MITSUBISHI UFJ FINANCIAL GROUP INC
Form 20-F
August 16, 2010
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As filed with the Securities and Exchange Commission on August 16, 2010

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, 2010

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

¥120,000,000,000 Fixed/Floating Rate Non-Cumulative Preferred Securities of MUFG Capital Finance 3 Limited, and Mitsubishi UFJ Financial Group, Inc. s Guarantee thereof

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, 2010, (1) 14,148,414,920 shares of common stock (including 21,069,229 shares of common stock held by the registrant and its consolidated subsidiaries as treasury stock), (2) 100,000,000 shares of first series of class 3 preferred stock, (3) 156,000,000 shares of first series of class 5 preferred stock, and (4) 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. 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. On October 1, 2005, Mitsubishi Tokyo Financial Group, Inc., or MTFG, merged with UFJ Holdings, Inc. with MTFG being the surviving entity. Upon consummation of the merger, MTFG changed its name to Mitsubishi UFJ Financial Group, Inc., or MUFG. The merger was accounted for under the purchase method of accounting, and the assets and liabilities of UFJ Holdings and its subsidiaries were recorded at fair value as of October 1, 2005. Therefore, numbers as of March 31, 2006 reflect the financial position of MUFG while numbers for the fiscal year ended March 31, 2006 comprise the results of MTFG and its subsidiaries for the six months ended September 30, 2005 and the results of MUFG from October 1, 2005 to March 31, 2006. Numbers as of and for the fiscal years ended March 31, 2007, 2008, 2009 and 2010 reflect the financial position and results of MUFG.

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,				
	2006	2007	2008	2009	2010
	(in millions, except per share data and number of shares)				
Statement of operations data:					
Interest income	¥ 2,530,682	¥ 3,915,729	¥ 4,366,811	¥ 3,895,794	¥ 2,758,504
Interest expense	882,069	1,585,963	2,087,094	1,599,389	774,400
Net interest income	1,648,613	2,329,766	2,279,717	2,296,405	1,984,104
Provision for credit losses	110,167	358,603	385,740	626,947	647,793
Net interest income after provision for credit losses	1,538,446	1,971,163	1,893,977	1,669,458	1,336,311
Non-interest income	1,067,352	1,947,936	1,778,114	175,099	2,453,865
Non-interest expense	1,918,903	2,767,253	3,620,336	3,608,784	2,508,060
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accountings principle	686,895	1,151,846	51,755	(1,764,227)	1,282,116
Income tax expense (benefit)	165,473	552,826	553,045	(259,928)	407,040
Income (loss) from continuing operations	521,422	599,020	(501,290)	(1,504,299)	875,076
Income (loss) from discontinued operations net	14,580	(1,251)	(2,670)		
Cumulative effect of a change in accounting principle, net of tax[1]	(9,662)				
Net income (loss) before attribution of noncontrolling interests	526,340	597,769	(503,960)	(1,504,299)	875,076
Net income (loss) attributable to noncontrolling interests	162,829	16,481	38,476	(36,259)	15,257
Net income (loss) attributable to Mitsubishi UFJ Financial Group	¥ 363,511	¥ 581,288	¥ (542,436)	¥ (1,468,040)	¥ 859,819
Net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	¥ 156,842	¥ 300,227	¥ (557,014)	¥ (1,491,593)	¥ 838,141
Amounts per share:					
Basic earnings (loss) per common share income (loss) from continuing operations available to common shareholders of Mitsubishi UFJ Financial Group before cumulative effect of a change in accounting principle	¥ 18.70	¥ 29.98	¥ (53.79)	¥ (137.84)	¥ 68.01
Basic earnings (loss) per common share net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	19.31	29.86	(54.05)	(137.84)	68.01
Diluted earnings (loss) per common share income (loss) from continuing operations available to common shareholders of Mitsubishi UFJ Financial Group before cumulative effect of a change in accounting principle	18.34	29.80	(53.79)	(137.84)	67.87
Diluted earnings (loss) per common share net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	18.95	29.68	(54.05)	(137.84)	67.87
Number of shares used to calculate basic earnings (loss) per common share (in thousands)	8,120,732	10,053,408	10,305,911	10,821,091	12,324,315
Number of shares used to calculate diluted earnings (loss) per common share (in thousands)	8,120,733[2]	10,053,409[2]	10,305,911	10,821,091	12,332,681[2]
Cash dividends per share declared during the fiscal year:					
Common stock	¥ 9.00	¥ 9.00	¥ 13.00	¥ 14.00	¥ 11.00
	$ 0.08	$ 0.08	$ 0.11	$ 0.14	$ 0.12
Preferred stock (Class 1)	¥ 41.25				
	$ 0.37				
Preferred stock (Class 3)	¥ 37.07	¥ 60.00	¥ 60.00	¥ 60.00	¥ 60.00
	$ 0.31	$ 0.52	$ 0.51	$ 0.61	$ 0.65
Preferred stock (Class 5)					¥ 100.50
					$ 1.10
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
	$	0.07	$	0.05	$	0.05	$	0.06
Preferred stock (Class 12)	¥	17.25	¥	11.50	¥	11.50		
	$	0.15	$	0.10	$	0.12		

	At March 31, 2006	2007	2008	2009	2010
	(in millions)				
Balance sheet data:					
Total assets	¥ 188,749,117	¥ 188,929,469	¥ 195,766,083	¥ 193,499,417	¥ 200,084,397
Loans, net of allowance for credit losses	94,494,608	94,210,391	97,867,139	99,153,703	90,870,295
Total liabilities(3)	178,013,972	177,611,175	186,612,152	187,032,297	190,981,557
Deposits	126,639,931	126,587,009	129,240,128	128,331,052	135,472,496
Long-term debt	13,889,525	14,389,930	13,675,250	13,273,288	14,162,424
Total equity(3)	10,735,145	11,318,294	9,153,931	6,467,120	9,102,840
Capital stock(4)	1,084,708	1,084,708	1,084,708	1,127,552	1,643,238

	Fiscal years ended March 31, 2006	2007	2008	2009	2010
	(in millions, except percentages)				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other financial data:					
Average balances:					
Interest-earning assets	¥ 135,385,329	¥ 168,767,341	¥ 172,467,323	¥ 173,242,745	¥ 175,465,293
Interest-bearing liabilities	118,120,185	146,796,013	156,151,982	156,084,859	158,156,363
Total assets	161,481,516	188,311,147	197,946,692	196,214,390	195,562,072
Total equity(3)	7,847,830	10,799,391	10,038,425	8,069,262	7,861,277
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Return on equity and assets:					
Net income (loss) available to common shareholders as a percentage of total average assets	0.10%	0.16%	(0.28)%	(0.76)%	0.43%
Net income (loss) available to common shareholders as a percentage of total average equity(3)	2.00%	2.78%	(5.55)%	(18.48)%	10.66%
Dividends per common share as a percentage of basic earnings per common share	46.60%	30.14%	(5)	(5)	16.17%
Total average equity as a percentage of total average assets(3)	4.86%	5.73%	5.07%	4.11%	4.02%
Net interest income as a percentage of total average interest-earning assets	1.22%	1.38%	1.32%	1.33%	1.13%
Credit quality data:					
Allowance for credit losses	¥ 1,012,227	¥ 1,112,453	¥ 1,134,940	¥ 1,156,638	¥ 1,315,615
Allowance for credit losses as a percentage of loans	1.06%	1.17%	1.15%	1.15%	1.43%
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	¥ 2,044,678	¥ 1,699,500	¥ 1,679,672	¥ 1,792,597	¥ 2,007,619
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	2.14%	1.78%	1.70%	1.79%	2.18%
Allowance for credit losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	49.51%	65.46%	67.57%	64.52%	65.53%
Net loan charge-offs	¥ 136,135	¥ 262,695	¥ 355,892	¥ 576,852	¥ 468,400
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net loan charge-offs as a percentage of average loans	0.19%	0.27%	0.37%	0.58%	0.49%
Average interest rate spread	1.12%	1.24%	1.19%	1.23%	1.08%
Risk-adjusted capital ratio calculated under Japanese GAAP(6)	12.20%	12.54%	11.19%	11.77%	14.87%

Notes:

(1) Effective March 31, 2006, we adopted new accounting guidance regarding conditional asset retirement obligations.

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

(3) 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, 2006 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.

(4) Amounts include common shares. Redeemable Class 1, 3 and 5 Preferred Stock are excluded.

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

(6) 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 August 6, 2010, the noon buying rate was ¥85.25 to US$1.00 and the inverse noon buying rate was US$1.17 to ¥100.00.

	Year 2010					
	March	**April**	**May**	**June**	**July**	**August(1)**
High	¥ 93.40	¥ 94.51	¥ 94.68	¥ 92.33	¥ 88.59	¥ 86.42
Low	¥ 88.43	¥ 92.03	¥ 89.89	¥ 88.39	¥ 86.40	¥ 85.25

Note:
(1) Period from August 1, 2010 to August 6, 2010.

	Fiscal years ended March 31,				
	2006	**2007**	**2008**	**2009**	**2010**
Average (of month-end rates)	¥ 113.67	¥ 116.55	¥ 113.61	¥ 100.85	¥ 92.49

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

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

We have been, and may continue to be, affected by the weak global economy. Despite some signs of a slow recovery, the global economy remains susceptible to developments in various economic and political areas. For example, the recent sovereign credit crises in some European Union member states and the political instabilities in some parts of Asia have raised serious concerns of another global financial downturn. If the current weakness in the global economy continues or worsens, the availability of credit may remain limited or become further limited, and some of our borrowers may default on their loan obligations to us, increasing our credit losses. 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 linked notes. The notional amounts of these protections sold as of March 31, 2010 were ¥2.9 trillion, ¥0.9 trillion and ¥0.2 trillion, respectively. In addition, if credit market conditions remain stagnant or 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.

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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 deteriorating market conditions. For example, declines in fair value of our investment securities, particularly equity investment securities, resulted in our recording impairment losses of ¥1,543.8 billion, ¥858.9 billion and ¥117.5 billion for each of the three fiscal years ended March 31, 2010. As of March 31, 2010, 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. 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 1.70% to 2.18% as of the five recent fiscal year-ends. The percentage increased to 2.18% as of March 31, 2010 compared to the previous year-end mainly due to downgrades in the credit ratings of borrowers in the domestic manufacturing, communication and information services, wholesale and retail, services and other industry segments and the foreign governments and official institutions segment. In particular, as of March 31, 2010, our domestic loans accounted for 78.1% of our total loans outstanding, and the domestic portion of our nonaccrual and restructured loans and accruing loans contractually past due 90 days or more accounted for 85.3% of the total of such loans. 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. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Financial Condition and Selected Statistical Data Loan Portfolio.

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. 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, 2010, the notional amount of the credit default swaps we sold was

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¥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 23 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, as a result of the weakening of the financial condition of borrowers, especially in the manufacturing, wholesale and retail, and other industry segments, provision for credit losses increased to ¥647.8 billion for the fiscal year ended March 31, 2010 from ¥626.9 billion for the fiscal year ended March 31, 2009. As of March 31, 2010, our allowance for credit losses as a percentage of loans increased to 1.43% compared to 1.15% as of March 31, 2009, since the allowance for credit losses increased due to the credit quality deterioration of borrowers in those segments, whereas our total outstanding loans decreased. 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. Operating and Financial Review and Prospects B. 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 8.3% of our total investment securities portfolio, or 2.2% of our total assets, as of March 31, 2010, a decrease from 10.9% and an increase from 2.0% as of March 31, 2009, respectively. The Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, declined from ¥11,244.40 at April 1, 2010 to ¥9,572.49 at August 9, 2010, mainly reflecting investor sentiment that remains cautious in light of uncertainties surrounding the global financial and capital markets. If stock market prices further decline or do not improve, we may incur additional losses on our securities portfolio. 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. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Capital Adequacy and Selected Statistical Data Investment Portfolio.

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, 2008, 2009 and 2010, 71.8%, 73.9% and 74.5% of our total assets were related to Japanese domestic assets, respectively, including Japanese national government and Japanese government agency bonds which accounted for 45.2%, 69.8% and 75.8% of our total investment securities portfolio. Moreover, approximately three quarters of our total interest and non-interest income related to Japanese domestic income.

During the fiscal year ended March 31, 2010, although there were early signs of a recovery of economic conditions in Japan from the recent global recession that began in the second half of 2008, a number of factors still remain that could thwart the recovery of, or lead to another downturn in the Japanese economy. For example, between April 15, 2010 and July 1, 2010, the Nikkei Stock Average declined from ¥11,273.79 to ¥9,191.60. In addition, Japan s real gross domestic product decreased 2.0 percentage points in the fiscal year ended March 31, 2010, which was a continuing decrease for the second consecutive year. Japan s consumer price index for March 2010 decreased 1.2 percentage points year-on-year, and Japan s unemployment rate for March 2010 rose 0.2 percentage points year-on-year to 5.0%. Japan s economic recovery may be further influenced by increased

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uncertainties surrounding the Japanese political environment, particularly after the ruling Democratic Party lost control of the upper house of the Japanese Diet in the national elections in July 2010. Due to the high concentration of our investment portfolio in Japanese national government and Japanese government agency bonds, significant interest rate fluctuations, and resulting price fluctuations in those securities, may adversely affect our capital ratios. In addition, the economic conditions in Japan are affected by changes in the global economy, which also have a direct impact on our foreign operations. If the economic conditions in Japan or globally remain stagnant or deteriorate, we may report losses on our Japanese national government and Japanese government agency bonds as well as Japanese equity securities. For a further discussion of our results of operations on a geographic basis, see Item 5. Operating and Financial Review and Prospects A. Operating Results Geographic Segment Analysis. Deteriorating or stagnant economic conditions may also result in a decrease in the volume in financial transactions in general, which in turn may reduce our income from fees and commissions. For example, our income from fees and commission decreased to ¥1,139.5 billion for the fiscal year ended March 31, 2010 from ¥1,188.5 billion for the previous fiscal year mainly due to lower transaction volume.

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

In an effort to better cope with the rapidly changing global business and regulatory environment, we have recently entered into, and plan to continue to seek opportunities for, arrangements to strengthen our global strategic alliance with Morgan Stanley. In May 2010, we and Morgan Stanley created two joint venture securities companies in Japan, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., or MUMSS, and Morgan Stanley MUFG Securities Co., Ltd., or MSMS. We and Morgan Stanley integrated our respective securities subsidiaries in Japan, Mitsubishi UFJ Securities Co., Ltd., or MUS, and Morgan Stanley Japan Securities Co., Ltd., to establish the two joint venture companies. We hold a 60% economic interest in each of MUMSS and MSMS through Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, an intermediate holding company, and Morgan Stanley indirectly holds a 40% economic interest in each of MUMSS and MSMS. We hold a 60% voting interest through MUSHD and Morgan Stanley indirectly holds a 40% voting interest in MUMSS, while we hold a 49% voting interest through MUSHD and Morgan Stanley indirectly holds a 51% voting interest in MSMS. Because MUS s business represented our core securities business in Japan prior to the formation of the joint venture companies, and because the joint venture companies will be the primary channel through which our retail and wholesale securities business will be conducted, the failure of the joint venture companies to achieve their intended goals due to unanticipated difficulties in integrating their IT or internal control systems or personnel, or the inability to cross-sell products and services as expected, could negatively affect our retail and wholesale securities business.

In addition, we hold an approximately 20% interest (on a fully diluted basis) in Morgan Stanley. With our current interest in Morgan Stanley, we cannot control its operations and assets or make major decisions without the consent of other shareholders. Thus, Morgan Stanley may make a decision that is inconsistent with our interests. Although we do not control Morgan Stanley, given the magnitude of investment that we have made, if Morgan Stanley encounters financial or other business difficulties, we may suffer a financial loss on our investment or damage to our reputation.

For a more detailed discussion of our joint ventures with, and investment in, Morgan Stanley, see Item 4.B. Information on the Company Business Overview and 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.

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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. 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 may also have a further negative impact on the business of consumer finance companies as those new regulations require, among other things, consumer finance companies to review the repayment capability of borrowers before making loans to individual borrowers, thereby limiting the amount of borrowing available to those borrowers.

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. As of March 31, 2009 and 2010, we had ¥77 billion and ¥84 billion of allowance for repayment of excess interest, respectively. For the fiscal years ended March 31, 2009 and 2010, we recorded provisions for repayment of excess interest of ¥47.9 billion and ¥44.8 billion, respectively. For the same periods, one of our equity method investees engaged in consumer lending had a negative impact of ¥15.8 billion and ¥23.1 billion, respectively, on equity in losses of equity method investees in our consolidated statement of operations.

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 Co., Ltd., and separately, in October 2008, increased our interest in an equity method investee, ACOM CO., LTD. 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 22.9% of our total assets as of March 31, 2010. In particular, the Japanese government and Japanese government agency bonds accounted for 20.2% of our total assets as of March 31, 2010. 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 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, 2010, the average balance of our foreign interest-bearing assets was ¥47.6 trillion and the average balance of our foreign interest-bearing liabilities was ¥33.7 trillion, representing 27.1% 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, 2010, 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 ¥216.7 billion, compared to net foreign exchange losses of ¥206.2 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, 2010 was ¥92.85 per US$1.00, compared to the average exchange rate for the fiscal year ended March 31, 2009 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 from continuing operations before income tax expense by ¥78.3 billion, respectively, for the fiscal year ended March 31, 2010. For more information on foreign exchange gains and losses and foreign currency translation gains and losses, see Item 5. Operating and Financial Review and Prospects A. 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. Union Bank has historically contributed to a significant portion of our net income. UNBC reported net income of $608.1 million and $269.9 million for the fiscal years ended December 31, 2007 and 2008, and a net loss of $65.0 million for the fiscal year ended December 31, 2009. Compared to fiscal years prior to the fiscal year ended March 2009, any adverse developments which could arise at Union Bank will have a greater negative impact on our results of operation and financial condition, because Union Bank became, through UNBC, our wholly owned subsidiary in November 2008 compared with approximately 64% ownership in prior years. Moreover, 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 include adverse economic conditions in California, including the downturn in the real estate and housing industries in California, substantial competition in the California banking market, uncertainty over the US economy, the threat of terrorist attacks, fluctuating oil prices, rising interest rates, negative trends in debt ratings, and 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.

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. Many banks, securities companies, insurance companies and other financial institutions, especially US and European institutions, continue to face significant pressure due to declining asset quality as a result of the continuing weakness of the global financial markets and due to legislative and regulatory developments affecting them. 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 continue to 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, 2010, with the percentage increasing from 7.5% to 7.7% between March 31, 2009 and 2010. 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 general equity investment securities portfolio. In addition, we held an approximately 20% interest in Morgan Stanley on a fully diluted basis as of March 31, 2010. 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 ¥4.1 trillion as of March 31, 2010.

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; 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

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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, whose economies 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. Some emerging market countries may also change their monetary or other economic policies in response to political instabilities or pressures, which are difficult to predict. As of March 31, 2010, 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 ¥15.8 trillion, ¥8.4 trillion and ¥5.2 trillion, representing 7.9%, 4.2% and 2.6% of our total assets. See Item 5. Operating and Financial Review and Prospects B. 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. For example, 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, new regulations relating to the consumer lending business which became effective in June 2010 impose, among other things, stricter requirements for consumer finance companies in Japan to review the repayment capabilities of borrowers before lending, thereby limiting the amount of borrowing available to individual borrowers, which in turn may negatively affect 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 operations with entities in or affiliated with Iran and Syria, including transactions with entities owned or controlled by the Iranian or Syrian governments, and the banking subsidiary has a representative office in Iran. The US Department of State has designated Iran, Syria and other countries as state sponsors of terrorism, and US law generally prohibits US persons from doing business with such countries. Our activities with counterparties in or affiliated with Iran, Syria and other countries designated as state sponsors of terrorism are conducted in compliance in all material respects with both applicable Japanese and US regulations.

Our operations with entities in Iran consist primarily of loans for petroleum projects and trade financing for general commercial purposes, as well as letters of credit and foreign exchange services. Our operations relating to Syria are primarily foreign exchange services. We do not believe our operations relating to Iran and Syria are material to our business or financial condition. As of March 31, 2010, the loans outstanding to borrowers in or affiliated with Iran were approximately $48.0 million, which represented less than 0.01% of our total assets, and we did not have any loans outstanding to the financial institutions specifically listed by the US government. We did not have any loans outstanding with entities in or affiliated with Syria, including the financial institutions specifically listed by the US government. In addition, we 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 US 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, Syria and other countries identified as state sponsors of terrorism. It is also possible that such initiatives may result in our being unable to gain or retain entities subject to such prohibitions as customers or as 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. The US government has recently enacted new legislation designed to limit economic and financial transactions with Iran. This or any similar legislative developments initiated by the US government may further restrict our business operations, and our failure to comply may result in regulatory action against us.

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, 2010, our total risk-adjusted capital ratio was 14.87% compared to the minimum risk-adjusted capital ratio required of 8.00%, and our Tier I capital ratio was 10.63% 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;

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adverse changes in foreign currency exchange rates; or

other adverse developments discussed in these risk factors.

In December 2009, the Basel Committee on Banking Supervision released proposals designed to strengthen global capital and liquidity regulations. The various proposals, if adopted, could impose stricter capital requirements and new liquidity requirements on global financial institutions such as us. If the proposals, including any new proposals released thereafter, are adopted, the Japanese capital ratio framework is expected to be revised in substantial conformity with them, thereby imposing possibly more stringent requirements on Japanese financial institutions, including us.

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. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Capital Adequacy.

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

In accordance with US GAAP, we have accounted for our acquisitions using the purchase 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.

The recent global financial crisis and recession led to the 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 ¥893.7 billion, ¥845.8 billion and ¥0.5 billion of goodwill impairment charges for the fiscal years ended March 31, 2008, 2009 and 2010, respectively. As of March 31, 2010, the balance of goodwill was ¥381.5 billion.

We may be required to record additional impairment charges 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 charges will negatively affect our financial results, and the price of our securities could be adversely affected. For a detailed discussion of the goodwill recorded and our periodic testing of goodwill for impairment, see Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates Accounting for Goodwill and Intangible Assets and Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Financial Condition Goodwill.

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.

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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.

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 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 April 1, 2004, we implemented a new integrated business group system, which currently integrates the operations of BTMU, MUTB and MUSHD and MUMSS into the following three areas Retail, Corporate, and Trust Assets. This new measure was intended to enhance synergies by promoting more effective and efficient collaboration between our subsidiaries.

On July 1, 2005, MTFG made Mitsubishi Securities Co., Ltd., 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.

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 a wholly owned subsidiary of MUFG through a share exchange transaction.

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.

On October 13, 2008, we made an investment in Morgan Stanley as part of a global strategic alliance. We beneficially own approximately 20% of the common stock of Morgan Stanley (assuming full conversion of the convertible preferred stock of Morgan Stanley we currently own), and are pursuing a variety of business opportunities in Japan and abroad.

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 April 1, 2010, the former MUS was renamed MUSHD, and a newly created operating subsidiary of MUSHD succeeded to the former MUS s domestic operations, as a result of a corporate split transaction.

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On May 1, 2010, the new operating subsidiary of MUSHD succeeded to the investment banking operations conducted in Japan by Morgan Stanley Japan Securities Co., Ltd., as a joint venture company of Morgan Stanley and us, which was renamed MUMSS.

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.

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 4-1, 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, MUS became an intermediate holding company by spinning off its business operations to a wholly owned operating subsidiary established in December 2009. Upon the consummation of the corporate spin-off transaction, MUS was renamed Mitsubishi UFJ Securities Holdings Co., Ltd. and the operating subsidiary was renamed Mitsubishi UFJ Securities Co., Ltd.

MUS was formed through the merger between Mitsubishi Securities Co., Ltd. and UFJ Tsubasa Securities Co., Ltd. on October 1, 2005, with Mitsubishi Securities 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.

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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 and Item 5. Operating and Financial Review and Prospects Recent Developments.

MUMSS engages in underwriting and brokerage of securities, mergers and acquisitions, derivatives, corporate advisory and securitization operations. In addition to its own independent branches, MUMSS serves individual customers of BTMU and MUTB through a network of MUFG Plazas, which provide individual customers with one-stop access to services and products offered by MUMSS, BTMU and MUTB.

In the securities business, MUMSS offers its customers a wide range of investment products. The equity sales staff members provide services to clients ranging from individual investors to institutional investors in Japan and abroad. Through derivative products, MUMSS provides solutions to meet customers risk management needs. MUMSS also offers structured bonds utilizing various types of derivatives in response to customers investment needs. In the investment trust business, MUMSS provides its retail and corporate customers a wide variety of products. MUMSS also offers investment banking services in such areas as bond underwriting, equity underwriting, initial public offerings, support for IR activities, securitization of assets and mergers and acquisitions. MUMSS has research functions and provides in-depth company and strategy reports.

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.

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 ¥200 trillion as of March 31, 2010. The Group is comprised of BTMU, MUTB, MUMSS, 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.

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While maintaining the corporate cultures and core competencies of BTMU, MUTB, MUMSS 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 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. 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. 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 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

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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. Many 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 without a maximum amount limitation.

We also 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 loan trusts and money trusts, and other investment products, such as investment trusts, performance-based money 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 varied 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, 2010, BTMU offered a total of five new investment trusts. As of the end of March 2010, BTMU offered our clients a total of 73 investment trusts. Moreover, BTMU has placed significant importance on ensuring that aftercare is provided to all of our customers who have purchased our investment trust products.

Insurance. Since the Japanese government lifted the prohibition against sales of annuity insurance products by banks in October 2002, we have been actively offering insurance products to meet the needs of our customers. Our current lineup of insurance products consists of investment-type individual annuities, foreign currency-denominated insurance annuities and yen-denominated fixed-amount annuity insurance. Additionally, since January 2005, we have been offering single premium term insurance. BTMU has been offering life, medical and cancer insurance since December 2007, care insurance since April 2008 and car insurance since July 2009. As of March 31, 2010, BTMU offers 13 varieties of life insurance products (five life insurance, three medical insurance, three cancer insurance products, one endowment insurance, one educational insurance) at 466 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. Our banking subsidiaries entered the securities industry following the lifting of the ban on securities intermediation by banks in Japan in December 2004, when we started offering financial products intermediation services through BTMU and MUTB and with the former MUS acting as an agent. We have expanded this service through BTMU with three MUFG securities companies (MUMSS, Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd., and kabu.com Securities Co., Ltd.) acting as agents and through MUTB with MUMSS acting as an agent. 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, 2010, BTMU employed approximately 440 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 180 of the 440 were assigned to branches in Japan as sales representatives, approximately 170 employees were employed in the capacity of Retail Money Desk, or RMD, representatives to assist the branch sales force, and the remaining 90 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, 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. Since November 2007, BTMU has been offering 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.

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.

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 2010, we provided those services through 47 MUFG Plazas.

To provide exclusive membership services to high net worth individual customers, private banking offices have been established since December 2006 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, 2010, we had 28 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 it 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 one million accounts and ¥154 billion in deposit balance as of March 31, 2010.

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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, 2010, 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. In October 2006, BTMU accepted approximately 30 financial consultants (sales managers specializing in inheritance business) from MUTB. 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 as well as UNBC. UNBC is a wholly owned subsidiary of BTMU and a US bank holding company with Union Bank being its primary subsidiary. On December 18, 2008, Union Bank changed its name to the current name from Union Bank of California, N.A. 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 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.

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.

Global Businesses

Our global Corporate and Investment Banking business, or Global CIB, primarily serves large corporations, financial institutions, and sovereign and multinational organizations with a comprehensive set of solutions for their financing needs. Global CIB generated about 20% of our net operating profit for the fiscal year ended March 31, 2010. Spearheaded by Group Head of Integrated Corporate Banking Business Group based in Tokyo, our operations are predominantly located in the world s primary financial centers, including New York, London, Singapore and Hong Kong. With our global reach, we provide a full range of services, including commercial banking services such as loans, deposits and cash management services, corporate banking services such as providing credit commitments and arranging the issuance of asset-backed commercial paper, and 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, Global CIB establishes a client-oriented coverage business model and coordinates our product experts who can offer innovative finance services all around the world.

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 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, as well as nationally and internationally.

Global Strategic Alliance with Morgan Stanley. In May 2010, pursuant to definitive agreements entered into in March 2010, we and Morgan Stanley formed two joint ventures in Japan by integrating our respective Japanese securities companies engaged in investment banking and securities businesses. We converted the wholesale and retail securities businesses conducted in Japan by the former MUS into one of the joint venture entities which is named Mitsubishi UFJ Morgan Stanley Securities, Co., Ltd., or MUMSS. Morgan Stanley contributed the investment banking operations conducted in Japan by its formerly wholly-owned subsidiary, Morgan Stanley Japan Securities Co., Ltd., or MSJS, into MUMSS and converted the sales and trading and capital markets businesses conducted in Japan by MSJS into a second joint venture entity called Morgan Stanley MUFG Securities, Co., Ltd., or MSMS. Following the respective contributions to the joint venture companies and a cash payment of ¥26 billion from us to Morgan Stanley at the closing of the transaction (subject to certain post-closing cash adjustments), we hold a 60% economic interest in each of the joint venture entities through Mitsubishi UFJ Securities Holdings Co., Ltd or MUSHD, our intermediate holding company, and Morgan Stanley indirectly holds a 40% economic interest in each of the joint venture companies. We hold a 60% voting interest through MUSHD and Morgan Stanley indirectly holds a 40% voting interest in MUMSS, while we hold a 49% voting interest through MUSHD and Morgan Stanley indirectly holds a 51% voting interest in 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. For a more detailed discussion on the Global Strategic Alliance, see Item 5. Operating and Financial Review and Prospects Recent Developments.

We made a $9.0 billion preferred equity investment in Morgan Stanley in October 2008 as part of our global strategic alliance with Morgan Stanley. Since this initial investment, we have acquired a total of $705 million of shares of Morgan Stanley common stock and sold back to Morgan Stanley $705 million of the preferred securities in May 2009, and we have acquired a total of $471 million of additional shares of Morgan Stanley common stock in June 2009. We beneficially own approximately 20% of the common stock of Morgan Stanley (assuming full conversion of the convertible preferred stock of Morgan Stanley we currently own).

On June 30, 2009, the scope of the Global Strategic Alliance was expanded into new geographies and businesses, including (1) a loan marketing joint venture that will provide clients in the Americas with access to expanded, 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. Risk Factors Risks Related to Our Business If our strategic alliance with Morgan Stanley fails, we could suffer financial or reputational loss.

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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 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, 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.

Global Markets

Global Markets consists of the treasury operations of BTMU and MUTB. Global Markets also conducts asset liability management and liquidity management and provides various financial operations such as money markets, foreign exchange operations and securities investments.

Other

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

Competition

We face strong competition in all of our principal areas of operation. The deregulation of the Japanese financial markets as well as structural reforms in the regulation of the financial industry have resulted in dramatic changes in the Japanese financial system. Structural reforms have prompted Japanese 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

Deregulation. Competition in Japan has intensified as a result of the relaxation of regulations relating to Japanese financial institutions. Most of the restrictions that served to limit competition were lifted before the year 2000. Deregulation has eliminated barriers between different types of Japanese financial institutions, which are now able to compete directly against one another. Deregulation and market factors have also facilitated the entry of various large foreign financial institutions into the Japanese domestic market.

The Banking Law, as amended, now 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. 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.

In terms of recent market entrants, other financial institutions, such as Orix Corporation, and non-financial companies, such as the Seven & i Holdings group and Sony Corporation, also began to offer various banking services, often through non-traditional distribution channels. Also, in recent years, various large foreign financial institutions entered the Japanese domestic market. Citigroup Inc., for example, has expanded its banking operations in Japan through a locally incorporated banking subsidiary. The privatization of Japan Post, a government-run public services corporation that is the world s largest holder of deposits, and the establishment of the Japan Post Group companies, including Japan Post Bank Co., Ltd., as part of the continuing privatization process, as well as the privatization of other governmental financial institutions, could also substantially increase competition within the financial services industry. In December 2009, the Japanese government s privatization plan for the Japan Post Group companies was suspended, and a bill was introduced to the Diet that, if enacted, would have doubled to ¥20 million the amount of deposits Japan Post Bank can accept from an individual depositor, permitted the Japan Post Bank to more easily enter new areas of business activities, required the government to retain more than one-third of the voting rights in Japan Post Holdings Co., Ltd. and required Japan Post Holdings to retain more than one-third of the voting rights in Japan Post Bank. However, it was not approved during the Diet session ended in June 2010.

In the corporate banking sector, the principal effect of these reforms has been the increase in competition as two structural features of Japan s highly specialized and segmented financial system have eroded:

- the separation of banking and securities businesses in Japan; and
- the distinctions among the permissible activities of Japan s two principal types of private banking institutions ordinary banks and trust banks. For a discussion of the two principal types of private banking institutions, see The Japanese Financial System Private Banking Institutions.

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 the consumer banking sector, deregulation has enabled banks to offer customers an increasingly attractive and diversified range of products. For example, banks are permitted to sell investment trusts and all types of insurance products. Recently, competition has increased due to the development of new 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 promising growth area that is competitive and becoming more so because of changes in the industry. In addition, there is growing corporate demand for change in the trust regulatory environment, such as reform of the pension system and related accounting regulations under Japanese GAAP. However, competition may increase in the future as regulatory barriers to entry are lowered. The current Trust Business Law came into effect on December 30, 2004. Among other things, the Trust Business Law has expanded the types of property that can be entrusted and allows non-financial companies to conduct trust business upon approval. The law has also adopted a type of registration for companies that wish to conduct only the administration type trust business. The Trust Business Law was further amended in December 2006 in order to cope with new types of trusts and to amend the duties imposed on the trustee in accordance with the sweeping amendment to the law. As these regulatory developments have facilitated the expansion of the trust business, the competition in this area has also intensified.

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 commenced operations of two joint venture companies, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Morgan Stanley MUFG Securities Co., Ltd., each of which was formed by integrating certain operations of MUS and Morgan Stanley Japan Securities. In May 2009, Mizuho Securities Co., Ltd. acquired Shinko Securities Co., Ltd., and in October 2009 the Sumitomo Mitsui Financial Group acquired 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 November 2009 The Sumitomo Trust and Banking Co., Ltd and Chuo Mitsui Trust Holdings Inc. entered into basic agreement to integrate the two groups. The mega bank groups are also expected to face heightened competition with other financial groups. For example, the Nomura Group acquired Lehman Brothers Holding, 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.

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 July 20, 2010:

- ordinary banks (127 ordinary banks and 58 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 106 and other banks, of which there are 16. 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, in light of deregulation and other competitive factors, 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.

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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, although 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 also, 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.

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;

- 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;

- 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 a result of the reorganization of the former Japan Post, a government-run public services corporation, which had been the Postal

Service Agency until March 2003. In December 2009, the Japanese government s privatization plan for the Japan Post Group companies was suspended, and a bill was introduced to the Diet outlining further modifications to the privatization plan. However, it was not approved during the Diet session ended in June 2010.

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 bank holding companies, capital adequacy, inspections and reporting, as well as the scope of business activities, disclosure, accounting, limitation on granting credit and standards for arm s length transactions. In addition, the amendment to the Banking Law which came into effect in April 2006 relaxed the standards relating to bank-agent eligibility, which encourages banks to expand their operations through the use of bank agents. As a result of the amendment to the Banking Law and Financial Instruments and Exchange Law effective as of June 2009, firewall regulations that separate bank holding companies/banks from affiliated securities companies have become less stringent, and instead, bank holding companies, banks and other financial institutions are now expressly required to establish an appropriate system to 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.

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. In June 2004, the Basel Committee released revised standards called International Convergence of Capital Measurement and Capital Standards: A Revised Framework, or Basel II, which has become applicable to Japanese banks since the end of March 2007. Basel II has three core elements, or pillars : requiring minimum regulatory capital, the self-regulation of financial institutions based on supervisory review, and market discipline through the disclosure of information. Basel II is based on the belief that these three pillars will collectively ensure the stability and soundness of financial systems. Although these amendments do not change the minimum capital requirements applicable to internationally active banks, they reflect the nature of risks at each bank more closely.

Basel II is designed to provide more risk-sensitive approaches and a range of options for measuring risks and determining the capital requirements. As a result, Basel II also reflects the nature of risks at each bank more closely. 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.

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The capital adequacy guidelines are in accordance with the standards of the BIS 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%. The capital adequacy guidelines place considerable emphasis on tangible common shareholders equity as the core element of the capital base, with appropriate recognition of other components of capital.

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.

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.

The various proposals could impose stricter capital requirements and new liquidity requirements on global financial institutions such as us. If adopted as proposed, the capital requirements could, among other things, significantly increase the aggregate common equity that financial institutions will be required to have issued in proportion to their total risk assets by disqualifying certain instruments that currently qualify as Tier I capital. In addition, the proposals also include a leverage ratio requirement. The proposals also include liquidity requirements that could result in financial institutions holding greater levels of lower yielding instruments as a percentage of their assets. The proposals would increase the level of risk-weighted assets, and could also increase the capital charges imposed on certain assets potentially making certain businesses more expensive to conduct. We will continue to assess the potential impact of the proposals.

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 (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: optimal combination of rules-based and principles-based supervisory approaches; timely recognition of priority issues and effective response; encouraging voluntary efforts by financial firms and placing greater emphasis on providing them with incentives; 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 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.

On September 30, 2006, a law which imposes a limitation on a bank s shareholding of up to the amount equivalent to its Tier I capital took effect.

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Financial Instruments and Exchange Law. The Financial Instruments and Exchange Law amending and replacing the Securities and Exchange Law became effective on September 30, 2007. The new law not only preserves the basic concepts of the Securities and Exchange Law, but is also intended to further protect investors. The new law also regulates sales of a wide range of financial instruments and services, requiring financial institutions to revise their sales rules and strengthen compliance frameworks and procedures accordingly. Among the instruments that the Japanese banks deal with, derivatives, foreign currency-denominated deposits, and variable insurance and annuity products are subject to regulations covered by sales-related rules of conduct.

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 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 activity.

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 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 was amended in December 2004 to expand the types of property that can be entrusted, to allow non-financial companies to conduct trust business and to allow a new type of registration for trustees who conduct only administration type trust business. The Trust Business Law was further amended in December 2006 in order to cope with new types of trust and to amend the duties imposed on the trustee in accordance with the sweeping amendment 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. Since April 1, 2005, 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). Such deposit 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. Currently, 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

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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 mid-small 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. On November 30, 2009, the Japanese Diet passed a new piece of legislation entitled the Law Concerning the Temporary Measures for the Facilitation of Finance to Small and Medium-sized Firms and Others. The legislation requires 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 is scheduled to expire at the end of March 2011.

Personal Information Protection Law. With regards to protection of personal information, the Personal Information Protection Law became fully effective on April 1, 2005. Among other matters, the law requires 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. The FSA announced related guidelines for the financial services sector in December 2004. 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 became effective in February 2006 and 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.

Recent Regulatory Actions. In June 2009, the former MUS received from the FSA an order to improve business operations pursuant to Article 51 of the Financial Instruments and Exchange Law and to submit a report on the former MUS s progress on adopting and implementing remedial and preventative measures (which report was submitted to the FSA on July 2, 2009) and a recommendation pursuant to the first paragraph of Article 34 of the Personal Information Protection Law in connection with the incident where data including customer information were fraudulently stolen.

In July 2009, kabu.com Securities Co., Ltd., a consolidated subsidiary, received an order to improve business operations from the FSA in connection with a former employee s trading activities in violation of Japanese insider trading regulations.

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 on 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 on 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 recent decisions made by the Supreme Court of Japan prior to June 18, 2010, imposing stringent requirements for charging such gray-zone interest, and the business environment for consumer finance companies in Japan has been altered in favor of borrowers. Due to such changes, borrowers claims for reimbursement of such excess interest that they have paid to the consumer finance companies have significantly increased and are still holding at high levels.

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. 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 seven 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; Portland, Oregon; 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 that each such 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.

Regulatory Reform Legislation. In response to the 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 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. Thus, we are unable to assess at this time the potential impact of any such enacted legislation on our operations.

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C. Organizational Structure

The following chart presents our corporate structure summary as at March 31, 2010:

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Set forth below is a list of our principal consolidated subsidiaries at March 31, 2010:

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%*
Mitsubishi UFJ Trust and Banking Corporation	Japan	*100.00%*	*100.00%*
The Master Trust Bank of Japan, Ltd.	Japan	*46.50%*	*46.50%*
Mitsubishi UFJ Securities Co., Ltd.[2]	Japan	*100.00%*	*100.00%*
Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd.	Japan	*50.98%*	*50.98%*
kabu.com Securities Co., Ltd.	Japan	*54.85%*	*54.85%*
Mitsubishi UFJ NICOS Co., Ltd.	Japan	*84.98%*	*84.98%*
Tokyo Credit Services, Ltd.	Japan	*74.00%*	*74.00%*
Ryoshin DC Card Company, Ltd.	Japan	*75.20%*	*75.20%*
Tokyo Associates Finance Corp.	Japan	*100.00%*	*100.00%*
NBL Co., Ltd.	Japan	*89.74%*	*89.74%*
Mitsubishi UFJ Factors Limited	Japan	*100.00%*	*100.00%*
MU Frontier Servicer Co., Ltd.	Japan	*94.44%*	*94.44%*
Mitsubishi UFJ Capital Co., Ltd	Japan	*40.26%*	*40.26%*
MU Hands-on Capital Co., Ltd.	Japan	*50.00%*	*50.00%*
Defined Contribution Plan Consulting of Japan Co., Ltd.	Japan	*77.49%*	*77.49%*
KOKUSAI Asset Management Co., Ltd.	Japan	*56.10%*	*56.16%*
Mitsubishi UFJ Asset Management Co., Ltd.	Japan	*100.00%*	*100.00%*
MU Investments Co., Ltd.	Japan	*100.00%*	*100.00%*
Mitsubishi UFJ Real Estate Services Co., Ltd.	Japan	*100.00%*	*100.00%*
Mitsubishi UFJ Personal Financial Advisers Co., Ltd.	Japan	*73.69%*	*73.69%*
Mitsubishi UFJ Research and Consulting Ltd.	Japan	*69.45%*	*69.45%*
MU Business Engineering, Ltd.	Japan	*100.00%*	*100.00%*
Japan Shareholder Services Ltd.	Japan	*50.00%*	*50.00%*
BOT Lease Co., Ltd.	Japan	*22.57%*	*22.57%*
UnionBanCal Corporation	USA	*100.00%*	*100.00%*
Mitsubishi UFJ Trust & Banking Corporation (U.S.A.)	USA	*100.00%*	*100.00%*
Mitsubishi UFJ Global Custody S.A.	Luxembourg	*100.00%*	*100.00%*
Mitsubishi UFJ Wealth Management Bank (Switzerland), Ltd.	Switzerland	*100.00%*	*100.00%*
Mitsubishi UFJ Securities International plc	UK	*100.00%*	*100.00%*
Mitsubishi UFJ Securities (USA), Inc.	USA	*100.00%*	*100.00%*
Mitsubishi UFJ Trust International Limited	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%*
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 Lease (Deutschland) GmbH	Germany	*100.00%*	*100.00%*
BTMU Participation (Thailand) Co., Ltd.	Thailand	*24.49%*	*24.49%*
Mitsubishi UFJ Baillie Gifford Asset Management Limited	UK	*51.00%*	*51.00%*
MU Trust Consulting (Shanghai) Co., Ltd.	Peoples Republic of China	*100.00%*	*100.00%*

Notes:

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

(2) On April 1, 2010, Mitsubishi UFJ Securities Co., Ltd. transferred its domestic business operations to a subsidiary by way of a company split, adopted an intermediate holding company structure and changed its corporate name to Mitsubishi UFJ Securities Holdings Co., Ltd. On May 1, 2010, the company succeeding to the domestic business operations of Mitsubishi UFJ Securities Co., Ltd. was integrated with the investment banking division of Morgan Stanley Japan Securities Co., Ltd. and changed its corporate name to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. See Item 4.B. Information on the Company. and Item 5. Operating and Financial Review and Prospects Recent Developments.

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D. Property, Plants and Equipment

Premises and equipment at March 31, 2009 and 2010 consisted of the following:

	At March 31, 2009 (As restated)	At March 31, 2010
	(in millions)	
Land	¥ 413,257	¥ 399,893
Buildings	673,011[(1)]	680,085
Equipment and furniture	653,211	681,886
Leasehold improvements	250,284[(1)]	235,807
Construction in progress	16,290	17,206
Total	2,006,053	2,014,877
Less accumulated depreciation	962,637	1,019,710
Premises and equipment net	¥ 1,043,416	¥ 995,167

Note:

(1) The balances of Buildings and Leasehold improvements at March 31, 2009 have been restated. For more information, see Note 7 to our consolidated financial statements included elsewhere in this Annual Report.

Our registered address is 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo. At March 31, 2010, we and our subsidiaries conducted our operations either in the premises we owned or in the properties we leased.

The following table presents the book values of our material offices and other properties at March 31, 2010:

	Book value (in millions)
Owned land	¥ 399,893
Owned buildings.	227,062

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, 2010, we invested approximately ¥114.2 billion in our subsidiaries primarily for office renovations and relocation.

Item 4A. Unresolved Staff Comments.

We received a comment letter from the staff of the Division of Corporation Finance of the SEC dated March 15, 2010 and a subsequent comment letter dated August 10, 2010. The comments from the staff were issued with respect to its review of our annual report on Form 20-F for the fiscal year ended March 31, 2009. The comments covered information included in Item 3.D. Risk Factors, Item 5. Operating and Financial Review and Prospects, Item 6.B. Compensation and Item 7.B. Major Shareholders, and required either more robust disclosure or clarification with respect to our disclosure in those items.

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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 Financial Figures

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

Effective April 1, 2009, we adopted new accounting guidance regarding noncontrolling interests in subsidiaries. As a result, we have reclassified Non-interest expense for the fiscal years ended March 31, 2008 and 2009. See *Noncontrolling Interests* under *Accounting Changes* in Note 1 to our consolidated financial statements included elsewhere in this Annual Report.

	Fiscal years ended March 31,		
	2008	2009	2010
		(in billions)	
Net interest income	¥ 2,279.7	¥ 2,296.4	¥ 1,984.1
Provision for credit losses	385.7	626.9	647.8
Non-interest income	1,778.1	175.1	2,453.9
Non-interest expense	3,620.3	3,608.8	2,508.1
Net income (loss) before attribution of noncontrolling interests	(504.0)	(1,504.3)	875.1
Net income (loss) attributable to Mitsubishi UFJ Financial Group	(542.4)	(1,468.0)	859.8
Total assets (at end of period)	195,766.1	193,499.4	200,084.4

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, 2010 decreased compared to that for the prior fiscal year mainly as a result of decreases in our foreign deposit and lending volumes as well as decreases in interest rates. The following table shows changes in our net interest income by changes in volume and by changes in rate for the fiscal year ended March 31, 2009 compared to the fiscal year ended March 31, 2008 and the fiscal year ended March 31, 2010 compared to the fiscal year ended March 31, 2009:

	Fiscal year ended March 31, 2009 versus fiscal year ended March 31, 2008			**Fiscal year ended March 31, 2010 versus fiscal year ended March 31, 2009**		
	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	¥ (10,099)	¥ 23,633	¥ 13,534	¥ 36,512	¥ (138,086)	¥ (101,574)
Foreign	(41,986)	45,140	3,154	(148,262)	(62,465)	(210,727)
Total	¥ (52,085)	¥ 68,773	¥ 16,688	¥ (111,750)	¥ (200,551)	¥ (312,301)

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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.

The continuing low global interest rate environment negatively affected our overall interest spread in the fiscal year ended March 31, 2010. 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, 2008, 2009 and 2010:

	Fiscal years ended March 31,					
	2008		2009		2010	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
	(in billions, except percentages)					
Interest-earning assets:						
Domestic	¥ 123,196.2	1.78%	¥ 121,686.4	1.70%	¥ 127,830.2	1.34%
Foreign	49,271.1	4.41	51,556.3	3.53	47,635.1	2.20
Total	¥ 172,467.3	2.53%	¥ 173,242.7	2.25%	¥ 175,465.3	1.57%
Financed by:						
Interest-bearing liabilities:						
Domestic	¥ 123,231.9	0.69%	¥ 124,716.0	0.58%	¥ 124,431.3	0.37%
Foreign	32,920.1	3.74	31,368.9	2.80	33,725.1	0.93
Total	156,152.0	1.34	156,084.9	1.02	158,156.4	0.49
Non-interest-bearing liabilities	16,315.3		17,157.8		17,308.9	
Total	¥ 172,467.3	1.21%	¥ 173,242.7	0.92%	¥ 175,465.3	0.44%
Interest rate spread		1.19%		1.23%		1.08%
Net interest income as a percentage of total interest-earning assets		1.32%		1.33%		1.13%

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;

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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;

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, 2008, 2009 and 2010:

	Fiscal years ended March 31,		
	2008	2009	2010
		(in billions)	
Fees and commissions	¥ 1,317.1	¥ 1,188.5	¥ 1,139.5
Foreign exchange gains (losses) net	1,295.9	(206.2)	216.7
Trading account profits (losses) net	398.4	(257.8)	761.5
Investment securities gains (losses) net	(1,373.1)	(658.7)	223.0
Equity in losses of equity method investees	(34.5)	(60.1)	(104.0)
Gains on sales of loans	11.8	6.4	21.2
Other non-interest income	162.5	163.0	196.0
Total non-interest income	¥ 1,778.1	¥ 175.1	¥ 2,453.9

Core Business Areas

We operate our main businesses under an integrated business group system, which integrates the operations of BTMU, MUTB, MUMSS, 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. Operations that are not covered under the integrated business group system are classified under Global Markets and Other.

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 in accordance with US GAAP. The following tables sets forth the relative contributions to operating profit for the fiscal year ended March 31, 2010 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	¥ 1,433.3	¥ 945.4	¥ 348.4	¥ 265.3	¥ 613.7	¥ 1,559.1	¥ 157.2	¥ 528.5	¥ (73.0)	¥ 3,605.1
Operating expenses	988.2	511.7	204.6	168.1	372.7	884.4	91.4	61.3	179.2	2,204.5
Operating profit (loss)	¥ 445.1	¥ 433.7	¥ 143.8	¥ 97.2	¥ 241.0	¥ 674.7	¥ 65.8	¥ 467.2	¥ (252.2)	¥ 1,400.6

Summary of Our Recent Financial Results and Financial Condition

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥859.8 billion for the fiscal year ended March 31, 2010, compared to a net loss attributable to Mitsubishi UFJ Financial Group of ¥1,468.0 billion for the fiscal year ended March 31, 2009. 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, 2010 was ¥67.87, an improvement from a diluted loss per share of common stock of ¥137.84 for the fiscal year ended March 31, 2009. Income from continuing operations before income tax expense for the fiscal year ended March 31, 2010 was ¥1,282.1 billion, compared to a loss from continuing operations before income tax benefit of ¥1,764.2 billion for the fiscal year ended March 31, 2009.

Our business and results of operations as well as our assets are heavily influenced by trends in economic conditions particularly in Japan. In the fiscal year ended March 31, 2010, there were signs of recovery in the Japanese economy from the negative trends that continued throughout the previous fiscal year. For example, although Japan s real GDP contracted by 2.0% in the fiscal year ended March 31, 2010, stock prices in Japan generally increased during the fiscal year. The Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, increased from ¥8,109.53 at March 31, 2009 to ¥11,089.94 at March 31, 2010, mainly due to a rebound from the global financial crisis in the early part of the fiscal year. 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 increased from 773.66 at March 31, 2009 to 978.81 at March 31, 2010. See Introduction Business Environment.

In addition to the macro economic factors, our net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2010 mainly reflected the following:

- Net interest income was ¥1,984.1 billion, a decrease of ¥312.3 billion from ¥2,296.4 billion for the previous fiscal year mainly due to the lower interest rate environment, which negatively affected our interest spread, and the decrease in returns from our foreign loans;

- Provision for credit losses was ¥647.8 billion, an increase of ¥20.9 billion from ¥626.9 billion for the fiscal year ended March 31, 2009, reflecting in part a significant amount of allocated allowance for specifically identified problem loans due to the weakening of the financial condition of borrowers, particularly domestic manufacturing, wholesale and retail borrowers and foreign governments and official institutions;

- Fees and commissions were ¥1,139.5 billion, a decrease ¥49.0 billion from ¥1,188.5 billion for the fiscal year ended March 31, 2009 primarily due to decreases of ¥18.2 billion in trust fees, ¥9.9 billion in fees and commissions on stock transfer agency services and ¥7.1 billion in guarantee fees, reflecting a general decrease in the volume of these businesses, partially offset by a ¥17.6 billion increase in fees and commissions on securities businesses as the overall volume of securities trading recovered with the improvement in stock prices in general;

- Net foreign exchange gains were ¥216.7 billion, compared to net foreign exchange losses of ¥206.2 billion for the fiscal year ended March 31, 2009, 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 were ¥761.5 billion, compared to net trading account losses of ¥257.8 billion for the fiscal year ended March 31, 2009, largely due to recording net profits on trading securities, excluding derivatives, of ¥850.0 billion for the fiscal year ended March 31, 2010, partially offset by net losses on interest rate and other derivative contracts of ¥88.5 billion for the fiscal year ended March 31, 2010;

Net investment securities gains were ¥223.0 billion, compared to net losses of ¥658.7 billion for the fiscal year ended March 31, 2009, mainly reflecting net gains on sales of marketable equity securities of

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¥213.5 billion and net gains on sales of debt securities available for sale of ¥83.7 billion, partially offset by impairment losses on securities available for sale of ¥92.7 billion; and

Impairment of goodwill for the fiscal year ended March 31, 2010 was ¥0.5 billion, which was significantly lower than the impairment of goodwill of ¥845.8 billion for the fiscal year ended March 31, 2009. The impairment of goodwill for the fiscal year ended March 31, 2009 reflected 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 the fiscal year ended March 31, 2010, domestic revenue, which consists of interest income and non-interest income, was ¥3,605.0 billion, while total foreign revenue was ¥1,607.4 billion, with the United States contributing ¥604.4 billion, Asia and Oceania (excluding Japan) contributing ¥482.6 billion and Europe contributing ¥355.0 billion. As a percentage of total revenue, for the three fiscal years ended March 31, 2010, domestic revenue has been on a declining trend, declining to 69.2%, and Asia and Oceania (excluding Japan) has been on an increasing trend, increasing to 9.3%, while the other geographic regions have fluctuated.

For the fiscal year ended March 31, 2010, domestic net income attributable to Mitsubishi UFJ Financial Group was ¥189.7 billion, while the corresponding total foreign net income was ¥670.1 billion. In particular, Asia and Oceania (excluding Japan) contributed ¥241.4 billion to our net income, more than half of which derived from net interest income from China, whereas Europe and the United States contributed ¥199.1 billion and ¥193.0 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.

Our net loans outstanding at March 31, 2010 were ¥90.87 trillion, a decrease of ¥8.28 trillion from ¥99.15 trillion at March 31, 2009. Before unearned income, net unamortized premiums and net deferred loan fees, our loan balance at March 31, 2010 consisted of ¥72.02 trillion of domestic loans and ¥20.27 trillion of foreign loans. As a result of a general decrease in the demand for loans, between March 31, 2009 and March 31, 2010, domestic loans decreased ¥5.28 trillion and foreign loans decreased ¥2.83 trillion. However, the total allowance for credit losses at March 31, 2010 was ¥1,315.6 billion, an increase of ¥159.0 billion from ¥1,156.6 billion at March 31, 2009 as we recorded a provision for credit losses of ¥647.8 billion, whereas we had net charge-offs of ¥468.4 billion. The increase in allowance reflected an increase in borrowers that may become bankrupt as well as an increase in restructured loans and nonaccrual loans throughout the period. As of March 31, 2010, our net loans outstanding accounted for 67.1% of our total deposits.

Investment securities increased ¥17.41 trillion to ¥55.05 trillion at March 31, 2010 from ¥37.64 trillion at March 31, 2009, primarily due to an increase of ¥15.26 trillion in Japanese national government bonds and Japanese government agency bonds and an increase of ¥1.56 trillion in foreign government and official institutions bonds between March 31, 2009 and March 31, 2010, partially offset by a ¥0.41 trillion decrease in corporate bonds. Our investment 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, 2010, accounting for 75.9% of our investment securities available for sale and being held to maturity, and 20.2% of our total assets. Regarding marketable equity securities, improvements in stock prices of Japanese equity securities resulted in an increase in our marketable equity securities by ¥0.59 trillion between March 31, 2009 and March 31, 2010.

Deferred tax assets decreased ¥0.88 trillion to ¥1.29 trillion at March 31, 2010 from ¥2.17 trillion at March 31, 2009. The decrease primarily reflected an increase in net unrealized gains on investment securities due to a recovery in the fair market value of these securities. A decrease in net operating loss carryforwards, which is attributable to our ability to utilize net operating loss carryforwards against taxable income for the fiscal year ended March 31, 2010, also contributed to the decrease in deferred tax assets.

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In recent months, there have been some signs of improvement in the financial markets and general economy. 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, increased from ¥8,109.53 at March 31, 2009 to ¥11,089.94 at March 31, 2010, and has been fluctuating between the ¥9,000 and ¥11,500 range since March 31, 2010. The current signs of improvement in the financial markets and overall economy, both in Japan and globally, may be temporary. Economic conditions may not improve as quickly or steadily as we anticipate, or there may be another economic downturn, in Japan or globally. Many of the negative trends in financial markets in Japan and globally may continue in the near future. The strong Japanese yen may affect our export-oriented borrowers and the value of our foreign assets as the Japanese yen appreciated against other currencies, fluctuating around ¥90 to US$1 in the last six months. As of August 6, 2010, the Japanese yen stood at ¥85.25 to US$1, an appreciation of ¥13.06 as compared to ¥98.31 as of March 31, 2009. As a result of such trends, we may suffer additional credit costs resulting mainly from deteriorating business conditions for our borrowers, and our fee income relating to investment products in retail business and derivative transactions in our corporate banking business and our trading income may decrease. The Bank of Japan has been maintaining a very low policy rate (uncollateralized overnight call rate) of 0.10% as part of its 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. In addition, the current interest rate environment may continue in the near future, impacting our net interest income. However, an unanticipated interest rate movement may significantly affect the value of our debt securities portfolio. See Item 3.D. Risk Factors and Business Environment.

Recent Developments

During the fiscal year ended March 31, 2010, we strengthened our alliances with other global financial institutions, including Morgan Stanley, and pursued a capital raising transaction to better respond to the rapidly changing regulatory and competitive environment and to contribute to the real economy, both domestically and globally, as a provider of a stable source of funds and high quality financial services.

Securities Joint Ventures with Morgan Stanley

As part of our strategic alliance with Morgan Stanley, in May 2010, we and Morgan Stanley integrated our respective Japanese securities companies by forming two joint venture companies. We converted the wholesale and retail securities businesses conducted in Japan by MUS into one of the joint venture entities called Mitsubishi UFJ Morgan Stanley Securities, Co., Ltd., or MUMSS. We also paid ¥26 billion in cash to Morgan Stanley at closing of the transaction (subject to certain post-closing cash adjustments). Morgan Stanley contributed the investment banking operations conducted in Japan by its formerly wholly-owned subsidiary, Morgan Stanley Japan Securities Co., Ltd., or Morgan Stanley Japan, to MUMSS, and converted the sales and trading and capital markets businesses conducted in Japan by Morgan Stanley Japan into a second joint venture entity called Morgan Stanley MUFG Securities, Co., Ltd., or MSMS. We hold a 60% economic interest in each of the joint venture companies and Morgan Stanley holds a 40% economic interest in each of the joint venture companies. 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. Our and Morgan Stanley s economic and voting interests in the joint venture companies are held through a combination of intermediate holding companies and a partnership.

We created a wholly owned intermediate holding company called Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, which directly holds a 60% voting interest in MUMSS. Morgan Stanley created a wholly owned intermediate holding company called Morgan Stanley Japan Holdings Co., Ltd., or MSJHD, which directly holds a 51% voting interest in MSMS. The remaining voting shares in MUMSS and MSMS were contributed to a partnership created under the Civil Code of Japan called MM Partnership, in which MUSHD holds a 60% ownership interest and MSJHD holds a 40% ownership interest. Through this ownership structure of MM Partnership, MUSHD holds a 60% economic interest, and MSJHD holds a 40% economic interest, in each of MUMSS and MSMS. In addition, pursuant to the partnership agreement between us and Morgan Stanley,

MUSHD effectively holds a 49% voting interest in MSMS, and MSJHD effectively holds a 40% voting interest in MUMSS. MUMSS became our consolidated subsidiary, and MSMS became a consolidated subsidiary of Morgan Stanley.

Completion of Global Offering of Common Stock

In December 2009, we completed the sale of 2,337,000,000 shares of common stock in a public offering in Japan as well as private placements in other countries, including the United States, and the sale of 163,000,000 additional shares of common stock through a third-party allotment pursuant to the over-allotment option granted in connection with the Japanese offering. Immediately following the offering, we had 14,148,414,920 shares of common stock issued. The proceeds from the sale of these shares after underwriting discounts and commissions were ¥412.53 per share.

The total net proceeds from the offering after underwriting discounts and commissions and offering expenses were approximately ¥1.03 trillion. The total net proceeds from the offering after underwriting discounts and commissions and offering expenses were used to make an equity investment in BTMU to strengthen our overall group capital base. BTMU applied the funds for general corporate purposes.

Strategic Business and Capital Alliance between MUTB and Aberdeen

As part of our capital alliance with Aberdeen Asset Management PLC, or Aberdeen, in November 2009, a corporate officer of MUTB became a non-executive director of Aberdeen. MUTB held a 17.01% equity interest in Aberdeen as of March 31, 2010. MUTB and Aberdeen plan to continue to work towards further strengthening their strategic alliance by collaborating in marketing and product development.

Agreement on Integration between Bank of Ikeda and Senshu Bank

In October 2009, The Senshu Bank, Ltd., a regional bank subsidiary of BTMU headquartered in Osaka, and The Bank of Ikeda Ltd., another regional bank headquartered in Osaka, integrated their businesses by creating a holding company, which became our equity method affiliate. As a leading independent financial group in the Osaka region, the new integrated company seeks not only to contribute to the development of the regional society and economy but also to improve its enterprise value. In order to respect the business independence of the new financial group consisting of Bank of Ikeda, Senshu Bank and the new holding company, BTMU plans to divest a part of its common stock in the new holding company and intends to exclude the new holding company from being our equity method affiliate by September 30, 2014 at the latest. However, BTMU also intends to continuously and appropriately support the formation and development of the new financial group and, for that purpose, Nobuo Kuroyanagi, the Chairman of BTMU, has served as an outside director to the new holding company since its incorporation.

Redemption of Preferred Securities Issued by Special Purpose Company

In January 2010, we redeemed a total of ¥5 billion of non-cumulative and non-dilutive perpetual preferred securities issued by an overseas special purpose company in the Cayman Islands called UFJ Capital Finance 4 Limited. These preferred securities were reflected as part of our Tier I capital before redemption.

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 1 capital before acquisition and cancellation.

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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 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 $2.8 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.

Also in April 2010, Union Bank entered into a Purchase and Assumption Agreement with the FDIC as 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.

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.

See Item 3.D. Risk Factors.

Economic Environment in Japan

Japan s economy continues to show signs of recovery with increasing exports, especially to Asia, and with governmental economic stimulus measures continuing to produce positive effects. Japan s real GDP grew at an annualized 5.0% quarter on quarter for the January-March 2010 period, marking the fourth straight quarter of positive growth, with net exports (exports minus imports) contributing 2.7 percentage points and domestic private demand, including consumption and capital expenditures, contributing 2.1 percentage points. Japan s annualized GDP growth rate over the past four quarters averaged 4.2% quarter on quarter, exceeding the potential growth rate of 0.5% to 0.8%. The unemployment rate and capacity utilization rates for plants began to show signs of improvement. However, the Japanese economy is still merely recovering from the historic global recession that began in the latter half of 2008, and domestic demand, capital expenditure and employment has only started to improve gradually to a self-sustaining recovery. In addition, the recent GDP growth in Japan reflects the positive impact of one-time factors such as the recent increase in demand for home appliances due in part to the government s economic stimulus measures. Moreover, the current positive trends in the overall Japanese economy may slow down or discontinue if economic conditions in other regions or globally deteriorate. For example, the Greek fiscal crisis, and the fear of another global economic downturn caused by such crisis, may have an adverse impact on not only the European Union, or EU financial markets but also financial markets in other countries and regions, including Japan.

The Bank of Japan has maintained a very low policy rate (uncollateralized overnight call rate) of 0.10% in an effort to lift the economy out of deflation since December 2008, while increasingly supplying funds through its expanded new operations introduced at the end of the fiscal year ended March 31, 2009. Short-term interest rates continued to decline throughout the fiscal year ended March 31, 2010 because of the Bank of Japan s so-called monetary easing policy. Euro-yen 3-month TIBOR fell to approximately 0.38% as of July 1, 2010, the lowest level since 2006. Long-term interest rates have also been on a downward trend, as global risk aversion triggered by the Greek fiscal crisis and tightened fiscal regulations in Europe and in the United States resulted in lower benchmark government bond yields as investors preferred safer assets such as sovereign debt. The yield on newly-issued ten-year Japanese government bonds fell to around 1.05% as of early August 2010. The following chart shows the interest rate trends in Japan since April 2008:

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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, increased from ¥8,109.53 at March 31, 2009 to ¥11,089.94 at March 31, 2010, showing a rebound from the global financial crisis starting in the early part of calendar year 2009. 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 increased from 773.66 at March 31, 2009 to 978.81 at March 31, 2010. The Nikkei Stock Average has been fluctuating between the ¥9,000 and ¥11,500 range, and has not yet recovered to the pre-Lehman shock level of ¥12,000 or higher. Improvements in the Japanese corporate sector s profitability, signs of recovery from the global financial crisis and the Bank of Japan s policy of increasing monetary supply, contributed to the upward stock price movement. However, investor sentiment remains cautious due in part to concerns surrounding the sovereign debt crises in several European countries, uncertainty regarding the Japanese political leadership and the appreciation of the Japanese yen against other currencies that may reduce the profitability of export-oriented companies in Japan. As of August 9, 2010, the closing price of the Nikkei Stock Average was ¥9,572.49 and that of the TOPIX was 857.62. The following chart shows the daily closing price of the Nikkei Stock Average since April 2008.

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The Japanese yen has appreciated against other currencies, somewhat fluctuating around ¥90 to US$1 in the last six months. As of August 6, 2010, the Japanese yen stood at ¥85.25 to US$1, an appreciation of ¥13.06 as compared to ¥98.31 as of March 31, 2009. The strong Japanese yen appears to reflect rising risk aversion and lower interest rates abroad, which led to lower capital outflow from Japan. The Japanese yen has also appreciated against the Euro increasingly since April 2010, reflecting the sovereign debt crises and the subsequent tightening of monetary policies in Europe. The Japanese yen stood at ¥113.83 to 1 as of August 9, 2010 as compared to ¥130.52 to 1 as of March 31, 2009. The following chart shows the foreign exchange rates expressed in Japanese yen per US dollar since April 2008:

In calendar year 2009, the average prices for both residential and commercial real estate experienced significant declines for the second consecutive year. According to a survey conducted by the Japanese government, the average residential land price declined by 4.2% between January 1, 2009 and January 1, 2010. The average commercial land price declined by 6.1% during the same period. In the three major metropolitan areas of Tokyo, Osaka and Nagoya, the average residential land price declined by 4.5% between January 1, 2009 and January 1, 2010, while the average commercial land price declined by 7.1% 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 sixth consecutive year with the rates of decline between January 1, 2009 and January 1, 2010, being 3.8% and 5.3%, respectively.

According to Teikoku Databank, a Japanese research institution, the number of companies that filed for legal bankruptcy in Japan from April 2009 to March 2010 was approximately 12,900, a decrease by 2.8% from the previous fiscal year, reflecting a moderate recovery of the Japanese economy since the second quarter of the fiscal year ended March 31, 2010. 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 and policies to increase public construction work by commencing projects earlier than originally scheduled, which generated revenues for many construction companies. The aggregate amount of liabilities subject to bankruptcy filings between April 2009 and March 2010 was approximately ¥7.0 trillion, including ¥2,322 billion attributable to the corporate reorganization filings by Japan Airlines group companies in January 2010. The aggregate amount of liabilities subject to bankruptcy filings decreased approximately 48.6% compared to the same period of the previous year, reflecting the decrease in the number of legal bankruptcy filings, particularly in the number of large-scale bankruptcies in the construction and real estate industries.

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International Financial Markets

With respect to the international financial and economic environment, the US economy recently began to recover with the annualized real GDP growth rate averaging 3.9% in the second half of calendar year 2009. Our research division forecasts that the real GDP growth rate will continue to expand at around 3.1% throughout calendar year 2010. According to the US Bureau of Labor Statistics, the unemployment rate decreased from its cyclical high at 10.1% in October 2009 to 9.5% in June 2010. Reflecting the continued yet weak recovery of the US economy, inflationary pressure has been limited thus far. In March 2010, the core CPI (consumer inflation less food and energy) inflation rate on a year-on-year basis decreased to 1.1%, the slowest rate since and roughly matching November 2003, which is on the lowest end of the Federal Reserve s central tendency range of 1.1% to 1.7% for the entire calendar year 2010. 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 continues on an upward trend due to improved inventory cycles and increasing exports and capital investments.

In the EU, the signs of recovery from the global recession have been weaker and, according to our research division, the real GDP is expected to grow at 0.6% throughout calendar year 2010. The industrial production growth rate year over year since April 2009 has been 9.5%, with lower growth rates of 1.5% and 0.8% in March and in April 2010, respectively, reflecting concerns over the Greek fiscal crisis. Retail sales in April 2010 declined by 1.5% year over year, which reflected a decrease in the consumer confidence index of 15.0 points. The unemployment rate in April 2010 was 10.1%, up by 0.1% from March 2010. While the unemployment rate is on a moderate declining trend in Germany, in many other EU member states, the unemployment rates remain high, stemming household consumption. With regard to consumer prices, the preliminary inflation rate in May 2010 was 1.6% year over year, which was lower than the European Central Bank s inflationary target of 2.0%. Inflationary pressure from higher oil prices appears to have so far been contained by weak domestic demand.

In the United States, the target for the federal funds rate has been maintained at a range of zero to 0.25%. As of August 6, 2010, the rate was 0.18%. The European Central Bank s interest rate policy has been established at 1.0%, which is the lowest level in the EU s history.

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 effective interest rate and the fair value of collateral or the loan s observable market value, on the other hand.

Our allowance for credit losses consists of an allocated allowance and an unallocated allowance. The allocated allowance comprises (a) the allowance for specifically identified problem loans, (b) the allowance for large groups of smaller balance homogeneous loans, (c) the allowance for loans exposed to specific country risk and (d) the formula allowance. Both the allowance for loans exposed to specific country risk and the formula allowance are provided for performing loans that are not subject to either the allowance for specifically identified problem loans or the allowance for large groups of smaller balance homogeneous loans. The allowance for loans exposed to specific country risk 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 specifically identified problem loans, which represent large-balance, non-homogeneous loans that have been individually determined to be impaired, is calculated by using various techniques to arrive at an estimate of loss. Historical loss information, the present value of expected future cash flows, fair value of collateral and secondary market information are all used to estimate those losses.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment, and the allowance for such loans is established through a process that begins with estimates of probable losses inherent in the portfolio. These estimates are based upon various analyses, including historical delinquency and credit loss experience.

The allowance for loans exposed to specific country risk is based on an estimate of probable losses relating to our exposure to countries that we identify as having a high degree of transfer risk. We use a country risk grading system that assigns risk ratings to individual countries. To determine the risk rating, we consider the instability of foreign currency and difficulties regarding our borrowers ability to service their debt.

The formula allowance uses a model based on historical losses as an indicator of future probable losses. However, the use of historical losses is inherently uncertain and as a result could differ from losses incurred in the future. However, since this history is updated with the most recent loss information, the differences that might otherwise occur are mitigated.

Our actual losses could be more or less than the estimates. The unallocated allowance 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 further information regarding our allowance for credit losses, see 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. With regard to the allocated allowance for specifically identified credit exposure and the allocated formula allowance, we apply the same methodologies that we use in determining the allowance for loan credit losses.

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, 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 consider factors such as the credit standing of issuers and the extent of decline in net assets of issuers to determine whether the decline is other than temporary. 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 4 to our consolidated financial statements included elsewhere in this Annual Report.

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 9 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 values 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 of 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 31 to our consolidated financial statements included elsewhere in this Annual Report.

Change in Valuation Method

We observed that the market for CLOs backed by general corporate loans became significantly inactive compared with normal market activity due to the reduction in liquidity of certain debt securities resulting from the global financial market instability in the second half of the fiscal year ended March 31, 2009. Under such circumstances, we concluded that the unadjusted non-binding quotes from broker-dealers became less reflective of the fair value as defined in guidance on the measurement of fair values with respect to CLOs backed by general corporate loans. Consequently, we changed the valuation method for estimating the fair value of such CLOs from the method adopting unadjusted quotes from independent broker-dealers to an estimation method by weighting the internal model prices and the non-binding broker-dealer quotes during the second half of the fiscal year ended March 31, 2009.

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.

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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 31 to our consolidated financial statements included elsewhere in this Annual Report.

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, 2009 and 2010:

	March 31, 2009		March 31, 2010	
	Fair Value (in billions)	Percentage of Total	Fair Value (in billions)	Percentage of Total
Assets:				
Level 1	¥ 40,664	63.0%	¥ 57,648	73.2%
Level 2	18,239	28.2	17,164	21.8
Level 3	5,667	8.8	3,964	5.0
Total	¥ 64,570	100.0%	¥ 78,776	100.0%
As a percentage of total assets	33.4%		39.4%	
Liabilities:				
Level 1	¥ 2,742	21.8%	¥ 3,315	26.7%
Level 2	9,632	76.4	8,659	69.6
Level 3	227	1.8	457	3.7
Total	¥ 12,601	100.0%	¥ 12,431	100.0%
As a percentage of total liabilities	6.7%		6.5%	

Level 3 assets decreased ¥1,703 billion during the fiscal year ended March 31, 2010 mainly because Level 3 trading securities decreased ¥739 billion and Level 3 securities available for sale decreased ¥972 billion.

The decrease in Level 3 trading securities was driven by significant decreases in equity securities and foreign asset-backed securities. The decrease of ¥333 billion in equity securities was primarily due to sales and transfers from Level 3 to Level 2. The transfers were related to certain hedge funds to which the MUFG group adopted and applied the FASB s new guidance for investments in certain entities that calculate net asset value per share issued in September 2009. The decrease of ¥314 billion in foreign asset-backed securities such as CLOs backed by general corporate loans was mainly due to sales, which were partially mitigated by gains resulting from their increased fair value.

The decrease in Level 3 securities available for sale was primarily attributable to the decrease in corporate bonds, most of which were private placement bonds issued by Japanese non-public companies. Such Level 3 corporate bonds decreased ¥880 billion for the fiscal year ended March 31, 2010 mainly due to redemption and transfers out of Level 3 of bonds. These transfers resulted from improvement in the creditworthiness of the private placement bonds.

A total of ¥133 billion of foreign asset-backed securities categorized in securities available for sale were transferred out of Level 3 recurring measurements during the fiscal year ended March 31, 2010 mainly because CLOs held by a foreign subsidiary were reclassified from securities available for sale to securities being held to maturity. The securities being held to maturity are not measured at fair value and therefore are excluded from the above fair value hierarchy disclosure on a recurring basis.

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For further information regarding fair value measurements, see Fair Value in Note 31 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.

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, 2008, 2009 and 2010:

	Fiscal years ended March 31,		
	2008	2009	2010
		(in billions)	
Interest income	¥ 4,366.8	¥ 3,895.8	¥ 2,758.5
Interest expense	2,087.1	1,599.4	774.4
Net interest income	2,279.7	2,296.4	1,984.1
Provision for credit losses	385.7	626.9	647.8
Non-interest income	1,778.1	175.1	2,453.9
Non-interest expense	3,620.3	3,608.8	2.508.1
Income (loss) from continuing operations before income tax expense (benefit)	51.8	(1,764.2)	1,282.1
Income tax expense (benefit)	553.1	(259.9)	407.0
Income (loss) from continuing operations	(501.3)	(1,504.3)	875.1
Loss from discontinued operations net	(2.7)		
Net income (loss) before attribution of noncontrolling interests	¥ (504.0)	¥ (1,504.3)	¥ 875.1
Net income (loss) attributable to noncontrolling interests	38.4	(36.3)	15.3
Net income (loss) attributable to Mitsubishi UFJ Financial Group	¥ (542.4)	¥ (1,468.0)	¥ 859.8

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥859.8 billion for the fiscal year ended March 31, 2010, compared to a net loss attributable to Mitsubishi UFJ Financial Group of ¥1,468.0 billion for the fiscal year ended March 31, 2009. 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, 2010 was ¥67.87, an improvement from a diluted loss per share of common stock of ¥137.84 for the fiscal year ended March 31, 2009. Income from continuing operations before income tax expense for the fiscal year ended March 31, 2010 was ¥1,282.1 billion, compared to a loss from continuing operations before income tax benefit of ¥1,764.2 billion for the fiscal year ended March 31, 2009.

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Net Interest Income

The following is a summary of the interest rate spread for the fiscal years ended March 31, 2008, 2009 and 2010:

	Fiscal years ended March 31,					
	2008		2009		2010	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
	(in billions, except percentages)					
Interest-earning assets:						
Domestic	¥ 123,196.2	1.78%	¥ 121,686.4	1.70%	¥ 127,830.2	1.34%
Foreign	49,271.1	4.41	51,556.3	3.53	47,635.1	2.20
Total	¥ 172,467.3	2.53%	¥ 173,242.7	2.25%	¥ 175,465.3	1.57%
Financed by:						
Interest-bearing liabilities:						
Domestic	¥ 123,231.9	0.69%	¥ 124,716.0	0.58%	¥ 124,431.3	0.37%
Foreign	32,920.1	3.74	31,368.9	2.80	33,725.1	0.93
Total	156,152.0	1.34	156,084.9	1.02	158,156.4	0.49
Non-interest-bearing liabilities	16,315.3		17,157.8		17,308.9	
Total	¥ 172,467.3	1.21%	¥ 173,242.7	0.92%	¥ 175,465.3	0.44%
Interest rate spread		1.19%		1.23%		1.08%
Net interest income as a percentage of total interest-earning assets		1.32%		1.33%		1.13%

We use interest rate and other derivative contracts for hedging 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, 2008, 2009 and 2010 was not materially affected by gains or losses resulting from such derivative instruments. For a detailed discussion of our risk management systems, refer to Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

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.

Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008

Net interest income for the fiscal year ended March 31, 2009 was ¥2,296.4 billion, an increase of ¥16.7 billion, from ¥2,279.7 billion for the fiscal year ended March 31, 2008. This increase was mainly due to decreases in the average interest rates on both domestic and foreign interest-bearing liabilities. The effect of these decreases exceeded that of the decreases in the average interest rates on both domestic and foreign interest-earning assets.

The average interest rate spread on interest-bearing liabilities increased four basis points from 1.19% for the fiscal year ended March 31, 2008 to 1.23% for the fiscal year ended March 31, 2009. For the fiscal year ended March 31, 2009, the average rate on interest-earning assets decreased mainly due to lower foreign interest rates. However, the average rate on interest-bearing liabilities further decreased, which resulted in an increase of the average interest rate spread on interest-bearing liabilities, mainly due to the lower foreign interest rates. The net interest income as a percentage of total interest-earning assets increased, showing an increase of one basis point from 1.32% for the fiscal year ended March 31, 2008 to 1.33% for the fiscal year ended March 31, 2009.

Average interest-earning assets for the fiscal year ended March 31, 2009 were ¥173,242.7 billion, an increase of ¥775.4 billion, from ¥172,467.3 billion for the fiscal year ended March 31, 2008. The increase was primarily attributable to an increase of ¥13,884.9 billion in trading account assets and an increase of ¥3,529.3 billion in foreign loans. These increases were partially offset by a decrease of ¥9,601.7 billion in foreign investment securities, a decrease of ¥2,058.4 billion in foreign interest-earning deposits in other banks and a decrease of ¥2,001.2 billion in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions. The increase in trading account assets was mainly due to the application of the fair value option, which resulted in the reclassification of some of our securities available for sale to trading account assets. For further information, see Note 31 to our consolidated financial statements included elsewhere in this Annual Report.

Average interest-bearing liabilities for the fiscal year ended March 31, 2009 were ¥156,084.9 billion, a decrease of ¥67.1 billion, from ¥156,152.0 billion for the fiscal year ended March 31, 2008. The decrease was primarily attributable to a decrease of ¥1,830.1 billion in foreign interest-bearing deposits and a decrease of ¥802.6 billion in domestic long-term debt. These decreases were partially offset by an increase of ¥2,581.3 billion in domestic interest-bearing deposits. The decrease in foreign interest-bearing deposits was mainly due to

the fact that large deposits from foreign financial institutions decreased in response to the recent difficult market conditions in addition to the appreciation of the Japanese yen against the US dollar and other foreign currencies. The increase in domestic interest-bearing deposits was partially attributable to the attractive interest rates of our time deposits.

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 a 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, 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 segments.

Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008

Provision for credit losses for the fiscal year ended March 31, 2009 was ¥626.9 billion, an increase of ¥241.2 billion from ¥385.7 billion for the fiscal year ended March 31, 2008. The increase in provision for credit losses was mainly due to the general weakening of the financial condition of borrowers, particularly overseas and small and medium sized borrowers.

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Non-Interest Income

The following table is a summary of our non-interest income for the fiscal years ended March 31, 2008, 2009 and 2010:

	Fiscal years ended March 31, 2008	2009 (in billions)	2010
Fees and commissions:			
Trust fees	¥ 156.3	¥ 125.4	¥ 107.2
Fees on funds transfer and service charges for collections	152.9	147.7	145.9
Fees and commissions on international business	69.7	64.1	61.2
Fees and commissions on credit card business	138.0	141.4	137.4
Service charges on deposits	36.1	31.6	27.4
Fees and commissions on securities business	130.7	112.1	129.7
Fees on real estate business	44.5	19.8	19.9
Insurance commissions	43.0	28.1	22.9
Fees and commissions on stock transfer agency services	72.3	62.9	53.0
Guarantee fees	86.3	77.6	70.5
Fees on investment funds business	161.5	130.6	127.3
Other fees and commissions	225.8	247.2	237.1
Total	1,317.1	1,188.5	1,139.5
Foreign exchange gains (losses) net	1,295.9	(206.2)	216.7
Trading account profits (losses) net:			
Net profits (losses) on interest rate and other derivative contracts	520.6	555.5	(88.5)
Net profits (losses) on trading account securities, excluding derivatives	(122.2)	(813.3)	850.0
Total	398.4	(257.8)	761.5
Investment securities gains (losses) net:			
Net gains on sales of securities available for sale:			
Debt securities	1.2	120.9	83.7
Marketable equity securities	83.8	28.4	213.5
Impairment losses on securities available for sale:			
Debt securities	(1,169.1)	(155.5)	(29.8)
Marketable equity securities	(331.3)	(660.7)	(62.9)
Other	42.3	8.2	18.5
Total	(1,373.1)	(658.7)	223.0
Equity in losses of equity method investees	(34.5)	(60.1)	(104.0)
Gains on sales of loans	11.8	6.4	21.2
Other non-interest income	162.5	163.0	196.0
Total non-interest income	¥ 1,778.1	¥ 175.1	¥ 2,453.9

Net foreign exchange gains (losses) primarily include transaction gains (losses) on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies and net gains (losses) on currency derivative instruments entered into for trading purposes. 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 liabilities denominated in foreign currencies are included in current earnings. Transaction gains (losses) on translation into Japanese yen of securities available for sale, such as bonds denominated in foreign currencies, are not included in current earnings, but are reflected in other changes in equity from nonowner sources. However, if we recognize an impairment loss on foreign currency-denominated securities available for sale due to the appreciation of the Japanese yen against the relevant foreign currency, such impairment loss is included in current earnings as part of investment securities gains (losses).

Net trading account profits (losses) primarily include net gains (losses) on trading account securities and interest rate and other derivative instruments entered into for trading purposes. Trading account assets or liabilities are carried at fair value and any changes in the value of trading account assets or liabilities, including interest rate derivatives, are recorded in net trading account profits (losses). 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 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, 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

Fees and commissions 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. This improvement 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 evaluation 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.

Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008

Non-interest income for the fiscal year ended March 31, 2009 was ¥175.1 billion, a decrease of ¥1,603.0 billion from ¥1,778.1 billion for the fiscal year ended March 31, 2008. This decrease was primarily due to a decrease of ¥1,502.1 billion in foreign exchange gains and a decrease of ¥656.2 billion in trading account profits. These decreases were partially offset by a decrease of ¥714.4 billion in investment securities losses.

Fees and commissions

Fees and commissions for the fiscal year ended March 31, 2009 were ¥1,188.5 billion, a decrease of ¥128.6 billion from ¥1,317.1 billion for the fiscal year ended March 31, 2008. This decrease was primarily attributable to a decrease of ¥30.9 billion in trust fees, a decrease of ¥30.9 billion in fees on investment funds business, and a decrease of ¥24.7 billion in fees on real estate business due to a decrease of business volume.

Net foreign exchange gains (losses)

Net foreign exchange losses for the fiscal year ended March 31, 2009 were ¥206.2 billion, compared to net foreign exchange gains of ¥1,295.9 billion for the fiscal year ended March 31, 2008. The losses in foreign exchange were mainly due to the appreciation of the Japanese yen against the US dollar in the fiscal year ended March 31, 2009, compared to the fiscal year ended March 31, 2008. For reference, the foreign exchange rate expressed in Japanese yen per US$1.00 by BTMU was ¥118.05 at March 30, 2007, ¥100.19 at March 31, 2008 and ¥98.23 at March 31, 2009. As a result of adopting the fair value option, in principle, all transaction gains or losses on translation of eligible monetary assets and liabilities denominated in foreign currencies are included in current earnings. We recorded losses on translation of securities available for sale denominated in foreign currencies as non-interest income for the fiscal year ended March 31, 2009, which were recorded as other comprehensive income in prior fiscal years. As we maintain monetary assets and liabilities denominated in foreign currencies for our asset liability management, net foreign exchange gains or losses fluctuate with the appreciation or depreciation of the Japanese yen.

Net trading account profits (losses)

Net trading account losses of ¥257.8 billion were recorded for the fiscal year ended March 31, 2009, compared to net trading account profits of ¥398.4 billion for the fiscal year ended March 31, 2008. Net profits on interest rate and other derivative contracts were largely affected by the impact of the decrease in Japanese long-term interest rates on interest rate swaps principally held for risk management purposes. Although such contracts are generally entered into for risk management purposes, the majority did not meet the conditions to qualify for hedge accounting under US GAAP and thus are accounted for as trading positions. Both Japanese yen short-term interest rates and long-term interest rates generally declined during the fiscal year ended March 31, 2009 compared to the previous fiscal year. These declines in short-term and long-term interest rates had a favorable impact on our interest rate swap portfolios, in which we generally maintained net receive-fix and pay-variable positions, for managing interest rate risk on domestic deposits. However, the increase in net profits on interest rate and other derivative contracts of ¥34.9 billion was offset by an increase in net losses on trading account securities, excluding derivatives, of ¥691.1 billion, mainly reflecting the increase in loss on sales and revaluation from trading in debt and equity securities, including securities reclassified under the fair value option, primarily due to unfavorable market conditions.

Net investment securities gains (losses)

Net investment securities losses for the fiscal year ended March 31, 2009 were ¥658.7 billion, a decrease of ¥714.4 billion, from ¥1,373.1 billion for the fiscal year ended March 31, 2008.

The net investment securities losses for the fiscal year ended March 31, 2009 mainly reflected the 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 on debt securities for the fiscal year ended March 31, 2008 were ¥1,169.1 billion due to the appreciation of the Japanese yen against the US dollar. The impairment losses on debt securities for the fiscal year ended March 31, 2009 substantially decreased by ¥1,013.6 billion, compared to those for the fiscal year ended March 31, 2008, due to the election of the fair value option for certain foreign securities. The increase in impairment losses on marketable equity securities was due to a general decline in Japanese stock prices in the fiscal year ended March 31, 2009. The Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, was ¥12,525.54 at March 31, 2008 and ¥8,109.53 at March 31, 2009.

Equity in losses of equity method investees

We recorded equity in losses of equity method investees of ¥60.1 billion for the fiscal year ended March 31, 2009, an increase of ¥25.6 billion, from ¥34.5 billion for the fiscal year ended March 31, 2008. The increase in losses in the fiscal year ended March 31, 2009 was mainly due to increased losses associated with our equity method investees primarily in consumer finance and regional banking.

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Non-Interest Expense

The following table shows a summary of our non-interest expense for the fiscal years ended March 31, 2008, 2009 and 2010:

	Fiscal years ended March 31,		
	2008	2009	2010
		(in billions)	
Salaries and employee benefits	¥ 909.8	¥ 873.4	¥ 908.2
Occupancy expenses net	173.2	171.9	171.1
Fees and commission expenses	218.1	209.8	196.5
Outsourcing expenses, including data processing	248.2	267.8	215.4
Depreciation of premises and equipment	179.6	132.1	120.3
Amortization of intangible assets	252.9	278.2	225.0
Impairment of intangible assets	78.7	126.9	12.4
Insurance premiums, including deposit insurance	112.4	113.8	112.5
Communications	65.3	62.9	57.1
Taxes and public charges	83.4	85.7	69.1
Provision for repayment of excess interest	2.8	47.9	44.8
Impairment of goodwill	893.7	845.8	0.5
Other non-interest expenses	402.2	392.6	375.2
Total non-interest expense	¥ 3,620.3	¥ 3,608.8	¥ 2,508.1

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 charges 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.

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.

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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 8 to our consolidated financial statements included elsewhere in this Annual Report.

Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008

Non-interest expense for the fiscal year ended March 31, 2009 was ¥3,608.8 billion, a decrease of ¥11.5 billion from ¥3,620.3 billion for the previous fiscal year. This decrease was primarily due to a decrease of impairment of goodwill, depreciation of premises and equipment, and salaries and employee benefits. The decrease in these non-interest expenses was partially offset by an increase in impairment of intangible assets, provision for repayment of excess interest, amortization of intangible assets and outsourcing expenses, including data processing.

Salaries and employee benefits

Salaries and employee benefits for the fiscal year ended March 31, 2009 were ¥873.4 billion, a decrease of ¥36.4 billion from ¥909.8 billion for the previous fiscal year. This decrease was mainly due to the fact that our credit card subsidiary paid early retirement benefits during the fiscal year ended March 31, 2008, which were not paid for in the fiscal year ended March 31, 2009.

Depreciation of premises and equipment

Depreciation of premises and equipment for the fiscal year ended March 31, 2009 was ¥132.1 billion, a decrease of ¥47.5 billion from ¥179.6 billion for the previous fiscal year. This decrease primarily reflected the fact that the depreciation of premises and equipment increased significantly for the fiscal year ended March 31, 2008, because we reviewed the salvage values of premises and equipment and decided to change the estimated salvage values of these assets to ¥1 during the fiscal year ended March 31, 2008. For the fiscal year ended March 31, 2009, we did not have such additional depreciation and this resulted in a decrease of depreciation of premises and equipment compared to the previous year. For further information, see Note 1 to our consolidated financial statements included elsewhere in this Annual Report.

Impairment of intangible assets

Impairment of intangible assets for the fiscal year ended March 31, 2009 was ¥126.9 billion, an increase of ¥48.2 billion, from ¥78.7 billion for the previous fiscal year. The increase was mainly due to an increase in impairment of intangible assets related to our consumer finance subsidiary.

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Provision for repayment of excess interest

Provision for repayment of excess interest for the fiscal year ended March 31, 2009 was ¥47.9 billion, an increase of ¥45.1 billion from ¥2.8 billion for the previous fiscal year. The increase was mainly due to an increase in the provision for repayment of excess interest at our credit card subsidiary following developments in recent court cases relating to gray-zone interest repayment claims.

Impairment of goodwill

In the fiscal year ended March 31, 2009, we recorded an impairment of goodwill of ¥845.8 billion. We recorded an impairment in goodwill due to, 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. We recorded an impairment of goodwill of ¥893.7 billion for the fiscal year ended March 31, 2008. For further information, see Note 8 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):

	Fiscal years ended March 31,		
	2008	2009	2010
	(in billions, except percentages)		
Income (loss) from continuing operations before income tax expense (benefit)	¥ 51.8	¥ (1,764.2)	¥ 1,282.1
Income tax expense (benefit)	¥ 553.1	¥ (259.9)	¥ 407.0
Effective income tax rate	1,068.6%	14.7%	31.7%
Combined normal effective statutory tax rate	40.6%	40.6%	40.6%

Reconciling items between the combined normal effective statutory tax rates and the effective income tax rates for the fiscal years ended March 31, 2008, 2009 and 2010 are summarized as follows:

	Fiscal years ended March 31,		
	2008	2009	2010
Combined normal effective statutory tax rate	40.6%	40.6%	40.6%
Increase (decrease) in taxes resulting from:			
Nondeductible expenses	5.9	(0.2)	0.2
Dividends from foreign subsidiaries	24.3	(0.3)	0.0
Foreign tax credits and payments	2.4	(0.7)	0.7
Lower tax rates applicable to income of subsidiaries	(18.9)	0.0	(0.7)
Change in valuation allowance	334.3	(2.3)	(5.8)
Realization of previously unrecognized tax effects of subsidiaries	(1.2)	(1.7)	(0.9)
Nontaxable dividends received	(36.3)	0.4	(0.1)
Impairment of goodwill	701.2	(19.5)	0.0
Undistributed earnings of subsidiaries	8.7	(1.5)	(1.6)

Tax and interest expense for uncertainty in income taxes	2.0	(1.0)	0.6
Other net	5.6	0.9	(1.3)
Effective income tax rate	1,068.6%	14.7%	31.7%

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

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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.

The effective income tax rate of 1,068.6% for the fiscal year ended March 31, 2008 was 1,028.0 percentage points higher than the combined normal effective statutory tax rate of 40.6%. This higher effective income tax rate was primarily due to the fact that an impairment of goodwill was recorded under US GAAP, decreasing our income from continuing operations before income tax expense and the cumulative effect of a change in accounting principle of ¥51.8 billion for the fiscal year ended March 31, 2008. Under Japanese tax law, such impairment of goodwill was not deductible in computing our taxable income and, accordingly, our income tax expense was significantly higher in comparison to our income from continuing operations before income tax expense and cumulative effect of a change in accounting principle reported under US GAAP. In addition, the higher effective income tax rate reflected an additional valuation allowance related to operating loss carryforwards that were no longer deemed to be more likely than not to be realized, due to a decline in estimated future taxable income resulting from the downturn in financial and banking businesses caused by disruptions in the global financial markets.

Net income (loss) attributable to noncontrolling interests

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.

Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008

Our net loss attributable to noncontrolling interests for the fiscal year ended March 31, 2009 was ¥36.3 billion, compared to net income attributable to noncontrolling interests of ¥38.4 billion for the previous fiscal year. The decrease was mainly due to further investment in UNBC, which resulted in UNBC becoming a wholly-owned subsidiary and which eliminated our noncontrolling interest in UNBC.

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 (credit) for credit losses (primarily an equivalent of formula allowance under US GAAP), foreign exchange gains (losses) and equity investment securities gains (losses).

We operate our main businesses under an integrated business group system, which integrates the operations of BTMU, MUTB, MUMSS (formerly MUS), 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.

Operations that are not covered by the integrated business group system are classified under Global Markets and Other.

The following is a brief explanation of our business segments:

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, MUMSS (formerly MUS), 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.

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, 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 Consists of the treasury operations of BTMU and MUTB. Global Markets also conducts asset liability management and liquidity management and provides various financial operations such as money markets and foreign exchange operations and securities investments.

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.

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Effective April 1, 2009, we modified our managerial accounting methods, including those regarding revenue and expense distribution among our business segments. The presentation set forth below for the fiscal years ended March 31, 2008 and 2009 has been reclassified to conform to the new basis of managerial accounting. For further information, see Note 29 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, 2008										
Net revenue	¥ 1,345.2	¥ 1,192.5	¥ 302.3	¥ 296.4	¥ 598.7	¥ 1,791.2	¥ 198.5	¥ 300.0	¥ (18.7)	¥ 3,616.2
Operating expenses	953.9	557.1	183.7	187.6	371.3	928.4	98.5	59.0	205.2	2,245.0
Operating profit (loss)	¥ 391.3	¥ 635.4	¥ 118.6	¥ 108.8	¥ 227.4	¥ 862.8	¥ 100.0	¥ 241.0	¥ (223.9)	¥ 1,371.2
Fiscal year ended March 31, 2009										
Net revenue	¥ 1,320.0	¥ 1,045.0	¥ 358.7	¥ 256.8	¥ 615.5	¥ 1,660.5	¥ 171.1	¥ 396.3	¥ (213.7)	¥ 3,334.2
Operating expenses	975.1	554.0	173.6	157.3	330.9	884.9	93.3	62.2	192.9	2,208.4
Operating profit (loss)	¥ 344.9	¥ 491.0	¥ 185.1	¥ 99.5	¥ 284.6	¥ 775.6	¥ 77.8	¥ 334.1	¥ (406.6)	¥ 1,125.8
Fiscal year ended March 31, 2010										
Net revenue	¥ 1,433.3	¥ 945.4	¥ 348.4	¥ 265.3	¥ 613.7	¥ 1,559.1	¥ 157.2	¥ 528.5	¥ (73.0)	¥ 3,605.1
Operating expenses	988.2	511.7	204.6	168.1	372.7	884.4	91.4	61.3	179.2	2,204.5
Operating profit (loss)	¥ 445.1	¥ 433.7	¥ 143.8	¥ 97.2	¥ 241.0	¥ 674.7	¥ 65.8	¥ 467.2	¥ (252.2)	¥ 1,400.6

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

Net revenue of the Integrated Retail Banking Business Group increased ¥113.3 billion to ¥1,433.3 billion for the fiscal year ended March 31, 2010 from ¥1,320.0 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 ¥100.2 billion to ¥445.1 billion for the fiscal year ended March 31, 2010 from ¥344.9 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 ¥101.4 billion to ¥1,559.1 billion for the fiscal year ended March 31, 2010 from ¥1,660.5 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 ¥945.4 billion was recorded for the fiscal year ended March 31, 2010, a decrease of ¥99.6 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 ¥613.7 billion was recorded for the fiscal year ended March 31, 2010, a decrease of ¥1.8 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.

Operating expenses of the Integrated Corporate Banking Business Group were ¥884.4 billion for the fiscal year ended March 31, 2010, a decrease of ¥0.5 billion from the fiscal year ended March 31, 2009.

Operating profit of the Integrated Corporate Banking Business Group decreased ¥100.9 billion to ¥674.7 billion for the fiscal year ended March 31, 2010 from ¥775.6 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 ¥132.2 billion to ¥528.5 billion for the fiscal year ended March 31, 2010 from ¥396.3 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.

Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008

Net revenue of the Integrated Retail Banking Business Group decreased ¥25.2 billion from ¥1,345.2 billion for the fiscal year ended March 31, 2008 to ¥1,320.0 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 decrease in net revenue was mainly due to decreases in net interest income in consumer finance as well as fees and commissions on securities businesses and investment funds business, which fully offset increases in net fees and revenue from deposits and those from ACOM, a consumer finance company that became a consolidated subsidiary during the fiscal year ended March 31, 2009.

Operating expenses of the Integrated Retail Banking Business Group increased ¥21.2 billion from ¥953.9 billion for the fiscal year ended March 31, 2008 to ¥975.1 billion for the fiscal year ended March 31, 2009. The increase in operating expenses was primarily due to the consolidation of ACOM.

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Operating profit of the Integrated Retail Banking Business Group decreased ¥46.4 billion from ¥391.3 billion for the fiscal year ended March 31, 2008 to ¥344.9 billion for the fiscal year ended March 31, 2009. This decrease was mainly due to a decrease in net revenue and increase in operating expenses as stated above.

Net revenue of the Integrated Corporate Banking Business Group decreased ¥130.7 billion from ¥1,791.2 billion for the fiscal year ended March 31, 2008 to ¥1,660.5 billion for the fiscal year ended March 31, 2009. Net revenue of the Integrated Corporate Banking Business Group mainly consists of revenues from 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 in domestic businesses.

With regard to the domestic businesses, net revenue of ¥1,045.0 billion, a decrease of ¥147.5 billion from the previous fiscal year, was recorded for the fiscal year ended March 31, 2009. This decrease was mainly due to a decrease in net interest income resulting from a decrease in loan interest margin and decreases in net revenue from sales of derivative products and from securities businesses. The decrease in net revenue was also attributable to losses from impairment and sales of securitized products.

With regard to the overseas businesses, net revenue of ¥615.5 billion, an increase of ¥16.8 billion from the previous fiscal year, was recorded for the fiscal year ended March 31, 2009. This increase was mainly due to an increase in net revenue from overseas lending business mainly for non-Japanese corporate clients.

Operating expenses of the Integrated Corporate Banking Business Group were ¥884.9 billion for the fiscal year ended March 31, 2009, a decrease of ¥43.5 billion from the fiscal year ended March 31, 2008.

Operating profit of the Integrated Corporate Banking Business Group decreased ¥87.2 billion from ¥862.8 billion for the fiscal year ended March 31, 2008 to ¥775.6 billion for the fiscal year ended March 31, 2009. This decrease was mainly due to a decrease in net revenue as stated above.

Net revenue of the Integrated Trust Assets Business Group decreased ¥27.4 billion from ¥198.5 billion for the fiscal year ended March 31, 2008 to ¥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 ¥5.2 billion from ¥98.5 billion for the fiscal year ended March 31, 2008 to ¥93.3 billion for the fiscal year ended March 31, 2009.

Operating profit of the Integrated Trust Assets Business Group decreased ¥22.2 billion from ¥100.0 billion for the fiscal year ended March 31, 2008 to ¥77.8 billion for the fiscal year ended March 31, 2009. This decrease was due to a decrease in net revenue as stated above.

Net revenue of Global Markets increased ¥96.3 billion from ¥300.0 billion for the fiscal year ended March 31, 2008 to ¥396.3 billion for the fiscal year ended March 31, 2009. The increase in net revenue was mainly due to improved performance in 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) from continuing operations 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, 2008, 2009 and 2010. 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 30 to our consolidated financial statements included elsewhere in this Annual Report.

	Fiscal years ended March 31,		
	2008	2009	2010
		(in billions)	
Total revenue (interest income and non-interest income):			
Domestic	¥ 4,691.0	¥ 2,924.4	¥ 3,605.0
Foreign:			
United States of America	228.1	568.7	604.4
Europe	699.8	233.7	355.0
Asia/Oceania excluding Japan	442.0	329.7	482.6
Other areas(1)	84.0	14.4	165.4
Total foreign	1,453.9	1,146.5	1,607.4
Total	¥ 6,144.9	¥ 4,070.9	¥ 5,212.4
Income (loss) from continuing operations before income tax expense (benefit):			
Domestic	¥ 316.2	¥ (1,357.4)	¥ 539.9
Foreign:			
United States of America	(516.1)	(210.3)	208.4
Europe	91.0	(237.5)	224.4
Asia/Oceania excluding Japan	183.9	110.8	273.0
Other areas(1)	(23.2)	(69.8)	36.4
Total foreign	(264.4)	(406.8)	742.2
Total	¥ 51.8	¥ (1,764.2)	¥ 1,282.1
Net income (loss) attributable to Mitsubishi UFJ Financial Group			
Domestic	¥ (227.1)	¥ (1,064.3)	¥ 189.7
Foreign:			
United States of America	(637.3)	(223.5)	193.0
Europe	121.3	(229.5)	199.1
Asia/Oceania excluding Japan	232.2	119.4	241.4
Other areas(1)	(31.5)	(70.1)	36.6
Total foreign	(315.3)	(403.7)	670.1
Total	¥ (542.4)	¥ (1,468.0)	¥ 859.8

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

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 US and Europe, which losses were significantly higher in the fiscal year ended March 31, 2009.

Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008

Domestic net loss attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2009 was ¥1,064.3 billion, compared to a net loss attributable to Mitsubishi UFJ Financial Group of ¥227.1 billion for the fiscal year ended March 31, 2008. This deterioration mainly reflected the increase in loss on sales and revaluation from trading in debt and equity securities primarily due to unfavorable market conditions.

Foreign net loss attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2009 was ¥403.7 billion, an increase of ¥88.4 billion, from ¥315.3 billion for the fiscal year ended March 31, 2008. This increase primarily reflected an increase in net loss attributable to Mitsubishi UFJ Financial Group in Europe of ¥350.8 billion over the same period, which was recorded mainly due to the appreciation of the Japanese yen against the euro and other foreign currencies.

Effect of Change in Exchange Rates on Foreign Currency Translation

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 from continuing operations before income tax expense by ¥78.3 billion, respectively, for the fiscal year ended March 31, 2010.

Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008

The average exchange rate for the fiscal year ended March 31, 2009 was ¥100.54 per US$1.00, compared to the prior fiscal year s average exchange rate of ¥114.29 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, 2008 was ¥103.46 per US$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2007 of ¥117.84 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 ¥477.2 billion, net interest income by ¥141.2 billion and income from continuing operations before income tax expense by ¥168.2 billion, respectively, for the fiscal year ended March 31, 2009.

B. Liquidity and Capital Resources

Financial Condition

Total Assets

Our total assets at March 31, 2010 were ¥200.08 trillion, an increase of ¥6.58 trillion from ¥193.50 trillion at March 31, 2009. The increase in total assets mainly reflected increases in investment securities of

¥17.41 trillion, interest-earning deposits in other banks of ¥1.24 trillion, and receivables under resale agreements of ¥1.01 trillion. These increases were partially offset by decreases in net loans of ¥8.28 trillion, trading account assets of ¥2.62 trillion, and deferred tax assets of ¥0.89 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, 2009 and 2010 by geographic region based principally on the domicile of the obligors:

	At March 31,	
	2009	2010
	(in trillions)	
Japan	¥ 143.00	¥ 149.02
Foreign:		
United States of America	23.09	21.63
Europe	14.98	15.80
Asia/Oceania excluding Japan	7.47	8.42
Other areas(1)	4.96	5.21
Total foreign	50.50	51.06
Total	¥ 193.50	¥ 200.08

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

At March 31, 2010, the foreign exchange rate expressed in Japanese yen per US$1.00 by us was ¥93.04, as compared with ¥98.23 at March 31, 2009. 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, 2009 and March 31, 2010 resulted in a decrease in the Japanese yen amount of our total assets at March 31, 2010 by ¥0.33 trillion.

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Loan Portfolio

The following table sets forth our loans outstanding, before deduction of allowance for credit losses, at March 31, 2009 and 2010, 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, 2009	At March 31, 2010
	(in billions)	
Domestic:		
Manufacturing	¥ 12,922.8	¥ 12,027.8
Construction	1,803.5	1,427.9
Real estate[1]	10,436.8	12,261.6
Services[1]	6,750.4	3,714.1
Wholesale and retail	9,760.8	8,597.2
Banks and other financial institutions[2]	4,836.0	4,159.6
Communication and information services	732.7	1,339.8
Other industries	9,515.9	9,393.0
Consumer	20,542.4	19,096.8
Total domestic	77,301.3	72,017.8
Foreign:		
Governments and official institutions	351.1	490.4
Banks and other financial institutions[2]	2,687.0	2,970.5
Commercial and industrial	17,550.6	14,252.7
Other	2,510.5	2,554.2
Total foreign	23,099.2	20,267.8
Unearned income, unamortized premium net and deferred loan fees net	(90.2)	(99.7)
Total[3]	¥ 100,310.3	¥ 92,185.9

Notes:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, loans to lease financing companies of ¥2,392.4 billion were included in Real estate at March 31, 2010. At March 31, 2009, the related balances had been included in Services.

(2) 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.

(3) The above table includes loans held for sale of ¥119.6 billion and ¥102.3 billion at March 31, 2009 and 2010, 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 57.81% of total interest-earning assets for the fiscal year ended March 31, 2009 and 54.43% for the fiscal year ended March 31, 2010.

At March 31, 2010, our total loans were ¥92.19 trillion, a decrease of ¥8.12 trillion from ¥100.31 trillion at March 31, 2009. Before unearned income, net unamortized premiums and net deferred loan fees, our loan balance at March 31, 2010 consisted of ¥72.02 trillion of domestic loans and ¥20.27 trillion of foreign loans, while the loan balance at March 31, 2009 consisted of ¥77.30 trillion of domestic loans and ¥23.10 trillion of foreign loans. Between March 31, 2009 and March 31, 2010, domestic loans decreased ¥5.28 trillion and foreign loans decreased ¥2.83 trillion.

Our domestic loan portfolio at March 31, 2010 was ¥72.02 trillion, a decrease of ¥5.28 trillion from ¥77.30 trillion for the fiscal year ended March 31, 2009. The decrease was mainly due to a decrease in our loans outstanding to the services, consumer, and wholesale and retail segments, which decreased ¥3.04 trillion, ¥1.45 trillion, and ¥1.16 trillion, respectively. This decrease was partially offset by an increase of ¥1.82 trillion in the loan balance to the real estate segment.

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The decrease in foreign loans during the fiscal year ended March 31, 2010 was mainly due to a decrease in demand for loans from the commercial and industrial segment.

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, 2008, 2009 and 2010:

	Fiscal years ended March 31,		
	2008	2009	2010
		(in billions)	
Balance at beginning of fiscal year	¥ 1,112.5	¥ 1,134.9	¥ 1,156.6
Provision for credit losses	385.7	626.9	647.8
Charge-offs:			
Domestic	(380.0)	(559.0)	(401.9)
Foreign	(6.5)	(44.3)	(118.9)
Total	(386.5)	(603.3)	(520.8)
Recoveries:			
Domestic	28.5	23.7	48.3
Foreign	2.1	2.8	4.1
Total	30.6	26.5	52.4
Net charge-offs	(355.9)	(576.8)	(468.4)
Others(1)	(7.4)	(28.4)	(20.4)
Balance at end of fiscal year	¥ 1,134.9	¥ 1,156.6	¥ 1,315.6

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.

As previously discussed, the 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 the provision for credit losses was mainly due to the weakening of the financial condition of borrowers, especially, in the manufacturing, wholesale and retail, and other industries segments.

For the fiscal year ended March 31, 2010, the ratio of the provision for the credit losses of ¥647.8 billion to the average loan balance of ¥95.50 trillion was 0.68%, and that to the total average interest-earning assets of ¥175.47 trillion was 0.37%.

Charge-offs for the fiscal year ended March 31, 2010 were ¥520.8 billion, a decrease of ¥82.5 billion from ¥603.3 billion for the fiscal year ended March 31, 2009. The decrease in the charge-offs was mainly due to decreases in the charge-offs for the domestic manufacturing, wholesale and retail, and services segments, mainly reflecting the gradual recovery of the domestic economy.

The total allowance for credit losses at March 31, 2010 was ¥1,315.6 billion, an increase of ¥159.0 billion from ¥1,156.6 billion at March 31, 2009 as we recorded a provision for credit losses of ¥647.8 billion, while we had net charge-offs of ¥468.4 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, 2009	¥ 24.5	¥ 9.4	¥ 15.1	¥ (0.3)
For the fiscal year ended March 31, 2010	¥ 74.6	¥ 24.5	¥ 50.1	¥ (16.0)

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.

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 losses of ¥1.7 billion and net gains of ¥17.8 billion for the fiscal years ended March 31, 2009 and 2010, respectively.

The following table summarizes the allowance for credit losses by component at March 31, 2009 and 2010:

	At March 31, 2009	At March 31, 2010
	(in billions)	
Allocated allowance:		
Specific specifically identified problem loans	¥ 618.5	¥ 770.3
Large groups of smaller balance homogeneous loans	97.9	103.9
Loans exposed to specific country risk	1.1	0.8
Formula substandard, special mention and other loans	432.8	423.0
Unallocated allowance	6.3	17.6
Total allowance	¥ 1,156.6	¥ 1,315.6

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, 2010, the total allowance for credit losses was ¥1,315.6 billion, representing 1.43% of our total loan portfolio. At March 31, 2009, the total allowance for credit losses was ¥1,156.6 billion, representing 1.15% of our total loan portfolio.

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The total allowance increased to ¥1,315.6 billion at March 31, 2010 from ¥1,156.6 billion at March 31, 2009 primarily as a result of the downgrades in the credit ratings of domestic borrowers in the manufacturing, wholesale and retail, and other industry segments and overseas borrowers during the fiscal year ended March 31, 2010.

During the fiscal year ended March 31, 2010, there were no significant changes 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.

Allocated allowance for specifically identified problem loans

The allocated credit loss allowance for specifically identified problem loans represents the allowance against impaired loans required under the guidance on accounting by creditors for impairment of a loan. Impaired loans primarily include 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 effective interest rate, the loan s estimated marketable price or the fair value of the collateral at the annual and semi-annual fiscal 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 the maturity date. 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 specifically identified problem loans as of March 31, 2010 was ¥770.3 billion, an increase of ¥151.8 billion from ¥618.5 billion as of March 31, 2009. This increase reflected an increase in nonaccrual loans to domestic other industries and foreign governments and official institutions segments.

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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, 2009 and 2010:

	At March 31, 2009	At March 31, 2010
	(in billions, except percentages)	
Nonaccrual loans:		
Domestic:		
Manufacturing	¥ 87.7	¥ 111.2
Construction	55.8	33.5
Real estate[(1)]	263.8	214.4
Services[(1)]	104.6	79.5
Wholesale and retail	139.0	135.5
Banks and other financial institutions	14.8	2.3
Communication and information services	36.9	73.6
Other industries	20.6	116.8
Consumer	372.9	355.0
Total domestic	1,096.1	1,121.8
Foreign	153.4	247.2
Total nonaccrual loans	1,249.5	1,369.0
Restructured loans:		
Domestic:		
Manufacturing	67.5	140.1
Construction	18.0	25.1
Real estate[(1)]	59.4	56.8
Services[(1)]	40.7	83.0
Wholesale and retail	28.8	89.1
Banks and other financial institutions	3.3	3.0
Communication and information services	15.9	24.0
Other industries	128.3	38.3
Consumer	95.9	105.6
Total domestic	457.8	565.0
Foreign	63.8	47.2
Total restructured loans	521.6	612.2
Accruing loans contractually past due 90 days or more:		
Domestic	15.1	25.9
Foreign	6.4	0.5
Total accruing loans contractually past due 90 days or more	21.5	26.4
Total nonaccrual and restructured loans and accruing loans contractually past due 90 days or more	¥ 1,792.6	¥ 2,007.6
Total loans	¥ 100,310.3	¥ 92,185.9

Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more, as a percentage of total loans	1.79%	2.18%

Note:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, nonaccrual loans to lease financing companies of ¥28.5 billion were included in Real estate at March 31, 2010. At March 31, 2009, the related balances had been included in Services.

Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more increased ¥215.0 billion to ¥2,007.6 billion at March 31, 2010 from ¥1,792.6 billion at March 31, 2009. Similarly, the percentage of such nonperforming loans to total loans increased to 2.18% at March 31, 2010 from 1.79% at March 31, 2009.

Total nonaccrual loans were ¥1,369.0 billion at March 31, 2010, an increase of ¥119.5 billion from ¥1,249.5 billion at March 31, 2009. Domestic nonaccrual loans increased ¥25.7 billion between March 31, 2009 and March 31, 2010, mainly due to the downgrades in the credit ratings of borrowers in the manufacturing, communication and information services, and other industry segments. Foreign nonaccrual loans increased ¥93.8 billion between March 31, 2009 and March 31, 2010, mainly due to the downgrades in the credit ratings of overseas borrowers included in the foreign governments and official institutions segment. As a result, foreign nonaccrual loans in governments and official institutions increased ¥66.3 billion.

Total restructured loans were ¥612.2 billion at March 31, 2010, an increase of ¥90.6 billion from ¥521.6 billion at March 31, 2009. The restructured loans set forth in the above table are current in accordance with the applicable restructured contractual terms. Domestic restructured loans increased ¥107.2 billion to ¥565.0 billion at March 31, 2010 from ¥457.8 billion at March 31, 2009 mainly due to the downgrades in the credit ratings of borrowers in the manufacturing, wholesale and retail, and services segments. Restructured loans in the manufacturing segment increased ¥72.6 billion, those in the wholesale and retail segment increased ¥60.3 billion and those in the services segment increased ¥42.2 billion, but those in the other industries segment decreased ¥90.0 billion.

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 our outstanding loans to whom are 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 supports 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.

Impaired loans and Impairment allowance

The following table summarizes the balances of impaired loans and related impairment allowances at March 31, 2009 and 2010, excluding smaller-balance homogeneous loans and restructured loans:

	At March 31,			
	2009		2010	
	Loan balance	Impairment allowance	Loan balance	Impairment allowance
	(in billions)			
Requiring an impairment allowance	¥ 1,168.5	¥ 618.6	¥ 1,465.1	¥ 770.3
Not requiring an impairment allowance(1)	407.7		360.8	
Total(2)	¥ 1,576.2	¥ 618.6	¥ 1,825.9	¥ 770.3
Percentage of the allocated allowance to total impaired loans	39.2%		42.2%	

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 ¥14.5 billion at March 31, 2010. There were no such impaired loans at March 31, 2009.

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Impaired loans increased by ¥249.7 billion from ¥1,576.2 billion at March 31, 2009 to ¥1,825.9 billion at March 31, 2010, reflecting the increase in nonaccrual loans and restructured loans.

The percentage of the allocated allowance to total impaired loans increased 3.0 percentage points to 42.2% at March 31, 2010 from 39.2% at March 31, 2009.

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 ¥103.9 billion at March 31, 2010, an increase of ¥6.0 billion from ¥97.9 billion at March 31, 2009.

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 ¥0.8 billion at March 31, 2010, a decrease of ¥0.3 billion from ¥1.1 billion at March 31, 2009.

Formula allowance for substandard, special mention and unclassified loans

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 ¥9.8 billion to ¥423.0 billion at March 31, 2010 from ¥432.8 billion at March 31, 2009.

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.

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 or portfolio segments. 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 within portfolio segments;

- recent loss experience in particular segments of the portfolio;

- 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 or portfolio segment 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 or portfolio segment 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 ¥11.3 billion to ¥17.6 billion at March 31, 2010 from ¥6.3 billion at March 31, 2009.

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 ¥85.7 billion at March 31, 2010, an increase of ¥1.1 billion from ¥84.6 billion at March 31, 2009.

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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 the aggregate value of our 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, 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 ¥17.41 trillion to ¥55.05 trillion at March 31, 2010 from ¥37.64 trillion at March 31, 2009 due primarily to a ¥15.26 trillion increase in Japanese national government and Japanese government agency bonds and to a ¥1.14 trillion increase in U.S. Treasury and other U.S. government agencies bonds, partially offset by a ¥0.41 trillion decrease in corporate bonds. The general improvement in stock prices of Japanese equity securities resulted in an increase of our marketable equity securities by ¥0.48 trillion at March 31, 2010 compared to March 31, 2009. 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 ¥1.43 trillion and ¥1.69 trillion at March 31, 2009 and March 31, 2010, 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, 2009 and 2010:

	At March 31,					
	2009			2010		
	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	¥ 23,846.2	¥ 23,892.8	¥ 46.6	¥ 39,431.1	¥ 39,432.9	¥ 1.8
Japanese prefectural and municipal bonds	277.9	282.5	4.6	272.8	280.9	8.1
Foreign governments and official institutions bonds	185.6	190.6	5.0	1,340.8	1,345.2	4.4
Corporate bonds	3,791.0	3,869.0	78.0	3,394.3	3,474.7	80.4
Mortgage-backed securities	676.3	668.2	(8.1)	991.3	994.7	3.4
Asset-backed securities, excluding mortgage-backed securities(1)	543.0	495.1	(47.9)	329.6	327.8	(1.8)
Other debt securities	33.3	32.1	(1.2)	1.0	1.0	
Marketable equity securities	3,340.3	3,959.8	619.5	3,083.0	4,554.7	1,471.7
Total securities available for sale	¥ 32,693.6	¥ 33,390.1	¥ 696.5	¥ 48,843.9	¥ 50,411.9	¥ 1,568.0
Debt securities being held to maturity(2)	¥ 2,812.4	¥ 2,826.4	¥ 14.0	¥ 2,943.8	¥ 3,027.9	¥ 84.1

Notes:

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

(2) See Note 4 to our consolidated financial statements included elsewhere in this Annual Report for more details.

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Net unrealized gains on securities available for sale increased ¥871.5 billion to ¥1,568.0 billion at March 31, 2010 from ¥696.5 billion at March 31, 2009. This increase primarily consisted of a ¥852.2 billion increase in net unrealized gains on marketable equity securities. The increase in net unrealized gains of ¥852.2 billion on marketable equity securities was mainly due to the increase in stock prices which favorably affected our holdings of Japanese equity securities.

The amortized cost of securities being held to maturity increased ¥131.4 billion compared to the previous fiscal year mainly due to a ¥402.6 billion increase in foreign government bonds 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.

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, 2010 was ¥2.86 trillion, a decrease of ¥0.21 trillion from ¥3.07 trillion at March 31, 2009. The decrease was primarily due to a decrease 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, 2010 were ¥4.78 trillion, an increase of ¥1.24 trillion from ¥3.54 trillion at March 31, 2009. This increase primarily reflected an increase in interest-earning deposits denominated in foreign currencies of our overseas offices.

Receivables under Resale Agreements

Receivables under resale agreements at March 31, 2010 were ¥3.54 trillion, an increase of ¥1.01 trillion from ¥2.53 trillion at March 31, 2009. 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.

Goodwill

Goodwill at March 31, 2010 was ¥381.5 billion, substantially unchanged from March 31, 2009.

Deferred Tax Assets

Deferred tax assets decreased ¥0.88 trillion to ¥1.29 trillion at March 31, 2010 from ¥2.17 trillion at March 31, 2009. The decrease primarily reflected an increase in net unrealized gains on investment securities due to a recovery in the fair market value of these securities. A decrease in net operating loss carryforwards, which is attributable to our ability to utilize net operating loss carryforwards against taxable income for the fiscal year ended March 31, 2010, also contributed to a decrease in deferred tax assets.

Total Liabilities

At March 31, 2010, total liabilities were ¥190.98 trillion, an increase of ¥3.95 trillion from ¥187.03 trillion at March 31, 2009, while the total balance of deposits was ¥135.47 trillion at March 31, 2010, an increase of ¥7.14 trillion from ¥128.33 trillion at March 31, 2009. The increase in total deposits of ¥7.14 trillion was partially offset by decreases in other short-term borrowings of ¥1.77 trillion, trading account liabilities of ¥0.80 trillion, and other liabilities of ¥0.68 trillion.

The appreciation of the Japanese yen against the US dollar and other foreign currencies between March 31, 2009 and March 31, 2010 resulted in a decrease in the Japanese yen amount of foreign currency-denominated liabilities at March 31, 2010 by ¥0.10 trillion.

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Deposits

Deposits are our primary source of funds. Total average balance of deposits increased ¥2.95 trillion to ¥130.02 trillion for the fiscal year ended March 31, 2010 from ¥127.07 trillion for the fiscal year ended March 31, 2009. This increase primarily reflected an increase of ¥2.72 trillion in average foreign interest-bearing deposits, principally money market deposits and time deposits as depositors sought the safety of deposits at large financial institutions in light of the unstable economic conditions, especially in the United States and Europe.

The balance at the end of the fiscal year of domestic deposits increased ¥1.90 trillion to ¥112.73 trillion at March 31, 2010 from ¥110.83 trillion at March 31, 2009, and the balance at the end of the fiscal year of foreign deposits increased ¥5.24 trillion from ¥17.50 trillion at March 31, 2009 to ¥22.74 trillion at March 31, 2010. 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 increase in foreign deposits was mainly due to an increase in foreign interest-bearing deposits of our overseas offices, especially in the United States and Europe.

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 decreased ¥3.07 trillion to ¥25.02 trillion at March 31, 2010 from ¥28.09 trillion at March 31, 2009. This decrease was primarily attributable to a decrease of ¥1.77 trillion in other short-term borrowings which were comprised of borrowings from the Bank of Japan and other financial institutions.

Long-term debt

Long-term debt at March 31, 2010 was ¥14.16 trillion, an increase of ¥0.89 trillion from ¥13.27 trillion at March 31, 2009. This increase was mainly due to an increase in unsubordinated debts by BTMU to maintain an appropriate level of regulatory capital. For further information, see Note 14 to our consolidated financial statements included elsewhere in this Annual Report.

Benefit Obligations

As of March 31, 2009 and 2010, we had benefit obligations of ¥2,000.3 billion and ¥1,887.1 billion, respectively, and the fair value of our plan assets was ¥1,814.0 billion and ¥2,108.5 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 preference to seek the safety of deposits at large financial institutions, the balance of our deposits increased from ¥128.33 trillion at March 31, 2009 to ¥135.47 trillion at March 31, 2010. As of March 31, 2010, our deposits exceeded our loans, net of allowance for credit losses of ¥90.87 trillion, by ¥44.60 trillion. These deposits provide us with a sizable source of stable and low-cost funds. Our average deposits, combined with average total equity of ¥7.86 trillion, funded 70.5% of our average total assets of ¥195.56 trillion during the fiscal year ended March 31, 2010.

Most of the remaining funding was 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 mainly three to five years maturity. 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.

Total Equity

The following table presents a summary of our total equity at March 31, 2009 and 2010:

	At March 31, 2009	At March 31, 2010
	(in billions, except percentages)	
Preferred stock	¥ 442.1	¥ 442.1
Common stock	1,127.6	1,643.2
Capital surplus	6,095.8	6,619.5
Retained earnings appropriated for legal reserve	239.6	239.6
Accumulated deficit	(845.8)	(18.1)
Accumulated other changes in equity from nonowner sources, net of taxes	(813.7)	(45.4)
Treasury stock, at cost	(10.7)	(14.0)
Total Mitsubishi UFJ Financial Group shareholders equity	¥ 6,234.9	¥ 8,866.9
Noncontrolling interests	232.2	235.9
Total equity	¥ 6,467.1	¥ 9,102.8
Ratio of total equity to total assets	3.34%	4.55%

Total equity increased ¥2,635.7 billion to ¥9,102.8 billion at March 31, 2010 from ¥6,467.1 billion at March 31, 2009. The ratio of total equity to total assets also showed an increase of 1.21 percentage points to 4.55% at March 31, 2010 from 3.34% at March 31, 2009. The increase in total equity, and the resulting increase in the ratio to total assets, at March 31, 2010 were principally attributable to a decrease in accumulated deficit of ¥827.7 billion, an increase in accumulated other changes in equity from nonowner sources, net of taxes, of ¥768.3 billion, an increase in capital surplus of ¥523.7 billion, and an increase in common stock of ¥515.6 billion. The increase in common stock and capital surplus was mainly due to the capital procured through the common stock offering in December 2009. The decrease in accumulated deficit was mainly due to our recording net income available to common shareholders of Mitsubishi UFJ Financial Group of ¥838.1 billion for the fiscal year ended March 31, 2010. The increase in accumulated other changes in equity from nonowner sources, net of taxes, was primarily due to an increase in unrealized gains on investment securities and an increase in pension liability 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, 2009 and 2010:

	At March 31,	
	2009	2010
	(in billions, except percentages)	
Accumulated net unrealized gains on investment securities	¥ 95.2	¥ 588.2
Accumulated net unrealized gains to total equity	1.47%	6.46%

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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. 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.

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 Financial Services Agency of Japan, or 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. In December 2009, the Basel Committee on Banking Supervision released proposals designed to strengthen global capital and liquidity regulations. If the proposals, including other proposals released thereafter, are adopted, they could impose stricter capital requirements and new liquidity requirements on global financial institutions such as us. For further information, see Item 3.D. 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, 2009 and 2010, 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 2009 and 2010. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to the overall MUFG capital requirements and a few

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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%.

For additional discussion of the calculation of our capital ratios, see Note 21 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.

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.

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.

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Mitsubishi UFJ Financial Group Ratios

The table below presents our consolidated total capital, risk-weighted assets and risk-adjusted capital ratios at March 31, 2009 and 2010. (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 21 to our consolidated financial statements included elsewhere in this Annual Report.

	At March 31, 2009	At March 31, 2010	Minimum capital ratios required
	(in billions, except percentages)		
Capital components:			
Tier I capital	¥ 7,575.2	¥ 10,009.6	
Tier II capital includable as qualifying capital	4,216.1	4,449.6	
Tier III capital includable as qualifying capital			
Deductions from total qualifying capital	(312.9)	(467.4)	
Total risk-based capital	¥ 11,478.4	¥ 13,991.8	
Risk-weighted assets	¥ 97,493.5	¥ 94,081.3	
Capital ratios:			
Tier I capital	7.76%	10.63%	4.00%
Total risk-adjusted capital	11.77	14.87	8.00

Our Tier I capital ratio and total risk-adjusted capital ratio at March 31, 2010 were 10.63% and 14.87%, respectively. The increase in total risk-adjusted capital ratio was mainly due to an increase in Tier I capital resulting from a common stock offering in December 2009 and a decrease in risk-weighted assets as our loan balance decreased. For a detailed discussion of the common stock offering, see Recent Developments Completion of Global Offering of Common Stock.

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, 2009 and 2010 (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 tables below are rounded down.). For further information, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report.

	At March 31, 2009	At March 31, 2010	Minimum capital ratios required
Consolidated capital ratios:			
BTMU			
Tier I capital	7.64%	10.84%	4.00%
Total risk-adjusted capital	12.02	15.54	8.00
MUTB			
Tier I capital	10.17	12.47	4.00
Total risk-adjusted capital	12.70	16.02	8.00
Stand-alone capital ratios:			
BTMU			

Tier I capital	8.34	11.59	4.00
Total risk-adjusted capital	12.74	16.34	8.00
MUTB			
Tier I capital	9.85	12.09	4.00
Total risk-adjusted capital	12.49	16.10	8.00

At March 31, 2010, management believes that our banking subsidiaries were in compliance with all capital adequacy requirements to which they were subject.

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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, 2008 and 2009:

	At December 31,		Minimum capital ratios required	Ratios OCC requires to be well-capitalized
	2008	2009		
UNBC:				
Tier I capital (to risk-weighted assets)	8.78%	11.82%	4.00%	
Tier I capital (to quarterly average assets)(1)	8.42	9.45	4.00	
Total capital (to risk-weighted assets)	11.63	14.54	8.00	
Union Bank:				
Tier I capital (to risk-weighted assets)	8.67%	11.39%	4.00%	6.00%
Tier I capital (to quarterly average assets)(1)	8.31	9.05	4.00	5.00
Total capital (to risk-weighted assets)	11.01	13.73	8.00	10.00

Note:
(1) Excludes certain intangible assets.

Management believes that, at December 31, 2009, UNBC and Union Bank met all capital adequacy requirements to which they were subject.

At December 31, 2008 and 2009, 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, 2009 that would cause management to believe Union Bank s category has changed.

Capital Adequacy Ratio of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (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, 2009 and 2010, MUMSS capital accounts less certain fixed assets of ¥502.8 billion and ¥505.7 billion represented 353.7% and 342.9% 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. For further information, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report.

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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, 2009 and 2010:

	Fiscal years ended March 31, 2009	2010
	(in millions)	
Net fair value of contracts outstanding at beginning of fiscal year	¥ 87,772	¥ 38,225
Changes attributable to contracts realized or otherwise settled during the fiscal year	11,137	(8,079)
Fair value of new contracts when entered into during the fiscal year	17,272	(3,433)
Other changes in fair value, principally revaluation at end of fiscal year	(77,956)	10,425
Net fair value of contracts outstanding at end of fiscal year	¥ 38,225	¥ 37,138

During the fiscal year ended March 31, 2010, the fair value of non-exchange traded contracts slightly decreased mainly due to a decline in the fair value of credit default swaps embedded in collateralized debt obligations, which was partially offset by an increase in the fair value of buy metals swap positions.

The following table summarizes the maturities of non-exchange traded contracts at March 31, 2010:

	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	¥ (6)	¥ 10,806
Maturity less than 3 years	394	15,473
Maturity less than 5 years	52	3,222
Maturity 5 years or more	(308)	7,505
Total fair value	¥ 132	¥ 37,006

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

Not applicable.

D. Trend Information

See the discussions in 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, 2010:

	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	¥ 2,147	¥ 1,036	¥ 1,040	¥ 4,223
Performance guarantees	1,438	682	122	2,242
Derivative instruments	29,371	48,502	3,371	81,244
Guarantees for the repayment of trust principal	89	1,007	8	1,104
Liabilities of trust account	3,393	293	640	4,326
Others	180	1	2	183
Total guarantees	36,618	51,521	5,183	93,322
Other off-balance-sheet instruments:				
Commitments to extend credit	46,477	13,879	664	61,020
Commercial letters of credit	622	6		628
Commitments to make investments	25	66	35	126
Others	6			6
Total other off-balance-sheet instruments	47,130	13,951	699	61,780
Total	¥ 83,748	¥ 65,472	¥ 5,882	¥ 155,102

See Note 24 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, 2010, approximately 54% of these commitments will expire within one year, 42% from one year to five years and 4% 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 25 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, 2010:

	Payments due by period				
	Less than 1 year	1-3 years	3-5 years	Over 5 years	Total
	(in billions)				
Contractual cash obligations:					
Time deposit obligations	¥ 51,040	¥ 8,753	¥ 1,411	¥ 161	¥ 61,365
Long-term debt obligations	2,008	2,642	2,131	7,305	14,086
Capital lease obligations	19	21	9	28	77
Operating lease obligations	66	105	77	296	544
Purchase obligations	18	22	42	30	112
Total(1)(2)	¥ 53,151	¥ 11,543	¥ 3,670	¥ 7,820	¥ 76,184

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, 2010 as such amount is not currently determinable. We expect to contribute approximately ¥45.9 billion for pension and other benefits for our employees for the fiscal year ending March 31, 2011. For further information, see Note 15 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 9 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 31, 2010, together with their respective dates of birth, positions and experience:

Name (Date of Birth)	Position in MUFG	Business Experience	
Takamune Okihara	Chairman	April 1974	Joined Sanwa Bank
(July 11, 1951)		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	Deputy Chairman and	April 1974	Joined Mitsubishi Trust Bank
(September 10, 1951)	Chief Audit Officer	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	President and CEO	May 1970	Joined Mitsubishi Bank
(April 6, 1947)		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)

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Name **(Date of Birth)**	**Position in MUFG**		**Business Experience**
Kyota Omori (March 14, 1948)	Deputy President and Chief Compliance Officer	April 1972	Joined Mitsubishi Bank
		June 1999	Director of Bank of Tokyo-Mitsubishi
		June 2001	Non-Board Member Director of Bank of Tokyo-Mitsubishi
		May 2003	Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi
		June 2003	Managing Director of Bank of Tokyo-Mitsubishi
		May 2004	Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi
		June 2005	Managing Officer of MTFG
		October 2005	Managing Officer of MUFG
		January 2006	Managing Executive Officer of BTMU
		October 2007	Senior Managing Executive Officer of BTMU
		April 2008	Retired from Senior Managing Executive Officer of BTMU Senior Managing Officer of MUFG
		June 2008	Deputy President of MUFG (incumbent)
Hiroshi Saito (July 13, 1951)	Senior Managing Director and Chief Financial Officer	April 1974	Joined Mitsubishi Trust Bank
		June 2002	Director (Non-Board Member Director) of Mitsubishi Trust Bank
		October 2005	Executive Officer of MUTB
		June 2006	Managing Director of MUTB
		May 2007	Managing Officer of MUFG
		June 2007	Retired from Managing Director of MUTB Director of BTMU (incumbent) Senior Managing Director of MUFG (incumbent)
Nobushige Kamei (November 20, 1952)	Senior Managing Director and Chief Planning Officer	April 1975	Joined Sanwa Bank
		January 2002	Executive Officer of UFJ Bank
		May 2004	Senior Executive Officer of UFJ Bank
		January 2006	Managing Executive Officer of BTMU
		May 2009	Retired from Managing Executive Officer of BTMU Senior Managing Officer of MUFG
		June 2009	Director of MUTB (incumbent) Senior Managing Director of MUFG (incumbent)
Masao Hasegawa (April 20, 1955)	Managing Director and Chief Risk Management 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 Mitsubishi UFJ Securities Holdings Co., Ltd. (incumbent) Managing Director of MUFG (incumbent)

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Name (Date of Birth)	Position in MUFG		Business Experience
Fumiyuki Akikusa (October 9, 1949)	Director	April 1972	Joined Mitsubishi Bank
		June 2000	Director of Bank of Tokyo-Mitsubishi
		June 2001	Non-Board Member Director of Bank of Tokyo-Mitsubishi
		May 2003	Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi
		May 2004	Managing Officer of MTFG
		June 2004	Managing Director of Bank of Tokyo-Mitsubishi
		May 2005	Retired from Managing Officer of MTFG
		June 2005	Retired from Managing Director of Bank of Tokyo-Mitsubishi
			Senior Managing Director and Principal Executive Officer of Mitsubishi Securities Co., Ltd.
		October 2005	Director and Principal Executive Officer of MUS
		June 2006	Deputy President of MUS
			Director of MUFG (incumbent)
		June 2008	President of MUS
		April 2010	President of Mitsubishi UFJ Securities Holdings Co., Ltd. (incumbent)
		May 2010	President & CEO of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (incumbent)
Kazuo Takeuchi (August 15, 1950)	Director	April 1973	Joined Tokai Bank
		April 1999	Executive Officer of Tokai Bank
		June 1999	Director of Tokai Bank
		March 2001	Retired from Director of Tokai Bank
		April 2001	Executive Officer of UFJ Holdings
		January 2002	Retired from Executive Officer of UFJ Holdings
			Senior Executive Officer of UFJ Bank
		May 2005	Retired from Senior Executive Officer of UFJ Bank
		June 2005	Senior Executive Officer of UFJ Tsubasa Securities Co., Ltd.
		October 2005	Senior Executive Officer of MUS
		June 2008	Senior Managing Director of MUS
			Director of MUFG (incumbent)
		April 2010	Senior Managing Director of Mitsubishi UFJ Securities Holdings Co., Ltd.
		May 2010	Deputy President of Mitsubishi UFJ Securities Holdings Co., Ltd. (incumbent)
			Senior Managing Director of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (incumbent)

Name **(Date of Birth)**	**Position in MUFG**		**Business Experience**
Nobuyuki Hirano (October 23, 1951)	Director 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 (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)
Kaoru Wachi (December 9, 1955)	Director	April 1978	Joined Mitsubishi Trust Bank
		April 2004	General Manager of Asset Management and Administration Planning Division of MTFG
		June 2005	Executive Officer of MTFG Director (Non-Board Member Director) of Mitsubishi Trust Bank
		October 2005	Executive Officer of MUFG Executive Officer of MUTB
		June 2008	Managing Director of MUTB Director of MUFG (incumbent)
		June 2010	Senior Managing Director of MUTB (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
		May 2004	General Manager of Corporate Policy Division of MTFG Co-General Manager of Corporate Planning Office of Bank of Tokyo-Mitsubishi
		July 2004	Co-General Manager of Corporate Policy Division of MTFG
		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)
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 (incumbent)
		June 2009	Retired from Advisor of TFS Director of MUFG (incumbent)

Name (Date of Birth)	Position in MUFG		Business Experience
Kazuhiro Watanabe (May 19, 1947)	Director	April 1974	Public Prosecutor, Tokyo District Public Prosecutors Office
		July 1998	Assistant Vice-minister of Justice (Deputy Director-General for Criminal Affairs Bureau)
		April 2001	Public Prosecutor, Supreme Public Prosecutors Office
		January 2002	Chief Public Prosecutor, Nara District Public Prosecutors Office
		September 2004	Chief Public Prosecutor, Maebashi District Public Prosecutors Office
		September 2005	Chief Public Prosecutor, Nagoya District Public Prosecutors Office
		June 2007	Chief Public Prosecutor, Yokohama District Public Prosecutors Office
		July 2008	Superintending Prosecutor, Sapporo High Public Prosecutors Office
		July 2009	Retired from Superintending Prosecutor, Sapporo High Public Prosecutors Office
		September 2009	Attorney at Law
			Joined Dai-ichi Tokyo Bar Association (incumbent)
			Professor of Law, Tokai University Law School (incumbent)
		June 2010	Director of MUFG (incumbent)
Takuma Otoshi (October 17, 1948)	Director	July 1971	Joined IBM Japan, Ltd. (IBM Japan)
		March 1994	Director of IBM Japan
		March 1997	Managing Director of IBM Japan
		December 1999	President of IBM Japan
		June 2004	Director of MTFG
		October 2005	Director of MUFG (incumbent)
		April 2008	President & Chairman of IBM Japan
		January 2009	Chairman of IBM Japan (incumbent)

The following table sets forth our corporate auditors as of July 31, 2010, together with their respective dates of birth, positions and experience:

Name (Date of Birth)	Position in MUFG		Business Experience
Shota Yasuda (July 23, 1948)	Corporate Auditor (Full-Time)	July 1971	Joined Mitsubishi Bank
		June 1998	Director of Bank of Tokyo-Mitsubishi
		June 2001	Non-Board Member Director of Bank of Tokyo-Mitsubishi
		May 2002	Managing Director (Non-Board Member Director) of Bank of Tokyo-Mitsubishi
		January 2006	Senior Managing Director of BTMU
		June 2007	Retired from Senior Managing Director of BTMU
			Corporate Auditor (Full-Time) of MUFG (incumbent)

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Name (Date of Birth)	Position in MUFG		Business Experience
Tetsuo Maeda (June 10, 1951)	Corporate Auditor (Full-Time)	April 1974	Joined Toyo Trust Bank
		May 2000	Executive Officer of Toyo Trust Bank
		January 2002	Executive Officer of UFJ Trust Bank
		May 2003	Senior Executive Officer of UFJ Trust Bank
		September 2004	Director and Senior Executive Officer of UFJ Trust Bank
		October 2005	Managing Director of MUTB
		June 2006	Senior Managing Director of MUTB
		June 2009	Retired from Senior Managing Director of MUTB Corporate Auditor (Full-Time) of MUFG (incumbent)
Tsutomu Takasuka (February 11, 1942)	Corporate Auditor	April 1967	Became a member of the Japanese Institute of Certified Public Accountants
		June 1985	Partner at Mita Audit Corporation
		February 1990	Partner at Tohmatsu & Co.
		September 2002	Resigned Tohmatsu & Co.
		April 2004	Professor, Department of Business Administration, Bunkyo Gakuin University
		October 2004	Full-time Corporate Auditor of Bank of Tokyo-Mitsubishi
		June 2005	Corporate Auditor of MTFG
		October 2005	Corporate Auditor of MUFG (incumbent)
		January 2006	Full-time Corporate Auditor of BTMU (incumbent)
		March 2010	Retired from Professor, Department of Business Administration, Bunkyo Gakuin University
Kunie Okamoto (September 11, 1944)	Corporate Auditor	June 1969	Joined Nippon Life Insurance Company (Nippon Life)
		July 1995	Director of Nippon Life
		March 1999	Managing Director of Nippon Life
		March 2002	Senior Managing Director of Nippon Life
		April 2005	President of Nippon Life (incumbent)
		June 2005	Corporate Auditor of UFJ Holdings
		October 2005	Corporate Auditor of MUFG (incumbent)
Yasushi Ikeda (April 18, 1946)	Corporate Auditor	April 1972	Admitted to the Bar
			Joined the Tokyo Bar Association
		April 1977	Partner of the law firm Miyake Imai & Ikeda (incumbent)
		June 2009	Corporate Auditor of MUFG (incumbent)

The board of directors and corporate auditors may be contacted through our headquarters at Mitsubishi UFJ Financial Group, Inc., 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan.

All directors and corporate auditors were elected at a general meeting of shareholders. The regular term of office of a director is one year from the date of election, and the regular term of office of a corporate auditor is four years from the date of election. Directors and corporate auditors may serve their terms until the close of the annual general meeting of shareholders held in the last year of their terms. Directors and corporate auditors may serve any number of consecutive terms. No family relationship exists among any of our directors or corporate auditors. None of our directors is party to a service contract with MUFG or any of its subsidiaries that provides for benefits upon termination of employment.

B. Compensation

The aggregate amount of compensation paid, including benefits in kind granted and any contingent and deferred compensation but excluding retirement allowances paid, by MUFG and its subsidiaries during the fiscal year ended March 31, 2010 to our directors (excluding outside directors), to corporate auditors (excluding outside auditors) and to outside directors and auditors, was ¥1,125 million, ¥82 million and ¥99 million, respectively.

The following table sets forth the details of individual compensation paid, including benefits in kind granted but excluding retirement allowances paid, by MUFG and its subsidiaries in an amount equal to or exceeding ¥100 million during the fiscal year ended March 31, 2010:

Directors	Aggregate amount	Paid by	Compensation paid Annual salary	 Stock options	 Bonus
			(in millions)		
Ryosuke Tamakoshi	¥ 105	MUFG	¥ 54	¥ 33	¥ 18
Nobuo Kuroyanagi	110	MUFG	28	17	10
		BTMU	28	17	10
Katsunori Nagayasu	110	MUFG	6	3	1
		BTMU	50	31	19

Prior to June 28, 2007, in accordance with customary Japanese practice, when a director or corporate auditor retired, a proposal to pay a retirement allowance was submitted at the annual ordinary general meeting of shareholders for approval. The retirement allowance consisted of a one-time payment of a portion of the allowance paid at the time of retirement and periodic payments of the remaining amount for a prescribed number of years. After the shareholders approval was obtained, the retirement allowance for a director or corporate auditor was fixed by the board of directors or by consultation among the corporate auditors in accordance with our internal regulations and practice and generally reflected the position of the director or corporate auditor at the time of retirement, the length of his service as a director or corporate auditor and his contribution to our performance. MUFG did not set aside reserves for any retirement payments for directors and corporate auditors made under this practice. Pursuant to a one-time shareholders approval in June 2007 for the retirement allowances to be paid to the directors and corporate auditors who were elected prior to that date at the time of their retirement, the aggregate amount of retirement allowance paid by MUFG and its subsidiaries during the fiscal year ended March 31, 2010 to our directors (excluding outside directors), to corporate auditors (excluding outside auditors) and to outside directors and auditors, who have retired from their respective positions held at MUFG or, if such directors and corporate auditors concurrently held positions at MUFG s subsidiaries, who have retired from such positions, was ¥44 million, ¥17 million and ¥37 million, respectively.

As part of our compensation structure, on June 28, 2007, our shareholders approved the creation of a stock-based compensation plan for our directors, corporate auditors and certain of our officers. On November 21, 2007, the board of directors adopted a plan entitled First Series of Stock Acquisition Rights of Mitsubishi UFJ Financial Group, Inc. for our directors, corporate auditors and certain of our officers. Under the stock-based compensation plan, on December 6, 2007, we allotted an aggregate of 3,224 stock acquisition rights to our directors and an aggregate of 493 stock acquisition rights to our corporate auditors for their respective services to MUFG and its subsidiaries. Each stock acquisition right represents a right to purchase 100 shares of MUFG common stock at ¥1 per share of common stock. The stock acquisition rights were subject to a one-year vesting period. The rights are exercisable until December 5, 2037, but only after the date on which a grantee s service as a director or corporate auditor terminates. The fair value of each stock acquisition right was ¥103,200.

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As part of our compensation structure, on June 27, 2008, the board of directors adopted another stock-based compensation plan entitled Second Series of Stock Acquisition Rights of Mitsubishi UFJ Financial Group, Inc. for our directors, corporate auditors and certain of our officers. Under the stock-based compensation plan, on July 15, 2008, we allotted an aggregate of 4,690 stock acquisition rights to our directors and an aggregate of 495 stock acquisition rights to our corporate auditors for their respective services to MUFG and its subsidiaries. Each stock acquisition right represents a right to purchase 100 shares of MUFG common stock at ¥1 per share of common stock. The stock acquisition rights were subject to a one-year vesting period. The rights are exercisable until July 14, 2038, but only after the date on which a grantee s service as a director, corporate auditor or officer terminates. The fair value of each stock acquisition right was ¥92,300.

As part of our compensation structure, on June 26, 2009, the board of directors adopted another stock-based compensation plan entitled Third Series of Stock Acquisition Rights of Mitsubishi UFJ Financial Group, Inc. for our directors, corporate auditors and certain of our officers. Under the stock-based compensation plan, on July 14, 2009, we allotted an aggregate of 6,466 stock acquisition rights to our directors and an aggregate of 872 stock acquisition rights to our corporate auditors for their respective services to MUFG and its subsidiaries. Each stock acquisition right represents a right to purchase 100 shares of MUFG common stock at ¥1 per share of common stock. The stock acquisition rights were subject to a one-year vesting period. The rights are exercisable until July 13, 2039, but only after the date on which a grantee s service as a director, corporate auditor or officer terminates. The fair value of each stock acquisition right was ¥48,700.

As part of our compensation structure, on June 29, 2010, the board of directors adopted another stock-based compensation plan entitled Fourth Series of Stock Acquisition Rights of Mitsubishi UFJ Financial Group, Inc. for our directors, corporate auditors and certain of our officers. Under the stock-based compensation plan, on July 16, 2010, we allotted an aggregate of 8,014 stock acquisition rights to our directors and an aggregate of 1,149 stock acquisition rights to our corporate auditors for their respective services to MUFG and its subsidiaries. Each stock acquisition right represents a right to purchase 100 shares of MUFG common stock at ¥1 per share of common stock. The stock acquisition rights are subject to a one-year vesting period. The rights are exercisable until July 15, 2040, but only after the date on which a grantee s service as a director, corporate auditor or officer terminates. The fair value of each stock acquisition right was ¥36,600.

As of July 31, 2010, our directors and corporate auditors held the following numbers of shares of our common stock:

Directors	**Number of Shares Registered**
Takamune Okihara	18,620
Kinya Okauchi	13,100
Katsunori Nagayasu	8,540
Kyota Omori	13,000
Hiroshi Saito	8,340
Nobushige Kamei	71,280
Masao Hasegawa	57,100
Fumiyuki Akikusa	17,546
Kazuo Takeuchi	18,320
Nobuyuki Hirano	21,400
Shunsuke Teraoka	4,740
Kaoru Wachi	4,300
Takashi Oyamada	10,550
Ryuji Araki	9,000
Kazuhiro Watanabe	
Takuma Otoshi	3,000

Corporate Auditors	Number of Shares Registered
Shota Yasuda	21,500
Tetsuo Maeda	62,230
Tsutomu Takasuka	
Kunie Okamoto	536
Yasushi Ikeda	

C. Board Practices

Our articles of incorporation provide for a board of directors of not more than twenty members and not more than seven corporate auditors. Our corporate officers are responsible for executing our business operations, and our directors oversee these officers and set our fundamental strategies.

We currently have sixteen directors. Our board of directors has ultimate responsibility for the administration of our affairs. By resolution, our board of directors shall appoint, from the directors, representative directors who may represent us severally. Our board of directors shall appoint a president and may also appoint a chairman, deputy chairmen, deputy presidents, senior managing directors and managing directors from their members by resolution. Deputy presidents assist the president, and senior managing directors and managing directors assist the president and deputy presidents, if any, in the management of our day-by-day operations.

We currently have three outside directors as members of our board of directors. Under the Company Law, an outside director is defined as a person who has never been an executive director *(gyomu shikko torishimariyaku)*, executive officer *(shikkoyaku)*, manager *(shihainin)* or any other type of employee of the company or any of its subsidiaries prior to his or her appointment.

Under the Company Law, a resolution of the board of directors is required if any director wishes to engage in any business that is in competition with us or any transaction with us. Additionally, no director may vote on a proposal, arrangement or contract in which that director is deemed to be particularly interested.

Neither the Company Law nor our articles of incorporation contain special provisions as to the borrowing power exercisable by a director, the retirement age of our directors and corporate auditors or a requirement of our directors and corporate auditors to hold any shares of our capital stock.

The Company Law requires a resolution of the board of directors for a company to determine the execution of important businesses, to acquire or dispose of material assets, to borrow substantial amounts of money, to employ or discharge managers *(shihainin)* and other important employees, and to establish, change or abolish branch offices or other material corporate organizations, to float bonds, to establish internal control systems, and to exempt a director from liability to the company in accordance with applicable laws and regulations.

We currently have five corporate auditors, including three outside corporate auditors. An outside corporate auditor is defined under the Company Law as a person who has not served as a director, account assistant, executive officer *(shikkoyaku)*, manager *(shihainin)* or any other type of employee of the company or any of its subsidiaries prior to his or her appointment.

Our corporate auditors, who are not required to be certified public accountants, have various statutory duties, including principally:

- the examination of the financial statements, business reports, proposals and other documents which our board of directors prepares and submits to a general meeting of shareholders;
- the examination of our directors administration of our affairs; and
- the preparation and submission of a report on their examination to a general meeting of shareholders.

Our corporate auditors are obligated to attend meetings of our board of directors, and to make statements at the meetings if they deem necessary, although they are not entitled to vote at the meetings. Our corporate auditors comprise the board of corporate auditors, which determines matters relating to the performance of audits. The Company Law provides that a company that has or is required to have a board of corporate auditors must have three or more corporate auditors, and at least half of the corporate auditors must be outside corporate auditors. In a company that has or is required to have a board of corporate auditors, one or more of the corporate auditors must be designated by the board of corporate auditors to serve on a full-time basis.

Under the Company Law and our articles of incorporation, we may exempt, by resolution of the board of directors, our directors and corporate auditors from liabilities to the company arising in connection with their failure to execute their duties without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, we have entered into a liability limitation agreement with each outside director and outside corporate auditor which limits the maximum amount of their liability to the company arising in connection with a failure to execute their duties without gross negligence to the greater of either ¥10 million or the aggregate sum of the amounts prescribed in paragraph 1 of Article 425 of the Company Law and Articles 113 and 114 of the Company Law Enforcement Regulations.

The Company Law permits two types of governance systems for large companies, including MUFG. The first system is for companies with audit, nomination and compensation committees, and the other is for companies with corporate auditors. We have elected to adopt a corporate governance system based on corporate auditors.

Under the Company Law, if a company has corporate auditors, the company is not obligated to have any outside directors or to have any audit, nomination or compensation committees. Although we have adopted a board of corporate auditors, we have three outside directors as part of our efforts to further enhance corporate governance. In an effort to further enhance our corporate governance, we have also voluntarily established an internal audit and compliance committee and a nomination and compensation committee to support our board of directors.

Internal Audit and Compliance Committee. The internal audit and compliance committee, a majority of which is comprised of outside directors and specialists, deliberates important matters relating to internal audits, internal control of financial information, financial audits, compliance, corporate risk management, and other internal control systems. This committee makes reports and proposals to the board of directors about important matters for deliberation and necessary improvement measures. We aim to enhance the effectiveness of internal audit functions by utilizing the external view points provided by the internal audit and compliance committee members. The chairman of the internal audit and compliance committee is Ryuji Araki, who is an outside director. The other members of this committee are Kazuhiro Watanabe, an outside director, Kouji Tajika, a certified public accountant, Yoshinari Tsutsumi, an attorney-at-law, and Kinya Okauchi, a deputy chairman and the chief audit officer. The internal audit and compliance committee met twelve times between April 2009 and March 2010.

Nomination and Compensation Committee. The nomination and compensation committee, a majority of which is comprised of outside directors, deliberates matters relating to the appointment and dismissal of our directors and the directors of our subsidiaries, the compensation framework of our directors and the directors of our subsidiaries, as well as the compensation of our top management and the top management of our subsidiaries. The nomination and compensation committee makes reports and proposals to the board of directors about important matters for deliberation and necessary improvement measures. The chairman of the nomination and compensation committee is Takuma Otoshi, an outside director. The other members of this committee are Ryuji Araki, Kazuhiro Watanabe and Katsunori Nagayasu, President and CEO. The nomination and compensation committee met eight times between April 2009 and March 2010.

For additional information on our board practices and the significant differences in corporate governance practices between MUFG and US companies listed on the New York Stock Exchange, see A. Directors and Senior Management and Item 16.G. Corporate Governance.

D. Employees

As of March 31, 2010, we had approximately 79,000 employees, a decrease of approximately 500 employees compared with the number of employees as of March 31, 2009. In addition, as of March 31, 2010, we had approximately 36,300 part-time and temporary employees. The following tables show the percentages of our employees in our different business units and in different locations as of March 31, 2010:

Business unit	
Bank of Tokyo-Mitsubishi UFJ:	
Retail Banking Business Unit	20%
Corporate Banking Business Unit	13
Global Business Unit	24
Global Markets Unit	1
Operations and Systems Unit	9
Corporate Center/Independent Divisions	3
Mitsubishi UFJ Trust and Banking Corporation:	
Trust-Banking	5
Trust Assets	3
Real Estate	2
Global Markets	1
Administration and subsidiaries	3
Mitsubishi UFJ Securities:	
Sales Marketing Business Unit	5
Global Investment Banking Business Unit	0
Global Markets Business Unit	1
International Business Unit	1
Corporate Center and Others	2
Mitsubishi UFJ NICOS:	
Business Marketing Division	2
Credit Risk Management & Risk Assets Administration Division	2
Operations Division	1
Systems Division	0
Corporate Division	0
Others	2
	100%

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Location	
Bank of Tokyo-Mitsubishi UFJ:	
Japan	45%
United States	15
Europe	2
Asia/Oceania excluding Japan	8
Other areas	1
Mitsubishi UFJ Trust and Banking Corporation:	
Japan	12
United States	0
Europe	0
Asia/Oceania excluding Japan	0
Mitsubishi UFJ Securities:	
Japan	9
United States	0
Europe	1
Asia/Oceania excluding Japan	0
Mitsubishi UFJ NICOS:	
Japan	5
United States	0
Europe	0
Asia/Oceania excluding Japan	0
Others	2
	100%

Most of our employees are members of our employees union, which negotiates on behalf of employees in relation to remuneration and working conditions. We believe our labor relations to be good.

E. Share Ownership

The information required by this item is set forth in B. Compensation.

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Item 7. Major Shareholders and Related Party Transactions.

A. Major Shareholders

Common Stock

As of March 31, 2010, we had 776,669 registered shareholders of our common stock. The ten largest holders of our common stock appearing on the register of shareholders as of March 31, 2010, and the number and the percentage of such shares held by them, were as follows:

Name	Number of shares held	Percentage of total shares in issue
Japan Trustee Services Bank, Ltd. (Trust account)(1)	847,661,900	5.99%
The Master Trust Bank of Japan, Ltd. (Trust account)(1)	629,455,000	4.44
Nippon Life Insurance Company	285,603,153	2.01
The Bank of New York Mellon as Depositary Bank for DR Holders(2)	275,722,684	1.94
State Street Bank and Trust Company	217,214,650	1.53
Japan Trustee Services Bank, Ltd. (Trust account 9)(1)	210,368,800	1.48
SSBT OD05 Omnibus Account China Treaty Clients	180,960,350	1.27
Meiji Yasuda Life Insurance Company(3)	175,000,000	1.23
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	162,305,975	1.14
Toyota Motor Corporation	149,263,153	1.05
Total	3,133,555,665	22.14%

Notes:
(1) Includes the shares held in trust accounts, which do not disclose the names of beneficiaries.
(2) An owner of record for our American depositary shares.
(3) These shares are those held in a pension trust account with The Master Trust Bank of Japan, Ltd. for the benefit of retirement plans with voting rights retained by Meiji Yasuda Life Insurance Company.

As of March 31, 2010, 411,618 shares, representing less than 0.01% of our outstanding common stock, were held by our directors and corporate auditors. Our major shareholders do not have different voting rights.

As of March 31, 2010, 1,958,941,291 shares, representing 13.84% of our outstanding common stock, were owned by 352 US shareholders of record who are resident in the United States, one of whom is the ADR depository s nominee holding 275,722,684 shares, or 1.94%, of our issued common stock.

Preferred Stock

No holder of our preferred stock has the right to vote at a general meeting of shareholders, except:

- from the commencement of our ordinary general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to such meeting; or

- from the close of any ordinary general meeting of shareholders if a proposed resolution to declare a preferred dividend is not approved at such meeting;

in each case, unless and until such time as a resolution of an ordinary general meeting of shareholders declaring a preferred dividend is passed.

Holders of our preferred stock are entitled to vote at a meeting separately held for their respective classes of preferred stock in accordance with the Company Law. A resolution of a separate meeting of class shareholders is required for the following actions, but only if the action is likely to prejudice the interests of the relevant class shareholders:

- an amendment to our articles of incorporation to (a) create a new class of shares, (b) change the terms of shares, or (c) increase the total number of authorized shares or the total number of authorized shares of a class of stock, except in some cases, such as an amendment to change a class of stock to callable stock, the resolution of, or the unanimous consent from, relevant class shareholders is required, regardless of whether the action is likely to prejudice their interests;

a consolidation of shares;

a share split;

an allotment of shares to our existing shareholders;

an allotment of stock acquisition rights to our existing shareholders; and

a merger, corporate split, stock for stock exchange, or stock for stock transfer.

Class 11 preferred stock is convertible into shares of our common stock as described in Item 10.B. Additional Information Memorandum and Articles of Association.

The shareholders of our preferred stock, appearing on the register of shareholders as of March 31, 2010, and the number and the percentage of such shares held by them, were as follows:

First series of class 3 preferred stock

Name	**Number of shares held**	**Percentage of total shares in issue**
Tokio Marine & Nichido Fire Insurance Co., Ltd.	40,000,000	40%
Meiji Yasuda Life Insurance Company	40,000,000	40
Nippon Life Insurance Company	20,000,000	20
Total	100,000,000	100%

The outstanding shares of the first series of class 3 preferred stock were redeemed as of April 1, 2010.

First series of class 5 preferred stock

Name	**Number of shares held**	**Percentage of total shares in issue**
Nippon Life Insurance Company	40,000,000	25.64%
Meiji Yasuda Life Insurance Company	40,000,000	25.64
Taiyo Life Insurance Company	20,000,000	12.82
Daido Life Insurance Company	20,000,000	12.82

Tokio Marine & Nichido Fire Insurance Co., Ltd.	20,000,000	12.82
Nipponkoa Insurance Company, Limited	12,000,000	7.69
Aioi Insurance Company, Limited	4,000,000	2.56
Total	156,000,000	100%

Class 11 preferred stock

Name	Number of shares held	Percentage of total shares in issue
UFJ Trustee Services PVT. (Bermuda) Limited as the trustee of UFJ International Finance (Bermuda) Trust	1,000	100%
Total	1,000	100%

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B. Related Party Transactions

In May 2010, pursuant to definitive agreements entered into in March 2010, we and Morgan Stanley formed two joint ventures in Japan by contributing and integrating the investment banking and securities businesses conducted by our respective securities subsidiaries in Japan. We also made a cash payment of ¥26 billion to Morgan Stanley at closing of the transaction (subject to certain post-closing cash adjustments). We currently hold an approximately 20% interest (on a fully diluted basis) in Morgan Stanley, and a member of our senior management currently serves on the board of directors of Morgan Stanley. See Item 4.B. Information on the Company Business Overview and Item 5. Operating and Financial Review and Prospects Recent Developments.

We and our banking subsidiaries had, and expect to have in the future, banking transactions and other transactions in the ordinary course of business with our related parties. Although for the fiscal year ended March 31, 2010, such transactions included, but were not limited to, call money, loans, electronic data processing, leases and management of properties, those transactions were immaterial and were made at prevailing market rates, terms and conditions and do not involve more than the normal risk of collectibility or present other unfavorable features.

None of our directors or corporate auditors, and none of the close members of their respective families, has had any transactions or has any presently proposed transactions that are material or any transactions that are unusual in their nature or conditions, involving goods, services or tangible or intangible assets, to which we were, are or will be a party.

No loans have been made to our directors or corporate auditors other than in the normal course of business, on normal commercial terms and conditions, involving the normal risk of collectibility, and presenting normal features. In addition, no loans have been made to our directors or executive officers or corporate auditors other than as permitted under Section 13(k) of the US Securities Exchange Act and Rule 13k-1 promulgated thereunder.

No family relationship exists among any of our directors or corporate auditors. No arrangement or understanding exists between any of our directors or corporate auditors and any other person pursuant to which any director or corporate auditor was elected to their position at MUFG.

As part of our compensation structure, we have granted stock acquisition rights to our directors and corporate auditors. For a detailed discussion of the stock acquisition rights, see Item 6.B. Directors, Senior Management and Employees Compensation.

C. Interests of Experts and Counsel

Not applicable.

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Item 8. Financial Information.

A. Consolidated Statements and Other Financial Information

The information required by this item is set forth in our consolidated financial statements starting on page F-1 of this Annual Report and in Selected Statistical Data starting on page A-1 of this Annual Report.

Legal Proceedings

From time to time, we are involved in various litigation matters. Although the final resolution of any such matters could have a material effect on our consolidated operating results for a particular reporting period, based on our current knowledge and consultation with legal counsel, we believe the current litigation matters, when ultimately determined, will not materially affect our results of operations or financial position.

Distributions

Our board of directors submits a recommendation for a year-end dividend for our shareholders approval at the ordinary general meeting of shareholders customarily held in June of each year. The year-end dividend is usually distributed immediately following shareholders approval to holders of record at the end of the preceding fiscal year. In addition to year-end dividends, we may make cash distributions by way of interim dividends to shareholders of record as of September 30 of each year as distribution of surplus by resolution of our board of directors. On June 29, 2010, we paid year-end dividends in the amount of ¥6 per share of common stock for the fiscal year ended March 31, 2010.

See Item 10.B. Memorandum and Articles of Association for additional information on our dividends policy.

Under the Japanese foreign exchange regulations currently in effect, dividends paid on shares held by non-residents of Japan may be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which ADSs are issued, the depositary is required, to the extent that in its judgment it can convert Japanese yen on a reasonable basis into US dollars and transfer the resulting US dollars to the United States, to convert all cash dividends that it receives in respect of deposited shares into US dollars and to distribute the amount received, after deduction of any applicable withholding taxes, to the holders of ADSs. See Item 10.D. Additional Information Exchange Controls Foreign Exchange and Foreign Trade Law.

B. Significant Changes

Other than as described in this Annual Report, no significant changes have occurred since the date of our consolidated financial statements included in this Annual Report.

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Item 9. The Offer and Listing.

A. Offer and Listing Details

Market Price Information

The following table shows, for the periods indicated, the reported high and low sale prices for shares of our common stock on the Tokyo Stock Exchange, or the TSE, and of the ADSs on the New York Stock Exchange, or the NYSE.

	Price per share on the TSE		Price per ADS on the NYSE	
	High	Low	High	Low
	(yen)		(US$)	
Fiscal year ended March 31, 2006	1,810	873	15.54	7.95
Fiscal year ended March 31, 2007	1,950	1,260	16.75	11.01
Fiscal year ended March 31, 2008	1,430	782	11.72	7.95
Fiscal year ended March 31, 2009				
First quarter	1,173	856	11.11	8.66
Second quarter	1,036	741	9.67	6.87
Third quarter	946	427	9.14	4.50
Fourth quarter	590	377	6.34	3.71
Fiscal year ended March 31, 2010				
First quarter	699	470	6.84	4.79
Second quarter	624	475	6.53	5.32
Third quarter	523	437	5.78	4.89
Fourth quarter	506	443	5.54	4.91
February	482	443	5.39	4.94
March	504	453	5.41	5.06
Fiscal year ending March 31, 2011				
April	520	481	5.56	5.16
May	480	435	5.26	4.76
June	449	399	4.93	4.48
July	440	396	5.05	4.52
August (through August 9)	439	425	5.06	4.91

Note: The amounts in this table prior to 2007 have been adjusted to reflect the 1,000-for-one stock split of our common stock, effective as of September 30, 2007.

B. Plan of Distribution

Not applicable.

C. Markets

The primary market for our common stock is the TSE. Our common stock is also listed on the Osaka Securities Exchange and the Nagoya Stock Exchange in Japan. ADSs, each representing one share of common stock, are quoted on the NYSE under the symbol, MTU.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

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Item 10. Additional Information.

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our Corporate Purpose

Article 2 of our Articles of Incorporation provides that our corporate purpose is to carry on the following businesses:

- administration of management of banks, trust banks, specialized securities companies, insurance companies or other companies which we may own as our subsidiaries under the Japanese Banking Law; and

- any other businesses incidental to the foregoing businesses mentioned in the preceding clause.

Board of Directors

For discussion of the provisions of our Articles of Incorporation as they apply to our directors, see Item 6.C. Directors, Senior Management and Employees Board Practices.

Common Stock

We summarize below the material provisions of our Articles of Incorporation, our share handling regulations and the Company Law (Law No. 86 of 2005, also known as the Companies Act) as they relate to a type of joint stock company known as *kabushiki kaisha*, within which we fall. Because it is a summary, this discussion should be read together with our Articles of Incorporation and share handling regulations, which have been filed as exhibits to this Annual Report.

General

A joint stock company is a legal entity incorporated under the Company Law. The investment and rights of the shareholders of a joint stock company are represented by shares of stock in the company and shareholders liability is limited to the amount of the subscription for the shares.

As of June 29, 2010, our authorized common share capital was comprised of 33,000,000,000 shares of common stock with no par value.

As of March 31, 2010, a total of 14,148,414,920 shares of common stock (including 21,069,229 shares of common stock held by us and our consolidated subsidiaries as treasury stock) had been issued. Each of the shares issued and outstanding was fully paid and non-assessable.

As of June 29, 2010, we were authorized to issue 920,001,000 shares of preferred stock, including 120,000,000 shares of class 3 preferred stock, 400,000,000 shares of each of the first to fourth series of class 5 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 5 preferred stock does not exceed 400,000,000 shares), 200,000,000 shares of each of the first to fourth series of class 6 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 6 preferred stock does not exceed 200,000,000 shares), 200,000,000 shares of each of the first to fourth series of class 7 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 7 preferred stock does not exceed 200,000,000 shares), and 1,000 shares of class 11 preferred stock. As of March 31, 2010, we had 100,000,000 shares of class 3 preferred stock, 156,000,000 shares of first series class 5 preferred stock, and 1,000 shares of class 11 preferred stock issued and outstanding. The outstanding shares of the first series of class 3 preferred stock were redeemed on April 1, 2010.

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We may issue shares from our authorized but unissued share capital following a resolution to that effect by our board of directors. An increase in our authorized share capital is only possible by amendment of our Articles of Incorporation, which generally requires shareholders special approval.

In order to assert shareholder rights against us, a shareholder must have its name and address registered on our register of shareholders, in accordance with the Company Law and our share handling regulations. The registered holder of deposited shares underlying the ADSs is the depositary for the ADSs, or its nominee. Accordingly, holders of ADSs will not be able to assert shareholder rights other than as provided in the agreement among us, the depositary and the holders of the ADSs.

A law to establish a new central clearing system for shares of listed companies and to eliminate the issuance and use of certificates for such shares became effective on January 5, 2009. Under the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks etc., a new central clearing system was established and the shares of all Japanese companies listed on any Japanese stock exchange are now subject to the new central clearing system. As of January 5, 2009, we are deemed to be a company which shall no longer issue share certificates for our shares, and all existing share certificates for such shares have become automatically null and void, without us being required to collect those share certificates from shareholders. The transfer of such shares is effected through entry in the books maintained under the new central clearing system. Only shares that were deposited with the Japan Securities Depository Center as of January 5, 2009 are immediately transferable under the new central clearing system.

Dividends

Dividends are distributed in proportion to the number of shares owned by each shareholder on the record date for the dividend. Dividends for each financial period may be distributed following shareholders approval at a general meeting of shareholders.

Payment of dividends on common stock is subject to the preferential dividend rights of holders of preferred stock.

Under the Banking Law and our Articles of Incorporation, our financial accounts are closed on March 31 of each year, and dividends, if any, are paid to shareholders of record as of March 31 following shareholders approval at a general meeting of shareholders. In addition to year-end dividends, our board of directors may by resolution declare an interim cash dividend to shareholders of record as of September 30 of each year. Under the Company Law, distribution of dividends will take the form of distribution of surplus (as defined below). We will be permitted to make distributions of surplus to our shareholders any number of times per fiscal year pursuant to resolutions of our general meetings of shareholders, subject to certain limitations described below. Distributions of surplus are in principle required to be authorized by a resolution of a general meeting of shareholders. Distributions of surplus would, however, be permitted to be made pursuant to a resolution of our board of directors if:

(a) our Articles of Incorporation so provide (our Articles of Incorporation currently contain no such provisions);

(b) the normal term of office of our directors is one year; and

(c) certain conditions concerning our non-consolidated annual financial statements and certain documents for the latest fiscal year as required by an ordinance of the Ministry of Justice are satisfied.

In an exception to the above rule, even if the requirements described in (a) through (c) are not met, we are permitted to make distributions of surplus in cash to our shareholders by resolutions of the board of directors once per fiscal year as mentioned above concerning interim cash dividend.

Under the Company Law, distributions of surplus may be made in cash or in kind in proportion to the number of shares of common stock held by each shareholder. A resolution of a general meeting of shareholders

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or our board of directors authorizing a distribution of surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders or (as the case may be) our board of directors, grant to our shareholders the right to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders (see the description of a special resolution in Voting Rights).

Under the Company Law, we may make distribution of surplus to the extent that the aggregate book value of the assets to be distributed to shareholders does not exceed the distributable amount (as defined below) as of the effective date of such distribution of surplus. The amount of surplus (the surplus) at any given time shall be the amount of our assets and the book value of our treasury stock after subtracting the amounts of items (1) through (5) below as they appear on our non-consolidated balance sheet as of the end of our last fiscal year, and after reflecting the changes in our surplus after the end of our last fiscal year, by adding the amounts of items (6), (7) and (8) below and/or subtracting the amounts of items (9), (10) and (11) below:

(1) our liabilities;

(2) our stated capital;

(3) our additional paid-in capital;

(4) our accumulated legal reserve;

(5) other amounts as are set out in an ordinance of the Ministry of Justice;

(6) (if we transferred our treasury stock after the end of the last fiscal year) the transfer price of our treasury stock after subtracting the book value thereof;

(7) (if we decreased our stated capital after the end of the last fiscal year) the amount of decrease in our stated capital (excluding the amount transferred to additional paid-in capital or legal reserve);

(8) (if we decreased our additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of decrease in our additional paid-in capital or legal reserve (excluding the amount transferred to stated capital);

(9) (if we cancelled our treasury stock after the end of the last fiscal year) the book value of the cancelled treasury stock;

(10) (if we distributed surplus to shareholders after the end of the last fiscal year) the amount of the assets distributed to shareholders by way of such distribution of surplus; and

(11) other amounts as are set out in an ordinance of the Ministry of Justice.

A distributable amount (the distributable amount) at any given time shall be the aggregate amount of (a) the surplus, (b) the amount of profit as recorded for the period after the end of our last fiscal year until the date of an extraordinary settlement of account (if any) as is set out in an ordinance of the Ministry of Justice and (c) the transfer price of our treasury stock in the same period, after subtracting the amounts of the following items:

(1) the book value of our treasury stock;

(2) (if we transferred our treasury stock after the end of the last fiscal year) the transfer price of our treasury stock;

(3) the losses recorded for the period after the end of our last fiscal year until the date of an extraordinary settlement of account (if any) as set out in an ordinance of the Ministry of Justice; and

(4) other amounts as set out in an ordinance of the Ministry of Justice.

In Japan, the ex-dividend date and the record date for any dividends precede the date of determination of the amount of the dividend to be paid. The market price of shares generally becomes ex-dividend on the third business day prior to the record date. Under our Articles of Incorporation, we are not obligated to pay any dividends which are left unclaimed for a period of five years after the date on which they first became payable.

Capital and Reserves

Under the Company Law, we may reduce our additional paid-in capital or legal reserve (without limitation as to the amount of such reduction) as mentioned previously, generally by resolution of a general meeting of shareholders and, if so resolved in the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. We may also reduce our stated capital generally by special resolution of a general meeting of shareholders and, if so resolved in the same resolution, such reduction may account for the whole or any part of the amount of such reduction as additional paid-in capital or legal reserve. Conversely, we may reduce our surplus and increase either (i) stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case by resolution of a general meeting of shareholders.

Stock Splits

Stock splits of our outstanding stock may be effected at any time by resolution of the board of directors. When a stock split is to be effected, we may increase the authorized share capital to cover the number of shares to be increased by the stock split by amending our Articles of Incorporation by resolution of the board of directors without approval by special resolution of the general meeting of shareholders, unless more than one class of stock is issued and outstanding. We must give public notice of the stock split, specifying a record date at least two weeks prior to the record date.

We conducted a stock split pursuant to which each of our shares of common and preferred stock were split into 1,000 shares of the respective classes of securities, effective as of September 30, 2007. Our Articles of Incorporation were amended to increase the authorized share capital to cover the number of shares increased by the stock split, which amendment became effective simultaneously with the effectiveness of the stock split.

Unit Share (tan-gen kabu) System

We adopt the unit share system, where 100 shares of either common or preferred stock shall each constitute a unit, as the amendment of our Articles of Incorporation to provide for such system has been approved at the shareholders meetings on June 27 and 28, 2007.

Under the unit share system, each unit is entitled to one voting right. A holder of less than one unit has no voting right. Our Articles of Incorporation provide that the holders of shares constituting less than a full unit will not have shareholder rights except for those specified in the Company Law or an ordinance of the Ministry of Justice, including rights (i) to receive dividends, (ii) to receive cash or other assets in case of consolidation or split of shares, stock-for-stock exchange or stock-for-stock transfer, corporate split or merger or (iii) to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders. Shareholders may require us to purchase shares constituting less than a unit at the current market price. In addition, holders of shares constituting less than a unit may require us to sell them such number of shares, which, when combined with the number of shares already held by such holder, shall constitute a whole unit of share; provided that we will be obliged to comply with such request only when we own a sufficient number of shares to accommodate the desired sale and purchase. The board of directors may reduce the number of shares constituting a unit or cease to use the unit share system by amendments to the Articles of Incorporation without shareholders approval even though amendments to the Articles of Incorporation generally require a special resolution of the general meeting of shareholders.

General Meeting of Shareholders

The ordinary general meeting of our shareholders is usually held in June of each year in Tokyo. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks advance notice to shareholders who are entitled to vote at the relevant general meeting of shareholders. The record date for ordinary general meetings of our shareholders is March 31.

Any shareholder holding at least 300 voting rights or 1% of the total number of voting rights for six consecutive months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a written request to a director at least eight weeks prior to the date of the meeting. The number of minimum voting rights, minimum percentage and time period necessary for exercising the minority shareholder rights described above may be decreased or shortened if our Articles of Incorporation so provide. Our Articles of Incorporation currently contain no such provisions.

Voting Rights

A holder of shares of our common stock is generally entitled to one voting right for each unit of common stock held. The following shares of common stock are not entitled to voting rights even when such shares constitute a whole unit, and such shares of common stock are not considered when determining whether a quorum exists for a shareholders meeting:

- treasury stock;
- shares held by a company in which we, we and our subsidiaries or our subsidiaries owns 25% or more of the total voting rights; and
- shares issued after the record date as a result of conversion of convertible stock, exercise of stock acquisition rights, and fractional shareholders becoming a shareholder of a whole unit share.

On the other hand, holders of certain class of preferred stock shall be entitled to a voting right for each unit of preferred stock held under certain conditions provided for by relevant laws or regulations and our Articles of Incorporation, for example, when a proposal to pay the full amount of preferential dividends on any class of preferred stock in compliance with the terms of such preferred stock is not included in the agenda of the relevant shareholders meeting. See Preferred Stock.

Under our Articles of Incorporation, except as otherwise provided by law or by other provisions of our Articles of Incorporation, a resolution can be adopted at a shareholders meeting by the holders of a majority of the voting rights represented at the meeting. The Company Law and our Articles of Incorporation require a quorum of not less than one-third of the total number of voting rights for election of our directors and corporate auditors.

The Company Law and our Articles of Incorporation provide that a quorum of not less than one-third of outstanding voting rights, excluding those owned by our subsidiaries and affiliates of which we own, directly or indirectly, 25 percent or more, must be present at a shareholders meeting to approve specified corporate actions, such as:

- the amendment of our Articles of Incorporation, except in some limited cases;

the repurchase of our own stock from a specific shareholder other than our subsidiary;

the consolidation of shares;

the offering to persons other than shareholders of stock at a specially favorable price, or of stock acquisition rights or bonds or notes with stock acquisition rights with specially favorable conditions;

the removal of a corporate auditor;

the exemption from liability of a director or corporate auditor, with certain exceptions;

a reduction in stated capital with certain exceptions in which a shareholders resolution is not required;

a distribution of in-kind dividends which meets certain requirements;

- the transfer of the whole or an important part of our business, except in some limited circumstances;
- the acquisition of the whole business of another company, except in some limited circumstances;
- a dissolution, merger or consolidation, except for certain types of mergers;
- a stock-for-stock exchange (*kabushiki-kokan*) or stock-for-stock transfer (*kabushiki-iten*), except in some limited circumstances; and
- a corporate split, except in some limited circumstances.

A special resolution representing at least two-thirds of the voting rights represented at the meeting is required to approve these actions.

Our Articles of Incorporation do not include any provision that grants shareholders cumulative voting rights at elections of directors or corporate auditors.

Subscription Rights

Holders of our shares have no preemptive rights under our Articles of Incorporation. Under the Company Law, however, our board of directors may determine that shareholders be given subscription rights in connection with a particular issue of new shares. In this case, these subscription rights must be given on uniform terms to all shareholders, and if a specified record date is set, it must be announced in a public notice at least two weeks prior to the record date. A notification to each individual shareholder must also be given at least two weeks prior to the subscription date.

Under the Company Law, rights to subscribe for new shares may not be transferred; however, we may allot stock acquisition rights to shareholders without consideration, and such rights will be transferable.

Stock Acquisition Rights

We may issue stock acquisition rights (*shinkabu yoyakuken*), which in the United States are often in the form of warrants, or bonds with stock acquisition rights that cannot be detached (*shinkabu yoyakuken-tsuki shasai*), which in the United States are often in the form of convertible bonds or bonds with non-detachable warrants. Except where the issuance would be on specially favorable conditions, the issuance of stock acquisition rights or bonds with stock acquisition rights may be authorized by a resolution of our board of directors. Upon exercise of the stock acquisition rights, the holder of such rights may acquire shares by paying the applicable exercise price or, if so determined by a resolution of our board of directors, by making a substitute payment, such as having the convertible bonds redeemed for no cash in lieu of the exercise price.

Liquidation Rights

Upon our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and preferred distributions to holders of shares of our preferred stock will be distributed among the holders of shares of our common stock in proportion to the number of shares they own.

Transfer Agent

MUTB is the transfer agent for our common stock. The office of MUTB for this purpose is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan. MUTB maintains our register of shareholders. MUTB maintained our register of lost share certificates until January 5, 2010, as required by the New Share Settlement Law.

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Reports to Shareholders

We furnish to our shareholders notices, in Japanese, of shareholders meetings, annual business reports, including our financial statements, and notices of resolutions adopted at our shareholders meetings.

Record Dates

As stated above, March 31 is the record date for the payment of annual dividends, if any, and the determination of shareholders entitled to vote at ordinary general meetings of our shareholders. September 30 is the record date for the payment of interim dividends, if any. In addition, by a resolution of our board of directors and after giving at least two weeks prior public notice, we may at any time set a record date in order to determine the shareholders who are entitled to the rights pertaining to our shares.

Repurchase of Our Shares

We may repurchase our own shares:

- through the Tokyo Stock Exchange or other stock exchanges on which our shares are listed, if authorized by a resolution of a general meeting of shareholders or our board of directors;
- by way of a tender offer, if authorized by a resolution of a general meeting of shareholders or our board of directors;
- from a specific party, if authorized by a special resolution of a general meeting of shareholders and we give notice thereof to shareholders prior to such general meeting, in general;
- from all shareholders of a specific class of shares offering to sell their shares, if authorized by a resolution of a general meeting of shareholders or our board of directors and we give a public notice or notice thereof to all of the shareholders (if we repurchase any class of preferred stock, notices to all shareholders of the relevant class of preferred stock); or
- from our subsidiaries, if authorized by a resolution of the board of directors.

When the repurchase is made by us from a specific party, as authorized by a special resolution of a general meeting of shareholders, any shareholder may make a demand to a director, five days or more prior to the relevant shareholders meeting, that we also repurchase the shares held by that shareholder. However, no such right will be available if the shares have a market price, and if the purchase price does not exceed the then market price calculated in a manner set forth in an ordinance of the Ministry of Justice.

Repurchase of our own shares described above must satisfy various specified requirements. In general, the same restrictions on the distributable amount as described in the seventh paragraph under Common Stock Dividends. are applicable to the repurchase of our own shares, so the total amount of the repurchase price may not exceed the distributable amount.

We may hold our own shares so repurchased without restrictions. In addition, we may cancel or dispose of our repurchased shares by a resolution of our board of directors. As of March 31, 2010, we (excluding our subsidiaries) owned 426,985 shares of treasury stock.

Preferred Stock

The following is a summary of information concerning the shares of our preferred stock, including brief summaries of the relevant provisions of our Articles of Incorporation, the share handling regulations and the Company Law as currently in effect. The detailed rights of our preferred stock are set out in our Articles of Incorporation and the resolutions of our board of directors relating to the issuance of the relevant stock.

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General

As of March 31, 2010, we were authorized under our Articles of Incorporation to issue five classes of preferred stock totaling 920,001,000 shares of preferred stock, including 120,000,000 shares of class 3 preferred stock, 400,000,000 shares of each of the first to fourth series of class 5 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 5 preferred stock does not exceed 400,000,000 shares), 200,000,000 shares of each of the first to fourth series of class 6 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 6 preferred stock does not exceed 200,000,000 shares), 200,000,000 shares of each of the first to fourth series of class 7 preferred stock (provided the aggregate number of shares authorized to be issued with respect to the four series of class 7 preferred stock does not exceed 200,000,000 shares) and 1,000 shares of class 11 preferred stock. Our preferred stock has equal preference over our shares of common stock with respect to dividend entitlements and distribution of assets upon our liquidation. However, holders of shares of our preferred stock are not entitled to vote at general meetings of shareholders, subject to the exceptions provided under our Articles of Incorporation. As of March 31, 2010, 100,000,000 shares of class 3 preferred stock, 156,000,000 shares of first series class 5 preferred stock and 1,000 shares of class 11 preferred stock had been outstanding, but there were no shares of class 6 or 7 preferred stock outstanding. The outstanding shares of the first series of class 3 preferred stock were redeemed as of April 1, 2010. We may, at any time, following necessary authorization as described in the first paragraph under Repurchase of Our Shares, purchase and cancel, at fair value, any shares of preferred stock outstanding out of the distributable amount.

Class 3, first to fourth series of class 5 and first to fourth series of class 6 preferred shareholders are not entitled to request acquisition of their shares of preferred stock in exchange for our shares of common stock but we may acquire shares of class 3, first to fourth series of class 5 and first to fourth series of class 6 preferred stock at our discretion pursuant to the terms and conditions provided by our Articles of Incorporation and the resolution of our board of directors. We may acquire shares of class 3 preferred stock at ¥2,500 per share, in whole or in part, on or after February 18, 2010. The provisions for acquisition of shares of first to fourth series of class 5 and first to fourth series of class 6 preferred stock will be determined by the board of directors at the time of issuance of such preferred stock. When issued, any holder of shares of first to fourth series of class 6 preferred stock or first to fourth series of class 7 preferred stock may request acquisition of shares of such preferred stock in exchange for shares of our common stock during the period determined by resolution of the board of directors adopted at the time of issuance of such shares of preferred stock. Any shares of first to fourth series of class 6 preferred stock or first to fourth series of class 7 preferred stock for which no request for acquisition in exchange for shares of our common stock is made during such period will be mandatorily acquired on the day immediately following the last day of such period (the Mandatory Acquisition Date) in the number obtained by dividing an amount equivalent to the subscription price per each relevant share of preferred stock by the average daily closing price of our common stock as reported by the Tokyo Stock Exchange for the 30 trading days commencing on the 45th trading day prior to the Mandatory Acquisition Date. Any holder of shares of class 11 preferred stock may request acquisition of shares of the relevant preferred stock in exchange for shares of our common stock during the period as provided for in the attachment to our Articles of Incorporation. Any shares of class 11 preferred stock for which no request for acquisition in exchange for shares of our common stock is made during such period will be mandatorily acquired on the Mandatory Acquisition Date in the number obtained by dividing an amount equivalent to the subscription price per each relevant share of preferred stock by the average daily closing price of our common stock as reported by the Tokyo Stock Exchange for the 30 trading days commencing on the 45th trading day prior to the Mandatory Acquisition Date.

Preferred Dividends

In priority to the payment of dividends to holders of our common stock, the amount of preferred dividends payable each fiscal year for each class of our preferred stock is set forth below:

- class 3 preferred stock: ¥60.00 per share as set by the resolution of our board of directors dated January 27, 2005 and amended to reflect the stock split pursuant to our Articles of Incorporation;

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first series of class 5 preferred stock: ¥115.00 per share;

second to fourth series of class 5 preferred stock: to be set by resolution of our board of directors at the time of issuance, up to a maximum of ¥250.00 per share;

first to fourth series of class 6 preferred stock: to be set by resolution of our board of directors at the time of issuance, up to a maximum of ¥125.00 per share;

first to fourth series of class 7 preferred stock: to be set by resolution of our board of directors at the time of issuance, up to a maximum of ¥125.00 per share; and

class 11 preferred stock: ¥5.30 per share.

In the event that our board of directors decides to pay an interim dividend to holders of record of our common stock as of September 30 of any year, we will, in priority to the payment of that interim dividend, pay a preferred interim dividend in the amount specified in our Articles of Incorporation to holders of record of our preferred stock as of September 30 of the same year. The amount of any preferred interim dividend will be deducted from the preferred dividend payable on the relevant class of our preferred stock for the same fiscal year.

No preferred dividend will be paid on any of our preferred stock converted into our common stock for the period from the date following the record date for the preferred dividend or preferred interim dividend last preceding the relevant conversion date to the relevant conversion date, but the common stock issued upon conversion will be entitled to receive any dividend payable to holders of record of common stock upon the next succeeding record date for common stock dividends.

No payment of dividends on our preferred stock or any other shares can be made unless we have a sufficient distributable amount and a resolution to distribute such distributable amount is obtained at the relevant ordinary general meeting of shareholders, in the case of annual preferred dividends, or at the board of directors, in the case of preferred interim dividends.

Dividends on our preferred stock are non-cumulative. If the full amount of any dividend is not declared on our preferred stock in respect of any fiscal year, holders of our preferred stock do not have any right to receive dividends in respect of the deficiency in any subsequent fiscal year, and we will have no obligation to pay the deficiency or to pay any interest regardless of whether or not dividends are paid in respect of any subsequent fiscal year. The holders of our preferred stock are not entitled to any further dividends or other participation in or distribution of our profits.

Liquidation Rights

In the event of our voluntary or involuntary liquidation, record holders of our preferred stock are entitled, equally in rank as among themselves, to receive before any distribution out of our residual assets is made to holders of our common stock, a distribution out of our residual assets of:

¥2,500 per share of class 3 preferred stock;

¥2,500 per share of first to fourth series of class 5 preferred stock;

¥2,500 per share of first to fourth series of class 6 preferred stock;

¥2,500 per share of first to fourth series of class 7 preferred stock; and

¥1,000 per share of class 11 preferred stock.

The holders of our preferred stock are not entitled to any further dividends or other participation in or distribution of our residual assets upon our liquidation.

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Voting Rights

No holder of our preferred stock has the right to receive notice of, or to vote at, a general meeting of shareholders, except as otherwise specifically provided under our Articles of Incorporation or other applicable law. Under our Articles of Incorporation, holders of our preferred stock will be entitled to receive notice of, and have one voting right per unit of preferred stock at, our general meetings of shareholders:

- from the commencement of our ordinary general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to such meeting; or

- from the close of any ordinary general meeting of shareholders if a proposed resolution to declare a preferred dividend is not approved at such meeting.

In each case, holders of our preferred stock will be entitled to receive notice of and vote at the relevant general meetings of shareholders unless and until such time as a resolution of an ordinary general meeting of shareholders declaring a preferred dividend is passed.

American Depositary Shares

The Bank of New York Mellon will issue the American depositary receipts, or ADRs. Each ADR will represent ownership interests in American depositary shares, or ADSs. As a result of the 1,000-for-one stock split that became effective on September 30, 2007, each ADS represents one share of our common stock. Each ADS is held by The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, acting as custodian, at its principal office in Tokyo, on behalf of The Bank of New York Mellon, acting as depositary. Each ADS will also represent securities, cash or other property deposited with The Bank of New York Mellon but not distributed to ADS holders. The Bank of New York Mellon s corporate trust office is located at 101 Barclay Street, New York, New York 10286 and its principal executive office is located at One Wall Street, New York, New York 10286.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The Bank of New York Mellon will actually be the registered holder of the common stock, so you will have to rely on it to exercise your rights as a shareholder. Our obligations and the obligations of The Bank of New York Mellon are set out in a deposit agreement among us, The Bank of New York Mellon and you, as an ADS holder. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR.

Share Dividends and Other Distributions

The Bank of New York Mellon has agreed to pay to you the cash dividends or other distributions it or the custodian receives on shares of common stock or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

Cash. The Bank of New York Mellon will convert any cash dividend or other cash distribution we pay on our common stock into US dollars, if it can do so on a reasonable basis and can transfer the US dollars to the United States. If that is not possible or if any approval from the Japanese government is needed and cannot be obtained, the deposit agreement allows The Bank of New York Mellon to distribute the Japanese yen only to those ADS holders to whom it is possible to do so. The Bank of New York Mellon will hold the Japanese yen it cannot convert for the account of the ADS holders who have not been paid. It will not invest the Japanese yen and it will not be liable for any interest.

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Before making a distribution, any withholding taxes that must be paid under Japanese law will be deducted. See Taxation Japanese Taxation. The Bank of New York Mellon will distribute only whole US dollars and cents and will round fractional cents to the nearest whole cent. If the relevant exchange rates fluctuate during a time when The Bank of New York Mellon cannot convert the Japanese currency, you may lose some or all of the value of the distribution.

Shares. The Bank of New York Mellon may distribute new ADSs representing any shares we may distribute as a dividend or free distribution, if we furnish The Bank of New York Mellon promptly with satisfactory evidence that it is legal to do so. The Bank of New York Mellon will only distribute whole ADSs. It will sell shares which would require it to issue a fractional ADS and distribute the net proceeds in the same way as it distributes cash dividends. If The Bank of New York Mellon does not distribute additional ADSs, each ADS will also represent the new shares.

Rights to receive additional shares. If we offer holders of our common stock any rights to subscribe for additional shares of common stock or any other rights, The Bank of New York Mellon may, after consultation with us, make those rights available to you. We must first instruct The Bank of New York Mellon to do so and furnish it with satisfactory evidence that it is legal to do so. If we do not furnish this evidence and/or do not give these instructions, and The Bank of New York Mellon decides that it is practical to sell the rights, The Bank of New York Mellon will sell the rights and distribute the proceeds in the same way as it distributes cash dividends. The Bank of New York Mellon may allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If The Bank of New York Mellon makes rights available to you, upon instruction from you it will exercise the rights and purchase the shares on your behalf. The Bank of New York Mellon will then deposit the shares and issue ADSs to you. It will only exercise the rights if you pay it the exercise price and any other charges the rights require you to pay.

US securities laws may restrict the sale, deposit, cancellation and transfer of the ADSs issued after the exercise of the rights. For example, you may not be able to trade the ADSs freely in the United States. In this case, The Bank of New York Mellon may issue the ADSs under a separate restricted deposit agreement which will contain the same provisions as the deposit agreement, except for changes needed to put the restrictions in place. The Bank of New York Mellon will not offer you rights unless those rights and the securities to which the rights relate are either exempt from registration or have been registered under the US Securities Act with respect to a distribution to you. We will have no obligation to register under the Securities Act those rights or the securities to which they relate.

Other distributions. The Bank of New York Mellon will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, The Bank of New York Mellon has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property.

The Bank of New York Mellon is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us or The Bank of New York Mellon to make them available to you.

Deposit, Withdrawal and Cancellation

The Bank of New York Mellon will issue ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York Mellon will register the appropriate number of ADSs in the names you request and will deliver the ADSs at its corporate trust office to the persons you request.

In certain circumstances, subject to the provisions of the deposit agreement, The Bank of New York Mellon may issue ADSs before the deposit of the underlying shares. This is called a pre-release of ADSs. A pre-release is closed out as soon as the underlying shares are delivered to the depositary. The depositary may receive ADSs instead of the shares to close out a pre-release. The depositary may pre-release ADSs only on the following conditions:

- Before or at the time of the pre-release, the person to whom the pre-release is made must represent to the depositary in writing that it or its customer, as the case may be, owns the shares to be deposited;
- The pre-release must be fully collateralized with cash or collateral that the depositary considers appropriate; and
- The depositary must be able to close out the pre-release on not more than five business days notice.

The pre-release will be subject to whatever indemnities and credit regulations that the depositary considers appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of a pre-release.

You may turn in your ADSs at the Corporate Trust Office of The Bank of New York Mellon s office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York Mellon will deliver (1) the underlying shares to an account designated by you and (2) any other deposited securities underlying the ADS at the office of the custodian. Or, at your request, risk and expense, The Bank of New York Mellon will deliver the deposited securities at its Corporate Trust Office.

As a result of the stock split and the adoption of the unit share system on September 30, 2007, the ADSs may only be presented for cancellation and release of the underlying shares of common stock or other deposited securities in multiples of 100 ADSs. Holders of ADRs evidencing less than 100 ADSs are not entitled to delivery of any underlying shares or other deposited securities unless ADRs, together with other ADRs presented by the same holder at the same time, represent in the aggregate at least 100 ADSs. If any ADSs are surrendered but not cancelled pursuant to the preceding sentence, The Bank of New York Mellon will execute and deliver an ADR or ADRs evidencing the balance of ADSs not so cancelled to the person or persons surrendering the same.

Voting Rights

If you are an ADS holder on a record date fixed by The Bank of New York Mellon, you may instruct The Bank of New York Mellon to vote the shares underlying your ADSs at a meeting of our shareholders in accordance with the procedures set forth in the deposit agreement.

The Bank of New York Mellon will notify you of the upcoming meeting and arrange to deliver our voting materials to you. The notice shall contain (a) such information as is contained in such notice of meeting, (b) a statement that as of the close of business on a specified record date you will be entitled, subject to any applicable provision of Japanese law and our Articles of Incorporation, to instruct The Bank of New York

Mellon as to the exercise of the voting rights, if any, pertaining to the amount of shares or other deposited securities represented by your ADSs, and (c) a brief statement as to the manner in which such instructions may be given, including an express indication that instructions may be given to The Bank of New York Mellon to give a discretionary proxy to a person designated by us. Upon your written request, received on or before the date established by The Bank of New York Mellon for such purpose, The Bank of New York Mellon shall endeavor in so far as practicable to vote or cause to be voted the amount of shares or other deposited securities represented by your ADSs in accordance with the instructions set forth in your request. So long as Japanese law provides that votes may only be cast with respect to one or more whole shares or other deposited securities, The Bank of New York Mellon will aggregate voting instructions to the extent such instructions are the same and vote such whole shares or other deposited securities in accordance with your instructions. If, after aggregation of all instructions to vote received by The Bank of New York Mellon, any portion of the aggregated instructions constitutes instructions with respect to less than a whole share or other deposited securities, The Bank of New York Mellon will not vote or cause to be voted the shares or other deposited securities to which such portion of the instructions apply. The Bank of New York Mellon will not vote or attempt to exercise the right to vote that attaches to the shares or other deposited securities, other than in accordance with the instructions of the ADS holders. If no instructions are received by The Bank of New York Mellon from you with respect to any of the deposited securities represented by your ADSs on or before the date established by The Bank of New York Mellon for such purpose, The Bank of New York Mellon shall deem you to have instructed The Bank of New York Mellon to give a discretionary proxy to a person designated by us with respect to such deposited securities and The Bank of New York Mellon shall give a discretionary proxy to a person designated by us to vote such deposited securities, provided that no such instruction shall be given with respect to any matter as to which we inform The Bank of New York Mellon (and we have agreed to provide such information as promptly as practicable in writing) that (1) we do not wish such proxy given, (2) substantial opposition exists or (3) such matter materially and adversely affects the rights of holders of shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct The Bank of New York Mellon to vote your shares. In addition, The Bank of New York Mellon is not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions as long as it has acted in good faith. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.

Fees and Expenses

See Item 12.D. Description of Securities Other than Equity Securities American Depositary Shares.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities underlying your ADSs. The Bank of New York Mellon may refuse to transfer your ADSs or allow you to withdraw the deposited securities underlying your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities underlying your ADSs to pay any taxes owed and you will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any property remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If we:

- reclassify, split up or consolidate any of our shares or the deposited securities;

- recapitalize, reorganize, merge, liquidate, consolidate or sell all or substantially all of our assets or take any similar action; or distribute securities on the shares that are not distributed to you, then,

(1) the cash, shares or other securities received by The Bank of New York Mellon will become deposited securities and each ADS will automatically represent its equal share of the new deposited securities unless additional ADSs are issued; and

(2) The Bank of New York Mellon may, and will if we request, issue new ADSs or ask you to surrender your outstanding ADSs in exchange for new ADSs, identifying the new deposited securities.

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Amendment and Termination

We may agree with The Bank of New York Mellon to amend the deposit agreement and the ADSs without your consent for any reason. If the amendment adds or increases fees or charges, except for taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses, or prejudices an important right of ADS holders, it will only become effective three months after The Bank of New York Mellon notifies you of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADS, to agree to the amendment and to be bound by the ADSs and the deposit agreement as amended. However, no amendment will impair your right to receive the deposited securities in exchange for your ADSs.

The Bank of New York Mellon will terminate the deposit agreement if we ask it to do so, in which case it must notify you at least 30 days before termination. The Bank of New York Mellon may also terminate the deposit agreement if The Bank of New York Mellon has told us that it would like to resign and we have not appointed a new depositary bank within 60 days.

If any ADSs remain outstanding after termination, The Bank of New York Mellon will stop registering the transfers of ADSs, will stop distributing dividends to ADS holders and will not give any further notices or do anything else under the deposit agreement other than:

(1) collect dividends and distributions on the deposited securities;

(2) sell rights and other property offered to holders of deposited securities; and

(3) deliver shares and other deposited securities in exchange for ADSs surrendered to The Bank of New York Mellon.

At any time after one year following termination, The Bank of New York Mellon may sell any remaining deposited securities. After that, The Bank of New York Mellon will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The Bank of New York Mellon s only obligations will be to account for the money and other cash and with respect to indemnification and to retain depositary documents. After termination, our only obligations will be with respect to indemnification and to pay certain amounts to The Bank of New York Mellon.

Limitations on Obligations and Liability to ADS Holders

The deposit agreement expressly limits our obligations and the obligations of The Bank of New York Mellon. It also limits our liability and the liability of The Bank of New York Mellon. We and The Bank of New York Mellon:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;

are not liable if either is prevented or delayed by law, any provision of our Articles of Incorporation or circumstances beyond their control from performing their obligations under the deposit agreement;

are not liable if either exercises or fails to exercise discretion permitted under the deposit agreement;

have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party unless indemnified to their satisfaction; and

may rely upon any advice of or information from legal counsel, accountants, any person depositing shares, any ADS holder or any other person believed in good faith to be competent to give them that advice or information.

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In the deposit agreement, we and The Bank of New York Mellon agree to indemnify each other for liabilities arising out of acts performed or omitted by the other party in accordance with the deposit agreement.

Requirements for Depositary Actions

Before The Bank of New York Mellon will issue or register transfer of an ADS, make a distribution on an ADS, or permit withdrawal of shares, it may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The Bank of New York Mellon may refuse to deliver, transfer, or register transfers of ADSs generally when its transfer books are closed, when our transfer books are closed or at any time if it or we think it advisable to do so.

You have the right to cancel your ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (1) The Bank of New York Mellon has closed its transfer books or we have closed our transfer books; (2) the transfer of shares is blocked to permit voting at a shareholders meeting; or (3) we are paying a dividend on the shares;
- when you or other ADS holders seeking to withdraw shares owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Reports and Other Communications

The Bank of New York Mellon will make available for your inspection at its corporate trust office any reports and communications, including any proxy soliciting material, that it receives from us, if those reports and communications are both (a) received by The Bank of New York

Mellon as the holder of the deposited securities and (b) made generally available by us to the holders of the deposited securities. If we ask it to, The Bank of New York Mellon will also send you copies of those reports it receives from us.

Inspection of Transfer Books

The Bank of New York Mellon will keep books for the registration and transfer of ADSs, which will be open for your inspection at all reasonable times. You will only have the right to inspect those books if the inspection is for the purpose of communicating with other owners of ADSs in connection with our business or a matter related to the deposit agreement or the ADSs.

C. Material Contracts

Except as described elsewhere in this Annual Report, all material contracts entered into by us in the past two years preceding the filing of this Annual Report were entered into in the ordinary course of business.

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D. Exchange Controls

Foreign Exchange and Foreign Trade Law

The Foreign Exchange and Foreign Trade Law of Japan and the cabinet orders and ministerial ordinances incidental thereto, collectively known as the Foreign Exchange Law, set forth, among other matters, the regulations relating to the receipt by non-residents of Japan of payment with respect to shares to be issued by us and the acquisition and holding of shares by non-residents of Japan and foreign investors, both as defined below. It also applies in some cases to the acquisition and holding of ADSs representing such shares acquired and held by non-residents of Japan and by foreign investors. Generally, the Foreign Exchange Law currently in effect does not affect the right of a non-resident of Japan to purchase or sell an ADR outside Japan for non-Japanese currency.

Non-residents of Japan are defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally, the branches and offices of non-resident corporations which are located in Japan are regarded as residents of Japan while the branches and offices of Japanese corporations located outside Japan are regarded as non-residents of Japan.

Foreign investors are defined as:

- non resident individuals;
- corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan;
- corporations of which 50% or more of the shares are directly or indirectly held by individuals not resident of Japan and corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan; and
- corporations, a majority of officers (or a majority of officers having the power of representation) of which are non-resident individuals.

Dividends and Proceeds of Sales

Under the Foreign Exchange Law, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. The acquisition of our shares by non-residents by way of a stock split is not subject to any notification or reporting requirements.

Acquisition of Shares

In general, a non-resident who acquires shares from a resident of Japan is not subject to any prior filing requirement, although the Foreign Exchange Law empowers the Minister of Finance of Japan to require a prior approval for any such acquisition in certain limited circumstances.

If a foreign investor acquires our shares, and, together with parties who have a special relationship with that foreign investor, holds 10% or more of our issued shares as a result of such acquisition, the foreign investor must file a report of such acquisition with the Minister of Finance and any other competent Minister by the fifteenth day of the month immediately following the month to which the date of such acquisition belongs. In certain limited circumstances, however, a prior notification of such acquisition must be filed with the Minister of Finance and any other competent Minister, who may modify or prohibit the proposed acquisition.

Deposit and Withdrawal under American Depositary Facility

The deposit of shares with us, in our capacity as custodian and agent for the depositary, in Tokyo, the issuance of ADSs by the depositary to a non-resident of Japan in respect of the deposit and the withdrawal of the underlying shares upon the surrender of the ADSs are not subject to any of the formalities or restrictions referred

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to above. However, where as a result of a deposit or withdrawal the aggregate number of shares held by the depositary, including shares deposited with us as custodian for the depositary, or the holder surrendering ADSs, as the case may be, would be 10% or more of the total outstanding shares, a report will be required, and in specified circumstances, a prior notification may be required, as noted above.

Reporting of Substantial Shareholdings

The Financial Instruments and Exchange Law of Japan requires any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a company listed on any Japanese financial instruments exchange or whose shares are traded on the over-the-counter market in Japan to file with the director of a competent finance bureau within 5 business days a report concerning such shareholdings.

A similar report must also be filed in respect of any subsequent change of 1% or more in any such holding ratio or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such person upon exchange of exchangeable securities, conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by such holder and the issuer s total issued shares of capital stock. Copies of such report must also be furnished to the issuer of such shares and all Japanese financial instruments exchanges on which the shares are listed or (in the case of shares traded over-the-counter) the Japan Securities Dealers Association.

E. Taxation

Japanese Taxation

The following sets forth the material Japanese tax consequences to owners of shares of our common stock or ADSs who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which the relevant income is attributable, which we refer to as non-resident holders in this section. The statements regarding Japanese tax laws below are based on the laws in force and as interpreted by the Japanese taxation authorities as at the date of this Annual Report and are subject to changes in the applicable Japanese laws, double taxation treaties, conventions or agreements or interpretations thereof occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares of our common stock or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident and any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

For the purpose of Japanese tax law and the Tax Convention (as defined below), a US holder of ADSs will be treated as the owner of the shares of our common stock underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder of shares of our common stock or ADSs is subject to Japanese withholding tax on dividends paid by us. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by us to non-resident holders is 7% for dividends to be paid on or before December 31, 2011 pursuant to Japanese tax law. After such date, the maximum withholding rate for US holders (as defined below), which is generally set at 10% of the gross amount distributed, shall be applicable pursuant to the Tax Convention (as defined below).

On March 30, 2004, the Convention between the Government of the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the Tax Convention), became effective to replace its predecessor, which was signed on March 8, 1971 (the Prior Treaty). The Tax Convention establishes the maximum rate of Japanese withholding tax which may be imposed on dividends paid to a US resident not having a permanent establishment in Japan. Under the Tax Convention, the maximum withholding rate for US holders (as defined below) is generally set at 10% of the gross amount distributed. However, the maximum rate is 5% of the gross amount distributed if the recipient is a corporation and owns directly or indirectly, on the date on which entitlement to the dividends is determined, at least 10% of the voting shares of the paying corporation. Furthermore, the amount distributed shall not be taxed if the recipient is (i) a pension fund which is a US resident, provided that such dividends are not derived from the carrying on of a business, directly or indirectly, by such pension fund or (ii) a parent company with a controlling interest in the paying company and satisfies certain other requirements. US holders (as defined below) are urged to consult their own tax advisors with respect to their eligibility for benefits under the Prior Treaty and the Tax Convention.

Japanese tax law provides in general that if the Japanese statutory rate is lower than the maximum rate applicable under tax treaties, conventions or agreements, the Japanese statutory rate shall be applicable. The rate of Japanese withholding tax applicable to dividends paid by us to non-resident holders is 7% for dividends to be paid on or before December 31, 2011 and 15% thereafter, except for dividends paid to any individual non-resident holder who holds 5% or more of our issued shares for which the applicable rate is 20%.

Non-resident holders of shares who are entitled to a reduced rate of Japanese withholding tax on payments of dividends on the shares of our common stock or ADSs by us are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before the payment of dividends. A standing proxy for non-resident holders may provide this application service for the non-resident holders. Non-resident holders who do not submit an application in advance will generally be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate of an applicable tax treaty.

Gains derived from the sale or other disposition of shares of our common stock or ADSs by a non-resident holder are not, in general, subject to Japanese income or corporation taxes or other Japanese taxes.

Any deposits or withdrawals of shares of our common stock by a non-resident holder in exchange for ADSs are not subject to Japanese income or corporation tax.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired shares of our common stock or ADSs as legatee, heir or donee, even if none of the individual, the decedent or the donor is a Japanese resident.

US Taxation

The following sets forth the material US federal income tax consequences of the ownership of shares and ADSs by a US holder, as defined below. This summary is based on US federal income tax laws, including the US Internal Revenue Code of 1986, or the Code, its legislative history, existing and proposed Treasury regulations thereunder, published rulings and court decisions, and the Tax Convention (as defined above), all of which are subject to change, possibly with retroactive effect.

The following summary is not a complete analysis or description of all potential US federal income tax consequences to a particular US holder. It does not address all US federal income tax considerations that may be relevant to all categories of potential purchasers, certain of which (such as banks or other financial institutions, insurance companies, dealers in securities, tax-exempt entities, non-US persons, persons holding a share or an ADS as part of a straddle, hedge, conversion or integrated transaction, holders whose functional currency is not the US dollar, holders liable for alternative minimum tax and holders of 10% or more of our voting shares) are subject to special tax treatment. This summary does not address any foreign, state, local or other tax consequences of investments in our shares or ADSs.

This summary addresses only shares or ADSs that are held as capital assets within the meaning of Section 1221 of the Code.

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As used herein, a US holder is a beneficial owner of shares or ADSs, as the case may be, that is, for US federal income tax purposes:

- a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any political subdivision thereof;
- an estate, the income of which is subject to US federal income tax regardless of its source; or
- a trust
  - the administration of which is subject to (1) the supervision of a court within the United States and (2) the control of one or more US persons as described in Section 7701(a)(30) of the Code; or
  - that has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

A Non-US holder is any beneficial holder of shares or ADSs that is not a US holder.

If a partnership holds shares or ADSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding shares or ADSs, you should consult your tax advisor.

We urge US holders to consult their own tax advisors concerning the US federal, state and local and other tax consequences to them of the purchase, ownership and disposition of shares or ADSs.

This summary is based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with their respective terms. For US federal income tax purposes, holders of ADSs will be treated as the owners of the shares represented by the ADSs. Accordingly, withdrawals or deposits of shares in exchange for ADSs generally will not be subject to US federal income tax.

The US Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the beneficial ownership of the underlying shares (for example, pre-releasing ADSs to persons who do not have beneficial ownership of the securities underlying the ADSs). Accordingly, the discussion on the creditability of Japanese taxes and the availability of the reduced rate of tax for dividends received by certain non-corporate US holders, each as described below, could be affected by actions taken by intermediaries in the chain of ownership between the holder of ADSs and MUFG if, as a result of such actions, the holders of ADSs are not properly treated as beneficial owners of the underlying shares. We are not aware of any intention to take any such actions, and accordingly, the remainder of this discussion assumes that holders of ADSs will be properly treated as beneficial owners of the underlying shares.

Special adverse US federal income tax rules apply if a US holder holds shares or ADSs of a company that is treated as a passive foreign investment company (a PFIC) for any taxable year during which the US holder held shares or ADSs, as discussed in more detail below. US holders should consult their own tax advisors as to the potential application of the PFIC rules to their ownership and disposition of shares or ADSs.

Taxation of Dividends

Subject to the application of the PFIC rules discussed below, US holders will include the gross amount of any distribution received with respect to shares or ADSs (before reduction for Japanese withholding taxes), to the extent paid out of the current or accumulated earnings and profits (as determined for US federal income tax purposes) of MUFG, as ordinary income in their gross income. As discussed below, for certain US holders, dividends may be eligible for a reduced rate of taxation. The amount of distribution of property other than cash will be the fair market value of such property on the date of the distribution. Dividends received by a US holder will not be eligible for the dividends-received deduction allowed to US corporations in respect of dividends received from other US corporations. To the extent that an amount received by a US holder exceeds such holder s allocable share of our current earnings and profits, such excess will be applied first to reduce such holder s tax basis in its shares or ADSs, thereby increasing the amount of gain or decreasing the amount of loss recognized on a subsequent disposition of the shares or ADSs. Then, to the extent such distribution exceeds such US holder s tax basis, such excess will be treated as capital gain. However, MUFG does not maintain calculations of its earnings and profits in accordance with US federal income tax principles, and US holders should therefore assume that any distribution by MUFG with respect to shares or ADSs will constitute ordinary dividend income. The amount of the dividend will be the US dollar value of the Japanese yen payments received. This value will be determined at the spot Japanese yen/US dollar rate on the date the dividend is received by the depositary in the case of US holders of ADSs, or by the shareholder in the case of US holders of shares, regardless of whether the dividend payment is in fact converted into US dollars at that time. If the Japanese yen received as a dividend are not converted into US dollars on the date of receipt, a US holder will have basis in such Japanese yen equal to their US dollar value on the date of receipt, and any foreign currency gains or losses resulting from the conversion of the Japanese yen will generally be treated as US source ordinary income or loss. If the Japanese yen received as a dividend are converted into US dollars on the date of receipt, a US holder will generally not be required to recognize foreign currency gain or loss in respect of the dividend income.

If a US holder is eligible for benefits under the Tax Convention, the holder may be able to claim a reduced rate of Japanese withholding tax. All US holders should consult their tax advisors about their eligibility for reduction of Japanese withholding tax. A US holder may claim a deduction or a foreign tax credit, subject to other applicable limitations, only for tax withheld at the appropriate rate. A US holder should not be allowed a foreign tax credit for withholding tax for any portion of the tax that could have been avoided by claiming benefits under the Tax Convention. For foreign tax credit limitation purposes, the dividend will be income from sources outside the United States. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends we pay will constitute passive income or, in the case of certain US holders, financial services income. The rules governing US foreign tax credits are very complex and US holders should consult their tax advisors regarding the availability of foreign tax credits under their particular circumstances.

Subject to applicable exceptions with respect to short-term and hedged positions, qualified dividends received by non-corporate US holders prior to January 1, 2011 from a qualified corporation may be eligible for reduced rates of taxation. Qualified corporations include those foreign corporations eligible for the benefits of a comprehensive income tax treaty with the United States that the US Treasury Department determines to be satisfactory for these purposes and that includes an exchange of information provision. The Tax Convention meets these requirements. We believe that MUFG is a qualified foreign corporation and that dividends received by US investors with respect to shares or ADSs of MUFG will be qualified dividends. Dividends received by US investors from a foreign corporation that was a PFIC in either the taxable year of the distribution or the preceding taxable year are not qualified dividends.

Passive Foreign Investment Company Considerations

Special adverse US federal income tax rules apply if a US holder holds shares or ADSs of a company that is treated as a PFIC, for any taxable year during which the US holder held shares or ADSs. A foreign corporation will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income is passive income, or (ii) 50% or more of the average fair market value of its assets (determined quarterly) is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties, rents and certain gains from the sale of stock and securities. If a foreign corporation owns at least 25% (by value) of the stock of another corporation, the corporation will be treated, for purposes of the PFIC tests, as owning a proportionate share of the other corporation s assets and receiving its proportionate share of the other corporation s income. The determination of whether a foreign corporation is a PFIC is made annually.

Proposed Treasury regulations convert what would otherwise be passive income into non-passive income when such income is banking income earned by an active bank. Based upon these proposed Treasury regulations and upon certain management estimates and assumptions, we do not believe that we were a PFIC for the year

ending March 31, 2010 and do not expect to be a PFIC in the current or future years. However, there can be no assurance that the described proposed Treasury regulations will be finalized in their current form and the application of the proposed Treasury regulations is not clear. Moreover, the determination of whether MUFG is a PFIC is based upon, among other things, the composition of our income and assets and the value of our assets from time to time and is made annually. Accordingly, it is possible that MUFG may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. In addition, a decrease in the price of our shares may also result in MUFG becoming a PFIC. If MUFG were classified as a PFIC in any year during which a US holder owns shares or ADSs and the US holder does not make a mark-to-market election, as discussed below, MUFG generally would continue to be treated as a PFIC as to such US holder in all succeeding years, regardless of whether MUFG continues to meet the income or asset test discussed above.

If MUFG were classified as a PFIC for any taxable year during which a US holder holds our shares or ADSs, the US holder would generally not receive capital gains treatment upon the sale of the shares or ADSs and would be subject to increased tax liability (generally including an interest charge) upon the sale or other disposition of the shares or ADSs or upon the receipt of certain distributions treated as excess distributions, unless the US holder makes the mark-to-market election described below. An excess distribution generally would be any distribution to a US holder with respect to shares or ADSs during a single taxable year that is greater than 125% of the average annual distributions received by a US holder with respect to shares or ADSs during the three preceding taxable years or, if shorter, during the US holder s holding period for the shares or ADSs.

Mark-to-Market Election. If the shares or ADSs are regularly traded on a registered national securities exchange or certain other exchanges or markets, then such shares or ADSs would constitute marketable stock for purposes of the PFIC rules, and a US holder would not be subject to the foregoing PFIC rules if such holder made a mark-to-market election. After making such an election, the US holder generally would include as ordinary income each year during which the election is in effect and during which MUFG is a PFIC the excess, if any, of the fair market value of MUFG shares or ADSs at the end of the taxable year over such holder s adjusted basis in such shares or ADSs. These amounts of ordinary income would not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. A US holder also would be allowed to take an ordinary loss in respect of the excess, if any, of the holder s adjusted basis in MUFG shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income that was previously included as a result of the mark-to-market election). A US holder s tax basis in MUFG shares or ADSs would be adjusted to reflect any income or loss amounts resulting from a mark-to-market election. If made, a mark-to-market election would be effective for the taxable year for which the election was made and for all subsequent taxable years unless the shares or ADSs cease to qualify as marketable stock for purposes of the PFIC rules or the Internal Revenue Service consented to the revocation of the election. In the event that MUFG is classified as a PFIC, US holders are urged to consult their tax advisors regarding the availability of the mark-to-market election, and whether the election would be advisable in the holder s particular circumstances.

QEF Election. The PFIC rules outlined above also would not apply to a US holder if such holder alternatively elected to treat MUFG as a qualified electing fund or QEF . An election to treat MUFG as a QEF will not be available, however, if MUFG does not provide the information necessary to make such an election. MUFG will not provide US holders with the information necessary to make a QEF election, and thus, the QEF election will not be available with respect to our shares.

Notwithstanding any election made with respect to MUFG shares, dividends received with respect to MUFG shares will not constitute qualified dividend income if MUFG is a PFIC in either the year of the distribution or the preceding taxable year. Dividends that do not constitute qualified dividend income are not eligible for taxation at the reduced tax rate described above in Taxation of Dividends. Instead, such dividends would be subject to tax at ordinary income rates.

If a US holder owns shares or ADSs during any year in which MUFG is a PFIC, the US holder must also file IRS Form 8621 regarding distributions received on the shares or ADSs, any gain realized on the shares or

ADSs, and any reportable election in accordance with the instructions to such form. In addition, under recently enacted legislation, each US shareholder of a PFIC is required to file such annual information as is specified by the U.S. Treasury Department, which has not yet enacted regulations or other authority specifying what information must be filed. US holders are urged to consult their own tax advisors concerning the U.S. federal income tax consequences of holding Offered Shares if the Company were considered a PFIC in any taxable year.

Taxation of Capital Gains

Subject to the application of the PFIC rules discussed above, upon a sale or other disposition of shares or ADSs, a US holder will recognize a gain or loss in an amount equal to the difference between the US dollar value of the amount realized and the US holder s tax basis, determined in US dollars, in such shares or ADSs. Such gains or losses will be capital gains or losses and will be long-term capital gains or losses if the US holder s holding period for such shares or ADSs exceeds one year. A US holder s adjusted tax basis in its shares or ADSs will generally be the cost to the holder of such shares or ADSs. Any such gains or losses realized by a US holder upon disposal of the shares or ADSs will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations under the Code.

Information Reporting and Backup Withholding

Dividends paid on shares or ADSs to a US holder, or proceeds from a US holder s sale or other disposition of shares or ADSs, may be subject to information reporting requirements. Those dividends or proceeds from sale or disposition may also be subject to backup withholding unless the US holder:

- is a corporation or other exempt recipient, and, when required, demonstrates this fact; or

- provides a correct taxpayer identification number on a properly completed US Internal Revenue Service Form W-9 or substitute form, certifies that the US holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Any amount withheld under these rules will be creditable against the US holder s US federal income tax liability or refundable to the extent that it exceeds such liability if the US holder provides the required information to the Internal Revenue Service. If a US holder is required to and does not provide a correct taxpayer identification number, the US holder may be subject to penalties imposed by the Internal Revenue Service. All holders should consult their tax advisors as to their qualification for the exemption from backup withholding and the procedure for obtaining an exemption.

In addition, for taxable years beginning after March 18, 2010, new legislation requires certain U.S. holders who are individuals that hold certain foreign financial assets (which may include our shares or ADSs) to report information relating to such assets, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our shares and ADSs.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We file periodic reports and other information with the SEC. You may read and copy any document that we file with the SEC at the SEC s public reference room at 100 F Street, NE, Washington, DC 20549. Please call the

SEC at 1-800-SEC-0330 for further information on the operation of its public reference rooms. The SEC also maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC (http://www.sec.gov). Some of this information may also be found on our website at http://www.mufg.jp.

I. Subsidiary Information

Please refer to discussion under Item 4.C. Information on the Company Organizational Structure.

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Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

Numerous changes in our business environment have occurred as a result of globalization of the financial industry, the advancement of information technology and changes in economic conditions. We aim to be a global and comprehensive financial group encompassing leading commercial and trust banks, and securities firms in Japan. Risk management plays an increasingly important role as the risks faced by financial groups such as us increase in scope and variety.

We identify various risks arising from businesses based on uniform criteria, and implement integrated risk management to ensure a stronger financial condition and to maximize shareholder value. Based on this policy, we identify, measure, control and monitor a wide variety of risks so as to achieve a stable balance between earnings and risks. We undertake risk management to create an appropriate capital structure and to achieve optimal allocation of resources.

Risk Classification

At the holding company level, we broadly classify and define risk categories faced by the Group including those that are summarized below. Group companies perform more detailed risk management based on their respective operations.

Type of Risk	Definition
Credit Risk	The risk of financial loss in credit assets (including off-balance sheet instruments) caused by deterioration in the credit conditions of counterparties. This category includes country risk.
Market Risk	Market risk is the risk of financial loss where the value of our assets and liabilities could be adversely affected by changes in market variables such as interest rates, securities prices and foreign exchange rates. Market liquidity risk is the risk of financial loss caused by the inability to secure market transactions at the required volume or price levels as a result of market turbulence or lack of trading liquidity.
Liquidity Risk	The risk of incurring loss if a poor financial position at a group company hampers the ability to meet funding requirements or necessitates fund procurement at interest rates markedly higher than normal.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.
Operations Risk	The risk of incurring loss that might be caused by negligence of correct operational processing, or by incidents or misconduct by either officers or staff, as well as risks similar to this risk.
Information Asset Risk	The risk of loss caused by loss, alteration, falsification or leakage of information, or by destruction, disruption, errors or misuse of information systems, as well as risks similar to this risk.
Reputation Risk	The risk of loss due to deterioration in reputation as a consequence of the spread of rumors among customers or in the market, or as a consequence of inadequate response to the circumstance by MUFG, as well as risks similar to this risk.

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Risk Management System

We have adopted an integrated risk management system to promote close cooperation among the holding company and group companies. The holding company and the major subsidiaries (which include The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, and Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD) each appoint a Chief Risk Management Officer and establish an independent risk management division. At the Risk Management Committees, our management members discuss and dynamically manage various types of risks from both qualitative and quantitative perspectives. The board of directors determines risk management policies for various types of risk based on the discussions held by these committees.

The holding company seeks to enhance group-wide risk identification, to integrate and improve the Group s risk management system and related methods, to maintain asset quality, and to eliminate concentrations of specific risks. Group-wide risk management policy is determined at the holding company level and each group company implements and improves its own risk management system based on this policy.

Business Continuity Management

Based on a clear critical response rationale and associated decision-making criteria, we have developed systems to ensure that operations are not interrupted or can be restored to normal quickly in the event of a natural disaster or system failure so as to minimize any disruption to customers and markets. A crisis management team within the holding company is the central coordinating body in the event of any emergency. Based on information collected from crisis management personnel at the major subsidiaries, this central body would assess the overall impact of a crisis on the Group s business and establish task forces that could implement all countermeasures to restore full operations. We have business continuity plans to maintain continuous operational viability in the event of natural disasters, system failures and other types of emergencies. Regular training drills are conducted to upgrade the practical effectiveness of these systems.

Implementation of Basel II

Basel II is a comprehensive regulatory framework for ensuring the soundness and stability of the international banking system. It is based on three pillars : (1) minimum capital requirements, (2) the self-regulation of financial institutions based on supervisory review process, and (3) market discipline through the disclosure of information. The goal of Basel II is to have these three pillars mutually reinforce each other to ensure the effectiveness of regulations. In addition, with respect to credit risk and operational risk, as compared to the previous framework, Basel II provides more risk-sensitive approaches and a range of options for measuring risks and determining the capital requirements. As a result, Basel II also reflects the nature of risks at each bank more closely. Basel II has been applied to Japanese banks since March 31, 2007.

Based on the principles of Basel II, MUFG has adopted the Advanced Internal Ratings-Based Approach to calculate its capital requirements for credit risk since March 31, 2009. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to our overall capital requirements and a few subsidiaries have adopted a phased rollout of the internal ratings-based approach. MUFG has adopted the Standardized Approach to calculate its capital requirements for operational risk. As for market risk, MUFG has adopted the Internal Models Approach mainly to calculate general market risk and adopted the Standardized Method to calculate specific risk.

The Basel Committee of Banking Supervision has proposed revisions to Basel II in response to the recent global financial crisis. We intend to continue to monitor discussions and other developments relating to the proposed revisions.

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Credit Risk Management

Credit risk is the risk of losses due to deterioration in the financial condition of a borrower. We have established risk management systems to maintain asset quality, manage credit risk exposure and achieve earnings commensurate with risk.

Our major banking subsidiaries (which include BTMU and MUTB) apply a uniform credit rating system for asset evaluation and assessment, loan pricing, and quantitative measurement of credit risk. This system also underpins the calculation of capital requirements and management of credit portfolios. We continually seek to upgrade credit portfolio management, or CPM, expertise to achieve an improved risk-adjusted return based on the Group s credit portfolio status and flexible response capability to economic and other external changes.

Credit Risk Management System

The credit portfolios of our major banking subsidiaries are monitored and assessed on a regular basis by the holding company to maintain and improve asset quality. A uniform credit rating and asset evaluation and assessment system is used to ensure timely and proper evaluation of all credit risks.

Under our credit risk management system, each major banking subsidiary manages its respective credit risk on a consolidated and global basis, while the holding company oversees and manages credit risk on an overall group-wide basis. The holding company also convenes regular committee meetings to monitor credit risk management at banking subsidiaries and to issue guidance where necessary.

Each major banking subsidiary has in place a system of checks and balances in which a credit administration section that is independent of the business promotion sections screens individual transactions and manages the extension of credit. At the management level, regular meetings of Credit & Investment Management Committee and related deliberative bodies ensure full discussion of important matters related to credit risk management. Besides such checks and balances and internal oversight systems, credit examination sections also undertake credit testing and evaluation to ensure appropriate credit risk management.

The following diagram summarizes the credit risk management framework for our major banking subsidiaries:

Credit Rating System

MUFG and its major banking subsidiaries have introduced an integrated credit rating system to evaluate credit risk. The credit rating system consists primarily of borrower rating, facility risk rating, structured finance rating and asset securitization rating.

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Country risk is also rated on a uniform group-wide basis. Our country risk rating is reviewed periodically to take into account relevant political and economic factors, including foreign currency availability.

Risk exposure for small retail loans, such as residential mortgage loans, is managed by grouping loans into various pools and assigning ratings at the pool level.

Borrower rating

Our borrower rating classifies borrowers into 15 grades based on evaluations of their expected debt-service capability over the next three to five years.

The following table sets forth our borrower grades:

Definition of MUFG Borrower Rating

Borrower rating	Definition
1-2	Borrower capacity to meet financial obligations deemed high and stable
3-5	Borrower capacity to meet financial obligations deemed free of problems
6-8	Borrower capacity to meet short-term financial obligations deemed free of problems
9	Borrower capacity to meet financial obligations deemed slightly insufficient
10-12	Close monitoring of borrower required due to one or more of following conditions: [1] Borrower who has problems meeting financial obligations (e.g., principal repayments or interest payments in arrears) [2] Borrower whose business performance is poor or unsteady, or in an unfavorable financial condition [3] Borrower who has problems with loan conditions (e.g., interest rates have been reduced or deferred)
10	Causes for concern identified in borrower s business management necessitate ongoing monitoring, despite only minor problems or significant ongoing improvement
11	Emergence of serious causes for concern in borrower s business management signal need for caution in debt repayment due to major problems or requiring protracted resolution
12	Borrower meeting the definition of rating 10 or 11 and holds restructured loan, or borrower with loan contractually past due 90 days or more due to particular reasons, such as an inheritance-related issue
13	Borrower with respect to whom losses are expected due to major debt repayment problems (that is, although not yet bankrupt, borrower deemed likely to become bankrupt due to financial difficulties and failure to make significant progress with restructuring plans)
14	Although not legally or officially bankrupt, borrower in virtual bankruptcy due to serious financial difficulties, without any realistic prospect of business recovery
15	Borrower legally or officially bankrupt and subject to specific procedures, such as legal liquidation/business suspension/winding up of business/private liquidation

Facility risk rating

Facility risk rating is used to evaluate and classify the quality of individual credit facilities, including guarantees and collateral. Ratings are assigned by quantitatively measuring the estimated loss rate of a facility in the event of a default.

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Structured finance rating and asset securitization rating

These ratings are also used to evaluate and classify the quality of individual credit facilities, including guarantees and collateral, and focus on the structure, including the applicable credit period, of each credit facility. In evaluating the debt service potential of a credit facility, we scrutinize its underlying structure to determine the likelihood of the planned future cash flows being achieved.

Pool assignment

Each major banking subsidiary has its own system for pooling and rating small retail loans designed to reflect the risk profile of its loan portfolios.

Asset Evaluation and Assessment System

The asset evaluation and assessment system is used to classify assets held by financial institutions according to the probability of collection and the risk of any impairment in value based on borrower classifications consistent with the borrower ratings and the status of collateral, guarantees, and other factors.

The system is used to conduct write-offs and allocate allowances against credit risk in a timely and adequate manner.

Quantitative Analysis of Credit Risk

MUFG and its major banking subsidiaries manage credit risk by monitoring credit amount and expected losses, and run simulations based on internal models to estimate the maximum amount of credit risk. These models are used for internal management purposes, including loan pricing and measuring economic capital.

When quantifying credit risk amounts using the internal models, MUFG and its major banking subsidiaries consider various parameters, including probability of default, or PD, loss given default, or LGD, and exposure at default, or EAD, used in their borrower ratings, facility risk ratings and pool assignments as well as any credit concentration risk in particular borrower groups or industry sectors. MUFG and its major banking subsidiaries also share credit portfolio data in appropriate cases.

Loan Portfolio Management

We aim to achieve and maintain levels of earnings commensurate with credit risk exposure. Products are priced to take into account expected losses, based on the internal credit ratings.

We assess and monitor loan amounts and credit exposure by credit rating, industry and region. Portfolios are appropriately managed to limit concentrations of risk in specific categories by establishing Large Credit Guidelines.

To manage country risk, we have established specific credit ceilings by country. These ceilings are reviewed when there is any material change in a country s credit standing, in addition to regular review.

Continuous CPM Improvement

With the prevalence of securitized products and credit derivatives in global markets, we seek to supplement conventional CPM techniques with advanced methods based on the use of such market-based instruments.

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Through credit risk quantification and portfolio management, we aim to improve the risk return profile of the Group s credit portfolio, using financial markets to rebalance credit portfolios in a dynamic and active manner based on an accurate assessment of credit risk. The following diagram summarizes our CPM framework:

Credit Portfolio Management (CPM) Framework

Risk Management of Strategic Equity Portfolio

Strategic equity investment risk is the risk of loss caused by a decline in the prices of our equity investments.

We use quantitative analysis to manage the risks associated with the portfolio of equities held for strategic purposes. According to internal calculations, the market value of our strategically held (Tokyo Stock Exchange-listed) stocks as of March 31, 2010 was subject to a variation of approximately ¥4.2 billion when TOPIX index moves one point in either direction.

We seek to manage and reduce strategic equity portfolio risk based on such types of simulation. The aim is to keep this risk at appropriate levels compared with Tier 1 capital while generating returns commensurate with the degree of risk exposure.

Market Risk Management

Market risk is the risk that the value of our assets and liabilities could be adversely affected by changes in market variables such as interest rates, securities prices, or foreign exchange rates.

Management of market risk at MUFG aims to control related risk exposure across the Group while ensuring that earnings are commensurate with levels of risk.

Market Risk Management System

We have adopted an integrated system to manage market risk from our trading and non-trading activities. The holding company monitors group-wide market risk, while each of the major subsidiaries manages its market risks on a consolidated and global basis.

At each of the major subsidiaries, checks and balances are maintained through a system in which back and middle offices operate independently from front offices. In addition, separate Asset-Liability Management, or

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ALM Committee, ALM Council and Risk Management Meetings are held at each of the major subsidiaries every month to deliberate important matters related to market risk and control.

The holding company and the major subsidiaries allocate economic capital commensurate with levels of market risk and determined within the scope of their capital bases. The major subsidiaries have established quantitative limits relating to market risk based on their allocated economic capital. In addition, in order to keep losses within predetermined limits, the major subsidiaries have also set limits for the maximum amount of losses arising from market activities. The following diagram summarizes the market risk management system of each major subsidiary:

Management System of Our Major Subsidiaries

Market Risk Management and Control

At the holding company and the major subsidiaries, market risk exposure is reported to the Chief Risk Management Officers on a daily basis. At the holding company, the Chief Risk Management Officer monitors market risk exposure across the Group as well as the major subsidiaries control over their quantitative limits for market risk and losses. Meanwhile, the Chief Risk Management Officers at the major subsidiaries monitor their own market risk exposure and their control over their quantitative limits for market risk and losses. In addition, various analyses on risk profiles, including stress testing, are conducted and reported to the Executive Committees and the Corporate Risk Management Committees on a regular basis. At the business unit levels in the major subsidiaries, the market risks on their marketable assets and liabilities, such as interest rate risk and foreign exchange rate risk, are controlled by entering into various hedging transactions using marketable securities and derivatives.

As part of our market risk management activities, we use certain derivative financial instruments to manage our interest rate and currency exposures. We maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. We enter into interest rate swaps and other contracts as part of our interest rate risk management strategy primarily to alter the interest rate sensitivity of our loans, investment securities and deposit liabilities. Our principal objectives in risk management include asset and liability management. Asset and liability management is viewed as one of the methods for us to manage our interest rate exposures on interest-bearing assets and liabilities. Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options and futures, allow us to effectively manage our interest rate risk position. Option contracts primarily consist of caps, floors, swaptions and options on index futures. Futures contracts used for asset and liability management activities are primarily index futures providing for cash payments based upon the movement of an underlying rate index. We enter into forward exchange contracts, currency swaps and other contracts in response to currency exposures resulting from on-balance-sheet assets and liabilities denominated in foreign currencies in order to limit the net foreign exchange position by currency to an appropriate level.

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These market risk management activities are performed in accordance with the predetermined rules and procedures. The internal auditors as well as independent accounting auditors regularly verify the appropriateness of the management controls over these activities and the risk evaluation models adopted.

Market Risk Measurement Model

Market risks consist of general risks and specific risks. General market risks result from changes in entire markets, while specific risks relate to changes in the prices of individual stocks and bonds which are independent of the overall direction of the market.

To measure market risks, MUFG uses the VaR method which estimates changes in the market value of portfolios within a certain period by statistically analyzing past market data. Since the daily variation in market risk is significantly greater than that in other types of risk, MUFG measures and manages market risk using VaR on a daily basis.

Market risk for trading and non-trading activities is measured using a uniform market risk measurement model. The principal model used for these activities is historical simulation (HS) model (holding period, 10 business days; confidence interval, 99%; and observation period, 701 business days). The HS model calculates VaR amounts by estimating the profit and loss on the current portfolio by applying actual fluctuations in market rates and prices over a fixed period in the past. This method is designed to capture certain statistically infrequent movements, such as a fat tail, and accounts for the characteristics of financial instruments with non-linear behavior. Independent auditors, who were engaged only in the particular audit, verified the accuracy and appropriateness of this internal market risk model. The holding company and banking subsidiaries use the HS model to calculate Basel II regulatory capital adequacy ratios.

In calculating VaR using the HS method, we have implemented an integrated market risk measurement system throughout the Group. Our major subsidiaries calculate their VaR based on the risk and market data prepared by the information systems of their front offices and other departments. The major subsidiaries provide this risk data to the holding company, which calculates overall VaR taking into account the diversification effect among all portfolios of the major subsidiaries.

For the purpose of internally evaluating capital adequacy on an economic capital basis in terms of market risk, we use this market risk measurement model to calculate risk amounts based on a holding period of one year and a confidence interval of 99%.

Monitoring and managing our sensitivity to interest rate fluctuations is the key to managing market risk in MUFG s non-trading activities. The major banking subsidiaries take the following approach to measuring risks concerning core deposits, loan prepayments and early deposit withdrawals.

To measure interest rate risk relating to deposits without contract-based fixed maturities, the amount of core deposits is calculated through a statistical analysis based on deposit balance trend data and the outlook for interest rates on deposits, business decisions, and other factors. The amount of core deposit is categorized into various groups of maturity terms of up to five years (2.5 years on average) to recognize interest rate risk. The calculation assumptions and methods to determine the amount of core deposits and maturity term categorization are regularly reviewed.

Meanwhile, deposits and loans with contract-based maturities are sometimes cancelled or repaid before their maturity dates. To measure interest rate risk for these deposits and loans, we reflect these early termination events mainly by applying early termination rates calculated based on a statistical analysis of historical repayment and cancellation data together with historical market interest rate data.

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Summaries of Market Risks (Fiscal Year Ended March 2010)

Trading activities

The aggregate VaR for our total trading activities as of March 31, 2010 was ¥17.06 billion, comprising interest-rate risk exposure of ¥18.08 billion, foreign exchange risk exposure of ¥4.05 billion, and equity-related risk exposure of ¥1.94 billion. Compared with the VaR as of March 31, 2009, we experienced a slight decrease in market risk during the fiscal year ended March 31, 2010, primarily due to increased diversification effect, though our exposure to interest rate risk increased.

Our average daily VaR for the fiscal year ended March 31, 2010 was ¥18.02 billion. Based on a simple sum of figures across market risk categories, interest rate risk accounted for approximately 66%, foreign exchange risk for approximately 21% and equity-related risk for approximately 12% of our total trading activity market risks.

Due to the nature of trading operations which involves frequent changes in trading positions, market risk varied substantially during the fiscal year, depending on our trading positions.

The following tables set forth the VaR related to our trading activities by risk category for the periods indicated:

April 1, 2008 March 31, 2009	Average	Maximum[(1)]	Minimum[(1)]	Mar 31, 2009
		(in billions)		
MUFG	¥ 16.36	¥ 27.73	¥ 8.68	¥ 17.29
Interest rate	14.25	26.76	7.32	15.98
Yen	8.82	15.60	3.69	9.16
Dollars	5.49	9.70	1.12	6.97
Foreign exchange	4.84	11.89	0.97	3.78
Equities	1.78	4.49	0.74	2.26
Commodities	0.32	0.74	0.06	0.21
Less diversification effect	(4.83)			(4.94)

April 1, 2009 March 31, 2010	Average	Maximum[(1)]	Minimum[(1)]	Mar 31, 2010
		(in billions)		
MUFG	¥ 18.02	¥ 25.66	¥ 11.29	¥ 17.06
Interest rate	16.36	22.06	11.90	18.08
Yen	11.81	17.49	7.57	11.61
Dollars	6.30	11.72	3.36	11.31
Foreign exchange	5.11	10.36	1.70	4.05
Equities	2.93	8.05	0.90	1.94
Commodities	0.50	0.93	0.20	0.61
Less diversification effect	(6.88)			(7.62)

Assumptions for VaR calculations:
Historical simulation method
Holding period: 10 business days
Confidence interval: 99%

Observation period: 701 business days

Note:

(1) The maximum and minimum VaR overall and for various risk categories were taken from different days. A simple summation of VaR by risk category is not equal to total VaR due to the effect of diversification.

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The average daily VaR by quarter in the fiscal year ended March 31, 2010 was as follows:

Quarter	Daily average VaR (in billions)
April June 2009	¥ 17.95
July September 2009	19.96
October December 2009	18.93
January March 2010	15.11

The quantitative market risk figures from trading activities tend to fluctuate widely due to the market sensitive nature of trading business. During the fiscal year ended March 31, 2010, the revenue from our trading activities has been relatively stable, keeping positive numbers in 228 days out of 260 trading days in the period. During the same period, there were 100 days with positive revenue exceeding ¥1 billion and 3 days with negative revenue exceeding minus ¥1 billion.

Non-trading Activities

The aggregate VaR for our total non-trading activities as of March 31, 2010, excluding market risks related to our strategic equity portfolio and measured using the same standards as trading activities, was ¥455.7 billion. Market risks related to interest rates equaled ¥430.9 billion and equities-related risks equaled ¥147.1 billion. Compared with the VaR for MUFG at March 31, 2009, the decrease in the overall market risk was ¥47.6 billion. Market risks related to interest rates decreased ¥41.4 billion. Equity related risks increased ¥88.8 billion.

Based on a simple sum of figures across market risk categories, interest rate risks accounted for approximately 75% of our total non-trading activity market risks. Looking at a breakdown of interest rate related risk by currency, at March 31, 2010, the yen accounted for approximately 36% while the US dollar accounted for approximately 51%.

The following table shows the VaR related to our non-trading activities by risk category for the fiscal year ended March 31, 2010:

April 1, 2009 March 31, 2010	Average	Maximum(1)	Minimum(1)	Mar 31, 2010
		(in billions)		
Interest rate	¥ 439.0	¥ 472.7	¥ 414.8	¥ 430.9
Yen	160.0	195.6	136.9	183.3
Dollars	293.5	333.3	254.4	263.6
Foreign exchange	0.4	1.2	0.0	0.1
Equities	83.1	147.1	56.0	147.1
Total(1)	467.1	502.6	442.6	455.7

Assumptions for VaR calculations:
Historical simulation method
Holding period: 10 business days
Confidence interval: 99%
Observation period: 701 business days

Note:

(1) The maximum and minimum VaR overall for each category and in total were taken from different days. The equities-related risk figures do not include market risk exposure from our strategic equity portfolio. A simple summation of VaR by risk category is not equal to total VaR due to the effect of diversification.

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The average daily interest rate VaR by quarter in the fiscal year ended March 31, 2010 was as follows.

Quarter	Daily average VaR (in billions)
April June 2009	¥ 475.54
July September 2009	470.78
October December 2009	463.88
January March 2010	458.24

Comparing the proportion of each currency s interest rate VaR to the total interest rate VaR as of March 31, 2010 against that as of March 31, 2009, there were a 7 percentage point increase in Japanese yen from 29% to 36%, a 11 percentage point decrease in US dollar from 62% to 51%, and a 6 percentage point increase in Euro from 7% to 13%.

Backtesting

We conduct backtesting in which a VaR is compared with actual realized and unrealized losses on a daily basis to verify the accuracy of our VaR measurement model. We also conduct additional backtesting using other methods, including testing VaR against hypothetical losses and testing VaR by various changing parameters such as confidence intervals and observation periods used in the model.

Actual losses never exceeded VaR in the fiscal year ended March 31, 2010. This means that our VaR model provided reasonably accurate measurements of market risk during the fiscal year.

Stress Testing

We have adopted an HS-VaR model, which calculates a VaR as a statistically possible amount of losses in a fixed confidence interval based on historical market volatility. However, the HS-VaR model is not designed to capture certain abnormal market fluctuations. In order to complement this weakness of the model, MUFG conducts portfolio stress testing to measure potential losses using a variety of scenarios.

The holding company and the major subsidiaries conduct stress testing on a daily, monthly and quarterly basis to monitor their overall portfolio risk by applying various scenarios. For example, daily stress testing at the holding company estimates maximum potential losses in each market on the current trading portfolio based on the worst ten-day historical volatility recorded during the VaR observation period of 701 days.

In light of increased market volatility since the second half of 2007, we have implemented additional tests under various stress scenarios to supplement VaR and are applying the test results to risk management.

Liquidity Risk Management

Liquidity risk is the risk of incurring losses if a poor financial position hampers the ability to meet funding requirements, or necessitates fund procurement at interest rates markedly higher than normal.

Our major subsidiaries maintain appropriate liquidity in both Japanese yen and foreign currencies by managing their funding sources and mechanism, such as liquidity gap, liquidity-supplying products such as commitment lines, and buffer assets.

We have established a group-wide system for managing liquidity risk by categorizing the risk in the following three stages: Normal, With-Concern, and Critical. The front offices and risk management offices of the major subsidiaries and the holding company exchange information and data on liquidity risk even at the Normal stage. At higher alert stages, we centralize information about liquidity risk and discuss issues relating to group-wide liquidity control actions among group companies, if necessary. We have also established a system for liaison and consultation on funding in preparation for contingency, such as natural disasters, wars and terrorist attacks. The holding company and the major subsidiaries conduct group-wide contingency preparedness drills on a regular basis to ensure smooth implementation in the event of an emergency.

Operational Risk Management

Operational risk refers to the risk of loss caused by either internal control issues, such as inadequate operational processes or misconduct, system failures, or external factors such as serious political instability, major terrorist activity, health epidemics and natural disasters. The term includes a broad range of risks that could lead to losses, including operations risk, information asset risk, reputation risk, legal risk, and tangible asset risk. These risks that comprise operational risk are referred to as sub-category risks.

MUFG s board of directors has approved the MUFG Operational Risk Management Policy as a group-wide policy for managing operational risk. This policy sets forth the core principles regarding operational risk management, including the definition of operational risk, and the risk management system and processes. The policy also requires the board of directors and the Executive Committee to formulate fundamental principles of operational risk management and establish and maintain an appropriate risk management system. The Chief Risk Management Officer is responsible for recognizing, evaluating, and appropriately managing operational risk in accordance with the fundamental principles formulated by the board of directors and the Executive Committee. A division in charge of operational risk management must be established that is independent of business promotion sections to manage overall operational risk in a comprehensive manner. These fundamental principles have also been approved by the boards of directors of the major subsidiaries, providing a consistent framework for operational risk management of the Group. The diagram below sets forth the operational risk management system of each major banking subsidiary:

Management System of Our Major Banking Subsidiaries

As set forth in the following diagram, we have established a risk management framework for loss data collection, control self assessment (CSA), and measurement of operational risk in order to appropriately identify, recognize, evaluate, measure, control, monitor and report operational risk.

We have also established group-wide reporting guidelines with respect to loss data collection and its monitoring. We focus our efforts on ensuring accurate assessment of the status of operational risk losses and the implementation of appropriate countermeasures, while maintaining databases of internal and external loss events.

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The following diagram summarizes our operational risk management framework:

Risk Management Framework

Operations Risk Management

Operations risk refers to the risk of loss that is attributable to the actions of executives or employees, whether accidental or the result of neglect or deliberate misconduct. The Group companies offer a wide range of financial services, ranging from commercial banking products such as deposits, exchange services and loans to trust and related services covering pensions, securities, real estate and securitization, as well as transfer agent services. Cognizant of the potentially significant impact that operations risk-related events could have in terms of both economic losses and damage to our reputation, our banking subsidiaries continue to improve their management systems to create and apply appropriate operations risk-related controls.

Specific ongoing measures to reduce operations risk include the development of databases to manage, analyze and prevent the recurrence of related loss events; efforts to tighten controls over administrative procedures and related operating authority, while striving to improve human resources management; investments in systems to improve the efficiency of administrative operations; and programs to expand and upgrade internal auditing and operational guidance systems.

Senior management receives regular reports on the status of our businesses from an operations risk management perspective. We work to promote the sharing within the Group of information and expertise concerning any operational incidents and the measures implemented to prevent any recurrence.

Efforts to upgrade the management of operations risk continue with the aim of providing our customers with a variety of high-quality services.

Information Asset Risk Management

Information asset risk refers to the risk of loss caused by loss, alteration, falsification or leakage of information, or by destruction, disruption, errors or misuse of information systems, as well as risks similar to this risk. In order to ensure proper handling of information and prevent loss or leakage of information, our major banking subsidiaries strive to better manage and reduce such risks through the appointment of managers with

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specific responsibilities for information security issues, the establishment of internal procedures, training courses designed for all staff, and the implementation of measures to ensure stable IT systems control. We have also formulated the Personal Information Protection Policy as the basis for ongoing programs to protect the confidentiality of personal information.

Systems planning, development and operations include appropriate design and extensive testing phases to ensure that systems are designed to help prevent failures while providing sufficient safeguards for the security of personal information. The status of the development of any mission-critical IT systems is reported regularly to senior management. We have developed disaster countermeasures systems and have also been investing in duplication of the Group s IT infrastructure to minimize damage in the event of any system failure. Emergency drills are conducted to help increase staff preparedness.

With the aim of preventing any recurrence, we also work to promote sharing of information within the Group related to the causes of any loss or leakage of information, or system failure.

Compliance

Basic Policy

The MUFG Group s policy is to strictly observe laws, regulations and internal rules, and conduct its business in a fair, trustworthy and highly transparent manner based on the Group s management philosophy of obtaining the trust and confidence of society as a whole. Furthermore, we have established an ethical framework and code of conduct as the basic ethical guidelines for the Group s directors and employees. We have expressed our commitment to building a corporate culture in which we act with integrity and fairness in conformity with these guidelines.

Despite these measures, some of our Group companies have recently received administrative orders from government authorities in Japan and abroad. We view these actions with the deepest concern. We continue to work to ensure an appropriate compliance structure in Japan and abroad across the MUFG Group to enable sound and appropriate business management.

Ethical Framework

We, the directors and employees of MUFG, will comply with this Ethical Framework and Code of Conduct as the basis of our daily work, seeking to put into practice the management philosophy of our global comprehensive financial group and to build a corporate culture in which we act with integrity and fairness.

1. Establishment of trust

We will remain keenly aware of the Group s social responsibilities and public mission and will exercise care and responsibility in the handling of customer and other information.

By conducting sound and appropriate business operations and disclosing corporate information in a timely and appropriate manner we will seek to establish enduring public trust in the Group.

2. Putting customers first

We will always consider our customers, and through close communication will endeavor to satisfy them and gain their support by providing financial services that best meet their needs.

3. Strict observance of laws, regulations and internal rules

We will strictly observe applicable laws, regulations and internal rules, and will conduct our business in a fair and trustworthy manner that conforms to societal norms. As a global comprehensive financial group we will also respect internationally accepted standards.

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4. Respect for human rights and the environment

We will respect the character and individuality of others, work to maintain harmony with society, and place due importance on the protection of the global environment that belongs to all mankind.

5. Disavowal of anti-social elements

We will stand resolutely against any anti-social elements that threaten public order and safety.

Compliance Framework

Management and coordination of compliance-related matters are the responsibility of separate compliance management divisions established at the holding company and the major subsidiaries. Each compliance management division formulates compliance programs and organizes training courses to promote compliance, and regularly reports to each company s board of directors and Executive Committee on the status of compliance activities.

The holding company and each major subsidiary have also established voluntary committees, such as an Internal Audit and Compliance Committee, where members from outside the Group account for a majority, and a Compliance Committee. Through these measures, we have established a structure for deliberating key issues related to compliance. Additionally, the holding company has the Group Chief Compliance Officer, or CCO, Committee which deliberates important matters related to compliance and compliance-related issues for which the Group should share a common understanding.

CCO of Holding Company

Directors responsible for compliance at the holding company and the major subsidiaries have been named the CCOs of their respective companies. The CCOs of the major subsidiaries have also been appointed as the deputy CCOs of the holding company to assist the CCO of the holding company. This system promotes the prompt reporting of group-wide compliance-related information to the holding company and also allows the CCO of the holding company to effectively provide compliance-related guidance, advice, and instructions to MUFG Group companies.

Group CCO Committee

A Group CCO Committee has been established under the Executive Committee of the holding company. The committee consists of the CCO of the holding company as the committee chairman and the CCOs of the major subsidiaries.

By timely holding meetings, the Group CCO Committee seeks to promote greater sharing of compliance-related information among the MUFG Group companies and works to strengthen the Group s incident prevention controls and to help the Group companies respond to unforeseen problems. The Committee also continues to strive to improve compliance systems throughout the Group.

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The following diagram summarizes our compliance framework:

Internal Reporting System and Accounting Auditing Hotline

The major subsidiaries have established internal reporting systems that aim to identify compliance issues early so that any problems can be quickly rectified. This system includes an independent external compliance hotline. Furthermore, the holding company has set up an MUFG Group Compliance Helpline that acts in parallel with group-company internal reporting systems and provides a reporting channel for directors and employees of group companies.

In addition to these internal reporting systems, the holding company has also established an accounting auditing hotline that provides a means to report any problems related to MUFG accounting.

MUFG Accounting Auditing Hotline

MUFG has set up an accounting auditing hotline to be used to make reports related to instances of improper practices (violations of laws and regulations) and inappropriate practices, or of practices raising questions about such impropriety or inappropriateness, regarding accounting and internal control or audits related to accounting in Group companies. The reporting process works as follows, and may be carried out via letter or e-mail:

Hokusei Law Office

Address: Kojimachi 4-3-4, Chiyoda-ku, Tokyo

e-mail: MUFG-accounting-audit-hotline@hokusei-law.com

When reporting information please pay attention to the following:

- Please include the name of the company concerned, and provide detailed information with respect to the matter. Without detailed factual information there is a limit to how much our investigations can achieve.

- Anonymous information will be accepted.

No information regarding the identity of the informant will be passed on to third parties without the approval of the informant him- or herself. However, this excludes instances where disclosure is legally mandated, or to the extent that the information is necessary for surveys or reports, when data may be passed on following the removal of the informant s name.

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Please submit reports in either Japanese or English.

If the informant wishes, we will endeavor to report back to the informant on the response taken within a reasonable period of time following the receipt of specific information, but cannot promise to do so in all instances.

Internal Audit

The Role of Internal Audit

Internal audit functions within MUFG seek to provide independent verification of the adequacy and effectiveness of internal control systems. This includes monitoring the status of risk management and compliance systems, which are critical to the maintenance of sound and appropriate business operations. Internal audit results are reported to senior management. An additional role of internal audit is to make suggestions to help improve or rectify any issues or specific problems that are identified.

Group Internal Audit Framework

The board of directors at the holding company level has instituted MUFG s internal audit policy to define the policy, function and organizational position of internal audits. Separate internal audit divisions have been created within the holding company and certain subsidiaries. Through close cooperation and collaboration among the internal audit divisions in each of these subsidiaries, these internal audit divisions provide coverage for the entire group and also support the board of directors in monitoring and overseeing all MUFG operations.

In addition to having primary responsibility for initiating and preparing plans and proposals related to internal audits of the entire group, the Internal Audit Division at the holding company monitors and, as necessary, guides, advises and administers the internal audit divisions of subsidiaries and affiliated companies. The internal audit divisions within the major subsidiaries conduct audits of the respective head office and branch operations of these companies. In addition, each of these internal audit divisions undertakes direct audits of their respective subsidiaries, and monitors and oversees the separate internal audit functions established within them. This helps to evaluate and verify the adequacy and effectiveness of internal controls within MUFG on a consolidated basis.

Implementing Effective and Efficient Internal Audits

To ensure that internal audit processes use available resources with optimal effectiveness and efficiency, the internal audit divisions implement risk-focused internal audits in which the nature and magnitude of the associated risks are considered in determining audit priorities and the frequency and depth of internal audit activities. The internal audit divisions ensure that audit personnel attend key meetings, collect important internal control documents and access databases to facilitate efficient off-site monitoring.

The Independence of Internal Audit Divisions

To strengthen the respective boards of directors monitoring and supervision of operational execution status and to enhance the independence of the internal audit divisions, the holding company and the major subsidiaries have established internal audit and compliance committees. These committees receive reports from the internal audit divisions on important matters, including the results of all internal audits and basic policies for planning internal audits. The deliberations of the internal audit and compliance committees concerning such matters are then reported to the respective boards of directors.

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Item 12. Description of Securities Other than Equity Securities.

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees, charges and other payments relating to ADSs

As a holder of our ADSs, you will be required to pay to The Bank of New York Mellon, as depositary for the ADSs, or the Depositary, either directly or indirectly, the following fees or charges. The Depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees.

ADR holders must pay:	**For:**
$5.00 (or less) per 100 ADSs (or portion thereof)	Each issuance of an ADS, including as a result of a distribution of shares or rights or other property
	Each cancellation of an ADS, including if the agreement terminates
$0.02 (or less) per ADSs	Any cash distribution, to the extent permitted by any securities exchange on which the ADSs may be listed for trading
A fee equivalent to the fee that would be payable if securities distributed to the ADR holder had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders
Registration or transfer fees	Transfer and registration of shares on the share register of the foreign registrar from your name to the name of The Bank of New York Mellon or its agent when you deposit or withdraw shares

Expenses of The Bank of New York Mellon	Conversion of foreign currency to US dollars cable, telex and facsimile transmission expenses
Taxes and other governmental charges The Bank of New York Mellon or BTMU, as custodian, have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary

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Fees Waived by the Depositary for the Fiscal Year Ended March 31, 2010

For the fiscal year ended March 31, 2010, the Depositary waived $136,223.47 of standard out-of-pocket maintenance costs for the ADRs, which consisted of the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile, and telephone calls.

Fees Waived by the Depositary for Future Periods

The Depositary has agreed to waive the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile, and telephone calls.

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PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

None.

Item 15. Controls and Procedures.

Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer, or CEO, and the Chief Financial Officer, or CFO, of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the US Securities Exchange Act of 1934, as of the end of the period covered by this Annual Report.

Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2010.

Management s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the US Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed by, or under the supervision of, MUFG s principal executive and principal financial officers, and effected by MUFG s board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP and includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of MUFG;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of MUFG are being made only in accordance with authorizations of management and directors of MUFG; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of MUFG s assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management evaluated the effectiveness of our internal control over financial reporting as of March 31, 2010 based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, management has concluded that MUFG maintained effective internal control over financial reporting as of March 31, 2010.

The effectiveness of our internal control over financial reporting as of March 31, 2010 has been audited by Deloitte Touche Tohmatsu LLC, an independent registered public accounting firm, as stated in its report, presented on page 162.

Changes in Internal Control Over Financial Reporting

During the period covered by this Annual Report, there has been no change in our internal control over financial reporting that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Mitsubishi UFJ Financial Group, Inc.

(Kabushiki Kaisha Mitsubishi UFJ Financial Group):

We have audited the internal control over financial reporting of Mitsubishi UFJ Financial Group, Inc. (Kabushiki Kaisha Mitsubishi UFJ Financial Group) (MUFG) and subsidiaries (together, the MUFG Group) as of March 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The MUFG Group s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the MUFG Group s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

The MUFG Group s internal control over financial reporting is a process designed by, or under the supervision of, the MUFG Group s principal executive and principal financial officers, or persons performing similar functions, and effected by the MUFG Group s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The MUFG Group s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the MUFG Group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the MUFG Group are being made only in accordance with authorizations of management and directors of the MUFG Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the MUFG Group s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the MUFG Group maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of the MUFG Group as of March 31, 2009 and 2010, and the related consolidated statements of operations, changes in equity from nonowner sources, shareholders equity, and cash flows for each of the three years in the period ended March 31, 2010 (all expressed in Japanese Yen) and our report dated August 16, 2010 expressed an unqualified opinion on those financial statements and included explanatory paragraphs relating to (i) the restatement of the consolidated statements of cash flows for the fiscal years ended March 31, 2008 and 2009 discussed in Note 35 to the consolidated financial statements, (ii) the restatements discussed in Notes 5 and 7 to the consolidated financial statements, and (iii) the changes in methods of accounting for (a) uncertainty in income taxes, (b) leveraged leases, (c) defined benefit pension and other post retirement plans, (d) fair value measurements, (e) fair value option for financial assets and financial liabilities, (f) noncontrolling interests, and (g) other-than-temporary impairments on investment securities all described in Note 1 to the consolidated financial statements.

/s/ Deloitte Touche Tohmatsu LLC

DELOITTE TOUCHE TOHMATSU LLC

Tokyo, Japan

August 16, 2010

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Item 16A. Audit Committee Financial Expert.

Our board of corporate auditors has determined that Mr. Tsutomu Takasuka is an audit committee financial expert as defined in Item 16A of Form 20-F and is independent as defined in the listing standards of the New York Stock Exchange. Mr. Takasuka, a corporate auditor, has spent most of his business career auditing Japanese corporations as a certified public accountant and was a professor at Bunkyo Gakuin University from April 2004 to March 31, 2010. Mr. Takasuka is an outside corporate auditor under Japanese law.

Item 16B. Code of Ethics.

We have adopted a code of ethics, which constitutes internal rules named ethical framework and code of conduct, compliance rules and compliance manual, each of which applies to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions.

Our compliance rules set forth the necessity of adherence to our ethical framework and code of conduct by our directors, executive officers and employees. These rules also set forth the roles and responsibilities of our employees, compliance officers, Compliance Division and others in the event of a breach of the compliance rules.

Our compliance manual was created to identify, and to promote compliance by our directors, executive officers and employees with, the relevant laws and regulations in conjunction with our ethical framework and code of conduct and compliance rules. This manual also sets forth the procedures regarding the handling of conflicts of interest for our directors and the promotion of conduct that meets our ethical framework and code of conduct and compliance rules for employees.

A copy of the sections of our ethical framework and code of conduct, compliance rules, compliance manual, and rules of employment relating to the code of ethics (as defined in paragraph (b) of Item 16B. of Form 20-F) is attached as Exhibit 11 to this Annual Report. There were no material changes to the code of ethics from the previous code of ethics. For a detailed discussion of our current compliance structure, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Compliance. No waivers of the ethical framework and code of conduct, compliance rules, compliance manual and rules of employment have been granted to our principal executive officer, principal financial officer, principal accounting officer, directors and corporate auditors, during the fiscal year ended March 31, 2010.

Item 16C. Principal Accountant Fees and Services.

Fees and Services of Deloitte Touche Tohmatsu LLC

The aggregate fees billed by Deloitte Touche Tohmatsu LLC, our independent auditor, for the fiscal years ended March 31, 2009 and 2010 are presented in the following table:

	2009	2010
	(in millions)	
Audit fees	¥ 5,524	¥ 5,100

Audit-related fees	700	210
Tax fees	213	252
All other fees	44	39
Total	¥ 6,481	¥ 5,601

The description of our fees billed for each category described above is as follows:

Audit fees Audit fees are primarily for annual audit of our financial statements, review of our semi-annual condensed financial statements, statutory audit of our financial statements and audits of our subsidiary financial statements and attestation services relating to the internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act.

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Audit-related fees Audit-related fees primarily include accounting consultations, agreed upon procedures on internal controls, employee benefit plan audit, and advisory services relating to the internal control reviews.

Tax fees Tax fees relate primarily to tax compliance, including assistance with preparation of tax return filings, tax advisory and tax planning services.

All other fees All other fees primarily include agreed upon procedures related to advice on operational risk management, and to operational audits of our overseas branches.

Pre-Approval Policies and Procedures for Services by Deloitte Touche Tohmatsu LLC

Our board of corporate auditors performs the pre-approval function required by applicable SEC rules and regulations. Effective May 1, 2003, our board of corporate auditors has established pre-approval policies and procedures that MUFG and its subsidiaries must follow before engaging Deloitte Touche Tohmatsu LLC to perform audit and permitted non-audit services.

When MUFG or a subsidiary intends to engage Deloitte Touche Tohmatsu LLC to perform audit and permitted non-audit services, it must make an application for pre-approval on either a periodic or case-by-case basis.

Periodic application is an application for pre-approval made each fiscal year for services that are expected to be provided by Deloitte Touche Tohmatsu LLC during the next fiscal year.

Case-by-case application is an application for pre-approval made on a case-by-case basis for services to be provided by Deloitte Touche Tohmatsu LLC that are not covered by the periodic application.

Pre-approval is resolved in principle by our board of corporate auditors prior to engagement, although if necessary a full-time corporate auditor may consider any case-by-case application for pre-approval on behalf of the board of corporate auditors prior to the next scheduled board meeting. Such decisions made individually by a full-time corporate auditor are reported to and ratified by the board of corporate auditors as appropriate at the next scheduled board meeting.

Fees approved pursuant to the procedures described in paragraph 2-01(c)(7)(i)(C) of Regulation S-X, which provides for an exception to the general requirement for pre-approval in certain circumstances, were less than 0.1% of the total fees for each of the fiscal years ended March 31, 2009 and 2010.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

In reliance upon the general exemption contained in Rule 10A-3(c)(3) under the US Securities Exchange Act of 1934, MUFG does not have an audit committee. Rule 10A-3 provides an exemption from the listing standards of the New York Stock Exchange, or the NYSE, relating to audit committees for foreign companies like MUFG that have a board of corporate auditors established pursuant to applicable Japanese law and Articles of Incorporation. MUFG s reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its board of corporate auditors to act independently and to satisfy the other requirements of Rule 10A-3.

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Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Issuer Purchases of Common Stock

	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 to April 30, 2009	9,690	¥ 511.34		
May 1 to May 31, 2009	6,327	592.50		
June 1 to June 30, 2009	5,763	618.44		
July 1 to July 31, 2009	6,251	570.34		
August 1 to August 31, 2009	5,568	586.28		
September 1 to September 30, 2009	3,155	554.45		
October 1 to October 31, 2009	2,900	476.15		
November 1 to November 30, 2009	355,622	488.45		
December 1 to December 31, 2009	56,738	472.18		
January 1 to January 31, 2010	23,161	476.02		
February 1 to February 28, 2010	13,315	461.21		
March 1 to March 31, 2010	12,264	460.79		
Total	500,754	¥ 490.34		

Note:
(1) All of the purchased shares were shares constituting less than one unit (100 shares) purchased from registered holders of such shares at the current market price of those shares.

We did not make any purchases of our shares other than the above for the fiscal year ended March 31, 2010.

Item 16F. Change in Registrant s Certifying Accountant.

None.

Item 16G. Corporate Governance.

The New York Stock Exchange, or the NYSE, allows NYSE-listed companies that are foreign private issuers, such as MUFG, with certain exceptions, to follow home-country practices in lieu of the corporate governance practices followed by US companies pursuant to the NYSE s Listed Company Manual. The following sections summarize the significant differences between MUFG s corporate governance practices and those followed by US listed companies under the NYSE s Listed Company Manual.

1. A NYSE-listed US company must have a majority of directors that meet the independence requirements under Section 303A of the NYSE s Listed Company Manual.

As of July 31, 2010, MUFG has three outside directors as members of its board of directors. For companies employing the corporate auditor system such as MUFG, the task of overseeing the management of the company is assigned to the corporate auditors as well as the board of directors. At least half of the corporate auditors are required to be an outside corporate auditor as defined below.

Under the Company Law, an outside director is defined as a director who has not served as an executive director *(gyomu shikko torishimariyaku)*, executive officer *(shikkoyaku)*, manager *(shihainin)* or any other type of employee of the relevant company or any of its subsidiaries prior to his or her appointment.

For MUFG and other large Japanese companies employing a corporate governance system based on a board of corporate auditors, the Company Law has no independence or similar requirement with respect to directors. In December 2009, the Tokyo Stock Exchange adopted a new rule requiring listed companies, including MUFG, to identify at least one individual who the company believes will unlikely have a conflict of interests with general shareholders and have such individual serve as an independent director or corporate auditor.

2. A NYSE-listed US company must have an audit committee composed entirely of independent directors.

Under the Company Law, MUFG and other Japanese companies (excluding companies with committees established pursuant to the Company Law) are not obliged to establish an audit committee.

As discussed above, MUFG employs a corporate auditor system as stipulated by the Company Law. Accordingly, MUFG has established a board of corporate auditors consisting of corporate auditors with a statutory duty to audit MUFG directors performance of their professional duties and to review and report on the manner and results of the audit of MUFG s financial statements, for the benefit of MUFG s shareholders.

The Company Law requires companies having a board of corporate auditors, including MUFG, to elect at least three corporate auditors through a resolution adopted at a general meeting of shareholders. At least half of the corporate auditors must be an outside corporate auditor, which is defined as a corporate auditor who has not served as a director, account assistant, executive officer *(shikkoyaku)*, manager *(shihainin)*, or any other employee of the relevant company or any of its subsidiaries.

As of July 31, 2010, MUFG had five corporate auditors, three of whom are outside corporate auditors.

3. A NYSE-listed US company must have a compensation committee composed entirely of independent directors.

Under the Company Law, MUFG and other Japanese companies (excluding companies with committees established pursuant to the Company Law) are not obliged to establish a compensation committee.

The maximum aggregate amounts of compensation for MUFG s directors and corporate auditors are approved at MUFG s general meeting of shareholders. The amount and allocation of compensation for each MUFG director are then proposed to, and voted upon by, the board of directors. The amount and allocation of compensation for each MUFG corporate auditor are determined through discussions and agreement among MUFG s corporate auditors.

4. A NYSE-listed US company must have a nominating or corporate governance committee composed entirely of independent directors.

Under the Company Law, MUFG and other Japanese companies (excluding companies with committees established pursuant to the Company Law) are not obliged to establish a nominating or corporate governance committee.

MUFG s directors are elected or dismissed at MUFG s general meeting of shareholders in accordance with the relevant provisions of the Company Law and MUFG s articles of incorporation. MUFG s corporate auditors are also elected or dismissed at MUFG s general meeting of shareholders. A proposal by MUFG s board of directors to elect a corporate auditor needs the consent of its board of corporate auditors. MUFG s board of corporate auditors is empowered to adopt a resolution requesting that MUFG s directors submit a proposal for election of a corporate auditor to MUFG s general meeting of shareholders.

The corporate auditors have the right to state their opinion concerning the election or dismissal of a corporate auditor at MUFG s general meeting of shareholders.

5. A NYSE-listed US company must obtain shareholder approval with respect to any equity compensation plan.

Under the Company Law, a public company seeking to issue stock acquisition rights (granting the holder thereof the right to acquire from the issuer shares of its stock at a prescribed price) must obtain the approval of its board of directors, not its shareholders.

When stock acquisition rights are issued under terms and conditions that are especially favorable to the recipients thereof, such issuance must be approved by a special resolution of a general meeting of shareholders. Under MUFG s articles of incorporation, the quorum for a special resolution is at least one-third of the total outstanding voting rights, and the approval of at least two-thirds of the voting rights represented at the relevant general meeting of shareholders of MUFG is required to pass a special resolution.

6. A NYSE-listed US company must adopt and disclose Corporate Governance Guidelines and a Code of Business Conduct and Ethics, and it must also disclose any exemptions granted to directors or executives.

Under the Company Law, the Financial Instruments and Exchange Law of Japan and applicable stock exchange rules, Japanese companies, including MUFG, are not obliged to adopt and disclose corporate governance guidelines or a code of business conduct and ethics for directors, officers and employees. In order to further enhance its disclosure, however, MUFG has decided to disclose the details of its corporate governance in its Annual Securities Report and related disclosure reports.

MUFG has also adopted a code of ethics, compliance rules and a compliance manual which it believes are compliant with the requirements for a Code of Ethics as set forth under Section 406 of the Sarbanes-Oxley Act. MUFG has disclosed the relevant sections of its code of ethics, compliance rules and compliance manual as an exhibit to this Annual Report. No exemptions from MUFG s code of ethics, compliance rules or compliance manual were granted to its directors or executives during the fiscal year ended March 31, 2010.

7. A NYSE-listed US company must hold regularly scheduled executive sessions where participants are limited to non-management directors.

Under the Company Law, Japanese corporations are not obliged to hold executive sessions where participants are limited to non-management directors. Such executive sessions are also not required under MUFG s internal corporate governance rules.

PART III

Item 17. Financial Statements.

In lieu of responding to this item, we have responded to Item 18 of this Annual Report.

Item 18. Financial Statements.

The information required by this item is set forth in our consolidated financial statements starting on page F-1 of this Annual Report.

Item 19. Exhibits.

Exhibit	Description
1(a)	Articles of Incorporation of Mitsubishi UFJ Financial Group, Inc., as amended on June 26, 2009. (English translation)*
1(b)	Board of Directors Regulations of Mitsubishi UFJ Financial Group, Inc., as amended on June 29, 2006. (English translation)**
1(c)	Corporation Meetings Regulations of Mitsubishi UFJ Financial Group, Inc., as amended on July 31, 2006. (English translation)**
1(d)	Share Handling Regulations of Mitsubishi UFJ Financial Group, Inc., as amended on June 26, 2009. (English Translation)*
2(a)	Form of American Depositary Receipt.**
2(b)	Form of Deposit Agreement, amended and restated as of December 22, 2004, among Mitsubishi Tokyo Financial Group, Inc. (subsequently renamed Mitsubishi UFJ Financial Group, Inc.), The Bank of New York Mellon and the holders from time to time of American Depositary Receipts issued thereunder.**
4(a)	Agreement and Plan of Merger among UnionBanCal Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Merger Sub, dated as of August 18, 2008.***
4(b)	Securities Purchase Agreement dated as of September 29, 2008 by and between Morgan Stanley and Mitsubishi UFJ Financial Group, Inc., the first amendment thereto entered into on October 3, 2008, the second amendment thereto entered into on October 8, 2008 and the third amendment thereto entered into on October 13, 2008, and Amended Certificate of Designations of Preferences and Rights of the 10% Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock ($1,000 Liquidation Preference per Share) of Morgan Stanley and Certificate of Designations of Preferences and Rights of the 10% Series C Non-Cumulative Non-Voting Perpetual Preferred Stock ($1,000 Liquidation Preference per Share) of Morgan Stanley.*
4(c)	Investor Agreement dated as of October 13, 2008 by and between Morgan Stanley and Mitsubishi UFJ Financial Group, Inc., and the first amendment thereto entered into on October 27, 2008.*
4(d)	Registration Rights Agreement dated as of October 13, 2008 by and between Morgan Stanley and Mitsubishi UFJ Financial Group, Inc.*
4(e)	Integration and Investment Agreement, dated as of March 30, 2010, by and between Mitsubishi UFJ Financial Group, Inc. and Morgan Stanley.
8	Subsidiaries of the Company see Item 4.C. Information on the Company Organizational Structure.

Exhibit	Description
11	Ethical framework and code of conduct, compliance rules, compliance manual and rules of employment of Mitsubishi UFJ Financial Group, Inc. applicable to its directors and managing officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. (English translation of relevant sections)****
12	Certifications required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
13	Certifications required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
15	Consent of independent registered public accounting firm.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

Notes:

- * Incorporated by reference to our annual report on Form 20-F (File No. 333-98061-99) filed on September 2, 2009.
- ** Incorporated by reference to our annual report on Form 20-F (File No. 333-98061-99) filed on September 28, 2006.
- *** Incorporated by reference to our annual report on Form 20-F (File No. 333-98061-99) filed on September 19, 2008.
- **** Incorporated by reference to our annual report on Form 20-F (File No. 333-98061-99) filed on September 21, 2007.

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SELECTED STATISTICAL DATA

Due to close integration of our foreign and domestic activities, it is difficult to make a precise determination of the assets, liabilities, income and expenses of our foreign operations. The foreign operations as presented include the business conducted by overseas subsidiaries and branches, and the international business conducted by the several international banking related divisions headquartered in Japan. Our management believes that the results appropriately represent our domestic and foreign activities.

On October 1, 2005, Mitsubishi Tokyo Financial Group, Inc., or MTFG, merged with UFJ Holdings, Inc. with MTFG being the surviving entity. Upon consummation of the merger, MTFG changed its name to Mitsubishi UFJ Financial Group, Inc., or MUFG. Numbers as of March 31, 2006 reflect the financial position of MUFG and its subsidiaries, or the MUFG Group, while numbers for the fiscal year ended March 31, 2006 comprised the results of the MTFG Group for the six months ended September 30, 2005 and the results of the MUFG Group from October 1, 2005 to March 31, 2006. Numbers as of and for the fiscal years ended March 31, 2007, 2008, 2009 and 2010 reflect the financial position and results of the MUFG Group.

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I. Distribution of Assets, Liabilities and Equity; Interest Rates and Interest Differential

Average Balance Sheets, Interest and Average Rates

The following table shows our average balances, interest and average interest rates for the fiscal years ended March 31, 2008, 2009 and 2010. Average balances are generally based on a daily average while a month-end average is used for certain average balances when it is not practicable to obtain applicable daily averages. The average balances determined by such methods are considered to be representative of our operations.

	Fiscal years ended March 31,								
	2008			2009			2010		
	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate
	(in millions, except percentages)								
Assets:									
Interest-earning assets:									
Interest-earning deposits in other banks:									
Domestic	¥ 715,565	¥ 27,905	3.90%	¥ 644,550	¥ 11,900	1.85%	¥ 894,396	¥ 4,177	0.47%
Foreign	7,161,894	230,639	3.22	5,103,530	112,932	2.21	3,734,585	22,520	0.60
Total	7,877,459	258,544	3.28	5,748,080	124,832	2.17	4,628,981	26,697	0.58
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions:									
Domestic	6,755,706	46,405	0.69	5,264,909	30,626	0.58	5,051,284	9,240	0.18
Foreign	7,357,362	262,170	3.56	6,846,958	248,114	3.62	6,062,075	26,324	0.43
Total	14,113,068	308,575	2.19	12,111,867	278,740	2.30	11,113,359	35,564	0.32
Trading account assets:									
Domestic	4,347,140	66,046	1.52	7,305,737	72,511	0.99	7,601,584	56,612	0.74
Foreign	2,629,800	44,302	1.68	13,556,131	388,023	2.86	12,721,988	251,346	1.98
Total	6,976,940	110,348	1.58	20,861,868	460,534	2.21	20,323,572	307,958	1.52
Investment securities(1):									
Domestic	34,451,745	345,242	1.00	31,950,811	352,235	1.10	40,039,924	293,874	0.73
Foreign	12,012,930	553,597	4.61	2,411,191	121,092	5.02	3,855,490	179,706	4.66
Total	46,464,675	898,839	1.93	34,362,002	473,327	1.38	43,895,414	473,580	1.08
Loans(2):									
Domestic	76,926,024	1,709,133	2.22	76,520,426	1,607,122	2.10	74,242,963	1,347,611	1.82
Foreign	20,109,157	1,081,372	5.38	23,638,502	951,239	4.02	21,261,004	567,094	2.67
Total	97,035,181	2,790,505	2.88	100,158,928	2,558,361	2.55	95,503,967	1,914,705	2.00
Total interest-earning assets:									
Domestic	123,196,180	2,194,731	1.78	121,686,433	2,074,394	1.70	127,830,151	1,711,514	1.34
Foreign	49,271,143	2,172,080	4.41	51,556,312	1,821,400	3.53	47,635,142	1,046,990	2.20

Total	172,467,323	4,366,811	2.53	173,242,745	3,895,794	2.25	175,465,293	2,758,504	1.57
Non-interest-earning assets:									
Cash and due from banks	2,901,241			2,922,401			2,846,828		
Other non-interest-earning assets	23,726,071			21,240,425			18,456,550		
Allowance for credit losses	(1,147,943)			(1,191,181)			(1,206,599)		
Total non-interest-earning assets	25,479,369			22,971,645			20,096,779		
Total assets	¥ 197,946,692			¥ 196,214,390			¥ 195,562,072		

Notes:

(1) Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material.

(2) Average balances on loans outstanding include all nonaccrual and restructured loans. See III. Loan Portfolio. The amortized portion of net loan origination fees (costs) is included in interest income on loans, representing an adjustment to the yields of an insignificant amount.

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	Fiscal years ended March 31,								
	2008			2009			2010		
	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate
	(in millions, except percentages)								
Liabilities and equity:									
Interest-bearing liabilities:									
Deposits:									
Domestic	¥ 92,850,670	¥ 442,938	0.48%	¥ 95,431,983	¥ 381,109	0.40%	¥ 95,634,273	¥ 220,073	0.23%
Foreign	18,289,382	651,018	3.56	16,459,276	355,347	2.16	19,182,441	133,796	0.70
Total	111,140,052	1,093,956	0.98	111,891,259	736,456	0.66	114,816,714	353,869	0.31
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:									
Domestic	11,425,960	164,593	1.44	11,263,438	89,694	0.80	10,938,556	21,632	0.20
Foreign	7,289,632	282,664	3.88	7,395,052	285,182	3.86	7,850,081	37,599	0.48
Total	18,715,592	447,257	2.39	18,658,490	374,876	2.01	18,788,637	59,231	0.32
Due to trust account Domestic	1,653,717	8,014	0.48	1,479,736	6,843	0.46	1,683,607	6,119	0.36
Other short-term borrowings and trading account liabilities:									
Domestic	7,247,750	66,893	0.92	7,289,639	82,807	1.14	6,513,029	43,840	0.67
Foreign	3,231,819	139,470	4.32	3,599,444	87,717	2.44	2,553,648	21,914	0.86
Total	10,479,569	206,363	1.97	10,889,083	170,524	1.57	9,066,677	65,754	0.73
Long-term debt:									
Domestic	10,053,815	172,659	1.72	9,251,228	160,773	1.74	9,661,842	168,256	1.74
Foreign	4,109,237	158,845	3.87	3,915,063	149,917	3.83	4,138,886	121,171	2.93
Total	14,163,052	331,504	2.34	13,166,291	310,690	2.36	13,800,728	289,427	2.10
Total interest-bearing liabilities:									
Domestic	123,231,912	855,097	0.69	124,716,024	721,226	0.58	124,431,307	459,920	0.37
Foreign	32,920,070	1,231,997	3.74	31,368,835	878,163	2.80	33,725,056	314,480	0.93
Total	156,151,982	2,087,094	1.34	156,084,859	1,599,389	1.02	158,156,363	774,400	0.49
Non-interest-bearing liabilities[(1)]	31,756,325			32,060,269			29,544,432		
Total equity[(1)]	10,038,385			8,069,262			7,861,277		
Total liabilities and equity	¥ 197,946,692			¥ 196,214,390			195,562,072		
Net interest income and interest rate spread		¥ 2,279,717	1.19%		¥ 2,296,405	1.23%		¥ 1,984,104	1.08%
Net interest income as a percentage of total interest-earning assets			1.32%			1.33%			1.13%

Note:

(1) Effective April 1, 2009, we adopted new 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 the detail. As a result, we have reclassified average balances of Non-interest-bearing liabilities and Total equity for the fiscal years ended March 31, 2008 and 2009.

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The percentage of total average assets attributable to foreign activities was 28.0%, 30.1% and 28.7%, respectively, for the fiscal years ended March 31, 2008, 2009 and 2010.

The percentage of total average liabilities attributable to foreign activities was 29.1%, 31.0% and 29.3%, respectively, for the fiscal years ended March 31, 2008, 2009 and 2010.

Analysis of Net Interest Income

The following table shows changes in our net interest income by changes in volume and by changes in rate for the fiscal year ended March 31, 2009 compared to the fiscal year ended March 31, 2008 and the fiscal year ended March 31, 2010 compared to the fiscal year ended March 31, 2009.

	Fiscal year ended March 31, 2008 versus fiscal year ended March 31, 2009			Fiscal year ended March 31, 2009 versus fiscal year ended March 31, 2010		
	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)					
Interest income:						
Interest-earning deposits in other banks:						
Domestic	¥ (1,443)	¥ (14,562)	¥ (16,005)	¥ 3,436	¥ (11,159)	¥ (7,723)
Foreign	(55,289)	(62,418)	(117,707)	(24,356)	(66,056)	(90,412)
Total	(56,732)	(76,980)	(133,712)	(20,920)	(77,215)	(98,135)
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions:						
Domestic	(9,629)	(6,150)	(15,779)	(1,195)	(20,191)	(21,386)
Foreign	(18,188)	4,132	(14,056)	(25,557)	(196,233)	(221,790)
Total	(27,817)	(2,018)	(29,835)	(26,752)	(216,424)	(243,176)
Trading account assets:						
Domestic	29,365	(22,900)	6,465	2,834	(18,733)	(15,899)
Foreign	294,215	49,506	343,721	(22,650)	(114,027)	(136,677)
Total	323,580	26,606	350,186	(19,816)	(132,760)	(152,576)
Investment securities[2]:						
Domestic	(25,062)	32,055	6,993	76,330	(134,691)	(58,361)
Foreign	(442,481)	9,976	(432,505)	67,878	(9,264)	58,614
Total	(467,543)	42,031	(425,512)	144,208	(143,955)	253
Loans:						

Domestic	(8,560)	(93,451)	(102,011)	(46,665)	(212,846)	(259,511)
Foreign	142,025	(272,158)	(130,133)	(88,261)	(295,884)	(384,145)
Total	133,465	(365,609)	(232,144)	(134,926)	(508,730)	(643,656)
Total interest income:						
Domestic	(15,329)	(105,008)	(120,337)	34,740	(397,620)	(362,880)
Foreign	(79,718)	(270,962)	(350,680)	(92,946)	(681,464)	(774,410)
Total	¥ (95,047)	¥ (375,970)	¥ (471,017)	¥ (58,206)	¥ (1,079,084)	¥ (1,137,290)

Notes:

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

(2) Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material.

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	Fiscal year ended March 31, 2008 versus fiscal year ended March 31, 2009			Fiscal year ended March 31, 2009 versus fiscal year ended March 31, 2010		
	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)					
Interest expense:						
Deposits:						
Domestic	¥ 10,309	¥ (72,138)	¥ (61,829)	¥ 806	¥ (161,842)	¥ (161,036)
Foreign	(43,261)	(252,410)	(295,671)	50,975	(272,526)	(221,551)
Total	(32,952)	(324,548)	(357,500)	51,781	(434,368)	(382,587)
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:						
Domestic	(1,313)	(73,586)	(74,899)	(2,515)	(65,547)	(68,062)
Foreign	4,065	(1,547)	2,518	16,539	(264,122)	(247,583)
Total	2,752	(75,133)	(72,381)	14,024	(329,669)	(315,645)
Due to trust account Domestic	(832)	(339)	(1,171)	864	(1,588)	(724)
Other short-term borrowings and trading account liabilities:						
Domestic	389	15,525	15,914	(8,077)	(30,890)	(38,967)
Foreign	8,959	(60,712)	(51,753)	(20,374)	(45,429)	(65,803)
Total	9,348	(45,187)	(35,839)	(28,451)	(76,319)	(104,770)
Long-term debt:						
Domestic	(13,783)	1,897	(11,886)	7,150	333	7,483
Foreign	(7,495)	(1,433)	(8,928)	8,176	(36,922)	(28,746)
Total	(21,278)	464	(20,814)	15,326	(36,589)	(21,263)
Total interest expense:						
Domestic	(5,230)	(128,641)	(133,871)	(1,772)	(259,534)	(261,306)
Foreign	(37,732)	(316,102)	(353,834)	55,316	(618,999)	(563,683)
Total	¥ (42,962)	¥ (444,743)	¥ (487,705)	¥ 53,544	¥ (878,533)	¥ (824,989)
Net interest income:						
Domestic	¥ (10,099)	¥ 23,633	¥ 13,534	¥ 36,512	¥ (138,086)	¥ (101,574)
Foreign	(41,986)	45,140	3,154	(148,262)	(62,465)	(210,727)
Total	¥ (52,085)	¥ 68,773	¥ 16,688	¥ (111,750)	¥ (200,551)	¥ (312,301)

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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II. Investment Portfolio

The following table shows information as to the value of our investment securities available for sale and being held to maturity at March 31, 2008, 2009 and 2010:

	At March 31, 2008			2009			2010		
	Amortized cost	Estimated fair value	Net unrealized gains (losses)	Amortized cost	Estimated fair value (in millions)	Net unrealized gains (losses)	Amortized cost	Estimated fair value	Net unrealized gains (losses)
Securities available for sale:									
Domestic:									
Japanese national government and Japanese government agency bonds	¥ 16,133,001	¥ 16,185,893	¥ 52,892	¥ 23,846,153	¥ 23,892,774	¥ 46,621	¥ 39,431,089	¥ 39,432,861	¥ 1,772
Corporate bonds	3,998,366	4,094,185	95,819	3,698,535	3,776,958	78,423	3,293,831	3,374,095	80,264
Marketable equity securities	4,009,747	5,993,883	1,984,136	3,318,143	3,937,517	619,374	2,960,293	4,417,031	1,456,738
Other securities	714,627	720,370	5,743	737,866	739,494	1,628	611,292	615,010	3,718
Total domestic	24,855,741	26,994,331	2,138,590	31,600,697	32,346,743	746,046	46,296,505	47,838,997	1,542,492
Foreign:									
U.S. Treasury and other U.S. government agencies bonds	1,912,224	1,918,466	6,242	87,998	91,044	3,046	1,180,899	1,178,334	(2,565)
Other governments and official institutions bonds	1,725,342	1,752,357	27,015	97,563	99,587	2,024	159,851	166,892	7,041
Mortgage-backed securities	3,376,511	3,375,585	(926)	559,937	555,397	(4,540)	901,848	909,448	7,600
Other securities	4,706,437	4,688,562	(17,875)	347,422	297,316	(50,106)	304,761	318,205	13,444
Total foreign	11,720,514	11,734,970	14,456	1,092,920	1,043,344	(49,576)	2,547,359	2,572,879	25,520
Total	¥ 36,576,255	¥ 38,729,301	¥ 2,153,046	¥ 32,693,617	¥ 33,390,087	¥ 696,470	¥ 48,843,864	¥ 50,411,876	¥ 1,568,012
Securities being held to maturity:									
Domestic:									
Japanese national government and Japanese government agency bonds	¥ 2,601,852	¥ 2,618,946	¥ 17,094	¥ 1,352,213	¥ 1,369,652	¥ 17,439	¥ 1,076,900	¥ 1,094,150	¥ 17,250
Other securities	204,181	206,437	2,256	187,015	188,789	1,774	170,704	173,569	2,865
Total domestic	2,806,033	2,825,383	19,350	1,539,228	1,558,441	19,213	1,247,604	1,267,719	20,115
Foreign:									
U.S. Treasury and other U.S. government agencies bonds	4,592	5,256	664	82,491	83,892	1,401	139,039	142,086	3,047
Other governments and official institutions bonds	5,010	5,010		122,463	123,153	690	468,519	473,481	4,962
Other securities	24,031	24,748	717	1,068,171	1,060,960	(7,211)	1,088,639	1,144,635	55,996
Total foreign	33,633	35,014	1,381	1,273,125	1,268,005	(5,120)	1,696,197	1,760,202	64,005
Total	¥ 2,839,666	¥ 2,860,397	¥ 20,731	¥ 2,812,353	¥ 2,826,446	¥ 14,093	¥ 2,943,801	¥ 3,027,921	¥ 84,120

Nonmarketable equity securities presented in Other investment securities in the consolidated financial statements were primarily carried at cost of ¥513,975 million, ¥1,390,315 million and ¥1,655,812 million, at March 31, 2008, 2009 and 2010, respectively. The corresponding estimated fair values at those dates were not readily determinable. Investment securities held by certain subsidiaries subject to specialized industry accounting principles in AICPA Guides presented in Other investment securities were carried at fair value of ¥66,038 million, ¥43,809 million and ¥35,026 million, at March 31, 2008, 2009 and 2010, respectively.

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The following table presents the book values, maturities and weighted average yields of investment securities available for sale and being held to maturity, excluding equity securities, at March 31, 2010. Weighted average yields are calculated based on amortized cost. Yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect of such calculation would not be material:

	Maturities within one year		**Maturities after one year but within five years**		**Maturities after five years but within ten years**		**Maturities after ten years**		**Total**	
	Amount	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**
	(in millions, except percentages)									
Securities available for sale:										
Domestic:										
Japanese national government and Japanese government agency bonds	¥ 15,096,928	0.03%	¥ 19,104,993	0.53%	¥ 2,807,673	1.11%	¥ 2,423,267	1.45%	¥ 39,432,861	0.43%
Corporate bonds	524,418	0.95	2,277,930	1.11	521,420	1.12	50,327	1.66	3,374,095	1.10
Other securities	139,080	0.98	191,238	1.06	265,853	1.50	18,839	1.05	615,010	1.23
Total domestic	15,760,426	0.07	21,574,161	0.59	3,594,946	1.14	2,492,433	1.45	43,421,966	0.50
Foreign:										
U.S. Treasury and other U.S. government agencies bonds	355,756	0.57	821,198	1.61	1,380	9.20		0.00	1,178,334	1.30
Other governments and official institutions bonds	44,065	1.61	50,319	3.38	70,538	2.41	1,970	5.39	166,892	2.52
Mortgage-backed securities	1		29,183	3.69	138,165	3.84	742,099	4.16	909,448	4.10
Other securities	30,866	1.13	127,979	1.90	10,211	0.94	11,500	4.05	180,556	1.85
Total foreign	430,688	0.72	1,028,679	1.78	220,294	3.28	755,569	4.16	2,435,230	2.46
Total	¥ 16,191,114	0.09%	¥ 22,602,840	0.65%	¥ 3,815,240	1.26%	¥ 3,248,002	2.08%	¥ 45,857,196	0.60%
Securities being held to maturity:										
Domestic:										
Japanese national government and Japanese government agency bonds	¥ 252,382	1.14%	¥ 824,493	1.24%	¥ 25	%	¥	%	¥ 1,076,900	1.22%
Other securities	33,384	1.47	136,323	1.42			997	1.91	170,704	1.44
Total domestic	285,766	1.18	960,816	1.27	25		997	1.91	1,247,604	1.25
Foreign:										
U.S. Treasury and other U.S. government agencies bonds	9,302	1.62	126,968	2.61	1,940	8.20	829	8.56	139,039	2.66
Other governments and official institutions bonds	44,179	2.78	424,340	2.89					468,519	2.88
Other securities	2,749	3.78	11,365	1.50	356,844	0.90	717,681	0.67	1,088,639	0.76
Total foreign	56,230	2.64	562,673	2.80	358,784	0.94	718,510	0.68	1,696,197	1.50
Total	¥ 341,996	1.42%	¥ 1,523,489	1.83%	¥ 358,809	0.94%	¥ 719,507	0.68%	¥ 2,943,801	1.40%

Excluding U.S. Treasury and other U.S. government agencies bonds and Japanese national government bonds, none of individual issuers held in our investment securities portfolio exceeded 10% of our consolidated total Mitsubishi UFJ Financial Group shareholders equity at March 31, 2010.

III. Loan Portfolio

The following table shows our loans outstanding, before deduction of allowance for credit losses, by domicile and type of industry of borrower at March 31 of each of the five fiscal years ended March 31, 2010. Classification of loans by industry is based on the industry segment loan classification as defined by the Bank of Japan for regulatory reporting purposes and is not necessarily based on use of proceeds:

	At March 31,				
	2006	2007	2008	2009	2010
	(in millions)				
Domestic:					
Manufacturing	¥ 10,546,566	¥ 10,869,329	¥ 11,178,924	¥ 12,922,822	¥ 12,027,795
Construction	1,835,104	1,812,454	1,728,534	1,803,541	1,427,933
Real estate[1]	11,026,786	10,432,600	10,857,072	10,436,795	12,261,588
Services[1]	7,220,040	6,902,660	6,553,980	6,750,442	3,714,148
Wholesale and retail	9,134,683	9,317,518	9,308,599	9,760,805	8,597,192
Banks and other financial institutions[2]	5,054,477	4,358,275	4,671,499	4,836,047	4,159,603
Communication and information services	1,177,137	1,167,630	1,150,438	732,652	1,339,753
Other industries	13,591,354	10,559,974	10,806,144	9,515,861	9,393,031
Consumer	20,362,015	21,954,409	21,517,672	20,542,398	19,096,832
Total domestic	79,948,162	77,374,849	77,772,862	77,301,363	72,017,875
Foreign:					
Governments and official institutions	332,213	374,157	316,761	351,134	490,376
Banks and other financial institutions[2]	1,101,152	1,694,951	2,100,057	2,687,004	2,970,470
Commercial and industrial	11,776,784	13,470,223	16,189,725	17,550,544	14,252,704
Other	2,337,237	2,459,577	2,706,750	2,510,521	2,554,209
Total foreign	15,547,386	17,998,908	21,313,293	23,099,203	20,267,759
Total	95,495,548	95,373,757	99,086,155	100,400,566	92,285,634
Unearned income, unamortized premiums net and deferred loan fees net	11,287	(50,913)	(84,076)	(90,225)	(99,724)
Total[3]	¥ 95,506,835	¥ 95,322,844	¥ 99,002,079	¥ 100,310,341	¥ 92,185,910

Notes:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, loans to lease financing companies of ¥2,392,425 million is included in Real estate at March 31, 2010. In prior periods through March 31, 2009, the related balances had been included in Services.

(2) 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.

(3) The above table includes loans held for sale of ¥41,904 million, ¥113,580 million, ¥505,626 million, ¥119,596 million and ¥102,268 million at March 31, 2006, 2007, 2008, 2009 and 2010, respectively, which are carried at the lower of cost or estimated fair value.

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Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table shows the maturities of our loan portfolio at March 31, 2010:

	Maturity			
	One year or less	One to five years	Over five years	Total
	(in millions)			
Domestic:				
Manufacturing	¥ 7,515,341	¥ 3,909,255	¥ 603,199	¥ 12,027,795
Construction	913,998	455,020	58,915	1,427,933
Real estate[1]	3,470,386	4,630,112	4,161,090	12,261,588
Services[1]	1,853,257	1,399,852	461,039	3,714,148
Wholesale and retail	5,730,517	2,570,322	296,353	8,597,192
Banks and other financial institutions	1,976,734	1,992,693	190,176	4,159,603
Communication and information services	649,647	626,692	63,414	1,339,753
Other industries	6,287,923	2,075,324	1,029,784	9,393,031
Consumer	2,488,182	4,103,589	12,505,061	19,096,832
Total Domestic	30,885,985	21,762,859	19,369,031	72,017,875
Foreign	8,564,070	7,761,489	3,942,200	20,267,759
Total	¥ 39,450,055	¥ 29,524,348	¥ 23,311,231	¥ 92,285,634

The above loans due after one year which had predetermined interest rates and floating or adjustable interest rates at March 31, 2010 are shown below:

	Domestic	Foreign	Total
		(in millions)	
Predetermined rate	¥ 15,472,202	¥ 1,796,016	¥ 17,268,218
Floating or adjustable rate	25,659,688	9,907,673	35,567,361
Total	¥ 41,131,890	¥ 11,703,689	¥ 52,835,579

Note:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, Real estate includes loans to lease financing companies of ¥1,021,945 million, ¥1,208,305 million, ¥162,175 million within the above maturity classifications, respectively at March 31, 2010. In prior periods through March 31, 2009, the related balances had been included in Services.

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Nonaccrual, Past Due 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 banking subsidiaries, including BTMU and MUTB, and 90 days or more with respect to loans of certain foreign banking subsidiaries.

The following table shows the distribution of our nonaccrual loans, restructured loans and accruing loans which are contractually past due 90 days or more as to principal or interest payments at March 31 of each of the five fiscal years ended March 31, 2010, based on the domicile and type of industry of the borrowers:

			At March 31,		
	2006	2007	2008	2009	2010
			(in millions)		
Nonaccrual loans:					
Domestic:					
Manufacturing	¥ 128,055	¥ 82,206	¥ 109,023	¥ 87,649	¥ 111,235
Construction	38,406	45,027	44,322	55,760	33,449
Real estate[(1)]	190,703	142,681	164,521	263,831	214,367
Services[(1)]	70,339	140,464	142,795	104,594	79,517
Wholesale and retail	130,216	133,344	156,816	139,000	135,523
Banks and other financial institutions	15,794	16,712	10,591	14,826	2,322
Communication and information services	13,034	32,035	45,115	36,853	73,615
Other industries	29,523	140,224	36,192	20,615	116,741
Consumer	319,116	301,819	318,861	372,944	355,040
Total domestic	935,186	1,034,512	1,028,236	1,096,072	1,121,809
Foreign:					
Governments and official institutions	52	47	45	4,279	70,529
Banks and other financial institutions	38,796	3,730	2,793	56,628	19,880
Commercial and industrial	30,387	46,536	111,852	81,990	135,622
Other	5,413	1,519	1,529	10,553	21,169
Total foreign	74,648	51,832	116,219	153,450	247,200
Total	¥ 1,009,834	¥ 1,086,344	¥ 1,144,455	¥ 1,249,522	¥ 1,369,009
Restructured loans:					
Domestic	¥ 937,160	¥ 548,569	¥ 492,230	¥ 457,838	¥ 565,008
Foreign	74,676	42,117	25,035	63,750	47,184
Total	¥ 1,011,836	¥ 590,686	¥ 517,265	¥ 521,588	¥ 612,192
Accruing loans contractually past due 90 days or more:					
Domestic	¥ 21,896	¥ 20,649	¥ 14,954	¥ 15,047	¥ 25,871
Foreign	1,112	1,821	2,998	6,440	547
Total	¥ 23,008	¥ 22,470	¥ 17,952	¥ 21,487	¥ 26,418

Total	¥ 2,044,678	¥ 1,699,500	¥ 1,679,672	¥ 1,792,597	¥ 2,007,619

Note:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, nonaccrual loans to lease financing companies of ¥28,547 million is included in Real estate at March 31, 2010. In prior periods through March 31, 2009, the related balances had been included in Services.

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Gross interest income which would have been accrued at the original terms on domestic nonaccrual and restructured loans outstanding during the fiscal year ended March 31, 2010 was approximately ¥84.0 billion, of which ¥33.0 billion was included in the results of operations for the fiscal year. Gross interest income which would have been accrued at the original terms on foreign nonaccrual and restructured loans outstanding for the fiscal year ended March 31, 2010 was approximately ¥12.2 billion, of which ¥5.8 billion was included in the results of operations for the fiscal year.

Foreign Loans Outstanding

We had no cross-border outstandings to borrowers in any foreign country which in total exceeded 0.75% of consolidated total assets at March 31, 2008, 2009 and 2010. Cross-border outstandings are defined, for this purpose, as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets denominated in Japanese yen or other non-local currencies. Material local currency loans outstanding which are neither hedged nor funded by local currency borrowings are included in cross-border outstandings.

Guarantees of outstandings of borrowers of other countries are considered to be outstandings of the guarantor. Loans made to, or deposits placed with, a branch of a foreign bank located outside the foreign bank s home country are considered to be loans to, or deposits with, the foreign bank. Outstandings of a country do not include principal or interest amounts of which are supported by written, legally enforceable guarantees by guarantors of other countries or the amounts of outstandings to the extent that they are secured by tangible, liquid collateral held and realizable by BTMU, MUTB and their subsidiaries outside the country in which they operate.

In addition to credit risk, cross-border outstandings are subject to country risk that as a result of political or economic conditions in a country, borrowers may be unable or unwilling to pay principal and interest according to contractual terms. Other risks related to cross-border outstandings include the possibility of insufficient foreign exchange and restrictions on its availability.

In order to manage country risk, we establish various risk management measures internally. Among other things, we regularly monitor economic conditions and other factors globally and assess country risk in each country where we have cross-border exposure. For purposes of monitoring and controlling the amount of credit exposed to country risk, we set a country limit, the maximum amount of credit exposure for an individual country, in consideration of the level of country risk and our ability to bear such potential risk. We also determine our credit policy for each country in accordance with our country risk level and our business plan with regard to the country. Assessment of country risk, establishment of country limits, and determination of country credit policies are subject to review and approval by our senior management and are updated periodically.

Loan Concentrations

At March 31, 2010, there were no concentrations of loans to a single industry group of borrowers, as defined by the Bank of Japan industry segment loan classifications, which exceeded 10% of our consolidated total loans, except for loans in a category disclosed in the table of loans outstanding above.

Credit Risk Management

We have a credit rating system, under which borrowers and transactions are graded on a worldwide basis. We calculate probability of default by statistical means and manage our credit portfolio based on this credit rating system. For a detailed description of this system and other elements of our risk management structure, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Credit Risk Management.

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IV. Summary of Loan Loss Experience

The following table shows an analysis of our loan loss experience by type of borrowers business for each of the five fiscal years ended March 31, 2010:

	Fiscal years ended March 31,				
	2006	2007	2008	2009	2010
	(in millions, except percentages)				
Allowance for credit losses at beginning of fiscal year	¥ 739,872	¥ 1,012,227	¥ 1,112,453	¥ 1,134,940	¥ 1,156,638
Additions resulting from the merger with UFJ Holdings[(1)]	287,516				
Provision for credit losses	110,167	358,603	385,740	626,947	647,793
Charge-offs:					
Domestic:					
Manufacturing	17,241	27,043	41,587	83,121	41,933
Construction	6,798	18,902	24,097	44,180	22,707
Real estate[(2)]	16,911	12,845	11,775	76,734	75,446
Services[(2)]	41,722	26,274	39,336	64,418	29,264
Wholesale and retail	15,397	43,169	70,173	118,144	76,407
Banks and other financial institutions	701	1,790	13,873	25,310	542
Communication and information services	2,621	16,322	30,868	19,632	23,540
Other industries	2,644	5,396	9,865	10,472	7,225
Consumer	49,496	137,461	138,370	117,021	124,792
Total domestic	153,531	289,202	379,944	559,032	401,856
Total foreign	11,202	13,912	6,540	44,266	118,916
Total	164,733	303,114	386,484	603,298	520,772
Recoveries:					
Domestic	11,356	35,466	28,475	23,692	48,269
Foreign	17,242	4,953	2,117	2,754	4,103
Total	28,598	40,419	30,592	26,446	52,372
Net charge-offs	136,135	262,695	355,892	576,852	468,400
Others[(3)]	10,807	4,318	(7,361)	(28,397)	(20,416)
Allowance for credit losses at end of fiscal year	¥ 1,012,227	¥ 1,112,453	¥ 1,134,940	¥ 1,156,638	¥ 1,315,615
Allowance for credit losses applicable to foreign activities:					
Balance at beginning of fiscal year	¥ 91,701	¥ 123,080	¥ 109,654	¥ 136,656	¥ 307,343
Balance at end of fiscal year	¥ 123,080	¥ 109,654	¥ 136,656	¥ 307,343	¥ 327,568
Provision (credit) for credit losses	¥ 587	¥ (8,516)	¥ 38,637	¥ 240,015	¥ 134,966
Ratio of net charge-offs during the fiscal year to average loans outstanding during the fiscal year	0.19%	0.27%	0.37%	0.58%	0.49%

Notes:

(1) Additions resulting from the merger with UFJ Holdings represent the allowance for credit losses for acquired loans outside the scope of the guidance on loans and debt securities acquired with deteriorated credit quality. The allowance for credit losses on loans within the scope of the guidance on loans and debt securities acquired with deteriorated credit quality was not carried over.

(2) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, the charge-offs to lease financing companies of ¥174 million is included in Real estate for the fiscal year ended March 31, 2010. In prior periods through March 31, 2009, the related amounts had been included in Services.

(3) 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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The following table shows an allocation of our allowance for credit losses at March 31 of each of the five fiscal years ended March 31, 2010:

	At March 31,									
	2006		2007		2008		2009		2010	
	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans
	(in millions, except percentages)									
Domestic:										
Manufacturing	¥ 130,734	11.05%	¥ 108,303	11.40%	¥ 125,824	11.28%	¥ 112,412	12.87%	¥ 177,753	13.03%
Construction	28,142	1.92	41,016	1.90	43,043	1.74	45,234	1.80	31,764	1.55
Real estate(1)	99,947	11.55	85,183	10.94	112,899	10.96	116,460	10.39	112,154	13.29
Services(1)	71,653	7.56	123,020	7.24	126,832	6.61	88,829	6.72	88,435	4.02
Wholesale and retail	132,519	9.57	129,701	9.77	141,870	9.39	115,109	9.72	148,637	9.32
Banks and other financial institutions	51,500	5.29	73,925	4.57	59,200	4.72	38,189	4.82	20,015	4.51
Communication and information services	16,971	1.23	33,699	1.22	37,251	1.16	37,549	0.73	67,273	1.45
Other industries	115,930	14.23	175,989	11.07	97,019	10.91	65,363	9.48	110,545	10.18
Consumer	234,073	21.32	224,926	23.02	244,652	21.72	223,865	20.46	213,889	20.69
Foreign:										
Governments and official institutions	1,227	0.35	420	0.39	880	0.32	2,349	0.35	70,017	0.53
Banks and other financial institutions	13,680	1.15	3,668	1.78	6,858	2.12	76,518	2.68	29,030	3.22
Commercial and industrial	104,443	12.33	103,259	14.12	126,693	16.34	211,307	17.48	203,611	15.44
Other	3,730	2.45	2,307	2.58	2,225	2.73	17,169	2.50	24,910	2.77
Unallocated	7,678		7,037		9,694		6,285		17,582	
Total	¥ 1,012,227	100.00%	¥ 1,112,453	100.00%	¥ 1,134,940	100.00%	¥ 1,156,638	100.00%	¥ 1,315,615	100.00%
Allowance as a percentage of loans	1.06%		1.17%		1.15%		1.15%		1.43%	
Allowance as a percentage of nonaccrual and restructured loans and accruing loans contractually past due 90 days or more	49.51%		65.46%		67.57%		64.52%		65.53%	

Note:

(1) Since the classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes was changed, the allowance for credit losses to lease financing companies of ¥25,111 million is included in Real estate at March 31, 2010. In prior periods through March 31, 2009, the related balances had been included in Services. Percentage of loans in Lease financing at March 31, 2010 is 2.59%.

While the allowance for credit losses contains amounts allocated to components of specifically identified loans as well as a group on portfolio of loans, the allowance for credit losses is available for credit losses in the entire loan portfolio and the allocations shown above are not intended to be restricted to the specific loan category. Accordingly, as the evaluation of credit risks changes, allocations of the allowance will be changed to reflect current conditions and various other factors.

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V. Deposits

The following table shows the average amount of, and the average rate paid on, the following deposit categories for the fiscal years ended March 31, 2008, 2009 and 2010:

	Fiscal years ended March 31,					
	2008		2009		2010	
	Average amount	Average rate	Average amount	Average rate	Average amount	Average rate
	(in millions, except percentages)					
Domestic offices:						
Non-interest-bearing demand deposits	¥ 13,738,148	%	¥ 12,896,727	%	¥ 12,958,611	%
Interest-bearing demand deposits	44,493,991	0.24	44,359,163	0.17	45,659,544	0.05
Deposits at notice	2,479,141	2.54	1,890,640	0.83	1,647,972	0.12
Time deposits	41,016,140	0.59	43,895,395	0.58	43,178,140	0.42
Certificates of deposit	4,861,398	0.62	5,286,785	0.66	5,148,617	0.34
Foreign offices:						
Non-interest-bearing demand deposits	2,141,934		2,280,553		2,240,971	
Interest-bearing deposits, principally time deposits and certificates of deposit	18,289,382	3.56	16,459,276	2.16	19,182,441	0.70
Total	¥ 127,020,134		¥ 127,068,539		¥ 130,016,296	

Deposits at notice represent interest-bearing demand deposits which require the depositor to give two or more days notice in advance of withdrawal.

The average amounts of total deposits by foreign depositors included in domestic offices for the fiscal years ended March 31, 2008, 2009 and 2010 were ¥489,751 million, ¥439,346 million and ¥417,259 million, respectively.

At March 31, 2010, the balances and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US$107 thousand at the Federal Reserve Bank of New York s noon buying rate on March 31, 2010) or more and total foreign deposits issued in amounts of US$100,000 or more are shown in the following table:

	Time deposits	Certificates of deposit	Total
		(in millions)	
Domestic offices:			
Three months or less	¥ 8,332,280	¥ 2,962,998	¥ 11,295,278
Over three months through six months	5,520,219	1,324,212	6,844,431
Over six months through twelve months	5,373,113	552,927	5,926,040
Over twelve months	3,105,054	82,232	3,187,286
Total	¥ 22,330,666	¥ 4,922,369	¥ 27,253,035
Foreign offices			¥ 14,411,085

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VI. Short-Term Borrowings

The following table shows certain additional information with respect to our short-term borrowings for the fiscal years ended March 31, 2008, 2009 and 2010:

	Fiscal years ended March 31,		
	2008	2009	2010
	(in millions, except percentages)		
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:			
Average balance outstanding during the fiscal year	¥ 18,715,592	¥ 18,658,490	¥ 18,788,637
Maximum balance outstanding at any month-end during the fiscal year	19,530,303	18,427,340	19,343,978
Balance at end of fiscal year	18,769,133	18,427,340	17,364,371
Weighted average interest rate during the fiscal year	2.39%	2.01%	0.32%
Weighted average interest rate on balance at end of fiscal year	2.35%	0.97%	0.30%
Due to trust account:			
Average balance outstanding during the fiscal year	¥ 1,653,717	¥ 1,479,736	¥ 1,683,607
Maximum balance outstanding at any month-end during the fiscal year	2,171,467	1,796,846	1,795,280
Balance at end of fiscal year	1,461,006	1,796,846	1,559,631
Weighted average interest rate during the fiscal year	0.48%	0.46%	0.36%
Weighted average interest rate on balance at end of fiscal year	0.49%	0.42%	0.32%
Other short-term borrowings:			
Average balance outstanding during the fiscal year	¥ 5,729,422	¥ 6,664,948	¥ 6,371,845
Maximum balance outstanding at any month-end during the fiscal year	6,802,404	9,190,011	6,319,721
Balance at end of fiscal year	6,016,893	7,867,378	6,097,336
Weighted average interest rate during the fiscal year	2.17%	1.61%	0.49%
Weighted average interest rate on balance at end of fiscal year	1.82%	0.85%	0.27%

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Mitsubishi UFJ Financial Group, Inc.

(Kabushiki Kaisha Mitsubishi UFJ Financial Group):

We have audited the accompanying consolidated balance sheets of Mitsubishi UFJ Financial Group, Inc. (Kabushiki Kaisha Mitsubishi UFJ Financial Group) (MUFG) and subsidiaries (together, the MUFG Group) as of March 31, 2009 and 2010, and the related consolidated statements of operations, changes in equity from nonowner sources, equity, and cash flows for each of the three years in the period ended March 31, 2010 (all expressed in Japanese Yen). These financial statements are the responsibility of MUFG s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the MUFG Group as of March 31, 2009 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 35 to the consolidated financial statements, the accompanying consolidated statements of cash flows for the fiscal years ended March 31, 2008 and 2009 have been restated. As discussed in Notes 5 and 7 to the consolidated financial statements, certain loans and premises and equipment disclosure information have been restated.

As discussed in Note 1 to the consolidated financial statements, MUFG changed its methods of accounting for uncertainty in income taxes and leveraged leases in the fiscal year ended March 31, 2008, its methods of accounting for defined benefit pension and other postretirement plans (measurement date provision), fair value measurements, and fair value option for financial assets and financial liabilities in the fiscal year ended March 31, 2009, and its methods of accounting for noncontrolling interests and other-than-temporary impairments on investment securities in the fiscal year ended March 31, 2010.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MUFG Group s internal control over financial reporting as of March 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 16, 2010 expressed an unqualified opinion on MUFG Group s internal control over financial reporting.

/s/ Deloitte Touche Tohmatsu LLC

DELOITTE TOUCHE TOHMATSU LLC

Tokyo, Japan

August 16, 2010

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MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2009 AND 2010

	2009	2010
	(in millions)	
ASSETS		
Cash and due from banks (Note 10)	¥ 3,071,252	¥ 2,862,523
Interest-earning deposits in other banks (including ¥22,768 million and ¥10,201 million measured at fair value under fair value option in 2009 and 2010) (Notes 10 and 31)	3,543,551	4,780,861
Call loans and funds sold (Note 12)	407,448	508,922
Receivables under resale agreements (including ¥36,066 million and ¥30,832 million measured at fair value under fair value option in 2009 and 2010) (Note 31)	2,530,405	3,543,020
Receivables under securities borrowing transactions	6,797,025	5,770,044
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥10,643,443 million in 2009 and ¥8,712,347 million in 2010) (including ¥10,832,557 million and ¥8,918,156 million measured at fair value under fair value option in 2009 and 2010) (Notes 10, 23 and 31)	30,281,525	27,663,076
Investment securities (Notes 4, 10 and 31):		
Securities available for sale carried at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of ¥1,899,512 million in 2009 and ¥4,107,734 million in 2010)	33,390,087	50,411,876
Securities being held to maturity carried at amortized cost (including assets pledged that secured parties are permitted to sell or repledge of ¥165,818 million in 2009 and ¥566,313 million in 2010) (estimated fair value of ¥2,826,446 million in 2009 and ¥3,027,921 million in 2010)	2,812,353	2,943,801
Other investment securities	1,434,124	1,690,838
Total investment securities	37,636,564	55,046,515
Loans, net of unearned income, unamortized premiums and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of ¥3,729,490 million in 2009 and ¥3,476,841 million in 2010) (Notes 5 and 10)	100,310,341	92,185,910
Allowance for credit losses (Notes 5 and 6)	(1,156,638)	(1,315,615)
Net loans	99,153,703	90,870,295
Premises and equipment net (Note 7)	1,043,416	995,167
Accrued interest	267,747	240,267
Customers acceptance liability	59,144	49,143
Intangible assets net (Notes 3 and 8)	1,191,941	1,116,117
Goodwill (Notes 3 and 8)	379,426	381,498
Deferred tax assets (Notes 9 and 15)	2,172,789	1,287,611
Other assets (Notes 5, 10, 15 and 16)	4,963,481	4,969,338
Total assets	¥ 193,499,417	¥ 200,084,397

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MITSUBISHI UFJ FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

MARCH 31, 2009 AND 2010

	2009	2010
	(in millions)	
LIABILITIES AND EQUITY		
Deposits (Notes 10 and 11):		
Domestic offices:		
Non-interest-bearing	¥ 15,023,660	¥ 15,201,298
Interest-bearing	95,802,559	97,526,535
Overseas offices:		
Non-interest-bearing	2,212,386	2,403,147
Interest-bearing (including ¥4,235 million and nil measured at fair value under fair value option in 2009 and 2010) (Note 31)	15,292,447	20,341,516
Total deposits	128,331,052	135,472,496
Call money and funds purchased (Notes 10 and 12)	2,235,858	1,883,824
Payables under repurchase agreements (Note 10)	11,911,615	11,846,656
Payables under securities lending transactions (Note 10)	4,279,867	3,633,891
Due to trust account (Note 13)	1,796,846	1,559,631
Other short-term borrowings (including ¥3,755 million and ¥4,506 million measured at fair value under fair value option in 2009 and in 2010) (Notes 10, 14 and 31)	7,867,378	6,097,336
Trading account liabilities (Notes 23 and 31)	9,492,561	8,688,826
Obligations to return securities received as collateral (Note 31)	2,708,800	3,229,321
Bank acceptances outstanding	59,144	49,143
Accrued interest	251,285	218,117
Long-term debt (including ¥532,641 million and ¥615,618 million measured at fair value under fair value option in 2009 and in 2010) (Notes 10, 14 and 31)	13,273,288	14,162,424
Other liabilities (Notes 1, 9, 10, 15 and 16)	4,824,603	4,139,892
Total liabilities	187,032,297	190,981,557
Commitments and contingent liabilities (Notes 24 and 26)		
Mitsubishi UFJ Financial Group shareholders equity (Note 21):		
Capital stock (Notes 17 and 18):		