the Series D becomes convertible into more than one class of Common Stock, if an adjustment to the Conversion Rate is required pursuant to this Section 11(a)(v), references in this Section to one share of Common Stock or

Closing Price of one share of Common Stock shall be deemed to refer to a unit or to the price of a unit consisting of the number of shares of each class of Common Stock into which the Series D is then convertible equal to the numbers of shares of such class issued in respect of one share of Common Stock in such reclassification. The above provisions of this paragraph shall similarly apply to successive reclassifications.

(vi) If the Corporation or any of its Subsidiaries makes a payment of Cash or other consideration in respect of a tender offer or exchange offer for all or any portion of the Common Stock, where such Cash and the value of any such other consideration included in the payment per share of Common Stock validly tendered or exchanged exceeds the Closing Price of the Common Stock on the Trading Day next succeeding the last date (the "expiration date") on which tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended), the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{AC + (SP' \times OS')}{OS_0 \times SP'}$$

Where

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the expiration date;
CR' = the new Conversion Rate in effect immediately after the Close of Business on the expiration date;

AC = the aggregate value of all Cash and any other consideration (as determined in good faith by the Corporation's Board of Directors) paid or payable for shares purchased in such tender or exchange offer;

OS_0 = the number of shares of Common Stock outstanding immediately prior to the date such tender or exchange offer expires;

OS' = the number of shares of Common Stock outstanding immediately after the date such tender or exchange offer expires (after giving effect to such tender offer or exchange offer); and

SP' = the average Closing Price of Common Stock over the ten consecutive Trading Days ending on the Trading Day next succeeding the expiration date.

If the Corporation or a Subsidiary is obligated to purchase shares of Common Stock pursuant to any such tender or exchange offer, but the Corporation or such Subsidiary is permanently prevented by applicable law from effecting any such purchases or all or any portion of such purchases are rescinded, then the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such tender or exchange offer had not been made or had only been made in respect of the purchases that had been effected. Except as set forth in the preceding sentence, if an adjustment to the Conversion Rate pursuant to this Section 11(a)(vi) with respect to any tender offer or exchange offer would result in a decrease in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this Section 11(a)(vi).

(vii) For purposes of this Section 11(a) the term "*Record Date*" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any Cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of Cash, securities or other property, the date fixed for determination of shareholders entitled to receive such Cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(viii) If application of the formulas provided in Sections 11(a)(i), 11(a)(ii), 11(a)(iii), 11(a)(iv), 11(a)(v) or 11(a)(vi) above would result in a decrease in the Conversion Rate, no adjustment (other than a readjustment as described in such sections) to the Conversion Rate shall be made except in the case of a share split or combination of the Common Stock.

(ix) If one or more events occur requiring an adjustment be made to the Conversion Rate for a particular period, adjustments to the Conversion Rate shall be determined by the Corporation's Board of Directors to reflect the combined impact of such Conversion Rate adjustments, as set out in this Section 11(a), during such period.

(x) Notwithstanding any of the foregoing clauses in this Section 11, no adjustment in the Conversion Rate shall be required unless the adjustment would result in a change in the Conversion Rate of at least 1.00%; *provided, however*, that any adjustment which by reason of this Section 11(a)(x) is not required to be made shall be carried forward and the Corporation shall make such adjustment, regardless of whether the aggregate adjustment is less than 1.00%, within one year of the first such adjustment carried forward or in connection with any conversion of Series D. All calculations under this Section 11 shall be made to the nearest one-ten thousandth (1/10,000) of a cent or to the nearest one-ten thousandth (1/10,000) of a share, as the case may be.

No adjustment in the Conversion Rate need be made (i) for issuances of Common Stock pursuant to any present or future plan for reinvestment of dividends or interest payable on the Corporation's securities or the investment of additional optional amounts in shares of Common Stock under any plan, (ii) upon the issuance of any shares of Common Stock or options or rights to purchase shares pursuant to any present or future employee, director or consultant benefit plan or program of, or assumed by, the Corporation or any of its Subsidiaries, (iii) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Series D was first issued, (iv) for a change in the par value of the Common Stock, (v) for repurchases of shares of Common Stock in open market transactions or privately negotiated transactions, or (vi) for accumulated and unpaid dividends, other than as expressly contemplated by Section 11(a)(i).

No adjustment to the Conversion Rate need be made pursuant to Section 11(a)(i) through (ix) above for a transaction if Holders are permitted to participate in the transaction without conversion, concurrently with the holders of Common Stock, on a basis and with notice that the Board of Directors of the Corporation determines in good faith to be fair and appropriate in light of the basis and notice to holders of Common Stock participating in the transaction.

Whenever a provision of this Certificate of Designations requires the calculation of an average of the Closing Price over a span of multiple days, the Corporation will make appropriate adjustments to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date of the event occurs, at any time during the period from which the average is to be calculated.

(xi) Upon conversion of the Series D, the Holders shall receive, in addition to any shares of Common Stock issuable upon such conversion, any associated rights issued under any shareholder rights agreement of the Corporation that provides that each share of Common Stock issued upon conversion of the Series D at any time prior to the distribution of separate certificates representing such rights will be entitled to receive such rights unless, prior to conversion, the rights have separated from the Common Stock, expired, terminated or been redeemed or exchanged in accordance with such rights plan, and no adjustment shall be made to the Conversion Rate pursuant to Section 11(a)(iv) hereof. If, prior to any conversion, the rights have separated from the Common Stock, the Conversion Rate shall be adjusted at the time of separation as if the Corporation distributed to all holders of Common Stock, shares of Capital Stock, evidences of indebtedness, assets, property or rights or warrants as described in Section 11(a)(iv) hereof, subject to readjustment in the event of the expiration, termination or redemption of such rights.

(xii) Subject to applicable stock exchange rules and listing standards, the Corporation shall be entitled to increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the best interests in the Corporation; *provided* the Corporation has given to the Conversion Agent and DTC at least 15 days' prior notice of any such increase in the Conversion Rate and the period during which it will be in effect. Subject to applicable stock exchange rules and listing standards, the Corporation shall be entitled to increase the Conversion Rate, in addition to the events requiring an increase in the Conversion Rate pursuant to Section 11 hereof, as it in its discretion shall determine to be advisable in order to avoid or diminish any tax to shareholders in connection with any stock dividends, subdivisions of shares, distributions of rights to purchase stock or securities or distributions of securities convertible into or exchangeable for stock hereafter made by the Corporation to its shareholders or other events.

(xiii) Whenever the Conversion Rate is adjusted as herein provided, the Corporation will issue a notice to the Conversion Agent and DTC containing the relevant information and make this information available on the Corporation's website. In addition, the Corporation shall provide upon the request of a Holder of Series D, to the extent not posted on the Corporation website, a brief statement setting forth in reasonable detail how the adjustment to the Conversion Rate was determined and setting forth the adjusted Conversion Rate.

(xiv) For purposes of this Section 11, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

(xv) If the record date for a dividend or distribution on Common Stock occurs prior to a Mandatory Conversion Date and the payment date for a dividend or distribution on Common Stock occurs after a Mandatory Conversion Date, and such dividend or distribution would have resulted in an adjustment to the Conversion Rate if such dividend or distribution does not result in an adjustment to the Conversion Rate but were paid prior to such Mandatory Conversion Date, then without duplication the Corporation shall deem the Holders to be holders of record of Common Stock for purposes of that dividend or distribution. In that case, the Holders will receive the number of shares of Common Stock issuable upon the applicable Mandatory Conversion Date together with the dividend or distribution on such shares of Common Stock so converted.

12. *Reorganization Events.*

(a) In the event of:

(i) any consolidation or merger of the Corporation with or into another Person or of another Person with or into the Corporation;

(ii) any sale, transfer, lease or conveyance to another Person of the property of the Company as an entirety or substantially as an entirety;

(iii) any statutory share exchange of the Corporation with another Person (other than in connection with a merger or acquisition); or

(iv) any liquidation, dissolution or termination of the Corporation;

in each case in which holders of Common Stock would be entitled to receive cash, securities or other property for their shares of Common Stock (any such event specified in this Section 12(a), a "*Reorganization Event*"), each share of Series D outstanding immediately prior to such Reorganization Event shall, without the consent of Holders, become convertible into the kind of cash, securities and other property receivable in such Reorganization Event by a holder of one share of Common Stock that was not the counterparty to the Reorganization Event or an affiliate of such other party (such cash, securities and other property, the "*Exchange Property*").

(b) In the event that holders of the shares of the Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the "Exchange Property" that Holders of the

Series D will be entitled to receive shall be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Stock that affirmatively make an election (or of all such holders if none make an election). The number of units of Exchange Property for each share of Series D converted following the effective date of such Reorganization Event shall be determined based on the Conversion Rate then in effect on the applicable Conversion Date, determined as if the references to a "share of Common Stock" in this Certificate of Designations were to "unit of Exchange Property."

(c) After a Reorganization Event, for purposes of determining whether a Mandatory Conversion Date has occurred, the term "Closing Price" shall be deemed to refer to the closing sale price, last quoted bid price or mid-point of the last bid and ask prices, as the case may be, of any publicly traded securities that comprise all or part of the Exchange Property. For purposes of this Section 12, references to Common Stock in the definition of "Trading Day" shall be replaced by references to any publicly traded securities that comprise all or part of the Exchange Property.

(d) The above provisions of this Section 12 shall similarly apply to successive Reorganization Events and the provisions of Section 11 shall apply to any shares of capital stock of the Corporation (or any successor) received by the holders of the Common Stock in any such Reorganization Event.

(e) The Corporation (or any successor) shall, within 20 days of the occurrence of any Reorganization Event, provide written notice to the Holders of such occurrence of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 12 or the validity of any Reorganization Event.

13. *Fractional Shares.*

(a) No fractional shares of Common Stock shall be issued as a result of any conversion of shares of Series D.

(b) In lieu of any fractional share of Common Stock otherwise issuable in respect of any mandatory conversion pursuant to Section 10(a) or a conversion at the option of the Holder pursuant to Section 9(a), Section 10(c) or Section 10(g), the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of:

(i) in the case of a mandatory conversion pursuant to Section 10(a), a Make Whole Acquisition conversion pursuant to Section 10(c) or a Conversion Upon Fundamental Change pursuant to Section 10(g), the average of the Closing Prices over the five consecutive Trading Day period preceding the Trading Day immediately preceding the applicable Conversion Date; or

(ii) in the case of an Early Conversion pursuant to Section 9(a), the Closing Price of the Common Stock on the second Trading Day immediately preceding the Early Conversion Date.

(c) If more than one share of the Series D is surrendered for conversion at one time by or for the same Holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series D so surrendered.

14. *Reservation of Common Stock.*

(a) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock or shares held in the treasury by the Corporation, solely for issuance upon the conversion of shares of Series D as provided in this Certificate of Designations, free from any preemptive or other similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series D then outstanding. For purposes of this Section 14(a), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series D shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(b) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series D, as herein provided, shares of Common Stock acquired by the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as any such acquired shares are free and clear of all liens, charges, security interests or encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders).

(c) All shares of Common Stock delivered upon conversion of the Series D shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders).

(d) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series D, the Corporation shall use its reasonable best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(e) The Corporation hereby covenants and agrees that, if at any time the Common Stock shall be listed on the New York Stock Exchange or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all the Common Stock issuable upon conversion of the Series D; *provided*, *however*, that if the rules of such exchange or automated quotation system permit the Corporation to defer the listing of such Common Stock until the first conversion of Series D into Common Stock in accordance with the provisions hereof, the Corporation covenants to list such Common Stock issuable upon conversion of the Series D in accordance with the requirements of such exchange or automated quotation system at such time.

15. *Record Holders.* To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series D may deem and treat the record holder of any share of Series D as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

16. *Notices.* All notices or communications in respect of Series D shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Bylaws or by applicable law.

17. *Preemptive or Subscription Rights*. Except as expressly provided in any agreement between a Holder and the Corporation, no share of Series D shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

18. *Repurchase*. Subject to the limitations imposed herein, the Corporation may purchase and sell shares of Series D from time to time to such extent, in such manner, and upon such terms as the Board or any duly authorized committee of the Board may determine;

provided, *however*, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

19. *Other Rights.* The shares of Series D shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation of the Corporation or as provided by applicable law.

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IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, does hereby affirm that this certificate is the act and deed of the Corporation and that the facts herein stated are true, and accordingly has hereunto set his hand this day of [ ], 2011.

MORGAN STANLEY

By ____

Name:
Title:

Schedule A

Required Approvals

Australia/Foreign Investments Review Board
Cayman Islands/Cayman Islands Monetary Authority or confirmation with Cayman Islands/Cayman Islands Monetary Authority that no approval is required)
Ireland/Central Bank
Japan/Fair Trade Commission
Luxembourg/Commissariat aux Assurances
Singapore/Monetary Authority of Singapore (or confirmation with Monetary Authority of Singapore that no approval is required)
Spain/Comisión Nacional del Mercado de Valores
Turkey/Capital Markets Board (or confirmation with Turkey/Capital Markets Board that no approval is required)
United Kingdom/Financial Services Authority
United States/Federal Energy Regulatory Commission

Exhibit 4(c)

EXECUTION VERSION

AMENDED AND RESTATED

INVESTOR AGREEMENT

BY AND BETWEEN

MORGAN STANLEY

AND

INVESTOR

DATED AS OF JUNE 30, 2011

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AMENDED AND RESTATED INVESTOR AGREEMENT (this "Agreement"), by and between Morgan Stanley, a Delaware corporation (the "Company"), and Mitsubishi UFJ Financial Group, Inc., a joint stock company organized under the laws of Japan (the "Investor"), dated as of June 30, 2011.

W I T N E S S E T H:

WHEREAS, the Company and the Investor have entered into a Securities Purchase Agreement, dated September 29, 2008 and amended by the First Amendment to Securities Purchase Agreement, dated as of October 3, 2008, the Second Amendment to Securities Purchase Agreement, dated as of October 8, 2008 and the Third Amendment to Securities Purchase Agreement, dated as of October 13, 2008 (such Securities Purchase Agreement, as so amended and as it may be further amended from time to time, the "Purchase Agreement"), pursuant to which the Investor purchased and acquired from the Company, and the Company issued and sold to the Investor, (i) shares of the 10% Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock, par value $.01 per share of the Company (the "Series B Preferred Stock"), which is convertible into shares of Common Stock, par value $.01 per share of the Company (the "Common Stock"), and (ii) shares of the 10% Series C Non-Cumulative Non-Voting Perpetual Preferred Stock, par value $.01 per share of the Company, (together with Series B Preferred Stock, "Preferred Stock");

WHEREAS, the Company and the Investor have entered into the Transaction Agreement dated as of April 21, 2011 (the "Transaction Agreement") and the execution and delivery of this Agreement is a condition to the closing of the transactions contemplated therein;

WHEREAS, the Company and the Investor are parties to that certain Investor Agreement, dated as of October 13, 2008 and amended by the First Amendment to Investor Agreement, dated as of October 27, 2008 (the Investor Agreement, as so amended, the "Investor Agreement"); and

WHEREAS, the Company and the Investor have determined to further amend and restate the Investor Agreement as set forth herein.

NOW, THEREFORE, in consideration of the premises and of the respective representations, warranties, covenants and conditions contained herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. In addition to other terms defined elsewhere in this Agreement, as used in this Agreement, the following terms shall have the meanings ascribed to them below:

"Affiliate" or "affiliate" means, with respect to a specified Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, the specified Person (as used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise).

"Agreement" shall have the meaning assigned in the preamble hereto.

"Applicable Law" shall have the meaning assigned in the Transaction Agreement.

"Beneficially Own" shall mean, with respect to any securities, having "beneficial ownership" of such securities for purposes of Rule 13d-3 or 13d-5 under the Exchange Act as in effect on the date hereof, and "Beneficial Ownership" shall have the corresponding meaning.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean any day other than a Saturday, Sunday or a legal holiday in New York City or in Tokyo, Japan, or any other day on which commercial banks in New York City or in Tokyo, Japan are authorized or required by law or government decree to close.

"Closing Date" shall have the meaning assigned in the Purchase Agreement.

"Common Stock" shall have the meaning assigned in the recitals hereto.

"Company" shall have the meaning assigned in the preamble hereto.

"Company Proprietary Information" shall have the meaning set forth in Section 8.1.

"Controlled Affiliate" shall mean any Affiliate of the specified Person that is, directly or indirectly, controlled (as defined in the definition of "Affiliate") by the specified Person.

"Covered Securities" shall mean Common Stock and any securities convertible into or exercisable or exchangeable for Common Stock that are not Excluded Securities.

"Designated Securities" shall have the meaning assigned in Section 5.2(a).

"Director" shall mean any member of the Board.

"Economic Interest Percentage" shall mean, calculated at any particular point in time, the ratio, expressed as a percentage, of (x) the aggregate number of shares of Common Stock Beneficially Owned by the Investor at the relevant time (for purposes of this definition, treating the Series B Preferred Stock as fully converted into the underlying Common Stock) to (y) the total number of shares of Common Stock outstanding at the relevant time, on a Fully Diluted Basis.

"Exchange Act" shall mean the Securities Exchange Act of 1934, or any successor federal statute, and the rules and regulations promulgated thereunder, all as amended, and as the same may be in effect from time to time.

"Excluded Securities" shall mean any securities that are (i) issued by the Company pursuant to any employment contract, employee or benefit plan, stock purchase plan, stock ownership plan, stock option or equity compensation plan or other similar plan whereby stock is being issued or offered to a trust, other entity or otherwise, to or for the benefit of any employees, potential employees, officers or directors of the Company, (ii) issued by the Company in connection with a business combination or other merger, acquisition or disposition transaction, (iii) issued with reference to the common stock of a subsidiary (e.g., a carve-out transaction), (iv) issued in connection with a dividend investment or stockholder purchase plan or (v) issued upon the conversion, exchange or exercise of any security or right or purchase obligation outstanding as of the date hereof in accordance with its terms as such terms exist as of the date hereof.

"Fully Diluted Basis" shall mean based on the total number of shares of the relevant class of stock or type of equity interest that would be outstanding on the relevant date assuming the exercise of all options, warrants and other rights or obligations (including purchase contracts) to acquire such relevant class of stock or type of equity interest (without regard to exercisability, vesting or similar provisions and restrictions thereof) and the conversion or exchange of all securities convertible into or exchangeable for stock or equity interest (without regard to exercisability, vesting or similar provisions and restrictions thereof).

"Governmental Entity" shall have the meaning assigned in the Purchase Agreement.

"Hedge" shall mean, in respect of the Common Stock, to enter into any swap or any other agreement, transaction or series of transactions that hedges or transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such Common Stock, whether any such transaction, swap or series of transactions is to be settled by delivery of securities, in cash or otherwise.

"Investor" shall have the meaning assigned in the preamble hereto.

"Investor Director" shall have the meaning assigned in Section 3.1(a).

"Investor Nominee" shall have the meaning assigned in Section 3.1(a).

"Investor Percentage Interest" shall mean, as of any date, the percentage equal to (i) the aggregate number of shares of Common Stock Beneficially Owned by the Investor (treating the Series B Preferred Stock and any other securities of the Company convertible into or exercisable or exchangeable for Common Stock that are Beneficially Owned by the Investor or its Affiliates as fully converted into or exercised or exchanged for the underlying Common Stock) divided by (ii) the total number of outstanding shares of Common Stock (treating (x) the Series B Preferred Stock and any other securities of the Company convertible into or exercisable or exchangeable for Common Stock that are Beneficially Owned by the Investor or its Affiliates as fully converted into or exercised or exchanged for the underlying Common Stock and (y) all shares of Common Stock issuable upon conversion or exercise or exchange of any other then outstanding securities convertible into or exercisable or exchangeable for Common Stock, to the extent such other securities are Covered Securities sold in a Qualified Offering, as having been issued).

"Investor Proprietary Information" shall have the meaning set forth in Section 8.2.

"Investor Rights Termination Event" shall be deemed to have occurred if, at the close of any Business Day following the Closing Date, the Investor's Economic Interest Percentage is less than 10%.

"Nominee Disclosure Information" shall have the meaning assigned in Section 3.1(b).

"Observer" shall have the meaning assigned in Section 3.1(f).

"Person" shall mean a legal person, including any individual, corporation, company, partnership, joint venture, association, joint-stock company, trust, limited liability company or unincorporated association or any other entity or organization, including a government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preemptive Rights Expiration Date" shall have the meaning assigned in Section 5.6.

"Preferred Stock" shall have the meaning assigned in the recitals hereto.

"Private Placement" shall have the meaning set forth in Section 5.2(b).

"Process Agent" shall have the meaning set forth in Section 9.12.

"Purchase Agreement" shall have the meaning assigned in the recitals hereto.

"Qualified Offering" shall mean a public or nonpublic offering of Covered Securities for cash, and, for the avoidance of doubt, shall include all Covered Securities issued in respect of such offering pursuant to the exercise of preemptive rights.

"Registration Rights Agreement" shall mean the Registration Rights Agreement, dated as of October 13, 2008, as amended by the amendment dated April 21, 2011.

"Related Agreements" shall mean the Purchase Agreement and Registration Rights Agreement.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"Securities" shall mean shares of Common Stock and Preferred Stock.

"Securities Act" shall mean the U.S. Securities Act of 1933, and any similar or successor federal statute, and the rules and regulations promulgated thereunder, all as amended, and as the same may be in effect from time to time.

"Standstill Period" shall have the meaning set forth in Section 3.4.

"Subsidiary" shall mean, with respect to any Person, any other Person more than fifty percent (50%) of the shares of the voting stock or other voting interests of which are owned or controlled, or the ability to select or elect more than fifty percent (50%) of the directors or similar managers is held, directly or indirectly, by such first Person or one or more of its Subsidiaries or by such first Person and one or more of its Subsidiaries. A Subsidiary that is directly or indirectly wholly owned by another Person except for directors' qualifying shares shall be deemed wholly owned for the purposes of this Agreement.

"Transaction Agreement Closing Date" shall mean the closing provided for in Section 2.01 of the Transaction Agreement.

"Transfer" shall have the meaning set forth in Section 4.1.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the Company. The Company represents and warrants to the Investor as of the date hereof as follows:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, and has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

(b) This Agreement and all transactions and obligations contemplated hereby have been duly and validly authorized by all necessary action on the part of the Company.

(c) This Agreement has been duly executed and delivered by the Company and, assuming due authorization and valid execution and delivery by the Investor, is a valid and legally binding obligation of the Company, enforceable against it in accordance with its terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights.

Section 2.2 Representations and Warranties of the Investor. The Investor represents and warrants to the Company as of the date hereof as follows:

(a) The Investor has been duly incorporated and is validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

(b) This Agreement and all transactions and obligations contemplated hereby have been duly and validly authorized by all necessary action on the part of the Investor.

(c) This Agreement has been duly executed and delivered by the Investor and, assuming due authorization and valid execution and delivery by the Company, is a valid and legally binding obligation of the Investor, enforceable against it in accordance with its terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights.

ARTICLE III

BOARD REPRESENTATION AND VOTING; STANDSTILL PROVISIONS

Section 3.1 Board of Directors. (a) Until an Investor Rights Termination Event, the Company shall take all lawful action to cause the number (specified in subsection (e) of this Section 3.1) of the Investor's senior officers or directors designated by the Investor in writing to the Company (each, an "Investor Nominee") who satisfy any applicable regulatory requirements applicable to directors or director nominees to the Board to be members of the Board (each such Investor Nominee elected to the Board, an "Investor Director"). If the Investor is entitled pursuant to this Article III to designate one Investor Director, the Investor may designate one Investor Director to be appointed as a member of such committees of the Board as the Investor may designate, subject to any applicable legal or stock exchange requirements and except as necessary to maintain best practices in corporate governance regarding such appointment. If the Investor is entitled pursuant to this Article III to designate two Investor Directors, the Investor may designate each of the Investor Directors to be appointed as a member of such committees of the Board as the Investor may designate, provided that only one such Investor Director may be appointed to each committee of the Board, subject to any applicable legal or stock exchange requirements and except as necessary to maintain best practices in corporate governance regarding such appointment. For the avoidance of doubt, the Company acknowledges that each Investor Director shall be entitled to vote on all matters in his or her discretion. Moreover, the Company acknowledges that each Investor Director, in his or her capacity as such, will have the same access as other directors to management and other directors with respect to matters relating to the operation, financial and all other policies of the Company and the ability to participate in the processes by which those policies are made. Without limitation of the foregoing, each Investor Director shall have the same ability as other directors to attend (in his or her capacity as a director) all meetings of committees of the Board, including the Audit, Nominating/Governance, Compensation Committees and the newly constituted Global Operations and Technology Committee. For purposes of this Section 3.1, Investor shall mean Mitsubishi UFJ Financial Group, Inc., notwithstanding any Transfer to a Controlled Affiliate.

(b) Until an Investor Rights Termination Event, at any annual or special meeting of shareholders of the Company at which Directors are to be elected (and at which a seat held by an Investor Director is subject to election), the Company shall, provided the Investor shall have complied with the immediately succeeding sentence of this paragraph (b), renominate each such Investor Director, or nominate another Investor Nominee or other Nominees designated by the Investor in writing to be elected to the Board, and shall use its best efforts to cause such person(s) to be elected to such position. The Investor shall notify the Company of its proposed nominee(s) to the Board, in writing, no later than the latest date on which stockholders of the Company may make nominations to the Board in accordance with the bylaws of the Company, together with all information concerning such nominee(s) reasonably requested by the Company, so that the Company can comply with applicable disclosure rules (the "Nominee Disclosure Information"); provided that in the event the Investor fails to provide any such notice, the Investor Nominee(s) shall be the person(s) then serving as the Investor Director(s) as long as the Investor provides the Nominee Disclosure Information to the Company promptly upon request by the Company.

(c) In the event of the death, disability, resignation or removal of an Investor Director, the Board will promptly elect to the Board an Investor Nominee to fill the resulting vacancy, which such individual shall then be deemed an Investor Director for all purposes hereunder.

(d) All obligations of the Company pursuant to this Section 3.1 shall terminate, and the Investor shall cause the Investor Director(s) to resign from the Board, immediately upon the occurrence of an Investor Rights Termination Event.

(e) Until the first time at which the Investor Percentage Interest has been less than 20% for a period of six consecutive months, the Investor shall continue to have the right to designate two Investor Nominees pursuant to Section 3.1(a). From such date until an Investor Rights Termination Event, the Investor shall have the right to designate one Investor Nominee pursuant to Section 3.1(a).

(f) From the first date on which (x) the Investor Percentage Interest has been less than 20% for a period of six consecutive months and (y) only one Investor Director is a member of the Board until an Investor Rights Termination Event, the Company shall permit one senior officer or director of the Investor designated by the Investor in writing to the Company (the "Observer") to attend each physical and telephonic meeting of the Board as an observer and the Observer shall have the same ability as the directors to attend any committee of the Board as an observer, including the Audit, Nominating/Governance, Compensation Committees and the newly constituted Global Operations and Technology Committee. The Company shall cause the Observer to be furnished with all information generally provided to the Board. Notwithstanding the foregoing, the Observer shall not participate in any meeting or receive any materials (1) if the Investor Director has recused himself or herself because he or she is reasonably likely to have a conflict of interest with respect to the subject matter of the meeting or any portion of the meeting or (2) to the extent but only to the extent that the Observer's attendance or receipt of such materials is, in the opinion of the Company's counsel, reasonably likely to adversely affect the existence of legal privilege. Such Observer shall not be entitled to vote at any Board meeting or receive any compensation or reimbursement of expenses from the Company for services as an observer, and shall not participate in executive sessions of the Board. In the event of the death, disability, resignation or removal of the Observer, the Investor will promptly designate another senior officer or director of the Investor to serve as the Observer.

Section 3.2 Voting. The Investor agrees to cause each share of Common Stock Beneficially Owned by it that is entitled to vote in any election for Directors to be present in person or represented by proxy at all meetings of stockholders of the Company, so that all such shares shall be counted as present for determining the presence of a quorum at such meetings. The provisions of this Section 3.2 shall not apply at any time that the Company is not in compliance with its obligations under Section 3.1 or following the occurrence of an Investor Rights Termination Event.

Section 3.3 Standstill Restrictions. During the Standstill Period (as defined in Section 3.4), the Investor shall not, and shall not permit any of its Affiliates to, without the prior written consent of the Company:

(i) acquire, agree to acquire or make any public proposal to acquire, directly or indirectly, Beneficial Ownership of any voting securities or assets of the Company or its Subsidiaries, except (A) the acquisition of securities or assets by the Investor or any of its wholly owned Subsidiaries from the Investor or any such Subsidiary, (B) Beneficial Ownership resulting from the acquisition of interests in any unrelated Person that has Beneficial Ownership of shares of Common Stock, provided, in the case of this clause (B) that (1) the acquisition of Beneficial Ownership of Common Stock was not the primary purpose of the acquisition of interests in such unrelated Person, (2) the Investor or the relevant Affiliate divests, or causes the unrelated Person to divest, any such shares of Common Stock reasonably promptly in a commercially reasonable manner, and (3) any such shares of Common Stock shall not be counted in any calculation of the Investor's Economic Interest Percentage, (C) pursuant to the exercise of preemptive rights pursuant to Article V, or, prior to the time Investor first takes an action described in Section 5.6(ii), purchases of Common Stock in the open market up to a cap, which cap shall be an Investor Percentage Interest of 22.4% (provided that if such limitation would result in the Investor being limited to an Economic Interest Percentage of less than 20%, then such limitation shall instead be equal to the lesser of (x) an Economic Interest Percentage of 20% and (y) an Investor Percentage Interest of 24.9%), or (D) on behalf of customers in the ordinary course of their respective financial services businesses;

(ii) deposit any shares of Common Stock in a voting trust or similar arrangement or subject any shares of Common Stock to any voting agreement, pooling arrangement or similar arrangement, or grant any proxy with respect to any shares of Common Stock;

(iii) publicly propose to enter into, directly or indirectly, any merger or other business combination or similar transaction with, or change in control transaction involving, the Company or its Subsidiaries;

(iv) make, or in any way join in, directly or indirectly, any "solicitation" of "proxies" (as such terms are used in the proxy rules of the SEC) to vote any securities of the Company or its Subsidiaries (it being understood that (A) the Investor is entitled to exercise the voting rights with respect to the Securities in its discretion (and without regard to the recommendation of the Board or management of the Company), (B) the Investor may publicly propose that Board take actions that the Investor supports or refrain from taking actions that the Investor opposes and (C) the Investor may vote in favor of proposals made by other stockholders (and without regard to the recommendation of the Board with respect thereto));

(v) [Reserved.]

(vi) seek a release of the restrictions contained in this Section 3.3, in any manner that would require public disclosure thereof;

(vii) form, join or in any way participate in a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) that, with respect to any securities of the Company or its Subsidiaries, would be required under Section 13(d) of the Exchange Act and the rules and regulations thereunder to file a Statement on Schedule 13D with the SEC as a "person" (within the meaning of Section 13(d)(3) of the Exchange Act); or

(viii) publicly disclose any plan or proposal with respect to the foregoing.

Notwithstanding anything to the contrary herein, the Company acknowledges that the Investor may provide guidance and participate with respect to matters relating to the Company's business, including operational and financial policies. It is understood between the Company and Investor that (A) the Investor is entitled to exercise the voting rights with respect to the Securities in its discretion (and without regard to the recommendation of the Board or management of the Company), (B) the Investor may privately or publicly propose that the Board or the Company take actions that the Investor supports or refrain from taking actions that the Investor opposes and (C) the Investor may publicly state its position with regard to proposals made by other stockholders and vote in favor of or against proposals made by other stockholders (and without regard to the recommendation of the Board with respect thereto.

The restrictions on the Investor contained in this Section 3.3 shall not apply at any time that the Company is not in compliance with its obligations under Section 3.1.

Section 3.4 Standstill Period. "Standstill Period" shall mean the period from the date hereof until the earlier of (i) October 13, 2013, and (ii) the occurrence of an Investor Rights Termination Event; provided, however, that the parties shall, prior to the expiration of the Standstill Period, discuss in good faith whether to extend the Standstill Period (with no obligation to extend). In addition, the Standstill Period shall be suspended, and the restrictions of Section 3.3 shall not apply, upon the failure of any Investor Nominee to be elected to the Board within 60 calendar days following any annual or special meeting of shareholders of the Company at which an Investor Nominee stood for election but was nevertheless not elected, provided that the Standstill Period shall resume and the restrictions of Section 3.3 shall apply, from and after the date that such Investor Nominee (or an alternate designated by the Investor) is elected or appointed to the Board.

Section 3.5 Cooperation. The Company shall cooperate with the Investor to provide such information as is necessary to and to take such action from time to time as may be necessary for the Investor to apply the equity method of accounting for its investment in the Company. At the first scheduled meeting of the Board after the

Transaction Agreement Closing Date, (i) the number of directors on the Board shall be increased by one, (ii) the Board will elect to the Board a senior officer or director of the Investor to be designated by the Investor in writing to the Company who satisfies any applicable regulatory requirements applicable to directors or director nominees to the Board to be a member of the Board and an Investor Director hereunder and (iii) such Investor Director as the Investor may designate pursuant to Section 3.1(a) shall be appointed to the newly constituted Global Operations and Technology Committee. So long as the Investor is entitled pursuant to this Article III to designate two Investor Directors, the Company agrees to maintain a Board having at least 14 members, provided that the size of the Board may temporarily be less than 14 members for a reasonable period of time necessary to fill any temporary vacancy on the Board. In the event that the Company and the Investor have not entered into the written agreement or agreements referred to in Section 5.01(d)(i) of the Transaction Agreement on or prior to the Transaction Agreement Closing Date, then the Company and the Investor shall further cooperate with each other and use their respective reasonable best efforts to enter such an agreement or agreements promptly thereafter. The Company and the Investor shall cooperate for the purpose of complying with the disclosure and other regulatory requirements that will, or will continue to, apply under Applicable Law (including the Exchange Act, the Banking Act of Japan and the Financial Instruments and Exchange Law of Japan and the rules and regulations promulgated thereunder).

ARTICLE IV

TRANSFER RESTRICTIONS

Section 4.1 Transfer Restrictions. (a) Prior to October 13, 2011, the Investor shall not, within any period of three months, offer, sell, pledge or otherwise transfer ("Transfer") Securities or Hedge its direct or indirect exposure to Common Stock, in one transaction or a series of transactions involving Securities, having an aggregate value exceeding $2.5 billion, in each case, other than (i) to a Controlled Affiliate that agrees to be bound by the provisions of this Agreement as if it were the Investor hereunder or (ii) as may be required by order or decree of any Governmental Entity having jurisdiction over the Investor or in the reasonable discretion of the Investor to comply with any applicable statute, rule or regulation. In the event that prior to October 13, 2011, any Person who was a transferee pursuant to clause (i) of the preceding sentence ceases to be a Controlled Affiliate of Investor, then any prior Transfer to such Person pursuant to clause (i) shall become null and void and ownership and title to any such securities so Transferred shall revert to Investor. The Investor shall immediately notify the Company if it engages in any of the transactions referred to in this Section 4.1.

(b) At any time during which Investor is permitted to Transfer any Securities, the Investor shall not, without prior approval of the Board, knowingly Transfer such Securities to any one Person (or group of related Persons) if such Transfer would result in such Person (or group of related Persons) Beneficially Owning in excess of 5% the then-outstanding shares of Common Stock. The foregoing shall not apply to Transfers (i) consisting only of block trades executed at prevailing market prices obtainable at the time of such Transfer through brokers in transactions on the NYSE, provided that the transferor does not know or have reason to believe that such Transfer would result in such Person (or group of related Persons) Beneficially Owning in excess of 5% of the then-outstanding shares of Common Stock, or (ii) effected through widely distributed public offerings.

(c) The Investor's rights under this Agreement will not be transferable to any transferee of any shares of Common Stock or Preferred Stock, other than a transferee that is and remains a wholly owned Subsidiary of the Investor.

(d) Any certificates for Securities issued pursuant to the Purchase Agreement or issued upon conversion or exchange of Securities or issued in respect of any transfer of Securities shall bear a legend or legends (and appropriate comparable notations or other arrangements will be made with respect to any uncertificated shares) referencing restrictions on transfer of such shares under the Securities Act and under this Agreement; provided, that the holder of any certificate(s) bearing any such legend (or any uncertificated shares subject to such notations or arrangements) shall be entitled to receive from the Company new certificates for a like number of Securities not bearing such legend (or the elimination or termination of such notations or arrangements) upon the request of such holder and upon (x) such time as such restriction is no longer applicable, and (y) delivery of an opinion of counsel to such holder, which opinion is reasonably satisfactory in form and substance to the Company and its counsel, that the restriction referenced in such legend (or such notations or arrangements) is no longer required in order to ensure compliance with the Securities Act.

(e) Nothing in this Section 4.1 (other than Section 4.1(b)) shall restrict Investor from Transferring, and the Investor is hereby permitted to Transfer, any Securities in order to reduce the number of Securities owned by it below 24% of "a class of voting stock" of the Company, as calculated for purposes of the Bank Holding Company Act of 1956, as amended (the "BHCA"). If at any time the Company reduces the number of shares of its Common Stock outstanding, it shall use reasonable best efforts to notify the Investor promptly if the Investor would own a number of Securities exceeding 24% of "a class of voting stock" of the Company, as calculated for purposes of the BHCA. For purposes of such calculation, the Company shall be permitted to rely on the number of shares of Common Stock reported as Beneficially Owned by the Investor in its most recent Schedule 13D filing with the SEC.

ARTICLE V

PREEMPTIVE RIGHTS

Section 5.1 Preemptive Rights. If the Company offers to sell Covered Securities in a Qualified Offering, the Investor shall be afforded the opportunity to acquire from the Company, for the same price and on the same terms as such Covered Securities are offered, in the aggregate up to the amount of Covered Securities required to permit the Investor's Investor Percentage Interest immediately after giving effect to the issuance of such Covered Securities (including the issuance of Covered Securities pursuant to this Section 5.1) to be equal to the Investor's Investor Percentage Interest immediately prior to the issuance of any such Covered Securities, but only to the extent that the Investor Percentage Interest does not as a consequence exceed 22.4% (provided that if such limitation would result in the Investor being limited to an Economic Interest Percentage of less than 20%, then such limitation shall instead be equal to the lesser of (x) an Economic Interest Percentage of 20% and (y) an Investor Percentage Interest of 24.9%). For the avoidance of doubt, in the event that the issuance of Covered Securities in a Qualified Offering involves the purchase of a package of securities that includes Covered Securities and other securities in the same Qualified Offering, Investor shall have the right to acquire a pro rata portion of such other securities, together with a pro rata portion of such Covered Securities, at the price and on the terms that such other securities are purchased by the other purchaser or purchasers of such Covered Securities and other securities and, if the Investor chooses to acquire Covered Securities pursuant to this Section 5.1, it shall also acquire a pro rata portion of such other securities at such price and on such terms.

Section 5.2 Notice. (a) In the event the Company intends to make a Qualified Offering of Covered Securities that is an underwritten public offering or a private offering made to Qualified Institutional Buyers (as such term is defined in Rule 144A under the Securities Act) for resale pursuant to Rule 144A under the Securities Act, the Company shall give the Investor written notice of its intention (including, in the case of a registered public offering and to the extent possible, a copy of the prospectus included in the registration statement filed in respect of such offering), describing, to the extent then known, the anticipated amount of securities, price and other material terms upon which the Company proposes to offer the same. The Investor shall have 24 hours (which shall not include any hours during any day that is not a Business Day) from the date and time of receipt of any such notice to notify the Company in writing that it intends to exercise such preemptive purchase rights and as to the amount of Covered Securities the Investor desires to purchase, up to the maximum amount calculated pursuant to Section 5.1 (the "Designated Securities"). Such notice shall constitute a non-binding indication of interest of Investor to purchase the Designated Securities so specified at the range of prices and other terms set forth in the Company's notice to it. The failure to respond during such 24-hour period shall constitute a waiver of preemptive rights in respect of such offering. To the extent the Company shall give the Investor notice of any such offer prior to the public announcement thereof, the Investor shall agree to confidentiality and restriction on trading terms reasonably acceptable to the Company. The failure of the Investor to agree to such terms within 24 hours (which shall not include any hours during any day that is not a Business Day) after the date and time of receipt of the Company's notice as described in this clause shall constitute a waiver of the Investor's preemptive rights in respect of such offering.

(b) If the Company proposes to make a Qualified Offering of Covered Securities that is not an underwritten public offering or Rule 144A offering (a "Private Placement"), the Company shall give the Investor written notice of its intention, describing, to the extent then known, the anticipated amount of securities, price and other material terms upon which the Company proposes to offer the same. The Investor shall have 48 hours (which shall not include any hours during any day that is not a Business Day) from the date and time of receipt of the notice required by the immediately preceding sentence to notify the Company in writing that it intends to exercise such preemptive purchase rights and as to the amount of Designated Securities the Investor desires to purchase, up to the maximum amount calculated pursuant to Section 5.1. Such notice shall constitute a non-binding indication of interest of the Investor to purchase the amount of Designated Securities so specified (or a proportionately lesser amount if the amount of Covered Securities to be offered in such Private Placement is subsequently reduced) upon the price and other terms set forth in the Company's notice to it. The failure of the Investor to respond during the 48-hour period (which shall not include any hours during any day that is not a Business Day) referred to in the second preceding sentence shall constitute a waiver of the preemptive rights in respect of such offering. To the extent the Company shall give the Investor notice of any such offer prior to the public announcement thereof, the Investor shall agree to confidentiality and restriction on trading terms reasonably acceptable to the Company. The failure of the Investor to agree to such terms within 48 hours (which shall not include any hours during any day that is not a Business Day) after the date and time of receipt of the Company's notice as described in this clause shall constitute a waiver of the Investor's preemptive rights in respect of such offering.

Section 5.3 Purchase Mechanism. (a) If the Investor exercises its preemptive purchase rights provided in Section 5.2(a), the Company shall offer the Investor, if such underwritten public offering or Rule 144A offering is consummated, the Designated Securities (as adjusted to reflect the actual size of such offering when priced) at the same price as the Covered Securities are offered to the investors in such offering and shall provide written notice of such price to the Investor as soon as practicable prior to such consummation. Contemporaneously with the execution of any underwriting agreement or purchase agreement entered into between the Company and the underwriters or initial purchasers of such underwritten public offering or Rule 144A offering, the Investor shall, if it continues to wish to exercise its preemptive rights with respect to such offering, enter into an instrument in form and substance reasonably satisfactory to the Company acknowledging the Investor's binding obligation to purchase the Designated Securities to be acquired by it and containing representations, warranties and agreements of the Investor that are customary in private placement transactions and, in any event, no less favorable to the Investor than any underwriting or purchase agreement entered into by the Company in connection with such offering, and the Investor's failure to enter into such an instrument at or prior to such time shall constitute a waiver of preemptive rights in respect of such offering. Any offers and sales pursuant to this Article V in the context of a registered public offering shall be also conditioned on reasonably acceptable representations and warranties of the Investor regarding its status as the type of offeree to whom a private sale can be made concurrently with a registered offering in compliance with applicable securities laws.

(b) If the Investor exercises its preemptive rights provided in Section 5.2(b), the closing of the purchase of the Covered Securities with respect to which such right has been exercised shall be conditioned on the consummation of the Private Placement giving rise to such preemptive purchase rights and shall take place simultaneously with the closing of the Private Placement or on such other date as the Company and the Investor shall agree in writing; provided that the actual amount of Covered Securities to be sold to the Investor pursuant to its exercise of preemptive rights hereunder shall be reduced if the aggregate amount of

Covered Securities sold in the Private Placement is reduced and, at the option of the Investor (to be exercised by delivery of written notice to the Company within five Business Days of receipt of notice of such increase), shall be increased if such aggregate amount of Covered Securities sold in the Private Placement is increased. In connection with its purchase of Designated Securities, Investor shall, if it continues to wish to exercise its preemptive rights with respect to such offering, execute an agreement containing representations, warranties and agreements of Investor that are substantially similar in all material respects to the agreements executed by other purchasers in such Private Placement.

Section 5.4 Cooperation. The Company and the Investor shall cooperate in good faith to facilitate the exercise of the Investor's preemptive rights hereunder, including securing any required approvals or consents, in a manner that does not jeopardize the timing, marketing, pricing or execution of any offering of the Company's securities. In the event that within 60 days of the date hereof the Company proposes to offer or sell securities in a single transaction or series of transactions for aggregate proceeds in excess of $500,000,000, the Company shall consult with Investor concerning such transaction or transactions prior to undertaking such transaction.

Section 5.5 Limitation of Rights. Notwithstanding the above, nothing set forth in this Article V shall confer upon the Investor the right to purchase any securities of the Company other than Designated Securities.

Section 5.6 Termination of Preemptive Rights. The preemptive right to purchase Covered Securities granted by this Article V shall not be available for any offering that commences at any time after (i) October 13, 2013 (the "Preemptive Rights Expiration Date") or (ii) the date on which the Investor Transfers any of the Securities that it acquired on the Closing Date or the Common Stock issued upon conversion of any Securities, or Hedges its exposure to the Common Stock, except as contemplated by clause (i) or (ii) of the first sentence of Section 4.1(a) and Section 4.1(e); provided, however, that the parties shall, no later than 3 months prior to the Preemptive Rights Expiration Date, discuss in good faith whether to extend the Preemptive Rights Expiration Date (with no obligation to extend).

ARTICLE VI

[RESERVED]

ARTICLE VII

EFFECTIVENESS AND TERMINATION

Section 7.1 Termination. Other than the termination provisions applicable to particular Sections of this Agreement that are specifically provided elsewhere in this Agreement, this Agreement shall terminate (a) upon the mutual written agreement of the Company and the Investor or (b) at such time as the Investor no longer Beneficially Owns any Securities.

ARTICLE VIII

CONFIDENTIALITY

Section 8.1 Company Proprietary Information. (a) The Investor hereby agrees to, and to cause its employees, representatives and Controlled Affiliates to, and shall instruct its Affiliates that are not Controlled Affiliates to, keep confidential the Company Proprietary Information and to utilize the Company Proprietary Information only for purposes related to the purpose for which such information was disclosed. "Company Proprietary Information" shall mean any and all confidential information of the Company, including without limitation non-public information relating to the Company's finances and results, technology, trade secrets, know-how, customers, business plans, marketing activities, financial data and other business affairs that is disclosed by the Company to the Investor Directors, the Observer, the Investor (or its Affiliates and representatives) or is learned by an Investor Director or the Observer while acting in his or her capacity as such; provided, however, that "Company Proprietary Information" does not include any information that: (i) is, or subsequently becomes, publicly available without breach of these confidentiality provisions; or (ii) is or becomes known or available to the Investor from a source other than the Company that, to the receiving party's knowledge, is not prohibited from disclosing such Company Proprietary Information to the receiving party by a contractual, legal or fiduciary obligation owed by such other third party to the Company.

(b) In the event that the Investor or any of its Affiliates or representatives is requested pursuant to, or required by, applicable law, regulation or legal process to disclose any Company Proprietary Information, then before substantively responding to any such request or requirement, the Investor will provide the Company with prompt written notice of any such request or requirement so that the Company may seek a protective order or other appropriate remedy, or both, or waive compliance with the provisions of this Section 8.1 or other appropriate remedy, or if the Company so directs, the Investor will exercise its own reasonable best efforts to assist the Company in obtaining a protective order or other appropriate remedy at the Company's expense. If, failing the entry of a protective order or other appropriate remedy or the receipt of a waiver hereunder, disclosure of any Company Proprietary Information is, in the opinion of the Investor's counsel, required, the Investor may furnish only that portion of the Company Proprietary Information which in the opinion of the Investor's counsel is required to be so furnished pursuant to law, regulation or legal process. In any event, the Investor will cooperate fully with any action by the Company to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Company Proprietary Information.

Section 8.2 Investor Proprietary Information. (a) The Company hereby agrees to, and to cause its employees, representatives and Controlled Affiliates to, and shall instruct its Affiliates that are not Controlled Affiliates to, keep confidential the Investor Proprietary Information and to utilize the Investor Proprietary Information only for purposes related to the purpose for which such information was disclosed. "Investor Proprietary Information" shall mean any and all confidential information of the Investor, including without limitation non-public information relating to the Investor's finances and results, technology, trade secrets, know-how, customers, business plans, marketing activities, financial data and other business affairs that is disclosed by the Investor to the Company (or its Affiliates and representatives) in connection with the Investor's investment in the Company or the Strategic Alliance as defined in the Purchase Agreement; provided, however, that "Investor Proprietary Information" does not include any information that: (i) is, or subsequently becomes, publicly available without breach of these confidentiality provisions; or (ii) is or becomes known or available to the Company from a source other than the Investor that, to the receiving party's knowledge, is not prohibited from disclosing such Investor Proprietary Information to the receiving party by a contractual, legal or fiduciary obligation owed by such other third party to the Investor.

(b) In the event that the Company or any of its Affiliates or representatives is requested pursuant to, or required by, applicable law, regulation or legal process to disclose any Investor Proprietary Information, then before substantively responding to any such request or requirement, the Company will provide the Investor with prompt written notice of any such request or requirement so that the Investor may seek a protective order or other appropriate remedy, or both, or waive compliance with the provisions of this Section 8.2 or other appropriate remedy, or if the Investor so directs, the Company will exercise its own reasonable best efforts to assist the Investor in obtaining a protective order or other appropriate remedy at the Investor's expense. If, failing the entry of a protective order or other appropriate remedy or the receipt of a waiver hereunder, disclosure of any Investor Proprietary Information is, in the opinion of the Company's counsel, required, the Company may furnish only that portion of the Investor Proprietary Information which in the opinion of the Company's counsel is required to be so furnished pursuant to law, regulation or legal process. In any event, the Company will cooperate fully with any action by the Investor to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Investor Proprietary Information.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Successors and Assigns. Except as and to the extent set forth in Section 4.1(a), neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto, in whole or in part (whether by operation of law or otherwise), without the prior written consent of each of the other parties. Notwithstanding the foregoing, the Investor may assign any of its rights or obligations under this Agreement to any direct or indirect wholly owned Subsidiary of the Investor, but the assignor shall remain liable for the assignee's nonperformance of any such obligations. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. Any attempted assignment in violation of this Section 9.1 shall be void.

Section 9.2 Amendments; Waiver. This Agreement may be amended only by an agreement in writing executed by the Company and the Investor. Any party may waive in whole or in part any benefit or right provided to it under this Agreement, such waiver being effective only if contained in a writing executed by the waiving party. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon breach thereof shall constitute a waiver of any such breach or of any other covenant, duty, agreement or condition, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

Section 9.3 Notices. Except as otherwise provided in this Agreement, all notices, requests, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier service, or when received by facsimile transmission or electronic mail transmission if promptly confirmed (in the case of electronic mail transmission, by means such as by the "return receipt requested" function, return electronic mail or other written acknowledgment by the intended recipient), as follows:

If to the Company:

Morgan Stanley
Attention: Chief Financial Officer
1585 Broadway
New York, NY 10036
E-mail:

with copies to:

Davis Polk & Wardwell LLP
Attention: Thomas J. Reid
Marc O. Williams
450 Lexington Avenue
New York, NY 10017
Fax: (212) 701-5800
E-mail: tom.reid@davispolk.com
marc.williams@davispolk.com

If to the Investor:

Mitsubishi UFJ Financial Group, Inc.
Attention: Chief Manager
Strategic Alliance Office
Corporate Planning Division
7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8388, Japan
Fax: +81 (3) 3240 5324
E-mail:

with copies to:

Sullivan & Cromwell LLP
Attention: Donald J. Toumey
Keiji Hatano
125 Broad Street
New York, NY 10004
Fax: (212) 558-3588
E-mail: toumeyd@sullcrom.com
hatanok@sullcrom.com

or to such other address, facsimile number or telephone as either party may, from time to time, designate in a written notice given in a like manner.

Section 9.4 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts executed in and to be performed entirely within such State, without giving effect to the conflicts of laws principles thereof that would govern, construe or enforce the Agreement under laws other than the State of Delaware.

Section 9.5 Submission to Jurisdiction. The Investor irrevocably submits to the non-exclusive jurisdiction of any Delaware State or United States Federal court sitting in the County of New Castle, Delaware over any suit, action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The Investor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.5.

Section 9.6 Headings. The descriptive headings of the several sections in this Agreement are for convenience only and do not constitute a part of this Agreement and shall not be deemed to limit or affect in any way the meaning or interpretation of this Agreement.

Section 9.7 Entire Agreement. This Agreement, the Related Agreements and the schedules and exhibits attached to any such documents constitute the entire agreement between the Company and the Investor with respect to the subject matter hereof. This Agreement and the Related Agreements supersede all prior agreements with respect to the subject matter hereof.

Section 9.8 Severability. If any term or provision of this Agreement or any application thereof shall be declared or held invalid, illegal or unenforceable, in whole or in part, whether generally or in any particular jurisdiction, such provision shall be deemed amended to the extent, but only to the extent, necessary to cure such invalidity, illegality or unenforceability, and the validity, legality and enforceability of the remaining provisions, both generally and in every other jurisdiction, shall not in any way be affected or impaired thereby.

Section 9.9 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

Section 9.10 Interpretation. When a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" and "including" are used in this Agreement, they are deemed to be followed by the words "without limitation." For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned under generally accepted accounting principles in the United States, and (c) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

Section 9.11 Specific Performance. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

Section 9.12 Process Agent. The Investor irrevocably appoints MUFG North America, 1251 Avenue of the Americas, New York, NY 10020-1104, to act as its agent for service of process and any other documents in proceedings in the State of New York or the State of Delaware or any other proceedings in connection with this Agreement.

Section 9.13 No Third Party Beneficiaries. Except for the transferees contemplated by clause (i) of the second sentence of Section 4.1(a), nothing in this Agreement, expressed or implied, is intended to confer upon any Person, other than the parties hereto or their respective successors, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective authorized officers as of the date set forth at the head of this Agreement.

MORGAN STANLEY

By: /s/ David S. Russo

Name: David S. Russo
Title: Treasurer

MITSUBISHI UFJ FINANCIAL GROUP, INC.

By: /s/ Katsunori Nagayasu

Name: Katsunori Nagayasu
Title: President & CEO

[Signature Page to Amended and Restated Investor Agreement]

Exhibit 11

Introduction to the Ethical Framework and Code of Conduct

We, the directors and employees of MUFG, will comply with this Ethical Framework and Code of Conduct as the basis of our daily work, seeking to put into practice the management philosophy of our global comprehensive financial group and to build a corporate culture in which **we act with integrity and fairness**.

1. Establishment of trust

We will remain keenly aware of the Group's social responsibilities and public mission and will exercise care and responsibility in the handling of customer and other information. By conducting sound and appropriate business operations and disclosing corporate information in a timely and appropriate manner we will seek to establish enduring public trust in the Group.

2. Putting customers first

We will always consider our customers, and through close communication will endeavor to satisfy them and gain their support by providing financial services that best meet their needs.

3. Strict observance of laws, regulations, and internal rules

We will strictly observe applicable laws, regulations and internal rules, and will conduct our business in a fair and trustworthy manner that conforms to societal norms. As a global comprehensive financial group we will also respect internationally accepted standards.

4. Respect for human rights and the environment

We will respect the character and individuality of others, work to maintain harmony with society, and place due importance on the protection of the global environment that belongs to all mankind.

5. Disavowal of anti-social elements

We will stand resolutely against any anti-social elements that threaten public order and safety.

Code of Conduct

1. Establishment of trust

Trustworthiness and ethical standards

We will faithfully carry out our business, based on high ethical standards, to ensure that our corporate activities are highly transparent and honorable. We will not knowingly release false information or otherwise knowingly hide or obscure the truth.

Confidentiality and information management

We will not release customer information that we have acquired through our business to any third party without legitimate reason or customer consent. We will handle customer information responsibly, and will strictly observe in-house rules concerning corporate information.

Accounting practices and information disclosure

We will not improperly handle company accounting records or make entries that invite false or misleading interpretations. We will disclose corporate information on a factual basis and in good faith.

2. Putting customers first

Responding with integrity and consideration

We will endeavor to be friendly and polite and to act with integrity in all our contacts with customers and by pursuing our customer first approach we will seek to avoid any inappropriate impairment of their interests. We will not engage in excessive customer entertainment or gift exchange, and will make any such decisions based on commonly accepted standards.

Suitability and the obligation to explain

We will offer products and services to customers that we believe best meet their needs and experience. We will adequately explain merits, demerits and risks, and proceed only after customers have been given a reasonable opportunity to discuss with us any actions we intend to take that may affect them.

Understanding of intentions

We will endeavor to ensure that customers properly understand any contracts or agreements they enter into with us, and endeavor to ensure that these reflect their intentions.

3. Strict observation of laws, regulations and internal rules

Observance of laws, regulations and internal rules

As a comprehensive financial group we will strictly observe applicable laws and regulations, whether overseas or in Japan, and conduct business activities fairly and honestly. We will endeavor to maintain the highest ethical standards within the Group, and to create a strong corporate culture of compliance with laws and rules.

Prohibition of unfair transactions

We will not solicit transactions with customers by utilizing any advantageous position that we may have. We will endeavor not to knowingly cause losses to customers in the pursuit of profit for Group or Group companies.

We will not improperly or illegitimately use information acquired through our operations for our own gain. In particular, we will not trade in stocks using material unpublished information that would likely influence the share prices of Group or client companies. Any such important information coming in to our possession will be handled with the utmost care.

We will endeavor not to cause losses to other companies within the Group in the pursuit of profit for the Group. When handling undisclosed customer information or conducting transactions between subsidiaries, we will take every care not to commit any prohibited acts.

Protection of intellectual property

We will make efforts to appropriately protect our Group's own intellectual property (patents, trademarks, copyrights, etc.), and will respect the intellectual property rights of third parties.

Prohibition of the mixing of public and personal affairs

Regardless of any benefit or disadvantage, we will always strive to make judgments from a fair and honest standpoint. We will draw a clear line between public and personal matters and endeavor to avoid any conflict of interests, and will not use company resources for private purposes.

4. Respect for human rights and the environment

Respect for human rights

We shall take the basic position of respecting humanity, and shall not discriminate against people or violate human rights on the basis of race, nationality, belief, religion, gender, or other ground where legally protected.

Cultivating a work environment in which people can easily do their jobs

All directors and employees shall respect each other as work partners, and be aware that acts such as sexual harassment and power harassment are an affront to human dignity and will not be tolerated in the workplace.

Consideration for the natural environment

We will seek to achieve harmony with society, and protect the global environment.

5. Disavowal of anti-social elements

Disavowal of anti-social elements

We will take a resolute stance against criminal groups, and other anti-social elements.

Prevention of money laundering

We shall be fully alert to the possibility that funds handled in transactions by financial institutions might be used for, derived from or intended for criminal or terrorist purposes. We shall strive to prevent money laundering by endeavoring to thoroughly identify transaction parties, and if we discover transactions where we suspect criminal involvement, we shall not overlook these and shall respond appropriately.

Excerpts from MUFG's Compliance Rules

(English Translation)

(Objective)

Article 1.

These rules prescribe basic matters relating to compliance with laws and regulations.

(Revision and abolishment)

Article 2.

These rules may be revised or abolished by resolution of MUFG's Board of Directors.

(Definition)

Article 3.

(1) In these rules, "laws and regulations" mean laws and government ordinances to be strictly observed by MUFG personnel when carrying out business operations, as well as MUFG's Articles of Incorporation, Code of Ethics, and other rules and regulations established according to the laws and government ordinances above.

(2) "Compliance" means understanding the purpose and contents of laws and regulations properly, and behaving in an appropriate manner so as not to violate applicable laws and regulations.

(Fundamental Policy)

Article 4.

The MUFG Ethical Framework and Code of Conduct are the foundations of compliance at MUFG.

(Responsibilities of Directors, Executive officers (Shikko Yakuin) and Board of Directors)

Article 5.

(1) In accordance with the "Ethical Framework and Code of Conduct", MUFG directors and executive officers (shikko yakuin) must carry out their responsibilities with the recognition that compliance is one of the most important objectives of their management.

(2) The board of directors must establish systems including the measures listed below and seek to achieve and maintain compliance.

(Responsibility of MUFG General Managers)

Article 6.

General Managers must implement compliance within their division.

(Responsibility of MUFG Employees)

Article 7.

(1) MUFG employees must perform their duties by securing compliance, and in accordance with the "Ethical Framework and Code of Conduct".

(2) MUFG employees must strive to acquire adequate knowledge of the laws and regulations which are necessary to their business operations.

(3) When a MUFG employee discovers violations of laws and regulations (including cases of willful wrongdoing), or possible violations, they must report directly to the Compliance Officer as stipulated in Article 12.

(Director in charge of the Compliance Division)

Article 9.

(1) The Director in charge of the Compliance Division must report matters concerning compliance to the Board of Directors or Executive Committee as necessary.

(2) When there is a risk of an unavoidable conflict of interest with a different division that is also the director in charge of the Compliance Division is also in charge of, to insure the independence of the Compliance Division, the General Manager of the Compliance Division shall report to the President. The President will report to the Board of Directors or Executive Committee as necessary. Appropriate action shall also be taken to avoid conflicts of interest in cases other than those mentioned above.

(Office in Charge of Compliance)

Article 10.

(1) The Compliance Division is in charge of overseeing the overall compliance framework.

• • •

(5) When the Compliance Division receives report of or otherwise detects violations of laws and regulations, or possible violations, it must take necessary actions.

(Compliance Responsible Officers)

Article 11.

The head of each integrated business group is responsible for compliance in its business group.

(Chief Compliance Officer)

Article 12

(1) The director overseeing the compliance division will be appointed to serve as MUFG's chief compliance officer (CCO).

(2) The CCO will oversee the work of MUFG's compliance officers (defined in Article 13) and provide guidance, advice and instructions to the CCOs of MUFG group companies.

(3) The CCO can request reports on compliance matters from the compliance responsible officers (defined in Article 11).

(4) If there is a difference of opinion between the relevant compliance responsible officer and MUFG's CCO regarding compliance matters, the CCO shall report the matter to the executive committee and any other relevant committees.

(5) If there is a difference of opinion between the relevant CCOs of MUFG group companies and MUFG's CCO regarding compliance matters, the CCO shall report the matter to the executive committee and any other relevant committees.

(Division Compliance Officers)

Article 13.

(1) The Chief Manager of each division is designated as a Compliance Officer.

(2) The Compliance Officer is responsible for the strengthening of compliance in each division and for planning and surpervising compliance related issues regarding business matters under his jurisdiction.

(Responsibilities of General Managers)

Article 14.

(1) If a General Manager discovers, or receives a report from the Compliance Officer regarding, actual or potential violations of laws and regulations, such General Manager must discuss and consult with the General Manager of the Compliance Division regarding such actual or potential violations, and issue necessary directions and instructions to the Compliance Officer as appropriate.

(Compliance Reporting System)

Article 15.

When the Compliance Officers receive reports of or otherwise detect violations of laws and regulations, or possible violations, they must report directly to the Compliance Division and the General Manager of their division.

(Compliance Helpline)

Article 20.

To resolve compliance-related issues and support proper reporting under these compliance rules, we have established a compliance helpline.

Excerpts from MUFG's Compliance Manual

(English Translation)

I. Legal issues regarding Management

(3) Board of Directors

(4) Transactions involving a conflict of interest

When a Director engages in a transaction involving a conflict of interest, the Director must receive the approval of the Board of Directors.

• • •

III. Specific issues

5. Conflicts of interest

When a conflict of interest arises in connection with an operation involving any of the MUFG Group companies, Directors or employees, on one hand, and a customer or other third-party, the Director or employee, the MUFG Group company to which such Director or employee belongs, or any other MUFG Group company, on the other, the MUFG Group company, Director or employee must perform the operation in a proper manner.

Excerpts from MUFG's Rules of Employment

(English Translation)

(Disciplinary Action)

Article 38.

The company will take disciplinary action when employees take the following prohibited actions:

(17) If an employee violated the rules of employment or any other applicable internal rules.

Exhibit 12

CERTIFICATION

I, Katsunori Nagayasu, certify that:

1. I have reviewed this annual report on Form 20-F of Mitsubishi UFJ Financial Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

July 28, 2011

/s/ KATSUNORI NAGAYASU

Name: Katsunori Nagayasu
Title: President and Chief Executive Officer

CERTIFICATION

I, Taihei Yuki, certify that:

1. I have reviewed this annual report on Form 20-F of Mitsubishi UFJ Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

July 28, 2011

/s/ TAIHEI YUKI

Name: Taihei Yuki
Title: Senior Managing Director and Chief Financial Officer

Exhibit 13

MITSUBISHI UFJ FINANCIAL GROUP, INC.

CERTIFICATION REQUIRED BY
RULE 13a-14(b) OR RULE 15d-14(b)
AND 18 U.S.C. Section 1350

In connection with the Annual Report of Mitsubishi UFJ Financial Group, Inc. (the "Company") on Form 20-F for the fiscal year ended March 31, 2011 as filed with the US Securities and Exchange Commission on the date hereof (the "Report"), I, Katsunori Nagayasu, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350 that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KATSUNORI NAGAYASU

Name: Katsunori Nagayasu
Title: President and Chief Executive Officer

Dated: July 28, 2011

MITSUBISHI UFJ FINANCIAL GROUP, INC.

CERTIFICATION REQUIRED BY
RULE 13a-14(b) OR RULE 15d-14(b)
AND 18 U.S.C. Section 1350

In connection with the Annual Report of Mitsubishi UFJ Financial Group, Inc. (the "Company") on Form 20-F for the fiscal year ended March 31, 2011 as filed with the US Securities and Exchange Commission on the date hereof (the "Report"), I, Taihei Yuki, Senior Managing Director and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350 that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ TAIHEI YUKI

Name: Taihei Yuki
Title: Senior Managing Director and Chief Financial Officer

Dated: July 28, 2011

Exhibit 15

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-155420 on Form F-3 of our reports dated July 28, 2011, relating to the consolidated financial statements of Mitsubishi UFJ Financial Group, Inc. ("MUFG") (which report expresses an unqualified opinion and includes explanatory paragraphs relating to (i) the restatement of the parenthetic note to Trading account assets in the consolidated balance sheet at March 31, 2010 as discussed in Note 8 to the consolidated financial statements, (ii) the restatements of certain information in the disclosures of pledged assets and collateral, regulatory capital requirements, and variable interest entities as discussed in Notes 8, 19 and 23 to the consolidated financial statements, and (iii) the changes in methods of accounting for (a) defined benefit pension and other post retirement plans (measurement date provision), (b) fair value measurements, (c) fair value option for financial assets and financial liabilities, (d) noncontrolling interests, (e) other-than-temporary impairments on investment securities, and (f) consolidation of variable interest entities, as described in Note 1 to the consolidated financial statements), and the effectiveness of MUFG's internal control over financial reporting, appearing in the Annual Report on Form 20-F of MUFG for the year ended March 31, 2011.

/s/ Deloitte Touche Tohmatsu LLC
DELOITTE TOUCHE TOHMATSU LLC

Tokyo, Japan

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