Message from the Governor

Governor Noboru Matsuda

It is my great pleasure to present this Annual Report on the work of the Deposit Insurance Corporation of Japan (DICJ) in FY 2002.

The DICJ was founded in 1971, over 30 years ago, as the principal body designated to manage Japan's deposit insurance system. Since the epoch-making organizational and operational reforms made in 1996, the scope of its activity has been significantly diversified and expanded upon. The following annual report presents an overview of the work of the DICJ in FY 2002, which was a year marking a turning point for the organization.

The most significant events occurring in FY 2002 were the termination of the blanket guarantee scheme which had been in place since 1996, and a transition to a new limited coverage scheme for time deposits (ordinary, current and specific deposits retained full coverage). In addition to the original purpose of protecting depositors, some legislative changes–including the Deposit Insurance Law amended in December 2002–expanded upon the roles and activities of the DICJ by enlarging the definition of its purpose (i.e. to include securing payments and settlements of failed financial institutions), and the introduction of a new capital injection scheme for financial institutions. The latter was designed to promote mergers and organizational restructuring of such institutions.

In the area of financial assistance and resolution of failed financial institutions, the DICJ completed 168 resolutions of failed financial institutions under the blanket guarantee scheme, either as financial administrator or working swiftly and efficiently through the Bridge Bank of Japan and the Resolution and Collection Corporation (RCC). (These two organizations are wholly owned subsidiaries of DICJ). Furthermore, we were able to achieve outstanding performances in the areas of loan collection, corporate revitalization, pursuit of management liability and purchase of non-performing loans from sound financial institutions. Working in close cooperation with the RCC over the course of this year, we uncovered more than ¥ 500 billion of cumulative-base hidden assets. On the international front, the DICJ joined the International Association of Deposit Insurers (IADI) as a founding member, established in May 2002, and was appointed to chair the Asian Regional Committee.

In FY 2003, the DICJ has taken further steps in the form of the establishment of the Inspection Department and investment in a newly created organization designed to promote the revitalization of industry, known as the Industrial Revitalization Corporation of Japan. Emphasizing our motto "the utilization of the collective wisdom of a range of experts in attempts to make new breakthroughs," the DICJ will continue to perform with integrity the various tasks it has been assigned.

It is my hope that this report results in greater understanding of, and support for, the activities of the DICJ.

Noboru Matsuda
Governor

DICJ at a Glance

Profile

(1) Objective

The objective of the Deposit Insurance Corporation (DICJ), as defined in Article 1 thereof, is to protect depositors and other parties, secure the intermediary functions of failed financial institutions in the payment and settlement system, and maintain an orderly financial system, 1) by providing for the payment of deposit insurance claims and the purchase of deposits and other claims in the event that repayment of said deposits, etc., is suspended by a financial institution, 2) regarding the resolution of failed financial institutions, by providing appropriate financial assistance to facilitate mergers or other resolutions of failed financial institutions, providing for financial administrators for failed financial institutions, providing for the succession of business of failed financial institutions, and establishing a system for appropriate measures in response to financial crisis.

(2) History

The DICJ was established in July 1st, 1971, as an operating agency of Japan's deposit insurance system under the Deposit Insurance Law (Law No.34 of April 1, 1971), following the recommendation of July 1970 by the Financial System Research Committee, an advisory board to the Minister of Finance, which stressed to create a system to protect depositors. The DICJ was originally capitalized at ¥450 million (with funding of ¥150 million each from the government, the Bank of Japan, and private financial institutions).

In the 1990's, accumulated non-performing loans in the financial system became a major issue following the bursting of the bubble economy and larger number of financial institutions started to fail than ever before. In response, various measures including the amendment to the Deposit Insurance Law have been taken and the role and functions of the DICJ were significantly enhanced in 1996, while its main function remains the protection of depositors. In its new form, the DICJ has been authorized to provide financial assistance in excess of the limit of the pay-out cost for its resolution operation of failed financial institutions, so as to reflect the transition of the deposit insurance framework from a limited coverage to a blanket guarantee. The DICJ has been also authorized to collect non-performing loans. The Housing Loan Administration Corporation (the HLAC) was established with 100% capital subscription by the DICJ in order to dispose the assets of *Jusen* Companies, which were specific housing loan companies and the non-performing loans problem emerged at.

Subsequent enactment, amendment and abrogation of laws related to the financial system have been taken places, including a further amendment to the Deposit Insurance Law in 1997 and the enactment of the Financial Revitalization Law and the Law concerning Emergency Measures for Early Strengthening of Financial Functions ("Early Strengthening Law") in 1998. These laws have allowed the DICJ to have additional functions related to the resolution of failed financial institutions, including tasks regarding financial administrator and bridge bank, and capital injection as temporary measures for revitalization of the financial system.

In April 1999, the Resolution and Collection Corporation (RCC) was established as a wholly owned subsidiary of the DICJ through the merger of HLAC and the Resolution and Collection Bank (RCB) whose main purpose was the resolution and recovery of business transferred from failed credit cooperatives. The main role of RCC is to accelerate the recovery and collection of non-performing loans transferred from failed financial institutions through a fair and transparent process in order to minimize public costs. The DICJ gives guidance and advice to the RCC for its operation. Furthermore, the government authorized DICJ in February 1998 by the amendment to Financial Revitalization Law to purchase non-performing loans from sound financial institutions to accelerate the disposal of non-performing loans.

Further amendment to the Deposit Insurance Law turned the temporary functions of the DICJ for the resolution of failed financial institutions under the relevant laws into the permanent ones, as well as allowed to have new functions, including on-site inspection, loss and profit sharing, partial purchase and assumption of failed financial institutions and aggregating deposits to facilitate the resolution process.

As seen above, the scope of the role and operation of the DICJ has been enlarged. The DICJ is now one of the key entities to stabilize the financial system, handling mainly the resolution process of failed financial institution (Please see Table (i) for historical development of deposit insurance system and Table (ii) for major events of the DICJ after 1996).

(3) Membership

The following institutions having head offices in Japan are required to participate in the Deposit Insurance System of Japan by the Deposit Insurance Law.

- Banks as provided in the Banking Law
- Long-term credit banks as provided in the Long Term Credit Bank Law
- Shinkin banks
- Credit cooperatives
- Labor banks
- Shinkin Central Bank
- The Shinkumi Federation Bank
- The Rokinren Bank

Note: Overseas branches of the above financial institutions, governmental financial institutions and branches of foreign banks in Japan are not covered by the system.

(4) Governance

Supervising authorities

Supervising authorities of DICJ are Ministry of Finance and Financial Services Agency. The two authorities jointly look over the activities of DICJ.

Governing body

The Policy Board is the supreme governing body of DICJ under the Law with members not more than thirteen (currently "thirteen"). The Board is composed of executive officers of DICJ and the outside members with expertise in finance appointed by the Governor with the approval of the Prime Minister and the Minister of Finance. The Policy Board considers the following matters for approval: 1)Amendments of articles of incorporation, 2) Preparing operational guidelines and approving their amendment, 3) Annual budget and financing program, 4) Settlement of Accounts, 5) Insurance premium rate and its change, 6) Payment of deposit insurance, provisional payment of it, 7) Financial assistance, and 8) Purchase of deposit claims and other claims.

Management of DICJ

Executive officers shall be appointed by the Prime Minister subject to the approval of both Houses of the Diet. The Governor shall be responsible for the management of DICJ.

Organization

The DICJ has the following seven departments under the management headed by the Governor: 1) Planning and Coordination Department, 2) Deposit Insurance Department, 3) Financial Reconstruction Department, 4) Special Investigation Department, 5) Inspection Department, 6) Osaka Deposit Insurance Department, and 7) Osaka Special Investigation Department (Please see Figure (i) Organization Chart).

(5) The DICJ Group

The DICJ have established the Resolution and Collection Corporation (RCC) and the Bridge Bank of Japan (BBJ) as 100% subsidiaries (limited company). In April 2003, Industrial Revitalization Corporation of Japan (IRCJ) was established as the third subsidiary of the DICJ.

The Resolution and Collection Corporation (RCC)

The RCC was established as a 100% subsidiary (limited company) of the DICJ through a merger between the Housing Loan Administration Corporation (HLAC)** and the Resolution and Collection Bank (RCB)*** on April 1st, 1999, following amendments to the Deposit Insurance Law and *Jusen* Law* in October 1998. The purpose of the RCC is: 1) Recovery of loans transferred from former *Jusen* Companies; 2) Purchase and collection of non-performing loans from failed financial institutions; 3) Purchase and collection of non-performing loans from sound financial institutions; 4)

Subscribing shares to enhance capital adequacy of financial institutions; 5) Pursuit of civil and criminal liabilities of former executives and debtors of failed financial institutions; and 6) Acting as a servicer under the license of the Minister of Justice.

The DICJ has made significant efforts in collection of non-performing loans, providing the RCC with guidance and advice concerning resolution and recovery of non-performing loans and supporting pursuit of criminal and civil liability and uncovering hidden assets of debtors with use of the investigative power.

* Law Concerning Special Measures for Promotion of Disposal of Claims and Debts of Specific *Jusen* Companies.

** HLAC was established in July 1996 to be prompted the collection of non-performing loans related to *Jusen* companies as a 100% subsidiary of the DICJ (capitalization ¥200 billion).

*** RCB was established in September 1996 to be prompted the disposal and management of non-performing loans transferred from failed credit cooperatives as a 75% subsidiary of the DICJ (capitalization of ¥120 billion for the DICJ).

The Bridge Bank of Japan, Ltd.

The Bridge Bank of Japan, Ltd. (BBJ) was established as a 100% subsidiary of the DICJ (capitalization of ¥2.05 billion) on March 11 , 2001 under the Article 92 of the Deposit Insurance Law. The purpose of the BBJ is 1) to temporarily assume the business of financial institution which is subject to order under management and 2) to find assuming financial institutions to transfer the business in the event that no assuming financial institutions are found. The business period of the BBJ is in principal two years after the day when Commissioner of FSA at first orders under management to failed financial institutions from which the BBJ assumed the business operation. It can be extended to further year.

The Industrial Revitalization Corporation of Japan

The DICJ established the Industrial Revitalization Corporation of Japan (IRCJ) on April 16, 2003 as a fully-owned subsidiary based on the Industrial Revitalization Corporation Law. And then, IRCJ increased the capital on May 20, 2003. DICJ and the Norinchukin Bank are the shareholders.

IRCJ purchases claims of corporations, who IRCJ supports their revitalization, from financial institutions other than their main financing banks at the proper market price considering the feasibility of their revitalization plans in order to collect and coordinate their debts-and-credits related matters. The purpose of IRCJ is to revitalize business of such corporations in cooperation with main financing banks afterwards.

Operations of DICJ

The DICJ undertakes the following operations to achieve the objectives of the law:

(1) Collection of Insurance Premiums

The DICJ collects insurance premiums from insured financial institutions for the operations of the deposit insurance system. The insurance premiums to be paid by the insured financial institutions is calculated by multiplying the average balance of deposits and other claims by insurance premium rates which are determined by the DICJ's Policy Board and approved by Commissioner of the Financial Services Agency and Minister of Finance (Please see Table (iii) Insurance Premium Rates).

Financial institutions covered by the system are obliged to pay insurance premiums to the DICJ within three months from the beginning of each business year (the premium may be split into two semi-annual payments).

(2) Reimbursement of Insured Deposits and Other Money

The DICJ can make insurance payment when an insurable contingency, such as suspension of the repayment of deposits, has occurred. The maximum amount of deposits protected by deposit insurance is ¥10 million in principal plus interest per depositor per financial institution. After the DICJ has determined the insured deposit amounts for each depositor through aggregation of deposits held by the same depositor, if a business transfer, etc., is made from a failed financial institution to an assuming financial institution, depositors may receive repayment of insured deposits in the same way as ordinary deposit transactions, as long as a payment counter function has been arranged in the assuming financial institution (Please see Figure (ii) Insurance Payment Flow Chart).

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When an insurable contingency has occurred and it is anticipated that insurance payments or the repayment of insured deposits will not be made for a considerable length of time, partial payments may be made to cover the immediate living expenses and other costs of depositors in the failed financial institution. As stipulated by Cabinet Order, partial payments are made against the balance of ordinary savings (principal only) of each depositor, up to a limit of ¥600,000 per account.

(3) Financial Assistance

When a financial institution fails, the DICJ may extend financial assistance to an assuming financial institution and/or a bank holding company that purchases assets and assumes liabilities of or merger with the failed financial institution in order to facilitate the transaction. The financial assistance may take the form of a monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock or loss sharing (Please see Figure (iii) Flow of Financial Assistance and Figure (iv) Scheme of Financial Assistance Involving Business Transfers, etc).

Under the system of the blanket guarantee, the financial assistance for business transfer was limited to transfer of the entire business. However, with the transition to limited coverage from FY2001 onwards, the financial assistance now remains, in principle, within the scope of the deposit pay-out cost, and mainly concerns cases of partial business transfer, which includes transfer of the deposits of failed financial institution that are protected by deposit insurance, sound assets and others to the assuming financial institutions.

In case of partial transfer of business from failed financial institutions, the DICJ can provide financial assistance to the failed financial institutions to enable them to ensure equality among the creditors. Additional financial assistance can be provided, if necessary, in response to the applications from them. When assuming financial institutions and/or bank holding companies ask the DICJ to subscribe their preferred stocks and others, they need to submit a business plan to ensure the financial health of the institutions. As of June 18, 2003, the financial assistance has been implemented in 180 cases, grants totaled ¥18.7 trillion and asset purchases ¥6.3 trillion.

(4) Purchase of Deposits and Other Claims

The DICJ can purchase deposits and other claims not covered by deposit insurance (for example, the principal of insurable deposits in excess of ¥10 million, plus interest accrued thereon, or non-insurable foreign currency deposits, plus interest accrued) from financial institutions that have been subject to an insurable contingency, in response to requests from depositors, etc. The purchase price, known as “estimated proceeds payment”, is to be calculated by multiplying the balance of claims on the date of the insurable contingency by a ratio determined in consideration of the estimated liquidating dividend of the failed financial institution (the “estimated proceeds payment rate”), among other factors (Please see Figure (v) Estimated Proceeds Payment Flow Chart).

Estimated proceeds payment (amount paid to depositors)	=	Amount of principal exceeding ¥10 million, plus interest, etc.	×	Estimated proceeds payment rate

If the amount recovered by the DICJ from purchased deposits and other claims (excluding expenses related to their purchase) exceeds the estimated proceeds payment, the surplus is to be refunded to the depositors, etc. (“settlement payment”)

Settlement payment (additional amount paid to depositors)	=	Amount recovered by the DICJ	–	Costs needed for purchase, etc.	–	Estimated proceeds payment

(5) Tasks for Financial Administrators

When a financial institution fails and Commissioner of the Financial Services Agency issues an “order for management” (i.e., orders that the business or assets of the financial institution be placed under the management of a financial administrator), the DICJ may be appointed as a financial administrator for failed financial institutions under the Deposit Insurance Law (Article 78, paragraph 2 of the Deposit Insurance Law). The key activities of financial administrators are: 1) execution of operation of failed financial institutions; 2) selection of assuming financial institutions and smooth transfer of the business; 3) pursuit of liability against former executives of failed financial institutions.

Management of financial institutions by financial administrators is to end within one year of the management order, through transfer of the institution's business or other means. Extension by a further year is possible, however, subject to approval by Commissioner of the Financial Services Agency (Please see Figure (vi). Operations involving Financial Administrators)

(6) The Operations of Bridge Banks

The DICJ can establish bridge banks, as its own subsidiaries, which provisionally assume the business of failed financial institutions under management in order to provisionally maintain and continue their operation until a private sector counterpart can be identified and the business transfer transaction is completed.

In principle, the bridge bank is to complete business transfer transaction of its managing failed financial institution within two years from the date of the management order which was issued to the first failed financial institution whose operations were assumed by the bridge bank. The business transfer can be completed through merger of the bridge bank, transfer of its whole business, transfer of shares, dissolution through a resolution at a general meeting of shareholders, or other means. However, when it is not possible to complete the business transfer within two years due to unavoidable circumstances, this may be extended by a further year.

The DICJ may also provide loans to and guarantee the borrowings of the bridge bank, and compensate for its loss incurred in conducting operations, as stipulated in Cabinet Orders (the amount of losses incurred by the transfer of purchased assets, or total losses calculated for the current term, whichever is smaller) (Please see Figure (vii). Operations of Bridge Banks).

(7) Response to Financial Crisis

If the failure of a financial institution poses an extremely serious threat to the stability of the financial system and local and/or national economies, the Prime Minister may invoke the provisions of the law and take one of the following measures on the advice of the Financial System Management Council. The DICJ can conduct these operations with an order of the Prime Minister.

1) Subscription of shares, etc of financial institutions (except for case of 2) below) by the DICJ
2) Financial assistance to failed financial institutions and/or financial institutions with capital deficit in excess of the pay-out cost
3) Acquisition of entire shares of failed financial institutions with capital deficit by the DICJ (banks under special crisis management)

In the case of 2), an order for management by a financial administrator is to be issued immediately after the confirmation to make this arrangement. In the case of 3), the FSA would appoint new directors and auditors of the bank under special crisis management, and they may proceed with necessary civil and criminal procedures to clarify the managerial liability of its former executives. This arrangement should be ended as soon as possible by transferring the business to an assuming financial institutions, etc.

The Financial System Management Council was held for the first time in May 2003 to apply the case of 1) above and to decide subscription of shares of Resona Bank. In line with the decision, the DICJ subscribed ¥1.96 trillion preferred and common shares of Resona Bank, in response to the application from the bank.

(8) On-site Inspections of Financial Institutions

The DICJ is authorized to conduct on-site inspections at financial institutions, if the Prime Minister (legally mandated to Commissioner of the Financial Services Agency) deems it necessary to ensure that the provisions of the Law are implemented efficiently. The scope of the on-site inspections include: 1) to check if payment of insurance premiums is being made property; 2) to check if adequate measures have been taken to prepare databases and improve information system for aggregating deposits held by the same depositors, as obligatory to financial institutions; and 3) to identify the estimated amounts that can be repaid on deposits and other claims when a financial institution fails.

(9) Subscription of Shares, etc. of Financial Institutions

In order to strengthen capital base of financial institutions, the DICJ is involved in the subscription of shares and other securities issued by financial institutions by commissioning the subscribing operation to the RCC under the Early Strengthening Law, the Financial Function Stabilization Law (abolished in 1998) and the Financial Reorganization Promotion Law. In this regard, the DICJ undertakes various operations, including (a) lending to the RCC for subscribing shares, (b) guaranteeing debts, (c) compensating for losses arising from the execution of operations by the RCC, (d) approving the exercise of voting rights and other rights by the RCC as a shareholder or capital investor, and (e) approving the disposal of shares and others by the RCC (Please see Figure (viii), Capital Injection Scheme based on the Early Strengthening Law).

(10) Guidance and Advice to the RCC

The DICJ has conducted specific activities under the agreement with the RCC such as 1) to provide the RCC with guidance and advice necessary to execute its operations; 2) to inspect the assets of debtors where it is likely to be concealed; 3) to collect claims from the debtors whose assets are mortgaged in complicated manner. These activities are aiming at minimizing the public costs by maximizing the collection of debts through the coordination with the RCC.

(11) Investigation and Accusations in Pursuit of Managerial Liability

The DICJ's pursuit of civil and criminal liability includes the pursuit of managerial liability on the part of executives of failed financial institutions and former *Jusen* companies by the RCC, and the pursuit of managerial liability of former executives of failed financial institutions by the DICJ in its capacity as a financial administrator. The pursuit of criminal liability of debtors has resulted in a number of accusations including obstruction to an auction, obstruction to execution, and fraud (Please see Figure (ix). System of Liability Pursuit).

Recent Topics

The deposit insurance system underwent changes in FY2002. Full coverage for time and certain other deposits was reduced to limited coverage in April and in December the Deposit Insurance Law was amended to extend full coverage for current, ordinary and specified deposits under the payoff system until April 2005. Introduction of full-covered payment and settlement deposit and coverage for settlement funds in process (implemented in April 2003) were also added by this amendment.

(1) Resolution of Failed Financial Institutions

While there were no financial institution failures during FY2002, a marked contrast from the multiple failures that occurred the year earlier, the DICJ, functioning as a financial administrator, continued its efforts to resolve five institutions that failed in FY2001. All of five institutions were resolved (operations were transferred) as of March 2003.
In connection with these resolution activities, financial assistance, in the form of grants totaling ¥2.4 trillion and asset purchases amounting to ¥0.8 trillion, was provided to a record-high 51 institutions. This brought to 169 the total number of institutions receiving financial assistance under the full deposit coverage system (implemented in FY1996). In total, the DICJ provided these institutions with ¥17.8 trillion in grants and purchased ¥6.4 trillion in assets.

(2) Asset Purchases and Capital Injections

In FY2002, the DICJ purchased assets with principal totaling ¥2.1 trillion from 110 sound financial institutions, the most ever. As of the end of FY2002, capital injections (in exchange for shares) by the DICJ came to ¥10.4 trillion, or ¥9.3 trillion after considering early redemptions.
In May 2003, the Prime Minister officially recognized the need for Resona Bank to receive a capital injection from the DICJ.

(3) Debt Recovery, Real Estate Management and Disposal

The RCC, a subsidiary of the DICJ, performs debt recovery and real estate management and disposal work on behalf of the DICJ. In FY2002, it recovered debts in the amount of ¥924.3 billion and disposed of 650 properties worth ¥31.7 billion. It also executed real estate securitizations totaling approximately ¥40 billion and sold claims for a total of

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¥611.6 billion (including a bulk sale with principal totaling ¥263.8 billion).

(4) Asset Investigations and Pursuit of Liability

In its FY2002 asset investigations, the DICJ investigated 296 cases and uncovered ¥48 billion in hidden assets of debtors. Concerning pursuit of liability against the executives of failed financial institutions, the DICJ brought criminal suits against 64 persons in 31 cases and civil suits against 91 defendants in 24 cases (demanding a total of ¥16.8 billion in damages).

(5) On-Site Inspections

Adding to inspections of depositor name databases, which it became authorized to perform in August 2001, the DICJ began in January 2003 to perform inspections to determine whether financial institutions are properly paying insurance premiums. To properly implement these inspections, the DICJ enhanced its inspection system by creating its Inspection Department and taking other measures in FY2003.

(6) Funding

As of the end of FY2003, the DICJ's borrowings stood at ¥20.9 trillion (borrowings and bond issuances). The government guarantee framework for FY2003 covers ¥57 trillion in borrowings.

(7) International Activities

The DICJ is a member of the International Association of Deposit Insurers, established in May 2002 and chairs the Asian Regional Committee.

(8) Public Relations and Information Disclosure

The DICJ has actively pursued public relations activities in connection with deposit insurance system revisions and has established information disclosure counters in Tokyo and Osaka to properly respond to requests made under the Information Disclosure Law.

(9) Financial Condition

In FY2002, the DICJ used five accounts - the General Account, Special Operations Account (last year of use), Financial Reconstruction Account, Early Strengthening Account and *Jusen* Account - to account for its operations. Losses were recorded for accounts other than the Special Operations Account and Early Strengthening Account.

(10) DICJ Organization

The DICJ's organization includes three groups that help to ensure that it is properly managed. The Policy Board makes decisions on important matters; the Liability Investigation Committee pursues liability for failed financial institutions by bringing criminal or civil suits against the executives or malicious debtors of the failed institution; and the Purchase Price Examination Board ensures that the system for purchasing assets from financial institutions functions properly.

In FY2003, the DICJ is working to reorganize its operations and reassign employees to high priority areas to reduce the size of its overall organization.

Regarding the DICJ's subsidiaries, the RCC has taken steps to further strengthen its company revitalization capabilities and diversify its operations for disposing of non-performing loans, based on Government's Financial Revitalization Program. Furthermore, the DICJ's third subsidiary, the Industrial Revitalization Corporation of Japan, was also established during the year (with capital of ¥50.5 billion).

(11) Changes in Deposit Insurance System in FY2002

In September 2002, Financial System Council revealed the report titled "Measures for ensuring the stability of the payment and settlement function of financial institutions," stressing that a certain deposit account for the payment and settlement purpose should be available under full protection to secure the intermediary function of financial institutions in the payment and settlement system. The deposit account for this purpose is not a new. The function has been in current

deposit menu but bearing interests. The Council recommended that the account for this purpose shall carry the following natures: 1) On demand deposit account; 2) Utilized for the payment settlement purpose; and 3) Bears no interest.
In response to this recommendation and with the amendment to the Deposit Insurance Law, the coverage of protected deposits will be as follows:

a. Until the end of March, 2002
The entire amounts of "Specific Deposits" and "Other Deposits" are covered.

b. From April 1, 2002 to the end of March 2003
- The coverage of deposit protection is up to ¥10 million plus interest for "Other deposits". For the principle exceeding ¥10 million plus interest, the depositors shall have claims in accordance with the asset situation of failed financial institutions.
- For "Specific Deposits," the entire amount is covered.

c. From April 1, 2003 to the end of March 2005
The deposit protection scheme shall be the same as in FY 2002. All necessary arrangement shall be made including institutional aspects to secure the smooth and effective function of payment and settlement system.

d. From April 1, 2005 onwards
- For all deposits other than the settlement deposit account will be within protection, the total of all insured deposits up to a maximum sum of ¥10 million of principle plus interest shall be protected by the deposit insurance system against one account holder after aggregating accounts at one financial institution.
- For the deposit account for settlement, the entire amount shall be protected.
- Deposit principal exceeding ¥10 million plus interest under protected deposits shall be payable in accordance with the asset situation of the failed financial institution in the procedure for liquidation of the said financial institution.

Schedule for Transition to Limited Coverage

<table>
<tr><th colspan="2"></th><th>April 2002-March 2005</th><th>April 2005 onwards</th></tr>
<tr><td rowspan="2">Deposits, etc., within the scope of protection</td><td>Current deposits
Ordinary deposits
Specified deposits</td><td>Full protection</td><td>Full protection for deposits that bear no interest and meet other conditions (*1)</td></tr>
<tr><td>Other deposits, etc.
(time deposits, installment savings, money in trust under the guarantee of principal, bank debentures)</td><td>Total up to a maximum principal of ¥10 million (*2) plus interest (*3)</td><td>For principal exceeding ¥10 million, liquidation dividends payable in accordance with asset situation of failed financial institution.</td></tr>
<tr><td colspan="2">Deposits, etc., outside the scope of protection
(foreign currency deposits, negotiable certificates of deposit, money in trust under no guarantee of principal, bank debentures (other than of safe deposit instruments), etc.)</td><td colspan="2">Not Protected
(Liquidation dividends payable in accordance with asset situation of failed financial institution)</td></tr>
</table>

(*1) These are referred to as "the Payment and Settlement Deposits". They must satisfy three conditions: Bearing no interest; Deposit redeemable on demand; and Provides normally required payment and settlement services.

(*2) If the financial institutions merges or takes over all business (operations) in April 2003 or thereafter, the amount protected will be "10 million yen × the number of financial institutions subject to the merger, etc." instead of 10 million yen for the first year only (For example, if two institutions are merging, the amount protected will be 20 million yen).

(*3) Provisions for installment savings, allocation of proceeds from money trust, etc. will also be protected in the same manner as interest.

TABLES & FIGURES

Table (i). Historical development of Deposit Insurance System

	Initial Provisions in 1971	Jul. 1986	Jun. 1996	Amendments or Additions since May 2000
1. Insured Financial Institutions (by Law)	Banks, Sogo banks* Shinkin banks, Credit cooperatives →	(Jul. 1986) Labor banks added →	→	(Jun. 2000) Shinkin Central Bank, The Shinkumi Federation Bank, Rokinren Bank added
2. Capitalization (by approval)	¥450million: → Government: ¥150million BOJ: ¥150million Private Financial Institutions: ¥150million	(Jul. 1986) ¥455million → Capital subscription by Labor banks (¥5million)	(Jul. 1996) ¥5,455million Jusen account ¥5million (from the government)	→
3. Governor, deputy Governors, Auditor <by appointment of Prime Minister (Oct. 1998)> (by law)	Governor (Senior Deputy Governor of the BOJ) → Deputy Governor (1) → Auditor (1) →	→	(Appointed by Minister of Finance) (Jun. 1996) (Appointed by PM, approved by both Houses of the Diet) (Oct. 1998) Max.3 (Jun. 1996) → Max.4 (Oct. 1998) →	→
4. Insurance Premiums General premium rate (by approval) Special premium rate (by cabinet order)	0.006% →	(FY 1982) 0.008% → (FY 1986) 0.012% →	(FY 1996) 0.048% → Introduced 0.036% →	(FY 2001) Specific deposit 0.048% Other deposits, etc. 0.048%; (FY 2002) 0.094% 0.080%; (FY2003) Payment and settlement deposit 0.090% Regular deposit 0.080% Until end of fiscal 2001
5. Payment Date of Insurance Premiun	Within 3 months of beginning of business year	→	Within 3 months after beginning of business year. However, half way may be paid within 3 months after first 6 months of business year	→
6. Maximum Insurance Payments (per depositor) (by cabinet order)	Principal ¥1 million →	(Jul. 1974) ¥3million → (Jul. 1986) ¥10million	→	(Apr. 2001) Principal ¥10million +interest, etc. → (Apr. 2003) Payment and settlement deposit: full coverage Regular deposit: Principal ¥10million + interest, etc. →
7. Special Arrangement for the Blanket Guarantee of Deposit Insurance (by law)			Introduced →	Until end of FY 2001
8. Insurance Payment by Setting and Transferring Insurer's Deposit to each Insured Depositor (by law)			Introduced →	→
9. Partial Payment (by law) Maximum Amount of Partial Payment (per ordinary deposit account) (by cabinet order)		(Jul. 1986) Introduced ¥200,000 →	→	(Apr. 2001) ¥600,000 →

	Initial Provisions in 1971	Jul. 1986	Jun. 1996	Amendments or Additions since May 2000
10. Purchase of Deposits etc. (by law)			Introduced (Apr. 1997) →	→
11. Representation of Depositors in Court Procedures (by law)			Introduced (Apr. 1997) →	→
12. Financial Assistance (by law)		(Jul. 1986) Introduced →	→	→
13. Purchase of Assets of Financial Institutions (by law)		Purchase of assets from assuming financial institutions (Jul. 1986) →	Purchase of assets from failed financial institutions (Jun. 1996) → Purchase of assets from banks under special public management, etc. (Oct. 1998) →	Purchase of assets from banks under special crisis management, etc
14. Borrowing of Funds (General Account) (1) Maximum Borrowings (by cabinet order)	¥50billion	¥500billion (Jul.1986) →	¥1 trillion (June 1996) → ¥2 trillion (Apr. 1999) → ¥4 trillion (Apr. 2000) →	¥6trillion (Apr. 2001) → ¥13trillion (Apr. 2002) → ¥19trillion (Apr. 2003)
(2) Borrowing from financial Institutions for Repayment of the BOJ Borrowings (by law)		Introduced (Jul.1986) →	Financial institutions, others (Oct. 1998) →	→

Principal Special Operations Introduced in the Jun. 1996 Amendment of the Law	Main Points in the Amendment of Dec. 1997	Main Points in the Amendment of Feb. 1998
• Special financial assistance • Special purchase of deposits and other claims • Collection of special insurance premiums Arrangement for the blanket gurantee of deposit insurances, etc. (until end of fiscal 2000) • Capital subscription, compensation for losses, guarantee of debts, guidance and advice, etc to Contracted Bank • Asset investigation of debtors concerning loan assets transferred to Contracted Bank, and collection of loans • Contracted Bank purchase of assets of failed credit cooperatives • Government debt guarantees for borrowings from BOJ, other financial institutions, etc., to implement special operations concerning failed credit cooperatives	• Adding of consolidation to the types of merger, etc. , for which an application for financial assistance can be made • Financial assistance for specified merger (temporary measure) • Raising of the borrowing limit from the Bank of Japan, etc. relating to special operations	• Integration of the Special Account for Non-Credit Cooperatives Financial Institutions and the Special Account for Credit Cooperatives into the Special Operations Account • Appreciation of ¥10 trillion for government guarantee of the DICJs borrowings and bond issues relating to the Special Operations Account • Expansion of Contracted Bank's functions to act as an assuming bank for non-credit cooperatives financial institutions • Issues of DIC bonds • Extension of penal investigative power to include recovery of 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 Points in the Financial Revitalization Related Laws enacted in Oct. 1998	Main Points in the Amendment of May 2000
• Introduction of financial administrator operations • Introduction establishment and operations concerning business management of bridge banks • Introduction of special public management operations • Introduction 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 which deals with loans, etc. to banks under special public management and bridge banks • Introduction of the Early Strengthening Account which deals with loans, compensation for losses by the contracted bank which subscribes shares of financial institutions, etc.	• Extension of the Special Arrangement for the blanket guarantee of deposit insurance, etc. (until end of fiscal 2001) • Financial institutions oblidged to prepare data for aggregating deposits held by the same depositor, and to make necessary adjustments to computer systems, etc. • Introduction of procedural arrangement for provisional resolutions for business transfers, etc., and court authorization procedures (subrogation) to substitute for special resolutions • Introduction of system to indemnify creditors on and ex post facto basis in cases of business transfer, etc. • Introduction of operations as a financial administrator • Introduction of operations concerning the establishment and managing the business of bridge banks • Introduction of financial assistance, for cases of partial business transfer • Introduction of capital injection and loss and profit share scheme for assuming financial institutions • Introduction of operations for loans to help failed financial institutions repay insured deposits and prevent deterioration of asset value • Introduction of operations against financial crisis (creation of Crisis Management Account) • Increased provision of government bonds to Special Operations Account (from ¥7 trillion to ¥13 trillion)

Main Points in the Amendment of Dec. 2002	Main Points of the Dec. 2002 Special Measures Law for Promotion of Organizational Restructuring
- Added securing of payment and settlements for failed financial institutions to the purposes of the Deposit Insurance Law - Provided for full protection for payment and settlement deposits (as a permanent measure) - Ensured the completion of ongoing settlements - Added requirement that financial institutions implement systems for ensuring the smooth payment of insurance payouts for payment and settlement deposits	- Simplified merger procedures - Provided for capital through the subscription of preferred shares - Raised the upper limit of deposit insurance coverage (New limit for first year after merger: ¥10 million × number of financial institutions involved in the merger)

(1) Contracted Bank (Related to the Deposit Insurance Law)

Amendment of June 1996 (Enforced from June 21, 1996)	Amendment of February 1998 (Enforced from February 18, 1998)	Amendment of October 1998 (Enforced from October 23, 1998)	Amendment to the Deposit Insurance Law, May 2000	
			(Enforced from June 30, 2000)	(Enforced from April 1, 2001)
				- Resolution and collection operations as provisional arrangement
- Capital subscription in the contracted bank	- No change	- No change	- No change	- No change
- Entrusting the contracted bank to purchase the assets of failed shinkin banks	- Entrustment extended to failed financial institutions	- No change	- "Transferees of special assets, etc". added to scope of contract (until March 2001)	- Entrustment extended to failed financial institutions, etc. (failed financial institutions, bridge banks, banks under special crisis management)
- Compensation for losses incurred by the contracted bank (restricted to losses related to the contracted purchase of assets)	- Coverage of losses extended to losses related to merger and transfer of business based on the Resolution and Collection Agreement	- No change	- No change	- No change
	- Lending to the contracted bank	- No change	- No change	- No change
- Guarantee of borrowing by the contracted bank	- No change	- No change	- No change	- No change
	- Receipt of money paid in by the contract bank	- No change	- No change	- Restriction on the transfer of profit from contracted bank to the DICJ abolished - Loan loss reserve is treated as integural to the scheme for profit transfer/loss compensation
- Guidance and advice for the contracted bank	- No change	- No change	- No change	- No change
- Investigation into the assets of debtors and collection of claims related to assets transferred to the contracted bank	- Penal provisions added to strengthen investigation into the assets of debtors	- No change	- No change	- No change
	- Approval of entrusting collection to the disposal company of *Jusen's* assets and liabilities	- No change	- No change	- Provision deleted
- Enquiries and request for cooperation to government agencies, public organizations and others	- No change	- No change	- No change	- No change
		- Action necessary for merger between the contracted bank and the claim resolution company	- No change	- No change

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

Original Financial Function Reconstruction Law (Enforced from Oct 23, 1998)	Amendment of May 2000 (Enforced from Apr. 1, 2001)	Amendment of Jun. 2001 (Enforced from Jun. 27, 2001)	Amendment of Dec. 2001 (Enforced from Jan. 11, 2002)	Amendment of Apr. 2003 (Enforced from Apr. 10, 2003)
- Entrustment of asset purchase of financial institutions to the specified contracted bank	- No change	- Extension of the period in which sound financial institutions, etc. can apply to the DICJ to purchase assets (until Mar. 31, 2004)	- Asset purchase by participating in bidding held by sound financial institutions, etc. - Give flexibility to dispositon methods of purchased assets - Purchasing price at market value when purchasing or participating bidding	- Extension of the period in which sound financial institutions, etc. can apply to the DICJ to purchase assets (until Mar. 31, 2005) - Added provision for delegating asset purchases to the Industrial Revitalization Corporation
- Compensation for losses incurred by the specified contracted bank	- No change	- No change	- No change	- No change
- Lending to the specified contracted bank	- No change	- No change	- No change	- No change
- Guarantee of borrowing by the specified contracted bank	- No change	- No change	- No change	- No change
- Receipt of money paid in by the specified contracted bank	- No change	- No change	- No change	- No change
- Investigation into the assets of debtors (backed up by penal provisions) and collection of claims related to assets transferred to the specified contracted bank	- No change	- No change	- No change	- No change
- Approval of entrusting collection to company disposing of *Jusen* assets and liabilities	- Provision deleted			
- Enquiries and request for cooperation to government agencies, public organizations and others	- No change	- No change	- No change	- No change
- Guidance and advice to the contracted bank	- No change	- No change	- No change	- No change

(3) Related to the Early Strengthening Law

Early Strengthening Law enacted October 1998	Amendment of May 2000 (as enforced from June 30, 2000)
- Subscribing of shares, etc., entrusted to the contracted bank	- Applications for subscribing of shares, etc., in specified cooperative financial institutions, etc. to be submitted by March 31, 2002
- Compensation for losses incurred by the contracted bank	- No change
- Loan to the contracted bank	- No change
- Guarantee of borrowing by the contracted bank	- No change
- Receipt of monies remitted by the contracted bank	- No change
- Guidance and advice to the contracted bank which has share-issuing banks as its subsidiaries	- No change

(4) Special Measures Law for Promotion of Organizational Restructuring

December 2002 Special Measures Law for Promotion of Organizational Restructuring (Enforced from April 1, 2003)
- Delegation of subscription of shares from the contracted bank and purchase of beneficial interest in trust from the coorperative central financial institutions
- Compensation for losses incurred by the contracted bank
- Lending to the contracted bank
- Guarantee of loans to provide capital for the contracted bank
- Receipt of cash from the contracted bank

(5) Claim Resolution Company (Related to the *Jusen* Law)

The Original *Jusen* Law June 1996 (Enforced from June 21, 1996)	The Amendment of April 1998 (Enforced from April 10, 1998)	The Amendment of October 1998 (Enforced from October 23, 1998)	Amendment of May 2000 (Enforced from April 1, 2001)
- Capital subscription in, provision of subsidies for, loan guarantee and guidance/advice for claim resolution company	- No change	- No change	- No change
- Investigation (backed up by penal provisions) into the assets of debtors and collection of claims related to loans transferred to claim resolution company	-Penal investigation extended to real estate assets pledged (as security) by third parties	- No change	- No change
	- Approval of entrusting collection to the contracted bank	- No change	- Provision deleted
- Enquiries and requests for cooperation to government agencies, public organizations and others	-No change	-No change	-No change
- Borrowing from financial institutions (separate from borrowing for general operations and up to the government capital in the *Jusen* account of ¥5 billion)	- No change	- No change	- No change
- 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 of receiving subsidies and paying collection profits to the government (Any surplus after offsetting half of the secondary losses against the collection profits in each business year is paid to the government. In the case of a deficit, a government subsidy is provided.)	- No change	- No change
- Establishment of a coordinating council by the government	- No change	- No change	- No change
		- Arrangements necessary for merger between claim resolution company and contracted bank	- No change

Table (ii). Major Events for the DICJ after year 1996

Year 1996

June 26	・Establishment of the Special Investigation Department
July 26	・Establishment of the Housing Loan Administration Corporation (HLAC)(¥200 billion capital subscription)
July 26	・Request for cooperation in investigation of *Jusen* borrower
Aug. 2	・Investigation on the assets of Sueno Kosan
Aug. 5	・Submitted "Basic Agreement Concerning the Disposal of *Jusen* Companies"
Aug. 30	・1st regular meeting of the executives of DICJ and HLAC
Sep. 17	・Establishment of Osaka Special Investigation Department ・Reorganization of the structure of the DICJ (Four-department system: General Affairs Department, Deposit Insurance Department, Special Investigation Department and Osaka Special Investigation Department)
Sep. 25	・¥120 billion capital subscription in the RCB
Oct. 1	・1st regular meeting of DICJ and RCB executives
Oct. 9	・1st meeting of Tripartite Council of Real Estate Assets
Oct. 15	・1st meeting of Coordinating Council for Collateralized Real Estate
Dec. 12	・"Request for Support in Collection Operation" submitted to the Commissioner-General of the National Police Agency
Dec. 19	・Approval of a subsidy from the Emergency Financial Stabilization Fund to the HLAC and guarantee on liabilities borrowed by the HLAC

Year 1997

Sep. 14	・Dispatch of the Servicer Study Group to the U.S.

Year 1998

Feb. 20	・Establishment of Liability Investigation Committee
Feb. 23	・Establishment of the secretariat of the Committee on Financial Crisis Management and Examination ・1st meeting of the Committee on Financial Crisis Management and Examination
Mar. 30	・Subscription of preferred shares, etc issued by financial institutions under the Financial Function Stabilization Law
Apr. 1	・Establishment of Osaka Deposit Insurance Department
Oct. 23	・Establishment of Financial Reconstruction Department and Financial Reorganization Office of Osaka Deposit Insurance Department ・Abolition of the secretariat of the Committee on Financial Crisis Management and Examination
Nov. 4	・New Executives appointed for LTCB (under special public management)
Dec. 25	・New Executives appointed for NCB (under special public management) ・Conclusion of agreement on merger between the HLAC and the RCB and creation of the RCC (Resolution and Collection Corporation)

Year 1999

Mar. 30	・Subscription of preferred stocks, etc issued by financial institutions under the Early Strengthening Law (15 banks, including 8 city banks, 1 long-term credit bank, 5 trust banks and 1 regional bank with ¥7,459 billion)
Apr. 1	・Establishment of the RCC through merger between the HLAC and the RCB ・Establishment of Sapporo Office of Special Investigation Department
Apr. 11	・Appointed as a financial administrator for Kokumin Bank
May 22	・Appointed as a financial administrator for Kofuku Bank
June 9	・Establishment of Purchase Price Examination Board
June 12	・Appointed as a financial administrator for Tokyo Sowa Bank
Aug. 7	・Appointed as a financial administrator for Namihaya Bank
Sep. 28	・Memorandum on the Transfer of the LTCB signed by DICJ, New LTCB Partners and LTCB
Sep. 29	・Asset purchases from sound financial institutions ・Capital injections under the Early Strengthening Law (¥230 billion to the Ashikaga Bank and other three banks)
Oct. 2	・Appointed as a financial administrator for Niigata Chuo Bank
Nov. 19	・Appointed as a financial administrator for Nichinan Shinkin Bank
Nov. 29	・Capital injections under the Early Strengthening Law (¥30 billion to Ashikaga Bank)

Year 2000

Jan. 11	・Basic Agreement on Business Transfer of Kokumin Bank signed by Yachiyo Bank and Kokumin Bank
Feb. 9	・Final Agreement on the Transfer of the LTCB signed by DICJ, New LTCB Partners and LTCB
Feb. 28	・Repayment of perpetual subordinate debentures (¥100 billion) underwritten from the Tokyo Mitsubishi Bank ・Asset Purchases from sound financial institutions
Feb. 29	・Capital injections under the Early Strengthening Law (¥30 billion to the Kumamoto Family Bank)
Mar. 1	・Transfer of LTCB shares to New LTCB Partners
Mar. 7	・Business Transfer Agreement of Komukin Bank signed by Yachiyo Bank and Kokumin Bank
Mar. 30	・Asset purchase from sound financial institutions
Mar. 31	・Capital injection under the Early Strengthening Law (¥285 billion to the LTCB and another bank)
May 18	・Basic Agreement on Business Transfer of Kofuku Bank signed with the US investment fund “Asia Recovery Fund” and Kofuku Bank
May 31	・Basic Agreement on Business Transfer of Namihaya Bank signed by the Daiwa and Kinki Osaka Bank, and Namihaya Bank
June 6	・Basic Agreement on the Transfer of NCB signed by DICJ, the consortium of Softbank, Orix and Tokio Marine and Fire Insurance, and NCB
June 27	・Basic Agreement on Business Transfer of Tokyo Sowa Bank signed by Asia Recovery Fund and Tokyo Sowa Bank

June 30	・Final Agreement on the transfer of the NCB signed by DICJ, the consortium of Softbank, Orix and Tokio Marine and Fire Insurance, and NCB
July 28	・Business Transfer Agreement of Namihaya Bank signed by Daiwa, Kinki Osaka Bank and Namihaya Bank
Sep. 1	・Transfer of the NCB's shares to the consortium of Softbank, Orix and Tokio Marine and Fire Insurance
Sep. 26	・Asset purchases from sound financial institutions
Sep. 29	・Basic Agreement on Business Transfer of Niigata Chuo Bank signed with Taiko, Daishi, Hachijuni, and Higashi Nihon Bank and Niigata Chuo Bank ・Capital injections under the Early Strengthening Law (¥60 billion to Chiba Kogyo Bank and ¥35 billion to Yachiyo Bank)
Oct. 3	・Capital injection under the Early Strengthening Law (¥260 billion to NCB)
Oct. 6	・Business Transfer Agreement signed of Kofuku Bank with Kansai Sawayaka Co., Ltd., a company set up by the Fund as an acquiring institution (name later changed to the Kansai Sawakaya Bank on acquisition of banking license)
Oct. 20	・Business Transfer Agreement of Nichinan Shinkin Bank signed with Nango Shinkin Bank and Nichinan Shinkin Bank
Oct. 31	・Basic Agreement on Business Transfer of Niigata Chuo Bank signed with Gumma, Towa Bank and Niigata Chuo Bank
Nov. 30	・Basic Agreement of Tokyo Sowa Bank by the Asia Recovery Fund and Tokyo Sowa Bank cancelled
Dec. 16	・Appointed as a financial administrator for Kansai Kogin Credit Cooperative
Dec. 20	・Special purchase of assets from Shinkumi Federation Bank, and compensation for losses incurred thereby (Special purchase: ¥15.9 billion, Compensation for losses: ¥82 billion)
Dec. 21	・Business Transfer Agreement of Niigata Chuo Bank signed by the Taiko, Daishi, Hachijuni, Higashi-Nippon, Gunma Bank and Niigata Chuo Bank
Dec. 22	・Business Transfer Agreement of Niigata Chuo Bank signed with Towa Bank and Niigata Chuo Bank
Dec. 22	・Repayment of perpetual subordinated bonds (¥150 billion) underwritten from Mitsubishi Trust & Banking
Dec. 28	・Disposal of preferred stocks worth ¥200 billion subscribed from Mitsubishi Trust & Banking
Dec. 29	・Appointed as a financial administrator for Chogin Tokyo Credit Cooperative

Year 2001

Jan. 25	・Business Transfer Agreement of Tokyo Sowa Bank signed by the US investment fund "Lone Star" and Tokyo Sowa Bank
Mar. 30	・Capital injection under the Early Strengthening Law (¥12 billion to Kansai Sawayaka Bank and ¥20 billion to Higashi-Nippon Bank)
Apr. 2	・Set up insurance premium rate for FY 2001 as 0.048% for Specific deposits and Other deposits, etc.
Dec. 28	・Appointed as a financial administrator for Ishikawa Bank

Year 2002

Mar. 8	・Appointed as a financial administrator for Chubu Bank
Mar. 11	・Establishment of Bridge Bank of Japan(BBJ) as a 100% subsidiary (￥2.05 billion capital subscription)
Mar. 19	・The BBJ got licenses of banking and mortgage debentures trust business
Mar. 28	・Business Transfer Agreement of Ishikawa Bank and Chubu Bank signed by the BBJ and Ishikawa Bank, and the BBJ and Chubu Bank respectively
Mar. 29	・Set up insurance premium rate for FY 2002 as 0.094% for Specific deposits and 0.08% for Other deposits, etc.
Nov. 1	・Basic Agreement for the business transfer of the Chubu Bank signed among the Chubu Bank, the BBJ and three assuming institutions: the Shimizu Bank, the Shizuoka Chuo Bank and the Tokyo Star Bank.
Nov. 15	・Basic Agreement for the business transfer of the Ishikawa Bank signed among the Ishikawa Bank, the BBJ and five assuming institutions: the Hokuriku Bank, the Hokkoku Bank, the First Bank of Toyama, the Kanazawa Shinkin Bank and the Noto Shinkin Bank.
Dec. 6	・Business Transfer Agreement of the Chubu Bank signed among the Chubu Bank, the BBJ and three assuming institutions: the Shimizu Bank, the Shizuoka Chuo Bank and the Tokyo Star Bank.
Dec. 11	・The bill to amend the Deposit Insurance Law was enacted. The blanket guarantee for current deposits, ordinary deposits and specified deposits are extended to March 2005
Dec. 17	・Business Transfer Agreement of Chogin Tokyo Credit Cooperative signed with Hana Credit Cooperative and the RCC
Dec. 27	・Business Transfer Agreement of the Ishikawa Bank signed among the Ishikawa Bank, the BBJ and five assuming institutions: the Hokuriku bank, the Hokkoku Bank, the First Bank of Toyama, the Kanazawa Shinkin Bank and the Noto Shinkin Bank

Year 2003

Apr. 1	・Set up insurance premium rates for FY2003 as 0.090% for payment and settlement deposits and 0.080% for general deposits, etc.
Apr. 15	・Capital subscription of ￥49, 408 million to establish the Industrial Revitalization Corporation of Japan
May 20	・Capital subscription of ￥349 million to the Industrial Revitalization Corporation of Japan
Jun. 30	・Capital subscription to Resona Bank based on the Deposit Insurance Law (Response to Financial Crisis)
Jul. 1	・Inspection Department established

Table (iii). Insurance Premium Rates

		Ordinary Premium Rate (1)	Special Premium Rate* (2)	Total (1) + (2)
On launch of the system in 1971		0.006%	-	
FY1982		0.008%	-	
FY1986		0.012%	-	
FY1996		0.048%	0.036%	0.084%
FY2001	Specific Deposits	0.048%	0.036%	0.084%
	Other Deposits	0.048%		
FY2002	Specific Deposits	0.094%	-	
	Other Deposits	0.080%		
FY2003	Payment & Settlement Deposits	0.090%	-	
	General Deposits	0.080%		

*Applied from FY1996 to FY2001 (Deposit Insurance Law, Supplementary Provisions, Article 19 paragraph 1)

Figure (i). Organization Chart

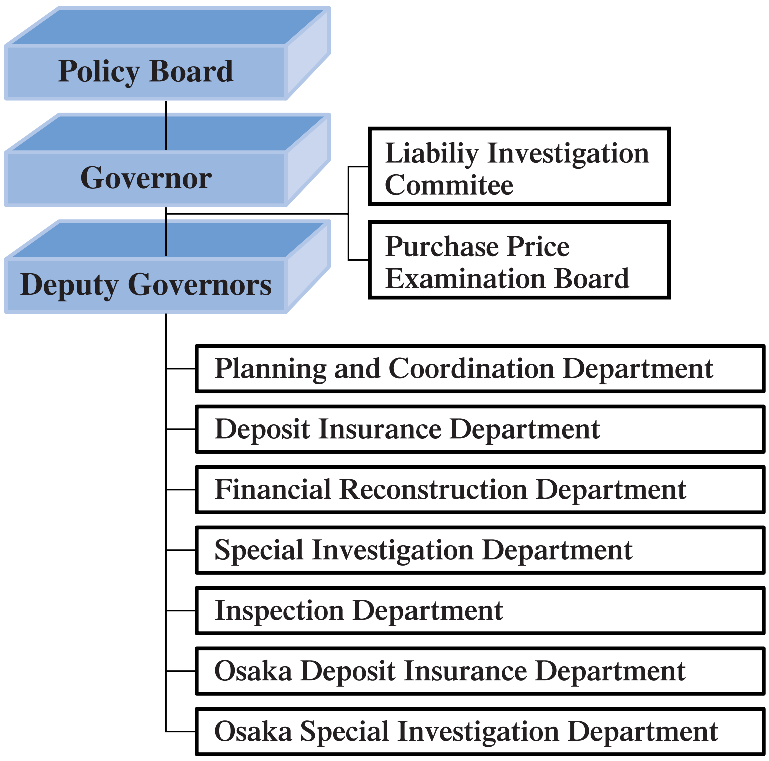
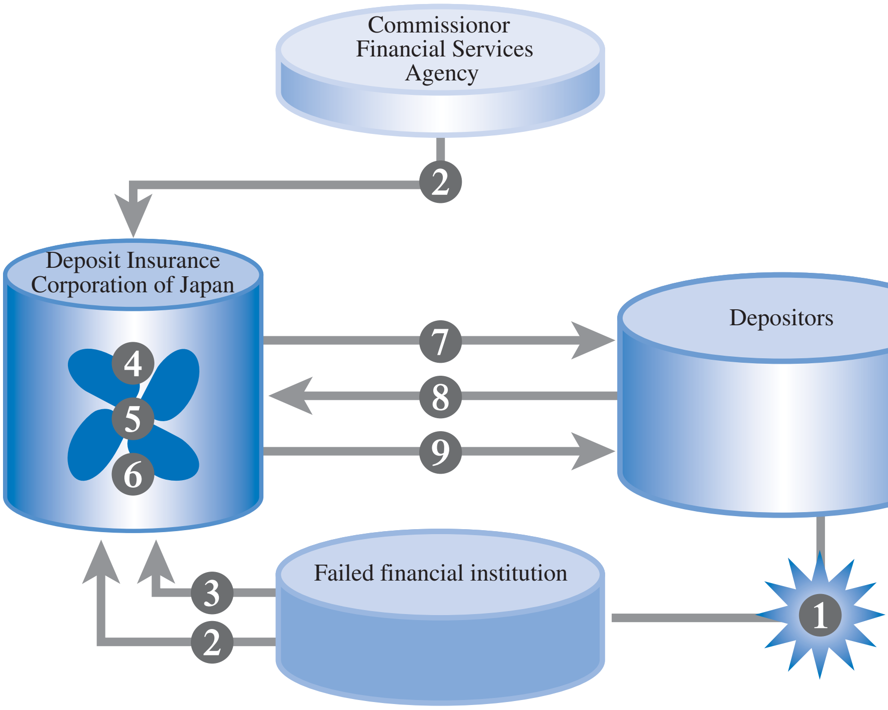


Figure (ii). Insurance Payment Flow Chart



❶ Occurrence of insurable contingency

- Suspension of repayment of deposits by financial institution (Category 1 Insurable Contingency)
- Revocation of financial institution's operating license, declaration of bankruptcy, or resolution to dissolve (Category 2 Insurable Contingency)

❷ Notification of contingency (failed financial institution → DICJ, or Commissioner of FSA → DICJ)

❸ Submission of data on depositors using the "DICJ prescribed format" (failed financial institution → DICJ)

❹ Calculation of the insurance (DICJ)

❺ Decision on payment of the insurance* and details of public announcement (DICJ)

* Only needed for Category 1 Insurable Contingencies, i.e. suspension of repayment of deposits by a financial institution

❻ Public Announcements (DICJ)

❼ Insurance Payment Notification (DICJ → depositors)

❽ Claim for the insurance payment (depositors → DICJ)

❾ Payment of the insurance (DICJ → depositors)

Figure (iii). Flow of Financial Assistance

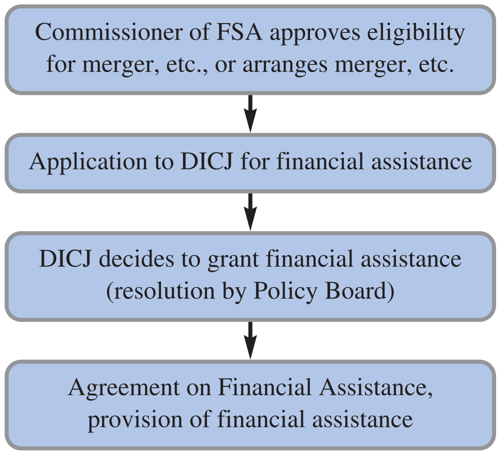


Figure (iv). Scheme of Financial Assistance Involving Business Transfers, etc.

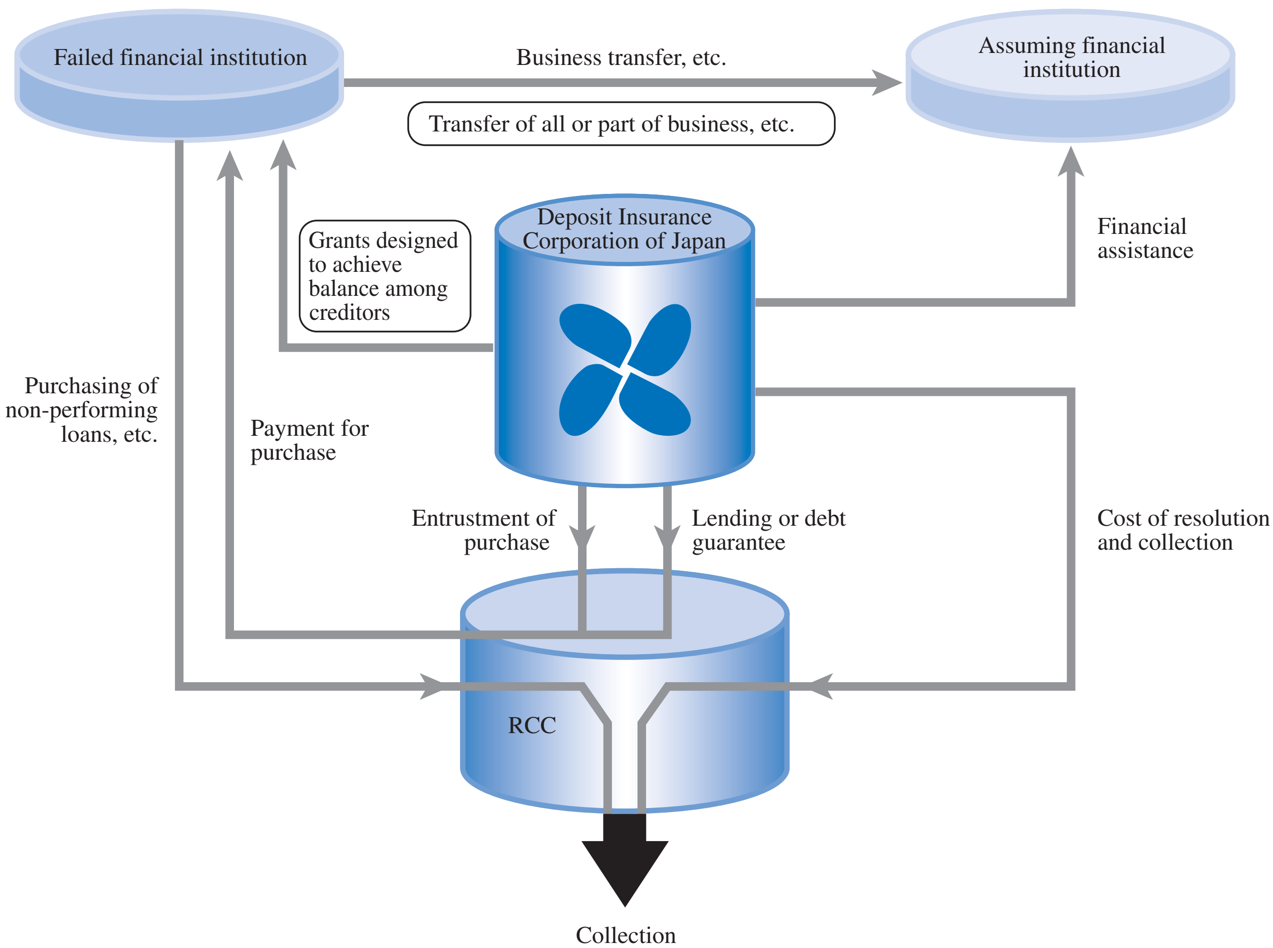
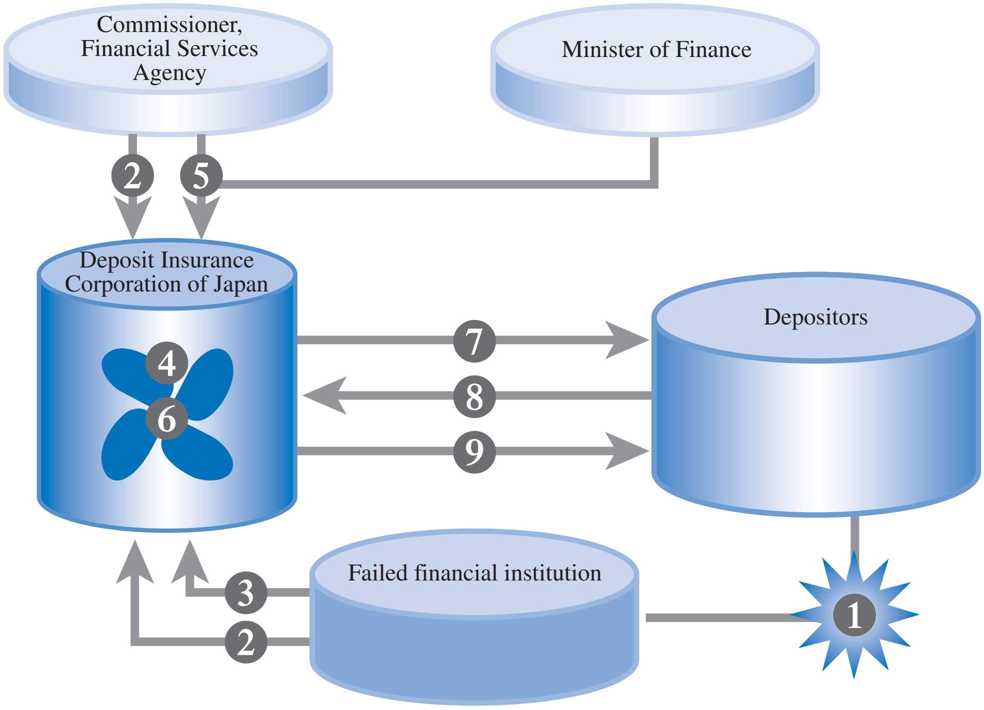


Figure (v). Estimated Proceeds Payment Flow Chart



❶ Occurrence of insurable contingency
- Suspension of repayment of deposits by financial institution (Category 1 Insurable Contingency)
- Revocation of financial institution's operating license, declaration of bankruptcy, or resolution to dissolve (Category 2 Insurable Contingency)

❷ Notification of contingency (failed financial institution→DICJ, or Commissioner of FSA→DICJ)
❸ Submission of data on depositors in the "DICJ prescribed format" (failed financial institution→DICJ)
❹ Decision on purchases and estimated proceeds payment rate (DICJ)
❺ Approval of estimated proceeds payment rate (Commissioner of FSA & Minister of Finance→DICJ)
❻ Public Announcement (DICJ)
❼ Purchase Notification (DICJ→depositors)
❽ Claim for the purchase (depositors→DICJ)
❾ Purchase of deposits and other claims (estimated proceeds payment) (DICJ→depositors)

Figure (vi). Operations involving Financial Administrators

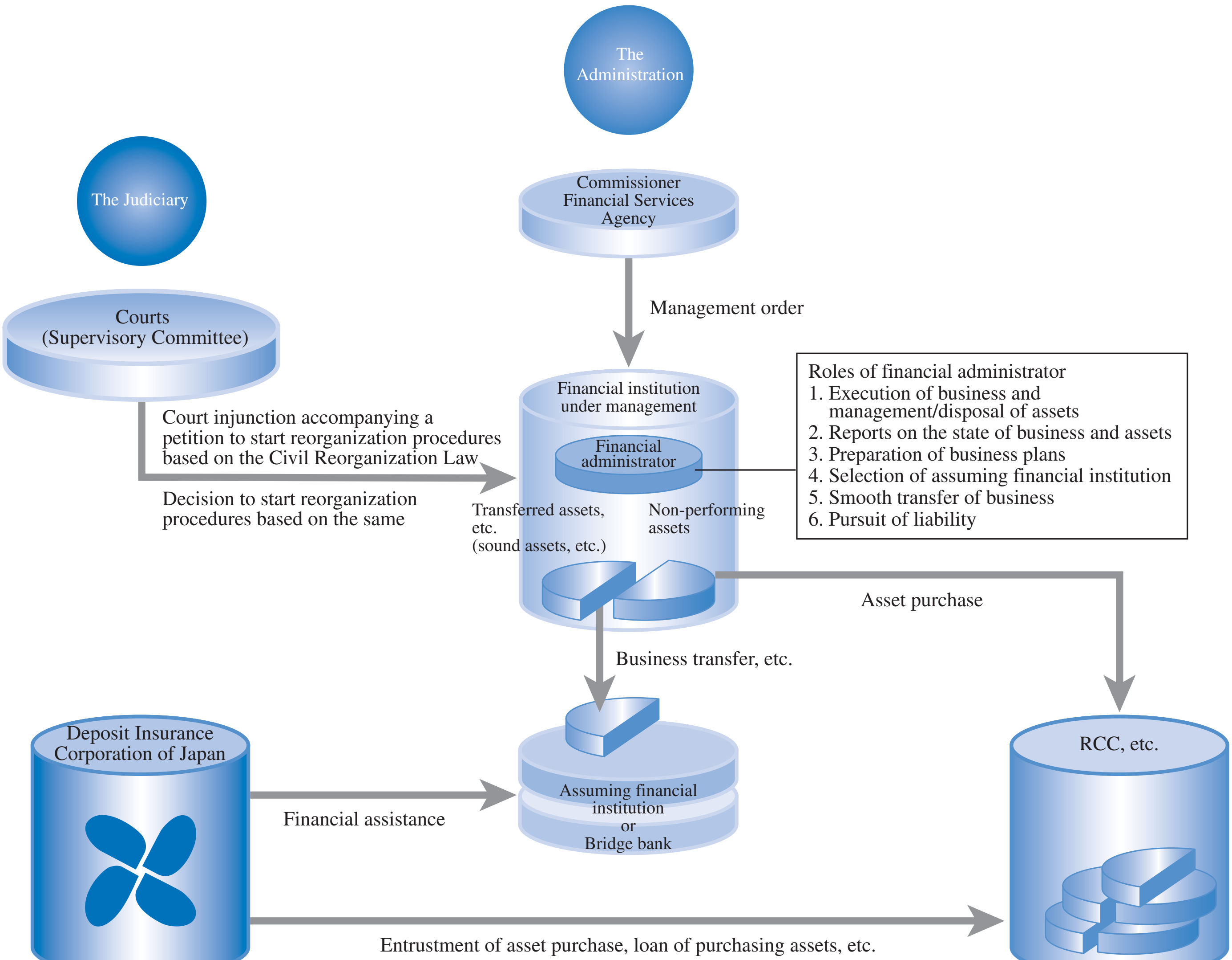


Figure (vii). Operations of Bridge Banks

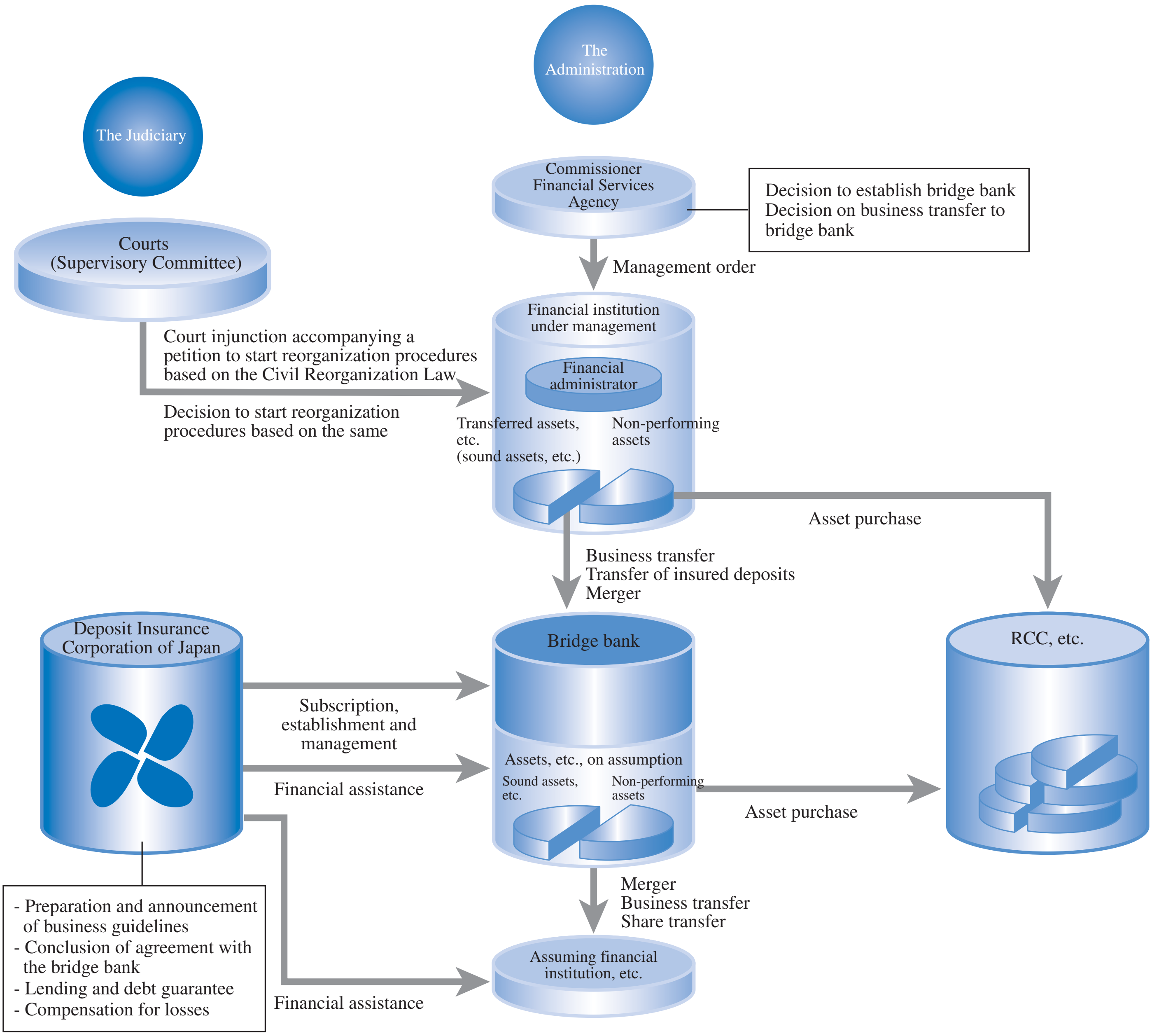


Figure (viii) Capital Injection Scheme based on the Early Strengthening Law

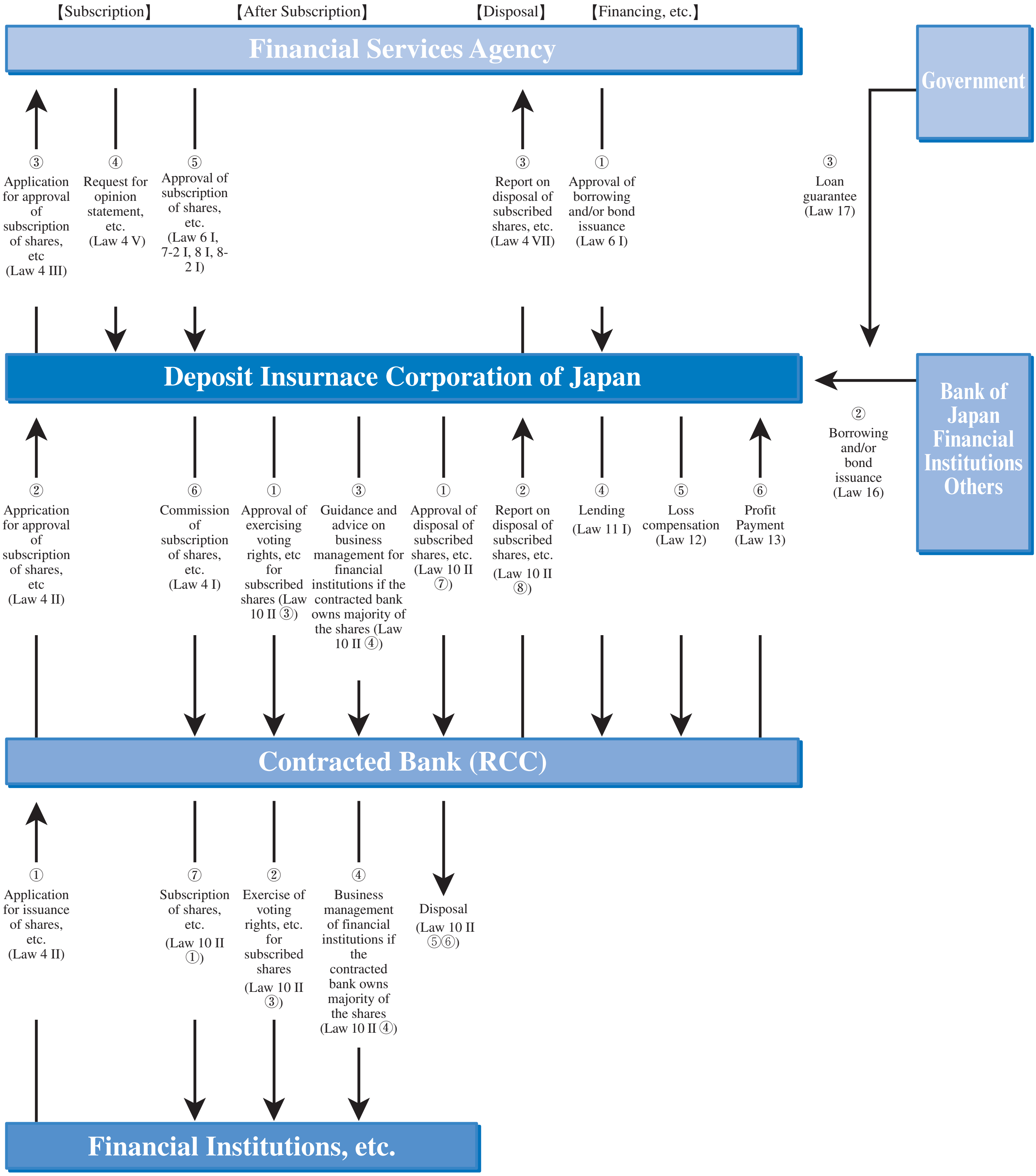
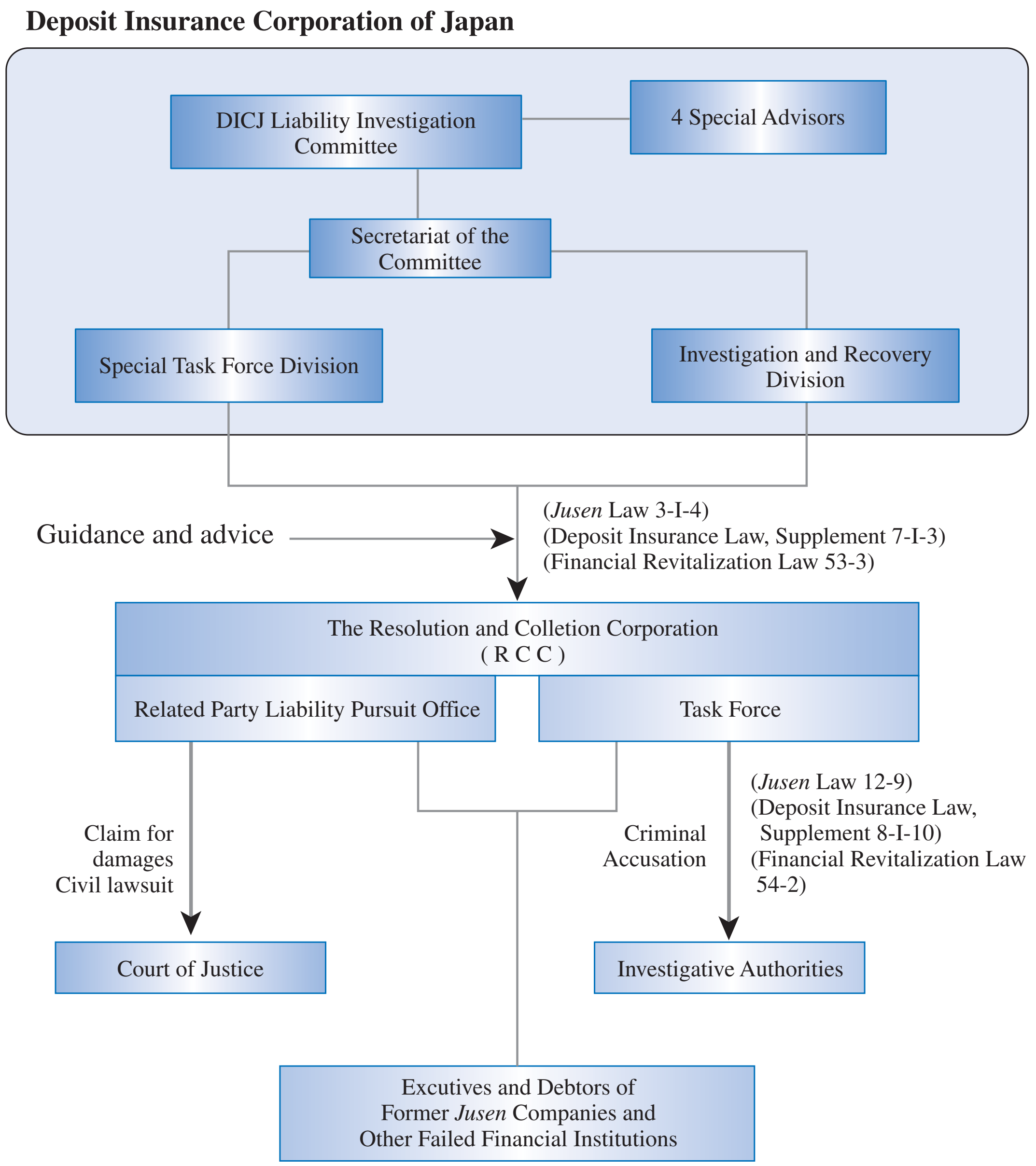


Figure (ix). System of Liability Pursuit



I. OPERATIONAL HIGHLIGHTS IN FY2002

1. Failure of Financial Institutions

In FY2002, there were no financial institution failures. It was the first time in last 12 years.

Failure of Financial Institutions

FY	Total	Banks	Shinkin banks	Credit cooperatives
1991-1994	8	1	2	5
1995	6	2	0	4
1996	5	1	0	4
1997	17	3	0	14
1998	30	5	0	25
1999	44	5	10	29
2000	14	0	2	12
2001	56	2	13	41
2002	0	0	0	0

2. Operations as a Financial Administrator

When a financial institution fails, the DICJ may be appointed as a financial administrator for the failed financial institution under the Deposit Insurance Law.

In FY2002, the DICJ acted as the financial administrator for five financial institutions. These included a shinkin bank (Sogo Shinkin Bank) to which it was newly appointed the financial administrator early in the year and two credit cooperatives (Chogin Tokyo Credit Association, Kansai Kogin Credit Cooperative) and two banks (Ishikawa Bank, Chubu Bank) for which it had been serving as the financial administrator since before FY2002.

Together with other financial administrators, the DICJ selects sound institutions to assume the operations of failed institutions and performs work to effect these operation transfers. It also performs management functions, including the execution of operations and disposal of assets, for failed institutions. The DICJ completed transfers of operations for one shinkin bank, two credit cooperatives, and two banks.

3. Financial Assistance

(1) Performance of Financial Assistance

When a financial institution fails, the DICJ purchases non-performing loan (NPL), etc., from failed financial institutions as well as provides monetary grant to assuming financial institutions which wish to merge with the failed financial institution, acquires its share or transfers its business in order to facilitate such business transfer, merger and other operations. These operations are known as “financial assistance”.

During FY2002, financial assistance was implemented in 51 cases (including 40 cases of special financial assistance, in which the financial assistance exceeded the anticipated cost of paying out insurance in connection with failed financial institutions). This greatly exceeded the 37 cases for which financial assistance was implemented in FY2001. For FY2002, grants totaled ¥2,370.7 billion (up by 44.3%) and asset purchases, ¥794.9 billion (up 95.6%).

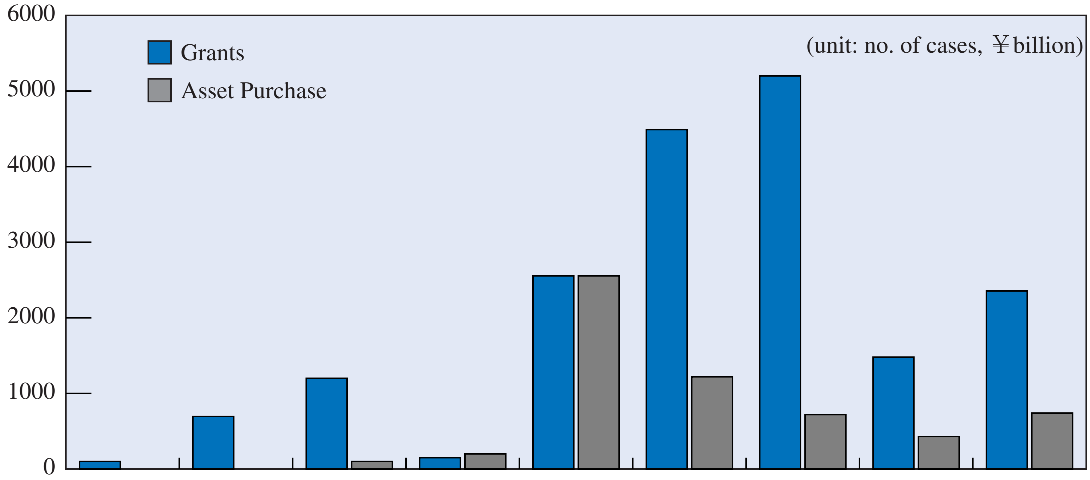
By type of institution, financial assistance in FY2002 was provided to two banks, six shinkin banks, and 43 credit cooperatives (see Chart 1).

As a result of financial assistance provided during FY2002, resolution of all of the financial institutions that had failed as of the end of FY 2001 was completed.

(2) Financial Assistance Provided Under the Blanket Guarantee Scheme (As of June 18, 2003)

The financial assistance provided under the blanket guarantee scheme was first used for the November 5, 1996 resolutions of the Sanyo Credit Cooperative and Kenmin Daiwa Credit Cooperative. The final use of this system was in connection with the March 24, 2003 resolution of the Ishikawa Bank. During this period, financial assistance was provided in a total of 169 cases (168 failed financial institutions) and consisted of ¥17,841.9 billion in grants and ¥6,366.3 billion in asset purchases (see the table in next page).

Chart 1 Trends in Performance of Financial Assistance *1



Fiscal Year	1991-1994	1995	1996	1997	1998	1999	2000	2001	2002
Total	6	3	6	7	30	20	20	37	51
Banks	1	1	1	1	5	3	4	2	2
Shinkin banks	2	0	0	0	0	2	10	7	6
Credit cooperatives	3	2	5	6	25	15	6	28	43

*1 Totals for each year are based on the date of implementation of financial assistance (date of business transfer). Grant amounts are amended from the amounts on the date of implementation for portions subject to subsequent reduction or other measures. Information on Midori Bank is limited to the counting of the relevant asset purchase (FY1998) and grant (FY1999) as case figures for FY1998. No financial information is reflected.

2 Asset purchases from the Nippon Credit Bank were divided into separate amounts for FY1999 (¥298.7 billion) and FY2000 (¥82.4 billion).

Financial Assistance Under the Blanket Guarantee Scheme

(Cases, ¥billion)

	Total Financial Assistance Cases	Grants		Asset Purchases		Debt Assumption	
Banks	17	14	11,770.9	17	4,575.8	1	4.0
Shinkin Banks	25	25	933.8	25	550.0	-	-
Credit Cooperatives	127	127	5,137.3	125	1,240.6	-	-
Total	169	166	17,841.9	167	6,366.3	1	4.0

(Note) Total financial assistance cases include 2 asset purchases from the Long-Term Credit Bank of Japan and the Nippon Credit Bank, as well as assistance to the Namihaya Bank (merged) consisting only of an asset purchase and assistance to the Kizu Credit Cooperative and Mifuku Credit Cooperative consisting only of grants.

4. Purchase of Assets from Sound Financial Institutions, etc.

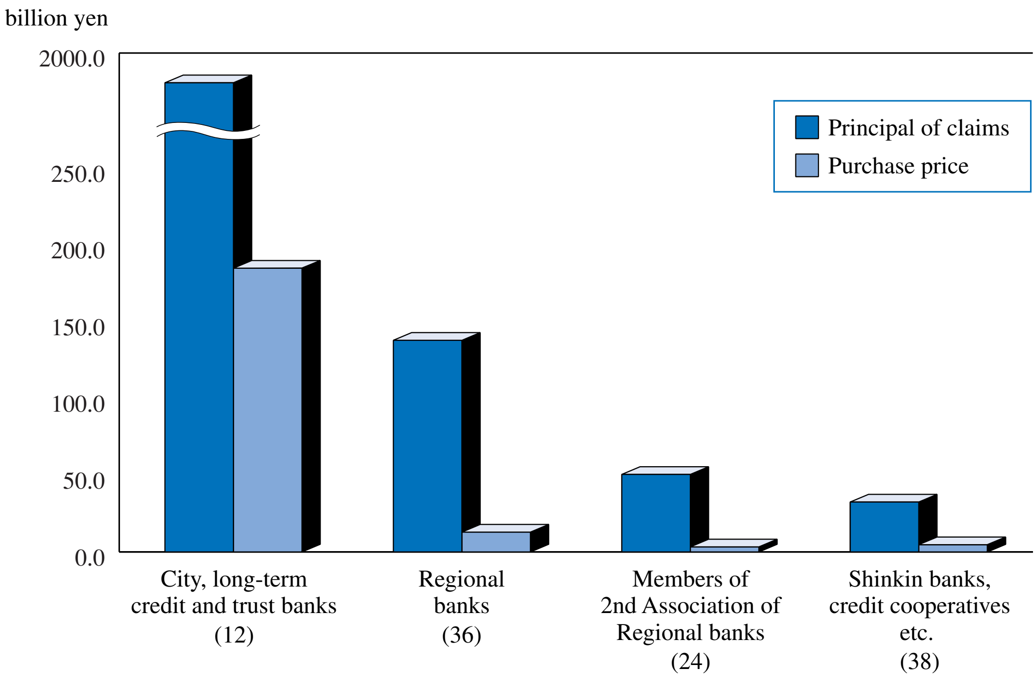
Article 53 of the Law concerning Emergency Measures for the Revitalization of the Financial System ("the Financial Revitalization Law") provides for a system of emergency measures involving the purchase of assets from financial institutions, as a means of stabilizing and reviving Japan's financial functions*. Following requests for the purchase of assets from sound financial institutions, the DICJ then makes such purchases with the approval of the Prime Minister (or the Financial Reconstruction Commission until its abolition in January 2001).

In December 2001, the system underwent major review. The functions of the Resolution and Collection Corporation (RCC) (commissioning purchasing operations from the DICJ) was strengthened by amendment to the Financial Revitalization Law (promulgated December 14, 2001, effectuated January 11th, 2002), in line with the "Advanced Reform Program (Final Report)"(October 26, 2001), aiming at intensive implementation of purchasing non-performing loans (NPLs) from financial institutions by the end of March 2004. This amendment has allowed the RCC to diversify the purchasing methods of NPLs, such as participation in bidding as well as purchase of NPLs at the market value.

In FY2002, the effect of the partial revision of the Financial Revitalization Law mentioned earlier and active write-off of non-performing loans from balance sheets of financial institutions resulted in a significant increase in purchases (see Chart 2 below).

* When the Financial Revitalization Law was first enacted, the deadline for asset purchases was set at the end of March 2001. The Emergency Economic Package included a measure to extend the deadline for asset purchase to resolve the non-performing loan problems of financial institutions. On this basis, following a partial amendment to the Financial Revitalization Law (promulgated and effectuated on June 27, 2001), the deadline for asset purchases from sound financial institutions and others was extended to the end of March 2004. Additionally, as a result of the amendments to related laws in connection with the implementation of the Industrial Revitalization Corporation Law in April 2003, the deadline was further extended to the end of March 2005.

Chart 2 Asset Purchases from Sound Financial Institutions, etc., under Article 53 of the Financial Revitalization Law in FY2002 (based on the purchase implementation date)



Note : Figures in parentheses represent the number of financial institutions.

5. Capital Injections to Financial Institutions

Based on the laws mentioned below, the DICJ is authorized to inject capital into financial institutions. It commissions this work to the contracted bank (the RCC) and provides loans and debt guarantees necessary to conduct the works. Furthermore, the DICJ collects profits arising from the operations of the contracted bank and has approval authority regarding the exercise of voting rights and other rights held by the contracted bank as a shareholder or financier and the disposal of shares or other investment securities.

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

Injections of capital under the Law Concerning Emergency Measures for Early Strengthening of Financial Functions (the "Early Strengthening Law") ceased as of the end of FY2001. In total, capital of ¥8,605.3 billion was provided under the law. As a result of these injections and capital injections of ¥1,815.6 billion provided under the Law Concerning Emergency Measures for Financial Function Stabilization (the "Financial Function Stabilization Law") abolished in October 1998, the DICJ came to hold shares and other investment securities in the amount of ¥10,420.9 billion.

In FY2002, requests for the advanced repayment or discretionary reimbursement of seven subordinated bonds from four financial institutions (totaling ¥600 billion) and two subordinated loans from two financial institutions (totaling ¥74.6 billion), all of which were provided under the Financial Function Stabilization Law, were made via the contract bank (March 31, 2003). The contract bank requested authorization for settlement of these debts and loans and it was granted.

Consequently, as of March 31, 2003, the net outstanding balance of shares and other securities held under the Early Strengthening Law was ¥8,305.3 billion and, under the Financial Function Stabilization Law, ¥991.0 billion. (see Appendix 1. (2) Table 1 List of Capital Injection Operations Pursuant to the Early Strengthening Law and Table 2 List of Capital Injection Operations Pursuant to the Financial Function Stabilization Law)

(2) Special Measures Law for the Promotion of Organizational Restructuring

The Special Measures Law for the Promotion of the Organizational Restructuring of Financial Institutions (the "Special Measures Law for the Promotion of Organizational Restructuring") makes it possible for financial institutions pursuing organizational restructurings through mergers, etc. to receive capital injections from the DICJ. This law took effect on January 1, 2003 and on March 31, an operational strengthening plan submitted by Kanto Bank and Tsukuba Bank (known as Kanto Tsukuba Bank as of April 1, 2003), including a capital injection, was approved.

(3) Deposit Insurance Law

Under the Deposit Insurance Law, the DICJ is authorized to subscribe the preferred shares, etc. of assuming institutions (referred to below as "capital injection to assuming institutions") as a form of financial assistance. It is also authorized to subscribe shares, etc. in response to a financial crisis.

The aim of a capital injection to an assuming institution is to provide appropriate financial assistance for a merger or other operations undertaken in connection with the resolution of a failed financial institution and, thereby, contribute to the stability of the financial system. An assuming financial institution will face a lower capital adequacy ratio once it merges with a failed institution and a capital injection will help to restore it. To date, no capital injections of this type have been performed.

Regarding financial crises, a meeting of the Financial System Management Council was held on May 17, 2003, under Article 102 of the Deposit Insurance Law, to discuss the situation of Resona Bank. After this meeting, the Prime Minister acknowledged the need to inject capital into Resona Bank under Article 102, paragraph 1, subparagraph 1 of the Deposit Insurance Law. With this acknowledgement, Resona Bank submitted an application for a capital injection to the DICJ and the two together requested approval for the measures from the Prime Minister. Notification of the Prime Minister's approval was received on June 10 and the DICJ executed a capital injection in the amount ¥1,960.0 billion on June 30.

6. Debt Recovery, Real Estate Management and Disposal, etc.

(1) Debt recovery and related activities

As special operations based on the Law Concerning Special Measures for Promotion of Disposal of Claims and Debts of Specific *Jusen* Companies (the "*Jusen* Law"), the Deposit Insurance Law and the Financial Revitalization Law, the DICJ provides guidance and advice needed to execute the operations of the RCC. Such guidance and advice is aimed at supporting the collection of non-performing loans transferred to the RCC from specific housing loan companies (referred to as "former

Jusen companies"), failed financial institutions, and others. The guidance and advice covers a wide spectrum including support for recovery operations by uncovering hidden assets (see I. 7 "Investigative Authorities"), as well as pursuit of the civil and/or criminal liability of persons involved (see I. 8 "Pursuit of Liability"), making full use of the investigative powers entrusted to the DICJ.

In FY2002, debts totaling ¥924.3 billion were recovered. This amount included ¥170.0 billion (cumulative total of ¥2,718.6 billion since the merger to create the RCC) for the Housing Loan Administration Corporation (referred to below as "the HLAC") and ¥754.3 billion (cumulative total of ¥3,483.5 billion since the merger to create the RCC) for the Resolution and Collection Bank (referred to below as "the RCB"). The latter includes the commissioned recovery of Hanwa Bank debts and the purchase of assets from financial institutions under Article 53 of the Financial Revitalization Law (see Appendix 1. (5) Collection Performance of the RCC).

(2) Real estate management and disposal, etc.

The DICJ works to properly manage real estate purchased by the RCC from former *Jusen* companies and failed financial institutions and provides guidance and advice necessary for the efficient disposal of these properties according to fair and transparent rules. More specifically, this includes registration with REINS (the Real Estate Information Network System administered by the Organization for Real Estate Transactions under the authorization of the Minister of Land, Infrastructure and Transport), listings of real estate sales information on the Internet website, application of competitive bidding, promotion of the sale of land for official or public use through collaboration with the Urban Development Corporation and the Organization for Promoting Urban Development, sales through securitizations, etc. All of these activities are undertaken together with the RCC.

In addition, from the viewpoint of smooth disposals of non-performing loans, the DICJ is promoting sales and securitization of receivables, as well as making use of trust functions of the RCC.

1) Sale of real estate holdings

(i) Total sales

In FY2002, the RCC sold 650 properties (including real estate that was previously owned by the former Hanwa Bank and administered by the RCC) for a total of ¥31.7 billion. Sales of many properties with relatively low values resulted in a greater overall number of properties being sold for a lower total amount compared to the previous year. With the addition of FY2002 results, cumulative sales results now stand at 2,476 properties (including those transferred to the HLAC and the RCB; the same also applies below) worth a total of ¥228.1 billion.

(ii) Sales via the bidding method

To ensure a fair and transparent process, properties held by the RCC with a book value of ¥100 million or greater are, in principle, have been sold through a bidding process. In FY2002, 25 properties, many more than in the year earlier were sold via bidding process (all selective tender) for a total of ¥9.2 billion. The cumulative total of sales via a bidding process now stands at 46 properties worth a total of ¥43.7 billion.

(iii) Sale as land for official or public use

In FY2002, the RCC sold 138 real estate holdings and mortgages as land for official or public use. These sales had a total value of ¥2.3 billion and brought the cumulative total of assets sold as land for official or public use to 363 properties worth a total of ¥58.1 billion.

2) Securitization

In FY2000, the RCC started a study on recovery through securitization. In September 2001, the first securitization was made with the head office building of the former Long-Term Credit Bank of Japan (Landic Otemachi Building). The securitized assets were real estate owned by the debtor, and the scale of the securitization was around ¥40 billion.

In July 2002, five property collaterals, including the head office building of the former Nippon Credit Bank, were securitized, with conditions similar to those mentioned above, in a deal worth approximately ¥40 billion. Another securitization planned to be completed in September 2003 is currently being assembled for 24 properties, composed primarily of real estate held by the RCC.

3) Claim Sales/Securitizations

Claim Sales/Securitizations are an effective means for disposing of non-performing loans. The Financial Revitalization Program inaugurated in October 2002 calls for claims held by the RCC to, in principle, be considered for sale if they cannot be recovered over the

Property Sales (Properties, ¥millions)

Fiscal year	1996	1997	1998	1999	2000	2001	2002	Accumulated Total
Properties	24	147	510	486	266	393	650	2,476
Sale Value	4,275	10,221	58,409	47,377	26,112	50,013	31,718	228,125

short-term. It also calls for the strengthening of securitization capabilities. As a result, the DICJ and RCC announced in December 2002 the Basic Policy Concerning Liquidation and Securitization of Loans Held by the RCC. Under this policy sale or securitization will be more actively considered when, from the perspective of economic rationality, these options are judged advantageous compared to recovery by the RCC.

(i) Sales of Claims

In FY2002, the RCC's claim sales reached a principal value of ¥611.6 billion (includes securitizations; the same also applies to cumulative amount below) far exceeding the result for the prior year. In achieving this result, a new method, the bulk sale, was applied in March 2003 to dispose of multiple claims with a combined principal value of ¥263.8 billion owed by 145 debtors. Cumulative claim sales as of the end of FY2002 stood at ¥873.3 billion in principal value.

(ii) Securitizations of Claims

The RCC's trust functions have been used to securitize non-performing loans on four occasions. In January 2002, ¥107.4 billion in claims (combined principal value) originally transferred to a special purpose company by several financial institutions and the RCC were entrusted to the RCC, which then obtained a credit rating for the preferred portion of the relevant trust beneficiary rights and sold them to multiple investors. With the intent of securitizing non-performing loans under the same framework, the RCC then received in trust claims with a principal value of ¥344.3 billion in October 2002 and claims with a principal value of ¥164.1 billion in June 2003 (¥166.2 billion with additions made in July).

4) Use of Managed Trusts for Resolution of Non-Performing Loans and Promotion of Company Revitalization

Applying the trust functions it was given in August 2001, the RCC is promoting the smooth resolution of non-performing loans and working to revitalize companies. Under consideration, as measures in addition to the securitization of claims described above, is the aggregation of multiple creditors' claims against a single small or medium enterprise. These claims would be aggregated in an RCC trust account (pecuniary trust) and efforts to revitalize the subject company would take place as the interests of the various creditors are worked out. Regarding claims held by financial institutions against small and medium enterprises that may benefit from revitalization efforts, the RCC is working with financial institutions to support the revitalization of the subject companies by purchasing claims against these companies through a non-pecuniary trust (assets of an expired trust exchanged as is for a pecuniary trust) entrusted by investors. As of the end of FY2002, the RCC had been entrusted with claims with total principal exceeding ¥1,000 billion.

7. Investigative Authorities

The DICJ makes strenuous efforts to uncover the hidden assets of debtors by exercising the investigative powers entrusted by the *Jusen* Law, the Deposit Insurance Law and the Financial Revitalization Law. In FY2002, the DICJ investigated 296 cases and uncovered hidden assets worth ¥48 billion (taking the cumulative total since the inauguration of new DICJ in June 1996 to ¥509.3 billion). In view of its highly public nature, the DICJ's authority of investigation include penal provisions, and mainly investigations of financial institutions, on-site inspections of debtors and related premises, and questioning of debtors and related parties.

Actual cases of concealment so far include (1) more than ¥120 billion in cash withdrawn from a financial institution just before its failure, concealed by transferring it to dummy company accounts and repeatedly changing them; (2) nearly ¥15 billion in real estate and other assets held under the name of a foreign affiliate of a Japanese company; (3) large amounts of cash and cashier's checks held in a safe deposit box leased under the name of a related company or relative; (4) concealment of more than ¥2 billion in loan claims by rotating them among a series of paper companies set up for that purpose; (5) a separate company created under the nominal presidency of a former employee, acting as a front for the hotel business that was the debtor's principal source of revenue; (6) luxury condominiums and other properties purchased with capital concealed by drawing up false contracts when disposing of real estate; and (7) sale of land, the value of which would definitely rise due to its slated purchase as park land, to a relative and causing of a significant loss to a creditor.

The DICJ, through rigorous investigation efforts under the authority mandated by the law, exposes such increasingly sophisticated attempts by devious debtors to conceal their assets. This is to provide powerful support for the recovery of non-performing loans by the RCC. In particular, attempts to recover of non-collateral assets, considered especially difficult, depend largely on the DICJ's investigations.

All investigations	Of which, on-site inspections	(Hidden) assets confirmed
296	33	¥48.0 billion

(Reference) Results of Investigations in FY2002

Note: The DICJ has three Special Task Forces for Investigation in each of the Special Investigation Departments in Tokyo and Osaka. The system of asset investigation was further enhanced by the establishment of the Sapporo Branch Office on April 1, 1999. These Special Task Forces for Investigation are unique groups of experts specializing in asset investigation. They are staffed by personnel with diverse backgrounds in both public and private sectors, mainly from national tax administration and financial institutions but also including the police, customs, and the Ministry of Health, Labor and Welfare.

8. Pursuit of Liability

(1) Pursuit of criminal liability

The DICJ and RCC brought 31 charges with law enforcement authorities against 64 persons during FY2002. This brings the total number of charges brought by the DICJ and other related authorities since June 1996 to 238 (against 484 persons).

In the pursuit of criminal liability against the executives of failed financial institutions, the DICJ, as a financial administrator under the Financial Revitalization Law, filed a complaint against three former executives of the Ishikawa Bank with aggravated breach of trust in March 2003. The RCC brought charges of breach of trust against three former executives of the Osaka Dai-ichi Shinkin Bank in November 2002 and against four former executives of the Eitai Credit Cooperative in February 2003.

The pursuit of liability against debtors led to charges including 11 cases of auction interference, six cases of obstruction of compulsory seizure and three cases of fraud. More specifically, the fairness of official auctions is impaired through the making of false declarations to court executors, and assets are deliberately concealed or deceptively transferred in order to avoid compulsory execution of recovery. In typical fraud cases relating to the release of mortgaged properties, debtors conceal actual sales price and make false declarations to mortgagees on the value of the mortgaged assets to extinguish the mortgage at a lower price and pocket the difference as illicit gains (This is known as “nakanuki” fraud or fraudulent arbitrage). The police investigation into a “nakanuki” fraud committed by the debtors of a failed financial institution unfolded a case of corruption by the head of a local government. Another criminal case that attracted public attention was obstruction of compulsory seizure to law made by the leaders of an influential organized crime group.

(2) Pursuit of civil liability

The DICJ and RCC pursue civil liability (referred to below as “managerial liability”) of the former executives of *Jusen* companies and failed financial institutions through lawsuits or settlements and arbitration prior to court proceedings. They also pursue intermediators’ liability against financial institutions providing improper financial intermediation to *Jusen* companies.

The types of actions taken by the DICJ and RCC can be generally classified as follows: (1) Suits by the DICJ as plaintiff; (2) Suits originally brought by *Jusen* companies or failed financial institutions (the DICJ is or is not involved as a financial administrator) and taken over by the RCC; and (3) Suits by the RCC as plaintiff (including cases brought by the RCB and the HLAC).

Most of these actions are damages suits filed against former executives with the violation of their duty of bona fide care or loyalty duty.

As of March 31, 2003, the DICJ and RCC brought 106 suits against 438 defendants (including legal entities and 401 executives), demanding a total of approximately ¥120.8 billion in damages (see Appendix 1. (4) Pursuit of Civil Liability).

During FY2002, damages suits newly brought by the RCC, or brought by failed financial institutions and later assumed by the RCC, numbered 24 in total. These suits were brought against 91 defendants (including legal entities and 83 executives) and claimed a total of approximately ¥16.8 billion.

9. On-Site Inspections

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

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

In preparation for the April 2002 implementation of the partial deposit insurance system, the DICJ began inspecting depositor name databases in August 2001 (under Article 137, paragraph 6, subparagraph 2) and has determined that financial institutions must improve their depositor data. The DICJ expanded its inspections to include insurance premiums (under Article 137, paragraph 6, subparagraph 1) in January 2003. Such inspections are indispensable for operating a deposit insurance system with stable insurance premiums, and the DICJ is striving, through its inspections, to ensure that premium payments are being properly made and that fairness is maintained among financial institutions, the system's clients. It is also necessary, as regards the calculation of estimated payment rates (under Article 137, paragraph 6, subparagraph 3), for the DICJ to prepare ahead of time a system that will allow the rapid calculation of payment estimates in the event a financial institution fails. To enhance the quality of these inspections, the DICJ established its Inspection Department in July 2003 and is taking other measures to create a system under which inspections can be properly performed.

In the 2002 inspection year (July 2002 to June 2003), the DICJ implemented on-site inspections under Article 137, paragraph 6, subparagraph 1 and 2 of the Deposit Insurance Law, in line with the "Program 2002 Basic Guidelines and Basic Plan for Inspections" published by the FSA in July 2002. As of June 23, 2003, on-site inspections had been implemented in a total of 61 financial institutions, consisting of 1 bank, 29 shinkin banks, and 31 credit cooperatives.

10. Funding

For its funding, the DICJ is authorized to raise funds in the form of borrowing and/or bond issues up to the amount separately stipulated by Cabinet Order for the General Account, Crisis Management Account, Financial Reconstruction Account, Early Strengthening Account, Management Base Strengthening Account (newly established in FY2003), Industrial Revitalization Account (newly established in FY2003), and *Jusen* Account. Government guarantees can be given on the funding for the six accounts other than the *Jusen* Account in the national budget (a total of ¥57,050 billion for these six accounts is included in the government guarantee framework in the general provisions of the FY2003 budget).

As of the end of March 2003, funding totaled approximately ¥20.9 trillion (an increase of approximately ¥0.9 trillion from the same time a year ago). Borrowings accounted for ¥3.9 trillion in the general account, ¥3.1 trillion in the Special Operations Account (now part of the General Account), ¥5.7 trillion in the Financial Reconstruction Account, and ¥2.1 trillion in the Early Strengthening Account, bringing the total for these four accounts to approximately ¥14.8 trillion (all borrowings are from private-sector financial institutions). As for DICJ bonds (government guaranteed), the outstanding balance of issues stands at ¥6.1 trillion (all for the Early Strengthening Account*).

* Beginning in FY2003, DICJ bonds will be issued not only for the Early Strengthening Account, but also for the General Account and Financial Reconstruction Account, as well. In addition to 2-year and 4-year bonds, the DICJ will also issue 7- year bonds beginning in FY2003.

11. International Activities

(1) International Association of Deposit Insurers (IADI)

In response to a series of international financial crises seen from 1997 to 1998, the Financial Stability Forum was established in February 1999 in order to promote international financial stability, and started dealing with the deposit insurance system as an important factor for stabilization of the financial system. In the spring of 2000, the Forum organized the Working Group on Deposit Insurance* to design the guidance for development of sound deposit insurance arrengement and adequate operation of the system in each country. In September 2001, the Working Group composed the international guidance for the deposit insurance system.

*The Working Group was headed by the representative of Canada, and composed by members from 12 nations including the U.S., Japan, France, Germany and Italy, and IMF and the World Bank.

This result triggered the movement, led by Canada Deposit Insurance Corporation (CDIC), toward establishment of an international organization concerning the deposit insurance, which was materialized as the formation of the Establishment Preparation Committee in January 2002. This Committee had considered operation policies and drafts of agreements on establishment of the organization before it completed the proposals related to the establishment at its final meeting held on May 5, 2002. Based on these proposals, the general meeting was held for the establishment of the International Association of Deposit Insurers (IADI) inside the Bank for International Settlement (BIS) in Basel, Switzerland, on May 6, 2002. Thus, the International Association was organized with 25 deposit insurance institutions in 24 nations/territories in the world as its full members, eight institutions in seven nations/territories as associate members, and two institutions as observers. The DICJ participates in this Association as an establishing member, and in its Excutive Council, the highest decision-making organization, as well as chairs its Asian Region Committee composed of deposit insurance institutions in the Asian region.

The objective of IADI is to contribute to stabilization of financial systems through enhancement of mutual cooperation among deposit insurance institutions. Its major activities include (i) deeper understanding of common interests and problems related to the deposit insurance system, (ii) reinforcement of the guidance for higher effectiveness of the deposit insurance system, (iii) provision of opportunities for further sharing of expertise and experiences, (iv) intellectual support of governments and institutions aiming at establishment or higher effectiveness of the deposit insurance system, and (v) research related to the deposit insurance.

IADI's secretariat is placed in the Bank for International Settlement, and Governor J. P. Sabourin, chairman of CDIC was appointed as the first President of the Association and the first chairman of the Operation Committee.

(2) International exchanges

Interest in financial system stability and protection of depositors is growing throughout the world and understanding of deposit insurance systems is on the rise. In Asia, the 1997 Thai currency crisis provided the impetus for the growing creation and introduction of deposit insurance systems.

Against this backdrop, many countries, primarily in Asia, are showing increased interest in Japan's deposit insurance system, its resolution of failed financial institutions, recovery of claims and so on. In FY2002, visitors were received from countries such as China, South Korea, Indonesia and Thailand. Requests for technical assistance come directly from developing countries and via institutions and government agencies administering Japan's ODA. To contribute to the establishment and enhancement of systems in these countries, the DICJ provides information on Japan's deposit insurance system and on the work it does in the interest of a stable financial system.

12. Public Relations and Information Disclosure

Placing great importance on public understanding of the deposit insurance system, the DICJ has traditionally devoted significant attention to public relations activities. In FY2002, deposit insurance reverted to partial coverage as full coverage came to an end at the conclusion of FY2001, and amendments of the Deposit Insurance Law resulted in changes to the system beginning with FY2003. DICJ public relations activities, therefore, focused on providing the public with information on these system changes.

The DICJ devotes substantial effort to the timely disclosure of information on its operations through both press releases and its webpage and to various activities aimed at complying with the provisions of the Law Concerning Access to Information Held by Independent Administrative Institutions, which took effect in October 2002. An overview of these activities is provided below.

(1) Information on System Changes

Regarding the deposit insurance system's reversion to partial coverage beginning in April 2002, the DICJ provided advance information, as it has always done, but also: (1) created and distributed a pamphlet, The New Deposit Insurance System (revised as of FY2002), explaining the system; (2) worked with Local Finance Bureaus and the Bank of Japan in dispatching speakers to present lectures and briefings; and (3) provided detailed responses to inquiries from ordinary depositors, companies and others.

When the Deposit Insurance Law was amended in December 2002 to introduce system changes beginning in April 2003, the DICJ: (1) worked with the Financial Services Agency to create easily understood posters and leaflets; (2) created and distributed a pamphlet, An Explanation of the Deposit Insurance System (System overview and Q&A), providing details on system changes; and (3) held briefings mainly for financial institutions in Local Finance Bureaus and other locations throughout the nation. For the convenience of ordinary depositors, pamphlets and other information on system changes were made available on the DICJ's webpage.

(2) Information Disclosure

To properly respond to requests made under the Law Concerning Access to Information Held by Independent Administrative Institutions, which took effect in October 2002, the DICJ established information disclosure counters in both Tokyo and Osaka. It has also established an information disclosure section within its webpage, as part of its effort to actively provide information on procedures for making information disclosure requests, and taken steps, such as the introduction of document search capabilities, to improve convenience. In FY2002, the DICJ received 20 information disclosure requests.

II. FINANCIAL RESULTS

1. General Account

The General Account is used to account for financial assistance included in payoff costs.

The General Account's total income in FY2002 was ¥523.7 billion, which included ¥509.9 billion in insurance premiums, ¥0.3 billion in contributions by financial institutions under management, and ¥13.3 billion in refunded grants.

General Account expenses totaled ¥1,389.1 billion, including ¥71.6 billion for general financial assistance (grants), ¥1,308.8 billion for transfers to the Special Operations Account to cover payoff costs related to special financial assistance, and ¥3.4 billion in interest on borrowings.

As a result of the above, the General Account ended the year with a deficit of ¥865.4 billion for FY2002 operations. Together with the ¥3,055.3 billion deficit carried over from the previous fiscal year, the deficit carried over to the next fiscal year was ¥3,920.8 billion.

The balance of borrowings as of the end of the fiscal year stood at ¥3,926.4 billion, all of which was borrowed from private-sector financial institutions. (see Appendix 2. Financial Statement)

2. Special Operations Account

The Special Operations Account is used to account for special financial assistance exceeding payoff costs. Under the provisions of the Deposit Insurance Law, use of this account was discontinued as of the end of FY2002. All of its assets and liabilities have now been transferred to the General Account.

For FY2002, total income for this account came to ¥3,287.1 billion, which included ¥1.8 billion from financial assistance operations, including interest on assets purchased from the former Hanwa Bank; ¥152.6 billion in income arising from assets purchased by the contracted bank (the RCC); ¥1,308.8 billion in transfers from the General Account for special financial assistance; ¥1,589.8 billion from the Special Operations Fund created through grants of government bonds; ¥179.4 billion in refunded grants; and ¥2.3 billion in interest earned on loans to the contracted bank.

Total expenses amounted to ¥2,629.9 billion, including ¥2,345.7 billion for special financial assistance, ¥27.8 billion in special subsidies to asset purchase subcontractors, ¥179.4 billion for transfers of refunded grants to the Special Operations Fund, and ¥3.2 billion in interest on borrowings.

As a result of the above, the Special Operations Account ended the year with a surplus of ¥657.1 billion for FY2002 operations. Taken together with the ¥742.8 billion deficit carried over from the previous fiscal year, the deficit carried over to the next fiscal year was ¥85.6 billion.

The balance of borrowings as of the end of the fiscal year stood at ¥3,087.3 billion, all of which was borrowed from private-sector financial institutions.

3. Financial Reconstruction Account

The Financial Reconstruction Account mainly handles transactions from banks under special public management and purchase of assets from vital financial institutions. The Account also includes assets and liabilities related to capital injection undertaken under the Law concerning Emergency Measures for the Stabilization of the Functions of the Financial System (abolished on October 23, 1998).

The Financial Reconstruction Account's total income for FY2002 came to ¥237.1 billion, including ¥38.2 billion arising from stock and other investments purchased from the former Long-Term Credit Bank of Japan and the Nippon Credit Bank, ¥15.3 billion arising from assets purchased from sound financial institutions by the contracted bank (the RCC), ¥17.1 billion in capital-injection-related FY2001 income from the contracted bank (the RCC), and ¥164.4 billion from reversals of loan loss reserves.

Expenses totaled ¥475.5 billion, including ¥62.8 billion for depreciation of purchased assets, subcontracting of purchased asset sales, and other aspects of asset purchase operations, ¥405.8 billion for transfers to loan loss reserves, and ¥5.9 billion in interest on borrowings.

As a result of the above, the Financial Reconstruction Account ended the year with a deficit of ¥238.4 billion for FY2002 operations. Together with the ¥769.8 billion deficit carried over from the previous fiscal year, the deficit carried over to the next fiscal year was ¥1,008.3 billion.

The balance of borrowings as of the end of the fiscal year stood at ¥5,655.8 billion, all of which was borrowed from private-sector financial institutions.

4. Early Strengthening Account

The early Strengthening Account mainly handles loans to the RCC for its capital injection in financial institutions, such as subscribing of their shares.

The Early Strengthening Account's total income for FY2002 was ¥50.0 billion, including ¥18.6 billion in capital-injection-related FY2001 income from the contracted bank, and ¥31.3 billion in interest on loans to the contracted bank (the RCC).

Expenses totaled ¥30.1 billion, including of ¥30.0 billion interest paid on borrowings to finance loans by the contracted bank and on bonds.

As a result of the above, the Early Strengthening Account ended the year with a surplus of ¥19.8 billion for FY2002 operations. Together with ¥88.3 billion in reserves from the previous fiscal year, the total account surplus was ¥108.1 billion.

The balance of capital as of the end of the fiscal year stood at ¥8,204.1 billion, which consisted of ¥2,084.1 billion in borrowings from private-sector financial institutions and ¥6,120.0 billion in outstanding bonds.

5. *Jusen* Account

The *Jusen* Account mainly handles subsidies, debt guarantees for borrowing, and the receipt of payments from the claim resolution company (RCC), which manages, recovers and disposes of loans and other assets transferred from former *Jusen* companies.

As an operational subsidy, the DICJ decided to provide ¥39.0 billion in grants to the claim resolution company (RCC) to cover approximately half of the secondary loss it incurred in FY2001.

The subsidy was supposed to be financed by income from the operations of the Financial Stabilization Fund. However, in FY2002, this income came to only ¥12.5 billion, so a subsidy of the same amount was provided.

From the claim resolution company, the DICJ received ¥0.14 billion, the amount of loan recoveries in excess of half of the secondary loss, and paid this money to the Treasury.

As a result of the above, the *Jusen* Account ended the year with a deficit of ¥26.4 billion for FY2002 operations. Together with the ¥95.8 billion deficit carried over from the previous fiscal year, the deficit carried over to the next fiscal year was ¥122.3 billion.

III. ABOUT THE DICJ

1. Establishment & Roles

(1) Establishment

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

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

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

(2) Roles and Functions

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

The DICJ undertakes the following operations, among others, to achieve these objectives. (1) Collection of insurance premiums; (2) Reimbursement of insured deposits and other claims; (3) Financial assistance and compensation for losses; (4) Purchase of deposits and other claims; (5) Operations related to financial administrators; (6) Operations related to the business management of bridge banks; (7) Subscription of shares, etc., and other operations in response to financial crises; (8) Loans of funds to failed financial institutions; (9) On-site inspections of financial institutions; (10) Purchase of assets from financial institutions; (11) Pursuit of civil and/or criminal liability on the part of executives, etc., of failed financial institutions; (12) Capital investment in, loan of funds to, and guaranteeing debts for loans by the Resolution and Collection Corporation (RCC); (13) Guidance and advice to the RCC concerning its resolution and collection operations; (14) Asset investigation of debtors of the RCC; and (15) Capital investment in Industrial Revitalization Corporation.

2. Policy Board

The Policy Board functions as a decision-making body that passes resolutions on important matters regarding the management of the DICJ. It consists of a maximum of eight Board Members together with the Governor and Deputy Governors of the DICJ. Board Members are appointed by the Governor of the DICJ from among persons with experience and expert knowledge in finance. All appointments must be approved by the Prime Minister (a task legally delegated to the Commissioner of the Financial Services Agency) and the Minister of Finance. At present, the Policy Board consists of eight people, five representatives of the financial community and three members from outside the financial community. (see Appendix 4. Organization for Policy Board Members and DICJ Officials)

According to the Articles of Incorporation, a resolution of the Policy Board is required, among others, for (1) amendments to the Articles of Incorporation, (2) preparation of and amendments to the Operational Guidelines, (3) budget and funding plans, (4) settlement of accounts, (5) decisions on and changes to insurance premium rates, (6) decisions on the reimbursement of deposit insurance and partial payments thereof, (7) decisions on financial

The Policy Board in session

assistance, and (8) decisions on the purchase of deposits and other claims. In FY2002, the Board met on nine occasions.

* Approx. four times from FY2002. One-to-one purchases are also made at other than schedule times.

3. Liability Investigation Committee

Under the amendment to the Deposit Insurance Law in February 1998, the Governor of the DICJ was required to arrange a system for efficiently conducting operations based on the Agreement on Resolution and Collection. This served to intensify legal demands for the pursuit of liability. In response to this, a Liability Investigation Committee, chaired by the Governor of the DICJ and with DICJ officials as its members, was established in February of the same year. It is in charge of clarifying the civil and criminal liability of debtors, executives, etc., of failed financial institutions, former *Jusen* companies and others with a view to properly implementing criminal accusations, compensation claims, and other requisite measures. During FY2002, the Committee met on 19 occasions and discussed cases involving the pursuit of liability.

The Liability Investigation Committee includes four special advisers, who counsel on the above measures.

4. Purchase Price Examination Board

In June 1999, a Purchase Price Examination Board consisting of three external experts (a lawyer, a certified public accountant and a real estate appraiser) was set up as an advisory body to the Governor of the DICJ. Its purpose is to ensure the correct operation of the system for purchasing assets from sound financial institutions, etc., under Article 53 of the Financial Revitalization Law.

The Purchase Price Examination Board was originally empowered to make one-to-one purchases (in principle, twice a year*). However, when the Amended Financial Revitalization Law took effect in January 2002, it gained the ability to also participate in bidding. Consequently, while the Board met a total of nine times prior to the implementation of the amended law, it came together 32 times afterward, through March 2003.

Another feature of the amendment was that purchases at current market price were permitted for the first time. Therefore, to guarantee the rationality of purchase prices, the structure of the Purchase Price Examination Board was reinforced with the addition of two new members.

5. Operations of Departments

(1) Planning & Coordination Department

The Planning & Coordination Department is in charge of overall coordination of the DICJ's administrative work, convening Policy Board and other meetings, public relations, personnel affairs, organization, recruitment, budgets, closing accounts, accounting, international affairs, guidance and advice to the RCC, liaison with the RCC, and other administrative work not handled by other departments.

The Department consists of four divisions and three offices, the Personnel Management and Corporate Services Division, the Planning Division, the PR and Information Disclosure Office, the Office of Operations Management and Compliance, the International Affairs Office, the 1st Budget and Accounting Division, and the 2nd Budget and Accounting Division.

(2) Financial Reconstruction Department

The Financial Reconstruction Department is in charge of work related to financial administrators and others, the transfer of business of failed financial institutions, special public management of banks, asset purchases from and capital injection to financial institutions, etc., and other work.

The Department consists of five divisions, the Planning and Management Division, the Strengthening Operations Division, the Reconstruction Operations Division, the 1st Financial Reorganization Division, and the 2nd Financial Reorganization Division.

(3) Deposit Insurance Department

The Deposit Insurance Department is in charge of work related to receipt of insurance premiums, execution of claims and other payments, financial assistance (including responses to financial crises), purchase of deposits and other claims, funding and management for the various deposit insurance accounts, development and operation of information systems, and preparation of lists of depositors in line with the Law Concerning Exceptions to Reorganization and Bankruptcy Procedure for Financial Institutions.

The Department consists of six divisions, the Planning and Research Division, the 1st Planning and Research

Division, the 2nd Planning and Research Division, the Fund Planning Division, the Fund Operation Division, and the Information Systems Division.

(4) Special Investigation Department

The Special Investigation Department is in charge of investigating cases in pursuit of criminal and civil liability, investigatory guidance and advice to the RCC, investigating debtors and others regarding claims transferred to the RCC, collection commissioned by the RCC, the management, collection and disposal of purchased assets, and other work.

The Department has six divisions and one branch office, the Policy Planning and Coordination Division, the Investigation and Recovery Division, the Special Task Force Division, the 1st Special Task Force for Investigation, the 2nd Special Task Force for Investigation, the 3rd Special Task Force for Investigation and the Sapporo Branch Office.

(5) Inspection Department (established July 2003)

The Inspection Department is in charge of on-site inspections to examine the propriety of insurance premium payments, management of depositor databases, and estimated payment rates.

The Department has three divisions, the Inspection Planning Division, 1st Inspection Division, and 2nd Inspection Division.

(6) Osaka Deposit Insurance Department

The Osaka Deposit Insurance Department is in charge of general affairs and accounting for its own Office as well as the Osaka Special Investigation Department (together referred to as the “Osaka Headquarters”), and overall coordination of administrative work at the Osaka Headquarters. It also takes care of work related to financial assistance, the reimbursement of deposit insurance and other payments, the purchase of deposits and other claims, etc., guidance and advice on the main operations of the RCC, overall coordination concerning the management, recovery and disposal of purchased assets, and work related to financial administrators, mainly when such work pertains to the Kansai region and further west.

The Department has three divisions and one office, the Division of Corporate Services, Policy Planning and Coordination, the Financial Reorganization Office, the 1st Planning Division, and the 2nd Planning Division.

(7) Osaka Special Investigation Department

The Osaka Special Investigation Department is in charge of investigating cases in pursuit of criminal and civil liability, guidance and advice to the RCC, investigating debtors and others regarding claims transferred to the RCC, collection commissioned by the RCC, the management, recovery and disposal of purchased assets, and other work (except when handled by the Division of Corporate Services, Policy Planning and Coordination of the Osaka Deposit Insurance Department), mainly when such work pertains to the Kansai region and further west.

The Department consists of five divisions, the Investigation and Recovery Division, the Special Task Force Division, the 1st Special Task Force for Investigation, the 2nd Special Task Force for Investigation, and the 3rd Special Task Force for Investigation.

6. Organizational Changes

To properly fulfill new missions, such as the company revitalization work called for by the Amended Financial Revitalization Law passed in conjunction with the Advanced-Reform Program announced in October 2001, the on-site inspection (of financial institutions) tasks included in the Amended Deposit Insurance Law of April 2001, and the financial administrator work related to the transition to limited deposit insurance coverage, the DICJ added the position of adviser on company revitalization matters, together with the necessary staff; inspection staff; and financial administration staff. Consequently, the number of authorized staff increased by 28, to 409 in FY2002.

In FY2003, the DICJ has undergone additional organizational changes. In March, resolution of the Ishikawa Bank was completed, also bringing to an end the resolution of all financial institutions to which full deposit coverage was being applied. The DICJ, therefore, embarked on a significant overall reduction of staff, focusing on those hired to deal with the increase in work to resolve failed financial institutions. However, as a part of organizational changes undertaken to properly fulfill missions acquired as a result of the partial deposit coverage implemented in April 2002, the DICJ added the Inspection Department to accurately and properly implement examinations of depositor name databases, insurance premium payments, etc. It also added personnel to perform missions related to the newly established Industrial Revitalization Corporation, the Special Measures Law for the Promotion of the Organizational

Reform of Financial Institutions, and the increasingly important area of international affairs. The added personnel include an adviser for matters related to the Industrial Revitalization Corporation, an adviser on international affairs, and personnel necessary to support these positions and staff the newly created International Affairs Office. In its effort to do everything possible to fulfill its purpose, the DICJ has assigned personnel to meet its priority staffing needs. In FY2003, the number of authorized staff is 398, 11 fewer than in the prior year.

7. Resolution and Collection Corporation (RCC)

Following amendments to the Deposit Insurance Law and the *Jusen* Law in October 1998, the RCC was established as a 100% subsidiary (limited company) of the DICJ (capitalization ¥212 billion) through a merger between the HLAC and the RCB on April 1, 1999. Its purpose was to achieve quick and efficient collection of non-performing loans using fair and transparent means, and to minimize the injection of public funds.

As of the end of June 2003, the RCC had 11 officers (eight directors and three auditors) and approximately 2,300 employees. Its organization consists of a head office, 26 branches, 16 offices. Its collection operations are handled by five Business Divisions, a Branch Affairs and Loan Operation Department and Special Collection Divisions in Tokyo and Osaka.

The main business of the RCC includes (1) recovery of loans transferred from seven former *Jusen* companies, (2) purchase and collection of non-performing loans, etc., from failed financial institutions, (3) purchase and collection of NPLs from sound financial institutions and others in line with Article 53 of the Financial Revitalization Law, and (4) subscription of shares, etc., as capital injections under the Early Strengthening Law. In addition, the RCC acquired a servicer license in June 1999 and now also acts as a servicer. On March 30, 2001, meanwhile, following an amendment to the Agricultural & Fishery Cooperative Savings Insurance Law, it entered an agreement on collection operations with the Agricultural & Fishery Cooperative Savings Insurance Corporation and became a contracted claim collection company on April 1, 2001.

The Basic Policies for Economic and Fiscal Management and Structural Reform (the so-called “Honebuto” policies) announced on June 26 2001 called for the RCC's active involvement in the disposal of non-performing loans held by financial institutions and aggressive corporate revitalization measures. Furthermore, in its Financial Revitalization Program, announced on October 30, 2002, the FSA enhanced the RCC's company revitalization functions and diversified the resolution of non-performing loans. The RCC has, therefore, expanded primarily the following functions.

Corporate Revitalization Activities

On November 1, 2001, the RCC launched its Headquarters for Corporate Revival to actively engage in the corporate reconstruction of debtors for whom such reorganization is possible. And on March 5 of the following year, it set up its Headquarters for Asset Purchase Promotion to encourage the sale of non-performing loans to the RCC. The RCC has taken other measures, as well to enhance and strengthen the organization and functions of its operations for purchasing non-performing loans from sound financial institutions and others.

To strengthen its corporate revitalization functions, it has taken concrete steps, such as: 1) strengthening its organization by establishing groups specializing in corporate revitalization in its regional offices; 2) strengthening the staffing of departments involved in corporate revitalization; and 3) strengthening ties with government-affiliated financial institutions.

Trust Activities

As of August 31, 2001, the RCC became authorized to conduct trust business. It then established its Trust Business Department and began to subscribe non-performing loans via the trust method. Currently, it is pushing forward with the securitization of non-performing loans through trusts and the creation of corporate revitalization funds that make use of private-sector funding. In addition, with the November 22, 2002 announcement of the FSA's measures for removing non-performing loans from financial institution balance sheets, the RCC is now promoting corporate revitalization through the use of management trusts to administer financial institutions' non-performing loans to small and medium enterprises.

Securitization and Sale

The RCC established its Asset Sale Office on December 18, 2002 and began working to centralize the management of the loans it is holding and more efficiently effect recoveries through means including sales and securitization. (see IV.8 Relationship Between DICJ and RCC Concerning Collection Operations, and Appendix 1. (5) Collection Performance of the RCC)

8. Bridge Bank of Japan (BBJ)

On March 11, 2002, the BBJ was established as a 100%

subsidiary (limited company) of the DICJ (capitalization ¥2.05 billion) following a decision by the Prime Minister (legally mandated to the Commissioner of the FSA). Its purpose is to provisionally assume the business of financial institutions under management in the event that no assuming financial institution is found for them before March 31, 2002. The BBJ acquired a banking license and other approvals on March 19, 2002.

The BBJ's business is (1) to take over the deposits, loan claims, etc., of financial institutions under management and to provisionally maintain and continue their operations, and (2) to find an assuming financial institution to which to transfer the business. For failures of financial institutions after April 2002, it is also expected to act as a provisional assuming institution to facilitate the quick resolution of failures.

On March 28, 2002, the BBJ signed business transfer agreements with the Ishikawa Bank and the Chubu Bank which failed in FY2001, thus ensuring protection of the full amount of their deposits, etc. Business transfers were then effected on March 3, 2003 for the Chubu Bank and March 24, 2003 for the Ishikawa Bank, and the businesses were transferred to assuming institutions at the same day respectively.

9. Industrial Revitalization Corporation of Japan (IRCJ)

The Industrial Revitalization Corporation of Japan (IRCJ) was established with the April 9, 2003 implementation of the Industrial Revitalization Law (Law No. 27 of 2003). The purpose of the IRCJ is to undertake support for the revitalization of companies that have valuable management assets but also excessive debt. It is to do this by purchasing loans financial institutions have made to these companies. The overriding goal set out for the IRCJ is to revitalize Japan's industry, while considering the need for employment stability, and to maintain the stability and integrity of the financial system by promoting the disposition of non-performing loans. Approval by the Prime Minister, the Minister of Finance and the Minster of Economy, Trade and Industry was received on April 14, 2003 and two days later, the IRCJ was established with all of its capital (¥49.48 billion) provided by the DICJ. On May 20, the IRCJ received additional capital from the DICJ and the Norinchukin Bank. Its total capital balance now stands at ¥50.57 billion (¥49.757 billion from the DICJ and ¥750 million from the Norinchukin Bank).

The IRCJ performs following works under Article 19 of the Industrial Revitalization Corporation Law:

1) The IRCJ may purchase loans made to targeted entrepreneurs by financial institutions. These purchases may be of loans themselves or loan trusts (both forms of purchase are referred to below as “loan purchases”).
2) To debtors for loans acquired through loan purchases, the IRCJ may:
   a. Loan funds
   b. Act as the guarantor for loans from financial institutions
   c. Provide capital
3) The IRCJ may manage or transfer loans, transfer equity ownership related to its own capital investments and dispose of other assets.
4) The IRCJ may provide advice to targeted entrepreneurs, engage in negotiations or coordination activities related to the work mentioned above, and perform incidental tasks.

In performing the work mentioned above, the IRCJ, under the provisions of Article 59 of the Industrial Revitalization Corporation Law, must perform its work properly and efficiently, enhancing cooperation with the DICJ and RCC.

IV. DEPOSIT INSURANCE SYSTEM

1. Insured Financial Institutions

Financial institutions covered by the deposit insurance system include the following types of financial institutions with head offices in Japan*. An insurance relationship between the DICJ, a financial institution and its depositors, etc., automatically arises when the institution accepts the insured deposits and others listed in 2. below.

(i) Banks as defined in the Banking Law

(ii) Long-term credit banks as defined in the Long-Term Credit Bank Law

(iii) Shinkin banks

(iv) Credit cooperatives

(v) Labor banks

(vi) The Shinkin Central Bank

(vii) The Shinkumi Federation Bank

(viii) The Rokinren Bank

*
- Overseas branches of the above financial institutions, government-related financial institutions, and Japanese branches of foreign banks are not covered by this system.
- The Norinchukin Bank, agricultural cooperatives, fishermen's cooperatives, seafood processing cooperatives, and others are members of the savings insurance system for the Agricultural and Fisheries Cooperative Sector.
- Japan Post's Postal Savings accounts are guaranteed by the Government of Japan. Investment securities firms are members of the Investor Protection Fund. Life insurers are members of the Life Insurance Policyholders Protection Corporation of Japan and non-life insurers are members of the Non-Life Insurance Policyholders Protection Corporation of Japan.

2. Insured Deposits, etc.

The scope of deposits and others insured under the deposit insurance system is as follows:

(1) Deposits

(2) Installment savings

(3) Installment contributions

(4) Money in trusts with guarantee of principal (including loan trusts)

(5) Bank debentures (custody products)

(6) Accumulating or asset-forming instruments using the deposit, etc., in (1) to (4) above

(7) Deposits related to investments in fixed-contribution pension reserves

The following types of deposits, etc., are not insured:

(1) Foreign currency deposits

(2) Negotiable certificates of deposit (NCD)

(3) Deposits in special international financial transaction accounts (Japan off-shore market accounts)

(4) Deposits and others from the Bank of Japan (except treasury funds)

(5) Deposits and others from insured financial institutions (except those related to the investment of fixed contribution pension reserves)

(6) Deposits and others from the DICJ

(7) Anonymous bank accounts

(8) Deposits under another party's name (including those under a fictitious name)

(9) Deposits to be relent to a third party

(10) Money in trusts with no guarantee of principal

(11) Bank debentures (other than custody products)

3. Extent of Deposit Protection

With the December 2002 passage of the Amended Deposit Insurance Law, limits on insurance protection for deposits at failed financial institutions were established. These limits are effective for the two-year period beginning in April 2003 and are as follows. For current, ordinary, and specified deposits, protection will be the same as in FY2002. In other words, principal and interest will be protected in full. Time and other deposits will be protected up to a maximum of ¥10 million in principal, plus related interest, per depositor, per financial institution.

Beginning in April 2005, deposits for payment and settlement purposes (non-interest-bearing, deposit redeemable on demand, normally required payment and settlement services) will gain full protection. Other deposits will be protected up to a maximum of ¥10 million in principal, plus related interest, per depositor, per financial institution.

For amounts in excess of ¥10 million in principal for insured deposits other than payment and settlement accounts and uninsured deposit principal and interest, payouts will be made according to the condition of the failed financial institution's assets, so it is possible that payouts will be less than the full amounts of principal and interest.

The Amended Deposit Insurance Law provides that the outstanding debts of financial institutions will be protected in full beginning in April 2003(Note).

(Note) Includes temporary receipts and other uninsured deposits.

4. Insurance Premiums

From FY1996 to FY2001, insurance premiums were divided into "ordinary premiums" and "special premiums". The latter were abolished at the end of FY2001*. Ordinary insurance premiums are used to fund operations such as insurance payments ("pay-out") and financial assistance not exceeding the pay-out cost (i.e. the cost expected to be borne by the DICJ if insurance is paid to depositors).

* Special premiums were used to fund an account set up especially to implement financial assistance exceeding the pay-out cost (special financial assistance) and other special operations under the special arrangement for full protection of deposits, etc. (in operation from FY1996 to FY2001). Insured financial institutions were obliged to pay these special insurance premiums (the premium rate being prescribed by Cabinet Order as 0.036% of the balance of insured deposits).

The insurance premium rate, subject to a resolution by the Policy Board, is decided with the approval of the Prime Minister (legally mandated to the Commissioner of the FSA) and the Minister of Finance.

Premiums are determined by multiplying the insurance premium rate by the balance of insured deposits for the previous fiscal year (Beginning with FY2002, the balance figure will no longer be the balance at the end of the previous fiscal year, but the average balance for business days during the previous fiscal year.) Insured financial institutions must pay their premiums to the DICJ within the first three months of each business year (semi-annual installments are also possible).

In FY2002, the scope of protection of deposits will become different for each type. "Specific deposits" will continue to be protected in full, while "Other deposits" will shift to limited coverage (protection for a maximum principal of ¥10 million, plus interest). In line with the abolition of special insurance premiums, the gist of the Deposit Insurance Law and the report by the Financial System Council in December 1999, the premium rate for "Specific deposits" has been set at 0.094% and that for "Other deposits" at 0.080%.

The insurance premium rate for FY2003 onwards will be determined according to the provisions of the Deposit Insurance Law as amended in the previous fiscal year. However, for FY2003 and FY2004, what have been termed "specific deposits" (current, ordinary and specified deposits) will be treated as "payment and settlement deposits" and will continue to receive full protection. "Other deposits" will become "regular deposits" and be subject to limited coverage. Such changes mean that protection will be essentially the same as what applied in FY2002. Therefore, consistent with the idea that it is appropriate to employ a weighted average of the rate that would result in the same insurance premium burden for each yen of insured deposits and the rate that would result if the rates for both were set at a uniform 0.084%, and considering both the tenor of the reports of the Financial System Council meetings of December 1999 and September 2002 and the need to maintain continuity in the difference between the rates for payment and settlement deposits and regular deposits, the premium rate for payment and settlement deposits has been set at 0.090% and that for regular deposits at 0.080%.

5. Resolution of Failed Financial Institutions

(i) Financial Assistance

a. Outline

When a financial institution fails, the DICJ may extend financial assistance to an assuming financial institution or bank holding company (referred to below as "assuming financial institution, etc.") that implements a business transfer, merger, or other operation, or to the failed financial institution, etc., to facilitate the merger or other operation.

As a result of the financial assistance, deposits and other claims are taken over and protected by the assuming financial institution. Financial assistance may take the form of a monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock, or loss sharing.

Under the system of full protection of deposits, etc., financial assistance for business transfers was limited to transfer of the entire business. With the transition to limited coverage from FY2001 onwards, however, financial assistance now remains, in principle, within the scope of the pay-out cost, and mainly concerns cases of partial business transfer. This includes transfer of the deposits of a failed financial institution that are protected by deposit insurance (insured deposits), sound assets, and others to the assuming financial institution, etc. In cases of partial transfer of business, the DICJ can provide financial assistance to failed financial institutions (limited to monetary grants) to enable them to equally treat creditors. This has the aim of securing a liquidating dividend for creditors who were not covered by the business transfer.

b. Procedure for Financial Assistance

An assuming financial institution, etc., may apply to the DICJ for financial assistance, pending authorization* of the eligibility of the merger, etc., or recommendation of the merger, etc., by the Prime Minister (legally mandated to the Commissioner of the FSA). Upon receipt of the application, the DICJ decides, subject to a resolution by the Policy Board, whether or not to extend financial assistance and, if so, the amount, method, and other details. When making such a resolution, the Policy Board is required to take account of the financial condition of the DICJ, the estimated amount of financial assistance required, and the pay-out cost, as well as aiming for efficient utilization of DICJ assets. After making this decision, the DICJ enters a financial assistance agreement with the assuming financial institution, etc., and provides financial assistance.

* Authorization of eligibility may only be given when all of the following three conditions are met.

(i) The implementation of the merger, etc., will contribute to the protection of depositors and other creditors.

(ii) The financial assistance of the DICJ is indispensable to the merger, etc.

(iii) The absence of such a merger, etc., and the total suspension of operations or dissolution of the failed financial institution subject to the merger, etc., could greatly obstruct the smooth flow of funds in the area or sector in which the failed financial institution operates, as well as hindering the convenience of its users.

(ii) Payment of Deposit Insurance

Insurable contingencies resulting in insurance payments by the DICJ are divided into the following two types. Insurance payouts are made against claims filed by depositors once depositor identification and other necessary steps have been taken at the financial institution where an insurable contingency has occurred.

Category One Insurable Contingency:

Suspension of repayment of deposits, etc., by a financial institution

In such cases, the DICJ decides whether or not to make insurance payments within one month of the occurrence of the insurable contingency, subject to a resolution by the Policy Board (if necessary, this period may be extended by a further month).

Category Two Insurable Contingency:

Revocation of a financial institution's operating license, declaration of bankruptcy, or resolution to dissolve the financial institution

In such cases, insurance payments are made without requiring any decision by the DICJ.

The amount of insured deposits to be reimbursed to each depositor, etc., is the total principal of insured deposits deposited by the said depositor, etc., in the financial institution subject to the insurable contingency, plus interest, etc. The principal should not exceed the sum of ¥10 million per depositor, etc., as prescribed by Cabinet Order (however, insurance payments on deposits pledged as security may be deferred until the right of pledge has lapsed).

When a Category One Insurable Contingency has occurred, the DICJ must determine, subject to the approval of the Policy Board, insurance payouts and information to be carried in public notices (payment period, place, method, processing times, etc). It must then place public notices in the Official Gazette and daily newspapers, and otherwise strive to ensure that all depositors understand these details. In the case of a Category Two Insurable Contingency, insurance payouts will be made without approval of the Policy Board, so the DICJ will on its own determine information to be carried in public notices and place the public notices.

(iii) Partial Payments

Partial payments are made to cover the immediate living costs and other expenses of depositors, etc., in a financial institution that has been subject to an insurable contingency, when it is anticipated that insurance payments or the reimbursement of insured deposits will not begin for a considerable length of time. The DICJ is required to decide whether or not to make partial payments within one week of the occurrence of the insurable contingency, subject to a resolution by the Policy Board.

In accordance with Cabinet Orders, a maximum partial payment of ¥600,000 per account is to be paid against the balance of ordinary deposits (principal only) held by depositors, etc. If insurance payments are subsequently made or insured deposits reimbursed, the amount of the partial payment is deducted from the insurance payments or insured deposits reimbursed to the depositors, etc.

When making partial payments, the DICJ is required to follow the same procedure with respect to public announcement, etc., as for insurance payments.

(iv) Purchase of Deposits and Other Claims

The purchase of deposits and other claims is a system whereby the DICJ purchases deposits and other claims not covered by deposit insurance (for example, the principal of insurable deposits in excess of ¥10 million, plus interest accrued thereon, or non-insurable foreign currency deposits, plus interest accrued) of financial institutions that have been subject to an insurable contingency, in response to requests from depositors, etc. The purchase price, known as “estimated proceeds payment”, is to be calculated by multiplying the balance of claims on the date of the insurable contingency by a rate determined in consideration of the estimated liquidating dividend of the failed financial institution (the “estimated proceeds payment rate”), among other factors. Under this system, depositors are spared the need to wait for repayments or distributions and can receive what are essentially advance partial payments. Estimated proceeds payments can be implemented when the DICJ is providing financial assistance or making insurance payouts.

When the amount recovered by the DICJ from purchased deposits and other claims (excluding expenses related to their purchase) exceeds the estimated proceeds payment, the surplus is to be refunded to the depositors, etc. (“settlement payment”).

When the DICJ purchases deposits and other claims, it must first obtain the approval of the Prime Minister (legally mandated to the Commissioner of the FSA) and the Minister of Finance concerning the estimated proceeds payment rate, then decide the period and place of purchase, the method of payment, and other details, and inform depositors and others via public notices.

Conceptual diagram of treatment of deposits at a failure of a financial institution

(Space within the bold lines indicates deposit insurance protection)

<table>
<tr><td colspan="2"></td><td>Up to ¥10 million</td><td colspan="3">Over ¥10 million</td></tr>
<tr><td rowspan="2">Insured Deposit</td><td>Current deposits
Ordinary deposits
Specified deposits</td><td colspan="4">Full Protection for principal and interest
(Note) Beginning in April 2005, payment and settlement deposits that bear no interest and meet certain other conditions will gain full protection.</td></tr>
<tr><td>Time Deposits, Installment Savings, Money trust under the guarantee of principle, Bank debentures, etc.</td><td>Limited Protection
Protection of principal up to ¥10 million and interest</td><td rowspan="2">Estimated Proceeds Payments
Principal in excess of ¥10 million and foreign currency deposits and interest × Estimated Proceeds Payment Rate</td><td rowspan="2">Liquidation Payment</td><td rowspan="3">Possibility that less than full amount of principal and interest will be paid</td></tr>
<tr><td rowspan="2">Uninsured Deposit</td><td>Foreign Currency Deposit</td><td></td></tr>
<tr><td>Negotiable certificates of deposit, Money trust under no guarantee of principle, etc.</td><td colspan="3">Payments depending the on the condition of the failed financial institution's assets</td></tr>
</table>

(v) Procedures Based on the Special Corporate Reorganization Law

Under the Special Corporate Reorganization Law, the DICJ is empowered to perform various functions designed to improve the efficiency of reorganization, reconstruction and bankruptcy procedures for failed financial institutions. This includes acting on behalf of depositors in filing claims for reorganization, reconstruction and bankruptcy (i.e. by submitting lists of depositors to the courts) and in exercising voting rights on proposed reorganization or reconstruction plans.

When wishing to exercise these voting rights, the DICJ is required to inform depositors and others in advance, through notifications and public notices, of the proposed reorganization or reconstruction plans to which it intends to agree.

6. Borrowing and Bond Issues

The DICJ handles accounting for general operations via its General Account. This Account's Deposit Insurance Fund is used to finance insurance payments, financial assistance, and others. If the revenue in any business year exceeds the expenditure, the difference is carried forward to the following year. Conversely, if revenue falls short of expenditure, the difference is deducted from the Fund.

The DICJ may borrow funds (including refinancing) for the General Account from financial institutions or other lenders except the Bank of Japan, up to a limit stipulated by Cabinet Order (¥19 trillion since April 2003). It may also issue bonds (including issues for refunding bond), and is authorized to make loans from the BOJ (including refinancing) when necessary for short-term liquidity management.

Meanwhile, the government may guarantee liabilities related to borrowings from the Bank of Japan, financial institutions, and other lenders, as well as bonds, within a range approved by the National Diet.

7. Special Arrangements

(i) Special Financial Assistance

In processing financial institutions that failed during the special arrangement for full protection of deposits, etc. (FY1996-FY2001), the DICJ was authorized to provide financial assistance exceeding the pay-out cost ("special financial assistance") to assuming financial institutions. This was conditional upon an approval by the Prime Minister (through legal mandate to the Commissioner of the FSA) and the Minister of Finance that a merger or other operation connected with an application for financial assistance was necessary to maintain the stability of the financial system*.

Special financial assistance was implemented for the last time with the March 6, 2003 Policy Board resolution to do so in the case of the Ishikawa Bank (a failed financial institution).

* For special financial assistance, the law required that the assuming institution applied for financial assistance to the DICJ and completed other procedures by the end of FY2001.

(ii) Special Arrangement for the RCC

The June 1996 amendment of the Deposit Insurance Law provided for a special arrangement to facilitate the smooth resolution of failed credit cooperatives. Under this arrangement the DICJ was permitted to do things such as form agreements with the Resolution and Collection Bank (RCB), make capital subscriptions to the RCB, guarantee the RCB's borrowings, and compensate losses related to resolution and collection activities. The February 1998 amendment made it possible for the RCB to purchase the assets of not only credit cooperatives but also other financial institutions, as well, and gave DICJ employees asset investigation powers, including the right to impose penalties.

When the law was again amended October 1998, the path was set for the April 1999 merger of the RCB and the Housing Loan Administration Corporation (HLAC).

And with the May 2000 amendments, the RCC gained the temporary ability to purchase non-performing loans from financial institutions that received them as substitute payments from credit cooperatives that failed prior to the 1996 amendment of the Deposit Insurance Law. This power of the RCC expired on March 31, 2001.

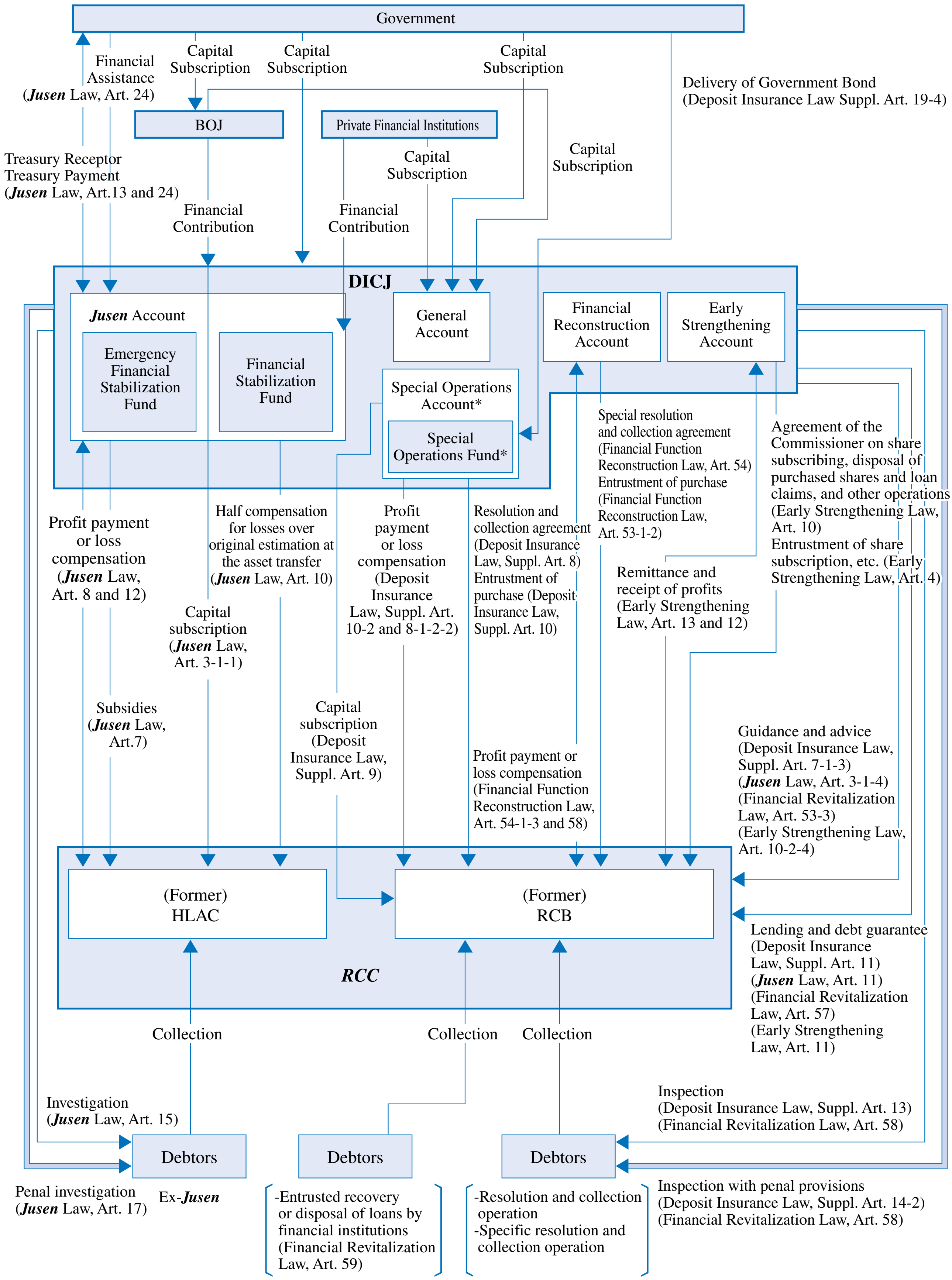
(iii) Fiscal Measures Accompanying Special Arrangements

Until FY2002, accounting for the special financial arrangement was handled through Special Operations Account. The DICJ was permitted to borrow funds (including refinancing) from the Bank of Japan, financial institutions, and other sources, and issue bonds (including issues for refunding) for this account under a government guarantee stipulated by a Cabinet Order (¥6.5 trillion in FY2002).

The Special Operations Fund was set up to ensure the soundness of the Special Operations Account and the smooth implementation of special operations. It was funded with a grant of government bonds (¥13 trillion).

The Special Operations Account was terminated as of the end of FY2002 and all of its assets and liabilities reverted to the General Account.

8. Relationship Between DICJ and RCC Concerning Collection Operations



*Special Operations Account and Special Operations Fund - abolished at the end of FY2002.

APPENDICES

1. Operational Results

(1) Financial Assistance (FY 1992-2002)

(as of June 18, 2003)
(Unit: ¥ billion)

Fiscal Year	Number of Cases	Total	Grants	Asset Purchases	Others
1992	2	28.0	20.0	-	8.0
1993	2	45.9	45.9	-	-
1994	2	42.5	42.5	-	-
1995	3	600.8	600.8	-	-
1996	6	1,406.0	1,316.0	90.0	-
1997	7	395.5	152.4	239.1	4.0
1998	30	5,366.0	2,684.5	2,681.5	-
1999	20	5,941.5	4,637.1	1,304.4	-
2000	20	6,006.2	5,156.1	850.1	-
2001	37	2,049.0	1,642.6	406.4	-
2002	51	3,165.6	2,370.7	794.9	-
Total	**180**	**25,046.9**	**18,668.7**	**6,366.3**	**12.0**

Note: Figures of each fiscal year are based on date of execution of financial assistance (date of business transfer). Grant amounts are figures after deductions, etc.

In the case of the Midori Bank (asset purchases in fiscal 1998 and a grant in fiscal 1999), however, only cases for fiscal 1998 are counted.

(2) List of Capital Injection Operations Pursuant to Early Strengthening Law, etc

Table 1 List of Capital Injection Operations Pursuant to the Early Strengthening Law

(as of May 9, 2003) (¥billion, %)

Name of Financial Institution	Month/Year of Injection	Preferred Stock				Subordinated Bonds / Loans					
		Type	Amount	Rate Approved	Beginning of ConversionType	Type	Amount	Rate Approved	Beginning of Step-Up	Rate after Beginning of Step-Up	Period
Mizuho FG (formerly Dai-Ichi Kangyo Bank)	March 1999	Convertible (1)	200.0	0.41	Aug. 1, 2004	Subordinated bond	100.0	L+0.75	Apr. 1, 2004	L+1.25	10 years
		Convertible (2)	200.0	0.70	Aug. 1, 2005	Subordinated bond	100.0	L+0.75	Apr. 1, 2005	L+1.25	11 years
		Debenture	300.0	2.38	-	-	-	-	-	-	-
Mizuho FG (formerly Fuji Bank)	March 1999	Debenture	300.0	2.10	-	Perpetual subordinated bond	200.0	L+0.65	Apr. 1, 2004	L+1.35	Perpetual
		Convertible (1)	250.0	0.55	Oct. 1, 2006				Apr. 1, 2009	L+2.15	
		Convertible (2)	250.0	0.40	Oct. 1, 2004	-	-	-	-	-	-
Mizuho FG (formerly Industrial Bank of Japan)	March 1999	Convertible (1)	175.0	1.40	Sep. 1, 2003	Perpetual subordinated bond	250.0	L+0.98	Apr. 1, 2004	L+1.48	Perpetual
		Convertible (2)	175.0	0.43	July 1, 2003						
Sumitomo Mitsui FG (formerly Sakura Bank)	March 1999	Convertible	800.0	1.37	Oct. 1, 2002	-	-	-	-	-	-
Sumitomo Mitsui FG (formerly Sumitomo Bank)	March 1999	Convertible (1)	201.0	0.35	May 1, 2002	-	-	-	-	-	-
		Convertible (2)	300.0	0.95	Aug. 1, 2005						
UFJ HD (formerly Sanwa Bank)	March 1999	Convertible	600.0	0.53	July 1, 2001	Perpetual subordinated bond	100.0	L+0.34	Oct. 1, 2004	L+1.34	Perpetual
UFJ HD (formerly Tokai Bank)	March 1999	Convertible (1)	300.0	0.93	July 1, 2002	-	-	-	-	-	-
		Convertible (2)	300.0	0.97	July 1, 2003						
UFJ HD (formerly Toyo Trust & Banking)	March 1999	Convertible	200.0	1.15	July 1, 1999	-	-	-	-	-	-
Resona HD (formerly Daiwa Bank)	March 1999	Convertible	408.0	1.06	June 30, 1999						
Resona HD (formerly Asahi Bank)	March 1999	Convertible (1)	300.0	1.15	July 1, 2002	Perpetual subordinated	100.0	L+1.04	Apr. 1, 2009	L+2.54	Perpetual
		Convertible (2)	100.0	1.48	July 1, 2003	loan					
Mitsubishi Tokyo FG (Mitsubishi Trust & Banking)	March 1999	Convertible	200.0	0.81	July 31, 2003	Perpetual subordinated bond	100.0	L+1.75	Apr. 1, 2004	L+2.25	Perpetual
Sumitomo Trust & Banking	March 1999	Convertible	100.0	0.76	Apr. 1, 2001	Subordinated bond	100.0	L+1.53	Apr. 1, 2006	L+2.03	12 years
Mitsui Trust HD (formerly Mitsui Trust & Banking)	March 1999	Convertible	250.3	1.25	July 1, 1999	Subordinated loan	150.0	L+1.49	Mar. 31, 2004	L+1.99	10 years
Mitsui Trust HD (formerly Chuo Trust & Banking)	March 1999	Convertible	150.0	0.90	July 1, 1999	-	-	-	-	-	-

Name of Financial Institution	Month/Year of Injection	Preferred Stock				Subordinated Bonds / Loans					
		Type	Amount	Rate Approved	Beginning of ConversionType	Type	Amount	Rate Approved	Beginning of Step-Up	Rate after Beginning of Step-Up	Period
Bank of Yokohama	March 1999	Convertible (1)	70.0	1.13	Aug. 1, 2001	Perpetual subordinated loan	50.0	L+1.65	Apr. 1, 2004	L+2.15	Perpetual
		Convertible (2)	30.0	1.89	Aug. 1, 2004	Subordinated loan	50.0	L+1.07	Apr. 1, 2004	L+1.57	10 years and 2 months
Ashigin FG (Ashikaga Bank)	September 1999	Convertible	75.0	0.94	Sep. 29, 2000	-	-	-	-	-	-
	November 1999	Convertible	30.0	0.94	Nov. 30, 2000						
Hokuriku Bank	September 1999	Convertible	75.0	1.54	Mar. 1, 2001	-	-	-	-	-	-
Bank of the Ryukyus	September 1999	Convertible	40.0	1.50	Dec. 29, 2000	-	-	-	-	-	-
Momiji HD (Hiroshima-Sogo Bank)	September 1999	Convertible	20.0	1.41	Sep. 30, 2004	Perpetual subordinated loan	20.0	L+2.80	Oct. 1, 2004	L+4.14	Perpetual
Kumamoto Family Bank	February 2000	Convertible	30.0	1.33	Sep. 2, 2002	-	-	-	-	-	-
Hokkaido Bank	March 2000	Convertible	45.0	1.16	Aug. 1, 2001	-	-	-	-	-	-
Shinsei Bank	March 2000	Convertible	240.0	1.21	Aug. 1, 2005	-	-	-	-	-	-
Chiba Kogyo Bank	September 2000	Convertible	60.0	1.29	Sep. 30, 2002	-	-	-	-	-	-
Yachiyo Bank	September 2000	Convertible	35.0	1.13	Sep. 30, 2002	-	-	-	-	-	-
Aozora Bank	October 2000	Convertible	260.0	1.24	Oct. 3, 2005	-	-	-	-	-	-
Kansai Sawayaka Bank	March 2001	Convertible	8.0	1.08	Aug. 1, 2002	Subordinated bond	4.0	L+1.87	Apr. 1, 2006	L+2.37	10 years
Higashi-Nippon Bank	March 2001	Convertible	20.0	1.10	Mar. 31, 2003	-	-	-	-	-	-
Resona HD (Kinki Osaka Bank)	April 2002	Convertible	60.0	1.36	Jan. 1, 2002						
Gifu Bank	April 2001	Convertible	12.0	1.21	Mar. 1, 2002	-	-	-	-	-	-
Fukuoka City Bank	January 2002	Convertible	70.0	1.20	Jan. 31, 2007	-	-	-	-	-	-
Wakayama Bank	January 2002	Convertible	12.0	1.34	May 1, 2003	-	-	-	-	-	-
Kyushu Shinwa HD (Kyushu Bank)	March 2002	Convertible	30.0	1.25	Mar. 1, 2006	-	-	-	-	-	-

The repayments have been shown in shadow.

Injection Total	8,605.3
Repayment	300.0
Outstanding Balance	8,305.3

Note
1: L stands for 6 month LIBOR of yen
2: Perpetual subordinated bonds issued by Bank of the Ryukyus and the Hokkaido Bank were converted to preferred stock on Sept. 29, 2000, those of the Yachiyo Bank on Feb. 28, 2001, and those of the Fukuoka City Bank, the Wakayama Bank, the Kyushu Shinwa HD (Kyushu Bank) on Sep. 30, 2002.
3: Perpetual subordinated bonds issued by Mitsubishi Tokyo FG (Mitsubishi Trust & Banking) were repaid by the Bank (cancellation by purchase) on Dec. 22, 2000 (payment amount ¥101,807 million). The Bank's preferred stock (proceeds from sale ¥210.35 billion) was also re-sold on Jan. 24, 2001.
4. Subordinated loans to Mizuho FG (formerly Dai-Ichi Kangyo Bank) were converted to subordinated bonds on Nov. 22, 2000.

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

(as of May 9, 2003) (¥billion, %)

Name of Financial Institution	Month/Year of Injection	Preferred Shares				Subordinated Bonds/Loans				
		Type	Amount	Rate Approved	Beginning of Transfer	Type	Amount	RateApproved (L for 6 month LIBOR of yen)		Period
								0 - 5th Year	5th Year Onwards	
Mizuho FG (formerly Dai-Ichi Kangyo Bank)	March 1998	Convertible	99.0	0.75%	July 1, 1998	-	-	-	-	-
Mizuho FG (formerly Fuji Bank)	March 1998	-	-	-	-	PSB	100.0	L + 1.10%	L + 2.60%	Perpetual
Mizuho FG (formerly Industrial Bank of Japan)	March 1998	-	-	-	-	SB	100.0	L + 0.55%	L + 1.25%	10 years
Mizuho FG (formerly Yasuda Trust & Banking)	March 1998	-	-	-	-	PSB	150.0	L + 2.45%	L + 3.95%	Perpetual
Sumitomo Mitsui FG (formerly Sakura Bank)	March 1998	-	-	-	-	PSB	100.0	L + 1.20%	L + 2.70%	Perpetual
Sumitomo Mitsui FG (formerly Sumitomo Bank)	March 1998	-	-	-	-	PSB	100.0	L + 0.90%	L + 2.40%	Perpetual
Mitsubishi Tokyo FG (Tokyo Mitsubishi Bank)	March 1998	-	-	-	-	PSB	100.0	L + 0.90%	L + 2.40%	Perpetual
Mitsubishi Tokyo FG (Mitsubishi Trust & Banking)	March 1998	-	-	-	-	PSB	50.0	L+1.10%	L + 2.60%	Perpetual
UFJ HD (formerly Sanwa Bank)	March 1998	-	-	-	-	SB	100.0	L + 0.55%	L + 1.25%	10 years
UFJ HD (formerly Tokai Bank)	March 1998	-	-	-	-	PSB	100.0	L + 0.90%	L + 2.40%	Perpetual
UFJ (formerly Toyo Trust & Banking)	March 1998	-	-	-	-	PSB	50.0	L + 1.10%	L + 2.60%	Perpetual
Resona HD (formerly Asahi Bank)	March 1998	-	-	-	-	PSL	100.0	L + 1.00%	L + 2.50%	Perpetual
Resona HD (formerly Daiwa Bank)	March 1998	-	-	-	-	PSL	100.0	L + 2.70%	L + 2.70%	Perpetual
Sumitomo Trust & Banking	March 1998	-	-	-	-	PSB	100.0	L + 1.10%	L + 2.60%	Perpetual
Mitsui Trust HD (formerly Mitsui Trust & Banking)	March 1998	-	-	-	-	PSB	100.0	L + 1.45%	L + 2.95%	Perpetual
Mitsui Trust HD (formerly Chuo Trust & Banking)	March 1998	Convertible	32.0	2.50%	July 1, 1998	PSL	28.0	L + 2.45%	L + 3.95%	Perpetual
Bank of Yokohama	March 1998	-	-	-	-	PSL	20.0	L + 1.10%	L + 2.60%	Perpetual
Hokuriku Bank	March 1998	-	-	-	-	PSL	20.0	L + 2.45%	L + 3.95%	Perpetual
Ashigin FG (formerly Ashikaga Bank)	March 1998	-	-	-	-	PSB	30.0	L + 2.95%	L + 4.45%	Perpetual
Shinsei Bank	March 1998	Convertible	130.0	1.00%	Oct. 1, 1998	PSL	46.6	L + 2.45%	L + 3.95%	Perpetual
Aozora Bank	March 1998	Convertible	60.0	1.00%	Oct. 1, 1998	-	-	-	-	-

The repayments have been shown in shadow.

Injection Total	1,815.6
Repayment	844.6
Outstanding Balance	971.0

Notes

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

1 Perpetual subordinated bonds injected into Mitsubishi Tokyo FG (Tokyo Mitsubishi Bank) were repaid (cancellation by purchase) on Feb. 28, 2000 (repayment amount ¥100.56 billion).
Perpetual subordinated bonds injected into Mitsubishi Tokyo FG (Mitsubishi Trust & Banking) were repaid (cancellation by purchase) on Dec. 22, 2000 (repayment amount ¥50.002 billion).

2 On March 31, 2003, 6 financial institutions (Mitsui Sumitomo FG, UFJ HD, Sumitomo Trust Bank, Shinsei Bank, Mitsui Trust HD (formerly Chuo Trust & Banking) and Mizuho FG (formerly Yasuda Trust & Banking) prepaid a total of 674.6 billion yen of subordinated bonds/loans in accordance with call provisions provided.

3 DICJ acquired the preferred shares of the Shinsei Bank (formerly the Long-Term Credit Bank of Japan) and the Aozora Bank (formerly the Nippon Credit Bank) on Oct. 28, 1998 and Dec. 17, 1998, respectively through the decision to start special public management.
The preferred shares (originally 130.0 billion yen) of the Shinsei Bank were reduced by 25,472,000 shares (of 100,000,000 shares) on Mar. 31, 2000. The preferred shares of the Aozora Bank (originally 60.0 billion yen) were reduced by 71,856,000 shares (of 120,000,000 shares) on Oct. 3, 2000, and its dividend rate cut from 3% to 1%.

4 The approved added rate for perpetual subordinated loans of the Resona HD (formerly Daiwa Bank) will be 3.95% after 11 years and 4 months.

5 Perpetual subordinated loans to UFJ HD (formerly Tokai Bank) were converted to perpetual subordinated bonds on May 21, 2001.

6 On May 9, 2003, Bank of Yokohama prepaid a total of ¥20.0 billion of subordinated loans in accordance with call provision provided.

(3) Arrests, Accusations and Complaints

1) Number of Cases (as of March 31, 2003)

(Unit: Cases)

	DICJ	RCC	HLAC	RCB	Total
Arrested	18 (53)	117 (239)	76 (149)	23 (37)	234 (478)
Under investigation	1 (1)	2 (4)	-	-	3 (5)
Others *	-	-	1 (1)	-	1 (1)
Total	19 (54)	119 (243)	77 (150)	23 (37)	238 (420)

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

* Statute of limitation expired

2) Breakdown of Cases

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

(Unit: Cases)

Category		DICJ	HLAC	RCB	Total
Cases Related to Borrowers	Sub-Total	-	77 (150)	14 (19)	91 (169)
	Auction Interference	-	27 (49)	3 (7)	30 (56)
	Fraud	-	18 (44)	2 (2)	20 (46)
	Obstruction of Law Enforcement	-	15 (36)	4 (5)	19 (41)
	False entry on notarial documents	-	4 (7)	-	4 (7)
	Threat/Extortion	-	3 (3)	-	3 (3)
	Fraudulent Bankruptcy*	-	1 (1)	1 (1)	2 (2)
	Others	-	9 (10)	4 (4)	13 (14)
Cases Related to Lenders	Sub-Total	-	-	9 (18)	9 (18)
	Breach of Trust / Aggravated Breach of Trust	-	-	4 (11)	4 (11)
	Others	-	-	5 (7)	5 (7)
Total		0	77 (150)	23 (37)	100 (187)

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

* Stipulated in the Bankruptcy Law (Article 374)

○ From the establishment of the RCC (April 1, 1999) to March 31, 2003.

(Unit: Cases)

Category		DICJ	RCC			Total
			HLAC	RCB*2	Article 53*3	
Cases Related to Borrowers	Sub-Total	1 (2)	38(73)	63 (113)	8 (22)	110 (210)
	Auction Interference	-	7 (9)	22 (47)	7 (18)	36 (74)
	Fraud	-	12(26)	11 (18)	-	23 (44)
	Obstruction of Law Enforcement	1 (2)	13(27)	12 (19)	1 (4)	27 (52)
	False entry on notarial documents	-	3 (7)	5 (12)	-	8 (19)
	Threat/Extortion	-	-	3 (3)	-	3 (3)
	Fraudulent Bankruptcy*1	-	-	4 (8)	-	4 (6)
	Others	-	3 (4)	6 (6)	-	9 (7)
Cases Related to Lenders	Sub-Total	18 (52)	-	10*4 (35)	-	28 (87)
	Breach of Trust / Aggravated Breach of Trust	13 (37)	-	10 (35)	-	23 (72)
	Others	5 (15)	-	-	-	5 (15)
Total		19 (54)	38(73)	73 (70)	8 (22)	138 (297)

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

*1 Stipulated in the Bankruptcy Law (Article 374)

*2 RCB receivables are credits bought from failed financial institutions.

*3 Article 53: Assets purchased from sound financial institutions under Article 53 of the Financial Revitalization Law

*4 Although 5 out of these 10 cases have been sued by DICJ in the joint name with RCC, they are indicated in the column of RCC in this table.

(4) Pursuit of Civil Liability via Litigation and Conciliation

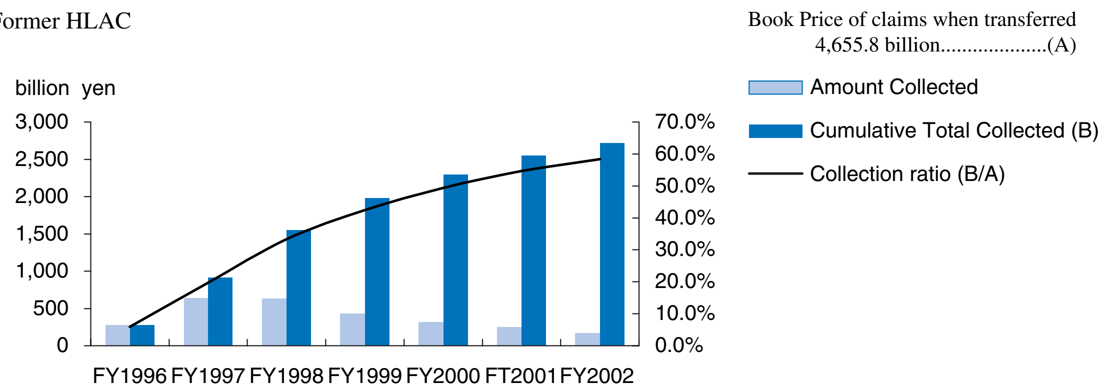
(as of March 31, 2003)

Claimant / Reason for Claim		DICJ [3]		RCC: RCB [4]		RCC: HLAC [5]		RCC: RCC [6]		Total	
		No. of Cases	Amount Claimed (¥million)	No. of Cases	Amount Claimed (¥million)	No. of Cases	Amount Claimed (¥million)	No. of Cases	Amount Claimed (¥million)	No. of Cases	Amount Claimed (¥million)
Management Liability [1]	Failed financial institution	17	38,132.3	15	30,238.35	-	-	68	42,947.75	100	111,318.40
	Jusen	-	-	-	-	1	3,595.0	3	900	4	4,495.00
Mediators Liability [2]		-	-	-	-	2	5,014.46	-	-	2	5,014.46
Total		17	38,132.3	15	30,238.35	3	8,609.46	71	43,847.75	106	120,827.86

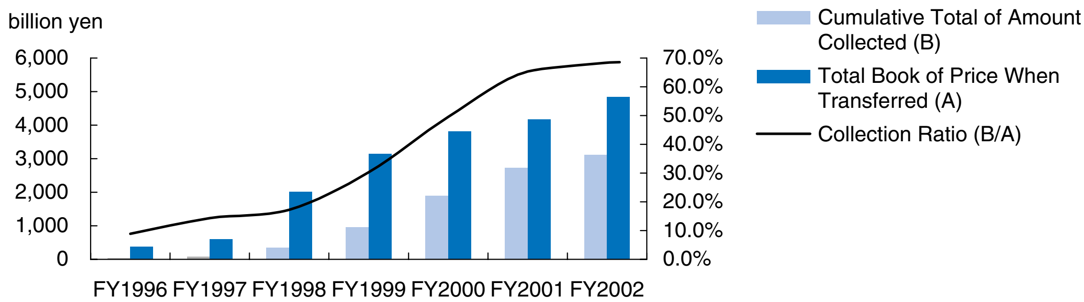
Notes
1) Liability pursuit against former management executives (directors, general managers and auditors), their bereaved families and others who committed illicit activities of failed financial institutions and *Jusen*.
2) Liability pursuit against financial institutions that introduced *Jusen* for financing.
3) Cases that DICJ itself filed lawsuits as a plaintiff or was involved in lawsuits as a financial administrator of failed financial institutions.
4) Cases that RCB itself filed lawsuits as a plaintiff or took over lawsuits that failed financial institutions had filed (except cases of Note 3)
5) Cases that HLAC itself filed lawsuits as a plaintiff
6) Cases RCC itself filed lawsuits as a plaintiff or took over lawsuits that failed financial institutions had filed (except cases of Note 3)
7) No. of cases means number of filed lawsuits

(5) Collection Performance of the RCC

○ Former HLAC



○ Former RCB



(6) Asset Purchases from Sound Financial Institutions, etc., under Article 53 of the Financial Revitalization Law (based on the purchase implementation date)

FY1999

(unit: ¥100 million)

	No. of institutions	Principal of claims	Purchase price
City, long-term credit and trust banks	16	2,521	96
Regional banks	39	1,135	69
Members of 2nd Association of Regional Banks	19	521	23
Shinkin banks, credit cooperatives, etc.	17	333	29
Total	91	4,510	217

FY2000

(unit: ¥100 million)

	No. of institutions	Principal of claims	Purchase price
City, long-term credit and trust banks	12	965	31
Regional banks	40	1,312	57
Members of 2nd Association of Regional Banks	22	2,649	29
Shinkin banks, credit cooperatives, etc.	21	296	9
Total	95	5,222	126

FY2001

(unit: ¥100 million)

	No. of institutions	Principal of claims	Purchase price
City, long-term credit and trust banks	11	2,036	131
Regional banks	32	647	44
Members of 2nd Association of Regional Banks	23	293	13
Shinkin banks, credit cooperatives, etc.	21	326	18
Total	87	3,302	206

(Note) As well as purchases under Article 53, from FY2001 the RCC also accepts trusts in connection with non-performing loans. In FY2001 it signed trust agreements to the value of ¥213.1 billion, bringing the combined total for FY2001 to ¥543.2 billion (Article 53 purchases + trusts).

FY2002

(unit: ¥100 million)

	No. of institutions	Principal of claims	Purchase price
City, long-term credit and trust banks	12	18,676	1,848
Regional banks	36	1,379	129
Members of 2nd Association of Regional Banks	24	505	33
Shinkin banks, credit cooperatives, etc.	38	325	47
Total	110	20,885	2,057

FY1999-2002

(unit: ¥100 million)

	No. of institutions	Principal of claims	Purchase price
City, long-term credit and trust banks	12	24,198	2,107
Regional banks	57	4,474	300
Members of 2nd Association of Regional Banks	38	3,969	98
Shinkin banks, credit cooperatives, etc.	63	1,279	102
Total	170	33,920	2,606

Notes 1. “Number of institutions” does not include duplication.
2. Some totals may not tally as the individual amounts have been rounded off.

(7) Outline of Funding of DICJ (FY2003)

Table 1 Outline of Funding Program by Account (FY2003)

	General Account	Crisis Management Account	Financial Reconstruction Account	Early Strengthening Account	Management Base Strengthening Account (Provisional Translation)	Industrial Revitalization Account
Borrowing / bond issues						
Legal Base	Deposit Insurance Law, Art. 42, Para.1 and 2	Deposit Insurance Law, Art. 126, Para.1	Financial Revitalization Law, Art. 65, Para.1	Early Strengthening Law, Art. 16, Para.1	Financial Reorganization Promotion Law, Art. 32, Para.1	Industrial Revitalization Corporation Law, Art. 49, Para.1 and 2
Ceiling	¥19 trillion (Deposit Insurance Law, Cabinet Order Art. 2)	¥15 trillion (Deposit Insurance Law, Cabinet Order Art. 29)	¥15 trillion (Financial Revitalization Law, Cabinet Order, Art. 13)	¥13.02 trillion (Early Strengthening Law, Cabinet Order Art. 5)	¥1.0 trillion (Financial Reorganization Promotion Law, Cabinet Order Art. 7)	¥0.15 trillion (Industrial Revitalization Corporation Law, Cabinet Order, Art. 4)
Method (Source)	(1) borrowing: (• Financial institution and others • Bank of Japan (BOJ) (2) bond issues	(1) borrowing: (• Financial institution and others • BOJ) (2) bond issues	(1) borrowing: (• Financial institution and others • BOJ) (2) bond issues	(1) borrowing: (• Financial institutions and others • BOJ) (2) bond issues	(1) borrowing: (• Financial institutions and others• BOJ) (2) bond issues	(1) borrowing: (• Financial institutions and others • BOJ) (2) bond issues
Spent on	• payment of insurance claims • financial assistance • purchase of deposits, etc. • subscribe the capital to establish bridge banks • loans, etc., to bridge banks • loans to failed financial institutions etc.	• share subscription, etc., by DICJ • financial assistance to financial institutions under public management • financial assistance to banks under special crisis management etc.	• asset purchase from financial institutions, etc. • loans to contracted bank for subscribing shares, etc., under former Financial Function Stabilization Law etc.	• loans to contracted bank for subscribing shares, etc. • loss compensation for contracted bank etc.	• Loans to contracted bank for subscribing preferred shares, etc. • loss compensation for contracted bank etc.	• subscription of equity of the Industrial Revitalization Corp. etc.
Government guarantee						
Legal Base	Deposit Insurance Law, Art. 42-2	Deposit Insurance Law, Art. 126, Para.2	Financial Revitalization Law, Art. 66	Early Strengthening Law, Art. 17	Financial Reorganization Promotion Law, Art. 33	Industrial Revitalization Corporation Law, Art. 50
Appropriation in general provisions of budget in FY 2003	Within the limit approved by the Diet (¥19 trillion in the budget for FY 2003)	Within the limit approved by the Diet (¥15 trillion in the budget for FY 2003)	Within the limit approved by the Diet (¥15 trillion in the budget for FY 2003)	Within the limit approved by the Diet (¥6.9 trillion in the budget for FY 2003)	Within the limit approved by the Diet (¥1.0 trillion in the budget for FY 2003)	Within the limit approved by the Diet (¥0.15 trillion in the budget for FY 2003)

(Note) Special Operations Account was abolished at the end of FY2002 and assets and liabilities belonged to the account were transferred to General Account.

Table 2 Outstanding Balance of Funds Raised in Each Fiscal Year

(Unit: ¥billion)

Account Title \ Fiscal Year		End of FY 2000	End of FY 2001	End of FY 2002
General Account		2,464.2	3,117.8	3,926.4
Special Operations Account		3,491.5	3,371.1	3,087.3
Jusen Account		-	-	-
Financial Reconstruction Account		5,118.3	5,265.6	5,655.8
Early Strengthening Account		8,104.6	8,223.9	8,204.1
	Raised by Issue of Bonds	1,800.0	3,600.0	6,120.0
Total		19,178.6	19,978.4	20,873.6
	Raised by Issue of Bonds	1,800.0	3,600.0	6,120.0

Notes: 1. On April 1, 2003, General Account succeeds the assets and liabilities belonging to Special Operations Account.
2. Raising fund through bond issues under the Early Strengthening Account came into operation since October 1999.

2. Financial Statement

Table 1 Statement of Profit and Loss for Fiscal 2002

(Unit: ¥million)

Item	General Account	Special Operations Account	Total	Excluding Inter-Account Transfers
Insurance Premiums	509,944	-	509,944	509,944
Income from Financial Assistance Related Business	-	1,824	1,824	1,824
Income from Payment by Contracted Bank	-	152,605	152,605	152,605
Income from Contracted Bank Related Business	-	2,335	2,335	2,335
Income from Investment	-	0	0	0
Transfer from General Account	-	1,308,809	1,308,809	-
Income from Contributions by Banks Under Management, etc.	319	-	319	319
Income from Contributions by Contracted Bridge Bank	135	-	135	135
Transfer from Special Operations Fund (Redemption of Government Bonds)	-	1,589,874	1,589,874	1,589,874
Refunded Grants	13,311	179,491	192,802	192,802
Reversal from Loan Loss Reserves	-	46,387	46,387	46,387
Non-Operating Income	8	5,834	5,843	5,843
Total Income	523,719	3,287,164	3,810,884	2,502,074
Financial Assistance	71,676	2,396,043	2,467,720	2,467,720
Refunds of Insurance Premiums for Prior Periods	0	0	0	0
General Administrative Expenses	5,271	1,721	6,993	6,993
Transfer to Other Accounts	1,308,809	-	1,308,809	-
Transfer to Special Operations Fund	-	179,491	179,491	179,491
Transfer to Loan Loss Reserves	-	49,524	49,524	49,524
Non-Operating Expenses	3,402	3,214	6,617	6,617
Total Expenses	1,389,160	2,629,996	4,019,157	2,710,347
Net Surplus/Deficit	△865,440	657,167	△208,273	△208,273
Outstanding Balance of Deposit Insurance Fund (End of Fiscal 2001)	△3,055,395	△742,835	△3,798,231	
Outstanding Balance of Deposit Insurance Fund (End of Fiscal 2002)	△3,920,836	△85,667	△4,006,504	

Note: Figures are rounded down to the nearest ¥ million.

Table 2 Balance Sheet and Statement of Profit and Loss

1) General Account

Balance Sheet (as of March 31, 2003)

(Unit: ¥million)

Item	Amount
Assets	
< Current Assets >	5,223
- Cash and Deposits	523
- Securities	4,699
- Accrued Income	0
- Accounts Receivable	0
< Fixed Assets >	2,627
- Financial Assistance Related Assets	
Purchased Assets	180
- Contracted Bridge Bank Related Assets	
Subsidiary Stock	2,050
- Tangible Fixed Assets	245
Buildings	194
Tools/Equipment/Fixtures	51
- Intangible Fixed Assets	1
- Investment and Other Assets	
Guarantee Money and Other Security Deposits	150
Total	7,851
Liabilities and Capital Accounts	
< Current Liabilities >	3,928,177
- Short-Term Loans	3,926,400
- Accounts Payable	477
- Accrued Expenses Payable	1,271
- Money on Deposit	28
< Fixed Liabilities >	54
- Reserves for Retirement Allowance	54
<<Liabilities Total>>	3,928,232
< Capital >	455
- Government Capital	150
- Bank of Japan Capital	150
- Private Capital	155
< Deficit >	△ 3,920,836
- Deficit Brought Forward	△ 3,055,395
- Current Deficit	△ 865,440
<<Capital Total>>	△ 3,920,381
Total	7,851

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

Profit and Loss Statement (April 1, 2002 to March 31, 2003)

(Unit: ¥million)

Revenue	
Item	Amount
< Current Revenue >	523,719
- Income from Deposit Insurance	
Insurance Premiums	509,944
- Income from Contributions by Banks Under Management, etc.	319
- Income from Contributions by Contracted Bridge Bank	135
- Refunded Grants	13,311
- Non-Operating Income	8
< Current Deficit >	865,440
Total	1,389,160
Expenses	
Item	Amount
< Current Expenses >	1,389,160
- Financial Assistance Expenses	
Grants	71,676
- Refunds of Insurance Premiums for Prior Periods	0
- General Administrative Expenses	5,271
- Transfer to Other Accounts	
Transfer to Special Operations Account	1,308,809
- Non-Operating Expenses	
Interest on Borrowings	3,402
Total	1,389,160

Notes: 1. Current deficit of ¥865,440 million is carried forward to the next fiscal year pursuant to the provision of Article 15, Paragraph 4, of the Deposit Insurance Law Enforcement Regulations.
2. All figures are rounded down to the nearest ¥million.

Important Accounting Principles and Other Relevant Matters

1. Evaluation Criteria/Method for Securities
   Cost method based on the periodic average method.
2. Depreciation Method for Fixed Assets
   Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount of tangible fixed assets is ¥92 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

2) Special Operations Account

Balance Sheet (as of March 31, 2003)

(Unit: ¥million)

Assets	
Item	**Amount**
< Current Assets >	595,411
- Cash and Deposits	592,412
- Money Deposited	1,054
- Suspense Payments	667
- Prepaid Expenses	124
- Accrued Income	1,159
- Account Receivable	0
- Loan Loss Reserves	△ 7
< Fixed Assets >	2,708,026
- Financial Assistance Related Assets	61,477
Purchased Assets	110,548
Compensation Claims	445
Loan Loss Reserves	△ 49,517
- Assets Related to Contracted Bank	2,346,300
Contracted Bank Shares	12,000
Loans for Contracted Bank	2,334,300
- Tangible Fixed Assets	122
Buildings	91
Tools/Equipment/Fixtures	31
- Intangible Fixed Assets	1
- Investments and Other Assets	300,125
Guarantee Money and Other Security Deposits	121
per contra on Loan Guarantee for Contracted Bank	300,000
Other Assets	4
Total	3,303,438
Liabilities and Capital Accounts	
Item	**Amount**
< Current Liabilities >	3,089,068
- Short-Term Loans	3,087,300
- Accounts Payable	25
- Accrued Expenses Payable	1,543
- Money on Deposit	0
- Advance Payments Received	2
- Suspense Receipts	197
< Fixed Liabilities >	300,037
- Reserves for Retirement Allowance	37
- Loan Guarantees	
Loan Guarantee for Contracted Bank	300,000
<< Liabilities Total >>	3,389,106
< Deficit >	△ 85,667
- Deficit Brought Forward	△ 742,835
- Current Profit	657,167
<< Capital Total >>	△ 85,667
Total	3,303,438

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

Profit and Loss Statement (April 1, 2002 to March 31, 2003)

(Unit: ¥million)

Item	Amount
Revenue	
< Current Revenue >	3,287,164
- Income from Financial Assistance-Related Business	1,824
Income from Purchased Assets	1,096
Profit on Sales of Purchased Assets	728
- Income from Payment by Contracted Bank	152,605
- Income from Contracted Bank-Related Business	
Interest on Loans to Contracted Bank	2,335
- Income from investment	0
- Transfer from General Account	1,308,809
- Transfer from Special Operations Fund	1,589,874
- Refunded Grants	179,491
- Reversal from Loan Loss Reserves	46,387
- Non-Operating Revenue	5,834
Total	3,287,164
Expenses	
< Current Expenses >	2,629,996
- Financial Assistance Expenses	2,396,043
Grants	2,345,714
Loss on Sales of Purchased Assets	1,277
Administrative Expenses for Purchased Assets	46
Cost of Commissioning Management and Collection Businesses	1,319
Cost of Commissioning Asset Purchase Business	19,854
Special Compensation for Commissioning Asset Purchase Business	27,831
- Refunds of Special Insurance Premiums for Prior Periods	0
- General Administrative Expenses	1,721
- Transfer to Special Operations Fund	179,491
- Transfer to Loan Loss Reserves	49,524
- Non-Operating Expenses	
Interest on Borrowings	3,214
< Current Profit >	657,167
Total	3,287,164

Notes: 1. Current profit of 657,167 million yen for this FY is used to decrease loss brought forward from the previous FY in accordance with Article 15, Paragraph 1 of the Reinforcement Regulations of the Deposit Insurance Law.
2. All figures are rounded down to the nearest ¥million.

Important Accounting Principles and Other Relevant Matters

1. Evaluation Method for Securities
   Cost method based on the periodic average method.
2. Depreciation Method for Fixed Assets
   Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
   Financial assistance operation assets : ¥106 million
   Tangible fixed assets : ¥85 million
   Investment and other assets : ¥18 million
3. Appropriation Criteria for Reserves
   (1) Loan Loss Reserves
   For claims related to debtors for whom statutory facts of business failure (e.g. bankruptcy or composition) have occurred, or debtors in an equivalent position, the estimated disposable collateral and estimated recoverable amount through guarantees are subtracted from the amount of the claim, and the remainder is aggregated. For debtors who are not in a state of bankruptcy at present but are likely to face bankruptcy in the future, the estimated disposal amount as well as the estimated collectable amount through guarantee are deducted from the amount of claims and the amount which is considered necessary, based on the general judgement of the payment capability of the debtor, is accounted for vis-à-vis the remaining amount after the above reduction. For claims other than those described above, the amount for Loan Loss Reserves is based on the actual loan loss ratio calculated from actual cases of loan loss which occurred in a specific period of time in the past.
   (2) Reserves for Retirement Allowance
   The required remuneration at the end of the fiscal year is used as the criterion for appropriating reserves in preparation for payment of retirement allowances for employees.
4. Other Important Matters Relating to Preparation of Financial Statements
   (1) Accounting method for consumption tax: tax inclusive method (2) Accounting criteria for revenue and expenses: accrual method

3) Financial Reconstruction Account

Balance Sheet (as of March 31, 2003)

(Unit: ¥million)

Assets	
Item	**Amount**
< Current Assets >	659,384
- Cash and Deposits	235
- Money Deposited	3,773
- Securities	652,681
- Suspense Payments	677
- Accrued Income	1,122
- Account Receivable	1,100
- Loan Loss Reserves	△ 207
< Fixed Assets >	3,992,978
- Assets from Assets Purchase Business	2,968,658
Purchased Assets	3,374,334
Loan Loss Reserves	△ 405,675
- Tangible Fixed Assets	16
Buildings	8
Tools/Equipment/Fixtures	8
- Intangible Fixed Assets	0
- Investment and Other Assets	1,024,303
Loans to Specified Contracted Bank	219,400
Loans to Contracted Bank	804,900
Guarantee Money and Other Security Deposits	3
Total	4,652,363

Liabilities and Capital Accounts	
Item	**Amount**
< Current Liabilities >	5,660,696
- Short-Term Loans	5,655,800
- Accounts Payable	782
- Accrued Expenses Payable	2,618
- Money on Deposit	9
- Advance Payment Received	14
- Suspense Receipts	1,470
< Fixed Liabilities >	10
- Reserves for Retirement Allowance	10
<<Liabilities Total>>	5,660,706
< Deficit >	△ 1,008,343
- Deficit Brought Forward	△ 769,876
- Current Deficit	△ 238,466
<<Capital Total>>	△ 1,008,343
Total	4,652,363

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

Profit and Loss Statement (April 1, 2002 to March 31, 2003)

(Unit: ¥million)

Revenue	
Item	Amount
< Current Revenue >	237,102
- Income from Asset Purchase Business	38,272
Income from Purchased Assets	20,437
Profits on Sales of from Purchased Assets	17,834
- Income from the Specified Contracted Bank	15,320
- Income from the Contracted Bank	17,103
- Interest on Loans to Specified Contracted Bank	82
- Interest on Loans to Contracted Bank	1,827
- Reversal from Loan Loss Reserves	164,495
- Non-Operating Income	0
< Current Deficit >	238,466
Total	475,569

Expenses	
Item	Amount
< Current Expenses >	475,569
- Expenses for Asset Purchase Business	62,852
Loss on Sales of Purchased Assets	56,351
Administrative Expenses for Purchased Assets	1,282
Cost of Commissioning Management and Recovery	515
Cost of Commissioning Asset Purchase Business	4,703
- General Administrative Expenses	912
- Transfer to Loan Loss Reserves	405,883
- Non-Operating Expenses	
Interest on Borrowings	5,919
Total	475,569

Notes: 1. Current deficit of ¥238,466 million is charged against the accumulated fund and the remaining deficit is carried forward to the next fiscal year pursuant to the provisions of Article 25, Paragraph 2 of the Financial Revitalization Law Enforcement Regulations.
2. All figures are rounded down to the nearest ¥million.

Important Accounting Principles and Other Relevant Matters

1. Evaluation Method for Securities
   Cost method based on the periodic average method
2. Depreciation Method for Fixed Assets
   Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
   Tangible fixed assets: ¥7 million
3. Appropriation Criteria for Reserves
   (1) Loan loss reserves: For debtors who have succumbed to business failure or effective business failure, and those who face or are highly likely to face serious problems in the repayment of debts although not yet in a state of business failure, the estimated amount recovered through collateral, etc., and the estimated amount recovered in light of the debtors' financial status and business performance are reduced from the amount of the claim, the remainder being aggregated as loan loss reserves. Claims other than the above are aggregated on the basis of a bad debt ratio deemed reasonable.
   (2) Reserves for retirement allowance: The required remuneration at the end of the fiscal year is used as the criterion for appropriating reserves in preparation for payment of retirement allowances for employees.
4. Other Important Matters Relating to Preparation of Financial Statements
   (1) Accounting method for consumption tax: tax inclusive method
   (2) Accounting criteria for revenue and expenses: accrual method

4) Early Strengthening Account

Balance Sheet (as of March 31, 2003)

(Unit: ¥million)

Assets	
Item	Amount
< Current Assets >	1,465
- Cash and Deposits	211
- Accrued Income	1,253
< Fixed Assets >	8,308,462
- Tangible Fixed Assets	5
Buildings	4
Tools/Equipment/Fixtures	1
- Intangible Fixed Assets	0
- Investment and Other Assets	8,308,456
Loans to Contracted Bank	8,308,455
Guarantee Money and Other Security Deposits	1
< Deferred Charge >	5,120
Cost of Issuing Bonds	3,748
Discount on Bonds	1,371
Total	8,315,047
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	3,045,982
- Short-Term Loans	2,084,100
- DICJ Bonds (due for redemption within 1 year)	960,000
- Accounts Payable	2
- Accrued Expenses Payable	914
- Advance Payments Received	965
< Fixed Liabilities >	5,160,872
- DICJ Bonds	5,160,000
- Long-Term Advance Payment Received	870
- Reserves for Retirement Allowance	2
<<Liabilities Total>>	8,206,855
<Surplus>	108,192
- Accumulated fund	88,355
- Current Profit	19,836
<<Capital Total>>	108,192
Total	8,315,047

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

Profit and Loss Statement (April 1, 2002 to March 31, 2003)

(Unit: ¥million)

Revenue	
Item	**Amount**
< Current Revenue >	50,028
- Income from the Contracted Bank	18,638
- Interest on Loans to Contracted Bank	31,390
- Non-Operating Income	0
Total	50,028
Expenses	
Item	**Amount**
< Current Expenses >	30,192
- General Administrative Expenses	174
- Non-Operating Expenses	30,017
Interest on Borrowings	3,521
Interest on Bonds	21,995
Administrative Expenses for Bonds	47
Amortization of Bond Issuing Cost	3,919
Amortization of Discount on Bonds	533
< Current Profit >	19,836
Total	50,028

Notes: 1. Current profit of ¥19,836 million is added to the accumulated fund, pursuant to the provisions of Article 8, Paragraph 1 of the Early Strengthening Law Enforcement Regulations (Provision No. 3 of the Financial Reconstruction Commission, 1998).
2. All figures are rounded down to the nearest ¥million.

Important Accounting Principles and Other Relevant Matters

1. Evaluation Method for Securities
   Cost method based on the periodic average method
2. Depreciation Method for Fixed Assets
   Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
   Tangible fixed assets: ¥2 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 allowances 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
   (3) Accounting Criteria for Revenue and Expenses: accrual method

5) *Jusen* Account

Balance Sheet (as of March 31, 2003)

(Unit: ¥million)

Assets	
Item	Amount
< Current Assets >	5,177
- Cash and Deposits	170
- Securities	4,994
- Accrued Income	11
< Fixed Assets >	4,299,374
- Tangible Fixed Assets	90
Buildings	61
Tools/Equipment/Fixtures	28
- Intangible Fixed Assets	1
- Investment and Other Assets	4,299,283
Assets Relating to Financial Stabilization Fund	908,792
Shares of Affiliated Companies	200,000
Guarantee Money and Other Security Deposits	113
per contra on Loan Guarantees	3,190,377
Total	4,304,551
Liabilities and Capital Accounts	
Item	Amount
< Current Liabilities >	122,522
- Accounts Payable	122,422
- Advance Payments Received	99
< Fixed Liabilities >	3,290,606
- Reserves for Retirement Allowance	24
- Repayable Payments Received from Bank of Japan	100,000
- Charges against Assets Allotted in Operation	204
- Loan Guarantees	3,190,377
< Statutory Reserves >	1,008,792
- Financial Stabilization Fund	1,008,792
Counterpart of Private-Sector Contributions	1,007,000
Counterpart of Operating Income	1,792
<<Liabilities Total>>	4,421,921
< Capital >	5,000
- Government Capital	5,000
< Deficit >	△ 122,369
- Deficit Brought Forward	△ 95,882
- Current Deficit	△ 26,487
<<Capital Total>>	△ 117,369
Total	4,304,551

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

Profit and Loss Statement (April 1, 2002 to March 31, 2003)

(Unit: ¥million)

Revenue	
Item	Amount
< Current Revenue >	26,398
- Income from Claim Resolution Company	
Income of Collection Profits of Transferred Claims, etc.	149
- Income from Investment	
Income from Investment of Financial Stabilization Fund	12,614
- Income from Special Operations Contributions	956
- Reversal from Financial Stabilization Fund	12,577
- Non-Operating Income	88
- Reversal from Charge Against Assets Allotted in Operation	12
< Current Deficit >	26,487
Total	52,886

Expenses	
Item	Amount
< Current Expenses >	52,886
- Grant for Claim Resolution Company	
Operation Promotion Grant	39,065
- Payments to Government	
Payment of Collection Profits of Transferred Claims, etc.	149
- General Administrative Expenses	1,057
- Transfer to Financial Stabilization Fund	12,614
Total	52,886

Notes: 1. Current deficit of ¥26,487 million is carried forward to the next fiscal year pursuant to the provisions of Article 5, Paragraph 2, of the *Jusen* Law Enforcement Regulations.
2. All figures are rounded down to the nearest ¥million.

Important Accounting Principles and Other Relevant Matters

1. Evaluation Method for Securities
   Cost method based on the periodic average method
2. Depreciation Method for Fixed Assets
   Fixed installment method using the criteria under the Corporation Tax Law. The aggregate depreciation amount is as follows:
   Tangible fixed assets: ¥75 million
3. Appropriation Criteria for Reserves
   (1) Reserves for Retirement Allowance
   The required remuneration at the end of the fiscal year is used as the criterion for appropriating reserves in preparation for payment of retirement 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, respectively, for investment in the claim resolution company and for the provision of grants for such companies for the smooth implementation of their business.
4. Other Important Matters Relating to Preparation of Financial Statements
   (1) Accounting method for consumption tax: tax inclusive method
   (2) Accounting criteria for revenue and expenses: accrual method

3. Statistical Tables

Table 1. Income and Expenditure

(General Account and Special Operations Account)

(Unit: ¥million)

Fiscal Year	Income			Expenditure	Net Earnings	Deposit Insurance Fund (Ending on March 31)
	Insurance Premiums	Paid into Special Operations Fund	Total (including others)			
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	△489,452	386,578
1996	461,993	-	532,744	1,314,429	△781,685	△395,107
1997	462,956	-	464,318	163,229	301,089	△94,018
1998	465,004	1,199,232	1,675,820	2,769,430	△1,093,610	△1,187,628
1999	480,736	3,645,679	4,216,932	4,926,059	△709,127	△1,896,755
2000	482,837	3,640,683	4,204,983	5,453,792	△1,248,809	△3,145,565
2001	511,087	667,547	1,288,209	1,940,870	△652,666	△3,798,231
2002	509,944	1,589,874	2,502,074	2,710,347	△208,273	△4,006,504

Notes: 1. Figures from fiscal 1996 exclude inter-account transfers.
2. All figures are rounded down to the nearest ¥million.

Table 2. Insured Deposits and Deposit Insurance Fund

(Unit: ¥billion, %)

Fiscal Year (ending on March 31)	Deposits ofInsured 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	△ 395	-
1997	705,772	556,394	78.8	△ 94	-
1998	703,260	572,730	81.4	△ 1,188	-
1999	698,382	575,717	82.4	△ 1,897	-
2000	728,864	611,513	83.9	△ 3,146	-
2001	718,543	609,375	84.8	△ 3,798	-
2002	708,597	622,556	87.9	△ 4,007	-

* Includes installment savings, money in trust, foreign currency deposits, and negotiable certificates of deposit.

** Excludes deposits, etc., under Article 3 of the Deposit Insurance Law Enforcement Regulations. From FY 2001, insurance premiums are calculated from average balance of deposits.

*** Deposit Insurance Fund, etc., for fiscal 2002 = Deficits carried forward (General Account 3,920.8 billion + Special Operations Account 85.6 billion)

**** All figures are rounded to the nearest ¥billion.

Table 3. Number of Insured Financial Institutions

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

* Regional Banks II 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 for Sogo Banks only.

** Financial institutions ordered to be placed under financial administrators are included.

Table 4. Insured Deposits by Sector of Financial Institutions

(Unit: ¥billion)

Fiscal Year (ending: March 31)	Total	Banks						Shinkin Banks	Credit Coopera-tives	Labor Banks	Federa-tions
		Banks total	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	10,081	-
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	-
2000	611,513	479,229	193,101	174,360	55,918	48,794	7,017	102,202	17,854	11,710	519
2001	609,375	478,098	200,167	173,501	55,326	45,994	2,994	101,748	16,599	12,304	626
2002	622,556	493,257	216,244	176,510	52,709	43,588	3,908	100,919	14,563	13,089	730

* Regional Banks II 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 for Sogo Banks only. From fiscal 2000, the Shinkin Central Bank and others were added.

** Payment should be made in the year following the year of calculation.

*** All figures are rounded to the nearest ¥billion.

4. Organization

Policy Board Members and DICJ Officials, etc.

(As of July 31, 2003)

< Policy Board >

Chairman Noboru Matsuda (Governor of the DICJ)

Members (in alphabetical order)

Ryotaro Ajiro	(Chairman, National Central Society of Credit Cooperatives)
Sadaaki Hirasawa	(Chairman, Regional Banks Association of Japan)
Shigemitsu Miki	(Chairman, Japanese Bankers Association)
Yukihiko Nagano	(Chairman, National Association of Shinkin Banks)
Masamichi Narita	(Auditor, Japan Tobacco, Inc.)
Takeshi Yoshii	(Senior Corporate Auditor, Nippon Steel Corporation)
Naoyuki Yoshino	(Professor of Economics, Keio University)
Koichi Watanuki	(Chairman, Second Association of Regional Banks)

Keiji Matsuda	(Deputy Governor)
Hajime Shinohara	(Deputy Governor)
Hakaru Hirose	(Deputy Governor)
Tatsuo Watanabe	(Deputy Governor)

< Officials of the DICJ >

- Governor : Noboru Matsuda
- Deputy Governors : Keiji Matsuda
Hajime Shinohara
Hakaru Hirose
Tatsuo Watanabe
- Auditor (Part-Time) : Norio Nakajima (former Vice President, The Japanese Institute of Certified Public Accountants)

< Department Heads of the DICJ >

- Planning and Coordination Department : Satoru Toda
- Financial Reconstruction Department : Toshiharu Kusu
- Deposit Insurance Department : Michio Masukawa
- Special Investigation Department : Yoshiaki Iwahashi
- Inspection Department : Hiromichi Tanigawa
- Osaka Office of Deposit Insurance Department : Shoichi Kano
- Osaka Office of Special Investigation Department : Hirotsugu Yoshiike

< Special Advisors for Liability Investigation Committee >

Hisao Kamiya	(former Prosecutor-General)
Shigeru Kobori	(former President of Japan Federation of Bar Associations)
Kozo Fujita	(former Chief Judge of Court of Appeal of Hiroshima)
Tadao Ando	(former Superintendent-General of the Metropolitan Police)

< Members of Purchase Price Examination Board >

Chairman	:	Yoshinori Fujimura (Attorney at law)
Deputy Chairman	:	Nobuo Nagaba (Real Estate Appraiser)
Member	:	Somitsu Takehara (Certified Public Accountant)
		Yasuyuki Kuratsu (Financial Practitioner)
		Mikinari Higano (Academic Expert)

5. Financial and economic trends

(1) Major economic indicators

	2001			2002												2003		
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Industrial production index (Ratio from prior month) (%)	-0.1	-1.7	1.0	-0.8	1.5	0.8	-0.8	4.4	-1.1	0.8	0.4	0.8	0.1	-0.4	-0.1	1.6	-1.6	0.1
Consumer price index (YoY) (%)	-0.7	-0.8	-0.9	-0.8	-0.8	-0.7	-0.9	-0.8	-0.8	-0.8	-0.9	-0.9	-0.9	-0.8	-0.7	-0.8	-0.7	-0.6
Unemployment rate (%)	5.3	5.4	5.4	5.3	5.3	5.3	5.3	5.4	5.4	5.4	5.5	5.4	5.5	5.3	5.3	5.5	5.2	5.4
Number of business failures	1,911	1,851	1,505	1,620	1,712	1,788	1,641	1,696	1,415	1,814	1,562	1,514	1,706	1,433	1,557	1,436	1,586	1,568
Long-term interest rate (10-year JGB) (%)	1.315	1.360	1.365	1.480	1.525	1.400	1.370	1.385	1.315	1.315	1.175	1.175	0.985	0.995	0.900	0.810	0.780	0.700
Short-term interest rate (Call Rate:uncollateralized overnight) (%)	0.003	0.003	0.002	0.001	0.001	0.012	0.002	0.002	0.002	0.001	0.002	0.067	0.002	0.002	0.002	0.001	0.001	0.021
Nikkei 225 stock average (yen)	10,366	10,697	10,542	9,997	10,587	11,024	11,492	11,763	10,621	9,877	9,619	9,383	8,640	9,215	8,578	8,339	8,363	7,972
Foreign Exchange rate (yen/US$)	121.84	123.98	131.47	132.94	133.89	132.71	127.97	123.96	119.22	119.82	117.97	121.79	122.48	122.44	119.37	119.21	117.75	119.02
Real GDP growth rate (%)		△ 0.4			0.2			0.8			0.8			0.6			0.6	

Sources: Ministry of Economy, Trade and Industry, Ministry of Public Management, Home Affairs, Posts and Telecommunications, Teikoku Databank, Bank of Japan, Tokyo Stock Exchange, and Cabinet Office. Interest rates, stock prices and exchange rates are values as of each month-end, and the real GDP growth rate is percentage changes from the previous period based on seasonally adjusted data.

(2) Overview of fiscal 2002

During FY 2002, Japanese economy showed weak production level, price decline, high level of unemployment rate and business failure, interest rate fall, drop of stock price, and strong yen. In general, economic activities were stagnant against the moderate deflation.

DIC

DICJ Logo

The logo with four blades represents the main business area of the DICJ. They are:

1. Management of deposit insurance system;
2. Operations for financial reconstruction in response to failures of financial institutions;
3. Collection of non-performing loans and pursuit of liabilities; and
4. Operations related to sound financial institutions.

The logo also incorporates the hope of the DICJ, as a group, to be a propeller to drive forward to the early stabilization of financial sector in Japan.

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