ANNUAL REPORT 2007/2008

April 2007- March 2008

2008
2007

DEPOSIT INSURANCE CORPORATION OF JAPAN

This Annual Report was produced based on the English translation of the original Annual Report in Japanese. The original Annual Report in Japanese shall govern for all purposes and prevail in case of any discrepancy with this Annual Report.

This Annual Report covers DIC J's activities from April 2007 to March 2008.

Message from the Governor

First of all, I would like to review the recent key operations of the DICJ, which has entered upon a new normal period. In order to maintain and improve the failure resolution framework for the protection of depositors, the DICJ accepted the actual set of data submitted by financial institutions to verify their performance – particularly concerning how financial institutions manage and maintain depositors' name-based aggregation databases and systems. In addition, the DICJ dispatched officers to financial institutions to conduct on-site inspections. Moreover, in preparing for cases in which failures occur under limited coverage, the DICJ verified and viewed the resolution procedures that should be implemented by the organization as financial administrators. At the same time we have implemented regular training in order to expect smooth execution of such resolution procedures. Meanwhile, as for depositors, taking into account the transition to a system of limited coverage, the DICJ has been actively promoting public awareness and disclosing information;particularly concerning the deposit insurance system and the mandate and operations of the DICJ, through lectures, articles in financial journals, our website and the mass media.

This annual report presents an operational overview of the Deposit Insurance Corporation of Japan for FY2007. There was no case of new failure in FY2007. Although the financial situation still remains difficult, the cumulative deficit of the general account fell, and the strengthening of financial affairs has been advanced. Meanwhile, the DICJ has further accelerated the disposal of past failure resolutions. The DICJ has continued to strive to collect non-performing loans purchased from failed financial institutions through the Resolution and Collection Corporation (RCC), which is a DICJ subsidiary, actively utilizing corporate revitalization techniques and implementing the liquidation and securitization of non-performing loans. Moreover, the DICJ conducted operations related to the selection of an assuming financial institution of a bank which is under special crisis management (Ashikaga Bank) and those related to the transfer of business to the assuming financial institution. Upon collection, the DICJ conducted asset investigations to reveal the hidden assets of debtors and supported collection operations regarding cases of difficult recovery by putting civil execution and other legal steps into full use. In the course of such activities, the DICJ has focused on dealing strictly with cases involving antisocial forces, and participated in the government's activities to preclude such antisocial forces; drawing on the knowledge and experience of the DICJ. Regarding the pursuit of civil liability of the executive management of failed financial institutions, the DICJ attempted to settle lawsuits taking account of the DICJ's mission and economic rationality.

Concerning capital injections into financial institutions, the DICJ has appropriately managed and smoothly disposed of the preferred shares, etc. acquired by capital injection and pursuant to the laws, including the Law concerning Emergency Measures for Early Strengthening of Financial Functions.

In the area of international cooperation activities, amid the significantly changing global financial environment, the DICJ has cooperated with foreign deposit insurance authorities, organized international conferences and proactively participated in the activities of the International Association of Deposit Insurers (IADI). In addition, the DICJ has striven to collect information concerning international trends of the deposit insurance system for reference purposes to enhance the deposit insurance system of Japan and has also striven to assist foreign countries, such as advising of our experience as to how Japan has coped with financial crisis, as exemplified in the so-called Heisei Financial Crisis. Moreover, the DICJ issued the journal "Deposit Insurance Review" to share the results of research and study it has conducted.

"The Act on the Payment of Damages Recovery based on the Funds of Criminal Accounts" came into force in December 2007. Upon the execution of this Law, the DICJ, which was commissioned to conduct activities of public notice, etc., exchanged opinions on drafting governmental and ministerial ordinances and pushed forward preparatory work such as augmentation of the organization and operation system.

In this way, from the aspect of "flow," the DICJ has further augmented the failure resolution system, given the fact that a limited coverage system has been implemented on a full scale. Meanwhile, in terms of the aspect of "stock," the DICJ has striven to ensure the proper and efficient disposition of failure cases through investigation of assets held and credit/debt, or the pursuit of liability, and has further striven all the more to strengthen financial affairs. In future, in order to fully perform functions as deposit insurers, ranging from failure resolution under limited coverage to measures against financial crisis, we will do our utmost to review the present status of the organization, improve our organizational capability and rationalize our operations.

On the occasion of the publication of this Annual Report, I would like to convey my sincere hope that this report will be helpful in facilitating a more in-depth understanding of the DICJ's mandates and operations, and for us to gain your support for the activities of the DICJ.

Shunichi Nagata

Shunichi Nagata
Governor

Deposit Insurance Corporation of Japan
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(APPENDIX) DEPOSIT INSURANCE SYSTEM, ETC., TERMS (INDEX)

Abbreviation

[Laws]

- The Deposit Insurance Law (*the Deposit Insurance Law*)
- The Law concerning Emergency Measures for Financial Function Stabilization (*the former Financial Function Stabilization Law*)
- The Law concerning Emergency Measures for the Revitalization of the Financial Functions (*the Financial Revitalization Law*)
- The Law concerning Emergency Measures for the Early Strengthening of Financial Functions (*the Early Strengthening Law*)
- The Special Measures Law for the Promotion of the Disposal of Claims and Debts of Specific *Jusen* Companies (*the Jusen Law*)
- The Act on Special Measures for the Promotion of the Organizational Restructuring of Financial Institutions (*the Act on Organizational Restructuring*)
- The Act on Special Measures for Strengthening Financial Functions (*the Act on Strengthening Financial Functions*)
- The Act on Special Treatment of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions (*the Act on Special Corporate Reorganization*)
- The Industrial Revitalization Corporation Law (*the Industrial Revitalization Corporation Law*)
- The Act on the Payment of Damages Recovery based on the Funds of Criminal Accounts Act on Criminal Accounts Damages Recovery

[Accounts]

- Account for Early Strengthening of Financial Functions (*Early Strengthening Account*)
- Account for Disposal of Claims and Debts of Specific *Jusen* Companies (*Jusen Account*)
- Financial Institutions' Management Base Strengthening Account (*Management Base Strengthening Account*)

[Organizations]

- Deposit Insurance Corporation of Japan (*DICJ*)
- Resolution and Collection Corporation (*RCC*)
- Housing Loan Administration Corporation (*HLAC*)
- Resolution and Collection Bank (*RCB*)
- Industrial Revitalization Corporation of Japan (*IRCJ*)
- Seven Specific *Jusen* Companies stipulated in the *Jusen* Law (*seven former Jusen companies*)

[Delegation of authority]

- If the Prime Minister delegates authority to the Commissioner of the FSA, authority shall be given to the "Commissioner of the FSA."

I. OPERATIONS OF THE DICJ

1. The DICJ's Mission and Operations

The objective of the Deposit Insurance Law is to contribute to an orderly financial system by establishing a deposit insurance system that will protect depositors and other parties and that will ensure the settlement of payments of insolvent financial institutions. The DICJ's mandate is to fulfill this objective through the appropriate management of the deposit insurance system.

The deposit insurance system provides for the necessary payment of insurance claims and the purchase of deposits and other claims in the event repayment of those deposits and claims is suspended by a financial institution. Furthermore, to assist in the resolution of failed financial institutions, it also provides financial assistance to facilitate mergers and other arrangements, management by financial administrators, and various other arrangements to enable the smooth succession of business. The deposit insurance system also puts in place appropriate measures to deal with financial crises.

2. Preparation and Announcement of the Medium-Term Goals, Policy of Operation and Performance Evaluation

Examining the recent circumstances surrounding Japan's deposit insurance system, the operations of financial institutions are further diversifying, and further revitalization, liberalization and sophistication of the financial market and financial transactions are expected. With this in mind, greater independence and self-help as well as enhanced sophistication of risk management on the side of the participants in financial transactions are called for, amid the ever-increasing importance of securing an equitable market norm, sufficient consumer protection and an adequate safety net. Taking into account such changing environment, the DICJ considers it important to continue appropriately implementing its mission within the framework under the limited coverage system.

With this in mind, the DICJ attempts to improve governance, appropriateness and efficiency in operations through the operation management process of setting medium-term operational goals, conducting operations according to policies drawn up year-on-year based on the same goals, evaluating the performance and furthermore applying these evaluations in the medium-term goals, policy of operation and operations from the following fiscal years onward.

To this end, setting the objective of systematically and appropriately tackling challenges including the further improvement of the failure resolution framework of financial institutions, promotion of the operations involved in failure resolution that have been implemented to date and the further strengthening of the DICJ's finances, and on April 1, 2007, the DICJ formulated and published the medium-term goals and policy of operation as mentioned below.

The DICJ evaluated the performance for FY2007 of operations executed under the policy of operation concerned and posted it on its homepage. (Address: http://www.dic.go.jp/)

(Reference) Medium-Term Goals and Policy of Operation

The medium-term goals are formulated annually based on the rolling plans for the following three years. Based on such rolling plans, the policy of operation for the first year of such three year period is formulated. The medium-term goals and policy of operation shall be revised periodically as required.

Note: The DICJ sets a period of one year from April 1 each year to March 31 of the following year as the covered fiscal year.

April 1, 2007

Deposit Insurance Corporation of Japan Medium-Term Goals
(FY2007-FY2009)

I DICJ's Mission

The mission of the DICJ is to appropriately administer the deposit insurance system and others in order to achieve the objectives of the Deposit Insurance Law, which are, "to establish a deposit insurance system (Note), and to contribute to the maintenance of orderly credit conditions, in order to provide the protection of depositors and other parties, and to guarantee the fund settlements related to failed financial institutions."

Note: The deposit insurance system consists of the following operations: payment of deposit insurance and the purchase of claims relating to deposits, etc., that are necessary in the event that a financial institution has suspended repayment of deposits; financial assistance to mergers in the resolution of failed financial institutions and the management and transfer of business by a financial administrator; and measures to deal with financial crises.

II Circumstances Surrounding the Deposit Insurance System and Organizational Operations of the DICJ

The circumstances surrounding Japan's deposit insurance system have been normalized with the non-performing loans issue of major banks moving toward resolution; the operations of financial institutions further diversifying, and profits recovering. Furthermore, in accordance with the advancement of structural reform, further vitalization, liberalization and sophistication of the financial markets and financial transactions are expected. In these surroundings, greater independence and self-help on the side of the participants in financial transactions, including depositors and financial institutions, are called for. At the same time, the importance of securing an equitable market norm, sufficient consumer protection, and an adequate safety net is ever-increasing.

Looking at the operations of the DICJ, in April 2005 all ordinary deposits (except deposits for payment and settlement purposes) shifted from full protection to limited coverage, and the removal of the blanket guarantee system was fully introduced. While the number of additional purchases of non-performing loans has been decreased, the efficient execution of administration, recovery, and disposal of the retained assets relating to past failure resolutions, etc., is called for.

In order to appropriately carry out its mission in this changing environment, the DICJ must further enhance the failure resolution framework under the limited coverage system, promote the operation process relating to past failure resolutions and other matters, and take appropriate measures towards further improvement of the DICJ's financial standing. The DICJ also needs to maintain its all-round insurance function, from failure resolutions under limited coverage system to financial crisis management, while shifting its focus to limited coverage in this new normal period, and to execute its operations systematically and appropriately while streamlining the organization and improving the quality of its service.

III Medium-Term Goals for FY2007-FY2009

The DICJ has set the following medium-term goals for FY2007-FY2009 as a roadmap for advancing the operations described above. The goals also set out basic directions for execution and improvement of operations.

1. The DICJ will maintain and develop its system to process the failure resolution of financial institutions from the point of view of depositor protection, while promoting public relations on the deposit insurance system to depositors.

2. The DICJ will work closely with the relevant authorities and appropriately implement such operations as transfer to assuming financial institutions and capital injections based on the Act on Strengthening Financial Functions. The DICJ will also proceed with the appropriate disposal of retained assets, such as through the resolution of non-performing loans purchased from failed financial institutions and the disposition of preferred shares for capital injection.

3. The DICJ will support resolution and collection operations, including strict responses to obstructed recovery cases, and will appropriately execute operations in the pursuit of management liability of failed financial institutions.

4. The DICJ will enhance its financial strength and rationalize operations relating to its finances.

5. The DICJ will improve its organization and operation system while comprehensively taking account of the internal and external situation.

IV The Relation Between the Medium-Term Goals and the Policy of Operation for each Fiscal Year

The business plan for each fiscal year is formulated based upon the medium-term goals, the situation at that point in time, and achievements and evaluations of preceding fiscal years. The medium-term goals, in principle, are revised each fiscal year to reflect those factors.

April 1, 2007

Policy of Operation for FY2007
(April 2007-March 2008)

1. Maintenance and Improvement of a System for Resolution of Failed Financial Institutions from the Perspective of Depositor Protection

(i) The DICJ will work to promote its public relations activities by utilizing various materials with more-comprehensible content in order to enhance depositors' understanding of the deposit insurance system.

(ii) The DICJ will maintain and improve the system for processing failure resolution of financial institutions through training, workshops and seminars, etc., in order to promote overall prompt and smooth resolution from the perspective of carrying out strategic and appropriate failure resolution under the limited coverage system.

(iii) The DICJ will effectively and efficiently implement inspections; hearings on improvements related to inspection results (hereinafter refereed to as "improvement hearings"); system verification (Note); and training/advice, while pursuing linkage among these measures in order to maintain and improve the accuracy of the name-based aggregation database. In particular, the DICJ will have thorough exchanges of opinions with financial institutions regarding inspections and improvement hearings and, through these interactions, will encourage financial institutions to appropriately maintain and manage the name-based aggregation database and its system.

Note: System verification: verification by the DICJ's systems of appropriate development of name-based aggregation database at each financial institution upon the submission of depositor data from financial institutions.

(iv) The DICJ will develop and expand its system and infrastructure to accelerate its name-based aggregation database processing, etc.

2. Proper and Steady Operations Related to Failure Resolution and Retained Assets

(i) Regarding a bank under special crisis management, the DICJ will respond appropriately and implement the necessary operations, including selection of assuming financial institutions and operations related to transition to assuming financial institutions, while closely coordinating with the relevant authorities and banks concerned. The DICJ will also ensure appropriate operation and management of the bank through participation in their audit committees.

(ii) Regarding management and disposal of shares, claims, etc., acquired by the DICJ from failed financial institutions, the DICJ will implement the necessary operations appropriately and effectively from the perspective of minimizing the public financial burden, etc., under the appropriate policy.

(iii) Regarding preferred stocks, etc., assumed under the Early Strengthening Law, the DICJ will continue to work toward appropriate management and smooth disposal based on the October 2005 Statement by the Governor regarding "Immediate Guideline for Disposal of Preferred Stocks, etc., Acquired through Capital Injection with Public Funds." In cases where capital injection and other operations have taken place under the Act on Strengthening Financial Functions, the DICJ will also respond appropriately while coordinating closely with relevant authorities.

3. Supporting Resolution and Collection Operations, including Fair Handling of Obstructed Recovery Cases, and Proper Implementation of Pursuit of Liability

(i) The DICJ will enhance its support for resolution and collection operations by the RCC, including provision of detailed guidance and advice, while enhancing collaboration with the RCC in order to support their appropriate collection operations from malicious debtors and others, especially in support of their strict response to obstructed recovery cases involving antisocial forces.

(ii) The DICJ will strongly support the RCC's collection of non-performing loans through appropriate selection of cases to be investigated, centering on the large debtors judged to be malicious and promotion of in-depth asset investigation.

(iii) The DICJ will upgrade investigation methods at the time of failure resolution and strengthen collaboration systems with related organizations including the RCC in order to appropriately pursue the managerial liability of failed financial institutions. The DICJ will also promote improvement of the system for effectively and efficiently carrying out asset investigations and the pursuit of liability based on changes in workload, etc.

4. The Certain Advancement of the Strengthening and Efficiency of Finances

(i) The DICJ will implement sound financial management as well as rationalization of operations related to its finances and will draw up, execute, and manage its budget plans in an appropriate fashion. The DICJ will also extensively disclose information on its financial condition to the public.

(ii) The DICJ will ensure a balanced insurance premium level in its long-term finances (General Account), and will positively promote soundness and efficiency in its finances through accurate disposal of its retained assets at the same time.

(iii) The DICJ will promote streamlining and diversification of fund management in line with changes in the financial situation. With regard to funding, the DICJ will implement comprehensive management of assets and liabilities, and appropriate management of interest volatility risk, etc.

5. Augmentation of its Organization and Operation System

(i) In order to increase public understanding of the work of DICJ, the DICJ will upgrade and enhance its public relations activities by producing materials with more comprehensible contents and effective deployment of new media.

(ii) The DICJ will, responding to changes in workload and business content, streamline and upgrade its organization and operation system to provide high-quality services while advancing augmentation of essential compliance and operational risk management systems (including information security and contingency planning).

(iii) The DICJ will implement appropriate management of its subsidiaries and provide appropriate and timely guidance and advice to the RCC.

(iv) The DICJ will comprehensively deliberate its medium- and long-term prospects while conducting research and study on the deposit insurance system.

(v) The DICJ will enhance cooperation and collaboration with foreign deposit insurance authorities. The DICJ will also gain understanding of the international situation and international trends and put that information and knowledge into practical use to operate the deposit insurance system in Japan by holding international conferences and through ongoing participation in the IADI. The DICJ will also continue to provide technical assistance to various foreign countries and to build a cooperation framework among Asian countries.

(Reference)

The DICJ medium-term goals (FY2007-FY2009) and the DICJ policy of operation (April 2007-March 2008)

Upon promoting activities for FY2008, taking into account the changing operating environment such as requests for enhanced sophistication of the risk management, the DICJ has reviewed the medium-term goals and policy of operation for the previous fiscal year and formulated and published the DICJ medium-term goals (FY2007-FY2009) and the DICJ policy of operation (April 2007-March 2008), as mentioned below.

Aril 1, 2008

Deposit Insurance Corporation of Japan Medium-Term Goals
(FY2008-FY2010)

I DICJ's Mission

The mission of the DICJ is to appropriately administer the deposit insurance system and others in order to achieve the objectives of the Deposit Insurance Law, which are, "to establish a deposit insurance system (Note), and to contribute to the maintenance of orderly credit conditions, in order to provide the protection of depositors and other parties, and to guarantee the fund settlements related to failed financial institutions."

Note: The deposit insurance system consists of the following operations: payment of deposit insurance and the purchase of claims relating to deposits, etc., that are necessary in the event that a financial institution has suspended repayment of deposits; financial assistance to mergers in the resolution of failed financial institutions and the management and transfer of business by a financial administrator; and measures to deal with financial crises.

II Circumstances Surrounding the Deposit Insurance System and Organizational Operations of the DICJ

Examination of the environment surrounding Japan's deposit insurance system reveals that the soundness of financial institutions is on track for recovery, but it is becoming vital for financial institutions to advance risk management for themselves. Meanwhile, in the financial markets, financial transactions are becoming increasingly globalized and there is rapid diversification in financial products and sales channels. Amid such structural change, greater independence and self-help are called for on the side of participants in financial transactions, including depositors and financial institutions, while the importance of securing an equitable market norm, sufficient consumer protection and an adequate safety net is ever-increasing. Furthermore, while the modus operandi used in finance-related crimes has recently become increasingly ingenious and malicious, the importance of preventing criminal damage caused by antisocial forces is also increasing.

Examining the operations of the DICJ, in April 2005, all ordinary deposits, excluding those for payment and settlement purposes, shifted from full protection to limited coverage in principle. While the number of additional purchases of non-performing loans has decreased, the fair and efficient execution of the administration, recovery and disposal of the retained assets relating to past failure resolutions, etc. is called for. In order to appropriately implement its mission in this changing environment, the DICJ must further enhance the failure resolution framework under the limited coverage system, promote the operation processes relating to past failure resolutions and other matters, and take appropriate measures towards further improving the DICJ's financial standing. In order to maintain its all-round insurance function, from failure resolutions under the limited coverage system to financial crisis management, while also improving in terms of the efficiency and quality of its services, the DICJ must further improve its organization and operation system.

III Medium-Term Goals for FY2008-FY2010

The DICJ has set the following medium-term goals for FY2008-FY2010 as a roadmap for advancing the operations described above. The goals also set out the basic directions for execution and improvement operations.

1. The DICJ will maintain and develop its system to process the failure resolution of financial institutions from a depositor protection point of view, while promoting public relations on the deposit insurance system to depositors, etc.

2. The DICJ will proceed with the appropriate disposal of retained assets through the disposal of non-performing loans purchased from failed financial institutions and the disposition of preferred shares for capital injection.

3. The DICJ will support resolution and collection operations, including strict responses to obstructed recovery cases, and appropriately execute operations in pursuit of the management liability of failed financial institutions.

4. The DICJ will execute operations involved in criminal accounts damages recovery, which are newly entrusted to the DICJ.

5. The DICJ will enhance its financial strength and rationalize operations relating to its finances.

6. The DICJ will conduct research/study and international cooperation activities while comprehensively taking account of the financial and economic situation.

7. The DICJ will collaborate and cooperate with affiliated companies and appropriately manage them.

8. The DICJ will maintain and develop a system required for the augmentation of essential compliance and operational risk management.

IV The Relation between the Medium-Term Goals and the Policy of Operation for each Fiscal Year

The policy of operation for each fiscal year is formulated based on the medium-term goals, the situation at that point in time, and achievements and evaluation of preceding fiscal years. The medium-term goals, in principle, are revised each fiscal year to reflect those factors.

April 1, 2008

Policy of Operation for FY2008

(April 2008-March 2009)

1. Maintenance and Improvement of a System for Resolution of Failed Financial Institutions from the Perspective of Depositor Protection

(i) The DICJ will endeavor to promote its public relations activities by utilizing various materials in order to enhance depositors' understanding of the deposit insurance system from a depositor protection point of view.

(ii) The DICJ will endeavor to strengthen its organization in order to further enhance the scheme of failure resolution under the limited coverage and operations of financial administrators. Furthermore, the DICJ will promote collaboration with related parties, both within and outside the DICJ, provide periodic training, workshops and seminars, ensure personnel of the financial administrator panel and attempt to improve their know-how and skill.

(iii) The DICJ will effectively and efficiently implement inspections against financial institutions; hearings on improvements related to inspection results (hereinafter referred to as "improvement hearings"); system verification (Note); and training/advice, while pursuing linkage among these measures in order to maintain and improve the accuracy of the depositor's name-based aggregation database. In particular, the DICJ will engage in a thorough exchange of opinions with financial institutions regarding inspection and improvement hearings, and through such interactions, will encourage financial institutions to appropriately maintain and manage the name-based aggregating deposits database and its system.

Note: System verification means the verification by the DICJ's system of appropriate development of the name-based aggregation at each financial institution by requesting submission of the depositor data from financial institutions.

(iv) From a systems aspect, it is necessary to accelerate further name-based aggregating deposits database processing and smoothly facilitate the operations of financial administrators. To this end, the DICJ will develop and expand the organization and system to process related operations of the DIJC and improve the management ability.

(v) The DICJ will deliberate the necessary matters from the perspective of ensuring the smooth management of the deposit insurance system.

2. Proper and Steady Operations Related to Failure Resolution and Retained Assets

(i) Regarding the management and disposal of claims, shares, etc., acquired by the DICJ from failed financial institutions, the DICJ will implement the necessary operations appropriately and effectively under the appropriate policy, including the processing period, based on the perspective of minimizing the public financial burden and the market influence, and monitoring compliance.

(ii) Regarding preferred stocks, etc. assumed under the Early Strengthening Law, the DICJ will continue to work toward appropriate management and smooth disposal, based on the Statement by the Governor regarding "Immediate Guideline for Disposal of Preferred Stocks, etc., Acquired through Capital Injection with Public Funds" (published in October 2005).

3. Supporting Resolution and Collection Operations, including the Fair Handling of Obstructed Recovery Cases, and Proper Implementation of Pursuit of Liability

(i) The DICJ will enhance its support for resolution and collection operations by the RCC, including provision of detailed guidance and advice, while enhancing collaboration with the RCC in order to support their appropriate collection operations from malicious debtors and others, especially in support of their strict response to obstructed recovery cases involving antisocial forces.

(ii) The DICJ will strongly support the RCC's collection of non-performing loans by appropriately selecting cases for investigation, centering on malicious debtors, including antisocial forces, and by promoting an in-depth asset investigation.

(iii) The DICJ will promote improvement of the investigation technique and system at the time of failure resolution in order to appropriately pursue the managerial liability of failed financial institutions.

4. Proper Implementation of Operations Involved in Criminal Accounts Damages Recovery

The DICJ will develop and expand infrastructure, such as setting up an internal organization in charge criminal accounts damages recovery, revising organizational regulations and deploying appropriate personnel, etc., and will attempt to smoothly carry out administrative work over the operations concerned.

5. The Certain Advancement of the Strengthening and Efficiency of Finances

(i) The DICJ will implement sound financial management as well as the rationalization of operations related to its finances and will draw up, execute and manage its budget plans in an appropriate fashion. Furthermore, in order to improve efficiency in accounting operations and strengthen the functions of management and security, while striving for the stable operation of the newly introduced financial accounting system, the DICJ will deal appropriately with the accounting for new accounts.

(ii) Taking into account its financial standing, the DICJ will ensure a balanced insurance premium level in order to achieve equilibrium in the public finances of the DICJ (General Account) over the long run.

(iii) With regard to fund management, the DICJ will continue to diversify its investment means and improve management efficiency. Meanwhile, in the aspect of to funding, the DICJ will attempt to further improve the stability and efficiency of administrative work, and implement appropriate management of the interest volatility risk, etc.

6. Research/Study and International Cooperation Comprehensively Taking Account of Financial and Economic Situation

While conducting research and study on the deposit insurance system both at home and abroad, the DICJ will enhance cooperation and collaboration with foreign deposit insurance authorities, host international conferences and contribute to the IADI. The DICJ will also continue to provide technical assistance to various foreign countries and form a cooperative framework among Asian countries.

7. Appropriate Management of Affiliated Companies

Collaborating and cooperating with affiliated companies, the DICJ will implement appropriate management of them, such as providing appropriate and timely guidance and advice to the RCC in line with the changing market environment.

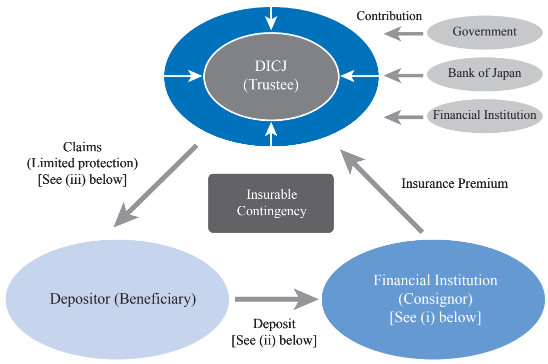
8. Augmentation of Essential Compliance and Operational Risk Management Systems

The DICJ will further develop a system required for augmenting essential compliance and operational risk management.

Column 1: Overview of the Deposit Insurance System (Basis of the Deposit Insurance System)

The deposit insurance system is a system whereby the DICJ makes a certain amount of insurance payments to protect depositors in the event of a failure of financial institution. This system has also been adopted by countries all over the world.

As shown in the figure on the right side, when a depositor makes a deposit at a financial institution covered by the deposit insurance system, an insurance relationship is automatically established among the depositor, the financial institution and the DICJ due to the Deposit Insurance Law; in other words, a three-way relationship of trust is established among these three parties when a depositor makes a deposit at a financial institution covered by the deposit insurance system. Therefore, the depositor is not required to make any special arrangements on deposit insurance.



Insurance premiums, which become the resource of funds for the deposit insurance system, are paid to the DICJ every year by financial institutions, and the amount of the premium a financial institution pays is calculated according to the volume of the institution's total deposits during the previous fiscal year.

Note: The trustee, beneficiary, and consignor in the above figure indicate the positions of the three parties in the three-way relationship of the deposit insurance relationship.

(i) Financial institutions covered by the deposit insurance system are banks that have head offices in Japan, long-term credit banks, shinkin banks, credit cooperatives, labor banks, the Shinkin Central Bank, the National Federation of Credit Cooperatives, and the Rokinren Bank. The Norinchukin Bank, agricultural cooperatives and the fisheries cooperatives are protected separately under "the Agricultural and Fishery Co-operative Savings Insurance Corporation."

(ii) Deposits, etc. insured by the deposit insurance system include deposits, installment savings, installment contributions, money trusts under the guarantee of principal and bank debentures (limited to custody products.) Excluded from protection of the deposit insurance system are foreign-currency deposits, negotiable certificates of deposits, subscribed bank debentures, bank debentures whose custody agreement has terminated and loan trusts whose rights of beneficiary are recorded in a book-entry transfer system. Furthermore, deposits, etc. under other names or fictitious/false names, and deposits, etc. to be re-lent to third parties are also excluded.

(iii) The scope of protection under the deposit insurance system is as shown in the table below.

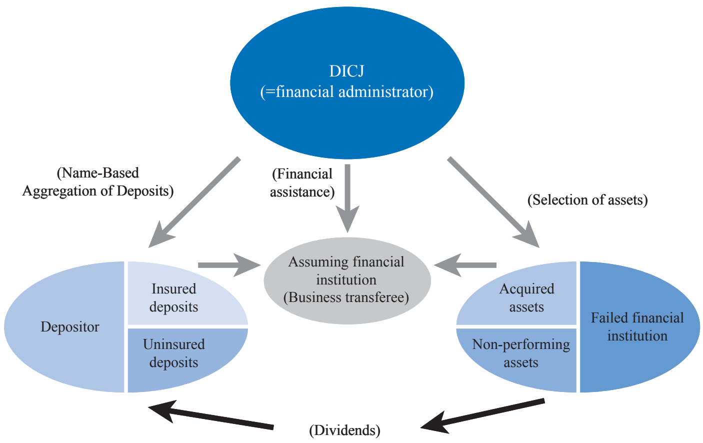
Types of Deposits, etc.			Scope of Protection
Deposits, etc. covered by deposit insurance	Deposits for payment and settlement purposes	Current deposits, ordinary deposits no interest accrues, etc.	Full protection
	General Deposits, etc.	Interest-accruing ordinary deposits, time deposits, installment savings, money trusts with the guarantee of principal, etc.	Protection up to a total of ¥10 million principal plus its interest, etc. Repayment is made for an amount in excess of ¥10 million according to the failed financial institution's assets. (Subject to deductions)
Deposits, etc. not covered by deposit insurance		Foreign-currency deposits, money trusts without guarantee of principal, bank debentures other than custody products, etc.	No protection Repayment is made according to the failed financial institution's assets. (Subject to deductions)

Column 2: Overview of the Deposit Insurance System (Triggering of Deposit Insurance)

The fundamental principles of the deposit insurance system are as explained above. The next area to consider is what actually happens when a financial institution fails.

As the word “insurance” in the name of the current deposit insurance system suggests, the main purpose of the scheme is to provide for the payment of claims when an insurable contingency occurs. However, under the actual legal system, there are two methods: the claims payout method, where payouts are made directly to the depositors, and the financial assistance method, where the business of a failed financial institution is transferred to an assuming financial institution and the DICJ provides financial assistance to that institution. The Financial Services Council Report of December 1999 recognizes the importance of keeping disorder to a minimum accompanying the resolution of a failed financial institution while taking into consideration the costs required for its resolution, and accordingly indicates the principle of giving preference to the method of providing financial assistance rather than claims payment method when an actual failure occurs. Therefore, in principle, when an actual failure occurs, the objective of the scheme is to look for a financial institution which will assume the business of the failed financial institution and to transfer the business to the assuming financial institution while maintaining insofar as possible the financial functions of the failed financial institution.

To illustrate how this works, consider the scenario of a financial institution failing on a Friday and the DICJ being appointed as the financial administrator. In such a case, the DICJ dispatches staff to the failed financial institution and has them undertake the work of the financial administrator. Based on the results of aggregation operations of deposits held by depositors (= name-based aggregation of deposits) which the DICJ undertakes at the time of the failure, the DICJ undertakes preparations to resume business the following Monday so that deposits (= insured deposits) covered by the deposit insurance system can be repaid to depositors. Afterwards, it will formulate a revitalization plan in accordance with the Civil Rehabilitation Law and will reimburse other creditors for outstanding debts with the aim of completing the process within about a year. At the same time, the DICJ will look for a financial institution to which it can transfer the business of the failed institution and subsequently will transfer the sound and not seriously impaired assets (= acquired assets) to the assuming financial institution. The figure below shows this series of resolution procedures.



The above gives an overview of the resolution process followed by the DICJ. In addition, the current legal system also provides for measures when an extremely serious hindrance could be caused to the maintenance of an orderly financial system in Japan or in a certain region where financial institutions are conducting its business. For such crises, deposits and other related interests may be fully protected in accordance with Article 102 of the Deposit Insurance Law subject to a resolution by the Council for Financial Crises chaired by the Prime Minister as measures against crisis.

Capital injections may be undertaken for a financial institution which must be adopted to measures against financial crises. Over the past several years, similar functions were set in motion under previous laws and regulations, and special public management, special crisis management and capital injections were consequently undertaken against financial institutions.

The reason why the DICJ at present holds stock of many financial institutions is due to crisis measures or measures under the capital increase system for stabilizing and fortifying Japanese financial functions. In the future, the DICJ will continue to apply appropriate management and settlement procedures.

II. ACTIVITIES SUMMARY OF FY2007

1. Maintenance and Improvement of Failure Resolution Framework of Financial Institutions for the Protections of Depositors

(1) Promoting Preparation for the Depositors' Name-based Aggregation Database and System

The DICJ produces the depositor's name based aggregation database promptly based on the data submitted by the failed financial institution. But, if the data is not accurate, or if delivery to the DICJ is delayed, the DICJ cannot calculate the amount of insured deposits promptly, and thereby the smooth protection of deposits may be hampered (Note).

Note: Concerning aggregating deposits, see P13, Column 3: "Name-based Aggregation of Deposits"

Accordingly, the deposit insurance law requires each financial institution to provide depositor data on magnetic tapes (hereinafter referred to as "the name-based aggregation database") to the DICJ without delay in the event of failure, and requires each financial institution to maintain always the name-based aggregation database and system (Article 55-2 of the same law).

Furthermore, in order to ensure the smooth repayment of the insured deposit, each financial institution is required to develop and maintain their own system to enable the prompt reflection of the data of non-repayable deposit accounts, which the DICJ produces based on the data. (Article 58-3 of the same law)

In FY2007, the DICJ took the following actions regarding system verification and training and advice.

(i) Verification of the depositors' name-based aggregation database and system

The DICJ requests that each financial institution submits their depositor data to ensure smooth production of the depositors' name-based aggregation database at the failure of a financial institution in accordance with Article 37 of the Deposit Insurance Law, and verifies whether those data conform to the format designated by the DICJ system, etc.

In FY2007, the DICJ conducted system verification at 212 insured financial institutions.

(ii) Training and advice

In order to facilitate the development of the name-based aggregation database and operation systems, the DICJ has responded to requests from individual financial institutions for training/advice as well as to requests for the dispatch of lecturers to collective training sessions organized by bankers' associations.

In FY2007, the DICJ provided 118 cases of training/advice (training/advice for individual financial institutions).

Column 3: “Name-based Aggregation of Deposits”

① “Name-based aggregation of deposits”

The limit of deposits protected under deposit insurance is the full amount of deposits for payment and settlement purposes (Note), and a total of ¥10 million in principal and interest, etc. per depositor per financial institution for other deposits. Therefore, in the event of failure of a financial institution, it is imperative to produce the depositors’ name-based aggregation database by consolidating and totaling all accounts held by the identical depositor at the identical financial institution. This operation is called “Name-based Aggregation of Deposits.”

Note: Deposits that meet the three requirements of “zero interest, payable on demand, and capable of providing settlement services,” fall under the category of deposits for payment and settlement purposes.

② The identical depositor in the “name-based aggregation of deposits”

In the name-based aggregation of deposits, the persons mentioned below are treated as the identical depositor:

(1) Individuals

Each individual is regarded as one depositor. Spouses, parents and children are regarded as different depositors. However, deposits lending the names of family members are not protected by deposit insurance. In the case of sole proprietors, deposits for business and non-business purposes are aggregated as deposits under the same name.

(2) Juridical persons

Regarding deposits in the names of juridical persons, one juridical person is regarded as an individual depositor.

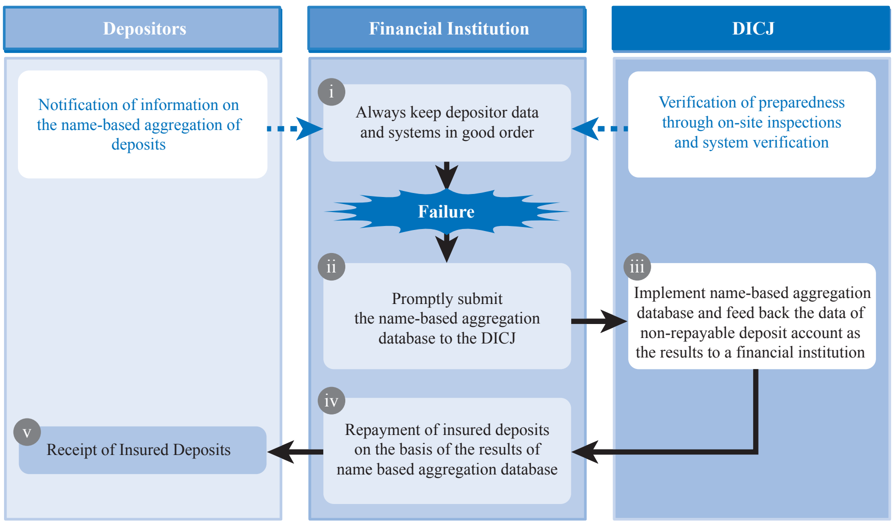
(3) Unincorporated (non-juridical) associations or foundations

One unincorporated (non-juridical) association or one foundation is regarded as an individual depositor. In order for organizations to fall under the category of unincorporated (non-juridical) associations or foundations, they are generally required to have structures as an organization and the method of managing an organization has to be provided in the articles of associations, etc. The eligibility is determined on a case-by-case basis according to the specific circumstances of the respective organizations.

(4) Voluntary organizations

Voluntary organizations (This term means associations other than juridical persons and “unincorporated (non-juridical) associations and foundations”; hereinafter, the same) are not regarded as an individual depositor. Deposits in the name of a voluntary organization are divided into those in the names of respective members comprising the organization according to their respective amount of deposits.

<Maintenance of Depositor Data and “Name-based Aggregation of Deposits” in the Event of Financial Institution Failure>



(2) On-Site Inspections

(i) On-site inspections

The Deposit Insurance Law provides that the Prime Minister (granting authorization to the Commissioner of the FSA) may, when deeming it necessary to ensure that the provisions of the Law are implemented efficiently, authorize the DICJ to conduct on-site inspections of financial institutions.

The scope of on-site inspections that may be undertaken by the DICJ is defined in Article 137, paragraph 6 of the Deposit Insurance Law. Namely, the DICJ may conduct inspections to check that: (i) "payment of insurance premiums is being made properly" (Item 1 of the same); (ii) "measures are being implemented to prepare databases, electronic data processing systems and other relevant measures for aggregating data related to deposits held by the same depositor, as obligatory to financial institutions" (Item 2); and (iii) "the estimated amount to be repaid on deposits and other claims when a financial institution has been made subject to bankruptcy proceedings" (Item 3). Penal provisions also exist for cases including evasion of these on-site inspections (Article 143, paragraph 2 of the Deposit Insurance Law).

The DICJ began inspecting depositor name databases in August 2001 (inspection under Item 2) and is effectively and efficiently undertaking the inspections in order to ensure and improve the accuracy of the depositor data.

In addition to the inspection on depositor name databases, the DICJ expanded its inspections to include insurance premiums confirmation (inspection under Item 1) in January 2003. As the adequate payment of insurance premiums is indispensable for the stable operation of the deposit insurance system, the DICJ is striving, through its inspections, to ensure that premium payments are being properly made and that fairness is maintained among financial institutions, the system's clients. Regarding the calculation of "estimated proceeds payment rate" (inspection under Item 3), the DICJ is prepared, if necessary, to undertake the inspection in order for a failed financial institution to properly pay the estimated proceeds in the event that a failure occurs.

To enhance the quality of these inspections, the DICJ established its Inspection Department in July 2003 and has been taking appropriate measures to create a system under which inspections can be properly performed.

For the 2007 inspection year (July 2007 to June 2008), the DICJ implemented on-site inspections in 100 financial institutions, which makes an accumulated total of 623 institutions (as at June 30, 2008) since the DICJ started on-site inspections in August 2001. [See P91, III. 4. (12) "Number of On-Site Inspections Implemented"]

(ii) Follow-up of the results of inspections conducted by DICJ

Concerning items pointed out by the DICJ during inspections, Financial Services Agency or Local Finance Bureaus requests a report from financial institutions on improvements based on Article 24 of the Banking Law and Article 136 of the Deposit Insurance Law, and then conducts a hearing.

The DICJ also participates in this hearing and advises financial institutions to ensure that effective improvements are made.

(3) Collaboration among Persons Undertaking On-Site Inspection, System Verification and Training/Advice

In order to promote effectively improvement in the name-based aggregation database and operation systems of financial institutions, persons-in-charge of the DICJ collaborate to undertake on-site inspection, system verification, and training and advice as described below.

- Upon undertaking on-site inspection, system verification, and training/advice, persons-in-charge endeavor to share information within the DICJ at all times.
- Concerning on-site inspection and system verification, from FY2007, the DICJ has adopted the method of undertaking concurrently system verification and on-site inspections if needed.
- Upon confirmation of the results of system verification or upon work of amendments, the staff of the DICJ give advice to the financial institutions concerned as to the result of verification and the state of improvement in the database, including visiting directly the institutions to provide training.

(4) PR Activities to Ensure Public Awareness of the Deposit Insurance System

Placing great importance on good public awareness of the deposit insurance system, including depositors, the DICJ has devoted significant attention to public relation activities.

In FY2007, in order to further deepen public awareness of the deposit insurance system from the viewpoint of protecting depositors, the DICJ carried out proactive public relations activities in collaboration with the Financial Service Agencies and the Bank of Japan using various mass media.

The following is an overview of those activities.

(i) PR activities to ensure public awareness of the system

In FY2007, the DICJ attempted enhancement and strengthening of PR activities, by way of new PR activities, such as sending out a questionnaire on the degree of recognition of the deposit insurance system and transmitting radio commercial messages about the deposit insurance system through 34 broadcasting stations throughout the country.

Moreover, the DICJ carried out proactive public relations activities for ensuring public awareness of the deposit insurance system, 1) dispatching officers and staff members to training sessions hosted by various kinds of associations and institutions to give lectures about the deposit insurance system, 2) contributing articles to financial journals about the deposit insurance system or activities of DICJ, 3) actively accepting interview requests from reporters of newspaper offices, TV stations and other mass media, and 4) enhancing the home page by setting up newly the "Financial Reports of the DICJ" and posting an article about "The Resolution and Collection Corporation-Secondary Loss of the *Jusen* Account."

(ii) Publication of brochures

In order to help depositors deepen their understanding of the deposit insurance system, the DICJ has been striving to undertake public relations activities with the use of a range of easier-to-understand documents and other materials.

In FY2007, in addition to an annual report published in each fiscal year, the DICJ published two new brochures, that is, "Understanding the Deposit Insurance System with Comics" and "Operations of the Deposit Insurance Corporation of Japan," which explain plainly to depositors about the deposit insurance system and operations of the DICJ, and a brochure "Explanation on the Deposit Insurance System (Overview of System and Q & A)" for persons engaged in financial business, and distributed them to financial institutions and relevant government offices.

"Understanding the Deposit Insurance System with Comics" is the brochure version of that which is posted on the DICJ website, prepared with the purpose of gaining the understanding of the deposit insurance system of depositors with no access to the Internet.

"Operations of the Deposit Insurance Corporation of Japan" is prepared as a brochure to introduce the organizational structure of the DICJ, which is responsible for operating the deposit insurance system.

(iii) Explanation of the system in response to telephone inquiries

The DICJ set up dedicated telephone lines for answering inquiries concerning the deposit insurance system from the public to help them gain a correct understanding of the deposit insurance system, and answered a wide range of questions and inquiries from the public, including depositors.

The number of inquiries totaled 2,870 in FY2007 with a significant increase by 32.6% from FY2006. [See (Reference 1) of the following page]

Among the reasons behind the increase in inquiries are the facts that ten years have elapsed since the occurrence of financial crises such as the failures of the Hokkaido Takushoku Bank, Ltd. and Yamaichi Securities Co., Ltd. in November 1997 and that during the second half of FY2007 each newspaper carried a feature article.

The most numerous inquiries were made to ascertain whether specific financial institutions are insured financial institutions under the deposit insurance system, and the composition ratio of inquiries about "insured financial institutions" accounts for nearly a quarter of the total number of inquiries, showing almost the same level as the previous year. Except for the "insured financial institutions," inquiries about "limit of payment of insurance money" and "insured financial product" are relatively numerous, showing the composition ratio of double-digit figures, respectively. [See (Reference 2) of the following page]

(Reference 1) Number of Inquiries Recorded about General Matters

Fiscal year	2003	2004	2005	2006	2007
Individual	2,960	5,167	2,062	1,522	2,193
Corporation	1,812	3,034	1,162	642	677
Total Number	4,772	8,201	3,224	2,164	2,870

(Reference 2) Number of Inquiries Recorded by Item in FY2007

Category		Number of Cases	Composition ratio (%)
1. Inquiries about the Outline of the System		403	6.1
	System in General	191	2.9
	Organization of the DICJ	112	1.7
	Deposit Insurance Fund, Insurance Premium Rate	100	1.5
2. Payment of Insurance Money; Purchase		4,989	76.0
	Insured Financial Institution	1,492	22.7
	Insured Financial Product	661	10.1
	Insured Depositor	276	4.2
	Limit of Payment of Insurance Money	1,052	16.0
	Purchase System; Estimated Proceeds Payment	59	0.9
	Interest	565	8.6
	Name-based Aggregation of Deposits	372	5.7
	Settlement Function	47	0.7
	Time of Reimbursement	215	3.3
	Procedures for Claiming Payment of Insurance Money	238	3.6
	Partial Payment	12	0.2
3. Financial Assistance		79	1.2
4. Set-Off of Deposits Against Borrowings		82	1.2
5. Requesting Materials; Other		1,014	15.5
	Requesting Materials; About Website	287	4.4
	Other	727	11.1
	Total by Item	6,567(Note)	100.0

Note: Because in some cases one line of inquiry covered two or more inquiry items, the total by item does not match that for each case of inquiry, as shown in (Reference 1).

(5) Failure Resolution System under Limited Coverage

There are two methods for resolving the failure of a financial institution, namely the method of paying insurance money directly to each depositor, etc. (insurance payout method) and a method of transferring, in whole or in part, the operation of the failed financial institution to assuming financial institutions and providing financial assistance to such institutions (the financial assistance method). However, in the Financial System Council Report of December 1999, the basic policy for resolution of failed institutions was specified as follows: "If a financial institution fails, it is necessary to select the resolution method which has the prospect of having the lowest cost required for resolving the failure, as well as to make every effort to minimize the confusion accompanying the failure. As a method for treating the failure of a financial institution, the choice of the financial assistance method should have the first priority and insurance payout should be avoided as much as possible."

Following the transition to a limited coverage of time deposits, etc. beginning in FY2002, no financial institution has failed (except for the case where full deposits, etc., were protected as a result of measures against financial crisis).

Even under the limited coverage scheme, the financial assistance method is to be given precedence, just as in the case of full protection. However, as deposits other than insured deposits and general obligations are reimbursed in accordance with the state of assets of a failed financial institution, it is necessary to impose certain restrictions on the operations of the failed financial institutions to preserve its assets in order to maintain the equality among depositors and general creditors and prevent an outflow of assets. For this reason, resolution of financial institution failure under the limited coverage scheme is to make use of the civil rehabilitation procedures under court supervision.

Note: When the failure of a financial institution threatens to undermine the stability of the financial system as a whole, deposits may be "fully protected" as a crisis management measure under Article 102 of the Deposit Insurance Law subject to the resolution of the Council for Financial Crises chaired by the Prime Minister.

The DICJ is deliberating failure resolution schemes under limited coverage and is preparing a manual for dealing with procedures of the failure resolution assuming a case where the DICJ is appointed as a financial administrator.

The DICJ is also exercising periodic in-service training for failure resolution procedures in order to ensure the proper implementation of the prepared failure resolution procedures and to make assurance doubly sure to cope with the failure resolution (Note). This in-service training is aiming at preparatory measures for the failure of an individual financial institution, and is not intended for the failure of a specific financial institution. [See P54, III. 1. (5) "Failure Resolution Scheme under the Limited Coverage"]

Note: The training is exercised on a periodic and continuous basis. In FY2007, the following training was exercised to cover each segment of the financial administrator tasks:
July 30 and 31 and August 1, 2007 (3 days in total, around 270 participants in total)
December 20 and 21, 2007 (2 days in total, around 160 participants in total)

2. Proper and Steady Operations Related to Failure Resolution and Retained Assets

(1) Management and Recovery of Assets Purchased from the Failed Financial Institutions

(i) Recovery of assets purchased from the failed financial institutions

In order to facilitate the resolution of failed financial institutions, the DICJ has given financial assistance to 180 financial institutions (monetary grants: ¥18,611.1 billion; purchase of assets: ¥6,366.3 billion (including assets purchased from the former Hanwa Bank), lending of funds: ¥8.0 billion, debt assumption: ¥4.0 billion). Of these ¥7,142.8 billion out of claims purchased from failed financial institutions were recovered by debt collection and selling assets (as at March 31, 2008).

Upon actually carrying out operations (purchase of assets, management and disposal), the majority of operations are entrusted to the Resolution and Collection Corporation (RCC), which is a DICJ subsidiary.

● Purchase of Assets from Failed Financial Institutions (as at March 31, 2008) (Unit: ¥ billion)

Category	Amount of purchase	Cumulative amount of recoveries
Purchase of assets from failed financial institutions (Article 64 of the Deposit Insurance Law)	5,186.5	5,496.4
Purchase of assets from banks which are placed under special public management (the former Long-Term Credit Bank of Japan and the former Nippon Credit Bank) (Article 72 of the Financial Revitalization Law)	1,179.8	1,646.4
Total	6,366.3	7,142.8

Note: In addition to the purchase of assets as financial assistance as mentioned above, the DICJ purchased assets from banks which were placed under special crisis management under Article 129 of the Deposit Insurance Law [See P18, II. 2. (3) "Operations Related to Banks under the Special Crisis Management"] and from sound banks under Article 53 of the Financial Revitalization Law. (Receipt of applications for the purchase of assets from sound financial institutions under Article 53 of the Financial Revitalization Law was closed as at March 31, 2005.) [See P25, II. 2. (5) "Management and Disposal of Assets Purchased from Sound Financial Institutions"] Likewise, the DICJ entrusts the RCC with operations involved in management and disposal.

Also, while the RCC manages and recovers assets purchased under the contract with the DICJ as well as assets transferred from the now-defunct seven *Jusen* companies, the DICJ provides the guidance and advice necessary for the execution of business under the Deposit Insurance Law, the Financial Revitalization Law and the *Jusen* Law, etc.

These supporting activities for the RCC cover a wide range including the recovery of transferred claims, civil recovery proceedings, the legal process and other transactions related to real estate, recovery by uncovering hidden assets, as well as the pursuit of civil and/or criminal liability of directors or other persons concerned, of failed financial institutions by fully exploiting the investigative powers entrusted to the DICJ. [See P26, II. 3. "Supporting Resolution and Collection Operations, including Fair Handling of Obstructed Recovery Cases, and Proper Implementation of Pursuit of Liability"]

In addition to conventional debt collection methods, attempts are being made at the RCC to make collection methods more diversified and maximize collection results by using corporate revitalization methods and utilizing methods of claims sales and securitization of claims, etc.

(ii) Debt recovery activities by the RCC

1) Debt collection policy of the RCC

The RCC assumes the role of appropriately and swiftly recovering the assets purchased with public funds from failed financial institutions and former *Jusen* companies to contribute for minimization of national burdens. Upholding the three guidelines for debt recovery, namely, "pursuit of the binding character of contracts," "preservation of human dignity" and "pursuit of corporate revitalization," the RCC is making the best efforts toward strict collection to maximize the volume of recovery while pursuing collection with emphasis on consultations with debtors, taking their specific circumstances into consideration.

In addition, based on the governmental policy, etc. adopted in FY2001 and followed afterward, the RCC is carefully coping with the debtors of possible revitalization and is pursuing the maximization of debt collection through corporate revitalization.

2) Debt collection performance of the RCC

In FY2007, debt totaling ¥265.1 billion were recovered. The total includes ¥70.2 billion for the former HLAC, ¥155.4 billion for the former RCB transferred from failed financial institutions (including the commissioned recovery of former Hanwa Bank claims), and ¥39.5 billion purchased from sound financial institutions. [See P75, III. 4. (6) "Collection Performance of the RCC"]

3) Corporate revitalization

a. Promotion of corporate revitalization activities

In response to the "Structural Reform in the Japanese Basic Policy for Fiscal and Economic Management and for Economic and Social Structural Reform" (known as the Honebuto Policies) decided by the Cabinet on June 26, 2001 and the amendments to the Financial Revitalization Law in the same month, the RCC launched its "Headquarters for Corporate Revival," with the RCC president serving as director, and a corporate revival department in charge of performing these activities was established in November of that same year. In January 2002, in order to judge expertly and objectively whether or not revitalization was possible, the "Corporate Revitalization Study Committee" was established as an advisory body of the Headquarters for Corporate Revival director. Moreover, an organizational structure was arranged to tackle the corporate revival, and since that time its function has been strengthened and its organization enhanced.

Regarding the RCC's efforts toward corporate revitalization, "Concerning the Evaluation and Future Responses in Efforts on Region-based Relationship Banking" (a report by the Second Subcommittee of the Financial System Council, the FSA, April 5, 2007) referred to a scheme under which the RCC, as a third party, supports corporate revitalization as one of the schemes that should be utilized for corporate revitalization.

b. Corporate revitalization performance, etc.

Since the establishment of the Headquarters for Corporate Revival in November 2001, and up to March 31, 2008, the RCC has been involved with 569 cases in the process of formulating revitalization plans (362 cases of private revitalization, 84 cases of legal revitalization and 123 cases with trusts and funds), and there are 122 cases of proposed candidates for revitalization. As for the performance in FY2007 (single year), the RCC was involved with 76 cases (43 cases of private revitalization, 9 cases of legal revitalization and 24 cases with trusts and funds). [See P77, III. 4. (8) "Corporate Revitalization Cases by the RCC"]

4) Trust operations

The RCC obtained a license to engage in the trust business on August 31, 2001, established the "Trust Business Department" and commenced to subscribe to non-performing loans using the trust method. In addition, the RCC utilizes trust function in tackling the securitization of non-performing loans and setting up the corporate revitalization fund using private funds. The RCC was entrusted claims with a book value of ¥12.5 billion in FY2007, making a cumulative total of ¥2,296.4 billion (including RCC contributions) by March 31, 2008, and contributed to promoting the smooth disposal of the non-performing loans of failed financial institutions.

5) Liquidation and securitization of loan assets

The "Program for Financial Revival," inaugurated in October 2002, specified that: (i) the RCC will accelerate collections and sales of loan assets purchased by the RCC and act as a bridge to the activities of corporate reconstruction funds and others in order to maximize the collection of claims purchased. From this point of view, the RCC will expeditiously consider selling claims in principle which cannot be collected in the short-term after purchase; and (ii) the RCC will strengthen its functions to securitize its loan asset portfolio and continue its efforts to further sell asset-backed securities. As a result, in December of the same year, the DICJ and RCC announced the "Basic Policy concerning the Liquidation and Securitization of Assets held by the RCC." Under this policy, sales or securitization will be more actively considered when, from the perspective of economic rationality, these options are advantageous compared to recovery by the RCC.

In line with the aforementioned basic policy, the RCC adopted a method to sell multiple claims in bulk (bulk sales) through bidding at the end of FY2002. During FY2007, the RCC carried out bulk sales for a total book value of ¥1,060.9 billion owed by a total of 5,039 debtors (for the cumulative total book value of ¥6,223.9 billion). The RCC also carried out individual sales for a total book value of ¥135.5 billion owed by 61 debtors (for a cumulative total book value of ¥1,562.3 billion).
Though there was no case of "RCC Trust Series" under which non-performing loans held by the RCC are combined with those of financial institutions for securitization using trust functions during FY2007, the RCC has so far securitized claims it held through this method for a total book value (cumulative) of ¥616.7 billion.
As a result, liquidation and securitization, including individual sales, bulk sales and securitization, were carried out with a total book value of ¥8,403 billion by March 31, 2008 (including the commissioned recovery of former Hanwa Bank claims and the purchase of assets under Article 53 of the Financial Revitalization Law.)

● Liquidation of Receivables (original book value of claims)

(Unit: ¥ billion)

Fiscal year	1999-2000	2001	2002	2003	2004	2005	2006	2007	Accumulated Total
Individual Sales	95.5	133.9	220.4	359.2	327.4	167.6	122.8	135.5	1,562.3
Securitization	-	32.3	109.6	341.2	56.4	774	-	-	616.7
Bulk Sales	-	-	263.8	361.8	1,322.7	2,445.1	769.6	1,060.9	6,223.9
Total	95.5	166.2	593.8	1,062.2	1,706.4	2,690.1	892.4	1,196.4	8,403.0

Notes: 1. The difference in the total amount is due to fraction adjustment.
2. Figures are rounded off.
3. An amendment is made respectively to a figure of individual sales of ¥142.8 billion and a cumulative figure of ¥912.4 billion in FY2006, which were reported in an annual report for FY2006.

6) Real estate management and disposal

The RCC is working on the proper management of real estate purchased from the seven former *Jusen* companies and failed financial institutions, and efficient disposal of these properties according to fair and transparent rules. More specifically, this includes the posting of real estate sales information on the REINS (the Real Estate Information Network System administered by the Organization for Real Estate Transactions under the authorization of the Minister of Land, Infrastructure, Transport and Tourism), as well as the Internet website of the RCC, and the application of competitive bidding.
The RCC attempted to promote sales by positively introducing the bulk sales method (set sales) to sell properties owned by the RCC. The sales of real estate purchased from the seven former *Jusen* companies and failed financial institutions have been completed.
In FY2007, the RCC sold 2 properties for a total of ¥2.6 billion.
As a result, cumulative sales reached 4,029 properties (including those transferred to the HLAC and the RCB, as well as those acquired by performance in accord and satisfaction) worth a total of ¥333.2 billion to date.
In order to ward off antisocial forces from bidding for secured real estate involved in claims held by the RCC, the RCC newly acquired two properties for ¥0.6 billion by winning the bid at its own bid price during FY2007.

(iii) Management of corporations under liquidation and lawsuits

In FY2007, out of failed financial institutions which went into corporations under liquidation (hereinafter referred to as "Corporation under Liquidation"), 6 corporations finalized liquidation procedures (14 corporations under liquidation as at March 31, 2008) and the DICJ recovered approximately ¥0.7 billion as an unused balance of monetary grants. On the other hand, the DICJ increased monetary grants by ¥1.2 billion as a result of settlements of lawsuits where the corporation under liquidation acted as a defendant.

(2) Operations Related to Banks under the Special Public Management

(i) Management and recovery of non-performing loans

As described in "2. (1) Management and Recovery of Assets Purchased from the Failed Financial Institutions," the DICJ purchased non-performing loans of ¥1,179.8 billion from banks under the special public management (the former Long-Term Credit Bank of Japan and the former Nippon Credit Bank) under Article 72 of the Financial Revitalization Law, and has recovered ¥1,646.4 billion to date.
In addition to the above, the DICJ took over non-performing loans subject to the warranty for latent defect provision, as stipulated in the share sales agreement on the transfer of the former Long-Term Credit Bank of Japan (Shinsei Bank) and the former Nippon Credit Bank (Aozora Bank), and the amount of payment reached ¥894.1 billion for Shinsei Bank and ¥328.6 billion for Aozora Bank respectively by March 31, 2008. The DICJ

had recovered ¥458.6 billion on non-performing loans purchased from Shinsei Bank and ¥188.2 billion on those from Aozora Bank by March 31, 2008.

With regard to the non-performing loans taken over subject to the above-mentioned warranty for latent defect provision, the RCC is working on its management and recovery operation entrusted by the DICJ.

(ii) Management and disposal of shares

Out of shares held by the former Long-Term Credit Bank of Japan (Shinsei Bank) and the former Nippon Credit Bank (Aozora Bank) when the special public management of both banks terminated in 2000, the DICJ purchased shares needed by both banks to carry on business, and entrusted them to Shinsei Trust & Banking and Aozora Trust Bank, respectively. Under the share sales agreement on the transfer of both banks, both banks could buy back the shares concerned during the five-year trust period, but in the event of any loss at the time of sale, the DICJ could reject selling them back. In cases in which the buy-back of the shares was rejected within one year before the expiration of the trust period, the trust period of such shares was to be extended for one year from the date of the rejection.

The transfers to the DICJ of all of the Shinsei Bank shares and Aozora Bank shares except for those bought back by Shinsei Bank and Aozora Bank— were completed in February 2006 and in August 2006, respectively, after a one-year extension of the trust period. The shares transferred to the DICJ have been entrusted to Japan Trustee Services Bank.

The shares transferred to the DICJ are to be disposed of in an appropriate and smooth manner over a target period of about 10 years under the principles of "Minimizing public burdens" and "Minimizing the impact on the market."

The DICJ has commissioned to Chuo Mitsui Asset Trust and Banking Company, Ltd. the disposal of exchange-listed shares excluding shares of banks whose capital bases were boosted with public funds). Consequently, a total of ¥83.1 billion was recovered during FY2007, with the accumulated total by March 31, 2008 reaching ¥1,700.4 billion.

● Overview of Shares Purchased (as at March 31, 2007) (Unit: ¥ billion)

		March 31, 2007	March 31, 2008	Comparison
Accumulated Total of Book Value of Shares Purchased		2,939.7	2,939.7	—
	Shinsei Bank	2,269.3	2,269.3	—
	Aozora Bank	670.4	670.4	—
Outstanding Balance of Book Value		1,642.5	1,577.3	- 65.2
	Market Value	1,678.9	1,089.7	- 589.2
Accumulated Total of Amount Recovered		1,617.3	1,700.4	83.1
	Accumulated Total of Book Value Recovered	1,297.2	1,362.4	65.2
	Gain/Loss From Recovery	320.1	338.1	17.9

Notes: 1. Figures are rounded off.
2. Market value is based on market price on the last day of the period.
3. The accumulated total of book value recovered (the difference between the accumulated total of book value of shares purchased and the outstanding balance of book value) comprises buy-backs by Shinsei Bank and Aozora Bank before the transfer to the DICJ, both sales on the market and purchases of own shares by issuing entities after the transfer to the DICJ.
4. For the implementation of financial assistance and the status of recovery, see P72, III. 4. (3) "Status of Financial Assistance and Recovery".

(3) Operations Related to Banks under the Special Crisis Management

Through a meeting of the Financial System Management Council held on November 29, 2003, the Prime Minister acknowledged the necessity of the special crisis management (Item 3 measures under Article 102, Paragraph 1 of the Deposit Insurance Law) with respect to the Ashikaga Bank, Ltd. In accordance with this acknowledgment, the Commissioner of the FSA decided that the DICJ would acquire all the Ashikaga Bank shares. On December 1, 2003, the transaction was announced in public and the DICJ acquired all Ashikaga Bank shares. The DICJ also appointed a new management team (directors and auditors) in accordance with nomination by the Commissioner of the FSA on December 16 and 25 of the same year.

Since then, Ashikaga Bank under the new management team settled on the "management plan" covering three years from FY2004 through FY2006, and has implemented a variety of measures, including drastic management reforms, with the aim of enhancing enterprise value.

In the wake of these developments, the FSA acknowledged that Ashikaga Bank's efforts so far have produced steady results, and decided on September 1, 2006, to start considering an assuming financial institution of the bank in concrete terms.

The DICJ, as a shareholder as well as the provider of financial assistance, has dealt properly with the selection of an acquiring party as described below: (i)

The “Working Group on the selection of an acquiring party of Ashikaga Bank” (an advisory panel of the Commissioner of the FSA) was formed and the DICJ has participated in the working group as an observer; (ii) The DICJ examined and prepared the proposed share sales agreement, and has participated in various preparations for sales of shares by exercising due diligence. In such circumstances, on March 14, 2008, “a consortium led by Nomura Financial Partners Co., Ltd. and Next Capital Partners Co., Ltd.” was selected as an acquiring party.
Moreover, in FY2007, the DICJ received the fourth request from Ashikaga Bank for the purchase of assets under Article 129, Paragraph 1 of the Deposit Insurance Law, and purchased the bank’s assets (the purchase was entrusted to the RCC in accordance with Article 10, Paragraph 1 of the Supplementary Provisions of the Deposit Insurance Law). The amount of assets purchased was ¥13.2 billion (the book value of ¥59.9 billion) and the cumulative amount of assets purchased so far has reached ¥98.2 billion (the book value of ¥584.8 billion), while the cumulative amount of debt recovered in connection with the assets purchased came to ¥78.4 billion (as at March 31, 2008).

Note: See P72, III. 4. (3) “Status of Financial Assistance and Recovery” regarding financial assistance and recovery of financial assistance, etc.

(4) Operations Related to Capital Injection

(i) Management and disposal of shares subscribed through capital injection

The DICJ undertakes operations related to capital injection into financial institutions under the laws mentioned in (ii) below (P22-23), and entrusts share subscription related operations in (ii) 1) and 2) to the RCC. The DICJ directly subscribes shares for operations set forth in (ii) 3). [See P81, III. 4. (9) Table 1. “Status of Capital Injection and Disposition”]

● Operations Related to Capital Injection

Operations related to capital injection are divided into the following three categories:

1) Capital Injection Operations
DICJ subscribes for shares of financial institutions under relevant laws.

2) Management Operations
DICJ manages properly assets held (subscribed shares, etc.)

3) Disposal Operations
DICJ smoothly disposes of retained assets held (subscribed shares, etc.).

1) Capital injection operations

During FY2007, the DICJ received no request for subscription of shares. A cumulative total of ¥12,427.4 billion of capital was injected into financial institutions. [See P24, II.2. (4) “Column 4: What Public Capital Injection Means”]
The capital injection schemes still in place are only those under the Deposit Insurance Law (measures against financial crises and capital injection into assuming financial institutions: permanent measures.)

2) Management operations

The DICJ also lends the RCC funds necessary for its operations, collects profits arising from the RCC’s operations, authorizes the exercises by the RCC of its voting rights and other rights as a shareholder and investor, and directly exercises its voting rights for shares the DICJ subscribed for.
The DICJ is also properly managing activities such as conducting hearings with financial institutions that have received capital injections in a timely manner regarding their account settlements, dividend policies and accumulation of retained earnings as well as capital policies including future plans for public fund repayments.

Main management operations in FY2007
- To exercise a voting right at the general meeting of shareholders
- To request for materials under Article 37, Paragraph 1 of the Deposit Insurance Law
- To conduct hearings at the accounting period and mid-term accounting term
- To respond to mandatory acquisition of preferred stock by issuing banks (DICJ’s acquisition of issuing banks’ common stock in accordance with mandatory acquisition of preferred stock by issuing banks or DICJ’s exercising privilege of acquisition claim)

3) Disposal operations

With regard to the disposal of assets held as a result of capital injections, a cumulative total of ¥8,891.8 billion was disposed of by March 31, 2008, with the balance of preferred shares stemming from capital injections standing at ¥3,535.6 billion as at March 31, 2008. For the disposal of assets in the form of preferred shares, the DICJ holds the “Divestment Examination Board for Preferred Shares,” that comprises four outside experts, in order to secure the adequacy of disposal prices. [See P67, III. 3. (2) (iii) 2) “Divestment Examination Board for Preferred Shares, etc.”]
Moreover, assuming that a secondary offering is implemented as the method of disposal, the DICJ maintains fairness and makes disposal effectively by adopting the method whereby the DICJ selects in advance the lead manager candidate securities companies by public advertisement and upon individual

secondary offering selects the lead manager securities company from among these lead manager candidate securities companies.

The DICJ made its disposal policy clear by announcing the "Immediate Guideline for the Disposal of Preferred Stocks, etc., Acquired through Capital Injection with Public Funds" on October 28, 2005.

Specifically, the disposal of preferred shares is made, in principle, on the basis of requests from financial institutions that received capital injections in accordance with their own capital policy. Upon such request, the DICJ disposes of preferred shares if it finds no particular problems with the requests from the viewpoints of: (i) avoidance of public burdens; (ii) stability of the financial system; and (iii) sound management of financial institutions.

However, in view of the fact that it is requested to take an approach that places more emphasis on the standpoint of "taxpayers' interest" in its role of managing the financial assets acquired through the capital injections, the DICJ disposes shares even when the DICJ does not expect any possibilities of applying for disposal of shares from a financial institution after an adequate negotiation with the financial institution in consideration of its managerial soundness as well as avoidance of bad influence to the market, subject to the condition where it is extremely advantageous to dispose the shares in terms of merchantability of preferred stocks and the stock price movement. [See P78, III. 4. (9) (Reference) "Statement by the Governor"]

Main disposal operations in FY2007

- With regard to the disposal of assets held as a result of capital injection, the DICJ disposed of four properties during FY2007. [See P70, III.4. (1) "Main Events (FY2007)"]
- The DICJ held the "Divestment Examination Board for Preferred Shares" .
- The DICJ selected the lead manager candidate securities companies for FY2007 in April 2007, and those for FY2008 in February 2008.

(ii) Capital injection and disposal under relevant laws

1) The former Financial Function Stabilization Law and the Early Strengthening Law

The DICJ subscribed shares of ¥10,420.9 billion in total, putting together a cumulative amount of ¥1,815.6 billion provided by capital injection under the former Financial Function Stabilization Law (abolished in October 1998) and that of ¥8,605.3 billion provided by capital injection under the Early Strengthening Law.

By March 31, 2008, the DICJ received applications from various financial institutions through the RCC, for the transfer and other means of disposal, and it approved the RCC's applications for disposal as follows: ¥131.0 billion in preferred shares, ¥1,180.0 billion in subordinated bonds, and ¥314.6 billion in subordinated loans out of preferred shares, etc., the DICJ subscribed for under the former Financial Function Stabilization Law; ¥5,984.4 billion in preferred shares, ¥954.0 billion in subordinated bonds, and ¥325.0 billion in subordinated loans out of preferred shares, etc., the DICJ subscribed for under the Early Strengthening Law.

Consequently, as at March 31, 2008, the net outstanding balance of subscription after reducing the repayments made to that point was ¥190.0 billion under the former Financial Function Stabilization Law and ¥1,341.9 billion under the Early Strengthening Law. [See P83, III. 4. (9) Table 3. "List of Capital Injection Operations Pursuant to the Former Financial Function Stabilization Law" and P85, III. 4. (9) Table 4. "List of Capital Injection Operations Pursuant to the Early Strengthening Law"]

2) The Act on Organizational Restructuring and the Act on Strengthening Financial Functions

Under the Act on Organizational Restructuring, which makes it possible for financial institutions pursuing organizational restructuring through mergers, etc., to receive capital injections from the DICJ, a subordinated loan of ¥6.0 billion was made to the Kanto Tsukuba Bank on September 24, 2003.

Furthermore, under the Act on Financial Functions which aims to revitalize regional economies, to maintain the financial system and promote the healthy development of the national economy through public organizations' assistance for financial institutions which set themselves a target of reinforcing financial functions in the region, the DICJ injected capital of ¥31.5 billion into Kiyo Holdings on November 13, 2006, and ¥9.0 billion into Howa Bank on December 18, 2006, both by subscribing for preferred shares. [See P88, III. 4. (9) Table 5. "List of Capital Injection Operations Pursuant to the Act on Organizational Restructuring" and P88, III. 4. (9) Table 6. "List of Capital Injection Operations Pursuant to the Act on Strengthening Financial Functions"]

3) The Deposit Insurance Law

Under the Deposit Insurance Law, the DICJ is authorized to subscribe for the shares, etc., in response to a financial crisis (Article 102, Paragraph 1, Item 1 of the Deposit Insurance Law). It is also authorized to subscribe the preferred shares, etc., of the relief financial institutions and bank holding companies, which take over business or conduct a merger (hereinafter referred to as "the relief financial institutions, etc.") as a form of financial assistance (according to Article 59, Paragraph 1, Item 6 of the Deposit Insurance Law, hereinafter referred to as "capital injection to assuming institutions"). [See P56, III. 1. (7) "Outline of the Capital Injection Scheme based on Article 102, Paragraph 1, Item 1 of the Deposit

Insurance Law," and P57, III. 1. (7) "Outline of Capital Injection Scheme for Assuming Financial Institutions under Article 59, Paragraph 1, Item 6 of the Deposit Insurance Law."]

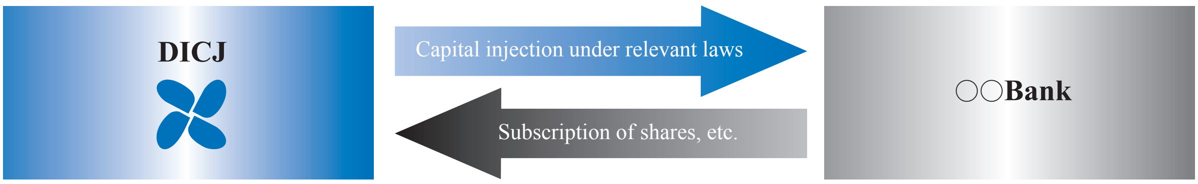
As a measure of response to a financial crisis, when the Prime Minister acknowledges the necessity thereof, the DICJ can subscribe for the financial institutions' shares, etc. In accordance with such acknowledgment, the DICJ implemented a capital injection into Resona Bank, Ltd. Of total value ¥1,960.0 billion in subscribing for preferred and common shares on June 30, 2003 through a meeting of the Financial System Management Council, held on May 17, 2003. (Subsequently, these shares were exchanged for shares issued by Resona Holdings.)

On February 1, 2005, Resona Bank, Ltd. submitted an application to the DICJ for a capital injection, following which the DICJ, after obtaining the approval of the Commissioner of the FSA and the Finance Minister, disposed of some of the common shares (total value: ¥2.7 billion). Consequently, as at March 31, 2008 the net outstanding balance of shares was ¥1,957.3 billion.

The purpose of a capital injection into an assuming institution is to provide appropriate financial assistance for a merger or other operations undertaken as attempts to resolve a failed financial institution and, therefore, contribute to the stability of the financial system. An assuming financial institution will face a lower capital adequacy ratio once it merges with a failed institution, but a capital injection will help to restore the ratio. To date, no capital injections of this type have been performed. [See P88, III. 4. (9) Table 7. "List of Capital Injection Operations Pursuant to the Deposit Insurance Law (Response to Financial Crisis)"]

Column 4: What Public Capital Injection Means

Since 1997, the bloating of non-performing loans in the aftermath of the bursting of the bubble economy eroded the strength of Japanese financial institutions and led to a string of failures of financial institutions, seriously shaking the confidence in the Japanese financial system as a whole both at home and abroad. The resulting decline in financial functions, such as banks' perceived reluctance to lend money, was cited as a factor behind the prolonged economic stagnation in Japan, looming as a significant social problem.
In response to such a situation, it was decided to use public funds to subscribe for shares issued by financial institutions (public capital injection) to help restore the strength of financial institutions and normalize the financial functions in Japan. With the former Financial Function Stabilization Law enacted in February 1998, and the Early Strengthening Law enacted in October of the same year, the DICJ was called upon to assume the role of injecting capital into financial institutions.
Furthermore, the Deposit Insurance Law was revised (measures against financial crises) in order to prepare for a potential financial crisis in the future and maintain the orderly financial system under the limited coverage, and the Act on Organizational Restructuring and the Act on Strengthening Financial Functions were also enacted aiming at prompting reorganization of financial institutions or strengthening financial functions. Thereafter, the DICJ, under these laws, has carried out capital injections into financial institutions with funds raised through issuance of government-guaranteed bonds (DICJ bonds) and borrowings.
The DICJ has been managing preferred shares it subscribed for with public funds in an appropriate manner and smoothly disposed of such shares of financial institutions that have since succeeded in restoring management strength.



Capital injection and disposal (as at March 31, 2008)

(Unit: Case, ¥ billion)

Applicable laws		Number of financial institutions: Initial	Number of financial institutions: Present	Amount of capital injection	Disposal book value: Cumulative	Disposal book value: For FY2007	Balance of capital injection
Former Financial Function Stabilization Law		21	2	1,815.6	1,625.6	-	190.0
Early Strengthening Law		32	11	8,605.3	7,263.4	137.0	1,341.9
Act on Organizational Restructuring		1	1	6.0	-	-	6.0
Act on Strengthening Financial Functions		2	2	40.5	-	-	40.5
Deposit Insurance Law	Measures against financial crisis (No.1 Measures)	1	1	1,960.0	2.7	-	1,957.3
	Capital injection into assuming financial institutions	-	-	-	-	-	-
Total		37	14	12,427.4	8,891.8	137.0	3,535.6

Notes: 1. Figures are rounded off.
2. An amount is based on that of capital injection.

(5) Management and Disposal of Assets Purchased from Sound Financial Institutions

(i) Outline of the system

Article 53 of the Financial Revitalization Law provides for a system of emergency measures concerning the purchase of assets from financial institutions, as a means of stabilizing and revitalizing financial functions in Japan. In response to requests from sound financial institutions for the purchase of assets under the Article, the DICJ has purchased their assets after consulting on the asset prices with the Purchase Price Examination Board (an advisory body of the Governor of the DICJ) and obtaining the approval of the Prime Minister (the Financial Reconstruction Commission granted such approval until it was abolished in January 2001).

Under the aforementioned system, the DICJ was authorized to purchase assets from banks under the special public management as well as from sound financial institutions. When the Financial Revitalization Law was first enacted, the deadline for filing an application for the purchase of assets was set at the end of March 2001 for both cases. However, as one of the measures for resolving the problem of non-performing loans at financial institutions incorporated in the "Emergency Economic Package" following the amendment of the Financial Revitalization Law in June 2001, the deadline for applying for the purchase of assets from sound financial institutions was extended to March 31, 2004.

Furthermore, the said law was amended in January 2002 in line with the government's "Advanced Reform Program" (October 26, 2001), etc., so that in order to further accelerate the processing of non-performing loans of financial institutions, etc., the price calculation methods were made flexible to purchase non-performing loans at the market value, and the purchasing methods were diversified through enabling participation in bidding. In addition, regulations relating to the handling of purchased non-performing loans were reformulated in the agreement between the DICJ and RCC. (Specifically: (i) the disposal methods were diversified; (ii) a goal of three years was set for collection and disposal; and (iii) the decision as to whether it would be possible for debtors to revitalize should be determined speedily and efforts to ensure their quick revitalization should be made.)

In addition, as a result of the amendments to related laws in connection with the enforcement of the Industrial Revitalization Corporation Law in April 2003, purchasing from the Industrial Revitalization Corporation of Japan became possible, and the deadline for asset purchases from sound financial institutions, etc. was extended to March 31, 2005.

After the application deadline for request of asset purchases from sound financial institutions expired, only the IRCJ was eligible to make such requests. However, the IRCJ was dissolved in March 2007 without making such request.

(ii) Track record of purchase

In FY2005, the DICJ purchased assets from sound financial institutions for the final applications, for which the deadlines were March 31, 2005. The DICJ, therefore, has purchased no further assets since then. The cumulative total since the enactment of the Financial Revitalization Law in 1999 is ¥4,004.1 billion in principle claims and ¥353.3 billion in purchase value.

(iii) Management and disposal after purchase

Most of the actual operations under the system (purchase, management and disposal of assets) are entrusted to the RCC, a subsidiary of the DICJ, by concluding agreements in line with the provisions of Article 53 of the Financial Revitalization Law. As such, the DICJ provides the RCC with loans needed to undertake these operations, and also collects profits, which the RCC earned by undertaking the operations. Further, the DICJ provides guidance and advice regarding operations stipulated under agreements with the RCC.

In order to minimize public burdens, the RCC is supposed to strive to collect and dispose of assets purchased from sound financial institutions within the three-year target and to endeavor towards corporate revitalization. (For specific details of the recovery and disposal as well as efforts toward corporate revitalization, see P18, II. 2. (1) (ii) "Debt recovery activities by the RCC.")

The RCC manages assets purchased from sound financial institutions in the Article 53 account (the principal amount of claims at ¥4,046.0 billion, the value of purchase at ¥355.7 billion), together with assets purchased from banks under the special public management (the principal amount of claims at ¥41.9 billion, the value of purchase at ¥2.4 billion) similarly with the entrustment by the DICJ under this scheme.

The amount of recovery through the Article 53 account during FY2007 was ¥39.5 billion, bringing the cumulative total by March 31, 2008 to ¥648.9 billion, with the ratio of the cumulative total to the purchase value standing at 182.4%. [See P74, III. 4. (5) "Results of Recoveries of Assets Purchased under Article 53 of the Financial Revitalization Law"]

3. Supporting Resolution and Collection Operations, including Fair Handling of Obstructed Recovery Cases, and Proper Implementation of Pursuit of Liability

(1) Asset Investigation

The DICJ provides the RCC with guidance and advice necessary to support the recovery operations of non-performing loans transferred, and particularly makes strenuous efforts to uncover the hidden assets of devious debtors who are presumed to be concealing assets by exercising the investigative powers prescribed by the *Jusen* Law, the Deposit Insurance Law and the Financial Revitalization Law. The DICJ strongly supports the RCC so that it can recover as large a portion of the non-performing loans as possible.

For this purpose, the DICJ's Special Investigation Department (Tokyo) and the Osaka Operation Department respectively have three Special Investigation Divisions (from the first to third divisions) to enhance the asset investigation system. The Special Investigation Divisions are staffed by personnel from the National Tax Agency, Public Prosecutors Office, National Police Agency and Japanese Customs Agencies as well as financial institutions.

In FY2007, the DICJ investigated 248 cases, of which 19 were on-site examinations, and uncovered hidden assets worth ¥18.6 billion. The cumulative total of uncovered hidden assets since June 1996, when asset investigative powers were granted to the DICJ, is ¥705.1 billion.

Investigation activities mainly include inquiries on financial institutions, on-site investigations to debtors' as well as related sites and questioning debtors as well as related parties. If there is any obstruction or refusal during investigations, it may result in certain penalties.

Recently, tricks used to conceal assets has become increasingly devious or ingenious. As an example, there are cases where debtors transfer property to a company which they substantially manage (the directors of the company are registered in the name of third parties) or to family members. Considerable numbers of such cases have been discovered by DICJ investigators.

In order to uncover such tricks, the DICJ conducts close and thorough investigations, exerting its own originality and ingenuity. By such activities, the DICJ support strongly the resolution of non-performing loans issue by the RCC by making clear the actual state of devious debtors including antisocial forces. In particular, whether succeeding in collecting claims without collateral, which it is considered to be difficult to recover, among others, depends largely on the asset investigations conducted by the DICJ.

(Reference) Results of Assets Investigations

Categories	FY2007	Accumulated Total From June 1996
Investigations Initiated	163 cases	2,057 cases
All Investigations	248 cases	2,832 cases
Of which, On-Site Examinations	19 cases	413 cases
(Hidden) Assets Confirmed	¥18.6 billion	¥705.1 billion

Notes: 1. The number of all investigations: the number of investigations carried over from the previous fiscal year + the number of investigations embarked upon in the fiscal year in question.
2. Figures are rounded off.

Column 5: Cases of Concealed Assets

[Case 1]

The DICJ carried out on-site investigation into the house owned by B who is the guarantor of debt company A. Despite the fact that B sold it to C which is the third party, B continued to reside in it.

An investigation into the sources of funding for the purchase prices of B's own house revealed that the great part of purchase prices which should be originally paid by company C, the purchaser, came from company D which is an affiliated company of A, and the fund raised from D was appropriated to purchase prices. Subsequently, A which is a debtor returned to D the amount equivalent to the sale proceeds.

The DIJC entered the offices of A, C and D to investigate the flow of such fund by examining books and conducting a hearing. As a result of pursuing the matter further, B acknowledged the fact that for the purpose of concealing assets the transaction was disguised using the name of C and that the ownership of B' s own house belongs not to C but A. Finally, the case was settled by selling B's own house concerned and appropriating sales proceeds to repayments.

[Case 2]

B, a representative (guarantor) of debtor company A which is substantially suspending business, was managing a company C which is actively carrying on the same type of business as A. Accordingly, it was anticipated that B was obtaining a large amount of revenue. However, the DICJ confirmed the fact that B was willing neither to make voluntarily payment nor disclose information but is living in a luxury house owned by an affiliated company D.

The DICJ carried out on-site investigation to look into the financial standing of B as well as the actual conditions of the business of C and D. The result of investigation revealed that B receives a large amount of management remuneration and holds a large volume of securities and that for the purpose of concealing assets, the ownership of the said luxury house owned by B was transferred to D as the payment in substitution for the loan claims.

The RCC immediately attached securities held by B and loans to D, and negotiated on payments. Showing its good faith, B put together fund by pledging its own house as collateral and made a lump sum payment.

[Case 3]

A debtor company A voluntarily sold collateral property of the RCC to B which is the third party. An examination of an application for registration of real estate revealed that the property concerned was sold in a short period of time from B to C which is an affiliated company of A.

Furthermore, an investigation of flow of funds for purchase through financial institutions revealed that the transaction was made at the purchase price around four times higher than the voluntary sale price, and that the great part of sales proceeds was remitted to the account in the name of a family member of D, a representative (guarantor) of debtor company A. Accordingly, the DICJ attached the deposit in the name of the family member of D and carried out on-site investigation into A and transaction-related parties.

The DICJ conducted hearings and in-depth examination of persons involved in the transaction. Consequently, D made an offer of cooperating fully in the investigation and a full picture of concealing assets became clear. The RCC accepted an offer of D and the case was settled by an amicable settlement.

(2) Pursuit of Criminal Liability

The DICJ held direct hearings with officials in charge of claims collection of the RCC in a bid to grasp the actual situation of obstructed recovery cases, and based on analysis of these facts, had held a meeting with the RCC over several times to examine the criminality of obstructed recovery cases, and organized the points under discussion towards accusation (complaint) and strove to give guidance and advice on pursuit of the criminal liability. The DICJ, in collaboration with the investigating authorities, brought eight charges against 16 people for obstruction of collection by devious debtors during FY2007. This brings the total number of charges brought by the DICJ since June 1996 to 311 (against 650 people). [See P89, III. 4. (10) “Accusations/ Complaints”]

No charges were brought against executives of failed financial institutions. Out of 311 charges, the cumulative total accusations (complaints) brought against lenders stand at 37 (against 105 people).

Regarding cases in which antisocial forces get involved, the DICJ has reinforced support for the fair handling of collections in obstructed recovery cases by providing meticulous guidance and advice to the RCC concerning the monitoring and analysis of behaviors of debtors in the process of subsequent negotiation on recovery even when they are not directly linked to criminal acts.

(3) Support for Collection Operations in Difficult Recovery Cases

Concerning difficult cases (so-called “ganban cases”) where collection work has made little progress due to complicated relations of rights despite the massive amount of claims involved, the DICJ and the RCC are jointly undertaking “Project Phoenix” for strong collection measures by the multifaceted application of laws in terms of both criminal and civil proceedings. Furthermore, precautionary measures are taken to ensure the safety of collection staff in the field by promoting collaboration with courts and police as required.

Taking an example, while the property (facility for entertainment use) of an industrial waste disposal contractor, for which the RCC has the collateral right, was being occupied by antisocial forces and anxiety was increasing among inhabitants in the neighborhood, the DICJ removed the antisocial forces by using freely the technique of civil proceedings such as a suit for return of loan, petition for bankruptcy and preservative measures against a luxurious residence and facility for entertainment use, and put out the property to competitive bid. In order to prevent antisocial forces from making a successful bid, the RCC made the highest bid and obtained the property at the auction. At present the RCC is demolishing the buildings.

Through these activities, the DICJ is contributing to the maximization of the collection of claims. The DICJ is also greatly contributing to the realization of social justice through the collection in cases where extremely devious debtors and antisocial forces are involved.

In the suit for return of loan amounting to around ¥62.7 billion against the General Association of Korean Residents in Japan (hereinafter referred to as “GAKRJ”) which has a large amount of debt, the court ruled in favor of the RCC in June 2007 and the judgment became final and conclusive. But the ownership of the building occupied by the Headquarters of GAKRJ was in the name of another person. The RCC made an application for provisional disposition of prohibition of disposition, and filed a suit for confirmation of the ownership that GAKRJ is the beneficial owner. Through these activities, the DIJC is endeavoring to provide guidance and advice on proper recovery to the RCC.

(4) Pursuit of Civil Liability

The DICJ and the RCC pursue civil liability of the former executives of *Jusen* companies and failed financial institutions (referred to below as “managerial liability”) through lawsuits or settlement and arbitration prior to court proceedings. They also have pursued intermediators’ liability against financial institutions which introduced the borrower to *Jusen* companies.

Most of the actions taken are damages suits against former executives’ breach of the good manager’s duty of due care as well as the duty of loyalty in illegal loans. Taking into account the mission of the DIJC and the economic rationality through the Liability Investigation Committee and the meeting of Special Advisors to the Liability Investigation Committee, the DIJC endeavors to attempt to bring it properly to a conclusion.

Concerning Ashikaga Bank which failed in 2003, the DIJC, as an observer, participated in the internal investigation committee established to pursue the legal liability of the bank’s former executives to cooperate in its investigation. Ashikaga Bank filed damages suits against 13 former directors of the bank and the then incorporated accounting firm and 4 auditors. But during FY2007, an amicable settlement was reached respectively between 9 former directors and the RCC and between the incorporated accounting firm/4 auditors and the RCC.

As at March 31, 2008, the DICJ and the RCC brought 124 suits against 484 defendants (including legal entities), demanding a total of approximately ¥125.3 billion in damages.

[See P91, III. 4. (11) “Pursuit of Civil Liability via Litigation and Conciliation”]

(5) Participation in the Government's Activity of Warding off the Interference of Antisocial Forces

The DICJ participated in a group on warding off the interference of boryokudan group in corporate activities under a working team for comprehensive measures against boryokudan group fundraising, which was created in July 2006 under the Ministerial Meeting Concerning Measures against Crimes (drawing up the guideline for preventing damage which companies may suffer by the interference of antisocial forces). Furthermore, the DICJ endeavored to provide information on our efforts to ward off the interference of antisocial forces from an auction to the regulation reform meeting "Housing and Land Task Force" which is promoting activities under the "Three-Year Plan for Promoting Regulation Reform" which was decided at the Ministerial Meeting in June 2007 and to the "Auction System Study Meeting" set up by the Civil Affairs Bureau of the Ministry of Justice. As a result of providing such information, it was incorporated in the "Three-Year Plan for Promoting Regulation Reform (Revised)" decided at the Ministerial Meeting in March 2008 that the government starts to study measures for warding off the interference of antisocial forces from an auction of real estate.

Furthermore, the DICJ is actively supporting activities in the financial industry of warding off the interference of antisocial forces from financial transactions, making the best use of knowledge and experience which the DICJ has so far obtained or gained.

4. The Certain Advancement of the Strengthening and Efficiency of Finances

(1) Financial Conditions

The DICJ runs its operations through seven separate accounts (Note): the General Account; the Crisis Management Account; the Financial Revitalization Account; the Early Strengthening Account; the *Jusen* Account; the Industrial Revitalization Account; and the Financial Function Strengthening Account (FY2007).

These seven accounts are established under the respective relevant laws. The General Account and the Crisis Management Account are established under the "Deposit Insurance Law," the Financial Revitalization Account under the "Financial Revitalization Law," the Early Strengthening Account under the "Early Strengthening Law," the *Jusen* Account under the "*Jusen* Law," the Industrial Revitalization Account under "the Industrial Revitalization Corporation Law" and the Financial Function Strengthening Account under the "Act on Strengthening Financial Functions."

The seven accounts are established because their respective relevant laws stipulate that accounting should be separated for respective operations under special accounts. (The Deposit Insurance Law calls for separate accounting for each area of operation that is to be organized under special accounts.) Consequently, the state of financial results (retained loss, earned surplus, etc.) can be monitored for each law (in the case of the Deposit Insurance Law, for general operations and crisis management operations, respectively). [See P94, III. 5. "Financial Statement by Account"]

Note: The Industrial Revitalization Account was abolished as at June 30, 2007 under the provisions of the Industrial Revitalization Corporation Law, and the financial statements for FY2007 are prepared for about three months' operations.

(i) Overview of seven accounts

During FY2007, the General Account recorded net income for the term of ¥554.8 billion. As a result, retained loss decreased from ¥1,932.6 billion at March 31, 2007 to ¥1,377.7 billion at March 31, 2008. In other accounts, as at March 31, 2008, the Crisis Management Account had an earned surplus of ¥26.7 billion, the Financial Revitalization Account a retained loss of ¥323.6 billion, the Early Strengthening Account an earned surplus ¥1,461.1 billion, and the *Jusen* Account a retained loss of ¥363.4 billion.

Like cases from the past several years, many accounts saw their retained loss decrease and earned surplus increase. This indicates that the DICJ's financial conditions are steadily progressing toward the strengthening and efficiency. (See the table shown in the following page.)

● Earned Surplus/Retained Loss of 7 Accounts

(Unit: ¥ billion; - denotes loss)

Account Name	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
General Account	- 2,977.0	- 2,454.9	- 1,932.6	- 1,377.7
Crisis Management Account	5.8	14.4	23.1	26.7
Financial Revitalization Account	- 849.6	- 684.6	- 476.4	- 323.6
Early Strengthening Account	147.1	345.5	738.6	1,461.1
Jusen Account	- 224.5	- 287.3	- 341.2	- 363.4
Industrial Revitalization Account	- 0.009	- 0.013	- 0.017	0.2
Financial Function Strengthening Account	-	0.2	0.4	0.5
(Reference) Management Base Strengthening Account (Note2)	0	-	-	-

Notes: 1. The Industrial Revitalization Account was abolished on June 30, 2007 under the provisions of the Industrial Revitalization Corporation Law. The financial statements for FY2007 are prepared for about three months' operations.
2. The Management Base Strengthening Account was abolished at the end of FY2004. The assets and liabilities of the account were inherited by the Financial Function Strengthening Account.

(ii) General Account

The General Account is used for insurance payments within the payout cost (Note) and for financial assistance.

The General Account is funded with income of insurance premiums collected at rates set in a manner such as to ensure that "the DICJ's finances are balanced over the long term in light of expected amounts of expenses required for its operations and no specific financial institution is treated discriminately (except for the treatment in accordance with the degree of management soundness of financial institutions), and the difference between revenue and expenses must be set aside as liability reserves.

However, any fund shortage stemming from the execution of the DICJ's operations may be financed by borrowings or issuance of DICJ bonds. [See P31, II. 4. (2) "Funding and Investment" and P34, II. 4. (3) "Change of the Deposit Insurance Premium Rates"]

The liability reserve of the General Account increased each year until FY1994, but declined from FY1995 due mainly to the resolution of many failed financial institutions, and went into deficit in FY1996.

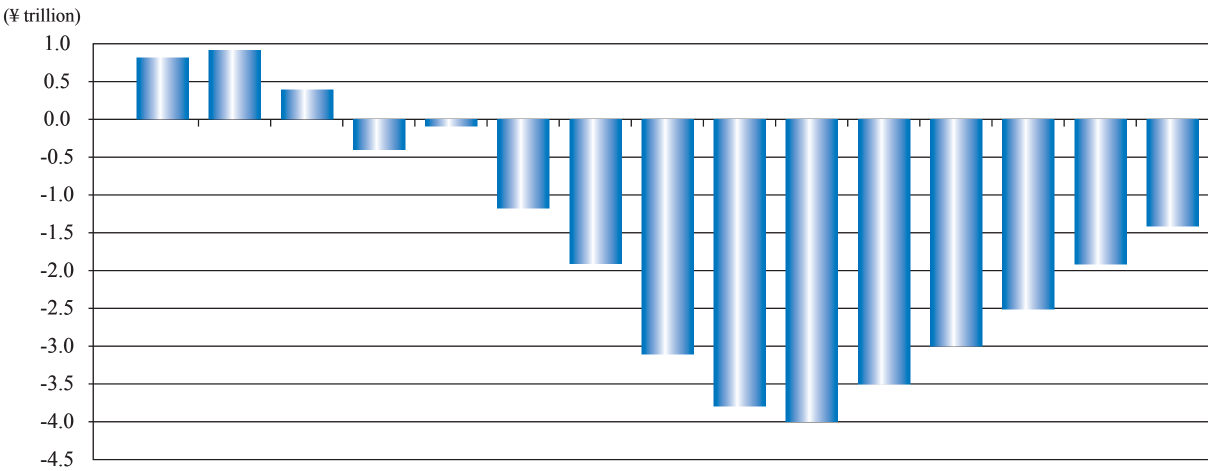
The deficit expanded to ¥4,006.5 billion at the end of FY2002, but then narrowed partly because no new monetary donations were made in the resolution of failed financial institutions (¥1,377.7billion at the end of FY2007).

Note: **Payout cost = Estimated insurance payments**
+ Estimated expenses related with insurance payments
- Estimated liquidation dividends

The payout cost is the expense (cost) estimated to be incurred in paying insurance money to depositors of failed financial institutions (insurance payments).

More specifically, the payout cost is calculated by deducting the "estimated liquidation dividends," which the DICJ can recover through bankruptcy proceedings of failed financial institutions, from the combined sum of estimated insurance payments and estimated expenses associated with insurance payments.

Balances of Liability Reserve/Retained Loss



(¥ trillion)

	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Balances of Liability Reserve/Retained Loss	0.8	0.9	0.4	-0.4	-0.1	-1.2	-1.9	-3.1	-3.8	-4.0	-3.5	-3.0	-2.5	-1.9	-1.4

(iii) Other accounts

Other accounts also improved on the whole, thanks to proceeds from the disposal of retained assets and revenue from retained assets (dividends, interest, etc.). (See table below.)

● Rise/Fall of Earned Surplus/Retained Loss of Other Accounts

(Unit: ¥ billion; - denotes loss)

Account	End-FY2007	Y/Y	Factors
General Account	- 1,377.7	554.8	Insurance Premium income (¥566.6 billion)
Crisis Management Account	26.7	3.5	Dividends on shares held (Note 1) (¥19.6 billion)
Financial Revitalization Account	- 323.6	152.8	Dividends on shares held (Note 2) (¥21 billion) Proceeds from sale of shares held (Note 2) (¥29 billion) Proceeds from purchase and recovery under Article 53 (¥54.4 billion)
Early Strengthening Account	1,461.1	722.4	Proceeds from disposal of preferred shares, etc. (¥711.1 billion)
Jusen Account	- 363.4	- 22.2 (Note 3)	Business promotion subsidies payable (¥22.2 billion)
Industrial Revitalization Account	0.2	0.2	Profit from contribution to the IRCJ (¥0.2 billion) (Note 4)
Financial Function Strengthening Account	0.5	0.1	Interest income from subordinated loans (Note 5) (¥0.2 billion)

Notes: 1. Shares of Resona Holdings
2. Shares purchased from banks under the special public management (former Long-Term Credit Bank of Japan and former Nippon Credit Bank)
3. The increase in retained loss in the *Jusen* Account is due to the fact that no loss was made good by business promotion subsidies payable to the RCC due to poor investment results for the Financial Stabilization Contribution Fund in the financial market in which the low interest rate is prevailing. (Accrued liabilities of ¥22.2 billion) [See P94, III. 5. "Financial Statement by Account"]
4. Accompanied by the completion of liquidation of the IRCJ (June 5, 2007), the Industrial Revitalization Account recorded a contribution profit of ¥238 million.
5. Subordinated loan to Kanto-Tsukuba Bank, Ltd. under the Act on Organizational Restructuring (The DIJC entrusts the RCC with making the subordinated loan and receives payment of interest on the said loan from the RCC).

(2) Funding and Investment

(i) Funding

For deficits arising from operations performed, the DICJ is authorized to raise funds for each account in the form of borrowing and/or bond issues up to the amount separately stipulated by the Cabinet Order (however, for the *Jusen* account, only borrowing is allowed).

Government guarantees can be given on funding for accounts other than the *Jusen* Account under the ordinances concerning borrowing or bond issues (the total limit of the government guarantee being as stipulated in the general provisions of the budget, FY2007: ¥48 trillion, FY2008: ¥43 trillion). [See P92, III. 4. (13) Table1. "Outline of Funding Program by Account"]

Outstanding balance of the DICJ's funding at the end of the fiscal year peaked in FY2002, and with subsequent decreases, it was around ¥7 trillion at March 31, 2008. [See P93, III. 4. (13) Table 2. "Outstanding Balance of Funds Raised in Each Fiscal Year"]

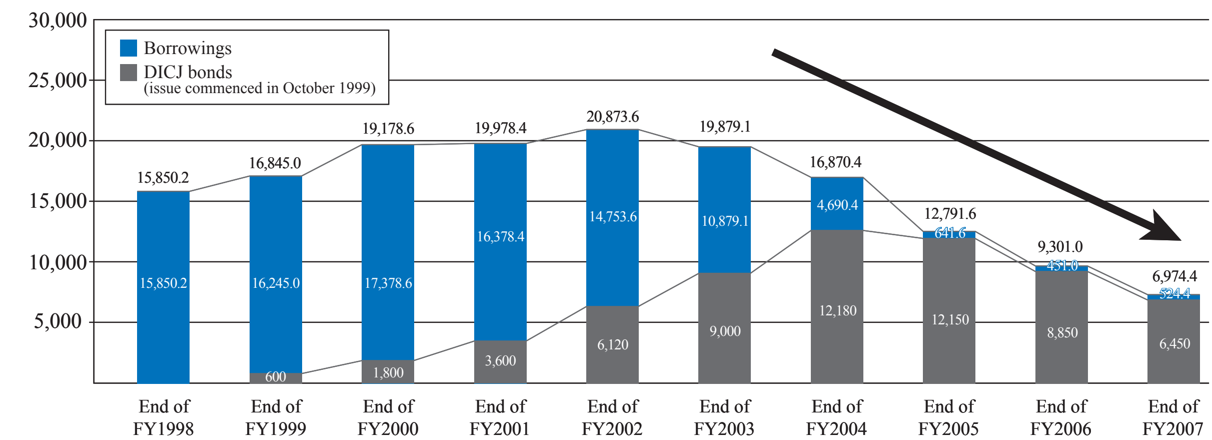
With the objectives of securing stable funding and preparing for the future interest rate rises, the DICJ has been shifting the thrust of funding to match medium- and long-term assets from borrowing (up to one year, in principle) to issuance of DICJ bonds (2 to 7 years). Consequently, out of the outstanding funding balance of ¥7 trillion at March 31, 2008, DICJ bonds maintained a high ratio of around 92%, sustaining the financial base that can withstand higher interest rates.

● Outstanding Balance of Funds Raised (as at March 31, 2008)

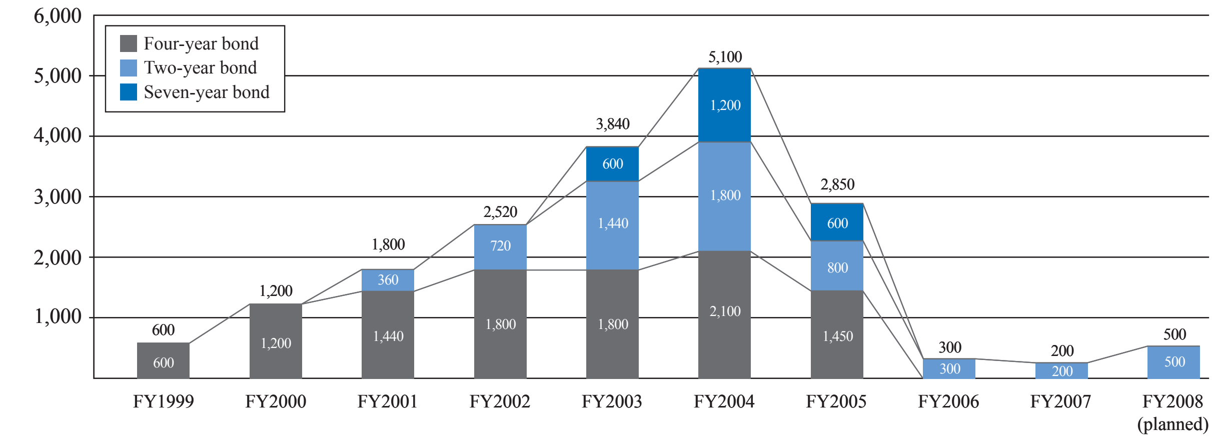
(Unit: ¥ billion, %)

	Outstanding Balance of Funds Raised	Borrowing	DICJ bonds
Total	6,974.4 (100.0%)	524.4 (7.5%)	6,450.0 (92.5%)
General Account	1,636.5	56.5	1,580.0
Crisis Management Account	1,928.4	328.4	1,600.0
Financial Revitalization Account	1,963.3	93.3	1,870.0
Early Strengthening Account	1,400.0	-	1,400.0
Financial Function Strengthening Account	46.2	46.2	-
Jusen Account	-	-	-

● Outstanding Balance of Funding



● Annual Issuance of DICJ Bonds



During FY2007, the DICJ reduced the annual issuance amount of DICJ bonds (all for the Financial Revitalization Account, all in two-year bonds) to the minimum necessary level of ¥200.0 billion, in light of the actual sales of shares purchased from the former Long-Term Credit Bank of Japan and former Nippon Credit Bank.

Following FY2006, the DICJ endeavored to make the borrowing period more flexible in order to reflect actual funding conditions of each account of the DICJ and to minimize the risks associated with interest rate fluctuations.

In addition to the above, the DICJ reviewed participants in bid for borrowing from the viewpoint of enhancing the efficiency and saving labor in administrative work. Specifically speaking, the DICJ reduced the number of participants in bid from the existing 175 to 69 (as at March 31, 2008), taking into account the past track record of submitting bids and the future desire to participate in bid.

● Outline of Funding Operations

1999	October	• Commenced the issue of bonds for the Early Strengthening Account (four-year bond).
2001	June	• Commenced the issue of two-year bonds for the Early Strengthening Account (from four-year bond to two- or four-year bonds).
2002	March	• The Bank of Japan accepted the governmental guaranteed claim on deeds to the DICJ as eligible security (assessment rate of eligible security: 80% of the outstanding principal).
	December	• The Bank of Japan raised the assessment rate of the eligible security on deeds of which the initial claim period is less than one year (from 80% to 96% of the outstanding principal, and to 97% in September 2005).
2003	April	• Commenced the issue of seven-year bonds for the Early Strengthening Account (from two or four year bonds to two-, four- or seven-year bonds) • Commenced the issue of two- or four-year bonds for the General Account and the Financial Revitalization Account.
2004	March	• Commenced the unsecured call money.
	April	• Commenced the issue of four- or seven-year bonds for the Crisis Management Account. • Commenced interest rate swap transaction. • Changed the method of bond auction (from the total amount method to the Yield-Dutch Style auction (Note)). Note: The Yield-Dutch Style auction refers to a method of accepting bids of lower yielding in ascending order until reaching the expected issuance volume (the highest accepted bid yielding), and issuing bonds are subject to the terms of the highest accepted bid yielding.
	July	• The time for announcing the results of bidding for borrowers was brought forward by half a day (from 4:00 p.m. to 9:30 a.m. of the business day following the date of bidding).
2006	January	• Commenced bidding of the transfer bond, in line with the Book-Entry Transfer System for “Corporate Bonds.” Fee rates for principal repayments and interest payments on newly issued bonds lowered.
	March	• The time for announcing the results of bidding for borrowers was brought forward by half a day (from 9:30 a.m. of the following business day after the bidding to 5:00 p.m. of the date of bidding).
	June	• Decided to shift outstanding DICJ bonds issued by December 2005 to book-entry bonds, and also to reduce fee rates for principal repayments and interest payments on these bonds after the changeover.
	December	• Carried out medium-term borrowings (for two years and five months) for the Financial Function Strengthening Account.
2008	March	・Reviewed participants in bid for borrowing (Number of participants in bid : from 175 to 69)

● Interest Rate on Funding (funded during FY2007)

	Borrowing (guaranteed by the government)	DICJ Bond Subscriber’s Yield (guaranteed by the government)			Unsecured Call money
		2-year bond	4-year bond	7-year bond	
Average (Note)	0.728%	0.852%	—	—	0.552%
Peak	0.904%	0.935%	—	—	0.565%
Bottom	0.609%	0.769%	—	—	0.545%

Note: The Average is calculated by the weighted average of the amount.

(ii) Management of surplus funds

The DICJ invests surplus funds mainly in long-term bonds through the Financial Stabilization Contribution Fund in the *Jusen* Account (the *Jusen* Fund). The *Jusen* Fund is the fund (¥1,007 billion) that was established in the DICJ based on the Cabinet understanding “Regarding Specification of the Housing Loan Corporation Disposal Measures” of January 30, 1996 in order to invest capital in the claim resolution company, provide operations promotion subsidies and fulfill debt guarantees. With the exception of ¥100 billion of capital invested in the claim resolution company, the DICJ invests ¥907 billion of the above fund in the order of: (i) Japan Government Bonds; (ii) government guaranteed bonds; and (iii) highly rated municipal bonds, general secured corporate bonds and fiscal investment and loan institution bonds, while paying sufficient consideration to ensuring the balance of security, profitability, and liquidity in compliance with laws and regulations.

● Investment Situation of the Financial Stabilization Contribution Fund (Unit: ¥ billion, %)

	March 31, 2006		March 31, 2007		March 31, 2008	
	Balance	Share	Balance	Share	Balance	Share
Total investment	907.0	100.0	907.0	100.0	907.0	100.0
Medium- and long-term bonds	906.4	99.9	906.7	100.0	906.7	100.0
Japan Government Bonds	253.5	27.9	198.8	21.9	200.0	22.1
Government guaranteed bonds	188.0	20.7	189.0	20.8	189.0	20.8
Municipal bonds	51.1	5.6	61.1	6.7	61.1	6.7
Secured corporate bond	269.8	29.7	269.8	29.7	268.6	29.6
Fiscal investment and loan institution bond	144.1	15.9	188.0	20.7	188.0	20.7
Short-term bond, etc.	0.6	0.1	0.3	0.0	0.3	0.0
FT, TB	0.5	0.1	0	0.0	0	0.0
Secured call loan	-	-	0.3	0.0	0.3	0.0

Note: Since figure are rounded off, total sometimes do not equal the sum of the amounts.

	FY2005	FY2006	FY2007
Investment return	¥16.0 billion	¥12.7 billion	¥13.4 billion
Investment yield	1.764%	1.400%	1.476%

In addition to the above, the DICJ had invested surplus funds in accounts other than the *Jusen* Account, which come about as temporary differences between fund outflows and inflows through these accounts, in short-term gensaki transactions (repurchase under resale agreement) for financing bills (FBs) and treasury bills (TBs). However, the DICJ started outright purchases of FBs and TBs for short-term investment, outright purchases of interest-bearing government bonds for long-term investment, and investment in secured call loan transactions which are settled on the very day of trading, respectively in FY2006.

During FY2007, surplus funds in the Early Strengthening Account began to exceed the outstanding balance of interest-bearing bonds (all DICJ bonds), as a result of receiving profit payments due to repayments of public funds injected by major banks to the Early Strengthening Account for FY2006. In order to deal with such situation, the DIJC further promoted purchases of interest-bearing government bonds (those of which a current maturity is almost the same as that of DICJ bonds) which the DICJ started in March 2007. (Outstanding balance of purchases of interest-bearing government bonds: from ¥29.6 billion at March 31, 2007 to ¥1,097.4 billion at March 31, 2008.)

The DICJ began investment in secured call loan transaction in December 2006, and since June 2007, has expanded the covered accounts from the existing 4 accounts (General, *Jusen*, Financial Revitalization and Early Strengthening accounts) to all accounts, and has effectively invested taking into account the trend in interest rates and day-to-day cash flow position.

In investment of surplus funds, the DICJ, from the standpoint of minimizing public burdens, intends to further strive to improve investment efficiency as much as possible while paying due consideration to the diversification of investment means.

(3) Change of the Deposit Insurance Premium Rates

The Policy Board decided to change the deposit insurance premium rates for FY2008 to 0.108% for “deposits for payment and settlement purposes” (0.110% in FY2007) and to 0.081% for “general deposits, etc.” (0.080% in FY2007) at the meeting held on March 21, 2008. The DIJC obtained the authorization from the Commissioner of the FSA and the Finance Minister on March 31, 2008, and announced them in public on April 3, 2008.

The DICJ changed the deposit insurance premium rates for FY2008, maintaining the basic policy described below and taking into account the changes of the balance of insured deposits, such as a shift in deposits from “deposits for payment and settlement purposes” to “general deposits, etc.” [See P42, III. 1. (1) (v) “Deposit insurance premium”]

(Basic policy)

- Given that the financial performance of the DICJ (General Account) is running a huge loss (an estimated loss of around ¥1,400 billion in FY2007) and that the insurance premium burden on insured financial institutions continues to be at a relatively high level, an weighted average of the insurance premium rates (“Effective rates”) are maintained at the current 0.084%.
- The deposit insurance premium rate is calculated to ensure the equal insurance premium burden for each yen of insured deposits between the deposits for payment and settlement purposes which are fully protected, and “general deposits, etc.” limited coverage (Note).

Note: The limited coverage protects a principal of up to ¥10 million and its interest, etc.

5. International Cooperation and Research & Study Activities Related to Deposit Insurance

(1) International Cooperation

(i) Multilateral cooperation and international exchanges

Recently, the governments around the world have been deepening the understanding that it is an important task to stabilize the financial system and to improve and manage the deposit insurance system. The DICJ has promoted mutual understanding among deposit insurance institutions of various countries through continuous participation in the International Association of Deposit Insurers, holding of the meetings hosted by the DICJ and collaboration and cooperation with deposit insurance authorities overseas. Furthermore, the DICJ is monitoring the deposit insurance system around the world and international trends in the market surrounding the financial industry. We think these activities will lead not only to enhancement of the deposit insurance system in Japan, but also to strengthening the deposit insurance system of foreign countries by conveying the experiences and knowledge of Japan which dealt successfully with the so-called Heisei financial crisis amid significant change of the financial market in the world.

1) International Association of Deposit Insurers (IADI)

The DICJ, as one of its founding members, has been participating in the activities of the IADI since its establishment in order to maintain and strengthen cooperative relations with deposit insurance institutions of various countries and also to gather information related to overseas deposit insurance systems.

The IADI has the Executive Council as its highest decision-making body, which sets policies for its operations and research activities. Recently, the IADI has developed "Core Principles for Effective Deposit Insurance Systems ('Core Principles')" as the basic policy of the deposit insurance and announced it in April 2008. The "Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience," which was announced in the said month by the Financial Stability Forum, refers to the said Core Principles as the basis of the international principles. The DICJ had been serving as one of the committee members of the Executive Council since the establishment of the said Council and in February 2008 took office as the vice-chairman newly set. In addition to the above, the IADI has various standing committees (six committees in all) for undertaking specific activities. Furthermore, the IADI has Regional Committees (seven committees in all) with the primary objective of reflecting the interests of each region in its overall activities. In Asia, there is the Asian Regional Committee (ARC) which is comprised of deposit insurance institutions and related organizations in the region, and the DICJ has been serving as the chair of the ARC since establishment of the IADI. As the chairing institution, the DICJ called the sixth annual meeting of the ARC in Bali, Indonesia, in March 2008, where an active exchange of views and discussion took place on such issues as "deposit insurance and small banks" and "public awareness."

The DICJ also took the initiative, as the chairing institution of the ARC, in efforts of the IADI Membership and Communication Committee to increase the number of deposit insurance institutions participating in the IADI from non-member institutions in the Asian region.

Column 6: International Association of Deposit Insurers (IADI)

The International Association of Deposit Insurers (IADI) was established in May 2002 by deposit insurance institutions and relevant government agencies from around the world with the objective of contributing to financial system stability by expanding mutual cooperation among deposit insurance institutions. In order to achieve this objective, the IADI's main activities include: (i) deepening the understanding of common matters of concern and problems related to the deposit insurance system; (ii) preparing guidance to enhance the effectiveness of the deposit insurance system; (iii) exchanging and sharing expert knowledge and information on various issues relating to deposit insurance; and (iv) undertaking various research and study activities concerning the deposit insurance system. Since its inception, the number of IADI member institutions has increased steadily year by year, standing at 73 institutions from 55 countries/regions at March 31, 2008. [See P118, III. 7. (1) (i) "International Association of Deposit Insurers (IADI) List of Participants"]

2) Holding of the 3rd DICJ Round Table

Since 2006, the DICJ has annually held the "DICJ Round Table" conference, where the DICJ, as a moderator, presents important issues that the DICJ may confront in the future. Discussions and exchanges of opinions were made over such issues with the participation of well-experienced executives and expert officials from major deposit insurance institutions.

The Round Table is designed to: (i) gather various information for the benefit of the DICJ's future operations; (ii) provide information (intellectual assistance) to Asian countries (in particular, countries that plan to introduce the deposit insurance system soon or that have introduced the system only recently); and (iii) strengthen cooperation among deposit-insurance-related organizations.

The latest meeting, the 3rd Round Table, was held in Tokyo for two days in February 2008, with the participation of 29 executives and expert officials of 19 deposit insurance institutions and related organizations from the United States, the United Kingdom, Mexico and Asian countries.

The agenda of the 3rd Round Table consisted of: (i) "Comparative study of asset management companies' mandate, organizational structure and strategy"; and (ii) "Cross-border issues from an Asian perspective." A wide-ranging exchange of views took place through various presentations by participants based on their own experiences.

In the session of (i) "Comparative study of asset management companies' mandate, organizational structure and strategy," the DICJ presented issues and introduced how Japan dealt with the Heisei financial crisis. Through presentations and discussions by participants from various countries, participants deepened the understanding of common matters of concern whereby it is necessary to take flexible measures for the management and collection of assets according to the actual state of affairs in each country. In the session of (ii) "Cross-border issues from an Asian perspective," a useful exchange of views and advice took place on such issues as the necessity of international cooperation and the importance of continuous dialogue in the future including exchange of information. [See P120, III. 7 (1) (ii) "DICJ 3rd Round Table - Program and Participants"]

3) Interchanges with related organizations overseas

The DICJ strengthens cooperative ties with related organizations overseas. Through such opportunities, the DICJ deepens the understanding of the deposit insurance system and the circumstances surrounding the financial market around the world, and strives to convey the experiences of Japan to deposit insurance institutions of various countries and regions. In August 2007, the Chairman of the Indonesia Deposit Insurance Corporation visited the DICJ for consultation on preparation for "The Sixth IADI ARC Annual Meeting and International Conference," which was scheduled to be held in the following year. In November 2007, the Chairman of the Federal Deposit Insurance Corporations (FDIC) of the United States visited the DICJ for exchange of views on the deposit insurance system of both countries and future cooperative relations.

Furthermore, in December 2007, the Chairman of the Central Deposit Insurance Corporation of Taiwan and the General Director of the Deposit Insurance of Vietnam visited the DICJ respectively for exchange of views on future cooperative relations and strengthening the deposit insurance system.

Through these opportunities and on other occasions, the DICJ exchanged letters with deposit insurance institutions of Asian region with the hope of enhancing mutual cooperation, including an exchange of information and technical cooperation.

The DICJ is also seeking to foster stronger ties of cooperation with the FDIC of the United States, including the dispatch of DICJ staff to the FDIC for a short period of time. [See P122, III. 7. (1) (iii) "Visits Paid and Received in Relation to International Operations" and P124, III. 7. (1) (iv) "Deposit Insurance Schemes of kye Countries"]

(ii) Bilateral technical cooperation

The DICJ is tackling the task of providing technical support for introduction and strengthening of deposit insurance systems focusing on the Asian region which is important to Japan from the standpoint of strengthening international relations in the economic and financial aspects. In addition to lectures which the expert officials of the DICJ give overseas, the DICJ provides training services in Japan in collaboration with other Japanese organizations.

1) Dispatch of expert officials abroad

a. Support for strengthening/introduction of deposit insurance systems in Vietnam, Thailand and Laos

In October 2007, at the request of the Deposit Insurance of Vietnam, which is seeking to strengthen the deposit insurance system as part of efforts to improve the financial safety net, the Bank of Thailand, the central bank, which is preparing to establish a deposit insurance system as well as the Bank of the Lao PDR, which is aiming to establish the fully-fledged deposit insurance system, the DICJ held a "Deposit Insurance Seminar" in Hanoi, Bangkok and Vientiane, where the expert officials of the DICJ gave lectures on such issues as the changes of the Japanese deposit insurance system, resolution of failed financial institutions and bridge bank system.

b. Deposit Insurance Seminar in Indonesia

In December 2007, taking an opportunity in which the preparatory meeting for "The Sixth IADI ARC Annual Meeting and International Conference" was held in Indonesia, the DICJ, at the request of the Indonesia Deposit Insurance Corporation, held a seminar on the theme of resolution of failed financial institutions and the expert officials of the DICJ gave lectures on the technique of failure resolution and bridge bank system.

c. Dispatching expert officials to Vietnam for a short period of time

In March 2008, the DICJ dispatched an expert official of the Legal Affairs Department for a short period of time (one week) to Vietnam which is doing the work of enacting the deposit insurance law, etc., as part of the supporting project pursued by the Japan International Cooperation Agency (JICA) and provided technical guidance to the State Bank of Vietnam and government-related parties by lectures and discussions focusing on the legal framework of the deposit insurance system.

2) Acceptance of trainees and research groups from overseas (including those in collaboration with other Japanese organizations)

a. Research groups from Taiwan and China

The DICJ endeavors proactively to accept trainees and research groups from overseas. In FY2007, the DICJ accepted the research teams of law firms entrusted by the Central Deposit Insurance Corporation of Taiwan and the research group from the Development Research Center of the State Council of People's Republic of China as part of the project by the Asian Development Bank.

b. "The 4th Seminar on Financial System" hosted by the JICA

The DICJ dispatched expert officials to the training program aiming at strengthening the financial sector of ASEAN countries (for a period of around one month), which the JICA has implemented annually since FY2004. In the seminar they give lectures on deposit insurance systems.

For the fourth seminar in FY2007, nine trainees visited Japan to participate in the said seminar from the relevant countries. In the middle of January 2008, the DICJ provided them with one day training on the themes of "History, role and function of the Deposit Insurance Corporation of Japan," "Approaches for resolution of failed financial institutions under limited coverage" and "Role of the RCC and collection operations of non-performing loans."

c. "The 3rd Seminar on Deposit Insurance" hosted by the FSA

Since FY2005, the FSA has been hosting the "Seminar on Deposit Insurance" in Tokyo annually in collaboration with the DICJ for Asian countries that are about to introduce the deposit insurance system soon or just introduced the system (Indonesia, Thailand, China, Bangladesh, Mongolia and Laos) with the purpose of supporting them in building a financial safety net.

For the 3rd Seminar in FY2007 which was held for around a week in late February 2008, the DICJ invited eight people from deposit insurance institutions and related organizations of the relevant countries. Expert officials from the FSA and the DICJ, acting as lecturers, provided them with training on such basic themes as "History, role and function of the Deposit Insurance Corporation of Japan," "Approaches for resolution of failed financial institutions under limited coverage" and "Role of the RCC and collection operations of non-performing loans." The trainees also participated in "the 3rd DICJ Round Table" (described earlier), which provided them with an opportunity to acquire diversified knowledge about the designs and operations of the deposit insurance systems of countries that joined the conference.

d. Other activities

In addition to the above, as part of the cooperation with other Japanese organizations, expert officials of the DICJ gave lectures at the seminar on "Necessary policy measures and reform strategies for financial system stability in NIS countries" hosted by the JICA and at the "Invitation Project for Middle-Management" hosted by the Interchange Association Japan and introduced a wide spectrum of Japanese experiences about the deposit insurance system.

(2) Strengthening Research & Study

(i) Enhancing and strengthening functions of research and study

In order to study more deeply the role of the deposit insurance system in protecting depositors and ensuring financial system stability as a safety- net player, in FY2004, the DICJ newly established the Office for Research and Intelligence and enhanced the functions of studying and researching deposit insurance systems, both within and outside Japan.

In FY2007 also, the DICJ invited experts from both within and outside Japan, and held the seminar for executives and staff of the DICJ and exchanged views. Furthermore, the DICJ gathered widely information on foreign deposit insurance systems and bank resolution. Particularly, the DICJ researched into the deposit insurance system focusing on "Resolution of cross-border banks," "Insurance coverage," "Treatment of dormant accounts," "Dealing with antisocial forces," "Pursuit of liability involving failed financial institutions" and "Deposit insurance system reform in the United Kingdom," and organized the points under discussion.

In order to deal with internationally growing controversy over "Resolution of cross-border banks," the DICJ studied the international insolvency legal system and exchanged views with foreign deposit insurance authorities. Concerning "Dealing with antisocial forces," the DICJ endeavored to provide information on efforts to ward off the interference of antisocial forces from an auction. Consequently, it was incorporated in the three-year plan for promoting regulation reform (Cabinet decision in March 2008) that the government starts to discuss measures for warding off the interference of antisocial forces from an auction of real estate. Furthermore, as liquidity crisis of the medium-sized bank led to thorough review of the U.K. deposit insurance system, the DICJ endeavored to gather proactively information on movement of the revision.

(ii) Issuing the journal "Deposit Insurance Review"

In March 2004, the DICJ started to issue the journal "Deposit Insurance Review," which serves as a forum for the public release of the results of ongoing investigation and research, and in FY2006, the DICJ published the eighth issue in April 2007.

Also, the ninth issue was published in June 2008 (Note).

The DICJ posts the journal on its Website (http://www.dic.go.jp/kenkyu/kenkyu.html) for easy access by researchers, financial industry people, and many others.

Note: Articles and materials published in the DICJ Research and Study Journal "Deposit Insurance Review"

1) Inaugural Issue (March 2004)
- Message for Publication of "Deposit Insurance Review"
- International Comparison of Deposit Insurance Rate Systems
- Deposit Insurance Rate Systems in the US and Canada

2) No. 2 (September 2004)
- Deposit Insurance Systems in 4 European Countries
- 2nd ASEM Bali Initiative Workshop (on Deposit Insurance System)
- International Seminar on Deposit Insurance
- Interim Report of the Deposit Insurance Premium Rate Study Group

3) No. 3 (March 2005)
- Deposit Insurance Systems in Asian Countries (1)
- Fiscal Structure of the Deposit Insurance System—A Medium-term Perspective
- Seminar on Risk Management after Shift to Limited Coverage in Taiwan
- Workshop on Deposit Insurance in China
- Changes in Major Frameworks for the Deposit Insurance System

4) No. 4 (September 2005)—Feature Edition: Dealing with the Heisei Financial Crisis
- A Quantitative Analysis of Financial Institutions' Failures
- Evolution of Failure Resolution Methods and Improvement of Related Laws (Prior to the Financial Revitalization Law)
- Evolution of Failure Resolution Methods and Improvement of Related Laws (After the Financial Revitalization Law)
- Changes in Failure Resolution Funding and the Financial Structure of the DICJ
- An Overview of Pursuit of Liability of Parties Involved at Failed Financial Institutions
- Changes in Supervisory Systems for Financial Institutions
- A List of Information on Failed Financial Institutions

5) No. 5 (October 2005)
- Thinking Over the Causes of the Bubble Economy (1st of the Two-part Series)
- Purchases of Assets from Sound Financial Institutions under Article 53 of the Financial Revitalization Law
- Deposit Insurance Systems in Asian Countries (2) (India, Vietnam, Indonesia)
- The Workshop on Deposit Insurance and Anti-Money laundering in Mongolia
- The Conference on "Early Warning Systems"

6) No. 6 (March 2006)
- Amendment to the US Federal Deposit Insurance Act
- History and the Current Status of Activities to Pursue Liability of Former Executives of Failed Financial Institutions in the US—Comparison with Japan
- The Deposit Insurance System in Korea
- Report by the Research Subcommittee, Asia Regional Committee/International Association of Deposit Insurers (1) "Shift from Blanket Protection to Limited Coverage (Provisional Translation)"

7) No. 7 (November 2006)
- Thinking Over the Causes of the Bubble Economy (2nd

of the Two-part Series)
- Post-FDIRA (Federal Deposit Insurance Reform Act) Deposit Insurance System in the US
- The Heisei Financial Crisis and Antisocial Forces
- Integrated Management of Dormant Deposits in Foreign Countries
- An Overview of the DICJ Round Table
- Report by the Research Subcommittee, Asia Regional Committee/International Association of Deposit Insurers (2) "Securing and Maintaining the Liquidity of the Deposit Insurance Fund (Provisional Translation)"

8) No. 8 (April 2007)
- Financial Structure of the DICJ
- Capital Injection-Related Operations
- The Deposit Insurance System of Taiwan
- Scope of Deposit Insurance Protection in Foreign Countries—From Discussions at the 2nd Round Table

9) No.8 (June 2008)
- Resolution of Cross-border Banks and Deposit Insurance System
- Warding off the Interference of Antisocial Forces from Auctions----Proposal concerning Improvement of Civil Execution Proceedings
- Management and Disposal Operations of Real Estate by the DICJ----Upon Finishing Management and Disposal of Real Estate acquired from Hanwa Bank
- Deposit Insurance System in Canada
- The 2nd DICJ Round Table
- The 3rd DICJ Round Table

6. Proper Implementation of Operations involved in Criminal Accounts Damages Recovery

On June 21, 2008, the "Act on the Payment of Damages Recovery based on the Funds of Criminal Accounts" came into enforcement.
The objective of this Law is to contribute to compensation for property damage suffered by victims by providing for procedures for payment of distribution of fund collected to persons who have suffered any damage by criminal acts which were done by utilizing transfer to bank accounts. Because it is extremely important to ensure public awareness of information on procedures for payment to victims by public notice, this Law provides that the DICJ, which may make public notice uniformly going beyond different types of business as a fair and neutral public institution, shall carry out relief operations including such public notice.
On June 21, 2008 on which this Law came into force, the DICJ set up the new account, established an organization handling new operations and started operations.
The system is outlined as follows.

(1) Covered Financial Institutions

This Law is applicable to banks (including Japan Post Bank and foreign banks), shinkin banks, labor banks, credit cooperatives, agricultural cooperatives, fisheries cooperatives, marine product processing cooperatives, the Norinchukin Bank, the Shoko Chukin Bank and federations of these cooperatives. So, the wider scope of financial institutions than those covered by the deposit insurance system may utilize this system.

(2) Flow of Procedures and Operations Handled by the DICJ

Flow of procedures and operations handled by the DICJ in the process of the procedures is outlined as follows.
[See P60, III, 2. "Flow of Procedures for the Payment of Distribution of Fund Collected to Victims and Operations Handled by the DICJ"]

(i) If the financial institution obtains information from the investigating authorities that a bank account is unlawfully utilized or suspects that a bank account is utilized for fraud, the financial institution concerned takes proper measures including freezing the bank account.

(ii) Next, if a financial institution has enough reason to believe that the bank account is being utilized for criminal acts, the financial institution concerned requests the DICJ to give a public notice that the procedures for forfeiting claims in the bank account are started. This notice announces that unless the nominee of the bank account files to exercise the right within the period prescribed (60 days or more in the law), claims for deposits are forfeited.

(iii) If the DICJ is requested to give a public notice by a financial institution, the DICJ announces without delay that the procedures for forfeiting claims are started.
This public notice is given only on the Internet from the viewpoint of retrieving easily and reducing expenses. This is the first public notification of the system implemented by the DICJ.
Upon giving a public notice, the DIJC set up a home page for using exclusively for public notice, taking into account the convenience of referring persons. To this end, people may easily retrieve information concerning public notices.

(iv) Unless a depositor files to exercise the right within the period prescribed in (ii) above, claims for deposits shall be forfeited.

(v) If claims for deposit have become extinct, the financial institution requests the DICJ to give a public notice that the procedures for payment of distribution of fund collected to victims concerning the extinct deposit obligations are started. The DICJ accepting such request gives a public notice that the victims, who have suffered any damage by a criminal act whereby the bank account involved in the extinct deposit obligations was utilized for fraud, shall make an application for receiving payment of distribution of fund collected within the period prescribed (30 days or more).

If the DIJC is requested to give such a public notice by the financial institution, the DICJ gives without delay the public notice of starting the procedures for payment.

(vi) After the period of application has elapsed, the financial institution confirms that an applicant is the victim and assesses the amount of damage based on the application submitted and other documents, and ascertains the right to demand payment of fund collected. The amount payable to individual victims is not the amount of damage actually suffered but the amount obtained by multiplying the amount of extinct deposit obligations by a proportion of the amount of damage suffered by each victim to the total amount of damage. If the amount of extinct deposit obligations falls short of ¥1,000, no payment of distribution of fund collected is made.

(vii) After the payment has been decided, the financial institution must, without delay, make payment of distribution of fund collected to the victim who received the notice of decision, using the amount of extinct deposit obligations as the source of payment.

(viii) After making payment of distribution of fund collected to the victim, if there is any amount of surplus (residual property), the financial institution is to pay the residual property to the DICJ.

Concerning a certain proportion of the residual property, for example, if after the deposit obligations have become extinct, it is found that the bank account concerned was not the bank account utilized for fraud and the financial institution made payment to the nominee of the bank account, the DICJ reimburses the amount equivalent to that paid by the financial institution. Like this, the residual property is to be utilized for relief of the valid nominee of the bank account.

The residual property which remains still after the aforementioned action has been taken, is to be paid for enhancement of the support system to victims in accordance with the order of the competent ministry, which is not still provided for.

(3) Separate Accounting

The relevant law calls for separate accounting for these operations that is to be organized under the special account (called “Damage Recovery Distribution Account”).

Moreover, expenses incurred in these operations are to be financed by commissions which are collected from financial institutions requesting public notice.

(4) Announcement of the Status of Payment of Distributions

The DICJ is to make public, at least once a year, the status of payment of distribution of fund collected to victims.

III. FACTS & FIGURES

1. Deposit Insurance System

(1) Outline of Deposit Insurance System

(i) Formation of a deposit insurance relationship

A deposit insurance relationship among the DICJ, a financial institution and its depositors is automatically formed in conformity with the Deposit Insurance Law when the insured financial institutions described in (ii) below accept the insured deposits, etc. described in (iii) below.

(ii) Insured financial institutions

The financial institutions covered by the deposit insurance system are those mentioned below.

a. Banks stipulated in the Banking Law
b. Long-term credit banks stipulated in the Long-Term Credit Bank Law
c. Shinkin banks
d. Credit cooperatives
e. Labor banks
f. Shinkin Central Bank
g. The Shinkumi Federation Bank
h. The Rokinren Bank

Notes: 1. At present, no Long-term Credit Banks exist that are stipulated in the Long-term Credit Bank Law.
2. Overseas branches of the above financial institutions, government-related financial institutions, and Japanese branches of foreign banks are not covered by this system.
3. The Shoko Chukin Bank will be covered by the deposit insurance system in October 2008.
4. The Norinchukin Bank, agricultural cooperatives, fisheries cooperatives, and others are members of" the Agricultural and Fishery Co-operative Savings Insurance Corporation."
5. Securities companies belong to "the Investor Protection Fund," and life and non-life insurance companies belong to "the Life Insurance Policyholders Protection Corporation of Japan" and "the Non-life Insurance Policyholders Protection Corporation of Japan," respectively.

(iii) Insured deposits, etc.

The deposits, etc. insured by the deposit insurance system are as follows:
(a) Deposits; (b) Installment savings; (c) Installment contributions; (d) Money trusts with the guarantee of principal; and (e) Bank debentures (limited to custody products).

Provided that the deposits, etc. described below are excluded from insured deposits, etc.:
(a) Foreign currency deposits; (b) negotiable certificates of deposits; (c) subscribed bank debentures and bank debentures whose custody agreement has terminated; (d) loan trusts whose rights of beneficiary are recorded in a book-entry transfer system; (e) deposits, etc. in special international financial transaction accounts (Japan offshore market accounts); (f) deposits, etc. from the Bank of Japan (excluding treasury funds); (g) deposits, etc. from insured financial institutions (excluding those related to the investment of fixed contribution pension reserves); (h) deposits, etc. from the DICJ; and (i) anonymous bank accounts.

Furthermore, the deposits, etc. described below are excluded from protection under the deposit insurance system:
(a) Deposits, etc. under another party's name (including those under fictitious/false names); and (b) Deposits, etc. to be re-lent to a third party.

(iv) Scope of protection

1) Scope of protection

Regarding the amount of deposits, etc. protected by the deposit insurance system when a financial institution has failed, deposits falling under the category of deposits for payment and settlement purposes (those meeting three requirements –

zero-interest, payable on demand, and capable of providing settlement services) are fully protected, while deposits, etc. other than those above-mentioned (called “General Deposits, etc.”) are protected up to a maximum of ¥10 million in principal, plus related interest, per depositor, per financial institution.
For amounts in excess of ¥10 million in principal among general deposits, etc. as well as uninsured deposits, etc. and their interest, repayment is made according to the failed financial institution’s assets, so these deposits, etc. are subject to deduction.

Types of Deposits, etc.			Scope of Protection
Deposits, etc. covered by deposit insurance	Deposits for payment and settlement purposes	Current deposits, ordinary deposits no interest accrues, etc.	Full protection
	General Deposits, etc.	Interest-accruing ordinary deposits, time deposits, installment savings, money trusts with the guarantee of principal, etc.	Protection up to a total of ¥10 million principal (Note 1) plus its interest, etc. (Note 2) Repayment is made for an amount in excess of ¥10 million according to the failed financial institution’s assets. (Subject to deductions)
Deposits, etc. not covered by deposit insurance		Foreign-currency deposits, money trusts without guarantee of principal, bank debentures other than custody products, etc.	No protection Repayment is made according to the failed financial institution’s assets. (Subject to deductions)

Notes: 1. Presently, if financial institutions merge or the entire business is transferred, limited to a period of one year thereafter, the corresponding ¥10 million protected amounts are replaced by the amount “(¥10 million)×(number of financial institutions involved in mergers, etc.)” per depositor and its interest.
2. Reimbursable benefits of installment savings, distributions of earnings from money trusts, etc., which meet certain conditions are also protected similar to interest.

2) Scope of protection of settlement obligations

The obligations (limited to cases of payment in Japanese yen) assumed by the insured financial institutions concerning transactions involved in fund settlements (fund transfers, settlement of bills and checks at the clearing house and those concerning self-addressed checks drawn by financial institutions) are called settlement obligations (Note), and are fully protected.
For example, an obligation of an insured financial institution arising from a fund transfer requested from a customer where the fund received from the customer has not been transferred to the remittee at the time of the financial institution’s failure.
However, of the obligations arising from funds transfers and the settlement of bills and checks at the clearing house, those which are of the insured financial institutions or other financial institutions or those entrusted by the same do not fall under the category of the settlement obligations, as far as transactions occur in the course of trade.

Note: The settlement obligations which are not accepted as deposits for settlement and payment purposes or general deposits, etc. are called “Specified settlement obligations” (Suspense receipts, etc.)

(v) Deposit insurance premium

1) Outline

Deposit insurance premiums are sources of funds for operations such as financial assistance and insurance payment operations, and the insured financial institution must pay their insurance premium to the DICJ. An insured financial institution calculates the premium by multiplying the insurance premium rates by the balance of insured deposits, etc. for the previous fiscal year (the average balance for business days during the previous business year) for general deposits, etc. and deposits for payment and settlement purposes separately, and pays its insurance premium within the first three months of each fiscal year (semiannual installments are also acceptable).
Deposit insurance premium rates are determined by the Policy Board, and the DICJ obtains the authorization from the Commissioner of the FSA and the Minister of Finance. Subsequently, deposit insurance premium rates are publicly announced in the Official Gazette.

2) Recent deposit insurance premium rates

Taking into consideration the fact that the framework of deposit protection changed to limited coverage from April 2005, the insurance premium rates applicable to FY2005 were set at 0.115 % for "deposits for payment and settlement purposes" and 0.083 % for general deposits, etc. in accordance with the policy of: (i) maintaining the weighted average of the insurance premium rates ("Effective rates") at the current level of 0.084 %; and (ii) calculating the rate so as to ensure an equal premium burden for each yen of insured deposits, etc. between the deposits for payment and settlement purposes, which are fully protected, and general deposits, etc. under limited coverage as well as taking into account the trend in the balance of the insured deposits, etc.

The DICJ has not changed such basic policy to date, but in FY2005, the premium rates applicable to FY2006 were set at 0.110 % for "deposits for payment and settlement purposes" and at 0.080 % for "general deposits, etc." because a trend emerged whereby general deposits, etc. were shifted to deposits for payment and settlement purposes.

In FY2007, the deposit insurance premium rates remained unchanged, but because a trend emerged whereby deposits for payment and settlement purposes were shifted to general deposits in FY2007, the premium rates applicable for FY2008 were set at 0.108 % for deposits for payment and settlement purposes and at 0.081 % for general deposits, etc.

[See P34, II. 4. (3) "Change of the Deposit Insurance Premium Rates"]

● Trend of Insurance Premium Rates

	Premium rate (Note 1)		Effective rate (Note 2)
From 1971 on (when system began)	0.006%		0.006%
From FY1982 on	0.008%		0.008%
From FY1986 on	0.012%		0.012%
From FY1996 on	0.048%		0.084%
FY2001	Specific deposits	Other deposits, etc.	
	0.048%	0.048%	
FY2002	0.094%	0.080%	
From FY2003 on	Deposits for payment and settlement purposes	General deposits, etc.	
	0.090%	0.080%	
FY2005	0.115%	0.083%	
From FY2006 on	0.110%	0.080%	
FY2008	0.108%	0.081%	

Notes: 1. Specified deposits" are current, ordinary and specified deposits, and "other deposits, etc." are deposits, etc. other than specified deposits such as time deposits.
Up to FY2004, "deposits for payment and settlement purposes" had been the same as "specified deposits" and "general deposits, etc." as "other deposits, etc." (In FY2004, including specified settlement obligations provided for in Article 69-2, Paragraph 1 of the Deposit Insurance Law). From FY2005 onward, "deposits for payment and settlement purposes" comprised deposits meeting three requirements – zero-interest, payable on demand and capable of providing settlement services – and specified settlement obligations, and "general deposits, etc.," comprised deposits, etc. other than those for payment and settlement purposes such as time deposits.
2. Including a rate (0.036%) of special insurance premium (premium provided for in Article 19, Paragraph 1 of the Supplementary Provisions of the Deposit Insurance Law), which had been set during the period from FY1996 to FY2001. The rate for FY2002 is the weighted average of "specified deposits" and "other deposits, etc." and from FY2003 onward, that of "deposits for payments and settlement purposes" and "general deposits, etc."

(vi) Resolution of failed financial institutions

If the insured financial institution is subject to any insurable contingency, the insured deposits, etc. of the failed financial institution are protected within the scope of the protection prescribed (limited coverage). Provided that the Prime Minister acknowledges that unless any measures against financial crises, such as full protection of the insurable deposits, are taken, the failure of a financial institution could severely hinder the maintenance of an orderly financial system in Japan or in the region where the insured financial institution conducts its business, through the deliberation of Council for Financial Crises, a measure against financial crises may be taken.

[Concerning the scope of deposit protection, see P. 41 (iv) "Scope of protection," concerning measures against financial crises, see P. 46 (vii) "Measures against financial crises." Furthermore, concerning the development of a failure resolution scheme, P. 48 (3) "Historical Development of Deposit Insurance System"]

1) Insurable contingency

Events giving rise to insurance payments by the DICJ (Insurable Contingency) are divided into two types – suspension of the repayment of deposits, etc. by a financial institution (Category One Insurable Contingency) and cancellation of a financial institution's license to conduct business, ruling of the commencement of bankruptcy proceedings or resolution to dissolve the financial institution (Category Two Insurable Contingency).

If a financial institution should be likely to suspend repayment of deposits, etc., fall into insolvency, or would be likely to fall into insolvency, it shall be suspended by the business suspension order of the competent Minister (occurrence of Category One Insurable Contingency), and the deposit insurance is to be set in motion.

2) Method of protection

When a Category One Insurable Contingency has occurred, the insured deposits are protected by either of the following two methods: the claims payment method, whereby payouts are made directly to depositors; or the financial assistance method, whereby financial assistance is provided to an assuming financial institution. The choice of method to be adopted is decided by the Policy Board within one month of the occurrence of a Category One Insurable Contingency (if necessary, this period may be extended by a further month). In this choice, in order to minimize the costs required for a resolution and to minimize any disorder accompanying the failure of a financial institution, the financial assistance method is prioritized.

Meanwhile, if a Category Two Insurable Contingency has occurred, because the financial function of a failed financial institution is not maintained, the claims payment method is adopted.

3) Protection by the claims payment method

When adopting the claims payment method, as soon as preparations such as the depositors' name-based aggregation of deposits accounts held at the failed financial institution are complete, the DICJ, upon request, pays insurance claims to depositors. The amount of insurance is the amount of deposits, etc. within the scope of protection on the date of occurrence of the insurable contingency. However, insurance payments on deposits pledged as security may be deferred while the right of pledge exists.

Concerning the method of making insurance payments, in addition to the method of making payment directly to depositors, etc., there is also the method of placing deposits at insured financial institutions other than the failed financial institution and transferring them to depositors, etc. (the method of placing deposits).

When adopting the claims payment method, the DICJ determines, subject to a resolution by the Policy Board, details of the insurance payment, such as the payment period, place, method, and processing time. It then places public notices in the Official Gazette and otherwise to ensure that all depositors understand these details.

4) Protection by the financial assistance method

When adopting the financial assistance method, the DICJ provides financial assistance to an assuming financial institution, etc. which takes over the insured deposits, etc. of a failed financial institution while taking into account the estimated cost necessary in the case of adopting the claim payment method (hereinafter referred to as "the payout cost") by implementing a merger, business transfer (including partial transfer), transfer of the insured deposits or the acquisition of shares of a failed financial institution (hereinafter referred to as "merger, etc.") Financial assistance may take the form of a monetary grant, loan or the deposit of funds, purchase of assets, guarantee of liabilities, assumption of financial obligations, subscription of preferred shares, etc. or loss sharing. Furthermore, in cases where an assuming financial institution undertakes the partial transfer of business or transfer of the insured deposits, the DICJ can also provide financial assistance to secure a repayment amount to the creditors who were not covered by the business transfer of the failed financial institutions to make the equal treatment of creditors (financial assistance for equal treatment).

In the financial assistance method, the DICJ, upon receiving an application for finance assistance in the joint names of an assuming financial institution (it is necessary to receive authorization (Note) for the eligibility of the merger, etc. or recommendation of the merger, etc. by the Commissioner of the FSA) and a failed financial institution, decides, subject to the resolution of the Policy Board, whether or not to provide the relevant financial assistance and, if so, the amount, method and other details, and then enters into a financial assistance agreement with the assuming financial institution and the failed institution. Upon making this decision, the Policy Board takes account of the financial condition of the DICJ, the estimated cost necessary for the financial assistance and the payout cost, and strives to make effective use of the DICJ assets.

Notes: Authorization for eligibility may only be granted when all the following three requirements are satisfied:

1. The implementation of the merger, etc. must contribute to the protection of depositors and other creditors.
2. The financial assistance by the DICJ must be indispensable to the facilitation of the merger, etc.

3. The merger, etc. must be such that, if not carried out and the failed financial institutions ceased all business or were dissolved, it could severely hinder the smooth flow of funds and convenience of users within the region or sector in which the failed financial institution operates.

5) Partial payments

When an insurable contingency has occurred, the DICJ, upon request, makes a partial payment to depositors to the limit of ¥600,000 per account against the balance of ordinary deposits (principal only).
The DICJ pays partial payments to cover the immediate living costs and other expenses of depositors when it is anticipated that insurance payments (when adopting the claims payment method) or the reimbursement of insured deposits (when adopting the financial assistance method) will not begin for a considerable length of time. The DICJ decides whether or not to make partial payments within one week of occurrence of the insurable contingency, subject to a resolution by the Policy Board. When making partial payments, the DICJ decides, subject to a resolution by the Policy Board, the period of partial payment, place, method and processing time, etc., and in the same manner as paying the insurance, places public notices in the Official Gazette and otherwise strives to ensure that all depositors understand these details.

6) Purchase of deposits and other claims

When an insurance contingency has occurred, deposits, etc. which are outside the scope of protection are repaid as part of the reorganization proceedings, rehabilitation proceedings or bankruptcy proceedings of a failed financial institution (hereinafter referred to as “reorganization procedures, etc.”) Among uninsured deposits, etc. the principal of general deposits, etc. in excess of ¥10 million and foreign currency deposits and their interests (excluding deposits pledged as security), the DICJ may, upon request, purchase from depositors.
The purchase of deposits and other claims represents a system for providing liquidity to depositors, etc. while requesting that they share any loss from failure at an early date before the payment of liquidating dividends of a failed financial institution. The DICJ purchases deposits and other claims by paying an amount (the estimated proceeds payment) calculated by multiplying the amount of claims by a rate determined by the DICJ (the estimated proceeds payment rate) periodically (the estimated proceeds payment.)
When the amount which the DICJ has received as the payment of liquidating dividends for deposits and other claims purchased from a failed financial institution exceeds the total of the estimated proceeds payments and expenses incurred in purchasing deposits and other claims, etc., the DICJ pays the surplus to depositors (settlement payment).
The DICJ determines, subject to a resolution of the Policy Board, whether or not to purchase deposits and other claims. The DICJ then obtains, subject to a resolution by the Policy Board, the authorization from the Commissioner of the FSA and the Minister of Finance for the estimated proceeds payment rate.
After obtaining authorization for the purchase of deposits and other claims, the DICJ determines, subject to a resolution by the Policy Board, the purchase period, place, method of making the estimated proceeds payment and processing time, etc., and then places public notices in the Official Gazette and otherwise strives to ensure that all depositors understand the details. When making settlement payments, the DICJ determines, subject to a resolution of the Policy Board, the amount of the settlement payment, the period of settlement payment, and the method of making the settlement payment, etc., and places public notices in the Official Gazette, etc.

● Conceptual diagram of the treatment of deposits, etc. at a failed financial institution

(Space within the bold lines indicates deposit protection by the deposit insurance system)

<table>
<tr><th colspan="2">Classification of Deposits, etc.</th><th colspan="4">Scope of Protection</th></tr>
<tr><td rowspan="2">Deposits, etc. covered by deposit insurance</td><td>Deposits for payment and settlement purposes (Current deposits, ordinary deposits no interest accrues, etc.)</td><td colspan="4">Full protection
Full protection for principal</td></tr>
<tr><td>General deposits, etc. (Interest-accruing ordinary deposits, time deposits, installment savings, money trusts with the guarantee of principal, etc.)</td><td>Limited Protection
Protection in principal up to ¥10 million plus its interest, etc.</td><td rowspan="2">Estimated Proceeds Payments
Purchase of principal of general deposits, etc. portion in excess of ¥10 million, and foreign currency deposits and their interest, etc. at the amount calculated by multiplying the amount of claims by the estimate proceeds payment rate</td><td rowspan="2">Settlement Payment</td><td rowspan="3">Subject to deductions</td></tr>
<tr><td rowspan="2">Deposits, etc. not covered by deposit insurance</td><td>Foreign currency deposits</td><td></td></tr>
<tr><td>Money trusts without guarantee of principal, bank debentures other than custody products, etc.</td><td colspan="3">Repayment is made according to the failed financial institution’s assets.</td></tr>
</table>

7) Representation of depositors in court procedures

Under the Special Reorganization Law for financial institution, the DICJ participates in reorganization procedures, etc. in principle, on behalf of the depositors, etc. of insurable deposits, etc. under the deposit insurance system to ensure the realization of depositors' rights and to facilitate reorganization procedures, etc. for failed financial institutions.

In participating in the reorganization procedures, etc. on behalf of depositors, etc. of insurable deposits, etc. under the deposit insurance system, the DICJ assumes the fiduciary duty and the duty of due care of a prudent manager.

(vii) Measures against financial crises

1) Overview

Provided that the Prime minister acknowledges that unless one of the following measures against financial crises are taken, the failure of a financial institution could severely hinder the maintenance of an orderly financial system in Japan or in the region where the insured financial institution conducts its business, a measure against financial crises may be taken through the deliberation of the Council for Financial Crises.

Measures to be taken	Insured Financial Institutions
i) Capital injection (Subscription, etc. of shares, etc. by the DICJ for the purpose of strengthening the equity capital)	Financial institutions (excluding failed financial institutions or those becoming insolvent)
ii) Financial assistance in excess of the payout cost	Failed financial institutions and those becoming insolvent
iii) Special crises management (acquisition of shares by the DICJ, financial assistance without taking account of the payout cost)	Failed banks becoming insolvent

2) Capital injection

The DICJ subscribes for ordinary shares, preferred stocks or subordinated corporate bonds, etc. which the insured financial institutions or their holding companies issue to strengthen the capital of the insured financial institutions in accordance with the decision to implement capital injections by the Commissioner of the FSA and subject to the consent of the Minister of Finance (Note).

Note: In cases where the insured financial institutions are labor banks or the Rokinren Bank, the decisions of the Commissioner of the FSA and the Minister of Health, Labor and Welfare are required, and in the case of the Shoko Chukin Bank (since October 2008) the decisions of the Commissioner of the FSA, the Minister of Finance and the Minister of Economy, Trade and Industry are required.

3) Financial assistance in excess of the payout cost

The DICJ may provide financial assistance in excess of the payout cost to an assuming financial institution involved in merger, etc. This makes it possible to protect deposits, etc. in full amount.

4) Special crises management

Special crises management may be implemented only in the case where it is acknowledged that even if providing financial assistance in excess of the payout cost, it would be impossible to avoid disorder of the financial system in Japan or in the region where the insured bank conducts its business. When implementing special crises management, the DICJ may also provide financial assistance without taking account of the payout cost, which would make it possible to protect the full amount of deposits, etc.

In the case of implementation of the special crises management, the DICJ acquires the shares of the insured bank by the decision of the Commissioner of the FSA, and selects the directors and auditors, etc. according to the appointment of the Commissioner of the FSA.

The special crises management is to be terminated by the merger, transfer of business or disposal of shares as early as possible.

5) Crisis Management Account and contributions

The DICJ records expense for capital injection and financial assistance in excess of the payout cost, not in the General Account but the Crisis Management Account.

Deficit of the Crisis Management Account shall be funded by the contributions of the insured financial institutions. When the Commissioner of the FSA and the Minister of Finance acknowledge the need to collect the contributions, the insured financial institutions must also pay contributions to the DICJ according to the contribution rate and the period for the payment of contribution determined by the Commissioner of the FSA and the Minister of Finance. The amount is calculated by multiplying the contribution rate by the amount of debt (excluding some specified reserves) as at the

end of the previous fiscal year of the insured financial institutions.
However, the government may subsidize some of the expenses to the DICJ only when it is recognized that if deficit of the Crises Management Account were funded by the contributions alone, the financial situation of the insured financial institutions would deteriorate substantially and an extremely serious impediment could be caused to the maintenance of an orderly financial system in Japan.

(2) Operations of the Financial Administrator

Failure resolution of a financial institution gets under way when the Commissioner of the FSA, citing liabilities in excess of assets and other reasons, issues “an order to manage the business and assets of the failed financial institution by a financial administrator” (hereinafter referred to as “the order for management”).
The Commissioner of the FSA issues “the order for management” and at the same time appoints the financial administrator to manage the failed financial institution. While the financial administrator is usually selected from among lawyers, certified public accountants or those well versed in financial practices, the DICJ itself, with the accumulation of know-how about failure resolution of financial institutions, may be chosen as a financial administrator.
Until now, the DICJ was appointed as a financial administrator in a total of 11 cases of failure resolution.
The financial administrator, immediately after the issue of “the order for management,” goes to the failed financial institution to work toward the reopening of operations and manages as well as disposes of its assets. The financial administrator, at the request of the Commissioner of the FSA, also prepares a report on the status of the business and assets of the failed financial institution as well as a plan for its management, and works for the provisional maintenance and continuation of the business of the failed financial institution. Moreover, the financial administrator seeks the swift transfer of the business of the failed financial institution to assuming financial institutions and also files civil suits and/or criminal accusations to make clear the responsibility of former managers for business failure. Thus, despite being simply referred to as a financial administrator, the tasks that are to be undertaken are quite varied.
The DICJ, in anticipation of its appointment as a financial administrator, always keeps administrative procedures for failure resolution ready and regularly conducts practical training to appropriately prepare for failure resolution.
When actually appointed as a financial administrator, the DICJ expects to proceed with failure resolution with the following administrative procedures:

(i) As many financial institution failures in the past occurred on the weekend, the DICJ assumes that a financial institution is most likely to fail on a Friday and that as soon as the Commissioner of the FSA issues “the order for management” for the failed financial institution, the DICJ is appointed as a financial administrator;
(ii) The failed financial institution files a court application to commence civil rehabilitation proceedings;
(iii) Immediately after the issue of “the order for management,” preparations are launched to reopen business of the failed financial institution on the following Monday. Main initial operations are as follows:
- The shutdown altogether of on-line connections to the failed financial institution’s systems, including CDs/ATMs, ATMs with affiliated institutions, and Internet-based banking,
- Work to fix insured deposits through name-based aggregation,
- Preparation to reimburse insured deposits,
- Extraction of transactions to be excluded from settlement obligations,
- Preparation for new operations such as responses to depositors’ offsetting requests,
- Keep employees of the failed financial institution informed of the business setup going forward;

(iv) A financial administrator proactively undertakes public relations activities, and resumes the reimbursement of insured deposits, settlement services and lending operations on Monday in order to prevent confusion at bank counters;.
(v) A financial administrator ensures that the failed financial institution makes estimated proceeds payment promptly on commission by the DICJ;
(vi) The DICJ begins to select an assuming financial institution upon its appointment as a financial administrator and transfers the business to the assuming financial institution. After six months from the date of ”the order for management,” order, the insured deposits and sound lending assets, etc. are transferred to the bridge bank, a provisional assuming institution;.
(vii) Starting from approximately one year after the date of ”the order for management,” the remaining assets of the failed financial institution are to be reimbursed based on the recovery plan; and
(viii) The bridge bank is a provisional assuming financial institution, and such a bridge bank shall retransfer the business to the final assuming financial institution within two years (in cases with unavoidable circumstances, within three years) of the date of the management order.

(3) Historical Development of Deposit Insurance System

	Initial Provisions in 1971	→ Jul. 1986 →	→ Jun. 1996 →	Amendments or Additions since May 2000
1. Insured Financial Institutions (by law)	Banks, sogo banks, (Note 1) shinkin banks, credit cooperatives →	(Jul. 1986) Labor banks added →	→	(Jun. 2000) The Shinkin Central Bank, The Shinkumi Federation Bank & The Rokinren Bank added → <October 2008 plan> The Shokochukin Bank plans to join
2. Capitalization (by approval)	¥450 million Government ¥150 million BOJ ¥150 million Private Financial Institutions: ¥150 million →	(Jul. 1986) ¥455 million Capital subscription by labor banks (¥5 million) added →	(Jul. 1996) ¥5,455 million Capital subscription by the Government [*Jusen* Account] (¥5,000 million) added →	→
3. Officers Governor, Deputy Governors, Auditor (by law)	Governor (Deputy Governor of the BOJ) → Deputy Governor (1) → Auditor (1)	→	(Appointed by Minister of Finance) (Jun. 1996) → (Appointed by PM, approved by both Houses of the Diet) (Oct 1998) → Max. 3 persons (Jun. 1996) → Max. 4 persons (Oct. 1998) →	→
4. Insurance Premium Rates (Note 2) (by approval)	0.006% →	(FY1982) 0.008% → (FY1986) 0.012% →	(FY1996) 0.048% →	<FY2001> <FY2002> <FY2003> <FY2005> <FY2006> <FY2008> Specific deposits 0.048% → 0.094% → Deposits for payment and settlement purposes: 0.090% → 0.115% → 0.110% → 0.108% → Other deposits, etc. 0.048% → 0.080% → General deposits, etc. 0.080% → 0.083% → 0.080% → 0.081% →
5. Payment Date of Insurance Premium (by law)	Within 3 months after beginning of fiscal year →	→	Within 3 months after beginning of fiscal year. However, half may be paid within 3 months after beginning of second half of fiscal year →	→
6. Maximum Insurance Payments (by cabinet order)	Principal ¥1 million →	(Jun. 1974) ¥3 million → (Jul. 1986) ¥10 million →	→	(Apr. 2001) Principal ¥10 million + interests, etc. → (Apr. 2003) Full amount of deposits for payment and settlement purposes + ¥10 million principal and related interest of general deposits, etc. →
7. Special Arrangement for the Blanket Guarantee of Deposit Insurance (by law)			Introduced →	→ Until March 31, 2005 (Note 5)
8. Insurance Payment by Deposit Transfer (by law)			Introduced →	→
9. Partial Payment (by law) and Maximum Amount of Partial Payment (by cabinet order)		(Jul. 1986) Introduced ¥200,000 →	→	(Apr. 2001) ¥600,000 →
10. Purchase of Deposits and Other Claims (by law)			Introduced (Apr 1997) →	→
11. Representation of Depositors in Court (Note 3) Procedures (by law)			Introduced (Apr 1997) →	→
12. Financial Assistance (by law)		(Jul. 1986) Introduced →	→	→
13. Purchase of Assets of Failed Financial Institutions (by law)		Purchase of assets from assuming financial institutions (Jul. 1986) →	Purchase of assets from failed financial institutions (Jun. 1996) → Purchase of assets from banks under special public management, etc. (Oct. 1998) →	(Apr. 2001) Purchase of assets from banks under special crisis management, etc. →
14. Borrowing of Funds (General Account) (1) Maximum Borrowings (Note 4) (by cabinet order) (2) Borrowing from Financial Institutions for Repayment of the BOJ Borrowings (by law)	¥50 billion →	¥500 billion (Jul. 1986) Introduced (Jul. 1986) →	¥1 trillion (Jun. 1996) → ¥2 trillion (Apr. 1999) → ¥4 trillion (Apr. 2000) → Added: other financial institutions (October 1998)	¥6 trillion (Apr. 2001) → ¥13 trillion (Apr. 2002) → ¥19 trillion (Apr. 2003) → 20.14 trillion (Apr. 2004) → ¥20.6 trillion (Apr. 2005) → ¥21.18 trillion (Apr. 2006) → ¥20.58 trillion (Apr. 2007) → ¥20.08 trillion (Apr. 2008)

Principal Special Operations Introduced in the Jun. 1996 Amendment of the Deposit Insurance Law	Main Points in the Amendment of the Deposit Insurance Law of Dec. 1997	Main Points in the Amendment of the Deposit Insurance Law of Feb. 1998
• Special financial assistance • Special purchase of deposits and other claims • Collection of special insurance premiums • Capital contribution, loss compensation, debt guarantee, guidance, advice, etc. for the contracted bank • Asset investigation of debtors concerning loan assets transferred to the contracted bank and loan collection • The contracted bank's purchase of assets of failed credit cooperatives • Government debt guarantees for borrowings from BOJ, other financial institutions, etc., to implement special operations concerning failed credit cooperatives	• Adding of consolidation to the types of merger, etc., for which an application for financial assistance can be made • Financial assistance for specified mergers (temporary measure)	• Integration of the Special Account for general financial institutions and the Special Account for credit cooperatives into Special Operations Account • Expansion of the contract bank's function to act as an assuming bank for general financial institutions • Issues of DICJ bonds • Extension of penal investigating power to include recovery of loan assets of failed financial institutions • Introduction of the Special Operations Fund (up to a limit of ¥7 trillion worth of government-granted bonds)

Main Points in the Financial Revitalization Related Laws enacted in Oct. 1998	Main Points in the Amendment of the Deposit Insurance Law of May 2000
• Introduction of financial administrator operations • Addition of operations related to: establishment & business management of bridge bank, special public management, equity capital injection of financial institutions, etc. • Expansion of scope of organizations to purchase assets from, including special public management banks, bridge banks and financial institutions. • Establishment of the Financial Reconstruction Account and the Early Strengthening Account	• Extension of Special Arrangement for the blanket guarantee of deposits, etc. (until end FY2001) • Obligation for financial institutions to prepare data for aggregating deposits held by the identical depositor, and to make necessary adjustments to computer systems, etc. • Introduction of procedural arrangements for provisional resolutions for business transfers, etc., and court authorization procedures (subrogation) to substitute for special resolutions • Introduction of operations as a financial administrator • Introduction of operations concerning the establishment and management of the business of bridge banks • Introduction of capital injection and loss and profit sharing scheme for assuming financial institutions • Addition of capital injection and loss sharing collateral for assuming financial institution • Introduction of operations for loans to help failed financial institutions repay insured deposits and prevent deterioration of asset value • Introduction of operations against financial crisis (creation of the Crisis Management Account) • Increased provision of government granted-bonds to the Special Operations Account (from ¥7 trillion to ¥13 trillion)"

Main Points in the Amendment of the Deposit Insurance Law of Dec. 2002	Main points of Special Measures Law for Promotion of Organizational Restructuring, enacted in Dec. 2002
• Addition of "securing of payment and settlements for failed financial institutions" to the purposes of the Deposit Insurance Law • Full protection for deposits for payment and settlement purposes (as a permanent measure) • Guarantee for the completion of ongoing settlements • Addition of requirement that financial institutions implement systems for ensuring the smooth payment of insurance payouts for deposits for payment and settlement purposes (Additional measures established in April 2006 for smooth payment of deposits for payment and settlement purposes)	• Simplification for merger procedures • Capital injection by preferred shares, etc. • Lift the upper limit of deposit insurance coverage (New limit for first year after merger: ¥10 million x number of financial institutions involved in the merger)

Main points of the Act on Strengthening Financial Functions, enacted in June 2004
• Capital injection through the subscription of shares by the financial institutions, etc.

Notes:
1. Sogo banks (mutual financing banks) have gradually transformed into ordinary commercial banks since February 1989 (Mutual Financing Bank Law abolished on April 1, 1993).
2. During the period from FY1996 to FY2001, a special premium (the insurance premium rate 0.036 %) was set.
3. The Act on Special Corporate Reorganization.
4. Maximum Borrowings from Bank of Japan between 1971 and March 31, 2001. It was revised to Maximum Borrowings after April, 2001.
5. Current deposits, ordinary deposits and specified deposits had been insured under the blanket guarantee system until the end of FY2002 and were considered as settlement and payment deposits until the end of FY2004.

(4) Development of Special Measures for the Contracted Bank, the Specified Contracted Bank and the Claim Resolution Company

(i) Related to the Deposit Insurance Law

Amendment of June 1996 (Enforced on June 21, 1996)	Amendment of February 1998 (Enforced on February 18, 1998)	Amendment of October 1998 (Enforced on October 23, 1998)	Amendment of May 2000 (Enforced on June 30, 2000)	Amendment of May 2000 (Enforced on April 1, 2001)
				• Resolution and collection operations as measures for the present established
• Capital contribution in the contracted bank	→	→	→	→
• Outsourcing to the contracted bank of asset purchases from failed credit cooperatives	• Scope of outsourcing to "failed financial institutions" expanded	→	• Adds "Transferees of special assets, etc." to scope of outsourcing (until March 31, 2001)	• Scope of outsourcing to "failed financial institutions, etc. (failed financial institutions, bridge banks, banks under special crisis management)" expanded
• Compensation for losses of the contracted bank (limited to losses related to outsourcing of asset purchases)	• Scope of loss compensation to "loss related to mergers and business transfers based on agreement" expanded	→	→	→
	• Lending of funds to the contracted bank	→	→	→
• Guarantees of borrowings by the contracted bank	→	→	→	→
	• Collection of monies paid by the contracted bank	→	→	• Repeal of restrictions on profit payments • Provisions on profit payments, profit on loss compensation, and bad debt allowance for each loss item added
• Guidance & advice to the contracted bank	→	→	→	→
• Asset investigation & debt collection from debtors of loan claims, etc. transferred to the contracted bank	• Investigation of debtor assets ensured by penal provisions	→	→	→
	• Approval for outsourcing collection to the claim resolution company	→	→	Elimination of provisions
• Requests for reference to and cooperation by authorities, public organizations, etc.	→	→	→	→
		• Required measures for mergers of the contracted bank with the claim resolution company	→	→

(ii) Related to the Financial Revitalization Law

Financial Revitalization Law established in October 1998 (Enforced on October 23, 1998)	Amendment of May 2000 (Enforced on April 1, 2001)	Amendment of June 2001 (Enforced on June 27, 2001)	Amendment of December 2001 (Enforced on January 11, 2002)	Amendment of April 2003 (Enforced on April 10, 2003)
• Asset purchases from financial institutions, etc. and outsourcing to the specified contracted bank	No change	• Period that sound financial institutions, etc., can apply to purchase assets extended (until March 31, 2004)	• Use of market value for asset purchase prices • Participation in bidding enabled • Clarification of provisions to make efforts on diversification & acceleration of methods of disposing purchased assets, and reconstruction of debtors	• Period that sound financial institutions, etc. can apply to purchase assets extended (until March 31, 2005) • Purchase of assets from the Industrial Revitalization Corporation of Japan added
• Resolution & collection of purchased assets				
• Loans to the specified contracted bank				
• Guarantee of borrowings of by the specified contracted bank				
• Collection of monies paid from the specified contracted bank				
• Loss compensation for the specified contracted bank				
• Approval of implementation plans & funding plans for the specified contracted bank				
• Guidance & advice to the specified contracted bank				
• Asset investigation (ensured by penal provisions) & debt collection from debtors of loan claims, etc. transferred to the specified contracted bank				
• Requests for reference to and cooperation by authorities, public organizations, etc.				
• Approval for outsourcing collection to the claim resolution company	Elimination of provisions			

(iii) Related to the Early Strengthening Law

Early Strengthening Law, established in October 1998 (Enforced from on October 23, 1998)	Amendment of May 2000 (Enforced on June 30, 2000)
• Outsourcing to the contracted bank of subscription, etc. for stock, etc.	• Applications for subscription, etc., of stock, etc., of "specified cooperative financial institutions, etc." are set to be until March 31, 2002
• Loss compensation for the contracted bank	
• Loans to the contracted bank	
• Guarantee of debt related to borrowings by the contracted bank	
• Collection of monies paid by the contracted bank	
• Guidance and advice when a bank which issued stock to the contracted bank becomes a subsidiary of the contracted bank	

(iv) Related to the Act on Strengthening Financial Functions

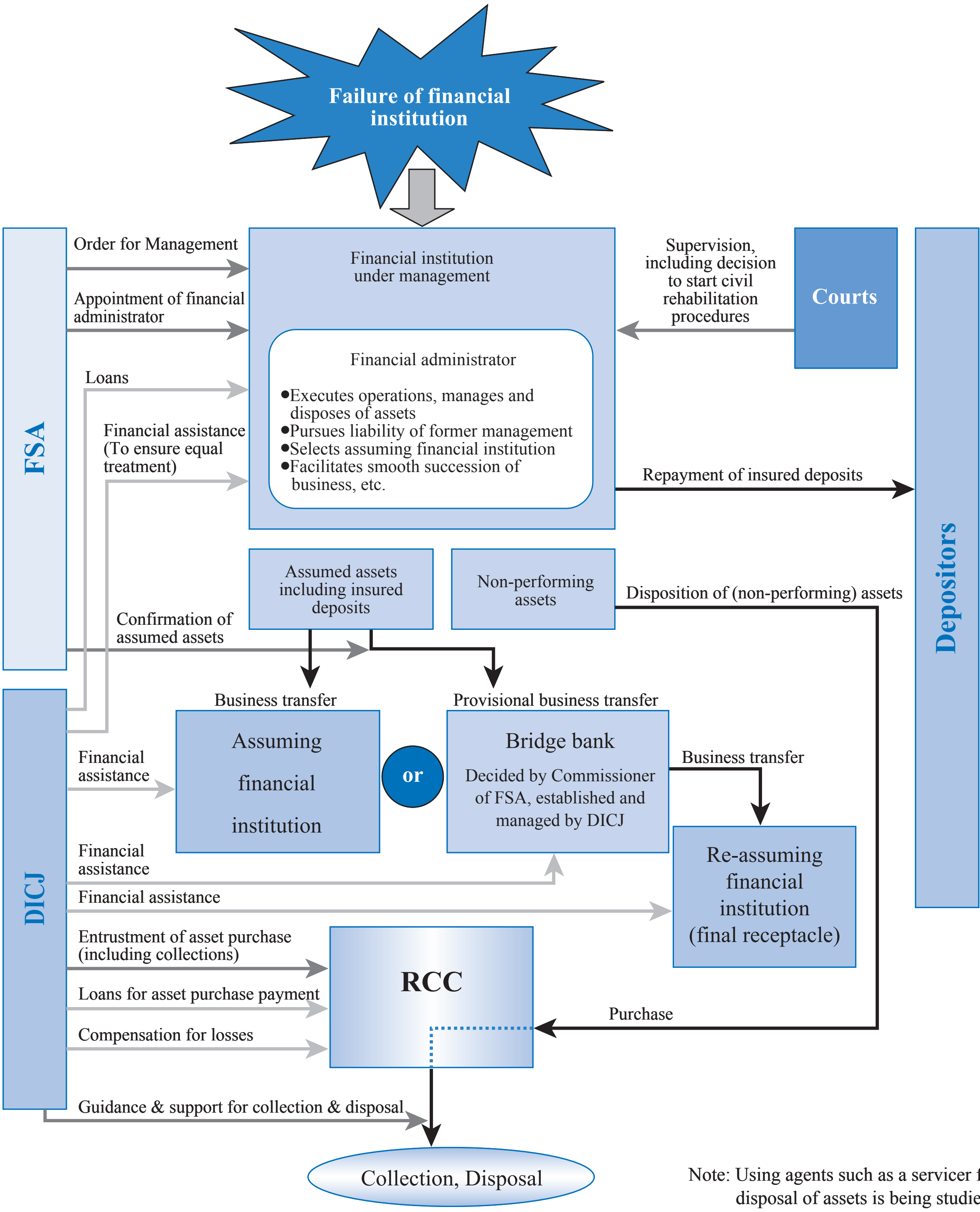
Act on Strengthening Financial Functions, established in June 2004 (Enforced from on August 1, 2004)
• Outsourcing to the contracted bank of: a) subscription, etc. for stock, etc.; b) purchase of beneficial interests in trust investments, etc. from the cooperative central financial institution
• Loss compensation for the contracted bank
• Loans to the contracted bank
• Guarantee of borrowings by the contracted bank
• Collection of monies paid by the contracted bank

(v) Related to the *Jusen* Law

Original *Jusen* Law established in June 1996 (Enforced on June 21, 1996)	Amendment of April 1998 (Enforced on April 10, 1998)	Amendment of October 1998 (Enforced on October 23, 1998)	Amendment of May 2000 (Enforced on April 1, 2001)
• Capital contributions, delivery of financial assistance, debt guarantees, guidance and advice to the claim resolution company			
• Asset investigation (ensured by penal provisions) & debt collection from debtors of loan claims, etc. transferred to the claim resolution company	• Scope of investigations with penal provisions expanded to "real estate with collateral provided by third parties"		
	• Approval for outsourcing collections to the contracted bank		Elimination of provisions
• Requests for reference to and cooperation by authorities, public organizations, etc.			
• Borrowings from financial institutions, etc. (government capital contributions in *Jusen* Account, in a framework separate from general operations, limited to ¥5 billion)			
• Government subsidies, receipt of capital injections from Bank of Japan and private financial institutions, etc., payment to national treasury of profits relating to collection of the claim resolution company	• Method of subsidies and delivery to national treasury of collected profits of the claim resolution company revised (after 50% offset of collected profits and secondary losses every business year, pay to national treasury, if there are retained earnings, but deliver subsidies based on government subsidies, if there is a deficit)		
• Coordination discussion group established by government			
		• Measures required for mergers of the claim resolution company and the contracted bank	

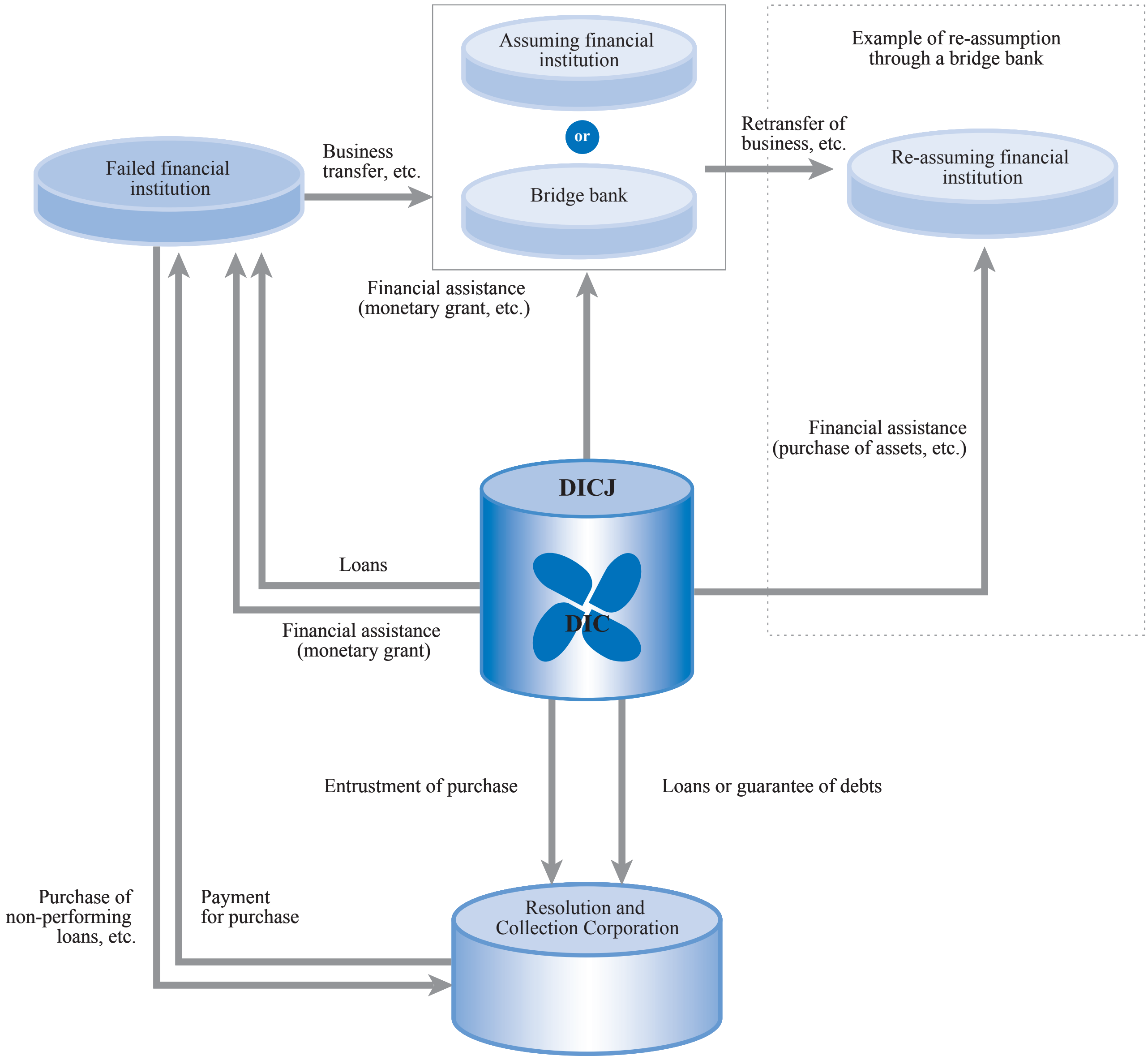
(5) Failure Resolution Scheme under the Limited Coverage

[An example of how failures are processed through the financial assistance method]



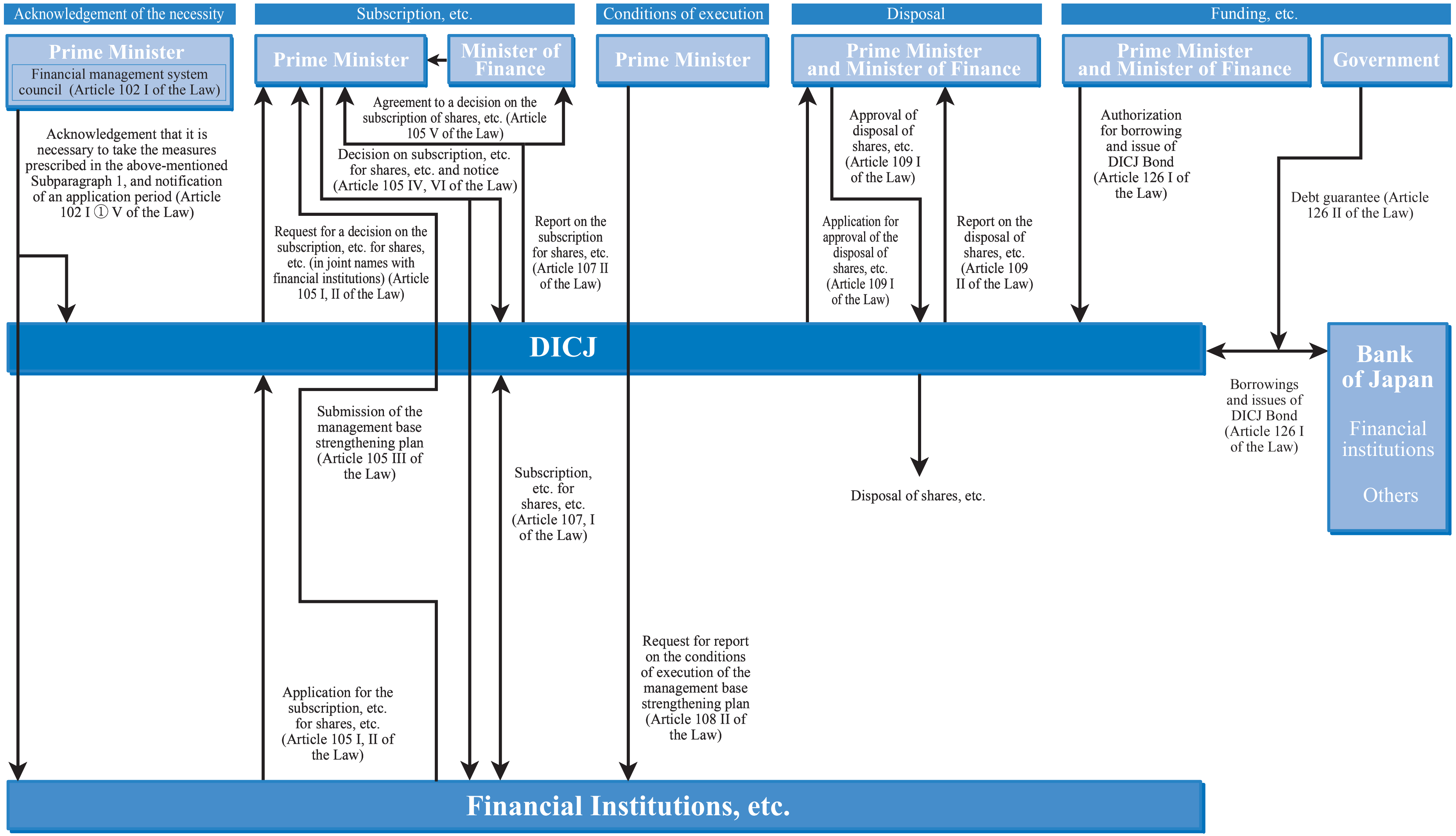
Note: Using agents such as a servicer for disposal of assets is being studied

(6) Scheme of Financial Assistance under the Limited Coverage



(7) Capital Injection Scheme based on the Deposit Insurance Law

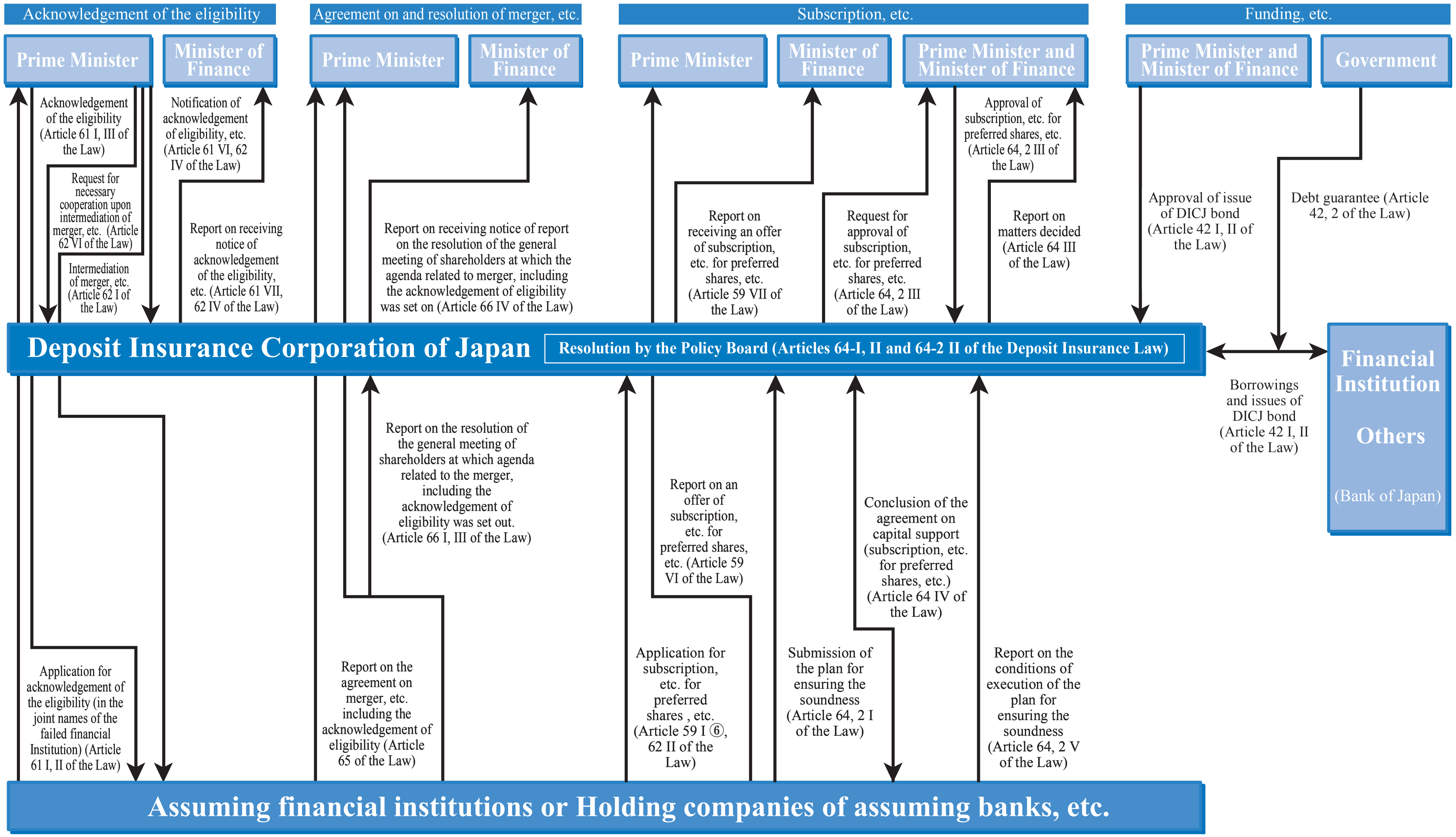
Outline of the Capital Injection Scheme based on Article 102, Paragraph 1, Item 1 of the Deposit Insurance Law
Subscription for shares, etc. for taking measures against financial crises



Notes:
·This scheme's diagram is designed to focus on the flow of DICJ activities. In the case of a financial institution, etc. being a labor bank, etc., the Minister of Health, Labor and Welfare also becomes involved in the activities shown in this diagram, and in the case of a financial institution being the Shoko Chukin Bank, the Minister of Economy, Trade and Industry also does so (from October 2008 onward).
·Items in square parentheses are governing regulations. "The Law" refers to the Deposit Insurance Law (arabian numerals show the article number, roman numerals show the paragraph number and circled numerals show the subparagraph number.)

Outline of Capital Injection Scheme for Assuming Financial Institutions under Article 59, Paragraph 1, Item 6 of the Deposit Insurance Law

Subscription of preferred shares, etc. of an assuming financial institution which merges with the failed financial institution

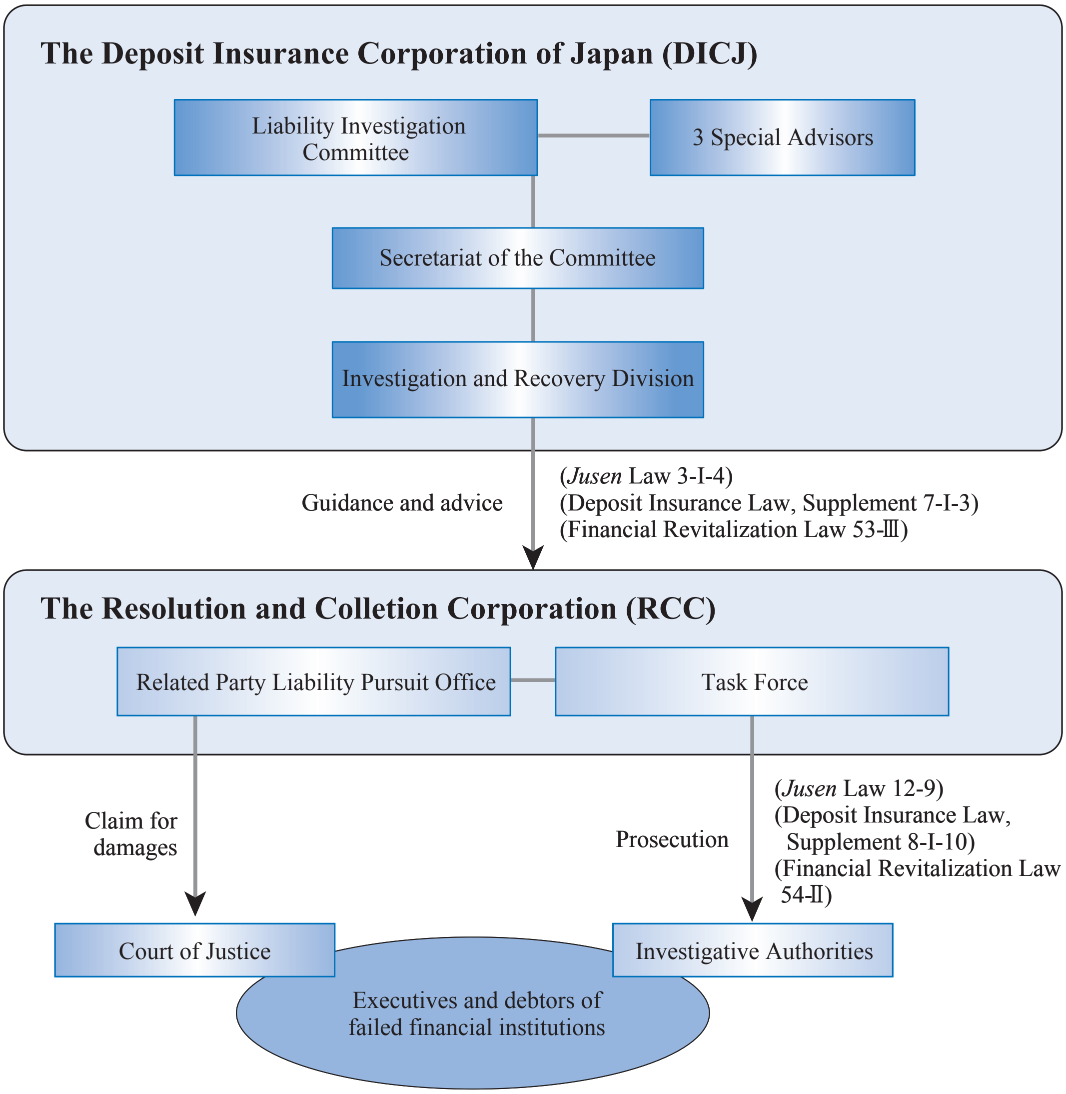


Notes:

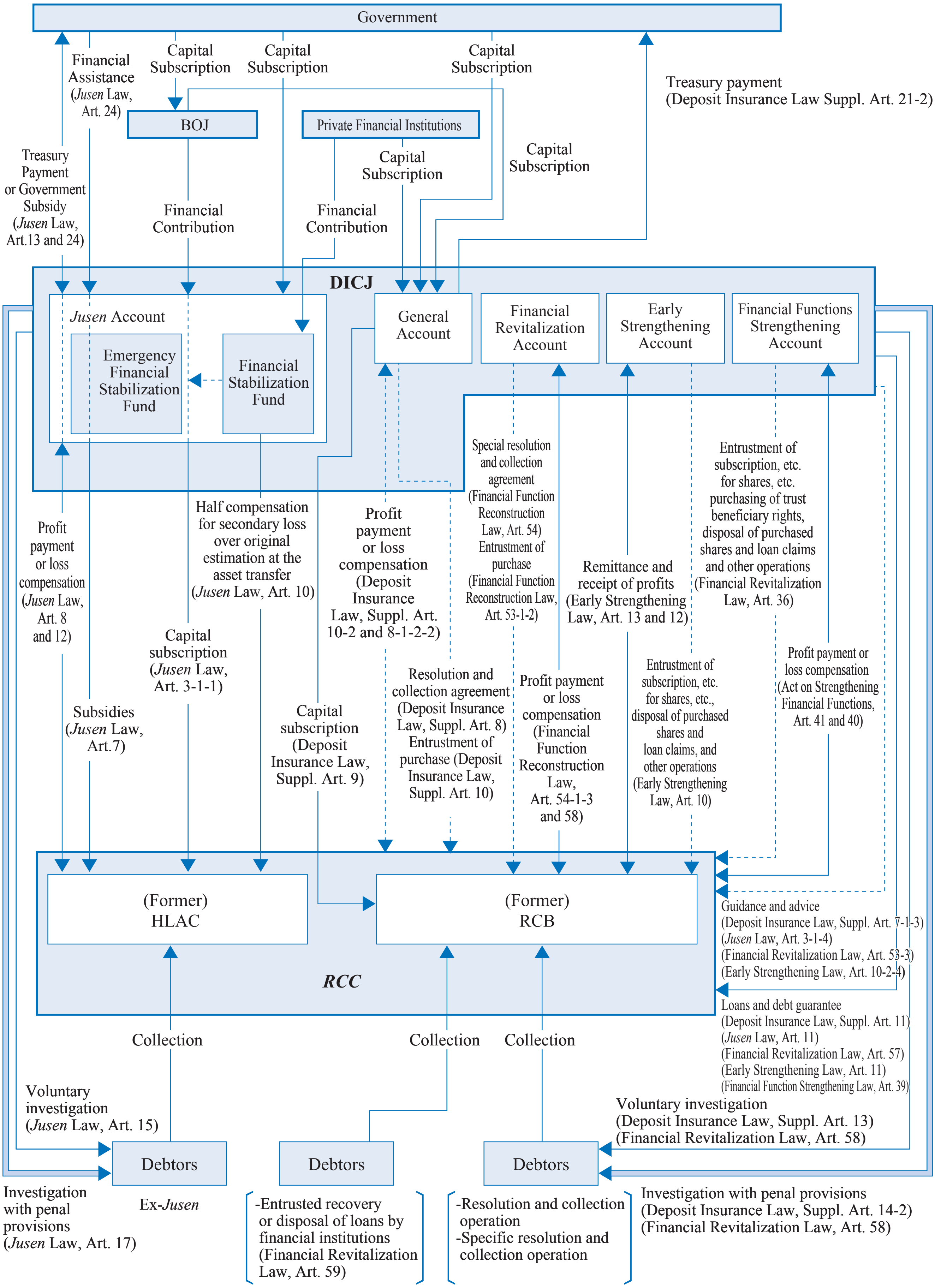
·This scheme's diagram is designed to focus on the flow of DICJ activities. In the case of the assuming financial institution, etc. being a labor bank, etc., the Minister of Health, Labor and Welfare also becomes involved in the activities shown in this diagram, and in the case of a financial institution being the Shoko Chukin Bank, the Minister of Economy, Trade and Industry also does so (from October 2008 onward).

·Items in square parentheses are governing regulations. "The Law" refers to the Deposit Insurance Law (arabian numerals show the article number, roman numerals show the paragraph number and circled numerals show the subparagraph number.)

(8) System of Liability Pursuit



(9) Relationship between the DICJ and the RCC concerning Collection Operations



2. Flow of Procedures for the Payment of Distribution of Fund Collected to Victims and Operations Handled by the DICJ

Procedures for forfeiture

1 A financial institution takes action to suspend transactions made via a bank account which is suspected to be utilized for fraud, in accordance with the provisions of the Agreement on Bank Transactions.

2 The financial institution confirms that there are rational reasons for suspecting that the bank account is utilized for fraud.

3 **The DICJ gives a public notice of the potential for the forfeiture of depositors' rights (posting it on the website of the DICJ)**

([Nominees are notified of the chance to exercise their rights. The nominees or victims take actions such as instituting a lawsuit, etc.])

In cases of none of the above-mentioned actions being taken

In cases of the above-mentioned actions being taken → Settlement via the existing legal system such as a lawsuit

4 Elapse of a prescribed period (more than 60 days)
Forfeiture of rights (Nominees' claims for deposits, etc. cease to exist.)
= (The financial institution becomes obligated to pay distributions to victims.)

The financial institution requests that the DICJ give a public notice.

Procedures for Payment

5
- **The DICJ gives a public notice of the payment of distribution (posting it on the website of the DICJ)**
- The financial institution receives an application for payment from victims.
(The period of application shall be more than 30 days.)

6 To fix the right to claim payment

(The financial institution determines the victim, the amount of criminal damage suffered and the amount of payment (Note) based on documents, etc. submitted by the victim.)

【Notes】
Amount of payment = Amount of claims such as deposits, etc. which ceased to exist × $\frac{\text{Amount of criminal damage suffered by each victim}}{\text{Total amount of damage suffered}}$

7 Payment to the victims is approved by the above-mentioned procedures
6 (The financial institution makes payment.)

The financial institution makes payment of residual property, if any, to the DICJ.

8 **Management of the residual property by the DICJ**

- A certain proportion of the residual property is appropriated for the relief of nominees of the bank accounts.
- The remainder, if any, is used to support crime victims.

3. Structure and Organization

(1) Establishment & Roles

(i) Establishment

The DICJ is a semi-governmental organization that was established in 1971 with the purpose of operating Japan's deposit insurance system under the Deposit Insurance Law.

The background of the DICJ's establishment lies in July 1970, when the idea of a deposit insurance system was raised in a Financial System Research Committee report on policies for private financial institutions. The report stressed the need to create a system aimed at protecting depositors, and indicated basic directions to that end. Based on this, the Deposit Insurance Law was enacted in March 1971 (coming into effect on April 1 of the same year). The DICJ was then established on July 1, 1971, with funding from the government, the Bank of Japan, and private financial institutions.

The DICJ was originally capitalized at ¥450 million (with funding of ¥150 million each from the government, the Bank of Japan, and private financial institutions). The additional participation of labor banks in July 1986 brought a further injection of ¥5 million. With funding of ¥5 billion by the government for the *Jusen* Account in July 1996, capitalization now stands at ¥5,455 million.

(ii) Roles

The purpose of the Deposit Insurance Law, as defined in Article 1 thereof, is "to protect depositors and other parties as well as maintain an orderly financial system, by providing for the payment of deposit insurance claims and the purchase of deposits and other claims in the event that repayment of said deposits, etc. is suspended by a financial institution, and, regarding the resolution of failed financial institutions, providing appropriate financial assistance to facilitate mergers, etc. or other resolutions of failed financial institutions, providing for financial administrators for failed financial institutions, providing for the succession of business of failed financial institutions, and establishing a system for appropriate measures in response to financial crises."

The DICJ undertakes the following operations, among others, to achieve these objectives: 1) Collection of insurance premiums; 2) Reimbursement of insured deposits and partial payments; 3) Financial assistance to facilitate mergers or other resolutions of failed financial institutions; 4) Purchase of deposits and other claims; 5) Operations related to financial administrators, etc.; 6) Operations related to the business management of bridge banks; 7) Operations in response to financial crises; 8) On-site inspections of financial institutions; 9) Operations related to purchase of assets from sound financial institutions; 10) Subscription of shares from financial institutions, etc. and other operations (capital injection operations); 11) Guidance and advice to the RCC concerning its resolution and collection operations; 12) Asset investigation of debtors of the RCC; and 13) Pursuit of civil and/or criminal liability on the part of former executives, etc. of failed financial institutions.

(2) Organizational Structure

● Organization Chart (as of July 1, 2008)

- Policy Board
- DICJ
  - Governor
    - Legal Affairs Department
    - Audit Department
    - Auditor (part-time)
    - Deputy Governor
    - Deputy Governor
    - Deputy Governor
    - Deputy Governor
      - Planning and Coordination Department
        - Administration Division
        - Personnel Division
        - Public Relations and Information Management Office
        - Planning and coordination Division
        - Subsidiary Administration Division
        - Office for International Affairs
        - Office for Research and Intelligence
      - Treasury Department
        - Financial Planning and Coordination Division
        - Budget and Accounting Division Ⅰ
        - Budget and Accounting Division Ⅱ
        - Budget and Accounting Division Ⅲ
        - Finance Division Ⅰ
        - Finance Division Ⅱ
        - Bank Transfer Fraud Recovery Division
      - Financial Reconstruction Department
        - Planning and Coordination Division
        - Capital Operation Division
        - Financial Reorganization Division
      - Deposit Insurance Department
        - Planning Division
        - Financial Assistance Division
        - Advisory Service Division
        - Information System Division
      - Special Investigation Department
        - Policy Planning and Coordination Division
        - Investigation and Recovery Division
        - Special Investigation Division Ⅰ
        - Special Investigation Division Ⅱ
        - Special Investigation Division Ⅲ
      - Inspection Department
        - Inspection Planning Division
        - Evaluation Division
        - Inspection Division Ⅰ
        - Inspection Division Ⅱ
      - Osaka Operation Department
        - Administration, Policy Planning and Coordination Division
        - Financial Reorganization Office
        - Financial Assistance Division
        - Investigation and Recovery Division
        - Special Investigation Division Ⅰ
        - Special Investigation Division Ⅱ
        - Special Investigation Division Ⅲ
- Liability Investigation Committee
- Divestment Examination Board for Preferred Shares, etc.
- Performance Appraisal Committee

● Changes in the authorized number of staff, by working role, at the DICJ

Fiscal Year	Executive				Member of Staff						
	Governor	Deputy Governors	Auditor	Total	Secretariat of the Committee	Department Head	Deputy Head	Division Head	Manager, etc.	Total	Increase/ decrease compared with previous fiscal year
July, 1971 establishment	(1)	1	(1)	1	1	0	0	0	10	11	-
1975	(1)	1	(1)	1	1	0	2	0	7	10	-1
1976	(1)	1	(1)	1	1	0	2	0	7	10	0
1977	(1)	1	(1)	1	1	0	4	0	7	12	2
1978	(1)	1	(1)	1	1	0	4	0	7	12	0
1979	(1)	1	(1)	1	1	0	4	0	7	12	0
1980	(1)	1	(1)	1	1	0	4	0	7	12	0
1981	(1)	1	(1)	1	1	0	4	0	7	12	0
1982	(1)	1	(1)	1	1	0	4	0	7	12	0
1983	(1)	1	(1)	1	1	0	4	0	7	12	0
1984	(1)	1	(1)	1	1	0	4	0	7	12	0
1985	(1)	1	(1)	1	1	0	4	0	8	13	1
1986	(1)	1	(1)	1	1	0	4	0	8	13	0
1987	(1)	1	(1)	1	1	0	4	0	9	14	1
1988	(1)	1	(1)	1	1	0	4	0	9	14	0
1989	(1)	1	(1)	1	1	0	4	0	9	14	0
1990	(1)	1	(1)	1	1	0	4	0	9	14	0
1991	(1)	1	(1)	1	1	0	4	0	9	14	0
1992	(1)	1	(1)	1	1	0	4	0	10	15	1
1993	(1)	1	(1)	1	1	0	4	0	10	15	0
1994	(1)	1	(1)	1	1	0	4	0	9	14	-1
1995	(1)	1	(1)	1	1	0	4	0	10	15	1
1996	1	3	(1)	4	0	4	11	10	94	119	107
1997	1	3	(1)	4	-	7	11	14	155	187	68
1998 Initial	1	3	(1)	4	-	8	14	27	239	288	101
1998 After change	1	4	(1)	5	-	10	16	29	278	333	147
1999	1	4	(1)	5	-	11	16	31	275	333	0
2000	1	4	(1)	5	-	11	16	34	292	353	20
2001	1	4	(1)	5	-	11	16	34	320	381	28
2002	1	4	(1)	5	-	13	16	34	346	409	28
2003	1	4	(1)	5	-	13	17	37	331	398	-11
2004	1	4	(1)	5	-	14	16	39	328	397	-1
2005	1	4	(1)	5	-	14	16	38	318	386	-11
2006	1	4	(1)	5	-	14	16	38	305	373	-13
2007	1	4	(1)	5	-	14	16	36	297	363	-10
2008	1	4	(1)	5	-	14	16	37	293	360	-3

1. Figures in brackets represent part-time work.
2. "Department Head" includes Chief Legal Officer, the Chief Audit Officer, Executive Directors, while "Division Head" includes Office Heads, and "Manager" includes the Deputy General Counsels, Senior Managers, senior staff members and division staff.

(i) Policy Board

The Policy Board functions as a decision-making body that passes resolutions on important matters regarding the management of the DICJ. It consists of a maximum of eight Board Members together with the Governor and Deputy Governors of the DICJ. Board Members are appointed by the Governor of the DICJ from persons with experience and expert knowledge in finance. All appointments must be approved by the Prime Minister (a task legally delegated to the Commissioner of the FSA) and the Minister of Finance. At present, the Policy Board consists of eight people, five representatives of the financial community and three members from outside the financial community.


The Policy Board in discussion

According to the Articles of Incorporation, a resolution of the Policy Board is required, among others, for: 1) amendments to the Articles of Incorporation, 2) preparation of and amendments to the Operational Guidelines; 3) budget and funding plans; 4) settlement of accounts; 5) decisions on and changes to insurance premium rates; 6) decisions on the reimbursement of deposit insurance and partial payments thereof; 7) decisions on financial assistance; and 8) decisions on the purchase of deposits and other claims. In FY2007, the Board met on five occasions.

Policy Board Members and DICJ Executives

As at July 7, 2008

< Policy Board >

Chairman:	Shunichi Nagata	(Governor of the DICJ)
Members (in alphabetical order):	Yasuo Matoi	(Adviser, NEC Corporation)
	Masamichi Narita	(Adviser, Japan Tobacco, Inc.)
	Tadashi Ogawa	(Chairman, Regional Banks Association of Japan)
	Yasuhiko Okada	(Chairman, National Association of Labour Banks)
	Koji Omae	(Chairman, National Association of Shinkin Banks)
	Seiji Sugiyama	(Chairman, Japanese Bankers Association)
	Kazuo Tanabe	(Chairman, Trust Companies Association of Japan)
	Naoyuki Yoshino	(Professor of Economics, Keio University)
Deputy Governor:	Hakaru Hirose	(Deputy Governor of the DICJ)
	Mutsuo Hatano	(Deputy Governor of the DICJ)
	Masanori Tanabe	(Deputy Governor of the DICJ)
	Toshihiko Niibori	(Deputy Governor of the DICJ)

< Executives of the DICJ >

Governor:	Shunichi Nagata
Deputy Governors:	Hakaru Hirose
	Mutsuo Hatano
	Masanori Tanabe
	Toshihiko Niibori
Auditor (Part-Time):	Sayoko Iida

< Department Heads of the DICJ >

Planning and Coordination Department:	Sadaji Hiranuma
Treasury Department:	Kazukiyo Onishi
Financial Reconstruction Department:	Hideki Yamada
Deposit Insurance Department:	Tetsuro Wada
Special Investigation Department:	Masao Sato
Inspection Department:	Takahito Yamada
Osaka Operation Department:	Kazuya Nishihata
Legal Affairs Department:	Koichi Migita
Audit Department:	Tetsuji Nagatomo

(ii) Operations of departments

1) Planning & Coordination Department

The Planning & Coordination Department is in charge of overall coordination of the DICJ's administrative work, convening the Policy Board and other meetings, public relations, information disclosure, protection of personal information, personnel affairs, organization, recruitment, guidance and advice to or liaison with the RCC, international affairs, research activities at home and abroad, and other administrative work not handled by other departments.

The Department consists of four divisions and three offices: the Administration Division; the Personnel Division; the Public Relations and Information Management Office; the Planning and Coordination Division; the Subsidiary Administration Division; the Office for International Affairs; and the Office for Research and Intelligence.

2) Treasury Department

The Treasury Department is responsible for budgeting, settlement, accounting, financial audits, asset management, financial planning, funding, management, the collection of insurance premiums, public notices made under the Act on Criminal Accounts Damages Recovery and so on.

The Department consists of seven divisions: the Financial Planning and Coordination Division; the Budget and Accounting Division I; the Budget and Accounting Division II; the Budget and Accounting Division III; the Finance Division I; the Finance Division II; and Bank Transfer Fraud Recovery Division.

3) Financial Reconstruction Department

The Financial Reconstruction Department is in charge of work related to financial administrators and others, the transfer of business of failed financial institutions, responses to financial crises, special public management of banks, asset purchases from and capital injection to financial institutions as well as corporate revitalization, etc. and other work. The Department consists of three divisions: the Planning and Coordination Division; the Capital Operation Division; and the Financial Reorganization Division.

4) Deposit Insurance Department

The Deposit Insurance Department is in charge of work related to execution of claims and other payments, financial assistance (including responses to financial crises), purchase of deposits and other claims, development and operation of information systems, training and advice to financial institutions on enhancement of the depositors name-based aggregation system and database, and preparation of lists of depositors in line with the Act on Special Corporate Reorganization.

The Department consists of four divisions: the Planning Division; the Financial Assistance Division; the Advisory Service Division; and the Information System Division.

5) Special Investigation Department

The Special Investigation Department is in charge of investigating cases in pursuit of criminal and civil liability, investigatory guidance and advice to the RCC, investigating debtors and others regarding claims transferred to the RCC, collection commissioned by the RCC, the management, collection and disposal of purchased assets, and other work. The Department has five divisions: the Policy Planning and Coordination Division; the Investigation and Recovery Division; the Special Investigation Division I; the Special Investigation Division II; and the Special Investigation Division III.

6) Inspection Department

The Inspection Department is in charge of inspections and verifications to examine the propriety of insurance premium payments, management of depositor name databases and data processing systems, and estimations of the liquidating dividends of failed financial institutions to calculate the "estimated proceeds payment rate." The Department has four divisions: the Inspection Planning Division; the Evaluation Division; the Inspection Division I; and the Inspection Division II.

7) Osaka Operation Department

The Osaka Operation Department is in charge of work related to financial administrators, such as the reimbursement of deposit insurance and other payments, the financial assistance, the purchase of deposits and other claims, as well as investigating cases in pursuit of criminal and civil liability, guidance and advice to the RCC, investigating debtors and others regarding claims transferred to the RCC, collection commissioned by the RCC, the management, recovery and

disposal of purchased assets, and other work, mainly when such work pertains to the Kansai region and further west.
The Department has six divisions and one office: the Administration, Policy Planning and Coordination Division; the Financial Reorganization Office; the Financial Assistance Division; the Investigation and Recovery Division; the Special Investigation Division I; the Special Investigation Division II; and the Special Investigation Division III.

8) Legal Affairs Department
The Legal Affairs Department is in charge of administering legal affairs related to the operational activities of the DICJ and administering practical work related to the compliance activities of the DICJ.

9) Audit Department
The Audit Department is responsible for the administration of internal audits, overseeing external auditing, and administration relating to inspections by the Board of Audit of Japan, etc.

(iii) Other committees, etc.

1) Liability Investigation Committee
Under the amendment to the Deposit Insurance Law in February 1998, the Governor of the DICJ was required to arrange a system for efficiently conducting operations based on an agreement on resolution and collection. This served to intensify legal demands for the pursuit of liability.
In response to this the Liability Investigation Committee, chaired by the Governor of the DICJ and with DICJ executives as its members, was established in February of the same year. It is in charge of clarifying the civil and criminal liability of debtors, executives, etc. of failed financial institutions, former *Jusen* companies and others with a view to properly implementing criminal accusations, compensation claims, and other requisite measures. During FY2007, the Committee met once and discussed cases involving the pursuit of liability.
The Liability Investigation Committee includes three special advisers, who counsel on the above measures.

< Special Advisors to the Liability Investigation Committee (as at July 1, 2008) >
Shigeru Kobori (former President of the Japan Federation of Bar Associations)
Hidehiko Sato (former Commissioner General of the National Police Agency)
Kiyoshi Uetani (former President of Osaka High Court)

2) Divestment Examination Board for Preferred Shares, etc.
The Divestment Price Examination Board was established as the Governor's advisory committee in June 2004 for the purpose of deciding on appropriate prices through fair and neutral procedures, when preferred shares, etc. subscribed with public funds to carry out capital injections are disposed.
On February 23, 2006, the Board revised its name to the "Divestment Examination Board for Preferred Shares, etc." and added "execution of divestment," "method of divestment," and "amount of divestment" to the subjects for examination to cope with situations where applications for divestment from financial institutions are not expected. This adjustment was taken in line with the "Immediate Guideline for Disposal of Preferred Stocks, etc. Acquired through Capital Injection with Public Funds" announced on October 28, 2005. During FY2007, the Committee met on two occasions.

< Members of the Divestment Examination Board for Preferred Shares, etc. (as at July 1, 2008) >

Chairman:	Satoshi Komiyama	(Certified Public Accountant)
Deputy Chairman:	Yasuyuki Kuratsu	(Financial Practitioner)
Members:	Akira Usui	(Academic expert)
	Hidetaka Kawakita	(Academic expert)

3) Performance Appraisal Committee
The Performance Appraisal Committee was established in April 2004 to decide the rate of contribution to the DICJ performance for the purpose of making fair and reasonable payment of retirement allowance to the DICJ executives. The Performance Appraisal Committee is composed of three members of the Policy Board (excluding a member from the financial industry) and one part-time auditor.
There is no record of the committee having been held during FY2007.

< Members of the Performance Appraisal Committee (as at July 1, 2008)>

Chairman:	Masamichi Narita	(Policy Board Member)
Members:	Yasuo Matoi	(Policy Board Member)
	Naoyuki Yoshino	(Policy Board Member)
	Sayoko Iida	(DICJ Auditor)

(3) Organizational Reform

Regarding organizational changes in FY2008, in line with the basic policy whereby the DICJ will maintain and improve the system for executing operations to enable us to respond appropriately to fluctuations in the volume of administrative work accompanying operations newly commissioned to the DICJ under the Act on the Payment of Damages Recovery based on the Funds of Criminal Accounts which has newly come into force, and whereby the DICJ will promote streamlining of the organization, the DICJ has newly established the Bank Transfer Fraud Recovery Division at the Treasury Department and has reviewed the organization in order to reduce the overall workforce.
Consequently, the authorized number of staff for FY2008 stands at 360 people; 3 fewer than in the previous fiscal year.

(4) Subsidiaries of the DICJ

(i) Resolution and Collection Corporation

Following amendments to the Deposit Insurance Law and the *Jusen* Law in October 1998, the RCC was established as a 100% subsidiary (limited company) of the DICJ (capital: ¥212 billion) through a merger between the HLAC and the RCB on April 1, 1999. Its purpose was to achieve quick and efficient collection of non-performing loans using fair and transparent means, and to minimize the injection of public funds.
As at April 1, 2008, the RCC had nine officers (six directors and three auditors) and 811 employees (including 9 operating officers). As an organization, its headquarters' functions are performed by the headquarters division, seven other divisions, and three offices. It also has 17 collection offices nationwide.
The main business of the RCC includes: (i) recovery of loan assets, etc. transferred from seven former *Jusen* companies; (ii) purchase and collection of non-performing loans, etc. from failed financial institutions; (iii) purchase and collection of non-performing loans from sound financial institutions and others in line with Article 53 of the Financial Revitalization Law (receipt of applications for the purchase of assets closed on March 31, 2005); and (iv) subscription of shares, etc. as capital injections under the Act on Strengthening Financial Functions. In addition, the RCC started servicer operations based on a servicer license acquired in June 1999. In April 2001, according to the Agricultural & Fishery Cooperative Savings Insurance Law, it entered an agreement on collection operations with the Agricultural & Fishery Cooperative Savings Insurance Corporation and became a contracted debt collection company. Moreover, in August 2001, the RCC was authorized to conduct trust business and currently it is pushing forward with the subscription of non-performing loans via the trust method, securitization for non-performing loans through trusts, and the creation of corporate revitalization funds that make use of private sector funding. [See P59, III. 1. (9) "Relationship between the DICJ and the RCC concerning Collection Operations"]

(ii) The Second Bridge Bank of Japan

The 2nd BBJ was established as a 100% subsidiary of the DICJ (capital: ¥2.12 billion), obtaining founding approval by the Commissioner of the FSA on February 26, 2004, and having acquired a license for banking and secured bond trust businesses on March 8, 2004.
The 2nd BBJ aims at continuing operations temporarily by taking over insured deposits and sound assets from failed financial institutions placed under management by a financial administrator in cases where no assuming financial institution is found during failure, and seeking an assuming financial institution for such operations (re-assuming financial institution) in an attempt to protect depositors and maintain the financial system.
As at March 31, 2008 there was no business (operations) transfer from failed financial institutions.

(iii) Industrial Revitalization Corporation of Japan

In April 2003, with the approval of the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry, the IRCJ was established in accordance with the Industrial Revitalization Corporation Law to promote the revitalization of Japan's industries while providing for stability in employment and to maintain financial order by promoting the disposal of bad debts of financial and other institutions. Upon the establishment of the IRCJ, the DICJ received funds from financial institutions and allocated ¥49.7 billion (98.5% contribution) to capital of the IRCJ. The IRCJ also received, via the DICJ, an additional contribution of ¥0.75 billion from the Norinchukin Bank, bringing the total capital balance to ¥50.5 billion.

In the period up until March 2005, the IRCJ made decisions to provide support to 41 corporate groups (targeted businesses) from a wide range of business sectors, irrespective of size, from local industries to major listed corporations, and engaged in business revitalization assistance accordingly. Among the businesses which it supported in revitalization were cases in which the IRCJ played a role in bridging the gap between private and legal corporate reorganization under a scheme combined with civil rehabilitation procedures to minimize impairment of business value. By indicating appropriate business reorganization models to companies, the IRCJ can be said to have made a significant contribution to the development of the business revitalization.

The IRCJ was initially established as a temporary organization, which was expected to operate, in principle, for a period of five years. However, on March 2, 2007, after making its final disposition decision on its last item of business, the mission of the IRCJ was completed about one year ahead of the original deadline. Therefore, the IRCJ was disbanded in accordance with Article 43 of the Industrial Revitalization Corporation Law on March 15. After disbandment, the IRCJ undertook liquidation procedures and on June 5, in accordance with Article 45 of the Industrial Revitalization Corporation Law, it distributed to shareholders their capital contributions of ¥50.7 billion, to which an amount equal to 0.48% (¥0.24 billion) of their invested capital had been added, and also made a payment of ¥43.2 billion to the national treasury. The IRCJ subsequently received approval for its financial statements (completion of liquidation) at the ordinary meeting of shareholders, and its status as a corporate body was extinguished.

The final accumulated profit of the IRCJ was ¥43.5 billion, with tax payments amounting to ¥31.2 billion.

Capital subscriptions of ¥49.9 billion, to which ¥0.23 billion had been added, were previously allocated to the DICJ and, the IDCJ placed this amount to the Industrial Revitalization Account. After settling the liabilities and determining the remaining assets of the Account under Article 52 of the Industrial Revitalization Corporation Law, the DICJ distributed the remainder to financial institutions, which made contributions to capitalize the IRCJ according to the amount of their contributions. (The Industrial Revitalization Account was abolished on June 30, 2007.)

4. Operational Results

(1) Main Events (FY2007)

April 1, 2007	● Establishment of the Audit Division
〃	● Integration of the Task Force Division and Investigation and Recovery Division into the Investigation, Recovery and Task Force Division
April 2, 2007	● Public notice of the Medium-Term Goals and Policy of Operation (The Governor's statement is released.)
June 5, 2007	● Completed settlement of the Industrial Revitalization Corporation of Japan
June 8, 2007	● Approval of the disposal of perpetual subordinated loans of Resona Holdings (¥35 billion) (completed on June 13, 2007) (The Governor's statement is released.)
June 22, 2007	● 191st meeting of the Policy Board
June 30, 2007	● Abolition of the Industrial Revitalization Account
July 18, 2007	● 192nd meeting of the Policy Board
〃	● 9th meeting of the Special Advisors to the Liability Investigation Committee
July 23, 2007	● Approval of the exercise of privilege of an acquisition claim for preferred stock (¥37 billion) from Chuo Mitsui Trust Holdings, and approval of the disposal of common stock (sale) delivered by the said bank (completed on July 27, 2007) (The Governor's statement is released.)
August 6, 2007	● Approval of the disposal of preferred stock (¥35 billion) of Hokuhoku FG (completed on August 9, 2007) (The Governor's statement is released.)
September 21, 2007	● 193rd meeting of the Policy Board
October 9, 2007	● 105th meeting of the Liability Investigation Committee
December 21, 2007	● Promulgation of the Act on the Payment of Damages Recovery based on the Funds of Criminal Accounts (The Governor's statement is released.)
February 12, 2008	● Approval of the disposal of preferred stock (¥30 billion) of Kyushu Shinwa Holdings (receipt of distributions of residual property) (completed on February 18, 2008)
February 26, 2008	● 194th meeting of the Policy Board
March 14, 2008	● The FSA selected a consortium led by Nomura Financial Partners Co., Ltd. and Next Capital Partners Co., Ltd. as the buyer of Ashikaga Bank, which is under special crisis management. (The Governor's statement is released.)
March 21, 2008	● 195th meeting of the Policy Board
March 21, 2008	● Receiving an offer for the purchase of assets under Article 129, Paragraph 1 of the Deposit Insurance Law from Ashikaga Bank, which is under special crisis management, the Policy Board held a meeting and decided to purchase the assets concerned of ¥13.2 billion (book value ¥59.9 billion) (completed on March 31, 2008.) (The Governor's statement is released.)
March 31, 2008	● Obtaining the approvals of the Commissioner of the FSA and the Minister of Finance, the deposit insurance premium rates were set at 0.108 % for deposits for payment and settlement purposes and 0.081 % for general deposits, etc. (applicable from FY2008 onward.) (The Governor's statement is released.)

Note: For "Statements by the Governor" and details of other information, visit the DICJ Website at http://www.dic.go.jp/english/

(2) Policy Board Meetings (FY2007)

	Date	Agenda
191st meeting of the Policy Board	June 22, 2007	● Account settlement of FY2006 ● Granting a subsidy for business operations to the RCC ● Increase in the monetary grant for Tokyo Star Bank in accordance with the settlement of the contentious case regarding Tokyo Star Bank succeeded from Chiba-ken Shoko Credit Cooperative ● Increase in the monetary grant for Tokyo Star Bank in accordance with the settlement of the contentious case regarding Tokyo Star Bank succeeded from Tokyo Sowa Bank
192nd meeting of the Policy Board	July 18, 2007	● Settlement of the Industrial Revitalization Account of FY2007 ● Distribution of residual property accompanied by the abolition of the Industrial Revitalization Account
193rd meeting of the Policy Board	September 21, 2007	● Amendment to the Operational Guidelines of the DICJ ● Amendment to the Operational Guidelines under the Special Measures Law for the Promotion of the Disposal of Claims and Debts of Specific *Jusen* Companies
194th meeting of the Policy Board	February 6, 2008	● Amendment to the Articles of Incorporation of the DICJ ● Drawing up Operational Guidelines under the Act on the Payment of Damages Recovery based on the Funds of Criminal Accounts ● Amendment to the budget for FY2007 ● Granting of a subsidy for business operations to the RCC
195th meeting of the Policy Board	March 21, 2008	● Change in the deposit insurance premium rates ● Decision concerning the budget and funding plan for FY2008 ● Amendment to the Articles of Incorporation of the DICJ ● Purchase of assets held by Ashikaga Bank ● Terms and conditions on entrusting the RCC with the purchase of assets from Ashikaga Bank ● Amendment to the limit of loan and debt guarantee made to the RCC ● Increase in the monetary grant for Kansai Urban Banking Corporation in accordance with the settlement of the contentious case regarding Kansai Urban Banking Corporation succeeded from its predecessor. ● Increase in the monetary grant for Kinki Sangyo Credit Cooperative in accordance with the settlement of the contentious case regarding Kansai Kogin Credit Cooperative

(3) Status of Financial Assistance and Recovery (as at March 31, 2008)

(Unit: ¥billion)

Financial assistance items	The extent to which financial assistance has been implemented	The cumulative amount of recoveries, etc. (Note 1)
(1) Grants	18,611.1	(Note 2) -
Of the above, monetary grants to a bank which is under special public management	6,376.4	-
(2) Purchase of assets	9,775.9	9,596.0
Purchase of assets from failed financial institutions	6,366.3	7,142.8
Of the above, the purchase of bad assets from banks which are under special public management	1,179.8	1,646.4
Purchase of normal assets (stock held) from banks which are under special public management	2,939.7	1,700.4
Purchase of non-performing loans (loan receivables, etc.) from banks which are under special public management	2.4	8.6
Purchase of assets from a bank which is under special crisis management	98.2	78.4
Purchase of assets from the National Federation of Credit Cooperatives	15.9	23.7
Purchase of assets from sound financial institutions	353.3	642.1
(3) Capital injection	12,427.4	(Note 3) 10,219.4
Capital injection under the former Financial Function Stabilization Law	1,815.6	1,652.6
Capital injection under the Early Strengthening Law	8,605.3	8,555.8
Capital injection under the Deposit Insurance Law	1,960.0	11.1
Capital injection under the Act on Organizational Restructuring	6.0	-
Capital injection under the Act on Strengthening Financial Functions	40.5	-
(4) Other	5,989.3	4,858.7
Lending of funds to banks which are under special public management	4,200.0	4,200.0
Taking delivery of assets under the warranty for latent defect provisions	1,222.6	646.8
Compensation for losses	554.7	-
Compensation for losses to banks which are under special public management	472.7	-
Compensation for losses to the National Federation of Credit Cooperatives	82.0	-
Lending (lending to assuming financial institutions)	8.0	8.0
Debt assumption (debt assumption to assuming financial institutions)	4.0	3.8

Figures are rounded off.

Notes: 1. In addition to the amount of collection equivalent to a book value portion, the cumulative amount of recoveries, etc., includes the amount of collection exceeding book value such as gains from the collection of claims, gains on the sale of securities and on that of real estate property and the amount of price adjustment (*) of the purchased assets, but excluding income such as interest and dividends.

* The amount of purchase price adjustment: A certain period is required from the base date of evaluation; based on which the purchase price of assets is decided until the RCC takes over actual assets from failed financial institutions. The changes in asset price arising from the progress of collection during this period are to be settled (adjustment of purchase price) following close examination and agreement between the RCC and the liquidated corporation (the failed financial institution) after the takeover. Upon settlement, the amount equivalent to the increase or decrease of the purchase price concerned following adjustment shall be the amount of purchase price adjustment. The amount of purchase price adjustment was ¥1,186.3 billion as at March 2008.

2. ¥10,432.6 billion out of monetary grants is financed by the redemption (use) of grant bonds (¥13,000 billion.) (Tax payers bear the burden at the present stage.) The remaining amount is to be financed from the deposit insurance premium. The deposit insurance premium which the DICJ had collected from financial institutions by March 31, 2008 had reached an aggregate of ¥6,823.9 billion.

** The grant bonds were issued to finance monetary grants exceeding the pay off cost in failure resolutions up to March 31, 2002. (Redemption of the grant bonds was completed on March 31, 2003.)

*** The decreased amount arising from close scrutiny of monetary grants is paid to the national treasury.

3. Of the cumulative amount of recoveries, etc., involved in capital injection, ¥10,219.4 billion, ¥8,891.8 billion was involved in capital injection.

4. All of the compensation for losses - ¥158.2 billion for the former Long-Term Credit Bank of Japan and the former Nippon Credit Bank, and ¥28.3 billion for Mizuho FG involved in capital injection under the former Financial Function Stabilization Law; ¥22.4 billion for Ashigin FG involved in capital injection under the Early Strengthening Law; the amount of special compensation for losses (¥78.5 billion) arising from the entrustment of asset purchase operations; and ¥4.1 billion involved in the purchase of assets from banks under special crisis management - represent compensation for losses granted to the RCC by the DICJ, and so these amounts are not included in the aforementioned table.

5. The distributed amount of remaining assets, ¥2.8 billion, with regard to Ashigin FG is not included in the cumulative amount of recoveries, etc.

(4) Financial Assistance in the Resolution of Failed Institutions (as at March 31, 2008)

(i) Financial assistance on a fiscal year basis

(Unit: ¥billion)

Fiscal Year	Number of Cases	Grants	Asset Purchases	Lending	Debt Assumption
1992	2	20.0	-	8.0	-
1993	2	45.9	-	-	-
1994	2	42.5	-	-	-
1995	3	600.8	-	-	-
1996	6	1,315.8	90.0	-	-
1997	7	152.4	239.1	-	4.0
1998	30	2,674.1	2,681.5	-	-
1999	20	4,637.4	1,304.4	-	-
2000	20	5,155.3	850.1	-	-
2001	37	1,641.4	406.4	-	-
2002	51	2,325.5	794.9	-	-
2002	0	-	-	-	-
2004	0	-	-	-	-
2005	0	-	-	-	-
2006	0	-	-	-	-
2007	0	-	-	-	-
Total	180	18,611.1	6,366.3	8.0	4.0

Notes: 1. Figures for each fiscal year are calculated based on the date of implementation of financial assistance (the date of transfer of business.) (The amount of monetary grants is a figure following amendment to the amount as of the date of initial implementation; taking into account the subsequent reduction in amount.)

2. Regarding the number of cases, the purchase of assets from the Long-Term Credit Bank of Japan and the Nippon Credit Bank was twice implemented. In the case of Midori Bank (asset purchases in FY1998 and monetary grants in FY1999), however, only cases for FY1998 are counted.

3. The amount of assets purchased from failed financial institutions is ¥6,464.5 billion; calculated by adding ¥98.2 billion of asset purchases under Article 129 of the Insurance Deposit Law to the amount of financial assistance as mentioned above.

4. “Lending”: since the low-interest loan was typical management assistance for ailing financial institutions at the time of the failure of the Toho Sogo Bank, an application for financial assistance by lending was filed.

5. “Debt assumption”: at the time of the failure of the Hanwa Bank, the Kii Deposit Management Bank, which was assuming the role of a financial institution, assumed the financial obligations that had not been succeeded at the Kii Deposit Management Bank — for the purpose of repayment of deposits.

6. Since figures are rounded off, totals sometimes do not equal the sum of the amounts.

(ii) Financial assistance by category of financial institution

(Unit: ¥billion)

Category of Financial Institution	Number of Financial Assistance Cases	Monetary Grant		Purchase of Assets		Lending		Debt Assumption	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
Total	180	176	18,611.1	167	6,366.3	1	8.0	1	4.0
Under the Full Amount Protection	169	166	17,784.4	167	6,366.3	0	-	1	4.0
Banks	20	16	12,315.9	17	4,575.8	1	8.0	1	4.0
Under the Full Amount Protection	17	14	11,725.9	17	4,575.8	0	-	1	4.0
Shinkin Banks	27	27	972.7	25	550.0	0	-	0	-
Under the Full Amount Protection	25	25	926.7	25	550.0	0	-	0	-
Credit Cooperatives	133	133	5,322.5	125	1,240.6	0	-	0	-
Under the Full Amount Protection	127	127	5,131.8	125	1,240.6	0	-	0	-

Note: Figures are rounded off.

(5) Results of Recoveries of Assets Purchased under Article 53 of the Financial Revitalization Law

(Unit: ¥billion)

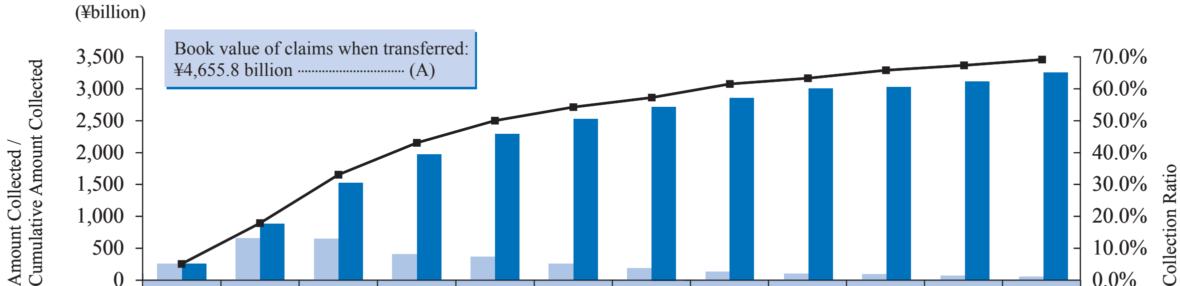
Fiscal Year	Original Book Value of Claims	Accumulated Total of Original Book Value of Claims	Purchase Value	Accumulated Total of Purchase Value (A)	Total of Claims Collection	Accumulated Total of Claims Collection (B)	Collection Ratio (B/A)
1999	493.0	493.0	24.1	24.1	4.2	4.2	17.4%
2000	522.2	1,015.2	12.6	36.8	21.7	25.9	70.4%
2001	330.2	1,345.4	20.6	57.3	30.4	56.3	98.3%
2002	2,088.5	3,433.9	205.7	263.0	39.4	95.6	36.3%
2003	405.4	3,839.3	64.1	327.2	126.0	221.6	67.7%
2004	176.7	4,016.0	23.3	350.5	163.5	385.1	109.9%
2005	29.9	4,046.0	5.2	355.7	145.4	530.4	149.1%
2006	-	4,046.0	-	355.7	79.0	609.4	171.3%
2007	-	4,046.0	-	355.7	39.5	648.9	182.4%

Notes: 1. The figures in the table include purchases and collections of assets other than stocks (with a book value of ¥41.9 billion and purchase price of ¥2.4 billion) by the DICJ under Article 53 of the Financial Revitalization Law from banks which are under special public management.

2. Since figures are rounded off, totals sometimes do not equal the sum of the amounts.

(6) Collection Performance of the RCC

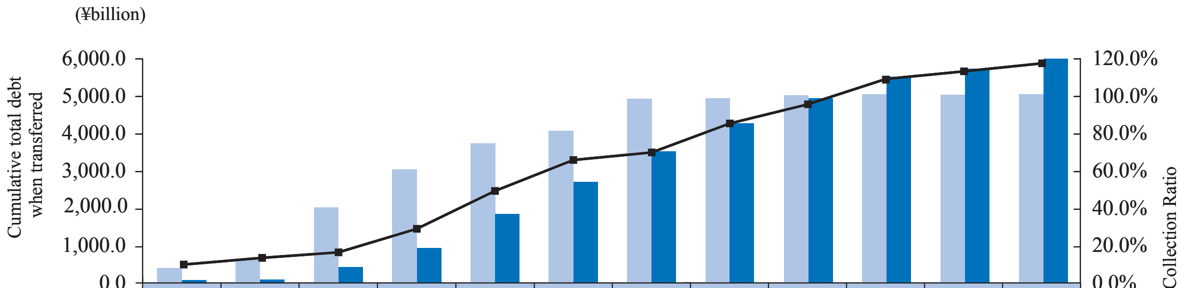
● Former HLAC (established on July 26, 1996)



	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Amount Collected	244.5	655.3	650.5	426.0	321.7	250.6	170.0	139.4	117.6	100.3	86.9	70.2
Cumulative Amount Collected (B)	244.5	899.9	1,550.4	1,976.4	2,298.1	2,548.7	2,718.7	2,858.1	2,975.7	3,076.0	3,163.0	3,233.1
Collection Ratio (B/A)	5.3%	19.3%	33.3%	42.5%	49.4%	54.7%	58.4%	61.4%	63.9%	66.1%	67.9%	69.4%

* Since figures are rounded off, totals sometimes do not equal the sum of the amounts.

● Former RCB (Reorganized on September 2,1996)



	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Cumulative Total Book Value when Transferred (A)	384.1	596.6	2,016.7	3,140.1	3,794.8	4,127.9	4,918.2	4,982.4	5,042.8	5,071.3	5,060.2	5,073.2
Cumulative Amount Collected (B)	34.3	85.7	347.5	953.2	1,893.4	2,729.1	3,483.4	4,255.9	4,961.6	5,491.9	5,815.7	6,010.6
Collection Ratio (B/A)	8.9%	14.4%	17.2%	30.4%	49.9%	66.1%	70.8%	85.4%	97.9%	108.3%	114.9%	118.5%

* The performance of the former RCB in FY1996 is the total of the amounts collected in FY1995 and FY1996.
* Excluding trust scheme from the transfer claims of Hokkaido Takushoku Bank.
* Including transfer claims of Hanwa Bank (the amount collected and received from the DICJ) and the amount of assets purchased under Article 129 of the Deposit Insurance Law and under Article 53 of the Financial Revitalization Law.
* In some cases, the book debt value after transfer may change due to adjustments in purchase prices, etc.
* Since figures are rounded off, totals sometimes do not equal the sum of the amounts.

● The Cumulative Amount of Payments from RCC to DICJ (as at March 31, 2008)

(Unit: ¥billion)

Payments involved in assets transferred from the former *Jusen* companies (Article 12, Subparagraph 10 of the *Jusen* Law)	3.5
Payments involved in assets purchased from failed financial institutions (Article 8-2, Subparagraph 2 of Supplementary Provisions of the Deposit Insurance Law)	837.9
Payments involved in assets purchased from sound financial institutions (Article 54, Paragraph 1, Subparagraph 3 of the Financial Revitalization Law)	304.3

* Including those reckoned up in the statement of accounts of RCC for the term ending on March 31, 2008 (DICJ will reckon these up in FY2008).
* In addition to the above, there is the amount of payments involved in capital injection, ¥1,624 billion (Compensation for losses is not taken into account).

(7) Secondary Loss of Jusen Account of the RCC

The DICJ discloses information concerning the present status of the *Jusen* Account of the RCC.
Any secondary loss arising from disposal of *Jusen* companies is to be treated as follows:

(i) To compensate for half the loss by making use of investment earnings (granting of an promotional operations subsidy) of the Financial Stabilization Contribution Fund set up by contributions made by financial institutions (the so-called "private burden portion"); and

(ii) With regard to another half, if, after setting it off against the collection profit, any shortfall remains, the DICJ may grant any subsidy to the RCC to the extent of government subsidies.

The amount of secondary loss as at March 31, 2008 is as mentioned below:

<table>
<tr><td rowspan="4">Secondary Loss
¥1, 067.1 billion</td><td rowspan="2">Half
¥533.6 billion</td><td>Collection in excess of book value
¥208.3 billion (Note 2)</td><td></td></tr>
<tr><td>¥325.2 billion</td><td>Subsidy appropriated as compensation for losses (granted by the DICJ to the extent of amount of government subsidies.)</td></tr>
<tr><td rowspan="2">Half
¥533.6 billion</td><td>Subsidy received
¥130.4 billion</td><td rowspan="2">The Fund subsidy (Note 3)
(Granted from the Financial Stabilization Contribution Fund)</td></tr>
<tr><td>Subsidy still not granted
¥418.3 billion</td></tr>
</table>

Notes: 1. Since figures are rounded, the total sometimes does not equal the sum of the amount. (In the balance sheet and the profit and loss statement of the DICJ, figures are rounded down.)
2. Excluding ¥3.5 billion of payments to Government.
3. Including ¥15.1 billion of subsidies corresponding to an amount of interest on the borrowing involved in non-performing assets.

(8) Corporate Revitalization Cases by the RCC

[From the establishment of the Headquarters for Corporate Revitalization in November 2001 to March 31, 2008]

1. Cases of Corporate Revitalization

Classification	Number of Cases
(1) Legal Revitalization	84
(2) Private Revitalization	362
(3) Privately Funded Revitalization Utilizing Loans in Trusts, Funds, etc.	123
Subtotal	569

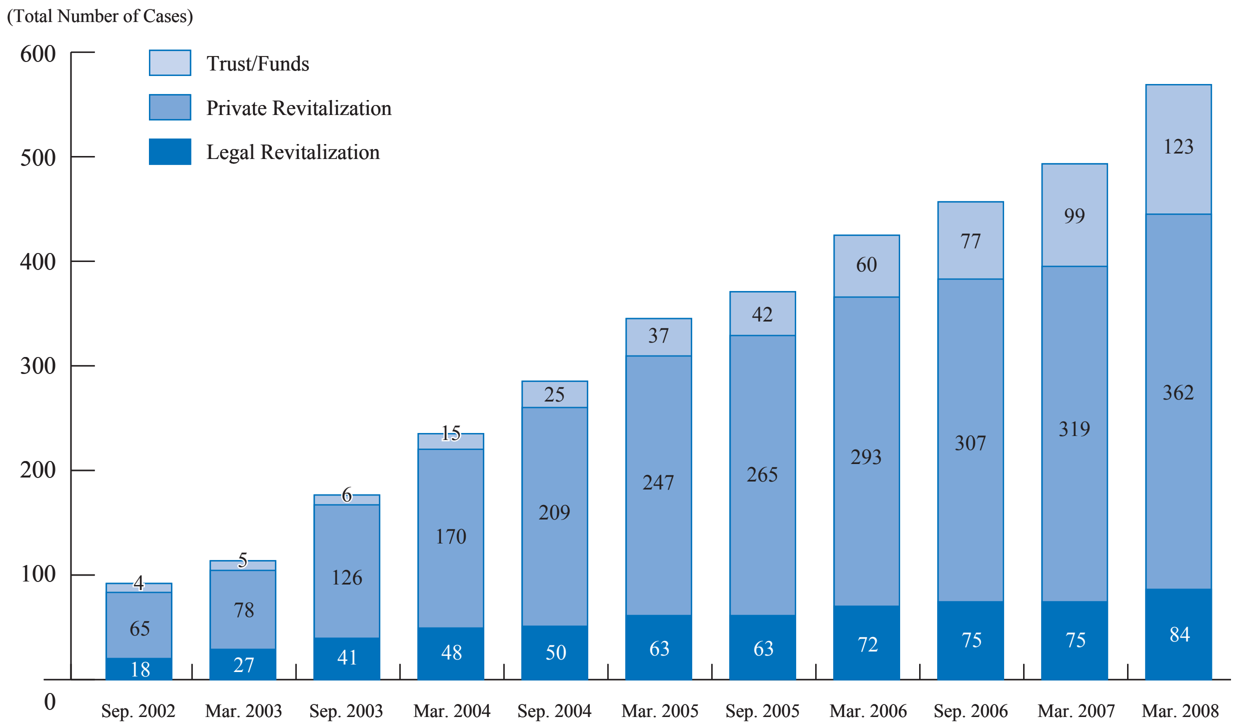
Note: Cases in which there was RCC intervention in the process of formulating revitalization plans.

2. Candidates for Corporate Revitalization

Classification	Number of Cases
(1) Claims held by the RCC, etc.	116
(2) Claims of trusts, funds, etc.	6
Subtotal	122

Total	691

● Number of Cases: Corporate Revitalization (Accumulated total)



● Number of Cases: Corporate Revitalization (since November 2001)

(Accumulated total, No. of Cases)

	Sep. 2002	Mar. 2003	Sep. 2003	Mar. 2004	Sep. 2004	Mar. 2005	Sep. 2005	Mar. 2006	Sep. 2006	Mar. 2007	Mar. 2008
Trust/Funds	4	5	6	15	25	37	42	60	77	99	123
Private Revitalization	65	78	126	170	209	247	265	293	307	319	362
Legal Revitalization	18	27	41	48	50	63	63	72	75	75	84
Total	87	110	173	233	284	347	370	425	459	493	569

(9) Financial Institutions' Capital Injection and Disposition

(Reference)

October 28, 2005
DICJ

Statement by the Governor

**Immediate Guideline for Disposal of Preferred Stocks, etc.,
Acquired through Capital Injection with Public Funds**

1. The Financial Services Agency has announced today "Approaches to the Disposal of the Financial Assets (Preferred Stocks, etc.,) Acquired through Capital Injections with Public Funds." It demonstrates the concept that, with regard to the disposal of preferred stocks, etc., acquired through the capital injections, "considering the aspect of asset management with more emphasis on the standpoint of 'taxpayers' interest'," there should be "a basic principle to ensure collection of profits accruing on public funds as the fruit of the stabilization of the financial system, while maintaining sound management of the Recapitalized Financial Institutions and avoiding negative impacts on markets."
   The DICJ will be required "to stand prepared to take appropriate and flexible actions in view of factors including the terms of preferred stocks and stock price movements at a given point in time, while continuously adhering to the position that the disposal is basically made on a request that each financial institution which received the capital injections (hereinafter referred to as the "Recapitalized Financial Institution(s)") makes in accordance with its own capital policy," adapting to the phase transition in relation to the Recapitalized Financial Institutions.

2. Based on the above approaches, the DICJ has revised the "Immediate Guideline for Disposal of Preferred Stocks Acquired for Capital Injection to Third Parties or for Offer of Repaying the Public Funds (announced by the DICJ on July 8, 2004)," and newly published the attached "Immediate Guideline for Disposal of Preferred Stocks, etc., Acquired through Capital Injection with Public Funds" in order to demonstrate the concepts and criteria for judgments for disposing the preferred stocks without any requests for repayment made by the Recapitalized Financial Institutions in addition to the guideline based on the requests for repayment by the Recapitalized Financial Institutions.

3. With changes of the circumstances, in that the sound management of the Recapitalized Financial Institutions and the market environment have improved and the possibilities of early disposal legally expected increasing, the DICJ will additionally take appropriate and flexible actions in the disposal of preferred stocks, subordinated bonds, etc. (hereinafter referred to as "Preferred Stocks"), consulting with the Recapitalized Financial Institutions, taking into consideration the terms of preferred stocks and stock price movements, while adhering to the position that the disposal is basically made on a request that each Recapitalized Financial Institution makes in accordance with its own capital policy.
   In such cases, the DICJ will continue to pay full attention to maintaining sound management of the Recapitalized Financial Institutions and avoiding negative impacts on markets.
   Upon making the specific disposition, from the perspective of respecting the capital policy of each Recapitalized Financial Institution, the DICJ shall see whether there is an intention of the request for disposal of Preferred Stocks from each Recapitalized Financial Institution in advance, and make sufficient discussion with it, based on the appropriate procedures.

October 28, 2005
DICJ

Immediate Guideline for Disposal of Preferred Stocks, etc., Acquired through Capital Injection with Public Funds

The DICJ has temporarily been adopting the guideline of disposing of preferred stocks, subordinated bonds and so on (hereinafter referred to as "preferred stocks") acquired by the RCC for capital injections including the exercise of the conversion right of convertible preferred stocks into common stocks which is made in expectation of selling.

1. Basic concept

While the soundness of the financial institutions that received the capital injections (hereinafter referred to as the "Recapitalized Financial Institution(s)") has steadily improved since the first series of capital injections and the financial environment surrounding such institutions has been changing—for instance, they are now, in most cases, able to raise capital from private sources—it is requested that they take an approach that places more emphasis on the standpoint of "taxpayers' interests" in their role of managing the financial assets (preferred stocks, etc.,) acquired through capital injections.
In such circumstances, while adhering to the position that the disposal is basically made on a request that each Recapitalized Financial Institution makes in accordance with its own capital policy, the DICJ will take appropriate and flexible actions in the disposal of preferred stock, taking into account the terms of preferred stocks and stock price movements at a given point in time, and paying attention to maintaining sound management of the Recapitalized Financial Institutions and avoiding negative impacts on markets.

2. When the Recapitalized Financial Institutions have requested the selling of preferred stocks to third parties (including sale in the capital market)

(1) Concept

The DICJ will sell preferred stocks to third parties, meeting the request of the Recapitalized Financial Institutions unless there are any special problems in view of the criteria for judgment as mentioned below, including the requirement of not lowering the capital adequacy ratio in principle.
While it is requested that preferred stocks be fairly sold to third parties, in view of the purport that financial institutions were recapitalized by issuing preferred stocks, the DICJ will give due consideration to the independence in management of the Recapitalized Financial Institutions which issued such preferred stocks.
In the case of selling them in the capital market, the DICJ will conduct their sale by considering stock market conditions.

(2) Criteria for judgment

(i) Avoiding public costs
Whether the repayment, etc., is possible at a proper value that is above the acquisition value

(ii) Not damaging financial system stability
Whether the proposed repayment, etc., will have any negative impacts on markets, from the viewpoint of its method or scale, etc.

(iii) Not damaging the soundness of management of the financial institution
Whether there is no problem with, for instance, the progress of the plan of the financial institution for restoring sound management, and with market evaluation, etc.

3. When the Recapitalized Financial Institution has made a request for repaying the public funds injected

(1) Concept

The DICJ will meet the request for repayment unless there are any special problems in view of the criteria for judgment as mentioned below, including the requirement that the financial institution concerned can consistently ensure a satisfactory capital adequacy ratio.

(2) Criteria for judgment

(i) Not damaging the soundness of management of the financial institution

a. Whether the financial institution will be able to maintain its capital adequacy ratio at a sufficient level after the repayment, etc.

b. Whether there is no problem with, for instance, the progress of the plan of the financial institution for restoring sound management, and with market evaluation, etc.

(ii) Avoiding public costs

Whether the repayment, etc., is possible at a proper value that is above the acquisition value

(iii) Not damaging financial system stability

Whether the proposed repayment, etc., will have any negative impacts on markets, from the viewpoint of its method or scale, etc.

4. When it is very favorably circumstanced to make the dispositions in view of the terms of the preferred stocks and stock price movements

(1) Concept

The DICJ will make the disposition of the preferred stocks, unless there are any special problems, if it is deemed proper in view of the criteria for judgment as mentioned below, taking into consideration that it is appropriate for the DICJ to ensure collection of profits accruing on the public funds on the premise of maintaining sound management of the Recapitalized Financial Institutions and avoiding negative impacts on markets when it is considered very favorably circumstanced to sell Preferred Stock at that time in view of the terms of preferred stocks and stock price movements, while a request from the Recapitalized Financial Institution for the sale is still not expected to be offered after consultation with it.

Upon making the disposition, from the perspective of respecting the capital policy of the Recapitalized Financial Institution, the DICJ shall see whether there is an intention of request for disposal of preferred stocks from the Recapitalized Financial Institution in advance, and make sufficient consultation with it.

(2) Criteria for judgment

(i) That it can be estimated to earn profits for certain by selling the Preferred Stock at a fair price in view of the terms and stock price movements of Preferred Stock, and that it is very favorably circumstanced to make the disposition at that time

Note: Concerning preferred stocks, if the price of the common stock is being maintained for about 30 consecutive trading days at a price of approximately more than 150% of the conversion price, it is judged that profits are estimated to be earned certainly by making the disposition.

(ii) Not damaging financial system stability

Whether the proposed repayment, etc., will have any negative impacts on markets, from the viewpoint of its method or scale, etc.

(iii) Not damaging the soundness of management of the financial institution

Whether there is no problem with, for instance, the progress of the plan of the financial institution for restoring sound management, and with market evaluation, and so on.

The DICJ shall determine the timing and size of converting or selling of preferred stocks, taking into account the timing of the revision of the convertible price, in order to avoid negative impacts on markets. It is required that the method of making the disposition and conversion of preferred stocks is fair. Furthermore, upon converting (Note) or selling, the DICJ shall give due consideration to the independence of management of the Recapitalized Financial Institutions which issued them, in view of the purport that the financial institutions were recapitalized by issuing preferred stocks.

Note: The conversion is made from the perspective of asset management.

Table 1. Status of Capital Injection and Disposition (As at March 31, 2008)

(Unit: cases, ¥billion)

Governing Laws	Purpose of Capital Injection		Capital Injection Periods	Number of Financial Institutions	Breakdown of Capital Injection		
					Preferred Stocks / Common Stocks	Subordinated Bonds / Loans	Total
Former Financial FunctionStabilization Law	To maintain an orderly financial system and promote the sound development of the economy		March 1998	21 <2>	321.0 <190.0> (130.0)	1,494.6 <->	1,815.6 <190.0> (130.0)
Early Strengthening Law	To restructure the financial system and contribute toeconomic revitalization		March 1999- March 2002	32 <11>	7,281.3 <1,296.9> (120.0)	1,324.0 <45.0>	8,605.3 <1,341.9> (120.0)
Act on Organizational Restructuring	To promote organizational restructuring of financial institutions and contribute to economic revitalization		Septmeber 2003	1 <1>	-	6.0 <6.0>	6.0 <6.0>
Act on Strengthening Financial Functions	To maintain an orderly financial system and promote the sound development of the national economy		(November and December 2006)	2 <2>	40.5 <40.5>	-	40.5 <40.5>
Deposit Insurance Law	To maintain an orderly financial system	Financial crises (measures under Item 1)	Permanent measure (June 2003)	1 <1>	1,960.0 (296.4) <1,957.3> (293.7)	-	1,960.0 (296.4) <1,957.3> (293.7)
	To assist in mergers, etc.	Capital injection to assuming institutions	Permanent measure	[No track record]			
			Total	37 <14>	9,602.8 (296.4) <3,484.6> 543.7	2,824.6 <51.0>	12,427.4 (296.4) <3,535.6> (543.7)
			Disposed amount in FY1999		-	100.0	100.0
			Disposed amount in FY2000		200.0	150.0	350.0
			Disposed amount in FY2001		-	-	-
			Disposed amount in FY2002		-	674.6	674.6
			Disposed amount in FY2003		108.0	839.0	947.0
			Disposed amount in FY2004		786.3 (2.7)	615.0	1,401.3 (2.7)
			Disposed amount in FY2005		1,829.4	340.0	2,169.4
			Disposed amount in FY2006		3,092.4	20.0	3,112.4
			Disposed amount in FY2007		102.0	35.0	137.0
			Cumulative total of disposed book value		6,118.2 (2.7)	2,773.6	8,891.8 (2.7)
			Outstanding balance of capital injection		3,484.6 (543.7)	51.0	3,535.6 (543.7)

Notes:
1. Figures are rounded off.
2. The amounts are based on the amounts of capital injection.
3. Amounts of common stocks are written in rounded parentheses.
4. Outstanding balances as at March 31, 2008 are written in triangular brackets.
5. The amount for Ashigin FG (¥105.0 billion) is not included within the disposed amounts.
6. Common stocks were acquired by capital injection pursuant to the Early Strengthening Law.
7. Common stocks were acquired by the exercise of privilege of acquisition claims pursuant to the former Financial Function Stabilization Law.

Table 2. List of Capital Injections/Dispositions/Balances by Financial Institution (as at March 31, 2008)

(Unit: ¥billion)

Name of Financial Institution	Amount of capital injection	(Classification) Type (instrument)	(Classification) Amount (¥billion)	Cumulative total of disposed book value	(Classification)	(For FY2007)	(Classification)	Figures as of March 31, 2008	(Classification)
Resona HD	3,128.0	Preferred Shares	2,531.6	790.4	532.7	35.0	—	2,337.6	1,998.9
		Common Shares	296.4		2.7		—		293.7
		Subordinated Loans	300.0		255.0		35.0		45.0
Chuo Mitsui Trust HD	710.3	Preferred Shares	432.3	347.0	69.0	37.0	37.0	363.3	363.3
		Common Shares	—		(69.0) [3]		(37.0) [3]		—
		Subordinated bond	100.0		100.0		—		—
		Subordinated Loans	178.0		178.0		—		—
Hokuhoku FG	140.0	Preferred Shares#	120.0	55.0	35.0	35.0	35.0	85.0	85.0
		Subordinated Loans	20.0		20.0		—		—
Shinsei Bank	416.6	Preferred Shares	370.0	166.6	120.0	—	—	250.0	—
		Common Shares	—		(120.0) [3]		—		250.0
		Subordinated Loans	46.6		46.6		—		—
Aozora Bank	320.0	Preferred Shares	320.0	104.7	104.7	—	—	215.3	215.3
		Common Shares	—		(104.7) [3]		—		0.0
Ashigin FG (Ashikaga Bank)	135.0	Preferred Shares	105.0	30.0	—	—	—	105.0	105.0
		Subordinated bond	30.0		30.0		—		0.0
Bank of the Ryukyus	40.0	Preferred Shares#	40.0	34.0	34.0	—	—	6.0	6.0
Chiba Kogyo Bank	60.0	Preferred Shares	60.0	—	—	—	—	60.0	60.0
Higashi-Nippon Bank	20.0	Preferred Shares	20.0	—	—	—	—	20.0	20.0
Gifu Bank	12.0	Preferred Shares	12.0	—	—	—	—	12.0	12.0
The Nishi-Nippon City Bank	70.0	Preferred Shares#	70.0	35.0	35.0	—	—	35.0	35.0
Kanto Tsukuba Bank	6.0	Subordinated Loans	6.0	—	—	—	—	6.0	6.0
Kiyo HD	31.5	Preferred Shares	31.5	—	—	—	—	31.5	31.5
Howa Bank	9.0	Preferred Shares	9.0	—	—	—	—	9.0	9.0
Mitsubishi UFJ FG	2,200.0	Preferred Shares	1,600.0	2,200.0	1,600.0	—	—	—	—
		Common Shares	—		(1,188.3) [3]		—		—
		Subordinated bond	600.0		600.0		—		—
Mizuho FG	2,949.0	Preferred Shares	1,949.0	2,949.0	1,949.0	—	—	—	—
		Subordinated bond	1,000.0		1,000.0		—		—
Sumitomo Mitsui FG	1,501.0	Preferred Shares	1,301.0	1,501.0	1,301.0	—	—	—	—
		Common Shares	—		(251.0) [3]		—		—
		Subordinated bond	200.0		200.0		—		—
Sumitomo Trust & Banking	300.0	Preferred Shares	100.0	300.0	100.0	—	—	—	—
		Subordinated bond	200.0		200.0		—		—
Bank of Yokohama	220.0	Preferred Shares	100.0	220.0	100.0	—	—	—	—
		Common Shares	—		(55.0) [3]		—		—
		Subordinated Loans	120.0		120.0		—		—
Momiji HD	40.0	Preferred Shares	20.0	40.0	20.0	—	—	—	—
		Subordinated Loans	20.0		20.0		—		—
Yachiyo Bank	35.0	Preferred Shares#	35.0	35.0	35.0	—	—	—	—
Kumamoto Family Bank	30.0	Preferred Shares	30.0	30.0	30.0	—	—	—	—
Kansai Sawayaka Bank	12.0	Preferred Shares	8.0	12.0	8.0	—	—	—	—
		Subordinated bond	4.0		4.0		—		—
Wakayama Bank	12.0	Preferred Shares#	12.0	12.0	12.0	—	—	—	—
Kyushu Shinwa HD	30.0	Preferred Shares#	30.0	30.0	30.0	30.0	30.0	—	—
	Total amount of capital injection		12,427.4	Total of disposed book value	8,891.8	Amount for FY2007 out of the said total	137.0	Outstanding balance total	3,535.7

Breakdown of the amount of capital injection by type (product)		Breakdown of disposed book value		Amount for FY2007 out of the said total		Breakdown of outstanding balance per type (instrument)
Preferred Shares	9,306.4		6,115.4		102.0	2,940.9
Common Shares	296.4	(1,788) [3]	2.7	(37.0) [3]	—	543.7
Subordinated Bonds	2,134.0		2,134.0		—	—
Subordinated Loans	690.6		639.6		35.0	51.0

Notes: 1. Figures are rounded off.
2. Of preferred shares, ¥45.0 billion of those indicated by # (for the former Hokkaido Bank) and those indicated by * were subordinated bonds at the time of injection.
3. Preferred shares were converted to common shares before disposition.
4. Preferred stocks acquired at the time of capital injection pursuant to the Early Strengthening Law (remaining balance of ¥120 billion) were converted into common stocks by offer from the said bank on August 1, 2007. Regarding the amount (¥96,886.4 billion after the reduction of capital) injected pursuant to the former Financial Function Stabilization Law, the DICJ made an acquisition claim and acquired common stocks.

Table 3. List of Capital Injection Operations Pursuant to the Former Financial Function Stabilization Law

(Figures as at March 31, 2008) (¥billion, %)

Name of Financial Institution	Month/Year of Capital Injection	Preferred Shares					Subordinated Bonds / Loans				
		Type	Amount	Rate Approved	Beginning of Conversion	the date of bulk purchase	Type	Amount	Rate Approved (L stands for the six-month LIBOR of yen)		Period
									0-5th Year	5th Year Onwards	
Mizuho FG (formerly Dai-Ichi Kangyo Bank)	March 1998	Convertible	99.0	0.75	July 1, 1998	August 1, 2005	—	—	—	—	—
Mizuho FG (formerly Fuji Bank)	March 1998	—	—	—	—	—	PSB	100.0	L + 1.10	L + 2.60	Perpetual
Mizuho FG (formerly Industrial Bank of Japan)	March 1998	—	—	—	—	—	SB	100.0	L + 0.55	L + 1.25	10 years
Mizuho FG (formerly Yasuda Trust & Banking)	March 1998	—	—	—	—	—	PSB	150.0	L + 2.45	L + 3.95	Perpetual
Sumitomo Mitsui FG (formerly Sakura Bank)	March 1998	—	—	—	—	—	PSB	100.0	L + 1.20	L + 2.70	Perpetual
Sumitomo Mitsui FG (formerly Sumitomo Bank)	March 1998	—	—	—	—	—	PSB	100.0	L + 0.90	L + 2.40	Perpetual
Mitsubishi UFJ FG (formerly Tokyo Mitsubishi Bank)	March 1998	—	—	—	—	—	PSB	100.0	L + 0.90	L + 2.40	Perpetual
Mitsubishi UFJ FG (formerly Mitsubishi Trust & Banking)	March 1998	—	—	—	—	—	PSB	50.0	L + 1.10	L + 2.60	Perpetual
Mitsubishi UFJ FG (formerly Sanwa Bank)	March 1998	—	—	—	—	—	SB	100.0	L + 0.55	L + 1.25	10 years
Mitsubishi UFJ FG (formerly Tokai Bank)	March 1998	—	—	—	—	—	PSB	100.0	L + 0.90	L + 2.40	Perpetual
Mitsubishi UFJ FG (formerly Toyo Trust & Banking)	March 1998	—	—	—	—	—	PSB	50.0	L + 1.10	L + 2.60	Perpetual
Resona HD (formerly Asahi Bank)	March 1998	—	—	—	—	—	PSL	100.0	L + 1.00	L + 2.50	Perpetual
Resona HD (formerly Daiwa Bank)	March 1998	—	—	—	—	—	PSL	100.0	L + 2.70	L + 2.70	Perpetual
Sumitomo Trust & Banking	March 1998	—	—	—	—	—	PSB	100.0	L + 1.10	L + 2.60	Perpetual
Mitsui Trust HD (formerly Mitsui Trust & Banking)	March 1998	—	—	—	—	—	PSB	100.0	L + 1.45	L + 2.95	Perpetual
Mitsui Trust HD (formerly Chuo Trust & Banking)	March 1998	Convertible	32.0	2.50	July 1, 1998	August 1, 2018	PSL	28.0	L + 2.45	L + 3.95	Perpetual
Bank of Yokohama	March 1998	—	—	—	—	—	PSL	20.0	L + 1.10	L + 2.60	Perpetual
Hokuhoku FG (Hokuriku Bank)	March 1998	—	—	—	—	—	PSL	20.0	L + 2.45	L + 3.95	Perpetual
Ashigin FG (Ashikaga Bank)	March 1998	—	—	—	—	—	PSB	30.0	L + 2.95	L + 4.45	Perpetual
Shinsei Bank	March 1998	Convertible	130.0	1.00	October 1, 1998	April 1, 2008	PSL	46.6	L + 2.45	L + 3.95	Perpetual
Aozora Bank	March 1998	Convertible	60.0	1.00	October 1, 1998	April 1, 2018	—	—	—	—	—

Total of Capital Injection	1,815.6
Total of disposed book value	1,625.6
Outstanding Balance	190.0

Notes: 1. Figures are rounded off.
2. Disposals are shaded

PSB = perpetual subordinated bond
SB = subordinated bond
PSL = perpetual subordinated loan

List of Capital Injection Operations Pursuant to the Former Financial Function Stabilization Law

Notes:
1. The DICJ acquired the preferred shares of the Shinsei Bank (former the Long-Term Credit Bank of Japan) and the Aozora Bank (former the Nippon Credit Bank) on October 28, 1998 and December 17, 1998, respectively through the decision to start special public management. The preferred shares of the Shinsei Bank were reduced by 25,472,000 shares (of 100,000,000 shares) on March 31, 2000. The preferred shares of the Aozora Bank were reduced by 71,856,000 shares (of 120,000,000 shares) on October 3, 2000, and its dividend rate cut from 3% to 1%.
2. 3-month LIBOR is applied to the rate approved for Resona HD (former Daiwa Bank). The approved added rate for perpetual subordinated loans of the Resona HD (former Daiwa Bank) will be 3.95% from July 1, 2008. The date that Resona HD can exercise call provision for optional repayment is each interest payment date after March 30, 2003."
3. Perpetual subordinated loans to Mitsubishi UFJ FG (former Tokai Bank) were converted to perpetual subordinated bonds on May 21, 2001.
4. Perpetual subordinated bonds injected into Mitsubishi UFJ FG (former Bank of Tokyo Mitsubishi) were repaid (cancellation by purchase) on February 28, 2000 (repayment amount ¥100.56 billion). Perpetual subordinated bonds injected into Mitsubishi UFJ FG (former Mitsubishi Trust & Banking) were repaid (cancellation by purchase) on December 22, 2000 (repayment amount ¥50.002 billion)."
5. On March 31, 2003, 6 financial institutions (Sumitomo Mitsui FG, Mitsubishi UFJ FG (former Sanwa Bank, former Tokai Bank, former Toyo Trust & Banking), Sumitomo Trust Bank, Shinsei Bank, Chuo Mitsui Trust HD (former Chuo Trust & Banking) and Mizuho FG (former Yasuda Trust & Banking) (¥50.0 billion out of ¥150.0 billion) prepaid a total of ¥674.6 billion of subordinated bonds/loans in accordance with call provisions provided.
6. On May 9, 2003, Bank of Yokohama prepaid a total of ¥20.0 billion of subordinated loans in accordance with call provisions provided.
7. On September 30, 2003, Mizuho Trust & Banking prepaid ¥50.0 billion out of ¥100.0 billion (see Note 5) subordinated bonds of Mizuho FG (former Yasuda Trust & Banking) in accordance with call provisions provided.
8. On March 30, 2004, Ashigin FG (former Ashikaga Bank: ¥30 billion), Mizuho FG (former Fuji Bank and former Industrial Bank of Japan: ¥100 billion each, and former Yasuda Trust & Banking: ¥25 billion out of ¥50 billion (see Note 7)) prepaid ¥255.0 billion of subordinated bonds in accordance with call provisions provided.
9. The preferred shares of Mizuho FG (¥99.0 billion) were repaid (cancellation by purchase) on August 31, 2004 (repayment amount ¥59.49 billion).
10. On September 30, 2004, Mizuho Trust & Banking prepaid ¥25.0 billion (see Note 8) of subordinated bonds of Mizuho FG (former Yasuda Trust & Banking) in accordance with call provisions provided.
11. On March 31, 2005, Chuo Mitsui Trust HD prepaid ¥100.0 billion of subordinated bonds (former Mitsui Trust & Banking) in accordance with call provisions provided.
12. On September 30, 2005, Resona HD (former Daiwa Bank) prepaid ¥100.0 billion, Hokuhoku FG (Hokuriku Bank) prepaid ¥10.0 billion out of ¥20.0 billion of subordinated loans in accordance with call provisions provided.
13. On October 3, 2005, Resona HD prepaid a total of ¥100.0 billion (former Asahi Bank) of subordinated loans in accordance with call provisions provided.
14. On March 30, 2006, Hokuhoku FG (former Hokuriku Bank) prepaid a total of ¥10.0 billion of subordinated loans (see Note 12) in accordance with call provisions provided.
15. Preferred stock issued by Chuo Mitsui Trust HD (former The Chuo Mitsui Trust and Banking Company: ¥32.0 billion (approved rate: 2.50)) was converted to common stock and sold on July 28, 2006 (proceeds from sale: ¥97.926 billion).
16. On March 31, 2008, Shinsei Bank acquired its preferred stock (74,528,000 shares, see (Note 1)), at the request of the DICJ, and the bank issued common stock (269,128,888 shares) in exchange for such preferred shares.

Table 4. List of Capital Injection Operations Pursuant to the Early Strengthening Law

(Figures as at March 31, 2008) (¥billion, %)

Name of Financial Institution	Month/Year of Capital Injection	Preferred Stock					Subordinated Bonds / Loans					
		Type	Amount	Rate Approved	Beginning of Conversion	the date of bulk purchase	Type	Amount	Rate Approved	Beginning of Step-Up	Rate after Beginn -ing of Step-Up	Period
Mizuho FG (formerly Dai-Ichi Kangyo Bank)	March 1999	Convertible	200.0	0.41	August 1, 2004	August 1, 2006	SB	100.0	L + 0.75	Apr. 1, 2004	L + 1.25	10 years
		Convertible	200.0	0.70	August 1, 2005	August 1, 2008	SB	100.0	L + 0.75	Apr. 1, 2005	L + 1.25	11 years
		Debenture	300.0	2.38	—	—	—	—	—	—	—	—
Mizuho FG (formerly Fuji Bank)	March 1999	Debenture	300.0	2.10	—	—	PSB	200.0	L + 0.65	Apr. 1, 2004	L + 1.35	Perpetual
		Convertible	250.0	0.55	October 1, 2006	February 1, 2011				Apr. 1, 2009	L + 2.15	
		Convertible	250.0	0.40	October 1, 2004	February 1, 2009	—	—	—	—	—	—
Mizuho FG (formerly Industrial Bank of Japan)	March 1999	Convertible	175.0	1.40	September 1, 2003	September 1, 2009	PSB	250.0	L + 0.98	Apr. 1, 2004	L + 1.48	Perpetual
		Convertible	175.0	0.43	July 1, 2003	September 1, 2009						
Sumitomo Mitsui FG (formerly Sakura Bank)		Convertible	800.0	1.37	October 1, 2002	October 1, 2009	—	—	—	—	—	—
Sumitomo Mitsui FG (formerly Sumitomo Bank)	March 1999	Convertible	201.0	0.35	May 1, 2002	February 27, 2009	—	—	—	—	—	—
		Convertible	300.0	0.95	August 1, 2005	February 27, 2009						
Mitsubishi UFJ FG (formerly Sanwa Bank)		Convertible	600.0	0.53	July 1, 2001	August 1, 2008	PSB	100.0	L + 0.34	Oct. 1, 2004	L + 1.34	Perpetual
Mitsubishi UFJ FG (formerly Tokai Bank)	March 1999	Convertible	300.0	0.93	July 1, 2002	March 31, 2009	—	—	—	—	—	—
		Convertible	300.0	0.97	July 1, 2003	March 31, 2009						
Mitsubishi UFJ FG (formerly Toyo Trust & Banking)	March 1999	Convertible	200.0	1.15	July 1, 1999	August 1, 2009	—	—	—	—	—	—
Mitsubishi UFJ FG (formerly Mitsubishi Trust & Banking)	March 1999	Convertible	200.0	0.81	July 31, 2003	August 1, 2008	PSB	100.0	L + 1.75	Apr. 1, 2004	L + 2.25	Perpetual
Resona HD (formerly Daiwa Bank)	March 1999	Convertible	408.0	1.06	June 30, 1999	April 1, 2009	—	—	—	—	—	—
Resona HD (formerly Asahi Bank)	March 1999	Convertible	300.0	1.15	July 1, 2002	December 1, 2009	PSL	100.0	L +1.04	Apr. 1, 2009	L + 2.54	Perpetual
		Convertible	100.0	1.48	July 1, 2003	December 1, 2014						
Sumitomo Trust & Banking	March 1999	Convertible	100.0	0.76	April 1, 2001	March 31, 2009	SB	100.0	L + 1.53	Apr. 1, 2006	L + 2.03	12 years
Mitsui Trust HD (formerly Mitsui Trust & Banking)	March 1999	Convertible	250.3	1.25	July 1, 1999	August 1, 2009	SL	150.0	L + 1.49	Mar. 31, 2004	L + 1.99	10 years
Mitsui Trust HD (formerly Chuo Trust & Banking)	March 1999	Convertible	150.0	0.90	July 1, 1999	August 1, 2009	—	—	—	—	—	—
Bank of Yokohama	March 1999	Convertible	70.0	1.13	August 1, 2001	July 31, 2009	PSL	50.0	L + 1.65	Apr. 1, 2004	L + 2.15	Perpetual
		Convertible	30.0	1.89	August 1, 2004	July 31, 2009	SL	50.0	L + 1.07	Apr. 1, 2004	L + 1.57	10 years and 2 months
Ashigin FG (Ashikaga Bank)	September 1999	Convertible	75.0	0.94	September 29, 2000	September 30, 2009	—	—	—	—	—	—
	November 1999	Convertible	30.0	0.94	November. 30, 2000	November 30, 2009						
Hokuhoku FG (Hokuriku Bank)	September 1999	Convertible	75.0	1.54	March 1, 2001	July 30, 2010	—	—	—	—	—	—
Hokuhoku FG (Hokkaido Bank)	March 2000	Convertible	45.0	1.16	August 1, 2001	August 1, 2010	—	—	—	—	—	—
Bank of the Ryukyus	September 1999	Convertible	40.0	1.50	December 29, 2000	October 1, 2010	—	—	—	—	—	—
Momiji HD (formerly Hiroshima-Sogo Bank)	September 1999	Convertible	20.0	1.41	September 30, 2004	August 1, 2011	PSL	20.0	L + 2.80	Oct. 1, 2004	L + 4.14	Perpetual
Kumamoto Family Bank	February 2000	Convertible	30.0	1.33	September 2, 2002	March 1, 2014	—	—	—	—	—	—
Shinsei Bank	March 2000	Convertible	240.0	1.21	August 1, 2005	August 1, 2007	—	—	—	—	—	—
Chiba Kogyo Bank	September 2000	Convertible	60.0	1.29	September 30, 2002	March 31, 2014	—	—	—	—	—	—
Yachiyo Bank	September 2000	Convertible	35.0	1.13	September 30, 2002	September 30, 2010	—	—	—	—	—	—
Aozora Bank	October 2000	Convertible	260.0	1.24	October 3, 2005	October 3, 2012	—	—	—	—	—	—
Kansai Sawayaka Bank	March 2001	Convertible	8.0	1.08	August 1, 2002	March 31, 2011	SB	4.0	L + 1.87	Apr. 1, 2006	L + 2.37	10 years
Higashi-Nippon Bank	March 2001	Convertible	20.0	1.10	March 31, 2003	March 31, 2011	—	—	—	—	—	—
Resona HD (Kinki Osaka Bank)	April 2001	Convertible	60.0	1.36	January 1, 2002	April 1, 2015	—	—	—	—	—	—
Gifu Bank	April 2001	Convertible	12.0	1.21	March 1, 2002	April 1, 2011	—	—	—	—	—	—
The Nishi-Nippon City Bank (formerly Fukuoka City Bank)	January 2002	Convertible	70.0	1.20	January 31, 2007	April 1, 2012	—	—	—	—	—	—
Wakayama Bank	January 2002	Convertible	12.0	1.34	May 1, 2003	April 1, 2014	—	—	—	—	—	—
Kyushu Shinwa HD (formerly Kyushu Bank)	March 2002	Convertible	30.0	1.25	March 1, 2006	April 1, 2012	—	—	—	—	—	—

Total amount of capital injection	8,605.3
Total amount of disposed book value	7,263.4
Outstanding Balance	1,341.9

Notes: 1. Figures are rounded off.
2. Disposals are shaded

PSB = perpetual subordinated bond
SB = subordinated bond
PSL = perpetual subordinated loan
SL = subordinated loan

List of Capital Injection Operations Pursuant to the Early Strengthening Law

Notes:
1. Perpetual subordinated bonds issued by Bank of the Ryukyus and the Hokkaido Bank were converted to preferred stock on September 29, 2000, those of the Yachiyo Bank on February 28, 2001, and those of the Fukuoka City Bank, the Wakayama Bank, the Kyushu Shinwa HD (Kyushu Bank) on September 30, 2002.
2. Subordinated loans to Mizuho FG (former Dai-Ichi Kangyo Bank) were converted to subordinated bonds on November 22, 2000.
3. Perpetual subordinated bonds issued by Mitsubishi UFJ FG (former Mitsubishi Trust & Banking) were repaid by the Bank (cancellation by purchase) on December 22, 2000 (payment amount ¥101.807 million). The Bank's preferred stock (proceeds from sale ¥210.35 billion) was also re-sold on January 24, 2001.
4. Preferred stock issued by Kansai Sawayaka Bank was repaid by the Bank (cancellation by purchase) on October 3, 2003 (payment amount ¥10.584 billion). Also, subordinated bonds to the Bank were repaid on January 8, 2004 (cancellation by purchase, payment amount ¥4.012 billion).
5. Preferred stock issued by Sumitomo Trust & Banking (proceeds from sale: ¥138.08 billion) was re-sold on January 13, 2004. Also, subordinated bonds to the Bank were repaid on January 14, 2004 (cancellation by purchase, payment amount ¥102.366 billion).
6. On March 31, 2004, Mizuho FG (former Dai-ichi Kangyo Bank and former Industrial Bank of Japan), Bank of Yokohama and Chuo Mitsui Trust HD (former Mitsui Trust & Banking) (¥10 billion out of ¥150.0 billion) prepaid a total of ¥410.0 billion of subordinated bonds/loans in accordance with the call provisions provided.
7. On May 11, 2004, Bank of Yokohama repaid ¥50.0 billion of subordinated loans in accordance with the call provisions provided.
8. Preferred stock issued by Bank of Yokohama (¥30 billion) was repaid by the Bank (cancellation by purchase) on July 2, 2004 (payment amount ¥34.842 billion).
9. Preferred stock issued by the Bank of Yokohama (¥55.0 billion out of ¥70.0 billion) was converted to common stocks and sold on July 30, 2004 (proceeds from sale ¥81.415 billion).
10. Preferred stock issued by the Bank of Yokohama (¥15.0 billion out of ¥70.0 billion) was repaid by the Bank (payback) on August 31, 2004 (payment amount ¥17.259 billion).
11. Preferred stock issued by Mizuho FG {¥133.75 billion out of ¥175.0 billion (approved rate 1.40)} was repaid by the Bank (cancellation by purchase) on August 31, 2004 (payment amount ¥180.482 billion).
12. On September 30, 2004, Mizuho FG (former Fuji Bank) (payment amount ¥200.0 billion), Chuo Mitsui Trust HD (former Mitsui Trust & Banking) (¥40.0 billion out of ¥140.0 billion (See Note 6)) prepaid a total of ¥240.0 billion of subordinated bonds/loans in accordance with the call provisions provided.
13. On September 30, 2004, preferred stock issued by Sumitomo-Mitsui FG (former Sakura Bank ¥105.0 billion out of ¥800.0 billion and former Sumitomo Bank ¥96.0 billion out of ¥201.0 billion) was converted to common stock (acquisition amount ¥201.0 billion), and then sold by ToSTNeT-2 (sale date: November 2, 2004 / account date: November 8, 2004 / proceeds from sale: ¥268.339 billion).
14. Preferred stock issued by Mizuho FG {former Dai-Ichi Kangyo Bank ¥77.2 billion out of ¥200.0 billion (approved rate 0.41), former Fuji Bank ¥131.4 billion out of ¥250.0 billion (approved rate 0.40), and former Industrial Bank of Japan ¥41.25 billion out of ¥175.0 billion (approved rate 1.40, see Note: 11)} was repaid by the Bank (by purchase) on March 7, 2005 (payment amount ¥259.96 billion).
15. On March 31, 2005, Mizuho FG (former Daiichi-Kangyo Bank) (payment amount ¥100.0 billion) (term: 11 years), Chuo Mitsui Trust HD (former Mitsui Trust & Banking) (payment amount the rest of ¥100.0 billion) (see Note 12) prepaid a total of ¥200.0 billion of subordinated bonds/loans in total in accordance with the call provisions provided.
16. Preferred stock issued by Mizuho FG {former Dai-Ichi Kangyo Bank ¥122.8 billion out of ¥200.0 billion (approved rate 0.41) (see Note 14)}, former Dai-Ichi Kangyo Bank ¥200.0 billion (approved rate 0.70), former Fuji Bank ¥118.6 billion out of ¥250.0 billion (see Note 14), and former Industrial Bank of Japan ¥175.0 billion (approved rate 0.43) were repaid by the Bank on August 29, 2005 (payment amount ¥692.954 billion).
17. On September 30, 2005, Mitsubishi UFJ FG (former Sanwa Bank) (payment about ¥100.0 billion), Momiji HD (payment about ¥20.0 billion) prepaid a total of ¥120.0 billion of subordinated bonds/loans in accordance with call provisions provided.
18. Preferred stock issued by Mitsubishi UFJ FG {former Sanwa Bank: ¥207.9 billion out of ¥600.0 billion (approved rate 0.53) and former Tokai Bank: ¥115.7 billion out of ¥300.0 billion (approved rate 0.93)} was converted to common stock (acquisition amount ¥323.6 billion), and then sold by ToSTNeT-2 (sale date: October 5, 2005 / account date: October 11, 2005 / proceeds from sale: ¥349.804 billion).
19. On October 12, 2005, preferred stock issued by Mizuho FG {former Fuji Bank: ¥250.0 billion (approved rate 0.55)} was compulsorily redeemed in full based on material such as the Bank's articles of incorporation (payment amount ¥250.735 billion).
20. Preferred stock issued by Mitsubishi UFJ FG {former Sanwa Bank: ¥155.7 billion out of ¥600.0 billion (approved rate 0.53) (see Note 18) and former Toyo Trust & Banking: ¥24.7 billion out of ¥200.0 billion (approved rate 1.15)} was converted to common stock (acquisition amount ¥180.4 billion), and then sold by ToSTNeT-2 (sale date: December 7, 2005 / account date: December 12, 2005 / proceeds from sale: ¥200.441 billion).
21. Preferred stock issued by Mitsubishi UFJ FG {former Sanwa Bank: ¥53.1 billion out of ¥600.0 billion (approved rate 0.53) (see Note 20) and former Toyo Trust & Banking: ¥22.4 billion out of ¥200.0 billion (approved rate 1.15) (see Note 20)} was resold (proceeds from sale ¥101.395 billion) on December 9, 2005.
22. Preferred stock issued by Wakayama Bank was resold on December 12, 2005 (proceeds from sale ¥12.113 billion).
23. Preferred stock issued by Momiji HD (¥17.0 billion out of ¥20.0 billion) was re-sold on December 21, 2005 (proceeds from sale ¥25.075 billion) and ¥3.0 billion was repaid (payment amount ¥4.425 billion).

24. Ashigin FG (total ¥105.0 billion) dissolved on December 26, 2005 and remaining preferred stock issued by Ashikaga Bank was acquired by DICJ on December 1, 2003 due to the fact that Ashikaga Bank has been under special crisis management.
25. Preferred stock issued by Mitsubishi UFJ FG {former Sanwa Bank: ¥155.4 billion out of ¥600.0 billion (approved rate 0.53) (see Note 21) and former Tokai Bank: ¥24.9 billion out of ¥300.0 billion (approved rate 0.93) (see Note 18)} was converted to common stock (acquisition amount ¥180.3 billion), and then sold by ToSTNeT-2 (sale date: March 1, 2006 / account date: March 6, 2006 / proceeds from sale: ¥186.141 billion) and by trade on the floor (sale date: March 1, 2006 / account date: March 6, 2006 / proceeds from sale: ¥13.997 billion).
26. Preferred stock issued by Mitsubishi UFJ FG {former Toyo Trust & Banking: ¥136.2 billion out of ¥200.0 billion (approved rate 1.15) (see Note 21) was resold (proceeds from sale: ¥300.185 billion) on March 3, 2006.
27. Preferred stock issued by Yachiyo Bank was resold on March 24, 2006 (proceeds from sale: ¥40.068 billion).
28. Preferred stock issued by Sumitomo Mitsui FG {former Sumitomo Bank: ¥105.0 billion out of ¥201.0 billion (approved rate 0.35) (see Note 13), and ¥99.0 billion out of ¥300.0 billion (approved rate 0.95)} was repaid by the Bank (by purchase) on May 17, 2006 (payment amount ¥275.917 billion).
29. Preferred stock issued by Kumamoto Family Bank was re-sold on May 17, 2006 (proceeds from sale ¥31.552 billion).
30. Preferred stock issued by Mitsubishi UFJ FG {former Sanwa Bank: ¥27.9 billion out of ¥600.0 billion (approved rate 0.53) (see Note 25), and former Tokai Bank: ¥178.714 billion out of ¥300.0 billion (approved rate 0.97)} was converted to common stock (acquisition amount ¥206.614 billion), and then sold by ToSTNeT-2 (sale date: May 24, 2006 / account date: May 29, 2006 / proceeds from sale: ¥274.85 billion).
31. Preferred stock issued by Mitsubishi UFJ FG {former Tokai Bank: ¥159.4 billion out of ¥300.0 billion (approved rate 0.93) (see Note 25); former Tokai Bank: ¥121.286 billion out of ¥300.0 billion (approved rate 0.97) (see Note 30) and; former Toyo Trust and Banking: ¥16.7 billion out of ¥200.0 billion (approved rate 1.15) (see Note 26)}, was converted to common stock (acquisition amount ¥297.386 billion) and then sold on June 9, 2006 (proceeds from sale ¥418.42 billion).
32. Preferred stock issued by Mizuho FG {former Dai-Ichi Kangyo Bank: ¥300.0 billion (approved rate 2.38), and former Fuji Bank: ¥300.0 billion (approved rate 2.10)} was compulsorily redeemed in full based on material such as the Bank's articles of incorporation (payment amount ¥603.498 billion).
33. Preferred stock issued by Shinsei Bank (¥120.0 billion out of ¥240.0 billion (approved rate 1.21)) was converted to common stock in accordance with the request for the approval of the exercise of privilege of acquisition claim, and then sold on July 31, 2006 by ToSTNeT-2 (sale date: August 17, 2006 / account date: August 22, 2006 / proceeds from sale: ¥150.625 billion).
34. Preferred stock issued by Sumitomo Mitsui FG {former Sumitomo Bank: ¥201.0 billion out of ¥300.0 billion (approved rate 0.95) (see Note 28)} was repaid by the Bank (by purchase) on September 6, 2006 (payment amount ¥245.079 billion).
35. Preferred stock issued by Nishi-Nippon City Bank (¥35.0 billion out of ¥70.0 billion) was repaid by the Bank (by purchase) on September 6, 2006 (payment amount ¥41.163 billion).
36. On September 29, 2006, of preferred stock issued by Sumitomo Mitsui FG {former Sakura Bank: ¥500.0 billion out of ¥800.0 billion (approved rate 1.37) (see Note 13)}, ¥450.0 billion was repaid by the Bank (by purchase) (payment amount ¥653.040 billion), and ¥50.0 billion was converted to common stock.
37. Preferred stock issued by Sumitomo Mitsui FG {former Sakura Bank: ¥195.0 billion out of ¥800.0 billion (approved rate 1.37) (see Note 36)} was repaid by the Bank (by purchase) on October 11, 2006 (payment amount ¥222.242 billion).
38. Preferred stock issued by Bank of the Ryukyus (¥34.0 billion out of ¥40.0 billion) was repaid by the Bank (by purchase) on October 11, 2006 (payment amount ¥40.593 billion).
39. Preferred stock issued by Sumitomo Mitsui FG (former Sakura Bank: ¥50 billion out of ¥800 billion (approved rate 1.37) (see Notes 36 and 37)) was converted to common stock in accordance with the request for the approval of the exercise of privilege of acquisition claim, and then sold on September 29, 2006 by ToSTNeT-2 (sale date: October 17, 2006 / account date: October 20, 2006 / proceeds from sale: ¥76.793 billion).
40. Perpetual subordinated loans of Resona HD (former Asahi Bank: ¥20.0 billion out of ¥100.0 billion) were repaid by the Bank on November 2, 2006 (lease-purchase of part of the corresponding loans, payment amount ¥20.32 billion).
41. Preferred stock issued by the Aozora Bank (¥104.72 billion out of ¥260.0 billion) was converted to common stock in accordance with its listing, and then sold on November 14, 2006 (proceeds from sale: ¥132.646 billion).
42. Preferred stock issued by Resona HD {former Daiwa Bank: ¥244.679 billion out of ¥408.0 billion (approved rate 1.06) and former Asahi Bank: ¥288.03 billion out of ¥300.0 billion (approved rate 1.15)}, was repaid by the Bank (by purchase) on January 26, 2007 (payment amount ¥569.999 billion).
43. On June 13, 2007, a perpetual subordinated loan to Resona HD (¥35 billion out of the rest of ¥80 billion for the former Asahi Bank (see Note 40)) was repaid in accordance with the request for the approval of the repayment (partial purchase of perpetual subordinated loan: ¥35.55billion)
44. Preferred stock issued by Chuo Mitsui Trust HD (former Mitsui Trust & Banking: ¥37.0 billion out of ¥250.3 billion (approved rate 1.25)) was converted to common stock in accordance with the request for the approval of the exercise of privilege of acquisition claim, and then sold on June 27, 2007 (proceeds from sales ¥86.662 billion)
45. On August 1, 2007, preferred stock issued by Shinsei Bank (the remaining balance ¥120 billion, 300 million shares (see Note 33)) was acquired by the said bank as a mandatory acquisition, and Shinsei Bank issued common stock (200 million shares) in exchange for such preferred stock.
46. Preferred stock issued by Hokuhoku FG (former Hokuriku Bank: ¥35 billion out of ¥75 billion (approved rate 1.54)) was repaid by the said bank (payment amount ¥40.016 billion).
47. On August 29, 2007, Kyushu Shinwa HD was dissolved, and on February 18, 2008 the DICJ received distribution of residual property (distribution amount ¥30 billion) for preferred stock of ¥30 billion.

Table 5. List of Capital Injection Operations Pursuant to the Act on Organizational Restructuring

Name of Financial Institution	Month/Year of Capital Injection	Preferred Shares					Subordinated Bonds / Loans					
		Type	Amount	Rate of Dividend	Beginning of Conversion	Date of Mandatory Acquisition	Type	Amount	Rate (L stands for the six-month LIBOR of yen)	Beginning of Step-Up	Rate after Beginning of Step-Up	Period
Kanto Tsukuba Bank	Sep. 2003	—	—	—	—	—	Fixed-term subordinated loan	6.0	L + 3.76% (There are rate adjustment clauses which are dependent on the conditions of the fulfillment of the plan.)	Oct.1, 2008	L + 4.76	10 years

Total amount of capital injection	6.0
Total amount of the disposed book value	—
Outstanding Balance	6.0

Note: 1. Figures are rounded off.

Table 6. List of Capital Injection Operations Pursuant to the Act on Strengthening Financial Functions

(as at March 31, 2008) (¥billion, %)

Name of Financial Institution	Month/Year of Capital Injection	Preferred Shares					Subordinated Bonds / Loans					
		Type	Amount	Rate of Dividend	Beginning of Conversion	Date of Mandatory Acquisition	Type	Amount	Rate (L stands for the six-month LIBOR of yen)	Beginning of Step-Up	Rate after Beginning of Step-Up	Period
Kiyo Holdings	Nov. 2006	Convertible	31.5	T + 1.15 (T stands for the twelve-month TIBOR of yen) (up to 7.50)	Oct. 1, 2011	Oct. 1, 2016	—	—	—	—	—	—
Howa Bank	Dec. 2006	Convertible	9.0	1.84 (Until 2009 - 3rd term) T + 1.20 (After 2010 - 3rd term) (T stands for the six-month TIBOR of yen)	Apr. 1, 2008	the date designated by the board of directors as from April 2, 2020 onward	—	—	—	—	—	—

Total amount of capital injection	40.5
Total amount of the disposed book value	—
Outstanding Balance	40.5

Note: 1. Figures are rounded off.

Table 7. List of Capital Injection Operations Pursuant to the Deposit Insurance Law (Response to Financial Crisis)

(as at March 31, 2008) (¥billion, %)

Name of Financial Institution	Month/Year of Capital Injection	Preferred Shares					Subordinated Bonds / Loans					
		Type	Amount	Rate of Dividend	Beginning of Conversion	Date of Mandatory Acquisition	Type	Amount	Rate (L stands for the six-month LIBOR of yen)	Beginning of Step-Up	Rate after Beginning of Step-Up	Period
Resona Holdings (Resona Bank)	Jun. 2003	Common Shares	296.4	—	—	—	—	—	—	—	—	—
		Preferred Shares (Convertible)	550.0	L + 0.5	Jul. 1, 2006	—	—	—	—	—	—	—
		Preferred Shares (Convertible)	563.6	L + 0.5	Jul. 1, 2008	—	—	—	—	—	—	—
		Preferred Shares (Convertible)	550.0	L + 0.5	Jul. 1, 2010	—	—	—	—	—	—	—

Total amount of capital injection	1,960.0
Total amount of the disposed book value	2.7
Outstanding Balance	1,957.3

Note: 1. Figures are rounded off.
2. The shares paid into Resona Bank on June 30, 2003 and subscribed on July 1 were exchanged on August 7, 2003 with shares issued by Resona Holdings.
3. By offer from Resona Holdings, common shares (¥2.73 billion out of ¥296.4 billion) were sold by ToSTNeT-2 (date of delivery: February 4; sale amount: ¥11.078 billion) on February 1, 2005.

(10) Accusations/Complaints

(i) Number of cases (Accumulated total at March 31, 2008)

(Unit: cases)

	DICJ	RCC	HLAC	RCB	Total
Arrested	26 (69)	183 (390)	76 (149)	23 (37)	308 (645)
Under investigation		2 (4)			2 (4)
Other*			1 (1)		1 (1)
Total	26 (69)	185 (394)	77 (150)	23 (37)	311 (650)

* Statute of limitation expired.

Figures in parentheses represent the number of persons involved in each category.

(ii) Breakdown of cases

● **From the establishment of the Special Investigation Department (June 26, 1996) to March 31, 1999**

(Unit: cases)

	DICJ	HLAC	RCB	Total
Cases related to borrowers		77 (150)	14 (19)	91 (169)
Auction interference		27 (49)	3 (7)	30 (56)
Fraud		18 (44)	2 (2)	20 (46)
Obstruction of compulsory execution		15 (36)	4 (5)	19 (41)
False entry on notarial documents, etc.		4 (7)		4 (7)
Threat / extortion		3 (3)		3 (3)
Fraudulent bankruptcy*		1 (1)	1 (1)	2 (2)
Other		9 (10)	4 (4)	13 (14)
Cases related to lenders			9 (18)	9 (18)
Breach of trust / aggravated breach of trust			4 (11)	4 (11)
Other			5 (7)	5 (7)
Total	0	77 (150)	23 (37)	100 (187)

* Stipulated in the former Bankruptcy Law (Article 374).

Figures in parentheses represent the number of persons involved in each category.

● **From the establishment of the RCC (April 1, 1999) to March 31, 2008**

(Unit: cases)

	DICJ	RCC			Total
		HLAC	RCB[2]	Article 53[3]	
Cases related to borrowers[4]	8 (17)	43 (84)	115 (234)	17 (41)	183 (376)
Auction interference	1 (1)	7 (9)	38 (75)	11 (25)	57 (112)
Fraud	3 (6)	14 (30)	30 (61)	2 (7)	49 (104)
Obstruction of compulsory execution	2 (6)	16 (34)	21 (42)	3 (8)	42 (90)
False entry on notarial documents, etc.		3 (7)	8 (27)		11 (34)
Threat / extortion			4 (7)		4 (7)
Fraudulent bankruptcy[1]	2 (4)		6 (10)	1 (1)	9 (15)
Other		3 (4)	8 (10)		11 (14)
Cases related to lenders[5]	18 (52)		10 (35)		28 (87)
Breach of trust / aggravated breach of trust	13 (37)		10 (35)		23 (72)
Other	5 (15)				5 (15)
Total	26 (69)	43 (84)	125 (269)	17 (41)	211 (463)

Figures in parentheses represent the number of persons involved in each category.

Notes: 1. Stipulated in the Bankruptcy Law (Article 265).
2. RCB receivables are credits bought from failed financial institutions.
3. Article 53: Assets purchased from sound financial institutions under Article 53 of the Financial Revitalization Law.
4. The 6 cases of the "Cases related to borrowers" listed in the "DICJ" column were actually filed by the DICJ and the RCC in their joint names. However, as a matter of convenience, the number is listed in the "DICJ" column in this table.
5. Of the 10 cases of the "Cases related to lenders" listed in the "RCB" column, 5 cases were actually filed by the DICJ and the RCC in their joint names. However, as a matter of convenience, the number is included in the "RCC" column in this table.

(iii) List of cases of complaints /accusations (FY2006-2007)

Number	Date of indictment/ accusation	Division	Plaintiff	Defendant	Charge	Content
1	Aug. 24, 2006	RCC	Tochigi prefectural police	Two debtors to failed financial institution	Obstruction of auction (Force)	Posting two signs listing the *boryokudan* group name at the land in process of auction. Obstruction of auction by using *boryokudan* force.
2	Sep. 15, 2006	DICJ	Saitama prefectural police	Two debtors to failed financial institution	Fraud (Disintermediation)	Cancellation of lien by declaring the trading value of collateral property lower than the actual trading value for arbitrary sale.
3	Oct. 11, 2006	RCC	Osaka prefectural police	Four debtors to failed financial institution	Obstruction of auction (Fraudulent practices) Obstruction of compulsory execution	Upon auction, provided an acquaintance with fund. Had accomplice submit a written confirmation for special sales, and harmed the justice of auction. Later on, used a fictitious sales contract to register the transfer of ownership of the auction property to hide assets.
4	Mar. 3, 2007				Fraud (Cancellation of fixed mortgage)	Registered cancellation of lien for business assets from RCC by engaging in fictitious transfer of operations.
5	Mar. 8, 2007				Breach of Civil Rehabilitation Law (Fraud rehabilitation)	Debtor deceiving assignee by engaging in fictitious transfer of operations to hide asset.
6	Nov. 2, 2006	RCC	Osaka prefectural police	Two debtors to failed financial institution	Obstruction of compulsory execution (Concealment)	Engaged in fictitious divorce for distribution of property and transferred the ownership of house and business to spouse for the purpose of hiding assets to avoid compulsory-execution.
7	Dec. 11, 2006	RCC	Wakayama prefectural police	Four debtors to failed financial institution	Fraud (Disintermediation)	Cancellation of lien by declaring the trading value of collateral property lower than the actual trading value for arbitrary sale.
8	Mar. 2, 2007	DICJ	Wakayama prefectural police	Two debtors to failed financial institution	Fraud (Disintermediation)	Cancellation of lien by declaring the trading value of collateral property lower than the actual trading value for arbitrary sale.
9	Mar. 14, 2007	RCC	Kyoto prefectural police	One debtor to failed financial institution	Fraud (Disintermediation)	Cancellation of lien by declaring the trading value of collateral property lower than the actual trading value for arbitrary sale.
1	Jun. 18, 2007	DICJ	Chiba prefectural police	Two debtors to the failed financial institution	Breach of Bankruptcy Law (Fraudulent bankruptcy)	Forced shares owned by a debtor to be kept in a safe of the securities company under the name of an accomplice to hide assets.
2	Jul. 6, 2007					
3	Jul. 12, 2007	RCC	Gifu prefectural police	Two debtors to the failed financial institution	Damage or destruction of a structure, obstruction of compulsory execution	Employed a demolition contractor to damage the building in the process of auction.
4	Feb. 1, 2008	RCC	Osaka prefectural police	Four debtors to the failed financial institution	Fraud (Disintermediation)	Cancellation of lien by declaring the trading value of collateral property lower than the actual trading value for arbitrary sale.
5	Feb. 15, 2008	RCC	Kyoto prefectural police	One debtor to the failed financial institution	Drafting or utterance of a false official document with a signature or seal, obstruction of bidding upon auction	Upon auction of real estate, submitted a false official document to a court for the purpose of precluding open bidders, and had a court restrict a qualification of bidders.
6	Mar. 7, 2008					
7	Mar. 12, 2008	RCC	Aichi prefectural police	One debtor to the failed financial institution	Electromagnetic notarial document, false entry in the original use of the said original and attempted fraud	Falsely registered the ownership of real estate to set a preferential right and attempted to obtain auction dividend by fraud from a court.
8	Mar. 25, 2008	RCC	Ibaragi prefectural police	Three debtors to the failed financial institution	Fraud (Disintermediation)	Cancellation of lien by declaring the trading value of collateral property lower than the actual trading value for arbitrary sale.

Note: Disintermediation fraud means an act of obstructing collection whereby under an agreement that lien is cancelled in exchange for appropriating proceeds from the arbitrary sale of collateral property to repayment, a debtor makes false declarations to mortgagees concerning the value of the mortgaged assets to extinguish the mortgage at a lower price and pockets the difference.

(11) Pursuit of Civil Liability via Litigation and Conciliation

(Accumulated total at March 31, 2008)

		DICJ[3]		RCC						Total	
				RCB[4]		HLAC[5]		RCC[6]			
		No. of Cases	Amount Claimed (¥ million)	No. of Cases	Amount Claimed (¥ million)	No. of Cases	Amount Claimed (¥ million)	No. of Cases	Amount Claimed (¥ million)	No. of Cases	Amount Claimed (¥ million)
Management Liability[1]	Failed Financial Institution	17	38,132.3	15	30,238.35	-	-	86	47,463.09	118	115,833.74
	Jusen	-	-	-	-	1	3,595.00	3	900.00	4	4,495.00
Mediators Liability[2]		-	-	-	-	2	5,014.46	-	-	2	5,014.46
Total		17	38,132.3	15	30,238.35	3	8,609.46	89	48,363.09	124	125,343.20

Notes: 1. Liability pursuit against former management executives (directors, general managers and auditors), their bereaved families and others who committed illicit activities of failed financial institutions and *Jusen*.
2. Liability pursuit against financial institutions that introduced *Jusen* for financing.
3. Cases that the DICJ itself filed lawsuits as a plaintiff or was involved in lawsuits as a financial administrator of failed financial institutions.
4. Cases that the RCB itself filed lawsuits as a plaintiff or took over lawsuits that failed financial institutions had filed (except cases of Note 3.)
5. Cases that the HLAC itself filed lawsuits as a plaintiff.
6. Cases the RCC itself filed lawsuits as a plaintiff or took over lawsuits that failed financial institutions had filed (except cases of Note 3.)
7. Figures are rounded off.

(12) Number of On-Site Inspections Implemented

As at June 30 2008

(Unit: Number of financial institutions)

Inspection Year	Number of Financial Institutions under Inspection	Banks, etc.	Shinkin Banks	Credit Cooperatives
2001	39	2	14	23
2002	66	1	31	34
2003	100	10	56	34
2004	113	17	66	30
2005	105	14	69	22
2006	100	35	35	30
2007	100	58	29	13
Total	623	137	300	186

Notes: 1. The inspection year is the working year in which the inspection was conducted (from July to June of the following year).
2. Banks, etc. include Labor bank and Rokinren Bank.
3. Shinkin Banks include the Shinkin Central Bank.
4. Credit cooperatives include Shinkumi Federation Banks.

(13) Outline of Funding of the DICJ (FY2008)

Table 1. Outline of Funding Program by Account

	General Account	Crisis Management Account	Financial Revitalization Account	Early Strengthening Account	Financial Functions Strengthening Account
Borrowing / DICJ Bonds					
Legal Base	Deposit Insurance Law, Art. 42, Para. 1 and 2	Deposit Insurance Law, Art. 126, Para. 1	Financial Revitalization Law, Art. 65, Para. 1	Early Strengthening Law, Art. 16, Para. 1	Financial Function Strengthening Law, Art. 44, Para 1
Ceiling	¥20.08 trillion (Deposit Insurance Law, Cabinet Order Art. 2)	¥17.8 trillion (Deposit Insurance Law, Cabinet Order Art. 29)	¥6.17 trillion (Financial Revitalization Law, Cabinet Order, Art. 13)	¥1.4 trillion (Early Strengthening Law, Cabinet Order, Art. 5)	¥2.009 trillion (Financial Function Strengthening Law, Cabinet Order, Art. 33)
Method (Source)	(1) Borrowing: •Financial institutions and others •Bank of Japan (2) DICJ bond issues	(1) Borrowing: •Financial institutions and others •Bank of Japan (2) DICJ bond issues	(1) Borrowing: •Financial institutions and others •Bank of Japan (2) DICJ bond issues	(1) Borrowing: •Financial institutions and others •Bank of Japan (2) DICJ bond issues	(1) Borrowing: •Financial institutions and others •Bank of Japan (2) DICJ bond issues
Spent on	•Payment of insurance claims •Financial assistance •Purchase of deposits and other claims •Subscribing the capital to establish bridge banks •Loans, etc., to bridge banks •Loans to failed financial institutions, etc.	•Share subscription, etc., by the DICJ •Financial assistance to financial institutions under public management •Financial assistance to banks under special crisis management, etc.	•Asset purchase from financial institutions, etc. •Loans to contracted banks for subscribing for shares, etc. under former Financial Function Stabilization Law, etc.	•Loans to contracted banks for subscribing shares, etc. •Loss compensation for contracted banks, etc.	•Loans to contracted banks for subscribing for shares, etc. and for purchasing trust beneficiary right, etc. under former Act on Organizational Restructuring •Loss compensation for contracted banks
Government guarantee					
Legal Base	Deposit Insurance Law, Art. 42-2	Deposit Insurance Law, Art.126, Para. 2	Financial Revitalization Law, Art. 66	Early Strengthening Law, Art. 17	Act on Strengthening Financial Functions, Art. 45
Appropriation in general provisions of budget in FY2008	Within the limit approved by the Diet (¥19 trillion in the budget for FY2008)	Within the limit approved by the Diet (¥17 trillion in the budget for FY2008)	Within the limit approved by the Diet (¥5 trillion in the budget for FY2008)	Within the limit approved by the Diet (Nil in the budget for FY2008)	Within the limit approved by the Diet (¥2 trillion in the budget for FY2008)

Table 2. Outstanding Balance of Funds Raised in Each Fiscal Year (Unit: ¥ billion)

		End of FY2005	End of FY2006	End of FY2007
General Account		2,972.0	2,252.8	1,636.5
	Portion of which procured by DICJ bond issues	2,680.0	2,180.0	1,580.0
Crisis Management Account		1,943.6	1,932.0	1,928.4
	Portion of which procured by DICJ bond issues	1,600.0	1,600.0	1,600.0
Financial Revitalization Account		3,270.0	2,270.0	1,963.3
	Portion of which procured by DICJ bond issues	3,270.0	2,270.0	1,870.0
Early Strengthening Account		4,600.0	2,800.0	1,400.0
	Portion of which procured by DICJ bond issues	4,600.0	2,800.0	1,400.0
Financial Function Strengthening Account		6.0	46.2	46.2
Total		12,791.6	9,301.0	6,974.4
	Portion of which procured by DICJ bond issues	12,150.0	8,850.0	6,450.0

Notes: 1. Raising funds through DICJ bond issue under the Early Strengthening Account came into operation in October 1999.
2. Raising funds through DICJ bond issue under the General Account and the Financial Revitalization Account came into operation in April 2003.
3. Raising funds through DICJ bond issue under the Crisis Management Account came into operation in April 2004.
4. On April 1, 2005, the Financial Function Strengthening Account succeeded the assets and liabilities belonging to the Management Base Strengthening Account.

5. Financial Statement by Account

(1) General Account

This account is for operations such as insurance payments and financial assistance within the payout cost when a financial institution fails. Furthermore, the special operations account, which accounted for operations of special financial assistance, etc., in excess of payout cost, was abolished at the end of FY2002, and the assets and liabilities related to that account were inherited by this account.

Revenues in FY2007 totaled ¥703.5 billion, comprised of ¥566.6 billion of insurance premium revenues from financial institutions, ¥123.3 billion payments received for collection profits related to assets purchased from the contracted bank (RCC), etc.
On the other hand, expenses totaled ¥148.6 billion, comprised of ¥120.9 billion of payments to the national treasury of payments from the contracted bank, etc.
This resulted in ¥554.8 billion of profits this period, reducing the retained loss at fiscal yearend to ¥1,377.7 billion, from ¥1,932.6 billion in FY2006.

(2) Crisis Management Account

This account is for operations performed in response to financial crises, after the deliberation of the Council for Financial Crises and approval of the Prime Minister.

In FY2007, there were ¥19.6 billion of dividend revenues on Resona Holdings stock held by DICJ, while expenses came to ¥16.1 billion due to interest payments, etc., for capital raised to acquire Resona Holdings stock.
This resulted in profits of ¥3.5 billion this period, increasing retained earnings at fiscal yearend to ¥26.7 billion, from¥23.1billion in FY2006.

(3) Financial Revitalization Account

This account is for operations such as purchases of assets from sound financial institutions, etc., based on Article 53 of the Financial Revitalization Law, and disposals related to special public management banks.
Furthermore, assets and liabilities related to capital injection operations based on the former Financial Function Stabilization Law (repealed October 23, 1998) are inherited by this account.

Revenues in FY 2007 totaled ¥ 302.2 billion, comprising ¥ 52.9 billion of asset purchase operation revenues, such as gain on the disposal of stock purchased from a bank which is under special public management, ¥ 54.4 billion of revenues from the payment of collection profit on assets which the specified contract bank (RCC) purchased from sound financial institutions, etc., ¥ 65.9 billion of revenues from payment on the disposal of assets related to capital injection under the former Financial Function Stabilization Law from the contracted bank (RCC) and ¥ 128.3 billion of reversal of bad debt allowance, etc.
On the other hand, expenses totaled ¥149.3 billion, comprised of ¥39.3 billion of asset purchase operations expenses, such as loss on disposal of credits with warranty against defects, etc., purchased from special public management banks, ¥93.5 billion transferred to bad debt allowance, etc.
This resulted in profits of ¥152.8 billion this period, with the retained loss at fiscal yearend falling to ¥323.6 billion, from ¥476.4 billion in FY2006.

(4) Early Strengthening Account

This account is to account for operations such as loans of funds to a contracted bank (RCC) related to capital injection operations based on the Early Strengthening Law.

Revenues in FY2007 totaled ¥735.2 billion, comprised of ¥711.1 billion revenues on payments from RCC for profits related to capital injections, etc.
On the other hand, expenses came to ¥12.7 billion, due to interest payments on funds raised (DICJ bonds) for loans to RCC, etc.

This resulted in profits of ¥722.4 billion this period, with retained earnings at fiscal yearend increasing to ¥1,461.1 billion, from ¥738.6 billion in FY2006.

(5) Jusen Account

This account is for operations related to the claim resolution company (RCC), which performs operations of management/collection/disposal, etc., of loan claims, etc., transferred from seven former *Jusen* companies, such as provision of subsidies, guarantee of debt related to borrowings, and collection of payments.

Revenues in FY2007 totaled ¥27.0 billion, comprised of ¥13.4 billion investment earnings of the Financial Stabilization Contribution Fund, etc.
On the other hand, expenses totaled ¥49.2 billion, comprised of a ¥35.5 billion operations promotion subsidy for half of the secondary losses arising in RCC in FY2006, based on Article 10 of the *Jusen* Law, etc.
This resulted in a loss of ¥22.2 billion this period, with retained loss at fiscal yearend increasing to ¥363.4 billion, from ¥341.2 billion in FY2006.
Furthermore, the operations promotion subsidy is allocated from the investment earnings of the Financial Stabilization Contribution Fund, but its investments earned only ¥13.4 billion in FY2007, so accumulated accounts payable for the operations promotion subsidy came to ¥363.4 billion at the end of this fiscal year.

(6) Industrial Revitalization Account

This account is for investment of capital in the IRCJ and related operations.

Revenues in FY 2007 amounted to ¥ 255 million, including ¥ 238 million of collection profit from capital subscription to the IRCJ accompanied by the completed settlement of the IRCJ (June 5, 2007).
Meanwhile, ¥ 1 million was spent on administrative costs.
This resulted in a ¥ 253 million of profit for this term, and ¥ 17 million of retained loss at the end of FY 2006, which turned to ¥ 235 million of earned surplus.
After the completed settlement of the IRCJ, this account was abolished as of June 30, 2007 in accordance with the provisions of the Industrial Revitalization Corporation Law. Concerning the remainder and accompanied by abolition of the said account, the IRCJ distributed it to financial institutions which contributed to capitalizing the IRCJ according to the amount of their contributions under the provisions of the said Law on July 27, 2007.

(7) Financial Functions Strengthening Account

This account is for operations such as loan of funds to a contracted bank (RCC) related to capital injection operations based on the Act on Strengthening Financial Functions.
Furthermore, the Financial Institutions' Management Base Strengthening Account was for operations such as loans of funds to the contracted bank related to capital injection operations based on the Act on Organizational Restructuring, but was abolished at the end of FY2004, with its assets and liabilities inherited by this account.

Revenues in FY 2007 totaled ¥571 million, with ¥227 million in payments from RCC for earnings related to capital injection operations.
Meanwhile, expenses totaled ¥ 460 million, including ¥ 82 million of compensation for losses to contracted banks involved in capital injection operations under the Act on Strengthening Financial Functions.
This resulted in profits of ¥111 million this period, with fiscal yearend retained earnings increasing to ¥557 million, from ¥446 million in FY2006.

(8) Outline of DICJ Accounts

Figures are rounded down.

Account name	Account Outline	Surplus / Deficit (-) carried to next FY as of end of FY2007	Profit / Loss (-) recorded as of end of FY2007	Main Factors
General Account	• Financial assistance within payout cost during failure of financial institutions • Lending to the contracted bank regarding purchase of assets of financial institutions under the Deposit Insurance Law Receipt of profit / compensation for loss regarding disposition of purchased assets of the contracted bank, etc. • Collection of insurance premiums	△ ¥1,377.7 billion	¥554.8 billion	Income from Deposit Insurance ¥566.6 billion Income from payment by contracted banks ¥123.3 billion Payment to Government △ ¥120.9 billion
Crisis Management Account	• Measures against financial crises which are taken based on approval by the Prime Minister following discussion by the Council for Financial Crises. • Possesses preferred & common shares of Resona Holdings through capital injection under the Deposit Insurance Law (book value as of end of FY2007: ¥1,957.2 billion)	¥26.7 billion	¥3.5 billion	Dividends of Resona Holdings ¥19.6 billion
Financial Revitalization Account	• Transactions for banks under special public management (former Long-term Credit Bank of Japan and former Nippon Credit Bank) • Lending to the Specified Contracted Bank regarding purchase of assets from sound financial institutions under Article 53 of the Financial Revitalization Law. Receipt of profit / compensation for loss regarding disposition of purchased assets of the specified contracted bank, etc. • Lending to the contracted bank regarding capital injection under the former Financial Function Stabilization Law Receipt of profit / compensation for loss regarding disposition of preferred shares (capital injection ¥1,815.6 billion / balance ¥190.0 billion as of end of FY2007) possessed by the contracted bank (some of which hold deposit insurance), etc.	△ ¥323.6 billion	¥152.8 billion	Income from Financial Assistance-Related Business ¥52.9 billion Income from payment by specified contracted banks ¥54.4 billion Financial Assistance Expenses △ ¥39.3 billion Transfer to Loan Loss Reserves △ ¥93.5 billion Reversal from Loan Loss Reserves ¥128.3 billion
Early Strengthening Account	• Lending to the contracted bank regarding capital injection under the Early Strengthening Law. Receipt of profit / compensation for loss regarding disposition of preferred shares (capital injection ¥8,605.3 billion / balance ¥1,341.9 billion as of end of FY2007), etc., possessed by the contracted bank.	¥1,461.1 billion	¥722.4 billion	Income from payment by contracted banks ¥711.1 billion
Jusen Account	• Provision of subsidies, debt guarantees for borrowings, and receipt of payments related to the claim resolution company which recover loans and other assets transferred from seven former *Jusen* companies.	△ ¥363.4 billion	△ ¥22.2 billion	Operational subsidy △ ¥35.5 billion Profits from managing Financial Stabilization Contribution Fund ¥13.4 billion
Industrial Revitalization Account	• The DICJ received ¥ 50 billion as distribution of the remainder from the IRCJ and abolished the Industrial Revitalization Account as of June 30, 2007. After determining the remaining amount in the said account, the DICJ distributed it to financial institutions which made contributions to capitalize the IRCJ.	¥0.2 billion	¥0.2 billion	Collection profit on capital subscription to the IRCJ ¥0.2 billion
Financial Functions Strengthening Account	• Lending to the contracted bank regarding capital injection under the Act on Strengthening Financial Functions (enforced from August 2004). Receipt of profit / compensation for loss regarding the contracted bank Kiyo Holdings (book value as of end of FY2007: ¥31.5 billion) and Howa Bank, (book value as of end of FY2007: ¥9.0 billion). • Capital injection application deadline is the end of March 2008. (Management Base Strengthening Account) • Lending to the contracted bank regarding capital injection under the Act on Organizational Restructuring. Receipt of profit / compensation for loss regarding subordinated loan to Kanto Tsukuba Bank by the contracted bank (book value as of end of FY2007: ¥6.0 billion). • Abolished at end of FY2004. (Assets and liabilities relating to this account transferred to Financial Function Strengthening Account.)	¥0.5 billion	¥0.1 billion	Income from payment by contracted bank ¥0.2 billion Compensation for loss to contracted banks △ ¥0.08 billion

Note: The "Special Operations Account," which had been used to account for special financial assistance exceeding the payout cost, was abolished at the end of FY2002. (The assets and liabilities were transferred to the General Account.)

(9) Overview of Settlement of Accounts in FY2007

[General Account]

- Major revenues include ¥566.6 billion income from deposit insurance premiums from financial institutions, and ¥123.3 billion income from disposal profit payments related to assets acquired from RCC.
- Major expenses include ¥120.9 billion payments to the government such as disposal profit payment from RCC.
- Thus, the current profit was ¥554.8 billion, and the deficit decreased from ¥1,932.6 billion of the previous year to ¥1,377.7 billion.
- Assets related to contracted banks, which are major assets, decreased to ¥206.2 billion with a decrease of ¥50.1 billion accompanying the repayment of loans.
- Borrowings and DICJ bonds, which are major liabilities, decreased by ¥616.3 billion to ¥ 1,636.5 billion accompanying progress of the disposal of acquired assets and so forth.

[Crisis Management Account]

- Major revenues, income from dividends from Resona Holdings stock was ¥19.6 billion.
- Major expenses, interest on DICJ bonds related to fund procurement for the acquisition of Resona Holdings stock and so forth was ¥16.1billion.
- Thus, the current profit was ¥3.5 billion, and the surplus increased from ¥23.1 billion of the previous year to ¥26.7 billion.
- Borrowing and DICJ bonds, which are major liabilities, decreased by ¥3.6 billion to ¥1,928.4 billion accompanying an increase in dividend revenue.

[*Jusen* Account]

- Major revenues, the operating income of Financial Stabilization Funds was ¥13.4 billion.
- Major expenses, operation promotion subsidy, which cover an amount equivalent to one half of the secondary losses that were incurred at the claim resolution company (RCC) in FY2006 and so forth, were ¥35.5 billion.
- Thus, the current deficit was ¥22.2 billion, and the deficit brought forward increased from ¥341.2 billion of the previous year to ¥363.4 billion.
- Accounts payable to RCC, which are major liabilities, increased by ¥22.2 billion to ¥363.4 billion. (the same amount as that of deficit)

[Industrial Revitalization Account]

- The DICJ received ¥50 billion as a distribution of the remainder from IRCJ as of June 5, 2007 and abolished the Industrial Revitalization Account as of June 30, 2007. After determining the balance of the said account, the DICJ distributed it to financial institutions, which made contributions to capitalize IRCJ.

[Financial Revitalization Account]

- Major revenue, income from financial assistance-related business associated with the disposal of stocks purchased from a bank which is under special public management was ¥52.9 billion, while income from disposal profit payment related to Article 53 assets acquired from RCC was ¥54.4 billion, and income from disposal profit payment related to capital injection assets from RCC under the former Financial Function Stabilization Law was ¥65.9 billion.
- Major expenses, financial assistance-related business expenses such as disposal loss for trust stocks purchased from a bank under special public management and credit for guarantee against defects was ¥39.3 billion.
- Thus, the current profit was ¥152.8 billion, and the deficit decreased from ¥476.4 billion of the previous year to ¥323.6 billion.
- Financial assistance-related assets from a bank under special public management, which are major assets, decreased to ¥1,705.3 billion with a decrease of ¥107.4 billion accompanying income from the disposal of stocks, ¥65.1 billion, and that of credit for guarantee against defects, ¥42.3 billion.
- Borrowing and DICJ bonds, which are major liabilities, decreased by ¥306.7 billion to ¥1,963.3 billion accompanying progress in the disposal of assets purchased.

[Early Strengthening Account]

- Major revenue, income from payment of disposal profit of capital injection assets from RCC and so forth is ¥711.1 billion.
- Major expenses, interest on DICJ bonds related to fund raising for loans to RCC and so forth was ¥12.7 billion.
- Thus, current profit was ¥722.4 billion, and the surplus increased from ¥738.6 billion of the previous year to ¥1,461.1 billion.
- RCC loans, which are major assets, decreased by ¥ 133 billion to ¥1, 255.3 billion accompanying progress in the disposal of capital injection assets.
- DICJ bonds, which are major liabilities, decreased by ¥1, 400 billion to ¥1,400 billion accompanying progress in the disposal of capital injection assets.

[Financial Functions Strengthening Account]

- Major revenue, income from the payment of operating profit of capital injection assets from RCC under the Act on Organizational Restructuring was ¥227 million.
- Major expenses, compensation for losses to RCC related to capital injection assets under the Act on Strengthening Financial Functions was ¥82 million.
- Thus, current profit was ¥111 million, and the surplus increased from ¥446 million of the previous year to ¥557 million.
- RCC loans, which are a major asset, increased by ¥0.1 billion to ¥46.6 billion.
- Borrowings, which are a major liability, are ¥46.2 billion.

Profit and Loss Statement

FY2006 figures in above parentheses
(Unit: ¥million)

General	Payment to government	(168,637) 120,934	Income from insurance premium	(540,496) 566,674
	Transfer to loan loss reserves (Hanwa acquired assets)	(10,711) 10,474	Income from payment by RCC (Acquired asset disposal profit)	(157,509) 123,390
	Current profit	(522,259) 554,882	Reversal from loan loss reserves	(39,318) 10,711
Crisis	Non-operating expenses	(6,755) 16,131	Resona stock dividend	(15,529) 19,688
	Current profit	(8,764) 3,568		
Jusen	Operation promotion grant (Equivalent to 1/2 of secondary losses)	(66,578) 35,586	Contributory fund operating income	(12,726) 13,416
			Current loss	(53,919) 22,211
Financial Revitalization	Financial assistance expenses (Stock and defect related)	(109,674) 39,360	Income from financial assistance -related business (Stock and defect related)	(162,676) 52,925
	Transfer to loan loss reserves (Credit for guarantee against defects)	(128,362) 93,520	Income from payment by RCC (Article 53 asset disposal profit)	(81,064) 54,491
			Income from payment by RCC (asset disposal profit under the former Financial Function Stabilization Law)	(3,961) 65,947
	Current profit	(208,145) 152,830	Reversal from loan loss reserves	(213,232) 128,362
Early Stren -gthening	Current profit	(393,138) 722,487	Income from payment by RCC	(389,552) 711,120
Financial Strengthening	Compensation for losses to RCC	(-) 82	Income from payment by RCC	(231) 227
	Current profit	(189) 111		

Balance Sheet

General	Short-term loans, etc.	(35,005) 24,403	Borrowings and DICJ bonds	(2,252,800) 1,636,500
	Financial assistance related assets (Hanwa assets, etc.)	(34,298) 33,937	Capital	(455) 455
	RCC business assets	(256,300) 206,200	Deficit	(△1,932,667) △1,377,784
Crisis	Resona HD stock	(1,957,270) 1,957,270	Borrowings and DICJ bonds	(1,932,000) 1,928,400
			Earned surplus	(23,165) 26,733
Jusen	Stabilization contributory fund assets	(909,080) 909,121	RCC accounts payable	(341,227) 363,438
	RCC stocks	(200,000) 200,000	Stabilization contributory fund	(1,009,080) 1,009,121
			Deficit	(△341,227) △363,438
Financial Revitalization	Securities	(63,004) 9,279	Borrowings and DICJ bonds	(2,270,000) 1,963,300
	Financial assistance related assets (Stock and credit for guarantee against defects)	(1,812,825) 1,705,344	Deficit	(△476,495) △ 323,664
	Loans to RCC	(25,800) 16,400		
Early Stren -gthening	Securities	(2,127,036) 1,602,626	DICJ bonds	(2,800,000) 1,400,000
	Loans to RCC	(1,388,427) 1,255,396	Earned surplus	(738,683) 1,461,170
Financial Strengthening	Loans to RCC	(46,500) 46,600	Borrowings	(46,200) 46,200
			Earned surplus	(446) 557

(10) Balance Sheets and Profit and Loss Statements

(i) General Account

Balance Sheet

(Unit: ¥million)

Assets			Liabilities and Capital Accounts		
Item	As at March 31, 2008	(Reference) As at March 31, 2007	Item	As at March 31, 2008	(Reference) As at March 31, 2007
<Current Assets>	25,460	36,095	<Current Liabilities>	557,239	673,869
Cash and Deposits	437	433	Short-Term Borrowings	56,500	72,800
Short-Term Loans	21,335	31,396	DICJ Bonds (due for redemption within 1 year)	500,000	600,000
Money Deposited	236	367	Accounts Payable	317	556
Securities	3,068	3,609	Accrued Expenses Payable	256	275
Suspense Payments	193	185	Money on Deposit	21	18
Prepaid Expenses	10	72	Advance Payments Received	114	198
Accrued Income	176	26	Suspense Receipts	28	21
Accounts Receivable	1	3			
Loan Loss Reserves	△ 0	△ 0	<Fixed Liabilities>	1,080,176	1,580,274
			DICJ Bonds	1,080,000	1,580,000
<Fixed Assets>	234,377	284,604	Long-Term Advance Payment Received	28	143
Financial Assistance Related Assets	23,463	23,587	Reserves for Retirement Allowance	147	131
Purchased Assets	33,937	34,298			
Loan Loss Reserves	△ 10,474	△ 10,711	<<Liabilities Total>>	1,637,415	2,254,144
Assets Related to Contracted Bridge Bank					
Subsidiary Stock	4,170	4,170	<Capital>	455	455
Assets Related to Contracted Bank	206,200	256,300	Government Capital	150	150
Contracted Bank Shares	12,000	12,000	Bank of Japan Capital	150	150
Loans for Contracted Bank	194,200	244,300	Private Capital	155	155
Tangible Fixed Assets	286	303			
Buildings	224	245	<Deficit>	△ 1,377,784	△ 1,932,667
Tools/Equipment/Fixtures	62	58	Deficit Brought Forward	△ 1,932,667	△ 2,454,926
Intangible Fixed Assets	2	2	Current Profit	554,882	522,259
Investment and Other Assets					
Guarantee Money and Other Security Deposits	254	241	<<Capital Total>>	△ 1,377,329	△ 1,932,212
<Deferred Charge>	248	1,231			
Cost of DICJ Issuing Bonds	-	663			
Discount on DICJ Bonds	248	568			
Total	260,085	321,931	Total	260,085	321,931

Note: Figures are rounded down.

Profit and Loss Statement

(Unit: ¥million)

Expenses			Revenue		
Item	FY2007	(Reference) FY2006	Item	FY2007	(Reference) FY2006
<Current Expenses>	148,656	232,457	<Current Revenue>	703,539	754,717
Financial Assistance Expenses	1,805	35,459	Income from Deposit Insurance		
Grants	1,208	8,140	Insurance Premiums	566,674	540,496
Loss on sales of Purchased Assets	78	26,727	Income from Financial Assistance-Related Business	81	3,239
Administrative Expenses for Purchased Assets	442	34	Income from Purchased Assets	64	72
Cost of Commissioning Management and Collection Business	75	556	Profit on Sales of Purchased Assets	16	3,166
Refunds of Insurance Premiums for Prior Periods	67	7	Income from Contracted Bank Business	124,690	158,692
Payments to Government	120,934	168,637	Interest on Loans to Contracted Bank	1,299	1,183
General Administrative Expenses	5,263	6,371	Income from Payment by Contracted Bank	123,390	157,509
Transfer to Loan Loss Reserves	10,474	10,711	Income from Contributions by Contracted Bridge Bank	34	34
Non-Operating Expenses	10,110	11,269	Refunded Grants	868	12,758
Interest on Borrowings	798	492	Reversal from Loan Loss Reserves	10,711	39,318
Interest on DICJ Bonds	8,299	9,286	Non-Operating Income	479	178
Administrative Expenses for DICJ Bonds	29	31			
Amortization of DICJ Bond Issuing Cost	663	1,014			
Amortization of Discount on DICJ Bonds	320	443			
Miscellaneous Expenses	0	0			
<Extraordinary Expenses>					
Loss from Retirement of Fixed Assets	0	-			
<Current Profit>	554,882	522,259			
Total	703,539	754,717	Total	703,539	754,717

The notes below refer to the items mentioned for the FY2007 settlement of accounts.

Notes: 1. Current profit of ¥554,882 million for this fiscal year is used to decrease loss brought forward from the previous fiscal year, pursuant to the Article 15, Paragraph 1 of the Deposit Insurance Law Reinforcement Regulations.

2. Figures are rounded down.

● Important Accounting Principles and Other Relevant Matters

1. Evaluation Method for Securities

   Cost method based on the periodic average method.

2. Depreciation Method for Fixed Assets

   Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:

   Financial assistance operation assets: ¥19 million

   Tangible fixed assets: ¥225 million

3. Appropriation Criteria for Reserves

   (1) Loan Loss Reserves

   For claims related to debtors for whom statutory facts of business failure (e.g. bankruptcy or composition) have occurred, or debtors in an equivalent position, the estimated disposable collateral and estimated recoverable amount through guarantees are subtracted from the amount of the claim, and the remainder is aggregated. For debtors who are not in a state of bankruptcy at present but are likely to face bankruptcy in the future, the estimated disposal amount as well as the estimated collectable amount through guarantee are deducted from the amount of claims and the amount which is considered necessary, based on the general judgment of the payment capability of the debtor, is accounted for vis-à-vis the remaining amount after the above reduction.

   For claims other than those described above, the amount for Loan Loss Reserves is based on the actual loan loss ratio calculated from actual cases of loan loss which occurred in a specific period of time in the past.

   (2) Reserves for Retirement Allowance

   The required remuneration at the end of the fiscal year is used as the criterion for appropriating reserves in preparation for payment of retirement allowances for employees.

4. Other Important Matters Relating to Preparation of Financial Statements

   (1) Accounting method for consumption tax: tax inclusive method

   (2) Accounting Method for Deferred Assets

   i) DICJ Bond Issuing Cost: equal depreciation over three years

   ii) Discount on DICJ Bonds: equal depreciation over the period up to the term of DICJ bond redemption

   (3) Accounting criteria for revenue and expenses: accrual method

   (4) Others

   i) Regarding income from contracted banks under the provision of Article 7 of the Supplementary Provisions of Deposit Insurance Law, the DICJ received the payments statement prepared under the account settlement for FY2007 from the RCC (Contracted Bank) on June 3, 2008. In the RCC, the payments are accounted for as expenses in FY2007, but in the DICJ, they are accounted for as revenue in the following fiscal year in accordance with the provision of Article 4, Paragraph 2 of the Accounting Regulations. An amount of profit or loss which could arise from such accounting for is estimated at ¥84,380 million in the following fiscal year.

   ii) Upon acquisition of the Ashikaga Bank shares, Ashikaga Holdings made an application for financial assistance under Articles 59 and 118 of the Law. The Policy Board held a meeting on June 6, 2008 and decided to give financial assistance as mentioned below, no later than the date prior to that on which the shares concerned were acquired.

   A. Monetary grant for Ashikaga Bank

   Amount of monetary grant ¥260,349 million

   Provided that since the date on which the shares concerned were acquired, an amount of the grant concerned may be increased or decreased according to circumstances.

   B. Purchase of assts from Ashikaga Bank

   Purchase price ¥1,663 million

(ii) Crisis Management Account

Balance Sheet

(Unit: ¥million)

Assets			Liabilities and Capital Accounts		
Item	As at March 31, 2008	(Reference) As at March 31, 2007	Item	As at March 31, 2008	(Reference) As at March 31, 2007
<Current Assets>	426	306	<Current Liabilities>	1,130,757	334,124
Cash and Deposits	42	38	Short-Term Borrowings	328,400	332,000
Short-term Loans	177	-	DICJ Bonds (due for redemption within 1 year)	800,000	-
Securities	-	59	Accounts Payable	0	0
Accrued Income	207	207	Accrued Expenses Payable	2,135	1,797
Accounts Receivable	0	0	Advance Payments Received	221	326
<Fixed Assets>			<Fixed Liabilities>	800,460	1,600,681
Acquired Stocks	1,957,270	1,957,270	DICJ Bonds	800,000	1,600,000
			Long-Term Advance Payment Received	460	681
<Deferred Charge>			Reserves for Retirement Allowance	0	0
Cost of DICJ Issuing Bonds	254	395			
			<<Liabilities Total>>	1,931,217	1,934,806
			<Surplus>		
			Earned Surplus	26,733	23,165
			Accumulated Fund	23,165	14,400
			Current Profit	3,568	8,764
			<<Capital Total>>	26,733	23,165
Total	1,957,951	1,957,971	Total	1,957,951	1,957,971

Note: Figures are rounded down.

Profit and Loss Statement

(Unit: ¥million)

Expenses			Revenue		
Item	FY2007	(Reference) FY2006	Item	FY2007	(Reference) FY2006
<Current Expenses>	16,142	6,768	<Current Revenue>	19,711	15,533
General Administrative Expenses	10	13	Income form Operations such as the Acquisition of Shares		
Non-Operating Expenses	16,131	6,755	Dividend of Purchased Shares, etc.	19,688	15,529
Interest on Borrowings	2,587	1,339	Non-Operating Revenue	22	3
Interest on DICJ Bonds	13,397	3,837			
Administrative Expenses for DICJ Bonds	6	26			
Amortization of DICJ Bond Issuing Cost	-	1,410			
Amortization of Discount on DICJ Bonds	140	140			
<Current Profit>	3,568	8,764			
Total	19,711	15,533	Total	19,711	15,533

The notes below refer to the items mentioned for the FY2007 settlement of accounts.

Notes: 1. Current profit of ¥3,568 million is added to the accumulated fund for the next fiscal year, pursuant to the provision of Article 3 of the Deposit Insurance Law Reinforcement Regulations.
2. Figures are rounded down.

● Important Accounting Principles and Other Relevant Matters

1. Evaluation Method for Securities
   Cost method based on the periodic average method.
2. Appropriation Criteria for Reserves
   Reserves for Retirement Allowance
   The required remuneration at the end of the fiscal year is used as the criterion for appropriating reserves in preparation for payment of retirement allowances for employees.
3. Other Important Matters Relating to Preparation of Financial Statements
   (1) Accounting method for consumption tax: tax inclusive method
   (2) Accounting Method for Deferred Assets
   Difference in DICJ Bond Issue: equal depreciation over the period up to the term of bond redemption
   (3) Accounting criteria for revenue and expenses: accrual method
   (4) Others
   Because an interest swap transaction involved in interest payment on DICJ Bonds (receive-fixed, pay-floating interest-rate swap) meets the requirement of exceptional treatment, the net amount of receipts and payment of interest rate swap transactions is accounted for by adding to or subtracting from the interest on DICJ Bonds. This resulted in the interest payment on DICJ Bonds increasing by ¥989 million (in the previous fiscal year, a decrease of ¥8,570 million).

(iii) Financial Revitalization Account

Balance Sheet

(Unit: ¥million)

Assets			Liabilities and Capital Accounts		
Item	As at March 31, 2008	(Reference) As at March 31, 2007	Item	As at March 31, 2008	(Reference) As at March 31, 2007
<Current Assets>	12,024	84,248	<Current Liabilities>	794,304	602,357
Cash and Deposits	452	429	Short-term Borrowings	93,300	-
Short-term Loans	4,803	423	DICJ Bonds (due for redemption within 1 year)	700,000	600,000
Money Deposited	858	10,752	Accounts Payable	352	356
Securities	4,476	62,581	Accrued Expenses Payable	256	478
Suspense Payments	140	300	Advance Payments Received	242	297
Prepaid Expenses	77	203	Suspense Receipts	152	1,226
Accrued Income	739	4,712			
Accounts Receivable	475	4,844	<Fixed Liabilities>	1,170,380	1,670,530
Loan Loss Reserves	△ 0	△ 0	DICJ Bonds	1,170,000	1,670,000
			Long-Term Advance Payment Received	342	501
<Fixed Assets>	1,628,252	1,710,289	Reserves for Retirement Allowance	38	29
Financial Assistance Related Assets	1,611,823	1,684,463			
Purchased Assets	1,705,344	1,812,825	<<Liabilities Total>>	1,964,684	2,272,888
Loan Loss Reserves	△ 93,520	△ 128,362			
Tangible Fixed Assets	22	22	<Deficit>	△ 323,664	△ 476,495
Buildings	12	13	Deficit Brought Forward	△ 476,495	△ 684,640
Tools/Equipment/Fixtures	10	8	Current Profit	152,830	208,145
Intangible Fixed Assets	0	0			
Investment and Other Assets	16,406	25,802	<<Capital Total>>	△ 323,664	△ 476,495
Loans to Specified Contracted Bank	16,400	25,800			
Guarantee Money and Other Security Deposits	6	2			
<Deferred Charge>	743	1,855			
Cost of Issuing Bonds	55	888			
Discount on DICJ Bonds	688	966			
Total	1,641,020	1,796,392	Total	1,641,020	1,796,392

Note: Figures are rounded down.

Profit and Loss Statement

(Unit: ¥million)

Expenses			Revenue		
Item	FY2007	(Reference) FY2006	Item	FY2007	(Reference) FY2006
<Current Expenses>	149,398	253,997	<Current Revenue>	302,229	462,142
Financial Assistance Expenses	39,360	109,674	Income from Financial Assistance-Related Business	52,925	162,676
Loss on Sales of Purchased Assets	38,876	86,445	Income from Purchased Assets	23,781	25,059
Administrative Expenses for Purchased Assets	333	375	Profit on Sales of Purchased Assets	29,144	137,617
Cost of Commissioning Management and Collection Business	149	218	Income from Payment by Specified Contracted Bank	54,491	81,064
Compensation for Purchased Asset Losses	-	22,635	Income from Payment by Contracted Banks	65,947	3,961
General Administrative Expenses	1,000	851	Interest on Loans to Specified Contracted Bank	191	476
Transfer to Loan Loss Reserves	93,520	128,362	Interest on Loans to Contracted Bank	0	83
Non-Operating Expenses	15,517	15,109	Reversal from Loan Loss Reserves	128,362	213,232
Interest on Borrowings	213	-	Non-Operating Revenue	311	647
Interest on DICJ Bonds	13,969	13,362			
Administrative Expenses for Borrowings	0	-			
Administrative Expenses for DICJ Bonds	41	65			
Amortization of DICJ Bond Issuing Cost	944	1,169			
Amortization of Discount on DICJ Bonds	348	451			
Miscellaneous Expenses	-	59			
<Extraordinary Expenses>					
Loss from Retirement of Fixed Assets	0	-			
<Current Profit>	152,830	208,145			
Total	302,229	462,142	Total	302,229	462,142

The notes below refer to the items mentioned for the FY2007 settlement of accounts.

Notes: 1. Current profit of ¥152,830 million is used to decrease loss brought forward from the previous fiscal year, pursuant to the provision of Article 25, Paragraph 2 of the Financial Revitalization Law Reinforcement Regulations.
2. Figures are rounded down.

● Important Accounting Principles and Other Relevant Matters

1. Evaluation Method for Securities

   Cost method based on the periodic average method.

2. Depreciation Method for Fixed Assets

   Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:

   Tangible fixed assets: ¥13 million

3. Appropriation Criteria for Reserves

   (1) Loan Loss Reserves

   For debtors who have succumbed to business failure or effective business failure, and those who face or are highly likely to face serious problems in the repayment of debts although not yet in a state of business failure, the estimated amount recovered through collateral, etc., and the estimated amount recovered in light of the debtors' financial status and business performance are reduced from the amount of the claim, the remainder being aggregated as loan loss reserves. Claims other than the above are aggregated on the basis of a bad debt ratio deemed reasonable.

   (2) Reserves for Retirement Allowance

   The required remuneration at the end of the fiscal year is used as the criterion for appropriating reserves in preparation for payment of retirement allowances for employees.

4. Other Important Matters Relating to Preparation of Financial Statements

   (1) Accounting method for consumption tax: tax inclusive method

   (2) Accounting Method for Deferred Assets

   i) Equal depreciation over three years (within the term of DICJ bond redemption)

   ii) Difference in DICJ Bond Issue: equal depreciation over the period up to the term of bond redemption

   (3) Accounting criteria for revenue and expenses: accrual method

   (4) Others

   i) As for payments from the specified contracted bank under the provisions of Article 53 of the Financial Revitalization Law, the DICJ received a payments statement for FY2007 prepared under the accounts settlement from RCC, the specified contracted bank, on June 3, 2008. In RCC, these payments are accounted for as expenses in FY2007, but in the DICJ they are accounted for as revenue in the following fiscal year under the provision of Article 4, Paragraph 2 of the Accounting Regulations. The amount of profit or loss which could arise from such accounting is estimated at ¥29,682 million in the following fiscal year.

   ii) As for payments from contracted banks under the provision of Article 3 of the former Financial Function Stabilization Law, the DICJ received the payments statement for FY2007 prepared under the accounts settlement from RCC, the contracted bank, on May 30, 2008. In RCC, these payments are accounted for as expenses in FY2007, but in the DICJ they are accounted for as revenue in the following fiscal year under the provisions of Article 4, Paragraph 2 of the Accounting Regulations.The amount of profit or loss which could arise from such accounting is estimated at ¥90 million in the following fiscal year.

(iv) Early Strengthening Account

Balance Sheet

(Unit: ¥million)

Assets			Liabilities and Capital Accounts		
Item	As at March 31, 2008	(Reference) As at March 31, 2007	Item	As at March 31, 2008	(Reference) As at March 31, 2007
<Current Assets>	1,606,215	2,150,848	<Current Liabilities>	400,363	1,400,517
Cash and Deposits	38	84	DICJ Bonds (due for redemption within 1 year)	400,000	1,400,000
Short-term Loans	1,480	20,714	Accounts Payable	2	9
Securities	1,602,626	2,127,036	Accrued Expenses Payable	180	231
Suspense Payments	41	205	Advance Payments Received	180	275
Accrued Income	2,029	2,808			
Accounts Receivable	0	0	<Fixed Liabilities>	1,000,326	1,400,506
			DICJ Bonds	1,000,000	1,400,000
<Fixed Assets>	1,255,401	1,388,432	Long-Term Advance Payment Received	323	503
Tangible Fixed Assets	3	4	Reserves for Retirement Allowance	2	2
Buildings	3	3			
Tools/Equipment/Fixtures	0	0	<<Liabilities Total>>	1,400,690	2,801,023
Intangible Fixed Assets	0	0			
Investment and Other Assets	1,255,397	1,388,428	<Surplus>		
Loans for Contracted Bank	1,255,396	1,388,427	Earned Surplus	1,461,170	738,683
Guarantee Money and Other Security Deposits	1	1	Accumulated Fund	738,683	345,544
			Current Profit	722,487	393,138
<Deferred Charge>					
Discount on DICJ Bonds	243	425	<<Capital Total>>	1,461,170	738,683
Total	2,861,860	3,539,706	Total	2,861,860	3,539,706

Note: Figures are rounded down.

Profit and Loss Statement

(Unit: ¥million)

Expenses			Revenue		
Item	FY2007	(Reference) FY2006	Item	FY2007	(Reference) FY2006
<Current Expenses>	12,799	17,194	<Current Revenue>	735,287	410,332
General Administrative Expenses	63	61	Income from the Contracted Bank	711,120	389,552
Non-Operating Expenses	12,735	17,133	Interest on Loans to Contracted Bank	10,740	14,673
Interest on DICJ Bonds	12,494	15,782	Non-Operating Income	13,426	6,106
Administrative Expenses for DICJ Bonds	59	146			
Amortization of DICJ Bond Issuing Cost	-	917			
Amortization of Discount on DICJ Bonds	181	287			
Miscellaneous Expenses	-	0			
<Extraordinary Expenses>					
Loss from Retirement of Fixed Assets	0	-			
<Current Profit>	722,487	393,138			
Total	735,287	410,332	Total	735,287	410,332

The notes below refer to the items mentioned for the FY2007 settlement of accounts.

Notes: 1. Current profit of ¥722,487 million is added to the accumulated fund for the next fiscal year, pursuant to the provisions of Article 8, Paragraph 1 of the Early Strengthening Law Enforcement Regulations.

2. Figures are rounded down.

● Important Accounting Principles and Other Relevant Matters

1. Evaluation Method for Securities
   Cost method based on the periodic average method.
2. Depreciation Method for Fixed Assets
   Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
   Tangible fixed assets: ¥3 million
3. Appropriation Criteria for Reserves
   Reserves for Retirement Allowance
   The required remuneration at the end of the fiscal year is used as the criterion for appropriating reserves in preparation for payment of retirement allowances for employees.
4. Other Important Matters Relating to Preparation of Financial Statements
   (1) Accounting method for consumption tax: tax inclusive method
   (2) Accounting Method for Deferred Assets
   Difference in DICJ Bond Issue: equal depreciation over the period up to the term of DICJ bond redemption
   (3) Accounting criteria for revenue and expenses: accrual method
   (4) Others
   Regarding income from contracted banks under the provisions of Article 13 of the Early Strengthening Law, the DICJ received the payments statement for FY2007 prepared under the account settlement from the RCC (Contracted Bank) on May 30, 2008. In the RCC, the payments are accounted for as expenses in FY2007, but in the DICJ they are accounted for as revenue for the following fiscal year under the provisions of Article 4, Paragraph 2 of the Accounting Regulations.
   The amount of profit or loss which could arise from such accounting is estimated at ¥5,980 million in the account.

(v) *Jusen* Account

Balance Sheet

(Unit: ¥million)

Assets			Liabilities and Capital Accounts		
Item	As at March 31, 2008	(Reference) As at March 31, 2007	Item	As at March 31, 2008	(Reference) As at March 31, 2007
<Current Assets>	5,060	5,086	<Current Liabilities>	363,488	341,303
Cash and Deposits	54	79	Accounts Payable	363,449	341,233
Securities	4,994	4,994	Advance Payments Received	39	69
Accrued Income	11	11			
Accounts Receivable	0	0	<Fixed Liabilities>	1,054,261	1,154,266
			Reserves for Retirement Allowance	10	10
<Fixed Assets>	2,063,372	2,163,337	Repayable Payments Received from Bank of Japan	100,000	100,000
Tangible Fixed Assets	46	51	Charges against Assets Allotted in Operation	148	152
Buildings	41	46	Loan Guarantees	954,103	1,054,104
Tools/Equipment/Fixtures	4	4			
Intangible Fixed Assets	1	1	<Statutory Reserves>		
Investment and Other Assets	2,063,325	2,163,285	Financial Stabilization Fund	1,009,121	1,009,080
Assets Relating to Financial Stabilization Fund	909,121	909,080	Counterpart of Private-Sector Contributions	1,007,000	1,007,000
Shares of Affiliated Companies	200,000	200,000	Counterpart of Operating Income	2,121	2,080
Guarantee Money and Other Security Deposits	100	100			
Per contra on Loan Guarantees	954,103	1,054,104	<<Liabilities Total>>	2,426,871	2,504,650
			<Capital>		
			Government Capital	5,000	5,000
			<Deficit>	△ 363,438	△ 341,227
			Deficit Brought Forward	△ 341,227	△ 287,307
			Current Deficit	△ 22,221	△ 53,919
			<<Capital Total>>	△ 358,438	△ 336,227
Total	2,068,433	2,168,423	Total	2,068,433	2,168,423

Note: Figures are rounded down.

Profit and Loss Statement

(Unit: ¥million)

Expenses			Revenue		
Item	FY2007	(Reference) FY2006	Item	FY2007	(Reference) FY2006
<Current Expenses>	49,247	79,586	<Current Revenue>	27,036	25,666
Grant for Claim Resolution Company			Income from Investment		
Operation Promotion Grant	35,586	66,578	Income from Investment of Financial Stabilization Fund	13,416	12,726
General Administrative Expenses	244	282	Income from Special Operations Contributions	149	139
Transfer to Financial Stabilization Fund	13,416	12,726	Reversal from Financial Stabilization Fund	13,375	12,705
Non-Operating Expenses			Non-Operating Income	88	89
Miscellaneous Expenses	-	0	Reversal from Charge Against Assets Allotted in Operation	6	6
<Extraordinary Expenses>			<Current Deficit>	△ 22,211	△ 53,919
Loss from Retirement of Fixed Assets	0	-			
Total	49,247	79,586	Total	49,247	79,586

The notes below refer to the items mentioned for the FY2007 settlement of accounts.

Notes: 1. Current deficit of ¥22,211 million is carried forward to the next fiscal year, pursuant to the provisions of Article 5, Paragraph 2, of the *Jusen* Law Enforcement Regulations.
2. Figures are rounded down.

● Important Accounting Principles and Other Relevant Matters

1. Evaluation Method for Securities
   Cost method based on the periodic average method.
2. Depreciation Method for Fixed Assets
   Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
   Tangible fixed assets: ¥57 million
3. Appropriation Criteria for Reserves
   (1) Reserves for Retirement Allowance
   The required remuneration at the end of the fiscal year is used as the criterion for appropriating reserves in preparation for payment of retirement allowances for employees.
   (2) Financial Stabilization Fund
   Contributions made by financial institutions which were investors or creditors of *Jusen* companies and interest income, etc., accrued by the operation of such contributions are accounted for pursuant to the provisions of Article 9, Paragraph 1, and Article 9, Paragraph 2, of the *Jusen* Law, respectively, for investment in the claim resolution company and for the provision of grants for such companies for the smooth implementation of their business.
4. Other Important Matters Relating to Preparation of Financial Statements
   (1) Accounting method for consumption tax: tax inclusive method
   (2) Accounting criteria for revenue and expenses: accrual method
   (3) Others
   As for the granting of a subsidy to the Claim Resolution Company under the provisions of Article 10 of the *Jusen* Law, the DICJ received an application for the granting of an operation promoting grant for FY2007 under the accounts settlement from RCC, the Claim Resolution Company, on June 2, 2008. In RCC, this grant is accounted for as revenue in FY2007, but in the DICJ, it is accounted for as expense in the following fiscal year under the provisions of Article 4, Paragraph 2 of the Accounting Regulations.
   The amount of profit or loss which could arise from such accounting is estimated at ¥54,850 million in the following fiscal year.

(vi) Industrial Revitalization Account

Balance Sheet

(Unit: ¥million)

Assets			Liabilities and Capital Accounts		
Item	As at March 31, 2008	(Reference) As at March 31, 2007	Item	As at March 31, 2008	(Reference) As at March 31, 2007
<Current Assets>	50,022	12	<Current Liabilities>		
Cash and Deposits	50,022	12	Accounts Payable	0	0
Accounts Receivable	-	0			
			<Fixed Liabilities>	49,787	49,787
<Fixed Assets>			Payments Received from Financial Institutions	49,787	49,787
Shares of the IRCJ	-	49,757	Reserves for Retirement Allowance	-	0
			<<Liabilities Total>>	49,787	49,787
			<Surplus or Deficit (△)>	235	△ 17
			Deficit Brought Forward	△ 17	△ 13
			Current profit or current loss (△)	253	△ 4
			<<Capital Total>>	235	△ 17
Total	50,022	49,769	Total	50,022	49,769

Note: Figures are rounded down.

Profit and Loss Statement

(Unit: ¥million)

Expenses			Revenue		
Item	FY2007	(Reference) FY2006	Item	FY2007	(Reference) FY2006
<Current Expenses>			<Current Revenue>	255	0
General Administrative Expenses	1	4	Collection profit from capital subscription to the IRCJ.	238	-
			Non-Operating Income	16	0
<Current Profit>	253	-	<Current Deficit>	-	4
Total	255	4	Total	255	4

The notes below refer to the items mentioned for the FY2007 settlement of accounts.
Notes: Figures are rounded down.

● Important Accounting Principles and Other Relevant Matters

Other Important Matters Relating to Preparation of Financial Statements

(1) Accounting method for consumption tax: tax inclusive method
(2) Accounting criteria for revenue and expenses: accrual method
(3) Others

After settlement completed of the IRCJ (June 5, 2007), the Industrial Revitalization Account was abolished as of June 30, 2007 under the provisions of Article 51, Paragraph 1 of the Industrial Revitalization Corporation Act.

Concerning the remainder accompanied by abolition of the account, the IRCJ distributed it to financial institutions, which made contributions to capitalize the IRCJ according to the amount of their contribution and in accordance with the provision of Article 52, Paragraph 2 of the said Law.

(vii) Financial Functions Strengthening Account

Balance Sheet

(Unit: ¥million)

Assets			Liabilities and Capital Accounts		
Item	As at March 31, 2008	(Reference) As at March 31, 2007	Item	As at March 31, 2008	(Reference) As at March 31, 2007
<Current Assets>	431	258	<Current Liabilities>	37,472	37,311
Cash and Deposits	105	65	Short-Term Borrowings	37,200	37,200
Short-term Loans	64	-	Accounts Payable	1	0
Securities	-	89	Accrued Expenses Payable	271	110
Accrued Income	261	102			
Account Receivable	0	0	<Fixed Liabilities>	9,001	9,001
			Long-Term Borrowings	9,000	9,000
<Fixed Assets>	46,600	46,500	Reserves for Retirement Allowance	1	1
Tangible Fixed Assets	0	0			
Buildings	0	0	<<Liabilities Total>>	46,474	46,312
Tools/Equipment/Fixtures	0	0			
Investment and Other Assets	46,600	46,500	<Surplus>		
Loans to Contracted Bank	46,600	46,500	Earned Surplus	557	446
Guarantee Money and Other Security Deposits	0	-	Accumulated Fund	446	257
			Current Profit	111	189
			<<Capital Total>>	557	446
Total	47,031	46,758	Total	47,031	46,758

Note: Figures are rounded down.

Profit and Loss Statement

(Unit: ¥million)

Expenses			Revenue		
Item	FY2007	(Reference) FY2006	Item	FY2007	(Reference) FY2006
<Current Expenses>	460	146	<Current Revenue>	571	335
Compensation for losses to Contracted Bank	82	-	Income from Payment by Contracted Bank	227	231
General Administrative Expenses	34	35	Interest on Loans to Contracted Bank	343	103
Non-Operating Expenses	343	110	Non-Operating Income	0	0
Interest on Borrowings	343	110			
Administrative Costs for Borrowings	-	0			
Miscellaneous Expenses	-	0			
<Current Profit>	111	189			
Total	571	335	Total	571	335

The notes below refer to the items mentioned for the FY2007 settlement of accounts.

Notes: 1. Current profit of ¥111 million for this fiscal year is added to the accumulated fund, pursuant to Article 4, paragraph 1 of the decision which specifies DICJ's operations for strengthening of financial function.

2. Figures are rounded down.

● Important Accounting Principles and Other Relevant Matters

1. Evaluation Method for Securities
   Cost method based on the periodic average method.
2. Depreciation Method for Fixed Assets
   Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
   Tangible fixed assets: ¥171,000
3. Appropriation Criteria for Reserves
   Reserves for Retirement Allowance
   The required remuneration at the end of the fiscal year is used as the criterion for appropriating reserves in preparation for payment of retirement allowances for employees.
4. Other Important Matters Relating to Preparation of Financial Statements
   (1) Accounting method for consumption tax: tax inclusive method
   (2) Accounting criteria for revenue and expenses: accrual method
   (3) Others
   i) Regarding income from contracted banks under the provisions of Article 29 of the Act on Organizational Restructuring, the DICJ received the payments statement prepared under the account settlement for FY2007 from the RCC (Contracted Bank) on May 30, 2008. In the RCC, the payments are accounted for as expenses in FY2007, but in the DICJ, they are accounted for as revenue in the following fiscal year in accordance with the provisions of Article 4, Paragraph 2 of the Accounting Regulations. The amount of profit or loss which could arise from such accounting is estimated at ¥235 million in the account
   ii) Regarding compensation for losses to contracted banks under the provision of Article 40 of the Act on Strengthening Financial Functions, the DICJ received the application for the granting of compensation for losses for FY2007 from the RCC (Contract Bank) on May 30, 2008. In the RCC, it is accounted for as profit for FY2007, but in the DICJ, it is accounted for as expenses in the following fiscal year in accordance with the provisions of Article 4, Paragraph 2 of the Accounting Regulations. The amount of profit or loss for which could arise from such accounting for is estimated at ¥70 million in the account settlement of the following fiscal year.

6. Statistical Tables

Table 1. Income and Expenditure

(General Account)

(Unit: ¥million)

Fiscal Year	Income			Expenditure	Net Earnings	Deposit Insurance Fund (Ending on March 31)
	Insurance Premiums	Paid into Special Operations Funds	Total (including other)			
1971	2,800	-	3,090	23	3,066	3,066
1972	4,560	-	5,030	43	4,987	8,053
1973	5,638	-	6,369	40	6,328	14,381
1974	6,364	-	7,563	57	7,505	21,887
1975	7,214	-	8,958	61	8,896	30,784
1976	8,402	-	10,739	69	10,670	41,454
1977	9,401	-	12,252	78	12,174	53,629
1978	10,571	-	14,024	105	13,919	67,548
1979	11,818	-	16,084	95	15,988	83,536
1980	12,767	-	18,392	104	18,288	101,825
1981	13,631	-	20,314	127	20,187	122,012
1982	20,107	-	28,209	119	28,090	150,103
1983	21,624	-	31,519	123	31,396	181,500
1984	23,232	-	34,769	118	34,650	216,151
1985	25,274	-	38,569	134	38,435	254,586
1986	40,739	-	55,236	140	55,096	309,683
1987	44,195	-	62,015	155	61,860	371,543
1988	48,759	-	68,021	143	67,878	439,421
1989	53,757	-	74,333	146	74,187	513,608
1990	60,381	-	87,944	156	87,788	601,396
1991	63,202	-	95,154	166	94,987	696,384
1992	63,149	-	94,411	20,169	74,241	770,626
1993	63,792	-	96,081	46,137	49,944	820,570
1994	64,972	-	98,140	42,680	55,459	876,030
1995	66,643	-	111,581	601,033	△ 489,452	386,578
1996	461,992	-	532,743	1,314,428	△ 781,684	△ 395,106
1997	462,956	-	464,317	163,228	301,089	△ 94,017
1998	465,003	1,199,232	1,675,820	2,769,430	△ 1,093,610	△ 1,187,627
1999	480,736	3,645,679	4,216,932	4,926,059	△ 709,127	△ 1,896,755
2000	482,837	3,640,683	4,204,983	5,453,792	△ 1,248,809	△ 3,145,565
2001	511,087	667,547	1,288,209	1,940,875	△ 652,666	△ 3,798,231
2002	509,944	1,589,874	2,502,074	2,710,347	△ 208,273	△ 4,006,504
2003	522,106	-	742,728	230,070	512,657	△ 3,493,847
2004	529,386	-	656,581	139,783	516,798	△ 2,977,048
2005	537,769	-	740,157	218,034	522,122	△ 2,454,926
2006	540,496	-	754,717	232,457	522,259	△ 1,932,667
2007	566,674	-	703,539	148,656	554,882	△ 1,377,784

Notes: 1. Figures for FY1996, except for inter-account transfers, are the total for the general account, the special account for general financial institutions, and the special account or credit cooperatives.
2. Figures for FY1997 to FY2002, except for inter-account transfers, are the total for the general account and the special operations account.
3. Figures are rounded down.

Table 2. Insured Deposits and Deposit Insurance Fund

(Unit: ¥billion, %)

Fiscal Year (ending on March 31)	Deposits of Insured Financial Institutions			Deposit Insurance Fund	
	Total (A)	Insured (B)	Percentage of Insured Deposits (B/A)	Amount	Ratio of Deposit Insurance Fund to Insured Deposits
1971	811,947	722,530	89.0	30	0.004
1972	1,028,333	908,635	88.4	80	0.009
1973	1,163,127	1,041,867	89.6	143	0.014
1974	1,298,390	1,166,315	89.8	218	0.019
1975	1,506,295	1,361,978	90.4	307	0.023
1976	1,694,104	1,536,362	90.7	414	0.027
1977	1,898,729	1,720,021	90.6	536	0.031
1978	2,134,168	1,929,421	90.4	675	0.035
1979	2,355,713	2,098,222	89.1	835	0.040
1980	2,551,411	2,271,848	89.0	1,018	0.045
1981	2,853,013	2,513,458	88.1	1,220	0.049
1982	3,051,152	2,703,014	88.6	1,501	0.056
1983	3,314,905	2,904,025	87.6	1,815	0.062
1984	3,623,851	3,159,278	87.2	2,161	0.068
1885	4,077,602	3,391,086	83.2	2,545	0.075
1986	4,538,455	3,667,093	80.8	3,096	0.084
1987	5,159,521	4,047,485	78.4	3,715	0.092
1988	5,946,267	4,463,968	75.1	4,394	0.098
1989	6,852,420	5,015,977	73.2	5,136	0.102
1990	7,034,589	5,266,860	74.9	6,013	0.114
1991	6,949,005	5,262,427	75.7	6,963	0.132
1992	6,950,136	5,316,070	76.5	7,706	0.145
1993	7,049,752	5,414,448	76.8	8,205	0.152
1994	7,103,498	5,557,112	78.2	8,760	0.158
1995	7,176,043	5,506,005	76.7	3,865	0.070
1996	7,134,798	5,512,708	77.3	△ 3,951	-
1997	7,057,720	5,563,935	78.8	△ 940	-
1998	7,032,599	5,727,299	81.4	△ 11,876	-
1999	6,983,820	5,757,174	82.4	△ 18,967	-
2000	7,288,638	6,115,127	83.9	△ 31,455	-
2001	7,185,434	6,093,748	84.8	△ 37,982	-
2002	7,085,972	6,225,563	87.9	△ 40,065	-
2003	7,098,112	6,272,579	88.4	△ 34,938	-
2004	7,201,452	6,345,046	88.1	△ 29,770	-
2005	7,248,347	6,435,077	88.8	△ 24,549	-
2006	7,247,689	6,469,378	89.3	△ 19,326	-
2007	8,057,582	7,239,476	89.8	△ 13,773	-

Notes:
1. Total deposits include installment savings, money in trust, foreign currency deposits, and negotiable certificates of deposit.
2. Insured deposits exclude deposits, etc., under Article 3 and Article 3-2 of the Deposit Insurance Law Enforcement Regulations (in FY2003, the specific settlement debts based on Article 69-2 of the Deposit Insurance Law are added to this amount).
3. Concerning the balance of deposits of insured financial institutions, the amount stated in the insurance premium statements which were submitted at the time of the first payment is stated. The balance of deposits, based on which the insurance premium is calculated, has been shifted from an end-of-term basis to the average-balance basis since FY2001.
4. Amounts for the Deposit Insurance Fund for FY1996 show the total amount for the general account, the special account for general financial institutions, and the special account for credit cooperatives.
5. Amounts for the Deposit Insurance Fund for FY1997 to FY2002 are the total for the general account and the special operations account.

Table 3. Insured Deposits by Sector of Financial Institutions

(Unit: ¥ billion)

Fiscal Year (ending on March 31)	Banks						Shinkin Banks	Credit Cooperatives	Labor Banks	Federations	Total	End of Fiscal Year
	City Banks	Regional Banks	Regional Banks II[1]	Trust Banks	Long-Term Credit Banks[2]	Sub-Total						
1971	291,887	155,820	72,288	75,116	12,637	607,750	91,606	23,172	-	-	722,530	1971
1972	361,652	197,881	92,459	94,890	17,161	764,045	116,029	28,560	-	-	908,635	1972
1973	390,376	234,971	112,806	107,608	19,287	865,050	141,955	34,861	-	-	1,041,867	1973
1974	422,095	265,368	130,193	123,123	20,553	961,334	163,468	41,512	-	-	1,166,315	1974
1975	492,275	309,839	150,886	144,659	24,935	1,122,596	190,080	49,301	-	-	1,361,978	1975
1976	549,675	349,357	168,818	168,873	27,538	1,264,263	216,394	55,704	-	-	1,536,362	1976
1977	616,978	392,214	189,451	191,583	28,495	1,418,723	239,440	61,857	-	-	1,720,021	1977
1978	680,346	447,170	216,149	216,163	29,437	1,589,268	270,837	69,315	-	-	1,929,421	1978
1979	716,846	495,561	238,518	235,449	30,907	1,717,282	303,716	77,223	-	-	2,098,222	1979
1980	775,501	534,743	257,619	254,979	32,884	1,855,727	331,628	84,492	-	-	2,271,848	1980
1981	858,768	594,977	284,712	280,850	35,043	2,054,352	366,036	93,070	-	-	2,513,458	1981
1982	909,629	640,991	305,732	314,175	36,305	2,206,833	394,910	101,270	-	-	2,703,014	1982
1983	980,934	683,330	324,447	347,616	38,164	2,374,493	420,747	108,784	-	-	2,904,025	1983
1984	1,075,850	762,326	331,951	375,228	41,284	2,586,642	456,069	116,566	-	-	3,159,278	1984
1985	1,170,486	799,476	344,605	379,637	41,196	2,735,402	484,121	123,722	47,840	-	3,391,086	1985
1986	1,288,293	866,218	370,452	398,136	41,726	2,964,827	519,093	131,878	51,294	-	3,667,093	1986
1987	1,459,750	959,959	400,190	413,042	46,898	3,279,841	567,384	145,514	54,745	-	4,047,485	1987
1988	1,589,598	1,072,074	441,791	460,638	51,540	3,615,641	625,745	163,494	59,085	-	4,463,966	1988
1989	1,802,093	1,201,684	479,043	503,841	63,691	4,050,355	709,725	191,724	64,171	-	5,015,977	1989
1990	1,848,995	1,252,643	507,226	551,850	56,579	4,217,296	767,348	213,072	69,142	-	5,266,860	1990
1991	1,751,883	1,291,490	516,815	571,262	43,776	4,175,226	798,761	214,737	73,702	-	5,262,427	1991
1992	1,691,690	1,332,504	527,077	593,789	44,691	4,189,754	829,330	218,542	78,443	-	5,316,070	1992
1993	1,696,570	1,370,506	538,795	598,415	43,472	4,247,760	857,354	225,885	83,448	-	5,414,448	1993
1994	1,724,138	1,426,305	557,946	586,288	45,403	4,340,712	896,321	231,583	88,494	-	5,557,112	1994
1995	1,707,172	1,446,151	558,640	528,250	45,475	4,286,763	912,241	215,127	91,873	-	5,506,005	1995
1996	1,687,664	1,471,323	558,179	519,235	45,667	4,282,069	925,522	209,762	95,353	-	5,512,708	1996
1997	1,722,444	1,506,152	555,491	494,825	45,878	4,324,884	937,257	200,987	100,805	-	5,563,935	1997
1998	1,785,083	1,547,720	589,905	494,454	50,901	4,468,119	961,186	192,674	105,319	-	5,727,299	1998
1999	1,814,901	1,604,219	539,327	484,961	45,825	4,489,267	973,718	184,403	109,784	-	5,757,174	1999
2000	1,931,006	1,743,598	559,177	487,942	70,167	4,792,292	1,022,015	178,539	117,096	5,185	6,115,127	2000
2001	2,001,671	1,735,006	553,258	459,941	29,935	4,780,983	1,017,477	165,993	123,038	6,256	6,093,748	2001
2002	2,162,437	1,765,101	527,085	435,878	39,084	4,932,565	1,009,185	145,628	130,887	7,295	6,225,563	2002
2003	2,201,857	1,734,728	538,755	420,536	43,185	4,944,609	1,034,420	150,156	135,272	8,119	6,272,579	2003
2004	2,242,335	1,771,588	521,797	401,455	-	4,989,792	1,053,286	153,993	138,994	8,979	6,345,046	2004
2005	2,291,286	1,790,966	528,290	386,106	-	5,059,495	1,070,992	157,690	141,518	5,381	6,435,077	2005
2006	2,277,469	1,814,096	530,474	374,363	-	5,072,509	1,087,533	158,798	144,552	5,984	6,469,378	2006
2007	2,279,329	1,854,276	540,595	369,352	-	5,803,991	1,115,138	161,707	148,600	10,039	7,239,476	2007

Notes: 1. Regional Banks II are Member Banks of the Second Association of Regional Banks. Up to FY1991, inclusive of Sogo Banks (mutual financing banks). Up to FY1987, figures are for Sogo Banks only.
2. From FY2000, the Shinkin Central Bank and others were added.
3. Long Term Credit Banks are included to Banks total from FY2004.
4. Payment should be made in the year following the year of calculation.

Table 4. Number of Insured Financial Institutions

Fiscal year (ending on March 31)	Banks						Shinkin Banks	Credit Coopera-tives	Labor Banks	Federa-tions	Total[2]
	City Banks	Regional Banks	Regional Banks II[1]	Trust Banks	Long-Term Credit Banks	Sub-total					
1971	14	61	71	7	3	156	483	524			1,163
1972	14	63	72	7	3	159	484	508			1,151
1973	13	63	72	7	3	158	484	498			1,140
1974	13	63	72	7	3	158	476	492			1,126
1975	13	63	72	7	3	158	471	489			1,118
1976	13	63	71	7	3	157	469	488			1,114
1977	13	63	71	7	3	157	468	490			1,115
1978	13	63	71	7	3	157	466	486			1,109
1979	13	63	71	7	3	157	462	484			1,103
1980	13	63	71	7	3	157	461	476			1,094
1981	13	63	71	7	3	157	456	474			1,087
1982	13	63	71	7	3	157	456	469			1,082
1983	13	63	71	7	3	157	456	469			1,082
1984	13	64	69	7	3	156	456	462			1,074
1985	13	64	69	11	3	160	456	449			1,065
1986	13	64	68	16	3	164	455	447	47		1,113
1987	13	64	68	16	3	164	455	440	47		1,106
1988	13	64	68	16	3	164	455	419	47		1,085
1989	13	64	68	16	3	164	454	415	47		1,080
1990	12	64	68	16	3	163	451	408	47		1,069
1991	11	64	68	16	3	162	440	398	47		1,047
1992	11	64	66	16	3	160	435	394	47		1,036
1993	11	64	65	21	3	164	428	384	47		1,023
1994	11	64	65	23	3	167	421	374	47		1,009
1995	11	64	65	30	3	174	416	370	47		1,007
1996	10	64	65	33	3	176	410	364	47		997
1997	10	64	64	33	3	176	401	352	47		976
1998	9	64	61	34	3	173	396	323	41		933
1999	9	64	60	33	3	171	386	292	41		890
2000	9	64	57	31	3	167	372	281	40	3	863
2001	7	64	56	29	3	164	349	247	21	3	784
2002	7	64	53	27	2	158	326	191	21	3	699
2003	7	64	50	27	2	155	306	181	13	3	658
2004	7	64	48	27	1	154	298	175	13	3	643
2005	6	64	47	24	1	148	292	172	13	3	628
2006	6	64	46	23	0	147	287	168	13	3	618
2007	6	64	45	22	0	149	281	164	13	3	610

Note: 1. Regional Banks II are Member Banks of the Second Association of Regional Banks. Up to FY1991, inclusive of Sogo Banks (mutual financing banks). Up to FY1987, figures are for Sogo Banks only.
2. Financial institutions ordered to be placed under the management of the Financial Administrators are included.

7. Other

(1) International Relations

(i) International Association of Deposit Insurers (IADI) List of Participants

1) Member Organizations (Deposit insurers: 51 organizations from 50 countries/regions) (As at March 31, 2008)

Asia	(1)	Japan: Deposit Insurance Corporation of Japan
	(2)	Indonesia: Indonesia Deposit Insurance Corporation
	(3)	Bangladesh: Bangladesh Bank
	(4)	Taiwan: Central Deposit Insurance Corporation
	(5)	India: Deposit Insurance and Credit Guarantee Corporation
	(6)	Vietnam: Deposit Insurance of Vietnam
	(7)	Hong Kong: Hong Kong Deposit Protection Board
	(8)	Kazakhstan: Kazakhstan Deposit Insurance Fund
	(9)	Korea: Korea Deposit Insurance Corporation
	(10)	Malaysia: Malaysia Deposit Insurance Corporation
	(11)	Philippines: Philippine Deposit Insurance Corporation
	(12)	Singapore: Singapore Deposit Insurance Corporation
North America	(13)	Canada: Autorité des marchés financiers (Québec)
	(14)	Canada: Canada Deposit Insurance Corporation
	(15)	United States: Federal Deposit Insurance Corporation
Central and South America	(16)	Trinidad and Tobago: Deposit Insurance Corporation
	(17)	Bahamas: Deposit Insurance Corporation, Central Bank of The Bahamas
	(18)	Venezuela: Fondo de Garantia de Depósitos y Proteccion Bancaria
	(19)	Colombia: Fondo de Garantías de Instituciones Financieras
	(20)	Peru: Fondo de Seguro de Depositos
	(21)	Brazil: Fundo Garantidor de Créditos
	(22)	El Salvador: Instituto de Garantiá de Depósitos
	(23)	Mexico: Instituto para la Protección al Ahorro Bancario
	(24)	Jamaica: Jamaica Deposit Insurance Corporation
	(25)	Nicaragua: Fondo de Garantía de Depositós de las Instituciones Financieras
	(26)	Argentina: Seguro de Depósitos Sociedad Anónima
	(27)	Ecuador: Agencia De Garantia De Depositos, A.G.D.
	(28)	Uruguay: Banco Central del Uruguay, Superintendencia de Protección del Ahorro Bancario
	(29)	Guatemala: Banco de Guatemala, como Administrador del Fondo para la Protección del Ahorro
	(30)	Barbados: Barbados Deposit Insurance Corporation
Europe, Central and Eastern Europe	(31)	Albania: Albanian Deposit Insurance Agency
	(32)	Bulgaria: Bulgarian Deposit Insurance Fund
	(33)	Romania: Deposit Guarantee Fund in the Banking System
	(34)	Russia: Deposit Insurance Agency (Russia)
	(35)	Bosnia and Herzegovina: Deposit Insurance Agency of Bosnia and Herzegovina
	(36)	Czech: Deposit Insurance Fund Czech Republic
	(37)	France: Fonds de Garantie des Dépôts
	(38)	Hungary: National Deposit Insurance Fund of Hungary
	(39)	Sweden: Swedish Deposit Guarantee Board
	(40)	Ukraine: Deposit Guarantee Fund
	(41)	Poland: Bank Guarantee Fund
	(42)	United Kingdom: Financial Services Compensation Scheme
Middle East and Africa	(43)	Morocco: Bank Al-Maghrib, Fonds Collectif de Garantie des Dépots
	(44)	Sudan: Bank Deposit Security Fund of Sudan
	(45)	Tanzania: Deposit Insurance Board of Tanzania
	(46)	Zimbabwe: Deposit Protection Board
	(47)	Kenya: Deposit Protection Fund Board
	(48)	Lebanon: Institut National de Garantie des Depots
	(49)	Jordan: Jordan Deposit Insurance Corporation
	(50)	Nigeria: Nigeria Deposit Insurance Corporation
	(51)	Turkey: Savings Deposit Insurance Fund of Turkey

2) Associates (Entities that are considering the establishment of a deposit insurance system or other entities that are part of a financial safety net: 6 entities from 6 countries)

Asia	(1) Philippines: Bangko Sentral ng Pilipinas
	(2) Mongolia: Bank of Mongolia
	(3) Thailand: Bank of Thailand
	(4) Singapore: Monetary Authority of Singapore
Europe and Africa	(5) Algeria: Bank of Algeria
	(6) South Africa: The National Treasury

3) Observers (Interested parties such as professional firms: 6 entities from 5 countries/region)

Asia	(1) Hong Kong: Excel Technology International HK Limited
North America	(2) United States: BearingPoint LLC
	(3) Canada: Deloitte & Touche LLP
	(4) Canada: Goodmans LLP
	(5) United Kingdom: KPMG LLP
Europe	(6) France: Sociéte Générale

4) Partners (International organizations, etc.: 10 organizations)

(1) Asian Development Bank
(2) European Bank for Reconstruction and Development
(3) European Forum of Deposit Insurers
(4) International Monetary Fund
(5) The SEACEN Centre
(6) The Toronto International Leadership Centre for Financial Sector Supervision
(7) Association of Supervisors of Banks of the Americas (ASBA)
(8) Centro de Estudios Monetarios Latinoamericanos (CEMLA)
(9) Inter-American Development Bank, IDB
(10) Union of Arab Banks

Number of IADI participants

Category	Number of Countries/Regions	Number of Entities
Member	50	51
Associate	6	6
Observer	5	6
Partner	-	10
Total	55	73

Note: Some of the 55 members overlap, resulting in a mismatch in the total.

(Reference: Standing and Regional Committees)

● Standing Committees
- Governance Committee
- Training and Conference Committee
- Research and Guidance Committee
- Membership and Communications Committee
- Finance and Planning Committee
- Audit Committee
- Legal Affairs Committee

● Regional Committees
- Asia Regional Committee
- Africa Regional Committee
- Caribbean Regional Committee
- Middle East and North Africa Committee
- Eurasia Regional Committee
- Europe Regional Committee
- Latin America Regional Committee

(ii) DICJ 3rd Round Table – Program and Participants

1. Program

	February 27, 2008 (Wednesday)	February 28, 2008 (Thursday)
Morning	**Session 1** "Comparative study of asset management companies' mandate, organizational structure and strategy"	**Session 2** "Cross-border issues from Asian perspective"
Morning	(1) Keynote presentation Mr. Nobusuke Tamaki, Executive Director, Treasury Dept. "On strategies for the disposition of assets under a country-specific environment"	(1) Keynote presentation Mr. Hiroshi Akama, Director, Office for Research and Intelligence "Resolution of Cross-Border Banks from an East Asian Perspective" Tetsuro Morishita, Professor of Sophia University Law Graduate School "Cross-Border Issues in Bank Insolvencies"
Morning	(2) Experiences in member countries ① Donald E. Inscoe Deputy Director, Division of Insurance and Research, Federal Deposit Insurance Corporation, U.S.A. "Management of Failed Bank Assets: The U.S. Experience" ② Carlos Isoard Member of the Board of Governors, Instituto para la Protección al Ahorro Bancario, Mexico "Assets Management and Sales: IPAB's Experience"	(2) Experiences in member countries ① Donald E. Inscoe Deputy Director, Division of Insurance and Research, Federal Deposit Insurance Corporation, U.S.A. "Cross-Border Issues for the FDIC" ② Peter Smith Head of Department, Banking and Compensation Reform, Financial Service Authority, U.K. "Financial stability and depositor protection: strengthening the UK framework"
Afternoon	(3) Comment from member countries ① S. Venkata Raman Assistant General Director, Deposit Insurance & Credit Guarantee Corporation, India ② Bong-Hwan Kim Team Leader of Planning and Coordination Dept., Korean Deposit Insurance Corporation ③ Jean Pierre Sabourin Chief Executive Officer, Malaysia Deposit Insurance Corporation ④ Jose C. Nograles Acting President, Philippine Deposit Insurance Corporation ⑤ Marina Zinovina Deputy General Director, Deposit Insurance Agency, Russia ⑥ Nat Tapasanan Director, Asset Management Office, Bank of Thailand	(3) Comment from member countries and regions ① Clarence Hui Manager, Hong Kong Deposit Protection Board ② Ooi Sin Teik CEO, Singapore Deposit Insurance Corporation Yang Len Lead Policy Analyst, Monetary Authority of Singapore ③ Grace M. C. Lee Director, Legal Affairs Office, Central Deposit Insurance Corporation, Taiwan ④ Nguyen Linh Nam Director, Research and Cooperation Development Dept., Deposit Insurance of Vietnam
Afternoon	(4) Discussion and Wrap-up	(4) Discussion and Wrap-up

2. Organizations Participating from Abroad (17 countries/regions, 19 organizations)

Speakers:	Mexico	Instituto para la Protección al Ahorro Bancario
	U.K.	Financial Services Authority
	U.S.A.	Federal Deposit Insurance Corporation
Commentators:	Hong Kong	Hong Kong Deposit Protection Board
	India	Deposit Insurance & Credit Guarantee Corporation
	India	Reserve Bank of India
	Korea	Korea Deposit Insurance Corporation
	Malaysia	Malaysia Deposit Insurance Corporation
	Philippines	Philippine Deposit Insurance Corporation
	Russia	Deposit Insurance Agency
	Singapore	Monetary Authority of Singapore
	Singapore	Singapore Deposit Insurance Corporation
	Taiwan	Central Deposit Insurance Corporation
	Vietnam	Deposit Insurance of Vietnam
	Thailand	Bank of Thailand
Observers:	Bangladesh	Bangladesh Bank
	People’s Republic of China	People's Bank of China
	Indonesia	Indonesia Deposit Insurance Corporation
	Laos	Bank of the Lao PDR

(iii) Visits Paid and Received in Relation to International Operations

1) Technical Assistance

a. Sending expert officials abroad

Date	Purpose	Location
October 15, 17, 19, 2007	Holding of "Deposit Insurance Seminar" for the Deposit Insurance of Vietnam, the Bank of the Lao PDR and the Bank of Thailand	Vietnam (Hanoi), Laos (Vientiane), Thailand (Bangkok)
December 12 -13, 2007	Holding of "Deposit Insurance Seminar" for the Indonesia Deposit Insurance Corporation	Indonesia (Jakarta)
March 3 - 7, 2008	Holding of the deposit insurance seminar as part of the cooperative investigation project in the area of the finance of Vietnam by the Japan International Cooperation Agency.	Vietnam (Hanoi)

b. Acceptance of trainees from overseas

Date	Visitors	Organizer / Course
October 17, 2007	Officers of the Central Deposit Insurance Corporation, Taiwan	"Invitation Project for Middle-Management" hosted by Interchange Association Japan
January 18, 2008	Officers of the governments and central banks in southeast Asian countries	"The 4th Seminar on Financial System" hosted by the Japan International Cooperation Agency
February 26, 2008	Officers of the governments and central banks in Asian countries	"The 3rd Seminar on Deposit Insurance" hosted by the FSA
March 11, 2008	Officers of the governments and central banks in NIS countries	"Necessary policy measures and reform strategies for financial system stability in NIS Countries" hosted by the Japan International Cooperation Agency

2) International Exchanges

a. International Association of Deposit Insurers (IADI)

Date	Purpose	Location
May 2-5, 2007	Attendance at the Executive Council meeting, Research and Guidance Committee and others Participation in the ceremony of the 5th anniversary of the foundation of IAID	Switzerland (Basel)
June 26-27, 2007	Dispatch of instructors to the joint seminar hosted by the Middle-East, North Africa, Europe and Eurasia Regional Committees	Turkey (Istanbul)
July 23-26, 2007	Dispatch of experts to the training session hosted jointly by IADI and the Federal Deposit Insurance Corporation	U.S.A. (Washington, DC)
September 18-21, 2007	Attendance at the Executive Council meeting, Research and Guidance Committee and others	Switzerland (Basel)
October 29- November 3, 2007	Attendance at the 6th annual general meeting, the Executive Council meeting and others	Malaysia (Kuala Lumpur)
February 13-15, 2008	Attendance at the Executive Council meeting, Research and Guidance Committee and others	Switzerland (Basel)
March 27-28, 2008	Attendance at the 6th Asia Regional Committee annual meeting, Research and Guidance Committee and others	Indonesia (Bali)

b. Visits to Related Overseas Organizations

Date	Purpose	Location
January 30-June 29, 2007	Dispatch of staff for the acquisition of practical skills in dealing with bank failure at the Federal Deposit Insurance Corporation	U.S.A. (Washington, DC)
June 19-21, 2007	Investigation of the deposit insurance system (Canada)	Canada (Ottawa, Toronto)
October 11-12, 2007	Discussion with Philippine Deposit Insurance Corporation and Hong Kong Deposit Protection Board	Philippines (Manila), Hong Kong
November 2, 2007	Investigation of the deposit insurance system (Singapore)	Singapore
February 4-8, 2008	Investigation of the deposit insurance system (United States, Canada)	U.S.A. (Washington, DC), Canada (Ottawa)
February 11, 2008	Discussion with the National Deposit Insurance Fund of Hungary	Hungary (Budapest)

c. Reception of Investigative Groups

Date	Visitors
April 24, 2007	Deputy Director, Division of Insurance and Research, Federal Deposit Insurance Corporation, U.S.A.
August 15, 2007	Chief Executive Officer, Indonesia Deposit Insurance Corporation
November 14, 2007	Governor, Federal Deposit Insurance Corporation, U.S.A.
November 26, 2007	Research team of law firms entrusted by the Central Deposit Insurance Corporation, Taiwan
November 29, 2007	Deputy General Manager of Macro-economic Research Department, Development Research Center of the State Council, People’s Republic of China
December 17, 2007	Chairman, Deposit Insurance Corporation, Taiwan
December 19, 2007	Delegation, Deposit Insurance Vietnam

(iv) Deposit Insurance Schemes of Key Countries

	Japan	USA	Canada	United Kingdom
Deposit Insurance Institution	Deposit Insurance Corporation of Japan (DICJ)	Federal Deposit Insurance Corporation (FDIC)	Canada Deposit Insurance Corporation (CDIC)	Financial Services Compensation Scheme (FSCS)
Year of Foundation	1971	1933	1967	1982
Character	Public institution	Public institution	Public institution	Public institution
Number of Staff	363	4,532	79	211
Insured Financial Institutions	[Compulsory membership] The following financial institutions, where their head office is in Japan: 1) Banks as defined in the Banking Law 2) Long-term credit banks as defined in the Long-Term Credit Bank Law 3) Shinkin banks 4) Credit cooperatives 5) Labor banks 6) Shinkin Central Bank 7) The Shinkumi Federation Banks 8) The Rokinren Bank	[Compulsory membership] 1) Commercial banks 2) Thrift institutions	[Compulsory membership] 1) Domestic banks 2) Domestic trust and loan companies 3) Subsidiaries of foreign institutions	[Compulsory membership] 1) U.K. incorporated banks licensed to take deposits 2) non-European Economic Area (EEA) incorporated banks that are authorized to take deposits through U.K. offices 3) Branches of U.K. incorporated banks in the EEA 4) Building societies 5) Credit unions 6) Securities companies 7) Insurance companies 8) Finance advisory firms 9) Insurance brokers 10) Mortgage brokers
Insured Deposits	[Insured deposits] 1) Deposits 2) Installment savings 3) Installment contributions 4) Money in trusts with guarantee of principal (including loan trusts) 5) Bank debentures (custody products) 6) Accumulating or asset-forming products based on deposits, etc., in 1) to 5) above 7) Deposits related to investments in fixed-contribution pension reserves, etc. [Uninsured deposits] 1) Foreign currency deposits 2) Negotiable certificates of deposit (NCD) 3) Deposits in special international financial transaction accounts (Japan off-shore market accounts) 4) Deposits from the Bank of Japan (excludes treasury funds) 5) Deposits from insured financial institutions (excludes those related to the investment of fixed contribution pension reserves) 6) Deposits from the DICJ 7) Anonymous bank accounts 8) Deposits under another party's name (including those under fictitious names) 9) Deposits to be re-lent to a third party 10) Money in trusts with no guarantee of principal 11) Bank debentures (other than custody products)	[Insured deposits] 1) Current accounts (including money market deposit accounts) 2) Ordinary accounts 3) Time deposits [Uninsured deposits] 1) Mutual funds 2) Pension insurance 3) Shares, bonds, Treasury securities and other investment vehicles	[Insured deposits] Following deposits in Canadian dollars at a CDIC member institution: 1) Savings accounts and chequing accounts 2) GICs and other term deposits that mature in 5 years or less 3) Money orders, certified cheques, travellers' cheques and bank drafts 4) Accounts that hold realty taxes on mortgaged properties [Uninsured deposits] 1) Mutual fund and stocks 2) GICs and other term deposits that mature in more than 5 years 3) Bonds 4) Treasury bills 5) Accounts or products in US dollars or other foreign currency 6) Accounts and products held in non-CDIC members	[Insured deposits] 1) Deposits 2) Insurance policies 3) Insurance broking 4) Investment business 5) Mortgage advice and arranging

	Japan	USA	Canada	United Kingdom
Scope of Deposit Protection	Combined capital of up to ¥10 million and the interest on that. Deposits for payment and settlement purposes are fully covered (permanent measures)	US$100,000 (approx. ¥10 million, interest included)	C$100,000 (approx. ¥10 million, interest included)	Deposits: £35,000 (approx. ¥7 million), Investments: £48,000 (approx. ¥9.6 million); 100% of the first £30,000 (approx. ¥6 million) and 90% of the next £20,000 (approx. ¥4 million), Mortgage advice and arranging: £ 48,000 (approx. ¥9.6 million); 100% of the first £30,000 (approx. ¥6 million) and 90% of the next £20,000 (approx. ¥4 million), Long-term insurance: unlimited; 100% of the first £ 2,000 (approx. ¥400,000), General insurance: unlimited; compulsory insurance – 100% of the claim, non-compulsory insurance – 100% of the first £2,000 (approx ¥4 million) plus 90% of the remainder of the claim, General insurance advice and arranging: unlimited; compulsory insurance – full, non-compulsory insurance – 100% of the first £2,000 (approx ¥400,000) plus 90% of the remainder of the claim
Premium Rate	Fixed premium rate (From April 2008) 0.108% (deposits for payment and settlement purposes) 0.081% (general deposits)	Risk based premium 0.05-0.43%	Risk based premium 0.01-0.11%	Levy limits in one fiscal year: Deposits: no more than 0.3% of protected deposits, Insurance business: no more than 0.8% of the participant firm's relevant annual net premium income, Designated investment business: no more than £400 million (approx. ¥80 billion), Mortgage firms: no more than 0.8% of a firm's annual eligible income, General insurance intermediaries: no more than 0.8% of annual eligible income (Ex-post funding method)
Others		There is a separate protection system for joint accounts, trust accounts, and personal retirement savings (up to US$250,000).	There is a separate protection system for joint deposits, trust deposits, deposits held in a Registered Retirement Saving Plan, deposits held in a Registered Retirement Income Fund, and accounts that hold Realty Taxes on Mortgage Properties.	Coinsurance system

Notes: 1. Foreign exchange rates given are the median rate of March 2008.

2. Sources: USA (2007 Annual Report, FDIC homepage (www.fidic.gov.)), Canada (2007 Annual Report, CDIC homepage (www.cdic.ca)), United Kingdom (2006/2007 Annual Report, FSCS homepage (www.fscs.org.uk)), France (FGD homepage (www.garantiedesdepots.fr)), Germany (Association of German Banks homepage (www.german-banks.com)), Italy (2006 Annual Report, FITD homepage (www.fitd.it)), South Korea (2006 Annual Report, KDIC homepage (www.kdic.or.kr)), Taiwan (2006 Annual Report, CDIC homepage (www.cdic.gov.tw)), Masaru Honma (2002) "World Deposit Insurance and the Resolution of Bank Failures", Toyo Keizai Inc., David S. Hoelscher, Michael Taylor, and Ulrich H. Klueh (2006) "Design and Implementation of Deposit Insurance Systems" IMF, Deposit Insurance System of each country.

	France	Germany	Italy	South Korea	Taiwan
Deposit Insurance Institution	Fonds de Garantie des Depots (FGD)	The Association of German Banks (etc.)	Fundo Interbancario di Tutela dei Depositi (FITD)	Korea Deposit Insurance Corporation (KDIC)	Central Deposit Insurance Corporation (CDIC)
Year of Foundation	1980	1966	1987	1996	1985
Character	Private institution	Public/private joint management	Private institution	Public institution	Public institution
Number of Staff	5 (outsource where necessary)	Several full-time employees (supporting banking association)	11	622	158
Insured Financial Institutions	[Compulsory membership] Following institutions which are approved by the French Financial Services Authority: 1) Credit institutions which have their head office in France, the Overseas Departments or the Principality of Monaco 2) Branches of credit institutions which have their head office in a state outside the EEA	[Compulsory membership] All banks which are members of the Association of German Banks [Voluntary membership] Upon application, exemption from participation in the Fund may be granted to: 1) Banks affiliated to the compensation schemes provided for; and 2) Branches of foreign banks.	[Compulsory membership] All Italian banks except for mutual banks [Voluntary membership] 1) Branches of European Union banks operating in Italy, for purposes of supplementing the deposit protection provided by their home country schemes 2) Non-EU banks authorized to do business in Italy, save for cases in which they are members of an equivalent foreign deposit protection scheme.	[Compulsory membership] 1) Banks 2) Securities companies 3) Insurance companies 4) Merchant banks 5) Mutual savings banks (MSB) and Korean Federation of Savings Banks (KFSB)	[Compulsory membership] 1) Domestic banks (including trust and investment companies and postal savings bank) 2) Credit cooperatives 3) Credit departments of farmers' and fishermen's associations 4) Foreign bank branches in Taiwan (foreign bank branches whose deposits are protected in their home countries may not participate) 5) Agricultural Bank of Taiwan
Insured Deposits	[Insured deposits] All deposits which financial institutions are obligated to repay [Uninsured deposits] 1) Deposits arising from transactions for which the depositor has had a criminal conviction in connection with a money laundering offence 2) Deposits for which the depositor, as an individual, has obtained rates and financial advantages, which have worsened the financial situation of the institution 3) Unregistered deposits other than amounts due on submission of payment by any method issued by the credit institution 4) Negotiable debt securities 5) Deposits known as other debt securities (e.g. debentures) issued by the credit institution and commitments arising from own acceptance and from promissory notes 6) Deposits in currencies other than those of states belonging to the EEA 7) Liabilities falling within the definition of own funds of the institution 8) Deposits of personally liable partners or limited partners holding at least 5% of the capital of the credit institution, Directors, members of the Management Board and the Supervisory Board, managers and auditors of the credit institution as well as any equivalent depositors in other companies of the group 9) Deposits from any third party acting on behalf of persons set out in paragraph 8) above 10) Deposits from mutual investment entities 11) Deposits from pension schemes and pension funds	[Insured deposits] All liabilities which are required to be shown in the balance sheet item "Liabilities to customers" [Uninsured deposits] Bearer bond, bearer certificates of deposits, liabilities of banks, liabilities arising from REPO transactions and redelivery obligations arising from securities lending business	[Insured deposits] Repayable funds in Euro and foreign currency in the form of deposits or in other forms, as well as bankers' drafts and equivalent instruments [Uninsured deposits] 1) Bearer deposits and other funds reimbursable to bearer 2) Bonds and credits deriving from acceptances, promissory notes and security transactions 3) The bank's equity capital, reserves and other capital elements calculated pursuant to the applicable laws in force 4) Deposits deriving from transactions regarding a conviction for the crimes 5) The deposits of government departments, regional, provincial, and municipal governments and other local public bodies 6) Deposits made by banks in their own name and for their own account, as well as the credits of banks 7) The deposits of the designated financial companies, insurance companies, collective investment undertakings, and other companies belonging to the same banking group 8) the deposits of members of the corporate organs and the top management of the bank or of the holding, even if such deposits are made through nominees 9) the deposits, including those made through nominees, of shareholders holding at least 5% of the member's equity capital 10) deposits in respect of which the depositor has obtained from the member bank, on a personal basis, rates or terms that have played a part in damaging the financial position of the bank, as determined by the commission of liquidators	[Insured deposits] 1) Banks: Demand deposits, time and saving deposits, accumulative deposits, principal-covered trusts and secondary bills 2) Securities companies: Cash balance of securities savings, consignor deposits, deposits for saving accounts, deposits for beneficiaries, cash balance of collateral for stock loans on margin account, deposits for opening a margin accounts, guarantee deposits in fiduciary loans 3) Insurance companies: Individual policies, severance benefits policies 4) Merchant banks: Notes payable, issued notes, CMAs 5) MSBs and KFSB: Ordinary deposits, savings deposits, time deposits, installment deposits, credit installments, cover bills [Uninsured deposits] 1) Banks: Foreign currency deposits, CDs, RPs, bonds issued by bank, performance based trust, indirect investment products, insurance related financial products 2) Securities companies: Securities, subscriber deposits, tax liability withholdings, collateral for loaned securities, RPs, bonds issued by stock companies, indirect investment products 3) Insurance companies: Corporate insurance policies, surety policies, reinsurance policies, variable benefit contracts 4) Merchant banks: Beneficiary certificates, RPs, bonds issued by merchant banks, CPs	[Insured deposits] 1) Checking accounts 2) Passbook deposits 3) Time deposits 4) Other deposits which the Financial Supervisory Commission has approved as insurable [Uninsured deposits] 1) Deposits in foreign currency 2) Negotiable certificates of deposit 3) Deposits from government agencies 4) Deposits from the Central Bank 5) Deposits from banks, postal savings bank, credit cooperatives, Agricultural Bank of Taiwan and credit departments of farmers' and fishermen's associations 6) Other deposits which the Financial Supervisory Commission has approved as non-insurable

	France	Germany	Italy	South Korea	Taiwan
Scope of Deposit Protection	€70,000 (approx. ¥11 million, interest included)	An amount equivalent to 30 % of the liable capital	€103,291.38 (approx. ¥16 million, interest included)	[Banks, securities companies, merchant banks, and mutual savings banks] Won 50 million (approx. ¥5 million, interest included) [Insurance company] Won 50 million (approx. ¥5 million) for the sum of cancellation refund received and other payments	Principal of NT$1.5 million (approx. ¥5 million)
Premium Rate	The payable premium is calculated on the basis of the insured financial institutions' risk.	Risk based premium Baseline rate is 0.03%, increased up to a maximum baseline rate of 2.5 times for banks assigned to lower rating categories.	0.4-0.8 % of insured deposits (If bank failure occurs, premium is collected by an ex-post funding method.)	Fixed premium rate Banks: 0.1%, securities companies: 0.2%, Insurance companies: 0.3%, merchant banks: 0.3%, mutual savings banks: 0.3% (Special premium) All business categories: levy 0.1% until 2027	Risk based premium rate For domestic banks, local branches of foreign banks and credit cooperatives: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07% of covered deposits. Insured deposits in excess of maximum coverage applied to the flat rate of 0.0025%. From January 1, 2010, the flat rate changes to 0.005%. For credit departments of farmers and fishermen's associations: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06% of covered deposits. Insured deposits in excess of maximum coverage applied to the flat rate of 0.0025%.
Others		Newly admitted banks are required to make a non-recurrent payment of 0.09% which shall amount not less than €12,500.	Mutual banks operate a similar system, the 'Mutual Bank Deposit Guarantee Funds'.	Since January 2004, credit cooperatives have been protected by the insurance fund set up by the Credit Cooperatives Association. Newly formed insured financial institutions are required to pay one-time contributions into the Deposit Insurance Fund. Based on the paid-in-capital or total share subscriptions of the institution, the applicable rates by financial sector are: Banks, securities companies and insurance companies – 1%; merchant banks and mutual savings banks – 5%.)	

(2) Economic/Financial Trends

	2007									2008		
	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Industrial Production Index (seasonally adjusted, as a % of previous month)	-0.4	1.1	0.1	0.1	2.5	-1.6	1.9	-1.5	0.6	-0.5	1.6	-3.4
Consumer Price Index (as a % of same month previous year)[1]	0.0	0.0	-0.1	-0.1	0.0	-0.1	0.0	0.1	0.3	0.4	0.4	0.6
Ratio of Unemployed in Labor Force (seasonally adjusted, %)	3.9	3.8	3.7	3.6	3.8	4.0	3.9	3.8	3.8	3.8	3.9	3.8
Number of Corporate Bankruptcies[2]	1,121	1,310	1,185	1,215	1,203	1,047	1,260	1,213	1,097	1,174	1,194	1,347
Long-term Interest Rate (Distribution rate of new 10-year government bonds) (%)[3]	1.615	1.745	1.865	1.790	1.600	1.675	1.600	1.460	1.500	1.440	1.355	1.275
Short-term Interest Rate (unsecured overnight call rate) (%)[3]	0.539	0.544	0.605	0.516	0.498	0.675	0.524	0.520	0.459	0.508	0.512	0.641
Nikkei Stock Average (Tokyo Stock Exchange Nikkei 225) (yen)[3, 4]	17,400	17,875	18,138	17,248	16,569	16,785	16,737	15,680	15,307	13,592	13,603	12,525
Exchange rate (dollar/yen)[3]	119.41	121.63	123.48	118.99	116.24	115.27	114.78	110.29	113.12	106.63	104.34	99.37
Real GDP (seasonally adjusted, as % of previous period)[5]		-0.6			0.3			0.6			0.8	

Data sources: Bank of Japan; Cabinet Office; Ministry of Economy, Trade and Industry; Ministry of Internal Affairs and Communications; Tokyo Shoko Research, Ltd; Japan Bond Trading Co., Ltd.; Nihon Keizai Shimbun (Nikkei)

Notes: 1. Japan nationwide, excluding fresh produce
2. Considering bankruptcies where debts total more than 10,000,000 yen
3. At month-end
4. Figures are rounded off.
5. Chained (2000) price

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For further information, comments or feedback on this publication,
please contact Office for International Affairs,
Deposit Insurance Corporation of Japan

Shin-Yurakucho Building, 9F
1-12-1 Yurakucho, Chiyoda-ku, Tokyo, 100-0006, Japan
TEL: +81-3-3212-6030, FAX: +81-3-3212-6085
E-mail: inter-info@dic.go.jp

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Printed in Japan
Not for Sale