

# **Annual Report**

for the fiscal year ended March 31, 2016

Mitsubishi UFJ Trust and Banking Corporation

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation  
and Consolidated Subsidiaries

**Consolidated Balance Sheet**  
**As of March 31, 2016**

|                                                       | Millions of yen    |
|-------------------------------------------------------|--------------------|
| <b>Assets:</b>                                        |                    |
| Cash and due from banks                               | ¥11,203,548        |
| Call loans and bills bought                           | 240,231            |
| Receivables under securities borrowing transactions   | 946,860            |
| Monetary claims bought                                | 523                |
| Trading assets                                        | 373,159            |
| Money held in trust                                   | 13,040             |
| Investment securities                                 | 17,428,272         |
| Loans and bills discounted                            | 13,349,955         |
| Foreign exchanges                                     | 36,875             |
| Other assets                                          | 893,408            |
| Tangible fixed assets                                 | 182,380            |
| Buildings                                             | 44,209             |
| Land                                                  | 100,166            |
| Lease assets                                          | 1,856              |
| Construction in progress                              | 94                 |
| Other tangible fixed assets                           | 36,053             |
| Intangible fixed assets                               | 125,059            |
| Software                                              | 60,012             |
| Goodwill                                              | 20,520             |
| Lease assets                                          | 328                |
| Other intangible fixed assets                         | 44,198             |
| Asset for retirement benefits                         | 205,319            |
| Deferred tax assets                                   | 2,718              |
| Customers' liabilities for acceptances and guarantees | 722,389            |
| Allowance for loan losses                             | (37,768)           |
| <b>Total assets</b>                                   | <b>¥45,685,976</b> |

(Continued)

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Mitsubishi UFJ Trust and Banking Corporation  
and Consolidated Subsidiaries

**Consolidated Balance Sheet**  
**As of March 31, 2016**

|                                                       | Millions of yen |
|-------------------------------------------------------|-----------------|
| <b>Liabilities:</b>                                   |                 |
| Deposits                                              | ¥13,710,615     |
| Negotiable certificates of deposit                    | 4,568,723       |
| Call money and bills sold                             | 193,932         |
| Payables under repurchase agreements                  | 5,205,060       |
| Payables under securities lending transactions        | 227,019         |
| Commercial paper                                      | 628,243         |
| Trading liabilities                                   | 150,560         |
| Borrowed money                                        | 2,006,477       |
| Foreign exchanges                                     | 28              |
| Short-term bonds                                      | 126,993         |
| Bonds and notes                                       | 847,129         |
| Due to trust accounts                                 | 13,296,033      |
| Other liabilities                                     | 1,267,552       |
| Reserve for employee's bonuses                        | 8,320           |
| Reserve for director's bonuses                        | 55              |
| Liability for retirement benefits                     | 4,321           |
| Reserve for director's retirement gratuities          | 275             |
| Reserve for contingent losses                         | 8,201           |
| Deferred tax liabilities                              | 239,541         |
| Deferred tax liabilities on land revaluation surplus  | 4,336           |
| Acceptances and guarantees                            | 722,389         |
| Total liabilities                                     | 43,215,809      |
| <b>Net assets:</b>                                    |                 |
| Paid-in capital                                       | 324,279         |
| Capital surplus                                       | 437,438         |
| Earned surplus                                        | 1,015,211       |
| Total shareholder's equity                            | 1,776,929       |
| Valuation difference on available-for-sale securities | 616,241         |
| Deferred gains or losses on hedges                    | (69,839)        |
| Revaluation difference on land                        | (3,305)         |
| Translation adjustments                               | 17,312          |
| Defined retirement benefit plans                      | (40,610)        |
| Total accumulated other comprehensive income          | 519,798         |
| Noncontrolling interests                              | 173,438         |
| Total net assets                                      | 2,470,166       |
| Total liabilities and net assets                      | ¥45,685,976     |

(Concluded)

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Mitsubishi UFJ Trust and Banking Corporation  
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**Consolidated Statement of Income**  
**Fiscal year ended March 31, 2016**

|                                                                 | Millions of yen |
|-----------------------------------------------------------------|-----------------|
| <b>Ordinary income:</b>                                         | ¥717,672        |
| Trust fees                                                      | ¥104,043        |
| Interest income                                                 | 237,041         |
| Interest on loans and bills discounted                          | 92,650          |
| Interest and dividends on securities                            | 135,835         |
| Interest on call loans and bills bought                         | 384             |
| Interest on receivables under securities borrowing transactions | 11              |
| Interest on due from banks                                      | 7,455           |
| Other interest income                                           | 703             |
| Fees and commissions                                            | 261,917         |
| Trading gain                                                    | 26,324          |
| Other operating income                                          | 49,154          |
| Other ordinary income                                           | 39,190          |
| Income from recovery of loans charged off                       | 500             |
| Others                                                          | 38,689          |
| <b>Ordinary expense:</b>                                        | 479,292         |
| Interest expense                                                | 83,767          |
| Interest on deposits                                            | 22,845          |
| Interest on negotiable certificates of deposit                  | 11,313          |
| Interest on call money and bills sold                           | 1,783           |
| Interest on payables under repurchase agreements                | 6,805           |
| Interest on payables under securities lending transactions      | 1,231           |
| Interest on commercial paper                                    | 2,226           |
| Interest on borrowed money                                      | 3,687           |
| Interest on short-term bonds                                    | 61              |
| Interest on bonds and notes                                     | 5,914           |
| Other interest expense                                          | 27,898          |
| Fees and commissions                                            | 65,223          |
| Trading loss                                                    | 516             |
| Other operating expense                                         | 48,759          |
| General and administrative expense                              | 264,302         |
| Other ordinary expense                                          | 16,722          |
| Provision for loan losses                                       | 751             |
| Others                                                          | ¥15,971         |
| Ordinary profit                                                 | ¥238,380        |

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**Consolidated Statement of Income**  
**Fiscal year ended March 31, 2016**

|                                                     | Millions of yen |          |
|-----------------------------------------------------|-----------------|----------|
| <b>Special gains:</b>                               |                 | ¥81      |
| Gains on disposal of fixed assets                   | ¥81             |          |
| <b>Special losses:</b>                              |                 | 2,540    |
| Losses on disposal of fixed assets                  | 934             |          |
| Impairment losses on fixed assets                   | 1,605           |          |
| Income before income taxes                          |                 | 235,920  |
| Income taxes – current                              | 63,529          |          |
| Income taxes – deferred                             | ¥1,925          |          |
| Total income taxes                                  |                 | 65,454   |
| Net income                                          |                 | 170,466  |
| Net income attributable to noncontrolling interests |                 | 10,882   |
| Net income attributable to owners of the parent     |                 | ¥159,583 |

(Concluded)

Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2016

|                                                                                       | Shareholder's equity |                 |                |                            | Accumulated other comprehensive income                |                                    |                                |                         |                                  |                                              | Noncontrolling interests | Total net assets |
|---------------------------------------------------------------------------------------|----------------------|-----------------|----------------|----------------------------|-------------------------------------------------------|------------------------------------|--------------------------------|-------------------------|----------------------------------|----------------------------------------------|--------------------------|------------------|
|                                                                                       | Paid-in capital      | Capital surplus | Earned surplus | Total shareholder's equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation difference on land | Translation adjustments | Defined retirement benefit plans | Total accumulated other comprehensive income |                          |                  |
| Balance at the beginning of the fiscal year                                           | 324,279              | 416,897         | 930,566        | 1,671,743                  | 668,532                                               | (59,956)                           | (3,237)                        | 21,161                  | 22,246                           | 648,746                                      | 147,754                  | 2,468,243        |
| Changes during the fiscal year                                                        |                      |                 |                |                            |                                                       |                                    |                                |                         |                                  |                                              |                          |                  |
| Issuance of new shares                                                                |                      | 9,768           |                | 9,768                      |                                                       |                                    |                                |                         |                                  |                                              |                          | 9,768            |
| Dividend from surplus                                                                 |                      |                 | (74,971)       | (74,971)                   |                                                       |                                    |                                |                         |                                  |                                              |                          | (74,971)         |
| Net income attributable to owners of the parent                                       |                      |                 | 159,583        | 159,583                    |                                                       |                                    |                                |                         |                                  |                                              |                          | 159,583          |
| Reversal of revaluation difference on land                                            |                      |                 | 312            | 312                        |                                                       |                                    |                                |                         |                                  |                                              |                          | 312              |
| Changes in subsidiaries' equity                                                       |                      | 10,772          |                | 10,772                     |                                                       |                                    |                                |                         |                                  |                                              |                          | 10,772           |
| Changes in foreign affiliates' interests in their subsidiaries                        |                      |                 | (278)          | (278)                      |                                                       |                                    |                                |                         |                                  |                                              |                          | (278)            |
| Net amount of changes in items other than shareholder's equity during the fiscal year |                      |                 |                |                            | (52,291)                                              | (9,882)                            | (68)                           | (3,848)                 | (62,857)                         | (128,947)                                    | 25,684                   | (103,263)        |
| Total amount of changes during the fiscal year                                        | -                    | 20,540          | 84,645         | 105,186                    | (52,291)                                              | (9,882)                            | (68)                           | (3,848)                 | (62,857)                         | (128,947)                                    | 25,684                   | 1,922            |
| Balance at the end of the fiscal year                                                 | 324,279              | 437,438         | 1,015,211      | 1,776,929                  | 616,241                                               | (69,839)                           | (3,305)                        | 17,312                  | (40,610)                         | 519,798                                      | 173,438                  | 2,470,166        |

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## Basis of Presentation of Consolidated Financial Statements

### (1) Scope of Consolidation

i. The total number of consolidated subsidiaries of Mitsubishi UFJ Trust and Banking Corporation (the “Bank”): 56

Major subsidiaries:

The Master Trust Bank of Japan, Ltd.  
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.  
MU Investments Co., Ltd.  
Mitsubishi UFJ Real Estate Services Co., Ltd.  
Mitsubishi UFJ Trust & Banking Corporation (U.S.A)  
Mitsubishi UFJ Global Custody S.A.  
Mitsubishi UFJ Fund Services Holdings Limited  
MUGC Lux Management S.A.  
Mitsubishi UFJ Baillie Gifford Asset Management Limited  
Mitsubishi UFJ Asset Management (UK) Limited  
Mitsubishi UFJ Trust International Limited

(Changes in scope of consolidation)

From the current consolidated fiscal year, MUFG Alternative Fund Services (Cayman) Limited and 10 other companies are included within the scope of consolidation due to stock acquisition.

MUFG Fund Services (Bermuda) Group Limited and 8 other companies are excluded from the scope of consolidation due to their liquidation.

ii. Nonconsolidated subsidiaries

Not applicable

iii. Entities not recognized as subsidiaries, notwithstanding the majority of the voting rights held by the Bank’s own account:

Hygeia Co., Ltd.

(The reason not to be recognized as a subsidiary)

This company was established as a property management agent for beneficiaries of a land trust project, without any intent to control.

### (2) Application of Equity Method Accounting

i. Nonconsolidated subsidiaries accounted for under the equity method

Not applicable

ii. The number of affiliates accounted for under the equity method: 12

Major affiliates:

Aberdeen Asset Management PLC  
AMP Capital Holdings Limited

iii. Nonconsolidated subsidiaries that are not accounted for under the equity method

Not applicable

iv. Affiliates not accounted for under the equity method

Not applicable

v. Entities not recognized as affiliates, notwithstanding 20% to 50% of the voting rights held by the Bank’s own account

Not applicable

### (3) Balance Sheet Dates of Consolidated Subsidiaries

i. The fiscal year ends of consolidated subsidiaries are as follows:

December 31: 39 subsidiaries

January 24: 1 subsidiary

March 31: 16 subsidiaries

ii. Consolidated subsidiaries are consolidated based on their respective fiscal year ends. Necessary adjustments have been made for significant transactions that occurred during the period between consolidated subsidiaries’ fiscal year end and the date of the consolidated financial statements.

### (4) Amortization of Goodwill

Goodwill is amortized using the straight-line method over the period in which the effect of the goodwill lasts.

When the amount of Goodwill is insignificant, the amount is expensed as incurred.

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Yen figures are rounded down and shown in millions of yen.

Definitions of subsidiaries and affiliates are based on Paragraph 8, Article 2 of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

## Significant Accounting Policies

### (1) Trading Assets and Liabilities, and Trading Gain and Loss

Transactions for trading purposes (in which the Bank seeks to capture gains arising from short-term changes in interest rates, currency exchange rates, market prices of financial instruments, and other market-related indices or from arbitrage transactions) are recognized as trading assets and trading liabilities on a trade-date basis in the consolidated balance sheet. Gain (loss) from the transactions, including interest, gains (losses) on disposition, and valuation of trading securities and derivatives, is shown as trading gain or trading loss in the consolidated statement of income. Trading assets and trading liabilities are stated at fair value.

### (2) Securities

i. Debt securities being held to maturity are stated at amortized cost (straight-line method) computed using the moving-average method. Available-for-sale securities are generally stated at fair value at the fiscal year end date, with cost of securities sold calculated using the moving-average method. Other securities whose fair value is extremely difficult to determine are stated at cost method, computed using the moving-average method.

Valuation differences on available-for-sale securities are included in net assets, net of income taxes.

ii. Securities that are part of trust property in an independently managed “money held in trust” type trust with the primary purpose of managing securities are stated at fair value.

### (3) Derivatives

Derivatives entered into for purposes other than trading are generally stated at fair value at the fiscal year end.

### (4) Depreciation for Fixed Assets

#### i. Tangible Fixed Assets (other than Lease Assets)

Depreciation for tangible fixed assets is computed mainly using the declining-balance method. Estimated useful lives are principally as follows:

Buildings: 15 years to 50 years

Others: 4 years to 15 years

#### ii. Intangible Fixed Assets (other than Lease Assets)

Amortization of intangible fixed assets is computed using the straight-line method. The cost of computer software developed or obtained for internal use is amortized using the straight-line method over the estimated useful lives, typically 5 years, as determined by the Bank and the consolidated subsidiaries. Goodwill is amortized over the period in which the effect of the goodwill lasts.

#### iii. Lease Assets

Depreciation of leased tangible fixed assets and intangible fixed assets under finance leases (other than those that were deemed to transfer the ownership of leased property to the lessees) is computed using the straight-line method over the lease term assuming zero residual value, unless residual value is guaranteed by the corresponding lease contract.

### (5) Deferred Assets

The costs of issuing bonds and stocks are charged to expense as incurred.

### (6) Allowance for Loan Losses

The Bank and the domestic consolidated subsidiaries determine the amount of allowance for loan losses in accordance with the predetermined internal rules for self-assessment of asset quality and internal rules for write-offs and provisions.

For claims to debtors who are legally or formally bankrupt (debtors who have entered into bankruptcy, special liquidation proceeding, or whose notes have been dishonored and suspended from processing through clearing houses, etc.) and virtually bankrupt (debtors who are regarded as substantially in a similar condition as bankrupt), an allowance is provided based on the amount of claims, after the charge-off as stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims to debtors who are likely to become bankrupt (debtors who are deemed to have high possibility of becoming bankrupt), where cash flows from collection of principal and interest cannot be reasonably estimated, an allowance is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of the amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims to debtors who are likely to become bankrupt and to be closely watched and whose cash flows from collection of principal and interest can be reasonably estimated, an allowance is provided based on the difference between the relevant cash flows discounted at the initial contractual interest rate and the carrying value of the claims.

For other claims, an allowance is provided based on the historical credit losses ratio during the defined periods and the amount of claims. For country-specific claims, an allowance for country risk exposure is provided based on the estimated loss resulting from the political and/or economic conditions of those countries.

All claims are assessed by both the service and the credit supervision division based on the internal rules for self-assessment of asset quality. The credit examination division, which is independent from the service division and the credit supervision division, subsequently conducts audits of their assessments.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding

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the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged-off. In the current year, this amount was ¥7,970 million.

An allowance for loan losses of other consolidated subsidiaries is provided for at the amount deemed necessary based on historical loan loss experience for normal credits and at the amount deemed uncollectible based on the assessment of individual claims for specific claims for which collectibility is doubtful.

**(7) Reserve for Employees' Bonuses**

A reserve for employees' bonuses is provided for to reflect the value of estimated future payment of employees' bonuses attributed to the fiscal year.

**(8) Reserve for Directors' Bonuses**

A reserve for directors' bonuses is provided for to reflect the value of estimated future payment of directors' bonuses attributed to the fiscal year.

**(9) Reserve for Directors' Retirement Gratuities**

A reserve for directors' retirement gratuities of consolidated subsidiaries is provided for based on the estimated amount of the future payments whose occurrence is possible and attributable to the fiscal year.

**(10) Reserve for Contingent Losses**

A reserve for contingent losses is provided for losses that contingently occur in off-balance or trust transactions at the amount deemed necessary.

**(11) Employee's Retirement Benefits**

With regard to the calculation of retirement benefit obligation, a benefit formula basis is used to allocate the projected benefit obligation to the period up to the end of the fiscal year.

The method of amortization of prior service cost and net actuarial gains (losses) is as follows.

Prior service cost is amortized using the straight-line method over an appropriate term within the average remaining service period of the employees (10 to 14 years) at the time the cost is incurred.

Net actuarial gains (losses) are amortized, starting from the consolidated fiscal year following the incurrence, using the straight-line method over an appropriate term within the average remaining service period of the current employees (10 to 14 years) at the time the cost is incurred.

In addition, certain consolidated subsidiaries adopt the simplified method, which assumes the projected benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at the fiscal year end, for calculation of the liability for retirement benefits and retirement benefit expenses.

**(12) Foreign Currency Translations into Domestic Currency**

Assets and liabilities denominated in foreign currencies and foreign branch accounts of the Bank are translated into yen at the exchange rates prevailing at the consolidated balance sheet date, with the exception of investments in subsidiaries and affiliates, which are translated at historical exchange rates.

Foreign currency-denominated assets and liabilities of consolidated subsidiaries are translated into yen at the exchange rates prevailing at the fiscal year end of each company.

**(13) Method of Hedge Accounting**

**i. Hedge Accounting for Interest Rate Risks**

The hedge accounting method applied by the Bank to identify hedged item of hedging transactions for interest rate risks generated from financial assets and liabilities is the portfolio hedging or individual hedging method, in accordance with procedures described in Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry," issued by the Japanese Institute of Certified Public Accountants ("JICPA") on February 13, 2002, and Accounting Committee Report No. 14, "Practical Guidelines for Accounting for Financial Instruments," issued by the JICPA on January 31, 2000. The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differentials paid or received under the swap agreements are recognized and included in interest expense or income, while other transactions are accounted for using deferral hedge accounting.

In hedging strategies used to offset fluctuations in the fair value of fixed-rate deposits, loans, and other financial products, the Bank distinguishes hedged items according to maturity and designates interest rate swaps and other derivative instruments as the hedging instruments, individually or by group, in line with Industry Audit Committee Report No. 24.

In hedging strategies used to offset fluctuations in the fair value of fixed-rate bonds classified as available-for-sale securities, the Bank distinguishes hedged items according to type of bond and designates interest rate swaps, etc., as the hedging instrument for each type of bond. As the Bank closely matches critical factors for hedged items with hedging instruments, it determines that the hedge is highly effective and omits the testing of the hedge effectiveness.

In hedging activities to fix forecasted cash flows on variable-rate or short-term fixed-rate deposits, loans, and other financial products, the Bank categorizes hedged items by indexed interest rates and length of reset period of interest rate and designates interest rate swaps as the hedging instrument in accordance with Industry Audit Committee Report No. 24. As the Bank closely

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matches critical factors for hedged items with hedging instruments, it has determined that the hedge is highly effective and omits the testing of hedge effectiveness. The effectiveness of hedging activities is also assessed through a correlation analysis of the factors characterizing interest rate fluctuations.

ii. Hedge Accounting for Foreign Exchange Risks

To hedge foreign exchange risks caused by fluctuating foreign exchange rates on financial assets and liabilities denominated in foreign currencies, the Bank identified hedged items by grouping foreign currency-denominated claims and credits by currency and designated currency swaps and forward exchange contracts (fund-related swap transactions) as hedging instruments in accordance with Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," issued by the JICPA on July 29, 2002. Foreign exchange risk hedges were accounted for using deferral hedge accounting. The method of assessing the effectiveness of hedging strategies is to designate currency swap transactions that are entered into for the purpose of the counteracting foreign exchange risks of foreign currency-denominated claims and credits and other derivative instruments as the hedging instruments, and to confirm that the foreign currency positions of the hedging instruments corresponding to the foreign currency-denominated claims and credits exist. The Bank also undertakes hedging using foreign currency-denominated liabilities and forward exchange contracts in the same currency as the hedging instruments in order to mitigate foreign exchange risks of foreign currency-dominated securities other than bonds available for sale. The Bank applies fair value hedging to the applicable instruments.

iii. Intercompany and Intracompany Swap Transactions

With respect to the intercompany and intracompany derivative transactions, realized gains (losses) or valuation gains (losses) on interest rate swap transactions and currency swap transactions are reported in current earnings or deferred as net assets without elimination if mirror transactions with third parties against these swap transactions designated as hedging instruments are appropriately conducted in conformity with the nondiscretionary and the strict hedging policy stipulated in Industry Audit Committee Reports No. 24 and No. 25.

**(14) Consumption Taxes**

With respect to the Bank and its domestic consolidated subsidiaries, the national consumption tax and the local consumption tax ("consumption taxes") are excluded from transaction amounts. The portions of the consumption taxes, which were paid on the purchase of assets and are not deductible as a tax credit, are mainly charged to expense as incurred.

**(15) Application of consolidated taxation system**

The consolidated taxation system under Mitsubishi UFJ Financial Group, Inc., as the parent company of the consolidated tax payment, is applied to the Bank and certain domestic consolidated subsidiaries.

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## **Changes in Presentation**

Changes in presentation of net income, etc. as well as changes in presentation from minority interests to noncontrolling interests have been carried out in compliance with the provisions, etc. in paragraph 39 of Accounting Standards Board of Japan (“ASBJ”) Statement No. 22 “Revised Accounting Standard for Consolidated Financial Statements” issued on September 13, 2013.

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## Notes related to the Consolidated Balance Sheet

### 1. Securities

Equity securities and investments in subsidiaries and affiliates (other than equity securities and investments in consolidated subsidiaries): ¥134,803 million.

### 2. Securities Borrowed

With respect to securities borrowed under loan contracts and securities purchased under resale agreements, where the secured parties are permitted to sell or repledge the securities without restrictions, ¥374,511 million was repledged, ¥11,547 million was re-lent and ¥14,480 million was held at the fiscal year end.

### 3. Nonaccrual Loans

Loans to borrowers in bankruptcy and past-due loans are included in loans and bills discounted, and the amounts were ¥552 million and ¥32,922 million, respectively.

Loans are generally assigned a nonaccrual status when substantial doubt exists as to ultimate collectibility of either principal or interest if they are past due for a certain period or for other reasons. Loans to borrowers in bankruptcy represent nonaccrual loans, after the partial charge-off of claims deemed uncollectible, to debtors who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance for the Corporation Tax Act (Government Ordinance No. 97, 1965).

Past-due loans are nonaccrual loans other than loans to borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of debtors in financial difficulties.

### 4. Accruing Loans Contractually Three Months or More Past Due

Accruing loans contractually three months or more past due are included in loans and bills discounted, and the amount was ¥214 million. Accruing loans contractually three months or more past due are loans on which payments of principal and/or interest have not been made for a period of three months or more since the next day following the first due date without such payments and are not included in the loans to borrowers in bankruptcy or the past-due loans.

### 5. Restructured Loans

Restructured loans are included in loans and bills discounted in the amount of ¥9,886 million.

Such restructured loans are loans on which concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, or reduction of the face amount or maturity amount of the debt or accrued interest) have been granted to assist debtors in financial difficulties and recovery to repay to creditors. Loans classified as loans to borrowers in bankruptcy, past-due loans, and accruing loans contractually three months or more past due are excluded.

### 6. Nonaccrual Loans, Accruing Loans Contractually Past Due Three Months or More, and Restructured Loans

The total amount of nonaccrual loans, accruing loans contractually three months or more past due, and restructured loans was ¥43,576 million.

The amounts reflected in Notes 3 to 6 represent the gross receivable amounts prior to reduction of the allowance for loan losses.

### 7. Bills Discounted

Bills discounted are accounted for as financial transactions in accordance with Industry Audit Committee Report No. 24. The Bank has the right to sell or repledge commercial bills discounted without restrictions and the face amount of the bills was ¥1,189 million.

### 8. Assets Pledged

Assets pledged as collateral:

Cash and due from banks: ¥6,194 million

Investment securities: ¥1,923,969 million

Liabilities related to pledged assets:

Deposits: ¥35,000 million

Borrowed money: ¥1,608,961 million

Acceptances and guarantees: ¥130,389 million

Other than the assets pledged above, investment securities of ¥2,780,976 million and loans and bills discounted of ¥928,606 million were pledged as collateral for settlement of exchange transactions or as deposit for trading margin of futures. Investment securities of ¥5,063,638 million, which are sold under repurchase agreements or lent under securities lending transactions, were pledged as payables under repurchase agreements of ¥4,829,134 million and payables under securities lending transactions of ¥227,019 million.

### 9. Non-recourse liabilities of consolidated special purpose company

Non-recourse liabilities:

Borrowed money: ¥337 million

Assets related to non-recourse liabilities:

Loans and bills discounted: ¥337 million

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#### **10. Loan Commitments**

Overdraft facilities and loan commitment limits are contracts under which customers have access to funds up to a certain limit upon application for a loan, provided no violation of any condition in the contracts has occurred. The unused amount within the limits relating to these contracts was ¥7,988,749 million.

As most of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that allow the Bank and consolidated subsidiaries to refuse customers' applications for loans or to decrease contract limits for proper reasons, such as changes in financial situation, deterioration in the customers' creditworthiness, and others. At the inception of contracts, the Bank and consolidated subsidiaries obtain collateral, such as real estate and securities, if necessary. Subsequently, the Bank and consolidated subsidiaries perform periodic reviews of the customers' business results, based on internal rules, and take necessary measures to reconsider conditions in contracts and/or evaluate whether additional collateral and guarantees are required.

#### **11. Revaluation Difference on Land**

Pursuant to the Act on Revaluation of Land, Act No. 34 promulgated on March 31, 1998, land used for business operations has been revalued as presented below. An amount equivalent to the taxes on land revaluation surplus was recorded under liabilities as "deferred tax liabilities on land revaluation surplus". Land revaluation surplus after netting of deferred tax liabilities is stated as "revaluation difference on land" in net assets.

Dates of the revaluation:

March 31, 1998, December 31, 2001, and March 31, 2002

The method of revaluation as set forth in Article 3, Paragraph 3 of the Act on Revaluation of Land:

The land price for revaluation is determined by the following factors:

- The method established and published by the Director General of the National Tax Agency as the basis for the taxable amount subject to land-holding tax prescribed by Article 16 of the Land-holding Tax Act pursuant to Article 2, Subparagraph 4 of the Enforcement Ordinance for the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998).
- The land price of the adjacent standard area prescribed by Article 6 of the Public Notice of Land Prices Act pursuant to Article 2, Subparagraph 1 of the Enforcement Ordinance for the Act on Revaluation of Land.
- Appropriate adjustments for land shape and the timing of assessments, or based on appraisals by real estate appraisers in accordance with appropriate adjustments for timing of assessments, pursuant to Subparagraph 5.

#### **12. Accumulated Depreciation**

Accumulated depreciation on tangible fixed assets amounted to ¥156,823 million.

#### **13. Amounts Deducted from the Cost**

Amounts deducted from the cost of tangible fixed assets (based on the Corporation Tax Act) were ¥16,072 million.

#### **14. Borrowed Money**

Subordinated borrowings of ¥155,500 million were included in borrowed money.

#### **15. Bonds and Notes**

Subordinated bonds and notes of ¥240,000 million were included in bonds and notes.

#### **16. Private Placement Bonds**

Liabilities for guarantee on private placement bonds in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act included in investment securities were ¥16,441 million.

#### **17. Guaranteed Trusts**

Principal of trusts of the Bank, for which repayment of the principal to the customers is guaranteed, amounted to money trusts of ¥7,111,058 million.

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## **Notes related to the Consolidated Statement of Income**

### **1. Other Ordinary Income**

Other ordinary income – Others include gains on sales of stocks and other securities of ¥16,573 million, and equity in earnings of equity method investees of ¥11,020 million.

### **2. Other Ordinary Expense**

Other ordinary expense – Others include losses on sales of stocks and other securities of ¥5,455 million, and charge-offs of stocks and other securities of ¥1,987 million.

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## Notes related to the Consolidated Statement of Changes in Net Assets

### 1. Number and types of shares issued and outstanding and treasury stock

(Thousands of shares)

|                               | Number of shares as of April 1, 2015 | Increase in shares in the fiscal year | Decrease in shares in the fiscal year | Number of shares as of March 31, 2016 | Note |
|-------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|------|
| Shares issued and outstanding |                                      |                                       |                                       |                                       |      |
| Common stock                  | 3,369,443                            | 29,743                                | —                                     | 3,399,187                             | Note |
| Total                         | 3,369,443                            | 29,743                                | —                                     | 3,399,187                             |      |

(Note) The increase of 29,743 thousand shares of common stock is due to issuance and delivery of shares corresponding to the absorption-type company split transaction for acquisition of 39,325 shares of common stock of Mitsubishi UFJ Asset Management Co., Ltd. (Currently, Mitsubishi UFJ Kokusai Asset Management Co., Ltd.) owned by Mitsubishi UFJ Financial Group.

### 2. Dividends

#### (1) The amount of dividends paid during the fiscal year

| (Resolution)                                | Type of shares | Total amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date        | Effective date    |
|---------------------------------------------|----------------|---------------------------------------------|---------------------------|--------------------|-------------------|
| June 24, 2015, Annual shareholder's meeting | Common stock   | 20,924                                      | 6.21                      | March 31, 2015     | June 24, 2015     |
| July 29, 2015, Board of directors           | Common stock   | 14,548                                      | 4.28                      | -                  | August 3, 2015    |
| November 13, 2015, Board of directors       | Common stock   | 22,400                                      | 6.59                      | September 30, 2015 | November 16, 2015 |
| January 28, 2016, Board of directors        | Common stock   | 17,097                                      | 5.03                      | -                  | February 2, 2016  |
| Total                                       |                | 74,971                                      |                           |                    |                   |

#### (2) Dividends whose record date is within the fiscal year and the effective date is subsequent to the fiscal year end

| (Resolution)                     | Type of shares | Total amount of dividends (Millions of yen) | Money source of dividends | Dividends per share (Yen) | Record date    | Effective date |
|----------------------------------|----------------|---------------------------------------------|---------------------------|---------------------------|----------------|----------------|
| May 16, 2016, Board of directors | Common stock   | 18,967                                      | Earned surplus            | 5.58                      | March 31, 2016 | May 17, 2016   |

## Notes on Financial Instruments

### 1. Current Status of Financial Instruments

#### (1) Policies

Mitsubishi UFJ Trust Group operates businesses, including deposits, lending, securities investments, other securities activity, foreign exchange, and others as a total financial service business.

In order to operate these businesses, Mitsubishi UFJ Trust Group maintains effective Asset Liability Management (“ALM”) to prevent disadvantageous influence of interest rate risks, foreign exchange rate risks, and others while taking into consideration the market condition or managing the balance of long-term and short-term assets and liabilities by using fund-raising or derivatives transactions.

#### (2) Substance and Risks of Financial Instruments

The Bank is exposed to credit and market risks due to holding various financial instruments, such as loans, securities, and derivative transactions.

Credit risk refers to the risk of default of obligations under contract terms due to deterioration in the financial status of the debtors. Market risk specifically refers to the risk that the value of assets and liabilities could be adversely affected by market fluctuations, such as interest rates, foreign exchange rates, and securities or bond prices. For example, when interest rates rise, the value of the bond portfolio of the Bank, which includes government bonds, will decrease, and when the yen becomes stronger, amounts of foreign currency securities converted in yen will decrease. The Bank also holds marketable equity securities, and the market price of securities held will decrease when the stock price falls. The Bank carries out derivative transactions, such as interest rate swaps, as trading transactions or maintaining effective ALM, and there are possibilities of large fluctuations in fair value of derivative transactions when foreign exchange rates or interest rates change significantly. With respect to interest rate risk hedged by derivative transactions for hedging purposes, fixed-rate deposits, loans, bonds, variable-rate deposits, loans, and forecasted transactions in fixed-rate deposits, loans are designated as hedged items. Interest rate swaps and other derivative instruments are designated as hedging instruments. In addition, with respect to foreign exchange risk, foreign currency-denominated claims and credits are designated as hedged items, and currency swaps and exchange contracts are designated as the hedging instruments. Moreover, with respect to the effectiveness of hedging activities, the Bank’s ability to closely match significant factors for hedged items with hedging instruments is deemed highly effective and, thus, mirrors the success of the Bank’s hedging activities. The effectiveness of hedging activities is also confirmed through a correlation analysis of the factors characterizing interest rate fluctuations.

### (3) Risk Management System for Financial Instruments

#### 1. Management of Credit Risk

The credit portfolio of the Bank is monitored and assessed on a regular basis. A uniform credit rating and asset evaluation and assessment system are used to ensure timely and proper evaluation of all credit risks.

The Bank designs its overall credit risk management system based on credit risk management rules, and manages its credit risk on a consolidated basis through the applicable controlling credit risk management system of each company.

The Bank has in place a system of checks and balances in which a credit administration section (that is independent of the business promotion sections) screens individual transactions and manages the extension of credit.

At the management level, Credit and Investment Council meetings are regularly held and important matters on credit risk management are reported and deliberated.

Besides such checks and balances and internal oversight systems, a credit examination section also undertakes credit testing and evaluation to ensure appropriate credit risk management.

#### 2. Management of Market Risk

##### I . Risk Management System for Market Risk

Checks and balances are maintained through a system in which back offices (operation and administration division) and middle offices (market risk management division) operate independently from front offices (trading division). At the management level, the system of market risk management is set by the Board of Directors and the authority to be involved in marketing business is set by the ALM Council. The Bank allocates economic capital commensurate with levels of market risk within the scope of its capital base, and quantitative limits relating to market risk have been set based on the Bank’s allocated economic capital. In addition, in order to keep losses within predetermined limits, limits for the maximum amount of losses arising from market activities have been set.

##### II . Market Risk Management and Control

Market risk exposure and the control over the quantitative limit for market risk and losses are reported to the Chief Risk Management Officer on a daily basis. Various analyses on risk profiles, including stress testing, are conducted and reported to the ALM Council and others on a regular basis.

Each fund management division controls its market risks on its marketable assets and liabilities, such as interest rate risk and foreign exchange rate risk, by entering into various hedging transactions using securities and derivatives. The trading transactions and the method of managing the transactions are made clear by description. The method of valuing prices and the aptness of administration in using the trading account are evaluated by internal audits on a regular basis.

##### III. Market Risk Measurement Model

The Bank uses VaR, VaI, and others (\*1) to measure and manage market risk due to the fact that market risk moves daily in a larger range than other risks.

Market risk for both trading and banking activities is measured using the above-mentioned market risk measurement models. The principal model used for these activities is a historical simulation (“HS”) model (holding period: 10 business days, confidence level:

99%, and observation period: 701 business days) (\*2).

(\*1) The Bank measures the VaR ("Value at Risk"), which means the risks of losses due to market fluctuations in, for example, interest rates, securities prices, and foreign exchange rates. The Bank also estimates the Val ("Value-at-Idiosyncratic Risk"), which is the risk of losses due to fluctuation of the credit spread of instruments, such as bonds and notes.

(\*2) The HS method calculates market risk exposure by estimating the profit and loss on the current portfolio by applying actual fluctuations in market rates and prices for a fixed period in the past. The model enables us to directly reflect the characteristics of the market fluctuation and accurately measure optional risks. The HS method estimates market risk exposure on the premise of a certain event probability by statistically analyzing past market data, and it is difficult to identify various risks arising from the incomprehensible market environment, which has changed drastically.

#### IV. Quantitative Information of Market Risk

##### i. Market risk in trading activities

The aggregate market risk exposure of trading activities as of March 31, 2016, was ¥849 million.

##### ii. Market risk in banking activities

The aggregate market risk exposure of banking activities as of March 31, 2016, excluding market risk related to strategic equity investment, was ¥113,863 million.

Monitoring our sensitivity to interest rate fluctuations is the key to managing market risk in banking activities. The Bank takes the following approach to appropriately measure the amounts of core deposits, loan prepayments, and early deposit withdrawals.

To measure interest rate risk relating to deposits, which have no contract-based fixed maturities, the amount of "core deposits" is calculated through a statistical analysis based on deposit balance trend data and the outlook for interest rates on deposits, business decisions, and other factors. The amount of "core deposit" is categorized into various groups of maturity terms of up to 10 years in accordance with character of deposits to recognize interest rate risk. The amount of core deposits and maturity term categorization are regularly reviewed.

Meanwhile, deposits and loans with contract-based maturities are sometimes canceled or repaid before their maturity dates. To measure interest rate risk for these deposits and loans, we reflect these early termination events by applying early termination rates calculated based on a statistical analysis of historical market interest rate data, cancellation, and repayment.

##### iii. Strategic equity investment risk

The market value of our strategically held (publicly traded) stocks as of March 31, 2016, was subject to a variation of approximately ¥724 million per point of variation in the TOPIX index.

#### V. Backtesting

The Bank conducts backtesting in which a VaR (holding 1 day) calculated by the model is compared with hypothetical profit and loss on a daily basis in order to verify the accuracy of the VaR measurement model used for market risks in trading and banking activities. In the backtesting, the Bank additionally conducts validation testing of prerequisites for the market risk measurement model and verifies the accuracy by assessing features of the model comprehensively.

As a result of the backtesting in the fiscal year, the actual losses exceeded VaR twice in the trading activities and twice in the banking activities. As the frequency of the excess falls within 4 times, the VaR model is considered to have provided reasonably accurate measurement of market risk.

#### 3. Management of Liquidity Risk

The Bank maintains appropriate liquidity in both Japanese yen and foreign currencies by managing funding sources and other mechanisms, such as liquidity gap, liquidity-supplying products (such as commitment lines), and payment reserve assets.

The Board of Directors sets the system for managing liquidity risk by categorizing the risk into several stages. The business division that manages liquidity risk is made independent from other units to monitor the limit amount and reports to the ALM Council and the Board of Directors. The business division that manages and runs appropriate fund settlements reports the status and prospects of the fund settlements to the business division that manages liquidity risk, and also reports to the ALM Council on a regular basis.

#### (4) Supplements on Fair Values of Financial Instruments

Fair values of financial instruments are prices based on market prices or reasonably estimated values when there are no market prices. Assumptions are adopted in estimating such values, and therefore, results may vary when different assumptions are used.

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## 2. Fair Values of Financial Instruments

The carrying amounts in the consolidated balance sheet, fair values, and the differences between these as of March 31, 2016, were as follows. Unlisted securities and others for which fair values are extremely difficult to determine are not included in the table below (refer to Note 2).

|                                                              |                                               |            | (Millions of yen) |
|--------------------------------------------------------------|-----------------------------------------------|------------|-------------------|
|                                                              | Carrying amount in consolidated balance sheet | Fair value | Difference        |
| (1) Cash and due from banks (*1)                             | 11,203,548                                    | 11,203,548 | —                 |
| (2) Call loans and bills bought (*1)                         | 240,231                                       | 240,231    | —                 |
| (3) Receivables under securities borrowing transactions      | 946,860                                       | 946,860    | —                 |
| (4) Monetary claims bought                                   | 523                                           | 523        | —                 |
| (5) Trading assets                                           |                                               |            |                   |
| Trading securities                                           | 210,542                                       | 210,542    | —                 |
| (6) Money held in trust                                      | 13,040                                        | 13,040     | —                 |
| (7) Investment securities                                    |                                               |            |                   |
| Debt securities being held to maturity                       | 25                                            | 25         | 0                 |
| Available-for-sale securities                                | 17,261,394                                    | 17,261,394 | —                 |
| (8) Loans and bills discounted                               | 13,349,955                                    |            |                   |
| Allowance for loan losses (*1)                               | (35,486)                                      |            |                   |
|                                                              | 13,314,469                                    | 13,588,445 | 273,975           |
| (9) Foreign exchanges (*1)                                   | 36,875                                        | 36,875     | —                 |
| Total assets                                                 | 43,227,510                                    | 43,501,486 | 273,976           |
| (1) Deposits                                                 | 13,710,615                                    | 13,724,047 | 13,432            |
| (2) Negotiable certificates of deposit                       | 4,568,723                                     | 4,568,826  | 102               |
| (3) Call money and bills sold                                | 193,932                                       | 193,932    | —                 |
| (4) Payables under repurchase agreements                     | 5,205,060                                     | 5,205,060  | —                 |
| (5) Payables under securities lending transactions           | 227,019                                       | 227,019    | —                 |
| (6) Commercial paper                                         | 628,243                                       | 628,243    | —                 |
| (7) Borrowed money                                           | 2,006,477                                     | 2,018,486  | 12,008            |
| (8) Foreign exchanges                                        | 28                                            | 28         | —                 |
| (9) Short-term bonds                                         | 126,993                                       | 126,993    | —                 |
| (10) Bonds and notes                                         | 847,129                                       | 842,712    | (4,416)           |
| (11) Due to trust account                                    | 13,296,033                                    | 13,296,033 | —                 |
| Total liabilities                                            | 40,810,255                                    | 40,831,382 | 21,127            |
| Derivative transactions (*2)                                 |                                               |            |                   |
| Derivative transactions not accounted under hedge accounting | 33,236                                        | 33,236     | —                 |
| Derivative transactions accounted under hedge accounting     | (51,507)                                      | (51,507)   | —                 |
| Total derivative transactions                                | (18,270)                                      | (18,270)   | —                 |

(\*1): General and specific allowances for losses relevant to loans and bills discounted are deducted. Allowance for losses relevant to others is not deducted due to lack of importance.

(\*2): Derivative transactions included in trading assets and liabilities and other assets and liabilities are shown in combined amounts. Debts and credits from derivative transactions are shown in net and totals that are net debts are shown in ( ).

### Note 1. Method of Calculating Fair Values of Financial Instruments

#### Assets

##### (1) Cash and due from banks

Fair values of deposits without maturities are measured at carrying amounts because they are estimated to approximate fair value.

Fair values of deposits with maturities are measured at carrying amounts because they are estimated to approximate fair value as the remaining periods are short (within a year).

##### (2) Call loans and bills bought and (3) Receivables under securities borrowing transactions

Fair values of call loans and bills bought are measured at carrying amounts because they are estimated to approximate fair value as the contract periods are short (within a year).

##### (4) Monetary claims bought

Fair values of monetary claims bought are the prices shown by the correspondent financial institutions.

##### (5) Trading assets

Fair values of securities, such as bonds held for trading purposes, are the market prices or the prices shown by correspondent financial institutions. Fair values of certain securities are measured by the present discounted value of the expected future cash flow at the market rate.

##### (6) Money held in trust

For securities that are part of trust property in an independently managed monetary trust with the primary purpose of managing

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securities, fair value is determined based on the price quoted by the financial institutions from which these securities were purchased.

(7) Investment securities

The fair values of stocks are market prices.

The fair values of bonds are market prices or prices shown by the correspondent financial institutions or prices reasonably calculated.

The fair value of investment trust is determined based on the prices announced or the price quoted by the financial institutions from which they were purchased.

Fair values of private placement bonds that do not have market prices or prices shown from correspondent financial institutions are measured by the present discounted value of the future cash flows at the market rate, which are calculated from default risks, the amounts to be collected from collateral and guarantees, and fees from guarantees.

The estimated values of floating-rate Japanese government bonds are calculated by discounting future cash flows estimated from their yields and other factors at discount rates based on their yields, taking into consideration the values of embedded options and liquidity premiums obtained from historical market data.

Fair values of some securitized products backed by corporate loans are reasonably estimated values using both (A) the amounts calculated by discounting estimated future cash flows based on our determination, through an analysis of the relevant loans, the probability of default of the borrowers, advanced repayment on the loans and other factors with discount rates based on their yields, and consideration of liquidity premiums obtained from historical market data, and (B) prices quoted by the correspondent financial institutions. Other securitized products are measured by prices quoted by the correspondent financial institutions.

(8) Loans and bills discounted

The fair value of loans and bills discounted to corporate debtors is determined based on the present value of expected future cash flow, which is adjusted to reflect default risk and expected amount to be collected from collateral and guarantees, and discounted at the market interest rate. For receivables from “bankrupt,” “virtually bankrupt,” and “likely to become bankrupt” borrowers, credit loss is estimated based on factors, such as the present value of expected future cash flow or the expected amount to be collected from collateral and guarantees. As the fair value of these items approximates the net amount of receivables after the deduction of allowance for credit losses in the consolidated balance sheet as of the consolidated balance sheet date, such amount is presented as the fair value. For loans hedged by certain interest rate swaps that qualify for hedge accounting and meet specific matching criteria, or foreign currency forward contracts for which allocation method is applied, the fair value reflects the fair value of corresponding interest rate swaps or forward exchange contracts.

Fair values of housing loans for individuals are measured within groups with similar characteristics, such as the type of loans and term, by discounting the estimated future cash flows based on the contracted maturity of the loans. The discount rates are based on the current market rates corresponding to the applicable maturity of the loans.

(9) Foreign exchanges

Foreign exchanges are due from foreign banks associated with our accounts and loans and import bills, and therefore, the fair values are the carrying amounts because they are estimated to approximate fair value. Fair values of call money and bills sold, payables under repurchase agreements, payables under securities lending transactions, and commercial paper are the carrying amount because they are estimated to approximate fair value as the contract periods are short (within a year) or due from banks without maturities.

**Liabilities**

(1) Deposits

Fair values of demand deposits are the amounts payable on demand at the fiscal year end. Fair values of floating-rate time deposits are the carrying amounts because the current market rates are short term. Fair values of fixed-rate time deposits, which are grouped by terms, are measured by discounting the estimated future cash flows. The discount rates are based on the deposit rates currently offered. Fair values of current deposits (within a year) are carrying amounts because they are estimated to approximate fair value.

(2) Negotiable certificates of deposit

Fair values of negotiable certificates of deposits are measured by discounting the estimated future cash flows. The discount rates are based on the deposit rates currently offered. Fair values of negotiable certificates of deposits that are current (within a year) are the carrying amounts because they are estimated to approximate fair value.

(3) Call money and bills sold, (4) Payables under repurchase agreements, (5) Payables under securities lending transactions, and (6) Commercial paper

Fair values of call money and bills sold, payables under repurchase agreements, payables under securities lending transactions, and commercial paper are the carrying amount because they are estimated to approximate fair value as the contract periods are short (within a year).

(7) Borrowed money

The fair value of borrowed money is determined based on the present value of expected future cash flows grouped by certain maturity lengths, discounted at the interest rate that reflects the Bank's credit risk. For the fair value of borrowed money with a short remaining period (within a year), the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

(8) Foreign exchanges

Foreign currency deposits accepted from other banks and nonresident yen deposits are deposits without maturities. For these items, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

(9) Short-term bonds

The carrying amount of short-term bonds is presented as the fair value because the carrying amount is estimated to approximate

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the fair value as the contract periods are short (within a year).

(10) Bonds and notes

Fair values of bonds and notes that have market prices are the amounts measured on the market price basis. Fair values of bonds and notes that do not have market prices are measured by estimated future cash flows, which are grouped by terms discounted at the interest rates reflecting the Bank's credit risk. Bonds and notes that are objects of specific matching criteria of hedge accounting or foreign exchange contract adopting the assignment method include the fair values of the related interest rate swaps or foreign exchange forwards. Fair values of bonds and notes for which remaining terms are short (within a year) are the carrying amount because they are estimated to approximate the fair value.

(11) Due to trust account

Due to trust account does not have a maturity, and fair values of due to trust account are carrying amounts because it is estimated to approximate fair value.

**Derivatives**

Derivatives include interest rate-related derivatives (interest rate swaps and other transactions), currency-related derivatives (currency swaps, foreign exchange forwards, and currency options), bond-related derivatives (bond futures), and other derivatives. They are stated at the price such as quoted market price at stock exchange, present value of discounted cash flow, and the price determined using option-pricing models.

**Note 2.** The carrying amounts in the consolidated balance sheet related to the financial instruments whose fair values are extremely difficult to determine are as below, and are not included in Assets (7) Available-for-sale securities of the Fair Values of Financial Instruments.

| (Millions of yen)                                          |                                               |
|------------------------------------------------------------|-----------------------------------------------|
|                                                            | Carrying amount in consolidated balance sheet |
| 1. Unlisted securities (*1) (*3)                           | 23,254                                        |
| 2. Investments in capital of limited partnership (*2) (*3) | 8,425                                         |
| 3. Others (*3)                                             | 370                                           |
| Total                                                      | 32,049                                        |

(\*1): Unlisted securities are not included in the financial instruments for which fair values are disclosed because there are no available market prices and the fair values are extremely difficult to determine.

(\*2): Investments in capital of limited partnership, which include investment on private equity funds, are not included in the financial instruments for which fair values are disclosed because fair values are extremely difficult to determine.

(\*3): The amounts of impairment losses of unlisted securities, investments in capital of limited partnership and others as of March 31, 2016, were ¥12 million, ¥104 million and ¥78 million, respectively.

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## Notes on Investment Securities

In addition to “Investment securities” on the consolidated balance sheet, investment securities and investment securities equivalents in “Trading assets” and “Monetary claims bought” are also included in the tables below.

### 1. Trading securities (As of March 31, 2016)

(Millions of yen)

|                    | Valuation difference included in profit<br>and loss for the fiscal year |
|--------------------|-------------------------------------------------------------------------|
| Trading securities | 22                                                                      |

### 2. Debt securities being held to maturity (As of March 31, 2016)

(Millions of yen)

|                                                                                                         | Type             | Carrying amount in<br>consolidated balance<br>sheet | Fair value | Difference |
|---------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------|------------|------------|
| Bonds for which fair<br>values exceed the<br>carrying amount in<br>consolidated balance<br>sheet        | Government bonds | 25                                                  | 25         | 0          |
|                                                                                                         | Municipal bonds  | —                                                   | —          | —          |
|                                                                                                         | Bonds and notes  | —                                                   | —          | —          |
|                                                                                                         | Other bonds      | —                                                   | —          | —          |
|                                                                                                         | Total            | 25                                                  | 25         | 0          |
| Bonds for which fair<br>values do not exceed<br>the carrying amount in<br>consolidated balance<br>sheet | Government bonds | —                                                   | —          | —          |
|                                                                                                         | Municipal bonds  | —                                                   | —          | —          |
|                                                                                                         | Bonds and notes  | —                                                   | —          | —          |
|                                                                                                         | Other bonds      | —                                                   | —          | —          |
|                                                                                                         | Total            | —                                                   | —          | —          |
| Total                                                                                                   |                  | 25                                                  | 25         | 0          |

### 3. Available-for-sale securities (As of March 31, 2016)

(Millions of yen)

|                                                                                                                                           | Type                      | Carrying amount in<br>consolidated balance<br>sheet | Acquisition cost | Difference |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------------------------------|------------------|------------|
| Securities for which<br>carrying amounts in<br>consolidated balance<br>sheet exceed the<br>acquisition costs or<br>amortized costs        | Equity securities         | 905,576                                             | 418,949          | 486,626    |
|                                                                                                                                           | Debt securities           | 6,923,201                                           | 6,822,345        | 100,855    |
|                                                                                                                                           | Government bonds          | 6,449,498                                           | 6,355,544        | 93,954     |
|                                                                                                                                           | Municipal bonds           | 20,543                                              | 20,113           | 430        |
|                                                                                                                                           | Corporate bonds           | 453,158                                             | 446,687          | 6,471      |
|                                                                                                                                           | Other securities          | 8,005,792                                           | 7,689,058        | 316,734    |
|                                                                                                                                           | Foreign equity securities | 37                                                  | 11               | 26         |
|                                                                                                                                           | Foreign bonds             | 7,343,916                                           | 7,107,796        | 236,120    |
|                                                                                                                                           | Others                    | 661,838                                             | 581,250          | 80,588     |
| Total                                                                                                                                     |                           | 15,834,570                                          | 14,930,353       | 904,217    |
| Securities for which<br>carrying amounts in<br>consolidated balance<br>sheet do not exceed the<br>acquisition costs or<br>amortized costs | Equity securities         | 70,718                                              | 85,058           | (14,340)   |
|                                                                                                                                           | Debt securities           | 141,996                                             | 144,577          | (2,580)    |
|                                                                                                                                           | Government bonds          | 10,001                                              | 10,001           | (0)        |
|                                                                                                                                           | Municipal bonds           | 19,270                                              | 19,326           | (56)       |
|                                                                                                                                           | Corporate bonds           | 112,725                                             | 115,249          | (2,524)    |
|                                                                                                                                           | Other securities          | 1,214,631                                           | 1,224,557        | (9,925)    |
|                                                                                                                                           | Foreign equity securities | 13                                                  | 13               | (0)        |
|                                                                                                                                           | Foreign bonds             | 1,095,541                                           | 1,102,863        | (7,322)    |
|                                                                                                                                           | Others                    | 119,076                                             | 121,679          | (2,603)    |
| Total                                                                                                                                     |                           | 1,427,346                                           | 1,454,192        | (26,846)   |
| Total                                                                                                                                     |                           | 17,261,917                                          | 16,384,546       | 877,371    |

Note: The total sum of “Valuation difference on available-for-sale securities” is ¥616,241 million.

The total of differences noted above, plus (1) the valuation difference of ¥13 million on limited partnership composing available-for-sale securities and (2) the adjustment of ¥1 million regarding foreign exchange on foreign currency-denominated available-for-sale securities for which fair value is extremely difficult to be determined, amounted to ¥877,386 million. The amount of ¥877,386 million, less deferred tax liabilities of ¥260,346 million, amounted to ¥617,040 million. The amount of ¥617,040 million, less corresponding noncontrolling interest of ¥713 million and the Bank’s interest to the valuation differences on available-for-sale securities held by affiliates under the equity method accounting of ¥84 million, amounted to ¥616,241 million.

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**4. Available-for-sale securities sold during the year (Fiscal year ended March 31, 2016)**

|                           | Proceeds from sales | Gains  | (Millions of yen)<br>Losses |
|---------------------------|---------------------|--------|-----------------------------|
| Equity securities         | 35,812              | 14,928 | 248                         |
| Debt securities           | 1,323,459           | 10,074 | 1,356                       |
| Government bonds          | 1,252,622           | 9,959  | 1,309                       |
| Municipal bonds           | —                   | —      | —                           |
| Corporate bonds           | 70,836              | 114    | 47                          |
| Other securities          | 4,533,585           | 31,714 | 28,957                      |
| Foreign equity securities | 32                  | 13     | —                           |
| Foreign bonds             | 4,254,987           | 28,427 | 21,569                      |
| Others                    | 278,565             | 3,274  | 7,388                       |
| Total                     | 5,892,856           | 56,717 | 30,563                      |

**5. Securities with impairment losses**

Investment securities other than trading securities (excluding those securities in which fair value is extremely difficult to determine, as noted above) whose fair value significantly declined below the acquisition cost, and is considered to be other than recoverable decline, were written down to their respective fair value, which is recorded as the carrying amount in the consolidated balance sheet, and such valuation difference is recognized as impairment loss in the fiscal year.

Impairment losses for the year ended March 31, 2016, totaled ¥1,877 million (of which equity securities amounted to ¥1,792 million and of which others amounted to ¥85 million). The criteria for determining whether the fair value has “declined significantly” are defined based on the classification of issuers as follows, pursuant to the internal rules for self-assessment of asset quality:

Issuers who are legally bankrupt, virtually bankrupt, or likely to become bankrupt: Fair value is lower than acquisition cost

Issuers who are to be closely watched : Fair value is 30% or more below acquisition cost

Other issuer : Fair value is 50% or more below acquisition cost

Note that “Issuers who are legally bankrupt” are issuers who have entered into bankruptcy, special liquidation proceedings, or whose notes have been dishonored and suspended from processing through clearing house. “Issuers who are virtually bankrupt” are issuers who are regarded as substantially in a similar condition as bankrupt. “Issuers who are likely to become bankrupt” are issuers who are deemed to have a high possibility of becoming bankrupt. “Issuers who are to be closely watched” are issuers who require close monitoring of their management. “Other issuers” are issuers other than “issuers who are legally bankrupt,” “issuers who are virtually bankrupt,” “issuers who are likely to become bankrupt,” or “issuers who are to be closely watched.”

**Notes on Money Held in Trust**

**Money held in trust for trading purposes (As of March 31, 2016)**

|                                          | Carrying amount in consolidated balance sheet | (Millions of yen)<br>Valuation difference included in profit and loss for the fiscal year |
|------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------------------------------|
| Money held in trust for trading purposes | 13,040                                        | —                                                                                         |

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation  
and Consolidated Subsidiaries

## Notes on Business Combination

(Notes on transactions under common control)

**Mitsubishi UFJ Asset Management Co., Ltd. (consolidated subsidiary of the Bank) concluded a merger contract with KOKUSAI Asset Management Co., Ltd. on April 30, 2015, and resolved to merge on July 1, 2015.**

1. The following is a summary of the names of the entities and contents of business, date of business combination, legal form of business combination, name of the entity after business combination, and outline and purpose of the transaction.

(1) Names of the entities and contents of business

① The acquiree

|                      |                                           |
|----------------------|-------------------------------------------|
| Name of the entity   | Mitsubishi UFJ Asset Management Co., Ltd. |
| Contents of business | Management business of investment trust   |

② The acquiree

|                      |                                         |
|----------------------|-----------------------------------------|
| Name of the entity   | KOKUSAI Asset Management Co., Ltd.      |
| Contents of business | Management business of investment trust |

(2) Date of business combination

July 1, 2015

(3) Legal form of business combination

A merger wherein Mitsubishi UFJ Asset Management Co., Ltd. is the surviving company and KOKUSAI Asset Management Co., Ltd. is the dissolving company.

(4) Name of the entity after business combination

Mitsubishi UFJ Kokusai Asset Management Co., Ltd.

(5) Outline and purpose of the transaction

The merger was resolved in order to establish a new organizational structure to enhance asset management business of the Mitsubishi UFJ Financial Group.

2. Summary of accounting treatment

In accordance with ASBJ Statement No. 21 “Revised Accounting Standard for Business Combinations” issued on September 13, 2013 and ASBJ Guidance No. 10 “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” issued on September 13, 2013, the merger was executed as a transaction under common control.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation  
and Consolidated Subsidiaries

### **Information on Per Share of Common Stock**

Net assets per share of common stock: ¥675.66

Net income per share of common stock: ¥47.04

Diluted net income per share of common stock: ¥47.02