MITSUBISHI UFJ FINANCIAL GROUP INC
Form 6-K
January 18, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 under

the Securities Exchange Act of 1934

For the month of January 2013

Commission File Number 000-54189

MITSUBISHI UFJ FINANCIAL GROUP, INC.

(Translation of registrant s name into English)

7-1, Marunouchi 2-chome, Chiyoda-ku

Tokyo 100-8330, Japan

(Address of principal executive offices)

Indicate by check mark whether the registrant files or

will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F __X__ Form 40-F ______

Indicate by check mark if the registrant is submitting the Form 6-K

in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K

in paper as permitted by Regulation S-T Rule 101(b)(7):

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EXHIBITS TO FORM 6-K

Exhibit Number	Description
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 18, 2013

Mitsubishi UFJ Financial Group, Inc.

By:	/s/ Akira Takeda
Name:	Akira Takeda
Title:	Chief Manager, General Affairs Corporate Administration Division

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FINANCIAL REVIEW

Introduction

We, Mitsubishi UFJ Financial Group, Inc., or MUFG, 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., 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.

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

Summary of Our Recent Financial Results

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥596.0 billion for the six months ended September 30, 2012, an increase of ¥405.0 billion from ¥191.0 billion for the six months ended September 30, 2011. Our diluted earnings per common share (net income available to common shareholders of Mitsubishi UFJ Financial Group) for the six months ended September 30, 2012 was ¥41.44, an increase of ¥28.62 from ¥12.82 for the six months ended September 30, 2011. Income before income tax expense for the six months ended September 30, 2012 was ¥683.6 billion, an increase of ¥289.6 billion from ¥394.0 billion for the six months ended September 30, 2011. Our business and results of operations, as well as our assets, are heavily influenced by trends in economic conditions particularly in Japan, which generally exhibited weakening trends during the six months ended September 30, 2012, with negative GDP growth, decreasing exports, and weaker private consumption. For further information, see Business Environment.

The following are some key figures relating to our financial results:

	Six months ended September 30,	
	2011	2012
	(in billions, except per share amounts)	
Net interest income[1]	¥ 1,034.0	¥ 918.9
Provision for credit losses	89.3	80.0
Non-interest income[2]	608.8	1,027.0
Non-interest expense	1,159.5	1,182.3
Income before income tax expense	394.0	683.6
Net income before attribution of noncontrolling interests	195.2	613.1
Net income attributable to Mitsubishi UFJ Financial Group	191.0	596.0
Diluted earnings per common share net income available to common shareholders of Mitsubishi UFJ Financial Group	12.82	41.44

Notes:

(1) Interest income for the six months ended September 30, 2011 includes a gain of ¥139.3 billion on the conversion rate adjustment of Morgan Stanley s convertible preferred stock. For more information, see Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

(2) Non-interest income for the six months ended September 30, 2011 reflects an impairment loss of ¥579.5 billion on our investment in Morgan Stanley s common stock resulting from a decline in the quoted market price of Morgan Stanley s common stock that we determined to be other than temporary in light of the increasingly stringent regulatory environment and the existing adverse economic events in Europe. For more information, see Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

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

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

- the amount of interest-earning assets,
- the amount of interest-bearing liabilities,
- the general level of interest rates,
- the so-called spread, or the difference between the rate of interest earned on interest-earning assets and the rate of interest paid on interest-bearing liabilities, and
- the proportion of interest-earning assets financed by non-interest-bearing liabilities and equity.

Net interest income for the six months ended September 30, 2012 was ¥918.9 billion, a decrease of ¥115.1 billion from ¥1,034.0 billion for the six months ended September 30, 2011. The higher net interest income for the six months ended September 30, 2011 reflected the one-time gain of ¥139.3 billion on the conversion rate adjustments of convertible preferred stock of Morgan Stanley. Excluding the one-time gain, net interest income would have slightly increased between the same periods as we increased our trading account assets to take advantage of the lower interest environment. The average interest spread decreased 0.18 percentage points to 0.92% for the six months ended September 30, 2012 from 1.10% for the six months ended September 30, 2011 mainly due to the one-time gain on the conversion rate adjustment of Morgan Stanley s convertible preferred stock. In addition, the interest spread in Japan tightened as a result of the continuing low interest environment. Excluding the one-time gain, our average foreign interest spread improved primarily because we were able to effectively manage the yields on our interest-earning assets while interest rates on our interest-bearing liabilities decreased as market interest rates declined.

The following is a summary of the amount of interest-earning assets and interest-bearing liabilities, average interest rates, the interest rate spread and non-interest-bearing liabilities for the six months ended September 30, 2011 and 2012:

	Six months ended September 30,			
	2011		2012	
	Average balance	Average rate (Annualized)	Average balance	Average rate (Annualized)
	(in billions, except percentages)			
Interest-earning assets:				
Domestic	¥ 128,879.2	1.11%	¥ 135,488.5	0.97%
Foreign[(1)]	52,315.5	2.44	56,865.2	1.95
Total	¥ 181,194.7	1.50%	¥ 192,353.7	1.26%
Financed by:				
Interest-bearing liabilities:				
Domestic	¥ 128,686.3	0.26%	¥ 135,793.5	0.23%

Foreign	33,932.1	0.91	36,761.9	0.76
Total	162,618.4	0.40	172,555.4	0.34
Non-interest-bearing liabilities	18,576.3		19,798.3	
Total	¥ 181,194.7	0.36%	¥ 192,353.7	0.31%
Interest rate spread		1.10%		0.92%
Net interest income as a percentage of total interest-earning assets		1.14%		0.95%

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Note:

(1) Interest income on foreign activities for the six months ended September 30, 2011 includes a gain of ¥139.3 billion on the conversion rate adjustment of Morgan Stanley s convertible preferred stock. For more information, see Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

Provision for credit losses. Provision for credit losses is charged to operations to maintain the allowance for credit losses at a level deemed appropriate by management. The provision for credit losses for the six months ended September 30, 2012 was ¥80.0 billion, a decrease of ¥9.3 billion from ¥89.3 billion for the same period of the previous fiscal year. For the details of the provision for credit losses and the description of the approach and methodology used to establish the allowance for credit losses, see Financial Condition Loan Portfolio.

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

- fees and commissions income, including:
  - trust fees,
  - fees on funds transfer and service charges for collections,
  - fees and commissions on international business,
  - fees and commissions on credit card business,
  - service charges on deposits,
  - fees and commissions on securities business,
  - fees on real estate business,
  - insurance commissions,
  - fees and commissions on stock transfer agency services,
  - guarantee fees,

- fees on investment funds business, and
- other fees and commissions;

- foreign exchange gains net, which include gains (losses) on foreign exchange derivative contracts (for example, foreign exchange gains (losses) on currency derivatives), foreign exchange gains (losses) 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 net, which primarily include net profits (losses) on trading account securities and interest rate derivative contracts entered into for trading purposes, including assets relating to the following activities:
  - trading purpose activities, which are conducted mainly for the purpose of generating profits either through transaction fees or arbitrage gains and involve frequent and short-term selling and buying of securities, commodities or others; and
  - trading account assets relating to application of certain accounting rules, which are generally not related to trading purpose activities, but are classified as trading accounts due to application of certain accounting rules, such as assets that are subject to fair value option accounting treatment or investment securities held by variable interest entities that are classified as trading account securities.

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

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

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; and

other non-interest income.

The following table is a summary of our non-interest income for the six months ended September 30, 2011 and 2012:

	Six months ended September 30,	
	2011	2012
	(in billions)	
Fees and commissions income	¥ 548.8	¥ 541.0
Foreign exchange gains net	67.8	76.6
Trading account profits net	449.2	301.8
Investment securities gains (losses) net	(19.2)	35.7
Equity in earnings (losses) of equity method investees net	(515.4)	10.0
Other non-interest income	77.6	61.9
Total non-interest income	¥ 608.8	¥ 1,027.0

Net trading account profits for the six months ended September 30, 2012 were ¥301.8 billion, a decrease of ¥147.4 billion from ¥449.2 billion for the same period of the previous fiscal year. Net profits on interest rate and other derivative contracts decreased ¥51.4 billion to ¥93.6 billion for the six months ended September 30, 2012 from ¥145.0 billion for the six months ended September 30, 2011, primarily due to a decrease of ¥60.2 billion in net profits on interest rate contracts, reflecting realized losses on interest rate swap transactions. Net profits on trading account securities, excluding derivatives, also decreased ¥96.0 billion to ¥208.2 billion for the six months ended September 30, 2012 from ¥304.2 billion for the six months ended September 30, 2011, mainly due to lower net profits on trading account securities under the fair value option, reflecting smaller gains on foreign securities as interest rate declines in the six months ended September 30, 2012 were smaller compared to the six months ended September 30, 2011.

Net investment securities gains for the six months ended September 30, 2012 were ¥35.7 billion, compared to net investment securities losses of ¥19.2 billion for the six months ended September 30, 2011. This improvement was mainly due to increased gains on debt securities transactions, which were partially offset by losses on equity securities transactions, and due to a decrease in impairment losses on our equity securities holdings as the stock market decline slowed during the six months ended September 30, 2012, compared to the same period of the previous fiscal year.

Net equity in earnings of equity method investees for the six months ended September 30, 2012 was ¥10.0 billion, compared to net equity in losses of equity method investees of ¥515.4 billion for the same period of the previous fiscal year, which included an other-than-temporary impairment loss of ¥579.5 billion on our investment in the common stock of Morgan Stanley.

Core Business Areas

We operate our main businesses under an integrated business group system, which integrates the operations of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries in the following five areas Retail, Corporate, Trust Assets, Global, and Global Markets. These five businesses serve as the core sources of our revenue. Operations that are not covered under the integrated business group system are classified under Other. For further information, see Business Segment Analysis.

Our business segment information is based on financial information prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP, as adjusted in accordance with internal management accounting rules and practices, and is not consistent with our unaudited condensed consolidated financial statements included elsewhere in this Report, which have been prepared in accordance with US GAAP. For information on a reconciliation of operating profit under the internal management reporting system to income before income tax expense shown on the unaudited condensed consolidated statements of income, see Note 15 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

The following table sets forth the relative contributions to operating profit for the six months ended September 30, 2012 of the five core business areas and the other business areas based on our business segment information:

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group	Integrated Trust Assets Business Group	Integrated Global Business Group			Global Markets	Other	Total
				Other than UNBC	UNBC	Total			
	(in billions)								
Net revenue:	¥ 586.9	¥ 421.5	¥ 67.0	¥ 191.4	¥ 130.8	¥ 322.2	¥ 460.9	¥ 15.6	¥ 1,874.1
Operating expenses	452.9	218.2	43.3	112.3	92.0	204.3	65.1	89.2	1,073.0
Operating profit (loss)	¥ 134.0	¥ 203.3	¥ 23.7	¥ 79.1	¥ 38.8	¥ 117.9	¥ 395.8	¥ (73.6)	¥ 801.1

Summary of Our Financial Condition

Total assets at September 30, 2012 were ¥215.17 trillion, a decrease of ¥0.03 trillion from ¥215.20 trillion at March 31, 2012. Total liabilities as of September 30, 2012 were ¥206.00 trillion, a decrease of ¥0.34 trillion from ¥206.34 trillion at March 31, 2012.

The following are some key figures relating to our financial condition:

	March 31, 2012	September 30, 2012
	(in trillions)	
Total assets	¥ 215.20	¥ 215.17
Total liabilities	206.34	206.00
Loans, net of unearned income, unamortized premiums and deferred loan fees	92.30	91.85
Allowance for credit losses	(1.29)	(1.30)
Investment securities	61.04	59.88
Deferred tax assets	0.95	1.02

At September 30, 2012, our total loans were ¥91.85 trillion, a decrease of ¥0.45 trillion from ¥92.30 trillion at March 31, 2012. Before unearned income, net unamortized premiums and net deferred loan fees, our loan balance at September 30, 2012 consisted of ¥67.73 trillion of domestic loans and ¥24.22 trillion of foreign loans. Between March 31, 2012 and September 30, 2012, domestic loans decreased ¥0.47 trillion while foreign loans increased ¥0.03 trillion. The decrease in domestic loans was mainly due to decreases in our loans outstanding to the wholesale and retail, consumer, and real estate categories partially offset by a ¥0.49 trillion increase in the other industries category. Our domestic loan portfolio reflected stagnant economic conditions in Japan. The increase in foreign loans was mainly due to an increase in demand for loans from

the other category, reflecting increased lending by UnionBanCal Corporation, or UNBC, due to the expansion of its consumer loan portfolio during the six months ended September 30, 2012. The average total balance of loans increased ¥4.61 trillion to ¥91.32 trillion for the six months ended September 30, 2012 from ¥86.71 trillion for the same period of the previous fiscal year.

The total allowance for credit losses at September 30, 2012 was ¥1,301.7 billion, an increase of ¥16.2 billion from ¥1,285.5 billion at March 31, 2012, partially reflecting the deteriorating credit quality of borrowers in the manufacturing, wholesale and retail, and real estate industries in Japan. We downgraded the internal borrower ratings assigned to certain large borrowers in these industries as they were adversely affected by increased global competition, weaker consumer spending, and stagnant economic conditions in Japan. The total allowance for credit losses represented 1.42% of our total loan portfolio at September 30, 2012, an increase of 0.03 percentage points from 1.39% at March 31, 2012. For more information, see Financial Condition Loan Portfolio below.

Total investment securities decreased ¥1.16 trillion to ¥59.88 trillion at September 30, 2012 from ¥61.04 trillion at March 31, 2012 primarily due to a ¥0.41 trillion decrease in Japanese national government and Japanese government agency bonds available for sale and a ¥0.39 trillion decrease in marketable equity securities. Our investment in Japanese national government and Japanese government agency bonds decreased to 22.8% of our total assets at September 30, 2012 from 23.0% of our total assets at March 31, 2012. The decrease in marketable equity securities mainly reflected the general decline in Japanese stock prices in the six months ended September 30, 2012. Due to the decreases in marketable equity securities as well as decreases in other investment securities, including corporate bonds available for sale and foreign governments and official institutions bonds being held to maturity, as a percentage of the aggregate of investment securities available for sale and investment securities being held to maturity, our holdings of Japanese national government and Japanese government agency bonds increased to 83.1% as of September 30, 2012 from 82.3% as of March 31, 2012.

Deferred tax assets increased ¥0.07 trillion from ¥0.95 trillion at March 31, 2012 to ¥1.02 trillion at September 30, 2012. This increase was primarily due to an increase in unrealized losses on investment securities for the six months ended September 30, 2012 reflecting general decline in market prices.

Business Environment

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

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

Economic Environment in Japan

During the six months ended September 30, 2012, the Japanese economy demonstrated weaker results compared to those of the prior six months, losing momentum for a recovery led by reconstruction demand following the earthquake in March 2011, or the Great East Japan Earthquake. Annualized quarter-on-quarter real GDP growth rate was negative 0.1% for the April June 2012 period and negative 3.5% for the July September 2012 period, the largest drop in six quarters since the large drop in the January March 2011 period. Such a sharp decline in the July September 2012 period was mainly due to negative growth in exports of goods and services, and private consumption. The negative growth in private consumption was the first time in the last six quarters.

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

Net Exports: Japan has experienced a trade deficit for the first time in 31 years in calendar year 2011, mainly due to a decrease in exports following the Great East Japan Earthquake and a high

level of imports of oil and natural gas, along with persistent appreciation of the Japanese yen. For the January June 2012 period, Japan posted a trade deficit of ¥2.9 trillion, marking the third consecutive deficit on a half-year basis and the largest trade deficit on record since 1979, particularly due to an increase in imports of LNG. According to the Cabinet Office s release in December 2012, exports declined sharply by 18.9% annualized quarter-on-quarter in the July September 2012 period mainly due to continued weakness in economy in Europe and decrease in exports to China reflecting an increase in diplomatic tension between China and Japan and anti-Japan demonstrations in China. Imports also decreased slightly by 1.8% annualized quarter-on-quarter during the same period.

Corporate Production: Industrial production was demonstrating improvement in the early part of calendar year 2012 in tandem with the gradual recovery in the Japanese economy supported by solid private consumption and government support to accelerate the recovery from the Great East Japan Earthquake. Since May 2012, however, the Industrial Production Index started to decline significantly and continued to decline for the remaining period of the six months ended September 30, 2012. The index in September 2012 marked a 4.1% decrease from August 2012. Such declines for these periods reflected weak exports mainly due to continued weak economy in European countries and diplomatic tension between China and Japan, as well as a decrease in domestic private consumption partially due to a decrease in consumption in cars due to the termination of government subsidies for purchases of environmentally friendly cars.

Private Business Fixed Investments: Private business fixed investments or capital expenditures declined primarily among manufacturers as export conditions deteriorated, while leading indicators showed firmness for non-manufacturers. The capital expenditure figures in GDP dropped sharply in the July-September 2012 period by 11.3% annualized quarter-on-quarter. Although the Bank of Japan s Short-Term Economic Survey of Enterprises in Japan, or Tankan, in December 2012 showed that large manufacturers business sentiment index deteriorated since September 2012, it also showed that large manufacturers and non-manufacturers plan to increase capital spending for whole of the fiscal year ending March 31, 2013.

Employment Conditions: Employment conditions have been modest throughout the first nine months of calendar year 2012, with stable yet lower than prior year unemployment rate of around low to mid 4% compared to that of mid 4% in calendar year 2011. The unemployment rate in September 2012 remained as low as 4.2%.

Private Consumption: Real private consumption increased 4.7% annualized quarter-on-quarter in the January-March 2012 period, followed by an increase of 0.3% in the April-June 2012 period. Such slower increase in the April-June 2012 period compared to the previous quarter was mainly due to a decrease in consumption in non-durable goods, reflecting the lack of consumer confidence for a sustainable growth in the Japanese economy. Real private consumption decreased by 1.7% annualized quarter-on-quarter in the July-September 2012 period, marking the first decrease in the last six quarters, driven by continued weakness in non-durable goods spending and a decrease in consumption in cars due to termination of government subsidies for purchases of environmentally friendly cars. Private consumption is expected to be affected by the planned increases in the consumption tax rate which would raise the current rate of 5% to 8% in April 2014, and to 10% in October 2015.

Government Expenditures: Although government expenditures have been increasing with the implementation of the fiscal year 2011 supplementary budget, there are indicators suggesting such increase is unlikely to continue. Real public demand rose for the fourth straight quarter in the July-September 2012 period with the annualized quarter-on-quarter growth of 3.2% due to increased construction related spending. However, the amount of construction orders, which is an early indicator of public spending, indicate that the disaster-related reconstructions following the Great East Japan Earthquake will start to lose momentum. For example, October 2012 marked the fourth consecutive month of decline in year-on-year growth rate in terms of construction orders by public agencies.

The Bank of Japan maintained a monetary easing policy during the six months ended September 30, 2012 to stimulate the economy that has been persistently lacking strong momentum for growth since the financial crisis. In October 2010, the Bank of Japan lowered its target interest rate to between 0% and 0.1% from 0.1% to support the economy and stimulate sustainable growth. Furthermore, at the Monetary Policy Meeting held in February 2012, the Bank of Japan introduced the price stability goal in the medium to long term, stating that the inflation rate that the Bank of Japan judges to be consistent with price stability sustainable in the medium to long term is within a positive range of 2% or lower in terms of the year-on-year rate of change in the Consumer Price Index, or CPI, and it set the target inflation rate at 1%. At the December 2012 meeting, the Bank of Japan agreed to increase the total size of the Asset Purchase Program, which is a program established to encourage a decrease in longer-term interest rates and risk premiums to enhance monetary easing by purchasing various financial assets and conducting funds-supplying operations against pooled collateral. Along with the monetary easing policy, the Bank of Japan has maintained a very low policy rate (uncollateralized overnight call rate) of 0.10% or lower in an effort to improve the Japanese economy.

Euro-yen 3-month Tokyo Interbank Offered Rate, or TIBOR, was around 0.31% as of late December 2012, the lowest level since 2006. Long-term interest rates have also remained at the historical low level, due to uncertainty in the global economy, weakness in stock prices and low expectations for a near-term rate increase in the United States, as the US government has maintained a monetary easing policy. The yield on newly-issued ten-year Japanese government bonds fell to around low 0.7% as of early December 2012. However, the yield started to rise towards the end of December 2012 to around low 0.8% in early January 2013 due to expectations of further easing of monetary policy by the new cabinet after the general election of the lower house of Japanese Diet in December 2012.

The following chart shows the interest rate trends in Japan since April 2011:

With regard to the Japanese stock market, the closing price of the Nikkei Stock Average, which is the average of 225 blue chip stocks listed on the Tokyo Stock Exchange, decreased from ¥10,109.87 at April 2, 2012 to ¥8,870.16 at September 28, 2012. After going down to ¥8,295.63 in early June 2012, the Nikkei Stock Average remained weak around mid-high ¥8,000 level throughout October 2012. The weakness in stock prices reflected the general sentiment of persistent risk aversion and uncertainty surrounding the economy, affected by multiple factors such as the European sovereign debt problems, the possibility of global economic recession, and the appreciation of the Japanese yen which adversely affected the Japanese export industry. The stock price demonstrated an upward trend in December 2012 due to a strong demand from foreign investors anticipating policy changes by the new cabinet after the general election of the lower house of Japanese Diet in December

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2012. In mid December 2012, the Nikkei Stock Average rose above 10,000 for the first time in more than eight months due to growing expectations of further easing of monetary policy under the new cabinet.

The closing price of the Tokyo Stock Price Index, or TOPIX, a composite index of all stocks listed on the First Section of the Tokyo Stock Exchange, similarly fluctuated from April 2012 through early December 2012 due to the same reasons as those for the Nikkei Stock Average. The TOPIX generally maintained a downward trend until it reached at 695.51 in early June 2012, and remained at around the mid to high 700s throughout early December 2012. As of January 7, 2013, the closing price of the Nikkei Stock Average was ¥10,599.01 and that of the TOPIX was 881.06. The following chart shows the daily closing price of the Nikkei Stock Average since April 2011:

Reflecting the persistent sentiment of risk aversion, the Japanese yen appreciated against other currencies, especially against the US dollar, from ¥82.91 to US$1 on April 2, 2012 to ¥77.58 to US$1 on September 28, 2012, despite the Bank of Japan s efforts to mitigate the trend. The Japanese yen was bought primarily because of concerns about the Eurozone economy for the first nine months in calendar year 2012. The trend changed from September 2012 when the surrounding circumstances have supported the Japanese yen selling against the euro, mainly due to softening of concerns about the Eurozone economy.

As of January 7, 2013, the Japanese yen stood at ¥87.77 to US$1. The following chart shows the foreign exchange rates expressed in Japanese yen per US dollar since April 2011:

Based on a survey conducted of land prices by the Japanese government, the average residential land prices in Japan declined by 2.5% between July 1, 2011 and July 1, 2012. The average commercial land prices in Japan also declined by 3.1% during the same period. In the three major metropolitan areas of Tokyo, Osaka and Nagoya, the average residential land prices declined by 0.9% between July 1, 2011 and July 1, 2012, while the average commercial land prices in those areas declined by 0.8% during the same period. In the local regions of Japan, which consist of regions other than the three major metropolitan areas in Japan, average residential land prices continued to decline, with the rate of decline between July 1, 2011 and July 1, 2012 of 3.2%, and commercial land prices also continued to decline with the rate of decline between July 1, 2011 and July 1, 2012 of 4.1%.

According to Teikoku Databank, a Japanese research institution, the number of companies that filed for legal bankruptcies in Japan from January 2012 to November 2012 was approximately 10,300, a decrease of 1.9% from the same period of the previous year. The decrease in the number of companies that filed for legal bankruptcy was mainly due to the positive effects of the Japanese government s economic stimulus measures which financially supported various industries restoration processes following the Great East Japan Earthquake. The aggregate amount of liabilities subject to bankruptcy filings from January 2012 to November 2012 was approximately ¥3.6 trillion, an increase of ¥0.5 trillion, excluding financial institutions bankruptcy filings. As a result, the aggregate amount of liabilities subject to bankruptcy filings increased approximately 16.1% compared to the same period of the previous year.

International Financial Markets

US Economy:

The US real GDP grew at an annualized rate of 1.3% and 3.1% quarter-on-quarter in the April-June 2012 period and the July-September 2012 period, respectively. Generally, capital expenditures have been losing momentum during these two quarters with a negative growth rate in the July-September 2012 period, and exports grew at a slower rate during the July-September 2012 period, while private consumption has been steady and residential investments have contributed to the growth. Uncertainties still remain over whether the US economy will continue to improve, especially in light of the volatility in global financial markets.

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

According to the US Bureau of Labor Statistics, the unemployment rate has generally been decreasing from its cyclical high at around 10% in April 2010 to 7.7% in November 2012.

Consumption, which accounts for approximately 70% of the US real GDP, grew 1.6% annualized quarter-on-quarter in the July-September 2012 period, supported by increases in spending on durable goods, such as cars and leisure spending, nondurable goods, such as clothing and footwear, and services, such as health care, reflecting a firm household income growth, partially offset by the persistently high mortgage burden and an increase in energy prices such as gasoline. Although the University of Michigan consumer sentiment index improved to the 80s in November 2012 after a precipitous drop to the 50s in mid 2011, the index fell to 72.9 in December 2012 due to concerns for the possibility of higher taxes in calendar year 2013.

Real residential fixed investment increased significantly by 13.5% annualized quarter-on-quarter in the July-September 2012 period, the sixth straight quarter of increase. The excess inventories that have been weighing on the housing markets, particularly for used houses, have been decreasing, and thus supply-demand conditions have been improving. Months-supply for existing housing improved to below six months at the end of September 2012, compared to being in the low to mid six months from

January 2012 until August 2012.

Real nonresidential fixed investment grew 3.6% annualized quarter-on-quarter in the April-June 2012 period mainly due to an increase in investment in machinery and software industries, followed

by negative growth of 1.8% annualized quarter-on-quarter in the July-September 2012 period, marking the first negative growth in the last six quarters, as corporate sentiment deteriorated due to uncertainties regarding overseas economies and governmental debt policies.

Government expenditures rose by 3.9% annualized quarter-on-quarter in the July-September 2012 period, the first time increase in nine quarters because of federal government expenditures, especially for defense related spending.

The Consumer Price Index for All Urban Consumers, or CPI-U, for all items increased by 1.8% before seasonal adjustment over the 12 months ended November 2012. It decreased by 0.3% in November 2012 from that of the preceding month on a seasonally adjusted basis. CPI-U for all items less food and energy increased 1.9% before seasonal adjustment over the 12 months ended November 2012. It increased by 0.2% in October 2012 and by 0.1% in November 2012 from that of the preceding month on a seasonally adjusted basis.

With the US economy demonstrating moderate improvement but still lacking strong evidence of sustained growth, the Federal Reserve Board, or the FRB, has kept in place its zero-interest rate policy a policy to maintain the federal funds target rate between zero and 0.25%. In December 2012, the FRB announced that it intends to maintain its zero-interest rate policy.

Major equity market indices, such as the Dow Jones Industrial Average, were performing better than other major equity indices in other regions of the globe from April 2012 to August 2012. From August 2012 through December 2012, Eurozone stock market indices, such as Germany s Deutscher Aktienindex, or DAX, started to improve their performance, despite persistently weak economy due to lessening of uncertainty regarding European debt crisis, due to various financial rescue packages. The Dow Jones Industrial Average was less volatile compared to other global indices, moving around mid 12,000 to low 13,000 ranges throughout December 2012, supported by the modest growth in the US economy and eased concerns over the European financial crisis despite persistently weak Eurozone economy.

Eurozone Economy:

The Eurozone economy as a whole generally remained weak throughout the six months ended September 30, 2012. Real GDP growth rates in the Eurozone were negative 0.2% and negative 0.1% quarter-on-quarter in the April-June 2012 period and the July-September 2012 period, respectively. In addition to the economic deterioration in peripheral countries, core countries such as Germany also experienced economic slowdown.

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

Private consumption in the July-September 2012 period declined slightly by less than 0.1% following a decline of 0.4% in the April-June 2012 period, marking the fourth consecutive quarter of decline. Retail sales in October 2012 declined by 1.2% month-over-month, down from a negative 0.6% month-over-month in September 2012. The decline was due to a decline in automotive fuel sales and non-food products (excluding automobile fuel).

The average unemployment rate in the Eurozone countries has been on a persistent upward trend, standing at 11.5% in the third quarter of calendar year 2012. Labor market conditions remained particularly weak in peripheral countries, such as Spain and Portugal, with unemployment rates of 26.2% and 16.3% respectively, as of October 2012. The number of unemployed in October 2012 increased by approximately 173,000 from September 2012, making the total to approximately 18.7 million, the highest level

in Eurozone history.

The fiscal austerity measures adopted in many Eurozone countries and the high unemployment rate have negatively impacted household purchasing power. The consumer confidence indicator in December 2012 stood at negative 26.6, one of the lowest levels since 2009.

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Industrial production for manufacturers declined 2.4% annualized in the July-September 2012 period compared to the July-September 2011 period, marking the third consecutive quarter of decline since the beginning of calendar year 2012. Industrial production in September and October 2012 declined by 2.3% and 1.4%, respectively, from that of the previous month, mainly due to a decrease in production of durable consumer goods and capital goods. The Purchasing Managers Index for the manufacturing sector was 46.2 in November 2012, below the 50 mark, which indicates a contraction in the sector, for the sixteenth consecutive month.

Net exports increased in the July-September 2012 period for the seventh consecutive quarter since the beginning of calendar year 2011, supported by growth in Germany due to high demand from non-Eurozone countries. Net exports remained positive in the July-September 2012 period partially due to weak Eurozone economy leading to weak demand in imports.

The Harmonized Index of Consumer Prices, or HICP, for all items increased at annual rate of 2.2% in November 2012. Core HICP, or HICP less energy, food, alcohol and tobacco increased at annual rate of 1.4% in November 2012. Core HICP remained relatively stable around 1.5% during calender year 2012.

In September 2012, the European Central Bank, or the ECB, announced its new bond purchase program to purchase unlimited amounts of government bonds of certain euro states that face high borrowing costs, after governments of such states meet certain conditions. Although Mr. Mario Draghi, the president of the ECB, noted that the announcement of the program has helped stabilize market sentiments, the EU authorities have revised down the economic outlook for the Eurozone, leading to a recent reversal in the market sentiment.

The ECB at its December 2012 meeting determined to maintain its policy rate at a historic low of 0.75%. After the meeting, Mr. Draghi noted that although some improvement in market conditions have been observed recently, available indicators continue to signal further weakness in economic activity in the last quarter of calendar year 2012, and the economic weakness is expected to extend into calendar year 2013.

Recent Developments

We continue to pursue global growth opportunities, including opportunities to strengthen our strategic alliance with Morgan Stanley and expand the operations of Union Bank, N.A., the primary subsidiary of UNBC, through acquisitions of community banks in the United States during the six months ended September 30, 2012. We plan to continue to selectively review and consider growth opportunities that will enhance our global competitiveness. We will monitor regulatory developments and pursue prudent transactions that will create a strong capital structure to enable us to contribute to the real economy, both domestically and globally, as a provider of a stable source of funds and high quality financial services.

UNBC s Acquisition of Pacific Capital Bancorp

In December 2012, UNBC acquired Pacific Capital Bancorp, or PCBC, a bank holding company headquartered in Santa Barbara, California, for $1.5 billion. As of September 30, 2012, PCBC had loans held for investment of $3.7 billion and total deposits of $4.7 billion on a consolidated basis.

Union Bank s Acquisition of Smartstreet

In October 2012, Union Bank acquired Smartstreet, formerly a division of Atlanta-based PNC Bank, N.A. with approximately $1 billion in deposits. Smartstreet provides banking services nationwide to homeowners associations and community association management companies in the United States. As a result of Union Bank s acquisition, Smartstreet operates as a division of Union Bank, but retains its brand in the US homeowner association market.

Agreement to Invest in VietinBank

In December 2012, BTMU agreed to acquire approximately 20% of the ordinary shares of Vietnam Joint Stock Commercial Bank for Industry and Trade, or VietinBank, subject to regulatory approvals and other

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conditions. VietinBank is one of the major Vietnamese state-owned commercial banks by asset size. BTMU s acquisition of newly issued shares for approximately 15.5 trillion Vietnamese Dong (equivalent to approximately ¥63.1 billion or $742 million as of December 27, 2012) will result in BTMU becoming the second largest shareholder of VietinBank. BTMU is expected to appoint two directors to the VietinBank board.

Recent Regulatory and Other Legal Developments

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

In December 2012, BTMU agreed to make a payment to the Office of Foreign Assets Control, or OFAC, of the US Department of the Treasury to settle potential civil liability for apparent violations of certain US sanctions regulations from 2006 to 2007. BTMU conducted a self-initiated internal investigation in 2007 of transactions involving countries subject to US sanctions and reported the results of the investigation to OFAC. After a series of deliberations and consultations with OFAC, some of the transactions reported by BTMU were determined to be apparent violations of certain of those US sanctions regulations. BTMU continues to cooperate closely with all relevant regulators and is undertaking necessary actions. These developments or other similar events may result in additional regulatory actions against us.

BTMU Headquarters for the Americas Stock Bonus Plan

Effective August 27, 2012, BTMU Headquarters for the Americas, or BTMU HQA, which oversees the branches and certain subsidiaries of BTMU in the Americas, adopted a stock bonus plan. Under the plan, qualified key employees of BTMU HQA are granted Restricted Stock Units, or RSUs, representing a right to receive American Depositary Receipts, or ADRs, evidencing American Depositary Shares, or ADSs, each exchangeable for one share of MUFG common stock, from an independent trust established to administer the plan grants, upon the satisfaction of vesting conditions. The RSUs vest pro-rata on each anniversary of the grant date and become fully vested three years from the grant date so long as the grantee satisfies the specified continuous service requirement and any other conditions under the plan documents.

The ADSs to be delivered to grantees will be purchased on the open market by the trustee of the independent trust. As of September 30, 2012, 1,582,822 RSUs have been granted under the plan. The grants had no material impact on our financial positions and results of operations.

Exposures to Selected European Countries

Several European countries, including Italy, Spain, Portugal, Ireland and Greece, have recently experienced weaknesses in their economic and fiscal situations in varying degrees of severity. We are closely monitoring our exposures in these countries.

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The following table sets forth information about our exposure on a consolidated basis, based on the aggregated exposure of BTMU, MUTB and MUSHD, which were the subsidiaries holding the exposure, as of September 30, 2012. The information in the table is categorized by counterparties, consisting of sovereign, non-sovereign financial institutions and non-sovereign non-financial institutions, and by type of financial instruments, which include loans, securities, derivatives and credit default swap, or CDS, protections (sold and bought). The securities exposure includes available for sale, held to maturity and trading securities. The information included in the table below is based on information compiled for internal risk management purposes only, and not for financial accounting purposes. The exposures are determined based on the country in which the borrower s head office is located. However, in case of a subsidiary located in a country different from that in which its parent company is located, the country exposure is determined based on the country in which the subsidiary is located.

	At September 30, 2012						
	Loans (funded & unfunded)	Securities[2]	Derivatives	CDS protection sold	Gross exposure (funded & unfunded)	CDS protection bought	Net exposure[1]
	(in billions)						
Italy	$ 6.0	$ 1.7	$ 0.9	$ 0.1	$ 8.7	$ 0.8	$ 7.9
Sovereign		1.5			1.5	0.1	1.4
Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	6.0	0.2	0.9	0.1	7.2	0.7	6.5
Spain	5.1	0.2	0.1	0.0	5.4	0.4	5.0
Sovereign		0.1			0.1		0.1
Financial Institutions	0.0	0.1	0.1	0.0	0.2	0.0	0.2
Others	5.1	0.0	0.0	0.0	5.1	0.4	4.7
Portugal	0.5	0.0			0.5	0.1	0.4
Sovereign		0.0			0.0		0.0
Financial Institutions	0.0	0.0			0.0		0.0
Others	0.5	0.0			0.5	0.1	0.4
Ireland	0.2	(0.0)	0.0		0.2		0.2
Sovereign							
Financial Institutions		0.0	0.0		0.0		0.0
Others	0.2	(0.0)	0.0		0.2		0.2
Greece	0.1	0.1			0.2		0.2
Sovereign							
Financial Institutions							
Others	0.1	0.1			0.2		0.2
Total	$ 11.9	$ 2.0	$ 1.0	$ 0.1	$ 15.0	$ 1.3	$ 13.7
Sovereign		1.6			1.6	0.1	1.5
Financial Institutions	0.0	0.1	0.1	0.0	0.2	0.0	0.2
Others	11.9	0.3	0.9	0.1	13.2	1.2	12.0

Notes:

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

(2) Securities include securities being held to maturity, securities available for sale, and trading securities. Securities being held to maturity are shown at amortized cost, and securities available for sale and trading securities are shown at fair value. Derivatives amounts represent current exposures, taking into consideration legally enforceable master netting agreements. CDS protection amounts represent notional amounts.

(3) To the extent financial instruments are originally denominated in currencies other than US dollars, the exposure amounts have been translated into US dollars at an internal exchange rate used for our internal risk management purposes as of September 30, 2012.

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(4) Negative amounts represent short positions.

Based on information collected for internal risk management purposes as of September 30, 2012, our consolidated exposure to Italy, Spain, Portugal, Ireland and Greece, which consisted of the aggregate, on a gross basis, of the funded loans and unfunded commitments to, held to maturity, available for sale and trading securities issued by, derivatives exposures to, and credit default protection sold for exposures to, sovereign government entities of and financial institutions and other corporate entities located in these countries, that BTMU, MUTB and MUSHD held, was less than 1% of our total assets.

As of September 30, 2012, 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 held no sovereign bonds issued by those European countries.

As of September 30, 2012, we had a total balance of $1.6 billion of sovereign bonds of the European peripheral countries identified in the table above on a consolidated basis. Among these countries, we had no Irish or Greek government bonds as of September 30, 2012. Approximately two-thirds of our Italian and Spanish government bonds were held in our trading accounts as of September 30, 2012.

As of September 30, 2012, we had a total of $13.4 billion of gross exposures relating to the European peripheral countries identified in the table above, excluding sovereign bonds. 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 therefore not material.

Critical Accounting Estimates

Our unaudited condensed consolidated financial statements included elsewhere in this Report are prepared in accordance with US GAAP. Many of the accounting policies require management to make difficult, complex or subjective judgments regarding the valuation of assets and liabilities. The accounting policies are fundamental to understanding our operating and financial review and prospects. Critical accounting estimates include the allowance for credit losses, impairment of investment securities, the allowance for repayment of excess interest, the valuation of deferred tax assets, accruals for uncertain tax positions, the accounting for goodwill and intangible assets, accrued severance indemnities and pension liabilities, and the valuation of financial instruments. For a further discussion of our critical accounting estimates, see our annual report on Form 20-F for the fiscal year ended March 31, 2012.

Accounting Changes and Recently Issued Accounting Pronouncements

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

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Results of Operations

The following table sets forth a summary of our results of operations for the six months ended September 30, 2011 and 2012:

	Six months ended September 30, 2011	2012
	(in billions)	
Interest income(1)	¥ 1,358.2	¥ 1,213.9
Interest expense	324.2	295.0
Net interest income	1,034.0	918.9
Provision for credit losses	89.3	80.0
Non-interest income(2)	608.8	1,027.0
Non-interest expense	1,159.5	1,182.3
Income before income tax expense	394.0	683.6
Income tax expense	198.8	70.5
Net income before attribution of noncontrolling interests	¥ 195.2	¥ 613.1
Net income attributable to noncontrolling interests	4.2	17.1
Net income attributable to Mitsubishi UFJ Financial Group	¥ 191.0	¥ 596.0

Notes:

(1) Interest income for the six months ended September 30, 2011 includes a gain of ¥139.3 billion on the conversion rate adjustment of Morgan Stanley s convertible preferred stock. For more information, see Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

(2) Non-interest income for the six months ended September 30, 2011 reflects an impairment loss of ¥579.5 billion on our investment in Morgan Stanley s common stock resulting from a decline in the quoted market price of Morgan Stanley s common stock that we determined to be other than temporary in light of the increasingly stringent regulatory environment and the existing adverse economic events in Europe. For more information, see Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥596.0 billion for the six months ended September 30, 2012, an increase of ¥405.0 billion from ¥191.0 billion for the six months ended September 30, 2011. Our diluted earnings per common share (net income available to common shareholders of Mitsubishi UFJ Financial Group) for the six months ended September 30, 2012 was ¥41.44, an increase of ¥28.62 from ¥12.82 for the six months ended September 30, 2011. Income before income tax expense for the six months ended September 30, 2012 was ¥683.6 billion, an increase of ¥289.6 billion from ¥394.0 billion for the six months ended September 30, 2011.

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Net Interest Income

The following is a summary of the interest rate spread for the six months ended September 30, 2011 and 2012:

	Six months ended September 30, 2011		2012	
	Average balance	Average rate (Annualized)	Average balance	Average rate (Annualized)
	(in billions, except percentages)			
Interest-earning assets:				
Domestic	¥ 128,879.2	1.11%	¥ 135,488.5	0.97%
Foreign[1]	52,315.5	2.44	56,865.2	1.95
Total	¥ 181,194.7	1.50%	¥ 192,353.7	1.26%
Financed by:				
Interest-bearing liabilities:				
Domestic	¥ 128,686.3	0.26%	¥ 135,793.5	0.23%
Foreign	33,932.1	0.91	36,761.9	0.76
Total	162,618.4	0.40	172,555.4	0.34
Non-interest-bearing liabilities	18,576.3		19,798.3	
Total	¥ 181,194.7	0.36%	¥ 192,353.7	0.31%
Interest rate spread		1.10%		0.92%
Net interest income as a percentage of total interest-earning assets		1.14%		0.95%

Note:

(1) Interest income on foreign activities for the six months ended September 30, 2011 includes a gain of ¥139.3 billion on the conversion rate adjustment of Morgan Stanley s convertible preferred stock. For more information, see Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

Net interest income for the six months ended September 30, 2012 was ¥918.9 billion, a decrease of ¥115.1 billion from ¥1,034.0 billion for the six months ended September 30, 2011. The higher net interest income for the six months ended September 30, 2011 reflected the one-time gain of ¥139.3 billion on the conversion rate adjustments of convertible preferred stock of Morgan Stanley. Excluding the one-time gain, net interest income increased ¥24.2 billion from ¥894.7 billion for the six months ended September 30, 2011 to ¥918.9 billion, mainly due to higher average balances of domestic investment securities, and domestic and foreign loans, despite lower average interest rate spreads both on our securities investments and on our loans due to the slowdown of the global economy.

Interest income decreased ¥144.3 billion to ¥1,213.9 billion for the six months ended September 30, 2012 from ¥1,358.2 billion for the same period of the previous fiscal year. For the six months ended September 30, 2012, compared to the same period of the previous fiscal year, interest income on activities in Japan decreased ¥61.2 billion and interest income on foreign activities decreased ¥83.1 billion. The higher interest income on foreign activities for the six months ended September 30, 2011 reflected the one-time gain of ¥139.3 billion on the conversion

rate adjustments of convertible preferred stock of Morgan Stanley.

Interest expense also decreased ¥29.2 billion to ¥295.0 billion for the six months ended September 30, 2012 from ¥324.2 billion for the same period of the previous fiscal year. The decrease is mainly due to lower short-term funding rates as well as a decrease of ¥1,180.0 billion in the average balance of long-term debt.

The average interest rate spread (average interest rate for interest-earning assets minus average interest rate for interest-bearing liabilities) decreased 0.18 percentage points to 0.92% for the six months ended

September 30, 2012 from 1.10% for the six months ended September 30, 2011. For the six months ended September 30, 2012 compared to the same period of the prior year, the average interest rate on interest-earning assets decreased 0.24 percentage points to 1.26% from 1.50%, while the average interest rate on interest-bearing liabilities decreased 0.06 percentage points to 0.34% from 0.40%, which resulted in the overall decrease in the average interest rate spread. The average interest rate spread on domestic activities decreased 0.11 percentage points to 0.74% for the six months ended September 30, 2012 from 0.85% for the same period of the previous fiscal year as interest rates on interest-earning assets decreased at steeper rates than interest-bearing liabilities in the current low interest rate environment. The average interest rate spread on foreign activities decreased 0.34 percentage points to 1.19% for the six months ended September 30, 2012 from 1.53% for the same period of the previous fiscal year. Excluding the one-time gain on the conversion rate adjustment of Morgan Stanley s convertible preferred stock, our average foreign interest rate spread improved primarily because we were able to effectively manage the yields on our interest-earning assets while interest rates on our interest-bearing liabilities decreased as market interest rates declined.

In Japan, the Bank of Japan maintained its monetary easing policies and zero interest rate 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 zero interest rate policy as well as other monetary easing policies, our interest rate spread on domestic activities will likely continue to be under severe pressure. Moreover, if additional monetary easing policies are adopted in the United States and European countries, our interest rate spread on foreign activities may also be negatively impacted.

Average interest-earning assets for the six months ended September 30, 2012 were ¥192,353.7 billion, an increase of ¥11,159.0 billion from ¥181,194.7 for the six months ended September 30, 2011. Average domestic interest-earning assets for the six months ended September 30, 2012 were ¥135,488.5 billion, an increase of ¥6,609.3 billion from ¥128,879.2 billion for the six months ended September 30, 2011, mainly due to increased investment securities and loans. Average foreign interest-earning assets for the six months ended September 30, 2012 were ¥56,865.2 billion, an increase of ¥4,549.7 billion from ¥52,315.5 billion for the six months ended September 30, 2011, mainly due to an increase in trading account assets resulting from transactions relating to such assets as well as gains on valuations of such assets under the fair value option and an increase in loans, which were partially offset by a decrease in deposits in other banks, a decrease in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions, reflecting reductions in deposits and investment securities held by foreign branches of our banking subsidiary.

Average interest-bearing liabilities for the six months ended September 30, 2012 were ¥172,555.4 billion, an increase of ¥9,937.0 billion from ¥162,618.4 billion for the six months ended September 30, 2011. Average domestic interest-bearing liabilities for the six months ended September 30, 2012 were ¥135,793.5 billion, an increase of ¥7,107.2 billion from ¥128,686.3 billion for the six months ended September 30, 2011, mainly due to increase in short-term funding such as call money, funds purchased, and payables under repurchase agreements and securities lending transactions to the central bank, and deposits, which were partially offset by a decrease in long-term debt, reflecting a decrease in obligations under loan securitization transactions accounted for as secured borrowings. Average foreign interest-bearing liabilities for the six months ended September 30, 2012 were ¥36,761.9 billion, an increase of ¥2,829.8 billion from ¥33,932.1 billion for the six months ended September 30, 2011, mainly due to an increase in deposits in foreign branches of our banking subsidiary, partially offset by decreases in short-term funding and long-term debt such as subordinated borrowings.

Provision for Credit Losses

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

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Non-Interest Income

The following table is a summary of our non-interest income for the six months ended September 30, 2011 and 2012:

	Six months ended September 30, 2011	2012
	(in billions)	
Fees and commissions income:		
Trust fees	¥ 48.3	¥ 45.5
Fees on funds transfer and service charges for collections	69.9	68.5
Fees and commissions on international business	28.0	27.7
Fees and commissions on credit card business	75.2	74.5
Service charges on deposits	9.4	8.5
Fees and commissions on securities business	62.6	66.6
Fees on real estate business	10.2	12.0
Insurance commissions	16.0	16.9
Fees and commissions on stock transfer agency services	26.0	25.4
Guarantee fees	30.1	28.1
Fees on investment funds business	67.4	57.9
Other fees and commissions	105.7	109.4
Total	548.8	541.0
Foreign exchange gains net	67.8	76.6
Trading account profits net:		
Net profits on interest rate and other derivative contracts	145.0	93.6
Net profits on trading account securities, excluding derivatives	304.2	208.2
Total	449.2	301.8
Investment securities gains (losses) net:		
Net gains on sales of securities available for sale:		
Debt securities	113.2	135.8
Marketable equity securities	17.2	8.7
Impairment losses on securities available for sale:		
Debt securities	(7.3)	(6.2)
Marketable equity securities	(149.5)	(112.8)
Other	7.2	10.2
Total	(19.2)	35.7
Equity in earnings (losses) of equity method investees net	(515.4)	10.0
Other non-interest income	77.6	61.9
Total non-interest income	¥ 608.8	¥ 1,027.0

Non-interest income for the six months ended September 30, 2012 was ¥1,027.0 billion, an increase of ¥418.2 billion from ¥608.8 billion for the six months ended September 30, 2011. This increase was mainly attributable to net equity in earnings of equity method investees of ¥10.0 billion for the six months ended September 30, 2012, compared to net equity in losses of equity method investees losses of ¥515.4 billion for the six months ended September 30, 2011, which included an other-than-temporary impairment loss on our investment in the common stock of Morgan Stanley.

Fees and commissions income

Fees and commission income for the six months ended September 30, 2012 was ¥541.0 billion, a decrease of ¥7.8 billion from ¥548.8 billion for the six months ended September 30, 2011. This decrease was primarily due to a decrease of ¥9.5 billion in fees and commissions on the investment funds business reflecting weak equity and bond market activity, and a decrease of ¥2.0 billion in guarantee fees reflecting weak demand in

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domestic markets both from individual and corporate customers. These decreases were partially offset by a ¥4.0 billion increase in fees and commissions in the securities business as the overall transaction volume increased through enhanced collaboration between our banking and securities subsidiaries.

Net foreign exchange gains

The following table sets forth the details of our foreign exchange gains and losses for the six months ended September 30, 2011 and 2012:

	Six months ended September 30, 2011	Six months ended September 30, 2012
	(in billions)	
Foreign exchange gains net:		
Foreign exchange gains on derivative contracts	¥ 46.4	¥ 98.9
Foreign exchange gains on other than derivative contracts	1,028.3	878.7
Foreign exchange losses related to the fair value option	(1,006.9)	(901.0)
Total	¥ 67.8	¥ 76.6

Net foreign exchange gains are comprised of foreign exchange gains (losses) related to derivative contracts, foreign exchange gains (losses) on other than derivative contracts and foreign exchange gains (losses) related to the fair value option.

Foreign exchange gains (losses) on derivative contracts were net gains (losses) primarily on currency derivative instruments entered into for trading purposes. For the details of derivative contracts, see Note 11 to our unaudited condensed consolidated financial statements included elsewhere in this Report. Foreign exchange gains on other than derivative contracts include 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 reporting period. 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 for securities under fair value option. For the details of the fair value option, see Note 16 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

Net foreign exchange gains for the six months ended September 30, 2012 were ¥76.6 billion, an increase of ¥8.8 billion from ¥67.8 billion for the six months ended September 30, 2011. During the six months ended September 30, 2012, the Japanese yen further appreciated against the US dollar from ¥82.91 to US$1 at April 2, 2012 to ¥77.58 to US$1 at September 28, 2012. Foreign exchange gains on derivative contracts for the six months ended September 30, 2012 increased compared to the same period of the previous fiscal year due to the gains from foreign exchange derivatives such as currency swap transactions mainly in our banking and securities subsidiaries with the Japanese yen appreciating against other currencies. Foreign exchange gains on other than derivative contracts decreased for the six months ended September 30, 2012 compared to the same period of the previous fiscal year, mainly due to translation losses on monetary liabilities denominated in foreign currencies. Foreign exchange losses related to the fair value option decreased for the six months ended September 30, 2012 compared to the same period of the prior year, mainly due to purchases of securities denominated in foreign currencies with the Japanese yen appreciating against other currencies.

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Net trading account profits

The following table sets forth the details of our trading account profits and losses for the six months ended September 30, 2011 and 2012:

	Six months ended September 30, 2011	2012
	(in billions)	
Trading account profits net:		
Net profits (losses) on interest rate and other derivative contracts		
Interest rate contracts	¥ 90.4	¥ 30.2
Equity contracts	45.8	66.8
Commodity contracts	12.7	3.9
Credit derivatives	7.8	(9.8)
Other	(11.7)	2.5
Total	¥ 145.0	¥ 93.6
Net profits (losses) on trading account securities, excluding derivatives		
Trading account securities	¥ (38.1)	¥ (6.0)
Trading account securities under the fair value option	342.3	214.2
Total	¥ 304.2	¥ 208.2
Total	¥ 449.2	¥ 301.8

Trading account assets or liabilities are carried at fair value and changes in the value of trading account assets or liabilities 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 application of certain accounting rules, which are generally not related to trading purpose activities, but simply classified as trading accounts due to 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 the other side of 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 are comprised 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 relate to primarily trading purpose activities, primarily includes:

Interest rate contracts: Interest rate contracts 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: Equity contracts are mainly utilized to manage the risk that would arise from price fluctuations of stocks held in connection with customer transactions; and

Credit derivatives: Credit derivatives are mainly utilized as a part of our credit portfolio risk management.

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, are comprised of net profits (losses) on trading account securities and net profits (losses) on trading account securities under the fair value option. Net profits (losses) on trading account securities primarily constitute gains and losses on trading and valuation of trading securities which relate to trading purpose activities. Investment securities held by certain consolidated variable interest entities are included in accordance with the applicable accounting treatments. Net profits (losses) on securities under the fair value option are classified into trading accounts profits (losses) in accordance with certain accounting treatments. For the details of the fair value option, see Note 16 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

Net trading account profits for the six months ended September 30, 2012 were ¥301.8 billion, a decrease of ¥147.4 billion from ¥449.2 billion for the six months ended September 30, 2011. The decrease in net trading account profits was due to a ¥51.4 billion decrease in net profits on interest rate and other derivatives contracts and a ¥96.0 billion decrease in net profits on trading account securities, excluding derivatives.

Net profits (losses) on interest rate and other derivative contracts are comprised of net profits (losses) on interest rate contracts, equity contracts, commodity contracts, credit derivatives and others. Net profits on interest rate and other derivative contracts decreased ¥51.4 billion to ¥93.6 billion for the six months ended September 30, 2012 from ¥145.0 billion for the same period of the previous fiscal year, mainly due to a ¥60.2 billion decrease in net profits on interest rate contracts reflecting realized losses on interest rate swap transactions in our banking subsidiary, partially offset by a ¥21.0 billion increase in net profits on equity contracts such as equity index future contracts, which our securities subsidiary utilized to hedge its equity price fluctuation risk.

Net profits (losses) on trading account securities, excluding derivatives, are comprised of net profits (losses) on trading account securities and net profits (losses) on trading account securities under the fair value option. Net profits on trading account securities, excluding derivatives, decreased ¥96.0 billion to ¥208.2 billion for the six months ended September 30, 2012 from ¥304.2 billion for the same period of the prior year. This decrease was mainly due to a decrease of ¥128.1 billion on valuation of securities under the fair value option reflecting lower valuations of foreign currency dominated debt securities, which was partially offset by an increase of ¥32.1 billion on the valuation of trading securities, excluding securities under the fair value option, reflecting gradual improvement in market conditions.

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 securities available for sale. In addition, impairment losses are recognized as an offset of net investment securities gains (losses) when management concludes that declines in fair value of investment securities are other than temporary.

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Net investment securities gains of ¥35.7 billion were recorded for the six months ended September 30, 2012, compared to net investment securities losses of ¥19.2 billion for the same period of the previous fiscal year. This improvement was primarily due to a decrease in impairment losses on marketable equity securities. In addition, net gains on sales of debt securities available for sale increased ¥22.6 billion to ¥135.8 billion for the six months ended September 30, 2012 from ¥113.2 billion for the same period of the previous fiscal year, as our banking and trust banking subsidiaries took advantage of the low interest rate environment.

Net equity in earnings (losses) of equity method investees

Net equity in earnings of equity method investees for the six months ended September 30, 2012 was ¥10.0 billion, compared to net equity in losses of equity method investees of ¥515.4 billion for the same period of the previous fiscal year, which included an other-than-temporary impairment loss of ¥579.5 billion on our investment in the common stock of Morgan Stanley.

Non-Interest Expense

The following table shows a summary of our non-interest expense for the six months ended September 30, 2011 and 2012:

	Six months ended September 30, 2011	Six months ended September 30, 2012
	(in billions)	
Salaries and employee benefits	¥ 443.7	¥ 460.9
Occupancy expenses net	79.4	77.5
Fees and commission expenses	101.8	100.6
Outsourcing expenses, including data processing	94.9	98.7
Depreciation of premises and equipment	45.8	46.6
Amortization of intangible assets	105.3	103.0
Impairment of intangible assets	27.0	0.2
Insurance premiums, including deposit insurance	58.0	48.8
Communications	24.7	23.6
Taxes and public charges	31.7	33.4
Other non-interest expenses	147.2	189.0
Total non-interest expense	¥ 1,159.5	¥ 1,182.3

Non-interest expense for the six months ended September 30, 2012 was ¥1,182.3 billion, an increase of ¥22.8 billion from ¥1,159.5 billion for the six months ended September 30, 2011. This increase was primarily attributable to increases in salaries and employee benefits as well as other non-interest expenses, partially offset by a decrease in impairment of intangible assets.

Salaries and employee benefits

Salaries and employee benefits for the six months ended September 30, 2012 were ¥460.9 billion, an increase of ¥17.2 billion from ¥443.7 billion for the six months ended September 30, 2011. This increase was mainly due to an increase in pension and retirement benefits, and a net increase in salary expenses relating to our banking, trust banking and securities subsidiaries.

Impairment of intangible assets

Impairment of intangible assets for the six months ended September 30, 2012 was ¥0.2 billion, a decrease of ¥26.8 billion from ¥27.0 billion for the six months ended September 30, 2011. The larger impairment

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losses of intangible assets for the six months ended September 30, 2011 mainly consisted of ¥8.3 billion of impairment losses on our contractual rights associated with a business alliance in the credit card business and ¥18.6 billion of impairment losses on customer relationships relating to fund contracts in the investment fund and trust operations.

Other non-interest expenses

Other non-interest expenses for the six months ended September 30, 2012 were ¥189.0 billion, an increase of ¥41.8 billion from ¥147.2 billion for the same period of the previous fiscal year. This increase was primarily due to realized losses resulting from the deconsolidation of overseas consolidated variable interest entities, or VIEs.

Income Tax Expense

The following table shows a summary of our income tax expense for the six months ended September 30, 2011 and 2012:

	Six months ended September 30,	
	2011	2012
	(in billions, except percentages)	
Income before income tax expense	¥ 394.0	¥ 683.6
Income tax expense	¥ 198.8	¥ 70.5
Effective income tax rate	50.5%	10.3%
Combined normal effective statutory tax rate	40.6%	38.0%

The combined normal effective statutory income tax rates were 40.6% and 38.0% for the six months ended September 30, 2011 and 2012, respectively. This change in the combined normal effective statutory tax rate was due to amendments to Japanese tax laws. For further information, see Financial Condition Deferred Tax Assets.

For the six months ended September 30, 2012, the effective income tax rate was 10.3%, which was 27.7 percentage points lower than the combined normal effective statutory tax rate of 38.0%. This 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 a deferred tax asset.

For the six months ended September 30, 2011, the effective income tax rate was 50.5%, which was 9.9 percentage points higher than the combined normal effective statutory tax rate of 40.6%. This primarily reflected an increase in the valuation allowance for future deductible temporary differences recognized as a result of recording impairment losses on investments in equity method investees.

Net Income Attributable to Noncontrolling Interests

We recorded net income attributable to noncontrolling interests of ¥17.1 billion for the six months ended September 30, 2012, compared to net income attributable to noncontrolling interests of ¥4.2 billion for the six months ended September 30, 2011, mainly due to the improved results of our securities subsidiary for the six months ended September 30, 2012.

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 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 unaudited condensed consolidated financial statements prepared on the basis of US 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 US GAAP),

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foreign exchange gains (losses) and investment securities gains (losses). 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 areas Retail, Corporate, Trust Assets, Global, and Global Markets. Operations that are not covered by the integrated business group system are classified under Other.

The following is a brief explanation of our business segments:

Integrated Retail Banking Business Group Covers all domestic retail businesses, including commercial banking, trust banking and securities businesses. This business group integrates the retail 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 Union Bank), 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. Union Bank is one of the largest commercial banks in California by both total assets and total deposits. Union Bank provides a wide range of financial services to consumers, small businesses, middle market companies and major corporations, primarily in California, Oregon and Washington but also nationally and internationally. Union Bank s parent company is UNBC, which is a bank holding company in the United States.

Global Markets Covers asset and liability management and strategic investment of BTMU and MUTB, and sales and trading of financial products of BTMU, MUTB and MUSHD. Effective July 1, 2012, we shifted sales and trading businesses of MUSHD s foreign subsidiaries from the Integrated Global Business Group to the Global Markets segment as part of our efforts to strengthen the cooperation between BTMU and MUSHD of their markets businesses. This change was implemented to expand investor relationships while improving our trading capabilities to seize interest rate and foreign exchange market opportunities for loans and corporate bond transactions.

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, 2012, we modified some of our managerial accounting methodologies, including redefining items to be included in Operating profit (loss), in order to integrate the managerial accounting methodologies among our group companies.

Prior period business segment information included in this Report has been reclassified to enable comparisons between the relevant amounts for the six months ended September 30, 2011 and 2012, respectively.

For further information, see Note 15 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

Our business segment information, set forth in the following table, is based on financial information prepared in accordance with Japanese GAAP, as adjusted in accordance with internal management accounting rules and practices, and is not consistent with our unaudited condensed consolidated financial statements included elsewhere in this Report, which have been prepared in accordance with US GAAP. For information on a reconciliation of operating profit under the internal management reporting system to income before income tax expense shown on the unaudited condensed consolidated statements of income, see Note 15 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group	Integrated Trust Assets Business Group	Integrated Global Business Group			Global Markets	Other	Total
				Other than UNBC	UNBC	Total			
					(in billions)				
Six months ended September 30, 2011									
Net revenue:	¥ 619.9	¥ 430.1	¥ 72.1	¥ 166.0	¥ 135.7	¥ 301.7	¥ 404.1	¥ 8.7	¥ 1,836.6
Operating expenses	454.6	222.9	43.7	96.3	90.6	186.9	63.9	78.5	1,050.5
Operating profit (loss)	¥ 165.3	¥ 207.2	¥ 28.4	¥ 69.7	¥ 45.1	¥ 114.8	¥ 340.2	¥ (69.8)	¥ 786.1
Six months ended September 30, 2012									
Net revenue:	¥ 586.9	¥ 421.5	¥ 67.0	¥ 191.4	¥ 130.8	¥ 322.2	¥ 460.9	¥ 15.6	¥ 1,874.1
Operating expenses:	452.9	218.2	43.3	112.3	92.0	204.3	65.1	89.2	1,073.0
Operating profit (loss):	¥ 134.0	¥ 203.3	¥ 23.7	¥ 79.1	¥ 38.8	¥ 117.9	¥ 395.8	¥ (73.6)	¥ 801.1

Integrated Retail Banking Business Group

Net revenue of the Integrated Retail Banking Business Group decreased ¥33.0 billion to ¥586.9 billion for the six months ended September 30, 2012 from ¥619.9 billion for the six months ended September 30, 2011. Net revenue of the Integrated Retail Banking Business Group mainly consists of 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 of subsidiaries within the Integrated Retail Banking Business Group. The decrease in net revenue mainly reflected a decrease in deposit-related income due to the impact of the low interest rate environment that continued throughout the reporting period, and a decrease in income related to our group companies engaged in the consumer finance business due to lower lending volumes. Operating expenses of the Integrated Retail Banking Business Group decreased ¥1.7 billion to ¥452.9 billion for the six months ended

September 30, 2012 from ¥454.6 billion for the six months ended September 30, 2011. As a result, operating profit of the Integrated Retail Banking Business Group decreased ¥31.3 billion to ¥134.0 billion for the six months ended September 30, 2012 from ¥165.3 billion for the six months ended September 30, 2011.

Integrated Corporate Banking Business Group

Net revenue of the Integrated Corporate Banking Business Group decreased ¥8.6 billion to ¥421.5 billion for the six months ended September 30, 2012 from ¥430.1 billion for the six months ended September 30, 2011. Net revenue of the Integrated Corporate Banking Business Group mainly consists of revenues from corporate lending and other commercial banking operations, investment banking and trust banking businesses in relation to corporate clients, as well as fees of subsidiaries within the Integrated Corporate Banking Business Group. The decrease in net revenue mainly reflected lower revenue from corporate lending due to declining interest rates despite the higher average balance of loans, partially offset by higher revenue from the structured finance business, including mergers and acquisitions financing, and from the derivative business for customers. Operating expenses of the Integrated Corporate Banking Business Group were ¥218.2 billion for the six months ended September 30, 2012, a decrease of ¥4.7 billion from ¥222.9 billion for the six months ended September 30, 2011. As a result, operating profit of the Integrated Corporate Banking Business Group decreased ¥3.9 billion to ¥203.3 billion for the six months ended September 30, 2012 from ¥207.2 billion for the six months ended September 30, 2011.

Integrated Trust Assets Business Group

Net revenue of the Integrated Trust Assets Business Group decreased ¥5.1 billion to ¥67.0 billion for the six months ended September 30, 2012 from ¥72.1 billion for the six months ended September 30, 2011. Net revenue of the Integrated Trust Assets Business Group mainly consists of fees from asset management and administration services for products, such as pension trusts and investment trusts. The slight decrease in net revenue mainly reflected the continued difficult operating environment for the asset management business, resulting in a net cash outflow from a primary fund managed by our asset management subsidiary. With the slight decrease of ¥0.4 billion in operating expenses, the Integrated Trust Assets Business Group recorded operating profit of ¥23.7 billion, a decrease of ¥4.7 billion from ¥28.4 billion for the six months ended September 30, 2011.

Integrated Global Business Group

Net revenue of the Integrated Global Business Group increased ¥20.5 billion to ¥322.2 billion for the six months ended September 30, 2012 from ¥301.7 billion for the six months ended September 30, 2011 mainly due to an increase in revenue from Asia through the lending, foreign exchange, structured finance and trade finance operations. This increase was partially offset by a decrease in UNBC s net revenue primarily due to lower non-interest income, which mainly reflected an upward adjustment to the amortization rate for the FDIC indemnification asset as a result of improved credit performance of FDIC covered loans, a decrease in card processing fees due to lower transaction fees charged following changes in applicable regulations, and lower trust and investment management fees due to the sale of certain business units. As a result of the increase in revenues, operating profits for the six months ended September 30, 2012 were ¥117.9 billion, an increase of ¥3.1 billion from ¥114.8 billion for the six months ended September 30, 2011, which was partially offset by a ¥17.4 billion increase in operating expenses due to increased overseas activities.

Global Markets

Net revenue of Global Markets increased ¥56.8 billion to ¥460.9 billion for the six months ended September 30, 2012 from ¥404.1 billion for the six months ended September 30, 2011, mainly due to an increase in revenues from asset and liability management by our banking subsidiaries and from the fixed income business of our securities subsidiary. Operating expenses of the Global Markets increased ¥1.2 billion to ¥65.1 billion for the six months ended September 30, 2012 from ¥63.9 billion for the six months ended September 30, 2011. As a result, operating profit of the Global Markets increased ¥55.6 billion to ¥395.8 billion for the six months ended September 30, 2012, from ¥340.2 billion for the six

months ended September 30, 2011.

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Financial Condition

Total Assets

Reflecting the various factors discussed below, our total assets at September 30, 2012 were ¥215.17 trillion, a decrease of ¥0.03 trillion from ¥215.20 trillion at March 31, 2012.

Loan Portfolio

The following table sets forth our loans outstanding, before deduction of allowance for credit losses, at March 31, 2012 and September 30, 2012, based on the industry segment loan classifications as defined by the Bank of Japan for regulatory reporting purposes, which is not necessarily based on use of proceeds:

	March 31, 2012	September 30, 2012
	(in billions)	
Domestic:		
Manufacturing	¥ 11,451.7	¥ 11,336.6
Construction	1,155.9	1,078.1
Real estate	11,035.0	10,840.9
Services	3,239.7	3,141.8
Wholesale and retail	8,492.2	8,149.8
Banks and other financial institutions[1]	3,511.1	3,620.4
Communication and information services	1,284.6	1,344.7
Other industries	10,390.2	10,883.1
Consumer	17,636.6	17,336.6
Total domestic	68,197.0	67,732.0
Foreign:		
Governments and official institutions	554.9	544.2
Banks and other financial institutions[1]	4,722.6	4,668.8
Commercial and industrial	15,676.0	15,559.3
Other	3,238.8	3,446.2
Total foreign	24,192.3	24,218.5
Unearned income, unamortized premium net and deferred loan fees net	(91.1)	(99.6)
Total[2]	¥ 92,298.2	¥ 91,850.9

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 at March 31, 2012, and ¥80.2 billion at September 30, 2012, which are carried at the lower of cost or estimated fair value.

Loans are our primary use of funds. At September 30, 2012, our total loans were ¥91.85 trillion, representing a decrease of ¥0.45 trillion from ¥92.30 trillion at March 31, 2012. For the six months ended September 30, 2012, the average balance of loans was ¥91.32 trillion, accounting for 47.5% of the average total interest-earning assets, compared to ¥86.71 trillion, representing 47.9% of the total interest-earning assets, for the same period of the previous fiscal year.

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Before unearned income, net unamortized premiums and net deferred loan fees, our loan balance at September 30, 2012 consisted of ¥67.73 trillion of domestic loans and ¥24.22 trillion of foreign loans, while the loan balance at March 31, 2012 consisted of ¥68.20 trillion of domestic loans and ¥24.19 trillion of foreign loans. Between March 31, 2012 and September 30, 2012, domestic loans decreased ¥0.47 trillion and foreign loans increased ¥0.03 trillion. The decrease in domestic loans was mainly due to decreases in our loans outstanding to the wholesale and retail, consumer and real estate categories, which decreased ¥0.34 trillion, ¥0.30 trillion, and ¥0.19 trillion, respectively, partially offset by a ¥0.49 trillion increase in the other industries category. Our domestic loan portfolio reflected stagnant economic conditions in Japan, especially in industries subject to consumer discretionary spending. The increase in foreign loans was mainly driven by an increase in demand for loans from the other category, reflecting increased lending by UNBC due to the expansion of its consumer loan portfolio. Foreign loans in the governments and official institutions, banks and other financial institutions, and commercial and industrial categories, decreased 1.94%, 1.14%, and 0.74%, respectively, reflecting the appreciation of the Japanese yen against the US dollar and the euro. Without the foreign exchange translation effect, foreign loans in these categories increased between March 31, 2012 and September 30, 2012.

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

The following table shows a summary of the changes in the allowance for credit losses for the fiscal year ended March 31, 2012 and for the six months ended September 30, 2011 and 2012:

	Fiscal year ended March 31,	Six months ended September 30,	
	2012	2011	2012
		(in billions)	
Balance at beginning of period	¥ 1,240.5	¥ 1,240.5	¥ 1,285.5
Provision for credit losses	223.8	89.3	80.0
Charge-offs:			
Domestic	(182.7)	(102.4)	(69.4)
Foreign	(34.1)	(15.2)	(6.9)
Total	(216.8)	(117.6)	(76.3)
Recoveries	43.4	22.7	15.7
Net charge-offs	(173.4)	(94.9)	(60.6)
Others[1]	(5.4)	(6.7)	(3.2)
Balance at end of period	¥ 1,285.5	¥ 1,228.2	¥ 1,301.7

Note:

(1) Others principally include gains or losses from foreign exchange translation.

The provision for credit losses for the six months ended September 30, 2012 was ¥80.0 billion, a decrease of ¥9.3 billion from ¥89.3 billion for the six months ended September 30, 2011. The decrease in the provision for credit losses was mainly due to a decrease in the domestic provision for credit losses, partially offset by an increase in the provision for credit losses in our foreign loan portfolio. The decrease in the provision for credit losses in our domestic loan portfolio was mainly due to a decrease in loans to borrowers categorized as Close Watch under our internal borrower rating system, and lower allowance ratios applied to loans to borrowers categorized as Close Watch and Normal under our internal borrower system. The lower allowance ratios reflected improvements in risk model parameters, including probability of default and loss given

default.

Charge-offs for the six months ended September 30, 2012 were ¥76.3 billion, a decrease of ¥41.3 billion from ¥117.6 billion for the six months ended September 30, 2011, primarily reflecting fewer bankruptcies or borrowers deemed virtually bankrupt in our domestic loan portfolio.

The total allowance for credit losses at September 30, 2012 was ¥1,301.7 billion, an increase of ¥16.2 billion from ¥1,285.5 billion at March 31, 2012, as we recorded a provision for credit losses of ¥80.0 billion while we had net charge-offs of ¥60.6 billion for the six months ended September 30, 2012. For further information on our allowance for credit losses, see Allowance for credit losses below.

Allowance policy

Our credit rating system is closely linked to the risk grading standards set by the Japanese regulatory authorities for asset evaluation and assessment, and is used as a basis for establishing the allowance for credit losses and charge-offs. The categorization is based on conditions that may affect the ability of borrowers to service their debt, such as current financial condition and results of operations, historical payment experience, credit documentation, other public information and current trends.

We have divided our allowance for loan losses into four portfolio segments Commercial, Residential, Card and UNBC.

For the Commercial and UNBC segments, our allowance for credit losses primarily consists of allocated allowances. The allocated allowances comprise (1) an allowance for individual loans specifically identified for evaluation, (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 individual loans specifically identified for evaluation or the allowance for large groups of smaller-balance homogeneous loans. The allowance for credit losses within the UNBC 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. 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. Each of these components is determined based on estimates subject to change when actual events occur.

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 of our annual report on Form 20-F for the fiscal year ended March 31, 2012.

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 in our annual report on Form 20-F for the fiscal year ended March 31, 2012.

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Allowance for credit losses

Allowance for credit losses and recorded investment in loans by portfolio segment at March 31, 2012 and September 30, 2012 are shown below:

At March 31, 2012:	Commercial	Residential	Card (in billions)	UNBC	Total
Allowance for credit losses:					
Individually evaluated for impairment	¥ 705.8	¥ 101.8	¥ 47.4	¥ 5.3	¥ 860.3
Collectively evaluated for impairment	245.9	67.8	21.2	53.9	388.8
Loans acquired with deteriorated credit quality	32.6	2.2	0.3	1.3	36.4
Total	984.3	¥ 171.8	¥ 68.9	¥ 60.5	¥ 1,285.5
Loans:					
Individually evaluated for impairment	¥ 1,479.1	¥ 321.1	¥ 145.8	¥ 44.5	¥ 1,990.5
Collectively evaluated for impairment	70,208.3	15,246.3	597.6	4,087.3	90,139.5
Loans acquired with deteriorated credit quality	108.6	19.5	14.5	70.1	212.7
Total[(1)]	¥ 71,796.0	¥ 15,586.9	¥ 757.9	¥ 4,201.9	¥ 92,342.7

Note:

(1) Total loans in the above table do not include loans held for sale and represent balances without adjustments in relation to unearned income, unamortized premiums and deferred loan fees.

At September 30, 2012:	Commercial	Residential	Card (in billions)	UNBC	Total
Allowance for credit losses:					
Individually evaluated for impairment	¥ 758.5	¥ 118.3	¥ 42.9	¥ 3.4	¥ 923.1
Collectively evaluated for impairment	227.4	39.0	16.8	54.4	337.6
Loans acquired with deteriorated credit quality	37.6	2.9	0.2	0.3	41.0
Total	¥ 1,023.5	¥ 160.2	¥ 59.9	¥ 58.1	¥ 1,301.7
Loans:					
Individually evaluated for impairment	¥ 1,610.3	¥ 314.4	¥ 134.8	¥ 45.1	¥ 2,104.6
Collectively evaluated for impairment	69,726.7	15,033.1	558.1	4,252.0	89,569.9
Loans acquired with deteriorated credit quality	110.9	18.9	13.7	52.2	195.7
Total[(1)]	¥ 71,447.9	¥ 15,366.4	¥ 706.6	¥ 4,349.3	¥ 91,870.2

Note:

(1) Total loans in the above table do not include loans held for sale and represent balances without adjustments in relation to unearned income, unamortized premiums and deferred loan fees.

The total allowance for credit losses at September 30, 2012 was ¥1,301.7 billion, an increase of ¥16.2 billion from ¥1,285.5 billion at March 31, 2012, due in part to the negative effect of an increase in the balance of loans individually evaluated for an impairment, particularly in the Commercial segment. For more information, see Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more, Impaired loans and impairment allowance and Credit quality indicator below.

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The total allowance for credit losses represented 1.42% of our total loan portfolio at September 30, 2012, an increase of 0.03 percentage points from 1.39% at March 31, 2012. The increase in the ratio of the total allowance for credit losses to our total loan portfolio primarily reflected the deteriorated credit quality of the loan portfolio of the Commercial segment.

The total allowance for the Commercial segment at September 30, 2012 was ¥1,023.5 billion, an increase of ¥39.2 billion from ¥984.3 billion at March 31, 2012. This increase was primarily due to an increase in the allowance individually evaluated for impairment reflecting an increase in impaired loans mainly caused by deterioration in the credit quality of some large domestic borrowers in the manufacturing and wholesale and retail industries that were adversely affected by increased global competition and weaker consumer spending, and some large domestic borrowers in the real estate industry that were adversely affected by stagnant economic conditions in Japan. The total allowance for the Residential segment at September 30, 2012 was ¥160.2 billion, a decrease of ¥11.6 billion from ¥171.8 billion at March 31, 2012, although the allowance individually evaluated for impairment in the Residential segment increased ¥16.5 billion. The total allowance for the Card segment at September 30, 2012 was ¥59.9 billion, a decrease of ¥9.0 billion from ¥68.9 billion at March 31, 2012. The total allowance for the UNBC segment at September 30, 2012 was ¥58.1 billion, a decrease of ¥2.4 billion from ¥60.5 billion at March 31, 2012, primarily due to a decrease in the allowance individually evaluated for impairment of ¥1.9 billion to ¥3.4 billion at September 30, 2012 from ¥5.3 billion at March 31, 2012.

For more information on impaired loans and impairment allowance, see Impaired loans and impairment allowance below.

Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more

Loans are generally placed on nonaccrual status when substantial doubt exists as to the full and timely collection of either principal or interest, specifically when principal or interest is contractually past due one month or more with respect to loans within all classes of the Commercial segment, three months or more with respect to loans within the Card and UNBC segments, and six months or more with respect to loans within the Residential segment.

Loans are classified as restructured loans when we grant a concession to borrowers for economic or legal reasons related to the borrowers financial difficulties. When we grant a concession to a borrower experiencing financial difficulties, we account for a loan restructuring as a troubled debt restructuring in accordance with the guidance on troubled debt restructuring by creditors. When the restructuring constitutes a troubled debt restructuring and the borrower was classified as Likely to become Bankrupt or Legally/Virtually Bankrupt in our internal borrower rating system and the loan was on the nonaccrual status before the restructuring, the loan continues to be classified as a nonaccrual loan after the restructuring. On the other hand, if the loan was an accruing loan before the restructuring, the loan continues to be accruing after the restructuring.

For information on our troubled debt restructurings during the six months ended September 30, 2012, see Note 4 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

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The following table summarizes nonaccrual and restructured loans, and accruing loans that are contractually past due 90 days or more as to principal or interest payments at March 31, 2012 and September 30, 2012:

	March 31, 2012	September 30, 2012
	(in billions, except percentages)	
Nonaccrual loans:		
Domestic:		
Manufacturing	¥ 200.1	¥ 225.3
Construction	40.1	40.5
Real estate	127.8	161.1
Services	86.0	87.2
Wholesale and retail	238.0	255.2
Banks and other financial institutions	7.8	7.3
Communication and information services	33.4	32.8
Other industries	49.2	48.4
Consumer	288.4	288.6
Total domestic	1,070.8	1,146.4
Foreign	119.0	119.5
Total nonaccrual loans	1,189.8	1,265.9
Restructured loans:		
Domestic:		
Manufacturing	171.5	233.2
Construction	16.4	16.4
Real estate	87.8	80.4
Services	103.3	101.9
Wholesale and retail	134.7	138.4
Banks and other financial institutions	1.9	2.3
Communication and information services	18.4	18.9
Other industries	15.6	13.5
Consumer	281.3	257.1
Total domestic	830.9	862.1
Foreign	92.2	110.7
Total restructured loans	923.1	972.8
Accruing loans contractually past due 90 days or more:		
Domestic	65.5	45.1
Foreign	0.1	0.3
Total accruing loans contractually past due 90 days or more	65.6	45.4
Total nonaccrual and restructured loans and accruing loans contractually past due 90 days or more	¥ 2,178.5	¥ 2,284.1
Total loans	¥ 92,298.2	¥ 91,850.9
Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more, as a percentage of total loans	2.36%	2.49%

Nonaccrual and restructured loans and accruing loans contractually past due 90 days or more increased ¥105.6 billion to ¥2,284.1 billion at September 30, 2012 from ¥2,178.5 billion at March 31, 2012. The percentage of such nonperforming loans to total loans increased to 2.49% at September 30, 2012 from 2.36% at March 31, 2012.

Total nonaccrual loans were ¥1,265.9 billion at September 30, 2012, an increase of ¥76.1 billion from ¥1,189.8 billion at March 31, 2012, mainly due to an increase of ¥75.6 billion in domestic nonaccrual loans. The increase in domestic nonaccrual loans was mainly due to changes from normal loans to nonaccrual loans of some large domestic borrowers as their credit ratings were downgraded under our internal borrower rating system. In particular, nonaccrual loans in the real estate category increased ¥33.3 billion to ¥161.1 billion at September 30, 2012 from ¥127.8 billion at March 31, 2012, mainly due to deterioration in the credit quality of some large corporate borrowers that were negatively affected by the slowing real estate markets in Japan. Nonaccrual loans in the manufacturing category increased ¥25.2 billion to ¥225.3 billion at September 30, 2012 from ¥200.1 billion at March 31, 2012, mainly due to deterioration in the credit quality of some large borrowers that were negatively affected by increased global competition and weaker consumer spending in Japan. Nonaccrual loans in the wholesale and retail category increased ¥17.2 billion to ¥255.2 billion at September 30, 2012 from ¥238.0 billion at March 31, 2012, primarily due to deterioration in the credit quality of a large borrower adversely affected by weaker consumer spending. On the other hand, foreign nonaccrual loans slightly increased ¥0.5 billion from ¥119.0 billion at March 31, 2012 to ¥119.5 billion at September 30, 2012.

Total restructured loans were ¥972.8 billion at September 30, 2012, an increase of ¥49.7 billion from ¥923.1 billion at March 31, 2012. The restructured loans set forth in the above table are current in accordance with the applicable restructured contractual terms. Domestic restructured loans increased ¥31.2 billion to ¥862.1 billion at September 30, 2012 from ¥830.9 billion at March 31, 2012, mainly due to an increase in restructured loans in the manufacturing category. Restructured loans in the manufacturing category increased ¥61.7 billion, mainly due to the restructuring of loans to a large borrower in Japan that was adversely affected by increased global competition and sought restructuring of its outstanding loans to improve its liquidity and capital position. This increase was partially offset by a ¥24.2 billion decrease in restructured loans in the consumer category and a ¥7.4 billion decrease in restructured loans in the real estate category. Foreign restructured loans increased ¥18.5 billion to ¥110.7 billion at September 30, 2012 from ¥92.2 billion at March 31, 2012, primarily due to an increase in loans held by UNBC.

Impaired loans and impairment allowance

The following tables show information about impaired loans by class at March 31, 2012 and September 30, 2012:

	At March 31, 2012				
	Recorded Loan Balance				
	Requiring an Impairment Allowance	Not Requiring an Impairment Allowance(1)	Total	Unpaid Principal Balance	Related Allowance
			(in billions)		
Commercial					
Domestic	¥ 1,045.3	¥ 279.4	¥ 1,324.7	¥ 1,387.0	¥ 616.8
Manufacturing	302.2	56.3	358.5	376.4	187.1
Construction	33.8	22.0	55.8	60.5	20.0
Real estate	112.4	51.0	163.4	176.5	52.1
Services	140.2	36.4	176.6	182.0	74.7
Wholesale and retail	299.6	69.1	368.7	375.5	192.7
Banks and other financial institutions	9.4	0.3	9.7	11.8	2.3
Communication and information services	39.1	12.5	51.6	54.1	23.3
Other industries	54.2	8.9	63.1	63.3	40.5
Consumer	54.4	22.9	77.3	86.9	24.1
Foreign-excluding UNBC	154.2	0.2	154.4	155.4	89.1
Loans acquired with deteriorated credit quality	34.5	0.1	34.6	56.1	10.7
Residential	303.4	23.5	326.9	406.7	102.9
Card	145.2	1.6	146.8	164.7	47.4
UNBC	29.6	14.9	44.5	50.0	5.3
Total	¥ 1,712.2	¥ 319.7	¥ 2,031.9	¥ 2,219.9	¥ 872.2

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Note:

(1) These loans do not require an allowance for credit losses under the guidance on accounting by creditors for impairment of a loan since the fair values of the impaired loans equal or exceed the recorded investments in the loans.

	At September 30, 2012				
	Recorded Loan Balance				
	Requiring an Impairment Allowance	Not Requiring an Impairment Allowance(1)	Total	Unpaid Principal Balance	Related Allowance
			(in billions)		
Commercial					
Domestic	¥ 1,162.3	¥ 289.2	¥ 1,451.5	¥ 1,513.0	¥ 664.8
Manufacturing	393.0	53.3	446.3	464.3	215.3
Construction	41.5	14.2	55.7	58.7	27.4
Real estate	121.0	73.8	194.8	205.3	51.3
Services	135.2	37.7	172.9	177.5	70.6
Wholesale and retail	323.4	63.8	387.2	396.4	214.8
Banks and other financial institutions	9.3	0.2	9.5	11.6	2.1
Communication and information services	37.2	13.7	50.9	53.6	23.1
Other industries	48.9	9.5	58.4	60.0	37.7
Consumer	52.8	23.0	75.8	85.6	22.5
Foreign-excluding UNBC	158.8	0.0	158.8	158.8	93.7
Loans acquired with deteriorated credit quality	33.6	0.0	33.6	51.2	10.8
Residential	303.5	15.8	319.3	372.0	119.6
Card	134.2	1.5	135.7	151.9	42.8
UNBC	28.6	16.5	45.1	50.5	3.4
Total(2)	¥ 1,821.0	¥ 323.0	¥ 2,144.0	¥ 2,297.4	¥ 935.1

Notes:

(1) These loans do not require an allowance for credit losses under the guidance on accounting by creditors for impairment of a loan since the fair values of the impaired loans equal or exceed the recorded investments in the loans.

(2) In addition to impaired loans presented in the above table, there were loans held for sale that were impaired of ¥1.0 billion.

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The following table shows information about average the recorded loan balance and recognized interest income on impaired loans for the six months ended September 30, 2011 and 2012:

	Six months ended September 30,			
	2011		2012	
	Average Recorded Loan Balance	Recognized Interest Income	Average Recorded Loan Balance	Recognized Interest Income
	(in billions)			
Commercial				
Domestic	¥ 1,241.7	¥ 10.9	¥ 1,392.5	¥ 11.8
Manufacturing	318.8	3.2	404.8	3.4
Construction	66.9	0.7	55.8	0.6
Real estate	178.7	1.2	181.0	1.4
Services	175.8	1.7	174.8	1.7
Wholesale and retail	305.3	2.8	377.9	3.1
Banks and other financial institutions	9.9		9.6	0.1
Communication and information services	57.3	0.6	51.2	0.5
Other industries	54.9	0.5	60.7	0.4
Consumer	74.1	0.2	76.7	0.6
Foreign-excluding UNBC	132.5	0.4	156.0	1.4
Loans acquired with deteriorated credit quality	36.7	2.0	34.0	1.8
Residential	314.4	3.7	323.2	3.3
Card	152.2	3.5	141.2	3.4
UNBC	46.8	0.4	44.6	0.6
Total	¥ 1,924.3	¥ 20.9	¥ 2,091.5	¥ 22.3

Impaired loans primarily include nonaccrual loans and restructured loans. We consider a loan to be impaired when, based on current information and events, it is probable that we will be unable to collect all of the scheduled payments of interest on and repayment of the principal of the loan when due according to the contractual terms of the loan agreement.

We consider a loan to be a nonaccrual loan when substantial doubt exists as to the full and timely payment of interest on or repayment of the principal of the loan, which is a borrower condition that generally corresponds to borrowers in categories 13 and below in our internal rating system (which corresponds to Likely to become Bankrupt, Virtually Bankrupt and Bankrupt or De Facto Bankrupt status under the Japanese banking regulations). Substantially all nonaccrual loans are also impaired loans. We consider a loan to be a restructured loan when we grant a concession to a borrower having financial difficulties, such as a reduction in the stated interest rate applicable to the loan, an extension of the stated maturity date of the loan, or a partial forgiveness of the principal of the loan. Substantially all of our restructured loans are considered troubled debt restructurings in accordance with the guidance on troubled debt restructuring by creditors, and they are also classified as impaired loans.

For a discussion of the borrower categories, see Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Credit Risk Management of our annual report on Form 20-F for the fiscal year ended March 31, 2012.

In many instances, we make a concession to a borrower that meets the definition of troubled debt restructuring when the loan is still accruing interest. We continue to accrue interest after the loan is restructured if the ultimate collectibility of all amounts contractually due on the restructured loan is not in doubt. If, however, we agree to a restructuring of a nonaccrual impaired loan, the loan generally continues to be

classified as a nonaccrual loan following the restructuring because such borrowers will often continue to face financial

difficulty. If the borrower is not delinquent under the restructured terms for at least one payment period and the borrower can demonstrate that its business problems have been resolved or can be resolved in the near future, we may upgrade the borrower to category 12 or higher in our internal rating system (which corresponds to Normal and Close Watch status under the Japanese banking regulations). We generally consider borrower rating upgrades only in the context of our detailed internal credit rating review process, which is conducted once a year. Although we have not defined any minimum period to qualify for an upgrade, it is not common for a borrower to be able to demonstrate that its business problems have been resolved or can soon be resolved within a short period of time following a restructuring, if at all. If the borrower is upgraded to category 12 or higher in this process, the restructured loan would be reclassified to accrual status. In accordance with the guidance on troubled debt restructuring by creditors, once a restructured nonaccrual loan is deemed to be a troubled debt restructuring, we will continue to designate such loan as a troubled debt restructuring even if such loan is reclassified to accrual status. The difference between the total impaired loans and the total nonaccrual loans represents the amount of accruing restructured loans.

For information on our troubled debt restructurings during the six months ended September 30, 2012, see Note 4 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

Impaired loans increased ¥112.1 billion to ¥2,144.0 billion at September 30, 2012 from ¥2,031.9 billion at March 31, 2012, mainly due to an increase in the balance of impaired loans requiring an impairment allowance, which increased from ¥1,712.2 billion at March 31, 2012 to ¥1,821.0 billion at September 30, 2012. The increase in impaired loans requiring an impairment allowance was due in part to deterioration in the credit quality of some large corporate borrowers in the domestic manufacturing, real estate, and wholesale and retail categories in the Commercial segment and the resulting increases in restructured and nonaccrual loans. In particular, the increase in impaired loans requiring an impairment allowance reflected the restructuring of loans to one of our large corporate borrowers in the domestic manufacturing category in the Commercial segment, and the fact that a number of borrowers credit quality in the domestic manufacturing, real estate, and wholesale and retail categories in the Commercial segment deteriorated during the reporting period, causing their loans to be classified as nonaccrual loans.

The total related allowance was ¥935.1 billion at September 30, 2012, an increase of ¥62.9 billion from ¥872.2 billion at March 31, 2012. This increase was partially due to an increase of ¥28.2 billion in related allowance for the domestic manufacturing category in the Commercial segment, and an increase of ¥22.1 billion in related allowance for the domestic wholesale and retail category in the Commercial segment. The related allowance also increased ¥16.7 billion in the Residential segment.

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Credit quality indicator

Credit quality indicators of loans by class at March 31, 2012 and September 30, 2012 are shown below:

At March 31, 2012:	Normal	Close Watch	Likely to become Bankrupt or Legally/Virtually Bankrupt	Total[1]
		(in billions)		
Commercial				
Domestic	¥ 46,609.9	¥ 4,324.3	¥ 808.9	¥ 51,743.1
Manufacturing	10,140.0	1,100.0	199.6	11,439.6
Construction	901.4	213.6	39.9	1,154.9
Real estate	9,366.6	972.2	104.8	10,443.6
Services	2,713.3	425.7	84.8	3,223.8
Wholesale and retail	7,434.2	788.8	237.4	8,460.4
Banks and other financial institutions	3,065.6	433.2	7.8	3,506.6
Communication and information services	1,137.2	113.6	33.2	1,284.0
Other industries	10,185.3	152.0	48.0	10,385.3
Consumer	1,666.3	125.2	53.4	1,844.9
Foreign-excluding UNBC	18,779.1	1,099.5	65.7	19,944.3
Loans acquired with deteriorated credit quality	32.7	54.9	21.0	108.6
Total	¥ 65,421.7	¥ 5,478.7	¥ 895.6	¥ 71,796.0

	Accrual	Nonaccrual	Total[1]
		(in billions)	
Residential	¥ 15,461.2	¥ 125.7	¥ 15,586.9
Card	¥ 642.6	¥ 115.3	¥ 757.9

	Risk Ratings Based on the Number of Delinquencies		Risk Ratings Based on Internal Credit Ratings		
	Accrual	Nonaccrual	Pass	Criticized	Total[1][2]
			(in billions)		
UNBC	¥ 1,784.4	¥ 24.0	¥ 2,084.0	¥ 149.3	¥ 4,041.7

Notes:

(1) Total loans in the above table do not include loans held for sale.

(2) Total loans of UNBC do not include Federal Deposit Insurance Corporation (FDIC) covered loans and small business loans which are not individually rated totaling ¥160.2 billion. We will be reimbursed for a substantial portion of any future losses on FDIC covered loans under the terms of the FDIC loss share agreements.

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At September 30, 2012:	Normal	Close Watch	Likely to become Bankrupt or Legally/Virtually Bankrupt	Total(1)
		(in billions)		
Commercial				
Domestic	¥ 46,324.8	¥ 4,309.3	¥ 886.5	¥ 51,520.6
Manufacturing	9,794.4	1,274.6	224.7	11,293.7
Construction	839.5	197.3	39.9	1,076.7
Real estate	9,235.0	921.2	139.4	10,295.6
Services	2,656.2	383.6	85.7	3,125.5
Wholesale and retail	7,101.5	757.2	254.4	8,113.1
Banks and other financial institutions	3,218.5	394.6	7.2	3,620.3
Communication and information services	1,203.6	107.9	32.6	1,344.1
Other industries	10,672.1	158.8	47.5	10,878.4
Consumer	1,604.0	114.1	55.1	1,773.2
Foreign-excluding UNBC	18,599.0	1,142.5	74.9	19,816.4
Loans acquired with deteriorated credit quality	34.0	57.2	19.7	110.9
Total	¥ 64,957.8	¥ 5,509.0	¥ 981.1	¥ 71,447.9

	Accrual	Nonaccrual	Total(1)
		(in billions)	
Residential	¥ 15,228.9	¥ 137.5	¥ 15,366.4
Card	¥ 604.8	¥ 101.8	¥ 706.6

	Risk Ratings Based on the Number of Delinquencies		Risk Ratings Based on Internal Credit Ratings		
	Accrual	Nonaccrual	Pass	Criticized	Total(1)(2)
			(in billions)		
UNBC	¥ 1,901.9	¥ 26.7	¥ 2,209.8	¥ 114.5	¥ 4,252.9

Notes:

(1) Total loans in the above table do not include loans held for sale.

(2) Total loans of UNBC do not include FDIC covered loans and small business loans which are not individually rated totaling ¥96.4 billion. We will be reimbursed for a substantial portion of any future losses on FDIC covered loans under the terms of the FDIC loss share agreements.

We categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt, including, but not limited to, historical and current financial information, historical and current payment experience, credit documentation, public and non-public information about borrowers and current economic trends as deemed appropriate to each segment.

The primary credit quality indicator for loans within all classes of the Commercial segment is the internal credit rating assigned to each borrower based on our internal borrower ratings of 1 through 15 with the rating of 1 assigned to a borrower with the highest quality of credit. When assigning a credit rating to a borrower, we evaluate the borrower s expected debt-service capability based on various information, including financial and operating information of the borrower as well as information on the industry in which the borrower operates, and the borrower s business profile, management and compliance system. In evaluating a borrower s debt-service capability, we also conduct assessment on the

level of earnings and an analysis of the borrower s net worth. Based on the internal borrower rating, loans within the Commercial segment are categorized as Normal (internal borrower ratings of 1 through 9), Close Watch (internal borrower ratings of 10 through 12), and Likely to become Bankrupt or Legally/Virtually Bankrupt (internal borrower ratings of 13 through 15).

Loans to borrowers categorized as Normal represent those that are not deemed to have collectability issues. Loans to borrowers categorized as Close Watch represent those that require close monitoring as the borrower has begun to exhibit elements of potential concern with respect to its business performance and financial condition, the borrower has begun to exhibit elements of serious concern with respect to its business performance and financial condition, including business problems requiring long-term solutions, or the borrower s loans are restructured loans or loans contractually past due 90 days or more for special reasons. Loans to borrowers categorized as Likely to become Bankrupt or Legally/Virtually Bankrupt represent those that have a higher probability of default than those categorized as Close Watch due to serious debt repayment problems with poor progress in achieving restructuring plans, the borrower being considered virtually bankrupt with no prospects for an improvement in business operations, or the borrower being legally bankrupt with no prospects for continued business operations because of non-payment, suspension of business, voluntary liquidation or filing for legal liquidation.

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 of our annual report on Form 20-F for the fiscal year ended March 31, 2012.

The accrual status is a primary credit quality indicator for loans within the Residential segment, the Card segment, and consumer loans within the UNBC segment. The accrual status of these loans is determined by the number of delinquent payments.

Commercial loans within the UNBC segment are categorized as either Pass or Criticized based on the internal credit rating assigned to each borrower. Criticized loans include those loans that are potentially weak, as the borrower has begun to exhibit deteriorating trends, well-defined weaknesses, which, if not corrected, could jeopardize the full satisfaction of the debt, and critical weaknesses that make full collection improbable on the basis of currently existing facts and conditions.

For the Commercial, Residential and Card segments, credit quality indicators at March 31, 2012 and September 30, 2012 are based on March 31, 2012 and September 30, 2012 information, respectively. For the UNBC segment, credit quality indicators at March 31, 2012 and September 30, 2012 are basically based on December 31, 2011 and June 30, 2012 information, respectively.

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Past due analysis

Ages of past due loans by class at March 31, 2012 and September 30, 2012 are shown below:

At March 31, 2012:	1-3 months Past Due	Greater Than 3 months	Total Past Due	Current	Total Loans[(1)(2)]	Recorded Investment> 90 Days and Accruing
				(in billions)		
Commercial						
Domestic	¥ 36.5	¥ 68.4	¥ 104.9	¥ 51,638.2	¥ 51,743.1	¥ 8.1
Manufacturing	3.9	7.8	11.7	11,427.9	11,439.6	0.0
Construction	1.9	2.4	4.3	1,150.6	1,154.9	0.1
Real estate	6.6	16.4	23.0	10,420.6	10,443.6	2.7
Services	3.7	4.7	8.4	3,215.4	3,223.8	0.2
Wholesale and retail	10.2	10.3	20.5	8,439.9	8,460.4	0.1
Banks and other financial institutions	0.0	0.2	0.2	3,506.4	3,506.6	
Communication and information services	4.7	5.9	10.6	1,273.4	1,284.0	0.0
Other industries	0.2	9.6	9.8	10,375.5	10,385.3	0.0
Consumer	5.3	11.1	16.4	1,828.5	1,844.9	5.0
Foreign-excluding UNBC	2.5	26.6	29.1	19,915.2	19,944.3	
Residential	91.6	57.9	149.5	15,417.9	15,567.4	56.5
Card	29.7	46.7	76.4	667.0	743.4	
UNBC	29.7	23.0	52.7	4,075.4	4,128.1	0.1
Total	¥ 190.0	¥ 222.6	¥ 412.6	¥ 91,713.7	¥ 92,126.3	¥ 64.7

Notes:

(1) Total loans in the above table do not include loans held for sale and loans acquired with deteriorated credit quality.

(2) Total loans of UNBC do not include ¥3.7 billion of FDIC covered loans which are not subject to the guidance on loans and debt securities acquired with deteriorated credit quality.

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At September 30, 2012:	1-3 months Past Due	Greater Than 3 months	Total Past Due	Current	Total Loans(1)(2)	Recorded Investment> 90 Days and Accruing
				(in billions)		
Commercial						
Domestic	¥ 60.2	¥ 69.7	¥ 129.9	¥ 51,390.7	¥ 51,520.6	¥ 7.6
Manufacturing	8.4	12.1	20.5	11,273.2	11,293.7	0.1
Construction	1.2	1.5	2.7	1,074.0	1,076.7	0.0
Real estate	8.7	13.7	22.4	10,273.2	10,295.6	2.1
Services	4.0	4.5	8.5	3,117.0	3,125.5	0.1
Wholesale and retail	23.8	7.5	31.3	8,081.8	8,113.1	0.1
Banks and other financial institutions	0.1	0.1	0.2	3,620.1	3,620.3	
Communication and information services	5.1	5.2	10.3	1,333.8	1,344.1	0.1
Other industries	2.6	14.7	17.3	10,861.1	10,878.4	0.0
Consumer	6.3	10.4	16.7	1,756.5	1,773.2	5.1
Foreign-excluding UNBC	7.6	13.0	20.6	19,795.8	19,816.4	0.2
Residential	92.6	59.0	151.6	15,195.9	15,347.5	36.6
Card	26.7	39.6	66.3	626.6	692.9	
UNBC	23.2	22.0	45.2	4,248.8	4,294.0	0.1
Total	¥ 210.3	¥ 203.3	¥ 413.6	¥ 91,257.8	¥ 91,671.4	¥ 44.5

Notes:

(1) Total loans in the above table do not include loans held for sale and loans acquired with deteriorated credit quality.

(2) Total loans of UNBC do not include ¥3.2 billion of FDIC covered loans which are not subject to the guidance on loans and debt securities acquired with deteriorated credit quality.

Total past due loans at September 30, 2012, were ¥413.6 billion, an increase of ¥1.0 billion from ¥412.6 billion at March 31, 2012. This increase was primarily due to an increase in the total past due loans in the domestic category in the Commercial segment resulting from deterioration in the credit quality of some large borrowers in the wholesale and retail category and the manufacturing category, partially offset by decreases in past due loans in the UNBC and Card segments.

Investment Portfolio

Our investment securities are primarily comprised of Japanese national government and Japanese government agency bonds, corporate bonds and marketable equity securities. Japanese national government and Japanese government agency bonds are mostly classified as securities available for sale. In recent periods, our investments in Japanese national government and Japanese government agency bonds remained high as part of our asset and liability management policy with respect to investing the amount of yen-denominated funds exceeding our net loans. Our holdings of Japanese national government and Japanese government agency bonds as a percentage of the aggregate of investment securities available for sale and investment securities being held to maturity increased to 83.1% as of September 30, 2012 from 82.3% as of March 31, 2012. We also hold Japanese national government bonds which are classified as securities being held to maturity.

Historically, we have held equity securities of some of our customers primarily for strategic purposes, in particular, to maintain long-term relationships with these customers. However, given the recent weak financial market conditions, we have been reducing our investment in equity securities because we believe that, from a risk management perspective, reducing the price fluctuation risk in our equity portfolio is imperative. As of March 31, 2012 and September 30, 2012, the aggregate book value of our marketable equity securities under Japanese GAAP satisfied the requirements of the legislation prohibiting banks from holding equity securities in excess of their Tier I capital.

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Investment securities decreased ¥1.16 trillion to ¥59.88 trillion at September 30, 2012 from ¥61.04 trillion at March 31, 2012 primarily due to a ¥0.41 trillion decrease in Japanese national government and Japanese government agency bonds available for sale and a ¥0.39 trillion decrease in marketable equity securities resulting primarily from the general decline in Japanese stock prices.

Investment securities available for sale as of September 30, 2012 were ¥56.63 trillion, a decrease of ¥1.11 trillion from ¥57.74 trillion as of March 31, 2012. Investment securities being held to maturity as of September 30, 2012 were ¥2.34 trillion, a decrease of ¥0.05 trillion from ¥2.39 trillion as of March 31, 2012. Other investment securities were primarily carried at cost of ¥0.90 trillion at September 30, 2012 and ¥0.91 trillion at March 31, 2012, respectively, because their fair values were not readily determinable.

For the six months ended September 30, 2012, losses resulting from impairment of investment securities were ¥120.7 billion, compared to ¥161.9 billion for the six months ended September 30, 2011. Gross realized gains on sales of investment securities available for sale were ¥156.2 billion for the six months ended September 30, 2012, compared to ¥156.5 billion for the same period of the previous year. Gross realized losses on sales of investment securities available for sale were ¥11.7 billion for the six months ended September 30, 2012, compared to ¥26.1 billion for the same period of the previous fiscal year.

The following table shows information as to the amortized costs, net unrealized gains (losses) and estimated fair values of our investment securities available for sale and being held to maturity at March 31, 2012 and September 30, 2012:

	At March 31, 2012			At September 30, 2012		
	Amortized cost	Estimated Fair value	Net unrealized gains (losses)	Amortized cost	Estimated Fair value	Net unrealized gains (losses)
	(in billions)					
Securities available for sale:						
Debt securities:						
Japanese national government and Japanese government agency bonds	¥ 48,736.2	¥ 48,882.6	¥ 146.4	¥ 48,267.5	¥ 48,466.6	¥ 199.1
Japanese prefectural and municipal bonds	173.0	180.8	7.8	190.7	199.2	8.5
Foreign governments and official institutions bonds	953.4	971.2	17.8	989.0	1,005.2	16.2
Corporate bonds	2,460.3	2,526.6	66.3	2,190.4	2,248.7	58.3
Mortgage-backed securities	1,226.4	1,236.9	10.5	1,101.1	1,119.3	18.2
Asset-backed securities[(1)]	503.0	502.5	(0.5)	483.0	483.5	0.5
Other debt securities	1.0	1.0		65.7	65.0	(0.7)
Marketable equity securities	2,315.4	3,438.8	1,123.4	2,256.4	3,046.6	790.2
Total securities available for sale	¥ 56,368.7	¥ 57,740.4	¥ 1,371.7	¥ 55,543.8	¥ 56,634.1	¥ 1,090.3
Debt securities being held to maturity[(2)]	¥ 2,385.4	¥ 2,430.7	¥ 45.3	¥ 2,339.9	¥ 2,392.4	¥ 52.5

Notes:

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

(2) See Note 3 to our unaudited condensed consolidated financial statements included elsewhere in this Report for more details.

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Net unrealized gains on securities available for sale decreased ¥281.4 billion to ¥1,090.3 billion at September 30, 2012, from ¥1,371.7 billion at March 31, 2012. This decrease primarily consisted of a ¥333.2 billion decrease in net unrealized gains on marketable equity securities, partially offset by a ¥52.7 billion increase in net unrealized gains on Japanese national government and Japanese government agency bonds. The decrease in net unrealized gains on marketable equity securities was mainly due to the general decline in Japanese stock prices which unfavorably affected our holdings of Japanese equity securities.

The amortized cost of debt securities being held to maturity at September 30, 2012 decreased ¥45.5 billion compared to the balance at March 31, 2012. The decrease was mainly due to the transfer of certain securities with a carrying value of ¥47.6 billion from securities being held to maturity to securities available for sale, which were subsequently sold in the market. For further information, see Note 3 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

The following table shows information relating to our investment securities other than investment securities available for sale or held to maturity as of March 31, 2012 and September 30, 2012:

	March 31, 2012	September 30, 2012
	(in billions)	
Other investment securities:		
Nonmarketable equity securities		
Unlisted preferred securities[1]	¥ 672	¥ 692
Others[2]	205	178
Investment securities held by investment companies and brokers and dealers[3]	33	32
Total	¥ 910	¥ 902

Notes:

(1) These securities were mainly issued by public companies, including preferred stocks issued by Morgan Stanley, a preferred security issued by our non-consolidated funding vehicles, and other unlisted preferred securities issued by several Japanese public companies. Those securities are primarily carried at cost.

(2) These securities are equity securities issued by unlisted companies other than unlisted preferred securities. Those securities are primarily carried at cost.

(3) These investment securities are held by certain subsidiaries subject to specialized industry accounting principles for investment companies and brokers and dealers, and are measured at fair value.

Other investment securities are comprised of nonmarketable equity securities, including unlisted preferred securities, and investment securities held by investment companies and brokers and dealers.

Nonmarketable equity securities other than unlisted preferred securities consist primarily of equity securities issued by small and medium-sized unlisted companies in Japan.

Investment securities held by certain subsidiaries subject to specialized industry accounting principles for investment companies and brokers and dealers and carried at fair value were ¥33 billion and ¥32 billion at March 31, 2012 and September 30, 2012, respectively.

Cash and Due from Banks

Cash and due from banks fluctuate significantly from day to day depending upon financial market conditions. Cash and due from banks at September 30, 2012 was ¥3.00 trillion, a decrease of ¥0.23 trillion from ¥3.23 trillion at March 31, 2012. The decrease was primarily due to a decrease in cash held at BTMU s domestic branches.

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Interest-earning Deposits in Other Banks

Interest-earning deposits in other banks fluctuate significantly from day to day depending upon financial market conditions. Interest-earning deposits in other banks increased ¥0.75 trillion to ¥6.65 trillion at September 30, 2012 from ¥5.90 trillion at March 31, 2012. This increase was mainly due to an increase of ¥1.5 trillion in our deposits with the Bank of Japan as part of our asset and liability management, partially offset by decreases in deposits held overseas by our commercial banking, trust banking and securities subsidiaries.

Call Loans, Funds Sold, Receivables under Resale Agreements

Call loans, funds sold, and receivables under resale agreements increased ¥0.38 trillion to ¥5.31 trillion at September 30, 2012 from ¥4.93 trillion at March 31, 2012. This increase was mainly due to a ¥0.19 trillion increase in call loans reflecting favorable market conditions at the end of the reporting period, and a ¥0.19 trillion increase in receivables under resale agreements resulting from an increase in positions at our overseas securities subsidiaries.

Receivables under Securities Borrowing Transactions

Receivables under securities borrowing transactions increased ¥0.11 trillion to ¥3.39 trillion at September 30, 2012 from ¥3.28 trillion at March 31, 2012. This increase was mainly due to an increase in positions at BTMU resulting from an increase in lending and borrowing rates in repurchase and reverse repurchase transactions.

Trading Account Assets

Trading account assets increased ¥2.31 trillion to ¥37.26 trillion at September 30, 2012 from ¥34.95 trillion at March 31, 2012. This increase consisted of an increase of ¥1.28 trillion in trading securities and an increase of ¥1.03 trillion in trading derivative assets. The increase in trading securities was mainly due to a ¥0.42 trillion increase in Japanese national government and Japanese government agency bonds, a ¥0.44 trillion increase in foreign governments and official institutions bonds, and a ¥0.22 trillion increase in commercial paper. The increase in trading derivative assets was mainly due to a ¥1.30 trillion increase in the value of the interest rate contracts reflecting favorable movements of interest rates during the reporting period, partially offset by a ¥0.28 trillion decrease in foreign exchange contracts.

Deferred Tax Assets

Deferred tax assets increased ¥0.07 trillion from ¥0.95 trillion at March 31, 2012 to ¥1.02 trillion at September 30, 2012. This increase was primarily due to an increase in unrealized losses on investment securities for the six months ended September 30, 2012 reflecting general decline in market prices.

On November 30, 2011, the Japanese Diet enacted two tax related laws: Amendment to the 2011 Tax Reform and Special Measures to Secure the Financial Resources to Implement the Restoration from The Great East Japan Earthquake. The changes under the new laws include a limitation on the use of net operating loss carryforwards to 80% of taxable income, a two-year increase in the carryforward period of certain net operating loss carryforwards to a nine-year period, and an approximately 5% reduction in the effective statutory rate of corporate income tax from 40.6% to 35.6%. While the reduction in the effective statutory rate is effective for the fiscal year beginning on or after April 1, 2012, a temporary surtax levied on corporate income taxes to fund the earthquake recovery efforts causes the effective statutory rate of corporate income tax to be approximately 38.0% for the three year period between April 1, 2012 and March 31, 2015.

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Other Assets

Other assets decreased ¥1.75 trillion to ¥5.58 trillion at September 30, 2012 from ¥7.33 trillion at March 31, 2012. This decrease was primarily due to a ¥1.14 trillion decrease in accounts receivables from brokers, dealers and customers for securities transaction reflecting lower sales of securities during the last few business days of September 2012.

Total Liabilities

At September 30, 2012, total liabilities were ¥206.00 trillion, a decrease of ¥0.34 trillion from ¥206.34 trillion at March 31, 2012, primarily due to a ¥0.93 trillion decrease in long-term debt as a result of redemption of subordinated debt, a ¥0.26 trillion decrease in deposits reflecting a decrease in deposits in our domestic branches which was partially offset by an increase in deposits in our overseas offices. These decreases were partially offset by a ¥0.61 trillion increase in our trading account liabilities mostly related to our derivative transactions, and a ¥0.43 trillion increase in the aggregate in call money and funds purchased, payables under repurchase agreements and payables under securities lending transactions.

Deposits

Deposits are our primary source of funds. The total balance of deposits decreased ¥0.26 trillion to ¥139.23 trillion at September 30, 2012 from ¥139.49 trillion at March 31, 2012. This decrease in the total balance of deposits primarily reflected slight easing of risk aversion as negative investor sentiment towards the Eurozone financial crisis declined.

The balance of domestic deposits decreased ¥0.71 trillion to ¥113.88 trillion at September 30, 2012 from ¥114.59 trillion at March 31, 2012, while the balance of foreign deposits increased ¥0.44 trillion to ¥25.34 trillion at September 30, 2012 from ¥24.90 trillion at March 31, 2012. Within domestic deposits, the balance of both interest-bearing deposits and non-interest-bearing deposits decreased.

Short-term Borrowings

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

Short-term borrowings increased ¥0.63 trillion to ¥33.49 trillion at September 30, 2012 from ¥32.86 trillion at March 31, 2012. This increase was mainly due to a ¥0.79 trillion increase in borrowings for call money and funds purchased reflecting our partial shift in funding sources from borrowings from the Bank of Japan to the call money market, and a ¥0.63 trillion increase in payables under repurchase agreements mainly resulting from an increase in repurchase transactions with foreign governments, government agencies, municipalities and official institutions.

Trading Account Liabilities

Trading account liabilities increased ¥0.61 trillion from ¥11.97 trillion at March 31, 2012 to ¥12.58 trillion at September 30, 2012. This increase was mainly reflecting an increase in value of our interest rate derivative transactions due to an increase in our positions in floating-rate-received transactions reflecting declining interest rates towards the end of the reporting period.

Long-term Debt

Long-term debt decreased ¥0.93 trillion from ¥12.59 trillion at March 31, 2012 to ¥11.66 trillion at September 30, 2012. This decrease was mainly due to a decrease in subordinated debt resulting mainly from redemption of such debt at maturity.

Other Liabilities

Other liabilities decreased ¥0.12 trillion to ¥5.43 trillion at September 30, 2012 from ¥5.55 trillion at March 31, 2012. This decrease was primarily due to a decrease in accounts payable reflecting fewer purchases of investment securities at the end of the reporting period.

Sources of Funding and Liquidity

Our primary source of liquidity is from a large balance of deposits, mainly ordinary deposits, certificates of deposit and time deposits. Time deposits have historically shown a high rollover rate among our corporate customers and individual depositors. The average balance of our deposits increased from ¥133.30 trillion for the six months ended September 30, 2011 to ¥138.71 trillion for the six months ended September 30, 2012. These deposits provide us with a sizable source of stable and low-cost funds. Our average deposits, combined with average total equity of ¥8.79 trillion, funded 66.0% of our average total assets of ¥223.51 trillion during the six months ended September 30, 2012. Our deposits exceeded our loans, net of allowance for credit losses, by ¥48.68 trillion as of September 30, 2012, compared to ¥48.48 trillion as of March 31, 2012. As part of our asset and liability management policy, a significant portion of the amount of yen-denominated funds exceeding our net loans has been invested in Japanese national government and government agency bonds in recent periods.

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

We manage liquidity separately at certain of our foreign and domestic non-bank and bank subsidiaries because they are subject to separate regulatory requirements, pursue different business models and have distinctive liquidity risk profiles. We manage our group-wide liquidity on a consolidated basis based on the tests and analyses conducted at the subsidiary level. Liquidity risk management measures at the subsidiary level include the following:

- *Domestic Bank Subsidiaries* Our major domestic bank subsidiaries, BTMU and MUTB, set liquidity and funding limits designed to maintain their respective requirements for funding from market sources below pre-determined levels for certain periods (e.g., one-day, two-week and one-month). The major domestic bank subsidiaries also monitor the balance of buffer assets they respectively hold, including Japanese government bonds and US Treasury bonds, which can be used for cash funding even in periods of stress. In addition, the major domestic bank subsidiaries regularly perform liquidity stress testing designed to evaluate the impact of systemic market stress conditions and institution-specific stress events, including credit rating downgrades, on their liquidity positions;

Foreign Bank Subsidiaries Our major foreign bank subsidiary, UNBC, monitors various liquidity metrics, including total available liquidity, the net non-core funding dependence ratio, and minimum liquidity assets, as a tool to maintain a sufficient amount of liquidity and diversity of funding sources to allow UNBC to meet expected obligations in both stable and adverse conditions. In addition, UNBC regularly conducts stress testing, which incorporates both bank-specific and systemic market

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scenarios that would adversely affect its liquidity position, to facilitate the identification of appropriate remedial measures to help ensure that it maintains adequate liquidity in adverse conditions;

Securities Subsidiaries Our securities subsidiaries implement liquidity and funding limits designed to maintain their requirements for funding from market sources below pre-determined levels for specified periods. In addition, the securities subsidiaries regularly conduct analyses designed to assess the period for which they can continue to meet their respective liquidity requirements by selling or pledging assets they respectively hold under scenarios where they are unable to access any additional sources of financing in the market; and

Non-Bank Subsidiaries Our non-bank subsidiaries, including Mitsubishi UFJ NICOS, regularly conduct cash flow analyses designed to assess their ability to generate sufficient liquidity for specified periods, considering the cash and cash equivalents as well as deposits they respectively hold, and their respective operating income and expenses under scenarios where they are no longer able to obtain funding from markets through issuance of commercial paper, bonds or other instruments. The non-bank subsidiaries also conduct analyses to ensure sufficient liquidity and funding available from our bank subsidiaries and other financial institutions outside of our group of companies.

We collect and evaluate the results of the stress tests individually performed by our major subsidiaries to ensure our ability to meet our liquidity requirements on a consolidated basis in stress scenarios.

We manage our funding sources using buffer assets, primarily Japanese government bonds, for cash funding. As of September 30, 2012, we held ¥48.47 trillion of Japanese national government and Japanese government agency bonds as available for sale. Our major domestic bank subsidiaries use liquidity-supplying assets, primarily commitment lines for minor currencies funding. In addition, the major bank subsidiaries use a liquidity gap, or the excess of cash inflows over cash outflows, for cash funding.

For further information, see Item 3.D. Key Information Risk Factors Risks Related to Our Business A further downgrade of our credit ratings could trigger additional collateral obligations under our derivative contracts and increase our funding costs in our annual report on Form 20-F for the fiscal year ended March 31, 2012.

Total Equity

The following table presents a summary of our total equity at March 31, 2012 and September 30, 2012:

	March 31, 2012	September 30, 2012
	(in billions, except percentages)	
Preferred stock	¥ 442.1	¥ 442.1
Common stock	1,645.1	1,646.0
Capital surplus	6,378.6	6,377.1
Retained earnings appropriated for legal reserve	239.6	239.6
Unappropriated retained earnings	482.5	984.7
Accumulated other comprehensive loss, net of taxes	(596.4)	(794.6)
Treasury stock, at cost	(8.3)	(8.4)
Total Mitsubishi UFJ Financial Group shareholders equity	¥ 8,583.2	¥ 8,886.5

Noncontrolling interests	275.2	288.4
Total equity	¥ 8,858.4	¥ 9,174.9
Ratio of total equity to total assets	4.12%	4.26%

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Total equity increased ¥316.5 billion to ¥9,174.9 billion at September 30, 2012 from ¥8,858.4 billion at March 31, 2012. The ratio of total equity to total assets increased 0.14 percentage points to 4.26% at September 30, 2012 from 4.12% at March 31, 2012. The increase in total equity at September 30, 2012 was principally attributable to an increase in unappropriated retained earnings of ¥502.2 billion reflecting ¥596.0 billion of net income attributable to Mitsubishi UFJ Financial Group, partially offset by a change in accumulated other comprehensive loss, net of taxes, of ¥198.2 billion. The change in accumulated other comprehensive loss, net of taxes, was primarily due to a decrease in unrealized gains on investment securities available for sale reflecting the general weakness in domestic equity market performance.

Due to our holdings of a large amount of marketable Japanese equity securities and the volatility of the equity markets in Japan, changes in the fair value of marketable equity securities have significantly affected our total equity in recent years. The following table presents information relating to the accumulated net unrealized gains, net of taxes, in respect of investment securities classified as available for sale at March 31, 2012 and September 30, 2012:

	March 31, 2012	September 30, 2012
	(in billions, except percentages)	
Accumulated net unrealized gains on investment securities	¥ 482.4	¥ 309.1
Accumulated net unrealized gains to total equity	5.45%	3.37%

Capital Adequacy

We are subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which we operate. Failure to meet minimum capital requirements can initiate mandatory actions by regulators that, if undertaken, could have a direct material effect on our unaudited condensed consolidated financial statements. Moreover, if our capital ratios are perceived to be low, our counterparties may avoid entering into transactions with us, which in turn could negatively affect our business and operations.

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

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Mitsubishi UFJ Financial Group Ratios

The table below presents our consolidated total capital components, risk-weighted assets and risk-adjusted capital ratios at March 31, 2012 and September 30, 2012. 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 Financial Services Agency, or FSA. The percentages in the tables below are rounded down.

	March 31, 2012	September 30, 2012	Minimum capital ratios required
	(in billions, except percentages)		
Capital components:			
Tier I capital	¥ 10,522.3	¥ 10,832.2	
Tier II capital includable as qualifying capital	4,038.7	3,268.7	
Tier III capital includable as qualifying capital			
Deductions from total qualifying capital	(1,818.5)	(1,782.5)	
Total risk-based capital	¥ 12,742.5	¥ 12,318.4	
Risk-weighted assets	¥ 85,456.6	¥ 86,117.9	
Capital ratios:			
Tier I capital	12.31%	12.57%	4.00%
Total risk-adjusted capital	14.91	14.30	8.00

Our Tier I capital ratio and total risk-adjusted capital ratio at September 30, 2012 were 12.57% and 14.30%, respectively. The increase in Tier I capital ratio resulted from an increase in retained earnings. The decrease in total risk-adjusted capital ratio resulted from a decrease in Tier II capital as a result of redemption of subordinated debt.

Under our financial holding company status in the United States, we are also subject to additional regulatory requirements. For example, each of our banking subsidiaries with operations in the United States must be well capitalized, meaning a Tier I risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10%. For more information, see Capital Ratios of Banking Subsidiaries in the United States.

At September 30, 2012, management believes that our banking subsidiaries were in compliance with all capital adequacy requirements to which they were subject.

For a description of transactions that occurred after September 30, 2012 that affect our capital ratios, see Recent Developments.

In response to the recent financial crisis, the Group of Central Bank Governors and Heads of Supervision has made a series of announcements regarding the new global regulatory framework, which has been referred to as Basel III, to strengthen the regulation, supervision and risk management of the banking sector. Various Basel III measures are expected to be introduced in phases starting in calendar 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, in July 2011, the Basel Committee on Banking Supervision proposed additional loss absorbency requirements to supplement the common equity Tier I capital requirement ranging from 1% to 2.5% for global systemically important banks,

depending on the bank s systemic importance, to be introduced in phases starting in calendar year 2016. In November 2012, the Financial Stability Board identified us as a global systemically important bank and indicated that we would be required to hold an additional 1.5% of Tier I common equity. Based on the Basel III framework, the Japanese capital ratio framework, which is currently based on Basel II, has been revised to implement the more stringent requirements, which will be effective as of March 31, 2013. Likewise, local banking regulators outside of Japan such as those in the United States are expected to revise the capital and liquidity requirements imposed on our

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subsidiaries and operations in those countries to implement the more stringent requirements of Basel III when adopted in those countries. We intend to carefully monitor further developments with an aim to enhance our corporate value and maximize shareholder value by integrating the various strengths within the MUFG Group.

Capital Ratios of Our Major Banking Subsidiaries in Japan

The table below presents the risk-adjusted capital ratios of BTMU and MUTB at March 31, 2012 and September 30, 2012. Underlying figures are calculated in accordance with Japanese banking regulations based on information derived from their consolidated and non-consolidated financial statements prepared in accordance with Japanese GAAP, as required by the FSA. The percentages in the tables below are rounded down:

	March 31, 2012	September 30, 2012	Minimum capital ratios required
Consolidated capital ratios:			
BTMU			
Tier I capital	11.76%	11.92%	4.00%
Total risk-adjusted capital	16.27	15.48	8.00
MUTB			
Tier I capital	12.38	12.54	4.00
Total risk-adjusted capital	15.74	15.49	8.00
Stand-alone capital ratios:			
BTMU			
Tier I capital	12.60	12.74	4.00
Total risk-adjusted capital	17.41	16.55	8.00
MUTB			
Tier I capital	11.71	11.85	4.00
Total risk-adjusted capital	15.76	15.57	8.00

At September 30, 2012, management believes that our banking subsidiaries were in compliance with all capital adequacy requirements to which they were subject.

Capital Ratios of Banking Subsidiaries in the United States

The table below presents the risk-adjusted capital ratios of UNBC and Union Bank, both subsidiaries of BTMU, at December 31, 2011 and June 30, 2012:

	December 31, 2011	June 30, 2012	Minimum capital ratios required	Ratio OCC requires to be well capitalized
UNBC:				
Tier I capital (to risk-weighted assets)	13.82%	13.78%	4.00%	

Tier I capital (to quarterly average assets)[1]	11.44	11.58	4.00	
Total capital (to risk-weighted assets)	15.98	15.54	8.00	
Union Bank:				
Tier I capital (to risk-weighted assets)	12.39%	12.34%	4.00%	6.00%
Tier I capital (to quarterly average assets)[1]	10.25	10.36	4.00	5.00
Total capital (to risk-weighted assets)	14.43	13.97	8.00	10.00

Note:

(1) Excludes certain intangible assets.

Management believes that, at June 30, 2012, UNBC and Union Bank met all capital adequacy requirements to which they were subject.

At December 31, 2011 and June 30, 2012, the Office of the Comptroller of the Currency, or OCC, categorized Union Bank as well-capitalized. To be categorized as well-capitalized, Union Bank must maintain minimum ratios of Total capital and Tier I capital to risk-weighted assets and of Tier I capital to quarterly average assets (leverage ratio) as set forth in the table. There are no conditions or events since June 30, 2012 that would cause management to believe Union Bank s category has changed.

Capital Adequacy Ratio of MUMSS

At March 31, 2012 and September 30, 2012, MUMSS capital accounts less certain fixed assets of ¥387.7 billion and ¥386.8 billion represented 328.6% and 332.9% of the total amounts equivalent to market, counterparty credit and operations risks, respectively, as calculated pursuant to the Financial Instruments and Exchange Law of Japan. A capital ratio of less than 140% will call for additional regulatory reporting, a capital ratio of less than 120% may result in an order to change the method of business and a capital ratio of less than 100% may lead to a suspension of all or part of the business for a period of time and cancellation of a registration.

Off-Balance Sheet Arrangements

In the normal course of business, we engage in several types of off-balance sheet arrangements to meet the financing needs of customers, including various types of guarantees, commitments to extend credit and commercial letters of credit. The contractual amounts of these guarantees and other off-balance sheet instruments represent the amounts at risk if the contracts were to be fully drawn upon as a result of a subsequent default by our customer and a decline in the value of the underlying collateral. Since many of these commitments expire without being drawn upon, the total contractual or notional amounts of these commitments do not necessarily represent our future cash requirements. See Note 12 to our unaudited condensed consolidated financial statements included elsewhere in this Report for the details of the contractual or notional amounts of such commitments.

Some of our off-balance sheet arrangements are related to activities of special purpose entities, most of which are VIEs. See Note 14 to our unaudited condensed consolidated financial statements included elsewhere in this Report for the details of the maximum exposures to non-consolidated VIEs.

Market Risk

VaR for Trading Activities. The VaR for our total trading activities in the six months ended September 30, 2012 is presented in the table below. The total amount of VaR and the VaR of each risk categories at September 30, 2012 were higher than those at March 31, 2012.

Risk category	VaR for Trading Activities (April 1, 2012 September 30, 2012) Daily average	High	Low	September 30, 2012	March 31, 2012
			(in billions)		
Interest rate	¥ 7.90	¥ 10.03	¥ 6.47	¥ 7.17	¥ 6.79
Of which, Japanese yen	4.38	6.46	2.71	3.63	3.54
Of which, US dollar	2.83	5.05	1.89	3.27	2.23

Foreign exchange	2.71	4.49	1.10	1.94	0.82
Equities	0.56	3.50	0.12	0.44	0.13
Commodities	0.34	0.68	0.15	0.64	0.29
Diversification effect	3.02			2.48	1.66
Total	¥ 8.49	¥ 11.02	¥ 6.55	¥ 7.71	¥ 6.37

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Note: Based on a 10-day holding period, with a confidence interval of 99% based on 701 business days of historical data. The highest and lowest VaR were taken from different days. A simple summation of VaR by risk category is not equal to total VaR due to the effect of diversification.

Our daily average VaR by quarter in the six months ended September 30, 2012 was as follows:

Quarter	Daily average VaR
April June 2012	¥ 8.18 billion
July September 2012	¥ 8.79 billion

Quantitative market risks fluctuated throughout the April September 2012 period, reflecting the reaction of trading activities to market volatility. Market conditions were often volatile during the six months ended September 30, 2012, with positive trading-related revenue recorded for 120 of 130 trading days during the period. The amount of trading-related revenue per day was kept within a stable range, with 37 days of positive revenue and no day could be found of negative revenue exceeding ¥1 billion.

Backtesting. We conduct backtesting in which estimated quantitative risks are compared with actual realized and unrealized losses to verify the accuracy of our VaR measurement model. The actual losses exceeded the VAR one time on our trading days in our backtesting of 250 trading days ended September 30, 2012.

Stress Testing. We calculate, on a daily, monthly and quarterly basis, the predicted losses of our current positions in each market sector, applying the worst ten-day historical volatility recorded during the observation period of 701 days. As of September 30, 2012, we held a total trading activity position of ¥6.1 billion of predicted losses as compared to ¥4.0 billion as of March 31, 2012.

VaR for Non-Trading Activities. The aggregate VaR for our total non-trading activities as of September 30, 2012, excluding market risks related to our strategic equity portfolio and measured using the same standards as trading activities, was ¥413.4 billion, a ¥57.9 billion decrease from March 31, 2012. In the six months ended September 30, 2012, market risks related to interest rate decreased ¥37.6 billion, and risk related to equities decreased ¥17.4 billion.

Based on a simple summation of figures across market risk categories, interest rate risks accounted for approximately 87% of our total non-trading activity market risks, consisting of interest rate risk, foreign exchange rate risk, equities risk and commodities risk. In the six months ended September 30, 2012, the daily average interest rate VaR totaled ¥434.6 billion, with the highest recorded VaR being ¥467.5 billion and the lowest being ¥402.3 billion.

Our daily average interest rate VaR by quarter in the six months ended September 30, 2012 was as follows:

Quarter	Daily average VaR
April June 2012	¥ 422.30 billion
July September 2012	¥ 446.93 billion

Comparing the proportion of each currency s interest rate VaR to the total interest VaR as of September 30, 2012 against that as of March 31, 2012, there were a 5 percentage point increase in Japanese yen from 34% to 39% and a 6 percentage point decrease in US dollar from 56% to 50%.

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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(in millions)	March 31, 2012	September 30, 2012
ASSETS		
Cash and due from banks	¥ 3,230,409	¥ 3,004,711
Interest-earning deposits in other banks	5,897,732	6,651,751
Call loans, funds sold, and receivables under resale agreements (including ¥26,056 and nil at March 31, 2012 and September 30, 2012 measured at fair value under fair value option)	4,933,296	5,306,961
Receivables under securities borrowing transactions	3,282,656	3,386,726
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥10,573,642 and ¥10,394,212 at March 31, 2012 and September 30, 2012) (including ¥15,758,131 and ¥15,824,557 at March 31, 2012 and September 30, 2012 measured at fair value under fair value option)	34,953,245	37,259,422
Investment securities:		
Securities available for sale carried at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of ¥2,859,124 and ¥2,813,539 at March 31, 2012 and September 30, 2012)	57,740,401	56,634,088
Securities being held to maturity carried at amortized cost (including assets pledged that secured parties are permitted to sell or repledge of ¥741,560 and ¥468,768 at March 31, 2012 and September 30, 2012) (estimated fair value of ¥2,430,689 and ¥2,392,435 at March 31, 2012 and September 30, 2012)	2,385,368	2,339,888
Other investment securities	909,765	901,699
Total investment securities	61,035,534	59,875,675
Loans, net of unearned income, unamortized premiums and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of ¥2,491,281 and ¥2,219,295 at March 31, 2012 and September 30, 2012)	92,298,243	91,850,878
Allowance for credit losses	(1,285,507)	(1,301,632)
Net loans	91,012,736	90,549,246
Premises and equipment net	987,474	1,002,709
Accrued interest	250,351	234,761
Customers acceptance liability	88,082	70,533
Intangible assets net	896,483	867,862
Goodwill	354,283	358,117
Deferred tax assets	950,395	1,020,791
Other assets (including nil and ¥3,419 at March 31, 2012 and September 30, 2012 measured at fair value under fair value option)	7,329,838	5,581,211
Total assets	¥ 215,202,514	¥ 215,170,476
Assets of consolidated VIEs included in total assets above that can be used only to settle obligations of consolidated VIEs		
Cash and due from banks	¥ 2,229	¥ 3,180
Interest-earning deposits in other banks	56,275	14,288
Trading account assets	1,576,725	1,984,287
Investment securities	530,079	536,483
Loans	7,101,464	6,657,036
All other assets	300,208	257,074

Total assets of consolidated VIEs	¥ 9,566,980	¥ 9,452,348

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Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited) (Continued)

(in millions, except shares)	March 31, 2012	September 30, 2012
LIABILITIES AND EQUITY		
Deposits:		
Domestic offices:		
Non-interest-bearing	¥ 14,980,210	¥ 14,516,551
Interest-bearing	99,610,994	99,365,370
Overseas offices, principally interest-bearing	24,902,526	25,344,264
Total deposits	139,493,730	139,226,185
Call money, funds purchased, and payables under repurchase agreements	16,368,933	17,783,595
Payables under securities lending transactions	4,978,917	4,002,677
Due to trust account and other short-term borrowings (including ¥24,951 and ¥6,472 at March 31, 2012 and September 30, 2012 measured at fair value under fair value option)	11,508,856	11,704,511
Trading account liabilities	11,967,182	12,575,248
Obligations to return securities received as collateral	3,639,838	3,410,557
Bank acceptances outstanding	88,082	70,533
Accrued interest	152,836	140,243
Long-term debt (including ¥524,758 and ¥545,329 at March 31, 2012 and September 30, 2012 measured at fair value under fair value option)	12,593,062	11,656,300
Other liabilities	5,552,631	5,425,724
Total liabilities	206,344,067	205,995,573
Commitments and contingent liabilities		
Mitsubishi UFJ Financial Group shareholders equity:		
Capital stock:		
Preferred stock aggregate liquidation preference of ¥390,001 at March 31, 2012 and September 30, 2012, with no stated value	442,100	442,100
Common stock authorized, 33,000,000,000 shares; issued, 14,154,534,220 shares and 14,158,585,720 shares at March 31, 2012 and September 30, 2012, with no stated value	1,645,144	1,646,035
Capital surplus	6,378,619	6,377,083
Retained earnings:		
Appropriated for legal reserve	239,571	239,571
Unappropriated retained earnings	482,535	984,673
Accumulated other comprehensive loss, net of taxes	(596,400)	(794,587)
Treasury stock, at cost 10,471,043 common shares and 10,390,406 common shares at March 31, 2012 and September 30, 2012	(8,411)	(8,355)
Total Mitsubishi UFJ Financial Group shareholders equity	8,583,158	8,886,520
Noncontrolling interests	275,289	288,383
Total equity	8,858,447	9,174,903
Total liabilities and equity	¥ 215,202,514	¥ 215,170,476
Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Mitsubishi UFJ Financial Group		

Other short-term borrowings	¥	47,147	¥	20,444
Long-term debt		1,389,971		1,270,332
All other liabilities		367,890		431,454
Total liabilities of consolidated VIEs	¥	1,805,008	¥	1,722,230

See the accompanying notes to Condensed Consolidated Financial Statements.

Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

(in millions)	**Six months ended September 30, 2011**	**2012**
Interest income:		
Loans, including fees	¥ 801,477	¥ 793,828
Deposits in other banks	21,205	13,868
Investment securities	345,662	187,884
Trading account assets	139,986	185,943
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions	49,840	32,422
Total	1,358,170	1,213,945
Interest expense:		
Deposits	113,399	113,647
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions	49,431	35,295
Due to trust account, other short-term borrowings, and trading account liabilities	30,417	28,124
Long-term debt	130,900	118,009
Total	324,147	295,075
Net interest income	1,034,023	918,870
Provision for credit losses	89,342	80,012
Net interest income after provision for credit losses	944,681	838,858
Non-interest income:		
Fees and commissions income	548,822	540,963
Foreign exchange gains net	67,836	76,616
Trading account profits net	449,243	301,785
Investment securities gains (losses) net[1]	(19,226)	35,712
Equity in earnings (losses) of equity method investees net	(515,403)	10,032
Other non-interest income	77,521	61,868
Total	608,793	1,026,976
Non-interest expense:		
Salaries and employee benefits	443,726	460,925
Occupancy expenses net	79,441	77,475
Fees and commission expenses	101,751	100,565
Outsourcing expenses, including data processing	94,868	98,725
Depreciation of premises and equipment	45,756	46,609
Amortization of intangible assets	105,321	103,007
Impairment of intangible assets	27,040	235
Insurance premiums, including deposit insurance	57,996	48,792
Communications	24,693	23,558
Taxes and public charges	31,694	33,399
Other non-interest expenses	147,172	188,940
Total	1,159,458	1,182,230

Income before income tax expense	394,016	683,604
Income tax expense	198,806	70,518
Net income before attribution of noncontrolling interests	195,210	613,086
Net income attributable to noncontrolling interests	4,246	17,074
Net income attributable to Mitsubishi UFJ Financial Group	¥ 190,964	¥ 596,012
Income allocated to preferred shareholders:		
Cash dividends paid	¥ 8,970	¥ 8,970
Net income available to common shareholders of Mitsubishi UFJ Financial Group	¥ 181,994	¥ 587,042

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Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Income (Unaudited) (Continued)

(in Yen)	Six months ended September 30, 2011	2012
Earnings per common share applicable to common shareholders of Mitsubishi UFJ Financial Group		
Basic earnings per common share net income available to common shareholders of Mitsubishi UFJ Financial Group	¥ 12.87	¥ 41.50
Diluted earnings per common share net income available to common shareholders of Mitsubishi UFJ Financial Group	12.82	41.44

(1) The following credit losses are included in Investment securities gains (losses) net:

(in millions)	Six months ended September 30, 2011	2012
Decline in fair value	¥ 6,402	¥ 5,615
Other comprehensive income net	856	560
Total credit losses	¥ 7,258	¥ 6,175

See the accompanying notes to Condensed Consolidated Financial Statements.

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Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(in millions)	Gains (Losses) before income tax expense (benefit)	Income tax (expense) benefit	Gains (Losses) net of income tax expense (benefit)
Six months ended September 30, 2011:			
Net income before attribution of noncontrolling interests			¥ 195,210
Other comprehensive loss:			
Net unrealized holding losses on investment securities (including unrealized gain of ¥508, net of tax, related to debt securities with credit component realized in earnings)	¥ (72,844)	¥ 30,253	(42,591)
Reclassification adjustment for losses included in net income before attribution of noncontrolling interests	17,415	(7,232)	10,183
Total	(55,429)	23,021	(32,408)
Net unrealized losses on derivatives qualifying for cash flow hedges	(575)	261	(314)
Reclassification adjustment for losses included in net income before attribution of noncontrolling interests	458	(180)	278
Total	(117)	81	(36)
Pension liability adjustments	(33,939)	14,383	(19,556)
Reclassification adjustment for losses included in net income before attribution of noncontrolling interests	14,870	(6,015)	8,855
Total	(19,069)	8,368	(10,701)
Foreign currency translation adjustments	(82,790)	9,442	(73,348)
Reclassification adjustment for losses included in net income before attribution of noncontrolling interests	20,368	(7,014)	13,354
Total	(62,422)	2,428	(59,994)
Other comprehensive loss	(137,037)	33,898	(103,139)
Comprehensive income			92,071
Net income attributable to noncontrolling interests			4,246
Other comprehensive income attributable to noncontrolling interests			754
Comprehensive income attributable to Mitsubishi UFJ Financial Group			¥ 87,071

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Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited) (Continued)

(in millions)	Gains (Losses) before income tax expense (benefit)	Income tax (expense) benefit	Gains (Losses) net of income tax expense (benefit)
Six months ended September 30, 2012:			
Net income before attribution of noncontrolling interests			¥ 613,086
Other comprehensive income (loss):			
Net unrealized holding losses on investment securities (including unrealized gain of ¥356, net of tax, related to debt securities with credit component realized in earnings)	¥ (240,798)	¥ 91,449	(149,349)
Reclassification adjustment for gains included in net income before attribution of noncontrolling interests	(32,367)	10,500	(21,867)
Total	(273,165)	101,949	(171,216)
Net unrealized gains on derivatives qualifying for cash flow hedges	3,082	(1,184)	1,898
Reclassification adjustment for gains included in net income before attribution of noncontrolling interests	(377)	148	(229)
Total	2,705	(1,036)	1,669
Pension liability adjustments	(26,524)	9,747	(16,777)
Reclassification adjustment for losses included in net income before attribution of noncontrolling interests	22,941	(7,200)	15,741
Total	(3,583)	2,547	(1,036)
Foreign currency translation adjustments	(61,667)	8,589	(53,078)
Reclassification adjustment for losses included in net income before attribution of noncontrolling interests	44,951	(17,548)	27,403
Total	(16,716)	(8,959)	(25,675)
Other comprehensive loss	(290,759)	94,501	(196,258)
Comprehensive income			416,828
Net income attributable to noncontrolling interests			17,074
Other comprehensive income attributable to noncontrolling interests			1,929
Comprehensive income attributable to Mitsubishi UFJ Financial Group			¥ 397,825

See the accompanying notes to Condensed Consolidated Financial Statements.

Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Equity (Unaudited)

(in millions, except per share amount)	Six months ended September 30, 2011	2012
Preferred stock:		
Balance at beginning of period	¥ 442,100	¥ 442,100
Balance at end of period	¥ 442,100	¥ 442,100
Common stock:		
Balance at beginning of period	¥ 1,644,132	¥ 1,645,144
Issuance of new shares of common stock by way of exercise of the stock acquisition rights	1,007	891
Balance at end of period	¥ 1,645,139	¥ 1,646,035
Capital surplus:		
Balance at beginning of period	¥ 6,395,705	¥ 6,378,619
Stock-based compensation	(241)	(577)
Issuance of new shares of common stock by way of exercise of the stock acquisition rights	1,005	889
Issuance of new shares of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (Note 18)	(12,000)	
Changes in a foreign affiliated company s interests in its subsidiary		(1,816)
Other net	(349)	(32)
Balance at end of period	¥ 6,384,120	¥ 6,377,083
Retained earnings appropriated for legal reserve:		
Balance at beginning of period	¥ 239,571	¥ 239,571
Balance at end of period	¥ 239,571	¥ 239,571
Unappropriated retained earnings:		
Balance at beginning of period	¥ 254,103	¥ 482,535
Net income attributable to Mitsubishi UFJ Financial Group	190,964	596,012
Cash dividends:		
Common stock ¥6.00 in 2011 and 2012 per share	(84,764)	(84,897)
Preferred stock (Class 5) ¥57.50 in 2011 and 2012 per share	(8,970)	(8,970)
Losses on sales of shares of treasury stock	(108)	(7)
Effect of adopting new guidance on embedded credit derivatives (Note 1)	135	
Balance at end of period	¥ 351,360	¥ 984,673
Accumulated other comprehensive loss, net of taxes:		
Balance at beginning of period	¥ (628,661)	¥ (596,400)
Net change during the period	(103,893)	(198,187)
Balance at end of period	¥ (732,554)	¥ (794,587)

Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Equity (Unaudited) (Continued)

(in millions)	Six months ended September 30, 2011	2012
Treasury stock, at cost:		
Balance at beginning of period	¥ (11,251)	¥ (8,411)
Purchases of shares of treasury stock	(8)	(6)
Sales of shares of treasury stock	532	35
Net decrease resulting from changes in interests in consolidated subsidiaries, consolidated variable interest entities, and affiliated companies	29	27
Net decrease resulting from deconsolidation of investment trust variable interest entities	2,110	
Balance at end of period	¥ (8,588)	¥ (8,355)
Total Mitsubishi UFJ Financial Group shareholders equity	¥ 8,321,148	¥ 8,886,520
Noncontrolling interests:		
Balance at beginning of period	¥ 327,213	¥ 275,289
Initial origination of noncontrolling interests	2,866	7,447
Transactions between the consolidated subsidiaries and the related noncontrolling interest shareholders	(5,012)	(3,111)
Decrease in noncontrolling interests related to deconsolidation of subsidiaries	(57,379)	(3,015)
Issuance of new shares of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (Note 18)	12,000	
Net income attributable to noncontrolling interests	4,246	17,074
Dividends paid to noncontrolling interests	(13,433)	(4,923)
Other comprehensive income (loss), net of taxes:		
Net unrealized holding gains on investment securities	150	2,062
Reclassification adjustment for losses (gains) included in net income attributable to noncontrolling interests in relation to net unrealized holding gains on investment securities	(83)	19
Pension liability adjustments	(42)	(46)
Reclassification adjustment for losses included in net income attributable to noncontrolling interests in relation to pension liability adjustments	68	15
Foreign currency translation adjustments	661	(121)
Other net	(533)	(2,307)
Balance at end of period	¥ 270,722	¥ 288,383
Total equity	¥ 8,591,870	¥ 9,174,903

See the accompanying notes to Condensed Consolidated Financial Statements.

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Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(in millions)	Six months ended September 30, 2011	2012
Cash flows from operating activities:		
Net income before attribution of noncontrolling interests	¥ 195,210	¥ 613,086
Adjustments to reconcile net income before attribution of noncontrolling interests to net cash provided by (used in) operating activities:		
Depreciation and amortization	151,077	149,616
Impairment of intangible assets	27,040	235
Provision for credit losses	89,342	80,012
Investment securities losses (gains) net	19,226	(35,712)
Foreign exchange losses net	88,102	189,968
Equity in losses (earnings) of equity method investees net	515,403	(10,032)
Provision for deferred income tax expense	81,281	32,863
Gain on conversion rate adjustment of convertible preferred stock (Note 2)	(139,320)	
Increase in trading account assets, excluding foreign exchange contracts	(3,171,134)	(2,236,163)
Increase in trading account liabilities, excluding foreign exchange contracts	2,586,849	1,110,399
Increase in accrued interest receivable and other receivables	(53,113)	(39,291)
Increase (decrease) in accrued interest payable and other payables	3,291	(45,980)
Net increase (decrease) in accrued income taxes and decrease (increase) in income tax receivables	75,182	(116,704)
Net decrease in collateral for derivative transactions	102,360	237,277
Other net	(11,866)	59,604
Net cash provided by (used in) operating activities	558,930	(10,822)
Cash flows from investing activities:		
Proceeds from sales and maturities of investment securities available for sale (including proceeds from securities under fair value option)	98,177,983	98,417,322
Purchases of investment securities available for sale (including purchases of securities under fair value option)	(101,615,782)	(97,482,509)
Proceeds from maturities of investment securities being held to maturity	453,095	225,667
Purchases of investment securities being held to maturity	(178,151)	(308,792)
Proceeds from sales of other investment securities	10,891	17,649
Purchases of other investment securities	(3,653)	(4,511)
Net increase in loans	(1,042,801)	(663,625)
Net decrease (increase) in interest-earning deposits in other banks	170,545	(908,340)
Net increase in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions	(1,885,570)	(389,643)
Capital expenditures for premises and equipment	(62,127)	(62,436)
Purchases of intangible assets	(74,618)	(74,648)
Proceeds from sales of consolidated VIEs and subsidiaries net	(392)	9,189
Proceeds from a repayment of deposits with Government-led Loan Restructuring Program (Note 4)	161,435	204,956
Other net	65,700	36,361
Net cash used in investing activities	(5,823,445)	(983,360)

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Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited) (Continued)

(in millions)	Six months ended September 30, 2011	2012
Cash flows from financing activities:		
Net increase (decrease) in deposits	(1,588,029)	689,098
Net increase in call money, funds purchased, and payables under repurchase agreements and securities lending transactions	5,392,469	831,722
Net increase (decrease) in due to trust account	(12,878)	34,302
Net increase in other short-term borrowings	1,779,657	183,130
Proceeds from issuance of long-term debt	1,131,115	1,103,481
Repayments of long-term debt	(1,489,107)	(1,952,543)
Proceeds from sales of treasury stock	68	19
Dividends paid	(93,635)	(93,821)
Other net	(24,318)	(22,201)
Net cash provided by financing activities	5,095,342	773,187
Effect of exchange rate changes on cash and cash equivalents	(7,714)	(4,703)
Net decrease in cash and cash equivalents	(176,887)	(225,698)
Cash and cash equivalents at beginning of period	3,230,804	3,230,409
Cash and cash equivalents at end of period	¥ 3,053,917	¥ 3,004,711
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	¥ 354,805	¥ 313,767
Income taxes, net of refunds	42,343	154,359
Non-cash investing and financing activities:		
Obtaining assets by entering into capital lease	8,035	3,844
Conversion of Morgan Stanley s convertible preferred stock (Note 2)	808,266	

See the accompanying notes to Condensed Consolidated Financial Statements.

Mitsubishi UFJ Financial Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. BASIS OF SEMIANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Description of Business

Mitsubishi UFJ Financial Group, Inc. (MUFG) is a holding company for The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU), Mitsubishi UFJ Trust and Banking Corporation (MUTB), Mitsubishi UFJ Securities Holdings Co., Ltd. (MUSHD), Mitsubishi UFJ NICOS Co., Ltd. (Mitsubishi UFJ NICOS), and other subsidiaries. MUSHD is an intermediate holding company for Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (MUMSS). See Note 18 for more information on the securities joint venture with Morgan Stanley. Through its subsidiaries and affiliated companies, MUFG engages in a broad range of financial operations, including commercial banking, investment banking, trust banking and asset management services, securities businesses, and credit card businesses, and it provides related services to individual and corporate customers. See Note 15 for more information by business segment.

Basis of Financial Statements

The accompanying semiannual condensed consolidated financial statements are stated in Japanese yen, the currency of the country in which MUFG is incorporated and principally operates. Such condensed consolidated financial statements include the accounts of MUFG, its subsidiaries and consolidated variable interest entities (VIE s) (together, the MUFG Group) and reflect all adjustments (consisting of normal recurring adjustments) that, in the opinion of management, are necessary to conform with accounting principles generally accepted in the United States of America (US GAAP). The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the fiscal year ended March 31, 2012. Certain information that would be included in annual financial statements but is not required for semiannual reporting purposes under US GAAP has been omitted or condensed.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications and format changes have been made to the unaudited condensed consolidated financial statements for the six months ended September 30, 2011 to conform to the presentation for the six months ended September 30, 2012.

These reclassifications and format changes include the presentation of Net decrease in collateral for derivative transactions as a separate line item which had previously been presented as Other net in cash flows from operating activities in the condensed consolidated statements of cash flows for the six months ended September 30, 2011.

These reclassifications and format changes did not result in a change to previously reported financial position and results of operations.

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Change in Accounting Estimates

The MUFG Group evaluates the remaining useful life of an intangible asset at each reporting period to determine whether events and circumstances warrant a revision to the remaining useful life. When the useful life of intangible assets not subject to amortization is no longer determined to be indefinite, such as when unanticipated competition enters a market, the intangible asset is amortized over the remaining period that it is expected to contribute to positive cash flows. At September 30, 2011, the MUFG Group reevaluated the useful lives of its intangible assets related to its customer relationships from fund contracts, which had been recorded as intangible assets not subject to amortization. Due to the global financial downturn, including the recent financial market disruption in Europe and the downgrade of the US treasury bonds credit rating, the downward trend of customer assets under management, which had previously been on an upward trend, was not expected to recover in the near future and therefore was no longer expected to support indefinite useful lives of the intangible assets associated with the customer relationships from fund contracts. As a result of the reevaluation, the MUFG Group reclassified its intangible assets related to the customer relationships of ¥42,224 million from intangible assets not subject to amortization to those subject to amortization. See Note 5 for the details of these intangible assets.

Accounting Changes

Amendments to Accounting Scope of Embedded Credit Derivatives In March 2010, the FASB issued new guidance which clarifies the scope exception related to embedded credit derivatives. This guidance addresses how to determine which embedded credit derivative features, including those in collateralized debt obligations (CDOs) and synthetic CDOs, are considered to be embedded derivatives that are exempt from potential bifurcation and separate accounting requirement. This guidance is effective for the first interim reporting period beginning after June 15, 2010 with early application permitted at the beginning of the first interim reporting period beginning after the issuance of this new guidance. In initially adopting this new guidance, an entity may elect the fair value option for any investment in a beneficial interest in a securitized financial asset. The election of the fair value option is irrevocable and should be determined on an instrument-by-instrument basis at the beginning of the reporting period of initial adoption. The MUFG Group adopted this guidance on April 1, 2011, and recorded a ¥135 million increase to retained earnings as a cumulative effect adjustment.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses In July 2010, the FASB issued new guidance which requires additional disclosures and amends existing disclosure requirements on allowances for credit losses and the credit quality of financial receivables. The guidance requires additional disclosures on credit quality indicators of financing receivables, aging of past due financing receivables, nature and extent of troubled debt restructurings (TDR s) and modifications, and significant purchases and sales of financing receivables on a disaggregated basis. The existing guidance is amended to require disclosure of financing receivables on a more disaggregated basis. This guidance is effective for interim and annual reporting periods ending on or after December 15, 2010. Specific items regarding activity that occurs during a reporting period, such as the allowance roll-forward disclosures, is effective for interim and annual reporting periods beginning on or after December 15, 2010. The MUFG Group adopted this guidance on March 31, 2011, except for the disclosures about items regarding activity that occurs during a reporting period. For the disclosures about items regarding activity that occurs during a reporting period, the MUFG Group adopted this guidance on April 1, 2011. This guidance affected the MUFG Group s disclosures about the credit quality of financing receivables and allowances for credit losses, but did not affect its financial position and results of operations. See Note 4 for details of the disclosures required by this guidance.

In January 2011, the FASB decided to defer the effective date for disclosures about TDRs by creditors until the FASB finalizes its project on determining what constitutes a TDR for a creditor. The MUFG Group adopted

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this guidance immediately upon issuance, which had no impact on its financial position and results of operations. Subsequently, the FASB issued the guidance for accounting for TDRs and finalized the project in April 2011 as described in the following paragraph.

Amendment to Accounting for A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring In April 2011, the FASB issued new guidance on a creditor s evaluation of whether a modification or restructuring of a receivable is a TDR. This clarifies the guidance on a creditor s evaluation of whether the creditor has granted a concession and whether the debtor is experiencing financial difficulties. This guidance also clarifies that a creditor is precluded from using the borrower s effective rate test when assessing whether a concession has been granted to the borrower. This guidance is effective for the first interim or annual reporting period beginning on or after June 15, 2011. An entity is required to apply this guidance retrospectively for all modifications and restructuring activities that have occurred from the beginning of the annual period of adoption. For receivables that are newly considered impaired under the guidance on accounting by creditors for impairment of a loan, an entity should measure the impairment of those receivables prospectively in the first period of adoption and disclose the total amount of receivables and the related allowance for credit losses as of the end of the period of adoption. Early adoption is permitted. The MUFG Group adopted this guidance on April 1, 2012, and there was no material impact on its financial position and results of operations. See Note 4 for further details of the disclosures required by this guidance.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs In May 2011, the FASB issued new guidance, which amends certain accounting and disclosure requirements related to fair value measurements, that result in common fair value measurement and disclosure requirements between US GAAP and International Financial Reporting Standards (IFRS). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. This guidance is effective during interim and annual period beginning after December 15, 2011. The MUFG Group adopted this guidance on April 1, 2012, which had no impact on its financial position and results of operations. See Note 16 for further details of the disclosures required by this guidance.

Amendments to the Presentation of Comprehensive Income In June 2011, the FASB issued new guidance which amends presentation and disclosure requirements of other comprehensive income. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity and requires that all changes in comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, in December 2011, the FASB issued further guidance which indefinitely defers the specific requirement to present items that are reclassified from accumulated other comprehensive income to net income separately with their respective components of net income and other comprehensive income. This does not defer the effective date of the other disclosure requirements within the new guidance. These guidances are effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption of this guidance is permitted. The MUFG Group adopted this guidance on April 1, 2012. This guidance only affected the presentation of the MUFG Group s condensed consolidated financial statements and had no impact on its financial position and result of operations.

Amendments to Testing Goodwill for Impairment In September 2011, the FASB issued new guidance which simplifies goodwill impairment testing. This guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test which includes calculating the fair value of the reporting unit. This guidance is effective for goodwill impairment tests

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performed in interim and annual periods for fiscal years beginning after December 15, 2011. Early adoption of this guidance is permitted. The MUFG Group adopted this guidance on April 1, 2012, and there was no impact on its financial position and results of operations.

Recently Issued Accounting Pronouncements

Scope Clarification of Accounting for Derecognition of in Substance Real Estate In December 2011, the FASB issued new guidance, which resolves the diversity in practice about whether the guidance of real estate sales in property, plant, and equipment applies to a parent that ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s nonrecourse debt. Under the amendments in this guidance, when a parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s nonrecourse debt, the reporting entity should apply the guidance of real estate sales in property, plant, and equipment to determine whether it should derecognize the in substance real estate. The amendments in this guidance are effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. Early adoption is permitted. The MUFG Group does not expect that the adoption of the guidance will have a material impact on its financial position and results of operations.

Disclosures about Offsetting Assets and Liabilities In December 2011, the FASB issued new guidance which facilitates comparison between those entities that prepare their financial statements on the basis of US GAAP and those entities that prepare their financial statements on the basis of IFRS. This guidance requires that entities disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. This guidance is effective for annual periods for fiscal years beginning on or after January 1, 2013 and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This new guidance will only affect the MUFG Group s disclosures about offsetting assets and liabilities, and will not affect the MUFG Group s financial position and results of operations.

Amendments to Testing Indefinite-Lived Intangible Assets for Impairment In July 2012, the FASB issued new guidance which simplifies the impairment testing for indefinite-lived intangible assets other than goodwill. The guidance allows an entity the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. An entity electing to perform a qualitative assessment is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on a qualitative assessment, that it is more likely than not that the asset is impaired. This guidance is effective for impairment tests performed in interim and annual periods for fiscal years beginning after September 15, 2012. Early adoption is permitted. The MUFG Group does not expect that the adoption of the guidance will have a material impact on its financial position and results of operations.

Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution In October 2012, the FASB issued new guidance, which clarifies the accounting guidance for subsequently measuring an indemnification asset recognized as a result of a government-assisted acquisition of a financial institution when a change in cash flows expected to be collected occurs. This guidance specifies an entity shall subsequently account for the change in measurement of the indemnification asset on the same basis as the change in assets subject to the indemnification and limit any amortization of changes in value to the lesser of the contractual term of the indemnification agreement or the remaining life of the indemnified assets. This guidance is effective for fiscal years, and interim periods within those

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years, beginning on or after December 15, 2012. Early adoption is permitted. The MUFG Group does not expect that the adoption of this guidance will have a material impact on its financial position and results of operations.

2. INVESTMENT IN MORGAN STANLEY

On September 29, 2008, the MUFG Group and Morgan Stanley completed a final agreement to enter into a strategic capital alliance aiming to build a global strategic alliance primarily in the corporate and investment bank fields. On October 13, 2008, the MUFG Group purchased shares of preferred stock issued by Morgan Stanley. The investment in Morgan Stanley s preferred stock consisted of Series B Non-cumulative Non-voting Perpetual Convertible Preferred Stock (Series B Preferred Stock) and Series C Non-cumulative Non-voting Perpetual Preferred Stock. On April 21, 2011, the MUFG Group and Morgan Stanley entered into an agreement to convert the Series B Preferred Stock with a face value of ¥808,266 million, into Morgan Stanley s common stock. On June 30, 2011, the MUFG Group converted the Series B Preferred Stock for approximately 385 million shares of Morgan Stanley s common stock, including approximately 75 million additional shares resulting from the adjustment to the conversion rate pursuant to the agreement. The adjustment to the conversion rate was recognized as a gain of ¥139,320 million, which was included in Interest income on investment securities in the condensed consolidated statement of income for the six months ended September 30, 2011.

Prior to the conversion, the MUFG Group held approximately 3.0% of Morgan Stanley s common stock and the investment was included in Investment securities available for sale. As a result of the conversion, the MUFG Group held approximately 22.4% of Morgan Stanley s common stock, giving the MUFG Group the ability to exercise significant influence over the operations of Morgan Stanley. Accordingly, the MUFG Group adopted the equity method of accounting for its investment in Morgan Stanley from June 30, 2011. The MUFG Group s investments, results of operations and retained earnings were adjusted retroactively on a step-by-step basis as if the equity method of accounting had been in effect during all previous periods. The MUFG Group s retroactive adjustment was applied to the existing approximately 3.0% investment in Morgan Stanley s common stock through June 30, 2011. Following the conversion, the MUFG Group began recognizing its approximately 22.4% interest in Morgan Stanley s common stock as an investment in an equity method investee included in Other assets.

Upon qualifying for the equity method of accounting on June 30, 2011, the MUFG Group performed a valuation of its Morgan Stanley investment. As a result of the valuation, the carrying amount of the MUFG Group s investment in common stock exceeded the underlying equity in net assets of Morgan Stanley and the excess was recognized as goodwill.

At September 30, 2011, the quoted market price of Morgan Stanley s common stock had declined 41% from the quoted market price at June 30, 2011. The quoted market price at September 30, 2011 represented less than half of the MUFG Group s carrying amount on a per share basis. The MUFG Group evaluated this stock price decline to determine whether the investment in Morgan Stanley was other than temporarily impaired. The MUFG Group determined that the decline in the stock price was other than temporary in light of the increasingly stringent regulatory environment and the existing adverse economic events in Europe. More specifically, new and pending regulations, such as the US Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and the global regulatory framework often referred to as Basel III, were expected to impose significant constraints on the business activities of financial institutions, including the prohibition on certain transactions, the enhancement of risk management frameworks, and the increase in capital adequacy requirements. Rules designed to further regulate the business operations of financial institutions were being adopted, or were at the time scheduled soon to be adopted, by government agencies, including the rules relating to resolution plans and rules generally referred to as the Volcker Rule under the Dodd-Frank Act. Furthermore, the impact of the prolonged European economic crisis had resulted in negative long-term prospects for the global

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financial market. The events in Europe had an immediate effect on financial institutions holding sovereign securities and were also expected to have long-term consequences for financial institutions with operations in Europe. Given these uncertain economic environment and increasing regulatory challenges, and the significant excess of the carrying amount per share over the quoted market price of Morgan Stanley s common stock, the MUFG Group recorded an other-than-temporary impairment loss of ¥579,468 million at September 30, 2011. The MUFG Group s investment in Morgan Stanley s common stock was adjusted to the quoted market price of Morgan Stanley s common stock as of September 30, 2011, and the impairment loss was reflected in Equity in earnings (losses) of equity method investees-net in the condensed consolidated statement of income for the six months ended September 30, 2011.

On March 30, 2010, the MUFG Group and Morgan Stanley entered into a securities joint venture agreement to integrate their securities business. See Note 18 for more information.

3. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses and estimated fair value of investment securities available for sale and being held to maturity at March 31, 2012 and September 30, 2012 were as follows:

At March 31, 2012:	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
		(in millions)		
Securities available for sale:				
Debt securities:				
Japanese national government and Japanese government agency bonds	¥ 48,736,276	¥ 155,010	¥ 8,624	¥ 48,882,662
Japanese prefectural and municipal bonds	173,028	7,750		180,778
Foreign governments and official institutions bonds	953,364	18,606	742	971,228
Corporate bonds	2,460,263	68,933	2,639	2,526,557
Residential mortgage-backed securities	1,129,948	14,239	5,602	1,138,585
Commercial mortgage-backed securities	96,502	2,512	684	98,330
Asset-backed securities	503,011	401	891	502,521
Other debt securities	964			964
Marketable equity securities	2,315,374	1,129,136	5,734	3,438,776
Total	¥ 56,368,730	¥ 1,396,587	¥ 24,916	¥ 57,740,401
Securities being held to maturity:				
Debt securities:				
Japanese national government and Japanese government agency bonds	¥ 590,147	¥ 4,370	¥	¥ 594,517
Japanese prefectural and municipal bonds	3,531	6		3,537
Foreign governments and official institutions bonds	626,871	3,691	169	630,393
Corporate bonds	59,857	201	14	60,044
Asset-backed securities	1,104,890	39,447	2,212[1]	1,142,125
Other debt securities	72	1		73
Total	¥ 2,385,368	¥ 47,716	¥ 2,395	¥ 2,430,689

Note: (1) UnionBanCal Corporation (UNBC) reclassified collateralized loan obligations (CLOs), which totaled ¥111,895 million at fair value, from Securities available for sale to Securities being held to maturity during the fiscal year ended March 31, 2010. As a result of the reclassification, the unrealized losses at the date of reclassification remaining in Accumulated other comprehensive loss in the accompanying condensed consolidated balance sheets was ¥29,539 million before taxes at March 31, 2012 and not included in the table above.

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At September 30, 2012:	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
		(in millions)		
Securities available for sale:				
Debt securities:				
Japanese national government and Japanese government agency bonds	¥ 48,267,560	¥ 207,283	¥ 8,247	¥ 48,466,596
Japanese prefectural and municipal bonds	190,720	8,511		199,231
Foreign governments and official institutions bonds	988,962	20,458	4,203	1,005,217
Corporate bonds	2,190,375	59,940	1,588	2,248,727
Residential mortgage-backed securities	968,279	17,314	3,133	982,460
Commercial mortgage-backed securities	132,813	4,471	477	136,807
Asset-backed securities	483,000	521	7	483,514
Other debt securities[1]	65,711	4,640	5,402	64,949
Marketable equity securities	2,256,385	809,900	19,698	3,046,587
Total	¥ 55,543,805	¥ 1,133,038	¥ 42,755	¥ 56,634,088
Securities being held to maturity:				
Debt securities:				
Japanese national government and Japanese government agency bonds	¥ 559,864	¥ 2,843	¥	¥ 562,707
Foreign governments and official institutions bonds	406,912	2,476	52	409,336
Corporate bonds	19,460	206		19,666
Residential mortgage-backed securities	85,691	256[2]	61	85,886
Asset-backed securities	1,267,961	47,133	254[3]	1,314,840
Total	¥ 2,339,888	¥ 52,914	¥ 367	¥ 2,392,435

Notes: (1) Other debt securities in the table above include ¥64,790 million of tax-exempt conduit debt bonds.

(2) In addition to above, UNBC reclassified residential mortgage-backed securities, which totaled ¥12,356 million at fair value, from Securities available for sale to Securities being held to maturity during the six months ended September 30, 2012. As a result of the reclassification, the unrealized gains at the date of reclassification remaining in Accumulated other comprehensive loss in the accompanying condensed consolidated balance sheets was ¥419 million before taxes at September 30, 2012 and not included in the table above.

(3) As a result of the reclassification during the fiscal year ended March 31, 2010, the unrealized losses at the date of reclassification remaining in Accumulated other comprehensive loss in the accompanying condensed consolidated balance sheets was ¥27,207 million before taxes at September 30, 2012 and not included in the table above.

Investment securities other than Securities available for sale or being held to maturity (i.e., nonmarketable equity securities presented in Other investment securities) were primarily carried at cost of ¥876,333 million and ¥870,192 million, at March 31, 2012 and September 30, 2012, respectively, because their fair values were not readily determinable.

The remaining balances were investment securities held by certain subsidiaries subject to specialized industry accounting principles for investment companies and brokers and dealers and carried at fair value of ¥33,432 million and ¥31,507 million at March 31, 2012 and September 30, 2012, respectively. See Note 16 for the valuation techniques and inputs used to estimate the fair values.

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With respect to cost-method investments of ¥302,318 million and ¥321,735 million at March 31, 2012 and September 30, 2012, respectively, the MUFG Group has estimated a fair value using commonly accepted valuation techniques to determine if the investment is impaired in each reporting period. These cost-method investments are primarily comprised of nonmarketable equity securities issued by public companies which are convertible to marketable common stock in the future. See Note 16 for the details of these commonly accepted valuation techniques. If the fair value of the investment is less than the cost of the investment, the MUFG Group proceeds to evaluate whether the impairment is other than temporary.

With respect to cost-method investments of ¥574,015 million and ¥548,457 million at March 31, 2012 and September 30, 2012, respectively, the MUFG Group performed a test to determine whether any impairment indicator exists with respect to each cost-method investment in each reporting period. If an impairment indicator exists, the MUFG Group estimates the fair value of the cost-method investment. If the fair value of the investment is less than the cost of the investment, the MUFG Group proceeds to conduct the other-than-temporary impairment evaluation. The primary method the MUFG Group uses to identify impairment indicators is a comparison of the MUFG Group s share in an investee s net assets to the cost of the MUFG Group s investment in the investee. The MUFG Group also considers whether significant adverse changes in the regulatory, economic or technological environment have occurred with respect to the investee. The MUFG Group periodically monitors 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 investee occurs, the MUFG Group reassesses the appropriateness of the credit rating assigned to the issuer in order to maintain an updated credit rating. The MUFG Group did not estimate the fair value of those cost-method investments, which had aggregated costs of ¥570,122 million and ¥545,846 million at March 31, 2012 and September 30, 2012, respectively, since it was not practical and the MUFG Group identified no impairment indicators.

Based on its other-than-temporary impairment evaluation, the impairment losses on cost-method investments the MUFG Group recognized were ¥5,202 million and ¥1,733 million for the six months ended September 30, 2011 and 2012. Each impairment loss was recognized based on the specific circumstances for each individual company. No impairment was individually material.

The amortized cost and estimated fair values of debt securities being held to maturity and the estimated fair values of debt securities available for sale at September 30, 2012 by contractual maturity are shown below. Expected maturities may be shorter than contractual maturities because issuers of debt securities may have the right to call or prepay obligations with or without penalties. Debt securities not due at a single maturity date and securities embedded with call or prepayment options, such as mortgage-backed securities, are included in the table below based on their contractual maturities.

	Held to maturity		Available for sale
	Amortized cost	Estimated fair value	Estimated fair value
	(in millions)		
Due in one year or less	¥ 700,755	¥ 703,227	¥ 15,438,407
Due from one year to five years	333,791	343,219	29,024,912
Due from five years to ten years	970,524	1,006,904	5,222,749
Due after ten years	334,818	339,085	3,901,433
Total	¥ 2,339,888	¥ 2,392,435	¥ 53,587,501

For the six months ended September 30, 2011 and 2012, gross realized gains on sales of investment securities available for sale were ¥156,495 million and ¥156,212 million, respectively, and gross realized losses on sales of investment securities available for sale were ¥26,112 million and ¥11,730 million, respectively.

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For the six months ended September 30, 2011 and 2012, losses resulting from impairment of investment securities to reflect the decline in value considered to be other than temporary were ¥161,937 million and ¥120,660 million, respectively, which were included in Investment securities gains (losses) net in the condensed consolidated statements of income. The losses of ¥161,937 million for the six months ended September 30, 2011 included losses of ¥7,258 million from debt securities available for sale mainly classified as corporate bonds, and ¥149,477 million from marketable equity securities. The losses of ¥120,660 million for the six months ended September 30, 2012 included losses of ¥6,175 million from debt securities available for sale mainly classified as corporate bonds, and ¥112,752 million from marketable equity securities.

During the six months ended September 30, 2012, the MUFG Group determined that it no longer had the intent to hold certain securities, which had a carrying value of ¥47,566 million, to maturity in response to a significant deterioration in the issuers creditworthiness. As a result, the MUFG Group transferred these securities from Securities being held to maturity to Securities available for sale. These securities were sold and the MUFG Group recorded a loss of ¥1,518 million for the six months ended September 30, 2012.

The MUFG Group transferred Securities available for sale of ¥12,356 million to Securities being held to maturity during the six months ended September 30, 2012. The MUFG Group has asserted the positive intent and ability to hold these securities to maturity.

The following tables show the unrealized gross losses and estimated fair values of investment securities available for sale and being held to maturity at March 31, 2012 and September 30, 2012 by length of time that individual securities in each category have been in a continuous loss position:

	Less than 12 months		12 months or more		Total		
At March 31, 2012:	**Estimated fair value**	**Unrealized losses**	**Estimated fair value**	**Unrealized losses**	**Estimated fair value**	**Unrealized losses**	**Number of securities**
			(in millions, except number of securities)				
Securities available for sale:							
Debt securities:							
Japanese national government and Japanese government agency bonds	¥ 15,976,426	¥ 3,035	¥ 794,870	¥ 5,589	¥ 16,771,296	¥ 8,624	65
Foreign governments and official institutions bonds	27,255	674	3,923	68	31,178	742	42
Corporate bonds	273,322	1,709	87,770	930	361,092	2,639	2,077
Residential mortgage-backed securities	128,824	2,071	27,536	3,531	156,360	5,602	162
Commercial mortgage-backed securities	9,683	253	12,664	431	22,347		