MITSUBISHI UFJ FINANCIAL GROUP INC
Form 20-F
July 22, 2013
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As filed with the Securities and Exchange Commission on July 22, 2013

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, 2013

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)

Hiroshi Fukunaga, +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: None

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

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

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

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

Restricted Share Units granting rights to common stock pursuant to The Bank of Tokyo-Mitsubishi UFJ, Ltd. Headquarters for the Americas Stock Bonus Plan

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

At March 31, 2013, (1) 14,158,585,720 shares of common stock (including 4,374,857 shares of common stock held by the registrant and its consolidated subsidiaries as treasury stock), (2) 156,000,000 shares of first series of class 5 preferred stock, and (3) 1,000 shares of class 11 preferred stock.

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

Yes x No ¨

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

Yes ¨ No x

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

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

Yes x No ¨

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

Yes x No ¨

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

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

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

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

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

Item 17 ¨ Item 18 ¨

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

Yes ¨ No x

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For purposes of this Annual Report, we have presented our consolidated financial statements in accordance with accounting principles generally accepted in the United States, or 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. Unless the context otherwise requires, references in this Annual Report to the financial results or business of the MTFG group and the UFJ group refer to those of MTFG and UFJ Holdings and their respective consolidated subsidiaries. In addition, our banking subsidiaries refers to The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi UFJ Trust and Banking Corporation and, as the context requires, their respective consolidated subsidiaries engaged in the banking business. References in this Annual Report to yen or ¥ are to Japanese yen, references to U.S. dollars, U.S. dollar, dollars, U.S.$ or $ are to United States dollars, references to euro or are to the currency of the member states of the European Mo Union, and references to £ are to British pounds sterling. Unless the context otherwise requires, references to the Great East Japan Earthquake generally mean the earthquake and the ensuing tsunami in the northeastern region of Japan that occurred on March 11, 2011, as well as the subsequent accidents at the Fukushima Daiichi Nuclear Power Plants. Our fiscal year ends on March 31 of each year. References to years not specified as being fiscal years are to calendar years.

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

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Forward-Looking Statements

We may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with or submitted to the 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 operations data and selected balance sheet data set forth below have been derived from our audited consolidated financial statements.

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

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

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

	Fiscal years ended March 31,				
	2009	2010	2011	2012	2013
	(in millions, except per share data and number of shares)				
Statement of operations data:					
Interest income[1]	¥ 3,895,794	¥ 2,757,866	¥ 2,550,144	¥ 2,595,956	¥ 2,427,521
Interest expense	1,599,389	774,400	670,673	640,139	556,418
Net interest income	2,296,405	1,983,466	1,879,471	1,955,817	1,871,103
Provision for credit losses	626,947	647,793	292,035	223,809	144,542
Net interest income after provision for credit losses	1,669,458	1,335,673	1,587,436	1,732,008	1,726,561
Non-interest income	175,099	2,469,411	1,694,822	1,440,576	2,067,909
Non-interest expense	3,608,784	2,508,060	2,460,446	2,322,642	2,378,599
Income (loss) before income tax expense (benefit)	(1,764,227)	1,297,024	821,812	849,942	1,415,871
Income tax expense (benefit)	(259,928)	413,105	433,625	429,191	296,020
Net income (loss) before attribution of noncontrolling interests	(1,504,299)	883,919	388,187	420,751	1,119,851
Net income (loss) attributable to noncontrolling interests	(36,259)	15,257	(64,458)	4,520	50,727
Net income (loss) attributable to Mitsubishi UFJ Financial Group	¥ (1,468,040)	¥ 868,662	¥ 452,645	¥ 416,231	¥ 1,069,124
Net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	¥ (1,491,593)	¥ 846,984	¥ 431,705	¥ 398,291	¥ 1,051,184
Amounts per share:					
Basic earnings (loss) per common share net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	¥ (137.84)	¥ 68.72	¥ 30.55	¥ 28.17	¥ 74.30
Diluted earnings (loss) per common share net income (loss) available to common shareholders of Mitsubishi UFJ Financial Group	(137.84)	68.59	30.43	28.09	74.16
Number of shares used to calculate basic earnings (loss) per common share (in thousands)	10,821,091	12,324,315	14,131,567	14,140,136	14,148,060
Number of shares used to calculate diluted earnings (loss) per common share (in thousands)	10,821,091	12,332,681[2]	14,144,737[2]	14,156,820[2]	14,169,080[2]
Cash dividends per share declared during the fiscal year:					
Common stock	¥ 14.00	¥ 11.00	¥ 12.00	¥ 12.00	¥ 12.00
	$ 0.14	$ 0.12	$ 0.14	$ 0.15	$ 0.15
Preferred stock (Class 3)	¥ 60.00	¥ 60.00	¥ 30.00		
	$ 0.61	$ 0.65	$ 0.34		
Preferred stock (Class 5)		¥ 100.50[3]	¥ 115.00	¥ 115.00	¥ 115.00
		$ 1.10	$ 1.33	$ 1.45	$ 1.42
Preferred stock (Class 8)	¥ 7.95				
	$ 0.07				
Preferred stock (Class 11)	¥ 5.30	¥ 5.30	¥ 5.30	¥ 5.30	¥ 5.30
	$ 0.05	$ 0.06	$ 0.06	$ 0.07	$ 0.07
Preferred stock (Class 12)	¥ 11.50				
	$ 0.12				

	At March 31,				
	2009	2010	2011	2012	2013
	(in millions)				
Balance sheet data:					
Total assets	¥ 193,499,417	¥ 200,081,462	¥ 202,850,243	¥ 215,202,514	¥ 230,559,276
Loans, net of allowance for credit losses	99,153,703	90,870,295	86,261,519	91,012,736	97,254,242
Total liabilities	187,032,297	190,980,363	194,187,331	206,344,067	219,617,296
Deposits	128,331,052	135,472,496	136,631,704	139,493,730	148,209,739
Long-term debt	13,273,288	14,162,424	13,356,728	12,593,062	12,182,358

Total equity	6,467,120	9,101,099	8,662,912	8,858,447	10,941,980
Capital stock common stock	1,127,552	1,643,238	1,644,132	1,645,144	1,646,035

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	Fiscal years ended March 31,				
	2009	2010	2011	2012	2013
	(in millions, except percentages)				
Other financial data:					
Average balances:					
Interest-earning assets	¥ 173,242,745	¥ 175,370,688	¥ 180,260,385	¥ 184,179,147	¥ 193,824,256
Interest-bearing liabilities	156,084,859	158,156,363	161,344,664	165,420,569	173,399,441
Total assets	196,214,390	195,571,703	204,781,984	211,835,389	225,682,785
Total equity	8,069,262	7,871,505	8,987,129	8,594,310	9,244,530
Return on equity and assets:					
Net income (loss) available to common shareholders as a percentage of total average assets	(0.76)%	0.43%	0.21%	0.19%	0.47%
Net income (loss) available to common shareholders as a percentage of total average equity	(18.48)%	10.76%	4.80%	4.63%	11.37%
Dividends per common share as a percentage of basic earnings per common share	(4)	16.01%	39.28%	42.60%	16.15%
Total average equity as a percentage of total average assets	4.11%	4.02%	4.39%	4.06%	4.10%
Net interest income as a percentage of total average interest-earning assets	1.33%	1.13%	1.04%	1.06%	0.97%
Credit quality data:					
Allowance for credit losses	¥ 1,156,638	¥ 1,315,615	¥ 1,240,456	¥ 1,285,507	¥ 1,335,987
Allowance for credit losses as a percentage of loans	1.15%	1.43%	1.42%	1.39%	1.36%
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	¥ 1,792,597	¥ 2,007,619	¥ 2,064,477	¥ 2,178,541	¥ 2,322,504
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	1.79%	2.18%	2.36%	2.36%	2.36%
Allowance for credit losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	64.52%	65.53%	60.09%	59.01%	57.52%
Net loan charge-offs	¥ 576,852	¥ 468,400	¥ 342,100	¥ 173,370	¥ 112,862
Net loan charge-offs as a percentage of average loans	0.58%	0.49%	0.39%	0.20%	0.12%
Average interest rate spread	1.23%	1.08%	0.99%	1.02%	0.93%
Risk-adjusted capital ratio calculated under Japanese GAAP(5)	11.77%	14.87%	14.89%	14.91%	16.68%

Notes:

(1) Interest income for the fiscal year ended March 31, 2012 includes a gain of ¥139,320 million on 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 potentially issuable upon conversion of the Class 11 Preferred Stock.

(3) Includes a cash dividend of ¥43.00 per share declared at the ordinary annual meeting of shareholders held on June 26, 2009, which was the annual dividend declared for the fiscal year ended March 31, 2009, and a cash dividend of ¥57.50 per share declared at the board of director s meeting held on November 18, 2009, which represented one-half of the annual dividend declared for the fiscal year ended March 31, 2010.

(4) Dividends per common share as a percentage of basic loss per common share has not been presented because such information is not meaningful.

(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, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per U.S.$1.00. On July 5, 2013, the noon buying rate was ¥100.94 to U.S.$1.00 and the inverse noon buying rate was U.S.$0.99 to ¥100.00.

	Year 2013					
	February	**March**	**April**	**May**	**June**	**July(1)**
High	¥ 93.64	¥ 96.16	¥ 99.61	¥ 103.52	¥ 100.15	¥ 100.94
Low	¥ 91.38	¥ 93.32	¥ 92.96	¥ 97.28	¥ 94.29	¥ 99.62

Note:
(1) Period from July 1, 2013 to July 5, 2013.

	Fiscal years ended March 31,				
	2009	**2010**	**2011**	**2012**	**2013**
Average (of month-end rates)	¥ 100.85	¥ 92.49	¥ 85.00	¥ 78.86	¥ 83.26

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

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

Risks Related to Our Business

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

Our performance is particularly affected by the general economic conditions of Japan where we are headquartered and conduct a significant amount of our business. As of March 31, 2011, 2012 and 2013, 71.9%, 69.1% and 65.9% of our total assets were related to Japanese domestic assets, respectively, including Japanese national government and Japanese government agency bonds, which accounted for 77.5%, 81.1% and 80.4% of our total investment securities portfolio, and 22.6%, 23.0% and 21.6% of our total assets, respectively. Interest and non-interest income in Japan represented 67.1% of our total interest and non-interest income for the fiscal year ended March 31, 2013. Furthermore, as of March 31, 2013, our loans in Japan accounted for 70.4% of our total loans outstanding.

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There is still significant uncertainty surrounding Japan s economy. The Japanese economy slowed down in the quarter ended June 30, 2011 following the Great East Japan Earthquake in March 2011 and again in the third quarter ended December 31, 2011 as overseas economies deteriorated and the Japanese yen appreciated against other major currencies. Since Shinzo Abe became Japan s new prime minister in December 2012, the new government has put forth a series of new policies, including emergency economic measures and a supplementary budget, expanded monetary easing, and a growth strategy. If these policies prove ineffective, however, the growing financial burden of the Japanese government may adversely affect Japan s economy. For example, if the prices of Japanese government bonds decrease, resulting in unexpectedly higher interest rates, our investment securities portfolio as well as our lending, borrowing, trading and other operations may be negatively impacted. In addition, under the legislation enacted by the Japanese Diet in August 2012, the consumption tax rate will increase from the current 5% to 8% in April 2014 and further to 10% by October 2015, which may significantly weaken consumer spending in Japan. Furthermore, the Japanese government s energy policy, including financial assistance to electric utility companies and development of alternative sources of energy, may place significant additional budgetary constraints on Japan. In recent periods, several credit rating agencies have downgraded the credit ratings of Japan s sovereign debt, including a downgrade by Moody s Japan K.K., or Moody s, in August 2011 and a downgrade by Fitch Ratings Japan Limited, or Fitch, in May 2012. For a more detailed discussion of the risks related to increases in interest rates, see Risks Related to Our Business Increases in interest rates could adversely affect the value of our bond portfolio.

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. Especially, the financial turmoil caused by the credit crises in some European countries has negatively impacted wider markets, including those of both emerging and developed countries. As of March 31, 2013, based principally on the domicile of the obligors, assets related to Europe accounted for approximately 10.1% of our total assets, assets related to Asia and Oceania excluding Japan accounted for approximately 6.9% of our total assets, and assets related to the United States accounted for approximately 13.3% of our total assets. If the global economy deteriorates or the global economic recovery significantly slows down again, the availability of credit may become limited, and some of our borrowers may default on their loan obligations to us, increasing our credit losses. In addition, concerns over the sovereign debt problem in some European countries may limit liquidity in the global financial markets. Some of our credit derivative transactions may also be negatively affected, including the protection we sold through single name credit default swaps, index and basket credit default swaps, and credit linked notes. The notional amounts of these protections sold as of March 31, 2013 were ¥2.64 trillion, ¥0.62 trillion and ¥0.01 trillion, respectively. In addition, if credit market conditions worsen, our capital funding structure may need to be adjusted or our funding costs may increase, which could have a material adverse impact on our financial condition and results of operations.

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Furthermore, we have incurred losses, and may incur further losses, as a result of changes in the fair value of our financial instruments resulting from 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 ¥139.0 billion, ¥195.7 billion and ¥124.2 billion for the fiscal years ended March 31, 2011, 2012 and 2013, respectively. As of March 31, 2013, approximately 43.5% 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.

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

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

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

As a percentage of total loans, nonaccrual and restructured loans and accruing loans contractually past due 90 days or more ranged from 1.79% to 2.36% as of the five most recent fiscal year-ends, reaching its highest level of 2.36% as of the three most recent fiscal year ends. Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more increased to ¥2.32 trillion at March 31, 2013, from ¥2.18 trillion at March 31, 2012, primarily due to an increase in such loans in our domestic loan portfolio. If the economic conditions in Japan worsen again, our problem loans and credit-related expenses may increase. An increase in problem loans and credit-related expenses would adversely affect our results of operations, weaken our financial condition and erode our capital base. For a discussion of our problem loans, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition and Selected Statistical Data Loan Portfolio.

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, 2013, the total notional amount of the protection we sold through single name credit default swaps, index and basket credit default swaps, and credit-linked notes was ¥3.3 trillion. In addition, negative changes in financial market conditions may restrict the availability and liquidity of credit default swaps. For more information on our credit derivative transactions, see Note 21 to our consolidated financial statements included elsewhere in this Annual Report.

Our loan losses could prove to be materially different from our estimates and could materially exceed our current allowance for credit losses, in which case we may need to provide for additional allowance for credit losses and may also record credit losses beyond our allowance. Our allowance for credit losses in our loan portfolio is based on evaluations about customers creditworthiness and the value of collateral we hold. Negative changes in economic conditions, 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 the weakening consumer spending in Japan and 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 higher fuel prices in recent periods. Other borrowers in Japan may be adversely affected due to the compensation issues for affected individuals and companies, electricity power supply shortages and electricity rate increases, and other indirect consequences of the Great East Japan Earthquake beyond our expectations. As 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. For a discussion of our allowance policy, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Financial Condition.

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

A decline in Japanese stock prices could reduce the value of the Japanese domestic marketable equity securities that we hold, which accounted for 6.6% of our total investment securities portfolio, or 1.8% of our total assets, as of March 31, 2013. 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, 2013, declining to the lowest price of ¥8,238.96 on June 4, 2012 and rising to the highest price of ¥12,650.26 on March 21, 2013. As of July 8, 2013, the closing price of the Nikkei Stock Average was ¥14,109.34. The 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 the economic and monetary policies mainly in Japan, the United States, Eurozone and the United Kingdom. For example, in Japan, if the economic measures under the Japanese government s Abe-nomics policy and measures under the Bank of Japan s quantitative and qualitative monetary easing policy prove ineffective or result in adverse consequences, the Japanese stock market will likely be adversely affected. In addition, weakening or stagnant economic conditions in other regions may have a significant negative impact on Japanese companies, which in turn will cause their stock prices to decline. 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.

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 hold has increased in recent fiscal years to 22.7% of our total assets as of

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March 31, 2013. In particular, the Japanese national government and Japanese government agency bonds accounted for 21.6% of our total assets as of March 31, 2013. 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 recently expanded its asset purchase program, which currently includes a plan to purchase up to approximately ¥7.5 trillion of Japanese national government bonds each month. The central bank s policies, however, may change, resulting in an interest rate increase. Separate from the central bank s monetary policies, interest rates on the Japanese national government and Japanese government agency bonds could also significantly increase if there is a disruption in the market for Japanese national government bonds caused by shifts in investor attitude, fluctuations in other comparable debt instruments or adverse changes in the perception of Japan s sovereign risk. The yield on newly issued ten-year Japanese government bonds rose above 1% in May 2013 for the first time in a year. An increase in relevant interest rates, particularly if such increase is unexpected or sudden, may have a significant negative effect on the value of our bond portfolio. See Item 5. Operating and Financial Review and Prospects Business Environment.

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

Fluctuations in foreign currency exchange rates against the Japanese yen create transaction gains or losses on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies. To the extent that our foreign currency-denominated assets and liabilities are not matched in the same currency or appropriately hedged, we could incur losses due to future foreign exchange rate fluctuations. During the fiscal year ended March 31, 2013, the average balance of our foreign interest-earning assets was ¥59.1 trillion and the average balance of our foreign interest-bearing liabilities was ¥37.4 trillion, representing 30.5% of our average total interest-earning assets and 21.6% of our average total interest-bearing liabilities during the same period. For the fiscal year ended March 31, 2013, net foreign exchange losses, which primarily include transaction gains on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies and net losses on currency derivatives instruments entered into for trading purposes, were ¥39.0 billion, compared to net foreign exchange gains of ¥34.3 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, 2013 was ¥83.10 per U.S.$1.00, compared to the average exchange rate for the fiscal year ended March 31, 2012 of ¥79.08 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 ¥39.9 billion, increasing net interest income by ¥22.3 billion and income before income tax expense by ¥26.6 billion, respectively, for the fiscal year ended March 31, 2013. Since the Abe administration s inauguration in December 2012, the exchange rate between the Japanese yen and the U.S. dollar has been fluctuating significantly with the Japanese yen depreciating from ¥84.76 to the U.S. dollar on December 26, 2012 to ¥103.74 to the U.S. dollar on May 22, 2013 and then appreciating to ¥93.79 to the U.S. dollar on June 13, 2013. For more information on foreign exchange gains and losses and foreign currency translation gains and losses, see Item 5.A. Operating and Financial Review and Prospects 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, 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.

The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU conducted a self-initiated internal investigation in 2007 of transactions involving countries subject to U.S. sanctions and reported the results of the investigation to the Office of Foreign Assets Control, or OFAC, of the U.S. Department of the Treasury, the New York State Department of Financial Services, or DFS, and other relevant regulators in 2008. After a series of deliberations and consultations with them, BTMU agreed to make a approximately $8.6 million payment to OFAC in December 2012 to settle potential civil liability for apparent violations of certain U.S. sanctions regulations from 2006 to 2007. In June 2013, BTMU entered into a consent agreement with DFS to resolve issues relating to certain U.S. dollar payments that were routed through New York from 2002 to 2007. Under the terms of the agreement with DFS, BTMU made a civil monetary payment of $250 million to DFS and will retain an independent consultant to conduct a compliance review of the relevant controls and related matters in BTMU s current operations. 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 have been named as defendants in a number of civil lawsuits, including putative class actions, in the United States. In June 2013, BTMU was censured by the Monetary Authority of Singapore for deficiencies in its governance, risk management and internal controls for its involvement in benchmark submissions and was directed, among other things, to adopt measures to address these deficiencies.

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 similar matters 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 in a timely manner, and our risk management systems and programs may not be fully effective in preventing all violations of laws, regulations and rules.

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

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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, the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, generally known as the Volcker Rule are designed to restrict banking entities proprietary trading and private fund investment activities. The Volcker Rule is subject to final rule-making and interpretation, including with respect to the scope of its applicability to activities outside of the United States, and the impact of the rule on our business operations remains uncertain. The Volcker Rule and other reform measures may ultimately be implemented in a manner that requires us to materially alter our business model or incur significant costs or losses. The Proposed Rule on Enhanced Prudential Standards and Early Remediation Requirement for Foreign Banking Organizations and Foreign Non-Bank Financial Companies of the Federal Reserve Board, or the FRB, if finalized substantially in its current form, may also have a significant impact on the current structure of our U.S. operations as well as on the manner in which we oversee and manage those operations. See Item 4.B. Information on the Company Business Overview Supervision and Regulation United States.

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

Union Bank, N.A., or Union Bank, is the primary subsidiary of UnionBanCal Corporation, or UNBC, which is an indirect wholly-owned subsidiary in the United States. Union Bank has historically contributed to a significant portion of our net income. UNBC reported net income of $573 million, $778 million and $629 million for the fiscal years ended December 31, 2010, 2011 and 2012, respectively. Any adverse developments which could arise at Union Bank may have a significant negative impact on our results of operations and financial condition. The risks relating to Union Bank have increased as Union Bank has been expanding its business through acquisitions of community banks and other financially-related businesses in the United States. If Union Bank is unable to achieve the benefits expected from its business strategies, including its business expansion strategy through acquisitions of community banks and other financially-related businesses, we may suffer an adverse financial impact. For more information on UNBC s recent acquisition transactions, see Item 5. Operating and Financial Review and Prospects Recent Developments.

Other factors that have negatively affected, and could continue to negatively affect, Union Bank s results of operations include adverse economic conditions, such as a downturn in the real estate and housing industries in California and other states within the United States, 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 Union Bank. To the extent this policy continues, negative pressure on the net interest margins of U.S. banks, including Union Bank, can be expected.

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 proposed to implement the Basel III global regulatory framework for U.S. banks and bank holding companies which would require more and better sources of capital, as well as significantly revise the calculations for risk-weighted assets. The FRB has also proposed to implement various enhanced prudential standards required by the Dodd-Frank Act for larger U.S. bank holding companies, such as UNBC. These standards will require the larger bank holding companies to meet enhanced capital, liquidity and leverage standards. Further, the FRB has proposed regulations applicable to foreign banking organizations, or FBOs, operating in the United States, which would require MUFG s and BTMU s U.S. operations, including those at UNBC, 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.

During 2012 and continuing into 2013, a number of major U.S. banking institutions have been the targets of cyberattacks that have, for limited periods, resulted in the disruption of various operations of the targeted banks. In addition, there have been increasing efforts to breach data security at financial institutions in the United States. Such attacks, even if not directed at Union Bank, could disrupt the overall functioning of the U.S. financial system and undermine consumer confidence in banks in the U.S. generally, to the detriment of other financial institutions, including Union Bank.

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

We continue to seek opportunities to expand the range of our products and services beyond our traditional banking and trust businesses, through development and introduction of new products and services or through acquisitions of or investments in financial institutions with products and services that complement our business. For example, taking advantage of our financial holding company status which enables us to underwrite securities, we are currently seeking to expand our corporate banking operations in the United States. In addition, the sophistication of financial products and management systems has been growing significantly in recent years. As a result, we are exposed to new and increasingly complex risks, 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. In addition, in July 2013, BTMU entered into a share tender agreement with GE Capital International Holdings Corporation, or GE Capital, as part of our plan to acquire through a tender offer up to 75% outstanding shares in Bank of Ayudhya Public Company Limited in Thailand, assuming that a group of existing major shareholders holding approximately 25% of the Thai bank s total outstanding shares will not tender the shares they hold. Our risk management systems may prove to be inadequate and may not work in all cases or to the degree required. The substantial market, credit, compliance

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and regulatory risks in relation to the expanding scope of our products, services and trading activities or expanding our business beyond our traditional markets, could result in us incurring substantial losses. In addition, our efforts to offer new services and products or penetrate new markets may not succeed if product or market opportunities develop more slowly than expected, if our new services or products are not well accepted among customers, or if the profitability of opportunities is undermined by competitive pressures. For a detailed discussion of our risk management systems, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk. 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 28.4% from ¥12.41 trillion as of March 31, 2012 to ¥15.94 trillion as of March 31, 2013, accounting for 6.9% of our total assets as of March 31, 2013. 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, 2013, 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 ¥23.22 trillion, ¥15.94 trillion and ¥8.67 trillion, representing 10.1%, 6.9% and 3.8% 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 entered into a global strategic alliance with Morgan Stanley, under which we operate two joint venture securities companies in Japan, engage in joint corporate finance operations in the United States and pursue other cooperative opportunities. We hold approximately 22.0% of the voting rights in Morgan Stanley as of March 31, 2013 and continue to hold approximately $521.4 million, or ¥ 53.6 billion, of perpetual non-cumulative non-convertible preferred stock with a 10% dividend. In addition, we currently have two representatives on Morgan Stanley s board of directors.

We initially entered into this strategic alliance in October 2008 with a view towards long-term cooperation with Morgan Stanley, and currently plan to deepen the strategic alliance. However, due to any unexpected changes in social, economic or financial co