MITSUBISHI UFJ FINANCIAL GROUP INC
Form 6-K
November 28, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

For the month of November 2018

Commission File No. 000-54189

MITSUBISHI UFJ FINANCIAL GROUP, INC.

(Translation of registrant s name into English)

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

Tokyo 100-8330, Japan

(Address of principal executive office)

Indicate by check mark whether the registrant files or

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

Form 20-F __X__ Form 40-F ________

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

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

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

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

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM F-3 (NO. 333-209455) OF MITSUBISHI UFJ FINANCIAL GROUP, INC. AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED TO THE U.S. SECURITIES AND EXCHANGE COMMISSION TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED WITH OR FURNISHED TO THE U.S. SECURITIES AND EXCHANGE COMMISSION.

SIGNATURES

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

Date: November 28, 2018

Mitsubishi UFJ Financial Group, Inc.

By:	/s/ Zenta Morokawa
Name:	Zenta Morokawa
Title:	Managing Director,
	Head of Documentation & Corporate Secretary Department, Corporate Administration Division

English Translation of Excerpts from Quarterly Securities Report Filed in Japan

This document is an English translation of selected information included in the Quarterly Securities Report for the quarter ended September 30, 2018 filed by Mitsubishi UFJ Financial Group, Inc. (MUFG or we) with the Kanto Local Financial Bureau, the Ministry of Finance of Japan, on November 28, 2018 (the Quarterly Securities Report). An English translation of certain information included in the Quarterly Securities Report was previously submitted in a report on Form 6-K dated November 13, 2018. Accordingly, this document should be read together with the previously submitted report.

The Quarterly Securities Report has been prepared and filed in Japan in accordance with applicable Japanese disclosure requirements as well as generally accepted accounting principles in Japan (J-GAAP). There are significant differences between J-GAAP and generally accepted accounting principles in the United States. In addition, the Quarterly Securities Report is intended to update prior disclosures filed by MUFG in Japan and discusses selected recent developments in the context of those prior disclosures. Accordingly, the Quarterly Securities Report may not contain all of the information that is important to you. For a more complete discussion of the background to information provided in the Quarterly Securities Report disclosure, please see our annual report on Form 20-F for the fiscal year ended March 31, 2018 and the other reports filed with or submitted to the U.S. Securities and Exchange Commission by MUFG.

Risks Relating to Our Business

We describe below some major developments and changes to update our risk factor disclosure previously included in our annual securities report for the fiscal year ended March 31, 2018 filed in Japan on June 28, 2018. The updates below are not a complete update of the prior disclosure, but instead intended to explain only the significant developments and changes that we believe may have a material impact on the risks to our business and other risks. The discussion below contains forward-looking statements, which, unless specifically described otherwise, reflect our understanding as of the date of filing of the Quarterly Securities Report. On April 1, 2018, our major subsidiary, The Bank of Tokyo-Mitsubishi UFJ, Ltd., was renamed MUFG Bank, Ltd.

The numbering of the subheading of the risk disclosure below corresponds to the numbering of the subheading of the same risk disclosure in Risks Relating to Our Business in our most recent annual securities report filed in Japan.

5. Risks relating to our financial markets operations

We undertake extensive financial market operations involving a variety of financial instruments, including derivatives, and hold large volumes of such financial instruments. As a result, our financial condition and results of operations are subject to the risks relating to these operations and holdings. The primary risks are fluctuations in interest rates in and outside of Japan, foreign currency exchange rates and securities prices. For example, an increase in interest rates in and outside of Japan may adversely affect the value of our fixed income securities portfolio. Specifically, interest rates may increase in the event that Japanese government bonds decline in value due to such factors as a heightened market expectation for tapering, cessation or revision of the quantitative and qualitative monetary easing with yield curve control program in response to further progress in the anti-deflation measures in Japan and a decline in confidence in Japan s fiscal health and sovereign creditworthiness, or in the event that interest rates on U.S. Treasury securities rise due to such factors as acceleration in the pace of interest rate increases in the United States. If interest rates in and outside of Japan rise for these or other reasons, we may incur significant losses on sales of, and valuation losses on, our government bond portfolio. In addition, an appreciation of the Japanese yen will cause the value of our foreign currency-denominated investments on our financial statements to decline and may cause us to recognize losses on sales or valuation losses. We manage market risk, which is the risk of incurring losses due to various market changes including interest rates in and outside of Japan, foreign currency exchange rates and securities prices, by separating market risk into general market risk and specific risk. General market risk is the risk of incurring losses due to changes in overall markets, while specific risk is the risk of incurring losses due to changes in the prices of individual financial instruments, including stocks and bonds, which fluctuate separately from changes in the overall direction of the market. To measure these risks, we use a method that statistically estimates how much the market value of our portfolio may decline over a fixed period of time in the future based on past market changes, and we consider the sum of our general market risk and specific risk calculated by this method as our market risk exposure. However, because of its inherent nature, our market risk exposure calculated in this manner cannot always reflect the actual risk that we face, and we may realize actual losses that are greater than our estimated market risk exposure.

In addition, if the quantitative and qualitative monetary easing with yield curve control program is maintained in Japan for an extended period, or if the negative interest rate is lowered from the current level, market interest rates may decline further, and the yield on the Japanese government bonds and other financial instruments that we hold may also decline.

Furthermore, we may voluntarily modify, or may be required by changes in accounting rules or otherwise to modify, the valuation method and other accounting treatment we apply to the financial instruments we hold in connection with our markets operations. In such case, our results of operations may be adversely affected.

19. Risks of receiving potential claims or sanctions regarding inappropriate or illegal practices or other conduct from our customers or regulatory authorities

We conduct our business subject to ongoing regulations and associated compliance risks (including the effects of changes in laws, regulations, policies and voluntary codes of practice in Japan and other markets where we operate). In the current regulatory environment, we are subject to various regulatory inquiries or investigations from time to time in connection with various aspects of our business and operations. Our compliance risk management systems and programs may not be fully effective in preventing all violations of laws, regulations and rules.

Our failure to comply with all applicable laws and regulations, including those relating to money laundering, financial crimes, and other inappropriate or illegal transactions, may lead to penalties, fines, public reprimands, damage to reputation, issuance of business improvement and other administrative orders, enforced suspension of operations or, in extreme cases, withdrawal of authorization to operate. These consequences may harm our reputation resulting in loss of customer or market confidence in us or otherwise in deterioration of our business environment, and may adversely affect our business and results of operations. Our ability to obtain regulatory approvals for future strategic initiatives may also be adversely affected.

In December 2012, Bank of Tokyo-Mitsubishi UFJ agreed to make a payment to the Office of Foreign Assets Control of the U.S. Department of the Treasury, or OFAC, to settle potential civil liability for apparent violations of certain U.S. sanctions regulations from 2006 to 2007. In addition, in June 2013, Bank of Tokyo-Mitsubishi UFJ entered into a consent agreement with the New York State Department of Financial Services, or NYDFS, to resolve issues relating to certain U.S. dollar payments that were routed through New York from 2002 to 2007. Under the terms of the agreement with NYDFS, Bank of Tokyo-Mitsubishi UFJ agreed to make a civil monetary payment to NYDFS and retain an independent consultant to conduct a compliance review of the relevant controls and related matters in Bank of Tokyo-Mitsubishi UFJ s current operations. In addition, in November 2014, Bank of Tokyo-Mitsubishi UFJ entered into a consent agreement with NYDFS to resolve issues relating to instructions given to PricewaterhouseCoopers LLP, or PwC, and the disclosures made to NYDFS in connection with Bank of Tokyo-Mitsubishi UFJ s 2007 and 2008 voluntary investigation of Bank of Tokyo-Mitsubishi UFJ s U.S. dollar clearing activity toward countries under U.S. economic sanctions. Bank of Tokyo-Mitsubishi UFJ had hired PwC to conduct a historical transaction review report in connection with that investigation. Under the terms of the agreement with NYDFS, Bank of Tokyo-Mitsubishi UFJ made a payment of the stipulated amount to NYDFS, and agreed to take actions on persons involved in the matter at that time, relocate its U.S. BSA/AML and OFAC sanctions compliance programs to New York, and extend, if regarded as necessary by NYDFS, the period during which an independent consultant is responsible for assessing Bank of Tokyo-Mitsubishi UFJ s internal controls regarding compliance with applicable laws and regulations related to U.S. economic sanctions. On November 9, 2017, Bank of Tokyo-Mitsubishi UFJ entered into a Stipulation and Consent to the Issuance of a Consent Order with the U.S. Office of the Comptroller of the Currency, or OCC, under which Bank of Tokyo-Mitsubishi UFJ agreed to the entry by the OCC of a Consent Order that includes remedial terms and conditions that are substantively the same as those included in the consent agreements that Bank of Tokyo-Mitsubishi UFJ had reached with NYDFS in June 2013 and November 2014. This Consent Order, which the OCC executed, enables the OCC to supervise MUFG Bank s plans to enhance its internal controls and compliance program relating to OFAC sanctions requirements. The Stipulation and Consent with the OCC followed MUFG s conversion of the U.S. Branches and Agencies of MUFG Bank and Mitsubishi UFJ Trust and Banking Corporation, including MUFG Bank s New York Branch, from state-licensed branches and agencies under the supervision of state regulatory agencies, including NYDFS, to federally licensed branches and agencies under the supervision of the OCC. MUFG Bank is undertaking necessary actions relating to these matters. In addition, MUFG Bank is currently engaged in litigation with NYDFS with regard to the conversion of its New York Branch license as well as purported violations of law alleged to have occurred prior to the federal license conversion. These developments or other similar events may result in additional regulatory actions against us or agreements to make significant settlement payments.

We have received requests and subpoenas for information from government agencies in some jurisdictions that are conducting investigations into past submissions made by panel members, including us, to the bodies that set various interbank benchmark rates as well as investigations into foreign exchange related practices of global financial institutions. We are cooperating with these investigations and have been conducting an internal investigation among other things. In connection with these matters, we and other panel members and global financial institutions have been named as defendants in a number of civil lawsuits, including putative class actions, in the United States. These developments or other similar events may expose us to significant adverse financial and other consequences.

In July 2018, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., or MUMSS, our consolidated subsidiary, received an order from the Japanese Ministry of Finance suspending the special entitlements of MUMSS as a Japanese Government Bond Market Special Participant, and also received an order from the Japanese Financial Services Agency imposing an administrative monetary penalty, each based on a finding of market manipulation relating to 10-year Japanese government bond futures.

Additional Japanese GAAP Financial Information for the six months ended September 30, 2018

Consolidated Statements of Cash Flows

	For the six months ended September 30, 2017	(in millions of yen) For the six months ended September 30, 2018
Cash flows from operating activities:		
Profits before income taxes	868,377	868,761
Depreciation and amortization	158,598	155,871
Impairment losses	22,597	8,507
Amortization of goodwill	8,519	8,595
Equity in losses (gains) of equity method investees	(135,674)	(163,778)
Increase (decrease) in allowance for credit losses	(114,309)	(110,467)
Increase (decrease) in reserve for bonuses	(12,975)	(19,378)
Increase (decrease) in reserve for bonuses to directors	(327)	(266)
Increase (decrease) in reserve for stock payment	152	(1,485)
Decrease (increase) in net defined benefit assets	(80,612)	(60,214)
Increase (decrease) in net defined benefit liabilities	8	271
Increase (decrease) in reserve for retirement benefits to directors	(186)	(176)
Increase (decrease) in reserve for loyalty award credits	2,049	1,273
Increase (decrease) in reserve for contingent losses	(22,020)	(87,782)
Interest income recognized on statement of income	(1,533,164)	(1,805,570)
Interest expenses recognized on statement of income	559,557	835,371
Losses (gains) on securities	(188,470)	(82,017)
Losses (gains) on money held in trust	5,356	4,873
Foreign exchange losses (gains)	(578,912)	(1,012,255)
Losses (gains) on sales of fixed assets	2,230	(6,379)
Net decrease (increase) in trading assets	2,338,325	(1,436,867)
Net increase (decrease) in trading liabilities	(3,594,083)	255,087
Adjustment of unsettled trading accounts	594,190	1,370,991
Net decrease (increase) in loans and bills discounted	(39,655)	(990,046)
Net increase (decrease) in deposits	1,466,248	(813,018)
Net increase (decrease) in negotiable certificates of deposit	424,168	(1,989,384)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	1,179,050	18,417
Net decrease (increase) in call loans and bills bought and others	1,810,988	(6,088,211)
Net decrease (increase) in receivables under securities borrowing transactions	1,160,053	6,107,388
Net increase (decrease) in call money and bills sold and others	1,941,965	7,625,302
Net increase (decrease) in commercial papers	419,168	359,197
Net increase (decrease) in payables under securities lending transactions	(749,951)	(6,219,684)
Net decrease (increase) in foreign exchanges (assets)	(7,508)	277,871
Net increase (decrease) in foreign exchanges (liabilities)	66,493	304,235
Net increase (decrease) in short-term bonds payable	13,600	(117,799)
Net increase (decrease) in issuance and redemption of unsubordinated bonds payable	244,674	1,068,580

Net increase (decrease) in due to trust accounts	(399,598)	(287,749)
Interest income (cash basis)	1,565,981	1,815,593
Interest expenses (cash basis)	(542,327)	(809,948)
Others	(1,282,058)	(534,928)
Sub-total	5,570,520	(1,551,220)
Income taxes	(162,636)	(239,967)
Refund of income taxes	15,863	25,960
Net cash provided by (used in) operating activities	5,423,748	(1,765,228)

	For the six months ended September 30, 2017	(in millions of yen) For the six months ended September 30, 2018
Cash flows from investing activities:		
Purchases of securities	(36,581,978)	(28,604,915)
Proceeds from sales of securities	19,471,073	17,405,834
Proceeds from redemption of securities	18,116,564	12,372,064
Payments for increase in money held in trust	(299,828)	(347,763)
Proceeds from decrease in money held in trust	168,197	329,346
Purchases of tangible fixed assets	(71,562)	(76,788)
Purchases of intangible fixed assets	(116,475)	(137,303)
Proceeds from sales of tangible fixed assets	4,011	15,362
Proceeds from sales of intangible fixed assets	700	0
Payments for acquisition of subsidiaries equity affecting the scope of consolidation	(20)	(1,106)
Others	(1,374)	(411)
Net cash provided by (used in) investing activities	689,305	954,320
Cash flows from financing activities:		
Proceeds from subordinated borrowings	23,000	10,000
Repayments of subordinated borrowings	(37,985)	(24,315)
Proceeds from issuance of subordinated bonds payable and bonds with warrants	424,461	138,400
Payments for redemption of subordinated bonds payable and bonds with warrants	(188,482)	(2,606)
Proceeds from issuance of common stock to non-controlling shareholders	2,012	358
Repayments to non-controlling shareholders	(16)	
Dividend paid by MUFG	(121,163)	(131,954)
Dividend paid by subsidiaries to non-controlling shareholders	(19,594)	(26,252)
Purchases of treasury stock	(101,027)	(59,639)
Proceeds from sales of treasury stock	2,196	4,088
Payments for purchases of subsidiaries equity not affecting the scope of consolidation	(318)	(38)
Proceeds from sales of subsidiaries equity not affecting the scope of consolidation	0	
Others	0	
Net cash provided by (used in) financing activities	(16,918)	(91,960)
Effect of foreign exchange rate changes on cash and cash equivalents	12,139	202,911
Net increase (decrease) in cash and cash equivalents	6,108,276	(699,956)
Cash and cash equivalents at the beginning of the period	63,525,940	74,713,689
Cash and cash equivalents at the end of the period	69,634,216	74,013,732

4

Additional Japanese GAAP Financial Information for the six months ended September 30, 2018

1. Significant Accounting Policies Applied to the Semi-Annual Consolidated Financial Statements

I. Scope of consolidation

(1) Number of consolidated subsidiaries: 215
Principal companies:

MUFG Bank, Ltd.	Mitsubishi UFJ Securities Holdings Co., Ltd.
Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ NICOS Co., Ltd.
ACOM CO., LTD.	

(a) Changes in the scope of consolidation in the six months ended September 30, 2018
PT Guna Dharma and seven other companies were newly included in the scope of consolidation due to a share acquisition or other reasons. In addition, MUFG Capital Finance 6 Limited and another company were excluded from the scope of consolidation due to liquidation.

(2) Non-consolidated subsidiaries: None

(3) Entities not regarded as subsidiaries even though Mitsubishi UFJ Financial Group, Inc. (MUFG) owns the majority of voting rights:
Hygeia Co., Ltd.

OiDE CapiSEA, Inc.

OiDE Adjubilee, Inc.

A&M Drug Development, LLC

OiDE RYO-UN Co, Inc.

(a) Reasons for excluding from the scope of consolidation
These entities were not treated as subsidiaries because they were established as property management agents for land trust projects without any intent to control, or because MUFG s consolidated venture capital subsidiaries owned the majority of voting rights primarily to benefit from the appreciation of their investments resulting from growth of the investees businesses without any intent to control.

II. Application of the equity method

(1) Number of non-consolidated subsidiaries accounted for under the equity method: None

(2) Number of equity method affiliates: 59

Principal companies:

Mitsubishi UFJ Lease & Finance Company Limited

Morgan Stanley

(a) Changes in the scope of application of the equity method in the six months ended September 30, 2018

PT Bank Danamon Indonesia, Tbk. and three other companies were newly included in the scope of application of the equity method due to a share acquisition or other reasons. In addition, MU Japan Fund PLC was excluded from the scope of application of the equity method as a result of the sale of the equity interest back to the company.

(Additional information)

(Equity method applied to Bank Danamon due to additional shares acquisition)

On August 3, 2018, MUFG Bank, Ltd. (the Bank), a consolidated subsidiary of MUFG, increased its equity interest in PT Bank Danamon Indonesia, Tbk. (Danamon) to 40.0% by acquiring an additional 20.1% of the outstanding shares of Danamon from Asia Financial (Indonesia) Pte. Ltd. (AFI) and other entities (together with AFI, the Sellers). As a result, Danamon became an equity method affiliate of both MUFG and the Bank.

1. Objectives of the transaction

The Bank intends to establish an integrated and comprehensive services platform that serves as a gateway for clients wishing to make inroads into Indonesia s burgeoning economy as well as local companies keen on expanding into the region. This investment is also expected to strategically allow the Bank to benefit from Danamon s foothold in the developing local retail and small and medium enterprises (SME) segments to deepen its banking franchise in Indonesia.

2. Outline of the proposed transaction

The Bank entered into conditional share purchase agreements with the Sellers on December 26, 2017, to acquire an aggregate equity interest of 73.8% in Danamon, subject to applicable regulatory approvals.

This strategic investment by the Bank will be executed through three steps. Upon the completion of the three steps, Danamon will be a consolidated subsidiary of MUFG and the Bank.

Step 1: On December 29, 2017, the Bank acquired an initial 19.9% equity interest (1,907,344,030 shares) in Danamon from the Sellers based on a price of IDR 8,323 (approximately ¥70) per share at an aggregate investment amount of IDR 15,875 billion (approximately ¥133.4 billion). The price was based on a price book-value ratio of 2.0 calculated on the basis of Danamon s net assets as of September 30, 2017, with certain adjustments applied.

Step 2: On August 3, 2018, as stated above, the Bank acquired an additional 20.1% equity interest (1,926,513,316 shares) in Danamon from the Sellers, based on a price of IDR 8,921 (approximately ¥69) per share at an aggregate investment amount of IDR 17,187 billion (approximately ¥132.3 billion). The price was based on a price book-value ratio of 2.0 calculated on the basis of Danamon s net assets as of June 30, 2018, with certain adjustments applied. As a result, Danamon became an equity method affiliate of both MUFG and the Bank.

Step 3: The Bank intends to seek the necessary approvals to increase its equity interest in Danamon above 40%, and this will provide an opportunity for all other existing Danamon shareholders to either remain as shareholders or receive cash from the Bank. With the closing of Step 3, the Bank s final equity interest in Danamon is expected to be 73.8% or larger. The price for Danamon s shares in Step 3 will be calculated in a manner similar to Step 1 and Step2.

3. Overview of Danamon

Corporate name	PT Bank Danamon Indonesia, Tbk.
Business description	Commercial banking
Application date of the equity method	August 3, 2018
Legal form of equity method affiliate acquisition	Shares acquisition
Acquired voting rights ratio	40%

4. Period for which the results of operations of the equity method investee are included in the consolidated financial statements

As the equity method investee s fiscal year ends on December 31, which differs by three months from MUFG s fiscal year-end, the equity method affiliate s results of operations were not included in the consolidated statements of income for the six months ended September 30, 2018.

5. Outline of the accounting treatment applied

(1) Acquisition cost relating to the equity method investee

Consideration for the acquired shares	Cash and due from banks	¥ 271,290 million
Direct expenses relating to the acquisition	Advisory fees, etc.	¥ 1,890 million
Acquisition cost		¥ 273,181 million

(2) Amount of goodwill recorded and reason for recording goodwill

(a) Amount of goodwill recorded: ¥154,370 million
This amount is on a preliminary basis since the allocation of the acquisition cost has not been completed.

(b) Reason for goodwill recorded
The acquisition cost exceeded MUFG s interest in the net asset value of the equity method investee on the acquisition date.

(3) Number of non-consolidated subsidiaries not accounted for under the equity method: None

(4) Number of affiliates not accounted for under the equity method: None

(5) Entities not regarded as affiliates in which MUFG owns 20% to 50% of their voting rights:
Hirosaki Co., Ltd.

EDP Corporation

ISLE Co., Ltd.

AKITAYA Co., Ltd.

Sanriku Resort Co., LTD

Fun Place Co., Ltd.

Shonai Paradiso Co., LTD

Kamui Pharma Co., Ltd.

GEXVal Inc.

(a) Reasons for excluding from the scope of affiliates

These entities were not regarded as affiliates because MUFG s consolidated venture capital subsidiaries owned 20% to 50% of voting rights primarily to benefit from the appreciation of their investments resulting from growth or restructuring of the investees businesses without any intent to control.

III. Semi-annual balance sheet dates of consolidated subsidiaries

(1) The semi-annual balance sheet dates of consolidated subsidiaries were as follows:

The end of February:	1	subsidiary
The end of April:	1	subsidiary
The end of June:	129	subsidiaries
July 24:	7	subsidiaries
The end of September:	77	subsidiaries

(2) A subsidiary whose balance sheet date is the end of February was consolidated based on its preliminary financial statements as of the end of August.

A subsidiary whose balance sheet date is the end of April was consolidated based on its preliminary financial statements as of the end of July.

The remaining subsidiaries were consolidated based on their financial statements as of their respective balance sheet dates.

Adjustments were made to the consolidated financial statements to reflect significant transactions that occurred between the balance sheet dates of the subsidiaries and the consolidated balance sheet date.

IV. Accounting policies

(1) Trading assets and Trading liabilities; Trading income and expenses

Transactions involving short-term fluctuations or arbitrage opportunities in interest rates, currency exchange rates, market prices of financial instruments or other market indices (trading purposes) are presented in Trading assets and Trading liabilities on the consolidated balance sheet on a trade-date basis, and gains and losses from trading transactions (interest and dividends, gains or losses on sales and gains or losses on valuation) are presented in Trading income and Trading expenses on the consolidated statement of income.

Trading assets and trading liabilities are stated at fair value on the consolidated balance sheet date.

(2) Securities

(a) Debt securities being held to maturity are stated at amortized cost (using the straight-line method) computed using the moving-average method. Available-for-sale securities are primarily stated at their quoted market prices on the consolidated balance sheet date (cost of securities sold is calculated primarily using the moving-average method), and available-for-sale securities whose fair value cannot be reliably determined are stated at acquisition costs computed using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities are included directly in net assets, net of applicable income taxes, except in the case of application of the fair value hedge accounting method, in which the change in fair value recognized is recorded in current earnings.

(b) Securities included in trust assets in money held in trust are accounted for under the same basis as noted above in Notes (1) and (2)(a).

Net unrealized gains (losses) on securities in money held in trust, which are not held for trading purposes or held to maturity, are included directly in net assets, net of applicable income taxes.

(3) Derivatives

Derivative transactions (excluding those for trading purposes) are calculated primarily at fair value.

(4) Depreciation and amortization of fixed assets

(a) Tangible fixed assets (except for lease assets)

Depreciation of tangible fixed assets of MUFG and its domestic consolidated banking subsidiaries and domestic consolidated trust banking subsidiaries is computed using the declining-balance method, and is recorded based on the semi-annual period allocation of the estimated depreciation amount for the full year computed using the declining-balance method over the estimated useful lives of the assets. The useful lives are primarily estimated as follows:

Buildings: 15 to 50 years

Equipment: 2 to 20 years

Depreciation of tangible fixed assets of other consolidated subsidiaries is computed primarily using the straight-line method based on their estimated useful lives.

(b) Intangible fixed assets (except for lease assets)

Amortization of intangible fixed assets is computed using the straight-line method.

Development costs for internally used software are amortized using the straight-line method over the estimated useful lives of primarily 3 to 10 years.

(c) Lease assets

Depreciation or amortization of lease assets in Tangible fixed assets or Intangible fixed assets of the finance leases other than those that are deemed to transfer the ownership of leased property to the lessees is computed using the straight-line method over the lease periods with zero residual value unless residual value is guaranteed by the corresponding lease contracts, in which case the residual value equals the guaranteed amount.

(5) Deferred assets

Bond issuance costs and stock issuance costs are expensed as incurred.

(6) Allowance for credit losses

Principal domestic consolidated subsidiaries determine the amount of allowance for credit losses in accordance with the internal standards for self-assessment of asset quality and the internal standards for write-offs and provisions.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings or whose notes have been dishonored and suspended from processing through clearing houses (bankrupt borrowers) or borrowers that are not legally or formally bankrupt but are regarded as substantially in a similar condition (virtually bankrupt borrowers), allowances are provided based on the amount of claims, after the write-offs as stated below, net of expected amounts to be collected through the disposal of collateral and the execution of guarantees.

For claims on borrowers that are not yet legally or formally bankrupt but deemed to have a high possibility of becoming bankrupt (likely to become bankrupt borrowers), where the amounts of principal repayments and interest payments cannot be reasonably estimated from the borrower s cash flows, allowances are provided based on an overall solvency assessment of the claims, net of expected amounts to be collected through the disposal of collateral and the execution of guarantees.

For claims on likely to become bankrupt borrowers and claims on borrowers requiring close monitoring, where the amounts of principal repayments and interest payments can be reasonably estimated from the borrower s cash flows, allowances are provided in an amount equal to the difference between the book value of the claims and the relevant cash flows discounted by the initial contractual interest rates.

For other claims, allowances are provided based on historical credit loss experience.

For claims originated in certain foreign countries, additional allowances are provided based on an assessment of political and economic conditions of these countries.

All claims are assessed by the relevant branches and credit supervision departments in accordance with the internal standards for self-assessment of asset quality. The credit review department, which is independent from those operating sections, subsequently audits these assessments.

For claims on bankrupt borrowers and virtually bankrupt borrowers, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, is written off. The total amount of write-offs was ¥324,640 million as of September 30, 2018 (¥361,108 million as of March 31, 2018).

Consolidated subsidiaries not adopting the procedures stated above provide for allowances based on their historical credit loss experience for collectively assessed claims and based on individual assessments of the possibility of collection for specific deteriorated claims.

(7) Reserve for bonuses

Reserve for bonuses, which is provided for future bonus payments to employees, is recorded in the amount deemed to have accrued based on the estimated amount of bonuses as of the consolidated balance sheet date.

(8) Reserve for bonuses to directors

Reserve for bonuses to directors, which is provided for future bonus payments to directors, is recorded in the amount deemed to have accrued based on the estimated amount of bonuses as of the consolidated balance sheet date.

(9) Reserve for stocks payment

Reserve for stocks payment, which is provided for future payments of compensation under the stock compensation plan for directors and officers of MUFG and certain domestic consolidated subsidiaries, is recorded in the amount deemed to have accrued based on the estimated amount of compensation as of the consolidated balance sheet date.

(10) Reserve for retirement benefits to directors

Reserve for retirement benefits to directors, which is provided for future payments of retirement benefits to directors of consolidated subsidiaries, is recorded in the amount deemed to have accrued based on the estimated amount of benefits as of the consolidated balance sheet date.

(11) Reserve for loyalty award credits

Reserve for loyalty award credits, which is provided for the future redemption of points awarded to customers through Super IC Cards, etc., is calculated by rationally estimating an amount that will be redeemed in the future based on the monetary amount converted from the awarded but unused points, and is recorded in the appropriate amount as a reserve.

(12) Reserve for contingent losses

Reserve for contingent losses, which is provided for possible losses from contingent events related to off-balance sheet transactions and various litigation and regulatory matters, is calculated by estimating the impact of such contingent events. This reserve also includes future claims for repayment of excess interest payments on consumer loans that are estimated based on the past repayments, the pending claims and other factors.

(13) Reserves under special laws

Reserves under special laws represent the reserve for contingent liabilities from derivative financial instruments transactions executed for clients, which are recorded in accordance with Article 46-5-1 of the Financial Instruments and Exchange Law and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business.

(14) Retirement benefits

In calculating benefit obligation, the portion of projected benefit obligation attributed to the six-month period ended September 30, 2018 is determined using the benefit formula basis.

Prior service cost is amortized using the straight-line method over a fixed period, primarily over 10 years, within the employees average remaining service period.

Net actuarial gains (losses) are amortized using the straight-line method over a fixed period, primarily over 10 years, within the employees average remaining service period, beginning in the subsequent fiscal year after its occurrence.

For certain overseas branches of domestic consolidated subsidiaries and some of consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by the simplified method.

(15) Translation of assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies or booked at overseas branches of domestic consolidated banking subsidiaries and domestic consolidated trust banking subsidiaries are translated into yen primarily at exchange rates prevailing at the consolidated balance sheet date, except for investments in non-consolidated affiliates which are translated into yen at exchange rates prevailing at the acquisition dates.

Assets and liabilities denominated in foreign currencies of other consolidated subsidiaries are translated into yen at exchange rates prevailing at the respective balance sheet date.

(16) Leasing transactions

(As Lessees)

Domestic consolidated subsidiaries finance leases other than those that are deemed to transfer the ownership of leased property to the lessees are accounted for in a similar way to purchases, and depreciation for lease assets is computed using the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts, in which case the residual value equals the guaranteed amount.

(As Lessors)

Finance leases other than those that are deemed to transfer the ownership of leased property to the lessees are accounted for in a similar way to sales and income and expenses related to such leases are recognized by allocating interest equivalents to applicable fiscal periods instead of recording sales as Other ordinary income.

(17) Hedge accounting

(a) Hedge accounting for interest rate risks

Domestic consolidated banking subsidiaries and domestic consolidated trust banking subsidiaries have adopted the deferred hedge accounting method for hedging transactions to hedge interest rate risks arising from financial assets and liabilities. Portfolio hedging or individual hedging, as described in the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 24, Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry (February 13, 2002) and JICPA Accounting Committee Report No. 14, Practical Guidelines for Accounting for Financial Instruments (January 31, 2000), are primarily applied to determine hedged items.

With respect to hedging transactions to offset fluctuations in the fair value of fixed rate deposits, loans and other instruments, hedging instruments (e.g., interest rate swaps) are designated to hedged items individually or collectively by their maturities in accordance with JICPA Industry Audit Committee Report No. 24. With respect to hedging transactions to offset fluctuations in the fair value of fixed rate bonds classified as available-for-sale securities, hedging instruments (e.g., interest rate swaps) are designated to hedged items collectively by the type of bond. Since material terms related to hedged items and hedging instruments are substantially identical, and such hedging transactions are deemed highly effective, the assessment of effectiveness is based on the similarity of the terms.

With respect to hedging transactions to fix the cash flows related to floating rate deposits, loans and other instruments as well as forecasted transactions related to short-term fixed rate deposits, loans and other instruments, hedging instruments (e.g., interest rate swaps) are designated to hedged items collectively by interest rate indices and tenors in accordance with JICPA Industry Audit Committee Report No. 24. Since material terms related to hedged items and hedging instruments are substantially identical, and such hedging transactions are deemed highly effective, the assessment of effectiveness is based on the similarity of the terms. The effectiveness of hedging transactions is also assessed by the correlation between factors that cause fluctuations in interest rates of hedged items and those of hedging instruments.

(b) Hedge accounting for foreign currency risks

Domestic consolidated banking subsidiaries and domestic consolidated trust banking subsidiaries have adopted the deferred hedge accounting method for hedging foreign currency risks arising from financial assets and liabilities denominated in foreign currencies. Portfolio hedging is applied to determine hedged items as described in JICPA Industry Audit Committee Report No. 25, Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transactions in the Banking Industry (July 29, 2002). Hedging instruments (e.g., currency swaps and forward exchange contracts) are designated to hedged items collectively by currencies.

Portfolio hedging and individual hedging are applied to hedge foreign currency risks arising from equity investments in foreign subsidiaries and foreign affiliates, and available-for-sale securities (other than bonds) denominated in foreign currencies. Monetary claims and liabilities denominated in the same foreign currencies or forward exchange contracts are used as hedging instruments. As for the hedge accounting method applied to equity investments in foreign subsidiaries and foreign affiliates, foreign currency translation differences arising from hedging instruments are recorded as foreign currency translation adjustments. The fair value hedge accounting method is applied to available-for-sale securities (other than bonds) denominated in foreign currencies.

(c) Hedge accounting for stock price fluctuation risks

Individual hedging is applied to hedge market fluctuation risks arising from strategic equity securities held by domestic consolidated banking subsidiaries and domestic consolidated trust banking subsidiaries. Instruments such as total return swaps are used as hedging instruments. The effectiveness of hedging transactions is assessed by the correlation between changes in fair value of hedged items and changes in fair value of hedging instruments. The fair value hedge accounting method is applied.

(d) Transactions among consolidated subsidiaries

Derivative transactions including interest rate swaps and currency swaps which are designated as hedging instruments among consolidated subsidiaries or between trading accounts and other accounts (or among internal sections) are not eliminated from the consolidated statements of income or valuation difference, but are recognized as related gains or losses or deferred under hedge accounting because these derivative transactions meet certain criteria under JICPA Industry Audit Committee Reports No. 24 and No. 25 and are regarded as equivalent to external third-party cover transactions.

(18) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows are defined as Cash and due from banks on the consolidated balance sheet.

(19) Consumption taxes

National and local consumption taxes are excluded from transaction amounts of MUFG and its domestic consolidated subsidiaries. Non-deductible portions of consumption taxes on the purchases of tangible fixed assets are expensed when incurred.

(20) Adoption of consolidated taxation system

MUFG and some of its domestic consolidated subsidiaries have adopted the consolidated taxation system.

(21) Accounting of bills discounted and rediscounted

Bills discounted and rediscounted are accounted for as financial trading in accordance with JICPA Industry Audit Committee Report No. 24.

(22) 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 process.

If the financial statements of foreign subsidiaries are prepared in accordance with generally accepted accounting principles in each domicile country and not in accordance with IFRS or U.S. GAAP, the financial statements of foreign subsidiaries are mainly rearranged in accordance with U.S. GAAP.

Adjustments are also made when necessary in the consolidated accounting process.

(Changes in Accounting Policies)

(Change in the definition of cash and cash equivalents in the consolidated statements of cash flows)

From the six months ended September 30, 2018, MUFG has changed the definition of cash and cash equivalents in the consolidated statements of cash flows to make it equivalent to Cash and due from banks on the consolidated balance sheet. Previously, it was defined as Cash and due from banks on the consolidated balance sheet excluding time deposits and negotiable certificates of deposits in other banks.

In light of the market environment where interest rates have long remained, and are expected to remain, ultra-low due to recent monetary policy, and the business environment where MUFG implements strategies to transform its business model based on the current Medium-Term Business Plan, treating such Due from banks as an operating asset which constitutes cash flows from operating activities no longer accurately reflects MUFG s actual cash management activities, therefore, Due from banks , regardless of whether it bears interest, is included in cash and cash equivalents in order to more accurately present the actual cash flows.

This change has been applied retrospectively, and the consolidated statement of cash flows for the six months ended September 30, 2017 has been restated.

As a result, with respect to the consolidated statement of cash flows for the six months ended September 30, 2017, Net cash provided by (used in) operating activities , Net increase (decrease) in cash and cash equivalents , and Cash and cash equivalents at the end of the period increased ¥890,478 million, ¥928,167 million, and ¥30,485,715 million, respectively.

2. Additional Information

(A Board Incentive Plan (BIP) for directors and officers)

I. Outline of the plan

MUFG has implemented a performance-based director and officer stock compensation plan using a BIP trust. The plan is designed to prevent excessive risk-taking and raise motivation to contribute to both short-term and medium- to long-term improvement of financial results, thereby enabling sustainable growth and medium- to long-term enhancement of the enterprise value of the MUFG Group.

The plan s beneficiaries are directors and officers of MUFG and certain domestic consolidated subsidiaries who satisfy prescribed beneficiary requirements. The trust entrusted with funds approved by the Compensation Committee of MUFG, together with funds contributed by certain domestic consolidated subsidiaries (collectively, Acquisition Funds), acquired shares of MUFG in the stock market with the Acquisition Funds.

During the trust period, in accordance with the prescribed share delivery rules, points are allocated to the beneficiaries, and the beneficiaries receive the delivery of shares of MUFG in the number representing a certain percentage of their respective allocated points. In addition, in accordance with the provisions of the trust agreement, the shares of MUFG representing the remaining points are liquidated within the trust, and the beneficiaries receive cash in the amount equal to the liquidated share price.

II. Shares of MUFG remaining in the trust

At the end of the reporting period ended September 30, 2018, the carrying amount and number of shares which remain in the trust are ¥22,464 million and 35,109 thousand shares, respectively (¥16,567 million and 28,733 thousand shares, respectively, at the end of the fiscal year ended March 31, 2018), and are included in the treasury stock reported as part of total net assets.

3. Consolidated Balance Sheets

I. Equity securities and other capital investments in affiliates

(in millions of yen)

	March 31, 2018	September 30, 2018
Equity securities	¥ 2,752,569	¥ 3,001,377
Other capital investments in affiliates	17,501	19,435

II. Securities loaned under unsecured securities lending transactions included in Securities

(in millions of yen)

	March 31, 2018	September 30, 2018
Securities loaned under unsecured securities lending transactions	¥	¥ 322,825

Securities borrowed under securities borrowing transactions and securities purchased under resale agreements where the borrowers or purchasers have the right to dispose of the securities through sale or re-pledging without any restrictions

(in millions of yen)

	March 31, 2018	September 30, 2018
Securities re-pledged	¥ 15,221,170	¥ 13,644,676
Securities re-loaned	820,604	744,316
Securities held without disposition	6,253,815	5,005,016

Bank acceptance bills discounted, commercial bills discounted, documentary bills discounted and foreign currency bills bought discounted with the right to dispose of the bills discounted through sale or re-pledging without any restrictions

(in millions of yen)

	March 31, 2018	September 30, 2018
Bills discounted (face value)	¥ 1,407,163	¥ 1,540,155

Foreign currency bills bought which were re-discounted upon transfer

(in millions of yen)

	March 31, 2018	September 30, 2018
Foreign currency bills re-discounted (face value)	¥ 3,065	¥ 10,346

III. Loans to bankrupt borrowers and Non-accrual delinquent loans included in Loans and bills discounted

(in millions of yen)

	March 31, 2018	September 30, 2018
Loans to bankrupt borrowers	¥ 50,351	¥ 35,095
Non-accrual delinquent loans	614,955	581,521

Loans to bankrupt borrowers are loans, after write-offs, to bankrupt borrowers as defined in Article 96-1-3-1 to 5 and 96-1-4 of the Enforcement Ordinance of the Corporate Tax Law (No. 97 in 1965) on which accrued interest income is not recognized (Non-accrual loans) as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for some other reasons.

Non-accrual delinquent loans represent non-accrual loans other than loans to bankrupt borrowers and loans renegotiated at concessionary terms, including reduction or deferral of interest payments, to assist borrowers in improving their financial condition.

IV. Accruing loans contractually past due 3 months or more

(in millions of yen)

	March 31, 2018	September 30, 2018
Accruing loans contractually past due 3 months or more	¥ 29,193	¥ 17,619

Accruing loans contractually past due 3 months or more represent loans whose principal and/or interest payments have been past due for 3 months or more, other than loans to bankrupt borrowers and non-accrual delinquent loans.

V. Restructured loans

(in millions of yen)

	March 31, 2018	September 30, 2018
Restructured loans	¥ 577,277	¥ 337,569

Restructured loans represent loans renegotiated at concessionary terms, including interest rate reductions, deferral of interest payments, deferral of principal repayments, waivers of loan claims, and other negotiated terms, that are favorable to the borrower, for the purpose of business reconstruction of or support for the borrower, other than loans to bankrupt borrowers, non-accrual delinquent loans and accruing loans contractually past due 3 months or more.

VI. Total of loans to bankrupt borrowers, non-accrual delinquent loans, accruing loans contractually past due 3 months or more and restructured loans

(in millions of yen)

	March 31, 2018	September 30, 2018
Total of loans to bankrupt borrowers, non-accrual delinquent loans, accruing loans contractually past due 3 months or more and restructured loans	¥ 1,271,777	¥ 971,805

The amounts provided in Notes III to VI above represent gross amounts before the deduction of allowance for credit losses.

VII. Assets pledged as collateral

Assets pledged as collateral and their relevant liabilities as of March 31, 2018 and September 30, 2018 were as follows:

(in millions of yen)

	March 31, 2018	September 30, 2018
Assets pledged as collateral:		
Cash and due from banks	¥ 2,657	¥
Trading assets	200,189	19,445
Securities	1,666,189	585,191
Loans and bills discounted	12,803,741	13,082,545

Total	¥ 14,672,777	¥ 13,687,183
Relevant liabilities to above assets:		
Deposits	¥ 593,601	¥ 657,153
Call money and bills sold	4,930	16,351
Trading liabilities	18,473	11,198
Borrowed money	13,268,889	13,001,811
Bonds payable	6,229	3,545
Other liabilities	2,804	4,910
Acceptances and guarantees	10,843	

In addition to the above, the following assets were pledged as collateral for cash settlements and other transactions or as deposits for margin accounts for futures and other transactions:

		(in millions of yen)
	March 31, 2018	September 30, 2018
Cash and due from banks	¥ 2,605	¥
Trading assets	550,797	1,406,495
Securities	11,853,325	11,443,423
Loans and bills discounted	8,007,507	6,649,983

Furthermore, the following assets were sold under repurchase agreements or loaned under securities lending with cash collateral as of March 31, 2018 and September 30, 2018:

		(in millions of yen)
	March 31, 2018	September 30, 2018
Trading assets	¥ 2,384,656	¥ 1,881,704
Securities	16,295,738	14,230,440
Total	¥ 18,680,394	¥ 16,112,144
Relevant liabilities to above assets:		
Payables under repurchase agreements	¥ 9,079,859	¥ 16,476,117
Payables under securities lending transactions	6,688,298	504,013

In addition, the following assets were pledged under general collateral repurchase agreements using the subsequent collateral allocation method as of March 31, 2018 and September 30, 2018:

		(in millions of yen)
	March 31, 2018	September 30, 2018
Securities	¥	¥ 282,835

VIII. Overdraft facilities and commitment lines of credit are binding contracts under which MUFG s consolidated subsidiaries have obligations to disburse funds up to predetermined limits upon the borrower s request as long as there have been no breach of contracts. The total amount of the unused portion of these facilities as of March 31, 2018 and September 30, 2018 was as follows:

		(in millions of yen)
	March 31, 2018	September 30, 2018
Unused overdraft facilities and commitment lines of credit	¥ 84,324,655	¥ 87,507,994

The total amount of the unused portion does not necessarily represent actual future cash requirements because many of these contracts are expected to expire without being drawn upon. In addition, most of these contracts include clauses that allow MUFG s consolidated subsidiaries to decline the borrower s request for disbursement or decrease contracted limits for cause, such as changes in financial condition or deterioration in the borrower s creditworthiness. MUFG s consolidated subsidiaries may request the borrowers to pledge real property and/or securities as collateral upon signing of the contract and will perform periodic monitoring on the borrower s business conditions in accordance with internal procedures, which may lead to renegotiation of the terms and conditions of the contracts and/or initiate the request for additional collateral and/or guarantees.

IX. In accordance with the Law concerning Revaluation of Land (the Law) (No. 34, March 31, 1998), land used for business operations of domestic consolidated banking subsidiaries and domestic consolidated trust banking subsidiaries has been revalued as of the dates indicated below. The total excess from revaluation, net of income taxes corresponding to the excess that were recognized as Deferred tax liabilities for land revaluation, is stated as Land revaluation excess in net assets. Land revaluation excess includes MUFG s share of affiliated companies Land revaluation excess.

Dates of revaluation:

Domestic consolidated banking subsidiaries: March 31, 1998.

Domestic consolidated trust banking subsidiaries: March 31, 1998, December 31, 2001 and March 31, 2002.

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

Fair values are determined based on (1) published land price under the Land Price Publication Law stipulated in Article 2-1 of the Enforcement Ordinance of the Law concerning Revaluation of Land (Ordinance) (No. 119, March 31, 1998), (2) standard land price determined on measurement spots under the Enforcement Ordinance of National Land Planning Law stipulated in Article 2-2 of the Ordinance, (3) land price determined by the method established and published by the Director General of the National Tax Agency in order to calculate land value that is used for determining taxable amounts subject to landholding tax articulated in Article 16 of the Landholding Tax Law stipulated in Article 2-4 of the Ordinance with price adjustments by shape and time and (4) appraisal by certified real estate appraisers stipulated in Article 2-5 of the Ordinance with price adjustments for time.

In addition, some of MUFG affiliates that were accounted for under the equity method conducted a revaluation for land used for business operations on March 31, 2002.

X. Accumulated depreciation on tangible fixed assets

		(in millions of yen)
	March 31, 2018	September 30, 2018
Accumulated depreciation on tangible fixed assets	¥1,258,675	¥ 1,190,791

XI. Subordinated borrowings with special contractual provisions which rank below other debts with regard to the fulfillment of obligations included in Borrowed money

		(in millions of yen)
	March 31, 2018	September 30, 2018
Subordinated borrowings	¥410,701	¥ 395,143

XII. Subordinated bonds included in Bonds payable

		(in millions of yen)
	March 31, 2018	September 30, 2018

Subordinated bonds	¥3,561,586	¥ 3,690,353

XIII. The principal amount of money trusts entrusted to domestic trust banking subsidiaries, for which repayment of the principal to the customers was guaranteed

(in millions of yen)

	March 31, 2018	September 30, 2018
Principal-guaranteed money trusts	¥7,105,161	¥ 7,141,348

XIV. Guarantee obligations for private placement bonds (provided in accordance with the Article 2-3 of the Financial Instruments and Exchange Law) among the bonds and other securities included in Securities

(in millions of yen)

	March 31, 2018	September 30, 2018
Guarantee obligations for private placement bonds	¥489,114	¥ 469,001

18

XV. Contingent liabilities
(Litigation)

In the ordinary course of business, MUFG is subject to various litigation and regulatory matters. In accordance with applicable accounting guidance, MUFG establishes a Reserve for Contingent Losses arising from litigation and regulatory matters when they are determined to be probable in their occurrences and the probable loss amount can be reasonably estimated. Based upon current knowledge and consultation with counsel, management believes the eventual outcome of such litigation and regulatory matters, where losses are probable and the probable loss amounts can be reasonably estimated, would not have a material adverse effect on the MUFG s financial position, results of operations or cash flows.

Management also believes the amount of loss that is reasonably possible, but not probable, from various litigation and regulatory matters is not material to MUFG s financial position, results of operations or cash flows.

4. Consolidated Statements of Income

I. Other ordinary income for the periods indicated included the following:

(in millions of yen)

	For the six months ended September 30, 2017	2018
Equity in earnings of the equity method investees	¥ 135,674	¥ 163,778
Gains on sales of equity securities	65,790	94,890
Gains on reversal of allowance for credit losses	53,575	77,602
Gains on reversal of reserve for contingent losses		56,412
Gains on loans written-off	38,291	30,949

II. Other ordinary expenses for the periods indicated included the following:

(in millions of yen)

	For the six months ended September 30, 2017	2018
Write-offs of loans	¥ 62,965	¥ 59,883
Losses on investments as a result of the U.S. Tax Cuts and Jobs Act		18,145
Provision for reserve for contingent losses	23,981	1,608

5. Consolidated Statements of Changes in Net Assets

For the six months ended September 30, 2017

I. Information on the class and number of issued shares and treasury stock

(Thousand shares)

	Number of shares as of April 1, 2017	Number of shares increased	Number of shares decreased	Number of shares as of September 30, 2017	Note
Issued shares:					
Common stock	14,168,853		141,158	14,027,694	(Note 1)
Total	14,168,853		141,158	14,027,694	