Financial and Operation Review

Business Portfolio (Net Operating Profits Basis)

- Retail: 23%
- Corporate (domestic): 33%
- Global Markets and Others: 14%
- Trust Assets: 4%
- Global: 26%

FY 2013
Highlights of Consolidated Statements of Operations

Gross profits grew ¥119.2 billion year on year, to ¥3,753.4 billion. Net interest income increased ¥61.7 billion. Income from the deposit and lending business in Japan decreased on lower market interest rates, but this decline was more than offset by higher lending overseas, for an overall increase. Trust fees plus net fees and commissions grew ¥131.3 billion, reflecting increased sales of investment products and lending-related commissions both in Japan and overseas combined with a rise in commissions at securities subsidiaries. The total of net trading profits and net other business profits decreased ¥73.8 billion, due to a large decline in net gains on debt securities despite an increase in sales and trading income.

General and administrative expenses rose ¥194.3 billion, on increased investments to strengthen overseas businesses, a key initiative; higher expenses associated with global regulatory requirements; and the effect of the yen’s depreciation. As a result, net business profits decreased ¥75.0 billion, to ¥1,464.1 billion.

Ordinary profits totaled ¥1,694.8 billion. Total credit costs improved ¥127.5 billion, to a net reversal of ¥11.8 billion, mainly from a reversal of the provision for general allowance for credit losses. Net gains (losses) on equity securities improved significantly, to a ¥144.5 billion gain, due to an increase in gains on sales of equity securities combined with a decrease in losses on write-down of equity securities. Profits from investments in affiliates rose ¥60.4 billion, mainly from improved business results at Morgan Stanley.

A net extraordinary loss of ¥151.7 billion was recorded, the primary component of which was a ¥110.1 billion impairment loss on goodwill related to investments in Mitsubishi UFJ NICOS.

As a result, net income increased ¥132.2 billion year on year, to ¥984.8 billion.

Net Operating Profits by Segment (Managerial Accounts Basis)

In terms of operating results by segment, profits rose at all four customer divisions. Although markets also showed an upturn, this was evidence of the success of the various measures being pursued at integrated business segments under the medium-term business plan.
Highlights of Consolidated Balance Sheets

Loans and Deposits
The loan balance as of March 31, 2014, rose ¥10.6 trillion from the previous fiscal year-end, mainly from increases in domestic corporate lending and overseas lending.

Deposits rose ¥13.0 trillion, with increases in retail, corporate, overseas, and other deposit balances.

Non-Performing Loans (total of two banks* and trust accounts)
The balance of non-performing loans (NPLs) as of March 31, 2014, was ¥1.4 trillion, a ¥0.2 trillion decrease from the previous fiscal year-end on decreases in bankrupt or de facto bankrupt loans, doubtful loans, and special attention loans. The NPL ratio declined 0.39 percentage points, to 1.41%, due to the decrease in NPLs and increase in total loans.

* The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Mitsubishi UFJ Trust and Banking Corporation

Net Unrealized Gains (Losses) on Securities Available for Sale
The total net unrealized gains on securities available for sale (with fair value) as of March 31, 2014, was ¥1,869.9 billion, marking a ¥15.2 billion decrease from the previous fiscal year-end, mainly due to weaker valuations of Japanese government bonds (JGBs) and foreign bonds.

Compared with the previous fiscal year-end, the balance of JGBs held declined ¥8.0 trillion, mostly with residual maturities of more than one year. As a result, the portfolio’s duration was reduced by 0.7 years, to 2.5 years.

Consolidated Risk-Adjusted Capital Ratio
Common Equity Tier 1 capital as of March 31, 2014, rose ¥852.4 billion from the previous fiscal year-end, mainly from an increase in retained earnings. Total capital was basically unchanged, with lower caps of transitional arrangements on preferred stock, preferred securities, and subordinated debt.

Risk-weighted assets (RWAs) rose ¥11,115.6 billion, primarily because of an increase in credit risk associated with the addition of the Bank of Ayudhya (BAY) to the scope of consolidation, the yen’s depreciation, and higher credit risk due to increased loans.

As a result, the Common Equity Tier 1 ratio stood at 11.25%, the Tier 1 ratio was 12.45%, and the total capital ratio was 15.53%. Based on the full implementation of the Basel III regulations, MUFG’s Common Equity Tier 1 ratio would be 11.1%, indicating that we already maintain a sufficient level of capital from the standpoint of the new regulations.
Retail Business

FY 2013 Performance Summary

Gross profits in the Retail Business increased ¥82.9 billion, or 7%, from the previous fiscal year, to ¥1,290.6 billion. Net operating profits rose ¥38.2 billion, or 13%, to ¥328.7 billion. This increase was the result of profits from sales of investment products and consumer finance more than offsetting a profit decline from yen deposits.

Investment Product Sales

Gross profits from investment product sales increased ¥32.8 billion, to ¥193.4 billion. A strong equity market led to higher demand for fund investment from retail investors, resulting in an increase in assets under management at the Group’s commercial bank, trust bank, and securities companies. As a result of enhancing our lineup of products available through our 63 Retail Money Desks at the Bank of Tokyo-Mitsubishi UFJ (BTMU), which are staffed mainly by specialists on temporary assignment from Mitsubishi UFJ Morgan Stanley Securities (MUMSS), and the timely launch of new products in response to changes in market conditions for such products as structured bonds, financial products intermediation also recorded solid sales.

We are also actively addressing the popularity of the Nippon Individual Savings Account (NISA), a system for small-lot, tax-exempt investment accounts that was launched in January 2014. As of the end of March 2014, we had received applications for the opening of approximately 475,000 accounts, surpassing our target.

Consumer Finance

Gross profits from consumer finance increased ¥14.2 billion, to ¥484.9 billion. This rise came on steady growth in guarantee balances and a rebound in unsecured loan balances at ACOM. In addition, BANQUIC bank card loan balances continued to show steady growth, with an ¥81.3 billion increase, to ¥247.4 billion.

Integrated Corporate and Retail Business

The business for small and medium-sized business owners recorded growth in assets under management and in income from investment products, resulting from stronger cooperation among BTMU, MUMSS, and Mitsubishi UFJ Morgan Stanley PB Securities. To strengthen business closely tied to local communities, we intend to increase the number of one-stop offices integrating our corporate and retail business to 100 by the end of March 2015.
Corporate Business (Domestic)

FY 2013 Performance Summary

Gross profits in the Corporate Business (domestic) increased ¥60.6 billion, or 7%, from the previous fiscal year, to ¥924.5 billion. Net operating profits grew ¥66.5 billion, or 13%, to ¥486.1 billion. Despite a decrease in income from the deposit and lending business, increases in income from investment banking, securities, real estate, and transfer agency businesses resulted in overall growth.

Deposit and Lending

Gross profits from deposit and lending income declined ¥15.4 billion, to ¥344.2 billion. Despite an increase in loan balances, a contraction in lending spreads resulted in lending income that was roughly flat with the previous year, at ¥270.6 billion. Deposit income declined ¥15.2 billion, to ¥73.6 billion, mainly because of lower market interest rates.

Investment Banking

Gross profits at the investment banking business rose ¥45.2 billion, to ¥309.6 billion. Along with deals related to mergers and acquisitions and for corporate restructuring, income from asset financing and structured financing in response to customers’ wide range of procurement needs increased. The customer derivatives business was sold as well.

In addition to fund procurement that flexibly makes use of direct and indirect financial functions in Japan and overseas, corporate customer needs are becoming increasingly diverse and sophisticated. Such needs include greater financial efficiency and business investments as well as the formulation of business and capital strategies to enhance corporate value.

To meet these needs, MUFG’s Corporate and Investment Banking (CIB) business seeks to provide solutions that accurately address the individual customer’s operating environment, with the Group’s commercial bank, trust bank, and securities companies working together in Japan and overseas as an integrated solutions provider.

MUMSS, which was jointly established by MUFG and Morgan Stanley, is building a successful track record utilizing Morgan Stanley’s global financial services in financial advisory operations for mergers and acquisitions that address industry and corporate group realignments. MUMSS also provides solid support for fundraising in direct financial markets, and it is a top domestic bond underwriter.

MUFG is meeting financial needs in growing emerging markets, utilizing its global relationships to provide sophisticated financing arrangements, such as project finance and ECA finance, to contribute to the business development of large corporate customers.
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Global Business

FY 2013 Performance Summary

Gross profits in the Global Business increased ¥189.9 billion, or 25%, from the previous fiscal year, to ¥943.8 billion. Net operating profits grew ¥75.7 billion, or 25%, to ¥377.4 billion. This earnings growth was driven by results at UnionBanCal Corporation (UNBC) and BTMU Americas.

Lending grew in Europe, the Americas, and Asia. At the same time, the Group held the risk-monitored overseas loan ratio to a low level through appropriate credit management.

The Group's overseas network, comprising 1,154 locations in more than 40 countries as of March 31, 2014, is the largest among Japanese banking groups. In addition to ordinary financing, through this far-reaching network we meet diverse customer needs for fund procurement via syndicated loans and project finance as well as for cash management and M&A advisory services.

The Group is also enhancing regional networks through strategic investments and tie-ups with overseas financial institutions and strengthening its global CIB business. This strategy is intended to further increase the portion of overseas operations over the medium-to-long term.

The strategic alliance through MUFG’s investment in Morgan Stanley is also contributing to overseas operations, generating results from M&A advisory or joint financing for acquisitions around the world.

Asia

As of March 31, 2014, MUFG had a total of 62 locations in Asia and Oceania. In addition, Bank of Ayudhya (BAY) operates more than 600 branches and subsidiaries throughout Thailand. The Group is leveraging its operational management structure, which is firmly rooted in local markets, and its comprehensive capabilities for providing solutions, with the aim of becoming the No. 1 bank in Asia. Please refer to pages 12 and 13 for more information.

Americas

As of March 31, 2014, MUFG had a total of 31 locations in the Americas. In addition, UNBC was operating at 413 locations, mostly in California.

Effective July 1, 2014, UNBC changed its name to MUFG Americas Holdings Corporation, and Union Bank was renamed MUFG Union Bank, N.A., with all of BTMU’s U.S. staff transferred to MUFG Union Bank. This integration is intended to facilitate unified management of the Group’s business in the Americas, enhance service levels, strengthen U.S. dollar procurement capabilities, and reinforce corporate governance. Please refer to pages 14 and 15 for more information.
EMEA

As of March 31, 2014, MUFG had a total of 33 locations in Europe, the Middle East, and Africa. In addition to Western European countries, including the United Kingdom, Germany, France, Spain, and Italy, the network has been expanded in recent years to include Russia and countries in the Middle East. Through this extensive network, we are meeting customers’ sophisticated business needs, including those related to increasingly active cross-border transactions.

An increasing number of Japanese companies are moving into Central and Eastern Europe, Russia and the Newly Independent States, and Turkey. To meet the needs of these companies, we upgraded the Saint-Petersburg Representative Office of our locally incorporated entity in Russia to a sub-branch in October 2013, offering an even wider range of services, and opened the Bank of Tokyo-Mitsubishi UFJ (Turkey) Anonim Sirketi in November. With these new locations and through our Almaty Representative Office in Kazakhstan, we are expanding our operations in the region’s emerging markets.

The Middle East and Africa are seeing a large number of major projects related to the area’s abundant natural resources. In September 2013, the scope of the Johannesburg Representative Office was expanded. Currently, MUFG has a total of eight locations in the Middle East and Africa, including the Dubai Branch, and these offices are primarily engaged in project finance, joint financing, and trade finance.

By type of operation, we are further developing our project finance operations, with projects in the fields of infrastructure and renewable energy generating steady results in addition to those in our traditional strategic areas of resources and power generation. In August 2013, we concluded an agreement for the joint financing of a roughly £270 million project in the United Kingdom for the construction and operation of the world’s largest wind farm, acting as the project’s financial advisor and arranger. In September 2013, we also orchestrated as the arranger approximately £430 million in joint financing for a submarine cable project connecting this offshore wind farm to an onshore power grid.

Going forward, we will closely watch the economic conditions and business environments of markets in each region and utilize MUFG’s strengths to realize further business expansion.

Average Loan Balances*

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* Planned exchange rate basis: Those adopted in our business plan ($/¥=83, etc.)
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Trust Assets Business

FY 2013 Performance Summary

Gross profits in the Trust Assets Business increased ¥20.4 billion, or 15%, from the previous fiscal year, to ¥159.2 billion, and net operating profits increased ¥14.3 billion, or 28%, to ¥64.8 billion. A favorable market environment led to profit growth in the pension, investment trust, global asset administration, and other businesses.

Pension Business

Gross profits increased ¥20.4 billion, or 15%, to ¥159.2 billion, and net operating profits increased ¥14.3 billion, or 28%, to ¥64.8 billion. A favorable market environment led to profit growth in the pension, investment trust, global asset administration, and other businesses.

Investment Trust Management and Administration

Gross profits from investment trust management increased ¥4.2 billion from the previous fiscal year, to ¥44.4 billion. In August 2013, Mitsubishi UFJ Asset Management was appointed as an investment advisor of Japanese equities for the funds offered by Pioneer Investments, based in Boston, Massachusetts.

Gross profits from investment trust administration increased ¥3.5 billion from the previous year, to ¥16.4 billion. The balance of investment trust assets under administration stood at approximately ¥42 trillion as of March 31, 2014, placing the Group in the top class in the domestic market.

Global Asset Administration

Gross profits from global asset administration rose ¥6.4 billion from the previous fiscal year, to ¥17.5 billion, mainly from an increase in assets under management following the acquisition of Mitsubishi UFJ Fund Services as a wholly owned subsidiary. With this acquisition, we launched a new business brand, “MUFG Investor Services,” to create a business structure for providing customers with one-stop asset administration services.