MITSUBISHI UFJ FINANCIAL GROUP INC
Form 20-F
July 28, 2011
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As filed with the Securities and Exchange Commission on July 28, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF**

THE SECURITIES EXCHANGE ACT OF 1934

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period to

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number 1-10277

KABUSHIKI KAISHA MITSUBISHI UFJ FINANCIAL GROUP

(Exact name of Registrant as specified in its charter)

MITSUBISHI UFJ FINANCIAL GROUP, INC.

(Translation of Registrant s name into English)

Japan

(Jurisdiction of incorporation or organization)

7-1, Marunouchi 2-chome

Chiyoda-ku, Tokyo 100-8330

Japan

(Address of principal executive offices)

Naoki Muramatsu, +81-3-3240-8111, +81-3-3240-7073, address is same as above

(Name, Telephone, Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, without par value	New York Stock Exchange(1)
American depositary shares, each of which represents one share of common stock	New York Stock Exchange

(1) The listing of the registrant s common stock on the New York Stock Exchange is for technical purposes only and without trading privileges.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

$2,300,000,000 Fixed/Floating Rate Non-Cumulative Preferred Securities of MUFG Capital Finance 1 Limited, and Mitsubishi UFJ Financial Group, Inc. s Guarantee thereof

750,000,000 Fixed/Floating Rate Non-Cumulative Preferred Securities of MUFG Capital Finance 2 Limited, and Mitsubishi UFJ Financial Group, Inc. s Guarantee thereof

Restricted Share Units granting rights to common stock pursuant to the UnionBanCal Corporation Stock Bonus Plan

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

At March 31, 2011, (1) 14,150,894,620 shares of common stock (including 16,723,747 shares of common stock held by the registrant and its consolidated subsidiaries as treasury stock), (2) 156,000,000 shares of first series of class 5 preferred stock, and (3) 1,000 shares of class 11 preferred stock.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ¨ No x

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

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For purposes of this Annual Report, we have presented our consolidated financial statements in accordance with accounting principles generally accepted in the United States, or US GAAP, except for risk-adjusted capital ratios, business segment financial information and some other specifically identified information. Unless otherwise stated or the context otherwise requires, all amounts in our financial statements are expressed in Japanese yen.

When we refer in this Annual Report to MUFG, we, us, our and the Group, we generally mean Mitsubishi UFJ Financial Group, Inc. and its consolidated subsidiaries, but from time to time as the context requires, we mean Mitsubishi UFJ Financial Group, Inc. as an individual legal entity. Similarly, references to MTFG and UFJ Holdings are to Mitsubishi Tokyo Financial Group, Inc. and to UFJ Holdings, Inc., respectively, as well as to MTFG and UFJ Holdings and their respective consolidated subsidiaries, as the context requires. Unless the context otherwise requires, references in this Annual Report to the financial results or business of the MTFG group and the UFJ group refer to those of MTFG and UFJ Holdings and their respective consolidated subsidiaries. In addition, our banking subsidiaries refers to The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi UFJ Trust and Banking Corporation and, as the context requires, their respective consolidated subsidiaries engaged in the banking business. References in this Annual Report to yen or ¥ are to Japanese yen and references to US dollars, US dollar, dollars, US$ to United States dollars. Unless the context otherwise requires, references to the Great East Japan Earthquake generally mean the earthquake and the ensuing tsunami in the northeastern region of Japan that occurred on March 11, 2011, as well as the subsequent accidents at the Fukushima Daiichi Nuclear Power Plant. Our fiscal year ends on March 31 of each year. References to years not specified as being fiscal years are to calendar years.

We usually hold the ordinary general meeting of shareholders of Mitsubishi UFJ Financial Group, Inc. in June of each year in Tokyo.

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Forward-Looking Statements

We may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with or submitted to the US Securities and Exchange Commission, or SEC, including this Annual Report, and other reports to shareholders and other communications.

The US Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking information to encourage companies to provide prospective information about themselves. We rely on this safe harbor in making these forward-looking statements.

Forward-looking statements appear in a number of places in this Annual Report and include statements regarding our intent, business plan, targets, belief or current expectations or the current belief or current expectations of our management with respect to our results of operations and financial condition, including, among other matters, our problem loans and loan losses. In many, but not all cases, we use words such as anticipate, aim, believe, estimate, expect, intend, plan, probability, risk, will, may and similar expressions, as they relate to management, to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those which are aimed, anticipated, believed, estimated, expected, intended or planned, or otherwise stated.

Our forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. We identify in this Annual Report in Item 3.D. Key Information Risk Factors, Item 4.B. Information on the Company Business Overview, Item 5. Operating and Financial Review and Prospects and elsewhere, some, but not necessarily all, of the important factors that could cause these differences.

We do not intend to update our forward-looking statements. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data

The selected statement of operations data and selected balance sheet data set forth below have been derived from our audited consolidated financial statements.

Except for risk-adjusted capital ratios, which are calculated in accordance with Japanese banking regulations based on information derived from our consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP, and the average balance information, the selected financial data set forth below are derived from our consolidated financial statements prepared in accordance with US GAAP.

You should read the selected financial data set forth below in conjunction with Item 5. Operating and Financial Review and Prospects and our consolidated financial statements and other financial data included elsewhere in this Annual Report on Form 20-F. These data are qualified in their entirety by reference to all of that information.

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	Fiscal years ended March 31,				
	2007	2008	2009	2010	2011
	(in millions, except per share data and number of shares)				
Statement of operations data:					
Interest income	¥ 3,915,729	¥ 4,366,811	¥ 3,895,794	¥ 2,758,504	¥ 2,550,947
Interest expense	1,585,963	2,087,094	1,599,389	774,400	670,673
Net interest income	2,329,766	2,279,717	2,296,405	1,984,104	1,880,274
Provision for credit losses	358,603	385,740	626,947	647,793	292,035
Net interest income after provision for credit losses	1,971,163	1,893,977	1,669,458	1,336,311	1,588,239
Non-interest income	1,947,936	1,778,114	175,099	2,453,865	1,709,445
Non-interest expense	2,767,253	3,620,336	3,608,784	2,508,060	2,460,446
Income (loss) from continuing operations before income tax expense (benefit)	1,151,846	51,755	(1,764,227)	1,282,116	837,238
Income tax expense (benefit)	552,826	553,045	(259,928)	407,040	439,900
Income (loss) from continuing operations	599,020	(501,290)	(1,504,299)	875,076	397,338
Loss from discontinued operations net	(1,251)	(2,670)			
Net income (loss) before attribution of noncontrolling interests	597,769	(503,960)	(1,504,299)	875,076	397,338
Net income (loss) attributable to noncontrolling interests	16,481	38,476	(36,259)	15,257	(64,458)
Net income (loss) attributable to Mitsubishi UFJ Financial Group	¥ 581,288	¥ (542,436)	¥ (1,468,040)	¥ 859,819	¥ 461,796
Net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	¥ 300,227	¥ (557,014)	¥ (1,491,593)	¥ 838,141	¥ 440,856
Amounts per share:					
Basic earnings (loss) per common share income (loss) from continuing operations available to common shareholders of Mitsubishi UFJ Financial Group	¥ 29.98	¥ (53.79)	¥ (137.84)	¥ 68.01	¥ 31.20
Basic earnings (loss) per common share net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	29.86	(54.05)	(137.84)	68.01	31.20
Diluted earnings (loss) per common share income (loss) from continuing operations available to common shareholders of Mitsubishi UFJ Financial Group	29.80	(53.79)	(137.84)	67.87	31.08
Diluted earnings (loss) per common share net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	29.68	(54.05)	(137.84)	67.87	31.08
Number of shares used to calculate basic earnings (loss) per common share (in thousands)	10,053,408	10,305,911	10,821,091	12,324,315	14,131,567
Number of shares used to calculate diluted earnings (loss) per common share (in thousands)	10,053,409(1)	10,305,911	10,821,091	12,332,681(1)	14,144,737(1)
Cash dividends per share declared during the fiscal year:					
Common stock	¥ 9.00	¥ 13.00	¥ 14.00	¥ 11.00	¥ 12.00
	$ 0.08	$ 0.11	$ 0.14	$ 0.12	$ 0.14
Preferred stock (Class 3)	¥ 60.00	¥ 60.00	¥ 60.00	¥ 60.00	¥ 30.00
	$ 0.52	$ 0.51	$ 0.61	$ 0.65	$ 0.34
Preferred stock (Class 5)				¥ 100.50	¥ 115.00
				$ 1.10	$ 1.33
Preferred stock (Class 8)	¥ 23.85	¥ 15.90	¥ 7.95		
	$ 0.21	$ 0.14	$ 0.07		
Preferred stock (Class 9)	¥ 18.60				
	$ 0.16				
Preferred stock (Class 10)	¥ 19.40				
	$ 0.17				
Preferred stock (Class 11)	¥ 7.95	¥ 5.30	¥ 5.30	¥ 5.30	¥ 5.30

	$	0.07	$	0.05	$	0.05	$	0.06	$	0.06
Preferred stock (Class 12)	¥	17.25	¥	11.50	¥	11.50				
	$	0.15	$	0.10	$	0.12				

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	At March 31, 2007	2008	2009	2010	2011
	(in millions)				
Balance sheet data:					
Total assets	¥ 188,929,469	¥ 195,766,083	¥ 193,499,417	¥ 200,084,397	¥ 202,861,288
Loans, net of allowance for credit losses	94,210,391	97,867,139	99,153,703	90,870,295	86,261,519
Total liabilities(2)	177,611,175	186,612,152	187,032,297	190,981,557	194,190,251
Deposits	126,587,009	129,240,128	128,331,052	135,472,496	136,631,704
Long-term debt	14,389,930	13,675,250	13,273,288	14,162,424	13,356,728
Total equity(2)	11,318,294	9,153,931	6,467,120	9,102,840	8,671,037
Capital stock(3)	1,084,708	1,084,708	1,127,552	1,643,238	1,644,132

	Fiscal years ended March 31, 2007	2008	2009	2010	2011
	(in millions, except percentages)				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other financial data:					
Average balances:					
Interest-earning assets	¥ 168,767,341	¥ 172,467,323	¥ 173,242,745	¥ 175,465,293	¥ 180,372,977
Interest-bearing liabilities	146,796,013	156,151,982	156,084,859	158,156,363	161,344,664
Total assets	188,311,147	197,946,692	196,214,390	195,562,072	204,785,257
Total equity(2)	10,799,391	10,038,425	8,069,262	7,861,277	8,988,345
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Return on equity and assets:					
Net income (loss) available to common shareholders as a percentage of total average assets	0.16%	(0.28)%	(0.76)%	0.43%	0.22%
Net income (loss) available to common shareholders as a percentage of total average equity(2)	2.78%	(5.55)%	(18.48)%	10.66%	4.90%
Dividends per common share as a percentage of basic earnings per common share	30.14%	(4)	(4)	16.17%	38.46%
Total average equity as a percentage of total average assets(2)	5.73%	5.07%	4.11%	4.02%	4.39%
Net interest income as a percentage of total average interest-earning assets	1.38%	1.32%	1.33%	1.13%	1.04%
Credit quality data:					
Allowance for credit losses	¥ 1,112,453	¥ 1,134,940	¥ 1,156,638	¥ 1,315,615	¥ 1,240,456
Allowance for credit losses as a percentage of loans	1.17%	1.15%	1.15%	1.43%	1.42%
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	¥ 1,699,500	¥ 1,679,672	¥ 1,792,597	¥ 2,007,619	¥ 2,064,477
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	1.78%	1.70%	1.79%	2.18%	2.36%
Allowance for credit losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	65.46%	67.57%	64.52%	65.53%	60.09%
Net loan charge-offs	¥ 262,695	¥ 355,892	¥ 576,852	¥ 468,400	¥ 342,100
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net loan charge-offs as a percentage of average loans	0.27%	0.37%	0.58%	0.49%	0.39%
Average interest rate spread	1.24%	1.19%	1.23%	1.08%	0.99%
Risk-adjusted capital ratio calculated under Japanese GAAP(5)	12.54%	11.19%	11.77%	14.87%	14.89%

Notes:

(1) Includes the common shares potentially issuable by conversion of the Class 11 Preferred Stock.

(2) Effective April 1, 2009, we adopted new accounting guidance regarding noncontrolling interests in subsidiaries. See *Noncontrolling Interests* under *Accounting Changes* in Note 1 to our consolidated financial statements included elsewhere in this Annual Report for details. As a result, we have reclassified average balances, as well as year end balances, of Total liabilities and Total equity in the fiscal years ended March 31, 2007 to 2009. Accordingly Net income

(loss) available to common shareholders as a percentage of total average equity and Total average equity as a percentage of total average assets have been reclassified.

(3) Amounts include common shares. Redeemable Class 3 and 5 Preferred Stock are excluded.

(4) Percentages of basic loss per common share have not been presented because such information is not meaningful.

(5) Risk-adjusted capital ratios have been calculated in accordance with Japanese banking regulations, based on information derived from our consolidated financial statements prepared in accordance with Japanese GAAP.

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Exchange Rate Information

The tables below set forth, for each period indicated, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per US$1.00. On July 8, 2011, the noon buying rate was ¥80.64 to US$1.00 and the inverse noon buying rate was US$1.24 to ¥100.00.

	Year 2011					
	February	**March**	**April**	**May**	**June**	**July(1)**
High	¥ 81.48	¥ 82.98	¥ 85.26	¥ 82.12	¥ 80.98	¥ 81.26
Low	¥ 83.79	¥ 78.74	¥ 81.31	¥ 80.12	¥ 79.87	¥ 80.64

Note:
(1) Period from July 1, 2011 to July 8, 2011.

	Fiscal years ended March 31,				
	2007	**2008**	**2009**	**2010**	**2011**
Average (of month-end rates)	¥ 116.55	¥ 113.61	¥ 100.85	¥ 92.49	¥ 85.71

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the risks described in this section, which is intended to disclose all of the risks that we consider material based on the information currently available to us, as well as all the other information in this Annual Report, including our consolidated financial statements and related notes, Item 5. Operating and Financial Review and Prospects, Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk and Selected Statistical Data.

Our business, operating results and financial condition could be materially and adversely affected by any of the factors discussed below. The trading price of our securities could decline due to any of these factors. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described in this section and elsewhere in this Annual Report. See Forward-Looking Statements.

Risks Related to Our Business

Because a large portion of our assets are located in Japan and our business operations are conducted primarily in Japan, we may incur further losses if economic conditions in Japan worsen.

Our performance is particularly affected by the general economic conditions of Japan where we are headquartered and conduct a significant amount of our business. As of March 31, 2009, 2010 and 2011, 73.9%, 74.5% and 71.9% of our total assets were related to Japanese domestic assets, respectively, including Japanese national government and Japanese government agency bonds which accounted for 69.8%, 75.8% and 79.6% of our total investment securities portfolio. Moreover, approximately three quarters of our total interest and non-interest income related to such income generated in Japan. Furthermore, as of March 31, 2011, our domestic loans in Japan accounted for approximately 80% of our total loans outstanding.

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During the fiscal year ended March 31, 2011, although there were signs of recovery in economic conditions in Japan, the Japanese economy began to weaken in the second half of the fiscal year ended March 31, 2011 after the government ended many aspects of its economic stimulus package and as the Japanese yen continued to appreciate against major foreign currencies thereby weakening the competitive strength of Japanese exports. The Japanese yen appreciated from ¥93.04 to US$1 as of March 31, 2010 to ¥83.15 to US$1 as of March 31, 2011. As of July 15, 2011, the exchange rate was ¥79.20 to US$1. Furthermore, the Japanese economy has experienced a significant downturn since the Great East Japan Earthquake that occurred on March 11, 2011. The Nikkei Stock Average, which is an average of 255 blue chip stocks listed on the Tokyo Stock Exchange, declined from ¥10,434.38 on March 10, 2011 to ¥8,605.15 on March 15, 2011. The Nikkei Stock Average gradually recovered to ¥9,974.47 on July 15, 2011. In addition, Japan s seasonally adjusted real gross domestic product for the quarter ended March 31, 2011 decreased 1.0%, or 3.7% on an annualized basis, compared to the same period of the previous year. The Japanese economy could further deteriorate due to the Great East Japan Earthquake, particularly the disruptions in the supply chain and infrastructure for Japan s major manufacturing industries as well as the nuclear crisis and electricity supply shortages. While significant funds will be required to address these issues, there is significant uncertainty regarding the Japanese political leadership to timely formulate effective solutions to provide the necessary financial support and compensation and to develop other policies in response to the Great East Japan Earthquake. In particular, since the Japanese Cabinet submitted a bill to the Diet of Japan in June 2011, there has been a significant political debate regarding a compensation scheme for damages related to the nuclear accidents as well as a scheme to financially support electric utilities that are subject to the damage claims. Many aspects of the legislative solution, including the actual implementation of such schemes, are uncertain at this time. Depending on the timing and approach of any policy or scheme, significant costs may be incurred by the Japanese government, specific electric utilities or a broad range of participants in the Japanese economy, which in turn may significantly affect the Japanese economy.

Since, as described above, our domestic loans in Japan accounted for a significant portion of our loan portfolio, the Great East Japan Earthquake has resulted in, and will likely further cause, indirect adverse effects on our financial results such as increases in credit costs as the credit quality of some borrowers could deteriorate. For a further discussion, see Risks Related to Our Business We may suffer additional credit-related losses in the future if our borrowers are unable to repay their loans as expected or if the measures we take in reaction to, or in anticipation of, our borrowers deteriorating repayment abilities prove inappropriate or insufficient.

In addition, our Japanese domestic marketable equity securities portfolio and Japanese government bond portfolio may be adversely affected, depending on how the Japanese economy reacts after the Great East Japan Earthquake and what governmental policies may be adopted for reconstruction, compensation and recovery. Deteriorating or stagnant economic conditions in Japan may also result in a decrease in the volume of financial transactions in general, which in turn may reduce our domestic income from fees and commissions.

For a further discussion of our results of operations on a geographic basis, see Item 5.A. Operating and Financial Review and Prospects Operating Results Geographic Segment Analysis.

If the global economy deteriorates again, our credit-related losses may increase, and the value of the financial instruments we hold may decrease, resulting in losses.

Despite some signs of a recovery from the recent global financial downturn, the global economy remains susceptible to economic and political developments. For example, the United States and some European nations continue to experience weak employment and large financial deficits while struggling to stimulate their economies. As of March 31, 2011, based principally on the domicile of obligors, assets related to the United States and Europe accounted for approximately 12% and 8%, respectively, of our total assets. If the global economy deteriorates or the global economic recovery slows down again, the availability of credit may become limited, and some of our borrowers may default on their loan obligations to us, increasing our credit losses. In addition, the growing concern over the sovereign debt problem in some European countries may limit liquidity in the global financial market. Some of our credit derivative transactions may also be negatively affected, including the protection we sold through single name credit default swaps, index and basket credit default swaps, and credit

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linked notes. The notional amounts of these protections sold as of March 31, 2011 were ¥2.9 trillion, ¥0.7 trillion and ¥0.2 trillion, respectively. In addition, if credit market conditions worsen, our capital funding structure may need to be adjusted or our funding costs may increase, which could have a material adverse impact on our financial condition and results of operations.

Furthermore, we have incurred losses, and may incur further losses, as a result of changes in the fair value of our financial instruments resulting from weakening market conditions. For example, declines in fair value of our investment securities, particularly equity investment securities, resulted in our recording impairment losses of ¥858.9 billion, ¥117.5 billion and ¥139.0 billion for each of the three fiscal years ended March 31, 2009, 2010 and 2011. As of March 31, 2011, approximately 40% of our total assets were financial instruments for which we measure fair value on a recurring basis, and less than 1% of our total assets were financial instruments for which we measure fair value on a nonrecurring basis. Generally, in order to establish the fair value of these instruments, we rely on quoted market prices. If the value of these financial instruments declines, a corresponding write-down may be recognized in our consolidated statement of operations. In addition, because we hold a large amount of investment securities, short-term fluctuations in the value of our securities may trigger losses or exit costs for us to manage our risk. For more information on our valuation method for financial instruments, see Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates.

We may suffer additional credit-related losses in the future if our borrowers are unable to repay their loans as expected or if the measures we take in reaction to, or in anticipation of, our borrowers deteriorating repayment abilities prove inappropriate or insufficient.

When we lend money or commit to lend money, we incur credit risk, or the risk of losses if our borrowers do not repay their loans. We may incur significant credit losses or have to provide for a significant amount of additional allowance for credit losses if:

- large borrowers become insolvent or must be restructured;
- domestic or global economic conditions, either generally or in particular industries in which large borrowers operate, deteriorate;
- the value of the collateral we hold, such as real estate or securities, declines; or
- we are adversely affected by corporate credibility issues among our borrowers, to an extent that is worse than anticipated.

As a percentage of total loans, nonaccrual and restructured loans and accruing loans contractually past due 90 days or more ranged from 1.78% to 2.36% as of the five recent fiscal year-ends, reaching its highest level of 2.36% as of March 31, 2011 as total loans decreased to ¥87.5 trillion while nonaccrual and restructured loans and accruing loans contractually past due 90 days or more increased to ¥2.1 trillion. In particular, restructured loans increased by ¥0.23 trillion compared to the prior fiscal year-end, mainly due to increased restructurings of domestic loans to small and medium enterprises and domestic residential mortgage loans to individuals. If the recession in Japan worsens, our problem loans and credit-related expenses may increase. An increase in problem loans and credit-related expenses would adversely affect our results of operations, weaken our financial condition and erode our capital base. For a discussion of our problem loans, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition and Selected Statistical Data Loan Portfolio.

Due to the nuclear power plant accidents in Fukushima Prefecture following the Great East Japan Earthquake in March 2011, certain areas were affected by radiation contamination, and the Kanto region of Japan experienced electricity supply shortages in the spring of 2011. Electricity supply remains in short supply, affecting not only the Kanto region but also the rest of Japan. Electricity supply shortages are expected to have a significant negative impact on the recovery efforts in the northeastern region of Japan and could also disrupt the economic and industrial activities in other regions of Japan and across a wide range of industry sectors in Japan. In addition, the recovery efforts may require significant costs incurred to repair the damaged facilities, to secure alternative sources of electricity, parts and other materials, and to provide financial support or compensation for affected individuals and companies. As a result, our borrowers financial condition and creditworthiness could deteriorate, and our credit-related expenses with respect to our domestic credit portfolio could increase.

We may provide additional loans, equity capital or other forms of support to troubled borrowers in order to facilitate their restructuring and revitalization efforts. We may also forbear from exercising some or all of our rights as a creditor against them, and we may forgive loans to them in conjunction with their debt restructuring. We may take these steps even when such steps might not be warranted from the perspective of our short-term or narrow economic interests or a technical analysis of our legal rights against those borrowers, in light of other factors such as our longer-term economic interests, and our commitment to support the Japanese economy. These practices may substantially increase our exposure to troubled borrowers and increase our losses. Credit losses may also increase if we elect, or are forced by economic or other considerations, to sell or write off our problem loans at a larger discount, in a larger amount or in a different time or manner, than we may otherwise want.

Although we, from time to time, enter into credit derivative transactions, including credit default swap contracts, to manage our credit risk exposure, such transactions may not provide the protection against credit defaults that we intended due to counterparty defaults or otherwise. The credit default swap contracts could also result in significant losses. As of March 31, 2011, the total notional amount of the credit default swaps we sold and credit-linked notes was ¥3.8 trillion. In addition, negative changes in financial market conditions may restrict the availability and liquidity of credit default swaps. For more information on our credit derivative transactions, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report.

Our loan losses could prove to be materially different from our estimates and could materially exceed our current allowance for credit losses, in which case we may need to provide for additional allowance for credit losses and may also record credit losses beyond our allowance. Our allowance for credit losses in our loan portfolio is based on evaluations about customers creditworthiness and the value of collateral we hold. Negative changes in economic conditions or our borrowers repayment abilities could require us to provide for additional allowance. For example, borrowers in wider regions in Japan may be adversely affected due to the compensation issues for affected individuals and companies, electricity power supply shortages, supply chain disruptions and other indirect consequences of the Great East Japan Earthquake beyond our expectations, and as a result, our borrowers may incur greater financial and/or nonfinancial losses than our estimations. In such case, we may need to provide for additional allowance for credit losses. Also, the regulatory standards or guidance on establishing allowances may also change, causing us to change some of the evaluations used in determining the allowances. As a result, we may need to provide for additional allowance for credit losses. For a discussion of our allowance policy, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition.

If the Japanese stock market or other global markets decline in the future, we may incur losses on our securities portfolio and our capital ratios will be adversely affected.

A decline in Japanese stock prices could reduce the value of the Japanese domestic marketable equity securities that we hold, which accounted for 6.2% of our total investment securities portfolio, or 1.8% of our total assets, as of March 31, 2011. The Nikkei Stock Average declined from ¥11,089.94 at March 31, 2010 to ¥9,755.10 at March 31, 2011, mainly reflecting investor sentiment that remains cautious in light of uncertainties surrounding the global financial and capital markets and the adverse impact of the Great East Japan Earthquake. If stock market prices further decline or do not improve, we may incur additional losses on our securities portfolio. Because we hold a large amount of Japanese domestic marketable equity securities, even short-term fluctuations in the value of our securities may trigger losses or exist costs for us to manage our risk. Further declines in the Japanese stock market or other global markets may also materially and adversely affect our capital ratios and financial condition. For a detailed discussion of our holdings of marketable equity securities and the effect of market declines on our capital ratios, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Adequacy and Selected Statistical Data Investment Portfolio.

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If our strategic alliance with Morgan Stanley fails, we could suffer financial or reputational loss.

We have entered into a global strategic alliance with Morgan Stanley, under which we operate two joint venture securities companies in Japan, engage in joint corporate finance operations in the United States and pursue other cooperative opportunities. As a result of our voluntary conversion on June 30, 2011 of the convertible preferred stock previously issued to us by Morgan Stanley, we currently hold approximately 22.4% of the voting rights in Morgan Stanley and continue to hold approximately $520 million of perpetual non-cumulative non-convertible preferred stock with a 10% dividend. In addition, we have appointed a second representative to Morgan Stanley s board of directors.

We initially entered into this strategic alliance in October 2008 with a view towards long-term cooperation with Morgan Stanley, and currently plan to deepen the strategic alliance, given that the voluntary conversion of the convertible preferred stock to the common stock was completed as described above. However, due to any unexpected changes in social, economic or financial conditions, or any failure to integrate or share staff, products or services, or to operate, manage or implement the business strategy of the securities joint venture companies or other cooperative opportunities as planned, we may be unable to achieve the expected synergies from this alliance.

If our strategic alliance with Morgan Stanley is terminated, it could have a material negative impact on our business strategy, financial condition, and results of operations. For example, because we conduct our securities operations in Japan through the joint venture companies we have with Morgan Stanley, such termination may result in our inability to attain the planned growth in this line of business.

In addition, with our current investment in Morgan Stanley, we have neither a controlling interest in, nor control over the business operations of Morgan Stanley. If Morgan Stanley makes any business decisions that are inconsistent with our interests, we may be unable to achieve the goals initially set out for the strategic alliance. Furthermore, although we do not control Morgan Stanley, given the magnitude of our investment, if Morgan Stanley encounters financial or other business difficulties, we may suffer a financial loss on our investment or damage to our reputation.

Following the conversion of the preferred stock into common stock as described above, Morgan Stanley is expected to be treated as an equity-method affiliate of MUFG in the future consolidated financial statements prepared by MUFG. Accordingly, Morgan Stanley s performance will have a more significant impact on our results of operations as a result of equity method accounting.

For a detailed discussion of our strategic alliance with Morgan Stanley, see Item 5. Operating and Financial Review and Prospects Recent Developments.

Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results.

We have a large loan portfolio in the consumer lending industry as well as large shareholdings in subsidiaries and equity method investees in the consumer finance industry. Our domestic loans to consumers amount to approximately one-fifth of our total outstanding loans. Of this amount, the consumer loans provided by Mitsubishi UFJ NICOS, Co., Ltd., which is our primary consumer financing subsidiary, was ¥872.0 billion as of March 31, 2011, compared to ¥1,032.6 billion as of March 31, 2010. Mitsubishi UFJ NICOS s consumer loan portfolio has been adversely affected by a series of regulatory reforms recently implemented in Japan.

The Japanese government has been implementing regulatory reforms affecting the consumer lending industry in recent years. In December 2006, the Diet passed legislation to reform the regulations relating to the consumer lending business, including amendments to the Law Concerning Acceptance of Investment, Cash Deposit and Interest Rate, etc., which, effective June 18, 2010, reduced the maximum permissible interest rate from 29.2% per annum to 20% per annum. The regulatory reforms also included amendments to the Law Concerning Lending Business, which, effective June 18, 2010, abolished the so-called gray-zone interest.

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Gray-zone interest refers to interest rates exceeding the limits stipulated by the Interest Rate Restriction Law (between 15% per annum to 20% per annum depending on the amount of principal). Prior to June 18, 2010, gray-zone interest was permitted under certain conditions set forth in the Law Concerning Lending Business. As a result of the regulatory reforms, all interest rates are now subject to the lower limits imposed by the Interest Rate Restriction Law, compelling lending institutions, including our consumer finance subsidiaries and equity method investees, to lower the interest rates they charge borrowers. The new regulations that became effective on June 18, 2010 also have had a further negative impact on the business of consumer finance companies as one of those new regulations requires, among other things, consumer finance companies to limit their lending to a single customer to a maximum of one third of the customer s annual income regardless of the customer s repayment capability, significantly reducing business opportunities for the affected consumer financing companies.

In addition, as a result of decisions by the Supreme Court of Japan prior to June 18, 2010 imposing stringent requirements under the Law Concerning Lending Business for charging gray-zone interest rates, consumer finance companies have experienced a significant increase in borrowers claims for reimbursement of previously collected interest payments in excess of the limits stipulated by the Interest Rate Restriction Law.

Following the various legal developments in June 2010 and other industry developments, Mitsubishi UFJ NICOS revised its estimate by updating management s future forecast to reflect new reimbursement claims information and other data. As of March 31, 2010 and 2011, we had ¥84.2 billion and ¥136.9 billion of allowance for repayment of excess interest, respectively. For the fiscal years ended March 31, 2010 and 2011, we recorded provisions for repayment of excess interest of ¥44.8 billion and ¥85.7 billion, respectively. For the same periods, one of our equity method investees engaged in consumer lending had a negative impact of ¥23.1 billion and ¥96.4 billion, respectively, on equity in losses of equity method investees in our consolidated statement of operations. We intend to carefully monitor future developments and trends.

These developments have adversely affected, and these and any future developments may further adversely affect, the operations and financial condition of our subsidiaries and borrowers which are engaged in consumer lending, which in turn may affect the value of our related shareholdings and loan portfolio. In particular, to further strengthen our consumer finance business as a core business of our group, in August 2008, we increased our interest in our consolidated subsidiary, Mitsubishi UFJ NICOS, and separately, in October 2008, increased our interest in ACOM CO., LTD., an equity method investee. In March 2011, we made an additional capital injection of approximately ¥85.0 billion in Mitsubishi UFJ NICOS. As a result of these investments, any negative developments in the consumer finance industry may have a greater impact on our consolidated results of operations and financial condition.

Increases in interest rates could adversely affect the value of our bond portfolio.

The aggregate estimated fair value of the Japanese government and corporate bonds and foreign bonds, including US Treasury bonds, that we hold has increased in recent fiscal years to 24.9% of our total assets as of March 31, 2011. In particular, the Japanese government and Japanese government agency bonds accounted for 22.6% of our total assets as of March 31, 2011. For a detailed discussion of our bond portfolio, see Selected Statistical Data Investment Portfolio.

The Bank of Japan has been maintaining a very low policy rate (uncollateralized overnight call rate) of 0.10% in an effort to lift the economy out of deflation. Short-term interest rates continue to decline because of the Bank of Japan s so-called monetary easing policy. Interest rates in other major global financial markets, including the United States and the European Union, have remained at historic low levels in recent years. An increase in relevant interest rates, particularly if such increase is unexpected or sudden, may have a significant negative effect on the value of our bond portfolio. See Item 5. Operating and Financial Review and Prospects Business Environment.

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Fluctuations in foreign currency exchange rates may result in transaction losses on translation of monetary assets and liabilities denominated in foreign currencies as well as foreign currency translation losses with respect to our foreign subsidiaries and equity method investees.

Fluctuations in foreign currency exchange rates against the Japanese yen create transaction gains or losses on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies. To the extent that our foreign currency-denominated assets and liabilities are not matched in the same currency or appropriately hedged, we could incur losses due to future foreign exchange rate fluctuations. During the fiscal year ended March 31, 2011, the average balance of our foreign interest-earning assets was ¥49.5 trillion and the average balance of our foreign interest-bearing liabilities was ¥34.4 trillion, representing 27.4% of our average total interest-earning assets and 21.3% of our average total interest-bearing liabilities during the same period. For the fiscal year ended March 31, 2011, net foreign exchange gains, which primarily include transaction gains on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies and net gains on currency derivatives instruments entered into for trading purposes, were ¥260.7 billion, compared to net foreign exchange gains of ¥216.7 billion for the previous fiscal year. In addition, we may incur foreign currency translation losses with respect to our foreign subsidiaries and equity method investees due to fluctuations in foreign currency exchange rates. The average exchange rate for the fiscal year ended March 31, 2011 was ¥85.72 per US$1.00, compared to the average exchange rate for the fiscal year ended March 31, 2010 of ¥92.85 per US$1.00. The average exchange rate for the conversion of the US dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2010 was ¥87.81 per US$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2009 of ¥93.57 per US$1.00. The change in the average exchange rate of the Japanese yen against the US dollar and other foreign currencies had the effect of decreasing total revenue by ¥135.6 billion, net interest income by ¥47.1 billion and income before income tax expense by ¥91.2 billion, respectively, for the fiscal year ended March 31, 2011. For more information on foreign exchange gains and losses and foreign currency translation gains and losses, see Item 5.A. Operating and Financial Review and Prospects Operating Results Results of Operations.

Any adverse changes in the business of Union Bank, an indirect wholly-owned subsidiary in the United States, could significantly affect our results of operations.

Union Bank, N.A., or Union Bank, is the primary subsidiary of UnionBanCal Corporation, or UNBC, which is an indirect wholly-owned subsidiary in the United States. Union Bank has historically contributed to a significant portion of our net income. UNBC reported net income of $269 million for the fiscal year ended December 31, 2008, net loss of $65 million for the fiscal year ended December 31, 2009, and net income of $573 million for the fiscal year ended December 31, 2010. Any adverse developments which could arise at Union Bank have a great negative impact on our results of operation and financial condition. The risks relating to Union Bank have increased as Union Bank has been expanding its business through acquisitions of community banks. In April 2010, Union Bank acquired approximately $600 million in total assets and assumed more than $400 million in deposits of Tamalpais Bank, a California-based bank, and acquired approximately $3.2 billion in total assets and assumed approximately $2.5 billion in deposits of Frontier Bank, a Washington-based bank, pursuant to its respective purchase and assumption agreements with the US Federal Deposit Insurance Corporation. If Union Bank is unable to achieve the benefits expected from its business strategies, including its business expansion strategy through acquisitions of failing community banks, we will suffer an adverse financial impact. Other factors that have negatively affected, and could continue to negatively affect, Union Bank s results of operations include adverse economic conditions, such as a downturn in the real estate and housing industries in California and other states within the United States, substantial competition in the banking markets in California and other states within the United States and uncertainty over the US economy, as well as the threat of terrorist attacks, fluctuating oil prices, rising interest rates, negative trends in debt ratings, additional costs which may arise from enterprise-wide compliance, or failure to comply, with applicable laws and regulations, such as the US Bank Secrecy Act and related amendments under the USA PATRIOT Act, and any adverse impact of the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

We may incur further losses as a result of financial difficulties relating to other financial institutions, both directly and through the effect they may have on the overall banking environment and on their borrowers.

Some domestic and foreign financial institutions, including banks, non-bank lending and credit institutions, securities companies and insurance companies, have experienced declining asset quality and capital adequacy and other financial problems. This may lead to severe liquidity and solvency problems, which have in the past resulted in the liquidation, government control or restructuring of affected institutions. In addition, allegations or governmental prosecution of improper trading activities or inappropriate business conduct of a specific financial institution could also negatively affect the public perception of other global financial institutions individually and the global financial industry as a whole. These developments may adversely affect our financial results.

Financial difficulties relating to financial institutions could adversely affect us because we have extended loans, some of which may need to be classified as nonaccrual and restructured loans, to banks, securities companies, insurance companies and other financial institutions that are not our consolidated subsidiaries. Our loans to banks and other financial institutions have been more than 5% of our total loans as of each year-end in the three fiscal years ended March 31, 2011, with the percentage increasing from 7.7% to 8.0% between March 31, 2010 and March 31, 2011. We may also be adversely affected because we are a shareholder of some other banks and financial institutions that are not our consolidated subsidiaries, including Japanese regional banks as part of our strategic equity investment securities portfolio. In addition, we currently hold an approximately 22.4% of the voting rights in Morgan Stanley. We may also be adversely affected because we enter into transactions, such as derivative transactions, in the ordinary course of business, with other banks and financial institutions as counterparties. For example, we enter into credit derivatives with banks, broker-dealers, insurance and other financial institutions for managing credit risk exposures, for facilitating client transactions, and for proprietary trading purpose. The notional amount of the protection we sold through these instruments was ¥3.8 trillion as of March 31, 2011.

In addition, financial difficulties relating to financial institutions could indirectly have an adverse effect on us because:

- we may be requested to participate in providing assistance to support distressed financial institutions that are not our consolidated subsidiaries;
- the government may elect to provide regulatory, tax, funding or other benefits to those financial institutions to strengthen their capital, facilitate their sale or otherwise, which in turn may increase their competitiveness against us;
- deposit insurance premiums could rise if deposit insurance funds prove to be inadequate;
- bankruptcies or government support or control of financial institutions could generally undermine confidence in financial institutions or adversely affect the overall banking environment;
- failures or financial difficulties experienced by other financial institutions could result in additional regulations or requirements that increase the cost of business for us; and
- negative media coverage of the financial industry, regardless of its accuracy and applicability to us, could affect customer or investor sentiment, harm our reputation and have a materially adverse effect on our business or the price of our securities.

Our strategy to expand the range of our financial products and services and the geographic scope of our business globally may fail if we are unable to anticipate or manage new or expanded risks that entail such expansion.

We continue to seek opportunities to expand the range of our products and services beyond our traditional banking and trust businesses, through development and introduction of new products and services or through acquisitions of or investments in financial institutions with products and services that complement our business. For example, taking advantage of our financial holding company status which enables us to underwrite securities, we are currently seeking to expand our corporate banking operations in the United States. In addition, the sophistication of financial products and management systems has been growing significantly in recent years. As a result, we are exposed to new and increasingly complex risks. Some of the activities that our subsidiaries are expected to engage in, such as derivatives and foreign currency trading, present substantial risks. In some cases, we have only limited experience with the risks related to the expanded range of these products and services. In addition, we may not be able to successfully develop or operate the necessary information systems. As a result, we may not be able to foresee the risks relating to new products and services. As we expand the geographic scope of our business, we will also be exposed to risks that are unique to particular jurisdictions or markets. Our risk management systems may prove to be inadequate and may not work in all cases or to the degree required. The substantial market, credit, compliance and regulatory risks in relation to the expanding scope of our products, services and trading activities or expanding our business beyond our traditional markets, could result in us incurring substantial losses. In addition, our efforts to offer new services and products or penetrate new markets may not succeed if product or market opportunities develop more slowly than expected, if our new services or products are not well accepted among customers, or if the profitability of opportunities is undermined by competitive pressures. For a detailed discussion of our risk management systems, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

Unanticipated economic changes in, and measures taken in response to such changes by, emerging market countries could result in additional losses.

We are increasingly active, through a network of branches and subsidiaries, in emerging market countries, particularly countries in Asia, Latin America, Central and Eastern Europe, and the Middle East. For example, based principally on the domicile of obligors, assets related to Asia and Oceania, excluding Japan, increased 29.6% from ¥8.42 trillion as of March 31, 2010 to ¥10.91 trillion as of March 31, 2011, accounting for 5.4% of our total assets as of March 31, 2011. The economies of emerging market countries can be volatile and susceptible to adverse changes and trends in the global financial markets. For example, a decline in the value of local currencies of these countries could negatively affect the creditworthiness of some of our borrowers in these countries. The loans we have made to borrowers and banks in these countries are often denominated in US dollars, Euro or other foreign currencies. These borrowers often do not hedge the loans to protect against fluctuations in the values of local currencies. A devaluation of the local currency would make it more difficult for a borrower earning income in that currency to pay its debts to us and other foreign lenders. In addition, some countries in which we operate may attempt to support the value of their currencies by raising domestic interest rates. If this happens, the borrowers in these countries would have to devote more of their resources to repaying their domestic obligations, which may adversely affect their ability to repay their debts to us and other foreign lenders. The limited credit availability resulting from these conditions may adversely affect economic conditions in some countries. This could cause a further deterioration of the credit quality of borrowers and banks in those countries and cause us to incur further losses. In addition, should there be excessively rapid economic growth and increasing inflationary pressure in some of the emerging market countries, such developments could adversely affect the wider regional and global economies. Some emerging market countries may also change their monetary or other economic policies in response to economic and political instabilities or pressures, which are difficult to predict. As of March 31, 2011, based on the domicile of obligors, our assets in Europe, Asia and Oceania (excluding Japan), and other areas (excluding Japan and the United States) were ¥17.04 trillion, ¥10.91 trillion and ¥5.65 trillion, representing 8.4%, 5.4% and 2.8% of our total assets, respectively. See Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition.

Our business may be adversely affected by competitive pressures, which have partly increased due to regulatory changes and recent market changes in the financial industry domestically and globally.

In recent years, the Japanese financial system has been undergoing significant changes and regulatory barriers to competition have been reduced. In particular, any further reform of the Japanese postal savings system, under which the Japan Post Group companies, including Japan Post Bank Co., Ltd., were established in October 2007, could substantially increase competition within the financial services industry as Japan Post Bank, with the largest deposit base and branch network in Japan, may begin to offer financial services in competition with our business operations generating fee income. In addition, there has been significant consolidation and convergence among financial institutions domestically and globally, and this trend may continue in the future and further increase competition in the market. A number of large commercial banks and other broad-based financial services firms have merged or formed strategic alliances with, or have acquired, other financial institutions both in Japan and overseas. As a result of the strategic alliance and the joint venture companies that we formed with Morgan Stanley, we may be newly perceived as a competitor by some of the financial institutions with which we had a more cooperative relationship in the past. If we are unable to compete effectively in this more competitive and deregulated business environment, our business, results of operations and financial condition will be adversely affected. For a more detailed discussion of our competition in Japan, see Item 4.B. Information on the Company Business Overview Competition Japan.

Future changes in accounting standards and regulatory requirements could have a negative impact on our business and results of operations.

Future developments or changes in laws, regulations, policies, standards, voluntary codes of practice and their effects are unpredictable and beyond our control. For example, Japanese and other international organizations that set accounting standards have released proposals to revise accounting standards applicable to retirement benefit obligations. The Accounting Standards Board of Japan has published proposals that, if adopted, would require companies preparing their financial statements in accordance with Japanese GAAP to record as liabilities on balance sheets actuarial losses and unrecognized past service cost, which are currently not recorded as liabilities on balance sheets. The proposed changes, if adopted, could have a significant negative impact on our capital ratios since we calculate our capital ratios in accordance with Japanese banking regulations based on information derived from our financial statements prepared in accordance with Japanese GAAP. For more information, see Risks Related to Our Business We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations.

In addition, in response to the recent instabilities in financial markets, several international organizations which set accounting standards have released proposals to revise standards on accounting for financial instruments. Accounting standards applicable to financial instruments remain subject to debate and revision by international organizations which set accounting standards. If the current accounting standards change in the future, the reported values of some of our financial instruments may need to be modified, and such modification could have a significant impact on our financial results or financial condition. For more information, see Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates.

We could also be required to incur significant expenses to comply with new standards and regulations. For example, if we adopt a new accounting system in the future, we may be required to incur significant additional costs for establishing and implementing effective internal controls, which may materially and adversely affect our financial condition and results of operations.

In addition, additional regulatory requirements could have an adverse impact on our future business and results of operations. For example, regulations relating to the consumer lending business which became effective in June 2010 impose, among other things, a limit on the amount of borrowing available to individual borrowers, which in turn have negatively affected our profitability. For more information on regulatory changes in the consumer finance industry, see Risks Related to Our Business Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results.

Transactions with counterparties in countries designated by the US Department of State as state sponsors of terrorism may lead some potential customers and investors in the United States and other countries to avoid doing business with us or investing in our shares.

We, through our banking subsidiaries, engage in business activities with entities in or affiliated with Iran, including transactions with counterparties owned or controlled by the Iranian government, and the banking subsidiary has a representative office in Iran. The US Department of State has designated Iran and other countries as state sponsors of terrorism, and US law generally prohibits US persons from doing business with such countries. We currently have business activities with entities in or affiliated with Iran in accordance with our policies and procedures designed to ensure compliance with regulations applicable in the jurisdictions in which we operate.

Our transactions with counterparties in or affiliated with Iran consist primarily of loans, the outstanding balance of which was approximately $17.3 million, representing less than 0.001% of our total assets, as of March 31, 2011. We do not have any loans outstanding to the financial institutions specifically listed by the US government. We do not believe our business activities relating to Iran are material to our business or financial condition. In addition to the loans, we also receive deposits or hold assets on behalf of several individuals resident in Japan who are citizens of countries designated as state sponsors of terrorism.

We are aware of initiatives by US governmental entities and non-government entities, including institutional investors such as pension funds, to adopt or consider adopting laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with Iran and other countries identified as state sponsors of terrorism. It is possible that such initiatives may result in our being unable to gain or retain entities subject to such prohibitions as customers, counter-parties or investors in our shares. In addition, depending on socio-political developments, our reputation may suffer due to our association with these countries. The above circumstances could have an adverse effect on our business and financial condition.

During the fiscal year ended March 31, 2011, US federal and state governments enacted new legislation designed to limit economic and financial transactions with Iran by limiting the ability of financial institutions that may have engaged in any one of a broad range of activities related to Iran to conduct various transactions in the relevant jurisdictions. Furthermore, since September 2010, the Japanese government has implemented a series of measures under the Foreign Exchange and Foreign Trade Act, such as freezing the assets of designated financial institutions and others that could contribute to Iran s nuclear activities, and our most recently modified policies and procedures take into account the new Japanese regulatory requirements. There remains a risk of potential US regulatory action against us, however, if US regulators perceive the modified policies and procedures not to be in compliance with applicable regulations.

We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations.

We, as a holding company, and our Japanese banking subsidiaries are required to maintain risk-weighted capital ratios above the levels specified in the capital adequacy guidelines of the Financial Services Agency of Japan. As of March 31, 2011, our total risk-adjusted capital ratio was 14.89% compared to the minimum risk-adjusted capital ratio required of 8.00%, and our Tier I capital ratio was 11.33% compared to the minimum Tier I capital ratio required of 4.00%. Our capital ratios are calculated in accordance with Japanese banking regulations based on information derived from our financial statements prepared in accordance with Japanese GAAP. In addition, some of our subsidiaries are also subject to the capital adequacy rules of various foreign countries, including the United States where each of MUFG, BTMU, MUTB and UNBC is a financial holding company under the US Bank Holding Company Act. We or our banking subsidiaries may be unable to continue to satisfy the capital adequacy requirements because of:

- increases in credit risk assets and expected losses we or our subsidiaries may incur due to fluctuations in our or our subsidiaries loan and securities portfolios as a result of deteriorations in the credit of our borrowers and the issuers of equity and debt securities;

- increases in credit costs we or our subsidiaries may incur as we or our subsidiaries dispose of problem loans or as a result of deteriorations in the credit of our borrowers;

declines in the value of our or our subsidiaries securities portfolio;

changes in the capital ratio requirements or in the guidelines regarding the calculation of bank holding companies or banks capital ratios or changes in the regulatory capital requirements for securities firms;

a reduction in the value of our or our subsidiaries deferred tax assets;

adverse changes in foreign currency exchange rates; or

other adverse developments discussed in these risk factors.

The Group of Central Bank Governors and Heads of Supervision has made a series of announcements regarding the new global regulatory framework, which has been referred to as Basel III, to strengthen the regulation, supervision and risk management of the banking sector. Various Basel III measures are expected to be introduced in phases starting in calendar 2013, including those designed to raise the level of minimum capital requirements and to establish an internationally harmonized leverage ratio and a global minimum liquidity standard. In addition, in July 2011, the Basel Committee on Banking Supervision proposed additional loss absorbency requirements to supplement the common equity Tier I capital requirement ranging from 1% to 2.5% for global systemically important banks, depending on the bank s systemic importance. Based on the Basel III framework, the Japanese capital ratio framework, which is currently based on Basel II, is likely to be revised to implement the more stringent requirements. Likewise, local banking regulators outside of Japan such as those in the United States are likely to revise the capital and liquidity requirements imposed on our subsidiaries and operations in those countries to implement the more stringent requirements of Basel III as adopted in those countries.

If our capital ratios fall below required levels, the Financial Services Agency of Japan could require us to take a variety of corrective actions, including withdrawal from all international operations or suspension of all or part of our business operations. In addition, if the capital ratios of our subsidiaries subject to capital adequacy rules of foreign jurisdictions fall below the required levels, the local regulators could also take action against them that may result in reputational damage or financial losses to us. For a discussion of our capital ratios and the related regulatory guidelines, see Item 4.B. Information on the Company Business Overview Supervision and Regulation and Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Adequacy.

If the goodwill recorded in connection with our acquisitions becomes impaired, we may be required to record impairment losses, which may adversely affect our financial results and the price of our securities.

In accordance with US GAAP, we account for our business combinations using the acquisition method of accounting. We recorded the excess of the purchase price over the fair value of the assets and liabilities of the acquired companies as goodwill. US GAAP requires us to test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

For the fiscal year ended March 31, 2009, the global financial crisis and recession led to a decline in our market capitalization and negatively affected the fair value of our reporting units for purposes of our periodic testing of goodwill for impairment. As a result, we recorded ¥845.8 billion of goodwill impairment losses for the fiscal year ended March 31, 2009. For the fiscal years ended March 31, 2010 and 2011, we recorded ¥0.5 billion and nil of goodwill impairment losses, respectively. As of March 31, 2011, the balance of goodwill was ¥363.4 billion.

We may be required to record additional impairment losses relating to goodwill in future periods if the fair value of any of our reporting units declines below the fair value of related assets net of liabilities. Any additional impairment losses will negatively affect our financial results, and the price of our securities could be adversely affected. For a detailed discussion of our periodic testing of goodwill for impairment and the goodwill recorded, see Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates Accounting for Goodwill and Intangible Assets and Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition Goodwill.

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Risks Related to Owning Our Shares

It may not be possible for investors to effect service of process within the United States upon us or our directors, corporate auditors or other management members, or to enforce against us or those persons judgments obtained in US courts predicated upon the civil liability provisions of the US federal or state securities laws.

We are a joint stock company incorporated under the laws of Japan. Almost all of our directors, corporate auditors or other management members reside outside the United States. Many of our assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for US investors to effect service of process within the United States upon us or these persons or to enforce, against us or these persons, judgments obtained in the US courts predicated upon the civil liability provisions of the US federal or state securities laws.

We believe there is doubt as to the enforceability in Japan, in original actions or in actions brought in Japanese courts to enforce judgments of US courts, of claims predicated solely upon the US federal or state securities laws mainly because the Civil Execution Act of Japan requires Japanese courts to deny requests for the enforcement of judgments of foreign courts if foreign judgments fail to satisfy the requirements prescribed by the Civil Execution Act, including:

- the jurisdiction of the foreign court be recognized under laws, regulations, treaties or conventions;
- proper service of process be made on relevant defendants, or relevant defendants be given appropriate protection if such service is not received;
- the judgment and proceedings of the foreign court not be repugnant to public policy as applied in Japan; and
- there exist reciprocity as to the recognition by a court of the relevant foreign jurisdiction of a final judgment of a Japanese court.

Judgments obtained in the US courts predicated upon the civil liability provisions of the US federal or state securities laws may not satisfy these requirements.

Risks Related to Owning Our ADSs

As a holder of ADSs, you have fewer rights than a shareholder of record in our shareholder register since you must act through the depositary to exercise these rights.

The rights of our shareholders under Japanese law to take actions such as voting, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to shareholders of record. Because the depositary, through its custodian, is the record holder of the shares underlying the American Depositary Shares, or ADSs, only the depositary can exercise shareholder rights relating to the deposited shares. ADS holders, in their capacity, will not be able to directly bring a derivative action, examine our accounting books and records and exercise appraisal rights. We have appointed The Bank of New York Mellon as depositary, and we have the authority to replace the depositary.

Pursuant to the deposit agreement among us, the depositary and a holder of ADSs, the depositary will make efforts to exercise voting or any other rights associated with shares underlying ADSs in accordance with the instructions given by ADS holders, and to pay to ADS holders dividends and distributions collected from us. However, the depositary can exercise reasonable discretion in carrying out the instructions or making distributions, and is not liable for failure to do so as long as it has acted in good faith. Therefore, ADS holders may not be able to exercise voting or any other rights in the manner that they had intended, or may lose some or all of the value of the dividends or the distributions. Moreover, the depositary agreement that governs the obligations of the depositary may be amended or terminated by us and the depositary without your consent, notice, or any reason. As a result, you may be prevented from having the rights in connection with the deposited shares exercised in the way you had wished or at all.

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ADS holders are dependent on the depositary to receive our communications. We send to the depositary all of our communications to ADS holders, including annual reports, notices and voting materials, in Japanese. ADS holders may not receive all of our communications with shareholders of record in our shareholder register in the same manner or on an equal basis. In addition, ADS holders may not be able to exercise their rights as ADS holders due to delays in the depositary transmitting our shareholder communications to ADS holders. For a detailed discussion of the rights of ADS holders and the terms of the deposit agreement, see Item 10.B. Additional Information Memorandum and Articles of Association.

Item 4. Information on the Company.

A. History and Development of the Company.

Mitsubishi UFJ Financial Group, Inc.

MUFG is a bank holding company incorporated as a joint stock company (*kabushiki kaisha*) under the Company Law of Japan. We are the holding company for The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., or MUMSS, Mitsubishi UFJ NICOS Co., Ltd., or Mitsubishi UFJ NICOS, and other companies engaged in a wide range of financial businesses.

On April 2, 2001, The Bank of Tokyo-Mitsubishi, Ltd., Mitsubishi Trust and Banking Corporation, or Mitsubishi Trust Bank, and Nippon Trust Bank Limited established Mitsubishi Tokyo Financial Group, Inc., or MTFG, to be a holding company for the three entities. Before that, each of the banks had been a publicly held company. On April 2, 2001, through a stock-for-stock exchange, they became wholly owned subsidiaries of MTFG, and the former shareholders of the three banks became shareholders of MTFG. Nippon Trust Bank Limited was later merged into Mitsubishi Trust Bank.

On June 29, 2005, the merger agreement between MTFG and UFJ Holdings was approved at the general shareholders meetings of MTFG and UFJ Holdings. As the surviving entity, Mitsubishi Tokyo Financial Group, Inc. was renamed Mitsubishi UFJ Financial Group, Inc. The merger of the two bank holding companies was completed on October 1, 2005.

On September 30, 2007, MUSHD, which was then called Mitsubishi UFJ Securities Co., Ltd., or MUS, became our wholly owned subsidiary through a share exchange transaction.

On October 13, 2008, we made an investment in Morgan Stanley as part of a global strategic alliance. On June 30, 2011, we converted the convertible preferred stock previously issued to us by Morgan Stanley into shares of common stock, resulting in our holding approximately 22.4% of the voting rights in Morgan Stanley. Morgan Stanley is expected to be treated as an equity-method affiliate of MUFG in the future consolidated financial statements prepared by MUFG. We and Morgan Stanley continue to pursue a variety of business opportunities in Japan and abroad in accordance with the global strategic alliance.

On October 21, 2008, we completed a tender offer for outstanding shares of ACOM CO., LTD. common stock, raising our ownership in ACOM to approximately 40%.

On November 4, 2008, BTMU completed the acquisition of all of the shares of common stock of UnionBanCal Corporation, or UNBC, not owned by BTMU and, as a result, UNBC became a wholly owned indirect subsidiary of MUFG.

On May 1, 2010, we and Morgan Stanley integrated our securities and investment banking businesses in Japan into two joint venture securities companies, one of which is MUMSS created by spinning off the wholesale and retail securities businesses conducted in Japan from MUSHD and subsequently assuming certain operations in Japan from a subsidiary of Morgan Stanley.

Our registered address is 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan, and our telephone number is 81-3-3240-8111.

For a discussion of recent developments, see Item 5. Operating and Financial Review and Prospects Recent Developments.

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

BTMU is a major commercial banking organization in Japan that provides a broad range of domestic and international banking services from its offices in Japan and around the world. BTMU s registered head office is located at 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8388, Japan, and its telephone number is 81-3-3240-1111. BTMU is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law.

BTMU was formed through the merger, on January 1, 2006, of Bank of Tokyo-Mitsubishi and UFJ Bank Limited after their respective parent companies, MTFG and UFJ Holdings, merged to form MUFG on October 1, 2005.

Bank of Tokyo-Mitsubishi was formed through the merger, on April 1, 1996, of The Mitsubishi Bank, Limited and The Bank of Tokyo, Ltd.

The origins of Mitsubishi Bank can be traced to the Mitsubishi Exchange Office, a money exchange house established in 1880 by Yataro Iwasaki, the founder of the Mitsubishi industrial, commercial and financial group. In 1895, the Mitsubishi Exchange Office was succeeded by the Banking Division of the Mitsubishi Goshi Kaisha, the holding company of the Mitsubishi group of companies. Mitsubishi Bank had been a principal bank to many of the Mitsubishi group companies but broadened its relationships to cover a wide range of Japanese industries, small and medium-sized companies and individuals.

Bank of Tokyo was established in 1946 as a successor to The Yokohama Specie Bank, Ltd., a special foreign exchange bank established in 1880. When the government of Japan promulgated the Foreign Exchange Bank Law in 1954, Bank of Tokyo became the only bank licensed under that law. Because of its license, Bank of Tokyo received special consideration from the Ministry of Finance in establishing its offices abroad and in many other aspects relating to foreign exchange and international finance.

UFJ Bank was formed through the merger, on January 15, 2002, of The Sanwa Bank, Limited and The Tokai Bank, Limited.

Sanwa Bank was established in 1933 when the three Osaka-based banks, the Konoike Bank, the Yamaguchi Bank, and the Sanjyushi Bank merged. Sanwa Bank was known as a city bank having the longest history in Japan, since the foundation of Konoike Bank can be traced back to the Konoike Exchange Office established in 1656. The origin of Yamaguchi Bank was also a money exchange house, established in 1863. Sanjyushi Bank was founded by influential fiber wholesalers in 1878. The corporate philosophy of Sanwa Bank had been the creation of the premier banking services especially for small and medium-sized companies and individuals.

Tokai Bank was established in 1941 when the three Nagoya-based banks, the Aichi Bank, the Ito Bank, and the Nagoya Bank merged. In 1896, Aichi Bank took over businesses of the Jyuichi Bank established by wholesalers in 1877 and the Hyakusanjyushi Bank established in 1878. Ito Bank and Nagoya Bank were established in 1881 and 1882, respectively. Tokai Bank had expanded the commercial banking business to contribute to economic growth mainly of the Chubu area in Japan, which is known for the manufacturing industry, especially automobiles.

Mitsubishi UFJ Trust and Banking Corporation

MUTB is a major trust bank in Japan, providing trust and banking services to meet the financing and investment needs of clients in Japan and the rest of Asia, as well as in the United States and Europe. MUTB s registered head office is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan, and its telephone number is 81-3-3212-1211. MUTB is a joint stock company *(kabushiki kaisha)* incorporated in Japan under the Company Law.

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MUTB was formed on October 1, 2005 through the merger of Mitsubishi Trust and Banking Corporation, or Mitsubishi Trust Bank, and UFJ Trust Bank Limited. As the surviving entity, Mitsubishi Trust Bank was renamed Mitsubishi UFJ Trust and Banking Corporation.

Mitsubishi Trust Bank traces its history to The Mitsubishi Trust Company, Limited, which was founded by the leading members of the Mitsubishi group companies in 1927. The Japanese banking and financial industry was reconstructed after World War II and, in 1948, Mitsubishi Trust Bank was authorized to engage in the commercial banking business, in addition to its trust business, under the new name Asahi Trust & Banking Corporation. In 1952, the bank changed its name again, to The Mitsubishi Trust and Banking Corporation.

Nippon Trust Bank and The Tokyo Trust Bank, Ltd., which were previously subsidiaries of Bank of Tokyo-Mitsubishi, were merged into Mitsubishi Trust Bank on October 1, 2001.

UFJ Trust Bank was founded in 1959 as The Toyo Trust & Banking Company, Limited, or Toyo Trust Bank. The Sanwa Trust & Banking Company, Limited, which was a subsidiary of Sanwa Bank, was merged into Toyo Trust Bank on October 1, 1999. The Tokai Trust & Banking Company, Limited, which was a subsidiary of Tokai Bank, was merged into Toyo Trust Bank on July 1, 2001. Toyo Trust Bank was renamed UFJ Trust Bank Limited on January 15, 2002.

Mitsubishi UFJ Securities Holdings Co., Ltd.

MUSHD is a wholly owned subsidiary of MUFG. MUSHD functions as an intermediate holding company of MUFG s global securities business. MUSHD s registered head office is located at 5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6317, Japan, and its telephone number is 81-3-6213-2550. MUSHD is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law. MUSHD has major overseas subsidiaries in London, New York, Hong Kong, Singapore, Shanghai and Geneva.

In April 2010, MUSHD, which was previously called Mitsubishi UFJ Securities Co., Ltd., or MUS, became an intermediate holding company by spinning off its securities and investment banking business operations to a wholly owned operating subsidiary established in December 2009, currently MUMSS. Upon the consummation of the corporate spin-off transaction, the intermediate holding company was renamed Mitsubishi UFJ Securities Holdings Co., Ltd. and the operating subsidiary was renamed Mitsubishi UFJ Securities Co., Ltd. The operating subsidiary was subsequently renamed MUMSS in May 2010 upon integration of our securities operations in Japan with those of Morgan Stanley.

MUS was formed through the merger between Mitsubishi Securities Co., Ltd. and UFJ Tsubasa Securities Co., Ltd. on October 1, 2005, with Mitsubishi Securities Co., Ltd. being the surviving entity. The surviving entity was renamed Mitsubishi UFJ Securities Co., Ltd. and, in September 2007, became our wholly-owned subsidiary through a share exchange transaction.

Mitsubishi Securities was formed in September 2002 through a merger of Bank of Tokyo-Mitsubishi s securities subsidiaries and affiliate, KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd. and Tokyo-Mitsubishi Personal Securities Co., Ltd., and Mitsubishi Trust Bank s securities affiliate, Issei Securities Co., Ltd. In July 2005, MTFG made Mitsubishi Securities a directly-held subsidiary by acquiring all of the shares of Mitsubishi Securities common stock held by Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank.

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

MUMSS is our core securities and investment banking subsidiary. MUMSS was created as one of the two Japanese joint venture securities companies in May 2010 between Morgan Stanley and us as part of our global strategic alliance. MUMSS succeeded to the investment banking operations conducted in Japan by a subsidiary of Morgan Stanley and the wholesale and retail securities businesses conducted in Japan by MUS. MUFG, through MUSHD, holds 60% voting and economic interests in MUMSS. MUMSS s registered head office is located at 5-2 Marunouchi 2-chome, Chiyoda-ku, Tokyo Japan, and its telephone number is 81-3-6213-8500.

MUMSS is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law. For more information on our strategic alliance with Morgan Stanley, see B. Business Overview Global Strategic Alliance with Morgan Stanley and Item 5. Operating and Financial Review and Prospects Recent Developments.

Mitsubishi UFJ NICOS Co., Ltd.

Mitsubishi UFJ NICOS is a major credit card company in Japan that issues credit cards, including those issued under the MUFG, NICOS, UFJ and DC brands, and provides a broad range of credit card and other related services for its card members in Japan. Mitsubishi UFJ NICOS is a consolidated subsidiary of MUFG. Mitsubishi UFJ NICOS s registered head office is located at 33-5, Hongo 3-chome, Bunkyo-ku, Tokyo 113-8411, Japan, and its telephone number is 81-3-3811-3111. Mitsubishi UFJ NICOS is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law.

On August 1, 2008, Mitsubishi UFJ NICOS became a wholly owned subsidiary of MUFG through a share exchange transaction. On the same day, we entered into a share transfer agreement with The Norinchukin Bank, or Norinchukin, under which we sold some of our shares of Mitsubishi UFJ NICOS common stock to Norinchukin. Currently, Mitsubishi UFJ NICOS is a consolidated subsidiary of MUFG. In March 2011, we and Norinchukin made additional equity investments in Mitsubishi UFJ NICOS in proportion to our and Norinchukin s respective beneficial ownership of approximately 85% and 15%.

Mitsubishi UFJ NICOS was formed through the merger, on April 1, 2007, of UFJ NICOS Co., Ltd. and DC Card Co., Ltd. As the surviving entity, UFJ NICOS Co., Ltd. was renamed Mitsubishi UFJ NICOS Co., Ltd.

UFJ NICOS was formed through the merger, on October 1, 2005, of Nippon Shinpan Co., Ltd. and UFJ Card Co., Ltd. Originally founded in 1951 and listed on the Tokyo Stock Exchange in 1961, Nippon Shinpan was a leading company in the consumer credit business in Japan. Nippon Shinpan became a subsidiary of MUFG at the time of the merger with UFJ Card.

Prior to the merger between MTFG and UFJ Holdings in October 2005, DC Card was a subsidiary of MTFG while UFJ Card was a subsidiary of UFJ Holdings.

B. Business Overview

We are one of the world s largest and most diversified financial groups with total assets of ¥203 trillion as of March 31, 2011. The Group is comprised of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries and affiliates, for which we are the holding company. As a bank holding company, we are regulated under the Banking Law of Japan. Our services include commercial banking, trust banking, securities, credit cards, consumer finance, asset management, leasing and many more fields of financial services. The Group has the largest overseas network among the Japanese banks, comprised of offices and subsidiaries, including Union Bank, N.A., or Union Bank, in more than 40 countries.

While maintaining the corporate cultures and core competencies of BTMU, MUTB, MUMSS (through MUSHD) and Mitsubishi UFJ NICOS, we, as the holding company, seek to work with them to find ways to:

establish a more diversified financial services group operating across business sectors;

leverage the flexibility afforded by our organizational structure to expand our business;

benefit from the collective expertise of BTMU, MUTB, MUMSS (through MUSHD) and Mitsubishi UFJ NICOS;

achieve operational efficiencies and economies of scale; and

enhance the sophistication and comprehensiveness of the Group s risk management expertise.

In order to further enhance our operations and increase profits, in April 2004 we introduced an integrated business group system comprising three core business areas: Retail, Corporate, and Trust Assets. These three businesses serve as the Group s core sources of net operating profit. In March 2011, the sales and trading business of MUMSS was transferred from the Integrated Corporate Banking Business Group to the Global Markets group, as described below. In July 2011, we added the Integrated Global Business Group (MUFG Global) as a fourth area by shifting some of our global operations mainly from the Integrated Corporate Banking Business Group. This change in our business segment was implemented to more effectively coordinate and enhance our group-wide efforts to strengthen and expand overseas operations. Our remaining business areas are grouped into Global Markets and Other. In addition, MUFG s role as the holding company has expanded from strategic coordination to integrated strategic management. Group-wide strategies are determined by the holding company and executed by the banking subsidiaries and other subsidiaries.

In October 2008, as part of our medium-term strategy to expand our operations in the United States, each of MUFG, BTMU, MUTB and UNBC became a financial holding company under the US Bank Holding Company Act. For more information, see Item 3.D. Key Information Risk Factors Risks Related to Our Business We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations and Item 4.B. Information on the Company Business Overview Supervision and Regulation United States.

MUFG Management Philosophy

MUFG s management philosophy serves as the basic policy in conducting its business activities, and provides guidelines for all group activities. It is also the foundation for management decisions, including the formulation of management strategies and management plans, and serves as the core value for all employees. BTMU, MUTB, MUMSS (through MUSHD) and Mitsubishi UFJ NICOS adopted the MUFG s management philosophy as their own respective management philosophy, and the entire group strives to comply with this philosophy. The details of the MUFG s management philosophy are set forth below:

- We will respond promptly and accurately to the diverse needs of our customers around the world and seek to inspire their trust and confidence;
- We will offer innovative and high-quality financial services by actively pursuing the cultivation of new business areas and developing new technologies;
- We will comply strictly with all laws and regulations and conduct our business in a fair and transparent manner to gain the public s trust and confidence;
- We will seek to inspire the trust of our shareholders by enhancing corporate value through continuous business development and appropriate risk management, and by disclosing corporate information in a timely and appropriate manner;
- We will contribute to progress toward a sustainable society by assisting with development in the areas in which we operate and conducting our business activities with consideration for the environment; and
- We will provide the opportunities and work environment necessary for all employees to enhance their expertise and make full use of their abilities.

We have declared our message to the world as Quality for You, with management s emphasis on quality. Quality for You means that by providing high-quality services, we aspire to help improve the quality of the lives of individual customers, and the quality of each corporate customer. The You expresses the basic stance of MUFG that we seek to contribute not only to the development of our individual customers but also communities and society. We believe that delivering superior quality services, reliability, and global coverage will result in more profound and enduring contributions to society.

Integrated Retail Banking Business Group

The Integrated Retail Banking Business Group covers all domestic retail businesses, including commercial banking, trust banking and securities businesses, and enables us to offer a full range of banking products and services, including financial consulting services, to retail customers in Japan. This business group integrates the retail business of BTMU, MUTB and MUMSS as well as retail product development, promotion and marketing in a single management structure. Some of our retail services are offered through our network of MUFG Plazas providing individual customers with one-stop access to our comprehensive financial product offerings of integrated commercial banking, trust banking and securities services.

Deposits and retail asset management services. We offer a full range of bank deposit products including a non-interest-bearing deposit account that is redeemable on demand and intended primarily for payment and settlement functions, and is fully insured by the Deposit Insurance Corporation of Japan without a maximum amount limitation.

We offer a variety of asset management and asset administration services to individuals, including savings instruments such as current accounts, ordinary deposits, time deposits, deposits at notice and other deposit facilities. We also offer trust products, such as money trusts, and other investment products, such as investment trusts and foreign currency deposits.

We create portfolios tailored to customer needs by combining savings instruments and investment products. We also provide a range of asset management and asset administration products as well as customized trust products for high net worth individuals, as well as advisory services relating to, among other things, the purchase and disposal of real estate and effective land utilization, and testamentary trusts.

Investment trusts. We provide a diverse lineup of investment trust products allowing our customers to choose products according to their investment needs through BTMU, MUTB and MUMSS as well as kabu.com Securities, which specializes in online financial services. In the fiscal year ended March 31, 2011, BTMU offered a total of 10 new investment trusts. As of March 31, 2011, BTMU offered our clients a total of 76 investment trusts. Moreover, BTMU has placed significant importance on ensuring providing after-sales advice to all of our customers who have purchased our investment trust products.

Insurance. We offer insurance products to meet the needs of our customers as a sales agent of third party insurance companies. Our current lineup of insurance products consists of investment-type individual annuities, foreign currency-denominated insurance annuities and yen-denominated fixed-amount annuity insurance. We also offer single premium term insurance. BTMU has been offering life, medical and cancer insurance since December 2007, nursing-care insurance since April 2008 and car insurance since July 2009. As of March 31, 2011, BTMU offers 38 varieties of life insurance products (28 life insurance, seven medical and nursing-care insurance and three cancer insurance products) at 452 BTMU branches. Professional insurance sales representatives, called Insurance Planners, have been assigned to each branch where these insurance products are sold in order to ensure that the branch responds to our customers needs. MUTB also offers whole term life insurance and medical insurance at all of its branches.

Financial products intermediation services. We offer financial products intermediation services through BTMU acting as an agent with three MUFG securities companies (MUMSS, Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd., and kabu.com Securities Co., Ltd.) and through MUTB acting as an agent with MUMSS. We offer securities, including publicly offered stocks, foreign and domestic investment trusts, Japanese government bonds, foreign bonds and various other products. As of March 31, 2011, BTMU employed approximately 425 employees seconded from MUMSS. We seek to optimize the deployment of the securities service personnel within our group in accordance with our initiatives where approximately 155 of the 425 were assigned to branches in Japan as sales representatives, approximately 214 employees were employed in the capacity of Retail Money Desk, or RMD, representatives to assist the branch sales force, and the remaining 56 employees were assigned to the headquarters of BTMU (Financial Instruments Intermediary Service Office).

Loans. We offer housing loans, card loans, and other loans to individuals. With respect to housing loans, in addition to housing loans incorporating health insurance for seven major illnesses, which are underwritten by third party insurance companies, BTMU began offering in June 2009 preferential interest rates under its Environmentally Friendly Support program to customers who purchase environment-conscious houses (e.g., houses with solar electric systems) which meet specific criteria in response to increasing public interest in environmental issues. In September 2009, BTMU launched housing loans with home mortgage insurance, which BTMU jointly developed with the Japan Housing Finance Agency, a governmental agency under the Japanese government s economic stimulus measures, under which the agency indemnifies BTMU for losses from housing loans. BTMU also offers a card loan service called BANQUIC, for which applications can be accepted through the internet, telephone, TV telephone and mobile phone. A customer who has an account with BTMU can obtain loans through the BANQUIC service by having the loan proceeds directly remitted to the customer s BTMU account. The service is available at BTMU branches and BTMU-affiliated ATMs at convenience stores with no ATM transaction fees. BTMU continues to strive to meet a wide variety of customer needs by enhancing our product offerings and increasing customers ease of access to our services.

In response to the Great East Japan Earthquake in March 2011, which devastated the northeastern region of Japan, BTMU and MUTB are offering eased conditions and preferential interest rates for the loans to the affected individuals who wish to apply for loans.

Credit cards. Among our group companies, Mitsubishi UFJ NICOS and BTMU issue credit cards and also offer some preferential services provided by other MUFG group companies (including preferential rates for BTMU housing loans) to holders of MUFG card issued by Mitsubishi UFJ NICOS and gold cards issued by BTMU. BTMU has expanded value-added services and benefits for bank-issued credit card holders, including a point program where credit card holders can earn points by using their credit cards and exchange the points earned for cash or other preferential treatment for banking transactions through BTMU.

Retail securities business. We conduct our retail securities business in Japan through MUMSS which was formed in May 2010 through the integration of the domestic wholesale and retail securities business previously conducted by MUS and the investment banking business conducted by Morgan Stanley Japan Securities Co., Ltd., or Morgan Stanley Japan. See Global Strategic Alliance with Morgan Stanley.

Domestic Network. We offer products and services through a wide range of channels, including branches, ATMs (including convenience store ATMs shared by multiple banks), Mitsubishi-Tokyo UFJ Direct (telephone, internet and mobile phone banking), the Video Counter and postal mail.

We offer integrated financial services combining our banking, trust banking and securities services at MUFG Plazas. These Plazas provide retail customers with integrated and flexible suite of services at one-stop outlets. As of March 31 2011, we provided those services through 35 MUFG Plazas.

To provide exclusive membership services to high net worth individual customers, we have private banking offices featuring lounges and private rooms where customers can receive wealth management advice and other services in a relaxing and comfortable setting. As of March 31, 2011, we had 29 private banking offices in the Tokyo metropolitan area, Nagoya and Osaka.

To improve customer convenience, BTMU has enhanced its ATM network and ATM related services. BTMU has also ceased to charge ATM transaction fees from customers of BTMU and MUTB for certain transactions. In addition, BTMU has reduced commissions for transactions conducted through ATMs located in convenience stores. Furthermore, BTMU currently shares its ATM network with eight Japanese local banks, AEON Bank, Ltd. and the banks belonging to the Japan Agricultural Cooperatives bank group. BTMU has also ceased to charge ATM transaction fees from customers who use these banks ATMs for certain transactions.

Jibun Bank Corporation is a partnership between BTMU and KDDI Corporation, a major telecommunications company in Japan. Jibun Bank provides banking services primarily through mobile phone networks. Since the launch of its banking services in July 2008, Jibun Bank has reached 1.2 million accounts and ¥223 billion in deposit balance as of March 31, 2011.

Trust agency operations. We offer MUTB s trust related products and advisory services through our trust agency system not only for MUTB customers but also for BTMU and MUMSS customers. As of March 31, 2011, BTMU engaged in eight businesses as the trust banking agent for MUTB: testamentary trusts, inheritance management, asset succession planning, inheritance management agency operations, business management financial consulting, lifetime gift trusts, share disposal trusts, and marketable securities administration trusts. MUMSS engaged in three businesses as the trust banking agent for MUTB: testamentary trusts, inheritance management and asset succession planning. Financial consultants (sales managers specializing in inheritance business) have been sent from MUTB to BTMU. Because of Japan s aging society, customer demand for inheritance-related advice is increasing and we aim to significantly strengthen our ability to cross-sell the inheritance products to our existing customers.

Integrated Corporate Banking Business Group

The Integrated Corporate Banking Business Group covers all domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses. Through the integration of these business lines, diverse financial products and services are provided to our corporate clients, from large corporations to medium-sized and small businesses. The business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of our corporate customers.

Commercial Banking

We provide various financial solutions, such as loans and fund management, remittance and foreign exchange services, to meet the requirements of small and medium-sized enterprise, or SME, customers. We also help our customers develop business strategies, such as inheritance-related business transfers and stock listings.

CIB (Corporate and Investment Banking)

We offer advanced financial solutions mainly to large corporations through corporate and investment banking services. Product specialists globally provide derivatives, securitization, syndicated loans, structured finance, and other services. We also provide investment banking services, such as M&A advisory, bond and equity underwriting, to meet our customers needs.

A large part of our investment banking business in Japan is provided by MUMSS which was formed in May 2010 through the integration of the domestic wholesale and retail securities business previously conducted by MUS and the investment banking business conducted by Morgan Stanley Japan. See Global Strategic Alliance with Morgan Stanley.

Transaction Banking

We provide online banking services that allow customers to make domestic and overseas remittances electronically. We also provide a global cash pooling/netting service, and the Treasury Station , a fund management system for a multi-company group. These services are designed particularly for customers who have global business activities.

Trust Banking

MUTB s experience and know-how in the asset management business, real estate brokerage and appraisal services, and stock transfer agency service also enable us to offer services tailored to the financial strategies of each client, including securitization of real estate, receivables and other assets.

Integrated Trust Assets Business Group

The Integrated Trust Assets Business Group covers asset management and administration services for products such as pension trusts and security trusts by integrating the trust banking expertise of MUTB and the international strengths of BTMU. The business group provides a full range of services to corporate and pension

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funds, including stable and secure pension fund management and administration, advice on pension schemes, and payment of benefits to scheme members. Our Integrated Trust Assets Business Group combines MUTB s trust assets business, comprising trust assets management services, asset administration and custodial services, and the businesses of Mitsubishi UFJ Global Custody S.A., Mitsubishi UFJ Asset Management Co., Ltd. and KOKUSAI Asset Management Co., Ltd.

Mitsubishi UFJ Global Custody S.A., which was established on April 11, 1974 and was formerly named Bank of Tokyo-Mitsubishi UFJ (Luxembourg) S.A., provides global custody services, administration services for investment funds and fiduciary and trust accounts, and other related services to institutional investors.

Mitsubishi UFJ Asset Management and KOKUSAI Asset Management provide asset management and trust products and services mainly to high net worth individuals, branch customers and corporate clients in Japan.

Integrated Global Business Group (MUFG Global)

The Integrated Global Business Group (MUFG Global) was established on July 1, 2011, to effectively coordinate and enhance our group-wide efforts to strengthen and expand overseas operations. MUFG Global is designed to clarify the leadership in, and enhance the coordination for, our overseas strategies on a group-wide basis.

Overseas business development has been an important pillar of our growth strategy. Aiming to further raise our presence in the global financial market, we are shifting our current approach where each of our group companies individually promotes its overseas business to a more group-wide approach. The new approach is designed to enable us to exercise our comprehensive expertise to more effectively provide our overseas customers with value-added services.

As global financial regulations have become increasingly stringent following the recent global financial crisis, the realignment in the global financial industry has accelerated with financial institutions merging and entering into alliances particularly in Europe and the United States. Moreover, the importance of emerging markets in Asia and other regions has been rapidly growing, and the business environment surrounding the international financial industry is becoming more complex. In addition, customers financing needs are becoming more diverse and sophisticated as their activities are becoming more globalized.

Against this background, MUFG Global covers overseas businesses, including commercial banking services such as loans, deposits and cash management services, retail banking, trust assets and securities businesses (with the retail banking and trust assets businesses being conducted through Union Bank), through a global network of more than 500 offices outside Japan to provide customers with financial products and services that meet their increasingly diverse and sophisticated financing needs.

CIB (Corporate and Investment Banking)

Our CIB business primarily serves large corporations, financial institutions, and sovereign and multinational organizations with a comprehensive set of solutions for their financing needs. Through our global network of offices and branches, we provide a full range of services, including corporate banking services such as providing credit commitments and arranging the issuance of asset-backed commercial paper, investment banking services such as debt/equity issuance, and M&A advisory services, to help clients develop financial strategies. To meet clients expectations for their various financing needs, we have established a client-oriented coverage business model and coordinate our product experts who can offer innovative finance services all around the world. With our acquisition from The Royal Bank of Scotland Group plc of project finance assets consisting of loans for natural resource, power and other infrastructure projects in Europe, the Middle-East and Africa, and related assets in December 2010, we continue to seek to strengthen our project finance business, which is one of the core businesses of CIB. For more information on our transaction with The Royal Bank of Scotland Group, see Item 5. Operating and Financial Review and Prospects Recent Developments.

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Transaction Banking

We have Transaction Banking Offices around the world through which we provide commercial banking products and services for corporations and financial institutions in managing and processing domestic and cross-border payments, mitigating professional risk for international trade, and performing asset and liability management. We provide customers with support for their domestic, regional and global trade finance and cash management programs through our extensive global network.

Union Bank

UNBC is a wholly owned indirect subsidiary of MUFG. UNBC is a US bank holding company with Union Bank being its primary subsidiary. Union Bank is a leading regional bank headquartered in California, ranked by the Federal Deposit Insurance Corporation, or FDIC, as the 21st largest in the United States in terms of total deposits as of March 2011. Union Bank provides a wide range of financial services to consumers, small businesses, middle-market companies and major corporations, primarily in California, Oregon, Washington, and Texas as well as nationally and internationally. In April 2010, Union Bank acquired loans and other assets and assumed deposits and other liabilities of Tamalpais Bank, a California-based bank, and Frontier Bank, a Washington-based bank, from the FDIC in separate FDIC-assisted transactions.

Global Markets

Global Markets covers asset and liability management and strategic investment of BTMU and MUTB, and sales and trading of financial products of BTMU and MUTB. In March 2011, the sale and trading business of MUMSS was transferred from the Integrated Corporate Banking Business Group to the Global Markets.

Other

Other mainly consists of the corporate centers of the holding company, BTMU, MUTB and MUMSS.

Global Strategic Alliance with Morgan Stanley

As of March 31, 2011, we held a total of approximately 47 million shares of Morgan Stanley common stock, Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock (Series B Preferred Stock) with a face value of approximately $7,839 million and a 10% dividend, and Perpetual Non-Cumulative Non-Convertible Preferred Stock (Series C Preferred Stock) with a face value of approximately $520 million and a 10% dividend.

On June 30, 2011, we converted all of the Series B Preferred Stock for approximately 385 million shares of the common stock. As a result, we hold a total of approximately 432 million shares of Morgan Stanley common stock, which represent approximately 22.4% of the voting rights in

Morgan Stanley based on the number of shares of common stock of Morgan Stanley outstanding as of June 30, 2011. We also have a right to designate two directors of Morgan Stanley. Morgan Stanley is expected to be treated as an equity-method affiliate of MUFG in the future consolidated financial statements prepared by MUFG. For more information, see Item 5. Operating and Financial Review and Prospects Recent Developments.

In May 2010, we and Morgan Stanley integrated our respective Japanese securities companies by forming two securities joint venture companies. We converted the wholesale and retail securities businesses conducted in Japan by MUS into MUMSS. Morgan Stanley contributed the investment banking operations conducted in Japan by its former wholly-owned subsidiary, Morgan Stanley Japan, to MUMSS, and converted the sales and trading and capital markets businesses conducted in Japan by Morgan Stanley Japan into an entity called Morgan Stanley MUFG Securities, Co., Ltd., or MSMS. We hold a 60% economic interest in MUMSS and MSMS, and Morgan Stanley holds a 40% economic interest in MUMSS and MSMS. We hold a 60% voting interest and Morgan Stanley holds a 40% voting interest in MUMSS, and we hold a 49% voting interest and Morgan Stanley holds a 51% voting interest in MSMS. Morgan Stanley s and our economic and voting interests in the securities joint venture companies are held through intermediate holding companies. We have retained control of MUMSS and

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we account for our interest in MSMS under the equity method due to our significant influence over MSMS. The board of directors of MUMSS has fifteen members, nine of whom are designated by us and six of whom are designated by Morgan Stanley. The board of directors of MSMS has ten members, six of whom are designated by Morgan Stanley and four of whom are designated by us. The CEO of MUMSS is designated by us and the CEO of MSMS is designated by Morgan Stanley.

We have also expanded the scope of our global strategic alliance with Morgan Stanley into new geographies and businesses, including (1) a loan marketing joint venture that will provide clients in the United States with access to expand the world-class lending and capital markets services from both companies, (2) an agreement to establish business referral arrangements in Asia, Europe, the Middle East and Africa, covering capital markets, loans, fixed income sales and other businesses, (3) a global commodities referral agreement whereby BTMU and its affiliates will refer clients in need of commodities-related hedging solutions to certain affiliates of Morgan Stanley, and (4) an employee secondment program to share best practices and expertise in a wide range of business areas.

See Item 3.D. Key Information Risk Factors Risks Related to Our Business If our strategic alliance with Morgan Stanley fails, we could suffer financial or reputational loss.

Competition

We face strong competition in all of our principal areas of operations. The structural reforms in the regulation of the financial industry has resulted in some significant changes in the Japanese financial system and prompted banks to merge or reorganize their operations, thus changing the nature of the competition from other financial institutions as well as from other types of businesses.

Japan

The Banking Law of Japan currently permits banks to engage in certain types of securities business, including retail sales of investment funds and government and municipal bonds, and, through a domestic and overseas securities subsidiary, all types of securities business, with appropriate registration with or approval of the Financial Services Agency, an agency of the Cabinet Office. In addition, the Banking Law was amended in December 2008 to expand the scope of permissible activities of banks, permitting banks to engage in emissions trading and, through their subsidiaries and certain affiliates, Islamic financing. Further increases in competition among financial institutions are expected in these new areas of permissible activities.

The current regulatory environment and market factors have facilitated the entry of various Japanese non-bank financial institutions, non-financial companies as well as foreign financial institutions into the Japanese domestic market. For example, Orix Corporation, a non-bank financial institution, and the Seven & i Holdings group and Sony Corporation, which were both non-financial companies, began to offer various banking services, often through non-traditional distribution channels. Citigroup Inc. conducts its banking business in Japan through a locally incorporated banking subsidiary.

In addition, as foreign exchange controls have been generally eliminated, customers can now have direct access to foreign financial institutions, with which we must also compete.

In recent years, the Japanese government has identified several governmental financial institutions as candidates to privatize. In particular, the privatization of Japan Post Group companies could substantially increase competition within the financial services industry as Japan Post Bank Co., Ltd. is the world s largest holder of deposits. Since December 2009, however, the Japanese government s privatization plan for the Japan Post Group companies has been suspended. See The Japanese Financial System Government Financial Institutions.

In the retail banking sector, customers often seek a broad range of financial products and services, such as investment trusts and insurance products. Recently, competition has increased due to the development of new

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products and distribution channels. For example, Japanese banks have started competing with one another by developing innovative proprietary computer technologies that allow them to deliver basic banking services in a more efficient manner, such as internet banking services, and to create sophisticated new products in response to customer demand.

The trust assets business is a growth area that is becoming increasingly competitive because of regulatory changes in the industry that have expanded the products and services that can be offered since the mid-2000s**.** In addition, there is growing corporate demand for changes in the trust regulatory environment, such as reforms of the pension system and related accounting regulations under Japanese GAAP. Competition may increase in the future as changes are made to respond to such corporate demand and regulatory barriers to entry are lowered.

Integration. Since their formation in 2000 and 2001, the so-called Japanese mega bank groups, including us, the Mizuho Financial Group, and the Sumitomo Mitsui Financial Group have continued to expand their businesses and financial group capabilities. Heightened competition among the mega bank groups is currently expected in the securities sector as they have recently announced plans to expand, or have expanded, their respective securities businesses. In May 2010, we and Morgan Stanley created two securities joint venture companies in Japan, MUMSS and MSMS, by integrating the operations of MUS and Morgan Stanley Japan. In May 2009, Mizuho Securities Co., Ltd. acquired Shinko Securities Co., Ltd., and announced in March 2011 that the Mizuho Financial Group would consider integrating Mizuho Securities and Mizuho Investors Co., Ltd. In October 2009, the Sumitomo Mitsui Financial Group acquired the former Nikko Cordial Securities Inc. and other businesses from Citigroup Inc. In October 2009, The Sumitomo Trust and Banking Co., Ltd. acquired Nikko Asset Management Co., Ltd. from Citigroup Inc., and, in April 2011, Sumitomo Trust and Banking and Chuo Mitsui Trust Holdings Inc. established Sumitomo Mitsui Trust Holdings, Inc. to integrate their businesses. As a result, competition is expected to intensify in the asset management and trust assets businesses. For a discussion of the two securities joint venture companies created by us and Morgan Stanley, see Business Overview Global Strategic Alliance with Morgan Stanley.

The mega bank groups are also expected to face heightened competition with other financial groups. For example, the Nomura Group acquired Lehman Brothers Holdings Inc. s franchise in the Asia-Pacific region and investment banking businesses in Europe and the Middle East in October 2008.

Foreign

In the United States, we face substantial competition in all aspects of our business. We face competition from other large US and foreign-owned money-center banks, as well as from similar institutions that provide financial services. Through Union Bank, we currently compete principally with US and foreign-owned money-center and regional banks, thrift institutions, insurance companies, asset management companies, investment advisory companies, consumer finance companies, credit unions and other financial institutions.

In other international markets, we face competition from commercial banks and similar financial institutions, particularly major international banks and the leading domestic banks in the local financial markets in which we conduct business. In addition, we may face further competition as a result of recent investments, mergers and other business tie-ups among global financial institutions.

The Japanese Financial System

Japanese financial institutions may be categorized into three types:

the central bank, namely the Bank of Japan;

private banking institutions; and

government financial institutions.

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The Bank of Japan

The Bank of Japan s role is to maintain price stability and the stability of the financial system to ensure a solid foundation for sound economic development.

Private Banking Institutions

Private banking institutions in Japan are commonly classified into two categories (the following numbers are based on information published by the Financial Services Agency of Japan available as of June 29, 2011:

ordinary banks (128 ordinary banks and 57 foreign commercial banks with ordinary banking operations); and

trust banks (18 trust banks, including four Japanese subsidiaries of foreign financial institutions).

Ordinary banks in turn are classified as city banks, of which there are five, including BTMU, and regional banks, of which there are 105 and other banks, of which there are 18. In general, the operations of ordinary banks correspond to commercial banking operations in the United States. City banks and regional banks are distinguished based on head office location as well as the size and scope of their operations.

The city banks are generally considered to constitute the largest and most influential group of banks in Japan. Generally, these banks are based in large cities, such as Tokyo, Osaka and Nagoya, and operate nationally through networks of branch offices. City banks have traditionally emphasized their business with large corporate clients, including the major industrial companies in Japan. However, many of these banks, including BTMU, in recent years have increased their emphasis on other markets, such as small and medium-sized companies and retail banking.

With some exceptions, the regional banks tend to be much smaller in terms of total assets than the city banks. Each of the regional banks is based in one of the Japanese prefectures and extends its operations into neighboring prefectures. Their clients are mostly regional enterprises and local public utilities. The regional banks also lend to large corporations. In line with the recent trend among financial institutions toward mergers or business tie-ups, various regional banks have announced or are currently negotiating or pursuing integration transactions.

Trust banks, including MUTB, provide various trust services relating to money trusts, pension trusts and investment trusts and offer other services relating to real estate, stock transfer agency and testamentary services as well as banking services.

In recent years, almost all of the city banks have consolidated with other city banks and in some cases, with trust banks. Integration among these banks was achieved, in most cases, through the use of a bank holding company.

In addition to ordinary banks and trust banks, other private financial institutions in Japan, including shinkin banks or credit associations, and credit cooperatives, are engaged primarily in making loans to small businesses and individuals.

Government Financial Institutions

Since World War II, a number of government financial institutions have been established. These corporations are wholly owned by the government and operate under its supervision. Their funds are provided mainly from government sources. Certain types of operations undertaken by these institutions have been or are planned to be assumed by, or integrated with the operations of, private corporations, through privatization and other measures.

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Among them are the following:

- The Development Bank of Japan, which was established for the purpose of contributing to the economic development of Japan by extending long-term loans, mainly to primary and secondary sector industries, and which was reorganized as a joint stock company in October 2008 as part of its ongoing privatization process, the target completion date for which has been postponed until some time between April 2020 and March 2022;

- Japan Finance Corporation, which was formed in October 2008, through the merger of the International Financial Operations of the former Japan Bank for International Cooperation, National Life Finance Corporation, Agriculture, Forestry and Fisheries Finance Corporation, and Japan Finance Corporation for Small and Medium Enterprise, the primary purposes of which are to supplement and encourage the private financing of exports, imports, overseas investments and overseas economic cooperation, and to supplement private financing to the general public, small and medium enterprises and those engaged in agriculture, forestry and fishery (with Japan Bank for International Cooperation expected to be split from Japan Finance Corporation and become a separate government-owned entity in April 2012);

- Japan Housing Finance Agency, which was originally established in June 1950 as the Government Housing Loan Corporation for the purpose of providing housing loans to the general public, was reorganized as an incorporated administrative agency and became specialized in securitization of housing loans in April 2007; and

- The Japan Post Group companies, a group of joint stock companies including Japan Post Bank, which were formed in October 2007 as part of the Japanese government s privatization plan for the former Japan Post, a government-run public services corporation, which had been the Postal Service Agency until March 2003. Since December 2009, the Japanese government s privatization plan for the Japan Post Group companies has been suspended.

Supervision and Regulation

Japan

Supervision. The Financial Services Agency of Japan, an agency of the Cabinet Office, or FSA, is responsible for supervising and overseeing financial institutions, making policy for the overall Japanese financial system and conducting insolvency proceedings with respect to financial institutions. The Bank of Japan, as the central bank for financial institutions, also has supervisory authority over banks in Japan, based primarily on its contractual agreements and transactions with the banks.

The Banking Law. Among the various laws that regulate financial institutions, the Banking Law and its subordinated orders and ordinances are regarded as the fundamental law for ordinary banks and other private financial institutions. The Banking Law addresses capital adequacy, inspections and reporting to banks and bank holding companies, as well as the scope of business activities, disclosure, accounting, limitation on granting credit and standards for arm s length transactions for them. As a result of the amendment to the Banking Law and the Financial Instruments and Exchange Law, effective as of June 2009, firewall regulations that separate bank holding companies or banks from affiliated securities companies have become less stringent. On the other hand, bank holding companies, banks and other financial institutions are required to establish an appropriate system to better cope with conflicts of interest that may arise from their business operations.

Bank holding company regulations. A bank holding company is prohibited from carrying on any business other than the management of its subsidiaries and other incidental businesses. A bank holding company may have any of the following as a subsidiary: a bank, a securities company, an insurance company and a foreign subsidiary that is engaged in the banking, securities or insurance business. In addition, a bank holding company may have as a subsidiary, any company that is engaged in a finance-related business, such as a credit card company, a leasing company or an investment advisory company. Certain companies that are designated by a ministerial ordinance as those that cultivate new business fields may also become the subsidiary of a bank holding company.

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Capital adequacy. The capital adequacy guidelines adopted by the FSA that are applicable to Japanese bank holding companies and banks with international operations closely follow the risk-weighted approach introduced by the Basel Committee on Banking Supervision of the Bank for International Settlements, or BIS. Since March 2007, Japanese banks have been subject to standards reflecting the Basel Committee standards called International Convergence of Capital Measurement and Capital Standards: A Revised Framework, or Basel II.

Under the FSA guidelines reflecting Basel II, we and our banking subsidiaries currently use the Advanced Internal Ratings-Based Approach, or the AIRB approach, to calculate capital requirements for credit risk. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to the overall MUFG capital requirements and a few subsidiaries adopted a phased rollout of the internal ratings-based approach. We and our banking subsidiaries adopted the Standardized Approach to calculate capital requirements for operational risk. As for market risk, we and our banking subsidiaries adopted the Internal Models Approach mainly to calculate general market risk and adopted the Standardized Methodology to calculate specific risk.

The capital adequacy guidelines are in accordance with the Basel II standards for a target minimum standard ratio of capital to modified risk-weighted assets of 8.0% on both consolidated and non-consolidated bases for banks with international operations, including BTMU and MUTB, or on a consolidated basis for bank holding companies with international operations, such as MUFG. Modified risk-weighted assets is the sum of risk-weighted assets compiled for credit risk purposes, market risk equivalent amount divided by 8% and operational risk equivalent amount divided by 8%.

Capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Tier I capital generally consists of shareholders equity items, including common stock, preferred stock, capital surplus, noncontrolling interests and retained earnings (which includes deferred tax assets). However, recorded goodwill and other items, such as treasury stock, and unrealized losses on investment securities classified as securities available for sale under Japanese GAAP, net of taxes, if any, are deducted from Tier I capital. Tier II capital generally consists of:

- the amount (up to a maximum of 0.6% of credit risk-weighted assets) by which eligible reserves for credit losses exceed expected losses in the internal ratings-based approach, and general reserves for credit losses, subject to a limit of 1.25% of modified risk-weighted assets determined by the partial use of the Standardized Approach (including a phased rollout of the internal ratings-based approach);
- 45% of the unrealized gains on investment securities classified as securities available for sale under Japanese GAAP;
- 45% of the land revaluation excess;
- the balance of perpetual subordinated debt; and
- the balance of subordinated term debt with an original maturity of over five years and preferred stock with a maturity up to 50% of Tier I capital.

Tier III capital generally consists of short-term subordinated debt with an original maturity of at least two years and which is subject to a lock-in provision, which stipulates that neither interest nor principal may be paid if such payment would cause the bank s overall capital amount to be less than its minimum capital requirement. At least 50% of the minimum total capital requirements must be maintained in the form of Tier I capital.

Amendments to the capital adequacy guidelines limiting the portion of Tier I capital consisting of deferred tax assets became effective on March 31, 2006. The restrictions are targeted at major Japanese banks and their holding companies, which include MUFG and its banking subsidiaries. The banks subject to the restrictions will not be able to reflect in their capital adequacy ratios any deferred tax assets that exceed the limit of 20% of their Tier I capital.

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In September 2009, the Group of Central Bank Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a comprehensive set of measures to modify the existing three pillars of the Basel II framework. In December 2009, the Basel Committee announced a package of proposals to strengthen global capital and liquidity regulations with the goal of promoting a more resilient banking sector. The proposals cover the following four key areas;

- raising the quality, consistency and transparency of the capital base;
- strengthening the risk coverage of the capital framework;
- introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a minimum capital requirement treatment based on appropriate review and calibration;
- introducing a series of measures to promote the build-up of capital buffers in good times that can be drawn upon in periods of stress; and
- introducing a global minimum liquidity standard for internationally active banks that includes a 30-day liquidity coverage ratio requirement underpinned by a longer-term structural liquidity ratio.

These measures have not been adopted. However, if adopted, the Japanese capital ratio framework, which is currently based on Basel II, is expected to be revised to implement these measures, thereby imposing possibly more stringent requirements.

In regards to the proposals, the Group of Central Bank Governors and Heads of Supervision reached an agreement on the new global regulatory framework, which has been referred to as Basel III , in July and September 2010. In December 2010, the Basel Committee agreed on the details of the Basel III rules. The agreement on Basel III includes the following:

- raising the quality of capital to ensure banks are able to better absorb losses on both a going concern and a gone concern basis;
- increasing the risk coverage of the capital framework, in particular for trading activities, securitizations, exposures to off-balance sheet vehicles and counterparty credit exposures arising from derivatives;
- raising the level of minimum capital requirements, including an increase in the minimum common equity requirement from 2% to 4.5%, which is planned to be phased in between January 1, 2013 and January 1, 2015, and a capital conservation buffer of 2.5%, which is planned to be phased in between January 1, 2016 and year end 2018, bringing the total common equity requirement to 7%;
- introducing an internationally harmonized leverage ratio to serve as a backstop to the risk-based capital measure and to contain the build-up of excessive leverage in the system;
- raising standards for the supervisory review process (Pillar 2) and public disclosures (Pillar 3), together with additional guidance in the areas of sound valuation practices, stress testing, liquidity risk management, corporate governance and compensation;

introducing minimum global liquidity standards consisting of both a short term liquidity coverage ratio and a longer term, structural net stable funding ratio; and

promoting the build up of capital buffers that can be drawn down in periods of stress, including both a capital conservation buffer and a countercyclical buffer to protect the banking sector from periods of excess credit growth.

In January 2011, the Basel Committee issued its final minimum requirements to ensure loss absorbency at the point of non-viability. The requirements are designed to ensure that all classes of capital instruments fully absorb losses at the point of non-viability before taxpayers are exposed to loss, and require, among other things, that all non-common Tier I and Tier II instruments, such as non-cumulative perpetual preferred stock and subordinated debt, issued by an internationally active bank, be either written-off or converted into common equity upon the occurrence of certain trigger events. Instruments issued on or after January 1, 2013, must meet the new requirements to be included in regulatory capital. Instruments issued prior to January 1, 2013, that do not meet the requirements, but that meet all of the entry criteria for additional Tier I or Tier II capital, will be considered as instruments that no longer qualify as additional Tier I or Tier II capital and will be phased out from January 1, 2013 in accordance with the above Basel III framework.

In July 2011, the Basel Committee on Banking Supervision proposed additional loss absorbency requirements to supplement the common equity Tier I capital requirement ranging from 1% to 2.5% for global systemically important banks, depending on the bank s systemic importance. The additional loss absorbency requirements are expected to be phased in between January 1, 2016 and December 31, 2018, and will become fully effective on January 1, 2019.

Based on the Basel III framework, the Japanese capital ratio framework, which is currently based on Basel II, is likely to be revised to implement the more stringent requirements. Likewise, local banking regulators outside of Japan such as those in the United States are likely to revise the capital and liquidity requirements imposed on our subsidiaries and operations in those countries to implement the more stringent requirements of Basel III as adopted in those countries. The new risk-weighted asset structure expected to be proposed under Basel III may also encourage us to modify our business model to focus more on flow-based client market businesses, such as transactional banking and asset management. We will continue to assess the potential impact of Basel III and other regulatory standards related thereto.

Inspection and reporting. By evaluating banks systems of self-assessment, auditing their accounts and reviewing their compliance with laws and regulations, the FSA monitors the financial soundness of banks, including the status and performance of their control systems for business activities. The FSA implemented the Financial Inspection Rating System, or FIRST, for deposit-taking financial institutions which has become applicable to major banks since April 1, 2007. By providing inspection results in the form of graded evaluations (i.e., ratings), the FSA expects this rating system to motivate financial institutions to voluntarily improve their management and operations. Additionally, the FSA currently takes the better regulation approach in its financial regulation and supervision. This consists of four pillars: (1) optimal combination of rules-based and principles-based supervisory approaches; (2) timely recognition of priority issues and effective response; (3) encouraging voluntary efforts by financial firms and placing greater emphasis on providing them with incentives; and (4) improving the transparency and predictability of regulatory actions, in pursuit of improvement of the quality of financial regulation and supervision.

The FSA, if necessary to secure the sound and appropriate operation of a bank s business, may request the submission of reports or materials from, or conduct an on-site inspection of, the bank or the bank holding company. If a bank s capital adequacy ratio falls below a specified level, the FSA may request the bank to submit an improvement plan and may restrict or suspend the bank s operations when it determines that action is necessary.

In addition, the Securities and Exchange Surveillance Commission of Japan inspects banks in connection with their securities business as well as financial instruments business operators, such as securities firms.

The Bank of Japan also conducts inspections of banks similar to those undertaken by the FSA. The Bank of Japan Law provides that the Bank of Japan and financial institutions may agree as to the form of inspection to be conducted by the Bank of Japan.

Laws limiting shareholdings of banks. The provisions of the Anti-Monopoly Law that prohibit a bank from holding more than 5% of another company s voting rights do not apply to a bank holding company. However, the Banking Law prohibits a bank holding company and its subsidiaries from holding, on an aggregated basis, more than 15% of the voting rights of companies other than those which can legally become subsidiaries of bank holding companies.

Banks are also prohibited from holding shares in other companies exceeding their Tier I capital.

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Financial Instruments and Exchange Law. The Financial Instruments and Exchange Law not only preserves the basic concepts of the former Securities and Exchange Law, but is also intended to provide additional protection for investors. The law also regulates sales of a wide range of financial instruments and services, requiring financial institutions to improve their sales rules and strengthen compliance frameworks and procedures. Among the instruments that the Japanese banks deal in, derivatives, foreign currency-denominated deposits, and variable insurance and annuity products are subject to regulations covered by the sales-related rules of conduct under the law.

Article 33 of the Financial Instruments and Exchange Law generally prohibits banks from engaging in securities transactions. However, bank holding companies and banks may, through a domestic or overseas securities subsidiary, conduct all types of securities business, with appropriate approval from the FSA. Similarly, registered banks are permitted to provide securities intermediation services and engage in certain other similar types of securities related transactions, including retail sales of investment funds and government and municipal bonds.

Anti-money laundering laws. Under the Law for Prevention of Transfer of Criminal Proceeds, banks and other financial institutions are required to report to the responsible ministers in the case of banks, the Commissioner of the FSA any assets which they receive while conducting their businesses that are suspected of being illicit profits from criminal activities.

Law concerning trust business conducted by financial institutions. Under the Trust Business Law, joint stock companies that are licensed by the Prime Minister as trust companies, including non-financial companies, are allowed to conduct trust business. In addition, under the Law Concerning Concurrent Operation for Trust Business by Financial Institutions, banks and other financial institutions, as permitted by the Prime Minister, are able to conduct trust business. The Trust Business Law provides for a separate type of registration for trustees who conduct only administration type trust business. The Trust Business Law also provides for various duties imposed on the trustee in accordance with and in addition to the Trust Law.

Deposit insurance system and government measures for troubled financial institutions. The Deposit Insurance Law is intended to protect depositors if a financial institution fails to meet its obligations. The Deposit Insurance Corporation was established in accordance with that law.

City banks (including BTMU), regional banks, trust banks (including MUTB), and various other credit institutions participate in the deposit insurance system on a compulsory basis.

Under the Deposit Insurance Law, the maximum amount of protection is ¥10 million per customer within one bank. All deposits are subject to the ¥10 million maximum, except for non-interest bearing deposits that are redeemable on demand and used by the depositor primarily for payment and settlement functions (the settlement accounts). Deposits in settlement accounts are fully protected without a maximum amount limitation. Certain types of deposits are not covered by the deposit insurance system, such as foreign currency deposits and negotiable certificates of deposit. As of April 1, 2011, the Deposit Insurance Corporation charges insurance premiums equal to 0.107% on the deposits in the settlement accounts, which are fully protected as mentioned above, and premiums equal to 0.082% on the deposits in other accounts.

Since 1998, the failure of a number of large-scale financial institutions has led to the introduction of various measures with a view to stabilizing Japan s financial system, including financial support from the national budget.

Under the Deposit Insurance Law, a Financial Reorganization Administrator can be appointed by the Prime Minister if a bank is unable to fully perform its obligations with its assets or may suspend or has suspended repayment of deposits. The Financial Reorganization Administrator will take control of the assets of the troubled bank, dispose of the assets and search for another institution willing to take over its business. The troubled bank s business may also be transferred to a bridge bank established by the Deposit Insurance Corporation for the purpose of the temporary maintenance and continuation of operations of the troubled bank, and the bridge bank will seek to transfer the troubled bank s assets to another financial institution or dissolve the troubled bank. The Deposit Insurance Corporation protects deposits, as described above, either by providing financial aid for costs incurred by the financial institution succeeding the insolvent bank or by paying insurance money directly to depositors. The financial aid, provided by the Deposit Insurance Corporation, may take the form of a monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock, or loss sharing. The Deposit Insurance Law also provides for exceptional measures to cope with systemic risk in the financial industry.

Further, against the background of the global financial crisis, in December 2008 the Law Concerning Special Measures for Strengthening of Financial Function was amended in order to enable the Japanese government to take special measures in order to strengthen the capital of financial institutions. Under the law, banks and other financial institutions may apply to receive capital injections from the Deposit Insurance Corporation, subject to government approval, which will be granted subject to the fulfillment of certain requirements, including, among other things, the improvement of profitability and efficiency, facilitation of financing to small and medium-sized business enterprises in the local communities, and that the financial institution is not insolvent. The application deadline is March 31, 2012.

Law Concerning the Temporary Measures for the Facilitation of Finance to Small and Medium-sized Firms and Others. In December 2009, the Law Concerning the Temporary Measures for the Facilitation of Finance to Small and Medium-sized Firms and Others became effective, requiring financial institutions, among other things, to make an effort to reduce their customers burden of loan payment by employing methods such as modifying the term of loans at the request of eligible borrowers, including small and medium-sized firms and individual home loan borrowers. The new legislation also requires financial institutions to internally establish a system to implement the requirements of the legislation and periodically make public disclosure of and report to the relevant authority on the status of implementation. The legislation has been extended to March 31, 2012.

Personal Information Protection Law. With regards to protection of personal information, the Personal Information Protection Law requires, among other things, Japanese banking institutions to limit the use of personal information to the stated purpose and to properly manage the personal information in their possession, and forbids them from providing personal information to third parties without consent. If a bank violates certain provisions of the law, the FSA may advise or order the bank to take proper action. In addition, the Banking Law and the Financial Instruments and Exchange Law provide certain provisions with respect to appropriate handling of customer information.

Law Concerning Protection of Depositors from Illegal Withdrawals Made by Counterfeit or Stolen Cards. This law requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits made using counterfeit or stolen bank cards. The law also requires financial institutions to compensate depositors for any amount illegally withdrawn using counterfeit bank cards, unless the financial institution can verify that it acted in good faith without negligence, and there is gross negligence on the part of the relevant account holder.

Government Reforms to Restrict Maximum Interest Rates on Consumer Lending Business. In December 2006, the Diet passed legislation to reform the regulations relating to the consumer lending business, including amendments to the Law Concerning Acceptance of Investment, Cash Deposit and Interest Rate, etc., which, effective June 18, 2010, reduced the maximum permissible interest rate from 29.2% per annum to 20% per annum. The regulatory reforms also included amendments to the Law Concerning Lending Business which, effective June 18, 2010, abolished the so-called gray-zone interest. Gray-zone interest refers to interest rates exceeding the limits stipulated by the Interest Rate Restriction Law (between 15% per annum to 20% per annum depending on the amount of principal). Prior to June 18, 2010, gray-zone interests were permitted under certain conditions set forth in the Law Concerning Lending Business. As a result of the regulatory reforms, all interest rates are now subject to the lower limits imposed by the Interest Rate Restriction Law, compelling lending institutions, including our consumer finance subsidiaries and equity method investees, to lower the interest rates they charge borrowers. Furthermore, the new regulations, which became effective on June 18, 2010, require, among other things, consumer finance companies to review the repayment capability of borrowers before lending, thereby limiting the amount of borrowing available to individual borrowers.

In addition, as a result of decisions made by the Supreme Court of Japan prior to June 18, 2010, imposing stringent requirements for charging such gray-zone interest rates, consumer finance companies have experienced a significant increase in borrowers claims for reimbursement of previously collected interest payments in excess of the limits stipulated by the Interest Rate Restriction Law. We continue to carefully monitor future developments and trends of the claims. See Item 3.D. Key Information Risk Factors Risks Related to Our Business Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results.

United States

As a result of our operations in the United States, we are subject to extensive US federal and state supervision and regulation.

Overall supervision and regulation. We are subject to supervision, regulation and examination with respect to our US operations by the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, pursuant to the US Bank Holding Company Act of 1956, as amended, or the BHCA, and the International Banking Act of 1978, as amended, or the IBA, because we are a bank holding company and a foreign banking organization, respectively, as defined pursuant to those statutes. The Federal Reserve Board functions as our umbrella supervisor under amendments to the BHCA effected by the Gramm-Leach-Bliley Act of 1999, which among other things:

- prohibited further expansion of the types of activities in which bank holding companies, acting directly or through nonbank subsidiaries, may engage;
- authorized qualifying bank holding companies to opt to become financial holding companies, and thereby acquire the authority to engage in an expanded list of activities; and
- modified the role of the Federal Reserve Board by specifying new relationships between the Federal Reserve Board and the functional regulators of nonbank subsidiaries of both bank holding companies and financial holding companies.

The BHCA generally prohibits each of a bank holding company and a foreign banking organization that maintains branches or agencies in the United States from, directly or indirectly, acquiring more than 5% of the voting shares of any company engaged in nonbanking activities in the United States unless the bank holding company or foreign banking organization has elected to become a financial holding company, as discussed above, or the Federal Reserve Board has determined, by order or regulation, that such activities are so closely related to banking as to be a proper incident thereto and has granted its approval to the bank holding company or foreign banking organization for such an acquisition. The BHCA also requires a bank holding company or foreign banking organization that maintains branches or agencies in the United States to obtain the prior approval of an appropriate federal banking authority before acquiring, directly or indirectly, the ownership of more than 5% of the voting shares or control of any US bank or bank holding company. In addition, under the BHCA, a US bank or a US branch or agency of a foreign bank is prohibited from engaging in various tying arrangements involving it or its affiliates in connection with any extension of credit, sale or lease of any property or provision of any services.

On October 6, 2008, we became a financial holding company. At the same time, BTMU, MUTB, and UNBC, which are also bank holding companies, elected to become financial holding companies. As noted above, as a financial holding company we are authorized to engage in an expanded list of activities. These activities include those deemed to be financial in nature or incidental to such financial activity, including among other things merchant banking, insurance underwriting, and a full range of securities activities. In addition, we are permitted to engage in certain specified nonbanking activities deemed to be closely related to banking, without prior notice to or approval from the Federal Reserve Board. To date, we have utilized this expanded authority by electing to engage in certain securities activities, including securities underwriting, indirectly through certain of our securities subsidiaries. In order to maintain our status as a financial holding company that allows us to expand our activities, we must continue to meet certain standards established by the Federal Reserve Board.

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Those standards require that we exceed the minimum standards applicable to bank holding companies that have not elected to become financial holding companies. These higher standards include meeting the well capitalized and well managed standards for financial holding companies as defined in the regulations of the Federal Reserve Board. In addition, as a financial holding company, we must ensure that our US banking subsidiaries identified below meet certain minimum standards under the Community Reinvestment Act of 1977. At this time, we continue to comply with these standards.

US branches and agencies of subsidiary Japanese banks. Under the authority of the IBA, our banking subsidiaries, BTMU and MUTB, operate six branches, two agencies and five representative offices in the United States. BTMU operates branches in Los Angeles and San Francisco, California; Chicago, Illinois; New York, New York; and Seattle, Washington; agencies in Atlanta, Georgia and Houston, Texas; and representative offices in Washington, D.C; Minneapolis, Minnesota; Dallas, Texas; Jersey City, New Jersey; and Florence, Kentucky. MUTB operates a branch in New York, New York.

The IBA provides, among other things, that the Federal Reserve Board may examine US branches and agencies of foreign banks, and each branch and agency shall be subject to on-site examination by the appropriate federal or state bank supervisor as frequently as would a US bank. The IBA also provides that if the Federal Reserve Board determines that a foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, or if there is reasonable cause to believe that the foreign bank or its affiliate has committed a violation of law or engaged in an unsafe or unsound banking practice in the United States, the Federal Reserve Board may order the foreign bank to terminate activities conducted at a branch or agency in the United States.

US branches and agencies of foreign banks must be licensed, and are also supervised and regulated, by a state or by the Office of the Comptroller of the Currency, or the OCC, the federal regulator of national banks. All of the branches and agencies of BTMU and MUTB in the United States are state-licensed. Under US federal banking laws, state-licensed branches and agencies of foreign banks may engage only in activities that would be permissible for their federally-licensed counterparts, unless the Federal Reserve Board determines that the additional activity is consistent with sound practices. US federal banking laws also subject state-licensed branches and agencies to the single-borrower lending limits that apply to federal branches and agencies, which generally are the same as the lending limits applicable to national banks, but are based on the capital of the entire foreign bank.

As an example of state supervision, the branches of BTMU and MUTB in New York are licensed by the New York State Superintendent of Banks, or the Superintendent, pursuant to the New York Banking Law. Under the New York Banking Law and the Superintendent s Regulations, each of BTMU and MUTB must maintain with banks in the State of New York eligible assets as defined and in amounts determined by the Superintendent. These New York branches must also submit written reports concerning their assets and liabilities and other matters, to the extent required by the Superintendent, and are examined at periodic intervals by the New York State Banking Department. In addition, the Superintendent is authorized to take possession of the business and property of BTMU and MUTB located in New York whenever events specified in the New York Banking Law occur.

US banking subsidiaries. We indirectly own and control three US banks:

Bank of Tokyo-Mitsubishi UFJ Trust Company, New York, New York (through BTMU, a registered bank holding company),

Mitsubishi UFJ Trust & Banking Corporation (U.S.A.), New York, New York (through MUTB, a registered bank holding company), and

Union Bank (through BTMU and its subsidiary, UNBC, a registered bank holding company).

Bank of Tokyo-Mitsubishi UFJ Trust Company and Mitsubishi UFJ Trust & Banking Corporation (U.S.A.) are chartered by the State of New York and are subject to the supervision, examination and regulatory authority of the Superintendent pursuant to the New York Banking Law. Union Bank is a national bank subject to the supervision, examination and regulatory authority of the OCC pursuant to the National Bank Act.

The Federal Deposit Insurance Corporation, or the FDIC, is the primary federal agency responsible for the supervision, examination and regulation of the two New York-chartered banks referred to above. The FDIC may take enforcement action, including the issuance of prohibitive and affirmative orders, if it determines that a financial institution under its supervision has engaged in unsafe or unsound banking practices, or has committed violations of applicable laws and regulations. The FDIC insures the deposits of all three US banking subsidiaries up to legally specified maximum amounts. In the event of the failure of an FDIC-insured bank, the FDIC is virtually certain to be appointed as receiver, and would resolve the failure under provisions of the Federal Deposit Insurance Act. An FDIC-insured institution that is affiliated with a failed or failing FDIC-insured institution can be required to indemnify the FDIC for losses resulting from the insolvency of the failed institution, even if this causes the affiliated institution also to become insolvent. In the liquidation or other resolution of a failed FDIC-insured depository institution, deposits in its US offices and other claims for administrative expenses and employee compensation are afforded priority over other general unsecured claims, including deposits in offices outside the United States, non-deposit claims in all offices and claims of a parent company. Moreover, under longstanding Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength for its banking subsidiaries and to commit resources to support such banks.

Bank capital requirements and capital distributions. Our US banking subsidiaries are subject to applicable risk-based and leverage capital guidelines issued by US regulators for banks and bank holding companies. In addition, BTMU and MUTB, as foreign banking organizations that have US branches and agencies and that are controlled by us as a financial holding company, are subject to the Federal Reserve s requirements that they be well-capitalized based on Japan s risk based capital standards, as well as well managed. All of our US banking subsidiaries and BTMU, MUTB, and UNBC are well capitalized as defined under, and otherwise comply with, all US regulatory capital requirements applicable to them. The Federal Deposit Insurance Corporation Improvement Act of 1991, or FDICIA, provides, among other things, for expanded regulation of insured depository institutions, including banks, and their parent holding companies. As required by FDICIA, the federal banking agencies have established five capital tiers ranging from well capitalized to critically undercapitalized for insured depository institutions. As an institution s capital position deteriorates, the federal banking regulators may take progressively stronger actions, such as further restricting affiliate transactions, activities, asset growth or interest payments. In addition, FDICIA generally prohibits an insured depository institution from making capital distributions, including the payment of dividends, or the payment of any management fee to its holding company, if the insured depository institution would subsequently become undercapitalized.

The availability of dividends from insured depository institutions in the United States is limited by various other statutes and regulations. The National Bank Act and other federal laws prohibit the payment of dividends by a national bank under various circumstances and limit the amount a national bank can pay without the prior approval of the OCC. In addition, state-chartered banking institutions are subject to dividend limitations imposed by applicable federal and state laws.

Other regulated US subsidiaries. Our nonbank subsidiaries that engage in securities-related activities in the United States are regulated by appropriate functional regulators, such as the SEC, any self-regulatory organizations of which they are members, and the appropriate state regulatory agencies. These nonbank subsidiaries are required to meet separate minimum capital standards as imposed by those regulatory authorities.

Anti-Money Laundering Initiatives and the USA PATRIOT Act. A major focus of US governmental policy relating to financial institutions in recent years has been aimed at preventing money laundering and terrorist financing. The USA PATRIOT Act of 2001 substantially broadened the scope of US anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The US Department of the Treasury has issued a number of implementing regulations that impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of their customers. In addition, the bank regulatory agencies carefully scrutinize the adequacy of an institution s policies, procedures and controls. As a result, there has been an increased number of regulatory sanctions and law enforcement authorities have been taking a more active role.

Failure of a financial institution to maintain and implement adequate policies, procedures and controls to prevent money laundering and terrorist financing could in some cases have serious legal and reputational consequences for the institution, including the incurring of expenses to enhance the relevant programs, the imposition of limitations on the scope of their operations and the imposition of fines and other monetary penalties.

Foreign Corrupt Practices Act. In recent years, US regulatory and enforcement agencies including the US Securities and Exchange Commission and the US Department of Justice have significantly increased their enforcement efforts of the Foreign Corrupt Practices Act, or the FCPA. The FCPA prohibits US securities issuers, US domestic entities, and parties doing substantial business within the United States (including their shareholders, directors, agents, officers, and employees) from making improper payments to non-US government officials in order to obtain or retain business. The FCPA also requires US securities issuers to keep their books and records in detail, accurately, and in such a way that they fairly reflect all transactions and dispositions of assets. Those enforcement efforts have targeted a wide range of US and foreign-based entities and have been based on a broad variety of alleged fact patterns, and in a number of cases have resulted in the imposition of substantial criminal and civil penalties or in agreed payments in settlement of alleged violations. Failure of a financial institution doing business in the United States to maintain adequate policies, procedures, internal controls, and books and records on a global basis that address compliance with FCPA requirements could in some cases have serious legal and reputational consequences for the institution, including the incurring of expenses to enhance the relevant programs and the imposition of fines and other monetary penalties.

Regulatory Reform Legislation. In response to the global financial crisis and the perception that lax supervision of the financial industry in the United States may have been a contributing cause, new legislation designed to reform the system for supervision and regulation of financial firms doing business in the United States called the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was signed into law on July 21, 2010. The Dodd-Frank Act is complex and extensive in its coverage and contains a wide range of provisions that would affect financial institutions operating in the United States, including our US operations. Included among these provisions, among other things, are sweeping reforms designed to reduce systemic risk presented by very large financial firms, promote enhanced supervision, regulation, and prudential standards for financial firms, establish comprehensive supervision of financial markets, impose new limitations on permissible financial institution activities and investments, expand regulation of the derivatives markets, protect consumers and investors from financial abuse, and provide the government with the tools needed to manage a financial crisis. Many aspects of the legislation require subsequent regulatory action by supervisory agencies for full implementation and to date a number of proposals for regulatory rule-making have been issued by those supervisory agencies that, if finally adopted, would have an impact on our operations. Since those rules are, for the most part, not yet adopted in final form, at this time we are unable to assess with certainty the potential impact of the Dodd-Frank Act on our operations. Certain aspects of the Dodd-Frank Act may not have a material impact on our operations. For example, those provisions of the Dodd-Frank Act which are commonly referred to as the Volcker Rule would require that we cease conducting proprietary trading activities (i.e., trading in securities and financial instruments for our own account) except for such trading activities that are conducted solely outside of the United States. Most of our proprietary trading activities are generally executed in Japan, and, therefore, we have only a limited number of proprietary trading activities in the US subsidiaries. Accordingly, assuming that there will be no significant increase in revenues attributable to proprietary trading activities in proportion to our total revenues at the time of implementation of the Volcker Rule, the loss of a portion of our proprietary trading revenues due to the implementation of the rule would not be material to our operations. However, based on the current status of the pending proposals, it is likely that certain other aspects of the Dodd-Frank Act could have a material impact on the structure and activities of, and prudential standards applicable to, our operations. We continue to carefully monitor future developments and trends of the Volcker Rule.

Foreign Account Tax Compliance Act. On March 28, 2010, the Foreign Account Tax Compliance Act, or the FATCA, was enacted into law. The FATCA is designed to curb offshore tax abuses by US persons by imposing a 30% withholding tax on certain non-US entities that refuse to disclose the identities of those US persons to the US government. The US Department of the Treasury, or the US Treasury, acting through the Internal Revenue Service, is responsible for issuing implementing regulations. Although the US Treasury has issued some preliminary guidance for implementation, final comprehensive rules and regulations governing implementation of the FATCA have not yet been proposed. The FATCA is likely to require non-US financial institutions to develop extensive systems capabilities and internal processes to identify and report US persons who are subject to FATCA requirements. The FATCA will also require US and non-US financial institutions that make US withholdable payments to non-US entities to identify and make withholdings from those payments if those non-US entities refuse to disclose the identities of US persons to the US government. Developing and implementing those capabilities and processes is likely to be a complex and costly process and failure to do so in an adequate manner may subject any such institution to serious legal and reputational consequences, including the impositions of fines and other monetary policies. The FATCA becomes effective on January 1, 2013, and at this time we are unable to assess with certainty the potential impact of the FATCA on our operations.

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C. Organizational Structure.

The following chart presents our corporate structure summary as of March 31, 2011:

Notes:

(1) Consumer finance subsidiaries.

(2) On April 1, 2011, MUFG transferred the shares it held in Mitsubishi UFJ Asset Management Co., Ltd. to MUTB and BTMU. As a result, from the same date, Mitsubishi UFJ Asset Management Co., Ltd. became a consolidated subsidiary of MUTB.

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Set forth below is a list of our principal consolidated subsidiaries at March 31, 2011:

Name	Country of Incorporation	Proportion of Ownership Interest (%)	Proportion of Voting Interest[1] (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Japan	100.00%	100.00%
kabu.com Securities Co., Ltd.	Japan	56.07%	56.07%
Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd.	Japan	50.98%	50.98%
MU Frontier Servicer Co., Ltd.	Japan	96.47%	96.47%
NBL Co., Ltd.	Japan	89.74%	89.74%
Mitsubishi UFJ Factors Limited	Japan	100.00%	100.00%
Mitsubishi UFJ Research and Consulting Ltd.	Japan	69.45%	69.45%
Mitsubishi UFJ Capital Co., Ltd	Japan	40.26%	40.26%
BOT Lease Co., Ltd.	Japan	22.57%	22.57%
Tokyo Credit Services, Ltd.	Japan	74.00%	74.00%
Tokyo Associates Finance Corp.	Japan	100.00%	100.00%
Mitsubishi UFJ Personal Financial Advisers Co., Ltd.	Japan	73.69%	73.69%
MU Business Engineering, Ltd.	Japan	100.00%	100.00%
Defined Contribution Plan Consulting of Japan Co., Ltd.	Japan	77.49%	77.49%
Mitsubishi UFJ Trust and Banking Corporation	Japan	100.00%	100.00%
The Master Trust Bank of Japan, Ltd.	Japan	46.50%	46.50%
MU Investments Co., Ltd.	Japan	100.00%	100.00%
Mitsubishi UFJ Real Estate Services Co., Ltd.	Japan	100.00%	100.00%
Ryoshin DC Card Company, Ltd.	Japan	75.20%	75.20%
Mitsubishi UFJ Securities Holdings Co., Ltd.	Japan	100.00%	100.00%
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	Japan	60.00%	60.00%
KOKUSAI Asset Management Co., Ltd.	Japan	66.76%	66.81%
MU Hands-on Capital Co., Ltd.	Japan	50.00%	50.00%
Mitsubishi UFJ NICOS Co., Ltd.	Japan	84.98%	84.98%
Mitsubishi UFJ Asset Management Co., Ltd.	Japan	100.00%	100.00%
UnionBanCal Corporation	USA	100.00%	100.00%
BTMU Capital Corporation	USA	100.00%	100.00%
BTMU Leasing & Finance, Inc.	USA	100.00%	100.00%
PT U Finance Indonesia	Indonesia	95.00%	95.00%
PT. BTMU-BRI Finance	Indonesia	55.00%	55.00%
BTMU Participation (Thailand) Co., Ltd.	Thailand	24.49%	24.49%
Mitsubishi UFJ Trust & Banking Corporation (U.S.A.)	USA	100.00%	100.00%
Mitsubishi UFJ Trust International Limited	UK	100.00%	100.00%
Mitsubishi UFJ Baillie Gifford Asset Management Limited	UK	51.00%	51.00%
Mitsubishi UFJ Global Custody S.A.	Luxembourg	100.00%	100.00%
MU Trust Consulting (Shanghai) Co., Ltd.	Peoples Republic of China	100.00%	100.00%
Mitsubishi UFJ Securities (USA), Inc.	USA	100.00%	100.00%
Mitsubishi UFJ Securities International plc	UK	100.00%	100.00%
Mitsubishi UFJ Securities (HK) Holdings, Limited	Peoples Republic of China	100.00%	100.00%
Mitsubishi UFJ Securities (Singapore), Limited.	Singapore	100.00%	100.00%
Mitsubishi UFJ Wealth Management Bank (Switzerland), Ltd.	Switzerland	100.00%	100.00%
BTMU Lease (Deutschland) GmbH	Germany	100.00%	100.00%

Note:

(1) Includes shares held in trading accounts, custody accounts and others.

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D. Property, Plant and Equipment

Premises and equipment at March 31, 2010 and 2011 consisted of the following:

	At March 31, 2010	At March 31, 2011
	(in millions)	
Land	¥ 399,893	¥ 391,602
Buildings	680,085	694,384
Equipment and furniture	681,886	667,073
Leasehold improvements	235,807	225,407
Construction in progress	17,206	15,007
Total	2,014,877	1,993,473
Less accumulated depreciation	1,019,710	1,030,925
Premises and equipment net	¥ 995,167	¥ 962,548

Our registered address is 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan. At March 31, 2011, we and our subsidiaries conducted our operations either in premises we owned or in properties we leased.

The following table presents the book values of our material offices and other properties at March 31, 2011:

	Book value (in millions)
Owned land	¥391,602
Owned buildings.	222,422

The buildings and land we own are primarily used by us and our subsidiaries as offices and branches. Most of the buildings and land we own are free from material encumbrances.

During the fiscal year ended March 31, 2011, we invested approximately ¥98.3 billion, primarily for office renovations and relocation.

Item 4A. Unresolved Staff Comments.

None.

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Item 5. Operating and Financial Review and Prospects.

The following discussion and analysis should be read in conjunction with Item 3.A. Key Information Selected Financial Data, Selected Statistical Data and our consolidated financial statements and related notes included elsewhere in this Annual Report.

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Introduction

We are a holding company for The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., or MUMSS (through Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, an intermediate holding company), Mitsubishi UFJ NICOS Co., Ltd., or Mitsubishi UFJ NICOS, and other subsidiaries. Through our subsidiaries and affiliated companies, we engage in a broad range of financial businesses and services, including commercial banking, investment banking, trust banking and asset management services, securities businesses, and credit card businesses, and provide related services to individual and corporate customers.

Key Income and Expense Figures

The following are some key figures prepared in accordance with US GAAP relating to our business:

	Fiscal years ended March 31, 2009	2010 (in billions)	2011
Net interest income	¥ 2,296.4	¥ 1,984.1	¥ 1,880.3
Provision for credit losses	626.9	647.8	292.0
Non-interest income	175.1	2,453.9	1,709.4
Non-interest expense	3,608.8	2,508.1	2,460.5
Net income (loss) before attribution of noncontrolling interests	(1,504.3)	875.1	397.3
Net income (loss) attributable to Mitsubishi UFJ Financial Group	(1,468.0)	859.8	461.8
Diluted earnings (loss) per common share net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	(137.84)	67.87	31.08
Total assets (at end of period)	193,499.4	200,084.4	202,861.3

Our revenues consist of net interest income and non-interest income.

Net interest income. Net interest income is a function of:

- the amount of interest-earning assets,
- the amount of interest-bearing liabilities,
- the general level of interest rates,
- the so-called spread, or the difference between the rate of interest earned on interest-earning assets and the rate of interest paid on interest-bearing liabilities, and

the proportion of interest-earning assets financed by non-interest-bearing liabilities and equity.

Our net interest income for the fiscal year ended March 31, 2011 decreased compared to that for the prior fiscal year mainly as a result of decreases in interest rates as well as decreases in our lending volume. The following table shows changes in our net interest income by changes in volume and by changes in rates for the fiscal year ended March 31, 2010 compared to the fiscal year ended March 31, 2009 and the fiscal year ended March 31, 2011 compared to the fiscal year ended March 31, 2010:

	Fiscal year ended March 31, 2009 versus fiscal year ended March 31, 2010			Fiscal year ended March 31, 2010 versus fiscal year ended March 31, 2011		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume(1)	Rate(1)	Net change	Volume(1)	Rate(1)	Net change
	(in millions)					
Domestic	¥ 36,512	¥ (138,086)	¥ (101,574)	¥ (41,926)	¥ (56,372)	¥ (98,298)
Foreign	(148,262)	(62,465)	(210,727)	34,637	(40,169)	(5,532)
Total	¥ (111,750)	¥ (200,551)	¥ (312,301)	¥ (7,289)	¥ (96,541)	¥ (103,830)

Note:
(1) Volume/rate variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.

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The continuing low interest rate environment in Japan had a negative effect on our overall interest spread during the period. The following is a summary of the amount of interest-earning assets and interest-bearing liabilities average interest rates, the interest rate spread and non-interest-bearing liabilities for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,					
	2009		2010		2011	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
	(in billions, except percentages)					
Interest-earning assets:						
Domestic	¥ 121,686.4	1.70%	¥ 127,830.2	1.34%	¥ 130,922.3	1.16%
Foreign	51,556.3	3.53	47,635.1	2.20	49,450.7	2.08
Total	¥ 173,242.7	2.25%	¥ 175,465.3	1.57%	¥ 180,373.0	1.41%
Financed by:						
Interest-bearing liabilities:						
Domestic	¥ 124,716.0	0.58%	¥ 124,431.3	0.37%	¥ 126,908.2	0.29%
Foreign	31,368.9	2.80	33,725.1	0.93	34,436.4	0.87
Total	156,084.9	1.02	158,156.4	0.49	161,344.6	0.42
Non-interest-bearing liabilities	17,157.8		17,308.9		19,028.4	
Total	¥ 173,242.7	0.92%	¥ 175,465.3	0.44%	¥ 180,373.0	0.37%
Interest rate spread		1.23%		1.08%		0.99%
Net interest income as a percentage of total interest-earning assets		1.33%		1.13%		1.04%

Provision for credit losses. Provision for credit losses is charged to operations to maintain the allowance for credit losses at a level deemed appropriate by management.

Non-interest income. Non-interest income consists of:

- fees and commissions, including
  - trust fees,
  - fees on funds transfer and service charges for collections,
  - fees and commissions on international business,
  - fees and commissions on credit card business,

service charges on deposits,

fees and commissions on securities business,

fees on real estate business,

insurance commissions,

fees and commissions on stock transfer agency services,

guarantee fees,

fees on investment funds business, and

other fees and commissions;

foreign exchange gains (losses) net, which primarily include net gains (losses) on currency derivative instruments entered into for trading purposes and transaction gains (losses) on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies;

trading account profits (losses) net, which primarily include net profits (losses) on trading account securities and interest rate derivative contracts entered into for trading purposes, including assets relating to the following activities:

Trading purpose activities, which are conducted mainly for the purpose of generating profits either through transaction fees or arbitrage gains and involve frequent and short-term selling and buying of securities, commodities or others; and

Trading account assets relating to application of certain accounting rules, which are generally not related to trading purpose activities, but simply classified as trading accounts due to application of certain accounting rules, such as assets that are subject to fair value option accounting treatment or investment securities held by variable interest entities that are classified as trading account securities;

Of the two categories, trading purpose activities represent a smaller portion of our trading accounts profits;

investment securities gains (losses) net, which primarily include net gains (losses) on sales and impairment losses on securities available for sale;

equity in losses of equity method investees;

gains on sales of loans; and

other non-interest income.

The following table is a summary of our non-interest income for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	2010	2011
		(in billions)	
Fees and commissions income	¥ 1,188.5	¥ 1,139.5	¥ 1,128.4
Foreign exchange gains (losses) net	(206.2)	216.7	260.7
Trading account profits (losses) net	(257.8)	761.5	133.9
Investment securities gains (losses) net	(658.7)	223.0	121.8
Equity in losses of equity method investees	(60.1)	(104.0)	(90.6)
Gains on sales of loans	6.4	21.2	14.5
Other non-interest income	163.0	196.0	140.7
Total non-interest income	¥ 175.1	¥ 2,453.9	¥ 1,709.4

Core Business Areas

During the fiscal year ended March 31, 2011, we operated our main businesses under an integrated business group system, which integrates the operations of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries in the following three areas Retail, Corporate and Trust Assets. These three businesses serve as the core sources of our revenue. For the fiscal year ended March 31, 2011, operations that were not covered under the integrated business group system were classified under Global Markets and Other. For further information, see Business Segment Analysis.

Our business segment information is based on financial information prepared in accordance with Japanese GAAP, as adjusted in accordance with internal management accounting rules and practice and is not consistent with our consolidated financial statements included elsewhere in this Annual Report, which have been prepared

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in accordance with US GAAP. For information on reconciliation of operating profit under the internal management reporting system to income before income tax expense shown on the consolidated statements of income, see Note 27 to our consolidated financial statements included elsewhere in this Annual Report. The following table sets forth the relative contributions to operating profit for the fiscal year ended March 31, 2011 of the three core business areas and the other business areas based on our business segment information:

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group					Integrated Trust Assets Business Group	Global Markets	Other	Total
		Domestic	Overseas			Total				
			Other than UNBC	UNBC	Overseas total					
	(in billions)									
Net revenue	¥ 1,347.5	¥ 893.6	¥ 347.1	¥ 267.2	¥ 614.3	¥ 1,507.9	¥ 157.0	¥ 556.2	¥ (37.2)	¥ 3,531.4
Operating expenses	945.0	460.1	202.7	174.9	377.6	837.7	97.2	105.1	152.0	2,137.0
Operating profit (loss)	¥ 402.5	¥ 433.5	¥ 144.4	¥ 92.3	¥ 236.7	¥ 670.2	¥ 59.8	¥ 451.1	¥ (189.2)	¥ 1,394.4

In July 2011, we added the Integrated Global Business Group as a fourth area by shifting some of our global operations mainly from the Integrated Corporate Banking Business Group. This change in our business segment was implemented to more effectively coordinate and enhance our group-wide efforts to strengthen and expand overseas operations.

Summary of Our Recent Financial Results and Financial Condition

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥461.8 billion for the fiscal year ended March 31, 2011, compared to net income attributable to Mitsubishi UFJ Financial Group of ¥859.8 billion for the fiscal year ended March 31, 2010. Our diluted earnings per share of common stock (net income available to common shareholders of Mitsubishi UFJ Financial Group) for the fiscal year ended March 31, 2011 was ¥31.08, compared to diluted earnings per share of common stock of ¥67.87 for the fiscal year ended March 31, 2010. Income before income tax expense for the fiscal year ended March 31, 2011 was ¥837.2 billion, compared to income before income tax expense of ¥1,282.1 billion for the fiscal year ended March 31, 2010.

Our business and results of operations as well as our assets are heavily influenced by economic conditions particularly in Japan. In the first half of fiscal year ended March 31, 2011, there were signs of recovery in the Japanese economy, compared to the negative trends that continued throughout the previous fiscal year, backed by growth in exports due to strong demand in Asian countries and due to government stimulus package to boost the economy. However, the Japanese economy began to weaken in the second half of the fiscal year ended March 31, 2011 when many elements of the government stimulus package ended and the Japanese yen continued to appreciate against major foreign currencies, which in turn weakened the competitive strength of Japanese exports. The slowdown in the Japanese economy furthered in March 2011 when the Great East Japan Earthquake hit the northeastern region of Japan, which caused a drastic decrease in production volume, and negatively impacted export levels and private consumption trends. See Introduction Business Environment.

For the fiscal year ended March 31, 2011, domestic revenue, which consists of interest income and non-interest income, was ¥2,969.0 billion, while total foreign revenue was ¥1,291.4 billion, with the United States contributing ¥446.5 billion, Asia and Oceania (excluding Japan) contributing ¥470.9 billion and Europe contributing ¥238.7 billion. As a percentage of total revenue, for the three fiscal years ended March 31, 2011, domestic revenue declined to 69.7% for the fiscal year ended March 31, 2011.

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For the fiscal year ended March 31, 2011, domestic net loss attributable to Mitsubishi UFJ Financial Group was ¥103.0 billion, while the corresponding total foreign net income was ¥564.8 billion. In particular, Asia and Oceania (excluding Japan) contributed ¥193.4 billion to our net income, more than half of which was derived from net interest income from China, whereas the United States and Europe contributed ¥171.8 billion and ¥90.0 billion, respectively, reflecting trading gains and net interest income. In light of these trends, we plan to seek growth opportunities particularly in Asia and the United States.

More specifically, our net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2011 mainly reflected the following:

- Net interest income was ¥1,880.3 billion, a decrease of ¥103.8 billion from ¥1,984.1 billion for the previous fiscal year mainly due to the lower interest rate environment in Japan, which negatively affected our interest spread;

- Provision for credit losses was ¥292.0 billion, a decrease of ¥355.8 billion from ¥647.8 billion for the previous fiscal year, reflecting the decrease in provision for credit losses in both domestic and foreign loan portfolio. While the decrease in domestic portfolio was mainly due to the absence of a large amount of provisions for a few borrowers with large exposure observed in previous year, decrease in foreign portfolio was mainly attributable to decrease in Union Bank and other overseas offices as a result of the slight recovery in the world economy, particularly in the United States;

- Fees and commissions income was ¥1,128.4 billion, a decrease of ¥11.1 billion from ¥1,139.5 billion for the previous fiscal year primarily due to a general decrease in the volume of businesses generating other fees and commissions, trust fees and guarantee fees. The decrease in fees and commissions income was partially offset by an increase of ¥9.2 billion in fees and commissions on credit card business from member stores as the use of credit cards increased and an increase of ¥9.1 billion in fees on securities businesses as the trading volume of securities recovered from the previous year;

- Net foreign exchange gains were ¥260.7 billion, compared to net foreign exchange gains of ¥216.7 billion for the previous fiscal year, mainly due to an improvement in gains other than derivative contracts such as gains in foreign currency exchange, partially offset by the losses associated with the appreciation of Japanese yen against the US dollar and other currencies;

- Net trading account profits were ¥133.9 billion, compared to net trading account profits of ¥761.5 billion for the previous fiscal year, largely due to a decrease of evaluation of securities because of the decline of stock prices and an increase in interest rates in foreign markets at the end of March 2011. On the other hand, net losses on interest rate and other derivative contracts were ¥3.1 billion, compared to ¥88.5 billion in the previous fiscal year, mainly due to an increase in gains on equity contracts and credit derivatives, which were partially offset by a decrease in gains (losses) on interest rate contracts; and

- Net investment securities gains were ¥121.8 billion, compared to net gains of ¥223.0 billion for the previous fiscal year, mainly reflecting losses on sales of marketable equity securities because of the decline of the stock markets in Japan, partially offset by increasing profit of sales on securities available for sale as conditions in the debt securities market improved.

Our total loans outstanding at March 31, 2011 were ¥87.50 trillion, a decrease of ¥4.69 trillion from ¥92.19 trillion at March 31, 2010. Before unearned income, net unamortized premiums and net deferred loan fees, our loan balance at March 31, 2011 consisted of ¥67.55 trillion of domestic loans and ¥20.05 trillion of foreign loans. Due to a general decrease in the demand for loans, domestic loans decreased ¥4.47 trillion and foreign loans decreased ¥0.22 trillion between March 31, 2010 and March 31, 2011. The total allowance for credit losses at March 31, 2011 was ¥1,240.5 billion, a decrease of ¥75.1 billion from ¥1,315.6 billion at March 31, 2010 as a result of a decrease in the amount of formula allowance.

Total investment securities increased ¥4.11 trillion to ¥59.16 trillion at March 31, 2011 from ¥55.05 trillion at March 31, 2010, primarily due to an increase of ¥5.29 trillion in Japanese national government bonds and Japanese government agency bonds, partially offset by a ¥0.79 trillion decrease in marketable equity securities, a ¥0.34 trillion decrease in corporate bonds and a ¥0.36 trillion decrease in foreign government and official institutions bonds. Our investments in Japanese national government and government agency bonds increased as part of our asset and liability management policy with respect to investing the amount of yen-denominated deposited funds exceeding our net loans. As a result, our holdings of Japanese national and government and Japanese government agency bonds as a percentage of our assets increased to relatively high levels as of March 31, 2011, accounting for 22.0% of our total assets. Regarding marketable equity securities, the decline in overall stock prices of Japanese equity securities resulted in a decrease in our marketable equity securities by ¥0.8 trillion between March 31, 2010 and March 31, 2011.

Our financial results for the fiscal year ending March 31, 2012, as well as our financial condition at the end of that period, will be heavily dependent on how our borrowers and the Japanese economy respond to the effects of the Great East Japan Earthquake that struck the northeastern region of Japan in March 2011. The operations of many Japanese companies and individuals have been adversely affected by the earthquake and the electricity power supply shortages following the accidents at the Fukushima Daiichi Nuclear Power Plant. As a result, the credit quality of some of our borrowers may deteriorate further than we currently expect, which could affect our credit costs and loan portfolio. In addition, the value of our portfolio of Japanese equity securities as well as Japanese government bonds will be affected by how the Japanese economy reacts after the earthquake and what governmental policies may be adopted for compensation, reconstruction and recovery. See Item 3.D. Key Information Risk Factors Because a large portion of our assets are located in Japan and our business operations are conducted primarily in Japan, we may incur further losses if economic conditions in Japan worsen. and Business Environment below.

Business Environment

We engage, through our subsidiaries and affiliated companies, in a broad range of financial businesses and services, including commercial banking, investment banking, trust banking and asset management services, securities businesses and credit card businesses, and provide related services to individuals primarily in Japan and the United States and to corporate customers around the world. Our results of operations and financial condition are exposed to changes in various external economic factors, including:

- general economic conditions;
- interest rates;
- currency exchange rates; and
- stock and real estate prices.

Economic Environment in Japan

The Japanese economy showed signs of recovery in the first half of the fiscal year ended March 31, 2011 with increasing exports, especially to other parts of Asia, and as governmental economic stimulus measures continued to produce positive effects. Japan s real GDP grew at an annualized 3.8% quarter on quarter for the July-September 2010 period, marking the fourth straight quarter of positive growth, with exports, private consumptions and private business investments showing 6.6%, 3.3% and 4.4% of annualized quarter on quarter growth, respectively.

However, the Japanese economy began to weaken in the second half of the fiscal year ended March 31, 2011 after the government ended many aspects of its economic stimulus package and as the Japanese yen continued to appreciate against major foreign currencies thereby weakening the competitive strength of Japanese exports. Private consumption and exports decreased annualized 3.9% and 3.3%, respectively, quarter on quarter for the October-December 2010 period, leading to a decline in annualized real GDP growth rate to a negative 3.0% quarter on quarter in the same period. The slowdown in the Japanese economy furthered when the Great East Japan Earthquake hit the Tohoku region in Japan in March 2011. The earthquake and the subsequent accidents at the Fukushima Daiichi Nuclear Power Plant have affected the Japanese economy on a nationwide basis, negatively impacting private consumption levels, export volume and corporate production levels. Annualized GDP growth rate for the January-March 2011 period dropped 3.7% quarter on quarter, reflecting the weakness in the Japanese economy that continued from the previous quarter as well as the impact of the earthquake that occurred in early March 2011.

Selected indicators for the Japanese economy are discussed below:

Corporate Production: Industrial production plunged by 15.5% in March 2011 following the earthquake especially led by the huge drop in transportation machinery (such as automobiles) by approximately 50%. Although manufacturing production recovered slightly in subsequent months (April +1.6% and May +5.7% according to the Ministry of Economy, Trade and Industry), the supply chain and networks for plants and other supplies may not be fully restored, and production levels for transportation machinery remain below pre-earthquake levels as of May 2011. Electricity supply shortages, which are expected to continue throughout the summer of 2011, may also adversely impact the recovery of corporate production.

Exports: Although nominal exports rose by 14.8% year on year in early March 2011, exports experienced a significant decrease starting mid- to late March 2011 dropping by 5.9% and 13.3% year on year, respectively. Export levels declined due to supply capacity issues caused by both physical damage of facilities as well as the domestic supply chain in Japan becoming disfunctional after the earthquake.

Employment Conditions: The employment situation, which had been improving gradually until early March 2011, deteriorated significantly following the earthquake with new job openings dropped by 7.1% month over month in March 2011 and unemployment rate slightly increased by 0.2 percentage points to 4.8% month over month in March 2011. The deteriorating employment situation mainly reflects the adjustments in employment being implemented in the private industry sectors that were affected by the downturn in the economy.

Private Consumption: Real private consumption decreased by an annualized rate of 2.2% in the January-March 2011 period mainly due to a decline in the consumption of durable goods, such as automobiles. Services spending also dropped notably after the earthquake as consumers have been voluntarily withdrawing from participating in events and purchasing discretionary items.

The Bank of Japan has maintained a monetary easing policy during the fiscal year ended March 31, 2011 to stimulate the economy that has been persistently weak since the financial crisis. In October 2010, the Bank of Japan lowered its target interest rate to between 0% and 0.1% from 0.1% to support the economy and stimulate sustainable growth. Since the Great East Japan Earthquake, the Bank of Japan has focused on limiting the adverse effects on the economy. To date, the central bank s main measures have been (1) to increase financial supply to the short-term financial markets through the central bank s buying operations, (2) to increase funds for asset purchases to purchase risk assets, and (3) to supply capital to financial institutions located in areas affected by the earthquake. Further monetary easing may be possible as the Japanese government revises the second supplementary budget proposal for the fiscal year ending March 31, 2012. The proposal is expected to be submitted to the Diet during the summer of 2011, if the Japanese yen continues to appreciate against other currencies. Along with the monetary easing policy, the central bank has maintained a very low policy rate (uncollateralized overnight call rate) of 0.10% or lower in an effort to lift the economy.

Euro-yen 3-month TIBOR fell to approximately 0.33% as of July 1, 2011, the lowest level since 2006. Long-term interest rates have also remained at the historical low level, due to uncertainty in the global economy, weakness in stock prices and low expectations for a near-term rate hike in the United States, as the US government maintained a monetary easing policy until June 2011. The yield on newly-issued ten-year Japanese government bonds fell to around 1.1% as of early July 2011.

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The following chart shows the interest rate trends in Japan since April 2009:

Regarding the Japanese stock market, the closing price of the Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, decreased from ¥11,089.94 at March 31, 2010 to ¥8,824.06 at the end of August 2010, then moved upward to nearly ¥11,000 just before the earthquake hit the northeastern part of Japan, which led to precipitous drop in stock price to ¥8,605.15 on March 15, 2011, just four days after the earthquake. The downward trend in Japanese stock price in the first half of fiscal year ended March 31, 2011 and upward trend in the later half were generally consistent with those of global stocks. The downward trend in stock prices in the first half reflected the impact of the sovereign debt crisis in some of the European countries, the effect of the cessation of QE1 in the United States that resulted in money flowing from stocks to safer securities, and weak corporate activities and operating results in most of the developed countries. The stock price started to move upward then, reflecting gradual improvement in the global economy, lower possibility of further decline in base interest rates and improved investor sentiment.

The Japanese stock prices then suddenly dropped precipitously after the earthquake, especially due to the nuclear disaster at Fukushima Daiichi Nuclear Power Plant, all of which created negative sentiment among investors on Japanese economy outlook. The Nikkei Stock Average then gradually recovered to ¥9,755.10 at March 31, 2011, along with the gradual recovery in other global stock indices. The closing price of the Tokyo Stock Price Index, or TOPIX, a composite index of all stocks listed on the First Section of the Tokyo Stock Exchange, also decreased from 978.81 at March 31, 2010 to 869.38 at March 31, 2011, the trend of which during the fiscal year ended March 31, 2011 was more or less the same with that of the Nikkei Stock Average.

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Despite the Bank of Japan s policy to increase monetary supply, investor sentiment in the Japanese stock market remains cautious due in part to uncertainty regarding the Japanese political leadership, the continuing strength of the Japanese yen, weak employment conditions, and the continuing uncertainties on how the earthquake and its after-effects, such as the electricity power shortages expected during the summer of 2011, will impact the Japanese economy going forward. As of July 15, 2011, the closing price of the Nikkei Stock Average was ¥9,974.47 and the TOPIX closed at 859.36. The following chart shows the daily closing price of the Nikkei Stock Average since April 2009:

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The Japanese yen appreciated against other currencies throughout the fiscal year ended March 31, 2011. The Japanese yen appreciated from ¥93.04 to US$1 as of March 31, 2010 to ¥83.15 to US$1 as of March 31, 2011. The strong Japanese yen appears to reflect rising risk aversion among Japanese investors and the lower interest rates outside of Japan, which led to lower capital outflow from Japan. The Japanese yen has also appreciated against the Euro during the period, as a result of the sovereign debt crisis and the subsequent tightening of monetary policies in Europe. The Japanese yen stood at ¥117.57 to 1 as of March 31, 2011 as compared to ¥124.92 to 1 as of March 31, 2010. As of July 15, 2011, the Japanese yen was at ¥79.20 to US$1 and ¥111.76 to 1. The following chart shows the foreign exchange rates expressed in Japanese yen per US dollar since April 2009:

In calendar 2010, the average prices for both residential and commercial real estate experienced declines for the third consecutive year, although the pace of decline softened compared to the last year, reflecting the slight recovery in the Japanese economy. According to a survey conducted by the Japanese government, the average residential land price declined by 2.7% between January 1, 2010 and January 1, 2011. The average commercial land price declined by 3.8% during the same period. In the three major metropolitan areas of Tokyo, Osaka and Nagoya, the average residential land price declined by 1.8% between January 1, 2010 and January 1, 2011, while the average commercial land price declined by 2.5% during the same period. In the local regions other than the major metropolitan areas in Japan, the average residential and commercial land prices continued to decline for the seventh consecutive year with the rates of decline between January 1, 2010 and January 1, 2011, being 3.6% and 4.8%, respectively.

According to Teikoku Databank, a Japanese research institution, the number of companies that filed for legal bankruptcy in Japan from April 2010 to March 2011 was 11,496, a decrease by 10.6% from the previous fiscal year, reflecting a moderate recovery of the Japanese economy for the fiscal year ended March 31, 2011. More specifically, the decrease in the number of companies that filed for legal bankruptcy was mainly due to the positive effects of the Japanese government s economic stimulus measures which supported widespread industries financially. The aggregate amount of liabilities subject to bankruptcy filings between April 2010 and March 2011 was approximately ¥4.56 trillion, decreased by 35.1% attributable to the absence of corporate reorganization filings by Japan Airlines group companies in January 2010 and a decrease in number of bankruptcies in large corporations.

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International Financial Markets

With respect to the international financial and economic environment, the US economy continued to recover with the annualized real GDP growth rate averaging 2.9% in calendar 2010. According to the US Bureau of Labor Statistics, the unemployment rate decreased from its cyclical high at more than 10% in October 2009 to 9.2% in June 2011, remaining virtually unchanged since the beginning of calendar 2011. Reflecting the weak recovery of the US economy, inflationary pressure has been limited. Even with upward pressure on prices, core CPI (consumer inflation less food and energy) remained at historical low at the mid 1% range (annualized). As of June 2011, the core CPI on a year-on-year basis increased to 1.6%.

Although household disposable income has been increasing due to the effects of economic stimulus measures and tax reductions by the US government, consumer sentiment remains weak in part because of the high unemployment rates. In the corporate sector, production is increasing due to improved inventory cycles and increasing exports and capital investments.

In the European Union, or EU, signs of recovery from the global recession have been weaker with the average real GDP growth rate for calendar 2011 being 1.7%. There have been clear differences among the EU member states in the economic growth. In calendar 2010, the growth was primarily led by that of Germany with an annualized real GDP growth rate of 3.6% while countries with fiscal problems, such as Greece, Ireland and Portugal, have demonstrated very low or negative growth throughout the period. The following is a brief description of economies in the major state countries:

Germany The German economy constitutes approximately 30% of the EU economy and previously reached its highest growth rate since the reunification of Germany. German exports and manufacturing orders that led the German economy have begun to fall since early 2011, as positive effects from the weaker euro in 2010 gradually faded away. Private consumption maintained positive growth of around 2% on an annualized basis, supported by a historical low unemployment rate of around 7% in April 2011.

Countries with debt problems Expectations of Greek debt restructuring in the market led to a worsening of sovereign risks of peripheral EU member states, such as Portugal or Ireland. Furthermore, strict fiscal austerity limited recovery in Greece and Portugal.

The total inflation rate was 2.7% year on year in May 2011, reaching well above the ECB s target level of price stability (below 2.0%) for six consecutive months due to higher global commodity prices. To prevent inflation, the ECB raised its refi-rate from 1.00% to 1.25% in April 2011 and from 1.25% to 1.50% in July 2011, clearly conveying a vigilant stance on inflation to the market.

Recent Developments

We continue to pursue global growth opportunities, and in this context, strengthened our strategic alliance with Morgan Stanley and expanded Union Bank s business through acquisitions of community banks during the fiscal year ended March 31, 2011. We plan to continue to selectively review and consider growth opportunities that will enhance our global competitiveness. To better respond to the rapidly changing regulatory and competitive environment, we have also completed several transactions that affect the capital structure at the holding company level or at the subsidiary level. We will continue to monitor regulatory developments and pursue prudent transactions that will create a strong capital structure to enable us to contribute to the real economy, both domestically and globally, as a provider of a stable source of funds and high quality financial services.

Effects of the Great East Japan Earthquake

On March 11, 2011, the Tohoku region of Japan experienced a major earthquake and tsunami, which caused major property damage in the region. The Great East Japan Earthquake disrupted economic activity in the region and also indirectly affected Japan nationwide. Infrastructure and facilities in the region suffered damage, causing supply chain disruptions relating to parts and supplies manufactured in the region. The direct impact of the earthquake to us was primarily physical damage to our tangible assets, such as real estate properties and system infrastructure, and was limited only to the Tohoku region. Of the more than 600 branches that BTMU has in Japan, only six branches are located in the region directly impacted by the earthquake. Our real estate properties of those six branches did not suffer any serious damage, and all of them continued their operations through the end of normal business hours on the day of the earthquake and resumed their operations on the next business day of the earthquake.

The Great East Japan Earthquake also triggered accidents at the Fukushima Daiichi Nuclear Power Plant, causing radiation contamination in the surrounding areas. As a result, the Japanese government has relocated residents from certain designated areas. We do not have any branches or offices in the evacuation area established by the Japanese government due to the accidents at the Fukushima Daiichi Nuclear Power Plant. The accidents have also resulted in an electricity power supply shortage, which has negatively affected the output capacity of many Japanese companies.

The Great East Japan Earthquake has resulted in, and will likely further cause, indirect adverse effects on our financial results such as an increase in credit costs as the credit quality of some of our borrowers may deteriorate. Our loans outstanding to borrowers in the Tohoku region as of March 31, 2011 was proportionately small, constituting less than 1% of our total loans outstanding. Soon after the earthquake, BTMU and MUTB were ready to offer special loan products and programs designed to financially assist borrowers affected by the Great East Japan Earthquake.

In addition, the Great East Japan Earthquake has contributed to impairment losses on investment securities for the fiscal year ended March 31, 2011, though we are unable to quantify the loss directly caused by the earthquake separately from losses caused by other economic factors. At this time, we are uncertain of the potential impact of the earthquake for the fiscal year ending March 31, 2012, because the operating environment will be influenced by numerous factors, including, but not limited to, general Japanese economic condition, pace of the market recovery (if any) and governmental policies for compensation and reconstruction, specifically a scheme to financially support electric utilities that are subject to damage claims and the treatment of their major debt and equity holders under such scheme, including us.

Securities Joint Ventures with Morgan Stanley

As part of our strategic alliance with Morgan Stanley, in May 2010, Morgan Stanley and we integrated our respective Japanese securities companies by forming two securities joint ventures. We converted our wholesale and retail securities businesses in Japan conducted by MUS into MUMSS. Morgan Stanley contributed its Japanese investment banking operations conducted by its former wholly-owned subsidiary, Morgan Stanley Japan Securities Co., Ltd., or Morgan Stanley Japan, to MUMSS. Morgan Stanley Japan was renamed Morgan Stanley MUFG Securities, Co., Ltd., or MSMS. We hold a 60% economic interest in MUMSS and MSMS, and Morgan Stanley holds a 40% economic interest in MUMSS and MSMS. We hold a 60% voting interest and Morgan Stanley holds a 40% voting interest in MUMSS, and we hold a 49% voting interest and Morgan Stanley holds a 51% voting interest in MSMS. Morgan Stanley s and our economic and voting interests in the securities joint venture companies are held through intermediate holding companies. We have retained control of MUMSS and account for it as a consolidated subsidiary. We account for our interest in MSMS under the equity method due to our significant influence over MSMS.

In April 2011, Mitsubishi UFJ Securities Holdings Co., Ltd. or MUSHD, announced its decision to subscribe to all the shares to be issued by MUMSS through a third-party allotment. MUSHD acquired the shares in the third party allotment to improve and strengthen the capital base and financial position of MUMSS following an approximately ¥80 billion loss recorded by MUMSS from its fixed-income position trading business. The loss related to this particular fixed income position trading was comprised of mark-to-market losses and the cost of withdrawing from the business, the majority of which reflected the cost of withdrawing from the business. As a result of recognizing the large loss, MUMSS scaled down the particular area of fixed

income position trading that gave rise to the loss, and after the review of the exposure risk tests and limits, MUMSS is revising its risk exposure protocols to reduce the risk of comparable losses in the future. Subsequent to the acquisition of additional shares in MUMSS, we continue to hold a 60% economic and voting interest in MUMSS.

Conversion of Morgan Stanley Convertible Preferred Stock to Common Stock

Pursuant to an agreement we entered into with Morgan Stanley in April 2011, we converted all of the Morgan Stanley convertible preferred stock that we previously held into common stock on June 30, 2011. Under the terms of the transaction, we exchanged convertible preferred stock with a face value of approximately $7.8 billion and a 10% per annum dividend for approximately 385 million shares of Morgan Stanley common stock, including approximately 75 million additional Morgan Stanley common stock, resulting from the adjustment to the conversion rate pursuant to the agreement. As a result, we hold approximately 22.4% of voting rights in Morgan Stanley based on the number of shares of common stock of Morgan Stanley outstanding as of June 30, 2011. We have also appointed a second representative to Morgan Stanley s board of directors. This conversion further strengthens the global strategic alliance between Morgan Stanley and us. Morgan Stanley is expected to be treated as an equity-method affiliate of MUFG in the future consolidated financial statements prepared by MUFG. The conversion may have an impact on our consolidated statement of operations, especially for the six months ending September 30, 2011, depending on factors including the fair value of our Morgan Stanley interest at the time of conversion as well as the market price of Morgan Stanley common stock at the end of the period.

Subscription to Mitsubishi UFJ NICOS Capital Increase through Allotment to Existing Shareholders

In February 2011, MUFG and The Norinchukin Bank announced that they decided to subscribe to additional shares issued by Mitsubishi UFJ NICOS Co., Ltd., through allotment to existing shareholders. The two shareholders subscribed for 653,594,771 shares at ¥153 per share for a total aggregate amount of approximately ¥100 billion. We subscribed to an amount consistent with our ownership interest in Mitsubishi UFJ NICOS. Mitsubishi UFJ NICOS issued the shares, and the shareholders agreed to subscribe to the shares, to ensure the sound implementation of Mitsubishi UFJ NICOS s new medium-term business plan and to strengthen Mitsubishi UFJ NICOS s financial position, which in turn is expected to strengthen our credit card business.

Acquisition and Cancellation of First Series of Class 3 Preferred Stock

In April 2010, we acquired and cancelled all of the outstanding shares of our First Series of Class 3 Preferred Stock at ¥2,500 per share for an aggregate purchase price of ¥250 billion. The preferred stock was reflected as part of our Tier I capital before acquisition and cancellation.

Redemption of Preferred Securities issued by an Overseas Special Purpose Company

In July 2011, we redeemed all of the outstanding shares of our preferred securities (non-dilutive preferred securities) issued by MUFG Capital Finance 3 Limited, an overseas special purpose company of MUFG, at ¥10 million per preferred security for an aggregate purchase price of ¥120 billion. The preferred security was reflected as part of our Tier I capital before redemption.

Agreement to Acquire The Royal Bank of Scotland Group s Project Finance Related Assets

In December 2010, we entered into a sale and purchase agreement with The Royal Bank of Scotland Group plc, or RBS, to acquire from RBS approximately £3.3 billion of project finance related assets consisting of loans for natural resource, power and other infrastructure projects in Europe, the Middle-East and Africa, and related assets. In connection with this acquisition, we plan to acquire associated derivatives through one of our subsidiaries, Mitsubishi UFJ Securities International plc (London). The transaction contemplated by the agreement is subject to required regulatory approvals and third party consents and is expected to be completed by the fall of 2011.

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Agreements with the FDIC to Acquire Assets and Assume Liabilities of Failing Community Banks

In April 2010, Union Bank, our indirect wholly owned subsidiary in the United States, entered into a Purchase and Assumption Agreement with the FDIC as a receiver of Frontier Bank of Everett, Washington to purchase certain assets and assume certain deposit and other liabilities of Frontier Bank. Of the approximately $3.2 billion in total assets acquired, Union Bank acquired approximately $2.9 billion in loans and other real estate owned which are covered under a loss share agreement with the FDIC. Union Bank also assumed approximately $2.5 billion in deposits and $372.0 million of borrowings and other liabilities.

Also in April 2010, Union Bank entered into a Purchase and Assumption Agreement with the FDIC as a receiver of Tamalpais Bank of San Rafael, California to purchase certain assets and assume certain deposits and other liabilities of Tamalpais Bank. Of the approximately $0.6 billion in total assets acquired, Union Bank acquired approximately $0.5 billion in loans and other real estate owned which are covered under a loss share agreement with the FDIC. Union Bank also assumed more than $0.4 billion in deposits.

Critical Accounting Estimates

Our consolidated financial statements included elsewhere in this Annual Report are prepared in accordance with US GAAP. Many of the accounting policies require management to make difficult, complex or subjective judgments regarding the valuation of assets and liabilities. The accounting policies are fundamental to understanding our operating and financial review and prospects. The notes to our consolidated financial statements included elsewhere in this Annual Report provide a summary of our significant accounting policies. The following is a summary of the critical accounting estimates:

Allowance for Credit Losses

The allowance for credit losses represents management s estimate of probable losses in our loan portfolio. The evaluation process, including credit-ratings and self-assessments, involves a number of estimates and judgments. The allowance is based on two principles of accounting guidance: (1) the guidance on contingencies requires that losses be accrued when they are probable of occurring and can be estimated, and (2) the guidance on accounting by creditors for impairment of a loan requires that losses be accrued based on the difference between the loan balance, on the one hand, and the present value of expected future cash flows discounted at the loan s original effective interest rate, the fair value of collateral or the loan s observable market value, on the other hand.

Effective from the fiscal year ended March 31, 2011, we adopted new accounting guidance regarding disclosures about the credit quality of financing receivables and the allowance for credit losses. The new disclosure guidance defines a portfolio segment as the level at which an entity develops and documents a systematic methodology to determine the allowance for credit losses and a class of financing receivables as the level of disaggregation of portfolio segments based on the initial measurement attribute, risk characteristics and methods for assessing risk. We have divided our allowance for loan losses into portfolio segments Commercial, Residential, Card and UNBC. We further divide the Commercial segment into classes. The classes within the Commercial segment are domestic, foreign, and loans acquired with deteriorated credit quality. Within the domestic, we further disaggregate into the industry type based on our monitoring and assessing credit risks. Under this new disclosure guidance, the allowance is presented by portfolio segment. The adoption of this new disclosure guidance did not affect overall methodologies or policies used to establish our allowance for credit losses during the fiscal year ended March 31, 2011.

For the Commercial and UNBC segments, our allowance for credit losses primarily consists of an allocated allowance. The allocated allowance comprises (a) the allowance for individual loans specifically identified for evaluation, (b) the allowance for large groups of smaller-balance homogeneous loans, and (c) the formula allowance. The allocated allowance within the Commercial segment also includes the allowance for country risk exposure. Both the allowance for country risk exposure and the formula allowance are provided for performing loans that are not subject to either the allowance for individual loans specifically identified for evaluation or the allowance for large groups of smaller-balance homogeneous loans. The allowance for country risk exposure within the Commercial segment covers transfer risk which is not specifically covered by other types of allowance. Each of these components is determined based upon estimates that can and do change when actual events occur.

The allowance for credit losses within the UNBC segment also includes the unallocated allowance which captures losses that are attributable to various economic events, industry or geographic sectors whose impact on the portfolio have occurred but have yet to be recognized in the allocated allowance.

For the Residential and Card segments, the loans are smaller-balance homogeneous loans and pooled by the risk ratings based on the number of delinquencies. We principally determine the allowance for credit losses based on the probability of insolvency by the number of actual delinquencies and historical loss experience.

For all portfolio segments, key elements relating to the policies and discipline used in determining the allowance for credit losses are credit classification and the related borrower categorization process. The categorization is based on conditions that may affect the ability of borrowers to service their debt, taking into consideration current financial information, historical payment experience, credit documentation, public information, analyses of relevant industry segments and current trends. In determining the appropriate level of the allowance, we evaluate the probable loss by category of loan based on its type and characteristics.

Our actual losses could be more or less than the estimates. For further information regarding our methodologies used in establishing the allowance for credit losses by portfolio segments and allowance for credit losses policies, see Note 1 to our consolidated financial statements included elsewhere in this Annual Report and B. Liquidity and Capital Resources Financial Condition Allowance for Credit Losses, Nonperforming and Past Due Loans.

In addition to the allowance for credit losses on our loan portfolio, we maintain an allowance for credit losses on off-balance sheet credit instruments, including commitments to extend credit, a variety of guarantees and standby letters of credit and other financial instruments. Such allowance is included in other liabilities.

Determining the adequacy of the allowance for credit losses requires the exercise of considerable judgment and the use of estimates, such as those discussed above. To the extent that actual losses differ from management s estimates, additional provisions for credit losses may be required that would adversely impact our operating results and financial condition in future periods.

Impairment of Investment Securities

US GAAP requires the recognition in earnings of an impairment loss on investment securities for a decline in fair value that is other than temporary. Determination of whether a decline is other than temporary often involves estimating the outcome of future events. Management judgment is required in determining whether factors exist that indicate that an impairment loss has been incurred at the balance sheet date. These judgments are based on subjective as well as objective factors. We conduct a review semi-annually to identify and evaluate investment securities that have indications of possible impairment. The assessment of other than temporary impairment requires judgment and therefore can have an impact on the results of operations. Impairment is evaluated considering various factors, and their significance varies from case to case.

Debt and marketable equity securities. In determining whether a decline in fair value below cost is other than temporary for a particular equity security, we generally consider factors such as the ability and positive intent to hold the investments for a period of time sufficient to allow for any anticipated recovery in fair value. In addition, indicators of an other than temporary decline for marketable equity securities include, but are not limited to, the extent of decline in fair value below cost and the length of time that the decline in fair value below cost has continued. If a decline in fair value below cost is 20% or more or has continued for six months or more,

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we generally deem such decline as an indicator of an other than temporary decline. We also consider the current financial condition and near-term prospects of issuers primarily based on the credit standing of the issuers as determined by our credit rating system.

For debt securities, other than temporary impairment is recognized in earnings if we have an intent to sell the debt security or if it is more likely than not we will be required to sell the debt security before recovery of its amortized cost basis. When we do not intend to sell the debt security and if it is more likely than not that we will not be required to sell the debt security before recovery of its amortized cost basis, the credit component of an other than temporary impairment of a debt security is recognized in earnings, but the noncredit component is recognized in accumulated other changes in equity from nonowner sources.

Certain securities held by BTMU, MUTB and certain other subsidiaries, which primarily consist of debt securities issued by the Japanese national government and generally considered to be of minimal credit risk, are determined not to be impaired as the respective subsidiaries do not have intention to sell the securities, or those subsidiaries are not more likely than not required to sell before recovery of their amortized cost basis.

The determination of other than temporary impairment for certain debt securities held by UNBC, our US subsidiary, which primarily consist of residential mortgage backed securities and certain asset-backed securities, are made on the basis of a cash flow analysis and monitoring of performance of such securities, as well as whether UNBC intends to sell, or is more likely than not required to sell, the securities before recovery of their amortized cost basis.

Nonmarketable equity securities. Nonmarketable equity securities are equity securities of companies that are not publicly traded or are thinly traded. Such securities are primarily held at cost less other than temporary impairment if applicable. For the securities carried at cost, we periodically monitor the status of each investee, including the investee s credit ratings and changes in the value of our share in the investees net assets as compared with the value at the time of investment. When we determine that the decline is other than temporary, nonmarketable equity securities are written down to the estimated fair value, determined based on such factors as the ratio of our investment in the issuer to the issuer s net assets and the latest transaction price if applicable. When the decline is other than temporary, certain nonmarketable equity securities issued by public companies, such as preferred stock convertible to marketable common stock in the future, are written down to fair value estimated by commonly accepted valuation models, such as option pricing models based on a number of factors, including the quoted market price of the underlying marketable common stock, volatility and dividend payments as appropriate.

The markets for equity securities and debt securities are inherently volatile, and the values of both types of securities have fluctuated significantly in recent years. Accordingly, our assessment of potential impairment involves risks and uncertainties depending on market conditions that are global or regional in nature and the condition of specific issuers or industries, as well as management s subjective assessment of the estimated future performance of investments. If we later conclude that a decline is other than temporary, the impairment loss may significantly affect our operating results and financial condition in future periods.

For further information on the amount of the impairment losses and the aggregate amount of unrealized gross losses on investment securities, see Note 3 to our consolidated financial statements included elsewhere in this Annual Report.

Allowance for Repayment of Excess Interest

We maintain an allowance for repayment of excess interest based on an analysis of past experience of reimbursement of excess interest, borrowers profile, recent trend of borrowers demand for reimbursement, and appropriate management s future forecasts. The allowance is recorded as a liability in Other liabilities. For further information, see Item 3.D. Key Information Risk Factors Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results.

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Income Taxes

Valuation of deferred tax assets. A valuation allowance for deferred tax assets is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Future realization of the tax benefit of existing deductible temporary differences or carryforwards ultimately depends on the existence of sufficient taxable income in future periods.

In determining a valuation allowance, we perform a review of future taxable income (exclusive of reversing temporary differences and carryforwards) and future reversals of existing taxable temporary differences. Future taxable income is developed from forecasted operating results, based on recent historical trends and approved business plans, the eligible carryforward periods and other relevant factors. For certain subsidiaries where strong negative evidence exists, such as the existence of significant amounts of operating loss carryforwards, cumulative losses and the expiration of unused operating loss carryforwards in recent years, a valuation allowance is recognized against the deferred tax assets to the extent that it is more likely than not that they will not be realized.

Among other factors, forecasted operating results, which serve as the basis of our estimation of future taxable income, have a significant effect on the amount of the valuation allowance. In developing forecasted operating results, we assume that our operating performance is stable for certain entities where strong positive evidence exists, including core earnings based on past performance over a certain period of time. The actual results may be adversely affected by unexpected or sudden changes in interest rates as well as an increase in credit-related expenses due to the deterioration of economic conditions in Japan and material declines in the Japanese stock market to the extent that such impacts exceed our original forecast. In addition, near-term taxable income is also influential on the amount of the expiration of unused operating loss carryforwards since the Japanese corporate tax law permits operating losses to be deducted for a predetermined period generally no longer than seven years. For further information on the amount of operating loss carryforwards and the expiration dates, see Note 7 to our consolidated financial statements included elsewhere in this Annual Report.

Because the establishment of the valuation allowance is an inherently uncertain process involving estimates as discussed above, the currently established allowance may not be sufficient. If the estimated allowance is not sufficient, we will incur additional deferred tax expenses, which could materially affect our operating results and financial condition in future periods.

Tax reserves. We provide reserves for unrecognized tax benefits as required under guidance on accounting for uncertainty in income taxes. In applying the guidance, we consider the relative risks and merits of positions taken in tax returns filed and to be filed, considering statutory, judicial, and regulatory guidance applicable to those positions. The guidance requires us to make assumptions and judgments about potential outcomes that lie outside management s control. To the extent the tax authorities disagree with our conclusions, and depending on the final resolution of those disagreements, our effective tax rate may be materially affected in the period of final settlement with tax authorities.

Accounting for Goodwill and Intangible Assets

US GAAP requires us to test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired, using a two-step process that begins with an estimation of the fair value of a reporting unit of our business, which is to be compared with the carrying amount of the unit, to identify potential impairment of goodwill. A reporting unit is an operating segment or component of an operating segment that constitutes a business for which discrete financial information is available and is regularly reviewed by management. The fair value of a reporting unit is defined as the amount at which the unit as a whole could be bought or sold in a current transaction between willing parties. For a reporting unit for which an observable quoted market price is not available, the fair value is determined using an income approach. In the income approach, the present value of expected future cash flows is calculated by taking the net present value based on each reporting unit s internal forecasts. The discount rate reflects current market capitalization. A control premium factor is also considered in relation to market capitalization.

If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss recorded in our consolidated statements of operations. This test requires comparison of the implied fair value of the unit s goodwill with the carrying amount of that goodwill. The estimate of the implied fair value of the reporting unit s goodwill requires us to allocate the fair value of a reporting unit to all of the assets and liabilities of that reporting unit, including unrecognized intangible assets, if any, since the implied fair value is determined as the excess of the fair value of a reporting unit over the net amounts assigned to its assets and liabilities in the allocation. Accordingly, the second step of the impairment test also requires an estimate of the fair value of individual assets and liabilities, including any unrecognized intangible assets that belong to that unit. A change in the estimation could have an impact on impairment recognition since it is driven by hypothetical assumptions, such as customer behavior and interest rate forecasts. The estimation is based on information available to management at the time the estimation is made.

Intangible assets are amortized over their estimated useful lives unless they have indefinite useful lives. Amortization for intangible assets is computed in a manner that best reflects the economic benefits of the intangible assets. Intangible assets having indefinite useful lives are subject to annual impairment tests. An impairment exists if the carrying value of an indefinite-lived asset exceeds its fair value. For other intangible assets subject to amortization, an impairment is recognized if the carrying amount exceeds the fair value of the intangible asset.

Accrued Severance Indemnities and Pension Liabilities

We have defined retirement benefit plans, including lump-sum severance indemnities and pension plans, which cover substantially all of our employees. Severance indemnities and pension costs are calculated based upon a number of actuarial assumptions, including discount rates, expected long-term rates of return on our plan assets and rates of increase in future compensation levels. In accordance with US GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods, and affect our recognized net periodic pension costs and accrued severance indemnities and pension obligations in future periods. Differences in actual experience or changes in assumptions may affect our financial condition and operating results in future periods.

The discount rates for the domestic plans are set to reflect the interest rates of high-quality fixed-rate instruments with maturities that correspond to the timing of future benefit payments.

In developing our assumptions for expected long-term rates of return, we refer to the historical average returns earned by the plan assets and the rates of return expected to be available for reinvestment of existing plan assets, which reflect recent changes in trends and economic conditions, including market prices. We also evaluate input from our actuaries, as well as their reviews of asset class return expectations.

Valuation of Financial Instruments

We measure certain financial assets and liabilities at fair value. The majority of such assets and liabilities are measured at fair value on a recurring basis, including trading securities, trading derivatives and investment securities. In addition, certain other assets and liabilities are measured at fair value on a non-recurring basis, including held for sale loans which are carried at the lower of cost or fair value, collateral dependent loans and nonmarketable equity securities subject to impairment.

We have elected the fair value option for certain foreign securities classified as available for sale, whose unrealized gains and losses are reported in income.

The guidance on the measurement of fair value defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We have an established and documented process for determining fair value in accordance with the guidance. To determine fair value, we use quoted market prices which include those provided from pricing vendors, where available. We generally obtain one price or quote per instrument and do not adjust it to determine fair value of the instrument. Certain asset-backed securities are valued based on non-binding quotes provided by independent broker-dealers where no or few observable inputs are available to measure fair value. We do not adjust such broker-dealer quotes to the extent that there is no evidence that would indicate that the quotes are not indicative of the fair values of the securities. We perform internal price verification procedures to ensure that the quotes provided from the independent broker-dealers are reasonable. Such verification procedures include analytical review of periodic price changes, comparison analysis between periodic price changes and changes of indices such as a credit default swap index, or inquiries regarding the underlying inputs and assumptions used by the broker-dealers such as probability of default, prepayment rate and discount margin. These verification procedures are periodically performed by independent risk management departments. For collateralized loan obligations (CLOs) backed by general corporate loans, the fair value is determined by weighting the internal model valuation and the non-binding broker-dealer quotes. If quoted market prices are not available to determine fair value of derivatives, the fair value is based upon valuation techniques that use, where possible, current market-based or independently sourced parameters, such as interest rates, yield curves, foreign exchange rates, volatilities and credit curves. The fair values of trading liabilities are determined by discounting future cash flows at a rate which incorporates our own creditworthiness. In addition, valuation adjustments may be made to ensure that the financial instruments are recorded at fair value. These adjustments include, but are not limited to, amounts that reflect counterparty credit quality, liquidity risk, and model risk. Our financial models are validated and periodically reviewed by risk management departments independent of divisions that created the models.

For a further discussion of the valuation techniques or models applied to the material assets or liabilities, see Fair Value in Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

Fair Value Hierarchy

The guidance on the measurement of fair values establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity s own data. Based on the observability of the inputs used in the valuation techniques, the following three-level hierarchy is established by the guidance:

Level 1 Unadjusted quoted prices for identical instruments in active markets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the instruments.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instruments.

A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement of the financial instrument. We review and update the fair value hierarchy on a half year basis. For the categorization within the valuation hierarchy by the financial instruments, see Fair Value in Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

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The following table summarizes the assets and liabilities accounted for at fair value on a recurring basis by level under the fair value hierarchy at March 31, 2010 and 2011:

	March 31, 2010		March 31, 2011	
	Fair Value (in billions)	Percentage of Total	Fair Value (in billions)	Percentage of Total
Assets:				
Level 1	¥ 57,648	73.2%	¥ 61,332	73.0%
Level 2	17,164	21.8	19,149	22.8
Level 3	3,964	5.0	3,494	4.2
Total	¥ 78,776	100.0%	¥ 83,975	100.0%
As a percentage of total assets	39.4%		41.4%	
Liabilities:				
Level 1	¥ 3,315	26.7%	¥ 3,128	22.9%
Level 2	8,659	69.6	10,353	75.9
Level 3	457	3.7	157	1.2
Total	¥ 12,431	100.0%	¥ 13,638	100.0%
As a percentage of total liabilities	6.5%		7.0%	

Level 3 assets decreased ¥470 billion during the fiscal year ended March 31, 2011 mainly because Level 3 trading derivative assets decreased ¥281 billion and Level 3 securities available for sale decreased ¥160 billion. Level 3 liabilities decreased ¥300 billion during the fiscal year ended March 31, 2011 mainly due to Level 3 trading derivative liabilities decreased ¥273 billion. As a result, Level 3 trading derivatives decreased ¥8 billion on a net basis.

The decrease of ¥160 billion in Level 3 securities available for sale was mainly driven by the decrease in corporate bonds, most of which were private placement bonds issued by Japanese non-pubic companies. Level 3 corporate bonds decreased ¥155 billion for the fiscal year ended March 31, 2011 due mainly to the redemption amounted to ¥371 billion and the transfer out of Level 3 hierarchy amounted to ¥298 billion. Transfers of corporate bonds out of and into Level 3 were due to changes in the impact of unobservable credit worthiness inputs to the entire fair value measurement of the private placement bonds issued by Japanese non-public companies. Unobservable credit worthiness inputs include probability of default based on credit rating of the bond issuers and potential losses in the event of default, all of which are based on our internal data. The decrease of the corporate bonds was offset by an increase in corporate bonds amounted to ¥504 billion due mainly to transfer into Level 3 which resulted from decline of creditworthiness of the bonds.

The net decrease in ¥8 billion of Level 3 trading derivatives was mostly attributable to fluctuation of interest rate contracts, foreign exchange contracts and commodity contracts. Such net decrease mainly consisted of ¥15 billion of net settlements in interest rate contracts, ¥31 billion of interest rate contracts and foreign exchange contracts transferred into Level 3, and ¥21 billion of interest rate contracts and commodity contracts transferred out of Level 3.

For further information regarding fair value measurements, see Fair Value in Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

Accounting Changes and Recently Issued Accounting Pronouncements

See Accounting Changes and Recently Issued Accounting Pronouncements in Note 1 to our consolidated financial statements included elsewhere in this Annual Report.

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A. Operating Results

Results of Operations

The following table sets forth a summary of our results of operations for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	2010	2011
		(in billions)	
Interest income	¥ 3,895.8	¥ 2,758.5	¥ 2,551.0
Interest expense	1,599.4	774.4	670.7
Net interest income	2,296.4	1,984.1	1,880.3
Provision for credit losses	626.9	647.8	292.0
Non-interest income	175.1	2,453.9	1,709.4
Non-interest expense	3,608.8	2.508.1	2,460.5
Income (loss) before income tax expense (benefit)	(1,764.2)	1,282.1	837.2
Income tax expense (benefit)	(259.9)	407.0	439.9
Net income (loss) before attribution of noncontrolling interests	¥ (1,504.3)	¥ 875.1	¥ 397.3
Net income (loss) attributable to noncontrolling interests	(36.3)	15.3	(64.5)
Net income (loss) attributable to Mitsubishi UFJ Financial Group	¥ (1,468.0)	¥ 859.8	¥ 461.8

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥461.8 billion for the fiscal year ended March 31, 2011, a decrease of ¥398.0 billion from ¥859.8 billion for the fiscal year ended March 31, 2010. Our diluted earnings per share of common stock (net income available to common shareholders of Mitsubishi UFJ Financial Group) for the fiscal year ended March 31, 2011 was ¥31.08, a decrease of ¥36.79 from ¥67.87 for the fiscal year ended March 31, 2010. Income before income tax expense for the fiscal year ended March 31, 2011 was ¥837.2 billion, a decrease of ¥444.9 billion from ¥1,282.1 billion for the fiscal year ended March 31, 2010.

Net Interest Income

The following is a summary of the interest rate spread for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,					
	2009		2010		2011	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
			(in billions, except percentages)			
Interest-earning assets:						
Domestic	¥ 121,686.4	1.70%	¥ 127,830.2	1.34%	¥ 130,922.3	1.16%

Foreign	51,556.3	3.53	47,635.1	2.20	49,450.7	2.08
Total	¥ 173,242.7	2.25%	¥ 175,465.3	1.57%	¥ 180,373.0	1.41%
Financed by:						
Interest-bearing liabilities:						
Domestic	¥ 124,716.0	0.58%	¥ 124,431.3	0.37%	¥ 126,908.2	0.29%
Foreign	31,368.9	2.80	33,725.1	0.93	34,436.4	0.87
Total	156,084.9	1.02	158,156.4	0.49	161,344.6	0.42
Non-interest-bearing liabilities	17,157.8		17,308.9		19,028.4	
Total	¥ 173,242.7	0.92%	¥ 175,465.3	0.44%	¥ 180,373.0	0.37%
Interest rate spread		1.23%		1.08%		0.99%
Net interest income as a percentage of total interest-earning assets		1.33%		1.13%		1.04%

We use interest rate and other derivative contracts to manage the risks affecting the values of our financial assets and liabilities. Although these contracts are generally entered into for risk management purposes, a majority of them do not meet the specific conditions to qualify for hedge accounting under US GAAP and thus are accounted for as trading assets or liabilities. Any gains or losses resulting from such derivative instruments are recorded as part of net trading account profits or losses. Therefore, our net interest income for each of the fiscal years ended March 31, 2009, 2010 and 2011 was not materially affected by gains or losses resulting from such derivative instruments. For a detailed discussion of our risk management systems, refer to Non-Interest Income and Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Net interest income for the fiscal year ended March 31, 2011 was ¥1,880.3 billion, a decrease of ¥103.8 billion from ¥1,984.1 billion for the fiscal year ended March 31, 2010. The decrease in our net interest income mainly reflected the decrease of outstanding loans and the impact of the low interest rate environment that continued throughout the fiscal year ended March 31, 2011. In Japan, the Bank of Japan maintained monetary easing policies, including its zero interest rate policy, throughout the fiscal year ended March 31, 2011. In this environment, the average interest rate on domestic interest-earning assets decreased more than the decrease in the average interest rate on domestic interest-bearing liabilities. Central banks outside of Japan also continued to reduce or maintained their base interest rates at low levels to counter deflationary pressures caused by the financial crisis and the economic recession.

The average interest rate spread (average interest rate for interest-earning assets minus average interest rate for interest-bearing liabilities) decreased nine basis points from 1.08% for the fiscal year ended March 31, 2010 to 0.99% for the fiscal year ended March 31, 2011. For the fiscal year ended March 31, 2011, the average rate on interest-bearing liabilities decreased from 0.49% to 0.42% mainly due to the lower average rate on total deposits. However, the average rate on loans and investment securities decreased further due to lower domestic interest rates, which resulted in a decrease in the average interest rate spread. Consequently, net interest income decreased ¥103.8 billion due to changes in interest rates.

Average interest-earning assets for the fiscal year ended March 31, 2011 were ¥180,373.0 billion, an increase of ¥4,907.7 billion from ¥175,465.3 billion for the fiscal year ended March 31, 2010. This increase in average interest-earning assets was primarily attributable to an increase of ¥13,435.9 billion in investment securities, partially offset by a ¥7,717.3 billion decrease in both domestic and foreign loans. The increase in investment securities was mainly due to an increase in investment in Japanese national government and government agency bonds as part of our asset and liability management policy applicable to the increased amount of yen-denominated deposited funds. The increase in the average balance of investment securities and decrease in the average rate resulted in a slight increase in our interest income in investment securities for the fiscal year ended March 31, 2011 by ¥17.0 billion compared to the prior fiscal year, which was more than offset by a decrease in interest income from domestic and foreign loans of ¥249.9 billion due to a decrease of outstanding loans and lower average domestic interest rate.

Average interest-bearing liabilities for the fiscal year ended March 31, 2011 were ¥161,344.7 billion, an increase of ¥3,188.3 billion from ¥158,156.4 billion for the fiscal year ended March 31, 2010. The increase was primarily attributable to an increase of ¥2,351.8 billion in domestic interest-bearing deposits and ¥1,571.9 billion in domestic other short-term borrowings and trading account liabilities, partially offset by a decrease of ¥1,009.0 billion in due to trust account. The increase in domestic interest-bearing deposits was mainly due to increases in deposits from retail markets. Despite the increase in the average balance of interest-bearing liabilities, the decrease in the average rate resulted in a decrease of our interest expense for the fiscal year ended March 31, 2011 by ¥103.7 billion compared to the prior fiscal year.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Net interest income for the fiscal year ended March 31, 2010 was ¥1,984.1 billion, a decrease of ¥312.3 billion from ¥2,296.4 billion for the fiscal year ended March 31, 2009. The decrease in our net interest income mainly reflected the impact of the low interest rate environment that continued throughout the fiscal year ended March 31, 2010. In Japan, the Bank of Japan implemented monetary easing policies and maintained its zero interest rate policy throughout the fiscal year ended March 31, 2010. As a result, the average interest rate on domestic interest-earning assets decreased more than the decrease in the average interest rate on domestic interest-bearing liabilities. Central banks outside of Japan also continued to reduce their base interest rates to counter deflationary pressures caused by the financial crisis and the economic recession.

The average interest rate spread on interest-bearing liabilities (average interest rate for interest-earning assets minus average interest rate for interest-bearing liabilities) decreased 15 basis points from 1.23% for the fiscal year ended March 31, 2009 to 1.08% for the fiscal year ended March 31, 2010. For the fiscal year ended March 31, 2010, the average rate on interest-bearing liabilities decreased from 1.02% to 0.49% mainly due to lower foreign interest rates. However, the average rate on interest-earning assets decreased further due to lower foreign interest rates, which resulted in a decrease in the average interest rate spread. Consequently, net interest income decreased ¥200.6 billion due to changes in interest rates.

Average interest-earning assets for the fiscal year ended March 31, 2010 were ¥175,465.3 billion, an increase of ¥2,222.6 billion from ¥173,242.7 billion for the fiscal year ended March 31, 2009. This increase in average interest-earning assets was primarily attributable to an increase of ¥9,533.4 billion in investment securities, partially offset by a ¥4,654.9 billion decrease in both domestic and foreign loans. The increase in investment securities was mainly due to an increase in investment in Japanese national government and government agency bonds as part of our asset and liability management policy with respect to investing the amount of yen-denominated deposited funds. The increase in the average balance of domestic interest-earning assets resulted in an increase in our interest income from domestic assets for the fiscal year ended March 31, 2010 by ¥34.7 billion compared to the prior fiscal year, which was more than offset by a decrease in interest income from foreign assets of ¥92.9 billion due to lower average foreign interest-earning assets.

Average interest-bearing liabilities for the fiscal year ended March 31, 2010 were ¥158,156.4 billion, an increase of ¥2,071.5 billion from ¥156,084.9 billion for the fiscal year ended March 31, 2009. The increase was primarily attributable to an increase of ¥2,723.2 billion in foreign interest-bearing deposits, partially offset by a decrease of ¥1,822.4 billion in other short-term borrowings and trading account liabilities. The increase in foreign interest-bearing deposits was mainly due to increases in money market deposits and time deposits as depositors sought the safety of deposits at large financial institutions in light of the unstable economic conditions. The increase in the average balance of interest-bearing liabilities increased our interest expense for the fiscal year ended March 31, 2010 by ¥53.5 billion compared to the prior fiscal year.

Provision for Credit Losses

Provision for credit losses is charged to operations to maintain the allowance for credit losses at a level deemed appropriate by management. For the description of the approach and methodology used to establish the allowance for credit losses, see B. Liquidity and Capital Resources Financial Condition Allowance for Credit Losses, Nonperforming and Past Due Loans.

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Provision for credit losses for the fiscal year ended March 31, 2011 was ¥292.0 billion, a decrease of ¥355.8 billion from ¥647.8 billion for the fiscal year ended March 31, 2010. The provision for credit losses decreased ¥132.1 billion and ¥223.7 billion in our domestic and foreign loan portfolio, respectively. While the decrease in the domestic portfolio was mainly due to the absence of a large amount of provisions for a few borrowers with large exposure observed in the previous fiscal year, the decrease in the foreign portfolio was mainly attributable to a decrease in the provisions relating to Union Bank and other overseas offices as a result of the slight recovery in the world economy, particularly in the United States.

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Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Provision for credit losses for the fiscal year ended March 31, 2010 was ¥647.8 billion, an increase of ¥20.9 billion from ¥626.9 billion for the fiscal year ended March 31, 2009. The increase in provision for credit losses was mainly due to weakening of the financial condition of borrowers, especially, in the manufacturing, wholesale and retail, and other industries categories.

Non-Interest Income

The following table is a summary of our non-interest income for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	**2010** (in billions)	**2011**
Fees and commissions income:			
Trust fees	¥ 125.4	¥ 107.2	¥ 100.5
Fees on funds transfer and service charges for collections	147.7	145.9	142.5
Fees and commissions on international business	64.1	61.2	58.5
Fees and commissions on credit card business	141.4	137.4	146.6
Service charges on deposits	31.6	27.4	22.2
Fees and commissions on securities business	112.1	129.7	138.9
Fees on real estate business	19.8	19.9	22.6
Insurance commissions	28.1	22.9	27.5
Fees and commissions on stock transfer agency services	62.9	53.0	51.9
Guarantee fees	77.6	70.5	64.3
Fees on investment funds business	130.6	127.3	130.4
Other fees and commissions	247.2	237.1	222.5
Total	1,188.5	1,139.5	1,128.4
Foreign exchange gains (losses) net	(206.2)	216.7	260.7
Trading account profits (losses) net:			
Net profits (losses) on interest rate and other derivative contracts	555.5	(88.5)	(3.1)
Net profits (losses) on trading account securities, excluding derivatives	(813.3)	850.0	137.0
Total	(257.8)	761.5	133.9
Investment securities gains (losses) net:			
Net gains on sales of securities available for sale:			
Debt securities	120.9	83.7	147.0
Marketable equity securities	28.4	213.5	87.4
Impairment losses on securities available for sale:			
Debt securities	(155.5)	(29.8)	(20.5)
Marketable equity securities	(660.7)	(62.9)	(115.6)
Other	8.2	18.5	23.5
Total	(658.7)	223.0	121.8
Equity in losses of equity method investees	(60.1)	(104.0)	(90.6)
Gains on sales of loans	6.4	21.2	14.5
Other non-interest income	163.0	196.0	140.7

Total non-interest income	¥ 175.1	¥ 2,453.9	¥ 1,709.4

Net foreign exchange gains (losses) are comprised of foreign exchange gains (losses) related to derivative contracts, foreign exchange gains (losses) other than derivative contracts and foreign exchange gains (losses) related to the fair value option.

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Foreign exchange gains (losses) related to derivative contracts were net gains (losses) primarily on currency derivative instruments entered into for trading purposes. For the details of derivative contracts, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report. Foreign exchange gains other than derivative contracts include transaction gains (losses) on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies. The transaction gains (losses) on the translation into Japanese yen fluctuate from period to period depending upon the spot rates at the end of each fiscal year. In principle, all transaction gains (losses) on translation of monetary assets and liabilities denominated in foreign currencies are included in current earnings. Foreign exchange gains (losses) related to the fair value option include transaction gains (losses) on translation into Japanese yen for securities under fair value option. For the details of the fair value option, see Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

Trading account assets or liabilities are carried at fair value and changes in the value of trading account assets or liabilities are recorded in net trading account profits (losses). Activities reported in our net trading account profits (losses) can generally be classified into two categories:

- Trading purpose activities, which are conducted mainly for the purpose of generating profits either through transaction fees or arbitrage gains and involve frequent and short-term selling and buying of securities, commodities or others; and

- Trading account assets relating to application of certain accounting rules, which are generally not related to trading purpose activities, but simply classified as trading accounts due to application of certain accounting rules.

Of the two categories, trading purpose activities represent a smaller portion of our trading account profits.

We generally do not separate for financial reporting purposes customer originated trading activities from those with non-customer related, proprietary trading activities. When an order for a financial product is placed by a customer, a dealer offers a price which includes certain transaction fees, often referred to as the margin to the market price. The margin is determined by considering factors such as administrative costs, transaction amount and liquidity of the applicable currency. Once the customer agrees to the offered price, the deal is completed and the position is recorded in our ledger as a single entry without any separation of components. To manage the risk relating to the customer side position, we often enter into the other side of transaction with the market. Unrealized gains and losses as of the period-end for both the customer side position and the market side position are recorded within the same trading account profits and losses.

Net trading account profits (losses) are comprised of net profits (losses) on derivative contracts and net profits (losses) on trading account securities, excluding derivatives.

Net profits (losses) on derivative contracts are reported for net profits (losses) on our trading in overall derivative instruments which relate to primarily trading purpose activities, primarily includes:

- *Interest rate contracts*: Interest rate contracts are mainly utilized to manage interest rate risks which could arise from mismatches between assets and liabilities resulting from customer originated trading activities.

- *Equity contracts*: Equity contract are mainly utilized to manage the risk that would arise from price fluctuations of stocks held in connection with customer transactions.

Credit derivatives: Credit derivatives are mainly utilized as a part of our credit portfolio risk management.

Derivative instruments for trading purposes also include those used as hedges of net exposures rather than for specifically identified assets or liabilities, which do not meet the specific criteria for hedge accounting.

Net profits (losses) on trading account securities, excluding derivatives are comprised of net profits (losses) on trading account securities and net profits (losses) on trading account securities under the fair value option. Net profits (losses) on trading account securities primarily constitute gains and losses on trading and valuation of trading securities which relate to trading purpose activities. Investment securities held by certain consolidated variable interest entities are included due to the applicable accounting treatments. Net profits (losses) on securities under the fair value option relate to activities rather are classified within trading accounts due to certain accounting treatments. For the details of the fair value option, see Notes 29 to our consolidated financial statements included elsewhere in this Annual Report.

Net investment securities gains (losses) primarily include net gains (losses) on sales of marketable securities, particularly debt securities and marketable equity securities that are classified as securities available for sale. In addition, impairment losses are recognized as an offset of net investment securities gains (losses) when management concludes that declines in fair value of investment securities are other than temporary.

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Non-interest income for the fiscal year ended March 31, 2011 was ¥1,709.4 billion, a decrease of ¥744.5 billion, from ¥2,453.9 billion for the fiscal year ended March 31, 2010. This decrease was primarily due to a decrease in net trading account profits of ¥627.6 billion from ¥761.5 billion for the fiscal year ended March 31, 2010 to ¥133.9 billion for the fiscal year ended March 31, 2011 and a decrease in net investment securities profits of ¥101.2 billion from ¥223.0 billion for the fiscal year ended March 31, 2010 to ¥121.8 billion for the fiscal year ended March 31, 2011.

Fees and commissions income

Fees and commissions income for the fiscal year ended March 31, 2011 was ¥1,128.4 billion, a decrease of ¥11.1 billion from ¥1,139.5 billion for the fiscal year ended March 31, 2010. This decrease was primarily due to a decrease of ¥14.6 billion in other fees and commissions, a decrease of ¥6.7 billion in trust fees, and a decrease of ¥6.1 billion in guarantee fees, reflecting a general decrease in the volume of these businesses. The decrease in fees and commissions income was partially offset by an increase of ¥9.2 billion in fees and commissions on credit card business mainly from member stores as the use of credit cards increased and an increase of ¥9.1 billion in fees on securities businesses as the trading volume of securities recovered from the prior year.

Net foreign exchange gains (losses)

Net foreign exchange gains for the fiscal year ended March 31, 2011 were ¥260.7 billion, compared to net foreign exchange gains of ¥216.7 billion for the fiscal year ended March 31, 2010. During the fiscal year ended March 31, 2011, the yen accelerated its appreciation against the US dollar. Foreign exchange gains other than derivative contracts increased from the previous fiscal year, mainly due to the translation gains on monetary liabilities denominated in foreign currencies. On the other hand, foreign exchange losses related to the fair value option increased from the previous fiscal year, mainly due to the translation losses on securities denominated in foreign currencies. Gains on foreign exchange derivative contracts increased mainly due to the improvement of our position in currency derivative contracts. The following table sets forth the details of our foreign exchange gains and losses for the fiscal years ended March 31, 2010 and 2011:

	Fiscal years ended March 31,	
	2010	**2011**
	(in billions)	
Foreign exchange gains (losses) net:		

Foreign exchange derivative contracts	¥ 31.2	¥ 79.8
Foreign exchange gains other than derivative contracts	557.2	1,018.4
Foreign exchange losses related to the fair value option	(371.7)	(837.5)
Total	¥ 216.7	¥ 260.7

Net trading account profits (losses)

Net trading account profits of ¥133.9 billion were recorded for the fiscal year ended March 31, 2011, compared to net trading account profits of ¥761.5 billion for the fiscal year ended March 31, 2010. The following table sets forth the details of our trading account profits and losses for the fiscal years ended March 31, 2010 and 2011:

	Fiscal years ended March 31,	
	2010	2011
	(in billions)	
Trading account profits (losses) net:		
Net profits (losses) on interest rate and other derivative contracts		
Interest rate contracts	¥ 213.4	¥ (27.4)
Equity contracts	(217.2)	20.8
Commodity contracts	(9.0)	2.1
Credit derivatives	(97.3)	(5.9)
Other	21.6	7.3
Total	¥ (88.5)	¥ (3.1)
Net profits (losses) on trading account securities, excluding derivatives		
Trading account securities	¥ 522.7	¥ 68.4
Trading account securities under the fair value option	327.3	68.6
Total	¥ 850.0	¥ 137.0

The decrease in net trading account profits (losses) was largely due to a decrease of net profits on trading account securities, excluding derivatives. Net profits (losses) on trading account securities, excluding derivatives are comprised of two items net profits (losses) on trading account securities and net profits (losses) on trading account securities under the fair value option. Net profits on trading account securities decreased from ¥522.7 billion for the fiscal year ended March 31, 2010 to ¥68.4 billion for the fiscal year ended March 31, 2011, mainly due to a decrease in gains on valuation of foreign currency denominated debt securities, resulting from an increase in interest rates for foreign currency denominated trading account securities and a decrease in gains on valuation and sales of domestic equity securities, affected by low stock prices. Net profits on trading account securities under the fair value option decreased from ¥327.3 billion for the fiscal year ended March 31, 2010 to ¥68.6 billion for the fiscal year ended March 31, 2011, mainly due to a decrease in gains on valuation of foreign currency denominated debt securities, resulting from an increase in interest rates for foreign currency denominated trading account securities.

On the other hand, net losses on interest rate and other derivative contracts decreased from ¥88.5 billion for the fiscal year ended March 31, 2010 to ¥3.1 billion for the fiscal year ended March 31, 2011, mainly due to an increase in gains on equity contracts of ¥238.0 billion and a decrease in losses on credit derivatives of ¥91.4 billion, which was partially offset by a decrease in profits on interest rate contracts of ¥240.8 billion. Net profit on equity contracts in the fiscal year ended March 31, 2011, was mainly due to the downward trend in equity stock prices during the period, resulting in a positive impact on the value of our stock futures and options. Net losses on credit derivatives decreased from the previous fiscal year as the credit spreads continued to shrink through the fiscal year ended March 31, 2011. We recorded losses because of our larger net position in protection bought. Profits on interest rate contracts decreased from the previous fiscal year mainly due to a decrease in transaction volume, resulting in a decrease in unrealized gains on interest rate derivative contracts, and our securities subsidiary recording trading losses related to interest rate swaps, which led to a net loss on interest rate contracts for the fiscal year ended March 31, 2011.

Net investment securities gains (losses)

Net investment securities gains for the fiscal year ended March 31, 2011 were ¥121.8 billion, a decrease of ¥101.2 billion from ¥223.0 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to a decrease in gains on sales of marketable equity securities to ¥87.4 billion, and an increase of impairment losses on marketable equity securities to ¥115.6 billion for the fiscal year ended March 31, 2011, compared to

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¥213.5 billion and ¥62.9 billion for the fiscal year ended March 31, 2010, respectively, reflecting the weakness in the Japanese domestic stock prices following the Great East Japan Earthquake. The Nikkei Stock Average was ¥9,755.10 as of March 31, 2011, compared to ¥11,089.94 as of March 31, 2010. These factors were offset by an increase in gains on debt securities available for sale of ¥147.0 billion for the fiscal year ended March 31, 2011, an increase of ¥63.3 billion from ¥83.7 billion for the fiscal year ended March 31, 2010, which reflected the low interest rate due to Japan s long-stagnant economy and the monetary easing policy of the Bank of Japan.

Equity in losses of equity method investees

We recorded equity in losses of equity method investees of ¥90.6 billion for the fiscal year ended March 31, 2011, a decrease of ¥13.4 billion from ¥104.0 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to losses associated with our equity method investees in the consumer finance industry.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Non-interest income for the fiscal year ended March 31, 2010 was ¥2,453.9 billion, an increase of ¥2,278.8 billion, from ¥175.1 billion for the fiscal year ended March 31, 2009. This increase reflects net foreign exchange gains of ¥216.7 billion for the fiscal year ended March 31, 2010 compared to net losses of ¥206.2 billion for the fiscal year ended March 31, 2009, net trading account profits of ¥761.5 billion for the fiscal year ended March 31, 2010 compared to net losses of ¥257.8 billion for the fiscal year ended March 31, 2009, and net investment securities gains of ¥223.0 billion for the fiscal year ended March 31, 2010 compared to net losses of ¥658.7 billion for the fiscal year ended March 31, 2009. These improvements were partially offset by a ¥49.0 billion decrease in fees and commissions from ¥1,188.5 billion for the fiscal year ended March 31, 2009 to ¥1,139.5 billion for the fiscal year ended March 31, 2010.

Fees and commissions income

Fees and commissions income for the fiscal year ended March 31, 2010 were ¥1,139.5 billion, a decrease of ¥49.0 billion from ¥1,188.5 billion for the fiscal year ended March 31, 2009. This decrease was primarily due to a decrease of ¥18.2 billion in trust fees, a decrease of ¥9.9 billion in fees and commissions on stock transfer agency services and a decrease of ¥7.1 billion in guarantee fees. The decreases in the various categories of fees and commissions reflected the general decrease in transaction volume for all types of financial transactions and activities as the economy remained weak. The decrease of the various categories was partially offset by a ¥17.6 billion increase in fees and commissions on securities businesses from the prior fiscal year as the overall volume of securities trading recovered with the improvement in stock prices in general.

Net foreign exchange gains (losses)

Net foreign exchange gains for the fiscal year ended March 31, 2010 were ¥216.7 billion, compared to net foreign exchange losses of ¥206.2 billion for the fiscal year ended March 31, 2009. The gains in foreign exchange were mainly due to an improvement in our overall position in currency swap contracts and options fees, partially offset by the losses associated with the appreciation of Japanese yen against the US dollar and other currencies.

Net trading account profits (losses)

Net trading account profits of ¥761.5 billion were recorded for the fiscal year ended March 31, 2010, compared to net trading account losses of ¥257.8 billion for the fiscal year ended March 31, 2009.

The improvement in net trading account profits was largely due to the net profits on trading account securities, excluding derivatives, of ¥850.0 billion for the fiscal year ended March 31, 2010, compared to net losses of ¥813.3 billion for the fiscal year ended March 31, 2009. This improvement mainly reflected an increase in profit on

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valuation of foreign currency denominated securities that was recorded under the fair value option. This was partially offset by a net loss of ¥88.5 billion on interest rate and other derivative contracts for the fiscal year ended March 31, 2010 as compared to net profits of ¥555.5 billion for the fiscal year ended March 31, 2009. Net losses on interest rate and other derivative contracts were mainly reflective of a ¥217 billion loss in equity contracts and a ¥97 billion loss in credit derivatives, partially offset by a ¥213 billion profit in interest rate contracts. Those derivative contracts were primarily held for risk management purposes, yet the majority did not meet the conditions to qualify for hedge accounting under US GAAP and thus were accounted for as trading positions.

Net investment securities gains (losses)

Net investment securities gains for the fiscal year ended March 31, 2010 were ¥223.0 billion compared to a net loss of ¥658.7 billion for the fiscal year ended March 31, 2009.

The net investment securities losses for the fiscal year ended March 31, 2009 mainly reflected large impairment losses of ¥660.7 billion on marketable equity securities available for sale and of ¥155.5 billion on debt securities available for sale. Impairment losses associated with marketable equity securities and debt securities available for sale for the fiscal year ended March 31, 2010 were ¥62.9 billion and ¥29.8 billion respectively, as the global market conditions throughout the fiscal year ended March 31, 2010 did not deteriorate further than the levels recorded at the end of the fiscal year ended March 31, 2009. In addition, net gains on sales of marketable equity securities increased to ¥213.5 billion for the fiscal year ended March 31, 2010 from ¥28.4 billion for the fiscal year ended March 31, 2009, reflecting the weak yet slightly improving market conditions as well as our increased volume of sales, while net gains on sales of debt securities available for sale decreased to ¥83.7 billion for the fiscal year ended March 31, 2010 from ¥120.9 billion for the fiscal year ended March 31, 2009, reflecting a decrease in the volume of sales of domestic securities by our banking subsidiaries.

Equity in losses of equity method investees

We recorded equity in losses of equity method investees of ¥104.0 billion for the fiscal year ended March 31, 2010, an increase of ¥43.9 billion from ¥60.1 billion for the fiscal year ended March 31, 2009. The larger losses in the fiscal year ended March 31, 2010 were mainly due to increased losses associated with our equity method investees primarily in the consumer finance industry.

Non-Interest Expense

The following table shows a summary of our non-interest expense for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	**2010**	**2011**
		(in billions)	
Salaries and employee benefits	¥ 873.4	¥ 908.2	¥ 864.0
Occupancy expenses net	171.9	171.1	162.5
Fees and commission expenses	209.8	196.5	212.5
Outsourcing expenses, including data processing	267.8	215.4	194.8
Depreciation of premises and equipment	132.1	120.3	99.7

Amortization of intangible assets	278.2	225.0	220.0
Impairment of intangible assets	126.9	12.4	26.6
Insurance premiums, including deposit insurance	113.8	112.5	113.9
Communications	62.9	57.1	53.0
Taxes and public charges	85.7	69.1	65.9
Provision for repayment of excess interest	47.9	44.8	85.7
Impairment of goodwill	845.8	0.5	
Other non-interest expenses	392.6	375.2	361.9
Total non-interest expense	¥ 3,608.8	¥ 2,508.1	¥ 2,460.5

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Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Non-interest expense for the fiscal year ended March 31, 2011 was ¥2,460.5 billion, a decrease of ¥47.6 billion from ¥2,508.1 billion for the previous fiscal year. This decrease was mainly due to the decrease in salaries and employee benefits of ¥44.2 billion to ¥864.0 billion for the fiscal year ended March 31, 2011 from ¥908.2 billion for the fiscal year ended March 31, 2010. In addition, outsourcing expenses, including data processing expenses, decreased. On the other hand, provision for repayment of excess interest increased to ¥85.7 billion for the fiscal year ended March 31, 2011, compared to ¥44.8 billion for the fiscal year ended March 31, 2010.

Salaries and employee benefits

Salaries and employee benefits for the fiscal year ended March 31, 2011 were ¥864.0 billion, a decrease of ¥44.2 billion from ¥908.2 billion for the previous fiscal year. This decrease was mainly due to a decrease of retirement benefit expense at our banking and trust banking subsidiaries because an improvement of economic circumstances for the fiscal year ended March 31, 2010 resulted in a decrease of amortization of actuarial losses.

Fees and commission expenses

Fees and commission expenses for the fiscal year ended March 31, 2011 were ¥212.5 billion, an increase of ¥16.0 billion from ¥196.5 billion for the fiscal year ended March 31, 2010. The increase reflects the overall increase in transaction fees recorded in our banking subsidiary as transaction volume increased.

Outsourcing expenses, including data processing

Outsourcing expenses, including data processings, for the fiscal year ended March 31, 2011 were ¥194.8 billion, a decrease of ¥20.6 billion from ¥215.4 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to a decrease in fees for temporary staff agency and fees for transportation as a result of continuous reviewing of the outsourcing expenses at each of our subsidiary level.

Provision for repayment for excess interest

Provision for repayment for excess interest for the fiscal year ended March 31, 2011 was ¥85.7 billion, an increase of ¥40.9 billion from ¥44.8 billion for the fiscal year ended March 31, 2010. This increase was mainly due to a change in accounting estimates in our consumer finance subsidiary. Prior to the fiscal year ended March 31, 2011, Mitsubishi UFJ NICOS, our consumer finance subsidiary had estimated the allowance for repayment of excess interest based primarily on historical reimbursement rates of excess interest. For the fiscal year ended March 31, 2011, Mitsubishi UFJ NICOS revised its estimate by updating management s future forecast to reflect new reimbursement claims information and other data following various legal and industry developments that occured during the fiscal year.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Non-interest expense for the fiscal year ended March 31, 2010 was ¥2,508.1 billion, a decrease of ¥1,100.7 billion from ¥3,608.8 billion for the previous fiscal year. This decrease was primarily attributable to the significant decrease in impairment of both goodwill and other intangible assets. Impairment losses recorded with respect to goodwill and other intangible assets were ¥0.5 billion and ¥12.4 billion, respectively, for the fiscal year ended March 31, 2010, as compared to ¥845.8 billion and ¥126.9 billion, respectively, for the fiscal year ended March 31, 2009. The decrease in these non-interest expenses was partially offset by a ¥34.8 billion increase in salaries and employee benefits.

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Salaries and employee benefits

Salaries and employee benefits for the fiscal year ended March 31, 2010 were ¥908.2 billion, an increase of ¥34.8 billion from ¥873.4 billion for the previous fiscal year. This increase was mainly due to an increase in allowance for bonuses reflecting the improvement in operating results and an increase in employee retirement expenses as a result of an increase in the number of employees who retired in the fiscal year ended March 31, 2010 and an increase in amortization of net actuarial loss.

Fees and commission expenses

Fees and commission expenses for the fiscal year ended March 31, 2010 were ¥196.5 billion, a decrease of ¥13.3 billion from ¥209.8 billion for the fiscal year ended March 31, 2009. The decrease reflects the overall decrease in transaction volume for all types of financial transactions and activities as the economy remained weak.

Depreciation of premises and equipment

Depreciation of premises and equipment for the fiscal year ended March 31, 2010 was ¥120.3 billion, a decrease of ¥11.8 billion from ¥132.1 billion for the previous fiscal year. This decrease was primarily attributable to a smaller base for depreciation in which we applied the declining-balance method.

Amortization of Intangible Assets

Amortization of intangible assets for the fiscal year ended March 31, 2010 was ¥225.0 billion, a decrease of ¥53.2 billion from ¥278.2 billion for the previous fiscal year. The decrease was mainly due to a ¥31.4 billion decrease in amortization expenses on software at BTMU and termination of some of our software outsourcing contracts that reduced amortization expenses by ¥13.2 billion during the fiscal year ended March 31, 2010.

Impairment of intangible assets

Impairment of intangible assets for the fiscal year ended March 31, 2010 was ¥12.4 billion, a decrease of ¥114.5 billion from ¥126.9 billion for the previous fiscal year. The decrease reflected the fact that, as compared to the significant impairment of intangible assets related to our consumer finance subsidiary for the fiscal year ended March 31, 2009, we did not have an equally significant impairment of intangible assets for the fiscal year ended March 31, 2010.

Impairment of goodwill

In the fiscal year ended March 31, 2010, we recorded an impairment of goodwill of ¥0.5 billion that was significantly lower than the impairment of goodwill of ¥845.8 billion for the previous fiscal year. The impairment of goodwill for the previous fiscal year reflected, among other factors, the global financial market crisis and recession which negatively impacted the fair value of our reporting units for the purposes of our periodic testing of goodwill for impairment. For further information, see Note 6 to our consolidated financial statements included elsewhere in this Annual Report.

Income Tax Expense (Benefit)

The following table presents a summary of our income tax expense (benefit) for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	**2010**	**2011**
	(in billions, except percentages)		
Income (loss) before income tax expense (benefit)	¥ (1,764.2)	¥ 1,282.1	¥ 837.2
Income tax expense (benefit)	¥ (259.9)	¥ 407.0	¥ 439.9
Effective income tax rate	14.7%	31.7%	52.5%
Combined normal effective statutory tax rate	40.6%	40.6%	40.6%

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Reconciling items between the combined normal effective statutory tax rates and the effective income tax rates for the fiscal years ended March 31, 2009, 2010 and 2011 are summarized as follows:

	Fiscal years ended March 31,		
	2009	2010	2011
Combined normal effective statutory tax rate	40.6%	40.6%	40.6%
Increase (decrease) in taxes resulting from:			
Nondeductible expenses	(0.2)	0.2	0.3
Dividends from foreign subsidiaries	(0.3)	0.0	0.1
Foreign tax credits and payments	(0.7)	0.7	3.3
Lower tax rates applicable to income of subsidiaries	0.0	(0.7)	(0.6)
Change in valuation allowance	(2.3)	(5.8)	10.6
Realization of previously unrecognized tax effects of subsidiaries	(1.7)	(0.9)	(3.7)
Nontaxable dividends received	0.4	(0.1)	(2.7)
Impairment of goodwill	(19.5)	0.0	0.0
Undistributed earnings of subsidiaries	(1.5)	(1.6)	(1.5)
Tax and interest expense for uncertainty in income taxes	(1.0)	0.6	0.2
Expiration of loss carryforward	(0.6)	0.2	6.4
Other net	1.5	(1.5)	(0.5)
Effective income tax rate	14.7%	31.7%	52.5%

The effective income tax rate of 52.5% for the fiscal year ended March 31, 2011 was 11.9% higher than the combined normal effective statutory tax rate of 40.6%. This higher effective income tax rate primarily reflected an increase in the valuation allowance against deferred tax assets which accounted for 10.6% of the difference between the combined normal effective statutory tax rate and the effective income tax rate. The valuation allowance increased ¥85.2 billion to ¥726.8 billion at March 31, 2011 from ¥641.6 billion at March 31, 2010, as a result of an additional valuation allowance related to operating loss carryforwards by certain subsidiaries that were no longer deemed to be more likely than not to be realized.

The effective income tax rate of 31.7% for the fiscal year ended March 31, 2010 was 8.9 percentage points lower than the combined normal effective statutory tax rate of 40.6%. This lower effective income tax rate primarily reflected a decrease in the valuation allowance against deferred tax assets which accounted for 5.8 percentage points of the difference between the combined normal effective statutory tax rate and the effective income tax rate. The valuation allowance decreased ¥88.3 billion to ¥641.6 billion at Mach 31, 2010 from ¥729.9 billion at March 31, 2009, as a result of our projected ability to utilize net operating loss carryforward, against future taxable income for the fiscal year ended March 31, 2010 in excess of the previously projected taxable income for the fiscal year ended March 31, 2009 and improved probability of realization of future tax benefits based on increased expected taxable income in future periods.

The effective income tax rate of 14.7% for the fiscal year ended March 31, 2009 was 25.9 percentage points lower than the combined normal effective statutory tax rate of 40.6%. This lower effective income tax rate primarily reflected an impairment loss on goodwill which was recognized as a result of declines in the fair value of reporting units used for impairment testing purposes due to the continuing global financial market instability. In addition, this lower tax rate reflected the increased valuation allowance for operating loss carryforwards that were no longer deemed to be realizable due to the global economic slowdown.

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Net income (loss) attributable to noncontrolling interests

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

We recorded a net loss attributable to noncontrolling interests of ¥64.5 billion for the fiscal year ended March 31, 2011, compared to net income attributable to noncontrolling interests of ¥15.3 billion for the previous fiscal year. This was mainly due to the loss recorded at MUMSS in the fiscal year ended March 31, 2011, which resulted mainly from the approximately ¥80.0 billion loss from fixed income position trading business including the cost of withdrawing from the business.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

We recorded net income attributable to noncontrolling interests of ¥15.3 billion for the fiscal year ended March 31, 2010, compared to a net loss attributable to noncontrolling interests of ¥36.3 billion for the previous fiscal year. The improvement was mainly due to the absence of ¥29.1 billion of goodwill impairment losses at Mitsubishi UFJ NICOS that was recorded in the fiscal year ended March 31, 2009.

Business Segment Analysis

We measure the performance of each of our business segments primarily in terms of operating profit. Operating profit and other segment information in this Annual Report are based on the financial information prepared in accordance with Japanese GAAP as adjusted in accordance with internal management accounting rules and practices. Accordingly, the format and information are not consistent with our consolidated financial statements prepared on the basis of US GAAP. For example, operating profit does not reflect items such as a part of provision for credit losses (primarily an equivalent of formula allowance under US GAAP), foreign exchange gains (losses) and investment securities gains (losses).

During the fiscal year ended March 31, 2011, we operated our main businesses under an integrated business group system, which integrates the operations of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries in the following three areas Retail, Corporate, and Trust Assets. This integrated business group system is intended to enhance synergies by promoting more effective and efficient collaboration between our subsidiaries. Under this system, as the holding company, we formulate strategies for our Group on an integrated basis, which is then executed by the subsidiaries. Through this system, we aim to reduce overlapping of functions within our Group, thereby increasing efficiency and realizing the benefits of group resources and scale of operations. Moreover, through greater integration of our shared expertise in banking, trust and securities businesses, we aim to deliver a more diverse but integrated lineup of products and services for our customers.

For the fiscal year ended March 31, 2011, operations that are not covered by the integrated business group system were classified under Global Markets and Other.

In July 2011, we added the Integrated Global Business Group as a fourth area by shifting some of our global operations mainly from the Integrated Corporate Banking Business Group. This change in our business segment was implemented to more effectively coordinate and enhance our group-wide efforts to strengthen and expand overseas operations.

The following is a brief explanation of our business segments applicable during the fiscal year ended March 31, 2011:

Integrated Retail Banking Business Group Covers all domestic retail businesses, including commercial banking, trust banking and securities businesses. This business group integrates the retail business of BTMU, MUTB, MUSHD, Mitsubishi UFJ NICOS and other subsidiaries as well as retail product development, promotion and marketing in a single management structure. At the same time, this business group has developed and implemented MUFG Plaza, a one-stop, comprehensive financial services concept that provides integrated banking, trust and securities services.

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Integrated Corporate Banking Business Group Covers all domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses as well as UNBC. Through the integration of these business lines, diverse financial products and services are provided to our corporate clients. This business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of our corporate customers. UNBC is a bank holding company in the United States, whose primary subsidiary, Union Bank, N.A., or Union Bank, is one of the largest commercial banks in California by both total assets and total deposits. Union Bank provides a wide range of financial services to consumers, small businesses, middle market companies and major corporations, primarily in California, Oregon and Washington but also nationally and internationally.

Integrated Trust Assets Business Group Covers asset management and administration services for products such as pension trusts and security trusts by integrating the trust banking expertise of MUTB and the global network of BTMU. This business group provides a full range of services to corporate and other pension funds, including stable and secure pension fund management and administration, advice on pension schemes and payment of benefits to scheme members.

Global Markets Covers asset and liability management and strategic investment of BTMU and MUTB, and sales and trading of financial products of BTMU, MUTB and MUMSS.

Other Consists mainly of the corporate centers of MUFG, BTMU and MUTB. The elimination of duplicated amounts of net revenue among business segments is also reflected in Other.

Effective March 24, 2011, we modified our managerial accounting methods mainly by transferring the sales and trading business of MUMSS from the Integrated Corporate Banking Business Group segment to the Global Markets segment. The presentation set forth below has been reclassified to conform to the new basis of managerial accounting. For further information, see Note 27 to our consolidated financial statements included elsewhere in this Annual Report. Our business segment information is based on financial information prepared in accordance with Japanese GAAP, as adjusted in accordance with internal management accounting rules and practices and is not consistent with our consolidated financial statements included elsewhere in this Annual Report, which has been prepared in accordance with US GAAP.

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group					Integrated Trust Assets Business Group	Global Markets	Other	Total
		Domestic	Overseas			Total				
			Other than UNBC	UNBC	Overseas total					
	(in billions)									
Fiscal year ended March 31, 2009										
Net revenue	¥ 1,321.3	¥ 1,012.8	¥ 356.8	¥ 256.8	¥ 613.6	¥ 1,626.4	¥ 171.1	¥ 442.8	¥ (227.4)	¥ 3,334.2
Operating expenses	975.1	508.9	173.3	157.3	330.6	839.5	93.3	118.2	182.3	2,208.4
Operating profit (loss)	¥ 346.2	¥ 503.9	¥ 183.5	¥ 99.5	¥ 283.0	¥ 786.9	¥ 77.8	¥ 324.6	¥ (409.7)	¥ 1,125.8
Fiscal year ended March 31, 2010										
Net revenue	¥ 1,435.2	¥ 885.4	¥ 347.3	¥ 265.3	¥ 612.6	¥ 1,498.0	¥ 157.2	¥ 594.5	¥ (79.8)	¥ 3,605.1
Operating expenses	988.2	464.2	204.0	168.1	372.1	836.3	91.4	113.1	175.5	2,204.5
Operating profit (loss)	¥ 447.0	¥ 421.2	¥ 143.3	¥ 97.2	¥ 240.5	¥ 661.7	¥ 65.8	¥ 481.4	¥ (255.3)	¥ 1,400.6
Fiscal year ended March 31, 2011										

Net revenue	¥ 1,347.5	¥ 893.6	¥ 347.1	¥ 267.2	¥ 614.3	¥ 1,507.9	¥ 157.0	¥ 556.2	¥ (37.2)	¥ 3,531.4
Operating expenses	945.0	460.1	202.7	174.9	377.6	837.7	97.2	105.1	152.0	2,137.0
Operating profit (loss)	¥ 402.5	¥ 433.5	¥ 144.4	¥ 92.3	¥ 236.7	¥ 670.2	¥ 59.8	¥ 451.1	¥ (189.2)	¥ 1,394.4

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Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Net revenue of the Integrated Retail Banking Business Group decreased ¥87.7 billion to ¥1,347.5 billion for the fiscal year ended March 31, 2011 from ¥1,435.2 billion for the fiscal year ended March 31, 2010. Net revenue of the Integrated Retail Banking Business Group mainly consists of revenues from commercial banking operations, such as deposits and lending operations, and fees related to sales of investment products to retail customers, as well as fees of subsidiaries within the Integrated Retail Banking Business Group. The decrease in net revenue reflected the decrease of outstanding loans and the impact of the low interest rate environment that continued throughout the fiscal year ended March 31, 2011, partially offset by an increase of fees from sales of investment trusts.

Operating expenses of the Integrated Retail Banking Business Group decreased ¥43.2 billion to ¥945.0 billion for the fiscal year ended March 31, 2011 from ¥988.2 billion for the fiscal year ended March 31, 2010. This is mainly due to a reduction of operating expenses in many of our subsidiaries.

Operating profit of the Integrated Retail Banking Business Group decreased ¥44.5 billion to ¥402.5 billion for the fiscal year ended March 31, 2011 from ¥447.0 billion for the fiscal year ended March 31, 2010.

Net revenue of the Integrated Corporate Banking Business Group increased ¥9.9 billion to ¥1,507.9 billion for the fiscal year ended March 31, 2011 from ¥1,498.0 billion for the fiscal year ended March 31, 2010. Net revenue of the Integrated Corporate Banking Business Group mainly consists of revenues from corporate lending and other commercial banking operations, investment banking and trust banking businesses in relation to corporate clients, as well as fees received by subsidiaries within the Integrated Corporate Banking Business Group. The increase in net revenue was mainly due to our recording a smaller loss on derivative transactions compared to that for the prior fiscal year.

With regard to the domestic businesses, net revenue of ¥893.6 billion was recorded for the fiscal year ended March 31, 2011, a slight increase of ¥8.2 billion from the previous fiscal year. This increase was mainly due to an increase in gains from securities business partially offset by a decrease in fees and commissions.

With regard to the overseas businesses, net revenue of ¥614.3 billion was recorded for the fiscal year ended March 31, 2011, a slight increase of ¥1.7 billion from the previous fiscal year. This increase was mainly due to increased revenues recorded by Union Bank.

Operating expenses of the Integrated Corporate Banking Business Group were ¥837.7 billion for the fiscal year ended March 31, 2011, a slight increase of ¥1.4 billion from the fiscal year ended March 31, 2010.

Operating profit of the Integrated Corporate Banking Business Group increased ¥8.5 billion to ¥670.2 billion for the fiscal year ended March 31, 2011 from ¥661.7 billion for the fiscal year ended March 31, 2010. This increase was mainly due to our recording a smaller loss on derivative transactions compared to that for the prior fiscal year.

Net revenue of the Integrated Trust Assets Business Group slightly decreased ¥0.2 billion to ¥157.0 billion for the fiscal year ended March 31, 2011 from ¥157.2 billion for the fiscal year ended March 31, 2010. Net revenue of the Integrated Trust Assets Business Group mainly consists of fees from asset management and administration services for products, such as pension trusts and investment trusts.

Operating expenses of the Integrated Trust Assets Business Group increased ¥5.8 billion to ¥97.2 billion for the fiscal year ended March 31, 2011 from ¥91.4 billion for the fiscal year ended March 31, 2010.

Operating profit of the Integrated Trust Assets Business Group decreased ¥6.0 billion to ¥59.8 billion for the fiscal year ended March 31, 2011 from ¥65.8 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to the increase in operating expenses as stated above.

Net revenue of Global Markets decreased ¥38.3 billion to ¥556.2 billion for the fiscal year ended March 31, 2011 from ¥594.5 billion for the fiscal year ended March 31, 2010. Effective March 24, 2011, the sales and trading business of MUMSS was included in Global Markets business and was the main factor in the decrease in net revenue, as MUMSS recorded an approximately ¥80 billion loss from its fixed-income position trading business in the fiscal year ended March 31, 2011.

Operating expenses of Global Markets decreased ¥8.0 billion to ¥105.1 billion for the fiscal year ended March 31, 2011 from ¥113.1 billion for the fiscal year ended March 31, 2010.

Operating profit of the Global Markets decreased ¥30.3 billion to ¥451.1 billion for the fiscal year ended March 31, 2011 from ¥481.4 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to the loss recorded by MUMSS in the fiscal year ended March 31, 2011.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Net revenue of the Integrated Retail Banking Business Group increased ¥113.9 billion to ¥1,435.2 billion for the fiscal year ended March 31, 2010 from ¥1,321.3 billion for the fiscal year ended March 31, 2009. Net revenue of the Integrated Retail Banking Business Group mainly consists of revenue from commercial banking operations, such as deposits and lending operations, and fees related to the sales of investment products to retail customers, as well as fees of subsidiaries within the Integrated Retail Banking Business Group. The increase in net revenue mainly reflects the consolidation for the full fiscal year of ACOM CO., LTD., a consumer finance company which became a consolidated subsidiary for purposes of Japanese GAAP in October 2008. ACOM remains an equity method investee under US GAAP. The increase was partially offset by a decrease in revenue from deposits caused by lower interest rates and a decrease in revenue from the operations of Mitsubishi UFJ NICOS reflecting lower consumption under the depressed economy.

Operating expenses of the Integrated Retail Banking Business Group increased ¥13.1 billion to ¥988.2 billion for the fiscal year ended March 31, 2010 from ¥975.1 billion for the fiscal year ended March 31, 2009. The increase in operating expenses mainly reflects the consolidation of ACOM for the full fiscal year.

Operating profit of the Integrated Retail Banking Business Group increased ¥100.8 billion to ¥447.0 billion for the fiscal year ended March 31, 2010 from ¥346.2 billion for the fiscal year ended March 31, 2009. This increase reflects the consolidation for the full fiscal year of ACOM, which increased operating profit by ¥154.0 billion.

Net revenue of the Integrated Corporate Banking Business Group decreased ¥128.4 billion to ¥1,498.0 billion for the fiscal year ended March 31, 2010 from ¥1,626.4 billion for the fiscal year ended March 31, 2009. Net revenue of the Integrated Corporate Banking Business Group mainly consists of revenues from corporate lending and other commercial banking operations, investment banking and trust banking businesses in relation to corporate clients, as well as fees of subsidiaries within the Integrated Corporate Banking Business Group. The decrease in net revenue was mainly due to a decrease in net revenue from domestic businesses.

With regard to the domestic businesses, net revenue of ¥885.4 billion was recorded for the fiscal year ended March 31, 2010, a decrease of ¥127.4 billion from the previous fiscal year. This decrease was mainly due to a decrease in net interest income from deposits in other banks and due to losses associated with CDS transactions for managing credit risk exposures, partially offset by an increase in net interest income from corporate lending and an increase in profits from the securities business reflecting an increase in securities trading activity by our customers.

With regard to the overseas businesses, net revenue of ¥612.6 billion was recorded for the fiscal year ended March 31, 2010, a decrease of ¥1.0 billion from the previous fiscal year. This decrease was mainly due to losses associated with CDS hedging for managing credit risk exposures, partially offset by an increase in net interest and fee revenues.

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Operating expenses of the Integrated Corporate Banking Business Group were ¥836.3 billion for the fiscal year ended March 31, 2010, a decrease of ¥3.2 billion from the fiscal year ended March 31, 2009.

Operating profit of the Integrated Corporate Banking Business Group decreased ¥125.2 billion to ¥661.7 billion for the fiscal year ended March 31, 2010 from ¥786.9 billion for the fiscal year ended March 31, 2009. This decrease was mainly due to the decrease in net revenue as stated above.

Net revenue of the Integrated Trust Assets Business Group decreased ¥13.9 billion to ¥157.2 billion for the fiscal year ended March 31, 2010 from ¥171.1 billion for the fiscal year ended March 31, 2009. Net revenue of the Integrated Trust Assets Business Group mainly consists of fees from asset management and administration services for products such as pension trusts and investment trusts. The decrease in net revenue was mainly due to a decrease in net revenue from pension trusts and investment trusts.

Operating expenses of the Integrated Trust Assets Business Group decreased ¥1.9 billion to ¥91.4 billion for the fiscal year ended March 31, 2010 from ¥93.3 billion for the fiscal year ended March 31, 2009.

Operating profit of the Integrated Trust Assets Business Group decreased ¥12.0 billion to ¥65.8 billion for the fiscal year ended March 31, 2010 from ¥77.8 billion for the fiscal year ended March 31, 2009. This decrease was mainly due to the decrease in net revenue as stated above.

Net revenue of Global Markets increased ¥151.7 billion to ¥594.5 billion for the fiscal year ended March 31, 2010 from ¥442.8 billion for the fiscal year ended March 31, 2009. The increase in net revenue was mainly due to improved results from our asset liability management for both domestic and overseas operations.

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Geographic Segment Analysis

The table immediately below sets forth our total revenue, income (loss) before income tax expense (benefit) and net income (loss) attributable to Mitsubishi UFJ Financial Group on a geographic basis for the fiscal years ended March 31, 2009, 2010 and 2011. Assets, income and expenses attributable to foreign operations are allocated to geographical areas based on the domicile of the debtors and customers. For further information, see Note 28 to our consolidated financial statements included elsewhere in this Annual Report.

	Fiscal years ended March 31,		
	2009	2010	2011
		(in billions)	
Total revenue (interest income and non-interest income):			
Domestic	¥ 2,924.4	¥ 3,605.0	¥ 2,969.0
Foreign:			
United States of America	568.7	604.4	446.5
Europe	233.7	355.0	238.7
Asia/Oceania excluding Japan	329.7	482.6	470.9
Other areas(1)	14.4	165.4	135.3
Total foreign	1,146.5	1,607.4	1,291.4
Total	¥ 4,070.9	¥ 5,212.4	¥ 4,260.4
Income (loss) before income tax expense (benefit):			
Domestic	¥ (1,357.4)	¥ 539.9	¥ 186.1
Foreign:			
United States of America	(210.3)	208.4	180.0
Europe	(237.5)	224.4	108.1
Asia/Oceania excluding Japan	110.8	273.0	232.1
Other areas(1)	(69.8)	36.4	130.9
Total foreign	(406.8)	742.2	651.1
Total	¥ (1,764.2)	¥ 1,282.1	¥ 837.2
Net income (loss) attributable to Mitsubishi UFJ Financial Group			
Domestic	¥ (1,064.3)	¥ 189.7	¥ (103.0)
Foreign:			
United States of America	(223.5)	193.0	171.8
Europe	(229.5)	199.1	90.0
Asia/Oceania excluding Japan	119.4	241.4	193.4
Other areas(1)	(70.1)	36.6	109.5
Total foreign	(403.7)	670.1	564.7
Total	¥ (1,468.0)	¥ 859.8	¥ 461.7

Note:
(1) Other areas primarily include Canada, Latin America, the Caribbean and the Middle East.

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

Domestic net loss attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2011 was ¥103.0 billion, compared to domestic net income attributable to Mitsubishi UFJ Financial Group of ¥189.7 billion for the fiscal year ended March 31, 2010. This was mainly due to the losses recorded by our consumer finance subsidiary and affiliate and securities subsidiary.

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Foreign net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2011 was ¥564.7 billion, compared to foreign net income attributable to Mitsubishi UFJ Financial Group of ¥670.1 billion for the fiscal year ended March 31, 2010. This decrease was mainly due to a decrease of non-interest income from overseas business in Europe.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Domestic net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2010 was ¥189.7 billion, compared to a net loss attributable to Mitsubishi UFJ Financial Group of ¥1,064.3 billion for the fiscal year ended March 31, 2009. This improvement mainly reflected lower losses associated with revaluation of trading debt and equity securities that were recorded for the fiscal year ended March 31, 2010, compared to significantly higher losses recorded in the previous fiscal year primarily due to unfavorable market conditions.

Foreign net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2010 was ¥670.1 billion, compared to a net loss attributable to Mitsubishi UFJ Financial Group of ¥403.7 billion for the fiscal year ended March 31, 2009. This improvement was primarily due to lower revaluation and foreign exchange losses attributable to our assets and operations in the United States and Europe, which losses were significantly higher in the fiscal year ended March 31, 2009.

Effect of Change in Exchange Rates on Foreign Currency Translation

Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010

The average exchange rate for the fiscal year ended March 31, 2011 was ¥85.72 per US$1.00, compared to the prior fiscal year s average exchange rate of ¥92.85 per US$1.00. The average exchange rate for the conversion of the US dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2010 was ¥87.81 per US$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2009 of ¥93.57 per US$1.00.

The change in the average exchange rate of the Japanese yen against the US dollar and other foreign currencies had the effect of decreasing total revenue by ¥135.6 billion, net interest income by ¥47.1 billion and income before income tax expense by ¥91.2 billion, respectively, for the fiscal year ended March 31, 2011.

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

The average exchange rate for the fiscal year ended March 31, 2010 was ¥92.85 per US$1.00, compared to the prior fiscal year s average exchange rate of ¥100.54 per US$1.00. The average exchange rate for the conversion of the US dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2009 was ¥93.57 per US$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2008 of ¥103.46 per US$1.00.

The change in the average exchange rate of the Japanese yen against the US dollar and other foreign currencies had the effect of decreasing total revenue by ¥181.3 billion, net interest income by ¥67.0 billion and income before income tax expense by ¥78.3 billion, respectively, for the fiscal year ended March 31, 2010.

B. Liquidity and Capital Resources

Financial Condition

Total Assets

Our total assets at March 31, 2011 were ¥202.86 trillion, an increase of ¥2.78 trillion from ¥200.08 trillion at March 31, 2010. The increase in total assets mainly reflected increases in investment securities of ¥4.1 trillion, interest-earning deposits in other banks of ¥2.6 trillion, and receivables under resale agreements of ¥1.3 trillion. These increases were partially offset by decreases in net loans of ¥4.6 trillion.

We have allocated a substantial portion of our assets to international activities. As a result, reported amounts are affected by changes in the value of the Japanese yen against the US dollar and other foreign currencies. Foreign assets are denominated primarily in US dollars. The following table shows our total assets at March 31, 2010 and 2011 by geographic region based principally on the domicile of the obligors:

	At March 31,	
	2010	2011
	(in trillions)	
Japan	¥ 149.02	¥ 145.78
Foreign:		
United States of America	21.63	23.48
Europe	15.80	17.04
Asia/Oceania excluding Japan	8.42	10.91
Other areas[(1)]	5.21	5.65
Total foreign	51.06	57.08
Total	¥ 200.08	¥ 202.86

Note:
(1) Other areas primarily include Canada, Latin America, the Caribbean and the Middle East.

At March 31, 2011, the exchange rate was ¥83.15 per US$1.00, as compared with ¥93.04 at March 31, 2010. The Japanese yen amount of foreign currency-denominated assets decreased as the relevant exchange rates resulted in an increase in the value of the Japanese yen relative to such foreign currencies. The appreciation of the Japanese yen against the US dollar and other foreign currencies between March 31, 2010 and March 31, 2011 resulted in a decrease in the Japanese yen amount of our total assets at March 31, 2011 by ¥4.52 trillion.

Loan Portfolio

The following table sets forth our loans outstanding, before deduction of allowance for credit losses, at March 31, 2010 and 2011, based on classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes, which is not necessarily based on use of proceeds.

	At March 31,	
	2010	2011
	(in billions)	
Domestic:		
Manufacturing	¥ 12,027.8	¥ 11,248.0
Construction	1,427.9	1,280.9
Real estate	12,261.6	11,660.8
Services	3,714.1	3,417.7
Wholesale and retail	8,597.2	8,443.6
Banks and other financial institutions[(1)]	4,159.6	3,421.4
Communication and information services	1,339.8	1,249.3
Other industries	9,393.0	8,410.1
Consumer	19,096.8	18,420.9

Total domestic	72,017.8	67,552.7
Foreign:		
Governments and official institutions	490.4	516.6
Banks and other financial institutions[(1)]	2,970.5	3,565.5
Commercial and industrial	14,252.7	13,116.4
Other	2,554.2	2,853.7
Total foreign	20,267.8	20,052.2
Unearned income, unamortized premium net and deferred loan fees net	(99.7)	(102.9)
Total[(2)]	¥ 92,185.9	¥ 87,502.0

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Notes:

(1) Loans to the so-called non-bank finance companies are generally included in the Banks and other financial institutions category. Non-bank finance companies are primarily engaged in consumer lending, factoring and credit card businesses.

(2) The above table includes loans held for sale of ¥102.3 billion and ¥65.2 billion at March 31, 2010 and 2011, respectively, which are carried at the lower of cost or estimated fair value.

Loans account for our largest use of funds. The average loan balance accounted for 54.43% of total interest-earning assets for the fiscal year ended March 31, 2010 and 48.67% for the fiscal year ended March 31, 2011.

At March 31, 2011, our total loans were ¥87.50 trillion, a decrease of ¥4.69 trillion from ¥92.19 trillion at March 31, 2010. Before unearned income, net unamortized premiums and net deferred loan fees, our loan balance at March 31, 2011 consisted of ¥67.55 trillion of domestic loans and ¥20.05 trillion of foreign loans, while the loan balance at March 31, 2010 consisted of ¥72.02 trillion of domestic loans and ¥20.27 trillion of foreign loans. Between March 31, 2010 and March 31, 2011, domestic loans decreased ¥4.47 trillion and foreign loans decreased ¥0.22 trillion.

The decrease in domestic loans during the fiscal year ended March 31, 2011 was mainly due to a decrease in loan demand as the Japanese economy slowed down significantly in the fiscal year ended March 31, 2011. Loans outstanding to the other industries, manufacturing, and banks and other financial institutions categories, decreased ¥0.98 trillion, ¥0.78 trillion, and ¥0.74 trillion, respectively. The decrease in loans outstanding to the other industries category was mainly due to the decrease in loans outstanding to governmental institutions.

The decrease in foreign loans during the fiscal year ended March 31, 2011 was mainly due to a decrease in demand for loans from the commercial and industrial category, which decreased ¥1.14 trillion. This decrease was partially offset by an increase of ¥0.60 trillion in loans outstanding to the banks and other financial institutions category.

Allowance for Credit Losses, Nonperforming and Past Due Loans

The following table shows a summary of the changes in the allowance for credit losses for the fiscal years ended March 31, 2009, 2010 and 2011:

	Fiscal years ended March 31,		
	2009	**2010**	**2011**
		(in billions)	
Balance at beginning of fiscal year	¥ 1,134.9	¥ 1,156.6	¥ 1,315.6
Provision for credit losses	626.9	647.8	292.0
Charge-offs:			
Domestic	(559.0)	(401.9)	(338.3)
Foreign	(44.3)	(118.9)	(47.5)
Total	(603.3)	(520.8)	(385.8)
Recoveries:			
Domestic	23.7	48.3	34.7

Foreign	2.8	4.1	9.0
Total	26.5	52.4	43.7
Net charge-offs	(576.8)	(468.4)	(342.1)
Others[(1)]	(28.4)	(20.4)	(25.0)
Balance at end of fiscal year	¥ 1,156.6	¥ 1,315.6	¥ 1,240.5

Note:

(1) Others principally include losses (gains) from foreign exchange translation. In addition, for the fiscal year ended March 31, 2010, others include adjustments related to restructuring of business operations.

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Allowance for credit losses and recorded investment in loans by portfolio segment at March 31, 2011 are shown below:

At March 31, 2011:	Commercial	Residential	Card (in billions)	UNBC	Total
Allowance for credit losses:					
Balance at end of fiscal year:					
Individually evaluated for impairment	¥ 587.9	¥ 86.5	¥ 47.0	¥ 9.8	¥ 731.2
Collectively evaluated for impairment	277.1	76.7	35.3	85.2	474.3
Loans acquired with deteriorated credit quality	30.6	2.0	0.4	2.0	35.0
Allowance for credit losses total	¥ 895.6	¥ 165.2	¥ 82.7	¥ 97.0	¥ 1,240.5
Loans:					
Balance at end of fiscal year:					
Individually evaluated for impairment	¥ 1,341.7	¥ 300.8	¥ 150.7	¥ 55.2	¥ 1,848.4
Collectively evaluated for impairment	65,094.0	15,826.8	704.9	3,793.7	85,419.4
Loans acquired with deteriorated credit quality	119.5	22.4	16.5	113.5	271.9
Total loans(1)	¥ 66,555.2	¥ 16,150.0	¥ 872.1	¥ 3,962.4	¥ 87,539.7

Note:
(1) Total loans in the above table do not include loans held for sale.

As previously discussed, the provision for credit losses for the fiscal year ended March 31, 2011 was ¥292.0 billion, a decrease of ¥355.8 billion from ¥647.8 billion for the fiscal year ended March 31, 2010. The provision for credit losses decreased ¥132.1 billion and ¥223.7 billion in our domestic and foreign loan portfolios, respectively. While the decrease in the domestic portfolio was mainly due to the absence of a large amount of provisions for a few borrowers with large exposure observed in the previous fiscal year, the decrease in the foreign portfolio was mainly attributable to a decrease in Union Bank and other overseas offices as a result of the slight recovery in the world economy, particularly in the United States.

For the fiscal year ended March 31, 2011, the ratio of the provision for the credit losses of ¥292.0 billion to the average loan balance of ¥87.79 trillion at period-end was 0.33%, and that to the total average interest-earning assets for the period of ¥180.37 trillion was 0.16%.

Charge-offs for the fiscal year ended March 31, 2011 were ¥385.8 billion, a decrease of ¥135.0 billion from ¥520.8 billion for the fiscal year ended March 31, 2010. The decrease in charge-offs was mainly due to the decrease in charge-offs in the domestic real estate category and the decrease in the foreign bank and other financial institutions category.

The total allowance for credit losses at March 31, 2011 was ¥1,240.5 billion, a decrease of ¥75.1 billion from ¥1,315.6 billion at March 31, 2010 as we recorded a provision for credit losses of ¥292.0 billion, while we had net charge-offs of ¥342.1 billion.

The following table presents comparative data in relation to the principal amount of nonperforming loans sold and reversal of allowance for credit losses:

	Principal amount of loans[1]	Allowance for credit losses[2]	Loans, net of allowance	Reversal of allowance for credit losses
		(in billions)		
For the fiscal year ended March 31, 2010	¥ 74.6	¥ 24.5	¥ 50.1	¥ (16.0)
For the fiscal year ended March 31, 2011	¥ 66.6	¥ 11.0	¥ 55.6	¥ (7.5)

Notes:

(1) Represents principal amount after the deduction of charge-offs made before the sales of nonperforming loans.

(2) Represents allowance for credit losses at the latest balance-sheet date.

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Through the sale of nonperforming loans to third parties, additional provisions or gains may arise from factors such as a change in the credit quality of the borrowers or the value of the underlying collateral subsequent to the prior reporting date, and the risk appetite and investment policy of the purchasers.

Due to the inherent uncertainty of factors that may affect negotiated prices which reflect the borrowers financial condition and the value of underlying collateral, the fact that we recorded no additional cost during the reported period is not necessarily indicative of the results that we may record in the future.

In connection with the sale of loans, including performing loans, we recorded net gains of ¥17.8 billion and net gains of ¥10.4 billion for the fiscal years ended March 31, 2010 and 2011, respectively.

The following table summarizes the allowance for credit losses by component at March 31, 2010 and 2011:

	At March 31, 2010	At March 31, 2011
	(in billions)	
Allocated allowance:		
Specific individual loans specifically identified for evaluation	¥ 770.3	¥ 743.9
Large groups of smaller balance homogeneous loans	103.9	110.5
Loans exposed to specific country risk	0.8	0.7
Formula Normal or Close Watch, excluding loans identified as a troubled debt restructuring	423.0	361.1
Unallocated allowance	17.6	24.3
Total allowance	¥ 1,315.6	¥ 1,240.5

Allowance policy

Our credit rating system is closely linked to the risk grading standards set by the Japanese regulatory authorities for asset evaluation and assessment, and is used as a basis for establishing the allowance for credit losses and charge-offs. The categorization is based on conditions that may affect the ability of borrowers to service their debt, such as current financial condition and results of operations, historical payment experience, credit documentation, other public information and current trends. For a discussion of our credit rating system, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Credit Risk Management Credit Rating System.

Change in total allowance and provision for credit losses

At March 31, 2011, the total allowance for credit losses was ¥1,240.5 billion, representing 1.42% of our total loan portfolio. At March 31, 2010, the total allowance for credit losses was ¥1,315.6 billion, representing 1.43% of our total loan portfolio.

The total allowance decreased to ¥1,240.5 billion at March 31, 2011 from ¥1,315.6 billion at March 31, 2010 primarily as a result of a decrease in the amount of formula allowance.

During the fiscal year ended March 31, 2011, there was no significant change in our general allowance policy, which affected our allowance for credit losses for the period, resulting from directives, advice or counsel from governmental or regulatory bodies.

As to the impact of the Great East Japan Earthquake on allowance for credit losses, our loans outstanding to borrowers in the Tohoku region as of March 31, 2011 was proportionally small. However, borrowers in other regions in Japan may also be affected due to the compensation issues for affected individuals and companies, electricity power supply shortages, supply chain disruptions and other indirect consequences of the earthquake. Our financial statements were prepared reflecting the anticipated consequences to the extent possible based on the information available to us, and the allowance for credit losses also reflected such anticipated consequences to the extent possible. See Item 3.D. Key Information Risk Factors Because a large portion of our assets are located in Japan and our business operations are conducted primarily in Japan, we may incur further losses if economic conditions in Japan worsen. and Recent Developments Effects of the Great East Japan Earthquake.

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Allocated allowance for individual loans specifically identified for evaluation.

The allocated credit loss allowance for individual loans specifically identified for evaluation represents the allowance against impaired loans required under the guidance on accounting by creditors for impairment of a loan. Impaired loans include certain nonaccrual loans and restructured loans. We generally discontinue the accrual of interest income on loans when substantial doubt exists as to the full and timely collection of either principal or interest, or when principal or interest is contractually past due one month or more with respect to loans of our domestic banking subsidiaries, including BTMU and MUTB, and 90 days or more with respect to loans of certain banking subsidiaries abroad. Loans are classified as restructured loans when we grant a concession to borrowers for economic or legal reasons related to the borrowers financial difficulties.

Detailed reviews of impaired loans are performed after a borrower s annual or semi-annual financial statements first become available. In addition, as part of an ongoing credit review process, our credit officers monitor changes in all customers creditworthiness, including bankruptcy, past due principal or interest, downgrades of external credit ratings, declines in the stock price, business restructuring and other events, and reassess our ratings of borrowers in response to such events. This credit monitoring process forms an integral part of our overall risk management process. An impaired loan is evaluated individually based on the present value of expected future cash flows discounted at the loan s original effective interest rate, the loan s estimated marketable price or the fair value of the collateral at the annual and semi-annual period year end, if the loan is collateral-dependent as of a balance-sheet date.

Based upon a review of the financial status of borrowers, our banking subsidiaries may grant various concessions (modification of loan terms) to troubled borrowers at the borrowers request, including reductions in the stated interest rates, debt write-offs, and extensions of maturity dates. All of these loans are reported and disclosed as either restructured loans or nonaccrual loans. According to the policies of each of our banking subsidiaries, such modifications are made to mitigate the near-term burden of the loans to the borrowers and to better match the payment terms with the borrowers expected future cash flows or, in cooperation with other creditors, to reduce the overall debt burden of the borrowers so that they may normalize their operations, in each case to improve the likelihood that the loans will be repaid in accordance with the revised terms. The nature and amount of the concessions depend on the particular financial condition of each borrower. In principle, however, none of our banking subsidiaries modify the terms of loans to borrowers that are considered Likely to Become Bankrupt, Virtually Bankrupt, or Bankrupt under the self-assessment categories established by Japanese banking regulations because in these cases there is little likelihood that the modification of loan terms would enhance recovery of the loans.

The allowance for individual loans specifically identified for evaluation as of March 31, 2011 was ¥743.9 billion, a decrease of ¥26.4 billion from ¥770.3 billion as of March 31, 2010. This decrease reflected a decrease in nonaccrual loans to the domestic other industries category and the domestic real estate category.

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Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more

The following table summarizes nonaccrual and restructured loans, and accruing loans that are contractually past due 90 days or more as to principal or interest payments, at March 31, 2010 and 2011:

	At March 31, 2010	At March 31, 2011
	(in billions, except percentages)	
Nonaccrual loans:		
Domestic:		
Manufacturing	¥ 111.2	¥ 138.0
Construction	33.5	48.5
Real estate	214.4	152.3
Services	79.5	76.6
Wholesale and retail	135.5	172.7
Banks and other financial institutions	2.3	7.3
Communication and information services	73.6	33.2
Other industries	116.8	37.3
Consumer	355.0	321.8
Total domestic	1,121.8	987.7
Foreign	247.2	181.5
Total nonaccrual loans	1,369.0	1,169.2
Restructured loans:		
Domestic:		
Manufacturing	140.1	172.6
Construction	25.1	25.5
Real estate	56.8	79.0
Services	83.0	107.9
Wholesale and retail	89.1	116.4
Banks and other financial institutions	3.0	2.6
Communication and information services	24.0	27.7
Other industries	38.3	15.6
Consumer	105.6	253.4
Total domestic	565.0	800.7
Foreign	47.2	38.9
Total restructured loans	612.2	839.6
Accruing loans contractually past due 90 days or more:		
Domestic	25.9	55.5
Foreign	0.5	0.2
Total accruing loans contractually past due 90 days or more	26.4	55.7
Total nonaccrual and restructured loans and accruing loans contractually past due 90 days or more	¥ 2,007.6	¥ 2,064.5
Total loans	¥ 92,185.9	¥ 87,502.0

Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more, as a percentage of total loans	2.18%	2.36%

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Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more increased ¥56.9 billion to ¥2,064.5 billion at March 31, 2011 from ¥2,007.6 billion at March 31, 2010. Similarly, the percentage of such nonperforming loans to total loans increased to 2.36% at March 31, 2011 from 2.18% at March 31, 2010.

Total nonaccrual loans were ¥1,169.2 billion at March 31, 2011, a decrease of ¥199.8 billion from ¥1,369.0 billion at March 31, 2010. Domestic nonaccrual loans decreased ¥134.1 billion between March 31, 2010 and March 31, 2011, mainly due to the upgrade of some large borrowers in the other industries category and the communication and information services category. Foreign nonaccrual loans decreased ¥65.7 billion between March 31, 2010 and March 31, 2011, was mainly due to sell-off of nonaccrual loans at some overseas branches as well as fewer new nonaccrual loans than previous year resulting from the recovery in the global world economy.

Total restructured loans were ¥839.6 billion at March 31, 2011, an increase of ¥227.4 billion from ¥612.2 billion at March 31, 2010. The restructured loans set forth in the above table are current in accordance with the applicable restructured contractual terms. Domestic restructured loans increased ¥235.7 billion to ¥800.7 billion at March 31, 2011 from ¥565.0 billion at March 31, 2010 mainly due to an increase of loans, such as residential mortgage loans, which accounted for the ¥147.8 billion increase in the restructured loans in the consumer category.

We from time to time provide additional loans, equity capital or other forms of support, including repayment extensions, reductions in applicable interest rates, forbearance of exercising our rights as a creditor, or forgiveness of loans, to borrowers classified as nonaccrual and restructured loans and accruing loans contractually past due 90 days or more, based on our internal policy, in order to facilitate their restructuring and revitalization efforts. We decide whether to grant additional financial support to those borrowers on a case by case basis. Factors that affect our decision include the prospects of those borrowers recovering their ability to service their debt to an extent where they are reasonably expected to be reclassified as normal borrowers in the future, as a result of an improvement in the operations and financial condition of those borrowers. All loans subject to modifications, restructuring and other concessions are categorized as nonaccrual or restructured loans.

Impaired loans and Impairment allowance

Impaired loans include certain nonaccrual loans and restructured loans. The following table summarizes the balances of impaired loans and related impairment allowances at March 31, 2010 and 2011:

	At March 31,			
	2010		2011	
	Loan balance	Impairment allowance	Loan balance	Impairment allowance
	(in billions)			
Requiring an impairment allowance	¥ 1,465.1	¥ 770.3	¥ 1,591.8	¥ 743.9
Not requiring an impairment allowance[1]	360.8		301.3	
Total[2]	¥ 1,825.9	¥ 770.3	¥ 1,893.1	¥ 743.9
Percentage of the allocated allowance to total impaired loans	42.19%		39.30%	

Notes:
(1)

These loans do not require an allowance for credit losses under the guidance on accounting by creditors for impairment of a loan since the fair values of the impaired loans equal or exceed the recorded investments in the loans.

(2) In addition to impaired loans presented in the above table, there were loans held for sale that were impaired in the amount of ¥4.7 billion and ¥14.5 billion at March 31, 2011 and 2010, respectively.

Impaired loans increased by ¥67.2 billion from ¥1,825.9 billion at March 31, 2010 to ¥1,893.1 billion at March 31, 2011, reflecting the increase in restructured loans.

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The percentage of the allocated allowance to total impaired loans decreased 2.89 percentage points to 39.30% at March 31, 2011 from 42.19% at March 31, 2010. The decrease was mainly due to a charge-off relating to one borrower which required a higher percentage of allowance in the previous year as well as an increase in the proportion of residential mortgage loans to domestic individuals within restructured loans which generally requires a lower percentage of allowance.

Allocated allowance for large groups of smaller-balance homogeneous loans

The allocated credit loss allowance for large groups of smaller-balance homogeneous loans is focused on loss experience for the pools of loans rather than on an analysis of individual loans. Large groups of smaller- balance homogeneous loans primarily consist of first mortgage housing loans to individuals. The allowance for groups of performing loans is based on historical loss experience over a period. In determining the level of the allowance for delinquent groups of loans, we classify groups of homogeneous loans based on the risk rating and/or the number of delinquencies. We determine the credit loss allowance for delinquent groups of loans based on the probability of insolvency by the number of actual delinquencies and actual loss experience.

The allocated credit loss allowance for large groups of smaller-balance homogeneous loans was ¥110.5 billion at March 31, 2011, an increase of ¥6.6 billion from ¥103.9 billion at March 31, 2010.

Allocated allowance for country risk exposure

The allocated credit loss allowance for country risk exposure is based on an estimate of probable losses relating to the exposure to countries that we identify as having a high degree of transfer risk. The countries to which the allowance for country risk exposure relates are decided based on a country risk grading system used to assess and rate the transfer risk to individual countries. The allowance is generally determined based on a function of default probability and expected recovery ratios, taking external credit ratings into account.

The allocated allowance for country risk exposure was ¥0.7 billion at March 31, 2011, a decrease of ¥0.1 billion from ¥0.8 billion at March 31, 2010.

Formula allowance for Normal or Close Watch, excluding loans identified as a troubled debt restructuring

The formula allowance is calculated by applying estimated loss factors to outstanding substandard, special mention and unclassified loans. In evaluating the inherent loss for these loans, we rely on a statistical analysis that incorporates a percentage of total loans based on historical loss experience.

The formula allowance decreased ¥61.9 billion to ¥361.1 billion at March 31, 2011 from ¥423.0 billion at March 31, 2010. The decrease in formula allowance was partially due to a decrease in loan balance to borrowers categorized as Normal as well as a decrease in the ratio of allowance for such loans, and partially due to a decrease in formula allowance relating to foreign borrowers categorized as Close Watch , excluding loans identified as a troubled debt restructuring.

Each of our banking subsidiaries has computed the formula allowance based on estimated credit losses using a methodology defined by the credit rating system. Estimated losses inherent in the loan portfolio at the balance sheet date are calculated by multiplying the default ratio by the nonrecoverable ratio (determined as a complement of the recovery ratio). The default ratio is determined by each credit risk rating, taking into account the historical number of defaults of borrowers within each credit risk rating divided by the total number of borrowers within that credit risk rating existing at the beginning of the three-year observation period. The recovery ratio is mainly determined by the historical experience of collections against loans in default. The default ratio, the recovery ratio and other indicators are continually reviewed and improved to compute the formula allowance and the allowance for off-balance sheet instruments. In addition, an appropriate adjustment to the formula allowance and the allowance for off-balance sheet instruments, considering the risk of losses from large obligors and other credit risks, is examined and made by analyzing the difference between the allowance computed by multiplying the default ratio by the nonrecoverable ratio and the allowance calculated based on the loss experience ratio.

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UNBC, our largest overseas subsidiary, calculates the formula allowance by applying loss factors to outstanding loans and certain unused commitments, in each case based on the internal risk grade of such loans, leases and commitments. Changes in risk grades affect the amount of the formula allowance. Loss factors are based on their historical loss experience and may be adjusted for significant factors that, in management s judgment, affect the collectibility of the portfolio as of the evaluation date. Loss factors are developed in the following ways:

loss factors for individually graded credits are derived from a migration model that tracks historical losses over a period, which we believe captures the inherent losses in our loan portfolio; and

pooled loan loss factors (not individually graded loans) are based on expected net charge-offs. Pooled loans are loans that are homogeneous in nature, such as consumer installment, home equity, residential mortgage loans and certain small commercial and commercial real estate loans.

Though there are a few technical differences in the methodology used for the formula allowance for credit losses as mentioned above, we examine the overall sufficiency of the formula allowance periodically by back-test comparison with the actual loss experience subsequent to the balance sheet date.

Unallocated allowance

The unallocated allowance is based on management s evaluation of conditions that are not directly reflected in the determination of the formula and specific allowances. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they may not be identified with specific problem credits. The conditions evaluated in connection with the unallocated allowance include the following, which were considered to exist at the balance sheet date:

general economic and business conditions affecting our key lending areas;

credit quality trends (including trends in nonperforming loans expected to result from existing conditions);

collateral values;

loan volumes and concentrations;

specific industry conditions;

recent loss experience;

duration of the current economic cycle;

bank regulatory examination results; and

findings of internal credit examination.

Executive management reviews these conditions quarterly in discussion with our senior credit officers. To the extent that any of these conditions are evidenced by a specifically identifiable problem credit as of the evaluation date, management s estimate of the effect of such conditions may be reflected as a specific allowance. Where any of these conditions are not evidenced by a specifically identifiable problem credit as of the evaluation date, management s evaluation of the probable loss related to such conditions is reflected in the unallocated allowance.

The unallocated allowance increased ¥6.7 billion to ¥24.3 billion at March 31, 2011 from ¥17.6 billion at March 31, 2010.

Allowance for off-balance sheet credit instruments

In addition to the allowance for credit losses on the loan portfolio, we maintain an allowance for credit losses on off-balance sheet credit instruments, including commitments of credit, guarantees and standby letters of credit. This allowance is included in other liabilities. With regard to the specific allocated allowance for specifically identified credit exposure and the allocated formula allowance, we apply the same methodology that we use in determining the allowance for loan credit losses. The allowance for credit losses on off-balance sheet credit instruments was ¥73.6 billion at March 31, 2011, a decrease of ¥12.1 billion from ¥85.7 billion at March 31, 2010.

Investment Portfolio

Our investment securities are primarily comprised of Japanese national government and Japanese government agency bonds, corporate bonds and marketable equity securities. Japanese national government and Japanese government agency bonds are mostly classified as securities available for sale. We also hold Japanese national government bonds which are classified as securities being held to maturity.

Historically, we have held equity securities of some of our customers for strategic purposes, in particular, to maintain long-term relationships with these customers. However, we have been reducing our investment in equity securities because we believe that from a risk management perspective, reducing the price fluctuation risk in our equity portfolio is imperative. As of March 31, 2010 and March 31, 2011, the aggregate value of our marketable equity securities under Japanese GAAP satisfied the requirements of the legislation prohibiting banks from holding equity securities in excess of their Tier I capital.

Investment securities increased ¥4.11 trillion to ¥59.16 trillion at March 31, 2011 from ¥55.05 trillion at March 31, 2010 due primarily to a ¥5.29 trillion increase in Japanese national government and Japanese government agency bonds, partially offset by a ¥0.79 trillion decrease in marketable equity securities, a ¥0.34 trillion decrease in corporate bonds and a ¥0.36 trillion decrease in foreign government and official institutions bonds. Investment securities other than securities available for sale or being held to maturity (i.e., nonmarketable equity securities set forth on our consolidated balance sheet as other investment securities) were primarily carried at cost of ¥1.69 trillion and ¥1.70 trillion at March 31, 2010 and March 31, 2011, respectively, because their fair values were not readily determinable. See Critical Accounting Estimates Fair Value Hierarchy.

The following table shows information as to the amortized costs and estimated fair values of our investment securities available for sale and being held to maturity at March 31, 2010 and 2011:

	At March 31,					
	2010			2011		
	Amortized cost	Estimated fair value	Net unrealized gains (losses)	Amortized cost	Estimated fair value	Net unrealized gains (losses)
	(in billions)					
Securities available for sale:						
Debt securities:						
Japanese national government and Japanese government agency bonds	¥ 39,431.1	¥ 39,432.9	¥ 1.8	¥ 44,756.8	¥ 44,719.6	¥ (37.2)
Japanese prefectural and municipal bonds	272.8	280.9	8.1	193.7	200.3	6.6
Foreign governments and official institutions bonds	1,340.8	1,345.2	4.4	973.2	988.8	15.6
Corporate bonds	3,394.3	3,474.7	80.4	3,058.7	3,139.5	80.8
Mortgage-backed securities	991.3	994.7	3.4	1,171.7	1,168.9	(2.8)
Asset-backed securities[1]	329.6	327.8	(1.8)	452.3	452.4	0.1
Other debt securities	1.0	1.0		1.0	1.0	
Marketable equity securities	3,083.0	4,554.7	1,471.7	2,755.0	3,765.1	1,010.1

Total securities available for sale	¥ 48,843.9	¥ 50,411.9	¥ 1,568.0	¥ 53,362.4	¥ 54,435.6	¥ 1,073.2
Debt securities being held to maturity(2)	¥ 2,943.8	¥ 3,027.9	¥ 84.1	¥ 3,017.2	¥ 3,059.0	¥ 41.8

Notes:

(1) AAA and AA-rated products account for approximately three-fifths of our asset-backed securities.

(2) See Note 3 to our consolidated financial statements included elsewhere in this Annual Report for more details.

Net unrealized gains on securities available for sale decreased ¥494.8 billion to ¥1,073.2 billion at March 31, 2011 from ¥1,568.0 billion at March 31, 2010. This decrease primarily consisted of a ¥461.6 billion decrease in net unrealized gains on marketable equity securities. The decrease in net unrealized gains of ¥461.6 billion on marketable equity securities was mainly due to the decrease in stock prices which adversely affected our holdings of Japanese equity securities. Our investments in Japanese national government and government agency bonds increased as part of our asset and liability management policy applicable to the increased amount of yen-denominated deposited funds. We, however, had net unrealized losses as of March 31, 2011 on our holdings of Japanese national government and Japanese government agency bonds due to its deteriorating credit caused mainly by the Japanese national fiscal deficit and the uncertainty regarding the Japanese political leadership.

The amortized cost of securities being held to maturity increased ¥73.4 billion compared to the previous fiscal year mainly due to a ¥157.3 billion increase in foreign securities as we shifted our investment portfolio allocation to counter the low interest rate environment in the domestic bond market, partially offset by the redemption of Japanese national government bonds classified as securities being held to maturity.

As of March 31, 2011, we had approximately ¥1.70 trillion of other investment securities, a significant portion of which was comprised of our investment in Morgan Stanley as convertible preferred shares. Following the conversion completed on June 30, 2011, the Morgan Stanley common shares will be excluded from other investment securities.

	At March 31,	
	2010	2011
	(in billions)	
Other investment securities:		
Unlisted preferred securities(1)	¥ 1,491	¥ 1,489
Investment securities held by investment companies and brokers and dealers(2)	35	37
Others, including nonmarketable equity securities(3)	165	178
Total	¥ 1,691	¥ 1,704

Notes:

(1) These securities were mainly issued by public companies. Those securities were carried at cost.

(2) These investment securities were held by certain subsidiaries subject to specialized industry accounting principles for investment companies and brokers and dealers, and were measured at fair value.

(3) These securities were mainly equity securities issued by unlisted companies. Those securities were carried at cost.

Other investment securities are comprised of unlisted preferred securities, investment securities held by investment companies, and brokers and dealers, and others, including nonmarketable equity securities.

Unlisted preferred securities were the largest portion of this category, which include preferred stocks of ¥862 billion issued by Morgan Stanley and a preferred security of ¥370 billion issued by BTMU Preferred Capital 9 limited, which is our non-consolidated funding vehicle at March 31, 2011. However, we converted the preferred stocks issued by Morgan Stanley into Morgan Stanley common stock on June 30, 2011, which will significantly decrease the balance of unlisted preferred securities. Other unlisted preferred socks represent those issued by several Japanese public companies.

Nonmarketable equity securities are mainly issued by small and medium sized customers in a wide range of industries located in Japan.

There was no significant change of balance in other investment securities from March 31, 2010 to March 31, 2011.

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Cash and Due from Banks

Cash and due from banks fluctuate significantly from day to day depending upon financial market conditions. Cash and due from banks at March 31, 2011 was ¥3.23 trillion, an increase of ¥0.37 trillion from ¥2.86 trillion at March 31, 2010. The increase was primarily due to an increase in the cash balance of our domestic offices.

Interest-earning Deposits in Other Banks

Interest-earning deposits in other banks fluctuate significantly from day to day depending upon financial market conditions. Interest-earning deposits in other banks at March 31, 2011 were ¥7.33 trillion, an increase of ¥2.55 trillion from ¥4.78 trillion at March 31, 2010. This increase primarily reflected an increase in interest-earning deposits both in domestic and overseas offices.

Receivables under Resale Agreements

Receivables under resale agreements at March 31, 2011 were ¥4.87 trillion, an increase of ¥1.33 trillion from ¥3.54 trillion at March 31, 2010. The increase was primarily due to an increase in transaction volume of receivables under resale agreements at our overseas subsidiaries to manage and invest increased customer deposits and an increase in reverse repo transactions in our overseas securities subsidiaries.

Deferred Tax Assets

Deferred tax assets at March 31, 2011 was ¥1.29 trillion, relatively unchanged from the balance at March 31, 2010. While there was a decrease in deferred tax assets relating to net operating loss carryforwards, there was an offsetting increase in deferred tax assets relating to unrealized gains on investment securities, resulting in no significant change in the amount of deferred tax assets.

Total Liabilities

At March 31, 2011, total liabilities were ¥194.19 trillion, an increase of ¥3.21 trillion from ¥190.98 trillion at March 31, 2010, while the total balance of deposits was ¥136.63 trillion at March 31, 2011, an increase of ¥1.16 trillion from ¥135.47 trillion at March 31, 2010. The increases in total deposits of ¥1.16 trillion, other short-term borrowing of ¥2.39 trillion and trading account liabilities of ¥1.22 trillion were partially offset by decreases in payables under securities lending transactions of ¥1.53 trillion and due to trust accounts of ¥0.93 trillion.

The appreciation of the Japanese yen against the US dollar and other foreign currencies between March 31, 2010 and March 31, 2011 resulted in a decrease in the Japanese yen amount of foreign currency-denominated liabilities at March 31, 2011 by ¥3.98 trillion.

Deposits

Deposits are our primary source of funds. Total average balance of deposits increased ¥3.07 trillion to ¥133.09 trillion for the fiscal year ended March 31, 2011 from ¥130.02 trillion for the fiscal year ended March 31, 2010.

The balance of domestic deposits increased ¥2.81 trillion to ¥115.54 trillion at March 31, 2011 from ¥112.73 trillion at March 31, 2010, and the balance of foreign deposits decreased ¥1.65 trillion from ¥22.74 trillion at March 31, 2010 to ¥21.09 trillion at March 31, 2011. Within domestic deposits, the balance of interest-bearing deposits increased, partially in response to depositors preference to seek the safety of deposits at large financial institutions. The decrease in foreign deposits was mainly due to an appreciation of Japanese yen and a decrease in foreign interest-bearing deposits of our overseas offices, especially in the United States and Europe.

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Short-term Borrowings

We use short-term borrowings as a funding source and in our management of interest rate risk. For management of interest rate risk, short-term borrowings are used in asset-liability management operations to match interest rate risk exposure resulting from loans and other interest-earning assets and to manage funding costs of various financial instruments at an appropriate level, based on our forecast of future interest rate levels. Short-term borrowings consist of call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions, due to trust accounts and other short-term borrowings.

Short-term borrowings increased ¥0.91 trillion to ¥25.93 trillion at March 31, 2011 from ¥25.02 trillion at March 31, 2010. This increase was primarily attributable to an increase of ¥2.39 trillion in other short-term borrowings which mainly included borrowings from the Bank of Japan and other financial institutions.

Long-term Debt

Long-term debt at March 31, 2011 was ¥13.36 trillion, a decrease of ¥0.80 trillion from ¥14.16 trillion at March 31, 2010. This decrease was mainly due to a decrease in subordinated debts in overseas offices. For further information, see Note 12 to our consolidated financial statements included elsewhere in this Annual Report.

Benefit Obligations

As of March 31, 2010 and 2011, we had benefit obligations of ¥1,887.1 billion and ¥1,928.3 billion, respectively, and the fair value of our plan assets was ¥2,108.5 billion and ¥2,004.1 billion, respectively. The fair value of our plan assets has fluctuated significantly depending on the general market conditions in recent fiscal years. If the fair value of our pension plan assets declines or our investment return on our pension plan assets decreases, or if a change is made in the actuarial assumptions on which the calculations of the projected pension obligations are based, we may incur losses. Changes in the interest rate environment could also result in an increase in our pension obligations and annual funding costs. In addition, unrecognized prior service costs may be incurred if our pension plans are amended.

Sources of Funding and Liquidity

Our primary source of liquidity is from a large balance of deposits, mainly ordinary deposits, certificates of deposit and time deposits. Time deposits have historically shown a high rollover rate among our corporate customers and individual depositors. Due to our broad customer base in Japan and the depositors recent preference to seek the safety of deposits at large financial institutions, the balance of our deposits increased from ¥135.47 trillion at March 31, 2010 to ¥136.63 trillion at March 31, 2011. As of March 31, 2011, our deposits exceeded our loans, net of allowance for credit losses of ¥86.26 trillion, by ¥50.37 trillion. These deposits provide us with a sizable source of stable and low-cost funds. Our average deposits, combined with average total equity of ¥8.99 trillion, funded 69.4% of our average total assets of ¥204.79 trillion during the fiscal year ended March 31, 2011.

The remaining funding was primary provided by short-term borrowings and long-term senior and subordinated debt. Short-term borrowings consist of call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions, due to trust account, and other short-term borrowings. From time to time, we have issued long-term instruments such as straight bonds with maturities between three to five years. Liquidity may also be provided by the sale of financial assets, including securities available for sale, trading account securities and loans. Additional liquidity may be provided by the maturity of loans.

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Total Equity

The following table presents a summary of our total equity at March 31, 2010 and 2011:

	At March 31, 2010	At March 31, 2011
	(in billions, except percentages)	
Preferred stock	¥ 442.1	¥ 442.1
Common stock	1,643.2	1,644.1
Capital surplus	6,619.5	6,395.7
Retained earnings appropriated for legal reserve	239.6	239.6
Unappropriated retained earnings (Accumulated deficit)	(18.1)	254.4
Accumulated other changes in equity from nonowner sources, net of taxes	(45.4)	(620.8)
Treasury stock, at cost	(14.0)	(11.3)
Total Mitsubishi UFJ Financial Group shareholders equity	¥ 8,866.9	¥ 8,343.8
Noncontrolling interests	235.9	327.2
Total equity	¥ 9,102.8	¥ 8,671.0
Ratio of total equity to total assets	4.55%	4.27%

Total equity decreased ¥431.8 billion to ¥8,671.0 billion at March 31, 2011 from ¥9,102.8 billion at March 31, 2010. The ratio of total equity to total assets also showed a decrease of 0.28 percentage points to 4.27% at March 31, 2011 from 4.55% at March 31, 2010. The decrease in total equity, and the resulting decrease in the ratio to total assets, at March 31, 2011 were principally attributable to a decrease in accumulated other changes in equity from nonowner sources, net of taxes of ¥575.4 billion, mainly due to ¥284.3 billion decrease in unrealized gains on investment and ¥184.0 billion decrease in foreign currency translation adjustments.

Due to our holdings of a large amount of marketable Japanese equity securities and the volatility of the equity markets in Japan, changes in the fair value of marketable equity securities have significantly affected our total equity in recent years. The following table presents information relating to the accumulated net unrealized gains, net of taxes, in respect of investment securities classified as available for sale at March 31, 2010 and 2011:

	At March 31, 2010	At March 31, 2011
	(in billions, except percentages)	
Accumulated net unrealized gains on investment securities	¥ 588.2	¥ 303.9
Accumulated net unrealized gains to total equity	6.46%	3.51%

Capital Adequacy

We are subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which we operate. Failure to meet minimum capital requirements can initiate mandatory actions by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements. Moreover, if our capital ratios are perceived to be low, our counterparties may avoid entering into transactions with us, which in turn could negatively affect our business and operations. For further information, see Item 3.D. Key Information Risk

Factors We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations.

We continually monitor our risk-adjusted capital ratio closely and manage our operations in consideration of the capital ratio requirements. These ratios are affected not only by fluctuations in the value of our assets, including our credit risk assets such as loans and equity securities, the risk weights of which depend on the borrowers or issuers internal ratings, marketable securities and deferred tax assets, but also by fluctuations in the value of the Japanese yen against the US dollar and other foreign currencies and by general price levels of Japanese equity securities.

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Capital Requirements for Banking Institutions in Japan

A Japanese banking institution is subject to the minimum capital adequacy requirements both on a consolidated basis and a stand-alone basis, and is required to maintain the minimum capital irrespective of whether it operates independently or as a subsidiary under the control of another company. A bank holding company is also subject to the minimum capital adequacy requirements on a consolidated basis. Under the guidelines of the FSA, capital is classified into three tiers, referred to as Tier I, Tier II and Tier III capital. Our Tier I capital generally consists of shareholders equity items, including common stock, non-cumulative preferred stock, capital surplus, noncontrolling interests and retained earnings (which includes deferred tax assets). However, recorded goodwill and other items, such as treasury stock and unrealized losses on investment securities classified as securities available for sale under Japanese GAAP, net of taxes, if any, are deducted from Tier I capital. Our Tier II capital generally consists of the amount (up to a maximum of 0.6% of credit risk-weighted assets) by which eligible reserves for credit losses exceed expected losses in the internal ratings-based approach, or the IRB approach, and general reserves for credit losses, subject to a limit of 1.25% of modified risk-weighted assets determined by the partial use of the Standardized Approach (including a phased rollout of the IRB approach), 45% of the unrealized gains on investment securities classified as securities available for sale under Japanese GAAP, 45% of the land revaluation excess, the balance of perpetual subordinated debt and the balance of subordinated term debt with an original maturity of over five years subject to certain limitations, up to 50% of Tier I capital. Our Tier III capital consists of short-term subordinated debt with an original maturity of at least two years, subject to certain limitations. At least 50% of the minimum capital requirements must be maintained in the form of Tier I capital.

The eligible regulatory capital set forth in the FSA s guidelines discussed above was modified as of March 31, 2007 to reflect the International Convergence of Capital Measurement and Capital Standards: A Revised Framework, often referred to as Basel II. Afterwards, in response to the recent financial crisis, Basel III has been developed by the Basel Committee on Banking Supervision as a comprehensive set of reform measures designed to further strengthen the regulation, supervision and risk management of the banking sector. Among these measures, new capital standards are expected to be introduced in phases between calendar 2013 and 2015, and additional measures, such as new liquidity ratio and leverage ratio standards, are expected to be implemented in phases thereafter. In addition, details of the capital surcharges applicable to systemically important financial institutions, generally referred to as SIFIs, are expected to be subject to additional loss absorbency requirements to be phased in between calendar 2016 and 2018. We intend to carefully monitor further developments with an aim to enhance our corporate value and maximize shareholder value by integrating the various strengths within the MUFG group.

For further information, see Item 3.D. Key Information Risk Factors We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations.

As of March 31, 2010 and 2011, we have calculated our risk-weighted assets in accordance with the FSA guidelines reflecting Basel II. In determining capital ratios under the FSA guidelines reflecting Basel II, we and our banking subsidiaries used the advanced internal ratings-based approach, or the AIRB approach, to calculate capital requirements for credit risk as of the end of March 2010 and 2011. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to the overall MUFG capital requirements and a few subsidiaries adopted a phased rollout of the internal ratings-based approach. Market risk is reflected in the risk-weighted assets by applying the Internal Models Approach to calculate general market risk and the Standardized Methodology to calculate specific risk. Under the Internal Models Approach, we principally use a historical simulation model to calculate value-at-risk amounts by estimating the profit and loss on our portfolio by applying actual fluctuations in historical market rates and prices over a fixed period. Under the FSA guidelines reflecting Basel II, we reflect operational risk in the risk-weighted assets by applying the Standardized Approach. Specifically, operational risk capital charge is determined based on the amount of gross profit allocated to business lines multiplied by a factor ranging from 12% to 18%.

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For additional discussion of the calculation of our capital ratios, see Note 19 to our consolidated financial statements included elsewhere in this Annual Report.

Under the Japanese regulatory capital requirements, our consolidated capital components, including Tier I, Tier II and Tier III capital and risk-weighted assets, are calculated from our consolidated financial statements prepared under Japanese GAAP. Also, each of the consolidated and stand-alone capital components and risk-weighted assets of our banking subsidiaries in Japan is calculated from consolidated and non-consolidated financial statements prepared under Japanese GAAP.

For a detailed discussion of the capital adequacy guidelines adopted by the FSA and proposed amendments, see Item 4.B. Information on the Company Business Overview Supervision and Regulation Japan Capital Adequacy.

Mitsubishi UFJ Financial Group Ratios

The table below presents our consolidated total capital, risk-weighted assets and risk-adjusted capital ratios at March 31, 2010 and 2011. Underlying figures are calculated in accordance with Japanese banking regulations based on information derived from our consolidated financial statements prepared in accordance with Japanese GAAP, as required by the FSA. The percentages in the tables below are rounded down. For further information, see Note 19 to our consolidated financial statements included elsewhere in this Annual Report.

	At March 31, 2010	At March 31, 2011	Minimum capital ratios required
	(in billions, except percentages)		
Capital components:			
Tier I capital	¥ 10,009.6	¥ 9,953.3	
Tier II capital includable as qualifying capital	4,449.6	3,920.5	
Tier III capital includable as qualifying capital			
Deductions from total qualifying capital	(467.4)	(793.0)	
Total risk-based capital	¥ 13,991.8	¥ 13,080.8	
Risk-weighted assets	¥ 94,081.3	¥ 87,804.9	
Capital ratios:			
Tier I capital	10.63%	11.33%	4.00%
Total risk-adjusted capital	14.87	14.89	8.00

Our Tier I capital ratio and total risk-adjusted capital ratio at March 31, 2011 were 11.33% and 14.89%, respectively. The increase in total risk-adjusted capital ratio was mainly due to a decrease in risk weighted assets during the fiscal year ended March 31, 2011 as the amount of our net loans and the value of marketable equity securities decreased. At March 31, 2011, management believed that we were in compliance with all capital adequacy requirements to which we were subject.

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Capital Ratios of Our Major Banking Subsidiaries in Japan

The table below presents the risk-adjusted capital ratios of BTMU and MUTB at March 31, 2010 and 2011. Underlying figures are calculated in accordance with Japanese banking regulations based on information derived from their consolidated and non-consolidated financial statements prepared in accordance with Japanese GAAP, as required by the FSA. The percentages in the table below are rounded down. For further information, see Note 19 to our consolidated financial statements included elsewhere in this Annual Report.

	At March 31,		Minimum capital
	2010	2011	ratios required
Consolidated capital ratios:			
BTMU			
Tier I capital	10.84%	11.42%	4.00%
Total risk-adjusted capital	15.54	15.82	8.00
MUTB			
Tier I capital	12.47	13.02	4.00
Total risk-adjusted capital	16.02	15.93	8.00
Stand-alone capital ratios:			
BTMU			
Tier I capital	11.59	12.09	4.00
Total risk-adjusted capital	16.34	16.61	8.00
MUTB			
Tier I capital	12.09	12.64	4.00
Total risk-adjusted capital	16.10	16.01	8.00

At March 31, 2011, management believes that our banking subsidiaries were in compliance with all capital adequacy requirements to which they were subject.

Capital Requirements for Banking Institutions in the United States

In the United States, UNBC and its banking subsidiary, Union Bank, our largest subsidiaries operating outside Japan, are subject to various regulatory capital requirements administered by US Federal banking agencies, including minimum capital requirements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, they must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under US regulatory accounting practices. Their capital amounts and prompt corrective action classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

In addition, BTMU and MUTB are subject to the Federal Reserve s requirements as foreign banking organizations that have US branches and agencies and that are controlled by us as a financial holding company.

For a detailed discussion of the capital adequacy guidelines applicable to us in the United States, see Item 4.B. Information on the Company Business Overview Supervision and Regulation United States Bank Capital Requirements and Capital Distributions.

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Capital Ratios of Banking Subsidiaries in the United States

The table below presents the risk-adjusted capital ratios of UNBC and Union Bank, both subsidiaries of BTMU, at December 31, 2009 and 2010:

	At December 31,			
	2009	2010	Minimum capital ratios required	Ratios OCC requires to be well capitalized
UNBC:				
Tier I capital (to risk-weighted assets)	11.82%	12.44%	4.00%	
Tier I capital (to quarterly average assets)(1)	9.45	10.34	4.00	
Total capital (to risk-weighted assets)	14.54	15.01	8.00	
Union Bank:				
Tier I capital (to risk-weighted assets)	11.39%	11.53%	4.00%	6.00%
Tier I capital (to quarterly average assets)(1)	9.05	9.55	4.00	5.00
Total capital (to risk-weighted assets)	13.73	13.85	8.00	10.00

Note:
(1) Excludes certain intangible assets.

Management believes that, at December 31, 2010, UNBC and Union Bank met all capital adequacy requirements to which they were subject.

At December 31, 2009 and 2010, the Office of the Comptroller of the Currency, or OCC, categorized Union Bank as well-capitalized. To be categorized as well-capitalized, Union Bank must maintain minimum ratios of Total and Tier I capital to risk-weighted assets and of Tier I capital to quarterly average assets (the Leverage ratio) as set forth in the table. There are no conditions or events since December 31, 2010 that would cause management to believe Union Bank s category has changed.

Capital Requirements for Securities Firms in Japan and Overseas

We have securities subsidiaries in Japan and overseas, which are also subject to regulatory capital requirements. In Japan, the Financial Instruments and Exchange Law of Japan and related ordinances require financial instruments firms to maintain a minimum capital ratio of 120% calculated as a percentage of capital accounts less certain fixed assets, as determined in accordance with Japanese GAAP, against amounts equivalent to market, counterparty credit and operations risks. Specific guidelines are issued as a ministerial ordinance which details the definition of essential components of the capital ratios, including capital, deductible fixed asset items and risks, and related measures. Failure to maintain a minimum capital ratio will trigger mandatory regulatory actions. A capital ratio of less than 140% will call for regulatory reporting and a capital ratio of less than 100% may lead to a suspension of all or part of the business for a period of time and cancellation of registration. Overseas securities subsidiaries are subject to the relevant regulatory capital requirements of the countries or jurisdictions in which they operate.

Capital Adequacy Ratio of MUMSS

On April 1, 2010, MUS became an intermediate holding company and was renamed as Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, whose operating subsidiary succeeded to the former MUS s domestic operations and, on May 1, 2010, succeeded to the investment banking operations conducted in Japan by Morgan Stanley Japan Securities Co., Ltd. and was renamed as Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., or MUMSS. MUMSS is required to meet the capital adequacy ratios.

At March 31, 2010 and 2011, MUMSS capital accounts less certain fixed assets of ¥505.7 billion and ¥250.4 billion represented 348.0% and 219.4% of the total amounts equivalent to market, counterparty credit and operations risks, respectively, as calculated pursuant to the Financial Instruments and Exchange Law of Japan.

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For further information, see Note 19 to our consolidated financial statements included elsewhere in this Annual Report.

Non-exchange Traded Contracts Accounted for at Fair Value

The use of non-exchange traded or over-the-counter contracts provides us with the ability to adapt to the varied requirements of a wide customer base while mitigating market risks. Non-exchange traded contracts are accounted for at fair value, which is generally based on pricing models or quoted market prices for instruments with similar characteristics. Gains or losses on non-exchange traded contracts are included in Trading account profits (losses) net in our consolidated statements of operations included elsewhere in this Annual Report. The following table summarizes the changes in fair value of non-exchange traded contracts for the fiscal years ended March 31, 2010 and 2011:

	Fiscal years ended March 31, 2010	Fiscal years ended March 31, 2011
	(in millions)	
Net fair value of contracts outstanding at beginning of fiscal year	¥ 38,225	¥ 37,138
Changes attributable to contracts realized or otherwise settled during the fiscal year	(8,079)	(6,147)
Fair value of new contracts when entered into during the fiscal year	(3,433)	2,346
Other changes in fair value, principally revaluation at end of fiscal year	10,425	(9,834)
Net fair value of contracts outstanding at end of fiscal year	¥ 37,138	¥ 23,503

During the fiscal year ended March 31, 2011, the fair value of non-exchange traded contracts decreased mainly due to contracts settled during the fiscal year, and a decline in the fair value by the fluctuations of foreign exchange rates or of credit default swaps embedded in collateralized debt obligations.

The following table summarizes the maturities of non-exchange traded contracts at March 31, 2011:

	Net fair value of contracts unrealized gains	
	Prices provided by other external sources	Prices based on models and other valuation methods
	(in millions)	
Maturity less than 1 year	¥ 219	¥ 9,513
Maturity less than 3 years	273	8,941
Maturity less than 5 years	23	1,641
Maturity 5 years or more	(332)	3,225
Total fair value	¥ 183	¥ 23,320

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information

See the discussions in Business Environment, Recent Developments, A. Operating Results and B. Liquidity and Capital Resources.

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E. Off-balance Sheet Arrangements

In the normal course of our business, we engage in several types of off-balance sheet arrangements to meet the financing needs of our customers, including various types of guarantees, commitments to extend credit and commercial letters of credit. The following table summarizes these commitments at March 31, 2011:

	Amount of commitment by expiration period			
	1 year or less	1-5 years	Over 5 years	Total
	(in billions)			
Guarantees:				
Standby letters of credit and financial guarantees	¥ 1,636	¥ 1,052	¥ 904	¥ 3,592
Performance guarantees	1,524	537	152	2,213
Derivative instruments	55,469	86,586	10,608	152,663
Guarantees for the repayment of trust principal[1]				
Liabilities of trust account	4,066	326	539	4,931
Others	130			130
Total guarantees	62,825	88,501	12,203	163,529
Other off-balance sheet instruments:				
Commitments to extend credit	45,810	15,488	843	62,141
Commercial letters of credit	633	8		641
Commitments to make investments	35	49	29	113
Others	16			16
Total other off-balance sheet instruments	46,494	15,545	872	62,911
Total	¥ 109,319	¥ 104,046	¥ 13,075	¥ 226,440

Note:

(1) Effective April 1, 2010, we adopted new guidance that amends the accounting for consolidation of VIEs. As a result, there were no obligations under guarantees for repayment of trust principal at March 31, 2011. See Note 23 to our consolidated financial statements included elsewhere in this Annual Report.

See Note 22 to our consolidated financial statements, included elsewhere in this Annual Report, for a description of the nature of our guarantees and other off-balance sheet instruments.

The contractual amounts of these guarantees and other off-balance sheet instruments represent the amounts at risk if the contracts were to be fully drawn upon as a result of a subsequent default by our customer and a decline in the value of the underlying collateral. Because many of these commitments expire without being drawn upon, the total contractual or notional amounts of these commitments do not necessarily represent our future cash requirements. At March 31, 2011, approximately 48% of these commitments will expire within one year, 46% from one year to five years and 6% after five years. Such risks are monitored and managed as a part of our risk management system as set forth in Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk. We evaluate off-balance sheet arrangements in the manner described in Note 1 to our consolidated financial statements included elsewhere in this Annual Report.

The fees generated specifically from off-balance sheet arrangements are not a dominant source of our overall fees and commissions.

Some of our off-balance sheet arrangements are related to activities of special purpose entities, most of which are variable interest entities, or VIEs. For further information, see Note 23 to our consolidated financial statements included elsewhere in this Annual Report.

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F. Tabular Disclosure of Contractual Obligations

The following table shows a summary of our contractual cash obligations outstanding at March 31, 2011:

	Payments due by period				
	Less than 1 year	1-3 years	3-5 years (in billions)	Over 5 years	Total
Contractual cash obligations:					
Time deposit obligations	¥ 49,516	¥ 9,863	¥ 1,559	¥ 138	¥ 61,076
Long-term debt obligations	1,443	2,856	2,067	6,962	13,328
Capital lease obligations	13	11	4	1	29
Operating lease obligations	78	119	97	355	649
Purchase obligations	28	37	12	27	104
Total(1)(2)	¥ 51,078	¥ 12,886	¥ 3,739	¥ 7,483	¥ 75,186

Notes:

(1) The total amount of expected future pension payments is not included in the above table or the total amount of commitments outstanding at March 31, 2011 as such amount is not currently determinable. We expect to contribute approximately ¥55.3 billion for pension and other benefits for our employees for the fiscal year ending March 31, 2012. For further information, see Note 13 to our consolidated financial statements included elsewhere in this Annual Report.

(2) The above table does not include unrecognized tax benefits and interest and penalties related to income tax associated with the guidance on accounting for uncertainty in income taxes. For further information, see Note 7 to our consolidated financial statements included elsewhere in this Annual Report.

Purchase obligations include any legally binding contractual obligations that require us to spend more than ¥100 million annually under the contract. Purchase obligations in the table primarily include commitments to make investments into corporate recovery or private equity investment funds.

G. Safe Harbor

See the discussion under Forward-Looking Statements.

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Item 6. Directors, Senior Management and Employees.

A. Directors and Senior Management

The following table sets forth the members of our board of directors as of July 1, 2011, together with their respective dates of birth, positions and experience:

Name (Date of Birth)	Position in MUFG	Business Experience	
Takamune Okihara (July 11, 1951)	Chairman	April 1974	Joined Sanwa Bank
		March 2001	Executive Officer of Sanwa Bank
		January 2002	Executive Officer of UFJ Bank
		May 2003	Senior Executive Officer of UFJ Bank
		May 2004	President and CEO of UFJ Bank
		June 2004	Director of UFJ Holdings
		October 2005	Managing Officer of MUFG
		January 2006	Deputy President of BTMU
		April 2008	Deputy Chairman of BTMU (incumbent)
			Retired from Managing officer of MUFG
		June 2010	Chairman of MUFG (incumbent)
Kinya Okauchi (September 10, 1951)	Deputy Chairman and Chief Audit Officer	April 1974	Joined Mitsubishi Trust Bank
		June 2001	Director (Non-Board Member Director) of Mitsubishi Trust Bank
		April 2003	Managing Director (Non-Board Member Director) of Mitsubishi Trust Bank
		March 2004	Managing Director of Mitsubishi Trust Bank
		June 2004	Director of MTFG
		June 2005	Senior Managing Director of Mitsubishi Trust Bank
		October 2005	Director of MUFG
			Senior Managing Director of MUTB
		June 2007	Managing Officer of MUFG
		June 2008	President of MUTB (incumbent)
			Director of MUFG
		April 2010	Deputy Chairman of MUFG (incumbent)
Katsunori Nagayasu (April 6, 1947)	President and CEO	May 1970	Joined Mitsubishi Bank
		June 1997	Director of Bank of Tokyo-Mitsubishi
		June 2000	Retired from Director of Bank of Tokyo-Mitsubishi
			Managing Director of Nippon Trust Bank
		April 2001	Director of MTFG
		October 2001	Managing Director of Mitsubishi Trust Bank
		June 2002	Retired from Managing Director of Mitsubishi Trust Bank
			Managing Director of Bank of Tokyo-Mitsubishi
		April 2004	Director and Managing Officer of MTFG
		June 2004	Managing Officer of MTFG
		January 2005	Senior Managing Director of Bank of Tokyo-Mitsubishi
		May 2005	Deputy President of Bank of Tokyo-Mitsubishi
		October 2005	Managing Officer of MUFG
		December 2005	Retired from Managing Officer of MUFG
		January 2006	Deputy President of BTMU
		June 2006	Deputy President of MUFG
		April 2008	Director of MUFG
			President of BTMU (incumbent)

April 2010	President and CEO of MUFG (incumbent)

Name (Date of Birth)	Position in MUFG		Business Experience
Tatsuo Tanaka (September 19, 1949)	Deputy President and Chief Global Strategy Officer	April 1973	Joined Bank of Tokyo
		June 2001	Non-Board Member Director of Bank of Tokyo-Mitsubishi
		May 2004	Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi
		January 2006	Managing Executive Officer of BTMU
		April 2008	Senior Managing Executive Officer of BTMU Managing Officer of MUFG
		June 2008	Deputy President of BTMU
		June 2011	Retired from Deputy President of BTMU Deputy President of MUFG (incumbent)
Nobuyuki Hirano (October 23, 1951)	Deputy President and Chief Strategic Alliance Officer	April 1974	Joined Mitsubishi Bank
		June 2001	Non-Board Member Director of Bank of Tokyo-Mitsubishi
		July 2004	Executive Officer of MTFG
		May 2005	Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi
		June 2005	Managing Director of Bank of Tokyo-Mitsubishi Director of MTFG
		October 2005	Director of MUFG
		January 2006	Managing Director of BTMU
		October 2008	Senior Managing Director of BTMU
		June 2009	Deputy President of BTMU (incumbent) Managing Officer of MUFG
		June 2010	Director of MUFG
		October 2010	Deputy President of MUFG (incumbent)
Taihei Yuki (October 3, 1952)	Senior Managing Director and Chief Financial Officer	April 1977	Joined Mitsubishi Trust Bank
		June 2004	Director (Non-Board Member Director) of Mitsubishi Trust Bank
		October 2005	Executive Officer of MUTB
		June 2006	Managing Executive Officer of MUTB
		June 2007	Managing Director of MUTB Director of MUFG
		June 2008	Managing Officer of MUFG
		June 2009	Senior Managing Director of MUTB
		June 2010	Retired from Managing Officer of MUFG
		June 2011	Retired from Senior Managing Director of MUTB Director of BTMU (incumbent) Senior Managing Director of MUFG (incumbent)
Ichiro Hamakawa (February 6, 1956)	Managing Director and Chief Planning Officer	April 1978	Joined Sanwa Bank
		May 2005	Executive Officer of UFJ Holdings
		October 2005	Executive Officer of MUFG Executive Officer of UFJ Bank
		December 2005	Retired from Executive Officer of MUFG
		January 2006	Executive Officer of BTMU
		January 2009	Managing Executive Officer of BTMU
		May 2011	Retired from Managing Executive Officer of BTMU Managing Officer of MUFG
		June 2011	Director of MUTB (incumbent) Managing Director of MUFG (incumbent)

Name (Date of Birth)	Position in MUFG		Business Experience
Masao Hasegawa (April 20, 1955)	Managing Director and Chief Compliance and Risk Officer	April 1979	Joined Bank of Tokyo
		May 2005	Managing Director & General Manager of Bank of Tokyo-Mitsubishi (Holland) N.V.
		January 2006	Managing Director & General Manager of Bank of Tokyo-Mitsubishi UFJ (Holland) N.V
		April 2008	Executive Officer of BTMU
		May 2008	Executive Officer of MUFG
		May 2010	Retired from Executive Officer of BTMU Managing Officer of MUFG
		June 2010	Director of MUSHD (incumbent) Managing Director of MUFG (incumbent)
Toshiro Toyoizumi (October 26, 1949)	Director	April 1973	Joined Mitsubishi Bank
		June 2001	Non-Board Member Director of Bank of Tokyo-Mitsubishi
		May 2004	Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi
		January 2006	Managing Executive Officer of BTMU
		June 2007	Managing Officer of MUFG
		April 2008	Senior Managing Executive Officer of BTMU
		May 2009	Retired from Managing Officer of MUFG
		June 2009	Deputy President of BTMU
		May 2010	Managing Officer of MUFG
		April 2011	Retired from Deputy President of BTMU Retired from Managing Officer of MUFG President & CEO of MUSHD (incumbent) President & CEO of MUMSS (incumbent)
		June 2011	Director of MUFG (incumbent)
Shunsuke Teraoka (December 4, 1953)	Director	April 1976	Joined Toyo Trust Bank
		May 2002	Executive Officer of UFJ Trust Bank
		May 2004	Director and Executive Officer of UFJ Trust Bank
		May 2005	Director and Senior Executive Officer of UFJ Trust Bank
		October 2005	Managing Executive Officer of MUTB
		June 2008	Senior Managing Director of MUTB
		June 2010	Deputy President of MUTB (incumbent) Director of MUFG (incumbent)
Tatsuo Wakabayashi (September 29, 1952)	Director	April 1977	Joined Mitsubishi Trust Bank
		June 2004	Director (Non-Board Member Director) of Mitsubishi Trust Bank
		October 2005	Executive Officer of MUTB
		June 2006	Managing Executive Officer of MUTB
		June 2008	Managing Director of MUTB
		June 2009	Senior Managing Director of MUTB (incumbent)
		June 2010	Managing Officer of MUFG
		June 2011	Director of MUFG (incumbent)

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Name (Date of Birth)	Position in MUFG		Business Experience
Takashi Oyamada (November 2, 1955)	Director	April 1979	Joined Mitsubishi Bank
		June 2005	Executive Officer of MTFG Non-Board Member Director of Bank of Tokyo-Mitsubishi
		October 2005	Executive Officer of MUFG
		January 2006	Executive Officer of BTMU
		January 2009	Managing Executive Officer of BTMU
		June 2009	Managing Director of BTMU (incumbent) Director of MUFG (incumbent)
Hiroyuki Noguchi (May 7, 1958)	Director	April 1981	Joined Tokai Bank
		January 2006	General Manager, Chiba-Chuo Commercial Banking Office of BTMU
		September 2006	General Manager, Shintomicho Commercial Banking Office of BTMU
		May 2009	General Manager, Nihonbashi-Chuo Commercial Banking Office of BTMU
		June 2009	Executive Officer of BTMU
		May 2011	Retired from Executive Officer of BTMU
		June 2011	Senior Executive Officer of MUSHD Senior Executive Officer of MUMSS Managing Director of MUMSS (incumbent) Managing Director of MUSHD (incumbent) Director of MUFG (incumbent)
Ryuji Araki (January 29, 1940)	Director	April 1962	Joined the Toyota Motor Co., Ltd.
		September 1992	Director, Member of the Board of TOYOTA MOTOR CORPORATION (TOYOTA)
		June 1997	Managing Director, Member of the Board of TOYOTA
		June 1999	Senior Managing Director, Member of the Board of TOYOTA
		June 2001	Vice President, Member of the Board and Representative Director of TOYOTA
		June 2002	Auditor of Aioi Insurance Company Limited. (Aioi Insurance)
		June 2005	Senior Advisor to the Board of TOYOTA Chairman and Representative Director of Aioi Insurance Chairman of TOYOTA FINANCIAL CORPORATION. (TFS)
		June 2007	Advisor of TFS
		June 2008	Advisor of TOYOTA (incumbent) Advisor of Aioi Insurance
		June 2009	Retired from Advisor of TFS Director of MUFG (incumbent)
		October 2010	Advisor of Aioi Nissay Dowa Insurance Co., Ltd. (incumbent)

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Name (Date of Birth)	Position in MUFG		Business Experience
Kazuhiro Watanabe	Director	April 1974	Public Prosecutor, Tokyo District Public Prosecutors Office
(May 19, 1947)		July 1998	Assistant Vice-minister of Justice (Deputy Director-General for Criminal Affairs Bureau)
		April 2001	Public Prosecutor, Supreme Public Prosecutors Office