# Items Disclosed on Internet Pursuant to Laws and Regulations, and the Articles of Incorporation

1. Matters Concerning Stock Acquisition Rights, etc., of the Company
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For the Twelfth Fiscal Year (from April 1, 2016 to March 31, 2017)

## Mitsubishi UFJ Financial Group, Inc.

The items listed above are disclosed on our website (http://www.mufg.jp/) pursuant to laws and regulations, and the provision of Article 25 of the Articles of Incorporation.

**Matters Concerning Stock Acquisition Rights, etc., of the Company**

The following is the summary of the terms of the Stock Acquisition Rights issued to the Directors, Corporate Executive Officers, Corporate Auditors, Executive Officers and Senior Fellows (collectively, the "Officers") of the Company as well as The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Securities Holdings Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., all of which are subsidiaries of the Company, in consideration for execution of their duties pursuant to Articles 236, 238 and 240 of the Companies Act.

| | Allocation date of Stock Acquisition Rights | Number of Stock Acquisition Rights | Class and number of shares to be issued or transferred upon exercise of Stock Acquisition Rights (100 shares per Stock Acquisition Right) | Issue price (per Stock Acquisition Right) | Exercise price (per Share) | Exercise period |
|---|---|---|---|---|---|---|
| The First Series of Stock Acquisition Rights | December 6, 2007 | 27,980 | 2,798,000 Common Stock | ¥103,200 | ¥1 | December 6, 2007 to December 5, 2037 |
| The Second Series of Stock Acquisition Rights | July 15, 2008 | 32,636 | 3,263,600 Common Stock | ¥92,300 | ¥1 | July 15, 2008 to July 14, 2038 |
| The Third Series of Stock Acquisition Rights | July 14, 2009 | 56,558 | 5,655,800 Common Stock | ¥48,700 | ¥1 | July 14, 2009 to July 13, 2039 |
| The Fourth Series of Stock Acquisition Rights | July 16, 2010 | 79,118 | 7,911,800 Common Stock | ¥36,600 | ¥1 | July 16, 2010 to July 15, 2040 |
| The Fifth Series of Stock Acquisition Rights | July 20, 2011 | 83,231 | 8,323,100 Common Stock | ¥33,700 | ¥1 | July 20, 2011 to July 19, 2041 |
| The Sixth Series of Stock Acquisition Rights | July 18, 2012 | 83,736 | 8,373,600 Common Stock | ¥33,100 | ¥1 | July 18, 2012 to July 17, 2042 |
| The Seventh Series of Stock Acquisition Rights | July 17, 2013 | 29,515 | 2,951,500 Common Stock | ¥61,100 | ¥1 | July 17, 2013 to July 16, 2043 |
| The Eighth Series of Stock Acquisition Rights | July 15, 2014 | 30,194 | 3,019,400 Common Stock | ¥53,900 | ¥1 | July 15, 2014 to July 14, 2044 |
| The Ninth Series of Stock Acquisition Rights | July 14, 2015 | 20,586 | 2,058,600 Common Stock | ¥80,200 | ¥1 | July 14, 2015 to July 13, 2045 |

(Notes)

1. An Officer who holds the Stock Acquisition Rights may exercise such rights on and after the day immediately following the day on which such Officer ceases to be a Director, a Corporate Executive Officer, a Corporate Auditor, an Executive Officer and a Senior Fellow of the relevant company.
2. From the Seventh Series of Stock Acquisition Rights, Corporate Auditors and Outside Directors are exempted from the issuance of stock acquisition rights. Directors who act as Audit Members are exempted from the issuance of the Ninth Series of Stock Acquisition Rights.
3. The Company discontinued the issuance of stock acquisition rights in the fiscal year 2016.

## (1) Stock Acquisition Rights of the Company Held by Officers of the Company as of March 31, 2017

| | Number of Stock Acquisition Rights | Class and number of shares to be issued or transferred upon exercise of Stock Acquisition Rights (100 shares per Stock Acquisition Right) | Directors and Corporate Executive Officers (excluding Audit Members and Outside Officers) | |
|---|---|---|---|---|
| | | | Number of holders of Stock Acquisition Rights | Number of Stock Acquisition Rights |
| The First Series of Stock Acquisition Rights | 149 | 14,900 Common Stock | 1 | 149 |
| The Second Series of Stock Acquisition Rights | 166 | 16,600 Common Stock | 1 | 166 |
| The Third Series of Stock Acquisition Rights | 602 | 60,200 Common Stock | 1 | 602 |
| The Fourth Series of Stock Acquisition Rights | 487 | 48,700 Common Stock | 1 | 487 |
| The Fifth Series of Stock Acquisition Rights | 553 | 55,300 Common Stock | 1 | 553 |
| The Sixth Series of Stock Acquisition Rights | 561 | 56,100 Common Stock | 1 | 561 |
| The Seventh Series of Stock Acquisition Rights | 346 | 34,600 Common Stock | 1 | 346 |

## (2) Stock Acquisition Rights of the Company Delivered to Employees, etc., during Fiscal Year 2016

None

(Translation)

**Mitsubishi UFJ Financial Group, Inc.**

Consolidated Statement of Changes in Net Assets

**For the fiscal year ended March 31, 2017**

(In millions of yen)

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized gains on available-for-sale securities | Net deferred gains on hedging instruments | Revaluation reserve for land | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Debt value adjustments of foreign subsidiaries and affiliates | Total accumulated other comprehensive income | Subscription rights to shares | Non-controlling interests | Total net assets |
| Balance at the beginning of the fiscal year | 2,141,513 | 1,425,637 | 8,587,578 | (298,922) | 11,855,806 | 2,486,627 | 337,297 | 176,364 | 791,401 | (189,526) | - | 3,602,163 | 8,260 | 1,920,538 | 17,386,769 |
| Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates | | | 8,464 | | 8,464 | | | | | | (8,464) | (8,464) | | | - |
| Restated balance | 2,141,513 | 1,425,637 | 8,596,043 | (298,922) | 11,864,271 | 2,486,627 | 337,297 | 176,364 | 791,401 | (189,526) | (8,464) | 3,593,699 | 8,260 | 1,920,538 | 17,386,769 |
| Changes during the fiscal year | | | | | | | | | | | | | | | |
| Cash Dividends | | | (246,557) | | (246,557) | | | | | | | | | | (246,557) |
| Net income attributable to owners of parent | | | 926,440 | | 926,440 | | | | | | | | | | 926,440 |
| Repurchase of treasury stock | | | | (217,688) | (217,688) | | | | | | | | | | (217,688) |
| Disposal of treasury stock | | (936) | | 3,350 | 2,414 | | | | | | | | | | 2,414 |
| Reversal of revaluation reserve for land | | | 2,619 | | 2,619 | | | | | | | | | | 2,619 |
| Changes in subsidiaries' equity | | (12,614) | | | (12,614) | | | | | | | | | | (12,614) |
| Net changes of items other than shareholders' equity | | | | | | (302,029) | (211,612) | (2,641) | (233,062) | 124,427 | (7,399) | (632,317) | (7,853) | (542,819) | (1,182,989) |
| Total changes during the fiscal year | - | (13,550) | 682,503 | (214,337) | 454,614 | (302,029) | (211,612) | (2,641) | (233,062) | 124,427 | (7,399) | (632,317) | (7,853) | (542,819) | (728,375) |
| Balance at the end of the fiscal year | 2,141,513 | 1,412,087 | 9,278,546 | (513,260) | 12,318,885 | 2,184,597 | 125,684 | 173,723 | 558,339 | (65,098) | (15,863) | 2,961,382 | 407 | 1,377,719 | 16,658,394 |

# Notes to the Consolidated Financial Statements

Amounts of less than one million Japanese yen ("yen") are rounded down.
"Subsidiaries" and "affiliates" are determined in accordance with Article 2-8 of the Banking Act and Article 4-2 of the Enforcement Ordinance of the Banking Act.

## Notes to Significant Accounting Policies Applied in the Preparation of the Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 213

Principal companies

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Mitsubishi UFJ Trust and Banking Corporation
ACOM CO., LTD.
Mitsubishi UFJ Securities Holdings Co., Ltd.
Mitsubishi UFJ NICOS Co., Ltd.

In the current fiscal year, MUFG Investor Services (US), LLC and 8 other companies were newly consolidated following share acquisition or other reasons.
In the current fiscal year, PT. BTMU-BRI Finance and 19 other companies were excluded from the scope of consolidation because they were no longer subsidiaries due to sale of shares or other reasons.

(2) Non-consolidated Subsidiaries: None

(3) Entities Not Regarded as Subsidiaries Even Though Mitsubishi UFJ Financial Group, Inc. ("MUFG") Owns the Majority of Voting Rights:

Hygeia Co., Ltd.
OiDE CapiSEA, Inc.
OiDE Adjubilee, Inc.
(Reasons for excluding from the scope of consolidation)
These were not treated as subsidiaries because these were established as property management agents for land trust projects without any intent to control, or because MUFG's consolidated venture capital subsidiaries owned the majority of voting rights primarily to benefit from the appreciation of their investments resulting from growth of the investees' businesses without any intent to control.

2. Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for under the Equity Method: None

(2) Number of Equity Method Affiliates: 58

Principal companies

Mitsubishi UFJ Lease & Finance Company Limited
Morgan Stanley

In the current fiscal year, Hitachi Capital Corporation ("Hitachi Capital") and 2 other companies were newly included in the scope of application of the equity method following share acquisition or other reasons.

In the current fiscal year, TAISHO Bank Limited and 9 other companies were excluded from the scope of application of the equity method because they were no longer equity method affiliates due to decreases in the ratios of voting rights held by MUFG following share exchange or other reasons.

(Additional Information)

1. Outline of the acquisition of shares of Security Bank Corporation

On January 14, 2016, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU), a consolidated subsidiary of MUFG, has concluded the Subscription Agreement with Security Bank Corporation (“Security Bank”). And on April 1, 2016, BTMU acquired newly issued common shares and preferred shares, representing in the aggregate 20% of Security Bank’s shares and appointed two directors to Security Bank’s Board of Directors. As the result, Security Bank became an equity method affiliate of BTMU.

Overview of Security Bank, the investee, is as follows.

| | |
|---|---|
| Corporate name (The equity method investee’s name) | Security Bank Corporation |
| Business description | Commercial Bank |
| Date of application of the equity method | April 1, 2016 |
| Investment structure (taken for becoming an equity method affiliate) | Third-party allotment of newly issued shares |
| Percentage of voting rights following the share acquisition | 20% |

(1) Period for which the results of operations of the equity method investee are included in the consolidated statement of income

The fiscal year end of Security Bank, the equity method investee, is the end of December, which differs by three months from the consolidated balance sheet date of MUFG. As the equity method began to apply to Security Bank on April 1, 2016, the results of operations of Security Bank for the period from April 1, 2016 to December 31, 2016 were included in the consolidated statement of income.

(2) Outline of the accounting treatment applied

(A) Acquisition Cost of the Investee and its Details

| | | |
|---|---|---|
| Consideration for the shares | Cash and due from banks | ¥88,404 million |
| Expenses directly related to acquisition | Advisory fees, etc. | ¥741 million |
| Acquisition cost | | ¥89,146 million |

(B) Amount of goodwill recorded, reason for recording goodwill, amortization method and amortization period

(i) Amount of goodwill recorded

¥27,148 million

(ii) Reason for recording goodwill

The recorded goodwill reflected expected increases in profits from future business operations.

(iii) Amortization method and amortization period

Straight-line method over 20 years.

2. Outline of the acquisition of shares of Hitachi Capital

MUFG entered into a Share Purchase Agreement to acquire a portion of the common shares of Hitachi Capital held by Hitachi, Ltd. ("Hitachi") and, on October 3, 2016, acquired 23% of Hitachi Capital's common shares from Hitachi. Hitachi Capital became an equity method affiliate of MUFG.

Overview of Hitachi Capital, the investee, is as follows.

| | |
|---|---|
| Corporate name<br>(The equity method investee's name) | Hitachi Capital Corporation |
| Business description | General leasing business |
| Date of application of the equity method | October 1, 2016 |
| Investment structure (taken for becoming an equity method affiliate) | Share acquisition |
| Percentage of voting rights following the share acquisition | 23% |

(1) Period for which the results of operations of the equity method investee are included in the consolidated statement of income

As the equity method began to apply to Hitachi Capital on October 1, 2016, the results of operations of Hitachi Capital for the period from October 1, 2016 to March 31, 2017 were included in the consolidated statement of income.

(2) Outline of the accounting treatment applied

(A) Acquisition Cost of the Investee and its Details

| | | |
|---|---|---|
| Consideration for the shares | Cash and due from banks | ¥91,407 million |
| Expenses directly related to acquisition | Advisory fees, etc. | ¥470 million |
| Acquisition cost | | ¥91,877 million |

(B) Amount of goodwill recorded, reason for recording goodwill, amortization method and amortization period

(i) Amount of goodwill recorded

¥7,950 million

(ii) Reason for recording goodwill

The recorded goodwill reflected expected increases in profits from future business operations.

(iii) Amortization method and amortization period

Straight-line method over 20 years.

(3) Number of Non-consolidated Subsidiaries not Accounted for under the Equity Method: None

(4) Affiliates not Accounted for under the Equity Method: None

(5) Entities Not Regarded as Affiliates in Which MUFG Owns 20% to 50% of Their Voting Rights

Hirosaki Co., Ltd.
EDP Corporation
ISLE Co., Ltd.
AKITAYA Co., Ltd.
Sanriku Resort Co., Ltd.

(Reasons for excluding from the scope of affiliates)

These were not regarded as affiliates because MUFG's consolidated venture capital subsidiaries owned 20% to 50% of voting rights primarily to benefit from the appreciation of their investments resulting from growth or restructuring of the investees' businesses, without any intent to control.

3. The Balance Sheet Dates of Consolidated Subsidiaries

(1) The balance sheet dates of consolidated subsidiaries were as follows:

| | | |
|---|---|---|
| August 31: | 1 | subsidiary |
| October 31: | 1 | subsidiary |
| December 31: | 131 | subsidiaries |
| January 24: | 13 | subsidiaries |
| March 31: | 67 | subsidiaries |

(Changes in the balance sheet dates of consolidated subsidiaries)

In the fiscal year ended March 31, 2017, Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad changed its balance sheet date from December 31 to March 31, making it consistent with the consolidated balance sheet date. For the accounting period for the fiscal year ended March 31, 2017, the subsidiary was consolidated based on its financial statements for the fifteen months from January 1, 2016 to March 31, 2017.

(2) A subsidiary whose balance sheet date is August 31 was consolidated based on its preliminary financial statements as of February 28.
A subsidiary whose balance sheet date is October 31 was consolidated based on its preliminary financial statements as of January 31.
The remaining subsidiaries were consolidated based on their financial statements as of their respective balance sheet dates.
Adjustments were made to the consolidated financial statements to reflect the significant transactions that occurred between the balance sheet dates of the subsidiaries and the consolidated balance sheet date.

4. Amortization of Goodwill

Goodwill was primarily amortized using the straight-line method over 20 years beginning in the period of the acquisition. Other goodwill with insignificant balance was amortized as incurred.

5. Accounting Policies

(1) Trading Assets and Trading Liabilities; Trading Income and Expenses

Transactions involving short-term fluctuations or arbitrage opportunities in interest rates, currency exchange rates, market prices of financial instruments or other market indices ("trading purposes") are presented in "Trading assets" and "Trading liabilities" on the consolidated balance sheet on a trade-date basis, and gains and losses from trading transactions (interest and dividends, gains or losses on sales and gains or losses on valuation) are presented in “Trading income” and “Trading expenses” on the consolidated statement of income.

Trading assets and trading liabilities are stated at their fair values on the consolidated balance sheet date.

(2) Securities

(A) Debt securities being held to maturity are stated at amortized cost (using the straight-line method) computed using the moving-average method. Available-for-sale securities are primarily stated at their quoted market prices on the consolidated balance sheet date (cost of securities sold is calculated primarily using the moving-average method), and available-for-sale securities whose fair values cannot be reliably determined are stated at acquisition costs computed using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities are included directly in net assets, net of applicable income taxes, except in the case of application of the fair value hedge accounting method, in which the change in fair value recognized is recorded in current earnings.

(B) Securities that are held as trust assets in money held in trust are accounted for under the same basis as noted above in Notes (1) and (2)(A). Unrealized gains and losses on securities in money held in trust, which are not held for trading purposes or held to maturity, are included directly in net assets, net of applicable income taxes.

(3) Derivatives

Derivative transactions (other than trading purposes) are calculated primarily based on fair value.

(4) Depreciation and Amortization of Fixed Assets

(A) Tangible Fixed Assets (Except for Lease Assets)

Depreciation of tangible fixed assets of MUFG and its domestic consolidated banking subsidiaries and trust banking subsidiaries is computed using the declining-balance method.

The useful lives are primarily estimated as follows:

Buildings: 15 to 50 years
Equipment: 2 to 20 years

Depreciation of tangible fixed assets of other consolidated subsidiaries is computed primarily using the straight-line method based on their estimated useful lives.

(B) Intangible Fixed Assets (Except for Lease Assets)

Amortization of intangible fixed assets is computed using the straight-line method. Development costs for internally used software are amortized using the straight-line method over the estimated useful lives of primarily 3 to 10 years.

(C) Lease Assets

Depreciation or amortization of lease assets in “Tangible fixed assets” or “Intangible fixed assets” of the finance leases other than those that are deemed to transfer the ownership of leased property to the lessees is computed using the straight-line method over the lease periods with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(5) Deferred Assets

Bond issuance costs and stock issuance costs are expensed as incurred.

(6) Allowance for Credit Losses

Principal domestic consolidated subsidiaries determine an allowance for credit losses in accordance with the internal standards for self-assessment of asset quality and the internal standards for write-offs and provisions.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings or whose notes have been dishonored and suspended from processing through clearing houses (“bankrupt borrowers”) or borrowers that are not legally or formally bankrupt but are regarded as substantially in a similar condition (“virtually bankrupt borrowers”), allowances are provided based on the amount of claims, after the write-offs as stated below, net of expected amounts to be collected through the disposal of collateral and the execution of guarantees.

For claims on borrowers that are not yet legally or formally bankrupt but deemed to have a high possibility of becoming bankrupt (“Likely to become bankrupt borrowers”) excluding a portion of which principal and interest payment can be reasonably estimated from borrower’s cash flows, allowances are provided based on an overall solvency assessment of the claims, net of expected amounts to be collected through the disposal of collateral and the execution of guarantees.

For claims on potentially bankrupt borrowers and claims on borrowers requiring close monitoring, of which principal and interest payment can be reasonably estimated from borrower’s cash flows, allowances are provided in an amount equal to the difference between the book value of the claims and the relevant cash flows discounted by the initial contractual interest rates.

For other claims, allowances are provided based on historical credit loss experience.

For claims originated in specific foreign countries, additional allowances are provided based on an assessment of political and economic conditions of these countries.

All claims are assessed by the relevant branches and the credit supervision departments in accordance with the internal standards for self-assessment of asset quality. The credit review department, which is independent from those operating sections, subsequently audits these assessments.

For claims on bankrupt borrowers and virtually bankrupt borrowers, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been written-off. The total amount of write-offs was ¥377,463 million.

Consolidated subsidiaries, not adopting procedures stated above, provide allowances based on their historical credit loss experience for collectively assessed claims and based on individual assessments of the possibility of collection for specific deteriorated claims.

(7) Reserve for Bonuses

Reserve for bonuses, which is provided for future bonus payments to employees, is recorded in the amount deemed to have accrued based on the estimated amount of bonuses as of the consolidated balance sheet date.

(8) Reserve for Bonuses to Directors

Reserve for bonuses to directors, which is provided for future bonus payments to directors, is recorded in the amount deemed to have accrued based on the estimated amount of bonuses as of the consolidated balance sheet date.

(9) Reserve for Stocks Payment

Reserve for stocks payment, which is provided for future payments of compensation under the stock compensation plan for directors and officers of MUFG and certain domestic consolidated subsidiaries, is recorded in the amount deemed to have accrued based on the estimated amount of compensation as of the consolidated balance sheet date.

(10) Reserve for Retirement Benefits to Directors

Reserve for retirement benefits to directors, which is provided for future payments of retirement benefits to directors of subsidiaries, is recorded in the amount deemed accrued on the consolidated balance sheet date based on the estimated amount of benefits.

(11) Reserve for Loyalty Award Credits

Reserve for loyalty award credits, which is provided for the future redemption of points awarded to customers under the Super IC Card and so on, is recorded in calculating by converting the unused and granted points into monetary amount, and rationally estimating and recognizing the amount that will be redeemed in the future.

(12) Reserve for Contingent Losses

Reserve for contingent losses, which is provided for possible losses from contingent events related to off-balance sheet transactions and various litigation and regulatory matters, is calculated by estimating the impact of such contingent events. This reserve also includes future claims for repayment of excess interest payments on consumer loans that are estimated based on the past repayments, the pending claims and other factors.

(13) Reserves under Special Laws

Reserves under special laws represent the reserve for contingent liabilities from financial instruments transactions executed for clients, which are recorded in accordance with Article 46-5-1 and Article 48-3-1 of the Financial Instruments and Exchange Law and Article 175 and Article 189 of the Cabinet Office Ordinance on Financial Instruments Business.

(14) Retirement Benefits

In calculating benefit obligation, the portion of projected benefit obligation attributed to the current fiscal year is determined using the benefit formula basis.

Unrecognized prior service cost is amortized using the straight-line method for a fixed period, primarily over 10 years, within the employees' average remaining service period.

Unrecognized net actuarial gains (losses) are amortized using the straight-line method for a fixed period, primarily over 10 years, within the employees' average remaining service period, beginning in the subsequent fiscal year after its occurrence.

For certain overseas branches of domestic consolidated subsidiaries and some of consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by the simplified method.

(15) Translation of Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies or booked at overseas branches of domestic consolidated banking subsidiaries and domestic consolidated trust banking subsidiaries are translated into yen primarily at exchange rates prevailing at the consolidated balance sheet date, except for investments in non-consolidated affiliates which are translated into yen at exchange rates prevailing at the acquisition dates.

Assets and liabilities denominated in foreign currencies of other consolidated subsidiaries are translated into yen at the exchange rates prevailing at the respective balance sheet date.

(16) Leasing Transactions

(As Lessees)

Domestic consolidated subsidiaries' finance leases other than those that are deemed to transfer the ownership of leased property to the lessees are accounted for in a similar way to purchases, and depreciation for lease assets is computed using the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(As Lessors)

Finance leases other than those that are deemed to transfer the ownership of leased property to the lessees are accounted for in a similar way to sales and income and expenses related to such leases are recognized by allocating interest equivalents to applicable fiscal periods instead of recording sales as "Other ordinary income."

(17) Hedge Accounting

(A) Hedge Accounting for Interest Rate Risks

Domestic consolidated banking subsidiaries and domestic consolidated trust banking subsidiaries have adopted the deferred hedge accounting method for hedging transactions for interest rate risks arising from financial assets and liabilities. Portfolio hedging or individual hedging, as described in the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (February 13, 2002) and JICPA Accounting Committee Report No. 14, "Practical Guidelines for Accounting for Financial Instruments" (January 31, 2000), are primarily applied to determine hedged items.

With respect to hedging transactions to offset fluctuations in the fair value of fixed rate deposits, loans and other instruments, hedging instruments (e.g. interest rate swaps) are designated to hedged items individually or collectively by their maturities in accordance with JICPA Industry Audit Committee Report No. 24. With respect to hedging transactions to offset fluctuations in fair value of fixed rate bonds classified as available-for-sale securities, hedging instruments (e.g. interest rate swaps) are designated to hedged items collectively by the type of bond. Since material terms related to hedged items and hedging instruments are substantially identical, and such hedging transactions are deemed highly effective, the assessment of effectiveness is based on the similarity of the terms.

With respect to hedging transactions to fix the cash flows related to floating rate deposits and loans as well as forecasted transactions related to short-term fixed rate deposits, loans and other instruments, hedging instruments (e.g. interest rate swaps) are designated to hedged items collectively by interest rate indices and tenors in accordance with JICPA Industry Audit Committee Report No. 24. Since material terms related to hedged items and hedging instruments are substantially identical, and such hedging transactions are deemed highly effective, the assessment of effectiveness is based on the similarity of the terms. The effectiveness of hedging transactions is also assessed by the correlation between factors that cause fluctuations in interest rates of hedged items and those of hedging instruments.

(B) Hedge Accounting for Foreign Currency Risks

Domestic consolidated banking subsidiaries and domestic consolidated trust banking subsidiaries have adopted the deferred hedge accounting method for hedging foreign currency risks arising from financial assets and liabilities denominated in foreign currencies. Portfolio hedging is applied to determine hedged items as described in JICPA Industry Audit Committee Report No. 25 "Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transactions in the Banking Industry" (July 29, 2002). Hedging instruments (e.g. currency swaps and forward exchange contracts) are designated to hedged items collectively by currencies.

Portfolio hedging and individual hedging are applied to hedge foreign currency risks arising from equity investments in foreign subsidiaries and foreign affiliates, and available-for-sale securities (other than bonds) denominated in foreign currencies. Monetary claims and liabilities denominated in the same foreign currencies or forward exchange contracts are used as hedging instruments. As for the hedge accounting method applied to equity investments in foreign subsidiaries and foreign affiliates, foreign currency translation differences arising from hedging instruments are recorded as foreign currency translation adjustments. The fair value hedge accounting method is applied to available-for-sale securities (other than bonds) denominated in foreign currencies.

(C) Hedge Accounting for Stock Price Fluctuation Risks

Individual hedging is applied to hedge market fluctuation risks arising from strategic equity securities held by domestic consolidated banking subsidiaries. Instruments such as total return swaps are used as hedging instruments. The effectiveness of hedging transactions is assessed by the correlation between changes in fair value of hedged items and changes in fair value of hedging instruments. The fair value hedge accounting method is applied.

(D) Transactions among Consolidated Subsidiaries

Derivative transactions including interest rate swaps and currency swaps which are designated as hedging instruments among consolidated subsidiaries or between trading accounts and other accounts (or among internal sections) are not eliminated from the consolidated statements of income or valuation difference, but are recognized as related gains or losses or deferred under hedge accounting because these derivative transactions are executed, meeting certain criteria under JICPA Industry Audit Committee Reports No. 24 and No. 25 and they are regarded as equivalent to external third-party transactions.

(18) Consumption Taxes

National and local consumption taxes are excluded from transaction amounts. Non-deductible portions of consumption taxes on the purchases of tangible fixed assets are expensed when incurred.

(19) Adoption of Consolidated Taxation System

MUFG and some of its domestic consolidated subsidiaries adopt the consolidated taxation system.

(20) Accounting Standard for Foreign Subsidiaries

If the financial statements of foreign subsidiaries are prepared in accordance with the International Financial Reporting Standards (“IFRS”) or the Generally Accepted Accounting Principles in the United States (“U.S. GAAP”), such financial statements are used in the procedure of the consolidated accounting.

If the financial statements of foreign subsidiaries are prepared in accordance with generally accepted accounting principles in each domicile country and not in accordance with IFRS or U.S. GAAP, the financial statements of foreign subsidiaries are mainly rearranged in accordance with U.S. GAAP. They are also adjusted when necessary in the consolidated accounting.

## Additional Information

(Implementation Guidance on Recoverability of Deferred Tax Assets)
On March 28, 2016, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Guidance No.26, "Implementation Guidance on Recoverability of Deferred Tax Assets." MUFG adopted this guidance from April 1, 2016.

(Update of the Accounting Standards Codification ("ASC") No. 825 (Financial Instruments) by the Financial Accounting Standards Board ("FASB"))

Beginning in the fiscal year ended March 31, 2017, a certain MUFG's foreign affiliate under the equity method, to which Generally Accepted Accounting Principles in the United States of America (US-GAAP) apply, adopted early the update of ASC No.825 (Financial instruments).

Upon the adoption described above, with respect to financial liabilities which the foreign affiliate elected to measure at fair value under the fair value option, in accordance with the accounting standards, MUFG recorded the changes in the fair value of such financial instruments resulting from a change in the instrument-specific credit risk in the amount of Debt value adjustments of foreign subsidiaries and affiliates ("DVAs") in accumulated other comprehensive income. MUFG made cumulative catch-up adjustments to the opening balances of retained earnings and DVAs, at the beginning of the fiscal year ended March 31, 2017.

As a result, at the beginning of the fiscal year ended March 31, 2017, retained earnings increased by ¥8,464 million, and DVAs decreased by ¥8,464 million.
In addition, ordinary profits and Income before income taxes for the fiscal year ended March 31, 2017, each increased by ¥7,399 million.
The effect on per share information is described in "Per Share Information" below.

(Implementation of a Board Incentive Plan("BIP") for Directors and Officers)
I. Outline of the Plan
In the fiscal year ended March 31, 2017, MUFG implemented a performance-based director and officer stock compensation plan using a BIP trust. The plan is designed to prevent excessive risk-taking and raise motivation to contribute to both short-term and medium- to long-term improvement of financial results, thereby enabling sustainable growth and medium- to long-term enhancement of the enterprise value of the MUFG Group.
The plan's beneficiaries are directors and officers ("directors and so on.") of MUFG and certain domestic consolidated subsidiaries who satisfy prescribed beneficiary requirements. The trust entrusted with funds approved by the Compensation Committee of MUFG, together with funds contributed by certain domestic consolidated subsidiaries (collectively, "Acquisition Funds"), acquired shares of MUFG in the stock market with the Acquisition Funds.
During the trust period, in accordance with the prescribed share delivery rules, points are allocated to the beneficiaries, and the beneficiaries receive the delivery of shares of MUFG in the number representing a certain percentage of their respective allocated points. In addition, in accordance with the provisions of the trust agreement, the shares of MUFG representing the remaining points are liquidated within the trust, and the beneficiaries receive cash in the amount equal to the liquidated share price.
In addition, at the date of November 14, 2016, for directors and so on, who hold stock options that had been allotted in the past, but have not been exercised, for the purpose of managing and operating director and officer

stock compensation plan together with a performance-based director and officer stock compensation plan using a BIP trust in an integral manner, a transition from stock options to the plan using the BIP trust structure is implemented.

II. Shares of MUFG Remaining in the Trust
At the end of the fiscal year ended March 31, 2017, the carrying amount and number of shares which remain in the trust are ¥17,635 million and 30,532 thousand shares, respectively, and are included in the treasury shares reported as part of total net assets.

## Notes to the Consolidated Balance Sheet

1. For borrowed securities under securities borrowing transactions and securities purchased under resale agreements that were permissible to be sold or re-pledged without restrictions, ¥15,612,607 million of such securities were re-pledged, ¥483,330 million were re-loaned and ¥7,187,773 million were held by MUFG as of the consolidated balance sheet date.

2. Loans to bankrupt borrowers: ¥46,498 million.
   Non-accrual delinquent loans: ¥738,103 million.
   Loans to bankrupt borrowers are loans, after write-offs, to bankrupt borrowers as defined in Article 96-1-3-1 to 5 and 96-1-4 of the Enforcement Ordinance of the Corporate Tax Law (No. 97 in 1965) on which accrued interest income is not recognized ("Non-accrual loans") as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for some other reasons.
   Non-accrual delinquent loans represent non-accrual loans other than loans to bankrupt borrowers and loans renegotiated at concessionary terms including reduction or deferral of interest due to borrowers in improving their financial condition.

3. Accruing loans contractually past due 3 months or more: ¥46,301 million.
   Accruing loans contractually past due 3 months or more represent loans whose principal and/or interest payments have been past due for 3 months or more excluding loans to bankrupt borrowers and non-accrual delinquent loans.

4. Restructured loans: ¥708,354 million.
   Restructured loans represent loans renegotiated at concessionary terms including reduction or deferral of interest or principal and waiver of the claims for the purpose of business reconstruction or support for the borrower, excluding loans to bankrupt borrowers, non-accrual delinquent loans and accruing loans contractually past due 3 months or more.

5. The total amount of loans to bankrupt borrowers, non-accrual delinquent loans, accruing loans contractually past due 3 months or more and restructured loans was ¥1,539,258 million.
   The amounts provided in Notes 2 to 5 represent gross amounts before the deduction of allowances for credit losses.

6. Bills discounted were accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. MUFG's banking subsidiaries and trust banking subsidiaries have rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face value of these bills was ¥1,368,274 million.

7. Assets pledged as collateral were as follows:

| | |
|---|---|
| Cash and due from banks | ¥4,488 million |
| Trading assets | ¥245,382 million |
| Securities | ¥3,962,434 million |
| Loans and bills discounted | ¥10,536,127 million |

Liabilities related to pledged assets were as follows:

| | |
|---|---|
| Deposits | ¥797,577 million |
| Trading liabilities | ¥17,224 million |
| Borrowed money | ¥13,484,211 million |
| Bonds payable | ¥11,474 million |
| Other liabilities | ¥11,009 million |
| Acceptances and guarantees | ¥12,342 million |

In addition to the items listed above, ¥4,319 million of cash and due from banks, ¥252,692 million of monetary claims bought, ¥135,299 million of trading assets, ¥7,660,643 million of securities, and ¥6,863,728 million of loans and bills discounted were pledged as collateral for cash settlements and other transactions or as deposits for margin accounts of futures and other transactions. ¥2,731,690 million of trading assets and ¥15,107,468 million of securities were sold under repurchase agreements or loaned under secured lending transactions with cash collateral. Payables corresponding to the assets sold or loaned under repurchase agreements and under securities lending transactions were ¥7,539,867 million and ¥4,339,644 million, respectively.
Bills rediscounted were accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The total face value of bills of exchange rediscounted was ¥3,936 million.

8. Overdraft facilities and commitment lines of credit are binding contracts under which MUFG's consolidated subsidiaries have obligations to disburse funds up to predetermined limits upon the borrower's request as long as there have been no breach of contracts. The total amount of the unused portion of these facilities was ¥88,770,960 million.
The total amount of the unused portion does not necessarily represent actual future cash requirements because many of these contracts are expected to expire without being drawn upon. In addition, most of these contracts include clauses that allow MUFG's consolidated subsidiaries to decline the borrower's request for disbursement or decrease contracted limits for cause, such as changes in financial condition or deterioration in the borrower's creditworthiness. MUFG's consolidated subsidiaries may request the borrowers to pledge real property and/or securities as collateral upon signing of the contract and will perform periodic monitoring on the borrower's business conditions in accordance with internal procedures, which may lead to renegotiation of the terms and conditions of the contracts and/or initiate the request for additional collateral and/or guarantees.

9. In accordance with the "Law concerning Revaluation of Land" (the "Law") (No. 34, March 31, 1998), land used for business operations of domestic consolidated banking subsidiaries and domestic consolidated trust

banking subsidiaries has been revalued as of the dates indicated below. The total excess from revaluation, net of income taxes corresponding to the excess that were recognized as "Deferred tax liabilities for land revaluation," is stated as "Revaluation reserve for land" in net assets. Revaluation reserve for land includes MUFG's share of affiliated companies' Revaluation reserve for land.

Dates of revaluation:

| | |
|---|---|
| Domestic consolidated banking subsidiaries | March 31, 1998 |
| Domestic consolidated trust banking subsidiaries | March 31, 1998, December 31, 2001 and March 31, 2002 |

The method of revaluation as set forth in Article 3, Paragraph 3 of the "Law":

Fair values are determined based on (1) "published land price under the Land Price Publication Law" stipulated in Article 2-1 of the "Enforcement Ordinance of the Law concerning Revaluation of Land" ("Ordinance") (No. 119, March 31, 1998), (2) "standard land price determined on measurement spots under the Enforcement Ordinance of National Land Planning Law" stipulated in Article 2-2 of the "Ordinance," (3) "land price determined by the method established and published by the Director General of the National Tax Agency in order to calculate land value that is used for determining taxable amounts subject to landholding tax articulated in Article 16 of the Landholding Tax Law" stipulated in Article 2-4 of the "Ordinance" with price adjustments by shape and time and (4) appraisal by certified real estate appraisers stipulated in Article 2-5 of the "Ordinance" with price adjustments for time.

In addition, some of MUFG affiliates that were accounted for under the equity method conducted a revaluation for land used for business operations on March 31, 2002.

10. Accumulated depreciation on tangible fixed assets: ¥1,222,436 million.

11. Deferred gains on tangible fixed assets deducted for tax purposes: ¥89,249 million.

12. Borrowed money included ¥597,795 million of subordinated borrowings with the special provision which ranks below other debts with regard to fulfillment of obligation.

13. Bonds payable included ¥2,940,994 million of subordinated bonds.

14. The principal amount of money trusts entrusted to domestic trust banking subsidiaries, for which repayment of the principal to the customers was guaranteed, was ¥6,678,398 million.

15. With regard to bonds and other securities in "Securities," guarantee obligations for private placement bonds (provided in accordance with the Article 2-3 of the Financial Instruments and Exchange Law) were ¥563,884 million.

16. Contingent liabilities

    In the ordinary course of business, MUFG is subject to various litigation and regulatory matters. In accordance with applicable accounting guidance, MUFG establishes a Reserve for Contingent Losses arising from litigation and regulatory matters when they are determined to be probable in their occurrences and the probable loss amount can be reasonably estimated. Based upon current knowledge and consultation with counsel, management believes the eventual outcome of such litigation and regulatory matters, where losses are probable and the probable loss amounts can be reasonably estimated, would not have a material adverse effect on the

MUFG's financial position, results of operations or cash flows.

Management also believes the amount of loss that is reasonably possible, but not probable, from various litigation and regulatory matters is not material to MUFG's financial position, results of operations or cash flows.

With respect to the regulatory investigations relating to MUFG's foreign operations, where the loss was probable but the probable loss amount could not be reasonably estimated earlier during the fiscal year ended March 31, 2017, MUFG subsequently either resolved the matter or recorded a reserve based on a reasonably estimable probable loss amount by the end of the fiscal year.

## Notes to the Consolidated Statement of Income

1. "Other ordinary income" included ¥244,453 million of equity in gains of the equity method investees and ¥171,875 million of gains on sales of equity securities.

2. "Other ordinary expenses" included ¥270,318 million of provision for reserve for contingent losses and ¥136,423 million of write-offs of loans.

## Notes to the Consolidated Statement of Changes in Net Assets

1. Information on the class and number of issued shares and treasury stock

(Thousand shares)

| | Number of shares as of April 1, 2016 | Number of shares increased | Number of shares decreased | Number of shares as of March 31, 2017 | Note |
|---|---|---|---|---|---|
| Issued shares | | | | | |
| Common stock | 14,168,853 | - | - | 14,168,853 | |
| Total | 14,168,853 | - | - | 14,168,853 | |
| Treasury stock | | | | | |
| Common stock | 380,255 | 363,467 | 4,812 | 738,910 | (Note 1&2) |
| Total | 380,255 | 363,467 | 4,812 | 738,910 | |

(Note 1) The increase in the number of shares of common stock held in treasury by 363,467 thousand shares was mainly due to the acquisitions of shares pursuant to provisions of the Articles of Incorporation, the acquisition of shares for the BIP trust, the repurchases of shares in response to requests made by shareholders holding shares constituting less than one whole unit and an increase in the number of shares held by Equity Method Affiliates. The decrease in the number of shares of common stock held in treasury by 4,812 thousand shares was mainly due to the delivery of shares upon the exercise of stock options, the sale of shares for the BIP trust, the sale of shares in response to requests made by shareholders holding shares constituting less than one whole unit, the sale of shares by Equity Method Affiliates and a decrease in the number of shares held by Equity Method Affiliates.

(Note 2) The number of shares of common stock as of March 31, 2017 includes 30,532 thousand shares held by the BIP trust. For the fiscal year ended March 31, 2017, the number of shares held by the BIP trust increased by 30,538 thousand shares and decreased by 5 thousand shares.

2. Information on share subscription rights

| Issuer | Type of share subscription rights | Class of shares to be issued | Number of shares subject to subscription rights | | | | Balance as of March 31, 2017 (in millions of yen) |
|---|---|---|---|---|---|---|---|
| | | | As of April 1, 2016 | Increase | Decrease | As of March 31, 2017 | |
| MUFG | Stock options | - | | | | | 391 |
| Consolidated subsidiaries | - | - | | | | | 16 |
| Total | | - | | | | | 407 |

3. Information on Cash Dividends

(A) Cash dividends paid in the fiscal year ended March 31, 2017.

| Date of approval | Type of stock | Total Dividends (in millions of yen) | Dividend per share (¥) | Dividend record date | Effective date |
|---|---|---|---|---|---|
| Annual General Meeting of Shareholders on June 29, 2016 | Common stock | 124,116 | 9 | March 31, 2016 | June 29, 2016 |
| Meeting of Board of Directors on November 14, 2016 | Common stock | 122,440 | 9 | September 30, 2016 | December 5, 2016 |

(Note) The total dividend amount as resolved by the meeting of the Board of Directors on November 14, 2016 includes ¥169 million of dividends on the treasury shares held by the BIP trust.

(B) Dividends the record date for which fell within the fiscal year and the effective date of which was after the fiscal year ended March 31, 2017.

The following matters relating to dividends are planned to be brought up at the Annual General Meeting of Shareholders scheduled to be held on June 29, 2017.

| Date of approval (scheduled) | Type of stock | Total Dividends (in millions of yen) | Source of dividends | Dividend per share (¥) | Dividend record date | Effective date |
|---|---|---|---|---|---|---|
| Annual General Meeting of Shareholders on June 29, 2017 (tentative) | Common stock | 121,160 | Retained earnings | 9 | March 31, 2017 | June 30, 2017 |

(Note) The total dividend amount includes ¥274 million of dividends on the treasury shares held by the BIP trust.

## Notes to Financial Instruments

1. Disclosure on Financial Instruments

(1) Policy for Financial Instruments

MUFG provides comprehensive financial services such as deposit-taking and lending services, securities investment and other securities services and foreign exchange services.

In order to prevent these businesses from being negatively affected by fluctuations in interest and foreign exchange rates, MUFG conducts asset and liability management (“ALM”) by adjusting market exposure and the balance between short-term and long-term assets and liabilities. To do so, among other things, MUFG raises capital from the market and hedge risks through derivative transactions.

(2) Nature and Extent of Risks Arising from Financial Instruments

MUFG hold various types of financial instruments such as loans, securities, and derivatives and are thus exposed to credit and market risks.

Credit risk is the risk of loss on receivables such as loans due to nonperformance of contractual obligations caused by factors such as deterioration in the financial condition of a borrower.

Market risk mainly arises from changes in domestic and overseas interest rates, foreign exchange rates, and fluctuations in market prices of stocks and bonds. For example, an increase in domestic and overseas interest rates would reduce the value of our bond portfolio consisting of government and other bonds, and a rise in yen would reduce the value of foreign-currency-denominated securities and other assets when converted into yen. MUFG also invests in marketable equity securities, and a fall in the market price would decrease the fair value of these securities. As part of our trading and ALM activities, MUFG holds derivative products such as interest rate swaps. A significant change in foreign exchange or interest rates may cause a significant fluctuation in the fair value of these derivative products. In conducting transactions for purposes of hedging risks associated with derivative products, MUFG hedges against interest rate risks with instruments including fixed rate deposits, loans and bonds, floating rate deposits and loans, and forecasted transactions involving fixed rate deposits and loans through designated hedging methods including interest rate swaps. MUFG hedges against exchange rate fluctuation risks with instruments such as foreign currency denominated monetary claims and liabilities through hedging methods including currency swap transactions and forward exchange contracts. In lieu of effectiveness determination, MUFG designs hedging activities so that the material terms of the hedging instruments are almost identical to those of the hedged items. In limited circumstances, effectiveness of hedging activities is assessed based on the correlation between factors that cause fluctuations in interest rates.

(3) Risk Management Relating to Financial Instruments

(A) Credit Risk Management

MUFG regularly monitors and assesses the credit portfolios of our group companies and use credit rating and asset evaluation and assessment systems to ensure timely and proper evaluation of credit risk.

Within the basic framework of our credit risk control system based on MUFG’s credit risk control rules, each group company has established a consolidated and global credit risk control system while MUFG monitors group-wide credit risk. MUFG provides training and advice when necessary in addition to monitoring credit risk management conducted by our group companies.

In screening individual transactions and managing credit risk, each major group company has in place a check-and-balance system in which the credit administration section and the business promotion section are kept separate.

MUFG holds regular management committee meetings to ensure full reporting and discussion of important credit risk management and administration matters.

In addition to providing a check-and-balance between different functions and conducting management level deliberations, the audit department also undertakes to validate credit operations to ensure appropriate credit administration.

(B) Market Risk Management

(a) Risk Management System

MUFG has adopted an integrated system to manage market risks associated with market activities for trading purposes (trading activities) and non-trading market activities (banking activities). MUFG monitors group-wide market risk while each of the major group companies has established a market risk management system on a consolidated and global basis.

At each of the major group companies, checks and balances are maintained through a system in which the back (operating and administrative section) and middle (risk control section) offices operate independently from the front (the market section) office. As part of risk control by management, the Board of Directors, etc. establish the framework for the market risk management system and define responsibilities relating to market operations. MUFG allocates economic capital corresponding to levels of market risk within the scope of our capital base, and establish quantitative limits on market risk based on the allocated economic capital as well as limits on losses to contain our exposure to risks and losses within a certain range.

(b) Market Risk Management

MUFG regularly reports the status on group-wide exposure to market risk and compliance with quantitative limits on market risk and losses at each group company to the ALM Committees and the Corporate Risk Management Committee; while each group company internally reports daily to its risk management officer on the status of exposure to market risk and compliance with quantitative limits on market risk and losses, MUFG conducts comprehensive analyses on risk profiles including stress testing.

MUFG administers risks at each business unit at our group companies by hedging against interest rate and exchange rate fluctuation risks associated with marketable assets and liabilities with various hedging transactions using marketable securities and derivatives as appropriate. With respect to trading account transactions and their administration, MUFG documents the process and periodically verify through internal audits that the valuation methods and operation of such transactions are appropriate.

(c) Market Risk Measurement Model

Since the daily variation in market risk is significantly greater than that in other types of risks, MUFG measures and manages market risk using the Value at Risk (“VaR”), Value at Idiosyncratic Risk (“VaI”) and other methods.

Market risk for both trading and banking activities (excluding strategic equity securities) is measured using a uniform market risk measurement model. The principal method used for the model is the historical simulation method (holding period — 10 business days; confidence interval — 99%; and observation period — 701 business days).

* Market risk can be classified into “general market risk” defined as the risk of suffering loss due to the volatility in the general market trend, and “specific market risk” defined as the risk of suffering loss due to the volatility of specific financial instruments such as debt securities or stocks, independent of the general market trend. The amount of general market risk calculated by a market risk measurement method is called VaR, while the amount of specific market risk is called VaI.

* The historical simulation method calculates the VaR and VaI amount by estimating the profit and loss on the current portfolio by applying actual fluctuations in market rates and prices that occurred over a fixed period in the past. The noted features of the historical simulation method include the ability to directly reflect the

characteristics of the market fluctuations and the ability to rigorously measure the risk arising from options. However, because VaR and VaI measure market risks with a fixed event probability calculated statistically based on past market changes, they may not be able to ascertain risks when market volatility reaches abnormal levels.

(d) Quantitative Information in Respect of Market Risk

(i) Amount of Market Risk Associated with Trading Activities

The amount of consolidated market risk associated with trading activities across the Group was ¥15.9 billion as of March 31, 2017.

(ii) Amount of Market Risk Associated with Banking Activities

The amount of consolidated market risk associated with banking activities (excluding strategic equity securities) across the Group was ¥372.8 billion as of March 31, 2017. As an appropriate identification of interest rate risk is vital to banking activities (excluding strategic equity securities), the risk is managed based on the following assumptions for appropriate measurement of core deposit and prepayment in loans and deposits.

For a certain portion of the deposits without contractual maturities (so-called core deposits), interest rate risk is recognized by allocating maturities of various terms (no longer than 10 years) according to the features of deposits, taking into account the results of the statistical analysis using the data on the transition of balance by product, prospective of deposit interest rate and other business judgments. The amount of core deposits and the method of allocating maturities are reviewed on a regular basis. Meanwhile, the deposits and loans with contractual maturities involve risks associated with premature repayment or cancellation. These risks are reflected in interest rate risks by estimating the ratio of cancellations through the statistical analysis based on factors including interest rate fluctuation and actual repayments and cancellations.

(iii) Risk of strategic equity portfolio

For the strategic equity securities (publicly traded) as of March 31, 2017, MUFG has determined that the total market capitalization across the Group would fluctuate by ¥3.4 billion per one point change in TOPIX.

(e) Backtesting

In order to test the accuracy of the market risk measurement model, MUFG conducts backtestings to compare the VaR with one-day holding period computed by the model with the daily assumptive profit or loss.

As part of the backtesting, MUFG also ensures the accuracy of the market risk measurement model by verifying the characteristics of the market risk model in use from various perspectives, including testing of adequacy of the assumptions used by the market risk measurement model.

With regard to trading activities, the backtesting on the business days of the fiscal year 2016 indicated that the virtual loss exceeded VaR zero (0) time.

As the case of the actual loss exceeding VaR proved to be as infrequent as four times or less in a year, the VaR measurement model used by each of the group companies is believed to have sufficient accuracy in measuring market risks.

(f) Stress Testing

The historical simulation method, in which the potential loss for a certain period (10 business days) is calculated by applying market fluctuations over a fixed period in the past (701 business days, approximately 3 years) to the current portfolio held, is adopted for VaR measured by a market risk measurement model. For this reason, losses greater than VaR may arise in cases where a market fluctuation before the observation period occurs or each risk factors such as interest rates and exchange rates show different moves from historical correlations.

As a means to measure expected losses that cannot be captured by these current risk measurement method models, the Group conducts stress testing using various scenarios.

By conducting stress testing as appropriate using various scenarios in view of future forecasts, each of the group companies makes an effort to apprehend where risks lie and aim to manage its assets more stably and securely.

(C) Management of Liquidity Risk Associated with Funding Activities

Our major group companies strive to secure appropriate liquidity in both yen and foreign currencies by managing the sources of funding and liquidity gap, liquidity-supplying products such as commitment lines, as well as buffer assets that help maintain liquidity level.

Specifically, the Board of Directors, etc. provide the framework for liquidity risk management, operate businesses on various stages according to the urgency of funding needs and exercise management on each such stage. The department responsible for liquidity risk management is designed to perform checking functions independent of other departments. The department reports to the ALM Committee and the Board of Directors the results of its activities such as evaluation of funding urgency and monitoring of compliance with quantitative limits. The department responsible for funding management performs funding and management activities, and regularly reports the current funding status and forecast as well as the current liquidity risk status to the department responsible for liquidity risk management and other appropriate bodies such as the ALM Committee.

(4) Supplementary Explanation on Fair Value, etc. of Financial Instruments

The fair value of financial instruments includes, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis if no market price is available. Certain assumptions are used for the calculation of such amount. Accordingly, the result of such calculation may vary if different assumptions are used.

2. Disclosure on the Fair Value and Other Matters of Financial Instruments

The following table summarizes the amount stated on the consolidated balance sheet and the fair value of financial instruments as of March 31, 2017 together with their differences. Note that the following table does not include non-listed equity securities and certain other securities of which fair value cannot be reliably determined (see Note 2).

(in millions of yen)

| | Amount on consolidated balance sheet | Fair value | Difference |
|---|---|---|---|
| (1) Cash and due from banks | 63,525,940 | 63,525,940 | - |
| (2) Call loans and bills bought | 649,147 | 649,147 | - |
| (3) Receivables under resale agreements | 8,066,973 | 8,066,973 | - |
| (4) Receivables under securities borrowing transactions | 11,002,723 | 11,002,723 | - |
| (5) Monetary claims bought (*1) | 4,707,868 | 4,713,684 | 5,816 |
| (6) Trading assets | 6,459,179 | 6,459,179 | - |
| (7) Money held in trust | 806,881 | 805,546 | (1,334) |
| (8) Securities | | | |
| Debt securities being held to maturity | 2,313,276 | 2,354,671 | 41,395 |
| Other securities | 54,151,666 | 54,151,666 | - |
| (9) Loans and bills discounted | 109,005,231 | | |
| Allowance for credit losses (*1) | (789,720) | | |
| | 108,215,511 | 109,775,258 | 1,559,746 |
| (10) Foreign exchanges (*1) | 2,083,530 | 2,083,530 | - |
| Total assets | 261,982,698 | 263,588,322 | 1,605,623 |
| (1) Deposits | 170,730,221 | 170,774,951 | 44,729 |
| (2) Negotiable certificates of deposit | 11,341,571 | 11,358,364 | 16,792 |
| (3) Call money and bills sold | 1,973,569 | 1,973,569 | - |
| (4) Payables under repurchase agreements | 17,636,962 | 17,636,962 | - |
| (5) Payables under securities lending transactions | 5,538,739 | 5,538,739 | - |
| (6) Commercial papers | 2,307,222 | 2,307,222 | - |
| (7) Trading liabilities | 3,185,075 | 3,185,075 | - |
| (8) Borrowed money | 16,971,085 | 16,996,959 | 25,873 |
| (9) Foreign exchanges | 1,970,980 | 1,970,980 | - |
| (10) Short-term bonds payable | 847,999 | 847,999 | - |
| (11) Bonds payable | 9,893,687 | 10,047,031 | 153,343 |
| (12) Due to trust accounts | 9,893,881 | 9,893,881 | - |
| (13) Other liabilities (*2) | 57,900 | 57,900 | - |
| Total liabilities | 252,348,898 | 252,589,638 | 240,740 |

(in millions of yen)

| | Amount on consolidated balance sheet | Fair value | Difference |
|---|---|---|---|
| Derivative transactions (*3) | | | |
| Activities not qualifying for hedge accounting | 244,951 | 244,951 | - |
| Activities qualifying for hedge accounting | 189,610 | 189,610 | - |
| Total derivative transactions | 434,561 | 434,561 | - |

(*1) General and specific reserves for credit losses corresponding to loans are deducted. However, with respect to items other than loans, the amount stated on the consolidated balance sheet is shown since the amount of reserve for credit losses corresponding to these items is insignificant.

(*2) The figures for derivative transactions are excluded. Financial instruments subject to disclosure of fair value classified under other liabilities are shown in the table.

(*3) Derivative transactions in trading assets and liabilities as well as other assets and liabilities are shown together. Assets and liabilities arising from derivative transactions are presented on a net basis.

(Note 1) Method used for determining the fair value of financial instruments

Assets

(1) Cash and due from Banks

For deposits without maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. For deposits with maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because the remaining maturity period of the majority of such deposits is short (maturity within 1 year).

(2) Call Loans and Bills Bought, (3) Receivables under Resale Agreements and (4) Receivables under Securities Borrowing Transactions

For each of these items, the contract terms of the majority of the transactions are short (1 year or less). Thus, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

(5) Monetary Claims Bought

The fair value of monetary claims bought is determined based on the price quoted by the financial institutions from which these claims are purchased or on the amount reasonably calculated according to our reasonable estimate.

For certain securitized products whose underlying assets are corporate loan receivables, the fair value is determined by taking into account two different prices. The first price is calculated by discounting the expected future cash flow, which is derived from such factors as default probability and prepayment rate derived from analyses of the underlying assets and discounted at a rate, which is the yield of such securitized products adjusted for the liquidity premium based on the actual historical market data. The second is the price obtained from external parties (brokers, etc.). For other securitized products, the fair value is determined based on the price obtained from external parties after considering the result of periodic confirmation of the current status of these products, including price comparison with similar products, time series data comparison of the same product, and analysis of consistency with publicly available market indices.

For certain monetary claims bought for which these methods do not apply, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount from their qualitative viewpoint.

(6) Trading Assets

For securities such as bonds that are held for trading purposes, the fair value is determined based on the price quoted by stock exchanges or by the financial institutions from which these securities are purchased, or determined at the present value of the expected future cash flow discounted at an interest rate based on the market interest rate as of the date of evaluation with certain adjustments.

(7) Money Held in Trust

For securities that are part of trust property in an independently managed monetary trust with the primary purpose to manage securities, the fair value is determined based on the price quoted by the financial institutions from which these securities are purchased.

See "Money Held in Trust" for notes on Money held in trust by categories based on each purpose of holding the money held in trust.

(8) Securities

The fair value of equity securities is determined based on the price quoted by stock exchanges. The fair value of bonds is determined based on the price quoted by stock exchanges or by the financial institutions from which they are purchased, or based on the price reasonably calculated. The fair value of investment trusts is determined based on the publicly available price.

For privately placed guaranteed bonds held by our bank or trust subsidiaries, the fair value is determined based on the present value of expected future cash flow, which is adjusted to reflect default risk, amount to be collected from collaterals and guarantees and guarantee fees, and discounted at an interest rate based on the market interest rate as of the date of evaluation with certain adjustments.

The fair value of floating rate Japanese government bonds is determined based on the present value as calculated by discounting the expected future cash flow, estimated based on factors such as the yield of government bonds and discounted at a rate based on such yield of government bonds adjusted for the value of embedded options and the liquidity premium based on the actual market premiums observed in the past.

See "Notes to Securities" for notes on securities by categories based on each purpose of holding the securities.

(9) Loans and Bills Discounted

With respect to loans, for each category of loans based on types of loans, internal ratings and maturity period, the fair value is determined based on the present value of expected future cash flow, which is adjusted to reflect default risk and the expected amount to be collected from collateral and guarantees and discounted at an interest rate based on the market interest rate as of the date of evaluation with certain adjustments. For loans with floating interest rates such as certain residential loans provided to individual home owners, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount, unless the creditworthiness of the borrower has changed significantly since the loan origination.

For receivables from Bankrupt, virtually bankrupt and likely to become bankrupt borrowers, credit loss is estimated based on factors such as the present value of expected future cash flow or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the net amount of receivables after the deduction of allowance for credit losses on the consolidated balance sheet as of the consolidated balance sheet date, such amount is presented as the fair value. The fair value of loans qualifying for special hedge accounting treatment of interest rate swaps or designation of forward exchange contracts and other contracts under Generally Accepted Accounting Principles in Japan ("JGAAP") reflects the fair value of such interest rate swaps or forward exchange contracts and other contracts.

(10) Foreign Exchanges

Foreign exchanges consist of foreign currency deposits with other banks that are "Due from foreign banks (our accounts)," short-term loans involving foreign currencies that are "Due from other foreign banks (their accounts)," export bills, traveler's checks and other bills (purchased foreign bills), and loans on notes using import bills (foreign bills receivables). For these items, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because most of these items are deposits without maturity or have short contract terms (1 year or less).

Liabilities

(1) Deposits and (2) Negotiable Certificates of Deposit

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the carrying amount) is considered to be the fair value. For floating rate time deposits, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because the market interest rate is reflected in such deposits within a short time period. Fixed rate time deposits are grouped by certain maturity periods. The fair value of such deposits is the present value discounted by expected future cash flow. The discount rate used is the interest rate that would be applied to newly accepted deposits.

(3) Call Money and Bills Sold, (4) Payables under Repurchase Agreements, (5) Payables under Securities Lending Transactions and (6) Commercial Papers

For each of these items, the majority of transactions are short contract terms (1 year or less). Thus, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

(7) Trading Liabilities

For securities such as bonds that are sold short for trading purposes, the fair value is determined based on the price quoted by stock exchanges or the financial institutions to which these securities were sold.

(8) Borrowed Money

For floating rate borrowings, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. This is on the basis that the interest rate of such floating rate borrowings reflects the market interest rate in a short time and that there has been no significant change in our or our consolidated subsidiaries' creditworthiness after such borrowings were made. For fixed rate borrowings, the fair value is calculated as the present value of expected future cash flow from these borrowings grouped by certain maturity periods, which is discounted at an interest rate generally applicable to similar borrowings reflecting premium applicable to us or our consolidated subsidiaries.

(9) Foreign Exchanges

Among foreign exchange contracts, foreign currency deposits accepted from other banks and non-resident yen deposits (due to other foreign banks) are deposits without maturity. Moreover, foreign currency short-term borrowings have short contract terms (1 year or less). Thus, the carrying amount is presented as the fair value of these contracts, as the fair value approximates such carrying amount.

(10) Short-term Bonds Payable

For short-term bonds payable, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because they carried short contract terms (1 year or less).

(11) Bonds Payable

The fair value of corporate bonds issued by us and our consolidated subsidiaries is determined based on their market price. For certain corporate bonds, the fair value is calculated as the present value of expected future cash flow discounted at an interest rate generally applicable to issuance of similar corporate bonds. For floating rate corporate bonds without market prices, the carrying amount of such bonds is presented as the fair value, as the fair value approximates such carrying amount. This is on the basis that the interest rate of such floating rate corporate bonds reflects the market interest rate in a short time and that there has been no significant change in our or our consolidated subsidiaries' creditworthiness after the issuance. For fixed rate corporate bonds, the fair value 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 premium applicable to us or our consolidated subsidiaries. The fair value of corporate bonds qualifying for special hedge accounting treatment of interest rate swaps under JGAAP reflects the fair value of such interest rate swaps.

(12) Due to Trust Accounts

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.

(13) Other Liabilities

For other liabilities, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because they carried short contract terms (1 year or less).

Derivative Transactions

Derivative transactions are ones involving interest rates (interest futures, interest options, interest swaps and other transactions), ones involving foreign currencies (currency futures, currency options, currency swaps and other transactions), and ones involving bonds (bond futures, bond future options and other transactions). The fair value of these transactions is based on factors such as the price posted by exchanges, the discounted present value, or amount calculated under the option-price calculation model.

(Note 2) The following table summarizes financial instruments on the consolidated balance sheet whose fair value cannot be reliably determine. These securities are not included in the amount presented under the line item "Assets – (8) Assets-Available-for-sale securities" in the table summarizing fair value of financial instruments.

(in millions of yen)

| Category | Carrying amount |
| --- | --- |
| (1) Unlisted equity securities (*1) (*2) | 197,035 |
| (2) Investments in partnerships and others (*2) (*3) | 54,397 |
| (3) Others (*2) | 959 |
| Total | 252,392 |

(*1) Unlisted equity securities do not carry quoted market prices. Since fair values of these securities cannot be reliably determined, their fair value is not disclosed.

(*2) With respect to non-listed equity securities, an impairment loss of ¥1,918 million was recorded in the current fiscal year.

(*3) Investments in partnerships and others mainly include silent partnerships and investment partnerships and other partnerships, and they do not carry quoted market prices. Since fair values of these securities cannot be reliably determined, their fair value is not disclosed.

## Notes to Securities

In addition to "Securities" on the consolidated balance sheet, the figures in the following tables include trading account securities, securities related to trading transactions and short-term corporate bonds classified as "Trading assets," negotiable certificates of deposit in "Cash and due from banks" and beneficiary certificates in trusts in "Monetary claims bought" and others.

1. Trading Securities (as of March 31, 2017) (in millions of yen)

| | Net unrealized gains (losses) recorded on the consolidated statement of income during the current fiscal year |
|---|---|
| Trading securities | 17,433 |

2. Debt Securities Being Held to Maturity (as of March 31, 2017)

(in millions of yen)

| | Type of securities | Amount on consolidated balance sheet | Fair value | Difference |
|---|---|---|---|---|
| Securities whose fair value exceeds amount on consolidated balance sheet | Domestic bonds | 1,100,955 | 1,144,070 | 43,114 |
| | Government bonds | 1,100,955 | 1,144,070 | 43,114 |
| | Municipal bonds | - | - | - |
| | Corporate bonds | - | - | - |
| | Other securities | 1,628,384 | 1,647,753 | 19,369 |
| | Foreign bonds | 529,118 | 539,372 | 10,253 |
| | Other | 1,099,265 | 1,108,381 | 9,115 |
| | Subtotal | 2,729,339 | 2,791,823 | 62,484 |
| Securities whose fair value does not exceed amount on consolidated balance sheet | Domestic bonds | - | - | - |
| | Government bonds | - | - | - |
| | Municipal bonds | - | - | - |
| | Corporate bonds | - | - | - |
| | Other securities | 831,485 | 819,327 | (12,158) |
| | Foreign bonds | 683,202 | 671,229 | (11,973) |
| | Other | 148,283 | 148,098 | (185) |
| | Subtotal | 831,485 | 819,327 | (12,158) |
| Total | | 3,560,825 | 3,611,151 | 50,325 |

3. Available-for-sale Securities (as of March 31, 2017)

(in millions of yen)

| | Type of securities | Amount on consolidated balance sheet | Acquisition cost | Difference |
|---|---|---|---|---|
| Securities whose fair value exceeds the acquisition cost | Domestic equity securities | 4,944,994 | 2,258,497 | 2,686,496 |
| | Domestic bonds | 20,780,952 | 20,369,762 | 411,190 |
| | Government bonds | 18,414,996 | 18,061,950 | 353,046 |
| | Municipal bonds | 430,192 | 422,278 | 7,913 |
| | Corporate bonds | 1,935,764 | 1,885,533 | 50,231 |
| | Other securities | 10,579,403 | 10,243,139 | 336,263 |
| | Foreign equity securities | 121,538 | 62,045 | 59,492 |
| | Foreign bonds | 9,049,374 | 8,895,093 | 154,280 |
| | Other | 1,408,490 | 1,286,000 | 122,489 |
| | Subtotal | 36,305,350 | 32,871,399 | 3,433,950 |
| Securities whose fair value does not exceed the acquisition cost | Domestic equity securities | 219,659 | 270,965 | (51,305) |
| | Domestic bonds | 6,907,889 | 6,919,949 | (12,060) |
| | Government bonds | 5,595,615 | 5,597,649 | (2,034) |
| | Municipal bonds | 579,683 | 584,128 | (4,444) |
| | Corporate bonds | 732,590 | 738,171 | (5,581) |
| | Other securities | 11,380,249 | 11,611,770 | (231,521) |
| | Foreign equity securities | 61,264 | 70,881 | (9,616) |
| | Foreign bonds | 8,867,932 | 9,030,700 | (162,768) |
| | Other | 2,451,052 | 2,510,188 | (59,136) |
| | Subtotal | 18,507,798 | 18,802,685 | (294,887) |
| Total | | 54,813,148 | 51,674,085 | 3,139,063 |

(Note) The total difference amount shown in the table above includes ¥41,607 million revaluation gains of securities by application of the fair value hedge accounting method, which were recorded in current earnings. “Net unrealized gains (losses) on available-for-sale securities” was calculated by excluding the revaluation gains of securities by application of the fair value hedge accounting method from the total difference amount shown in the above table (which subtotal was ¥3,097,456 million), plus ¥2,104 million of unrealized gains on available-for-sale securities in investment limited partnerships (which subtotal was ¥3,099,560 million), less ¥890,714 million of “Deferred tax liabilities” (which subtotal was ¥2,208,845 million), less ¥7,913 million of “Non-controlling interests,” and less ¥8,728 million of MUFG’s ownership share of affiliates’ unrealized losses on available-for-sale securities. The amount of “Net unrealized gains (losses) on available-for-sale securities” determined in such manner was ¥2,192,203 million, and was reflected in “Net assets.”

4. Available-for-sale Securities Sold during the Current Fiscal Year (from April 1, 2016 to March 31, 2017)

(in millions of yen)

| | Amount sold | Gains on sales | Losses on sales |
|---|---|---|---|
| Domestic equity securities | 287,512 | 143,902 | 4,975 |
| Domestic bonds | 11,960,020 | 147,137 | 50,000 |
| Government bonds | 11,452,696 | 144,004 | 48,992 |
| Municipal bonds | 115,974 | 371 | 445 |
| Corporate bonds | 391,349 | 2,761 | 562 |
| Other securities | 26,827,719 | 230,106 | 253,165 |
| Foreign equity securities | 16,297 | 2,444 | 735 |
| Foreign bonds | 25,533,226 | 200,156 | 223,968 |
| Other | 1,278,195 | 27,505 | 28,461 |
| Total | 39,075,252 | 521,146 | 308,141 |

5. Securities Reclassified due to Change of Purposes to be Held

In the current fiscal year, certain securitized products amounting to ¥14,142 million was reclassified from "debt securities being held to maturity" to "available-for-sale securities" at the domestic consolidated banking subsidiaries as of February 1, 2017.

Such reclassification was for bonds yet to be compliant with the U.S. Dodd-Frank Law, because they were regarded as difficult to be able to comply with the Law and were held by the required deadline of July 2017. The bonds were sold after the reclassification, which has the minimal impact on the consolidated financial statements.

6. Securities Incurred Impairment Losses

Securities other than those held for trading purposes and investment in affiliates (excluding certain securities of which fair value cannot be reliably determined) are subject to write-downs when their fair value has been significantly declined and it is not probable that the value will recover to the acquisition cost as of the end of the current fiscal year. In such case, the fair value is recorded on the consolidated balance sheet and the difference between fair value and acquisition cost is recognized as losses for the fiscal year (referred to as "impairment losses").

For the current fiscal year, impairment losses were ¥913 million consisting of ¥639 million of impairment losses on equity securities and ¥274 million of impairment losses on bonds and other securities.

"Significantly decline in fair value" was determined based on the classification of issuers in accordance with the internal standards for self-assessment of asset quality as follows:

Bankrupt issuers, virtually bankrupt issuers and likely to become bankrupt issuers:

Fair value is lower than acquisition cost.

Issuers requiring close watch:

Fair value has declined 30% or more from acquisition cost.

Normal issuers:

Fair value has declined 50% or more from acquisition cost.

"Bankrupt issuers" mean issuers who have entered into bankruptcy, special liquidation proceedings or similar legal proceedings or whose notes have been dishonored and suspended from processing through clearing houses. "virtually bankrupt issuers" mean issuers who are not legally or formally bankrupt but are regarded as substantially in a similar condition. “likely to become bankrupt issuers” mean issuers who are not yet legally or formally bankrupt but deemed to have a high possibility of becoming bankrupt. “Issuers requiring close watch” mean issuers who are financially weak and under close monitoring conducted by MUFG’s subsidiaries. “Normal issuers” mean issuers who do not correspond to any of the four categories of issuers mentioned above.

## Notes to Money Held in Trust

1. Money Held in Trust for Trading Purpose (as of March 31, 2017)

(in millions of yen)

| | Amount on consolidated balance sheet | Net unrealized gains (losses) recorded on the consolidated statement of income during the current fiscal year |
|---|---|---|
| Money held in trust for trading purpose | 34,327 | 632 |

2. Money Held in Trust Being Held to Maturity (as of March 31, 2017)

(in millions of yen)

| | (a) Amount on consolidated balance sheet | (b) Fair value | Difference (b) – (a) | Money held in trust with respect to which (b) exceeds (a) | Money held in trust with respect to which (b) does not exceed (a) |
|---|---|---|---|---|---|
| Money held in trust being held to maturity | 61,322 | 61,694 | 372 | 372 | - |

(Note) "Money held in trust with respect to which (b) exceeds (a)" and "Money held in trust with respect to which (b) does not exceed (a)" show the breakdown of the difference between (a) and (b).

3. Money Held in Trust not for Trading Purpose or Being Held to Maturity (as of March 31, 2017)

(in millions of yen)

| | (a) Amount on consolidated balance sheet | (b) Acquisition cost | Difference (a) – (b) | Money held in trust with respect to which (a) exceeds (b) | Money held in trust with respect to which (a) does not exceed (b) |
|---|---|---|---|---|---|
| Money held in trust not for trading purpose or being held to maturity | 711,230 | 710,210 | 1,020 | 1,020 | - |

(Note 1) "Money held in trust with respect to which (a) exceeds (b)" and "Money held in trust with respect to which (a) does not exceed (b)" show the breakdown of the difference between (a) and (b).

(Note 2) ¥858 million was included in "Net unrealized gains (losses) on available-for-sale securities," after the addition of ¥160 million as "Non-controlling interests" to ¥698 million, which was calculated by excluding ¥322 million as "Deferred tax liabilities."

## Notes to Per Share Information:

| | |
|---|---|
| Total equity per common share | ¥1,137.77 |
| Basic earnings per common share | ¥68.27 |
| Diluted earnings per common share | ¥67.99 |

1. As a result of the early adoption of the update of ASC No. 825 (Financial instruments) issued by the FASB and the application of transitional accounting treatment under ASC No. 825 as described in “2. Additional Information” above, basic earnings per common share and diluted earnings per common share for the fiscal year ended March 31, 2017 increased by ¥0.54.

2. The shares of MUFG common stock remaining in the BIP trust, which were included in the treasury shares as part of shareholders’ equity, were deducted from the average total number of issued shares for the fiscal year ended March 31, 2017 used for the calculation of earnings per common share and from the total number of issued shares as of March 31, 2017 used for the calculation of total equity per common share. The average number of such treasury shares deducted from the calculation of earnings per common share for the fiscal year ended March 31, 2017 was 20,324 thousand, and the number of such treasury shares deducted from the calculation of total equity per common share as of March 31, 2017 was 30,532 thousand.

(Translation)
**Mitsubishi UFJ Financial Group, Inc.**
**Non-consolidated Statement of Changes in Net Assets**

(In millions of yen)

**For the fiscal year ended March 31, 2017**

| | Shareholders' equity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | | Retained earnings | | Treasury stock | Total shareholders' equity |
| | | Capital reserve | Other capital surplus | Other retained earnings | | | |
| | | | | Other reserve | Earned surplus brought forward | | |
| Balance at the beginning of the fiscal year | 2,141,513 | 2,141,524 | 1,468,824 | 150,000 | 2,976,603 | (297,385) | 8,581,079 |
| Changes during the fiscal year | | | | | | | |
| Cash dividends | | | | | (246,557) | | (246,557) |
| Net income | | | | | 577,656 | | 577,656 |
| Repurchase of treasury stock | | | | | | (217,666) | (217,666) |
| Disposal of treasury stock | | | (1,024) | | | 3,160 | 2,135 |
| Net changes of items other than shareholders' equity | | | | | | | |
| Total changes during the fiscal year | ― | ― | (1,024) | ― | 331,099 | (214,506) | 115,567 |
| Balance at the end of the fiscal year | 2,141,513 | 2,141,524 | 1,467,799 | 150,000 | 3,307,702 | (511,891) | 8,696,647 |

| | Valuation and translation adjustments | Subscription rights to shares | Total net assets |
|---|---|---|---|
| | Net deferred gains on hedging instruments | | |
| Balance at the beginning of the fiscal year | (107,010) | 8,260 | 8,482,329 |
| Changes during the fiscal year | | | |
| Cash dividends | | | (246,557) |
| Net income | | | 577,656 |
| Repurchase of treasury stock | | | (217,666) |
| Disposal of treasury stock | | | 2,135 |
| Net changes of items other than shareholders' equity | 2,650 | (7,869) | (5,218) |
| Total changes during the fiscal year | 2,650 | (7,869) | 110,349 |
| Balance at the end of the fiscal year | (104,359) | 391 | 8,592,679 |

## Notes to the Non-consolidated Financial Statements

## Notes to Significant Accounting Policies

1. Securities

Investments in subsidiaries and affiliates are stated at cost computed under the moving-average method.

2. Depreciation and Amortization of Fixed Assets

(1) Tangible Fixed Assets

Depreciation of tangible fixed assets is computed using the declining-balance method. The useful lives are primarily estimated as follows:

| | |
|---|---|
| Buildings | 5 to 15 years |
| Equipment and furniture | 2 to 6 years |

(2) Intangible Fixed Assets (Except for Lease Assets)

Amortization of intangible fixed assets is computed using the straight-line method. Development costs for internally used software are amortized using the straight-line method over the estimated useful lives of 5 years.

(3) Lease Assets

Amortization of lease assets in "Intangible fixed assets" under the finance leases other than those that are deemed to transfer the ownership of leased property to the lessees is computed using the straight-line method over the lease periods with zero residual value.

3. Reserves and Allowances

(1) Allowance for credit losses reflects an amount of loans multiplied by expected rate of loss.

(2) Reserve for bonuses, which is provided for future bonus payments to employees, is recorded in the amount deemed to have accrued based on the estimated amount of bonuses as of the balance sheet date.

(3) Reserve for bonuses to directors, which is provided for future bonus payments to directors and officers, is recorded in the amount deemed to have accrued based on the estimated amount of bonuses as of the balance sheet date.

(4) Reserve for stocks payment, which is provided for future payments of compensation under the stock compensation plan for directors and officers of MUFG, is recorded in the amount deemed to have accrued based on the estimated amount of compensation as of the balance sheet date.

4. Other Significant Accounting Policies Applied in the Preparation of the Non-Consolidated Financial Statements

(1) Deferred Assets

Bond issuance costs and stock issuance costs are expensed as incurred.

(2) Translation of Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into yen at exchange rates prevailing at the balance sheet date, except for investments in subsidiaries and affiliates which are translated into yen at exchange rates prevailing at the acquisition dates.

(3) Hedge Accounting

The deferred hedge accounting method is applied to hedging transactions for foreign currency risks arising from investments in affiliates denominated in foreign currencies. Individual hedging is applied and financial liabilities denominated in foreign currencies are used as hedging instruments.

(4) Consumption Taxes

National and local consumption taxes are excluded from transaction amounts.

(5) Adoption of Consolidated Taxation System

MUFG, as the parent company for the consolidated tax payment, adopts the consolidated taxation system .

## Additional Information

(Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

On March 28, 2016, ASBJ issued ASBJ Guidance No.26, "Implementation Guidance on Recoverability of Deferred Tax Assets." MUFG adopted this guidance from April 1, 2016.

(Implementation of a BIP for Directors and Officers)

Notes are omitted as they are identical to those made in Notes to the Consolidated Financial Statements (Additional Information) in the consolidated financial statements.

## Notes to the Non-consolidated Balance Sheet

1. Amounts of less than one million yen are rounded down.
2. Accumulated depreciation on tangible fixed assets: ¥867 million.
3. Guarantees and Items of Similar Nature
   (1) MUFG indemnified The Association of German Banks for the deposit liabilities of the branches in Germany of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU), a subsidiary of MUFG, in accordance with regulations of The Deposit Protection Fund of Germany. The amount indemnified by MUFG was ¥262,860 million.
   (2) MUFG guaranteed bank loans and others borrowed from financial institutions and other organizations by MUFG Securities EMEA plc, a subsidiary of MUFG. The amount guaranteed by MUFG was ¥86,062 million.

4. Monetary Claims and Monetary Debts to Subsidiaries and Affiliates

| | |
|---|---|
| Short-term monetary claims to subsidiaries and affiliates | ¥195,951 million |
| Short-term monetary debts to subsidiaries and affiliates | ¥1,685,009 million |
| Long-term monetary debts to subsidiaries and affiliates | ¥250,507 million |

## Notes to the Non-consolidated Statement of Income

1. Amounts of less than one million yen are rounded down.
2. Transactions with Subsidiaries and Affiliates

| | |
|---|---|
| Operating transactions | |
| Operating income | ¥625,582 million |
| Operating expenses | ¥3,629 million |
| Non-operating transactions | ¥152,436 million |

## Notes to the Non-consolidated Statement of Changes in Net Assets

1. Amounts of less than one million yen are rounded down.
2. Type and Number of Treasury Stocks are as follows: (Thousand shares)

| | Number of shares as of April 1, 2016 | Number of shares increased | Number of shares decreased | Number of shares as of March 31, 2017 |
|---|---|---|---|---|
| Treasury stock | | | | |
| Common stock | 378,088 | 363,435 | 4,429 | 737,094 |

(Note 1) The increase in the number of shares of common stock held in treasury by 363,435 thousand shares was due to the acquisitions of shares pursuant to provisions of the Articles of Incorporation, the acquisition of shares for the BIP trust, and the repurchases of shares in response to requests made by shareholders holding shares constituting less than one whole unit. The decrease in the number of shares of common stock held in treasury by 4,429 thousand shares was due to the delivery of shares upon the exercise of stock options, the sale of shares for the BIP trust, the sales of shares in response to requests made by shareholders holding shares constituting less than one whole unit.

(Note 2) The number of shares of common stock as of March 31, 2017 includes 30,532 thousand shares held by the BIP trust. For the fiscal year ended March 31, 2017, the number of shares held by the BIP trust increased by 30,538 thousand shares and decreased by 5 thousand shares.

## Notes to Tax Effect Accounting

1. The breakdown of significant temporary differences which resulted in "Deferred tax assets and liabilities" as follows:

Current:

| | |
|---|---|
| Deferred tax assets: | |
| Prepaid expenses | ¥252 million |
| Reserve for bonuses | ¥228 million |
| Others | ¥81 million |
| Subtotal | ¥562 million |
| Valuation allowance | ¥(117) million |
| Total deferred tax assets | ¥445 million |
| Deferred tax liability: | |
| Accrued dividend receivable | ¥449 million |
| Total deferred tax liability | ¥449 million |
| Net deferred tax assets | ¥(4) million |

Fixed:

| | |
|---|---|
| Deferred tax assets: | |
| Deferred hedge losses | ¥42,944 million |
| Equity securities of subsidiaries and affiliates | ¥36,049 million |
| Tax loss carried forward | ¥6,471 million |
| Others | ¥1,040 million |
| Subtotal | ¥86,506 million |
| Valuation allowance | ¥(50,334) million |
| Total deferred tax assets | ¥36,171 million |
| Deferred tax liabilities: | |
| Equity securities of subsidiaries and affiliates | ¥6,368 million |
| Others | ¥137 million |
| Total deferred tax liabilities | ¥6,505 million |
| Net deferred tax assets | ¥29,665 million |

## Notes to Transactions with Related Parties

A summary of significant transactions with related parties was as follows:

(in millions of yen)

| Status | Name | MUFG's share of voting rights | Business | Transactions | Amount | Amount on balance sheet as of March 31, 2017 | |
|---|---|---|---|---|---|---|---|
| Subsidiary | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | Directly 100.00%<br>Indirectly - %<br>Total 100.00%<br><br>The subsidiary's share of MUFG's voting rights - % | Banking | Lendings (*1) | 1,524,226 | Long-term loans receivable from subsidiaries and affiliates | 2,933,676 |
| | | | | Interest income (*1) | 44,180 | Accrued income | 7,389 |
| | | | | Borrowings (*2) | - | Short-term borrowing | 1,667,062 |
| | | | | Interest payments (*2) | 14,012 | Accrued expenses | 180 |
| | | | | Guarantee (*3) | 262,860 | | |
| Subsidiary | Mitsubishi UFJ Trust and Banking Corporation | Directly 100.00%<br>Indirectly - %<br>Total 100.00%<br><br>The subsidiary's share of MUFG's voting rights - % | Banking | Lendings (*1) | 265,285 | Long-term loans receivable from subsidiaries and affiliates | 345,285 |
| | | | | Interest income (*1) | 3,575 | Accrued income | 570 |
| Subsidiary | Mitsubishi UFJ Securities Holdings Co., Ltd. | Directly 100.00%<br>Indirectly - %<br>Total 100.00%<br><br>The subsidiary's share of MUFG's voting rights - % | Other businesses | Lendings (*1) | 45,000 | Long-term loans receivable from subsidiaries and affiliates | 141,000 |
| | | | | Interest income (*1) | 895 | Accrued income | 182 |

| Status | Name | MUFG's share of voting rights | Business | Transactions | Amount | Amount on balance sheet as of March 31, 2017 | |
|---|---|---|---|---|---|---|---|
| Subsidiary | MUFG Securities EMEA plc | Directly<br>- %<br>Indirectly<br>100.00%<br>Total<br>100.00%<br><br>The subsidiary's share of MUFG's voting rights<br>- % | Other businesses | Guarantee (*4) | 86,062 | - | - |
| Subsidiary | MUFG Capital Finance 9 Limited | Directly<br>100.00%<br>Indirectly<br>- %<br>Total<br>100.00%<br><br>The subsidiary's share of MUFG's voting rights<br>- % | Special purpose companies for issuance of preferred securities | | | Bonds payable | 250,500 |
| | | | | Interest payments (*5) | 10,439 | Accrued expenses | 1,906 |

Amount of transactions above does not include consumption taxes.

Terms and conditions on transactions and transaction policy:

(*1) Interest rate on long-term loans receivable from subsidiaries and associates was determined based on the coupon rate of the corporate bonds issued by MUFG in consideration of the market interest rate. The long-term loans receivable from subsidiaries and associates was non-collateralized with a lump-sum repayment method at maturity.

(*2) Short-term borrowings:

Interest rate on short-term borrowings were determined based on the market interest rates or on the interest rates at which the funds were raised from BTMU. The borrowings were non-collateralized with a lump-sum repayment method at maturity.

(*3) MUFG indemnified The Association of German Banks for the deposit liabilities of the branches in Germany of BTMU, in accordance with regulations of The Deposit Protection Fund of Germany.

(*4) MUFG guaranteed bank loans and others borrowed from financial institutions and other organizations by MUFG Securities EMEA plc, a subsidiary of MUFG.

(*5) The coupon rate of the subordinated bond was determined based on that of preferred securities issued by MUFG Capital Finance 9 Limited in consideration of the market interest rate.

## Notes to Per Share Information:

| | |
|---|---|
| Total equity per common share | ¥639.69 |
| Basic earnings per common share | ¥42.56 |
| Diluted earnings per common share | ¥42.53 |

(Note)The shares of MUFG common stock remaining in the BIP trust, which were included in the treasury shares as part of shareholders' equity, were deducted from the average total number of issued shares for the fiscal year ended March 31, 2017 used for the calculation of earnings per common share and from the total number of issued shares as of March 31, 2017 used for the calculation of total equity per common share. The average number of such treasury shares deducted from the calculation of earnings per common share for the fiscal year ended March 31, 2017 was 20,324 thousand, and the number of such treasury shares deducted from the calculation of total equity per common share as of March 31, 2017 was 30,532 thousand.

## Other Notes

1. Investments in Subsidiaries and Affiliates

(in millions of yen)

| | Amount on balance sheet | Fair value as of March 31, 2017 | Net unrealized gains |
|---|---|---|---|
| Subsidiaries | 90,074 | 261,981 | 171,907 |
| Affiliates | 868,275 | 2,215,540 | 1,347,264 |
| Total | 958,350 | 2,477,522 | 1,519,171 |

(Note) Investments in subsidiaries and affiliates whose fair value cannot be reliably determined.

(in millions of yen)

| | Amount on balance sheet |
|---|---|
| Subsidiaries | 9,272,035 |
| Affiliates | 47,039 |
| Total | 9,319,074 |

Since there was no quoted market price available and the fair value of these securities cannot be reliably determined, they were not included in the table above.

2. Subordinated Borrowings

"Long-term borrowings from subsidiaries and affiliates" were all subordinated borrowings with the special provision which ranks below other debts with regard to fulfillment of obligation.

3. Subordinated Bonds

Bonds payable included ¥2,040,500 million of subordinated bonds.