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

1. Major Borrowings
2. Matters Concerning Independent Auditor
3. System to Ensure Appropriate Conduct of Operations
4. Other (Significant Accounting Estimates and Assumptions Used for Such Estimation)
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7. Non-consolidated Statement of Changes in Net Assets
8. Notes to the Non-consolidated Financial Statements
9. Independent Auditor's Report

For the Sixteenth Fiscal Year (from April 1, 2020 to March 31, 2021)

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.

Major Borrowings

Creditors	Balance of Borrowings (millions of yen)	Creditor Investment in the Company	
		Number of Shares Held (shares)	Voting Interest (%)
MUFG Bank, Ltd.	1,206,694	-	-

(Note) All figures have been rounded down to the nearest unit.

Matters Concerning Independent Auditor

(1) Status of Independent Auditor

(Millions of yen)

Name	Compensation, etc. for the Fiscal Year 2020	Other
Deloitte Touche Tohmatsu LLC (Name of designated limited liability partners: Hiroharu Nakamura Hiroyuki Hamahara Akihiko Uchida Kentaro Mizushima)	151	(Reason that the Audit Committee consented to the compensation, etc.) The Audit Committee received necessary documents and reports from the relevant departments/divisions of the Company and Independent Auditor and examined the appropriateness of its audit plan, the state of performance of its duties, appropriateness of the basis for the calculation of the compensation such as the estimates of the time required for its audit and unit fee and reasonableness of the past trends of those factors. Upon such examination, the Committee judged that the compensation, etc. for Independent Auditor is at a reasonable level to maintain and improve the quality of its audit and consented to the proposed compensation, etc. (Details of Non-auditing Services) The Company entrusts to the Independent Auditors the search procedure services concerning internal management systems with respect to calculation of capital adequacy ratios and preparation of comfort letters, which are services other than the services provided in Articles 2, Paragraph 1 of the Certified Public Accountants Law (non-auditing services).

(Notes)
1. The above figure has been rounded down to the nearest unit.
2. The "Compensation, etc. for the Fiscal Year 2020" includes the amount of the compensation for the audit of the financial statements pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, but does not include the amount of the compensation for the audit of Internal Control pursuant to Paragraph 2 of the same Article of the same Act.
3. The total amount of monetary and other property benefits which are to be paid by the Company, its subsidiaries and subsidiary entities, etc. to the Independent Auditor is ¥6,029 million.

(2) Other Matters Concerning Independent Auditor

a. Policy for the appointment, termination and non-appointment of the Independent Auditor

If it is deemed to be difficult for the Independent Auditor to properly carry out its duties, the independence and qualification of the Independent Auditor required by laws and regulations cannot be secured, or otherwise it is deemed to be necessary, the Audit Committee will consider submitting an agenda concerning termination and non-appointment of the Independent Auditor to a general meeting of shareholders. If an Independent Auditor is deemed to fall under each item of Article 340, Paragraph 1 of the Companies Act, the Audit Committee will consider the termination of the Independent Auditor.

b. Fact that audit corporations other than the Independent Auditor of the Company conduct audits of the financial documents of the principal subsidiaries and subsidiary entities, etc.

Among the principal subsidiaries and subsidiary entities, etc. of the Company, the following companies were subject to audits by audit corporations other than the Independent Auditor of the Company (including companies holding the equivalent qualifications in foreign countries): The Master Trust Bank of Japan, Ltd., MUFG Americas Holdings Corporation, Bank of Ayudhya Public Company Limited, PT Bank Danamon Indonesia, Tbk., MUFG Investor Services Holdings Limited, Mitsubishi UFJ Trust International Limited, Mitsubishi UFJ Asset Management (UK) Ltd., Mitsubishi UFJ Baillie Gifford Asset Management Limited, Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A., MUFG Lux Management Company S.A., First Sentier Investors Holdings Pty Ltd, MUFG Securities (Canada), Ltd., MUFG Securities EMEA plc, MUFG Securities Asia Limited.

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[*1]. 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.

*1 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 MUFG Way as guidelines for all group activities and the Code of Conduct as standards for decision making and conduct for all directors, officers and employees 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 or adopt the MUFG Way, the Code of Conduct and equivalent to these 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 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 MUFG Way 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.

(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 MUFG Way.
(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 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 2020 (fiscal year ended March 31, 2021) is as follows.

MUFG, as a general rule, verifies the Internal Control System once annually, and conducts reviews thereof as necessary. In fiscal year 2020, periodic reviews of the Internal Control System were resolved at the board of directors meeting held in March 2021.

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.

MUFG renamed the Corporate Vision to the MUFG Way, in which the word “Empowering a brighter future.” is positioned as the new “Purpose”. MUFG aims to contribute to a sustainable environment and society, identifying these goals in its core business strategy.

MUFG has established a new Medium-Term Business Plan as strategies for three years starting from fiscal year 2021.

(1) Group Management Framework

MUFG has established and announced the MUFG Way 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 MUFG Way.

The MUFG Way 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 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 has established the MUFG Way and the Code of Conduct and posted on the corporate website. Aiming for dissemination of the MUFG Way, the Code of Conduct and equivalent to these, MUFG and directly owned subsidiaries of MUFG post them on the internal network and provide internal training sessions for directors, officers and employees as well as deliver messages from top management.

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 and terrorism financing.

(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 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 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 execution 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.

Other (Significant Accounting Estimates and Assumptions Used for Such Estimation)

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:

Allowance for credit losses
Valuation of goodwill recorded in connection with acquisitions and investments
Fair value of derivative transactions
Calculation of Reserve for contingent losses (Allowance for Repayment of Excess Interest)

For details, please refer to "Notes to the Consolidated Financial Statements, Notes to Significant Accounting Estimates."

For assumptions MUFG made in making accounting estimates with respect to the outbreak of COVID-19, please refer to "Notes to the Consolidated Financial Statements, Notes to Significant Accounting Estimates." MUFG believes that they have no significant impact on other significant accounting estimates and assumptions used for such estimation.

(Translation)

Mitsubishi UFJ Financial Group, Inc.

Consolidated Statement of Changes in Net Assets

For the fiscal year ended March 31, 2021

(In millions of yen)

	Shareholders' equity					Accumulated other comprehensive income									
	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	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at the beginning 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
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates			(120,236)		(120,236)									(24,806)	(145,043)
Restated balance	2,141,513	980,102	10,735,561	(505,518)	13,351,657	2,066,363	189,342	158,633	300,838	(159,766)	(36,470)	2,518,940	59	840,037	16,710,695
Changes during the fiscal year															
Cash dividends			(321,837)		(321,837)										(321,837)
Profits attributable to owners of parent			777,018		777,018										777,018
Repurchase of treasury stock				(13)	(13)										(13)
Disposal of treasury stock		(7)		2,737	2,730										2,730
Reversal of land revaluation excess			9,449		9,449										9,449
Changes of application of equity method			(104)		(104)										(104)
Changes in subsidiaries' equity		(2,807)			(2,807)										(2,807)
Net changes of items other than shareholders' equity						517,054	(57,775)	(9,449)	(290,885)	322,955	(14,361)	467,538	(59)	73,646	541,125
Total changes during the fiscal year	-	(2,814)	464,526	2,724	464,436	517,054	(57,775)	(9,449)	(290,885)	322,955	(14,361)	467,538	(59)	73,646	1,005,561
Balance at the end of the fiscal year	2,141,513	977,287	11,200,087	(502,794)	13,816,094	2,583,417	131,566	149,183	9,953	163,189	(50,832)	2,986,478	-	913,684	17,716,257

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: 258

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, Mitsubishi UFJ Alternative Investments Co., Ltd. and 15 other companies were newly included in the scope of consolidation due to acquisition of shares or other reasons. In addition, Mitsubishi UFJ Morgan Stanley PB Securities Co., Ltd. and 7 other companies were excluded from the scope of consolidation due to absorption-type merger and 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 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 or restructuring 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: 53

Principal companies:
Mitsubishi UFJ Lease & Finance Company Limited
Morgan Stanley

In the current fiscal year, Mars Growth Capital Pte. Ltd. and 3 other companies were newly included in the scope of the equity method due to its establishment or other reasons. In addition, AMP Capital Holdings Limited and 4 other companies were excluded from the scope of application of the equity method due to sale of shares or other reasons. Mitsubishi UFJ Lease & Finance Company Limited and Hitachi Capital Corporation merged on April 1, 2021, with Mitsubishi UFJ Lease & Finance Company Limited being the surviving company and its company name changed to Mitsubishi HC Capital Inc.

(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.
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.
Verification Technology, Inc.
DT Axis, 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 April:	1	subsidiary
The end of June:	1	subsidiary
The end of August:	1	subsidiary
The end of October:	1	subsidiary
The end of December:	176	subsidiaries
The end of March:	78	subsidiaries

(2) A subsidiary whose balance sheet date is the end of April was consolidated based on its preliminary financial statements as of the end of January.
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.
A subsidiary whose balance sheet date is the end of October was consolidated based on its preliminary financial statements as of the end of January.
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 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 is derived from actual credit losses or actual defaults over a one-year period or over a period equal to the average remaining term to maturity of loans, with necessary adjustments 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 the credit supervision departments in accordance with the internal standards for self-assessment of asset quality. The credit review department, which is independent from those operating sections, subsequently audits these assessments.
For claims on bankrupt borrowers and virtually bankrupt borrowers, the amount of claims exceeding the estimated value of collateral and guarantees, which is deemed uncollectible, is written off. The total amount of write-offs was ¥298,281 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)
(Allowance for credit losses of certain overseas subsidiaries which apply Generally Accepted Accounting Principles in the United States (“U.S. GAAP”))
Certain overseas subsidiaries which apply U.S. GAAP have adopted ASU2016-13, “Measurement of Credit Losses on Financial Instruments” and provide for allowance for credit losses by estimating credit losses currently expected for the remaining term of the relevant contract. Expected credit losses are calculated collectively for each portfolio of loans with similar risk characteristics based on the loss rates derived from past credit loss experience or bankruptcy experience through the application of a model that incorporates future forecast information, such as macroeconomic variables, into the probability of bankruptcy, etc. In addition, adjustments are made in the calculation of allowance for credit losses for qualitative factors relating to current conditions and future forecasts which may not be sufficiently captured in such model but should be appropriately taken into account. Future uncertainties due to the impact of the COVID-19 pandemic are factored into estimates for the credit loss provisioning through such adjustments based on macroeconomic variables and/or qualitative factors.
With respect to loan assets with deteriorated credit risk that are deemed not to entail risks in common with other loan assets, allowance for credit losses is recognized individually for each loan asset based on risks that are particular to the asset. This credit loss provisioning is done through certain methodologies, including calculating the difference between the carrying amount of the loan asset and the amount of estimated cash flows from the loan asset discounted by the effective interest rate as well as using the fair value of the collateral for the loan asset.
(Calculation of estimated impact of the COVID-19 pandemic relating to allowance for credit losses)
The adjustments for forecasts and other factors made to the allowance for credit losses for the fiscal year ended March 31, 2021 are described in “1. Allowance for credit losses” under “Significant Accounting Estimates” in accordance with Accounting Standards Board of Japan (“ASBJ”) Guidance No.31, “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020).

(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, 2021 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, except for certain transactions qualifying for special hedge accounting treatment of interest rate swaps. Portfolio hedging or individual hedging, as described in the Japanese Institute of Certified Public Accountants ("JICPA") Industry Committee Practical Guidelines No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (October 8, 2020) and JICPA Accounting Committee Report No. 14, "Practical Guidelines for Accounting for Financial Instruments" (January 31, 2000), is 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 Committee Practical Guidelines 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 Committee Practical Guidelines 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, except for certain transactions qualifying for designation treatment of forward exchange contracts and other contracts. Portfolio hedging is applied to determine hedged items as described in JICPA Industry Committee Practical Guidelines No. 25 "Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transactions in the Banking Industry" (October 8, 2020). 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 non-arbitrariness and certain other criteria under JICPA Industry Committee Practical Guidelines 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) Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

MUFG and some of its domestic consolidated subsidiaries do not apply Paragraph 44 of Accounting Standards Board of Japan (“ASBJ”) Guidance No. 28, “Amendments to Accounting Standard for Tax Effect Accounting” (February 16, 2018), to items revised under the stand-alone taxation system in connection with the transition from the consolidated taxation system to the group tax sharing system under the “Partial Amendments to Income Tax Act, etc.” (Act No. 8, March 31, 2020) due to the application of Paragraph 3 of ASBJ Practical Issues Task Force Report No. 39, “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (March 31, 2020), and instead apply the pre-amendment income tax provisions to the amount of deferred tax assets and deferred tax liabilities.

(21) Accounting of bills discounted and rediscounted

Bills discounted and rediscounted are accounted for as financial trading in accordance with JICPA Industry Committee Practical Guidelines No. 24

(22) 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.

Notes to Significant Accounting Estimates

1. Allowance for credit losses

(1) Amount recorded in the consolidated financial statements for the current fiscal year

We have banking subsidiaries including MUFG Bank, Ltd.(the "Bank"), and they are engaged in lending services as one of our core businesses. To absorb probable losses resulting from decreases in or elimination of the value of assets such as loan receivables due to deterioration in the financial condition of parties to which loans and other forms of credit have been extended (the risk of incurring such losses being referred to as "credit risk" within the MUFG Group), an allowance for credit losses is recorded according to the calculation process prescribed in our internal policies. The amount of allowance for credit losses recorded in the consolidated balance sheet as of the end of the current fiscal year is 1,105,541 million yen.

The allowance for credit losses is determined in accordance with predetermined internal policies and approved by the Credit Committee under the Executive Committee. In addition, independent credit audit departments audit the evaluation results as described in "(6) Allowance for credit losses" under "5. Accounting policies" under "Notes to Significant Accounting Policies."
There is uncertainty in the estimates and significant assumptions used in calculating the allowance for credit losses. In particular, future developments concerning the COVID-19 pandemic, which are expected to impact our transaction counterparties' operating environment and the economic environment, remain subject to significant uncertainty. Accordingly, we make certain assumptions, including that the pace of future economic recovery would be generally gradual, although the pace may vary from country to country, as balancing economic activity and pandemic control continues. The recorded allowance represents our best estimate made in a manner designed to ensure objectivity and rationality.

(2) Other information which is relevant to an understanding by readers of the consolidated financial statements with regard to the accounting estimates

(Allowance for credit losses of our principal consolidated domestic banking subsidiaries)

(a) Method of calculation of the amount recorded in the consolidated financial statements for the current fiscal year
The process of calculating the allowance for credit losses in our principal consolidated domestic banking subsidiaries involves various estimates such as determination of borrower credit ratings which are based on evaluation and classification of borrowers' debt-service capacity, assessment of the value of collateral provided by borrowers, and adjustments for future loss projections and other factors to the loss rates calculated based on historical credit loss experience. For details of the allowance calculation method, refer to "(6) Allowance for credit losses" under "5. Accounting policies" under "Notes to Significant Accounting Policies." The amount of allowance for credit losses and the loan balance of the Bank, a principal consolidated domestic banking subsidiary, recorded in the balance sheet as of the end of the current fiscal year, are 465,391 million yen and 88,447,036 million yen, respectively.

(b) Significant assumptions used in calculating the amounts presented in the consolidated financial statements for the current fiscal year
In order to make appropriate borrower classification determinations, our principal consolidated domestic banking subsidiaries use a credit rating system that is consistent with the borrower classification as a uniform standard for evaluating credit risk. As a general rule, internal credit ratings are assigned to all customers to which we extend credit and their transactions. Among our internal credit ratings, the borrower ratings for non-financial business corporations and certain other borrowers are assigned based on our evaluation of their debt-service capacity over the next 3 to 5 years on a 15-rating scale. Our principal consolidated domestic banking subsidiaries assign internal credit ratings to borrowers based on qualitative factors such as the current and expected future business environment of the industry to which borrowers belong as well as their management and funding risks in addition to quantitative financial evaluations through an analysis of their financial results. In this regard, our internal credit ratings may be highly dependent on estimation of borrowers' future performance and business sustainability in case they experience poor business performance or financial difficulties. In particular, the COVID-19 pandemic has had significant impacts on the financial position and operating results of some borrowers of our principal consolidated domestic banking subsidiaries. Estimation of these borrowers' future performance and business sustainability are affected by changes in their external and internal business environment and are accordingly subject to a high degree of uncertainty.

The Bank, a principal consolidated domestic banking subsidiary, determine loss rates primarily by calculating a rate of loss based on a historical average of the credit loss rate or a historical average of the default probability derived from actual credit loss experience or actual bankruptcy experience and making necessary adjustments based on future projections and other factors. When making adjustments based on future loss projections and other factors to loss rates calculated based on historical loss experience, the subsidiaries take into account the rate of increase in the credit loss rate or the default probability in a more recent period, especially in light of the sudden and significant deterioration in economic environment under the COVID-19 pandemic. The amount of impact of these adjustments is 30,846 million yen. Due to these adjustments based on future loss projections and other factors to loss rates calculated based on historical loss experience, which are made to reflect the credit risk for loans and other assets held as of the end of the fiscal year, are based on estimation relating to the economic environment with respect to which objective data are not readily available, such estimation are subject to a high degree of uncertainty.

(c) Effect on the consolidated financial statements for the following fiscal year
The internal credit ratings are reviewed at least once a year. Estimations of borrowers' future performance and business sustainability, which we consider to be significant assumptions, may be reviewed in light of changes in borrowers' creditworthiness due to changes in their financial condition and in the industry environment. As a result, the allowance for credit losses may increase or decrease in the following fiscal year if the overall credit risk of our principal consolidated domestic banking subsidiaries is deemed to have increased or decreased.
Adjustments based on future loss projections and other factors to loss rates calculated based on historical loss experience, which we consider to be significant assumptions, are based on estimation relating to the economic environment with respect to which objective data are not readily available. These assumptions change to reflect developments in the economic environment, and changes in the assumptions may result in an increase or decrease in the allowance for credit losses in the following fiscal year.

(Allowance for credit losses of certain overseas subsidiaries which apply Generally Accepted Accounting Principles in the United States (“U.S. GAAP”))

(a) Method of calculation of the amount recorded in the consolidated financial statements for the current fiscal year
Certain overseas subsidiaries which apply U.S. GAAP have adopted ASU2016-13, “Measurement of Credit Losses on Financial Instruments” and provide for allowance for credit losses by estimating credit losses currently expected for the remaining term of the relevant contract. For details of the allowance provision method, refer to Additional Information added to “(6) Allowance for credit losses” under “5. Accounting policies” under “Notes to Significant Accounting Policies.” The amount of allowance for credit losses and the loan balance recorded with respect to our principal overseas subsidiaries that apply U.S. GAAP are 491,868 million yen and 13,916,797 million yen, respectively.

(b) Significant assumptions used in calculating the amounts presented in the consolidated financial statements for the current fiscal year
Expected credit losses of our principal overseas subsidiaries that apply U.S. GAAP are calculated for each portfolio of loans with similar risk characteristics using a quantitative model that reflects economic forecast scenarios based on macroeconomic variables. Macroeconomic variables include the unemployment rate and GDP, and other inputs, which correlate with past default losses. The subsidiaries select multiple economic forecast scenarios and consider such scenarios by applying certain weightings. Various factors, such as the latest economic environment and the views of internal and external economists are taken into account in the selection of economic forecast scenarios and the determination of the values of the macroeconomic variables used in such economic forecast scenarios and the weightings applied to each economic forecast scenario. In this regard, the estimation made in determining the values of such macroeconomic variables and the weightings applied to the selected economic forecast scenarios are subject to significant uncertainty due to the significant variability and uncertainty in the future economic environment, including the severity and duration of economic downturn caused by the COVID-19 pandemic.
The calculated amount of expected credit losses is adjusted for qualitative factors to compensate for expected credit losses that are not reflected in a quantitative model. The subsidiaries not only apply economic assumptions to macroeconomic variables used in a quantitative model but also make qualitative adjustments. As a result, the estimation made in making such qualitative adjustments are similarly subject to significant uncertainty.

(c) Effect on the consolidated financial statements for the following fiscal year
The selection of economic forecast scenarios, the determination of the values of the macroeconomic variables used in such economic forecast scenarios and the weightings applied to the selected economic forecast scenarios, and the qualitative adjustments are based on estimation relating to the economic environment with respect to which objective data are not readily available. These assumptions change to reflect developments in the economic environment, and changes in the assumptions may result in an increase or decrease in the allowance for credit losses in the following fiscal year.

2. Valuation of goodwill recorded in connection with acquisitions and investments

(1) Amount recorded in the consolidated financial statements for the current fiscal year

As part of its strategic measures designed to become the world's most trusted financial group, the MUFG Group enters into acquisitions, equity investments and capital alliances on a global basis. Any goodwill arising from these business combination transactions is recorded in the consolidated balance sheet.

Such acquisitions, equity investments and capital alliances may result in the MUFG Group's inability to achieve the synergies and other benefits anticipated by the MUFG Group due to unexpected changes in the industry to which the acquiree, investee or alliance partner belongs and other factors or in an impairment of such goodwill, adversely affecting the MUFG Group's business strategy, financial position and operating results.
The amount of goodwill recorded on the consolidated balance sheet as of the end of the current fiscal year is 273,092 million yen, of which 177,726 million yen was recorded in connection with the acquisition of First Sentier Investors (“FSI”).

The recorded balance of goodwill is subject to identification of an indication of impairment (an event indicating the possibility of impairment of a group of assets including goodwill) and recognition and measurement of impairment loss in accordance with the Accounting Standards for Impairment of Fixed Assets (Business Accounting Council, August 9, 2002) and other standards and with predetermined internal policies. In addition, such identification of indications of impairment and recognition and measurement of impairment loss are tested for appropriateness in accordance with predetermined internal policies and other regulations. The estimates and significant assumptions made in identifying indications of impairment of the goodwill recorded in connection with the acquisition of FSI, which accounts for a substantial portion of the balance of goodwill held by the MUFG Group, are subject to uncertainty. The recorded goodwill represents our best estimate made in a manner designed to ensure objectivity and rationality.

(2) Other information which is relevant to an understanding by readers of the consolidated financial statements with regard to the accounting estimates

(a) Method of calculation of the amount recorded in the consolidated financial statements for the current fiscal year
Identification of indications of impairment of goodwill and recognition and measurement of impairment loss are performed on the basis of a larger unit consisting of the group of assets relating to the business to which the goodwill is allocated and such goodwill.
The MUFG Group determines whether any indication of impairment exists based on the characteristics of an asset group in accordance with certain established criteria.
The goodwill recorded in connection with the acquisition of FSI, which accounts for a substantial portion of the balance of goodwill held by the MUFG Group, is reported in the amount based on the determination as to the existence of an indication of impairment and valuation performed on FSI as a single asset group.
To identify an indication of impairment, we determine based on certain established criteria whether FSI's future profits for a certain period projected by considering FSI's latest business plan have declined to a level where the investment may not be recoverable due to such decline in the profitability. In addition, to determine whether any indication of impairment exists, we analyze whether FSI has reported net operating losses after amortization of goodwill for two consecutive reporting periods and whether there are factors that cause the recoverability of the investment in FSI to significantly diminish, including deterioration in the stock indices in the stock market, a decline in the balance of FSI's assets in custody, and the attrition rate of key fund managers.
For the current fiscal year, we identified no event indicating impairment and determined that no indication of impairment existed.
With respect to goodwill with an identified indication of impairment, impairment loss is not recognized if the carrying amount, before impairment loss, of the group of assets relating to the business to which the goodwill is allocated plus the carrying amount of the goodwill is smaller than the total amount of undiscounted future cash flows derived from the larger unit including the goodwill (hereinafter referred to as “undiscounted future cash flows”). If the aggregate carrying amount exceeds the amount of undiscounted future cash flows, the difference is recognized as impairment loss to the extent that it does not exceed the balance of the goodwill.

(b) Significant assumptions used in calculating the amounts presented in the consolidated financial statements for the current fiscal year
Identification of indications of impairment and estimation of undiscounted future cash flows necessarily involve judgment and often incorporate significant estimates and assumptions.
Forecasts relating to projected profits used to identify an indication of impairment of the goodwill recorded in connection with the acquisition of FSI, which accounts for a substantial portion of the balance of goodwill held by the MUFG Group, are based on significant estimates, and such estimates are based on assumptions. The primary assumptions include the growth rate of the business based on current and past facts and operating results, and the growth rate of the market and the overall economy in the future.

(c) Effect on the consolidated financial statements for the following fiscal year
We believe that the primary assumptions used to identify indications of goodwill impairment as of the end of the current fiscal year are reasonable. However, changes in the primary assumptions used in the identification of indications of impairment due to unforeseeable future changes in assumptions relating to the business may have a material impact on recognition of any impairment loss and measurement of the amount of impairment loss for the following fiscal year.

3.Fair value of derivative transactions

(1) Amount recorded in the consolidated financial statements for the current fiscal year

The MUFG Group engages in a large number of various derivative transactions in connection with the business of providing foreign exchange, financing and securities services to customers as well as market transactions and liquidity and funding management operations. For details of the fair value of derivative transactions grouped by transaction type, refer to "2. Matters concerning fair value of financial instruments and breakdown by input level" under "Notes to Financial Instruments."

The fair value of derivative transactions is calculated in accordance with the policies and procedures for the calculation of fair value and the procedures for the use of fair value valuation models set forth in predetermined internal policies. The estimates and significant assumptions made in calculating the fair value of derivative transactions are subject to uncertainty. The recorded fair value represents our best estimate made in a manner designed to ensure objectivity and rationality and subject to internal controls. For details of the processes for calculating the fair value of derivative transactions, refer to "(Note 1) Description of the valuation techniques and inputs used to determine fair value" to "2. Matters concerning fair value of financial instruments and breakdown by input level" under "Notes to Financial Instruments."

(2) Other information which is relevant to an understanding by readers of the consolidated financial statements with regard to the accounting estimates

(a) Method of calculation of the amount recorded in the consolidated financial statements for the current fiscal year
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 valuation models are tested from a market consistency perspective. However, the estimates and assumptions used in such models necessarily involve judgment and are subject to complexity and uncertainty. For details of the calculation method, refer to "(Note 1) Description of the valuation techniques and inputs used to determine fair value" to "2. Matters concerning fair value of financial instruments and breakdown by input level" under "Notes to Financial Instruments."

(b) Significant assumptions used in calculating the amounts presented in the consolidated financial statements for the current fiscal year
Inputs used in valuation models include inputs that can be observed directly or indirectly in the market such as foreign currency exchange rates, yield curves, volatility, credit curves and stock prices, as well as inputs that cannot be observed in the market such as correlation coefficients and other significant estimates. The MUFG Group classifies the fair value of financial instruments into three levels depending on the observability and significance of the input used in the fair value calculation. In particular, the estimates and assumptions made in the valuation of derivative transactions classified into level 3, where inputs that cannot be observed in the market are used as a material basis for the calculated fair value, are subject to significant complexity and uncertainty. For details of such inputs, refer to "(1) Quantitative information on significant unobservable inputs" under "(Note 2) Quantitative information about financial assets and liabilities measured and presented on the consolidated balance sheet at fair value and classified in Level 3" to "2. Matters concerning fair value of financial instruments and breakdown by input level" under "Notes to Financial Instruments."

(c) Effect on the consolidated financial statements for the following fiscal year
We have determined that the fair value of derivatives transactions is reasonable after conducting testing. However, the significant assumptions used to calculate the fair value are subject to uncertainty. In particular, the estimates and assumptions made in the valuation of the fair value of derivative transactions classified into Level 3 are subject to significant complexity and uncertainty. The fair value of derivative transactions held by the MUFG Group may fluctuate as a result of changes in inputs used for valuation due to changes in the market environment and other factors.

For details of the sensitivity of the fair value to changes in inputs, refer to "(4) Description of the sensitivity of the fair value to changes in significant unobservable inputs" under "(Note 2) Quantitative information about financial assets and liabilities measured and presented on the consolidated balance sheet at fair value and classified in Level 3" to "2. Matters concerning fair value of financial instruments and breakdown by input level" under "Notes to Financial Instruments."

4. Calculation of Reserve for contingent losses (Allowance for Repayment of Excess Interest)

(1) Amount recorded in the consolidated financial statements for the current fiscal year

In the loan business of the MUFG Group, there are loan products that were contracted on or before June 17, 2007, bearing interest which exceed the maximum interest rate permitted under the Interest Rate Restriction Act. In the event that customers of the MUFG Group assert liability based on the maximum permitted interest rate and demand debt waivers or repayment of excess payments, we may waive such debt or repay such payments. To absorb probable losses resulting from such customer demand, an allowance for repayment of excess interest is recorded in an amount estimated to be appropriate based on an analysis of historical repayment experience and recent repayment trends.

The amount of allowance for repayment of excess interest included in the allowance for contingent losses recorded in our consolidated financial statements as of the end of the current fiscal year is 81,679 million yen.

The allowance for repayment of excess interest is calculated in accordance with predetermined internal policies. There is uncertainty in the estimates and significant assumptions used in calculating the allowance for repayment of excess interest. The recorded allowance represents our best estimate made in a manner designed to ensure objectivity and rationality and subject to internal controls.

(2) Other information which is relevant to an understanding by readers of the consolidated financial statements with regard to the accounting estimates

(a) Method of calculation of the amount recorded in the consolidated financial statements for the current fiscal year
To absorb probable losses resulting from future claims for repayment of excess interest payments, we reasonably estimate the amount of claims by preparing forecasts based on an analysis of historical repayment experience and other factors. In making such estimate, we prepare forecasts of the number of future repayment claims and forecasts of the average amount per claim of future repayments based on the actual number repayment claims received and the average amount per claim of actual repayments made in the past, and aggregate the forecasted repayment claim amounts calculated on an annual basis for a certain future period. When preparing forecasts of the number of future repayment claims, which are subject to particularly significant uncertainty, for the calculation of the expected number of future claims, we primarily look at each law firm and judicial scrivener, whose claim trends vary from firm to firm, and apply the filed claim rate of each such law firm and judicial scrivener firm which is calculated based on historical experience and is adjusted based on the latest analysis of the relevant environment and the latest trends in claims filed by each such law firm and judicial scrivener firm.

(b) Significant assumptions used in calculating the amounts presented in the consolidated financial statements for the current fiscal year
Significant assumptions mainly include forecasts of the number of future repayment claims (the number of future claims expected to be filed by each law firm and judicial scrivener firm) and forecasts of the average amount per claim of future repayments.

(c) Effect on the consolidated financial statements for the following fiscal year
Assumptions that may have a material effect on the amount in the consolidated financial statements include forecasts of the expected number of claims to be filed by each law firm and judicial scrivener firm and forecasts of the average amount per claim of future repayments, which are based on historical experience with adjustments to reflect the latest analysis of the relevant environment and the latest trends in claims filed by each such law firm and judicial scrivener firm. If the actual results differ from the MUFG Group's forecasts in environment analyses and forecasts of trends in claims filed by each law firm and judicial scrivener firm, the amount of provision for repayment of excess interest may increase or decrease in the following fiscal year.

Changes in Accounting Policies

(Additional Information)
(Adoption of ASU2016-13, "Measurement of Credit Losses on Financial Instruments")
Certain overseas subsidiaries which apply U.S. GAAP adopted ASU2016-13, "Measurement of Credit Losses on Financial Instruments" from the beginning of the current fiscal year. This update replaces the incurred loss impairment methodology in previous U.S. GAAP with a methodology that reflects expected credit losses, and full lifetime expected credit losses will be recognized upon initial recognition of a financial asset measured on an amortized cost basis by taking into account certain forecasted information such as macroeconomic indicators. In adopting the accounting standard, retained earnings were adjusted for the cumulative effect at the beginning of the current fiscal year.
As a result, at the beginning of the current fiscal year, allowance for credit losses increased by ¥172,363 million, retained earnings decreased by ¥118,374 million, and net assets per share decreased by ¥9.21.

Changes to Presentation of Financial Information

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")
MUFG has initially applied ASBJ Guidance No. 31, "Accounting Standard for Disclosure of Accounting Estimates" (March 31, 2020) to the consolidated financial statements as of the end of and for the current fiscal year and included notes regarding significant accounting estimates in the consolidated financial statements.

Additional Information

(Major overseas subsidiaries' total credit costs which are expected to be reflected in MUFG's consolidated financial statements as of and for the first quarter of the fiscal year ending March 31, 2022)
Major overseas subsidiaries which were consolidated based on their financial statements as of and for the quarter ended December 31, 2020 adopted ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," the new guidance that introduced the concept of current expected credit loss, as of the beginning of the first quarter of the fiscal year ending December 31, 2020. As a result, these subsidiaries record provision for allowance for credit losses by taking into account certain forecasted information such as macroeconomic indicators.
Under the new guidance, it is currently estimated that the subsidiaries' total credit costs for the quarter ended March 31, 2021 will be approximately ¥10 billion in total. The subsidiaries' total credit costs will be reflected in MUFG's consolidated financial statements as of and for the quarter ending June 30, 2021.
Total credit costs include credit costs for trust accounts, provision for general allowance for credit losses, losses on loan write-offs, provision for specific allowance for credit losses, other credit costs, reversal of allowance for credit losses, reversal of reserve for contingent losses included in credit costs and gains on loans written-off.

Notes to the Consolidated Balance Sheet

1. "Securities" includes ¥49,430 million of unsecured securities loaned with respect to which borrowers have rights to sell or pledge. For borrowed securities under securities borrowing transactions and securities purchased under resale agreements that were permissible to be sold or re-pledged without restrictions, ¥17,327,289 million of such securities were re-pledged, ¥1,518,005 million were re-loaned and ¥5,751,240 million were held by MUFG as of the consolidated balance sheet date.

2. Loans to bankrupt borrowers: ¥47,013 million.
Non-accrual delinquent loans: ¥847,073 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 payments 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: ¥26,090 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: ¥420,857 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 assisting borrowers in improving their financial condition, 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 ¥1,341,034 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 Committee Practical Guidelines 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 ¥1,156,955 million.

7. Assets pledged as collateral were as follows:

Cash and due from banks	¥3,940 million
Trading assets	¥337,572 million
Securities	¥16,740,970 million
Loans and bills discounted	¥12,107,017 million
Other assets	¥5,203 million
Tangible fixed assets	¥5,221 million

Liabilities related to pledged assets were as follows:

Deposits	¥472,244 million
Trading liabilities	¥19,360 million
Borrowed money	¥28,698,014 million
Bonds payable	¥59,620 million
Other liabilities	¥7,445 million

In addition to the items listed above, ¥27,441 million of monetary claims bought, ¥1,757,709 million of trading assets, ¥13,659,016 million of securities, and ¥5,373,937 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 ¥2,328,320 million and securities of and ¥6,223,880 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 ¥8,035,898 million and ¥162,559 million, respectively. In addition, ¥3,612,051 million of trading assets and ¥948,493 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 Committee Practical Guidelines No. 24. The total face value of bills of exchange rediscounted was ¥5,238 million.

8. Non-recourse debt of consolidated special purpose company was as follows.

Non-recourse debt		
Borrowed money	¥2,100	million
Bonds payable	¥3,714	million
Relevant assets to above non-recourse debt:		
Cash and due from banks	¥474	million
Loans and bills discounted	¥20,000	million
Other assets	¥154	million
Tangible fixed assets	¥5,221	million

The above table includes certain assets reported in the immediately preceding Item 7.

9. 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 ¥91,174,733 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 condition 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.

10. 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, ¥490,744 million.

11. In accordance with the "Law concerning Revaluation of Land" (the "Land Revaluation 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 “Land Revaluation 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.

12. Accumulated depreciation on tangible fixed assets: ¥1,156,029 million.

13. Deferred gains on tangible fixed assets deducted for tax purposes: ¥72,906 million.

14. Borrowed money included ¥259,500 million of subordinated borrowings with special contractual provisions which rank below other debts with regard to the fulfillment of obligations.

15. Bonds payable included ¥4,291,810 million of subordinated bonds.

16. The principal amount of money trusts entrusted to domestic trust banking subsidiaries, for which repayment of the principal to the customers was guaranteed, was ¥7,827,463 million.

17. 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 ¥268,057 million.

18. 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 ¥321,761 million of equity in earnings of the equity method investees and ¥189,957 million of gains on sales of equity securities.

2. "Other ordinary expenses" included ¥188,852 million of write-offs of loans.

Notes to the Consolidated Statement of Changes in Net Assets

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

(Thousand shares)

	Number of shares as of April 1, 2020	Number of shares increased	Number of shares decreased	Number of shares as of March 31, 2021	Note
Issued shares					
Common stock	13,581,995	-	-	13,581,995	
Total	13,581,995	-	-	13,581,995	
Treasury stock					
Common stock	741,363	28	4,199	737,192	(Note 1&2)
Total	741,363	28	4,199	737,192	

(Note 1) The increase in the number of shares of common stock held in treasury by 28 thousand shares was due to the repurchases of shares in response to requests made by shareholders holding shares constituting less than one whole unit. The decrease in the number of shares of common stock held in treasury by 4,199 thousand shares was due to 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, the sale of shares by equity method affiliates and a decrease in the number of shares held by equity method affiliates.

(Note 2) The number of shares of common stock as of April 1, 2020 and March 31, 2021 includes 31,064 thousand shares and 27,002 thousand shares held by the BIP trust, respectively. For the fiscal year ended March 31, 2021, the number of shares held by the BIP trust decreased by 4,062 thousand shares.

2. Information on share subscription rights

None.

3. Information on cash dividends

(A) Cash dividends paid in the fiscal year ended March 31, 2021.

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 29, 2020	Common stock	160,918	12.5	March 31, 2020	June 30, 2020
Meeting of Board of Directors on November 13, 2020	Common stock	160,918	12.5	September 30, 2020	December 7, 2020

(Note) The total dividend amount as resolved by the Annual General Meeting of Shareholders on June 29, 2020 includes ¥388 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, 2020 includes ¥337 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, 2021.

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, 2021.

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, 2021 (tentative)	Common stock	160,918	Retained earnings	12.5	March 31, 2021	June 30, 2021

(Note) The total dividend amount includes ¥337 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 hedges 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 derivative transactions for purposes of hedging risks, MUFG hedges against interest rate risks associated 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 associated with instruments such as foreign currency denominated monetary claims and liabilities through designated 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, the 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 office (operating and administrative section) and the middle office (risk control section) operate independently from the front office (market department). As part of risk control by management, the Board of Directors establishes the framework for the market risk management system and defines responsibilities relating to market operations. MUFG allocates economic capital corresponding to the 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

The status of the group-wide exposure to market risk and compliance with quantitative limits on market risk and losses at each major group company is reported daily to the Chief Risk Officer of MUFG, while the status of each major group company's exposure to market risk and compliance with quantitative limits on market risk and losses is reported daily to the group company's risk management officer. MUFG and each major group company conduct comprehensive analyses on risk profiles, including stress testing, and the results are regularly reported to their respective ALM Committees and Corporate Risk Management Committees.

At the business unit level, MUFG's major group companies manage risks 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 processes and periodically verifies through internal audits that the valuation methods and management 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 (Trading activities: holding period — 1 business days; confidence interval — 95%; and observation period — 250 business days) (Banking activities: holding period — 10 business days; confidence interval — 99%; and observation period — 701 business days).

* VaR measurement model for trading operations has been changed since 2020 in light of the nature of trading operations.

* 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 ¥1.3 billion as of March 31, 2021.

(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 ¥614.0 billion as of March 31, 2021. As 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 deposits and prepayments on 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 a statistical analysis using data on changes in the balance by product, expected deposit interest rates and other business judgments. The amount of core deposits and the method of allocating maturities are reviewed on a regular basis. Meanwhile, 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 a statistical analysis based on factors including interest rate fluctuations and actual repayments and cancellations.

(iii) Risk of strategic equity portfolio

With respect to the strategic equity securities (publicly traded) held by MUFG as of March 31, 2021, MUFG estimates that the total market value of such securities would fluctuate by ¥2.7 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 seeks to ensure the accuracy of its market risk measurement model by verifying the characteristics of such model from various perspectives, including testing of appropriateness of the assumptions used in such model.

The results of backtesting based on Basel regulation on the trading business as of the end of March 2021 (250 business days) indicate that the hypothetical loss exceeded the VaR 0 times.

Given that the hypothetical loss exceeded the VaR four times or less over the test period, MUFG believes that the VaR measurement model used by each of its group companies provides sufficiently accurate measurements of market risk.

(f) Stress testing

To measure VaR using a market risk measurement model, MUFG applies the historical simulation method, in which the potential loss for a certain period is calculated by applying market fluctuations over a fixed period in the past to the portfolio it currently holds. For this reason, losses greater than VaR may arise in cases where a market fluctuation observed before the observation period occurs or each risk factor such as interest rates and exchange rates shows different moves from historical correlations.

As a means to measure expected losses that cannot be captured by the current risk measurement model, MUFG 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 at various stages according to the urgency of funding needs, and manage liquidity risk at 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 on the results of the performance of its responsibilities 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 are applied in measuring the fair value of financial instruments, such fair value may vary if different assumptions are used.

2. Matters concerning fair value of financial instruments and breakdown by input level

The amounts stated on the consolidated balance sheet and the fair value of financial instruments as well as the difference between them broken down by input level are as follows.
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" (July 4, 2019) (hereinafter referred to as the "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 the Guidance for Application of Fair Value Measurement. (See Note (*2) to the table in (1) and (Note 3) below.)
The fair values of financial instruments are classified into the following three levels depending on the observability and significance of the input used in the fair value calculation.
Level 1: Fair value determined based on (unadjusted) quoted prices in active markets for identical assets or liabilities
Level 2: Fair value determined based on directly or indirectly observable inputs other than the Level 1 inputs
Level 3: Fair value determined based on significant unobservable inputs
Where multiple inputs are used with a significant impact on the fair value calculation, the fair value of a financial instrument is classified based on the lowest of the priority levels to which any of those inputs belongs.

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

(in millions of yen)

Category	Amount on consolidated balance sheet			
	Level 1	Level 2	Level 3	Total
Monetary claims bought (*1)	—	1,245,990	279,561	1,525,551
Trading assets(*2)	7,350,626	4,381,559	60,127	11,792,313
Money held in trust(Trading purpose / Other)	—	1,189,564	3,015	1,192,580
Securities (Available-for-sale securities)	47,871,133	19,240,770	430,361	67,542,265
Domestic equity securities	5,188,975	27,410	—	5,216,386
Government bonds	32,073,409	271,300	—	32,344,709
Municipal bonds	—	3,731,515	—	3,731,515
Short-term corporate bonds	—	564,097	—	564,097
Corporate bonds	—	3,911,889	57	3,911,947
Foreign equity securities	85,064	903	56	86,025
Foreign bonds	10,518,815	10,601,532	116,351	21,236,699
Other securities (*2)	4,868	132,119	313,895	450,883
Total assets	55,221,759	26,057,885	773,066	82,052,711
Trading liabilities(*2)	5,447,473	82,488	—	5,529,962
Borrowed money (FVO)(*3)	—	276,788	—	276,788
Bonds payable (FVO)(*3)	—	194,560	24,844	219,405
Total liabilities	5,447,473	553,837	24,844	6,026,155
Derivatives (*4) (*5) (*6)	(19,470)	381,463	86,167	448,160
Interest rate-related derivatives	(796)	490,815	50,231	540,249
Currency-related derivatives	(48)	(108,078)	8,116	(100,011)
Equity-related derivatives	(20,770)	18,698	12,960	10,889
Bond-related derivatives	2,145	(16,812)	14,312	(355)
Commodity-related derivatives	—	(0)	(62)	(62)
Credit-related derivatives	—	(3,158)	(62)	(3,220)
Other derivatives	—	—	672	672

(*1) Monetary claims bought consists of securitized products, etc. of ¥1,525,551 million accounted for in the same manner as available-for-sale securities.

(*2) The amount of investment trusts to which transitional measures are applied in accordance with Paragraph 26 of the Guidance for Application of Fair Value Measurement is not included in the table above. The amount of such investment trusts on the consolidated balance sheet is financial assets of ¥4,560,086 million and financial liabilities of ¥145,293 million.

(*3) Some overseas subsidiaries apply 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 on a net basis, and net liabilities in the aggregate are presented in minus.

(*5) Derivative transactions to which hedge accounting is applied are reported on the consolidated balance sheet at ¥(321,373) million.

(*6) Transactions to which hedge accounting is applied include interest rate swap transactions and interest rate futures transactions designated as hedging instruments for the purpose of fixing cash flows from hedged loans and other assets. Deferred hedge accounting is applied to these transactions. Of these hedge relationships, all hedge relationships to which "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No.40, September 29, 2020) applies are accounted for under the standard.

(2) Financial assets and 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 omitted since they are predominantly 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
	Level 1	Level 2	Level 3	Total		
Monetary claims bought (*1)	－	－	4,444,134	4,444,134	4,457,324	(13,189)
Money held in trust (other / held to maturity)	－	90,303	－	90,303	90,598	(295)
Securities (held to maturity)	1,123,480	779,560	－	1,903,040	1,857,104	45,935
Government bonds	1,123,480	－	－	1,123,480	1,100,447	23,032
Municipal bonds	－	－	－	－	－	－
Short-term corporate bonds	－	－	－	－	－	－
Corporate bonds	－	－	－	－	－	－
Foreign bonds	－	779,560	－	779,560	756,657	22,902
Other securities	－	－	－	－	－	－
Loans and bills discounted(*2) (*3)	－	264,506	107,108,922	107,373,428	106,233,590	1,139,838
Total assets	1,123,480	1,134,370	111,553,057	113,810,907	112,638,618	1,172,289
Deposits	－	211,551,672	－	211,551,672	211,521,257	30,415
Negotiable certificates of deposit	－	8,101,001	－	8,101,001	8,099,119	1,882
Borrowed money	－	30,775,278	－	30,775,278	30,833,677	(58,399)
Bonds payable(*3)	－	13,073,206	－	13,073,206	12,689,100	384,106
Total liabilities	－	263,501,159	－	263,501,159	263,143,154	358,004

(*1) Monetary claims bought includes securitized products, etc. of ¥2,044,691 million accounted for in the same manner as securities held to maturity.

(*2) General and specific allowances for credit losses of ¥949,478 million corresponding to loans are deducted. However, with respect to items other than loans, the amount stated on the consolidated balance sheet is shown since the amount of allowance for credit losses corresponding to these items is insignificant.

(*3) The fair values of interest rate swaps and currency swaps used as hedging instruments are included in the fair value of the hedged items with respect to which interest rate swaps have been applied under special treatment to offset fluctuations in the market value of the hedged items and which have been applied to the appropriation method such as forward exchange contracts. Of these hedge relationships, all hedge relationships to which "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No.40, September 29, 2020) applies are accounted for under the standard.

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

Monetary claims bought

The fair value of monetary claims bought is 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 considering the estimated fair value amounts determined using projected cash flows through an analysis of the underlying loans, probability of default, prepayment rates, etc. and discounting the projected cash flows using discount rates reflecting the liquidity premium based on historical market data and the prices obtained from 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 results 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 the present value using projected future cash flows through an analysis of prepayment rates, etc., and discounting the project cash flows at the market interest rates as of the valuation date with certain adjustments, or is the carrying amount if their 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 or, if they are short-term and their fair value approximates the carrying amount, then the carrying amount is presented as their fair value, and they 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 an active market, and as Level 2 if the fair value is determined based on either the present value of the expected future cash flows discounted at an interest rate based on the market interest rates 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 prices 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 "Notes to Money Held in Trust" for notes on money held in trust by category based on each purpose of holding the money held in trust.

Securities

The fair value of equity securities is determined based on the prices quoted by stock exchanges and equity securities are primarily classified into Level 1 as the quoted prices are available in active markets. The fair value of bonds is determined based on the market price or the price quoted by the financial institutions from which they are purchased or based on the price reasonably calculated. Government bonds are primarily classified into Level 1, other bonds are classified into Level 2, and preferred securities included in Other securities are classified into Level 3.

For privately placed guaranteed bonds held by MUFG's bank subsidiaries, the fair value is determined based on the present value of expected future cash flows, which are adjusted to reflect credit risk, the amounts expected to be collected from collateral and guarantees and guarantee fees, and discounted at an interest rate based on the market interest rates as of the date of evaluation with certain adjustments. These bonds are classified into Level 2 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 flows, which are 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. 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 as a result of applying the transitional measures in accordance with Paragraph 26 of the Guidance for Application of Fair Value Measurement.

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

Loans and bills discounted

With respect to loans, for each category of loans based on their types, credit ratings and maturity periods, the fair value is determined based on the present value of expected future cash flows, which are adjusted to reflect default risk and the amount expected to be collected from collateral and guarantees and discounted at an interest rate based on the market interest rates 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 flows or the amount expected 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 rates are reflected in such deposits within a short time period. The fair value of most fixed rate time deposits is the present value of expected future cash flows grouped by certain maturity periods discounted at the market interest rates. 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 rates on such floating rate borrowings reflect the market interest rates in a short time period and that there has been no significant change in the creditworthiness of MUFG or MUFG’s consolidated subsidiaries after such borrowings were made. For fixed rate borrowings, the fair value is calculated as the present value of expected future cash flows from these borrowings grouped by certain maturity periods, which are discounted at the market interest rates 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 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 flows discounted at the market interest rates. 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 rates on such floating rate corporate bonds reflect the market interest rates in a short time period and that there has been no significant change in the creditworthiness of MUFG’s or MUFG’s consolidated subsidiaries after the issuance. For fixed rate corporate bonds without market prices, the fair value is the present value of expected future cash flows from these borrowings, which are discounted at the market interest rates 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.

For structured bonds issued by some overseas subsidiaries, the fair value option is applied, and the fair value of structured bonds is calculated based on models. Structured bonds for which observable inputs are used are classified into Level 2. Structured bonds for which significant unobservable inputs are used 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 prices 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 include interest rate yield curves, foreign currency exchange rates and volatility. For over-the-counter derivative transactions, adjustments are made for counterparty credit risk adjustments (credit valuation adjustments (CVA)) and adjustments are also made to reflect the impact of uncollateralized funding (funding valuation adjustments (FVA)). The calculation of CVA takes into account the probability of a default event occurring for each counterparty which is primarily derived from an 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 MUFG's market funding spread reflecting the credit risk of MUFG and the funding exposure of any uncollateralized component of an over-the-counter derivative instrument entered into with the counterparty.

Exchange-traded derivative transactions valued using quoted prices are classified into Level 1. Over-the-counter derivative transactions are classified into Level 2 if their fair value is not measured based on significant unobservable inputs. Over-the-counter derivative transactions whose fair value is measured based on significant unobservable inputs are classified into Level 3.

(Note 2) Quantitative information about financial assets and liabilities measured and presented on the consolidated balance sheet at fair value and classified in Level 3

(1) Quantitative information on significant unobservable inputs

Category	Valuation technique	Signification unobservable inputs	Range	Weighted average(*1)
Monetary claims bought				
Securitized products	Internal model(*2)	Correlation between underlying assets	3.0%	3.0%
		Liquidity premium	1.3%~1.5%	1.3%
		Prepayment rate	18.3%	18.3%
		Probability of default	0.0%~83.7%	—
		Recovery rate	57.4%	57.4%
Securities				
Foreign bonds	Return on equity method	Probability of default	0.0%~8.0%	0.3%
		Recovery rate	35.0%~90.0%	76.7%
		Market-required return on capital	8.0%~10.0%	9.9%
Other	Discounted cash flow	Liquidity premium	0.9%~3.2%	2.9%
Derivatives				
Interest rate-related derivatives	Option model	Correlation between interest rates	30.0%~61.9%	—
		Correlation between interest rate and foreign exchange rate	15.1%~60.0%	—
		Volatility	0.0%~100.0%	—
Currency-related derivatives	Option model	Correlation between interest rates	10.0%~70.0%	—
		Correlation between interest rate and foreign exchange rate	0.0%~60.0%	—
		Correlation between foreign exchange rates	50.0%~70.5%	—
		Volatility	9.4%~22.1%	—
Equity-related derivatives	Option model	Volatility	21.5%~39.9%	—
		Correlation between interest rate and equity	38.9%	—
		Correlation between foreign exchange rate and equity	(58.3)%~54.9%	—
		Correlation between equities	9.0%~95.0%	—
	Discounted cash flow	Term of litigation	0.1~14.0 months	—

(*1) The weighted average is calculated by weighing each input by the relative fair value of the respective financial assets.

(*2) For further details of Internal model, refer to "Monetary claims bought" in "(Note 1) Description of the valuation techniques and inputs used to measure fair value" under "2. Matters concerning fair value of financial instruments and breakdown by input level" above.

(2) Table showing reconciliation between the opening balance and the closing balance during the reporting period, and unrealized gains (losses) recognized in net income (losses)

(in millions of yen)

Category	March 31, 2020	Included in earnings (*1)	Included in other comprehensive income	Purchases, Issues, Sales, Settlements	Transfers into Level 3 (*2)	Transfers out of Level 3 (*3)	March 31, 2021	Change in unrealized gains (losses) included in earnings for assets and liabilities still held at March 31, 2021 (*1)
Monetary claims bought	389,185	1,771	3,469	(114,864)	—	—	279,561	6,366
Trading assets	18,658	7,234	0	34,455	2	(222)	60,127	6,578
Monetary held in trust (Trading purpose / Other)	1,129	(7)	(23)	1,917	—	—	3,015	(7)
Securities (Available-for-sale securities)	335,718	3,491	(5,757)	105,954	70	(9,114)	430,361	3,489
Corporate bonds	9,151	(2)	(0)	(46)	70	(9,114)	57	(3)
Foreign equity securities	212	0	5	(162)	—	—	56	0
Foreign bonds	123,961	(3)	(5,582)	(2,024)	—	—	116,351	(3)
Other securities	202,393	3,496	(180)	108,186	—	—	313,895	3,496
Total assets	744,690	12,489	(2,311)	27,462	72	(9,337)	773,066	16,427
Bonds payable (FVO)	31,222	3,382	(606)	(1,699)	5,459	(12,914)	24,844	(1,531)
Total liabilities	31,222	3,382	(606)	(1,699)	5,459	(12,914)	24,844	(1,531)
Derivatives(*4)	34,704	70,288	(177)	4,523	(19,960)	(3,210)	86,167	68,426
Interest rate-related derivatives	13,495	54,853	(65)	15,590	(31,188)	(2,454)	50,231	57,158
Currency-related derivatives	5,887	4,175	(88)	(312)	(1,479)	(66)	8,116	3,870
Equity-related derivatives	10,106	12,029	(24)	(21,168)	12,707	(690)	12,960	7,291
Bond-related derivatives	3,196	833	—	10,282	—	—	14,312	781
Commodity-related derivatives	(65)	1	1	(0)	—	—	(62)	1
Credit-related derivatives	1,379	(1,630)	(0)	188	—	—	(62)	(707)
Other derivatives	704	25	—	(57)	—	—	672	31

(*1) Mainly included in Trading income and Other operating income in the consolidated statements of income.

(*2) Transfers into Level 3 from Level 2 resulted from the lack of observable market data due to a decrease in market activity for derivatives. These transfers were made at the beginning of the fiscal year.

(*3) Transfers into Level 2 from Level 3 for corporate bonds were due principally to changes in the impact of unobservable creditworthiness inputs of private placement bonds guaranteed by MUFG Bank. Transfers into Level 2 from Level 3 for bonds payable (FVO) were due principally to changes in the impact of significant unobservable inputs. These transfers were made at the beginning of the fiscal year.

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

(3) Description of the fair value valuation process

At MUFG, the middle division establishes policies and procedures for the calculation of fair value and procedures for the use of fair value valuation models, and the front division develops fair value valuation models in accordance with such policies and procedures. The middle division verifies such models, the inputs used and the fair values obtained through calculation to ensure compatibility with the policies and procedures. In addition, based on the results of such verification, the middle division determines appropriate fair value input level classifications. In the event that market prices obtained from third parties are used as fair values, they are verified through appropriate methods such as confirming the valuation techniques and inputs used and comparing them with the fair values of similar financial instruments.

(4) Description of the sensitivity of the fair value to changes in significant unobservable inputs

<u>Probability of default</u>

Probability of default is an estimate of the likelihood that the default event will occur and MUFG will be unable to collect the contractual amounts. A significant increase (decrease) in the default rate would result in a significant decrease (increase) in a fair value.

<u>Recovery rate and prepayment rate</u>

Recovery rate is the proportion of the total outstanding balance of a bond or loan that is expected to be collected in a liquidation scenario. Prepayment rate represents the proportion of principal that is expected to be paid prematurely in each period on a security or pool of securities. Recovery rate and prepayment rate would affect estimation of future cash flows to a certain extent and changes in these inputs could result in a significant increase or decrease in fair value.

<u>Market-required return on capital</u>

Market-required return on capital is the return on capital expected by the secondary market. A significant increase (decrease) in the market-required return on capital would result in a significant decrease (increase) in a fair value of a financial asset.

<u>Liquidity premium</u>

Liquidity premium is an adjustment to discount rates to reflect uncertainty of cash flows and liquidity of the financial instruments.

When recent prices of similar instruments are unobservable in inactive or less active markets, discount rates are adjusted based on the facts and circumstances of the markets including the availability of quotes and the time since the latest available quotes. A significant increase (decrease) in discount rate would result in a significant decrease (increase) in a fair value.

<u>Volatility</u>

Volatility is a measure of the speed and severity of market price changes and is a key factor in pricing. A significant increase (decrease) in volatility would cause a significant increase (decrease) in the value of an option resulting in the significant increase (decrease) in fair value. The level of volatility generally depends on the tenor of the underlying assets and the strike price or level defined in the contract. Volatilities for certain combinations of tenor and strike price are not observable.

Correlation

Correlation is a measure of the relationship between the movements of two variables (i.e. how the change in one variable influences a change in the other variables). A variety of correlation-related assumptions are required for a wide range of instruments including foreign government and official institution bonds, asset-backed securities, corporate bonds, derivatives and certain other financial instruments. In most cases, correlations used are not observable in the market and must be estimated using historical information. Changes in correlation inputs can have a major impact, favorable or unfavorable, on the value of an instrument, depending on its nature. In addition, the wide range of correlation inputs are primarily due to the complex and unique nature of these instruments. There are many different types of correlation inputs, including cross-asset correlation (such as correlation between interest rate and equity) and same-asset correlation (such as correlation between interest rates). Correlation levels are highly dependent on market conditions and could have a relatively wide range of levels within or across asset classes. For interest rate contracts and foreign exchange contracts, the diversity in the portfolio held by MUFG is reflected in wide ranges of correlation, as the fair values of transactions with a variety of currencies and tenors are determined using several foreign exchange and interest rate curves. For equity derivative contracts, the wide range of correlation between interest rate and equity is primarily due to the large number of correlation pairs with different maturities of contracts.

Term of litigation

Term of litigation is the estimated period until the resolution of a certain litigation matter that relates to an issuer's restricted shares ("Covered Litigation") that MUFG purchased, which is referenced in certain swap transactions. These swaps are valued using a discounted cash flow methodology and are dependent upon the final resolution of the Covered Litigation.

The settlement timing of the Covered Litigation is not observable in the market, therefore the estimated term is classified as a level 3 input. The restricted shares which MUFG purchased will be convertible to listed shares of the issuer at the end of the Covered Litigation. The restricted shares will be diluted depending upon the settlement amount of the Covered Litigation and the dilution of the restricted shares is accomplished through an adjustment to the conversion rate of the restricted shares. In order to hedge the reduction of the conversion rate, MUFG entered into certain swaps with the seller which references the conversion rate. The value generated by these trades is subject to the ultimate term of the issuer's litigation, subject to a minimum term referenced within the trade contracts.

(Note 3) The following table sets forth the amounts of equity securities with no market price and investments in partnerships and others on the consolidated balance sheet. These securities and investments are not included in "Trading assets" or "Securities" in the tables presented under the section captioned "Matters concerning fair value of financial instruments and breakdown by input level".

(in millions of yen)

Category	Amount on consolidated balance sheet
Equity securities with no quoted market price available (*1) (*3)	270,297
Investments in partnerships and others (*2) (*3)	190,649

(*1) Equity securities with no market price include unlisted equity securities, etc. and are not subject to fair value disclosure in accordance with Paragraph 5 of ASBJ Guidance No. 19 "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (July 4, 2019.)

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

(*3) An impairment loss of ¥7,098 million was recorded on unlisted equity securities and other investments for the fiscal years ended March 31, 2021.

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, 2021)

(in millions of yen)

	Net unrealized gains (losses) recorded on the consolidated statement of income during the current fiscal year
Trading securities	126,190

2. Debt securities being held to maturity (as of March 31, 2021)

(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	1,100,447	1,123,480	23,032
	Government bonds	1,100,447	1,123,480	23,032
	Municipal bonds	-	-	-
	Short-term corporate bonds	-	-	-
	Corporate bonds	-	-	-
	Other securities	1,027,737	1,055,170	27,432
	Foreign bonds	615,901	641,612	25,711
	Other	411,836	413,557	1,721
	Subtotal	2,128,184	2,178,650	50,465
Securities whose fair value does not exceed amount on the consolidated balance sheet	Domestic bonds	-	-	-
	Government bonds	-	-	-
	Municipal bonds	-	-	-
	Short-term corporate bonds	-	-	-
	Corporate bonds	-	-	-
	Other securities	1,775,579	1,760,494	(15,085)
	Foreign bonds	140,756	137,948	(2,808)
	Other	1,634,823	1,622,546	(12,277)
	Subtotal	1,775,579	1,760,494	(15,085)
Total		3,903,764	3,939,144	35,380

3. Available-for-sale securities (as of March 31, 2021)

(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	5,046,662	1,656,411	3,390,250
	Domestic bonds	26,326,866	26,158,978	167,887
	Government bonds	20,753,038	20,629,641	123,397
	Municipal bonds	2,568,637	2,553,512	15,124
	Short-term corporate bonds	448,081	448,050	31
	Corporate bonds	2,557,108	2,527,774	29,334
	Other securities	13,498,203	12,828,440	669,762
	Foreign equity securities	68,554	47,450	21,104
	Foreign bonds	9,546,542	9,168,543	377,998
	Other	3,883,106	3,612,447	270,659
	Subtotal	44,871,732	40,643,830	4,227,901
Securities whose fair value does not exceed the acquisition cost	Domestic equity securities	169,723	209,436	(39,712)
	Domestic bonds	14,225,404	14,270,785	(45,381)
	Government bonds	11,591,671	11,628,123	(36,452)
	Municipal bonds	1,162,878	1,165,692	(2,814)
	Short-term corporate bonds	116,015	116,020	(4)
	Corporate bonds	1,354,838	1,360,947	(6,109)
	Other securities	14,625,146	15,018,034	(392,888)
	Foreign equity securities	17,470	17,472	(1)
	Foreign bonds	11,690,157	11,965,154	(274,996)
	Other	2,917,518	3,035,407	(117,889)
	Subtotal	29,020,274	29,498,256	(477,981)
Total		73,892,007	70,142,087	3,749,919

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

(in millions of yen)

Total difference	3,749,919
Revaluation gains (losses) on securities as a result of application of the fair value hedge accounting method, which are recorded in current earnings	161,847
Subtotal excluding the revaluation gains (losses) on securities as a result of the application of the fair value hedge accounting method	3,588,071
Unrealized gains (losses) on available-for-sale securities in investment limited partnerships	(213)
Unrealized gains (losses) as a result of foreign exchange adjustments related to available-for-sale securities denominated in foreign currencies that are included in equity securities with no quoted market price available	(587)
Net unrealized gains (losses) on available-for-sale securities	3,587,271
Deferred tax assets (liabilities)	(1,028,007)
Net unrealized gains (losses) on available-for-sale securities, net of deferred tax liabilities (before adjustments for non-controlling interests)	2,559,263
Non-controlling interests	(8,942)
MUFG’s ownership share in equity method investees’ unrealized gains (losses) on available-for-sale securities	52,158
Total net unrealized gains (losses) on available-for-sale securities	2,602,479

4. Available-for-sale securities sold during the current fiscal year (from April 1, 2020 to March 31, 2021)

(in millions of yen)

	Amount sold	Gains on sales	Losses on sales
Domestic equity securities	271,631	146,868	5,212
Domestic bonds	30,873,185	18,741	39,955
Government bonds	30,762,681	18,700	39,925
Municipal bonds	11,929	9	4
Short-term corporate bonds	10,000	-	1
Corporate bonds	88,574	31	23
Other securities	32,751,827	473,946	234,699
Foreign equity securities	37,504	1,400	7,393
Foreign bonds	31,393,263	437,331	205,458
Other	1,321,060	35,214	21,847
Total	63,896,644	639,556	279,867

5. 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 investments 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 ¥1,184 million consisting of ¥1,033 million of impairment losses on equity securities and ¥150 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, 2021)

(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	47,619	(9,173)

2. Money held in trust being held to maturity (as of March 31, 2021)

(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	42,098	42,519	420	420	-

(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, 2021)

(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	1,193,461	1,212,966	(19,504)	244	19,749

(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	(19,504)
Deferred tax assets (liabilities)	5,937
Net unrealized gains (losses) on available-for-sale securities, net of deferred tax liabilities (before adjustments for non-controlling interests)	(13,566)
Non-controlling interests	(304)
Total net unrealized gains (losses) on available-for-sale securities	(13,871)

Notes to Per Share Information:

Total equity per common share	¥1,308.12
Basic earnings per common share	¥60.49
Diluted earnings per common share	¥60.25

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, 2021 used for the calculation of earnings per common share and from the number of common shares as of March 31, 2021 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, 2021 was 28,248 thousand shares, and the number of such treasury stock deducted from the calculation of total equity per common share as of March 31, 2021 was 27,002 thousand shares.

Notes to Business Combinations:

(Additional Information)
(Acquisition of Aviation Finance Lending Division from DVB Bank)
On November 18, 2019, the Bank acquired from DVB Bank SE in Germany (“DVB”) its 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. (“BOT Lease”), an equity method affiliate of both MUFG and the Bank. The Bank and BOT Lease originally planned and sought to complete the acquisition of DVB’s aviation finance lending-related businesses. However, the approval of the relevant authorities in each country was not fully obtained, making it difficult to complete the acquisition in the form originally planned. As a result, the planned transaction through which DVB’s aviation investment management and asset management businesses were to be transferred to a newly established subsidiary of BOT Lease was cancelled.

Following the cancellation of the planned transaction, the amounts of acquisition cost and goodwill relating to the completed acquisition, which were calculated on a preliminary basis as of March 31, 2020 pending post-acquisition price adjustments, have been determined as follows. The impact of the cancellation of the planned transaction on the consolidated financial statements is not material.

I. Acquisition cost relating to the acquisition and components thereof

Consideration for the acquired business	Cash	¥555,770 million
Acquisition cost		¥555,770 million

II. Amount of goodwill recorded

¥23,390 million

(Translation)

Mitsubishi UFJ Financial Group, Inc.

Non-consolidated Statement of Changes in Net Assets

(In millions of yen)

For the fiscal year ended March 31, 2021

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity
				Other retained earnings			
		Capital reserve	Other capital surplus	Other reserve	Earned surplus brought forward		
Balance at the beginning of the fiscal year	2,141,513	2,141,524	1,056,389	150,000	3,596,513	(504,167)	8,581,773
Changes during the fiscal year							
Cash dividends					(321,837)		(321,837)
Profits					377,195		377,195
Repurchase of treasury stock						(13)	(13)
Disposal of treasury stock			(0)			2,598	2,597
Net changes of items other than shareholders' equity							
Total changes during the fiscal year	–	–	(0)	–	55,357	2,584	57,942
Balance at the end of the fiscal year	2,141,513	2,141,524	1,056,389	150,000	3,651,871	(501,582)	8,639,715

	Valuation and translation adjustments	Subscription rights to shares	Total net assets
	deferred gains (losses) on hedging instruments		
Balance at the beginning of the fiscal year	(85,223)	59	8,496,609
Changes during the fiscal year			
Cash dividends			(321,837)
Profits			377,195
Repurchase of treasury stock			(13)
Disposal of treasury stock			2,597
Net changes of items other than shareholders' equity	187	(59)	127
Total changes during the fiscal year	187	(59)	58,070
Balance at the end of the fiscal year	(85,036)	–	8,554,679

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) Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System
   MUFG does not apply Paragraph 44 of Accounting Standards Board of Japan (“ASBJ”) Guidance No. 28, “Amendments to Accounting Standard for Tax Effect Accounting” (February 16, 2018), to items revised under the stand-alone taxation system in connection with the transition from the consolidated taxation system to the group tax sharing system under the “Partial Amendments to Income Tax Act, etc.” (Act No. 8, March 31, 2020) due to the application of Paragraph 3 of ASBJ Practical Issues Task Force Report No. 39, “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (March 31, 2020), but instead apply the pre-amendment income tax provisions to the amount of deferred tax assets and deferred tax liabilities.

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: ¥7,987 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 ¥293,569 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 ¥36,989 million.

4. Monetary Claims and Monetary Debts to Subsidiaries and Affiliates

Short-term monetary claims to subsidiaries and affiliates	¥1,073,445 million
Short-term monetary debts to subsidiaries and affiliates	¥1,253,669 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	¥437,819 million
Operating expenses	¥7,752 million
Non-operating transactions	¥212,099 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, 2020	Number of shares increased	Number of shares decreased	Number of shares as of March 31, 2021
Treasury stock				
Common stock	739,563	28	4,064	735,527

(Note1) The increase in the number of shares of common stock held in treasury by 28 thousand shares was due to the repurchases of shares in response to requests made by shareholders holding shares constituting less than one whole unit. The decrease in the number of shares of common stock held in treasury by 4,064 thousand shares was due to the sales of shares in response to requests made by shareholders holding shares constituting less than one whole unit, and the sale or delivery of shares for the BIP trust.

(Note2) The number of shares of common stock as of March 31, 2021 includes 27,002 thousand shares held by the BIP trust. For the fiscal year ended March 31, 2021, the number of shares held by the BIP trust increased by 0 shares and decreased by 4,062 thousand shares.

Notes to Tax Effect Accounting

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

(in millions of yen)

Deferred tax assets:	
Tax loss carried forward	13,237
Deferred hedge losses	34,992
Equity securities of subsidiaries and affiliates	163,846
Others	1,843
Subtotal	213,921
Valuation allowance	(183,707)
Total deferred tax assets	30,213
Deferred tax liabilities:	
Equity securities of subsidiaries and affiliates	4,223
Deposits received(BIP trust)	249
Accrued dividend receivable	1,027
Others	97
Total deferred tax liabilities	5,597
Net deferred tax assets	24,616

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, 2021	
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)	272,656	Long-term loans receivable from subsidiaries and affiliates	7,150,239
						Other current assets (Short-term loans receivable from subsidiaries and affiliates)	714,079
				Interest income (*1)	154,747	Other current assets (Accrued income)	24,270
				Borrowings (*2)	-	Short-term borrowings	1,206,694
				Interest payments (*2)	6,126	Accrued expenses	140
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)	45,184	Long-term loans receivable from subsidiaries and affiliates	748,878
						Other current assets (Short-term loans receivable from subsidiaries and affiliates)	77,497
				Interest income (*1)	14,266	Other current assets (Accrued income)	2,443
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)	(9,500)	Long-term loans receivable from subsidiaries and affiliates	517,742
				Interest income (*1)	5,799	Other current assets (Accrued income)	874

(in millions of yen)

Status	Name	MUFG's share of voting rights	Relationship	Transactions	Amount	Amount on balance sheet as of March 31, 2021	
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)	293,569	-	-
Subsidiary	MUFG Securities EMEA plc	Directly - % Indirectly 100.00% Total 100.00% The subsidiary's share of MUFG's voting rights - %	Other subsidiary	Guarantee(*4)	36,989	-	-

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 other current assets(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.

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

Notes to Per Share Information:

Total equity per common share	¥665.91
Basic earnings per common share	¥29.36

(Note)Diluted net income per common share is not stated due to the absence of residual securities.
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, 2021 used for the calculation of earnings per common share and from the total number of issued shares as of March 31, 2021 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, 2021 was 28,248 thousand, and the number of such treasury stock deducted from the calculation of total equity per common share as of March 31, 2021 was 27,002 thousand.

Other Notes

1. Equity Securities of Subsidiaries and Affiliates

(in millions of yen)

	Amount on balance sheet	Fair value as of March 31, 2021	Net unrealized gains
Subsidiaries	90,074	303,192	213,117
Affiliates	751,667	3,381,254	2,629,587
Total	841,741	3,684,447	2,842,705

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

(in millions of yen)

	Amount on balance sheet
Subsidiaries	8,536,563
Affiliates	47,039
Total	8,583,602

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

2. Subordinated Bonds

Bonds payable included ¥3,508,000 million of subordinated bonds.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 12, 2021

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

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Hiroharu Nakamura

Designated Engagement Partner,
Certified Public Accountant:

Hiroyuki Hamahara

Designated Engagement Partner,
Certified Public Accountant:

Akihiko Uchida

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, 2021, and the consolidated statement of income and consolidated statement of changes in net assets for the fiscal year from April 1, 2020 to March 31, 2021, 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, 2021, 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

In our audit of the consolidated financial statements of the current period, we identified the following three matters regarding "Calculation of the Allowance for Credit Losses in Lending Services" as a key audit matter.

1. Determination of certain borrowers' internal credit ratings

2. Adjustments to loss rates calculated based on the historical loss experiences for future loss projections and other factors

3. Calculation of the allowance for credit losses in overseas subsidiaries

Among these matters, 2. and 3. were identified as a key audit matter in our audit of the consolidated financial statements of the current period, due to a high degree of estimation uncertainty and subjective judgments made by management as well as their impacts on the consolidated financial statements, which were caused by adjustments made to loss rates by a principal consolidated domestic banking subsidiary of the Group at the end of the current year, and the adoption of the new accounting policy for calculation of the allowance for credit losses in principal foreign consolidated banking subsidiaries of the Group.

"Valuation of Goodwill and Other Intangible Fixed Assets Associated with Acquisitions and Investments," which was the key audit matter in our audit of the consolidated financial statements of the previous period, is not a key audit matter in our audit of the consolidated financial statements of the current period as the related goodwill had been fully depreciated during the previous period and was not recorded on the consolidated balance sheet of the current period, and the valuation of related other intangible fixed assets at the time of business combinations was completed in the previous period.

Calculation of the 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 its core businesses. There is a risk in the lending business that the Group incurs a loss from not collecting all or part of the loan amount due to credit events such as a borrower's bankruptcy. The Group maintains an allowance for credit losses to absorb such a probable loss inherent in the loan portfolio. The amount of the allowance for credit losses on the consolidated balance sheet was ¥1,105.5 billion as of March 31, 2021. The Group's accounting policy for the allowance for credit losses was disclosed in "5. Accounting policies (6) Allowance for credit losses" in "Notes to Significant Accounting Policies" and "Notes to Significant Accounting Estimates 1. Allowance for credit losses" in the "Notes to the Consolidated Financial Statements."

The allowance for credit losses is determined in accordance with the internal policies related to the self-assessment of asset quality standards and the write-offs and provisions standards and approved by the Credit Committee under the Executive Committee.

The calculation process in the principal consolidated domestic banking subsidiary includes various estimates, such as the determination of borrowers' credit ratings, which are based on evaluation and classification of the borrowers' debt-service capacity, assessment of the value of collateral provided by borrowers, and adjustments for future loss projections and other factors to the loss rate calculated based on the historical loss experiences. MUFG Bank, Ltd., which is the principal consolidated domestic banking subsidiary, recorded a loan balance and related allowance for credit losses in the amount of ¥88,447.0 billion and ¥465.3 billion, respectively, on its balance sheet at the end of the current year. Such allowance for credit losses included ¥30.8 billion of adjustments to loss rates calculated based on the historical loss experiences for future loss projections and other factors.

Principal consolidated overseas banking subsidiaries adopted Accounting Standards Update 2016-13, Measurement of Credit Losses on Financial Instruments (hereinafter referred to as "CECL") and calculated the allowance for credit losses by estimating expected credit losses over the remaining term of the relevant contract. The loan balance and related allowance for credit losses calculated based on CECL were ¥13,916.7 billion and ¥491.8 billion, respectively.

Key Audit Matter Description

1. Determination of certain borrowers' internal credit ratings

The determination of borrowers' internal credit ratings, which are significant factors in the calculation of the allowance for credit losses, is highly dependent on judgments made in the estimation of the borrowers' future performance and business sustainability in case borrowers experience poor business performance or financial difficulties. In particular, the COVID-19 pandemic has had a significant impact on certain borrowers' financial position and financial performance. As such estimation of certain borrowers' future performance and business sustainability is affected by changes in the external and internal business environment of borrowers, there is a high degree of uncertainty and subjective judgments made by management involved in the estimate.

2. Adjustments to loss rates calculated based on the historical loss experiences for future loss projections and other factors

The adjustments to loss rates calculated based on the historical loss experiences for future loss projections and other factors, which were disclosed in "Significant Accounting Estimates 1. Allowance for credit losses," are made by reflecting the short-term increase observed in credit loss rates or default probabilities (hereinafter referred to as the "credit loss rates") under the most recent economic environment in the long-term average of the historical credit loss rates. The adjustments to loss rates are based on the assumption that the degree of uncertainty in estimating the collectability of loans held as of this fiscal year-end is heightening specifically due to the significant deterioration in economic environment under the COVID-19 pandemic. There are also alternative methods considered in estimating the degree of uncertainty other than the method adopted by the management. The adjustments to loss rates involve a higher estimation uncertainty and subjective judgments made by management as they require the estimation of the effect of significant changes in the external economic environment on the credit risk of loans as well as the assumption regarding future economic conditions for which objective data are not readily available. In addition, there is a risk that subjective judgments are made by management in determining the estimation method to be adopted.

3. Calculation of the allowance for credit losses in overseas subsidiaries

Expected credit losses under CECL in principal consolidated overseas banking subsidiaries are calculated based on the quantitative model, which reflects future projections using economic forecast scenarios including macroeconomic variables. Macroeconomic variables include the unemployment rate, GDP, and other inputs, which correlate with past default losses. Expected credit losses using the quantitative model are determined as a weighted average of the expected credit losses calculated for multiple economic forecast scenarios by giving certain weightings to each scenario. Also, the calculation of expected credit losses using the quantitative model may be adjusted by qualitative factors that are not incorporated into the quantitative model (hereinafter referred to as the "qualitative adjustments"). In determining the macroeconomic variables related to selected economic forecast scenarios, the weightings given to each economic forecast scenario, and the qualitative adjustments, various factors are taken into consideration such as the recent economic conditions and the analysis of future economic conditions by internal and third-party economists. These factors include the estimation of the severity and duration of economic downturn caused by the COVID-19 pandemic, for which objective data are not readily available under the highly fluid economic conditions, and involves a high degree of estimation uncertainty and subjective judgments made by management.

There is a potential risk that the allowance for credit losses will not be appropriately determined if the borrowers' credit risks are not reflected in the significant estimates made by management and assumptions used in such estimates related to the above 1. to 3. Therefore, we identified the appropriateness of these significant estimates and related assumptions as a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

1. Determination of certain borrowers' internal credit ratings

For the key audit matter, we performed the following audit procedures, among others:

- We tested the effectiveness of controls, including the review and approval, over borrowers' internal credit ratings in accordance with the internal standards.

- We tested the effectiveness of controls over the completeness and accuracy of the key data associated with borrowers' underlying information used in performing the aforementioned controls.

- For certain borrowers whose internal 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' internal credit ratings.

- We identified significant assumptions used by management in 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 borrowers' credit ratings by comparing them with available external information.

2. Adjustments to loss rates calculated based on the historical loss experiences for future loss projections and other factors

For the key audit matter, we performed the following audit procedures, among others:

- We tested the effectiveness of controls, including the review and approval, over the adjustments to loss rates in accordance with the internal standards.

- We tested the effectiveness of controls over the completeness and accuracy of the key data associated with actual credit losses and actual default used in performing the aforementioned controls.

- With the assistance of our credit specialists, we identified significant assumptions used by management in making adjustments to loss rates and evaluated the reasonableness of these significant assumptions by comparing them with available external information.

- With the assistance of our credit specialists, we evaluated the reasonableness of the adjustment method used by the management by comparing adjustments made with the amounts determined using alternative methods of adjustments to loss rates.

3. Calculation of the allowance for credit losses in overseas subsidiaries

For the key audit matter, we performed the following audit procedures, among others:

- We tested the effectiveness of controls over the determination of the allowance for credit losses under CECL, in accordance with the internal standards, including the review and approval of.

  - ➢ The measurement method for expected credit losses and the quantitative model used in the measurement

  - ➢ The key macroeconomic variables and relative weightings

  - ➢ The qualitative adjustments

- We tested the effectiveness of controls over the completeness and accuracy of the key data used in performing the aforementioned controls.

- With the assistance of our credit specialists, we evaluated the conceptual soundness of the quantitative model used in the measurement of expected credit losses by inspecting documents relative to the quantitative model, and tested the appropriateness of the validation of the level of precision in the quantitative model performed at these subsidiaries by reperforming the validation process.

- With the assistance of our credit specialists, we evaluated the reasonableness of the key macroeconomic variables included in the economic forecast scenario, such as unemployment rate and GDP, and the relative weightings by comparing them to macroeconomic forecasts from available external sources and performing other testing procedures.

- We identified significant assumptions used by management in determining the qualitative adjustment, and with the assistance of our credit specialists, we evaluated the reasonableness of these significant assumptions by comparing them with available external information.

Other Information

The other information comprises business report and the supplemental schedule. Management is responsible for the preparation and disclosure of the other information. In addition, 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 reporting process of the other information.

Our audit opinion on the consolidated financial statements does not cover the other information, and we do not provide an opinion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

(TRANSLATION)

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 judgment. 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.

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 it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

(TRANSLATION)

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 Accountants 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.