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DEPOSIT INSURANCE CORPORATION OF JAPAN

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I. OUTLINE OF ORGANIZATION

1. Legal Status and Capitalization

Deposit Insurance Corporation of Japan (hereinafter referred to as “the DIC”) is a special juridical entity which was established on 1st July, 1971 under the provisions of the Deposit Insurance Law (hereinafter referred to as the Law) for the purpose of operating the Deposit Insurance System. The total capitalization of the DIC stands at ¥5,455 million, consisting of ¥455 million for the General Account subscribed by the government and the Bank of Japan with ¥150 million each and by private financial institutions with ¥155 million, and ¥5,000 million provided by the government for the *Jusen* Account. (Account for Disposal of Assets Liabilities of H.L.C.)

2. Policy Board

The Policy Board functions as the decision-making body of the DIC and consists of Board Members (maximum of eight) in addition to the Governor and Deputy Governors of the DIC. (A quorum for the Board comprises the Chairman of the Board, i.e. the Governor or his deputy in the case of his inability to attend a Board meeting, and a minimum of six Deputy Governors and Board Members). The Policy Board decides important matters concerning the management of the DIC, such as amendments of the Articles of Incorporation and Rules of Business Procedure, decisions regarding the payment of insurance claims and advance payments, decisions regarding the estimated proceeds payment rate in connection with the purchase of deposits and other claims, decisions regarding the extension of financial assistance, changes of the general premium rate, budget and settlement of accounts.

The Board Members are appointed by the Governor of the DIC with the approval of the Financial Reconstruction Commission (hereinafter referred to as “the FRC”) and the Minister of Finance from among persons with expertise in financial matters. At present, the Chairman of the Federation of Bankers’ Associations of Japan (Note) and other representatives of the financial community serve on the Policy Board. (Refer to Appendix 19 - Members of Policy Board and Officials, etc., Financial Crisis Management Committee.)

Note: The Federation of Bankers’ Associations of Japan was renamed Japanese Bankers’ Association on 20th April, 1999.

3. Responsibility Investigation Committee

The revision of the Law in February 1998 introduced a provision requiring the Governor of the DIC to adjust the system to efficiently conduct the work based on the treaty on the resolution and collection business, strengthening the legal demand for the pursuit of legal responsibilities more than ever. Following this particular revision, the Responsibility Investigation Committee, chaired by the Governor of the DIC and with four special advisors, i.e. Mr. Hisao Kamiya (former Prosecutor-General), Mr. Saburo Abe (former President of the Japan Federation of Bar Associations), Mr. Kozo Fujita (former Chief Justice of the Hiroshima High Court) and Mr. Koji Kunimatsu (former Commissioner-General of the National Police Agency), was established to identify the civil as well as criminal responsibilities of executives, debtors and others of failed or failing financial institutions, former *Jusen* companies (Specific Housing Loan Companies) and others in view of the proper implementation of criminal accusation, liability claims and other necessary measures. During fiscal 1998, 10 meetings of the Responsibility Investigation Committee were held and important issues related to the pursuit of responsibilities were deliberated.

4. Organizational Revisions

(1) Enhancement of Public Relations

The Public Relations Office was established in the General Affairs Department on 1st April, 1998 to appropriately deal with applications of collection of news data by the mass media to high-ranking officials of the DIC following an increase in number and in scale of failures of financial institutions. In addition, the Legal Division of the Deposit Insurance Department was transferred to the General Affairs Department and was renamed the Legal Office to handle enquiries from the general public, including depositors, regarding the deposit insurance system and other matters.

Furthermore, the DIC's homepage on the Internet was opened on 4th March, 1999 to speedily provide accurate information on the operation and businesses of the DIC for the general public, including depositors.

(2) Establishment of Financial Reconstruction Department, etc.

Following the enactment of the Law Concerning Emergency Measures for the Reconstruction of the Function of the Financial System (hereinafter referred to as "the Financial Function Reconstruction Law") and the Law Concerning Emergency Measures for the Early Strengthening of the Financial Function (hereinafter referred to as "the Early Strengthening Law"), the Financial Reconstruction Department and the Financial Reorganization Office of the Osaka Office of Deposit Insurance Department were newly established on 23rd October, 1998 to be responsible for the managerial work related to bridge banks and banks under special public management and for work related to execution of management by financial reorganization administrators.

Following the abolition of the Law Concerning Emergency Measures for Stabilization of Financial Function (hereinafter referred to as "the Financial Function Stabilization Law") on 23rd October, 1998, the Financial Crisis Management Committee and its Secretariat were also abolished.

(3) Expansion of Deposit Insurance Department

On 1st April, 1998, the Division of Planning and Research responsible for the planning and general coordination of the deposit insurance system and the Division of Planning III responsible for resolution for the failed Hokkaido Takushoku Bank were newly established at the Deposit Insurance Department together with the renaming of the Division of Depositors and Asset Services as the Division of Information Systems in response to the diversification of the businesses of the DIC due to revision of the deposit insurance system and the increase in number and scale of failures of financial institutions with a view to ensuring prompt resolution for such failures. On the same day, the Osaka Office of Deposit Insurance Department was newly created to deal with failures of financial institutions located in the Kansai region and further west (forming the Osaka Headquarters together with the Osaka Office of Special Investigation Department).

(4) Expansion of Special Investigation Department

Following the strengthening of the penal investigative powers (to verify the current state, to question and to demand the presentation of books, etc.) through the extended scope of their application from transferred claims to the Housing Loan Administration Corporation (hereinafter referred to as "the HLAC") in the past to transferred claims to the Resolution and Collection Bank (hereinafter referred to as "the RCB"), the Special Task Force for Investigation III was newly established in both Tokyo and Osaka on 1st April, 1998 to mainly deal with claims transferred to the RCB. At the same time, the Special Task Force for Investigation and Special Task Force for Recuperation were renamed the Special Task Force for Investigation I and the Special Task Force for Investigation

II, respectively. (These organizational revisions were mainly made to efficiently deal with claims transferred to the HLAC.)

5. Businesses of Each Department

(1) General Affairs Department

The General Affairs Department is responsible for general coordination of the clerical work of the DIC, work related to arrangements for Policy Board meetings, public relations, personnel affairs, recruitment, budget and settlement of accounts, in addition to work which is not within the scope of responsibility of other departments. The General Affairs Department has three divisions and two offices, i.e. Division of Personnel Management and Corporative Services, Division of Budget and Accounting I, Division of Budget and Accounting II, Public Relations Office and Legal Office (Note).

Note: On 1st April, 1999, the Division of Policy Planning and Coordination I of the Special Investigation Department was transferred to the General Affairs Department and was renamed the Division of Planning.

(2) Financial Reconstruction Department

The Financial Reconstruction Department is in charge of work related to financial reorganization administrators, work related to the establishment and management of bridge banks, work related to special public management and work related to the purchase of assets from and capital injection to financial institutions and others.

The Financial Reconstruction Department has four divisions, i.e. Division of Planning and Management, Division of Strengthening Operation, Division of Reconstruction Operation and Division of Financial Reorganization. At the Osaka Headquarters, the Financial Reorganization Office of Deposit Insurance Department is in charge of the relevant work.

(3) Deposit Insurance Department

The Deposit Insurance Department is in charge of such clerical work as the receipt of insurance premiums, payment of insurance money, financial assistance, purchase of deposits and other claims, and preparation of the table of depositors pursuant to the Law Concerning Exceptions to Reorganization and Bankruptcy Procedure for Financial Institutions and Others (hereinafter referred to as the Special Corporate Reorganization Law).

The Deposit Insurance Department has six divisions, i.e. Division of Planning and Research, Division of Planning I, Division of Planning II, Division of Planning III, Division of Funding (Note) and Division of Information Systems.

Note: On 1st April, 1999, the Division of Funding was split into the Division of Fund Planning and the Division of Fund Operating.

(4) Special Investigation Department

The Special Investigation Department is in charge of guidance and advice for the HLAC and the RCB, investigation of debtors and others regarding claims transferred to the HLAC and the RCB, collection commissioned by the HLAC and the RCB and the management, collection and disposal, etc. of purchased assets.

The Special Investigation Department consists of seven divisions (Note), i.e. Division of Policy Planning and Coordination I, Division of Policy Planning and Coordination II, Division of Investigation and Recuperation, Division of Special Task Force, Special Task Force for Investigation I, Special Task Force for Investigation II and Special Task Force for Investigation III. At the Osaka Headquarters, the Osaka Office of Special Investigation Department and the Policy Planning and Coordination Office of the Osaka Office of Deposit Insurance Department are in charge of the relevant work.

Note: On 1st April, 1999, the Division of Policy Planning and Coordination I was transferred to the General Affairs Department and the Division of Policy Planning and Coordination II was renamed the Division of Policy Planning and Coordination. At the same time, the Sapporo Branch Office of Special Investigation Department was newly established.

(5) Osaka Office of Deposit Insurance Department

The Osaka Office of Deposit Insurance Department is in charge of general affairs and accounting at the Osaka Headquarters, for the general coordination of clerical work at the Osaka Headquarters and also for such clerical work as the provision of guidance and advice on basic issues regarding the HLAC and the RCB and the management, collection and disposal of purchased assets, operation as a financial reorganization administrator and such clerical work as the payment of insurance money, financial assistance and the purchase of claims, including deposits, when the need to conduct such work arises mainly in the Kansai region and further west.

The Osaka Office of Deposit Insurance Department has three divisions and two offices, i.e. Division of Corporative Services, Division of Planning I, Division of Planning II, Policy Planning and Coordination Office and Financial Reorganization Office.

(6) Osaka Office of Special Investigation Department

The Osaka Office of Special Investigation Department is in charge of providing guidance and advice for the HLAC and the RCB, for the investigation of debtors regarding claims transferred to the HLAC and the RCB and for such clerical work as collection commissioned by the HLAC and the RCB and the management, collection and disposal of purchased assets when such work/investigation arises mainly in the Kansai region and further west (excluding that under the jurisdiction of the Policy Planning and Coordination Office of the Osaka Office of Deposit Insurance Department).

The Osaka Office of Special Investigation Department has four divisions (Note), i.e. Division of Investigation and Recuperation, Special Task Force for Investigation I, Special Task Force for Investigation II and Special Task Force for Investigation III.

Note: On 1st April, 1999, the Division of Special Task Force was newly established.

II. SUMMARY OF BUSINESS CONDITIONS IN FISCAL 1998

1. Overview

(1) Financial and Economic Trends in Fiscal 1998

The Japanese economy during the period of fiscal 1998 faced an extremely difficult situation epitomized by a large decline of end demands, such as personal consumption, equipment investment and investment in housing, due to sluggish spending by households and enterprises, in turn caused by the double blows of declining trust in the management of financial institutions and worsening employment conditions. In response, the government implemented a series of measures designed to stimulate the economy, such as the “Comprehensive Economic Measures” involving more than ¥16 trillion in April 1998 and the “Emergency Economic Measures” involving more than ¥17 trillion in November 1998, and, supported by the positive effects of these measures, the national economy began to show signs of hitting the bottom towards the end of fiscal 1998.

In the capital market, there were successive failures of many financial institutions, including such major banks carrying on a wide range of businesses in Japan and abroad as the Long-Term Credit Bank of Japan and the Nippon Credit Bank, as in the previous fiscal year suffering from falling stock prices and the declining trend of the long-term interest rate, pushing Japan’s financial system into an unstable situation. In order to restore and stabilize confidence in Japan’s financial system at home and abroad, the government expanded the scale of available public funds through the enactment of two laws related to financial reconstruction and made strenuous efforts to prevent a credit crunch by means of securing sufficient funds for government-affiliated financial institutions and expanding as well as strengthening various credit guarantee systems so that the demand for money by small and medium-sized companies could be appropriately met.

The enactment of the Financial Function Reconstruction Law as well as the Early Strengthening Law and other developments enabled great progress of the institutional arrangements to deal with the problems of failed and failing financial institutions and non-performing loans. The most important issues for financial institutions in the future will be the removal of non-performing loans from their balance sheets and the firm establishment of their credibility in the market in terms of managerial reconstruction, taking the present trends of the reorganization of the financial sector into consideration.

(2) Outline of Major Institutional Revisions

Major events in the DIC’s business environment in fiscal 1998 were the introduction of basic rules to deal with failed or failing financial institutions amidst the successive failures of financial institutions and the enactment of the Financial Function Reconstruction Law and the Early Strengthening Law, together with revisions of the Law and others in October 1998 for the purpose of reconstructing a sound financial system through the early disposal of the non-performing loans of and capital injection to financial institutions, etc. These measures have firmly established a framework whereby healthy financial institutions can become healthier while doomed financial institutions are provided with a mechanism for orderly withdrawal from the financial market.

The enforcement of new laws has added a wide range of new businesses to the DIC, namely 1) business related to financial reorganization administrators, 2) business related to the establishment and management of bridge banks, 3) business of acquiring shares and appointing directors for banks under special public management, 4) business related to the purchase of assets from financial institutions, 5) business related to enhancement of the capital base of financial institutions and 6) business related to the merger of the HLAC and the RCB (Japanese version of Resolution Trust Corporation (RTC)).

In order to effectively and efficiently conduct these businesses, the DIC has newly established the Financial Reconstruction Department and the Financial Reorganization Office at the Osaka Office of Deposit Insurance Department.

In addition, as fiscal measures for ensuring the smooth progress of these businesses, government guarantees of ¥18 trillion and ¥25 trillion have been set up for the new Financial Reconstruction Account and the Financial Function Early Strengthening Account (hereinafter referred to as the Early Strengthening Account), respectively, in addition to the already available public funding of ¥17 trillion for the Special Operations Account (granted government bonds of ¥7 trillion and government guarantees of ¥10 trillion).

In the meantime, the decision to commence special public management pursuant to the Financial Function Reconstruction Law was made on 23rd October, 1998 against the Long-Term Credit Bank of Japan, and on 13th December, 1998 against the Nippon Credit Bank, to mark the implementation of a new measure to deal with failed or failing financial institutions. Moreover, capital injection totaling some ¥7.5 trillion was made in March 1999 for 15 major banks pursuant to the Early Strengthening Law.

(3) Outline of Financial Assistance Activities Pursuant to Deposit Insurance Law

During fiscal 1998, financial assistance was provided for 30 cases (including 27 cases of special financial assistance in excess of the pay-off cost and one case of financial assistance for specified consolidation).

(4) Outline of Resolutions of Failed Financial Institutions Pursuant to Financial Function Reconstruction Law

The main businesses of the DIC based on the Financial Function Reconstruction Law are the business related to the management of failed financial institutions by financial reorganization administrators, the business related to the succession of operation of failed financial institutions (so-called public bridge banks scheme), the business related to the special public management of failed or failing banks and the business related to the purchase of assets from healthy financial institutions, etc. (see Appendix 12 - Illustration of Resolution Scheme for Failed Financial Institutions according to Financial Function Reconstruction Law)

In fiscal 1998, following the decision to commence the special public management of the Long-Term Credit Bank of Japan and the Nippon Credit Bank, the DIC conducted the business accompanying the acquisition of the shares of these two banks under special public management (informing their former shareholders of the DIC's acquisition and requesting the FRC to make a judgement on assets, etc.), the selection of directors nominated by the FRC and the lending of funds, etc. required for business by banks under special public management with the approval of the FRC (the Prime Minister prior to the establishment of the FRC; the same applies hereinafter).

The processes to deal with these two banks pursuant to the Financial Function Reconstruction Law and the actual lending results in fiscal 1998 are described on the next few pages.

1) **Public Management Processes Pursuant to Financial Function Reconstruction Law**

a) Long-Term Credit Bank of Japan

Date	Event
23rd October, 1998	The decision to commence special public management and to acquire shares (acquisition of shares by the DIC) is made by the Prime Minister.
28th October, 1998	Public announcement of the Prime Minister's decision to commence special public management and to acquire shares is made (the DIC acquires shares at the time of the announcement).
29th October, 1998	the DIC informs former shareholders and others of its acquisition of shares (announced in five national newspapers).
4th November, 1998	New directors and auditors are selected (seven directors and three auditors are selected based on their nomination by the FRC).
8th November, 1998	A request is made to the Prime Minister to make assessment on assets concerning whether or not they are appropriate for holding.
19th February, 1999	Assessment on assets is made by the FRC (suitable assets of some ¥19.4 trillion, unsuitable assets of some ¥5 trillion and already collected assets of some ¥0.2 trillion, totaling some ¥24.6 trillion).
30th March, 1999	Compensation for acquired shares is decided by the Stock Price Evaluation Commission (compensation: ¥0; net assets of some minus ¥2.65 trillion at the time of public announcement).
31st March, 1999	Public announcement of the decision of compensation for acquired shares is made by the FRC. The information on the method of payment of compensation for acquired shares is announced in the <i>Official Gazette</i> (that method is not given as compensation is nil).

b) Nippon Credit Bank.

Date	Event
13th December, 1998	The decision to commence special public management and to acquire shares (acquisition of shares by the DIC) is made by the Prime Minister.
17th December, 1998	Public announcement of the Prime Minister's decision to commence special public management and to acquire shares is made (the DIC acquires shares at the time of the announcement).
18th December, 1998	the DIC informs former shareholders and others of its acquisition of shares (announced in five national newspapers). A request is made to the FRC to make assessment on assets concerning whether or not they are appropriate for holding.
25th December, 1998	New directors and auditors are selected (six directors and three auditors are selected based on their nomination by the FRC).
24th May, 1999	Assessment on assets is made by the FRC (suitable assets of some ¥6.6 trillion, unsuitable assets of some ¥4 trillion and already collected assets of some ¥0.9 trillion, totaling some ¥11.4 trillion).
14th June, 1999	Compensation for acquired shares is decided by the Stock Price Evaluation Commission (compensation: ¥0; net assets of some minus ¥3.05 trillion at the time of public announcement).
15th June, 1999	Public announcement of the decision of compensation for acquired shares is made by the FRC. The information on the method of payment of compensation for acquired shares is announced in the <i>Official Gazette</i> (that method is not given as compensation is nil).

2) Lending of Funds to Banks under Special Public Management

In fiscal 1998, the DIC loaned ¥3.7 trillion (of which ¥1 trillion has been repaid) to the Long-Term Credit Bank of Japan and ¥0.5 trillion (of which ¥0.2 trillion has been repaid) to the Nippon Credit Bank, totaling ¥4.2 trillion (of which ¥1.2 trillion has been repaid).

Lending to Banks under Special Public Management

(Unit: ¥ billion)

Date	Long-Term Credit Bank of Japan (Under Special Public Management on 23rd October, 1998)		Nippon Credit Bank (Under Special Public Management on 13th December, 1998)	
	Loan	Repayment	Loan	Repayment
23rd October, 1998	3,000			
4th November, 1998	400			
30th November, 1998	300			
25th December, 1998			200	
29th December, 1998			300	
8th February, 1999		200		
15th March, 1999		300		
26th March, 1999		500		200
23rd April, 1999		500		300
6th May, 1999		2,200 (repayment on due date)		
6th May, 1999	2,200 (rollover of same amount)			

(5) Outline of Capital Injection pursuant to Early Strengthening Law

The DIC conducts the business of underwriting shares, etc. issued by financial institutions, etc. by commissioning the work to the treaty bank (the RCB or the Resolution and Collection Corporation following its merger with the HLAC on 1st April, 1999).

The main activities of the DIC relating to such business are commissioning of the underwriting, of shares, etc. to the treaty bank, lending of the necessary funds, including funds required by the treaty bank for the underwriting of shares, etc., for the smooth implementation of business, debt guarantee, compensation of losses resulting from the operation of the treaty bank, approval of the use of the right to vote and other rights of the treaty bank as a shareholder, approval of the disposal of shares, etc. by the treaty bank and others.

In fiscal 1998, the DIC concluded a treaty regarding the commissioning of such activities as the underwriting of shares, etc. and the disposal of acquired shares, etc. and acquired loan claims with the RCB on 5th November, 1998 following enforcement of the Early Strengthening Law (23rd October, 1998). On 4th March, 1999, the DIC received an application for the underwriting of shares, etc. totaling ¥7,459.25 billion from 15 banks, mainly major banks, jointly with the treaty bank and applied to the FRC to approve the said underwriting of shares, etc. on the same day. On 12th March, the FRC approved the underwriting of shares, etc. as applied for and following this approval the DIC loaned the necessary funds to conduct the underwriting of shares, etc. on 30th March to the treaty bank.

On the same day, the treaty bank conducted the underwriting of shares, etc. with a total value of ¥7,459.25 billion in accordance with the treaty (see Appendix 14 - “List of Capital Injection Operations Pursuant to Early Strengthening Law”).

(6) Assets Investigative Powers and Investigation Results

While the Special Investigation Department provides wide-ranging guidance and advice on the collection of claims to assist the collection of non-performing loans owned by the HLAC and the RCB, its Special Task Forces for Investigation have been actively trying to discover hidden assets using its assets investigative powers.

There are, in fact, three such groups of professional investigators at the Special Investigation Department both in Tokyo and Osaka. They are former members of diverse organizations, including the National Police Agency, Public Prosecutors Office (Ministry of Justice), Ministry of Health and Welfare, Ministry of Labor and Customs Houses, with those with a previous career at the National Tax Administration Agency and in financial circles playing a central role. Their assets investigative powers enable them to impose inspection under the penal regulation, and investigations are mainly centered on the investigation of financial institutions, on-site inspection of debtors and related sites and the questioning of debtors and related persons.

Detailed and in-depth investigations using the assets investigative powers have disclosed assets hidden by debtors, greatly assisting the business of collecting the non-performing loans of the HLAC and the RCB.

Actual cases of disclosed hidden assets so far include 1) the hiding of some ¥120 billion in deposits withdrawn from a financial institution immediately before its failure by means of using the names of dummy companies and constant changing of accounts, 2) the hiding of ¥1 billion in cash in a safe deposit box of a bank under the name of a related person after withdrawal of the said cash from a bank and 3) the hiding of ¥20 million in cash behind an object on the veranda of a house.

The assets investigations of the Special Task Forces for Investigation are much accredited for the collection of non-performing loans (Category IV), the collection of which is difficult.

Assets Investigation Results of Special Investigation Department in Fiscal 1998

	Number of Investigations	Number of On-the-Spot Inspections	Hidden Assets Disclosed
Cases Related to the HLAC	164	56	¥91.7 billion
Cases Related to the RCB	81	11	¥12.2 billion
Total	245	67	¥103.9 billion

Note: The aggregate amount of disclosed assets since the establishment of the Department (26th June, 1996) stands at ¥304.9 billion.

(7) Outline of Pursuit of Responsibilities

In regard to the pursuit of criminal responsibility, the DIC and its subsidiaries made 57 accusations (involving 103 defendants) in fiscal 1998, bringing the aggregate number of accusations since the establishment of the Department to 100 (involving 187 defendants) as of 25th March, 1999.

The most common types of accusations were obstruction of auction (30 cases), fraud (21 cases) and obstruction of seizure (19 cases). The breakdown of these cases by type of criminal offence reveals that many cases of obstruction of auction were deceptive plans, including false declarations to a court executor; many cases of fraud were so-called skimming whereby a mortgage was cancelled through the fraudulent declaration of a lower-than-actual sales price to a mortgagee at the time of the voluntary sale of a mortgaged object; and many cases of obstruction of seizure involved the hiding of rent and the deceptive transfer of real estate assets. One unique case involved a violation of the Bankruptcy Law whereby a debtor, whose bankruptcy declaration had been confirmed by the court, had in fact hidden assets.

The trend of recent criminal offences has been toward shrewd tricks, such as the hiding and deceptive transfer of assets, and actual crimes have become more crafty, ingenious and covert.

In regard to the pursuit of managerial responsibility for failed financial institutions, former executives of the former Sanpuku Credit Cooperative (May 1998) and the former Hokkaido Takushoku Bank (March 1999) were accused of breach of trust and aggravated breach of trust. In addition, a former branch manager of the former Hokkaido Takushoku Bank was accused of aggravated breach of trust in view of his responsibility, although he was not an executive (December 1998).

The pursuit of civil responsibility by the DIC and its subsidiaries in fiscal 1998 resulted in 16 cases of litigation for liability claims of ¥23.52 billion in total, mostly against executives of former *Jusen* companies and former executives of failed financial institutions mainly for breach of good manager's duty of due care or duty of loyalty in managing loans appropriately, bringing the aggregate number of litigations to 22 with a claimed total amount of ¥42.32 billion.

One unique case involved litigation by the HLAC for a liability claim initiated in June 1998 against Sumitomo Bank, Ltd. on the grounds that the latter caused financial damage to the former Chigin Seiho Jutaku Loan Company, Ltd. by supplying fraudulent information and/or hiding vital information in violation of its obligation associated with a loan intermediary agreement to supply accurate information on borrowers when introducing prospective customers to a company (Note). This case reached a compromise in February 1999 when Sumitomo Bank, Ltd. admitted its liability and agreed to pay ¥3 billion. Another case involved four liability claim litigations amounting to ¥10.8 billion initiated by the RCB in December 1998 against 13 directors, etc., including the ex-president of the former Hokkaido Takushoku Bank, on the grounds that they had committed breaches of good manager's duty of due care or duty of loyalty.

Note: The DIC played a supporting role in this litigation.

(8) Outline of Fund-Raising

The DIC is authorized to raise the necessary funds in the form of borrowing and/or issue of bonds up to the amount set forth by the government ordinance for each of the General Account, Special Operations Account, Financial Reconstruction Account and Early Strengthening Account (Note). Although a government guarantee can

be legally given for all the above four accounts, a budgetary government guarantee has been given in practice for fund-raising for three of these accounts, i.e. those except for the General Account, at present.

Fund-raising is currently conducted by borrowing alone, and the outstanding amount as of the end of March 1999 was approximately ¥16 trillion (an increase of some ¥13 trillion from the previous year). Lenders are the Bank of Japan and the private sector (financial institutions etc.), with maximum efforts being made to raise funds from the private sector. The share of borrowing from the private sector has been increasing (from some 30% at the end of March 1998 to some 60% at the end of March 1999), partly because of the enlargement of the scope of lenders, which has been extended to include foreign banks, life insurance companies and others in addition to those organizations subject to deposit insurance in the past, following revision of the Law and the enactment of new laws (Financial Function Reconstruction Law and Early Strengthening Law) in October 1998.

Particularly in March 1999, ¥6.3 billion of the required approximately ¥7.5 trillion was raised from the private sector by means of a tender on the interest rate to establish the original funds for capital injection to major banks under the Early Strengthening Account.

Note: It is also authorized to borrow funds (including renewal) for the *Jusen* Account up to the amount of capital subscription by the government.

(9) Debates on Special Insurance Premium at Ministry of Finance (Financial System Council) and the FRC

Revision of the Law in June 1996 made it obligatory for financial institutions subscribing to the deposit insurance system to pay a special insurance premium to fund the Special Operations Account set up to implement special financial assistance and other special operations up to fiscal 2000. While the special insurance premium rate is decided by the relevant government ordinance, Article 2 of the Supplementary Provisions of the Deposit Insurance Law Enforcement Regulations stipulates that “a review must be conducted by the end of fiscal 1998 at the latest based on the implementation situation of the special operations set forth in Article 19, paragraph 1, of the Supplementary Provisions of the Deposit Insurance Law for Deposit Insurance Corporation of Japan.”

In view of such provision, the ongoing special insurance premium rate was reviewed by the Ministry of Finance (Financial System Council) and the FRC. At the general meeting of the Financial System Council, a consultative body for the Minister of Finance, held on 19th March, 1999, it was decided to leave the special insurance premium rate unchanged in response to the opinion expressed at the meeting that “it would be appropriate to leave the current rate (of 0.036%) unchanged as the special insurance premium rate for the remaining two fiscal years”, while taking the points described below into full consideration. The FRC passed a similar resolution on the same day.

- Although the expected funding for the Special Operations Account of the DIC for the five-year period from fiscal 1996 to fiscal 2000 is approximately ¥1 trillion, grants already executed up to the present stage amount to some ¥2.2 trillion. This situation of special operations would not justify lowering the special insurance premium rate.
- In fiscal 1997, while insurance premium payments accounted for 6.46% of the operational net profit, etc. of financial institutions subject to the deposit insurance system as a whole, the ratio actually exceeded 8% for many sectors of financial institution. Therefore, the financial situation of certain financial institutions would not justify raising the special insurance premium rate.

2. Institutional Revisions and Organizational Revisions in Fiscal 1998

(1) Enactment of Financial Function Reconstruction Law and Early Strengthening Law

1) Enactment of Financial Function Reconstruction Law and Abolition of Financial Function Stabilization Law

Reflecting a situation of eroding trust in Japan's financial system at home and abroad due to a significant decline of the financial function in Japan, caused by successive failures of financial institutions, the Financial Function Reconstruction Law was promulgated on 16th October, 1998 for the purpose of ensuring the maintenance of an orderly financial system and the protection of depositors, etc. through the stabilization as well as reconstruction of the financial function in Japan. This law stipulates the principles for resolution for the failure of financial institutions and measures to ensure the transparency of the process of financial reporting, etc. of financial institutions, and also stipulates various temporary emergency measures up to 31st March, 2001.

There are six principles to deal with the failure of financial institutions, listed below:

- a) Disclosure of the financial reporting and managerial conditions of a failed financial institution
- b) Non-preservation of a financial institution of which sound management is difficult to be secured
- c) Clarification of the responsibilities of shareholders and executives, etc. of a failed financial institution
- d) Protection of depositors, etc.
- e) Maintenance of the financial intermediary function of a financial institution
- f) Minimization of the cost of resolving the failure of a financial institution

The Financial Function Reconstruction Law provides for new systems including management of a failed financial institution by financial reorganization administrators, succession of the operation of a failed financial institution (bridge bank scheme) and the special public management of a bank. The failure of a financial institution is, therefore, resolved based on decisions, etc. made by the FRC. Moreover, to facilitate the disposal of non-performing loans of financial institutions, etc., the DIC is allowed to commission the designated treaty bank, i.e. the Resolution and Collection Corporation, to purchase assets from financial institutions, etc. Furthermore, the Financial Reconstruction Account has been established at the DIC to conduct the financial reconstruction business pursuant to the Financial Function Reconstruction Law.

Following enforcement of the Financial Function Reconstruction Law, the Financial Function Stabilization Law was abolished, resulting in the abolition of the Financial Crisis Management Account (with a government guarantee of ¥10 trillion and granted government bonds of ¥3 trillion) designed to conduct the business of the underwriting, etc. of the preferred shares, etc. of financial institutions, etc. pursuant to the Financial Function Stabilization Law. Consequently, the granted government bonds (¥3 trillion) held in the said account were returned to the government and the remaining assets and liabilities were transferred to the Financial Reconstruction Account.

2) Enactment of Early Strengthening Law

In view of the fact that restoration of trust in Japan's financial system at home and abroad is currently an urgent task, the Early Strengthening Law was promulgated on 22nd October, 1998 and enforced on 23rd October, 1998 for the purposes of the prompt disposal of non-performing loans of financial institutions, etc. and attempting the early strengthening of Japan's financial function through the introduction of emergency measures regarding the injection of capital to financial institutions, etc. in order to achieve reconstruction of the financial function and revitalization of Japan's economy. The Early Strengthening Law stipulates the principles for the formulation of

measures for the early strengthening of the financial function and also stipulates a temporary emergency measure regarding capital injection to financial institutions, etc. which would be valid up to 31st March, 2001. There are six principles to be followed to prepare measures for the early strengthening of the financial function:

- a) Prevention of the emergence of a situation which will severely hinder Japan's financial function
- b) Restructuring of the management of financial institutions, etc. and clarification of management's and shareholders' responsibilities
- c) Improved efficiency of the financial function through the accelerated reorganization of financial institutions, etc. and other means
- d) Minimization of the socio-economic cost to achieve the purposes of the Early Strengthening Law, including the early strengthening of Japan's financial function
- e) Effective linkage with the Prompt Corrective Action
- f) Appropriate and sufficient presentation of information, etc.

The temporary emergency measure regarding capital injection to financial institutions, etc. allows the DIC to commission the treaty bank to underwrite the shares, etc. issued by financial institutions, etc.

Moreover, the Early Strengthening Account (with a government guarantee of up to ¥25 million) has been established at the DIC to conduct the early strengthening business.

(2) Establishment of Financial Reconstruction Department and Its Main Businesses

The enforcement of the Financial Function Reconstruction Law and the Early Strengthening Law has added new businesses to the DIC and has abolished the Financial Function Stabilization Law as well as most businesses of the DIC pursuant to the Financial Function Stabilization Law. Accordingly, the Financial Crisis Management Committee and its Secretariat were abolished on 23rd October, 1998 while the Financial Reconstruction Department was established to conduct businesses pursuant to the Financial Function Reconstruction Law and the Early Strengthening Law at the DIC on the same day. Four divisions, i.e. Division of Planning and Management responsible for businesses related to special public management and bridge banks, Division of Strengthening Operation and Division of Reconstruction, Operation both responsible for businesses required by the Early Strengthening Law, and Division of Financial Reorganization responsible for businesses related to financial reorganization administrators were established in this new Financial Reconstruction Department. In addition, the Financial Reorganization Office responsible for businesses related to financial reorganization administrators was established at the Osaka Office of Deposit Insurance Department.

(3) Integration of HLAC and RCB

Following the revisions of the Law and the Law Concerning Special Packages for Promotion of Disposal of Claims and Debts of Specific Housing Loan Companies (hereinafter referred to as the *Jusen* Law) in October 1998, new provisions were introduced to respond to the policy of creating the Resolution and Collection Corporation as a limited company by means of integrating the HLAC and the RCB for the purposes of conducting the early and efficient collection of non-performing loans by means of fair and transparent methods and of minimizing the injection of public funds. In response to these provisions, merger agreements were concluded on 25th December, 1998 and the merger of the HLAC and the RCB took place on 1st April, 1999 to become the Resolution and Collection Corporation after a vote of approval of the merger agreement at general meetings of the shareholders of the HLAC and the RCB, both held on 19th February, 1999.

The business purposes of the Resolution and Collection Corporation range from the management, collection and disposal of transferred or purchased assets from seven *Jusen* companies and failed or failing financial institutions, etc. to business regarding the so-called improvement in capital adequacy of financial institutions, etc., business of purchasing assets from healthy financial institutions, etc. and banking businesses permitted by the Law and other laws.

As it was decided that the Resolution and Collection Corporation would be a 100% subsidiary of the DIC at the occasion of its creation (Note 1), the DIC purchased 791,000 shares of the RCB from the Bank of Japan and from 145 other financial institutions pursuant to Article 9 of the Supplementary Provisions of the Law. (Sales agreements were concluded on 23rd March, 1999 and the money was paid on 25th March, 1999) (Note 2).

Note 1: The HLAC was a 100% subsidiary of the DIC from the outset.

Note 2: The capital subscription ratio of the DIC in the RCB was 75% (2,400,000 shares) when the Tokyo Kyodo Bank was reorganized as the RCB (on 2nd September, 1996), with the remaining 25% being shared by the Bank of Japan (400,000 shares; 12.5%) and 150 other financial institutions (400,000 shares; 12.5%). In subsequent years, the DIC acquired an additional 8,300 shares as part of its resolution of the failed Hanwa Bank, Hokkaido Takushoku Bank, Tokuyo City Bank, Kyoto Kyoie Bank and Midori Bank.

3. Collection Results and Other Businesses of HLAC and RCB

(1) Non-Performing Loan Collection Results and Other Businesses

As special operations pursuant to the *Jusen* Law and the Law, the DIC provides guidance and advice necessary for the implementation of the businesses of the HLAC and the RCB. The scope of such guidance and advice ranges widely, from assistance for the collection businesses by means of uncovering hidden assets with the active use of the assets investigative powers to guidance and advice related to the pursuit of the civil and/or criminal responsibilities of the persons involved.

In regard to the results for fiscal 1998 relating to non-performing loan collection and other businesses, the HLAC collected ¥634.0 billion (totaling ¥1,550.1 billion since the time of transfer) while the RCB collected ¥261.8 billion, including the commissioned collection of claims of the former Hanwa Bank (totaling ¥347.5 billion since the time of transfer). The number of resulting accusation cases were 38 (aggregate: 77) by the HLAC and 19 (aggregate: 23) by the RCB (see Appendix 6 - List of Accusations). The right to exercise liability claims was put into action by the DIC in three cases for a total of ¥0.5 billion (in aggregate, three cases for ¥0.5 billion), by the HLAC in two cases for a total of ¥5 billion (in aggregate, three cases for ¥8.6 billion) and by the RCB in 11 cases for a total of ¥18 billion (in aggregate, 16 cases for ¥33.2 billion) (see Appendix 7 - List of Civil Liabilities Appealed to Court). Meanwhile, the DIC discovered hidden assets of ¥103.9 billion (aggregate: ¥304.9 billion).

(2) Real Estate Assets Management and Disposal Results

As the appropriate and efficient management and disposal of real estate assets (self-owned assets and secured real estate assets) are extremely important for ensuring early disposal of non-performing loans, the DIC, the HLAC and the RCB established the Tripartite Council of Real Estate Assets in October 1996 to study and discuss efficient management methods, appropriate measures for effective use, market trends and feasible disposal methods including securitization of real estate assets.

In the meantime, the DIC compiled its recommendations for improvement of the auction system (in view of making the process speedier and more efficient) in fiscal 1997 as a result of the studies by the Tripartite Council and requested related organizations to discuss the recommendations. In the following fiscal year, the DIC made requests regarding concrete revisions of the relevant laws. Moreover, in order to achieve the required disposal in a manner ensuring appropriate disposal in accordance with fair as well as transparent rules, the DIC not only has provided guidance and advice on the creation of a database of the real estate assets owned by the HLAC and the RCB, the registration of real estate assets to be disposed with a designated distribution mechanism (REINS) and the listing of sales information on real estate assets on the Internet homepage, but also has attempted to promote the sale of these assets for official and public use and to establish useful liaisoning with the Housing and Urban Development Corporation and the Organization for Promoting Urban Development jointly with the HLAC and the RCB. Most of the requested revisions of the laws regarding improvement of the auction system have been realized by the promulgation of the Law Concerning the Amendments of Relevant Laws to Ensure Facilitation of Auction Procedure and Related Matters in October 1998, which amended (i) the Civil Execution Law, (ii) the Law Concerning Procedural Coordination among Coercive Collection and Compulsory Execution, etc. and (iii) the Real Property Registration Law and the Law Concerning Special Cases Related to Fact-Finding Surveys and Evaluation, etc. in the Specified Auction Procedure. The HLAC and the RCB earnestly tried to promote the sale of collateral real estate, mainly by means of voluntary sale by debtors while actively taking advantage of the improved auction system at the same time.

The full-scale sale of self-owned real estate assets commenced in fiscal 1998 and, in the same year, the HLAC collected ¥48.6 billion through such sales (totaling ¥57.9 billion since the time of transfer) and the RCB collected ¥9.8 billion (including real estate assets previously owned by the former Hanwa Bank and commissioned for management, etc. to the RCB; totaling ¥15.0 billion since the time of transfer). In the course of promoting sales, the DIC and the RCB made a new attempt to pursue greater efficiency by conducting the blanket management of multiple items combined with individual sale attempting maximization of the collection amount.

Among the self-owned and secured real estate assets sold by the HLAC and the RCB through the end of fiscal 1998 since their time of transfer, a total amount of ¥31.3 billion was sold for official or public use, of which a combined total value of ¥11.3 billion was sold for the effective land use business of the Housing and Urban Development Corporation inaugurated in fiscal 1998 and to the Organization for Promoting Urban Development.

In July 1998, the Government/Ruling Party Council for Promotion of Master Plan for Financial Reconstruction formulated the Financial Reconstruction Master Plan calling for further examination of the sales method for non-performing loans, etc. possessed by the HLAC and the RCB from the viewpoint of developing a distribution market for non-performing loans, etc. Following the publication of the Master Plan, the DIC, the HLAC and the RCB established the Liaison Committee to conduct studies on issues related to the sale of non-performing loans, etc.

4. Financial Situation

(1) General Account

The General Account (GA) is an account to handle financial assistance, etc. within the pay-off cost. The total income (excluding transfers from the deposit insurance fund) in fiscal 1998 was ¥265.9 billion, consisting of ¥265.7 billion of insurance premiums and ¥0.2 billion of operating income.

Meanwhile, the total expenses amounted to ¥1,168.3 billion, including ¥56 billion of (general) financial assistance expenses (cash grants) and ¥1,108.5 billion transferred to the Special Operations Account to match the pay-off cost following special financial assistance to deal with the large-scale failure of the Hokkaido Takushoku Bank, Ltd. and others.

As a result, the GA in fiscal 1998 produced a deficit of ¥902.4 billion. Because of the transfer of ¥144.4 billion from the deposit insurance fund, the balance of the fund at the end of the previous fiscal year, at the end of fiscal 1998, however, the loss of the current fiscal year and the deficit carried forward to the next financial year were both ¥758 billion.

At the end of fiscal 1998, the balance of borrowing from the Bank of Japan and others stood at ¥760.5 billion (¥633.8 billion from the Bank of Japan and ¥126.7 billion from private financial institutions, etc.)

(2) Special Operations Account

The Special Operations Account (SOA) is an account to handle special financial assistance, etc. above the pay-off cost. The total income in fiscal 1998 was ¥2,518.3 billion, including ¥199.3 billion of special insurance premiums, ¥5.9 billion of income from the financial assistance business, including interest related to purchased assets from the former Hanwa Bank, ¥1,108.5 billion received from the GA for special financial assistance and ¥1,199.2 billion received (redemption of government bonds) from the Special Operations Fund created by the granting of ¥7 trillion worth of government bonds.

Meanwhile, the total expenses amounted to ¥2,709.6 billion, including ¥2,677.2 billion of (special) financial assistance expenses and the transfer of ¥22 billion to the bad-debt reserves related to purchased assets from the former Hanwa Bank. As a result, the SOA in fiscal 1998 incurred a loss of ¥191.3 billion and the deficit carried forward to the next fiscal year was ¥429.7 billion, including the deficit carried forward from the previous fiscal year (¥238.4 billion).

At the end of fiscal 1998, the balance of borrowing (guaranteed by the government) from the Bank of Japan and others stood at ¥2,807.4 billion (¥1,856.4 billion from the Bank of Japan and ¥951 billion from private financial institutions, etc.)

(3) Financial Reconstruction Account

The Financial Reconstruction Account (FRA) is an account to handle loans to, compensation of losses made by them, banks under special public management as well as bridge banks, compensation of losses made by them and the purchase, etc. of assets from financial institutions.

With the enforcement of the Financial Function Reconstruction Law, the funds required for the operation of banks under special public management, i.e. the Long-Term Credit Bank of Japan and the Nippon Credit Bank, were loaned from the FRA and the original money to enable the said lending was borrowed from the Bank of Japan. In addition, assets (loans to the treaty bank and others) as well as liabilities belonging to the Financial Crisis Management Account were transferred to the FRA pursuant to the provisions of the Financial Function Reconstruction Law on 23rd October, 1998.

As a result, the total income in fiscal 1998 was ¥15.04 billion, consisting of ¥8.08 billion of interest on loans made to banks under special public management and ¥6.96 billion of interest on loans made to the treaty bank.

Meanwhile, the total expenses amounted to ¥15.18 billion, consisting of ¥15.04 billion of interest payments on borrowing from the Bank of Japan and others and ¥140 million of general administrative expenses. As a result, the FRA in fiscal 1998 incurred a loss of ¥140 million and the deficit carried forward to the next financial year was ¥90 million as the accumulated fund (¥50 million) inherited from the Financial Crisis Management Account at the time of establishing the FRA was deducted from the deficit.

At the end of fiscal 1998, the balance of borrowing (guaranteed by the government) from the Bank of Japan and others stood at ¥4,819.8 billion (¥3 trillion from the Bank of Japan and ¥1,819.8 billion from private financial institutions, etc.)

(4) Early Strengthening Account

The Early Strengthening Account (ESA) is an account to handle loans to the treaty bank and to compensate for losses by this bank which conducts the underwriting, etc. of the shares, etc. of financial institutions, etc.

With the enforcement of the Early Strengthening Law, the ESA borrowed ¥7,462.5 billion from the Bank of Japan and others to fund the underwriting, etc. of shares, etc. (so-called capital injection of ¥7,459.25 billion) to be conducted by this bank and loaned ¥7,462.4 billion to this bank on 30th March, 1999. The total income in fiscal 1998 was ¥70 million, including interest on loans made to this bank.

Meanwhile, the total expenses amounted to ¥110 million, consisting of ¥70 million of paid interest and ¥50 million of general administrative expenses. As a result, both the loss of the current year and the deficit carried forward to the next fiscal year were both ¥50 million. The balance of borrowing (guaranteed by the government) from the Bank of Japan and others stood at ¥7,462.5 billion (¥1,162.5 billion from the Bank of Japan and ¥6,300 billion from private financial institutions, etc.) at the end of fiscal 1998.

(5) *Jusen* Account

The *Jusen* Account handles subsidies for, debt guarantees for borrowing by and payments from claim disposal companies which conduct the management, collection and disposal, etc. of loan claims and other assets transferred from *Jusen* companies.

Under this account, ¥12.6 billion, equivalent to half of the secondary loss generated in fiscal 1997 by the HLAC, was granted as an operation subsidy to the HLAC using the operating income of the Financial Stabilization Fund.

The HLAC paid ¥910,000 of the claim collection profits, which was more than half of the secondary loss, for the DIC and the DIC paid the same amount into the Treasury.

Meanwhile, ¥1.2 billion of the general administrative expenses, etc. was paid by the operating income of the government capital (¥5 billion) and revenue from special operation contributions by the HLAC. As a result, the *Jusen* Account in fiscal 1998 produced a profit of ¥2 million.

The accumulated fund for the next fiscal year became ¥3 million, including ¥1 million carried forward from fiscal 1997.

The balance of the Financial Stabilization Fund at the end of fiscal 1998 stood at ¥1,014.2 billion, of which the estimated operating income was ¥7.2 billion.

(6) Abolition of Financial Crisis Management Account

Following the enforcement of the Financial Function Reconstruction Law, the Financial Function Stabilization Law was abolished and, therefore, the Financial Crisis Management Account which had been based on the said law was also abolished on 22nd October, 1998.

The total income up to the date of abolition (from 1st April to 22nd October, 1998) was ¥7.49 billion, including ¥7.4 billion of interest on loans made to the treaty bank and ¥80 million transferred to the Financial Crisis Management Account.

Meanwhile, the total expenses were ¥7.43 billion, consisting of ¥7.4 billion of loan interest paid and ¥30 million of general administrative expenses.

As a result, there was a profit of ¥50 million in fiscal 1998.

Pursuant to the provision of the Financial Function Reconstruction Law, assets and liabilities under this account were transferred to the Financial Reconstruction Account.

Table 1: Statement of Revenue and Expenses for Fiscal 1998

(Unit: ¥ million)

Item	General Account	Special Operations Account	Total	Excluding Inter-Account Transfers
Insurance Premiums	265,716	199,287	465,004	465,004
Income from Financial Assistance	-	5,936	5,936	5,936
Income from Treaty Bank	-	3,973	3,973	3,973
Operating Income	221	5	226	226
Transfer from General Account	-	1,108,459	1,108,459	-
Transfer from Special Operations Fund (Redemption of Government Bonds)	-	1,199,232	1,199,232	1,199,232
Charge Against Bad-Debt Reserves	-	549	549	549
Non-Operating Revenue	0	900	900	900
Revenue Total	265,938	2,518,342	2,784,279	1,675,820
Financial Assistance	56,000	2,677,201	2,733,201	2,733,201
General Administrative Expenses	2,000	1,554	3,554	3,554
Transfer to Other Accounts	1,108,459	-	1,108,459	-
Transfer to Bad-Debt Reserves	-	21,997	21,997	21,997
Interest Paid	1,830	8,848	10,678	10,678
Expenses Total	1,168,290	2,709,600	3,877,889	2,769,430
Net Surplus/Deficit	902,352	191,258	1,093,610	1,093,610
Outstanding Balance of Deposit Insurance Fund (End of Fiscal 1997)	144,390	238,408	94,018	
Outstanding Balance of Deposit Insurance Fund (End of Fiscal 1998)	757,962	429,666	1,187,628	

Note: Figures are rounded to the nearest ¥ million.

Table 2: Statement of Balance Sheets and Profit and Loss

< General Account >

(1) Statement of Balance Sheet (as of 31st March, 1999)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	2,950
- Cash and Deposits	45
- Securities	1,690
- Prepaid Expenses	1,213
- Accrued Income	0
- Accounts Receivable	3
< Fixed Assets >	441
- Financial Assistance Assets	
> Purchased Assets	180
- Tangible Fixed Assets	145
> Buildings	99
> Tools/Equipment/Fixtures	46
- Intangible Fixed Assets	1
- Investment and Other Assets	
> Guarantee Money and Other Security Deposits	115
Total	3,392
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	760,889
- Short-Term Loans	760,500
- Accounts Payable	73
- Accrued Expenses Payable	284
- Money on Deposit	32
< Fixed Liabilities >	10
- Reserves for Retirement Allowance	10
<<Liabilities Total>>	760,898
< Capital >	455
- Government Capital	150
- Bank of Japan Capital	150
- Private Capital	155
< Deficit >	757,962
- Deficit for Fiscal 1998	757,962
<<Capital Total>>	757,507
Total	3,392

Note: All figures are rounded to the nearest ¥ million.

(2) Statement of Profit and Loss (1st April, 1998 - 31st March, 1999)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	410,328
- Insurance Premiums	
> Insurance Premiums	265,716
- Operating Income	221
- Charge Against Deposit Insurance Fund	144,390
- Non-Operating Income	0
< Deficit for Fiscal 1998 >	757,962
Total	1,168,290
Expenses	
Item	Amount
< Current Expenses >	1,168,290
- Financial Assistance	
> Grant	56,000
- Interest Paid	1,830
- General Administrative Expenses	2,000
- Transfer to Other Accounts	
> Transfer to Special Operations Account	1,108,459
Total	1,168,290

- Notes: 1. The deficit of ¥757,962 million is treated as the deficit carried forward to the next fiscal year pursuant to the provision of Article 15, Paragraph 4, of the Deposit Insurance Law Enforcement Regulations (Ministerial Ordinance No. 28 of the Ministry of Finance of 1971).
2. All figures are rounded to the nearest ¥ million.

Important Accounting Principles and Other Relevant Matters

1. Evaluation Criteria/Method of Securities
Cost method based on the periodic average method.
2. Depreciation Method of Fixed Assets
Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
Tangible fixed assets: ¥23 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 the appropriation of reserves in preparation for payment of the retirement allowance 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
5. Important Changes of Accounting Principles
Securities used to be evaluated by the actual cost method which has been replaced by the periodic average method since fiscal 1998. This change, however, does not affect financial statements.

< Special Operations Account >

(1) Statement of Balance Sheet (as of 31st March, 1999)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	8,050
- Cash and Deposits	2
- Money Deposited	1,408
- Securities	1,270
- Suspended Payments	826
- Prepaid Expenses	2,818
- Accrued Income	1,018
- Accounts Receivable	709
- Bad-Debt Reserves	1
< Fixed Assets >	8,739,366
- Financial Assistance Assets	161,171
> Purchased Assets	181,735
> Compensation Claims	476
> Off-Setting Account of Liabilities for Guarantees	955
> Bad-Debt Reserves	21,995
- Assets Related to Treaty Bank	2,216,104
> Treaty Bank Shares	127,394
> Loans for Treaty Bank	2,088,710
- Tangible Fixed Assets	139
> Buildings	85
> Tools/Equipment/Fixtures	55
- Intangible Fixed Assets	1
- Investments and Other Assets	6,361,950
> Assets of Special Operation Fund	5,800,768
> Guarantee Money and Other Security Deposits	114
> Off-Setting Account of Liabilities of Guarantee for Treaty Bank	561,000
> Other Assets	69
Total	8,747,416

Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	2,814,348
- Short-Term Loans	2,807,400
- Accounts Payable	768
- Accrued Expenses Payable	3,025
- Money on Deposit	0
- Advance Payments Received	2,629
- Suspended Receipts	526
- Other Current Liabilities	1
< Fixed Liabilities >	561,966
- Reserves for Retirement Allowance	11
- Liability for Guarantees	561,955
> Liability for Guarantee for Treaty Bank	561,000
> Other Liabilities for Guarantee	955
< Statutory Reserves >	5,800,768
- Special Operations Fund	
> Counterpart of Special Operations Fund Assets	
<<Liabilities Total>>	5,800,768
< Deficit >	9,177,082
- Deficit Carried Forward	429,666
- Deficit for Fiscal 1998	238,408
<<Capital Total>>	191,258
	429,666
Total	8,747,416

Notes: All figures are rounded to the nearest ¥ million.

(2) Statement of Profit and Loss (1st April, 1998 - 31st March, 1999)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	2,518,342
- Insurance Premiums	
> Special Insurance Premiums	199,287
- Revenue from Financial Assistance-Related Business	5,936
> Income from Purchased Assets	3,858
> Profit from Purchased Assets	2,072
> Income from Guarantee Fees	7
- Revenue from Treaty Bank-Related Business	
> Interest on Loans to Treaty Bank	3,973
- Operating Income	5
- Transfer from General Account	1,108,459
- Transfer from Special Operations Fund	1,199,232
- Charge Against Bad-Debt Reserves	549
- Non-Operating revenue	900
< Deficit for Fiscal 1998 >	191,258
Total	2,709,600
Expenses	
Item	Amount
< Current Expenses >	2,709,600
- Financial Assistance Expenses	2,677,201
> Grants	2,672,613
> Loss from Purchased Assets	439
> Administrative Expenses of Purchased Assets	296
> Commissioning Cost of Management and Collection Businesses	2,252
> Compensation for Resolution and Collection Expenses	1,602
- Interest Paid	8,848
- General Administrative Expenses	1,554
- Transfer to Bad-Debt Reserves	21,997
Total	2,709,600

- Notes: 1. The deficit of ¥191,258 million for fiscal 1998 is carried forward to the next fiscal year pursuant to the provision of Article 15, Paragraph 4, of the Deposit Insurance Law Enforcement Regulations (Ministerial Ordinance No. 28 of the Ministry of Finance of 1971).
2. All figures are rounded to the nearest ¥ million.

Important Accounting Principles and Other Relevant Matters

1. Evaluation Criteria/Method of Securities

Cost method based on the periodic average method.

2. Depreciation Method of Fixed Assets

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

Financial assistance assets	:	¥59 million
Tangible fixed assets	:	¥23 million
Investment and other assets	:	¥5 million

3. Appropriation Criteria for Reserves

(1) Bad-Debt Reserves

In order to prepare for losses due to bad loans, etc., using the criteria under the Corporation Tax Law, among purchased assets, etc., the balance of loans at the end of the fiscal year in question is classified as the balance of loans subject to individual assessment and the balance of loans subject to blanket assessment. The doubtful collection amount is estimated for loans subject to individual assessment, while the bad-debt loss is estimated for loans subject to blanket assessment by multiplying the total loan amount by the actual bad-loan rate of 0.0049 after the time of the purchase of such assets. The estimated bad-loan losses are then added together to produce the figure for bad-debt reserves.

(2) Reserves for Retirement Allowance

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

(3) Special Operations Fund

In order to secure the health of the Special Operations Fund and also to ensure the smooth implementation of special operations, the balance of government bonds provided by the government is accounted for pursuant to the provision of Article 19-4, Paragraph 2, of the Supplementary Provisions of the Deposit Insurance Law (Law No. 34 of 1971).

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

5. Important Changes of Accounting Principles

Securities used to be evaluated by the actual cost method which has been replaced by the periodic average method since fiscal 1998. This change, however, does not affect financial statements

< Financial Reconstruction Account >

(1) Statement of Balance Sheet (as of 31st March, 1999)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	8,612
- Cash and Deposits	10
- Securities	190
- Prepaid Expenses	1,627
- Accrued Income	6,616
- Accounts Receivable	168
< Fixed Assets >	4,819,512
- Tangible Fixed Assets	
> Tools/Equipment/Fixtures	11
- Investment and Other Assets	4,819,502
> Loans to banks under Special Public Management	3,000,000
> Loans to Treaty Bank	1,819,500
> Guarantee Money and Other Security Deposits	2
Total	4,828,124
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	4,828,214
- Short-Term Loans	4,819,800
- Accounts Payable	170
- Accrued Expenses Payable	6,616
- Advance Payments Received	1,627
< Fixed Liabilities >	1
- Reserves for Retirement Allowance	1
<<Liabilities Total>>	4,828,215
< Deficit >	91
- Accumulated Funds	53
- Deficit for Fiscal 1998	144
<<Capital Total>>	91
Total	4,828,124

Note: All figures are rounded to the nearest ¥ million.

(2) Statement of Profit and Loss (23rd October, 1998 - 31st March, 1999)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	15,036
- Interest on Loans to Banks under Special Public Management	8,077
- Interest on Loans to Treaty Bank	6,959
- Operating Income	0
< Deficit for Fiscal 1998 >	144
Total	15,180
Expenses	
Item	Amount
< Current Expenses >	15,180
- Interest Paid	15,036
- General Administrative Expenses	144
Total	15,180

- Notes: 1. The deficit of ¥144 million for fiscal 1998 is charged against the accumulated fund and the remaining deficit is carried forward to the next fiscal year pursuant to the provision of Article 25, Paragraph 2, of the Financial Function Reconstruction Law Enforcement Regulations (Government Ordinance No. 65 of the Prime Minister's Office of 1998).
2. All figures are rounded to the nearest ¥ million.

Important Accounting Principles and Other Relevant Matters

- Evaluation Criteria/Method of Securities
Cost method based on the periodic average method
- Depreciation Method of Fixed Assets
Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
Tangible fixed assets: ¥0 million
- Appropriation Criteria for Reserves
Reserves for retirement allowance: The required remuneration at the end of the fiscal year is used as the criterion for the appropriation of reserves in preparation for payment of the retirement allowance for employees.
- Other Important Matters Relating to Preparation of Financial Statements
 - Accounting method for consumption tax: tax inclusive method
 - Accounting criteria for revenue and expenses: accrual method
 - Transfer of assets and liabilities from Financial Crisis Management Account
The assets and liabilities transferred from the Financial Crisis Management Account on 23rd October, 1998 pursuant to the provision of Article 7 of the Supplementary Provisions of the Financial Function Reconstruction Law (Law No. 132 of 1998) are listed below:

Cash and deposits	: ¥ 4 million	Short-term loans	: ¥1,819,600 million
Securities	: ¥140 million	Accrued expenses payable	: ¥4,470 million
Prepaid expenses	: ¥819 million	Advance payments received	: ¥819 million
Accrued income	: ¥4,470 million		
Accounts receivable	: ¥7 million		
Tangible fixed assets	: ¥2 million		
Investment and other assets	: ¥1,819,500 million		
- Important Changes of Accounting Principles
Securities used to be evaluated by the actual cost method which has been replaced by the periodic average method since fiscal 1998. This change, however, does not affect financial statements.

< Early Strengthening Account >

(1) Statement of Balance Sheet (as of 31st March, 1999)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	3,215
- Cash and Deposits	10
- Securities	50
- Prepaid Expenses	3,105
- Accrued Income	50
< Fixed Assets >	7,462,402
- Tangible Fixed Assets	
> Tools/Equipment/Fixtures	2
- Investment and Other Assets	7,462,401
> Loans to Treaty Bank	7,462,400
> Guarantee Money and Other Security Deposits	1
Total	7,465,618
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	7,465,664
- Short-Term Loans	7,462,500
- Accounts Payable	8
- Accrued Expenses Payable	50
- Advance Payments Received	3,105
<<Liabilities Total>>	7,465,664
< Deficit >	46
- Deficit for Fiscal 1998	46
<<Capital Total>>	46
Total	7,465,618

Note: All figures are rounded to the nearest ¥ million.

(2) Statement of Profit and Loss (23rd October, 1998 - 31st March, 1999)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	66
- Interest on Loans to Treaty Bank	66
- Operating Income	0
< Deficit for Fiscal 1998 >	46
Total	113

Expenses	
Item	Amount
< Current Expenses >	113
- Interest Paid	66
- General Administrative Expenses	46
Total	113

- Notes: 1. The deficit of ¥46 million for fiscal 1998 is carried forward to the next fiscal year pursuant to the provision of Article 7, Paragraph 2, of the Early Strengthening Law Enforcement Regulations (Government Ordinance No. 67 of the Prime Minister's Office of 1998).
2. All figures are rounded to the nearest ¥ million.

Important Accounting Principles and Other Relevant Matters

- Evaluation Criteria/Method of Securities
Cost method based on the periodic average method
- Depreciation Method of Fixed Assets
Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
Tangible fixed assets: ¥0 million
- Other Important Matters Relating to Preparation of Financial Statements
 - Accounting method for consumption tax: tax inclusive method
 - Accounting criteria for revenue and expenses: accrual method
- Important Changes of Accounting Principles
Securities used to be evaluated by the actual cost method which has been replaced by the periodic average method since fiscal 1998. This change, however, does not affect financial statements.

< *Jusen Account* >

(1) Statement of Balance Sheet (as of 31st March, 1999)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	5,138
- Cash and Deposits	5,024
- Securities	110
- Prepaid Expenses	2
- Accrued Income	3
< Fixed Assets >	4,304,831
- Tangible Fixed Assets	139
> Buildings	85
> Tools/Equipment/Fixtures	55
- Intangible Fixed Assets	1
- Investment and Other Assets	4,304,690
> Assets Relating to Financial Stabilization Fund	914,204
> Shares of Affiliated Companies	200,000
> Guarantee Money and Other Security Deposits	109
> Off-Setting Account of Liabilities for Guarantee	3,190,377
Total	4,309,969
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	125
- Accounts Payable	22
- Advance Payments Received	103
< Fixed Liabilities >	3,290,637
- Reserves for Retirement Allowance	11
- Repayable Payments Received from Bank of Japan	100,000
- Allotment for Counterpart of Assets	249
- Liability for Guarantee	3,190,377
< Statutory Reserves >	1,014,204
- Financial Stabilization Fund	1,014,204
> Counterpart of Private-Sector Contributions	1,007,000
> Counterpart of Operating Income	7,204
<<Liabilities Total>>	4,304,966
< Capital >	5,000
- Government Capital	5,000
< Surplus >	3
- Accumulated Funds	1
- Net Profit	2
<<Capital Total>>	5,003
Total	4,309,969

Note: All figures are rounded to the nearest ¥ million.

(2) Statement of Profit and Loss (1st April, 1998 - 31st March, 1999)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	21,594
- Charge Against Financial Stabilization Fund	12,579
- Payment from the HLAC	
> Payment of Collection Profits of Transferred Claims, etc.	1
- Operating Income	
> Operating Income of Financial Stabilization Fund	7,855
- Revenue from Special Operations Contributions	1,106
- Non-Operating Income	33
- Charge Against Allotment for Counterpart of Assets	19
Total	21,594
Expenses	
Item	Amount
< Current Expenses >	21,593
- the HLAC Grant	
> Operation Promotion Grant	12,579
- Payments to Government	
> Payment of Collection Profits of Transferred Claims, etc.	1
- General Administrative Expenses	1,157
- Transfer to Financial Stabilization Fund	7,855
< Net Profit >	2
Total	21,594

Notes: 1. The net profit of ¥2 million for fiscal 1998 is carried forward to the next fiscal year pursuant to the provision of Article 5, Paragraph 1, of the *Jusen* Law Enforcement Regulations (Ministerial Ordinance No. 34 of the Ministry of Finance of 1996).

2. All figures are rounded to the nearest ¥ million.

Important Accounting Principles and Other Relevant Matters

1. Evaluation Criteria/Method of Securities

Cost method based on the periodic average method

2. Depreciation Method of Fixed Assets

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

Tangible fixed assets: ¥23 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 the appropriation of reserves in preparation for payment of the retirement allowance 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 (Law No. 93 of 1996), respectively, for investment in

claims disposal companies and for the provision of grants for such companies for the smooth implementation of their businesses.

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

5. Important Changes of Accounting Principles

Securities used to be evaluated by the actual cost method which has been replaced by the periodic average method since fiscal 1998. This change, however, does not affect financial statements.

< Financial Crisis Management Account >

(1) Statement of Balance Sheet (as of 22nd October, 1998)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	5,440
- Cash and Deposits	4
- Securities	140
- Prepaid Expenses	819
- Accrued Income	4,470
- Accounts Receivable	7
< Fixed Assets >	1,819,502
- Tangible Fixed Assets	
> Tools/Equipment/Fixtures	2
- Investment and Other Assets	
> Loans to Treaty Bank	1,819,500
Total	1,824,942
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	1,824,889
- Short-Term Loans	1,819,600
- Accrued Expenses Payable	4,470
- Advance Payments Received	819
<<Liabilities Total>>	1,824,889
< Surplus >	53
- Profit for Fiscal 1998	53
<<Capital Total>>	53
Total	1,824,942

- Note: 1. Assets and liabilities are transferred to the Financial Reconstruction Account pursuant to the provision of Article 7 of the Supplementary Provisions of the Financial Function Reconstruction Law (Law No. 132 of 1998).
2. All figures are rounded to the nearest ¥ million.

(2) Statement of Profit and Loss (1st April, 1998 - 22nd October, 1998)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	7,487
- Interest on Loans to Treaty Bank	7,404
- Operating Income	0
- Non-Operating Revenue	0
- Charge Against Financial Crisis Management Fund	83
Total	7,487
Expenses	
Item	Amount
< Current Expenses >	7,434
- Interest Paid	7,404
- General Administrative Expenses	30
- Transfer to Financial Crisis Management Fund	0
< Profit for Fiscal 1998 >	53
Total	7,487

Note: All figures are rounded to the nearest ¥ million.

Important Accounting Principles and Other Relevant Matters

1. Evaluation Criteria/Method of Securities
Cost method based on the periodic average method
2. Depreciation Method of Fixed Assets
Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
Tangible fixed assets: ¥0 million
3. 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
4. Important Changes of Accounting Principles
Securities used to be evaluated by the actual cost method which has been replaced by the periodic average method since fiscal 1998. This change, however, does not affect financial statements.

III. NEW BUSINESS FOLLOWING INSTITUTIONAL REVISIONS

1. Business regarding Financial Reorganization Administrators

The Financial Function Reconstruction Law stipulates that the FRC is empowered to place the operations and management of its assets of a failed or failing financial institution meeting certain conditions (Note) under financial reorganization administrator(s).

Note: These are the following conditions: if it is recognized that the institution is managed in an extremely inappropriate manner, or that smooth money circulation and user convenience are likely to be seriously hampered in the area, etc. in which the institution in question operates when the business is dissolved without transfer of business.

In regard to a failed or failing financial institution of which the operation and management of its assets is placed by the FRC under management of a financial reorganization administrator (hereinafter referred to as financial institution under management), one or more financial reorganization administrators will be assigned by the FRC to manage the said financial institution. In regard to the assignment of the financial reorganization administrators, the FRC is required to hear the opinions of the DIC. Under the Financial Function Reconstruction Law, the DIC is empowered to act as a financial reorganization administrator or as the proxy for a financial reorganization administrator. If the DIC is assigned as such by the FRC, the DIC will conduct the business in the capacity of financial reorganization administrator.

(1) Outline of Business of Financial Reorganization Administrator

1) Authority of Financial Reorganization Administrator

The Financial Function Reconstruction Law stipulates that the rights to conduct the operation of a financial institution under management and to manage and dispose of its assets belong exclusively to the financial reorganization administrator. Meanwhile, the financial reorganization administrator is required to investigate the events leading to failure and to clarify the responsibilities of executives for said failure.

2) Management by Financial Reorganization Administrator

As soon as assigned, the financial reorganization administrator must investigate the events leading to place the operation and management of its assets under the financial reorganization administrator, the operating conditions, assets and other matters, and report his findings to the FRC. In regard to the financial institution under management, the financial reorganization administrator will try to ensure the provisional continuation of operation of the financial institution under management in accordance with the operating and assets management program formulated in response to the order issued by the FRC, and will rearrange and rationalize the business operation in view of the smooth transfer of the business.

3) End of Management by Financial Reorganization Administrator

The financial reorganization administrator will end his management within one year of the date of the issue of the order for management by means of transferring the business of the financial institution under management etc. However, the period of management may be extended for another year with the approval of the FRC.

The financial reorganization administrator will make strenuous efforts to rearrange and rationalize the business operation of the financial institution under management and will end his management by completing the transfer of the business and other matters (the scheme to deal with failed financial institutions under the Law will apply to such transfer of the business). If there is no viable prospect of transferring the business etc., making necessary the establishment of a bridge bank as a subsidiary of the DIC with its capital subscription, a request to the FRC may be

lodged to approve the establishment, etc. of such a bridge bank. When a bridge bank is established, the management by the financial reorganization administrator will end with the transfer of the business etc. to the bridge bank.

(2) Examples of Application of Management by Financial Reorganization Administrator

An order for management by a financial reorganization administrator pursuant to the Financial Function Reconstruction Law was first issued to Kokumin Bank on 11th April, 1999.

The DIC was assigned as a financial reorganization administrator as an expert on practical financial affairs, together with a lawyer and a certified accountant, by the FRC to manage Kokumin Bank. During the assignment process, the DIC expressed its opinion that an expert on practical financial affairs, a lawyer and a certified accountant should be assigned as the financial reorganization administrators in response to a request made by the FRC pursuant to the Financial Function Reconstruction Law, and financial reorganization administrators reflecting the said opinion of the DIC were assigned. The DIC then assigned two proxies to serve in its stead as the financial reorganization administrators and some 30 staff members to conduct the practical management of Kokumin Bank.

2. Business regarding Establishment of Bridge Bank

The bridge bank scheme is designed for the DIC to act as an originator to establish subsidiaries (bridge banks) with a limited period up to 31st March, 2001 to succeed and to provisionally maintain the business of failed financial institutions under management by financial reorganization administrators (financial institutions under management) and to end this provisional management by means of a merger, the transfer of the entire business or the transfer of shares. The bridge bank scheme is applied following the relevant decision made by the FRC to failed financial institutions meeting certain conditions (Note).

Note: These are the following conditions: if it is recognized that smooth money circulation and user convenience are likely to be seriously hampered in the area, etc. in which the institution in question operates when the business is dissolved, etc. without transfer of business, and it is necessary to use a bridge bank to succeed the business of the institution.

When a decision is made to establish by the FRC a bridge bank and to implement associated measures, the DIC will conduct such business as the establishment of and capital subscription to a bridge bank, succession of the business of the financial institution under management, managerial control of the bridge bank, financial assistance pursuant to the Law, lending and debt guarantee as required for the smooth implementation of the business of the bridge bank, compensation of losses incurred by the implementation of the business of the bridge bank and end of managerial control by means of the transfer of the business and/or shares, etc.

(1) Establishment of and Capital Subscription to Bridge Bank

When a decision is made by the FRC to establish a bridge bank and to implement associated measures, the DIC will act as the originator to establish such a bridge bank as its subsidiary with the approval of the FRC. Capital subscription and other matters to be conducted by the DIC will be so done in accordance with the criteria set by the FRC. The criterion for capital subscription to establish a bridge bank is either the minimum capital (¥2 billion) required under the Banking Law or the amount capable of sustaining the required ratio of net worth to total capital (8% for banks operating on the basis of international criteria and 4% for banks operating on the basis of domestic criteria), depending on which is larger.

(2) Succession of Business of Financial Institution under Management

Following the decision to establish a bridge bank, the DIC must ask the FRC to make an assessment on whether or not the assets of the financial institution under management are suitable as assets to be owned for holding by the bridge bank. After the establishment of the bridge bank, the DIC will conclude a treaty with the bridge bank to ensure exact provisions for the succession of the business and other matters.

The bridge bank will then receive those assets which are judged to be suitable for holding by the FRC. For the succession of the business of the financial institution under management to the bridge bank, financial assistance under the Law will be provided.

(3) Managerial Control of Bridge Bank

The DIC must conduct the managerial control of the bridge bank to ensure that the latter (i) properly conducts the transfer of the right of business and other matters to succeed to the business of the financial institution under management, (ii) properly receives those assets which are judged to be suitable for holding and (iii) properly follows the guidelines formulated by the DIC from the viewpoint of ensuring sound and appropriate business operation. The guidelines on lending and other business to be formulated by the DIC must be so done from the viewpoint of ensuring sound and appropriate business operation by the bridge bank to meet its purpose of ensuring the provisional maintenance and continuation of business while taking into consideration its compatibility with the criteria to make an assessment on whether the assets are suitable for holding by the bridge bank. The DIC must publicly announce these guidelines with the approval of the FRC.

The business of the bridge bank will be conducted by officials assigned by the DIC as the shareholder and in accordance with the business guidelines set forth by the DIC.

(4) Additional Investment, Lending/Debt Guarantee and Compensation of Loss, etc.

1) Additional Investment

The capital subscription criteria set forth by the FRC permit the DIC to make additional investment in a bridge bank of the amount necessary to restore and maintain the required net worth ratio if such ratio drops below 4% (8% in the case of banks operating on the basis of international criteria).

2) Lending/Debt Guarantee and Compensation of Loss, etc.

Having concluded a treaty with a bridge bank, the DIC is permitted to provide a loan/debt guarantee required for the smooth implementation of the business of the bridge bank and to compensate for any loss(es) of the bridge bank incurred by the implementation of business as required by the treaty. The Enforcement Regulations of the Financial Function Reconstruction Law set forth the method to calculate the amount of such compensation up to the amount calculated by multiplying either (i) the transfer loss of assets purchased by the DIC under the provision of Article 53 of the Financial Function Reconstruction Law or (ii) the loss of the current fiscal year on the statement of profit or loss, depending on which is lower by the ratio of shares owned by the DIC. Unlike banks under special public management, compensation of the loss(es) of a bridge bank does not cover the entire loss incurred by its business, as the transfer loss of assets purchased by the DIC under the provision of Article 53 of the Financial Function Reconstruction Law is set as the upper limit.

(5) End of Managerial Control of Bridge Bank

The DIC must end its managerial control of a bridge bank within one year of the date when the management of the financial institution, whose business was originally succeeded by the bridge bank, was ordered. However, this period may be extended twice one-year periods with the approval of the FRC.

Managerial control will end with (i) the merger of the bridge bank in question (limited to the case where the subsequent corporation after merger is not a subsidiary of the DIC), (ii) transfer of the entire business, (iii) transfer or other means of disposal of the shares of the bridge bank in question (limited to the case where the bridge bank is no longer a subsidiary of the DIC as a result) or (iv) dissolution of the bridge bank in question.

It is possible to end managerial control without disposing of all the shares of the bridge bank. In this case, the DIC will dispose of the remaining shares after the end of its managerial control.

3. Business regarding Special Public Management

Special public management means to put a failed or failing bank meeting certain conditions (Note) under temporary public management by means of the acquisition of all its shares by the DIC with a view to ending such management by 31st March, 2001 through the transfer of the right of business, the transfer of shares or other means. The decision to initiate special public management is made by the FRC.

Note: These are the following conditions: if it is recognized that the financial function of Japan or local economic activities, etc. may be seriously disrupted if the failed bank is dissolved, etc. without the transfer of the right of business of the failed bank (or the financial function of Japan may be seriously disrupted together with the possibility of severe consequences vis-à-vis the international financial market in the case of a bank of which the business may fail), and that making special public management is the only viable option to avoid such disruption.

The business to be conducted by the DIC regarding a bank under special public management includes work necessitated by the acquisition by the DIC of shares of the bank under special public management (notification to former shareholders, request to the FRC to make an assessment on assets, payment of share value, etc.), assignment of officials nominated by the FRC and other related work, provision of financial assistance (special financial assistance) pursuant to the Law and the provision of loans required for and compensation of the loss(es) incurred by the implementation of business of the bank under special public management.

(1) Acquisition of Shares of Bank under Special Public Management

The DIC acquires all the shares of a bank under special public management at the time of the public announcement of the decision to acquire shares, which coincides with the decision by the FRC to commence special public management. Previous shareholders of the bank under special public management (former shareholders) cease to be shareholders at the time of this public announcement. Following the acquisition of shares, the DIC must inform former shareholders and others of the details of the decision to acquire shares and other related matters by means of publication in daily newspapers as required by the Rules of the FRC.

Former shareholders are entitled to demand the share value for shares acquired by the DIC based on the consideration by the Stock Price Evaluation Commission. After the decision by the Stock Price Evaluation Commission on the share value, the DIC announces the payment method and other related matters in the Official Gazette and pays the share value to former shareholders.

(2) Assignment of Officials and Other Matters

The DIC assigns officials (directors and auditors) for a bank under special public management based on their nomination by the FRC and may dismiss these officials with the approval of the FRC.

(3) Assistance Measures for Bank under Special Public Management

The business of a bank under special public management is conducted by officials assigned by the DIC based on their nomination by the FRC in accordance with a management rationalization program and business operation criteria, etc. approved by the FRC.

The DIC can conduct exceptional financial assistance for a bank under special public management, provision of loans required for the business of banks under special public management, compensation of the loss(es) incurred by the implementation of such business and other activities to maintain an orderly financial system and to protect depositors and others.

1) Exceptional Financial Assistance

The DIC can provide grants and purchase assets, etc. as required to protect depositors and others upon receipt of an application for such measures from a bank under special public management by applying the relevant provisions of the Law. In this case, the provision of financial assistance under the Law may be applied by treating a bank under special public management as a relieving financial institution, and the DIC may purchase those assets which are assessed by the FRC as unsuitable for holding by a bank under special public management.

2) Loan and Compensation for Loss

With the approval of the FRC, the DIC can provide a loan required for the business of a bank under special public management and compensation for loss(es) incurred by the business of a bank under special public management.

(4) End of Special Public Management

Special public management will end when the FRC makes the DIC or a bank under special public management implement such measures as the transfer of business operation, transfer of shares and/or others by not later than 31st March, 2001.

4. Business regarding Purchase of Assets from Financial Institutions, etc.

The Financial Function Reconstruction Law introduces a system for the emergency measure treating the purchase of assets from financial institutions, etc. as a measure to stabilize and reconstruct the financial function of Japan and, therefore, the DIC can purchase assets from a wide range of financial institutions, etc., including healthy financial institutions.

The purchase of assets pursuant to the Financial Function Reconstruction Law is conducted by the DIC upon receipt of the relevant applications made by financial institutions, etc. with the approval of the FRC up to the end of March 2001. In practice, the Resolution and Collection Corporation is commissioned by the DIC to conduct the purchase and/or collection of assets.

(1) Subject Financial Institutions

The financial institutions, etc. subject to the purchase of assets are the following financial institutions, including healthy financial institutions:

- a) Financial institutions under management
- b) Treaty bridge banks
- c) Banks under special public management
- d) Financial institutions other than the above, The *Zenshinren* Bank, Federation of Credit Cooperatives, The *Rokinren* Bank, Federation of Agricultural Cooperative Associations; Federation of Fisheries Cooperative Associations

(2) Assets Qualified for Purchase

Details of the assets qualified for purchase are set forth by the assets purchase criteria of the FRC as outlined below.

1) In the Case of Financial Institution under Management, Treaty Bridge Bank or Bank under Special Public Management

- a) Assets which are deemed to be unsuitable for possession in the light of the assets judgement criteria
- b) Assets which are deemed to be necessary to end the management of a financial institution under management, treaty bridge bank or bank under special public management

2) In the Case of Healthy Financial Institutions, etc.

- a) In principle, loans made to debtors in danger of bankruptcy, effectively bankrupt and bankrupt (including the suspended payments and accrued interest, etc. associated with such loans)
- b) In principle, the following types of loan are excluded from the scope of purchase:
 - Small loans (less than ¥10 million)
 - Loans to corporations with a strong public welfare character (medical corporations and social welfare corporations, etc.)
 - Loans for which the existence of claims and a mortgage, etc. are disputed
 - Loans regarding debtors going ahead with composition proceedings or in the process of reorganization through legal resolution
 - Loans to non-residents and loans mortgaged against overseas real estate

(3) Purchase Prices

The assets purchase criteria set forth that the purchase prices be determined through an appropriate procedure which takes into consideration the risk of assets becoming uncollectable and the administrative expenses required for purchase and collection of the assets in question (Note).

Note: The Purchase Prices Examination Committee (chaired by Mr. Yoshinori Fujimura, a lawyer) comprising three external knowledgeable persons, i.e. a lawyer, a certified public accountant and a real estate appraiser, was established at the DIC on 9th June, 1999 to contribute to decisions on appropriate purchase prices and other issues through a fair and neutral procedure.

5. Business regarding Capital Injection to Financial Institutions, etc.

The Early Strengthening Law stipulates that the DIC may commission the treaty bank (the Resolution and Collection Corporation) to conduct the underwriting, etc. of shares issued by financial institutions, etc. as a measure regarding capital injection to financial institutions, etc.

(1) Subject Financial Institutions, etc.

The financial institutions, etc. subject to the underwriting, etc. of shares, etc. include those financial institutions set forth in Article 2, Paragraph 1, of the Law (banks, long-term credit banks, *Shinkin* banks, credit cooperatives and labor banks, excluding those of which the head offices are located outside the enforcement area of the Law), The *Zenshinren* Bank, associations of cooperatives which conduct the business set forth in Article 9-9, Paragraph 1, Item 1, of the Small and Medium Enterprises Cooperative Law, The *Rokinren* Bank, Central Cooperative Bank for Agriculture and Forestry, Federation of Agricultural Cooperative Associations which conducts the business set forth in Article 10, Paragraph I, Item 2 of the Agricultural Cooperative Law, Federation of Fisheries Cooperative Associations which conduct the business set forth in Article 87, Paragraph 1, Item 2, of the Fisheries Cooperative Law and holding companies of the banks set forth in Article 2, Paragraph 5, of the Law.

(2) Shares, etc. Qualified for Underwriting, etc.

The shares, etc. qualified for underwriting, etc. are ordinary shares, preferred shares, preferred investment, subordinated debentures and subordinated loans. The underwriting of ordinary shares is limited to banks (including long-term credit banks) in a state either of serious under-capitalization or the most serious under-capitalization.

(3) Capital Injection Procedure

Capital injection pursuant to the Early Strengthening Law commences when a financial institution, intending to issue shares, makes an application regarding the issue of shares to the treaty bank and also makes a similar application jointly with the treaty bank to the DIC. Following approval by the FRC, the underwriting of shares is implemented by the treaty bank which is commissioned by the DIC to conduct the underwriting of shares. The said financial institution, etc. must submit a plan to the FRC via the DIC for restoring sound management.

Upon receipt of such an application, the DIC must immediately request the approval of the FRC. Upon receipt of an application by the DIC for approval, the FRC will examine the application in light of the underwriting conditions set forth by the Early Strengthening Law.

(4) Lending to Treaty Bank

The DIC may lend the funds required by the treaty bank to conduct the underwriting, etc. of shares or may offer a debt guarantee for the treaty bank regarding borrowing the funds for the same purpose.

The treaty bank will establish a special account regarding its business of the underwriting, etc. of shares, etc. and will pay any profit in this special account to the DIC every fiscal year. If this special account incurs a loss, the DIC may compensate the loss.

(5) Business after Underwriting

When the treaty bank intends to exercise its voting right related to acquired shares and other shareholder rights, the exercise of such rights must be approved by the DIC. In addition, when a bank which has issued the shares, etc. acquired by the treaty bank becomes a subsidiary of the treaty bank, the treaty bank must conduct the managerial control of such subsidiary under the guidance or advice of the DIC so that the plan for restoring sound management can appropriately be implemented.

In regard to acquired shares, etc., the treaty bank must attempt to dispose of them through their transfer or other means as soon as possible and must obtain the approval of the DIC prior to such disposal.

When the bank in question becomes a subsidiary of the treaty bank, the treaty bank must dispose of the shares in possession through transfer or other means so that the bank in question ceases to be a subsidiary within one year of the date of the bank in question becoming a subsidiary. If such disposal cannot be made within this time limit due to unavoidable circumstances, the DIC may extend the time limit twice for one-year periods basis (the DIC must obtain the relevant approval from the FRC in advance).

The FRC will conduct follow-up work regarding the plan for restoring sound management submitted by financial institutions, etc.

1. Framework of Deposit Insurance System

(1) Deposit Insurance

1) Insured Financial Institutions

Financial institutions which are legally obligated to participate in the Deposit Insurance System include the following types of financial institutions with headquarters in Japan (Note). (Refer to Appendix 18, Table 3, for a review of the historical changes of the number of insured financial institutions.) It must be noted that an insurance relationship involving the DIC, financial institutions and their depositors automatically arises when financial institutions accept the insured deposits described in 2) below.

- a) Banks (city banks, regional banks, member banks of the Second Association of Regional Banks, trust banks and long-term credit banks, etc.)
- b) *Shinkin* banks
- c) Credit cooperatives
- d) Labor banks

Note: - Government-related financial institutions and Japanese branches of foreign banks are not covered by this system.
- Agricultural cooperatives, fishermen's cooperatives and marine products processing cooperatives, etc. are members of the Depositor Protection System in the Agricultural and Fisheries Cooperative Sector.

2) Insured Deposits

Deposits and other liabilities of member institutions which are insured under the Deposit Insurance System are as follows:

- a) Deposits
- b) Installment savings
- c) Installments
- d) Money in trust of which the principal is guaranteed (including loan trusts)

The following types of deposits and other liabilities, however, are not subject to insurance claims:

- a) Foreign currency deposits
- b) Negotiable certificates of deposit
- c) Deposits of special international financial transaction accounts (Japan off-shore market accounts)
- d) Deposits of central and local governments, public corporations and other semi-governmental organizations
- e) Deposits from the Bank of Japan and financial institutions subject to the Deposit Insurance System
- f) Deposits from the DIC

3) Insurance Premiums

General insurance premiums are used to finance such operations as insurance payments and financial assistance not exceeding the pay-off cost (general operations). General insurance premiums are computed on the basis of a member institution's total insured deposits and other liabilities as of the last day of the preceding business year and must be paid by all member institutions of the DIC within three months of the beginning of each business year. However, an installment payment system for premiums was introduced in fiscal 1996. Under the new rules, on condition that 50% of the annual premiums are paid within three months of the beginning of the business year, the remaining 50% can be paid within three months after the lapse of the first six months of the year.

The general insurance premium rate is determined by the DIC's Policy Board and then is approved by the FRC and the Minister of Finance. This rate is the same for all financial institutions (currently 0.048%).

The revision of the Law, enforced in June 1996, introduced special accounts (Special Account for Non-Credit Cooperative Financial Institutions and Special Account for Credit Cooperatives, both of which have subsequently been integrated into the Special Operations Account since February 1998) to be used for the implementation of special financial assistance and other special provisional operations and functions undertaken by the DIC. Member institutions are obligated to pay special insurance premiums to the DIC up to fiscal 2000. The insurance rate for special insurance premiums is prescribed by a government ordinance (currently 0.036%), while the payment schedule and computation method of special insurance premiums is the same as that of general insurance premiums.

The special insurance premium rate was decided to be pegged at the current rate of 0.036% as a result of the review carried out in accordance with the Law at the end of fiscal 1998.

(2) Permanent Arrangements

1) Payment of Insurance Claims and Advance Payments

< Payment of Insurance Claims >

The DIC makes insurance payments in the following two types of situations. These payments are made against claims filed by the depositors of the financial institution in question.

(a) Category One of Insurable Contingency

Claims arising from suspension of the repayment of deposits by financial institutions. In such cases, the DIC must determine whether or not to make insurance payments within one month of the suspension of repayments by a decision of the Policy Board. (If necessary, this period can be extended by one month.)

(b) Category Two of Insurable Contingency

Claims arising from the revocation of a financial institution's operating license, declaration of bankruptcy or resolution to dissolve the financial institution. In such cases, the DIC is required to automatically make insurance payments.

< Amount of Insurance Payments >

The insurance payment payable to an individual depositor is equivalent to the total balance of the insured deposits held by the said depositor in the financial institution in question, not exceeding the sum of ¥10 million per individual depositor, as prescribed by a government ordinance. The sum of accrued interest on the deposit but not added to the principal at the date when the above two situations occurred is not covered. In addition, in accordance with the June 1996 revision of the Law, insurance payments on deposits pledged as security can be deferred. Previously, a depositor's outstanding borrowings and other liabilities to the financial institution in question, as well as deposits pledged as security for third parties, were deducted from the total balance of the depositor's insured deposits.

< Advance Payments >

Advance payments are made against claims filed by depositors in the financial institution in question in order to cover their immediate living expenses when it is determined that insurance payments will not begin for a considerable length of time. The DIC must convene the Policy Board and determine whether or not to make advance payments within one week of the suspension of operation through a decision of the Board.

< Amount of Advance Payments >

In accordance with the relevant government ordinance, a maximum advance payment of ¥200,000 per account is paid against the principal held in an ordinary deposit. The amounts paid as advance payments are deducted from future insurance payments to depositors.

< Public Notice of Payment of Insurance Claims and Advance Payments >

When the DIC decides to make insurance payments or advance payments, it must notify depositors through public notices of the period and place and payment, the method of payment and procedure for filing claims. These public notices shall appear in the Official Gazette and daily newspapers and shall also be posted in the branches and offices of the financial institution in question and all financial institutions which are commissioned to handle the insurance payments.

2) Deposits Purchase

This system was introduced following the revision of the Law in June 1996 (applicable to deposits relating to insurance payments arising on 1st April, 1997 and thereafter). “Deposits purchase” refers to the system under which the DIC purchases insured deposits (including accrued interest but excluding the principal and accrued interest of deposits pledged as security) from depositors according to their filed claims. Under this system, deposits are purchased at an amount equivalent to the estimated proceeds payment, i.e. the estimated recovery value of the deposits under the bankruptcy procedure. This is calculated by multiplying the estimated proceeds payment rate and the outstanding balance of the deposits at the date of suspension of the repayment of deposits. The estimated proceeds payment rate is determined based on the estimated recovery rate under the bankruptcy procedure.

When the proceeds collected by the DIC from such purchased deposits (excluding expenses related to their purchase) exceed the estimated proceeds value, any surplus is refunded to the depositors (settlement payment).

< Public Notice of Deposits Purchase >

Whenever the DIC decides to purchase deposits, it must inform the depositors through public notices of the payment method such as period and place of purchase, the estimated amount of payment, etc.

3) Representation of Depositors in Court Procedures

Following the promulgation of the Special Corporate Reorganization Law on 21st June, 1996 (enforced on 1st April, 1997), the DIC is empowered to perform various functions designed to promote the speedy reorganization and bankruptcy procedures of failing and failed financial institutions while fundamentally following the provisions of the Corporate Reorganization Law and related ordinances. Especially on behalf of a large number of depositors,

the DIC can act as the agent for depositors in filing proof of claims for reorganization and bankruptcy procedures (in the form of the submission of the “list of depositors” to the court). Likewise, the DIC is empowered to vote on the proposed reorganization plan. In such cases, the DIC is required to act as a fiduciary for and to extend fair treatment to the depositors which it represents. When exercising its right to vote on the proposed reorganization plan, the DIC is required to announce the contents of the proposed plan in advance to depositors through individual notifications and public notices.

4) Financial Assistance

When a financial institution (referred to as a “failing financial institution” in the Law) suspends the repayment of deposits or is on the verge of doing so, and another institution (referred to as a “relieving financial institution” in the Law) decides to merge with the failing financial institution, transfer its business or acquire its shares, the DIC can extend financial assistance to the relieving financial institution to facilitate the merger, etc. mentioned above. Financial assistance may take such forms as money grants, loans, deposits, purchase of assets (including assets of failing financial institutions), guarantee of liabilities and acceptance of liabilities by the DIC.

The DIC can also provide financial assistance for mutual assistance organizations among financial institutions by making loans, providing deposits and guaranteeing liabilities when these organizations make loans or provide deposits for relieving financial institutions to facilitate merger, etc.

< Procedure for Financial Assistance >

A relieving financial institution can apply to the DIC for financial assistance when it receives the approval of the FRC (Note) for merger, etc. with a failing financial institution or when it receives the FRC’s mediation proposal. Upon acceptance of the application, the DIC decides on the basis of the decision of the Policy Board whether or not to extend financial assistance and, if so, the amount and method. In reaching its decision, the Policy Board must take into consideration the financial position of the DIC, the estimated amount of assistance required, the pay-off cost and the efficient utilization of its funds. Based on this decision, the DIC concludes a financial assistance agreement with the relieving financial institution and implements financial assistance.

Note: The approval is only given when all the following three conditions are met.

- a) That the merger, etc. will contribute to the protection of depositors.
- b) That the financial assistance of the DIC is essential for the merger, etc.
- c) That the dissolution of a failing financial institution is expected to undermine the financial stability in the geographical or business area in which the said institution does business, resulting in a serious loss of convenience for users.

If the FRC recognizes that there is an urgent need for relief action because a delay of the proposed merger or transfer of business may have a major negative impact on the protection of depositors, the financial institutions which are party to the merger or transfer of business following the recognition of urgency (hereinafter referred to as recognized financial institutions) must complete the merger or transfer of business by the date designated by the FRC. In this case, approval of the relief action at a general meeting of the shareholders of the recognized financial institutions will be given ex post facto.

5) Deposit Insurance Fund, Borrowing and Issue of Bonds

The DIC settles accounting matters relating to general operations in the General Account. The Deposit Insurance Fund in the General Account is used for insurance payments and financial assistance. If the revenue of the Fund in each business year exceeds the expenses, the difference is accumulated at the end of the said year. Conversely, if the revenue falls short of the expenses the difference is deducted from the standing amount of the Fund.

The General Account is allowed to borrow funds from the Bank of Japan up to the limit set forth by a government ordinance (¥1 trillion since June 1996 and ¥2 trillion since April 1999). the DIC is also authorized to borrow funds (including refunding) from private financial institutions and others to repay outstanding loans from the Bank of Japan or to issue the DIC bonds (including the issue of the DIC bonds for refunding purposes).

In addition, the central government can guarantee the DIC's liabilities relating to borrowing from the Bank of Japan, private financial institutions, etc. and the DIC bonds within a limit of the amount approved by the Diet. However, currently the DIC has no liabilities or bonds with government guarantee.

(3) Special Arrangements

1) Special Financial Assistance and Specified Consolidation

Following the revision of the Law in June 1996, the DIC is authorized to provide financial assistance (special financial assistance) exceeding the pay-off cost for relieving financial institutions as a temporary measure up to the end of fiscal 2000 when the FRC and the Minister of Finance recognize that merger, etc. relating to an application for financial assistance is necessary to maintain the stability of the financial system.

The revision of the Law in December 1997 added specified consolidation (which is strictly defined as a merger involving two or more failed or failing financial institutions as the parties), which presupposes mediation by the FRC and the Minister of Finance to merger, as consolidation eligible for application for financial assistance in addition to ordinary consolidation, business transfer and the acquisition of shares. Financial assistance for specified consolidation was, however, abolished at the end of March 1999.

2) Special Case of Deposits Purchase

In regard to the estimated proceeds payment mentioned earlier, the DIC is temporarily empowered to purchase deposits based on a special refund rate (special deposits purchase), when the FRC and the Minister of Finance determine a special estimated proceeds payment rate (special payment rate) as a necessity to maintain the stability of the financial system. This special permission of deposit purchase is of duration up to the end of March 2001.

3) Special Arrangement for Resolution and Collection Bank (RCB; Currently Resolution and Collection Corporation (RCC))

Following the revision of the Law in June 1996, the DIC was empowered to conclude a treaty with the RCB (currently the Resolution and Collection Corporation (RCC)), the main businesses of which are resolution and collection relating to businesses transferred from failed credit cooperatives for the purposes of making capital subscription in the RCB, extending loan guarantees, covering losses relating to resolution and collection business and providing guidance and advice as a special arrangement to smooth resolution of failed financial institutions.

The DIC is also empowered to investigate the assets of debtors if clarification of the assets held by debtors is deemed necessary in relation to loans assumed or acquired by the RCB from failed credit cooperatives and also to conduct the work of collecting loans which requires professional knowledge to do so, as entrusted by the RCB.

The revision of the Law in February 1998 assigned to the RCB the enlarged function of asset acquisition not only from credit cooperatives but also from other financial institutions and thus also acting as a successor for non-credit cooperative financial institutions as supplements of the purposes of the resolution and collection business by the RCB. Furthermore, special investigative power was given to the DIC staff members in regard to transferred claims to the RCB and assets acquired by the DIC based on the asset purchase scheme under special financial assistance.

4) Fiscal Measures Accompanying Special Arrangements

The DIC settles accounting matters relating to special operations in the Special Operations Account. The liability reserve in this account is used for special financial assistance, special deposits purchase, covering of losses, etc. by the treaty bank.

The Special Operations Account is allowed to borrow funds (including refunding) from the Bank of Japan, private financial institutions, etc. and to issue the DIC bonds (including the issue of the DIC bonds for refunding purposes) up to the limit set forth by a government ordinance (¥10 trillion since December 1997).

For its part, the government can guarantee the DIC's liabilities relating to borrowing from the Bank of Japan, private financial institutions, etc. and the DIC bonds within the limit of the amount approved by the Diet.

In addition, the Special Operations Fund has been established in the Special Operations Account to ensure its health and the smooth implementation of special operations. Seven trillion yen worth of government bonds has been granted to the DIC to establish this Fund. The Fund can be used according to the category of the operations whenever it is deemed necessary to ensure the smooth implementation of special operations and can also be drawn on to cover an accumulated loss in the Special Operations Account at the completion date of special operations.

The Special Operations Account will be abolished at the end of fiscal 2001 and the assets and liabilities of this account will be transferred to the General Account.

2. Historical Expansion and Consolidation of Deposit Insurance System

	Initial Provisions in 1971	Amendments and Additions of July 1986	
1. Insured Financial Institutions [by law]	Banks, <i>Sogo</i> banks* <i>Shinkin</i> banks, Credit cooperatives		Labour banks added
2. Capitalization [by approval]	¥450 million : Government: ¥150 million Bank of Japan: ¥150 million Private Financial Institutions: ¥150 million		¥455 million : Capital subscription by labour banks: ¥5 million
3. Governor, Deputy Governors, Auditor [by appointment of Prime Minister (October 1998)]	Governor (Senior Deputy Governor of the Bank of Japan) Deputy Governor (1) Auditor (1)		
4. Insurance Premiums General premium rate [by approval] Special premium rate [by government ordinance]	0.006%	Fiscal 1982: 0.008%	Fiscal 1986: 0.012%
5. Payment Date of Insurance Premium [by law]	Within 3 months of beginning of business year		
6. Maximum Insurance Payments (per depositor) [by government ordinance]	¥1 million	June 1974: ¥3 million	July 1986: ¥10 million
7. Payment by placing deposits on behalf of depositors [by law]			
8. Advance Payment [by law] Maximum Amount of Advance Payment (per ordinary deposit account) [by government ordinance]			Introduced ¥200 thousand
9. Deposits Purchase [by law]			
10. Representation of Depositors in Court Procedures [by law]**			
11. Financial Assistance [by law]			Introduced
12. Purchase of Assets of Financial Institutions [by law]			Purchase of assets from relieving financial institutions
13. Borrowing of Funds (general account) (1) Maximum Borrowing from the Bank of Japan [by government ordinance] (2) Borrowing from Financial Institutions for Repayment of the Bank of Japan Borrowings [by law]	¥50 billion		¥500 billion Introduced

* *Sogo* banks were thereafter gradually transformed into banks. (The *Sogo* Bank Law was abolished on 1st April, 1993.)

** Law to Provide Special Procedures for Reorganizing Financial Institutions (Special Reorganization Law)

Amendments and Additions of June 1996	Principals among Special Measures and Functions Introduced in the June 1996 Amendment of the Law
→	<ul style="list-style-type: none"> - Provision of new capital, coverage of losses, guarantee of liabilities, and provision of guidance and advice to the treaty bank (RCB) - Investigation of the assets of borrowers of outstanding loan assets acquired by the treaty bank (RCB) and collection of outstanding loans - Consignment of the purchase of the assets of failing credit cooperatives to the treaty bank (RCB) - Special financial assistance - Special deposits purchase - Government loan guarantees for borrowings from the Bank of Japan and other financial institutions for implementing special provisional operations and functions related to failing credit cooperatives - Collection of special insurance premiums
<p>July 1996: → ¥5,455 million [<i>Jusen</i> Account] ¥5 billion (contributed by the Government)</p>	
<p>[by appointment of Minister of Finance] → [by appointment of Prime Minister and approved by both Houses of the Diet] (June 1998) (October 1998)</p> <p>Maximum of 3 → Maximum of 4 (June 1998) (October 1998)</p>	
<p>Fiscal 1996: → 0.048% Newly introduced: 0.036% [special provision]</p>	Main Revisions of the Law in December 1997
<p>Within 3 months of beginning of fiscal year. However, 50% of payment can be made within 3 months after a lapse of the first 6 months of the fiscal year.</p>	<ul style="list-style-type: none"> - Adding of consolidation to the types of merger, etc. for which an application for financial assistance can be made - Financial assistance for specified consolidation - Raising of the borrowing limit from the Bank of Japan, etc. relating to special operations (from ¥1 trillion to ¥10 trillion)
→	Main Revisions of the Law in February 1998
Introduced	<ul style="list-style-type: none"> - Integration of the Special Account for Non-Credit Cooperative Financial Institutions and the Special Account for Credit Cooperatives into the Special Operations Account - Appreciation of ¥10 trillion for government guarantee of the DIC's borrowings and bond issues relating to the Special Operations Account - Expansion of the RCB's functions to act as a receiving bank for non-credit cooperative financial institutions - Issue of the DIC bonds - Extension of the penal investigative power to include the collection business for loans made by failed financial institutions - Introduction of the Special Operations Fund (up to a limit of ¥7 trillion worth of government granted bonds)
→	Main Issues of the Financial Reconstruction Related Laws enacted in October 1998
Introduced (April 1997)	<ul style="list-style-type: none"> - Additional assignment of financial reorganization administrative operations - Additional assignment of special public management related operations - Additional assignment of relevant operations to increase equity capital of financial institutions etc. - Enlargement of target area for asset acquisition by adding banks under special public management, bridge banks, financial institutions, etc. - Introduction of the financial reconstruction account (¥1.8 trillion) for loans, etc. to banks under special public management and bridge banks - Introduction of the Early Strengthening Account (¥2.5 trillion) for loans, loss compensations, etc. to treaty banks subscribing for stocks of financial institutions, etc.
Introduced (April 1997)	
→	
<p>Purchase of assets from failing financial institutions (June 1996) → Purchase of assets from banks under special public management, etc. (October 1998)</p>	
<p>→ ¥1 trillion (June 1996) ¥2 trillion (April 1999)</p>	
<p>→ Financial Institutions, etc. (October 1998)</p>	

3. Historical Expansion and Consolidation of Special Arrangements related to Treaty Bank/Specified Treaty Bank (RCB) and Disposal of *Jusen* Companies

(1) The Treaty Bank/The Specified Treaty Bank (RCB)

Revisions of the Law in June 1996	Revisions of the Law in February 1998	Revisions of the Law in October 1998
- Capital subscription in the RCB	- No alterations	- No alterations
- Covering of losses incurred by the RCB (restricted to losses related to the entrusted purchase of assets)	- Coverage of losses extended to "losses related to merger and business transfer based on an agreement"	- No alterations
	- Lending to the RCB	- No alterations
- Guarantee of liabilities related to borrowing by the RCB	- No alterations	- No alterations
	- Receipt of money paid in by the RCB	- No alterations
- Guidance and advice for the RCB	- No alterations	- No alterations
- Investigation into the assets of debtors and collection of claims related to transferred claims to the RCB	- Penal provision added to strengthen investigation into the assets of debtors	- No alterations
	- Approval of entrusted collection to the HLAC	- No alterations
- Authority to make enquiries of and to seek the cooperation of government agencies, public organizations and others	- No alterations	- No alterations
		- Actions necessary for merger between the RCB and the HALC

Original Financial Function Reconstruction Law October 1998
- Commitment of asset purchase of financial institutions, etc. to the specified treaty bank
- Compensation of losses incurred by the specified treaty bank
- Lending to the specified treaty bank
- Guarantee of liabilities related to borrowing by the specified treaty bank
- Receipt of money paid by the specified treaty bank
- Investigation into the assets of debtors (taking out a mortgage as penalty) and collection of claims related to transferred claims to the specified treaty bank
- Approval of entrusted collection to the HLAC
- Authority to make enquiries of and to seek the cooperation of government agencies, public organizations and others

(2) Disposal of *Jusen* Companies

The Original <i>Jusen</i> Law June 1996	Revisions of the <i>Jusen</i> Law in April 1998	Revisions of the <i>Jusen</i> Law in October 1998
- Capital subscription in, provision of subsidies for, liability guarantee and guidance/advice for the HLAC	- No alterations	- No alterations
- Investigation (with penal provisions) into the assets of debtors and collection of claims related to loans transferred to the HLAC	- Scope of penal investigation extended to real estate assets pledged as security for third parties	- No alterations
	- Approval of entrusted collection to the RCB	- No alterations
- Authority to make enquiries and to seek the cooperation of government agencies, public organizations and others	- No alterations	- No alterations
- Borrowing from financial institutions (separate from borrowing for general operations and up to the government capital in the <i>Jusen</i> account of ¥5 billion)	- No alterations	- No alterations
- Receipt of government subsidies and contributions by the Bank of Japan and private financial institutions; payment of profit arising from collection by the HLAC to the government	- Revised methods for the HLAC to receive subsidies and the payment of collection profits to the government (Any surplus after offsetting half of the secondary losses against the collection profit in each business year is paid to the government. In the case of a deficit, a government subsidy is provided.)	- No alterations
- Establishment of a coordinating council by the government	- No alterations	- No alterations
		- Actions necessary for merger between the HALC and the RCB

4. Chronology of Events during Fiscal 1998

Date	Deposit Insurance Operations	Assets Collection Operations, etc.		Financial Reconstruction and Financial Function Early Strengthening Operations, etc.
		HLAC-Related	RCB-Related	
< 1998 > 10th April		- Enforcement of the Revised <i>Jusen</i> Law: Offset of subsidies for secondary losses by profit out of collected money, etc.		
13th April	- Execution of financial assistance in business transfer from Tanabe Credit Cooperative to Sakura Bank			
22nd April		- 17th regular meeting of executives		
24th April (99th Policy Board Meeting)	- Decision to extend financial assistance in business transfer from Chogin Osaka Credit Cooperative to Chogin Kinki Credit Cooperative (executed on 5th May)			
27th April			- 20th regular meeting of executives	
27th May		- 18th regular meeting of executives		
29th May			- 21st regular meeting of executives	
16th June (100th Policy Board Meeting)	- Settlement of fiscal 1997 accounts	- Decision to extend subsidiary to the HLAC		
23rd June		- 19th regular meeting of executives		
29th June		- Start of suit against Sumitomo Bank by the HLAC for taking responsibility of introducer		
30th June			- 22nd regular meeting of executives	
28th July			- 23rd regular meeting of executives	
29th July		- 20th regular meeting of executives		
10th August (101st Policy Board Meeting)	- Decision to extend financial assistance in business transfer from Teishin Credit Cooperative to Dai-Ichi Kangyo Credit Cooperative (executed on 24th August)			
31st August			- 24th regular meeting of executives	

<p>9th September (102nd Policy Board Meeting)</p>	<ul style="list-style-type: none"> - Decision to extend financial assistance in specified merger between Fukutoku Bank and Naniwa Bank (executed on 1st October) - Decision to extend financial assistance in business transfer from Yutaka Credit Cooperative to Ikebukuro Credit Cooperative (executed on 28th September) 	<ul style="list-style-type: none"> - Decision to take a supportive part in the law suit by the HLAC against Sumitomo Bank 		
<p>25th September</p>		<ul style="list-style-type: none"> - 21st regular meeting of executives 	<ul style="list-style-type: none"> - 25th regular meeting of executives 	
<p>29th September 6th October (103rd Policy Board Meeting)</p>	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Kyoto Kyoie Bank to Kofuku Bank and other 3 institutions (executed on 26th October) - Decision to extend financial assistance in business transfer from Seinan Credit Cooperative to Sumitomo Bank (executed on 19th October) - Decision to extend financial assistance in business transfer from Shinagawa Credit Cooperative to Dai-tokyo Credit Cooperative (executed on 9th November) 			
<p>23rd October (104th Policy Board Meeting)</p>	<ul style="list-style-type: none"> - Revision of operation guideline reflecting revision of the Law, etc. - Alteration in fiscal 1998 budget and funding plan 	<ul style="list-style-type: none"> - Revision of operation guideline reflecting revision of the <i>Jusen</i> Law 		<ul style="list-style-type: none"> - Enforcement of Financial Function Reconstruction Law, Law for Partial Revision of the Law and Early Strengthening Law - Abolition of Financial Function Stabilization Law - Revision of Articles of Association reflecting enactment of Financial Function Reconstruction Law

				<ul style="list-style-type: none"> - Preparation of operation guideline following enactment of Financial Function Reconstruction Law - Dissolution of Crisis Management Committee as well as its secretariat and establishment of Financial Reconstruction Department - Decision to commence special public management for Long-Term Credit Bank of Japan
27th October		- 22nd regular meeting of executives		
28th October			- 26th regular meeting of executives	
29th October (105th Policy Board Meeting)	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Hokkaido Takushoku Bank to Hokuyo Bank and Chuo Trust & Banking (executed on 16th November) 			<ul style="list-style-type: none"> - Revision of Articles of Association and preparation of operation guideline following enactment of Early Strengthening Law
5th November		- Conclusion of treaty on merger between the RCB and Loan Disposal Company		<ul style="list-style-type: none"> - Conclusion of treaty with the RCB on commitment of operations such as underwriting, etc. of shares, etc. or disposal of acquired shares and claimable assets arising from loans - Conclusion of treaty on specified resolution and collection
9th November (106th Policy Board Meeting)	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Tokuyo City Bank to Sendai Bank and other 12 institutions (executed on 24th November) - Decision to extend financial assistance in business transfer from Chugoku Credit Cooperative to Osaka Shomin Credit Cooperative (executed on 24th November) - Decision to extend financial assistance in business transfer from Rokko Credit Cooperative to Fuji Credit Cooperative (executed on 24th November) 			

<p>11th November 25th November (107th Policy Board Meeting)</p>	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Hoei Credit Cooperative to Tomin Credit Cooperative (executed on 7th December) - Decision to extend financial assistance in business transfer from Toko Credit Cooperative to Eitai Credit Cooperative (executed on 21st December) - Decision to extend financial assistance in business transfer from Taihei Credit Cooperative to Seikyo Credit Cooperative (executed on 14th December) - Alteration in fiscal 1998 budget and funding plan concerning General Account and Special Operations Account - Revision of operation guideline following enforcement of Financial System Reform Law 	<p>- 11th meeting of Tripartite Council of Real Estate Assets</p>		<p>- 27th regular meeting of executives</p>	<p>- Decision to commence special public management for Nippon Credit Bank</p>
<p>30th November 2nd December 7th December (108th Policy Board Meeting)</p>	<ul style="list-style-type: none"> - Revision of operation guideline 	<p>- 23rd regular meeting of executives</p>		<p>- 27th regular meeting of executives</p>	<p>- Decision to commence special public management for Nippon Credit Bank</p>
<p>18th December (109th Policy Board Meeting)</p>	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Nagaoka Credit Cooperative to Hokuetsu Bank (executed on 11th January, 1999) 				<p>- Decision to commence special public management for Nippon Credit Bank</p>

<p>25th December</p>	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Daiwa Credit Cooperative to Seikyo Credit Cooperative (executed on 11th January, 1999) - Decision to extend financial assistance in business transfer from Nara-Ken Credit Cooperative to Nanto Bank (executed on 18th January, 1999) - Alteration in fiscal 1998 budget and funding plan concerning General Account, Special Operations Account and Financial Reconstruction Account 	<ul style="list-style-type: none"> - Conclusion of agreement or merger between the HLAC and the RCB, and conclusion of tripartite treaty on the merger. 		
<p>< 1999 > 11th January (110th Policy Board Meeting)</p>	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Shizuoka Commercial Bank Credit Cooperative to Yokohama Commercial Bank Credit Cooperative (executed on 25th January) - Decision to extend financial assistance in business transfer from Shonan Credit Cooperative to Atsugi Credit Cooperative (executed on 8th February) - Decision to extend financial assistance in business transfer from Nippon Savings Credit Cooperative to Seikyo Credit Cooperative (executed on 8th February) 	<ul style="list-style-type: none"> - 24th regular meeting of executives 		
<p>26th January 27th January</p>			<ul style="list-style-type: none"> - 28th regular meeting of executives 	

1st February	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Seibu Credit Cooperative to Asahi Bank (executed on 15th February) - Decision to extend financial assistance in business transfer from Kanagawa-shoko Credit Cooperative to Kawasaki Shinkin Bank (executed on 22nd February) - Decision to extend financial assistance in business transfer from Credit Cooperative of Yamaguchi Commercial Bank to Credit Cooperative of Hiroshima Commercial Bank (executed on 22nd February) - Decision to extend financial assistance in business transfer from Shimane Commercial Bank Credit Cooperative to Credit Cooperative of Hiroshima Commercial Bank (executed on 22nd February) 	- Agreement on composition with Sumitomo Bank	- Settlement of fiscal 1998 Financial Crisis Management Account
10th February (112th Policy Board Meeting)	- Revision of operation guideline		
23rd February (113th Policy Board Meeting)	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Kawachi Credit Cooperative to Seikyo Credit Cooperative (executed on 8th March) - Decision to extend financial assistance in business transfer from Sagami-hara Credit Cooperative to Yachiyo Bank (executed on 8th March) 		

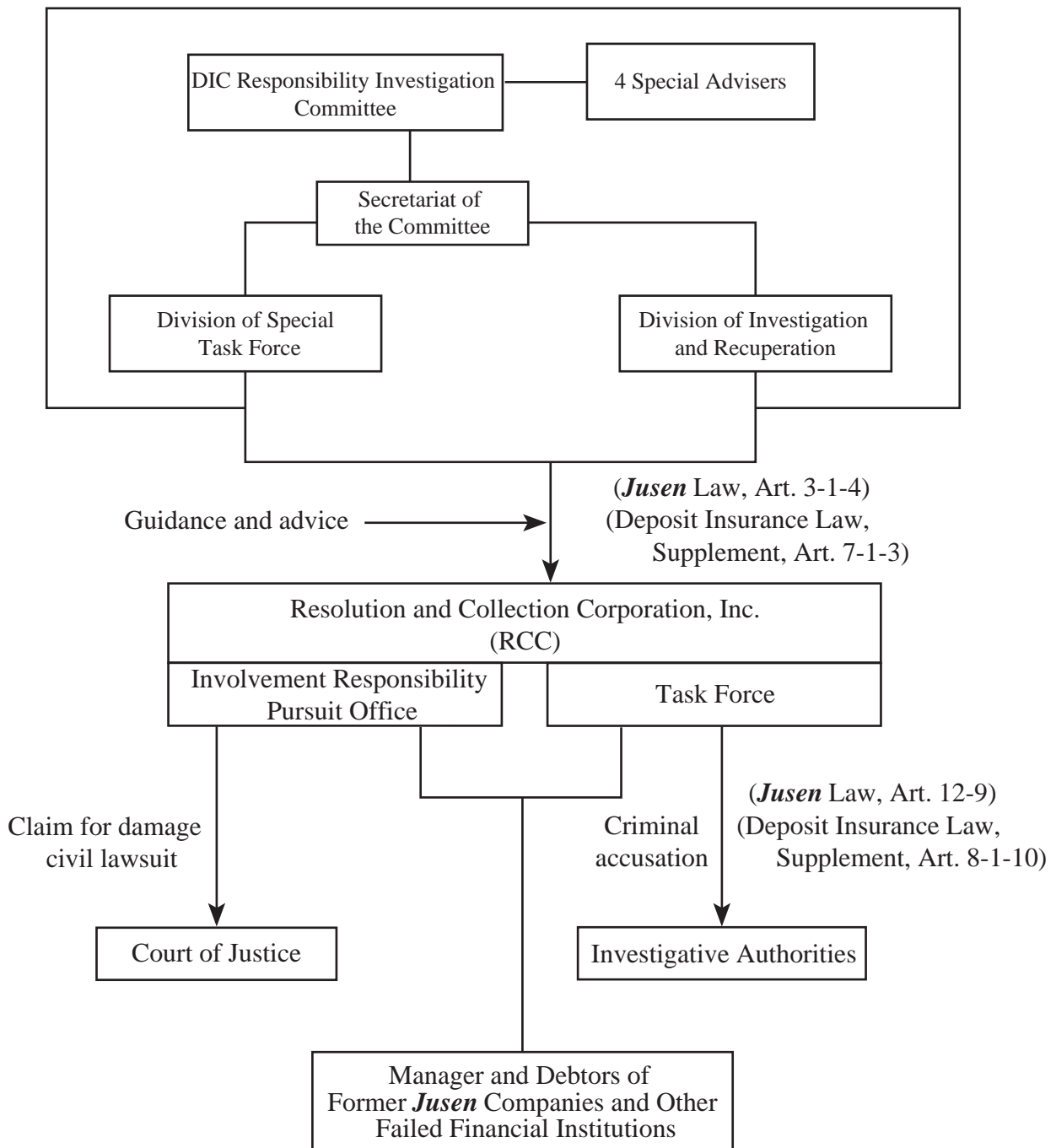
<p>9th March (114th Policy Board Meeting)</p>	<ul style="list-style-type: none"> - Alteration in fiscal 1998 budget and funding plan concerning General Account, Special Operations Account and Financial Reconstruction Account - Decision to extend financial assistance in merger between Hanshin Bank and Midori Bank (executed on 23rd March/1st April) - Decision to extend financial assistance in business transfer from Saitama Commercial Bank Credit Cooperative to Tokyo Commercial Bank Credit Cooperative (executed on 23rd March) - Decision to extend financial assistance in business transfer from Hokkai Commercial Bank Credit Cooperative to Credit Cooperative of Miyagi Commercial Bank (executed on 29th March) - Decision to extend financial assistance in business transfer from Takashima Credit Cooperative to Shiga-Ken Credit Cooperative and Shiga Bank (executed on 5th April) - Alteration in fiscal 1998 budget and funding plan concerning Special Operations Account, Financial Reconstruction Account and Early Strengthening Account 	<p>- 25th regular meeting of executives</p>	<p>- Decision to finance the RCB</p>	
<p>16th March</p>				

25th March (115th Policy Board Meeting)	<ul style="list-style-type: none"> - Revision of Articles of Association and operation guideline - Decision to extend financial assistance in business transfer from Osaka Towa Credit Cooperative to Daido Credit Cooperative (executed on 19th April) - Decision on fiscal 1999 budget and funding plan 	<ul style="list-style-type: none"> - Decision to conclude an agreement on resolution and collection operation with the RCC 	
30th March		<ul style="list-style-type: none"> - Approval of fiscal 1999 and 2000 project plan and funding plan of the HLAC - Conclusion of second treaty on the merger 	<ul style="list-style-type: none"> - Capital injection to financial institutions based on Early Strengthening Law (financing 15 banks, including 8 city banks, 1 long-term credit bank, 5 trust banks and 1 regional bank with 7,459,250 million yen)

Note) On 1st April, 1999, the HLAC and the RCB were consolidated into the RCC (the Resolution and Collection Corporation), and on the same day the DIC concluded a treaty with the RCC on resolution and collection operation.

5. Responsibility Pursuit System

Deposit Insurance Corporation of Japan



6. List of Accusations

(For the period from the establishment of the Special Investigation Department to 31st March, 1999)

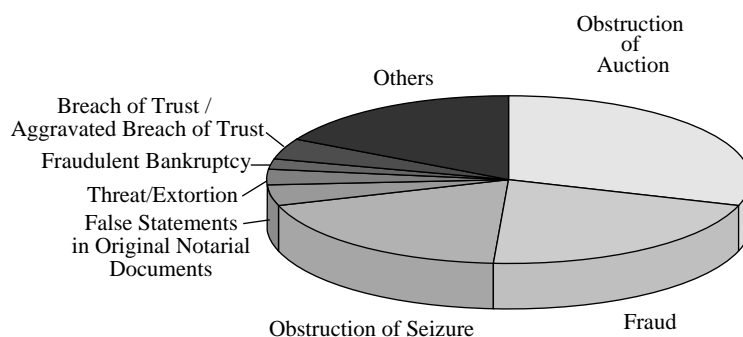
1. Number of Accusations

	HLAC	RCB	Total
Arrests	69 (135)	19 (29)	88 (164)
Accusations (under Investigation by Investigative Authorities)	8 (15)	4 (8)	12 (23)
Total	77 (150)	23 (37)	100 (187)

2. Breakdown of Accusations

Category		HLAC	RCB	Total	Ratio (%)
Cases Related to Borrowers	Obstruction of Auction	27 (49)	3 (7)	30 (56)	30.0
	Fraud	18 (44)	3 (5)	21 (49)	21.0
	Obstruction of Seizure	15 (36)	4 (5)	19 (41)	19.0
	False Statements in Original Notarial Documents	4 (7)	0 (0)	4 (7)	4.0
	Threat/Extortion	3 (3)	0 (0)	3 (3)	3.0
	Fraudulent Bankruptcy*	1 (1)	1 (1)	2 (2)	2.0
	Others	9 (10)	4 (4)	13 (14)	13.0
	Sub-total	77 (150)	15 (22)	92 (172)	92.0
Cases Related to Lenders	Breach of Trust / Aggravated Breach of Trust	0 (0)	4 (11)	4 (11)	4.0
	Others	0 (0)	4 (4)	4 (4)	4.0
	Sub-total	0 (0)	8 (15)	8 (15)	8.0
Total		77 (150)	23 (37)	100 (187)	100.0

*Stipulated in Bankruptcy Law (Article 374) The parenthesized numbers represent the number of accused persons.



7. List of Civil Liabilities Appealed to Court

Name of Claimant		HLAC		RCB		DIC		Total	
		Cases	Amount Claimed (¥Million)	Cases	Amount Claimed (¥Million)	Cases	Amount Claimed (¥Million)	Cases	Amount Claimed (¥Million)
Claims for Damages	Illegal Acts and Breaches of Good Manager's Duty of Due Care			5	9,820			5	9,820
	Breach of Good Manager's Duty of Due Care								
	Management Responsibility	1	3,600	10	20,370	3	510	14	24,480
	Intermediary Responsibility	2	5,010 (Settled out of court by payment of 3 billion yen, 1st February, 1999)					2	5,010
	Sub-total	3	8,610	15	30,190	3	510	21	39,310
	Performances of Obligations of Guarantee			1	3,000			1	3,000
	Revocations of Fraudulent Acts			(1)	10			(1)	10
	Total	3	8,610 (Out-of court settlement by ¥3 billion)	16	33,200	3	510	22	42,320

Note: As for the revocations of fraudulent acts, the number of cases parenthesized has no effect on the total number because they overlap with the cases considered as illegal acts or 'breaches of good manager's duty of due care'.

8. Extension of Financial Assistance (as of 16th June, 1999)

< Up to Fiscal 1995 >

	Date of Execution	Date of Decision by Policy Board	Relieving Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
1	01/04/92	28/10/91	Iyo Bank	Toho <i>Sogo</i> Bank	Loan (for 5 years)	8.0
2	01/10/92	01/06/92	Sanwa Bank	Toyo <i>Shinkin</i> Bank	Grant	20.0
3	01/10/93	24/06/93	Bank of Iwate	Kamaishi <i>Shinkin</i> Bank	Grant	26.0
4	01/11/93	28/07/93 (28/10/93)	Credit Cooperative Osaka Koyo	Osaka Fumin Credit Cooperative	Grant (inclusive of additional assistance)	19.0 (19.9)
5	13/03/95	25/11/94	Credit Cooperative Kansai Kogin	Credit Cooperative Gifu Shogin	Grant	2.5
6	20/03/95	09/02/95	Tokyo Kyodo Bank	- Tokyo Kyowa Credit Cooperative - Anzen Credit Cooperative	Grant	40.0
7	31/07/95	19/05/95	Kanagawa-Ken Labor Bank	Yuai Credit Cooperative	Grant	2.8
8	29/01/96	14/12/95	Midori Bank	Hyogo Bank	Grant	473.0
9	25/03/96	16/02/96	Tokyo Kyodo Bank	Cosmo Credit Cooperative	Grant	125.0
Total				9 cases	Loan Grant	8.0 709.2

< Fiscal 1996 >

	Date of Execution	Date of Decision by Policy Board	Relieving Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
10	19/08/96	24/06/96 (20/01/97)	Fukui Bank	Fukui-Ken Dai-Ichi Credit Cooperative	Grant (after reduction)	0.6 (0.5)
11	17/09/96	07/08/96	Wakashio Bank	Taiheiyo Bank	Grant	117.0
12	05/11/96	28/10/96	Danyo Credit Cooperative	Sanyo Credit Cooperative	Grant Assets Purchase	12.9 3.3
13	05/11/96	28/10/96	Danyo Credit Cooperative	Kenmin Daiwa Credit Cooperative	Grant Assets Purchase	10.8 3.8
14	20/01/97	09/01/97	Tokai Bank	Osaka Credit Cooperative	Grant Assets Purchase	169.7 82.9
15	24/02/97	14/02/97	RCB	Kizu Credit Cooperative	Grant	1,034.0
Total				6 cases	Grant Assets Purchase	1,344.9 90.0

< Fiscal 1997 >

	Date of Execution	Date of Decision by Policy Board	Relieving Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
16	21/04/97	11/04/97 (24/04/98)	RCB	Sanpuku Credit Cooperative	Grant (after reduction)	26.2 (25.3)
17	04/11/97	22/10/97	Hyogo-Ken Credit Cooperative	Hanshin Labor Credit Cooperative	Grant Assets Purchase	3.7 0.4
18	17/11/97	22/10/97	Bank of Fukuoka	Kitakyushu Credit Cooperative	Grant Assets Purchase	4.0 3.8
19	25/11/97	22/10/97 (03/03/98)	Bank of Yokohama	Kanagawa-Ken Credit Cooperative	Grant (after reduction) Assets Purchase	19.2 (18.9) 23.2)
20	26/01/98	14/01/98 (30/03/98)	Kii Deposits Management Bank	Hanwa Bank	Grant (after reduction) Assets Purchase Liability Assumption	84.9 (83.4) 208.6 4.0
21	26/01/98	14/01/98	Juroku Bank	Toki Credit Cooperative	Grant Assets Purchase	4.3 1.1
22	09/02/98	14/01/98 (30/03/98)	Ogaki Kyoritsu Bank	Tokai Credit Cooperative	Grant (after reduction) Assets Purchase	15.5 (15.0) 2.3
Total				7 cases	Grant Assets Purchase Liability Assumption	154.6 239.4 4.0

< Fiscal 1998 >

	Date of Execution	Date of Decision by Policy Board	Relieving Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
23	13/04/98	30/03/98 (16/06/98)	Sakura Bank	Tanabe Credit Cooperative	Grant (after reduction) Assets Purchase	82.8 (81.7) 26.4
24	11/05/98	24/04/98	Chogin Kinki Credit Cooperative	Chogin Osaka Credit Cooperative	Grant (after reduction) Assets Purchase	268.3 (262.6) 47.6
25	24/08/98	10/08/98 (16/06/98)	Dai-Ichi Kangyo Credit Cooperative	Teishin Credit Cooperative	Grant (after reduction) Assets Purchase	2.2 (2.1) 1.2
26	28/09/98	09/09/98	Ikebukuro Credit Cooperative	Yutaka Credit Cooperative	Grant Assets Purchase	10.0 3.1
27	01/10/98	09/09/98	Namihaya Bank (Newly established)	Fukutoku Bank / Naniwa Bank	Assets Purchase	301.8
28	19/10/98	06/10/98	Sumitomo Bank	Seinan Credit Cooperative	Grant Assets Purchase	8.3 6.9
29	26/10/98	06/10/98 (16/04/99)	Kofuku Bank	Kyoto Kyohei Bank	Grant (after reduction) Assets Purchase	45.6 (43.8) 58.1

	Date of Execution	Date of Decision by Policy Board	Relieving Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
30	09/11/98	06/10/98	Dai-tokyo Credit Cooperative	Shinagawa Credit Cooperative	Grant Assets Purchase	17.1 10.0
31	16/11/98	29/10/98 (16/06/99)	Hokuyo Bank / Chuo Trust & Banking	Hokkaido Takushoku Bank	Grant (after reduction) Assets Purchase	1794.7 (1756.0) 1616.6
32	24/11/98	09/11/98 (26/05/99)	Sendai Bank	Tokuyo City Bank	Grant (after reduction) Assets Purchase	123.8 (119.3) 169.5
33	24/11/98	09/11/98 (26/05/99)	Osaka Shomin Credit Cooperative	Chugoku Credit Cooperative	Grant (after reduction) Assets Purchase	4.9 (4.8) 2.3
34	24/11/98	09/11/98 (26/05/99)	Fuji Credit Cooperative	Rokko Credit Cooperative	Grant (after reduction) Assets Purchase	7.6 (7.4) 7.9
35	07/12/98	25/11/98	Tomin Credit Cooperative	Hoei Credit Cooperative	Grant Assets Purchase	13.6 7.6
36	14/12/98	25/11/98	Seikyo Credit Cooperative	Taihei Credit Cooperative	Grant Assets Purchase	17.8 10.0
37	21/12/98	25/11/98	Eitai Credit Cooperative	Toko Credit Cooperative	Grant Assets Purchase	10.4 10.9
38	11/01/99	18/12/98	Hokuetsu Bank	Nagaoka Credit Cooperative	Grant Assets Purchase	1.8 2.9
39	11/01/99	18/12/98	Seikyo Credit Cooperative	Daiwa Credit Cooperative	Grant Assets Purchase	51.8 17.4
40	18/01/99	18/12/98	Nanto Bank	Nara-Ken Credit Cooperative	Grant Assets Purchase	11.3 4.0
41	25/01/99	11/01/99	Yokohama Commercial Bank Credit Cooperative	Shizuoka Commercial Bank Credit Cooperative	Grant Assets Purchase	16.2 2.2
42	08/02/99	11/01/99	Atsugi Credit Cooperative	Shonan Credit Cooperative	Grant Assets Purchase	13.3 8.6
43	08/02/99	11/01/99	Seikyo Credit Cooperative	Nippon Savings Credit Cooperative	Grant Assets Purchase	23.0 9.0
44	15/02/99	01/02/99 (16/06/99)	Asahi Bank	Seibu Credit Cooperative	Grant (after reduction) Assets Purchase	5.0 (4.9) 4.9
45	22/02/99	01/02/99	Kawasaki <i>Shinkin</i> Bank	Kanagawa-shoko Credit Cooperative	Grant Assets Purchase	12.8 9.9
46	22/02/99	01/02/99	Credit Cooperative of Hiroshima Commercial Bank	Credit Cooperative of Yamaguchi Commercial Bank	Grant Assets Purchase	20.3 11.2
47	22/02/99	01/02/99	Credit Cooperative of Hiroshima Commercial Bank	Shimane Commercial Bank Credit Cooperative	Grant Assets Purchase	0.9 0.2
48	08/03/99	23/02/99	Seikyo Credit Cooperative	Kawachi Credit Cooperative	Grant Assets Purchase	91.5 28.9

	Date of Execution	Date of Decision by Policy Board	Relieving Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
49	08/03/99	23/02/99	Yachiyo Bank	Sagamihara Credit Cooperative	Grant Assets Purchase	27.6 24.9
50	23/03/99	09/03/99	Hanshin Bank	Midori Bank	Assets Purchase	265.9
51	23/03/99	09/03/99	Tokyo Commercial Bank Credit Cooperative	Saitama Commercial Bank Credit Cooperative	Grant Assets Purchase	36.7 8.3
52	29/03/99	09/03/99	Credit Cooperative of Miyagi Commercial Bank	Hokkai Commercial Bank Credit Cooperative	Grant Assets Purchase	9.9 3.3
Total				30 cases	Grant Assets Purchase	2676.9 2681.5

< Fiscal 1999 >

	Date of Execution	Date of Decision by Policy Board	Relieving Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
-	01/04/99	09/03/99	Hanshin Bank	Midori Bank	Grant	790.1
53	05/04/99	09/03/99	Shiga-Ken Credit Cooperative	Takashima Credit Cooperative	Grant Assets Purchase	6.2 2.7
54	19/04/99	25/03/99	Daido Credit Cooperative	Osaka Towa Credit Cooperative	Grant Assets Purchase	12.3 3.7
55	06/05/99	16/04/99	Kiyo Bank	Wakayama-Ken Shoko Credit Cooperative	Grant Assets Purchase	176.8 42.5
56	17/05/99	16/04/99	Daido Credit Cooperative	Kowa Credit Cooperative	Grant Assets Purchase	35.3 12.2
57	14/06/99	26/05/99	Daido Credit Cooperative	Fukuju Credit Cooperative	Grant Assets Purchase	54.6 19.4
58	28/06/99	16/06/99	Osaka Shomin Credit Cooperative	Howa Credit Cooperative	Grant Assets Purchase	16.2 11.1
Total				6 cases	Grant Assets Purchase	1091.5 91.7

- Notes: 1. Relieving financial institutions are applicants for financial assistance.
2. Since the values given in the tables are rounded off to the nearest billion, totals sometimes do not equal the sum of the amounts.
3. Nos.12 - 26, 28, 30 - 36 and 38 - 58 are carried out as special financial assistances.
4. For the second case of Midori Bank given in fiscal 1999, only the amount of grant is shown because asset purchase was already carried out in 1998.

Reference: Cases of Bank Failures Officially Announced (as of 18th June, 1999)

Date of Announcement	Financial Institution in Failure	Financial Institution Giving Bailout
13/05/98	Credit Cooperative of Osaka Koyo	Osaka Shomin Credit Cooperative
15/05/98	Credit Cooperative of Fukuoka Commercial Bank	Pending
18/03/99	Kihoku Credit Cooperative	Kinokuni Credit Cooperative
16/04/99	Kyodo Credit Cooperative	Senwa Credit Cooperative
Ditto	Chitose Credit Cooperative	
Ditto	Sobu Credit Cooperative	Tomin Credit Cooperative
Ditto	Daito Credit Cooperative	
Ditto	Tokyo Towa Credit Cooperative	Koto Credit Cooperative
21/04/99	Fudo <i>Shinkin</i> Bank	(A <i>Shinkin</i> Bank in Osaka is in Tended.)
23/04/99	Kanda <i>Shinkin</i> Bank*	Kosan <i>Shinkin</i> Bank
Ditto	Tamano <i>Shinkin</i> Bank*	Okayama <i>Shinkin</i> Bank
28/04/99	Credit Cooperative of Kochi Commercial Bank	Credit Cooperative of Hiroshima Commercial Bank
14/05/99	Chogin Aomori Credit Cooperative	(Provisional name) Chogin Hokuto Credit Cooperative
Ditto	Chogin Miyagi Credit Cooperative	
Ditto	Chogin Fukui Credit Cooperative	(Provisional name) Chogin Tokai Credit Cooperative
Ditto	Chogin Aichi Credit Cooperative	
Ditto	Chogin Hiroshima Credit Cooperative	(Provisional name) Chogin Nishi Credit Cooperative
Ditto	Chogin Yamaguchi Credit Cooperative	
Ditto	Chogin Shimane Credit Cooperative	
Ditto	Chogin Fukuoka Credit Cooperative	
Ditto	Chogin Nagasaki Credit Cooperative	
21/05/99	Chogin Tokyo Credit Cooperative	(Provisional name) Chogin Kanto Credit Cooperative
Ditto	Chogin Chiba Credit Cooperative	
Ditto	Chogin Niigata Credit Cooperative	
Ditto	Chogin Nagano Credit Cooperative	
Ditto	Heiwa Credit Cooperative	San-ei Credit Cooperative
04/06/99	Ryugasaki <i>Shinkin</i> Bank*	Mito Credit Cooperative
Total	4 <i>Shinkin</i> Banks 23 Credit Cooperatives	

* Means merger. Other cases are settled by transfer of business.

Financial Institutions under Management

Date of Order	Financial Institution under Management	Assignee Institution	Note
11/04/99	Kokumin Bank	Pending	
14/05/99	Mie-Ken Credit Cooperative	Hyakugo Bank	
21/05/99	Adachi Sogo Credit Cooperative	Pending	
Ditto	Nippon Shinpan Credit Cooperative	Pending	
22/05/99	Kofuku Bank	Pending	
04/06/99	Credit Cooperative of Osaka Commercial Bank	Pending	First announcement of failure was 10th June, 1998.
12/06/99	Tokyo Sowa Bank	Pending	
18/06/99	Tokyo-to Kyoiku Credit Cooperative	Pending	
Total	3 Banks 5 Credit Cooperatives		

Banks under Special Public Management

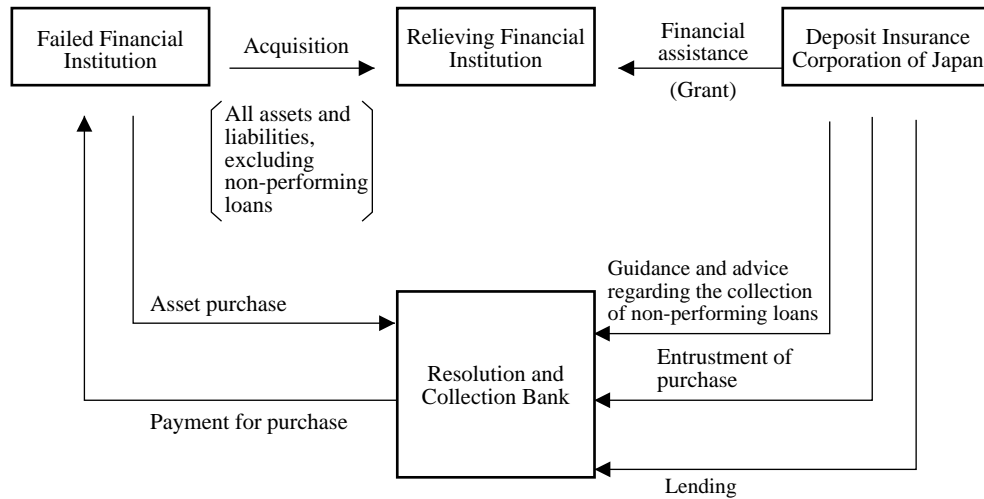
Date of Commencement Decision	Bank under Special Public Management
23/10/99	Long-Term Credit Bank of Japan
13/12/99	Nippon Credit Bank
Total	2 Banks

9. Illustration of Financial Assistance Scheme (Fiscal 1998)

[Pattern 1]

Type of Financial Assistance: Grant and Assets Purchase

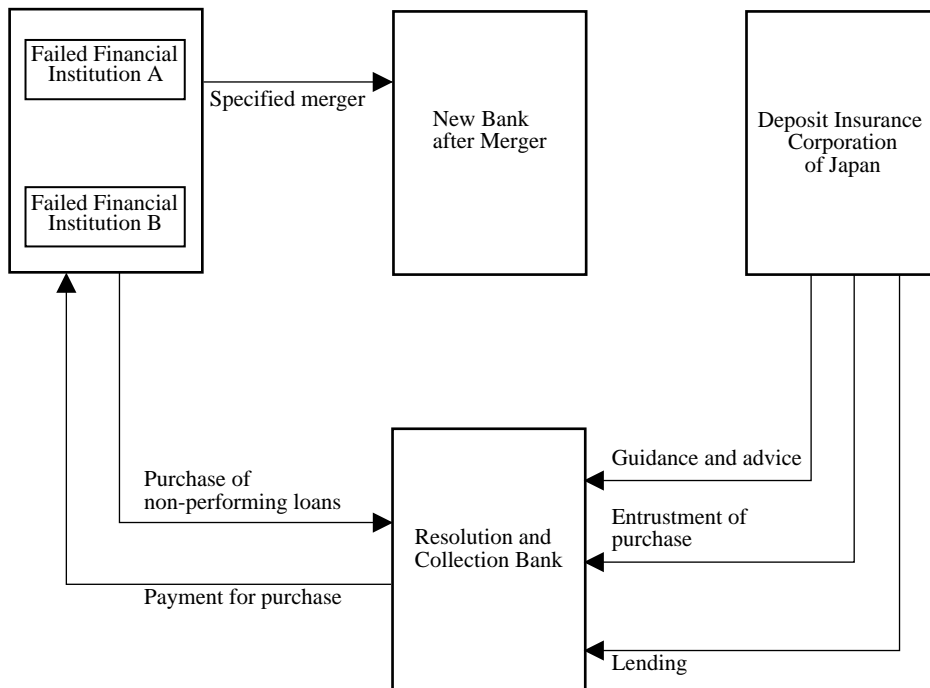
Cases of Implementation: 29



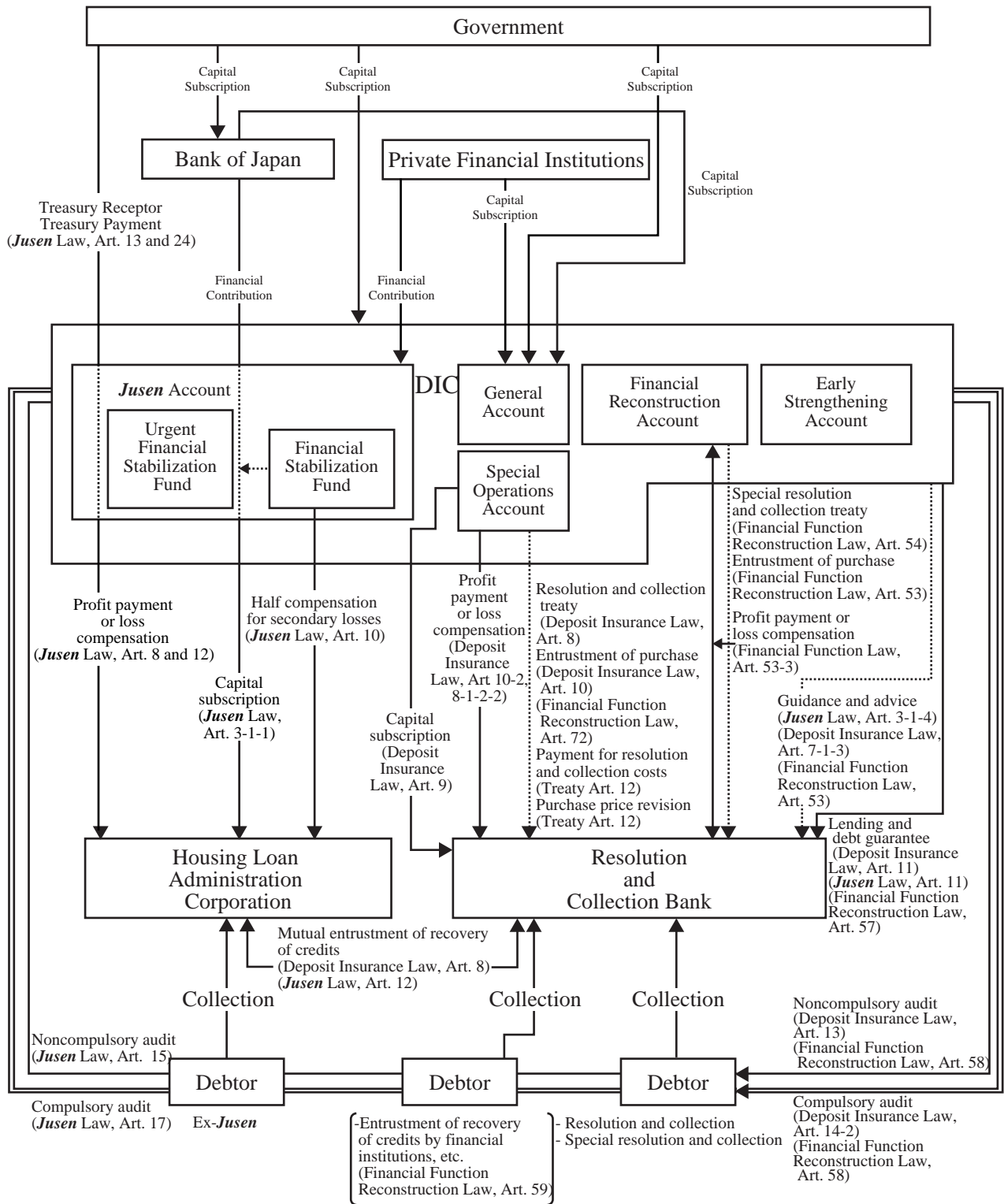
[Pattern 2]

Type of Financial Assistance: Specified Merger Related Asset Purchase

Cases of Implementation: 1



10. Illustration of Interaction between DIC, HLAC and RCB concerning Collection Activities / Practices (Outline)



11. Collection Performance of HLAC and RCB

HLAC (Established 26/07/1996)

Book price of credits when transferred 4,658.8 billion.....(A)

(Unit : ¥billion)

	Amount Collected	Cumulative Total Collected (B)	Collection Ratio (B/A)
Fiscal 1996	275.6	275.6	5.9%
Fiscal 1997	640.5	916.1	19.7%
Fiscal 1998	634.0	1550.1	33.3%

RCB (Reorganized 02/09/1996)

(Unit: ¥billion)

	Total of Book Price of Credits when Transferred (A)	Amount Collected	Cumulative Total of Amount Collected (B)	Collection Ratio (B/A)
Fiscal 1996	384.1	34.3*	34.3	8.9%
Fiscal 1997	596.6	51.4	85.7	14.4%
Fiscal 1998	2,202.0	261.8	347.5	15.8%
From a year after transfer	596.6	85.9	171.6	28.8%
In less than a year after transfer	1,605.4	175.9	175.9	11.0%

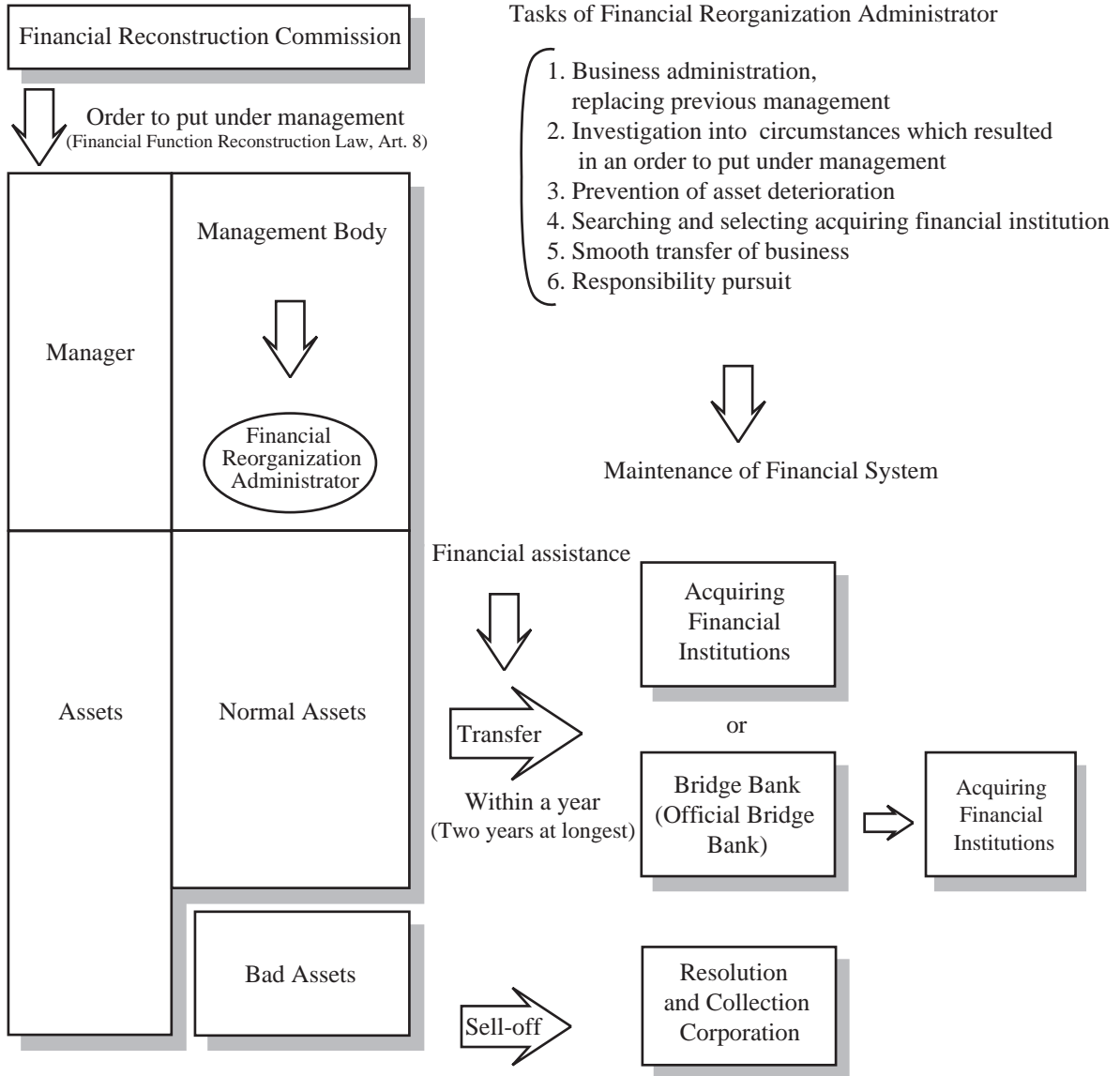
*Performance figures for fiscal 1996 of the RCB are the sum of the totals in fiscal 1995 and fiscal 1996.

*Trust schemes are excluded from credits transferred from Hokkaido Takushoku Bank.

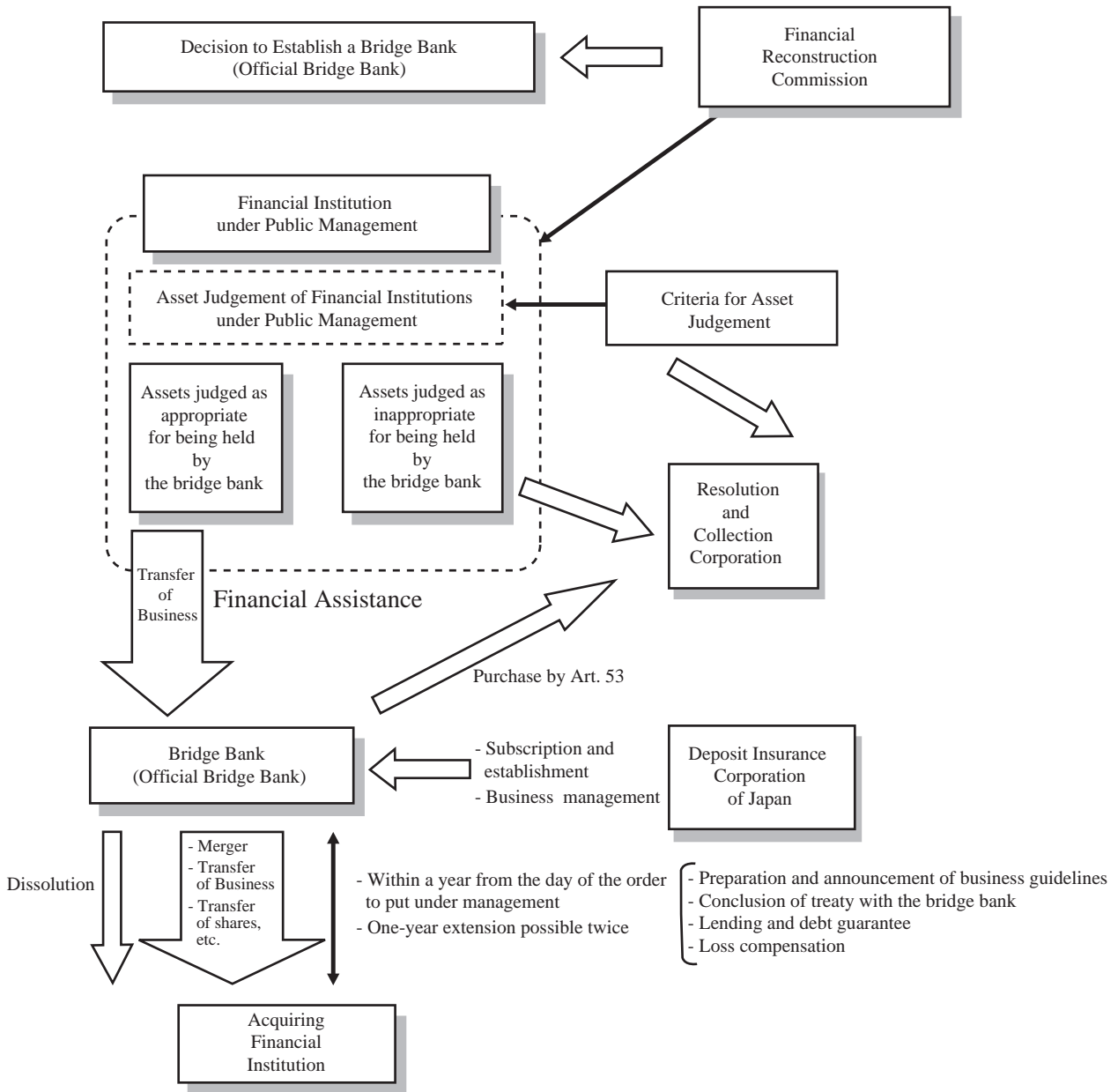
*Credits transferred from Hanwa Bank, collection of which was entrusted by the DIC, are included.

12. Illustration of Resolution Scheme for Failed Financial Institutions according to Early Strengthening Law

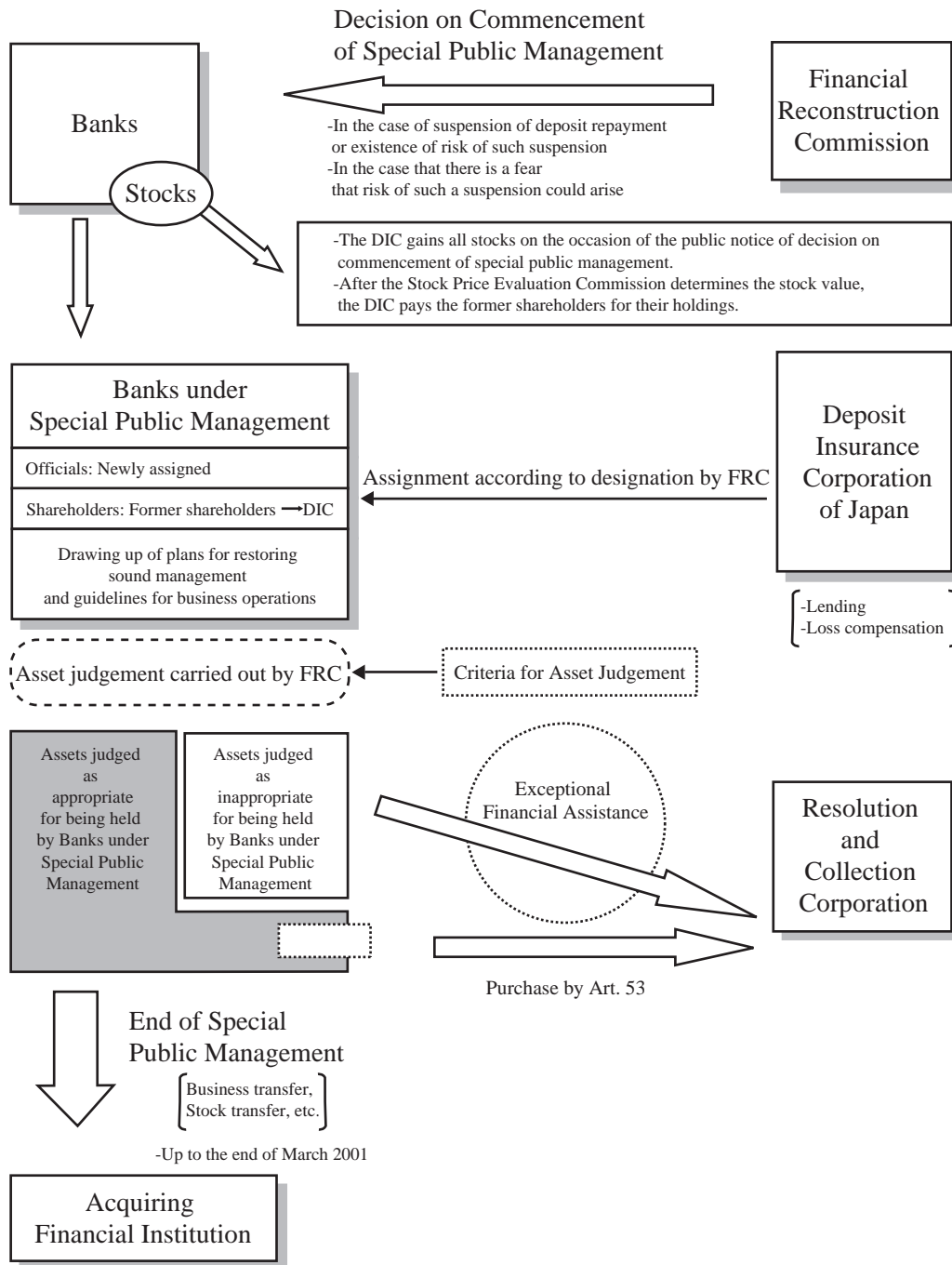
(1) Financial Reorganization Administrator Related Operations



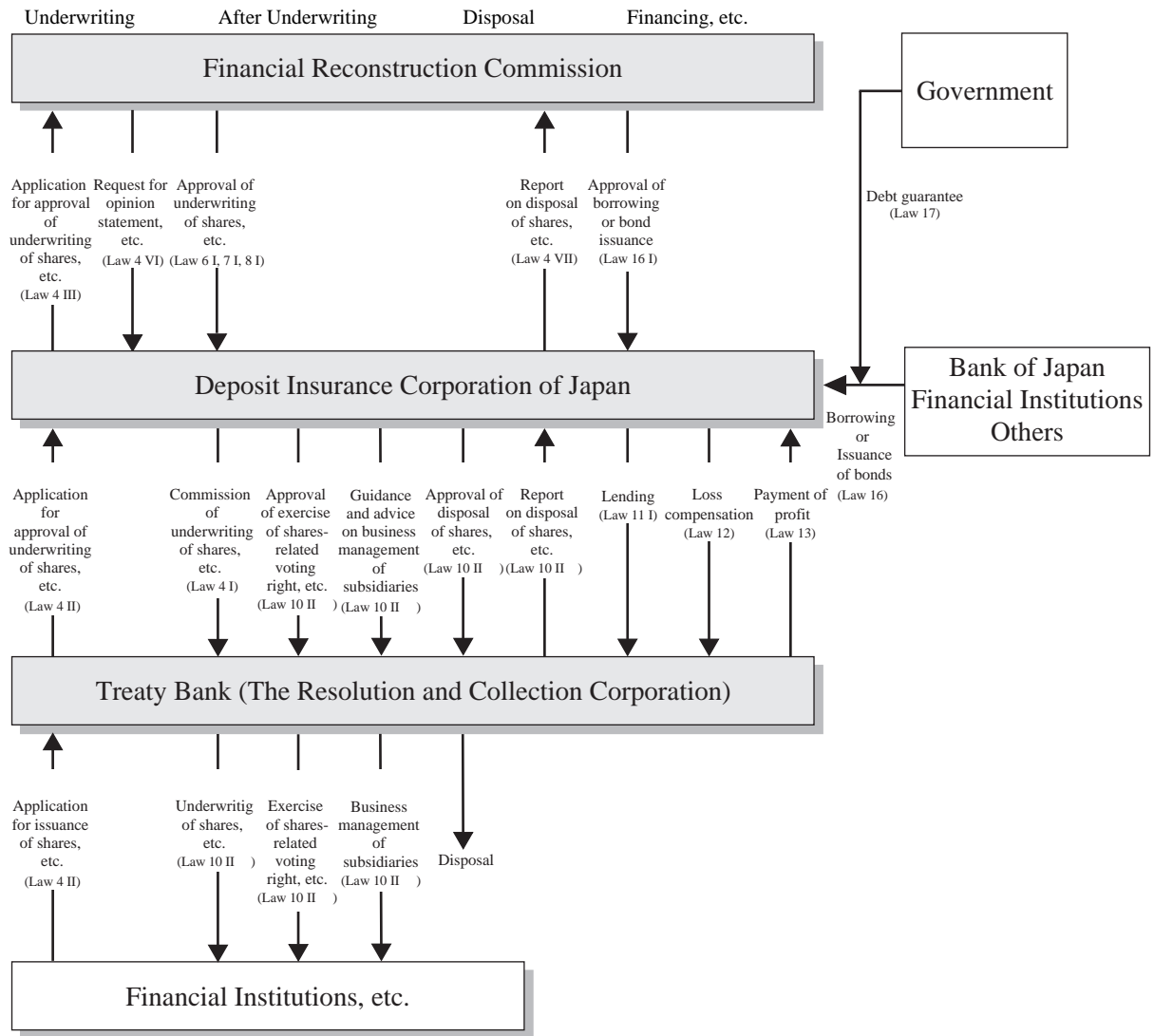
(2) Bridge Bank's Establishment Related Operation



(3) Operation Related to Banks under Special Public Management



13. Illustration of Capital Injection Scheme for Financial Institutions according to Early Strengthening Law



Notes:

- This illustration of the scheme describes the flow of operations carried out by the DIC.
- The FRC takes on screening and approval of applications for underwriting of shares, etc. as well as following the implementation of the plan for restoring sound management.
- The DIC can lend money to the treaty bank and also provide a debt guarantee for borrowing by the treaty bank.
- The provisions constituting the legal grounds are shown in parentheses. "Law" stands for the Early Strengthening Law. (Arabic figures represent Articles, Roman figures Clauses and circled figures Sections.)

14. List of Capital Injection Operations pursuant to Early Strengthening Law

Name of Financial Institutions	Preferred Shares				Subordinated Bond / Loan					
	Type	Amount (¥billion)	Rate Approved	Beginning of Transfer	Type	Amount (¥billion)	Rate Approved	Beginning of Step-Up	Rate after Step-Up Beginning	Period
Dai-ichi Kangyo Bank	Convertible (1)	200.0	0.41	In 5 years and 4 months	Terminable subordinated loan	100.0	L+0.75	From 6 years later	L+1.25	10 years
	Convertible (2)	200.0	0.70	In 6 y. and 4 m.	Terminable subordinated loan	100.0	L+0.75	From 7 y. later	L+1.25	11 y.
	Debenture	300.0	2.38	—	—	—	—	—	—	—
Sakura Bank	Convertible	800.0	1.37	In 3 y. and 6 m.	—	—	—	—	—	—
Sumitomo Bank	Convertible (1)	201.0	0.35	In 3 y. and 1 m.	—	—	—	—	—	—
	Convertible (2)	300.0	0.95	In 6 y. and 4 m.	—	—	—	—	—	—
Fuji Bank	Debenture	300.0	2.10	—	Perpetual subordinated bond	200.0	L+0.65	From 6 y. later From 11 y. later	L+1.35 L+2.15	Perpetual
	Convertible (1)	250.0	0.55	In 7 y. and 6 m.						
	Convertible (2)	250.0	0.40	In 5 y. and 6 m.						
Sanwa Bank	Convertible	600.0	0.53	In 2 y. and 3 m.	Perpetual subordinated bond	100.0	L+0.34	From 5 y. and 7 m. later	L+1.34	Perpetual
Tokai Bank	Convertible (1)	300.0	0.93	In 3 y. and 3 m.	—	—	—	—	—	—
	Convertible (2)	300.0	0.97	In 4 y. and 3 m.	—	—	—	—	—	—
Asahi Bank	Convertible (1)	300.0	1.15	In 3 y. and 3 m.	Perpetual subordinated loan	100.0	L+1.04	From 11 y. later	L+2.54	Perpetual
	Convertible (2)	100.0	1.48	In 4 y. and 3 m.						
Daiwa Bank	Convertible	408.0	1.06	In 3 m.	—	—	—	—	—	—
Industrial Bank of Japan	Convertible (1)	175.0	1.40	In 4 y. and 5 m.	Perpetual subordinated bond	250.0	L+0.98	From 6 y. later	L+1.48	Perpetual
	Convertible (2)	175.0	0.43	In 4 y. and 3 m.						
Mitsubishi Trust & Banking	Convertible	200.0	0.81	In 4 y. and 4 m.	Perpetual subordinated bond	100.0	L+1.75	From 6 y. later	L+2.25	Perpetual
Sumitomo Trust & Banking	Convertible	100.0	0.76	In 2 y.	Terminable subordinated bond	100.0	L+1.53	From 8 y. later	L+2.03	12 y.
Mitsui Trust & Banking	Convertible	250.2	1.25	In 3 m.	Terminable subordinated loan	150.0	L+1.49	From 6 y. later	L+1.99	10 y.
Toyo Trust & Banking	Convertible	200.0	1.15	In 3 m.	—	—	—	—	—	—
Chuo Trust & Banking	Convertible	150.0	0.90	In 3 m.	—	—	—	—	—	—
Bank of Yokohama	Convertible (1)	70.0	1.13	In 2 y. and 4 m.	Perpetual subordinated loan	50.0	L+1.65	From 6 y. later	L+2.15	Perpetual
	Convertible (2)	30.0	1.89	In 5 y. and 4 m.	Terminable subordinated loan	50.0	L+1.07	From 6 y. later	L+1.57	10 y. and 1 m.
Ground Total		6,159.2				1300.0				
Total		7,459.2								

Note: L stands for LIBOR of yen

15. Outline of Funding at DIC

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	General Account	Special Operations Account	Financial Reconstruction Account	Early Strengthening Account
Borrowing / bond issue				
Base law	Deposit Insurance Law, Art. 42-1 and 3	Deposit Insurance Law, Supplements, Art. 20-1	Financial Function Reconstruction Law, Art. 65-1	Early Strengthening Law, Art. 16-1
Ceiling	2 trillion yen (Deposit Insurance Law, Cabinet Order Art. 2)	10 trillion yen (Deposit Insurance Law, Supplements, Cabinet Order Art.4)	18 trillion yen (Financial Function Reconstruction Law, Cabinet Order, Art. 13)	25 trillion yen (Early Strengthening Law, Cabinet Order, Art. 5)
Method (Source)	ad init.: borrowing (Bank of Japan (BOJ))	ad init.: borrowing (BOJ, financial institutions and others) bond issue	ad init.: borrowing (BOJ, financial institutions and others) loan issue	ad init.: borrowing (BOJ, financial institutions and others) loan issue
	refinancing: borrowing (financial institutions and others) bond issue	refinancing: borrowing (BOJ, financial institutions and others.) bond issue	refinancing: borrowing (BOJ, financial institutions and others) loan issue	refinancing: borrowing (BOJ, financial institutions and others) loan issue
Spent on	payment of insurance claims financial assistance deposits purchase	special financial assistance special deposits purchase loss compensation for treaty bank lending to treaty bank	lending to treaty bridge banks loss compensation for treaty bridge banks payment for shares of banks under special public management lending to banks under special public management asset purchase from financial institutions, etc. lending to treaty banks for underwriting of shares according to old Financial Function Stabilization Law	lending to treaty banks for underwriting of shares loss compensation for treaty bank
Government guarantee				
Base law	Deposit Insurance Law, Art. 42 (2)	Deposit Insurance Law, Supplements, Art. 20 (2)	Financial Function Reconstruction Law, Art. 66	Early Strengthening Law, Art. 17
Appropriation in general provisions of budget in fiscal 1999	Within the limit approved by Diet (no appropriation)	Within the limit approved by Diet (10 trillion yen, in original budget of fiscal 1999)	Within the limit approved by Diet (18 trillion yen, in original budget of fiscal 1999)	Within the limit approved by Diet (25 trillion yen, in original budget of fiscal 1999)
Other fiscal operations				
Operation		government bond: ¥7 trillion (allotted for special operations fund)		
Base law		Deposit Insurance Law, Supplements, Art. 19 (4) ii (and 19 (2)).		
Spent on		special financial assistance special deposits purchase compensation for accumulated deficit of special operations account as of the end of fiscal year		
Substantial amount of financial operations	—	¥17 trillion	¥18 trillion	¥25 trillion

Outstanding Amount Payable at End of Each Fiscal Year

(Unit: ¥billion)

Fiscal Year	End of March 1997	End of March 1998	End of March 1999
Account titles			
General Accounts	-	-	760.5 (633.8)
Special Operations Account	532.1 (532.1)	554.4 (431.0)	2,807.4 (1,856.4)
Specified Housing Loan Corporation Credit and Debt Arrangement Account	-	-	-
Financial Reconstruction Account	-	1,818.1 (1,346.1)	4,819.8 (3,000.0)
Early Strengthening Account	-	-	7,462.5 (1,162.5)
Amount	532.1 (532.1)	2,372.5 (1,777.1)	15,850.2 (6,652.7)

- Notes: 1. The parenthesized values are the amount of borrowing from the Bank of Japan out of the amount payable.
2. On 18th February, 1998, the Common Financial Institutions Special Account and the Credit Cooperatives Special Account were integrated into Special Operations Account.
3. The Financial Function Stabilization Law was abolished since the Financial Function Reconstruction Law was enforced on 23rd October, 1998. As a result, Financial Crisis Management Account based on the former law was discontinued and the asset and liability of this account came to be charged to Financial Reconstruction Account.

16. Activities of Policy Board Meeting during Fiscal 1998

	Date	Agenda
99th Meeting	24th April	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Chogin Osaka Credit Cooperative to Chogin Kinki Credit Cooperative > failed institution: Chogin Osaka Credit Cooperative • grant: ¥268.3 billion • asset purchase: ¥47.6 billion - Decision to reduce grant to the RCB that was assigned all the business from Sanpuku Credit Cooperative • Reduction of grant: ¥0.9 billion
100th Meeting	16th June	<ul style="list-style-type: none"> - Settlement of fiscal 1997 accounts - Decision to reduce grant to Sakura Bank that was assigned all the business from Tanabe Credit Cooperative • Reduction of grant: ¥1.1 billion - Revision of operation guideline following establishment of the Financial Supervisory Agency
101st Meeting	10th August	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Teishin Credit Cooperative to Dai-Ichi Kangyo Credit Cooperative > failed institution: Teishin Credit Cooperative • grant: ¥2.2 billion • asset purchase: ¥1.2 billion
102nd Meeting	9th September	<ul style="list-style-type: none"> - Decision to extend financial assistance in specified merger between Fukutoku Bank and Naniwa Bank • asset purchase: ¥301.8 billion - Decision to extend financial assistance in business transfer from Yutaka Credit Cooperative to Ikebukuro Credit Cooperative > failed institution: Yutaka Credit Cooperative • grant: ¥10.0 billion • asset purchase: ¥3.1 billion
103rd Meeting	6th October	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Kyoto Kyoei Bank to Kofuku Bank and other 3 institutions > failed institution: Kyoto Kyoei Bank • grant: ¥ 45.6 billion • asset purchase: ¥ 58.1 billion - Decision to extend financial assistance in business transfer from Seinan Credit Cooperative to Sumitomo Bank > failed institution: Seinan Credit Cooperative • grant: ¥ 8.3 billion • asset purchase: ¥ 6.9 billion - Decision to extend financial assistance in business transfer from Shinagawa Credit Cooperative to Dai-tokyo Credit Cooperative > failed institution: Shinagawa Credit Cooperative • grant: ¥ 17.1 billion • asset purchase: ¥ 10.0 billion

104th Meeting	23rd October	<ul style="list-style-type: none"> - Revision of Articles of Association following enactment of Financial Function Reconstruction Law, etc. - Preparation of operation guideline following enactment of Financial Function Reconstruction Law - Revision of operation guideline reflecting revision of the Law, etc. - Revision of operation guideline reflecting revision of the <i>Jusen</i> Law - Alteration in fiscal 1998 budget and funding plan
105th Meeting	29th October	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Hokkaido Takushoku Bank to Hokuyo Bank and Chuo Trust & Banking <ul style="list-style-type: none"> > failed institution: Hokkaido Takushoku Bank • grant: ¥1794.7 billion • asset purchase: ¥1616.6 billion - Revision of Articles of Association and preparation of operation guideline following enactment of Early Strengthening Law, etc. - Conclusion of treaty, etc. on merger between the RCB and the HLAC
106th Meeting	9th November	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Tokuyo City Bank to Sendai Bank and 12 other institutions <ul style="list-style-type: none"> > failed institution: Tokuyo City Bank • grant: ¥ 123.8 billion • asset purchase: ¥ 169.5 billion - Decision to extend financial assistance in business transfer from Chugoku Credit Cooperative to Osaka Shomin Credit Cooperative <ul style="list-style-type: none"> > failed institution: Chugoku Credit Cooperative • grant: ¥ 4.9 billion • asset purchase: ¥ 2.3 billion - Decision to extend financial assistance in business transfer from Rokko Credit Cooperative to Fuji Credit Cooperative <ul style="list-style-type: none"> > failed institution: Rokko Credit Cooperative • grant: ¥ 7.6 billion • asset purchase: ¥ 7.9 billion
107th Meeting	25th November	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Hoei Credit Cooperative to Tomin Credit Cooperative <ul style="list-style-type: none"> > failed institution: Hoei Credit Cooperative • grant: ¥ 13.6 billion • asset purchase: ¥ 7.7 billion - Decision to extend financial assistance in business transfer from Toko Credit Cooperative to Eitai Credit Cooperative <ul style="list-style-type: none"> > failed institution: Toko Credit Cooperative • grant: ¥ 10.4 billion • asset purchase: ¥ 11.0 billion - Decision to extend financial assistance in business transfer from Taihei Credit Cooperative to Seikyo Credit Cooperative <ul style="list-style-type: none"> > failed institution: Taihei Credit Cooperative • grant: ¥ 17.8 billion • asset purchase: ¥ 10.1 billion - Alteration in fiscal 1998 budget and funding plan concerning General Account and Special Operations Account - Revision of operation guideline following enforcement of Financial System Reform Law

108th Meeting	7th December	- Revision of operation guideline
109th Meeting	18th December	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Nagaoka Credit Cooperative to Hokuetsu Bank <ul style="list-style-type: none"> > failed institution: Nagaoka Credit Cooperative • grant: ¥ 1.8 billion • asset purchase: ¥ 2.9 billion - Decision to extend financial assistance in business transfer from Daiwa Credit Cooperative to Seikyo Credit Cooperative <ul style="list-style-type: none"> > failed institution: Daiwa Credit Cooperative • grant: ¥ 51.8 billion • asset purchase: ¥ 17.4 billion - Decision to extend financial assistance in business transfer from Nara-Ken Credit Cooperative to Nanto Bank <ul style="list-style-type: none"> > failed institution: Nara-Ken Credit Cooperative • grant: ¥ 11.3 billion • asset purchase: ¥ 4.0 billion - Alteration in fiscal 1998 budget and funding plan concerning General Account, Special Operations Account and Financial Reconstruction Account

<1999>

110th Meeting	11th January	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Shizuoka Commercial Bank Credit Cooperative to Yokohama Commercial Bank Credit Cooperative <ul style="list-style-type: none"> > failed institution: Shizuoka Commercial Bank Credit Cooperative • grant: ¥ 16.2 billion • asset purchase: ¥ 2.2 billion - Decision to extend financial assistance in business transfer from Shonan Credit Cooperative to Atsugi Credit Cooperative <ul style="list-style-type: none"> > failed institution: Shonan Credit Cooperative • grant: ¥ 13.3 billion • asset purchase: ¥ 8.6 billion - Decision to extend financial assistance in business transfer from Nippon Savings Credit Cooperative to Seikyo Credit Cooperative <ul style="list-style-type: none"> > failed institution: Nippon Savings Credit Cooperative • grant: ¥ 23.0 billion • asset purchase: ¥ 9.0 billion
111th Meeting	1st February	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Seibu Credit Cooperative to Asahi Bank <ul style="list-style-type: none"> > failed institution: Seibu Credit Cooperative • grant: ¥ 5.0 billion • asset purchase: ¥ 4.9 billion - Decision to extend financial assistance in business transfer from Kanagawa-Ken Shoko Credit Cooperative to Kawasaki <i>Shinkin</i> Bank

		<ul style="list-style-type: none"> > failed institution: Kanagawa-Ken Shoko Credit Cooperative • grant: ¥ 12.8 billion • asset purchase: ¥ 10.0 billion - Decision to extend financial assistance in business transfer from Credit Cooperative of Yamaguchi Commercial Bank to Credit Cooperative of Hiroshima Commercial Bank > failed institution: Credit Cooperative of Yamaguchi Commercial Bank • grant: ¥ 20.3 billion • asset purchase: ¥ 11.2 billion - Decision to extend financial assistance in business transfer from Shimane Commercial Bank Credit Cooperative to Credit Cooperative of Hiroshima Commercial Bank > failed institution: Shimane Commercial Bank Credit Cooperative • grant: ¥ 910.0 million • asset purchase: ¥ 241.0 million - Settlement of fiscal 1998 Financial Crisis Management Account
112th Meeting	10th February	- Revision of operation guideline
113th Meeting	23rd February	<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Kawachi Credit Cooperative to Seikyo Credit Cooperative > failed institution: Kawachi Credit Cooperative • grant: ¥ 91.5 billion • asset purchase: ¥ 28.9 billion - Decision to extend financial assistance in business transfer from Sagamihara Credit Cooperative to Yachiyo Bank > failed institution: Sagamihara Credit Cooperative • grant: ¥ 27.6 billion • asset purchase: ¥24.9 billion - Alteration in fiscal 1998 budget and funding plan concerning General Account, Special Operations Account and Financial Reconstruction Account
114th Meeting	9th March	<ul style="list-style-type: none"> - Decision to extend financial assistance in merger between Hanshin Bank and Midori Bank • grant: ¥ 790.1 billion • asset purchase: ¥ 265.9 billion - Decision to extend financial assistance in business transfer from Saitama Commercial Bank Credit Cooperative to Tokyo Commercial Bank Credit Cooperative > failed institution: Saitama Commercial Bank Credit Cooperative • grant: ¥ 36.7 billion • asset purchase: ¥ 8.3 billion - Decision to extend financial assistance in business transfer from Hokkai Commercial Bank Credit Cooperative to Credit Cooperative of Miyagi Commercial Bank > failed institution: Hokkai Commercial Bank Credit Cooperative • grant: ¥ 9.9 billion • asset purchase: ¥ 3.3 billion

		<ul style="list-style-type: none"> - Decision to extend financial assistance in business transfer from Takashima Credit Cooperative to Shiga-Ken Credit Cooperative and Shiga Bank > failed institution: Takashima Credit Cooperative • grant: ¥ 6.2 billion • asset purchase: ¥ 2.8 billion - Decision to finance the RCB - Alteration in fiscal 1998 budget and funding plan concerning Special Operations Account, Financial Reconstruction Account and Early Strengthening Account
115th Meeting	25th March	<ul style="list-style-type: none"> - Revision of Articles of Association and operation guideline - Conclusion of Treaty on Resolution and Collection Operation with RCC - Decision to extend financial assistance in business transfer from Osaka Towa Credit Cooperative to Daido Credit Cooperative > failed institution: Osaka Towa Credit Cooperative • grant: ¥ 12.3 billion • asset purchase: ¥ 3.7 billion - Decision on fiscal 1999 budget and funding plan

17. Activities of Financial Crisis Management Committee during Fiscal 1998

The Financial Crisis Management Committee held meetings twice during fiscal 1998 as shown below. After the 8th meeting, the committee was dissolved.

The DIC published the summary of minutes at meetings of the Financial Crisis Management Committee on 30th October, 1998.

	Date	Agenda
7th Meeting	18th June	<ul style="list-style-type: none">- Settlement of fiscal 1997 Financial Crisis Management Account- Approval of the minutes at the 1st to 6th meetings- Report on implementation of Agenda for Ensuring Sound Management- Principles in preparation of a guideline for disposal of preferred shares
8th Meeting	21st October	<ul style="list-style-type: none">- Decision on the timing of publishing the minutes at the meetings- Approval of the minutes at the 7th meeting- Preparation and publication of the summary of minutes at meetings of Financial Crisis Management Committee- Principles for disposal of preferred shares

18. Statistical Tables

Table 1. Revenue and Expenses

(General Account and Special Operations Account)

(Unit: ¥ million)

Fiscal Year	Revenue			Expenses	Net Earnings	Deposit Insurance Fund (Ending on 31st March)
	Insurance Premiums	Operating Income	Total (including others)			
1971	2,800	89	3,090	23	3,066	3,066
1972	4,560	320	5,030	43	4,987	8,053
1973	5,638	629	6,369	40	6,328	14,381
1974	6,364	1,091	7,563	57	7,505	21,887
1975	7,214	1,639	8,958	61	8,896	30,784
1976	8,402	2,227	10,739	69	10,670	41,454
1977	9,401	2,805	12,252	78	12,174	53,629
1978	10,571	3,289	14,024	105	13,919	67,548
1979	11,818	4,186	16,084	95	15,988	83,536
1980	12,767	5,551	18,392	104	18,288	101,825
1981	13,631	6,598	20,314	127	20,187	122,012
1982	20,107	7,939	28,209	119	28,090	150,103
1983	21,624	9,727	31,519	123	31,396	181,500
1984	23,232	11,374	34,769	118	34,651	216,151
1985	25,274	13,206	38,569	134	38,435	254,586
1986	40,739	14,398	55,236	140	55,096	309,683
1987	44,195	15,989	62,015	155	61,860	371,543
1988	48,759	17,509	68,021	143	67,878	439,421
1989	53,757	20,445	74,333	145	74,187	513,608
1990	60,381	27,371	87,944	156	87,788	601,396
1991	63,202	31,540	95,154	165	94,987	696,384
1992	63,149	30,634	94,411	20,169	74,241	770,626
1993	63,792	32,005	96,081	46,137	49,944	820,570
1994	64,972	32,773	98,140	42,680	55,459	876,030
1995	66,643	29,626	111,581	601,033	489,452	386,578
1996	461,993	70,711	532,744	1,314,429	781,685	395,107
1997	462,956	413	464,318	163,229	301,089	94,018
1998	465,004	226	1,675,820	2,769,430	1,093,610	1,187,628

Notes: 1. Figures for fiscal 1996 and after exclude inter-account transfers.

2. The figures are rounded to the nearest million

Table 2. Insured Deposits and the Deposit Insurance Fund

(Unit: ¥ billion)

Fiscal Year (ending on 31st March)	Deposits of Insured Financial Institutions		Percentage of Insured Deposits (B/A)	Deposit Insurance Fund***	Ratio of Deposit Insurance Fund to Insured Deposits
	Total* (A)	Insured** (B)			
1971	81,195	72,253	89.0%	3	0.004
1972	102,833	90,864	88.4	8	0.009
1973	116,313	104,187	89.6	14	0.014
1974	129,839	116,632	89.8	22	0.019
1975	150,630	136,198	90.4	31	0.023
1976	169,410	153,636	90.7	41	0.027
1977	189,873	172,002	90.6	54	0.031
1978	213,417	192,942	90.4	68	0.035
1979	235,571	209,822	89.1	84	0.040
1980	255,141	227,185	89.0	102	0.045
1981	285,301	251,346	88.1	122	0.049
1982	305,115	270,301	88.6	150	0.056
1983	331,491	290,403	87.6	182	0.062
1984	362,385	315,928	87.2	216	0.068
1985	407,760	339,109	83.2	255	0.075
1986	453,846	366,709	80.8	310	0.084
1987	515,952	404,749	78.4	372	0.092
1988	594,627	446,397	75.1	439	0.098
1989	685,242	501,598	73.2	514	0.102
1990	703,459	526,686	74.9	601	0.114
1991	694,901	526,243	75.7	696	0.132
1992	695,014	531,607	76.5	771	0.145
1993	704,975	541,445	76.8	821	0.152
1994	710,350	555,711	78.2	876	0.158
1995	717,604	550,601	76.7	387	0.070
1996	713,480	551,271	77.3	-395	—
1997	705,772	556,394	78.8	-94	—
1998	703,260	572,730	81.4	-1,188	—

* Includes negotiable certificates of deposit.

** Excludes foreign currency deposits and deposits, etc. from the central and local governments, public entities and financial institutions, etc.

*** Deposit Insurance Fund, etc. for fiscal 1998 = Deficits brought forward (General Account 757.9 + Special Operations Account 429.7)

Table 3. Number of Insured Financial Institutions

(Unit: ¥ billion)

Fiscal Year (ending: 31st March)	Total	All Banks						<i>Shinkin</i> Banks	Credit Coopera- tives	Labor Banks
		Total (including others)	City Banks	Regional Banks	Regional Banks II*	Trust Banks	Long- Term Credit Banks			
1971	1,163	156	14	61	71	7	3	483	524	—
1972	1,151	159	14	63	72	7	3	484	508	—
1973	1,140	158	13	63	72	7	3	484	498	—
1974	1,126	158	13	63	72	7	3	476	492	—
1975	1,118	158	13	63	72	7	3	471	489	—
1976	1,114	157	13	63	71	7	3	469	488	—
1977	1,115	157	13	63	71	7	3	468	490	—
1978	1,109	157	13	63	71	7	3	466	486	—
1979	1,103	157	13	63	71	7	3	462	484	—
1980	1,094	157	13	63	71	7	3	461	476	—
1981	1,087	157	13	63	71	7	3	456	474	—
1982	1,082	157	13	63	71	7	3	456	469	—
1983	1,082	157	13	63	71	7	3	456	469	—
1984	1,074	156	13	64	69	7	3	456	462	—
1985	1,065	160	13	64	69	11	3	456	449	—
1986	1,113	164	13	64	68	16	3	455	447	47
1987	1,106	164	13	64	68	16	3	455	440	47
1988	1,085	164	13	64	68	16	3	455	419	47
1989	1,080	164	13	64	68	16	3	454	415	47
1990	1,069	163	12	64	68	16	3	451	408	47
1991	1,047	162	11	64	68	16	3	440	398	47
1992	1,036	160	11	64	66	16	3	435	394	47
1993	1,023	164	11	64	65	21	3	428	384	47
1994	1,009	167	11	64	65	23	3	421	374	47
1995	1,007	174	11	64	65	30	3	416	370	47
1996	997	176	10	64	65	33	3	410	364	47
1997	976	176	10	64	64	33	3	401	352	47
1998	933	173	9	64	61	34	3	396	323	41

* Regional Banks II which are Member Banks of the Second Association of Regional Banks. Up to 1991, inclusive of *Sogo* Banks (mutual loan and savings banks). Up to fiscal 1987, figures are only for *Sogo* Banks.

Table 4. Insured Deposits by Sector of Financial Institutions

(Unit: ¥ billion)

Fiscal Year (ending: March 31st)	All Banks							<i>Shinkin</i> Banks	Credit Coopera- tives	Labor Banks
	Total	Total (includ-ing others)	City Banks	Regional Banks	Regional Banks II*	Trust Banks	Long- Term Credit Banks			
1971	72,253	60,775	29,189	15,582	7,229	7,512	1,264	9,161	2,317	—
1972	90,864	76,405	36,165	19,788	9,246	9,489	1,716	11,603	2,856	—
1973	104,187	86,505	39,038	23,497	11,281	10,761	1,929	14,196	3,486	—
1974	116,632	96,133	42,210	26,537	13,019	12,312	2,055	16,347	4,151	—
1975	136,198	112,260	49,228	30,984	15,089	14,466	2,494	19,008	4,930	—
1976	153,636	126,426	54,968	34,936	16,882	16,887	2,754	21,639	5,570	—
1977	172,002	141,872	61,698	39,221	18,945	19,158	2,850	23,944	6,186	—
1978	192,942	158,927	68,035	44,717	21,615	21,616	2,944	27,084	6,932	—
1979	209,822	171,728	71,685	49,556	23,852	23,545	3,091	30,372	7,722	—
1980	227,185	185,573	77,550	53,474	25,762	25,498	3,288	33,163	8,449	—
1981	251,346	205,435	85,877	59,498	28,471	28,085	3,504	36,604	9,307	—
1982	270,301	220,683	90,963	64,099	30,573	31,418	3,631	39,491	10,127	—
1983	290,403	237,449	98,093	68,333	32,445	34,762	3,816	42,075	10,878	—
1984	315,928	258,664	107,585	76,233	33,195	37,523	4,128	45,607	11,657	—
1985	339,109	273,540	117,049	79,948	34,461	37,964	4,120	48,412	12,372	4,784
1986	366,709	296,483	128,829	86,622	37,045	39,814	4,173	51,909	13,188	5,129
1987	404,749	327,984	145,975	95,996	40,019	41,304	4,690	56,738	14,551	5,475
1988	446,397	361,564	158,960	107,207	44,179	46,064	5,154	62,575	16,349	5,909
1989	501,598	405,036	180,209	120,168	47,904	50,384	6,369	70,973	19,172	6,417
1990	526,686	421,730	184,900	125,264	50,723	55,185	5,658	76,735	21,307	6,914
1991	526,243	417,523	175,188	129,149	51,682	57,126	4,378	79,876	21,474	7,370
1992	531,607	418,975	169,169	133,250	52,708	59,379	4,469	82,933	21,854	7,844
1993	541,449	424,776	169,657	137,051	53,880	59,842	4,347	85,735	22,589	8,345
1994	555,711	434,071	172,414	142,631	55,795	58,629	4,540	89,632	23,158	8,849
1995	550,601	428,676	170,717	144,615	55,864	52,825	4,548	91,224	21,513	9,187
1996	551,271	428,207	168,766	147,132	55,818	51,924	4,567	92,552	20,976	9,535
1997	556,394	432,488	172,244	150,615	55,549	49,483	4,588	93,726	20,099	10,080
1998	572,730	446,812	178,508	154,772	58,991	49,445	5,090	96,119	19,267	10,532

* Regional Banks II which are Member Banks of the Second Association of Regional Banks. Up to 1991, inclusive of *Sogo* Banks (mutual loan and savings banks). Up to fiscal 1987, figures are only for *Sogo* Banks.

19. Members of Policy Board and Officials, etc.

(As of 31st May, 1999)

< Policy Board >

- Chairman : Noboru Matsuda (Governor of Deposit Insurance Corporation of Japan)
- Members : Satoshi Amitani (Chairman, the National Central Society of Credit Cooperatives)
Keikichi Kato (Chairman, the National Association of Shinkin Banks)
Katsuyuki Sugita (Chairman, the Japanese Bankers Association)
Masanao Takei (Chairman, the Second Association of Regional Banks)
Tetsuei Tokugawa (President, the National Association of Labor Banks)
Sadaaki Hirasawa (Chairman, Regional Banks Association of Japan)
Shyunroku Yokosuka (Chairman, the Trust Companies Association of Japan)

< Officials of the DIC >

- Governor : Noboru Matsuda
- Deputy Governors : Akio Hanano
Masahiro Yoshida
Keiji Matsuda
- Auditor : Masao Nishimura (President, Industrial Bank of Japan, Ltd.)

< Department Heads of the DIC >

- General Affairs Department
Executive Director : Tadashi Omae
- Financial Reconstruction Department
Executive Director : Seishi Higo
- Deposit Insurance Department
Executive Director : Masahiro Sumikawa
- Special Investigation Department
Executive Director : Yoshinobu Onuki
- Osaka Office of Deposit Insurance Department
Executive Director : Hisao Hosoda
- Osaka Office of Special Investigation Department
Executive Director : Masahiko Sayama

< **Financial Crisis Management Committee** >

- **Chairman** : Yoko Sazanami (Professor, Meikai University)

- **Members** : Shigeru Kobori (President, Japan Federation of Bar Associations)
Takashi Imai (Chairman, Japan Federation of Economic Organizations)
Kiichi Miyazawa (Minister of Finance)
Masaharu Hino (Commissioner, Financial Supervisory Agency)
Masaru Hayami (Governor, Bank of Japan)
Noboru Matsuda (Governor, the DIC)

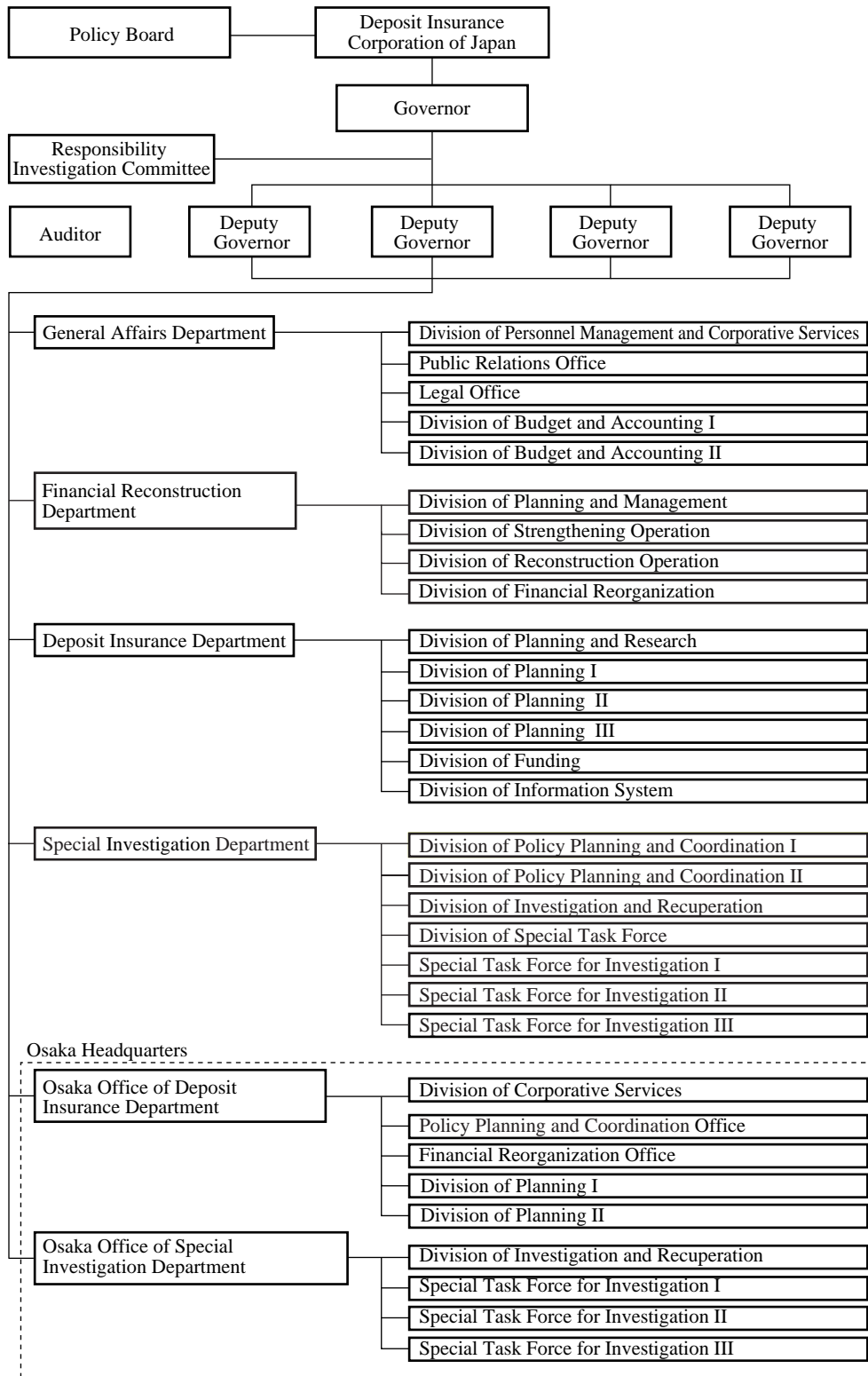
- **Advisory Member** : Yoshikazu Takao (Executive Fellow, Nomura Research Institute)
Kazuo Mura (Executive Director, Japan Federation of Bar Associations)
Kiyooki Fujiwara (Deputy Leader, Economic Policy Group, Japan Federation of Economic Organizations)

- **Secretariat** : Secretary - Keiji Matsuda (Deputy Governor, the DIC)

Note: Following the abolition of the Financial Function Stabilization Law (23rd October, 1998), the Financial Crisis Management Committee was dissolved.

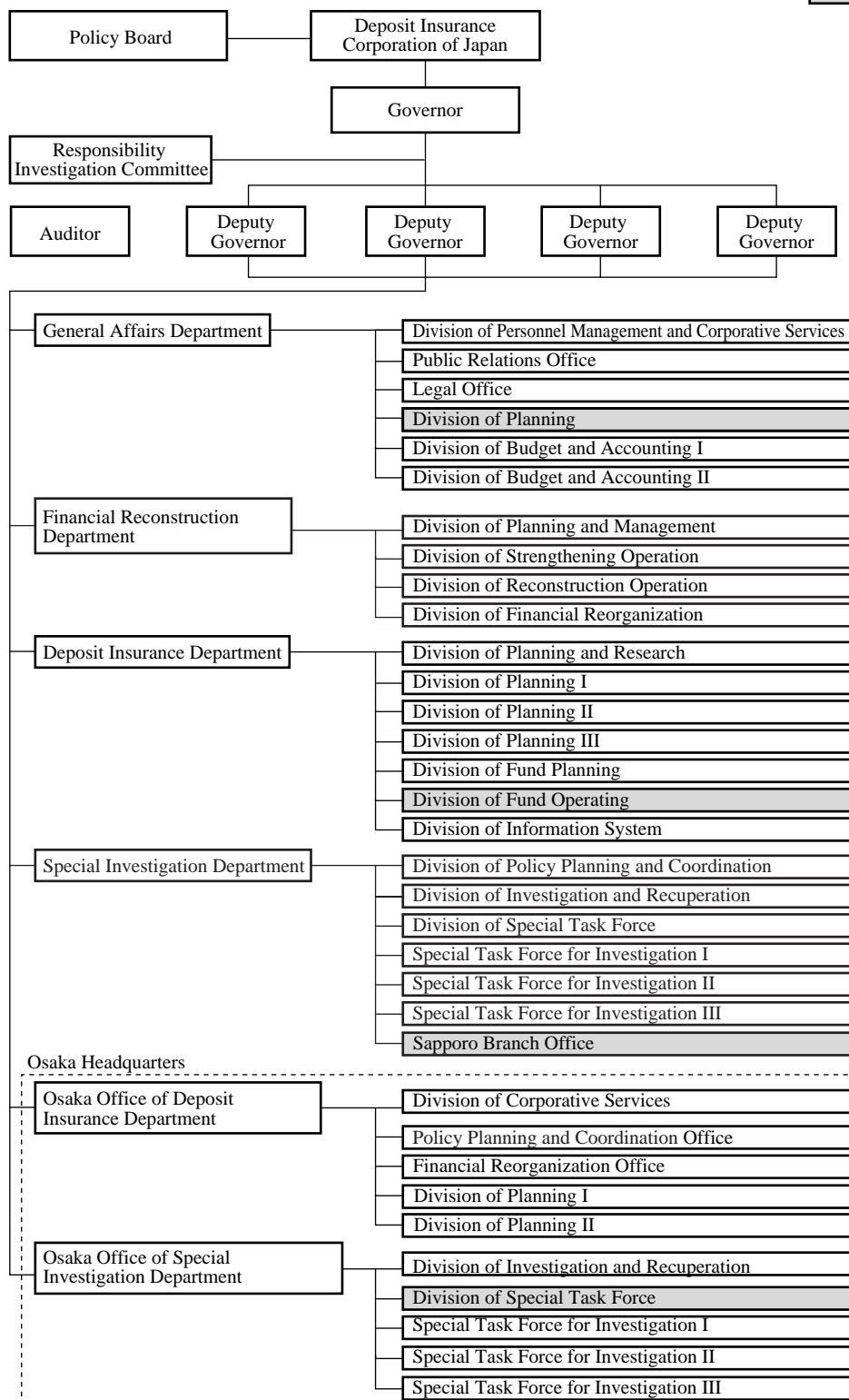
20. Organization of Deposit Insurance Corporation of Japan (as of 31st March, 1999)

(Staffing Strength for Fiscal 1998: 338)



Organization of Deposit Insurance Corporation of Japan (as of 1st April, 1999)

(Staffing Strength for Fiscal 1999: 338) New



Symbol Mark of the DIC

This symbol mark of the DIC adopted in April 1998 consists of four blue propellers with the letters “DIC” across them. These four propellers represent the DIC’s four business areas, i.e. “resolution of failed financial institutions”, “collection of non-performing loans”, “investigation into the responsibility of senior executives of failed financial institutions” and “financial reconstruction and financial function strengthening operations”. This symbol mark incorporates the desire of the DIC Group to be a driving force in the early stabilization of Japan’s financial system for the benefit of the Japanese people.