PART I

Item 1. Identity of Directors, Senior Management and Advisors.
Not applicable.

Item 2. Offer Statistics and Expected Timetable.
Not applicable.

Item 3. Key Information.
A. Selected Financial Data

The selected statement of income data and selected balance sheet data set forth below have been derived from our audited consolidated financial statements. On October 1, 2005, Mitsubishi Tokyo Financial Group, Inc., or MTFG, merged with UFJ Holdings, Inc., or UFJ Holdings, with MTFG being the surviving entity. Upon consummation of the merger, MTFG changed its name to Mitsubishi UFJ Financial Group, Inc., or MUFG. The merger was accounted for under the purchase method of accounting, and the assets and liabilities of UFJ Holdings and its subsidiaries were recorded at fair value as of October 1, 2005. Therefore, numbers as of and for the fiscal years ended March 31, 2002, 2003, 2004 and 2005 reflect the financial position and results of MTFG and its subsidiaries only. Numbers as of March 31, 2006 reflect the financial position of MUFG while numbers for the fiscal year ended March 31, 2006 comprised the results of MTFG and its subsidiaries for the six months ended September 30, 2005 and the results of MUFG from October 1, 2005 to March 31, 2006. See note 2 to our consolidated financial statements for more information.

Except for risk-adjusted capital ratios, which are calculated in accordance with Japanese banking regulations based on information derived from our consolidated financial statements prepared in accordance with Japanese GAAP, and the average balance information, the selected financial data set forth below are derived from our consolidated financial statements prepared in accordance with US GAAP. In the fiscal year ended March 31, 2006, the international correspondent banking operations of UnionBanCal Corporation, our U.S. subsidiary, were discontinued and certain figures in prior fiscal years were reclassified to discontinued operations to conform to the presentation for the fiscal year ended March 31, 2006.
You should read the selected financial data set forth below in conjunction with “Item 5. Operating and Financial Review and Prospects” and our consolidated financial statements and other financial data included elsewhere in this Annual Report on Form 20-F. These data are qualified in their entirety by reference to all of that information.

<table>
<thead>
<tr>
<th>Fiscal years ended March 31,</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions, except per share data and number of shares)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Statement of income data:**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>¥ 2,006,855</td>
<td>¥ 1,578,069</td>
<td>¥ 1,417,902</td>
<td>¥ 1,438,701</td>
<td>¥ 2,530,682</td>
</tr>
<tr>
<td>Interest expense</td>
<td>934,932</td>
<td>537,387</td>
<td>425,162</td>
<td>469,606</td>
<td>882,069</td>
</tr>
<tr>
<td>Net interest income</td>
<td>1,071,923</td>
<td>1,040,682</td>
<td>992,740</td>
<td>969,095</td>
<td>1,648,613</td>
</tr>
<tr>
<td>Provision (credit) for credit losses</td>
<td>599,016</td>
<td>437,972</td>
<td>(114,364)</td>
<td>108,338</td>
<td>110,167</td>
</tr>
<tr>
<td>Net interest income after provision (credit) for credit losses</td>
<td>472,907</td>
<td>602,710</td>
<td>1,107,104</td>
<td>860,757</td>
<td>1,538,446</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>352,786</td>
<td>832,639</td>
<td>1,298,665</td>
<td>986,810</td>
<td>1,067,352</td>
</tr>
<tr>
<td>Non-interest expense</td>
<td>1,154,932</td>
<td>1,175,806</td>
<td>1,229,405</td>
<td>1,129,173</td>
<td>2,076,125</td>
</tr>
<tr>
<td>Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle</td>
<td>(329,239)</td>
<td>259,543</td>
<td>1,176,364</td>
<td>718,394</td>
<td>529,673</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>(101,885)</td>
<td>67,843</td>
<td>355,308</td>
<td>303,755</td>
<td>165,473</td>
</tr>
<tr>
<td>Income (loss) from continuing operations before cumulative effect of a change in accounting principle</td>
<td>(227,354)</td>
<td>191,700</td>
<td>821,056</td>
<td>414,639</td>
<td>364,200</td>
</tr>
<tr>
<td>Income from discontinued operations—net</td>
<td>3,605</td>
<td>12,277</td>
<td>1,946</td>
<td>1,493</td>
<td>8,973</td>
</tr>
<tr>
<td>Cumulative effect of a change in accounting principle, net of tax</td>
<td>5,867</td>
<td>(532)</td>
<td>(977)</td>
<td>(9,662)</td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>¥ (217,882)</td>
<td>¥ 203,445</td>
<td>¥ 823,002</td>
<td>¥ 415,155</td>
<td>¥ 363,511</td>
</tr>
<tr>
<td>Net income (loss) available to common shareholders</td>
<td>¥ (222,050)</td>
<td>¥ 190,941</td>
<td>¥ 815,021</td>
<td>¥ 408,318</td>
<td>¥ 156,842</td>
</tr>
</tbody>
</table>

**Amounts per share:**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings (loss) per common share—income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle</td>
<td>¥(41,681.79)</td>
<td>¥ 31,900.86</td>
<td>¥128,044.42</td>
<td>¥62,637.96</td>
<td>¥19,398.62</td>
</tr>
<tr>
<td>Basic earnings (loss) per common share—net income (loss) available to common shareholders</td>
<td>(39,976.55)</td>
<td>33,991.75</td>
<td>128,350.88</td>
<td>62,717.21</td>
<td>19,313.78</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share—income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle</td>
<td>(41,681.79)</td>
<td>29,161.52</td>
<td>124,735.34</td>
<td>62,397.57</td>
<td>19,038.71</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share—net income (loss) available to common shareholders</td>
<td>(39,976.55)</td>
<td>31,164.84</td>
<td>125,033.96</td>
<td>62,476.76</td>
<td>18,951.87</td>
</tr>
<tr>
<td>Number of shares used to calculate basic earnings per common share (in thousands)</td>
<td>5,555</td>
<td>5,617</td>
<td>6,350</td>
<td>6,510</td>
<td>8,121</td>
</tr>
<tr>
<td>Number of shares used to calculate diluted earnings per common share (in thousands)</td>
<td>5,555</td>
<td>5,863</td>
<td>6,517</td>
<td>6,517</td>
<td>8,121</td>
</tr>
<tr>
<td>Cash dividends per share declared during the fiscal year</td>
<td>¥ 4,127.63</td>
<td>¥ 6,000.00</td>
<td>¥ 4,000.00</td>
<td>¥ 4,000.00</td>
<td>¥ 6,000.00</td>
</tr>
<tr>
<td>— Common share</td>
<td>$ 33.21</td>
<td>$ 50.26</td>
<td>$ 33.41</td>
<td>$ 55.46</td>
<td>$ 79.30</td>
</tr>
<tr>
<td>— Preferred share (Class 1)</td>
<td>¥ 41,250.00</td>
<td>¥123,750.00</td>
<td>¥ 82,500.00</td>
<td>¥82,500.00</td>
<td>¥41,250.00</td>
</tr>
<tr>
<td>— Preferred share (Class 2)</td>
<td>¥ 331.99</td>
<td>¥ 1,024.65</td>
<td>¥ 725.09</td>
<td>¥ 772.49</td>
<td>¥ 374.08</td>
</tr>
<tr>
<td>— Preferred share (Class 3)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>¥37,069.00</td>
</tr>
</tbody>
</table>

**At March 31,**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions)</td>
<td>$94,360,925</td>
<td>$96,537,404</td>
<td>$103,699,099</td>
<td>$108,422,100</td>
<td>$186,219,447</td>
</tr>
<tr>
<td>Loans, net of allowance for credit losses</td>
<td>48,355,954</td>
<td>46,928,860</td>
<td>47,469,598</td>
<td>50,164,144</td>
<td>94,494,608</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>91,738,617</td>
<td>93,978,776</td>
<td>99,854,128</td>
<td>104,049,003</td>
<td>176,551,294</td>
</tr>
<tr>
<td>Deposits</td>
<td>63,448,891</td>
<td>67,096,271</td>
<td>69,854,507</td>
<td>71,143,099</td>
<td>126,639,931</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>5,183,841</td>
<td>5,159,132</td>
<td>5,659,877</td>
<td>5,981,747</td>
<td>13,889,525</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>2,622,308</td>
<td>2,558,628</td>
<td>3,844,971</td>
<td>4,373,097</td>
<td>9,668,153</td>
</tr>
<tr>
<td>Capital stock</td>
<td>973,156</td>
<td>1,084,708</td>
<td>1,084,708</td>
<td>1,084,708</td>
<td>1,084,708</td>
</tr>
</tbody>
</table>

5
Other financial data:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal years ended March 31,</th>
<th>2002 (in millions, except percentages)</th>
<th>2003 (unaudited)</th>
<th>2004 (unaudited)</th>
<th>2005 (unaudited)</th>
<th>2006 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average balances:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-earning assets</td>
<td>¥84,898,829</td>
<td>¥86,083,365</td>
<td>¥90,653,495</td>
<td>¥99,282,143</td>
<td>¥135,385,329</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>78,551,124</td>
<td>79,523,577</td>
<td>84,860,252</td>
<td>92,226,818</td>
<td>118,120,185</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>92,365,532</td>
<td>95,478,978</td>
<td>102,827,850</td>
<td>110,829,406</td>
<td>159,347,769</td>
<td></td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>3,035,140</td>
<td>2,432,279</td>
<td>3,289,783</td>
<td>3,880,044</td>
<td>7,106,910</td>
<td></td>
</tr>
</tbody>
</table>

Return on equity and assets:

<table>
<thead>
<tr>
<th></th>
<th>(unaudited)</th>
<th>(unaudited)</th>
<th>(unaudited)</th>
<th>(unaudited)</th>
<th>(unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss) available to common shareholders as a percentage of total average assets</td>
<td>(0.24)%</td>
<td>0.20%</td>
<td>0.79%</td>
<td>0.37%</td>
<td>0.10%</td>
</tr>
<tr>
<td>Dividends per common share as a percentage of basic earnings per common share</td>
<td>(7.32)%</td>
<td>7.85%</td>
<td>24.77%</td>
<td>10.52%</td>
<td>2.21%</td>
</tr>
<tr>
<td>Total average shareholders’ equity as a percentage of total average assets</td>
<td>3.29%</td>
<td>2.55%</td>
<td>3.20%</td>
<td>3.50%</td>
<td>4.46%</td>
</tr>
<tr>
<td>Net interest income as a percentage of total average interest-earning assets</td>
<td>1.26%</td>
<td>1.21%</td>
<td>1.10%</td>
<td>0.98%</td>
<td>1.22%</td>
</tr>
</tbody>
</table>

Credit quality data:

<table>
<thead>
<tr>
<th></th>
<th>(unaudited)</th>
<th>(unaudited)</th>
<th>(unaudited)</th>
<th>(unaudited)</th>
<th>(unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for credit losses</td>
<td>¥1,735,180</td>
<td>¥1,360,136</td>
<td>¥888,120</td>
<td>¥739,872</td>
<td>¥1,012,227</td>
</tr>
<tr>
<td>Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more</td>
<td>3.46%</td>
<td>2.82%</td>
<td>1.84%</td>
<td>1.45%</td>
<td>1.06%</td>
</tr>
<tr>
<td>Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans</td>
<td>¥4,164,982</td>
<td>¥2,753,026</td>
<td>¥1,730,993</td>
<td>¥1,285,204</td>
<td>¥2,044,678</td>
</tr>
<tr>
<td>Allowance for credit losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more</td>
<td>8.31%</td>
<td>5.70%</td>
<td>3.58%</td>
<td>2.52%</td>
<td>2.14%</td>
</tr>
<tr>
<td>Net loan charge-offs</td>
<td>41.66%</td>
<td>49.41%</td>
<td>51.31%</td>
<td>57.57%</td>
<td>49.51%</td>
</tr>
</tbody>
</table>

Net loan charge-offs as a percentage of average loans:

<table>
<thead>
<tr>
<th></th>
<th>(unaudited)</th>
<th>(unaudited)</th>
<th>(unaudited)</th>
<th>(unaudited)</th>
<th>(unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average interest rate spread</td>
<td>1.24%</td>
<td>1.64%</td>
<td>0.69%</td>
<td>0.51%</td>
<td>0.19%</td>
</tr>
<tr>
<td>Risk-adjusted capital ratio calculated under Japanese GAAP</td>
<td>10.30%</td>
<td>10.84%</td>
<td>12.95%</td>
<td>11.76%</td>
<td>12.20%</td>
</tr>
</tbody>
</table>

Notes:


(2) Includes the common shares potentially issuable pursuant to the 3% exchangeable guaranteed notes due 2002 and Class 2 Preferred Stock. The 3% exchangeable guaranteed notes due 2002 were redeemed in November 2002.

(3) Includes the common shares potentially issuable by conversion of the Class 2 Preferred Stock.

(4) Includes the common shares potentially issuable by conversion of the Class 11 Preferred Stock.

(5) Amounts include common shares and convertible Class 2 Preferred Stock. Redeemable Class 1 and Class 3 Preferred Stock are excluded.

(6) Percentages against basic loss per common share have not been presented because such information is not meaningful.

(7) Risk-adjusted capital ratios have been calculated in accordance with Japanese banking regulations, based on information derived from our consolidated financial statements prepared in accordance with Japanese GAAP.
Exchange Rate Information

The tables below set forth, for each period indicated, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per $1.00. On September 26, 2006, the noon buying rate was $1.00 equals ¥117.16 and the inverse noon buying rate was ¥100 equals $0.85.

<table>
<thead>
<tr>
<th>Year 2006</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>¥119.07</td>
<td>¥118.66</td>
<td>¥113.46</td>
<td>¥116.42</td>
<td>¥117.44</td>
<td>¥117.35</td>
<td>¥118.02</td>
</tr>
<tr>
<td>Low</td>
<td>115.89</td>
<td>113.79</td>
<td>110.07</td>
<td>111.66</td>
<td>113.97</td>
<td>114.21</td>
<td>116.04</td>
</tr>
</tbody>
</table>

(1) Period from September 1 to September 26.

<table>
<thead>
<tr>
<th>Fiscal year ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Average (of month-end rates)</td>
</tr>
</tbody>
</table>

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the risks described below as well as all the other information presented in this Annual Report, including our consolidated financial statements and related notes, “Item 5. Operating and Financial Review and Prospects,” “Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk” and “Selected Statistical Data.”

Our business, operating results and financial condition could be materially adversely affected by any of the factors discussed below. The trading price of our securities could decline due to any of these factors. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this prospectus. See “Forward-looking Statements.”

Risks Relating to Our Business

We may have difficulty integrating our business and operations with those previously operated by the UFJ Group and, as a result, may have difficulty achieving the benefits expected from the integration.

Although the merger with UFJ Holdings was completed in October 2005, our ability to realize fully the growth opportunities and other expected benefits of the merger depends in part on the continued successful integration of the domestic branch and subsidiary network, head office functions, information and management systems, personnel and customer base and other resources and aspects of the two financial groups. To realize the anticipated benefits of the merger, we are currently implementing a business integration plan that is complex, time-consuming and costly. Achieving the targeted revenue synergies and cost savings is dependent on the continued successful implementation of the integration plan. Risks to the continued successful completion of the ongoing integration process include:

- potential disruptions of our ongoing business and the distraction of our management;
- delays or other difficulties in coordinating, consolidating and integrating the domestic branch and subsidiary networks, head office functions, information and management systems, and customer
products and services of the two groups, which may prevent us from enhancing the convenience and
efficiency of our domestic branch and subsidiary network and operational systems as planned;
• impairment of relationships with customers, employees and strategic partners;
• corporate cultural or other difficulties in integrating our management, key employees and other personnel with those of the UFJ group;
• unanticipated difficulties in identifying and streamlining redundant operations and assets;
• delays, increased costs or other problems in transitioning relevant operations and facilities smoothly to a common information technology system;
• unanticipated asset-quality problems in our asset portfolio that may cause significant losses on write-downs or require additional allowances to be established; and
• unanticipated expenses related to the ongoing integration process.

We may not succeed in addressing these risks or other problems encountered in the ongoing integration process. The merger between our two bank subsidiaries, The Bank of Tokyo-Mitsubishi, Ltd. and UFJ Bank Limited, was implemented on January 1, 2006 after being postponed from October 1, 2005 to enable additional testing of the two banks’ systems intended to minimize risks arising from the merger. We have set the objective of commencing the transfer to our commercial bank subsidiary’s new IT system from the first half of 2008. The transfer to Mitsubishi UFJ Trust and Banking Corporation’s new system is expected to be effectively completed during the fiscal year ending March 31, 2008.

Significant or unexpected costs may be incurred during the ongoing integration process, preventing us from achieving the previously announced cost reduction targets as scheduled or at all. In addition, previously expected revenue synergies may not materialize in the expected time period if we fail to address any problems that arise in the ongoing integration process. If we are unable to resolve smoothly any problems that arise in the ongoing integration process, our business, results of operations, financial condition and stock price may be materially and adversely affected. For additional information on the merger with UFJ Holdings, see “Item 4.B. Business Overview.”

Significant costs have been and will continue to be incurred in the course of the ongoing integration process.

We have incurred and expect to incur significant costs related to the ongoing integration of our business with that of the UFJ group. We will incur, for the first few years following the merger, significant expenses to close overlapping branches and subsidiaries and to integrate IT systems and other operations. Additional litigation-related costs may also be incurred as a result of the civil suit brought by Sumitomo Trust & Banking Co., Ltd. against UFJ Holdings in October 2004, following a failed negotiation over a proposed business transfer, or any other litigation that may arise in connection with the merger. In February 2006, the Tokyo District Court rendered a judgment denying Sumitomo Trust’s claim for damages, and Sumitomo Trust has appealed the ruling to the Tokyo High Court. The next round of oral arguments is scheduled to be held in October 2006. We may also incur additional unanticipated expenses in connection with the integration of the operations, information systems, domestic branch office network and personnel of the two groups.

We may suffer additional losses in the future due to problem loans.

We suffered from asset quality problems beginning in the early 1990s. Despite our progress in reducing the level of our problem loans, a number of borrowers are still facing challenging circumstances. Additionally, our consumer lending exposure has increased significantly due to the merger with UFJ Holdings. Our problem loans and credit-related expenses could increase if:
• current restructuring plans of borrowers are not successfully implemented;
• additional large borrowers become insolvent or must be restructured;
• economic conditions in Japan deteriorate;
• real estate or stock prices in Japan decline;
• the rate of corporate bankruptcies in Japan or elsewhere in the world rises;
• additional economic problems arise elsewhere in the world; or
• the global economic environment deteriorates generally.

An increase in problem loans and credit-related expenses would adversely affect our results of operations, weaken our financial condition and erode our capital base. Credit losses may increase if we elect, or are forced by economic or other considerations, to sell or write off our problem loans at a larger discount, in a larger amount or in a different time or manner than we may otherwise want.

**Our allowance for credit losses may be insufficient to cover future loan losses.**

Our allowance for credit losses in our loan portfolios is based on evaluations, assumptions and estimates about customers, the value of collateral and the economy as a whole. Our loan losses could prove to be materially different from the estimates and could materially exceed these allowances. If actual loan losses are higher than those currently expected, the current allowances for credit losses will be insufficient. We may incur credit losses or have to provide for additional allowance for credit losses if:

• economic conditions, either generally or in particular industries in which large borrowers operate, deteriorate;
• the standards for establishing allowances change, causing us to change some of the evaluations, assumptions and estimates used in determining the allowances;
• the value of collateral we hold declines; or
• we are adversely affected by other factors to an extent that is worse than anticipated.


**The credit quality of our loan portfolio may be adversely affected by the continuing financial difficulties facing some companies operating in the Japanese real estate, trading, wholesale and retail, and manufacturing sectors.**

We have large exposures to some borrowers in the Japanese real estate, trading, wholesale and retail, and manufacturing sectors, and are thus exposed to the ongoing financial difficulties faced by some borrowers operating in those sectors. Some of the companies in these sectors to which we extended credit are exposed to ongoing financial difficulties and they may be in restructuring negotiations or considering whether to seek corporate reorganization or other insolvency protection. If these companies are unsuccessful in their restructuring efforts due to continuing financial and operational difficulties or other factors or are otherwise forced to seek corporate reorganization or other insolvency protection, or if other lenders discontinue or decrease their financial support to these companies for any reason, there may be further significant deterioration in the credit quality of our loan portfolio, which would expose us to further loan losses. For a detailed discussion of our exposure to these sectors, see “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financial Condition—Allowance for Credit Losses, Nonperforming and Past Due Loans” and “Selected Statistical Data—Loan Portfolio.”
Our exposure to troubled borrowers may increase, and our recoveries from these borrowers may be lower than expected.

We may provide additional loans, equity capital or other forms of support to troubled borrowers in order to facilitate their restructuring and revitalization efforts. We may forbear from exercising some or all of our rights as a creditor against them, and we may forgive loans to them in conjunction with their debt restructuring. We may take these steps even when our legal rights might permit us to take stronger action against the borrower and even when others might take stronger action against the borrower to maximize recovery or to reduce exposure in the short term. We may provide support to troubled borrowers for various reasons, including any of the following reasons arising from Japan’s business environment and customs:

- political or regulatory considerations;
- reluctance to push a major client into default or bankruptcy or to disrupt a restructuring plan supported by other lenders; and
- a perceived responsibility for the obligations of our affiliated and associated companies, as well as companies with which we have historical links or other long-standing relationships.

These practices may substantially increase our exposure to troubled borrowers and increase our losses.

We may experience losses because our remedies for credit defaults by borrowers are limited.

We may not be able to realize the value of the collateral we hold or enforce our rights against defaulting customers because of:

- the difficulty of foreclosing on collateral in Japan;
- the illiquidity of and depressed values in the Japanese real estate market; and
- the depressed values of pledged securities held as collateral.

Corporate credibility issues among our borrowers could increase our problem loans or otherwise negatively affect our results of operations.

During the past few years, high-profile bankruptcy filings and reports of past accounting or disclosure irregularities, including fraud, in the United States, Japan and other countries have raised corporate credibility issues, particularly with respect to public companies. In response to these developments and regulatory responses to these developments in the United States, Japan and elsewhere, regulators, auditors and corporate managers generally have begun to review financial statements more thoroughly and conservatively. As a result, additional accounting irregularities and corporate governance issues may be uncovered and bring about additional bankruptcy filings and regulatory action in the United States, Japan and elsewhere. Such developments could increase our credit costs if they directly involve our borrowers or indirectly affect our borrowers’ credit.

Our business may be adversely affected by negative developments with respect to other Japanese financial institutions, both directly and through the effect they may have on the overall Japanese banking environment and on their borrowers.

Some Japanese financial institutions, including banks, non-bank lending and credit institutions, affiliates of securities companies and insurance companies, are still experiencing declining asset quality and capital adequacy and other financial problems. This may lead to severe liquidity and solvency problems, which have in the past resulted in the liquidation, government control or restructuring of affected institutions. The continued financial difficulties of other financial institutions could adversely affect us because:

- we extended loans, some of which are classified as nonaccrual and restructured loans, to banks and other financial institutions that are not our consolidated subsidiaries;
- we are a shareholder of some other banks and financial institutions that are not our consolidated subsidiaries;
• we may be requested to participate in providing assistance to support distressed financial institutions that are not our consolidated subsidiaries;

• if the government takes control of major financial institutions, we will become a direct competitor of government-controlled financial institutions and may be at a competitive disadvantage if the Japanese government provides regulatory, tax, funding or other benefits to those financial institutions to strengthen their capital, facilitate their sale or otherwise;

• deposit insurance premiums could rise if deposit insurance funds prove to be inadequate;

• bankruptcies or government support or control of financial institutions could generally undermine depositor confidence or adversely affect the overall banking environment; and

• negative media coverage of the Japanese banking industry, regardless of its accuracy and applicability to us, could affect customer or investor sentiment, harm our reputation and have a materially adverse effect on our business or stock price.

If the goodwill recorded in connection with the merger with UFJ Holdings becomes impaired, we may be required to record impairment charges, which may adversely affect our financial results and the price of our securities.

In accordance with US GAAP, we have accounted for the merger with UFJ Holdings using the purchase method of accounting. We allocated the total purchase price to our assets and liabilities based on the proportionate share of the fair values of those assets and liabilities. We will incur additional amortization expense over the estimated useful lives of certain of the identifiable intangible assets acquired in connection with the transaction. In addition, we recorded the excess of the purchase price over the fair values of UFJ Holdings’ assets and liabilities as goodwill. If the recorded goodwill becomes impaired, we will be required to incur material charges relating to the impairment of goodwill. If we do not achieve the anticipated benefits of the merger, we may be required to record impairment charges relating to the recorded goodwill and our financial results and the price of our securities could be adversely affected.

We may experience difficulties implementing effective internal controls.

In order to operate as a global financial institution, it is essential for us to have effective internal controls, corporate compliance functions, and accounting systems to manage our assets and operations. Moreover, under the U.S. Sarbanes-Oxley Act of 2002, which applies by reason of our status as an SEC reporting company, we are required to establish internal control over our financial reporting and management is required to assess the effectiveness of internal control over financial reporting and disclose whether such internal control is effective beginning from our fiscal year ending March 31, 2007. Our auditors must also conduct an audit to evaluate management’s assessment of the effectiveness of the internal control over financial reporting and then render an opinion on our assessment and the effectiveness of our internal control over financial reporting. For the fiscal year ended March 31, 2006, our independent registered public accounting firm reported that they had identified errors in our 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 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 the issues identified by our auditor and expect to have the material remedial measures in place by March 2007.

Designing and implementing an effective system of internal controls capable of monitoring and managing our business and operations represents a significant challenge. Our internal control framework needs to have the ability to identify and prevent similar occurrences on a group-wide basis. The design and implementation of internal controls may require significant management and human resources, and result in considerable costs. In
addition, as a result of unanticipated issues, we may need to take a permitted scope limitation on our assessment of internal control over financial reporting, may report material weaknesses in our internal control over financial reporting or may be unable to assert that our internal control over financial reporting is effective. If such circumstances arise, it could adversely affect the market’s perception of us.

**We may be adversely affected if economic conditions in Japan worsen.**

Since the early 1990s, the Japanese economy has performed poorly due to a number of factors, including weak consumer spending and lower capital investment by Japanese companies, causing a large number of corporate bankruptcies and the failure of several major financial institutions. Although some economic indicators and stock prices continued to improve during the fiscal year ended March 31, 2006, if the economy weakens, then our earnings and credit quality may be adversely affected. For a discussion of Japan’s current economic environment, see “Item 5.A. Operating and Financial Review and Prospects—Operating Results—Business Environment—Economic Environment in Japan.”

**Changes in interest rate policy, particularly unexpected or sudden increases in interest rates, could adversely affect the value of our bond and financial derivative portfolios, problem loans and results of operations.**

We hold a significant amount of Japanese government bonds and foreign bonds, including U.S. Treasury bonds. We also hold a large financial derivative portfolio, consisting primarily of interest-rate futures, swaps and options, for our asset liability management. An increase in relevant interest rates, particularly if such increase is unexpected or sudden, may negatively affect the value of our bond portfolios and reduce the so called “spread,” which is the difference between the rate of interest earned and the rate of interest paid. In addition, an increase in relevant interest rates may increase losses on our derivative portfolio and increase our problem loans as some borrowers may not be able to meet the increased interest payment requirements, thereby adversely affecting our results of operations and financial condition.

For a detailed discussion of our bond portfolio, see “Selected Statistical Data—Investment Portfolio.”

**We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations.**

We, as a holding company, and our Japanese subsidiary banks, are required to maintain risk-weighted capital ratios above the levels specified in the capital adequacy guidelines of the Financial Services Agency. The capital ratios are calculated in accordance with Japanese banking regulations based on information derived from the relevant entity’s financial statements prepared in accordance with Japanese GAAP. Our subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A., referred to collectively as UNBC, are subject to similar U.S. capital adequacy guidelines. We or our subsidiary banks may be unable to continue to satisfy the capital adequacy requirements because of:

- credit costs we or our subsidiary banks may incur as we or our subsidiary banks dispose of problem loans and remove impaired assets from our balance sheets;
- credit costs we or our subsidiary banks may incur due to losses from a future deterioration in asset quality;
- a reduction in the value of our or our subsidiary banks’ deferred tax assets;
- changes in accounting rules or in the guidelines regarding the calculation of bank holding companies’ or banks’ capital ratios;
- declines in the value of our or our subsidiary banks’ securities portfolio;
- our or our subsidiary banks’ inability to refinance subordinated debt obligations with equally subordinated debt;
• adverse changes in foreign currency exchange rates; or
• other adverse developments discussed in these risk factors.

If our capital ratios fall below required levels, the Financial Services Agency could require us to take a variety of corrective actions, including withdrawal from all international operations or suspension of all or part of our business operations. For a discussion of our capital ratios and the related regulatory guidelines, see “Item 4.B. Information on the Company—Business Overview—Supervision and Regulation—Japan—Capital Adequacy” and “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Adequacy.”

Our capital ratios may also be negatively affected by regulatory changes.

Several proposed regulatory changes could have an adverse impact on our capital ratios. For example, in December 2005, the Financial Services Agency promulgated revised capital adequacy guidelines, effective March 31, 2006, that will limit the portion of Tier I capital that can be comprised of deferred tax assets. The revised restrictions are targeted at major Japanese banks and their holding companies, which will include us and our subsidiary banks. The limit has been set at 40% for the fiscal year ended March 31, 2006. It will be lowered to 30% for the fiscal year ending March 31, 2007 and to 20% for the fiscal year ending March 31, 2008. The imposition of such limits may reduce our regulatory capital, perhaps materially. As of March 31, 2006, our net deferred tax assets amounted to ¥623.2 billion under Japanese GAAP, or approximately 8.3% of the amount of our Tier I capital of ¥7,501.7 billion calculated in accordance with Japanese GAAP as required by the Financial Services Agency.

In addition, effective March 31, 2003, the Financial Services Agency strongly suggested that major banks calculate loan loss reserves for certain impaired loans by analyzing the projected cash flows from those loan assets, discounted to present value, instead of basing reserves on historical loan loss data. We employed a methodology to calculate loan loss reserves for these credits based on their estimated cash flows. However, if in the future the Financial Services Agency adopts a calculation methodology that is different from the methodology we employed, the size of our allowance for loan losses under Japanese GAAP could increase. Because capital ratios are calculated under Japanese GAAP, this change may materially reduce our capital ratios.

In addition to the revised capital adequacy guidelines described above, further regulatory changes are expected based on the new framework relating to regulatory capital requirements that were established by the Basel Committee on Banking Supervision and endorsed by the central bank governors and the heads of bank supervisory authorities of the Group of Ten (G10) countries in June 2004. The Financial Services Agency issued revised rules for the new capital adequacy framework in March 2006, which will become effective (with certain exceptions) for the fiscal year ending March 31, 2007. At this stage, we are evaluating how the revised rules will affect our capital ratios and the impact of these rules on other aspects of our operations.

Our results of operations and capital ratios will be negatively affected if we are required to reduce our deferred tax assets.

We and our Japanese subsidiary banks determine the amount of net deferred tax assets and regulatory capital pursuant to Japanese GAAP and Japanese banking regulations, which differ from US GAAP and U.S. regulations. Currently, Japanese GAAP generally permits the establishment of deferred tax assets for tax benefits that are expected to be realized during a period that is reasonably foreseeable, generally five fiscal years. The calculation of deferred tax assets under Japanese GAAP is based upon various assumptions, including assumptions with respect to future taxable income. Actual results may differ significantly from these assumptions. Even if our ability to include deferred tax assets in regulatory capital is not affected by rule changes that became effective starting March 31, 2006 (see “—Our capital ratios may also be negatively affected by regulatory changes above”), if we conclude, based on our projections of future taxable income, that we or our Japanese bank subsidiaries will be unable to realize a portion of the deferred tax assets, our deferred tax assets may be reduced and, as a result, our results of operations may be negatively affected and our capital ratios may decline.
We may not be able to refinance our subordinated debt obligations with equally subordinated debt, and as a result our capital ratios may be adversely affected.

As of March 31, 2006, subordinated debt accounted for approximately 28.1% of our total regulatory capital, 27.8% of The Bank of Tokyo-Mitsubishi UFJ Ltd.’s total regulatory capital, and 28.2% of Mitsubishi UFJ Trust and Banking Corporation’s total regulatory capital, in each case, as calculated under Japanese GAAP. We or our subsidiary banks may not be able to refinance our subordinated debt obligations with equally subordinated debt. The failure to refinance these subordinated debt obligations with equally subordinated debt may reduce our total regulatory capital and, as a result, negatively affect our capital ratios.

Proposed government reforms seeking to restrict maximum interest rates may adversely affect our consumer lending business.

We have a large loan portfolio to the consumer lending industry as well as large shareholdings of consumer finance companies. The Japanese government is contemplating the implementation of regulatory reforms targeting the consumer lending industry. Media reports indicate that lawmakers are considering proposals to reduce the maximum permissible interest rate under the Investment Deposit and Interest Rate Law, which is currently 29.2% per annum, to the lower limits (15-20% per annum) set by the Interest Rate Restriction Law.

Under the current system, lenders that satisfy certain conditions can charge interest rates exceeding the limits set by the Interest Rate Restriction Law, provided such higher interest rates do not exceed the limits stipulated by the Investment Deposit and Interest Rate Law. Accordingly, some of our consumer finance subsidiaries currently offer loans at interest rates above the Interest Rate Restriction Law. Under the proposed reforms, however, all interest rates would be subject to the lower limits imposed by Interest Rate Restriction Law, which may in turn compel loan companies to lower the interest rates they charge borrowers. The government is also considering the appropriate treatment of transition periods and small-amount or short-term loans. The imposition of these proposed reforms and any other regulatory developments that potentially lower maximum permissible interest rates may adversely affect the operations and financial condition of our subsidiaries, other affiliated entities and borrowers which are engaged in consuming lending, which in turn may affect the value of our related shareholdings and loan portfolio. Additionally, the proposed reforms may negatively affect market perception of our consumer lending operations, thereby adversely affecting the financial results from those operations.

If the Japanese stock market declines in the future, we may incur losses on our securities portfolio and our capital ratios will be adversely affected.

We hold large amounts of marketable equity securities. The market values of these securities are volatile. For example, the Nikkei 225 stock average declined to a 20-year low of ¥7,607.88 in April 2003 and has since recovered to ¥17,059.66 at March 31, 2006. As of August 31, 2006, the Nikkei 225 stock average was ¥16,140.76. We will incur losses on our securities portfolio if the Japanese stock market declines in the future. Material declines in the Japanese stock market may also materially adversely affect our capital ratios. For a detailed discussion of our holdings of marketable equity securities and the effect of market declines on our capital ratios, see “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Adequacy” and “Selected Statistical Data—Investment Portfolio.”

Our efforts to reduce our holdings of equity securities may adversely affect our relationships with customers as well as our stock price, and we could also be forced to sell some holdings of equity securities at prices lower than we would otherwise sell at in order to remain compliant with relevant Japanese laws.

Like many Japanese financial institutions, a substantial portion of our equity securities portfolio is held for strategic and business-relationship purposes. In November 2001, the Japanese government enacted a law forbidding bank holding companies and banks, including us and our bank subsidiaries, from holding, after September 30, 2006, stock with an aggregate value that exceeds their adjusted Tier I capital. Additionally, Japanese banks are also generally prohibited by the Banking Law and the Anti-Monopoly Law of Japan from
purchasing or holding more than 5% of the equity interest in any domestic third party. In order to comply with this requirement after the merger with UFJ Holdings, we are required to sell some holdings of equity securities within five years from the date of the merger so that our holdings do not exceed this 5% threshold.

The sale of equity securities, whether to remain compliant with the prohibition on holding stock in excess of our adjusted Tier I capital, to reduce our risk exposure to fluctuations in equity security prices, to comply with the requirements of the Banking Law and the Anti-Monopoly Law or otherwise, will reduce our strategic shareholdings, which may have an adverse effect on relationships with our customers. In addition, our plans to reduce our strategic shareholdings may encourage some of our customers to sell their shares of our common stock, which may have a negative impact on our stock price. In order to remain compliant with the legal requirements described above, we may also sell some equity securities at prices lower than we would otherwise sell at.

**Our trading and investment activities expose us to interest rate, exchange rate and other risks.**

We undertake extensive trading and investment activities involving a variety of financial instruments, including derivatives. Our income from these activities is subject to volatility caused by, among other things, changes in interest rates, foreign currency exchange rates and equity and debt prices. For example:

- increases in interest rates may have an adverse effect on the value of our fixed income securities portfolio, as discussed in—Changes in interest rate policy, particularly unexpected or sudden increases in interest rates, could adversely affect the value of our bond portfolio, problem loans and results of operations above; and
- the strengthening of the yen against the US dollar and other foreign currencies will reduce the value of our substantial portfolio of foreign currency denominated investments.

In addition, downgrades of the credit ratings of some of the fixed income securities in our portfolio could negatively affect our results of operations. Our results of operations and financial condition are exposed to the risks of loss associated with these activities. For a discussion of our investment portfolio and related risks see “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financial Condition—Investment Portfolio” and “Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.”

**A downgrade of our credit ratings could have a negative effect on our business.**

A downgrade of our credit ratings by one or more of the credit rating agencies could have a negative effect on our treasury operations and other aspects of our business. In the event of a downgrade of our credit ratings, our treasury business unit may have to accept less favorable terms in our transactions with counterparties, including capital raising activities, or may be unable to enter into some transactions. This could have a negative impact on the profitability of our treasury and other operations and adversely affect our results of operations and financial condition.

**We may not be able to achieve the goals of our business strategies.**

We currently plan to pursue various business strategies to improve our profitability. In addition to the risks associated with the merger, there are various other risks that could adversely impact our ability to achieve our business objectives. For example:

- we may be unable to cross-sell our products and services as effectively as anticipated;
- we may have difficulty in coordinating the operations of our subsidiaries and affiliates as planned due to legal restrictions, internal conflict or market resistance;
- we may lose customers and business as some of our subsidiaries’ or affiliates’ operations are reorganized and, in some cases, rebranded;
- our efforts to streamline operations may require more time than expected and cause some negative reactions from customers;
• new products and services we introduce may not gain acceptance among customers; and
• we may have difficulty developing and operating the necessary information systems.

We are exposed to new or increased risks as we expand the range of our products and services.

As we expand the range of our products and services beyond our traditional banking and trust businesses and as the sophistication of financial products and management systems grows, we will be exposed to new and increasingly complex risks. We may have only limited experience with the risks related to the expanded range of these products and services. To the extent we expand our product and service offerings through acquisitions, we face risks relating to the integration of acquired businesses with our existing operations. Moreover, some of the activities that our subsidiaries are expected to engage in, such as derivatives and foreign currency trading, present substantial risks. Our risk management systems may prove to be inadequate and may not work in all cases or to the degree required. As a result, we are subject to substantial market, credit and other risks in relation to the expanding scope of our products, services and trading activities, which could result in us incurring substantial losses. In addition, our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of opportunities is undermined by competitive pressures. For a detailed discussion of our risk management systems, see “Item 11. Quantitative and Qualitative Disclosure about Credit, Market and Other Risk.”

Any adverse changes in UNBC’s business could significantly affect our results of operations.

UNBC contributes a significant portion of our net income. Any adverse change in the business or operations of UNBC could significantly affect our results of operations. Factors that could negatively affect UNBC’s results include adverse economic conditions in California, including the decline in the technology sector, the state government’s financial condition, a potential downturn in the real estate and housing industries in California, substantial competition in the California banking market, growing uncertainty over the U.S. economy due to the threat of terrorist attacks, fluctuating oil prices and rising interest rates, negative trends in credit ratings and additional costs which may arise from enterprise-wide compliance with applicable laws and regulations such as the U.S. Bank Secrecy Act and related amendments under the USA PATRIOT Act. For a detailed segment discussion relating to UNBC, see “Item 5.A. Operating and Financial Review and Prospects—Operating Results—Business Segment Analysis.”

We are exposed to substantial credit and market risks in Asia, Latin America and other regions.

We are active in Asia, Latin America, Eastern Europe and other regions through a network of branches and subsidiaries and are thus exposed to a variety of credit and market risks associated with countries in these regions. A decline in the value of Asian, Latin American or other relevant currencies could adversely affect the creditworthiness of some of our borrowers in those regions. For example, the loans we made to Asian, Latin American, Eastern European and other overseas borrowers and banks are often denominated in yen, US dollars or other foreign currencies. These borrowers often do not hedge the loans to protect against fluctuations in the values of local currencies. A devaluation of the local currency would make it more difficult for a borrower earning income in that currency to pay its debts to us and other foreign lenders. In addition, some countries in which we operate may attempt to support the value of their currencies by raising domestic interest rates. If this happens, the borrowers in these countries would have to devote more of their resources to repaying their domestic obligations, which may adversely affect their ability to repay their debts to us and other foreign lenders. The limited credit availability resulting from these and related conditions may adversely affect economic conditions in some countries. This could cause a further deterioration of the credit quality of borrowers and banks in those countries and cause us to incur further losses. In addition, we are active in other regions that expose us to risks similar to the risks described above and also risks specific to those regions, which may cause us to incur losses or suffer other adverse effects. For a more detailed discussion of our credit exposure to Asian, Latin American, Eastern European and other relevant countries, see “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financial Condition—Allowance for Credit Losses, Nonperforming and Past Due Loans.”
Our income and expenses relating to our international operations, as well as our foreign assets and liabilities, are exposed to foreign currency fluctuations.

Our international operations are subject to fluctuations in foreign currency exchange rates against the Japanese yen. When the yen appreciates, yen amounts for transactions denominated in foreign currencies, including a substantial portion of UNBC’s transactions, decline. In addition, a portion of our assets and liabilities is denominated in foreign currencies. To the extent that our foreign currency denominated assets and liabilities are not matched in the same currency or appropriately hedged, fluctuations in foreign currency exchange rates against the yen may adversely affect our financial condition, including our capital ratios. In addition, fluctuations in foreign exchange rates will create foreign currency translation gains or losses. For a historical discussion of the effect of changes in foreign currency exchange rates, see “Item 5.A. Operating and Financial Review and Prospects—Operating Results—Effect of the Change in Exchange Rates on Foreign Currency Translation.”

Losses relating to our pension plans and a decline in returns on our plan assets may negatively affect our results of operations and financial condition.

We may incur losses if the fair value of our pension plans’ assets declines, if the rate of return on our pension assets declines or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligations are based. We may also experience unrecognized service costs in the future due to amendments to existing pension plans. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and the resulting annual amortization expense. Additionally, the assumptions used in the computation of future pension expenses may not remain constant.

We may have to compensate for losses in our loan trusts and money in trusts. This could have a negative effect on our results of operations.

Our trust bank subsidiary may have to compensate for losses of principal of all loan trusts and some money in trusts. Funds in those guaranteed trusts are generally invested in loans and securities. If the amount of assets and reserves held in the guaranteed trusts falls below the principal as a result of loan losses, losses in the investment portfolio or otherwise, it would adversely affect our results of operations.

Our information systems and other aspects of our business and operations are exposed to various system, political and social risks.

As a major financial institution, our information systems and other aspects of our business and operations are exposed to various system, political and social risks beyond our control. Incidents such as disruptions of the Internet and other information networks due to major virus outbreaks, major terrorist activity such as the July 2005 London attacks, serious political instability and major health epidemics such as the outbreak of severe acute respiratory syndrome, or SARS, have the potential to directly affect our business and operations by disrupting our operational infrastructure or internal systems. Such incidents may also negatively impact the economic conditions, political regimes and social infrastructure of countries and regions in which we operate, and possibly the global economy as a whole. Our risk management policies and procedures may be insufficient to address these and other large-scale unanticipated risks.

In particular, the capacity and reliability of our electronic information technology systems are critical to our day-to-day operations and a failure or disruption of these systems would adversely affect our capacity to conduct our business. In addition to our own internal information systems, we also provide our customers with access to our services and products through the Internet and ATMs. These systems as well as our hardware and software are subject to malfunction or incapacitation due to human error, accidents, power loss, sabotage, hacking, computer viruses and similar events, as well as the loss of support services from third parties such as telephone and Internet service providers.

Additionally, as with other Japanese companies, our offices and other facilities are subject to the risk of earthquakes and other natural disasters. Our redundancy and backup measures may not be sufficient to avoid a material disruption in our operations, and our contingency plans may not address all eventualities that may occur in the event of a material disruption.
These various factors, the threat of such risks or related countermeasures, or a failure to address such risks, may materially and adversely affect our business, operating results and financial condition.

**We may be subject to liability and regulatory action if we are unable to protect personal and other confidential information.**

In recent years, there have been many cases of personal information and records in the possession of corporations and institutions being leaked or improperly accessed. In the event that personal information in our possession about our customers or employees is leaked or improperly accessed and subsequently misused, we may be subject to liability and regulatory action. The standards applicable to us have become more stringent under the new Personal Information Protection Act of Japan, which became fully effective from April 2005. As an institution in possession of personal information, we may have to provide compensation for economic loss and emotional distress arising out of a failure to protect such information in accordance with the Personal Information Protection Act. In addition, such incidents could create a negative public perception of our operations, systems or brand, which may in turn decrease customer and market confidence and materially and adversely affect our business, operating results and financial condition.

**Transactions with counterparties in countries designated by the U.S. Department of State as state sponsors of terrorism may lead some potential customers and investors in the U.S. and other countries to avoid doing business with us or investing in our shares.**

We, through our banking subsidiary, engage in operations with entities in or affiliated with Iran and Cuba, including transactions with entities owned or controlled by the Iranian or Cuban governments, and the banking subsidiary has a representative office in Iran. The U.S. Department of State has designated Iran and Cuba as “state sponsors of terrorism,” and U.S. law generally prohibits U.S. persons from doing business with such countries. Our activities with counterparties in or affiliated with Iran, Cuba and other countries designated as state sponsors of terrorism are conducted in compliance in all material respects with both applicable Japanese and U.S. regulations.

Our operations with entities in Iran consist primarily of loans to Iranian financial institutions in the form of financing for petroleum projects and trade financing for general commercial purposes, as well as letters of credit and foreign exchange services. In addition, we extend trade financing for general commercial purposes to a corporate entity affiliated with Cuba. We do not believe our operations relating to Iran and Cuba are material to our business, financial condition and results of operations, as the loans outstanding to borrowers in or affiliated with Iran and Cuba as of March 31, 2006 were approximately $1,078.4 million and $17.0 million, respectively, which together represented less than 0.1% of our total assets as of March 31, 2006.

We are aware of initiatives by U.S. governmental entities and U.S. institutional investors, such as pension funds, to adopt or consider adopting laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with Iran and other countries identified as state sponsors of terrorism. It is possible that such initiatives may result in our being unable to gain or retain entities subject to such prohibitions as customers or as investors in our shares. In addition, depending on socio-political developments our reputation may suffer due to our association with these countries. The above circumstances could have a significant adverse effect on our business or the price of our shares.

**Adverse regulatory developments or changes in laws, government policies or economic controls could have a negative impact on our business and results of operations.**

We conduct our business subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Japan and the other markets in which we operate. Future developments or changes in laws, regulations, policies, voluntary codes of practice, fiscal or other policies and their effects are unpredictable and beyond our control. In particular, the Financial Services Agency has announced various regulatory changes that it would consider. For example, in December 2004, the Financial Services Agency launched an initiative designed to identify additional subjects for future financial reforms to be enacted over the next two years relating to various financial issues, including the possible enactment of an investment services law, which aims to provide an overall regulatory regime applicable to financial institutions and financial products, as well as the improvement of corporate governance and risk...
management of financial institutions. The Financial Services Agency and regulatory authorities in the United States and elsewhere also have the authority to conduct, at any time, inspections to review banks’ accounts, including those of our bank subsidiaries. The focus of such inspections may fluctuate as a result of socio-political developments. For example, a major focus of U.S. and Western European governmental policy relating to financial institutions in recent years has been aimed at preventing money laundering and terrorist financing, leading to heightened scrutiny in these areas. Financial institutions that have been subject to regulatory actions have been required to incur expenses in response to such actions and have had limitations imposed on the scope of their operations. If we become subject to such regulatory actions, whether as a result of regulatory developments or inspections, our banking operations in the relevant market may be negatively affected and we may be required to incur expenses in response to such actions.

For a more detailed discussion of these and other regulatory developments, see “Item 4.B. Information on the Company—Business Overview—Supervision and Regulation.”

Our influential position in the Japanese financial markets may subject us to potential claims of unfair trade practices from regulatory authorities and consumers.

We are one of the largest and most influential financial institutions in Japan by virtue of our market share and the size of our operations and customer base. As a result of our influential position in the Japanese financial markets, we may be subject to more exacting scrutiny from regulatory authorities and consumers regarding our trade practices and potential abuses of our dominant bargaining position in our dealings with counterparties, borrowers and customers.

Any claims of unfair trade practices relating to our sales, lending and other operations, regardless of their validity, could create a negative public perception of our operations which may in turn adversely affect our business, operating results and financial condition.

Our business may be adversely affected by competitive pressures, which have increased significantly due to regulatory changes.

In recent years, the Japanese financial system has been increasingly deregulated and barriers to competition have been reduced. In addition, the Japanese financial industry has been undergoing significant consolidation, a trend that may continue in the future and further increase competition. The planned privatization of the Japanese postal savings system and the establishment of a Postal Saving Bank in 2007, as well as the planned privatization of certain governmental financial institutions, could also substantially increase competition within the financial services industry. If we are unable to compete effectively in this more competitive and deregulated business environment, our business, results of operations and financial condition will be adversely affected. For a more detailed discussion of our competition in Japan, see “Item 4.B. Information on the Company—Business Overview—Competition—Japan.”

Our ability to pay dividends is substantially dependent on our subsidiaries and affiliated companies’ payments of dividends and management fees to us.

As a holding company, substantially all of our cash flow will come from dividends and management fees that our subsidiaries and affiliated companies pay to us. Under some circumstances, various statutory or contractual provisions may restrict the amount of dividends our subsidiaries and affiliated companies can pay to us. Also, if our subsidiaries and affiliated companies do not have sufficient earnings, they will be unable to pay dividends to us, and we in turn may be unable to pay dividends to our shareholders.

Risks Related to Owning Our Shares

Efforts by other companies to reduce their holdings of our shares may adversely affect our stock price.

Many companies in Japan that hold shares of our stock have announced plans to reduce their shareholdings in other companies. Any future plans of ours to sell shares in other companies may further encourage those companies and other companies to sell our shares. If an increased number of shares of our common stock are sold in the market, it may adversely affect the trading price of shares of our common stock.
Rights of shareholders under Japanese law may be different from those under the laws of jurisdictions within the United States and other countries.

Our articles of incorporation, the regulations of our board of directors and the Company Law of Japan, or the Company Law (also known as the Corporation Act), govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors’ and officers’ fiduciary duties and shareholders rights are different from those that would apply if we were not a Japanese corporation. Shareholders rights under Japanese law are different in some respects from shareholders rights under the laws of jurisdictions within the United States and other countries. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction outside of Japan. For a detailed discussion of the relevant provisions under the Company Law and our articles of incorporation, see “Item 10.B. Additional Information—Memorandum and Articles of Association.”

It may not be possible for investors to effect service of process within the United States upon us or our directors, senior management or corporate auditors, or to enforce against us or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States.

We are a joint stock company incorporated under the laws of Japan. Almost all of our directors, senior management and corporate auditors reside outside the United States. Many of the assets of us and these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon us or these persons or to enforce, against us or these persons, judgments obtained in the U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. We believe that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of claims predicated solely upon the federal securities laws of the United States.

Risks Related to Owning Our ADSs

As a holder of ADSs, you have fewer rights than a shareholder and you must act through the depositary to exercise these rights.

The rights of our shareholders under Japanese law to take actions such as voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to shareholders of record. Because the depositary, through its custodian, is the record holder of the shares underlying the ADSs, a holder of ADSs may not be entitled to the same rights as a shareholder. In your capacity as an ADS holder, you are not able to bring a derivative action, examine our accounting books and records or exercise appraisal rights, except through the depositary.

Foreign exchange rate fluctuations may affect the US dollar value of our ADSs and dividends payable to holders of our ADSs.

Market prices for our ADSs may fall if the value of the yen declines against the US dollar. In addition, the US dollar amount of cash dividends and other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the US dollar.

Item 4. Information on the Company.
A. History and Development of the Company

Mitsubishi UFJ Financial Group, Inc.

MUFG is a bank holding company incorporated as a joint stock company (kabushiki kaisha) under the Commercial Code of Japan. Formed through the merger between Mitsubishi Tokyo Financial Group, Inc. and UFJ Holdings, Inc. on October 1, 2005, we are one of the largest bank holding companies in the world when measured by total assets. We are the holding company for The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, and Mitsubishi UFJ Securities Co., Ltd., or MUS.
On April 2, 2001, Bank of Tokyo-Mitsubishi, Mitsubishi Trust and Banking Corporation, or Mitsubishi Trust Bank, and Nippon Trust Bank established Mitsubishi Tokyo Financial Group, Inc., or MTFG, to be a holding company for the three entities. Before that, each of the banks had been a publicly held company. On April 2, 2001, through a stock-for-stock exchange, they became wholly-owned subsidiaries of MTFG, and the former shareholders of the three banks became shareholders of MTFG. Nippon Trust Bank was later merged into Mitsubishi Trust Bank.

On April 1, 2004, we implemented a new integrated business group system, which currently integrates the operations of BTMU, MUTB and MUS into the following three areas—Retail, Corporate, and Trust Assets. Although this new measure did not change the legal entities of MUFG, BTMU, MUTB and MUS, it is intended to enhance synergies by promoting more effective and efficient collaboration between our subsidiaries.

On July 1, 2005, MTFG made Mitsubishi Securities a directly-held subsidiary by acquiring all of the shares of Mitsubishi Securities common stock held by Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank.

On June 29, 2005, the merger agreement between us and UFJ Holdings was approved at the general shareholders meetings of MTFG and UFJ Holdings. As the surviving entity, Mitsubishi Tokyo Financial Group, Inc. was renamed “Mitsubishi UFJ Financial Group, Inc.” or “MUFG”. The merger of the two bank holding companies was completed on October 1, 2005.

Our registered address is 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan, and our telephone number is 81-3-3240-8111.

For a discussion of the integration with the UFJ group and other recent developments, see “Item 4.B. Business Overview” and “Item 5.A. Operating and Financial Review and Prospects—Recent Developments.”

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

BTMU is a major commercial banking organization in Japan that provides a broad range of domestic and international banking services from its offices in Japan and around the world. BTMU is a “city” bank, as opposed to a regional bank. BTMU’s registered head office is located at 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8388, Japan, and its telephone number is 81-3-3240-1111. BTMU is a joint stock company (kabushiki kaisha) incorporated in Japan under the Company Law.

BTMU was formed through the merger, on January 1, 2006, of The Bank of Tokyo-Mitsubishi, Ltd., and UFJ Bank Limited, after their respective parent companies, MTFG and UFJ Holdings, merged to form MUFG on October 1, 2005.

Bank of Tokyo-Mitsubishi was formed through the merger, on April 1, 1996, of The Mitsubishi Bank, Limited and The Bank of Tokyo, Ltd. The origins of Mitsubishi Bank can be traced to the Mitsubishi Exchange Office, a money exchange house established in 1880 by Yataro Iwasaki, the founder of the Mitsubishi industrial, commercial and financial group. In 1895, the Mitsubishi Exchange Office was succeeded by the Banking Division of the Mitsubishi Goshi Kaisha, the holding company of the “Mitsubishi group” of companies. Mitsubishi Bank had been a principal bank to many of the Mitsubishi group companies, but broadened its relationships to cover a wide range of Japanese industries, small and medium-sized companies and individuals.

Bank of Tokyo was established in 1946 as a successor to The Yokohama Specie Bank, Ltd., a special foreign exchange bank established in 1880. When the government of Japan promulgated the Foreign Exchange Bank Law in 1954, Bank of Tokyo became the only bank licensed under that law. Because of its license, Bank of Tokyo received special consideration from the Ministry of Finance in establishing its offices abroad and in many other aspects relating to foreign exchange and international finance.

UFJ Bank was formed through the merger, on January 15, 2002, of The Sanwa Bank, Limited and The Tokai Bank, Limited.
Sanwa Bank was established in 1933 when the three Osaka-based banks, the Konoike Bank, the Yamaguchi Bank, and the Sanjyushi Bank merged. Sanwa Bank was known as a city bank having the longest history in Japan, since the foundation of Konoike Bank can be traced back to the Konoike Exchange Office established in 1656. The origin of Yamaguchi Bank was also a money exchange house, established in 1863. Sanjyushi Bank was founded by influential fiber wholesalers in 1878. The corporate philosophy of Sanwa Bank had been the creation of the premier banking services especially for small and medium-sized companies and individuals.

Tokai Bank was established in 1941 when the three Nagoya-based banks, the Aichi Bank, the Ito Bank, and the Nagoya Bank merged. In 1896, Aichi Bank took over businesses of the Jyuichi Bank established by wholesalers in 1877 and the Hyakusanjyushi Bank established in 1878. Ito Bank and Nagoya Bank were established in 1881 and 1882, respectively. Tokai Bank had expanded the commercial banking business to contribute to economic growth mainly of the Chubu area in Japan, which is known for the manufacturing industry, especially automobiles.

Mitsubishi UFJ Trust and Banking Corporation

MUTB is a major trust bank in Japan, providing trust and banking services to meet the financing and investment needs of clients in Japan and the rest of Asia, as well as in the United States and Europe. MUTB’s registered head office is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan. Its telephone number is 81-3-3212-1211. MUTB is also a joint stock company (kabushiki kaisha) incorporated in Japan under the Company Law.

MUTB was formed on October 1, 2005 through the merger of Mitsubishi Trust Bank and UFJ Trust Bank. As the surviving entity, Mitsubishi Trust Bank was renamed “Mitsubishi UFJ Trust and Banking Corporation”.

Mitsubishi Trust Bank traces its history to The Mitsubishi Trust Company, Limited, which was founded by the leading members of the Mitsubishi group companies in 1927. The Japanese banking and financial industry was reconstructed after World War II and, in 1948, Mitsubishi Trust Bank was authorized to engage in the commercial banking business, in addition to its trust business, under the new name Asahi Trust & Banking Corporation. In 1952, the bank changed its name again, to The Mitsubishi Trust and Banking Corporation.

Nippon Trust Bank and The Tokyo Trust Bank, Ltd., which were previously subsidiaries of Bank of Tokyo-Mitsubishi, were merged into Mitsubishi Trust Bank on October 1, 2001.

UFJ Trust Bank was founded in 1959 as The Toyo Trust & Banking Company, Limited, or Toyo Trust Bank. The Sanwa Trust & Banking Company, Limited, which was a subsidiary of Sanwa Bank, was merged into Toyo Trust Bank on October 1, 1999. The Tokai Trust & Banking Company, Limited, which was a subsidiary of Tokai Bank, was merged into Toyo Trust Bank on July 1, 2001. Toyo Trust Bank was renamed “UFJ Trust Bank Limited” on January 15, 2002.

Mitsubishi UFJ Securities Co., Ltd.

MUS was formed through the merger between Mitsubishi Securities and UFJ Tsubasa Securities on October 1, 2005. As the surviving entity, Mitsubishi Securities was renamed “Mitsubishi UFJ Securities Co., Ltd.” As of March 31, 2006, MUFG held MUS common stock representing 63% of the voting rights.

MUS functions as the core of our securities and investment banking business. We have consolidated most of our securities business and various areas of our investment banking business, such as mergers and acquisitions, derivatives, corporate advisory and securitization operations under MUS.

In addition to its own branch network, MUS serves individual customers with BTMU and MUTB through MUFG Plazas, and provides financial products and services to customers. MUS has 137 offices, including its head office and branches, and, as of March 31, 2006, 35 of these had already been converted to MUFG Plazas co-operated with BTMU and MUTB. MUS also plays an active role in the development of the securities intermediary business within MUFG.
In the securities business, MUS offers its customers a wide range of investment products. The equity sales staff members provide services to clients ranging from individual investors to institutional investors in Japan and abroad. Through derivative products, MUS provides solutions to meet customers’ risk management needs. MUS also offers structured bonds utilizing various types of derivatives in response to customers’ investment needs. In the investment trust business, MUS provides its retail and corporate customers a wide variety of products. MUS also offers investment banking services in such areas as bond underwriting, equity underwriting, initial public offerings, support for IR activities, securitization of assets and mergers and acquisitions. MUS has research functions and provides in-depth company and strategy reports. To strengthen and enhance our global securities business network, MUS has major overseas subsidiaries in London, New York, Hong Kong, Singapore and Shanghai.

B. Business Overview

We are one of the world’s leading bank holding companies. Through our direct and indirect subsidiaries, we provide a broad range of financial services domestically in Japan and internationally to retail and corporate customers, including:

- banking;
- credit cards and consumer finance;
- trust banking;
- leasing; and
- securities;
- international banking.
- investment trusts;

While maintaining the corporate cultures and core competencies of BTMU, MUTB, MUS, we as the holding company seek to work with them to find ways to:

- establish a more diversified financial services group operating across business sectors;
- leverage the flexibility afforded by our organizational structure to expand our business;
- benefit from the collective expertise of BTMU, MUTB and MUS;
- achieve operational efficiencies and economies of scale; and
- enhance the sophistication and comprehensiveness of the group’s risk management expertise.

On June 29, 2005, the merger agreement between us and UFJ Holdings was approved at the general shareholders meetings of MTFG and UFJ Holdings. The mergers of the holding companies, trust banks and securities companies was completed on October 1, 2005. The merger between Bank of Tokyo-Mitsubishi and UFJ Bank was completed on January 1, 2006 after additional testing of the two banks’ systems intended to minimize risks arising from the merger.

Through the merger, we aim to create a leading comprehensive financial group that is competitive on a global basis and provides a broad range of financial products and services to a worldwide client base. We believe that our business operations and domestic and global branch networks are highly complementary with those of UFJ Holdings. By leveraging the respective strengths of each group, creating synergies through the merger and reinforcing a customer-focused management philosophy, we will seek to improve the standard of our products and services and seek to provide significant benefits expected from the merger to customers and shareholders.

Specifically, the merger with UFJ Holdings is expected to increase our competitive position in a number of areas, including:

- Japan’s Preeminent Global Banking Network. The merger enables us to serve diverse financial needs worldwide using an enhanced domestic network, as well as a global network that covers over 40 countries and is staffed by experienced personnel familiar with local business customs. Our domestic corporate and retail clients now have access to a wider range of products and services, including some of those offered by Union Bank of California.
• **Strong Business Foundation Based on Retail Deposits and Diverse Customer Base.** The significant level of retail deposits that we hold after the integration is a potential source of improved earnings in the retail segment. Our diverse customer base, including an estimated 40 million retail customers and 400,000 corporate customers following the merger, is an important element in facilitating expansion of the trust and investment banking services in our corporate banking business. By providing a wide range of financial products and services to our diverse customer base, we aim to significantly enhance profitability and competitiveness.

• **Strong Financial Foundation.** In June 2006, we repaid the public funds that had been injected into UFJ Holdings and are seeking to implement our growth strategy under a more focused management. We have been a leader among Japanese financial groups in achieving large-scale reductions of non-performing loans, and we aim to continue these efforts to achieve financial soundness. Our strong financial foundation not only enables us to assume larger risk positions but also allows management resources to be fully devoted to business initiatives.

• **Highly Complementary Businesses and Networks.** We believe that the merger enables us to realize integration synergies and to strengthen our customer base and business foundation in a well-balanced manner due to the highly complementary nature of MTMG’s and the UFJ group’s businesses and branch networks. For example, while MTMG’s customer base consisted primarily of large corporations, the UFJ group’s primary customer base consisted of individual customers and small- and medium-sized companies. The branch networks of the two groups are also complementary, as MTMG had a large number of branches in the Tokyo metropolitan area, while the UFJ group’s branch network was more concentrated in the Nagoya and Osaka metropolitan areas. These factors helped reduce the impact of the consolidation of overlapping outlets on the existing customer base and operations. We seek to enhance customer convenience through the balanced development of branch networks primarily in the Tokyo, Nagoya and Osaka metropolitan areas. We are working to provide a wider range of customer services by utilizing the complimentary nature of the companies comprising the new bank group.

• **Strong Corporate Governance and Transparency.** As the only Japanese bank holding company listed on the New York Stock Exchange, or NYSE, we have been subject to the U.S. Sarbanes-Oxley Act and have been preparing to meet the requirements in respect of internal control over financial reporting that are mandated for all SEC-reporting companies. We aim to continue implementing an effective corporate governance system and to conduct transparent management at a level expected of a leading global financial institution. We also seek to implement appropriate corporate social responsibility policies to support sustainable growth.

In order to further enhance our operations and increase profits, in April 2004 we introduced an integrated business group system comprising three core business areas: Retail, Corporate, and Trust Assets. These three businesses serve as the group’s core sources of net operating profit. In addition, the role of Mitsubishi UFJ Financial Group, Inc. as the holding company has expanded from strategic coordination to integrated strategic management. Group-wide strategies are determined by the holding company and executed by the subsidiary banks and other subsidiaries.

**Integrated Retail Banking Business Group**

The Integrated Retail Banking Business Group covers all domestic retail businesses, including commercial banking, trust banking and securities businesses, and enables us to offer a full range of banking products and services, including financial consulting services, to retail customers in Japan. This business group integrates the retail business of BTMU, MUTB and MUS as well as retail product development, promotion and marketing in a single management structure. Many of our retail services are offered through our network of MUFG Plazas providing individual customers with one-stop access to our comprehensive financial product lineup of integrated commercial bank, trust bank and securities services.

**Deposits and retail asset management services.** We offer a full range of bank deposit products. We have also introduced a new non-interest-bearing deposit account that is redeemable on demand and intended primarily
for payment and settlement functions, and is fully insured without a maximum amount limitation. In addition, we also offer a wide range of foreign currency deposit accounts.

We also offer a variety of asset management and asset administration services to individuals, including savings instruments such as current accounts, ordinary deposits, time deposits, deposits at notice and other deposit facilities. We also offer trust products, such as loan trusts and money trusts, and other investment products, such as investment trusts, performance-based money trusts and foreign currency deposits.

We create portfolios tailored to customer needs by combining savings instruments and investment products. We also provide a range of asset management and asset administration products as well as customized trust products for high net worth individuals, as well as advisory services relating to, among other things, the purchase and disposal of real estate and effective land utilization and testamentary trusts.

*Investment trusts.* We offer equity and public utility bond funds as well as a program fund, the M-CUBE program, which was developed exclusively for BTMU by Frank Russell Company and combines four specific funds. We offer a diverse menu of funds including newly added products such as BRICs and J-REITs that allow customers to achieve their desired balance of risk diversification and return.

*Individual annuity insurance.* We have been actively promoting sales of individual annuity insurance products since the Japanese government lifted the prohibition against sales of such products by banks in October 2002. Our current product lineup features capital guaranteed variable annuity products, foreign currency-denominated variable annuity products and foreign currency- and yen-denominated fixed annuity insurance products.

*Securities intermediation operations.* We entered the securities industry following the lifting of the ban on securities intermediation by banks in Japan on December 1, 2004. We offer stocks, investment trusts, foreign bonds and other various products through BTMU and MUTB with MUS, Mitsubishi UFJ Merrill Lynch PB Securities and kabu.com Securities Co., Ltd. acting as agents. We intend to increase the number of employees engaging in these operations and expand our range of product offerings in the future.

*Loans.* We offer housing loans, card loans and other loans to individuals. With respect to housing loans, we have begun offering long-term fixed interest loans with a maximum period of 35 years. Furthermore, we conduct business development as an integrated group through activities such as offering favorable interest rates for housing loans that combine the resources of BTMU and MUTB.

*Credit cards.* We offer a comprehensive IC card service that adds VISA credit card and electronic money functions to the standard BTMU bank cash card. The card is also equipped with a biometric verification security system that enhances security for customers. This comprehensive IC card with biometric verification system is the first such product in Japan. Our subsidiary UFJ NICOS Co., Ltd. offers a range of innovative products, including the Smartplus, a payment services using a contact-less IC card. In addition, our subsidiary, DC Card Co., Ltd. offer co-branded VISA and MasterCard credit cards.

DC Card Co., Ltd. and UFJ NICOS Co., Ltd. will merge to create Mitsubishi UFJ NICOS Co., Ltd. in April 2007. This merger will integrate the networks and products of our core credit card subsidiaries. Additional details of the merger will be determined through continuing discussions between the two entities.

*Domestic Network.* In addition to our branch offices, we offer products and services through other direct distribution channels such as ATMs (including a convenience store-based ATM network utilized by a number of different banks), Tokyo-Mitsubishi UFJ Direct (telephone and internet banking services), MUFG Telebank (utilizes broadband video technology to provide counter services) and mail order. Similar to some other banks in Japan, BTMU has engaged in a business alliance with Japan Post in ATM/CD services since December 2004.

Our MUFG Plazas provide individual customers with one-stop access to our comprehensive financial product lineup by integrating commercial bank, trust bank and securities services. We operated 62 MUFG Plazas as of July 31, 2006.
Trust agency operations. As a trust agency, BTMU markets MUTB products to retail customers. In addition, BTMU offers MUTB’s inheritance-related services.

Integrated Corporate Banking Business Group

The Integrated Corporate Banking Business Group covers all domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses as well as UNBC. UNBC consists of BTMU’s subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A. Through the integration of these business lines, diverse financial products and services are provided to our corporate clients, from large corporations to medium-sized and small businesses. The business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of our corporate customers.

Corporate financing and fund management. We advise on financing methods to meet various financing needs, including loans with derivatives, corporate bonds, commercial paper, asset-backed securities, securitization programs and syndicated loans. We also offer a wide range of products to meet fund management needs, such as deposits with derivatives, government bonds, debenture notes and investment funds.

Examples of traditional commercial banking services include loans, the arrangement of syndicated loans, securitization and the establishment of loan commitments. MUTB’s experience and know-how in the asset management business, real estate brokerage and appraisal services also enable us to offer services tailored to the financial strategies of each client, including securitization of real estate, receivables and other assets.

Settlement services. We provide electronic banking services that allow customers to make domestic and overseas remittances electronically. Settlement and cash management services include global settlement services, Global Cash Management Services, which is a global pooling/netting service, and Treasury Station, a fund management system for group companies.

Risk management. We offer swap, option and other risk-hedge programs to customers seeking to control foreign exchange, interest rate and other business risks.

Corporate management/financial strategies. We provide advisory services to customers in the areas of mergers and acquisitions, inheritance-related business transfers and stock listings. We also help customers develop financial strategies to restructure their balance sheets. These strategies include the use of credit lines, factoring services and securitization of real estate.

Overseas business support. We provide a full range of services to support customers’ overseas activities, including loans, deposits, assistance with mergers and acquisitions and cash management services. We also provide advisory services to help customers develop financial strategies, such as arranging the issuance of asset-backed commercial paper, providing credit commitments and securitizing real estate in Japan.

Advice on business expansion overseas. We provide advisory services to clients launching businesses overseas, particularly Japanese companies expanding into other Asian countries.

UNBC. As of March 31, 2006, BTMU owned 63% of UnionBanCal Corporation, a publicly traded company listed on the New York Stock Exchange. UnionBanCal is a U.S. commercial bank holding company. Union Bank of California, N.A., UnionBanCal’s bank subsidiary, is one of the largest commercial banks in California based on total assets and total deposits. UNBC provides a wide range of financial services to consumers, small businesses, middle market companies and major corporations, primarily in California, Oregon and Washington but also nationally and internationally. In October 2005, Union Bank of California sold its international correspondent banking business to Wachovia Corp. for approximately US$245 million.
Integrated Trust Assets Business Group

The Integrated Trust Assets Business Group covers asset management and administration services for products such as pension trusts and security trusts by integrating the trust banking expertise of MUTB and the international strengths of BTMU. The business group provides a full range of services to corporate and other pension funds, including stable and secure pension fund management and administration, advice on pension schemes, and payment of benefits to scheme members. Our Integrated Trust Assets Business Group combines BTMU’s global custody services Mitsubishi UFJ Asset Management Co., Ltd.’s asset management services and trust assets management services and asset administration and custodial services through MUTB’s trust assets business.

Mitsubishi UFJ Asset Management Co., Ltd., which was established on October 1, 2005 through a merger between Mitsubishi Asset Management Co., Ltd. and UFJ Partners Asset Management Co., Ltd., provides asset management and trust products and services mainly to high net worth individuals, branch customers and corporate clients in Japan.

Global Markets

Global Markets consists of the treasury operations of BTMU, MUTB and MUS. Global Markets also conducts asset liability management and liquidity management and provides various financial operations such as money markets and foreign exchange operations and securities investments.

Other

Other mainly consists of the corporate center of the holding company, BTMU, MUTB and MUS.

Competition

We face strong competition in all of our principal areas of operation. The deregulation of the Japanese financial markets as well as structural reforms in the regulation of the financial industry have resulted in dramatic changes in the Japanese financial system. Structural reforms have prompted Japanese banks to merge or reorganize their operations, thus changing the nature of the competition from other financial institutions as well as from other types of businesses.

Japan

Deregulation. Competition in Japan has intensified as a result of the relaxation of regulations relating to Japanese financial institutions. Previously, there were various restrictions, such as foreign exchange controls, ceilings on deposit interest rates and restrictions that compartmentalized business sectors. These restrictions served to limit competition. However, as a result of the deregulation of the financial sector, such as through the “Financial Big Bang” which was announced in 1996, most of these restrictions were lifted before 2000. Deregulation has eliminated barriers between different types of Japanese financial institutions, which are now able to compete directly against one another. Deregulation and market factors have also facilitated the entry of various large foreign financial institutions into the Japanese domestic market.

The Law Amending the Relevant Laws for the Reform of the Financial System, or the Financial System Reform Act, which was promulgated in June 1998, provided a framework for the reform of the Japanese financial system by reducing the barriers between the banking, securities and insurance businesses and enabled financial institutions to engage in businesses which they were not permitted to conduct before. The Banking Law, as amended, now permits banks to engage in the securities business by establishing or otherwise owning domestic and overseas securities subsidiaries with the approval of the Financial Services Agency, an agency of the Cabinet Office. Further increase in competition among financial institutions is expected in these new areas of permissible activities.
In terms of new market entrants, other financial institutions, such as Orix Corporation, and non-financial companies, such as Sony Corporation and Ito-Yokado Co., Ltd., have also begun to offer various banking services, often through non-traditional distribution channels. Also, in recent years, various large foreign financial institutions have significantly expanded their presence in the Japanese domestic market. Citigroup, for example, has expanded its banking activities and moved aggressively to provide investment banking and other financial services, including retail services. The planned privatization of Japan Post, a government-run public services corporation established on April 1, 2003 that is the world’s largest holder of deposits, and the expected establishment of a Postal Saving Bank in 2007, as well as the planned privatization of other governmental financial institutions, could also substantially increase competition within the financial services industry.

In the corporate banking sector, the principal effect of these reforms has been the increase in competition as two structural features of Japan’s highly specialized and segmented financial system have eroded:

• the separation of banking and securities businesses in Japan; and
• the distinctions among the permissible activities of Japan’s three principal types of private banking institutions.

For a discussion of the three principal types of private banking institutions, see “—The Japanese Financial System.” In addition, in recent years, Japanese corporations are increasingly raising funds by accessing the capital markets, both within Japan and overseas, resulting in a decline in demand for loan financing. Furthermore, as foreign exchange controls have been generally eliminated, customers can now have direct access to foreign financial institutions, with which we must also compete.

In the consumer banking sector, the deregulation of interest rates on yen deposits and other factors have enabled banks to offer customers an increasingly attractive and diversified range of products. For example, banks may now sell investment trusts and some types of insurance products, with the possibility of expanding to additional types of insurance products in the future. We face competition in this sector from other private financial institutions as well as from Japan Post. Recently, competition has also increased due to the development of new products and distribution channels. For example, Japanese banks have started competing with one another by developing innovative proprietary computer technologies that allow them to deliver basic banking services in a more efficient manner and to create sophisticated new products in response to customer demand.

The trust assets business is a promising growth area that is competitive and becoming more so because of changes in the industry. In addition, there is growing corporate demand for change in the trust regulatory environment, such as reform of the pension system and related accounting regulations under Japanese GAAP. However, competition may increase in the future as regulatory barriers to entry are lowered. A new trust business law came into effect on December 30, 2004. Among other things, the new trust business law expands the types of property that can be entrusted and allows non-financial companies to conduct trust business upon approval. The new law also adopts a new type of registration for companies that wish to conduct only the administration type trust business. These regulatory developments are expected to facilitate the expansion of the trust business, but competition in this area is also expected to intensify.

Integration. Another major reason for heightened competition in Japan is the integration and reorganization of Japanese financial institutions. In 1998, amendments were made to the Banking Law to allow the establishment of bank holding companies, and this development together with various factors, such as the decline of institutional strength caused by the bad loan crisis and intensifying global competition, resulted in a number of integrations involving major banks in recent years. In September 2000, The Dai-Ichi Kangyo Bank, Limited, The Fuji Bank, Limited and The Industrial Bank of Japan, Limited jointly established a holding company, Mizuho Holdings, Inc., to own the three banks. In April 2002, these three banks were reorganized into two banks—Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. In April 2001, The Sumitomo Bank, Limited and The Sakura Bank, Limited were merged into Sumitomo Mitsui Banking Corporation. In December 2001, The Daiwa Bank, Ltd. and two regional banks established Daiwa Bank Holdings Inc., which in March 2002 consolidated with Asahi Bank, Ltd. and changed its corporate name to Resona Holdings, Inc. in October 2002. For information on the injection of public funds into Resona Bank, Ltd., a subsidiary bank of Resona Holdings, Inc., see “—Supervision and Regulation—Japan—Deposit Insurance System and Government Investment in Financial Institutions.”
Foreign

In the United States, we face substantial competition in all aspects of our business. We face competition from other large U.S. and foreign-owned money-center banks, as well as from similar institutions that provide financial services. Through Union Bank of California, we currently compete principally with U.S. and foreign-owned money-center and regional banks, thrift institutions, insurance companies, asset management companies, investment advisory companies, consumer finance companies, credit unions and other financial institutions.

In other international markets, we face competition from commercial banks and similar financial institutions, particularly major international banks and the leading domestic banks in the local financial markets in which we conduct business.

The Japanese Financial System

Japanese financial institutions may be categorized into three types:

- the central bank, namely the Bank of Japan;
- private banking institutions; and
- government financial institutions.

The Bank of Japan

The Bank of Japan’s role is to maintain price stability and the stability of the financial system to ensure a solid foundation for sound economic development.

Private Banking Institutions

Private banking institutions in Japan are commonly classified into two categories (the following numbers are based on currently available information published by the Financial Services Agency) as of June 1, 2006:

- ordinary banks (127 ordinary banks and 67 foreign commercial banks with ordinary banking operations); and
- trust banks (21 trust banks, including 4 Japanese subsidiaries of foreign financial institutions).

Ordinary banks in turn are classified as city banks, of which there are five, including BTMU, and regional banks, of which there are 112 and other banks, of which there are 10. In general, the operations of ordinary banks correspond to commercial banking operations in the United States. City banks and regional banks are distinguished based on head office location as well as the size and scope of their operations.

The city banks are generally considered to constitute the largest and most influential group of banks in Japan. Generally, these banks are based in large cities, such as Tokyo, Osaka and Nagoya, and operate nationally through networks of branch offices. City banks have traditionally emphasized their business with large corporate clients, including the major industrial companies in Japan. However, in light of deregulation and other competitive factors, many of these banks, including BTMU, in recent years have increased their emphasis on other markets, such as small and medium-sized companies and retail banking.

With some exceptions, the regional banks tend to be much smaller in terms of total assets than the city banks. Each of the regional banks is based in one of the Japanese prefectures and extends its operations into neighboring prefectures. Their clients are mostly regional enterprises and local public utilities, although the regional banks also lend to large corporations. In line with the recent trend among financial institutions toward mergers or business tie-ups, various regional banks have announced or are currently negotiating or pursuing integration transactions, in many cases in order to be able to undertake the large investments required in information technology.

Trust banks, including MUTB, provide various trust services relating to money trusts, pension trusts and investment trusts and offer other services relating to real estate, stock transfer agency and testamentary services as well as banking services.
In recent years, almost all of the city banks have consolidated with other city banks and also, in some cases, with trust banks or long-term credit banks. Integration among these banks was achieved, in most cases, through the use of a bank holding company.

In addition to ordinary banks and trust banks, other private financial institutions in Japan, including shinkin banks or credit associations, and credit cooperatives, are engaged primarily in making loans to small businesses and individuals.

**Government Financial Institutions**

Since World War II, a number of government financial institutions have been established. These corporations are wholly owned by the government and operate under its supervision. Their funds are provided mainly from government sources. Certain types of operations currently undertaken by these institutions are planned to be assumed by, or integrated with the operations of, private corporations, through measures such as the privatization of Japan Post and other institutions.

Among them are the following:

- The Development Bank of Japan, whose purpose is to contribute to the economic development of Japan by extending long-term loans, mainly to primary and secondary sector industries;
- Japan Bank for International Cooperation, whose purpose is to supplement and encourage the private financing of exports, imports, overseas investments and overseas economic cooperation;
- Japan Finance Corporation for Small Business, The Government Housing Loan Corporation and The Agriculture, Forestry and Fisheries Finance Corporation, the purpose of each of which is to supplement private financing in its relevant field of activity; and
- The Postal Service Agency, which was reorganized in April 2003 into Japan Post, a government-run public services corporation.

**Supervision and Regulation**

**Japan**

*Supervision.* As a result of the deregulation and structural reforms in the Japanese financial industry, Japanese financial institutions gained the opportunity to provide a wider range of financial products and options to their clients, while at the same time becoming subject to stricter control and supervision.

After several reorganizations of Japanese governmental agencies, the Financial Services Agency was established as an agency of the Cabinet Office in 1998. It is responsible for supervising and inspecting financial institutions, making policy for the overall Japanese financial system and conducting insolvency proceedings with respect to financial institutions. The Bank of Japan, as the central bank for financial institutions, conducts “on-site inspections,” in which its staff visits financial institutions and inspects the assets and risk management systems of those institutions.

*The Banking Law.* Among the various laws that regulate financial institutions, the Banking Law and its subordinated orders and ordinances are regarded as the fundamental law for ordinary banks and other private financial institutions. The Banking Law addresses bank holding companies, capital adequacy, inspections and reporting, as well as the scope of business activities, disclosure, accounting, limitation on granting credit and standards for arm’s length transactions. In addition, the amendment to the Banking Law which came into effect in April 2006 relaxed the standards relating to bank-agent eligibility, which is expected to encourage banks to expand their operations through the use of bank agents.

*Bank holding company regulations.* A bank holding company is prohibited from carrying on any business other than the management of its subsidiaries and other incidental businesses. A bank holding company may have any of the following as a subsidiary: a bank, a securities company, an insurance company or a foreign subsidiary that is engaged in the banking, securities or insurance business. In addition, a bank holding company may have as a subsidiary any company that is engaged in a business relating or incidental to the businesses of the companies mentioned above, such as a credit card company, a leasing company or an investment advisory company. Companies that cultivate new business fields may also become the subsidiary of a bank holding company.
**Capital adequacy.** The capital adequacy guidelines adopted by the Financial Services Agency that are applicable to Japanese bank holding companies and banks with international operations closely follow the risk-weighted approach introduced by the Basel Committee on Banking Supervision of the Bank for International Settlements, and are intended to further strengthen the soundness and stability of Japanese banks.

Under the risk-based capital framework for credit risk purposes of the capital adequacy guidelines, on-balance sheet assets and off-balance sheet exposures are assessed according to broad categories of relative risk, based primarily on the credit risk of the counterparty, country transfer risk and the risk regarding the category of transaction. Five categories of risk weights (0%, 10%, 20%, 50% and 100%) are applied to the different types of balance sheet assets. Off-balance sheet exposures are taken into account by applying different categories of “credit conversion factors” or by using the “current exposure” method to arrive at credit-equivalent amounts, which are then weighted in the same manner as on-balance sheet assets involving similar counterparties, except that the maximum risk weight is 50% for exposures relating to foreign exchange, interest rate and other derivative contracts.

In addition to credit risks, the guidelines regulate market risks. Market risk is defined as the risk of losses in on- and off-balance-sheet positions arising from movements in market prices. The risks subject to these guidelines are:

- the risks pertaining to interest rate-related instruments and equities in the trading book; and
- foreign exchange risks and commodities risks of the bank.

With regard to capital, the capital adequacy guidelines are in accordance with the standards of the Bank for International Settlement for a target minimum standard ratio of capital to modified risk-weighted assets of 8.0% on both consolidated and non-consolidated bases for banks with international operations, including BTMU and MUTB, or on a consolidated basis for bank holding companies with international operations, such as MUFG. Modified risk-weighted assets is the sum of risk-weighted assets compiled for credit risk purposes and market risks multiplied by 12.5. The capital adequacy guidelines place considerable emphasis on tangible common stockholders’ equity as the core element of the capital base, with appropriate recognition of other components of capital.

Capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Tier I capital generally consists of stockholders’ equity items, including common stock, preferred stock, capital surplus, retained earnings (which includes deferred tax assets) and minority interests, but recorded goodwill and other items, such as treasury stock, are deducted from Tier I capital. Tier II capital generally consists of:

- general reserves for credit losses, subject to a limit of 1.25% of modified risk-weighted assets;
- 45% of the unrealized gains on investment securities classified as “other securities” under Japanese accounting rules;
- 45% of the land revaluation excess;
- the balance of perpetual subordinated debt; and
- the balance of subordinated term debt with an original maturity of over five years and preferred stock with a maturity up to 50% of Tier I capital.

Tier III capital generally consists of short-term subordinated debt with an original maturity of at least two years and which is subject to a “lock-in” provision, which stipulates that neither interest nor principal may be paid if such payment would cause the bank’s overall capital amount to be less than its minimum capital requirement. At least 50% of the minimum total capital requirements must be maintained in the form of Tier I capital.

Amendments to the capital adequacy guidelines limiting the portion of Tier I capital consisting of deferred tax assets became effective on March 31, 2006. The restrictions are targeted at major Japanese banks and their holding companies, which include MUFG and its subsidiary banks. The cap was initially set at 40% for the fiscal
year ended March 31, 2006. It will then be lowered to 30% for the fiscal year ending March 31, 2007 and to 20% for the fiscal year ending March 31, 2008. The banks subject to the restrictions will not be able to reflect in their capital adequacy ratios any deferred tax assets that exceed the relevant limit.

In June 2004, the Basel Committee released revised standards called “International Convergence of Capital Measurement and Capital Standards: A Revised Framework,” or Basel II, which will apply to Japanese banks from the end of March 2007. Basel II has three core elements, or “pillars”: requiring minimum regulatory capital, the self-regulation of financial institutions based on supervisory review, and market discipline through the disclosure of information. Basel II is based on the belief that these three “pillars” will collectively ensure the stability and soundness of financial systems, and also reflect the nature of risks at each bank more closely. These amendments do not change the minimum capital requirements applicable to internationally active banks.

Inspection and reporting. By evaluating banks’ systems of self-assessment, auditing their accounts and reviewing their compliance with laws and regulations, the Financial Services Agency monitors the financial soundness of banks, including the status and performance of their control systems for business activities. The Financial Services Agency implemented the Financial Inspection Rating System (“FIRST”) for deposit-taking financial institutions on a trial basis from January 2006. By providing inspection results in the form of graded evaluations (i.e., ratings), the Financial Services Agency expects this rating system to motivate financial institutions to voluntarily improve their management and operations.

The Financial Services Agency, if necessary to secure the sound and appropriate operation of a bank’s business, may request the submission of reports or materials from, or conduct an on-site inspection of, the bank or the bank holding company which holds the bank. If a bank’s capital adequacy ratio falls below a specified level, the Financial Services Agency may request the bank to submit an improvement program and may restrict or suspend the bank’s operation when it determines that action is necessary.

The Bank of Japan also conducts inspections of banks similar to those undertaken by the Financial Services Agency. The Bank of Japan Law provides that the Bank of Japan and financial institutions may agree as to the form of inspection to be conducted by the Bank of Japan.

Laws limiting shareholdings of banks. The provisions of the Anti-Monopoly Law that prohibit a bank from holding more than 5% of another company’s voting rights do not apply to a bank holding company. However, the Banking Law prohibits a bank holding company and its subsidiaries from holding, on an aggregated basis, more than 15% of the voting rights of companies other than those which can legally become subsidiaries of bank holding companies.

In November 2001, a law which imposes a limitation on a bank’s shareholding of up to the amount equivalent to its Tier I capital was enacted. The effective date of this limitation is September 30, 2006.

Securities and Exchange Law. Article 65 of the Securities and Exchange Law of Japan generally prohibits a bank from engaging in the securities business. Under this law, banks, including BTMU and MUTB, may not engage in the securities business except for limited activities such as dealing in, underwriting and acting as broker for, Japanese governmental bonds, Japanese local government bonds and Japanese government guaranteed bonds, and selling investment trust certificates. Despite the general prohibition under Article 65, the Financial System Reform Act allows banks, trust banks and securities companies to engage in the businesses of other financial sectors through their subsidiaries in Japan.

A recent deregulation of the securities business has made clear that banks may engage in market-inducting businesses such as providing advice in connection with public offerings or listings and the amendment to the Securities and Exchange Law enacted as of June 2, 2004 lifted the ban on banks engaging in securities intermediation. As a result of the amendment, from December 1, 2004 banks are allowed to provide securities intermediary services if appropriate firewalls are in place.
Implementation of Financial Instruments and Exchange Law. The Financial Instruments and Exchange Law amending the Securities and Exchange Law was promulgated in June 2006. The new law not only preserves the basic concepts of the Securities and Exchange Law, but to further protect investors, the new law also regulates sales of a wide range of financial instruments and services, requiring financial institutions to revise their sales rules and strengthen compliance frameworks accordingly. Among the instruments that the Japanese banks deal with, derivatives, foreign currency denominated deposits, and variable insurance and annuity products will be added to the types of securities covered by sales-related rules of conduct. These rules are expected to become effective in summer 2007.

Anti-money laundering laws. Under the Law for Punishment of Organized Crimes and Regulation of Criminal Profits, banks and other financial institutions are required to report to the competent minister, in the case of banks, the Commissioner of the Financial Services Agency, any assets which they receive while conducting their businesses that are suspected of being illicit profits from criminal activity.

Law concerning trust business conducted by financial institutions. Under the Trust Business Law, joint stock companies that are licensed by the Prime Minister as trust companies are allowed to conduct trust business. In addition, under the Law Concerning Concurrent Operation for Trust Business by Financial Institutions, banks and other financial institutions, as permitted by the Prime Minister, are able to conduct trust business. The Trust Business Law was amended in December 2004 to expand the types of property that can be entrusted, to allow non-financial companies to conduct trust business and to allow a new type of registration to conduct only administration type trust business.

Deposit insurance system and government investment in financial institutions. The Deposit Insurance Law is intended to protect depositors if a financial institution fails to meet its obligations. The Deposit Insurance Corporation was established in accordance with that law.

City banks, regional banks, trust banks, and various other credit institutions participate in the deposit insurance system on a compulsory basis.

Under the Deposit Insurance Law, the maximum amount of protection is ¥10 million per customer within one bank. Since April 1, 2005, all deposits are subject to the ¥10 million maximum, except non-interest bearing deposits that are redeemable on demand and used by the depositor primarily for payment and settlement functions, which are fully protected without a maximum amount limitation. Currently, the Deposit Insurance Corporation charges insurance premiums equal to 0.110% on the deposits in current accounts, ordinary accounts and other similar accounts, which are fully protected as mentioned above, and premiums equal to 0.080% on the deposits in other accounts.

Since 1998, the failure of a number of large-scale financial institutions has led to the introduction of various measures with a view to stabilizing Japan’s financial system, including financial support from the national budget.

The Law Concerning Emergency Measures for Revitalization of Financial Function, or the Financial Revitalization Law, enacted in October 1998, provides for (1) temporary national control of a failed financial institution, (2) the dispatch of a financial resolution administrator to the failed financial institution, and (3) the establishment of a bridge bank which takes over the business of the failed financial institution on a temporary basis.

The Law Concerning Emergency Measures for Early Strengthening of Financial Function, or the Financial Function Early Strengthening Law, also enacted in October 1998, provided for government funds to be made available to financial institutions “prior to failure” as well as to financial institutions with “sound” management, to increase the capital ratio of such financial institutions and to strengthen their function as financial market intermediaries. The availability of new funds for this purpose ended in March 2001. Capital injections made under the Financial Function Early Strengthening Law amounted to approximately ¥10 trillion.
Banks and bank holding companies that have received investments from the Resolution and Collection Corporation under the framework that previously existed under the Financial Function Early Strengthening Law are required to submit and, if necessary, update their restructuring plans relating to their management, finances and other activities. If a bank or bank holding company materially fails to meet the operating targets set in its restructuring plan, the Financial Services Agency can require it to report on alternative measures to achieve the targets, and also issue a business improvement order requiring it to submit a business improvement plan that indicates concrete measures to achieve the targets. The preferred shares that were previously issued by UFJ Holdings to the Resolution and Collection Corporation were exchanged for our newly issued preferred shares in the merger with UFJ Holdings and, as a result, we were required to submit restructuring plans until those preferred shares are redeemed. As MUFG completed the repayment of the public funds that UFJ Holdings received from the Resolution and Collection Corporation on June 9, 2006, we are no longer required to submit such restructuring plans.

Starting in April 2001, amendments to the Deposit Insurance Law established a new framework which enables the Deposit Insurance Corporation to inject capital into a bank if the Commissioner of the Financial Services Agency recognizes it must do so to guard against financial systemic risk. In May 2003, Resona Bank, Ltd., a subsidiary bank of Resona Holdings, Inc., was recognized by the Prime Minister to be in need of a subscription of shares and other measures to expand its capital. The recognition was made in accordance with Article 102, Section 1 of the Deposit Insurance Law. In response to the recognition, Resona Bank, Ltd. applied for and received an injection of public funds in the total amount of ¥1.96 trillion.

On June 14, 2004, the Strengthening Financial Functions Law was enacted to establish a new framework for injecting public funds into financial institutions. The Strengthening Financial Functions Law broadens the range of financial institutions eligible to receive public funds and facilitates the preventive injection of public funds into troubled or potentially troubled financial institutions in order to avert financial crises. Applications for public-funds injection under the Strengthening Financial Functions Law must be made by March 31, 2008.

On October 28, 2005, the Financial Services Agency announced that the disposal of preferred stock and other publicly held securities should be profitable giving due consideration to taxpayer interest, but noted that disposals would generally be made at the request of the issuing financial institution in accordance with the financial institution’s capital policy. Later that day, the Deposit Insurance Corporation announced that, while disposal of publicly held securities would generally be made upon the request of the issuing financial institution, it will decide whether to voluntarily dispose of publicly held securities based on consultations with the relevant financial institution and on the following criteria: (i) whether the disposal would be profitable and advantageous (for preferred stock, when the common stock’s market price is at least 150% of the preferred stock’s conversion price for approximately 30 consecutive trading days); (ii) whether the disposal would adversely affect the market due to the method or size of repayment or otherwise impair the financial system; and (iii) whether the disposal would impair the financial institution’s financial condition.

**Personal Information Protection Law.** With regards to protection of personal information, the new Personal Information Protection Law became fully effective on April 1, 2005. Among other matters, the law requires Japanese banking institutions to limit the use of personal information to the stated purpose and to properly manage the personal information in their possession, and forbids them from providing personal information to third parties without consent. If a bank violates certain provisions of the law, the Financial Services Agency may advise or order the bank to take proper action. The Financial Services Agency announced related guidelines for the financial services sector in December 2004.

**Law concerning Protection of Depositors from Illegal Withdrawals Made by Counterfeit or Stolen Cards.** This new law, which became effective in February 2006, requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits made using counterfeit or stolen bank cards. The law also requires financial institutions to compensate depositors for any amount illegally withdrawn using counterfeit bank cards, unless the financial institution can verify that it acted in good faith without negligence, and there is gross negligence on the part of the relevant account holder.
Administrative Sanctions Against the UFJ Group by the Financial Services Agency. The UFJ group’s predecessor entities, like other major Japanese banks, were recipients of public funds in the form of preferred shares and subordinated loans during the 1990s. Due to the continued ownership by Japan’s Resolution and Collection Corporation of preferred shares of UFJ Holdings, the UFJ group was required to prepare a business revitalization plan and report to the Financial Services Agency on progress in meeting its goals. For the year ended March 31, 2003, 15 financial institutions, including the UFJ group, underperformed some of their plan targets by more than 30% and, as a result, the Financial Services Agency in August 2003 issued business improvement administrative orders against such institutions.

For the year ended March 31, 2004, the UFJ group again failed to meet the goals of its business revitalization plan, largely due to the recognition of substantial additional credit-related expenses as a result of inspections conducted by the Financial Services Agency on the classification of large borrowers. In the course of those inspections, the Financial Services Agency concluded that members of the UFJ group’s management had taken actions that amounted to evasions of inspection. Following these events, the UFJ group was the subject of additional business improvement administrative actions by the Financial Services Agency in June 2004. The causes of these sanctions led to the resignation of the top management of UFJ Holdings, UFJ Bank and UFJ Trust Bank. The administrative order also directed the UFJ group to address serious deficiencies in its internal control framework. The UFJ group’s new management submitted a business improvement plan to the Financial Services Agency in July 2004 and intends to take any measures necessary to address the Financial Services Agency’s concerns. Subsequently, in October 2004, the Financial Services Agency filed criminal indictments against UFJ Bank and former members of its management with the Tokyo District Public Prosecutors Office. At the same time, the Financial Services Agency ordered the suspension of loan origination for new customers by UFJ Bank’s Tokyo corporate office and Osaka corporate office for the period from October 18, 2004 to April 17, 2005. In conjunction with these indictments, the Tokyo District Public Prosecutors Office announced in December 2004 that it would seek to prosecute UFJ Bank, its former executive officers and a former employee on suspicion of violations of the Banking Law. In February 2005, three former executives of UFJ Bank pleaded guilty to obstructing the Financial Services Agency’s inspections in violation of the Banking Law. On April 25, 2005, UFJ Bank and its former executives were convicted of breaches of the Banking Law. UFJ Bank was fined ¥90 million, a former executive officer was sentenced to ten months imprisonment with a stay of execution for three years and two other former executive officers were sentenced to eight months imprisonment with a stay of execution for three years.

Business Improvement Order Issued to Bank of Tokyo-Mitsubishi by the Financial Services Agency. The Financial Services Agency announced on August 26, 2005 that it had issued a business improvement order to BTMU after a temporary employee was found to have embezzled more than ¥900 million over a period of more than ten years. The order required BTMU to establish a compliance system by adopting measures to prevent similar misconduct and to ensure the effectiveness of internal audit functions.

Proposed government reforms to restrict maximum interest rates on consumer lending business. The Japanese government is contemplating the implementation of regulatory reforms targeting the consumer lending industry. Media reports indicate that lawmakers are considering proposals to reduce the maximum permissible interest rate under the Investment Deposit and Interest Rate Law, which is currently 29.2% per annum, to the lower limits (15-20% per annum) set by the Interest Rate Restriction Law.

Under the current system, lenders that satisfy certain conditions can validly charge interest rates exceeding the limits set by the Interest Rate Restriction Law, provided such higher interest rates do not exceed the limits stipulated by the Investment Deposit and Interest Rate Law. Under the proposed reforms, however, all interest rates would be subject to the lower limits imposed by the Interest Rate Restriction Law, which may in turn compel loan companies to lower the interest rates they charge borrowers. The government is also considering the appropriate treatment of transition periods and small-amount or short-term loans.
United States

As a result of our operations in the United States, we are subject to extensive U.S. federal and state supervision and regulation.

Overall supervision and regulation. We are subject to supervision, regulation and examination with respect to our U.S. operations by the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, pursuant to the U.S. Bank Holding Company Act of 1956, as amended, or the BHCA, and the International Banking Act of 1978, as amended, or the IBA, because we are a bank holding company and a foreign banking organization, respectively, as defined pursuant to those statutes. The Federal Reserve Board functions as our “umbrella” regulator under amendments to the BHCA effected by the Gramm-Leach-Bliley Act of 1999, which among other things:

- prohibited further expansion of the types of activities in which bank holding companies, acting directly or through nonbank subsidiaries, may engage;
- authorized qualifying bank holding companies to opt to become “financial holding companies,” and thereby acquire the authority to engage in an expanded list of activities, including merchant banking, insurance underwriting and a full range of securities activities; and
- modified the role of the Federal Reserve Board by specifying new relationships between the Federal Reserve Board and the functional regulators of nonbank subsidiaries of both bank holding companies and financial holding companies.

We have not elected to become a financial holding company.

The BHCA generally prohibits each of a bank holding company and a foreign banking organization that maintains branches or agencies in the United States from, directly or indirectly, acquiring more than 5% of the voting shares of any company engaged in nonbanking activities in the United States unless the bank holding company or foreign banking organization has elected to become a financial holding company, as discussed above, or the Federal Reserve Board has determined, by order or regulation, that such activities are so closely related to banking as to be a proper incident thereto and has granted its approval to the bank holding company or foreign banking organization for such an acquisition. The BHCA also requires a bank holding company or foreign banking organization that maintains branches or agencies in the United States to obtain the prior approval of an appropriate federal banking authority before acquiring, directly or indirectly, the ownership of more than 5% of the voting shares or control of any U.S. bank or bank holding company. In addition, under the BHCA, a U.S. bank or a U.S. branch or agency of a foreign bank is prohibited from engaging in various tying arrangements involving it or its affiliates in connection with any extension of credit, sale or lease of any property or provision of any services.

U.S. branches and agencies of subsidiary Japanese banks. Under the authority of the IBA, our subsidiary banks in Japan, BTMU and MUTB, operate seven branches, two agencies and five representative offices in the United States. BTMU operates branches in Los Angeles and San Francisco, California; Chicago, Illinois; New York, New York; Portland, Oregon; and Seattle, Washington; agencies in Atlanta, Georgia and Houston, Texas; and representative offices in Washington, D.C; Minneapolis, Minnesota; Dallas, Texas; Jersey City, New Jersey; and Florence, Kentucky. MUTB operates a branch in New York, New York.

The IBA provides, among other things, that the Federal Reserve Board may examine U.S. branches and agencies of foreign banks, and that each such branch and agency shall be subject to on-site examination by the appropriate federal or state bank supervisor as frequently as would a U.S. bank. The IBA also provides that if the Federal Reserve Board determines that a foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, or if there is reasonable cause to believe that the foreign bank or its affiliate has committed a violation of law or engaged in an unsafe or unsound banking practice in the United States, the Federal Reserve Board may order the foreign bank to terminate activities conducted at a branch or agency in the United States.
U.S. branches and agencies of foreign banks must be licensed, and are also supervised and regulated, by a state or by the Office of the Comptroller of the Currency, or the OCC, the federal regulator of national banks. All of the branches and agencies of BTMU and MUTB in the United States are state-licensed. Under U.S. federal banking laws, state-licensed branches and agencies of foreign banks may engage only in activities that would be permissible for their federally-licensed counterparts, unless the Federal Reserve Board determines that the additional activity is consistent with sound practices. U.S. federal banking laws also subject state-licensed branches and agencies to the single-borrower lending limits that apply to federal branches and agencies, which generally are the same as the lending limits applicable to national banks, but are based on the capital of the entire foreign bank.

As an example of state supervision, the branches of BTMU and MUTB in New York are licensed by the New York State Superintendent of Banks, or the Superintendent, pursuant to the New York Banking Law. Under the New York Banking Law and the Superintendent’s Regulations, each of BTMU and MUTB must maintain with banks in the State of New York eligible assets as defined and in amounts determined by the Superintendent. These New York branches must also submit written reports concerning their assets and liabilities and other matters, to the extent required by the Superintendent, and are examined at periodic intervals by the New York State Banking Department. In addition, the Superintendent is authorized to take possession of the business and property of BTMU and MUTB located in New York whenever events specified in the New York Banking Law occur.

**U.S. subsidiary banks.** We indirectly own and control three U.S. banks:

- Bank of Tokyo-Mitsubishi UFJ Trust Company, New York, New York (through BTMU, a registered bank holding company),
- Union Bank of California, N.A. (through BTMU and its subsidiary, UnionBanCal Corporation, a registered bank holding company), and
- Mitsubishi UFJ Trust & Banking Corporation (U.S.A.), New York, New York (through MUTB, a registered bank holding company).

Bank of Tokyo-Mitsubishi UFJ Trust Company and Mitsubishi UFJ Trust & Banking Corporation (U.S.A.) are chartered by the State of New York and are subject to the supervision, examination and regulatory authority of the Superintendent pursuant to the New York Banking Law. Union Bank of California, N.A., is a national bank subject to the supervision, examination and regulatory authority of the OCC pursuant to the National Bank Act.

The Federal Deposit Insurance Corporation, or the FDIC, is the primary federal agency responsible for the supervision, examination and regulation of the two New York-chartered banks referred to above. The FDIC may take enforcement action, including the issuance of prohibitive and affirmative orders, if it determines that a financial institution under its supervision has engaged in unsafe or unsound banking practices, or has committed violations of applicable laws and regulations. The FDIC insures the deposits of all three U.S. subsidiary banks. In the event of the failure of an FDIC-insured bank, the FDIC is virtually certain to be appointed as receiver, and would resolve the failure under provisions of the Federal Deposit Insurance Act. An FDIC-insured institution that is affiliated with a failed or failing FDIC-insured institution can be required to indemnify the FDIC for losses resulting from the insolvency of the failed institution, even if this causes the affiliated institution also to become insolvent. In the liquidation or other resolution of a failed FDIC-insured depository institution, deposits in its U.S. offices and other claims for administrative expenses and employee compensation are afforded priority over other general unsecured claims, including deposits in offices outside the United States, non-deposit claims in all offices and claims of a parent company. Moreover, under longstanding Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength for its subsidiary banks and to commit resources to support such banks.

**Bank capital requirements and capital distributions.** Our U.S. bank subsidiaries and UnionBanCal Corporation, our U.S. subsidiary bank holding company, are subject to applicable risk-based and leverage capital guidelines issued by U.S. regulators for banks and bank holding companies. All of our U.S. subsidiary banks are
“well capitalized” under those guidelines as they apply to banks, and our U.S. subsidiary bank holding company exceeds all minimum regulatory capital requirements applicable to domestic bank holding companies. The Federal Deposit Insurance Corporation Improvement Act of 1991, or FDICIA, provides, among other things, for expanded regulation of insured depository institutions, including banks, and their parent holding companies. As required by FDICIA, the federal banking agencies have established five capital tiers ranging from “well capitalized” to “critically undercapitalized” for insured depository institutions. As an institution’s capital position deteriorates, the federal banking regulators may take progressively stronger actions, such as further restricting affiliate transactions, activities, asset growth or interest payments. In addition, FDICIA generally prohibits an insured depository institution from making capital distributions, including the payment of dividends, or the payment of any management fee to its holding company, if the insured depository institution would subsequently become undercapitalized.

The availability of dividends from insured depository institutions in the United States is limited by various other statutes and regulations. The National Bank Act and other federal laws prohibit the payment of dividends by a national bank under various circumstances and limit the amount a national bank can pay without the prior approval of the OCC. In addition, state-chartered banking institutions are subject to dividend limitations imposed by applicable federal and state laws.

Other regulated U.S. subsidiaries. Our nonbank subsidiaries that engage in securities-related activities in the United States are regulated by appropriate functional regulators, such as the SEC, any self-regulatory organizations of which they are members, and the appropriate state regulatory agencies. These nonbank subsidiaries are required to meet separate minimum capital standards as imposed by those regulatory authorities.

The Gramm-Leach-Bliley Act removed almost all of the pre-existing statutory barriers to affiliations between commercial banks and securities firms by repealing Sections 20 and 32 of the Glass-Steagall Act. At the same time, however, the so-called “push-out” provisions of the Gramm-Leach-Bliley Act narrowed the exclusion of banks, including the U.S. branches of foreign banks, from the definitions of “broker” and “dealer” under the Securities Exchange Act of 1934, potentially requiring all such banks to transfer some activities to affiliated broker-dealers. The SEC has issued rules regarding the push-out of “dealer” functions that became effective on September 30, 2003. On June 30, 2004, the SEC issued its proposed Regulation B, which would govern the push-out requirements for “broker” functions. The SEC has issued Regulation B in interim form but has exempted banks from the definition of “broker” until September 30, 2006. The final form of Regulation B, its applicability to banks and the date of its effectiveness are still subject to change. At this time, we do not believe that these push-out rules as adopted or as currently proposed will have a significant impact on our business as currently conducted in the United States.

Anti-Money Laundering Initiatives and the USA PATRIOT Act. A major focus of U.S. governmental policy relating to financial institutions in recent years has been aimed at preventing money laundering and terrorist financing. The USA PATRIOT Act of 2001 substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Department of the Treasury has issued a number of implementing regulations that impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of their customers. In addition, the bank regulatory agencies carefully scrutinize the adequacy of an institution’s policies, procedures and controls. As a result, there has been an increased number of regulatory sanctions and law enforcement authorities have been taking a more active role. Failure of a financial institution to maintain and implement adequate policies, procedures and controls to prevent money laundering and terrorist financing could in some cases have serious legal and reputational consequences for the institution, including the incurring of expenses to enhance the relevant programs and the imposition of limitations on the scope of their operations.
C. Organizational Structure

The following chart presents our basic corporate structure as at March 31, 2006:

![Organizational Structure Chart]

Set forth below is a list of our significant subsidiaries at March 31, 2006:

<table>
<thead>
<tr>
<th>Name</th>
<th>Country of Incorporation</th>
<th>Proportion of Ownership Interest (%)</th>
<th>Proportion of Voting Interest (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
<td>Japan</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Mitsubishi UFJ Trust and Banking Corporation</td>
<td>Japan</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Mitsubishi UFJ Securities Co., Ltd.</td>
<td>Japan</td>
<td>62.50</td>
<td>63.32</td>
</tr>
<tr>
<td>Mitsubishi UFJ Asset Management Co., Ltd.</td>
<td>Japan</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>UFJ NICOS Co., Ltd.</td>
<td>Japan</td>
<td>69.05</td>
<td>69.12</td>
</tr>
<tr>
<td>DC Card Co., Ltd.</td>
<td>Japan</td>
<td>44.82</td>
<td>44.82</td>
</tr>
<tr>
<td>MU Strategic Partner Co., Ltd.</td>
<td>Japan</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>The Senshu Bank, Ltd.</td>
<td>Japan</td>
<td>68.17</td>
<td>68.33</td>
</tr>
<tr>
<td>NBL Co., Ltd.</td>
<td>Japan</td>
<td>89.74</td>
<td>89.74</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd.</td>
<td>Japan</td>
<td>46.50</td>
<td>46.50</td>
</tr>
<tr>
<td>Mitsubishi UFJ Factors Limited</td>
<td>Japan</td>
<td>75.77</td>
<td>75.77</td>
</tr>
<tr>
<td>Mitsubishi UFJ Research and Consulting Ltd.</td>
<td>Japan</td>
<td>69.45</td>
<td>69.45</td>
</tr>
<tr>
<td>MU Investments Co., Ltd.</td>
<td>Japan</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Defined Contribution Plan Consulting of Japan Co., Ltd.</td>
<td>Japan</td>
<td>70.00</td>
<td>70.00</td>
</tr>
<tr>
<td>BOT Lease Co., Ltd.</td>
<td>Japan</td>
<td>21.06</td>
<td>21.06</td>
</tr>
<tr>
<td>UnionBanCal Corporation</td>
<td>USA</td>
<td>62.91</td>
<td>62.91</td>
</tr>
<tr>
<td>Union Bank of California, N.A.</td>
<td>USA</td>
<td>62.91</td>
<td>62.91</td>
</tr>
<tr>
<td>Bank of Tokyo-Mitsubishi UFJ (Canada)</td>
<td>Canada</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Bank of Tokyo-Mitsubishi UFJ (Holland) N.V.</td>
<td>Netherlands</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Bank of Tokyo-Mitsubishi UFJ Trust Company</td>
<td>USA</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Banco de Tokyo-Mitsubishi UFJ Brasil S/A</td>
<td>Brazil</td>
<td>98.92</td>
<td>98.92</td>
</tr>
<tr>
<td>Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad</td>
<td>Malaysia</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Mitsubishi UFJ Wealth Management Bank (Switzerland), Ltd.</td>
<td>Switzerland</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>BTMU North America International, Inc.</td>
<td>USA</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Bank of Tokyo-Mitsubishi UFJ (Mexico) S.A.</td>
<td>Mexico</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>PT U Finance Indonesia</td>
<td>Indonesia</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Mitsubishi UFJ Trust &amp; Banking Corporation (U.S.A.)</td>
<td>USA</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Mitsubishi UFJ Trust International Limited</td>
<td>UK</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Mitsubishi UFJ Securities International plc</td>
<td>UK</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Mitsubishi UFJ Securities (USA), Inc.</td>
<td>USA</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Mitsubishi UFJ Securities (HK) Holdings, Limited</td>
<td>Peoples’ Republic of China</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>
D. Property, Plants and Equipment

Premises and equipment at March 31, 2005 and 2006 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in millions)</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>¥ 170,834</td>
<td>¥ 471,184</td>
</tr>
<tr>
<td>Buildings</td>
<td>415,606</td>
<td>576,899</td>
</tr>
<tr>
<td>Equipment and furniture</td>
<td>440,258</td>
<td>565,857</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>229,938</td>
<td>308,905</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>2,923</td>
<td>6,703</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,259,559</strong></td>
<td><strong>1,929,548</strong></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>690,753</td>
<td>755,971</td>
</tr>
<tr>
<td><strong>Premises and equipment—net</strong></td>
<td><strong>¥ 568,806</strong></td>
<td><strong>¥1,173,577</strong></td>
</tr>
</tbody>
</table>

Our registered address is 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo. At March 31, 2006, we and our subsidiaries conducted our operations either in our owned premises or in leased properties.

The following table presents the areas and book values of our material office and other properties at March 31, 2006:

<table>
<thead>
<tr>
<th></th>
<th>Area (in thousands of square feet)</th>
<th>Book value (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned land</td>
<td>22,261</td>
<td>¥471,184</td>
</tr>
<tr>
<td>Leased land</td>
<td>1,907</td>
<td>—</td>
</tr>
<tr>
<td>Owned buildings</td>
<td>28,017</td>
<td>304,667</td>
</tr>
<tr>
<td>Leased buildings</td>
<td>19,228</td>
<td>—</td>
</tr>
</tbody>
</table>

Our owned buildings and land are primarily used by us and our subsidiaries. Most of the buildings and land owned by us are free from material encumbrances, except as described below.

In March 1999, Bank of Tokyo-Mitsubishi sold to Mitsubishi Estate Co., Ltd., or Mitsubishi Estate, a 50% undivided interest in the buildings and land for its head office and Nihonbashi office and, at the same time, Bank of Tokyo-Mitsubishi entered into an agreement to lease back from the buyer the 50% undivided interests of the buildings sold for a period of seven years. We accounted for these transactions as financing arrangements. On August 31, 2005, Bank of Tokyo-Mitsubishi bought back the aforementioned buildings and land from Mitsubishi Estate. For further information, see note 9 to our consolidated financial statements.

During the fiscal year ended March 31, 2006, we invested approximately ¥82.4 billion in our subsidiaries primarily for office renovations and relocation, primarily due to the merger with UFJ Holdings.

Item 4A. Unresolved Staff Comments.

None.