DIGITAL POWER CORP
Form DEF 14A
November 08, 2006

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

DIGITAL POWER CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required
o 125 per Exchange Act Rules O-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11
  1) Title of each class of securities to which transaction applies:
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  1) Amount Previously Paid:

  2) Form, Schedule or Registration Statement No.:

  3) Filing Party:

  4) Date Filed:

DIGITAL POWER CORPORATION
41920 Christy Street
Fremont, CA 94538
(510) 657-2635

To Our Shareholders:

You are cordially invited to attend the annual meeting of the shareholders of Digital Power Corporation (the Company) to be held at 10:00 a.m. PST, on December 20, 2006, at our corporate offices located at 41920 Christy Street, Fremont, California 94538.

At the meeting, you will be asked to (i) elect five (5) directors to the board, (ii) ratify the appointment of Kost Forer Gabbay & Kasierer A Member of Ernst & Young Global (E&Y) as the Company s independent auditors for the year ending December 31, 2007, and (iii) approve other matters that properly come before the meeting, including adjournment of the meeting.

We hope you will attend the shareholders meeting. However, in order that we may be assured of a quorum, we urge you to sign and return the enclosed proxy in the postage-paid envelope provided, as promptly as possible, whether or not you plan to attend the meeting in person.

/s/ Jonathan Wax

Jonathan Wax
Chief Executive Officer

November 8, 2006

DIGITAL POWER CORPORATION
41920 Christy Street
Fremont, CA 94538
(510) 657-2635

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON DECEMBER 20, 2006

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of Digital Power Corporation (the Company), a California corporation, will be held at our corporate headquarters, located at 41920 Christy Street, Fremont, California 94538, on Wednesday, December 20, 2006, at 10:00 a.m. (PST), for the purpose of considering and acting on the following:

1. To elect five (5) directors to the board to hold office until the next annual meeting of shareholders or until their successors are elected and qualified; and

2. To ratify the appointment of Kost Forer Gabbay & Kasierer A Member of Ernst & Young Global (E&Y) as the Company s independent auditors for the year ending December 31, 2007; and

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on November 1, 2006, are entitled to receive notice of, and to vote at, the meeting. Shareholders are invited to attend the meeting in person.

Please sign and date the accompanying proxy card and return it promptly in the enclosed postage-paid envelope whether or not you plan to attend the meeting in person. If you attend the meeting, you may vote in person if you wish, even if you had previously returned your proxy card. The proxy may be revoked at any time prior to its exercise.

By Order of the Board of Directors

/s/ Leo Yen

Leo Yen
Secretary

November 8, 2006

YOUR VOTE IS IMPORTANT

IN ORDER TO ASSURE YOUR REPRESENTATION AT THE MEETING, YOU ARE REQUESTED TO COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE AND RETURN IT IN THE ENCLOSED ENVELOPE.

DIGITAL POWER CORPORATION
41920 Christy Street
Fremont, CA 94538
(510) 657-2635

PROXY STATEMENT

We are furnishing this proxy statement to you in connection with our annual meeting to be held on Wednesday, December 20, 2006 at 10:00 a.m. (PST) at our corporate headquarters, located at 41920 Christy Street, Fremont, California 94538 and at any adjournment thereof. The matters to be considered and acted upon are (i) the election of five (5) directors to the board to hold office until the next annual meeting of shareholders or until their successors are elected and qualified; (ii) ratify the appointment of Kost Forer Gabbay & Kasierer A Member of Ernst & Young Global (E&Y) as independent auditors for the year ending December 31, 2007; and (iii) such other business as may properly come before the meeting.

The enclosed proxy is solicited on behalf of the Board of Directors (the Board) of Digital Power Corporation (the Company) and is revocable by you at any time prior to the voting of such proxy. All properly executed proxies delivered pursuant to this solicitation will be voted at the meeting and in accordance with your instructions, if any.

Our annual report for the fiscal year 2005, including financial statements, is included in this mailing. Such report and financial statements are not a part of this proxy statement.

This proxy statement was first mailed to shareholders on November 8, 2006.

ABOUT THE MEETING

What is the purpose of the Annual Meeting?

The purpose of the annual meeting is to allow you to vote on the matters outlined in the accompanying Notice of Annual Meeting of Shareholders, including the election of the directors, and ratifying the appointment of E&Y as the Company s independent auditors for the year ending December 31, 2007.

Who is entitled to vote?

Only shareholders of record at the close of business on the record date, November 1, 2006 (the Record Date), are entitled to vote at the annual meeting, or any postponements or adjournments of the meeting.

What are the Board s recommendations on the proposals?

The Board recommends a vote FOR each of the proposals.

How do I vote?

Sign and date each proxy card you receive and return it in the postage-prepaid envelope enclosed with your proxy materials. If you are a registered shareholder and attend the meeting, then you may deliver your completed proxy card(s) in person.

If your shares are held by your broker or bank, in street name , then you will receive a form from your broker or bank seeking instructions as to how your shares should be voted. If you do not instruct your broker or bank how to vote, then your broker or bank will vote your shares if it has discretionary power to vote on a particular matter.

Can I change my vote after I return my proxy card?

Yes. You have the right to revoke your proxy at any time before the meeting by notifying the Company s Secretary (Secretary) at Digital Power Corporation, 41920 Christy Street, Fremont, California 94538, in writing, voting in person, or returning a proxy card with a later date.

Who will count the vote?

The Secretary will count the votes and act as the inspector of election. Our transfer agent, Computershare Transfer & Trust, is the transfer agent for the Company s common stock. Computershare Transfer & Trust will tally the proxies and provide this information at the time of the meeting.

What shares are included on the proxy card(s)?

The shares on your proxy card(s) represent ALL of your shares.

What does it mean if I get more than one proxy card?

If your shares are registered differently and are in more than one account, then you will receive more than one proxy card. Sign and return all proxy cards to ensure that all your shares are voted. We encourage you to have all accounts registered under the same name and address whenever possible. You can accomplish this by contacting our transfer agent, Computershare Transfer & Trust, located at 350 Indiana Street, Suite 800, Golden, Colorado 80401, phone (303) 986-5400, fax (303) 986-2444, or, if your shares are held by your broker or bank in street name , then by contacting the broker or bank who holds your shares.

How many shares can vote?

Only shares of common stock may vote. As of the Record Date of November 1, 2006, there are 6,608,708 shares of common stock issued and outstanding.

Each share of common stock is entitled to one vote at the annual meeting, except with respect to the election of directors. In elections of directors, California law provides that a shareholder, or his or her proxy, may cumulate votes; that is, each shareholder has that number of votes equal to the number of shares owned, multiplied by the number of directors to be elected, and the shareholder may cumulate such votes for a single candidate, or distribute such votes among as many candidates as he or she deems appropriate. However, a shareholder may cumulate votes only for a candidate or candidates whose names have been properly placed in nomination prior to the voting, and only if the shareholder has given notice at the meeting, prior to the voting, of his or her intention to cumulate votes for the candidates in nomination. The Company s designated proxy holders (the Proxy Holders) have discretionary authority to cumulate votes represented by the proxies received in the election of directors. The Proxy Holders intend to vote all proxies received by them in such manner that will assure the election of as many of the nominees described under Election of Directors as possible.

What is a quorum ?

A quorum is a majority of the outstanding shares entitled to vote. A quorum may be present in person or represented by proxy to transact business at the shareholders meeting. For the purposes of determining a quorum, shares held by brokers or nominees for whom we receive a signed proxy will be treated as present even if the broker or nominee does not have discretionary power to vote on a particular matter, or if instructions were never received from the beneficial owner. These shares are called broker non-votes. Abstentions will be counted as present for quorum purposes.

What is required to approve each proposal?

For the election of the directors, once a quorum has been established, the nominees for director who have received the most votes will become directors. Holders owning a majority of the shares outstanding must approve the appointment of E&Y as the Company s independent auditors for the year ending December 31, 2007.

If a broker indicates on his or her proxy that he or she does not have discretionary authority to vote on a particular matter, then the affected shares will be treated as not present and not entitled to vote with respect to that matter, even though the same shares may be considered present for quorum purposes and may be entitled to vote on other matters.

What happens if I abstain?

Proxies marked abstain will be counted as shares present for the purpose of determining the presence of a quorum, but for purposes of determining the outcome of a proposal, shares represented by such proxies will not be treated as affirmative votes.

How will we solicit proxies?

The company will distribute the proxy materials and solicit votes. It will also bear the cost of soliciting proxies. These costs will include the expense of preparing and mailing proxy solicitation materials for the meeting, and reimbursements paid to brokerage firms and others for their reasonable out-of-pocket expenses for forwarding proxy solicitation materials to shareholders. Proxies may also be solicited by the Company s directors, officers, and employees, without additional compensation, in person, by telephone, or by facsimile.

STOCK OWNERSHIP

The following table shows the amount of the Company s shares of common stock (AMEX Symbol: DPW) beneficially owned (unless otherwise indicated) by each shareholder known to us to be the beneficial owner of more than 5% of its common stock, by each of its directors and nominees, and the executive officers, directors, and nominees as a group. As of September 29, 2006, there were 6,608,708 shares of common stock outstanding. Unless indicated otherwise, the address of all shareholders listed is Digital Power Corporation, 41920 Christy Street, Fremont, California 94538.

	Shares Beneficially Owned[1]	
Name & Address of Beneficial Owner	**Number**	**Percent**
Telkoor Power Ltd. 5 Giborei Israel Netanya 42293 Israel	2,897,110	43.8%
Ben-Zion Diamant	3,264,614[2]	48.0%
Jonathan Wax	317,504[3]	4.7%
Yeheskel Manea	30,000[4]	*
Amos Kohn	30,000[4]	*
Digital Power ESOP	167,504	2.5%
Barry W. Blank P.O. Box 32056 Phoenix, AZ 85064	433,056	6.6%
All directors and executive officers as a group (4 persons)	3,474,614[5]	48.8%

Footnotes to Table

* Less than one percent.

(1) Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.

(2) Mr. Diamant serves as a director of Telkoor Power Ltd. Includes options to purchase 200,000 shares owned by Mr. Diamant and 2,897,110 shares beneficially owned by Telkoor Power Ltd., which may also be deemed beneficially owned by Mr. Diamant.

(3) Includes options to purchase 150,000 shares owned by Mr. Wax and 167,504 shares owned by Digital Power ESOP of which Mr. Wax is trustee and may be deemed beneficial owner.

(4) Includes options to purchase 30,000 shares exercisable within 60 days.

(5) Includes 2,897,110 shares owned by Telkoor Power Ltd., which may be deemed beneficially owned by Mr. Diamant, options to purchase 410,000 shares owned by directors, and 167,504 shares owned by Digital Power ESOP of which Mr. Wax and Mr. Diamant are trustees and may be deemed beneficial owners.

SECTION 16 TRANSACTIONS

Section 16(a) of the Exchange Act requires the Company s executive officers and directors to file reports of ownership and changes in ownership of its common stock with the SEC. Executive officers and directors are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of Forms 3, 4 and 5 delivered to the Securities and Exchange Commission during fiscal year 2005, all current directors and officers of the Company filed on time all required reports pursuant to Section 16(a) of the Securities Exchange Act of 1934.

PROPOSAL 1 ELECTION OF DIRECTORS

The Company s bylaws presently provide that the authorized number of directors may be fixed by resolution of the Board from time to time, with a minimum of five (5) directors and a maximum of nine (9) directors. The Board has fixed the authorized number of directors at five (5). The term of office for the directors elected at this meeting will expire at the next annual meeting of shareholders to be held in 2007 or until a director s earlier death, resignation, or removal. The directors, as of January l, 2006, consisted of Messrs. Ben-Zion Diamant, Jonathan Wax, Yeheskel Manea, Yuval Menipaz, and Amos Kohn. Mr. Menipaz submitted his resignation from the board on February 2, 2006. On October 17, 2006, the Board elected Mr. Benjamin Kiryati to fill the vacancy.

Unless otherwise instructed, the Proxy Holders will vote the proxies received by them for the five (5) nominees named below. If any nominee of the Company is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for any nominee designated by the present Board to fill the vacancy. Each nominee has agreed to serve as director, if elected.

The Board has formed a nominating committee and has nominated the following nominees for directors: Messrs. Ben-Zion Diamant, Yeheskel Manea, Amos Kohn, Jonathan Wax and Benjamin Kiryati. The following indicates the age, the principal occupation or employment during the past five years, and the affiliation with the Company, if any, of each nominee for director:

Ben-Zion Diamant Director since 2001

Mr. Ben-Zion Diamant, 56, has been the Company s Chairman of the Board since November 2001. He has also been Chairman of the Board of Telkoor Power Ltd. since 1994. Between 1992-1994, he was a partner and business development manager of Phascom, and from 1989 to 1992, a partner and manager of Rotel Communication. He earned his B.A. in Political Science from Bar-Ilan University.

Amos Kohn Director since 2003

Mr. Amos Kohn, age 46, became a director of the Company in 2003. Mr. Kohn is the AVP of Business Development of Scopus Video Networks, Inc. a high tech company located in Princeton, New Jersey. Most recently Mr. Kohn was the Vice President of Solutions Engineering of ICTV Inc., a high tech company located in Los Gatos, California, which is developing a centralized software platform that telecom operators to deliver revenue-generating new services with full set of digital interactive video and media streaming services. In year 2003, Mr. Kohn was Vice President of System Engineering & Business Development of AVIVA Communications, Inc., a high tech company located in Cupertino, California, which is developing a transport solution for Video On Demand systems. From 2000 to 2003, Mr. Kohn was the Chief Architect of Liberate Technologies, a software company specializing in telecommunications technology located in San Carlos, California. From 1997 to 2000, Mr. Kohn was the Vice President of Engineering & Technology for Golden Channel, the largest Cable Operator (MSO) in Israel. Mr. Kohn holds a B.S. in Electronics Engineering.

The Board is of the opinion that Mr. Kohn is qualified to serve as an independent director.

Yeheskel Manea Director since 2002

Mr. Yeheskel Manea, 61, has served as a director of the Company since 2002. Since 1996, he has been a Branch Manager of Bank Hapoalim, one of the leading banks in Israel. Mr. Manea has been employed with Bank Hapoalim since 1972. He holds a B.A. in Economy and Business Administration from Ferris College, University of Michigan.

The Board is of the opinion that Mr. Manea is qualified to serve as an independent director.

Jonathan Wax Officer since 2004
Director since 2005

Mr. Jonathan Wax, 49, became the Company s Chief Executive Officer and President in January 2004. Mr. Wax held vice-president positions with Artesyn Technologies, Inc., and was stationed both domestically and in the Far East. He held a wide variety of sales positions, including global account responsibilities with some of Artesyn Technologies, Inc. s largest accounts. From 1994 to 1998, prior to the merger with Zytec and Computer Products, which formed Artesyn Technologies, Inc., Mr. Wax was Vice President of Customer Support and Quality for Computer Products. Mr. Wax holds a B.S. in Business from the University of Nebraska.

Benjamin Kiryati Director since 2006

Benjamin Kiryati, 54, became a Director at Digital Power in October 2006. Mr. Kiryati was the Chairman of the Israel Children Fund, a non-profit organization that helps the underprivileged. He also served as the mayor of Tiberias, Israel, from 1998 to 2003. Prior to that Mr. Kiryati had distinguished military and legal careers. He served nine years in the Israeli Military as a combat pilot, and after graduating in 1978 from the Tel Aviv University school of law he practiced law in industrial relations.

The Board is of the opinion that Mr. Kiryati is qualified to serve as an independent director.

RECOMMENDATION OF THE BOARD

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE FOR THE NOMINEES LISTED ABOVE.

How are directors compensated?

Independent directors receive $10,000 annually for serving on the Board. The director designated by the Board as the Audit Committee Financial Expert, receives an additional annual fee of $5,000 for serving as the Financial Expert.

In accordance with the Company s 2002 Stock Option Plan, each independent director receives a grant of 10,000 stock options upon joining the Board. In addition, subject to Board approval, each independent director may be granted on an annual basis, stock options for 10,000 shares of Common Stock. Options vest after 12 month of optionee s service term as a director. Each option has an exercise price equal to the fair market value of the Common Stock on the grant date and a maximum term of ten years, subject to earlier termination following the optionee s cessation of Board service.

On February 15, 2006 the Compensation Committee of the Board granted Mr. Kohn and Mr. Menea options to purchase 10,000 shares of common stock.

How often did the Board meet during fiscal 2005?

The Board met 10 times during fiscal 2005. Each director attended at least 75% of the total number of meetings of the Board and Committees on which he served.

Family Relationships

Two of Mr. Manea s children are married to two of Mr. Diamant s children. Mr. Diamant s son, Ran Diamant, who is also Mr. Menea s son in law, serves as Telkoor s Corporate Secretary and Controller. There are no other relations.

Committees of the Board of Directors

Audit Committee

The Board has established an Audit Committee. The members of the Audit Committee in 2005 were Messrs. Amos Kohn, Yuval Menipaz, and Yeheskel Manea. Mr. Menipaz resigned as a director on February 2, 2006. The current members of the Audit Committee are Messrs. Kohn and Manea. All Audit Committee members were determined by the Board to be independent directors, and Mr. Manea was appointed as the Audit Committee Financial Expert.

The Audit Committee makes recommendations regarding the retention of independent auditors, reviews the scope of the annual audit undertaken by the Company s independent auditors and the progress and results of their work, and reviews the Company s financial statements, internal accounting and auditing procedures, and corporate programs to ensure compliance with applicable laws. The Audit Committee reviews the services performed by the independent auditor and determines if the services rendered are compatible with maintaining the independent auditors impartial opinion. The Audit Committee s charter is reviewed annually, and changes may be required due to industry accounting practices or the promulgation of new rules or guidance documents. The Audit Committee has met four times during fiscal 2005.

Compensation Committee

The Compensation Committee of the Board reviews and approves executive compensation policies and practices, reviews the salaries and the bonuses of the officers, including the Chief Executive Officer and Chief Financial Officer, administers the Company s stock option plan and other benefit plans, and considers other matters as may, from time to time, be referred to it by the Board. The members of the Compensation Committee in 2005 were Messrs. Manea and Menipaz. The current members of the Compensation Committee are Messrs. Kohn and Manea. All Compensation Committee members were determined by the Board to be independent directors. There are no compensation committee interlocks or insider participation on the Company s compensation committee.

Nominating Committee

The Company s directors take a critical role in guiding its strategic direction, and overseeing the Company s management. Board candidates are considered according to various criteria, such as, their broad-based business and professional skills, their experiences, their personal integrity and judgment, the global business and social perspective, and concern for the long-term interests of the shareholders. In addition, directors must have time available to devote to Board activities and to enhance their knowledge of the power-supply industry. Accordingly, the Company seeks to attract and retain highly qualified directors who have sufficient time to attend to their substantial duties and responsibilities.

The Board has formed a Nominating Committee consisting of Messrs. Kohn and Manea, who were determined by the Board to be independent directors. The Nominating Committee recommends a slate of directors for election at the annual meeting. The Nominating Committee operates under the Nomination and Governance Committee Charter.

In carrying out its responsibilities, the Nominating Committee will consider candidates suggested by shareholders. If a shareholder wishes to formally place a candidate s name for consideration, he or she must do so in accordance with the provisions of the Company s Bylaws. Suggestions for candidates to be considered by the Board must be sent to Leo Yen, Corporate Secretary, Digital Power Corporation, 41920 Christy Street, Fremont, California 94538.

In accordance with Securities Exchange Commission regulations, the following is the Audit Committee Report. Such a report is not deemed to be filed with the Securities Exchange Commission.

Report of the Audit Committee

The Audit Committee oversees the financial reporting process for the Company on behalf of the Board. In fulfilling its oversight responsibilities, the Audit Committee reviews the Company s internal accounting procedures, consults with, and reviews, the services provided by the Company s independent auditors, and makes recommendations to the Board regarding the selection of independent auditors. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent auditors are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles.

In accordance with Statements on Accounting Standards (SAS) No. 61, discussions were held with management and the independent auditors regarding the acceptability and the quality of the accounting principles used in the reports. These discussions included the clarity of the disclosures made therein, the underlying estimates and assumptions used in the financial reporting, and the reasonableness of the significant judgments and management decisions made in developing the financial statements. In addition, the Audit Committee has discussed with the independent auditors their independence from the Company and its management. The independent auditors provided the written disclosures and the letter required by Independence Standards Board Standard No. 1.

The Audit Committee has also met and discussed with the Company s management, and with its independent auditors, issues related to the overall scope and objectives of the audits conducted, the internal controls used by the Company, and the selection of the Company s independent auditors. In addition, the Audit Committee discussed with the independent auditors, with and without management present, the specific results of audit investigations and examinations and the auditors judgments regarding any and all of the above issues.

Pursuant to the reviews and discussions described above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, for filing with the Securities and Exchange Commission.

Respectfully submitted,
DIGITAL POWER CORPORATION
AUDIT COMMITTEE

Amos Kohn
Yeheskel Manea

EXECUTIVE OFFICERS

The following is a description of the business background of the Company s officers:

Ben-Zion Diamant Chairman of the Board

See Description of Directors above.

Jonathan Wax President and Chief Executive Officer

See Description of Directors above.

Leo Yen Chief Financial Officer and Secretary

Mr. Leo Yen became the Company s Chief Financial Officer in January 2005. Mr. Yen is the President of Sagent Management, a financial and tax consulting firm. From 2002 to 2004, Mr. Yen founded and managed Crystal Compass, which was acquired by Sagent Management in 2004. From 1999 to 2002, he was a Senior Associate with PricewaterhouseCoopers LLP, and from 1997 to 1999, he was a Senior Tax Consultant with Ernst & Young LLP. Mr. Yen holds a B.S. in Finance, Real Estate and Law and a B.S. in Accounting from California State Polytechnic University, Pomona. Mr. Yen is also a Certified Public Accountant in the state of California.

Code of Ethics

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer, controller, and other persons performing similar functions. A copy of the code of ethics can be found on its website at http://www.digipwr.com/CodeofEthics.doc. The Company will report any amendment or wavier to the code of ethics on its website within five (5) days.

EXECUTIVE COMPENSATION AND OTHER TRANSACTIONS

This table lists the aggregate compensation paid in the past three years for all services of the Chief Executive Officer. No other director or officer earned over $100,000 during the last fiscal year.

SUMMARY COMPENSATION TABLE

		Annual Compensation		Long Term Compensation			
				Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Other Annual Compensation ($)	Restricted Stock Award(s) ($)	Securities Underlying Options (#)	LTIP Payouts ($)	All Other Compensation
Jonathan Wax, Chief Executive Officer	2004	$ 153,066	$ 12,541	$ 0	$ 150,000	$ 0	$ 0
	2005	$ 166,963	$ 14,578	$ 0	$ 0	$ 0	$ 0

Options Granted in Last Fiscal Year

	Individual Grants			
Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Base Price ($/share)	Expiration Date
Jonathan Wax	0	0	0	0

Options Granted in 2006

Leo Yen was granted 20,000 options on February 15, 2006, in accordance with the Company s 2002 Stock Option Plan.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth executive officer options exercised and option values for fiscal year ended December 31, 2005, for all executive officers at the end of the year.

Name	Shares Acquired or Exercised	Value Realized	Number of Options at December 31, 2005 (Exercisable/ Unexercisable)	Value of Unexercised Options In-the-Money at December 31, 2005 (Exercisable/ Unexercisable)[1]
Jonathan Wax	0	0	150,000	$0

Footnotes to Table

(1) Market price at December 31, 2005 for a share of common stock was $0.87.

Employment Agreements

In January 2004, the Company entered into an employment agreement with Mr. Jonathan Wax, President and Chief Executive Officer. The agreement has a term of one year with annual renewals thereafter. Annual compensation is $165,000. In the event of a change in control or early termination without cause, it will be required to pay Mr. Wax one year compensation. As a part of the employment contract, Mr. Wax was granted options to purchase 150,000 shares, 37,500 shares vested immediately and the remainder vested over three years. As of December 2005, all options were accelerated as part as the company stock options acceleration.

Business Relations

Mr. Leo Yen, the Company s Chief Financial Officer, is the President of Sagent Management, a financial and tax consulting firm. Sagent Management was hired by the Company to prepare and file the Company s tax returns and provide other accounting services. The Company is paying Sagent Management for these services. In addition, the Company is paying Sagent Management for Mr. Yen s services as the Company s CFO. The aggregate fees billed by Sagent Management for professional services rendered in fiscal years ended December 31, 2005, and December 31, 2004, were $43,634 and $7,533, respectively.

Ten-Year Options/SAR Repricings

There were no repricings during the year ended December 31, 2005

Equity Compensation Plan Information

The following table provides aggregate information as of the end fiscal 2005 (ended December 31, 2005) with respect to all compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,139,225	1.01	933,680
Equity compensation plans not approved by security holders	150,000	0.99	
Total	1,289,225	1.01	933,680

Benefit Plans

Equity Compensation Plans Not Approved by Security Holders

On January 17, 2004, the Board granted 150,000 options that are not part of compensation plans approved by the security holders. There are options to purchase 150,000 shares of common stock granted in fiscal 2004 to the Company s Chief Executive Officer and President at an exercise price of $0.99, vest 25% annual, beginning January 17, 2004.

Employee Stock Ownership Plan

The company has adopted an Employee Stock Ownership Plan (ESOP) in conformity with ERISA requirements. As of December 31, 2005, the ESOP owns, in the aggregate, 167,504 shares of its common stock. All eligible employees of the Company participate in the ESOP on the basis of level of compensation and length of service. Participation in the ESOP is subject to vesting over a six-year period. The shares of the Company s common stock owned by the ESOP are voted by the ESOP trustees. Mr. Wax and Mr. Diamant are the two trustees of the ESOP.

2002, 1998 and 1996 Stock Option Plans

The Company has established the 2002, 1998, and 1996 Stock Option Plans (the Plans). The purpose of the Plans is to encourage stock ownership by employees, officers, and directors by giving them a greater personal interest in the success of the business and by providing them an added incentive to advance in their employment or service to the Company. The Plans provide for the grant of either incentive or non-statutory stock options. The exercise price of any stock option granted under the Plans may not be less than 100% of the fair market value of the Company s common stock on the date of grant. The fair market value for which an optionee may be granted incentive stock options in any calendar year may not exceed $100,000. Generally, the Company s stock option agreements require all stock to be purchased by cash or check. Unless otherwise provided by the Board, an option granted under the Plans is exercisable for ten years. The Plans are administered by the Compensation Committee, which has discretion to determine optionees, the number of shares to be covered by each option, the exercise schedule, and other terms of the options. The Plans may be amended, suspended, or terminated by the Board, but no such action may impair rights under a previously granted option. Each incentive stock option is exercisable, during the lifetime of the optionee, only so long as the optionee remains employed by the Company. In general, no option is transferable by the optionee other than by will or by the laws of descent and distribution.

As of December 31, 2005, a total of 2,272,500 options have been authorized to be issued under the 2002, 1998, and 1996 Plans, and options to purchase 939,225 shares of common stock were outstanding.

401(k) Plan

The Company adopted a tax-qualified employee savings and retirement plan (the 401(k) Plan), which generally covers all of its full-time employees. Pursuant to the 401(k) Plan, employees may make voluntary contributions to the 401(k) Plan up to a maximum of six percent of eligible compensation. The 401(k) Plan permits, but does not require, additional matching and Company contributions on behalf of Plan participants. The Company matches contributions at the rate of $0.25 for each $1.00 contributed up to 6% of the base salary. It can also make discretionary contributions. The 401(k) Plan is intended to qualify under Sections 401(k) and 401(a) of the Internal Revenue Code of 1986, as amended. Contributions to such a qualified plan are deductible to the Company when made, and neither the contributions nor the income earned on those contributions is taxable to Plan participants until withdrawn. All 401(k) Plan contributions are credited to separate accounts maintained in trust.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

On January 12, 2004, the Company entered into a securities purchase agreement with Telkoor. Under the securities purchase agreement, Telkoor acquired 290,023 shares of common stock for the aggregate purchase price of $250,000. Additionally, under the agreement, Telkoor had the right to invest an additional $250,000 on, or before, June 30, 2004. The purchase price per share for the additional investment was agreed to be the average closing price of the Company s common stock twenty (20) trading days prior to notice of intent to invest. On June 14, 2004, Telkoor gave notice of its intent to invest $250,000 and the parties entered into a definitive agreement on June 16, 2004. Telkoor purchased 221,238 shares at $1.13 per share.

On February 3, 2005, Telkoor loaned the Company $250,000 through a Convertible Note. Under the terms of the Convertible Note, Telkoor loaned $250,000 interest free until the tenth business day after the Company announces its financial results for fiscal 2005. Telkoor had the right to convert the debt to common stock at $1.06 per share. The loan would have been automatically converted at $1.06 per share if the Company met its set budget for the fiscal year 2005. On April 2006, the convertible note was converted into 235,849 Common shares.

PROPOSAL 2 RATIFY THE APPOINTMENT OF INDEPENDENT AUDITORS

PRINCIPAL ACCOUNTING FEES AND SERVICES.

E&Y served as our independent auditors for the annual audit since the year ended December 31, 2002. In accordance with a resolution of the Audit Committee, this appointment is being presented to shareholders for ratification at this meeting. If the shareholders do not ratify the appointment of E&Y, the Audit Committee will reconsider their appointment. A representative for E&Y will be present at the annual meeting will have the opportunity to make a statement if desired, and be available to answer any questions from stockholders.

Related Business

E&Y serves also as the independent auditors of Telkoor, the largest shareholder of the Company. The Company s business and Telkoor s business are handled by separate teams within E&Y.

Audit Fees

The aggregate fees billed by E&Y for professional services rendered for the audit of the Company s financial statements for the fiscal years ended December 31, 2005, and December 31, 2004, were $103,500 and $98,000, respectively.

Audit-Related Fees

The aggregate fees billed for assurance and related services by the principal accountant, which are reasonably related to the performance of the audit or review of the Company s financial statements for the fiscal years ended December 31, 2005, and December 31, 2004, were $5,500 and $0, respectively.

Tax Fees

The aggregate fees billed for tax compliance, tax advice, and tax planning rendered by our independent auditors for the fiscal years ended December 31, 2005, and December 31, 2004, were $0 and $24,000, respectively.

All Other Fees

The aggregate fees billed for all other professional services rendered by the Company s independent auditors for the fiscal years ended December 31, 2005, and December 31, 2004, were $0 and $0, respectively.

The Audit Committee approved 100% of the fees paid to the principal accountant for audit-related, tax and other, fees in fiscal 2005. The Audit Committee pre-approves all non-audit services to be performed by the auditor in accordance with the Audit Committee Charter. The percentage of hours expended on the principal accountant s engagement to audit the Company s financial statements for the most recent fiscal year, and that were attributed to work performed by persons other than the principal accountant s full-time, permanent employees, was 0%.

RECOMMENDATION OF THE BOARD

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE INDEPENDENT AUDITORS.

Proposals of Shareholders

The Company must receive proposals intended to be presented by shareholders at the 2007 annual meeting of shareholders no later than March 2, 2007, for consideration of possible inclusion in the proxy statement relating to that meeting. All proposals must meet the requirements of Rule 14a-8 of the Exchange Act.

For any proposal that is not submitted for inclusion in next year s proxy statement (as described in the preceding paragraph), but is instead intended to be presented directly at next year s annual meeting, Rule 14a-14 of the Exchange Act permits management to vote proxies in its discretion if the Company (a) receives notice of the proposal before the close of business on March 16, 2007, and advises shareholders in the next year s proxy statement about the nature of the matter and how management intends to vote on such matter, or (b) does not receive notice of the proposal prior to the close of business on March 16, 2007.

Notices of intention to present proposal at the 2007 Annual Meeting should be addressed to Digital Power Corporation, 41920 Christy Street, Fremont, CA 94538, Attention: Secretary. The Company reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

Annual Report to Shareholders

The Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, including audited financial statements, was mailed to the shareholders concurrently with this proxy statement, but such report is not incorporated in this proxy statement and is not deemed to be a part of the proxy solicitation material. The Form 10-KSB and all other periodic filings made with the Securities and Exchange Commission are available on the Company s website at www.digipwr.com.

OTHER BUSINESS

The Company does not know of any business to be presented for action at the meeting other than those items listed in the notice of the meeting and referred to herein. If any other matters properly come before the meeting or any adjournment thereof, it is intended that the proxies will be voted in respect thereof in accordance with the recommendations of the Board.

By Order of the Board of Directors

/s/ Leo Yen

Leo Yen,
Secretary

November 8, 2006

Digital Power Corporation

o Mark this box with an X if you have made changes to your name or address details above.

Annual Meeting Proxy Card

A Election of Directors **PLEASE REFER TO THE REVERSE SIDE FOR TELEPHONE AND INTERNET VOTING INSTRUCTIONS.**

1. The Board of Directors recommends a vote FOR the listed nominees.
To elect directors to serve for the ensuing year and until their successors are elected.

	For	Withhold		For	Withhold
01 - Ben-Zion Diamant	o	o	04 - Amos Kohn	o	o
02 - Jonathan Wax	o	o	05 - Benjamin Kiryati	o	o
03 - Yehezkel Manea	o	o			

B Issues
The Board of Directors recommends a vote FOR the following proposals.

	For	Against	Abstain
2. To ratify the appointment of Kost Forer Gabbay & Kasierer A Member of Ernst & Young Global (E&Y) as the Company s independent auditors for the year ending December 31, 2007.	o	o	o
3. To transact such other business as may properly come before the meeting and any adjournments thereof.			

THIS PROXY ALSO DELEGATES DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO OTHER BUSINESS WHICH PROPERLY MAY COME BEFORE THE MEETING, OR ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF. IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.

C Authorized Signatures - Sign Here - This section must be completed for your instructions to be executed.
THE UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF THE NOTICE OF ANNUAL MEETING AND PROXY STATEMENT FURNISHED IN CONNECTION THEREWITH.
Please sign exactly as name appears at left. When shares are held by joint tenants or more than one person, all owners should sign. If you cast a vote, signing as attorney, executor, administrator, trustee, or guardian, please disclose your full title and relationship with the shareholder authorizing you to do so. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Date(mm/dd/yyyy) Signature 1 - Please keep signature within the box Signature 2 - Please keep signature within the box

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TD VALIGN="bottom"> 291.0 199.4 1,221.8

Net fees

300.6 245.0 177.3 72.7 795.6 (8.2) (98.8) 688.6

Other

34.4	58.1	(9.0)	(0.1)		83.4	208.7	(12.0)	280.1
Other than BK and TB								
751.0	80.2	142.7	630.4	104.0	1,708.3	195.3	(32.3)	1,871.3
Operating expenses								
1,234.1	290.0	236.0	435.8	114.7	2,310.6	217.4	162.3	2,690.3

Operating profit (loss)								
¥333.9	¥237.1	¥182.3	¥192.8	¥62.0	¥1,008.1	¥469.4	¥(106.0)	¥1,371.5

Notes:

(1) In accordance with internal management accounting rules and practices, the transfer of corporate loan-related businesses of the Trust Bank to the Bank in April 2018 resulted in a decrease of the total operating profit by ¥24.3 billion for the fiscal year ended March 31, 2017.
(2) BK and TB is a sum of MUFG Bank, Ltd. on a stand-alone basis and Mitsubishi UFJ Trust and Banking Corporation on a stand-alone basis.

	Customer Business								
Fiscal year ended March 31, 2018	Retail & Commercial Banking Business Group	Japanese Corporate & Investment Banking Business Group	Global Corporate & Investment Banking Business Group	Global Commercial Banking Business Group	Asset Management & Investor Services Business Group	Total	Global Markets Business Group	Other	Total[1]
	(in billions)								
Net revenue	¥1,584.3	¥ 522.6	¥ 378.6	¥ 666.3	¥ 190.4	¥3,342.2	¥ 565.2	¥ 10.7	¥3,918.1
BK and TB[2]:	785.9	439.8	246.3	(3.5)	83.8	1,552.3	368.6	109.0	2,029.9
Net interest income	465.8	150.7	95.2	(3.4)		708.3	182.0	229.4	1,119.7
Net fees	288.4	233.2	153.1		83.8	758.5	(12.2)	(79.1)	667.2
Other	31.7	55.9	(2.0)	(0.1)		85.5	198.8	(41.3)	243.0
Other than BK and TB	798.4	82.8	132.3	669.8	106.6	1,789.9	196.6	(98.3)	1,888.2
Operating expenses	1,227.6	295.6	242.8	463.6	119.4	2,349.0	225.7	142.8	2,717.5
Operating profit (loss)	¥ 356.7	¥ 227.0	¥ 135.8	¥ 202.7	¥ 71.0	¥ 993.2	¥ 339.5	¥(132.1)	¥1,200.6

Notes:

(1) In accordance with internal management accounting rules and practices, the transfer of corporate loan-related businesses of the Trust Bank to the Bank in April 2018 resulted in a decrease of the total operating profit by ¥23.5 billion for the fiscal year ended March 31, 2018.
(2) BK and TB is a sum of MUFG Bank, Ltd. on a stand-alone basis and Mitsubishi UFJ Trust and Banking Corporation on a stand-alone basis.

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Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017

Retail & Commercial Banking Business Group

Net revenue of the Retail & Commercial Banking Business Group increased ¥16.3 billion to ¥1,584.3 billion for the fiscal year ended March 31, 2018 from ¥1,568.0 billion for the fiscal year ended March 31, 2017. The Retail & Commercial Banking Business Group s net revenue mainly consists of interest income from lending and deposit-taking operations and fees relating to credit card settlement, consumer financing, real estate and stock transfer services for Japanese domestic individual and small to medium-sized corporate customers. The increase in net revenue was mainly due to an increase in payment processing fees and an increase in fees from the consumer finance business, reflecting growth in the volume of cashless payments. The increase in net revenue was also attributable to an increase in fees and commissions on sales of securities primarily due to stronger customer demand in response to the rising trend in equity prices. These increases in net revenues were partially offset by the lower net revenue related to operations funded by deposits due to tighter interest rate spreads in the near-zero interest rate environment in Japan.

Operating expenses of the Retail & Commercial Banking Business Group decreased ¥6.5 billion to ¥1,227.6 billion for the fiscal year ended March 31, 2018 from ¥1,234.1 billion for the fiscal year ended March 31, 2017, mainly resulting from our cost reduction measures.

As a result, operating profit of the Retail & Commercial Banking Business Group increased ¥22.8 billion to ¥356.7 billion for the fiscal year ended March 31, 2018 from ¥333.9 billion for the fiscal year ended March 31, 2017.

Japanese Corporate & Investment Banking Business Group

Net revenue of the Japanese Corporate & Investment Banking Business Group decreased ¥4.5 billion to ¥522.6 billion for the fiscal year ended March 31, 2018 from ¥527.1 billion for the fiscal year ended March 31, 2017. The Japanese Corporate & Investment Banking Business Group s net revenue mainly consists of interest income from lending and deposit-taking operations and fees relating to financing, investment banking, real estate and stock transfer services for large Japanese corporate customers. The lower net revenue mainly reflected a decrease in fee income from the sales of derivative instruments and lower net revenues from the M&A and underwriting businesses, mainly reflecting reduced corporate investment and financing activities due to uncertainties surrounding the financial market. The lower net revenue was also attributable to decreases in net interest income related to domestic operations funded by deposits and net revenue from loans to domestic corporate clients due to tighter interest rate spreads in the near-zero interest rate environment in Japan, which more than offset the increases in net interest income related to overseas operations funded by deposits and net revenue from loans to overseas corporate clients.

Operating expenses of the Japanese Corporate & Investment Banking Business Group increased ¥5.6 billion to ¥295.6 billion for the fiscal year ended March 31, 2018 from ¥290.0 billion for the fiscal year ended March 31, 2017. This increase was primarily due to the increased volume of overseas Japanese corporate business and higher expenses for global financial regulatory compliance purposes.

As a result, operating profit of the Japanese Corporate & Investment Banking Business Group decreased ¥10.1 billion to ¥227.0 billion for the fiscal year ended March 31, 2018 from ¥237.1 billion for the fiscal year ended March 31, 2017.

Global Corporate & Investment Banking Business Group

Net revenue of the Global Corporate & Investment Banking Business Group decreased ¥39.7 billion to ¥378.6 billion for the fiscal year ended March 31, 2018 from ¥418.3 billion for the fiscal year ended March 31, 2017. The Global Corporate & Investment Banking Business Group s net revenue mainly consists of interest

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income from lending and deposit-taking operations and fees and commissions from investment banking services and foreign exchange and derivatives transactions for large non- Japanese corporate and institutional customers outside Japan. The lower net revenue was mainly due to a decrease in the volume of M&A finance business in the United States as well as the application of stricter business acceptance criteria as part of our effort to improve profitability.

Operating expenses of the Global Corporate & Investment Banking Business Group increased ¥6.8 billion to ¥242.8 billion for the fiscal year ended March 31, 2018 from ¥236.0 billion for the fiscal year ended March 31, 2017, reflecting higher expenses for global financial regulatory compliance purposes.

As a result, operating profit of the Global Corporate & Investment Banking Business Group decreased ¥46.5 billion to ¥135.8 billion for the fiscal year ended March 31, 2018 from ¥182.3 billion for the fiscal year ended March 31, 2017.

Global Commercial Banking Business Group

Net revenue of the Global Commercial Banking Business Group increased ¥37.7 billion to ¥666.3 billion for the fiscal year ended March 31, 2018 from ¥628.6 billion for the fiscal year ended March 31, 2017. The Global Commercial Banking Business Group s net revenue mainly consists of interest income from lending and deposit-taking operations and fees from remittances and transfers, consumer finance and wealth related services for individual and small to medium-sized corporate customers of MUFG Union Bank and Krungsri. The higher net revenue was mainly due to an increase in net interest income reflecting an increase in Krungsri s automobile and consumer finance loan portfolio.

Operating expenses of the Global Commercial Banking Business Group increased ¥27.8 billion to ¥463.6 billion for the fiscal year ended March 31, 2018 from ¥435.8 billion for the fiscal year ended March 31, 2017, reflecting higher expenses in Krungsri primarily due to increased business volume.

As a result, operating profit of the Global Commercial Banking Business Group increased ¥9.9 billion to ¥202.7 billion for the fiscal year ended March 31, 2018 from ¥192.8 billion for the fiscal year ended March 31, 2017.

Asset Management & Investor Services Business Group

Net revenue of the Asset Management & Investor Services Business Group increased ¥13.7 billion to ¥190.4 billion for the fiscal year ended March 31, 2018 from ¥176.7 billion for the fiscal year ended March 31, 2017. The Asset Management & Investor Services Business Group s net revenue mainly consists of fees from asset management and administration services for products, such as pension trusts and mutual funds. Net revenue of the Trust Assets Business Group increased mainly due to an increase in income from the fund administration and custody services globally, reflecting the contributions of our recently acquired overseas subsidiaries.

Operating expenses of the Asset Management & Investor Services Business Group increased ¥4.7 billion to ¥119.4 billion for the fiscal year ended March 31, 2018 from ¥114.7 billion for the fiscal year ended March 31, 2017. This was mainly due to the expansion of our fund administration and custody businesses globally through acquisitions.

As a result, operating profit of the Asset Management & Investor Services Business Group increased ¥9.0 billion to ¥71.0 billion for the fiscal year ended March 31, 2018 from ¥62.0 billion for the fiscal year ended March 31, 2017.

Global Markets Business Group

Net revenue of the Global Markets Business Group decreased ¥121.6 billion to ¥565.2 billion for the fiscal year ended March 31, 2018 from ¥686.8 billion for the fiscal year ended March 31, 2017. This was mainly due to

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a decrease in net revenue from the asset liability management operations, primarily reflecting a decrease in realized gains on sales of foreign government bonds as well as a decrease in interest income due to the reduction of our foreign government bond portfolio and the flattening of the yield curve of U.S. Treasury bonds. The decrease in net revenue was also attributable to lower net revenue from the sales and trading business in Japan, reflecting the low volatility in interest rates.

Operating expenses of the Global Markets Business Group increased ¥8.3 billion to ¥225.7 billion for the fiscal year ended March 31, 2018 from ¥217.4 billion for the fiscal year ended March 31, 2017, reflecting higher expenses in our overseas securities subsidiaries primarily with larger volumes of sales and trading business as well as higher expenses for financial regulatory compliance purposes.

As a result, operating profit of the Global Markets Business Group decreased ¥129.9 billion to ¥339.5 billion for the fiscal year ended March 31, 2018 from ¥469.4 billion for the fiscal year ended March 31, 2017.

Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016

Retail & Commercial Banking Business Group

Net revenue of the Retail & Commercial Banking Business Group decreased ¥77.9 billion to ¥1,568.0 billion for the fiscal year ended March 31, 2017 from ¥1,645.9 billion for the fiscal year ended March 31, 2016. The Retail & Commercial Banking Business Group s net revenue mainly consists of interest income from lending and deposit-taking operations and fees relating to credit card settlement, consumer financing, real estate and stock transfer services for Japanese domestic individual and small to medium-sized corporate customers. The decrease in net revenue was mainly attributable to lower net revenue related to operations funded by deposits due to tighter interest rate spreads in the near-zero interest rate environment in Japan. The decrease in net revenue was also attributable to a decrease in fees and commissions on sales of securities primarily due to weaker customer demand in response to uncertain market conditions as well as a decrease in insurance commissions since the sales of certain types of single premium insurance products were suspended in April 2016 after Japanese government bonds began trading on negative yields.

Operating expenses of the Retail & Commercial Banking Business Group decreased ¥0.8 billion to ¥1,234.1 billion for the fiscal year ended March 31, 2017 from ¥1,234.9 billion for the fiscal year ended March 31, 2016. This decrease mainly resulted from our cost reduction measures, partially offset by an increase in the investments for a system integration project in our consumer finance subsidiary to establish an efficient and effective business platform for cashless payment and credit card services.

As a result, operating profit of the Retail & Commercial Banking Business Group decreased ¥77.1 billion to ¥333.9 billion for the fiscal year ended March 31, 2017 from ¥411.0 billion for the fiscal year ended March 31, 2016.

Japanese Corporate & Investment Banking Business Group

Net revenue of the Japanese Corporate & Investment Banking Business Group decreased ¥41.0 billion to ¥527.1 billion for the fiscal year ended March 31, 2017 from ¥568.1 billion for the fiscal year ended March 31, 2016. The Japanese Corporate & Investment Banking Business Group s net revenue mainly consists of interest income from lending and deposit-taking operations and fees relating to financing, investment banking, real estate and stock transfer services for large Japanese corporate customers. The lower net revenue mainly reflected decreases in net revenue related to operations funded by deposits and net revenue from loans to corporate clients due to tighter interest rate spreads in the near-zero interest rate environment in Japan, as well as a decrease in fee income from the sales of derivative instruments. These decreases were offset in part by an increase in fees and commissions from hybrid

financing transactions, including syndicated loans.

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Operating expenses of the Japanese Corporate & Investment Banking Business Group decreased ¥2.0 billion to ¥290.0 billion for the fiscal year ended March 31, 2017 from ¥292.0 billion for the fiscal year ended March 31, 2016. This decrease mainly reflected a decrease in expenses associated with domestic operations, which was partially offset by an increase in expenses for overseas operations.

As a result, operating profit of the Japanese Corporate & Investment Banking Business Group decreased ¥39.0 billion to ¥237.1 billion for the fiscal year ended March 31, 2017 from ¥276.1 billion for the fiscal year ended March 31, 2016.

Global Corporate & Investment Banking Business Group

Net revenue of the Global Corporate & Investment Banking Business Group decreased ¥12.7 billion to ¥418.3 billion for the fiscal year ended March 31, 2017 from ¥431.0 billion for the fiscal year ended March 31, 2016. The Global Corporate & Investment Banking Business Group s net revenue mainly consists of interest income from lending and deposit-taking operations and fees and commissions from investment banking services and foreign exchange and derivatives transactions for large non-Japanese corporate and institutional customers outside Japan. The lower net revenue was mainly due to the appreciation of the Japanese yen against other major currencies, partially offset by the positive impact of improvements in the event-driven financing business in Asia and Oceania, EMEA and the Americas. Net revenue was also adversely affected by tighter interest rate spreads in China, reflecting intensified competition among lending institutions, and lower volumes of U.S. dollar-denominated lending in China as the Renminbi depreciated against the U.S. dollar.

Operating expenses of the Global Corporate & Investment Banking Business Group increased ¥2.8 billion to ¥236.0 billion for the fiscal year ended March 31, 2017 from ¥233.2 billion for the fiscal year ended March 31, 2016, reflecting an increase in expenses for global financial regulatory compliance purposes.

As a result, operating profit of the Global Corporate & Investment Banking Business Group decreased ¥15.5 billion to ¥182.3 billion for the fiscal year ended March 31, 2017 from ¥197.8 billion for the fiscal year ended March 31, 2016.

Global Commercial Banking Business Group

Net revenue of the Global Commercial Banking Business Group increased ¥29.6 billion to ¥628.6 billion for the fiscal year ended March 31, 2017 from ¥599.0 billion for the fiscal year ended March 31, 2016. The Global Commercial Banking Business Group s net revenue mainly consists of interest income from lending and deposit-taking operations and fees from remittances and transfers, consumer finance and wealth related services for individual and small to medium-sized corporate customers of MUFG Union Bank and Krungsri. The higher net revenue was mainly due to larger volumes of automobile purchase financing and consumer loans in Krungsri.

Operating expenses of the Global Commercial Banking Business Group decreased ¥1.1 billion to ¥435.8 billion for the fiscal year ended March 31, 2017 from ¥436.9 billion for the fiscal year ended March 31, 2016, reflecting an increase in expenses in Krungsri primarily due to the larger volumes of business. The increase was partially mitigated by our cost management measures, particularly in the Americas.

As a result, operating profit of the Global Commercial Banking Business Group increased ¥30.7 billion to ¥192.8 billion for the fiscal year ended March 31, 2017 from ¥162.1 billion for the fiscal year ended March 31, 2016.

Asset Management & Investor Services Business Group

Net revenue of the Asset Management & Investor Services Business Group increased ¥0.5 billion to ¥176.7 billion for the fiscal year ended March 31, 2017 from ¥176.2 billion for the fiscal year ended

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March 31, 2016. The Asset Management & Investor Services Business Group s net revenue mainly consists of fees from asset management and administration services for products, such as pension trusts and mutual funds. Net revenue of the Trust Assets Business Group increased mainly due to an increase in income from the fund administration and custody services globally, which was largely offset by a decrease in net revenue attributable to the lower market values of pension funds and investment products, reflecting weaker equity prices in Japan between April 2016 and the U.S. presidential election in November 2016.

Operating expenses of the Asset Management & Investor Services Business Group increased ¥10.3 billion to ¥114.7 billion for the fiscal year ended March 31, 2017 from ¥104.4 billion for the fiscal year ended March 31, 2016. This was mainly due to the expansion of our fund administration and custody services globally.

As a result, operating profit of the Asset Management & Investor Services Business Group decreased ¥9.8 billion to ¥62.0 billion for the fiscal year ended March 31, 2017 from ¥71.8 billion for the fiscal year ended March 31, 2016.

Global Markets Business Group

Net revenue of the Global Markets Business Group decreased ¥28.7 billion to ¥686.8 billion for the fiscal year ended March 31, 2017 from ¥715.5 billion for the fiscal year ended March 31, 2016. This was mainly due to a decrease in profits on sales of foreign currency-denominated bonds as we reduced the balance of our foreign government bond portfolio in anticipation of, and reaction to, rising interest rates in the United States.

Operating expenses of the Global Markets Business Group increased ¥4.9 billion to ¥217.4 billion for the fiscal year ended March 31, 2017 from ¥212.5 billion for the fiscal year ended March 31, 2016, reflecting higher costs for a system integration project to enhance coordination and collaboration in the sales and trading business between our commercial banking subsidiaries and our securities subsidiaries as well as higher expenses for financial regulatory compliance purposes.

As a result, operating profit of the Global Markets Business Group decreased ¥33.6 billion to ¥469.4 billion for the fiscal year ended March 31, 2017 from ¥503.0 billion for the fiscal year ended March 31, 2016.

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USE OF PROCEEDS

Unless otherwise disclosed in the applicable prospectus supplement, we will use the proceeds from the sale of securities to fund our operations and the operations of our operating subsidiaries through loans or investments.

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DESCRIPTION OF SENIOR DEBT SECURITIES

The following description of the terms of the senior debt securities contains certain general terms that may apply to the senior debt securities. The specific terms of any senior debt securities will be described in the applicable prospectus supplement relating to such senior debt securities.

The following description summarizes only those terms of the senior debt securities that the Company believes will be most important to your decision to invest in any senior debt securities and may not discuss other terms that are also important to you. If you invest in any senior debt securities, your rights as a securityholder will be determined by the senior debt securities, the Indenture, and the U.S. Trust Indenture Act of 1939, as amended, or the Trust Indenture Act, under which the Indenture is qualified. The terms of the senior debt securities will include those expressly set forth in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. You can read the Indenture and the form of senior debt securities at the location listed under Where You Can Obtain More Information. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the senior debt securities and the Indenture, including the definitions contained in the Indenture of certain terms.

General

The applicable prospectus supplement will set forth the aggregate principal amount, maturity dates, interest payment dates and other terms of each series of senior debt securities on its cover page and in the description of the senior debt securities contained therein. Each series of senior debt securities, when issued, will constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and rank senior to all of the existing and future subordinated debt of the Company and equally in right of payment with all of the existing and future unsecured and unsubordinated debt of the Company (except for statutorily preferred exceptions). Each series of senior debt securities will be effectively subordinated to any secured indebtedness incurred by the Company to the extent of the value of the assets securing the same. See also Risk Factors Risks Related to the Senior Debt Securities The senior debt securities will be structurally subordinated to the liabilities of MUFG s subsidiaries, including the Bank and the Trust Bank.

The senior debt securities will be repaid at maturity at a price of 100% of the principal amount thereof. The Indenture provides that a series of senior debt securities may be redeemed at any time prior to maturity in the circumstances described under Optional Tax Redemption. The senior debt securities may be denominated and payable in U.S. dollars or other foreign currencies. The senior debt securities do not provide for any sinking fund. Temporary documents of title will not be issued.

Payments on the senior debt securities will be made in accordance with any laws, regulations or administrative practices applicable to the Company and its agents in respect thereof, including the requirements under Japanese tax law.

The term Business Day means a day which is not a day on which banking institutions in New York and Tokyo are authorized by law or regulation to close.

Floating Rate Interest

Any series of senior debt securities with floating rate interest that may be issued will bear interest at the relevant floating interest rate, payable quarterly in arrears, as described in the applicable prospectus supplement with respect to the relevant series of floating rate debt securities (the Floating Interest Rate). Interest on such floating rate debt securities will be paid on each interest payment date to the holders of record as at 5:00 p.m. (New York City time) on

the day five Business Days immediately preceding such interest payment date.

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If any date on which interest is payable, other than the maturity date, would otherwise fall on a day that is not both a Business Day and London Banking Day, the interest payment date will be adjusted to be the next succeeding day that is both a Business Day and London Banking Day, except that if such day is in the next succeeding calendar month, the interest payment date will be adjusted to be the immediately preceding day that is both a Business Day and London Banking Day. In any case where the stated maturity of floating rate debt securities is not both a Business Day and London Banking Day, the payment of interest and principal in respect of the floating rate debt securities will be made on the next succeeding day that is both a Business Day and London Banking Day, and no interest on such payment shall accrue for the period from and after the stated maturity date. The term London Banking Day means a day on which commercial banks are open for business, including dealings in foreign exchange and foreign currency deposits, in London.

Each period beginning on (and including) an interest payment date (after any adjustments to make such date a Business Day and London Banking Day) and ending on (but excluding) the next interest payment date (after any adjustments to make such date a Business Day and London Banking Day) is referred to as an Interest Period. For purposes of the first interest payment, the interest period will begin on (and include) the issue date of the floating rate debt securities.

The Floating Interest Rate for each Interest Period in respect of each series of floating rate debt securities will be determined by the calculation agent on the following basis:

(i) The calculation agent for such series of debt securities will determine the rate for deposits in U.S. dollars for a period equal or comparable to the relevant Interest Period which appears on the display page designated LIBOR01 on the Reuters service (or any such other page as may replace that page on that service, or such other service as may be nominated by ICE Benchmark Administration Limited, or ICE, or its successor, or such other entity assuming the responsibility of ICE or its successor in the event ICE or its successor no longer does so, as the successor service, for the purpose of displaying comparable rates) as of 11:00 a.m., London time, on the second London Banking Day before the first day of the relevant Interest Period (the Interest Determination Date).

(ii) If such rate does not appear on that page, the calculation agent will:

(A) request the principal London office of each of four major banks selected by the calculation agent in the London interbank market to provide a quotation of the rate at which deposits in U.S. dollars are offered by it at approximately 11:00 a.m., London time, on the Interest Determination Date to prime banks in the London interbank market for a period equal or comparable to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations.

(iii) If fewer than two such quotations are provided as requested, the calculation agent will determine the arithmetic mean (rounded, if necessary as aforesaid) of the rates quoted by major banks in New York City,

selected by the calculation agent, at approximately 11:00 a.m., New York City time, on the first day of the relevant Interest Period for loans in U.S. dollars to leading European banks for a period equal or comparable to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time.

The Floating Interest Rate for such Interest Period will be a per annum rate equal to the sum of the rate set forth on the cover page of the applicable prospectus supplement relating to the relevant series of floating rate debt securities (such rate, the Spread) and the rate or the arithmetic mean, as the case may be, determined by one of the methodologies set forth in clauses (i) through (iii) hereof; *provided*, *however*, that if the calculation agent is unable to determine a rate or an arithmetic mean, as the case may be, in accordance with the above provisions in relation to any Interest Period, the Floating Interest Rate applicable to the floating rate debt securities during such Interest Period will be a per annum rate equal to the sum of the Spread and the rate or the

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arithmetic mean, as the case may be, applicable in relation to the relevant series of floating rate debt securities in respect of the immediately preceding Interest Period.

Notwithstanding the clause above, if the Company determines that LIBOR has been permanently discontinued or is no longer an acceptable benchmark for debt obligations similar to the floating rate notes, the calculation agent will use, if and as directed by the Company, as a substitute for LIBOR (the Alternative Rate) and for each future Interest Determination Date, the alternative reference rate selected by a central bank, reserve bank, monetary authority or any similar institution, including any committee or working group thereof, that is consistent with accepted market practice. As part of such substitution, the calculation agent will, if and as directed by the Company, make adjustments (the Adjustments) to the Alternative Rate or the Spread thereon, as well as the business day convention, Interest Determination Dates and related provisions and definitions, in each case that are consistent with accepted market practice for the use of such Alternative Rate for debt obligations similar to the floating rate notes; provided, however, that if the Company determines that there is no alternative reference rate selected by a central bank, reserve bank, monetary authority or any similar institution, including any committee or working group thereof, that is consistent with accepted market practice regarding a substitute for LIBOR, the Company may appoint, in its sole discretion, an independent financial advisor (the IFA) to determine the Alternative Rate and make any Adjustments thereon. However, if the Company determines that LIBOR has been discontinued or is no longer an acceptable benchmark for debt obligations similar to the floating rate notes, but for any reason an Alternative Rate has not been determined as of an Interest Determination Date, the Floating Interest Rate and the Spread for the applicable Interest Period will be equal to the rate on the last Interest Determination Date for the floating rate notes using LIBOR as the benchmark, as determined by the calculation agent.

The calculation agent will, as soon as practicable after the determination of the Floating Interest Rate for each Interest Period in respect of the floating rate debt securities, calculate the amount of interest (the Interest Amount) payable in respect of each floating rate debt security for such Interest Period. The Interest Amount will be calculated by applying the Floating Interest Rate for such Interest Period to the principal amount of such floating rate debt security, multiplying the product by the actual number of days in such Interest Period (the Number of Days) divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

All determinations, calculations and quotations made or obtained for the purposes of calculating the Floating Interest Rate and the Interest Amount, whether by the calculation agent, the relevant banks in the London interbank market (or any of them) or the IFA, will, in the absence of willful misconduct or manifest error, be binding on the Company, the trustee, the calculation agent and all holders of the floating rate debt securities.

The calculation agent will cause the Floating Interest Rate, the Number of Days, the Interest Amount for each Interest Period in respect of each series of floating rate debt securities and the relevant record date and interest payment date to be notified to us, the trustee, and DTC, and such information will be notified or published to the holders of the floating rate debt securities through DTC or through another reasonable manner as soon as possible after their determination but in no event later than the first day of the relevant interest period. The interest payment date so notified or published may subsequently be amended.

See Risk Factors Risks Related to the Senior Debt Securities LIBOR may be administered differently or discontinued in the future and, as a result, the value and marketability of, and the return on, the senior debt securities linked to LIBOR may decline.

Fixed Rate Interest

Each series of fixed rate debt securities will bear interest at the fixed rate set forth on the cover page of the applicable prospectus supplement relating to the relevant series of fixed rate debt securities, payable semi-annually in arrears as described under the caption Summary in the applicable prospectus supplement with

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respect to the relevant series. Interest will be paid on each interest payment date to the holders of record as at 5:00 p.m. (New York City time) on the day five Business Days immediately preceding such interest payment date. In any case where the date of payment of interest, redemption or stated maturity of such fixed rate debt securities is not a Business Day, the payment of principal and interest may be made on the next succeeding Business Day with the same force and effect as if made on such date of payment, provided that no interest shall accrue for the period from and after such date of payment. Interest on such fixed rate debt securities will be computed on the basis of a 360-day year consisting of twelve 30-day months and rounding the resulting figure to the nearest cent (half a cent being rounded upward).

Further Issuances

We reserve the right, from time to time, without the consent of the holders of the senior debt securities, to issue additional senior debt securities on terms and conditions identical to those of the senior debt securities of a series offered by this prospectus and the applicable prospectus supplement, which additional senior debt securities shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the relevant series of the senior debt securities. We may also issue other securities under the relevant indenture as part of a separate series that have different terms from the senior debt securities.

Optional Tax Redemption

A series of senior debt securities may, subject to prior confirmation of the FSA (if such confirmation is required under Japanese banking laws and regulations then in effect), be redeemed at the option of the Company, in whole but not in part, at any time, on not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of the principal amount of the relevant series of senior debt securities then outstanding (plus accrued and unpaid interest to (but excluding) the date fixed for redemption and additional amounts (as described below), if any), if the Company determines and certifies to the trustee prior to giving notice of redemption that, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of Japan (or any political subdivision or taxing authority of Japan) affecting taxation, or any change in the official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment, or order by a court of competent jurisdiction), which change, amendment, application or interpretation becomes effective on or after the date of the applicable prospectus supplement, the Company is, or on the next interest payment date would be, required to pay any additional amounts in respect of Japanese taxes which cannot be avoided by measures reasonably available to the Company; *provided* that, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obligated to make such payment of additional amounts if a payment in respect of the relevant series of senior debt securities were then due. Additional amounts are payable by the Company under the circumstances described below under Payment of Additional Amounts. Prior to the mailing of any notice of redemption of a series of senior debt securities pursuant to the foregoing, the Indenture requires that the Company deliver to the trustee a certificate signed by a responsible officer of the Company stating that the conditions precedents to such redemption have been fulfilled and an opinion of an independent tax counsel or tax consultant of recognized standing reasonably satisfactory to the trustee to the effect that the circumstances referred to above exist. The trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the relevant securityholders.

Payment of Additional Amounts

All payments of principal and interest in respect of the senior debt securities by the Company shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political sub-division of, or any

authority in, or of, Japan having power to tax (Japanese taxes), unless such withholding or deduction is required by law. In that event, the Company shall pay to the holder of each senior debt security such additional amounts (all such amounts being referred to herein as additional amounts) as may be necessary so

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that the net amounts received by it after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such senior debt security in the absence of such withholding or deduction.

However, no such additional amounts shall be payable in relation to any such withholding or deduction in respect of any senior debt security:

(i) to or on behalf of a securityholder or beneficial owner of a senior debt security who is liable for such Japanese taxes in respect of such senior debt security by reason of its having some connection with Japan other than the mere holding of such senior debt security and the receipt of any payments in respect thereof; or

(ii) to or on behalf of a securityholder or beneficial owner of a senior debt security (a) who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide certification, information, documents or other evidence concerning its nationality, residence, identity or connection with Japan, including any requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the Company, the trustee or a paying agent, as appropriate, or (b) whose Interest Recipient Information is not duly communicated through the Participant (as defined below) and the relevant international clearing organization to the trustee or a paying agent, as appropriate; or

(iii) to or on behalf of a securityholder or beneficial owner of a senior debt security who is for Japanese tax purposes treated as a resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) who complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) a resident of Japan or a Japanese corporation who duly notifies (directly or through the Participant or otherwise) the trustee or a paying agent, as appropriate, of its status as not being subject to Japanese taxes to be withheld or deducted by the Company, by reason of such individual resident of Japan or Japanese corporation receiving interest on the relevant senior debt security through a payment handling agent in Japan appointed by it); or

(iv) to or on behalf of a securityholder or beneficial owner of a senior debt security who is a non-resident of Japan or a non-Japanese corporation that is a specially related person of the Company as described in Article 6, Paragraph 4 of the Special Taxation Measures Act of Japan (Act No. 26 of 1957, as amended; the Special Taxation Measures Act); or

(v) to or on behalf of a securityholder or beneficial owner of a senior debt security who presents a senior debt security for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below), except to the extent that such securityholder or beneficial owner of a senior debt security would have been entitled to such additional amounts on presenting the same on any date during such 30-day period; or

(vi)

to or on behalf of a securityholder who is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any senior debt security, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such additional amounts had it been the holder of such senior debt security; or

(vii) in any case that is a combination of any of (i) through (vi) above.

In addition, no additional amounts will be payable for or on account of any deduction or withholding imposed pursuant to Sections 1471-1474 of the U.S. Internal Revenue Code, FATCA, any agreement (including any intergovernmental agreement) entered into with respect to FATCA, or any law, regulation or other official

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guidance enacted in any jurisdiction implementing, or relating to, FATCA, similar legislation under the laws of any other jurisdiction, or any such intergovernmental agreement.

Where a senior debt security is held through a participant of a clearing organization or a financial intermediary (each, a Participant), in order to receive payments free of withholding or deduction by the Company for, or on account of, Japanese taxes, if the relevant beneficial owner of a senior debt security is (i) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a specially-related person of the Company or (ii) a Japanese financial institution (a Designated Financial Institution) falling under certain categories prescribed by Article 6, Paragraph 9 of the Special Taxation Measures Act and the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended) (together with the ministerial ordinance and other regulations thereunder, the Act), all in accordance with the Act, such beneficial owner of a senior debt security must, at the time of entrusting a Participant with the custody of the relevant senior debt security, provide certain information prescribed by the Act to enable the Participant to establish that such beneficial owner of a senior debt security is exempted from the requirement for Japanese taxes to be withheld or deducted (the Interest Recipient Information) and advise the Participant if such beneficial owner of a senior debt security ceases to be so exempted, including the case where the relevant beneficial owner of the senior debt security who is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company.

Where a senior debt security is not held by a Participant, in order to receive payments free of withholding or deduction by the Company for, or on account of, Japanese taxes, if the relevant beneficial owner of a senior debt security is (i) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a specially-related person of the Company or (ii) a Designated Financial Institution, all in accordance with the Act, such beneficial owner of a senior debt security must, prior to each date on which it receives interest, submit to the Company, the trustee or a paying agent, as appropriate, a written application for tax exemption (*hikazei tekiyo shinkokusho*) (a Written Application for Tax Exemption) in the form obtainable from the Company, the trustee or any paying agent, as appropriate, stating, among other things, the name and address (and, if applicable, the Japanese individual or corporation ID number) of such beneficial owner of a senior debt security, the title of the senior debt securities, the relevant interest payment date, the amount of interest payable and the fact that such beneficial owner of a senior debt security is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

By subscribing for the senior debt securities, a securityholder will be deemed to have represented that it is a beneficial owner who is, (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially related person of the Company or (ii) a Designated Financial Institution.

If (i) subsequent to making a payment on the senior debt securities without withholding or deduction of Japanese taxes, the Company is required to remit to the Japanese taxing authority any amount in respect of Japanese taxes that should have been withheld or deducted from such payment (together with any interest and penalties) due to the failure of the beneficial owner to provide accurate Interest Recipient Information or to otherwise properly claim an exemption from Japanese taxes imposed with respect to such payment, and (ii) such beneficial owner would not have been entitled to receive additional amounts with respect to such payment had Japanese taxes been withheld from the payment when it was made, such beneficial owner (but not any subsequent beneficial owner of the debt securities) shall be required to reimburse the Company, in Japanese yen, for the amount remitted by the Company to the Japanese taxing authority.

As used in this section, the Relevant Date means the date on which any payment in respect of a senior debt security first becomes due, except that, if the full amount of the moneys payable has not been duly received by the trustee on

or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the securityholders in accordance with the Indenture.

The obligation to pay additional amounts shall not apply to (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (ii) any tax, assessment or other

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governmental charge that is payable otherwise than by deduction or withholding from payments of principal or interest on the senior debt securities; *provided* that, except as otherwise set forth in the senior debt securities and the Indenture, the Company shall pay all stamp and other duties, if any, which may be imposed by Japan, the United States or any respective political subdivision or any taxing authority thereof or therein, with respect to the Indenture or as a consequence of the issuance of the senior debt securities.

References to principal or interest in respect of the senior debt securities shall be deemed to include any additional amounts due in respect of Japanese taxes which may be payable as set forth in the senior debt securities and the Indenture.

Events of Default

An event of default is defined under the Indenture as any one or more of the following events, subject to modification in a supplemental indenture, each of which we refer to in this prospectus and the applicable prospectus supplement as an event of default with respect to any series of senior debt securities, having occurred and be continuing:

(i) default by the Company in the payment when due of the interest or principal in respect of any such series of senior debt securities and the continuance of any such default for a period of 30 days after the date when due, unless the Company shall have cured such default by payment within such period; or

(ii) the Company shall fail duly to perform or observe any other term, covenant or agreement contained in any such series of senior debt securities or in the Indenture in respect of such series of senior debt securities for a period of 90 days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given first to the Company (and to the trustee in the case of notice by the holders referred to below) by the trustee or holders of at least 25% in principal amount of the then outstanding senior debt securities of such series (such notification must specify the Event of Default, demand that it be remedied and state that the notification is a Notice of Default hereunder); or

(iii) a decree or order by any court having jurisdiction shall have been issued adjudging the Company bankrupt or insolvent or approving a petition seeking reorganization under the Bankruptcy Law of Japan (Law No. 75 of 2004, as amended; the Bankruptcy Law), the Civil Rehabilitation Law of Japan (Law No. 225 of 1999, as amended; the Civil Rehabilitation Law), the Corporate Reorganization Law of Japan (Law No. 154 of 2002, as amended; the Reorganization Law), the Company Law of Japan (Law No. 86 of 2005, as amended; the Company Law) or any other similar applicable law of Japan, and such decree or order shall have continued undischarged or unstayed for a period of 60 days; or a decree or order of a court having jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or of all or substantially all of its property or for the winding-up or liquidation of its affairs, shall have been issued, and such decree or order shall have continued undischarged or unstayed for a period of 60 days; or

(iv) the Company shall institute proceedings seeking adjudication of bankruptcy or seeking reorganization under the Bankruptcy Law, the Civil Rehabilitation Law, the Reorganization Law, the Company Law or

any other similar applicable law of Japan, or shall consent to the institution of any such proceedings or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of itself or of all or substantially all of its property, or an effective resolution shall have been passed by the Company for the winding up or dissolution of its affairs, other than for the purpose of an amalgamation or merger, *provided* that the continuing or successor corporation has effectively assumed the obligations of the Company under such series of senior debt securities of such series and the Indenture.

Provision and Withholding of Notice of Default. Pursuant to the Indenture, the trustee shall give notice by mail to the securityholders of all defaults known to the trustee which have occurred. The trustee shall transmit the

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notice within 90 days after the occurrence of an event of default, unless the defaults have been cured before the transmission of such notice. However, except in the case of default in the payment of principal of or interest on the senior debt securities, the trustee may withhold notice of default if and so long as the board of directors, the executive committee, or a trust committee of directors or trustees and/or responsible officers of the trustee determines in good faith that the withholding of the notice is in the interests of the securityholders.

Acceleration Upon an Event of Default

The Indenture provides that, unless otherwise set forth in a supplemental indenture, if any event of default occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding senior debt securities of a series, by notice in writing to the Company (and to the trustee if given by the securityholders), may declare the entire principal of and interest accrued thereon to be due and payable immediately.

Annulment of Acceleration and Waiver of Defaults

In some circumstances, if any or all of the events leading to acceleration under the Indenture, other than the non-payment of the principal of the senior debt securities that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the securityholders of a majority in aggregate principal amount of a series of senior debt securities may (if certain conditions are satisfied) annul past declarations of acceleration or waive past defaults of such series of senior debt securities.

Application of Proceeds

Any money collected from the Company by a trustee under the Indenture upon an event of default shall be applied in the order described below:

(i) first, to the payment of costs and expenses (including indemnity payments) applicable to the series of senior debt securities for which money was collected, including reasonable compensation to the applicable trustee and any paying agent;

(ii) second, if payment is not due on the principal of the series of senior debt securities for which money was collected, to the payment of interest on the series in default;

(iii) third, if payment is due on the principal of the series of senior debt securities for which money was collected, to the payment of the whole amount then owing and unpaid upon all of the series of senior debt securities for principal and interest, with interest on the overdue principal; and in case the money collected shall be insufficient to pay in full the whole amount so due and unpaid upon the series of senior debt securities, then to the payment of principal and interest without preference or priority of principal over interest, ratably to the aggregate of such principal and accrued and unpaid interest; and

(iv) finally, to the payment of the remainder, if any, to the Company or any other person lawfully entitled thereto.

Indemnification of Trustee for Actions Taken on Your Behalf

The Indenture provides that the trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the securityholders relating to the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred upon the trustee. In addition, the Indenture contains a provision entitling the trustee, to be indemnified and/or secured to its satisfaction by the securityholders under the Indenture before proceeding to exercise any right or power at the request of holders. Subject to these provisions and specified other limitations, the holders of a majority in aggregate principal amount of the senior debt securities of the relevant series outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee.

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Limitation on Suits by You as an Individual Securityholder

The Indenture provides that no individual securityholder may institute any action against the Company under the Indenture, except actions for payment of overdue principal and interest, unless the following actions have occurred:

(i) the holder must have previously given written notice to the trustee of the continuing default;

(ii) the holders of not less than 25% in aggregate principal amount of the outstanding senior debt securities of each affected series, with each such series treated as a single class, must have:

(a) made written request to the trustee to institute that action; and

(b) offered the trustee indemnity and/or security to its satisfaction;

(iii) the trustee must have failed to institute that action within 60 days after receipt of the request referred to above; and

(iv) the holders of a majority in principal amount of the outstanding senior debt securities of each affected series, voting as one class, must not have given directions to the trustee inconsistent with those of the holders referred to above.

In addition, each securityholder will be deemed to have acknowledged, accepted, consented and agreed that, for a period of 30 days from the time the Prime Minister confirms that any measures *(tokutei dai nigo sochi)* set forth in Article 126-2, Paragraph 1, Item 2 of the Deposit Insurance Act (or any successor provision thereto) need to be applied to the Company, the ability of securityholders and the trustee to enforce the rights under the Indenture and the senior debt securities shall be subject to the limitations on the right to obtain attachment against the Company s assets set forth in Article 126-16 of the Deposit Insurance Act (or any successor provision thereto).

Repurchases

We, or any subsidiary of ours, may, at any time, subject to prior confirmation of the FSA (if such confirmation is required under applicable Japanese banking laws and regulations then in effect), purchase any or all of the senior debt securities in the open market or otherwise at any price in accordance with any applicable law or regulation. Subject to applicable law, neither we nor any subsidiary of ours shall have any obligation to offer to purchase any debt securities held by any holder as result of our or its purchase or offer to purchase senior debt securities held by any other holder in the open market or otherwise. Senior debt securities so purchased by us or our subsidiaries may, at the discretion of us or our subsidiaries, as the case may be, be held or resold or surrendered to the relevant trustee for cancellation.

Limited Right of Set-Off

Each holder of the debt securities will agree, by the acceptance of any interest in a debt security, that, if (a) the Company shall institute proceedings seeking adjudication of its bankruptcy or seeking reorganization under the

Bankruptcy Law, the Civil Rehabilitation Law, the Corporate Reorganization Law, the Company Law or any other similar applicable law of Japan, and so long as such proceedings shall have continued, or a decree or order by any court having jurisdiction shall have been issued adjudging the Company bankrupt or insolvent or approving a petition seeking reorganization under any such laws, and as long as such decree or order shall have continued undischarged or unstayed, or (b) the Company s liabilities exceed, or may exceed, its assets, or the Company suspends, or may suspend, repayment of its obligations, the holders of the debt securities shall not be entitled to exercise any right to set off any of the Company s liabilities under the debt securities against any liabilities of the relevant holder owed to the Company.

Covenants

Consolidation, Merger, Sale or Conveyance. The Indenture contains provisions permitting the Company, without the consent of the holders of the debt securities, to merge or consolidate with or merge into, or sell,

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assign, transfer, lease or convey all or substantially all of its properties or assets to any person or persons, provided that the successor corporation or corporations, if an entity other than the Company is a joint stock company organized and existing under the laws of Japan, assumes the Company s obligations on the debt securities and under the Indenture and certain other conditions are met, including that, immediately after giving effect to such transaction, no event of default under the Indenture has occurred and is continuing. As an exception to the foregoing, each securityholder will be deemed to have acknowledged, accepted, consented and agreed that the Indenture does not limit any sales, assignments, transfers or conveyances of business made with the permission of a Japanese court in accordance with Article 126-13 of the Deposit Insurance Act (or any successor provision thereto), including any such sales, assignments, transfers or conveyances made pursuant to the authority of the Deposit Insurance Corporation to represent and manage and dispose of the Company s assets under Article 126-5 of the Deposit Insurance Act (or any successor provision thereto) with the permission of a Japanese court in accordance with Article 126-13 of the Deposit Insurance Act (or any successor provision thereto), which permission may be granted by such court in accordance therewith if (i) the Company is under special supervision by, or under special control of, the Deposit Insurance Corporation pursuant to the Deposit Insurance Act, and (ii) the Company s liabilities exceed, or are likely to exceed, its assets, or the Company has suspended, or are likely to suspend, payment of its obligations.

Evidence of the Company s Compliance. There are provisions in the Indenture requiring the Company to furnish to the trustee each year a brief certificate from the Company s principal executive, financial or accounting officer as to his or her knowledge of the Company s compliance with all conditions and covenants under the Indenture.

Discharge

Unless otherwise set forth in a supplemental indenture and disclosed in the applicable prospectus supplement, the Company may discharge all of its obligations, other than as to transfers and exchanges, under the Indenture after it has:

(i) paid or caused to be paid the principal of and interest on all of the outstanding senior debt securities in accordance with their terms; or

(ii) delivered to the trustee for cancellation all of the outstanding senior debt securities.

Modification of the Indenture

Modification without Consent of Holders. The Company and the trustee may enter into supplemental indentures without the consent of the holders of senior debt securities issued under the Indenture to:

(i) evidence the assumption by a successor corporation of the Company s obligations;

(ii) add covenants for the protection of the holders of senior debt securities;

(iii) cure any ambiguity or correct any inconsistency;

(iv) add to, change or eliminate any of the provisions of the Indenture (*provided* that such addition, change or elimination shall not adversely affect the interests of the holders of any outstanding series of debt securities in any material respect);

(v) establish the forms or terms of any series of senior debt securities; or

(vi) evidence the acceptance of appointment by a successor trustee.

Modification with Consent of Holders. Each of the Company and the trustee, with the consent of the holders of not less than a majority in aggregate principal amount of each affected series of outstanding senior debt securities, with each such series voting as one class, may add any provisions to, or change in any manner or eliminate any of the provisions of, the Indenture or modify in any manner the rights of the holders of the senior

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debt securities issued pursuant to the Indenture. However, the Company and the trustee may not make any of the following changes to any outstanding senior debt security without the consent of each holder that would be affected by the change:

(i) extend the final maturity of the security or of any installment of principal of any such security;

(ii) reduce the principal amount;

(iii) reduce the rate or extend the time of payment of interest;

(iv) reduce any amount payable on redemption;

(v) change the currency or other terms in or under which the principal, including any amount of original issue discount, premium, or interest on the security is payable;

(vi) change any of the Company s obligations to pay any additional amounts on senior debt securities for any tax, assessment or governmental charge withheld or deducted (if any);

(vii) impair the right of any holder to institute suit for any payment on any senior debt security when due; or

(viii) reduce the percentage of senior debt securities the consent of whose holders is required for modification of the Indenture.

Concerning the Trustee

Any trustee appointed pursuant to the Indenture will have and will be subject to all of the duties and responsibilities under the Indenture and those with respect to an indenture trustee under the Trust Indenture Act.

The Indenture provides that upon the occurrence of an event of default, the trustee will exercise the rights and powers vested in it by the Indenture, using the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of its own affairs. In the absence of such event of default, the trustee need only perform those duties that are specifically set forth in the applicable indenture or are applicable pursuant to the Trust Indenture Act.

Subject to the Indenture and the provisions of the Trust Indenture Act, the trustee will be under no obligation to exercise any rights, trusts or powers conferred under the Indenture or the debt securities for the benefit of the holders of the senior debt securities, unless the holders have offered to the trustee indemnity and/or security satisfactory to the trustee against any loss, cost, liability or expense which might be incurred by it in exercising any such rights, trusts or powers.

The Indenture and the Trust Indenture Act contain limitations on the rights of the trustee thereunder, should it become a creditor of ours or any of our subsidiaries, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The trustee is permitted to serve as trustee under the Indenture and to engage in other transactions, provided that if it acquires any conflicting interest (as defined in Section 310(b) of the Trust Indenture Act), it must eliminate such conflict or resign.

We and our subsidiaries and affiliates may maintain ordinary banking relationships and custodial facilities with any trustee or its affiliates.

Successor Trustee

The Indenture provides that the trustee with respect to a series of senior debt securities may resign or be removed by us, effective upon acceptance by a successor trustee of its appointment. The Indenture requires that any successor trustee shall be a corporation with a combined capital and surplus of not less than

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U.S.$50,000,000. The Indenture and the Trust Indenture Act require that any successor trustee shall be a corporation, association, company or business trust organized and doing business under the laws of the United States or any jurisdiction thereof or any state or territory or of the District of Columbia. No person may accept its appointment as a successor trustee unless at the time of such acceptance such successor trustee is qualified and eligible under the Indenture and the applicable provisions of the Trust Indenture Act.

Repayment of Funds

The Indenture provides that all monies paid by the Company to the trustee or paying agent for a particular series of debt securities for payment of principal or interest on any Note which remains unclaimed at the end of two years after such payment shall become due and payable will be repaid to the Company and all liability of the trustee or paying agent with respect thereto will cease, and to the extent permitted by law, the holder of such Note shall thereafter look only to the Company for any payment which such holder may be entitled to collect.

New York Law to Govern

The Indenture is, and the senior debt securities will be, governed by and construed in accordance with the laws of the State of New York.

Consent to Service of Process and Submission to Jurisdiction

Under the Indenture, the Company irrevocably designates Mitsubishi UFJ Financial Group, Inc., Attention: General Manager, with offices currently at 1251 Avenue of the Americas, 43rd Floor, New York, NY 10020 as its authorized agent for service of process in any legal action or proceeding arising out of or relating to the Indenture or the senior debt securities brought in any federal or state court in the County of New York, and the Company irrevocably submits to the jurisdiction of those courts.

Senior Debt Securities Denominated in Foreign Currencies

Whenever the Indenture provides for an action by, or the determination of, any of the rights of, or any distribution to, holders of debt securities, in the absence of any provision to the contrary, any amount in respect of any debt security denominated in a currency or currency unit other than U.S. dollars may be treated for purposes of taking any such action or distribution as the amount of U.S. dollars that could reasonably be exchanged for such non-U.S. dollar amount. This amount will be calculated as of a date that we specify to the paying agent or, if we fail to specify a date, on a date that the paying agent may determine.

Book-Entry; Delivery and Form

DTC

The senior debt securities will initially be issued to investors only in book-entry form. Each series of senior debt securities will initially be in the form of one or more fully registered Global Notes. The Global Notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depositary for the senior debt securities. The Global Notes will initially be deposited with a custodian for DTC.

Any beneficial interest in one of the Global Notes that is transferred to an entity that takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other

procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC (participants), or persons who hold interests through participants (including Euroclear and Clearstream).

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Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Unless and until senior debt securities in certificated form are issued, the only holder of the senior debt securities will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary.

DTC advises that it is a limited purpose trust company organized under the New York Banking Law, a banking organization within the meaning of New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a Clearing Agency registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended, or the U.S. Exchange Act. DTC holds securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants).

Euroclear

Euroclear holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Non-participants in the Euroclear system may hold and transfer book-entry interests in the senior debt securities through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Investors electing to acquire, hold or transfer senior debt securities through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such intermediary with respect to the settlement of secondary market transactions in senior debt securities. Euroclear will not monitor or enforce any transfer restrictions with respect to the senior debt securities. Investors that acquire, hold and transfer interests in the senior debt securities by book-entry through accounts with Euroclear or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such intermediary and each other intermediary, if any, standing between themselves and the individual senior debt securities.

Euroclear has advised that, under Belgian law, investors that are credited with securities on the records of Euroclear have a co-property right in the fungible pool of interests in securities on deposit with Euroclear in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear, Euroclear participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear. If Euroclear did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all participants credited with such interests in securities on Euroclear s records, all participants having an amount of interests in securities of such type credited to their accounts with Euroclear would have the right under Belgian law to the return of their pro rata share of the amount of interests in

securities actually on deposit. Under Belgian law, Euroclear is required to pass on the benefits of ownership in any interests in senior debt securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

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Distributions with respect to the senior debt securities held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear terms and conditions.

Clearstream

Clearstream advises that it is incorporated under the laws of Luxembourg and licensed as a bank and professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream has established an electronic bridge with the Euroclear operator to facilitate the settlement of trades between Clearstream and Euroclear. As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream customers are limited to securities brokers and dealers and banks, and may include the underwriters of an offering of senior debt securities. Other institutions that maintain a custodial relationship with a Clearstream customer may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC.

Distributions with respect to senior debt securities held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures.

Transfers

Purchases of senior debt securities within the DTC system must be made by or through DTC participants, which will receive a credit for the senior debt securities on DTC s records. The ownership interest of each actual purchaser of senior debt securities, a beneficial owner of an interest in a Global Note, is in turn to be recorded on the DTC participants and indirect participants records. Beneficial owners of interests in a Global Note will not receive written confirmation from DTC of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the senior debt securities. Transfers of ownership interests in the senior debt securities are to be accomplished by entries made on the books of DTC participants and indirect participants acting on behalf of beneficial owners of interests in a Global Note. Beneficial owners of interests in a Global Note will not receive senior debt securities in certificated form representing their ownership interests in the senior debt securities unless use of the book-entry system for the senior debt securities is discontinued.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the senior debt securities, cross-market transfers between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement

requirements, deliver instructions to the relevant European depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries.

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Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the senior debt securities through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a Global Note. DTC s records reflect only the identity of the DTC participants to whose accounts those senior debt securities are credited, which may or may not be the beneficial owners of interests in a Global Note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those senior debt securities are credited, which also may or may not be the beneficial owners of interests in a Global Note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC s Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the senior debt securities represented by the Global Note for all purposes under the senior debt securities and the Indenture. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC s applicable procedures, in addition to those provided for under the Indenture.

The Company expects that DTC will take any action permitted to be taken by a securityholder, including the presentation of senior debt securities for exchange, only at the direction of one or more of its participants to whose account DTC s interests in the Global Notes are credited and only in respect of that portion of the aggregate, principal amount of senior debt securities as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a Global Note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The trustee will send any notices in respect of the senior debt securities held in book-entry form to Cede & Co.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the senior debt securities unless authorized by a participant in accordance with DTC s procedures. Under its usual procedures, DTC mails an omnibus proxy to the Company as soon as possible after the record date. The omnibus proxy assigns Cede & Co. s consenting or voting rights to those participants to whose account the senior debt securities are credited on the record date.

Payment of principal of and interest on the senior debt securities held in book-entry form will be made to Cede & Co. or another nominee of DTC by the paying agent in immediately available funds. DTC s practice is to credit its participants accounts on the relevant payment date in accordance with their respective holdings shown on DTC s

records. Payments by DTC s participants and indirect participants to beneficial owners of interests in a Global Note will be governed by standing instructions and customary practices, and will be the responsibility of

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those participants and indirect participants and not of DTC or the Company, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of and interest on the senior debt securities or other amounts to DTC is the responsibility of the Company, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a Global Note is the responsibility of participants and indirect participants.

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Company nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their respective operations.

Exchange of Global Notes for Certificated Notes

If DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by the Company within 90 days, or if there shall have occurred and be continuing an acceleration event with respect to the senior debt securities, the Company will issue senior debt securities in certificated form in exchange for the Global Notes. The certificated senior debt securities delivered in exchange for beneficial interests in any Global Note will be registered in the names requested by or on behalf of DTC (in accordance with its customary procedures). Any such exchange shall be made free of charge to the beneficial owners of the Global Notes, except that a person receiving certificated senior debt securities must bear the cost of insurance, postage, transportation and other related costs in the event that such person does not take delivery of such certificated senior debt securities at the offices of the trustee or the paying agent. The senior debt securities are not issuable in bearer form. Except in the limited circumstances described above, owners of interests in the Global Notes will not be entitled to receive physical delivery of senior debt securities in certificated form.

Payment of principal and interest in respect of the certificated senior debt securities shall be payable at the office of agency of the Company in the City of New York which shall initially be the corporate trust office of the trustee, at 240 Greenwich Street, New York, NY 10286, USA, or at the office of the paying agent (which shall initially be The Bank of New York Mellon, *provided* that, at the option of the Company, payment may be made by wire transfer or by mailing checks for such interest payable to or upon the written order of such holders at their last addresses as they appear on the registry books of the Company (in the case of registered securities) or at such other addresses as may be specified in the written orders of the holders; and *provided further* that, payments of any interest on certificated senior debt securities (other than at maturity) may be made by the paying agent, in the case of a registered holder of at least U.S.$10,000,000 principal amount of senior debt securities, by electronic funds transfer of immediately available funds to a United States dollar account maintained by the payee, *provided* such registered holder so elects by giving written notice to the trustee designating such account, no later than 15 days immediately preceding the relevant date for payment (or such other date as the trustee may accept in its discretion). Unless such designation is revoked, any such designation made by such holder with respect to such senior debt securities shall remain in effect with respect to any future payments with respect to such senior debt securities payable to such holder.

Registration, Transfer and Exchange of Senior Debt Securities

The trustee will maintain at its corporate trust office a register with respect to the senior debt securities. The name of the registered holder of each senior debt security will be recorded in the register. The Company, the trustee, the registrar and the paying agent may treat the person in whose name any senior debt security is registered as the absolute owner of the senior debt security for all purposes and none of them shall be affected by any notice to the

contrary.

At the option of the securityholder, subject to the restrictions contained in the senior debt security and in the Indenture, the senior debt security may be transferred or exchanged for a like aggregate principal amount of

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senior debt securities of different authorized denominations, upon surrender for exchange or registration of transfer, at the corporate trust office of the trustee. Any senior debt security surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer or other documentation in a form identified in the Indenture. Senior debt securities issued upon exchange or transfer shall be registered in the name of the securityholder requesting the exchange or, as the case may be, the designated transferee or transferees and delivered at the trustee s office, or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees. No service charge, other than any cost of delivery not made by regular mail, shall be imposed for any transfer or exchange of senior debt securities, but the Company or the trustee may require payment of a sum sufficient to cover any stamp duty, tax or governmental charge or insurance charge that may be imposed in connection with any transfer or exchange of senior debt securities.

Upon the transfer, exchange or replacement of certificated senior debt securities bearing the legend, the trustee will deliver only certificated senior debt securities bearing such legend unless the Company otherwise consents.

Trustee, Paying Agent, Registrar and Calculation Agent

The Bank of New York Mellon will initially act as trustee, paying agent and registrar for the senior debt securities, and as calculation agent with respect to the floating rate notes. The Company may change the paying agent, registrar or calculation agent without prior notice to the holders of the senior debt securities, and the Company or any of its subsidiaries may act as paying agent, registrar or calculation agent. The applicable prospectus supplement will name any such successor trustee, paying agent, registrar and, if applicable, calculation agent with respect to the series of senior debt securities being offered by such prospectus supplement.

The trustee is located at 240 Greenwich Street, New York, NY 10286, United States of America.

Authenticating Agent

The Indenture permits the trustee to appoint an authenticating agent or agents with respect to the senior debt securities issued under such indenture. Such authenticating agent will be authorized to act on behalf of the trustee to authenticate the senior debt securities, and senior debt securities authenticated by such authenticating agent will be entitled to the benefits of the Indenture and valid and obligatory for all purposes as if authenticated by the trustee. The trustee may change the authenticating agent at any time, as more fully described in the Indenture.

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TAXATION

The following summaries are not intended as a complete analysis of the tax consequences under Japanese or United States federal income tax laws as a result of the purchase, ownership and sale of the senior debt securities by investors. Potential investors should consult with their own tax advisers on the tax consequences of the purchase, ownership, sale, and other relevant circumstances concerning the senior debt securities, including specifically the applicable tax consequences under Japanese or United States federal income tax laws, the law of the jurisdiction of their country of residence (if relevant) and any tax treaty between Japan and their country of residence.

Japanese Taxation

The following is a general description of certain Japanese tax aspects of the senior debt securities and does not purport to be a comprehensive description of the tax aspects of the senior debt securities. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive. Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisors in order to ascertain their particular circumstances regarding taxation.

The statements below are based on current tax laws and regulations in Japan and current tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this document are to be regarded as advice on the tax position of any beneficial owner of the senior debt securities or any person purchasing, selling or otherwise dealing in the senior debt securities or any tax implication arising from the purchase, sale or other dealings in respect of the senior debt securities.

The Senior Debt Securities

The senior debt securities do not fall under the concept of so-called taxable linked notes as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, i.e., notes of which the amount of interest is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order under the Special Taxation Measures Act) relating to the Company or a specially-related person of the Company.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance and Gift Taxes

Gains derived from the sale of senior debt securities outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of senior debt securities in connection with the issue of the senior debt securities, nor will such taxes be payable by holders of senior debt securities in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired senior debt securities from another individual as legatee, heir or donee.

Representation by Investor upon Distribution of Senior Debt Securities

BY SUBSCRIBING FOR THE SENIOR DEBT SECURITIES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A PERSON WHO FALLS INTO THE CATEGORY OF (i) OR (ii) BELOW. The senior debt securities are not, as part of the distribution under the applicable underwriting agreement by the underwriters at any time, to be directly or indirectly offered or sold to, or for the

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benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the Company (as defined below) or (ii) a Designated Financial Institution (as defined below), except as specifically permitted under the Special Taxation Measures Act.

Interest and Redemption Gain or Redemption Loss on Senior Debt Securities

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the senior debt securities and the redemption gain or the redemption loss, meaning any positive or negative difference between the acquisition price of the interest-bearing senior debt securities of the holder and the amount which the holder receives upon redemption of such interest-bearing senior debt securities (the Redemption Gain or the Redemption Loss , as the case may be), where such senior debt securities are issued by the Company outside Japan and payable outside Japan. In addition, the following description assumes that only global notes are issued for the senior debt securities, and no definitive bonds and coupons that are independently traded are issued, in which case different tax consequences may apply. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-resident Investors

If the recipient of interest on the senior debt securities or of the Redemption Gain with respect to interest-bearing senior debt securities is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes, as described below, the Japanese tax consequences for such individual non-resident of Japan or non-Japanese corporation are significantly different depending upon whether such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the Company (as defined below). Most importantly, if such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the Company (as defined below), income tax at the rate of 15.315% of the amount of such interest will be withheld by the Company under Japanese tax law.

1.1. Interest

(1) If the recipient of interest on the senior debt securities is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the senior debt securities is not attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if certain requirements are complied with, *inter alia*:

(i) if the relevant senior debt securities are held through a participant in an international clearing organization such as DTC or a financial intermediary prescribed by the Special Taxation Measures Act and the relevant cabinet order thereunder (the Cabinet Order, together with the Special Taxation Measures Act and the ministerial ordinance and other regulations thereunder, the Act) (each, a Participant), the requirement that such recipient provide, at the time of entrusting a Participant with the

custody of the relevant senior debt securities, certain information prescribed by the Act to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted (the Interest Recipient Information), and advise the Participant if such individual non-resident of Japan or non-Japanese corporation ceases to be so exempted (including the case where it became a specially-related person of the Company (as defined below)), and that the Company prepare and file a certain confirmation prescribed by the Act (an Interest Recipient Confirmation) with the competent local tax office in a timely manner based upon the Interest Recipient Information communicated through the Participant and the relevant international clearing organization; and

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(ii) if the relevant senior debt securities are not held by a Participant, the requirement that such recipient submit to the relevant paying agent a written application for tax exemption (*Hikazei Tekiyo Shinkokusho*) (the Written Application for Tax Exemption), together with certain documentary evidence, and that the Company file the Written Application for Tax Exemption so received with the competent local tax office in a timely manner.

Failure to comply with such requirements described above (including the case where the Interest Recipient Information is not duly communicated as required under the Act) will result in the withholding by the Company of income tax at the rate of 15.315% of the amount of such interest.

(2) If the recipient of interest on the senior debt securities is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of interest is carried on within Japan through such permanent establishment, such interest will not be subject to a 15.315% withholding tax by the Company, if the requirements concerning the Interest Recipient Information and the Interest Recipient Confirmation or the Written Application for Tax Exemption as set out in paragraph 1.1(1) above are complied with. Failure to do so will result in the withholding by the Company of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.1(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a person who has a special relationship with the Company (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is under direct or indirect common control with, the Company) within the meaning prescribed by the Cabinet Order under Article 6, Paragraph 4 of the Special Taxation Measures Act (such person is referred to as a specially-related person of the Company) as of the beginning of the fiscal year of the Company in which the relevant interest payment date falls, the exemption from Japanese withholding tax on interest mentioned above will not apply, and income tax at the rate of 15.315% of the amount of such interest will be withheld by the Company. If such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan, regular income tax or corporate tax, as appropriate, collected otherwise by way of withholding, could apply to such interest under Japanese tax law.

(4) If an individual non-resident of Japan or a non-Japanese corporation (regardless of whether it is a specially-related person of the Company) is subject to Japanese withholding tax with respect to interest on the senior debt securities under Japanese tax law, a reduced rate of withholding tax or exemption from such withholding tax may be available under the relevant income tax treaty between Japan and the country of tax residence of such individual non-resident of Japan or non-Japanese corporation. As of the date of this document, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 10% with, inter alia, Australia, Belgium, Canada, Finland, France, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Switzerland and the United States of America. Under the tax treaties between Japan and the United Kingdom, Denmark, Germany, Austria or Sweden, interest paid to qualified United Kingdom, Danish, German, Austrian or Swedish residents is generally exempt from Japanese withholding tax. Japan has also signed amendments to the existing tax treaties with the United States of America, Spain and Belgium generally exempting interest from Japanese withholding tax (for Belgium, only for a Belgian enterprise); however, these amendments have not yet entered into force. Under the current income tax treaty

between Japan and the United States of America, certain limited categories of qualified United States residents receiving interest on the senior debt securities may, subject to compliance with certain procedural requirements under Japanese law, be fully exempt from Japanese withholding tax for interest on the senior debt securities. Under the income tax treaties with France, Australia, the Netherlands and Switzerland, similar exemptions to those provided in the current income tax treaty between Japan and the United States of America will be available (provided that no exemption will apply to pension funds in the case of Australia). In order to enjoy such reduced rate of, or exemption from, Japanese withholding tax under any applicable income tax treaty, individual

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non-residents of Japan or non-Japanese corporations which are entitled, under any applicable income tax treaty, to a reduced rate of, or exemption from, Japanese withholding tax on payment of interest by the Company are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Interest (as well as any other required forms and documents) in advance through the Company to the relevant tax authority before payment of interest.

(5) Under the Act, (a) if an individual non-resident of Japan or a non-Japanese corporation that is a beneficial owner of the senior debt securities becomes a specially-related person of the Company, or an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of the Company becomes a beneficial owner of the senior debt securities, and (b) if such senior debt securities are held through a Participant, then such individual non-resident of Japan or non- Japanese corporation should notify the Participant of such change in status by the immediately following interest payment date of the senior debt securities. As described in paragraph 1.1(3) above, as the status of such individual non-resident of Japan or non-Japanese corporation as a specially-related person of the Company for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of the Company in which the relevant interest payment date falls, such individual non-resident of Japan or non-Japanese corporation should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax starts to apply with respect to such individual non-resident of Japan or non-Japanese corporation as being a specially-related person of the Company.

1.2. Redemption Gain or Redemption Loss

(1) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of such Redemption Gain is not attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, no income tax or corporate tax is payable by way of withholding or otherwise with respect to such Redemption Gain. If there is any Redemption Loss, such Redemption Loss will be disregarded for purposes of regular income tax or corporate tax, as appropriate, of the recipient.

(2) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of such Redemption Gain is attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, such Redemption Gain will not be subject to any withholding tax but will be subject to regular income tax or corporate tax, as appropriate. If there is any Redemption Loss, such Redemption Loss may be taken into account in computing the net taxable income, if any, for purposes of regular income tax or corporate tax, as appropriate, of the recipient.

(3) Notwithstanding paragraphs 1.2(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the Company as of the beginning of the fiscal year of the Company in which such individual non-resident of Japan or non-Japanese corporation acquired such senior debt securities, the Redemption Gain will not be subject to withholding tax but will be subject to

regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan, *provided* that exemption may be available under the relevant income tax treaty. If there is any Redemption Loss, such Redemption Loss may be taken into account in computing the net taxable income, if any, for purposes of regular income tax or corporate tax, as appropriate, of the recipient.

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2. Resident Investors

If the recipient of interest on the senior debt securities is an individual resident of Japan or a Japanese corporation for Japanese tax purposes, as described below, regardless of whether such recipient is a specially-related person of the Company, in addition to any applicable local tax, income tax will be withheld at the rate of 15.315% of the amount of such interest, if such interest is paid to an individual resident of Japan or a Japanese corporation (except for (i) a Designated Financial Institution (as defined below) which complies with the requirement for tax exemption under Article 6, Paragraph 9 of the Special Taxation Measures Act or (ii) a Public Corporation (as defined below) or a Specified Financial Institution (as defined below) to which such interest is paid through the Japanese Custodian (as defined below) in compliance with the requirement for tax exemption under Article 3-3, Paragraph 6 of the Special Taxation Measures Act.) In addition to the withholding tax consequences upon resident investors as explained in this section 2, resident investors should consult their own tax advisors regarding their regular income tax or corporate tax consequences other than by way of withholding, including the treatment of the Redemption Loss, bearing in mind, especially for individual residents of Japan, the change to the taxation regime of senior debt securities that took effect on January 1, 2016.

2.1. Interest

(1) If an individual resident of Japan or a Japanese corporation (other than a Specified Financial Institution (as defined below) or a Public Corporation (as defined below), who complies with the requirement as referred to in paragraph 2.1(2) below) receives payments of interest on the senior debt securities through certain Japanese payment handling agents as defined in Article 2-2, Paragraph 2 of the Cabinet Order (each a Japanese Payment Handling Agent), income tax at the rate of 15.315% of the amount of such interest will be withheld by the Japanese Payment Handling Agent rather than by the Company. As the Company is not in a position to know in advance the recipient s status, the recipient of interest falling within this category should inform the Company through a paying agent of its status in a timely manner. Failure to so inform may result in double withholding.

(2) If the recipient of interest on the senior debt securities is a Japanese public corporation or a Japanese public-interest corporation designated by the relevant law (*kokyohojin tou*) (a Public Corporation) or a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the relevant Cabinet Order under Article 3-3, Paragraph 6 of the Special Taxation Measures Act (each, a Specified Financial Institution) that keeps its senior debt securities deposited with, and receives the interest through, a Japanese Payment Handling Agent with custody of the senior debt securities (the Japanese Custodian) and such recipient submits through such Japanese Custodian to the competent tax authority the report prescribed by the Act, no withholding tax is levied on such interest. However, since the Company is not in a position to know in advance the recipient s tax exemption status, the recipient of interest falling within this category should inform the Company through a paying agent of its status in a timely manner. Failure to so notify the Company may result in the withholding by the Company of a 15.315% income tax.

(3) If an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution (as defined below) which complies with the requirements described in paragraph 2.1(4) below) receives interest on the senior debt securities not through a Japanese Payment Handling Agent, income tax at the rate of

15.315% of the amount of such interest will be withheld by the Company.

(4) If a Japanese bank, Japanese insurance company, Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the Cabinet Order under Article 6, Paragraph 9 of the Special Taxation Measures Act (each, a Designated Financial Institution) receives interest on the senior debt securities not through a Japanese Payment Handling Agent and the requirements concerning the Interest Recipient Information and the Interest Recipient Confirmation or the Written Application for Tax Exemption as referred to in paragraph 1.1(1) above are complied with, no withholding tax will be imposed.

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2.2. Redemption Gain

If the recipient of the Redemption Gain is an individual resident of Japan or a Japanese corporation, such Redemption Gain will not be subject to any withholding tax.

3. Special Additional Tax for Reconstruction From the Great East Japan Earthquake

Due to the imposition of a special additional withholding tax of 0.315% (or 2.1% of 15%) to secure funds for reconstruction from the Great East Japan Earthquake, the withholding tax rate has been effectively increased to 15.315% during the period beginning on January 1, 2013 and ending on December 31, 2037. On or after January 1, 2038, all references to the tax rate of 15.315% in the foregoing descriptions will read 15%. There will also be certain special additional tax imposed upon regular income tax due other than by way of withholding for individual non-residents of Japan, as referred to in the foregoing descriptions, for the period described above.

U.S. Taxation

The following sets forth the material U.S. federal income tax consequences of the acquisition, ownership and disposition of senior debt securities. Except as provided in Potential FATCA Withholding After 2018 below, this discussion applies only to U.S. holders, as defined below. This summary is based upon U.S. federal income tax laws, including the U.S. Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed Treasury Regulations under the Code, published rulings and court decisions, and upon the Convention between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or the Tax Convention. All of the preceding authorities are subject to change, possibly with retroactive effect, which may result in U.S. federal income tax consequences different from those discussed below. We have not requested, and will not request, a ruling from the Internal Revenue Service, or the IRS, with respect to any of the U.S. federal income tax consequences described below. As a result, there can be no assurance that the IRS or a court considering these issues will not disagree with or challenge any of the conclusions we have reached and describe below.

The following summary is not a complete analysis or description of all potential U.S. federal income tax consequences to a particular U.S. holder. It does not address all U.S. federal income tax considerations that might be relevant to all categories of potential purchasers, certain of which (such as banks or other financial institutions, regulated investment companies, real estate investment trusts, insurance companies, dealers or traders in securities, tax-exempt entities, non-U.S. persons, persons holding senior debt securities as part of a straddle, hedge, conversion or other integrated transaction, holders whose functional currency is not the U.S. dollar, partnerships or other pass-through entities for U.S. federal income tax purposes or persons holding senior debt securities through a partnership or other pass through entity, U.S. expatriates, and holders liable for alternative minimum tax) are subject to special tax treatment. This summary does not address estate and gift tax consequences or any non-U.S., state or local tax consequences of owning our senior debt securities. In addition, this summary applies only to investors that acquire any series of senior debt securities at their issue price and without original issue discount (other than de minimis original issue discount). This summary assumes that investors will hold our senior debt securities as capital assets within the meaning of Section 1221 of the Code. The applicable prospectus supplement may address additional U.S. federal income tax consequences related to a particular series of senior debt securities.

On December 22, 2017, Public Law Number 115-97, known as the Tax Cuts and Jobs Act (the TCJA), was enacted. The TCJA significantly amends the Code and includes, among other things, a provision that will require certain accrual basis taxpayers to report income with respect to the senior debt securities no later than when such income is reported on an applicable financial statement. The discussion below does not address this requirement, and investors

that may be affected are urged to consult their own tax advisors concerning the particular U.S. federal income tax consequences to them of an investment in the senior debt securities.

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As used herein, a U.S. holder means a beneficial owner of a senior debt security that is, for U.S. federal income tax purposes, any of the following:

- an individual who is a citizen or a resident alien of the United States as determined for U.S. federal income tax purposes;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a court within the United States and with respect to which one or more U.S. persons has the authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

If a partnership (or other pass-through entity for U.S. federal income tax purposes) holds our senior debt securities, the tax treatment of a partner in or owner of the partnership or pass-through entity will generally depend upon the status of the partner or owner and the activities of the entity. A partner in or owner of a partnership or other pass-through entity that is considering holding our senior debt securities should consult its own tax advisor regarding the tax consequences of acquiring, owning and disposing of our senior debt securities.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of our senior debt securities, and no opinion or representation with respect to the U.S. federal income tax consequences to any such holder or prospective holder is given.

U.S. holders should consult their own tax advisors concerning the application of the following rules to their particular situations, as well as the estate and gift tax consequences and the tax consequences to them under the laws of any other taxing jurisdiction.

Notwithstanding the fact that the senior debt securities are structurally subordinated to the liabilities of MUFG s subsidiaries and the possibility that the senior debt securities may become subject to loss absorption as described above, except to the extent otherwise discussed in any applicable prospectus supplement, we intend to take the position that the senior debt securities will be treated as indebtedness for U.S. federal income tax purposes, and the balance of this summary assumes that the senior debt securities will be treated as indebtedness for U.S. federal income tax purposes.

Certain Additional Amounts. As described above under Description of Senior Debt Securities Payment of Additional Amounts, we may be obligated to pay amounts in excess of the stated interest or principal on the senior debt securities in certain circumstances. These potential payments may implicate the provisions of Treasury Regulations relating to contingent payment debt instruments. According to the applicable Treasury Regulations, certain contingencies will not cause a debt instrument to be treated as a contingent payment debt instrument if such contingencies, as of the date of issuance, are remote or incidental. We intend to take the position that the payment of additional amounts is remote, and do not intend to treat the senior debt securities as contingent payment debt instruments. Our position that such

contingency is remote is binding on a holder of the senior debt securities unless such holder discloses its contrary position in the manner required by applicable Treasury Regulations. Our position is not, however, binding on the IRS, and if the IRS were successfully to challenge this position, a holder might be required to accrue interest income at a rate higher than the stated interest rate on the senior debt securities, and to treat as ordinary interest income any gain realized on the taxable disposition of a senior debt security. The remainder of this discussion assumes that the senior debt securities will not be treated as contingent payment debt instruments. Holders should consult their own tax advisors regarding the possible application of the contingent payment debt instrument rules to the senior debt securities.

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Payments of Stated Interest. Qualified stated interest, or QSI, paid on our senior debt securities will generally be taxable to a U.S. holder as ordinary income at the time it is received or accrued, in accordance with such U.S. holder s regular method of accounting for U.S. federal income tax purposes. In general, interest on a fixed rate note is treated as QSI if it is payable at a single fixed rate and is unconditionally payable in cash or in property (other than our own debt instruments) at least annually. In general, interest on a floating rate note is treated as QSI if (1) the issue price of the floating rate note does not exceed the original stated principal amount by more than a specified *de minimis* amount, (2) the floating rate note does not provide for any principal payments that are contingent, (3) the interest compounds or is payable at least annually at current values of (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate, or (d) a single fixed rate and a single objective rate that is a qualified inverse floating rate , and (4) the interest is unconditionally payable in cash or in property (other than our own debt instruments) at least annually. We expect interest on each of our senior debt securities to be unconditionally payable in cash at least annually and either payable at a single fixed rate (on our fixed rate senior debt securities) or payable at a qualified floating rate on senior debt securities that meet the other requirements set out above, and therefore, in each case, to be treated as QSI.

In addition to QSI on our senior debt securities, a U.S. holder will be required to include in income any additional amounts and any tax withheld from QSI payments notwithstanding that such withheld tax is not in fact received by such U.S. holder. With respect to any tax withheld under Japanese law, a U.S. holder may be entitled to deduct or credit tax withheld at the rate under the Tax Convention, or such other rate as may be applicable, subject to applicable limitations in the Code, including that the choice to deduct foreign taxes must apply to all of the U.S. holder s foreign taxes for a particular year. For foreign tax credit limitation purposes, QSI, including Japanese taxes withheld therefrom, if any, and additional amounts paid on our senior debt securities, will be income from sources outside the United States and will, with certain limitations, be treated as passive category income or, in the case of certain U.S. holders, general category income. U.S. holders will generally be denied a foreign tax credit for foreign taxes imposed with respect to the senior debt securities where such holder does not meet a minimum holding period requirement during which such holder is not protected from risk of loss. The rules governing the foreign tax credit are complex. U.S. holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Pre-Issuance Accrued Interest. Generally in the case of re-openings of previously-issued notes, a portion of the amount paid for senior debt securities may be allocable to interest that accrued prior to the date the senior debt securities are purchased (pre-issuance accrued interest). In that case, we intend to take the position that, on the first interest payment date for such senior debt securities, a portion of the total interest received will be treated as a return of such pre-issuance accrued interest and not as a payment of interest on such senior debt securities. In that case, amounts treated as a return of pre-issuance accrued interest would not be taxable when received by a U.S. holder (as defined herein). U.S. holders are urged to consult their tax advisors concerning the proper tax treatment of pre-issuance accrued interest.

Amortizable Bond Premium. If a U.S. holder acquires senior debt securities for an amount that is greater than the stated principal amount of the senior debt securities (excluding amounts attributable to pre-issuance accrued interest, if any, as described above), such holder will be considered to have amortizable bond premium equal to such excess. A U.S. holder may generally elect to amortize bond premium over the remaining term of the senior debt securities using a constant yield method and to apply this amortized bond premium to offset income from interest payments at the time such interest is includible in income under the holder s regular method of U.S. federal income tax accounting. A holder that elects to amortize bond premium will be required to reduce its adjusted tax basis in the senior debt securities by the amount of the premium used to offset interest income. This election to amortize bond premium will apply to all debt instruments (other than debt instruments the interest on which is excludable from gross income) held at the beginning of the first taxable year to which the election applies or which are acquired thereafter, and is irrevocable

without the consent of the IRS. If a U.S. holder does not elect to amortize bond premium, the amount of the premium will represent a portion of such holder s basis in the senior debt securities and will therefore decrease the gain or increase the loss that would

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otherwise be recognized on the disposition of such senior debt securities. U.S. holders acquiring senior debt securities for an amount greater than the stated principal amount of the senior debt securities (excluding amounts attributable to pre-issuance accrued interest, if any, as described above) are urged to consult their tax advisors concerning the tax treatment of bond premium and the advisability of any election to amortize such amounts.

Sale, Exchange, Retirement or Other Taxable Disposition. A U.S. holder s tax basis in a senior debt security will, in general, be such holder s cost for that senior debt security (excluding amounts attributable to pre-issuance accrued interest, if any, as described above), reduced by any amortized bond premium. A U.S. holder will generally recognize capital gain or loss on the sale, exchange, retirement or other taxable disposition of our senior debt securities in an amount equal to the difference between the amount realized from such sale, exchange, retirement or other taxable disposition, other than amounts attributable to accrued but unpaid interest, which (except in the case of pre-issuance accrued interest, if any, as described above) will be taxed as ordinary income to the extent not previously included in income, and the U.S. holder s tax basis in such senior debt securities. Such gain or loss will be long term capital gain or loss if the holding period for our senior debt securities exceeds one year at the time of disposition. Long term capital gain of non-corporate U.S. holders (including individuals) is eligible for reduced rates of taxation. The ability to deduct capital losses is subject to limitations. For purposes of determining a U.S. holder s allowable foreign tax credit, gain or loss realized by a U.S. holder, will generally be U.S. source income or loss. Special rules apply in determining the source of other types of loss such as loss attributable to accrued but unpaid interest, and U.S. holders should consult their tax advisors regarding the treatment of such items in their particular situations.

Additional Tax on Passive Income. Certain U.S. holders that are individuals, trusts, or estates will be required to pay a 3.8% tax on, among other things, interest and capital gain from the sale, exchange, retirement or other taxable disposition of our senior debt securities. U.S. holders should consult their own tax advisors regarding the application of this tax to their ownership of our senior debt securities.

Information with Respect to Specified Foreign Financial Assets. Certain U.S. holders are required to report information relating to an interest in our senior debt securities, subject to certain exceptions (including an exception for senior debt securities held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in our senior debt securities. U.S. holders should consult their own tax advisors regarding information reporting requirements relating to their ownership of our senior debt securities.

Information Reporting and Backup Withholding. Proceeds from the sale, exchange, retirement or other taxable disposition of our senior debt securities, or payments of interest on our senior debt securities, generally will be subject to information reporting requirements. Those proceeds or interest payments may also be subject to backup withholding unless the U.S. holder:

- is an exempt recipient, and, when required, demonstrates this fact, or
- provides a correct taxpayer identification number on a properly completed IRS Form W-9 certifying that the U.S. holder is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Any amounts withheld under these rules will be creditable against the U.S. holder s U.S. federal income tax liability or refundable to the extent that it exceeds such liability if the U.S. holder timely provides the required information to the IRS. If a U.S. holder is required to and does not provide a correct

taxpayer identification number, the U.S. holder may be subject to penalties imposed by the IRS. All U.S. holders should consult their tax advisors as to their qualification for the exemption from backup withholding and the procedure for obtaining such an exemption, if available.

Potential FATCA Withholding in the Future. To prevent U.S. tax evasion by U.S. taxpayers, Sections 1471 through 1474 of the Code, such sections commonly referred to as FATCA, encourage foreign financial

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institutions to report information about their U.S. account holders (including holders of certain equity or debt interests) to the IRS. Foreign financial institutions that fail to comply with the withholding and reporting requirements of FATCA and certain account holders that do not provide sufficient information under the requirements of FATCA will be subject to a 30% withholding tax on certain payments they receive, including foreign passthru payments. Because we are treated as a foreign financial institution for purposes of FATCA, such withholding may be imposed on payments on the senior debt securities (to the extent such payments are considered foreign passthru payments) to any foreign financial institution (including an intermediary through which a holder may hold senior debt securities) that fails to comply with FATCA or any other investor that does not provide information sufficient to establish that the investor is not subject to withholding under FATCA, unless such foreign financial institution or investor is otherwise exempt from FATCA.

The term foreign passthru payment is not currently defined in U.S. Treasury Regulations. Under currently proposed regulations, withholding on foreign passthru payments will not be required with respect to payments made before the date that is two years after the date of publication of final U.S. Treasury Regulations defining the term foreign passthru payments. In any event, no such withholding will apply to any payments made on debt obligations that are issued before (and not materially modified after) the date that is six months after the date on which final U.S. Treasury Regulations defining the term foreign passthru payments are published. In addition, the United States has entered into intergovernmental agreements, or IGAs, with certain non-United States jurisdictions (including Japan) that will modify the FATCA withholding regime described above. It is not yet clear how the IGAs will address foreign passthru payments and whether such IGAs may relieve foreign financial institutions of any obligation to withhold on foreign passthru payments.

As discussed above, because the term foreign passthru payment is not defined in U.S. Treasury Regulations, the future application of FATCA withholding tax on foreign passthru payments to holders of senior debt securities is uncertain. If a holder of senior debt securities is subject to withholding, there will be no additional amounts payable by way of compensation to the holder of debt securities for the deducted and withheld amount.

Holders of senior debt securities should consult their own tax advisors regarding FATCA in light of their particular situation.

We urge U.S. holders to consult their own tax advisors concerning the U.S. federal, state and local and other tax consequences to them of the purchase, ownership and disposition of our senior debt securities.

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CERTAIN ERISA AND SIMILAR CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, imposes certain requirements on employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets are deemed to include the assets of such plans (collectively, ERISA Plans), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to, among other requirements, ERISA s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan s investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan s particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under *Risk Factors* with respect to an investment in the senior debt securities and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the senior debt securities.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the Code), prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but that are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, Plans) and certain persons (referred to as parties in interest or disqualified persons) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and/or Section 4975 of the Code. In addition, a fiduciary of the Plan who engaged in such non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if senior debt securities are acquired with the assets of a Plan with respect to which the Company, the underwriters, or any of their respective affiliates is a party in interest or disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply, however, depending in part on the type of Plan fiduciary making the decision to acquire a senior debt security and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption, or PTCE, 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 95-60 (relating to investments by insurance company general accounts), and PTCE 96-23 (relating to transactions effected by in-house asset managers). There is also a statutory exemption that may be available under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for transactions with a person who is a party in interest or disqualified person with respect to a Plan investing in the senior debt securities for adequate consideration, *provided that* such person (i) is not the fiduciary with respect to the Plan s assets used to acquire the senior debt securities or an affiliate of such fiduciary and (ii) such person is a party in interest or disqualified person solely by reason of (x) being a service provider to the Plan or (y) having a specified relationship to such service provider. Adequate consideration, in the case of a security for which there is not a generally recognized market, means fair market value as determined in good faith by the Plan fiduciary in accordance with regulations to be promulgated by the U.S. Department of Labor. Each of the above noted exemptions contains conditions and limitations on its application. It should also be noted that even if the conditions specified in one or more of these exemptions are met, the scope of relief provided by these exemptions may not necessarily cover all acts that might be construed as prohibited transactions. Therefore, fiduciaries of Plans considering acquiring and/or holding the senior debt securities in reliance on these or any other exemption should carefully review the exemption and consult with its counsel to confirm that it applies. There can be no assurance that any of these exemptions or any other administrative or statutory exemption will be available with respect to any particular transaction involving the senior debt securities.

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Any insurance company proposing to invest assets of its general account in senior debt securities should consider the extent to which such investment would be subject to the requirements of Title I of ERISA and Section 4975 of the Code in light of the U.S. Supreme Court s decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993) and Section 401(c) of ERISA. Such an insurance company should consider (i) the exemptive relief granted by the U.S. Department of Labor for transactions involving insurance company general accounts in PTCE 95-60 and (ii) if such exemptive relief is not available, whether its acquisition of senior debt securities will not require an exemption because the assets used for such acquisition are not subject to Title I of ERISA or Section 4975 of the Code. The final regulations provide guidance on which assets held by an insurance company constitute plan assets for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code.

Governmental plans, certain church plans and non-U.S. plans, while not subject to the fiduciary responsibility provisions of Title I of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local, other federal laws or non-U.S. laws that are substantially similar to the foregoing provisions of ERISA and the Code, or Similar Laws.

By its acquisition of the senior debt securities (or any interest therein), each purchaser and subsequent transferee thereof will be deemed to have represented and warranted, on each day from the date on which such purchaser or transferee, as applicable, acquires its interest in such senior debt securities through and including the date on which such purchaser or transferee, as applicable, disposes of its interest in such senior debt securities, either that (a) it is neither a Plan (including, without limitation, an entity the underlying assets of which include plan assets by reason of a Plan s investment in the entity or otherwise), nor a governmental, church, non-U.S. or other plan that is subject to any Similar Law or (b) its acquisition, holding and disposition of a senior debt security (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, a similar violation under any applicable Similar Law).

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the senior debt securities on behalf of, or with the assets of, any Plan or any governmental, church, non-U.S. or other plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would apply to the purchase and holding of the senior debt securities.

Each purchaser and holder of a senior debt security will have exclusive responsibility for ensuring that its purchase and holding of the senior debt security does not violate the fiduciary or prohibited transaction rules of ERISA or the Code or the provisions of any applicable Similar Law. Nothing herein shall be construed as a representation that an investment in the senior debt securities would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans generally or any particular Plan. Neither this discussion nor anything in this prospectus is or is intended to be investment advice directed at any potential purchaser that is a Plan or a governmental, church, non-U.S. or other plan, or at such purchasers generally, and such purchasers and holders of any senior debt security should consult and rely on their counsel and advisors as to whether an investment in the senior debt securities is suitable and consistent with ERISA, Section 4975 of the Code or any Similar Laws, as applicable.

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PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

General

We may sell senior debt securities:

- to or through underwriting syndicates represented by managing underwriters;
- through one or more underwriters without a syndicate for them to offer and sell to the public;
- through dealers or agents; and
- to investors directly.

Any underwriter or agent involved in the offer and sale of any series of the senior debt securities will be named in the prospectus supplement.

The prospectus supplement for each series of senior debt securities will describe:

- a description of the transaction and senior debt securities to be offered;
- the terms of the offering of these senior debt securities, including the name or names of any agent or agents or the name or names of any underwriter or underwriters;
- the offering price or purchase price of the senior debt securities and the use of proceeds from the sale;
- any discounts and commissions to be allowed or paid to any agents or underwriters and all other items constituting underwriting compensation;
- any securities exchanges on which the senior debt securities may be listed;
- any discounts and commissions to be allowed or paid to dealers; and
- other specific terms of the particular offering or sale.

If underwriters are used in the sale, we will execute an underwriting agreement with those underwriters relating to the senior debt securities that we will offer. Unless otherwise set forth in the prospectus supplement, the obligations of the

underwriters to purchase these senior debt securities will be subject to conditions. The underwriters will be obligated to purchase all of these senior debt securities if any are purchased by them.

The senior debt securities subject to the underwriting agreement will be acquired by the underwriters for their own account and may be resold by them from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriters may be deemed to have received compensation from us in the form of underwriting discounts or commissions and may also receive commissions from the purchasers of these senior debt securities for whom they may act as agent. Underwriters may sell these senior debt securities to or through dealers. These dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agent. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

We may authorize underwriters to solicit offers by institutions to purchase from us the senior debt securities subject to the underwriting agreement, at the public offering price stated in the prospectus supplement under delayed delivery contracts providing for payment and delivery on a specified date in the future. If we sell senior debt securities under these delayed delivery contracts, the prospectus supplement will state that as well as the conditions to which these delayed delivery contracts will be subject and the commissions payable for that solicitation.

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In connection with underwritten offerings of the senior debt securities offered by this prospectus and in accordance with applicable law and industry practice, underwriters may over-allot or effect transactions that stabilize, maintain or otherwise affect the market price of the senior debt securities offered by this prospectus at levels above those that might otherwise prevail in the open market, including by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids, each of which is described below.

A stabilizing bid means the placing of any bid, or the effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of a security.

A syndicate covering transaction means the placing of any bid on behalf of the underwriting syndicate or the effecting of any purchase to reduce a short position created in connection with the offering.

A penalty bid means an arrangement that permits the managing underwriter to reclaim a selling concession from a syndicate member in connection with the offering when offered senior debt securities originally sold by the syndicate member are purchased in a syndicate covering transaction.

These transactions may be effected on an exchange or automated quotation system, if the senior debt securities are listed on that exchange or admitted for trading on that automated quotation system, or in the over-the-counter market or otherwise. Underwriters are not required to engage in any of these activities or to continue these activities if commenced.

Senior debt securities may be sold directly by us to one or more institutional purchasers, or through agents designated by us from time to time, at a fixed price or prices, which may be changed, or at varying prices determined at the time of sale. Any agent involved in the offer or sale of the senior debt securities in respect of which this prospectus is delivered will be named, and any commissions payable by us to the agent will be set forth, in the prospectus supplement relating to that offering. Unless otherwise indicated in the applicable prospectus supplement, any agent will be acting on a best efforts basis for the period of its appointment.

Underwriters, dealers and agents may be entitled, under agreements with us, to indemnification by us relating to material misstatements or omissions. Underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, us and our subsidiaries or affiliates in the ordinary course of business.

Each series of senior debt securities offered by this prospectus will be a new issue of senior debt securities and will have no established trading market. Any underwriters to whom offered senior debt securities are sold for public offering and sale may make a market in the offered senior debt securities, but the underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The senior debt securities offered by this prospectus may or may not be listed on a national securities exchange. No assurance can be given that there will be a market for any senior debt securities offered by this prospectus.

Conflicts of Interest

If Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., or any other broker-dealer for which a conflict of interest exists within the meaning of Rule 5121 of the Financial Industry Regulatory Authority s rules or any successor provisions, or Rule 5121, participates in the distribution of our senior debt securities, we will conduct the offering in accordance with the applicable requirements of Rule 5121.

Market-Making Transactions by Affiliates

MUFG Securities Americas Inc. or our other affiliates may use this prospectus and the applicable prospectus supplement in market-making transactions involving the securities after the initial sale. These transactions may be executed at negotiated prices that are related to market prices at the time of purchase or sale, or at other prices. These affiliates may act as principal or agent in these transactions. These affiliates are not obligated to make a market in any of the securities and may discontinue any market-making activities at any time without notice.

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The securities to be sold in market-making transactions include securities to be issued after the date of this prospectus as well as securities issued prior to the date of this prospectus.

Information on the trade and settlement dates, as well as the purchase price, for a market-making transaction will be provided to the purchaser in a separate confirmation of sale. Unless you are informed otherwise in the confirmation of sale, this prospectus is being used in a market-making transaction.

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LEGAL MATTERS

Paul, Weiss, Rifkind, Wharton & Garrison LLP, our U.S. counsel, will pass for us upon certain matters under U.S. federal law and New York law. The address of Paul, Weiss, Rifkind, Wharton & Garrison LLP is Fukoku Seimei Building 2F, 2-2, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan. Nagashima Ohno & Tsunematsu, our Japanese counsel, will pass upon certain matters under Japanese laws. The address of Nagashima Ohno & Tsunematsu is JP Tower, 7-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-7036, Japan. Simpson Thacher & Bartlett LLP will pass upon certain matters under U.S. federal law and New York law for the underwriters. The address of Simpson Thacher & Bartlett LLP is Ark Hills Sengokuyama Mori Tower 41F, 9-10, Roppongi 1-chome, Minato-ku, Tokyo 106-0032, Japan.

EXPERTS

The consolidated financial statements incorporated in this prospectus by reference from our annual report on Form 20-F for the year ended March 31, 2018, and the effectiveness of our internal control over financial reporting have been audited by Deloitte Touche Tohmatsu LLC, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing. The address of Deloitte Touche Tohmatsu LLC is Marunouchi Nijubashi Building, 3-2-3 Marunouchi, Chiyoda-ku, Tokyo 100-8360, Japan.

WHERE YOU CAN OBTAIN MORE INFORMATION

This prospectus is part of a registration statement on Form F-3 that we filed with the SEC. The registration statement, including the attached exhibits, contains additional relevant information about us and the securities that may be offered from time to time.

The rules and regulations of the SEC allow us to omit from this prospectus some of the information included in the registration statement.

In addition, as required by the U.S. securities laws, we file annual reports, special reports and other information with the SEC. The SEC maintains a web site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC.

We are currently exempt from the rules under the U.S. Exchange Act that prescribe the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. We are not required under the U.S. Exchange Act to publish financial statements as frequently or as promptly as are U.S. companies subject to the U.S. Exchange Act. We will, however, continue to furnish our shareholders with annual reports containing audited financial statements and will publish unaudited interim results of operations as well as such other reports as may from time to time be authorized by us or as may be otherwise required.

INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference in this prospectus some or all of the documents we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information in a document that is incorporated by reference is considered to be a part of this

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prospectus. We incorporate by reference in this prospectus the following documents or information we have filed with the SEC:

- our annual report on Form 20-F for the fiscal year ended March 31, 2018, filed on July 12, 2018,
- our current report on Form 6-K relating to changes of our corporate executives, dated December 26, 2018,
- our current report on Form 6-K relating to our unaudited U.S. GAAP financial condition and results of operations as of and for the six months ended September 30, 2018, dated January 11, 2019,
- our current report on Form 6-K relating to our unaudited financial information under Japanese GAAP as of and for the nine months ended December 31, 2018, dated February 4, 2019, except for the forward-looking statements which were made as of the date thereof,
- our current report on Form 6-K relating to our additional unaudited financial information under Japanese GAAP as of and for the nine months ended December 31, 2018, and certain additional information, dated February 14, 2019, and
- our current report on Form 6-K relating to our regulatory capital ratios as of December 31, 2018, dated February 14, 2019.

In addition, we incorporate by reference in this prospectus all subsequent annual reports filed on Form 20-F and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act and certain reports on Form 6-K, which we furnish to the SEC, if they state that they are incorporated by reference in this prospectus, after the date of this prospectus until the offering contemplated in this prospectus is completed. Reports on Form 6-K we may furnish to the SEC after the date of this prospectus (or portions thereof) are incorporated by reference in this prospectus only to the extent that the report expressly states that it is (or such portions are) incorporated by reference in this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus shall be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained in this prospectus or in any subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide you without charge upon written or oral request a copy of any of the documents that are incorporated by reference in this prospectus. If you would like us to provide you with any of these documents, please contact us at

the following address or telephone number: 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan, Attention: Public Relations Office (telephone: 81-3-3240-8111).

Except as described above, no other information is incorporated by reference in this prospectus (including, without limitation, information on our website at https://www.mufg.jp/).

LIMITATIONS ON ENFORCEMENT OF U.S. LAWS

MUFG is a joint stock company incorporated in Japan. All of our directors and corporate executive officers, and certain experts named in this prospectus, are residents of countries other than the United States. As a result,

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you should note that it may be difficult or impossible to serve legal process on us or our directors and corporate executive officers, or to force us or them to appear in a U.S. court. Our legal counsel in Japan, Nagashima Ohno & Tsunematsu, has advised us that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of civil liabilities based solely on U.S. securities laws. A Japanese court may refuse to allow an original action based on U.S. securities laws. Our legal counsel has further advised that the United States and Japan do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, if you obtain a civil judgment by a U.S. court, you will not necessarily be able to enforce it in Japan.

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Mitsubishi UFJ Financial Group, Inc.

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Part II

Information Not Required in Prospectus

Item 8. Indemnification of Directors and Officers

Article 330 and Article 402, Paragraph 3 of the Company Law of Japan (the Company Law) makes the provisions of Section 10, Chapter 2, Book III of the Civil Code of Japan (the Civil Code) applicable to the relationship between the registrant and its directors and corporate executive officers, respectively. Section 10, Chapter 2, Book III of the Civil Code, which consists of Articles 643 to 656, when so applied to the directors or corporate executive officers, among other things, provides in effect that:

(1) any director or corporate executive officer of a company may demand advance payment of expenses which are considered necessary for the management of the affairs of such company entrusted to him or her;

(2) if a director or corporate executive officer of a company has defrayed any expenses which are considered necessary for the management of the affairs entrusted to him or her, he or she may demand reimbursement therefor together with interest thereon from the company;

(3) if a director or corporate executive officer of a company has assumed an obligation necessary for the management of the affairs entrusted to him or her, he or she may require the company to perform it in his or her place or, if it is not due, to furnish adequate security; and

(4) if a director or corporate executive officer of a company, without any fault on his or her part, sustains damage through the management of the affairs entrusted to him or her, he or she may demand compensation therefor from the company.

The form of underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification and contribution by the underwriters with respect to certain liabilities of directors, officers and other controlling persons of the registrant.

The registrant s directors and corporate executive officers are, to a limited extent, insured under an insurance policy against damages resulting from their conduct.

Under the Company Law and the registrant s articles of incorporation, the registrant may exempt, by resolution of the board of directors, its directors and corporate executive officers from liabilities to the registrant arising in connection with their failure to execute their duties in good faith and without gross negligence within the limits stipulated by applicable laws and regulations. In addition, the registrant has entered into a liability limitation agreement with each outside director and non-executive director which limits the maximum amount of their liability to the registrant arising in connection with a failure to execute their duties in good faith and without gross negligence to the greater of either ¥10 million or the aggregate sum of the amounts prescribed in Paragraph 1 of Article 425 of the Company Law and Articles 113 and 114 of the Company Law Enforcement Regulations.

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Item 9. Exhibits

A list of Exhibits filed herewith is contained on the Index to Exhibits and is incorporated herein by reference.

Item 10. Undertakings

The undersigned registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the U.S. Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, *however*, that paragraphs (1)(i), (1)(ii) and (1)(iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the U.S. Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the U.S. Securities Act of 1933 need not be furnished, *provided*, that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the U.S. Securities Act of 1933 or Item 8.A. of Form 20-F if such financial statements and information are contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934 that are incorporated by reference in this registration statement.

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(5) That, for the purpose of determining liability under the U.S. Securities Act of 1933 to any purchaser:

(a) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(b) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the U.S. Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided*, *however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(6) That, for the purpose of determining liability of the registrant under the U.S. Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv)

any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the U.S. Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the U.S. Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the U.S. Securities Exchange Act of 1934) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under Subsection (a) of Section 310 of the U.S. Trust Indenture Act of 1939 in accordance with the rules and regulations prescribed by the SEC under Section 305(b)(2) of the U.S. Trust Indenture Act of 1939.

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Insofar as indemnification for liabilities arising under the U.S. Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the U.S. Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the U.S. Securities Act of 1933 and will be governed by the final adjudication of such issue.

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EXHIBIT INDEX

Exhibit	Description
1.1	Form of Underwriting Agreement.
4.1	Senior Indenture, dated March 1, 2016, between Mitsubishi UFJ Financial Group, Inc. and The Bank of New York Mellon, as trustee.
4.2(a)	Form of Fixed Rate Senior Debt Security to Be Issued under the Registration Statement.
4.2(b)	Form of Floating Rate Senior Debt Security to Be Issued under the Registration Statement.
5.1	Opinion of Nagashima Ohno & Tsunematsu, Japanese counsel to the Registrant.
5.2	Opinion of Paul, Weiss, Rifkind, Wharton & Garrison LLP, U.S. counsel to the Registrant.
23.1	Consent of Deloitte Touche Tohmatsu LLC, Independent Registered Public Accounting Firm.
23.2	Consent of Nagashima Ohno & Tsunematsu (included in Exhibit 5.1).
23.3	Consent of Paul, Weiss, Rifkind, Wharton & Garrison LLP (included in Exhibit 5.2).
24.1	Power of attorney (included on the signature page hereof).
25.1	Statement of Eligibility of The Bank of New York Mellon, as trustee under the Senior Indenture, on Form T-1.

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SIGNATURES

Pursuant to the requirements of the U.S. Securities Act of 1933, Mitsubishi UFJ Financial Group, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Tokyo, Japan, on February 15, 2019.

MITSUBISHI UFJ FINANCIAL GROUP, INC.

By: /s/ Muneaki Tokunari
Name: Muneaki Tokunari
Title: Group Chief Financial Officer

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POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Muneaki Tokunari, Group Chief Financial Officer, as such person s lawful attorney-in-fact and agent with full power of substitution, for such person and in such person s name, place and stead, in any and all capacities, to sign and file with the U.S. Securities and Exchange Commission any and all amendments, including post-effective amendments, and supplements to this registration statement, with any and all exhibits thereto and other documents in connection therewith, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or any substitute therefor, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the U.S. Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on February 15, 2019:

By: /s/ Kiyoshi Sono
Name: Kiyoshi Sono
Title: Member of the Board of Directors and Chairman

By: /s/ Mikio Ikegaya
Name: Mikio Ikegaya
Title: Member of the Board of Directors and Deputy Chairman

By: /s/ Kanetsugu Mike
Name: Kanetsugu Mike
Title: Member of the Board of Directors and Deputy Chairman

By: /s/ Saburo Araki
Name: Saburo Araki
Title: Member of the Board of Directors and Deputy Chairman

By: /s/ Nobuyuki Hirano
Name: Nobuyuki Hirano
Title: Member of the Board of Directors, President and Group Chief Executive Officer

(principal executive officer)

By: /s/ Tadashi Kuroda
Name: Tadashi Kuroda

Title: Member of the Board of Directors

By: /s/ Junichi Okamoto
Name: Junichi Okamoto
Title: Member of the Board of Directors

By: /s/ Hiroshi Kawakami
Name: Hiroshi Kawakami
Title: Member of the Board of Directors

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By: /s/ Yuko Kawamoto
Name: Yuko Kawamoto
Title: Member of the Board of Directors

By: /s/ Haruka Matsuyama
Name: Haruka Matsuyama
Title: Member of the Board of Directors

By: /s/ Toby S. Myerson
Name: Toby S. Myerson
Title: Member of the Board of Directors

By: /s/ Tsutomu Okuda
Name: Tsutomu Okuda
Title: Member of the Board of Directors

By: /s/ Yasushi Shingai
Name: Yasushi Shingai
Title: Member of the Board of Directors

By: /s/ Tarisa Watanagase
Name: Tarisa Watanagase
Title: Member of the Board of Directors

By: /s/ Akira Yamate
Name: Akira Yamate
Title: Member of the Board of Directors

By: /s/ Muneaki Tokunari
Name: Muneaki Tokunari
Title: Group Chief Financial Officer

(principal financial officer and

principal accounting officer)

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Authorized Representative in the United States:

By: /s/ Michael Coyne
Name: Michael Coyne
Title: General Manager,

Mitsubishi UFJ Financial Group,
Inc.
Date: February 15, 2019
as the duly authorized representative of Mitsubishi UFJ Financial Group, Inc. in the United States