MITSUBISHI UFJ FINANCIAL GROUP INC
Form 20-F
July 23, 2012
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As filed with the Securities and Exchange Commission on July 23, 2012

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, 2012

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 000-54189

KABUSHIKI KAISHA MITSUBISHI UFJ FINANCIAL GROUP

(Exact name of Registrant as specified in its charter)

MITSUBISHI UFJ FINANCIAL GROUP, INC.

(Translation of Registrant s name into English)

Japan

(Jurisdiction of incorporation or organization)

7-1, Marunouchi 2-chome

Chiyoda-ku, Tokyo 100-8330

Japan

(Address of principal executive offices)

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

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

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

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

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

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

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

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

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

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

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

At March 31, 2012, (1) 14,154,534,220 shares of common stock (including 10,471,043 shares of common stock held by the registrant and its consolidated subsidiaries as treasury stock), (2) 156,000,000 shares of first series of class 5 preferred stock, and (3) 1,000 shares of class 11 preferred stock.

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

Yes x No ¨

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

Yes ¨ No x

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

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

Yes x No ¨

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

Yes x No ¨

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

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

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

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

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

Item 17 ¨ Item 18 ¨

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

Yes ¨ No x

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

When we refer in this Annual Report to MUFG, we, us, our and the Group, we generally mean Mitsubishi UFJ Financial Group, Inc. and its consolidated subsidiaries, but from time to time as the context requires, we mean Mitsubishi UFJ Financial Group, Inc. as an individual legal entity. Similarly, references to MTFG and UFJ Holdings are to Mitsubishi Tokyo Financial Group, Inc. and to UFJ Holdings, Inc., respectively, as well as to MTFG and UFJ Holdings and their respective consolidated subsidiaries, as the context requires. Unless the context otherwise requires, references in this Annual Report to the financial results or business of the MTFG group and the UFJ group refer to those of MTFG and UFJ Holdings and their respective consolidated subsidiaries. In addition, our banking subsidiaries refers to The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi UFJ Trust and Banking Corporation and, as the context requires, their respective consolidated subsidiaries engaged in the banking business. References in this Annual Report to yen or ¥ are to Japanese yen, references to US dollars, US dollar, dollars, US$ or United States dollars, references to euro or are to the currency of the member states of the European Union, and references to £ are to British pounds sterling. Unless the context otherwise requires, references to the Great East Japan Earthquake generally mean the earthquake and the ensuing tsunami in the northeastern region of Japan that occurred on March 11, 2011, as well as the subsequent accidents at the Fukushima Daiichi Nuclear Power Plants. 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 are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

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

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data

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

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

Upon the conversion of the convertible preferred stock issued to us by Morgan Stanley into shares of Morgan Stanley s common stock on June 30, 2011, we adopted the equity method of accounting for our investment in Morgan Stanley for the fiscal year ended March 31, 2012. Accordingly, certain financial data for the fiscal years ended March 31, 2010 and 2011 have been retroactively adjusted on a step-by-step basis as if the equity method of accounting had been in effect during the previous reporting periods.

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,									
		2008		2009		2010		2011		2012
	(in millions, except per share data and number of shares)									
Statement of operations data:										
Interest income[1]	¥	4,366,811	¥	3,895,794	¥	2,757,866	¥	2,550,144	¥	2,595,956
Interest expense		2,087,094		1,599,389		774,400		670,673		640,139
Net interest income		2,279,717		2,296,405		1,983,466		1,879,471		1,955,817
Provision for credit losses		385,740		626,947		647,793		292,035		223,809
Net interest income after provision for credit losses		1,893,977		1,669,458		1,335,673		1,587,436		1,732,008
Non-interest income		1,778,114		175,099		2,469,411		1,694,822		1,440,576
Non-interest expense		3,620,336		3,608,784		2,508,060		2,460,446		2,322,642
Income (loss) from continuing operations before income tax expense (benefit)		51,755		(1,764,227)		1,297,024		821,812		849,942
Income tax expense (benefit)		553,045		(259,928)		413,105		433,625		429,191
Income (loss) from continuing operations		(501,290)		(1,504,299)		883,919		388,187		420,751
Loss from discontinued operations net		(2,670)								
Net income (loss) before attribution of noncontrolling interests		(503,960)		(1,504,299)		883,919		388,187		420,751
Net income (loss) attributable to noncontrolling interests		38,476		(36,259)		15,257		(64,458)		4,520
Net income (loss) attributable to Mitsubishi UFJ Financial Group	¥	(542,436)	¥	(1,468,040)	¥	868,662	¥	452,645	¥	416,231
Net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	¥	(557,014)	¥	(1,491,593)	¥	846,984	¥	431,705	¥	398,291
Amounts per share:										
Basic earnings (loss) per common share income (loss) from continuing operations available to common shareholders of Mitsubishi UFJ Financial Group	¥	(53.79)	¥	(137.84)	¥	68.72	¥	30.55	¥	28.17
Basic earnings (loss) per common share net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group		(54.05)		(137.84)		68.72		30.55		28.17
Diluted earnings (loss) per common share income (loss) from continuing operations available to common shareholders of Mitsubishi UFJ Financial Group		(53.79)		(137.84)		68.59		30.43		28.09
Diluted earnings (loss) per common share net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group		(54.05)		(137.84)		68.59		30.43		28.09
Number of shares used to calculate basic earnings (loss) per common share (in thousands)		10,305,911		10,821,091		12,324,315		14,131,567		14,140,136
Number of shares used to calculate diluted earnings (loss) per common share (in thousands)		10,305,911		10,821,091		12,332,681[2]		14,144,737[2]		14,156,820[2]
Cash dividends per share declared during the fiscal year:										
Common stock	¥	13.00	¥	14.00	¥	11.00	¥	12.00	¥	12.00
	$	0.11	$	0.14	$	0.12	$	0.14	$	0.15
Preferred stock (Class 3)	¥	60.00	¥	60.00	¥	60.00	¥	30.00		
	$	0.51	$	0.61	$	0.65	$	0.34		
Preferred stock (Class 5)					¥	100.50[3]	¥	115.00	¥	115.00
					$	1.10	$	1.33	$	1.45
Preferred stock (Class 8)	¥	15.90	¥	7.95						
	$	0.14	$	0.07						
Preferred stock (Class 11)	¥	5.30	¥	5.30	¥	5.30	¥	5.30	¥	5.30
	$	0.05	$	0.05	$	0.06	$	0.06	$	0.07
Preferred stock (Class 12)	¥	11.50	¥	11.50						
	$	0.10	$	0.12						

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	At March 31,				
	2008	2009	2010	2011	2012
	(in millions)				
Balance sheet data:					
Total assets	¥ 195,766,083	¥ 193,499,417	¥ 200,081,462	¥ 202,850,243	¥ 215,202,514
Loans, net of allowance for credit losses	97,867,139	99,153,703	90,870,295	86,261,519	91,012,736
Total liabilities	186,612,152	187,032,297	190,980,363	194,187,331	206,344,067
Deposits	129,240,128	128,331,052	135,472,496	136,631,704	139,493,730
Long-term debt	13,675,250	13,273,288	14,162,424	13,356,728	12,593,062
Total equity	9,153,931	6,467,120	9,101,099	8,662,912	8,858,447
Capital stock Common stock	1,084,708	1,127,552	1,643,238	1,644,132	1,645,144

	Fiscal years ended March 31,				
	2008	2009	2010	2011	2012
	(in millions, except percentages)				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other financial data:					
Average balances:					
Interest-earning assets	¥ 172,467,323	¥ 173,242,745	¥ 175,370,688	¥ 180,260,385	¥ 184,179,147
Interest-bearing liabilities	156,151,982	156,084,859	158,156,363	161,344,664	165,420,569
Total assets	197,946,692	196,214,390	195,571,703	204,781,984	211,835,389
Total equity	10,038,425	8,069,262	7,871,505	8,987,129	8,594,310
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Return on equity and assets:					
Net income (loss) available to common shareholders as a percentage of total average assets	(0.28)%	(0.76)%	0.43%	0.21%	0.19%
Net income (loss) available to common shareholders as a percentage of total average equity	(5.55)%	(18.48)%	10.76%	4.80%	4.63%
Dividends per common share as a percentage of basic earnings per common share	(4)	(4)	16.01%	39.28%	42.60%
Total average equity as a percentage of total average assets	5.07%	4.11%	4.02%	4.39%	4.06%
Net interest income as a percentage of total average interest-earning assets	1.32%	1.33%	1.13%	1.04%	1.06%
Credit quality data:					
Allowance for credit losses	¥ 1,134,940	¥ 1,156,638	¥ 1,315,615	¥ 1,240,456	¥ 1,285,507
Allowance for credit losses as a percentage of loans	1.15%	1.15%	1.43%	1.42%	1.39%
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	¥ 1,679,672	¥ 1,792,597	¥ 2,007,619	¥ 2,064,477	¥ 2,178,541
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	1.70%	1.79%	2.18%	2.36%	2.36%
Allowance for credit losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	67.57%	64.52%	65.53%	60.09%	59.01%
Net loan charge-offs	¥ 355,892	¥ 576,852	¥ 468,400	¥ 342,100	¥ 173,370
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net loan charge-offs as a percentage of average loans	0.37%	0.58%	0.49%	0.39%	0.20%
Average interest rate spread	1.19%	1.23%	1.08%	0.99%	1.02%
Risk-adjusted capital ratio calculated under Japanese GAAP(5)	11.19%	11.77%	14.87%	14.89%	14.91%

Notes:

(1) Interest income for the fiscal year ended March 31, 2012 includes a gain of ¥139,320 million on conversion rate adjustment of convertible preferred stock. Exclusive of the one-time gain associated with the conversion, interest income would have been lower for the fiscal year ended March 31, 2012.

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

(3) Includes a cash dividend of ¥43.00 per share declared at the ordinary annual meeting of shareholders held on June 26, 2009, which was the annual dividend declared for the fiscal year ended March 31, 2009, and a cash dividend of ¥57.50 per share declared at the board of director s meeting held on November 18,

2009, which represented one-half of the annual dividend declared for the fiscal year ended March 31, 2010.

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

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

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Exchange Rate Information

The tables below set forth, for each period indicated, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per US$1.00. On July 10, 2012, the noon buying rate was ¥79.44 to US$1.00 and the inverse noon buying rate was US$1.26 to ¥100.00.

	Year 2012					
	February	**March**	**April**	**May**	**June**	**July(1)**
High	¥ 81.10	¥ 83.78	¥ 82.62	¥ 80.36	¥ 80.52	¥ 79.95
Low	¥ 76.11	¥ 80.86	¥ 79.81	¥ 78.29	¥ 78.21	¥ 79.42

Note:
(1) Period from July 1, 2012 to July 10, 2012.

	Fiscal years ended March 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Average (of month-end rates)	¥ 113.61	¥ 100.85	¥ 92.49	¥ 85.00	¥ 78.86

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

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

Risks Related to Our Business

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

Our performance is particularly affected by the general economic conditions of Japan where we are headquartered and conduct a significant amount of our business. As of March 31, 2010, 2011 and 2012, 74.5%, 71.9% and 69.1% of our total assets were related to Japanese domestic assets, respectively, including Japanese national government and Japanese government agency bonds, which accounted for 73.8%, 77.5% and 81.1% of our total investment securities portfolio, and 20.2%, 22.6% and 23.0% of our total assets, respectively. Moreover, 72.8% of our total interest and non-interest income for the fiscal year ended March 31, 2012 related to such income in Japan. Furthermore, as of March 31, 2012, our domestic loans in Japan accounted for approximately 73.8% of our total loans outstanding.

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The Japanese economy slowed down in the quarter ended June 30, 2011 following the Great East Japan Earthquake in March 2011 and again in the third quarter ended December 31, 2011 as overseas economies deteriorated and the Japanese yen appreciated against other major currencies. The exchange rate between the Japanese yen and the US dollar fluctuated during the fiscal year ended March 31, 2012, with the yen appreciating to the highest rate for the fiscal year of ¥75.32 to the US dollar on October 31, 2011. As of July 10, 2012, the exchange rate was ¥79.25 to US$1. The Japanese economy may further deteriorate if, for example, the yen continues to appreciate or remains at current levels against other currencies, consumer spending in Japan is negatively affected by various factors such as tax rate increases, or the global economy worsens due to the ongoing sovereign debt crisis in Europe. Shortages in electricity supply and electricity rate increases could also further adversely affect the Japanese economy. Growing global competition may adversely affect Japanese companies and, as a result, the Japanese economy as a whole. In addition, there is significant uncertainty surrounding political decision-making over, and the execution of measures in response to, issues that could have a significant impact on Japan s economy, including Japan s energy, tax and social security policies, issuance of government bonds as well as responses to the Great East Japan Earthquake. In recent periods, several credit rating agencies have downgraded the credit ratings of Japan s sovereign debt, including a downgrade by Moody s Japan K.K., or Moody s, in August 2011 and a downgrade by Fitch Ratings Japan Limited, or Fitch, in May 2012. For a detailed discussion on the business environment in Japan and abroad, see Item 5. Operating and Financial Review and Prospects Business Environment and Item 5. Operating and Financial Review and Prospects Recent Developments.

Since the accidents at the Fukushima Daiichi Nuclear Power Plants in March 2011, the Japanese electric utility industry has been experiencing significant difficulties and has been influenced by evolving public policy. In particular, The Tokyo Electric Power Company, Incorporated, or TEPCO, and the Nuclear Damage Liability Facilitation Fund, which is a government-supported fund, drafted a Comprehensive Special Business Plan to address TEPCO s problems following the accidents at the Fukushima Daiichi Nuclear Power Plants. That plan was approved by the Minister of Economy, Trade and Industry in May 2012. The plan provides for a ¥1 trillion capital injection into TEPCO by the Nuclear Damage Liability Facilitation Fund in July 2012. In addition, as part of the plan, TEPCO has requested its primary lenders, which includes us, to (1) maintain all existing credit lines until TEPCO can procure financing independently through corporate bond issuances, (2) re-lend any previous loans that TEPCO may have repaid between March 11 and September 30, 2011, and (3) provide additional debt financing of up to approximately ¥1 trillion in aggregate (including the amount provided in response to the request as described in (2) above). No request for debt-forgiveness was made to the lenders as part of the plan. We are carefully monitoring TEPCO s progress under the plan, and are currently considering providing the requested financial support to TEPCO if TEPCO s operations and financial standing are in accordance with the plan without any material change. Assuming that we had provided the additional debt financing requested by TEPCO under the plan as of March 31, 2012, our aggregate loans outstanding to the Japanese electric utility industry would have been approximately 2% of our total outstanding loans as of such date.

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

In addition, our Japanese domestic marketable equity securities portfolio and Japanese government bond portfolio may be adversely affected, depending on how the Japanese economy performs in general and what governmental policies may be adopted in the future. Deteriorating or stagnant economic conditions in Japan may also result in a decrease in the volume of financial transactions in general, which in turn may reduce our domestic income from fees and commissions. For a further discussion of our results of operations on a geographic basis, see Item 5.A. Operating and Financial Review and Prospects Operating Results Geographic Segment Analysis.

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

Global economic conditions remain volatile, and it is uncertain how the global economy will evolve over time. Especially, the financial turmoil caused by the credit crises in some European countries has negatively impacted wider markets, including those of both emerging and developed countries. As of March 31, 2012, based principally on the domicile of the obligors, assets related to Europe accounted for approximately 8.7% of our total assets, assets related to Asia and Oceania excluding Japan accounted for approximately 5.8% of our total assets, and assets related to the United States accounted for approximately 13.2% of our total assets. If the global economy deteriorates or the global economic recovery significantly slows down again, the availability of credit may become limited, and some of our borrowers may default on their loan obligations to us, increasing our credit losses. In addition, concerns over the sovereign debt problem in some European countries may limit liquidity in the global financial markets. 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, 2012 were ¥2.63 trillion, ¥0.67 trillion and ¥0.04 trillion, respectively. In addition, if credit market conditions worsen, our capital funding structure may need to be adjusted or our funding costs may increase, which could have a material adverse impact on our financial condition and results of operations.

Furthermore, we have incurred losses, and may incur further losses, as a result of changes in the fair value of our financial instruments resulting from weakening market conditions. For example, declines in the fair value of our investment securities, particularly equity investment securities, resulted in our recording impairment losses of ¥117.5 billion, ¥139.0 billion and ¥195.7 billion for the fiscal years ended March 31, 2010, 2011 and 2012, respectively. As of March 31, 2012, approximately 43% of our total assets were financial instruments for which we measure fair value on a recurring basis, and less than 0.5% 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 statements of income. In addition, because we hold a large amount of investment securities, short-term fluctuations in the value of our securities may trigger losses or exit costs for us to manage our risk. For more information on our valuation method for financial instruments, see Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates.

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

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

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

As a percentage of total loans, nonaccrual and restructured loans and accruing loans contractually past due 90 days or more ranged from 1.70% to 2.36% as of the five recent fiscal year-ends, reaching its highest level of 2.36% as of March 31, 2011 and 2012. Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more increased to ¥2.2 trillion at March 31, 2012, from ¥2.1 trillion at March 31, 2011, primarily due to an increase in such loans in our domestic loan portfolio. If the recession in Japan worsens again, our

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problem loans and credit-related expenses may increase. An increase in problem loans and credit-related expenses would adversely affect our results of operations, weaken our financial condition and erode our capital base. For a discussion of our problem loans, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition and Selected Statistical Data Loan Portfolio.

Due to the nuclear power plant accidents in Fukushima Prefecture following the Great East Japan Earthquake in March 2011, certain areas in eastern Japan were affected by radiation contamination, and the Kanto region of Japan, where Tokyo is located, experienced electricity supply shortages. Electricity is expected to fall short in supply in wider regions of Japan. Electricity supply shortages are expected to have a significant negative impact on the recovery efforts in the northeastern region of Japan and could also disrupt the economic and industrial activities in other regions of Japan. Increased costs are expected to secure alternative sources of electricity, parts and other materials, and to provide financial support or compensation for affected individuals and companies. In addition, electricity rates have been raised, and may be further raised, which will affect our borrowers in Japan. As a result, our borrowers financial condition and creditworthiness could deteriorate, and our credit-related expenses with respect to our domestic credit portfolio could increase.

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

Although we, from time to time, enter into credit derivative transactions, including credit default swap contracts, to manage our credit risk exposure, such transactions may not provide the protection against credit defaults that we intended due to counterparty defaults or similar issues. The credit default swap contracts could also result in significant losses. As of March 31, 2012, the total notional amount of the protection we sold through single name credit default swaps, index and basket credit default swaps, and credit-linked notes was ¥3.3 trillion. In addition, negative changes in financial market conditions may restrict the availability and liquidity of credit default swaps. For more information on our credit derivative transactions, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report.

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

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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 5.6% of our total investment securities portfolio, or 1.6% of our total assets, as of March 31, 2012. The Nikkei Stock Average, which is the average of 225 blue chip stocks listed on the Tokyo Stock Exchange, fluctuated throughout the fiscal year ended March 31, 2012, with the closing price of the Nikkei Stock Average declining to ¥8,160.01 on November 25, 2011. As of July 10, 2012, the closing price of the Nikkei Stock Average was ¥8,857.73. Fluctuations in the Nikkei Stock Average have mainly reflected volatility in the global economy and weak investor sentiment that remains cautious in light of uncertainties surrounding the global financial and capital markets and, to some extent, the appreciating Japanese yen and the growing global competition adversely affecting Japanese companies. If stock market prices further decline or do not improve, we may incur additional losses on our securities portfolio. Because we hold a large amount of Japanese domestic marketable equity securities, even short-term fluctuations in the value of our securities may trigger losses or exit costs for us to manage our risk. Further declines in the Japanese stock market or other global markets may also materially and adversely affect our capital ratios and financial condition. For a detailed discussion of our holdings of marketable equity securities and the effect of market declines on our capital ratios, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Adequacy and Selected Statistical Data Investment Portfolio.

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

We have entered into a global strategic alliance with Morgan Stanley, under which we operate two joint venture securities companies in Japan, engage in joint corporate finance operations in the United States and pursue other cooperative opportunities. We hold approximately 21.8% of the voting rights in Morgan Stanley as of March 31, 2012 and continue to hold approximately $0.5 billion, or ¥53.6 billion, of perpetual non-cumulative non-convertible preferred stock with a 10% dividend. In addition, we currently have two representatives on Morgan Stanley s board of directors.

We initially entered into this strategic alliance in October 2008 with a view towards long-term cooperation with Morgan Stanley, and currently plan to deepen the strategic alliance, given that the voluntary conversion of the convertible preferred stock to the common stock was completed in June 2011. However, due to any unexpected changes in social, economic or financial conditions, changes in the regulatory environment, or any failure to integrate or share staff, products or services, or to operate, manage or implement the business strategy of the securities joint venture companies or other cooperative opportunities as planned, we may be unable to achieve the expected synergies from this alliance.

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

In addition, with our current investment in Morgan Stanley, we have neither a controlling interest in, nor control over the business operations of Morgan Stanley. If Morgan Stanley makes any business decisions that are inconsistent with our interests, we may be unable to achieve the goals initially set out for the strategic alliance. Furthermore, although we do not control Morgan Stanley, given the magnitude of our investment, if Morgan Stanley encounters financial or other business difficulties, we may suffer a financial loss on our investment or damage to our reputation. Because of a decline in the quoted market price of Morgan Stanley s common stock that we determined to be other than temporary in light of the increasingly stringent regulatory environment and the existing adverse economic events in Europe, we recorded an impairment loss of ¥579.5 billion on our investment in Morgan Stanley s common stock for the fiscal year ended March 31, 2012.

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In the fiscal year ended March 31, 2012, Morgan Stanley became an equity-method affiliate in our consolidated financial statements. Accordingly, Morgan Stanley s performance will have a more significant impact on our results of operations as a result of equity method accounting. Further, fluctuations in Morgan Stanley s stock price or in our equity ownership interest in Morgan Stanley may cause us to recognize additional losses on our investment in Morgan Stanley.

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

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

We have a large loan portfolio in the consumer lending industry as well as large shareholdings in subsidiaries and equity method investees in the consumer finance industry. Our domestic loans to consumers amount to approximately one-fifth of our total outstanding loans. Of this amount, the consumer loans provided by Mitsubishi UFJ NICOS, Co., Ltd., which is our primary consumer financing subsidiary, were ¥757.9 billion as of March 31, 2012, compared to ¥872.0 billion as of March 31, 2011. Mitsubishi UFJ NICOS s consumer loan portfolio has been adversely affected by a series of regulatory reforms recently implemented in Japan.

The Japanese government implemented 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 also have had a further negative impact on the business of consumer finance companies as one of the new regulations requires, among other things, consumer finance companies to limit their lending to a single customer to a maximum of one third of the customer s annual income regardless of the customer s repayment capability, significantly affecting consumer financing companies.

The new regulations and regulatory reforms affecting the consumer finance business were one of the main factors that contributed to the decrease in interest income attributable to our consumer finance business. Our interest income attributable to the consumer finance business was approximately ¥190 billion and ¥160 billion for the fiscal years ended March 31, 2009 and 2010, respectively. However, following the regulatory changes in June 2010, our interest income attributable to the consumer finance business decreased to approximately ¥130 billion and ¥120 billion for the fiscal years ended March 31, 2011 and 2012, respectively.

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

Following the various legal developments in June 2010 and other industry developments, Mitsubishi UFJ NICOS revised its estimate by updating management s future forecast to reflect new reimbursement claims information and other data. As of March 31, 2010, 2011 and 2012, we had ¥84.2 billion, ¥136.9 billion and ¥99.4 billion of allowance for repayment of excess interest, respectively. For the fiscal years ended March 31, 2010,

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2011 and 2012, we recorded provisions for repayment of excess interest of ¥44.8 billion, ¥85.7 billion and nil, respectively. For the same periods, one of our equity method investees engaged in consumer lending, ACOM CO., LTD., had a negative impact of ¥23.1 billion, ¥96.4 billion and ¥19.3 billion, respectively, on Equity in losses of equity method investees net in our consolidated statements of income. We intend to carefully monitor future developments and trends.

These developments have adversely affected, and these and any future developments may further adversely affect, the operations and financial condition of our subsidiaries, equity method investees and borrowers which are engaged in consumer lending, which in turn may affect the value of our related shareholdings and loan portfolio. In particular, in March 2011, we made a capital contribution of approximately ¥85.0 billion to Mitsubishi UFJ NICOS.

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

The aggregate carrying amount of the Japanese government and corporate bonds and foreign bonds, including US Treasury bonds, that we hold has increased in recent fiscal years to 24.8% of our total assets as of March 31, 2012. In particular, the Japanese national government and Japanese government agency bonds accounted for 23.0% of our total assets as of March 31, 2012. 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. Central bank s policies, however, may change, resulting in an interest rate increase. Separate from the central bank monetary policies, interest rates on the Japanese national government and Japanese government agency bonds could also significantly increase if there is a disruption in the market for Japanese national government bonds caused by shifts in investor attitude, fluctuations in other comparable debt instruments or adverse changes in the perception of Japan s sovereign risk. An increase in relevant interest rates, particularly if such increase is unexpected or sudden, may have a significant negative effect on the value of our bond portfolio. See Item 5. Operating and Financial Review and Prospects Business Environment.

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, 2012, the average balance of our foreign interest-earning assets was ¥53.3 trillion and the average balance of our foreign interest-bearing liabilities was ¥34.5 trillion, representing 29.0% of our average total interest-earning assets and 20.9% of our average total interest-bearing liabilities during the same period. For the fiscal year ended March 31, 2012, 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 ¥34.3 billion, compared to net foreign exchange gains of ¥260.7 billion for the previous fiscal year. In addition, we may incur foreign currency translation losses with respect to our foreign subsidiaries and equity method investees due to fluctuations in foreign currency exchange rates. The average exchange rate for the fiscal year ended March 31, 2012 was ¥79.08 per US$1.00, compared to the average exchange rate for the fiscal year ended March 31, 2011 of ¥85.72 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 ¥100.8 billion, net interest income by ¥55.0 billion and income before income tax expense by ¥45.6 billion, respectively, for the fiscal year ended March 31,

2012. For more information on foreign exchange gains and losses and foreign currency translation gains and losses, see Item 5.A. Operating and Financial Review and Prospects Operating Results Results of Operations and Item 5.A. Operating and Financial Review and Prospects Operating Results Effect of Change in Exchange Rates on Foreign Currency Translation.

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

Union Bank, N.A., or Union Bank, is the primary subsidiary of UnionBanCal Corporation, or UNBC, which is an indirect wholly-owned subsidiary in the United States. Union Bank has historically contributed to a significant portion of our net income. UNBC reported net loss of $65 million for the fiscal year ended December 31, 2009, net income of $573 million for the fiscal year ended December 31, 2010, and net income of $778 million for the fiscal year ended December 31, 2011. Any adverse developments which could arise at Union Bank may have a significant negative impact on our results of operation and financial condition. The risks relating to Union Bank have increased as Union Bank has been expanding its business through acquisitions of community banks within the United States. 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. In March 2012, UNBC entered into a definitive agreement to acquire approximately $5.9 billion in assets and assume approximately $4.6 billion in deposits of Pacific Capital Bancorp, a bank holding company headquartered in California. In May 2012, Union Bank signed a definitive agreement to acquire Smartstreet, an Atlanta-based financial services division of PNC Bank, N.A., with approximately $1 billion in deposits and comprehensive receivables offering and lockbox operations. If Union Bank is unable to achieve the benefits expected from its business strategies, including its business expansion strategy through acquisitions of community banks, we may suffer an adverse financial impact. Other factors that have negatively affected, and could continue to negatively affect, Union Bank s results of operations include adverse economic conditions, such as a downturn in the real estate and housing industries in California and other states within the United States, substantial competition in the banking markets in California and other states within the United States and uncertainty over the US economy, as well as the threat of terrorist attacks, fluctuating oil prices, rising interest rates, negative trends in debt ratings, additional costs which may arise from enterprise-wide compliance, or failure to comply, with applicable laws and regulations, such as the US Bank Secrecy Act and related amendments under the USA PATRIOT Act, and any adverse impact of the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act.

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

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

Financial difficulties relating to financial institutions could adversely affect us because we have extended loans, some of which may need to be classified as nonaccrual and restructured loans, to banks, securities companies, insurance companies and other financial institutions that are not our consolidated subsidiaries. Our loans to banks and other financial institutions have been more than 5% of our total loans as of each year-end in

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the three fiscal years ended March 31, 2012, with the percentage increasing from 8.0% to 8.9% between March 31, 2011 and March 31, 2012. 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 our shareholdings in Japanese regional banks and our 21.8% voting interest in Morgan Stanley as of March 31, 2012. If some of the financial institutions to which we have exposure, experience financial difficulties, we may need to provide financial support to them even when such support might not be warranted from the perspective of our narrow economic interests because such institutions may be systematically important to the Japanese or global financial system.

We may also be adversely affected because we enter into transactions, such as derivative transactions, in the ordinary course of business, with other banks and financial institutions as counterparties. For example, we enter into credit derivatives with banks, broker-dealers, insurance and other financial institutions for managing credit risk exposures, for facilitating client transactions, and for proprietary trading purpose. The notional amount of the protection we sold through these instruments was ¥3.3 trillion as of March 31, 2012.

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

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

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

We continue to seek opportunities to expand the range of our products and services beyond our traditional banking and trust businesses, through development and introduction of new products and services or through acquisitions of or investments in financial institutions with products and services that complement our business. For example, taking advantage of our financial holding company status which enables us to underwrite securities, we are currently seeking to expand our corporate banking operations in the United States. In addition, the sophistication of financial products and management systems has been growing significantly in recent years. As a result, we are exposed to new and increasingly complex risks. Some of the activities that our subsidiaries are expected to engage in, such as derivatives and foreign currency trading, present substantial risks. In some cases, we have only limited experience with the risks related to the expanded range of these products and services. In addition, we may not be able to successfully develop or operate the necessary information systems. As a result, we may not be able to foresee the risks relating to new products and services. As we expand the geographic scope of our business, we will also be exposed to risks that are unique to particular jurisdictions or markets. Our risk management systems may prove to be inadequate and may not work in all cases or to the degree required. The substantial market, credit, compliance and regulatory risks in relation to the expanding scope of our products, services and trading activities or expanding our business beyond our traditional markets, could result in us

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incurring substantial losses. In addition, our efforts to offer new services and products or penetrate new markets may not succeed if product or market opportunities develop more slowly than expected, if our new services or products are not well accepted among customers, or if the profitability of opportunities is undermined by competitive pressures. For a detailed discussion of our risk management systems, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

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

We are increasingly active, through a network of branches and subsidiaries, in emerging market countries, particularly countries in Asia, Latin America, Central and Eastern Europe, and the Middle East. For example, based principally on the domicile of the obligors, assets related to Asia and Oceania excluding Japan increased 13.8% from ¥10.91 trillion as of March 31, 2011 to ¥12.41 trillion as of March 31, 2012, accounting for 5.8% of our total assets as of March 31, 2012. The economies of emerging market countries can be volatile and susceptible to adverse changes and trends in the global financial markets. For example, a decline in the value of local currencies of these countries could negatively affect the creditworthiness of some of our borrowers in these countries. The loans we have made to borrowers and banks in these countries are often denominated in US dollars, Euro or other foreign currencies. These borrowers often do not hedge the loans to protect against fluctuations in the values of local currencies. A devaluation of the local currency would make it more difficult for a borrower earning income in that currency to pay its debts to us and other foreign lenders. In addition, some countries in which we operate may attempt to support the value of their currencies by raising domestic interest rates. If this happens, the borrowers in these countries would have to devote more of their resources to repaying their domestic obligations, which may adversely affect their ability to repay their debts to us and other foreign lenders. The limited credit availability resulting from these conditions may adversely affect economic conditions in some countries. This could cause a further deterioration of the credit quality of borrowers and banks in those countries and cause us to incur further losses. In addition, should there be excessively rapid economic growth and increasing inflationary pressure in some of the emerging market countries, such developments could adversely affect the wider regional and global economies. Some emerging market countries may also change their monetary or other economic policies in response to economic and political instabilities or pressures, which are difficult to predict. As of March 31, 2012, based on the domicile of the obligors, our assets in Europe, Asia and Oceania excluding Japan, and other areas excluding Japan and the United States, were ¥18.62 trillion, ¥12.41 trillion and ¥7.01 trillion, representing 8.7%, 5.8% and 3.3% of our total assets, respectively. See Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition.

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

In recent years, the Japanese financial system has been undergoing significant changes and regulatory barriers to competition have been reduced. In particular, any further reform of the Japanese postal savings system, under which the Japan Post Group companies, including Japan Post Bank Co., Ltd., were established in October 2007, could substantially increase competition within the financial services industry as Japan Post Bank, with the largest deposit base and branch network in Japan, may begin to offer financial services in competition with our business operations generating fee income. In May 2012, amendments to the postal privatization law became effective under which Japan Post Bank and Japan Post Insurance may enter into new businesses upon obtaining government approvals, and if the government s equity holdings decrease to a certain level, the two companies will be allowed to enter into new businesses upon submission of a notice to the government. As a result, the Japan Post Group companies may seek to enter into new businesses, including sales of various types of insurance and housing loans. The privatization of the Japan Post Group companies remains subject to political negotiations and government action. 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.

Regulatory matters and any future regulatory matters or regulatory changes could have a negative impact on our business and results of operations.

As a global financial services provider, our business is subject to increasing regulations and associated regulatory risks, as well as ongoing changes in laws, regulations, policies, voluntary codes of practice and interpretations in Japan and other markets where we operate. We may not be able to improve our compliance risk management systems and programs in a timely manner, and our risk management systems and programs may not be fully effective in preventing all violations of laws, regulations and rules.

Major global financial institutions currently face heightened regulatory scrutiny as a result of the concerns enveloping the global financial sector, and there is growing political pressure to demand even greater regulatory surveillance following several high-profile scandals and risk management failures in the financial industry. Because of our transactions or relationships with other global financial institutions or our activity or participation in the global financial market, we may become subject to various regulatory actions and other legal proceedings arising from such role.

Our failure or inability to comply fully with applicable laws and regulations could lead to fines, public reprimands, damage to reputation, civil liability, enforced suspension of operations or, in extreme cases, withdrawal of authorization to operate, adversely affecting our business and results of operations. Regulatory matters may also adversely affect our ability to obtain regulatory approvals for future strategic initiatives. Furthermore, failure to take necessary corrective action, or the discovery of violations of laws in the process of further review of any of the matters mentioned above or in the process of implementing any corrective measures, could result in further regulatory action.

We could also be required to incur significant expenses to comply with new or revised regulations. For example, if we adopt a new information system infrastructure 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.

Future developments or changes in laws, regulations, policies, voluntary codes of practice and their effects are expected to require greater capital resources and significant management attention, and may require us to modify our business strategies and plans. For example, the regulations relating to the consumer lending business which became effective in June 2010 impose, among other things, a limit on the amount of loans available to individual borrowers, which have negatively affected our profitability. For more information on regulatory changes in the consumer finance industry, see Risks Related to Our Business Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results.

Furthermore, regulatory reforms recently implemented, proposed and currently being debated in the United States may also significantly affect our business operations. For example, the provisions of the Dodd-Frank Act generally known as the Volcker Rule are designed to restrict banking entities proprietary trading and private fund investment activities. The Volcker Rule is subject to final rule-making and interpretation, including with respect to the scope of its applicability to activities outside of the United States, and the impact of the rule on our business operations remain uncertain. The Volcker Rule and other reform measures may ultimately be implemented in a manner that requires us to materially alter our business model or incur significant costs or losses. See Item 4.B. Information on the Company Business Overview Supervision and Regulation United States.

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

Future developments or changes in accounting standards are unpredictable and beyond our control. For example, Japanese and other international organizations that set accounting standards have released revisions to accounting standards applicable to retirement benefit obligations. In May 2012, the Accounting Standards Board of Japan published revised accounting standards that will 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. Most of the revised accounting standards will be effective for the annual reporting period beginning on or after April 1, 2013. The revised accounting standards could have a 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 global 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 accounting 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.

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

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

We have loan transactions with counterparties in or affiliated with Iran, the outstanding balance of which was approximately $8.0 million, representing less than 0.001% of our total assets, as of March 31, 2012. We do not have any loans outstanding to the financial institutions specifically listed by the US government. In addition to such loan transactions, our other transactions with counterparties in or affiliated with countries designated as state sponsors of terrorism consist of receiving deposits or holding assets on behalf of individuals residing in Japan who are citizens of countries designated as state sponsors of terrorism, and processing payments to or from entities in or affiliated with these countries on behalf of our customers that may be engaged in transactions or other relationships with such entities. We do not believe these transactions have a material impact on our business or financial condition.

We are aware of initiatives by US governmental entities and non-government entities, including institutional investors such as pension funds, to adopt or consider adopting laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with Iran and other

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countries identified as state sponsors of terrorism. It is possible that such initiatives may result in our being unable to gain or retain entities subject to such prohibitions as customers, counter-parties or investors in our shares. In addition, depending on socio-political developments, our reputation may suffer due to our transactions with counterparties in or affiliated with these countries. The above circumstances could have an adverse effect on our business and financial condition.

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

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

We, as a holding company, and our Japanese banking subsidiaries are required to maintain risk-weighted capital ratios above the levels specified in the capital adequacy guidelines of the Financial Services Agency of Japan. As of March 31, 2012, our total risk-adjusted capital ratio was 14.91% compared to the minimum risk-adjusted capital ratio required of 8.00%, and our Tier I capital ratio was 12.31% 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, The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB and UNBC is a financial holding company under the US Bank Holding Company Act. We or our banking subsidiaries may be unable to continue to satisfy the capital adequacy requirements because of:

- increases in credit risk assets and expected losses we or our subsidiaries may incur due to fluctuations in our or our subsidiaries loan and securities portfolios as a result of deteriorations in the credit of our borrowers and the issuers of equity and debt securities;
- increases in credit costs we or our subsidiaries may incur as we or our subsidiaries dispose of problem loans or as a result of deteriorations in the credit of our borrowers;
- declines in the value of our or our subsidiaries securities portfolio;
- changes in the capital ratio requirements or in the guidelines regarding the calculation of bank holding companies or banks capital ratios or changes in the regulatory capital requirements for securities firms;
- a reduction in the value of our or our subsidiaries deferred tax assets;
- adverse changes in foreign currency exchange rates; or
- other adverse developments discussed in these risk factors.

The Group of Central Bank Governors and Heads of Supervision has made a series of announcements regarding the new global regulatory framework, which has been referred to as Basel III, to strengthen the regulation, supervision and risk management of the banking sector. Various Basel III measures are expected to be introduced in phases starting in calendar 2013, including those designed to raise the level of minimum capital requirements and to establish an internationally harmonized leverage ratio and a global minimum liquidity standard. In addition, in July 2011, the Basel Committee on Banking Supervision proposed additional loss absorbency requirements to supplement the common equity Tier I capital requirement ranging from 1% to 2.5% for global systemically important banks, depending on the bank s systemic importance, to be introduced in phases starting in calendar 2016. In November 2011, the Financial Stability Board tentatively identified us as a globally systemically important financial institution, or G-SIFI. Based on the Basel III framework, the Japanese capital ratio framework, which is currently based on Basel II, has been revised to implement the more stringent requirements, which will be effective as of March 31, 2013. Likewise, local banking regulators outside of Japan, such as those in the United States, are expected to revise the capital and liquidity requirements imposed on our subsidiaries and operations in those countries to implement the more stringent requirements of Basel III as adopted in those countries.

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

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

In accordance with US GAAP, we account for our business combinations using the acquisition method of accounting. We recorded the excess of the purchase price over the fair value of the assets and liabilities of the acquired companies as goodwill. US GAAP requires us to test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. As of March 31, 2012, the balance of goodwill was ¥354.3 billion.

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

A further downgrade of our credit ratings could trigger additional collateral obligations under our derivative contracts and increase our funding costs.

In August 2011, Moody s announced that it downgraded the long-term credit ratings of BTMU and MUTB by one-notch from Aa2 to Aa3, and the long-term credit rating of Mitsubishi UFJ Securities Holding Co., Ltd, or MUSHD, by one-notch from A1 to A2. On July 20, 2012, Fitch downgraded the ratings assigned to BTMU and MUTB by one-notch from A to A-. A further credit rating downgrade by Moody s, Fitch, Standard & Poor s Ratings Services LLC or any other credit rating agency may have an adverse impact on us. Substantially all of the derivative contracts with collateral obligations entered into by BTMU, MUTB and MUSHD are subject to a Credit Support Annex, or CSA, as published by the International Swaps and Derivatives Association, Inc., or ISDA. Following the downgrades by Moody s in August 2011, some of our existing CSAs were modified to require, and some of the new CSAs that we entered into required, additional collateral at lower thresholds. The downgrades by Fitch on July 20, 2012 may result in additional modifications in the future.

Assuming all of the relevant credit rating agencies downgraded the credit ratings of BTMU, MUTB and MUSHD by one-notch on March 31, 2012, we estimate that our three main subsidiaries under their derivative contracts as of the same date, would have been required to provide additional collateral of approximately ¥9.6 billion. Assuming a two-notch downgrade by all of the relevant credit rating agencies occurred on the same date, we estimate that the additional collateral requirements for BTMU, MUTB and MUSHD under their derivative contracts as of the same date would have been approximately ¥17.0 billion. In addition, a further downgrade of the credit ratings of our major subsidiaries could result in higher funding costs. For additional information on the impact of recent downgrades, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition Sources of Funding and Liquidity.

Risks Related to Owning Our Shares

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

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

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

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

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

Risks Related to Owning Our ADSs

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

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

Pursuant to the deposit agreement among us, the depositary and a holder of ADSs, the depositary will make efforts to exercise voting or any other rights associated with shares underlying ADSs in accordance with the instructions given by ADS holders, and to pay to ADS holders dividends and distributions collected from us. However, the depositary can exercise reasonable discretion in carrying out the instructions or making distributions, and is not liable for failure to do so as long as it has acted in good faith. Therefore, ADS holders may not be able to exercise voting or any other rights in the manner that they had intended, or may lose some or

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

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

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

On October 13, 2008, we formed a global strategic alliance with Morgan Stanley and, as part of the alliance, made an equity investment in Morgan Stanley in the form of convertible and non-convertible preferred stock, and subsequently appointed a representative to Morgan Stanley s board of directors.

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 previously owned by BTMU and, as a result, UNBC became a wholly owned indirect subsidiary of MUFG.

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

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Pursuant to an agreement between us and Morgan Stanley on April 21, 2011, we converted all of the Morgan Stanley s convertible preferred stock we previously held into Morgan Stanley s common stock on June 30, 2011, resulting in our holding approximately 22.4% of the voting rights in Morgan Stanley, and appointed a second representative to Morgan Stanley s board of directors on July 20, 2011. Following the conversion on June 30, 2011, Morgan Stanley became our equity-method affiliate. As of March 31, 2012, we held approximately 21.8% of the voting rights in Morgan Stanley, and had two representatives appointed to Morgan Stanley s board of directors. We and Morgan Stanley continue to pursue a variety of business opportunities in Japan and abroad in accordance with the global strategic alliance.

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.

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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 its manufacturing industries, 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 Bank and UFJ Trust Bank Limited. As the surviving entity, Mitsubishi Trust Bank was renamed Mitsubishi UFJ Trust and Banking Corporation.

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

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

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

Mitsubishi UFJ Securities Holdings Co., Ltd.

MUSHD is a wholly owned subsidiary of MUFG. MUSHD functions as an intermediate holding company of MUFG s global securities business. MUSHD s registered head office is located at 5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005, Japan, and its telephone number is 81-3-6213-2550. MUSHD is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law. MUSHD has major overseas subsidiaries in London, New York, Hong Kong, Singapore, Shanghai and Geneva.

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

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

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

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

MUMSS is our core securities and investment banking subsidiary. MUMSS was created as one of the two Japanese joint venture securities companies in May 2010 between Morgan Stanley and us as part of our global strategic alliance. MUMSS succeeded to the investment banking operations conducted in Japan by a subsidiary of Morgan Stanley and the wholesale and retail securities businesses conducted in Japan by MUS. MUFG, through MUSHD, holds 60% voting and economic interests in MUMSS. MUMSS s registered head office is located at 5-2 Marunouchi 2-chome, Chiyoda-ku, Tokyo, 100-0005 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 global strategic alliance with Morgan Stanley, see B. Business Overview Global Strategic Alliance with Morgan Stanley and Item 5. Operating and Financial Review and Prospects Recent Developments.

Mitsubishi UFJ NICOS Co., Ltd.

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

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

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 ¥215 trillion as of March 31, 2012. The Group is comprised of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries and affiliates, for which we are the holding company. As a bank holding company, we are regulated under the Banking Law of Japan. Our services include commercial banking, trust banking,

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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, in more than 40 countries.

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

- establish a more diversified financial services group operating across business sectors;
- leverage the flexibility afforded by our organizational structure to expand our business;
- benefit from the collective expertise of BTMU, MUTB, MUMSS (through MUSHD) and Mitsubishi UFJ NICOS;
- achieve operational efficiencies and economies of scale; and
- enhance the sophistication and comprehensiveness of the Group s risk management expertise.

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

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

MUFG Management Policy

The MUFG Group put in place a management philosophy when the Group was formed. This has now been reworked to become the Group Corporate Vision, outlined below. Throughout the Group, the individuals at the MUFG Group are working under three shared values Integrity and Responsibility, Professionalism and Teamwork, and Challenge Ourselves to Grow while aiming to be the world s most trusted financial group.

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

Integrated Retail Banking Business Group

The Integrated Retail Banking Business Group covers all domestic retail businesses, including commercial banking, trust banking and securities businesses, and we 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, MUMSS and other affiliate companies of MUFG.

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

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

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

Investment trusts. We provide a diverse lineup of investment trust products allowing our customers to choose products according to their investment needs through BTMU, MUTB and MUMSS as well as kabu.com Securities Co., Ltd., which specializes in online financial services. For example, as of March 31, 2012, BTMU offered our clients a total of 90 investment trusts. Moreover, BTMU has placed significant importance on providing after-sales advice to all of our customers who have purchased our investment trust products.

Insurance. We offer insurance products to meet the needs of our customers as a sales agent of third party insurance companies. Our current lineup of insurance products consists of investment-type individual annuity insurance, fixed-amount annuity insurance, single-premium whole-life insurance and level-payment insurance. BTMU has been offering life, medical and cancer insurance since December 2007, nursing-care insurance since April 2008 and car insurance since July 2009. As of March 31, 2012, BTMU offered 40 varieties of insurance products at 448 BTMU branches. MUTB also offers whole life insurance and medical insurance at all of its branches.

Financial products intermediation services. We offer financial products intermediation services through BTMU acting as an agent with three MUFG securities companies (MUMSS, Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd., and kabu.com Securities) and through MUTB acting as an agent with MUMSS. We offer securities, including publicly offered stocks, foreign and domestic investment trusts, Japanese government bonds, foreign bonds and various other products.

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

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purchase environment-conscious houses (e.g., houses with solar electric systems) which meet specific criteria in response to increasing public interest in environmental issues. BTMU also offers a card loan service called BANQUIC, for which applications can be accepted through the internet, telephone, video counter 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.

Credit cards. Among our group companies, Mitsubishi UFJ NICOS and BTMU issue credit cards and offer some preferential services provided by other MUFG group companies (including preferential rates for BTMU housing loans) to holders of the 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 for cash or other preferential treatment for banking transactions through BTMU.

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

Domestic Network. We offer products and services through a wide range of channels, including branches, ATMs, video counters, and, Mitsubishi-Tokyo UFJ Direct (telephone, internet and mobile phone banking).

We offer integrated financial services combining our banking, trust banking and securities services at MUFG Plazas. These Plazas provide retail customers with an integrated and flexible suite of services at one-stop outlets. As of March 31, 2012, we provided those services through 31 MUFG Plazas.

To provide exclusive membership services to high net worth individual customers, we have Private Banking Offices featuring lounges and private rooms where we provide wealth management advice and other services to our customers in a relaxing and comfortable setting. As of March 31, 2012, we had 29 Private Banking Offices in Japan.

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. Furthermore, BTMU currently shares its ATM network with 7 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.

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, 2012, BTMU engaged in the following 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 the following three businesses as the trust banking agent for MUTB: testamentary trusts, inheritance management and asset succession planning. 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 domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses. Through the integration of these business lines, diverse financial products and services are provided mainly to our Japanese corporate clients, from large corporations to medium-sized and small businesses. The business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of our corporate customers.

Commercial Banking

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

CIB (Corporate and Investment Banking)

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

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

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 multi-company groups. 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 services also enable us to offer services tailored to the financial strategies of each client, including securitization of real estate, receivables and other assets.

Integrated Trust Assets Business Group

The Integrated Trust Assets Business Group covers asset management and administration services for products such as pension trusts and security trusts by integrating the trust banking expertise of MUTB and the international strengths of BTMU. The business group provides a full range of services to corporate and pension funds, including stable and secure pension fund management and administration, advice on pension schemes, and payment of benefits to scheme members. The business group offers asset management products developed by our affiliated partners outside of Japan in order to meet diverse customer needs for asset management. With the aim of further enhancing the business, in

December 2011, MUTB entered into a strategic business and capital alliance with AMP Capital Holdings Limited, an asset management company in Australia. For more information, see Item 5. Operating and Financial Review and Prospects Recent Developments.

Our Integrated Trust Assets Business Group combines MUTB s trust assets business, comprising trust assets management services, asset administration and custodial services, and the businesses of Mitsubishi UFJ Global Custody S.A., Mitsubishi UFJ Asset Management Co., Ltd. and KOKUSAI Asset Management Co., Ltd.

Mitsubishi UFJ Global Custody S.A. 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 individual customers and corporate clients in Japan.

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Integrated Global Business Group (MUFG Global)

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

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

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

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

CIB (Corporate and Investment Banking)

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

Transaction Banking

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

Union Bank

UNBC is a wholly owned indirect subsidiary of MUFG. UNBC is a US bank holding company with Union Bank being its primary subsidiary. Union Bank is a leading regional bank headquartered in California, ranked by

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the Federal Deposit Insurance Corporation, or FDIC, as the 21st largest bank in the United States in terms of total deposits as of March 2012. Union Bank provides a wide range of financial services to consumers, small businesses, middle-market companies and major corporations, primarily in California, Oregon, Washington, and Texas as well as nationally and internationally. In April 2010, Union Bank acquired loans and other assets and assumed deposits and other liabilities of Tamalpais Bank, a California-based bank, and Frontier Bank, a Washington-based bank, from the FDIC in separate FDIC-assisted transactions. In March 2012, UNBC entered into a definitive agreement to acquire Pacific Capital Bancorp, a bank holding company based in California with approximately $5.9 billion in total assets and approximately $4.6 billion in deposits. In May 2012, Union Bank entered into a definitive agreement with PNC Bank, N.A. to acquire Smartstreet, an Atlanta-based financial services division of PNC Bank that has approximately $1 billion in deposits and provides banking services in the United States to homeowners associations and community association management companies. For more information, see Item 5. Operating and Financial Review and Prospects Recent Developments.

Global Markets

Global Markets covers the asset and liability management and strategic investments of BTMU and MUTB, and sales and trading of financial products of BTMU, MUTB and MUMSS.

Other

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

Global Strategic Alliance with Morgan Stanley

As of March 31, 2011, we held a total of approximately 47 million shares of Morgan Stanley s common stock, Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock (Series B Preferred Stock) with a face value of approximately $7.9 billion, or ¥808.3 billion, and a 10% dividend, and Perpetual Non-Cumulative Non-Convertible Preferred Stock (Series C Preferred Stock) with a face value of approximately $0.5 billion, or ¥53.6 billion, and a 10% dividend.

On June 30, 2011, we converted all of the Series B Preferred Stock held by us for approximately 385 million shares of Morgan Stanley s common stock, resulting in us holding approximately 432 million shares of Morgan Stanley s common stock, which represented approximately 22.4% of the voting rights in Morgan Stanley based on the number of shares of Morgan Stanley s common stock outstanding as of June 30, 2011. As of March 31, 2012, we held approximately 21.8% of the voting rights in Morgan Stanley and held a total of approximately 432 million shares of Morgan Stanley s common stock and Series C Preferred Stock with a face value of approximately $0.5 billion, or ¥53.6 billion, and a 10% dividend. As of the same date, we had two representatives appointed to Morgan Stanley s board of directors. We adopted the equity method of accounting for our investment in Morgan Stanley for the fiscal year ended March 31, 2012. For more information, see Item 5. Operating and Financial Review and Prospects Recent Developments.

In May 2010, we and Morgan Stanley integrated our respective Japanese securities companies by forming two securities joint venture companies. We converted the wholesale and retail securities businesses conducted in Japan by MUS into MUMSS. Morgan Stanley contributed the investment banking operations conducted in Japan by its former wholly-owned subsidiary, Morgan Stanley Japan, to MUMSS, and converted the sales and trading and capital markets businesses conducted in Japan by Morgan Stanley Japan into an entity called Morgan Stanley

MUFG Securities, Co., Ltd., or MSMS. We hold a 60% economic interest in MUMSS and MSMS, and Morgan Stanley holds a 40% economic interest in MUMSS and MSMS. We hold a 60% voting interest and Morgan Stanley holds a 40% voting interest in MUMSS, and we hold a 49% voting interest and Morgan Stanley holds a 51% voting interest in MSMS. Morgan Stanley s and our economic and voting interests in the securities joint venture companies are held through intermediate holding companies. We have retained control of MUMSS and we account for our interest in MSMS under the equity method due to our significant influence over MSMS. The board of directors of MUMSS has fifteen members, nine of whom are designated by us and six of whom are

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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 discussion of our recent capital contributions to MUMSS, see Item 5. Operating and Financial Review and Prospects Recent Developments.

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

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

Competition

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

Japan

Since their formation in 2000 and 2001, the so-called Japanese mega bank groups, including us, the Mizuho Financial Group, and the Sumitomo Mitsui Financial Group have continued to expand their businesses and financial group capabilities. Heightened competition among the mega bank groups is currently expected in the securities sector as they have recently announced plans to expand, or have expanded, their respective securities businesses. In May 2010, we and Morgan Stanley created two securities joint venture companies in Japan, MUMSS and MSMS, by integrating the operations of MUS and Morgan Stanley Japan. In May 2009, Mizuho Securities Co., Ltd. acquired Shinko Securities Co., Ltd. In September 2011, the Norinchukin Bank, Mizuho Corporate Bank, Ltd. and Mizuho Securities entered into definitive agreements to expand areas of business cooperation and enhance collaborative relationships. In May 2012, Mizuho Securities and Mizuho Investors Securities Co., Ltd. entered into a merger agreement, pursuant to which the merger is expected to become effective on January 4, 2013. In October 2009, the Sumitomo Mitsui Financial Group acquired the former Nikko Cordial Securities Inc. and other businesses from Citigroup Inc. For a discussion of the two securities joint venture companies created by us and Morgan Stanley, see B. Business Overview Global Strategic Alliance with Morgan Stanley.

The mega bank groups face heightened competition with other financial groups. For example, the Nomura Group acquired Lehman Brothers Holdings Inc. s franchise in the Asia-Pacific region and investment banking businesses in Europe and the Middle East in October 2008. In addition, various Japanese non-bank financial institutions, non-financial companies as well as foreign financial institutions entered into the Japanese domestic market. For example, Orix Corporation, a non-bank financial institution, and the Seven & i Holdings group and Sony Corporation, which were both non-financial companies, began to offer various banking services, often through non-traditional distribution channels. Citigroup Inc. conducts its banking business in Japan through a locally incorporated banking subsidiary.

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

In recent years, the Japanese government has identified several governmental financial institutions as candidates to privatize. In particular, the privatization of the Japan Post Group companies could substantially increase competition within the financial services industry as Japan Post Bank Co., Ltd. is the world s largest holder of deposits. Although the Japanese government s privatization plan for the Japan Post Group companies was suspended in December 2009, a revised postal privatization law became effective in May 2012, allowing the government to commence its sales of shares in the Japan Post Group companies. The revised law only requires Japan Post Holdings Co., Ltd. to make efforts to sell its shares in Japan Post Bank and Japan Post Insurance Co., Ltd. as soon as possible with no specific deadline. Additionally, under the revised law, Japan Post Bank and Japan Post Insurance may enter into new businesses upon obtaining government approvals, and if the government s equity holdings decrease to a certain level, the two companies will be allowed to enter into new businesses upon submission of a notice to the government. As a result, the Japan Post Group companies may seek to enter into new businesses, including sales of various types of insurance and housing loans. The privatization of the Japan Post Group companies remains subject to political negotiations and government action. See Item 3.D. Key Information Risk Factors Risks Related to Our Business 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 and B. Business Overview The Japanese Financial System Government Financial Institutions.

In the consumer finance sector, new regulatory reforms and legal developments have negatively impacted the business environment, resulting in failures of a large number of consumer finance companies, including a major consumer finance company s filing for corporate reorganization in September 2010. In April 2012, Promise Co., Ltd. became a wholly-owned subsidiary of the Sumitomo Mitsui Financial Group. See Item 3.D. Key Information Risk Factors Risks Related to Our Business Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results.

The trust assets business is a growth area that is becoming increasingly competitive because of regulatory changes in the industry that have expanded the products and services that can be offered since the mid-2000s**.** In addition, there is growing corporate demand for changes in the trust regulatory environment, such as reforms of the pension system and related accounting regulations under Japanese GAAP. Competition may increase in the future as changes are made to respond to such corporate demand and regulatory barriers to entry are lowered. In October 2009, The Sumitomo Trust and Banking Co., Ltd. acquired Nikko Asset Management Co., Ltd. from Citigroup Inc. In April 2011, Sumitomo Trust and Banking and Chuo Mitsui Trust Holdings, Inc. established Sumitomo Mitsui Trust Holdings, Inc., a holding company, to integrate their operations. In April 2012, Sumitomo Trust and Banking, The Chuo Mitsui Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited, the three trust bank subsidiaries of Sumitomo Mitsui Trust Holdings, merged and were renamed Sumitomo Mitsui Trust Bank, Limited. As a result, competition is expected to intensify in the asset management and trust assets businesses.

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.

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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 May 7, 2012:

- ordinary banks (128 ordinary banks and 57 foreign commercial banks with ordinary banking operations); and
- trust banks (16 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 107 and other banks, of which there are 16. Of the five city banks, Mizuho Bank, Ltd. and Mizuho Corporate Bank have announced a plan to merge, effective July 1, 2013. In general, the operations of ordinary banks correspond to commercial banking operations in the United States. City banks and regional banks are distinguished based on head office location as well as the size and scope of their operations.

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

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

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

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

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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 in Japan. 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, the target completion date for which has been postponed until some time between April 2020 and March 2022;

- Japan Finance Corporation, which was formed in October 2008, through the merger of the International Financial Operations of the former Japan Bank for International Cooperation, National Life Finance Corporation, Agriculture, Forestry and Fisheries Finance Corporation, and Japan Finance Corporation for Small and Medium Enterprise, the primary purposes of which are to supplement and encourage the private financing of exports, imports, overseas investments and overseas economic cooperation, and to supplement private financing to the general public, small and medium enterprises and those engaged in agriculture, forestry and fishery. In April 2012, Japan Finance Corporation spun off international operations to create Japan Bank for International Cooperation as a separate government-owned entity;

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

- The Japan Post Group companies, a group of joint stock companies including Japan Post Bank, which were formed in October 2007 as part of the Japanese government s privatization plan for the former Japan Post, a government-run public services corporation, which had been the Postal Service Agency until March 2003. The Japanese government s privatization plan for the Japan Post Group companies was suspended in December 2009. In May 2012, a revised postal privatization law became effective, allowing the government to commence its sales of shares in the Japan Post Group companies.

Supervision and Regulation

Japan

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

The Banking Law. Among the various laws that regulate financial institutions, the Banking Law and its subordinated orders and ordinances are regarded as the fundamental law for ordinary banks and other private financial institutions. The Banking Law addresses capital adequacy, inspections and reporting to banks and bank holding companies, as well as the scope of business activities, disclosure, accounting, limitation on granting credit and standards for arm s length transactions for them. As a result of the amendment to the Banking Law and

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the Financial Instruments and Exchange Law, effective as of June 2009, firewall regulations that separate bank holding companies or banks from affiliated securities companies have become less stringent. On the other hand, bank holding companies, banks and other financial institutions are required to establish an appropriate system to better cope with conflicts of interest that may arise from their business operations.

Bank holding company regulations. A bank holding company is prohibited from carrying out 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. Since March 2007, Japanese banks have been subject to standards reflecting the Basel Committee standards called International Convergence of Capital Measurement and Capital Standards: A Revised Framework, or Basel II.

Under the FSA guidelines reflecting Basel II, we and our banking subsidiaries currently use the Advanced Internal Ratings-Based Approach, or the AIRB approach, to calculate capital requirements for credit risk as of March 31, 2011 and 2012. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to the overall MUFG capital requirements, and UNBC has 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 reflected operational risk in the risk-weighted assets by applying the Standardized Approach as of March 31, 2011 and the Advanced Measurement Approach as of March 31, 2012, respectively. For more information, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Operational Risk Management.

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

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

- the amount (up to a maximum of 0.6% of credit risk-weighted assets) by which eligible reserves for credit losses exceed expected losses in the internal ratings-based approach, and general reserves for credit losses, subject to a limit of 1.25% of modified risk-weighted assets determined by the partial use of the Standardized Approach (including a phased rollout of the internal ratings-based approach), 45% of the unrealized gains on investment securities classified as securities available for sale under Japanese GAAP,

- 45% of the land revaluation excess,

- the balance of perpetual subordinated debt, and

- the balance of subordinated term debt with an original maturity of over five years and preferred stock with a maturity up to 50% of Tier I capital.

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

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

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 five 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 effective yet in Japan. However, if adopted, the Japanese capital ratio framework, which is currently based on Basel II, is expected to be revised to implement these measures, thereby imposing possibly more stringent requirements.

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

- raising the quality of capital to ensure banks are able to better absorb losses on both a going concern and a gone concern basis,

- increasing the risk coverage of the capital framework, in particular for trading activities, securitizations, exposures to off-balance sheet vehicles and counterparty credit exposures arising from derivatives,

- raising the level of minimum capital requirements, including an increase in the minimum common equity requirement from 2% to 4.5%, which is planned to be phased in between January 1, 2013 and January 1, 2015, and a capital conservation buffer of 2.5%, which is planned to be phased in between January 1, 2016 and year end 2018, bringing the total common equity requirement to 7%,

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introducing an internationally harmonized leverage ratio to serve as a backstop to the risk-based capital measure and to contain the build-up of excessive leverage in the system,

raising standards for the supervisory review process (Pillar 2) and public disclosures (Pillar 3), together with additional guidance in the areas of sound valuation practices, stress testing, liquidity risk management, corporate governance and compensation,

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

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

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

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

In November 2011, the Financial Stability Board tentatively identified us as a G-SIFI. The banks that are included in the group of G-SIFIs will be subject to stricter capital requirements. The group of G-SIFIs is expected to be updated annually, and the first group of G-SIFIs to which the stricter capital requirements will initially be applied is expected to be identified in 2014. The stricter capital requirements are expected to be implemented in phases from 2016.

Based on the Basel III framework, the Japanese capital ratio framework, which is currently based on Basel II, has been revised to implement the more stringent requirements, which will be effective as of March 31, 2013. Likewise, local banking regulators outside of Japan such as those in the United States are expected to revise the capital and liquidity requirements imposed on our subsidiaries and operations in those countries to implement the more stringent requirements of Basel III as adopted in those countries. The new risk-weighted asset structure expected to be proposed under Basel III may also encourage us to modify our business model to focus more on flow-based client market businesses, such as transactional banking and asset management. We will continue to assess the potential impact of Basel III and other regulatory standards related thereto.

For a discussion on our capital ratios, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Adequacy.

Inspection and reporting. By evaluating banks systems of self-assessment, auditing their accounts and reviewing their compliance with laws and regulations, the FSA monitors the financial soundness of banks, including the status and performance of their control systems for business activities. The FSA implemented the Financial Inspection Rating System, or FIRST, for deposit-taking financial institutions which has become applicable to major banks since April 1, 2007. By providing inspection results in the form of graded evaluations

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(i.e., ratings), the FSA expects this rating system to motivate financial institutions to voluntarily improve their management and operations. Additionally, the FSA currently takes the better regulation approach in its financial regulation and supervision. This consists of four pillars: (1) optimal combination of rules-based and principles-based supervisory approaches; (2) timely recognition of priority issues and effective response; (3) encouraging voluntary efforts by financial firms and placing greater emphasis on providing them with incentives; and (4) improving the transparency and predictability of regulatory actions, in pursuit of improvement of the quality of financial regulation and supervision.

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

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

The Bank of Japan also conducts inspections of banks. 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 Antimonopoly Act that prohibit a bank from holding more than 5% of another company s voting rights do not apply to a bank holding company. However, the Banking Law prohibits a bank holding company and its subsidiaries from holding, on an aggregated basis, more than 15% of the voting rights of companies other than those which can legally become subsidiaries of bank holding companies.

Banks are also prohibited from holding shares in other companies exceeding their Tier I capital amount. For a detailed discussion on the capital requirements for Japanese banks, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Adequacy Capital Requirements for Banking Institutions in Japan.

The Financial Instruments and Exchange Law. The Financial Instruments and Exchange Law provides protection for investors and also regulates sales of a wide range of financial instruments and services, requiring financial institutions to improve their sales rules and strengthen compliance frameworks and procedures. Among the instruments that the Japanese banks deal in, derivatives, foreign currency-denominated deposits, and variable insurance and annuity products are subject to regulations covered by the sales-related rules of conduct under the act.

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

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

Deposit insurance system and government measures for troubled financial institutions. The Deposit Insurance Act is intended to protect depositors if a financial institution fails to meet its obligations. The Deposit Insurance Corporation was established in accordance with this 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 Act, the maximum amount of protection is ¥10 million per customer within one bank. All deposits are subject to the ¥10 million maximum, except for non-interest bearing deposits that are redeemable on demand and used by the depositor primarily for payment and settlement functions (the settlement accounts). Deposits in settlement accounts are fully protected without a maximum amount limitation. Certain types of deposits are not covered by the deposit insurance system, such as foreign currency deposits and negotiable certificates of deposit. As of April 1, 2012, 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. If no financial institutions become insolvent during the year ending on March 31, 2013, the premiums will be retrospectively revised to 0.089% and 0.068%, respectively, and the balance will be returned.

Under the Deposit Insurance Act, a Financial Reorganization Administrator can be appointed by the Prime Minister if a bank is unable to fully perform its obligations with its assets or may suspend or has suspended repayment of deposits. The Financial Reorganization Administrator will take control of the assets of the troubled bank, dispose of the assets and search for another institution willing to take over its business. The troubled bank s business may also be transferred to a bridge bank established by the Deposit Insurance Corporation for the purpose of the temporary maintenance and continuation of operations of the troubled bank, and the bridge bank will seek to transfer the troubled bank s assets to another financial institution or dissolve the troubled bank. The Deposit Insurance Corporation protects deposits, as described above, either by providing financial aid for costs incurred by the financial institution succeeding the insolvent bank or by paying insurance money directly to depositors. The financial aid, provided by the Deposit Insurance Corporation, may take the form of a monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock, or loss sharing. The Deposit Insurance Act 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 Act on 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 act, banks and other financial institutions may apply to receive capital injections from the Deposit Insurance Corporation, subject to government approval, which will be granted subject to the fulfillment of certain requirements, including, among other things, the improvement of profitability and efficiency, facilitation of financing to small and medium-sized business enterprises in the local communities, and that the financial institution is not insolvent.

In response to the Great East Japan Earthquake on March 11, 2011, the act was revised in July 2011, adding the special case for the financial institutions suffering damage from the disaster. Under the case, the requirement to create the improvement plan of profitability and efficiency is eased. Moreover, the application deadline has been extended from March 31, 2012 to March 31, 2017.

The Act on the Temporary Measures for the Facilitation of Finance to Small and Medium-sized Firms and Others. In December 2009, the Act on the Temporary Measures for the Facilitation of Finance to Small and Medium-sized Firms and Others became effective, requiring financial institutions, among other things, to make an effort to reduce their customers burden of loan repayment by employing methods such as modifying the term

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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. This legislation has been extended to March 31, 2013.

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

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

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

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

Recent Regulatory Actions. In December 2011, JACCS Co., Ltd., an equity-method investee, received a business improvement order from the Kanto Bureau of Economy, Trade and Industry of the Ministry of Economy, Trade and Industry of Japan under the Installment Sales Act of Japan in connection with extensions of credit to individuals without conducting a credit examination to determine the individual s repayment ability as required by the Act when JACCS experienced a system failure, resulting in loans extended to individuals in excess of their respective estimated repayment abilities. JACCS has implemented measures designed to prevent the recurrence of similar incidents and ensure an appropriate compliance framework. For further information, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Compliance.

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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 in the United States. 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.

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

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

US branches and agencies of foreign banks must be licensed, and are also supervised and regulated, by a state or by the Office of the Comptroller of the Currency, or the OCC, the federal regulator of US 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 safe and 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 Department of Financial Services, 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 Department of Financial Services. 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 two US banks:

- 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).

Mitsubishi UFJ Trust & Banking Corporation (U.S.A.) is chartered by the State of New York and is 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 FDIC is the primary federal agency responsible for the supervision, examination and regulation of the 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 both of our US banking subsidiaries up to legally specified maximum amounts. In the event of a 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 in enforcing these laws. 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 incurrence 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.

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

Regulatory Reform Legislation. In response to the global financial crisis and the perception that lax supervision of the financial industry in the United States may have been a contributing cause, new legislation designed to reform the system for supervision and regulation of financial firms doing business in the United States, the so-called 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 are sweeping reforms designed to reduce systemic risk presented by very large financial firms, promote enhanced supervision, regulation, and prudential standards for financial firms, establish comprehensive supervision of financial markets, impose new limitations on permissible financial institution activities and investments, expand regulation of the derivatives markets, protect consumers and investors from financial abuse, and provide the government with the tools needed to manage a financial crisis. Many aspects of the legislation require subsequent regulatory action by supervisory agencies for full implementation and, to date, a number of proposals for regulatory rule-making have been issued by those supervisory agencies that, if finally adopted, would have an impact on our operations. Since those rules are, for the most part, not yet adopted in final form, at this time we are unable to assess with certainty the potential impact of the Dodd-Frank Act on our operations.

Currently, the components of the Dodd-Frank Act that may impact our operations are the provisions relating to the Volcker Rule, enhanced prudential standards (including capital requirements, resolution plans, and credit reporting), derivatives regulation (including the swap push-out provisions), incentive-based compensation, the establishment of the Consumer Financial Protection Bureau, and debit interchange fees. Although most of the regulatory rules regarding the foregoing components are still pending, based on information currently available to us, other than as discussed below, the impact of these components is expected to be mainly limited to our US operations and not to be material to us on a consolidated basis. We intend to continue to monitor developments relating to the Dodd-Frank Act and the potential impact on our activities inside and outside of the United States.

Under the Volcker Rule, we would be required to cease conducting certain proprietary trading activities (i.e., trading in securities and financial instruments for our own account) subject to certain exceptions including market-making, hedging, and underwriting activities if such activities are conducted within a rigorous compliance framework. While the Volcker Rule was intended to exclude restrictions on proprietary trading activities conducted solely outside of the United States, US regulators have not yet finalized rules or guidance on the application of this intended limitation. Most of our proprietary trading activities are generally executed outside of the United States, and we have only limited proprietary trading activity in our US subsidiaries. Accordingly, if the US regulators limit the extraterritorial application of the Volcker Rule to exclude our proprietary trading activities conducted outside of the United States, we do not expect the proprietary trading revenues attributable to our US subsidiaries as a result of the implementation of the Volcker Rule to be material to our operations based on our current revenues attributable to the proprietary trading activities conducted in our US subsidiaries.

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US regulators have also begun to issue final regulations governing swaps and derivatives markets as contemplated by the Dodd-Frank Act. We expect that the swaps activities of some of our subsidiaries and their branches will require such subsidiaries and branches to register as swap dealers with the US Commodity Futures Trading Commission and the US Securities and Exchange Commission during 2012. The regulations will impose substantial new requirements governing the conduct of swaps activities subject to the Dodd-Frank Act. US regulators have issued proposed guidance on the application of US regulations to activities of registered swap dealers outside of the United States. The potential extraterritorial application of swap dealer regulatory requirements, as proposed, could impose significant operational and compliance burdens on our swaps activities outside of the United States.

Foreign Account Tax Compliance Act. The Hiring Incentives to Restore Employment Act was enacted in March 2010 and contains provisions commonly referred to as FATCA. The US Department of the Treasury, or the US Treasury, acting through the Internal Revenue Service, is responsible for issuing regulations implementing FATCA. Although the US Treasury has issued preliminary guidance for implementation, including proposed regulations, final comprehensive rules and regulations governing implementation of FATCA have not yet been issued. Moreover, the United States and Japan have agreed to pursue a framework for intergovernmental cooperation to facilitate the implementation of FATCA. However, the details of this framework have not yet been finalized. FATCA is likely to require non-US financial institutions to develop extensive systems capabilities and internal processes to identify and report US persons who are subject to FATCA requirements. Developing and implementing those capabilities and processes is likely to be a complex and costly process and failure to do so in an adequate manner may subject any institution that fails to do so to serious legal and reputational consequences, including the imposition of fines and other monetary penalties. At this time we are unable to assess with certainty the potential impact of FATCA on our operations.

Recent Regulatory and Other Legal Developments. We have received requests and subpoenas for information from government agencies in some jurisdictions, including the United States and Europe, which are conducting investigations into past submissions made by panel members, including us, to the bodies that set various interbank offered rates. We are cooperating with these investigations. In addition, we and other panel members have been named as defendants in a number of civil lawsuits, including putative class actions, in the United States relating to similar matters. See Item 3. Key Information Risk Factors Risks Related to Our Business Regulatory matters and any future regulatory matters or regulatory changes could have a negative impact on our business and results of operations.

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C. Organizational Structure

The following chart presents our corporate structure summary as of March 31, 2012:

Note:
(1) Consumer finance subsidiaries

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Set forth below is a list of our principal consolidated subsidiaries at March 31, 2012:

Note:

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

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D. Property, Plant and Equipment

Premises and equipment at March 31, 2011 and 2012 consisted of the following:

	At March 31, 2011	At March 31, 2012
	(in millions)	
Land	¥ 391,602	¥ 381,977
Buildings	694,384	708,223
Equipment and furniture	667,073	687,228
Leasehold improvements	225,407	233,123
Construction in progress	15,007	19,330
Total	1,993,473	2,029,881
Less accumulated depreciation	1,030,925	1,042,407
Premises and equipment net	¥ 962,548	¥ 987,474

Our registered address is 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan. At March 31, 2012, we and our subsidiaries conducted our operations either in premises we owned or in properties we leased.

The following table presents the book values of our material offices and other properties at March 31, 2012:

	Book value (in millions)
Owned land	¥ 381,977
Owned buildings	219,846

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, 2012, we invested approximately ¥131.2 billion, primarily for office renovations and relocation.

Item 4A. Unresolved Staff Comments.

None.

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Item 5. Operating and Financial Review and Prospects.

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

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Introduction

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

Key Income and Expense Figures

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

	Fiscal years ended March 31,		
	2010	**2011**	**2012**
	(in billions, except per share data)		
Net interest income[1]	¥ 1,983.5	¥ 1,879.5	¥ 1,955.8
Provision for credit losses	647.8	292.0	223.8
Non-interest income	2,469.4	1,694.8	1,440.6
Non-interest expense	2,508.1	2,460.5	2,322.7
Net income before attribution of noncontrolling interests	884.0	388.1	420.7
Net income attributable to Mitsubishi UFJ Financial Group	868.7	452.6	416.2
Diluted earnings per common share net income available to common shareholders of Mitsubishi UFJ Financial Group	68.59	30.43	28.09
Total assets (at end of fiscal year)	200,081.5	202,850.2	215,202.5

Note:

(1) Interest income for the fiscal year ended March 31, 2012 includes a gain of ¥139.3 billion on conversion rate adjustment of convertible preferred stock. Exclusive of the one-time gain associated with the conversion, interest income for the fiscal year ended March 31, 2012 would have been lower.

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, 2012 increased compared to that for the prior fiscal year, mainly due to the recognition as interest income of a ¥139.3 billion gain realized from an adjustment to the conversion rate associated with the conversion of Morgan Stanley s preferred stock into Morgan Stanley s common stock. The average lending volumes, however, slightly decreased. Although there was a slight improvement in interest rate spread due to the recognition of the gain stated above, the low global interest rate environment continued to affect our overall interest rate spread during the fiscal year ended March 31, 2012. Excluding the effect of the gain realized in connection with our conversion of Morgan Stanley s preferred stock of ¥139.3 billion for the fiscal year ended March 31, 2012 and the related preferred dividends of ¥66.0 billion for the fiscal year ended March 31, 2011, the average interest rate spread decreased 0.01 percentage points from

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0.96% for the fiscal year ended March 31, 2011 to 0.95% for the fiscal year ended March 31, 2012. For more information on the conversion of Morgan Stanley s preferred stock, see Recent Developments below.

The following table shows changes in our net interest income by changes in volume and by changes in rates for the fiscal year ended March 31, 2011 compared to the fiscal year ended March 31, 2010 and the fiscal year ended March 31, 2012 compared to the fiscal year ended March 31, 2011:

	Fiscal year ended March 31, 2010 versus fiscal year ended March 31, 2011			Fiscal year ended March 31, 2011 versus fiscal year ended March 31, 2012		
	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	¥ (41,926)	¥ (56,372)	¥ (98,298)	¥ (51,014)	¥ (36,835)	¥ (87,849)
Foreign(2)	35,377	(41,074)	(5,697)	43,905	120,290	164,195
Total	¥ (6,549)	¥ (97,446)	¥ (103,995)	¥ (7,109)	¥ 83,455	¥ 76,346

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) Interest income on foreign activities for the fiscal year ended March 31, 2012 includes a gain of ¥139.3 billion on conversion rate adjustment of convertible preferred stock. Exclusive of the one-time gain associated with the conversion, the increases would have been smaller for the fiscal year ended March 31, 2012 compared to the fiscal year ended March 31, 2011. For more information, see Selected Statistical Data.

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, 2010, 2011 and 2012:

	Fiscal years ended March 31,					
	2010		2011		2012	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
	(in billions, except percentages)					
Interest-earning assets:						
Domestic	¥ 127,830.2	1.34%	¥ 130,922.3	1.16%	¥ 130,856.7	1.07%
Foreign(1)	47,540.5	2.20	49,338.1	2.08	53,322.4	2.24
Total	¥ 175,370.7	1.57%	¥ 180,260.4	1.41%	¥ 184,179.1	1.41%
Financed by:						
Interest-bearing liabilities:						
Domestic	¥ 124,431.3	0.37%	¥ 126,908.2	0.29%	¥ 130,916.6	0.26%
Foreign	33,725.1	0.93	34,436.5	0.87	34,504.0	0.88
Total	158,156.4	0.49	161,344.7	0.42	165,420.6	0.39
Non-interest-bearing liabilities	17,214.3		18,915.7		18,758.5	

Total	¥ 175,370.7	0.44%	¥ 180,260.4	0.37%	¥ 184,179.1	0.35%
Interest rate spread		1.08%		0.99%		1.02%
Net interest income as a percentage of total interest-earning assets		1.13%		1.04%		1.06%

Note:

(1) Interest income on foreign activities for the fiscal year ended March 31, 2012 includes a gain of ¥139.3 billion on conversion rate adjustment of convertible preferred stock. Exclusive of the one-time gain associated with the conversion, the average rate for the fiscal year ended March 31, 2012 would have been lower. For more information, see Selected Statistical Data.

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

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

- fees and commissions income, including
  - trust fees,
  - fees on funds transfer and service charges for collections,
  - fees and commissions on international business,
  - fees and commissions on credit card business,
  - service charges on deposits,
  - fees and commissions on securities business,
  - fees on real estate business,
  - insurance commissions,
  - fees and commissions on stock transfer agency services,
  - guarantee fees,
  - fees on investment funds business, and
  - other fees and commissions;
- foreign exchange gains net, which include gains (losses) on foreign exchange derivative contracts (for example, foreign exchange gains and losses on currency derivatives), foreign exchange gains (losses) other than derivative contracts (for example, gains and losses on foreign exchange transactions), and foreign exchange gains (losses) related to the fair value option (for example, foreign exchange gains (losses) on securities under the fair value option);

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

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

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

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

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

equity in losses of equity method investees net, which includes our equity interest in the earnings of our equity investees and impairment losses on our investments in equity method investees;

gains on sales of loans; and

other non-interest income.

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The following table is a summary of our non-interest income for the fiscal years ended March 31, 2010, 2011 and 2012:

	Fiscal years ended March 31,		
	2010	2011	2012
		(in billions)	
Fees and commissions income	¥ 1,139.5	¥ 1,128.4	¥ 1,100.0
Foreign exchange gains net	216.7	260.7	34.3
Trading account profits net	761.5	133.9	667.3
Investment securities gains net	223.0	121.8	19.4
Equity in losses of equity method investees net	(83.9)	(113.0)	(499.4)
Gains on sales of loans	21.2	14.5	15.6
Other non-interest income	191.4	148.5	103.4
Total non-interest income	¥ 2,469.4	¥ 1,694.8	¥ 1,440.6

Core Business Areas

We operate our main businesses under an integrated business group system, which integrates the operations of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries in the following four areas Retail, Corporate, Trust Assets, and Global. Of these four, the Integrated Global Business Group was added as of July 1, 2011 by shifting most of our global operations mainly from the Integrated Corporate Banking Group to more effectively coordinate and enhance group-wide efforts to strengthen and expand our overseas operations. These four 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. For further information, see A. Operating Results Business Segment Analysis.

Our business segment information is based on financial information prepared in accordance with Japanese GAAP, as adjusted in accordance with internal management accounting rules and practice and is not consistent with our consolidated financial statements included elsewhere in this Annual Report, which have been prepared in accordance with US GAAP. For information on a reconciliation of operating profit under our internal management reporting system to income before income tax expense shown on the consolidated statements of income, see Note 27 to our consolidated financial statements included elsewhere in this Annual Report. The following table sets forth the relative contributions to operating profit for the fiscal year ended March 31, 2012 of the four 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	Integrated Global Business Group			Global Markets	Other	Total
				Other than UNBC	UNBC	Total			
					(in billions)				
Net revenue	¥ 1,274.1	¥ 884.8	¥ 140.5	¥ 401.1	¥ 252.0	¥ 653.1	¥ 690.7	¥ (49.7)	¥ 3,593.5
Operating expenses	903.6	447.7	87.3	225.1	173.0	398.1	96.6	165.4	2,098.7
Operating profit (loss)	¥ 370.5	¥ 437.1	¥ 53.2	¥ 176.0	¥ 79.0	¥ 255.0	¥ 594.1	¥ (215.1)	¥ 1,494.8

Summary of Our Recent Financial Results and Financial Condition

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥416.2 billion for the fiscal year ended March 31, 2012, compared to ¥452.6 billion for the fiscal year ended March 31, 2011. 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, 2012 was ¥28.09, compared to diluted earnings per share of common stock of ¥30.43 for the fiscal year ended March 31, 2011. Income before income tax expense for the fiscal year ended March 31, 2012 was ¥849.9 billion, compared to income before income tax expense of ¥821.8 billion for the fiscal year ended March 31, 2011.

Our business and results of operations as well as our assets are heavily influenced by trends in economic conditions particularly in Japan. In the first half of fiscal year ended March 31, 2012, the Japanese economy demonstrated modest recovery from the Great East Japan Earthquake and ensuing tsunami in the northern region of Japan that occurred on March 11, 2011 as well as the subsequent accidents at the Fukushima Daiichi Nuclear Power Plants, with a quarter-on-quarter real GDP growth rate of 1.9% in the July-September 2011 period, following a negative quarter-on-quarter growth rate of 0.4% in the April-June 2011 period. The growth in the July-September 2011 period particularly reflected a recovery in the supply chains disrupted by the earthquake, an increase in exports supported by increased manufacturing activities and improved consumer sentiment. The Japanese economy slowed down again with marginal quarter-on-quarter GDP growth in the October-December 2011 period, mainly due to a decrease in net exports reflecting the weak overseas economy and an increase in fuel imports for thermal electricity generation. The January-March 2012 period, however, demonstrated an upward trend again with a quarter-on-quarter real GDP growth rate of 1.2%, particularly supported by stronger consumer spending, backed partially by the restart of government subsidies for environmentally friendly car purchases, and an increase in public project spending as a result of the full implementation of the government s supplementary budget for post-earthquake restoration projects. Due to the weak overseas economy and persistent appreciation of the Japanese yen, the Japanese economy as a whole has not recovered fully, and remains vulnerable to negative external factors.

Reflecting the weak economic fundamentals, the closing price of the Nikkei Stock Average fluctuated throughout the fiscal year ended March 31, 2012. The Nikkei Stock Average moved around ¥10,000 until late July 2011, followed by a declining trend towards late November 2011 when it reached the low ¥8,000s. It then improved to the ¥10,000s in late March 2012, followed then by a decline to the mid ¥8,000s to low ¥9,000s range through early July 2012. On top of the uncertainties overlaying the Japanese economy, fluctuations in the Nikkei Stock Average have mainly reflected volatility in the global economy and weak investor sentiment that remains cautious in light of uncertainties surrounding the global financial and capital markets and, to some extent, the appreciating Japanese yen and the growing global competition adversely affecting Japanese companies. See Business Environment below.

For the fiscal year ended March 31, 2012, our domestic revenue, which consists of interest income and non-interest income attributable to our operations in Japan, was ¥2,936.9 billion, while our total foreign revenue, which consists of interest income and non-interest income attributable to our operations outside Japan, was ¥1,099.6 billion, with revenue attributable to our operations in the United States contributing ¥192.8 billion, Asia and Oceania excluding Japan contributing ¥450.6 billion, and Europe contributing ¥290.5 billion. As a percentage of total revenue, domestic revenue has declined for the three fiscal years ended March 31, 2012. For the fiscal year ended March 31, 2012, domestic revenue represented 72.8% of total revenue.

For the fiscal year ended March 31, 2012, domestic net income attributable to Mitsubishi UFJ Financial Group was ¥163.3 billion. Foreign net income attributable to Mitsubishi UFJ Financial Group was ¥252.9 billion for the same period. In particular, Asia and Oceania excluding Japan contributed ¥192.8 billion, more than half of which was derived from net income from China, while Europe contributed ¥113.6 billion, reflecting improvements in net trading gains and net interest income. This was mainly due to reductions in losses in our securities and consumer finance companies. In light of these trends, we plan to seek growth opportunities particularly in Asia and Europe.

More specifically, our net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2012 mainly reflected the following:

- Net interest income was ¥1,955.8 billion, an increase of ¥76.3 billion from ¥1,879.5 billion for the previous fiscal year mainly due to the recognition as interest income of the ¥139.3 billion gain realized

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from the adjustment to the conversion rate when we converted the Morgan Stanley s preferred stock into Morgan Stanley s common stock. Exclusive of this one-time factor for the fiscal year ended March 31, 2012 and the related preferred dividends of ¥66.0 billion for the fiscal year ended March 31, 2011, net interest income was ¥1,816.5 billion, an increase of ¥3.0 billion compared to the previous fiscal year;

Provision for credit losses was ¥223.8 billion, a decrease of ¥68.2 billion from ¥292.0 billion for the previous fiscal year, primarily due to a decrease in domestic provision for credit losses, reflecting a smaller increase in restructured residential mortgage loans for the fiscal year ended March 31, 2012 compared to the fiscal year ended March 31, 2011, when we experienced a higher than usual increase in such restructured residential mortgage loans;

Fees and commissions income for the fiscal year ended March 31, 2012 was ¥1,100 billion, a decrease of ¥28.4 billion from ¥1,128.4 billion for the fiscal year ended March 31, 2011. This decrease was primarily due to a decrease of ¥10.5 billion in fees and commissions from our securities business, reflecting the slowdown of the domestic market. The decrease in fees and commissions income was also due to decreases in trust fees, service charges on deposits, guarantee fees and fees from our investment funds business, reflecting a general decrease in the volume of these businesses;

Net foreign exchange gains for the fiscal year ended March 31, 2012 were ¥34.3 billion, a decrease of ¥226.4 billion from ¥260.7 billion for the fiscal year ended March 31, 2011. During the fiscal year ended March 31, 2012, fluctuations in the exchange rate between the Japanese yen and the US dollar remained relatively small compared to the previous fiscal year. As a result, foreign exchange gains other than derivative contracts decreased from the previous fiscal year, mainly due to a decrease in translation gains on monetary liabilities denominated in foreign currencies. On the other hand, foreign exchange losses related to the fair value option improved from the previous fiscal year, mainly due to translation gains on securities denominated in foreign currencies;

Net trading account profits for the fiscal year ended March 31, 2012 were ¥667.3 billion, an increase of ¥533.4 billion from ¥133.9 billion for the fiscal year ended March 31, 2011. The increase in net trading account profits was largely due to an increase in net profits on trading account securities, excluding derivatives. In particular, net profits on trading account securities under the fair value option increased to ¥439.9 billion for the fiscal year ended March 31, 2012 from ¥68.6 billion for the fiscal year ended March 31, 2011, mainly due to an increase in gains on valuation of foreign currency denominated debt securities;

Net investment securities gains for the fiscal year ended March 31, 2012 were ¥19.4 billion, a decrease of ¥102.4 billion from ¥121.8 billion for the fiscal year ended March 31, 2011. This decrease was mainly due to a decrease of ¥53.3 billion in gains on sales of marketable equity securities, and an increase ¥60.5 billion in impairment losses on marketable equity securities for the fiscal year ended March 31, 2012, reflecting the weakness in the Japanese domestic stock prices following the Great East Japan Earthquake; and

Net equity in losses of equity method investees for the fiscal year ended March 31, 2012 were ¥499.4 billion, an increase of ¥386.4 billion from ¥113.0 billion for the fiscal year ended March 31, 2011, mainly due to an impairment loss of ¥579.5 billion on our investment in Morgan Stanley s common stock, resulting from a decline in the quoted market price of Morgan Stanley s common stock that we determined to be other than temporary in light of the increasingly stringent regulatory environment and the existing adverse economic events in Europe. For further information, see Note 2 to our consolidated financial statements included elsewhere in this Annual Report.

Our total loans outstanding at March 31, 2012 were ¥92.30 trillion, an increase of ¥4.80 trillion from ¥87.50 trillion at March 31, 2011. Before unearned income, net unamortized premiums and net deferred loan fees, our loan balance at March 31, 2012 consisted of ¥68.20 trillion of domestic loans and ¥24.19 trillion of

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foreign loans. Between March 31, 2011 and March 31, 2012, domestic loans increased ¥0.65 trillion while foreign loans increased ¥4.14 trillion. The increase in domestic loans was primarily due to an increase in our loans outstanding to the other industries category, which includes the government sector, toward the end of the fiscal year ended March 31, 2012, although the average total loan balance for the fiscal year ended March 31, 2012 decreased compared to the previous fiscal year. The increase in foreign loans was mainly due to higher loan volume reflecting our increased activities in Asia excluding Japan, as well as the expansion of the foreign operations of our banking subsidiaries.

Total allowance for credit losses at March 31, 2012 was ¥1,285.5 billion, an increase of ¥45.0 billion from ¥1,240.5 billion at March 31, 2011. This increase mainly reflected the deteriorating credit quality of our domestic borrowers in the manufacturing industry and the wholesale and retail industry. Following the Great East Japan Earthquake in March 2011, domestic industrial production weakened, which was adversely affecting many of our borrowers in the manufacturing industry. Although the overall private consumption in Japan gradually improved, the prices of most goods remained exposed to downward pressure, which had a negative impact on many of our borrowers in the wholesale and retail industry, particularly small and medium-sized companies. These factors contributing to the increase in total allowance were partially offset by the improved credit quality of the loan portfolio of the UnionBanCal Corporation, or UNBC, and Card segments. The total allowance for credit losses represented 1.39% of our total loan portfolio at March 31, 2012, a decrease of 0.03 percentage points from 1.42% at March 31, 2011. The decrease in the ratio of the total allowance for credit losses to our total loan portfolio primarily reflected the improved credit quality of the loan portfolio of the UNBC and Card segments. For more information, see B. Liquidity and Capital Resources Financial Condition Loan Portfolio.

Total investment securities increased ¥1.99 trillion to ¥61.04 trillion at March 31, 2012 from ¥59.05 trillion at March 31, 2011, primarily due to an increase of ¥4.16 trillion in Japanese national government and Japanese government agency bonds available for sale, partially offset by a ¥0.61 trillion decrease in corporate bonds and a ¥0.22 trillion decrease in marketable equity securities, reflecting the general decline in Japanese stock prices and weak market fundamentals. Our investments in Japanese national government and government agency bonds increased as part of our asset and liability management policy with respect to investing the amount of yen-denominated deposit 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 total assets have increased to relatively high levels, accounting for 23.0% of our total assets as of March 31, 2012.

The amortized cost of securities being held to maturity decreased ¥631.8 billion compared to the previous fiscal year mainly due to a ¥436.3 billion decrease in Japanese national government and Japanese government agency bonds and a ¥266.4 billion decrease in foreign governments and official institutions bonds as a result of the redemption of multiple tranches of bonds at maturity, partially offset by an increase in asset backed securities being held to maturity.

Other investment securities, consisting of nonmarketable equity securities, were primarily carried at cost of ¥0.91 trillion at March 31, 2012, compared to ¥1.70 trillion at March 31, 2011. The decrease reflected the conversion of Morgan Stanley s preferred stock into Morgan Stanley s common stock which was reclassified from Other investment securities to an investment in an equity method investee included in Other assets as of March 31, 2012.

Our financial results for the fiscal year ending March 31, 2013, as well as our financial condition at the end of that period, are expected to be affected to a large extent by how our borrowers and the Japanese economy respond to the effects of the Great East Japan Earthquake in March 2011 and changes in the global economic conditions. The credit quality of some of our borrowers may deteriorate further than we currently expect, which could affect our credit costs and loan portfolio. See Item 3.D. Key Information Risk Factors Risks related to Our Business Because a large portion of our assets are located in Japan and our business operations are conducted primarily in Japan, we may incur further losses if economic conditions in Japan worsen. and Business Environment below.

Business Environment

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

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

Economic Environment in Japan

In the first half of fiscal year ended March 31, 2012, the Japanese economy demonstrated modest recovery from the Great East Japan Earthquake and ensuing tsunami in the northern region of Japan that occurred on March 11, 2011 as well as the subsequent accidents at the Fukushima Daiichi Nuclear Power Plants. A quarter-on-quarter real GDP growth rate in the July-September 2011 period was 1.9%, following a negative quarter-on-quarter growth rate of 0.4% in the April-June 2011 period. The growth in the July-September 2011 period particularly reflected a recovery in the supply chains disrupted by the earthquake, an increase in exports supported by increased manufacturing activities and improved consumer sentiment.

The Japanese economy slowed down again with only a marginal quarter-on-quarter GDP growth in the October-December 2011 period, mainly due to a decrease in net exports reflecting the weak overseas economy and an increase in fuel imports for thermal electricity generation.

The January-March 2012 period, however, demonstrated an upward trend again with a quarter-on-quarter real GDP growth rate of 1.2%, particularly supported by stronger consumer spending, backed partially by the restart of government subsidies for environmentally friendly car purchases, and an increase in public project spending as a result of the full implementation of the government s supplementary budget for post-earthquake restoration projects. Due to the weak overseas economy and persistent appreciation of the Japanese yen, the Japanese economy as a whole has not yet recovered fully, and remains vulnerable to negative external factors.

Selected indicators for the most recent Japanese economy are discussed below:

- Corporate Production: Industrial production plunged by 15.5% in March 2011 following the earthquake especially led by an approximately 50% drop in production relating to transportation machinery (such as automobiles). Although industrial production recovered slightly in the subsequent months, the supply chains and networks for plants and other supplies were not fully restored, and production levels for transportation machinery remained below pre-earthquake levels during the fiscal year ended March 31, 2012. Industrial production has been demonstrating improvement since the beginning of calendar 2012 in tandem with the gradual recovery in the Japanese economy supported by solid private consumption and government support to accelerate the recovery. The Industrial Production Index surged by 1.3% in March 2012 compared to February 2012, continuing its upward trend following the earthquake in

March 2011. Transportation machinery, chemical engineering, and information and communication industry contributed to the growth, while electronic device, paper and pulp, and textile industry plunged. Although small, inventory investment by corporations also contributed by 0.3% to the real GDP growth in the January-March 2012 period. Careful attention is warranted as to how the economy and production levels will evolve going forward, which may be influenced by both positive factors such as restoration demand in the northern region of Japan and negative factors such as a weak European economy.

Net exports: Japan has experienced a trade deficit for the first time in 31 years in calender 2011, mainly due to a decrease in exports following the earthquake and a high level of imports of oil and natural gas, along with persistent appreciation of the Japanese yen. Although gross exports significantly decreased

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following the earthquake in March 2011, gross exports started to increase in the January-March 2012 period. Gross exports rose by 3.0% quarter-on-quarter in the January-March 2012 period, mainly due to an increase in automobile exports to the United States, and an increase in general and electric machinery exports to Asia. Although imports also increased by 1.9% quarter-on-quarter in the January-March 2012 period mainly due to an increase in imports of fuels for thermal electricity generation, growth in exports exceeded that of imports, which, in turn, led to an increase in net exports by 1.1% quarter-on-quarter in the January-March 2012 period.

Employment Conditions: Employment conditions have been modest throughout calendar 2011 with stable yet lower than prior year unemployment rate of around 4.5% in calendar 2011 compared to that of 5.0% in calendar 2010. The number of employed workers and the average labor hours per employee have also demonstrated gradual and steady improvement since the July-September 2011 period. The unemployment rate in March 2012 remained as low as 4.5%.

Private Consumption: Since the April-June 2011 period, private consumption, particularly that of durable goods, has been increasing steadily reflecting the gradual improvement in household disposable income and employment condition. Real private consumption increased 1.2% quarter-on-quarter in the January-March 2012 period, a fourth consecutive quarter of growth since the April-June 2011 period. The growth was mainly led by an increase in consumption of durable goods, particularly supported by an increase in consumption of cars partially attributable to the restart of government subsidies for environmentally friendly cars. Improved consumer confidence also supported service industries such as restaurant, leisure and travel. Private consumption is expected to be affected by the increases in the consumption tax rate if the relevant proposed legislation is approved by the Japanese Diet, which would raise the consumption tax rate from the current rate of 5% to 8% in April 2014, and to 10% in October 2015.

Public Spending: Since the April-June 2011 period, public spending has been increasing partially due to the implementation of a supplementary budget for the ongoing restoration initiatives in the northern region of Japan. Public spending increased 1.3% quarter-on-quarter in the January-March 2012 period, a fourth consecutive quarter of growth since the April-June 2011 period. The increase was mainly due to an increase in government spending in public goods and infrastructure, and multiple public projects supported by the full implementation of the government s supplementary budget for the post-earthquake restoration projects.

The Bank of Japan maintained a monetary easing policy during the fiscal year ended March 31, 2012 to stimulate the economy that has been persistently weak since the financial crisis. In October 2010, the Bank of Japan lowered its target interest rate to between 0% and 0.1% from 0.1% to support the economy and stimulate sustainable growth. Furthermore, at the Monetary Policy Meeting held in February 2012, the Bank of Japan introduced the price stability goal in the medium to long term, stating that the inflation rate that the Bank of Japan judges to be consistent with price stability sustainable in the medium to long term is within a positive range of 2% or lower in terms of the year-on-year rate of change in the Consumer Price Index, or CPI, and it set the target inflation rate at 1% for the time being. At the April 2012 meeting, the Bank of Japan agreed to expand the Asset Purchase Program, which is a program established to encourage a decline in longer-term interest rates and risk premiums to enhance monetary easing by purchasing various financial assets and conducting funds-supplying operations against pooled collateral. For example, the Bank of Japan agreed to increase the purchase of Japanese government bonds by approximately ¥10 trillion. Along with the monetary easing policy, the Bank of Japan has maintained a very low policy rate (uncollateralized overnight call rate) of 0.10% or lower in an effort to improve the economy.

Euro-yen 3-month TIBOR was around 0.33% as of early July 2012, the lowest level since 2006. Long-term interest rates have also remained at the historical low level, due to uncertainty in the global economy, weakness in stock prices and low expectations for a near-term rate increase in the United States, as the US government has maintained a monetary easing policy. The yield on newly-issued ten-year Japanese government bonds fell to around 0.81% as of early July 2012.

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The following chart shows the interest rate trends in Japan since April 2010:

Reflecting the weak economic fundamentals, the closing price of the Nikkei Stock Average fluctuated throughout the fiscal year ended March 31, 2012. The Nikkei Stock Average moved around ¥10,000 until late July 2011, followed by a declining trend towards late November 2011 when it reached the low ¥8,000s. It then improved to the ¥10,000s in late March 2012, followed then by a decline to the mid ¥8,000s to low ¥9,000s range through early July 2012. In addition to the uncertainties overlaying the Japanese economy, fluctuations in the Nikkei Stock Average have mainly reflected volatility in the global economy and weak investor sentiment that remains cautious in light of uncertainties surrounding the global financial and capital markets and, to some extent, the appreciating Japanese yen and the growing global competition adversely affecting Japanese companies. 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, has also been following the similar trend. It was around 850s until late July 2011, followed by a declining trend until late November 2011 when it reached the 700s. It then moved upward to the high 800s towards the end of March 2012, followed by a persistent decline to the mid to high 700s range through early July 2012.

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Despite the Bank of Japan s policy to increase monetary supply, investor sentiment in the Japanese stock market remains cautious due in part to uncertainty regarding the Japanese political leadership, the continuing appreciation of the Japanese yen, the growing global competition adversely affecting Japanese companies, the weakness in the global economy, and the continuing uncertainties on how the global financial market will evolve in response to the sovereign financial crisis in some European countries. As of July 10, 2012, the closing price of the Nikkei Stock Average was ¥8,857.73 and the TOPIX closed at 758.60. The following chart shows the daily closing price of the Nikkei Stock Average since April 2010:

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The Japanese yen appreciated against other currencies throughout the fiscal year ended March 31, 2012. The Japanese yen appreciated from ¥83.15 to US$1 as of March 31, 2011 to ¥82.19 to US$1 as of March 30, 2012, and then to ¥79.50 to US$1 as of July 10, 2012. The strong Japanese yen appears to reflect rising risk aversion sentiment among Japanese investors and the lower interest rates outside of Japan, which led to lower capital outflow from Japan. The Japanese yen has also appreciated against the Euro during the period, as a result of the sovereign debt crisis and the subsequent tightening of monetary policies in Europe. The Japanese yen stood at ¥109.80 to 1 as of March 30, 2012 as compared to ¥117.57 to 1 as of March 31, 2011. As of July 10, 2012, the Japanese yen was at ¥79.50 to US$1 and ¥97.75 to 1. The following chart shows the foreign exchange rates expressed in Japanese yen per US dollar since April 2010:

In calendar 2011, the average prices for both residential and commercial real estate experienced declines for the fourth consecutive year, although the pace of decline softened compared to the last year, reflecting the slight recovery in the Japanese economy. According to a survey conducted by the Japanese government, the average residential land price declined by 2.3% between January 1, 2011 and January 1, 2012. The average commercial land price declined by 3.1% during the same period. In the three major metropolitan areas of Tokyo, Osaka and Nagoya, the average residential land price declined by 1.3% between January 1, 2011 and January 1, 2012, while the average commercial land price declined by 1.6% 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 eighth consecutive year with the rates of decline between January 1, 2011 and January 1, 2012 being 3.3% and 4.3%, respectively.

According to Teikoku Databank, a Japanese research institution, the number of companies that filed for legal bankruptcy in Japan from April 2011 to March 2012 was 11,435, a decrease by 0.5% from the previous fiscal year, reflecting a moderate recovery of the Japanese economy for the fiscal year ended March 31, 2012. More specifically, the decrease in the number of companies that filed for legal bankruptcy was mainly due to the positive effects of the Japanese government s economic stimulus measures which financially supported various industries restoration processes. The aggregate amount of liabilities subject to bankruptcy filings between April 2011 and March 2012 was approximately ¥3.92 trillion, a 14.1% decrease attributable to a decrease in the number of large bankruptcy filings (with the amount of liabilities ¥10 billion or higher) although the number of small bankruptcy filings (the amount of liabilities ¥50 million or less) increased.

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International Financial Markets

US Economy:

The US economy continued to improve with the annualized real GDP growth rate averaging 1.7% in calendar 2011. Real GDP grew at an annualized rate of 3.0% quarter-on-quarter in the October-December 2011 period, the highest in six consecutive quarters. As a whole, exports have been declining and capital expenditures slowing, but consumption has been firm and residential and commercial investments have contributed to the growth. This trend continued throughout the January-March 2012 period with annualized quarter-on-quarter real GDP growth rate of 1.9%, particularly supported by strong momentum in consumer consumption with annualized quarter-on-quarter growth of 2.5%. However, uncertainties still remain over whether the US economy will continue to improve, especially in light of the volatility in the global financial markets.

Selected indicators for the most recent status of the US economy are discussed below:

According to the US Bureau of Labor Statistics, the unemployment rate decreased from its cyclical high at around 10% in April 2010 to 8.2% in May 2012. Productivity growth remained weak and work hours have just recovered to the pre-financial crisis level, leaving potential for improvement in employment conditions.

Consumption, which accounts for approximately 70% of the US real GDP, grew 2.5% quarter-on-quarter in the January-March 2012 period, mainly due to an increase in spending on durable goods, such as cars, and leisure spending, such as dining out or sports goods reflecting warm weather and improved employment conditions, partially offset by the negative wealth effect and an increase in energy prices such as gasoline. The University of Michigan consumer sentiment index improved to the high 70s in May 2012 after a precipitous drop to the 50s in mid 2011.

Business sentiment, overall, has been improving since the fall of 2011. Capital expenditures grew 3.1% annualized quarter-on-quarter in the January-March 2012 period mainly due to an increase in investment in machinery and software industries, partially offset by a decrease in investment in mining industries. Investment in inventory grew 0.1% annualized quarter-on-quarter in the same period, demonstrating weaker growth than capital expenditures, mainly due to an accumulation of inventory levels since the October-December 2011 period.

The Consumer Price Index for All Urban Consumers, or CPI-U, for all items increased by 2.7% before seasonal adjustment over the 12 months ended March 2012. It remained unchanged in April 2012 and decreased by 0.3% in May 2012 from that of the preceding month on a seasonally adjusted basis. CPI-U for all items less food and energy increased 2.3% before seasonal adjustment over the 12 months ended March 2012. It increased 0.2% in both April and May 2012 from that of the preceding month on a seasonally adjusted basis.

With the US economy demonstrating moderate improvement but still lacking strong evidence of sustained growth, the Federal Reserve Bank, or the FRB, has kept in place its zero-interest rate policy a policy to maintain the federal funds target rate between zero and 0.25%. In November 2011, the Federal Open Market Committee, or the FOMC, reconfirmed its monetary policy, which was announced in September 2011, under which the FOMC will maintain the zero interest rate policy until mid 2013 and implement so-called twist operation through which the FOMC will purchase $400 billion of long-term US treasury securities and sell an equal amount of short-term treasury securities to lower long-term interest rates and to support sustained economic growth.

Subsequently, at the March 2012 FOMC meeting, the FRB raised its prospect for the US economy by referencing improvement in employment conditions and business activities, and extended the zero interest rate policy until late 2014.

Major equity market indices, such as the Dow Industrial Average, have been performing better than other major equity indices in other regions of the globe. From the beginning of calendar 2011, the Dow Industrial Average rose until mid 2011, when it experienced, as other major indices across the globe, a sharp decline due to significant concerns over the sovereign debt crisis in some European countries. The Dow Industrial Average moved upward again through the end of March 2012 as the state of the US economy improved and concerns over the European financial crisis decreased due to the formation of comprehensive financial supporting measures extended by international bodies such as the European Central Bank, or the ECB, and the International Monetary Fund. The index experienced a decline again in May 2012 as concerns over Greek budgetary issues engulfed the market.

Eurozone Economy:

The Eurozone economy remained stagnant with no growth in the January-March 2012 period after experiencing a contraction in the October-December 2011 period. In the October-December 2011 period, the quarter-on-quarter real GDP growth rate was negative 0.3%, reflecting weak economic fundamentals triggered by budgetary crisis in some European countries.

Consumer confidence has been impacted by the government s fiscal austerity measures and a rise in unemployment rates, which has in turn weakened consumer spending significantly in some countries. Industrial production, represented by the Industrial Purchasing Manager s Index, or PMI, has been declining since the beginning of calendar 2012 as well. This trend may continue if the economic fundamentals remain weak and budgetary crisis lacks fundamental solutions in the near term.

In peripheral European countries, despite the approval of the second Greek bailout and the winning of the party supporting the austerity measures in the Greek legislative election in June 2012, there remains a concern over political leadership in executing austerity measures. Concerns over Spanish budgetary issues also cast doubt in the near term recovery of the Eurozone economy.

Selected indicators for the status of the Eurozone economy are discussed below:

Consumer spending in the January-March 2012 period increased only marginally by 0.1% quarter-on-quarter reflecting weak employment conditions and consumer confidence, the trend which has continued since the fall of 2011. Retail sales have been below prior year levels for seven consecutive months through May 2012, with May 2012 decreasing 1.7% as compared to May 2011.

The average unemployment rate in the Eurozone countries has been on an upward trend, standing at 11.1% in May 2012. Labor market conditions have been deteriorating mainly in peripheral countries, such as Spain and Portugal, with unemployment rates of 24.6% and 15.2%, respectively, as of May 2012. However, the increase in unemployment rates has been moderate in northern European countries such as Germany or the Netherlands, and thus employment disparities amongst Eurozone countries have been widening.

Real purchasing power decreased as a result of fiscal austerity. A rise in inflation and an increase in energy prices have been pushing household consumption down significantly. The consumer confidence index in May 2012 stood at negative 19.3, one of the lowest levels since late 2009.

Industrial production contracted 0.4% annualized quarter-on-quarter in the January-March 2012 period. More recently, industrial production in May 2012 contracted 2.8% year-on-year, marking the sixth month of negative growth. New orders showed negative growth, given the contraction in Germany. The PMI for the manufacturing sector in May 2012 was 45.1, remaining below 50 which indicates a contraction in the sector, for ten months in a row.

Exports increased in the January-March 2012 period for the second consecutive quarter, supported by growth in Germany due to high demand from non-Eurozone economies, especially China, and weakness in the Euro currency. Net trade remained positive in the January-March 2012 period partially due to weak Eurozone economy, which in turn led to lower demand in imports.

Although CPI for all products increased 2.7% in the January-March 2012 period as compared to the same period of the prior year, CPI for all products has been growing at a slower pace compared to preceding quarters, mainly due to lower inflationary pressures from the demand side, particularly in energy and food, reflecting weak domestic economies in Europe.

Core CPI, excluding food and energy, increased by 1.5% in the January-March 2012 period as compared to the same period of the prior year.

The ECB, at its July 5, 2012 meeting, lowered its policy rate by 0.25% to 0.75%, the lowest level ever in its entire history, to stimulate the Eurozone economy. Mario Draghi, the president of ECB, reiterated that in the Eurozone economy, there are prevailing uncertainties and downside risks that may materialize given the current financial instability and turmoil.

Recent Developments

We continue to pursue global growth opportunities, including opportunities to strengthen our strategic alliance with Morgan Stanley and expand Union Bank s business through acquisitions of community banks in the United States during the fiscal year ended March 31, 2012. We plan to continue to selectively review and consider growth opportunities that will enhance our global competitiveness. We will monitor regulatory developments and pursue prudent transactions that will create a strong capital structure to enable us to contribute to the real economy, both domestically and globally, as a provider of a stable source of funds and high quality financial services.

Exposures to Selected European Countries

During the fiscal year ended March 31, 2012, several European countries, including Italy, Spain, Portugal, Ireland and Greece, have experienced severe weaknesses in their economic and fiscal situations. We are closely monitoring our exposures in these countries.

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The following table sets forth information about our exposure on a consolidated basis, based on the aggregated exposure of BTMU, MUTB and MUSHD, which were the subsidiaries holding the exposure, as of March 31, 2012. The information in the table is categorized by counterparties, consisting of sovereign, non-sovereign financial institutions and non-sovereign non-financial institutions, and by type of financial instruments, which include loans, securities, derivatives and CDS protections (sold and bought). The securities exposure includes available for sale, held to maturity and trading securities. The information included in the table below is based on information compiled for internal risk management purposes only, and not for financial accounting purposes. The exposures are determined based on the country in which the borrower s head office is located. However, in case of a subsidiary located in a country different from that in which its parent company is located, the country exposure is determined based on the country in which the subsidiary is located.

	At March 31, 2012						
	Loans (funded & unfunded)	Securities	Derivatives	CDS protection sold	Gross exposure (funded & unfunded)	CDS protection bought	Net exposure
				(in billions)			
Italy	$ 5.9	$ 2.9	$ 1.3	$ 0.1	$ 10.2	$ 0.6	$ 9.6
Sovereign		2.7			2.7		2.7
Financial Institutions	0.1	0.2	0.0	0.0	0.3	0.0	0.3
Others	5.8	0.0	1.3	0.1	7.2	0.6	6.6
Spain	5.8	0.7	0.2	0.0	6.7	0.2	6.5
Sovereign		0.7			0.7		0.7
Financial Institutions	0.0	0.0	0.1	0.0	0.1	0.0	0.1
Others	5.8	0.0	0.1	0.0	5.9	0.2	5.7
Portugal	0.5	0.0	0.0		0.5	0.1	0.4
Sovereign							
Financial Institutions	0.0	(0.0)			(0.0)		(0.0)
Others	0.5	0.0	0.0		0.5	0.1	0.4
Ireland	0.3	(0.0)	0.0		0.3		0.3
Sovereign							
Financial Institutions		(0.0)	0.0		0.0		0.0
Others	0.3	0.0	0.0		0.3		0.3
Greece	0.2	0.1			0.3		