

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

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For the Fifteenth Fiscal Year (from April 1, 2019 to March 31, 2020)

### **Mitsubishi UFJ Financial Group, Inc.**

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

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## **System to Ensure Appropriate Conduct of Operations**

### **1. System to Ensure Appropriate Conduct of Operations**

Mitsubishi UFJ Financial Group, Inc. (“MUFG”) complies with the Companies Act and Enforcement Regulations of the Companies Act and has ratified the following system (Internal Control System) to ensure appropriate operations are being conducted within MUFG. MUFG is working to ensure that a sound and robust management structure is in place by creating company policies, establishing departments in charge, building plans and policy and other structures that are all in line with the details of what has been ratified by MUFG.

The directly owned subsidiaries as referred to below are major subsidiaries in which MUFG directly holds equity interests\*. The “MUFG Group” means a corporate group comprised of MUFG and its subsidiaries as provided in Article 416, Paragraph 1, Item 1 of the Companies Act.

\* MUFG Bank Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Securities Holdings Co., Ltd., Mitsubishi UFJ NICOS Co., Ltd., ACOM CO., LTD.

#### **(1) Group Management Framework**

- (a) MUFG shall formulate the Corporate Vision and the Code of Conduct in order to ensure appropriateness of the business conducted by the MUFG Group.
- (b) In addition to stipulating the MUFG Group basic policies for management control, MUFG shall also stipulate individual sets of company rules in respect of customer protection management, risk management, compliance, internal audits, etc., along with concluding management control agreements with subsidiaries in which MUFG directly holds equity interests.
- (c) In order to manage its business, MUFG shall deliberate with and receive reports from subsidiaries in which MUFG directly holds equity interests, and conduct appropriate management of subsidiaries in which MUFG directly holds equity interests in line with rules of MUFG and in adherence to the allocation of duties.
- (d) Companies subject to direct management control by MUFG are stipulated as being those subsidiaries in which MUFG directly holds equity interests, and the management of subsidiaries in which MUFG does not directly hold equity interests shall be directly managed by the subsidiaries which directly holds the said equity interests. MUFG shall provide direction and advice regarding management control to the subsidiaries which directly holds the said equity interests as required.
- (e) MUFG shall stipulate company rules regarding internal controls for financial reporting and shall establish an Accounting Audit Hotline (internal reporting system whereby matters regarding accounting at the MUFG Group can be reported by the public as well as directors, officers and employees of the MUFG Group) as part of this.
- (f) MUFG shall define policies on information disclosure of the MUFG Group, thereby establishing a structure for information disclosure in a fair, equitable and appropriate manner.

#### **(2) Legal and Regulatory Compliance Framework**

- (a) MUFG and directly owned subsidiaries of MUFG shall stipulate the Corporate Vision and the Code of Conduct so as to ensure that the execution of duties by directors, officers and employees conforms to laws and regulations, and the Articles of Incorporation.
- (b) MUFG and directly owned subsidiaries of MUFG shall create and circulate various company rules and compliance manuals to build a system to ensure that directors, officers and employees comply with laws and regulations, etc.
- (c) MUFG and directly owned subsidiaries of MUFG shall create committees, etc., employ a director responsible for compliance (Chief Compliance Officer) and establish management divisions in order to promote and manage compliance.
- (d) MUFG and directly owned subsidiaries of MUFG shall formulate compliance programs (specific plans to ensure directors, officers and employees comply with laws and regulations, etc., including training for directors, officers and employees) and implement follow-ups on the progress of these programs.
- (e) MUFG and directly owned subsidiaries of MUFG shall establish internal reporting systems to

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receive reports of fraudulent activities from directors, officers or employees.

- (f) MUFG and directly owned subsidiaries of MUFG shall sustain a resolute stance against anti-social forces which are a threat to the peace and stability of civil society and work towards preventing transactions with such forces.
- (g) MUFG and directly owned subsidiaries of MUFG shall be aware of the possibility that services they offer may be used for various criminal activities, including money laundering and terrorism financing, and will work to detect, deter, and prevent financial crimes.

### **(3) Management Framework for Customer Protection, etc.**

- (a) In order to achieve strong customer standards in line with the Corporate Vision and the Code of Conduct, MUFG and directly owned subsidiaries of MUFG shall create basic policies and company rules regarding management of customer protection, etc., establish administration and management divisions, and enable the provision of explanations and the creation of support systems for customers, information management and conflict of interest management by increasing awareness among directors, officers and employees.
- (b) Based on the Personal Information Protection Policy that was created to encompass the information management system, MUFG and directly owned subsidiaries of MUFG shall create systems to appropriately protect and manage personal information.
- (c) Based on the Conflicts of Interest Management Policy that was created as a basic policy for management of conflicts of interest, MUFG and directly owned subsidiaries of MUFG shall establish systems to manage conflicts of interest, which will ensure that customer interests are not unfairly prejudiced.

### **(4) Information Storage Management Framework**

- (a) Important documents including minutes and materials for meetings such as the board of directors and executive committee shall be stored and managed as stipulated in company rules.
- (b) When requested by the Audit Committee or a member of the Audit Committee, the division responsible shall provide access to viewing of, or actual copies of, the documents requested.

### **(5) Risk Management Framework**

- (a) MUFG and directly owned subsidiaries of MUFG shall implement an integrated risk management and control system to secure stable business management by using a standard that is unified to the maximum extent possible to gain a comprehensive understanding of the various risks which may arise during the course of business while striving for maximum shareholder value.
- (b) MUFG and directly owned subsidiaries of MUFG shall classify risk as shown below, and establish risk management basic policies for those risk categories in order to verify the design and execution status of these policies.
  - i) Credit Risk;
  - ii) Market Risk;
  - iii) Liquidity Risk;
  - iv) Operational Risk;
  - v) Reputational Risk;
  - vi) Model Risk.
- (c) MUFG and directly owned subsidiaries of MUFG shall establish an integrated risk management system. They shall establish committees for risk management and control, and an executive and establish dedicated divisions etc. responsible for risk management.
- (d) MUFG and directly owned subsidiaries of MUFG shall appropriately manage risk through risk management processes consisting of risk identification, measurement, control and monitoring.
- (e) MUFG shall create a system to manage capital allocation system (system whereby the consolidated business groups and important subsidiaries allocate capital for each subsidiary by individual risk category using overall MUFG Group economic capital (capital matched to the amount of risk)).
- (f) MUFG and directly owned subsidiaries of MUFG shall prepare a system necessary to limit the economic loss or erosion of credibility from the crisis event to the minimum while ensuring the continuation of service as well as the prompt restoration of normal operations in a crisis event.

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**(6) Framework to Ensure Efficient Execution of Duties**

- (a) MUFG and directly owned subsidiaries of MUFG shall set management targets and create management plans to manage business based on appropriate methods.
- (b) MUFG's board of directors shall, as a general rule, delegate to corporate executives decision making power for the execution of business for matters other than those which require the discretion of the board of directors as deemed in laws and regulations. Also, in addition to establishing an executive committee which consists of corporate executives, etc., they shall create various committees to provide advisory functionality to the Executive Committee.
- (c) MUFG and directly owned subsidiaries of MUFG shall establish the executive committee, etc., which will be delegated predetermined tasks from the board of directors. The executive committee shall make decisions regarding the matters they have been delegated and conduct preliminary consideration of matters which are to be deliberated by the board of directors so that the board of directors may make decisions regarding such matters. Also various committees shall be established to provide advisory functionality to executive committee.
- (d) MUFG and directly owned subsidiaries of MUFG shall, in order for corporate executives (directors, etc., at directly owned subsidiaries) to execute their duties efficiently, build and employee rank framework and organizational structure, etc., in line with company rules and assign the execution of duties.

**(7) Internal Audit Framework**

- (a) MUFG and directly owned subsidiaries of MUFG shall build the internal audit framework which has high specialization and independence to assume the function of evaluating and improving the effectiveness of governance, risk management, and control processes, contributing to the enhancement of the MUFG Group's value and to the achievement of the Corporate Vision.
- (b) MUFG and directly owned subsidiaries of MUFG shall set company rules to identify basic matters concerning internal audit.
- (c) MUFG and directly owned subsidiaries of MUFG shall establish internal audit divisions.
- (d) The internal audit divisions at MUFG and directly owned subsidiaries of MUFG shall support the oversight function of the board of directors by collaborating and working together under the guidance of the internal audit division at MUFG.
- (e) The internal audit divisions at MUFG and directly owned subsidiaries of MUFG shall, as required, build a collaborative relationship with the Audit Committee (Audit & Supervisory Committee or Corporate Auditor at directly owned subsidiaries of MUFG) and Independent Auditors and work towards efficient implementation of internal audit.

(Framework for Ensuring Effective Audit by the Audit Committee)

**(8) Framework related to persons employed to support the duties of the Audit Committee**

- (a) The Audit Committee Office shall be established as an organization to assist the Audit Committee to perform its duties and shall be placed under the direction of the Audit Committee.
- (b) Matters regarding personnel arrangements for persons employed to support the duties of the Audit Committee shall be made in a manner that respects the wishes of the Audit Committee.

**(9) Framework for Reporting to the Audit Committee**

- (a) The following matters shall be reported to the Audit Committee:
  - i) Matters regarding decisions by or reports made to the executive committee (including matters deliberated on or reported by subsidiaries directly owned by MUFG in line with prescribed company rules)
  - ii) Matters that may cause significant damage to MUFG (including matters deliberated on or reported by subsidiaries directly owned by MUFG in line with prescribed company rules)
  - iii) Information necessary for the Audit Committee to monitor and oversee matters regarding financial reporting, risk control, internal control, compliance and internal audits of the MUFG Group's execution of business
  - iv) Status of reporting and details of cases reported to the MUFG Group Compliance Helpline as well as the Accounting Audit Hotline and the actual usage results of the internal reporting

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systems of the directly owned subsidiaries of MUFG.

- v) Other matters for which the Audit Committee requests reporting
- (b) Structures shall be implemented to protect persons who report to the MUFG Group Compliance Helpline or the Accounting Audit Hotline from receiving unfair treatment because they made such reports.

**(10) Policy regarding expenses or liabilities arising from the execution of duties of the Audit Committee**

- (a) Expenses or liabilities which arise due to the Members of the Audit Committee exercising their duties (restricted to items regarding the execution of Audit Committee duties) shall be paid or processed otherwise in line with the requests of the Members of the Audit Committee.

**(11) Other Frameworks to Ensure Effective Audits by the Audit Committee**

- (a) Representative corporate executives and the internal audit divisions shall conduct regular sessions to share opinions with the Audit Committee.
- (b) Important personnel affairs concerning the divisions responsible for internal audit shall be decided based on the resolution at the Audit Committee.
- (c) Internal audit divisions shall report to the Audit Committee on the internal audit plans and internal audit results, and receive specific instructions from the committee.
- (d) Members of the Audit Committee shall be entitled to attend the executive committee and other important committees, etc.
- (e) Executives and employees shall cooperate with surveys or interview requests received from the Audit Committee or its members.
- (f) Executives and employees shall give utmost respect to other matters as stipulated in the Audit Committee Charter, the Audit Committee rules and the Audit Committee Audit Standards.

**2. Summary of the Operating Status of the System to Ensure Appropriate Conduct of Operations**

The summary of the operating status of the Internal Control System mentioned above in fiscal year 2019 (fiscal year ended March 31, 2020) is as follows.

MUFG, as a general rule, verifies the Internal Control System once annually, and conducts reviews thereof as necessary. In fiscal year 2019, periodic reviews of the Internal Control System were resolved at the board of directors meeting held in March 2020.

With respect to the Internal Control Systems of the directly owned subsidiaries of MUFG, status of review by the board of directors of those subsidiaries is subject to verification by MUFG once annually as a general rule.

**(1) Group Management Framework**

MUFG has established and announced the Corporate Vision as a basic policy forming the basis for the formulation of business strategies and decision making, as well as the Code of Conduct as specific standards for decision making and conduct which adhere to the Corporate Vision.

The Corporate Vision and the Code of Conduct of MUFG clarify MUFG's attitude of commitment to integrity and ethical values which support the environment of the internal control system. MUFG examines the degree of dissemination of the Code of Conduct by employee surveys etc., and follows the PDCA cycle, such as periodically reviewing the Code of Conduct based on the internal and external environmental changes and voices of employees.

Companies subject to direct management control by MUFG are stipulated as being those subsidiaries in which MUFG directly holds equity interests, and the management of subsidiaries in which MUFG does not directly hold equity interests shall be directly managed by the subsidiary which directly holds the said equity interests, pursuant to MUFG rules. MUFG shall provide direction and advice regarding

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management control to the subsidiary which directly holds the said equity interests as required. Additionally, MUFG and those subsidiaries in which MUFG directly holds equity interests have reached agreement on the prescribed matters relating to management control, and have concluded management control agreements or equivalent arrangements. MUFG reviews the agreements once annually, as a general rule.

With regard to internal controls over financial reporting, MUFG has documented control activities in accordance with the basic policy, which has been set forth in the company rules. MUFG has evaluated the effectiveness of such controls through tests on the status of establishment and operation, and has submitted the results of such evaluation to the executive committee upon deliberation by the disclosure committee, a committee under the executive committee. Additionally, an Accounting Audit Hotline has been established as an internal reporting system for reporting fraudulent accounting, fraud involving internal controls over accounting or accounting audits (e.g. law violations) and inappropriate accounting, or suspected incidents.

MUFG has established and announced the “MUFG Group Information Disclosure Policy” as a basic policy on information disclosure of the MUFG Group.

### **(2) Legal and Regulatory Compliance Framework**

MUFG and directly owned subsidiaries of MUFG have established the Corporate Vision and the Code of Conduct and posted on the corporate website. Aiming for dissemination of the Corporate Vision and the Code of Conduct to employees, messages from top management are delivered, the Corporate Vision and the Code of Conduct are posted on the internal network, and internal training sessions are provided.

MUFG and directly owned subsidiaries of MUFG have established divisions to supervise compliance and have been engaged in initiatives to promote compliance through compliance programs and seminars, while at the same time reporting on the status of compliance to the executive committee and the board of directors. As part of efforts to deliberate important matters relating to the development of policies and systems for promoting compliance across the MUFG Group, MUFG has also established a Group Compliance Committee under the executive committee, where important compliance issues are being discussed. The Group Compliance Committee, as a general rule, meets twice a year.

The directly owned subsidiaries of MUFG have developed internal reporting systems in an effort to detect compliance incidents early so that it leads to correction by taking self-cleansing actions. Furthermore, MUFG has established an MUFG Group Compliance Helpline, which includes the Audit Committee as a contact point, to supplement the existing systems of the group companies and made it accessible to the executives and employees of the group companies.

MUFG and directly owned subsidiaries of MUFG have established a basic policy on the handling of anti-social forces, and based thereon have set forth certain measures in the prescribed company rules. A division in charge of handling anti-social forces has also been established, which implements planning and management measures related to preventing transactions with anti-social forces.

MUFG and directly owned subsidiaries of MUFG have been keeping a close watch on the legal and statutory developments of each country, in line with the increasingly global nature of MUFG's business expansion, and have developed a system of controls to detect, deter, and prevent financial crimes, including money laundering.

### **(3) Management Framework for Customer Protection, etc.**

MUFG and the directly owned subsidiaries of MUFG have established a management system for protecting customers by creating administration and management divisions for customer protection, formulating related company rules and increasing awareness of customer protection among officers and employees.

With a view to thoroughly implementing customer-first undertakings, MUFG has established and



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disclosed the MUFG Basic Policy for Fiduciary Duties as group-wide guidelines and has regularly disclosed the contents and status of such initiatives.

Matters involving customer protection across the entire Group are also reported to the executive committee, as necessary. Furthermore, the MUFG Group Personal Information Protection Policy and the Conflicts of Interest Management Policy has been formulated and publicly released.

### **(4) Information Storage Management Framework**

MUFG rules on important documents including minutes and materials for meetings such as the board of directors and executive committees have been determined and important documents are being stored and managed as stipulated in such rules.

### **(5) Risk Management Framework**

MUFG and directly owned subsidiaries of MUFG uphold the basic policy of strengthening group-based management control and comprehensive risk management through the diffusion of a Risk Culture, and are working to enhance risk governance through strengthening the integrated operations across regions and subsidiaries and the holding company. Furthermore, the MUFG Group has adopted the Risk Appetite Framework in order to conduct risk management that effectively supports its business strategies and financial plan, and has been strengthening the MUFG Group's overall risk-return management. In addition, the MUFG Group has formulated a "Risk Appetite Statement" which articulates the basic policy for the application of the "Risk Appetite Framework," the application process, business plans and the risk appetite, among others, while at the same time each business group has taken ownership of risks and has established a "Risk Appetite Statement" specific to each business group, as a tool for operating the business group.

MUFG has established the Risk Committee, as an optional committee under the board of directors. The Risk Committee meets each quarter, as a general rule, deliberates Group-wide risk management matters in general to contribute to the resolutions of the board of directors, and reports and makes proposals regarding important matters in the deliberation to the board of directors. In addition, MUFG established the Risk Management Committee under the executive committee to deliberate important matters relating to the development of policies and systems for promoting the MUFG Group's overall integrated risk management. The Risk Management Committee meets two times annually, as a general rule.

MUFG manages capital allocation system, in an effort to appropriately allocate capital by ensuring financial soundness through the monitoring and control of capital, evaluating capital adequacy versus risk based on business strategies and profit plans, and reflecting such evaluation in its capital policy.

MUFG and directly owned subsidiaries of MUFG have been conducting Group crisis management by identifying specific crisis incidents that will be subject to crisis management and developing the framework for task forces that manages crisis prior to and after the crisis and controls ongoing crisis management upon occurrence of any crisis.

### **(6) Framework to Ensure Efficient Execution of Duties**

The Management Planning Committee, which reports directly to the executive committee, meets each quarter, as a general rule, to deliberate Group-wide measures, quantitative plans and capital policies, and follow up on the progress being made on the policies and quantitative plans.

As a company with three committees, MUFG has been strengthening the board of directors' supervisory functions through the separation of execution and oversight. Meanwhile, as companies with the Audit & Supervisory Committee, the MUFG Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Securities Holdings Co., Ltd. and ACOM CO., LTD., have developed a system enabling prompt decision-making through significantly delegating decision-making authority regarding important business execution, from the Board of Directors to executive management.

MUFG and the directly owned subsidiaries of MUFG have established prescribed company rules

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which set forth the division of duties, and the corporate executives (Directors, etc. for the directly owned subsidiaries of MUFG) execute their duties in accordance with the determined division of duties.

### **(7) Internal Audit Framework**

MUFG has instituted an internal audit policy to define the policies of internal audits. Internal audit divisions have been established within MUFG and the directly owned subsidiaries of MUFG. The scope of verification covers the MUFG Group as a whole, and monitoring and oversight of all Group operations by the board of directors of MUFG are supported.

MUFG has been holding sessions for exchanging views between the internal audit divisions and the Audit Committee, between the internal audit divisions and the Independent Auditor when required, sharing information related to audit measures and audit results.

(Framework for Ensuring Effective Audit by the Audit Committee)

### **(8) Framework related to persons employed to support the duties of the Audit Committee**

MUFG has established the Audit Committee Office as an organization to assist the duties of the Audit Committee and has accordingly appointed employees to the said Office. Matters regarding personnel arrangements of such employees are made in a manner that respects the wishes of the Audit Committee, considering the independence of the Audit Committee.

### **(9) Framework for Reporting to the Audit Committee**

MUFG holds the meetings of the Audit Committee chaired by an outside director, composed of outside directors and internal directors who do not concurrently engage in the execution of operation, once a month, as a general rule. The Audit Committee receives reports on the MUFG Group's status of financial reporting, risk management, internal controls and internal audits, as well as the status of compliance including the operation status of the internal reporting system.

Measures prohibiting unfair treatment of persons making reports on the MUFG Group Compliance Helpline and the Accounting Audit Hotline have been provided for in the company rules and communicated throughout the MUFG Group.

### **(10) Policy regarding expenses or liabilities arising from the performance of duties of the Audit Committee**

Under the Audit Committee Charter and the Audit Committee Audit Standards, Members of the Audit Committee may request payment for expenses, etc., necessary for the performance of their duties, and MUFG in accordance therewith pays the necessary expenses, etc.

### **(11) Other Frameworks to Ensure Effective Audits by the Audit Committee**

Representative corporate executives and members of the Audit Committee conduct regular sessions to share opinions. The internal audit divisions report on the internal audit plans and internal audit results, through regular meetings with the Members of the Audit Committee, and follow instructions from the members.

The Members of the Audit Committee are entitled to attend the executive committee and other important committees, etc., as prescribed in the relevant company rules.

MUFG has provided in the Compliance Manual that the matters prescribed in the Audit Committee Charter, the Audit Committee Rules and the Audit Committee Audit Standards shall be respected, and has communicated this fact to its executives and employees.



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## Other (Significant Accounting Estimates)

MUFG's consolidated financial statements are prepared in accordance with generally accepted accounting principles in Japan. While the MUFG Group uses estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses in preparing these consolidated financial statements, the figures based on these estimates and assumptions may differ from the actual results.

Of the accounting estimates and assumptions used to prepare the consolidated financial statements, those of significance are as follows:

### 1. Estimates of allowance for credit losses

The MUFG Group records allowance for credit losses against the risk of decline or elimination of value of assets such as loans, due to deterioration in the financial condition of an entity to which credit is provided (Such risk is defined by MUFG Group as "credit risk").

The amount of allowance for credit losses recorded on the consolidated balance sheet as at the end of the fiscal year ended March 31, 2020 is ¥740.6 billion, based on the accounting policies as stated in "Allowance for credit losses" in "Notes to the Consolidated Financial Statements, Notes to Significant Accounting Policies, 5. Accounting policies" of the "Items Disclosed on Internet Pursuant to Laws and Regulations, and the Articles of Incorporation."

Self-assessment of asset quality referred to in the "Allowance for credit losses" refers to the classification of assets such as loans, according to the degree of risk of failure in collecting loans or the risk of impairment of their value, based on the review of assets held such as loans on a case-by-case basis, as well as consideration of the borrower classification, status of collateral and guarantees. Since the results of self-assessment of asset quality serve as the basis for recording allowance for credit losses, "specific standard for evaluating borrower classification" is in place as part of the internal standards for self-assessment of asset quality.

To ensure adequate borrower classification, the MUFG Group's significant subsidiaries MUFG Bank, Ltd. and Mitsubishi UFJ Trust and Banking Corporation have introduced a credit rating system based on the borrower classification, serving unified criteria for evaluating credit risk, thereby assigning credit ratings, in principle, to all borrowers to whom these institutions provide credit as well as to their respective transactions. Borrower ratings for ordinary business corporations as part of the credit ratings consist of the classification of borrowers based on 15-grade evaluation of their debt redemption capacity projected in the next three to five years. MUFG Bank, Ltd. and Mitsubishi UFJ Trust and Banking Corporation arrange their borrower ratings to reflect the qualitative factors, such as the present as well as future business environments of the industry in which a borrower operates, business risks and funding risks, along with the quantitative evaluation based on the financial information on the borrowers. Credit ratings are reviewed at least on an annual basis, to ensure readjustment to the ratings without delay in the event changes are found in borrowers' creditworthiness due to changes in their business conditions. Credit ratings are assigned by relevant branches and credit supervision departments, but subjected to audit and instructions for change by the credit review department which is independent from those operating sections, in an effort to ensure transparency.

If an increase in credit risk is expected in future, which may not be identified either by the aforementioned credit rating system, or by the evaluation method based on the historical credit loss or bankruptcy within a certain time frame in the past, we record allowance for credit losses after making necessary adjustments thereto based on certain assumptions.

Although there is uncertainty in the assumptions and estimates for calculating allowance for credit losses in the aforementioned way, we endeavor to make the best possible estimates by ensuring objectivity and rationality therein under the effective internal controls.

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## **2. Evaluation of goodwill and other intangible fixed assets associated with acquisitions and investments**

### **(1) Allocation of acquisition costs to intangible assets at business combinations**

The MUFG Group strives to become the world's most trusted financial group, and thus engages in, as part of its strategic initiatives, acquisition of, investment in and capital alliance with financial entities on a global scale, recording intangible assets derived from these business combinations on its consolidated balance sheet.

As stated in Notes to Business Combinations, PT Bank Danamon Indonesia, Tbk. ("Danamon") and First Sentier Investors ("FSI") each became an MUFG consolidated subsidiary in the fiscal year ended March 31, 2020.

As a result of the aforementioned business combinations, the fair value at the time of business combinations of the intangible assets recorded on the consolidated balance sheet of MUFG includes "Relationship with agents" (¥79.5 billion) and "Core ordinary deposit" (¥29.8 billion) in the acquisition of Danamon, and "Customer-related intangible assets" (¥100.8 billion) in the acquisition of FSI.

The fair value of these intangible assets on the date of business combinations is calculated at present value of the future cash flows obtainable from these assets, and the assumptions used in calculating such cash flow are based on the medium-term plan established by an organizational decision, as well as the medium-term plan used as the basis for determining the acquisition price determined by an organizational decision. Meanwhile, the following are the main items of significant estimates adopted in the fair valuation as well as of the assumptions used for such estimation.

(Main estimates and assumptions used with respect to the intangible assets capitalized following the acquisition of Danamon)

The assumptions used for estimating future cash flows are based on the medium-term plan established by an organizational decision, involving the adoption of the income approach method for measuring fair values.

In our "relationship with agents," valuation is done by discounting into the present value the cash flows based on excess earnings expected to be derived during the period of sustained transactions with the existing agents. Such cash flows are estimated by using the estimates and assumptions, such as the rate of increase in the amount of loans provided reflecting the market growth forecast associated with the automotive and motorcycle sales markets in Indonesia, and the attrition rate of existing agents based on the historical performance.

In "Core ordinary deposit," valuation is done by discounting into the present value the cash flows based on the effect of saving funding cost expected to be derived during the period of sustained deposit balance of the existing depositors. Such cash flows are estimated by using the estimates and assumptions, such as the depositor attrition rate.

Cost of shareholders' equity is used as the basis for calculating the discount rate applicable to intangible assets. Such discount rate is derived using the estimates and assumptions such as the risk of fluctuations in the future continuation, scale and profitability of transactions associated with each intangible asset, and the risk premium taking into account the risks associated with the scale of business.

(Main estimates and assumptions used with respect to the intangible assets recorded associated with the acquisition of FSI)

The assumptions used for estimating future cash flows are based on the medium-term plan used as the basis for determining the acquisition price determined by an organizational decision, involving the adoption of the income approach method for measuring fair values.

In "Customer-related intangible assets," valuation is done by discounting into the present value the cash flows based on excess earnings expected to be derived during the period of sustained transactions with the existing customers. Such cash flows are estimated by using the estimates and assumptions, such as the rate of increase in the assets on deposit reflecting the growth forecast in the markets of investment destinations including stocks, bonds and infrastructure, and the attrition rate of existing customers based on the historical performance.

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Cost of shareholders' equity is used as the basis for calculating the discount rate applicable to intangible assets. Such discount rate is derived using the estimates and assumptions such as the risk premium taking into account the risks in the business associated with the customer-related intangible assets.

Managers believe that the estimates and assumptions used for deriving the fair value of intangible assets as well as the amount of goodwill at the time of business combinations are reasonable. However, since these estimates and assumptions involve uncertainty, allocation of acquisition cost to intangible assets as well as goodwill at the time of business combinations may not be adequately measured, in the event of change in such estimates and assumptions due to unpredictable changes in their estimates and assumptions.

### **(2) Necessity to account for goodwill impairment**

The MUFG Group strives to become the world's most trusted financial group, and thus engages in, as part of its strategic initiatives, acquisition of, investment in and capital alliance with financial entities on a global scale, recording goodwill derived from these business combinations on its consolidated balance sheet.

Acquisition of, investment in, or capital alliance with an entity, may not attain a positive effect including synergy as originally expected by the MUFG Group due to unpredictable changes in the industry in which such entity operates, or may have an adverse effect on the business strategies, financial position, and results of operation of the MUFG Group due to the recording of impaired goodwill.

The amount of goodwill recorded on the consolidated balance sheet at the end of the fiscal year ended March 31, 2020 is ¥283.6 billion.

Identification of evidence of goodwill impairment, as well as the determination of the recognition of associated impairment loss and its measurement are carried out on the basis of a larger unit of operation, comprising the asset group associated with the business to which goodwill is attributable, plus goodwill.

#### (Identification of evidence of impairment)

Evidence of impairment is identified if the asset group containing goodwill falls into any of the following.

- If earnings or cash flows arising from operating activities are continuously negative, or expected to be continuously negative
- If a change that significantly decreases business value has occurred or is expected to occur
- If the business environment surrounding the business engaged in has deteriorated significantly or is expected to deteriorate significantly
- If the market value of the asset or the asset group has declined significantly
- Otherwise if there is reason to believe that an event suggesting likelihood of impairment loss of the asset group including goodwill has occurred

#### (Recognition of impairment loss)

With respect to goodwill identified to indicate evidence of impairment, if as a result of a comparison between the book value before the deduction of impairment loss of the asset group associated with the business to which goodwill is attributable plus the book value of goodwill (hereinafter the "Book Value"), and the total amount of undiscounted future cash flows arising from the larger unit of operation plus goodwill (hereinafter the "Undiscounted Cash Flows"), the latter is found to exceed the former, no impairment loss is recognized. On the other hand, if the former is found to exceed the latter, such excess is recognized as impairment loss, insofar as it does not exceed the total amount of goodwill.

The calculation of undiscounted future cash flows should, given its nature, involve judgments, and often uses significant estimates and assumptions. Assumptions used in calculating such undiscounted future cash flows are based on the future expectations and medium-term plans in each grouping, while taking into account the future growth rates of the market as well as the general economy, along with current and expected economic conditions.

Managers believe that the prerequisites to the estimates used to determine the recognition of goodwill impairment are reasonable. However, changes in estimates arising from unpredictable future changes in

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preconditions of business, that are likely to cause the decline of undiscounted future cash flows and the fair value thereof, may have an adverse effect on their valuations while having significant impact on the determination of whether impairment losses are recognized and the amount of impairment loss to be recognized.

As stated in Notes to Business Combinations, ¥218.3 billion goodwill was recorded in association with Danamon, which became a consolidated subsidiary in April 2019.

The market price of the shares in Danamon, a listed company, has, since the aforementioned business combination, been continuously hovering at a considerably lower level compared with its acquisition cost, which was identified as the evidence of impairment of goodwill associated with Danamon. However, such identification did not lead to the recognition of impairment loss, since the Undiscounted Cash Flows arising from the asset group including goodwill associated with Danamon exceeded the Book Value at the test of goodwill impairment in the fiscal year ended March 31, 2020.

However, goodwill associated with Danamon was, as stated in Notes to the Consolidated Statement of Income, fully amortized at the end of the fiscal year ended March 31, 2020, based on the impairment accounting in view of the fall in the market price of shares in Danamon held by the domestic consolidated banking subsidiaries, according to the provisions of Article 32 of Accounting Practice Committee Statement No. 7, “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (May 12, 1998, Japanese Institute of Certified Public Accountants).

### 3. Fair valuation of derivative transactions

MUFG and its consolidated subsidiaries hold numerous derivative transactions of various types in the business of providing customers with services concerning foreign exchange, fund and securities, as well as the business of engaging in market transactions, and management of liquidity and funding, thereby recognizing the importance of derivative transactions from the accounting estimates perspective.

These derivative transactions are measured at fair value and are recorded as assets and liabilities. The fair value is determined based on market information including market prices, as well as evaluation models based on financial engineering theory.

Specifically, where a market price quotation is available, such quoted price constitutes the fair value. If a market price quotation is not directly available, fair value is calculated based on the evaluation model approved by the predetermined procedure. The evaluation model is subject to verification in terms of market suitability, and involves use of accounting estimates as required by its nature.

Input parameters for the evaluation model may include those that are directly or indirectly observable in the markets involving exchange rate, yield curve, volatility, credit curve and stock price, as well as those that are not observable in the market such as significant estimates including correlation coefficients and default probability. If a calculated fair value is derived from the material input parameters that are not observable in the market, such fair value is listed in “2. Breakdown of financial instruments by fair value and level” in “Notes to the Consolidated Financial Statements, Notes to Financial Instruments.”

The fair valuation using these evaluation models are subject to adjustment of exit price as appropriate, such as the adjustment for reflecting the cost for selling and buying in the market, and credit valuation adjustment (CVA) regarding the credit risk of the counterparty.

Managers believe, based on an adequate verification, that the fair values of derivative transactions are reasonable. However, since the estimates and assumptions used for such fair valuation involve uncertainty, fair valuation at MUFG and its consolidated subsidiaries may fluctuate as a result of changes in various estimates in the fair valuation of derivative transactions due to unpredictable changes in their prerequisites, and other factors.

### 4. Calculation of provision for loss on interest repayment

In the MUFG Group’s loan business, interest rates of some of the loan products executed prior to June 17, 2007 were in excess of the cap interest rate under the Interest Rate Restriction Act, whereby the MUFG Group may waive loan claims in excess of the portion covered by such cap interest rate or refund the payments received, if its customers request such waiver or refund.

Provision for loss on interest repayment in the MUFG Group is calculated by using the forecasts such as

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the estimated number of requests for refund and the estimated average amount of refund, while also in view of the pace of arrival of such requests as well as the external business environment and other factors. Readjustments to such estimates and forecasts may, if they become necessary due to changes in the uncertain external business environment in future, have a significant impact on the amount of provision for loss on interest repayment to be recognized in the consolidated financial statements from the following fiscal term onward.

Furthermore, discrepancy between such estimates and actual figures is reviewed on a quarterly basis, whereby additional provision or reversal is to be considered.

(Translation)

**Mitsubishi UFJ Financial Group, Inc.**  
**Consolidated Statement of Changes in Net Assets**
**For the fiscal year  
ended  
March 31, 2020**

(In millions of yen)

	Shareholders' equity					Accumulated other comprehensive income							Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Land revaluation excess	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Debt value adjustments of foreign subsidiaries and affiliates	Total accumulated other comprehensive income			
Balance at the beginning of the fiscal year	2,141,513	1,034,641	10,640,655	(516,649)	13,300,160	2,249,231	122,516	167,681	339,713	(4,729)	4,702	2,879,115	217	1,082,184	17,261,677
Cumulative effects of changes in accounting policies			(17,550)		(17,550)										(17,550)
Restated balance	2,141,513	1,034,641	10,623,105	(516,649)	13,282,610	2,249,231	122,516	167,681	339,713	(4,729)	4,702	2,879,115	217	1,082,184	17,244,127
Changes during the fiscal year															
Cash dividends			(304,543)		(304,543)										(304,543)
Profits attributable to owners of parent			528,151		528,151										528,151
Repurchase of treasury stock				(50,022)	(50,022)										(50,022)
Disposal of treasury stock		(752)		2,527	1,774										1,774
Retirement of treasury stock		(58,625)		58,625	-										-
Reversal of land revaluation excess			9,084		9,084										9,084
Changes in subsidiaries' equity		4,839			4,839										4,839
Net changes of items other than shareholders' equity						(182,867)	66,825	(9,048)	(38,874)	(155,036)	(41,173)	(360,175)	(157)	(217,340)	(577,673)
Total changes during the fiscal year	-	(54,538)	232,692	11,130	189,284	(182,867)	66,825	(9,048)	(38,874)	(155,036)	(41,173)	(360,175)	(157)	(217,340)	(388,388)
Balance at the end of the fiscal year	2,141,513	980,102	10,855,798	(505,518)	13,471,894	2,066,363	189,342	158,633	300,838	(159,766)	(36,470)	2,518,940	59	864,844	16,855,738



## 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

#### 1. Scope of consolidation

(1) Number of consolidated subsidiaries: 250

Principal companies:

MUFG Bank, Ltd.

Mitsubishi UFJ Trust and Banking Corporation

Mitsubishi UFJ Securities Holdings Co., Ltd.

Mitsubishi UFJ NICOS Co., Ltd.

ACOM CO., LTD.

In the current fiscal year, PT Bank Danamon Indonesia, Tbk. and 47 other companies were newly included in the scope of consolidation due to the transfer from the scope of application of the equity method or other reasons. In addition, MUFG Capital Finance 7 Limited and 19 other companies were excluded from the scope of consolidation due to liquidation 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.

A&M Drug Development, LLC

OiDE RYO-UN Co, Inc.

OiDE BetaRevive, Inc.

ARM Drug Development G.K.

OiDE OptoEye, Inc.

(Reasons for excluding from the scope of consolidation)

These entities were not treated as subsidiaries because they 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: 54

Principal companies:

Mitsubishi UFJ Lease & Finance Company Limited

Morgan Stanley

In the current fiscal year, PT Asuransi Adira Dinamika was newly included in the scope of the equity method due to the transfer from the scope of application of consolidation. In addition, PT Bank Danamon Indonesia, Tbk. and another company were excluded from the scope of application of the equity method due to the transfer to the scope of consolidation or another reason.

(3) Number of non-consolidated subsidiaries not accounted for under the equity method: None

(4) Number of 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.  
 ISLE Co., Ltd.  
 AKITAYA Co., Ltd.  
 SANRIKU RESORT Inc.  
 Fun Place Co., Ltd.  
 Shonai Paradiso Co., LTD  
 Kamui Pharma Co., Ltd.  
 GEXVal Inc.  
 Reborna Biosciences, Inc.  
 Alchemedicine, Inc.  
 HuLa immune Inc.  
 Vermilion Therapeutics, Inc.

(Reasons for excluding from the scope of affiliates)

These entities 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:

The end of June:	1 subsidiary
The end of August:	1 subsidiary
The end of December:	168 subsidiaries
January 24:	2 subsidiaries
The end of March:	78 subsidiaries

(2) A subsidiary whose balance sheet date is the end of June was consolidated based on its preliminary financial statements as of the end of December.

A subsidiary whose balance sheet date is the end of August was consolidated based on its preliminary financial statements as of the end of February.

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 any significant transactions between the consolidated subsidiaries 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 fair value on the consolidated balance sheet date.

With respect to derivative transactions for trading purposes, certain market risk adjustments and certain counterparty credit risk adjustments, which are calculated based on net assets or liabilities after offsetting financial assets and financial liabilities, are reflected in the valuation of those financial assets and liabilities.

##### (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 equity securities with no quoted market price available 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 the fair value recognized is recorded in current earnings.

(b) Securities included in trust assets in money held in trust are accounted for under the same basis as noted above in Notes (1) and (2)(a).

Net unrealized gains (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 (excluding those for trading purposes) are calculated primarily at fair value.

With respect to derivative transactions for trading purposes, certain market risk adjustments and certain counterparty credit risk adjustments, which are calculated based on net assets or liabilities after offsetting financial assets and financial liabilities, are reflected in the valuation of those financial assets and liabilities.

##### (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 domestic consolidated 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 and other factors.

###### (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” under 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, in which case the residual value equals the guaranteed amount.

## (5) Deferred assets

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

## (6) Allowance for credit losses

Principal domestic consolidated subsidiaries determine the amount of 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 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"), where the amounts of principal repayments and interest payments cannot be reasonably estimated from the borrowers' 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 likely to become bankrupt borrowers and claims on borrowers requiring close monitoring, where the amounts of principal repayments and interest payments can be reasonably estimated from the borrowers' 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 mainly on expected losses for the immediately following one-year period or the average remaining term to maturity of loans. Expected losses are calculated by applying a loss rate, which is obtained based on the average rate of historical credit loss experience or historical default probability experience over a certain period, which are derived from actual credit loss or actual default over one year or over the average remaining period of loans, with necessary adjustment for future loss projections and other factors.

For claims originated in certain 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 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, is written off. The total amount of write-offs was ¥296,288 million.

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

## (Additional information)

MUFG Bank, Ltd. ("the Bank"), a principle consolidated subsidiary of MUFG, and some of its consolidated subsidiaries, provide ¥45,347 million in allowances by estimating the increase in credit risk, which has not yet been reflected onto borrowers' financial information, taking the impact of the outbreak of COVID-19 on borrowers' condition and whole economic environment into consideration.

The calculation process includes the selection of the range of borrowers (certain industries and regions) expected to be affected significantly, the assumption of future economic conditions based on certain scenarios, and collective estimate on downward transition of borrowers' credit ratings in certain industries and regions.

Since there is no available precedent or consensus relating to the COVID-19 outbreak and when it is likely to end, the Bank and some of its consolidated subsidiaries make best estimates and assumptions, such as the view that the COVID-19 situation will stabilize by the end of December 2020, is based on available external information and the approval of the decision-making body for management decisions in accordance with predetermined internal rules.

## (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 consolidated subsidiaries, is recorded in the amount deemed to have accrued based on the estimated amount of benefits as of the consolidated balance sheet date.
- (11) Reserve for loyalty award credits  
Reserve for loyalty award credits, which is provided for the future redemption of points awarded to customers through Super IC Cards, etc., is calculated by estimating an amount that will be redeemed in the future based on the monetary amount converted from the awarded but unused points, and is recorded in the appropriate amount as a reserve.
- (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 reserves for contingent liabilities from derivative financial instruments transactions executed for clients, which are recorded in accordance with Article 46-5-1 of the Financial Instruments and Exchange Law and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business.
- (14) Retirement benefits  
In calculating the amount of benefit obligation, the portion of projected benefit obligation attributed to the fiscal year ended March 31, 2020 is determined using the benefit formula basis.  
Prior service cost is amortized using the straight-line method over a fixed period, primarily over 10 years, within the employees' average remaining service period.  
Net actuarial gains (losses) are amortized using the straight-line method over a fixed period, primarily over 10 years, within the employees' average remaining service period, primarily beginning in the subsequent fiscal year after such gains (losses) are recognized.  
For certain overseas branches of domestic consolidated subsidiaries and certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated using 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 of 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, in which case the residual value equals the guaranteed amount.  
(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 to hedge 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 the 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 of forecasted transactions related to floating rate deposits, loans and other instruments 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 from 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 and domestic consolidated trust 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 the fair value of hedged items and changes in the 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 meet certain criteria under JICPA Industry Audit Committee Reports No. 24 and No. 25 and are regarded as equivalent to external third-party cover transactions.



(18) Consumption taxes

National and local consumption taxes are primarily excluded from transaction amounts of MUFG and its domestic consolidated subsidiaries. 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 have adopted the consolidated taxation system.

(20) Adoption of transferring to consolidated taxation system

MUFG and some of its domestic consolidated subsidiaries do not apply Paragraph 44 of the Accounting Standards Board of Japan (“ASBJ”) Guidance No.28, “Amendments to Accounting Standard for Tax Effect Accounting”(February 16, 2018) , to items revised along with transition to consolidated taxation system under the “Partial amendments to Income Tax Act, etc.” (Act No. 8, March 31, 2020), due to application of the Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System”(Practical Issues Task Force No.39, March 31, 2020), and the amount of deferred tax asset and deferred tax liability are based on the tax act before revision.

(21) Accounting standards 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 consolidated accounting process.

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.

Adjustments are also made when necessary in the consolidated accounting process.

## Changes in Accounting Policies

(Changes in Accounting Policies Due to the Revision of Accounting Standards, etc.)  
(Accounting Standard for Fair Value Measurement)

ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" (ASBJ, July 4, 2019; hereinafter referred to as "Accounting Standard for Fair Value Measurement") and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ, July 4, 2019), are applied for the end of the current fiscal year. In accordance with Paragraph 8 of "Accounting Standard for Fair Value Measurement", the risk adjustment method used to determine the fair value of derivatives is revised to maximize the use of relevant observable inputs estimated from derivatives traded in the market. This revision is due to the application of "Accounting Standard for Fair Value Measurement". In accordance with the transitional measures set forth in Paragraph 20 of "Accounting Standard for Fair Value Measurement", the cumulative effect of applying the new accounting policy retroactively prior to the beginning of the current fiscal year is reflected in the retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the beginning of the current fiscal year as a change in the accounting policy.

As a result, retained earnings at the beginning of the current fiscal year decreased by ¥20,533 million, trading assets decreased by ¥17,428 million, other assets decreased by ¥5,509 million, trading liabilities increased by ¥4,083 million, other liabilities increased by ¥1,680 million, and net assets per share decreased by ¥1.58.

(New Accounting Pronouncement)  
(Accounting Standards Update ("ASU") 2016-13, Measurement of Credit Losses on Financial Instruments)

### (1) Summary

The Financial Accounting Standards Boards ("FASB") issued new guidance "Measurement of Credit Losses on Financial Instruments" on June 16, 2016. It replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects the expected credit losses across the all term for the reported amount of the financial asset measured at amortized cost basis.

### (2) Effective date

The MUFG Group will adopt the guidance at the beginning of fiscal year 2020 where financial statements of some foreign subsidiaries are prepared in accordance with U.S. GAAP.

### (3) Impact of amount

It resulted in an increase in the allowance for credit losses of approximately ¥170 billion and decrease in the retained earnings of approximately ¥120 billion on April 1, 2020.

## Additional Information

(Major overseas subsidiaries' credit costs which will be reflected to MUFG's consolidated financial statements in the first quarter of fiscal year 2020)

Major overseas subsidiaries which were consolidated based on their financial statements as of their balance sheet date, December 31, 2019, adopted the new guidance ASU 2016-13, which introduced the concept of current expected credit loss. Mainly due to the outbreak of COVID-19, their credit costs (provision for allowance for credit losses, write-offs of loans and provision for reserve for contingent losses) increased in the first quarter of fiscal year 2020 (from January to March) and will be expected approximately ¥90 billion in total based on the current estimate. These credit costs will be included in the first quarter of fiscal year 2020 in MUFG's consolidated financial statements.

## 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, ¥28,216,081 million of such securities were re-pledged, ¥1,005,082 million were re-loaned and ¥5,056,006 million were held by MUFG as of the consolidated balance sheet date.
2. Loans to bankrupt borrowers: ¥39,125 million.  
Non-accrual delinquent loans: ¥650,698 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 payments, to assist borrowers in improving their financial condition.
3. Accruing loans contractually past due 3 months or more: ¥17,238 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, other than loans to bankrupt borrowers and non-accrual delinquent loans.
4. Restructured loans: ¥382,772 million.  
Restructured loans represent loans renegotiated at concessionary terms, including interest rate reductions, deferral of interest payments, deferral of principal repayments, waivers of loan claims, and other negotiated terms, that are favorable to the borrower, for the purpose of business reconstruction of or support for the borrower, other than loans to bankrupt borrowers, non-accrual delinquent loans and accruing loans contractually past due 3 months or more.
5. Total of loans to bankrupt borrowers, non-accrual delinquent loans, accruing loans contractually past due 3 months or more and restructured loans was ¥1,089,835 million.  
The amounts provided in Notes 2 to 5 above represent gross amounts before the deduction of allowance 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 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 ¥1,122,656 million.
7. Assets pledged as collateral were as follows:
 

Cash and due from banks	¥453 million
Trading assets	¥1,736,120 million
Securities	¥7,339,000 million
Loans and bills discounted	¥12,699,703 million

Liabilities related to pledged assets were as follows:

Deposits	¥428,773 million
Trading liabilities	¥15,600 million
Borrowed money	¥21,320,199 million
Bonds payable	¥86,650 million
Other liabilities	¥1,804 million

In addition to the items listed above, ¥21,586 million of monetary claims bought, ¥1,200,369 million of trading assets, ¥10,744,663 million of securities, and ¥6,288,167 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. Trading assets of ¥1,582,019 million and securities of ¥10,019,312 million 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 ¥11,152,969 million and ¥51,439 million, respectively. In addition, ¥1,341,676 million of trading assets and ¥2,238,206 million of securities were pledged under general collateral repurchase agreements using the subsequent collateral allocation method.

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 bank acceptance rediscounted and bills of exchange rediscounted was ¥6,905 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 ¥85,180,305 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. The amount of assets that belonged to the declaration of trust for which domestic trust banking subsidiaries were the settlor and trustee was loans and bills discounted, ¥826,598 million.
10. 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 "Land revaluation excess" in net assets. Land revaluation excess includes MUFG's share of affiliated companies' Land revaluation excess.

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.

11. Accumulated depreciation on tangible fixed assets: ¥1,178,796 million.
12. Deferred gains on tangible fixed assets deducted for tax purposes: ¥76,153 million.
13. Borrowed money included ¥260,500 million of subordinated borrowings with special contractual provisions which rank below other debts with regard to the fulfillment of obligations.
14. Bonds payable included ¥4,407,252 million of subordinated bonds.
15. The principal amount of money trusts entrusted to domestic trust banking subsidiaries, for which repayment of the principal to the customers was guaranteed, was ¥6,744,156 million.
16. 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 ¥297,220 million.

17. 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 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.

## Notes to the Consolidated Statement of Income

1. “Other ordinary income” included ¥277,221 million of equity in earnings of the equity method investees and ¥166,710 million of gains on sales of equity securities.
2. “Other ordinary expenses” included ¥179,213 million of write-offs of loans, ¥74,552 million of losses on sales of equity securities, ¥60,817 million of write-offs of equity securities.
3. “Losses on impairment of fixed assets” included an impairment loss on goodwill of ¥27,181 million recognized by MUFG Americas Holdings Corporation (“MUAH”), a consolidated subsidiary of MUFG, in connection with its business acquisitions.  
MUAH groups its assets based on business category. Due to the decline in interest rates in the United States, the projected profitability mainly related to the subsidiary’s lending services was reevaluated, and a goodwill impairment test was performed in accordance with U.S. GAAP. As a result, it was determined that the carrying amount of a portion of the goodwill allocated to the Global Commercial Banking Business Group, the relevant reporting segment of MUFG, exceeded the fair value of such goodwill, and, to the extent of such excess, an impairment loss was recorded. The fair value was estimated using a combination of the income approach based on the projected profitability and the market approach.
4. “Amortization of goodwill” was recorded in connection with an impairment loss due to the decline in the market price of the equity securities of PT Bank Danamon Indonesia, Tbk. and Bank of Ayudhya Public Company Limited held through a consolidated domestic banking subsidiary, in accordance with the provisions of Paragraph 32 of the JICPA Accounting Committee Report No. 7 “Practical Guidelines for the Capital Consolidation Procedure in Consolidated Financial Statements” (May 12, 1998).



## 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, 2019	Number of shares increased	Number of shares decreased	Number of shares as of March 31, 2020	Note
Issued shares					
Common stock	13,667,770	-	85,775	13,581,995	(Note 1)
Total	13,667,770	-	85,775	13,581,995	
Treasury stock					
Common stock	745,316	85,816	89,769	741,363	(Note 2&3)
Total	745,316	85,816	89,769	741,363	

(Note 1) The decrease in the number of shares of common stock by 85,775 thousand shares was due to the cancellation of shares.

(Note 2) The increase in the number of shares of common stock held in treasury by 85,816 thousand shares was mainly due to the acquisitions of shares pursuant to provisions of the Articles of Incorporation 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 89,769 thousand shares was mainly due to the cancellation of shares, the sale of shares for a performance-based director and officer stock compensation plan using a Board Incentive Plan trust ("BIP trust"), the sale of shares in response to requests made by shareholders holding shares constituting less than one whole unit and a decrease in the number of shares held by equity method affiliates.

(Note 3) The number of shares of common stock as of April 1, 2019 and March 31, 2020 includes 35,036 thousand shares and 31,064 thousand shares held by the BIP trust, respectively. For the fiscal year ended March 31, 2020, the number of shares held by the BIP trust decreased by 3,971 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, 2020 (in millions of yen)
			As of April 1, 2019	Increase	Decrease	As of March 31, 2020	
MUFG	Stock options			-			59
Total				-			59

## 3. Information on cash dividends

## (A) Cash dividends paid in the fiscal year ended March 31, 2020.

Date of approval	Type of stock	Total Dividends (in millions of yen)	Dividend per share (in yen)	Dividend record date	Effective date
Annual General Meeting of Shareholders on June 27, 2019	Common stock	142,552	11	March 31, 2019	June 28, 2019
Meeting of Board of Directors on November 13, 2019	Common stock	161,991	12.5	September 30, 2019	December 5, 2019

(Note) The total dividend amount as resolved by the Annual General Meeting of Shareholders on June 27, 2019 includes ¥385 million of dividends on the treasury shares held by the BIP trust, and the total dividend amount as resolved by the Meeting of the Board of Directors on November 13, 2019 includes ¥389 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, 2020.

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, 2020.

Date of approval (scheduled)	Type of stock	Total Dividends (in millions of yen)	Source of dividends	Dividend per share (in yen)	Dividend record date	Effective date
Annual General Meeting of Shareholders on June 29, 2020 (tentative)	Common stock	160,918	Retained earnings	12.5	March 31, 2020	June 30, 2020

(Note) The total dividend amount includes ¥388 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 and other market conditions, 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 holds various types of financial instruments such as loans, securities, and derivatives and is 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 MUFG’s 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 MUFG’s 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, loans and bonds, 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 by verification of 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 MUFG’s group companies and uses credit rating and asset evaluation and assessment systems to ensure timely and proper evaluation of credit risk.

Within the basic framework of MUFG’s 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 MUFG’s 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 on important credit risk management and administration matters.

In addition to providing 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 department) 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 MUFG's capital base, and establishes quantitative limits on market risk based on the allocated economic capital as well as limits on losses to contain MUFG's exposure to risks and losses within a certain range.

**(b) Market risk management**

MUFG reports daily the status on group-wide exposure to market risk and compliance with quantitative limits on market risk and losses at each major group company to the Chief Risk Officer, while each major 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 and each major group company conduct comprehensive analyses on risk profiles, including stress testing, and regularly reports to their respective ALM Committees and Corporate Risk Management Committees.

MUFG administers risks at each business unit at MUFG's 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 verifies 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 ¥24.8 billion as of March 31, 2020.

## (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 ¥672.8 billion as of March 31, 2020. 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, 2020, MUFG has determined that the total market capitalization across the Group would fluctuate by ¥2.8 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 2019 indicated that the virtual loss exceeded VaR four times.

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

MUFG's 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 of the fair value of financial instruments

Since certain assumptions have been adopted in the calculation of the fair value of financial instruments, they may differ in value if different assumptions have been used.

## 2. Matters concerning fair value of financial instruments and breakdown by appropriate category

The following table summarizes the amount stated on consolidated balance sheet and the fair value of financial instruments as of March 31, 2020 together with their difference.

The following table does not include investment trusts and equity securities with no quoted market price available, etc. for which transitional measures are applied in accordance with Paragraph 26 of ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter referred to as "Guidance for Application of Fair Value Measurement"), and Investments in partnerships and others for which transitional measures are applied in accordance with Paragraph 27 of Guidance for Application of Fair Value Measurement(see (1)\*2, (Note 2)).

The fair values of financial instruments are classified into the following three levels depending on the observability and importance of the input used in the fair value calculation.

Level 1: Fair value determined based on the (unadjusted) quoted price in the active market for the same asset or liability

Level 2: Fair value determined based on observable inputs other than the Level 1 inputs, either directly or indirectly

Level 3: Fair value determined based on significant unobservable inputs

Where multiple inputs that have a material effect on the fair value are used, the fair value is classified at the lowest priority level of the level to which each of those inputs belongs.

## (1) Financial assets and liabilities at fair value on the consolidated balance sheets

Category	Amount on consolidated balance sheet
Monetary claims bought (*1)	1,599,000
Trading assets(*2)	9,428,677
Money held in trust (Trading purpose / Other)	962,204
Securities (Available-for-sale securities)	56,472,467
Domestic equity securities	4,141,355
Government bonds	20,643,048
Municipal bonds	2,952,820
Corporate bonds	3,877,238
Foreign equity securities	79,521
Foreign bonds	24,502,462
Other securities (*2)	276,021
Total assets	68,462,350
Trading liabilities (*2)	3,949,827
Borrowed money (FVO)(*3)	341,977
Bonds payable (FVO)(*3)	178,730
Total liabilities	4,470,535
Derivatives (*4) (*5)	1,047,402
Interest rate-related derivatives	869,258
Currency-related derivatives	80,463
Equity-related derivatives	76,942
Bond-related derivatives	1,776
Commodity-related derivatives	(65)
Credit-related derivatives	18,322
Other derivatives	704

(\*1) Monetary claims bought consists of securitized products accounted for in the same manner as available-for-sale securities, which are ¥1,599,000 million.

(\*2) The amount of investment trusts for which transitional measures are applied in accordance with Paragraph 26 of the Guidance for Application of Fair Value Measurement doesn't include in the table above. The amount of such investment trusts on the consolidated balance sheets is financial assets of ¥ 3,939,798 million and financial liabilities of ¥ 387,655 million.

(\*3) Some overseas subsidiaries applied the fair value option.

(\*4) Derivative transactions in trading assets and liabilities as well as other assets and liabilities are shown together. Assets or liabilities arising from derivative transactions are presented in net assets or liabilities, and net liabilities in the aggregate are presented in minus.

(\*5) Derivative transactions for which hedge accounting is applied are reported in the consolidated balance sheet at ¥125,393 million.

## (2) Financial assets and financial liabilities which are not stated at fair value on the consolidated balance sheet

Cash and due from banks, Call loans and bills bought, Receivables under resale agreements, Receivables under securities borrowing transactions, Foreign exchanges (assets and liabilities), Call money and bills sold, Payables under repurchase agreements, Payables under securities lending transactions, Commercial papers, Short-term bonds payable, Due to trust accounts and Other liabilities are not included the following since they are short-term (within one year), and their fair values approximate their carrying amounts.

(in millions of yen)

Category	Fair value	Amount on consolidated balance sheet	Difference
Monetary claims bought (*1)	4,954,064	4,984,402	(30,337)
Money held in trust (other / held to maturity)	84,474	84,119	355
Securities (held to maturity)	2,175,454	2,135,900	39,533
Government bonds	1,130,430	1,100,574	29,855
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Foreign bonds	1,044,532	1,034,835	9,696
Other securities	491	490	1
Loans and bills discounted (*2)	109,591,033	108,509,127	1,081,905
<b>Total assets</b>	<b>116,805,027</b>	<b>115,713,549</b>	<b>1,091,477</b>
Deposits	187,672,167	187,623,551	48,615
Negotiable certificates of deposit	7,800,875	7,787,524	13,351
Borrowed money	24,313,762	24,309,597	4,165
Bonds payable	13,446,923	13,285,741	161,182
<b>Total liabilities</b>	<b>233,233,729</b>	<b>233,006,415</b>	<b>227,313</b>

(\*1) Monetary claims bought include securitized products accounted for in the same manner as securities held to maturity ¥2,029,880 million.

(\*2) General and specific allowances for credit losses corresponding to loans are deducted by ¥605,484 million. However, with respect to items other than loans, the amount stated on the consolidated balance sheet is shown since the amount of allowance for credit losses corresponding to these items is insignificant.



## (Note 1) Description of the valuation techniques and inputs used to determine fair value

Monetary claims bought

The fair value of Monetary claims bought are determined using prices obtained from third-party vendors (broker-dealers, etc.) or the prices estimated based on internal models.

With respect to some securitized products backed by general corporate loans, the fair value is measured by weighing the estimated fair value amounts determined using projected cash flows through an analysis of underlying loans, probability of default, prepayment rates, etc. and discounting the cash flows using discount rate reflecting the liquidity premium based on historical market data and the prices from the independent broker-dealers. These products are classified into Level 3.

For other securitized products, the fair value is determined based on the prices obtained from independent third 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. These products are classified into Level 2 or Level 3 depending on the inputs used for the prices obtained from independent third parties. For certain monetary claims bought for which these methods do not apply, the fair value is measured based on either present value using projected future cash flows through the prepayment rates, etc., and discounting at the market interest rate as of the valuation date with certain adjustments or carrying amount as the fair value approximates such carrying amount from their qualitative viewpoint. If these monetary claims bought are measured at present value, these monetary claims bought are classified into Level 2, otherwise, these monetary claims bought are classified into Level 3.

Trading assets

Securities such as bonds that are held for trading purposes are classified as Level 1 if prices quoted by stock exchanges are available in active market, and as Level 2 if the fair value are determined based on either 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 or prices quoted by the financial institutions from which these securities are purchased.

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 and these securities are classified into Level 2 depending on the fair value hierarchy of the component assets.

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.

Securities

The fair value of equity securities is determined based on the price quoted by stock exchanges and equity securities are primarily classified into Level 1 as the quoted prices are available in active market. The fair value of bonds is determined based on the market price or by the financial institutions from which they are purchased, or based on the price reasonably calculated. The bond such as government bonds are classified into Level 1 and other bonds are classified into Level 2.

For privately placed guaranteed bonds held by MUFG's bank or trust subsidiaries, the fair value is determined based on the present value of expected future cash flow, which is adjusted to reflect credit risk, amount to be collected from collateral 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. These bonds are classified into Level 2 or Level 3 depending on credit risk, etc.

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 and these Japanese government bonds are classified into Level 2.

The fair value of investment trusts is determined based on the publicly available price and these investment trusts are not classified into any fair value hierarchy applying the transitional measures in accordance with Paragraph 26 of Guidance for Application of Fair Value Measurement.

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

Loans and bills discounted

With respect to loans, for each category of loans based on types of loans, credit 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. These loans are classified into Level 3. 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. These loans are classified as Level 3.

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. These receivables are classified into Level 3. 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.

Deposits and 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. The fair value of most of fixed rate time deposits is the present value discounted by expected future cash flow grouped by certain maturity periods. The discount rate used is the interest rate that would be applied to newly accepted deposits. These are classified into Level 2.

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 MUFG’s or MUFG’s 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 the premium applicable to MUFG’s or MUFG’s consolidated subsidiaries. These are classified as Level 2. The fair value of borrowed money 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.

Bonds payable

The fair value of corporate bonds issued by MUFG and MUFG’s 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 MUFG’s or MUFG’s 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 the premium applicable to MUFG or MUFG’s consolidated subsidiaries. These are classified as Level 2. 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.

Structured bonds issued by some overseas subsidiaries applied fair value option and the fair value of structured bonds is calculated based on the model. Structured bonds used observable inputs are classified into Level 2. Structured bonds used significant unobservable inputs are classified into Level 3.

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 exchange-traded derivative transactions is based on the price posted by exchanges. The fair value of over-the-counter derivative transactions is based on the discounted present value or amount calculated under the option-price calculation model.

The key inputs used in the valuation techniques for over-the-counter derivative transactions includes such as interest rate yield curve, foreign currency exchange rate and volatility. For over-the-counter traded derivative transactions, adjustments are made for counterparty credit risk adjustments (credit valuation adjustments:CVA) and adjustments to reflect the impact of uncollateralized funding (funding valuation adjustments: FVA). The calculation of CVA takes into account probability of default event occurring for each counterparty which is primarily derived from observed or estimated spread on credit default swaps.

In addition, the calculation of CVA takes into account the effect of credit risk mitigation such as pledged collateral and the legal right of offset with the counterparty.

The calculation of FVA takes into account the MUFG's market funding spread reflecting the credit risk of MUFG and the funding exposure of any uncollateralized component of the over-the-counter derivative instrument.

Exchange-traded derivative transactions valued using quoted prices are classified into Level 1. Over-the-counter derivative transactions are classified into Level 2 if they do not used significant unobservable inputs. Over-the-counter derivative transactions used significant unobservable inputs are classified into Level 3.

(Note 2) The following table summarizes equity securities with no quoted market price available and investments in partnerships and others on the consolidated balance sheet. These securities are not included in the amount presented under the line item “2. Matters concerning fair value of financial instruments and breakdown by appropriate category” in the table summarizing the fair value of financial instruments.

(in millions of yen)	
Category	Carrying amount
Equity securities with no quoted market price available (*1) (*3)	264,144
Investments in partnerships and others (*2) (*3)	96,173

(\*1) Equity securities with no quoted market price available includes unlisted equity securities. Their fair value is not disclosed in accordance with Paragraph 5 of ASBJ Guidance No. 19 "Implementation Guidance on Disclosures about Fair Value of Financial Instruments".

(\*2) Investments in partnerships and others mainly include silent partnerships and investment partnerships and other partnerships. Their fair values are not disclosed in accordance with Paragraph 27 of Guidance for Application of Fair Value Measurement.

(\*3) With respect to unlisted equity securities, an impairment loss of ¥3,479 million was recorded in the current fiscal year.

## Notes to Securities

In addition to “Securities” on the consolidated balance sheet, 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,” securitized products in “Monetary claims bought” and others.

### 1. Trading securities (as of March 31, 2020)

(in millions of yen)

	Net unrealized gains (losses) recorded on the consolidated statement of income during the current fiscal year
Trading securities	92,251

### 2. Debt securities being held to maturity (as of March 31, 2020)

(in millions of yen)

	Type of securities	Amount on consolidated balance sheet	Fair value	Difference
Securities whose fair value exceeds amount on the consolidated balance sheet	Domestic bonds	1,100,574	1,130,430	29,855
	Government bonds	1,100,574	1,130,430	29,855
	Municipal bonds	-	-	-
	Corporate bonds	-	-	-
	Other securities	804,872	818,864	13,991
	Foreign bonds	699,138	712,853	13,715
	Other	105,733	106,010	276
	Subtotal	1,905,446	1,949,294	43,847
Securities whose fair value does not exceed amount on the consolidated balance sheet	Domestic bonds	-	-	-
	Government bonds	-	-	-
	Municipal bonds	-	-	-
	Corporate bonds	-	-	-
	Other securities	2,260,334	2,228,600	(31,734)
	Foreign bonds	335,697	331,678	(4,018)
	Other	1,924,637	1,896,921	(27,715)
	Subtotal	2,260,334	2,228,600	(31,734)
Total		4,165,781	4,177,894	12,113

## 3. Available-for-sale securities (as of March 31, 2020)

(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	3,836,050	1,613,719	2,222,330
	Domestic bonds	14,149,849	13,943,337	206,512
	Government bonds	9,531,967	9,379,770	152,196
	Municipal bonds	1,983,720	1,967,441	16,279
	Corporate bonds	2,634,162	2,596,125	38,036
	Other securities	22,853,791	21,920,975	932,815
	Foreign equity securities	59,909	47,218	12,690
	Foreign bonds	20,773,779	19,974,822	798,956
	Other	2,020,101	1,898,933	121,168
		Subtotal	40,839,691	37,478,032
Securities whose fair value does not exceed the acquisition cost	Domestic equity securities	305,304	387,653	(82,349)
	Domestic bonds	13,323,256	13,358,391	(35,134)
	Government bonds	11,111,080	11,139,365	(28,284)
	Municipal bonds	969,099	971,302	(2,202)
	Corporate bonds	1,243,076	1,247,723	(4,647)
	Other securities	7,682,936	8,038,480	(355,543)
	Foreign equity securities	19,611	19,630	(19)
	Foreign bonds	3,728,683	3,789,495	(60,811)
	Other	3,934,641	4,229,354	(294,712)
		Subtotal	21,311,498	21,784,525
Total		62,151,189	59,262,558	2,888,631

(Note) Net unrealized gains (losses) on available-for-sale securities consisted of the following:

(in millions of yen)

Total difference	2,888,631
Revaluation gains (losses) on securities as a result of application of the fair value hedge accounting method, which are recorded in current earnings	24,151
Subtotal excluding the revaluation gains (losses) on securities as a result of the application of the fair value hedge accounting method	2,864,480
Unrealized gains (losses) on available-for-sale securities in investment limited partnerships	(2,017)
Unrealized gains (losses) as a result of foreign exchange adjustments related to available-for-sale securities denominated in foreign currencies whose fair value cannot be reliably determined	(5,849)
Net unrealized gains (losses) on available-for-sale securities	2,856,613
Deferred tax assets (liabilities)	(806,968)
Net unrealized gains (losses) on available-for-sale securities, net of deferred tax liabilities (before adjustments for non-controlling interests)	2,049,644
Non-controlling interests	(5,413)
MUFG's ownership share in equity method investees' unrealized gains (losses) on available-for-sale securities	17,578
Total net unrealized gains (losses) on available-for-sale securities	2,061,810

## 4. Available-for-sale securities sold during the current fiscal year (from April 1, 2019 to March 31, 2020)

(in millions of yen)

	Amount sold	Gains on sales	Losses on sales
Domestic equity securities	300,549	140,259	14,946
Domestic bonds	26,003,540	126,623	44,547
Government bonds	25,871,183	126,530	44,398
Municipal bonds	33,719	26	45
Corporate bonds	98,638	66	103
Other securities	36,729,642	563,595	174,097
Foreign equity securities	11,171	1,984	193
Foreign bonds	34,150,967	532,849	105,043
Other	2,567,503	28,761	68,859
Total	63,033,732	830,478	233,590

## 5. Securities reclassified due to change of purposes to be held

An overseas subsidiary whose fiscal year end is December 31 reclassified its securitized products of ¥18,606 million which had been previously classified as “Debt securities being held to maturity” to “Available-for-sale securities” during the fiscal year ended March 31, 2020 in accordance with Accounting Standards Codification (ASC) 320 “Investments — Debt Securities” released by the FASB. This change was made because the transition election of updated (ASC) 815 “Derivatives and hedging” was applied.

## 6. Securities with impairment losses

Securities other than those held for trading purposes and investments in affiliates (excluding certain equity securities with no quoted market price available and Investment in partnerships and others) are subject to write-downs when their fair value significantly declines and it is determined as of the end of the reporting period that it is not probable that the value will recover to the acquisition cost. In such case, the fair value is recorded on the consolidated balance sheet and the difference between the fair value and the acquisition cost is recognized as losses for the reporting period (referred to as “impairment losses”).

For the current fiscal year, impairment losses were ¥57,525 million consisting of ¥57,267 million of impairment losses on equity securities and ¥258 million of impairment losses on bonds and other securities.

Whether there is any “significant decline in the fair value” is determined for each category of issuers in accordance with the internal standards for self-assessment of asset quality as provided below:

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

The fair value is lower than the acquisition cost

Issuers requiring close watch:

The fair value has declined 30% or more from the acquisition cost.

Normal issuers:

The fair value has declined 50% or more from the acquisition cost.

“Bankrupt issuers” means 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” means issuers who are not legally or formally bankrupt but are regarded as substantially in a similar condition. “Likely to become bankrupt issuers” means issuers who are not yet legally or formally bankrupt but deemed to have a high possibility of becoming bankrupt. “Issuers requiring close watch” means issuers who are financially weak and are under close monitoring by our subsidiaries. “Normal issuers” means issuers other than those who are categorized in the four categories mentioned above.

## Notes to Money Held in Trust

### 1. Money held in trust for trading purpose (as of March 31, 2020)

(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	64,111	10,470

### 2. Money held in trust being held to maturity (as of March 31, 2020)

(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	42,119	42,786	667	667	-

(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 “Difference (b) – (a)”.

### 3. Money held in trust not for trading purpose or being held to maturity (as of March 31, 2020)

(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	940,092	920,684	19,408	19,490	81

(Note1) “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 “Difference (a) – (b)”.

(Note2) Net unrealized gains (losses) on available-for-sale securities consisted of the following :

(in millions of yen)

Total difference	19,408
Deferred tax assets (liabilities)	(5,971)
Net unrealized gains (losses) on available-for-sale securities, net of deferred tax liabilities (before adjustments for non-controlling interests)	13,436
Non-controlling interests	(285)
Total net unrealized gains (losses) on available-for-sale securities	13,151



**Notes to Per Share Information:**

Total equity per common share	¥1,245.33
Basic earnings per common share	¥40.95
Diluted earnings per common share	¥40.70

The shares of MUFG common stock remaining in the BIP trust, which were included in the treasury stock as part of shareholders' equity, were deducted from the average number of common shares for the fiscal year ended March 31, 2020 used for the calculation of earnings per common share and from the number of common shares as of March 31, 2020 used for the calculation of total equity per common share. The average number of such treasury stock deducted from the calculation of earnings per common share for the fiscal year ended March 31, 2020 was 32,365 thousand shares, and the number of such treasury stock deducted from the calculation of total equity per common share as of March 31, 2020 was 31,064 thousand shares.

## Notes to Business Combinations:

### Business combination through acquisition

(PT Bank Danamon Indonesia, Tbk. became a consolidated subsidiary through an additional share acquisition)

On April 29, 2019, MUFG Bank, Ltd. (“the Bank”), a consolidated subsidiary of MUFG, acquired an additional equity interest in PT Bank Danamon Indonesia, Tbk. (“Danamon”), an equity method affiliate of MUFG and the Bank.

As a result, the Bank’s voting rights in Danamon exceeded 50%, and Danamon became a consolidated subsidiary of MUFG and the Bank.

On May 1, 2019, Danamon and PT Bank Nusantara Parahyangan, Tbk. (“BNP”), a consolidated subsidiary of MUFG and the Bank, completed an absorption-type merger, in which Danamon was the surviving bank and BNP was the absorbed bank.

#### I. Overview of the business combination

##### (1) Name and business description of the acquired company

Name of the acquired company	PT Bank Danamon Indonesia, Tbk.
Business description	Commercial banking

##### (2) Main objectives of the business combination

The Bank intends to establish an integrated and comprehensive services platform that serves as a gateway for clients wishing to make inroads into Indonesia’s burgeoning economy as well as local companies keen on expanding into the region. This investment is also expected to strategically allow the Bank to benefit from Danamon’s foothold in the developing local retail and small and medium enterprises (SME) segments to deepen its banking franchise in Indonesia.

##### (3) Date of the business combination

April 29, 2019

##### (4) Legal form of the business combination

Consolidation of the company as a subsidiary through the acquisition of additional shares

##### (5) Company name after the business combination

No change

##### (6) Ratio of the acquired voting rights in Danamon after the absorption-type merger

Ratio of the voting rights held immediately prior to the business combination	40.0%
Ratio of the additionally acquired voting rights	54.1%
Ratio of the voting rights after the acquisition	94.1%

#### II. Period in which the acquired company’s operating results were reflected in the consolidated statements of income

The fiscal year end of Danamon is the end of December, which differs by three months from the consolidated balance sheet date of MUFG. The results of operations of Danamon for the period from April 29, 2019 to December 31, 2019 were included in the consolidated statements of income.

#### III. Acquisition cost relating to the acquired company and components thereof

Consideration for the acquisition	Cash	¥664,578 million
Acquisition cost		¥664,578 million

#### IV. Description and amount of major acquisition-related expenses

Direct expenses relating to the acquisition    Advisory fees, etc.    ¥2,748 million

#### V. Difference between the recorded acquisition cost relating to the acquired company and the sum of the acquisition costs relating to the transactions executed in phases for the acquisition

Gains on step acquisitions    ¥2,105 million

## VI. Amount of goodwill recorded, reason for goodwill recorded, amortization method and amortization period

## (1) Amount of goodwill recorded

¥218,342 million

## (2) Reason for goodwill recorded

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

## (3) Amortization method and amortization period

As explained in "Notes to the Consolidated Statement of Income" (Refer for details), although the goodwill was intended to be amortized over 20 years using the straight-line method, MUFG recorded a one-time amortization in accordance with the provisions of Paragraph 32 of the JICPA Accounting Committee Report No. 7 "Practical Guidelines for the Capital Consolidation Procedure in Consolidated Financial Statements" (May 12, 1998).

## VII. Amounts of assets received and liabilities assumed on the date of the business combination and major components thereof

(1) Amount of assets	Total assets	¥1,698,833 million
	Of which, loans and bills discounted	¥948,933 million
(2) Amount of liabilities	Total liabilities	¥1,219,844 million
	Of which, deposits	¥861,690 million

In the allocation of the acquisition cost, the amount allocated to intangible fixed assets other than goodwill was ¥141,351 million, which mainly consisted of ¥79,552 million of relationships with agents (amortization period of 13 years) and ¥29,803 million of core ordinary deposits (amortization period of 9 years).

## VIII. Estimated amount of the impact of the business combination on the consolidated statements of income for the current fiscal year and the calculation method of such amount assuming that the business combination was completed on the beginning date of the current fiscal year

Ordinary income	¥48,173 million
Ordinary profits	¥4,296 million
Profits attributable to owners of parent	¥2,563 million

## (Method used for calculating the estimated amount)

The estimated amount represents the impact of the business combination on ordinary income, ordinary profits and profits attributable to owners of parent, each calculated based on the assumption that the business combination was completed on the beginning date of the current fiscal year. The amount of amortization has also been calculated based on the assumption that the goodwill and intangible fixed assets recognized in connection with the business combination were recognized as of the beginning date of the current fiscal year.

The estimated amount is unaudited.

## (Acquisition of Aviation Finance Lending Division from DVB Bank)

On November 18, 2019, the Bank, a consolidated subsidiary of MUFG, completed its acquisition (the "Transaction") from DVB Bank SE in Germany ("DVB") of DVB's aviation finance lending portfolio, employees and other parts of the operating infrastructure based on an agreement among DVB, the Bank and BOT Lease Co., Ltd., an equity method affiliate of both MUFG and the Bank.

## I. Overview of the business combination

## (1) Name of counterparty and business description

Name of counterparty	DVB Bank SE
Business description	Aviation financing

## (2) Main objectives of the business combination

The Transaction is intended to improve MUFG's ability to offer solutions to MUFG's clients by enhancing MUFG's Global Corporate Investment Banking Business platform in terms of higher returns, portfolio diversification, broadening MUFG's customer base and securing experienced professionals through the Transaction.

## (3) Date of the business combination

November 18, 2019

## (4) Legal form of the business combination

Acquisition of business

## II. Period in which the operating results of the acquired business were reflected in the consolidated statements of income

The operating results of the acquired business from November 18, 2019 to March 31, 2020 were included in the consolidated statements of income.

## III. Acquisition cost relating to the acquisition and components thereof

Consideration for the acquired business	Cash	¥555,249 million
Acquisition cost		¥555,249 million

The acquisition cost relating to the acquisition has not been determined since post-acquisition price adjustments are yet to be completed.

## IV. Description and amount of major acquisition-related expenses

Direct expenses relating to the acquisition	Advisory fees, etc.	¥ 2,199million
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The major acquisition-related expenses have not been determined, and the amount shown above has been calculated on a preliminary basis.

## V. Amount of goodwill recorded, reason for goodwill recorded, amortization method and amortization period

## (1) Amount of goodwill recorded

¥23,023 million

The amount of goodwill shown above has been calculated on a preliminary basis since post-acquisition price adjustments are yet to be completed.

## (2) Reason for goodwill recorded

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

## (3) Amortization method and amortization period

Straight-line method over 20 years

## VI. Amounts of assets received and liabilities assumed on the date of the business combination and major components thereof

(1) Amount of assets	Total assets	¥522,797 million
	Of which, loans and bills discounted	¥515,932 million
	Of which, other assets	¥5,752 million
(2) Amount of liabilities	Total liabilities	¥138 million

VII. Estimated amount of the impact of the business combination on the consolidated statement of income for the current fiscal year and the calculation method of such amount assuming that the business combination was completed on the beginning date of the current fiscal year

Ordinary income	¥4,201 million
Ordinary profits (losses)	¥(465) million
Profits (losses) attributable to owners of parent	¥(465) million

(Method used for calculating the estimated amount)

The estimated amount represents the impact of the business combination on ordinary income, ordinary profits (losses) and profits (losses) attributable to owners of parent, each calculated based on the assumption that the business combination was completed on the beginning date of the current fiscal year. The amount of amortization has also been calculated based on the assumption that the goodwill recognized in connection with the business combination was recognized as of the beginning date of the current fiscal year.

The estimated amount is unaudited.

(Colonial First State Group Limited Subsidiaries became consolidated subsidiaries through a share acquisition)

On August 2, 2019, Mitsubishi UFJ Trust and Banking Corporation (“the Trust Bank”), a consolidated subsidiary of MUFG, acquired 100% of the shares in each of nine subsidiaries of Colonial First State Group Limited from Australian financial group Commonwealth Bank of Australia and its wholly-owned subsidiary Colonial First State Group Limited (the “Transaction”), and the nine subsidiaries became consolidated subsidiaries of MUFG and the Trust Bank.

On September 16, 2019, the nine subsidiaries and their subsidiaries rebranded themselves as First Sentier Investors (“FSI”) in Australia.

#### I. Overview of the business combination

##### (1) Names and business description of the acquired companies

###### Names of the acquired companies

Colonial First State Asset Management (Australia) Limited

Colonial First State Infrastructure Holdings Limited

Colonial First State Managed Infrastructure Limited

First State Investment Managers (Asia) Limited

First State Investments (UK Holdings) Limited

First State Investments (US) LLC

Realindex Investments Pty Limited

CFSGAM IP Holdings Pty Limited

CFSGAM Services Pty Ltd

###### Business description

Asset Management, etc.

##### (2) Main objectives of the business combination

MUFG has stated in the current Medium-Term Business Plan for the three years from 2018 that its Asset Management & Investor Services Business Group aims to become “the unparalleled industry leader in Japan as well as a global player boasting significant presence overseas”. To achieve this goal of becoming a major player in the global asset management market, MUFG has been pursuing growth through inorganic investments, while endeavoring to enhance its asset management capabilities and product competitiveness, with the Trust Bank being the core subsidiary in the Business Group. FSI offers a wide range of products including equities, fixed income and alternatives, and has specialist capabilities in Asian and emerging equity markets, alternatives (property and infrastructure), as well as passive and other products.

Through the Transaction, MUFG expects to be able to meet various client needs by expanding its product lineup and enhancing its presence as one of the largest asset management firms in the Asia and Oceania region. MUFG aims to work together with FSI to continue delivering value to our current and future clients.

##### (3) Date of the business combination

August 2, 2019

##### (4) Legal form of the business combination

Consolidation of the companies as subsidiaries through the acquisition of their shares

## (5) Companies' names after the business combination

- First Sentier Investors (Australia) IM Ltd (\*1)
- First Sentier Investors (Australia) Infrastructure Holdings Ltd (\*1)
- First Sentier Investors (Australia) RE Ltd (\*1)
- First Sentier Investors Asia Holdings Ltd (\*2)
- First State Investments (UK Holdings) Limited
- First State Investments (US) LLC
- First Sentier Investors Realindex Pty Ltd (\*1)
- First Sentier Investors (Australia) IP Holdings Pty Ltd (\*2)
- First Sentier Investors (Australia) Services Pty Ltd (\*2)
- (\*1) Company's name was changed on October 21, 2019
- (\*2) Company's name was changed on September 12, 2019

## (6) Ratio of the acquired voting rights

100%

## II. Period in which the acquired companies' operating results were reflected in the consolidated statements of income

The fiscal year end of FSI is the end of December, which differs by three months from the consolidated balance sheet date of MUFG.

The results of operations of FSI for the period from August 2, 2019 to December 31, 2019 were included in the consolidated statements of income.

## III. Acquisition cost relating to the acquired companies and components thereof

Consideration for the acquisition	Cash	¥312,225 million
Acquisition cost		¥312,225 million

## IV. Description and amount of major acquisition-related expenses

Direct expenses relating to the acquisition Advisory fees, etc. ¥3,775million

## V. Amount of goodwill recorded, reason for goodwill recorded, amortization method and amortization period

## (1) Amount of goodwill recorded

¥177,065 million

## (2) Reason for goodwill recorded

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

## (3) Amortization method and amortization period

Straight-line method over 20 years

## VI. Amounts of assets received and liabilities assumed on the date of the business combination and major components thereof

(1) Amount of assets	Total assets	¥197,867 million
	Of which, cash and due from banks	¥42,019 million
(2) Amount of liabilities	Total liabilities	¥68,519 million
	Of which, reserve for bonuses	¥18,769 million

In the allocation of the acquisition cost, the amount allocated to intangible fixed assets other than goodwill was ¥105,973 million, which mainly consisted of ¥100,862 million of customer relationships (amortization period of 18 years).

VII. Estimated amount of the impact of the business combination on the consolidated statements of income for the current fiscal year and the calculation method of such amount assuming that the business combination was completed on the beginning date of the current fiscal year

Ordinary income	¥40,632 million
Ordinary profits	¥4,633 million
Profits attributable to owners of parent	¥3,186 million

(Method used for calculating the estimated amount)

The estimated amount represents the impact of the business combination on ordinary income, ordinary profits and profits attributable to owners of parent, each calculated based on the assumption that the business combination was completed on the beginning date of the current fiscal year. The amount of amortization has also been calculated based on the assumption that the goodwill and intangible fixed assets recognized in connection with the business combination was recognized as of the beginning date of the current fiscal year.

The estimated amount is unaudited.



(Translation)

**Mitsubishi UFJ Financial Group, Inc.**

**Non-consolidated Statement of Changes in Net Assets**

**For the fiscal year  
ended  
March 31, 2020**

(In millions of yen)

	Shareholders' equity						Total shareholders' equity
	Capital stock	Capital surplus		Retained earnings		Treasury stock	
		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	1,115,016	150,000	3,472,056	(515,280)	8,504,830
Changes during the fiscal year							
Cash dividends					(304,543)		(304,543)
Profits					429,000		429,000
Repurchase of treasury stock						(50,022)	(50,022)
Disposal of treasury stock			(0)			2,508	2,507
Cancellation of treasury stock			(58,625)			58,625	
Net changes of items other than shareholders' equity							
Total changes during the fiscal year	—	—	(58,626)	—	124,456	11,112	76,942
Balance at the end of the fiscal year	2,141,513	2,141,524	1,056,389	150,000	3,596,513	(504,167)	8,581,773

	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	(95,044)		189	8,409,976
Changes during the fiscal year				
Cash dividends				(304,543)
Profits				429,000
Repurchase of treasury stock				(50,022)
Disposal of treasury stock				2,507
Cancellation of treasury stock				
Net changes of items other than shareholders' equity	9,820		(130)	9,690
Total changes during the fiscal year	9,820		(130)	86,632
Balance at the end of the fiscal year	(85,223)		59	8,496,609

## Notes to the Non-consolidated Financial Statements

### Notes to Significant Accounting Policies

#### 1. Securities

Equity securities of subsidiaries and affiliates are stated at cost computed under the moving-average method.

#### 2. Depreciation and Amortization of Fixed Assets

##### (1) Tangible Fixed Assets (Except for Lease Assets)

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

Buildings	10 to 15 years
Equipment and furniture	2 to 6 years

##### (2) Intangible Fixed 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

Depreciation or amortization of lease assets in “Tangible 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.

#### 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, 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 equity securities of 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 equity securities of 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.

##### (6) Adoption of transferring to consolidated taxation system

MUFG does not apply Paragraph 44 of the Accounting Standards Board of Japan (“ASBJ”) Guidance No.28, “Amendments to Accounting Standard for Tax Effect Accounting” (February 16, 2018), to items revised along with transition to consolidated taxation system under the “Partial amendments to Income Tax Act, etc.” (Act No. 8, March 31, 2020), due to application of the Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Practical Issues Task Force No.39, March 31, 2020), and the amount of deferred tax asset and deferred tax liability are based on the tax act before revision.

**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: ¥4,945 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 MUFG Bank(Europe)N.V., a subsidiary of MUFG, in accordance with regulations of The Deposit Protection Fund of Germany. The amount indemnified by MUFG was ¥224,033 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 ¥14 million.
4. Monetary Claims and Monetary Debts to Subsidiaries and Affiliates

Short-term monetary claims to subsidiaries and affiliates	¥516,328 million
Short-term monetary debts to subsidiaries and affiliates	¥1,351,305 million
Long-term monetary debts to subsidiaries and affiliates	¥10,500 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	¥400,893 million
Operating expenses	¥5,876 million
Non-operating transactions	¥366,360 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, 2019	Number of shares increased	Number of shares decreased	Number of shares as of March 31, 2020
Treasury stock				
Common stock	743,497	85,816	89,750	739,563

(Note1) The increase in the number of share of common stock held in treasury by 85,816 thousand shares was due to the acquisitions of shares pursuant to provisions of the Articles of Incorporation, 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 89,750 thousand shares was due to the sales of shares in response to requests made by shareholders holding shares constituting less than one whole unit, the cancellation of shares, and the sale or delivery of shares for the BIP trust.

(Note2) The number of shares of common stock as of March 31, 2020 includes 31,064 thousand shares held by the BIP trust. For the fiscal year ended March 31, 2020, the number of shares held by the BIP trust increased by 0 shares and decreased by 3,971 thousand shares.

**Notes to Tax Effect Accounting**

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

(in millions of yen)

Deferred tax assets:	
Tax loss carried forward	13,239
Deferred hedge losses	35,069
Equity securities of subsidiaries and affiliates	159,565
Others	2,124
Subtotal	209,999
Valuation allowance	(179,342)
Total deferred tax assets	30,656
Deferred tax liabilities:	
Equity securities of subsidiaries and affiliates	4,223
Deposits received(BIP trust)	207
Accrued dividend receivable	1,045
Others	97
Total deferred tax liabilities	5,574
Net deferred tax assets	25,082

**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	Relationship	Transactions	Amount	Amount on balance sheet as of March 31, 2020
Subsidiary	MUFG Bank, Ltd.	Directly 100.00% Indirectly - % Total 100.00%  The subsidiary's share of MUFG's voting rights - %	Significant subsidiary (Banking)	Lendings (*1)   Interest income (*1) Borrowings (*2) Interest payments (*2)	1,318,722   156,366 - 11,085	Long-term loans receivable from subsidiaries and affiliates 7,147,737  Other current assets (Short-term loans receivable from subsidiaries and affiliates) 301,426  Accrued income 24,251 Short-term borrowing 1,255,990 Accrued expenses 152
Subsidiary	Mitsubishi UFJ Trust and Banking Corporation	Directly 100.00% Indirectly - % Total 100.00%  The subsidiary's share of MUFG's voting rights - %	Significant subsidiary (Banking)	Lendings (*1)  Interest income (*1)	131,145  13,204	Long-term loans receivable from subsidiaries and affiliates 773,112  Accrued income 2,273
Subsidiary	Mitsubishi UFJ Securities Holdings Co., Ltd.	Directly 100.00% Indirectly - % Total 100.00%  The subsidiary's share of MUFG's voting rights - %	Other subsidiary	Lendings (*1)  Interest income (*1)	192,910  4,905	Long-term loans receivable from subsidiaries and affiliates 523,952  Accrued income 1,086
Subsidiary	MUFG Bank(Europe) N.V.	Directly - % Indirectly 100.00% Total 100.00%  The subsidiary's share of MUFG's voting rights - %	Other subsidiary	Guarantee(*3)	224,033	-

(in millions of yen)

Status	Name	MUFG's share of voting rights	Relationship	Transactions	Amount	Amount on balance sheet as of March 31, 2020
Subsidiary	MUFG Capital Finance 9 Limited	Directly 100.00% Indirectly - % Total 100.00%  The subsidiary's share of MUFG's voting rights - %	Special Purpose companies for issuance of preferred securities	Bonds Redemption (*4)	240,000	Bonds payable 10,500
				Interest payments (*5)	8,611	Accrued expenses 61
Affiliates	Morgan Stanley	Directly 23.93% Indirectly - % Total 23.93%  The subsidiary's share of MUFG's voting rights - %	Affiliates	The sale of equity securities of Morgan Stanley (*6)		
				The amount of sale	127,570	-
				Gains on the sale	80,065	-

Amount of transactions does not include consumption taxes.

Terms and conditions on transactions and transaction policy:

- (\*1) Interest rate on long-term loans receivable from subsidiaries and affiliates and short-term loans receivable from subsidiaries and affiliates were 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 affiliates and the short-term loans receivable from subsidiaries and affiliates were 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 MUFG Bank, Ltd. 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 MUFG Bank(Europe) N.V., a subsidiary of MUFG, in accordance with regulations of The Deposit Protection Fund of Germany without compensation.
- (\*4) By exercising the call right, the bonds were redeemed in advance.
- (\*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.
- (\*6) The amount of sale of equity securities of Morgan Stanley which MUFG sold through Morgan Stanley & Co.LLC as the agent of Morgan Stanley was determined based on the percentage of the number of shares Morgan Stanley had previously repurchased during certain period of time from other shareholders in the open market under its share repurchase program and the average price of those shares Morgan Stanley repurchased from other shareholders during such period.

**Notes to Per Share Information:**

Total equity per common share	¥661.59
Basic earnings per common share	¥33.25
Diluted earnings per common share	¥33.25

(Note) The shares of MUFG common stock remaining in the BIP trust, which were included in the treasury stock as part of shareholders' equity, were deducted from the average total number of issued shares for the fiscal year ended March 31, 2020 used for the calculation of earnings per common share and from the total number of issued shares as of March 31, 2020 used for the calculation of total equity per common share. The average number of such treasury stock deducted from the calculation of earnings per common share for the fiscal year ended March 31, 2020 was 32,365 thousand, and the number of such treasury stock deducted from the calculation of total equity per common share as of March 31, 2020 was 31,064 thousand.

**Other Notes**

## 1. Equity Securities of Subsidiaries and Affiliates

(in millions of yen)

	Amount on balance sheet	Fair value as of March 31, 2020	Net unrealized gains
Subsidiaries	90,074	258,449	168,374
Affiliates	775,224	1,514,091	738,867
Total	865,298	1,772,541	907,242

(Note) Equity securities of subsidiaries and affiliates with no quoted market price available.

(in millions of yen)

	Amount on balance sheet
Subsidiaries	8,561,046
Affiliates	47,039
Total	8,608,085

Since there was no quoted market price available, they were not included in the table above.

## 2. Subordinated Bonds

Bonds payable included ¥3,446,500 million of subordinated bonds.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 14, 2020

To the Board of Directors of  
Mitsubishi UFJ Financial Group, Inc.:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

Hidehito Goda

Designated Engagement Partner,  
Certified Public Accountant:

Hiroharu Nakamura

Designated Engagement Partner,  
Certified Public Accountant:

Shigehiko Matsumoto

Designated Engagement Partner,  
Certified Public Accountant:

Kentaro Mizushima

### Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Mitsubishi UFJ Financial Group, Inc. and its consolidated subsidiaries (the "Group"), namely, the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2019 to March 31, 2020, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



(TRANSLATION)

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Calculation of Allowance for Credit Losses in Lending Services
2. Valuation of Goodwill and Other Intangible Fixed Assets Associated with Acquisitions and Investments

### 1. Calculation of Allowance for Credit Losses in Lending Services

The Group has banking subsidiaries including MUFG Bank, Ltd., and they are engaged in lending services as one of their core businesses. There is a risk of not collecting all or part of the loan amount due to credit events such as borrower's bankruptcy in the lending business. The Group maintains an allowance for credit losses to absorb probable losses inherent in the loan portfolio. The amount of allowance for credit losses on the consolidated balance sheet was ¥740.6 billion as of March 31, 2020. For details of the Group's accounting policy for allowance for credit losses, refer to "Accounting Policy 5.(6) Allowance for credit losses" in "Notes to Significant Accounting Policies" in "Notes to the Consolidated Financial Statements."

#### The description of the key audit matter and why the matter was determined to be a key audit matter

The allowance for credit losses is determined in accordance with the internal policies related to self-assessment of asset quality standards and write-offs and provisions standards. However, the calculation process includes various estimates, such as determination of borrower's credit rating which is based on evaluation and classification of the borrowers' debt-service capacity, assessment of the collateral secured from borrowers, and adjustments of future loss projections and other factors onto the loss rate calculated based on the historical credit loss experiences.

In particular, the borrowers' credit ratings, which are a significant factor in the determination of allowance for credit losses is highly dependent on the estimation of the borrowers' future performance and business sustainability in case a borrower faces poor business performance and financial difficulties. As such estimation of the certain borrowers' future performance and business sustainability is affected by changes in the external and internal business environment of borrowers, there is high degree of uncertainty and high subjective judgment made by management.

In addition, the amount of allowance recorded in response to the COVID-19 outbreak described in "Additional information" (hereinafter referred to as "the amount of additional allowance") is calculated by estimating the increase in credit risk, which has not yet been reflected onto the borrowers' financial information, taking into consideration the impact of the COVID-19 outbreak on the borrowers. The calculation process includes assumptions about the selection of borrowers (certain industries and regions) expected to have a significant impact on borrowers' future performance by the outbreak of COVID-19, and a collective estimate on downward transition of borrowers' credit ratings in those certain industries and regions due to deteriorating future performance of borrowers. These significant assumption and estimates reflect the assumption made by management relating to the COVID-19 outbreak and when it is likely to end. There is high degree of uncertainty and high subjective judgment made by the management due to the difficulty in obtaining objective information and the lack of available precedent or consensus relating to the COVID-19 outbreak and when it is likely to end.

There is a potential risk that the allowance for credit losses will not be appropriately determined, if the borrowers' credit risks are not appropriately reflected in the significant estimation made by management and assumptions used in such estimation for the determination of certain borrowers' credit ratings and the amount of additional allowance. Therefore, we identified the appropriateness of certain borrowers' credit rating and the amount of additional allowance including these significant estimates and the related assumptions as our key audit matter.

## (TRANSLATION)

### How the key audit matter was addressed in the audit

For the key audit matter, we tested the effectiveness of the controls over the determination of certain borrowers' credit ratings and the amount of additional allowance. We also obtained data used in determining certain borrowers' credit ratings and the amount of additional allowance, then, we tested the appropriateness of such data.

For certain borrowers' credit ratings, we tested the effectiveness of controls, including the review and approval in accordance with the internal standards, over borrowers' credit ratings. In addition, we tested the effectiveness of the controls over the completeness and accuracy of the key data associated with borrowers' underlying information used in performing the aforementioned controls.

In addition, for certain borrowers whose credit ratings are highly dependent on the estimation of the borrowers' future performance, we tested the appropriateness of the borrowers' underlying information for determining borrowers' credit ratings. We also identified significant assumptions applied by management to the estimation of the borrowers' future performance, and with the assistance of our or our network firm's credit specialists, we evaluated the reasonableness of the certain borrower's credit rating by comparing those significant assumptions with available external information.

For the amount of additional allowance, we tested the effectiveness of the controls such as review and approval over the determination of the amount of additional allowance in accordance with internal policies. In addition, we tested the effectiveness of the controls over the accuracy and completeness of key underlying data associated with borrowers' information used in performing the aforementioned controls.

For the selection of the range of borrowers (certain industries and regions) expected to be affected significantly by the outbreak of COVID-19 and the extent of downward transition of borrowers' credit ratings within these industries and regions, we evaluated the reasonableness of these assumptions with the assistance of our or our network firm's credit specialists by comparing with available external information.

## 2. Valuation of Goodwill and Other Intangible Fixed Assets Associated with Acquisitions and Investments

As part of the global strategies, the Group executes multiple large-scale acquisitions, investments, and capital alliances. The Group acquired PT Bank Danamon Indonesia, Tbk. ("Bank Danamon") and First Sentier Investors ("FSI"), making Bank Danamon and FSI become a part of the Group for the current consolidated fiscal year (these acquisitions are referred to as "business combination transactions."). The Group recorded large amounts of goodwill and other intangible fixed assets on the consolidated balance sheet through these business combination transactions. Since the valuation of intangible fixed assets includes complex estimates that require specialized knowledge, there is a risk that fair value would not be appropriately estimated. Also, there is a risk of a large amount of losses which results from goodwill impairment in the case the Group does not obtain synergy and other effects initially assumed due to various reasons such as unexpected changes in the region and industry of the investees. For the details of goodwill and other intangible fixed assets on the consolidated balance sheet as of March 31, 2020, refer to "Notes on Business Combinations" in "Notes to the Consolidated Financial Statements."

### *(1) Valuation of intangible fixed assets recorded due to business combination transactions*

#### The description of the key audit matter and why the matter was determined to be a key audit matter

Intangible fixed assets recorded as a result of business combination transactions include "Relationships with Agents" for Bank Danamon (fair value of ¥79.5 billion on the business combination date) and "Customer Relationships" for FSI (fair value of ¥100.8 billion on the business combination date). The fair value of these intangible fixed assets on the business combination date is estimated as the present value of the future cash flow generated from the assets, and various estimates and assumptions are taken into account for the estimation process.

## (TRANSLATION)

Specifically, in order to determine the fair value of the "Relationships with Agents," the growth rate of loan origination amounts reflecting market growth forecasts and the attrition rate of existing agents based on the historical actual results are taken into consideration as important factors for estimating future cash flow. In addition, the risk for which the estimated future cash flows differ from the estimate is taken into consideration in the discount rate. In order to estimate the fair value of "Customer Relationships," the growth rate of asset under management reflecting market growth forecasts and the attrition rate of the existing customers estimated based on the historical actual results are taken into consideration as important factors for future cash flow estimates. In addition, the risk for which the estimated future cash flows differ from the estimate is taken into consideration in the discount rate. Determining these significant estimates and assumptions required specialized knowledge of corporate valuation. Furthermore, these factors can fluctuate mainly due to external factors such as market and customer conditions, and therefore, there is high degree of uncertainty and high subjective judgment made by management.

There is a potential risk that the acquisition cost of intangible fixed assets at the time of business combination was not appropriately measured, in the case significant estimates or assumptions used in making the estimate of the fair value of the intangible fixed assets described above are not appropriate. Therefore, we identified appropriateness of fair value of the intangible fixed assets, which includes significant estimates and relevant assumptions as our key audit matter.

### How the key audit matter was addressed in the audit

For the key audit matter, we tested the effectiveness of internal controls related to the valuation of intangible fixed assets. We additionally obtained the results of fair value estimated by management and examined the appropriateness of it.

For "Relationships with Agents," we tested the effectiveness of internal controls, including review and approval, over the growth rate of loan origination amounts reflecting market growth forecast, the attrition rate of existing agents estimated based on historical actual results, and the discount rate applied to estimation of future cash flows. In addition, we tested the effectiveness of internal controls over the completeness and accuracy of key underlying data used in performing the aforementioned controls. Moreover, with the assistance of our or our network firm's fair value specialists, we evaluated the reasonableness of the growth rate of loan origination amounts, the attrition rate of existing agents estimated based on historical actual results, and the discount rate applied to estimation of future cash flow by comparing them with available external information to test whether they were appropriately estimated reflecting the circumstances inherent to the entity.

For "Customer Relationships," we tested the effectiveness of internal controls, including the review and approval, over the growth rate of asset under management reflecting the market growth forecast, the attrition rate of existing customers estimated based on historical actual results, and the discount rate applied to estimation of future cash flows. In addition, we tested the effectiveness of internal controls over the completeness and accuracy of key underlying data used performing the aforementioned controls. Moreover, with assistance of our or our network firm's fair value specialists, we evaluated the reasonableness of the growth rate of asset under management reflecting the market growth forecast, the attrition rate of the existing customers estimated based on historical actual results, and the discount rate applied to estimation of future cash flows by comparing them with available external information to test whether they were appropriately estimated reflecting the circumstances inherent to the entity.

(TRANSLATION)

(2) *Whether impairment of goodwill recognized at the acquisition of Bank Danamon is necessary or not*

The description of the key audit matter and why the matter was determined to be a key audit matter

The Group recognized goodwill balance of ¥218.3 billion on the business combination date, for Bank Danamon, which became a consolidated subsidiary in April 2019. After the business combination, the market price of shares of Bank Danamon, a listed subsidiary, has continued to decline significantly compared to the acquisition cost, and management identified the decline as an indicator for impairment on Bank Danamon's goodwill in accordance with "Accounting Standards for Impairment of Fixed Assets" (Accounting Standards Board, August 9, 2002). In determining whether to or not to recognize impairment of goodwill, in other words, determining whether the profitability expected at initial investment in Bank Danamon has declined and whether the collection for the full amount of investment being no longer likely, the management estimated undiscounted future cash flows that is likely to be obtained from the investments in Bank Danamon. The total amount of undiscounted future cash flows is estimated based on Bank Danamon's business plan, reflecting assumptions about growth rates of future market and Indonesian economy. The estimation of future cash flows reflecting these assumptions is performed over a long period of time, and fluctuates mainly due to external factors such as market conditions. Therefore, there is high degree of uncertainty and high subjective judgment made by management.

There is a potential risk where impairment loss of the goodwill was not appropriately recognized, in the case the significant estimates or assumptions used in determining whether or not to recognize impairment of goodwill described above are not appropriate. Therefore, we identified whether or not to recognize impairment of goodwill for Bank Danamon with these significant estimates and assumptions as our key audit matter.

As a result of determining whether to recognize impairment of goodwill of Bank Danamon based on the accounting standard described above, the management determined that such recognition is not necessary. However, as described in "Notes to the Consolidated Statements of Income 4." in Notes to the Consolidated Financial Statements," the goodwill of Bank Danamon was recorded a one-time amortization at the end of the current consolidated fiscal year in accordance with Paragraph 32 of the "Practical Guidelines for Capital Consolidation Procedures in Consolidated Financial Statements" (the Japan Institution of Certified Public Accountant Accounting Committee report No. 7, in May 12, 1998, final revision in February 16, 2018).

How the key audit matter was addressed in the audit

For the key audit matter, we understood goodwill impairment indicators identified by management, including a decline of the market price of Bank Danamon's shares. We tested the effectiveness of the internal controls over the estimation of undiscounted future cash flows. We additionally obtained the results of the estimation of undiscounted future cash flows, and examined the appropriateness of it.

We tested the effectiveness of internal controls, including review and approval, over Bank Danamon's business plan and the growth rate of future markets and the Indonesian economy applied to estimation of undiscounted future cash flows. In addition, we tested the effectiveness of internal controls over the completeness and accuracy of key underlying data used in performing the aforementioned controls.

With the assistance of our or our network firm's fair value specialists, we evaluated the reasonableness of the assumptions related to the growth of the future market and the Indonesian economy that were applied to estimation of undiscounted future cash flows by comparing them with available external information. Moreover, we compared Bank Danamon's business plan with the available historical actual performance results, and evaluated retrospectively the achievement of the past business plan.

Furthermore, we reviewed the disclosures of consolidated financial statements related to the acquisition of Bank Danamon and the depreciation of goodwill, and tested whether significant accounting events which occurred during the current consolidated fiscal year were completely and accurately disclosed in the consolidated financial statements.

(TRANSLATION)

### **Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

(TRANSLATION)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Interest Required to Be Disclosed by the Certified Public Accounting Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.