Message from the CFO

Practicing Solid Financial & Capital Management to Secure Sustainable Growth

As Group CFO, I explain the results of our value creation initiatives and the challenges we face.

August 2019

Muneaki Tokunari
Group CFO

Financial & Capital Management: Our Corporate Strategy

Business Portfolio Strategy and Financial & Capital Management

Customer confidence and trust represent the most important values for financial institutions like MUFG. As such, we must be able to back up perceived value with actual financial soundness. Investors also expect profitability and growth potential. Securing all three — soundness, profitability and growth — is critically important to our financial and capital management.

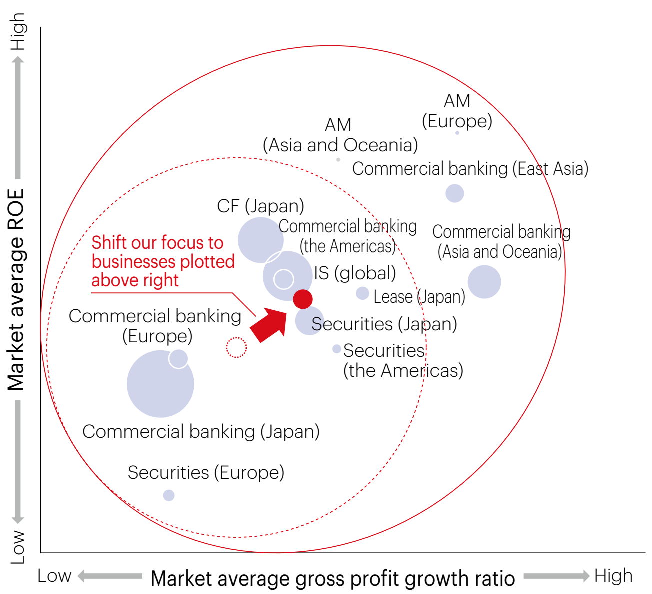
MUFG takes a "portfolio approach" to business management. This allows us to optimally combine operations with different profiles in terms of risk and return. In doing so, we strive to secure a stable profit stream, maintain financial soundness, and enhance ROE and our other profitability indices.

The diagram on the right provides an overview of MUFG's business portfolio strategy. The vertical and horizontal axes represent market averages for ROE and gross profit growth ratio, respectively. Each MUFG business portfolio has been plotted. The size of each circle reflects the relative scale of business operations.

In recent years, MUFG has focused more and more on expanding businesses that occupy the upper right portion of the diagram. These businesses are expected to have higher ROE and achieve gross profit growth. In this way, the Company has been shifting the center of its entire business portfolio to high-profitability, high-growth fields.

Direction of MUFG's Business Portfolio Shift

(Circle size indicates relative business scale as of end-FY2018)



CF: Consumer Finance, IS: Investor Services, AM: Asset Management

For example, although commercial banking (Japan) is a core business — as indicated by the large circle at the lower left-hand quadrant of the graph — the Company has also been expanding its commercial banking business in the U.S. and Southeast Asia. MUFG has also diversified its business portfolio, and has developed securities, trust banking and asset management & investor services (AM/IS), as well as consumer finance and lease businesses, etc.

These efforts show that MUFG has become capable of consistently booking consolidated profits attributable to owners of parent of around ¥900.0 billion annually.

Since becoming Group CFO in 2015, I have supported the Company's business portfolio strategy from the aspects of financial and capital management. Regarding capital management, I have focused on maintaining soundness and enhancing shareholder returns while allocating capital to growth-oriented strategic investment and M&A.

Maintaining a business portfolio strategy that ensures stable profits is also key to obtaining robust external credit ratings. We believe that this practice will help us reduce capital costs by making it easier to predict our future performance in terms of profits attributable to owners of parent.

Results of Financial Management and Challenges

In fiscal 2018, Year One of our Medium-term Business Plan (MTBP), we were able to achieve year-on-year growth in net interest income and net operating profits in our customer segments for the first time in four years. This came despite harsh business conditions, including the prolonged, ultra-low interest rate environment in Japan.

Here, I explain the business challenges we confront from financial and accounting viewpoints and describe measures we are taking to counter them.

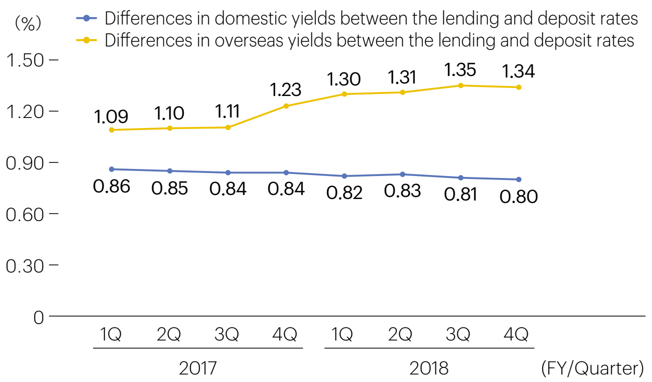
Please refer to page 14 for recent results in net interest income and net operating profits in the customer segments.

Status of Deposit and Lending Operations in Japan and Overseas

In Japan, deposit and lending operations handled by the Retail & Commercial Banking Business Group (R&C) and the Japanese Corporate & Investment Banking Business Group (JCIB) are being negatively affected by shrinking differences in yields between lending and deposit rates. This is mainly due to the Bank of Japan's ongoing negative interest rate policy and other unconventional monetary easing measures.

Overseas, however, differences in yields between lending rates and deposit rates at the Global Corporate & Investment Banking Business Group (GCIB) and the Global Commercial Banking Business Group (GCB), as well as at JCIB's overseas business units in charge of Japanese corporate clients, have expanded, mainly due to higher interest rates.

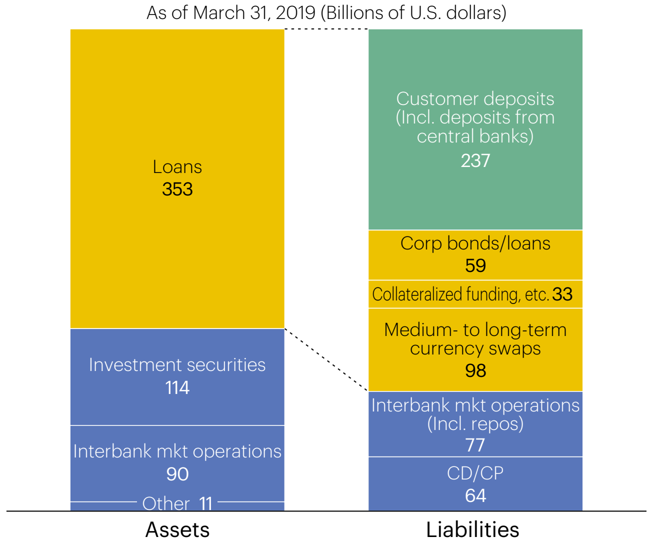
Differences in Yields Between Lending Rates and Deposit Rates (Non-consolidated*)



* Non-consolidated: the Bank (Non-consolidated) + the Trust Bank (Non-consolidated) (without any adjustment)

MUFG's Foreign Currency Balance Sheet*

As of March 31, 2019 (Billions of U.S. dollars)



* the Bank, managerial basis, excl. MUAH, Krungsri

Message from the CFO

Foreign Currency Balance Sheet Management & Reducing Low-Profitability Assets

Overseas operations are currently supported by robust demand and are therefore expected to drive growth in net interest income. However, we must also secure foreign currency liquidity and manage the foreign currency balance sheet.

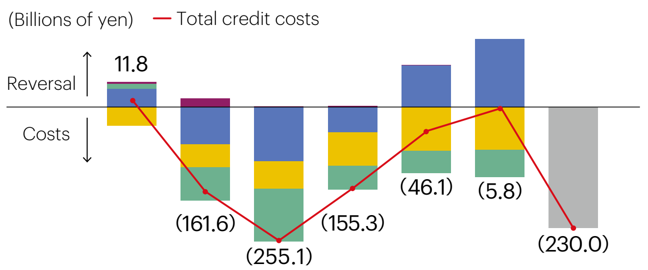
Although aggregate deposits far exceed aggregate lending at MUFG, foreign currency lending is larger than foreign currency deposits.

Accordingly, we not only strive to secure foreign currency deposits, but also to utilize other methods for the stable funding of foreign currencies, taking a long-term approach rather than relying on short-term funding. For example, the Company issues foreign currency-denominated bonds with external TLAC eligibility*[1] (the average duration is slightly less than seven years), and also engages in medium- to long-term currency swap transactions.*[2]

We also aim to enhance returns from foreign currency-denominated assets. To this end, we are actively replacing low-profitability assets with high-profitability assets, through Origination & Distribution (O&D). In fiscal 2018, this approach resulted in the reduction of approximately ¥1.4 trillion worth of low-profitability foreign currency-denominated assets.

*1 MUFG-issued bonds are equipped with Total Loss-Absorbing Capacity
*2 A transaction that converts surplus yen into foreign currencies via currency swaps

Total Credit Costs



Breakdown	2013	2014	2015	2016	2017	2018	2019 (Plan) (FY)
Non-consolidated	35.1	(71.1)	(103.7)	(47.9)	79.5	129.8	
CF*1	(35.7)	(44.1)	(51.6)	(64.5)	(83.6)	(81.7)	
Overseas*2	9.2	(63.2)	(100.8)	(45.0)	(42.7)	(52.3)	
Other*3	3.2	16.9	1.0	2.1	0.8	(1.5)	

*1 Sum of NICOS and ACOM on a consolidated basis
*2 Sum of overseas subsidiaries of the Bank and the Trust Bank
*3 Other subsidiaries and consolidation adjustments

Asset Quality

The recent global economic recovery is helping our credit costs to fall. This trend also applies to our partner banks. No specific problems with their asset quality have been found; Krungsri's non-performing loan ratio is the lowest among Thailand's five major banks.

The balance of leveraged loans is also maintained at a limited level. Moreover, holdings of CLOs*[3] at the Bank and the Trust Bank consist of only "AAA"-rated quality, and are purchased mainly in held-to-maturity accounts. Accordingly, we consider the financial risk posed by these instruments to be insignificant.

In fiscal 2019, however, we expect to see credit costs total ¥230.0 billion, up from the past several years. As the current credit cycle is thought to be near the end of its recovery phase, we will remain vigilant for credit risks going forward.

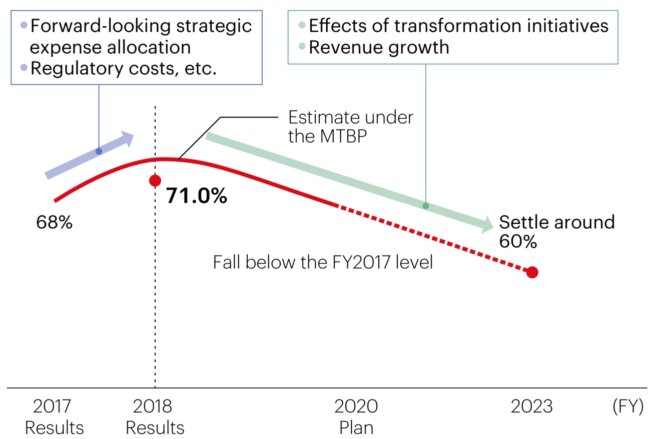
*3 Collateralized Loan Obligations

Efficient Utilization of Expenses and Management Resources

We estimate that the expense ratio will temporarily increase to over 70% during the current MTBP. This is due to investments directed at digital transformation and other strategic purposes, and rising compliance and regulatory costs associated with countermeasures against global financial crimes, including money laundering. Given this estimate, fiscal 2018 operating results fell within the plan.

We expect a significant decrease in total employee headcount due to the inevitable retirement of large numbers of employees hired decades ago, coupled with limits on numbers of new recruits. Robotic Process Automation (RPA) and other digital technologies will be utilized to reduce the equivalent workload of more than 10,000 employees by end-fiscal 2023.

Expense Ratio



We will accelerate the streamlining of the domestic channel on the same timeline, aiming to reduce domestic bank branches by 35% (vs. our previous target of 20%). In the U.S., MUFG Union Bank has concentrated its back office functions in Arizona. We remain assiduously engaged in operational streamlining.

Fiscal 2019 Financial Targets

In fiscal 2019, we expect that severe conditions, including Japan's prolonged ultra-low interest rate environment, will continue. We nevertheless aim to achieve year-on-year growth in net operating profits as we expect positive effects from Bank Danamon's consolidation, as well as ongoing operational streamlining under the MTBP.

The fiscal 2019 target for profits attributable to owners of parent has been set at ¥900.0 billion, above the comparable fiscal 2018 figure of ¥872.6 billion.

Linking Financial Targets and Compensation

Currently, MUFG's stock price is stagnant, with a price-to-book ratio (PBR) under 1.0. However, MUFG will ensure that directors and officers are acutely aware of the risks voiced by shareholders. The Company has also adopted a system to determine compensation in a way that directly reflects operating results vis-à-vis financial targets.

Fiscal 2019 Targets

	Results	Targets	
	FY2018	FY2019	
Consolidated performance (Billions of yen)	Full-year	Interim	Full-year
Net operating profits	1,078.5	530.0	1,080.0
Total credit costs	(5.8)	(80.0)	(230.0)
Ordinary profits	1,348.0	680.0	1,280.0
Profits attributable to owners of parent	872.6	450.0	900.0

Specifically, compensation is directly correlated to levels of accomplishment as measured against ROE and expense ratio targets. Comparison values with other financial institutions are also considered.

Results of Capital Management and Challenges

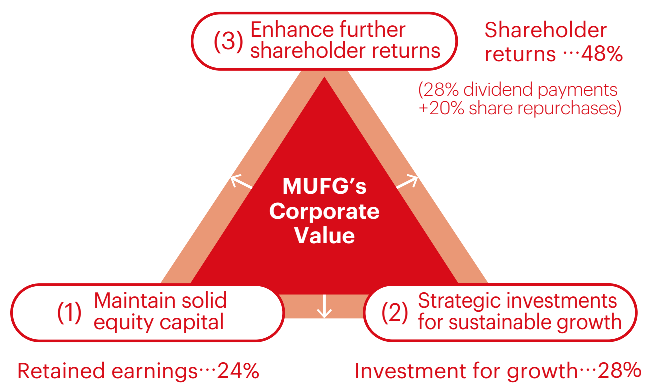
Basic Policy (Capital Triangle)

Capital management policies are regularly discussed by the Board of Directors, the majority of which is comprised of outside directors.

MUFG maintains a focus on capital management that achieves an appropriate balance among "capital triangle" objectives, as stated below.

Profits attributable to owners of parent for the last four years (since my appointment as CFO) total approximately ¥3.7 trillion. Of this, funds appropriated for "capital triangle" objectives accounted for 1) maintaining solid equity capital: 24%, 2) making strategic investments for sustainable growth: 28% and 3) further enhancing shareholder returns: 48% (28% cash dividend payments and 20% share repurchases) of the total, respectively.

Capital Triangle



Maintaining Solid Equity Capital and External Credit Ratings

We aim for a CET1 capital ratio of approximately 11% in order to maintain solid equity capital.

Under global financial regulations, MUFG is required to maintain a CET1 ratio at least 8.5%; the company's 11% target ensures that external credit ratings remain at "single-A" or higher.

Message from the CFO

Solid external credit ratings are essential to securing long-term stable non-JPY funding. In order to steadily increase dollar holdings via medium- to long-term currency swap transactions, external credit ratings should be equivalent to key European and U.S. financial institutions, as our counterparts.

See page 7 for external credit ratings for MUFG and major financial institutions in Europe and the U.S.

Robust external ratings are also important in terms of satisfying Total Loss-Absorbing Capacity (TLAC) requirements (applicable from March 31, 2019).

We are determined to maintain our “single-A” or higher ratings as we aim to secure our ability to issue foreign bonds in a way that meets TLAC requirements.

In fiscal 2018, MUFG raised regulatory capital totaling approximately ¥2.0 trillion, including a portion raised by foreign bonds and subordinated debt issuance, to satisfy external TLAC requirements. As of March 31, 2019, the Company’s external TLAC ratio was 18.16%, above the 16% minimum regulatory requirement. The minimum regulatory requirement is expected to be raised to 18% on March 31, 2022.

See pages 35 and 101 for more details

Strategic Investments for Sustainable Growth and Optimization of the Investment Portfolio

For M&A and other growth investments via the utilization of capital, our main strategic investment targets lie in business fields supported by higher ROE and a robust potential for market-driven growth — namely, commercial banking in Southeast Asia and the U.S., as well as AM/IS.

See page 26 for details

Results of Investment and Divestment Undertaken (or Agreed Upon) from April 2018 to the Present

		Investment/ Divestment (Date)	Value
New investment, etc.	Bank Danamon (Indonesia)	April 2019	Approx. ¥686.8 billion*2
	CFSGAM*1 (Australia)	August 2019	Approx. ¥328.0 billion
	DVB Bank’s Aviation Finance division (Germany)	By end-2019 (scheduled)	Approx. ¥716.3 billion, consisting of lending portfolio, etc.*3
Divestment	Banco Bradesco SA (Brazil)	April 2018	Approx. ¥45.3 billion
	Standard Life Aberdeen (United Kingdom)	February 2019	Approx. ¥49.4 billion
	Dah Sing FH (Hong Kong)	March 2019	Approx. ¥8.2 billion

*1 Colonial First State Global Asset Management
*2 Total acquisition amount since December 2017
*3 In addition to DVB Bank’s Aviation Finance client lending portfolio for approx. ¥716.3 bilion, its employees and other parts of the operating infrastructure to be transferred.

As Group CFO, I am acutely aware of my mission to maintain capital discipline. I closely examine the profitability of strategic investments and judge their worth. At MUFG, each investment is carefully examined to determine if the expected return on investment will exceed the cost of capital within an allotted time frame. Existing strategic investments are also periodically reviewed to ensure optimization. Our most recent results of investment and divestment appear at the lower left.

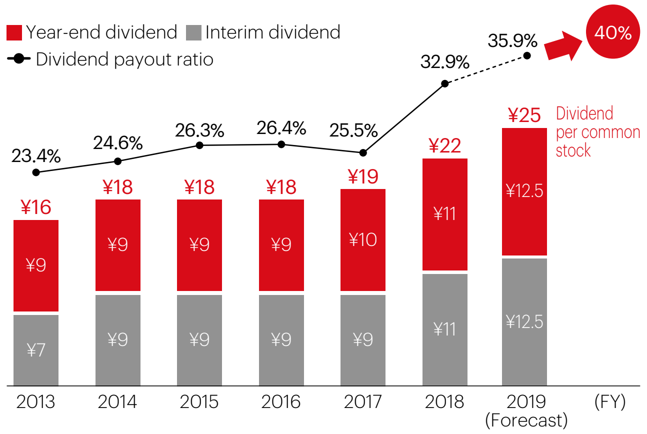
Further Enhancement of Shareholder Returns

In line with the company’s basic policies for shareholder returns, MUFG 1) has positioned share dividends as the primary means for such returns while aiming for stable and sustainable increases in dividends, with the goal of achieving a 40% payout ratio target by end-fiscal 2023; 2) has taken a flexible stance toward executing share repurchases and 3) will limit treasury shares to less than approximately 5% of the total issued share count. Shares that exceed this amount will be canceled.

Based on these policies, MUFG paid a full-year dividend of ¥22 per share for fiscal 2018, an increase of ¥3 per share from the previous fiscal year. For fiscal 2019, the Company plans to pay a full-year dividend of ¥25 per share for an estimated dividend payout ratio of approximately 36%.

In fiscal 2018, MUFG expended ¥150.0 billion to execute share repurchases.

Results and Forecasts of Dividends per Common Stock



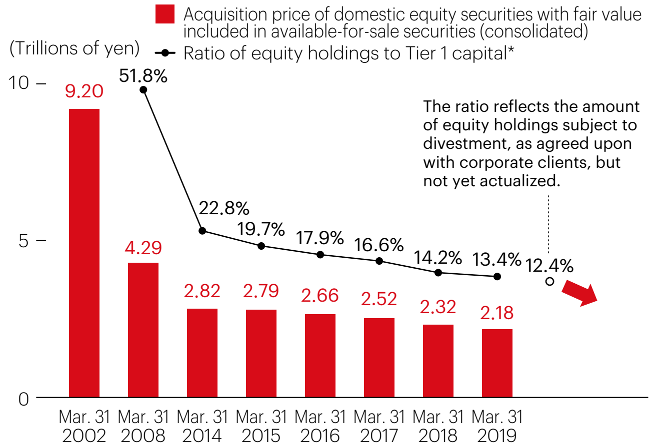
Looking ahead, we will strive to steadily increase cash dividends and achieve our dividend payout ratio target of 40% at the earliest possible date. Simultaneously, we will continue to maintain a tight grip on capital management. In doing so, we will strive to enhance the content of shareholder returns by, for example, flexibly executing share repurchases.

Divestment of Equity Holdings

Equity holding divestment is a key capital management measure, as it frees up capital resources and helps reduce financial risk. Our ongoing policy calls for limiting the ratio of equity holdings in the total balance of Tier 1 capital to approximately 10% by end-fiscal 2020. On an acquisition-cost basis, this is equivalent to a reduction of approximately ¥800.0 billion.

Under this policy, the acquisition cost of divested equity holdings since fiscal 2015 now totals ¥594.0 billion. As a result, the ratio of equity holdings to total Tier 1 capital has declined to 13.4% as of March 31, 2019. Going forward, we aim to further divest of our equity holdings while engaging in dialogue with our corporate clients to secure their understanding.

Reduction of Equity Holdings



* On a Basel II basis until Mar. 31, 2012 (consolidated)

Compliance with Tax Regulations and Tax Planning

MUFG recognizes that as a corporate citizen, putting its best effort into making appropriate tax payments is an important duty. With this in mind, MUFG strives to enhance corporate governance with regard to tax compliance and to maintain and enhance tax compliance awareness via employee education and training, among other means.

In addition, we aim to comply with the spirit of tax legislation, the BEPS Action Plan, OECD Transfer Pricing Guidelines, and other international rules on taxation. We prioritize compliance with tax laws in the course of tax planning, ensuring appropriate payment. We have been making digital-related investments using the IoT tax system (IT Investment Incentive for “Connected Industries”) since fiscal 2018.

Dialogue with Shareholders and Other Stakeholders

Today, MUFG’s operations are becoming increasingly diverse, both by region and by business type. Accordingly, we believe that providing our stakeholders with accurate and timely explanations about our operations and strategies is important, and helps them to gain a good overview of what MUFG is doing.

In line with this belief, senior management visited domestic and overseas investors during fiscal 2018. The group heads of six business groups also participated in an Investors Day event held in July 2018, and two outside directors (both foreign nationals) held face-to-face dialogues with investors at a September ESG seminar focusing on governance. We offered a presentation on MUFG’s digital strategies in February 2019.

Stance on IR/SR Initiatives, ESG Issues and SDGs

Dialogue with our stakeholders, including shareholders, investors and ratings agency representatives often provides valuable opportunities and insights. Going forward, we will focus on maintaining such dialogue. We will step up both investor relations (IR) and shareholder relations (SR) engagement with those charged with exercising voting rights. We will also place greater emphasis on environmental, social, and governance (ESG) issues while advocating for U.N. Sustainable Development Goals (SDGs).

Stakeholder opinions are shared among Board members and given due consideration in the course of business operations and capital management. We always welcome frank opinions about MUFG.

Looking ahead, we are committed to practicing financial and capital management aimed at securing our sustainable growth. We ask for your continuous support in this endeavor.

Consolidated Income Statement Summary

Consolidated Net Operating Profits

Consolidated gross profits for the fiscal year ended March 31, 2019 decreased ¥128.5 billion from the previous fiscal year. This was due to a decrease in net fees and commissions, reflecting such factors as sluggish investment product sales, as well as a decline in net trading profits, despite growth in net interest income from foreign currency-denominated loans and deposits.

General and administrative expenses increased by ¥25.7 billion from the previous fiscal year. Although expenses associated with domestic operations remained virtually flat thanks to cost control efforts, expenses for overseas operations increased due to the expansion of these operations and rising regulatory costs.

As a result, consolidated net operating profits fell by ¥154.2 billion from the previous fiscal year.

Credit Costs

Total credit costs for the fiscal year ended March 31, 2019 decreased by ¥40.2 billion from the previous fiscal year, mainly due to a major reversal of allowance for credit losses.

Net Gains (Losses) on Equity Securities

Net gains on equity securities decreased ¥20.5 billion from the previous fiscal year. This was mainly due to losses on sales of equity securities associated with the optimization of strategic investments, despite the recording of gains on sales of equity holdings, on par with those recorded in the previous fiscal year.

Profits from investments in affiliates increased ¥41.5 billion to ¥284.3 billion, thanks to Morgan Stanley's growing profit contribution.

Taking the aforementioned factors into account, ordinary profits decreased by ¥114.3 billion from the previous fiscal year.

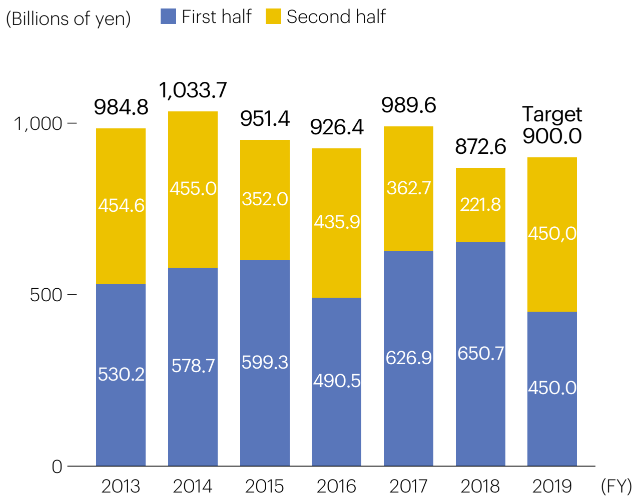
Profits Attributable to Owners of Parent

Net extraordinary losses amounted to ¥202.7 billion, up ¥149.6 billion from the previous fiscal year, due to an increase in losses on impairments to fixed assets from the system integration of Mitsubishi UFJ NICOS.

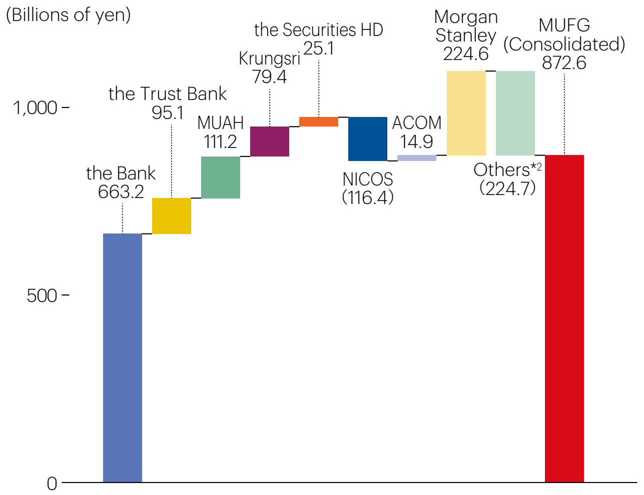
Consolidated Income Statement Summary

(Billions of Yen)	FY2017	FY2018	YoY
Gross profits (before credit costs for trust accounts)	3,854.2	3,725.7	(128.5)
G&A expenses	2,621.4	2,647.1	25.7
Net operating profits	1,232.8	1,078.5	(154.2)
Total credit costs	(46.1)	(5.8)	40.2
Net gains (losses) on equity securities	133.1	112.6	(20.5)
Equity in earnings of equity method investees	242.8	284.3	41.5
Other non-recurring gains (losses)	(100.3)	(121.7)	(21.3)
Ordinary profits	1,462.4	1,348.0	(114.3)
Net extraordinary gains (losses)	(53.0)	(202.7)	(149.6)
Total of income taxes-current and income taxes-deferred	313.4	195.5	(117.8)
Profits attributable to owners of parent	989.6	872.6	(116.9)

History of Profits Attributable to Owners of Parent



Breakdown of Profits Attributable to Owners of Parent*1



*1 The above figures take into consideration the percentage holding in each subsidiary and equity method investee (after-tax basis)
*2 Including cancellation of the amount of inter-group dividend receipts, net gains on sales of equity securities due to a subsidiary's share repurchase, and equity method income from other affiliate companies

Tax expenses decreased by ¥117.8 billion.

As a result, profits attributable to owners of parent decreased by ¥116.9 billion, a 12% decrease from the previous fiscal year, to ¥872.6 billion.

For fiscal 2019, MUFG has set its target for profits attributable to owners of parent at ¥900.0 billion, an increase from fiscal 2018.

Segment Performance

From a business segment-by-segment perspective, R&C saw a decrease in net operating profits* from the previous fiscal year, while the other four customer segments achieved growth in net operating profits. Net operating profits from customer segments increased by ¥6.9 billion, for the first time in four years. On the other hand, those from Global Markets decreased, resulting in a decrease in consolidated net operating profits.

To enhance capital efficiency, MUFG discloses ROE targets and results for each business segment.

In fiscal 2018, both R&C and AM/IS experienced a significant decrease in ROE due to temporary factors — namely, the posting of impairment losses on fixed assets due to the revision of the system integration plan for Mitsubishi UFJ NICOS (R&C) and the posting of losses on sales of equity securities in connection with the review of strategic investments (AM/IS).

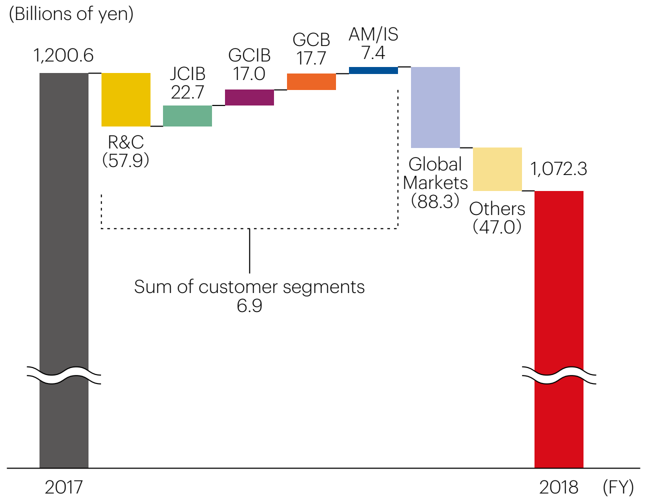
Meanwhile, JCIB achieved a considerable increase in ROE, thanks to a major reversal in the allowance for credit losses. GCIB saw growth in ROE due to an increase in net operating profits and an improvement in credit costs. GCB also experienced an increase in ROE due to growth in net operating profits. However, Global Markets saw a decrease in ROE as net operating profits fell.

Looking ahead, each business group is determined to steadily implement measures aimed at achieving its respective ROE target for fiscal 2020, the final year of the company's MTBP.

Please also refer to pages 36-61 for a summary of operating results by business group

* Net operating profits by business segment, calculated for internal managerial accounting purposes

Breakdown of Changes in Net Operating Profits by Business Segment



Results by Business Segment

Business segment	Net operating profits (Billions of Yen)			Expense ratio			ROE*2		
(FY)	2017	2018	2020*1	2017	2018	2020*1	2017	2018	2020*1
R&C	356.7	298.8	350.0	77%	80%	79%	9% [9%]	1%*3 [1%]	9% [9%]
JCIB	227.0	249.7	260.0	57%	54%	54%	10% [10%]	15% [15%]	10% [11%]
GCIB	135.8	152.7	200.0	64%	62%	58%	7% [7%]	9% [9%]	8% [8%]
GCB	202.7	220.4	320.0	70%	69%	66%	6% [8%]	7% [9%]	8% [10%]
AM/IS	71.0	78.4	80.0	63%	61%	63%	21% [23%]	8%*4 [10%]	19% [20%]
Global Markets	339.5	251.2	490.0	40%	47%	35%	7% [7%]	5% [5%]	9% [9%]

*1 Value for fiscal 2020 represent planned figures (announced on May 18, 2018)
*2 Calculated based on risk-weighted assets (R&C, JCIB, GCIB and GCB) or economic capital (AM/IS and Global Markets). (Managerial accounting basis, based on profits attributable to owners of parent, calculated excluding non-JPY mid-to long-term funding costs.) Figures in parentheses exclude the impacts of investment related accounting factors (amortization of goodwill, etc.)
*3 ROE, excluding the impact of impairment losses on fixed assets of Mitsubishi UFJ NICOS, is 6%
*4 ROE, excluding the impact of losses on sales of Standard Life Aberdeen shares, is 18%

Consolidated Balance Sheet Summary

Loans / Deposits

Loans totaled ¥107.7 trillion, a slight decrease from March 31, 2018. Domestic individual deposits and overseas branch deposits increased by ¥1.7 trillion and ¥1.2 trillion, respectively, with the overall deposit balance amounting to ¥180.1 trillion.

Excluding the impact of foreign exchange fluctuations, the balance of non-JPY loans for overseas borrowers remained unchanged, while overseas deposits increased ¥1.5 trillion from the previous fiscal year-end, narrowing the gap between non-JPY deposits and lending balances.

The non-performing loan (NPL) ratio – the ratio of risk-monitored loans to total loans – decreased, mainly due to an upward revision of the credit rating of large borrowers. As a result, the NPL ratio decreased 0.27% to 0.90% — the lowest level in 10 years — illustrating the outstanding soundness of MUFG's loan portfolio.

Investment Securities

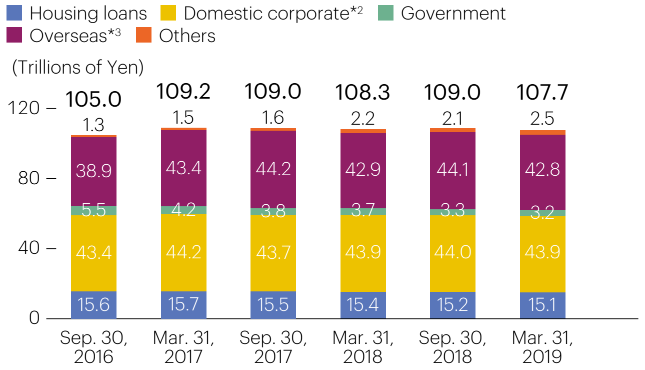
The balance of available-for-sale securities increased by ¥5 trillion, due to such factors as a ¥4 trillion increase to reflect growing emphasis placed on foreign bond positions.

Net unrealized gains on available-for-sale securities remained robust at more than ¥3 trillion. Although net unrealized gains on domestic equity securities decreased ¥455.8 billion, due to progress in the divestment of equity holdings and a decline in stock prices, net unrealized gains on foreign bonds increased by ¥312.7 billion, a significant improvement, thanks to a fall in overseas interest rates.

A significant improvement was seen in net unrealized gains on available-for-sale securities* managed by Global Markets in treasury operations. As of March 31, 2019, these operations were able to secure net unrealized gains on domestic bonds and foreign bonds totaling approximately ¥360.0 billion and ¥170.0 billion, respectively.

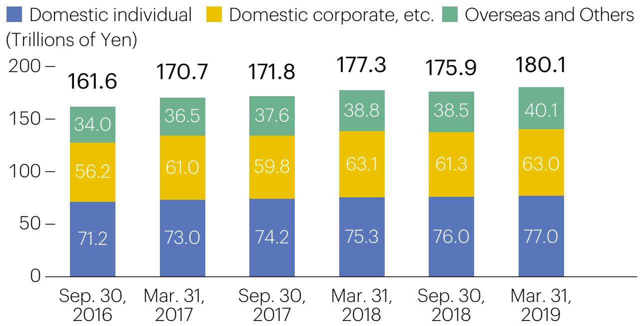
* Mainly consisting of net unrealized gains on available-for-sale securities, excluding domestic equity securities and foreign equity securities

Loans (Period-end balance)*1



*1 Sum of banking and trust accounts
*2 Excluding loans to government and governmental institutions and including foreign currency-denominated loans
*3 Loans booked in overseas branches, MUAH, Krungsri, the Bank (China), the Bank (Malaysia) and the Bank (Europe)

Deposits (Period-end balance)



Available-for-sale Securities with Fair Value (Billions of Yen)

	Balance		Unrealized gains (losses)	
	Mar. 31, 2019	Changes from Mar. 31, 2018	Mar. 31, 2019	Changes from Mar. 31, 2018
Total	60,578.6	5,181.3	3,335.6	(181.7)
Domestic equity securities	4,953.3	(587.6)	2,764.3	(455.8)
Domestic bonds	27,261.2	280.5	357.4	51.9
Japanese government bonds	21,542.3	(908.2)	278.9	19.9
Others	28,364.0	5,488.4	213.8	222.1
Foreign equity securities	114.8	(219.6)	52.5	16.6
Foreign bonds	21,532.9	4,084.5	173.6	312.7
Others	6,716.2	1,623.4	(12.3)	(107.2)

Capital

Total Capital

Common Equity Tier 1 capital increased by ¥37.4 billion from March 31, 2018, with the accumulation of profit offset by the payment of cash dividends, repurchases of own shares and a decrease in total accumulated other comprehensive income.

Tier 2 capital decreased by ¥50.2 billion from the previous fiscal year-end. Total capital also decreased by ¥25.6 billion to ¥18,769.7 billion.

Risk Weighted Assets (RWA)

RWA increased by ¥3,627.5 billion from March 31, 2018, reflecting increases in credit-related RWA and floor adjustments.

Capital Adequacy

The Common Equity Tier 1 capital ratio, the most important indicator representing the capital adequacy of financial institutions, stood at 11.4% on an estimated basis after reflecting the RWA increase calculated on the finalized Basel III reforms basis, and, therefore suggests sufficient capital adequacy vis-à-vis the MTBP target of around 11%.

In addition, the leverage ratio amounts to 4.94%, above the regulatory requirement of 3%.

TLAC Ratio

MUFG is subject to the TLAC regulations introduced on March 31, 2019.

These regulations require G-SIBs to retain sufficient loss-absorbing and recapitalization capacity available in resolution (TLAC-eligible senior debt).

MUFG aims to enhance its external TLAC capital by issuing TLAC-eligible senior debt in overseas markets and by issuing subordinated debt in the domestic market.

In fiscal 2018, MUFG raised external TLAC capital of approximately ¥2 trillion by issuing TLAC-eligible senior bonds worth approximately ¥1.6 trillion, as well as perpetual subordinated debt and dated subordinated debt totaling approximately ¥0.4 trillion.

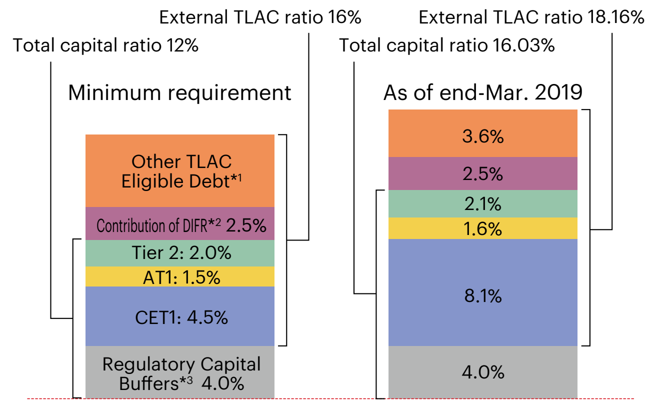
As a result, the external TLAC ratio as of March 31, 2019 (see the graph on the right) was 18.16%, above the regulatory requirement of 16%.

Capital Adequacy (Billions of Yen)

	Mar. 31, 2019	Mar. 31, 2018	Changes from Mar. 31, 2018
Common Equity Tier 1 capital ratio	12.23%	12.58%	(0.35%)
Tier 1 capital ratio	13.90%	14.32%	(0.42%)
Total capital ratio	16.03%	16.56%	(0.53%)
Leverage ratio	4.94%	5.01%	(0.06%)
Common Equity Tier 1 capital	14,322.4	14,284.9	37.4
Retained earnings	10,640.6	10,064.6	576.0
Other comprehensive income	2,879.1	3,143.8	(264.7)
Regulatory adjustments	(1,897.3)	(1,786.1)	(111.1)
Additional Tier 1 capital	1,953.8	1,966.8	(12.9)
Preferred securities and subordinated debt	1,800.1	1,822.1	(22.0)
Tier 1 capital	16,276.3	16,251.7	24.5
Tier 2 capital	2,493.4	2,543.7	(50.2)
Subordinated debt	2,195.6	2,165.0	30.5
Total capital (Tier 1+Tier 2)	18,769.7	18,795.4	(25.6)
Risk weighted assets	117,091.1	113,463.6	3,627.5
Credit risk	90,843.0	89,823.1	1,019.9
Market risk	2,920.5	2,714.5	206.0
Operational risk	8,107.2	7,236.0	871.2
Floor adjustments*	15,220.2	13,689.9	1,530.2
Total exposure	329,048.6	324,232.4	4,816.2

* Adjustments made for the difference between RWA under Basel I and Basel III

MUFG's RWA-based External TLAC Ratio



*1 Including adjustment of the difference between the calculation method of the total capital ratio and the external TLAC ratio, and adjustment of the amount of other TLAC-eligible liabilities owned by the issuer's group, etc.
*2 Contribution of Deposit Insurance Fund Reserves: Japanese Deposit Insurance Fund Reserves fulfill the requirements for ex-ante commitments to recapitalize a G-SIB in resolution set out in the FSB's TLAC termsheet (can include 2.5% and 3.5% of RWAs after end-March 2019 and after end-March 2022, respectively, in the external TLAC ratio)
*3 CET1 Buffer applicable to MUFG: G-SIB Surcharge: 1.5%, Capital Conservation Buffer: 2.5%, and Counter-cyclical Buffer: 0.04%