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### 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.

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

(1) Period from September 1 to September 26.

	Fiscal year ended March 31,				
	2002	2003	2004	2005	2006
Average (of month-end rates)	¥125.64	¥121.10	¥112.75	¥107.28	¥113.67

### 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;

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- 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.

For a detailed discussion of our allowance policy and the historical trend of allowances for credit losses, see “Item 5.A. Operating and Financial Review and Prospects—Operating Results—Critical Accounting Estimates—Allowance for Credit Losses” and “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financial Condition—Allowance for Credit Losses, Nonperforming and Past Due Loans.”

***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;

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- 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;

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- 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;

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- 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 debt 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.

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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

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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.