MITSUBISHI UFJ FINANCIAL GROUP INC
Form 20-F
September 02, 2009
**Table of Contents**

**As filed with the Securities and Exchange Commission on September 2, 2009**

# 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, 2009**

**OR**

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

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period to**

**OR**

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

**THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

**Commission file number 1-10277**

# KABUSHIKI KAISHA MITSUBISHI UFJ FINANCIAL GROUP

**(Exact name of Registrant as specified in its charter)**

# MITSUBISHI UFJ FINANCIAL GROUP, INC.

**(Translation of Registrant s name into English)**

**Japan**

**(Jurisdiction of incorporation or organization)**

**7-1, Marunouchi 2-chome**

**Chiyoda-ku, Tokyo 100-8330**

**Japan**

**(Address of principal executive offices)**

**Takeaki Ishii, +81-3-3240-8111, +81-3-3240-7520, address is same as above**

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

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

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

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

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

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

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

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

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

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

At March 31, 2009, (1) 11,648,360,720 shares of common stock (including 9,080,212 shares of common stock held by the registrant and its consolidated subsidiaries as treasury stock), (2) 100,000,000 shares of first series of class 3 preferred stock, (3) 156,000,000 shares of first series of class 5 preferred stock, and (4) 1,000 share 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 short 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 ¨ 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

**TABLE OF CONTENTS**



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 major banking subsidiaries refers to The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi UFJ Trust and Banking Corporation. References in this Annual Report to yen or ¥ are to Japanese yen and references to US dollars, US dollar, dollars, US$ or $ are to United States dollars. Our fiscal year ends on March 31 of each year. References to years n 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.

Table of Contents

## 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 us or our management, to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those which are aimed, anticipated, believed, estimated, expected, intended or planned, or otherwise stated.

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

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

Table of Contents

# PART I

## Item 1. Identity of Directors, Senior Management and Advisors.

Not applicable.

## Item 2. Offer Statistics and Expected Timetable.

Not applicable.

## Item 3. Key Information.

### A. Selected Financial Data

The selected statement of operations data and selected balance sheet data set forth below have been derived from our audited consolidated financial statements. On October 1, 2005, Mitsubishi Tokyo Financial Group, Inc., or MTFG, merged with UFJ Holdings, Inc. with MTFG being the surviving entity. Upon consummation of the merger, MTFG changed its name to Mitsubishi UFJ Financial Group, Inc., or MUFG. The merger was accounted for under the purchase method of accounting, and the assets and liabilities of UFJ Holdings and its subsidiaries were recorded at fair value as of October 1, 2005. Therefore, numbers as of and for the fiscal year ended March 31, 2005 reflect the financial position and results of MTFG and its subsidiaries only. Numbers as of March 31, 2006 reflect the financial position of MUFG while numbers for the fiscal year ended March 31, 2006 comprise the results of MTFG and its subsidiaries for the six months ended September 30, 2005 and the results of MUFG from October 1, 2005 to March 31, 2006. Numbers as of and for the fiscal years ended March 31, 2007, 2008 and 2009 reflect the financial position and results of MUFG.

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

**Table of Contents**

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.

| | Fiscal years ended March 31, | | | | |
|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** |
| | (in millions, except per share data and number of shares) | | | | |
| **Statement of operations data:** | | | | | |
| Interest income | ¥ 1,438,701 | ¥ 2,530,682 | ¥ 3,915,729 | ¥ 4,366,811 | ¥ 3,895,794 |
| Interest expense | 469,606 | 882,069 | 1,585,963 | 2,087,094 | 1,599,389 |
| Net interest income | 969,095 | 1,648,613 | 2,329,766 | 2,279,717 | 2,296,405 |
| Provision for credit losses | 108,338 | 110,167 | 358,603 | 385,740 | 626,947 |
| Net interest income after provision for credit losses | 860,757 | 1,538,446 | 1,971,163 | 1,893,977 | 1,669,458 |
| Non-interest income | 986,810 | 1,067,352 | 1,947,936 | 1,778,114 | 175,099 |
| Non-interest expense | 1,129,173 | 2,076,125 | 2,784,168 | 3,659,736 | 3,572,525 |
| Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle | 718,394 | 529,673 | 1,134,931 | 12,355 | (1,727,968) |
| Income tax expense (benefit) | 303,755 | 165,473 | 552,826 | 553,045 | (259,928) |
| Income (loss) from continuing operations before cumulative effect of a change in accounting principle | 414,639 | 364,200 | 582,105 | (540,690) | (1,468,040) |
| Income (loss) from discontinued operations net | 1,493 | 8,973 | (817) | (1,746) | |
| Cumulative effect of a change in accounting principle, net of tax(1) | (977) | (9,662) | | | |
| Net income (loss) | ¥ 415,155 | ¥ 363,511 | ¥ 581,288 | ¥ (542,436) | ¥ (1,468,040) |
| Net income (loss) available to common shareholders | ¥ 408,318 | ¥ 156,842 | ¥ 300,227 | ¥ (557,014) | ¥ (1,491,593) |
| **Amounts per share:** | | | | | |
| Basic earnings (loss) per common share income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle | ¥ 62.64 | ¥ 19.40 | ¥ 29.94 | ¥ (53.88) | ¥ (137.84) |
| Basic earnings (loss) per common share net income (loss) available to common shareholders | 62.72 | 19.31 | 29.86 | (54.05) | (137.84) |
| Diluted earnings (loss) per common share income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle | 62.40 | 19.04 | 29.76 | (53.88) | (137.84) |
| Diluted earnings (loss) per common share net income (loss) available to common shareholders | 62.48 | 18.95 | 29.68 | (54.05) | (137.84) |
| Number of shares used to calculate basic earnings (loss) per common share (in thousands) | 6,510,461 | 8,120,732 | 10,053,408 | 10,305,911 | 10,821,091 |
| Number of shares used to calculate diluted earnings (loss) per common share (in thousands) | 6,516,375(2) | 8,120,733(3) | 10,053,409(3) | 10,305,911 | 10,821,091 |
| Cash dividends per share declared during the fiscal year: | | | | | |
| Common stock | ¥ 6.00 | ¥ 9.00 | ¥ 9.00 | ¥ 13.00 | ¥ 14.00 |
| | $ 0.06 | $ 0.08 | $ 0.08 | $ 0.11 | $ 0.14 |
| Preferred stock (Class 1) | ¥ 82.50 | ¥ 41.25 | | | |
| | $ 0.77 | $ 0.37 | | | |
| Preferred stock (Class 2) | ¥ 8.10 | | | | |
| | $ 0.07 | | | | |
| Preferred stock (Class 3) | | ¥ 37.07 | ¥ 60.00 | ¥ 60.00 | ¥ 60.00 |
| | | $ 0.31 | $ 0.52 | $ 0.51 | $ 0.61 |
| Preferred stock (Class 8) | | | ¥ 23.85 | ¥ 15.90 | ¥ 7.95 |
| | | | $ 0.21 | $ 0.14 | $ 0.07 |
| Preferred stock (Class 9) | | | ¥ 18.60 | | |
| | | | $ 0.16 | | |

| | | | | |
|---|---|---|---|---|
| Preferred stock (Class 10) | ¥ | 19.40 | | |
| | $ | 0.17 | | |
| Preferred stock (Class 11) | ¥ | 7.95 | ¥ 5.30 | ¥ 5.30 |
| | $ | 0.07 | $ 0.05 | $ 0.05 |
| Preferred stock (Class 12) | ¥ | 17.25 | ¥ 11.50 | ¥ 11.50 |
| | $ | 0.15 | $ 0.10 | $ 0.12 |

**Table of Contents**

| | At March 31, 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| | | | (in millions) | | |
| **Balance sheet data:** | | | | | |
| Total assets[5] | ¥ 110,159,923 | ¥ 188,749,117 | ¥ 188,929,469 | ¥ 195,766,083 | ¥ 193,499,417 |
| Loans, net of allowance for credit losses | 50,164,144 | 94,494,608 | 94,210,391 | 97,867,139 | 99,153,703 |
| Total liabilities[5] | 105,786,826 | 179,080,964 | 178,496,157 | 187,275,968 | 187,264,522 |
| Deposits | 71,143,099 | 126,639,931 | 126,587,009 | 129,240,128 | 128,331,052 |
| Long-term debt | 5,981,747 | 13,889,525 | 14,389,930 | 13,675,250 | 13,273,288 |
| Total shareholders equity | 4,373,097 | 9,668,153 | 10,433,312 | 8,490,115 | 6,234,895 |
| Capital stock[4] | 1,084,708 | 1,084,708 | 1,084,708 | 1,084,708 | 1,127,552 |

| | Fiscal years ended March 31, 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| | | | (in millions, except percentages) | | |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Other financial data:** | | | | | |
| Average balances: | | | | | |
| Interest-earning assets | ¥ 99,282,143 | ¥ 135,385,329 | ¥ 168,767,341 | ¥ 172,467,323 | ¥ 173,242,745 |
| Interest-bearing liabilities | 92,226,818 | 118,120,185 | 146,796,013 | 156,151,982 | 156,084,859 |
| Total assets[5] | 112,635,733 | 161,481,516 | 188,311,147 | 197,946,692 | 196,214,390 |
| Total shareholders equity | 3,880,044 | 7,106,910 | 9,823,404 | 9,957,382 | 7,974,628 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Return on equity and assets: | | | | | |
| Net income (loss) available to common shareholders as a percentage of total average assets[5] | 0.36% | 0.10% | 0.16% | (0.28)% | (0.76)% |
| Net income (loss) available to common shareholders as a percentage of total average shareholders equity | 10.52% | 2.21% | 3.06% | (5.59)% | (18.70)% |
| Dividends per common share as a percentage of basic earnings per common share | 9.57% | 46.60% | 30.14% | [6] | [6] |
| Total average shareholders equity as a percentage of total average assets[5] | 3.44% | 4.40% | 5.22% | 5.03% | 4.06% |
| Net interest income as a percentage of total average interest-earning assets | 0.98% | 1.22% | 1.38% | 1.32% | 1.33% |
| Credit quality data: | | | | | |
| Allowance for credit losses | ¥ 739,872 | ¥ 1,012,227 | ¥ 1,112,453 | ¥ 1,134,940 | ¥ 1,156,638 |
| Allowance for credit losses as a percentage of loans | 1.45% | 1.06% | 1.17% | 1.15% | 1.15% |
| Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more | ¥ 1,285,204 | ¥ 2,044,678 | ¥ 1,699,500 | ¥ 1,679,672 | ¥ 1,792,597 |
| Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans | 2.52% | 2.14% | 1.78% | 1.70% | 1.79% |
| Allowance for credit losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more | 57.57% | 49.51% | 65.46% | 67.57% | 64.52% |
| Net loan charge-offs | ¥ 260,622 | ¥ 136,135 | ¥ 262,695 | ¥ 355,892 | ¥ 576,852 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Net loan charge-offs as a percentage of average loans | 0.51% | 0.19% | 0.27% | 0.37% | 0.58% |
| Average interest rate spread | 0.94% | 1.12% | 1.24% | 1.19% | 1.23% |
| Risk-adjusted capital ratio calculated under Japanese GAAP[7] | 11.76% | 12.20% | 12.54% | 11.19% | 11.77% |

Notes:

(1) Effective April 1, 2004, we adopted Financial Accounting Standards Board Interpretation, or FIN, No. 46 (revised December 2003), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. Effective March 31, 2006, we adopted FIN No. 47, Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143.

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

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

(4) Amounts include common shares and convertible Class 2 Preferred Stock. Redeemable Class 1 and Class 3 Preferred Stock are excluded.

(5) Effective April 1, 2008, we discontinued netting out derivative assets and liabilities under master netting agreements and we now present them on a gross basis. See Note 1 *Netting of Cash Collateral against Derivative Exposures* under *Accounting Changes* section for the detail. We have restated average balances, as well as year-end balances, of Total assets and Total liabilities in the previous periods from 2005 to 2008. Accordingly Net income (loss) available to a common shareholder as a percentage of total average assets and Total average shareholders equity as a percentage of total average assets have been restated.

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

(7) 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.

Table of Contents

**Exchange Rate Information**

The tables below set forth, for each period indicated, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per US$1.00. On August 18, 2009, the noon buying rate was ¥94.72 to US$1.00 and the inverse noon buying rate was US$1.06 to ¥100.00.

| | Year 2009 | | | | | |
|---|---|---|---|---|---|---|
| | **March** | **April** | **May** | **June** | **July** | **August[(1)]** |
| High | ¥ 99.34 | ¥ 100.71 | ¥ 99.24 | ¥ 98.56 | ¥ 96.41 | ¥ 97.65 |
| Low | ¥ 93.85 | ¥ 96.49 | ¥ 94.45 | ¥ 95.19 | ¥ 92.33 | ¥ 94.33 |

Note:

(1) Period from August 1, 2009 to August 18, 2009.

| | Fiscal years ended March 31, | | | | |
|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** |
| Average (of month-end rates) | ¥ 107.28 | ¥ 113.67 | ¥ 116.55 | ¥ 113.61 | ¥ 100.85 |

**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 below 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 below and elsewhere in this Annual Report. See Forward-Looking Statements.*

**Risks Related to Our Business**

***We have experienced and may continue to experience difficulty integrating our operations with those of the UFJ group and, as a result, may have difficulty achieving the benefits expected from the integration.***

Since our merger with UFJ Holdings in October 2005, we have been implementing a business integration plan that is complex, time-consuming and costly. Achieving the targeted revenue synergies and cost savings is dependent on the successful implementation of our ongoing integration process. We may not succeed in addressing the risks or other problems encountered in the ongoing integration process. In particular, there may be delays or other difficulties in coordinating, consolidating and integrating the branch and subsidiary networks, and customer products and services of the two groups as planned. These and other problems in the ongoing integration process may cause us to incur significant unanticipated additional costs, preventing us from achieving the previously announced cost reduction targets as scheduled. In addition, the two groups previous relationships with their respective customers, employees and strategic partners could be impaired in future periods. Those

Table of Contents

problems could also damage our reputation. In addition, previously expected revenue synergies may not materialize in the expected time period if we fail to address any problems that arise in the ongoing integration process. If we are unable to resolve smoothly any problems that arise in the ongoing integration process, our business, results of operations, financial condition and stock price may be materially and adversely affected.

***We may have difficulty achieving the benefits expected from the recently completed and planned mergers and other business combinations.***

In line with our ongoing strategic effort to create a leading comprehensive financial group that offers a broad range of financial products and services, we have recently completed or are planning to complete mergers and other business combinations, including transactions with some of our subsidiaries and equity method investees. For example, in August 2008, we acquired, through a share exchange transaction, all the shares of our consolidated subsidiary, Mitsubishi UFJ NICOS Co., Ltd., not owned by us, and sold a minority stake in Mitsubishi UFJ NICOS to The Norinchukin Bank. In November 2008, our consolidated subsidiary, The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, completed the acquisition of all of the shares of common stock of UnionBanCal Corporation, or UNBC, not owned by us. In March 2009, we signed a memorandum of understanding with Morgan Stanley to form a securities joint venture combining our consolidated subsidiary, Mitsubishi UFJ Securities Co., Ltd., or MUS, and Morgan Stanley Japan Securities Co., Ltd., by March 2010, subject to regulatory approval. We intend to own a 60% interest in the joint venture. In addition, we regularly review opportunities to pursue new acquisitions or business combinations.

If a planned merger or business combination fails, we may be subject to various material risks. For example, our growth strategies in Japan and globally may not be implemented as planned. In addition, the price of our stock may decline to the extent that the current market price reflects a market assumption that any pending transaction will be completed. Furthermore, our costs related to any planned transaction, including legal, accounting and certain financial adviser fees, must be paid even if the transaction is not completed. Our reputation may also be harmed due to our failure to complete an announced transaction. Even after a transaction is completed, there are various risks that could adversely affect our ability to achieve our business objectives, including:

- The growth opportunities and other expected benefits of these business combinations or acquisitions may not be realized in the expected time period and unanticipated problems could arise in the integration process, including unanticipated expenses related to the integration process as well as delays or other difficulties in coordinating, consolidating and integrating personnel, information and management systems, and customer products and services;

- We may be unable to cross-sell our products and services as effectively as anticipated and we may lose customers and business as some of the operations are reorganized, consolidated with other businesses and, in some cases, rebranded;

- We may have difficulty in coordinating the operations of our subsidiaries and affiliates as planned due to legal restrictions, internal conflict or market resistance;

- The diversion of management and key employees attention may detract from our ability to increase revenues and minimize costs; and

- We may encounter difficulties in penetrating certain markets due to adverse reactions to our newly acquired ownership in, or closer affiliation with, other financial institutions or businesses.

Any of the foregoing and other risks may adversely affect our business, results of operations, financial condition and stock price. For a more detailed discussion of recently completed and planned mergers and other business combinations involving our subsidiaries and affiliates, see Item 4.B. Information on the Company Business Overview and Item 5. Operating and Financial Review and Prospects Recent Developments.

Table of Contents

***Our recently completed and planned investments may increase our exposure to market fluctuations and other factors over which we have little or no control.***

In line with our ongoing strategic effort to create a leading comprehensive financial group that offers a broad range of financial products and services, we have recently agreed to enter into, and have entered into, several business combinations and strategic business alliances. For example,

on October 2, 2008, we acquired 9.9% of the issued shares of Aberdeen Asset Management PLC, or Aberdeen, and intend to increase our holdings but not to a level that exceeds 19.9%, subject to receiving the required regulatory approvals;

on October 13, 2008, we purchased approximately $9 billion of convertible and non convertible shares of Morgan Stanley preferred stock, which provided us with an approximately 21% interest in Morgan Stanley on a fully diluted basis at the time of our purchase, which interest decreased to approximately 20% on a fully diluted basis as a result of the US Department of the Treasury s subsequent purchase of a warrant to purchase up to 65,245,759 shares of common stock. Since this initial investment, we have acquired 46,553,055 additional shares of common stock for a total of approximately $1,176 million and sold back to Morgan Stanley $705 million of the non convertible preferred stock. As a result of these transactions, our interest in Morgan Stanley remains approximately 20% on a fully diluted basis. We have also signed a memorandum of understanding with Morgan Stanley to form a securities joint venture in Japan and a memorandum of understanding to expand the scope of our strategic alliance into new geographies and businesses; and

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

The fair value of our investments in those financial institutions may be impaired if their business results are adversely affected by current or future financial market instability or otherwise, resulting in a decline in the fair value of their securities that is other than temporary. Any significant impairment of the fair value of our investments could have a material adverse impact on our results of operations and financial condition.

Changes in economic policies of governments and central banks, laws and regulations, including capital adequacy requirements for financial institutions, and applicable accounting rules implemented in response to current and future market fluctuations, may have a greater impact on our results of operations and financial condition because of our recent investments.

In addition, the most significant investments we have made or announced in the fiscal year ended March 31, 2009 involve companies in industries undergoing significant change or restructuring. As a result, it may be difficult to evaluate the prospects of such investments based on historical results, and our results of operations may be subject to greater uncertainty.

In cases where we hold a minority interest in the investees, we typically cannot control the operations and assets of these investees or make major decisions without the consent of other shareholders or participants. In some cases, increasing our shareholding to a controlling stake could also trigger additional regulatory approvals and subject us to significantly increased regulatory supervision. If our investees encounter financial or other business difficulties, if their strategic objectives change or if they no longer perceive us to be an attractive alliance partner, they may no longer desire or be able to participate in alliances with us. Our business and results of operations could be adversely affected if we are unable to continue with one or more strategic business alliances.

For a more detailed discussion of recently completed and planned investments, see Item 4.B. Information on the Company Business Overview and Item 5. Operating and Financial Review and Prospects Recent Developments.

Table of Contents

***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. We may also need to reduce our strategic shareholdings which could affect our relationship with customers.***

We hold large amounts of marketable equity securities, of which a significant portion are securities of Japanese issuers. The market values of these securities are inherently volatile. We have recently experienced impairment losses on our marketable equity securities as a result of a decline in Japanese stock prices. The Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, declined from ¥12,656.42 at April 1, 2008 to ¥8,109.53 at March 31, 2009. The Nikkei Stock Average was ¥10,284.96 on August 18, 2009. The Tokyo Stock Price Index, or TOPIX, a composite index of all stocks listed on the First Section of the Tokyo Stock Exchange, declined from 1,230.49 at April 1, 2008 to 789.54 at March 31, 2009. The TOPIX was 949.66 on August 18, 2009. If the Japanese stock market or other global markets further decline or do not improve, we may incur additional losses on our securities portfolio. Further declines in the Japanese stock market or other global markets may also materially and adversely affect our capital ratios, results of operations and financial condition. For a detailed discussion of our holdings of marketable equity securities and the effect of market declines on our capital ratios, see Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Capital Adequacy and Selected Statistical Data Investment Portfolio.

In addition, like many Japanese financial institutions, a substantial portion of our equity securities portfolio is held for strategic and business relationship purposes. The sale of equity securities, whether to reduce our risk exposure to fluctuations in equity security prices, or otherwise, will reduce our strategic shareholdings, which may have an adverse effect on relationships with our customers. Our plans to further reduce our strategic shareholdings may also encourage some of our customers to sell their shares of our common stock, which may have a negative impact on our stock price.

***Our trading and investment activities as well as our international operations expose us to interest rate, exchange rate and other risks.***

We undertake extensive trading and investment activities involving a variety of financial instruments, including derivatives. We also have significant business operations abroad, including operations of UNBC, in the United States and elsewhere. Our income from these activities as well as our foreign assets and liabilities resulting from our international operations are subject to volatility caused by, among other things, changes in interest rates, foreign currency exchange rates and equity and debt prices. For example:

- increases in interest rates may have an adverse effect on the value of our fixed income securities portfolio, as discussed in Changes in interest rate policy, particularly unexpected or sudden increases in interest rates, could adversely affect the value of our bond and financial derivatives portfolios, problem loans and results of operations below; and

- fluctuations in foreign currency exchange rates against the Japanese yen may adversely affect our financial condition, including our capital ratios, to the extent that our foreign currency-denominated assets and liabilities are not matched in the same currency or appropriately hedged, and will create foreign currency translation gains or losses, as described in Item 5. Operating and Financial Review and Prospects A. Operating Results Effect of the Change in Exchange Rates on Foreign Currency Translation.

In addition, downgrades of the credit ratings of some of the securities in our portfolio could negatively affect our results of operations. Our trading and investment activities in financial instruments may also be adversely affected by regulatory measures taken by government agencies. Our results of operations and financial condition are exposed to the risks of loss associated with these activities. For a discussion of our investment portfolio and related risks see Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Financial Condition Investment Portfolio and Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

Table of Contents

***We may suffer additional credit-related losses in the future due to problem loans.***

When we loan money or commit to loan money, we incur credit risk, or the risk of losses if our borrowers do not repay their loans. We may incur credit losses or have to provide for 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 other factors, including corporate credibility issues among our borrowers, to an extent that is worse than anticipated.

If actual credit losses are higher than currently expected, the current allowances for credit losses will be insufficient. Our allowance for credit losses in our loan portfolio is based on evaluations, assumptions and estimates about customers, the value of collateral we hold and the economy as a whole. Our loan losses could prove to be materially different from the estimates and could materially exceed these allowances. In addition, the standards for establishing allowances may change, causing us to change some of the evaluations, assumptions and estimates used in determining the allowances. As a result, we may need to provide for additional allowances for credit losses. For example, as a result of recent deteriorating economic conditions, declines in real estate values and securities price levels, and worsening operations of borrowers, we experienced increases in the amount of problem loans and provision for credit losses in the fiscal year ended March 31, 2009.

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. We may not be able to realize the value of the collateral we hold or enforce our rights against defaulting customers because of the difficulty of foreclosing on collateral in Japan, the illiquidity of and depressed values in the Japanese real estate market, or other reasons.

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 counter-party defaults or otherwise. In addition, negative changes in financial market conditions may restrict the availability and liquidity of credit default swaps. For more information on our credit derivative transactions, see Note 23 to our consolidated financial statements included elsewhere in this Annual Report.

In addition, 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 forbear from exercising some or all of our rights as a creditor against them, and we may forgive loans to them in conjunction with their debt restructuring. These practices may substantially increase our exposure to troubled borrowers and increase our losses. An increase in loan losses would adversely affect our results of operations, weaken our financial condition and erode our capital base.

***We may be adversely affected if economic conditions in Japan or elsewhere worsen.***

Our performance is affected by general economic conditions of the countries in which we operate, particularly Japan where we primarily conduct our business. General economic conditions that could affect us include interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets, the level and volatility of debt and equity capital markets, the levels of corporate capital investments and individual consumption, and raw material prices. Any of these economic conditions, currently existing or occurring in the future, may adversely affect our financial condition and results of operations. For a discussion of the current economic environment in Japan and certain other countries, see Item 5. Operating and Financial Review and Prospects Business Environment.

Table of Contents

***Our business may be adversely affected by negative developments with respect 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. For example, the deterioration of the asset-backed securitization products market and residential mortgage market in the United States resulted in Lehman Brothers Holdings Inc. filing a petition under Chapter 11 of the US Bankruptcy Code. Other banks, securities companies, insurance companies and other financial institutions, especially US institutions, continue to be under significant pressure due to declining asset quality as a result of the continuing deterioration of the global financial markets. These developments may continue to adversely affect our financial results. Other 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;
- we may be requested to participate in providing assistance to support distressed financial institutions that are not our consolidated subsidiaries;
- we are a shareholder of some other banks and financial institutions that are not our consolidated subsidiaries;
- the government may elect to provide regulatory, tax, funding or other benefits to those financial institutions to strengthen their capital, facilitate their sale or otherwise, which in turn may increase their competitiveness against us;
- deposit insurance premiums could rise if deposit insurance funds prove to be inadequate;
- bankruptcies or government support or control of financial institutions could generally undermine confidence in financial institutions or adversely affect the overall banking environment; and
- negative media coverage of the financial industry, regardless of its accuracy and applicability to us, could affect customer or investor sentiment, harm our reputation and have a materially adverse effect on our business or the price of our securities.

***Changes in interest rate policy, particularly unexpected or sudden increases in interest rates, could adversely affect the value of our bond and financial derivative portfolios, problem loans and results of operations.***

We hold a significant amount of Japanese government bonds and foreign bonds, including US Treasury bonds. We also hold a large financial derivative portfolio, consisting primarily of interest-rate futures, swaps and options, for our asset liability management. An increase in relevant interest rates, particularly if such increase is unexpected or sudden, may negatively affect the value of our bond portfolio and reduce the so called spread, which is the difference between the rate of interest earned and the rate of interest paid. In addition, an increase in relevant interest rates may increase losses on our derivative portfolio and increase our problem loans as some of our borrowers may not be able to meet the increased interest payment requirements, thereby adversely affecting our results of operations and financial condition. For a detailed discussion of our bond portfolio, see Selected Statistical Data Investment Portfolio.

***A downgrade of our credit ratings could have a negative effect on our business.***

A downgrade of our credit ratings by one or more of the credit rating agencies could have a negative effect on our treasury operations and other aspects of our business. In the event of a downgrade of our credit ratings, our treasury business unit may have to accept less favorable terms in our transactions with counterparties, including capital raising activities, or may be unable to enter into some transactions. This could have a negative impact on the profitability of our treasury and other operations and adversely affect our results of operations and financial condition.

Table of Contents

***We are exposed to new or increased risks as we expand the range of our products and services and the geographic scope of our business.***

We currently plan to pursue various business strategies to improve our profitability. In addition to the risks associated with investments, business combinations and mergers described above, there are various other risks which could adversely affect our ability to achieve our business objectives. For example, as we expand the range of our products and services beyond our traditional banking and trust businesses and as the sophistication of financial products and management systems grows, we will be exposed to new and increasingly complex risks. We may have only limited experience with the risks related to the expanded range of these products and services. In addition, we may have difficulty developing and operating the necessary information systems. As a result, we may not be able to foresee certain risks, and new products and services we introduce may not gain acceptance among customers. Moreover, some of the activities that our subsidiaries are expected to engage in, such as derivatives and foreign currency trading, present substantial risks. 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. As a result, we are subject to substantial market, credit and other risks in relation to the expanding scope of our products, services and trading activities or expanding our business beyond our traditional markets, which could result in us incurring substantial losses. In addition, our efforts to offer new services and products or penetrate new markets may not succeed if product or market opportunities develop more slowly than expected or if the profitability of opportunities is undermined by competitive pressures. If we fail to achieve some or all of the goals of our business strategies, our results of operations could be materially and adversely affected. For a detailed discussion of our risk management systems, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

***We are exposed to substantial credit and market risks in emerging market countries.***

We are active in countries in Asia, Latin America, Central and Eastern Europe and other emerging market countries through a network of branches and subsidiaries and are thus exposed to a variety of credit and market risks associated with these countries. These risks will increase if the global financial crisis and recession continue or worsen. For example, a decline in the value of local currencies of these countries could adversely 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 and related 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, we are active in other countries and regions that expose us to risks similar to the risks described above and also risks specific to those countries and regions, which may cause us to incur losses or suffer other adverse effects.

***Any adverse changes in Union Bank s business could significantly affect our results of operations.***

Union Bank, N.A., or Union Bank, is UNBC s primary subsidiary. Union Bank contributes to a significant portion of our net income. Any adverse change in the business or operations of Union Bank could significantly affect our results of operations. Factors that could negatively affect Union Bank s results include adverse economic conditions in California, including the downturn in the real estate and housing industries in California, substantial competition in the California banking market, uncertainty over the US economy due to deteriorating economic conditions in the United States, the threat of terrorist attacks, fluctuating oil prices and rising interest

13

rates, negative trends in debt ratings, and additional costs and other adverse consequences 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. Compared to prior years, any adverse developments which could arise at Union Bank will have a greater negative impact on our results of operation and financial condition, since Union Bank became, through UNBC, our wholly owned subsidiary in November 2008 compared with approximately 65% ownership in prior years.

***Changes in the business environment for consumer finance companies in Japan have adversely affected our recent financial results, and may further adversely affect our future 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. The Japanese government has been implementing regulatory reforms affecting the consumer lending industry in recent years. In December 2006, the Diet passed legislation to reduce the maximum permissible interest rate under the Law Concerning Acceptance of Investment, Cash, Deposit and Interest Rate, etc., which is currently 29.2% per annum, to 20% per annum. The reduction in the maximum permissible interest rate will be implemented before mid-2010. Under the reforms, all interest rates will be subject to the lower limits (15-20% per annum) imposed by the Interest Rate Restriction Law, which will compel, or has already compelled, lending institutions to lower the interest rates they charge borrowers.

Currently and until the reduction in the maximum permissible interest rate as described above takes effect, consumer finance companies are able to charge interest rates exceeding the limits stipulated by the Interest Rate Restriction Law, provided that they satisfy certain conditions set forth in the Law Concerning Lending Business. Accordingly, our consumer finance subsidiaries and equity method investees offer loans at interest rates above the Interest Rate Restriction Law. As a result of recent decisions by the Supreme Court of Japan, consumer finance companies 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. New regulations that are scheduled to be effective before mid-2010 may also have a negative impact on the business of consumer finance companies as those new regulations are expected to require, among other things, consumer finance companies to review the repayment capability of borrowers before lending, thereby limiting the amount of borrowing available to individual borrowers.

These and other related developments have adversely affected, and may further adversely affect, the operations and financial condition of our subsidiaries and borrowers which are engaged in consumer lending, which in turn may affect the value of our related shareholdings and loan portfolio.

***We may have to compensate for losses in our loan trusts and money in trusts.***

Our trust bank subsidiary may have to compensate for losses of principal of all loan trusts and some money in trusts. Funds in those guaranteed trusts are generally invested in loans and securities. If the amount of assets and reserves held in the guaranteed trusts falls below the principal as a result of loan losses, losses in the investment portfolio or otherwise, it would adversely affect our results of operations.

***Our results of operations may be negatively affected by the global financial crisis and recession triggered by disruptions in the financial markets in the United States.***

The recent global financial crisis and recession may continue to adversely affect our loan and investment portfolios, which includes securitization products, such as asset-backed securities. For example, some of our investment securities have been, and may continue to be, marked at a significantly lower price because the market for those securities is inactive. We have also been, and may continue to be, affected by credit market deterioration caused by defaults on these higher risk residential mortgages. Specifically, the availability of credit has become, and may continue to be, limited causing some of our counterparties to default, or some of our credit derivative transactions may also be negatively affected. Moreover, the negative developments in the US credit markets have caused, and may continue to cause, significant fluctuations in global stock markets and foreign currency exchange rates, which in turn affect our results of operations. If credit market conditions continue to deteriorate, our capital funding structure may need to be adjusted, our funding costs may increase, or our credit-related losses may increase, all of which could have a material impact on our financial results and financial condition.

***Our information systems and other aspects of our business and operations are exposed to various system, political and social risks.***

As a major financial institution, our information systems and other aspects of our business and operations are exposed to various system, political and social risks beyond our control. Incidents such as disruptions of the Internet and other information networks due to major virus outbreaks, major terrorist activity, serious political instability and major health epidemics have the potential to directly affect our business and operations by disrupting our operational infrastructure or internal systems. Such incidents may also negatively impact the economic conditions, political regimes and social infrastructure of countries and regions in which we operate, and possibly the global economy as a whole. Our risk management policies and procedures may be insufficient to address these and other large-scale unanticipated risks.

In particular, the capacity and reliability of our electronic information technology systems are critical to our day-to-day operations and a failure or disruption of these systems would adversely affect our capacity to conduct our business. In addition to our own internal information systems, we also provide our customers with access to our services and products through the Internet and ATMs. These systems as well as our hardware and software are subject to malfunction or incapacitation due to human error, accidents, power loss, sabotage, hacking, computer viruses and similar events, as well as the loss of support services from third parties such as telephone and Internet service providers.

Additionally, as with other Japanese companies, our offices and other facilities are subject to the risk of earthquakes and other natural disasters. Our redundancy and backup measures may not be sufficient to avoid a material disruption in our operations, and our contingency plans may not address all eventualities that may occur in the event of a material disruption.

These various factors, the threat of such risks or related countermeasures, or a failure to address such risks, may materially and adversely affect our business, operating results and 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 increasingly deregulated and barriers to competition have been reduced. The privatization of the Japanese postal savings system and the establishment of Japan Post Bank Co., Ltd. in October 2007, as well as the establishment of Japan Finance Corporation, a public corporation wholly owned by the Japanese government, in October 2008, could also substantially increase competition within the financial services industry. 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. 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.

15

Table of Contents

***We are subject to increased regulatory requirements and supervision in the United States as a financial holding company.***

In October 2008, MUFG, BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, and UNBC, which is a subsidiary of BTMU, elected to become financial holding companies respectively under the US Bank Holding Company Act. As a financial holding company, we are authorized to engage in an expanded list of activities in the United States, including merchant banking, insurance underwriting, and a full range of securities activities.

Under our financial holding company status, we are also subject to additional regulatory requirements. For example, each of our banking subsidiaries with operations in the United States, comprising Bank of Tokyo-Mitsubishi UFJ Trust Company, Mitsubishi UFJ Trust & Banking Corporation (U.S.A.) and Union Bank, which are our US domestic depository institutions, as well as BTMU and MUTB, must be well capitalized, meaning a Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10%. Our US banking operations must also be well managed, including that they maintain examination ratings that are at least satisfactory. Failure to comply with such requirements would require us to prepare a remediation plan and we would not be able to undertake new business activities or acquisitions based on our status as a financial holding company during any period of noncompliance, and as a result, it may negatively affect our future financial results.

In June 2009, the US government released a regulatory reform proposal called Financial Regulatory Reform, A New Foundation: Rebuilding Financial Supervision and Regulation. This proposal includes, among other things, sweeping financial regulatory reforms designed to promote enhanced supervision and regulation of financial firms, establish comprehensive supervision of financial markets, protect consumers and investors from financial abuse, provide government with the tools needed to manage a financial crisis, and raise international regulatory standards and improve international cooperation. This reform, if enacted, could have a significant impact on our regulatory and financial compliance systems and practices, possibly requiring us to incur a significant amount of resources to implement measures to come into compliance with the reform and manage them on an ongoing basis.

***We have recently been subject to several regulatory actions for non-compliance with legal requirements. These regulatory matters and any future regulatory matters or regulatory changes could have a negative impact on our business and results of operations.***

We conduct our business subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies, voluntary codes of practice and interpretations in Japan and other markets where we operate. Our compliance risk management systems and programs may not be fully effective in preventing all violations of laws, regulations and rules.

The Financial Services Agency of Japan and regulatory authorities in the United States and elsewhere also have the authority to conduct, at any time, inspections to review banks accounts, including those of our banking subsidiaries. Some of our other financial services businesses, such as our securities business, are also subject to regulations set by, and inspections conducted by, various self-regulatory organizations, such as the Financial Industry Regulatory Authority in the United States. In recent years, we have been subject to several regulatory actions by, among others, the Financial Services Agency of Japan, the Securities and Exchange Surveillance Commission of Japan and various US banking regulators.

Our failure or inability to comply fully with applicable laws and regulations could lead to fines, public reprimands, damage to reputation, 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 law 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.

16

In addition, future developments or changes in laws, regulations, policies, voluntary codes of practice and their effects are unpredictable and beyond our control. For example, new regulations to be enacted before mid-2010 are expected to require, among other things, consumer finance companies in Japan to review the repayment capabilities of borrowers before lending, thereby limiting the amount of borrowing available to individual borrowers, which in turn may negatively affect our future financial results.

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

We, through our banking subsidiaries, engage in operations with entities in or affiliated with Iran and Syria, including transactions with entities owned or controlled by the Iranian or Syrian governments, and the banking subsidiary has a representative office in Iran. The US Department of State has designated Iran, Syria and other countries as state sponsors of terrorism, and US law generally prohibits US persons from doing business with such countries. Our activities with counterparties in or affiliated with Iran, Syria and other countries designated as state sponsors of terrorism are conducted in compliance in all material respects with both applicable Japanese and US regulations.

Our operations with entities in Iran consist primarily of loans to Iranian financial institutions in the form of financing for petroleum projects and trade financing for general commercial purposes, as well as letters of credit and foreign exchange services. Our operations relating to Syria are primarily foreign exchange services. We do not believe our operations relating to Iran and Syria are material to our business or financial condition. As of March 31, 2009, the loans outstanding to borrowers in or affiliated with Iran and Syria were approximately $151.7 million and less than $0.1 million, respectively. These represented less than 0.1% of our total assets as of March 31, 2009. In addition, we receive deposits or hold assets on behalf of several individuals resident in Japan who are citizens of countries designated as state sponsors of terrorism.

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

***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. The capital ratios are calculated in accordance with Japanese banking regulations based on information derived from the relevant entity s financial statements prepared in accordance with Japanese GAAP. Our subsidiaries in California, UNBC and Union Bank are subject to similar US capital adequacy guidelines. 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 banking subsidiaries may incur due to fluctuations in our or our banking 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 banking subsidiaries may incur as we or our banking 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 banking subsidiaries   securities portfolio;

17

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 banking subsidiaries deferred tax assets;

adverse changes in foreign currency exchange rates; and

other adverse developments discussed in these risk factors.

Our capital ratios may also be adversely affected if we or our banking subsidiaries fail to refinance our subordinated debt obligations with equally subordinated debt. As of March 31, 2009, subordinated debt accounted for approximately 32.9% of our total regulatory capital, 35.7% of BTMU s total regulatory capital, and 23.7% of total regulatory capital of MUTB, in each case, as calculated under Japanese GAAP. The failure to refinance these subordinated debt obligations with equally subordinated debt may reduce our total regulatory capital and, as a result, negatively affect our capital ratios.

If our capital ratios fall below required levels, the Financial Services Agency 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. 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 Japan Capital Adequacy and Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Capital Adequacy.

***The valuation of certain financial instruments may change due to market price fluctuations, changes in accounting standards or otherwise.***

A substantial portion of the assets on our consolidated balance sheets includes financial instruments that we carry at fair value. Generally, in order to establish the fair value of these instruments, we rely on quoted market prices. If the value of these financial instruments declines, a corresponding write-down may be recognized in our consolidated statement of operations. As the global financial markets became unstable following concerns of increased defaults of higher risk mortgages in the United States, there have been increasing circumstances where quoted market prices for securities became significantly depressed or were not properly quoted. Specifically, due to the reduction in liquidity of certain debt securities resulting from the global financial market instability in the second half of the fiscal year ended March 31, 2009, we observed that the market for collateralized loan obligations ( CLOs ) backed by general corporate loans became significantly inactive compared with normal market activity. In light of such circumstances, we concluded that the unadjusted non-binding quotes from broker-dealers became less reflective of the fair value as defined by Statement of Financial Accounting Standards ( SFAS ) No. 157, Fair Value Measurements, with respect to such CLOs. Consequently, we changed the estimation method for estimating the fair value of such CLOs from the method adopting unadjusted quotes from independent broker-dealers to the estimation method weighting the internal model valuation and the non-binding broker-dealer quotes during the second half of the fiscal year ended March 31, 2009. Additional fluctuations in the market or instabilities in the market could have a significant adverse effect on the fair value of the financial instruments that we hold.

In response to the recent instabilities in financial markets, several international organizations which set accounting standards announced new or revised rules for estimating the fair value for certain financial instruments. Accounting standards applicable to these financial instruments remain subject to further 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. Specifically, changes in accounting standards applicable to some of our financial instruments could have a significant negative impact on our capital ratios. For more information, see Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates.

Table of Contents

***Losses relating to our pension plans and a decline in returns on our plan assets may negatively affect our results of operations and financial condition.***

The fair value of our pension plan assets has declined and our investment return has decreased under the current market circumstances. If the fair value of our pension plan assets decline or our investment return decreases further, or if there is a change in the actuarial assumptions on which the calculations of the projected pension obligations or pension plan assets are based, such as a decline in the discount rate or the expected rate of return on plan assets, we may incur additional losses. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and the resulting annual amortization expense. In addition, we may have to record expenses relating to the amortization of previously unrecognized prior service costs if our pension plans are amended.

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

In accordance with US GAAP, we have accounted for our acquisitions using the purchase method of accounting. We recorded the excess of the purchase price over the fair value of the assets and liabilities of the acquired companies as goodwill. US GAAP requires us to test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Goodwill is tested by initially estimating fair value and then comparing it against the carrying amount. If the carrying amount of a reporting unit exceeds its estimated fair value, we are required to record an impairment loss. The amount of impairment and the remaining amount of goodwill, if any, is determined by comparing the fair value of the reporting unit as of the test date against the fair value of the assets and liabilities of that reporting unit as of the same date.

The global financial crisis and recession led to the decline in our market capitalization and negatively affected the fair value of our reporting units for purposes of our periodic testing of goodwill for impairment. As a result, we recorded ¥845.8 billion of goodwill impairment charges for the fiscal year ended March 31, 2009, in addition to having recorded ¥893.7 billion of goodwill impairment charges for the previous fiscal year. As of March 31, 2009, the balance of goodwill was ¥379.4 billion.

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

***We may incur significant additional costs for implementing effective internal controls.***

In order to operate as a global financial institution, it is essential for us to have effective internal controls, corporate compliance functions, and accounting systems to manage our assets and operations. Moreover, under the US Sarbanes-Oxley Act of 2002, which applies by reason of our status as an SEC reporting company, we are required to establish internal control over our financial reporting, and our management is required to assess the effectiveness of our internal control over financial reporting and disclose whether such internal control is effective. Our independent auditors must also conduct an audit to evaluate and then render an opinion on the effectiveness of our internal control over financial reporting. We are also subject to regulations on internal control over financial reporting under Japanese law from the fiscal year ended March 31, 2009.

Designing and implementing an effective system of internal control capable of monitoring and managing our business and operations requires significant management and human resources and considerable costs. If we identify any material weaknesses in our internal control system, we may incur significant additional costs for remediating such weaknesses. In addition, if we adopt a new accounting system, 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.

***Our risk management policies, procedures and methods may leave us exposed to unidentified or unanticipated risks, which could lead to material losses.***

We have devoted significant resources to developing and implementing our risk management policies, procedures and assessment methods and intend to continue to do so in the future. Our risk management policies, procedures and methods, however, may not be fully effective in mitigating our risk exposures in all economic or market environments or against all types of risk, including risks that we fail to identify or anticipate.

Some of our risk management policies, procedures and methods may not be fully effective in forecasting, identifying and managing our future risks because these risk management policies, procedures and methods are based primarily on our experiences. If our risk management policies, procedures or methods prove ineffective, our business, operating results and financial condition could be materially and adversely affected.

***We may be subject to liability and regulatory action if we are unable to protect personal and other confidential information.***

There have been many cases where personal information and records in the possession of corporations and institutions were leaked or improperly accessed. In the event that personal information in our possession about our customers or employees is leaked or improperly accessed and subsequently misused, we may be subject to liability and regulatory action. As an institution in possession of personal information, we are required to treat personal and other confidential information as required by the Personal Information Protection Law of Japan, as well as the Banking Law and the Financial Instruments and Exchange Law of Japan. We may have to provide compensation for economic loss and emotional distress arising out of a failure to protect such information. In addition, such incidents could create a negative public perception of our operations, systems or brand, which may in turn decrease customer and market confidence and materially and adversely affect our business, operating results and financial condition.

For example, in March 2009, MUS discovered that an employee had illegally stolen and sold customer information to information vendors. In June 2009, MUS received from the Financial Services Agency of Japan an order to improve business operations under the Financial Instruments and Exchange Law and a recommendation under the Personal Information Protection Law requiring MUS, among other things, to enhance its information security controls so as to prevent any recurrence of similar incidents and to submit a report on MUS s progress on adopting and implementing remedial and preventive measures.

***Damage to our reputation could harm our business.***

We are one of the largest and most influential financial institutions in Japan by virtue of our market share and the size of our operations and customer base. Our reputation is critical in maintaining our relationships with clients, investors, regulators and the general public. Our reputation could be damaged by numerous causes, including, among others, system troubles, employee misconduct, failure to properly address potential conflicts of interest, litigation, compliance failures, the activities of customers and counterparties over which we have limited or no control, and exacting scrutiny from regulatory authorities and customers regarding our trade practices and potential abuses of our dominant bargaining position in our dealings with customers. If we are unable to prevent or properly address these causes, we could lose existing or prospective customers and investors, in which case our business, financial condition and results of operations could be materially and adversely affected.

Table of Contents

***Our businesses may be materially and adversely affected if we are unable to hire and retain qualified employees.***

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Competition for qualified employees in the banking, securities and financial services industries is intense. Our continued ability to compete effectively in our businesses depends on our ability to attract new employees as necessary and to retain and motivate our existing employees. If we are not successful in attracting and retaining sufficient skilled employees through our hiring efforts and training programs aimed to maintain and enhance the skills and expertise of our employees, our competitiveness and performance could be negatively affected, and consequently, our business, operating results and financial condition may also be adversely affected.

**Risks Related to Owning Our Shares**

***Rights of shareholders under Japanese law may be different from those under the laws of jurisdictions within the United States and other countries.***

Our Articles of Incorporation, the regulations of our board of directors and the Company Law of Japan, or the Company Law (also known as the Corporation Act), govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors and officers fiduciary duties and shareholder rights are different from those that would apply if we were not a Japanese corporation. Shareholder rights under Japanese law are different in some respects from shareholder rights under the laws of jurisdictions within the United States and other countries. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction outside of Japan. For a detailed discussion of the relevant provisions under the Company Law and our Articles of Incorporation, see Item 10.B. Additional Information Memorandum and Articles of Association.

***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 federal securities laws of the United States.***

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 federal securities laws of the United States. We believe that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of US courts, of claims predicated solely upon the federal securities laws of the United States.

**Risks Related to Owning Our ADSs**

***As a holder of ADSs, you have fewer rights than a shareholder and 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, a holder of ADSs may not be entitled to the same rights as a shareholder. In your capacity as an ADS holder, you are not able to bring a derivative action, examine our accounting books and records or exercise appraisal rights, except through the depositary.

Table of Contents

***Foreign exchange rate fluctuations may affect the US dollar value of our ADSs and dividends payable to holders of our ADSs.***

Market prices for our ADSs may fall if the value of the yen declines against the US dollar. In addition, the US dollar amount of cash dividends and other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the US dollar.

## 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, and Mitsubishi UFJ Securities Co., Ltd., or MUS, Mitsubishi UFJ NICOS Co., Ltd., or Mitsubishi UFJ NICOS, and other companies engaged in a wide range of financial businesses.

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

On April 1, 2004, we implemented a new integrated business group system, which currently integrates the operations of BTMU, MUTB and MUS into the following three areas Retail, Corporate, and Trust Assets. Although this new measure did not change the legal entities of MUFG, BTMU, MUTB and MUS, it is intended to enhance synergies by promoting more effective and efficient collaboration between our subsidiaries.

On July 1, 2005, MTFG made Mitsubishi Securities Co., Ltd. a directly held subsidiary by acquiring all of the shares of Mitsubishi Securities common stock held by Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank.

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

On September 30, 2007, MUS became a wholly owned subsidiary of MUFG through a share exchange transaction.

On August 1, 2008, Mitsubishi UFJ NICOS became a wholly owned subsidiary of MUFG through a share exchange transaction. On the same day, we entered into a share transfer agreement with The Norinchukin Bank, or Norinchukin, under which we sold some of our shares of Mitsubishi UFJ NICOS common stock to Norinchukin. Currently, Mitsubishi UFJ NICOS is a consolidated subsidiary of MUFG.

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

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

Table of Contents

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

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

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

**The Bank of Tokyo-Mitsubishi UFJ, Ltd.**

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

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

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

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

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

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

Sanwa Bank was established in 1933 when the three Osaka-based banks, the Konoike Bank, the Yamaguchi Bank, and the Sanjyushi Bank merged. Sanwa Bank was known as a city bank having the longest history in Japan, since the foundation of Konoike Bank can be traced back to the Konoike Exchange Office established in 1656. The origin of Yamaguchi Bank was also a money exchange house, established in 1863.

Sanjyushi Bank was founded by influential fiber wholesalers in 1878. The corporate philosophy of Sanwa Bank had been the creation of the premier banking services especially for small and medium-sized companies and individuals.

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

Table of Contents

**Mitsubishi UFJ Trust and Banking Corporation**

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

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

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

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

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

**Mitsubishi UFJ Securities Co., Ltd.**

MUS was formed through the merger between Mitsubishi Securities Co., Ltd. and UFJ Tsubasa Securities Co., Ltd. on October 1, 2005. As the surviving entity, Mitsubishi Securities was renamed Mitsubishi UFJ Securities Co., Ltd. MUS is a wholly owned subsidiary of MUFG. MUS s registered head office is located at 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6317, Japan, and its telephone number is 81-3-6213-8500. MUS is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law.

MUS functions as the core of our securities and investment banking business, including underwriting and brokerage of securities, mergers and acquisitions, derivatives, corporate advisory and securitization operations. In addition to its own independent branches, MUS serves individual customers of BTMU and MUTB through a network of MUFG Plazas, which provide individual customers with one-stop access to services and products offered by MUS, BTMU and MUTB.

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

Table of Contents

In March 2009, we signed a memorandum of understanding with Morgan Stanley to form a securities joint venture in Japan by combining MUS and Morgan Stanley Japan Securities Co., Ltd. by March 2010, subject to regulatory approval. For more information on our strategic alliance with Morgan Stanley, see 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.

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 ¥193 trillion as of March 31, 2009. The Group is comprised of BTMU, MUTB, MUS, Mitsubishi UFJ NICOS and other subsidiaries and affiliates. Our services include commercial banking, trust banking, securities, credit cards, consumer finance, asset management, leasing and many more fields of financial services. The Group has the largest overseas network among the Japanese banks, comprised of offices and subsidiaries, including Union Bank, N.A., or Union Bank, in more than 40 countries.

While maintaining the corporate cultures and core competencies of BTMU, MUTB, MUS, 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, MUS and Mitsubishi UFJ NICOS;

achieve operational efficiencies and economies of scale; and

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

In order to further enhance our operations and increase profits, in April 2004 we introduced an integrated business group system comprising three core business areas: Retail, Corporate, and Trust Assets. These three businesses serve as the Group s core sources of net operating profit. Our remaining business areas are grouped into Global Markets and Other. In addition, MUFG s role as the holding company has expanded from strategic coordination to integrated strategic management. Group-wide strategies are determined by the holding company and executed by the banking subsidiaries and other subsidiaries.

Table of Contents

*MUFG Management Philosophy*

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

We will respond promptly and accurately to the diverse needs of our customers around the world and seek to inspire their trust and confidence;

We will offer innovative and high-quality financial services by actively pursuing the cultivation of new business areas and developing new technologies;

We will comply strictly with all laws and regulations and conduct our business in a fair and transparent manner to gain the public s trust and confidence;

We will seek to inspire the trust of our shareholders by enhancing corporate value through continuous business development and appropriate risk management, and by disclosing corporate information in a timely and appropriate manner;

We will contribute to progress toward a sustainable society by assisting with development in the areas in which we operate and conducting our business activities with consideration for the environment; and

We will provide the opportunities and work environment necessary for all employees to enhance their expertise and make full use of their abilities.

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

***Integrated Retail Banking Business Group***

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

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

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

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

**Table of Contents**

*Investment trusts*. We provide a varied lineup of investment trust products allowing our customers to choose products according to their investment needs through BTMU, MUTB and MUS as well as kabu.com Securities, which specializes in online financial services. In the fiscal year ended March 31, 2009, BTMU introduced a total of six new investment trusts. As of the end of March 2009, BTMU offered our clients a total of 72 investment trusts. Moreover, BTMU has placed significant importance on ensuring that aftercare is provided to all of our customers who have purchased our investment trust products.

*Insurance*. Since the Japanese government lifted the prohibition against sales of annuity insurance products by banks in October 2002, we have been actively offering insurance products to meet the needs of our customers. Our current lineup of insurance products consists of investment-type individual annuities, foreign currency-denominated insurance annuities and yen-denominated fixed-amount annuity insurance. Additionally, since January 2005, we have been offering single premium term insurance. BTMU has been offering life, medical and cancer insurance since December 2007 and care insurance since April 2008. Since the regulatory changes in December 2007 eliminated the restrictions on over-the-counter sales of life insurance products by banks, BTMU has introduced seven varieties of life insurance products (four life insurance, two medical insurance and one cancer insurance products). Between December 31, 2007 and March 31, 2009, the number of branches through which BTMU offers insurance products increased from 173 to 377. Professional insurance sales representatives, called Insurance Planners, have been assigned to each branch where these insurance products are sold in order to ensure that the branch responds to our customers needs. MUTB also offers whole term life insurance and medical insurance at all of its branches.

*Financial products intermediation services*. Our banking subsidiaries entered the securities industry following the lifting of the ban on securities intermediation by banks in Japan in December 2004. We offer stocks including public offerings, foreign and domestic investment trusts, Japanese government bonds, foreign bonds and various other products through BTMU and MUTB with MUS, Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd. and kabu.com Securities Co., Ltd. acting as agents. As of the end of March 31, 2009, BTMU employed approximately 470 employees seconded from MUS, of whom around 280 were assigned to branches in Japan as sales representatives, while 90 employees were employed in the capacity of Retail Money Desk, or RMD, representatives to assist the branch sales force. They are sales professionals mostly seconded from MUS with strong sales skills and a sophisticated understanding of compliance.

*Loans*. We offer housing loans, card loans, and other loans to individuals. With respect to housing loans, in addition to ultra-long term fixed rate housing loans and housing loans incorporating health insurance for seven major illnesses, BTMU began offering in June 2009 preferential interest rates under its Environmentally Friendly Support program to customers who purchase environment-conscious houses (houses with solar electric systems) which meet specific criteria in response to increasing public interest in environmental issues. Since November 2007, BTMU has been offering a card loan service called BANQUIC through which loan applications are accepted and approved for customers who meet certain criteria immediately upon submission. In January 2009, under this service, BTMU began accepting loan applications through mobile phones as a new channel in addition to telephone, internet, postal mail and facsimile. In June 2009, BTMU also started accepting loan applications through the Video Counters that allow face-to-face style contact with operators through the use of a video conferencing system. BTMU continues to strive to meet a wide variety of customer needs by enhancing our product offerings and increasing customers ease of access to our services.

*Credit cards*. In October 2004, BTMU began to issue multi-functional IC cards, which combine ATM card, credit card and electronic money functions that enhance customer s ease of access to our services. For example, BTMU has been offering an alliance credit card, which is an integrated IC commuter pass compatible with the ticketing systems of Japanese railway companies, including East Japan Railway Company since February 2007, Kintetsu Corporation since February 2008, and Tokyu Corporation since April 2009.

We strive to improve the quality of our products, aiming to enhance the convenience for our customers. As part of such efforts, in April 2009, BTMU transferred its guarantee service operations for card loans to

27

Table of Contents

Mitsubishi UFJ NICOS. In August 2008, we acquired, through a share exchange transaction, all the shares of Mitsubishi UFJ NICOS not owned by us, and sold a minority stake in Mitsubishi UFJ NICOS to The Norinchukin Bank. As a result, our current ownership interest in Mitsubishi UFJ NICOS is approximately 85%.

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

We offer integrated financial services combining our banking, trust banking and securities services at MUFG Plazas. These Plazas provide retail customers with integrated and flexible suite of services at one-stop outlets. As of March 31 2009, we provided those services through 48 MUFG Plazas.

To provide exclusive membership services to high net worth customers, private banking offices have been established since December 2006 featuring lounges and private rooms where customers can receive wealth management advice and other services in a relaxing and comfortable setting. As of March 31, 2009, we had 21 private banking offices in the Tokyo metropolitan area, Nagoya and Osaka.

To improve customer convenience, BTMU has enhanced its ATM network and ATM related services. BTMU has also ceased to charge ATM transaction fees from customers of BTMU and MUTB for certain transactions. In addition, BTMU has reduced commissions for transactions conducted through ATMs located in convenience stores.

Jibun Bank Corporation, a joint venture between BTMU and KDDI CORPORATION, started its banking business in July 2008. The bank offers comprehensive retail banking services through mobile phone networks.

*Trust agency operations*. As of the end of March 2009, BTMU engaged in eight businesses as the trust banking agent for MUTB: testamentary trusts, inheritance management, asset succession planning, inheritance management agency operations, business management financial consulting, lifetime gift trusts, share disposal trusts, and marketable securities administration trusts. In October 2006, BTMU accepted approximately 30 financial consultants (sales managers specializing in inheritance business) from MUTB. Because of Japan s aging society, customer demand for inheritance-related advice is increasing and we aim to significantly strengthen our ability to cross-sell the inheritance business to our existing customers.

*Strategic alliances.* In July 2008, BTMU acquired 49.375% of the issued shares of JALCARD, Inc., a wholly owned subsidiary of Japan Airlines International Co., Ltd. As a result, JALCARD, Inc. became an equity method affiliate of MUFG and BTMU. Through this alliance, we aim to improve our profitability and customer services by capitalizing on the broader customer base, jointly developed products and services, and the brands of MUFG and the Japan Airlines group. For example, we currently plan to introduce a jointly developed program through which our customers who apply for a JALCARD, a frequent flyer program membership card with the functionality of a credit card, will be entitled to preferential terms and services.

***Integrated Corporate Banking Business Group***

The Integrated Corporate Banking Business Group covers all domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses as well as UNBC. UNBC is a wholly owned subsidiary of BTMU and a US bank holding company with Union Bank, being its primary subsidiary. On December 18, 2008, Union Bank changed its name to the current name from Union Bank of California, N.A. Through the integration of these business lines, diverse financial products and services are provided to our corporate clients, from large corporations to medium-sized and small businesses. The business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of our corporate customers.

**Table of Contents**

*CIB (Corporate and Investment Banking)*

*Corporate management/financial strategies*. We provide advisory services to customers concerning mergers and acquisitions, inheritance-related business transfers and stock listings. We also help customers develop financial strategies to restructure their balance sheets. These strategies include the use of credit lines, factoring services and securitization of real estate.

*Capital Markets*. We manage the underwriting of debt and equity instruments for mainly large corporations. We also provide arrangement services relating to private placements primarily for medium-sized enterprise issuers and institutional investors.

*Commercial Banking*

*Corporate financing and fund management*. We advise on financing methods to meet various financing needs, including loans with derivatives, corporate bonds, commercial paper, asset-backed securities, securitization programs and syndicated loans. We also offer a wide range of products to meet fund management needs, such as deposits with derivatives, government bonds, debenture notes and investment funds.

*Risk management*. We offer swaps, options and other risk-hedge programs to customers seeking to reduce various business risks such as those relating to interest rate and exchange rate fluctuations.

*Transaction Banking*

We provide online banking services that allow customers to make domestic and overseas remittances electronically. Settlement and cash management services include global settlement services, such as Global Cash Management Services, a global pooling/netting service, and a fund management system for group companies, such as the Treasury Station system.

*Trust Banking*

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

*Global Businesses*

*Overseas business support*. We provide a full range of services to support customers overseas activities, including loans, deposits, assistance with mergers and acquisitions and cash management services. We also provide advisory services to help customers develop financial strategies, such as arranging the issuance of asset-backed commercial paper, providing credit commitments and securitizing real estate in Japan.

*Advice on business expansion overseas*. We provide advisory services to clients launching businesses overseas, particularly Japanese companies expanding into other Asian countries.

*Union Bank.* In November 2008, BTMU completed the acquisition of all of the shares of UNBC s common stock not owned by BTMU and, as a result, UNBC became a wholly owned indirect subsidiary of MUFG. UNBC is a US bank holding company with Union Bank being its primary subsidiary. Union Bank is one of the largest commercial banks in California by both total assets and total deposits. Union Bank provides a wide range of financial services to consumers, small businesses, middle market companies and major corporations, primarily in California, Oregon, and Washington, as well as nationally and internationally.

*Global Strategic Alliance with Morgan Stanley.* We made a $9.0 billion preferred equity investment in Morgan Stanley in October 2008 as part of a global strategic alliance between Morgan Stanley and us. Since this initial investment, we have acquired a total of $705 million of shares of Morgan Stanley common stock and sold back to Morgan Stanley $705 million of the preferred securities in May 2008, and we have acquired a total of $471 million of additional shares of Morgan Stanley common stock in June 2009. We beneficially own approximately 20% of the common stock of Morgan Stanley (assuming full conversion of the convertible preferred stock of Morgan Stanley we currently own). In addition, Nobuyuki Hirano, a member of our senior management, has been appointed to serve on the board of directors of Morgan Stanley.

We have reached an agreement with Morgan Stanley on a number of initiatives in connection with the Global Strategic Alliance. In March 2009, we signed a memorandum of understanding with Morgan Stanley to form a securities joint venture in Japan by combining MUS and Morgan Stanley Japan Securities Co., Ltd. by March 2010, subject to regulatory approval. The proposed joint venture is expected to become a new industry leader in Japan offering a large domestic retail brokerage network, a full range of institutional businesses, and significant global reach. The memorandum of understanding provides that we will own a 60% interest of the joint venture while Morgan Stanley will own the remaining 40% interest.

On June 30, 2009, the scope of the Global Strategic Alliance was expanded into new geographies and businesses, including (1) a loan marketing joint venture that will provide clients in the Americas with access to expanded, world-class lending and capital markets services from both companies, (2) agreements to establish business referral arrangements in Asia and in 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.

For a more detailed discussion on the business alliance, see  Item 5. Operating and Financial Review and Prospects  Recent Developments.

***Integrated Trust Assets Business Group***

The Integrated Trust Assets Business Group covers asset management and administration services for products such as pension trusts and security trusts by integrating the trust banking expertise of MUTB and the international strengths of BTMU. The business group provides a full range of services to corporate and pension funds, including stable and secure pension fund management and administration, advice on pension schemes, and payment of benefits to scheme members. Our Integrated Trust Assets Business Group combines MUTB s trust assets business, comprising trust assets management services, asset administration and custodial services, and the businesses of Mitsubishi UFJ Global Custody S.A., Mitsubishi UFJ Asset Management Co., Ltd. and KOKUSAI Asset Management Co., Ltd.

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

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

***Global Markets***

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

***Other***

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

Table of Contents

**Competition**

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

***Japan***

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

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

In terms of recent market entrants, other financial institutions, such as Orix Corporation, and non-financial companies, such as the Seven & i Holdings group and Sony Corporation, have also begun to offer various banking services, often through non-traditional distribution channels. Also, in recent years, various large foreign financial institutions have entered the Japanese domestic market. Citigroup Inc., for example, has expanded its banking operations in Japan through a locally incorporated banking subsidiary. The privatization of Japan Post, a government-run public services corporation that is the world s largest holder of deposits, and the establishment of the Japan Post Group companies, including Japan Post Bank Co., Ltd., as part of the continuing privatization process, as well as the privatization of other governmental financial institutions, could also substantially increase competition within the financial services industry.

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

- the separation of banking and securities businesses in Japan; and

- the distinctions among the permissible activities of Japan s two principal types of private banking institutions. For a discussion of the two principal types of private banking institutions, see The Japanese Financial System.

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

In the consumer banking sector, deregulation has enabled banks to offer customers an increasingly attractive and diversified range of products. For example, banks are permitted to sell investment trusts and all types of insurance products. Recently, competition has increased due to the development of new products and distribution channels. For example, Japanese banks have started competing with one another by developing innovative proprietary computer technologies that allow them to deliver basic banking services in a more efficient manner, such as internet banking services, and to create sophisticated new products in response to customer demand.

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

*Integration.* Since their formation in 2000 and 2001, the so-called Japanese mega bank groups, including us, the Mizuho Financial Group, and the Sumitomo Mitsui Financial Group have continued to expand their businesses and financial group capabilities. Heightened competition among the mega bank groups is currently expected in the securities sector as they have recently announced plans to expand, or have expanded, their respective securities businesses. In March 2009, we entered into a memorandum of understanding with Morgan Stanley to establish a joint venture combining MUS and Morgan Stanley Japan Securities. In May 2009, Mizuho Securities Co., Ltd. acquired Shinko Securities Co., Ltd., and the Sumitomo Mitsui Financial Group entered into an agreement to acquire Nikko Cordial Securities Inc. and other businesses from Citigroup Inc. In July 2009, The Sumitomo Trust and Banking Co., Ltd. entered into an agreement to acquire Nikko Asset Management Co., Ltd. from Citigroup Inc. The mega bank groups are also expected to face heightened competition with other financial groups. For example, the Nomura Group acquired Lehman Brothers Holding, Inc. s franchise in the Asia-Pacific region and investment banking businesses in Europe and the Middle East in October 2008.

***Foreign***

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

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

**The Japanese Financial System**

Japanese financial institutions may be categorized into three types:

- the central bank, namely the Bank of Japan;
- private banking institutions; and

government financial institutions.

***The Bank of Japan***

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

***Private Banking Institutions***

Private banking institutions in Japan are commonly classified into two categories (the following numbers are based on information published by the Financial Services Agency available as of August 18, 2009):

- ordinary banks (129 ordinary banks and 60 foreign commercial banks with ordinary banking operations); and

- trust banks (19 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 109 and other banks, of which there are 15. In general, the operations of ordinary banks correspond to commercial banking operations in the United States. City banks and regional banks are distinguished based on head office location as well as the size and scope of their operations.

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

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

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

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

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

***Government Financial Institutions***

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

Among them are the following:

The Development Bank of Japan, which was established for the purpose of contributing to the economic development of Japan by extending long-term loans, mainly to primary and secondary sector industries, and which was reorganized as a joint stock company in October 2008 as part of its ongoing privatization process;

Japan Finance Corporation, which was formed in October 2008, through the merger of the International Financial Operations of the former Japan Bank for International Cooperation, National Life Finance Corporation, Agriculture, Forestry and Fisheries Finance Corporation, and Japan Finance Corporation for Small and Medium Enterprise, the primary purposes of which are to supplement and encourage the private financing of exports, imports, overseas investments and overseas economic cooperation, and to supplement private financing to the general public, small and medium enterprises and those engaged in agriculture, forestry and fishery;

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

The Postal Service Agency, which was reorganized in April 2003 into Japan Post, a government-run public services corporation, which is currently undergoing a privatization process and, as part of the process, was privatized into the Japan Post Group companies in October 2007.

**Supervision and Regulation**

***Japan***

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

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

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

*Capital adequacy*. The capital adequacy guidelines adopted by the FSA that are applicable to Japanese bank holding companies and banks with international operations closely follow the risk-weighted approach introduced by the Basel Committee on Banking Supervision of the Bank for International Settlements, or BIS. In June 2004, the Basel Committee released revised standards called International Convergence of Capital

Measurement and Capital Standards: A Revised Framework, or Basel II, which has become applicable to Japanese banks since the end of March 2007. Basel II has three core elements, or pillars : requiring minimum regulatory capital, the self-regulation

34

**Table of Contents**

of financial institutions based on supervisory review, and market discipline through the disclosure of information. Basel II is based on the belief that these three pillars will collectively ensure the stability and soundness of financial systems. Although these amendments do not change the minimum capital requirements applicable to internationally active banks, they reflect the nature of risks at each bank more closely.

Basel II provides more risk-sensitive approaches and a range of options for measuring risks and determining the capital requirements. As a result, Basel II also reflects the nature of risks at each bank more closely. Under Basel II, we and our banking subsidiaries shifted from the Foundation Internal Ratings-Based Approach, or the FIRB approach, to the Advanced Internal Ratings-Based Approach, or the AIRB approach, to calculate capital requirements for credit risk as of the end of March 2009. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to the overall MUFG capital requirements and a few subsidiaries adopted a phased rollout of the internal ratings-based approach. We and our banking subsidiaries adopted the Standardized Approach to calculate capital requirements for operational risk. As for market risk, we and our banking subsidiaries adopted the Internal Models Approach mainly to calculate general market risk and adopted the Standardized Methodology to calculate specific risk.

The capital adequacy guidelines are in accordance with the standards of the BIS for a target minimum standard ratio of capital to modified risk-weighted assets of 8.0% on both consolidated and non-consolidated bases for banks with international operations, including BTMU and MUTB, or on a consolidated basis for bank holding companies with international operations, such as MUFG. Modified risk-weighted assets is the sum of risk-weighted assets compiled for credit risk purposes, market risk equivalent amount divided by 8% and operational risk equivalent amount divided by 8%. The capital adequacy guidelines place considerable emphasis on tangible common shareholders equity as the core element of the capital base, with appropriate recognition of other components of capital.

Capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Tier I capital generally consists of shareholders equity items, including common stock, preferred stock, capital surplus, retained earnings (which includes deferred tax assets) and minority interests, but recorded goodwill and other items, such as treasury stock, 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 accounting rules;

- 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 cap was set at 20% for the fiscal year ended March 31, 2009. The banks subject to the restrictions will not be able to reflect in their capital adequacy ratios any deferred tax assets that exceed the relevant limit.

**Table of Contents**

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

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

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

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

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

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

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

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

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

*Law concerning trust business conducted by financial institutions*. Under the Trust Business Law, joint stock companies that are licensed by the Prime Minister as trust companies are allowed to conduct trust business. In addition, under the Law Concerning Concurrent Operation for Trust Business by Financial Institutions, banks and other financial institutions, as permitted by the Prime Minister, are able to conduct trust business. The Trust Business Law was amended in December 2004 to expand the types of property that can be entrusted, to allow non-financial companies to conduct trust business and to allow a new type of registration for trustees who conduct only administration type trust business. The Trust Business Law was further amended in December 2006 in order to cope with new types of trust and to amend the duties imposed on the trustee in accordance with the sweeping amendment to the Trust Law.

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

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

Under the Deposit Insurance Law, the maximum amount of protection is ¥10 million per customer within one bank. Since April 1, 2005, all deposits are subject to the ¥10 million maximum, except for non-interest bearing deposits that are redeemable on demand and used by the depositor primarily for payment and settlement functions (the settlement accounts ). Such deposit accounts are fully protected without a maximum amount limitation. Certain types of deposits are not covered by the deposit insurance system, such as foreign currency deposits and negotiable certificates of deposit. Currently, the Deposit Insurance Corporation charges insurance premiums equal to 0.107% on the deposits in the settlement accounts, which are fully protected as mentioned above, and premiums equal to 0.081% on the deposits in other accounts.

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

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

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

37

*Personal Information Protection Law*. With regards to protection of personal information, the Personal Information Protection Law became fully effective on April 1, 2005. Among other matters, the law requires Japanese banking institutions to limit the use of personal information to the stated purpose and to properly manage the personal information in their possession, and forbids them from providing personal information to third parties without consent. If a bank violates certain provisions of the law, the FSA may advise or order the bank to take proper action. The FSA announced related guidelines for the financial services sector in December 2004. In addition, the Banking Law and the Financial Instruments and Exchange Law provide certain provisions with respect to appropriate handling of customer information.

*Law concerning Protection of Depositors from Illegal Withdrawals Made by Counterfeit or Stolen Cards.* This law became effective in February 2006 and requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits made using counterfeit or stolen bank cards. The law also requires financial institutions to compensate depositors for any amount illegally withdrawn using counterfeit bank cards, unless the financial institution can verify that it acted in good faith without negligence, and there is gross negligence on the part of the relevant account holder.

*Recent Regulatory Actions.* In February 2007, BTMU received an administrative order from the FSA in respect of compliance management at certain of its operations regarding the occurrence of certain inappropriate transactions. The administrative order required, among other things, temporary suspensions of credit extensions to new corporate customers, training of all staff and directors regarding compliance, temporary suspension of the establishment of new domestic corporate business locations, strengthening of the management and internal control framework, presentation and implementation of a business improvement plan, and reports on the progress of such business improvement plan. Further, in June 2007, BTMU received separate administrative orders from the FSA in respect of its overseas business and its investment trust sales and related business. The administrative orders required, among other things, BTMU to make improvements of its compliance structure and related internal control functions in its overseas business and its domestic investment trust sales and related business, presentation and implementation of a business improvement plan, and reports on the progress of such business improvement plan.

Also, in January 2007, MUS received a business improvement order from the FSA following a recommendation by the Securities and Exchange Surveillance Commission of Japan regarding securities transactions conducted by MUS for its proprietary account. In June 2009, MUS further received from the FSA an order to improve business operations pursuant to Section 51 of the Financial Instruments and Exchange Law and a recommendation pursuant to the first paragraph of Section 34 of the Personal Information Protection Law in connection with the incident where data including customer information were fraudulently stolen.

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

*Proposed government reforms to restrict maximum interest rates on consumer lending business.* In December 2006, the Diet passed legislation to reduce the maximum permissible interest rate under the Law Concerning Acceptance of Investment, Cash Deposit and Interest Rate etc., which is currently 29.2% per annum, to 20% per annum. Currently, consumer finance companies are able to charge interest rates exceeding the limits stipulated by the Interest Rate Restriction Law provided that they satisfy certain conditions set forth in the Law Concerning Lending Business. This so-called gray-zone interest will be abolished as well. Such reduction in the maximum permissible interest rate will be implemented before mid-2010. Under the reforms, all interest rates will be subject to the lower limits (15-20% per annum) imposed by the Interest Rate Restriction Law, which will compel, or has already compelled, lending institutions, including our consumer finance subsidiaries and equity method investees, to lower the interest rates they charge borrowers.

In addition, the Supreme Court of Japan recently passed decisions concerning interest exceeding the limits stipulated by the Interest Rate Restriction Law, and the business environment for consumer finance companies in

Japan has been altered in favor of borrowers. Due to such changes, borrowers demands for reimbursement of such excess interest that they have paid to the consumer finance companies have significantly increased and are still holding at high levels.

Furthermore, new regulations that are scheduled to be effective before mid-2010 are expected to require, among other things, consumer finance companies to review the repayment capability of borrowers before lending, thereby limiting the amount of borrowing available to individual borrowers.

***United States***

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

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

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

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

On October 6, 2008, we became a financial holding company. At the same time, BTMU, MUTB, and UNBC, which are also bank holding companies, elected to become financial holding companies. As noted above, as a financial holding company we are authorized to engage in an expanded list of activities. These activities include those deemed to be financial in nature or incidental to such financial activity, including among other things merchant banking, insurance underwriting, and a full range of securities activities. In addition, we are permitted to engage in certain specified nonbanking activities deemed to be closely related to banking, without prior notice to or approval from the Federal Reserve Board. To date, we have utilized this expanded authority by electing to engage in certain securities activities, including securities underwriting, indirectly through certain of our securities subsidiaries. In order to maintain our status as a financial holding company that allows us to expand our activities, we must continue to meet certain standards established by the Federal Reserve Board. Those standards require that we exceed the minimum standards applicable to bank holding companies that have not elected to become financial holding companies. These higher standards include meeting the well capitalized and well managed standards for financial holding companies as defined in the regulations of the Federal Reserve Board. In addition, as a financial holding company, we must ensure that our US banking subsidiaries identified below meet certain minimum standards under the Community Reinvestment Act of 1977. At this time, we continue to comply with these standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

*Anti-Money Laundering Initiatives and the USA PATRIOT Act*. A major focus of US governmental policy relating to financial institutions in recent years has been aimed at preventing money laundering and terrorist financing. The USA PATRIOT Act of 2001 substantially broadened the scope of US anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The US Department of the Treasury has issued a number of implementing regulations that impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist

41

**Table of Contents**

financing, and to verify the identity of their customers. In addition, the bank regulatory agencies carefully scrutinize the adequacy of an institution s policies, procedures and controls. As a result, there has been an increased number of regulatory sanctions and law enforcement authorities have been taking a more active role. Failure of a financial institution to maintain and implement adequate policies, procedures and controls to prevent money laundering and terrorist financing could in some cases have serious legal and reputational consequences for the institution, including the incurring of expenses to enhance the relevant programs, the imposition of limitations on the scope of their operations and the imposition of fines and other monetary penalties.

*Recent Regulatory Actions.* In December 2006, we and BTMU entered into a written agreement with the Federal Reserve Banks of San Francisco and New York and the New York State Banking Department, and Bank of Tokyo-Mitsubishi UFJ Trust Company, or BTMUT, a subsidiary of BTMU, consented to an Order to Cease and Desist issued by the Federal Deposit Insurance Corporation and the New York State Banking Department, to strengthen the compliance framework and operations of BTMU, the New York Branch of BTMU and BTMUT, respectively, for preventing money laundering. As a result of the written agreement and the consent to the Order to Cease and Desist, we were required, among other things, to implement corrective measures and submit periodic progress reports to the authorities. The terms of each of the written agreement and the Order to Cease and Desist were deemed to be complied with and each was formally terminated by the respective supervisory parties thereto on September 29, 2008.

Separately, on September 14, 2007, Union Bank (then known as Union Bank of California, N.A.) agreed to a consent order and payment of a civil money penalty of $10.0 million assessed concurrently by the US Office of the Comptroller of the Currency, or OCC, and the US Financial Crimes Enforcement Network, relating to the Bank Secrecy Act/Anti-Money Laundering compliance controls and processes of Union Bank. On September 17, 2007, Union Bank also entered into a deferred prosecution agreement with the US Department of Justice under which Union Bank agreed to a payment of $21.6 million and the government agreed to defer prosecution of a Bank Secrecy Act Program violation primarily related to the discontinued international banking business of Union Bank and dismiss prosecution if Union Bank met the conditions of the deferred prosecution agreement, including complying with the OCC consent order for one year. Union Bank was deemed to be in compliance with the consent order and the consent order was formally terminated by the supervisory parties thereto on September 25, 2008. The conditions of the deferred prosecution agreement were deemed to be met and the deferred prosecution agreement was formally terminated on October 1, 2008.

Table of Contents

**C. Organizational Structure**

The following chart presents our corporate structure summary as at March 31, 2009:

**Table of Contents**

Set forth below is a list of our principal consolidated subsidiaries at March 31, 2009:

| Name | Country of Incorporation | Proportion of Ownership Interest (%) | Proportion of Voting Interest[(1)] (%) |
|---|---|---|---|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | Japan | 100.00% | 100.00% |
| The Senshu Bank, Ltd. | Japan | 67.47% | 67.59% |
| Mitsubishi UFJ Trust and Banking Corporation | Japan | 100.00% | 100.00% |
| Mitsubishi UFJ Securities Co., Ltd. | Japan | 100.00% | 100.00% |
| Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd. | Japan | 50.98% | 50.98% |
| kabu.com Securities Co., Ltd. | Japan | 54.86% | 54.86% |
| Mitsubishi UFJ NICOS Co., Ltd. | Japan | 84.98% | 84.98% |
| Tokyo Credit Services, Ltd. | Japan | 74.00% | 74.00% |
| Ryoshin DC Card Company, Ltd. | Japan | 75.20% | 75.20% |
| Tokyo Associates Finance Corp. | Japan | 100.00% | 100.00% |
| NBL Co., Ltd. | Japan | 89.74% | 89.74% |
| Mitsubishi UFJ Factors Limited | Japan | 100.00% | 100.00% |
| MU Frontier Servicer Co., Ltd. | Japan | 94.44% | 94.44% |
| Mitsubishi UFJ Capital Co., Ltd. | Japan | 40.26% | 40.26% |
| MU Hands-on Capital Co., Ltd. | Japan | 50.00% | 50.00% |
| Defined Contribution Plan Consulting of Japan Co., Ltd. | Japan | 77.49% | 77.49% |
| KOKUSAI Asset Management Co., Ltd. | Japan | 53.35% | 53.41% |
| Mitsubishi UFJ Asset Management Co., Ltd. | Japan | 100.00% | 100.00% |
| MU Investments Co., Ltd. | Japan | 100.00% | 100.00% |
| Mitsubishi UFJ Real Estate Services Co., Ltd. | Japan | 100.00% | 100.00% |
| Mitsubishi UFJ Personal Financial Advisers Co., Ltd. | Japan | 73.69% | 73.69% |
| Mitsubishi UFJ Research and Consulting Ltd. | Japan | 69.45% | 69.45% |
| MU Business Engineering, Ltd. | Japan | 100.00% | 100.00% |
| Japan Shareholder Services Ltd. | Japan | 50.00% | 50.00% |
| BOT Lease Co., Ltd. | Japan | 22.57% | 22.57% |
| UnionBanCal Corporation | USA | 100.00% | 100.00% |
| Mitsubishi UFJ Trust & Banking Corporation (U.S.A.) | USA | 100.00% | 100.00% |
| Mitsubishi UFJ Global Custody S.A. | Luxembourg | 100.00% | 100.00% |
| Mitsubishi UFJ Wealth Management Bank (Switzerland), Ltd. | Switzerland | 100.00% | 100.00% |
| Mitsubishi UFJ Securities International plc | UK | 100.00% | 100.00% |
| Mitsubishi UFJ Securities (USA), Inc. | USA | 100.00% | 100.00% |
| Mitsubishi UFJ Trust International Limited | UK | 100.00% | 100.00% |
| Mitsubishi UFJ Securities (HK) Holdings, Limited | Peoples Republic of China | 100.00% | 100.00% |
| Mitsubishi UFJ Securities (Singapore), Limited | Singapore | 100.00% | 100.00% |
| BTMU Capital Corporation | USA | 100.00% | 100.00% |
| BTMU Leasing & Finance, Inc. | USA | 100.00% | 100.00% |
| PT U Finance Indonesia | Indonesia | 95.00% | 95.00% |
| PT. BTMU-BRI Finance | Indonesia | 55.00% | 55.00% |
| BTMU Lease (Deutschland) GmbH | Germany | 100.00% | 100.00% |
| BTMU Participation (Thailand) Co., Ltd. | Thailand | 24.49% | 24.49% |
| Mitsubishi UFJ Baillie Gifford Asset Management Limited | UK | 51.00% | 51.00% |
| MU Trust Consulting (Shanghai) Co., Ltd. | Peoples Republic of China | 100.00% | 100.00% |
| Mitsubishi UFJ Securities (India) Private Limited | India | 100.00% | 100.00% |

Note:

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

Table of Contents

**D. Property, Plants and Equipment**

Premises and equipment at March 31, 2008 and 2009 consisted of the following:

| | At March 31, 2008 | At March 31, 2009 |
|---|---|---|
| | (in millions) | |
| Land | ¥ 430,968 | ¥ 413,257 |
| Buildings | 585,196 | 566,310 |
| Equipment and furniture | 639,228 | 653,211 |
| Leasehold improvements | 355,484 | 356,985 |
| Construction in progress | 6,679 | 16,290 |
| Total | 2,017,555 | 2,006,053 |
| Less accumulated depreciation | 941,749 | 962,637 |
| Premises and equipment net | ¥ 1,075,806 | ¥ 1,043,416 |

Our registered address is 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo. At March 31, 2009, we and our subsidiaries conducted our operations either in the premises we owned or in the properties we leased.

The following table presents the areas and book values of our material offices and other properties at March 31, 2009:

| | Area (in thousands of square feet) | Book value (in millions) |
|---|---|---|
| Owned land | 40,646 | ¥ 413,257 |
| Leased land | 9,321 | |
| Owned buildings. | 30,103 | 238,216 |
| Leased buildings | 17,493 | |

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, 2009, we invested approximately ¥154.6 billion in our subsidiaries primarily for office renovations and relocation.

**Item 4A. Unresolved Staff Comments.**

None.

## 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.*

**Table of Contents**

**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 Securities Co., Ltd., or MUS, Mitsubishi UFJ NICOS Co., Ltd., or Mitsubishi UFJ NICOS, and other subsidiaries. Through our subsidiaries and affiliated companies, we engage in a broad range of financial businesses and services, including commercial banking, investment banking, trust banking and asset management services, securities businesses, and credit card businesses, and provide related services to individual and corporate customers.

***Key Financial Figures***

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

Effective April 1, 2008, we discontinued netting our derivative assets and liabilities under master netting agreements and recorded them on a gross basis. To provide a consistent presentation, we restated average balances, as well as period-end balances, of total assets for prior periods. Accordingly, all of the percentages to total assets or total average assets included elsewhere in this Annual Report have been restated. See Netting of Cash Collateral against Derivative Exposures under Accounting Changes in Note 1 to our consolidated financial statements included elsewhere in this Annual Report for details.

| | Fiscal years ended March 31, | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| | | (in billions) | |
| Net interest income | ¥ 2,329.8 | ¥ 2,279.7 | ¥ 2,296.4 |
| Provision for credit losses | 358.6 | 385.7 | 626.9 |
| Non-interest income | 1,947.9 | 1,778.1 | 175.1 |
| Non-interest expense | 2,784.2 | 3,659.7 | 3,572.5 |
| Net income (loss) | 581.3 | (542.4) | (1,468.0) |
| Total assets (at end of period) | 188,929.5 | 195,766.1 | 193,499.4 |

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

Net interest income is a function of:

- the amount of interest-earning assets,
- the amount of interest-bearing funds,
- 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.

Non-interest income consists of:

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

fees on real estate business,

insurance commissions,

fees and commissions on stock transfer agency services,

guarantee fees,

fees on investment funds business, and

other fees and commissions;

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

trading account profits (losses) net, which primarily include net profits (losses) on trading account securities and interest rate derivative contracts entered into for trading purposes;

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

equity in earnings (losses) of equity method investees;

gains on sales of loans; and

other non-interest income.

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

***Core Business Areas***

We operate our main businesses under an integrated business group system, which integrates the operations of BTMU, MUTB, MUS, Mitsubishi UFJ NICOS and other subsidiaries in the following three areas Retail, Corporate and Trust Assets. These three businesses serve as the core sources of our revenue. Operations that are not covered under the integrated business group system are classified under Global Markets and Other.

Our business segment information is based on financial information prepared in accordance with Japanese GAAP, as adjusted in accordance with internal management accounting rules and practice and is not consistent with our consolidated financial statements included elsewhere in this report, which have been prepared in accordance with US GAAP. The following chart illustrates the relative contributions to operating profit for the fiscal year ended March 31, 2009 of the three core business areas and the other business areas based on our business segment information:

**Table of Contents**

***Establishment of Mitsubishi UFJ Financial Group***

In October 2005, MTFG merged with UFJ Holdings to form MUFG. At the same time, our respective trust banking and securities companies merged to form MUTB and MUS. Subsequently, our subsidiary commercial banks merged to form BTMU in January 2006, and our credit card subsidiaries merged to form Mitsubishi UFJ NICOS in April 2007.

The merger marked the creation of a comprehensive financial group with a broad and balanced domestic and international network, and a diverse range of services provided by group companies, complemented by one of the largest customer bases in Japan.

As part of our integration process, we successfully completed a significant project to fully integrate the IT systems of the merged commercial bank subsidiaries and the merged trust bank subsidiaries respectively in December 2008.

The merger of MTFG and UFJ Holdings was accounted for under the purchase method of accounting, and the assets and liabilities of UFJ Holdings and its subsidiaries were recorded at fair value as of October 1, 2005. The purchase price of UFJ Holdings amounted to ¥4,406.1 billion, of which ¥4,403.2 billion was recorded in capital surplus relating to the merger with UFJ Holdings and the direct acquisition costs of ¥2.9 billion were included in the purchase price. The total fair value of UFJ Holdings net assets acquired was ¥2,673.0 billion and the goodwill relating to the merger with UFJ Holdings was ¥1,733.1 billion.

We test goodwill for impairment annually or more frequently if events or changes in circumstances indicate that goodwill may be impaired. In the fiscal year ended March 31, 2009, we recorded ¥845.8 billion of impairment related to goodwill, including the goodwill recorded in connection with our acquisitions other than the merger with UFJ Holdings, due to the global financial crisis and recession that negatively affected the fair value of certain of our reporting units for the purposes of our impairment testing, compared to ¥893.7 billion of impairment related to goodwill recorded in the previous fiscal year. For further information, see Item 3. Key Information Risk Factors If the goodwill recorded in connection with our acquisitions becomes impaired, we may be required to record impairment charges, which may adversely affect our financial results and price of our securities, and Note 9 to our consolidated financial statements included elsewhere in this Annual Report.

Table of Contents

**Recent Developments**

***Strategic Global Alliance with Morgan Stanley***

On October 13, 2008, we acquired approximately $7,839.2 million of perpetual non-cumulative convertible preferred stock without voting rights and approximately $1,160.8 million of perpetual non-cumulative non-convertible preferred stock without voting rights issued by Morgan Stanley. The acquisition was made pursuant to an agreement with Morgan Stanley to enter into a strategic capital alliance originally executed on September 29, 2008, and subsequently modified on October 3, October 8 and October 13, 2008.

The acquired shares of the convertible preferred stock are convertible to 310,464,033 shares of common stock (at a conversion price of $25.25 per share). One half of the convertible preferred stock will be converted to common stock one year after our investment if the price of Morgan Stanley s common stock exceeds $37.875 for 20 or more days out of 30 consecutive trading days. The remainder of the convertible preferred stock will be converted to common stock two years after our investment if the same conditions are satisfied. The non-convertible preferred stock is redeemable at Morgan Stanley s option on or after three years of our investment for an aggregate redemption price of approximately $1,276.9 million. The shares of the convertible and non-convertible preferred stock have a fixed non-cumulative annual dividend of 10%. The convertible shares provided us with an aggregate of approximately 21% of the voting rights of Morgan Stanley on a fully diluted basis at the time of our acquisition. The conversion terms contained in the convertible preferred stock were approved by Morgan Stanley s shareholders on February 9, 2009.

We have the right to maintain 20% of the voting rights in Morgan Stanley on a fully diluted basis and the right to appoint one director and one observer to its board as long as we hold a voting right ratio of 10% or more in Morgan Stanley on a fully diluted basis. Beginning one year after our investment, we also have the right to demand that Morgan Stanley register, under the US Securities Act of 1933, the shares of common stock issued or issuable by Morgan Stanley that we request to be so registered on up to five occasions, subject to certain conditions. Effective March 10, 2009, Mr. Nobuyuki Hirano, a director of MUFG, was appointed as a member of the board of directors of Morgan Stanley.

In a separate transaction, on October 28, 2008, the US Department of the Treasury purchased for an aggregate purchase price of $10,000,000,000, (1) 10,000,000 shares of fixed rate cumulative perpetual preferred stock, and (2) a warrant to purchase up to 65,245,759 shares of common stock, of Morgan Stanley. The purchase was transacted pursuant to the Capital Purchase Program, announced on October 14, 2008, through which the US Department of the Treasury invests in various US financial institutions. As a result of this purchase, our voting right ratio in Morgan Stanley decreased to approximately 20% on a fully diluted basis.

Since this initial investment, we have acquired 29,375,000 additional shares of Morgan Stanley common stock for a total of $705 million and sold back to Morgan Stanley $705 million of the perpetual non-cumulative non-convertible preferred stock on May 22, 2009, and we have also acquired 17,178,055 additional shares of Morgan Stanley common stock for a total of approximately $471 million on June 11, 2009, in each case at the time of public offerings of common stock by Morgan Stanley. We beneficially own approximately 20% of the common stock of Morgan Stanley (assuming full conversion of the convertible preferred stock of Morgan Stanley we currently own).

Through our capital alliance with Morgan Stanley, we plan to pursue a global strategic alliance in corporate and investment banking, retail, investment management and other businesses. On March 26, 2009, we signed a memorandum of understanding with Morgan Stanley to form a securities joint venture combining MUS and Morgan Stanley Japan Securities Co., Ltd. by March 2010. The proposed joint venture is expected to become a new industry leader in Japan offering a large domestic retail brokerage network, a full range of institutional businesses and significant global reach. MUFG will own a 60% interest of the joint venture while Morgan Stanley will own a 40% interest. On June 30, 2009, the scope of the strategic alliance was expanded into new geographies and businesses. These include:

- A global alliance in corporate and investment banking consisting of the creation of Morgan Stanley MUFG Loan Partners, LLC., a loan marketing joint venture that will be focused on generating attractive credit opportunities for both companies and provide clients in the United States, Canada and Latin America (subject to clearance of any regulatory requirement in each jurisdiction) with access to expanded, world-class lending and capital markets services from both companies;

Business referral arrangements in Asia, Europe, the Middle East and Africa, which are intended to cover a number of products and services, including capital markets, loans, fixed income sales and other ancillary businesses;

A commodities-specific initiative, in the form of a referral agreement for commodities transactions executed outside of Japan, which will enable BTMU to refer its clients to the Morgan Stanley Capital Group for commodity transactions and receive referral fees upon completion of any deals; and

Secondment of personnel to share best practices and expertise, through which the secondees will be able to share knowledge and help maximize the benefits of the strategic alliance across a variety of business areas.

***Completion of Tender Offer and Merger to Acquire All the Outstanding Shares of UNBC***

In September 2008, we and BTMU completed a cash tender offer for approximately $3.5 billion to purchase all of the outstanding shares of UnionBanCal Corporation, or UNBC, that we and our affiliates did not already own. As of the close of the offer, shares representing approximately 33% of the outstanding shares of UNBC had been validly tendered or guaranteed to be delivered. When added to our and our affiliates 64% stake at the time, the amount represented approximately 97% of UNBC s total outstanding shares. All shareholders who tendered shares were paid $73.50 per share in cash. In November 2008, BTMU and UNBC completed a second-step merger as a result of which UNBC became a wholly owned subsidiary of BTMU.

***Completion of Tender Offer to Acquire Additional Shares of ACOM***

In October 2008, we completed a tender offer and acquired, for ¥4,000 per share in cash, 38,140,009 shares of common stock of ACOM CO., LTD., an equity method investee engaged in the consumer loan business in which we owned approximately 15% of the voting rights. As a result, we increased our voting rights to approximately 40%. Although ACOM remains an equity method investee under US GAAP, our increased ownership in ACOM complements our related efforts to increase the competitiveness of our consumer finance operations, which include a business and capital alliance among JACCS Co., Ltd., another equity method investee, BTMU and Mitsubishi UFJ NICOS centering on credit card related operations, installment credit sales, settlement operations and housing loan related operations, as described below.

***Strategic Business and Capital Alliance between MUTB and Aberdeen***

In October 2008, MUTB and Aberdeen Asset Management PLC, or Aberdeen, entered into a strategic business and capital alliance. Aberdeen is an asset management company based in Scotland and manages a wide range of investment products, including emerging market equities, global equities, and global fixed income. Under the business alliance, MUTB has an exclusive right to access Aberdeen s services on behalf of domestic institutional investors, such as pension funds, in Japan. We believe the alliance will enable MUTB to meet its clients demands for global investment products.

As part of the capital alliance, MUTB initially acquired 9.9% of Aberdeen s issued share capital for approximately ¥20 billion in October 2008. As of December 8, 2008, MUTB owned 11.0% of Aberdeen s issued share capital. Subject to receiving the required regulatory approvals, MUTB intends to increase its holdings but not to a level that exceeds 19.9%. MUTB may appoint a representative as a nonexecutive director to the board of Aberdeen if MUTB s holding reaches 15% or more of Aberdeen s issued share capital. MUTB has agreed that, until April 2, 2010, it will not raise its holding in Aberdeen s shares beyond 19.9%, subject to some exceptions.

Table of Contents

MUTB and Aberdeen plan to continue to work towards further strengthening their strategic alliance by collaborating in marketing and product development.

*Agreement on Integration between Bank of Ikeda and Senshu Bank*

In May 2008, BTMU signed a basic agreement with The Senshu Bank, Ltd., or Senshu Bank, a regional bank subsidiary of BTMU headquartered in Osaka, and The Bank of Ikeda Ltd., or Bank of Ikeda, another regional bank headquartered in Osaka, concerning the planned business integration between the two regional banks.

On May 25, 2009, Bank of Ikeda and Senshu Bank entered into an agreement concerning their business integration (the Business Integration ), with BTMU, which had agreed to the planned Business Integration. The new integrated company, to be incorporated on October 1, 2009, is expected to be an equity method affiliate of BTMU. As a leading independent financial group in the Osaka region, the new integrated company will not only contribute to the development of the regional society and economy, but will also aim for the improvement of its enterprise value. In order to respect the business independence of the new financial group consisting of Bank of Ikeda, Senshu Bank and the new integrated company, BTMU plans to divest a part of its common stock in the new integrated company and intends to exclude the new integrated company from an equity method affiliate of MUFG by September 30, 2014 at the latest. However, BTMU also intends to continuously and appropriately support the formation and development of the new financial group and Nobuo Kuroyanagi, the Chairman of BTMU as well as the President and CEO of MUFG, will be seconded as an outside director to the new integrated company upon its incorporation. As of March 31, 2009, BTMU owned 3.45% of the outstanding common stock and ¥30.0 billion of non-convertible preferred stock of Bank of Ikeda. BTMU s voting right ratio in Bank of Ikeda increased to approximately 22% on June 26, 2009 following the terms and conditions of the non-convertible preferred stock of Bank of Ikeda.

*MUTB s Agreement to Acquire NikkoCiti Trust and Banking and Subsequent Rescission of the Agreement*

In December 2008, MUTB entered into an agreement with Nikko Citi Holdings Inc. and Citigroup International LLC under which MUTB will purchase all of the issued shares of NikkoCiti Trust and Banking Corporation for ¥25 billion in cash, subject to certain purchase price adjustments as well as pending regulatory approvals and other closing conditions. However, on May 14, 2009, MUTB agreed with Nikko Citi Holdings Inc. to terminate the transaction due to the changes in its business environment and strategy.

*Effects of Challenging Business Environment in Recent Periods*

The global financial market crisis and recession initially triggered by disruptions in the US residential mortgage market and negative trends in the global economy has continued in recent months. Japan is also experiencing a difficult business environment with the Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange and which was ¥8,109.53 as of March 31, 2009 declined from ¥12,525.54 as of March 31, 2008. The Nikkei Stock Average was ¥10,284.96 as of August 18, 2009.

The difficult business environment in Japan and globally has adversely affected our business and financial results in recent periods, and we expect the severe business conditions, resulting from the global financial market crisis and the recession in Japan and globally, to continue in the near term. As a result, we expect, among other things, increased credit costs resulting mainly from deteriorating business conditions for our borrowers, lower fees from investment products in retail business and derivative transactions in our corporate banking business, lower trading income, and increased impairment losses on equity securities resulting from the continuing decline in equity security prices in Japan generally.

The financial markets and overall economy, both in Japan and globally, may not improve in the near term. In fact, business conditions in Japan and globally could become even more challenging than we currently anticipate.

*Permission to Operate as Financial Holding Companies in the United States*

We, BTMU, MUTB and UNBC have received notification from the Board of Governors of the US Federal Reserve System that our elections to become financial holding companies under the US Bank Holding Company Act became effective as of October 6, 2008. This change in status means that we are able to engage in a broader range of financial activities in the United States without prior regulatory approval. More specifically, we will be able to engage in financial activities including a full range of securities and insurance businesses, as well as merchant banking activities.

Under our financial holding company status, we are also subject to additional regulatory requirements. For example, each of our banking subsidiaries with operations in the United States must be well capitalized, meaning a Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10%. Our US banking operations must also be well managed, including that they maintain examination ratings that are at least satisfactory. Failure to comply with such requirements would require us to prepare a remediation plan and we would not be able to undertake new business activities or acquisitions based on our status as a financial holding company during any period of noncompliance.

*Completion of Global Offering of Common Stock*

In December 2008, we completed the sale of 934,800,000 shares of common stock in public offerings in the United States and Japan as well as private placements in other countries. On January 14, 2009, we completed the sale of additional 65,200,000 shares of common stock through a third-party allotment pursuant to the over-allotment option granted in connection with the Japanese offering. We sold 700 million newly issued shares of common stock and 300 million shares of treasury stock in the global offering. The proceeds from the global offering after underwriting discounts and commissions were ¥399.8 per share. The total net proceeds from the global offering after underwriting discounts and commissions and offering expenses were approximately ¥398.7 billion.

The total net proceeds from the global offering after underwriting discounts and commissions and offering expenses were used to make an equity investment in BTMU to strengthen our overall group capital base.

*Issuance of Preferred Stock in Japan*

In November 2008, we issued and sold 156,000,000 shares of non-convertible preferred stock, First Series Class 5 Preferred Stock, through a third-party allotment to Japanese institutional investors in order to further strengthen our financial base for our group s future growth. A dividend of ¥43 per share of preferred stock was paid for the fiscal year ended March 31, 2009 and a dividend of ¥115 per share of preferred stock will be paid annually, subject to certain conditions, in priority to the common stock. We received approximately ¥388.6 billion in net cash proceeds from the third-party allotment. We used the net proceeds from the issuance and sale of the preferred stock to invest in our consolidated subsidiaries.

*Issuance of Preferred Securities by Special Purpose Companies*

In September 2008, MUFG Capital Finance 7 Limited, a special purpose company established in the Cayman Islands, issued ¥222 billion in non-cumulative and non-dilutive perpetual preferred securities in order to enhance the flexibility of our capital management. The securities have a fixed dividend rate of 3.60% per annum until January 2019 and a floating dividend rate after January 2019, and were sold primarily to Japanese institutional investors.

In March 2009, MUFG Capital Finance 8 Limited, a special purpose company established in the Cayman Islands, issued ¥90 billion in series A non-cumulative and non-dilutive perpetual preferred securities to enhance the flexibility of our capital management. The securities have a fixed dividend rate of 4.88% per annum until July 2019 and a non-step up floating dividend rate after July 2019. MUFG Capital Finance 8 Limited also issued ¥7.4 billion in series B non-cumulative and non-dilutive perpetual preferred securities with a fixed dividend rate of 4.55% per annum until July 2014 and a non-step up floating dividend rate after July 2014. These offerings were targeted towards Japanese institutional investors.

Table of Contents

The proceeds from the sale of these preferred securities were reflected in our Tier I capital as of March 31, 2009 under the BIS capital adequacy requirements, which is calculated primarily from our Japanese GAAP financial information pursuant to the regulations promulgated by the Financial Services Agency of Japan, or the FSA. However, for accounting purposes under US GAAP, because those special purpose companies are not consolidated entities, the loans, which are made to us from the proceeds from the sale of these preferred securities issued by the special purpose companies, are presented as long-term debt on our consolidated balance sheet as of March 31, 2009.

In July 2009, MUFG Capital Finance 9 Limited, a special purpose company established in the Cayman Islands, issued ¥130 billion in series A non-cumulative and non-dilutive perpetual preferred securities with a fixed dividend rate of 4.52% per annum until January 2020 and a non-step up floating dividend rate after January 2020, ¥110 billion in series B non-cumulative and non-dilutive perpetual preferred securities with a fixed dividend rate of 4.02% per annum until January 2020 and a step up floating dividend rate after January 2020, and ¥130 billion in series C non-cumulative and non-dilutive perpetual preferred securities with a fixed dividend rate of 4.02% per annum until January 2015 and a non-step up floating dividend rate after January 2015. These offerings were targeted towards Japanese institutional investors. The preferred securities will also be reflected in our Tier I capital.

***Redemption of Preferred Securities issued by a Special Purpose Company***

In July 2009, Sanwa Capital Finance 2 Limited, a special purpose company established in the Cayman Islands, redeemed a total of ¥130 billion in non-cumulative and non-dilutive perpetual preferred securities. These preferred securities were previously reflected as part of our Tier I capital.

***Allotment of Stock Compensation Type Stock Options (Stock Acquisition Rights)***

In July 2009, we allotted stock compensation type stock options, or stock acquisition rights, to the directors, corporate auditors and executive officers of MUFG, BTMU, MUTB and MUS to acquire an aggregate amount of 5,655,800 shares of MUFG s common stock. The stock acquisition rights have an exercise price of ¥1 per share of common stock and are exercisable until July 13, 2039. The purpose of issuing the stock acquisition rights is to further motivate the directors and executive officers to contribute to the improvement of stock prices and profits of MUFG and, with respect to the corporate auditors, to improve their audits and investigations aiming to increase the corporate value of MUFG. For more information on the stock acquisition rights, see Item 6.B. Compensation and Note 31 to our consolidated financial statements included elsewhere in this Annual Report.

Table of Contents

**Business Environment**

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

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

***Economic Environment in Japan***

The environment surrounding the Japanese economy has continued to be severe, but signs of recovery have been increasing. Exports, which had continued to decline significantly since last fall, increased in March and April 2009, exceeding the previous month s level, led by exports to Asia, especially to China. Production activity has begun to recover in response to the recovery of exports and expectations that the peak levels of inventory adjustments may have subsided. However, economic activity has significantly weakened relative to the past several years and remains severely low, although its rapid decline has slowed. It may take considerable time until economic activity recovers to the average level of the past few years and confidence of an economic recovery returns generally. Under these circumstances, profitability of Japanese corporations has substantially worsened. Net profits of corporations for the January-March 2009 period decreased by 69% compared to the same quarter of the last year, which was the largest decrease in Japan s history, due to falling sales reflecting the plunge in exports since last fall and sluggish demand. Although the employment and income situation remain severe, there are signs of a recovery in private consumption as a result of improvement in Japanese stock prices since March 2009 and the effects of economic stimulus measures implemented by the Japanese government. However, private consumption may also lose momentum due to the continuing deterioration in employment and personal income.

The Bank of Japan lowered its uncollateralized overnight call rate target to 0.1% from 0.5% during the period between October 2008 and December 2008 as the economy further decelerated and the environment for corporate finance deteriorated. Long-term interest rates have also been on a downward trend with some fluctuations under the circumstances described above. As of early August 2009, the uncollateralized overnight call rate target was around 0.1%, and the yield on ten-year Japanese government bonds was around 1.4%. The following chart shows the interest rate trends in Japan since April 2007:

Table of Contents

Regarding the Japanese stock market, the closing price of the Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, declined from ¥12,525.54 at March 31, 2008 to ¥8,109.53 at March 31, 2009, and 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, declined from 1,212.96 at March 31, 2008 to 773.66 at March 31, 2009, mainly due to the global financial market crisis and recession of both Japanese and overseas economies. On October 27, 2008, the closing price of the Nikkei Stock Average reached a 26-year low of ¥7,162.90 due to the market turmoil triggered by the financial crisis in the United States including the filing of a bankruptcy petition by Lehman Brothers Holdings Inc. As of August 18, 2009, the closing price of the Nikkei Stock Average was ¥10,284.96 and that of TOPIX was 949.66. The following chart shows the daily closing price of the Nikkei Stock Average since April 2007.

In the foreign exchange markets, the Japanese yen/US dollar foreign exchange rate was approximately ¥100 to US$1 at the beginning of April 2008, depreciating to approximately ¥110 to US$1 as of mid-August 2008. By January 2009, the Japanese yen had appreciated to approximately ¥88 to US$1. As of March 31, 2009, the Japanese yen/US dollar foreign exchange rate was ¥98.31 to US$1. Thereafter, the Japanese yen continued to be volatile, fluctuating between ¥92 to ¥101 to US$1. As of August 18, 2009, the Japanese yen/US dollar foreign exchange rate was ¥95.10 to US$1. Against the euro, the Japanese yen traded in a range of approximately ¥115 and ¥169 during the fiscal year ended March 31, 2009. As of August 18, 2009, the Japanese yen/euro foreign exchange rate was ¥134.35 to the euro. The following chart shows the foreign exchange rates expressed in Japanese yen per US dollar since April 2007:

For the first time in the past three years, the average price for both residential and commercial real estate experienced significant declines. Based on a survey by the Japanese government, the average residential land price in Japan declined by 3.2% between January 1, 2008 and January 1, 2009. The average commercial land price in Japan also declined by 4.7% during the same period. In the three major metropolitan areas of Tokyo, Osaka and Nagoya, the average residential land price declined by 3.5% between January 1, 2008 and January 1, 2009, while the average commercial land price declined by 5.4% during the same period. Between January 1, 2007 and January 1, 2008, the average residential land price rose by 4.3%, and the average commercial land price rose by 10.4%, in the same metropolitan areas. Looking into the local regions of Japan, which consist of regions other than the major metropolitan areas, the average residential and commercial land prices continued to decline for the fifth consecutive year with the rates of decline between January 1, 2008 and January 1, 2009, being 2.8% and 4.2%, respectively.

According to Teikoku Databank, a Japanese research institution, the number of companies who filed for legal bankruptcy in Japan from April 2008 to March 2009 was approximately 13,200, an increase of approximately 17% from the previous year, mainly due to an increase in bankruptcies of small sized companies, especially in the transportation and communications, real estate, and wholesale industries. Similarly, the aggregate amount of liabilities subject to bankruptcy filings for the same period was approximately ¥13.7 trillion, an increase of approximately 147% from the previous fiscal year, caused by an increase in the number of bankruptcy filings and large-scale bankruptcies in financial and real estate industries.

*International Financial Markets*

With respect to the international financial and economic environment, the US economy rapidly worsened due to the intensified financial crisis during the fiscal year ended March 31, 2009. Private consumption in the United States rapidly stalled in reaction to the significant deterioration of employment. The financial crisis also impacted Western Europe and parts of emerging Europe, triggered by the collapse of US investment banks in mid-September 2008.

Signs of recovery in the US economy have been increasing in recent months, but it may take considerable time until economic activities recover to the level of past years. In the corporate sector, production continues its downward trend due to higher inventory levels. Although disposable income of the household sector has been increasing due to the effects of economic stimulus measures and tax cuts by the US government, consumer sentiment is still weak because of low stock prices and high employment rates. In the European Union, or EU, the economic situation has also improved in recent months. However, there is no strong sign of recovery due to the high employment rates and increasing loan defaults experienced in the financial sector.

In the United States, the target for the federal funds rate was lowered to the range of zero to 0.25% in response to the deteriorating market conditions. In the EU, the European Central Bank coordinated an emergency rate cut in October 2008, followed by another substantial rate cut in November 2008 and thereafter took further actions. Currently, the European Central Bank s interest rate policy has been established at 1.0%, which is the lowest level in the EU s history.

Table of Contents

**Critical Accounting Estimates**

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

***Allowance for Credit Losses***

The allowance for credit losses represents management s estimate of probable losses in our loan portfolio. The evaluation process, including credit-ratings and self-assessments, involves a number of estimates and judgments. The allowance is based on two principles of accounting: (1) Statement of Financial Accounting Standards ( SFAS ) No. 5, Accounting for Contingencies, which requires that losses be accrued when they are probable of occurring and can be estimated; and (2) SFAS No. 114, Accounting by Creditors for Impairment of a Loan and SFAS No. 118, Accounting by Creditors for Impairment of a Loan Income Recognition and Disclosures, which require that losses be accrued based on the difference between the loan balance, on the one hand, and the present value of expected future cash flows discounted at the loan s effective interest rate and the fair value of collateral or the loan s observable market value, on the other hand.

Our allowance for credit losses consists of an allocated allowance and an unallocated allowance. The allocated allowance comprises (a) the allowance for specifically identified problem loans, (b) the allowance for large groups of smaller balance homogeneous loans, (c) the allowance for loans exposed to specific country risk and (d) the formula allowance. Both the allowance for loans exposed to specific country risk and the formula allowance are provided for performing loans that are not subject to either the allowance for specifically identified problem loans or the allowance for large groups of smaller balance homogeneous loans. The allowance for loans exposed to specific country risk covers transfer risk which is not specifically covered by other types of allowance. Each of these components is determined based upon estimates that can and do change when actual events occur.

The allowance for specifically identified problem loans, which represent large-balance, non-homogeneous loans that have been individually determined to be impaired, is calculated by using various techniques to arrive at an estimate of loss. Historical loss information, discounted cash flows, fair value of collateral and secondary market information are all used to estimate those losses.

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

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

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

Our actual losses could be more or less than the estimates. The unallocated allowance captures losses that are attributable to various economic events, industry or geographic sectors whose impact on the portfolio have occurred but have yet to be recognized in the allocated allowance. For further information regarding our allowance for credit losses, see B. Liquidity and Capital Resources Financial Condition Allowance for Credit Losses, Nonperforming and Past Due Loans.

In addition to the allowance for credit losses on our loan portfolio, we maintain an allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, a variety of guarantees and standby letters of credit and other financial instruments. Such allowance is included in other liabilities. With regard to the allocated allowance for specifically identified credit exposure and the allocated formula allowance, we apply the same methodology that we use in determining the allowance for loan credit losses.

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

***Impairment of Investment Securities***

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

*Debt and marketable equity securities.* In determining whether a decline in fair value below cost is other than temporary for a particular security, we generally consider factors such as the ability and positive intent to hold the investments for a period of time sufficient to allow for any anticipated recovery in fair value. In addition, indicators of an other than temporary decline for both debt and marketable equity securities include, but are not limited to, the extent of decline in fair value below cost and the length of time that the decline in fair value below cost has continued. If a decline in fair value below cost is 20% or more or has continued for six months or more, we generally deem such decline as an indicator of an other than temporary decline. We also consider the current financial condition and near-term prospects of issuers primarily based on the credit standing of the issuers as determined by our credit rating system.

Certain securities held by BTMU, MUTB and certain other subsidiaries, which primarily consist of debt securities issued by the Japanese national government and generally considered to be of minimal credit risk, were determined not to be impaired in some cases, on the basis of the respective subsidiary s ability and positive intent to hold such securities to maturity.

The determination of other than temporary impairment for certain securities held by UNBC, our US subsidiary, which primarily consist of securities backed by the full faith and credit of the US government and corporate asset-backed and debt securities, are made on the basis of a cash flow analysis of securities and/or the ability of UNBC to hold such securities to maturity.

*Nonmarketable equity securities.* Nonmarketable equity securities are equity securities of companies that are not publicly traded or are thinly traded. Such securities are primarily held at cost less other than temporary impairment if applicable. For the securities carried at cost, we consider factors such as the credit standing of issuers and the extent of decline in net assets of issuers to determine whether the decline is other than temporary. When we determine that the decline is other than temporary, nonmarketable equity securities are written down to the estimated fair value, determined based on such factors as the ratio of our investment in the issuer to the

Table of Contents

issuer s net assets and the latest transaction price if applicable. When the decline is other than temporary, certain nonmarketable equity securities issued by public companies, such as preferred stock convertible to marketable common stock in the future, are written down to fair value estimated by commonly accepted valuation models, such as option pricing models based on a number of factors, including the quoted market price of the underlying marketable common stock, volatility and dividend payments as appropriate.

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

For further information on the amount of the impairment losses and the aggregate amount of unrealized gross losses on investment securities, see Note 5 to our consolidated financial statements included elsewhere in this Annual Report.

***Income Taxes***

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

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

Among other factors, forecasted operating results, which serve as the basis of our estimation of future taxable income, have a significant effect on the amount of the valuation allowance. In developing forecasted operating results, we assume that our operating performance is stable for certain entities where strong positive evidence exists, including core earnings based on past performance over a certain period of time. The actual results may be adversely affected by unexpected or sudden changes in interest rates as well as an increase in credit-related expenses due to the deterioration of economic conditions in Japan and material declines in the Japanese stock market to the extent that such impacts exceed our original forecast. In addition, near-term taxable income is also influential on the amount of the expiration of unused operating loss carryforwards since the Japanese corporate tax law permits operating losses to be deducted for a predetermined period generally no longer than seven years. For further information on the amount of operating loss carryforwards and the expiration dates, see Note 10 to our consolidated financial statements included elsewhere in this Annual Report.

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

*Tax reserves.* We provide reserves for unrecognized tax benefits as required under Financial Accounting Standards Board ( FASB ) Interpretation, or FIN, No. 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109. In applying the standards of the Interpretation, we consider the relative risks and merits of positions taken in tax returns filed and to be filed, considering statutory, judicial, and regulatory guidance applicable to those positions. The Interpretation requires us to make assumptions and judgments about potential outcomes that lie outside management s control. To the extent the tax authorities disagree with our conclusions, and depending on the final resolution of those disagreements, our effective tax rate may be materially affected in the period of final settlement with tax authorities.

***Accounting for Goodwill and Intangible Assets***

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

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

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

***Accrued Severance Indemnities and Pension Liabilities***

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

Table of Contents

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

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

***Valuation of Financial Instruments***

In accordance with SFAS No. 157, Fair Value Measurement , we measure the fair value of certain financial assets and liabilities on a recurring basis, including trading securities, trading derivatives and investment securities. In addition, certain other financial assets and liabilities are measured at fair value on a non-recurring basis, including held for sale loans which are carried at the lower of cost or fair value, collateral dependent loans under SFAS No. 114, Accounting by Creditors for Impairment of Loans , and nonmarketable equity securities subject to impairment. In accordance with FSP SFAS No. 157-2, we did not apply the provision of SFAS No.157 to the nonrecurring nonfinancial assets and nonfinancial liabilities which included premises and equipment, intangible assets and goodwill measured at fair value for impairment. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 , we have elected the fair value option for certain foreign securities classified as available for sale, whose unrealized gains and losses are reported in income.

We have an established and documented process for determining fair value in accordance with SFAS No. 157. To determine fair value, we use quoted market prices which include those provided from pricing vendors, where available. We generally obtain one price or quote per instrument and do not adjust it to determine fair value of the instrument. Certain asset-backed securities are valued based on non-binding quotes provided by independent broker-dealers where no or few observable inputs are available to measure fair value. We do not adjust such broker-dealer quotes to the extent that there is no evidence that would indicate that the quotes are not indicative of the fair values of the securities. We perform internal price verification procedures to ensure that the quotes provided from the independent broker-dealers are reasonable. Such verification procedures include analytical review of periodic price changes, comparison analysis between periodic price changes and changes of indices such as a credit default swap index, or inquiries of underlying inputs and assumptions used by the broker-dealers such as probability of default, prepayment rate and discount margin. These verification procedures are periodically performed by independent risk management departments. For collateralized loan obligations, or CLOs, backed by general corporate loans, the fair value is determined by weighting the internal model valuation and the non-binding broker-dealer quotes. If quoted market prices are not available to determine fair value of derivatives, the fair value is based upon valuation techniques that use, where possible, current market-based or independently sourced parameters, such as interest rates, yield curves, foreign exchange rates, volatilities and credit curves. The fair values of trading liabilities are determined by discounting future cash flows at a rate which incorporates our own creditworthiness. In addition, valuation adjustments may be made to ensure that the financial instruments are recorded at fair value. These adjustments include, but are not limited to, amounts that reflect counterparty credit quality, liquidity risk, and model risk. Our financial models are validated and periodically reviewed by risk management departments independent of divisions that created the models.

For a further discussion of the valuation techniques or models applied to the material assets or liabilities, see Fair Value in Note 30 to our consolidated financial statements included elsewhere in this Annual Report.

***Change in Valuation Method***

We observed that the market for CLOs backed by general corporate loans became significantly inactive compared with normal market activity due to the reduction in liquidity of certain debt securities resulting from the global financial market instability in the second half of the fiscal year ended March 31, 2009. Under such circumstances, we concluded that the unadjusted non-binding quotes from broker-dealers became less reflective of the fair value as defined by SFAS No. 157 with respect to CLOs backed by general corporate loans. Consequently, we changed the valuation method for estimating the fair value of such CLOs from the method adopting unadjusted quotes from independent broker-dealers to an estimation method by weighting the internal model prices and the non-binding broker-dealer quotes during the second half of the fiscal year ended March 31, 2009.

This change in valuation method was treated as a change in accounting estimate and has been accounted for prospectively. This change in valuation method had a positive impact on losses from continuing operations before income tax expense and net loss of ¥251 billion and ¥149 billion, respectively, and a corresponding impact on both basic and diluted loss per share of ¥13.77 for the fiscal year ended March 31, 2009. This change also had a positive impact on the accumulated other changes in equity from nonowner sources, net of taxes, of ¥38 billion at March 31, 2009.

***Fair Value Hierarchy***

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity s own data. Based on the observability of the inputs used in the valuation techniques, the following three-level hierarchy is established by SFAS No. 157:

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

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

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

A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement of the financial instrument. For the categorization within the valuation hierarchy by the financial instruments, see Fair Value in Note 30 to our consolidated financial statements included elsewhere in this Annual Report.

The following table summarizes the assets and liabilities accounted for at fair value on a recurring basis by level under the SFAS No. 157 fair value hierarchy at March 31, 2009:

| | March 31, 2009 | |
|---|---|---|
| | **Fair Value (in billions)** | **Percentage of Total** |
| **Assets:** | | |
| Level 1 | ¥ 40,664 | 63.0% |
| Level 2 | 18,239 | 28.2 |

| | | |
|---|---|---|
| Level 3 | 5,667 | 8.8 |
| Total | ¥ 64,570 | 100.0% |
| As a percentage of total assets | 33.4% | |
| **Liabilities:** | | |
| Level 1 | ¥ 2,742 | 21.8% |
| Level 2 | 9,632 | 76.4 |
| Level 3 | 227 | 1.8 |
| Total | ¥ 12,601 | 100.0% |
| As a percentage of total liabilities | 6.7% | |

Level 3 assets decreased ¥2,338 billion during the fiscal year ended March 31, 2009 mainly because level 3 trading securities decreased ¥1,978 billion and level 3 securities available for sale decreased ¥206 billion. The level 3 trading securities were principally comprised of foreign asset-backed securities such as CLOs backed by general corporate loans, residential mortgage-backed securities, or RMBS, and other securitized products. For the level 3 trading securities, losses of ¥719 billion were recognized for the fiscal year ended March 31, 2009. The losses were largely attributable to unrealized losses incurred by declines in fair value of the foreign asset-backed securities and their foreign exchange losses caused by the global financial market instability. The level 3 trading securities of ¥216 billion decreased because the amounts of sales and redemptions were greater than the purchase amounts for the fiscal year ended March 31, 2009. Furthermore, trading securities of ¥1,055 billion were transferred out of the level 3 recurring measurements during the fiscal year ended March 31, 2009, because BTMU reclassified certain trading securities to securities being held to maturity which are not measured at fair value and therefore are not subject to the SFAS No. 157 disclosure requirements. For further information on the reclassification, see Note 5 to our consolidated financial statements included elsewhere in this Annual Report. The decrease in the level 3 securities available for sale is mainly attributable to redemption of private placement bonds issued by Japanese non-public companies and unrealized losses incurred by declines in fair value of certain securities subject to deteriorated credit worthiness during the fiscal year ended March 31, 2009. The decrease in the level 3 securities available for sale was partially mitigated by an increase in the level 3 securities available for sale due to the transfers into level 3 on the private placement bonds issued by Japanese non-public companies subject to deteriorated credit worthiness.

In measuring fair value of these foreign asset-backed securities and private placement bonds issued by Japanese non-public companies, significant unobservable inputs are used because there is limited observable pricing information and market illiquidity. For further information of fair value measurements, see Fair Value in Note 30 to our consolidated financial statements included elsewhere in this Annual Report.

**Accounting Changes and Recently Issued Accounting Pronouncements**

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

Table of Contents

**A. Operating Results**

**Results of Operations**

The following table sets forth a summary of our results of operations for the fiscal years ended March 31, 2007, 2008 and 2009:

| | Fiscal years ended March 31, 2007 | 2008 (in billions) | 2009 |
|---|---|---|---|
| Interest income | ¥ 3,915.7 | ¥ 4,366.8 | ¥ 3,895.8 |
| Interest expense | 1,585.9 | 2,087.1 | 1,599.4 |
| Net interest income | 2,329.8 | 2,279.7 | 2,296.4 |
| Provision for credit losses | 358.6 | 385.7 | 626.9 |
| Non-interest income | 1,947.9 | 1,778.1 | 175.1 |
| Non-interest expense | 2,784.2 | 3,659.7 | 3,572.5 |
| Income (loss) from continuing operations before income tax expense (benefit) | 1,134.9 | 12.4 | (1,727.9) |
| Income tax expense (benefit) | 552.8 | 553.1 | (259.9) |
| Income (loss) from continuing operations | 582.1 | (540.7) | (1,468.0) |
| Loss from discontinued operations net | (0.8) | (1.7) | |
| Net income (loss) | ¥ 581.3 | ¥ (542.4) | ¥ (1,468.0) |

We reported a net loss of ¥1,468.0 billion for the fiscal year ended March 31, 2009, an increase of ¥925.6 billion from ¥542.4 billion for the fiscal year ended March 31, 2008. Our basic loss per share of common stock (net loss available to common shareholders) for the fiscal year ended March 31, 2009 was ¥137.84, an increase of ¥83.79 from ¥54.05 for the fiscal year ended March 31, 2008. Loss from continuing operations before income tax expense for the fiscal year ended March 31, 2009 was ¥1,727.9 billion, compared with income of ¥12.4 billion for the fiscal year ended March 31, 2008.

**Table of Contents**

***Net Interest Income***

The following is a summary of the interest rate spread for the fiscal years ended March 31, 2007, 2008 and 2009:

| | Fiscal years ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | | 2008 | | 2009 | |
| | Average balance | Average rate | Average balance | Average rate | Average balance | Average rate |
| | (in billions, except percentages) | | | | | |
| Interest-earning assets: | | | | | | |
| Domestic | ¥ 130,196.1 | 1.63% | ¥ 123,196.2 | 1.78% | ¥ 121,686.4 | 1.70% |
| Foreign | 38,571.2 | 4.65 | 49,271.1 | 4.41 | 51,556.3 | 3.53 |
| Total | ¥ 168,767.3 | 2.32% | ¥ 172,467.3 | 2.53% | ¥ 173,242.7 | 2.25% |
| Financed by: | | | | | | |
| Interest-bearing funds: | | | | | | |
| Domestic | ¥ 122,332.7 | 0.54% | ¥ 123,231.9 | 0.69% | ¥ 124,716.0 | 0.58% |
| Foreign | 24,463.3 | 3.78 | 32,920.1 | 3.74 | 31,368.9 | 2.80 |
| Total | 146,796.0 | 1.08 | 156,152.0 | 1.34 | 156,084.9 | 1.02 |
| Non-interest-bearing funds | 21,971.3 | | 16,315.3 | | 17,157.8 | |
| Total | ¥ 168,767.3 | 0.94% | ¥ 172,467.3 | 1.21% | ¥ 173,242.7 | 0.92% |
| Spread on: | | | | | | |
| Interest-bearing funds | | 1.24% | | 1.19% | | 1.23% |
| Total funds | | 1.38% | | 1.32% | | 1.33% |

We use interest rate and other derivative contracts for hedging the risks affecting the values of our financial assets and liabilities. Although these contracts are generally entered into for risk management purposes, a majority of them do not meet the specific conditions to qualify for hedge accounting under US GAAP and thus are accounted for as trading assets or liabilities. Therefore, our net interest income for each of the fiscal years ended March 31, 2007, 2008 and 2009 was not materially affected by gains or losses resulting from such derivative instruments.

For a detailed discussion of our risk management systems, refer to Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

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

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

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

Average interest-earning assets for the fiscal year ended March 31, 2009 were ¥173,242.7 billion, an increase of ¥775.4 billion, from ¥172,467.3 billion for the fiscal year ended March 31, 2008. The increase was primarily attributable to an increase of ¥13,884.9 billion in trading account assets and an increase of ¥3,529.3 billion in foreign loans. These increases were partially offset by a decrease of ¥9,601.7 billion in foreign investment securities, a decrease of ¥2,058.4 billion in foreign interest-earning deposits in other banks and a decrease of ¥2,001.2 billion in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions. The increase in trading account assets was mainly due to the application of the fair value options, which resulted in the reclassification of some of our securities available for sale to trading account assets. For further information, see Note 30 to our consolidated financial statements included elsewhere in this Annual Report.

Average interest-bearing funds for the fiscal year ended March 31, 2009 were ¥156,084.9 billion, a decrease of ¥67.1 billion, from ¥156,152.0 billion for the fiscal year ended March 31, 2008. The decrease was primarily attributable to a decrease of ¥1,830.1 billion in foreign interest-bearing deposits and a decrease of ¥802.6 billion in domestic long-term debt. These decreases were partially offset by an increase of ¥2,581.3 billion in domestic interest-bearing deposits. The decrease in foreign interest-bearing deposits was mainly due to the fact that large deposits from foreign financial institutions decreased in response to the recent difficult market conditions in addition to the appreciation of the Japanese yen against the US dollar and other foreign currencies. The increase in domestic interest-bearing deposits was partially attributable to the attractive interest rates of our time deposits.

***Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007***

Net interest income for the fiscal year ended March 31, 2008 was ¥2,279.7 billion, a decrease of ¥50.1 billion, from ¥2,329.8 billion for the fiscal year ended March 31, 2007. This decrease was mainly due to an increase in the average interest rate on domestic interest-bearing funds and an increase in the average balance of foreign interest-bearing funds. These increases offset the effect of the increase in the average balance of foreign interest-earning assets.

The average interest rate spread on interest-bearing funds decreased five basis points from 1.24% for the fiscal year ended March 31, 2007 to 1.19% for the fiscal year ended March 31, 2008. For the fiscal year ended March 31, 2007, the average rate on interest-earning assets increased partly due to an increase in the expected cash flows from impaired loans acquired in the merger with UFJ Holdings, which cash flows are accounted for as adjustments to accretable yields under Statement of Position 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer. For the fiscal year ended March 31, 2008, the increase in the expected cash flows from such impaired loans was smaller than that for the previous fiscal year. The average interest rate spread on total funds decreased, showing a decrease of six basis points from 1.38% for the fiscal year ended March 31, 2007 to 1.32% for the fiscal year ended March 31, 2008.

Average interest-earning assets for the fiscal year ended March 31, 2008 were ¥172,467.3 billion, an increase of ¥3,700.0 billion, from ¥168,767.3 billion for the fiscal year ended March 31, 2007. The increase was primarily attributable to an increase of ¥3,494.3 billion in foreign call loans, funds sold, and receivables under resale agreements and securities borrowing transactions, an increase of ¥3,493.3 billion in foreign loans, an increase of ¥1,600.7 billion in foreign interest-earning deposits in other banks and an increase of ¥1,538.8 billion in foreign investment securities. These increases were partially offset by a decrease of ¥4,718.6 billion in domestic investment securities and a decrease of ¥2,016.9 billion in domestic loans. The increase in foreign loans was mainly due to the growth of lending to Japanese and non-Japanese customers in Asia, the United States and Europe.

Average interest-bearing funds for the fiscal year ended March 31, 2008 were ¥156,152.0 billion, an increase of ¥9,356.0 billion, from ¥146,796.0 billion for the fiscal year ended March 31, 2007. The increase was primarily attributable to an increase of ¥3,779.3 billion in foreign interest-bearing deposits, an increase of ¥3,494.3 billion in foreign call money, funds purchased, and payables under repurchase agreements and securities lending transactions and an increase of ¥2,183.3 billion in domestic deposits. The increase in foreign interest-bearing deposits was mainly due to the fact that large deposits from foreign central banks and government sponsored investment corporations increased in response to the recent difficult market conditions.

***Provision for Credit Losses***

Provision for credit losses is charged to operations to maintain the allowance for credit losses at a level deemed appropriate by management. For a description of the approach and methodology used to establish the

allowance for credit losses, see B. Liquidity and Capital Resources Financial Condition Allowance for Credit Losses, Nonperforming and Past Due Loans.

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

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

***Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007***

Provision for credit losses for the fiscal year ended March 31, 2008 was ¥385.7 billion, an increase of ¥27.1 billion from ¥358.6 billion for the fiscal year ended March 31, 2007. The increase in provision for credit losses was mainly due to the downgrade in credit rating of certain overseas borrowers.

***Non-Interest Income***

The following table is a summary of our non-interest income for the fiscal years ended March 31, 2007, 2008 and 2009:

| | Fiscal years ended March 31, | | |
|---|---|---|---|
| | **2007** | **2008** | **2009** |
| | | **(in billions)** | |
| Fees and commissions: | | | |
| Trust fees | ¥ 146.0 | ¥ 156.3 | ¥ 125.4 |
| Fees on funds transfer and service charges for collections | 151.3 | 152.9 | 147.7 |
| Fees and commissions on international business | 70.2 | 69.7 | 64.1 |
| Fees and commissions on credit card business | 164.2 | 138.0 | 141.4 |
| Service charges on deposits | 37.5 | 36.1 | 31.6 |
| Fees and commissions on securities business | 136.6 | 130.7 | 112.1 |
| Fees on real estate business | 60.2 | 44.5 | 19.8 |
| Insurance commissions | 52.2 | 43.0 | 28.1 |
| Fees and commissions on stock transfer agency services | 73.7 | 72.3 | 62.9 |
| Guarantee fees | 88.3 | 86.3 | 77.6 |
| Fees on investment funds business | 152.8 | 161.5 | 130.6 |
| Other fees and commissions | 274.2 | 225.8 | 247.2 |
| Total | 1,407.2 | 1,317.1 | 1,188.5 |
| Foreign exchange gains (losses) net | (162.0) | 1,295.9 | (206.2) |
| Trading account profits (losses) net: | | | |
| Net profits on interest rate and other derivative contracts | 212.8 | 520.6 | 555.5 |
| Net profits (losses) on trading account securities, excluding derivatives | 192.0 | (122.2) | (813.3) |

| | | | |
|---|---|---|---|
| Total | 404.8 | 398.4 | (257.8) |
| Investment securities gains (losses) net: | | | |
| Net gains on sales of securities available for sale: | | | |
| Debt securities | 188.5 | 1.2 | 120.9 |
| Marketable equity securities | 105.7 | 83.8 | 28.4 |
| Impairment losses on securities available for sale: | | | |
| Debt securities | (38.1) | (1,169.1) | (155.5) |
| Marketable equity securities | (71.3) | (331.3) | (660.7) |
| Other | 53.5 | 42.3 | 8.2 |
| Total | 238.3 | (1,373.1) | (658.7) |
| Equity in losses of equity method investees | (56.9) | (34.5) | (60.1) |
| Gains on sales of loans | 23.1 | 11.8 | 6.4 |
| Other non-interest income | 93.4 | 162.5 | 163.0 |
| Total non-interest income | ¥ 1,947.9 | ¥ 1,778.1 | ¥ 175.1 |

Table of Contents

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

Net trading account profits (losses) primarily include net gains (losses) on trading account securities and interest rate and other derivative instruments entered into for trading purposes. Trading account assets or liabilities are carried at fair value and any changes in the value of trading account assets or liabilities, including interest rate derivatives, are recorded in net trading account profits (losses). Derivative instruments for trading purposes also include those used as hedges of net exposures rather than for specifically identified assets or liabilities, which do not meet the specific criteria for hedge accounting.

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

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

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

*Fees and commissions*

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

*Net foreign exchange gains (losses)*

Net foreign exchange losses for the fiscal year ended March 31, 2009 were ¥206.2 billion, compared to net foreign exchange gains of ¥1,295.9 billion for the fiscal year ended March 31, 2008. The losses in foreign exchange were mainly due to the appreciation of the Japanese yen against the US dollar in the fiscal year ended March 31, 2009, compared to the fiscal year ended March 31, 2008. For reference, the foreign exchange rate expressed in Japanese yen per US$1.00 by BTMU was ¥118.05 at March 30, 2007, ¥100.19 at March 31, 2008 and ¥98.23 at March 31, 2009. As a result of adopting the fair value option under SFAS No.159, in principle, all transaction gains or losses on translation of eligible monetary assets and liabilities denominated in foreign currencies are included in current earnings. We recorded losses on translation of securities available for sale denominated in foreign currencies as non-interest income for the fiscal year ended March 31, 2009, which were recorded as other comprehensive income in prior fiscal years. As we maintain monetary assets and liabilities denominated in foreign currencies for our asset liability management, net foreign exchange gains or losses fluctuate with the appreciation or depreciation of the Japanese yen.

*Net trading account profits (losses)*

Net trading account losses of ¥257.8 billion were recorded for the fiscal year ended March 31, 2009, compared to net trading account profits of ¥398.4 billion for the fiscal year ended March 31, 2008. Net profits on interest rate and other derivative contracts were largely affected by the impact of the decrease in Japanese long-term interest rates on interest rate swaps principally held for risk management purposes. Although such contracts are generally entered into for risk management purposes, the majority did not meet the conditions to qualify for hedge accounting under US GAAP and thus are accounted for as trading positions. Both Japanese yen short-term interest rates and long-term interest rates generally declined during the fiscal year ended March 31, 2009 compared to the previous fiscal year. These declines in short-term and long-term interest rates had a favorable impact on our interest rate swap portfolios, in which we generally maintained net receive-fix and pay-variable positions, for managing interest rate risk on domestic deposits. However, the increase in net profits on interest rate and other derivative contracts of ¥34.9 billion was offset by an increase in net losses on trading account securities, excluding derivatives, of ¥691.1 billion, mainly reflecting the increase in loss on sales and revaluation from trading in debt and equity securities, including securities reclassified under SFAS No. 159, primarily due to unfavorable market conditions.

*Net investment securities gains (losses)*

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

The net investment securities losses for the fiscal year ended March 31, 2009 mainly reflected the impairment losses of ¥660.7 billion on marketable equity securities available for sale and of ¥155.5 billion on debt securities available for sale. Impairment losses on debt securities for the fiscal year ended March 31, 2008 were ¥1,169.1 billion due to the appreciation of the Japanese yen against the US dollar. The impairment losses on debt securities for the fiscal year ended March 31, 2009 substantially decreased by ¥1,013.6 billion, compared to those for the fiscal year ended March 31, 2008, due to the election of the fair value option under SFAS No. 159 for certain foreign securities. The increase in impairment losses on marketable equity securities was due to a general decline in Japanese stock prices in the fiscal year ended March 31, 2009. The Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, was ¥12,525.54 at March 31, 2008 and ¥8,109.53 at March 31, 2009.

*Equity in losses of equity method investees*

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

***Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007***

Non-interest income for the fiscal year ended March 31, 2008 was ¥1,778.1 billion, a decrease of ¥169.8 billion, from ¥1,947.9 billion for the fiscal year ended March 31, 2007. This decrease was primarily due to a decrease of ¥1,611.4 billion in net investment securities gains and a decrease of ¥90.1 billion in fees and commissions. These decreases were offset by an increase of ¥1,457.9 billion in net foreign exchange gains and an increase of ¥69.1 billion in other non-interest income.

*Fees and commissions*

Fees and commissions for the fiscal year ended March 31, 2008 were ¥1,317.1 billion, a decrease of ¥90.1 billion, from ¥1,407.2 billion for the fiscal year ended March 31, 2007. This decrease was primarily attributable to a decrease of ¥48.4 billion in other fees and commissions, a decrease of ¥26.2 billion in fees and commissions on credit card business, and a decrease of ¥15.7 billion in fees on real estate business due to a decrease of business volume.

*Net foreign exchange gains (losses)*

Net foreign exchange gains for the fiscal year ended March 31, 2008 were ¥1,295.9 billion, compared to net foreign exchange losses of ¥162.0 billion for the fiscal year ended March 31, 2007. The improvement in foreign exchange gains (losses) was due mainly to the larger appreciation of the Japanese yen against the US dollar in the fiscal year ended March 31, 2008, compared to the fiscal year ended March 31, 2007. For reference, the foreign exchange rate expressed in Japanese yen per US$1.00 by BTMU was ¥117.47 at March 31, 2006, ¥118.05 at March 30, 2007 and ¥100.19 at March 31, 2008. All transaction gains or losses on translation of monetary liabilities denominated in foreign currencies are included in current earnings. As we maintain monetary liabilities denominated in foreign currencies for our asset liability management, net foreign exchange gains (losses) fluctuate with the appreciation (depreciation) of the Japanese yen.

*Net trading account profits*

Net trading account profits of ¥398.4 billion were recorded for the fiscal year ended March 31, 2008, a decrease of ¥6.4 billion, from ¥404.8 billion for the fiscal year ended March 31, 2007.

Net profits (losses) on interest rate and other derivative contracts were largely affected by the impact of the decrease (increase) in Japanese long-term interest rates on interest rate swaps principally held for risk management purposes. Although such contracts are generally entered into for risk management purposes, a majority of them did not meet the conditions to qualify for hedge accounting under US GAAP and thus are accounted for as trading positions.

Though Japanese yen short-term interest rates generally rose during the fiscal year ended March 31, 2008 compared to the previous fiscal year, long-term interest rates generally declined. This decline in long-term interest rates had a favorable impact on our interest rate swap portfolios, in which we generally maintained net receive-fix and pay-variable positions, for managing interest rate risks on domestic deposits. The increase in net profits on interest rate and other derivative contracts of ¥307.8 billion was offset by a decrease in net profits on trading account securities, excluding derivatives of ¥314.2 billion, primarily reflecting the increase in loss on sales and revaluation from trading in debt and equity securities primarily due to unfavorable market conditions.

*Net investment securities gains (losses)*

Net investment securities losses for the fiscal year ended March 31, 2008 were ¥1,373.1 billion, compared to net investment securities gains of ¥238.3 billion for the fiscal year ended March 31, 2007.

The net investment securities losses for the fiscal year ended March 31, 2008 mainly reflected the impairment losses of ¥1,169.1 billion on debt securities available for sale and of ¥331.3 billion on marketable equity securities available for sale. The increase in impairment losses on debt securities was mainly due to the appreciation of the Japanese yen against US dollar in the fiscal year ended March 31, 2008, compared to the fiscal year ended March 31, 2007. The amount of impairment losses attributable to the appreciation of the Japanese yen against foreign currencies was ¥863.2 billion. The increase in impairment losses on marketable equity securities was due to a decline in Japanese stock prices in the fiscal year 2008. The Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, was ¥17,287.65 at March 30, 2007 and ¥12,525.54 at March 31, 2008.

*Equity in losses of equity method investees*

We recorded equity in losses of equity method investees of ¥34.5 billion for the fiscal year ended March 31, 2008, a decrease of ¥22.4 billion, from ¥56.9 billion for the fiscal year ended March 31, 2007. The decrease in losses in the fiscal year ended March 31, 2008 was mainly due to reduced losses of an equity method investee in the consumer finance business.

**Table of Contents**

***Non-Interest Expense***

The following table shows a summary of our non-interest expense for the fiscal years ended March 31, 2007, 2008 and 2009:

| | Fiscal years ended March 31, | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| | | (in billions) | |
| Salaries and employee benefits | ¥ 862.4 | ¥ 909.8 | ¥ 873.4 |
| Occupancy expenses net | 179.4 | 173.2 | 171.9 |
| Fees and commission expenses | 238.0 | 218.1 | 209.8 |
| Outsourcing expenses, including data processing | 267.9 | 248.2 | 267.8 |
| Depreciation of premises and equipment | 118.9 | 179.6 | 132.1 |
| Amortization of intangible assets | 264.9 | 252.9 | 278.2 |
| Impairment of intangible assets | 184.8 | 78.7 | 126.9 |
| Insurance premiums, including deposit insurance | 112.8 | 112.4 | 113.8 |
| Minority interest in income (loss) of consolidated subsidiaries | 16.9 | 39.4 | (36.3) |
| Communications | 62.2 | 65.3 | 62.9 |
| Taxes and public charges | 79.7 | 83.4 | 85.7 |
| Provision for repayment of excess interest | 106.2 | 2.8 | 47.9 |
| Impairment of goodwill | | 893.7 | 845.8 |
| Other non-interest expenses | 290.1 | 402.2 | 392.6 |
| Total non-interest expense | ¥ 2,784.2 | ¥ 3,659.7 | ¥ 3,572.5 |

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

Non-interest expense for the fiscal year ended March 31, 2009 was ¥3,572.5 billion, a decrease of ¥87.2 billion from ¥3,659.7 billion for the previous fiscal year. This decrease was primarily due to the decrease of minority interest in income of consolidated subsidiaries, impairment of goodwill, depreciation of premises and equipment, and salaries and employee benefits. The decrease in these non-interest expenses was partially offset by an increase in impairment of intangible assets, provision for repayment of excess interest, amortization of intangible assets and outsourcing expenses, including data processing.

*Salaries and employee benefits*

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

*Depreciation of premises and equipment*

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

**Table of Contents**

*Impairment of intangible assets*

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

*Minority interest in income of consolidated subsidiaries*

Minority interest in loss of consolidated subsidiaries for the fiscal year ended March 31, 2009 was ¥36.3 billion, a decrease of ¥75.7 billion from income of ¥39.4 billion for the previous fiscal year. The decrease was mainly due to our making UNBC a wholly-owned subsidiary, which resulted in a decrease in minority interest of UNBC.

*Provision for repayment of excess interest*

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

*Impairment of goodwill*

In the fiscal year ended March 31, 2009, we recorded an impairment of goodwill of ¥845.8 billion. We recorded an impairment in goodwill due to, among other factors, the global financial market crisis and recession which negatively impacted the fair value of our reporting units for the purposes of our periodic testing of goodwill for impairment. We recorded an impairment of goodwill of ¥893.7 billion for the fiscal year ended March 31, 2008. For further information, see Note 9 to our consolidated financial statements included elsewhere in this Annual Report.

***Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007***

Non-interest expense for the fiscal year ended March 31, 2008 was ¥3,659.7 billion, an increase of ¥875.5 billion from the previous fiscal year. This increase was primarily due to the impairment of goodwill which we recorded during the fiscal year ended March 31, 2008 in the amount of ¥893.7 billion, but for which we did not record any amount for the previous fiscal year. The increase in non-interest expenses was partially offset by decreases in impairment of intangible assets and provision for repayment of excess interest.

*Salaries and employee benefits*

Salaries and employee benefits for the fiscal year ended March 31, 2008 were ¥909.8 billion, an increase of ¥47.4 billion from ¥862.4 billion for the previous fiscal year. This increase was mainly due to an increase in the one-time severance payments related to an early retirement program, totaling approximately ¥37 billion, made by a consumer finance subsidiary.

*Depreciation of premises and equipment*

Depreciation of premises and equipment for the fiscal year ended March 31, 2008 was ¥179.6 billion, an increase of ¥60.7 billion from ¥118.9 billion for the previous fiscal year. This increase primarily reflected the fact that we reviewed the salvage values of premises and equipment and decided to change the estimated salvage values of these assets to ¥1 during the fiscal year ended March 31, 2008. This change had an adverse impact on our income from continuing operations before income tax expense and net loss of ¥53 billion and ¥31 billion, respectively, for the fiscal year ended March 31, 2008. For further information, see Note 1 to our consolidated financial statements included elsewhere in this Annual Report.

**Table of Contents**

*Impairment of intangible assets*

Impairment of intangible assets for the fiscal year ended March 31, 2008 was ¥78.7 billion, a decrease of ¥106.1 billion, from ¥184.8 billion for the previous fiscal year. The decrease was mainly due to our having no impairment of intangible assets related to a subsidiary in the consumer finance business whereas a significant amount was provided during the previous fiscal year.

*Provision for repayment of excess interest*

Provision for repayment of excess interest for the fiscal year ended March 31, 2008 was ¥2.8 billion, a decrease of ¥103.4 billion from ¥106.2 billion for the previous fiscal year. The decrease was mainly due to a decrease in the provision for repayment of excess interest at our consumer finance subsidiaries.

*Impairment of goodwill*

In the fiscal year ended March 31, 2008, we recorded an impairment of goodwill of ¥893.7 billion. We recorded impairment of goodwill due to, among other factors, the global financial market instability which negatively impacted the fair value of our reporting units for the purposes of our periodic testing of goodwill for impairment. We did not record an impairment of goodwill for the fiscal year ended March 31, 2007. For further information, see Note 9 to our consolidated financial statements included elsewhere in this Annual Report.

***Income Tax Expense (Benefit)***

The following table presents a summary of our income tax expense (benefit):

| | Fiscal years ended March 31, | | |
|---|---|---|---|
| | **2007** | **2008** | **2009** |
| | **(in billions, except percentages)** | | |
| Income (loss) from continuing operations before income tax expense (benefit) | ¥ 1,134.9 | ¥ 12.4 | ¥ (1,727.9) |
| Income tax expense (benefit) | ¥ 552.8 | ¥ 553.1 | ¥ (259.9) |
| Effective income tax rate | 48.7% | 4,476.3% | 15.0% |
| Combined normal effective statutory tax rate | 40.6% | 40.6% | 40.6% |

Reconciling items between the combined normal effective statutory tax rates and the effective income tax rates for the fiscal years ended March 31, 2007, 2008 and 2009 are summarized as follows:

| | Fiscal years ended March 31, | | |
|---|---|---|---|
| | **2007** | **2008** | **2009** |
| Combined normal effective statutory tax rate | 40.6% | 40.6% | 40.6% |

| | | | |
|---|---|---|---|
| Nondeductible expenses | 0.2 | 24.9 | (0.2) |
| Dividends from foreign subsidiaries | 0.9 | 101.8 | (0.3) |
| Foreign tax credit and payments | 0.8 | 10.2 | (0.7) |
| Lower tax rates applicable to income of subsidiaries | (0.5) | (79.0) | |
| Minority interests | 0.6 | 143.7 | 0.6 |
| Change in valuation allowance | 7.2 | 1,400.7 | (2.4) |
| Realization of previously unrecognized tax effects of subsidiaries | | (5.0) | (1.7) |
| Nontaxable dividends received | (1.4) | (152.3) | 0.5 |
| Impairment of goodwill | | 2,937.4 | (19.9) |
| Undistributed earnings of subsidiaries | 0.9 | 36.3 | (1.5) |
| Tax and interest expense for FIN No. 48 | | 8.5 | (1.0) |
| Other net | (0.6) | 8.5 | 1.0 |
| Effective income tax rate | 48.7% | 4,476.3% | 15.0% |

Table of Contents

The effective income tax rate of 15.0% for the fiscal year ended March 31, 2009 was 25.6 percentage points lower than the combined normal effective statutory tax rate of 40.6%. This lower tax rate primarily reflected an impairment loss related to goodwill which was recognized as a result of a decline in the fair value of certain reporting units for the impairment testing purpose due to the continuing global financial market instability. In addition, this lower tax rate reflected an increased valuation allowance for operating loss carryforwards that were no longer deemed to be more likely than not to be realized to capture the global economic slowdown.

The effective income tax rate of 4,476.3% for the fiscal year ended March 31, 2008 was 4,435.7 percentage points higher than the combined normal effective statutory tax rate of 40.6%. This higher tax rate was primarily due to the fact that an impairment of goodwill was recorded under US GAAP, decreasing our income from continuing operations before income tax expense to ¥12.4 billion for the fiscal year ended March 31, 2008. Under Japanese tax law, such impairment of goodwill was not deductible in computing our taxable income and, accordingly, our income tax expense was significantly higher in comparison to our income from continuing operations before income tax expense reported under US GAAP. In addition, this higher tax rate reflected an additional valuation allowance related to operating loss carryforwards that were no longer deemed to be more likely than not to be realized, due to a decline in estimated future taxable income resulting from the downturn in financial and banking businesses caused by disruptions in the global financial markets.

The effective income tax rate of 48.7% for the fiscal year ended March 31, 2007 was 8.1 percentage points higher than the combined normal effective statutory tax rate of 40.6%. This higher tax rate primarily reflected an addition of valuation allowance for certain companies, including a subsidiary in the consumer finance business.

**Business Segment Analysis**

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

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

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

The following is a brief explanation of our business segments:

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

*Integrated Corporate Banking Business Group* Covers all domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses as well as UNBC. Through the integration of these business lines, diverse financial products and services are provided to our corporate clients. This business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of our corporate customers. UNBC is a bank holding company, whose primary subsidiary, Union Bank, N.A., or Union Bank, is one of the largest commercial banks in California by both total assets and total deposits. Union Bank provides a wide range of financial services to consumers, small businesses, middle market companies and major corporations, primarily in California, Oregon and Washington but also nationally and internationally. As a result of the tender offer that was completed in September 2008, and the second-step merger that was completed in November 2008, UNBC became our wholly owned subsidiary. For further information, see Recent Developments.

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

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

Table of Contents

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

Effective April 1, 2008, we modified our managerial accounting methods, including those regarding revenue and expense distribution among our business segments. The presentation set forth below for the fiscal year ended March 31, 2007 and for the fiscal year ended March 31, 2008 has been reclassified to conform to the new basis of managerial accounting. For further information, see Note 28 to our consolidated financial statements included elsewhere in this Annual Report.

| (in billions) | Integrated Retail Banking Business Group | Integrated Corporate Banking Business Group | | | | | Integrated Trust Assets Business Group | Global Markets | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Domestic | Overseas | | | Total | | | | |
| | | | Other than UNBC | UNBC | Overseas total | | | | | |
| Fiscal year ended March 31, 2007 | | | | | | | | | | |
| Net revenue | ¥ 1,304.1 | ¥ 1,283.3 | ¥ 301.4 | ¥ 324.3 | ¥ 625.7 | ¥ 1,909.0 | ¥ 194.2 | ¥ 380.1 | ¥ 14.9 | ¥ 3,802.3 |
| Operating expenses | 917.1 | 537.0 | 178.7 | 200.8 | 379.5 | 916.5 | 103.8 | 57.7 | 176.8 | 2,171.9 |
| Operating profit (loss) | ¥ 387.0 | ¥ 746.3 | ¥ 122.7 | ¥ 123.5 | ¥ 246.2 | ¥ 992.5 | ¥ 90.4 | ¥ 322.4 | ¥ (161.9) | ¥ 1,630.4 |
| Fiscal year ended March 31, 2008 | | | | | | | | | | |
| Net revenue | ¥ 1,332.7 | ¥ 1,171.8 | ¥ 301.5 | ¥ 296.4 | ¥ 597.9 | ¥ 1,769.7 | ¥ 198.5 | ¥ 290.6 | ¥ 28.6 | ¥ 3,620.1 |
| Operating expenses | 955.9 | 573.6 | 183.8 | 187.6 | 371.4 | 945.0 | 98.5 | 59.0 | 190.5 | 2,248.9 |
| Operating profit (loss) | ¥ 376.8 | ¥ 598.2 | ¥ 117.7 | ¥ 108.8 | ¥ 226.5 | ¥ 824.7 | ¥ 100.0 | ¥ 231.6 | ¥ (161.9) | ¥ 1,371.2 |
| Fiscal year ended March 31, 2009 | | | | | | | | | | |
| Net revenue | ¥ 1,319.6 | ¥ 952.7 | ¥ 350.8 | ¥ 256.8 | ¥ 607.6 | ¥ 1,560.3 | ¥ 171.1 | ¥ 311.6 | ¥ (24.0) | ¥ 3,338.6 |
| Operating expenses | 977.0 | 569.4 | 171.6 | 157.3 | 328.9 | 898.3 | 93.3 | 62.3 | 181.9 | 2,212.8 |
| Operating profit (loss) | ¥ 342.6 | ¥ 383.3 | ¥ 179.2 | ¥ 99.5 | ¥ 278.7 | ¥ 662.0 | ¥ 77.8 | ¥ 249.3 | ¥ (205.9) | ¥ 1,125.8 |

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

Net revenue of the Integrated Retail Banking Business Group decreased ¥13.1 billion from ¥1,332.7 billion for the fiscal year ended March 31, 2008 to ¥1,319.6 billion for the fiscal year ended March 31, 2009. Net revenue of the Integrated Retail Banking Business Group mainly consists of revenue from commercial banking operations, such as deposits and lending operations, and fees related to the sales of investment products to retail customers, as well as fees of subsidiaries within the Integrated Retail Banking Business Group. The decrease in net revenue was mainly due to decreases in net interest income in consumer finance as well as fees and commissions on securities businesses and investment funds business, which fully offset increases in net fees and revenue from deposits and those from ACOM CO., LTD., a consumer finance company that became a consolidated subsidiary during the fiscal year ended March 31, 2009.

Operating expenses of the Integrated Retail Banking Business Group increased ¥21.1 billion from ¥955.9 billion for the fiscal year ended March 31, 2008 to ¥977.0 billion for the fiscal year ended March 31, 2009. The increase in operating expenses was due to the consolidation of ACOM.

Operating profit of the Integrated Retail Banking Business Group decreased ¥34.2 billion from ¥376.8 billion for the fiscal year ended March 31, 2008 to ¥342.6 billion for the fiscal year ended March 31, 2009. This decrease was mainly due to the decrease in net revenue and increase in operating expenses as stated above.

Net revenue of the Integrated Corporate Banking Business Group decreased ¥209.4 billion from ¥1,769.7 billion for the fiscal year ended March 31, 2008 to ¥1,560.3 billion for the fiscal year ended March 31, 2009. Net revenue of the Integrated Corporate Banking Business Group mainly consists of revenues from lending and other commercial banking operations, investment banking and trust banking businesses in relation to corporate clients, as well as fees of subsidiaries within the Integrated Corporate Banking Business Group. The decrease in net revenue was mainly due to decreased net revenue in domestic businesses.

With regard to the domestic businesses, net revenue of ¥952.7 billion, a decrease of ¥219.1 billion from the previous fiscal year, was recorded for the fiscal year ended March 31, 2009. This decrease was mainly due to a decrease in net interest income resulting from a decrease in loan interest margin and decreases in net revenue from sales of derivative products and from securities businesses. The decrease in net revenue was also attributable to losses from impairment and sales of securitized products.

With regard to the overseas businesses, net revenue of ¥607.6 billion, an increase of ¥9.7 billion from the previous fiscal year, was recorded for the fiscal year ended March 31, 2009. This increase was mainly due to an increase in net revenue from overseas lending business mainly for non-Japanese corporate clients.

Operating expenses of the Integrated Corporate Banking Business Group were ¥898.3 billion for the fiscal year ended March 31, 2009, a decrease of ¥46.7 billion from the fiscal year ended March 31, 2008.

Operating profit of the Integrated Corporate Banking Business Group decreased ¥162.7 billion from ¥824.7 billion for the fiscal year ended March 31, 2008 to ¥662.0 billion for the fiscal year ended March 31, 2009. This decrease was mainly due to the decrease in net revenue as stated above.

Net revenue of the Integrated Trust Assets Business Group decreased ¥27.4 billion from ¥198.5 billion for the fiscal year ended March 31, 2008 to ¥171.1 billion for the fiscal year ended March 31, 2009. Net revenue of the Integrated Trust Assets Business Group mainly consists of fees from asset management and administration services for products such as pension trusts and investment trusts. The decrease in net revenue was mainly due to a decrease in net revenue from pension funds and investment trusts.

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

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

Net revenue of Global Markets increased ¥21.0 billion from ¥290.6 billion for the fiscal year ended March 31, 2008 to ¥311.6 billion for the fiscal year ended March 31, 2009. The increase in net revenue was mainly due to a good performance in asset liability management for both domestic and overseas operations.

***Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007***

Net revenue of the Integrated Retail Banking Business Group increased ¥28.6 billion from ¥1,304.1 billion for the fiscal year ended March 31, 2007 to ¥1,332.7 billion for the fiscal year ended March 31, 2008. Net revenue of the Integrated Retail Banking Business Group mainly consists of revenue from commercial banking operations, such as deposits and lending operations, and fees related to the sales of investment products to retail customers, as well as fees of subsidiaries within the Integrated Retail Banking Business Group. The increase in net revenue was mainly due to increases in net fees and revenue from the deposits and the revenue from kabu.com Securities, an online securities company that became a consolidated subsidiary during the fiscal year ended March 31, 2008.

Operating expenses of the Integrated Retail Banking Business Group increased ¥38.8 billion from ¥917.1 billion for the fiscal year ended March 31, 2007 to ¥955.9 billion for the fiscal year ended March 31, 2008. The increase in operating expenses was due to an increase in expenses related to the integration of IT systems mainly for our merged commercial bank subsidiaries.

Table of Contents

Operating profit of the Integrated Retail Banking Business Group decreased ¥10.2 billion from ¥387.0 billion for the fiscal year ended March 31, 2007 to ¥376.8 billion for the fiscal year ended March 31, 2008. This decrease was mainly due to the increase in operating expenses as stated above.

Net revenue of the Integrated Corporate Banking Business Group decreased ¥139.3 billion from ¥1,909.0 billion for the fiscal year ended March 31, 2007 to ¥1,769.7 billion for the fiscal year ended March 31, 2008. Net revenue of the Integrated Corporate Banking Business Group mainly consists of revenues from lending and other commercial banking operations, investment banking and trust banking businesses in relation to corporate clients, as well as fees of subsidiaries within the Integrated Corporate Banking Business Group. The decrease in net revenue was mainly due to decreased net revenue in domestic businesses resulting from a decrease in interest spread and lending volume.

With regard to the domestic businesses, net revenue of ¥1,171.8 billion, a decrease of ¥111.5 billion from the previous fiscal year, was recorded for the fiscal year ended March 31, 2008. This decrease was mainly due to a decrease in net interest income from loans and fees related to securities businesses. Intensified competition with other financial institutions increased downward pressure on the interest spread of our lending operations to large and medium-sized Japanese companies, and the recent deterioration in financial markets led to lower transaction volume in securities businesses.

With regard to the overseas businesses, net revenue of ¥597.9 billion, a decrease of ¥27.8 billion from the previous fiscal year, was recorded for the fiscal year ended March 31, 2008. Although lending and foreign exchange businesses to Japanese and non-Japanese corporate clients in growing markets in Asia as well as the markets in the Americas and Europe contributed to the expansion of our overseas businesses, net revenue decreased due to further appreciation of the Japanese yen against the US dollar.

Operating expenses of the Integrated Corporate Banking Business Group were ¥945.0 billion for the fiscal year ended March 31, 2008, an increase of ¥28.5 billion from the fiscal year ended March 31, 2007.

Operating profit of the Integrated Corporate Banking Business Group decreased ¥167.8 billion from ¥992.5 billion for the fiscal year ended March 31, 2007 to ¥824.7 billion for the fiscal year ended March 31, 2008. This decrease was mainly due to the decrease in net revenue as stated above.

Net revenue of the Integrated Trust Assets Business Group increased ¥4.3 billion from ¥194.2 billion for the fiscal year ended March 31, 2007 to ¥198.5 billion for the fiscal year ended March 31, 2008. Net revenue of the Integrated Trust Assets Business Group mainly consists of fees from asset management and administration services for products such as pension trusts and investment trusts. The increase in net revenue was mainly due to an increase in business in investment trusts.

Operating expenses of the Integrated Trust Assets Business Group decreased ¥5.3 billion from ¥103.8 billion for the fiscal year ended March 31, 2007 to ¥98.5 billion for the fiscal year ended March 31, 2008. This decrease was mainly due to a decrease in costs of retirement benefits.

Operating profit of the Integrated Trust Assets Business Group increased ¥9.6 billion from ¥90.4 billion for the fiscal year ended March 31, 2007 to ¥100.0 billion for the fiscal year ended March 31, 2008. This increase was mainly due to the decrease in operating expenses as stated above.

Net revenue of Global Markets decreased ¥89.5 billion from ¥380.1 billion for the fiscal year ended March 31, 2007 to ¥290.6 billion for the fiscal year ended March 31, 2008. The decrease in net revenue was mainly due to losses on sales and impairment losses of investment securities, including asset-backed securities.

Table of Contents

**Geographic Segment Analysis**

The table immediately below sets forth our total revenue, income (loss) from continuing operations before income tax expense (benefit) and net income (loss) on a geographic basis for the fiscal years ended March 31, 2007, 2008 and 2009. Assets, income and expenses attributable to foreign operations are allocated to geographical areas based on the domicile of the debtors and customers. For further information, see Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

| | Fiscal years ended March 31, | | |
|---|---|---|---|
| | 2007 | 2008 (in billions) | 2009 |
| Total revenue (interest income and non-interest income): | | | |
| Domestic | ¥ 3,668.0 | ¥ 4,691.0 | ¥ 2,924.4 |
| Foreign: | | | |
| United States of America | 1,191.6 | 228.1 | 568.7 |
| Europe | 540.6 | 699.8 | 233.7 |
| Asia/Oceania excluding Japan | 270.2 | 442.0 | 329.7 |
| Other areas(1) | 193.3 | 84.0 | 14.4 |
| Total foreign | 2,195.7 | 1,453.9 | 1,146.5 |
| Total | ¥ 5,863.7 | ¥ 6,144.9 | ¥ 4,070.9 |
| Income (loss) from continuing operations before income tax expense (benefit): | | | |
| Domestic | ¥ 236.8 | ¥ 280.2 | ¥ (1,331.1) |
| Foreign: | | | |
| United States of America | 462.9 | (517.6) | (203.0) |
| Europe | 254.5 | 91.8 | (235.8) |
| Asia/Oceania excluding Japan | 83.5 | 183.9 | 110.5 |
| Other areas(1) | 97.2 | (25.9) | (68.6) |
| Total foreign | 898.1 | (267.8) | (396.9) |
| Total | ¥ 1,134.9 | ¥ 12.4 | ¥ (1,728.0) |
| Net income (loss): | | | |
| Domestic | ¥ 63.0 | ¥ (227.1) | ¥ (1,064.3) |
| Foreign: | | | |
| United States of America | 248.9 | (637.3) | (223.5) |
| Europe | 169.2 | 121.3 | (229.5) |
| Asia/Oceania excluding Japan | 44.2 | 232.2 | 119.4 |
| Other areas(1) | 56.0 | (31.5) | (70.1) |
| Total foreign | 518.3 | (315.3) | (403.7) |
| Total | ¥ 581.3 | ¥ (542.4) | ¥ (1,468.0) |

Note:

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

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

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

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

*Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007*

Domestic net loss for the fiscal year ended March 31, 2008 was ¥227.1 billion, compared to a net income of ¥63.0 billion for the fiscal year ended March 31, 2007. This deterioration was mainly due to our recording an impairment of goodwill for the fiscal year ended March 31, 2008.

Foreign net loss for the fiscal year ended March 31, 2008 was ¥315.3 billion, compared to a foreign net income of ¥518.3 billion for the fiscal year ended March 31, 2007. This deterioration primarily reflected the net loss in the United States mainly due to an increase in impairment losses on investment securities denominated in US dollars.

**Effect of Change in Exchange Rates on Foreign Currency Translation**

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

The average exchange rate for the fiscal year ended March 31, 2009 was ¥100.54 per US$1.00, compared to the prior fiscal year s average exchange rate of ¥114.29 per US$1.00. The average exchange rate for the conversion of the US dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2008 was ¥103.46 per US$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2007 of ¥117.84 per US$1.00.

The change in the average exchange rate of the Japanese yen against the US dollar and other foreign currencies had the effect of decreasing total revenue by ¥477.2 billion, net interest income by ¥141.2 billion and income before income taxes by ¥168.2 billion, respectively, for the fiscal year ended March 31, 2009.

*Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007*

The average exchange rate for the fiscal year ended March 31, 2008 was ¥114.29 per US$1.00, compared to the prior fiscal year s average exchange rate of ¥117.02 per US$1.00. The average exchange rate for the conversion of the US dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2007 was ¥117.84 per US$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2006 of ¥116.38 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 increasing total revenue by ¥30.7 billion, net interest income by ¥12.3 billion and income before income taxes by ¥0.3 billion, respectively, for the fiscal year ended March 31, 2008.

Table of Contents

## B. Liquidity and Capital Resources

### Financial Condition

*Total Assets*

Our total assets at March 31, 2009 were ¥193.50 trillion, a decrease of ¥2.27 trillion from ¥195.77 trillion at March 31, 2008. The decrease in total assets mainly reflected decreases in receivables under resale agreements of ¥4.58 trillion, investment securities of ¥4.51 trillion, and interest-earning deposits in other banks of ¥2.78 trillion. These decreases were partially offset by increases in trading account assets of ¥11.84 trillion, net loans of ¥1.29 trillion, and deferred tax assets of ¥1.27 trillion.

We have allocated a substantial portion of our assets to international activities. As a result, reported amounts are affected by changes in the value of the Japanese yen against the US dollar and other foreign currencies. Foreign assets are denominated primarily in US dollars. The following table shows our total assets at March 31, 2008 and 2009 by geographic region based principally on the domicile of the obligors:

| | At March 31, 2008[(2)] (Adjusted) | 2009 |
|---|---|---|
| | (in trillions) | |
| Japan | ¥ 140.61 | ¥ 143.00 |
| Foreign: | | |
| United States of America | 20.62 | 23.09 |
| Europe | 19.97 | 14.98 |
| Asia/Oceania excluding Japan | 8.32 | 7.47 |
| Other areas[(1)] | 6.25 | 4.96 |
| Total foreign | 55.16 | 50.50 |
| Total | ¥ 195.77 | ¥ 193.50 |

Notes:

(1) Other areas primarily include Canada, Latin America and the Caribbean.
(2) Balances at March 31, 2008 were adjusted. See Netting of Cash Collateral against Derivative Exposures under Accounting Changes in Note 1 to our consolidated financial statements included elsewhere in this Annual Report for details.

At March 31, 2009, the foreign exchange rate expressed in Japanese yen per US$1.00 by us was ¥98.23, as compared with ¥100.19 at March 31, 2008. The Japanese yen amount of foreign currency-denominated assets and liabilities decreased as the relevant exchange rates resulted in an increase in the value of the Japanese yen relative to such foreign currencies. The appreciation of the Japanese yen against the US dollar and other foreign currencies during the fiscal year ended March 31, 2009 decreased the Japanese yen amount of our total assets by ¥8.03 trillion.

84

Table of Contents

***Loan Portfolio***

The following table sets forth our loans outstanding, before deduction of allowance for credit losses, at March 31, 2008 and 2009, based on classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes, which is not necessarily based on use of proceeds.

| | At March 31, 2008 (Restated)[3] | At March 31, 2009 |
|---|---|---|
| | (in billions) | |
| Domestic: | | |
| Manufacturing | ¥ 11,178.9 | ¥ 12,922.8 |
| Construction | 1,728.5 | 1,803.5 |
| Real estate | 10,857.1 | 10,436.8 |
| Services | 6,554.0 | 6,750.4 |
| Wholesale and retail | 9,308.6 | 9,760.8 |
| Banks and other financial institutions[1] | 4,671.5 | 4,836.0 |
| Communication and information services | 1,150.4 | 732.7 |
| Other industries | 10,806.2 | 9,515.9 |
| Consumer | 21,517.7 | 20,542.4 |
| Total domestic | 77,772.9 | 77,301.3 |
| Foreign: | | |
| Governments and official institutions | 316.8 | 351.1 |
| Banks and other financial institutions[1] | 2,100.1 | 2,687.0 |
| Commercial and industrial | 16,189.7 | 17,550.6 |
| Other | 2,706.7 | 2,510.5 |
| Total foreign | 21,313.3 | 23,099.2 |
| Unearned income, unamortized premium net and deferred loan fees net | (84.1) | (90.2) |
| Total[2] | ¥ 99,002.1 | ¥ 100,310.3 |

Notes:

(1) Loans to the so-called non-bank finance companies are generally included in the Banks and other financial institutions category. Non-bank finance companies are primarily engaged in consumer lending, factoring and credit card businesses.
(2) The above table includes loans held for sale of ¥505.6 billion at March 31, 2008 and ¥119.6 billion at March 31, 2009, which are carried at the lower of cost or estimated fair value.
(3) Classification of loans by industry at March 31, 2008 were restated. See Note 6 to our consolidated financial statement included elsewhere in this Annual Report for further information.

Loans are our primary use of funds. The average loan balance accounted for 56.26% of total interest-earning assets for the fiscal year ended March 31, 2008 and 57.81% for the fiscal year ended March 31, 2009.

At March 31, 2009, our total loans were ¥100.31 trillion, representing an increase of ¥1.31 trillion from ¥99.00 trillion at March 31, 2008. Before unearned income, unamortized premiums net and deferred loan fees net, our loan balance at March 31, 2009 consisted of ¥77.30 trillion of domestic loans and ¥23.10 trillion of foreign loans, while the loan balance at March 31, 2008 consisted of ¥77.77 trillion of domestic loans and ¥21.31 trillion of foreign loans. Between March 31, 2008 and March 31, 2009, domestic loans decreased ¥0.47 trillion and foreign loans increased ¥1.79 trillion.

Within the domestic loan portfolio, the loan balances for the manufacturing, and wholesale and retail sectors increased by ¥1.74 trillion and ¥0.45 trillion, respectively. This was offset by decreases in the other industries, consumer, and real estate sectors of ¥1.29 trillion, ¥0.98 trillion, and ¥0.42 trillion, respectively. The overall decrease in domestic loans was mainly due to the continued economic recession, experienced throughout the fiscal year ended March 31, 2009.

**Table of Contents**

The increase in foreign loans was mainly due to increased demand for loans from the commercial and industrial and the banks and other financial institutions during the fiscal year ended March 31, 2009. The recent disruptions in the global financial markets have limited the ability of businesses to obtain funding from the capital markets. As a result, loans to our foreign customers increased.

***Allowance for Credit Losses, Nonperforming and Past Due Loans***

The following table shows a summary of the changes in the allowance for credit losses for the fiscal years ended March 31, 2007, 2008 and 2009:

| | Fiscal years ended March 31, | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| | | (in billions) | |
| Balance at beginning of fiscal year | ¥ 1,012.2 | ¥ 1,112.5 | ¥ 1,134.9 |
| Provision for credit losses | 358.6 | 385.7 | 626.9 |
| Charge-offs: | | | |
| Domestic | (289.2) | (380.0) | (559.0) |
| Foreign | (13.9) | (6.5) | (44.3) |
| Total | (303.1) | (386.5) | (603.3) |
| Recoveries: | | | |
| Domestic | 35.5 | 28.5 | 23.7 |
| Foreign | 5.0 | 2.1 | 2.8 |
| Total | 40.5 | 30.6 | 26.5 |
| Net charge-offs | (262.6) | (355.9) | (576.8) |
| Others(1) | 4.3 | (7.4) | (28.4) |
| Balance at end of fiscal year | ¥ 1,112.5 | ¥ 1,134.9 | ¥ 1,156.6 |

Note:

(1) Others primarily include foreign currency translation adjustments.

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

For the fiscal year ended March 31, 2009, the ratio of the provision for the credit losses of ¥626.9 billion to the average loan balance of ¥100.16 trillion was 0.63%, and that to the total average interest-earning assets of ¥173.24 trillion was 0.36%.

Charge-offs for the fiscal year ended March 31, 2009 were ¥603.3 billion, an increase of ¥216.8 billion from ¥386.5 billion for the fiscal year ended March 31, 2008. The increase in the charge-offs was mainly due to increases in the charge-offs for the domestic real estate and wholesale and retail and the foreign banks and other financial institutions.

The total allowance for credit losses at March 31, 2009 was ¥1,156.6 billion, an increase of ¥21.7 billion from ¥1,134.9 billion at March 31, 2008 as we recorded a provision for credit losses of ¥626.9 billion, whereas we had net charge-offs of ¥576.8 billion.

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

| | Principal amount of loans(1) | Allowance for credit losses(2) | Loans, net of allowance | Reversal of allowance for credit losses |
|---|---|---|---|---|
| | | (in billions) | | |
| For the fiscal year ended March 31, 2008 | ¥ 78.3 | ¥ 20.8 | ¥ 57.5 | ¥ (13.2) |
| For the fiscal year ended March 31, 2009 | ¥ 24.5 | ¥ 9.4 | ¥ 15.1 | ¥ (0.3) |

Notes:

(1) Represents principal amount after the deduction of charge-offs made before the sales of nonperforming loans.
(2) Represents allowance for credit losses at the latest balance-sheet date.

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

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

In connection with the sale of loans including performing loans, we recorded net gains of ¥14.8 billion and net losses of ¥1.8 billion for the fiscal years ended March 31, 2008 and 2009, respectively.

The following table summarizes the allowance for credit losses by component at March 31, 2008 and 2009:

| | At March 31, 2008 | At March 31, 2009 |
|---|---|---|
| | (in billions) | |
| Allocated allowance: | | |
| Specific specifically identified problem loans | ¥ 563.3 | ¥ 618.5 |
| Large groups of smaller balance homogeneous loans | 129.1 | 97.9 |
| Loans exposed to specific country risk | 0.1 | 1.1 |
| Formula substandard, special mention and other loans | 432.7 | 432.8 |
| Unallocated allowance | 9.7 | 6.3 |
| Total allowance | ¥ 1,134.9 | ¥ 1,156.6 |

*Allowance Policy*

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

*Change in total allowance and provision for credit losses*

At March 31, 2009, the total allowance for credit losses was ¥1,156.6 billion, representing 1.15% of our total loan portfolio. At March 31, 2008, the total allowance for credit losses was ¥1,134.9 billion, representing 1.15% of our total loan portfolio.

The total allowance increased from ¥1,134.9 billion at March 31, 2008 to ¥1,156.6 billion at March 31, 2009 primarily as a result of the downgrade in the credit rating of certain overseas borrowers and certain borrowers of the real estate and wholesale and retail segment during the fiscal year ended March 31, 2009.

During the fiscal year ended March 31, 2009, there were no significant changes in our general allowance policy, which affected our allowance for credit losses for the period, resulting from directives, advice or counsel from governmental or regulatory bodies.

*Allocated allowance for specifically identified problem loans*

The allocated credit loss allowance for specifically identified problem loans represents the allowance against impaired loans required under SFAS No. 114, Accounting by Creditors for Impairment of a Loan. Impaired loans primarily include nonaccrual loans and restructured loans. We generally discontinue the accrual of interest income on loans when substantial doubt exists as to the full and timely collection of either principal or interest, or when principal or interest is contractually past due one month or more with respect to loans of our domestic banking subsidiaries, including BTMU and MUTB, and 90 days or more with respect to loans of certain banking subsidiaries abroad. Loans are classified as restructured loans when we grant a concession to borrowers for economic or legal reasons related to the borrowers financial difficulties.

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

**Table of Contents**

The following table summarizes nonaccrual and restructured loans, and accruing loans that are contractually past due 90 days or more as to principal or interest payments, at March 31, 2008 and 2009:

| | At March 31, | |
|---|---|---|
| | 2008 | 2009 |
| | (in billions, except percentages) | |
| Nonaccrual loans: | | |
| Domestic: | | |
| Manufacturing | ¥ 109.1 | ¥ 87.7 |
| Construction | 44.3 | 55.8 |
| Real estate | 164.5 | 263.8 |
| Services | 142.8 | 104.6 |
| Wholesale and retail | 156.8 | 139.0 |
| Banks and other financial institutions | 10.6 | 14.8 |
| Communication and information services | 45.1 | 36.9 |
| Other industries | 36.2 | 20.6 |
| Consumer | 318.9 | 372.9 |
| Total domestic | 1,028.3 | 1,096.1 |
| Foreign | 116.2 | 153.4 |
| Total nonaccrual loans | 1,144.5 | 1,249.5 |
| Restructured loans: | | |
| Domestic: | | |
| Manufacturing | 79.0 | 67.5 |
| Construction | 16.4 | 18.0 |
| Real estate | 119.3 | 59.4 |
| Services | 32.7 | 40.7 |
| Wholesale and retail | 32.1 | 28.8 |
| Banks and other financial institutions | 2.0 | 3.3 |
| Communication and information services | 2.6 | 15.9 |
| Other industries | 145.5 | 128.3 |
| Consumer | 62.6 | 95.9 |
| Total domestic | 492.2 | 457.8 |
| Foreign | 25.1 | 63.8 |
| Total restructured loans | 517.3 | 521.6 |
| Accruing loans contractually past due 90 days or more: | | |
| Domestic | 14.9 | 15.1 |
| Foreign | 3.0 | 6.4 |
| Total accruing loans contractually past due 90 days or more | 17.9 | 21.5 |
| Total | ¥ 1,679.7 | ¥ 1,792.6 |
| Total loans | ¥ 99,002.1 | ¥ 100,310.3 |
| Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of total loans | 1.70% | 1.79% |

Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more increased by ¥112.9 billion from ¥1,679.7 billion at March 31, 2008 to ¥1,792.6 billion at March 31, 2009. Similarly, the percentage of nonperforming loans to total loans increased to 1.79% at March 31, 2009 from 1.70% at March 31, 2008.

Total nonaccrual loans were ¥1,249.5 billion at March 31, 2009, an increase of ¥105.0 billion from ¥1,144.5 billion at March 31, 2008. Domestic nonaccrual loans increased ¥67.8 billion between March 31, 2008 and March 31, 2009, mainly due to the downgrade in credit rating of certain borrowers of the real estate segment.

Table of Contents

Foreign nonaccrual loans increased ¥37.2 billion between March 31, 2008 and March 31, 2009, mainly due to the downgrade in credit ratings of certain overseas borrowers included in the foreign banks and other financial institutions segment. Domestic nonaccrual loans in real estate increased ¥99.3 billion and those in services decreased ¥38.2 billion.

Total restructured loans were ¥521.6 billion at March 31, 2009, an increase of ¥4.3 billion from ¥517.3 billion at March 31, 2008. Domestic restructured loans decreased ¥34.4 billion to ¥457.8 billion at March 31, 2009 from ¥492.2 billion at March 31, 2008 mainly due to the downgrade in credit ratings of certain borrowers in the real estate segment. Restructured loans in the real estate segment decreased ¥59.9 billion and restructured loans in the manufacturing segment decreased ¥11.5 billion, but those in the consumer segment increased ¥33.3 billion.

The following table summarizes the balances of impaired loans and related impairment allowances at March 31, 2008 and 2009, excluding smaller-balance homogeneous loans:

| | At March 31, | | | |
|---|---|---|---|---|
| | 2008 | | 2009 | |
| | Loan balance | Impairment allowance | Loan balance | Impairment allowance |
| | (in billions) | | | |
| Requiring an impairment allowance | ¥ 1,131.8 | ¥ 563.3 | ¥ 1,168.5 | ¥ 618.6 |
| Not requiring an impairment allowance[1] | 311.8 | | 407.7 | |
| Total[2] | ¥ 1,443.6 | ¥ 563.3 | ¥ 1,576.2 | ¥ 618.6 |
| Percentage of the allocated allowance to total impaired loans | 39.0% | | 39.2% | |

Notes:

(1) These loans do not require an allowance for credit losses under SFAS No. 114 since the fair values of the impaired loans equal or exceed the recorded investments in the loans.

(2) In addition to impaired loans presented in the above table, there were loans held for sale that were impaired of ¥11.9 billion at March 31, 2008 and there were no loans held for sale that were impaired at March 31, 2009.

Impaired loans increased by ¥132.6 billion from ¥1,443.6 billion at March 31, 2008 to ¥1,576.2 billion at March 31, 2009, reflecting the increase in nonaccrual loans.

The percentage of the allocated allowance to total impaired loans increased 0.2 percentage points to 39.2% at March 31, 2009 from 39.0% at March 31, 2008.

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

*Allocated allowance for large groups of smaller-balance homogeneous loans*

The allocated credit loss allowance for large groups of smaller-balance homogeneous loans is focused on loss experience for the pools of loans rather than on an analysis of individual loans. Large groups of smaller- balance homogeneous loans primarily consist of first mortgage housing loans to individuals. The allowance for groups of performing loans is based on historical loss experience over a period. In determining the level of the

**Table of Contents**

allowance for delinquent groups of loans, we classify groups of homogeneous loans based on the risk rating and/or the number of delinquencies. We determine the credit loss allowance for delinquent groups of loans based on the probability of insolvency by the number of actual delinquencies and actual loss experience.

The allocated credit loss allowance for large groups of smaller-balance homogeneous loans was ¥97.9 billion at March 31, 2009, a decrease of ¥31.2 billion from ¥129.1 billion at March 31, 2008.

*Allocated allowance for country risk exposure*

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

The allocated allowance for country risk exposure was ¥1.1 billion at March 31, 2009, a increase of ¥1.0 billion from ¥0.1 billion at March 31, 2008.

*Formula allowance for substandard, special mention and unclassified loans*

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

The formula allowance increased ¥0.1 billion from ¥432.7 billion at March 31, 2008 to ¥432.8 billion at March 31, 2009.

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

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

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

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

**Table of Contents**

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

*Unallocated allowance*

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

- general economic and business conditions affecting our key lending areas;
- credit quality trends (including trends in nonperforming loans expected to result from existing conditions);
- collateral values;
- loan volumes and concentrations;
- specific industry conditions within portfolio segments;
- recent loss experience in particular segments of the portfolio;
- duration of the current economic cycle;
- bank regulatory examination results; and
- findings of internal credit examination.

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

The unallocated allowance decreased ¥3.4 billion from ¥9.7 billion at March 31, 2008 to ¥6.3 billion at March 31, 2009. This decrease was primarily due to the impact of a decrease in evaluated loss factors for loans without allocated allowance.

***Allowance for Off-balance-sheet Credit Instruments***

In addition to the allowance for credit losses on the loan portfolio, we maintain an allowance for credit losses on off-balance-sheet credit instruments, including commitments of credit, guarantees and standby letters of credit. This allowance is included in other liabilities. With regard to the specific allocated allowance for specifically identified credit exposure and the allocated formula allowance, we apply the same methodology that we use in determining the allowance for loan credit losses. The allowance for credit losses on off-balance-sheet credit instruments was ¥84.6 billion at March 31, 2009, a decrease of ¥12.7 billion from ¥97.3 billion at March 31, 2008. The decrease in the allowance for credit losses on off-balance-sheet credit instruments was mainly due to the reduction of some off-balance-sheet credit.

***Investment Portfolio***

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

Table of Contents

Historically, we have held equity securities of some of our customers for strategic purposes, in particular, to maintain long-term relationships with these customers. However, we have been reducing the aggregate value of our equity securities because we believe that from a risk management perspective reducing the price fluctuation risk in our equity portfolio is imperative. As of March 31, 2008 and 2009, the aggregate value of our marketable equity securities under Japanese GAAP satisfied the requirements of the legislation prohibiting banks from holding equity securities in excess of their Tier I capital.

Investment securities decreased ¥4.51 trillion, from ¥42.15 trillion at March 31, 2008 to ¥37.64 trillion at March 31, 2009 due primarily to significant decreases in foreign governments and official institutions bonds, corporate bonds, mortgage-backed securities, asset-backed securities and marketable equity securities. These decreases were partially offset by increased purchases of Japanese national government and Japanese government agency bonds. Certain foreign debt securities of ¥10.45 trillion, which were previously included in foreign governments and official institutions bonds, corporate bonds, mortgage-backed securities and asset-backed securities, were reclassified to trading securities upon election of the fair value option accounting under SFAS No. 159 at April 1, 2008. For marketable equity securities, the decline in stock prices of Japanese equity securities resulted in a decrease of our marketable equity securities.

The following table shows information as to the amortized costs and estimated fair values of our investment securities available for sale and being held to maturity at March 31, 2008 and 2009:

| | At March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2008 | | | 2009 | | |
| | Amortized cost | Estimated fair value | Net unrealized gains (losses) | Amortized cost | Estimated fair value | Net unrealized gains (losses) |
| | (in billions) | | | | | |
| Securities available for sale: | | | | | | |
| Debt securities: | | | | | | |
| Japanese national government and Japanese government agency bonds | ¥ 16,133.0 | ¥ 16,185.9 | ¥ 52.9 | ¥ 23,846.2 | ¥ 23,892.8 | ¥ 46.6 |
| Japanese prefectural and municipal bonds | 203.1 | 208.2 | 5.1 | 277.9 | 282.5 | 4.6 |
| Foreign governments and official institutions bonds | 3,637.6 | 3,670.8 | 33.2 | 185.6 | 190.6 | 5.0 |
| Corporate bonds | 5,281.3 | 5,408.0 | 126.7 | 3,791.0 | 3,869.0 | 78.0 |
| Mortgage-backed securities | 3,439.5 | 3,438.7 | (0.8) | 676.3 | 668.2 | (8.1) |
| Asset-backed securities, excluding mortgage-backed securities[1] | 3,547.3 | 3,455.1 | (92.2) | 543.0 | 495.1 | (47.9) |
| Other debt securities | 19.2 | 18.9 | (0.3) | 33.3 | 32.1 | (1.2) |
| Marketable equity securities | 4,315.2 | 6,343.7 | 2,028.5 | 3,340.3 | 3,959.8 | 619.5 |
| Total securities available for sale | ¥ 36,576.2 | ¥ 38,729.3 | ¥ 2,153.1 | ¥ 32,693.6 | ¥ 33,390.1 | ¥ 696.5 |
| Debt securities being held to maturity[2] | ¥ 2,839.7 | ¥ 2,860.4 | ¥ 20.7 | ¥ 2,812.4 | ¥ 2,826.4 | ¥ 14.0 |

Notes:

(1) AAA-rated products account for approximately two-thirds of our asset-backed securities.
(2) See Note 5 to our consolidated financial statements included elsewhere in this Annual Report for more details.

Net unrealized gains on securities available for sale decreased ¥1.45 trillion from ¥2.15 trillion at March 31, 2008 to ¥0.70 trillion at March 31, 2009. This decrease consisted of a ¥1.41 trillion decrease in net unrealized gains on marketable equity securities and a ¥0.05 trillion decrease in net unrealized gains on debt securities. The decrease in net unrealized gains of ¥1.41 trillion on marketable equity securities was mainly due to the decrease in stock prices which negatively affected our holdings of Japanese equity securities.

Table of Contents

The amortized cost of securities being held to maturity decreased ¥0.03 trillion compared to the previous fiscal year mainly due to the redemption of Japanese national government bonds classified as securities being held to maturity. On the other hand, some of our asset-backed securities were reclassified into securities being held to maturity from trading securities on January 30, 2009.

*Cash and Due from Banks*

Cash and due from banks at March 31, 2009 was ¥3.07 trillion, a decrease of ¥1.02 trillion from ¥4.09 trillion at March 31, 2008. The decrease was primarily due to a decrease in our deposit balance with the Bank of Japan.

*Interest-earning Deposits in Other Banks*

Interest-earning deposits in other banks fluctuate significantly from day to day depending upon financial market conditions. Interest-earning deposits in other banks at March 31, 2009 were ¥3.54 trillion, a decrease of ¥2.78 trillion from ¥6.32 trillion at March 31, 2008. This decrease primarily reflected a decrease in interest-earning deposits denominated in foreign currencies in other banks of our domestic offices.

*Receivables under Resale Agreements*

Receivables under resale agreements at March 31, 2009 were ¥2.53 trillion, a decrease of ¥4.58 trillion from ¥7.11 trillion at March 31, 2008. The decrease was primarily due to a decrease in transaction volume of our overseas subsidiaries following the recent market deterioration.

*Goodwill*

Goodwill at March 31, 2009 was ¥379.4 billion, a decrease of ¥694.7 billion from ¥1,074.1 billion at March 31, 2008. This decrease was mainly due to goodwill impairment losses of ¥845.8 billion off-set by ¥175.3 billion of goodwill we acquired in connection with making UNBC a wholly-owned subsidiary during the fiscal year ended March 31, 2009.

*Deferred Tax Assets*

Deferred tax assets increased ¥1.27 trillion, from ¥0.90 trillion at March 31, 2008 to ¥2.17 trillion at March 31, 2009. This increase primarily reflected an increase in deferred tax assets for net investment securities losses due to a decline in the fair market value of equity and debt instruments, and an increase in deferred tax assets for accrued pension costs due to a decline in the fair market value of plan assets. This increase was partly offset by a decrease in deferred tax assets for utilized operating loss carryforwards.

***Total Liabilities***

At March 31, 2009, total liabilities were ¥187.26 trillion, a decrease of ¥0.02 trillion from ¥187.28 trillion at March 31, 2008, while the total balance of deposits was ¥128.33 trillion at March 31, 2009, a decrease of ¥0.91 trillion from ¥129.24 trillion at March 31, 2008. The decrease in interest-bearing deposits of ¥1.32 trillion compared to the previous fiscal year end was partially offset by the increase in non-interest-bearing deposits of ¥0.41 trillion.

The appreciation of the Japanese yen against the US dollar and other foreign currencies during the fiscal year ended March 31, 2009 decreased the Japanese yen amount of foreign currency-denominated liabilities by ¥7.92 trillion.

Table of Contents

*Deposits*

Deposits are our primary source of funds. Total average balance of deposits increased ¥0.05 trillion from ¥127.02 trillion for the fiscal year ended March 31, 2008 to ¥127.07 trillion for the fiscal year ended March 31, 2009. This increase primarily reflected an increase of ¥2.58 trillion in average domestic interest-bearing deposits, which was partially offset by a decrease of ¥1.83 trillion in average foreign interest-bearing deposits.

Domestic deposits increased ¥1.33 trillion from ¥109.50 trillion at March 31, 2008 to ¥110.83 trillion at March 31, 2009, and foreign deposits decreased ¥2.24 trillion from ¥19.74 trillion at March 31, 2008 to ¥17.50 trillion at March 31, 2009. Within domestic deposits, the balance of both interest-bearing and non-interest-bearing deposits increased, partially in response to the attractive interest rates of our time deposits. The decrease in foreign interest-bearing deposits was mainly due to the withdrawal of large deposits by foreign financial institutions in response to the difficult market conditions following the global financial crisis and recession and the appreciation of the Japanese yen against the US dollar and other foreign currencies.

*Short-term Borrowings*

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

Short-term borrowings increased ¥1.84 trillion from ¥26.25 trillion at March 31, 2008 to ¥28.09 trillion at March 31, 2009. This increase was primarily attributable to an increase of ¥1.85 trillion in other short-term borrowings which were comprised of borrowings from the Bank of Japan and other financial institutions.

*Long-term debt*

Long-term debt at March 31, 2009 was ¥13.27 trillion, a decrease of ¥0.41 trillion from ¥13.68 trillion at March 31, 2008. This decrease was mainly due to the redemption of unsubordinated debts by MUFG and BTMU. For further information, see Note 15 to our consolidated financial statements included elsewhere in this Annual Report.

*Sources of Funding and Liquidity*

Our primary source of liquidity is from a large balance of deposits, mainly ordinary deposits, certificates of deposit and time deposits. Time deposits have shown a historically high rollover rate among our corporate customers and individual depositors. As of March 31, 2009, our deposits of ¥128.33 trillion exceeded our loans, net of allowance for credit losses of ¥99.15 trillion, by ¥29.18 trillion. These deposits provide us with a sizable source of stable and low-cost funds. While approximately 44.6% of certificates of deposit and time deposits mature within three months, we continuously monitor relevant interest rate characteristics of these funds and utilize asset and liability management techniques to manage the possible impact of the rollovers on our net interest margin and liquidity. Our average deposits, combined with average shareholders equity, funded 68.8% of our average total assets of ¥196.21 trillion during the fiscal year ended March 31, 2009.

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

**Table of Contents**

***Total Shareholders Equity***

The following table presents a summary of our total shareholders equity at March 31, 2008 and 2009:

| | At March 31, 2008 | At March 31, 2009 |
|---|---|---|
| | (in billions, except percentages) | |
| Preferred stock | ¥ 247.1 | ¥ 442.1 |
| Common stock | 1,084.7 | 1,127.6 |
| Capital surplus | 5,791.3 | 6,095.8 |
| Retained earnings (Accumulated deficit) | 1,174.9 | (606.2) |
| Accumulated other changes in equity (deficit) from nonowner sources, net of taxes | 919.4 | (813.7) |
| Treasury stock, at cost | (727.3) | (10.7) |
| Total shareholders equity | ¥ 8,490.1 | ¥ 6,234.9 |
| Ratio of total shareholders equity to total assets | 4.34% | 3.22% |

Total shareholders equity decreased ¥2,255.2 billion from ¥8,490.1 billion at March 31, 2008 to ¥6,234.9 billion at March 31, 2009. The ratio of total shareholders equity to total assets also showed a decrease of 1.12 percentage points from 4.34% at March 31, 2008 to 3.22% at March 31, 2009. The decrease in total shareholders equity, and the resulting decrease in the ratio to total assets, at March 31, 2009 were principally attributable to a decrease in accumulated other changes in equity from nonowner sources, net of taxes of ¥1,733.1 billion, and a decrease in retained earnings of ¥1,781.1 billion, which were partially offset by a decrease in treasury stock of ¥716.6 billion and increases in capital surplus of ¥304.5 billion and preferred stock of ¥195.0 billion. The decrease in accumulated other changes in equity from nonowner sources, net of taxes, was mainly due to a decline in the Japanese stock market, which resulted in a decrease in net unrealized gain on investment securities available for sale. The decrease in retained earnings was mainly due to our recording a net loss for the fiscal year ended March 31, 2009. The decrease in treasury stock was primarily due to the use of our treasury stock in the global offering of our common stock in December 2008.

Due to our holdings of a large amount of marketable Japanese equity securities and the volatility of the equity markets in Japan, changes in the fair value of marketable equity securities have significantly affected our shareholders equity. The following table presents information relating to the accumulated net unrealized gains, net of taxes, in respect of investment securities classified as available for sale at March 31, 2008 and 2009:

| | At March 31, 2008 | At March 31, 2009 |
|---|---|---|
| | (in billions, except percentages) | |
| Accumulated net unrealized gains on investment securities available for sale | ¥ 973.7 | ¥ 95.2 |
| Accumulated net unrealized gains to total shareholders equity | 11.47% | 1.53% |

**Capital Adequacy**

We are subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which we operate. Failure to meet minimum capital requirements can initiate mandatory actions by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements.

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

Table of Contents

*Capital Requirements for Banking Institutions in Japan*

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

The eligible regulatory capital set forth in the FSA s guidelines discussed above were modified as of March 31, 2007 to reflect the International Convergence of Capital Measurement and Capital Standards: A Revised Framework, often referred to as Basel II.

As of March 31, 2008 and 2009, we have calculated our risk-weighted assets in accordance with Basel II. In determining capital ratios under Basel II, we and our banking subsidiaries shifted from the foundation internal ratings-based approach, or the FIRB approach, to the advanced internal ratings-based approach, or the AIRB approach, to calculate capital requirements for credit risk as of the end of March 2009. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to the overall MUFG capital requirements and a few subsidiaries adopted a phased rollout of the internal ratings-based approach. Market risk is reflected in the risk-weighted assets by applying the Internal Models Approach to calculate general market risk and the Standardized Methodology to calculate specific risk. Under the Internal Models Approach, we principally use a historical simulation model to calculate value-at-risk amounts by estimating the profit and loss on our portfolio by applying actual fluctuations in the market rates and prices over a fixed period in the past. Under Basel II, we newly reflected operational risk in the risk-weighted assets by applying the Standardized Approach. Specifically, operational risk capital charge is determined based on the amount of gross profit allocated to business lines multiplied by a factor ranging from 12% to 18%.

For additional discussion of the calculation of our capital ratios under Basel II, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report.

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

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

***Capital Requirements for Banking Institutions in the United States***

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

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

***Capital Requirements for Securities Firms in Japan and Overseas***

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

***Mitsubishi UFJ Financial Group Ratios***

The table below presents our consolidated total capital, risk-weighted assets and risk-adjusted capital ratios at March 31, 2008 and 2009. (Underlying figures are calculated in accordance with Japanese banking regulations based on information derived from our consolidated financial statements prepared in accordance with Japanese GAAP, as required by the FSA. The percentages in the tables below are rounded down.) For further information, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report.

| | At March 31, | | Minimum capital ratios required |
|---|---|---|---|
| | 2008 | 2009 | |
| | (in billions, except percentages) | | |
| Capital components: | | | |
| Tier I capital | ¥ 8,293.8 | ¥ 7,575.2 | |
| Tier II capital includable as qualifying capital | 4,441.8 | 4,216.1 | |
| Tier III capital includable as qualifying capital | | | |
| Deductions from total qualifying capital | 519.7 | 312.9 | |
| Total risk-based capital | ¥ 12,215.9 | ¥ 11,478.4 | |
| Risk-weighted assets | ¥ 109,075.6 | ¥ 97,493.5 | |

| | | | |
|---|---|---|---|
| Capital ratios: | | | |
| Tier I capital | 7.60% | 7.76% | 4.00% |
| Total risk-adjusted capital | 11.19 | 11.77 | 8.00 |

Our Tier I capital ratio and total risk-adjusted capital ratio at March 31, 2009 were 7.76% and 11.77% respectively. The increase in total risk-adjusted capital ratio was mainly due to a decrease in risk-weighted assets, which was partially offset by a decrease in Tier I capital resulting from the decrease in the amount of unrealized gains on investment securities.

Table of Contents

***Capital Ratios of Our Major Banking Subsidiaries in Japan***

The table below presents the risk-adjusted capital ratios of BTMU and MUTB at March 31, 2008 and 2009 (underlying figures are calculated in accordance with Japanese banking regulations based on information derived from their consolidated and non-consolidated financial statements prepared in accordance with Japanese GAAP, as required by the FSA. The percentages in the tables below are rounded down.). For further information, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report.

| | At March 31, 2008 | At March 31, 2009 | Minimum capital ratios required |
|---|---|---|---|
| Consolidated capital ratios: | | | |
| BTMU | | | |
| Tier I capital | 7.43% | 7.64% | 4.00% |
| Total risk-adjusted capital | 11.20 | 12.02 | 8.00 |
| MUTB | | | |
| Tier I capital | 9.94 | 10.17 | 4.00 |
| Total risk-adjusted capital | 13.13 | 12.70 | 8.00 |
| Stand-alone capital ratios: | | | |
| BTMU | | | |
| Tier I capital | 7.65 | 8.34 | 4.00 |
| Total risk-adjusted capital | 11.44 | 12.74 | 8.00 |
| MUTB | | | |
| Tier I capital | 9.55 | 9.85 | 4.00 |
| Total risk-adjusted capital | 12.87 | 12.49 | 8.00 |

At March 31, 2009, management believes that our banking subsidiaries were in compliance with all capital adequacy requirements to which they are subject.

***Capital Ratios of Banking Subsidiaries in the United States***

The table below presents the risk-adjusted capital ratios of UNBC and Union Bank, both subsidiaries of BTMU, at December 31, 2007 and 2008:

| | At December 31, 2007 | At December 31, 2008 | Minimum capital ratios required | Ratios OCC requires to be well-capitalized |
|---|---|---|---|---|
| UNBC: | | | | |
| Tier I capital (to risk-weighted assets) | 8.30% | 8.78% | 4.00% | |
| Tier I capital (to quarterly average assets)[1] | 8.27 | 8.42 | 4.00 | |
| Total capital (to risk-weighted assets) | 11.21 | 11.63 | 8.00 | |
| Union Bank: | | | | |
| Tier I capital (to risk-weighted assets) | 8.20% | 8.67% | 4.00% | 6.00% |
| Tier I capital (to quarterly average assets)[1] | 8.20 | 8.31 | 4.00 | 5.00 |
| Total capital (to risk-weighted assets) | 10.38 | 11.01 | 8.00 | 10.00 |

Note:

(1) Excludes certain intangible assets.

Management believes that, as of December 31, 2008 and June 30, 2009, UNBC and Union Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2008, the Office of the Comptroller of the Currency, or OCC, categorized Union Bank as well-capitalized. To be categorized as well capitalized, Union Bank must maintain minimum ratios of Total and Tier I capital to risk-weighted assets and of Tier I capital to quarterly average assets (the Leverage ratio) as set forth in the table. There are no conditions or events since that notification that management believes have changed Union Bank s category.

**Table of Contents**

***Capital Adequacy Ratio of Mitsubishi UFJ Securities***

At March 31, 2008 and 2009, MUS s capital accounts less certain fixed assets of ¥619.3 billion and ¥502.8 billion represented 299.4% and 353.7% of the total amounts equivalent to market, counterparty credit and operations risks, respectively, as calculated pursuant to the Financial Instruments and Exchange Law. For further information, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report.

**Non-exchange Traded Contracts Accounted for at Fair Value**

The use of non-exchange traded or over-the-counter contracts provides us with the ability to adapt to the varied requirements of a wide customer base while mitigating market risks. Non-exchange traded contracts are accounted for at fair value, which is generally based on pricing models or quoted market prices for instruments with similar characteristics. Gains or losses on non-exchange traded contracts are included in Trading account profits net in our consolidated statements of operations included elsewhere in this Annual Report. The following table summarizes the changes in fair value of non-exchange traded contracts for the fiscal years ended March 31, 2008 and 2009:

| | Fiscal years ended March 31, 2008 | 2009 |
|---|---|---|
| | (in millions) | |
| Net fair value of contracts outstandings at beginning of fiscal year | ¥ 86,512 | ¥ 87,772 |
| Changes attributable to contracts realized or otherwise settled during the fiscal year | (26,950) | 11,137 |
| Fair value of new contracts when entered into during the fiscal year | 734 | 17,272 |
| Other changes in fair value, principally revaluation at end of fiscal year | 27,476 | (77,956) |
| Net fair value of contracts outstanding at end of fiscal year | ¥ 87,772 | ¥ 38,225 |

During the fiscal years ended March 31, 2009, the fair value of non-exchange traded contracts decreased primarily due to the decrease in the fair value of metals swap contracts denominated in US dollars and the depreciation of the US dollar against the Japanese Yen.

The following table summarizes the maturities of non-exchange traded contracts at March 31, 2009:

| | Net fair value of contracts unrealized gains | |
|---|---|---|
| | Prices actively quoted | Prices based on models and other valuation methods |
| | (in millions) | |
| Maturity less than 1 year | ¥ 3,036 | ¥ |
| Maturity less than 3 years | 20,365 | 11,026 |
| Maturity less than 5 years | 4,887 | (624) |
| Maturity 5 years or more | 1,343 | (1,808) |
| Total fair value | ¥ 29,631 | ¥ 8,594 |

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

Not applicable.

**D. Trend Information**

See the discussions in A. Operating Results and B. Liquidity and Capital Resources.

Table of Contents

### E. Off-balance-sheet Arrangements

In the normal course of our business, we engage in several types of off-balance-sheet arrangements to meet the financing needs of our customers, including various types of guarantees, commitments to extend credit and commercial letters of credit. The following table summarizes these commitments at March 31, 2009:

| | Amount of commitment by expiration period | | | |
|---|---|---|---|---|
| | 1 year or less | 1-5 years | Over 5 years | Total |
| | (in billions) | | | |
| Guarantees: | | | | |
| Standby letters of credit and financial guarantees | ¥ 2,095 | ¥ 1,113 | ¥ 1,342 | ¥ 4,550 |
| Performance guarantees | 1,573 | 785 | 131 | 2,489 |
| Derivative instruments | 29,656 | 34,946 | 3,352 | 67,954 |
| Guarantees for the repayment of trust principal | 173 | 1,055 | 6 | 1,234 |
| Liabilities of trust account | 2,098 | 382 | 678 | 3,158 |
| Others | 128 | | | 128 |
| Total guarantees | 35,723 | 38,281 | 5,509 | 79,513 |
| Other off-balance-sheet instruments: | | | | |
| Commitments to extend credit | 43,564 | 14,732 | 1,077 | 59,373 |
| Commercial letters of credit | 527 | 3 | | 530 |
| Commitments to make investments | 22 | 86 | 36 | 144 |
| Others | 8 | | | 8 |
| Total other off-balance-sheet instruments | 44,121 | 14,821 | 1,113 | 60,055 |
| Total | ¥ 79,844 | ¥ 53,102 | ¥ 6,622 | ¥ 139,568 |

See Note 24 to our consolidated financial statements, included elsewhere in this Annual Report, for a description of the nature of our guarantees and other off-balance-sheet instruments.

The contractual amounts of these guarantees and other off-balance-sheet instruments represent the amounts at risk should the contracts be fully drawn upon with a subsequent default by our customer and a decline in the value of the underlying collateral. Because many of these commitments expire without being drawn upon, the total contractual or notional amounts of these commitments do not necessarily represent our future cash requirements. At March 31, 2009, approximately 57% of these commitments will expire within one year, 38% from one year to five years and 5% after five years. Such risks are monitored and managed as a part of our risk management system as set forth in Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk. In addition, in accordance with SFAS No. 5, Accounting for Contingencies, we evaluate off-balance-sheet arrangements in the manner described in Note 1 to our consolidated financial statements included elsewhere in this Annual Report.

In the aggregate, the income generated from fees and commissions is one of our most important sources of revenue, which amounted to ¥1,188.5 billion during the fiscal year ended March 31, 2009. However, the fees generated specifically from off-balance-sheet arrangements are not a dominant source of our fees and commissions.

Some of our off-balance-sheet arrangements are related to activities of special purpose entities. Such arrangements include the following types of special purpose entities, most of which are variable interest entities, or VIEs.

Table of Contents

The following table presents, by type of VIE, the total assets of non-consolidated VIEs and the maximum exposures to non-consolidated VIEs at March 31, 2008 and 2009. For further information, see Note 25 to our consolidated financial statements included elsewhere in this Annual Report.

| | 2008 | | 2009 | |
|---|---|---|---|---|
| **Significant Non-consolidated VIEs** | **Assets** | **Maximum exposure** | **Assets** | **Maximum exposure** |
| | (in billions) | | | |
| Asset-backed conduits | ¥ 13,309.4 | ¥ 1,991.5 | ¥ 11,055.8 | ¥ 2,091.1 |
| Investment funds | 22,176.2 | 1,105.0 | 12,175.6 | 940.6 |
| Special purpose entities created for structured financing | 8,262.3 | 2,145.1 | 12,328.7 | 1,816.5 |
| Repackaged instruments | 82,485.9 | 2,365.5 | 57,393.6 | 1,823.5 |
| Others | 9,509.1 | 2,022.4 | 8,907.0 | 1,612.9 |
| Total | ¥ 135,742.9 | ¥ 9,629.5 | ¥ 101,860.7 | ¥ 8,284.6 |

We have off-balance sheet arrangements primarily with the following types of special purpose entities:

***Asset-backed Conduits***

This category primarily comprises the following:

*Multi-seller Conduits (MUFG-sponsored Asset-backed Commercial Paper, or ABCP, Conduits and Other ABCP Conduits)*

We administer several conduits under asset-backed financing programs under which the conduits purchase financial assets from our customers, primarily trade accounts receivables, by issuing short-term financing instruments, primarily commercial paper, to third-party investors. Under the asset-backed financing programs, we act as an agent for the conduits, which enter into agreements with our customers where the customers transfer assets to the conduits in exchange for monetary consideration. We also underwrite commercial paper for the conduits that is secured by the assets held by them and provide program-wide liquidity and credit support facilities to the conduits. We receive fees related to the services we provide to the conduits and the program-wide liquidity and credit support. Because of the program-wide credit support that we provide as a sponsor in respect to the financing by the conduits, we are exposed to the majority of the expected variability of the conduits. Therefore, we consider ourselves to be the primary beneficiary and consolidate the multi-seller conduits. While we have significant involvement with the conduits, we have never provided financial or any other support that are not contractually required to provide in the past. In addition, the assets purchased by the conduits are of high quality in their credit standing and mostly short-term in nature. Therefore, we believe the risks involved in these transactions are significantly limited relative to the transaction size.

In addition to the entities described above, we participate as a provider of financing to several conduits that are administered by third parties. Most of these conduits are established under a multi-seller asset-backed financing program and we provide financing along with other financial institutions. With respect to these conduits, we are not considered as the primary beneficiary because our participation in the financing is not significant relative to the total financing provided by third parties or there is sufficient funding or financial support that is subordinate to the financing provided by us.

*Asset-backed Conduits (MUFG-sponsored Asset-backed Loan, or ABL, Programs and Other Programs)*

We administer several conduits under asset-backed financing program where we provide financing to fund the conduits purchases of financial assets, comprising primarily of trade accounts receivables, from our customers. We act as an agent and sponsor for the conduits, which enter into agreements with our customers where the customers transfer assets to the conduits in exchange for monetary consideration. In most cases we are

Table of Contents

the sole provider of financing that is secured by the assets held by the conduits and because of this reason, we are considered as the primary beneficiary. We have never provided financial or any other support that are not contractually required to provide in the past. In addition, the assets purchased by the conduits are of high quality in their credit standing and mostly short-term in nature. Therefore, we believe the risks involved in these transactions are significantly limited relative to the transaction size.

In addition, we are involved with entities, which take in most cases, the form of a trust, where originators of financial assets, which primarily comprise lease receivables, entrust the assets with trust banks and receive beneficial certificates in exchange. The originators then transfer the beneficiary certificates to us in exchange for cash. Because we participate in a majority of the economics generated from these entities through the beneficiary certificates that we hold, we are considered as the primary beneficiary and we consolidate these trusts.

We also participate as a provider of financing the ABL programs that are managed by third parties. We are not considered as the primary beneficiary of the entities used in these programs as our participation to financing is not significant relative to the total financing provided by the third parties or there is sufficient funding or financial support that is subordinate to the financing provided by us.

***Investment Funds***

This category primarily comprises the following:

*Corporate Recovery Funds*

These entities are established by fund managers, which are unrelated to us for the purpose of investing in debt or equity instruments issued by distressed companies. After investment, the fund managers work closely with the management of the issuers and attempt to enhance corporate value by various means including corporate restructuring and reorganization. Their exit strategies include, among other things, sales to others and Initial Public Offerings, or IPOs.

Typically, these entities take the form of a limited partnership which is entirely funded by general and limited partner interests. In some cases, the general partners of the partnerships are entities that have no substantive decision making ability. The fund managers that establish these partnerships assume investment management and day-to-day operation by entering into asset management contracts with the general partners. These partnerships are, therefore, financing vehicles and as such are considered as VIEs. In other cases, the general partners have substantive decision making ability but the partnerships are considered as VIEs when the general partners investments in the partnerships are considered as non-substantive, usually based on the percentage interest held, and they do not have substantive limited partner interests.

We participate in these partnerships as a limited partner. While our share in partnership interests is limited in most cases, we are the only limited partner in some cases and we consolidate these partnerships as the primary beneficiary.

Our non-voting interests in these funds amounted to ¥34.1 billion at March 31, 2008 and ¥20.2 billion at March 31, 2009, respectively. In addition, at March 31, 2009, we had commitments to make additional contributions up to ¥9.8 billion to these funds.

*Private Equity Funds*

We are involved in venture capital funds that are established by either our group entities or fund managers unrelated to us. These entities have specific investment objectives in connection with their acquisition of equity interests, such as providing financing and other support to start-up businesses, medium and small entities in a particular geographical area, and to companies with certain technology or companies in a high-growth industry.

**Table of Contents**

These entities typically take the form of limited partnerships and usually are entirely funded by general and limited partner interests. The general partners of the partnerships in some cases are entities that have no substantive decision making ability. The fund managers that establish these partnerships assume investment management and day-to-day operation by entering into asset management contracts with the general partners. These partnerships are therefore financing vehicles and as such are considered as VIEs. In other cases, the general partners have substantive decision making ability and the partnerships are considered as VIEs even when the general partners investments in the partnerships are considered as non-substantive, usually based on the percentage interest held, and they do not have substantive limited partner interests.

We participate in these partnerships as a general partner or a limited partner. While our share in partnership interests is limited in most cases, we provide most of the financing to the partnerships in some cases and we consolidate them as the primary beneficiary.

We made contributions to these funds amounting to ¥12.3 billion at March 31, 2009. At March 31, 2009, in accordance with the applicable limited partnership agreements, we had commitments to make additional contributions up to ¥5.3 billion when required by the fund management companies.

*Investment Trusts*

We invest in investment trusts that are professionally managed collective investment schemes which pool money from many investors and invest in, among others, equity and debt securities. Most of these funds take the form of a trust where there is a separation in investment decisions, which is assumed by an investment manager who has no investment in a trust, and ownership through beneficiary interests issued by a trust are owned by investors. Therefore, these investment trusts are considered as VIEs. We consolidate investment trusts when we own a majority of the interests issued by investment trusts.

*Buy-out Financing Vehicles*

We provide financing to buy-out vehicles. The vehicles are established by equity investment from, among others, private equity funds or the management of target companies for the purpose of purchasing equity shares of target companies. Along with other financial institutions, we provide financing to buy-out vehicles in the form of loans. While the buy-out vehicles equity is normally substantive in amount and the rights and obligations associated with it, in some cases the vehicles have equity that is insufficient to absorb variability primarily because the amount provided by equity investors is nominal in nature. These vehicles are considered as VIEs and an assessment as to whether we are the primary beneficiary is required. In most cases, however, we mitigate our risk by requiring third-party guarantees with collateral or reducing our exposure to an adequate level by providing loans as one of several lenders. As a result, we are not considered as the primary beneficiary of these entities.

***Special Purpose Entities Created for Structured Financing***

This category primarily comprises the following:

*Leveraged Leasing Vehicles*

These entities are established to raise funds to purchase or build equipment and machinery including commercial vessels, passenger and cargo aircrafts, production equipment and other machinery, for the purpose of leasing them to lessees who use the equipment and machinery as part of their business operations. These entities typically take the form of a limited partnership or a special purpose company where they fund their purchases of equipment and machinery via senior and subordinate financing. In some cases, the entities are funded only by senior financing or there is a guarantee provided to the senior financing by parties unrelated to those providing the senior financing. In most cases, we participate in the senior financing and do not participate in the subordinate financing or provide guarantees. The subordinate financing or the third-party guarantee is substantive and would absorb expected variability generated by the assets held by the entities. In exceptional cases where there is no guarantee from a third-party or there is not sufficient subordinate financing, we consolidate the entities as the primary beneficiary. In some limited cases, we provide a residual value guarantee to the leased assets. Based on expected loss analysis, we determined that we do not participate in the majority of expected variability of the entities involved and do not consolidate these entities.

*Project Financing Vehicles*

These entities are established to raise funds in connection with, among other things, production of natural resources, construction and development of urban infrastructure (including power plants and grids, highways and ports), and the development of real estate properties or complexes. These projects typically involve special purpose companies which issue senior and subordinate financing to raise funds in connection with the various projects. The subordinate financing is usually provided by parties that will ultimately make use of the assets constructed or developed. By contrast, the senior financing is typically provided by financial institutions, including us. Because our participation in the financing is limited or there is sufficient subordinate financing, we are not considered as the primary beneficiary of these entities and do not consolidate these entities.

*Sale and Leaseback Vehicles*

We are involved with vehicles that acquire assets, primarily real estate, from our clients and other unrelated parties where the sellers of the assets continue to use the assets through leaseback agreements. These vehicles typically take the form of a limited partnership where the general partner has effectively no decision making ability because an equity holder of the general partner serves a perfunctory role. Therefore, these vehicles are considered as VIEs. The subordinated financing of these vehicles is usually provided by the sellers of the assets, with our providing senior financing for the vehicles. The subordinated financing of these entities absorbs the expected variability generated from the assets held and as such, we are not considered as the primary beneficiary.

*Securitization of Client Real Estate Properties*

These entities are established for the purpose of securitizing real estate properties held by our customers. In most cases, these entities take the form of a limited partnership or a special purpose company. These entities are designed to have non-substantive decision making ability because the general partner or an equity holder serves a perfunctory role. The entities are typically funded by senior and subordinated financing where the original owners of the properties provide the subordinated financing, primarily in the form of partnership interests or subordinated notes, and financial institutions, including us, provide senior financing in the form of senior loans. The subordinated financing of these entities absorbs the expected variability generated from the assets held and as such, we are not considered as the primary beneficiary.

***Repackaged Instruments***

This category primarily comprises the following:

*Investments in Financially-Engineered Products*

We are involved in special purpose entities that have been established to issue financial products through the engineering and repackaging of existing financial instruments, such as collateralized debt obligations, or CDOs, and synthetic CDOs. These special purpose entities are considered as VIEs because they do not have substantive decision making ability. These special purpose entities are arranged and managed by parties that are not related to us. Our involvement with these entities is for investment purposes. In most cases, we participate as one of many other investors and we typically hold investments in senior tranches or tranches with high credit ratings. Therefore, we are not considered as the primary beneficiary except in limited circumstances where we hold the majority of instruments issued by a single-tranche vehicle.

*Investments in Securitized Financial Instruments*

We hold investments in special purpose entities that issue securitized financial products. The assets held by the special purpose entities include credit card receivables and residential mortgage loans. These entities are established and managed by parties that are unrelated to us and our involvement with these entities is for our own investment purposes. In all cases, we participate as one of many other investors and we hold investments with high credit ratings. Therefore, we are not considered as the primary beneficiary of these entities.

***Others***

This category primarily comprises the following:

*Financing Vehicles of our Customers*

We are involved with several entities that are established by our customers. These entities borrow funds from financial institutions and extend loans to their group entities. These entities effectively work as fund-raising vehicles for their respective group companies and enable the groups to achieve efficient financing by integrating their financing activities into a single entity. In all cases we are not considered as the primary beneficiary, either because we participate as one of two or more lenders, and therefore, our participation is less than a majority, and/or there is a substantive third-party guarantee provided with respect to our loans.

*Funding Vehicles*

We have established several wholly-owned, off-shore vehicles which issue securities, typically preferred stock that is fully guaranteed by us, to investors unrelated to us to fund purchases of debt instruments issued by us. These entities are considered as VIEs because our investment in the vehicles equity is not considered at risk and substantive as the entire amount raised by the vehicles was used to purchase debt instruments issued by us. As the third-party investors participate in the economics of these financing vehicles, as well as the vehicles themselves, these financing vehicles are not considered as our subsidiaries.

*Securitization of our Assets*

We establish entities to securitize our own financial assets that include, among others, corporate and retail loans and lease receivables. The entities used for securitization, which typically take the form of special purpose companies and trusts, are established by us and, in most cases, issue senior and subordinate interests or financing. Where we retain subordinate interests or financing, we are considered as the primary beneficiary of the entities and we consolidate them. In some cases, all financing is provided by us but there is a substantive third-party guarantee, or most of the interests or financing issued by the entities is transferred to investors unrelated to us. In these cases we do not consider ourselves as the primary beneficiary.

*Trust Arrangements*

We offer, primarily through our wholly-owned trust banking subsidiary, MUTB, a variety of trust products and services including securities investment trusts, pension trusts and trusts used as securitization vehicles. In a typical trust arrangement, however, we manage and administer assets on behalf of the customers in an agency, fiduciary and trust capacity and do not assume risks associated with the entrusted assets. The trusts are generally considered as VIEs because the trust beneficiaries, who provide all of the equity at risk, usually do not have substantive decision making ability. We, however, are not considered as the primary beneficiary because the trust beneficiaries receive and absorb expected losses and residual returns on the performance and operations of trust assets under management by us.

With respect to the jointly operated designated money in trusts, however, MUTB is exposed to the risks involved with the entrusted assets, where MUTB provides the trust beneficiaries with guarantees on the repayment of trust principal through face value guarantees. In these products, MUTB pools money from general investors and invests it in financial assets that are of high credit standing, including bank deposits, government bonds, high-quality corporate bonds and high-quality corporate loans including loans to banking account of MUTB. MUTB manages and administers the trust assets in the capacity of a trustee and receives fees as compensation for services it provides. With respect to most of the jointly operated designated money in trusts, MUTB provides, as a sponsor of the products, the face value guarantees under which it is required to compensate a loss on the stated principal of the trust beneficial interests. MUTB is not considered as the primary beneficiary of these products because the event of loss is highly remote and in fact the face value guarantee has never been called upon in the trusts operational history that extends over decades. In addition, the trusts have substantial investments in loans to banking account of MUTB and MUTB s face value guarantee is considered as non-substantive to the extent of the self guarantee.

Fees on trust products that we offer for the fiscal years ended March 31, 2008 and 2009 were ¥156.4 billion and ¥125.5 billion, respectively.

*Troubled Borrowers*

During the normal course of business, our borrowers may experience financial difficulties and sometimes enter into certain transactions that require us to assess whether they would be considered as VIEs due to their difficult financial position. While in most cases such borrowers are not considered as VIEs when the transactions take place, in limited circumstances they are considered as VIEs due to insufficient equity. In all cases, however, we are not considered as the primary beneficiary based on our assessment of scenario-based probability-weighted cash flows analysis.

**F. Tabular Disclosure of Contractual Obligations**

In the normal course of our business, we enter into contractual agreements whereby we commit to future purchases of products or services from unaffiliated parties. The following table shows a summary of our contractual cash obligations at March 31, 2009:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1-3 years | 3-5 years (in billions) | Over 5 years | Total |
| Contractual cash obligations: | | | | | |
| Time deposit obligations | ¥ 48,918 | ¥ 9,408 | ¥ 1,454 | ¥ 126 | ¥ 59,906 |
| Long-term debt obligations | 1,444 | 3,047 | 1,783 | 6,934 | 13,208 |
| Capital lease obligations | 25 | 31 | 6 | 3 | 65 |
| Operating lease obligations | 44 | 61 | 33 | 67 | 205 |
| Purchase obligations | 16 | 20 | 55 | 35 | 126 |
| Total(1)(2) | ¥ 50,447 | ¥ 12,567 | ¥ 3,331 | ¥ 7,165 | ¥ 73,510 |

Notes:

(1) The total amount of expected future pension payments is not included in the above table or the total amount of commitments outstanding at March 31, 2009 as such amount is not currently determinable. We expect to contribute approximately ¥49.2 billion for pension and other benefits for our employees for the fiscal year ending March 31, 2010. For further information, see Note 16 to our consolidated financial statements included elsewhere in this Annual Report.

(2) The above table does not include unrecognized tax benefits and interest and penalties related to income tax associated with FIN No. 48. For further information, see Note 10 to our consolidated financial statements included elsewhere in this Annual Report.

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

**G. Safe Harbor**

See the discussion under Forward-Looking Statements.

**Table of Contents**

## Item 6. Directors, Senior Management and Employees.

### A. Directors and Senior Management

The following table sets forth the members of our board of directors as of July 31, 2009, together with their respective dates of birth, positions and experience:

| Name<br>(Date of Birth) | Position in MUFG | Business Experience | |
|---|---|---|---|
| Ryosuke Tamakoshi<br>(July 10, 1947) | Chairman | May 1970 | Joined Sanwa Bank |
| | | June 1997 | Director of Sanwa Bank |
| | | June 1999 | Senior Executive Officer of Sanwa Bank |
| | | April 2000 | President of Sanwa Bank California |
| | | July 2001 | President of United California Bank |
| | | January 2002 | Senior Executive Officer of UFJ Bank |
| | | March 2002 | Retired from President of United California Bank |
| | | May 2002 | Deputy President and Senior Executive Officer of UFJ Bank |
| | | June 2002 | Deputy President of UFJ Bank |
| | | May 2004 | Chairman of UFJ Bank |
| | | June 2004 | President and CEO of UFJ Holdings |
| | | October 2005 | Chairman of MUFG (incumbent) |
| | | January 2006 | Deputy Chairman of BTMU |
| | | April 2008 | Retired from Deputy Chairman of BTMU |
| Haruya Uehara<br>(July 25, 1946) | Deputy Chairman and Chief Audit Officer | April 1969 | Joined Mitsubishi Trust Bank |
| | | June 1996 | Director of Mitsubishi Trust Bank |
| | | June 1998 | Managing Director of Mitsubishi Trust Bank |
| | | June 2001 | Senior Managing Director of Mitsubishi Trust Bank |
| | | June 2002 | Deputy President of Mitsubishi Trust Bank |
| | | June 2003 | Director of MTFG |
| | | April 2004 | President of Mitsubishi Trust Bank |

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|---|---|---|---|
| | | June 2004 | Chairman and Co-CEO of MTFG |
| | | October 2005 | Deputy Chairman and Chief Audit Officer of MUFG (incumbent) |
| | | June 2008 | President of MUTB |
| | | | Chairman of MUTB (incumbent) |
| Nobuo Kuroyanagi | President and CEO | April 1965 | Joined Mitsubishi Bank |
| (December 18, 1941) | | June 1992 | Director of Mitsubishi Bank |
| | | April 1996 | Director of Bank of Tokyo-Mitsubishi |
| | | June 1996 | Managing Director of Bank of Tokyo-Mitsubishi |
| | | June 2001 | Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi |
| | | June 2002 | Deputy President of Bank of Tokyo-Mitsubishi |
| | | June 2003 | Director of MTFG |
| | | June 2004 | President of Bank of Tokyo-Mitsubishi |
| | | | President and CEO of MTFG |
| | | October 2005 | President and CEO of MUFG (incumbent) |
| | | January 2006 | President of BTMU |
| | | April 2008 | Chairman of BTMU (incumbent) |

**Table of Contents**

| Name<br><br>(Date of Birth) | Position in MUFG | | Business Experience |
|---|---|---|---|
| Kyota Omori<br><br>(March 14, 1948) | Deputy President and Chief Compliance Officer | April 1972 | Joined Mitsubishi Bank |
| | | June 1999 | Director of Bank of Tokyo-Mitsubishi |
| | | June 2001 | Non-Board Member Director of Bank of Tokyo-Mitsubishi |
| | | May 2003 | Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi |
| | | June 2003 | Managing Director of Bank of Tokyo-Mitsubishi |
| | | May 2004 | Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi |
| | | June 2005 | Managing Officer of MTFG |
| | | October 2005 | Managing Officer of MUFG |
| | | January 2006 | Managing Executive Officer of BTMU |
| | | October 2007 | Senior Managing Executive Officer of BTMU |
| | | April 2008 | Retired from Senior Managing Executive Officer of BTMU<br>Senior Managing Officer of MUFG |
| | | June 2008 | Deputy President and Chief Compliance Officer of MUFG (incumbent) |
| Saburo Sano<br><br>(May 24, 1949) | Senior Managing Director and Chief Risk Management Officer | April 1973 | Joined Bank of Tokyo |
| | | June 2000 | Director of Bank of Tokyo-Mitsubishi |
| | | June 2001 | Non-Board Member Director of Bank of Tokyo-Mitsubishi |
| | | May 2004 | Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi |
| | | January 2006 | Managing Executive Officer of BTMU |
| | | April 2008 | Retired from Managing Executive Officer of BTMU<br>Senior Managing Officer of MUFG |
| | | June 2008 | Director of MUS (incumbent)<br>Senior Managing Director and Chief Risk Management Officer of MUFG (incumbent) |
| Hiroshi Saito<br><br>(July 13, 1951) | Senior Managing Director and Chief Financial Officer | April 1974 | Joined Mitsubishi Trust Bank |
| | | June 2002 | Director (Non-Board Member Director) of Mitsubishi Trust Bank |
| | | October 2005 | Executive Officer of MUTB |
| | | June 2006 | Managing Director of MUTB |
| | | May 2007 | Managing Officer of MUFG |
| | | June 2007 | Retired from Managing Director of MUTB<br><br>Director of BTMU (incumbent)<br>Senior Managing Director and Chief Financial Officer of MUFG (incumbent) |
| Nobushige Kamei<br><br>(November 20, 1952) | Senior Managing Director and Chief Planning Officer | April 1975 | Joined Sanwa Bank |
| | | January 2002 | Executive Officer of UFJ Bank |
| | | May 2004 | Senior Executive Officer of UFJ Bank |
| | | January 2006 | Managing Executive Officer of BTMU |
| | | May 2009 | Retired from Managing Executive Officer of BTMU<br>Senior Managing Officer of MUFG |
| | | June 2009 | Director of MUTB (incumbent)<br><br>Senior Managing Director and Chief Planning Officer of MUFG (incumbent) |

109

**Table of Contents**

| Name<br>(Date of Birth) | Position in MUFG | | Business Experience |
|---|---|---|---|
| Shintaro Yasuda<br>(December 23, 1946) | Director | April 1970 | Joined Toyo Trust Bank |
| | | June 1998 | Director of Toyo Trust Bank |
| | | June 1999 | Executive Officer of Toyo Trust Bank |
| | | May 2000 | Senior Executive Officer of Toyo Trust Bank |
| | | June 2000 | Managing Director of Toyo Trust Bank |
| | | March 2001 | Retired from Managing Director of Toyo Trust Bank |
| | | April 2001 | Senior Executive Officer of UFJ Holdings |
| | | January 2002 | Retired from Senior Executive Officer of UFJ Holdings<br>Director and Senior Executive Officer of UFJ Trust Bank |
| | | May 2003 | Deputy President and Senior Executive Officer of UFJ Trust Bank |
| | | May 2004 | President of UFJ Trust Bank |
| | | June 2004 | Director of UFJ Holdings |
| | | October 2005 | Director of MUFG (incumbent)<br>Deputy President of MUTB |
| | | June 2008 | Deputy Chairman of MUTB (incumbent) |
| Katsunori Nagayasu<br>(April 6, 1947) | Director | May 1970 | Joined Mitsubishi Bank |
| | | June 1997 | Director of Bank of Tokyo-Mitsubishi |
| | | June 2000 | Retired from Director of Bank of Tokyo-Mitsubishi<br>Managing Director of Nippon Trust Bank |
| | | April 2001 | Director of MTFG |
| | | October 2001 | Managing Director of Mitsubishi Trust Bank |
| | | June 2002 | Retired from Managing Director of Mitsubishi Trust Bank<br>Managing Director of Bank of Tokyo-Mitsubishi |
| | | April 2004 | Director and Managing Officer of MTFG |
| | | June 2004 | Managing Officer of MTFG |
| | | January 2005 | Senior Managing Director of Bank of Tokyo-Mitsubishi |
| | | May 2005 | Deputy President of Bank of Tokyo-Mitsubishi |
| | | October 2005 | Managing Officer of MUFG |
| | | December 2005 | Retired from Managing Officer of MUFG |
| | | January 2006 | Deputy President of BTMU |
| | | June 2006 | Deputy President of MUFG |
| | | April 2008 | Director of MUFG (incumbent) |

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|---|---|---|---|
| | | | President of BTMU (incumbent) |
| Fumiyuki Akikusa<br>(October 9, 1949) | Director | April 1972 | Joined Mitsubishi Bank |
| | | June 2000 | Director of Bank of Tokyo-Mitsubishi |
| | | June 2001 | Non-Board Member Director of Bank of Tokyo-Mitsubishi |
| | | May 2003 | Non-Board Member Managing Director of Bank of Tokyo-Mitsubishi |

| Name (Date of Birth) | Position in MUFG | | Business Experience |
|---|---|---|---|
| | | May 2004 | Managing Officer of MTFG |
| | | June 2004 | Managing Director of Bank of Tokyo-Mitsubishi |
| | | May 2005 | Retired from Managing Officer of MTFG |
| | | June 2005 | Retired from Managing Director of Bank of Tokyo-Mitsubishi |
| | | | Senior Managing Director and Principal Executive Officer of Mitsubishi Securities |
| | | October 2005 | Director and Principal Executive Officer of MUS |
| | | June 2006 | Deputy President of MUS |
| | | | Director of MUFG (incumbent) |
| | | June 2008 | President of MUS (incumbent) |
| Kazuo Takeuchi (August 15, 1950) | Director | April 1973 | Joined Tokai Bank |
| | | April 1999 | Executive Officer of Tokai Bank |
| | | June 1999 | Director of Tokai Bank |
| | | March 2001 | Retired from Director of Tokai Bank |
| | | April 2001 | Executive Officer of UFJ Holdings |
| | | January 2002 | Retired from Executive Officer of UFJ Holdings |
| | | | Senior Executive Officer of UFJ Bank |
| | | May 2005 | Retired from Senior Executive Officer of UFJ Bank |
| | | June 2005 | Senior Executive Officer of UFJ Tsubasa Securities |
| | | October 2005 | Senior Executive Officer of MUS |
| | | June 2008 | Senior Managing Director of MUS (incumbent) |
| | | | Director of MUFG (incumbent) |
| Kinya Okauchi (September 10, 1951) | Director | April 1974 | Joined Mitsubishi Trust Bank |
| | | June 2001 | Director (Non-Board Member Director) of Mitsubishi Trust Bank |
| | | April 2003 | Managing Director (Non-Board Member Director) of Mitsubishi Trust Bank |
| | | March 2004 | Managing Director of Mitsubishi Trust Bank |
| | | June 2004 | Director of MTFG |
| | | June 2005 | Senior Managing Director of Mitsubishi Trust Bank |
| | | October 2005 | Director of MUFG |
| | | | Senior Managing Director of MUTB |
| | | June 2007 | Managing Officer of MUFG |
| | | June 2008 | President of MUTB (incumbent) |
| | | | Director of MUFG (incumbent) |
| Kaoru Wachi (December 9, 1955) | Director | April 1978 | Joined Mitsubishi Trust Bank |
| | | April 2004 | General Manager of Asset Management and Administration Planning Division of MTFG |
| | | June 2005 | Executive Officer of MTFG |
| | | | Director (Non-Board Member Director) of Mitsubishi Trust Bank |

| Name (Date of Birth) | Position in MUFG | Business Experience | |
|---|---|---|---|
| | | October 2005 | Executive Officer of MUFG |
| | | | Executive Officer of MUTB |
| | | June 2008 | Managing Director of MUTB (incumbent) |
| | | | Director of MUFG (incumbent) |
| Takashi Oyamada (November 2, 1955) | Director | April 1979 | Joined Mitsubishi Bank |
| | | May 2004 | General Manager of Corporate Policy Division of MTFG |
| | | | Co-General Manager of Corporate Planning Office of Bank of Tokyo-Mitsubishi |
| | | July 2004 | Co-General Manager of Corporate Policy Division of MTFG |
| | | June 2005 | Executive Officer of MTFG |
| | | | Non-Board Member Director of Bank of Tokyo-Mitsubishi |
| | | October 2005 | Executive Officer of MUFG |
| | | January 2006 | Executive Officer of BTMU |
| | | January 2009 | Managing Executive Officer of BTMU |
| | | June 2009 | Managing Director of BTMU (incumbent) |
| | | | Director of MUFG (incumbent) |
| Akio Harada (November 3, 1939) | Director | April 1965 | Public Prosecutor, Tokyo District Public Prosecutors Office |
| | | April 1988 | General Manager of Personnel Division, Minister s Secretariat, Ministry of Justice |
| | | April 1992 | Chief Public Prosecutor, Morioka District Public Prosecutors Office |
| | | December 1993 | Deputy Vice Minister, Ministry of Justice |
| | | January 1996 | Director General of Criminal Affairs Bureau, Ministry of Justice |
| | | June 1998 | Administrative Vice Minister, Ministry of Justice |
| | | December 1999 | Chief Prosecutor, Tokyo High Prosecutors Office |
| | | July 2001 | Prosecutor General |
| | | June 2004 | Retired from Prosecutor General |
| | | October 2004 | Admitted to the Bar |
| | | | Joined the Dai-Ichi Tokyo Bar Association |
| | | | Attorney at law at Hironaka Law Office (incumbent) |
| | | July 2005 | President of Tokyo Woman s Christian University (incumbent) |
| | | June 2006 | Director of MUFG (incumbent) |
| Ryuji Araki (January 29, 1940) | Director | April 1962 | Joined the Toyota Motor Co., Ltd. |
| | | September 1992 | Director, Member of the Board of Toyota Motor Corporation ( Toyota ) |
| | | June 1997 | Managing Director, Member of the Board of Toyota |
| | | June 1999 | Senior Managing Director, Member of the Board of Toyota |

Table of Contents

| Name<br>(Date of Birth) | Position in MUFG | | Business Experience |
|---|---|---|---|
| | | June 2001 | Vice President, Member of the Board and Representative Director of Toyota |
| | | June 2002 | Auditor of Aioi Insurance Company, Limited ( Aioi Insurance ) |
| | | June 2005 | Senior Advisor to the Board of Toyota |
| | | | Chairman and Representative Director of Aioi Insurance |
| | | | Chairman of Toyota Financial Corporation. ( TFS ) |
| | | June 2007 | Advisor of TFS (incumbent) |
| | | June 2008 | Advisor of Toyota (incumbent) |
| | | | Advisor of Aioi Insurance (incumbent) |
| | | June 2009 | Director of MUFG (incumbent) |
| Takuma Otoshi<br>(October 17, 1948) | Director | July 1971 | Joined IBM Japan, Ltd. ( IBM Japan ) |
| | | March 1994 | Director of IBM Japan |
| | | March 1997 | Managing Director of IBM Japan |
| | | December 1999 | President of IBM Japan |
| | | June 2004 | Director of MTFG |
| | | October 2005 | Director of MUFG (incumbent) |
| | | April 2008 | President and Chairman of IBM Japan |
| | | January 2009 | Chairman of IBM Japan (incumbent) |

The following table sets forth our corporate auditors as of July 31, 2009, together with their respective dates of birth, positions and experience:

| Name<br>(Date of Birth) | Position in MUFG | | Business Experience |
|---|---|---|---|
| Shota Yasuda<br>(July 23, 1948) | Corporate Auditor<br>(Full-Time) | July 1971 | Joined Mitsubishi Bank |
| | | June 1998 | Director of Bank of Tokyo-Mitsubishi |
| | | June 2001 | Non-Board Member Director of Bank of Tokyo-Mitsubishi |
| | | May 2002 | Managing Director (Non-Board Member Director) of Bank of Tokyo-Mitsubishi |
| | | January 2006 | Senior Managing Director of BTMU |
| | | June 2007 | Retired from Senior Managing Director of BTMU |
| | | | Corporate Auditor (Full-Time) of MUFG (incumbent) |
| Tetsuo Maeda<br>(June 10, 1951) | Corporate Auditor<br>(Full-Time) | April 1974 | Joined Toyo Trust Bank |
| | | May 2000 | Executive Officer of Toyo Trust Bank |
| | | January 2002 | Executive Officer of UFJ Trust Bank |
| | | May 2003 | Senior Executive Officer of UFJ Trust Bank |
| | | September 2004 | Director and Senior Executive Officer of UFJ Trust Bank |
| | | October 2005 | Managing Director of MUTB |
| | | June 2006 | Senior Managing Director of MUTB |

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|---|---|
| June 2009 | Retired from Senior Managing Director of MUTB |
| | Corporate Auditor (Full-Time) of MUFG (incumbent) |

Table of Contents

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

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

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

**B. Compensation**

The aggregate amount of remuneration, including bonuses but excluding retirement allowances, paid by MUFG and its subsidiaries during the fiscal year ended March 31, 2009 to our directors and corporate auditors was ¥1,196 million and ¥151 million, respectively.

Prior to June 28, 2007, in accordance with customary Japanese practice, when a director or corporate auditor retired, a proposal to pay a retirement allowance was submitted at the annual ordinary general meeting of shareholders for approval. The retirement allowance consisted of a one-time payment of a portion of the allowance paid at the time of retirement and periodic payments of the remaining amount for a prescribed number of years. After the shareholders approval was obtained, the retirement allowance for a director or corporate auditor was fixed by the board of directors or by consultation among the corporate auditors in accordance with our internal regulations and practice and generally reflected the position of the director or corporate auditor at the time of retirement, the length of his service as a director or corporate auditor and his contribution to our performance. MUFG did not set aside reserves for any retirement payments for directors and corporate auditors made under this practice. Pursuant to a one-time shareholders approval in June 2007 for the retirement allowances to be paid to the directors and corporate auditors who were elected prior to that date at the time of their retirement, the aggregate amount of retirement allowance paid by MUFG and its subsidiaries during the fiscal year ended March 31, 2009 to our directors and corporate auditors who have retired from their respective positions held at MUFG or, if such directors and corporate auditors concurrently held positions at MUFG s subsidiaries, who have retired from such positions, was ¥124 million and ¥1 million, respectively.

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

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

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

Table of Contents

As of July 31, 2009, our directors and corporate auditors held the following numbers of shares of our common stock:

| Directors | Number of Shares Registered |
|---|---|
| Ryosuke Tamakoshi | 58,330 |
| Haruya Uehara | 16,320 |
| Nobuo Kuroyanagi | 33,716 |
| Kyota Omori | 12,300 |
| Saburo Sano | 25,500 |
| Hiroshi Saito | 7,240 |
| Nobushige Kamei | 71,080 |
| Shintaro Yasuda | 11,910 |
| Katsunori Nagayasu | 7,440 |
| Fumiyuki Akikusa | 15,146 |
| Kazuo Takeuchi | 16,420 |
| Kinya Okauchi | 11,500 |
| Kaoru Wachi | 3,800 |
| Takashi Oyamada | 9,850 |
| Akio Harada | |
| Ryuji Araki | |
| Takuma Otoshi | 3,000 |

| Corporate Auditors | Number of Shares Registered |
|---|---|
| Shota Yasuda | 19,150 |
| Tetsuo Maeda | 8,473 |
| Tsutomu Takasuka | |
| Kunie Okamoto | 536 |
| Yasushi Ikeda | |

### C. Board Practices

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

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

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

Under the Company Law, a resolution of the board of directors is required if any director wishes to engage in any business that is in competition with us or any transaction with us excluding those in the ordinary course of business. Additionally, no director may vote on a proposal, arrangement or contract in which that director is deemed to have a specific interest.

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

Table of Contents

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

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

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

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

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

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

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

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

*Internal Audit and Compliance Committee.* The internal audit and compliance committee, a majority of which is comprised of outside directors and specialists, deliberates important matters relating to internal audits, internal control of financial information, financial audits, compliance, corporate risk management, and other internal control systems. This committee makes reports and proposals to the board of directors about important matters for deliberation and necessary improvement measures. We aim to enhance the effectiveness of internal audit functions by utilizing the external view points provided by the internal audit and compliance committee members. The chairman of the internal audit and compliance committee is Akio Harada, who is an outside director. The other members of this committee are Ryuji Araki, an outside director, Kouji Tajika, a certified public accountant, Yoshinari Tsutsumi, an attorney-at-law, and Haruya Uehara, a deputy chairman and the chief audit officer. The internal audit and compliance committee met fourteen times between April 2008 and March 2009.

*Nomination and Compensation Committee.* The nomination and compensation committee was established through the integration of the nomination committee and the compensation committee on June 27, 2008. Prior to the integration, the nomination committee, a majority of which was comprised of outside directors, deliberated matters relating to the appointment and dismissal of our directors and the directors of our subsidiaries. The nomination committee met one time between April 2008 and June 2008. The compensation committee, a majority of which was also comprised of outside directors, deliberated matters relating to the compensation framework of our directors and the directors of our subsidiaries, as well as the compensation of our top management and the top management of our subsidiaries. The compensation committee met five times between April 2008 and June 2008. The integrated nomination and compensation committee has assumed the responsibilities of the two former committees and met two times between July 2008 and March 2009. The nomination and compensation committee makes reports and proposals to the board of directors about important matters for deliberation and necessary improvement measures. The chairman of the nomination and compensation committee is Takuma Otoshi, an outside director. The other members of this committee are Akio Harada, Ryuji Araki, and Nobuo Kuroyanagi, President and CEO.

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

Table of Contents

### D. Employees

As of March 31, 2009, we had approximately 79,500 employees, an increase of approximately 1,200 employees compared with the number of employees as of March 31, 2008. In addition, as of March 31, 2009, we had approximately 42,600 part-time and temporary employees. The following tables show the percentages of our employees in our different business units and in different locations as of March 31, 2009:

| Business unit | |
|---|---|
| **Bank of Tokyo-Mitsubishi UFJ:** | |
| Retail Banking Business Unit | 19% |
| Corporate Banking Business Unit | 12 |
| Global Business Unit | 24 |
| Global Markets Unit | 1 |
| Operations and Systems Unit | 9 |
| Corporate Center/Independent Divisions | 5 |
| **Mitsubishi UFJ Trust and Banking Corporation:** | |
| Trust-Banking | 6 |
| Trust Assets | 2 |
| Real Estate | 2 |
| Global Markets | 1 |
| Administration and subsidiaries | 3 |
| **Mitsubishi UFJ Securities:** | |
| Sales Marketing Business Unit | 6 |
| Global Investment Banking Business Unit | 0 |
| Global Markets Business Unit | 1 |
| International Business Unit | 1 |
| Corporate Center and Others | 3 |
| **Mitsubishi UFJ NICOS:** | |
| Business Marketing Division | 2 |
| Credit Risk Management & Risk Assets Administration Division | 1 |
| Operations Division | 1 |
| Systems Division | 0 |
| Corporate Division | 1 |
| **Others** | 0 |
| | 100% |

Table of Contents

| Location | |
|---|---|
| **Bank of Tokyo-Mitsubishi UFJ:** | |
| Japan | 46% |
| United States | 15 |
| Europe | 2 |
| Asia/Oceania excluding Japan | 7 |