MITSUBISHI UFJ FINANCIAL GROUP INC
Form 20-F
July 27, 2015
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As filed with the Securities and Exchange Commission on July 27, 2015

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, 2015

OR

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

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period to

OR

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

THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number 000-54189

KABUSHIKI KAISHA MITSUBISHI UFJ FINANCIAL GROUP

(Exact name of Registrant as specified in its charter)

MITSUBISHI UFJ FINANCIAL GROUP, INC.

(Translation of Registrant s name into English)

Japan

(Jurisdiction of incorporation or organization)

7-1, Marunouchi 2-chome

Chiyoda-ku, Tokyo 100-8330

Japan

(Address of principal executive offices)

Kazutaka Yoneda, +81-3-3240-8111, +81-3-3240-7073, same address 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:

Restricted Share Units granting rights to under the UnionBanCal Corporation Stock Bonus Plan

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

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

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

Restricted Share Units granting rights to common stock pursuant to the MUFG Americas Holdings Corporation Stock Bonus Plan

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

As of March 31, 2015, 14,168,853,820 shares of common stock (including 151,647,230 shares of common stock held by the registrant and its consolidated subsidiaries as treasury stock)

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

Yes x No ¨

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

Yes ¨ No x

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

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

Yes x No ¨

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

Yes x No ¨

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

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

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

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

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

Item 17 ¨ Item 18 ¨

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

Yes ¨ No x

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For purposes of this Annual Report, we have presented our consolidated financial statements in accordance with accounting principles generally accepted in the United States, or U.S. 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., as single entities, respectively, as well as to MTFG and UFJ Holdings and their respective consolidated subsidiaries, as the context requires. In addition, our commercial banking subsidiaries refers to The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, and, as the context requires, its consolidated subsidiaries engaged in the commercial banking business. Our trust banking subsidiaries refers to Mitsubishi UFJ Trust and Banking Corporation, or MUTB, and, as the context requires, its consolidated subsidiaries engaged in the trust banking business. Our banking subsidiaries refers to BTMU and MUTB and, as the context requires, their respective consolidated subsidiaries engaged in the banking business. Our securities subsidiaries refers to Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, and as the context requires, its consolidated subsidiaries engaged in the securities business.

References to MUAH and MUB are to MUFG Americas Holdings Corporation and MUFG Union Bank, N.A., as single entities, respectively, as well as to MUAH and MUB and their respective consolidated

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subsidiaries, as the context requires. Effective July 1, 2014, we integrated BTMU s operations in the Americas region with the operations of UnionBanCal Corporation, or UNBC, which is a wholly owned subsidiary of BTMU, and changed UNBC s corporate name to MUFG Americas Holdings Corporation. Union Bank, N.A., which is MUAH s principal subsidiary, was also renamed MUFG Union Bank, N.A., effective the same day.

References to KS or Krungsri are to Bank of Ayudhya Public Company Limited, as a single entity, as well as to KS and its respective consolidated subsidiaries, as the context requires. Effective January 5, 2015, we integrated the operations of the BTMU Bangkok branch with the operations of KS to comply with the Thai regulatory requirement generally referred to as the one presence policy, which limits financial conglomerates to a single licensed deposit taking entity in Thailand.

References in this Annual Report to yen or ¥ are to Japanese yen, references to U.S. dollars, U.S. dollar, dollars, U.S.$ or $ are to Unit dollars, and references to euro or are to the currency of the member states of the European Monetary Union.

Our fiscal year ends on March 31 of each year. References to years not specified as being fiscal years are to calendar years.

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

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Forward-Looking Statements

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

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

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

We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

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

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data

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

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

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

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	Fiscal years ended March 31, 2011	2012	2013	2014	2015
	(in millions, except per share data and number of shares)				
Statement of income data:					
Interest income[1]	¥ 2,550,144	¥ 2,595,956	¥ 2,427,521	¥ 2,522,283	¥ 2,894,645
Interest expense	670,673	640,139	556,418	560,972	663,184
Net interest income	1,879,471	1,955,817	1,871,103	1,961,311	2,231,461
Provision (credit) for credit losses	292,035	223,809	144,542	(106,371)	86,998
Net interest income after provision (credit) for credit losses	1,587,436	1,732,008	1,726,561	2,067,682	2,144,463
Non-interest income	1,694,822	1,440,576	2,067,909	1,821,081	2,845,078
Non-interest expense	2,460,446	2,322,642	2,378,599	2,468,320	2,726,885
Income before income tax expense	821,812	849,942	1,415,871	1,420,443	2,262,656
Income tax expense	433,625	429,191	296,020	337,917	666,020
Net income before attribution of noncontrolling interests	388,187	420,751	1,119,851	1,082,526	1,596,636
Net income (loss) attributable to noncontrolling interests	(64,458)	4,520	50,727	67,133	65,509
Net income attributable to Mitsubishi UFJ Financial Group	¥ 452,645	¥ 416,231	¥ 1,069,124	¥ 1,015,393	¥ 1,531,127
Earnings applicable to common shareholders of Mitsubishi UFJ Financial Group	¥ 431,705	¥ 398,291	¥ 1,051,184	¥ 994,152	¥ 1,522,157
Amounts per share:					
Basic earnings per common share Earnings applicable to common shareholders of Mitsubishi UFJ Financial Group	¥ 30.55	¥ 28.17	¥ 74.30	¥ 70.21	¥ 107.81
Diluted earnings per common share Earnings applicable to common shareholders of Mitsubishi UFJ Financial Group	30.43	28.09	74.16	69.98	107.50
Number of shares used to calculate basic earnings per common share (in thousands)	14,131,567	14,140,136	14,148,060	14,158,698	14,118,469
Number of shares used to calculate diluted earnings per common share (in thousands)[2]	14,144,737	14,156,820	14,169,080	14,180,080	14,137,645
Cash dividends per share paid during the fiscal year:					
Common stock	¥ 12.00	¥ 12.00	¥ 12.00	¥ 14.00	¥ 18.00
	$ 0.14	$ 0.15	$ 0.15	$ 0.14	$ 0.16
Preferred stock (Class 3)	¥ 30.00				
	$ 0.34				
Preferred stock (Class 5)[3]	¥ 115.00	¥ 115.00	¥ 115.00	¥ 115.00	¥ 57.50
	$ 1.33	$ 1.45	$ 1.42	$ 1.14	$ 0.57
Preferred stock (Class 11)[4]	¥ 5.30	¥ 5.30	¥ 5.30	¥ 5.30	¥ 2.65
	$ 0.06	$ 0.07	$ 0.07	$ 0.05	$ 0.03

	As of March 31, 2011	2012	2013	2014	2015
	(in millions)				
Balance sheet data:					
Total assets	¥ 202,850,243	¥ 215,202,514	¥ 230,559,276	¥ 253,661,077	¥ 280,886,326
Loans, net of allowance for credit losses	86,261,519	91,012,736	97,254,242	109,181,991	117,209,723
Total liabilities	194,187,331	206,344,067	219,617,296	240,909,633	265,604,985
Deposits	136,631,704	139,493,730	148,209,739	162,517,786	171,991,267
Long-term debt	13,356,728	12,593,062	12,182,358	14,498,678	19,968,735
Total equity	8,662,912	8,858,447	10,941,980	12,751,444	15,281,341
Capital stock	2,086,232	2,087,244	2,088,135	2,089,245	2,090,270

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	Fiscal years ended March 31,				
	2011	2012	2013	2014	2015
	(in millions, except percentages)				
Other financial data:					
Average balances:					
Interest-earning assets	¥ 180,260,385	¥ 184,179,147	¥ 193,824,256	¥ 212,176,348	¥ 237,247,664
Interest-bearing liabilities	161,344,664	165,420,569	173,399,441	189,413,309	210,101,348
Total assets	204,781,984	211,835,389	225,682,785	247,729,744	277,557,493
Total equity	8,987,129	8,594,310	9,244,530	10,683,098	13,002,955
Return on equity and assets:					
Earnings applicable to common shareholders as a percentage of average total assets	0.21%	0.19%	0.47%	0.40%	0.55%
Earnings applicable to common shareholders as a percentage of average total equity	4.80%	4.63%	11.37%	9.31%	11.71%
Dividends per common share as a percentage of basic earnings per common share	39.28%	42.60%	16.15%	19.94%	16.70%
Average total equity as a percentage of average total assets	4.39%	4.06%	4.10%	4.31%	4.68%
Net interest income as a percentage of average total interest-earning assets	1.04%	1.06%	0.97%	0.92%	0.94%
Credit quality data:					
Allowance for credit losses	¥ 1,240,456	¥ 1,285,507	¥ 1,335,987	¥ 1,094,420	¥ 1,055,479
Allowance for credit losses as a percentage of loans	1.42%	1.39%	1.36%	0.99%	0.89%
Impaired loans	¥ 1,893,098	¥ 2,031,868	¥ 2,200,766	¥ 1,861,027	¥ 1,686,806
Impaired loans as a percentage of loans	2.16%	2.20%	2.23%	1.69%	1.43%
Allowance for credit losses related to impaired loans as a percentage of impaired loans	39.30%	42.92%	43.39%	40.32%	36.00%
Net loan charge-offs	¥ 342,100	¥ 173,370	¥ 112,862	¥ 153,748	¥ 150,666
Net loan charge-offs as a percentage of average loans	0.39%	0.20%	0.12%	0.15%	0.13%
Average interest rate spread	0.99%	1.02%	0.93%	0.89%	0.90%
Risk-adjusted capital ratio calculated under Japanese GAAP(5)	14.89%	14.91%	16.68%	15.53%	15.68%

Notes:

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

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

(3) Preferred dividends were ¥57.5 per share and paid semi-annually. In April 2014, we acquired and cancelled all of the issued shares of First Series of Class 5 Preferred Stock. As a result, there is currently no issued Class 5 Preferred Stock. See Note 16 to our audited consolidated financial statements included elsewhere in this Annual Report.

(4) Preferred dividends were ¥2.65 per share and paid semi-annually. In August 2014, we acquired all of the issued shares of Class 11 Preferred Stock in exchange for 1,245 shares of our common stock held in treasury, and cancelled the acquired shares. See Note 16 to our audited consolidated financial statements included elsewhere in this Annual Report.

(5) Risk-adjusted capital ratios have been calculated in accordance with Japanese banking regulations as applicable on the relevant calculation date, based on information derived from our consolidated financial statements prepared in accordance with Japanese GAAP. For a description of the applicable capital ratio calculation and other requirements applicable, see Item 4.B. Information on the Company Business Overview Supervision and Regulation Japan Capital adequacy and Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Adequacy.

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Exchange Rate Information

The tables below set forth, for each period indicated, certain information concerning the rate of exchange of Japanese yen per U.S. $1.00 based on exchange rate information found on Bloomberg. On July 13, 2015, the closing exchange rate was ¥123.43 to U.S.$1.00 and the inverse rate was U.S.$0.81 to ¥100.00.

	Year 2015					
	February	March	April	May	June	July(1)
High	¥ 120.48	¥ 122.03	¥ 120.84	¥ 124.46	¥ 125.86	¥ 123.73
Low	¥ 116.66	¥ 118.33	¥ 118.50	¥ 118.89	¥ 121.94	¥ 120.41

Note:
(1) Period from July 1, 2015 to July 13, 2015.

	Fiscal years ended March 31,				
	2011	2012	2013	2014	2015
Average (of month-end rates)	¥ 84.99	¥ 78.90	¥ 83.32	¥ 100.38	¥ 110.82

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

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

Risks Related to Our Business

Because a large portion of our assets as well as our business operations are in Japan, we may incur losses if economic conditions in Japan worsen.

Our performance is particularly affected by the general economic conditions of Japan where we are headquartered and conduct a significant amount of our business. As of March 31, 2015, 60.3% of our total assets were related to Japanese domestic assets, including Japanese national government and Japanese government agency bonds, which accounted for 70.0% of our total investment securities portfolio and 13.0% of our total assets, respectively. Interest and non-interest income in Japan represented 52.6% of our total interest and non-interest income for the fiscal year ended March 31, 2015. Furthermore, as of March 31, 2015, our loans in Japan accounted for 59.1% of our total loans outstanding.

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There is significant uncertainty surrounding Japan s economy. For example, Japan s fiscal health and sovereign creditworthiness may deteriorate if the Japanese government s economic measures and the Bank of Japan s monetary policies prove ineffective or result in negative consequences. If the prices of Japanese government bonds decline rapidly, resulting in an unexpectedly sudden increase in interest rates, our investment securities portfolio as well as our lending, borrowing, trading and other operations may be negatively impacted. In recent periods, major credit rating agencies have downgraded the credit ratings of Japan s sovereign debt, including a downgrade by Moody s Investor Service, Inc. in December 2014 and a downgrade by Fitch Ratings, Ltd. in April 2015.

Instability in the Japanese stock market and foreign currency exchange rates may also have a significant adverse impact on our asset and liability management as well as our results of operations. Various other factors, including stagnation or deterioration of economic and market conditions in other countries, and growing global competition, may also have a material negative impact on the Japanese economy. For a detailed discussion on the business environment in Japan and abroad, see Item 5. Operating and Financial Review and Prospects Business Environment.

Since our domestic loans in Japan accounted for a significant portion of our loan portfolio, deteriorating or stagnant economic conditions in Japan may cause adverse effects on our financial results, such as increases in credit costs, as the credit quality of some borrowers could deteriorate. For example, due to the intensifying global competition and weakening consumer spending in recent periods, some Japanese companies, including electronics manufacturers, have experienced significant financial difficulties. For a further discussion, see Risks Related to Our Business We may suffer additional credit-related losses in the future if our borrowers are unable to repay their loans as expected or if the measures we take in reaction to, or in anticipation of, our borrowers deteriorating repayment abilities prove inappropriate or insufficient.

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

Global economic conditions remain volatile, and it is uncertain how the global economy will evolve over time. The shift in the monetary policy in the United States, the prolonged economic stagnation in Europe, slowing economic growth in China in the midst of a shift in the government s economic policy, and the political turmoil in various regions around world could negatively impact wider markets, including those of both emerging and developed countries. As of March 31, 2015, based principally on the domicile of the obligors, assets related to Europe accounted for approximately 9.9% of our total assets, assets related to Asia and Oceania excluding Japan accounted for approximately 9.3% of our total assets, and assets related to the United States accounted for approximately 16.5% of our total assets. If the global economy deteriorates or the global economic recovery significantly slows down again, the availability of credit may become limited, and some of our borrowers may default on their loan obligations to us, increasing our credit losses. In addition, concerns over the sovereign debt problem in some European countries may limit liquidity in the global financial markets. Some of our credit derivative transactions may also be negatively affected, including the protection we sold through single name credit default swaps, and index and basket credit default swaps. The notional amounts of these protections sold as of March 31, 2015 were ¥2,583.2 billion and ¥791.1 billion, respectively. In addition, if credit market conditions worsen, our capital funding structure may need to be adjusted or our funding costs may increase, which could have a material adverse impact on our financial condition and results of operations.

Furthermore, we have incurred losses, and may incur further losses, as a result of changes in the fair value of our financial instruments resulting from weakening market conditions. For example, declines in the fair value of our investment securities, particularly equity investment securities, resulted in our recording impairment losses of ¥124.2 billion, ¥6.5 billion and ¥5.9 billion for the fiscal years ended March 31, 2013, 2014 and 2015, respectively. As of March 31, 2015, approximately 33.7% of our total assets were financial instruments for which we measure fair value on a recurring basis, and less than 0.5% of our total assets were financial instruments for which we measure fair value on a non-recurring basis. Generally, in order to establish the fair value of these instruments, we rely on quoted prices. If the value of these financial instruments declines, a corresponding write-down may be recognized in our consolidated statements of income. In addition, because we hold a large amount of investment securities, short-term fluctuations in the value of our securities may trigger losses or exit costs for us to manage our risk. For more information on our valuation method for financial instruments, see Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates.

Our business operations are exposed to risks of natural disasters, terrorism and other disruptions caused by external events.

As a major financial institution incorporated in Japan and operating in major international financial markets, our business operations, ATMs and other information technology systems, personnel, and facilities and other physical assets are subject to the risks of earthquakes, typhoons, floods and other natural disasters, terrorism and other political and social conflicts, health epidemics, and other disruptions caused by external events, which are beyond our control. As a consequence of such external events, we may be required to incur significant costs and expenses for remedial measures or compensation to customers or transaction counterparties for resulting losses. We may also suffer loss of business. In addition, such external events may have various other significant adverse effects, including deterioration in economic conditions, declines in the business performance of our borrowers and decreases in stock prices, which may result in higher credit costs or impairment or valuation losses on the financial instruments we hold. These effects could materially and adversely affect our business, operating results and financial condition.

As with other Japanese companies, we are exposed to heightened risks of large-scale natural disasters, particularly earthquakes. In particular, a large-scale earthquake occurring in the Tokyo metropolitan area could result in market disruptions or significant damage to, or losses of, tangible or human assets relating to our business and counterparties because many of our important business functions and many of the major Japanese companies and financial markets are located in the area. In addition, such an earthquake could cause a longer-term economic slowdown and a downgrade of Japan s sovereign credit rating due to increases in government spending for disaster recovery measures.

Our risk management policies and procedures may be insufficient to address the consequences of these external events, resulting in our inability to continue to operate a part or the whole of our business. In addition, our redundancy and backup measures may not be sufficient to avoid a material disruption in our operations, and our contingency and business continuity plans may not address all eventualities that may occur in the event of a material disruption caused by a large-scale natural disaster such as the March 2011 Great East Japan Earthquake, which led to tsunamis, soil liquefaction and fires, as well as electricity power supply shortages and electricity power conservation measures resulting from the suspension of the operations of the nuclear power plants.

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

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

- large borrowers become insolvent or must be restructured;
- domestic or global economic conditions, either generally or in particular industries in which large borrowers operate, deteriorate;

the value of the collateral we hold, such as real estate or securities, declines; or

we are adversely affected by corporate credibility issues among our borrowers, to an extent that is worse than anticipated.

As a percentage of total loans, impaired loans, which primarily include nonaccrual loans and troubled debt restructurings, or TDRs, ranged from 1.43% to 2.23% as of the five most recent fiscal year-ends. As of March 31, 2015, impaired loans were ¥1,686.8 billion, representing 1.43% of our total outstanding loans. If the economic conditions in Japan or other parts of the world to which we have significant credit risk exposure worsen, our problem loans and credit-related expenses may increase. An increase in problem loans and credit-related expenses would adversely affect our results of operations, weaken our financial condition and erode our capital base.

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

Although we, from time to time, enter into credit derivative transactions, including credit default swap contracts, to manage our credit risk exposure, such transactions may not provide the protection against credit defaults that we intended due to counterparty defaults or similar issues. The credit default swap contracts could also result in significant losses. As of March 31, 2015, the total notional amount of the protection we sold through single name credit default swaps, index and basket credit default swaps, and credit-linked notes was ¥3.37 trillion. In addition, negative changes in financial market conditions may restrict the availability and liquidity of credit default swaps. For more information on our credit derivative transactions, see Note 23 to our consolidated financial statements included elsewhere in this Annual Report.

Our loan losses could prove to be materially different from our estimates and could materially exceed our current allowance for credit losses, in which case we may need to provide for additional allowance for credit losses and may also record credit losses beyond our allowance. Our allowance for credit losses in our loan portfolio is based on evaluations of customers creditworthiness and the value of collateral we hold. For the fiscal year ended March 31, 2015, we recorded ¥87.0 billion of provision for credit losses. Negative changes in economic conditions, government policies or our borrowers repayment abilities could require us to provide for additional allowance. For example, companies in the Japanese electronics manufacturing industry in particular have experienced significant declines in sales and financial difficulties due to increased global competition. Moreover, the Japanese electric utility companies, including The Tokyo Electric Power Company, Incorporated, have been significantly affected by the accidents at the Fukushima Daiichi Nuclear Power Plants in March 2011 and subsequent developments, including the suspension of all of the nuclear power plants for seismic safety inspections and other reasons, higher fuel prices in recent periods and compensation issues for affected individuals and companies. Other borrowers in Japan may be adversely affected by electricity power supply shortages and electricity rate increases. As a result, our borrowers may incur financial and non-financial losses that exceed our estimations. In such case, we may need to provide for additional allowance for credit losses. Also, the regulatory standards or guidance on establishing allowances may also change, causing us to change some of the evaluations used in determining the allowances. As a result, we may need to provide for additional allowance for credit losses.

When there is an improvement in asset quality, a credit for credit losses is recorded to reverse the allowance for credit losses to a level management deems appropriate. For example, for the fiscal year ended March 31, 2014, we recorded ¥106.4 billion of credit for credit losses, which was included in our consolidated statements of income. For the fiscal year ended March 31, 2015, we recorded additional credit for credit losses with respect to some segments of our loan portfolio, while we recorded provision for credit losses for our entire loan portfolio. However, we have historically more often provided for credit losses rather than recording credit for credit losses, and in future periods we may need to recognize a provision for credit losses, which may have a significant negative effect on our results of operations.

For more information on our loan portfolio, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition Loan Portfolio.

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

A decline in Japanese stock prices could reduce the value of the Japanese domestic marketable equity securities that we hold, which accounted for 12.2% of our total investment securities portfolio, and 2.3% of our total assets, as of March 31, 2015. The Nikkei Stock Average, which is the average of 225 blue chip stocks listed on the Tokyo Stock Exchange, fluctuated throughout the fiscal year ended March 31, 2015 declining to an intra-day low of ¥13,885.11 on April 11, 2014 and rising to an intra-day high of ¥19,778.60 on March 23, 2015. As of July 6, 2015, the closing price of the Nikkei Stock Average was ¥20,112.12. Recent fluctuations in the Nikkei Stock Average have reflected the volatility in the global economy and investor sentiment as investors continue to observe the changes in economic and monetary policies mainly in Japan, the United States, the Eurozone and Asian countries. In addition, weakening or stagnant economic conditions in these and other regions may have a significant negative impact on Japanese companies, which in turn will cause their stock prices to decline. Concerns over the impact of geopolitical tensions and conflicts in various parts of the world on Japanese companies may also adversely affect stock prices in Japan. In addition, the global trend towards further reduction in risk assets could result in lower stock prices, and the recent trend in Japan towards strengthening corporate governance may subject public companies to stricter scrutiny. If stock market prices decline or do not improve, we may incur losses on our securities portfolio. Because we hold a large amount of Japanese domestic marketable equity securities, even short-term fluctuations in the value of our securities may trigger losses or exit costs for us to manage our risk. Declines in the Japanese stock market or other global markets may also materially and adversely affect our capital ratios and financial condition. For a detailed discussion of our holdings of marketable equity securities and the effect of market declines on our capital ratios, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Adequacy and Selected Statistical Data Investment Portfolio. See also Item 5. Operating and Financial Review and Prospects Business Environment.

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

The aggregate carrying amount of the Japanese government and corporate bonds and foreign bonds, including U.S. Treasury bonds, that we held as of March 31, 2015 was 14.0% of our total assets. In particular, the Japanese national government and Japanese government agency bonds accounted for 13.0% of our total assets as of March 31, 2015. For a detailed discussion of our bond portfolio, see Selected Statistical Data Investment Portfolio.

The Bank of Japan has been maintaining a very low policy rate (uncollateralized overnight call rate) of 0.10% in an effort to lift the economy out of deflation. Short-term interest rates in Japan continue to decline because of the Bank of Japan s so-called quantitative and qualitative monetary easing policy. As part of this policy, the Bank of Japan has been purchasing Japanese government bonds with an aim to increase the Bank of Japan s aggregate holding of such bonds by approximately ¥80 trillion each year. The central bank s policies, however, may change, resulting in an interest rate increase. Separate from the central bank s monetary policies, interest rates could also significantly increase in the event that Japanese government bonds decline in value due to such factors as a decline in confidence in the Japanese government s fiscal administration, further issuances of government bonds in connection with emergency economic measures and a heightened market expectation for tapering or cessation of the quantitative and qualitative easing measures in Japan, or in the event that interest rates on U.S. Treasury securities rise due to such factors as changes in the low interest rate policy in the United States. If relevant interest rates increase for these or other reasons, particularly if such increase is unexpected or sudden, we may incur significant losses on sales of, and valuation losses on, our bond portfolio. See Item 5. Operating and Financial Review and Prospects Business Environment.

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

Fluctuations in foreign currency exchange rates against the Japanese yen create transaction gains or losses on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies. To the extent that our foreign currency-denominated assets and liabilities are not matched in the same currency or appropriately hedged, we could incur losses due to future foreign exchange rate fluctuations. During the fiscal year ended March 31, 2015, the average balance of our foreign interest-earning assets was ¥90.42 trillion and the average balance of our foreign interest-bearing liabilities was ¥58.10 trillion, representing 38.1% of our average total interest-earning assets and 27.7% of our average total interest-bearing liabilities during the same period. For the fiscal year ended March 31, 2015, net foreign exchange losses, which primarily include net transaction losses on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies, net losses on currency derivative instruments entered into for trading purposes, and net gains on translation into Japanese yen of securities accounted for under the fair value option, were ¥113.1 billion, compared to ¥61.8 billion for the previous fiscal year. In addition, we may incur foreign currency translation losses with respect to our foreign subsidiaries and equity method investees due to fluctuations in foreign currency exchange rates. The average exchange rate for the fiscal year ended March 31, 2015 was ¥109.93 per U.S.$1.00, compared to ¥100.24 per U.S.$1.00 for the previous fiscal year. The change in the average exchange rate of the Japanese yen against the U.S. dollar and other foreign currencies had the effect of increasing total revenue by ¥202.8 billion, increasing net interest income by ¥85.5 billion and income before income tax expense by ¥105.2 billion, respectively, for the fiscal year ended March 31, 2015. As the Bank of Japan has continued to implement its anti-deflation monetary measures under the quantitative and qualitative monetary easing policy and the Abe administration has continued to implement economic measures under its Abenomics policy, the exchange rate between the Japanese yen and U.S. dollar has been fluctuating, with the Japanese yen depreciating from ¥103.23 to the U.S. dollar on April 1, 2014 to ¥125.86 to the U.S. dollar on June 5, 2015. As of July 6, 2015, the exchange rate was ¥122.57 to the U.S. dollar. For more information on foreign exchange gains and losses and foreign currency translation gains and losses, see Item 5. Operating and Financial Review and Prospects Business Environment and Item 5.A. Operating and Financial Review and Prospects Operating Results.

We may become subject to regulatory actions or other legal proceedings relating to our transactions or other aspects of our operations, which could result in significant financial losses, restrictions on our operations and damage to our reputation.

We conduct our business subject to ongoing regulation and associated regulatory and legal risks. Global financial institutions, including us, currently face heightened regulatory scrutiny as a result of the concerns developing in the global financial sector, and growing public pressure to demand even greater regulatory surveillance following several high-profile scandals and risk management failures in the financial industry. In the current regulatory environment, we are subject to various regulatory inquiries or investigations from time to time in connection with various aspects of our business and operations. In addition, multiple government authorities with overlapping jurisdiction more frequently conduct investigations and take other regulatory actions in coordination with one another or separately on the same or related matters.

In November 2014, BTMU entered into a consent agreement with the New York State Department of Financial Services, or DFS, to resolve issues relating to instructions given to PricewaterhouseCoopers LLP, or PwC, and the disclosures made to DFS in connection with BTMU s 2007 and 2008 voluntary investigation of BTMU s U.S. dollar clearing activity toward countries under U.S. economic sanctions. BTMU had hired PwC to conduct a historical transaction review report in connection with that investigation, and voluntarily submitted the report to DFS s predecessor entity in 2008. Under the terms of the agreement with DFS, BTMU made a payment of $315 million to DFS, and agreed to take actions on persons involved in the matter at that time, relocate its U.S. Bank Secrecy Act/Anti-Money Laundering, or BSA/AML, and Office of Foreign Assets Control, or OFAC, sanctions compliance programs to New York, and extend, if regarded as necessary by DFS, the period during which an independent consultant is responsible for assessing BTMU s internal controls regarding compliance with applicable laws and regulations related to U.S. economic sanctions. In June 2013, BTMU reached an agreement with DFS regarding inappropriate operational processing of U.S. dollar clearing transactions with countries subject to OFAC sanctions during the period of 2002 to 2007. Under the terms of the June 2013 agreement, BTMU made a payment of $250 million to DFS and retained an independent consultant to conduct a compliance review of the relevant controls and related matters in BTMU s current operations. In December 2012, BTMU agreed to make a payment of approximately $8.6 million to OFAC to settle potential civil liability for apparent violations of certain U.S. sanctions regulations from 2006 to 2007. BTMU continues to cooperate closely with all relevant regulators and is undertaking necessary actions.

We have received requests and subpoenas for information from government agencies in some jurisdictions that are conducting investigations into past submissions made by panel members, including us, to the bodies that set various interbank benchmark rates. We are cooperating with these investigations and have been conducting an internal investigation among other things. In connection with these matters, we and other panel members are involved as defendants in a number of civil lawsuits, including putative class actions, in the United States.

These developments or other similar matters may result in additional regulatory actions against us or agreements to make significant additional settlement payments. These developments or other matters to which we are subject from time to time may also expose us to substantial monetary damages, legal defense costs, criminal and civil liability, and restrictions on our business operations as well as damage to our reputation. The outcome of such matters, including the extent of the potential impact of any unfavorable outcome on our financial results, however, is inherently uncertain and difficult to predict. The extent of financial, human and other resources required to conduct any investigations or to implement any corrective or preventive measures is similarly uncertain and could be significant.

Legal and regulatory changes could have a negative impact on our business, financial condition and results of operations.

As a global financial services provider, our business is subject to ongoing changes in laws, regulations, policies, voluntary codes of practice and interpretations in Japan and other markets where we operate. Major global financial institutions currently face an increasingly stricter set of laws, regulations and standards as a result of the concerns enveloping the global financial sector. There is also growing political pressure to demand even greater internal compliance and risk management systems following several high-profile scandals and risk management failures in the financial industry. We may not be able to enhance our compliance risk management systems and programs, which, in some cases, are supported by third-party service providers, in a timely manner or as planned. Our risk management systems and programs may not be fully effective in preventing all violations of laws, regulations and rules.

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

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

Future developments or changes in laws, regulations, policies, voluntary codes of practice and their effects are expected to require greater capital resources and significant management attention, and may require us to

modify our business strategies and plans. For example, since March 31, 2013, Japanese banking institutions with international operations have become subject to stricter capital adequacy requirements adopted by the Financial Services Agency of Japan, an agency of the Cabinet Office, or the FSA, based in part on the international regulatory framework generally known as Basel III. For more information, see Risks Related to Our Business We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations. and Item 4.B. Information on the Company Business Overview Supervision and Regulation Japan.

Furthermore, regulatory reforms recently implemented, proposed and currently being debated in the United States may also significantly affect our business operations. For example, in February 2014, the Federal Reserve Board, or FRB, approved final rules strengthening supervision and regulation of large U.S. bank holding companies and foreign banking organizations, or FBOs. These final rules require a large FBO with $50 billion or more in U.S. combined assets excluding the assets held by its U.S. branches or agencies, such as us, to organize all of its U.S. bank and non-bank subsidiaries under a U.S. intermediate holding company that would be subject to U.S. capital requirements, capital stress testing, liquidity buffer requirements, and other enhanced prudential standards comparable to those applicable to top-tier U.S. bank holding companies of the same size. The rules will become effective in July 2016, and significant resources and management attention for establishing an appropriate governance structure with an effective internal control system may be required to ensure compliance with the rules. See Item 4.B. Information on the Company Business Overview Supervision and Regulation United States.

Global financial regulatory reform measures may also have a significant impact on our business operations. For example, various international organizations, including the Financial Stability Board and the Basel Committee on Banking Supervision, are currently considering ways to address, among other things, the introduction of total loss-absorbing capacity requirements and capital requirements for the interest rate risk for the banking book as well as revisions to methods of calculating the amount of risk-weighted assets. We intend to continue to monitor developments relating to global regulatory reforms.

Any adverse changes in the business of MUFG Americas Holdings Corporation, an indirect wholly-owned subsidiary in the United States, could significantly affect our results of operations.

MUFG Americas Holdings Corporation, or MUAH, which is an indirect wholly owned subsidiary in the United States formerly called UnionBanCal Corporation, or UNBC, has historically contributed to a significant portion of our net income. MUAH reported net income of $628 million, $667 million and $825 million for the fiscal years ended December 31, 2012, 2013, and 2014 respectively. Any adverse developments which could arise at MUAH may have a significant negative impact on our results of operations and financial condition. The risks relating to MUAH have increased as MUAH has been expanding its business through acquisitions of community banks and other financial-related businesses in the United States. If MUAH is unable to achieve the benefits expected from its business strategies, including its business expansion strategy through acquisitions of community banks and other financial-related businesses, we may suffer an adverse financial impact. For more information, see Item 4.B. Information on the Company Business Overview Global Business Group MUFG Union Bank, N.A. (MUB).

Other factors that have negatively affected, and could continue to negatively affect, MUAH s results of operations include difficult economic conditions, such as a downturn in the real estate and housing industries in California and other states within the United States, the fiscal challenges being experienced by the U.S. federal and California state governments, substantial competition in the banking markets in California and other states within the United States and uncertainty over the U.S. economy, as well as fluctuating oil prices, negative trends in debt ratings, and interest rate uncertainties. Since the financial crisis in 2008 and 2009, the U.S. banking industry has operated in an extremely low interest rate environment as a result of the highly accommodative monetary policy of the FRB, which has placed downward pressure on the net interest margins of U.S. banks, including MUAH. Interest rates in the United States may increase, however, as discussions continue on when to further taper or end this monetary policy.

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Significant costs may arise from enterprise-wide compliance and risk management requirements, or failure to comply, with applicable laws and regulations, such as the U.S. Bank Secrecy Act and related amendments under the USA PATRIOT Act, and any adverse impact of the implementation of the Dodd-Frank Act. In addition, the FRB and other U.S. bank regulators have adopted final rules to implement the Basel III global regulatory framework for U.S. banks and bank holding companies which require higher quality of capital, as well as significantly revise the calculations for risk-weighted assets. The FRB has also adopted final rules to implement various enhanced prudential standards required by the Dodd-Frank Act for larger U.S. bank holding companies, such as MUAH. These standards require the larger bank holding companies to meet enhanced capital, liquidity and leverage standards. Further, the FRB has adopted final regulations applicable to FBOs operating in the United States, which require MUFG s and BTMU s U.S. operations, including those of MUAH, to be restructured and, subject to certain exceptions, conducted under a single U.S. intermediate holding company, or IHC, with its own capital and liquidity requirements. Any actions management may take in response to these proposed regulatory changes may involve the issuance of additional capital or other measures. For more information, see Item 4.B. Information on the Company Business Overview Supervision and Regulation United States.

MUFG Union Bank, N.A., or MUB, which is the principal subsidiary of MUAH, and reportedly other financial institutions have been the targets of various denial-of-service or other cyberattacks as part of what appears to be a coordinated effort to disrupt the operations of financial institutions and potentially test their cybersecurity in advance of future and more advanced cyberattacks. These denial-of-service attacks may require substantial resources to defend against and affect customer satisfaction and behavior. Moreover, MUB s information security measures may not be sufficient to defend against cyberattacks and other information security breaches, in which case the consequences could be significant in terms of financial, reputational and other losses. In addition, there have been increasing efforts to breach data security at financial institutions as well as other types of companies, such as large retailers, or with respect to financial transactions, including through the use of social engineering schemes such as phishing. Even if cyberattacks and similar tactics are not directed specifically at MUB, such attacks on other large institutions could disrupt the overall functioning of the U.S. or global financial system and undermine consumer confidence in banks generally to the detriment of other financial institutions, including MUB.

Any adverse changes in the business of Bank of Ayudhya, an indirect subsidiary in Thailand, could significantly affect our results of operations.

Any adverse changes in the business or management of Bank of Ayudhya Public Company Limited, or KS, a major subsidiary in Thailand in which we hold a 76.88% ownership interest as of March 31, 2015, may negatively affect our financial condition and results of operations. Factors that may negatively affect KS s financial condition and results of operations include:

- adverse economic conditions, substantial competition in the banking industry, volatile political and social conditions, natural disasters including floods, terrorism and armed conflicts, restrictions under applicable financial systems and regulations, or significant fluctuations in interest rates, currency exchange rates, stock prices or commodity prices, in Southeast Asia, particularly in Thailand,
- the business performance of companies making investments in and entering into markets in the Southeast Asian region, as well as the condition of economies, financial systems, laws and financial markets in the countries where such companies primarily operate,
- losses from legal proceedings involving KS,
- credit rating downgrades and declines in stock prices of KS s borrowers, and bankruptcies of KS s borrowers resulting from such factors,
- defaults on KS s loans to individuals,

adverse changes in the cooperative relationship between us and the other major shareholder of KS, and

costs incurred due to weaknesses in the internal controls and regulatory compliance systems of KS or any of its subsidiaries.

In connection with our acquisition of KS, we recorded ¥217.4 billion of goodwill. If the business of KS deteriorates, we may be required to record impairment losses, which could have a material adverse effect on our results of operations and financial condition. See Item 5. Operating and Financial Review and Prospects Recent Developments and Risks Related to Our Business If the goodwill recorded in connection with our acquisitions becomes impaired, we may be required to record impairment losses, which may adversely affect our financial results and the price of our securities.

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

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

As we expand the geographic scope of our business, we will also be exposed to risks that are unique to particular jurisdictions or markets. For example, in an effort to further develop our operations in Asia, BTMU entered into a capital and business alliance with Vietnam Joint Stock Commercial Bank for Industry and Trade in December 2012 and acquired approximately 20% of the ordinary shares of the Vietnamese bank in May 2013. In addition, BTMU purchased 72.01% of the outstanding shares of KS in December 2013 and acquired additional shares in January 2015, increasing BTMU s ownership interest to 76.88%. In some cases, we hold minority stakes in financial institutions as we seek to enter new markets or jurisdictions by collaborating with a local business partner. In such circumstances, the controlling shareholder may make or cause to be made business decisions that are inconsistent with our interests and, as a result, we may be unable to achieve the goals initially set out for the expansion strategy. In addition, we may be unable to staff our newly expanded operations with qualified individuals familiar with local legal and regulatory requirements and business practices, exposing us to legal, regulatory, operational and other risks.

Our risk management systems may prove to be inadequate and may not work in all cases or to the degree required. The increasing market, credit, compliance and regulatory risks in relation to the expanding scope of our products, services and trading activities or expanding our business beyond our traditional markets, could result in us incurring substantial losses. In addition, our efforts to offer new services and products or penetrate new markets may not succeed if product or market opportunities develop more slowly than expected, if our new services or products are not well accepted among customers, or if the profitability of opportunities is undermined by competitive pressures. For more information on our recent acquisition transactions, see Item 5. Operating and Financial Review and Prospects Recent Developments.

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

We are increasingly active, through a network of branches and subsidiaries, in emerging market countries, particularly countries in Asia, Latin America, Central and Eastern Europe, and the Middle East. For example, based principally on the domicile of the obligors, assets related to Asia and Oceania excluding Japan increased

17.4% from ¥22.31 trillion as of March 31, 2014 to ¥26.19 trillion as of March 31, 2015, accounting for 9.3% of our total assets as of March 31, 2015. The economies of emerging market countries can be volatile and susceptible to adverse changes and trends in the global financial markets. For example, a decline in the value of local currencies of these countries could negatively affect the creditworthiness of some of our borrowers in these countries. The loans we have made to borrowers and banks in these countries are often denominated in U.S. dollars, euro or other foreign currencies. These borrowers often do not hedge the loans to protect against fluctuations in the values of local currencies. A devaluation of the local currency would make it more difficult for a borrower earning income in that currency to pay its debts to us and other foreign lenders. In addition, some countries in which we operate may attempt to support the value of their currencies by raising domestic interest rates. If this happens, the borrowers in these countries would have to devote more of their resources to repaying their domestic obligations, which may adversely affect their ability to repay their debts to us and other foreign lenders. The limited credit availability resulting from these conditions may adversely affect economic conditions in some countries. This could cause a further deterioration of the credit quality of borrowers and banks in those countries and cause us to incur further losses. In addition, should there be excessively rapid economic growth and increasing inflationary pressure in some of the emerging market countries, such developments could adversely affect the wider regional and global economies. Some emerging market countries may also change their monetary or other economic policies in response to economic and political instabilities or pressures, which are difficult to predict. As of March 31, 2015, based on the domicile of the obligors, our assets in Europe, Asia and Oceania excluding Japan, and other areas excluding Japan and the United States, were ¥27.72 trillion, ¥26.19 trillion and ¥11.37 trillion, representing 9.9%, 9.3% and 4.0% of our total assets, respectively. See Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition.

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

We have a global strategic alliance with Morgan Stanley, under which we operate two joint venture securities companies in Japan, engage in joint corporate finance operations in the United States and pursue other cooperative opportunities. We hold approximately 21.9% of the voting rights in Morgan Stanley as of March 31, 2015 and continue to hold approximately $521.4 million of perpetual non-cumulative non-convertible preferred stock with a 10% dividend. In addition, we currently have two representatives on Morgan Stanley s board of directors.

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

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

In addition, with our current investment in Morgan Stanley, we have neither a controlling interest in, nor control over the business operations of Morgan Stanley. If Morgan Stanley makes any business decisions that are inconsistent with our interests, we may be unable to achieve the goals initially set out for the strategic alliance. Furthermore, although we do not control Morgan Stanley, given the magnitude of our investment, if Morgan Stanley encounters financial or other business difficulties due to adverse changes in the economy, regulatory environment or other factors, we may suffer a financial loss on our investment or damage to our reputation. For example, we recorded an impairment loss of ¥579.5 billion on our investment in Morgan Stanley s common stock for the fiscal year ended March 31, 2012.

We apply equity method accounting to our investment in Morgan Stanley in our consolidated financial statements. As a result, Morgan Stanley s performance affects our results of operations. In addition fluctuations in Morgan Stanley s stock price or in our equity ownership interest in Morgan Stanley may cause us to recognize additional losses on our investment in Morgan Stanley.

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

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

Financial difficulties relating to financial institutions could adversely affect us because we have extended loans, some of which may need to be classified as impaired loans, to banks, securities companies, insurance companies and other financial institutions that are not our consolidated subsidiaries. Our loans to banks and other financial institutions have been more than 5% of our total loans as of each year-end in the three fiscal years ended March 31, 2015, with the percentage increasing from 12.5% to 13.8% between March 31, 2014 and March 31, 2015. We may also be adversely affected because we are a shareholder of some other banks and financial institutions that are not our consolidated subsidiaries, including our shareholdings in Japanese regional banks and our 21.9% voting interest in Morgan Stanley as of March 31, 2015. If some of the financial institutions to which we have exposure experience financial difficulties, we may need to provide financial support to them even when such support might not be warranted from the perspective of our narrow economic interests because such institutions may be systematically important to the Japanese or global financial system.

We may also be adversely affected because we enter into transactions, such as derivative transactions, in the ordinary course of business, with other banks and financial institutions as counterparties. For example, we enter into credit derivatives with banks, broker-dealers, insurance companies and other financial institutions for managing credit risk exposures, for facilitating client transactions, and for proprietary trading purposes. The notional amount of the protection we sold through these instruments was ¥3.37 trillion as of March 31, 2015.

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

- we may be requested to participate in providing assistance to support distressed financial institutions that are not our consolidated subsidiaries;
- the government may elect to provide regulatory, tax, funding or other benefits to those financial institutions to strengthen their capital, facilitate their sale or otherwise, which in turn may increase their competitiveness against us;
- deposit insurance premiums could rise if deposit insurance funds prove to be inadequate;
- bankruptcies or government support or control of financial institutions could generally undermine confidence in financial institutions or adversely affect the overall banking environment;

failures or financial difficulties experienced by other financial institutions could result in additional regulations or requirements that increase the cost of business for us; and negative media coverage of the financial industry, regardless of its accuracy and applicability to us, could affect customer or investor sentiment, harm our reputation and have a materially adverse effect on our business or the price of our securities.

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

We have a large loan portfolio in the consumer lending industry as well as large shareholdings in subsidiaries and equity method investees in the consumer finance industry. Our domestic loans to consumers amount to approximately one-seventh of our total outstanding loans. Of this amount, the consumer loans provided by Mitsubishi UFJ NICOS, Co., Ltd., which is our primary consumer financing subsidiary, were ¥564.6 billion as of March 31, 2015, compared to ¥608.6 billion as of March 31, 2014.

Mitsubishi UFJ NICOS s consumer loan portfolio has been adversely affected by a series of regulatory reforms recently implemented in Japan, which has affected the consumer lending industry in recent years. In December 2006, the Japanese Diet passed legislation to reform the regulations relating to the consumer lending business, including amendments to the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates, which, effective June 18, 2010, reduced the maximum permissible interest rate from 29.2% per annum to 20% per annum. The regulatory reforms also included amendments to the Money Lending Business Act, which, effective June 18, 2010, abolished the so-called gray-zone interest. Gray-zone interest refers to interest rates exceeding the limits stipulated by the Interest Rate Restriction Act (between 15% per annum to 20% per annum depending on the amount of principal). Prior to June 18, 2010, gray-zone interest was permitted under certain conditions set forth in the Money Lending Business Act. As a result of the regulatory reforms, all interest rates are now subject to the lower limits imposed by the Interest Rate Restriction Act, compelling lending institutions, including our consumer finance subsidiaries and equity method investees, to lower the interest rates they charge borrowers. The regulations that became effective on June 18, 2010 also have had a further negative impact on the business of consumer finance companies as one of the new regulations requires, among other things, consumer finance companies to limit their lending to a single customer to a maximum of one third of the customer s annual income regardless of the customer s repayment capability, significantly affecting consumer financing companies.

The regulations and regulatory reforms affecting the consumer finance business were one of the main factors that contributed to the decrease in interest income attributable to our consumer finance business. Our interest income attributable to the consumer finance business was approximately ¥190 billion and ¥160 billion for the fiscal years ended March 31, 2009 and 2010, respectively. However, following the regulatory changes in June 2010, our interest income attributable to the consumer finance business decreased to approximately ¥120 billion, ¥100 billion and ¥100 billion for the fiscal years ended March 31, 2012, 2013 and 2014, respectively. For the fiscal year ended March 31, 2015, our interest income attributable to the consumer finance business was approximately ¥90 billion.

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

Following the various legal developments in June 2010 and other industry developments, Mitsubishi UFJ NICOS revised its estimate of allowance for repayment of excess interest by updating management s future forecast to reflect new reimbursement claims information and other data. As of March 31, 2013, 2014 and 2015, we had ¥77.6 billion, ¥54.1 billion and ¥36.3 billion of allowance for repayment of excess interest, respectively. For the same periods, one of our equity method investees engaged in consumer lending, ACOM CO., LTD., had

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a negative impact of ¥17.0 billion, ¥18.0 billion and ¥19.7 billion, respectively, on net equity in losses of equity method investees in our consolidated statements of income. We intend to carefully monitor future developments and trends.

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

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

In recent years, the Japanese financial system has been undergoing significant changes and regulatory barriers to competition have been reduced. In particular, any further reform of the Japanese postal savings system, under which the Japan Post Group companies, including Japan Post Bank Co., Ltd., were established in October 2007, could substantially increase competition within the financial services industry as Japan Post Bank, with the largest deposit base and branch network in Japan, may begin to offer financial services in competition with our business operations generating fee income. In May 2012, amendments to the postal privatization law became effective under which Japan Post Bank and Japan Post Insurance may enter into new businesses upon obtaining government approvals. In December 2014, plans were announced for the public listing in Japan of shares of Japan Post Holdings, Japan Post Bank and Japan Post Insurance in or after the middle of the fiscal year ending March 31, 2016, but remain subject to further government action. If the government s equity holdings decrease to a certain level, Japan Post Bank and Japan Post Insurance will be allowed to enter into new businesses upon submission of a notice to the government. As a result, the Japan Post Group companies may seek to enter into new financial businesses.

Competition may further increase as U.S. and European financial institutions have recently been regaining and enhancing their competitive strength and advances in information and communications technology have allowed non-financial institutions to enter the financial services industry. We also face intensifying competition in areas of our strategic expansion. For example, the Japanese mega banks, including us, and other major international banks have been expanding their operations in the Asian market, where leading local banks have recently been growing and increasing their presence. In addition, there has been significant consolidation and convergence among financial institutions domestically and globally, and this trend may continue in the future and further increase competition in the market. A number of large commercial banks and other broad-based financial services firms have merged or formed strategic alliances with, or have acquired, other financial institutions both in Japan and overseas. As a result of the strategic alliance and the joint venture companies that we formed with Morgan Stanley, we may be perceived as a competitor by some of the financial institutions with which we had a more cooperative relationship in the past. If we are unable to compete effectively in this more competitive and deregulated business environment, our business, results of operations and financial condition will be adversely affected. For a more detailed discussion of our competition in Japan, see Item 4.B. Information on the Company Business Overview Competition.

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

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

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

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

We have loan transactions with counterparties in or affiliated with Iran, the outstanding balance of which was approximately $1.0 million, representing less than 0.0001% of our total assets, as of March 31, 2015. We do not have any loans outstanding to the financial institutions specifically listed by the U.S. government. In addition to such loan transactions, our other transactions with counterparties in or affiliated with countries designated as state sponsors of terrorism consist of receiving deposits or holding assets on behalf of individuals residing in Japan who are citizens of countries designated as state sponsors of terrorism, processing payments to or from entities in or affiliated with these countries on behalf of our customers, and issuing letters of credit and guarantees in connection with transactions with entities in or affiliated with such countries by our customers. These transactions do not have a material impact on our business or financial condition. For a further discussion of transactions required to be disclosed under the U.S. Iran Threat Reduction and Syria Human Rights Act of 2012, see Item 4.B. Information on the Company Business Overview Supervision and Regulation United States Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934.

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

Global financial institutions, including us, have become subject to an increasingly complex set of sanctions laws and regulations in recent years, and this regulatory environment is expected to continue. Moreover, the measures proposed or adopted vary across the major jurisdictions, increasing the cost and resources necessary to design and implement an appropriate global compliance program. The U.S. federal government and some state governments in the United States have enacted legislation designed to limit economic and financial transactions with Iran by limiting the ability of financial institutions that may have engaged in any one of a broad range of activities related to Iran to conduct various transactions in the relevant jurisdictions. The Japanese government has also implemented a series of measures under the Foreign Exchange and Foreign Trade Act, such as freezing the assets of designated financial institutions and others that could contribute to Iran s nuclear activities, and our most recently modified policies and procedures take into account the current Japanese regulatory requirements. There remains a risk of potential U.S. regulatory action against us, however, if U.S. regulators perceive the modified policies and procedures not to be in compliance with applicable regulations.

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

We, as a holding company, and our Japanese banking subsidiaries are required to maintain risk-weighted capital ratios above the levels specified in the capital adequacy guidelines of the FSA which have been revised as of March 31, 2013, as described below. As of March 31, 2015, our total risk-adjusted capital ratio was 15.68% compared to the minimum risk-adjusted capital ratio required of 8.00%, our Tier 1 capital ratio was 12.62% compared to the minimum Tier 1 capital ratio required of 6.00%, and our Common Equity Tier 1 capital ratio was 11.14% compared to the minimum Common Equity Tier 1 capital ratio required of 4.50%. Our capital ratios are calculated in accordance with Japanese banking regulations based on information derived from our financial statements prepared in accordance with Japanese GAAP. In addition, some of our subsidiaries are also subject to the capital adequacy rules of various foreign countries, including the United States where each of MUFG, BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, and MUAH is a financial holding company under the U.S. Bank Holding Company Act. We or our banking subsidiaries may be unable to continue to satisfy the capital adequacy requirements because of:

- increases in our and our banking subsidiaries credit risk assets and expected losses because of fluctuations in our or our banking subsidiaries portfolios due to deterioration in the creditworthiness of borrowers and the issuers of equity and debt securities,

- difficulty in refinancing or issuing instruments upon redemption or at maturity of such instruments to raise capital under terms and conditions similar to prior financings or issuances,

- declines in the value of our or our banking subsidiaries securities portfolios,

- adverse changes in foreign currency exchange rates,

- adverse revisions to the capital ratio requirements,

- reductions in the value of our or our banking subsidiaries deferred tax assets, and

- other adverse developments.

The Group of Central Bank Governors and Heads of Supervision has made a series of announcements regarding the new global regulatory framework, which has been referred to as Basel III, to strengthen the regulation, supervision and risk management of the banking sector. Various Basel III measures are being phased in from the calendar year 2013, including those designed to raise the level of minimum capital requirements and to establish an internationally harmonized leverage ratio and a global minimum liquidity standard. In addition, the Basel Committee on Banking Supervision has proposed additional loss absorbency requirements to supplement the Common Equity Tier 1 capital requirement ranging from 1% to 3.5% for global systemically important banks, or G-SIBs, depending on the bank s systemic importance. The Financial Stability Board identified us as a G-SIB in its most recent annual report published in November 2014, and indicated that, as a G-SIB, we would be required to hold an additional 1.5% of Common Equity Tier 1 capital. The group of banks identified as G-SIBs is expected to be updated annually, and the group of G-SIBs identified in November 2014 is the first group of G-SIBs to which the stricter capital requirements will initially be applied. The stricter capital requirements are expected to be implemented in phases between January 1, 2016 and December 31, 2018 and will become fully effective on January 1, 2019. Based on the Basel III framework, the Japanese capital ratio framework has been revised to implement the more stringent requirements, which are being implemented in phases beginning on March 31, 2013. Likewise, local banking regulators outside of Japan, such as those in the United States, have begun, or are expected, to revise the capital and liquidity requirements imposed on our subsidiaries and operations in those countries to implement the more stringent requirements of Basel III as adopted in those countries.

Under the capital adequacy guidelines of the FSA, which have been revised in connection with the adoption of Basel III, there is a transitional measure relating to the inclusion as a capital item of capital raising instruments issued in or prior to March 2013, and such instruments can be included as a capital item when calculating capital

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ratios to the extent permitted by the transitional measure. Such capital raising instruments may require refinancing upon the expiration of the transition period during which such instruments can be included as a capital item in the calculation of capital ratios. However, in order for newly issued capital raising instruments, other than common stock, to be included as a capital item in the calculation of capital ratios under the capital adequacy guidelines, such instruments must have a clause in their terms and conditions that requires them to be written off or converted into common stock upon the occurrence of certain events, including when the issuing financial institution is deemed non-viable or when the issuing financial institution s capital ratios decline below prescribed levels. As a result, under certain market conditions, we may be unable to refinance or issue capital raising instruments under terms and conditions similar to those of capital raising instruments issued in or prior to March 2013. If such circumstances arise, our and our banking subsidiaries capital could be reduced, and our and our bank subsidiaries capital ratio could decrease.

In addition, under the FSA s capital adequacy guidelines, deferred tax assets can be included as a capital item when calculating capital ratios up to a prescribed amount. However, this upper limit is expected to be reduced in phases. If and to the extent the amount of deferred tax assets exceeds this limit and cannot be included in Common Equity Tier 1 capital, our and our banking subsidiaries capital ratios can decrease.

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

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

In accordance with U.S. GAAP, we account for our business combinations using the acquisition method of accounting. We recorded the excess of the purchase price over the fair value of the assets and liabilities of the acquired companies as goodwill. U.S. GAAP requires us to test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. As of March 31, 2015, the total balance of goodwill was ¥807.6 billion.

For the fiscal years ended March 31, 2014 and 2015, we recognized ¥7.8 billion and ¥3.4 billion, respectively, in impairment of goodwill relating to various reporting units in the Integrated Trust Assets Business Group segment. We readjusted its future cash flow projection of the reporting units in this segment, considering the relevant subsidiaries recent business performance. As a result, the fair values of these reporting units, which were based on discounted future cash flows, fell below the carrying amounts of the reporting units, and the impairment losses were recognized on the related goodwill. The impairment losses were included in Other non-interest expenses in our consolidated statements of income included elsewhere in this Annual Report.

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

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

In August 2011, Moody s Japan K.K. announced that it downgraded the long-term credit ratings of BTMU and MUTB by one-notch from Aa2 to Aa3, and the long-term credit rating of MUSHD by one-notch from A1 to A2. In July 2012, Fitch Rating Japan Limited downgraded the ratings assigned to BTMU and MUTB by one-notch from A to A-, although Fitch subsequently upgraded them. In December 2014, Moody s announced that it downgraded the long-term credit ratings of BTMU and MUTB by one-notch from Aa3 to A1, the long-term credit rating of MUSHD by one-notch from A2 to A3, and the short-term credit rating of MUSHD by one-notch from P-1 to P-2. A further credit rating downgrade by Moody s, Fitch, Standard & Poor s Ratings Services LLC or any other credit rating agency may have an adverse impact on us. Substantially all of the derivative contracts with collateral obligations entered into by BTMU, MUTB and MUSHD are subject to a Credit Support Annex, or CSA, as published by the International Swaps and Derivatives Association, Inc., or ISDA. Following the downgrades by Moody s and Fitch, some of our existing CSAs were modified to require, and some of the new CSAs that we entered into required, additional collateral at lower thresholds.

Assuming all of the relevant credit rating agencies downgraded the credit ratings of BTMU, MUTB and MUSHD by one-notch on March 31, 2015, we estimate that our three main subsidiaries under their derivative contracts as of the same date would have been required to provide additional collateral of approximately ¥7.7 billion. Assuming a two-notch downgrade by all of the relevant credit rating agencies occurred on the same date, we estimate that the additional collateral requirements for BTMU, MUTB and MUSHD under their derivative contracts as of the same date would have been approximately ¥17.3 billion. In addition, a further downgrade of the credit ratings of our major subsidiaries could result in higher funding costs. For additional information on the impact of recent downgrades, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition Sources of Funding and Liquidity.

Failure to safeguard personal and other confidential information may result in liability, reputational damage or financial losses.

As our operations expand in volume, complexity and geographic scope, we are exposed to increased risk of confidential information in our possession being lost, leaked, altered or falsified as a result of human or system error, misconduct, unlawful behavior or scheme, unauthorized access or natural or human-caused disasters. Our information systems and information management policies and procedures may not be sufficient to safeguard confidential information against such risks.

As a financial institution in possession of customer information, we are required to treat personal and other confidential information as required by the Act on the Protection of Personal Information of Japan, as well as the Banking Law and the Financial Instruments and Exchange Law. 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. 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.

Moreover, any loss, leakage, alteration or falsification of confidential information, or any malfunction or failure of our information systems, may result in significant disruptions to our business operations or plans or may require us to incur significant financial, human and other resources to implement corrective measures or enhance our information systems and information management policies and procedures.

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Our operations are highly dependent on our information and communications systems and are subject to an increasing risk of cyber-attacks and other information security threats.

Our information and communications systems constitute a core infrastructure for our operations. Given our global operations with an extensive network of branches and offices, the proper functioning of our information and communications systems is critical to our ability to efficiently and accurately process a large volume of transactions, ensure adequate internal controls, appropriately manage various risks, and otherwise service our clients and customers. Cyber-attacks and other forms of unauthorized access and computer viruses, which are becoming increasingly more sophisticated and more difficult to predict, detect and prevent, could cause disruptions to, and malfunctions of, such systems and result in unintended releases of confidential and proprietary information stored in or transmitted through the systems, interruptions in the operations of our clients, customers and counterparties, and deterioration in our ability to service our clients and customers. These consequences could result in financial losses, including costs and expenses incurred in connection with countermeasures and improvements as well as compensation to affected parties, lead to regulatory actions, diminish our clients and customers satisfaction with and confidence in us, and harm our reputation in the market, which could in turn adversely affect our business, financial condition and results of operations.

Risks Related to Owning Our Shares

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

We are a joint stock company incorporated under the laws of Japan. Almost all of our directors or 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 U.S. 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 U.S. courts predicated upon the civil liability provisions of the U.S. federal or state securities laws.

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

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

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

Risks Related to Owning Our ADSs

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

The rights of our shareholders under Japanese law to take actions such as voting, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal

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

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

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

Item 4. Information on the Company.

A. History and Development of the Company

Mitsubishi UFJ Financial Group, Inc.

MUFG is a bank holding company incorporated as a joint stock company (*kabushiki kaisha*) under the Company Law of Japan. We are the holding company for The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., or MUMSS, Mitsubishi UFJ NICOS Co., Ltd., 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 and Banking Co., Ltd. established Mitsubishi Tokyo Financial Group, Inc., or MTFG, to be a holding company for the three entities. Before that, each of the banks had been a publicly traded company. On April 2, 2001, through a stock-for-stock exchange, they became wholly-owned subsidiaries of MTFG, and the former shareholders of the three banks became shareholders of MTFG. Nippon Trust and Banking was later merged into Mitsubishi Trust Bank.

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

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

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

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

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

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

On June 30, 2011, we converted all of our Morgan Stanley s convertible preferred stock into Morgan Stanley s common stock, resulting in our holding approximately 22.4% of the voting rights in Morgan Stanley. Further, we appointed a second representative to Morgan Stanley s board of directors on July 20, 2011. Following the conversion on June 30, 2011, Morgan Stanley became our equity-method affiliate. As of March 31, 2015, we held approximately 21.9% of the voting rights in Morgan Stanley and had two representatives appointed to Morgan Stanley s board of directors. We and Morgan Stanley continue to pursue a variety of business opportunities in Japan and abroad in accordance with the global strategic alliance.

On December 18, 2013, we acquired approximately 72.0% of the total outstanding shares of Krungsri, or KS, through BTMU. As a result of the transaction, KS has become a consolidated subsidiary of BTMU.

On July 1, 2014, we integrated BTMU s operations in the Americas region with UNBC s operations, and changed UNBC s corporate name to MUFG Americas Holdings Corporation, or MUAH. On the same day, Union Bank, N.A., which is MUAH s principal subsidiary and our primary operating subsidiary in the United States, was also renamed MUFG Union Bank, N.A., or MUB. MUAH currently oversees BTMU s operations in the Americas region as well as the operations of MUB.

On January 5, 2015, BTMU integrated its Bangkok branch with KS through a contribution in kind of the BTMU Bangkok branch business to KS, and BTMU received newly issued shares of KS common stock. As a result of this transaction, BTMU s ownership interest in KS increased to 76.88%.

On June 25, 2015, our shareholders approved an amendment to our articles of incorporation to adopt our current governance framework with a board of directors and board committees, including statutorily mandated nominating committee, audit committee and compensation committee, each consisting of members of the board of directors. We previously had a governance framework with a board of directors and a board of corporate auditors. See Item 6.C. Directors, Senior Management and Employees Board Practices.

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.

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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 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 its manufacturing industries, especially automobiles.

Mitsubishi UFJ Trust and Banking Corporation

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

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

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

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

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

Mitsubishi UFJ Securities Holdings Co., Ltd.

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

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

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

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

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

MUMSS is our core securities and investment banking subsidiary. MUMSS was created in May 2010 as one of the two Japanese joint venture securities companies between Morgan Stanley and us as part of our global strategic alliance. MUMSS succeeded to the investment banking operations conducted in Japan by a subsidiary of Morgan Stanley and the wholesale and retail securities businesses conducted in Japan by MUS. MUFG, through MUSHD, holds 60% voting and economic interests in MUMSS. MUMSS s registered head office is located at 5-2 Marunouchi 2-chome, Chiyoda-ku, Tokyo, 100-0005 Japan, and its telephone number is 81-3-6213-8500. MUMSS is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law. For more information on our joint venture securities companies, see B. Business Overview Global Strategic Alliance with Morgan Stanley.

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

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UFJ NICOS s registered head office is located at 33-5, Hongo 3-chome, Bunkyo-ku, Tokyo 113-8411, Japan, and its telephone number is 81-3-3811-3111. Mitsubishi UFJ NICOS is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Company Law.

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

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

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

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

B. Business Overview

We are one of the world s largest and most diversified financial groups with total assets of ¥280.89 trillion as of March 31, 2015. The Group is comprised of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries and affiliates, for which we are the holding company. As a bank holding company, we are regulated under the Banking Law of Japan. Our services include commercial banking, trust banking, securities, credit cards, consumer finance, asset management, leasing and many more fields of financial services. The Group has the largest overseas network among the Japanese banks, comprised of offices and subsidiaries, including MUB and KS, in more than 40 countries.

Since April 2004, we have adopted an integrated business group system comprising our core business areas, which serve as the Group s core sources of net operating profit. As of March 31, 2015, we had five business segments: Integrated Retail Banking Business, Integrated Corporate Banking Business, Integrated Trust Assets Business, Integrated Global Business and Integrated Global Markets Business. In addition to these five integrated business groups, Krungsri, our banking subsidiary in Thailand, was treated as a business segment. For further information on our business segments, see Item 5.A. Operating and Financial Review and Prospects Operating Results Business Segment Analysis.

As we began to implement our new medium-term management strategy in the current fiscal year ending March 31, 2016, we made changes to our business segments. Specifically, effective this current fiscal year, the Integrated Retail Banking Business Group, the Integrated Corporate Banking Business Group, the Integrated Trust Assets Business Group, the Integrated Global Business Group and the Integrated Global Markets Business Group are renamed the Retail Banking Business Group, the Corporate Banking Business Group, the Trust Assets Business Group, the Global Business Group and the Global Markets Business Group, respectively. In addition, the Krungsri segment is integrated into, and made part of, the Global Business Group. The descriptions of the business groups that follow in this Item are based on the current business segments.

MUFG s role as the holding company is to strategically manage and coordinate the activities of these business segments. Group-wide strategies are determined by the holding company and executed by the banking subsidiaries and other subsidiaries.

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

MUFG Management Policy

MUFG Group has formulated the Group Corporate Vision to clarify the nature of the Group s overall mission and the type of group it should aspire to be, and as a shared principle to unify the hearts and minds of Group employees, while meeting the expectations of our customers and society. Throughout the Group, the people of MUFG are working under three shared values Integrity and Responsibility, Professionalism and Teamwork, and Challenging Ourselves to Grow while aiming to be the world s most trusted financial group.

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

Medium- and long-term management strategy

The operating environment for financial institutions is transforming substantially amidst such trends as the changes in consumption patterns stemming from the aging of the Japanese population and its declining birthrate and the advance of information and communications technology. It is crucial to the further progress of the MUFG Group for us to maintain an accurate understanding of such changes, and undertake evolution and reformation of our business model as a preemptive response to these changes. Based on this recognition, the MUFG Group turned its eye toward expected operating environment changes over the next decade, and launched a new medium-term business plan, which outlines the strategies that we intend to implement over the first three years of this period from the fiscal year ending March, 2016 to the fiscal year ending March 31, 2018. The basic policy of the medium-term business plan is defined as Evolution and reformation to achieve sustainable growth for MUFG, and we have formulated Group business strategies and administrative practices and business foundation strategies of the plan based on three strategic focuses: Customer perspective, Group-driven approach, and Productivity improvements. Customer perspective calls on us to develop businesses based on changing customer needs. Group-driven approach inspires us to bolster inter-Group company unity and

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consider how to optimize our business on a Group-wide basis. Productivity improvements encapsulates our commitment to boosting competitiveness by pursuing higher levels of rationality and efficiency.

For the Group business strategies, we will seek to enhance support for wealth accumulation and stimulation of consumption for individuals, contribute to the growth of small and medium-sized enterprises, and link contribution to the revitalization of the Japanese economy with the stable growth of MUFG in Japan. Globally, we aim to enhance and expand businesses by evolving and reforming our Corporate & Investment Banking, or CIB, model, sales and trading operation, and asset management and investor services operations. We will also work to further reinforce transaction banking operations and strengthen commercial banking platforms in Asia and the Unites States to construct a next-generation business base.

For the administrative practices and business foundation strategies, MUFG plans to streamline Group-wide operations and create administration practices that are appropriate for a global systemically important financial institution, or G-SIFI, with maintaining a strong capital base as the first priority. This is expected to enable us continue to operate a business model that evolves and transforms on a Group-wide and global basis while taking steps to respond to the higher expectations of outside stakeholders.

Retail Banking Business Group

The Retail Banking Business Group covers all retail businesses, including commercial banking, trust banking and securities businesses, and offers a full range of banking products and services, including financial consulting services, to retail customers in Japan. This business group integrates the retail businesses of BTMU, MUTB, MUMSS and other affiliate companies of MUFG. 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. We also offer a variety of asset management and asset administration services, and trust products and other investment products, as well as other products and services described below.

MUFG, as an integrated financial services group, aims to respond to customers specific needs, utilizing its breadth of businesses such as commercial banking, trust banking, securities and credit card businesses. The MUFG Group is committed to offering customers safe and reliable services by strengthening frameworks for, among other things, customer protection, legal compliance, and security response.

Service Improvement Project

BTMU has launched a project titled Do *Smart* with an aim to improve the quality of services for individual customers. In order to contribute to the lifelong wellbeing of customers and their families, this project focuses on enhancing online banking services with smartphones and other devices, and providing customized consulting to satisfy their needs.

Responding to Investment Needs

We aim to ensure that customers can adequately inform themselves of investment opportunities by providing various mediums such as appointments with representatives, seminars at branches with investment experts as lecturers, and investment consultation sessions on weekends and national holidays, and during evening hours. We have also been expanding our product lines, adding services such as investment trusts and foreign currency deposits, in order to be better able to respond to customers various investment needs. In addition, we have been working proactively to promote the Japanese individual savings account system, generally referred to as the NISA program, which offers tax exemptions on capital gains and dividend income for investments up to ¥1.0 million a year for a maximum of five years. As of March 31, 2015, we had approximately 693,000 NISA accounts.

We have focused on strengthening collaboration among group companies. For example, foreign bonds made available by MUMSS and other group securities companies are also available at BTMU and MUTB. Also,

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BTMU provides Retail Money Desk services at 64 branches across Japan, where investment experts seconded from MUMSS respond to customers sophisticated investment needs. We have implemented methods that are designed to better communicate information regarding product and service options to customers. The use of tablet computers enables BTMU s sales representatives to propose products and services that match individual customers needs by showing them the latest market information, detailed information on major products and services, and asset management and life-plan simulations. All MUTB branches now offer Private Account, an asset management account service through which each customer can consult with his or her portfolio manager in person to manage investments according to a personalized plan.

Responding to Insurance Needs

BTMU acts as a sales channel for a variety of insurance products, including annuity insurance, single premium whole life insurance, flat-rate premium whole life insurance, medical insurance, cancer insurance and nursing-care insurance. Insurance-sales specialists (insurance planners) and staff members who have taken insurance-sales and other relevant training take care of customers various insurance needs. Individual annuity insurance, whole life insurance and medical insurance plans are available at all MUTB branches. Continued efforts will be made to further reinforce product lines and sales framework.

Responding to Needs Relating to Inheritance, Gift and Real Estate

MUTB offers a number of services including a testamentary trust service called *Ishindenshin* which helps customers prepare, maintain and execute wills, an inheritance planning service called *Shisan Keisho Planning* which helps customers manage and analyze financial assets and real estate properties comprehensively, and an inheritance procedure support service called *Wakachi Ai* which helps customers navigate the necessary procedures upon inheritance. BTMU and MUMSS also offer inheritance-related products and services, serving as sales agents of MUTB. MUTB s asset management service called *Zutto Anshin Shintaku*, which helps customers and their families protect their funds and allows them to receive funds according to their chosen plan, received the Nikkei Veritas Award in the Nikkei Excellent Products & Services Awards for 2012. In April 2013, an educational fund gift trust product called *Magoyorokobu* was launched. BTMU also sells this product as a sales agent of MUTB. In June 2014, MUTB launched a new trust product called *Okuru shiawase*, a life-time gift trust product with services to assist customers with the execution of the gift. MUTB and Mitsubishi UFJ Real Estate Services offer real estate brokerage services for both investment and business properties and residential properties, responding to customers various real-estate-related needs.

Responding to Loan Needs

With respect to housing loans, BTMU offers Loans with Supplemental Health Insurance for Seven Major Illnesses through a third party insurance company to help with loan payments in case of unexpected major illnesses such as cancer or heart attacks, a group credit life insurance plan which is mandatory for housing loans, with reduced qualification requirements (*Wide Danshin*) and a preferred interest rate plan (*Gun-to Ureshii Housing Loan*). MUTB also offers housing loan plans incorporating *Wide Danshin* and other plans to respond to customers needs. BTMU also offers Card Loans and Purpose-Specific Term Loans, depending on customers needs. A card loan service called BANQUIC offers access to cash as quickly as in 40 minutes after the submission of an application through a video teller machine. Also, online applications are accepted 24 hours a day, 365 days a year, and the underwriting process can be completed as quickly as in 30 minutes. Applications are also accepted over the phone. A card loan service called My Card Plus automatically loans money into the customers linked account when its balance becomes negative. Customers who already have an account with BTMU can apply for this service online. Net DE Loan is a purpose-specific term loan, which BTMU-account-holder customers can, in most circumstances, apply for without visiting a bank branch. This loan can be used to pay for education, motor vehicle purchases and other purposes.

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Responding to Internet Banking Needs

BTMU and MUTB offer Internet banking services called Mitsubishi Tokyo UFJ Direct and Mitsubishi UFJ Trust Direct, respectively, which allow customers to, among other things, transfer money, check their balance, make time deposits, make investments, apply for housing loans, and consult specialists regarding investments. In 2013, transaction screens of Mitsubishi Tokyo UFJ Direct were renewed, making the service even more user-friendly. The number of users has grown to approximately 15 million as of March 31, 2015. As a countermeasure to increasing online fraud and other crimes, in March 2015, BTMU started to distribute key cards through which customers can obtain a one-time temporary pass code to access their online banking accounts.

Jibun Bank Corporation was founded by BTMU in collaboration with KDDI Corporation in June 2008. The convenience that Jibun Bank offers by allowing users to execute transactions at any time on their cellphones has attracted customers in a wide age group. In addition to enabling users to check their balance and transfer money, Jibun Bank offers other products and services such as yen-denominated time deposits, foreign currency deposits, and, since June 2013, Jibun Bank FX (over-the-counter foreign exchange margin trading). As of March 31, 2015, Jibun Bank had approximately 1.9 million retail customer accounts with a total balance of deposits of ¥660 billion. Jibun Bank aims to continue offering high-quality services under the motto of a bank in the palm of your hand.

Payment Business

Mitsubishi UFJ Nicos offers a variety of credit cards, including MUFG Card (Gold Card), a credit card with an annual fee starting at as low as ¥2,000. With five international credit card brands (JCB, Visa, Master Card®, American Express® and China UnionPay) available, MUFG Card is designed to meet customers various needs. BTMU s Mitsubishi Tokyo UFJ VISA offers various reward programs, such as cash-back in exchange for earned points. To accommodate the diverse needs of consumers, Mitsubishi Tokyo UFJ VISA Debit card was launched in November 2013. The number of debit cards issued was approximately 453,000 as of March 31, 2015.

Development of Branch and ATM Networks

We have an extensive network of branches in the greater Tokyo, Nagoya and Osaka areas. BTMU and MUTB have a nationwide ATM network, making use of convenience store ATMs and partnerships with other banks in addition to BTMU s and MUTB s own ATMs. In an effort to improve access to its ATMs, BTMU increased its ATM locations and extended operating hours and transaction-fee-free hours in 2013. At the same time, BTMU introduced a revised fee schedule for using partner banks ATMs and transferring money using ATMs.

Finance Facilitation

We believe that finance facilitation for customers is one of our most important social responsibilities and strive to exemplify that standard. Although the Act Concerning Temporary Measures to Facilitate Financing for Small and Medium-sized Firms and Others has expired in Japan, our basic policy has not changed. We seek to offer consultation and otherwise deal attentively with small and medium-sized enterprise customers who wish to modify terms and conditions for repayment.

Strengthening the Compliance Framework

We have been making efforts to strengthen our frameworks for customer protection and legal compliance. BTMU has 260 compliance specialists stationed at its branches across the country. As for MUTB, branches are given guidance by compliance officers based in the Head Office. We intend to continue to strictly monitor the legal compliance associated with selling financial products and services.

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Corporate Banking Business Group

The Corporate Banking Business Group covers domestic corporate businesses, including commercial banking, investment banking, trust banking and securities businesses, as well as businesses outside of Japan assisting mainly Japanese companies in executing and expanding their operations. Through the integration of these business lines, diverse financial products and services are provided mainly to our Japanese corporate customers, from large corporations to small and medium-sized enterprises. The business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of our corporate customers.

Responding to Large Corporation s Needs

We offer large Japanese corporations advanced financial solutions such as derivatives, securitization, syndicated loans and structured finance. Faced with the diversified and globalized needs of our customers, we also provide sophisticated solutions and strategic proposals through collaboration between MUFG group companies and BTMU overseas offices.

Responding to Small and Medium-sized Enterprise s Needs

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

Transaction Banking

Our transaction banking operations support customers with capital management, focusing on cash management and trade finance. Through our global network we support customers who wish to establish a global manufacturing and sales network with our friendly services and commitment to quality.

Investment Banking

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

Trust Banking

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

Trust Assets Business Group

The 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 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 Fund Services Holdings Limited, or MFS, and Mitsubishi UFJ Kokusai Asset Management Co., Ltd., which was formed on July 1, 2015 through the merger between two of our asset management subsidiaries in Japan, Mitsubishi UFJ Asset Management Co., Ltd. and KOKUSAI Asset Management Co., Ltd.

Mitsubishi UFJ Global Custody and MFS provide global custody services, administration services for investment funds and fiduciary and trust accounts, and other related services mainly to institutional investors.

MUTB acquired MFS, formerly known as Butterfield Fulcrum Group, in September 2013. We have taken this opportunity to establish and promote a new brand called MUFG Investor Services. Under this brand, we provide a full suite of global asset administration services, including fund administration, custody, securities lending and foreign exchange as a one stop shop. In May 2014, MFS acquired Meridian Holdings Limited, a Bermuda fund administration service company. In June 2015, MFS reached an agreement with UBS Global Asset Management pursuant to which MFS is expected to acquire UBS Global Asset Management s Alternative Fund Services business in the quarter ending December 31, 2015. Through these transactions, MFS aims to enhance its competitiveness and scale of operations in the global fund administration market, which is expected to grow significantly amid the global trend of strengthening financial regulations.

Mitsubishi UFJ Kokusai Asset Management provides asset management and trust products and services mainly to individual customers and corporate clients in Japan.

With an aim to further enhance its business, MUTB has strategic alliances with asset management companies outside of Japan, including Aberdeen Asset Management PLC, a U.K. asset manager, and AMP Capital Holdings Limited, an Australian asset manager.

Global Business Group

The Global Business Group is charged with the responsibility of effectively coordinating and enhancing our group-wide efforts to strengthen and expand our businesses outside Japan. The Global Business Group is designed to clarify the leadership in, and enhance the coordination for, our business strategies outside Japan on a group-wide basis.

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

Global financial regulations have become increasingly stringent in major financial markets, including the United States and Europe following the recent global financial crisis. Moreover, the importance of emerging markets in Asia and other regions has been rapidly growing. As a result, the business environment surrounding the international financial industry is becoming more complex. In addition, customers financing needs are becoming more diverse and sophisticated as their activities are becoming more globalized.

Amidst this dynamic environment, the Global Business Group covers our businesses outside Japan, including commercial banking services such as loans, deposits and cash management services, retail banking, trust assets and securities businesses (with the retail banking and trust assets businesses being conducted through MUB in the United States and KS in Thailand), through a global network of more than 1,150 offices outside of Japan to provide customers with financial products and services that meet their increasingly diverse and sophisticated financing needs.

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CIB (Corporate and Investment Banking)

Our global CIB business primarily serves large corporations, financial institutions, and sovereign and multinational organizations with a comprehensive set of solutions for their financing needs. Through our global network of offices and branches, we provide a full range of services, including corporate banking services such as project finance, export credit agency, or ECA, finance, and financing through asset-backed commercial papers. We also provide investment banking services such as debt/equity issuance and M&A advisory services to help our customers develop their financial strategies and realize their goals. In order to meet customers various financing needs, we have established a customer-oriented coverage model through which we coordinate our product experts who offer innovative financing services globally. We are among the world s top providers of project finance, one of the core businesses of CIB. We provide professional services in arranging limited-recourse finance and offering financial advice in various sectors, including natural resources, power, and infrastructure, backed by our experience, expertise, knowledge, and global network.

Transaction Banking

We have Transaction Banking offices in six locations around the globe through which we provide commercial banking products and services primarily for large corporations and financial institutions in managing and processing domestic and cross-border payments, mitigating risks in international trade, and providing working capital optimization. We have established the Transaction Banking Group within BTMU, which oversees its entire transaction banking operations globally, in order to enhance governance, management and quality of services in these operations. Under the Transaction Banking Group, a team of approximately 2,000 officers provides customers with support for their domestic, regional and global trade finance and cash management programs through our extensive global network.

MUFG Union Bank, N.A., (MUB)

MUB is the primary subsidiary of MUAH, which is a wholly owned subsidiary of BTMU and is a bank holding company in the United States. Effective July 1, 2014, BTMU s operations in the Americas region were integrated with MUAH s operations. MUAH oversees BTMU s operations in the Americas region and MUB is the primary operating entity of BTMU in the United States. MUB is a leading regional bank in California, ranked by the Federal Deposit Insurance Corporation, or FDIC, as the 19th largest bank in the United States in terms of total deposits as of March 2015. MUB provides a wide range of financial services to consumers, small businesses, middle-market companies and major corporations, primarily in California, Oregon, Washington, and Texas as well as nationally and internationally.

In June 2013, MUB acquired PB Capital Corporation s institutional commercial real estate lending division platform. Headquartered in New York, the commercial real estate lending division of PB Capital had approximately $3.5 billion in loans outstanding on properties in various major metropolitan areas in the United States as of June 14, 2013. In November 2013, MUB acquired First Bank Association Bank Services, a unit of First Bank, which provided a full range of banking services to homeowners associations and community management companies. MUB acquired approximately $570 million in deposits in this transaction.

See Item 3.D. Key Information Risk Factors Risks Related to Our Business Any adverse changes in the business of MUFG Americas Holdings Corporation, an indirect wholly-owned subsidiary in the United States, could significantly affect our results of operations.

Bank of Ayudhya Public Company Limited (KS)

KS is a major subsidiary of BTMU in Thailand. KS provides a comprehensive range of banking, consumer finance, investment, asset management, and other financial products and services to individual consumers, small and medium-sized enterprises, and large corporations mainly in Thailand. In addition, KS s consolidated

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subsidiaries include a major credit card issuer in Thailand as well as a major automobile financing service provider, an asset management company, and a microfinance service provider in Thailand.

In January 2015, BTMU integrated its Bangkok Branch with KS to comply with the Thai regulatory requirement generally referred to as the one presence policy, which limits financial conglomerates to a single licensed deposit taking entity in Thailand. As of March 31, 2015, BTMU holds a 76.88% ownership interest in KS. By combining KS s local franchise with competitive presence in the retail and SME banking markets in Thailand with BTMU s global financial expertise, we seek to offer a wider range of high-value financial services to a more diverse and larger customer base.

See Item 5. Operating and Financial Review and Prospects Recent Developments and Item 3.D. Key Information Risk Factors Risks Related to Our Business Any adverse changes in the business of Bank of Ayudhya, an indirect subsidiary in Thailand, could significantly affect our results of operations.

Activities in Asia

We have been expanding our operations in Asia in an effort to further develop our businesses abroad. We have opened three overseas branches since January 2014, namely, Bangalore Branch in India, BTMU (China) Suzhou branch, and Yangon branch in Myanmar.

Global Markets Business Group

The Global Markets Business Group became the current business group on July 1, 2012 to cover the businesses specialized in financial markets products such as sales and trading, asset and liability management, and strategic investments globally on a group-wide basis.

The establishment of the Global Markets Business Group resulted in the expansion of the coordination between the Global Business Group and the Global Markets Business Group at BTMU and the collaboration between the two Groups and MUSHD s foreign subsidiaries on some of those subsidiaries sales and trading businesses. Through this collaboration, we sought to strengthen the cooperation between BTMU and MUSHD of their markets businesses and to expand our client base while improving our trading capabilities to seize interest rate and foreign exchange market opportunities for loans and corporate bond transactions. In April 2014, MUTB began to participate in the Global Markets Business Group in an effort to more fully enhance our group-wide capabilities.

Sales and Trading

We provide financing, hedging, and investing solutions to our retail, corporate, institutional, and governmental clients, through foreign exchange, bonds, equities, derivatives, and money market products. We are actively developing innovative financial products and services to offer and provide through our global network, which is designed to promptly meet diverse customer requirements.

Asset and Liability Management

We manage our interest and liquidity risks residing in our balance sheets through, among other things, transactions designed to manage profit and loss impact attributable to interest rate movements based on our balance sheet forecasts, while aiming to maximize our profit at the same time primarily by investing in highly liquid government bonds such as Japanese government bonds and U.S. treasury bonds and also by utilizing other financial products such as interest rate swaps and cross currency swaps.

Strategic Investments

We seek to enhance our profitability and diversify our portfolios by investing in financial products such as corporate bonds and funds.

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Global Strategic Alliance with Morgan Stanley

As of March 31, 2015, we held approximately 432 million shares of Morgan Stanley s common stock representing approximately 21.9 % of the voting rights in Morgan Stanley and Series C Preferred Stock with a face value of approximately $ 521.4 million and 10% dividend. As of the same date, we had two representatives appointed to Morgan Stanley s board of directors. We adopted the equity method of accounting for our investment in Morgan Stanley beginning with the fiscal year ended March 31, 2012.

In conjunction with Morgan Stanley, we formed two securities joint venture companies in May 2010 to integrate our respective Japanese securities companies. We converted the wholesale and retail securities businesses conducted in Japan by MUS into MUMSS. Morgan Stanley contributed the investment banking operations conducted in Japan by its former wholly-owned subsidiary, Morgan Stanley Japan, to MUMSS, and converted the sales and trading and capital markets businesses conducted in Japan by Morgan Stanley Japan into an entity called Morgan Stanley MUFG Securities, Co., Ltd., or MSMS. We hold a 60% economic interest in MUMSS and MSMS, and Morgan Stanley holds a 40% economic interest in MUMSS and MSMS. We hold a 60% voting interest and Morgan Stanley holds a 40% voting interest in MUMSS, and we hold a 49% voting interest and Morgan Stanley holds a 51% voting interest in MSMS. Morgan Stanley s and our economic and voting interests in the securities joint venture companies are held through intermediate holding companies. We have retained control of MUMSS and we account for our interest in MSMS under the equity method due to our significant influence over MSMS. The board of directors of MUMSS has fifteen members, nine of whom are designated by us and six of whom are designated by Morgan Stanley. The board of directors of MSMS has ten members, six of whom are designated by Morgan Stanley and four of whom are designated by us. The CEO of MUMSS is designated by us and the CEO of MSMS is designated by Morgan Stanley.

We have also expanded the scope of our global strategic alliance with Morgan Stanley into other geographies and businesses, including (1) a loan marketing joint venture that provides clients in the United States with access to the world-class lending and capital markets services from both companies, (2) an agreement to establish business referral arrangements in Asia, Europe, the Middle East and Africa, covering capital markets, loans, fixed income sales and other businesses, (3) a global commodities referral agreement whereby BTMU and its affiliates 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.

We completed transactions to transfer shares of Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd. among our consolidated subsidiaries in March 2014. MUMSS holds 75%, and BTMU holds the remaining 25%, of the voting rights in the company. Prior to the transactions, MUSHD held 51%, and BTMU held the remaining 49%, of the voting rights in the company. Concurrent with the completion of the transactions, the company changed its name to Mitsubishi UFJ Morgan Stanley PB Securities Co., Ltd. In connection with its new shareholdings, Mitsubishi UFJ Morgan Stanley PB Securities entered into a new service agreement with Morgan Stanley. Mitsubishi UFJ Morgan Stanley PB Securities leverages MUFG s broad customer base, utilizes Morgan Stanley s global and high quality insight, and further its collaborations with other group companies by strengthening its coordination with MUMSS. It aims for further development of its wealth management business, which is one of the largest in Japan.

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

Competition

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

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Japan

Since their formation in 2000 and 2001, the so-called Japanese mega bank groups, including us, the Mizuho Financial Group and the Sumitomo Mitsui Financial Group, have continued to expand their businesses and take measures designed to enhance their financial group capabilities. For example, in December 2014, the Sumitomo Mitsui Financial Group announced its agreement with Citigroup Inc., under which SMBC Trust Bank, Ltd., a subsidiary of Sumitomo Mitsui Financial Group, will acquire the retail banking business of Citibank Japan, Ltd. in October 2015, subject to regulatory approvals. In July 2013, Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. merged, and the merged entity presently operates under the corporate name of Mizuho Bank, Ltd.

Heightened competition among the mega bank groups is currently expected in various financial sectors as they have recently announced plans to expand, or have expanded, their respective businesses. For example, in the securities sector, in May 2010, in conjunction with Morgan Stanley, we created two securities joint venture companies in Japan, MUMSS and MSMS, by integrating the operations of MUS and Morgan Stanley Japan. In January 2013, Mizuho Securities and Mizuho Investors Securities Co., Ltd. merged. For a discussion of the two securities joint venture companies created by us and Morgan Stanley, see B. Business Overview Global Strategic Alliance with Morgan Stanley.

In the retail business sector, customers often have needs for a broad range of financial products and services, such as investment trusts and insurance products. Recently, competition has increased due to the development of new products and distribution channels. For example, Japanese banks have started competing with one another by developing innovative proprietary computer technologies that allow them to deliver basic banking services in a more efficient manner and to create sophisticated new products in response to customer demand. Increased competition is expected following the introduction in January 2014 of the Japanese individual savings account system, generally referred to as the NISA program, which offers tax exemptions on capital gains and dividend income for investments up to ¥1 million a year for a maximum of five years. In addition, in March 2015, Sumitomo Mitsui Trust Bank announced its agreement with Citigroup Inc., to acquire all of the issued shares of Citi Cards Japan, Inc., which operates Citigroup s credit card business in Japan.

In the private banking sector, competition among the mega bank groups has intensified as a result of recent corporate actions designed to strengthen their operations. We made Mitsubishi UFJ Merrill Lynch PB Securities Co., Ltd. a wholly owned subsidiary in December 2012 to enhance our private banking services for high net-worth customers, and changed its name to Mitsubishi UFJ Morgan Stanley PB Securities, Ltd. in March 2014. In October 2013, Sumitomo Mitsui Banking Corporation acquired the former Société Générale Private Banking Japan, Ltd. from Société Générale S.A. and changed its name to SMBC Trust Bank Ltd.

In the consumer finance sector, recent regulatory reforms and legal developments have negatively impacted the business environment, resulting in failures of several consumer finance companies and intensified competition among consumer finance companies that have remained in business, particularly among those affiliated with the mega banks. In April 2012, Promise Co., Ltd. became a wholly owned subsidiary of the Sumitomo Mitsui Financial Group, and changed its name as SMBC Consumer Finance Co., Ltd. in July 2012. See Item 3.D. Key Information Risk Factors Risks Related to Our Business Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results.

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

April 2011, Sumitomo Trust and Banking and Chuo Mitsui Trust Holdings, Inc. established Sumitomo Mitsui Trust Holdings, Inc., a holding company, to integrate their operations. In April 2012, Sumitomo Trust and Banking, The Chuo Mitsui Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited, the three trust bank subsidiaries of Sumitomo Mitsui Trust Holdings, merged, and the surviving entity was renamed Sumitomo Mitsui Trust Bank, Limited. In March 2015, the Mizuho Financial Group announced plans to integrate Mizuho Asset Management Co., Ltd., Shinko Asset Management Co., Ltd. and the asset management business of Mizuho Trust & Banking Co., Ltd., all of which are asset management subsidiaries of the Mizuho Financial Group in Japan, and DIAM Co., Ltd., which is an asset management joint venture between the Mizuho Financial Group and Dai-ichi Life Insurance Company in Japan. On July 1, 2015, two of our asset management subsidiaries in Japan, Mitsubishi UFJ Asset Management Co., Ltd. and KOKUSAI Asset Management Co., Ltd. merged, and the surviving entity presently operates under the corporate name of Mitsubishi UFJ Kokusai Asset Management Co., Ltd. As a result, competition is expected to intensify in the asset management and trust assets businesses.

In recent years, the Japanese government has identified several governmental financial institutions as candidates to privatize. In particular, the privatization of the Japan Post Group companies could substantially increase competition within the financial services industry as Japan Post Bank Co., Ltd. is one of the world s largest holders of deposits. Although the Japanese government s privatization plan for the Japan Post Group companies was suspended in December 2009, a revised postal privatization law became effective in May 2012, allowing the government to commence its sales of shares in the Japan Post Group companies. The revised law requires Japan Post Holdings Co., Ltd. to make efforts to sell its shares in Japan Post Bank and Japan Post Insurance Co., Ltd. as soon as possible but does not provide a specific deadline. In December 2014, plans were announced for the public listing in Japan of shares of Japan Post Holdings, Japan Post Bank and Japan Post Insurance in or after the middle of the fiscal year ending March 31, 2016, but remain subject to further government action. Additionally, under the revised law, Japan Post Bank and Japan Post Insurance may enter into new business areas upon obtaining government approvals, and if the government s equity holdings decrease to a certain level, the two companies will be allowed to enter into new business areas upon submission of a notice to the government. In such case, the Japan Post Group companies may seek to enter into new financial businesses and increasingly compete with us. See Item 3.D. Key Information Risk Factors Risks Related to Our Business Our business may be adversely affected by competitive pressures, which have partly increased due to regulatory changes and recent market changes in the financial industry domestically and globally and B. Business Overview The Japanese Financial System Government Financial Institutions.

The mega bank groups face significant competition with other financial groups as well as companies that have traditionally not been engaged in banking services. For example, the Nomura Group has been a major player in the securities market in Japan. In addition, various Japanese non-bank financial institutions and non-financial companies have entered into the Japanese banking sector. For example, Orix Corporation, a non-bank financial institution, as well as the Seven & i Holdings Co., Ltd., Sony Corporation and Aeon Co., Ltd., which were non-financial companies, offer various banking services, often through non-traditional distribution channels.

Foreign

In the United States, we face substantial competition in all aspects of our business. We face competition from other large U.S. and non-U.S. money-center banks, as well as from similar institutions that provide financial services. Through MUB, we currently compete principally with U.S. and non-U.S. money-center and regional banks, thrift institutions, 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. For example, Japanese mega banks, including us, and other major international banks have been expanding their operations in the Asian market, where leading local banks also have been growing and increasing their presence recently. Furthermore, we are aiming to expand our retail and small and medium-sized enterprise businesses along with our corporate banking business in South East Asia through our acquisition of KS in Thailand, and compete with leading local banks in such businesses.

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 FSA available as of May 7, 2015):

- ordinary banks (125 ordinary banks and 54 foreign commercial banks with ordinary banking operations); and
- trust banks (16 trust banks, including two Japanese subsidiaries of foreign financial institutions).

Ordinary banks in turn are classified as city banks, of which there are four, including BTMU, and regional banks, of which there are 106 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 and Osaka, and operate nationally through networks of branch offices. The city banks provide a wide variety of banking and other financial products and services to large corporate customers, including the major industrial companies in Japan, as well as small and medium-sized companies and retail customers.

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 customers are mostly regional enterprises and local public utilities. The regional banks also lend to large corporations. In line with the recent trend among financial institutions toward mergers or business tie-ups, various regional banks have announced or are currently negotiating or pursuing integration transactions.

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

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

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

Government Financial Institutions

There are a number of government financial institutions in Japan, which are corporations wholly owned by the government and operate under the government s 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 privatizations 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, with the government being required by law to continue to hold 50% or more of the shares in the bank until the completion of certain specified investment operations, which the bank is required to endeavor to achieve by March 2026, and more than one-third for an unspecified period thereafter;

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, for the primary purposes of supplementing and encouraging the private financing of exports, imports, overseas investments and overseas economic cooperation, and supplementing private financing to the general public, small and medium-sized enterprises and those engaged in agriculture, forestry and fishery. In April 2012, Japan Finance Corporation spun off its international operations to create Japan Bank for International Cooperation as a separate government-owned entity;

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

The Japan Post Group companies, a group of joint stock companies including Japan Post Bank, which were formed in October 2007 as part of the Japanese government s privatization plan for the former Japan Post, a government-run public services corporation, which had been the Postal Service Agency until March 2003. The Japanese government s privatization plan for the Japan Post Group companies was suspended in December 2009. In May 2012, a revised postal privatization law became effective, allowing the government to commence its sales of shares in the Japan Post Group companies in the future. In December 2014, plans were announced for the public listing in Japan of shares of Japan Post Holdings, Japan Post Bank and Japan Post Insurance in or after the middle of the fiscal year ending March 31, 2016, but remain subject to further government action.

Supervision and Regulation

Japan

Supervision. The 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

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

In June 2013, the Diet passed a bill to amend various financial regulation related laws, including the Banking Law, which includes certain deregulations on restrictions for shareholdings by banks. For example, although a bank is generally prohibited from holding more than 5% of the outstanding shares of another company (other than certain financial institutions) under the Banking Law, the bank may be exempt from such requirement and allowed to hold more than 5% of the outstanding shares of such company, if, among other exempted cases, a bank s shareholding contributes to revitalizing a company s business or the local economy related to such company. The exemption became effective on April 1, 2014.

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

The Group of Central Bank Governors and Heads of Supervision reached an agreement on the new global regulatory framework, which has been referred to as Basel III, in July and September 2010. In December 2010, the Basel Committee agreed on the details of the Basel III rules. The agreement on Basel III includes the following: (1) raising the quality of capital to ensure banks are able to better absorb losses both on a going concern basis and on a gone concern basis, (2) increasing the risk coverage of the capital framework, in particular for trading activities, securitizations, exposures to off-balance sheet vehicles and counterparty credit exposures arising from derivatives, (3) raising the level of minimum capital requirements, including an increase in the minimum common equity requirement from 2% to 4.5%, which was phased in between January 1, 2013 and the end of the calendar year 2014, and a capital conservation buffer of 2.5%, which is expected to be phased in between January 1, 2016 and the end of the calendar year 2018, bringing the total common equity requirement to 7%, (4) introducing an internationally harmonized leverage ratio to serve as a backstop to the risk-based capital measure and to contain the build-up of excessive leverage in the system, (5) raising standards for the supervisory review process (Pillar 2) and public disclosures (Pillar 3), together with additional guidance in the areas of valuation practices, stress testing, liquidity risk management, corporate governance and compensation, (6) introducing minimum global liquidity standards consisting of both a short term liquidity coverage ratio and a longer term structural net stable funding ratio, and (7) promoting the build-up of capital buffers that can be drawn down in periods of stress, including both a capital conservation buffer and a countercyclical buffer to protect the banking sector from periods of excess credit growth.

Certain provisions of Basel III have been adopted by the FSA for Japanese banking institutions with international operations conducted by their foreign offices. Under Basel III, Common Equity Tier 1, Tier 1 and total capital ratios are used to assess capital adequacy, which ratios are determined by dividing applicable capital components by risk-weighted assets. Total capital is defined as the sum of Tier 1 and Tier 2 capital.

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Under Basel III, Tier 1 capital is defined to include Common Equity Tier 1 and Additional Tier 1 capital. Common Equity Tier 1 capital is a new category of capital primarily consisting of:

- common stock,
- capital surplus,
- retained earnings, and
- accumulated other comprehensive income (progressively phased into the capital ratio calculation over several years).

Regulatory adjustments including certain intangible fixed assets, such as goodwill, and defined benefit pension fund net assets (prepaid pension costs) will be deducted from Common Equity Tier 1 capital. The amount of adjustments to be deducted will increase progressively over time.

Additional Tier 1 capital generally consists of Basel III compliant preferred securities and, during the transition period, other capital that meets Tier I requirements under the former Basel II standards, net of regulatory adjustments. Subject to transitional measures, adjustments are made to Additional Tier 1 capital for items including intangible fixed assets, such as goodwill, and foreign currency translation adjustments, with the amounts of such adjustments to Additional Tier 1 capital progressively decreasing over time.

Tier 2 capital generally consists of:

- Basel III compliant deferred obligations,
- during the transition period, capital that meets Tier II requirements under the former Basel II standards,
- allowances for credit losses, and
- non-controlling interests in subsidiaries Tier 2 capital instruments.

Subject to transitional measures, certain items including 45% of unrealized profit on available-for-sale securities and revaluation of land are reflected in Tier 2 capital with the amounts progressively decreasing over time.

In order to qualify as Tier 1 or Tier 2 capital under Basel III, applicable instruments such as preferred shares and subordinated debt must have a clause in their terms and conditions that requires them to be written-off or forced to be converted into common stock upon the occurrence of certain trigger events.

Risk-weighted assets are the sum of risk-weighted assets compiled for credit risk purposes, quotient of dividing the amount equivalent to market risk by 8%, and quotient of dividing the amount equivalent to operational risk by 8%, and also include any amount to be added due to transitional measures as well as floor adjustments, if necessary. Risk-weighted assets include the capital charge of the credit valuation adjustment (CVA), the credit risk related to asset value correlation multiplier for large financial institutions, the 250% risk-weighted threshold items not deducted from Common Equity Tier 1 capital, and certain Basel II capital deductions that were converted to risk-weighted assets under Basel III, such as securitizations and significant investments in commercial entities. Certain Basel III provisions were adopted by the FSA with transitional measures and became effective March 31, 2013.

The capital ratio standards applicable to us are as follows:

- a minimum total capital ratio of 8.0%,
- a minimum Tier 1 capital ratio of 6.0%, and
- a minimum Common Equity Tier 1 capital ratio of 4.5%.

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These minimum capital ratios are applicable to MUFG on a consolidated basis and to BTMU and MUTB on a consolidated as well as stand-alone basis.

We have been granted an approval by the FSA to exclude the majority of our investment in Morgan Stanley from being subject to double gearing adjustments. The approval was granted for a 10-year period, but the approval amount will be phased out by 20% each year starting from March 31, 2019. As of March 31, 2015, a full application of double gearing adjustments with respect to our investment in Morgan Stanley would have reduced our Common Equity Tier 1 capital ratio by approximately 0.6%.

The Basel Committee on Banking Supervision has proposed additional loss absorbency requirements to supplement the Common Equity Tier 1 capital requirement ranging from 1% to 3.5% for global systemically important banks, or G-SIBs, depending on the bank s systemic importance. The Financial Stability Board, or FSB identified us as a G-SIB in its most recent annual report published in November 2014, and indicated that, as a G-SIB, we will be required to hold an additional 1.5% of Common Equity Tier 1 capital. The group of banks identified as G-SIBs is expected to be updated annually, and the stricter capital requirements are expected to be implemented in phases between January 1, 2016 and December 31, 2018 and will become fully effective on January 1, 2019.

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

In determining capital ratios under the FSA guidelines reflecting Basel III, we and our banking subsidiaries used the Advanced Internal Ratings-Based approach, or the AIRB approach, to calculate capital requirements for credit risk as of March 31, 2015. The Standardized Approach is used for some subsidiaries that are considered to be immaterial to the overall MUFG capital requirements, and MUAH has adopted a phased rollout of the internal ratings-based approach. Market risk is reflected in the risk-weighted assets by applying the Internal Models Approach to calculate general market risk and the Standardized Measurement Method to calculate specific risk. Under the Internal Models Approach, we principally use a historical simulation model to calculate value-at-risk, or VaR, amounts by estimating the profit and loss on our portfolio by applying actual fluctuations in historical market rates and prices over a fixed period. Under the FSA guidelines reflecting Basel III, we reflect operational risk in the risk-weighted assets by applying the Standardized Approach as of March 31, 2011 and the Advanced Measurement Approach from March 31, 2012. The Basel Committee on Banking Supervision has issued proposals to revise the current market risk framework, including stricter measures relating to some of our investment securities portfolio. Under the current proposals, certain financial instruments that we hold, including investment securities, could become subject to stricter trading book capital requirements. For more information, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Operational Risk Management.

Developments relating to international bank capital regulatory standards. In November 2014, the FSB issued, for public consultation, policy proposals consisting of a set of principles and a detailed term sheet on the adequacy of loss-absorbing and recapitalization capacity for G-SIBs. The proposals have been developed by the FSB in consultation with the Basel Committee on Banking Supervision and will, once finalized, form a new minimum standard of total loss-absorbing capacity, or TLAC. The new TLAC standard is designed to provide home and host authorities with confidence that G-SIBs have sufficient capacity to absorb losses, both before and during resolution, and enable resolution authorities to implement a resolution strategy that minimizes any impact on financial stability and ensures the continuity of critical economic functions. The proposal requires G-SIBs to meet this new standard no earlier than January 1, 2019.

In November 2014, the Basel Committee on Banking Supervision released Reducing excessive variability in banks regulatory capital ratios, a report prepared for the G20 Leaders at the Brisbane Summit. The report set forth the Committee s proposals in three areas designed to improve consistency and comparability in bank capital ratios and restore confidence in risk-weighted capital ratios. Specifically, the proposed policy measures included

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(1) revising the standardized approaches and using the revised standardized approaches as the basis for a capital floor, (2) strengthening the disclosure requirements related to risk weights, and (3) enhancing the monitoring of risk-weighted asset variability through hypothetical portfolio exercises. The report also sets forth a roadmap for revising approaches for measuring credit risk, market risk and operational risk. The Committee is expected to finalize the revisions of the standardized approaches for all of these risk categories, capital floors, and credit risk and market risk internal models by the end of 2015 following the public consultation process. The Committee has published consultation papers relating to these topics except the revisions of credit risk internal models.

In June 2015, the Basel Committee on Banking Supervision released a consultative document on the risk management, capital treatment and supervision of interest rate risk in the banking book, or IRRBB. IRRBB refers to the current or prospective risk to a financial institution s capital and earnings arising from adverse movements in interest rates that affect the institution s banking book positions. The Committee s proposal is designed to help ensure that banks have appropriate capital to cover potential losses from exposures to changes in interest rates and to limit capital arbitrage between the trading book and the banking book as well as between banking book portfolios that are subject to different accounting treatments. The consultative document presents two options for the regulatory treatment of IRRBB. First, under a standardized minimum capital requirement approach, a uniform Pillar 1 measure would be applied to calculate minimum capital requirements for IRRBB. Second, an enhanced market discipline approach would be an alternative to the first approach, which combines a methodology to assess a bank s capital adequacy with respect to IRRBB, guidance for supervisory responses, disclosure requirements, and a review process and a quantitative assessment of the effectiveness of the implementation of the approach. We are currently reviewing and assessing the potential impact of the Committee s proposal on us. Additional capital requirements to cover IRRBB may significantly affect the function of maturity transformation and the regulatory capital management of banks, including us.

Inspection and reporting. By evaluating banks systems of self-assessment, inspecting 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 applies the Financial Inspection Rating System, or FIRST, to major banks. By providing inspection results in the form of graded evaluations (i.e., ratings), the FSA expects this rating system to motivate financial institutions to voluntarily improve their management and operations. Additionally, the FSA currently takes the better regulation approach in its financial regulation and supervision. This consists of four pillars: (1) optimal combination of rules-based and principles-based supervisory approaches, (2) timely recognition of priority issues and effective responses, (3) encouraging voluntary efforts by financial firms and placing greater emphasis on providing them with incentives, and (4) improving the transparency and predictability of regulatory actions, in pursuit of improvement of the quality of financial regulation and supervision.

In September 2014, the FSA announced its updated policy for monitoring financial institutions, which places a greater emphasis on (i) ending Japan s deflation and building an economic growth cycle, and (ii) maintaining the soundness and integrity of the financial system and financial institutions so as to ensure the availability of efficient and stable financial services in Japan. Under the new policy, the FSA is expected to increase monitoring of, and communication with, financial institutions, particularly large global financial institutions, including us, and enhance cooperation with financial regulatory bodies in other jurisdictions.

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

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

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

Laws limiting shareholdings of banks. The provisions of the Antimonopoly Act that generally 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. In June 2013, the Diet amended various financial regulation related laws, including the Banking Law, which includes certain deregulations on restrictions for shareholdings by banks, as described above.

In addition, a bank is prohibited from holding shares in other companies exceeding the aggregate of its Common Equity Tier 1 capital amount and Additional Tier 1 capital amount. For a detailed discussion on the capital requirements for Japanese banks, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Review Capital Adequacy.

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

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

Subsidiaries of bank holding companies engaging in the securities business are subject to the supervision of the FSA as financial instruments business operators. The Prime Minister has the authority to regulate the securities industry and securities companies, which authority is delegated to the Commissioner of the FSA under the Financial Instruments and Exchange Law. In addition, the Securities and Exchange Surveillance Commission, an external agency of the FSA, is independent from the FSA s other bureaus and is vested with the authority to conduct day-to-day monitoring of the securities markets and to investigate irregular activities that hinder fair trading of securities, including inspections of securities companies as well as banks in connection with their securities business. Furthermore, the Commissioner of the FSA delegates certain authority to the Director General of the Local Finance Bureau to inspect local securities companies and their branches. A violation of applicable laws and ordinances may result in various administrative sanctions, including revocation of registration, suspension of business or an order to discharge any director or executive officer who has failed to comply with applicable laws and ordinances. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory organization of securities companies.

Act on Sales, etc. of Financial Instruments. The Act on Sales, etc. of Financial Instruments was enacted to protect customers from incurring unexpected losses as a result of purchasing financial instruments. Under this act, sellers of financial instruments have a duty to their potential customers to explain important matters such as the nature and magnitude of risks involved regarding the financial instruments that they intend to sell. If a seller fails to comply with the duty, there is a rebuttable presumption that the loss suffered by the customer due to the seller s failure to explain is equal to the amount of decrease in the value of the purchased financial instruments.

Anti-money laundering laws. Under the Act on Prevention of Transfer of Criminal Proceeds, banks and other financial institutions are required to report to the responsible ministers in the case of banks, the Commissioner of the FSA any assets which they receive while conducting their businesses that are suspected of being illicit profits from criminal activities. In November 2014, the Diet passed amendments to the Law for Prevention of Transfer of Criminal Proceeds, which, among others, clarify the method to determine whether any transaction falls under suspicious transactions and set forth the matters to be confirmed when a bank enters into a correspondence contract.

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

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

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

Under the Deposit Insurance Act, the maximum amount of protection is ¥10 million per customer within one bank. All deposits are subject to the ¥10 million maximum, except for non-interest bearing deposits that are redeemable on demand and used by the depositor primarily for payment and settlement functions (settlement accounts). Deposits in settlement accounts are fully protected without a maximum amount limitation. Certain types of deposits are not covered by the deposit insurance system, such as foreign currency deposits and negotiable certificates of deposit. As of April 1, 2015, the Deposit Insurance Corporation charges insurance premiums equal to 0.054% per year on the deposits in the settlement accounts, which are fully protected as mentioned above, and premiums equal to 0.041% per year on the deposits in other accounts.

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

In June 2013, the Diet passed amendments to the Deposit Insurance Act, which established a new procedures for the orderly processing of assets and liabilities of distressed financial institutions to stabilize the financial system, and expanded the scope of financial institutions covered by the new procedures to include financial holding companies, securities firms and insurance companies. Under the new procedures, in case a designated financial institution becomes distressed, such financial institution will be subject to compulsory management of its operations and assets and receive financial assistance in the form of loans or subscription of shares. These amendments became effective on March 6, 2014.

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Further, the Act on Special Measures for Strengthening of Financial Function enables the Japanese government to take special measures to strengthen the capital of financial institutions. Under the act, banks and other financial institutions may apply to receive capital injections from the Deposit Insurance Corporation, subject to government approval, which will be granted subject to the fulfillment of certain requirements, including, among other things, the improvement of profitability and efficiency, facilitation of financing to small and medium-sized business enterprises in the local communities, and that the financial institution be not insolvent. In response to the Great East Japan Earthquake in March, 2011, the act was revised in July 2011, adding a special case for the financial institutions suffering damage from the disaster. The requirement to create an improvement plan of profitability and efficiency is eased for such financial institutions. Moreover, the application deadline has been extended from March 31, 2012 to March 31, 2017.

Regulatory Developments Relating to Lending to Small and Medium-sized Firms and Others. The Act Concerning Temporary Measures to Facilitate Financing for Small and Medium-sized Firms and Others required financial institutions, among other things, to make an effort to reduce their customers burden of loan repayment by employing methods such as modifying the term of loans at the request of eligible borrowers, including small and medium-sized firms and individual home loan borrowers. This legislation also required financial institutions to internally establish a system to implement the requirements of the legislation and periodically make public disclosure of and report to the relevant authority on the status of implementation. Although this legislation expired on March 31, 2013, the FSA continues to encourage financial institutions to continue to provide support to small and medium-sized firms by revising the Inspection Manual, Supervisory Policy and Ordinance for Enforcement of the Baking Law in order to encourage financial institutions to modify the terms of loans, provide smooth financing, and take active roles in supporting operations of such firms.

The Act on the Protection of Personal Information. With regard to protection of personal information, the Act on the Protection of Personal Information requires, among other things, Japanese banking institutions to limit the use of personal information to the stated purposes 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 act, the FSA may advise or order the bank to take proper action. In addition, the Banking Law and the Financial Instruments and Exchange Law contain certain provisions with respect to appropriate handling of customer information.

Act on the Use of Personal Identification Numbers in the Administration of Government Affairs. Pursuant to the Act on the Use of Personal Identification Numbers in the Administration of Government Affairs, which will become effective on October 5, 2015, the Japanese government will adopt a Social Security and Tax Number System, which is designed to (1) improve social security services, (2) enhance public convenience in obtaining government services, and (3) increase the efficiency of the administration of government affairs. Under this system, a 12-digit unique number will be assigned to each person resident in Japan to identify and manage information relating to the person for government service and tax purposes. Effective October 2015, financial institutions are required to implement measures to ensure that such customer information will be protected from inappropriate disclosure and other unauthorized use. We are designing modifications to our customer information systems to comply with the new requirements relating to the personal identifications numbers.

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

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

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

Recent Regulatory Actions. In May 2015, kabu.com Securities. Co., Ltd., a securities subsidiary in Japan, received a business improvement order from the FSA under Article 51 of the Financial Instruments and Exchange Act for failing to appropriately operate and manage its information and communication systems. In response to the administrative order, kabu.com Securities submitted to the FSA and announced a business improvement plan in June 2015.

United States

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

Overall supervision and regulation. We are subject to supervision, regulation and examination with respect to our U.S. operations by the FRB pursuant to the U.S. 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 FRB 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 non-bank 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 FRB by specifying new relationships between the FRB and the functional regulators of non-bank 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 non-banking 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 FRB 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 U.S. bank or bank holding company. In addition, under the BHCA, a U.S. bank or a U.S. branch or agency of a foreign bank is prohibited from engaging in various tying arrangements involving it or its affiliates in connection with any extension of credit, sale or lease of any property or provision of any services.

On October 6, 2008, we became a financial holding company in the United States. At the same time, BTMU, MUTB, and UNBC (now MUAH), 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 non-banking activities deemed to be closely related to banking, without prior notice to or approval from the FRB. 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 FRB. 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 FRB. In addition, as a financial holding company, we must ensure that our U.S. 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.

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

The IBA provides, among other things, that the FRB may examine U.S. branches and agencies of foreign banks, and each branch and agency shall be subject to on-site examination by the appropriate federal or state bank supervisor as frequently as would a U.S. bank. The IBA also provides that if the FRB 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 FRB may order the foreign bank to terminate activities conducted at a branch or agency in the United States.

U.S. 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 U.S. national banks. All of the branches and agencies of BTMU and MUTB in the United States are state-licensed. Under U.S. 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 FRB determines that the additional activity is consistent with safe and sound practices. U.S. federal banking laws also subject state-licensed branches and agencies to the single-borrower lending limits that apply to federal branches and agencies, which generally are the same as the lending limits applicable to national banks, but are based on the capital of the entire foreign bank.

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

U.S. banking subsidiaries. We indirectly own and control two U.S. banks:

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

- MUFG Union Bank, N.A. or MUB (known prior to July 1, 2014 as Union Bank, N.A.), through BTMU and its subsidiary, MUAH, a registered bank holding company.

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

The FDIC is the primary federal agency responsible for the supervision, examination and regulation of Mitsubishi UFJ Trust & Banking Corporation (U.S.A.). The FDIC may take enforcement action, including the issuance of prohibitive and affirmative orders, if it determines that a financial institution under its supervision has engaged in unsafe or unsound banking practices, or has committed violations of applicable laws and regulations. The FDIC insures the deposits of both of our U.S. banking subsidiaries up to legally specified maximum amounts. In the event of a failure of an FDIC-insured bank, the FDIC is virtually certain to be appointed as receiver, and would resolve the failure under provisions of the Federal Deposit Insurance Act. An FDIC-insured institution that is affiliated with a failed or failing FDIC-insured institution can be required to indemnify the FDIC for losses resulting from the insolvency of the failed institution, even if this causes the affiliated institution also to become insolvent. In the liquidation or other resolution of a failed FDIC-insured depository institution, deposits in its U.S. 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 FRB 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 U.S. banking subsidiaries are subject to applicable risk-based and leverage capital guidelines issued by U.S. regulators for banks and bank holding companies. In addition, BTMU and MUTB, as foreign banking organizations that have U.S. branches and agencies and that are controlled by us as a financial holding company, are subject to the FRB s requirements that they be well-capitalized based on Japan s risk based capital standards, as well as well managed. All of our U.S. banking subsidiaries and BTMU, MUTB, and MUAH are well capitalized as defined under, and otherwise comply with, all U.S. 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 U.S. subsidiaries. Our non-bank 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 non-bank 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 U.S. 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 U.S. 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 U.S. Department of the Treasury has issued a number of regulations that impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of their customers. In addition, the bank regulatory agencies carefully scrutinize the adequacy of an institution s policies, procedures and controls. As a result, there has been an increased number of regulatory sanctions and law enforcement authorities have been taking a more active role in enforcing these laws. Failure of a financial institution to maintain and implement adequate policies, procedures and controls to prevent money laundering and terrorist financing could in some cases have serious legal and reputational consequences for the institution, including the incurrence of expenses to enhance the relevant programs, the imposition of limitations on the scope of their operations and the imposition of fines and other monetary penalties.

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

Regulatory Reform Legislation. In response to the global financial crisis and the perception that lax supervision of the financial industry in the United States may have been a contributing cause, new legislation designed to reform the system for supervision and regulation of financial firms doing business in the United States, the so-called Dodd-Frank Act, was signed into law on July 21, 2010. The Dodd-Frank Act is complex and extensive in its coverage and contains a wide range of provisions that would affect financial institutions operating in the United States, including our U.S. operations. Included among these provisions are sweeping reforms designed to reduce systemic risk presented by very large financial firms, promote enhanced supervision, regulation, and prudential standards for financial firms, establish comprehensive supervision of financial markets, impose new limitations on permissible financial institution activities and investments, expand regulation of the derivatives markets, protect consumers and investors from financial abuse, and provide the government with the tools needed to manage a financial crisis. Many aspects of the legislation require subsequent regulatory action by supervisory agencies for full implementation. Key provisions that impact our operations are summarized below. However certain regulatory rules under the Dodd-Frank Act are not yet finalized, require further interpretive guidance by the relevant supervisory agencies, or do not yet require us to fully implement compliance procedures. Accordingly, while the legislation will have an impact on our operations, we are unable to assess with certainty the full degree of impact of the Dodd-Frank Act on our operations at this time.

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

With respect to the Dodd-Frank Act provisions related to enhanced prudential standards, in February 2014 the FRB issued final rules that established enhanced prudential standards for the U.S. operations of foreign banking organizations such as MUFG. These rules will require us to organize by July 2016 all of our U.S. bank and non-bank subsidiaries under a U.S. intermediate holding company that would be subject to U.S. capital requirements and enhanced prudential standards comparable to those applicable to top-tier U.S. bank holding companies of the same size. Under these rules, we will be required to change the structure of our U.S. operations, including the manner in which we oversee and manage those operations, and may be required to inject capital into our U.S. operations. The rules require foreign banking organizations that have U.S. non-branch assets of $50 billion or more as of June 30, 2014, including MUFG, to have filed an Implementation Plan with the FRB by January 1, 2015, describing how we intend to meet the requirements of the rules. MUFG has filed its Implementation Plan and received comments thereon from the FRB. MUFG is currently assessing those comments, making appropriate revisions to its Implementation Plan, and undertaking steps to comply with the Implementation Plan and the requirements of the enhanced prudential standards by the July 2016 effective date.

Under the enhanced prudential standards, we will be required to establish or designate a separately capitalized top-tier U.S. intermediate holding company, or IHC, to hold substantially all of our ownership interests in U.S. subsidiaries by July 1, 2016. Beginning on that date, our IHC will be subject, on a consolidated basis, to the risk-based capital requirements under the U.S. Basel III capital framework, capital planning and stress testing requirements, U.S. liquidity buffer requirements, and other enhanced prudential standards comparable to those applicable to top-tier U.S. bank holding companies of a similar size. The FRB will have the authority to examine the IHC and any of its subsidiaries. U.S. leverage requirements applicable to the IHC will take effect beginning in January 2018. The FRB has also stated that it intends, through future rulemakings, to apply the Basel III liquidity coverage ratio and net stable funding ratio to the U.S. operations of some or all large foreign banking organizations. Our combined U.S. operations, including BTMU s and MUTB s branches, will also be subject to certain requirements related to liquidity and risk management.

Our existing U.S. bank holding company subsidiary, MUAH, is subject to various U.S. prudential requirements and will become subject to others prior to our establishing the IHC. MUAH is currently subject to risk-based and leverage capital requirements, liquidity requirements, and other enhanced prudential standards applicable to large U.S. bank holding companies. MUAH is also subject to capital planning and stress testing requirements and will remain subject to the capital planning and stress testing requirements and certain enhanced prudential standards until corresponding requirements applicable to the IHC become effective. On March 5, 2015, the Federal Reserve Board released the results of the 2015 Dodd-Frank Act stress tests, or DFAST. It found that, even in the severely adverse economic stress test scenario, MUAH would maintain capital ratios well above the required minimum levels. On March 11, 2015, the FRB announced that it had no objections to the capital plan submitted by MUAH as part of the 2015 Comprehensive Capital Analysis and Review, or CCAR.

The Volcker Rule was issued in final form by the Federal Reserve in December 2013. Under the Volcker Rule, we are required to cease conducting certain proprietary trading activities (i.e., trading in securities and financial instruments for our own account) subject to certain exceptions, including market-making, hedging, and underwriting activities if such activities are conducted within a rigorous compliance framework. We are also restricted from engaging in certain activities regarding hedge funds and private equity funds (covered funds). While the Volcker Rule excludes restrictions on such activities conducted solely outside of the United States, the regulatory definition of such exempted activities is narrow and complex and in some cases requires further clarification. Our proprietary trading and covered funds activities are generally executed outside of the United States, but certain activities within the United States could potentially fall within the scope of the Rule. We have undertaken steps that we believe are appropriate to bring our activities and investments into compliance with the Rule. Given the limited amount of potentially restricted activities in which we engage within the United States, we do not expect the proprietary trading or covered fund revenues attributable to our U.S. subsidiaries as a result of the implementation of the Volcker Rule to be material to our operations based on our current revenues attributable to the proprietary trading and covered fund activities conducted in our U.S. subsidiaries.

U.S. regulators have also begun to issue final regulations and regulatory determinations governing swaps and derivatives markets as contemplated by the Dodd-Frank Act. To date, BTMU and Mitsubishi UFJ Securities International, plc, or MUSI, have registered as swap dealers with the U.S. Commodity Futures Trading Commission, or CFTC. Depending on the final outcome of the regulations and regulatory determinations governing swaps and derivatives markets under the Dodd-Frank Act, as well as the activities of our other subsidiaries located inside and outside of the United States, our other subsidiaries may have to register as swap dealers with, or be subject to the regulations of, the CFTC and/or SEC. Regulation of swap dealers by the CFTC and SEC imposes numerous corporate governance, business conduct, capital, margin, reporting, clearing, execution, and other regulatory requirements on our operations, which may adversely impact our derivatives businesses and make us less competitive than those competitors that are not subject to the same regulations. Although many regulations applicable to swap dealers are already in effect, it is difficult to assess the full impact of these requirements because some of the most important regulatory determinations have not yet been implemented or finalized. For example, U.S. regulators are adopting guidance and rules on the application of U.S. regulations to activities of registered swap dealers outside of the United States. The potential extraterritorial application of swap dealer regulatory requirements could impose significant operational and compliance burdens on our swaps activities outside of the United States.

Foreign Account Tax Compliance Act. The Hiring Incentives to Restore Employment Act was enacted in March 2010 and contains provisions commonly referred to as the Foreign Account Tax Compliance Act, or FATCA. The U.S. Treasury, acting through the Internal Revenue Service, or the IRS, issued final regulations of FATCA in January 2013.

The FATCA framework has been expanded with the introduction of Intergovernmental Agreements, or IGAs, between the U.S. Treasury and foreign governments, which pursue a framework for intergovernmental cooperation to facilitate the implementation of FATCA. The United States and Japan have entered into an IGA.

We have developed internal procedures and processes that we believe address the regulatory requirements under FATCA. However, doing so has required us to develop extensive systems capabilities and internal processes to identify and report U.S. account holders who are subject to FATCA requirements, which has been a complex and costly process requiring significant internal resources. If our procedures and processes are determined not to be adequate to meet the requirements of FATCA, we could potentially be subject to serious

legal and reputational consequences, including the imposition of withholding taxes on certain amounts payable to us from U.S. sources, and could be required to expend additional resources to enhance our systems, procedures and processes and take other measures in response to such consequences.

Capital Adequacy. MUAH and MUB are required to maintain minimum capital ratios in accordance with rules issued by the U.S. Federal banking agencies. In July 2013, the U.S. Federal banking agencies issued final rules to implement the Basel Committee on Banking Supervision s capital guidance for U.S. banking organizations, or U.S. Basel III. These rules establish more restrictive capital definitions, create additional categories and higher risk weightings for certain asset classes and off-balance sheet exposures, higher minimum capital and leverage ratios and capital conservation buffers that will be added to the minimum capital requirements. These rules supersede the U.S. federal banking agencies general risk-based capital rules generally referred to as Basel I, the advanced approaches rules generally referred to as Basel II, which are applicable to certain large banking organizations, and leverage rules, and are subject to certain transition provisions. MUAH is required to comply with the U.S. Basel III capital rules beginning January 2015, with certain provisions subject to a phase-in period, while MUB continues to be subject to the U.S. Basel III capital rules which became effective for advanced approaches institutions on January 1, 2014. The U.S. Basel III capital rules are scheduled to be substantially phased in by January 1, 2019.

For more information, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Adequacy and Note 21 to our audited consolidated financial statements included elsewhere in this Annual Report.

Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934

Section 13(r) of the U.S. Securities Exchange Act of 1934 requires an issuer to disclose whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with natural persons or entities designated by the U.S. government under specified Executive Orders. The scope of activities that must be reported includes activities not prohibited by U.S. law and conducted outside the United States in compliance with applicable local law.

During the fiscal year ended March 31, 2015, one of our non-U.S. affiliates engaged in business activities with entities in or affiliated with Iran, including counterparties owned or controlled by the Iranian government. These activities were consistent with rules and regulations applicable to the non-U.S. affiliate. Specifically, our non-U.S. banking subsidiary, BTMU, issued letters of credit and guarantees and provided remittance and other settlement services mainly in connection with customer transactions related to the purchase and exportation of Iranian crude oil to Japan, and in some cases, in connection with other petroleum-related transactions with Iran by its customers. These transactions did not involve U.S. dollars nor clearing services of U.S. banks for the settlement of payments, and were reviewed for compliance with applicable U.S. and non-U.S. laws and regulations. For the fiscal year ended March 31, 2015, the aggregate interest and fee income relating to these transactions was less than ¥130 million, representing less than 0.005% of our total interest and fee income. Some of these transactions were conducted through the use of non-U.S. dollar correspondent accounts and other similar settlement accounts maintained with BTMU outside the United States by Iranian financial institutions and other entities in or affiliated with Iran. In addition to such accounts, BTMU receives deposits in Japan from and provides settlement services in Japan to fewer than ten Iranian government-related entities and fewer than 100 Iranian government-related individuals such as Iranian diplomats, and maintains settlement accounts outside the United States for certain other financial institutions specified in Executive Order 13382, which settlement accounts were frozen in accordance with applicable laws and regulations. For the fiscal year ended March 31, 2015, the average aggregate balance of deposits held in these accounts represented less than 0.05% of the average balance of our total deposits. The fee income from the transactions attributable to these account holders was less than ¥5 million, representing less than 0.001% of our total fee income. BTMU also holds loans that were arranged prior to changes in applicable laws and regulations to borrowers in or affiliated with Iran, including entities owned by the Iranian government, the outstanding balance of which was less than ¥200 million,

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representing less than 0.001% of our total loans, as of March 31, 2015. For the fiscal year ended March 31, 2015, the aggregate gross interest and fee income relating to these loan transactions was less than ¥50 million, representing less than 0.005% of our total interest and fee income.

In addition, in accordance with the Joint Plan of Action agreed to among the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) and Iran in November 2013, BTMU has been providing settlement services in connection with humanitarian trade to assist Iran in meeting its domestic needs, namely food, agricultural products, medicine and medical devices, since April 2014. The overall framework for these settlement services was based on an agreement between U.S. and Japanese authorities, and the relevant U.S. regulator has authorized the settlement services as compliant with applicable U.S. laws and regulations. The purchasers of the humanitarian goods were entities in or affiliated with Iran, including entities related to the Iranian government. The sellers of the humanitarian goods were entities permitted by U.S. and Japanese regulators. These transactions did not involve U.S. dollars nor clearing services of U.S. banks for the settlement of payments. These transactions were conducted through the use of special purpose yen accounts maintained with BTMU outside the United States by an Iranian financial institution which is affiliated with the Iranian government but through which these transactions were permitted to be settled. BTMU intends to continue to provide the settlement services in connection with the exports of humanitarian goods to Iran in close coordination with U.S. and Japanese authorities.

BTMU will continue to limit its participation in these types of transactions mainly to arrange financing transactions relating to customer imports of Iranian crude oil into Japan or authorized exports of humanitarian goods to Iran, maintain accounts in Japan of Iranian entities and individuals, and obtain interest and fee income and repayment of principal in connection with existing loans to borrowers in or affiliated with Iran, in each case to the extent permitted by applicable laws and regulations.

C. Organizational Structure

The following chart presents our corporate structure summary as of March 31, 2015:

Notes:

(1) On April 1, 2015, kabu.com Securities Co., Ltd. became a subsidiary of MUSHD, following MUSHD s purchase of shares of kabu.com Securities from BTMU. Prior to the share purchase transaction, MUSHD held a 11.7% ownership interest, and BTMU held a 44.4% ownership interest, in kabu.com Securities. As a result of the share purchase transaction, MUSHD holds a 50.1% ownership interest, and BTMU holds a 6.0% ownership interest, in kabu.com Securities.

(2) On July 1, 2015 Mitsubishi UFJ Asset Management Co., Ltd. and KOKUSAI Asset Management Co., Ltd. merged. As the surviving entity, Mitsubishi UFJ Asset Management was renamed as Mitsubishi UFJ Kokusai Asset Management Co., Ltd. Prior to the merger, MUTB, MUFG and BTMU respectively held 50%, 25% and 25% ownership interests in Mitsubishi UFJ Asset Management, while MUSHD, BTMU and MUTB respectively held 82%, 10% and 7% ownership interests in KOKUSAI Asset Management. As a result of the merger, MUTB, MUSHD and BTMU respectively hold 51%, 34% and 15% ownership interests in the surviving entity.

(3) Consumer finance subsidiaries.

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Set forth below is a list of our principal consolidated subsidiaries as of March 31, 2015:

Notes:

(1) On April 1, 2015, kabu.com Securities Co., Ltd. became a subsidiary of MUSHD, following MUSHD s purchase of shares of kabu.com Securities from BTMU. Prior to the share purchase transaction, MUSHD held a 11.7% ownership interest, and BTMU held a 44.4% ownership interest, in kabu.com Securities. As a result of the share purchase transaction, MUSHD holds a 50.1% ownership interest, and BTMU holds a 6.0% ownership interest, in kabu.com Securities.

(2) On July 1, 2015 Mitsubishi UFJ Asset Management Co., Ltd. and KOKUSAI Asset Management Co., Ltd. merged. As the surviving entity, Mitsubishi UFJ Asset Management was renamed as Mitsubishi UFJ Kokusai Asset Management Co., Ltd. Prior to the merger, MUTB, MUFG and BTMU respectively held 50%, 25% and 25% ownership interests in Mitsubishi UFJ Asset Management, while MUSHD, BTMU and MUTB respectively held 82%, 10% and 7% ownership interests in KOKUSAI Asset Management. As a result of the merger, MUTB, MUSHD and BTMU respectively hold 51%, 34% and 15% ownership interests in the surviving entity.

D. Property, Plant and Equipment

Premises and equipment as of March 31, 2014 and 2015 consisted of the following:

	As of March 31, 2014	As of March 31, 2015
	(in millions)	
Land	¥ 403,184	¥ 409,271
Buildings	747,998	760,974
Equipment and furniture	929,939	615,540
Leasehold improvements	251,875	282,179
Construction in progress	27,606	35,773
Total	2,360,602	2,103,737
Less accumulated depreciation	1,123,954	1,121,532
Premises and equipment net	¥ 1,236,648	¥ 982,205

Our registered address is 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan. As of March 31, 2015, we and our subsidiaries conducted our operations either in premises we owned or in properties we leased.

The following table presents the book values of our material offices and other properties as of March 31, 2015:

	Book value (in millions)
Owned land	¥ 409,271
Owned buildings	218,479

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, 2015, we invested approximately ¥ 162.8 billion, primarily for office renovations and relocation.

Item 4A. Unresolved Staff Comments.

None.

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Item 5. Operating and Financial Review and Prospects.

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

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Introduction

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

Summary of Our Recent Financial Results

The following table presents some key figures relating to our financial results:

	Fiscal years ended March 31,		
	2013	2014	2015
	(in billions, except per share data)		
Net interest income	¥ 1,871.1	¥ 1,961.3	¥ 2,231.5
Provision (credit) for credit losses	144.5	(106.4)	87.0
Non-interest income	2,068.0	1,821.0	2,845.1
Non-interest expense	2,378.7	2,468.3	2,726.9
Income before income tax expense	1,415.9	1,420.4	2,262.7
Net income before attribution of noncontrolling interests	1,119.9	1,082.5	1,596.6
Net income attributable to Mitsubishi UFJ Financial Group	1,069.1	1,015.4	1,531.1
Diluted earnings per common share Earnings applicable to common shareholders of Mitsubishi UFJ Financial Group	74.16	69.98	107.50

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥1,531.1 billion for the fiscal year ended March 31, 2015, an increase of ¥515.7 billion from ¥ 1,015.4 billion for the fiscal year ended March 31, 2014. Domestic net income attributable to Mitsubishi UFJ Financial Group was ¥410.7 billion, and foreign net income attributable to Mitsubishi UFJ Financial Group was ¥1,120.4 billion, for the fiscal year ended March 31, 2015. Asia and Oceania excluding Japan, Europe, the United States, and other areas including Canada, Latin America, the Caribbean and the Middle East contributed ¥358.6 billion, ¥309.8 billion, ¥187.3 billion and ¥ 264.7 billion, respectively, to foreign net income.

For the fiscal year ended March 31, 2015, our domestic revenue, which consists of interest income and non-interest income attributable to our operations in Japan, was ¥3,016.4 billion, while our total foreign revenue, which consists of interest income and non-interest income attributable to our operations outside of Japan, was ¥2,723.3 billion, with revenue attributable to our operations in Asia and Oceania excluding Japan contributing ¥1,087.4 billion, the United States contributing ¥715.5 billion, and Europe contributing ¥521.4 billion. As a percentage of total revenue, domestic revenue decreased to 52.6% for the fiscal year ended March 31, 2015 from 71.6% for the previous fiscal year.

More specifically, our net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2015 mainly reflected the following:

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

the amount of interest-earning assets,

the amount of interest-bearing liabilities,

the general level of interest rates,

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

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

Net interest income for the fiscal year ended March 31, 2015 was ¥ 2,231.5 billion, an increase of ¥270.2 billion from ¥1,961.3 billion for the fiscal year ended March 31, 2014. Interest income increased ¥372.3 billion while interest expense increased only ¥102.1 billion. The increase in interest income reflected higher interest income from foreign loans, foreign currency denominated investment securities and deposits in central banks primarily due to increased volumes of these assets as well as improved average interest rates on foreign loans. These increases were partially offset by a decrease in interest income from domestic loans due to lower interest rates and intensified competition among lending institutions, and a decrease in interest income from foreign trading account assets due to our reduced holding of such securities. The increase in interest expense reflected higher interest payments on foreign deposits due to an increased balance of such deposits as well as higher interest rates on such deposits reflecting the impact of the consolidation of Krungsri, and larger long-term debt primarily reflecting an increase in the balance of borrowings with longer maturities despite the lower interest rates on such long-term debt.

The average interest spread increased 0.01 percentage points to 0.90% for the fiscal year ended March 31, 2015 from 0.89% for the fiscal year ended March 31, 2014, reflecting an increase in the average interest rate for interest-earning assets, particularly foreign loans, and a comparatively limited increase in the average interest rate on interest-bearing liabilities.

The following table shows changes in our net interest income by changes in volume and by changes in rates for the fiscal year ended March 31, 2014 compared to the fiscal year ended March 31, 2013, and the fiscal year ended March 31, 2015 compared to the fiscal year ended March 31, 2014:

	Fiscal Year Ended March 31, 2013 versus Fiscal Year Ended March 31, 2014			Fiscal Year Ended March 31, 2014 versus Fiscal Year Ended March 31, 2015		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume(1)	Rate(1)	Net change	Volume(1)	Rate(1)	Net change
	(in millions)					
Domestic	¥ (22,455)	¥ (48,533)	¥ (70,988)	¥ (23,228)	¥ 17,836	¥ (5,392)
Foreign	254,092	(92,896)	161,196	194,317	81,225	275,542
Total	¥ 231,637	¥ (141,429)	¥ 90,208	¥ 171,089	¥ 99,061	¥ 270,150

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

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The following table is a summary of the amount of interest-earning assets and interest-bearing liabilities, average interest rates, the interest rate spread and non-interest-bearing liabilities for the fiscal years ended March 31, 2013, 2014 and 2015:

	Fiscal years ended March 31,					
	2013		2014		2015	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
	(in billions, except percentages)					
Interest-earning assets:						
Domestic	¥ 134,759.6	0.95%	¥ 135,087.3	0.87%	¥ 146,830.0	0.79%
Foreign	59,064.7	1.95	77,089.0	1.75	90,417.7	1.92
Total	¥ 193,824.3	1.25%	¥ 212,176.3	1.19%	¥ 237,247.7	1.22%
Financed by:						
Interest-bearing liabilities:						
Domestic	¥ 135,974.9	0.21%	¥ 141,878.0	0.18%	¥ 151,998.8	0.16%
Foreign	37,424.6	0.73	47,535.3	0.64	58,102.5	0.73
Total	173,399.5	0.32	189,413.3	0.30	210,101.3	0.32
Non-interest-bearing liabilities	20,424.8		22,763.0		27,146.4	
Total	¥ 193,824.3	0.29%	¥ 212,176.3	0.26%	¥ 237,247.7	0.28%
Interest rate spread		0.93%		0.89%		0.90%
Net interest income as a percentage of total interest-earning assets		0.97%		0.92%		0.94%

Provision (credit) 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. When there is an improvement in asset quality, credit for credit losses is recorded to reduce the allowance for credit losses to an appropriate level. For the fiscal year ended March 31, 2015, we recorded ¥ 87.0 billion of provision for credit losses, compared to credit for credit losses of ¥106.4 billion for the previous fiscal year. The provision for credit losses recorded for the fiscal year ended March 31, 2015 mainly reflected significant deterioration in the operational and financial performance of a large borrower in the domestic electronics manufacturing industry. The credit for credit losses recorded for the previous fiscal year primarily reflected improvements in the repayment ability of a substantial number of large borrowers, resulting in upgrades of their borrower ratings.

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

- fees and commissions income, including:
  - fees and commissions on deposits,
  - fees and commissions on remittances and transfers,
  - fees and commissions on foreign trading business,

fees and commissions on credit card business,

fees and commissions on security-related services,

fees and commissions on administration and management services for investment funds,

trust fees,

guarantee fees,

insurance commissions,

fees and commissions on real estate business, and

other fees and commissions,

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foreign exchange gains (losses) net, which include foreign exchange gains (losses) related to derivative contracts (for example, foreign exchange gains (losses) on currency derivatives), foreign exchange gains (losses) on other than derivative contracts (for example, gains (losses) on foreign exchange transactions), and foreign exchange gains (losses) related to the fair value option (for example, foreign exchange gains (losses) on securities under the fair value option),

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

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

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

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

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

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

gains on sales of loans, and

other non-interest income.

The following table is a summary of our non-interest income for the fiscal years ended March 31, 2013, 2014 and 2015:

	Fiscal years ended March 31,		
	2013	**2014**	**2015**
		(in billions)	
Fees and commissions income	¥ 1,160.9	¥ 1,294.1	¥ 1,401.0
Foreign exchange losses net	(39.0)	(61.8)	(113.1)
Trading account profits (losses) net	570.3	(33.9)	1,148.7
Investment securities gains net	156.0	303.5	154.7
Equity in earnings of equity method investees net	60.2	110.5	172.9
Gains on sales of loans	14.8	17.7	15.0
Government grant for transfer of substitutional portion of Employees Pension Fund Plans		115.2	
Other non-interest income	144.8	75.7	65.9
Total non-interest income	¥ 2,068.0	¥ 1,821.0	¥ 2,845.1

Fees and commissions income for the fiscal year ended March 31, 2015 was ¥ 1,401.0 billion, an increase of ¥106.9 billion from ¥1,294.1 billion for the fiscal year ended March 31, 2014. The increase reflected a positive impact of the consolidation of Krungsri especially in fees and commissions on remittances and transfers, credit card business, insurance business, and administration and management services for investment funds.

Net foreign exchange losses for the fiscal year ended March 31, 2015 were ¥ 113.1 billion, compared to ¥61.8 billion of net foreign exchange losses for the fiscal year ended March 31, 2014. This was mainly due to lower net foreign exchange gains related to the fair value option. The Japanese yen depreciated against almost all the major foreign currencies in the fiscal year ended March 31, 2014, and while the Japanese yen generally remained on a depreciating trend against other major currencies in the fiscal year ended March 31, 2015, the rate of depreciation was smaller particularly against the U.S. dollar and the depreciating trend reversed against the euro for extended periods. The decrease was partially offset by lower foreign exchange losses on other than derivative contracts.

We recorded net trading account profit of ¥ 1,148.7 billion for the fiscal year ended March 31, 2015, compared to net trading account losses of ¥33.9 billion for the previous fiscal year. This was attributable to higher fair values of foreign bonds, including U.S. Treasury bonds, due to a decrease in interest rates in the United States. The improvement was also attributable to higher fair values of German and French government bonds as our banking subsidiaries increased their holdings of such bonds and interest rates in Europe decreased due to stagnant economic conditions in the region. The trading business in our securities subsidiaries also contributed to the improvement.

Net investment securities gains for the fiscal year ended March 31, 2015 were ¥ 154.7 billion, a decrease of ¥148.8 billion from ¥303.5 billion for the fiscal year ended March 31, 2014. The decrease was partly attributed to a decrease in net gains on sales of available-for-sale debt securities, reflecting reduced volumes of sales of Japanese government bonds mainly in our commercial banking subsidiaries, compared to the previous fiscal year when we decreased our holdings of such bonds as part of our asset and liability management and interest rate risk management measures. The decrease was also due to lower net gains on sales of preferred securities, compared to the previous fiscal year when our banking subsidiaries reported higher gains on sales of preferred securities related to a specific customer.

Net equity in earnings of equity method investees for the fiscal year ended March 31, 2015 was ¥ 172.9 billion, compared to ¥110.5 billion for the previous fiscal year, mainly due to higher earnings of our equity method investees such as Morgan Stanley.

Non-interest expense. Non-interest expense consists of:

- salaries and employee benefits, which include the amount of money paid as salaries and bonuses as well as the cost of fringe-benefits,
- occupancy expenses net, which include the amount of money paid as rents for offices and other facilities,
- fees and commissions expenses, which include the amount of money paid as fees and commissions on services received,
- outsourcing expenses, including data processing, which include the amount of money paid for the outsourcing services, including IT-related services,
- depreciation of premise and equipment, which includes the depreciation of the value of buildings, equipment and furniture through the passage of time,
- amortization of intangible assets, which includes the amount of deductions of the cost of investments in software and other intangible assets over their estimated useful lives,

impairment of intangible assets, which includes the amount of reductions in the carrying amounts of intangible assets with indefinite useful lives in excess of their fair values,

insurance premiums, including deposits insurance, which include the amount of money paid as the insurance premiums including the deposit insurance premiums paid to the Deposit Insurance Corporation of Japan, communications, which include the amount of money paid for communications such as postal services and telecommunications,

taxes and public charges, which include the amount of tax payments and other public charges,

provision for repayment of excess interest, which includes the amount of money reserved for the estimated amount of repayment of excess interest payments received in our consumer finance and credit card subsidiaries,

impairment of goodwill, which includes the amount of reductions in the carrying amount of goodwill recorded in connection with the acquisition of companies in excess of its fair value, and

other non-interest expenses.

The following table is a summary of our non-interest expense for the fiscal years ended March 31, 2013, 2014 and 2015:

	Fiscal years ended March 31,		
	2013	2014	2015
		(in billions)	
Salaries and employee benefits	¥ 932.4	¥ 1,029.6	¥ 1,097.5
Occupancy expenses net	151.1	158.4	168.7
Fees and commission expenses	209.8	222.0	248.1
Outsourcing expenses, including data processing	198.1	216.7	241.7
Depreciation of premises and equipment	94.0	103.7	108.6
Amortization of intangible assets	207.6	198.1	222.4
Impairment of intangible assets	3.4	0.3	0.7
Insurance premiums, including deposit insurance	98.7	101.1	115.5
Communications	47.1	50.9	54.7
Taxes and public charges	66.9	69.5	96.6
Other non-interest expenses	369.6	318.0	372.4
Total non-interest expense	¥ 2,378.7	¥ 2,468.3	¥ 2,726.9

Non-interest expense for the fiscal year ended March 31, 2015 was ¥2,726.9 billion, an increase of ¥258.6 billion from ¥2,468.3 billion for the fiscal year ended March 31, 2014. This increase was partly attributable to an increase in salaries and employee benefits as well as an increase in other non-interest expenses, reflecting BTMU s payment of $315 million, or ¥34.5 billion, to the DFS. See Recent Developments.

Core Business Groups

We operate our main businesses under an integrated business group system. This integrates the operations of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries in the following five groups Retail, Corporate, Trust Assets, Global, and Global Markets, each of which is treated as a business segment. These five businesses serve as the core sources of our revenue. For the fiscal year ended March 31, 2015, in addition to these five integrated business groups, Krungsri, our banking subsidiary in Thailand, was treated as a business segment. Operations that were not covered under the integrated business group system and Krungsri, which mainly consists of the corporate center of MUFG, BTMU, MUTB and MUMSS and the elimination of net revenues among business segments, were classified under Other. For further information, see A. Operating Results Business Segment Analysis.

Our business segment information is based on financial information prepared in accordance with Japanese GAAP, as adjusted in accordance with internal management accounting rules and practices and is not consistent

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with our consolidated financial statements included elsewhere in this Annual Report, which have been prepared in accordance with U.S. GAAP. For information on a reconciliation of operating profit under our internal management reporting system to income before income tax expense shown on the consolidated statements of income, see Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

The following table sets forth the relative contributions to operating profit for the fiscal year ended March 31, 2015 of the five core business groups, Krungsri and other based on our business segment information:

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group	Integrated Trust Assets Business Group	Integrated Global Business Group			Krungsri	Integrated Global Markets Business Group	Other	Total
				Other than MUAH	MUAH	Total				
	(in billions)									
Net revenue	¥1,311.3	¥ 965.2	¥ 172.2	¥ 668.6	¥ 442.4	¥ 1,111.0	¥ 240.3	¥ 609.4	¥ (22.5)	¥ 4,386.9
Operating expenses	964.2	448.1	102.1	341.0	298.1	639.1	123.7	191.3	243.0	2,711.5
Operating profit (loss)	¥ 347.1	¥ 517.1	¥ 70.1	¥ 327.6	¥ 144.3	¥ 471.9	¥ 116.6	¥ 418.1	¥ (265.5)	¥ 1,675.4

Summary of Our Recent Financial Condition

The following table presents some key asset figures:

	As of March 31, 2014	As of March 31, 2015
	(in trillions)	
Total assets	¥ 253.66	¥ 280.89
Net loans	109.18	117.21
Loans, net of unearned income, unamortized premiums and deferred loan fees	110.28	118.27
Allowance for credit losses	(1.10)	(1.06)
Investment securities	55.33	52.21
Available-for-sale securities	51.89	47.49
Held-to-maturity securities	2.71	4.13
Trading account assets	40.65	46.90
Trading securities	28.84	30.18
Trading derivative assets	11.81	16.72
Interest-earning deposits in other banks	20.50	37.36

Total assets as of March 31, 2015 were ¥ 280.89 trillion, an increase of ¥27.23 trillion from ¥253.66 trillion as of March 31, 2014. Between March 31, 2014 and March 31, 2015, domestic assets increased ¥10.47 trillion to ¥169.28 trillion, and foreign assets increased ¥16.76 trillion to ¥111.61 trillion.

Total loans outstanding as of March 31, 2015 were ¥ 118.27 trillion, an increase of ¥7.99 trillion from ¥110.28 trillion as of March 31, 2014. This increase was due to an increase in foreign loans, particularly loans booked at MUB in the United States and at Krungsri in Thailand, mainly due to stronger demand for funds and the depreciation of the Japanese yen against the U.S. dollar. The balance of domestic loans slightly decreased between March 31, 2014 and 2015.

Total allowance for credit losses as of March 31, 2015 was ¥ 1,055.5 billion, a decrease of ¥38.9 billion from ¥1,094.4 billion as of March 31, 2014. The decrease was primarily because the repayment ability of a number of large borrowers and a substantial portion of smaller borrowers in the Commercial segment improved, resulting in upgrades of their borrower ratings, and a substantial portion of borrowers in the Residential segment became current with their payments.

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Total investment securities as of March 31, 2015 were ¥ 52.21 trillion, a decrease of ¥3.12 trillion from ¥55.33 trillion as of March 31, 2014. This was mainly due to a decrease in our holding of Japanese government bonds primarily in response to the Bank of Japan s monetary policy and measures to purchase such bonds in the market to stimulate the economy by increasing liquidity, and also as part of our asset and liability management. These decreases were partially offset by an increase in marketable equity securities in our banking and securities subsidiaries, primarily reflecting higher equity prices. In addition, our commercial banking subsidiaries increased their holdings of held-to-maturity Japanese government bonds to manage the interest rate fluctuation risk primarily relating to core deposits.

Trading account assets as of March 31, 2015 were ¥ 46.90 trillion, compared to ¥40.65 trillion as of March 31, 2014. Of the ¥ 6.25 trillion of increase in trading account assets, ¥1.34 trillion was attributable to an increase in trading securities due to the purchase of foreign currency denominated bonds, especially those denominated in euro, while ¥4.91 trillion was attributable to an increase in trading derivative assets. Increases in trading derivative assets were mainly attributable to an increase in the fair values of interest rate related derivatives in our commercial banking and securities subsidiaries, and to an increase in the notional amount of foreign exchange related derivatives in our banking subsidiaries.

Interest-earning deposits in other banks as of March 31, 2015 were ¥ 37.36 trillion, an increase of ¥16.86 trillion from ¥20.50 trillion as of March 31, 2014 mainly due to increased interest-earning deposits with the Bank of Japan and the FRB. A significant portion of the cash received as a result of our sale of Japanese government bonds was deposited with the Bank of Japan. Similarly, a significant portion of the cash received as a result of our sale of U.S. Treasury bonds was deposited with the FRB.

The following table presents some key liability figures:

	As of March 31,	
	2014	2015
	(in trillions)	
Total liabilities	¥ 240.91	¥ 265.61
Total deposits	162.52	171.99
Domestic	121.51	125.80
Overseas	41.01	46.19
Payables under repurchase agreements	21.27	20.73
Other short-term borrowings	11.11	11.55
Trading account liabilities	11.98	17.03
Long-term debt	14.50	19.97

Total liabilities as of March 31, 2015 were ¥ 265.61 trillion, an increase of ¥24.70 trillion from ¥240.91 trillion as of March 31, 2014.

Total deposits as of March 31, 2015 were ¥ 171.99 trillion, an increase of ¥9.47 trillion from ¥162.52 trillion as of March 31, 2014. This was mainly due to a higher balance of interest-bearing deposits in Japan, the United States at MUAH, and Thailand at KS.

Trading account liabilities as of March 31, 2015 were ¥ 17.03 trillion, compared to ¥11.98 trillion as of March 31, 2014, as the fair values of interest rate-related and currency-related trading derivatives increased in our commercial banking and securities subsidiaries, and as the fair value of foreign exchange-related trading derivatives in our banking subsidiaries also increased.

Long-term debt as of March 31, 2015 was ¥ 19.97 trillion, an increase of ¥5.47 trillion from ¥14.50 trillion as of March 31, 2014. This primarily reflected increased long-term borrowings in our banking subsidiaries and issuances of bonds by us and by our banking subsidiaries to diversify our funding sources. The Basel III-compliant bonds that MUFG issued were also included in long-term debt.

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Shareholders Equity

The following table presents some key shareholders equity figures:

	As of March 31,	
	2014	2015
	(in trillions)	
Total Mitsubishi UFJ Financial Group shareholders equity	¥ 12.21	¥ 14.68
Retained earnings	2.40	3.66
Accumulated other comprehensive income, net of taxes	1.36	3.07

Capital Ratio

The following tables present our risk-adjusted capital ratios in accordance with Basel III as of March 31, 2014 and 2015. 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 figures in the tables below are rounded down.

Common Equity Tier 1 Capital

	As of March 31,	
	2014	2015
Minimum Common Equity Tier I Capital	4.00%	4.50%
MUFG (consolidated)	11.25	11.14
BTMU (consolidated)	11.05	10.88
BTMU (stand-alone)	11.88	11.90
MUTB (consolidated)	14.21	14.70
MUTB (stand-alone)	13.72	14.35

Tier 1 Capital

	As of March 31,	
	2014	2015
Minimum Tier I Capital	5.50%	6.00%
MUFG (consolidated)	12.45	12.62
BTMU (consolidated)	12.21	12.33
BTMU (stand-alone)	13.74	13.54
MUTB (consolidated)	14.76	15.26
MUTB (stand-alone)	14.37	14.90

Total Capital

	As of March 31,	
	2014	**2015**
Minimum Total Capital	8.00%	8.00%
MUFG (consolidated)	15.53	15.68
BTMU (consolidated)	15.57	15.61
BTMU (stand-alone)	17.52	17.23
MUTB (consolidated)	18.38	19.15
MUTB (stand-alone)	18.51	19.16

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Business Environment

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 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,
- foreign currency exchange rates, and
- stock and real estate prices.

The global economy lacked strong momentum during the fiscal year ended March 31, 2015. Although gradually improving trends in Japan and the United States generally continued, recovery in Europe and in other Asian countries was limited.

In Japan, since the introduction of the Abenomics policy at the end of the calendar year 2012 and the Bank of Japan s quantitative and qualitative monetary easing policy in April 2013 and its expansion in October 2014, the Japanese yen has depreciated against the U.S. dollar. This has generally had a positive effect on the Japanese economy while concerns still remain over the effectiveness of the government s economic measures in the longer-term. In the United States, stock, land and housing prices gradually improved while the FRB maintained its zero-interest rate policy, a policy to maintain the federal funds target rate between zero and 0.25%. However, uncertainty remains as to whether the improving trends would continue if, for example, the FRB raises the policy interest rate. Eurozone GDP growth turned positive in the quarter ended June 30, 2013 for the first time in seven quarters and it has maintained a positive growth for the eight consecutive quarters since then, but the rate of economic recovery in the region has remained slow and there is uncertainty over the Greek sovereign debt problem.

Economic Environment in Japan

In the fiscal year ended March 31, 2015, Japan s economic recovery remained slow with negative or low GDP growth as private spending declined after the Abe administration increased the consumption tax rate to 8% from 5% in April 2014. In financial markets, long-term interest rates generally decreased, while the equity market maintained an upward trend for the twelve-month period. In the foreign exchange market, the Japanese yen continued to depreciate mainly against the U.S. dollar during the same period. There remains significant uncertainty surrounding the future of the Japanese economy despite the economic stimulus measures implemented by the Japanese government and the monetary policy maintained by the Bank of Japan, including the decision to postpone the effective date of the additional increase in the consumption tax rate to 10% until April 2017, as the consumer price inflation rate has been declining.

In October 2014, the Bank of Japan further expanded its anti-deflation monetary measures under the quantitative and qualitative monetary easing policy, which included:

money market operations with an aim to increase Japan s monetary base by approximately ¥80 trillion per annum (representing an addition of about ¥10 trillion to ¥20 trillion to the previous target);

market purchases of Japanese government bonds with an aim to increase the Bank of Japan s aggregate holding of such bonds by approximately ¥80 trillion per annum (representing an addition of about ¥30 trillion to the previous target) and shifting the target average remaining maturity of the bonds purchased by the Bank of Japan to approximately seven to ten years (representing an increase of about three years from the previous target); and

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purchases of exchange-traded funds and Japanese real estate investment trusts with an aim to increase the Bank of Japan s aggregate holdings of such funds and trusts by about ¥3 trillion per annum (representing an increase of three times the previous target) and ¥90 billion per annum (representing an increase of three times the previous target), respectively.

As the Bank of Japan continued to supply cash to the market through its purchase of Japanese government bonds, interest rates remained at historic low levels and the Japanese yen depreciated against the U.S. dollar, contributing to increases in stock prices and real estate purchases.

In December 2014, following the general election, the Abe administration introduced a supplemental budget of ¥3.5 trillion aiming to revitalize the Japanese economy by focusing on the following four areas: support of households and companies, stimulation of regional economies in Japan, recovery from natural disasters including the Great East Japan Earthquake in March 2011, and measures to recreate a stable and virtuous cycle of activities within the Japanese economy.

The following table sets forth the seasonally adjusted growth rates of Japan s real GDP and its components on a quarter-on-quarter basis for the periods indicated:

	Calendar Year											(Unit: %)
	2012			2013				2014				2015
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Gross Domestic Product	(0.5)	(0.4)	(0.1)	1.3	0.7	0.5	(0.2)	1.1	(1.7)	(0.5)	0.3	1.0
Private Consumption	0.7	(0.3)	0.1	1.2	0.9	0.3	(0.2)	2.1	(5.1)	0.4	0.4	0.4
Private Residential Investment	4.2	2.8	1.3	0.8	1.5	4.6	2.9	2.0	(10.8)	(6.4)	(0.6)	1.7
Private Non-Residential Investment	0.8	(1.0)	(0.2)	(1.7)	2.6	0.8	1.5	5.1	(4.8)	0.1	0.3	2.7
Government Consumption	(0.4)	0.4	0.7	0.9	0.6	(0.1)	0.0	(0.3)	0.3	0.2	0.3	0.1
Public Investment	(1.6)	(3.4)	(0.7)	5.7	2.9	5.1	0.1	(0.9)	0.7	1.6	0.1	(1.5)
Exports	(0.4)	(3.8)	(3.6)	4.0	3.0	(0.4)	0.1	6.1	(0.0)	1.6	3.2	2.4
Imports	1.9	(0.6)	(2.3)	1.1	2.4	1.8	3.1	6.6	(5.2)	1.1	1.4	2.9

Source: Cabinet Office, Government of Japan

Private consumption was negatively impacted by the consumption tax rate increase in April 2014. The negative impact weakened after the six months ended September 31, 2014, and private non-residential investment showed signs of recovery beginning in the third quarter of 2014. Exports showed consistent growth, reflecting increased global IT-related demand from the United States and newly industrialized economies and the depreciation of the Japanese yen. Housing investments continued to decline through the nine months ended December 31, 2014, until they began to stabilize in 2015. Public investment had been positive since 2013 except for the first quarter in 2014, but turned negative in the quarter ended March 31, 2015.

The following table sets forth the growth rates of Japan s nationwide consumer price indices on a year-on-year basis for the periods indicated:

	Calendar Year													(Unit: %)
	2014									2015				
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Consumer Price Index	3.4	3.7	3.6	3.4	3.3	3.2	2.9	2.4	2.4	2.4	2.2	2.3	0.6	0.5

Source: Ministry of Internal Affairs and Communications of Japan

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The following table sets forth Japan s nationwide unemployment rates for the periods indicated:

	Calendar Year													(Unit: %)
					2014							2015		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Unemployment Rate	3.6	3.6	3.7	3.7	3.5	3.6	3.5	3.5	3.4	3.6	3.5	3.4	3.3	3.3

Source: Ministry of Internal Affairs and Communications of Japan

The Bank of Japan has sought to keep short-term interest rates low by maintaining its quantitative and qualitative monetary easing policy in recent periods. Long-term interest rates remained under downward pressure in recent periods with some fluctuations during the twelve months ended March 31, 2015 due to factors such as the economic conditions in the United States, Eurozone countries and China, including interest rate fluctuations, geopolitical issues in Ukraine and the Middle East, the debt crisis in Greece, and the slowdown of Japan s economic growth.

The following chart shows the interest rate trends in Japan since April 2013:

Source: Bank of Japan

The closing price of the Nikkei Stock Average, which is the average of 225 blue chip stocks listed on the Tokyo Stock Exchange, was on an upward trend during the twelve months ended March 31, 2015. In the six months ended September 30, 2014, the Nikkei Stock Average fluctuated between approximately ¥14,000 and ¥15,500 from April 2014 to August 2014 and increased to an intra-day high of ¥16,374.14 on September 25, 2014. The upward trend has since continued, particularly in response to the Bank of Japan s expansion of the quantitative and qualitative monetary easing policy in October 2014 and the depreciation of the Japanese yen against the U.S. dollar, reaching approximately ¥20,000 by April 2015, the highest since the 2008 financial crisis. The Tokyo Stock Price Index, generally referred to as TOPIX, a composite index of all stocks listed on the First Section of the Tokyo Stock Exchange, has followed similar trends since April 2014.

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The following chart shows the daily closing price of the Nikkei Stock Average since April 2013:

The Japanese yen fluctuated around ¥102 to the U.S. dollar from April 2014 to mid-August 2014. In September 2014, the Japanese yen declined to approximately ¥110 against U.S. dollar with a growing market expectation for further monetary easing by the Bank of Japan. After the announcement of the expansion of monetary easing in October 2014, the Japanese yen depreciated rapidly to around ¥120 to the U.S. dollar in early December 2014. Since April 2015, the Japanese yen has fluctuated between approximately ¥120 and ¥125 to the U.S. dollar.

The following chart shows the foreign exchange rates expressed in Japanese yen per U.S. dollar since April 2013:

Source: Bank of Japan

The Japanese yen was on an appreciating trend against the euro from April to October 2014. The exchange rate was around ¥135 to the euro in mid-October 2014, down from nearly ¥143 to the euro in April 2014. The Japanese yen depreciated against the euro as the Japanese yen was sold against other major currencies following the Bank of Japan s announcement of the additional anti-deflation measures in October 2014. By the end of December 2014, the exchange rate reached nearly ¥150 to the euro. The trend reversed in January 2015 as concerns over the European economy and geopolitical events in Europe grew and the European Central Bank, or

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the ECB, announced its decision to introduce quantitative monetary easing, with the exchange rate falling to below ¥130 to the euro in March 2015. Since April 2015, the Japanese yen has fluctuated between approximately ¥130 and ¥140 to the euro.

According to a land price survey conducted by the Japanese government, the average residential land price in Japan declined 0.4% between January 1, 2014 and January 1, 2015. The average commercial land price in Japan was unchanged during the same period. In the three major metropolitan areas of Tokyo, Osaka and Nagoya, the average residential land price increased 0.4% between January 1, 2014 and January 1, 2015, while the average commercial land price in those areas increased 1.8% during the same period. In the local regions of Japan, which consist of regions other than the three major metropolitan areas, the average residential land price declined 1.1% between January 1, 2014 and January 1, 2015, and the average commercial land price also declined 1.4% during the same period.

According to Teikoku Databank, a Japanese research institution, the number of companies that filed for legal bankruptcies in Japan from April 2014 to March 2015 was 9,044, a decrease of 10.5% from the previous fiscal year. The total debt size of companies that filed for legal bankruptcy in Japan in the twelve months ended March 31, 2015 was ¥1,887.0 billion, a decrease of 31.3% from the previous fiscal year. The decrease was mainly due to the positive effects of the Japanese government s economic stimulus measures. Higher exports also contributed to the decrease in the number of bankruptcies in the manufacturing and wholesale sectors.

International Financial Markets

International economies generally demonstrated signs of recovery in the fiscal year ended March 31, 2015, particularly in developed economies. The U.S. economy showed continued growth through the nine months ended December 31, 2014, reflecting increases in personal consumption and private domestic residential investment influenced by historic low policy interest rates, but began to show signs of a slowdown in the quarter ended March 31, 2015. The Eurozone economy has also shown a moderate recovery, and the rate of growth, which was declining in the six months ended September 30, 2014, stabilized in the second half of the fiscal year. However, there is significant uncertainty regarding the future of the Eurozone economy because of uncertainty over the Greek sovereign debt problem, including its impact on financial markets on a global basis. The Chinese economy maintained stable growth but at a low rate, reflecting the problem of excess production capacity faced by manufacturers. Emerging economies continued to lack momentum, as they were negatively affected by declining commodity prices.

U.S. Economy

The following table sets forth the growth rates of U.S. real gross domestic product, or GDP, and its components on a quarter-on-quarter basis for the periods indicated:

	Calendar Year											(Unit: %)
		2012			2013				2014			2015
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Gross Domestic Product	1.6	2.5	0.1	2.7	1.8	4.5	3.5	(2.1)	4.6	5.0	2.2	(0.2)
Personal Consumption Expenditures	1.3	1.9	1.9	3.6	1.8	2.0	3.7	1.2	2.5	3.2	4.4	2.1
Gross Private Domestic Investment	5.8	1.6	(5.3)	7.6	6.9	16.8	3.8	(6.9)	19.1	7.2	3.7	2.4
Fixed Investment	4.4	3.1	6.6	2.7	4.9	6.6	6.3	0.2	9.5	7.7	4.5	(0.3)
Non-residential	4.4	0.8	3.6	1.5	1.6	5.5	10.4	1.6	9.7	8.9	4.7	(2.0)
Residential	4.3	14.1	20.4	7.8	19.0	11.2	(8.5)	(5.3)	8.8	3.2	3.8	6.5
	(0.4)	2.7	(6.0)	(3.9)	0.2	0.2	(3.8)	(0.8)	1.7	4.4	(1.9)	(0.6)

Government Consumption Expenditures and Gross Investment												
Exports	4.8	2.1	1.5	(0.8)	6.3	5.1	10.0	(9.2)	11.1	4.5	4.5	(5.9)
Imports	4.0	(0.6)	(3.5)	(0.3)	8.5	0.6	1.3	2.2	11.3	(0.9)	10.4	7.1

Source: U.S. Department of Commerce Bureau of Economic Analysis

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The U.S. real GDP declined by 0.2% in the first quarter of 2015, falling for the first time since April 2014. Although personal consumption expenditures maintained positive growth, gross private non-residential investment and exports marked negative growth reflecting the strong U.S. dollar and a sharp decline in oil prices.

The Consumer Price Index for All Urban Consumers, or CPI-U, declined 0.1% before seasonal adjustment over the 12 months ended March 31, 2015. Month on month seasonally adjusted CPI-U was generally positive, but was negative 0.3% in November and December 2014 and negative 0.7% in January 2015, reflecting declining oil prices.

Housing prices showed a 5.2% improvement during the fiscal year ended March 31, 2015. As of March 2015, the Federal Housing Finance Agency s U.S. house price index recorded its fifteenth consecutive quarterly price increase in the purchase-only, seasonally adjusted index. This also marked the thirteenth consecutive quarter where the purchase-only house price index showed an increase compared to the same quarter of the previous year.

Interest rates on U.S. Treasury bonds generally decreased during the twelve months ended March 31, 2015, despite the tapering of the monetary easing policy. The yield on 10-year U.S. Treasury bonds decreased to below 1.7% in January 2015 from 2.7% on March 31, 2014, influenced in part by lower commodity prices and heightened global geopolitical concerns. The yield began rising again in February 2015, and has since fluctuated between approximately 1.8% and 2.4% in light of a heightened market expectation for the FRB s decision to raise policy interest rates.

Stock prices in the United States were on a generally improving trend during the fiscal year ended March 31, 2015, with the Dow Jones Industrial Average rising from around $16,500 in April 2014 to over $18,000 in March 2015. During the same period, the NASDAQ composite index was also on an upward trend, rising from around 4,000 to approximately 5,000. Subsequently, stock prices reached historical high levels as the U.S. economy showed signs of gradual growth, reflecting improved economic conditions supported by increased private consumption and lower unemployment rates.

The following table sets forth U.S. unemployment rates on a month-on-month basis for the periods indicated:

	Calendar Year														(Unit: %)
	2014									2015					
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Unemployment Rate	6.2	6.3	6.1	6.2	6.1	5.9	5.7	5.8	5.6	5.7	5.5	5.5	5.4	5.5	5.3

Source: United States Department of Labor, Bureau of Labor Statistics, BLS Information

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Eurozone Economy

The following table sets forth the growth rates of Eurozone real gross domestic product and its main expenditure components on a quarter-on-quarter basis for the periods indicated:

	Calendar Year											(Unit: %)
	2012			2013				2014				2015
	2Q	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**
Gross Domestic Product	(0.3)	(0.1)	(0.3)	(0.4)	0.4	0.2	0.3	0.2	0.1	0.2	0.4	0.4
Private Final Consumption	(0.4)	(0.1)	(0.5)	(0.3)	0.2	0.2	0.0	0.3	0.3	0.5	0.4	0.5
Gross Fixed Capital Formation	(1.1)	(1.0)	(0.4)	(2.2)	0.8	0.7	0.5	0.5	(0.5)	0.1	0.4	0.8
Government Final Consumption	(0.1)	(0.1)	0.0	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.1	0.6
Exports	0.8	0.8	(0.8)	0.4	1.6	0.5	0.8	0.5	1.3	1.4	0.8	0.6
Imports	(0.3)	0.2	(0.7)	0.0	1.4	1.6	0.2	0.7	1.3	1.7	0.8	1.2

Source: European Central Bank Eurosystem

The Eurozone s economic growth remained weak during the twelve months ended March 31, 2015, with low GDP growth rates. Although exports showed stronger growth reflecting the depreciation of the euro against other major currencies, there was limited growth in the domestic sector. In addition, there is significant uncertainty over the Greek sovereign debt problem. Financial markets remain closely attuned to the risks relating to the problem.

In January 2015, the ECB announced a decision to launch an expanded asset purchase program to purchase 60 billion in assets monthly, including government and private sector bonds, and to be carried out until the end of September 2016. The ECB is expected to provide more than 1.0 trillion for quantitative easing aimed at revitalizing the Eurozone economy and countering the risk of deflation.

Eurozone long-term interest rates, including German Bunds and French Obligations Assimilables du Tre´sor, or OATs, were generally on decreasing trends during the twelve months ended March 31, 2015. The yield on 10-year German Bunds decreased significantly, dropping 139 basis points from 1.57% on March 31, 2014 to 0.18% on March 31, 2015, reflecting a market expectation of the ECB s decision to introduce quantitative easing. Since April 2015, the yield on 10-year German Bunds has rebounded and fluctuated between approximately 0.5% and 1.0%. The yield on 10-year French OATs has followed a similar trend.

The following table sets forth Eurozone unemployment rates on a month-on-month basis for the periods indicated:

	Calendar Year													(Unit: %)
	2014									2015				
	Apr.	**May**	**Jun.**	**Jul.**	**Aug.**	**Sep.**	**Oct.**	**Nov.**	**Dec.**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**
Unemployment Rate	11.7	11.7	11.6	11.6	11.5	11.5	11.5	11.5	11.4	11.3	11.2	11.2	11.1	11.1

Source: European Central Bank Eurosystem

The unemployment rate gradually recovered during the fiscal year ended March 31, 2015. The unemployment rate for May 2015 was 11.1%, the lowest in the last twelve months.

Recent Developments

During the fiscal year ended March 31, 2015, we continued to pursue global growth opportunities, including opportunities to expand our business in Southeast Asia and the operations of MUB in the United States. We plan to continue to selectively review and consider growth opportunities that will enhance our global competitiveness. We will monitor regulatory developments and pursue prudent transactions that will create a strong capital structure to enable us to contribute to the real economy, both domestically and globally, as a provider of a stable source of funds and high quality financial services. In order to respond to the increasingly complex market and legal risks, we continue to endeavor to enhance our compliance and internal control frameworks.

Integration of Bank of Ayudhya and BTMU Bangkok Branch

In January 2015, BTMU integrated its Bangkok Branch with Krungsri through a contribution in kind of the BTMU Bangkok Branch business to Krungsri. In connection with this transaction, Krungsri issued 1,281,618,026 common shares to BTMU, which increased BTMU s ownership interest in Krungsri to 76.88%. Previously, in December 2013, BTMU acquired a 72.01% ownership interest in Krungsri. The integration was completed pursuant to a Conditional Branch Purchase Agreement that BTMU and Krungsri entered into in September 2013 to comply with the Thai regulatory requirement generally referred to as the one presence policy, which limits financial conglomerates to a single licensed deposit taking entity in Thailand.

Integration of BTMU s Operations in the Americas with UNBC s Operations

Effective July 1, 2014, we integrated BTMU s operations in the Americas region with the operations of UnionBanCal Corporation, or UNBC, which is a wholly owned subsidiary of BTMU, and changed UNBC s corporate name to MUFG Americas Holdings Corporation, or MUAH. Union Bank, N.A., which is MUAH s principal subsidiary and our primary operating subsidiary in the United States, was also renamed MUFG Union Bank, N.A., or MUB, effective the same day. MUAH currently oversees BTMU s operations in the Americas region as well as the operations of MUB.

Implementation of Share Repurchase Programs

During May and June 2015, we repurchased 111,151,800 shares of our common stock for ¥99,999,972,728 under a share repurchase program that was adopted in May 2015 and completed in June 2015. Under the program, we were authorized by the Board of Directors to repurchase up to the lesser of an aggregate of 160,000,000 shares of our common stock and an aggregate of ¥100.0 billion between May 18, 2015 and July 31, 2015.

In addition, during November and December 2014, we repurchased 148,595,500 shares of our common stock for ¥99,999,965,771 under a share repurchase program that was adopted in November 2014 and completed in December 2014. Under the program, we were authorized by the Board of Directors to repurchase up to the lesser of an aggregate of 180,000,000 shares of our common stock and an aggregate of ¥100.0 billion between November 17, 2014 and March 31, 2015.

The purposes of these programs were to enhance shareholder value, improve our capital efficiency and allow the implementation of flexible capital policies in response to changes in the business environment. Based on the Japanese GAAP information used to calculate our capital ratios as of March 31, 2015, the 2014 program resulted in a decline in our capital ratios by approximately one tenth of a percentage point, and we estimate that the 2015 program would result in a decline in our capital ratios by approximately one tenth of a percentage point.

Redemption of Preferred Securities Issued by Special Purpose Company

In January 2015, we redeemed a total of ¥130.0 billion of Series C Japanese yen-denominated non-cumulative preferred securities issued by an overseas special purpose company in the Cayman Islands called MUFG Capital Finance 9 Limited. Under the transitional measures for Basel III, preferred securities that were previously reflected as part of Tier I capital under Basel II can be counted towards additional Tier 1 capital up to a prescribed amount. However, because the aggregate amount of such preferred securities outstanding after the redemption of Series C preferred securities exceeded the prescribed threshold amount, the redemption of Series C preferred securities did not affect our capital ratio under Basel III.

Recent Regulatory Developments in the United States

In November 2014, BTMU entered into a consent agreement with DFS to resolve issues relating to instructions given to PwC, and the disclosures made to DFS in connection with BTMU s 2007 and 2008 voluntary investigation of BTMU s U.S. dollar clearing activity toward countries under U.S. economic sanctions. BTMU had hired PwC to conduct a historical transaction review report in connection with that investigation, and voluntarily submitted the report to DFS s predecessor entity in 2008. Under the terms of the agreement with DFS, BTMU made a payment of $315 million to DFS, and agreed to take actions on persons involved in the matter at that time, relocate its U.S. BSA/AML and OFAC sanctions compliance programs to New York, and extend, if regarded as necessary by DFS, the period during which an independent consultant is responsible for assessing BTMU s internal controls regarding compliance with applicable laws and regulations related to U.S. economic sanctions. In June 2013, BTMU reached an agreement with DFS regarding inappropriate operational processing of U.S. dollar clearing transactions with countries subject to OFAC sanctions during the period of 2002 to 2007. Under the terms of the June 2013 agreement, BTMU made a payment of $250 million to DFS and retained an independent consultant to conduct a compliance review of the relevant controls and related matters in BTMU s current operations. In December 2012, BTMU agreed to make a payment of approximately $8.6 million to OFAC to settle potential civil liability for apparent violations of certain U.S. sanctions regulations from 2006 to 2007. BTMU continues to cooperate closely with all relevant regulators and is undertaking necessary actions.

For a detailed description of these and other recent regulatory and legal developments, see Item 3.D. Key Information Risk Factors Risks Related to Our Business We may become subject to regulatory actions or other legal proceedings relating to our transactions or other aspects of our operations, which could result in significant financial losses, restrictions on our operations and damage to our reputation.

Acquisition of Outstanding Classes of Preferred Stock

In August 2014, we acquired all of the 1,000 outstanding shares of Class 11 Preferred Stock in exchange for 1,245 shares of our common stock and cancelled all of the acquired shares. In April 2014, we acquired all of the 156,000,000 outstanding shares of First Series of Class 5 Preferred Stock for ¥390.0 billion and cancelled all of the acquired shares. The cancellation of the acquired shares of Class 5 and Class 11 Preferred Stock resulted in a reduction in our capital surplus of ¥390,001 million. As a result, we currently have no outstanding shares of any class of preferred stock.

Exposures to Selected European Countries

Several European countries, including Italy, Spain, Portugal, Ireland and Greece, have been experiencing difficult economic and fiscal situations to varying degrees of severity. We are closely monitoring our exposures in, and to, these countries.

The following table sets forth information about the aggregate exposure to selected European countries of BTMU, MUTB and MUSHD, which were our subsidiaries holding the exposure, as of March 31, 2015. The information in the table is categorized by counterparty, consisting of sovereign, non-sovereign financial institutions and non-sovereign non-financial institutions, and by type of financial instrument, which include loans, securities, derivatives and credit default swap, or CDS, protection (sold and bought). The securities exposure includes available-for-sale, held-to-maturity and trading securities. The information included in the table below is based on information compiled for internal risk management purposes only, and not for financial accounting purposes. The exposures are determined based on the country in which the borrower s head office is located. However, in the case of a subsidiary located in a country different from that in which its parent company is located, the country exposure is determined based on the country in which the subsidiary is located.

	March 31, 2015						
	Loans (funded & unfunded)	Securities(1)	Derivatives(2)	CDS protection sold(3)	Gross exposure (funded & unfunded)	CDS protection bought(3)	Net exposure(4)
	(in billiions)						
Italy	$ 4.7	$ 0.5	$ 0.8	$ 0.0	$ 6.0	$ 0.3	$ 5.7
Sovereign		0.1			0.1		0.1
Financial Institutions	0.1	0.1	0.0	0.0	0.2	0.0	0.2
Others	4.6	0.3	0.8	0.0	5.7	0.3	5.4
Spain	2.8	0.3	0.1	0.0	3.2	0.1	3.1
Sovereign							
Financial Institutions	0.0	0.1	0.0	0.0	0.1	0.0	0.1
Others	2.8	0.2	0.1	0.0	3.1	0.1	3.0
Portugal	0.3	0.0	0.0	0.0	0.3	0.1	0.2
Sovereign							
Financial Institutions		0.0			0.0		0.0
Others	0.3		0.0	0.0	0.3	0.1	0.2
Ireland	0.2	0.1	0.0		0.3		0.3
Sovereign							
Financial Institutions		0.0	0.0		0.0		0.0
Others	0.2	0.1	0.0		0.3		0.3
Greece							
Sovereign							
Financial Institutions							
Others							
Total	$ 8.0	$ 0.9	$ 0.9	$ 0.0	$ 9.8	$ 0.5	$ 9.3
Sovereign		0.1			0.1		0.1
Financial Institutions	0.1	0.2	0.0	0.0	0.3	0.0	0.3
Others	7.9	0.6	0.9	0.0	9.4	0.5	8.9

Notes:

(1) Securities include held-to-maturity securities, available-for-sale securities, and trading securities. Held-to-maturity securities are shown at amortized cost, and available-for-sale securities and trading securities are shown at fair value.

(2) Derivatives amounts represent current exposures, taking into consideration legally enforceable master netting agreements.

(3) CDS protection amounts represent notional amounts.

(4) Net exposure represents gross exposure (funded & unfunded), net of CDS protection bought.

(5) To the extent financial instruments are originally denominated in currencies other than U.S. dollars, the exposure amounts have been translated into U.S. dollars at an internal exchange rate used for our internal risk management purposes as of March 31, 2015.

Based on information collected for internal risk management purposes as of March 31, 2015, the consolidated exposure of BTMU, MUTB and MUSHD listed above to Italy, Spain, Portugal, Ireland and Greece represented less than 1% of our total assets.

As of March 31, 2015, other than BTMU, MUFG group companies had limited exposures to those European countries, except such other group companies exposures to sovereign bonds issued by those countries as discussed below. As of the same date, BTMU and MUSHD held no sovereign bonds issued by those European countries.

As of March 31, 2015, on a consolidated basis, we had a total balance of $0.1 billion of Italian sovereign bonds, which were held by MUTB. We had no Spanish, Portuguese, Irish or Greek government bonds as of March 31, 2015.

As of March 31, 2015, excluding sovereign bonds, we had net exposure totalling $9.2 billion relating to the European countries identified in the table above. These exposures mainly consisted of commercial loan exposures to corporations and structured finance transactions. Our exposures to Italy and Spain mainly related to the infrastructure sector, such as electricity, gas and telecommunications. Our loan-related exposures to financial institutions in those countries were limited and not material.

In addition to these exposures, we also have indirect exposures. Examples of indirect exposures include country risk exposures related to the collateral received on secured financing transactions. These indirect exposures are managed in the normal course of business through our credit, market and operational risk management framework.

Critical Accounting Estimates

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

We divide our loan portfolio into the following segments Commercial, Residential, Card, MUAH and Krungsri based on the segments used to determine the allowance for credit losses. We further divide the Commercial segment into classes based on initial measurement attributes, risk characteristics, and our approach to monitoring and assessing credit risk. We determine the appropriate level of the allowance for credit losses for each of our loan portfolios by evaluating various factors and assumptions, such as the borrower s credit rating, collateral value, historical loss experience, and probability of insolvency based on the number of actual delinquencies as well as existing economic conditions. We update these factors and assumptions on a regular basis and upon the occurrence of unexpected changes in the economic environment.

For the Commercial, MUAH and Krungsri segments, our allowance for credit losses primarily consists of allocated allowances. The allocated allowance comprises (1) an allowance for loans individually evaluated for impairment, (2) an allowance for large groups of smaller-balance homogeneous loans, and (3) a formula allowance. The allocated allowance within the Commercial segment also includes an allowance for country risk exposure. The allowance for country risk exposure within the Commercial segment covers transfer risk which is not specifically covered by other types of allowance. Both the allowance for country risk exposure and the formula allowance are provided for performing loans that are not subject to either the allowance for loans individually evaluated for impairment or the allowance for large groups of smaller-balance homogeneous loans.

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

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

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

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. This allowance is included in other liabilities.

Determining the adequacy of the allowance for credit losses requires the exercise of considerable judgment and the use of estimates, such as those discussed above. Our actual losses could be more or less than the estimates. 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. For further information regarding our methodologies used in establishing the allowance for credit losses by portfolio segments and allowance for credit losses policies, see Note 1 to our consolidated financial statements included elsewhere in this Annual Report and B. Liquidity and Capital Resources Financial Condition Loan Portfolio.

For more information on our credit and borrower ratings, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Credit Risk Management.

Impairment of Investment Securities

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

Debt and marketable equity securities. In determining whether a decline in fair value below cost is other than temporary for a particular equity security, we generally consider factors such as the ability and positive intent to hold the investments for a period of time sufficient to allow for any anticipated recovery in fair value. In addition, an other-than-temporary impairment is recognized in earnings for marketable equity securities when one of the following criteria is met:

the fair value of investments is 20% or more below cost as of the end of the reporting period, due to the financial condition and near-term prospects of the issuer, the issuer is categorized as Likely to become Bankrupt, Virtually Bankrupt or Bankrupt or de facto Bankrupt status under the Japanese banking regulations,

the fair value of the investment has been below cost for six months or longer, or

the fair value of the securities is below cost and a decision has been made to sell the securities.

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

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

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

Nonmarketable equity securities. Nonmarketable equity securities include unlisted preferred securities mainly issued by public companies as well as equity securities of companies that are not publicly traded or are thinly traded. The securities consist of cost-method investments, which are primarily carried at cost because their fair values are not readily determinable. For nonmarketable equity securities issued by public companies, such as preferred stock convertible to marketable common stock in the future, we estimate fair value using 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 repayments as appropriate, to determine if the investment is impaired in each reporting period. If the fair value of the investment is less than the cost of the investment, we proceed to evaluate whether the impairment is other than temporary. When the decline is other than temporary, those nonmarketable equity securities issued by public companies are written down to fair value estimated by commonly accepted valuation models.

With respect to the other nonmarketable equity securities, we perform a test to determine whether any impairment indicator exists with respect to each cost-method investment in each reporting period. The primary method we use to identify impairment indicators is a comparison of our share in an investee s net assets to the carrying amount of our investment in the investee. We also consider whether significant adverse changes in the regulatory, economic or technological environment have occurred with respect to the investee. We periodically monitor the status of each investee including the credit ratings, which are generally updated once a year based on the annual financial statements of issuers. In addition, if an event that could impact the credit rating of an issuer occurs, we reassess the appropriateness of the credit rating assigned to the issuer in order to maintain an updated credit rating. If an impairment indicator exists, we estimate the fair value of the cost-method investment. If the fair value of the investment is less than the cost of the investment, we proceed to conduct the other-than-temporary impairment evaluation. When we determine that the decline is other than temporary, such remaining nonmarketable equity securities are written down to the estimated fair value, determined based on such factors as the ratio of our investment in the issuer to the issuer s net assets and the latest transaction price, if applicable.

Equity method investees. We determine whether any loss on investments is other than temporary, through consideration of various factors, such as the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the investees, and our intent and ability to retain the investment in the investees for a period of time sufficient to allow for any anticipated recovery in the fair value. We also evaluate additional factors, such as the condition and trend of the economic cycle, and trends in the general market.

Our assessment of potential impairment involves risks and uncertainties depending on market conditions that are global or regional in nature and the condition of specific issuers or industries, as well as management s subjective assessment of the estimated future performance of investments. If we later conclude that a decline is other than temporary, the impairment loss may significantly affect our operating results and financial condition in future periods.

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

Allowance for Repayment of Excess Interest

We maintain an allowance for repayment of excess interest based on our estimate of the potential liability exposure. Our estimate of the potential liability exposure represents the estimated amount of claims for repayment of excess interest to be received in the future. We expect that any such claim will be made on the basis of a 2006 ruling of the Japanese Supreme Court, or the Ruling. Under the Ruling, lenders are generally required to reimburse borrowers for interest payments made in excess of the limits stipulated by the Interest Rate Restriction Act upon receiving claims for reimbursement, despite the then-effective provisions of the Law Concerning Lending Business that exempted a lender from this requirement if the lender provided required notices to the borrower and met other specified requirements, and the borrower voluntarily made the interest payment.

While we have not entered into any consumer loan agreement after April 2007 that imposes an interest rate exceeding the limits stipulated by the Interest Rate Restriction Act, we need to estimate the number of possible claims for reimbursement of excess interest payments. To determine the allowance for repayment of excess interest, we analyze the historical number of repayment claims we have received, the amount of such claims, borrowers profiles, the actual amount of reimbursements we have made, management s future forecasts, and other events that are expected to possibly affect the repayment claim trends in order to arrive at our best estimate of the potential liability. We believe that the provision for repayment of excess interest is adequate and the allowance is at the appropriate amount to absorb probable losses, so that the impact of future claims for reimbursement of excess interest will not have a material adverse effect on our financial position and results of operations. The allowance is recorded as a liability in Other liabilities.

For further information, see Note 26 to our consolidated financial statements included elsewhere in this Annual Report and Item 3.D. Key Information Risk Factors Risks Related to Our Business Because of our loans to consumers and our shareholdings in companies engaged in consumer lending, changes in the business or regulatory environment for consumer finance companies in Japan may further adversely affect our financial results.

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 determining a valuation allowance, we perform a review of future reversals of existing taxable temporary differences, and future taxable income exclusive of reversing 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 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.

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 also influences 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 losses generated prior to April 1, 2008 and nine years for losses generated in fiscal years ending after April 1, 2008. For further information on the amount of operating loss carryforwards and the expiration dates, see Note 7 to our consolidated financial statements included elsewhere in this Annual Report.

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

Recognition and Measurement of Uncertain Tax Positions. We provide reserves for unrecognized tax benefits as required under the guidance on accounting for uncertainty in income taxes. In applying the guidance, we consider the relative risks and merits of positions taken in tax returns filed and to be filed, considering statutory, judicial, and regulatory guidance applicable to those positions. The guidance requires us to make assumptions and judgments about potential outcomes that lie outside of management s control. To the extent that 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

Accounting for Goodwill. U.S. 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 price is not available, the fair value is determined using an income approach. In the income approach, the present value of expected future cash flows is calculated by taking the net present value based on each reporting unit s internal forecasts. A control premium factor is also considered in relation to market capitalization.

If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss recorded in our consolidated statements of 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.

Accounting for Intangible Assets. 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. Each reporting period, we evaluate the remaining useful life of an intangible asset to determine whether events and circumstances warrant a revision to the remaining useful life. When the useful life of intangible assets that were previously not subject to amortization is determined to no longer be indefinite, for example, when unanticipated competition enters the market, the intangible asset becomes subject to amortization over the remaining period that it is expected to contribute to positive cash flows.

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 U.S. GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods, and affect our recognized net periodic pension costs and accrued severance indemnities and pension obligations in future periods. Differences in actual experience or changes in assumptions may affect our financial condition and operating results in future periods.

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

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

Valuation of Financial Instruments

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

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

The guidance on the measurement of fair value defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We have an established and documented process for determining fair value in accordance with the guidance. To determine fair value, we use quoted prices which include those provided from pricing vendors, where available. We generally obtain one price or quote per instrument and do not adjust it to determine fair value of the instrument. Certain asset-backed securities are valued based on non-binding quotes provided by independent broker-dealers where no or few observable inputs are available to measure fair value. We do not adjust such broker-dealer quotes to the extent that there is no evidence that would indicate that the quotes are not indicative of the fair values of the securities. We perform internal price verification procedures to ensure that the quotes provided from the independent broker-dealers are reasonable. Such verification procedures include analytical review of periodic price changes, comparison analysis between periodic price changes and changes of indices such as a credit default swap index, or inquiries regarding the underlying inputs and assumptions used by the broker-dealers such as probability of default, prepayment rate and discount margin. These verification procedures are periodically performed by independent risk management departments. For collateralized loan obligations, 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 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 applied to the material assets or liabilities, see Note 31 to our consolidated financial statements included elsewhere in this Annual Report.

Accounting Changes and Recently Issued Accounting Pronouncements

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

A. Operating Results

Results of Operations

The following table sets forth a summary of our results of operations for the fiscal years ended March 31, 2013, 2014 and 2015:

	Fiscal years ended March 31,		
	2013	2014	2015
		(in billions)	
Interest income	¥ 2,427.5	¥ 2,522.3	¥ 2,894.6
Interest expense	556.4	561.0	663.1
Net interest income	1,871.1	1,961.3	2,231.5
Provision (credit) for credit losses	144.5	(106.4)	87.0
Non-interest income	2,068.0	1,821.0	2,845.1
Non-interest expense	2,378.7	2,468.3	2,726.9
Income before income tax expense	1,415.9	1,420.4	2,262.7
Income tax expense	296.0	337.9	666.1
Net income before attribution of noncontrolling interests	¥ 1,119.9	¥ 1,082.5	¥ 1,596.6

Net income attributable to noncontrolling interests	50.8	67.1	65.5
Net income attributable to Mitsubishi UFJ Financial Group	¥ 1,069.1	¥ 1,015.4	¥ 1,531.1

Major components of our net income for the fiscal years ended March 31, 2013, 2014 and 2015 are discussed in further detail below.

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Net Interest Income

The following table is a summary of the interest rate spread for the fiscal years ended March 31, 2013, 2014 and 2015:

	Fiscal years ended March 31,					
	2013		2014		2015	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
	(in billions, except percentages)					
Interest-earning assets:						
Domestic	¥ 134,759.6	0.95%	¥ 135,087.3	0.87%	¥ 146,830.0	0.79%
Foreign	59,064.7	1.95	77,089.0	1.75	90,417.7	1.92
Total	¥ 193,824.3	1.25%	¥ 212,176.3	1.19%	¥ 237,247.7	1.22%
Financed by:						
Interest-bearing liabilities:						
Domestic	¥ 135,974.9	0.21%	¥ 141,878.0	0.18%	¥ 151,998.8	0.16%
Foreign	37,424.6	0.73	47,535.3	0.64	58,102.5	0.73
Total	173,399.5	0.32	189,413.3	0.30	210,101.3	0.32
Non-interest-bearing liabilities	20,424.8		22,763.0		27,146.4	
Total	¥ 193,824.3	0.29%	¥ 212,176.3	0.26%	¥ 237,247.7	0.28%
Interest rate spread		0.93%		0.89%		0.90%
Net interest income as a percentage of total interest-earning assets		0.97%		0.92%		0.94%

Our net interest income for each of the fiscal years ended March 31, 2013, 2014 and 2015 was not materially affected by gains or losses resulting from interest rate and other derivative contracts. We use such derivative instruments to manage the risks affecting the values of our financial assets and liabilities. Although these contracts are generally entered into for risk management purposes, a majority of them do not meet the specific conditions to qualify for hedge accounting under U.S. GAAP and thus are accounted for as trading assets or liabilities. Any gains or losses resulting from such derivative instruments are recorded as part of Trading account profits net. For a detailed discussion of our risk management activities, see A. Operating Results Results of Operations Non-Interest Income and Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014

Net interest income for the fiscal year ended March 31, 2015 was ¥ 2,231.5 billion, an increase of ¥270.2 billion from ¥1,961.3 billion for the fiscal year ended March 31, 2014. Both interest income and interest expense increased, with the increase in interest income exceeding the increase in interest expense, mainly reflecting higher interest rates on, and higher balance of, our foreign loans. The average interest rate spread (which is the average interest rate on interest-earning assets minus the average interest rate on interest-bearing liabilities) increased, reflecting improved interest rate spreads on foreign activities. The average balance of interest-earning assets increased, primarily reflecting larger volumes of interest-earning deposits in other banks and loans.

Interest income increased ¥372.3 billion to ¥2,894.6 billion for the fiscal year ended March 31, 2015 from ¥2,522.3 billion for the previous fiscal year. Of the ¥372.3 billion of increase in interest income, ¥317.5 billion was attributable to interest income from loans. In particular, loans booked at foreign branches and subsidiaries improved with the average loan balance for the fiscal year ended March 31, 2015 increasing ¥10,718.6 billion compared to the previous fiscal year. This reflected a higher lending volume and the depreciation of the Japanese yen against the U.S. dollar. The average interest rate on such loans for the fiscal year ended March 31, 2015 increased 0.28 percentage points compared to the previous fiscal year, reflecting the impact of the consolidation of KS. Interest income from the domestic loan business decreased due to downward pressure on interest rates.

Interest income from deposits in other banks increased ¥17.2 billion mainly due to a higher balance of deposits in central banks including the Bank of Japan and the FRB. Interest income from investment securities increased ¥41.4 billion due to a higher balance of foreign currency-denominated investment securities as well as a higher average interest rate on domestic investment securities, which mainly reflected increased dividends on domestic equity securities. These increases were partially offset by a decrease of ¥7.4 billion in interest income from trading account assets due to a decrease in the average balance of foreign currency-denominated trading securities in the commercial banking subsidiaries.

Interest expense also increased ¥102.1 billion to ¥663.1 billion for the fiscal year ended March 31, 2015 from ¥561.0 billion for the previous fiscal year. Interest expense on interest-bearing foreign deposits increased ¥85.6 billion, reflecting a ¥6,907.4 billion increase in the balance of such deposits and a 0.13 percentage point increase in the average interest rate on such deposits. This was mainly due to the impact of the consolidation of KS. Interest expense on domestic interest-bearing deposits decreased ¥11.5 billion, reflecting downward pressure on interest rates in Japan. Interest expense on long-term debt increased ¥22.8 billion, reflecting higher balances of both domestic and foreign long-term borrowings, despite lower average interest rates on such borrowings as we were able to refinance at lower interest rates.

The average interest rate spread increased 0.01 percentage points to 0.90% for the fiscal year ended March 31, 2015 from 0.89% for the previous fiscal year. For the fiscal year ended March 31, 2015, compared to the previous fiscal year, the average interest rate on assets increased 0.03 percentage points to 1.22% from 1.19%, while the average interest rate on liabilities increased 0.02 percentage points to 0.32% from 0.30%, which resulted in the overall increase in the average interest rate spread. The average interest rate spread on foreign activities increased 0.08 percentage points to 1.19% from 1.11%, while the average interest rate spread on domestic activities decreased 0.06 percentage points to 0.63% from 0.69%. The wider interest rate spread on foreign activities was mainly because interest rates on interest-earning assets such as loans increased at steeper rates than interest rates on interest-bearing liabilities such as deposits and long-term debt. Lower short-term and long-term interest rates and intensified competition resulted in the decline in interest rates on domestic assets and liabilities. As interest rates on domestic interest-bearing liabilities remained at near-zero levels in the past two fiscal years, the decreases in interest rates on domestic interest-earning assets exceeded the decreases in interest rates on domestic interest-bearing liabilities.

In Japan, the Bank of Japan sought to keep short-term interest rates low by maintaining its quantitative and qualitative monetary easing policy throughout the past two fiscal years. As a result, the average interest rate on domestic assets continued to decline, while the average interest rate on domestic liabilities reached and remained at historically low levels. If the Bank of Japan continues to maintain its current policy on its short-term policy interest rate as well as other monetary easing policies, our interest rate spread on domestic activities will likely continue to be under severe pressure. Monetary easing policies adopted in foreign markets in the Americas, Europe, Asia and other regions have placed downward pressure on short-term interest rates in recent periods. However, changes in monetary policies in the United States and geopolitical issues around the world have recently begun to add volatility in both long-term and short-term interest rates, affecting our interest spread. For further information on the Bank of Japan s monetary policy and recent interest rate fluctuations in Japan, see Business Environment Economic Environment in Japan.

The average interest-earning assets for the fiscal year ended March 31, 2015 were ¥237,247.7 billion, an increase of ¥25,071.4 billion from ¥212,176.3 billion for the fiscal year ended March 31, 2014. The average domestic interest-earning assets increased ¥11,742.7 billion to ¥146,830.0 billion mainly due to increases in interest-earning deposits in other banks, particularly the Bank of Japan. This was partially offset by a decrease in the balance of Japanese government bonds held as available-for-sale securities as a result of sales of such bonds to reduce the risk of a sudden and drastic increase in short-term interest rates. The average foreign interest-earning assets increased ¥13,328.6 billion to ¥90,417.7 billion mainly due to an increase in foreign loans. The increase in foreign loans was mainly due to increased lending of MUB in the United States and the impact of the consolidation of KS as well as the depreciation of the Japanese yen against the U.S. dollar.

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The average interest-bearing liabilities for the fiscal year ended March 31, 2015 were ¥210,101.3 billion, an increase of ¥20,688.0 billion from ¥189,413.3 billion for the fiscal year ended March 31, 2014. The average domestic interest-bearing liabilities increased ¥10,120.8 billion to ¥151,998.8 billion mainly due to increases in interest-bearing deposits, short-term market funding and long-term debt. The higher balance of deposits was mainly due to increases in ordinary deposits in the banking subsidiaries, partially offset by decreases in term deposits in our commercial banking subsidiaries and negotiable certificates of deposit in our trust banking subsidiaries. The increase in short-term market funding was mainly due to an increase in payables under securities lending transactions in our securities subsidiaries. The increase in long-term debt is mainly due to increased long-term borrowings in our banking subsidiaries as part of their asset and liability management in light of continued low interest rates and a larger balance of loans. The average foreign interest-bearing liabilities increased ¥10,567.2 billion to ¥58,102.5 billion mainly due to increases in deposits in KS, MUAH and foreign branches of our banking subsidiaries, as well as increases in other short-term borrowings and trading account liabilities as we began to switch funding sources from our group companies to third-party lenders in order to take advantage of the comparatively favorable market interest rate environment.

Fiscal Year Ended March 31, 2014 Compared to Fiscal Year Ended March 31, 2013

Net interest income for the fiscal year ended March 31, 2014 was ¥1,961.3 billion, an increase of ¥90.2 billion from ¥1,871.1 billion for the fiscal year ended March 31, 2013.

Interest income increased ¥94.8 billion to ¥2,522.3 billion for the fiscal year ended March 31, 2014 from ¥2,427.5 billion for the previous fiscal year. Of the ¥94.8 billion of increase in interest income, ¥85.9 billion was attributable to interest income from loans, including fees, especially from foreign branches and subsidiaries reflecting a higher volume of loans, while interest income from the domestic loan business decreased due to downward pressure on interest rates. Interest income from deposits in other banks increased ¥19.8 billion mainly due to a higher balance of deposits in central banks including the Bank of Japan and the FRB, and interest income from trading account assets increased ¥12.6 billion due to a higher volume of foreign currency denominated bonds which were held by our banking subsidiaries and which were accounted for as trading securities. These increases were partially offset by a decrease of ¥28.5 billion in interest income from investment securities due to lower interest rates and a decrease in the balance of debt securities held as investment securities.

Interest expense also increased ¥4.6 billion to ¥561.0 billion for the fiscal year ended March 31, 2014 from ¥556.4 billion for the previous fiscal year. For the fiscal year ended March 31, 2014, compared to the previous fiscal year, interest expense on activities in Japan decreased ¥29.0 billion and interest expense on foreign activities increased ¥33.5 billion. The decrease in interest expense on domestic activities was mainly due to decreases in expenses on interest-bearing deposits and long-term debt, reflecting downward pressure on interest rates in Japan despite an increase in the balance of these liabilities. The increase in interest expense on foreign activities was mainly due to a higher volume of deposits in our banking subsidiaries, an increase in long-term debt, reflecting an increase in the balance of borrowings with longer maturities, and higher long-term interest rates, which were partially offset by a decrease in interest expense on payables under repurchase agreements and securities lending transactions mainly due to lower short-term interest rates, such as Euro Overnight Index Average, or EONIA, rates used for repurchase transactions.

The average interest rate spread (the average interest rate for interest-earning assets minus the average interest rate for interest-bearing liabilities) decreased 0.04 percentage points to 0.89% for the fiscal year ended March 31, 2014 from 0.93% for the previous fiscal year. For the fiscal year ended March 31, 2014, compared to the previous fiscal year, the average interest rate on interest-earning assets decreased 0.06 percentage points to 1.19% from 1.25%, while the average interest rate on interest-bearing liabilities decreased 0.02 percentage points to 0.30% from 0.32%, which resulted in the overall decrease in the average interest rate spread. The average interest rate spread on domestic activities decreased 0.05 percentage points to 0.69% from 0.74%, and the average interest rate spread on foreign activities decreased 0.11 percentage points to 1.11% from 1.22%. The lower interest rates and intensified competitive environment caused the interest rates on both domestic and

foreign activities in both assets and liabilities to decline. As the interest rates on domestic interest-bearing liabilities remained at near-zero levels, the decreases in the interest rates on domestic interest-earning assets exceeded the decreases in the interest rates on domestic interest-bearing liabilities.

In Japan, the Bank of Japan sought to keep short-term interest rates low by maintaining its quantitative and qualitative monetary easing policy throughout the reporting period. As a result, the average interest rate on domestic interest-earning assets continued to decline, while the average interest rate on domestic interest-bearing liabilities reached and remained at historically low levels. If the Bank of Japan continues to maintain its current policy on its short-term policy interest rate as well as other monetary easing policies, our interest rate spread on domestic activities will likely continue to be under severe pressure. Moreover, monetary easing policies adopted in foreign markets in the Americas, Europe, Asia and other regions have negatively affected our interest rate spread on foreign activities in recent periods. In addition, our interest rate spread may be affected by changes in long-term interest rates, which, for example, have been fluctuating to an increasing degree in Japan in recent periods due to wider fluctuations in long-term Japanese government bond prices. For further information on the Bank of Japan s monetary policy and recent interest rate fluctuations in Japan, see Business Environment Economic Environment in Japan.

Average interest-earning assets for the fiscal year ended March 31, 2014 were ¥212,176.3 billion, an increase of ¥18,352.0 billion from ¥193,824.3 billion for the fiscal year ended March 31, 2013. Average domestic interest-earning assets for the fiscal year ended March 31, 2014 were ¥135,087.3 billion, an increase of ¥327.7 billion from ¥134,759.6 billion for the previous fiscal year, mainly due to increases in interest-earning deposits in other banks, particularly the Bank of Japan, and loans mainly to the national government of Japan. Average foreign interest-earning assets for the fiscal year ended March 31, 2014 were ¥77,089.0 billion, an increase of ¥18,024.3 billion from ¥59,064.7 billion for the previous fiscal year, mainly due to increases in loans and trading account assets. The increase in foreign loans was mainly due to an increase in loans at the overseas branches of BTMU, especially the New York branch, and MUB through the acquisition of a local bank. The increase in foreign trading account assets was primarily due to an increase in the value of foreign debt securities translated into Japanese yen resulting from the depreciation of the Japanese yen against other major currencies as of March 31, 2014 compared to March 31, 2013.

Average interest-bearing liabilities for the fiscal year ended March 31, 2014 were ¥189,413.3 billion, an increase of ¥16,013.8 billion from ¥173,399.5 billion for the fiscal year ended March 31, 2013. Average domestic interest-bearing liabilities for the fiscal year ended March 31, 2014 were ¥141,878.0 billion, an increase of ¥5,903.1 billion from ¥135,974.9 billion for the previous fiscal year, mainly due to increases in deposits, and call money, funds purchased, and payables under repurchase agreements and securities lending transactions. The increase in deposits was mainly due to increases in the ordinary deposits in our commercial and trust banking subsidiaries, while the increase in call money, funds purchased and payables under repurchase agreements and securities lending transactions was mainly due to increases in payables under repurchase agreements in our commercial and trust banking subsidiaries, as well as increases in payables under securities lending transactions in our trust banking subsidiaries. Average foreign interest-bearing liabilities for the fiscal year ended March 31, 2014 were ¥47,535.3 billion, an increase of ¥10,110.7 billion from ¥37,424.6 billion for the previous fiscal year, mainly due to increases in deposits in foreign branches of BTMU and MUB, as well as increases in call money, funds purchased, and payables under repurchase agreements and securities lending transactions reflecting higher payables under securities lending transactions in foreign branches and subsidiaries of our securities subsidiaries.

Provision (credit) for credit losses

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

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Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014

We recorded ¥ 87.0 billion of provision for credit losses for the fiscal year ended March 31, 2015, compared to credit for credit losses of ¥106.4 billion for the previous fiscal year. By segment, for the fiscal year ended March 31, 2015, ¥ 22.6 billion, ¥ 2.6 billion and ¥ 94.6 billion of provision for credit losses were recorded in the Commercial, Card and Krungsri segments, respectively, while ¥30.9 billion and ¥1.9 billion of credit for credit losses was recorded in the Residential and MUAH segments, respectively. For the previous fiscal year, ¥70.1 billion, ¥36.0 billion and ¥5.9 billion of credit for credit losses were recorded in the Commercial, Residential and MUAH segments, respectively, while ¥5.6 billion of provision for credit losses was recorded in the Card segment.

The provision recorded in the Commercial segment for the fiscal year ended March 31, 2015 mainly reflected significant deterioration in the operational and financial performance of a large borrower in the domestic electronics manufacturing industry. The provision recorded in the Krungsri segment primarily consisted of provisions of allowance for large groups of smaller-balance homogenous loans and formula allowance for loans that have been extended since the date of our acquisition of Krungsri, as well as provisions of allowance for loans individually evaluated for impairment particularly in the consumer and SME portfolios that were adversely affected by a slowdown in the economic growth in Thailand. The credit for credit losses recorded in the Residential segment was mainly because the stable corporate environment in recent periods contributed to higher income for borrowers in Japan.

We recorded ¥ 17.5 billion of credit for credit losses for our domestic loan portfolio for the fiscal year ended March 31, 2015, compared to credit for credit losses of ¥81.4 billion for the previous fiscal year. We recorded ¥104.5 billion of provision for credit losses for our foreign portfolio for the fiscal year ended March 31, 2015, compared to credit for credit losses of ¥25.0 billion for the previous fiscal year. The increase in provision for credit losses in our foreign portfolio was primarily attributable to the Krungsri segment.

For more information, see B. Liquidity and Capital Resources Financial Condition Loan Portfolio.

Fiscal Year Ended March 31, 2014 Compared to Fiscal Year Ended March 31, 2013

We recorded ¥106.4 billion of credit for credit losses for the fiscal year ended March 31, 2014 compared to provision for credit losses of ¥144.5 billion for the fiscal year ended March 31, 2013. By segment, ¥70.1 billion, ¥36.0 billion and ¥5.9 billion of credit for credit losses were recorded in the Commercial, Residential and MUAH segments, respectively, and ¥5.6 billion of provision for credit losses was recorded in the Card segment for the fiscal year ended March 31, 2014, compared to ¥127.9 billion, ¥1.3 billion, ¥12.4 billion and ¥2.9 billion of provision for credit losses in the Commercial, Residential, Card and MUAH segments, respectively, for the previous fiscal year.

The improvement in the Commercial segment was mainly due to the upgrades of the internal borrower ratings of a substantial portion of large borrowers in the segment whose financial performance and prospects improved in light of favorable economic conditions in Japan, including a depreciating Japanese yen and rising stock prices. The improvement in the Residential segment was mainly due to an overall improvement in the credit quality of the loan portfolio of the segment, including a decrease in the number of civil rehabilitation filings made by individual borrowers, as economic conditions were generally favorable in Japan. The improvement in the Card segment primarily reflected an overall improvement in the credit quality of the loan portfolio of the segment partially as a result of our implementation of stricter borrower screening under regulatory reforms in the consumer finance industry.

The credit for credit losses in our domestic loan portfolio was ¥81.4 billion for the fiscal year ended March 31, 2014, compared to provision for credit losses of ¥115.7 billion for the fiscal year ended March 31, 2013. The credit for credit losses in our foreign portfolio for the fiscal year ended March 31, 2014 was ¥25.0 billion, compared to provision for credit losses of ¥28.8 billion for the previous fiscal year. MUAH had reversal of allowance for credit losses of ¥5.9 billion for the fiscal year ended March 31, 2014 primarily due to improved credit quality of its loan portfolio.

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Non-Interest Income

The following table is a summary of our non-interest income for the fiscal years ended March 31, 2013, 2014 and 2015:

	Fiscal years ended March 31, 2013	2014	2015
		(in billions)	
Fees and commissions income[1]:			
Fees and commissions on deposits	¥ 39.6	¥ 46.1	¥ 57.1
Fees and commissions on remittances and transfers	155.2	158.8	168.1
Fees and commissions on foreign trading business	58.9	68.3	71.5
Fees and commissions on credit card business	149.7	157.2	179.7
Fees and commissions on security-related services	218.0	300.1	285.7
Fees and commissions on administration and management services for investment funds	117.2	126.7	141.1
Trust fees	92.5	105.7	106.9
Guarantee fees	55.4	52.6	53.0
Insurance commissions	33.5	39.7	63.3
Fees and commissions on real estate business	28.0	34.7	36.4
Other fees and commission	212.9	204.2	238.2
Total	1,160.9	1,294.1	1,401.0
Foreign exchange losses net	(39.0)	(61.8)	(113.1)
Trading account profits (losses) net:			
Net losses on interest rate and other derivative contracts	(82.7)	(84.4)	(37.4)
Net profits on trading account securities, excluding derivatives	653.0	50.5	1,186.1
Total	570.3	(33.9)	1,148.7
Investment securities gains net:			
Net gains on sales of available-for-sale securities:			
Debt securities	185.9	128.8	71.2
Marketable equity securities	64.8	77.7	70.5
Impairment losses on available-for-sale securities:			
Debt securities	(8.3)	(2.6)	(3.5)
Marketable equity securities	(113.5)	(0.3)	(0.6)
Other	27.1	99.9	17.1
Total	156.0	303.5	154.7
Equity in earnings of equity method investees net	60.2	110.5	172.9
Gains on sales of loans	14.8	17.7	15.0
Government grant for transfer of substitutional portion of Employees Pension Fund Plans		115.2	
Other non-interest income	144.8	75.7	65.9
Total non-interest income	¥ 2,068.0	¥ 1,821.0	¥ 2,845.1

Note:

(1) Reflects the changes made to the components of fees and commissions in the fiscal year ended March 31, 2015. The following components have been redefined in 2015 and certain reclassifications were made between the components: Fees and commissions on deposits, Fees and commissions on remittances and transfers, Fees and commissions on security-related services, Fees and commissions on administration and management services for investment funds and Other fees and commissions. The amounts for the fiscal years ended March 31, 2013 and 2014 have been reclassified to conform to the presentation for the fiscal year ended March 31, 2015.

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Fees and commissions income

Fees and commissions income consist of the following:

Fees and commissions on deposits consist of fees and commissions charged for ATM transactions and other deposit and withdrawal services.

Fees and commissions on remittances and transfers consist of fees and commissions charged for settlement services such as domestic fund remittances, including those made through electronic banking.

Fees and commissions on foreign trading business consist of fees and commissions charged for fund collection and financing services related to foreign trading business activities.

Fees and commissions on credit card business consist of fees and commissions related to the credit card business such as interchange income, annual fees, royalty and other service charges from franchisees.

Fees and commissions on security-related services primarily consist of fees and commissions for sales and transfers of securities, including investment funds, underwriting, brokerage and advisory services, securitization arrangement services, and agency services for the calculation and payment of dividends.

Fees and commissions on administration and management services for investment funds primarily consist of fees and commissions earned on managing investment funds on behalf of clients.

Trust fees consist primarily of fees earned on fiduciary asset management and administration services for corporate pension plans and investment funds.

Guarantee fees consist of fees related to the guarantee business, including those charged for providing guarantees on residential mortgage loans and other loans.

Insurance commissions consist of commissions earned by acting as agent for insurance companies for the sale of insurance products.

Fees and commissions on real estate business primarily consist of fees from real estate agent services.

Other fees and commissions include various fees and commissions, such as arrangement fees and agent fees, other than the fees mentioned above.

Net foreign exchange gains (losses)

Net foreign exchange gains (losses) consist of the following:

Foreign exchange gains (losses) related to derivative contracts are net gains (losses) primarily on currency derivative instruments entered into for trading purposes. For the details of derivative contracts, see Note 23 to our consolidated financial statements included elsewhere in this Annual Report.

Foreign exchange gains (losses) on other than derivative contracts include foreign exchange trading gains (losses) as well as transaction gains (losses) on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies. The transaction gains (losses) on the translation into Japanese yen fluctuate from period to period depending upon the spot rates at the end of each fiscal year. In principle, all transaction gains (losses) on translation of monetary assets and liabilities denominated in foreign currencies are included in current earnings.

Foreign exchange gains (losses) related to the fair value option include transaction gains (losses) on translation into Japanese yen of securities under the fair value option. For the details of the fair value option, see Note 31 to our consolidated financial statements included elsewhere in this Annual Report.

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Net trading account profits (losses)

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

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

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

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

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

Net trading account profits (losses) consist of net profits (losses) on interest rate and other derivative contracts and net profits (losses) on trading account securities, excluding derivatives.

Net profits (losses) on interest rate and other derivative contracts are reported for net profits (losses) on derivative instruments which primarily relate to trading purpose activities and include:

- *Interest rate contract*s, which are mainly utilized to manage interest rate risks which could arise from mismatches between assets and liabilities resulting from customer originated trading activities;

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

- *Credit derivatives*, which are mainly utilized as a part of our credit portfolio risk management; and

- *Commodity contracts*, which are mainly utilized to meet customers demand for hedging the risks relating to their transactions, and to diversify our portfolio.

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

Net profits (losses) on trading account securities, excluding derivatives, consist of :

Net profits (losses) on trading account securities, which primarily consist of gains and losses on trading and valuation of trading securities which relate to trading purpose activities. Net profits (losses) on investment securities held by certain consolidated variable interest entities are included in accordance with the applicable accounting rules.

Net profits (losses) on trading account securities under the fair value option, which are classified into trading accounts profits (losses) in accordance with certain accounting rules. For the details of the fair value option, see Note 31 to our consolidated financial statements included elsewhere in this Annual Report.

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Net investment securities gains (losses)

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 available-for-sale securities. 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, 2015 Compared to Fiscal Year Ended March 31, 2014

Non-interest income increased ¥1,024.1 billion to ¥ 2,845.1 billion for the fiscal year ended March 31, 2015 from ¥1,821.0 billion for the fiscal year ended March 31, 2014. This increase was mainly attributable to a ¥1,135.6 billion increase in net profits on trading account securities, excluding derivatives. This increase was partially offset by a ¥148.8 billion decrease in net investments securities gains.

Fees and commissions income

Fees and commissions income increased ¥106.9 billion to ¥1,401.0 billion for the fiscal year ended March 31, 2015 from ¥1,294.1 billion for the fiscal year ended March 31, 2014. This increase was primarily due to the positive impact of the consolidation of KS particularly on fees and commissions on remittances and transfers, fees and commissions on credit card business, fees and commissions on administration and management services for investment funds, and insurance commissions. Fees and commission on deposits increased due to higher fees charged for domestic retail banking transactions conducted through channels operated by third-party business partners. Other fees and commissions also increased due to advisory fees received for a large-scale structured finance project. These increases were partially offset by a decrease in fees and commissions on security-related services due to lower brokerage commissions on equity securities, reflecting the less active Japanese equity market compare to the previous fiscal year.

Net foreign exchange losses

The following table sets forth the details of our foreign exchange gains and losses for the fiscal years ended March 31, 2014 and 2015:

	Fiscal years ended March 31, 2014	2015
	(in billions)	
Foreign exchange losses net:		
Net foreign exchange losses on derivative contracts	¥ (52.7)	¥ (217.5)
Net foreign exchange losses on other than derivative contracts	(2,026.4)	(862.2)
Net foreign exchange gains related to the fair value option	2,017.3	966.6
Total	¥ (61.8)	¥ (113.1)

Net foreign exchange losses for the fiscal year ended March 31, 2015 were ¥113.1 billion, compared to ¥61.8 billion of net foreign exchange losses for the fiscal year ended March 31, 2014. This was mainly due to a decrease of ¥1,050.7 billion in net foreign exchange gains related to the fair value option. The Japanese yen depreciated against other major currencies in the fiscal year ended March 31, 2014, and while the Japanese yen generally remained on a depreciating trend against other major currencies in the fiscal year ended March 31, 2015, the rate of depreciation was smaller, particularly against the U.S. dollar, and the depreciating trend reversed against the euro for extended periods. This was partially offset by an improvement of ¥1,164.2 billion in net foreign exchange losses on other than derivative contracts mainly due to lower foreign exchange translation losses on monetary liabilities denominated in foreign currencies in our commercial banking subsidiaries, reflecting the gradual depreciation of the Japanese yen against other major currencies.

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Net trading account profits (losses)

The following table sets forth details of our trading account profits and losses for the fiscal years ended March 31, 2014 and 2015:

	Fiscal years ended March 31, 2014	2015
	(in billions)	
Trading account profits (losses) net:		
Net losses on interest rate and other derivative contracts		
Interest rate contracts	¥ 29.9	¥ 261.6
Equity contracts	(104.7)	(255.1)
Commodity contracts	2.9	(6.3)
Credit derivatives	(6.4)	5.1
Other	(6.1)	(42.7)
Total	¥ (84.4)	¥ (37.4)
Net profits on trading account securities, excluding derivatives		
Trading account securities	¥ 276.5	¥ 496.7
Trading account securities under the fair value option	(226.0)	689.4
Total	¥ 50.5	¥ 1,186.1
Total	¥ (33.9)	¥ 1,148.7

We recorded net trading account profit of ¥1,148.7 billion for the fiscal year ended March 31, 2015, compared to net trading account losses of ¥33.9 billion for the fiscal year ended March 31, 2014. This was mainly due to an improvement of ¥915.4 billion in net profits on trading account securities under the fair value option, which primarily consisted of a ¥584.6 billion improvement in our commercial banking subsidiaries and a ¥332.5 billion improvement in our trust banking subsidiaries. These improvements reflected higher fair values of foreign currency denominated bonds, including U.S. Treasury bonds, as interest rates in the United States decreased. The improvements were also attributable to increases in fair values of Eurozone sovereign bonds, including German and French government bonds, as our banking subsidiaries increased their holdings of such bonds and interest rates decreased in Europe where economic conditions remained stagnant. Net profits on trading account securities also increased ¥220.2 billion primarily due to larger gains from the trading business in our securities subsidiaries taking advantage of declining long-term interest rates in Japan during the fiscal year ended March 31, 2015.

Net investment securities gains

Net investment securities gains decreased ¥148.8 billion to ¥154.7 billion for the fiscal year ended March 31, 2015 from ¥303.5 billion for the fiscal year ended March 31, 2014. This decrease was partly due to a decrease of ¥57.6 billion in net gains on sales of available-for-sale debt securities, reflecting reduced volumes of sales of Japanese government bonds, compared to the previous fiscal year when we decreased our holdings of such bonds as part of our asset and liability management and interest rate risk management measures. The decrease in net investment securities gains was also attributable to a decrease of ¥82.8 billion in net gains on sales of other investment securities as our banking subsidiaries reported comparatively higher gains on sales of preferred securities related to a specific customer in the fiscal year ended March 31, 2014.

Net equity in earnings of equity method investees

Net equity in earnings of equity method investees for the fiscal year ended March 31, 2015 was ¥172.9 billion, compared to ¥110.5 billion for the previous fiscal year, reflecting higher earnings of our equity method investees, including Morgan Stanley.

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Fiscal Year Ended March 31, 2014 Compared to Fiscal Year Ended March 31, 2013

Non-interest income for the fiscal year ended March 31, 2014 was ¥1,821.0 billion, a decrease of ¥247.0 billion from ¥2,068.0 billion for the fiscal year ended March 31, 2013. This decrease was mainly attributable to a ¥602.5 billion decrease in net profits on trading account securities, excluding derivatives, to ¥50.5 billion for the fiscal year ended March 31, 2014 from ¥653.0 billion for the fiscal year ended March 31, 2013. This decrease was partially offset by a ¥133.2 billion increase in fees and commissions income, primarily due to higher fees and commissions on securities business and investment funds business, and by a ¥147.5 billion increase in investment securities gains mainly attributable to a ¥113.2 billion improvement in impairment losses on available-for-sale marketable equity securities, and by a one-time adjustment of ¥115.2 billion in connection with the transfer of the substitutional portion of MUTB s benefit obligations relating to employee benefit funds to the Japanese government.

Fees and commissions income

Fees and commissions income for the fiscal year ended March 31, 2014 was ¥1,294.1 billion, an increase of ¥133.2 billion from ¥1,160.9 billion for the fiscal year ended March 31, 2013. This increase was mainly due to an increase of ¥82.1 billion in fees and commissions on security-related services, particularly commissions from brokerage and underwriting activities in our securities subsidiaries. A larger amount of sales of mutual funds in our banking subsidiaries also contributed to the increase in fees and commissions on security-related services. In addition, trust fees increased ¥13.2 billion and fees and commissions on administration and management services for investment funds increased ¥9.5 billion as the trust business and the investment fund administration and management services business benefitted from the active equity market in Japan during the period.

Net foreign exchange losses

The following table sets forth the details of our foreign exchange gains and losses for the fiscal years ended March 31, 2013 and 2014:

	Fiscal years ended March 31, 2013	2014
	(in billions)	
Foreign exchange losses net:		
Net foreign exchange losses on derivative contracts	¥ (94.2)	¥ (52.7)
Net foreign exchange losses on other than derivative contracts	(2,130.7)	(2,026.4)
Net foreign exchange gains related to the fair value option	2,185.9	2,017.3
Total	¥ (39.0)	¥ (61.8)

Net foreign exchange losses for the fiscal year ended March 31, 2014 were ¥61.8 billion, compared to ¥39.0 billion of net foreign exchange losses for the fiscal year ended March 31, 2013. This was mainly due to a decrease of ¥168.6 billion in net foreign exchange gains related to the fair value option. This decrease was primarily because the Japanese yen depreciated to smaller degrees against other major currencies during the fiscal year ended March 31, 2014, compared to the previous fiscal year. This was partially offset by an improvement of ¥104.3 billion in foreign exchange losses on other than derivative contracts mainly due to lower foreign exchange translation losses on monetary liabilities denominated in foreign currencies in our commercial banking subsidiaries, reflecting the gradual depreciation of the Japanese yen against other major currencies, and by an improvement of ¥41.5 billion in foreign exchange losses on derivative contracts mainly in our trust banking and securities subsidiaries.

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Net trading account profits (losses)

The following table sets forth details of our trading account profits and losses for the fiscal years ended March 31, 2013 and 2014:

	Fiscal years ended March 31, 2013	2014
	(in billions)	
Trading account profits (losses) net:		
Net losses on interest rate and other derivative contracts		
Interest rate contracts	¥ 121.4	¥ 29.9
Equity contracts	(137.6)	(104.7)
Commodity contracts	3.8	2.9
Credit derivatives	(10.9)	(6.4)
Other	(59.4)	(6.1)
Total	¥ (82.7)	¥ (84.4)
Net profits on trading account securities, excluding derivatives		
Trading account securities	¥ 341.2	¥ 276.5
Trading account securities under the fair value option	311.8	(226.0)
Total	¥ 653.0	¥ 50.5
Total	¥ 570.3	¥ (33.9)

We recorded net trading account losses of ¥33.9 billion for the fiscal year ended March 31, 2014 compared to net trading account profits of ¥570.3 billion for the fiscal year ended March 31, 2013. This was mainly due to a decrease of ¥602.5 billion in net profits on trading account securities, excluding derivatives, which primarily consisted of a decrease of ¥393.3 billion in our commercial banking subsidiaries and a decrease of ¥239.9 billion in our trust banking subsidiaries. Due to the increases in interest rates in the United States reflecting the tapering of the quantitative monetary easing program by the FRB, the fair values of foreign bonds, including U.S. Treasury bonds, decreased significantly. In addition, we also incurred losses on transactions in mutual funds investing in debt securities executed in the trading account.

Net investment securities gains

Net investment securities gains for the fiscal year ended March 31, 2014 were ¥303.5 billion, an increase of ¥147.5 billion from ¥156.0 billion for the fiscal year ended March 31, 2013. This increase was mainly due to an improvement of ¥113.2 billion in impairment losses on marketable equity securities, an increase of ¥12.9 billion in gains on sales of marketable equity securities, and an improvement of ¥5.7 billion in impairment losses on debt securities, due to higher stock prices reflecting an overall improvement in financial performance of the corporate sector in Japan, which benefited from the depreciation of the Japanese yen against other major currencies and increased private consumption. The increase in net investment securities gains was also attributable to higher gains on sales of unlisted preferred securities of other companies held by our banking subsidiaries. However, this was partially offset by a ¥57.1 billion decrease in net gains on sales of debt securities due to a lower volume of debt securities, including Japanese government bonds, sold.

Net equity in earnings of equity method investees

Net equity in earnings of equity method investees for the fiscal year ended March 31, 2014 was ¥110.5 billion, compared to net equity in earnings of equity method investees of ¥60.2 billion for the previous fiscal year, mainly due to higher earnings from the equity method investees such as Morgan Stanley.

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Government grant for transfer of substitutional portion of Employees Pension Fund Plans

We recorded a one-time adjustment of ¥115.2 billion for the fiscal year ended March 31, 2014, in connection with the transfer to the Japanese government of the substitutional portion of MUTB s benefit obligations relating to employee benefit funds.

In December 2011, in accordance with the Defined Benefit Corporate Pension Plan Act, which permits each employer and employees pension fund plan to separate the substitutional portion of the employees pension fund from the rest of the fund and transfer the related obligation and assets to the Japanese government, MUTB obtained an approval from the Minister of Health, Labor and Welfare for an exemption from the obligation to pay benefits for future employee services related to the substitutional portion of the governmental welfare pension program. In January 2013, MUTB also obtained an approval for an exemption from the obligation to pay benefits for past employee services related to the substitutional portion. To complete the separation process, the substitutional obligation and the related plan assets were transferred to the Japanese government on February 17, 2014. In accordance with the guidance, which addresses the accounting for the transfer to the Japanese government of a substitutional portion of employee pension fund liabilities, MUTB accounted for the entire separation process, upon completion of transfer of the plan assets to the government, as a single settlement transaction. For the fiscal year ended March 31, 2014, MUTB recognized the difference of ¥115.2 billion between the accumulated benefit obligations settled and the assets transferred to the Japanese government as a government subsidy.

Non-Interest Expense

The following table shows a summary of our non-interest expense for the fiscal years ended March 31, 2013, 2014 and 2015:

	Fiscal years ended March 31,		
	2013	2014	2015
		(in billions)	
Salaries and employee benefits	¥ 932.4	¥ 1,029.6	¥ 1,097.5
Occupancy expenses net	151.1	158.4	168.7
Fees and commissions expenses	209.8	222.0	248.1
Outsourcing expenses, including data processing	198.1	216.7	241.7
Depreciation of premises and equipment	94.0	103.7	108.6
Amortization of intangible assets	207.6	198.1	222.4
Impairment of intangible assets	3.4	0.3	0.7
Insurance premiums, including deposit insurance	98.7	101.1	115.5
Communications	47.1	50.9	54.7
Taxes and public charges	66.9	69.5	96.6
Other non-interest expenses	369.6	318.0	372.4
Total non-interest expense	¥ 2,378.7	¥ 2,468.3	¥ 2,726.9

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014

Non-interest expense increased ¥258.6 billion to ¥2,726.9 billion for the fiscal year ended March 31, 2015 from ¥2,468.3 billion for the previous fiscal year. Major factors affecting this change in non-interest expense are discussed below.

Salaries and employee benefits

Salaries and employee benefits for the fiscal year ended March 31, 2015 were ¥1,097.5 billion, an increase of ¥67.9 billion from ¥1,029.6 billion for the previous fiscal year. This increase was primarily due to an increase

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in salaries of ¥49.4 billion as a result of the consolidation of KS. Salaries also increased in our commercial banking subsidiaries foreign offices and subsidiaries mainly due to the depreciation of the Japanese yen against the U.S. dollar.

Fees and commissions expenses

Fees and commissions expenses for the fiscal year ended March 31, 2015 was ¥248.1 billion, an increase of ¥26.1 billion from ¥222.0 billion for the fiscal year ended March 31, 2014. This increase was mainly due to the impact of the consolidation of KS and large expenses relating to our consumer finance business.

Outsourcing expenses, including data processing

Outsourcing expenses, including data processing, for the fiscal year ended March 31, 2015 was ¥241.7 billion, an increase of ¥25.0 billion from ¥216.7 billion for the fiscal year ended March 31, 2014. A substantial portion of this increase was recorded in our commercial banking subsidiaries due to higher fees for upgrading system software in foreign branches and subsidiaries, including MUAH, in connection with the integration of their operations in the United States and the enhancement of their regulatory compliance system enhancement.

Amortization of intangible assets

Amortization of intangible assets for the fiscal year ended March 31, 2015 was ¥222.4 billion, an increase of ¥24.3 billion from ¥198.1 billion for the fiscal year ended March 31, 2014. This increase was mainly due to an increase in amortization of KS s intangible assets such as customer relationships as KS s intangible assets became subject to amortization in the fiscal year ended March 31, 2015. We recorded ¥124.3 billion of intangible assets relating to KS s customer relationships as of the acquisition date of December 18, 2013. We decided to apply the fixed-installment depreciation method to these customer relationships for eight to 14-year periods, depending on the characteristics of each of the customer relationships.

Taxes and public charges

Taxes and public charges for the fiscal year ended March 31, 2015 was ¥96.6 billion, an increase of ¥27.1 billion from ¥69.5 billion for the fiscal year ended March 31, 2014. This increase was mainly due to the increase in the Japanese consumption tax rate from 5% to 8% in April 2014.

Other non-interest expenses

Other non-interest expenses for the fiscal year ended March 31, 2015 were ¥372.4 billion, an increase of ¥54.4 billion from ¥318.0 billion for the fiscal year ended March 31, 2014. This increase reflected BTMU s payment of $315 million, or ¥34.5 billion, to the DFS in November 2014. See Recent Developments.

Fiscal Year Ended March 31, 2014 Compared to Fiscal Year Ended March 31, 2013

Non-interest expense for the fiscal year ended March 31, 2014 was ¥2,468.3 billion, an increase of ¥89.6 billion from ¥2,378.7 billion for the previous fiscal year. This increase was mainly due to a ¥97.2 billion increase in salaries and employee benefits expenses reflecting an increase in the number of employees in our commercial banking subsidiaries and higher performance-based compensation in our securities subsidiaries, a ¥18.6 billion increase in outsourcing expenses, including data processing, and a ¥12.2 billion increase in fees and commissions expenses. These increases were partially offset by a ¥51.6 billion decrease in other non-interest expenses.

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Salaries and employee benefits

Salaries and employee benefits for the fiscal year ended March 31, 2014 were ¥1,029.6 billion, an increase of ¥97.2 billion from ¥932.4 billion for the previous fiscal year. This increase was due to a one-time loss of ¥40.7 billion in connection with the transfer to the Japanese government of the substitutional portion of MUTB s benefit obligations relating to employee benefit funds, an increase in the number of employees in foreign branches, especially in New York, of our commercial banking subsidiaries, MUAH s acquisition of local banks, larger bonus payments under a performance-based bonus plan in our securities subsidiaries, and the depreciation of Japanese yen against other major currencies.

Fees and commissions expenses

Fees and commissions expenses for the fiscal year ended March 31, 2014 was ¥222.0 billion, an increase of ¥12.2 billion from ¥209.8 billion for the fiscal year ended March 31, 2013. This increase was mainly due to an increase in fees and commissions expenses recorded in our consumer finance subsidiaries reflecting an increased volume of transactions. The fees and commissions expenses in our commercial banking, trust banking and securities subsidiaries also increased during the fiscal year due to higher transaction volumes as the subsidiaries took advantage of improvements in the business environment after the introduction of Abenomics in December 2012.

Outsourcing expenses, including data processing

Outsourcing expenses, including data processing, for the fiscal year ended March 31, 2014 was ¥216.7 billion, an increase of ¥18.6 billion from ¥198.1 billion for the fiscal year ended March 31, 2013. A substantial portion of this increase was recorded in our commercial banking subsidiaries due to higher maintenance fees related to system software in foreign branches and subsidiaries, including MUAH. The increase in outsourcing expenses was also attributable to higher outsourcing fees incurred by our securities subsidiaries, and an increase in the number of temporary employees obtained from temporary staffing agencies.

Other non-interest expenses

Other non-interest expenses for the fiscal year ended March 31, 2014 were ¥318.0 billion, a decrease of ¥51.6 billion from ¥369.6 billion for the fiscal year ended March 31, 2013, when other non-interest expenses included the realization of losses which were previously recorded in foreign currency translation included in accumulated other comprehensive income, resulting from the deconsolidation of several overseas variable interest entities, or VIEs. There were no such non-interest expenses recorded for the fiscal year ended March 31, 2014.

Income Tax Expense

The following table shows a summary of our income tax expense for the fiscal years ended March 31, 2013, 2014 and 2015:

	Fiscal years ended March 31, 2013	2014	2015
	(in billions, except percentages)		
Income before income tax expense	¥ 1,415.9	¥ 1,420.4	¥ 2,262.7
Income tax expense	296.0	337.9	666.0
Effective income tax rate	20.9%	23.8%	29.4%
Combined normal effective statutory tax rate	38.0%	38.0%	35.6%

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Reconciling items between the combined normal effective statutory tax rates and the effective income tax rates for the fiscal years ended March 31, 2013, 2014 and 2015 are summarized as follows:

	Fiscal years ended March 31,		
	2013	2014	2015
Combined normal effective statutory tax rate	38.0%	38.0%	35.6%
Increase (decrease) in taxes resulting from:			
Nondeductible expenses	0.1	0.2	0.1
Foreign tax credits and payments	(0.8)	(0.6)	(1.0)
Lower tax rates applicable to income of subsidiaries	(0.5)	(0.4)	(0.1)
Change in valuation allowance	(7.3)	(12.4)	(1.3)
Realization of previously unrecognized tax effects of subsidiaries	(10.7)	(0.1)	
Nontaxable dividends received	(2.3)	(3.3)	(1.6)
Undistributed earnings of subsidiaries	1.5	0.5	0.1
Tax and interest expense for uncertainty in income taxes	(0.1)		(0.2)
Expiration of loss carryforward	2.1		
Effect of changes in tax laws		1.2	(1.7)
Other net	0.9	0.7	(0.5)
Effective income tax rate	20.9%	23.8%	29.4%

The effective income tax rate for the fiscal year ended March 31, 2015 was 29.4%, 6.2 percentage points lower than the combined normal effective statutory rate of 35.6%. This was partly due to our receipt of nontaxable dividends. Under Japanese tax law, a certain percentage of dividends received is regarded as nontaxable and excluded from gross revenue in computing taxable income. This creates a permanent difference between our taxable income for Japanese tax purposes and our income before income tax expense reported under U.S. GAAP. Another factor contributing to the lower effective income tax rate was a reduction in valuation allowances to the extent that it was more likely than not that the deferred tax assets would be realized mainly because certain subsidiaries were expected to remain profitable in future periods, considering the current business environment.

In addition, the lower effective income tax rate was also attributable to the effect of changes in tax law. Under the 2015 Tax Reform enacted by the Japanese Diet on March 31, 2015, the effective statutory rate of corporate income tax will be reduced from approximately 35.6% to 33.9% starting in a corporation s fiscal year that begins on or after April 1, 2015. The tax reform legislation also includes changes in the limitation on the use of net operating loss carryforwards from 80% to 65% of taxable income for the two-year period between April 1, 2015 and March 31, 2017, and from 65% to 50% for the fiscal years beginning on or after April 1, 2017, respectively, and a one-year increase in the carryforward period of certain net operating loss carryforwards from nine years to ten years for the fiscal years beginning on or after April 1, 2017. The changes in tax laws resulted in a decrease of ¥39,966 million in income tax expense for the fiscal year ended March 31, 2015.

The effective income tax rate for the fiscal year ended March 31, 2014 was 23.8%, 14.2 percentage points lower than the combined normal effective statutory tax rate of 38.0%. This lower effective income tax rate primarily reflected a decrease in the valuation allowance against deferred tax assets which accounted for 12.4 percentage points of the difference between the combined normal effective statutory tax rate and the effective income tax rate. For the fiscal year ended March 31, 2014, we recorded a valuation allowance release on the basis of management s reassessment of the amount of our deferred tax assets that were more likely than not to be realized. As of March 31, 2014, management considered new evidence, both positive and negative, that could impact management s view with regard to future realization of deferred tax assets. As a result, among others,

a release of valuation allowance of ¥91.1 billion was due to the application of the consolidated corporate-tax system beginning with the fiscal year ending March 31, 2015. This is because MUFG would be able to utilize income in more profitable subsidiaries to realize the benefit of net operating loss carryforwards and existing deductible temporary differences recorded at MUFG. A consolidated basis for corporate income taxes results in the reporting of taxable income or loss based upon the combined profits or losses of the parent company and its wholly owned domestic subsidiaries. Management believes that the net operating loss carryforwards related to corporate taxes will be fully utilized by the application of the consolidated corporate-tax system; and

a release of valuation allowance of ¥45.9 billion was due to the profitability improvement of a certain subsidiary. Management considered various factors, including the improved operating performance and cumulative operating results over the prior several years of the subsidiary as well as the outlook regarding prospective operating performance of the subsidiary, and determined that sufficient positive evidence exists as of March 31, 2014, to conclude that it is more likely than not that additional deferred tax assets would be realizable.

The effective income tax rate of 20.9% for the fiscal year ended March 31, 2013 was 17.1 percentage points lower than the combined normal effective statutory tax rate of 38.0%. This lower effective income tax rate primarily reflected the liquidation of a subsidiary, whose assets and operations we took over after the liquidation, and the realization of tax benefits from the temporary differences not previously recognized as part of deferred tax assets. The lower effective tax rate also reflected a ¥161.7 billion decrease in valuation allowance to ¥483.0 billion as of March 31, 2013 from ¥644.7 billion as of March 31, 2012. The valuation allowance was reduced to the extent that it was more likely than not that the deferred tax assets would be realized primarily because certain subsidiaries were considered to have returned to sustained profitability.

On March 20, 2014, the Japanese Diet enacted the 2014 Tax Reform which terminated the temporary surtax levied on corporate income taxes one year earlier than the change in tax law on November 30, 2011 as described above. As a result, the effective statutory rate of corporate income tax for the fiscal year ending March 31, 2015 was set at approximately 35.6%. The change in tax law resulted in an increase of ¥16.7 billion in income tax expense for the fiscal year ended March 31, 2014.

Net income attributable to noncontrolling interests

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014

We recorded net income attributable to noncontrolling interests of ¥65.5 billion for the fiscal year ended March 31, 2015, compared to ¥67.1 billion for the previous fiscal year.

Fiscal Year Ended March 31, 2014 Compared to Fiscal Year Ended March 31, 2013

We recorded net income attributable to noncontrolling interests of ¥67.1 billion for the fiscal year ended March 31, 2014, compared to net income attributable to noncontrolling interests of ¥50.7 billion for the previous fiscal year. This increase was mainly due to an increase in net income recorded at MUMSS, in which MUFG has a 60% economic interest, in the fiscal year ended March 31, 2014.

Business Segment Analysis

We measure the performance of each of our business segments primarily in terms of operating profit. Operating profit and other segment information in this Annual Report are based on the financial information prepared in accordance with Japanese GAAP as adjusted in accordance with internal management accounting rules and practices. Accordingly, the format and information are not consistent with our consolidated financial statements prepared on the basis of U.S. GAAP. For example, operating profit does not reflect items such as a part of the provision for credit losses (primarily equivalent to the formula allowance under U.S. GAAP), foreign exchange gains (losses) and investment securities gains (losses). For information on a reconciliation of operating profit under the internal management reporting system to income before income tax expense shown on the consolidated statements of income, see Note 29 to our consolidated financial statements included elsewhere in this Annual Report. We do not use information on the segments total assets to allocate our resources and assess performance. Accordingly, business segment information on total assets is not presented.

We operate our main businesses under an integrated business group system, which integrates the operations of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries in the following five groups Retail, Corporate, Trust Assets, Global, and Global Markets, each of which is treated as a business segment. These five businesses serve as the core sources of our revenue. For the fiscal year ended March 31, 2015, in addition to these five integrated business groups, Krungsri, our banking subsidiary in Thailand, was treated as a business segment. Operations that were not covered under the integrated business group system or Krungsri, as well as the elimination of duplicated amounts of net revenues among business segments, were classified under Other as further described below.

The following is a brief explanation of our business segments for the fiscal year ended March 31, 2015:

Integrated Retail Banking Business Group Covers all domestic retail businesses, including commercial banking, trust banking and securities businesses. This business group integrates the retail businesses of BTMU, MUTB, MUMSS, 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 corporate businesses, including commercial banking, investment banking, trust banking and securities businesses. Through the integration of these business lines, diverse financial products and services are provided to our corporate clients. This business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of our corporate clients.

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.

Integrated Global Business Group Covers businesses outside Japan, including commercial banking such as loans, deposits and cash management services, investment banking, retail banking, trust banking and securities businesses (with the retail banking and trust assets businesses being conducted through MUB), through a global network of more than 500 offices outside Japan to provide customers with financial products and services that meet their increasingly diverse and sophisticated financing needs. MUB is one of the largest commercial banks in California by both total assets and total deposits. MUB 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. MUB s parent company is MUAH, which is a bank holding company in the United States.

Krungsri Covers businesses conducted mainly in Thailand by Krungsri. Krungsri provides a comprehensive range of banking, consumer finance, investment, asset management, and other financial products and services to individual consumers, small and medium-sized enterprises, and large corporations mainly in Thailand. In addition, Krungsri s consolidated subsidiaries include the major credit card issuer in Thailand as well as a major automobile financing service provider, an asset management company, and a microfinance service provider in Thailand. We hold a 76.88% ownership interest in Krungsri as of March 31, 2015. The amounts for this segment in the table below represent the respective amounts before taking into account the noncontrolling interest in Krungsri and before taking into account the integration between Krungsri and BTMU s Bangkok branch.

Integrated Global Markets Business Group Covers asset and liability management and strategic investments of BTMU and MUTB, and sales and trading of financial products of BTMU, MUTB and MUSHD.

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

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Effective April 1, 2014 and October 1, 2014, in order to further streamline and integrate our managerial accounting methodologies on a group-wide basis, we made modifications to such methodologies, which mainly affected the Integrated Retail Banking Business Group and the Integrated Global Markets Business Group. These modifications had no impact on our total operating profit for the fiscal years ended March 31, 2013 and 2014, but affected net revenue and operating expense allocations among business segments. Prior period business segment information has been reclassified to enable comparisons between the relevant amounts for the fiscal years ended March 31, 2013, 2014 and 2015, respectively.

For further information, see Note 29 to our consolidated financial statements included elsewhere in this Annual Report.

Effective this current fiscal year ending March 31, 2016, the Integrated Retail Banking Business Group, the Integrated Corporate Banking Business Group, the Integrated Trust Assets Business Group, the Integrated Global Business Group and the Integrated Global Markets Business Group are renamed the Retail Banking Business Group, the Corporate Banking Business Group, the Trust Assets Business Group, the Global Business Group and the Global Markets Business Group, respectively. In addition, the Krungsri segment is integrated into and made part of the Global Business Group.

The following table set forth our business segment information for the fiscal years ended March 31, 2013, 2014 and 2015:

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group	Integrated Trust Assets Business Group	Integrated Global Business Group				Integrated Global Markets Business Group	Other	Total
				Other than MUAH	MUAH	Total	Krungsri			
	(in billions)									
Fiscal year ended March 31, 2013:										
Net revenue:	¥ 1,211.2	¥ 863.2	¥ 139.6	¥ 465.4	¥ 288.5	¥ 753.9	¥	¥ 759.9	¥ (10.9)	¥ 3,716.9
Operating expenses	917.3	434.3	88.8	246.8	205.4	452.2		142.5	174.2	2,209.3
Operating profit (loss)	¥ 293.9	¥ 428.9	¥ 50.8	¥ 218.6	¥ 83.1	¥ 301.7	¥	¥ 617.4	¥ (185.1)	¥ 1,507.6
Fiscal year ended March 31, 2014:										
Net revenue:	¥ 1,296.3	¥ 924.0	¥ 159.7	¥ 567.9	¥ 375.9	¥ 943.8	¥	¥ 563.2	¥ (13.6)	¥ 3,873.4
Operating expenses	961.9	438.5	94.8	299.9	266.9	566.8		176.5	171.8	2,410.3
Operating profit (loss)	¥ 334.4	¥ 485.5	¥ 64.9	¥ 268.0	¥ 109.0	¥ 377.0	¥	¥ 386.7	¥ (185.4)	¥ 1,463.1
Fiscal year ended March 31, 2015:										
Net revenue:	¥ 1,311.3	¥ 965.2	¥ 172.2	¥ 668.6	¥ 442.4	¥ 1,111.0	¥ 240.3	¥ 609.4	¥ (22.5)	¥ 4,386.9
Operating expenses	964.2	448.1	102.1	341.0	298.1	639.1	123.7	191.3	243.0	2,711.5
Operating profit (loss)	¥ 347.1	¥ 517.1	¥ 70.1	¥ 327.6	¥ 144.3	¥ 471.9	¥ 116.6	¥ 418.1	¥ (265.5)	¥ 1,675.4

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014

Integrated Retail Banking Business Group

Net revenue of the Integrated Retail Banking Business Group increased ¥15.0 billion to ¥1,311.3 billion for the fiscal year ended March 31, 2015 from ¥1,296.3 billion for the fiscal year ended March 31, 2014. Net revenue of the Integrated Retail Banking Business Group mainly consists of domestic revenues from commercial banking operations, such as deposits and lending operations, and fees related to sales of investment products to retail customers, as well as fees received by subsidiaries within the Integrated Retail Banking Business Group. The increase in net revenue was mainly due to increases in volumes of consumer finance products and sales of financial products such as insurance products, despite the negative impact of lower interest income from loans such as home loans due to lower interest rates and decreased volumes in the zero-interest rate and competitive housing market environment.

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Operating expenses of the Integrated Retail Banking Business Group increased ¥2.3 billion to ¥964.2 billion for the fiscal year ended March 31, 2015 from ¥961.9 billion for the fiscal year ended March 31, 2014.

Operating profit of the Integrated Retail Banking Business Group increased ¥12.7 billion to ¥347.1 billion for the fiscal year ended March 31, 2015 from ¥334.4 billion for the fiscal year ended March 31, 2014.

Integrated Corporate Banking Business Group

Net revenue of the Integrated Corporate Banking Business Group increased ¥41.2 billion to ¥965.2 billion for the fiscal year ended March 31, 2015 from ¥924.0 billion for the fiscal year ended March 31, 2014. Net revenue of the Integrated Corporate Banking Business Group mainly consists of domestic revenues from corporate lending and other commercial banking operations, investment banking and trust banking businesses in relation to corporate clients, as well as fees received by subsidiaries within the Integrated Corporate Banking Business Group. The increase in net revenue was mainly from the investment banking businesses such as structured financing in our banking subsidiaries and from the primary and secondary businesses in our securities subsidiaries, reflecting improved market conditions in and outside of Japan.

Operating expenses of the Integrated Corporate Banking Business Group increased ¥9.6 billion to ¥448.1 billion for the fiscal year ended March 31, 2015 from ¥438.5 billion for the fiscal year ended March 31, 2014.

Operating profit of the Integrated Corporate Banking Business Group increased ¥31.6 billion to ¥517.1 billion for the fiscal year ended March 31, 2015 from ¥485.5 billion for the fiscal year ended March 31, 2014.

Integrated Trust Assets Business Group

Net revenue of the Integrated Trust Assets Business Group increased ¥12.5 billion to ¥172.2 billion for the fiscal year ended March 31, 2015 from ¥159.7 billion for the fiscal year ended March 31, 2014. 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. Improvements in market conditions since the introduction of Abenomics continued to have a positive impact on the businesses of the Integrated Trust Assets Business Group.

Operating expenses of the Integrated Trust Assets Business Group increased by ¥7.3 billion to ¥102.1 billion for the fiscal year ended March 31, 2015 from ¥94.8 billion for the fiscal year ended March 31, 2014.

Operating profit of the Integrated Trust Assets Business Group increased ¥5.2 billion to ¥70.1 billion for the fiscal year ended March 31, 2015 from ¥64.9 billion for the fiscal year ended March 31, 2014.

Integrated Global Business Group

Net revenue of the Integrated Global Business Group increased ¥167.2 billion to ¥1,111.0 billion for the fiscal year ended March 31, 2015 from ¥943.8 billion for the fiscal year ended March 31, 2014. Net revenue of the Integrated Global Business Group mainly consists of revenues from commercial banking businesses outside of Japan, including loan, deposit and cash management, investment banking, retail banking, trust banking and securities businesses. The increase in net revenue mainly came from increases in fees and commissions income and interest income from loans to both Japanese and non-Japanese companies in Asia and the Americas. The depreciation of the Japanese yen mainly against the U.S. dollar also contributed to the increase in net revenue of the Integrated Global Business Group.

Operating expenses of the Integrated Global Business Group increased ¥72.3 billion to ¥639.1 billion for the fiscal year ended March 31, 2015 from ¥566.8 billion for the fiscal year ended March 31, 2014, mainly due to increases in salaries in foreign branches of our commercial banking and securities subsidiaries, the cost for enhancing our global financial regulatory compliance system and the depreciation of the Japanese yen against other major currencies.

Operating profit of the Integrated Global Business Group increased ¥94.9 billion to ¥471.9 billion for the fiscal year ended March 31, 2015 from ¥377.0 billion for the fiscal year ended March 31, 2014.

Krungsri

In December 2013, BTMU acquired a controlling interest in Krungsri. Accordingly, no business segment information was stated for the fiscal year ended March 31, 2014 in the above table. For the fiscal year ended March 31, 2015, net revenue of Krungsri was ¥240.3 billion.

Operating expenses of Krungsri were ¥123.7 billion for the fiscal year ended March 31, 2015.

As a result, operating profit of Krungsri was ¥116.6 billion for the fiscal year ended March 31, 2015.

Integrated Global Markets Business Group

Net revenue of the Integrated Global Markets Business Group increased ¥46.2 billion to ¥609.4 billion for the fiscal year ended March 31, 2015 from ¥563.2 billion for the fiscal year ended March 31, 2014. This increase was mainly due to higher capital gains, in the strategic investment business in our commercial and trust banking subsidiaries, reflecting improved stock prices in major markets, and higher gains in the sales and trading business in our commercial banking and security subsidiaries, reflecting higher volatility in the financial markets.

Operating expenses of the Integrated Global Markets Business Group increased ¥14.8 billion to ¥191.3 billion for the fiscal year ended March 31, 2015 from ¥176.5 billion for the fiscal year ended March 31, 2014, primarily due to an increase in salaries, including performance-based bonuses in our overseas securities subsidiaries, reflecting increased market activities.

Operating profit of the Integrated Global Markets Business Group increased ¥31.4 billion to ¥418.1 billion for the fiscal year ended March 31, 2015 from ¥386.7 billion for the fiscal year ended March 31, 2014.

Fiscal Year Ended March 31, 2014 Compared to Fiscal Year Ended March 31, 2013

Integrated Retail Banking Business Group

Net revenue of the Integrated Retail Banking Business Group increased ¥85.1 billion to ¥1,296.3 billion for the fiscal year ended March 31, 2014 from ¥1,211.2 billion for the fiscal year ended March 31, 2013. Net revenue of the Integrated Retail Banking Business Group mainly consists of domestic revenues from commercial banking operations, such as deposits and lending operations, and fees related to sales of investment products to retail customers, as well as fees received by subsidiaries within the Integrated Retail Banking Business Group. The increase in net revenue was mainly due to increases in volumes of sales of financial products such as mutual funds, debt securities and equity securities, reflecting improved market conditions since the introduction of Abenomics despite the negative impact of lower interest income from loans due to lower interest rates.

Operating expenses of the Integrated Retail Banking Business Group increased ¥44.6 billion to ¥961.9 billion for the fiscal year ended March 31, 2014 from ¥917.3 billion for the fiscal year ended March 31, 2013.

Operating profit of the Integrated Retail Banking Business Group increased ¥40.5 billion to ¥334.4 billion for the fiscal year ended March 31, 2014 from ¥293.9 billion for the fiscal year ended March 31, 2013.

Integrated Corporate Banking Business Group

Net revenue of the Integrated Corporate Banking Business Group increased ¥60.8 billion to ¥924.0 billion for the fiscal year ended March 31, 2014 from ¥863.2 billion for the fiscal year ended March 31, 2013. Net revenue of the Integrated Corporate Banking Business Group mainly consists of domestic revenues from corporate lending and other commercial banking operations, investment banking and trust banking businesses in relation to corporate clients, as well as fees received by subsidiaries within the Integrated Corporate Banking Business Group. The increase in net revenue was mainly from investment banking businesses such as derivative sales and structured financing in our banking subsidiaries and from primary and secondary businesses in our securities subsidiaries, reflecting improved market conditions in Japan.

Operating expenses of the Integrated Corporate Banking Business Group were ¥438.5 billion for the fiscal year ended March 31, 2014, an increase of ¥4.2 billion from ¥434.3 billion for the fiscal year ended March 31, 2013.

Operating profit of the Integrated Corporate Banking Business Group increased ¥56.6 billion to ¥485.5 billion for the fiscal year ended March 31, 2014 from ¥428.9 billion for the fiscal year ended March 31, 2013.

Integrated Trust Assets Business Group

Net revenue of the Integrated Trust Assets Business Group increased ¥20.1 billion to ¥159.7 billion for the fiscal year ended March 31, 2014 from ¥139.6 billion for the fiscal year ended March 31, 2013. 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. Improvements in market conditions since the introduction of Abenomics had a positive impact on the businesses of the Integrated Trust Assets Business Group.

Operating expenses of the Integrated Trust Assets Business Group increased by ¥6.0 billion to ¥94.8 billion for the fiscal year ended March 31, 2014 from ¥88.8 billion for the fiscal year ended March 31, 2013.

Operating profit of the Integrated Trust Assets Business Group increased ¥14.1 billion to ¥64.9 billion for the fiscal year ended March 31, 2014 from ¥50.8 billion for the fiscal year ended March 31, 2013.

Integrated Global Business Group

Net revenue of the Integrated Global Business Group increased ¥189.9 billion to ¥943.8 billion for the fiscal year ended March 31, 2014 from ¥753.9 billion for the fiscal year ended March 31, 2013. Net revenue of the Integrated Global Business Group mainly consists of revenues from commercial banking businesses outside of Japan, including loan, deposit and cash management, investment banking, retail banking, trust banking and securities businesses. The increase in net revenue mainly came from increases in fees and commissions income in Asia and interest income from loans to both Japanese and non-Japanese companies in the Americas. The depreciation of the Japanese yen against other major currencies also contributed to the increase in net revenue of the business group.

Operating expenses of the Integrated Global Business Group increased ¥114.6 billion to ¥566.8 billion for the fiscal year ended March 31, 2014 from ¥452.2 billion for the fiscal year ended March 31, 2013, mainly due to increases in salaries in foreign branches of our commercial banking and securities subsidiaries, and the depreciation of the Japanese yen against other major currencies.

Operating profit of the Integrated Global Business Group increased ¥75.3 billion to ¥377.0 billion for the fiscal year ended March 31, 2014 from ¥301.7 billion for the fiscal year ended March 31, 2013.

Integrated Global Markets Business Group

Net revenue of the Integrated Global Markets Business Group decreased ¥196.7 billion to ¥563.2 billion for the fiscal year ended March 31, 2014 from ¥759.9 billion for the fiscal year ended March 31, 2013. This decrease was mainly due to lower gains in sales of debt securities, particularly Japanese government bonds held as investment securities, in our commercial and trust banking subsidiaries, reflecting lower volumes of debt securities sold, despite increases in gains from the equity and debt securities trading in our securities subsidiaries.

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Operating expenses of the Integrated Global Markets Business Group increased ¥34.0 billion to ¥176.5 billion for the fiscal year ended March 31, 2014 from ¥142.5 billion for the fiscal year ended March 31, 2013, primarily due to an increase in salaries, including performance-based bonuses in our securities subsidiaries, reflecting increased market activities.

Operating profit of the Integrated Global Markets Business Group decreased ¥230.7 billion to ¥386.7 billion for the fiscal year ended March 31, 2014 from ¥617.4 billion for the fiscal year ended March 31, 2013.

Geographic Segment Analysis

The table below sets forth our total revenue, income (loss) before income tax expense (benefit) and net income (loss) attributable to Mitsubishi UFJ Financial Group on a geographic basis for the fiscal years ended March 31, 2013, 2014 and 2015. Assets, income and expenses attributable to foreign operations are allocated to geographical areas based on the domicile of the debtors and customers. For further information, see Note 30 to our consolidated financial statements included elsewhere in this Annual Report.

	Fiscal years ended March 31,		
	2013	2014	2015
		(in billions)	
Total revenue (interest income and non-interest income):			
Domestic	¥ 3,016.0	¥ 3,110.1	¥ 3,016.4
Foreign:			
United States of America	426.4	219.0	715.5
Europe	256.5	155.0	521.4
Asia/Oceania excluding Japan	585.5	569.0	1,087.4
Other areas(1)	211.1	290.3	399.0
Total foreign	1,479.5	1,233.3	2,723.3
Total	¥ 4,495.5	¥ 4,343.3	¥ 5,739.7
Income (loss) before income tax expense (benefit):			
Domestic	¥ 767.2	¥ 1,157.8	¥ 1,003.4
Foreign:			
United States of America	98.8	(207.1)	200.2
Europe	96.5	11.6	354.5
Asia/Oceania excluding Japan	317.1	253.8	414.4
Other areas(1)	136.3	204.3	290.2
Total foreign	648.7	262.6	1,259.3
Total	¥ 1,415.9	¥ 1,420.4	¥ 2,262.7
Net income (loss) attributable to Mitsubishi UFJ Financial Group			
Domestic	¥ 499.1	¥ 859.8	¥ 410.7
Foreign:			

United States of America	95.6	(131.5)	187.3
Europe	78.4	6.5	309.8
Asia/Oceania excluding Japan	275.0	149.4	358.6
Other areas(1)	121.0	131.2	264.7
Total foreign	570.0	155.6	1,120.4
Total	¥ 1,069.1	¥ 1,015.4	¥ 1,531.1

Note:

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

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Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014

Domestic net income attributable to Mitsubishi UFJ Financial Group decreased ¥449.1 billion to ¥410.7 billion for the fiscal year ended March 31, 2015 from ¥859.8 billion for the fiscal year ended March 31, 2014. This was mainly due to lower interest income from the domestic loan business, an increase in provision for credit losses, and smaller gains on sales of available-for-sale securities during the fiscal year ended March 31, 2015.

Foreign net income attributable to Mitsubishi UFJ Financial Group increased ¥964.8 billion to ¥1,120.4 billion for the fiscal year ended March 31, 2015 from ¥155.6 billion for the fiscal year ended March 31, 2014. The increase in foreign net income was mainly due to an increase in net income in Europe, reflecting higher fair values of foreign currency denominated bonds related to the fair value option, including German and French government bonds, as our banking subsidiaries increased their holdings of such bonds and interest rates decreased in the region where economic conditions remained stagnant. The increase in foreign net income in the United States and Asia reflected increases in the loan balance of MUAH and KS, and increases in lending interest rates in these regions.

Fiscal Year Ended March 31, 2014 Compared to Fiscal Year Ended March 31, 2013

Domestic net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2014 was ¥859.8 billion, compared to net income of ¥499.1 billion for the fiscal year ended March 31, 2013.

This was mainly due to an increase in non-interest income, particularly fees and commissions on securities business, investment fund business and trust business, as our commercial banking, trust banking and securities subsidiaries took advantage of increased market activities in Japan.

Foreign net income attributable to Mitsubishi UFJ Financial Group for the fiscal year ended March 31, 2014 was ¥155.6 billion, a decrease of ¥414.4 billion from ¥570.0 billion for the fiscal year ended March 31, 2013. The decrease in foreign net income was mainly due to a decrease in net income in the U.S. region reflecting lower fair values of foreign currency denominated bonds related to the fair value option, including U.S. Treasury bonds, as interest rates rose in the United States where the FRB began tapering its quantitative monetary easing program.

Effect of Change in Exchange Rates on Foreign Currency Translation

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014

The average exchange rate for the fiscal year ended March 31, 2015 was ¥109.93 per U.S.$1.00, compared to the average exchange rate of ¥100.24 per U.S.$1.00 for the previous fiscal year. The average exchange rate for the conversion of the U.S. dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2014 was ¥105.85 per U.S.$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2013 of ¥97.65 per U.S.$1.00.

The change in the average exchange rate of the Japanese yen against the U.S. dollar and other foreign currencies had the effect of increasing total revenue by ¥202.8 billion, net interest income by ¥85.5 billion and income before income tax expense by ¥105.2 billion, respectively, for the fiscal year ended March 31, 2015.

Fiscal Year Ended March 31, 2014 Compared to Fiscal Year Ended March 31, 2013

The average exchange rate for the fiscal year ended March 31, 2014 was ¥100.24 per U.S.$1.00, compared to the average exchange rate of ¥83.10 per U.S.$1.00 for the previous fiscal year. The average exchange rate for the conversion of the U.S. dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2013 was ¥97.65 per U.S.$1.00, compared to the average exchange rate for the fiscal year ended December 31, 2012 of ¥79.82 per U.S.$1.00.

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The change in the average exchange rate of the Japanese yen against the U.S. dollar and other foreign currencies had the effect of increasing total revenue by ¥285.2 billion, net interest income by ¥171.0 billion and income before income tax expense by ¥115.4 billion, respectively, for the fiscal year ended March 31, 2014.

B. Liquidity and Capital Resources

Financial Condition

Total Assets

Our total assets as of March 31, 2015 were ¥280.89 trillion, an increase of ¥27.23 trillion from ¥253.66 trillion as of March 31, 2014. The increase in total assets mainly reflected increases in interest-earning deposits in other banks of ¥16.86 trillion, loans (before allowance for credit losses) of ¥7.99 trillion, and trading account assets of ¥6.25 trillion, which were partially offset by a decrease in available-for-sale securities of ¥4.40 trillion.

The following table shows our total assets as of March 31, 2014 and 2015 by geographic region based principally on the domicile of the obligors:

	As of March 31,	
	2014	2015
	(in trillions)	
Japan	¥ 158.81	¥ 169.28
Foreign:		
United States	40.63	46.33
Europe	22.35	27.72
Asia/Oceania excluding Japan	22.31	26.19
Other areas(1)	9.56	11.37
Total foreign	94.85	111.61
Total	¥ 253.66	¥ 280.89

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

We have allocated a substantial portion of our assets to international activities. As a result, reported amounts are affected by changes in the exchange rate of the Japanese yen against the U.S. dollar and other foreign currencies. Foreign assets are denominated primarily in U.S. dollars. The Japanese yen amount of foreign currency-denominated assets increased as the relevant foreign exchange rates appreciated against the Japanese yen. For example, as of March 31, 2015 the exchange rate was ¥120.17 per U.S.$1.00, as compared with ¥102.92 as of March 31, 2014. This depreciation of the Japanese yen against the U.S. dollar and other foreign currencies between March 31, 2014 and March 31, 2015 resulted in a ¥9.84 trillion increase in the Japanese yen amount of our total assets as of March 31, 2015.

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Loan Portfolio

The following table sets forth our loans outstanding, before deduction of allowance for credit losses, as of March 31, 2014 and 2015, based on the industry segment loan classifications as defined by the Bank of Japan for regulatory reporting purposes, which is not necessarily based on the use of proceeds:

	As of March 31, 2014	As of March 31, 2015
	(in billions)	
Domestic:		
Manufacturing	¥ 11,540.8	¥ 11,703.4
Construction	980.9	977.9
Real estate	10,989.6	10,911.2
Services	2,693.6	2,684.4
Wholesale and retail	8,475.1	8,345.5
Banks and other financial institutions(1)	3,985.1	4,330.0
Communication and information services	1,443.5	1,527.8
Other industries	13,496.7	12,674.0
Consumer	16,921.3	16,720.6
Total domestic	70,526.6	69,874.8
Foreign:		
Governments and official institutions	811.5	1,052.1
Banks and other financial institutions(1)	9,792.2	11,973.0
Commercial and industrial	24,533.8	29,593.2
Other	4,872.4	6,065.8
Total foreign	40,009.9	48,684.1
Unearned income, unamortized premium net and deferred loan fees net	(260.1)	(293.7)
Total(2)	¥ 110,276.4	¥ 118,265.2

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 ¥46.6 billion and ¥88.9 billion as of March 31, 2014 and 2015, respectively, which are carried at the lower of cost or estimated fair value.

Loans are our primary use of funds. For the fiscal year ended March 31, 2015, the average balance of loans was ¥114.02 trillion, accounting for 48.1% of the average total interest-earning assets, compared to ¥102.60 trillion, representing 48.4% of the average total interest-earning assets, for the previous fiscal year. As of March 31, 2015, our total loans were ¥118.27 trillion, accounting for 42.1% of total assets, compared to ¥110.28 trillion, accounting for 43.5% of total assets as of March 31, 2014. As a percentage of total loans before unearned income, net unamortized premiums and net deferred loan fees, between March 31, 2014 and March 31, 2015, domestic loans decreased from 63.8% to 58.9%, while foreign loans increased from 36.2% to 41.1%.

Our domestic loan balance decreased ¥0.65 trillion, or 0.9%, between March 31, 2014 and March 31, 2015. This was mainly due to a decrease in our loans outstanding to borrowers in the other industries category, primarily reflecting repayments of loans made to central government institutions.

Our foreign loan balance increased ¥8.67 trillion, or 21.7%, between March 31, 2014 and March 31, 2015. This was mainly due to increased lending activity in the Americas, particularly in the United States, where economic conditions continued to improve at a moderate pace, as well as in Asia, where emerging economies continued to grow. The depreciation of the Japanese yen against the U.S. dollar also contributed to the increase in the balance of foreign loans.

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Changes in the allowance for credit losses and provision (credit) for credit losses

The following table shows a summary of the changes in the allowance for credit losses by portfolio segment for the fiscal years ended March 31, 2014 and 2015:

Fiscal year ended March 31, 2014:	Commercial	Residential	Card	MUAH	Krungsri[2]	Total
			(in billions)			
Allowance for credit losses:						
Balance at beginning of fiscal year	¥ 1,068.5	¥ 157.2	¥ 51.9	¥ 58.4	¥	¥ 1,336.0
Provision (credit) for credit losses	(70.1)	(36.0)	5.6	(5.9)		(106.4)
Charge-offs	158.9	4.6	20.1	7.5		191.1
Recoveries	29.5	0.3	3.2	4.4		37.4
Net charge-offs	129.4	4.3	16.9	3.1		153.7
Others[1]	7.9	0.0		10.6		18.5
Balance at end of fiscal year	¥ 876.9	¥ 116.9	¥ 40.6	¥ 60.0	¥	¥ 1,094.4

Fiscal year ended March 31, 2015:	Commercial	Residential	Card	MUAH	Krungsri[2]	Total
			(in billions)			
Allowance for credit losses:						
Balance at beginning of fiscal year	¥ 876.9	¥ 116.9	¥ 40.6	¥ 60.0	¥	¥ 1,094.4
Provision (credit) for credit losses	22.6	(30.9)	2.6	(1.9)	94.6	87.0
Charge-offs	119.2	13.8	10.8	5.3	28.0	177.1
Recoveries	19.0	0.2	3.3	4.0		26.5
Net charge-offs	100.2	13.6	7.5	1.3	28.0	150.6
Others[1]	8.4			8.0	8.3	24.7
Balance at end of fiscal year	¥ 807.7	¥ 72.4	¥ 35.7	¥ 64.8	¥ 74.9	¥ 1,055.5

Notes:

(1) Others are principally comprised of gains or losses from foreign exchange translation.

(2) For the Krungsri segment, which is a new portfolio segment added following our acquisition of Krungsri in December 2013, the acquired loans were recorded at their fair values as of the acquisition date, and there were no indications that an allowance for credit loss was necessary for these loans for the fiscal year ended March 31, 2014. Therefore, no allowance for credit loss is stated as of March 31, 2014 in the above table. In addition, the information relating to the Krungsri segment is shown in the table on a basis prior to the integration between Krungsri and BTMU s Bangkok branch.

We recorded ¥87.0 billion of provision for credit losses for the fiscal year ended March 31, 2015, compared to ¥106.4 billion of credit for credit losses for the previous fiscal year. Significant trends in each portfolio segment are discussed below.

Commercial segment A large borrower in the domestic electronics manufacturing industry began experiencing significant deterioration in its operational and financial performance in the second half of the fiscal year ended March 31, 2015, requiring modifications to the terms of a substantial portion of its loans and an impairment allowance.

Residential segment The stable corporate environment in recent periods has contributed to higher income for borrowers in the segment. This trend resulted in an overall improvement in the credit quality of our residential loan portfolio. In light of this improvement and other factors, we continued to record credit for credit losses.

Card segment We continued to apply refined borrower screening, which we had originally implemented in June 2010 under regulatory reforms in the consumer finance industry. In addition, the stable corporate environment in recent periods has contributed to higher income for borrowers in the segment. These factors resulted in an overall improvement in the credit quality of our card loan portfolio. In light of this improvement and other factors, we recorded a smaller provision for credit losses.

MUAH segment Economic conditions continued to gradually improve in the United States with rising stock and real estate prices. This trend resulted in an overall improvement in the credit quality of the MUAH segment. In light of this improvement and other factors, we continued to record credit for credit losses.

Krungsri segment We acquired KS in December 2013 and recorded the acquired loans at their fair values as of the acquisition date. We had no allowance for credit losses set aside as of March 31, 2014. We recorded ¥94.6 billion of provision for credit losses for the fiscal year ended March 31, 2015, primarily consisting of provisions of allowance for large groups of smaller-balance homogenous loans and formula allowance for loans that have been extended since the date of our acquisition of Krungsri, as well as provisions of allowance for loans individually evaluated for impairment particularly in the consumer and SME portfolios that were adversely affected by a slowdown in the economic growth in Thailand.

Charge-offs for the fiscal year ended March 31, 2015 were ¥177.1 billion, a decrease of ¥14.0 billion from ¥191.1 billion for the previous fiscal year. This was primarily due to a decrease in charge-offs in the Commercial segment, where a sizable portion of the loan outstanding to a large borrower in the domestic manufacturing category was charged off during the fiscal year ended March 31, 2014 to assist the borrower in improving its financial performance and repayment ability. The decrease in charge-offs in the Commercial segment was partially offset by an increase in charge-offs in the Residential segment, where portions of our apartment loans were charged off in connection with the sale of such loans to third parties.

Our total allowance for credit losses as of March 31, 2015 was ¥1,055.5 billion, a decrease of ¥38.9 billion from ¥1,094.4 billion as of March 31, 2014, as we recorded a provision for credit losses of ¥87.0 billion while we had net charge-offs of ¥150.6 billion for the fiscal year ended March 31, 2015. For further information on our allowance for credit losses, see Allowance for credit losses below.

Allowance policy

We maintain an allowance for credit losses to absorb probable losses inherent in the loan portfolio. We have divided our allowance for loan losses into five portfolio segments Commercial, Residential, Card, MUAH and Krungsri.

For all portfolio segments, key elements relating to the policies and discipline used in determining the allowance for credit losses are our credit classification and related borrower categorization process, which are closely linked to the risk grading standards set by the Japanese regulatory authorities for asset evaluation and assessment, and are 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 more information on our credit and borrower ratings, see Credit quality indicator and Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Credit Risk Management.

For the Commercial, MUAH and Krungsri segments, our allowance for credit losses primarily consists of allocated allowances. The allocated allowances consist of (1) an allowance for loans individually evaluated for impairment, (2) an allowance for large groups of smaller-balance homogeneous loans, and (3) a formula allowance. The allocated allowance within the Commercial segment also includes an allowance for country risk exposure. The allowance for country risk exposure within the Commercial segment covers transfer risk which is not specifically covered by other types of allowances. Both the allowance for country risk exposure and the formula allowance are provided for performing loans that are not subject to either the allowance for loans individually evaluated for impairment or the allowance for large groups of smaller-balance homogeneous loans. The allowance for credit losses within the MUAH segment also includes an unallocated allowance which captures losses that are attributable to economic events in various industry or geographic sectors whose impact

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on our loan portfolios in these segments have occurred but have yet to be recognized in the allocated allowance. For the Residential and Card segments, the loans are smaller-balance homogeneous loans that are pooled by the risk ratings based on the number of delinquencies.

For more information on our methodologies used to estimate the allowance for each portfolio segment, see Summary of Significant Accounting Policies in Note 1 to our consolidated financial statements included elsewhere in this Annual Report, and Critical Accounting Estimates Allowance for Credit Losses above.

During the fiscal year ended March 31, 2015, we did not make any significant changes to the methodologies and policies used to determine our allowance for credit losses.

Allowance for credit losses

Allowance for credit losses and recorded investment in loans by portfolio segment as of March 31, 2014 and 2015 are shown below:

As of March 31, 2014:	Commercial	Residential	Card	MUAH	Krungsri(2)	Total
			(in billions)			
Allowance for credit losses:						
Individually evaluated for impairment	¥ 640.5	¥ 69.6	¥ 29.2	¥ 4.1	¥	¥ 743.4
Collectively evaluated for impairment	209.1	45.4	11.3	55.8		321.6
Loans acquired with deteriorated credit quality	27.3	1.9	0.1	0.1		29.4
Total	¥ 876.9	¥ 116.9	¥ 40.6	¥ 60.0	¥	¥ 1,094.4
Loans:						
Individually evaluated for impairment	¥ 1,459.3	¥ 211.8	¥ 102.9	¥ 64.0	¥	¥ 1,838.0
Collectively evaluated for impairment	83,052.5	14,751.2	493.0	7,060.6	3,025.2	108,382.5
Loans acquired with deteriorated credit quality	75.7	15.3	12.7	115.0	50.7	269.4
Total(1)	¥ 84,587.5	¥ 14,978.3	¥ 608.6	¥ 7,239.6	¥ 3,075.9	¥ 110,489.9

As of March 31, 2015:	Commercial	Residential	Card	MUAH	Krungsri(2)	Total
			(in billions)			
Allowance for credit losses:						
Individually evaluated for impairment	¥ 516.1	¥ 49.3	¥ 25.7	¥ 4.2	¥ 7.5	¥ 602.8
Collectively evaluated for impairment						