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DEPOSIT INSURANCE CORPORATION OF JAPAN



Governor Noboru Matsuda

Message from the Governor

Foundation of the DIC of Japan

I would firstly like to express my utmost gratitude to all those who have rendered invaluable assistance and cooperation for the operation of the Deposit Insurance Corporation (DIC). We have now published the Annual Report 1999 detailing the activities of the DIC throughout FY 1999. Taking this opportunity, I would like to say a few words about the DIC.

In July of 1971, the DIC was founded as a special juridical entity to manage the deposit insurance system in Japan pursuant to the Deposit Insurance Law with capital contributions by the government, the Bank of Japan and Japanese financial business circles.

The objective of the system is to provide protection for depositors in the event of a financial institution's failure and to maintain the depositors' confidence in the institution through such protection. The system serves to improve the stability of the financial system. At the beginning, the only tool available for the DIC was paying off depositors under the limited coverage of insurance (insured deposit to be covered is up to one million yen per depositor, later it increased to 10 million yen). At a later stage, financial assistance (*) for such resolution processes as the merger of failed institution was introduced into the scope of the operation of the DIC.

(*) The total amount of this financial assistance was limited up to the sum of whole insurance under the limited coverage (hereinafter we call the limit "the pay-off cost").

Setting up of the reborn DIC

In the 1990's, the accumulated non-performing loans became at stake after the bursting of the bubble economy and failures of financial institutions took place much more frequently than in any other era. To respond to these circumstances, various measures including the revision of the Deposit insurance Law have been taken and the role and the function of DIC were enlarged and strengthened remarkably even though its main function was kept to as the protection of depositors. This enlargement resulted in substantial changes of the organizational structure and staffing to make a fresh start as the "reborn" DIC in June 1996. This was exactly the moment when I took up the position of Governor of DIC.

As the re-born organization, the DIC initiated special operations for the resolution of failed financial institutions based on the financial assistance available beyond the limit of the pay-off cost. This operation was based on transition of deposit insurance policy from the limited-coverage to blanket guarantee. We were also authorized to make the collection of the non-performing loans, such as those related to Jusen, which were specific housing loan companies and which had caused the epoch making non performing loans problem in Japan.

The reform of the DIC went further beyond such changes of the DIC. The business situation of Japan's financial institutions worsened even after the setting up of the reborn DIC. With the subsequent failures of large financial

institutions under these circumstances, the restoration and stabilization of the financial system became a crucial task for the Japanese government. Subsequent enactment, revision and abrogation of laws related to financial system have taken place, including the further revision of the Deposit Insurance Law in 1997 and the enactment of the Financial Function Reconstruction Law and the Financial Function Early Strengthening Law in 1998.

At each step taken in this end, the scope of the role and operation of the DIC was further enlarged. Now, the DIC is one of the leading entities designated for the administrative management of the financial system to cover mainly the resolution process of failed financial institutions, which has main four activities as described later.

With the quantitative expansion and the increased importance of the operation of the DIC, there has also been a significant change of the organizational structure and staffing. Prior to the first major expansion, the DIC had only one unit of Secretariat (16 staff members). After the series of the enlargement of the organization, it now has the Governor, four Deputy Governors, six departments (General Affairs Department, Financial Reconstruction Department, Deposit Insurance Department, Special Investigation Department, Osaka Offices of Deposit Insurance Department and Special Investigation Department) and one branch office (Sapporo Branch Office). The total number of staff reaches 353.

Furthermore, the DIC has clearer status as a public entity after public funds have been introduced into the resolution process of failed financial institutions (i.e. granting of government bonds to the DIC for operations). This drove the DIC to undertake measures to proceed with self-reform with a view to ensuring fair and neutral grounds for its management. Among these measures were included the appointment of three non-bankers (persons chosen as competent and well experienced) to the Policy Board, the establishment of the Responsibility Investigation Committee and the Purchase Price Examination Board.

The driving force of propeller with four blades

The DIC's main operations consist of four areas of activities, which are indicated by each of four blue blades of the propeller in the DIC's symbol:

- (1) Resolution of failed or failing financial institutions
(financial assistance pursuant to the Deposit Insurance Law and others),
- (2) Collection of non-performing loans,
- (3) Pursuit of responsibilities through investigation
- (4) Reconstruction and early strengthening of financial function, including the operation of a financial reorganization administrator and capital injection.

Let me review the DIC's activities in each of these four areas.

(1) Financial assistance

The total amount of financial assistance to fulfill the resolution of failed financial institutions has reached ¥9,8 trillion, which includes financial assistance for two large failures (Long Term Credit Bank of Japan and Hokkaido Takushoku Bank). ¥4,8 of 9.8 trillion was covered by granted government bonds. We are also authorized to make the purchase of non-performing loans to the end of this activity, which reaches ¥4.4 trillion.

(2) Collection of non-performing loans

Under the guidance of the DIC, the RCC (Resolution and Collection Corporation*) has collected ¥2,1 trillion (collection ratio is 45.2% compared to the total loans) for former *Jusen* loans and ¥1,3 trillion (the same ratio is 38.3%) for loans to be collected originally by the RCB. During the course of these collections, the DIC has used its own investigative powers to discover some ¥378 billion of hidden assets, assisting the collection efforts of the RCC.

(*) the RCC is a subsidiary of the DIC, specializing in non performing loan collection.

(3) Pursuit of responsibilities and investigation

With close linkage with the RCC and as a part of a financial administrator's job, the DIC has been pursuing the responsibilities of financial institution failures. As for former executives of failed institutions, the DIC has so far brought criminal charges against 44 former executives of failed financial institutions and has presented cases for civil compensation against 152 persons, amounting to ¥49.6 billion. We also brought charges against 307 persons in 153 cases for illegal actions in such cases as the obstruction of collection.

(4) The reconstruction and early strengthening of financial function

The DIC has become a shareholder of the Long Term Credit Bank of Japan and Nippon Credit Bank and has become involved in the management and resolution of these banks under special public management. As a financial administrator, the DIC is involved in the reconstruction of five banks and one *shinkin* bank through their management and the search for succeeding financial institutions. Meanwhile, some ¥9.8 trillion of capital has been injected into 43 banks pursuant to the Early Strengthening Law and others.

As described above, the DIC has been fully active in all areas of its operation in any year of its activities. FY 1999, in particular, was the remarkable year for the developments in each of these four areas and valuable experience was accumulated in the organization. These developments of the activities and experience of the DIC are presented in detail in this Annual Report.

Future perspective toward the Year 2000 and far beyond

Having reached the year 2000 following the remarkable year of 1999, I am sure that we will vigorously make our best efforts to proceed with the stabilization and restoration of the financial system using the driving force produced by well coordinated motion of the four blades of the propeller.

The latest revision of the Deposit Insurance Law (May 2000) has assigned the DIC many new roles from April 2001. I am very grateful to see that this is the result of the raised expectation and the credit of the public that the DIC has been given for being the competent body to carry out its missions through the steady and committed efforts of our staff members to this end.

However, in sight of greatly diversified roles and functions of the DIC to be implemented under the revised Deposit Insurance Law, it will be desirable to make a deliberate preparation. Furthermore, many problems should be solved urgently for the proper enforcement of the new law. Concerted efforts toward its proper implementation should be made by the DIC so that the restructured financial system is proof against the return to the limited coverage of the deposit insurance from the blanket guarantee. In fact, we have passed the stage of initiating full-scale preparations for the accomplishment of the most effective and efficient schemes.

Collective Wisdom / Breakthrough with the collective efforts of mixed experts

I have been the Governor of the DIC since the setting up of the “reborn” DIC and I believe that the most important characteristic of the DIC is the fact the staff members of the DIC form “a cross-sectional group of experts” from both the public and private sector. Many of them have joined the DIC (mainly sent on loan) from judicial and administrative government offices, the Bank of Japan, financial business circles, accountancy firms and the real estate industry. Since my appointment, I have advocated “Breakthrough with the Collective Efforts of Mixed Experts” as the motto to lead the DIC and its staff members to make the best use of this characteristic. With this motto, I have been seeking to join the full forces of staff members with strong commitment, sense of responsibility and full contribution through professional skills. On behalf of all the DIC staff, I would like to convey our message that the DIC will continue to vigorously make the best efforts to fulfill the missions given from the public to us with a highly concentrated collective effort of the mixed experts.

To conclude my message, I would like to express our sincere gratitude to you all who have a correct understanding of and have extended their kind support to the activities of the DIC. I sincerely hope that the Annual Report 1999 will be of interest to you to deepen such understanding and support.

July, 2000

Noboru Matsuda
Governor

Deposit Insurance Corporation

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I. OUTLINE OF ORGANIZATION

1. Legal Status and Capitalization

The 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 Japanese Bankers’ Associations and other representatives of the financial community serve on the Policy Board. (Refer to Appendix 17. - Members of Policy Board and the managing directors of the DIC.)

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 *Jusen* Companies) and others in view of the proper implementation of criminal accusation, liability claims and other necessary measures. During fiscal 1999, 17 meetings of the Responsibility Investigation Committee were held and important issues relating to the pursuit of responsibilities were deliberated. Following the resignation of Mr. Kunimatsu, Mr. Kenji Maeda (former Chief Commissioner of the Metropolitan Police) took the position of special advisor on 1st November, 1999.

4. Purchase Price Examination Board

Article 53 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”) stipulates the introduction of a system relating to the purchase of assets from banks in addition to the purchase of assets heretofore in practice pursuant to the Law and demands that the purchase price must be decided through an appropriate procedure, taking into consideration the risk of the said assets becoming uncollectable, the administrative cost required for the purchase and collection of the said assets and other expenses. On 9th June, 1999, the Purchase Price Examination Board consisting of three external experts, a lawyer, a chartered accountant and a real estate appraiser respectively, (Chairman: Mr. Yoshinori Fujimura; Deputy Chairman: Mr. Nobuo Nagaba; Member: Somitsu Takehara) was set up as an advisory body for the Governor of the DIC for the purpose of operating the system to purchase assets from banks in an appropriate manner.

During fiscal 1999, five meetings of the Purchase Price Examination Board were held and purchase prices and other matters were deliberated in association with the implementation of the purchase of assets from banks in fiscal 1999.

5. Businesses of Each Department

(1) General Affairs Department

The General Affairs Department is in charge of the general coordination of the work of the DIC, work related to arrangements for Policy Board meetings, public relations, personnel affairs, organization, recruitment, budget, settlement of accounts, guidance and advice for the RCC (Resolution and Collection Corporation, a subsidiary of the DIC, specializing in non performing loan collection) and liaison/coordination with the RCC and work which is not within the scope of responsibility of other departments.

The General Affairs Department has four divisions and two offices, i.e. Division of Personnel Management and Corporative Services, Division of Planning, Division of Budget and Accounting I, Division of Budget and Accounting II, Public Relations Office and Legal Office.

(2) Financial Reconstruction Department

The Financial Reconstruction Department is in charge of work related to financial administrators, the inheritance of businesses of failed financial institutions, special public management and the purchase of assets from and capital injection to financial institutions.

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 (Note). At the Osaka Headquarters, the Financial Reorganization Office of the Deposit Insurance Department is in charge of the relevant work.

Note: On 1st April, 2000, the Division of Financial Reorganization was split into the Division of Financial Reorganization I and the Division of Financial Reorganization II.

(3) Deposit Insurance Department

The Deposit Insurance Department is in charge of work related to the receipt of insurance premiums, deposit payoffs, implementation of financial assistance, purchase of deposits and other claims and preparation of a list of depositors pursuant to the Law Concerning Exceptions to Reorganization and Bankruptcy Procedure for Financial Institutions (hereinafter referred to as “the Special Corporate Reorganization Law”).

The Deposit Insurance Department has seven divisions, i.e. Division of Planning and Research, Division of Planning I, Division of Planning II, Division of Planning III, Division of Fund Planning, Division of Fund Operation and Division of Information System.

(4) Special Investigation Department

The Special Investigation Department is in charge of the investigation of cases to pursue criminal and civil responsibility, guidance and advice for the RCC, the investigation of the debtor's assets regarding the claims transferred to the RCC, collection commissioned by the RCC and work related to the management, collection and disposal of purchased assets.

The Special Investigation Department has six divisions and one branch office, i.e. Division of Policy Planning and Coordination, Division of Investigation and Recuperation, Division of Special Task Force, Special Task Force for Investigation I, Special Task Force for Investigation II, Special Task Force for Investigation III and Sapporo Branch Office.

At the Osaka Headquarters, the Osaka Office of the Special Investigation Department and the Policy Planning and Coordination Office of the Osaka Office of the Deposit Insurance Department are in charge of the relevant work.

(5) Osaka Office of Deposit Insurance Department

The Osaka Office of the Deposit Insurance Department is in charge of general affairs and accounting at the Osaka Office of the Deposit Insurance Department and the Osaka Office of the Special Investigation Department (hereinafter collectively referred to as “the Osaka Headquarters”), the general coordination at the Osaka Headquarters, the deposit payoffs, financial assistance and the purchase of deposits and other claims and guidance and advice, etc. on 2 basic businesses of the RCC, general coordination regarding the management, collection and disposal of purchased assets and work related to financial administrators when the need to conduct such work arises in the Kansai region and further west.

The Osaka Office of the Deposit Insurance Department has three divisions and two offices, i.e. Division of Personnel Management and Corporate 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 the Special Investigation Department is in charge of the investigation of cases to pursue criminal and civil responsibility, guidance and advice for the RCC, investigation of debtor's assets regarding claims transferred to the RCC, collection commissioned by the RCC and work related to the management, collection and disposal of purchased assets (excepting those which fall under the responsibility of the Policy Planning and

Coordination Office of the Osaka Office of the Deposit Insurance Department) when the need to conduct such work arises mainly in the Kansai region and further west.

The Osaka Office of the Special Investigation Department has five divisions, i.e. 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.

6. Organizational Revisions

(1) Expansion of General Affairs Department

The Division of Policy Planning and Coordination I of the Special Investigation Department was transferred to the General Affairs Department on 1st April, 1999 and was renamed the Division of Planning for the purpose of expanding the general coordination function regarding policy matters, inter-departmental matters, dealing with matters related to the Diet and liaison with the RCC.

(2) Consolidation of Financial Reconstruction Department (Establishment of Purchase Price Examination Board)

The Purchase Price Examination Board was established on 9th June, 1999 as an advisory body for the Governor of the DIC to assist decisions through an appropriate procedure for the price of assets purchased by the DIC from financial institutions pursuant to the provision of Article 53 Paragraph 1 of the Financial Stabilization Law.

(3) Expansion of Deposit Insurance Department

In response to the rapidly increasing funding demand of the DIC as a result of huge financial assistance necessitated by failures of many financial institutions, including major banks, it was decided to expand and strengthen the department responsible for finance to further improve the efficiency of finance operation and to diversify the fund raising methods. Accordingly, the Division of Funding was renamed the Division of Fund Planning on 1st April, 1999 and the Division of Fund Operation was newly established (as a result of the split of the original Division of Funding).

The Division of Fund Planning is responsible for the work relating to the formulation and implementation of fund raising plans and fund management plans and also for the planning and drafting of fund raising methods while the Division of Fund Operation is responsible for the work relating to the calculation and receipt of premiums and also for providing grants in association with financial assistance.

(4) Expansion of Special Investigation Department

The Sapporo Branch Office of the Special Investigation Department was newly established on 1st April, 1999 to contribute to the smooth resolution of non-performing loans (to enhance more flexible and efficient assets investigation) in the Hokkaido region in connection with the resolution of the failure of the Hokkaido Takushoku Bank.

On the same day, the Division of Special Task Force was established at the Osaka Office of the Special Investigation Department to further strengthen the responsibilities investigation system dealing with failed and failing financial institutions in the Kansai region and areas further west.

Following the transfer of the Division of Policy Planning and Coordination I to the General Affairs Department, the Division of Policy Planning and Coordination II was renamed the Division of Policy Planning and Coordination.

II. SUMMARY OF BUSINESS CONDITIONS IN FISCAL 1999

1. Overview

(1) Financial and Economic Trends in Fiscal 1999

The Japanese economy during the period of fiscal 1999 saw a receding of the concern for deflation which had been prevalent for some time due to the favourable impacts of the continued prosperity of the US economy and the recovery of the Asian economy. The upturn of confidence in Japanese economy was also helped by the positive effects of financial relaxation measures, including the zero interest rate policy and others of the Bank of Japan and the new Economic Rejuvenation Measures (decision taken in November, 1999) of the government incorporating fresh public investment of some ¥7 trillion, in addition to the infiltration of the positive effects of the Emergency Economic Measures and other measures introduced by the government. As a result, corporate earnings improved and corporate investment in plant and equipment showed signs of a gradual upturn. Even though there were still no such signs for personal consumption, movement was seen in the self-reliant recovery of business activities.

Under these circumstances, the trends in the financial sector still showed the state of instability of the financial system as the continuing failures of financial institutions from the previous year shift to regional banks, such as the Kokumin Bank, the Kofuku Bank and the Tokyo Sowa Bank, etc., while the businesses of the Long-Term Credit Bank of Japan which had been placed under special public management in 1998 were transferred to New LTCB Partners in March, 2000. Among other banks under the management of financial administrator, transfer of the businesses of the Kokumin Bank to the Yachiyo Bank was decided and preparations are in progress to transfer the businesses of other financial institutions, indicating a gradual recovery of the stability of the financial system.

Meanwhile, the move for financial reorganization, particularly among city banks, was further accelerated and the merger between the Sumitomo Bank and the Sakura Bank was announced, following the announcement of the tripartite integration of the Dai-Ichi Kangyo Bank, the Fuji Bank and the Industrial Bank of Japan.

(2) Outline of Financial Assistance Activities Pursuant to The Law

During fiscal 1999, financial assistance was provided for 20 cases (including 19 cases of special financial assistance in excess of the pay-off cost).

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

The main businesses of the DIC pursuant to the Financial Function Reconstruction Law are the business related to the management of failed financial institutions by financial 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 (see Appendix 12: Illustration of Resolution Scheme for Failed Financial Institutions According to the Financial Function Reconstruction Law) The businesses conducted in fiscal 1999 pursuant to the Financial Function Reconstruction Law are outlined next.

1) Outline of Business Related to Financial Administrators

In fiscal 1999, a total of 16 financial institutions, consisting of five banks, 10 credit cooperatives and one shinkin bank, were ordered to be placed under financial administrators pursuant to the provisions of the Financial Function Reconstruction Law. The DIC put forward its opinion at the time of the appointment of a financial administrator by the Financial Reconstruction Committee (hereinafter referred to as “the FRC”) or prefectural governor. The DIC was appointed as a financial administrator for five banks and one shinkin bank out of these 16 financial institutions and is now jointly conducting business management with other financial administrators, including the execution of the businesses of the administered financial institutions and the management as well as disposal of assets.

a) Financial Institutions for Which the DIC is Appointed as a Financial Administrator (as of 31st March, 2000)

Name of Financial Institution	Date of Decision to Place It Under Management	Appointed Financial Administrators
Kokumin Bank (Tokyo)	11th April, 1999	Akira Tachimoto (certified public accountant); Hideki Matsushima (lawyer); the DIC
Kofuku Bank (Osaka)	22nd May, 1999	Noboru Unaba (certified public accountant); Yoshio Kurihara (lawyer); the DIC
Tokyo Sowa Bank (Tokyo)	12th June, 1999	Makoto Suzuki (lawyer); Katsuo Wajiki (certified public accountant); the DIC
Namihaya Bank (Osaka)	7th August, 1999	Yoshiro Kitano (certified public accountant); Tsuneo Yamada (lawyer); the DIC
Niigata Chuo Bank (Niigata)	2nd October, 1999	Koichi Matsumura (certified public accountant); Tetsuya Sunada (lawyer); the DIC
Nichinan Shinkin Bank (Miyazaki)	19th November, 1999	Shoichi Tominaga (lawyer); Shizuo Magara (financial expert); the DIC

b) Other Financial Institutions Placed Under Financial Administrators (as of 31st March, 2000)

Name of Financial Institution	Date of Decision to Place It Under Management	Appointed Financial Administrators
Mie Ken Credit Cooperative* (Mie)	14th May, 1999	Yoshiyuki Kusui (lawyer); Hideki Ikeda (financial experts)
Adachi Sogo Credit Cooperative (Tokyo)	21st May, 1999	Shinsuke Nakajima (lawyer); Hiroshi Sasao (financial experts)
Nihon Shinpan Credit Cooperative (Tokyo)	21st May, 1999	Tsutomu Komatsu (lawyer); Kunikazu Kamikata (financial expert)
Credit Cooperative Osaka Shogin (Osaka)	4th June, 1999	Haruo Sakaguchi (lawyer); Masanobu Nakano (certified public accountant)
Tokyo Kyoiku Credit Cooperative (Tokyo)	18th June, 1999	Yasuhiko Hayashi (lawyer); Kanehiro Kawakami (financial expert)
Kita Hyogo Credit Cooperative (Hyogo)	29th October, 1999	Noriaki Nagahara (lawyer); Nobuzumi Ido (certified public accountant)
Shinko Credit Cooperative (Tokyo)	26th January, 2000	Shinsuke Nakajima (lawyer); Sumiharu Miyazawa (financial expert)
Nagasaki Dai-Ichi Credit Cooperative (Nagasaki)	10th February, 2000	Yasuhiko Matsunaga (lawyer); Yohei Hashimoto (financial expert)
Credit Cooperative Kochi Shogin (Kochi)	30th March, 2000	Hirofumi Koda (lawyer); Masakazu Yamamoto (financial expert)
Credit Cooperative Ishikawa Shogin (Ishikawa)	30th March, 2000	Masahide Goda (lawyer); Sotoo Hashimoto (financial expert)

* Its businesses were transferred to the Hyakugo Bank on 21st March, 2000.

In regard to those financial institutions under management for which the DIC has been appointed as a financial administrator, the DIC dispatches some 10 to 20 (some 30 at the time of initial administrative operation immediately after failure) staff members, in the case of failed bank, who are conversant with banking business to ensure the smooth operation of the financial institutions under the management of the administrator. To be more precise, with the cooperation of other appointed financial administrators, such as lawyers and certified public accountants, the DIC attempts the tentative preservation of the businesses of the financial institutions until its transfer in accordance with a businesses and assets administration plan which is formulated pursuant to Article 14 of the Financial Function Reconstruction Law and which is approved by the FRC while investigating the circumstances leading to the failure of the financial institutions in question and also pursuing the civil and criminal responsibilities of former executives.

The selection of purchasers of financial institutions under management is conducted with a close cooperation of other financial administrators in line with the purport of the Financial Function Reconstruction Law, taking the needs to minimize the injection of public money, to contribute to the stabilization of the financial sector and to ensure the fairness and transparency of the process into consideration. This process of selecting a purchaser is explained below using the case of the Kokumin Bank as an example.

- Stage 1 : Contact was widely made with potential purchasers in Japan and abroad regardless of the type of business.
- Stage 2 : Detailed information was supplied to those expressing interest in succeeding the businesses of the Kokumin Bank on conclusion of an agreement on the obligation to maintain secrecy, and the business plan following succession was explained by each potential purchaser.
- Stage 3 : Potential purchasers which made contact in Stage 2 and which concluded the above-mentioned agreement were short-listed and were requested to submit price conditions and a revised business plan, etc. with due diligence. Finally, the successful purchaser was determined through consultations with the FRC and other related organizations on the basis of the comprehensive consideration of various conditions, including those mentioned above.

Following the completion of the above process, the Basic Agreement on the Transfer of the Businesses of the Kokumin Bank was concluded with the Yachiyo Bank on 11th January, 2000. Consultations with the Yachiyo Bank continued thereafter and the Formal Agreement on the Transfer of Businesses was signed on 7th March, 2000 (the planned date of transfer of business is 14th August, 2000). As the planned date for transfer of business exceeds the period of one year from the date when the order for management was issued, extension of the management period was approved by the FRC on 4th April, 2000.

Regarding other financial institutions under management, active work is in progress to select suitable purchasers based on an idea similar to that applied to the Kokumin Bank so that management can be ended as early as possible in an appropriate manner.

2) Business Regarding Banks Under Special Public Management

As the business assigned to the DIC regarding banks under special public management pursuant to the Financial Function Reconstruction Law, the DIC conducts the work necessitated by the DIC's acquisition of shares of banks under special public management (notification to former shareholders, request to the FRC to make an assessment of assets and payment of share value, etc.), assignment of officials nominated by the FRC and other related work, provision of special financial assistance pursuant to the Law and provision of loans required for the businesses of the banks and compensation of the losses incurred by the implementation of the businesses of the banks (see Appendix 12-(3): Operations Related to Banks Under Special Public Management).

In fiscal 1999, the following necessary operations were conducted for two banks under special public management, i.e. the Long-Term Credit Bank of Japan and the Nippon Credit Bank.

a) Long-Term Credit Bank of Japan (LTCB)

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).
28th 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 of 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, totalling 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. Although information on the method of payment of compensation for acquired shares is to be announced in the <i>Official Gazette</i> , the method is not given as compensation is nil.
16th August, 1999	First purchase of unsuitable assets of the LTCB with special financial assistance is carried out (purchase at a cost of ¥493 billion is commissioned to the RCC).
28th September, 1999	The Memorandum on the Transfer of the LTCB is signed by the DIC, the New LTCB Partners and the LTCB.
24th December, 1999	The Basic Agreement on the Transfer of the LTCB is signed by the DIC, the New LTCB Partners and the LTCB.
9th February, 2000	The Final Agreement on the Transfer of the LTCB is signed by the DIC, the New LTCB Partners and the LTCB.
28th February, 2000	<p>The supplementation for losses (¥348 billion) and purchase of shares, etc. held by the LTCB pursuant to Article 53 of the Financial Function Reconstruction Law are carried out (purchase cost ¥1,370 billion).</p> <p>The second purchase of unsuitable assets of the LTCB with exceptional financial assistance (purchase of ¥304 billion is commissioned to the RCC) and a grant (¥3,239 billion) are carried out.</p> <p>The decision is made to end the special public management of the LTCB by the RCC.</p>
29th February, 2000	The decision made to end the special public management of the LTCB by the FRC.
1st March, 2000	The transfer of the LTBC shares (2,417,075,000 shares at a price of ¥1 billion) and the purchase of the shares held by the LTCB (purchase of the first sale of shares at a cost of ¥174 billion) are carried out.
30th March, 2000	Purchase of the shares held by the LTCB is carried out (partial purchase at ¥289 billion of second sale of shares; non-listed shares at ¥26 billion).
31st March, 2000	Capital injection to the LTCB is carried out (¥240 billion of preferred shares).

b) Nippon Credit Bank (NCB)

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 of 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, totalling 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 on compensation for the acquired shares is made by the FRC. Although information on the method of payment of compensation for the acquired shares is to be announced in the <i>Official Gazette</i> , the method is not given as the compensation is nil.
22nd November, 1999	First purchase of unsuitable assets of the NCB with special financial assistance is carried out (purchase at a cost of ¥298 billion is commissioned to the RCC).
24th February, 2000	The Memorandum on the Transfer of the NCB is signed by the DIC, three companies including the Softbank Group and the NCB.
6th June, 2000	The Basic Agreement on the Transfer of the NCB is signed by the DIC, three companies including the Softbank Group and the NCB.

3) 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 as a means to stabilize and reconstruct the financial function with a limited period of up to the end of March, 2001, allowing the DIC to purchase assets from banks with the approval of the FRC.

The purchase of assets from banks during fiscal 1999 is outlined below.

a) Purchase of Assets from Banks in Fiscal 1999

(Units: number of banks/ ¥100 million)

Type(s) of Financial Institutions	First Half of Fiscal 1999			Second Half of Fiscal 1999			Total		
	No. of Banks	Credit Principal	Purchase Price	No. of Banks	Credit Principal	Purchase Price	No. of Banks	Credit Principal	Purchase Price
City, Long-Term Credit and Trust Banks	11	784	34	14	1,737	62	25	2,521	96
Regional Banks	14	299	11	35	837	58	49	1,135	69
Member Banks of Second Association of Regional Banks	6	150	5	17	371	17	23	521	23
Others	4	151	16	15	182	13	19	333	29
Total	35	1,384	67	81	3,126	150	116	4,510	217

Notes

1. The credit principal is made up of the loan principal and suspense payments.
2. The sum of the individual purchase prices may not necessarily equal the total because of rounding the figure below the unit for each item.

(4) Outline of Capital Injection Pursuant to Early Strengthening Law

The DIC conducts the business of subscribing the shares and subordinated debentures issued by financial institutions by commissioning the work to a treaty bank (the RCC) pursuant to the Law Concerning Emergency Measures for Early Strengthening of the Financial Function (hereinafter referred to as the Early Strengthening Law”).

The main activities of the DIC relating to such business consist of: (a) the commissioning the subscription of shares and others to a treaty bank, (b) lending of the necessary funds required by the treaty bank for the subscribing of shares and others for the smooth implementation of business, (c) compensation for losses resulting from the operation of the treaty bank, (d) approval of the use of the right to vote and other rights of the treaty bank as a shareholder and (e) approval of the disposal of shares and others by the treaty bank.

In fiscal 1999, the FRC publicly announced “the Basic Concept for Capital Injection to Regional Financial Institutions” on 10th June, 1999 and the DIC received applications for the subscribing of shares and others from six regional banks with a joint signature by the treaty bank during the period from September, 1999 to March, 2000. Each time the DIC received such an application, the DIC requested the FRC’s approval of the subscribing, etc. of the said shares, etc. Upon the approval of the FRC, the DIC loaned the necessary funds for the subscribing of the shares and others to the treaty bank which in turn conducted the approved subscribing of shares and others amounting to a total of ¥335 billion in accordance with the treaty with the DIC.

In March, 2000 when the special public management ended, the DIC also received an application for the subscribing of preferred shares from the Long-Term Credit Bank of Japan following the transfer of its shares. The DIC then requested the FRC's approval of the said subscribing. Upon receipt of the approval of the FRC, the DIC loaned the necessary funds for the subscribing of the preferred shares to the treaty bank which in turn conducted the subscribing of preferred shares amounting to a total of ¥240 billion.

In all, the subscribing of shares and others amounting to a total of ¥575 billion was carried out in fiscal 1999 (see Appendix 14-1: List of Capital Injection Pursuant to Early Strengthening Law).

On 20th January, 2000, regarding the disposal of underwritten preferred shares and others, the DIC publicly announced "the Tentative Responses to Proposal to Repay Public Funds", specifying the policy of responding in an appropriate manner in accordance with the principle of early disposal as required by law whenever no special problem is found in regard to the examination of such proposal from the viewpoint of 1) soundness of bank management, 2) stability of the financial system and 3) avoidance of burden on the public.

Based on this policy, the DIC conducted the disposal of perpetual subordinated debentures (¥100 billion) of the Bank of Tokyo-Mitsubishi, which were underwritten pursuant to the Law Concerning Emergency Measures to Stabilize Financial Functions prior to the abolition of this law pursuant to the provision of Article 4 of the Supplementary Provisions of the Financial Function Reconstruction Law, by means of cancellation of these debentures following the relevant proposal made by the said bank (amount of repayment: ¥100 billion).

(5) 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 transferred to the RCC from former *Jusen* companies and failed financial institutions, each Special Task Force for Investigation conducts strenuous investigations to discover the hidden assets of debtors using its assets investigative powers based on the Law Concerning Special Packages for Promotion of Disposal of Claims and Debts of Specific *Jusen* Companies (hereinafter referred to as "the *Jusen* Law"), the Law and the Financial Function Reconstruction Law.

There are three Special Task Forces for Investigation at the Special Investigation Department both in Tokyo and Osaka and the assets investigation system was further consolidated by the establishment of the Sapporo Branch Office on 1st April, 1999.

These Special Task Forces for Investigation are unique groups of experts specializing in assets investigation as their staff members mainly from the National Tax Administration Agency and financial circles together with former members of diverse organizations in both the public and private sectors, including the National Police Agency, Ministry of Justice, Public Prosecutors Office, Ministry of Health and Welfare, Ministry of Labour and Customs Houses.

Their assets investigative powers enable them to impose inspection under penal regulations and the investigations mainly centre on the investigation of financial institutions, on-site inspection of debtors and related sites and the questioning of debtors and related persons.

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 the 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, 3) the hiding of ¥20 million in cash behind an outdoor appliance of air conditioning machine on the verandah of a house, 4) investment of nearly ¥4 billion in the construction of a golf course in a distant area, 5) the holding of nearly ¥15 billion worth of real estate and other assets by an overseas subsidiary and 6) the hiding of nearly ¥3 billion worth of paintings and other art objectives. One of the latest cases, 7), involved the money laundering of funds through several accounts held in the name of a related company, etc. for the purpose of hiding assets by pretending that real estate was acquired by third parties which were essentially owned by the person subject to investigation using these funds. As epitomized by this case, the manner of hiding assets has become more skilful and more circumspectly prepared with malice afore thought.

Despite the growing sophistication of the attempts by crafty debtors to hide their assets, the Special Task Forces for Investigation continue to expose wrongdoings through detailed and in-depth investigation under the slogan of “Breakthrough (Plus One) with Collective Efforts” by staff members with diverse organizational backgrounds, providing effective assistance for the collection of non-performing loans by the RCC.

The progress of the collection of non-performing loans transferred to the RCC from former *Jusen* companies and failed financial institutions, particularly Category IV loans of which the collection is said to be quite difficult, can be mostly attributed to the assets investigations conducted by the Special Task Forces for Investigation.

a) Assets Investigation Results of Special Task Forces for Investigation of Special Investigation Department in Fiscal 1999

Number of Investigations	Number of On-the-Spot Inspections	Hidden Assets Disclosed
283	60	¥56.3 billion

Note: The aggregate amount of disclosed assets since the establishment of the Department (26th June, 1996) stands at ¥361 billion.

(6) Outline of Pursuit of Responsibilities

In regard to the pursuit of criminal responsibility, the DIC and the RCC brought 45 accusations and charges (involving 94 defendants) in fiscal 1999, bringing the aggregate number of accusations and charges since the establishment of the Special Investigation Department to 145 (involving 281 defendants).

In regard to the pursuit of managerial criminal responsibility for failed financial institutions, the DIC brought an accusation of breach of trust, etc. against 18 people, including former executives of the Shizuoka Shogin Credit Cooperative, the Kochi Shogin Credit Cooperative (July, 1999), the Saitama Shogin Credit Cooperative (October, 1999) and the Wakayama Prefectural Credit Cooperative (March, 2000) together with charges of aggravated breach of trust against former executives of the Kofuku Bank (September, 1999) and the Kokumin Bank (November, 1999) for which the DIC was acting as a financial administrator under the relevant provision of the Financial Function Reconstruction Law.

The pursuit of the criminal responsibilities of debtors resulted in a number of charges and accusations on the grounds of blocking auction (9 cases), fraud (8 cases), blocking compulsory execution related to the debt in question (7 cases) and others. The breakdown of these cases by type of criminal offense reveals that a false declaration to the court executor to injure the fairness of auction was particularly noticeable in cases of obstruction

of auction. So was the cancellation of a mortgage through the fraudulent declaration of more than actual sales price to the mortgagee at the time of the voluntary sale of a mortgaged object in cases of fraud and the hiding of rent and the deceptive transfer of real estate assets in cases of obstruction of seizure. One unique case involved the hiding of ¥200 million worth of cash and negotiable securities in a safe deposit box under someone else's name and in other places by the former president of a failed financial institution who feared the seizure of his assets by the financial administrators in the light of his responsibilities from the viewpoint of the Commercial Law.

The pursuit of civil responsibilities in which the DIC was involved included the pursuit of the managerial liabilities of executives and others of failed financial institutions and former *Jusen* companies and the pursuit of the intermediary responsibilities (as a bank) of having introduced the potential loan borrowers to *Jusen* Companies, both of which were mainly conducted by the RCC, and the pursuit of the managerial responsibilities of former executives of failed financial institutions by the DIC in the capacity of a financial administrator.

The results of the pursuit of civil responsibilities in fiscal 1999 are as follows. Firstly, in regard to the pursuit led by the RCC of the managerial civil responsibilities of former executives and others of failed financial institutions, seven cases of litigation for liability claims totalling ¥3,391 million, mainly featuring a breach of a good manager's duty of due care or duty of loyalty in appropriately managing loans, were initiated. In regard to intermediary responsibilities, an application for arbitration was lodged for the repayment of the amount of loss caused by illegal action by three banks on the grounds that these banks caused financial damage to former *Jusen* companies by providing fraudulent information, etc. at the time of introducing potential loan borrowers to former *Jusen* companies and each case was successfully solved. The DIC participated in the arbitration process as an interested party, conducting coordination and other activities to successfully conclude the arbitration process. (The aggregate number of litigation and arbitration cases was 31 with a total amount claimed of ¥43,296 million.)

In addition to the above, there were cases which were solved through negotiation for an out-of-court compromise. In regard to the pursuit of managerial responsibilities, the RCC pursued the responsibilities of officials of former *Jusen* companies through out-of-court compromise negotiations and such a compromise was reached with 33 officials of six *Jusen* companies (total amount of compromise: ¥356.6 million). In regard to the pursuit of intermediary civil responsibility, a compromise was reached with one bank (amount of compromise: ¥200 million).

Acting as a financial administrator, the DIC also pursued the responsibilities of former executives of financial institutions under management and initiated litigation for a liability claim of ¥1,040 million in the case of the Kokumin Bank and ¥7.3 billion in the case of the Kofuku Bank on the grounds that the directors of both banks breached a good manager's duty of care and/or duty of loyalty.

(7) 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). As a government guarantee can be legally given for all four above accounts, a budgetary government guarantee is given for all of these four accounts, including the General Account, in fiscal 2000.

As of the end of March, 2000, the balance of funds raised reached approximately ¥16.8 trillion (an increase of some ¥1 trillion on the previous year), of which approximately ¥16.2 trillion was borrowed (some ¥0.2 trillion from the Bank of Japan and some ¥16 trillion from private financial institutions). From October, 1999, ¥100 billion worth of government guaranteed bonds were issued every month in the Early Strengthening Account and the balance of issue as of the end of March, 2000 was ¥600 billion.

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

2. Collection Results and Other Businesses of RCC

(1) Integration of HLAC and RCB

Following the revisions of the Law and the *Jusen* Law in October 1998, new provisions were introduced to respond to the policy of creating the RCC as a limited company by means of integrating the Housing Loan Administration Corporation (hereinafter referred to as “the HLAC”) and the Resolution and Collection Bank (hereinafter referred to as “the RCB”), for the purpose of minimizing the input of public funds by trying to achieve the early and efficient collection of non-performing loans through fair and transparent methods. In response to these provisions, the Agreement on Merger was signed by the HLAC and the RCB on 25th December 1998. The Agreement was approved at a general meeting of shareholders held on 19th February, 1999 for both companies. The HLAC and the RCB were merged on 1st April, 1999 to establish the RCC.

The RCC aims at conducting, in addition to the business related to the management, collection and disposal of assets transferred or purchased from *Jusen* companies and failed financial institutions, the business related to capital injection into financial institutions, asset purchase from financial institutions and other businesses which a bank may conduct pursuant to the Law and other laws.

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

As special operations pursuant to the *Jusen* Law, the Law and the Financial Function Reconstruction Law, the DIC provides guidance and advice necessary for the implementation of the operations of the RCC. The guidance and advice widely covers from the assistance, which is for the collection by confirming and discovering the facts and hidden assets by means of active use of assets investigative powers afforded to the DIC, to the pursuit of the civil and/or criminal responsibilities of the persons involved.

In regard to the results for fiscal 1999 relating to non-performing loan collection and other businesses, ¥430 billion (totalling ¥1,980 billion since the time of transfer) was collected for claims inherited from the former HLAC while ¥605 billion (totalling ¥952 billion since the time of transfer) was collected for claims inherited from the

former RCB (including the commissioned collection of claims of the former Hanwa Bank) (see Appendix 11: Collection Performance of RCC). The number of resulting accusation cases were 38 (aggregate of 145) (see Appendix 6: List of Accusations).

Legal proceedings (including applications for arbitration) exercising the right to claim for damage were initiated in 10 cases with total claims of ¥3,891 million (aggregate of ¥43,296 million for 31 cases) (see Appendix 7: State of Pursuit of Civil Liability Through Litigation and Arbitration). The DIC discovered ¥56 billion (aggregate of ¥361 billion) worth of hidden assets.

(3) Real Estate Assets Management and Disposal Results

As the appropriate and efficient management and disposal of real estate assets (self-owned real estate and mortgaged real estate) are extremely important to ensure the swift disposal of non-performing loans, the DIC established the Tripartite Council of Real Estate Assets in October, 1996 (renamed the Council of Real Estate Assets following the merger of the HLAC and the RCB in April, 1999) with the HLAC and the RCB, both predecessors of the RCC, to study and discuss efficient maintenance methods, appropriate measures for effective use, market trends and feasible disposal methods, including the securitization of real estate assets.

In the meantime, the DIC proposed improvement plans of the auction system (in view of making the process speedier and more efficient) in fiscal 1998 as a result of a study by the Council of Real Estate Assets and made requests for the revision of relevant law with the cooperation of related organizations. Many of these requests were realized by “the Law Concerning Amendments of Relevant Laws to Ensure Facilitation of Auction Procedure and Related Matters” promulgated in October, 1998, which partially amended the Civil Execution Law, the Law Concerning Procedural Coordination Among Coercive Collection and Compulsory Execution, etc., the Real Property Registration Law and other laws and also by the enactment of “the Law Concerning Special Cases Related to Fact-Finding Surveys and Evaluation, etc. in the Specific Auction Procedure”. While the RCC is encouraging voluntary sale by debtors as the main disposal method, they are also trying to promote the sale of mortgaged real estate by taking advantage of the improved auction system.

In regard to the disposal methods for real estate, in order to ensure appropriate disposal based on fair and disclosed methods, the DIC provided guidance and advice to the RCC on the creation of a database for the RCC-owned real estate assets, the registration of real estate assets to the Real Estate Information Network System (REINS) and the listing of sales information on real estate assets on the Internet Home Page. The DIC has also promoted the sale of these assets for official or public use, and cooperated with the Urban Development Corporation and the Organization for Promoting Urban Development for the effective use of these assets.

The full-scale sale of self-owned real estate assets commenced in fiscal 1998 and, in fiscal 1999, the RCC collected ¥47 billion for 486 items (including real estate assets previously owned by the Hanwa Bank and now the RCC is commissioned to manage) (totalling ¥120 billion for 1,167 items since original transfer to the HLAC and the RCB started). In the course of promoting sales, the DIC and the RCC made a new attempt to achieve greater efficiency and maximization of the collection amount by conducting the collective management in trust of multiple items combined with individual disposal.

Among the self-owned and mortgaged real estate assets sold by the RCC (including those assets sold by the former HLAC and the RCB) since the sale, a total amount of ¥42 billion for 128 items has been sold for official or public use (of which a total value of ¥14 billion for 16 items was sold for the effective land use undertaking of the

Urban Development Corporation launched 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 in which it was required to explore the possible sales method for the non-performing loans possessed by the RCC from the viewpoint of developing a distribution market for non-performing loans. Following the Master Plan, the DIC and the RCC established the Liaison Committee to examine matters related to the sale of non-performing loans while the RCC set up its own working team on this issue.

3. Financial Situation

(1) General Account

The General Account (GA) is an account to handle financial assistance and others within the pay-off cost. The total income in fiscal 1999 was ¥277 billion, including ¥274 billion of insurance premiums, ¥0.3 billion of contribution by financial institutions under management, etc. and ¥1.8 billion of returned grants.

Meanwhile, the total expenses amounted to ¥833 billion, including ¥823 transferred to the Special Operations Account to match the pay-off cost following the provision of special financial assistance and ¥6.6 billion of interest on borrowing.

As a result, the GA in fiscal 1999 recorded a deficit of ¥556 billion and the deficit carried forward to the next fiscal year was ¥1,314 billion, including the loss (¥757 billion) carried forward from the previous fiscal year.

At the end of fiscal 1999, the balance of borrowing (not guaranteed by the government) from the Bank of Japan and others stood at ¥1,312 billion (¥71 billion from the Bank of Japan and ¥1,241 billion from private financial institutions, etc.)

(2) Special Operations Account

The Special Operations Account (SOA) is an account to handle special financial assistance and others above the pay-off cost. The total income in fiscal 1999 was ¥4,763 billion, including ¥206 billion of special insurance premiums, ¥3.6 billion of income from the financial assistance business, including interest related to purchased assets from the former Hanwa Bank, ¥823 billion received from the GA for special financial assistance, ¥3,645 billion received from the Special Operations Fund created by the granting of government bonds, ¥55 billion of returned grants and others.

Meanwhile, the total expenses amounted to ¥4,916 billion, including ¥4,684 billion of (special) financial assistance expenses, ¥54 billion of returned grants and others transferred to the Special Operations Fund, ¥48 billion transferred to the bad debt reserves related to purchased assets from the former Hanwa Bank, etc. and ¥115 billion of loss resulting from valuation of the shares of the treaty bank.

As a result, the SOA in fiscal 1999 incurred a loss of ¥152 billion and the deficit carried forward to the next fiscal year was ¥582 billion, including the deficit carried forward from the previous fiscal year (¥429 billion).

At the end of fiscal 1999, the balance of borrowing (guaranteed by the government) stood at ¥3,567 billion (no remaining balance of borrowing from the Bank of Japan).

(3) Financial Reconstruction Account

The Financial Reconstruction Account (FRA) is an account to handle loans to banks under special public management as well as bridge banks, compensation for losses made by these banks and the purchase, etc. of assets from financial institutions. The assets and liabilities related to capital injection pursuant to the Law Concerning Urgent Measures to Stabilize Financial Functions (“Financial Stabilization Law”) have been inherited by the FRA.

The total income in fiscal 1999 was ¥31 billion, consisting of ¥10 billion of operating income related to the purchase of assets of the former Long-Term Credit Bank of Japan (LTCB), ¥1 billion from the sale of shares of the LTCB, ¥9.1 billion of interest on loans made to banks under special public management (the LTCB and the Nippon Credit Bank (NTB)) and ¥10 billion of interest on loans to the treaty bank in relation to its capital injection.

Meanwhile, the total expenses amounted to ¥483 billion, including ¥348 billion to compensate the loss of the LTCB during the special public management, ¥113 billion of compensation as required by the former Financial Stabilization Law for losses incurred in fiscal 1998 by the treaty bank and ¥20 billion of interest payment on borrowing.

As a result, the FRA in fiscal 1999 incurred a loss of ¥452 billion and the deficit carried forward to the next fiscal year was ¥452 billion, including the loss carried forward from the previous fiscal year (¥90 million).

At the end of fiscal 1999, the balance of borrowing from private financial institutions stood at ¥3,924 billion (no remaining balance of borrowing from the Bank of Japan).

(4) Early Strengthening Account

The Early Strengthening Account (ESA) is an account to handle loans to the treaty bank in association with capital injection to conduct the subscription of shares and others of financial institutions and to compensate for losses incurred by this bank.

The total income in fiscal 1999 was ¥24 billion, including interest on loans made to the treaty bank in association with capital injection.

Meanwhile, the total expenses amounted to ¥24 billion, including ¥23 billion of paid interest for borrowing, which forms the original fund of loans given to the treaty bank, and DIC bonds.

As a result, the ESA in fiscal 1999 incurred a loss of ¥100 million while the deficit carried forward to the next fiscal year was ¥100 million, including the deficit carried forward from the previous fiscal year (¥40 million).

At the end of fiscal 1999, the balance of borrowing (guaranteed by the government) from the Bank of Japan and others stood at ¥7,440 billion (¥197 billion from the Bank of Japan and ¥7,242 billion from private financial institutions) and the amount of DIC bonds issued was ¥600 billion, totalling ¥8,040 billion.

(5) *Jusen* Account

The *Jusen* Account handles subsidies for, debt guarantee for borrowing by and receiving payments from claim disposal companies which conduct the management, collection and disposal of loans and other assets transferred from *Jusen* companies.

The DIC decided to grant ¥35 billion which was equivalent to half of the secondary loss associated with these loans and other assets (hereinafter referred to as “the secondary loss”) of ¥52 billion generated in fiscal 1998 by the former HLAC as an operation subsidy to the HLAC.

As the said subsidy had to be covered by the operational return of the Financial Stabilization Fund, the return in fiscal 1999 was ¥7.2 billion, making the available fund for the subsidy, including the amount carried forward from the operational return in fiscal 1998 (to be returned to Charge Against Financial Stabilization Fund), ¥12 billion which was then granted.

The RCC paid ¥740,000 of the loan collection profits, which was more than half of the secondary loss, to the DIC and the DIC paid the same amount to the Treasury.

Meanwhile, ¥1 billion of the general administrative expenses and others were paid by the operational return of the government capital (¥5 billion) and revenue from special operation contributions by the RCC and other income.

As a result, the unpaid operation subsidy of ¥23 billion constituted the loss in fiscal 1999 as well as the balance carried forward to the next fiscal year under the *Jusen* Account.

a) Statement of Profit and Loss for Fiscal 1999

(Unit: ¥ million)

Item	General Account	Special Operations Account	Total	Excluding
				Inter-Account Transfers
Insurance Premiums	274,706	206,030	480,736	480,736
Income from Financial Assistance	-	3,641	3,641	3,641
Income from Treaty Bank	-	7,388	7,388	7,388
Income from Investment	-	2	2	2
Transfer from General Account	-	823,970	823,970	-
Income from Contributions by Banks Under Management, etc.	390	-	390	390
Transfer from Special Operations Fund (Redemption of Government Bonds)	-	3,645,679	3,645,679	3,645,679
Returned Grant	1,829	55,097	56,926	56,926
Write-backs on Allowance for Bad Debt	-	21,996	21,996	21,996
Non-Operating Revenue	84	84	168	168
Total	277,010	4,763,891	5,040,902	4,216,932
Financial Assistance	23	4,684,570	4,684,593	4,684,593
General Administrative Expenses	2,583	2,063	4,646	4,646
Transfer to Other Accounts	823,970	-	823,970	-
Transfer to Special Operations Fund	-	54,813	54,813	54,813
Transfer to Allowance for Bad Debt	-	48,445	48,445	48,445
Non-Operating Expenses	6,620	11,407	18,027	18,027
Loss on Valuation of Shares of Treaty Bank	-	115,393	115,393	115,393
Loss on Retirement of Fixed Assets	76	62	138	138
Total	833,274	4,916,755	5,750,029	4,926,059
Net Surplus/Deficit	Δ556,263	Δ152,864	Δ709,127	Δ709,127
Outstanding Balance of Deposit Insurance Fund (End of Fiscal 1998)	Δ757,961	Δ429,666	Δ1,187,627	
Outstanding Balance of Deposit Insurance Fund (End of Fiscal 1999)	Δ1,314,224	Δ582,530	Δ1,896,755	

Note: Figures are rounded to the nearest ¥ million.

b) Statement of Balance Sheet and Profit and Loss

< General Account >

(1) Statement of Balance Sheet (as of 31st March, 2000)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	1,834
- Cash and Deposits	851
- Securities	799
- Prepaid Expenses	139
- Accrued Income	0
- Accounts Receivable	43
< Fixed Assets >	469
- Financial Assistance Assets	
Purchased Assets	180
- Tangible Fixed Assets	169
Buildings	106
Tools/Equipment/Fixtures	63
- Intangible Fixed Assets	1
- Investment and Other Assets	
Guarantee Money and Other Security Deposits	118
Total	2,304
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	1,316,043
- Short-Term Loans	1,312,900
- Accounts Payable	111
- Accrued Expenses Payable	3,005
- Money on Deposit	26
< Fixed Liabilities >	30
- Reserves for Retirement Allowance	30
<<Liabilities Total>>	1,316,073
< Capital >	455
- Government Capital	150
- Bank of Japan Capital	150
- Private Capital	155
< Deficit >	Δ1,314,224
- Deficit for Fiscal 1998	Δ757,961
- Deficit for Fiscal 1999	Δ556,263
<<Capital Total>>	Δ1,313,769
Total	2,304

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

(2) Statement of Profit and Loss (1st April, 1999 to 31st March, 2000)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	277,010
- Income from Deposit Insurance Insurance Premiums	274,706
- Income from Contributions by Banks Under Management, etc.	390
- Return of Grant	1,829
- Non-Operating Income	84
< Deficit for Fiscal 1999 >	556,263
Total	833,274
Expenses	
Item	Amount
< Current Expenses >	833,198
- Financial Assistance Grant	23
- General Administrative Expenses	2,583
- Transfer to Other Accounts Transfer to Special Operations Account	823,970
- Non-Operating Expenses Interest on Borrowing	6,620
< Special Loss >	76
- Loss on Retirement of Fixed Assets	76
Total	833,274

- Notes: 1. The deficit of ¥556,263 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 of Tangible fixed assets is ¥37 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

< Special Operations Account >

(1) Statement of Balance Sheet (as of 31st March, 2000)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	43,572
- Cash and Deposits	1,269
- Money Deposited	742
- Securities	37,415
- Suspense Payments	616
- Prepaid Expenses	128
- Accrued Income	3,421
- Accounts Receivable	0
- Allowance for Bad-Debt	△22
< Fixed Assets >	5,573,061
- Financial Assistance Assets	103,420
Purchased Assets	151,215
Compensation Claims	476
Off-Setting Account of Liabilities for Guarantees	152
Bad-Debt Reserves	△48,423
- Assets Related to Treaty Bank	2,842,600
Treaty Bank Shares	12,000
Loans for Treaty Bank	2,830,600
- Tangible Fixed Assets	158
Buildings	103
Tools/Equipment/Fixtures	54
- Intangible Fixed Assets	1
- Investments and Other Assets	2,626,881
Assets of Special Operation Fund	2,209,901
Guarantee Money and Other Security Deposits	116
Off-Setting Account of Liabilities of Guarantee for Treaty Bank	416,800
Other Assets	63
Total	5,616,633

Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	3,472,280
- Short-Term Loans	3,467,600
- Accounts Payable	169
- Accrued Expenses Payable	4,094
- Money on Deposit	0
- Advance Payments Received	7
- Suspense Receipts	409
< Fixed Liabilities >	516,981
- Long-Term Borrowing	100,000
- Reserves for Retirement Allowance	29
- Liability for Guarantees	416,952
Liability for Guarantee for Treaty Bank	416,800
Other Liabilities for Guarantee	152
< Statutory Reserves >	2,209,901
- Special Operations Fund	
per contra for Special Operations Fund Assets	2,209,901
< Liabilities Total >	6,199,164
< Deficit >	Δ582,530
- Deficit Carried Forward	Δ429,666
- Deficit for Fiscal 1998	Δ152,864
<< Capital Total >>	Δ582,530
Total	5,616,633

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

(2) Statement of Profit and Loss (1st April, 1999 to 31st March, 2000)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	4,763,891
- Income from Deposit Insurance	
Special Insurance Premiums	206,030
- Revenue from Financial Assistance-Related Business	3,641
Return from Purchased Assets	2,643
Profit on Purchased Assets Sold	995
Income from Guarantee Fees	2
- Revenue from Treaty Bank-Related Business	
Interest on Loans to Treaty Bank	7,388
- Operating Income	2
- Transfer from General Account	823,970
- Transfer from Special Operations Fund	3,645,679
- Returned Grant	55,097
- Write-backs on Allowance for Bad-Debt Reserves	21,996
- Non-Operating Revenue	84
< Deficit for Fiscal 1998 >	152,864
Total	4,916,755
Expenses	
Item	Amount
< Current Expenses >	4,801,299
- Financial Assistance Expenses	4,684,570
Grants	4,666,839
Loss from Purchased Assets	1,466
Administrative Expenses of Purchased Assets	99
Commissioning Cost of Management and Collection Businesses	2,038
Commissioning Cost of Assets Purchase Business	14,126
- General Administrative Expenses	2,063
- Transfer to Special Operations Fund	54,813
- Transfer to Allowance for Bad-Debt Reserves	48,445
- Non-Operating Expenses	
Interest Payment on Borrowing	11,407
< Special Losses >	115,455
- Loss on valuation of Shares of Treaty Bank	115,393
- Loss on Retirement of Fixed Assets	62
Total	4,916,755

- Notes: 1. The deficit of ¥152,864 million for fiscal 1999 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 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	:	¥81 million
Tangible fixed assets	:	¥37 million
Investment and other assets	:	¥11 million

3. Appropriation Criteria for Reserves

(1) Bad-Debt Reserves

The amount accounted for excludes i) the estimated disposable amount of claims related to debtors for whom legal facts of managerial failure, such as bankruptcy and composition, etc., are applicable and ii) the estimated collectable amount through guarantee. In the case of claims relating to debtors who are not in the state of bankruptcy at present but which are likely to face bankruptcy in the future, the estimated disposal amount as well as the estimated collectable amount through guarantee are deducted from the amount of claims and the amount which is considered necessary based on the general judgement of the payment capability of debtors is accounted for vis-à-vis the remaining amount of the above reduction. In regard to claims other than those described above, the amount for bad debt reserves is accounted for on the basis of the actual bad debt ratio calculated from actual cases of bad debt which occurred in a specific period of time in the past.

(2) Reserves for Retirement Allowance

The required remuneration at the end of the fiscal year is used as the criterion for 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

< Financial Reconstruction Account >

(1) Statement of Balance Sheet (as of 31st March, 2000)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	1,805
- Cash and Deposits	379
- Securities	69
- Accrued Income	1,355
- Accounts Receivable	0
< Fixed Assets >	3,472,136
- Assets from Assets Purchase Business	
Purchased Assets	1,860,414
- Tangible Fixed Assets	20
Buildings	8
Tools/Equipment/Fixtures	11
- Investment and Other Assets	1,611,702
Loans to Specific Treaty Banks	22,200
Loans to Treaty Bank	1,589,500
Guarantee Money and Other Security Deposits	2
Total	3,473,942
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	3,926,170
- Short-Term Loans	3,924,300
- Accounts Payable	12
- Accrued Expenses Payable	1,857
< Fixed Liabilities >	3
- Reserves for Retirement Allowance	3
<<Liabilities Total>>	3,926,173
< Deficit >	Δ452,231
- Deficit Carried Forward	Δ90
- Deficit for Fiscal 1998	Δ452,140
<<Capital Total>>	Δ452,231
Total	3,473,942

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

(2) Statement of Profit and Loss (1st April, 1999 to 31st March, 2000)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	31,484
- Income from Assets Purchase Business	
Profits from Purchased Assets	10,743
- Interest on Loans to Banks under Special Public Management	9,123
- Interest on Loans to Specific Treaty Banks	8
- Interest on Loans to Treaty Bank	10,600
- Income from Sale of Shares of Banks Under Special Public Management	1,000
- Non-Operating Income	8
< Deficit for Fiscal 1998 >	452,140
Total	483,624
Expenses	
Item	Amount
< Current Expenses >	483,624
- Expenses for Assets Purchase Business	629
Administrative Expenses for Purchased Assets	29
Commissioning Cost of Assets Purchase Business	600
- Compensation for Losses by Banks Under Special Public Management	348,900
- Compensations or Losses by Treaty Bank	113,640
- General Administrative Expenses	217
- Non-Operating Expenses	
Interest Paid	20,236
Total	483,624

- Notes: 1. The deficit of ¥452,140 million for fiscal 1999 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

1. Evaluation 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: ¥1 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

< Early Strengthening Account >

(1) Statement of Balance Sheet (as of 31st March, 2000)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	6,311
- Cash and Deposits	122
- Prepaid Expenses	54
- Accrued Income	5,919
- Accounts Receivable	215
	8,037,437
< Fixed Assets >	
- Tangible Fixed Assets	6
Buildings	4
Tools/Equipment/Fixtures	2
- Investment and Other Assets	8,037,431
Loans to Treaty Bank	8,037,430
Guarantee Money and Other Security Deposits	1
< Deferred Charge >	2,162
Issuing Cost of Bonds	2,107
Discount on Bonds	55
Total	8,045,911
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	7,445,658
- Short-Term Loans	7,440,200
- Accounts Payable	221
- Accrued Expenses Payable	5,027
- Advance Payments Received	209
< Fixed Liabilities >	600,428
- DIC Bonds	600,000
- Long-Term Advance Payment Received	427
- Reserves for Retirement Allowance	1
<<Liabilities Total>>	8,046,086
< Deficit >	Δ175
- Deficit Carried Forward	Δ46
- Deficit for Fiscal 1998	Δ128
<<Capital Total>>	Δ175
Total	8,045,911

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

(2) Statement of Profit and Loss (1st April, 1999 to 31st March, 2000)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	24,149
- Interest on Loans to Treaty Bank	24,142
- Non-Operating Income	7
< Deficit for Fiscal 1998 >	128
Total	24,278
Expenses	
Item	Amount
< Current Expenses >	24,278
- Compensation for Loss by Treaty Bank	1
- General Administrative Expenses	109
- Non-Operating Expenses	24,166
Interest on Borrowing Paid	22,176
Interest on Bonds Paid	924
Administrative Expenses for Bonds	7
Depreciation of Bond Issuing Cost	1,053
Amortization of Discount on Bonds	5
Total	24,278

- Notes: 1. The deficit of ¥128 million for fiscal 1999 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

1. Evaluation 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. Accounting Criteria for Allowances
Retirement Allowance
The required amount of payment at the end of the fiscal year is used as the criterion to prepare for the payment of retirement pay for officials and staff members.
4. Other Important Matters Relating to Preparation of Financial Statements
 - (1) Accounting Method for Consumption Tax
Tax inclusive method
 - (2) Accounting Method for Deferred Assets
 - 1) Bond Issuing Cost: equal depreciation over three years
 - 2) Difference in Bond Issue: equal depreciation over the period up to the term of bond redemption (four years)
 - 3) Accounting Criteria for Revenue and Expenses: accrual method

< Jusen Account >

(1) Statement of Balance Sheet (as of 31st March, 2000)

(Unit: ¥ million)

Assets	
Item	Amount
< Current Assets >	5,065
- Cash and Deposits	3,060
- Securities	1,994
- Prepaid Expenses	2
- Accrued Income	8
- Accounts Receivable	0
< Fixed Assets >	4,299,672
- Tangible Fixed Assets	122
Buildings	70
Tools/Equipment/Fixtures	51
- Intangible Fixed Assets	1
- Investment and Other Assets	4,299,549
Assets Relating to Financial Stabilization Fund	909,061
Shares of Affiliated Companies	200,000
Guarantee Money and Other Security Deposits	110
Off-Setting Account of Liabilities for Guarantee	3,190,377
Total	4,304,738
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	23,110
- Accounts Payable	23,090
- Advance Payments Received	20
< Fixed Liabilities >	3,290,633
- Reserves for Retirement Allowance	22
- Repayable Payments Received from Bank of Japan	100,000
- Charges against Assets Allotted in Operation	233
- Liability for Guarantee	3,190,377
< Statutory Reserves >	1,009,061
- Financial Stabilization Fund	1,009,061
Counterpart of Private-Sector Contributions	1,007,000
Counterpart of Operating Income	2,061
<<Liabilities Total>>	4,322,806
< Capital >	5,000
- Government Capital	5,000
< Deficit >	Δ23,067
- Accumulated Funds	2
- Deficit for Fiscal 1999	Δ23,070
<<Capital Total>>	Δ18,067
Total	4,304,738

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

(2) Statement of Profit and Loss (1st April, 1999 to 31st March, 2000)

(Unit: ¥ million)

Revenue	
Item	Amount
< Current Revenue >	20,590
- Return to Financial Stabilization Fund	12,354
- Payment from Claims Disposal Companies	
Payment of Collection Profits of Transferred Claims, etc.	0
- Income from Investment	
Income from Investment of Financial Stabilization Fund	7,212
- Revenue from Special Operations Contributions	933
- Non-Operating Income	15
- Write-backs on Charge Against Assets Allotted in Operation	74
< Deficit for Fiscal 1999 >	23,070
Total	43,661
Expenses	
Item	Amount
< Current Expenses >	43,599
- Grant for Claims Disposal Companies	
Operation Promotion Grant	35,430
- Payments to Government	
Payment of Collection Profits of Transferred Claims, etc.	0
- General Administrative Expenses	955
- Transfer to Financial Stabilization Fund	7,212
< Special Loss >	61
- Loss on Retirement of Fixed Assets	61
Total	43,661

Notes: 1. The deficit of ¥23,070 million for fiscal 1999 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 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: ¥35 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

III. REVISIONS OF THE LAW AND OTHER LAWS

1. Purposes of Revisions of the Law and Other Laws

In order to promote the further stabilization of the financial system in Japan and the proper resolution of failed financial institutions in response to recent changes of the financial environment, the Government of Japan proposed a law to revise parts of the Law and other laws to the Diet based on a report submitted by the Financial System Council on 21st December, 1999 and agreement (extension of the special arrangements to protect the entire amount of deposits, etc. by one year) was reached among those responsible for government party policies on 29th December, 1999 and the law in question was enacted on 24th May, 2000. The enactment of this law was a response to such necessities as 1) expansion of the scope of the application of financial assistance to mergers, etc. regarding failed financial institutions, 2) creation of systems for management by financial reorganization administrators, succession of the businesses of failed financial institutions and arrangements to deal with a financial crisis, etc., 3) introduction of special arrangements, etc. for the civil reconstruction procedure regarding financial institutions, 4) increase of government bonds to be granted to finance the Special Operations Fund and the extension of special arrangements for financial assistance, etc. and 5) introduction of the necessary arrangements to strengthen the managerial basis of cooperative financial institutions.

Following this enactment, the necessary provisions were decided to be worked out for the deposit insurance system and the system to deal with the failure of financial institutions from April, 2001 onwards together with such arrangements as an increase of the government bonds to be granted, extension of the special arrangements to protect the entire amount of deposits, etc. by one year and others. Moreover, the issue of preferred subscription was approved to consolidate the managerial basis of cooperative financial institutions as part of the improvement of the business environment in the face of the eventual end of the said special arrangements together with other arrangements, including the extension of the availability of capital injection pursuant to the Early Strengthening Law by one year.

2. Outline of Revisions of the Law and Other Laws

(1) Deposit Insurance System and System to Deal with Failure of Financial Institutions

1) Partial Revision of the Law [Permanent Measures]

< Expedition of Process to Deal with Failure >

① Advance Preparation

Financial institutions now have the obligation to prepare data on depositors for the grouping of deposits, and to establish a system to allow the swift transfer of the said data to the DIC. In addition, it has become obligatory to submit materials to make a swift estimation of the amount of deposits, etc. by the DIC in the form of magnetic tape, etc. whenever the submission of such materials is requested by the DIC.

② Expedition and Simplification of Procedure for Transfer of Business

A system for provisional resolutions (of shareholders meeting) regarding the transfer of business, etc. and a court authorization system of subrogation to substitute a special resolution is introduced. In addition, a special arrangement for the procedure to convene a general meeting, etc. of a shinkin bank, etc. is introduced.

③ Special Arrangements for Creditor Protection Procedure in Case of Transfer of Business, etc.

A system designed to implement the creditor protection procedure in case of transfer of business effecting on the ex post facto basis is introduced together with special arrangements for the trustee replacement procedure in case of the replacement of trustees. In addition, in the case of the transfer of business, etc. from a bank under management, etc., special arrangements which enable such transfer together with secured claims without setting the maximal-hypothec are introduced.

Note: Because of the introduction of arrangements ① through ③ described above to speed-up the process to deal with failure, the emergency procedure has been abolished.

< Diversification of Measures to Deal with Failure of Financial Institution >

① Financial Administrator System

The public administrator (financial administrator) system was introduced to assume the right of management of failed financial institutions. To be more precise, according to the Prime Minister's order, a financial administrator can do the management of businesses and assets in i) a case where the liabilities exceed the assets, ii) a case where there is a possibility that the repayment of deposits, etc. may be stopped, iii) a case where the repayment of deposits, etc. has actually stopped or iv) a case where there is a possibility that the liabilities may exceed the assets based on the relevant notification by a financial institution.

Financial institutions now have a compulsory obligation to notify i) a case where the liabilities exceed the assets and ii) a case where there is a possibility that the repayment of deposits may be stopped.

Financial reorganization administrators are required to take the necessary civil and/or criminal measures to clarify the responsibilities of executives or former executives of banks under management for the failure of such banks.

The management by financial reorganization administrators will end within one year (extension by another year is possible).

② Bridge Bank System

The bridge bank system is introduced to deal with cases where no assuming financial institution can be immediately found. To be more precise, it is made possible for the DIC to establish a bridge bank as a subsidiary and to compensate for losses resulting from the management of the businesses of a bridge bank in addition to providing the funds required for the smooth implementation of the businesses of a bridge bank and also to provide debt guarantee. Moreover, financial assistance by a bridge bank for a succeeding financial institution is also made possible.

The term of existence of a bridge bank is set at within two years (extension by another year is possible).

③ Enlarging the Scope of Financial Assistance

The scope of financial assistance is now widened to include financial assistance in the case of not only the transfer of entire operation but also in the case of the partial transfer of operation (including the transfer of insured deposits), additional financial assistance after the transfer of operation or merger, etc. and financial assistance for failed financial institutions to strike a balance among creditors.

It is also made possible to conduct capital injection to an assuming financial institution and retrospective compensation for losses (loss sharing) as part of financial assistance. Furthermore, companies other than banks or bank holding companies are now included in the scope of share acquisition for financial assistance.

< Response to Financial Crisis >

① When a crisis situation (systemic risk) is foreseeable, the Prime Minister is to recognize the need of and authorize the implementation of the relevant exceptional arrangements in accordance with the following categories of financial institutions after holding the Conference for Financial Crisis.

- a) Financial institutions [excluding Underwriting, etc. of shares, etc. by the financial institutions under b)] DIC (capital injection)

An application for the subscribing, etc. of shares, etc. by the DIC can only be made by acknowledged financial institutions. At the time of application, a financial institution submits a plan to strengthen its management and the Prime Minister makes a decision to conduct capital injection. The Prime Minister also demands reporting on the progress of the said plan and makes this report publicly known.

- b) Failed financial institutions or Financial assistance above the pay-off insolvent financial institutions cost (estimated cost required for the (i.e. liabilities exceed assets) paying out of insurance money)

It is made possible to initiate the management of an acknowledged financial institution by financial reorganization administrators immediately after acknowledgment and to provide financial assistance above the pay-off cost.

- c) Insolvent failed banks Acquisition of entire shares by the DIC (banks under special crisis management)

As soon as acknowledgment of the bank in need of capital injection is made, a decision is taken for the DIC to acquire the shares of the bank and the DIC acquires the said shares while announcing the acquisition in the *Official Gazette*. The new directors of a bank under special crisis management are required to proceed with the necessary civil and criminal procedures to clarify the managerial responsibilities of the former executives while it is now possible for the DIC to arrange financial assistance, etc. above the pay-off cost for an assuming financial institution.

This arrangement, i.e. the acquisition of the entire shares by the DIC, should be ended as soon as possible by means of transferring business to an assuming financial institution or other means.

Note: The need for the arrangement described in c) above can be acknowledged only when a crisis situation cannot be avoided by arrangement b).

② It is decided to establish the Crisis Management Account as an account to handle the work related to the management of a financial crisis. It is now possible for the government to provide a guarantee for borrowing or the issue of bonds to raise the necessary funds for the said work by the DIC.

- ③ As a financial source regarding exceptional arrangements, contributions must be on ex post facto basis made by financial institutions. If there is a conceivable chance that an extremely serious obstacle may occur in regard to the stability of financial system in Japan with contributions by financial institutions alone, the introduction of fiscal measures is within the scope for the contribution to the arrangement.

Note: The amount of insurance premium by financial institutions is calculated based on the balance of the entire debt at the end of the fiscal year in which such contributions must be made.

< Revision of Scope of Insured Deposit >

- ① Bank debentures (only those for which the rightful persons can be confirmed), government deposits, deposits of special corporations and interest on deposits (government deposits/deposits and deposits of special corporations are associated with items decided by a government ordinance) are newly included within the scope for the deposit insurance system.

Note: The insured amount for each depositor is the principal up to the payment limit for insurance money plus interest on the said principal. The payment limit for insurance money remains at the same level as before (¥10 million, an item decided by a government ordinance).

- ② The Federation of Cooperative Financial Institutions is newly covered by the deposit insurance system (from fiscal 2000).

- ③ The purchase of deposits and other claims is now possible in the case of not only the payment of insurance money but also financial assistance.

- ④ The calculation basis for insurance premiums is changed from the balance of deposits insured at the end of the previous fiscal year to the average balance in the previous fiscal year in accordance with the premium calculation formula (this change is to be applied from fiscal 2002 pursuant to the Additional Rules of the Law).

Note: It is now possible to introduce a premium rate which reflects the managerial strength of each financial institution.

< Others >

- ① It is now possible for the DIC to loan funds to failed financial institutions so that failed financial institutions can repay deposits up to the insured amount and can provide loans to prevent a deterioration of the value of assets.

- ② New provisions relating to the demand for reporting and on-site inspection are introduced to ensure the smooth resolution of the failed financial institutions.

- ③ The system under which the treaty bank (RCC) functions as an assuming financial institution and the DIC commissions the purchase of assets from failed financial institutions, etc. to the treaty bank, which was originally introduced as a temporary arrangement, is now made an interim arrangement without any specific terminating provision.

2) Partial Revision of Other Laws (Permanent Measures)

< Partial Revision of the Law to Provide Special Procedures for Reorganizing Financial Institutions >

- ① New provisions are set forth for special cases subject to the Civil Reconstruction Law (notification of the commencement of the reconstruction procedure by the Financial Supervisory Agency, right of the DIC to represent depositors in the reconstruction procedure and others).
- ② The repayment of deposits up to the insured amount after the commencement of the reorganization procedure or the civil reconstruction procedure is available.

< Partial Revision of the Trust Business Law >

From the viewpoint of protecting the beneficiaries of trust assets, a provision relating to the required conditions for third party contention is introduced regarding registered corporate debentures as well as registered government bonds in the possession of trust companies as trust assets.

< Partial Revision of Shinkin Bank Law, etc.>

In order to attempt the diversification of the methods to deal with the failure of cooperative financial institutions, the resolution procedure under commercial law is now made applicable *mutatis mutandis* to cooperative financial institutions.

(2) Increase of Government Bonds Granted

- Partial Revision of the Law (Temporary Measure)

The amount of government bonds granted to the DIC is increased by ¥6 trillion in addition to the ¥7 trillion already granted.

(3) Extension of Special Arrangements to Protect Entire Amount of Deposits, etc. and Other Matters

- Partial Revision of the Law (Temporary Arrangement)

- ① The application period for the special arrangements for financial assistance above the pay-off cost and the purchase of deposits and other claims which are temporary measures are now extended by one year until the end of March, 2002.

Note: The payment period for special premiums is also extended by one year and the abolition of the Special Operations Account is extended by one year to the end of March, 2003.

- ② It is decided that the insured amount for deposits, etc. used for exchange transactions among deposits, etc. is the sum of the principal and interest, etc. as far as insurance accidents (excluding those insurance accidents to which the special arrangements for financial assistance and the special arrangements for the purchase of deposits and other claims are applicable) which take place between 1st April, 2000 and 31st March, 2003 are concerned.

Note: Deposits of which the entire amount is protected during this period will face a higher premium than other deposits (the premium rate will be decided by the Policy Board of the DIC) and a regulated interest rate pursuant to the Temporary Law for Interest Rate Adjustment (a government notice). As a result, the scope of protected deposits, etc. is as follows.

- a) Until the end of March, 2002
Protection of the entire amount of deposits, etc.
- b) From the Beginning of April, 2002 to the end of March, 2003
 - i) Time deposits, etc. (time deposits, installment savings, Big-type loan trusts and part of bank debentures, etc.)
The scope of protection is a maximum sum of ¥10 million of principal and its interest. Regarding principal exceeding ¥10 million and its interest, insurance money is payable in accordance with the situation of the assets of a failed financial institution.
 - ii) Liquid deposits (current deposits and ordinary savings, etc.)
The entire amount of the deposits is protected.
 - iii) Deposits, etc. outside the scope of protection (foreign currency deposits, negotiable certificates of deposits and Hit-type money in trust, etc.)
Insurance money is payable in accordance with the situation of the assets of a failed financial institution.
- c) From April, 2003 onwards
The principles for the paying-out of insurance money are to be recovered. For deposits under i) and ii) of b) above, a maximum sum of ¥10 million of principal and its interest is protected by the insurance while the insurance money for principal exceeding ¥10 million and its interest and deposits under iii) of b) above is payable in accordance with the situation of the assets of a failed financial institution.

(4) Strengthening of Management Basis of Cooperative Financial Organizations

1) Partial Revision of the Law Concerning Preferred Subscription to Cooperative Financial Institutions (Permanent Measures)

Apart from those federations of which the business area covers entire Japan, individual credit cooperatives, shinkin banks, labour banks and other cooperative financial institutions are included within the scope of the DIC in case of preferred subscription.

2) Partial Revision of the Early Strengthening Law (Temporary Measures)

Regarding those cooperative financial institutions which are included within the scope of preferred subscription following the revision described in 1) above among cooperative financial institutions subject to capital injection pursuant to the Early Strengthening Law at present, the required conditions for application of the said law are reviewed to make it easier to carry out capital injection and the termination of the measure is extended by one year until the end of March, 2002.

3) Partial Revision of the Law (Temporary Measures)

The claims collection business conducted by the Association of Credit Cooperatives in association with the resolution of failed credit cooperatives prior to the revision of the Law in fiscal 1996 is smoothly transferred to the RCC to enable the uniform operation of the business.

To be more precise, by the end of March, 2001, the DIC purchases non-performing loans of former failed credit cooperatives from financial institutions which originally received the said loans as repayment in substitute from the Association of Credit Cooperatives conducting the collection business of the said loans and can compensate for losses within the limit of the losses incurred by the sale of the said loans.

Note: The DIC is permitted to commission the purchase of assets to the RCC.

(5) Enforcement Dates

- ① The permanent measures for the deposit insurance system and the system to deal with the failure of financial institutions, the extension of the special arrangement to protect the entire amount of deposits, etc. and others will be enforced on 1st April, 2001.
- ② The arrangement to make the Federation of Cooperative Financial Institutions included within the scope of deposit insurance, the increase of granted government bonds and the arrangement regarding the strengthening of the management basis of cooperative financial institutions will be enforced on 30th June, 2000.

IV. APPENDICES

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) Labour banks

Note: - Following the enforcement of Article 1 of the Law to Revise Parts of the Deposit Insurance Law and Other Laws (on 30th June, 2000), the Zenshinren Bank, the Shinkumi Federation Bank and the Rokinren Bank are now covered by the system in addition to those listed in a) through d) above.
- 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) 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

Insurance premiums are used to finance such operations as insurance payments and financial assistance not exceeding the pay-off cost (general operations) and 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 insurance premium rate is firstly voted for by the DIC's Policy Board and then is finalised with the approval of the FRC and the Minister of Finance (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.

(2) Normal 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 Event Insured Against

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 occurrence of the event insured against (suspension of the repayment of deposits) after a decision of the Policy Board. (If necessary, this period can be extended by one month.)

(b) Category Two Event Insured Against

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 an “assuming 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 assuming 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 assuming financial institutions to facilitate merger, etc.

< Procedure for Financial Assistance >

An assuming 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 assuming 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 and ¥4 trillion since April 2000). 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. This facility for government guarantee has been in use since fiscal 2000.

(3) Special Arrangements

Following the revisions of the Law, etc. coming into force on 24th May, 2000, the period of special arrangements for special financial assistance and the purchase of deposits, etc. has now been extended from the end of fiscal 2000 to the end of fiscal 2001 and the special arrangement for the RCC has been indefinitely extended. (See III. Outline of Revisions of the Law and Other Laws (P.35) for the outline of the said revisions).

1) Special Financial Assistance

As a temporary arrangement up to the end of fiscal 2000, it is now possible for the DIC to provide financial assistance exceeding the pay-off cost (special financial assistance) to assuming financial institutions when the FRC and the Minister of Finance recognise that a merger, etc. relating to an application for financial assistance is necessary to maintain the stability of the financial system.

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 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 RCC, 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 RCC from failed credit cooperatives and also to conduct the work of collecting loans which requires professional knowledge to do so, as entrusted by the RCC.

The revision of the Law in February 1998 assigned to the RCC 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 RCC. Furthermore, special investigative power was given to the DIC staff members in regard to transferred claims to the RCC 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.

Note: The amount of government bonds to finance the Special Operations Fund was increased by ¥6 trillion following the enforcement of Article 1 of the Law to Revise Parts of the Deposit Insurance Law and Other Laws (on 30th June, 2000), totalling ¥13 trillion.

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	
→	
→	July 1996: ¥5,455 million [Jusen Account] ¥5 billion (contributed by the Government)
[by appointment of Minister of Finance] (June 1998)	→ [by appointment of Prime Minister and approved by both Houses of the Diet] (October 1998)
Maximum of 3 (June 1998)	→ Maximum of 4 (October 1998)
→	Fiscal 1996: 0.048%
→	Newly introduced: 0.036% [special provision]
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.	
→	
	Introduced
→	
	Introduced (April 1997)
	Introduced (April 1997)
→	
	Purchase of assets from failing financial institutions (June 1996) → Purchase of assets from banks under special public management, etc. (October 1998)
→	¥1 trillion (June 1996) → ¥2 trillion (April 1999) → ¥4 trillion (April 2000)
→	Financial Institutions, etc. (October 1998)

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

Main Revisions of the Law in December 1997
<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
<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
<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 (¥18 trillion) for loans, etc. to banks under special public management and bridge banks - Introduction of the Early Strengthening Account (¥25 trillion) for loans, loss compensations, etc. to treaty banks subscribing for stocks of financial institutions, etc.

3. Historical Expansion and Consolidation of Special Arrangements Related to Treaty Bank/Specified Treaty Bank and Disposal Company of *Jusen's* Assets and Liabilities

(1) Treaty Bank (Related to the Law)

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 treaty bank	- No alterations	- No alterations
- Entrusting the treaty bank to purchase the assets of failed credit cooperatives	- Entrustment extended to "failed financial institutions"	- No alterations
- Covering of losses incurred by the treaty bank (restricted to losses related to the entrusted purchase of assets)	- Coverage of losses extended to "losses related to merger and transfer of business based on the Resolution and Collection Treaty"	- No alterations
	- Lending to the treaty bank	- No alterations
- Guarantee of liabilities related to borrowing by the treaty bank	- No alterations	- No alterations
	- Receipt of money paid in by the treaty bank	- No alterations
- Guidance and advice for the treaty bank	- No alterations	- No alterations
- Investigation into the assets of debtors and collection of claims related to assets transferred to the treaty bank	- Penal provisions added to strengthen investigation into the assets of debtors	- No alterations
	- Approval of entrusting collection to the disposal company of <i>Jusen's</i> assets and liabilities	- No alterations
- Enquiries and request of cooperation of government agencies, public organizations and others	- No alterations	- No alterations
		- Actions necessary for merger between the treaty bank and the disposal company of <i>Jusen's</i> assets and liabilities

(2) The Specified Treaty Bank (Related to the Financial Function Reconstruction Law)

Original Financial Function Reconstruction Law October 1998
- Entrustment of asset purchase of financial institutions to the specified treaty bank
- Covering 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 in by the specified treaty bank
- Investigation into the assets of debtors (backed up by penal provisions) and collection of claims related to transferred assets to the specified treaty bank
- Approval of entrusting collection to disposal company of <i>Jusen's</i> assets and liabilities
- Enquiries and request of cooperation of government agencies, public organizations and others

(3) Disposal Company of Jusen's Assets and Liabilities (Related to the *Jusen Law*)

The Original <i>Jusen Law</i> June 1996	Revisions of the <i>Jusen Law</i> in April 1998	Revisions of the <i>Jusen Law</i> in October 1998
- Capital subscription in, provision of subsidies for, liability guarantee and guidance/advice for disposal company of Jusen's assets and liabilities	- No alterations	- No alterations
- Investigation (backed up by penal provisions) into the assets of debtors and collection of claims related to loans transferred to disposal company of Jusen's assets and liabilities	- Penal investigation extended to real estate assets pledged (as security) by third parties	- No alterations
	- Approval of entrusting collection to the treaty bank	- No alterations
- Enquiries and of 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 financial contribution by the Bank of Japan and private financial institutions; payment of collection profits to the government	- Revised methods 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
		- Arrangements necessary for merger between disposal company of Jusen's assets and liabilities and treaty bank

4. Chronology of Events During Fiscal 1999

Date	Operations to Deal with Failure, etc.	Resolution and Collection Operations, etc.	Financial Reconstruction and Financial Function Early Strengthening Operations, etc.
< 1999 > 1st April		- Opening of DIC Sapporo Branch Office	
	- Execution of financial assistance in relation to the merger between the Hanshin Bank and the Midori Bank	- Establishment of the RCC - Conclusion of the treaty regarding the resolution and collection businesses	
5th April	- Execution of financial assistance for the transfer of business from the Takashima Credit Cooperative to the Shiga Ken Credit Cooperative and the Shiga Bank		
11th April			- Decision taken to place the Kokumin Bank under management
16th April (116th Policy Board Meeting)	- Decision to extend financial assistance for the transfer of business from the Wakayama Ken Shoko Credit Cooperative to the Kiyu Bank (executed on 6th May) - Decision to extend financial assistance for the business transfer from the Kowa Credit Cooperative to the Daido Credit Cooperative (executed on 17th May)		
19th April	- Execution of financial assistance for the transfer of business from the Takashima Credit Cooperative to the Daido Credit Cooperative		
22nd May			- Decision taken to place the Kofuku Bank under management
25th May		- 1st regular meeting of executives	
26th May (117th Policy Board Meeting)	- Decision to extend financial assistance for the transfer of business from the Fukuju Credit Cooperative to the Daido Credit Cooperative (executed on 14th June)		
12th June			- Decision taken to place the Tokyo Sowa Bank under management
16th June (118th Policy Board Meeting)	- Settlement of fiscal 1998 accounts - Decision to extend financial assistance for the business transfer from the Howa Credit Cooperative to the Osaka Shomin Credit Cooperative (executed on 28th June)		- 1st meeting of the Purchase Price Examination Board (basic principles of purchase, purchase price calculation method and others)

24th June		- 2nd regular meeting of executives	
28th June	- Relocation of the DIC (Tokyo) to the new office (in Yurakucho)		
15th July (119th Policy Board Meeting)	- Alteration of the fiscal 1999 budget for the <i>Jusen</i> Account		
28th July		- 3rd regular meeting of executives	
7th August			- Decision taken to place the Namihaya Bank under management
10th August (120th Policy Board Meeting)	Decision to extend exceptional financial assistance to the Long-Term Credit Bank of Japan (LTCB) (executed on 16th August) - Decision to extend financial assistance for the transfer of business from the Credit Cooperative Osaka Koyo to the Osaka Shomin Credit Cooperative (executed on 23rd August) - Alteration of fiscal 1999 budget and funding plan for the Early Strengthening Account		
16th August			- 1st purchase of unsuitable assets of the LTCB through exceptional assistance
25th August (121st Policy Board Meeting)	- Alteration of fiscal 1999 budget and funding plan		
9th September			- 2nd meeting of the Purchase Price Examination Board (purchase of assets from non-credit cooperative financial institutions in first half of fiscal 1999)
16th September (122nd Policy Board Meeting)	- Revision of operation guideline reflecting revision of the Law - Alteration of fiscal 1999 budget and funding plan		
22nd September		- 4th regular meeting of executives	
28th September			- Signing of memorandum by the DIC, LTCB and LTCB Partners regarding transfer of the businesses of the LTCB
29th September			- Execution of assets purchase from non-credit cooperative financial institutions (¥138 billion worth of principal as

2nd October			<p>claims from 35 financial institutions)</p> <ul style="list-style-type: none"> - Capital injection to financial institutions pursuant to the Early Strengthening Law (¥230 billion to the Ashikaga Bank and three other banks) - Decision taken to place the Niigata Chuo Bank under management
13th October (123rd Policy Board Meeting)	<ul style="list-style-type: none"> - Decision to extend financial assistance for the transfer of business from the Tokyo Towa Credit Cooperative to the Koto Credit Cooperative (executed on 25th October) 		
19th - 20th October			<ul style="list-style-type: none"> - 3rd meeting of the Purchase Price Examination Board (review of assets purchase price calculation method from healthy financial institutions from the second half of fiscal 1999)
21st October 9th November (124th Policy Board Meeting)	<ul style="list-style-type: none"> - Decision to extend exceptional financial assistance to the Nippon Credit Bank (NCB) (executed on 22nd November) - Decision to extend financial assistance for the transfer of business from the Fudo Shinkin Bank to the Yako Shinkin Bank and eight other shinkin banks (executed on 29th November) - Decision to extend financial assistance for the transfer of business from the Sobu Credit Cooperative to the Tomin Credit Cooperative (executed on 22nd November) - Decision to extend financial assistance for the transfer of business from the Taito Credit Cooperative to the Tomin Credit Cooperative (executed on 22nd November) 	<ul style="list-style-type: none"> - 5th regular meeting of executives 	
19th November			<ul style="list-style-type: none"> - Decision taken to place the Nichinan Shinkin Bank under management
22nd November			<ul style="list-style-type: none"> - 1st purchase of unsuitable assets from the NCB through exceptional financial assistance
24th November		<ul style="list-style-type: none"> - 6th regular meeting of executives 	

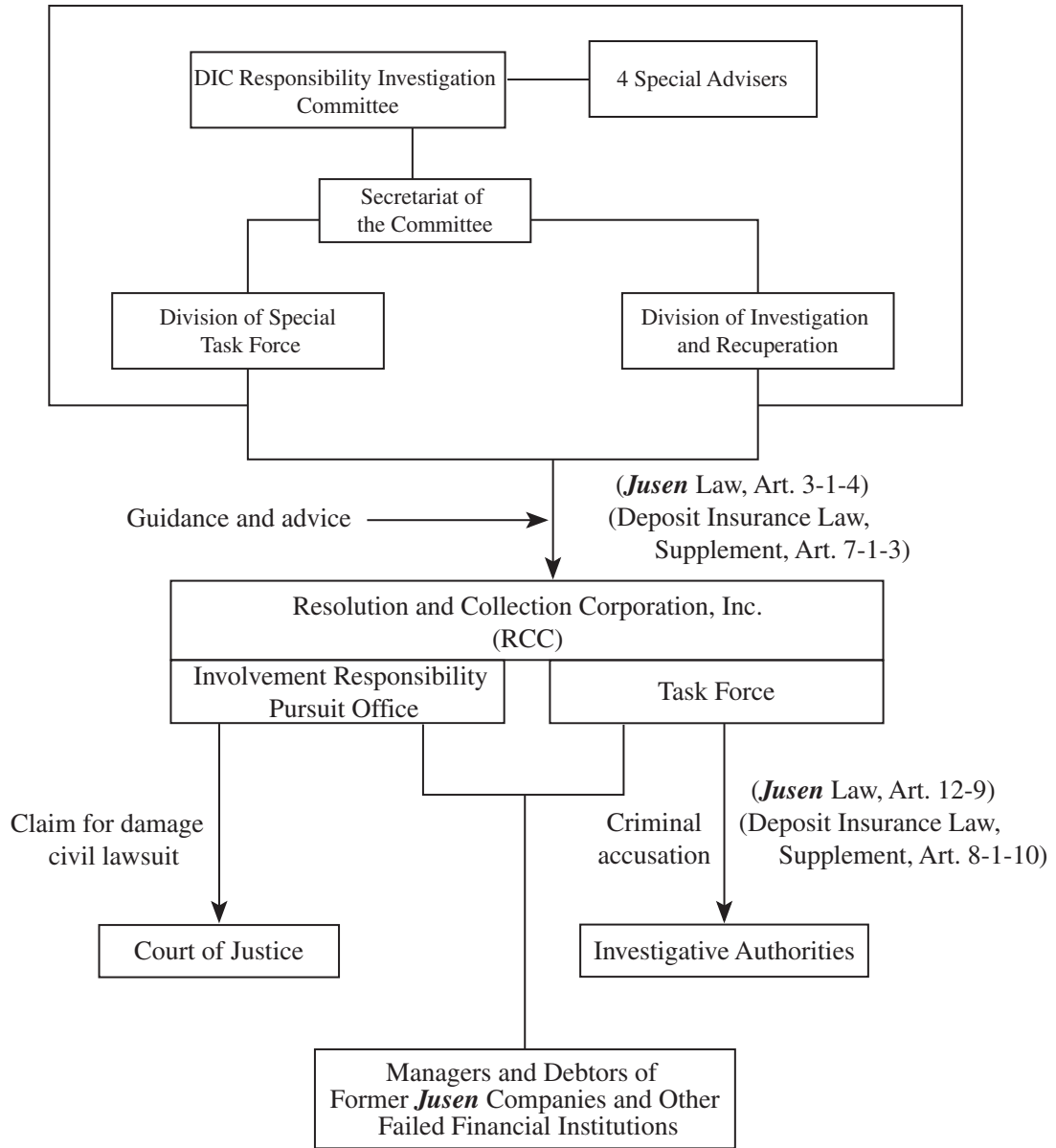
29th November			- Capital injection to a financial institution pursuant to the Early Strengthening Law (¥30 billion to the Ashikaga Bank)
1st December (125th Policy Board Meeting)	- Decision to extend financial assistance for the transfer of business from the Kyodo Credit Cooperative to the Senwa Credit Cooperative (executed on 13th December)		
1st December	- Decision to extend financial assistance for the transfer of business from the Chitose Credit Cooperative to the Senwa Credit Cooperative (executed on 13th December) - Alteration of fiscal 1999 budget and funding plan for Special Operations Account		
22nd December		- 7th regular meeting of executives	
24th December			- Signing of the Basic Agreement by the DIC, LTCB and LTCB Partners regarding transfer of the businesses of the LTCB
< 2000 >			- Signing of the Basic Agreement between the Kokumin Bank and the Yachiyo bank regarding the transfer of businesses
11th January			
12th January (126th Policy Board Meeting)	- Decision to extend financial assistance for the transfer of business from the Heiwa Credit Cooperative to the San-ei Credit Cooperative (executed on 24th January)		
20th January			- Announcement of “Current Principles to Deal with Offers to Repay Public Money”
26th January		- 8th regular meeting of executives	
2nd February (127th Policy Board Meeting)	- Decision to extend financial assistance for the transfer of business from the Kihoku Credit Cooperative to the Kinokuni Shinkin Bank (executed on 14th February)		
3rd-4th February			- 4th meeting of the Purchase Price Examination Board (purchase of assets from healthy financial institutions in second half (February, 2000) of fiscal 1999
9th February			- Signing of the Final Agreement by the DIC, LTCB and LTCB Partners regarding transfer of the

16th February (128th Policy Board Meeting)	<ul style="list-style-type: none"> - Decision to extend exceptional financial assistance to the LTCB (executed on 28th February) - Alteration of the fiscal 1999 budget and funding plan for the Financial Reconstruction Account and the Early Strengthening Account 		businesses of the LTCB
21st February			<ul style="list-style-type: none"> - Approval of repayment (¥100 billion of perpetual subordinate debentures) of injected capital from the Tokyo Mitsubishi Bank (executed 28th February)
23rd February		- 9th regular meeting of executives	
24th February			<ul style="list-style-type: none"> - Signing of the memorandum by the DIC, three companies of the Soft Bank Group and the NCB regarding transfer of the businesses of the NCB
28th February			<ul style="list-style-type: none"> - Execution of assets purchase from healthy financial institutions (¥5 billion worth of principal as claims from three financial institutions)
29th February			<ul style="list-style-type: none"> - Execution of loss compensation for the LTCB, purchase of assets held by the LTCB, second purchase of unsuitable assets of the LCTB through exceptional financial assistance and grant, etc.)
1st March (129th Policy Board Meeting)	<ul style="list-style-type: none"> - Decision to extend financial assistance in relation to the merger of the Okayama Sogo Shinkin Bank and the Okayama Shinkin Bank with the Tamano Shinkin Bank (executed on 13th and 21st March) 		<ul style="list-style-type: none"> - Capital injection to a financial institution pursuant to the Early Strengthening Law (¥30 billion to the Kumamoto Family Bank)
7th March	<ul style="list-style-type: none"> - Decision to extend financial assistance for the transfer of business from the Mie Ken Credit Cooperative to the Hyakugo Bank (executed on 21st March) 		<ul style="list-style-type: none"> - Execution of the transfer of LTCB shares to the LTCB Partners
			<ul style="list-style-type: none"> - Signing of the business transfer agreement between the Kokumin Bank and the Yachiyo Bank

9th March			- 5th meeting of the Purchase Price Examination Board (purchase of assets from healthy financial institutions in the second half (March, 2000) of fiscal 1999)
27th March (130th Policy Board Meeting)	- Decision on fiscal 2000 budget and funding plan - Alteration of the Articles of Association and Operation Guidelines		
29th March		- 10th regular meeting of executives	
30th March			- Execution of assets purchase from healthy financial institutions (¥307 billion worth of principal as claims from 78 financial institutions)
31st March		- Approval of the business plan and funding plan for the claims disposal company (RCC)	- Capital injection to financial institutions pursuant to the Early Strengthening Law (¥285 billion to the LTCB and another bank)

5. Responsibility Pursuit System

Deposit Insurance Corporation of Japan



6. List of Charges and Accusations

(For the period from the establishment of the Special Investigation Department to 31st March, 2000)

- Number of Cases Charged and Accused

(Unit: Cases)

	DIC	RCC	HLAC	RCB	Total
Arrested	7 (16)	35 (68)	75 (147)	21 (33)	138 (264)
Charged and Accused		3 (10)	2 (3)	2 (4)	7 (17)
Total	7 (16)	38 (78)	77 (150)	23 (37)	145 (281)

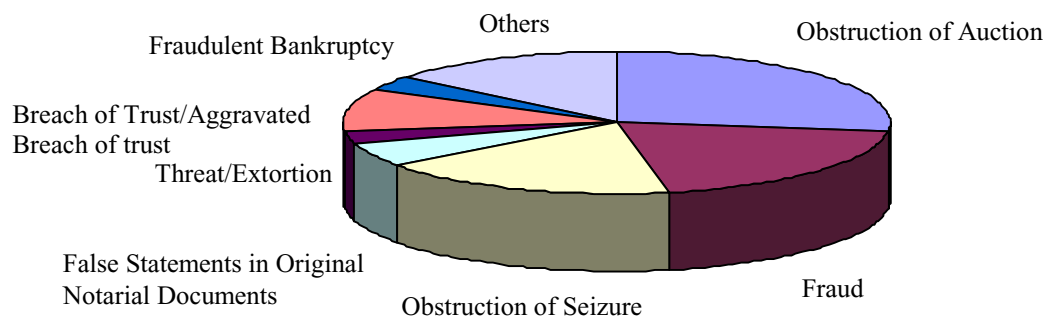
Figures in parentheses represent the number of persons charged and accused.

- Breakdown of Charges and Accusations

Category		DIC	RCC	HLAC	RCB	Total	%
Cases Related to Borrowers	Obstruction of Auction		9 (16)	27 (49)	3 (7)	39 (72)	26.9
	Fraud		9 (19)	18 (44)	2 (2)	29 (65)	20.0
	Obstruction of Seizure	1 (2)	6 (13)	15 (36)	4 (5)	26 (56)	17.9
	False Statements in Original Notarial Documents		4 (9)	4 (7)		8 (16)	5.5
	Threat/Extortion		1 (1)	3 (3)		4 (4)	2.8
	Fraudulent Bankruptcy*		3 (6)	1 (1)	1 (1)	5 (8)	3.4
	Others		2 (2)	9 (10)	4 (4)	15 (16)	10.3
	Sub-Total	1 (2)	34 (66)	77 (150)	14 (19)	126 (237)	86.9
Cases Related to Lenders	Breach of Trust/Aggravated Breach of Trust	6 (14)	4 (12)		4 (11)	14 (37)	9.7
	Others				5 (7)	5 (7)	3.4
	Sub-Total	6 (14)	4 (12)		9 (18)	19 (44)	13.1
Total		7 (16)	38 (78)	77 (150)	23 (37)	145 (281)	100.0

* Stipulated in the Bankruptcy Law (Article 374)

Figures in parentheses represent the number of persons charged and accused.



7. List of Civil Liabilities Appealed to Court (Appealed to the Court and Arbitrated)

Claimant < Reason for Claim >	DIC		RCC		HLAC		RCB	
	Cases	Amount Claimed (¥ million)	Cases	Amount Claimed (¥ million)	Cases	Amount Claimed (¥ million)	Cases	Amount Claimed (¥ million)
Management Responsibility ¹⁾	3	518.25	7	3,891	1	3,595	15	30,281.78
Intermediary Responsibility			3	²⁾	2	5,010 ³⁾		
Total	3	518.25	10	3,891	3	8,605	15	30,281.78

Grand Total: 31 cases; ¥43,296.03 million

Notes

- 1) Including those cases where borrowers were accused together with executives on the grounds of a joint illegal act.
- 2) No claimed amount is shown here because all three cases involve an application for civil arbitration. One case was settled at ¥1,012 million on 17th November, 1999 while the other two cases were also settled at ¥1 billion and ¥500 million respectively on 22nd March, 2000.
- 3) Litigations on the grounds of intermediary responsibility were settled at ¥3 billion on 1st February, 1999.

8. Extension of Financial Assistance

(1) Outline by Fiscal Year (as of 8th June, 2000)

(Unit: ¥ billion)

Fiscal Year		Number of Cases of Financial Assistance			
		Grants	Loans	Assets Purchase	Underwriting of Debt
1992	2	20.0	8.0	-	-
1993	2	45.9	-	-	-
1994	2	42.5	-	-	-
1995	3	600.8	-	-	-
1996	6	1,316.8	-	90.0	-
1997	7	151.8	-	239.5	4.0
1998	30	2,688.4	-	2,681.5	-
1999	20	4,642.2	-	1,304.4	-
2000	5	84.1	-	39.1	-
Total	77	9,594.4	8.0	4,354.0	4.0

Note: The amount of grants is based on the amount disbursed while the amount of loans, assets purchase and subscribing of debt is based on the relevant decisions by the Policy Board. In the case of the Midori Bank (assets purchase in fiscal 1998 and a grant in fiscal 1999), however, it is only counted in the number of cases for fiscal 1998.

(2) Extension of Financial Assistance (as of 8th June, 2000)

< Up to Fiscal 1995 >

	Date of Execution	Date of Decision by Policy Board	Assuming 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	Assuming 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	Taiheiyō 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	170.8* 82.9
15	24/02/97	14/02/97	RCB	Kizu Credit Cooperative	Grant	1,004.8*
Total				6 cases	Grant Assets Purchase	1,316.8* 90.0

< Fiscal 1997 >

	Date of Execution	Date of Decision by Policy Board	Assuming 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 (30/03/98)	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	81.4 (80.6) 208.3 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	151.8 239.1 4.0

< Fiscal 1998 >

	Date of Execution	Date of Decision by Policy Board	Assuming 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 (09/11/99)	Sumitomo Bank	Seinan Credit Cooperative	Grant (after reduction) Assets Purchase	8.3 (8.2) 6.9
29	26/10/98	06/10/98 (16/04/99)	Kofuku Bank	Kyoto Kyoei Bank	Grant (after reduction) Assets Purchase	45.6 (43.8) 58.1

	Date of Execution	Date of Decision by Policy Board	Assuming Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
30	09/11/98	06/10/98 (13/10/99)	Dai-Tokyo Credit Cooperative	Shinagawa Credit Cooperative	Grant (after reduction) Assets Purchase	17.1 (17.0) 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	1,794.7 (1756.0)* 1,616.6
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 (12/01/00)	Tomin Credit Cooperative	Hoei Credit Cooperative	Grant (after reduction) Assets Purchase	13.6 (13.3) 7.6
36	14/12/98	25/11/98 (13/10/99)	Seikyo Credit Cooperative	Taihei Credit Cooperative	Grant (after reduction) Assets Purchase	17.8 (17.1) 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 (13/10/99)	Hokuetsu Bank	Nagaoka Credit Cooperative	Grant (after reduction) Assets Purchase	1.8 (1.7) 2.9
39	11/01/99	18/12/98 (13/10/99)	Seikyo Credit Cooperative	Daiwa Credit Cooperative	Grant (after reduction) Assets Purchase	51.8 (51.0) 17.4
40	18/01/99	18/12/98 (10/08/99)	Nanto Bank	Nara-Ken Credit Cooperative	Grant (after reduction) Assets Purchase	11.3 (10.8) 4.0
41	25/01/99	11/01/99 (13/10/99)	Yokohama Shogin Credit Cooperative	Shizuoka Shogin Credit Cooperative	Grant (after reduction) Assets Purchase	16.2 (16.0) 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 (13/10/99)	Seikyo Credit Cooperative	Nippon Savings Credit Cooperative	Grant (after reduction) Assets Purchase	23.0 (22.6) 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

	Date of Execution	Date of Decision by Policy Board	Assuming Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
45	22/02/99	01/02/99 (12/01/00)	Kawasaki <i>Shinkin</i> Bank	Kanagawa-shoko Credit Cooperative	Grant (after reduction) Assets Purchase	12.8 (12.4) 9.9
46	22/02/99	01/02/99 (12/01/00)	Credit Cooperative Hiroshima Shogin	Credit Cooperative Yamaguchi Shogin	Grant (after reduction) Assets Purchase	20.3 (20.3) 11.2
47	22/02/99	01/02/99 (12/01/00)	Credit Cooperative Hiroshima Shogin	Shimane Shogin Credit Cooperative	Grant (after reduction) Assets Purchase	0.9 (0.9) 0.2
48	08/03/99	23/02/99 (13/10/99)	Seikyo Credit Cooperative	Kawachi Credit Cooperative	Grant (after reduction) Assets Purchase	91.5 (89.5) 28.9
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 Shogin Credit Cooperative	Saitama Shogin Credit Cooperative	Grant Assets Purchase	36.7 8.3
52	29/03/99	09/03/99 (12/01/00)	Credit Cooperative Miyagi Shogin	Hokkai Shogin Credit Cooperative	Grant (after reduction) Assets Purchase	9.9 (9.7) 3.3
Total				30 cases	Grant Assets Purchase	2,688.4 2,681.5

< Fiscal 1999 >

	Date of Execution	Date of Decision by Policy Board	Assuming Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
-	01/04/99	09/03/99 (01/12/99)	Hanshin Bank	Midori Bank	Grant (after reduction)	790.1 (770.0)
53	05/04/99	09/03/99 (01/12/99)	Shiga-Ken Credit Cooperative	Takashima Credit Cooperative	Grant (after reduction) Assets Purchase	6.2 (5.7) 2.7
54	19/04/99	25/03/99 (01/12/99)	Daido Credit Cooperative	Osaka Towa Credit Cooperative	Grant (after reduction) Assets Purchase	12.3 (11.8) 3.7
55	06/05/99	16/04/99 (12/01/00)	Kiyo Bank	Wakayama-Ken Shoko Credit Cooperative	Grant (after reduction) Assets Purchase	176.8 (173.8) 42.5
56	17/05/99	16/04/99 (01/12/99)	Daido Credit Cooperative	Kowa Credit Cooperative	Grant (after reduction) Assets Purchase	35.3 (34.6) 12.2
57	14/06/99	26/05/99 (01/12/99)	Daido Credit Cooperative	Fukuju Credit Cooperative	Grant (after reduction) Assets Purchase	54.6 (53.7) 19.4

	Date of Execution	Date of Decision by Policy Board	Assuming Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
58	28/06/99	16/06/99 (19/04/00)	Osaka Shomin Credit Cooperative	Howa Credit Cooperative	Grant (after reduction) Assets Purchase	16.2 (15.5) 11.1
59	16/08/99	10/09/99	-	Long-Term Credit Bank of Japan	Assets Purchase (1st)	493.9
60	23/08/99	10/08/99 (17/05/00)	Osaka Shomin Credit Cooperative	Credit Cooperative Osaka Koyo	Grant (after reduction) Assets Purchase	182.5 (182.5) 53.4
61	25/10/99	13/10/99	Koto Credit Cooperative	Tokyo Towa Credit Cooperative	Grant Assets Purchase	11.8 4.7
62	22/11/99	09/11/99	-	Nippon Credit Bank	Assets Purchase (1st)	298.7
63	22/11/99	09/11/99	Tomin Credit Cooperative	Sobu Credit Cooperative	Grant Assets Purchase	6.6 4.1
64	22/11/99	09/11/99	Tomin Credit Cooperative	Taito Credit Cooperative	Grant Assets Purchase	7.2 3.9
65	29/11/99	09/11/99 (08/06/00)	Yako Credit Cooperative	Fudo Credit Cooperative	Grant (after reduction) Assets Purchase	10.0 (9.5) 11.3
66	13/12/99	01/12/99)	Senwa Credit Cooperative	Kyodo Credit Cooperative	Grant Assets Purchase	44.1 6.2
67	13/12/99	01/12/99	Senwa Credit Cooperative	Chitose Credit Cooperative	Grant Assets Purchase	18.5 3.8
68	24/01/00	12/01/00	San-ei Credit Cooperative	Heiwa Credit Cooperative	Grant Assets Purchase	6.9 5.0
69	14/02/00	02/02/00	Kinokuni Shinkin Bank	Kihoku Credit Cooperative	Grant Assets Purchase	14.1 3.4
70	28/02/00	16/02/00	-	Long-Term Credit Bank of Japan	Grant Assets Purchase	3,239.1 304.8
71	21/03/00 13/03/00	01/03/00 (08/06/00)	Okayama Sogo Shinkin Bank	Tamano Shinkin Bank	Grant (after reduction) Assets Purchase	31.5 (31.1) 9.9
72	21/03/00	01/03/00	Kyakugo Bank	Mie-Ken Credit Cooperative	Grant Assets Purchase	11.4 9.6
Total				20 cases	Grant Assets Purchase	4,642.2 1,304.4

< Fiscal 2000 >

	Date of Execution	Date of Decision by Policy Board	Assuming Financial Institution	Failed Financial Institution	Type of Assistance	Amount (¥ billion)
73	08/05/00	19/04/00	Mito Shinkin Bank	Ryugasaki Shinkin Bank	Grant Assets Purchase	18.7 12.4
74	22/05/00	19/04/00	Tomin Credit Cooperative	Adachi Sogo Credit Cooperative	Grant Assets Purchase	4.3 1.1
75	05/06/00	17/05/00	Kosan Shinkin Bank	Kanda Shinkin Bank	Grant Assets Purchase	46.9 16.6
76	12/06/00	17/05/00	Tokyo-to Shokuin Credit Cooperative	Tokyo-to Kyoiku Credit Cooperative	Grant Assets Purchase	11.6 8.2
77	26/06/00	08/06/00	Fukui Shogin Credit Cooperative	Toyama Shogin Credit Cooperative	Grant Assets Purchase	2.6 0.7
Total				5 cases	Grant Assets Purchase	84.1 39.1

- Notes:
1. Assuming 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. The amount for grants is based on the amount disbursed while the amount for assets purchase, loans and the subscribing of debts is based on the relevant resolutions by the Policy Board.
 4. The amounts with an asterisk (*) were disbursed based on the relevant decisions by the Policy Board after the date of executing financial assistance or the date of the decision (to reduce the amount) by the Policy Board.
 5. Nos. 12-26,28,30-36,38-61 and 63-74 are carried out as special financial assistances.
 6. 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.

(3) Cases of Bank Failure Officially Announced (as of 8th June, 2000)

Date of Announcement	Financial Institution in Failure	Assuming Financial Institution
15/05/98	Credit Cooperative Fukuoka Shogin	(provisional name) Credit Cooperative Kyushu Shogin
14/05/99	Chogin Aomori Credit Cooperative	Chogin Hokuto Credit Cooperative
Ditto	Chogin Miyagi Credit Cooperative	
Ditto	Chogin Fukui Credit Cooperative	Chogin Chubu Credit Cooperative
Ditto	Chogin Aichi Credit Cooperative	
Ditto	Chogin Hiroshima Credit Cooperative	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	Chogin Kanto Credit Cooperative
Ditto	Chogin Chiba Credit Cooperative	
Ditto	Chogin Niigata Credit Cooperative	
Ditto	Chogin Nagano Credit Cooperative	
08/10/99	Credit Cooperative Toyama Shogin	Credit Cooperative Fukui Shogin
12/11/99	Ogawa Shinkin Bank	Saitama-Ken Shinkin Bank
10/12/99	Matsuzawa Shinkin Bank	Showa Shinkin Bank
14/01/00	Kyoto Miyako Shinkin Bank	Kyoto Chuo Shinkin Bank
Ditto	Minami Kyoto Shinkin Bank	
28/01/00	Seisho Shinkin Bank	Sagami Shinkin Bank
14/04/00	Okayama Shimin Shinkin Bank	Okayama Shinkin Bank
21/04/00	Wakaba Shinkin Bank	Nine shinkin banks in Tokyo
Total	7 Shinkin Banks 15 Credit Cooperatives	

Financial Institutions under Management

Date of Order	Financial Institution under Management	Assuming Institution	Remarks 1)
11/04/99	Kokumin Bank	Yachiyo Bank	11/01/00
Ditto	Nippon Shinpan Credit Cooperative	Oji Shinkin Bank	15/11/99
22/05/99	Kofuku Bank	2)	18/05/00
04/06/99	Credit Cooperative Osaka Shogin	Pending	
12/06/99	Tokyo Sowa Bank	Pending	
07/08/99	Namihaya Bank	Daiwa Bank and Kinki Osaka Bank	31/05/00
02/10/99	Niigata Chuo Bank	Pending	
29/10/99	Kita Hyogo Credit Cooperative	Minato Bank	26/05/00
19/11/99	Nichinan Shinkin Bank	Pending	
26/01/00	Shinko Credit Cooperative	Dai-Tokyo Credit Cooperative	15/03/00
10/02/00	Nagasaki Dai-Ichi Credit Cooperative	Pending	
30/03/00	Credit Cooperative Kochi Shogin	Credit Cooperative Hiroshima Shogin	
30/03/00	Ishikawa Shogin Credit Cooperative	Pending	
12/05/00	Shikoku Chochiku Credit Cooperative	Hyaku Jyu Yon Bank	22/05/00
19/05/00	Credit Cooperative Mie Shogin	Pending	
Total	5 Banks; 1 Shinkin Bank; 9 Credit Cooperatives		

Notes

- 1) The dates in the Remarks column are those on which the assuming institutions were announced.
- 2) A new bank to be set up by "Kansai Sawayaka Partners" (provisional name) which will be formed under the leadership of the Asia Recovery Fund L.P.

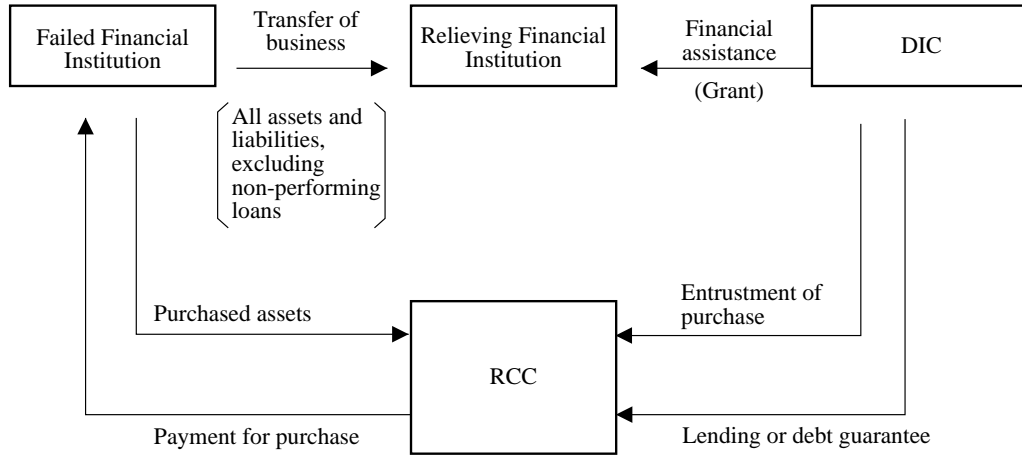
Banks under Special Public Management

Date of Order	Bank Under Special Public Management	Remarks
13/12/98	Nippon Credit Bank	Shares transferred to the Soft Bank Group (Decision on preferred institution for negotiation was made on 24th February, 2000)
Total	1 Bank	

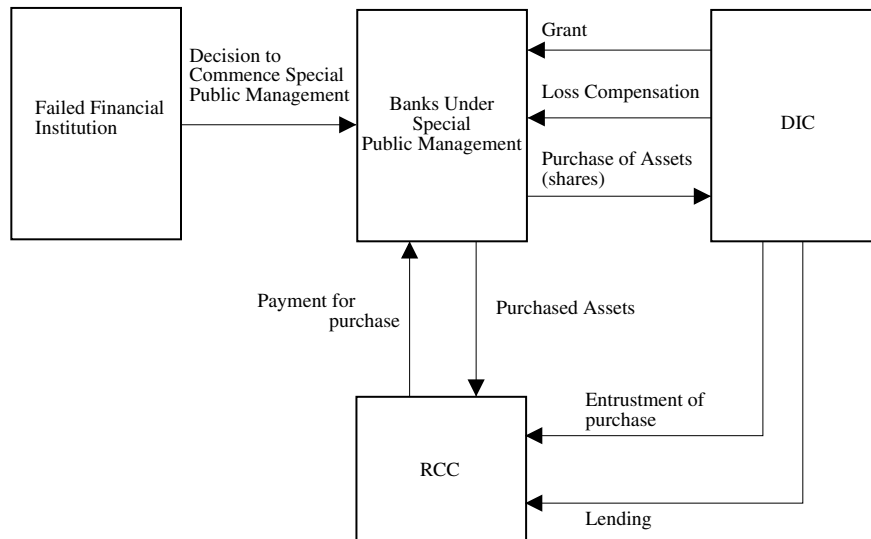
Note: Cases already decided by the Policy Board are excluded.

9. Illustration of Financial Assistance Scheme (Fiscal 1999)

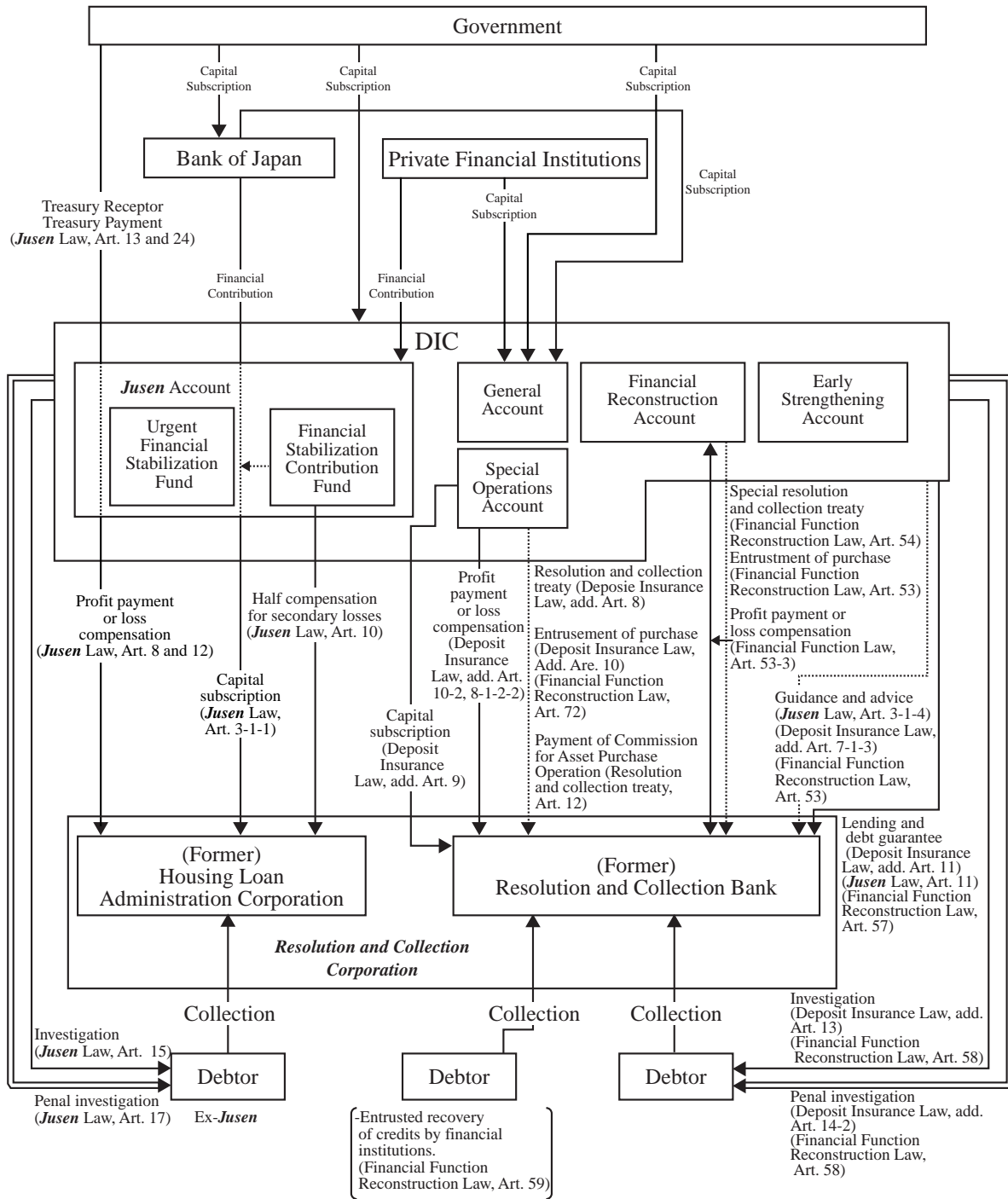
[Ordinary Financial Assistance]



[Financial Assistance for Banks Under Special Public Management]



10. Illustration of Interaction Between DIC and RCC Concerning Collection Business (Outline)



11. Collection Performance of RCC

HLAC Account Book price of credits when transferred 4,658 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	1,550.1	33.3%
Fiscal 1999	430.5	1,980.6	42.5%

RCB Account

(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	2,156.3	261.8	347.5	16.1%
Fiscal 1999	3,446.8	605.0	952.5	27.6%
More than one year after transfer	2,156.3	447.2	794.7	36.9%
Less than one year after transfer	1,290.5	157.8	157.8	12.2%

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

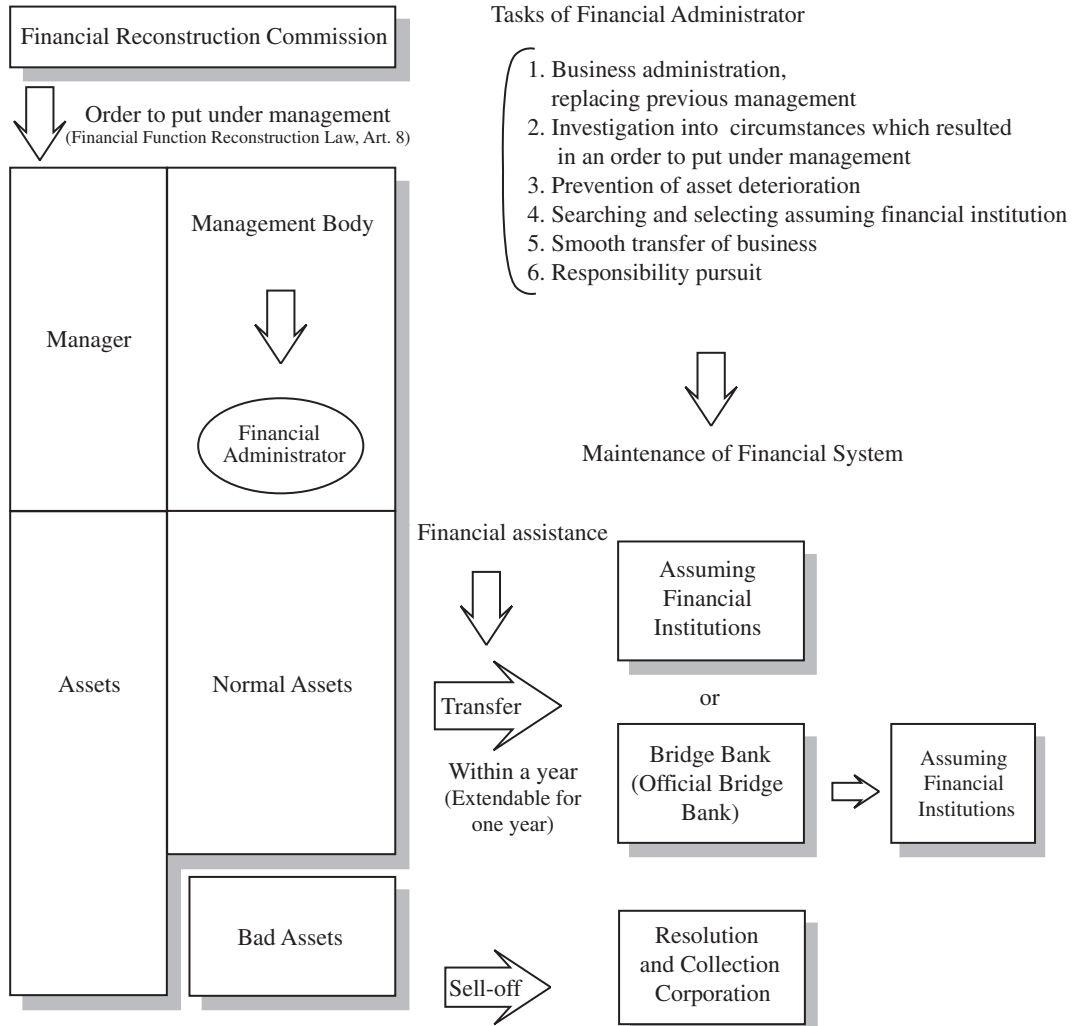
* Trust schemes are excluded from credits transferred from Hokkaido Takushoku Bank.

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

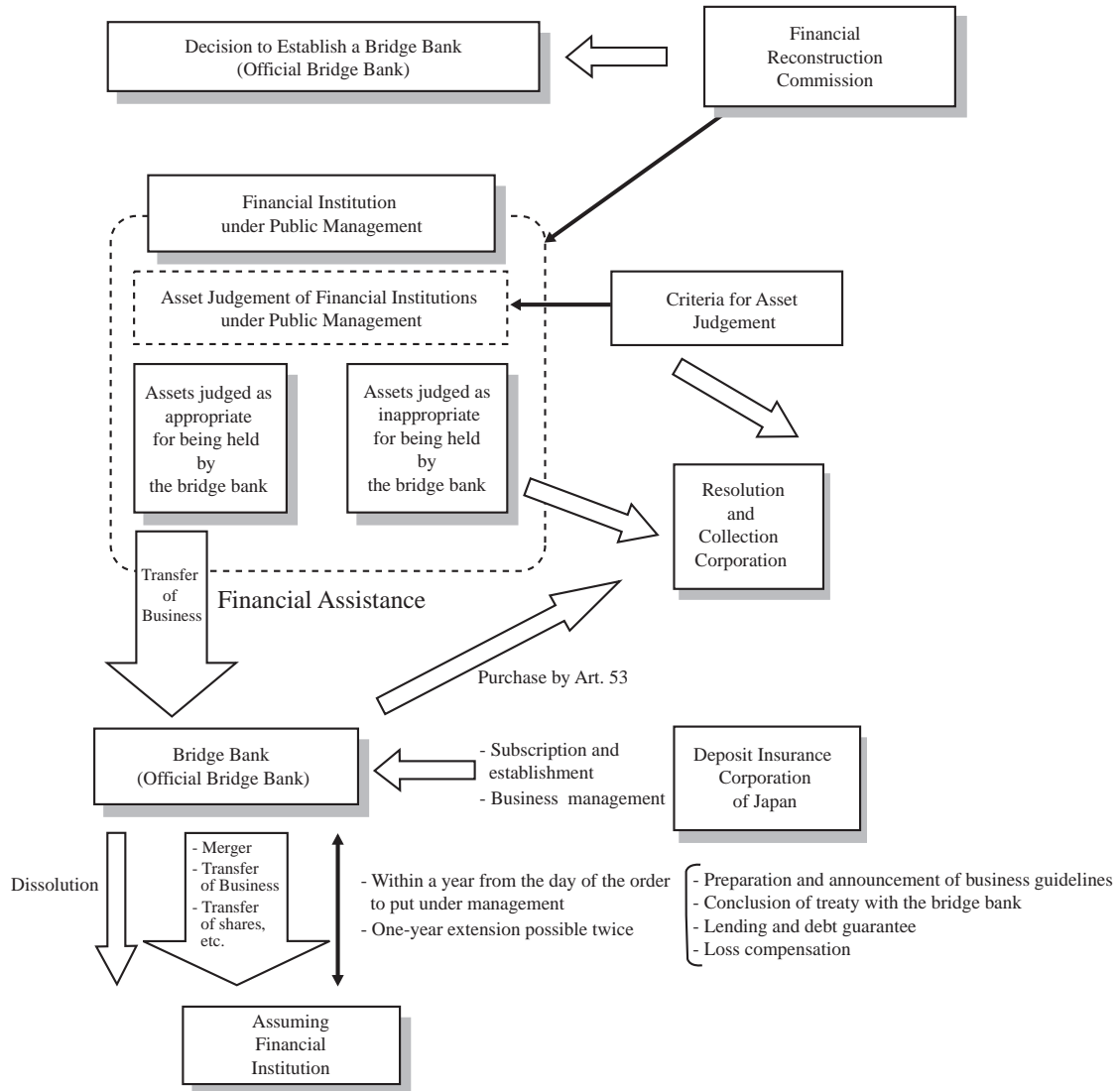
* The total book price of credits when transferred in fiscal 1999 includes ¥21 billion of purchases from healthy banks.

12. Illustration of Resolution Scheme for Failed Financial Institutions According to Financial Function Reconstruction Law

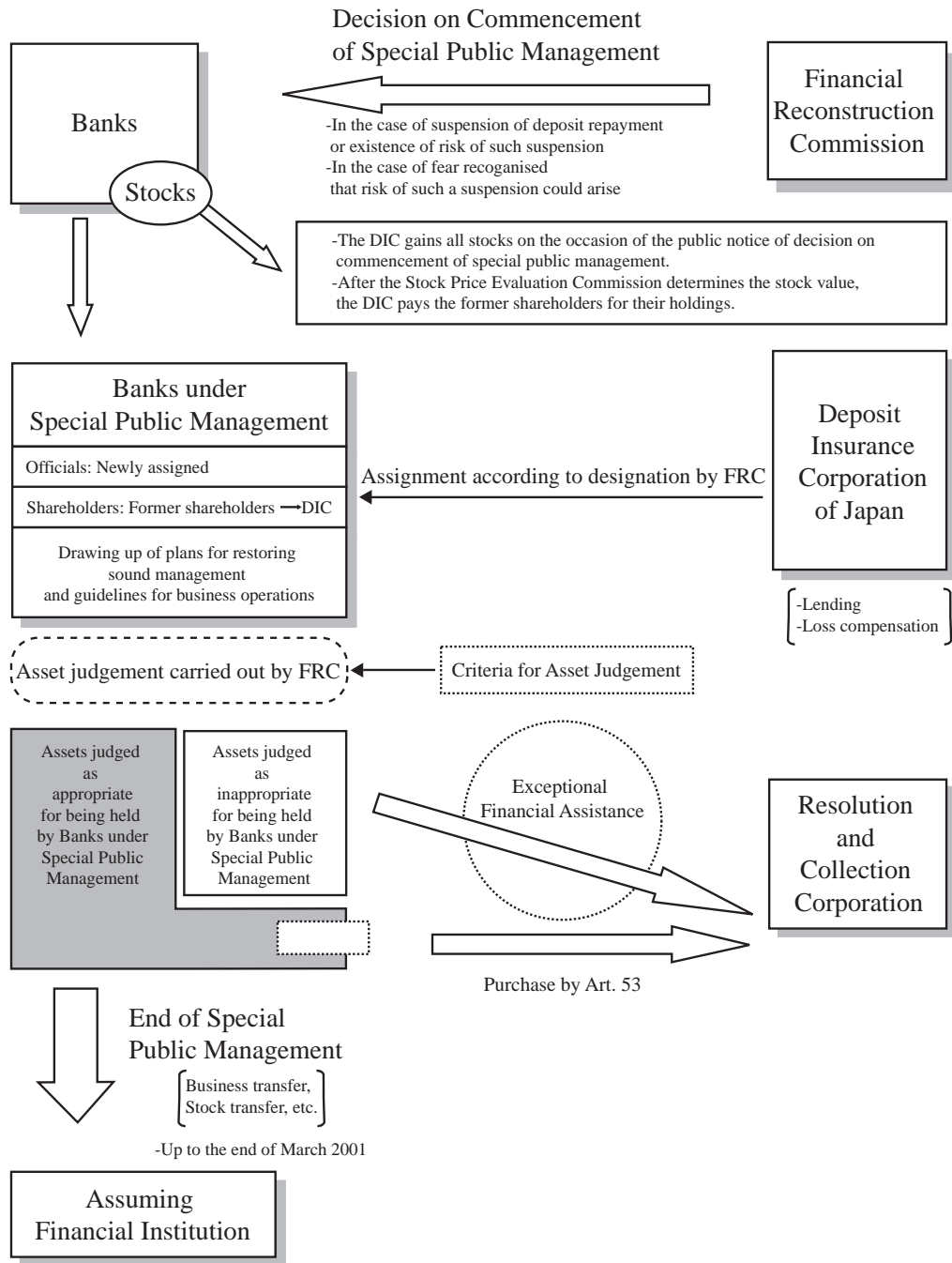
(1) Financial Administrator Related Operations



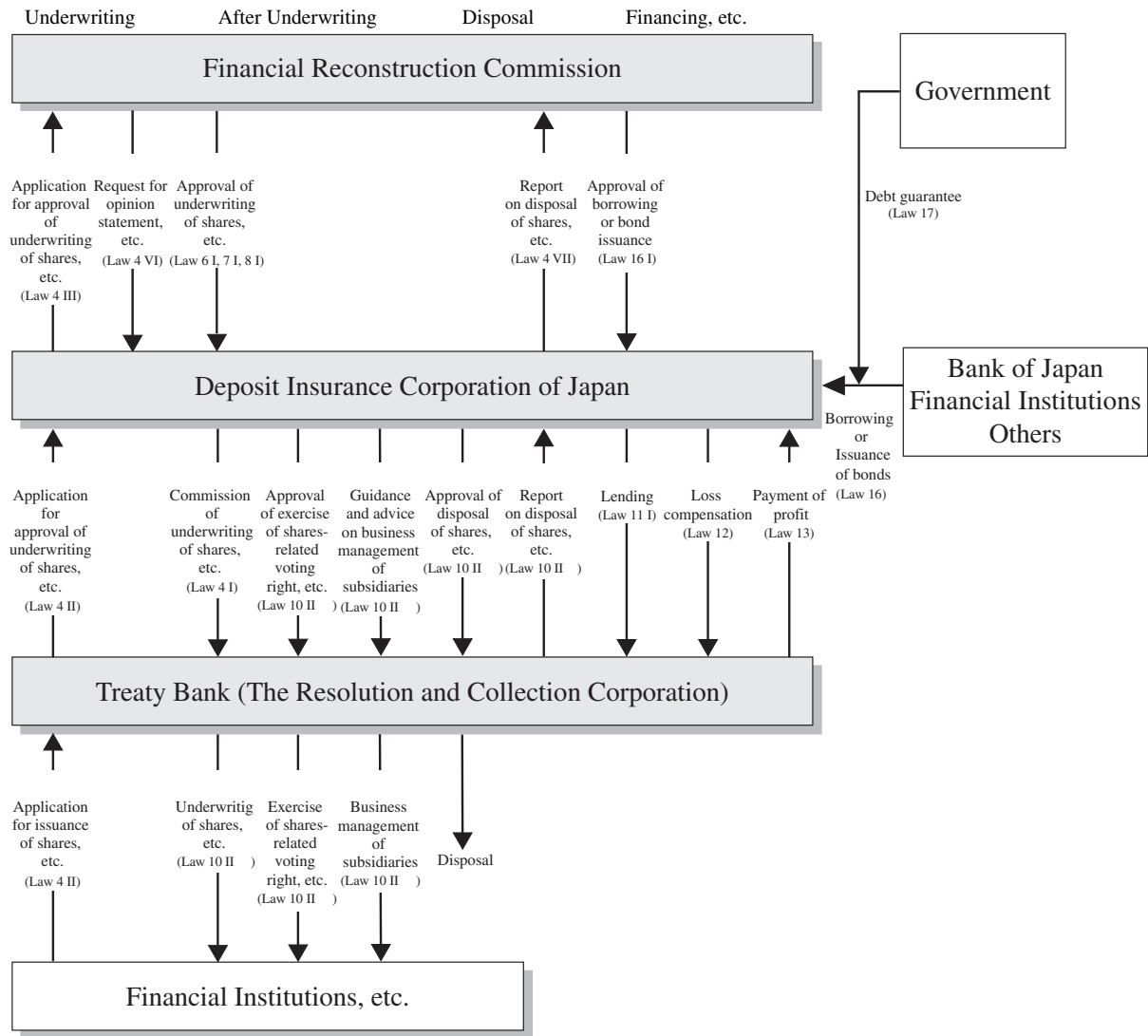
(2) Bridge Bank's Establishment Related Operation



(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, etc.

Table 1 List of Capital Injection Operations Pursuant to Early Strengthening Law (¥billion, %)

Name of Financial Institutions	Month/Year of Injection	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	March, 1999	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	March, 1999	Convertible	800.0	1.37	In 3 y. and 6 m.	—	—	—	—	—	—
Sumitomo Bank	March, 1999	Convertible (1)	201.0	0.35	In 3 y. and 1 m.	—	—	—	—	—	—
		Convertible (2)	300.0	0.95	In 6 y. and 4 m.	—	—	—	—	—	—
		Debenture	300.0	2.10	—	—	—	—	—	—	—
Fuji Bank	March, 1999	Convertible (1)	250.0	0.55	In 7 y. and 6 m.	Perpetual subordinated bond	200.0	L+0.65	From 6 y. later From 11 y. later	L+1.35 L+2.15	Perpetual
		Convertible (2)	250.0	0.40	In 5 y. and 6 m.						
		Convertible	600.0	0.53	In 2 y. and 3 m.						
Sanwa Bank	March, 1999	Convertible (1)	300.0	0.93	In 3 y. and 3 m.	Perpetual subordinated bond	100.0	L+0.34	From 5 y. and 7 m. later	L+1.34	Perpetual
		Convertible (2)	300.0	0.97	In 4 y. and 3 m.						
Tokai Bank	March, 1999	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.						
Asahi Bank	March, 1999	Convertible	408.0	1.06	In 3 m.	Perpetual subordinated bond	250.0	L+0.98	From 6 y. later	L+1.48	Perpetual
		Convertible (1)	175.0	1.40	In 4 y. and 5 m.						
Daiwa Bank	March, 1999	Convertible (1)	175.0	0.43	In 4 y. and 3 m.	Perpetual subordinated bond	100.0	L+1.75	From 6 y. later	L+2.25	Perpetual
		Convertible (2)	200.0	0.81	In 4 y. and 4 m.						
Industrial Bank of Japan	March, 1999	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.
		Convertible (1)	250.2	1.25	In 3 m.						
Mitsubishi Trust & Banking	March, 1999	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.
		Convertible (1)	250.2	1.25	In 3 m.						

Toyo Trust & Banking	March, 1999	Convertible	200.0	1.15	In 3 m.	-	-	-	-	-	-	-
Chuo Trust & Banking	March, 1999	Convertible	150.0	0.90	In 3 m.	-	-	-	-	-	-	-
Bank of Yokohama	March, 1999	Convertible (1)	70.0	1.13	In 2 y. and 4 m.	Perpetual subordinated loan	L+1.65	From 6 y. later	L+2.15	Perpetual	10 y. and 1 m.	
		Convertible (2)	30.0	1.89	In 5 y. and 4 m.	Terminable subordinated loan	L+1.07	From 6 y. later	L+1.57			
Ashikaga Bank	September, 1999	Convertible	75.0	0.94	In 1 y.	-	-	-	-	-	-	
	November, 1999	Convertible	30.0	0.94	In 1 y.	-	-	-	-	-	-	
Hokuriku Bank	September, 1999	Convertible	75.0	1.54	In 1 y. and 5 m.	-	-	-	-	-	-	
Bank of Ryukyu	September, 1999	-	-	-	-	Perpetual subordinated bond	1.50	-	-	-	Perpetual	
Hiroshima-Sogo Bank	September, 1999	Convertible	20.0	1.41	In 5 y.	Perpetual subordinated loan	L+2.80	From 6 y. later	L+4.14	Perpetual		
Kumamoto Family Bank	February, 2000	Convertible	30.0	1.33	In 2 y. and 6 m.	-	-	-	-	-	-	
Hokkaido Bank	March, 2000	-	-	-	-	Perpetual subordinated bond	1.16	-	-	Perpetual		
Long-Term Credit Bank of Japan	March, 2000	Convertible	240.0	1.21	In 5 y. and 5 m.	-	-	-	-	-		
Ground Total			6,629.2								1,405.0	
Total			8,034.2									

Note 1: L stands for LIBOR of yen

Note 2: Perpetual subordinated bonds issued by both the Ryukyu Bank and the Hokkaido Bank are accompanied by the right to convert to preferred shares and such conversion to preferred shares can be demanded on and after 3rd July, 2000.

Table 2 List of Capital Injection Operations Pursuant to the Financial Function Stabilization Law

(¥ billion, %)

Name of Financial Institutions	Month/Year of Injection	Preferred Shares				Beginning of Transfer	Type	Amount (¥billion)	Subordinated Bond/Loan		Period
		Type	Amount (¥billion)	Rate Approved	Type				Rate Approved (L for LIBOR of yen)		
									0 - 5th Year	5th Year Onwards	
Tokyo Mitsubishi Bank	March, 1998	-	-	-	-	PSB *	100.0	L + 0.90%	L + 2.40%	Perpetual	
Dai-ichi Kangyo Bank	March, 1998	Convertible	99.0	0.75%	In 4 months	-	-	-	-	-	
Sakura Bank	March, 1998	-	-	-	-	PSB	100.0	L + 1.20%	L + 2.70%	Perpetual	
Sumitomo Bank	March, 1998	-	-	-	-	PSB	100.0	L + 0.90%	L + 2.40%	Perpetual	
Fuji Bank	March, 1998	-	-	-	-	PSB	100.0	L + 1.10%	L + 2.60%	Perpetual	
Sanwa Bank	March, 1998	-	-	-	-	TSB	100.0	L + 0.55%	L + 1.25%	10 years	
Tokai Bank	March, 1998	-	-	-	-	PSL	100.0	L + 0.90%	L + 2.40%	Perpetual	
Asahi Bank	March, 1998	-	-	-	-	PSL	100.0	L + 1.00%	L + 2.50%	Perpetual	
Daiwa Bank	March, 1998	-	-	-	-	PSL****	100.0	L + 2.70%	L + 2.70%	Perpetual	
Industrial Bank of Japan	March, 1998	-	-	-	-	TSB	100.0	L + 0.55%	L + 1.25%	10 years	
Mitsubishi Trust & Banking	March, 1998	-	-	-	-	PSB	50.0	L + 1.10%	L + 2.60%	Perpetual	
Sumitomo Trust & Banking	March, 1998	-	-	-	-	PSB	100.0	L + 1.10%	L + 2.60%	Perpetual	
Mitsui Trust & Banking	March, 1998	-	-	-	-	PSB	100.0	L + 1.45%	L + 2.95%	Perpetual	
Yasuda Trust & Banking	March, 1998	-	-	-	-	PBS	150.0	L + 2.45%	L + 3.95%	Perpetual	
Toyo Trust & Banking	March, 1998	-	-	-	-	PSB	50.0	L + 1.10%	L + 2.60%	Perpetual	
Chuo Trust & Banking	March, 1998	Convertible	32.0	2.50%	In 4 months	PSL	28.0	L + 2.45%	L + 3.95%	Perpetual	
Yokohama Bank	March, 1998	-	-	-	-	PSL	20.0	L + 1.10%	L + 2.60%	Perpetual	
Hokuriku Bank	March, 1998	-	-	-	-	PSL	20.0	L + 2.45%	L + 3.95%	Perpetual	
Ashikaga Bank	March, 1998	-	-	-	-	PSB	30.0	L + 2.95%	L + 4.45%	Perpetual	
-ong-Term Credit Bank of Japan	March, 1998	Convertible**	130.0	1.00%	In 7 months	PSL	46.6	L + 2.45%	L + 3.95%	Perpetual	
Nippon Credit Bank	March, 1998	Convertible**	60.0	3.00%	In 7 months	-	-	-	-	-	
Total			321.0				1,494.6				
Grand Total	1,815.6										

Notes

PSB = perpetual subordinated bond; TSB = terminable subordinated bond; PSL = perpetual subordinated loan

* Perpetual subordinated bonds issued by the Tokyo Mitsubishi Bank were repaid (cancellation through purchase) by the bank on 28th February, 2000 (payment amount: ¥100.56 billion).

** ¥130 billion of preferred shares issued by the LTCB were acquired by the DIC on 28th October, 1998 following the decision to commence the special public management of the LTCB.

¥60 billion of preferred shares issued by the NCB were acquired by the DIC on 17th December, 1998 following a similar decision.

*** The approved added rate for the perpetual subordinated loan for the Daiwa Bank will be 3.95% after 11 years and 4 months.

15. Outline of Funding at DIC (Fiscal 2000)

	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	4 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) bond issue	ad init.: borrowing (BOJ, financial institutions and others) bond 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) bond issue	refinancing: borrowing (BOJ, financial institutions and others) bond 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 2000	Within the limit approved by Diet (¥4 trillion in the original budget for fiscal 2000)	Within the limit approved by Diet (10 trillion yen, in original budget of fiscal 2000)	Within the limit approved by Diet (18 trillion yen, in original budget of fiscal 2000)	Within the limit approved by Diet (25 trillion yen, in original budget of fiscal 2000)
Other fiscal operations				
Operation		government bond: ¥13 trillion (Note) (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	¥4 trillion	¥23 trillion (Note)	¥18 trillion	¥25 trillion

Note: The amount of government bonds granted to the Special Operations Account was increased by ¥6 trillion following enforcement of Article 1 of the Law to Revise Parts of the Deposit Insurance Law and Other Laws (on 30th June, 2000), now totalling ¥13 trillion.

Balance of Raised Funds at End of Each Fiscal Year

(Unit: ¥ billion)

Fiscal Year Account Title	End of Fiscal 1997	End of Fiscal 1998	End of Fiscal 1999
General Account	-	760.5 (633.8)	1,312.9 (71.1)
Special Operations Account	554.4 (431.0)	2,807.4 (1,856.4)	3,567.6 (-)
<i>Jusen</i> Account	-	-	-
Financial Reconstruction Account	1,818.1 (1,346.1)	4,819.8 (3,000.0)	3,924.3 (-)
Early Strengthening Account	-	7,462.5 (1,162.5)	8,040.2 (197.8)
Raised by Issue of Bonds	-	-	600.0
Total	2,372.5 (1,777.1)	15,850.2 (6,652.7)	16,845.0 (268.9)
Raised by Issue of Bonds	-	-	600.0

- Notes:
1. The parenthesized values are the amount of borrowing from the Bank of Japan out of the amount raised.
 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 liabilities of this account came to be charged to Financial Reconstruction Account.
 4. From October, 1999, bonds are issued under the Early Strengthening Account.

16. Activities of Policy Board Meeting during Fiscal 1999

	Date	Agenda
116th Meeting	16th April	<ul style="list-style-type: none"> - Decision to extend financial assistance for transfer of business from the Wakayama-Ken Credit Cooperative to the Kiyo Bank > Failed institution: Wakayama-Ken Credit Cooperative • Grant: ¥ 176.8 billion • Asset purchase: ¥ 43.5 billion - Decision to extend financial assistance for transfer of business from the Kowa Credit Cooperative to the Daido Credit Cooperative > Failed institution: Kowa Credit Cooperative • Grant: ¥ 35.3 billion • Asset purchase: ¥ 12.2 billion
117th Meeting	26th May	<ul style="list-style-type: none"> - Decision to extend financial assistance for transfer of business from the Fukuju Credit Cooperative to the Daido Credit Cooperative > Failed institution: Fukuju Credit Cooperative • Grant: ¥ 54.6 billion • Asset purchase: ¥ 19.4 billion
118th Meeting	16th June	<ul style="list-style-type: none"> - Settlement of fiscal 1998 accounts for the DIC - Decision to extend financial assistance for transfer of business from the Howa Credit Cooperative to the Osaka Shomin Credit Cooperative > Failed institution: Howa Credit Cooperative • Grant: ¥ 16.2 billion • Asset purchase: ¥ 11.1 billion
119th Meeting	15th July	<ul style="list-style-type: none"> - Alteration to fiscal 1999 budget
120th Meeting	10th August	<ul style="list-style-type: none"> - Decision to extend exceptional financial assistance to the Long-Term Credit Bank of Japan • Asset purchase: ¥ 493.9 billion - Decision to extend financial assistance for transfer of business from the Credit Cooperative Osaka Koyo to the Osaka Shomin Credit Cooperative > Failed institution: Credit Cooperative Osaka Koyo • Grant: ¥ 182.5 billion • Asset purchase: ¥ 53.4 billion - Alteration of fiscal 1999 budget and funding plan
121st Meeting	25th August	<ul style="list-style-type: none"> - Alteration of fiscal 1999 budget and funding plan
122nd Meeting	16th September	<ul style="list-style-type: none"> - Revision of operation guidelines - Alteration of fiscal 1999 budget and funding plan
123rd Meeting	13th October	<ul style="list-style-type: none"> - Decision to extend financial assistance for transfer of business from the Tokyo Towa Credit Cooperative to the Koto Credit Cooperative > Failed institution: Tokyo Towa Credit Cooperative • Grant: ¥ 11.8 billion • Asset purchase: ¥ 4.7 billion - Change of debt guarantee limit offered by the DIC to the RCC

124th Meeting	9th November	<ul style="list-style-type: none"> - Decision to extend exceptional financial assistance to the Nippon Credit Bank <ul style="list-style-type: none"> • Asset purchase: ¥ 298.7 billion - Decision to extend financial assistance for transfer of business from the Fudo Shinkin Bank to the Yako Shinkin Bank and eight other shinkin banks <ul style="list-style-type: none"> > Failed institution: Fudo Shinkin Bank <ul style="list-style-type: none"> • Grant: ¥ 10.0 billion • Assets purchase: ¥ 11.3 billion - Decision to extend financial assistance for transfer of business from the Sobu Credit Cooperative to the Tomin Credit Cooperative <ul style="list-style-type: none"> > Failed institution: Sobu Credit Cooperative <ul style="list-style-type: none"> • Grant: ¥ 6.6 billion • Assets purchase: ¥ 4.1 billion - Decision to extend financial assistance for transfer of business from the Taito Credit Cooperative to the Tomin Credit Cooperative <ul style="list-style-type: none"> > Failed institution: Taito Credit Cooperative <ul style="list-style-type: none"> • Grant: ¥ 7.2 billion • Assets purchase: ¥ 3.9 billion - Change of debt guarantee limit offered by the DIC to the RCC
125th Meeting	1st December	<ul style="list-style-type: none"> - Decision to extend financial assistance for transfer of business from the Kyodo Credit Cooperative to the Senwa Credit Cooperative <ul style="list-style-type: none"> > Failed institution: Kyodo Credit Cooperative <ul style="list-style-type: none"> • Grant: ¥ 44.1 billion • Assets purchase: ¥ 6.2 billion - Decision to extend financial assistance for transfer of business from the Chitose Credit Cooperative to the Senwa Credit Cooperative <ul style="list-style-type: none"> > Failed institution: Chitose Credit Cooperative <ul style="list-style-type: none"> • Grant: ¥ 18.5 billion • Assets management: ¥ 3.8 billion - Change of debt guarantee limit offered by the DIC to the RCC - Alteration of fiscal 1999 budget and funding plan
126th Meeting	12th January	<ul style="list-style-type: none"> - Decision to extend financial assistance for transfer of business from the Heiwa Credit Cooperative to the San-ei Credit Cooperative <ul style="list-style-type: none"> > Failed institution: Heiwa Credit Cooperative <ul style="list-style-type: none"> • Grant: ¥ 6.9 billion • Assets purchase: ¥ 5.0 billion - Change of debt guarantee limit offered by the DIC to the RCC
127th Meeting	2nd February	<ul style="list-style-type: none"> - Decision to extend financial assistance for transfer of business from the Kihoku Credit Cooperative to the Kinokuni Shinkin Bank <ul style="list-style-type: none"> > Failed institution: Kihoku Credit Cooperative <ul style="list-style-type: none"> • Grant: ¥ 14.1 billion • Assets purchase: ¥ 3.4 billion - Change of debt guarantee limit offered by the DIC to the RCC

128th Meeting	16th February	<ul style="list-style-type: none"> - Decision to extend exceptional financial assistance to the Long-Term Credit Bank of Japan <ul style="list-style-type: none"> • Grant: ¥ 3,239.1 billion • Assets purchase: ¥ 304.8 billion - Change of debt guarantee limit offered by the DIC to the RCC - Alteration of fiscal 1999 budget and funding plan
129th Meeting	1st March	<ul style="list-style-type: none"> - Decision to extend financial assistance for the merger between the Tamano Shinken Bank, the Okayama Sogo Shinkin Bank and the Okayama Shinkin Bank <ul style="list-style-type: none"> > Failed institution: Tamano Shinkin Bank <ul style="list-style-type: none"> • Grant: ¥ 31.5 billion • Assets purchase: ¥ 9.9 billion - Decision to extend financial assistance for transfer of business from the Mie-Ken Credit Cooperative to the Kyakugo Bank <ul style="list-style-type: none"> > Failed institution: Mie-Ken Credit Cooperative <ul style="list-style-type: none"> • Grant: ¥ 11.4 billion • Assets purchase: ¥ 9.6 billion - Change of debt guarantee limit offered by the DIC to the RCC
130th Meeting	27th March	<ul style="list-style-type: none"> - Decision on fiscal 2000 budget and funding plan - Revision of the Articles of Incorporation and operation guidelines

17. Members of Policy Board and Officials, etc.

(As of 31st May, 2000)

< 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)
Masamichi Narita (Auditor, Japan Tobacco, Inc.)
Yoshifumi Nishikawa (Chairman, Japanese Bankers' Association)
Sadaaki Hirasawa (Chairman, Regional Banks Association of Japan)
Toshikatsu Fukuma (Executive Director and Vice-President, Mitsui & Co., Ltd.)
Tokiya Yoshii (Chairman, Second Association of Regional Banks)
Naoyuki Yoshino (Professor, Faculty of Economics, Keio Gijuku University)

- Deputy Governors : Akio Hanano
Masahiro Yoshida
Keiji Matsuda
Hajime Shinohara

< Officials of the DIC >

- Governor : Noboru Matsuda
- Deputy Governors : Akio Hanano
Masahiro Yoshida
Keiji Matsuda
Hajime Shinohara
- Auditor (Part-Time) : Zen-ichiro Takahashi (former President, Japanese Institute of Certified Public Accountants)

< Department Heads of the DIC >

- General Affairs Department
Executive Director : Tadashi Omae

- Financial Reconstruction Department
Executive Director : Seishi Higo

- Deposit Insurance Department
Executive Director : Hiroshi Nakagawa

- Special Investigation Department
Executive Director : Yoshiharu Igarashi
- Osaka Office of Deposit Insurance Department
Executive Director : Hisao Hosoda
- Osaka Office of Special Investigation Department
Executive Director : Hiroaki Nishiura

(For Reference)

< Special Advisors for Responsibility Investigation Committee >

Hisao Kamiya (former Prosecutor-General)
Saburo Abe (former President of Japan Federation of Bar Associations)
Kozo Fujita (former Chief Justice of Hiroshima High Court)
Koji Kunimatsu (former Commissioner-General of National Police Agency)

< Members of Purchase Price Examination Board >

Chairman : Yoshinori Fujimura (Lawyer)
Deputy Chairman : Nobuo Nagaba (Real Estate Appraiser)
Member : Somitsu Takehara (Certified Accountant)

18. Statistical Tables

Table 1. Revenue and Expenses

(General Account and Special Operations Account)

(Unit: ¥ million)

Fiscal Year	Revenue			Expenses	Net Earnings	Deposit
	Insurance Premiums	Receipt of Special Operations Fund	Total (including others)			Insurance Fund (Ending on 31st March)
1971	2,800	-	3,090	23	3,066	3,066
1972	4,560	-	5,030	43	4,987	8,053
1973	5,638	-	6,369	40	6,328	14,381
1974	6,364	-	7,563	57	7,505	21,887
1975	7,214	-	8,958	61	8,896	30,784
1976	8,402	-	10,739	69	10,670	41,454
1977	9,401	-	12,252	78	12,174	53,629
1978	10,571	-	14,024	105	13,919	67,548
1979	11,818	-	16,084	95	15,988	83,536
1980	12,767	-	18,392	104	18,288	101,825
1981	13,631	-	20,314	127	20,187	122,012
1982	20,107	-	28,209	119	28,090	150,103
1983	21,624	-	31,519	123	31,396	181,500
1984	23,232	-	34,769	118	34,651	216,151
1985	25,274	-	38,569	134	38,435	254,586
1986	40,739	-	55,236	140	55,096	309,683
1987	44,195	-	62,015	155	61,860	371,543
1988	48,759	-	68,021	143	67,878	439,421
1989	53,757	-	74,333	145	74,187	513,608
1990	60,381	-	87,944	156	87,788	601,396
1991	63,202	-	95,154	165	94,987	696,384
1992	63,149	-	94,411	20,169	74,241	770,626
1993	63,792	-	96,081	46,137	49,944	820,570
1994	64,972	-	98,140	42,680	55,459	876,030
1995	66,643	-	111,581	601,033	Δ489,452	386,578
1996	461,993	-	532,744	1,314,429	Δ781,685	Δ395,107
1997	462,956	-	464,318	163,229	301,089	Δ94,018
1998	465,004	1,119,232	1,675,820	2,769,430	Δ1,093,610	Δ1,187,628
1999	480,736	3,645,679	4,216,932	4,926,059	Δ709,127	Δ1,896,755

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

2. Any fractional sum of less than one million yen is discarded.

Table 2. Insured Deposits and the Deposit Insurance Fund

(Unit: ¥ billion, %)

Fiscal Year (ending on 31st March)	Deposits of Insured Financial Institutions			Deposit Insurance Fund***	
	Total* (A)	Insured** (B)	Percentage of Insured Deposits (B/A)	Amount	Ratio of Deposit Insurance Fund to Insured Deposits
1971	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	Δ395	—
1997	705,772	556,394	78.8	Δ94	—
1998	703,260	572,730	81.4	Δ1,188	—
1999	698,382	575,717	82.4	Δ1,897	—

* Includes negotiable certificates of deposit.

** Excludes deposits, etc. under the items of Article 3 of the Deposit Insurance Law Enforcement Regulations.

*** Deposit Insurance Fund, etc. for fiscal 1999 = Deficits brought forward (General Account 1,314.2 + Special Operations Account 582.5)

Table 3. Insured Deposits by Sector of Financial Institutions

(Unit: ¥ billion)

Fiscal Year (ending: March 31st)	Total	All Banks						Shinkin Banks	Credit Coopera- tives	Labor Banks
		Total (includ-in g 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
1999	575,717	448,927	181,490	160,422	53,933	48,496	4,583	97,372	18,440	10,978

* 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. Number of Insured Financial Institutions

Fiscal Year (ending: 31st March)	Total	All Banks						Shinkin Banks	Credit Coopera -tives	Labor Banks
		Total (includin g 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
1999	890	171	9	64	60	33	3	386	292	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.

19. Historical Changes of Approved Staff Strength by Post at DIC

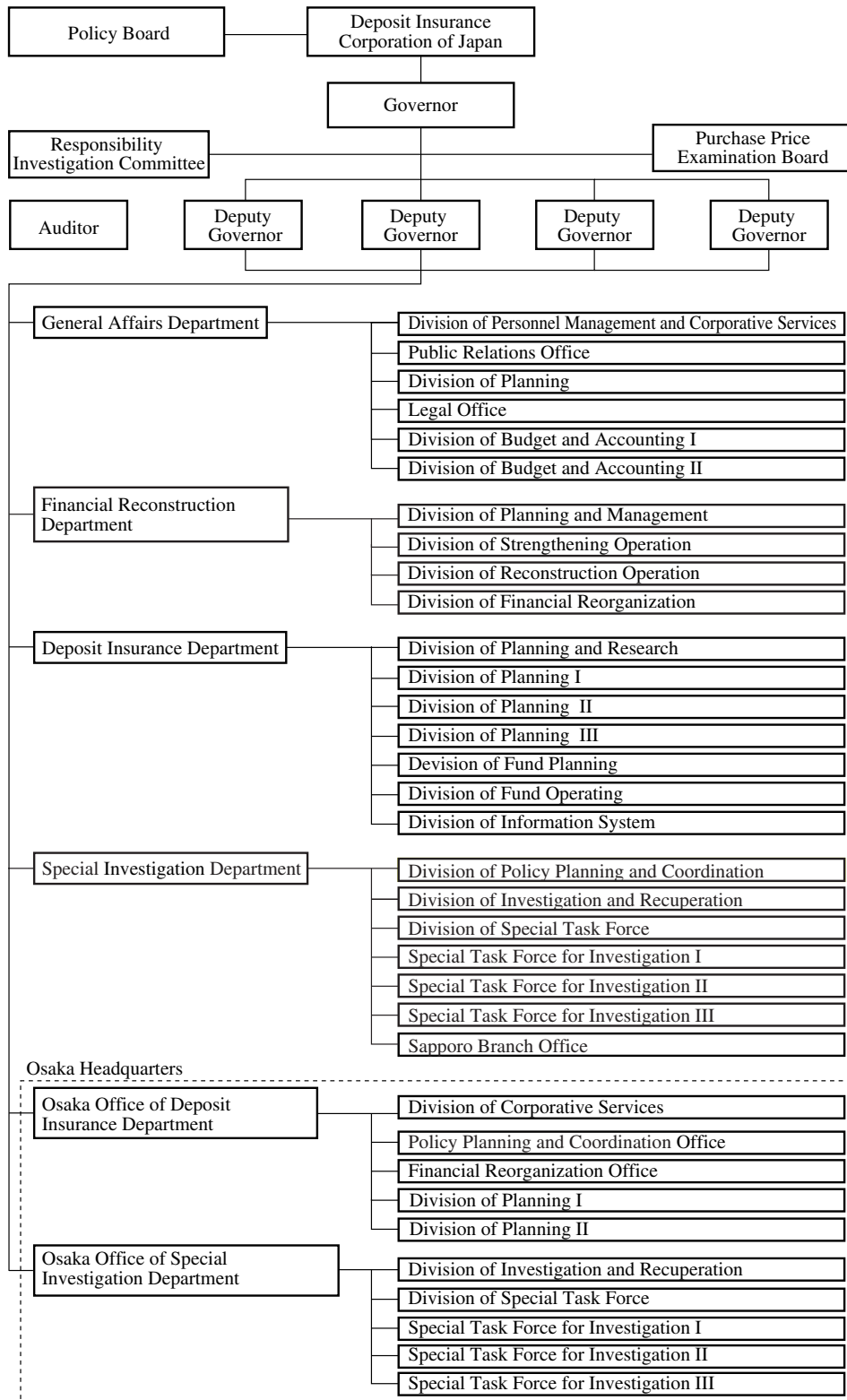
Fiscal Year	Officials				Staff Members						Year-on- -Year Change	Remarks
	Governor	Deputy Governor	Auditor	Total	Secretary General	Executive Director	Assistant Director	Division Manager	Others	Total		
July, 1971 (Founded)	(1)	1	(1)	1	1	0	0	0	10	11	-	
1975	(1)	1	(1)	1	1	0	2	0	7	10	-1	
1976	(1)	1	(1)	1	1	0	2	0	7	10	-	
1977	(1)	1	(1)	1	1	0	4	0	7	12	+2	
1978	(1)	1	(1)	1	1	0	4	0	7	12	-	
1979	(1)	1	(1)	1	1	0	4	0	7	12	-	
1980	(1)	1	(1)	1	1	0	4	0	7	12	-	
1981	(1)	1	(1)	1	1	0	4	0	7	12	-	
1982	(1)	1	(1)	1	1	0	4	0	7	12	-	
1983	(1)	1	(1)	1	1	0	4	0	7	12	-	
1984	(1)	1	(1)	1	1	0	4	0	7	12	-	
1985	(1)	1	(1)	1	1	0	4	0	8	13	+1	
1986	(1)	1	(1)	1	1	0	4	0	8	13	-	
1987	(1)	1	(1)	1	1	0	4	0	9	14	+1	
1988	(1)	1	(1)	1	1	0	4	0	9	14	-	
1989	(1)	1	(1)	1	1	0	4	0	9	14	-	
1990	(1)	1	(1)	1	1	0	4	0	9	14	-	
1991	(1)	1	(1)	1	1	0	4	0	9	14	-	
1992	(1)	1	(1)	1	1	0	4	0	10	15	+1	
1993	(1)	1	(1)	1	1	0	4	0	10	15	-	
1994	(1)	1	(1)	1	1	0	4	0	9	14	-1	
1995	(1)	1	(1)	1	1	0	4	0	10	15	+1	
1996	1	3	(1)	4	0	4	11	10	94	119	+107	
1997	1	3	(1)	4	-	7	11	14	155	187	+68	
1998 (Original)	1	3	(1)	4	-	8	14	27	239	288	+101	
(After Reorganization)	1	4	(1)	5	-	10	16	29	278	333	+147	
1999	1	4	(1)	5	-	11	16	31	275	333	+1, -1	Increase by 1; reduced strength by 1
2000	1	4	(1)	5	-	11	16	34	292	353	+21, -1	Increase by 21; reduced strength by 1

Notes: 1. Those in parenthesis are part-time posts.

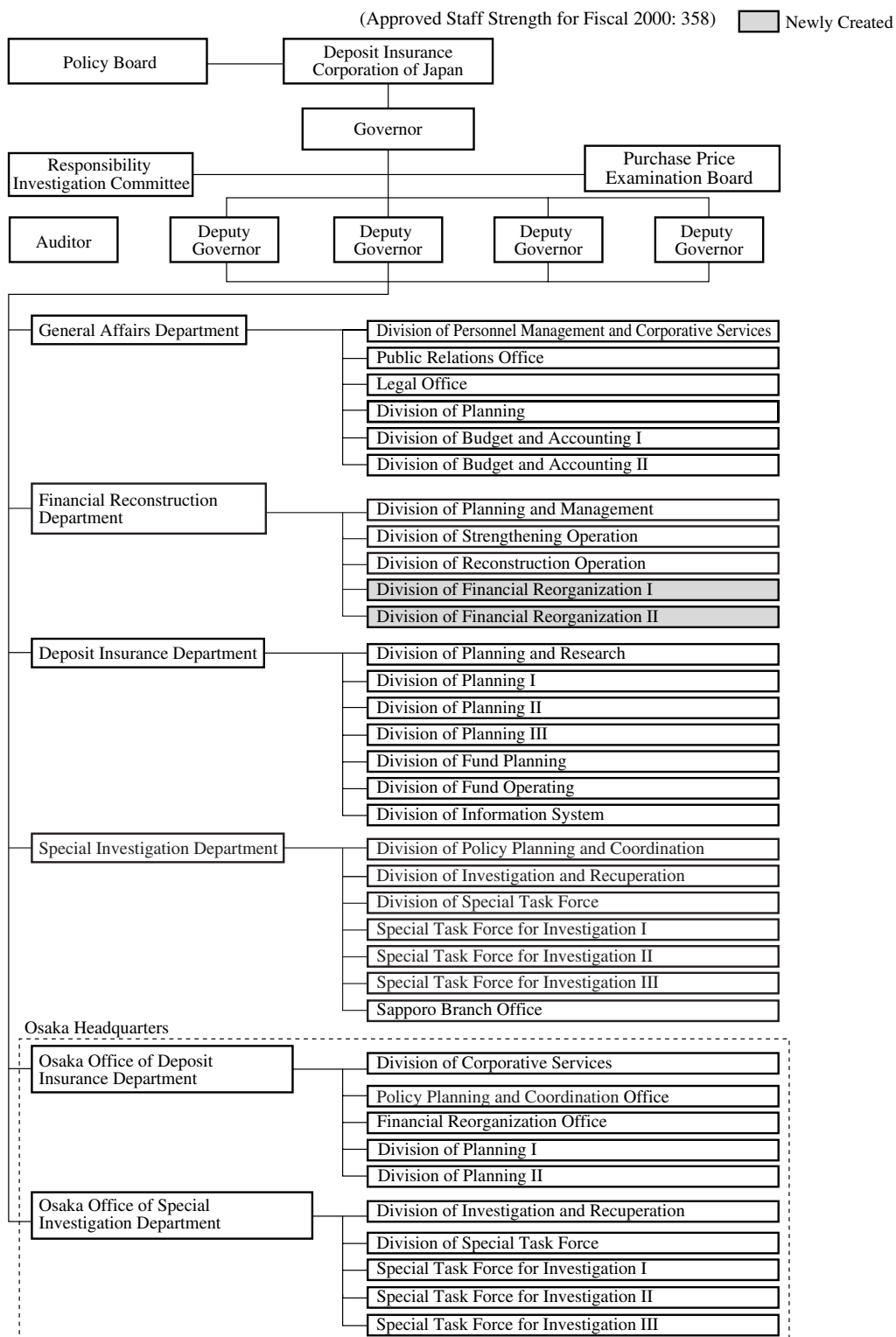
2. The post of "Executive Director" includes "Deputy Executive Director" and "Councillor". The post of "Assistant Director" includes "Councillor". The post of "Division Manager" includes "Office Head".

20. Organization of Deposit Insurance Corporation of Japan (as of 31st March, 2000)

(Approved Staff Strength for Fiscal 1999: 338)



Organization of Deposit Insurance Corporation of Japan (as of 1st April, 2000)



*It is planned to abolish the Division of Planning III of the Deposit Insurance Department at the end of December, 2000.