

Annual Report

for the fiscal year ended March 31, 2020

Mitsubishi UFJ Trust and Banking Corporation

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

Consolidated Balance Sheet
As of March 31, 2020

	Millions of yen
Assets:	
Cash and due from banks	¥14,535,289
Call loans and bills bought	90,970
Receivables under resale agreements	700,967
Receivables under securities borrowing transactions	118,575
Monetary claims bought	574,673
Trading assets	593,554
Money held in trust	131,489
Investment securities	11,855,018
Loans	4,633,298
Foreign exchanges	87,154
Other assets	1,222,099
Tangible fixed assets	220,890
Buildings	34,706
Land	90,485
Lease assets	1,980
Construction in progress	334
Other tangible fixed assets	93,383
Intangible fixed assets	422,121
Software	82,694
Goodwill	196,913
Other intangible fixed assets	142,513
Asset for retirement benefits	277,437
Deferred tax assets	9,904
Customers' liabilities for acceptances and guarantees	198,197
Allowance for loan losses	(1,956)
Total assets	¥35,669,685

(Continued)

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

Consolidated Balance Sheet
As of March 31, 2020

	Millions of yen
Liabilities:	
Deposits	¥11,567,654
Negotiable certificates of deposit	2,201,493
Payables under repurchase agreements	5,511,235
Commercial paper	456,924
Trading liabilities	42,793
Borrowed money	1,730,910
Foreign exchanges	44,956
Bonds and notes	418,160
Due to trust accounts	9,798,688
Other liabilities	1,362,598
Reserve for employees' bonuses	25,036
Reserve for directors' bonuses	270
Reserve for stock payments	3,765
Liability for retirement benefits	6,362
Reserve for directors' retirement gratuities	239
Reserve for contingent losses	15,346
Deferred tax liabilities	208,591
Deferred tax liabilities on land revaluation surplus	4,232
Acceptances and guarantees	198,197
Total liabilities	33,597,457
Net assets:	
Capital stock	324,279
Capital surplus	481,625
Earned surplus	1,209,463
Treasury stock	(299,999)
Total shareholder's equity	1,715,367
Unrealized gains (losses) on available-for-sale securities	519,227
Deferred gains (losses) on hedges	(110,771)
Land revaluation surplus	(276)
Foreign currency translation adjustments	3,435
Defined retirement benefit plans	(67,903)
Total accumulated other comprehensive income	343,711
Noncontrolling interests	13,148
Total net assets	2,072,227
Total liabilities and net assets	¥35,669,685

(Concluded)

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

Consolidated Statement of Income
Fiscal year ended March 31, 2020

	Millions of yen
Ordinary income:	¥881,770
Trust fees	¥118,336
Interest income	333,634
Interest on loans	39,893
Interest and dividends on securities	228,422
Interest on call loans and bills bought	134
Interest on receivables under resale agreements	(4)
Interest on due from banks	54,112
Other interest income	11,075
Fees and commissions	286,953
Trading gains	14,164
Other operating income	72,492
Other ordinary income	56,189
Reversal of allowance for loan losses	721
Income from recovery of loans charged off	66
Others	55,402
Ordinary expense:	719,843
Interest expense	238,277
Interest on deposits	29,894
Interest on negotiable certificates of deposit	33,012
Interest on call money and bills sold	16
Interest on payables under repurchase agreements	66,509
Interest on payables under securities lending transactions	289
Interest on commercial paper	17,298
Interest on borrowed money	17,657
Interest on bonds and notes	10,095
Other interest expense	63,504
Fees and commissions	65,381
Trading losses	276
Other operating expense	49,483
General and administrative expense	321,906
Other ordinary expense	44,517
Others	¥44,517
Ordinary profit	¥161,926

(Continued)

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

Consolidated Statement of Income
Fiscal year ended March 31, 2020

	Millions of yen	
Extraordinary gains:		¥3,235
Gains on disposal of fixed assets	¥3,235	
Extraordinary losses:		4,821
Losses on disposal of fixed assets	2,523	
Impairment losses on fixed assets	2,298	
Income before income taxes		160,341
Income taxes – current	42,023	
Income taxes – deferred	¥3,641	
Total income taxes		45,664
Net income		114,676
Net income attributable to noncontrolling interests		448
Net income attributable to owners of the parent		¥114,227

(Concluded)

Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2020

	Shareholder's equity					Accumulated other comprehensive income						Noncontrolling interests	Total net assets
	Capital stock	Capital surplus	Earned surplus	Treasury stock	Total shareholder's equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Land revaluation surplus	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	324,279	481,625	1,139,311	(299,999)	1,645,216	528,045	(33,860)	(590)	(4,363)	(19,822)	469,408	12,698	2,127,323
Changes during the fiscal year													
Dividend from surplus			(43,797)		(43,797)								(43,797)
Net income attributable to owners of the parent			114,227		114,227								114,227
Reversal of revaluation difference on land			(278)		(278)								(278)
Net amount of changes in items other than shareholder's equity during the fiscal year						(8,818)	(76,910)	314	7,798	(48,081)	(125,696)	449	(125,247)
Total amount of changes during the fiscal year	-	-	70,151	-	70,151	(8,818)	(76,910)	314	7,798	(48,081)	(125,696)	449	(55,095)
Balance at the end of the fiscal year	324,279	481,625	1,209,463	(299,999)	1,715,367	519,227	(110,771)	(276)	3,435	(67,903)	343,711	13,148	2,072,227

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

Yen figures are rounded down and presented 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.

Important Matters Fundamental to the Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) The total number of consolidated subsidiaries of Mitsubishi UFJ Trust and Banking Corporation (the “Bank”): 95

Major subsidiaries:

Mitsubishi UFJ Real Estate Services Co., Ltd.
The Master Trust Bank of Japan, Ltd.
MU Investments Co., Ltd.
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.
Mitsubishi UFJ Trust International Limited
Mitsubishi UFJ Baillie Gifford Asset Management Limited
Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A
MUFG Lux Management Company S.A.
Mitsubishi UFJ Asset Management (UK) Ltd.
MUFG Investor Services Holdings Limited
First Sentier Investors Holdings Pty Ltd

(Changes in scope of consolidation)

From the current consolidated fiscal year, 30 of the 31 companies, including the 9 companies listed in “Notes on Business Combinations” and 22 subsidiaries, have been included within the scope of consolidation due to acquisition of shares and subsequent investment in kind to First Sentier Investors Holdings Pty Ltd. The remaining company, First State Investments (US) LLC, became a consolidated subsidiary during the current consolidated fiscal year, but it was excluded from the scope of consolidation due to the dividend in kind.

In addition, 9 companies were included in the scope of consolidation due to new establishments and acquisitions, and 1 company was excluded from the scope of consolidation due to liquidation.

(2) Nonconsolidated subsidiaries

None

(3) 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

(1) Nonconsolidated subsidiaries accounted for using the equity method

None

(2) The number of affiliates accounted for using the equity method: 7

Major affiliates:

AMP Capital Holdings Limited

(3) Nonconsolidated subsidiaries that are not accounted for using the equity method

None

(4) Affiliates not accounted for using the equity method

None

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

None

3. Balance Sheet Dates of Consolidated Subsidiaries

(1) The fiscal year end of consolidated subsidiaries are as follows:

December 31: 75 subsidiaries

March 31: 20 subsidiaries

(2) Consolidated subsidiaries are consolidated based on their respective fiscal year end. 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.

5. 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. Gains (losses) from the transactions, including interest, gains (losses) on disposition, and valuation of trading securities and derivatives, is shown as "Trading gains" or "Trading losses" in the consolidated statement of income. Trading assets and trading liabilities are stated at fair value.

(2) Securities

- i. Debt securities held-to-maturity are stated at amortized cost (straight-line method) computed using the moving-average method. Available-for-sale securities are stated at fair value, with cost of securities sold calculated using the moving-average method. Other securities without a market price are stated at cost method, computed using the moving-average method. Unrealized gains (losses) on available-for-sale securities are included directly in net assets, net of applicable income taxes.
- ii. Securities that are part of trust property which is independently managed money held in trust with the primary purpose of managing securities are stated at fair value. Unrealized gains (losses) on securities that are part of trust property except for the purpose of trading and held-to-maturity are included directly in net assets.

(3) Derivatives

Derivatives entered into for purposes other than trading are 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 17 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 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 proceedings, 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. 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 the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged-off. In the current year, this amount was ¥280 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

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

specific claims for which collectibility is doubtful.

(7) Reserve for Employees' Bonuses

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

(8) Reserve for Directors' Bonuses

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

(9) Reserve for Stock Payments

A reserve for stock payments is provided for based on the estimated amount of the future payments of directors' compensation attributed to the fiscal year.

(10) 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.

(11) 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.

(12) Employees' Retirement Benefits

With regard to the calculation of the 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 15 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 (11 to 15 years) at the time the actuarial gains (losses) are 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.

(13) 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.

(14) Method of Hedge Accounting

i. Hedge Accounting for Interest Rate Risks

The hedge accounting method applied by the Bank to identify hedged items 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

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

interest rate swaps as the hedging instrument in accordance with Industry Audit Committee Report No. 24. As the Bank closely 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 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 because 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.

(15) 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.

(16) Application of consolidated taxation system

The Bank and certain domestic consolidated subsidiaries apply consolidation taxation for which Mitsubishi UFJ Financial Group, Inc. ("MUFG"), as the parent company, makes a consolidated tax payment.

(17) Adoption of transferring to consolidated taxation system

The Bank and certain domestic consolidated subsidiaries do not apply Paragraph 44 of the Accounting Standards Board of Japan ("ASBJ") Guidance No.28, "Amendments to Accounting Standard for Tax Effect Accounting" (February 16, 2018), to items revised along with transition to consolidated taxation system under the "Partial amendments to Income Tax Act, etc." (Act No. 8, March 31, 2020), due to application of the Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Issues Task Force No.39, March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities are based on the tax act before revision.

(18) Accounting standards for foreign subsidiaries

If the financial statements of foreign subsidiaries are prepared in accordance with the International Financial Reporting Standards ("IFRS") or the Generally Accepted Accounting Principles in the United States ("U.S. GAAP"), such financial statements are used in the consolidated accounting procedures.

If the financial statements of foreign subsidiaries are prepared in accordance with generally accepted accounting principles in each country other than IFRS or U.S. GAAP, the financial statements of foreign subsidiaries are mainly adjusted in accordance with U.S. GAAP.

Also, necessary adjustments are made in the consolidated accounting procedures.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

Changes in Accounting Policies

ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" (ASBJ, July 4, 2019; hereinafter referred to as "Accounting Standard for Fair Value Measurement") and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ, July 4, 2019; hereinafter referred to as "Guidance for Application of Fair Value Measurement"), are applied for the end of the current fiscal year.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

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): ¥38,667 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, ¥2,226,162 million was repledged and ¥63,494 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 the amounts were ¥28 million and ¥2,384 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

There are no accruing loans that contractually past due for three months or more recorded in this period. 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 after the day following the first due date and are not included in the loans to borrowers in bankruptcy or the past-due loans.

5. Restructured Loans

There are no restructured loans recorded in this period. 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 difficulty 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 Three Months or More Past Due, and Restructured Loans

The total amount of nonaccrual loans, accruing loans contractually three months or more past due, and restructured loans was ¥2,413 million.

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

7. Assets Pledged

Assets pledged as collateral:

Investment securities: ¥182,258 million

Loans: ¥77,720 million

Liabilities related to pledged assets:

Deposits: ¥17,500 million

Borrowed money: ¥203,004 million

Other than the assets pledged above, investment securities of ¥1,601,389 million and loans of ¥1,661,813 million were pledged as collateral for settlement of exchange transactions or as deposits for trading margin of futures. Investment securities which were sold under repurchase agreements were ¥4,057,843 million, related to payables under repurchase agreements of ¥3,951,528 million.

8. 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 ¥2,440,232 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.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

9. Declaration of trust

The assets of the declaration of trust for which the Bank was both settlor and trustee, were loan of ¥826,598 million.

10. Land Revaluation Surplus

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 “Land revaluation surplus” 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.

11. Accumulated Depreciation

Accumulated depreciation on tangible fixed assets amounted to ¥140,313 million.

12. Amounts Deducted from the Cost

Amounts deducted from the cost of tangible fixed assets (based on the Corporation Tax Act) were ¥15,292 million.

13. Borrowed Money

Subordinated borrowings of ¥772,625 million were included in borrowed money.

14. Bonds and Notes

Subordinated bonds and notes of ¥210,000 million were included in bonds and notes.

15. Guaranteed Trusts

Principal of trusts of the Bank, for which repayment of the principal to the customers is guaranteed, amounted to ¥6,744,156 million, which is money trust.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

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 ¥48,777 million.

2. Other Ordinary Expense

“Other ordinary expense – Others” include losses on sales of stocks and other securities of ¥21,682 million, losses on sales of equity-related options and other derivatives of ¥9,985 million, and write-offs of stocks of ¥7,468 million.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

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, 2019	Increase in shares in the fiscal year	Decrease in shares in the fiscal year	Number of shares as of March 31, 2020	Note
Shares issued and outstanding					
Common stock	3,497,754	-	-	3,497,754	
Total	3,497,754	-	-	3,497,754	
Treasury stock					
Common stock	408,163	-	-	408,163	
Total	408,163	-	-	408,163	

2. Dividends

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

i. The amount of cash dividends

(Resolution)	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 15, 2019, Board of Directors	Common stock	16,343	5.29	March 31, 2019	May 16, 2019
November 13, 2019, Board of Directors	Common stock	19,618	6.35	September 30, 2019	November 14, 2019
January 29, 2020, Board of Directors	Common stock	5,870	1.90	-	February 4, 2020
Total		41,833			

ii. The amount of dividends in kind

(Resolution)	Type of shares	Type of dividend property	Carrying amount of dividend property (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 29, 2019, Board of Directors	Common stock	Securities	1,964	-	-	August 2, 2019

(Note) 1. This is the dividend in kind of the First State Investments (US) LLC shares listed in “Notes on Business Combinations.”

2. All of the dividend property is allocated to Mitsubishi UFJ Financial Group, Inc., the sole shareholder of common stock, and there is no fixed dividend per share.

(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 15, 2020, Board of Directors (tentative)	Common stock	19,433	Earned surplus	6.29	March 31, 2020	May 18, 2020

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 services 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 contractual 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 held regularly 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 other committees, and the authority to be involved in marketing business is set by the Executive Committee. 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 Executive Committee and other committees 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

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

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 is defined as the risks of losses due to market fluctuations in, for example, interest rates, securities prices, and foreign exchange rates. The Bank also estimates the VaI (“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, 2020, was ¥577 million.

ii. Market risk in banking activities

The aggregate market risk exposure of banking activities as of March 31, 2020, excluding market risk related to strategic equity investment, was ¥125,556 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, 2020, was subject to a variation of approximately ¥549 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. 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 hypothetical losses never exceeded VaR in the trading 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 and other committees set 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 Executive Committee and the Board of Directors and other committees. 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 Executive Committee and other committees on a regular basis.

(4) Supplements on Fair Values of Financial Instruments

Since certain assumptions have been adopted in the calculation of the fair value of financial instruments, they may differ in value if different assumptions have been used.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

2. Fair Values of Financial Instruments and breakdown by appropriate category

The carrying amounts in the consolidated balance sheet, fair values, and the differences between these as of March 31, 2020, were as follows. Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of the Guidance for Application of Fair Value Measurement, equity securities without a market price, and investments in partnerships and others for which transitional measures are applied in accordance with Paragraph 27 of "Guidance for Application of Fair Value Measurement" are not included in the table below (refer to (1)*2, Note 2).

The fair values of financial instruments are classified into the following three levels depending on the observability and importance of the input used in the fair value calculation.

Level 1: Fair value determined based on the (unadjusted) quoted price in the active market for the same asset or liability

Level 2: Fair value determined based on observable inputs other than the Level 1 inputs, either directly or indirectly

Level 3: Fair value determined based on significant unobservable inputs

Where multiple inputs that have a material effect on the fair value are used, the fair value is classified at the lowest priority level of the level to which each of those inputs belongs.

(1) Financial assets and liabilities stated at fair value on the consolidated balance sheet

(Millions of yen)

Category	Amount on consolidated balance sheet
Monetary claims bought (*1)	574,673
Trading assets(*2)	527,704
Money held in trust(Trading purpose / Other)	131,489
Securities (Available-for-sale securities)	9,286,131
Equity securities	807,271
Government bonds	1,449,810
Municipal bonds	25,309
Corporate bonds	237,169
Foreign equity securities	44
Foreign bonds	6,623,509
Others (*2)	143,017
Total assets	10,519,999
Derivatives (*3) (*4)	6,851
Interest rate-related derivatives	15,200
Currency-related derivatives	(7,984)
Equity-related derivatives	(363)
Bond-related derivatives	-
Commodity-related derivatives	-
Credit-related derivatives	-
Others	-

(*1): Monetary claims bought consists of securitized products accounted for in the same manner as available-for-sale securities.

(*2): Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of the Guidance for Application of Fair Value Measurement are not included in the table above. The amount of such investment trusts on the consolidated balance sheet is ¥1,314,468 million.

(*3): 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 net debts in the aggregate are presented in minus.

(*4): The amount recorded on the consolidated balance sheet for derivative transaction to which hedge accounting is applied is at (¥14,079) million.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

(2) Financial assets and financial liabilities which are not stated at fair value on the consolidated balance sheet

Cash and due from banks, Call loans and bills bought, Receivables under resale agreements, Receivables under securities borrowing transactions, Foreign exchanges (assets and liabilities), Payables under repurchase agreements, Payables under securities lending transactions, Commercial papers, Due to trust accounts and Other liabilities are not included in the following table since they are short-term (within one year), and their fair values approximate their carrying amounts.

(Millions of yen)

Category	Fair value	Amount on consolidated balance sheet	Difference
Securities (held to maturity)	1,123,582	1,140,037	(16,454)
Government bonds	-	-	-
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Foreign bonds	1,123,582	1,140,037	(16,454)
Others	-	-	-
Loans(*1)	4,667,977	4,633,298	34,679
Total assets	5,791,560	5,773,335	18,224
Deposits	11,568,566	11,567,654	912
Negotiable certificates of deposit	2,201,494	2,201,493	0
Borrowed money	1,742,601	1,730,910	11,690
Bonds payable	419,498	418,160	1,338
Total liabilities	15,932,161	15,918,219	13,942

(*1): General and specific allowances for losses relevant to loans are deducted by ¥854 million.

Note 1. Description of the valuation techniques and inputs used for assets and liabilities measured at fair value**Monetary claims bought**

Fair values of Monetary claims bought are the prices shown by the correspondent financial institutions. Fair values of certain monetary claims bought are measured based on the present discounted value, using expected future cash flows estimated by means of the prepayment rate, etc. and the market interest rate as of the valuation date with certain adjustments. These are mainly classified into Level 2.

Trading assets

Fair values of securities, such as bonds held for trading purposes, are the market prices, the prices shown by correspondent financial institutions or the present value of the expected future cash flow discounted at the market interest rate. These are classified into Level 1 or Level 2 depending on inputs used.

Money held in trust

For securities that are part of trust property in an independently managed monetary trust with the primary purpose of managing securities, fair values are measured based on the price quoted by the financial institutions from which these securities were purchased. For the assets that are part of trust property in an independently managed monetary trust with the primary purpose of managing other than securities, fair values are determined based on the price quoted by a third party. These are classified into Level 2 or Level 3 depending on the levels of the component assets.

The notes for money held in trust by classification based on each holding purpose are shown in “Notes on Money Held in Trust”.

Investment securities

Fair values of stocks are the price quoted by stock exchanges and mainly classified into Level 1 as the quoted prices are available in active market.

The fair values of bonds are market prices or prices shown by the correspondent financial institutions or prices reasonably calculated. The bonds such as government bonds are mainly classified into Level 1 and other bonds are classified into Level 2.

The fair values of investment trusts are determined based on the prices announced or the price quoted by the financial institutions from which they were purchased, and these investment trusts are not classified into any levels, applying the transitional measures in accordance with Paragraph 26 of Guidance for Application of Fair Value Measurement.

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, and these Japanese government bonds are classified into Level 2.

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, prepayment 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. These securitized products are classified into Level 3. Other securitized products are measured by prices quoted by the

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation and Consolidated Subsidiaries

correspondent financial institutions, and classified into Level 2.

The notes for Investment securities by classification based on each holding purpose are shown in “Notes on Investment Securities”.

Loans

Fair values of loans to corporate debtors are 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 fair values of these items approximate 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 foreign currency forward contracts for which allocation method is applied, fair values reflect fair values of corresponding 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.

These are classified into Level 3.

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 they are estimated to approximate fair value as the floating interest rates reflect market rates within a short period. 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. These are classified into Level 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. These are classified into Level 2.

Borrowed money

Fair values of borrowed money are 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 borrowed money hedged by certain interest rate swaps that qualifies for hedge accounting and meet specific matching criteria, fair values reflect fair values of corresponding interest rate swaps. For fair values of borrowed money with a short remaining period (within a year), carrying amount is presented as fair values, as fair values approximate such carrying amount. These are classified into Level 2 when the effect of unobservable inputs are not significant and Level 3 when significant unobservable inputs are used.

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 fair value. These are classified into Level 2.

Derivatives

Derivatives include interest rate-related derivatives (interest rate swaps and other transactions), currency-related derivatives (currency swaps, foreign exchange forwards, and currency options), equity-related derivatives (total return swaps and other transactions) and bond-related derivatives (total return swaps and other transactions). Fair values of exchange-traded derivative transactions are based on the price of the exchanges. Fair values of over-the-counter derivative transactions are based on the discounted present value or the value calculated under the option-price calculation models, etc. Inputs that are used for determining the price of over-the-counter transaction through certain valuation techniques, are mainly interest rates, exchange rates, volatility, etc. Exchange-traded derivative transactions are mainly classified into Level 1. Over-the-counter derivative transactions are classified into Level 2 when they do not use unobservable inputs or when their effect is not significant. Over-the-counter derivative transactions are classified into Level 3 when they use significant unobservable inputs.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

Note 2. The carrying amounts in the consolidated balance sheet related to the equity securities without a market price and investments in partnerships and others are as below. These securities are not included in “Trading assets” and “Securities (Available-for-sale securities)” of the “2. Fair Values of Financial Instruments and breakdown by appropriate category.”

(Millions of yen)

	Carrying amount in the consolidated balance sheet
Equity securities without a market price (*1) (*3)	33,352
Investments in partnerships and others (*2) (*3)	45,439
Total	78,792

(*1): Equity securities without a market price include unlisted equity securities. These fair values are not disclosed in accordance with Paragraph 5 of ASBJ Guidance No. 19 "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."

(*2): Investments in partnerships and others include investments on private equity funds. Their fair values are not disclosed in accordance with Paragraph 27 of Guidance for Application of Fair Value Measurement.

(*3): The amounts of impairment losses on unlisted equity securities and investments in partnerships for the current fiscal year were ¥91 million and ¥302 million, respectively.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

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, 2020)

(Millions of yen)

	Valuation difference included in profit and loss for the fiscal year
Trading securities	(507)

2. Debt securities held-to-maturity (As of March 31, 2020)

(Millions of yen)

	Type	Carrying amount in the consolidated balance sheet	Fair value	Difference
Bonds for which fair values exceed the carrying amount in the consolidated balance sheet	Government bonds	-	-	-
	Municipal bonds	-	-	-
	Bonds and notes	-	-	-
	Other bonds	-	-	-
	Foreign bonds	-	-	-
	Total	-	-	-
Bonds for which fair values do not exceed the carrying amount in the consolidated balance sheet	Government bonds	-	-	-
	Municipal bonds	-	-	-
	Bonds and notes	-	-	-
	Other bonds	1,140,037	1,123,582	(16,454)
	Foreign bonds	1,140,037	1,123,582	(16,454)
	Total	1,140,037	1,123,582	(16,454)
Total		1,140,037	1,123,582	(16,454)

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

3. Available-for-sale securities (As of March 31, 2020)

(Millions of yen)

	Type	Carrying amount in the consolidated balance sheet	Acquisition cost	Difference
Securities for which carrying amounts in the consolidated balance sheet exceed the acquisition costs or amortized costs	Equity securities	759,188	311,805	447,382
	Debt securities	1,223,697	1,204,389	19,308
	Government bonds	1,037,979	1,019,498	18,481
	Municipal bonds	22,748	22,701	47
	Corporate bonds	162,970	162,189	780
	Other securities	6,831,620	6,452,546	369,073
	Foreign equity securities	44	9	35
	Foreign bonds	5,624,893	5,344,653	280,239
	Others	1,206,682	1,117,883	88,799
	Total	8,814,506	7,978,741	835,764
Securities for which carrying amounts in the consolidated balance sheet do not exceed the acquisition costs or amortized costs	Equity securities	48,082	63,442	(15,359)
	Debt securities	488,591	491,728	(3,137)
	Government bonds	411,831	414,219	(2,388)
	Municipal bonds	2,561	2,561	(0)
	Corporate bonds	74,199	74,948	(748)
	Other securities	1,821,013	1,910,153	(89,139)
	Foreign equity securities	-	-	-
	Foreign bonds	998,616	1,016,374	(17,758)
	Others	822,397	893,778	(71,381)
	Total	2,357,688	2,465,324	(107,636)
Total		11,172,194	10,444,066	728,128

(Note) The details of “Unrealized gains (losses) on available-for-sale securities” in the consolidated balance sheet are as follows.

(Millions of yen)

	Amount
Unrealized gains (losses) (*1)	741,331
Available-for-sale securities	722,331
Other money held in trust	18,999
(△) Deferred tax liabilities	221,377
Unrealized gains (losses) on available-for-sale securities (before the Bank's ownership share adjustment)	519,954
(△) Noncontrolling interests	726
(+) The Bank's ownership share of the unrealized gains (losses) on available-for-sale securities held by affiliates accounted for using the equity method	-
Unrealized gains (losses) on available-for-sale securities	519,227

(*1) The unrealized gains (losses) of ¥52 million (gains) on limited partnership composing available-for-sale securities, and the adjustment of (¥5,848) million (losses) regarding foreign exchange on foreign currency-denominated available-for-sale securities for which fair value is not readily determinable are included in “Unrealized gains (losses)”.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

4. Available-for-sale securities sold during the year (Fiscal year ended March 31, 2020)

(Millions of yen)

	Proceeds from sales	Gains	Losses
Equity securities	68,049	30,115	5,659
Debt securities	607,626	10,351	1,181
Government bonds	552,801	10,336	1,180
Municipal bonds	-	-	-
Corporate bonds	54,824	14	1
Other securities	4,920,241	59,897	56,610
Foreign equity securities	0	-	-
Foreign bonds	3,439,236	37,035	20,530
Others	1,481,004	22,862	36,080
Total	5,595,917	100,365	63,452

5. Securities with impairment losses

Investment securities other than trading securities (excluding certain equity securities without a market price and investments in partnerships and others) 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 current fiscal year totaled ¥7,238 million (of which equity securities amounted to ¥7,074 million and of which others amounted to ¥163 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 issuers	: 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.”

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

Notes on Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2020)

(Millions of yen)

	Carrying amount in the consolidated balance sheet	Valuation difference included in profit and loss for the fiscal year
Money held in trust for trading purposes	11,278	-

2. Other money held in trust (except for trading or held-to-maturity purposes) (As of March 31, 2020)

(Millions of yen)

	Carrying amount in the consolidated balance sheet	Acquisition cost	Difference	Other money held in trust for which carrying amounts in the consolidated balance sheet exceed the acquisition costs	Other money held in trust for which carrying amounts in the consolidated balance sheet do not exceed the acquisition costs
Other money held in trust	120,210	101,210	18,999	19,081	81

(Note) “Other money held in trust for which carrying amounts in the consolidated balance sheet exceed the acquisition costs” and “Other money held in trust for which carrying amounts in the consolidated balance sheet do not exceed the acquisition costs” are the details of “Difference”.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

Notes on Business Combinations

(Colonial First State Group Limited Subsidiaries became consolidated subsidiaries through a share acquisition)

On August 2, 2019, the Bank acquired 100% of the shares in each of nine subsidiaries of Colonial First State Group Limited from Australian financial group Commonwealth Bank of Australia and its wholly-owned subsidiary Colonial First State Group Limited (the “Transaction”), and the nine subsidiaries became consolidated subsidiaries of the Bank.

On September 16, 2019, the nine subsidiaries and their subsidiaries changed their brand name in the Commonwealth of Australia to First Sentier Investors (“FSI”).

1. Overview of the business combination

(1) Names and business description of the acquired companies

Names of the acquired companies

Colonial First State Asset Management (Australia) Limited
Colonial First State Infrastructure Holdings Limited
Colonial First State Managed Infrastructure Limited
First State Investment Managers (Asia) Limited
First State Investments (UK Holdings) Limited
First State Investments (US) LLC
Realindex Investments Pty Limited
CFSGAM IP Holdings Pty Limited
CFSGAM Services Pty Ltd

Business description

Asset Management, etc.

(2) Main objectives of the business combination

MUFG has stated in the current Medium-Term Business Plan for the three years from 2018 that its Asset Management & Investor Services Business Group aims to become “the unparalleled industry leader in Japan as well as a global player boasting significant presence overseas.” To achieve this goal of becoming a major player in the global asset management market, MUFG has been pursuing growth through inorganic investments, while endeavoring to enhance its asset management capabilities and product competitiveness, with the Bank being the core subsidiary in the Business Group.

FSI is a global asset management firm that offers a wide range of products including equities, fixed income and alternatives, and has competitive investment products with distinctive feature in Asian-Pacific and emerging equity markets, and infrastructure investments.

Through the Transaction, MUFG expects to be able to meet various customer’s needs by expanding its product lineup and enhancing its presence as one of the largest asset management firms in Asia and Oceania region. MUFG aims to work together with FSI to continue delivering value to our current and future customers.

(3) Date of the business combination

August 2, 2019

(4) Legal form of the business combination

Consolidation of the companies as subsidiaries through the acquisition of their shares

(5) Companies’ names after the business combination

First Sentier Investors (Australia) IM Ltd (*1)
First Sentier Investors (Australia) Infrastructure Holdings Ltd (*1)
First Sentier Investors (Australia) RE Ltd (*1)
First Sentier Investors Asia Holdings Ltd (*2)
First State Investments (UK Holdings) Limited
First State Investments (US) LLC
First Sentier Investors Realindex Pty Ltd (*1)
First Sentier Investors (Australia) IP Holdings Pty Ltd (*2)
First Sentier Investors (Australia) Services Pty Ltd (*2)
(*1) Company’s name was changed on October 21, 2019
(*2) Company’s name was changed on September 12, 2019

(6) Ratio of the acquired voting rights

100%

2. Period in which the acquired companies’ operating results were reflected in the consolidated statement of income

The fiscal year end of FSI is the end of December, which differs by three months from the consolidated balance sheet date of the Bank. The results of operations of FSI for the period from August 2, 2019 to December 31, 2019 were included in the consolidated statement of income.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

3. Acquisition cost relating to the acquired companies and components thereof

Consideration for the acquisition	Cash	¥312,225 million
Acquisition cost		¥312,225 million

4. Description and amount of major acquisition-related expenses

Direct expenses relating to the acquisition	Advisory fees, etc.	¥3,775million
---	---------------------	---------------

5. Amount of goodwill recorded, reason for goodwill recorded, amortization method and amortization period

(1) Amount of goodwill recorded

¥177,065 million

(2) Reason for goodwill recorded

The recorded goodwill reflected expected increases in profits from future business operations.

(3) Amortization method and amortization period

Straight-line method over 20 years

6. Amounts of assets received and liabilities assumed on the date of the business combination and major components thereof

(1) Amount of assets	Total assets	¥197,867 million
	Of which, cash and due from banks	¥42,019 million
(2) Amount of liabilities	Total liabilities	¥68,519 million
	Of which, reserve for bonuses	¥18,769 million

In the allocation of the acquisition cost, the amount allocated to intangible fixed assets other than goodwill was ¥105,973 million, which mainly consisted of ¥100,862 million of customer relationships (amortization period of 18 years).

7. Estimated amount of the impact of the business combination on the consolidated statement of income for the current fiscal year and the calculation method of such amount assuming that the business combination was completed on the beginning date of the current fiscal year

Ordinary income	¥40,632 million
Ordinary profits	¥4,633 million
Profits attributable to owners of parent	¥3,186 million

(Method used for calculating the estimated amount)

The estimated amount represents the impact of the business combination on ordinary income, ordinary profits and profits attributable to owners of parent, each calculated based on the assumption that the business combination was completed on the beginning date of the current fiscal year. The amount of amortization has also been calculated based on the assumption that the goodwill and intangible fixed assets recognized in connection with the business combination was recognized as of the beginning date of the current fiscal year.

The estimated amount is unaudited.

(TRANSLATION)

Mitsubishi UFJ Trust and Banking Corporation
and Consolidated Subsidiaries

Information on Per Share of Common Stock

Net assets per share of common stock: ¥666.45

Net income per share of common stock: ¥36.97

Diluted net income per share is not disclosed because it is anti-dilutive.