PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.


None.

Item 15. Controls and Procedures.

An evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report. In connection with that evaluation, our CEO and CFO considered the issues identified by our independent registered public accounting firm as more fully discussed below, and concluded that our disclosure controls and procedures were ineffective as of March 31, 2006, the end of our latest fiscal year, solely for the reasons described below.

For purposes of our SEC reporting obligations, we prepare our US GAAP consolidated financial information by converting our statutory financial statements, which are prepared in accordance with Japanese GAAP, into US GAAP by recording adjusting entries, utilizing information collected within or outside of our organization. During the fiscal year ended March 31, 2006, we completed the business combination with the UFJ group. The business combination increased the complexity and volume of our business and resulted in significant changes in our organization. These changes have, in turn, made the US GAAP conversion processes more difficult and triggered more errors in the initial US GAAP adjusting journal entries for the fiscal year ended March 31, 2006 than in prior reporting periods, resulting in the aggregate amount of erroneous initial entries to reach a material level. Deloitte Touche Tohmatsu, our independent registered public accounting firm, reported to our Board of Corporate Auditors and management that they had identified errors in the initial US GAAP adjusting journal entries and concluded that those errors indicate material weaknesses in control activities, risk assessment, and monitoring activities in the US GAAP conversion processes. Management performed additional review procedures with respect to the US GAAP adjusting journal entries after Deloitte Touche Tohmatsu initially identified the errors, and reflected the results of such procedures in our consolidated financial statements prior to their inclusion in this Annual Report. In addition, we continued to conduct our follow-up inspection efforts until the timing of this filing so as to reduce errors in the adjusting journal entries. However, management assessed by itself the auditor’s findings in connection with the errors in the initial US GAAP adjusting journal entries and concluded that there were material weaknesses in our internal control over financial reporting with respect to the US GAAP conversion processes. We are in the process of adopting and implementing remedial measures designed to address these issues by allocating additional resources to, conducting further risk assessments for and increasing the level of review and oversight over, our US GAAP financial reporting. We expect to have the material remedial measures in place by March 2007 to address the issues identified by Deloitte Touche Tohmatsu.

Although Deloitte Touche Tohmatsu reported certain material weaknesses in our internal control over financial reporting under US GAAP, Deloitte Touche Tohmatsu has expressed an unqualified opinion in its report included in this Annual Report with respect to our consolidated financial statements as of March 31, 2005 and 2006 and for fiscal years ended March 31, 2004, 2005, and 2006.

During the period covered by this Annual Report, we have one notable change in internal controls that could materially affect, or is reasonably likely to materially affect, the internal controls. After the merger with the UFJ group, we expanded and applied our existing internal controls over financial reporting to those of UFJ group’s businesses and operations that were integrated in the merger. Some operations that are still in the integration process will continue to utilize two different operational flows with different internal controls until the completion of the full-scale systems integration currently expected in 2008.