
Message from the Governor



Governor Noboru Matsuda

It is my great pleasure to present this Annual Report on the operations of Deposit Insurance Corporation of Japan (DICJ) in FY 2003.

The DICJ was founded in 1971, by the Japanese Government, the Bank of Japan, and financial institutions as the principal body designated to manage Japan's deposit insurance system. Since the epoch-making organizational and operational reforms were implemented in 1996, the scope of our activity has been significantly diversified and expanded. This Annual Report presents an overview of the DICJ's operations in FY 2003.

Several systemic changes were made during FY 2003, i.e. the introduction of a new limited insurance coverage scheme was suspended until April 2005, the Payment and Settlement Deposit was newly introduced to the scheme, and a full coverage of settlement funds in process was ensured. In order to cope with various types of financial crisis, the DICJ took appropriate actions, under the government's measures to implement a capital injection (in May 2003) and deal with the bank under special crisis management (in November 2003), as stipulated in Article 102 of the Deposit Insurance Law. Moreover, in tandem with even higher levels of sophistication in depositors' name-based aggregation and system upgrades, etc., we established the Inspection Department in July 2003 to enhance our inspection function and to engage more actively in our instructional activities for the related financial institutions. In addition, we collaborated with the Resolution and Collection Corporation (RCC), in collecting non-performing loans and discovering hidden assets, and through various kinds of sophisticated schemes, working for corporate revitalization and pursuit of liability to achieve positive results in a broad range of fields. Intensive meetings among three agencies; the RCC and the Industrial Revitalization Corporation of Japan (IRCJ) and the DICJ were held as part of our efforts to accelerate industrial revitalization. On the international front, we directed our energies to participating in international dialogues and assisting developing countries through sharing our expertise by staging events such as the International Seminar on Deposit Insurance, held in Kyoto in March 2004.

FY 2004 has now begun, and we are preparing to deal appropriately with bank resolutions and other events under the new limited insurance coverage scheme to be introduced in April 2005. To further strengthen our financial management, we will establish a Treasury Department in July 2004 and take other necessary steps to further strengthen DICJ organization.

With our motto "Using collective wisdom to make another breakthrough," we will continue to enhance the unique advantages of bringing a broad cross section of experts together and will faithfully fulfill the broad-based mission.

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

June 18, 2004

Noboru Matsuda

Noboru Matsuda
Governor

DICJ at a Glance

Profile

(1) Objective

The objective of Deposit Insurance Corporation of Japan (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 1990s, accumulated non-performing loans in the financial system became a major issue following the burst 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 a financial administrator and a 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 the 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 the DICJ in February 1998 by the amendment to the 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 aggre-

gating 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 1. for historical development of deposit insurance system and Table 4. 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 the DICJ are Ministry of Finance and Financial Services Agency. The two authorities jointly look over the activities of the DICJ.

Governing body

The Policy Board is the supreme governing body of the DICJ under the Law with members not more than thirteen (currently “thirteen”). The Board is composed of executive officers of the 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 the 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) Treasury Department, and 7) Osaka Operation Department (Please see “Organization of Deposit Insurance Corporation of Japan”).

(5) The DICJ Group

The DICJ has established the Resolution and Collection Corporation (RCC) and the Second Bridge Bank of Japan, Ltd. (the 2nd 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 the *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.

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

The Second Bridge Bank of Japan, Ltd.

The DICJ, based on Article 92 of the Deposit Insurance Law, established the Second Bridge Bank of Japan, Ltd. (the 2nd BBJ) as a 100% subsidiary of the DICJ, and with full capitalization (¥2.12 billion) on March 1, 2004. The 2nd BBJ obtained licenses of banking business and mortgage debentures trust business on March 8, 2004.

The 2nd BBJ is intended mainly to take over business activities of failed financial institutions, and through transfer of insured deposits or through mergers, to succeed the operation of the failed financial institution, to maintain and continue its business activities, preserving assets of depositors and maintaining the order of the financial system.

The period of existence of the 2nd BBJ is, as a rule be set as within two years from the date of the order for management of the first financial institution under management from which the 2nd BBJ receives the transfer of business (however, a one-year extension is possible).

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. The DICJ and the Norinchukin Bank are the shareholders.

The IRCJ purchases claims of corporations, which the 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 the 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 are 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 the Commissioner of the Financial Services Agency and Minister of Finance (Please see Table 3. 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 annual amount of the premiums may be split into two semi-annual payments).

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(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. When a business transfer, etc. from a failed financial institution to an assuming financial institution is conducted, 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 after the DICJ has determined the insured deposit amounts for each depositor through aggregation of deposits held by the same depositor, (Please see Figure 1. Insurance Payment Flow Chart).

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 measures may be employed to cover the immediate living expenses and other costs of depositors of 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 4. Scheme of Financial Assistance).

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 shares and others, they need to submit a business plan to ensure the financial soundness of the institutions. As of June 17, 2004, 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 2. Estimated Proceeds Payment Flow Chart).

$$\text{Estimated proceeds payment (amount paid to depositors)} = \text{Amount of principal exceeding ¥10 million, plus interest, etc.} \times \text{Estimated proceeds payment rate}$$

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”)

$$\text{Settlement payment (additional amount paid to depositors)} = \text{Amount recovered by the DICJ} - \text{Costs needed for purchase, etc.} - \text{Estimated proceeds payment}$$

(5) Tasks of Financial Administrators

When a financial institution fails and the 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 the Commissioner of the Financial Services Agency (Please see Figure 3. Flow of Failure Processing under the Limited Coverage)

(6) The Operations of Bridge Banks

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

In principle, a 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, the business transfer period may be extended by a further year.

The DICJ may also provide loans to and guarantees for the borrowings of the bridge bank, and compensate for its loss incurred in conducting operations, as stipulated in Cabinet Orders (Please see Figure 3. Flow of Failure Processing under the Limited Coverage).

(7) Response to Financial Crises

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.

(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 the 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 properly; 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 5. Capital Injection Scheme for Financial Institutions).

(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 conducted by the DICJ 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 6. System of Liability Pursuit).

Activities Summary of FY2003

The deposit insurance system underwent partial changes from April 2003, based on the Deposit Insurance Law amended in December 2002. That is to say, expanding the lift of the ban on payout is to be extended until April 2005. At the same time, two types of deposits will be introduced to the scheme as deposits to be fully protected by the deposit insurance system; payment and settlement deposits and settlement funds in process. This part briefly describes the results of DICJ's activities along with the background to these system reforms and so forth, focusing on FY2003.

(1) Resolution of Failed Financial Institutions

While there was no financial institution failure during FY2002, which was a marked contrast from the multiple failures of the previous year, there was one bank failure during FY2003. In connection with this failure, a measure for response to a financial crisis based on Article 102, paragraph 1, subparagraph 3 of the Deposit Insurance Law was applied. Although there was no execution of the financial assistance resulting from failure resolution in FY2003, the cumulative 169 cases of financial assistance under the blanket guarantee system resulted in ¥17.8 trillion in grants and ¥6.4 trillion in asset purchases as of the end of FY2003.

(2) Failure Resolution System under Limited Coverage

Concerning the scope of the deposit protection, the time deposit was shifted to the limited coverage from FY2002 and the DICJ has been deliberating failure resolution schemes and other measures under the limited coverage. The financial assistance method is one of the main measures as in the case of the blanket guarantee scheme, while failure resolution is to be executed in accordance with the bankruptcy laws.

(3) Response to Financial Crises (Deposit Insurance Law, Article 102)

In FY2003, the Prime Minister approved the necessity of a measure under subparagraph 1 (capital injection) for Resona Bank, Ltd. and a measure under subparagraph 3 (special crisis management) for the Ashikaga Bank, Ltd. based on

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Article 102 of the Deposit Insurance Law.

(4) Capital Injections and Asset Purchases

In connection with capital injections into financial institutions, the DICJ had subscribed shares of about ¥10.4 trillion in cumulative total by the end of FY2002, in accordance with the Early Strengthening Law and the Financial Function Stabilization Law, and the outstanding balance after the deduction of prepayments, etc. stood at about ¥8.3 trillion at the end of May 2004. In addition, capital injections of about ¥2.0 trillion and ¥6.0 billion were executed in FY 2003, based on Article 102 of the Deposit Insurance Law and on the Special Measures Law for the Promotion of the Organization Restructuring, respectively.

Concerning the asset purchases from sound financial institutions etc., the DICJ purchased about ¥0.4 trillion of assets in the principal from 89 financial institutions in FY2003.

(5) Debt Recovery, Real Estate Management and Disposal

The RCC, a subsidiary of the DICJ, is entrusted to conduct debt recovery and real estate management and disposal on behalf of the DICJ. In FY2003, it recovered debts to the amount of about ¥910.0 billion and disposed of 815 properties worth about ¥42.4 billion. Concerning the debt recovery and real estate disposal, the DICJ has been attempting to facilitate prompt debt recovery and diversification of the disposal method through bulk sales, securitization and so forth.

(6) Measures for Corporate Revitalization

The RCC and the IRCJ (established in April 2003), subsidiaries of the DICJ, are taking positive measures to revitalize a corporation facing difficulties in its business. Moreover, the DICJ is striving to strengthen collaboration for the corporate revitalization among the three corporations; the DICJ, the RCC and the IRCJ, through the events such as the tripartite meetings.

(7) Asset Investigations and Pursuit of Liability

In FY2003, in connection with asset investigation of debtors, the DICJ investigated 311 cases and uncovered about ¥49.6 billion in hidden assets of debtors. Concerning the pursuit of civil liability against the executive management of failed financial institutions and so forth, the DICJ brought suits against 37 persons in 14 cases (demanding a total of ¥3.9 billion) during FY2003.

(8) On-site Inspections of Financial Institutions

In addition to the inspection of the improvements of depositor's name-based aggregation system, which has been conducted since August 2001, the DICJ began inspections of financial institutions concerning the proper insurance premiums payment since January 2003. In order to conduct those inspections properly, the DICJ improved and enhanced its inspection system by, for instance, establishing the Inspection Department in July 2003. The numbers of financial institutions actually inspected were 39, 66 and 100 in the Inspection Years 2001 (July-June: same in other years), 2002 and 2003 respectively, showing increases year after year.

(9) Improvements of Depositors' Database and Name-Based Aggregation System

The DICJ follows up the results of the on-site inspections and, at the same time, it receives the depositors' name-based database submitted by financial institutions to verify the performance of the system. In addition, the DICJ conducts enlightening activities such as dispatching lecturers to workshops to provide explanation and advice, etc., in consideration of the problems, etc. identified in the process of inspections and system verification.

(10) Funding

As of the end of FY2003, the DICJ's outstanding balance of raised funds (borrowings and bond issues) stood at ¥19.9 trillion. Approximately ¥57 trillion of the government guarantee framework has been approved for DICJ's funding in FY2004 to cover its borrowings and bond issues.

(11) International Activities

The DICJ is a member of the International Association of Deposit Insurers, established in May 2002 and chairs its Asia Regional Committee. In March 2004, the DICJ organized the International Seminar on Deposit Insurance and the 2nd IADI ARC Meeting in Kyoto.

(12) Public Relations and Information Disclosure

The DICJ has disclosed information through the distribution of leaflets and on its website. In addition, it issued the journal, the “Deposit Insurance Research” to provide the results of researches and studies on the deposit insurance system and other matters.

(13) Financial Condition

In FY2003, the DICJ used seven accounts for its operation; 1) the General Account, 2) the Crisis Management Account, 3) the Financial Reconstruction Account, 4) the Early Strengthening Account, 5) the *Jusen* Account, 6) the Financial Institutions’ Management Base Strengthening Account and 7) the Industrial Revitalization Account. Current profit for the term reached to about ¥500 billion for the General Account that accounts for measures of financial assistance within the pay-out cost and, as a result, the cumulative loss had decreased from about ¥4.0 trillion at the end of FY2002 to about ¥3.5 trillion at the end of FY2003.

(14) DICJ Organization

With the aim of executing operations in an appropriate manner, the DICJ has established the Policy Board that makes decisions on important matters, the Liability Investigation Committee that pursues criminal and civil liabilities of malicious debtors, etc. and the Purchase Price Examination Board which ensures that the system of asset purchases from financial institutions, etc. functions properly. The DICJ also established the Divestment Price Examination Board in June 2004 to make fair decisions on the disposal prices of preferred shares subscribed with public funds and so forth.

In FY2003, the DICJ reorganized its structure such as establishment of the Inspection Department and reassigned personnel to the areas of high priority, and reduced the size of its overall organization. Furthermore, it is scheduled in FY2004 to promote further organizational reform including the establishment of the Treasury Department and further relocation of personnel.

The DICJ possesses the RCC (established in April 1999) as well as the IRCJ (established in April 2003) and the 2nd BBJ (established in March 2004) as its subsidiaries.

Policy Board Members and DICJ Officials, etc.

(As of July 2, 2004)

< Policy Board >

Chairman Shunichi Nagata (Governor of the DICJ)

Members (in alphabetical order)

| | |
|---------------------|---------------------------------------------------|
| Kiichiro Furusawa | (Chairman, Trust Companies Association of Japan) |
| Yukihiko Nagano | (Chairman, National Association of Shinkin Banks) |
| Masamichi Narita | (Auditor, Japan Tobacco, Inc.) |
| Yoshifumi Nishikawa | (Chairman, Japanese Bankers Association) |
| Yasuhiko Okada | (Governor, National Association of Labour Bank) |
| Toshio Seya | (Chairman, Regional Banks Association of Japan) |
| Takeshi Yoshii | (Executive Adviser, Nippon Steel Corporation) |
| Naoyuki Yoshino | (Professor of Economics, Keio University) |
| Keiji Matsuda | (Deputy Governor of the DICJ) |
| Hajime Shinohara | (Deputy Governor of the DICJ) |
| Hakaru Hirose | (Deputy Governor of the DICJ) |
| Yutaka Nagashima | (Deputy Governor of the DICJ) |

< Officials of the DICJ >

·Governor : Shunichi Nagata
(former Governor Noboru Matsuda stepped down at the expiration of his term of office as of June 23, 2004)

- Deputy Governors : Keiji Matsuda
Hajime Shinohara
Hakaru Hirose
Yutaka Nagashima
(former Deputy Governor Tatsuo Watanabe stepped down at the expiration of his term of office as of June 25, 2004)
- Auditor (Part-Time) : Norio Nakajima

< Department Heads of the DICJ >

- Planning and Coordination Department: Toshiharu Kusu
- Treasury Department: Hiromichi Tanigawa
- Financial Reconstruction Department: Mamoru Umemoto
- Deposit Insurance Department: Michio Masukawa
- Special Investigation Department: Shigekuni Ono
- Inspection Department: Kazumi Akiyama
- Osaka Operation Department : Shoichi Kano

< Special Advisors for Liability Investigation Committee >

- Hisao Kamiya (former Prosecutor-General)
- Shigeru Kobori (former President of Japan Federation of Bar Associations)
- Tadao Ando (former Superintendent-General of the Metropolitan Police)

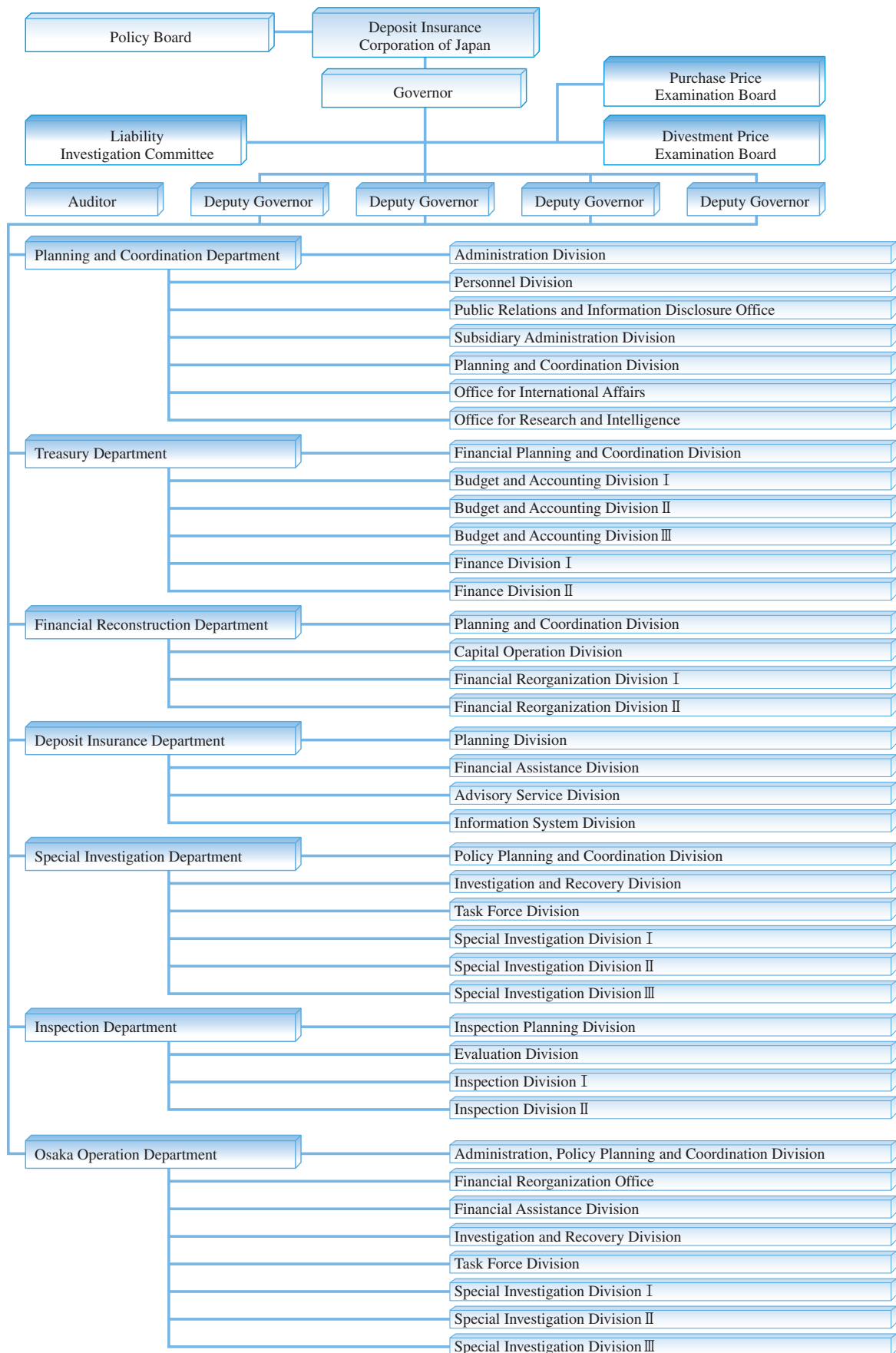
< Members of Purchase Price Examination Board >

- 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)

< Members of Divestment Price Examination Board >

- Chairman: Atsushi Kato (Certified Public Accountant)
- Deputy Chairman: Yasuyuki Kuratsu (Financial Practitioner)
- Member: Akira Usui (Academic Expert)

Organization Chart (as of July 1, 2004)



New Deposit Insurance System

On December 11, 2002, the Bill to amend the Deposit Insurance Law and other related laws was passed at the 155th session of the Diet, resulting in the revision of the deposit insurance system. The following is a brief description of the revision.

● *Schedule for Transition to Limited Coverage*

| | | April 2002-March 2005 | April 2005 onwards |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Deposits, etc., within the scope of protection | Current deposits Ordinary deposits Specified deposits | Full protection | Full protection for deposits that bear no interest and meet other conditions (*1) |
| | Other deposits, etc. (time deposits, installment savings, money in trust under the guarantee of principal, bank debentures) | Total up to a maximum principal of ¥10 million (*2) plus interest (*3) | (The portion in excess of that amount will be paid depending on the asset status of the failing financial institution. (Some may be unpaid.)) |
| 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.) | | Not Protected (Liquidation dividends payable in accordance with asset situation of failed financial institution) | |

(*1) These deposits are referred to as “the Payment and Settlement Deposits”. They must satisfy three conditions: bearing no interest, being redeemable on demand and providing normally required payment and settlement services.

(*2) If the financial institutions merge or take over all business (operations) in April 2003 or thereafter, the amount protected will be “¥10 million × the number of financial institutions subject to the merger, etc.” instead of ¥10 million (For example, if two institutions are merging, the amount protected will be ¥20 million). This measure is taken only for the first year.

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

Historical Development & Scheme Structures of DICJ

Table 1. 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) added | (Jul. 1996) ¥5,455million Jusen account ¥5,000million (from the government) added | |
| 3. Governor, deputy Governors, Auditor <by appointment of Prime Minister (Oct. 1998)> (by law) | Governor (Senior Deputy Governor of the BOJ) | | (Appointed by Minister of Finance) (Jun. 1996) | (Appointed by PM, approved by both Houses of the Diet) (Oct. 1998) |
| | Deputy Governor (1) Auditor (1) | | 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% | (FY 2001) Specific deposit 0.048% Other deposits, etc. 0.048% Until end of fiscal 2001 (FY 2002) 0.094% 0.080% (FY2003) Payment and settlement deposit 0.090% Regular deposit 0.080% |
| 5. Payment Date of Insurance Premium | Within 3 months after beginning of business year | | Within 3 months after begin- ning of business year. However, half may be paid within 3 months after beginning of sec- ond half 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) and Maximum Amount of Partial Payment (per ordi- nary 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) |
| 14. Borrowing of Funds (General Account) (1) Maximum Borrowings (by cabinet order) (2) Borrowing from financial Institutions for Repayment of the BOJ Borrowings (by law) | ¥50billion | ¥500billion (Jul.1986) | ¥1 trillion (June 1996) | ¥2 trillion (Apr. 1999) |
| | | Introduced : borrowing from insured financial institutions (Jul.1986) | ¥4 trillion (Apr. 2000) | Added: other financial institutions (Oct. 1998) |
| | | | ¥6trillion (Apr. 2001) | ¥13trillion (Apr. 2002) |
| | | | ¥19trillion (Apr. 2003) | ¥20.14 trillion (Apr. 2004) |

| 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 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Special financial assistance • Special purchase of deposits and other claims • Collection of special insurance premiums • 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 | <ul style="list-style-type: none"> • Adding of consolidation to the types of merger, etc. , for which an application for financial assistance can be made • Financial assistance for specified merger (temporary measure) | <ul style="list-style-type: none"> • Integration of the Special Account for Non-Credit Cooperatives Financial Institutions and the Special Account for Credit Cooperatives into the Special Operations Account • Expansion of Contracted Bank's functions to act as an assuming bank for non-credit cooperatives financial institutions • Issues of DICJ 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 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Introduction of financial administrator operations • Introduction of 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. | <ul style="list-style-type: none"> • Extension of the Special Arrangement for the blanket guarantee of deposit insurance, etc. (until end of fiscal 2001) • Obligation for financial institutions 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 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> - Addition of securing of payment and settlements for failed financial institutions to the purposes of the Deposit Insurance Law - Full protection for payment and settlement deposits (as a permanent measure) - Guarantee for the completion of ongoing settlements - Addition of requirement that financial institutions implement systems for ensuring the smooth payment of insurance payouts for payment and settlement deposits | <ul style="list-style-type: none"> - Simplification for merger procedures - Capital reinforcement through the subscription of preferred shares - Lift of the upper limit of deposit insurance coverage (New limit for first year after merger: ¥10 million × number of financial institutions involved in the merger) |

Table 2. Development of Special Measures for Contracted Banks, Specified Contracted Banks and Claim Resolution Companies
(i) Measures 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 credit cooperatives | - 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 integral 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 <i>Jusen's</i> 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 |

(ii) Measures 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 disposition 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 <i>Jusen</i> 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 |

(iii) Measures Related to the Early Strengthening Law

| Early Strengthening Law enacted October 1998 | Amendment of May 2000 (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 |

(iv) Measures Related to the Special Measures Law for Strengthening Financial Functions

| June 2004 Special Measures Law for Strengthening Financial Functions |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| - Entrustment of subscription of shares to the contracted bank and purchase of beneficial interest in trust from the cooperative central financial institutions |
| - Compensation for losses incurred by the contracted bank |
| - Loan to the contracted bank |
| - Guarantee of borrowing the contracted bank |
| - Receipt of monies remitted by the contracted bank |

(v) Measures Related to the *Jusen* Law

| Original <i>Jusen</i> Law June 1996 (Enforced from June 21, 1996) | Amendment of April 1998 (Enforced from April 10, 1998) | 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 <i>Jusen</i> 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 3. Insurance Premium Rates

| | | Ordinary Premium Rate (1) | Special Premium Rate* (2) | |
|---------------------------------|-------------------------------|---------------------------|---------------------------|-----------------|
| On launch of the system in 1971 | | 0.006% | - | |
| FY1982 | | 0.008% | - | |
| FY1986 | | 0.012% | - | Total (1) + (2) |
| 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% | | |
| from FY2003 | Payment & Settlement Deposits | 0.090% | - | |
| | General Deposits | 0.080% | | |

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

Table 4. 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 <i>Jusen</i> borrower |
| Aug. 2 | • Investigation on the assets of Sueno Kosan |
| Aug. 5 | • Submitted “Basic Agreement Concerning the Disposal of <i>Jusen</i> 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 | <ul style="list-style-type: none"> • Establishment of Liability Investigation Committee |
| Feb. 23 | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • Subscription of preferred shares, etc issued by financial institutions under the Financial Function Stabilization Law |
| Apr. 1 | <ul style="list-style-type: none"> • Establishment of Osaka Deposit Insurance Department |
| Oct. 23 | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • New Executives appointed for LTCB (under special public management) |
| Dec. 25 | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • Establishment of the RCC through merger between the HLAC and the RCB • Establishment of Sapporo Office of Special Investigation Department |
| Apr. 11 | <ul style="list-style-type: none"> • Appointed as a financial administrator for Kokumin Bank |
| May 22 | <ul style="list-style-type: none"> • Appointed as a financial administrator for Kofuku Bank |
| June 9 | <ul style="list-style-type: none"> • Establishment of Purchase Price Examination Board |
| June 12 | <ul style="list-style-type: none"> • Appointed as a financial administrator for Tokyo Sowa Bank |
| Aug. 7 | <ul style="list-style-type: none"> • Appointed as a financial administrator for Namihaya Bank |
| Sep. 28 | <ul style="list-style-type: none"> • Memorandum on the Transfer of the LTCB signed by DICJ, New LTCB Partners and LTCB |
| Sep. 29 | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • Appointed as a financial administrator for Niigata Chuo Bank |
| Nov. 19 | <ul style="list-style-type: none"> • Appointed as a financial administrator for Nichinan Shinkin Bank |
| Nov. 29 | <ul style="list-style-type: none"> • 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 of Kofuku Bank signed 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 with 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 was 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 |

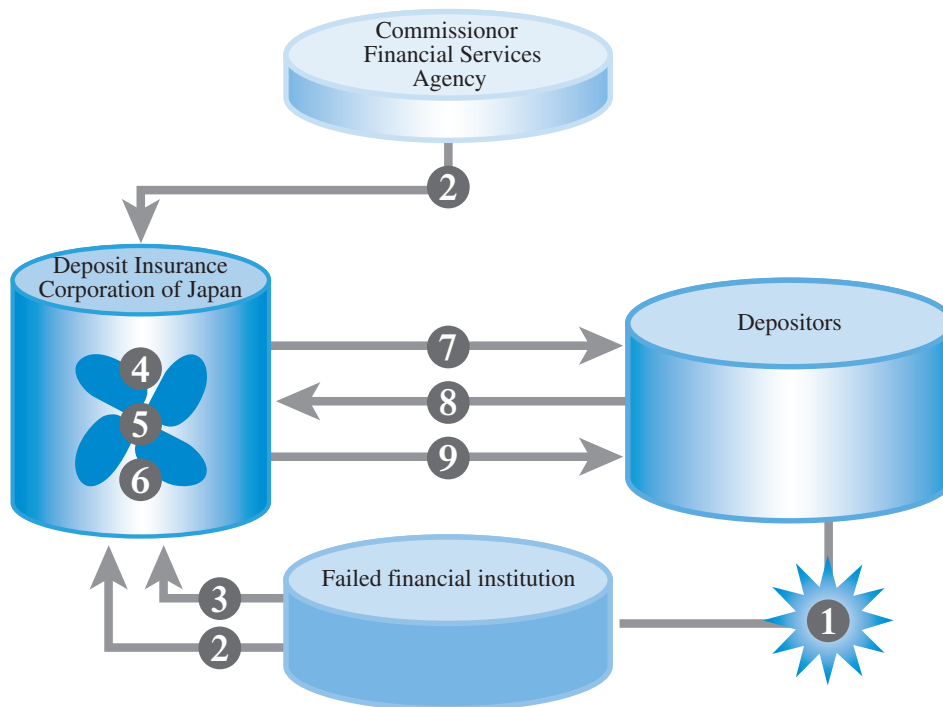
Year 2003

| | |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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. 10 | • The investment of ¥49.4 billion to establish the Industrial Revitalization Corporation of Japan (Established on April 16) approved at a Policy Board meeting. |
| Jun. 30 | • Capital subscription to Resona Bank based on the Deposit Insurance Law (Response to Financial Crisis) |
| Jul. 1 | • Inspection Department established |
| Sep. 9 | • Approval for advanced repayment of perpetual subordinated bonds from Mizuho Trust & Banking (¥50 billion out of the remaining ¥100 billion). (Completed on Sep. 30, 2003.) |
| Sep. 12 | • Approval for transfers of preferred stocks (¥8 billion) from Kansai Sawayaka Bank. (Completed on Oct. 3, 2003.) |
| Sep. 24 | • Capital injections to financial institutions based on the Special Measures Law for the Promotion of Organizational Restructuring (¥6 billion to Kanto Tsukuba Bank). |
| Sep. 26 | • Preferred stocks of the Hokuriku Bank were transferred to Hokugin Financial Group, established through stock transfers. |
| Sep. 29 | • Purchases of assets from sound financial institutions (with a book value of ¥123.2 billion from 51 financial institutions). |
| Oct. 16 | • Study Group on Deposit Insurance Premium was established. |
| Dec. 1 | • As a crisis response measure stipulated in the Deposit Insurance Law, all shares of The Ashikaga Bank were acquired (Bank under Special Crisis Management). |
| Dec. 25 | • Cancellation by purchase of subordinated bonds from Kansai Sawayaka Bank (¥4 billion) was approved. (Completed on January 8, 2004.) |
| Dec. 26 | • Purchases of assets from sound financial institutions (with a book value of ¥52.5 billion from 21 financial institutions). |

Year 2004

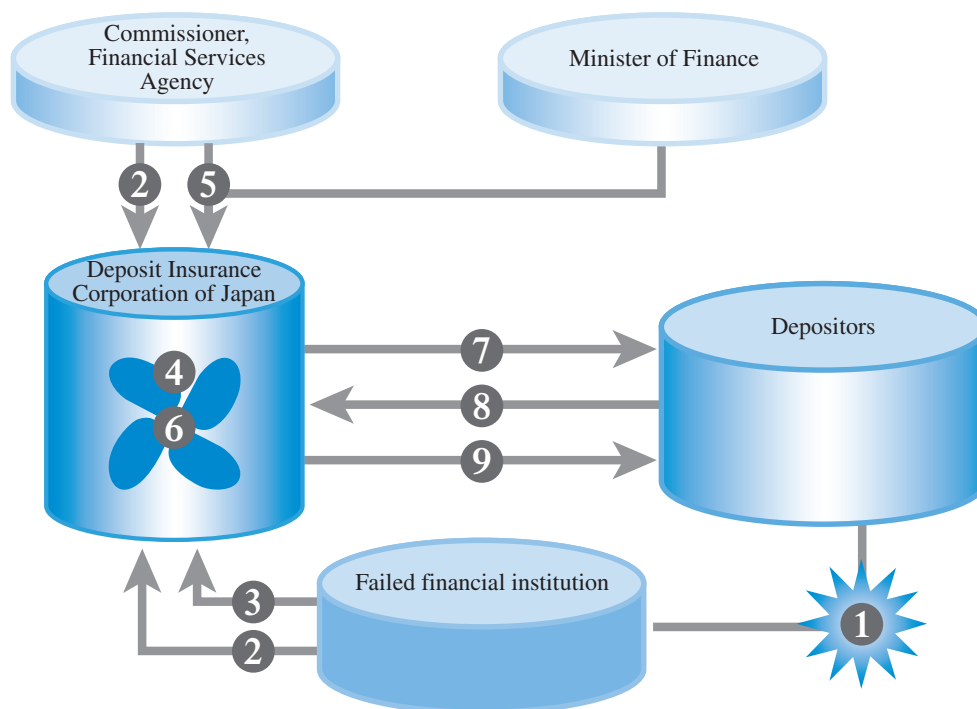
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|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Jan. 7 | <ul style="list-style-type: none"> • Approval for disposal of preferred stocks (¥100 billion) and subordinated bonds (¥100 billion) of the Sumitomo Trust & Banking by resale to third parties and cancellation by purchase to third parties. (Completed on January 13-14, 2004.) |
| Feb. 26 | <ul style="list-style-type: none"> • At a Policy Board meeting, the investment of ¥2.12 billion to establish The Second Bridge Bank of Japan, Ltd. was approved (Established on March 1.) |
| Mar. 18-19 | <ul style="list-style-type: none"> • The International Seminar on Deposit Insurance held at Kyoto. |
| Mar. 23 | <ul style="list-style-type: none"> • Approval was granted for advanced repayment and discretionary reimbursement of 6 subordinated bonds (¥605 billion) and 2 subordinated loans (¥60 billion) from Mizuho Financial Group, the Ashikaga Bank, Mitsui Trust Holdings and the Bank of Yokohama. (Completed on March 30-31, 2004.) |
| Mar. 26 | <ul style="list-style-type: none"> • Purchases of assets from sound financial institutions (with a book value of ¥179.4 billion from 62 financial institutions). |
| Apr. 9 | <ul style="list-style-type: none"> • Approval for discretionary reimbursement of subordinated loans (¥50 billion) from the Bank of Yokohama. (Completed on May 11, 2004.) |
| Jun. 1 | <ul style="list-style-type: none"> • Divestment Price Examination Board was established. |
| Jun.28 | <ul style="list-style-type: none"> • Approval for cancellation by purchase of preferred stocks of the Bank of Yokohama (¥30 billion). (Completed on July 2, 2004.) |

Figure 1. Insurance Payment Flow Chart



- ① 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)
- ② Notification of contingency (failed financial institution → DICJ, or Commissioner of FSA → DICJ)
- ③ Submission of data on depositors using the "DICJ prescribed format" (failed financial institution → DICJ)
- ④ Calculation of the insurance (DICJ)
- ⑤ 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
- ⑥ Public Announcements (DICJ)
- ⑦ Insurance Payment Notification (DICJ → depositors)
- ⑧ Claim for the insurance payment (depositors → DICJ)
- ⑨ Payment of the insurance (DICJ → depositors)

Figure 2. Estimated Proceeds Payment Flow Chart



- ① 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)
- ② Notification of contingency (failed financial institution→DICJ, or Commissioner of FSA→DICJ)
- ③ Submission of data on depositors in the “DICJ prescribed format” (failed financial institution→DICJ)
- ④ Decision on purchases and estimated proceeds payment rate (DICJ)
- ⑤ Approval of estimated proceeds payment rate (Commissioner of FSA & Minister of Finance→DICJ)
- ⑥ Public Announcement (DICJ)
- ⑦ Purchase Notification (DICJ→depositors)
- ⑧ Claim for the purchase (depositors→DICJ)
- ⑨ Purchase of deposits and other claims (estimated proceeds payment) (DICJ→depositors)

Figure 3. Flow of Failure Processing under the Limited Coverage

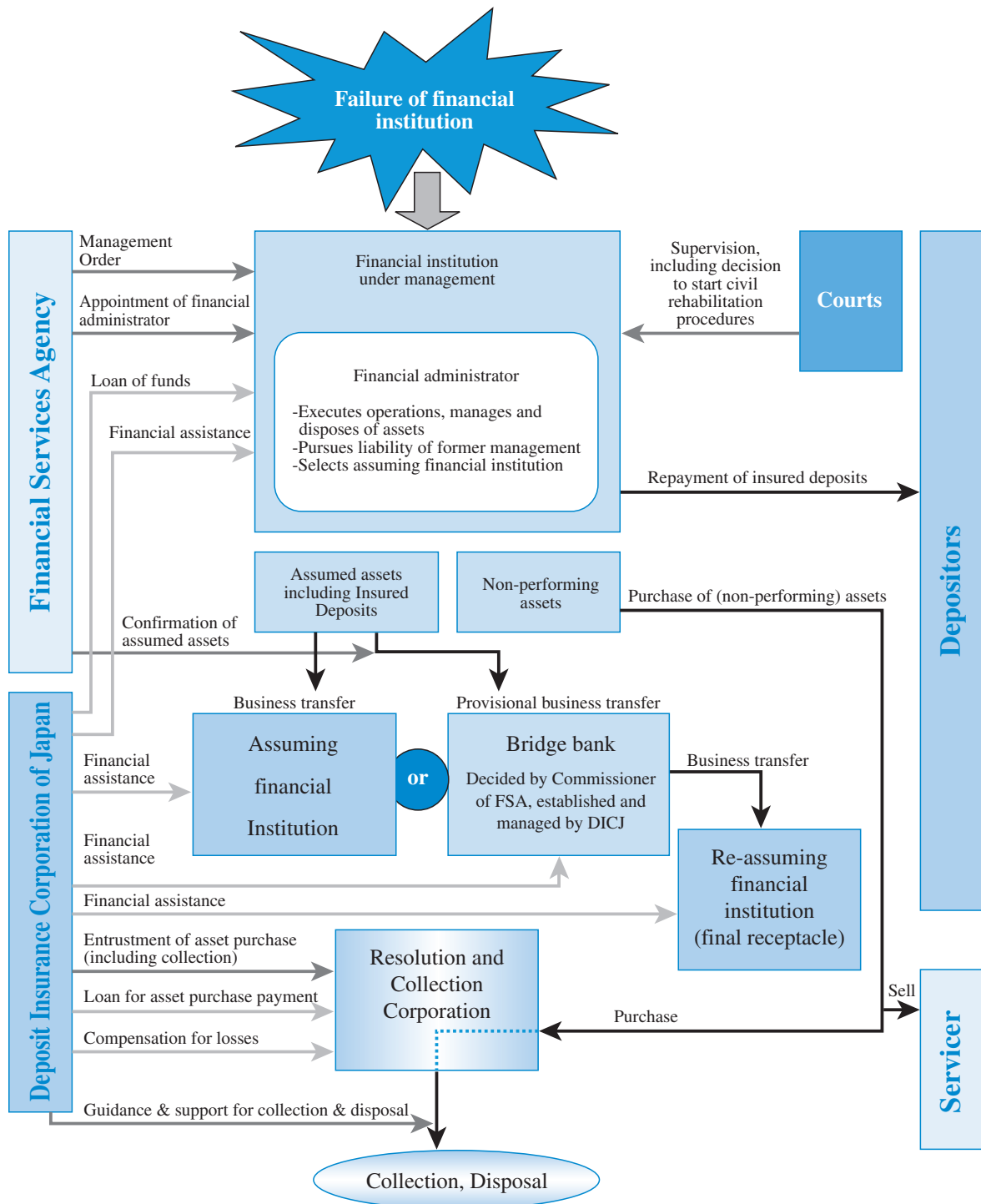
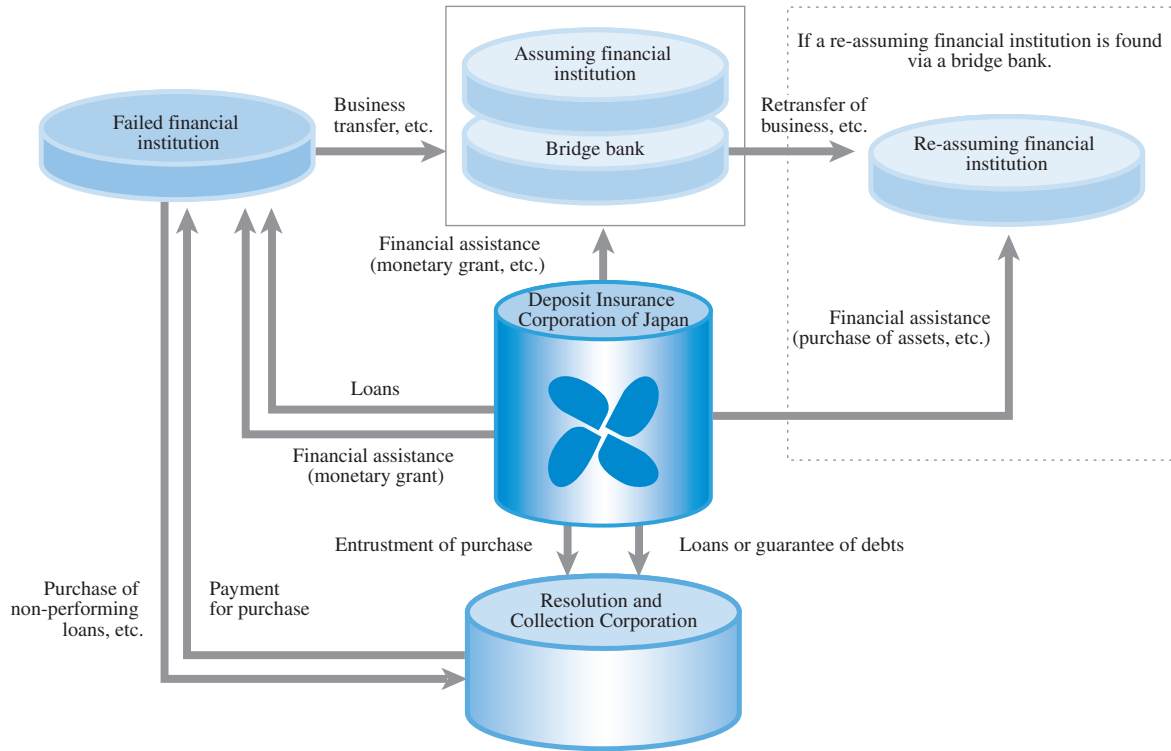


Figure 4. Scheme of Financial Assistance

(i) Ordinary Financial Assistance



(ii) Financial Assistance when Facing a Financial Crisis (Example of measures under subparagraph 2)

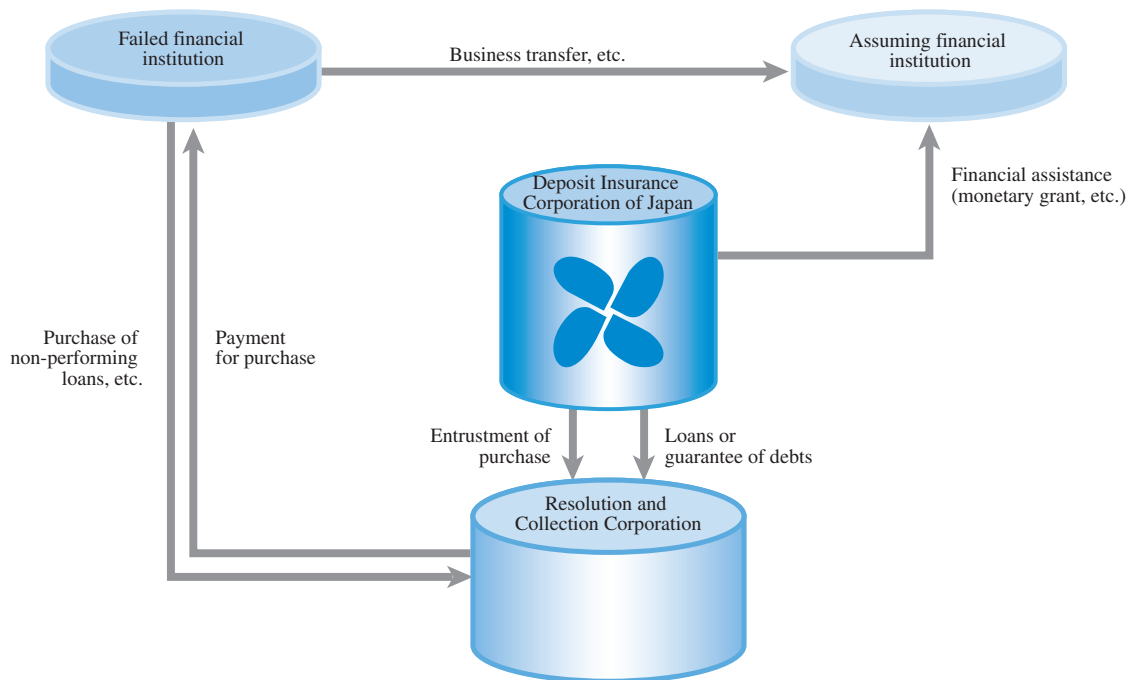
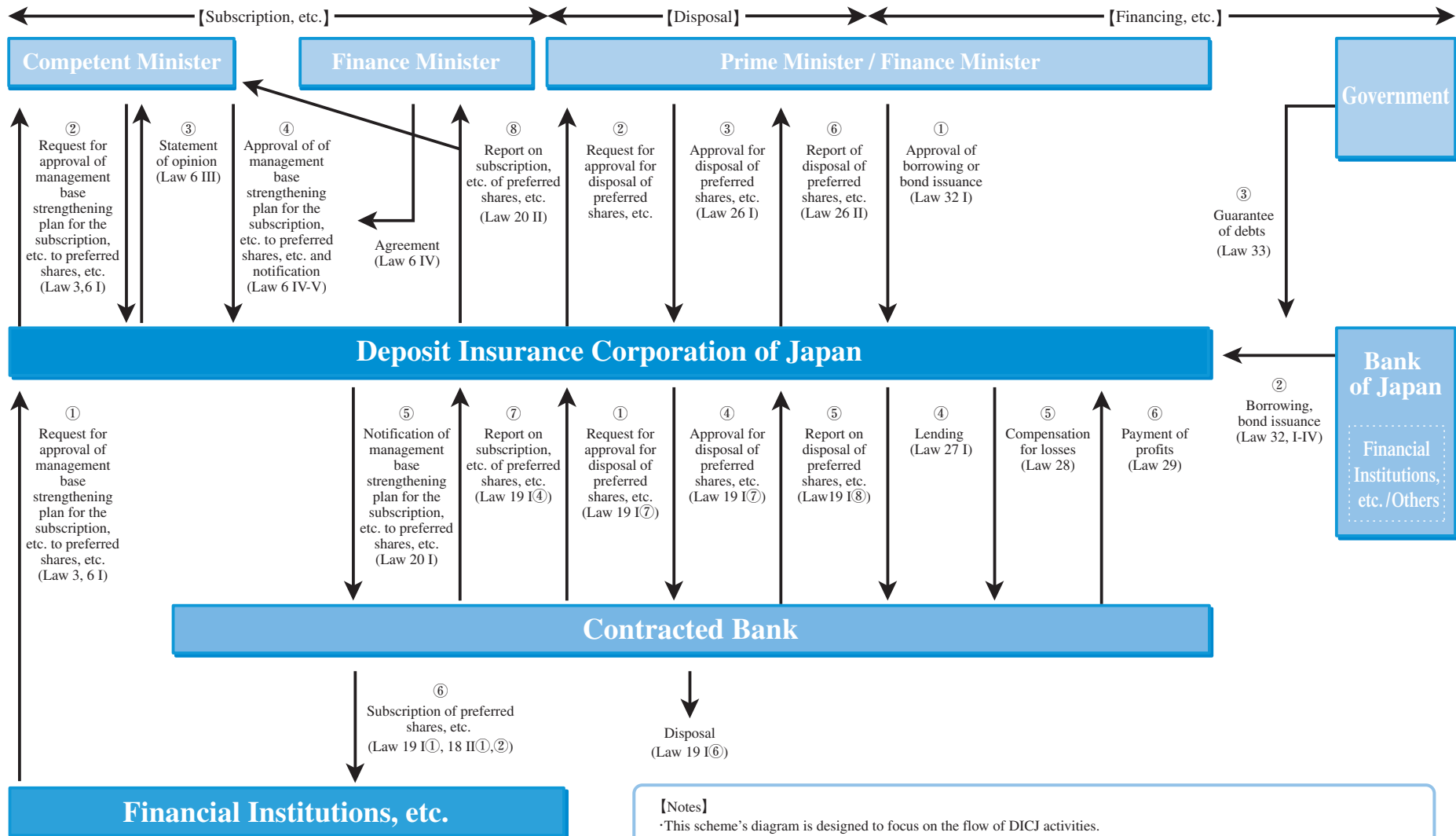


Figure 5. Capital Injection Schemes for Financial Institutions (Schemes based on the Special Measures Law for the Promotion of the Organizational Reform of Financial Institutions)

(i) Subscription of Preferred Shares, etc.



【Notes】

- This scheme's diagram is designed to focus on the flow of DICJ activities.
- The competent minister follows up on the conditions of execution of the operational strengthening plan.
- The DICJ, besides loaning funds to the contracted banks, can also act as guarantor for debts arising from the contract banks' borrowings.
- Items in parentheses are basic regulations, and "Law" refers to the Special Measures Law for the Promotion of the Organizational Reform of Financial Institutions. Arabic numerals show the article number, roman numerals (capital letters) show the paragraph number, and circled numerals show the subparagraph number.

(ii) Schemes for Purchasing Trust Beneficiary Rights, etc.

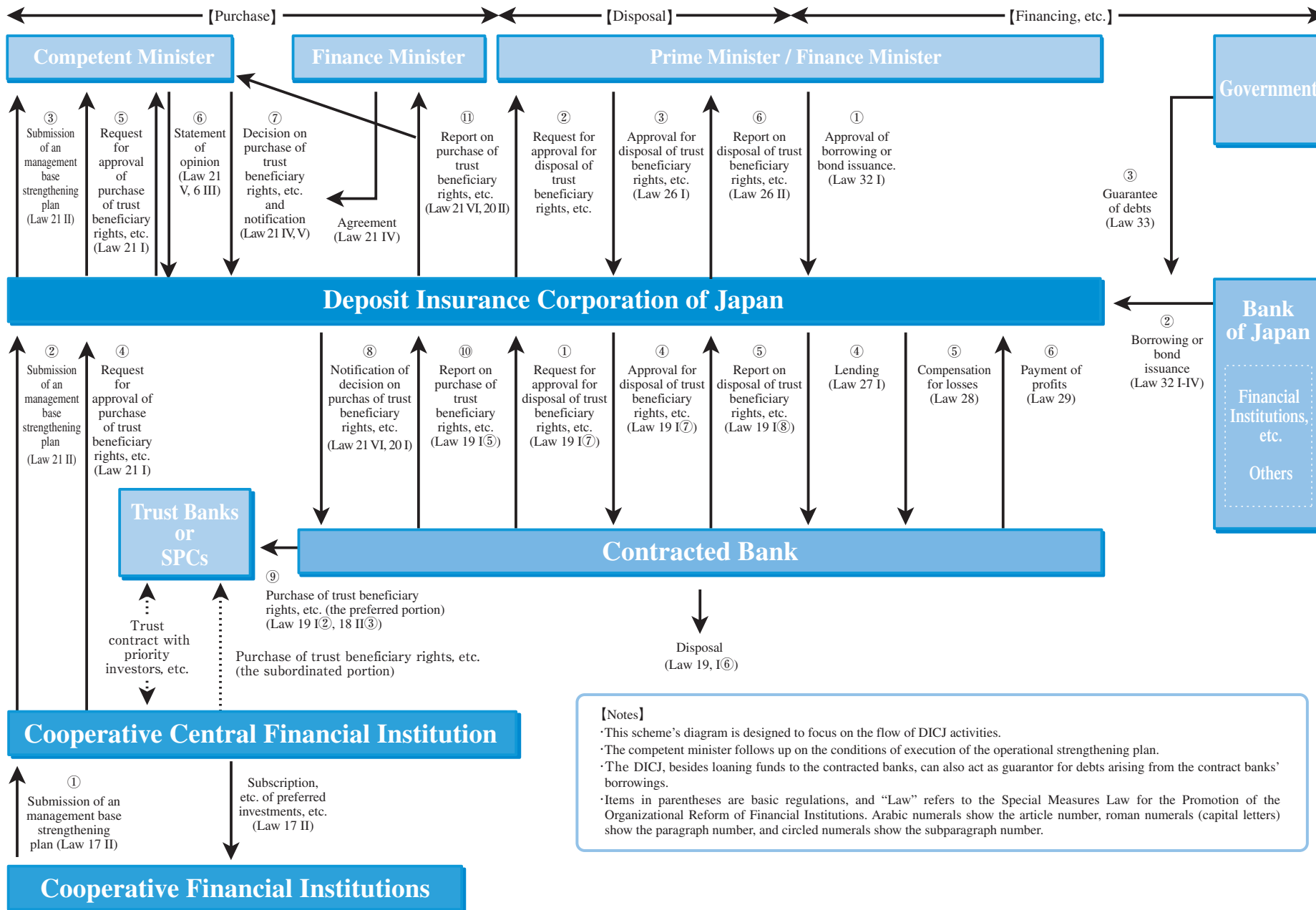


Figure 6. System of Liability Pursuit

Deposit Insurance Corporation of Japan

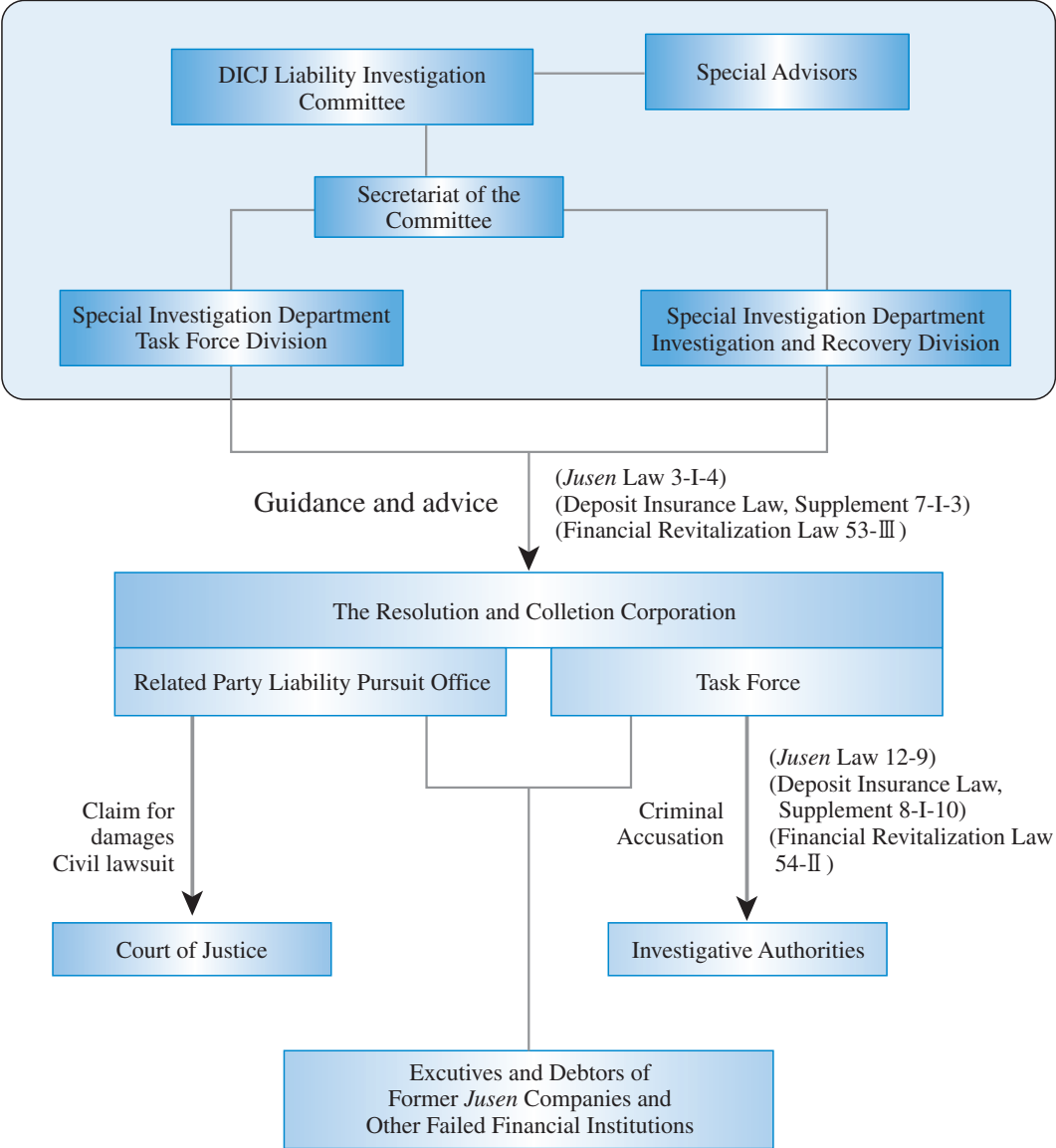
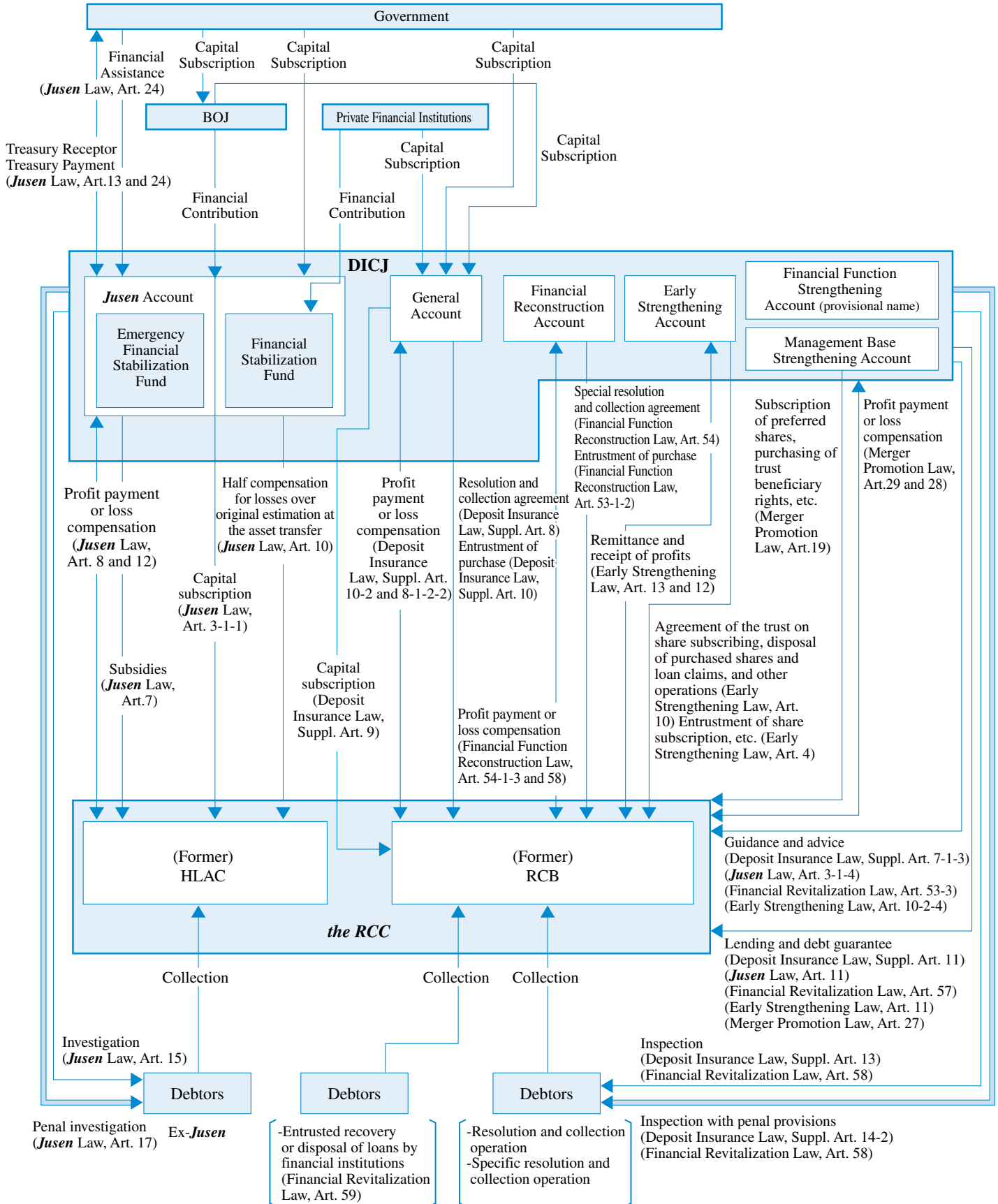


Figure 7. Relationship between the DICJ and the RCC Concerning Collection Operations



I. OPERATIONAL HIGHLIGHTS IN FY2003

1. Failure of Financial Institutions

Only one financial institution, the Ashikaga Bank, Ltd. failed during FY2003. This was the first failure since the partial lift of born on the payout was implemented (in April 2002). Furthermore, the Ashikaga Bank, Ltd. was applied the special crisis management measures stipulated in Article 102, Paragraph 1, Subparagraph 3 of the Deposit Insurance Law (see I.5 “Response to Financial Crises (Deposit Insurance Law, Article 102)).

| 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 |
| 2003 | 1 | 1 | 0 | 0 |

2. Failure Resolution System under Limited Coverage

Methods for resolving the failure of a financial institution include a method of paying the insurance money directly to each depositor, etc. (straight deposit payout) and a method of transferring, in whole or in part, the operation (business) of the failed financial institution to an assuming financial institutions and providing financial assistance to such institutions (the financial assistance method). However, in the Financial System Council report of December 1999, the basic policy for resolution of failed institutions was specified as follows: “If a financial institution fails, it is necessary to select the resolution method which has the prospect of having the lowest cost required for resolving the failure, as well as to make every effort to minimize the confusion accompanying the failure. As a method for treating the failure of a financial institution, the choice of the financial assistance method is favorable and insurance payout should be avoided as much as possible.”

After the transition to limited coverage of the time

deposits, etc. beginning in FY2002, no financial institution has failed (except for one case where full deposits, etc. were protected as a result of measures in response to a financial crisis). Even under limited coverage scheme, the financial assistance method, just as in the case of full protection, is superior to the the straight deposit payout, but in case of non-insured deposits or obligations in general, reimbursement depends on the state of assets of the failed financial institution. Therefore, in order to maintain fairness to depositors and creditors, and to prevent an outflow of assets, it is necessary to introduce some restrictions on the business of the financial institution and preserve its assets. For that reason, failure resolution under the limited coverage scheme is subject to the Bankruptcy Laws under the supervision of the courts, and has time restricted nature. Accordingly, failure resolution under limited coverage involves more difficulties than under the full deposit protection.

The DICJ is in the process of deliberating the failure resolution schemes under the limited coverage and its operations as a financial administrator as below.

(1) Outline of Basic Scheme

The premise of this scheme is that assuming financial institutions cannot be determined before failure occurs, and suppose the case that sufficient advance preparations cannot be made, such as fixing the amount of insured deposits (name-based aggregation), distinguishing of assets, etc.

- (i) Immediately after a failure, a basic agreement concerning transfer of business, which stipulates “to transfer of insured deposits, settlement operations and sound assets to a bridge bank with a target of six months for completion,” is to be concluded between the failed financial institution and the bridge bank (see III. 10, “Bridge Bank of Japan and the Second Bridge Bank of Japan”). The bridge bank is a provisional assuming financial institution, and it is presumed that it will act as the “bridge” to a final assuming financial institution after transfer of business, with the target of six months period.
- (ii) The failed financial institution applies for the start of civil recovery proceedings and after the work of securing assured deposits completed, insured deposits are to be repaid, and settlement and loan operations will be resumed.
- (iii) In addition, sorting of assets is carried out and insured deposits and sound assets are transferred

to the bridge bank within the target period of six months, but other deposits and obligations to ordinary creditors will be reimbursed based on the civil recovery plan, depending on the remaining assets of the failed institution.

(2) Assumed operations of a financial administrator

- (i) Since there have been many instances of financial institutions failures at the later part of week, it is assumption that a failure will occur on a Friday. At the time the institution fails, the Commissioner of the FSA issues a decision to make such institution subject to an order for management and a financial administrator (the DICJ is supposed to be most suitable) is appointed.
- (ii) Immediately after the failure, the failed financial institution and the bridge bank conclude a basic agreement concerning transfer of business.
- (iii) Application is made for the start of civil recovery proceedings.
- (iv) On Saturday and Sunday, preparations are made towards the reopening for business on Monday.
 - Closing off all outside channels, and identification of insured deposits through aggregating deposits held by same depositor, preparations for payment of insured deposits, extracting of settlement obligations which are not protected, preparations for the new operations such as offsetting by contacting depositors, and others.
 - Briefing for the employees of the failed financial institution concerning the future operational system, etc.
 - Review of the management system and review of the various products offered.
 - Review of loan standards.
 - Thorough publicity for the purpose of eliminating customer confusion.
- (v) Payment of insured deposits, settlement operation and loan business are resumed on Monday. This would prevent confusion at the bank counter.
- (vi) Categorization of assets such as loans, etc.
- (vii) Transfer of insured deposits and sound assets to the bridge bank with a target date of six months later, and disposition of non-performing assets by selling them to servicers or entrusting their purchase to the RCC.
- (viii) Approximately one year later, remaining assets of the failed financial institution are to be reimbursed based on the recovery plan.
- (ix) In the meantime, there would be many tasks to perform with the courts, the relevant financial authorities, related external organs and the DICJ as opposite parties.

3. Operations as a Financial Administrator

When the Commissioner of the FSA issues an order to manage the business and assets of the financial institution by a financial administrator, the DICJ may be appointed as a financial administrator. In FY2003, there was no order for public management being called and the DICJ did not act as a financial administrator.

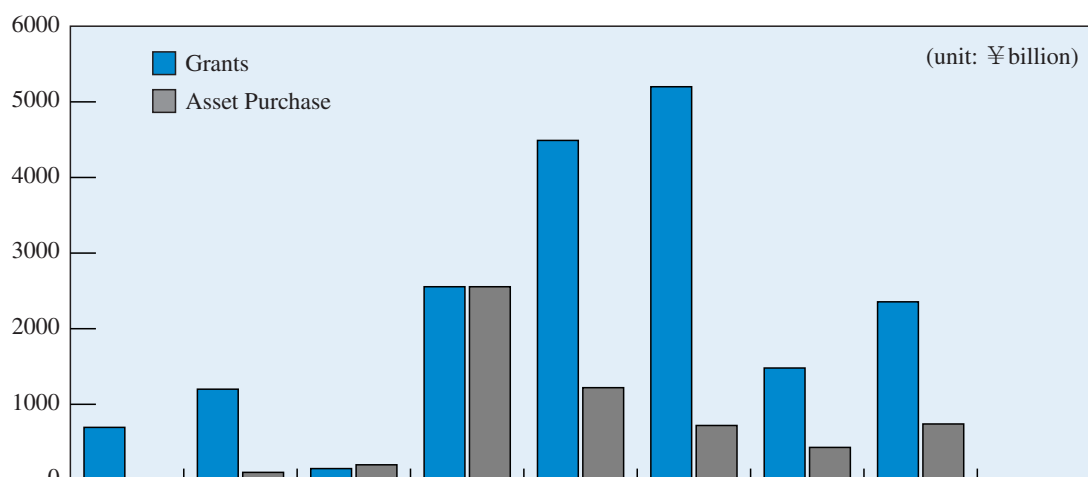
4. Financial Assistance

(1) Financial Assistance in FY2003

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”.

There was no financial assistance newly implemented during FY2003, which was for the first time in 12 years since 1991. As of the end of June 2004, financial assistance has not been extended to the Ashikaga Bank, Ltd. which failed in November 2003.

Chart 1 Trends in Performance of Financial Assistance *1



(Unit: no. of cases)

| Fiscal Year | 1991-1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---------------------|-----------|------|------|------|------|------|------|------|------|
| Total | 9 | 6 | 7 | 30 | 20 | 20 | 37 | 51 | 0 |
| Banks | 2 | 1 | 1 | 5 | 3 | 4 | 2 | 2 | 0 |
| Shinkin banks | 2 | 0 | 0 | 0 | 2 | 10 | 7 | 6 | 0 |
| Credit cooperatives | 5 | 5 | 6 | 25 | 15 | 6 | 28 | 43 | 0 |

*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).

(2) Financial Assistance Provided Under the Blanket Guarantee Scheme (As of June 17, 2004)

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 ¥17,789.6 billion in grants and ¥6,366.3 billion in asset purchases.

Financial Assistance Under the Blanket Guarantee Scheme

(Unit: no. of cases, ¥billion)

| | Total Financial Assistance Cases | Grants | | Asset Purchases | | Debt Assumption | |
|---------------------|----------------------------------|--------|----------|-----------------|---------|-----------------|-----|
| Banks | 17 | 14 | 11,736.7 | 17 | 4,575.8 | 1 | 4.0 |
| Shinkin Banks | 25 | 25 | 927.5 | 25 | 550.0 | - | - |
| Credit Cooperatives | 127 | 127 | 5,125.4 | 125 | 1,240.6 | - | - |
| Total | 169 | 166 | 17,789.6 | 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.

5. Response to Financial Crisis (Deposit Insurance Law Article 102)

As a measure of response to a financial crisis, when the Prime Minister deems that extraordinary measures are necessary pursuant to Article 102 of the Deposit Insurance Law, the DICJ can subscribe the institution's shares, etc. (capital injection) or acquire them (special crisis management) or take any other actions in response.

Achievements of such actions taken in FY2003 were as follows:

* Resona Bank, Ltd

Through a meeting of the Financial System Management Council held on May 17, 2003, the Prime Minister acknowledged the necessity of the capital injection (measure under subparagraph 1) pursuant to Article 102, Paragraph 1 of the Deposit Insurance Law, with respect to Resona Bank, Ltd. In accordance with this acknowledgement, Resona Bank, Ltd 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 of the same year.

Based on this approval, the DICJ carried out a capital injection to Resona Bank, Ltd with a total value of ¥1,960.0 billion in subscribing preferred and common shares on June 30 of the same year, and these were exchanged for shares issued by Resona Holdings on August 7 of the same year (see Appendix 1. (2) Table 3, "List of Capital Injections pursuant to the Deposit Insurance Law" (Response to Financial Crisis)).

* The Ashikaga Bank, Ltd.

Through a meeting of the Financial System Management Council held on November 29, 2003, the Prime Minister acknowledged the necessity of the special crisis management (measure under subparagraph 3) pursuant to Article 102, Paragraph 1 of the Deposit Insurance Law, with respect to the Ashikaga Bank, Ltd. In accordance with this acknowledgement, it was decided by the Commissioner of the FSA (decision on implementing Special Crisis Management) that the DICJ would acquire shares from the Ashikaga Bank, Ltd. and on December 1 of the same year, upon public notices of the transaction, the DICJ acquired the Ashikaga Bank, Ltd. shares.

The DICJ also made selection of a new management (directors and auditors) nominated by the Commissioner of the FSA on December 16 and 25 of the same year.

6. 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 a contracted bank such as "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 etc.

(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") has terminated at 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 etc in the amount of ¥10,420.9 billion.

Furthermore, up to July 2, 2004, the DICJ received applications from various financial institutions, through the contracted bank, for transfers or other disposals etc. Applications were submitted for the shares etc subscribed under the Financial Function Stabilization Law, of which subordinated bonds (total value: ¥1,055.0 billion) and subordinated loans (total value: ¥94.6 billion), as well as shares etc subscribed under the Early Strengthening Law, of which preferred shares (total value: ¥338.0 billion), subordinated bonds (total value: ¥554.0 billion) and subordinated loans (total value: ¥110.0 billion). The DICJ granted approval for such requests by the contracted banks.

Consequently, as of July 2, 2004, the net outstanding balance of shares etc held under the Early Strengthening Law was ¥7,603.3 billion and, under the Financial Function Stabilization Law, ¥666.0 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 the Organizational Restructuring

The Special Measures Law for the Promotion of the

Organizational Restructuring of Financial Institutions 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 the Kanto Bank, Ltd. and the Tsukuba Bank, Ltd. (known as the Kanto Tsukuba Bank, Ltd. as of April 1, 2003), was approved. On September 24 of that year, the DICJ granted a subordinated loan of ¥6.0 billion to the new bank (see Appendix 1. (2) Table 4, “List of Capital Injections pursuant to the Special Measures Law for the Promotion of the Organizational Restructuring”).

(3) Deposit Insurance Law

Under the Deposit Insurance Law, the DICJ is authorized to subscribe shares, etc. in response to a financial crisis (Article 102 of the Deposit Insurance Law). It is also 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.

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.

(4) Financial Function Strengthening Law

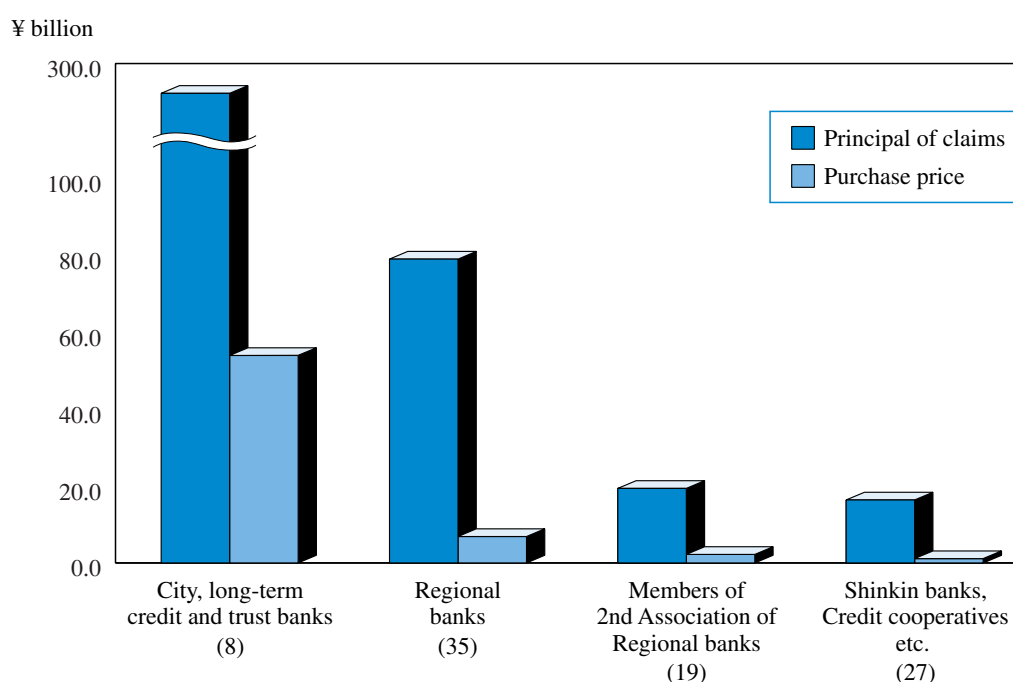
For the purpose of revitalizing regional economies, maintaining the financial system, and promoting healthy development of the national economy through the capital participation in financial institutions by the government, the “Law Concerning Special Measures for Strengthening Financial Functions” was enacted by the 159th Diet.

Through the provisions of this law, it became possible for financial institutions, etc. to apply to the DICJ for subscription of shares, etc. until March 31, 2008.

7. 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 after consulting the Purchase Price Examination Board and with the

Chart 2 Asset Purchases from Sound Financial Institutions, etc., under Article 53 of the Financial Revitalization Law in FY2003 (based on the purchase implementation date)



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

approval of the Prime Minister (or the Financial Reconstruction Commission until its abolition in January 2001)*.

When the Financial Revitalization Law was first enacted, the deadline of requests for asset purchases was set at the end of March 2001. However, as one of the measures for resolving non-performing loan problem and other problems of financial institutions incorporated in the “Emergency Economic Package,” in June 2001, this deadline was extended to the end of March 2004 for sound financial institutions.

In January 2002, based on the results of the government’s “Advanced Reform Program” (October 26, 2001), etc. in order to accelerate processing of non-performing loans of financial institutions, etc. even more, the price calculation method was made flexible to purchase non-performing loans at the market value, and purchasing methods were diversified through making it possible to participate in bidding. In addition, regulations related to handling purchased non-performing loans were reformulated in the contract between the DICJ and the RCC (concretely, (i) the disposal methods were diversified, (ii) a goal of three years was set for collection and disposal, and (iii) the possibility of debtors to recover should be determined speedily and efforts for the quick recovery should be made).

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

The effect of these reforms and the increasing active write-off of non-performing loans from balance sheets of financial institutions resulted in increases in purchases in FY2002, and since then, a considerable number of financial institutions are using this system.

* The DICJ besides lending funds necessary to perform its relevant duties, also receives and otherwise handles profits generated by the special contracted bank (RCC) which the DICJ entrusts asset purchase operations to.

8. 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 for the operations of the RCC. The aims of such guidance and advice is to assist 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 cover a wide range including support for recovery operations by uncovering hidden assets (see I. 10 “Asset Investigations”), as well as pursuit of the civil and/or criminal liability of persons involved (see I. 11 “Pursuit of Liability”), making full use of the investigative powers entrusted to the DICJ.

In FY2003, debts totaling ¥911.8 billion were recovered. This amount included ¥139.4 billion (cumulative total of ¥2,858.0 billion since the merger to create the RCC) for the Housing Loan Administration Corporation (referred to below as the HLAC) and ¥772.4 billion (cumulative total of ¥4,255.9 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).

In addition to conventional debt collection methods, attempts are being made to make collection methods more diversified and maximize collection results by using corporate revitalization methods (see I. 9 “Measures for Corporate Revitalization”) and utilizing methods of claim sales and securitization, etc.

Claim sales and securitizations are 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 short-term. It also calls for the strengthening of securitization capabilities. As a result, the DICJ and the 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.

In accordance with the above policy, a method for bulk sales of multiple claims through bidding was introduced in the end of FY2002. In FY2003, bulk sales of properties were carried out with a total book value of ¥361.8 billion owed by 2,033 debtors (cumulative total: ¥625.6 billion).

In FY2003, securitizing of debts using RCC's trust functions (RCC trust series which combined non-performing debts of the RCC and non-performing debts of financial institutions and securitized them) also resulted in ¥346.2 billion worth of non-performing debts owned by the RCC being securitized.

Furthermore, using trust functions, the RCC is promoting the smooth resolution of non-performing loans and working to revitalize companies. Up to the end of FY2003, the total original book value of non-performing debts received in trust (including contributions by the RCC) was ¥1,800.0 billion.

Claim Sales (original book value of debts)

(Unit: ¥billion)

| Fiscal year | 1999 | 2000 | 2001 | 2002 | 2003 | Accumulated Total |
|------------------|------|------|-------|-------|---------|-------------------|
| Individual Sales | 0.3 | 95.2 | 133.9 | 220.4 | 354.2 | 804.0 |
| Securitization | - | - | 32.3 | 109.6 | 346.2 | 488.1 |
| Bulk Sales | - | - | - | 263.8 | 361.8 | 625.6 |
| Total | 0.3 | 95.2 | 166.2 | 593.8 | 1,062.2 | 1,917.7 |

(Note) Some totals may not tally as the individual amounts have been rounded off.

(2) Real estate management and disposal, etc.

The DICJ works to properly manage real estates 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.

1) Sale of real estate holdings

(i) Total sales

In FY2003, the RCC sold 815 properties (including real estate that was previously owned by the former Hanwa Bank and administered by the RCC) for a total of ¥42.4 billion. Since the number of sales is counted as the number of bulk sales (sales as sets) conducted, the actual number of sales conducted greatly increased over the previous year's sales. The amount of sales also exceeded the previous year's sales due to the increase in the number of low value properties which were sold and the number of high value properties which were securitized, etc.

With the addition of FY2003 results, cumulative sales

results now stand at 3,257 properties (including those transferred to the HLAC and the RCB; the same also applies below) worth a total of approximately ¥270.4 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, in principle, have been sold through a bidding process. Since it was attempted to accelerate sales of low value properties in FY2003 by pooling and selling them as sets, sales results using the bidding method increased greatly over the previous year, with 131 properties worth ¥11.9 billion being sold. The cumulative total of sales via a bidding process now stands at 177 properties with a value of ¥55.6 billion.

(iii) Sale as land for official or public use

In FY2003, the RCC sold 35 real estate holdings and mortgages as land for official or public use. These sales had a total value of ¥1.2 billion and brought the cumulative total of assets sold as land for official or public use to 425 properties worth a total of ¥59.3 billion.

2) Securitization

At the RCC, measures to carry out collections by securitization of real estate holdings began in FY2000, and with the former headquarters building (Landic Otemachi Building) of the former Long-Term Credit Bank of Japan being securitized in FY2001 (the scale of securitization was around ¥40 billion). This was followed in FY2002 by five property collaterals, including the head office building of the former Nippon Credit Bank, were securitized (the scale of securitization was approximately ¥40

Property Sales

(No. of Properties, ¥million)

| Fiscal year | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | Accumulated Total |
|-------------|-------|--------|--------|--------|--------|--------|--------|--------|-------------------|
| Properties | 24 | 147 | 510 | 486 | 266 | 393 | 616 | 815 | 3,257 |
| Sale Value | 4,275 | 10,221 | 58,409 | 47,377 | 26,112 | 50,013 | 31,557 | 42,421 | 270,385 |

billion). Then in October 2003, 23 properties of real estate owned by the RCC and one property of collateral real estate, most of the 24 properties being office buildings, were securitized (with a securitization scale of approximately ¥20 billion).

9. Measures for Corporate Revitalization

(1) Resolution and Collection Corporation (RCC)

(i) Corporate Revitalization by the RCC

In response to the Basic Policies for Economic and Fiscal Management and Structural Reform (the so-called “Honebuto” Policies) decided by the Cabinet on June 26, 2001, in November of that same year, the RCC launched its Headquarters for Corporate Revival, with the RCC president serving as the director, and a corporate revival department in charge of performing these activities was established. Moreover, an organizational structure was arranged to incorporate the corporate revival, and since that time, its functions have been strengthened and its organization enhanced based on various policies decided by the government (*).

(*) References

“Amendments to the Financial Revitalization Law” (December 2001) “Countermeasures for Deflation that Require Rapid Incorporation” (February 2002), “General Countermeasures for Accelerated Reform” and “Financial Revitalization Program” (October 2002), “Action Program Concerning Strengthening of Relationship Banking Functions” (March 2003)

(ii) Promoting System for Corporate Revitalization Activities at the RCC

Under the “Headquarters for Corporate Revival” established in November 2001, active departments involved in the revitalization (Corporate Revitalization Department No. 1 and Corporate Revitalization Department No. 2) were organized. In addition, measures were taken so that these revitalization departments can function more effectively by linking them closely with the Special Operations Department in charge of servicer operations, the Trust Business Department in charge of developing trust schemes, etc., and other departments such as the non-performing loan collection department. The Corporate Revitalization Study Organization was also established as an authority for judging expertly and objectively whether or not revitalization is possible, which is an advisory body of the Headquarters for Corporate Revival manager (President).

(iii) Corporate Revitalization Performance, etc.

Since the establishment of the Headquarters for Corporate Revival in November 2001, and up to March 2004, the RCC has been involved with 233 cases in the process of formulating revitalization plans (170 cases of private revitalization, 48 cases of legal revitalization and 15 cases with trusts and funds), and there are 184 cases of proposed candidates for revitalization.

Corporate Revitalization Utilizing Trusts and Funds

Through the “Honebuto Policies” announced by the Cabinet in June 2001, which “granted authorization to the RCC in the trust business to take the necessary measures by making it possible subscribe non-performing loans by the trust method, etc.,” and the subsequent licensing of the RCC to engage in the trust business in August of the same year, trust functions are being utilized in revitalization operations and revitalization methods are becoming more diversified (see IV. Appendix 1. (6) “Conditions of Corporate Revitalization Cases at the RCC”)

(2) Industrial Revitalization Corporation of Japan (IRCJ)

The IRCJ has the objective of revitalizing businesses in cases where an entity cannot perform at its original strength due to excessive debts, etc., while possessing an operational foundation with earning powers, and works to provide assistance to such corporations by purchasing non-performing loans owned by financial institutions, etc. As for actual revitalization of businesses, a study is made to the cases received in the application from the corporation and main bank, etc. in accordance with assistance regulations and procedures law, and finally, after hearing the opinion of the competent minister, the decision is made to offer assistance by the corporate revitalization committee (the decision to provide assistance has been granted in 16 cases since the end of May, 2004).

The DICJ, in order to assist the IRCJ for the smooth performance of its duties, holds tripartite meetings among the DICJ, the RCC and the IRCJ, and every effort is made to strengthen the close association of the three entities in the work of corporate revitalization.

10. Asset Investigations

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 FY2003, the DICJ investigated 311 cases and uncovered hidden assets worth ¥49.6 billion (Cumulative total since June

1996 is ¥558.9 billion).

Investigations mainly include investigations of the financial institution, on-site examinations of debtors and related sites and interviews of debtors and related persons, and if there is any obstruction or avoidance of the investigation, it may result in some penalties.

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 the safe deposit boxes leased under the name of a related company or a 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) a property next door to land which the RCC had collateral rights to was acquired, and then the area of that land was enlarged by changing the borders, encroaching on 60,000 square meters of the land which the RCC had collateral rights to; 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.

(Reference) Results of Investigations in FY2003

| All investigations | Of which, on-site examination | (Hidden) assets confirmed |
|--------------------|-------------------------------|---------------------------|
| 311 | 25 | ¥49.6 billion |

Note: The DICJ has three Special Investigation Divisions in each of the Special Investigation Department and Osaka Operation Department to enhance the system of asset investigation (as of July 2004).

These Special Investigation Divisions 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.

11. Pursuit of Liability

(1) Pursuit of criminal liability

The DICJ and the RCC brought 21 charges with law enforcement authorities against 50 persons during FY2003. This brings the total number of charges brought by the DICJ and other related authorities since June 1996 to 259 (against 534 persons).

Although no charges were brought against the executives of failed financial institutions, charges against debtors in pursuit of criminal liability have been filed in (1) seven cases of fraud, (2) six cases of auction interference and (3) six cases of obstruction of compulsory seizure. More specifically, in (1) 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); (2) the fairness of official auctions is impaired through the making of false declarations to court executors; and (3) assets are deliberately concealed or deceptively transferred in order to avoid compulsory execution of recovery. Among some particularly singular instances was a case where some doctors, who, just prior to the provisional seizure of medical examination fees, conveyed the bond in disguise to the former leading member of a right-wing group to obstruct the forced seizure. Another case involved an auction in which the leader of a "Boryokudan" used the force of his group to prevent the acquisition of the item purchased in the auction, obstructing the auction by intimidating the successful bidder.

(2) Pursuit of civil liability

The DICJ and the 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 the 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 prudential duty.

As of March 31, 2004, the DICJ and the RCC brought 120 suits against 475 defendants (including legal entities and 437 executives), demanding a total of approximately ¥124.7 billion in damages (see Appendix 1. (4) Pursuit of Civil Liability).

During FY2003, damages suits newly brought by the RCC numbered 14. These suits were brought against 37 defendants (including 37 executives) and claimed a total of approximately ¥3.9 billion.

12. 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, (1) the DICJ may conduct inspections to check “That payment of insurance premiums is being made properly” (subparagraph 1 of the same), (2) “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 (3) “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).

The DICJ began inspecting depositor name databases in August 2001 (inspection under subparagraph 2) and is rigorously undertaking the inspections in cooperation with the FSA in order to ensure and improve the accuracy of the depositor data.

In addition to the inspection on depositor name databases, the DICJ expanded its inspections to include insurance premiums confirmation (inspection under 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 (inspection under 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 and effectively performed.

The DICJ implemented on-site inspections in a total of 205 financial institutions, of which 39 conducted in the 2001 inspection year (July 2001 to June 2002), 66 in 2002, and 100 in 2003 (see Appendix 1. (7) On-Site Inspections Implementation).

13. Improvements of Depositor Name-Based Aggregation and Database

In the Deposit Insurance Law, Article 55 Paragraph 2 obligates financial institutions to provide their depositor data on magnetic tapes to the DICJ without delay in order that the DICJ may identify deposits held by the same depositor, and also requires each institution to maintain its depositor name-based aggregation system and database on a routine basis. Such systems and database maintained by financial institutions have been improved as a whole, but there are rooms where improvements still need for accuracy. So, the DICJ has been trying to promote and facilitate to improve their systems, as follows:

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

Concerning items pointed out by the DICJ when inspections are conducted, the FSA or Local Finance Bureaus, etc. requests a report from financial institutions on improvements based on Article 24 of the Banking Law and Article 136 of the Deposit Insurance Law, then conducts a hearing. If the consent of the agency or the bureaus, etc. is obtained in advance, the DICJ also joins such a hearing and gives institutions advices to ensure the improvements.

(2) Verifying systems of depositor data based on Article 37 of the Deposit Insurance Law

Since October 2003, in order that the name identification may proceed smoothly, each financial institution was requested to submit its depositor data in accordance with Article 37 of the Deposit Insurance Law. These data are then verified by DICJ’s system as to whether they con-

form to in the format specified by the DICJ.

(3) *Training, advices, etc.*

In accordance with problems revealed in on-site inspections or during the system verification of depositor data by the DICJ, and from the viewpoint of promoting maintenance of the depositor data and its systems, the DICJ notifies of each financial institution in documents any important points related to the maintenance, as well as it conducts training and promoting activities, such as sending lecturers to educational meetings held by the industry. In addition, in order to strengthen training and advisory activities with respect to individual financial institutions, an Advisory Service Division was established in July 2004.

14. 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, Financial Institutions' 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 ¥57.15 trillion for these six accounts is included in the government guarantee framework in the general provisions of the FY2004 budget).

As of the end of March 2004, funding totaled approximately ¥19.9 trillion (a decrease of approximately ¥1.0 trillion from the same time a year ago). Borrowings accounted for ¥4.2 trillion in the General Account, ¥2.0 trillion in the Crisis Management Account, ¥3.5 trillion in the Financial Reconstruction Account, ¥1.3 trillion in the Early Strengthening Account, and ¥6.1 billion in the Financial Institutions' Management Base Strengthening Account, bringing the total for these five accounts to approximately ¥10.9 trillion (all borrowings are from private-sector financial institutions). As for DICJ bonds (government guaranteed), the outstanding balance of issues stands at ¥9.0 trillion in a total of three accounts, consisting of ¥1.1 trillion for the General Account, ¥1.2 trillion for the Financial Reconstruction Account, and ¥6.7 trillion for the Early Strengthening Account.

* Up until FY2002, DICJ bonds were issued only for the Early Strengthening Account, but from FY2003

they are issued also for the General Account and Financial Reconstruction Account. In addition to 2-year and 4-year bonds, the DICJ will also issue 7-year bonds beginning in FY2003.

15. International Activities

(1) *International Association of Deposit Insurers (IADI)*

In May 2002, the International Association of Deposit Insurers (IADI) was established by deposit insurance institutions and related offices, etc. around the world. IADI's secretariat is placed in the Bank for International Settlement in Basel, Switzerland, and Mr. J. P. Sabourin, the chairman of the Canada Deposit Insurance Corporation (CDIC), was appointed as the first President of the Association and the first chairman of the Executive Council.

The purpose of IADI is to contribute to stabilization of the financial system through expanding mutual cooperation among the deposit insurance organizations operating in each country and other organizations concerning deposit insurance. In order to achieve this purpose, its major activities include (i) deeper understanding of common interests and problems related to the deposit insurance system, (ii) reinforcement of guidance for higher effectiveness of the deposit insurance system, (iii) exchanging and sharing, etc. of expertise and information concerning various problems with deposit insurance and (iv) carrying out research and investigation activities concerning the deposit insurance system, etc. (see Annex I IADI list of participants)

The DICJ participates in IADI as an establishing member, and in its Executive Council, which is the highest decision-making body of the association, as well as chairs its Asia Regional Committee composed of deposit insurance institutions etc. in the Asia region.

The DICJ participated fully in activities related to IADI during FY2003 and sent delegates to each IADI meeting. At the Second IADI Annual Conference held in Seoul, Korea in October 2003, there were 116 participants in attendance from 61 deposit insurance corporations and other organizations around the world. Its theme was "Effective Depositor Protection: Enhancing Governance Arrangements," and there was lively discussion about the role of the deposit insurance system in the financial safety net, interrelationships among different financial offices, lessons learned from dealing with institutional failures, IADI guidance on differential premiums and other topics.

In addition, in parallel with the International Seminar on Deposit Insurance, stated later, the DICJ held the Second IADI Asia Regional Committee Meeting in Kyoto in March 2004. At this committee meeting, opinions were exchanged on ways to strengthen the network in the Asia region for information interchange among organizations concerned. In addition, Central Deposit Insurance Corporation, Taiwan (CDIC), Korea Deposit Insurance Corporation (KDIC), Philippine Deposit Insurance Corporation (PDIC) and the DICJ agreed to start joint research on (i) methods of funding for deposit insurance organizations and (ii) the process of transition from full coverage to limited amount coverage by establishing research subcommittee, chaired by CDIC.

(2) Holding of the International Seminar on Deposit Insurance

In March 2004, the DICJ held a two-day International Seminar on Deposit Insurance in Kyoto. This seminar was attended by 46 participants from 24 domestic and international organizations or authorities, chiefly from deposit insurance organizations in the Asia region.

At the seminar, opinions were exchanged concerning the necessity for setting up early warning and monitoring systems for appropriately evaluating the risk of financial institutions in advance and the adoption of measures aimed at differential premium system, centered on the countries which have gone through the financial crises in the past years (see Annex 2 concerning the program and the list of participants and participating organizations).

(3) Participation in international conferences and visits to related organizations, etc.

In FY2003, the DICJ was active in participating in international conferences besides IADI related meetings. In September, the DICJ attended the International Seminar on Financial Collapse held in Frankfurt, Germany, and in February 2004, the DICJ participated in the APEC policy meeting on deposit insurance system held in Kuala Lumpur. There was exchanging of opinions and information with related organizations at these respective meetings.

The DICJ are also continuously engaged in visiting and investigating related organizations in other countries. In FY2003, some staff were sent to the Federal Deposit Insurance Corporation in the US, and conducted a long-term observation around inspection operations, and also attended the International Open House hosted by the Canada Deposit Insurance Corporation to collect practical information and accumulate know-how. In addition,

local investigations and other activities related to systems of deposit insurance premiums were conducted by visiting each related organization in Europe and Asian countries over the course of the year.

(4) International Exchanges

As a result of the financial crisis that some Asian countries went through in the 1990's, interests in financial system stability and protection of depositors are growing around the world, and the movement to introduce and equip deposit insurance systems is on the rise in the Asian region.

With these situations as a background, many countries are showing increased interest in Japan's deposit insurance system, its resolution of failed financial institutions, and recovery of claims and so on. In FY2003, the DICJ received visits a total of 17 times by research missions from China, South Korea, Indonesia, Thailand and other countries.

In addition, governments of developing countries have been requesting technical assistance either directly or through Japan's ODA enforcement organization or government agencies. According to the request from Ministry of Finance of Indonesia for professional assistance in establishing a deposit insurance organization, the DICJ dispatched five lecturers to the ASEM Bali Initiative Workshop on Financial System held in Jakarta in January 2004.

16. 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 FY2003, the deposit insurance system underwent partial revision, and the revision in the system became the focus of our public relations activities.

In addition, through press releases and through our web pages, the DICJ endeavored to disclose information to the public on the execution of our duties, etc. in a timely fashion and took measures to comply with the Law Concerning Access to Information Held by Independent Administrative Institutions. Following is an overview of these activities:

(1) Information on System Changes, etc.

The December 2002 amendments to the Deposit Insurance Law partially revised the system, such as

allowing full coverage of settlement accounts and settlements in process, effective from April 2003. In FY2003, the DICJ (i) distributed pamphlets containing detailed information of system changes and Q&A, entitled An Explanation of the Deposit Insurance System (System overview and Q&A), (ii) dispatched lecturers to give presentations explaining the system changes, and (iii) conducted publicity activities for ordinary depositors and companies, etc. by cordial response to their inquiries.

For the convenience of depositors, pamphlets and other information on system changes were made available on the DICJ's web pages.

(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 has been active in providing information concerning the DICJ's operations, etc. through the DICJ web site and other means. The DICJ also provides an information disclosure section within its web pages, as part of its effort to actively provide information on procedures for making information disclosure requests, and has taken steps, such as the introduction of document search capabilities, to improve convenience. In FY2003, the DICJ received one information disclosure request.

(3) Launching the Journal "Deposit Insurance Research"

This journal is based on of DICJ's varied experiences and accomplishments, and serves as a forum for the public release of the results of ongoing investigation and research in a broad range of fields. It focuses on the future from various angles in order to enable deeper study of the protection provided to depositors as well as the safety net in the form of the deposit insurance system which is designed to stabilize the financial system, and the way it should be in order to fulfill its objectives. The first issue of this investigative research journal, "Deposit Insurance Research," was published in March 2004.

Themes of this premier issue were "An International Comparison of Deposit Insurance Systems" and "Deposit Insurance Systems in the US and Canada," and it provides discussions about investigative research conducted already by the DICJ concerning deposit insurance systems in major countries around the world (the journal is provided only in Japanese).

II. FINANCIAL RESULTS

1. General Account

The General Account mainly concerns the measures of financial assistance within the pay-out cost. This account also includes assets and liabilities related to the Special Operations Account which was abolished at the end of FY2002.

The account's total income in FY 2003 was ¥742.7 billion, including ¥522.1 billion from insurance premiums, ¥89.9 billion of transferred incomes and profits arose from assets purchased by the contracted bank (the RCC), ¥1.3 billion of earned interest from loans to the contracted bank, and ¥68.4 billion of reimbursement of grants from financial institutions, etc.

Total expenses amounted to ¥230.0 billion, including ¥168.3 billion of transfer to the national revenue in the case that refund was made concerning Special Operation Fund, or receipt of profit transfer arose from collection of assets from contracted bank, and ¥4.9 billion of interests payment on borrowings and bond issued to finance the contracted bank.

As a result, the General Account recorded a profit of ¥512.6 billion in the current term. The deficit carried to the next fiscal year was reduced to ¥3,493.8 billion from the deficit of ¥4,006.5 billion carried from the previous fiscal year.

At the end of FY2003, the outstanding balance of funding was ¥5,314.6 billion, including ¥4,174.6 billion borrowings from private financial institutions and ¥1,140.0 billion arose from bond issuing.

2. Crisis Management Account

The Crisis Management Account concerns the measures of response to financial crisis which are taken based on an approval by the Prime Minister, following discussions by the Financial System Management Council.

In FY2003, as the item 1 measure of Article 102 of the Deposit Insurance Law was applied to Resona Bank, Ltd, the DICJ acquired whole share of Resona Bank, Ltd. As a result, with ¥0.6 billion for the interest payment concerning this measure, the Crisis Management Account recorded a loss of ¥0.7 billion in the current term.

At the end of FY2003, the outstanding balance of borrowing stood at ¥1,960.4 billion, drawn from private financial institutions, etc.

3. Financial Reconstruction Account

The Financial Reconstruction Account mainly concerns transactions for banks under special public management and purchase of assets from sound financial institutions. The 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) were succeeded to this account.

The total income of this account in FY2003 was ¥484.5 billion, consisting of ¥42.6 billion from profits arose from shares and other assets acquired from the former Long-Term Credit Bank of Japan, Ltd. and the former Nippon Credit Bank, Limited. ¥13.7 billion from transfer of income on acquired assets from sound financial institutions by the RCC, and ¥20.2 billion from interest on loans to the RCC through the measure of its capital injection in FY2003, and ¥405.8 billion of reversal from loan loss reserves.

Total expenses amounted to ¥462.4 billion, consisting of ¥129.6 billion including the cost to write off purchased assets and commission to the RCC for the sales of acquired assets, ¥327.1 billion for transfers loan loss reserves, and ¥4.8 billion for interest on borrowings and bonds issued to finance the RCC.

As a result, the account recorded profit of ¥22.0 billion in the current term. The deficit carried forwards to FY2004 decreased to ¥986.2 billion, from the deficit of ¥108.3 billion carried from the previous fiscal year.

At the end of FY2003, total outstanding balance of funding was ¥4,664.9 billion, including ¥3,464.9 billion of borrowings from private financial institutions and ¥1,200.0 billion from bond issuing.

4. Early Strengthening Account

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

The account's total income in FY2003 was ¥93.7 billion, including ¥59.9 billion from earnings by the RCC for its capital injection in FY2002 and ¥33.7 billion from interest arose from loans to the RCC.

Total expenses amounted to ¥32.0 billion, including ¥31.9 billion for interest on borrowings and bonds issued to finance the RCC.

As a result, this account earned ¥61.7 billion as a profit in the current term. The surplus carried forward to FY2004 increased to ¥169.9 billion, from ¥108.1 billion carried from the previous year.

At the end of FY2003, the total balance of borrowings and bond issued was ¥7,933.1 billion, including ¥1,273.1 billion of borrowings from private financial institutions and ¥6,660.0 billion by the bond issuing.

5. *Jusen* Account

The *Jusen* Account mainly concerns subsidies, debt guarantees for borrowings, and receipt of payments related to a claim resolution company; i.e., the RCC, which manages, recovers and disposes of loans and other assets transferred from the former *Jusen* companies.

The DICJ decided to provide the RCC of an operational subsidy of ¥55.7 billion which represented one-half of the second losses the RCC incurred in FY2002.

As the subsidy is supposed to be financed within profits from investing the Financial Stabilization Fund, and this investment profit in FY2003 was only ¥13.5 billion, the DICJ provided the same amount of subsidy to the RCC.

As a result, the account recorded a loss of ¥42.2 billion in the current term. The deficit carried forward to the next fiscal year amounted to ¥164.6 billion, together with the deficit of ¥122.3 billion carried forward from the previous fiscal year.

6. Financial Institutions' Management Base Strengthening Account

The Financial Institutions' Management Base Strengthening Account mainly concerns loans to the RCC for its underwriting of the preferred stock issued by the Organizational Restructuring Financial Institutions.

The ¥6.0 billion of loans was necessary for capital injection to the Kanto Tsukuba Bank, Ltd. in FY2003. Consequently,

the account's total expense in FY2003 was ¥42.0 million, including ¥1.0 million of interest payment for borrowings to finance the contracted bank (the RCC), and ¥42.0 million of operational expenses.

At the end of FY2003, the outstanding balance of borrowings stood at ¥6.1 billion, all of which were drawn from private financial institutions etc.

7. Industrial Revitalization Account

The Industrial Revitalization Account concerns capital subscriptions to the Industrial Revitalization Corporation of Japan, and financing its operational expenses.

The DICJ subscribed a capital of ¥49.7 billion to the IRCJ in FY2003. The account also disbursed ¥353 million for preliminary expense, such as subsidiary operations. However, ¥348 million of this preliminary expense was refunded.

As a result, the account recorded a loss of ¥4.0 million in the current term.

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 Bank of Japan, and private financial institutions.

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

(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 manage-

ment 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 “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



The Policy Board in session

and partial payments thereof, (7) decisions on financial assistance, and (8) decisions on the purchase of deposits and other claims. In FY2003, the Board met on seven 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, 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 FY2003, the Committee met on 10 times and discussed cases involving the pursuit of liability. The Liability Investigation Committee includes three special advisers (four as of March 2004), 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.

In accordance with the stipulation in the revised Financial Revitalization Law which became effective in January 2002 and which allows purchasing of debts at current market price, the structure of the Purchase Price Examination Board was reinforced by adding two new members (for a total of five members) in order to guarantee the rationality of purchase prices.

After the implementation of the amended law, the DICJ makes the scheduled one-to-one purchases four times a year, as compared with twice in previous years, and it was also permitted to participate in bidding. Consequently, the Purchase Price Examination Board was held 11 times in FY2003.

5. Divestment Price Examination Board

The Divestment Price Examination Board was established in June 2004 for the purpose of deciding appropriate prices through the fair and neutral procedures when disposal is made of preferred stocks and other instruments which have been received to carry out capital injections by public funds. As an advisory body to the Governor, it was established with three outside professionals: a certified public accountant, a financial practitioner and an academic expert.

6. Study Group on Deposit Insurance Premium

A Study Group on Deposit Insurance Premium was established in October 2003 and functions as a private advisory body to the Governor.

The purpose and motive of this group is, based on the current financial conditions of the DICJ as well as the future outlook for financial and economic environments, to conduct research from the medium- and long-term perspective as to how the deposit insurance premium system should be so that the deposit insurance system is to be improved and the financial system is to remain in a stable condition.”

Members of the group consist of Professor K. Kaizuka of Chuo University (Chairman of the Financial Service Council) as Chairman, four other academic experts, including Professor K. Ikee of Keio University, Ms. Y. Okina, Senior Researcher at Japan Research Institute, Professor H. Kanda of Tokyo University and Professor N. Yoshino of Keio University, seven participants from the industry, and related employees and the Governor of the DICJ.

Meetings have been held seven times since October 2003. Comparisons have been made with the deposit insurance premium system in Japan and systems used overseas (including differential insurance premiums) among other subjects, and based on such information, the Group conducted discussions and research as to how the deposit insurance premiums should be in Japan. An overview of the discussions was included in the interim report, which was posted on DICJ's web page on June 18, 2004.

7. Operations of Departments

(1) Planning & Coordination Department

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

The Department consists of four divisions and three offices, the Administration Division, the Personnel Division, the Planning and Coordination Division, the PR and Information Disclosure Office, the Subsidiary Administration Division, the Office for Research and Intelligence and the Office for International Affairs.

(2) Treasury Department (established in July 2004)

The Treasury Department is responsible for budgeting, settlement, accounting, financial audits, assets management, financing, funding, management, and collection of insurance premiums at the DICJ.

The Department consists of six divisions, the Financial Planning and Coordination Division, the 1st Budget and Accounting Division, the 2nd Budget and Accounting Division, the 3rd Budget and Accounting Division, the 1st Finance Division and the 2nd Finance Division.

(3) Financial Reconstruction Department

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

The Department consists of four divisions, the Planning and Coordination Division, the Capital Operation Division, the 1st Financial Reorganization Division and the 2nd Financial Reorganization Division.

(4) Deposit Insurance Department

The Deposit Insurance Department is in charge of work related to execution of claims and other payments, financial assistance (including responses to financial crises), purchase of deposits and other claims, development and

operation of information systems, training and advices to financial institutions on enhancement of the depositors name-based aggregation/system and database, 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 four divisions, the Planning Division, the Financial Assistance Division, the Advisory Service Division and the Information System Division.

(5) Special Investigation Department

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

The Department has six divisions, the Policy Planning and Coordination Division, the Investigation and Recovery Division, the Task Force Division, the 1st Special Investigation Division, the 2nd Special Investigation Division and the 3rd Special Investigation Division.

(6) Inspection Department

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

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

(7) Osaka Operation Department (established in July 2004)

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

The Department has seven divisions and one office, the Administration, Policy Planning and Coordination Division, the Financial Reorganization Office, the Financial Assistance Division, the Investigation and Recovery Division, the Task Force Division, the 1st Special Investigation Division, the 2nd Special Investigation Division and the 3rd Special Investigation Division.

8. Organizational Changes

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 the depositors name-based aggregation system and 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 the Office for International Affairs. 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, slightly decreased by 11 from the prior year.

Concerning the organizational reforms in FY2004, in consideration of the full switchover to limited coverage coming up in FY2005 and the severe financial conditions as well as the ending of financial assistance under the blanket guarantee, which should result in changes in the workload, a thorough review of each department was conducted to determine the necessities of the functions and its resources.

Concretely, in addition to merging the Osaka Deposit Insurance Department with the Osaka Special Investigation Department to the Osaka Operation Department, the Sapporo Branch Office of Special Investigation Department has been abolished and the

multiple financial assistance operations and the sections in charge of capital-injection were consolidated. Moreover, the number of staff working in the areas of financial assistance, financial reorganization and special investigations was reduced.

On the one hand, since the improvement of the depositors name-base aggregation system is an urgent necessity in the work of switching over to limited coverage from FY2005, the DICJ has established a post of councilor and an Advisory Service Division in the Deposit Insurance Department as well as an Evaluation Division in the Inspection Department. In addition, a Treasury Department has been established to conduct appropriate management of a great sum of debt balance approaching ¥20 trillion and to provide a means of restoring financial strength of the DICJ. Such organizational changes were implemented to allocate the resources selectively to departments much in need of reinforcements and to ensure that DICJ's operations will be carried out efficiently and well. As a result, the number of authorized staff as of FY2004 stands at 397 persons, one fewer than in last year.

9. 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 2004, the RCC had 11 officers (eight directors and three auditors) and 1,847 employees. Its organization consists of a head office, 28 branches, and 10 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 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 31, 2002, the FSA enhanced RCC’s company revitalization functions and diversified the resolution of nonperforming 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 Figure 7. Relationship Between the DICJ and the RCC Concerning Collection Operations, and Appendix 1. (5) Collection Performance of the RCC)

10. Bridge Bank of Japan (BBJ) and the Second Bridge Bank of Japan (the 2nd BBJ)

(1) Bridge Bank of Japan (BBJ)

The BBJ was established as a 100% subsidiary of the DICJ following a decision by the Commissioner of the FSA on March 5, 2002. The BBJ acquired a banking license and other approvals on March 19, 2002.

On March 28, 2002, the BBJ signed business transfer agreements with the Ishikawa Bank and the Chubu Bank which were ordered to be placed under management 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 banks at the same day respectively.

Furthermore, pursuant to the Deposit Insurance Law, the DICJ terminated the business management operations of the BBJ as of March 8, 2004 (and the BBJ was dissolved).

(2) The Second Bridge Bank of Japan

Since the DICJ was planned to end business management operations through the BBJ (and the BBJ was to be dissolved) as of March 8, 2004, on February 26, 2004, the Commissioner of the FSA announced the decision to establish a new bridge bank as a means of providing a complete safety net. In harmony with this decision, the Second Bridge Bank of Japan was established as a 100% subsidiary of the DICJ and acquired a banking license and other approvals on March 8, 2004.

11. 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 Minister 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 business 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 business, 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 the RCC.

For this reason, the governors and presidents of the DICJ, the RCC and the IRCJ held a trilateral meeting on July 8, 2003, and they agreed to promote a system of intimate linkage between these three organizations as well as to strengthen their links on the working level even more to include an exchange of knowledge, information and know-how for reviving companies.

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, 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 relented to a third party
- (10) Money in trusts with no guarantee of principal
- (11) Bank debentures (other than custody products)

3. Scope 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 (since FY2002, the balance figure has changed to the average balance for business days during the previous fiscal year from the balance at the end of the previous fiscal year.) Insured financial institutions must pay their premiums to the DICJ within the first three months of each business year (semiannual installments are also possible).

In FY2002, the scope of protection of deposits will become different for each type. “Specific deposits (current, ordinary and specified deposits)” will continue to be protected in full, while “Other deposits (time deposits, etc.)” 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” 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%.

Furthermore, concerning FY2004, other than the financial condition of the DICJ, no major changes in the condition of other factors is foreseen, so it has not changed from the present.

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 an “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.

* Approval 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) Reimbursement of Insured Deposits

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 contin-

gency, 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 of 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 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 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 (until March 31, 2005)
(Space within the bold lines indicates deposit insurance protection)

| | | Up to ¥10 million | Over ¥10 million | | |
|-------------------|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------------------------------------------|
| Insured Deposit | Current deposits Ordinary deposits Specified deposits | 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. | | | |
| | Time Deposits, Installment Savings, Money trust under the guarantee of principle, Bank debentures, etc. | Limited Protection Protection of principal up to ¥10 million and interest | Estimated Proceeds Payments Principal in excess of ¥10 million and foreign currency deposits and interest × Estimated Proceeds Payment Rate | Liquidation Payment | Possibility that less than full amount of principal and interest will be paid |
| Uninsured Deposit | Foreign Currency Deposit | Payments depending on the condition of the failed financial institution's assets | | | |
| | Negotiable certificates of deposit, Money trust under no guarantee of principle, etc. | | | | |

(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 Bank of Japan (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 an amount approved by the National Diet.

APPENDICES

1. Operational Results

(1) Financial Assistance (FY 1992-2003)

(as of June 17, 2004)
(Unit: ¥ billion)

| Fiscal Year | Number of Cases | | | |
|--------------|-----------------|-----------------|-----------------|-------------|
| | | Grants | Asset Purchases | Others |
| 1992 | 2 | 20.0 | - | 8.0 |
| 1993 | 2 | 45.9 | - | - |
| 1994 | 2 | 42.5 | - | - |
| 1995 | 3 | 600.8 | - | - |
| 1996 | 6 | 1,316.0 | 90.0 | - |
| 1997 | 7 | 152.4 | 239.1 | 4.0 |
| 1998 | 30 | 2,684.3 | 2,681.5 | - |
| 1999 | 20 | 4,637.1 | 1,304.4 | - |
| 2000 | 20 | 5,156.4 | 850.1 | - |
| 2001 | 37 | 1,642.5 | 406.4 | - |
| 2002 | 51 | 2,318.5 | 794.9 | - |
| 2003 | 0 | - | - | - |
| Total | 180 | 18,616.3 | 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 July 2, 2004) (¥billion, %)

| Name of Financial Institution | Month/Year of Injection | Preferred Stock | | | | Subordinated Bonds / Loans | | | | | |
|---------------------------------------------------|-------------------------|-----------------|--------|---------------|-------------------------|-----------------------------|--------|---------------|----------------------|---------------------------------|-----------|
| | | Type | Amount | Rate Approved | Beginning of Conversion | 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 loan | 100.0 | L+1.04 | Apr. 1, 2009 | L+2.54 | Perpetual |
| | | Convertible (2) | 100.0 | 1.48 | July 1, 2003 | | | | | | |
| 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 Conversion | 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 | - | - | - | - | - | - |
| Hokugin FG (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 (formerly 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 2001 | 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 | - | - | - | - | - | - |

- Repayments have been shown in shadow.
- L stands for 6 month LIBOR of yen

| | |
|---------------------|---------|
| Injection Total | 8,605.3 |
| Repayment, etc | 1,002.0 |
| Outstanding Balance | 7,603.3 |

- Note
- 1: 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 FG (Kyushu Bank) on Sep. 30, 2002.
 - 2: Subordinated loans to Mizuho FG (formerly Dai-ichi Kangyo Bank) were converted to subordinated bonds on Nov. 22, 2000.
 - 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: Preferred stocks issued by Kansai Sawayaka Bank were repaid (cancellation by purchase; repayment amount: ¥10,584 million) by the same bank on Oct. 3, 2003. Dated subordinated bonds issued by the same bank were also repaid (cancellation by purchase; repayment amount: ¥4,012 million) by the bank on Jan. 8, 2004.
 - 5: Preferred stocks issued by Sumitomo Trust Bank were resold on Jan. 13, 2004 (proceeds from sale: ¥138,080 million). On Jan. 14, 2004, the same bank also repaid dated subordinated bonds (cancellation by purchase; repayment amount: ¥102,366 million) issued by it.
 - 6: In accordance with the call provisions provided, the rights of financial institutions were exercised to carry out a prepayment (subordinated bonds) and voluntary prepayment (subordinated loans) on Mar. 31, 2004, with a total of ¥410 billion being repaid by Mizuho FG (formerly Dai-ichi Kangyo Bank and Japan Industrial Bank), Yokohama Bank, and including ¥10 billion out of ¥150 billion by Mitsui Trust HD (formerly Mitsui Trust Bank).
 - 7: On May 11, 2004, in accordance with the call provisions provided, Yokohama Bank exercised its rights to carry out a voluntary prepayment (dated subordinated loan), repaying ¥50 billion.
 - 8: Preferred stocks issued by Yokohama Bank (¥30 billion) were repaid (cancellation by purchase; repayment amount: ¥34,842 million) by the same bank on Jul. 2, 2004.

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

(as of July 2, 2004) (¥billion, %)

| Name of Financial Institution | Month/Year of Injection | Preferred Shares | | | | Subordinated Bonds/Loans | | | | |
|---------------------------------------------------|-------------------------|------------------|--------|---------------|-------------------------|--------------------------|--------|--------------------------------------------|------------------|-----------|
| | | Type | Amount | Rate Approved | Beginning of Conversion | Type | Amount | Rate Approved (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 HD (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 |
| Hokugin FG (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 | - | - | - | - | - |

- Repayments have been shown in shadow.
- PSB = perpetual subordinated bond; SB = subordinated bond; PSL = perpetual subordinated loan

| | |
|---------------------|---------|
| Injection Total | 1,815.6 |
| Repayment, etc | 1,149.6 |
| Outstanding Balance | 666.0 |

Notes

- The 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) 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) 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%.
- The 3-month LIBOR of yen was used as the approved rate for Resona HD (formerly Daiwa Bank) perpetual subordinated loans only. Step-up was also different from others, in that it will be set at 3.95% from Jul. 1, 2008. However, voluntarily prepayment calls were scheduled for each interest payment date after Mar. 30, 2003.
- Perpetual subordinated loans to UFJ HD (formerly Tokai Bank) were converted to perpetual subordinated bonds on May 21, 2001.
- 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).
- On Mar. 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 of subordinated bonds/loans in accordance with call provisions provided.
- On May 9, 2003, Bank of Yokohama repaid a total of ¥20.0 billion of subordinated loans in accordance with call provision provided.
- On Sep. 30, 2003, in accordance with the call provision provided, Mizuho FG exercised its rights to carry out a prepayment, prepaying ¥50.0 billion of remaining ¥100.0 billion of the former Yasuda Trust & Banking's subordinated bonds. (See Note 5 above)
- On Mar. 30, 2004, in accordance with the call provisions provided, the rights of financial institutions were exercised to carry out a prepayment of subordinated bonds, with ¥30.0 billion prepaid for Ashikaga Bank, ¥100.0 billion each paid for Mizuho FG's former Fuji Bank and former Industrial Bank of Japan, and ¥25.0 billion of the remaining ¥50.0 billion paid for the former Yasuda Trust and Banking (see Note 7 above), for a total prepayment of ¥255.0 billion.



Table 3. List of Capital Injection Operations Pursuant to the Deposit Insurance Law (Response to Financial Crisis)

(as of July 2, 2004) (¥billion, %)

| Name of Financial Institution | Month/Year of Injection | Ordinary/Preferred Shares | | | | Subordinated Bonds/Loans | | | | | |
|-------------------------------|-------------------------|--------------------------------|--------|-------------------|-------------------------|--------------------------|--------|------|----------------------|---------------------------------|--------|
| | | Type | Amount | Rate of Dividend* | Beginning of Conversion | Type | Amount | Rate | Beginning of Step-Up | Rate after Beginning of Step-Up | Period |
| Resona HD (Resona Bank, Ltd) | June 2003 | Ordinary Shares | 296.4 | - | - | - | - | - | - | - | - |
| | | Preferred Shares (Convertible) | 550.0 | L+0.5 | July 1, 2006 | - | - | - | - | - | - |
| | | Preferred Shares (Convertible) | 563.6 | L+0.5 | July 1, 2008 | - | - | - | - | - | - |
| | | Preferred Shares (Convertible) | 550.0 | L+0.5 | July 1, 2010 | - | - | - | - | - | - |

| | |
|---------------------|--------|
| Injection Total | 1960.0 |
| Repayment, etc | 0 |
| Outstanding Balance | 1960.0 |

Note

Payment was made to Resona Bank on Jun. 30, 2003 and concerning the subscribed shares on July 1, an exchange of shares was conducted on Aug. 7, 2003 with shares issued by Resona Holdings.

*L stands for one-year LIBOR of yen.

Table 4. List of Capital Injection Operations Pursuant to the Special Measures Law for Promotion of Organizational Restructuring

(as of July 2, 2004) (¥billion, %)

| Name of Financial Institution | Month/Year of Injection | Preferred Shares | | | | Subordinated Bonds/Loans | | | | | |
|-------------------------------|-------------------------|------------------|--------|------------------|-------------------------|--------------------------|--------|----------|----------------------|---------------------------------|----------|
| | | Type | Amount | Rate of Dividend | Beginning of Conversion | Type | Amount | Rate* | Beginning of Step-Up | Rate after Beginning of Step-Up | Period |
| Kanto Tsukuba Bank | September 2003 | - | - | - | - | Subordinated loan | 6.0 | L+3.76** | October 1, 2008 | L+4.76 | 10 years |

*L stands for 6 month LIBOR of yen.

**There are rate adjustment clauses which are dependent on conditions of fulfillment of the plan.

| | |
|---------------------|-----|
| Injection Total | 6.0 |
| Repayment, etc | 0 |
| Outstanding Balance | 6.0 |

(3) Arrests, Accusations and Complaints

(i) Number of Cases (as of March 31, 2004)

(Unit: No. of Cases)

| | DICJ | RCC | HLAC | RCB | Total |
|---------------------|---------|-----------|----------|---------|-----------|
| Arrested | 19 (57) | 137 (286) | 76 (149) | 23 (37) | 255 (529) |
| Under investigation | 2 (2) | 1 (2) | - | - | 3 (4) |
| Others * | - | - | 1 (1) | - | 1 (1) |
| Total | 21 (59) | 138 (288) | 77 (150) | 23 (37) | 259 (534) |

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

* Statute of limitation expired

(ii) Breakdown of Cases

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

(Unit: No. of 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, 2004.

(Unit: No. of Cases)

| Category | | DICJ | RCC | | | Total |
|----------------------------|----------------------------------------------|---------|--------|-------------------|--------------------------|-----------|
| | | | HLAC | RCB* ² | Article 53* ³ | |
| Cases Related to Borrowers | Sub-Total | 3 (7) | 40(77) | 77(148) | 11 (28) | 131 (260) |
| | Auction Interference | 1 (1) | 7 (9) | 24 (53) | 9(21) | 41 (84) |
| | Fraud | - | 12(26) | 18 (35) | - | 30 (61) |
| | Obstruction of Law Enforcement | 2 (6) | 15(31) | 14 (22) | 2 (7) | 33 (66) |
| | False entry on notarial documents | - | 3 (7) | 6 (16) | - | 9 (23) |
| | Threat/Extortion | - | - | 4 (7) | - | 4 (7) |
| | Fraudulent Bankruptcy* ¹ | - | - | 5 (9) | - | 5 (9) |
| | Others | - | 3 (4) | 6 (6) | - | 9 (10) |
| Cases Related to Lenders | Sub-Total | 18 (52) | - | 10 (35) | - | 28 (87) |
| | Breach of Trust / Aggravated Breach of Trust | 13 (37) | - | 10 (35) | - | 23 (72) |
| | Others | 5 (15) | - | - | - | 5 (15) |
| Total | | 21 (59) | 40(77) | 87(183) | 11 (28) | 159 (347) |

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) Pursuit of Civil Liability via Litigation and Conciliation

(as of March 31, 2004)

| Claimant | | DICJ ³⁾ | | RCC | | | | | | Total | |
|------------------------------------|------------------------------|--------------------|---------------------------|-------------------|---------------------------|--------------------|---------------------------|-------------------|---------------------------|--------------|---------------------------|
| | | | | RCB ⁴⁾ | | HLAC ⁵⁾ | | RCC ⁶⁾ | | | |
| Reason for Claim | | 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 | - | - | 82 | 46,803.09 | 114 | 115,173.74 |
| | <i>Jusen</i> | - | - | - | - | 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 | 85 | 47,703.09 | 120 | 124,683.20 |

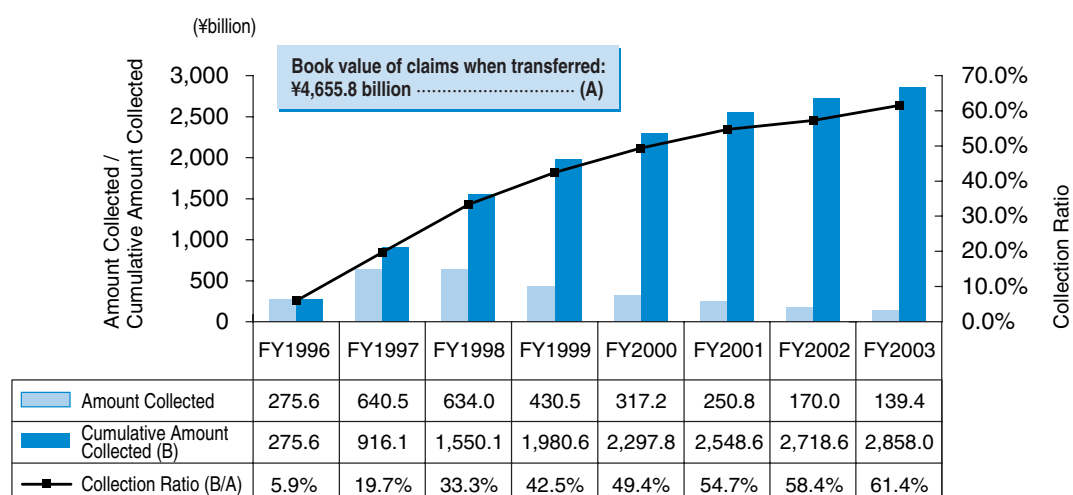
No. of cases means number of filed lawsuits.

Notes

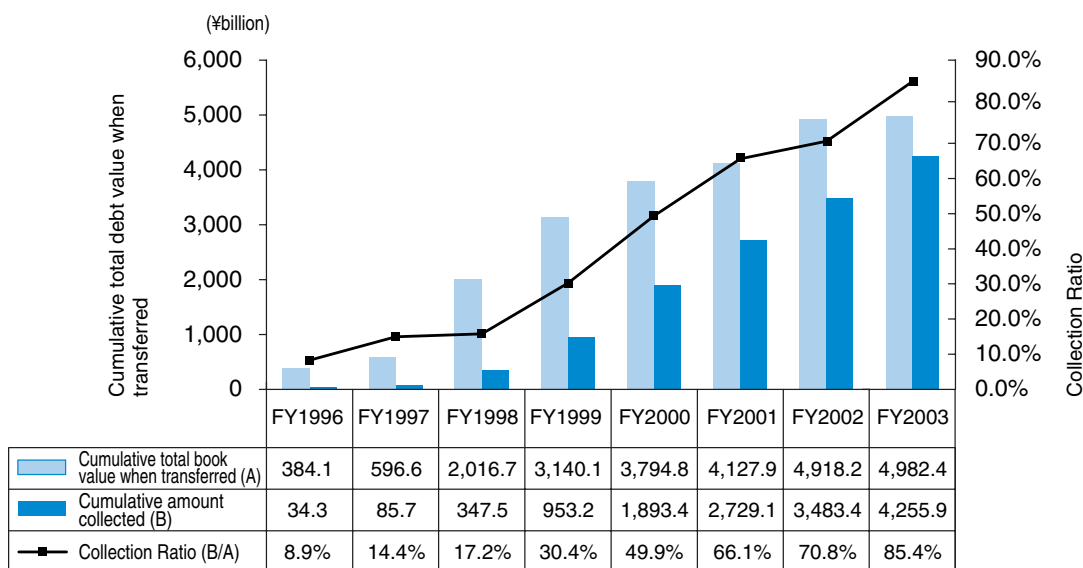
- 1) Liability pursuit against former management executives (directors, general managers and auditors), their bereaved families and others who committed illicit activities of failed financial institutions and *Jusen*.
- 2) Liability pursuit against financial institutions that introduced *Jusen* for financing.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

(5) Collection Performance of the RCC

○ Former Housing Loan Administration Corporation (HLAC)
(established on July 26, 1996)



○ Former Resolution and Collection Bank (RCB)
(Reorganized on September 2, 1996)



- The performance of the Resolution and Collection Bank in FY1996 is the total of the amounts collected in FY1995 and FY1996.
- Excluding trust scheme from the transfer loans of Hokkaido Takushoku Bank.
- Including transfer debts of Hanwa Bank (the amount collected and received from the DICJ) and the amount of assets purchased under Article 53 of the Financial Revitalization Law.
- In some cases, the book debt value after transfer may change due to adjustments in purchase prices, etc.

(6) Condition of Corporate Revitalization Cases of the RCC

(From the establishment of the Headquarters for Corporate Revival in November 2001 to the end of March 2004.)

| 1. Cases of Corporate Revitalization | |
|---------------------------------------------------------------------------|---------------------------|
| Classification | Number of Cases (Debtors) |
| (1) Legal Revitalization | 48 |
| (2) Private Revitalization | 170 |
| (3) Privately Funded Revitalization Utilizing Loans in Trust, Funds, etc. | 15 |
| Subtotal | 233 |

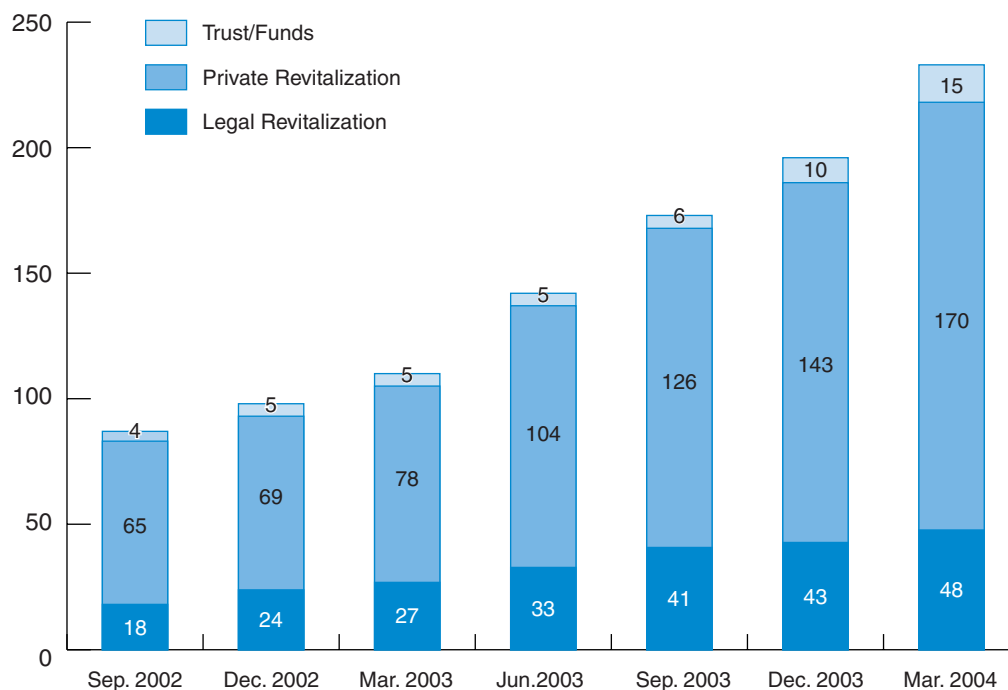
(Note) Cases in which there was the RCC intervention in the process of formulating revitalization plans.

| 2. Conditions for Corporate Revitalization Candidates | |
|-------------------------------------------------------|---------------------------|
| Classification | Number of Cases (Debtors) |
| (1) Debts held by the RCC, etc. | 162 |
| (2) Debts of trust, funds, etc. | 22 |
| Subtotal | 184 |

| | |
|--------------|------------|
| Total | 417 |
|--------------|------------|

Number of Cases; Corporate Revitalization (Accumulated total)

Total Number of Corporate Revitalization: 233 cases



(Accumulated total, No. of Cases)

| | Sep. 2002 | Dec. 2002 | Mar. 2003 | Jun. 2003 | Sep. 2003 | Dec. 2003 | Mar. 2004 |
|------------------------|-----------|-----------|------------|------------|------------|------------|------------|
| Trust/Funds | 4 | 5 | 5 | 5 | 6 | 10 | 15 |
| Private Revitalization | 65 | 69 | 78 | 104 | 126 | 143 | 170 |
| Legal Revitalization | 18 | 24 | 27 | 33 | 41 | 43 | 48 |
| Total | 87 | 98 | 110 | 142 | 173 | 196 | 233 |

(7) Number of Cases; On-Site Inspections Implemented

(Unit: number of financial institutions)

| Inspection Year | Financial institutions where inspections have been implemented. | Financial institutions where inspections have been implemented. | | |
|-----------------|-----------------------------------------------------------------|-----------------------------------------------------------------|---------------|---------------------|
| | | Banks | Shinkin Banks | Credit Cooperatives |
| 2001 | 39 | 2 | 14 | 23 |
| 2002 | 66 | 1 | 31 | 34 |
| 2003 | 100 | 10 | 56 | 34 |

Notes:

1. The inspection year is the working year when the inspection was conducted (July to June of the following year).
2. This includes simultaneous investigations conducted with the FSA, etc.

(8) Outline of Funding of the DICJ (FY2004)

Table 1. Outline of Funding Program by Account

| | General Account Account | Crisis Management Account | Financial Reconstruction | Early Strengthening Account | Management Base Strengthening Account | Financial Function Strengthening Account | 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 | Financial Function Strengthening Law, Art. 44, Para.1 | Industrial Revitalization Corporation Law, Art. 49, Para.1 and 2 |
| Ceiling | ¥20.14 trillion (Deposit Insurance Law, Cabinet Order Art. 2) | ¥17.00 trillion (Deposit Insurance Law, Cabinet Order Art. 29) | ¥15.20 trillion (Financial Revitalization Law, Cabinet Order, Art. 13) | ¥12.66 trillion (Early Strengthening Law, Cabinet Order Art. 5) | ¥1.00 trillion (Financial Reorganization Promotion Law, Cabinet Order Art. 7) | ¥2.00 trillion (Financial Function Strengthening Law, Cabinet Order, Art. 33) | ¥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 | (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 the DICJ • financial assistance to financial institutions under public management • financial assistance to banks under special crisis management etc. | • asset purchase from financial institutions, etc. • loans to contracted banks for subscribing shares, etc., under former Financial Function Stabilization Law etc. | • loans to contracted banks for subscribing shares, etc. • loss compensation for contracted banks etc. | • loans to contracted banks for subscribing preferred shares, etc. • loss compensation for contracted banks etc. | • loans to contracted banks for subscribing shares, etc. and for purchasing trust beneficiary right etc. • loss compensation for contracted banks | • 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 | Financial Function Strengthening Law, Art. 45 | Industrial Revitalization Corporation Law, Art. 50 |
| Appropriation in general provisions of budget in FY 2004 | Within the limit approved by the Diet (¥19.00 trillion in the budget for FY 2004) | Within the limit approved by the Diet (¥17.00 trillion in the budget for FY 2004) | Within the limit approved by the Diet (¥14.00 trillion in the budget for FY 2004) | Within the limit approved by the Diet (¥6.00 trillion in the budget for FY 2004) | Within the limit approved by the Diet (¥1.00 trillion in the budget for FY 2004) | Within the limit approved by the Diet (¥2.00 trillion in the budget for FY 2004) | Within the limit approved by the Diet (¥0.15 trillion in the budget for FY 2004) |

(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)

| Fiscal Year | | End of FY 2001 | End of FY 2002 | End of FY 2003 |
|---------------------------------------|--------------------------|----------------|----------------|----------------|
| General Account | | 3,117.8 | 3,926.4 | 5,314.6 |
| | Raised by Issue of Bonds | - | - | 1,140.0 |
| Special Operations Account | | 3,371.1 | 3,087.3 | - |
| Crisis Management Account | | - | - | 1,960.4 |
| Financial Reconstruction Account | | 5,265.6 | 5,655.8 | 4,664.9 |
| | Raised by Issue of Bonds | - | - | 1,200.0 |
| Early Strengthening Account | | 8,223.9 | 8,204.1 | 7,933.1 |
| | Raised by Issue of Bonds | 3,600.0 | 6,120.0 | 6,660.0 |
| Management Base Strengthening Account | | - | - | 6.1 |
| Total | | 19,978.4 | 20,873.6 | 19,879.1 |
| | Raised by Issue of Bonds | 3,600.0 | 6,120.0 | 9,000.0 |

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.

3. Raising fund through bond issues under the General Account and Financial Reconstruction Account came into operation since April 2003.

(9) Overseas Investigative Groups, etc. and Participation in International Conferences

(i) Reception in Investigative Groups, etc.

| Date | Individuals/Organizations that sent missions | Remarks |
|----------------------|------------------------------------------------------------------------|--------------------------------------------------------------------|
| May 7, 2003 | OECD | Consultation for economic survey on Japan |
| May 29, 2003 | IMF | Article IV Consultation |
| July 15, 2003 | IMF | Discussions with the RCC concerning the non-performing loan market |
| July 29-30, 2003 | Thailand Ministry of Finance | Technical assistance on deposit insurance system |
| September 11, 2003 | Putnam Investments | |
| September 26, 2003 | The People's Bank of China | |
| September 26, 2003 | Korea Institute of Finance | |
| October 7, 2003 | OECD Consultant | |
| October 8, 2003 | Mr. L. W. Seidman, former FDIC president | |
| November 5, 2003 | Bank of Thailand | |
| November 25-26, 2003 | Taiwan Central Deposit Insurance Corporation | |
| December 8, 2003 | Putnam Investment | |
| December 16, 2003 | Korea Deposit Insurance Corporation | Special committee for investigating fraudulent debtor companies |
| February 10, 2004 | UBS Securities | |
| February 10, 2004 | Chairman Chin-Tsair Tsay, Taiwan Central Deposit Insurance Corporation | |
| March 23, 2004 | China International Trust and Investment Corporation | |
| March 30-31, 2004 | Ministry of Finance, Indonesia | Technical assistance on deposit insurance system |

(ii) Participation in International Conferences and Visits to Related Institutions, etc.

| Date | Purpose | Location |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| April 23-25, 2003 | International Association of Deposit Insurers (IADI), 3rd Executive Council Meeting | Basel, Switzerland |
| September 3 - October 16, 2003 | FDIC Observation | Washington DC, etc, United States |
| September 30 - October 1, 2003 | International Financial Collapse Seminar | Frankfurt, Germany |
| October 21-24, 2003 | The 2nd IADI Annual Conference 4th Executive Council Meeting (21st) 5th Executive Council Meeting (24th) | Seoul, Korea |
| October 30 - November 9, 2003 | Investigation of Deposit Insurance Premiums, etc. | Paris, France Rome, Italy, etc. |
| November 6-15, 2003 | Visit to FDIC and participation in “International Open House” hosted by CDIC (Canada) | Washington DC, United States Ottawa, Canada, etc. |
| February 16-18, 2004 | APEC Meeting on Deposit Insurance System | Kuala Lumpur, Malaysia |
| February 18-20, 2004 | BIS Conference | Bangkok, Thailand |
| March 30 - April 3, 2004 | Investigation of Deposit Insurance Premiums, etc. | Taiwan, Singapore, Hong Kong |
| April 26-30, 2004 | IADI 6th Executive Council Meeting | Basel, Switzerland |

(iii) Technical Assistance to Overseas Countries

| Date | Counterpart | Content |
|---------------------|------------------------------------------------------|--------------------------------------|
| January 19-23, 2004 | Indonesia Ministry of Finance, Bank Indonesia, other | Deposit insurance system in Japan |

2. Financial Statement

1) General Account

Balance Sheet (as of March 31, 2004)

(Unit: ¥million)

| Assets | |
|--------------------------------------------------|------------------|
| Item | Amount |
| < Current Assets > | 211,405 |
| Cash and Deposits | 713 |
| Money Deposited | 489 |
| Securities | 208,882 |
| Suspense Payments | 585 |
| Prepaid Expenses | 362 |
| Accrued Income | 370 |
| Accounts Receivable | 3 |
| Loan Loss Reserves | △1 |
| < Fixed Assets > | 1,910,022 |
| Financial Assistance Related Assets | 52,319 |
| Purchased Assets | 100,544 |
| Compensation Claims | 423 |
| Loan Loss Reserves | △48,648 |
| Assets Related to Contracted Bridge Bank | |
| Subsidiary Stock | 4,170 |
| Assets Related to Contracted Bank | 1,852,900 |
| Contracted Bank Shares | 12,000 |
| Loans for Contracted Bank | 1,540,900 |
| per contra on Loan Guarantee for Contracted Bank | 300,000 |
| Tangible Fixed Assets | 354 |
| Buildings | 281 |
| Tools/Equipment/Fixtures | 73 |
| Intangible Fixed Assets | 2 |
| Investment and Other Assets | 275 |
| Guarantee Money and Other Security Deposits | 271 |
| Other Assets | 3 |
| < Deferred Charge > | 1,819 |
| Cost of Issuing Bonds | 985 |
| Discount on Bonds | 833 |
| Total | 2,123,247 |
| Liabilities and Capital Accounts | |
| Item | Amount |
| < Current Liabilities > | 4,176,476 |
| Short-Term Loans | 4,174,600 |
| Accounts Payable | 436 |
| Accrued Expenses Payable | 1,132 |
| Money on Deposit | 19 |
| Advance Payments Received | 143 |
| Suspense Receipts | 143 |
| < Fixed Liabilities > | 1,440,162 |
| DICJ Bonds | 1,140,000 |
| Long-Term Advance Payment Received | 21 |
| Reserves for Retirement Allowance | 141 |
| Loan Guarantees | |
| Loan Guarantee for Contracted Bank | 300,000 |
| <<Liabilities Total>> | 5,616,639 |
| < Capital > | 455 |
| Government Capital | 150 |
| Bank of Japan Capital | 150 |
| Private Capital | 155 |
| < Deficit > | △3,493,847 |
| Deficit Brought Forward | △4,006,504 |
| Current Profit | 512,657 |
| <<Capital Total>> | △3,493,392 |
| Total | 2,123,247 |

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

Profit and Loss Statement (April 1, 2003 to March 31, 2004)

(Unit: ¥million)

| Revenue | |
|------------------------------------------------------------|---------|
| Item | Amount |
| < Current Revenue > | 742,728 |
| Income from Deposit Insurance | |
| Insurance Premiums | 522,106 |
| Income from Financial Assistance-Related Business | 1,276 |
| Income from Purchased Assets | 873 |
| Profit on Sales of Purchased Assets | 403 |
| Income from Payment by Contracted Bank | 89,972 |
| Interest on Loans to Contracted Bank | 1,382 |
| Income from Contributions by Contracted Bridge Bank | 52 |
| Refunded Grants | 68,430 |
| Reversal from Loan Loss Reserves | 49,524 |
| Non-Operating Revenue | 9,982 |
| Total | 742,728 |
| Expenses | |
| Item | Amount |
| < Current Expenses > | 230,070 |
| Financial Assistance Expenses | 1,336 |
| Grants | 477 |
| Loss on Sales of Purchased Assets | 59 |
| Administrative Expenses for Purchased Assets | 21 |
| Cost of Commissioning Management and Collection Businesses | 778 |
| Refunds of Insurance Premiums for Prior Periods | 186 |
| Payments to Government | 168,363 |
| General Administrative Expenses | 6,595 |
| Transfer to Loan Loss Reserves | 48,650 |
| Non-Operating Expenses | 4,938 |
| Interest on Borrowings | 3,274 |
| Interest on Bonds | 965 |
| Administrative Expenses for Bonds | 1 |
| Amortization of Bond Issuing Cost | 564 |
| Amortization of Discount on Bonds | 132 |
| < Extraordinary Expenses > | |
| Loss from Retirement of Fixed Assets | 0 |
| < Current Profit > | 512,657 |
| Total | 742,728 |

- Notes: 1. Current profit of ¥512,657 million for this FY is used to decrease loss brought forward from the previous FY in accordance with Article 15, Paragraph 1 of the Deposit Insurance Law Reinforcement 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:
Financial assistance operation assets : ¥110 million
Tangible fixed assets : ¥217 million
Investment and other assets : ¥19 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 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

2) Crisis Management Account

Balance Sheet (as of March 31, 2004)

(Unit: ¥million)

| Assets | |
|-----------------------------------|-----------|
| Item | Amount |
| < Current Assets > | 40 |
| Cash and Deposits | 40 |
| Accounts Receivable | 0 |
| < Fixed Assets > | 1,960,000 |
| Acquired Stocks | 1,960,000 |
| Total | 1,960,040 |
| Liabilities and Capital Accounts | |
| Item | Amount |
| < Current Liabilities > | 1,960,788 |
| Short-Term Loans | 1,960,400 |
| Accounts Payable | 0 |
| Accrued Expenses Payable | 388 |
| < Fixed Liabilities > | 0 |
| Reserves for Retirement Allowance | 0 |
| <<Liabilities Total>> | 1,960,788 |
| < Deficit > | △748 |
| Deficit Brought Forward | |
| Current Deficit | △748 |
| <<Capital Total>> | △748 |
| Total | 1,960,040 |

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

Profit and Loss Statement (April 1, 2003 to March 31, 2004)

(Unit: ¥million)

| Revenue | |
|---------------------------------|--------|
| Item | Amount |
| < Current Revenue > | 0 |
| Non-Operating Revenue | 0 |
| < Current Deficit > | 748 |
| Total | |
| Expenses | |
| Item | Amount |
| < Current Expenses > | 748 |
| General Administrative Expenses | 52 |
| Non-Operating Expenses | |
| Interest on Borrowings | 696 |
| Total | 748 |

Notes: 1. Current deficit of ¥748 million for this FY is carried forward to the next fiscal year pursuant to the provision of Article 3 of the Deposit Insurance Law Reinforcement Regulations.

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

Important Accounting Principles and Other Relevant Matters

1. Appropriation Criteria for Reserves

Reserves for Retirement Allowance:

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

2. 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, 2004)**

(Unit: ¥million)

| Assets | |
|---------------------------------------------|------------------|
| Item | Amount |
| < Current Assets > | 175,746 |
| Cash and Deposits | 241 |
| Money Deposited | 8,168 |
| Securities | 163,092 |
| Suspense Payments | 978 |
| Prepaid Expenses | 125 |
| Accrued Income | 1,212 |
| Accounts Receivable | 1,948 |
| Loan Loss Reserves | △20 |
| < Fixed Assets > | 3,506,268 |
| Financial Assistance Related Assets | 2,831,745 |
| Purchased Assets | 3,158,890 |
| Loan Loss Reserves | △327,145 |
| Tangible Fixed Assets | 19 |
| Buildings | 11 |
| Tools/Equipment/Fixtures | 7 |
| Intangible Fixed Assets | 0 |
| Investment and Other Assets | 674,503 |
| Loans for Specified Contracted Bank | 194,600 |
| Loans for Contracted Bank | 479,900 |
| Guarantee Money and Other Security Deposits | 3 |
| < Deferred Charge > | 1,329 |
| Cost of Issuing Bonds | 1,001 |
| Discount on Bonds | 327 |
| Total | 3,683,344 |
| Liabilities and Capital Accounts | |
| Item | Amount |
| < Current Liabilities > | 3,469,355 |
| Short-Term Loans | 3,464,900 |
| Accounts Payable | 48 |
| Accrued Expenses Payable | 686 |
| Money on Deposit | 6 |
| Advance Payments Received | 258 |
| Suspense Receipts | 3,455 |
| < Fixed Liabilities > | 1,200,255 |
| DICJ Bonds | 1,200,000 |
| Long-Term Advance Payment Received | 237 |
| Reserves for Retirement Allowance | 17 |
| <<Liabilities Total>> | 4,669,611 |
| < Deficit > | △986,266 |
| Deficit Brought Forward | △1,008,343 |
| Current Profit | 22,076 |
| <<Capital Total>> | △986,266 |
| Total | 3,683,344 |

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

Profit and Loss Statement (April 1, 2003 to March 31, 2004)

(Unit: ¥million)

| Revenue | |
|------------------------------------------------------------|---------|
| Item | Amount |
| < Current Revenue > | 484,522 |
| Income from Asset Purchase Business | 42,618 |
| Income from Purchased Assets | 18,643 |
| Profit on Sales of Purchased Assets | 23,975 |
| Income from Payment by Specified Contracted Bank | 13,785 |
| Income from Payment by Contracted Bank | 20,225 |
| Interest on Loans to Specified Contracted Bank | 133 |
| Interest on Loans to Contracted Bank | 632 |
| Reversal from Loan Loss Reserves | 405,883 |
| Non-Operating Revenue | 1,243 |
| Total | 484,522 |
| Expenses | |
| Item | Amount |
| < Current Expenses > | 462,445 |
| Expenses for Asset Purchase Business | 129,645 |
| Loss on Sales of Purchased Assets | 127,761 |
| Administrative Expenses for Purchased Assets | 1,397 |
| Cost of Commissioning Management and Collection Businesses | 487 |
| General Administrative Expenses | 810 |
| Transfer to Loan Loss Reserves | 327,165 |
| Non-Operating Expenses | 4,825 |
| Interest on Borrowings | 2,767 |
| Interest on Bonds | 1,442 |
| Administrative Expenses for Bonds | 3 |
| Amortization of Bond Issuing Cost | 580 |
| Amortization of Discount on Bonds | 32 |
| < Current Profit > | 22,076 |
| Total | 484,522 |

Notes: 1. Current profit of ¥22,076 million for this FY is used to decrease loss brought forward from the previous FY in accordance with Article 24, Paragraph 2 of the Financial Revitalization Law Reinforcement 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 : ¥9 million

3. Appropriation Criteria for Reserves
(1) Loan Loss Reserves

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

(2) Reserves for Retirement Allowance

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

4. Other Important Matters Relating to Preparation of Financial Statements

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

(2) Accounting Method for Deferred Assets

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

4) Early Strengthening Account**Balance Sheet (as of March 31, 2004)**

(Unit: ¥million)

| Assets | |
|-----------------------------------------------|-----------|
| Item | Amount |
| < Current Assets > | 413,826 |
| Cash and Deposits | 223 |
| Securities | 412,676 |
| Accrued Income | 926 |
| Accounts Receivable | 0 |
| < Fixed Assets > | 7,686,461 |
| Tangible Fixed Assets | 5 |
| Buildings | 3 |
| Tools/Equipment/Fixtures | 1 |
| Intangible Fixed Assets | 0 |
| Investment and Other Assets | 7,686,456 |
| Loans for Contracted Bank | 7,686,455 |
| Guarantee Money and Other Security Deposits | 1 |
| < Deferred Charge > | 4,978 |
| Cost of Issuing Bonds | 3,455 |
| Discount on Bonds | 1,523 |
| Total | 8,105,267 |
| Liabilities and Capital Accounts | |
| Item | Amount |
| < Current Liabilities > | 3,194,634 |
| Short-Term Loans | 1,273,100 |
| DICJ Bonds (due for redemption within 1 year) | 1,920,000 |
| Accounts Payable | 11 |
| Accrued Expenses Payable | 783 |
| Advance Payments Received | 739 |
| < Fixed Liabilities > | 4,740,727 |
| DICJ Bonds | 4,740,000 |
| Long-Term Advance Payment Received | 725 |
| Reserves for Retirement Allowance | 2 |
| <<Liabilities Total>> | 7,935,361 |
| < Surplus > | 169,905 |
| Accumulated Fund | 108,192 |
| Current Profit | 61,712 |
| <<Capital Total>> | 169,905 |
| Total | 8,105,267 |

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

Profit and Loss Statement (April 1, 2003 to March 31, 2004)

(Unit: ¥million)

| Revenue | |
|----------------------------------------|--------|
| Item | Amount |
| < Current Revenue > | 93,756 |
| Income from Payment by Contracted Bank | 59,983 |
| Interest on Loans to Contracted Bank | 33,771 |
| Non-Operating Revenue | 1 |
| Total | 93,756 |
| Expenses | |
| Item | Amount |
| < Current Expenses > | 32,043 |
| General Administrative Expenses | 130 |
| Non-Operating Expenses | 31,912 |
| Interest on Borrowings | 784 |
| Interest on Bonds | 25,783 |
| Administrative Expenses for Bonds | 1,064 |
| Amortization of Bond Issuing Cost | 3,639 |
| Amortization of Discount on Bonds | 640 |
| < Current Profit > | 61,712 |
| Total | 93,756 |

Notes: 1. Current profit of ¥61,712 million is added to the accumulated fund, pursuant to the provisions of Article 8, Paragraph 1 of the Early Strengthening 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 : ¥2 million

3. Appropriation Criteria for Reserves

Reserves for Retirement Allowance:

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

4. Other Important Matters Relating to Preparation of Financial Statements

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

(2) Accounting Method for Deferred Assets

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, 2004)

(Unit: ¥ million)

| Assets | |
|-------------------------------------------------|-----------|
| Item | Amount |
| < Current Assets > | 5,135 |
| Cash and Deposits | 128 |
| Securities | 4,994 |
| Accrued Income | 11 |
| Accounts Receivable | 0 |
| < Fixed Assets > | 4,299,632 |
| Tangible Fixed Assets | 79 |
| Buildings | 58 |
| Tools/Equipment/Fixtures | 21 |
| Intangible Fixed Assets | 1 |
| Investment and Other Assets | 4,299,552 |
| Assets Relating to Financial Stabilization Fund | 909,061 |
| Shares of Affiliated Companies | 200,000 |
| Guarantee Money and Other Security Deposits | 113 |
| Per Contra on Loan Guarantees | 3,190,377 |
| Total | 4,304,767 |
| Liabilities and Capital Accounts | |
| Item | Amount |
| < Current Liabilities > | 164,730 |
| Accounts Payable | 164,657 |
| Advance Payments Received | 73 |
| < Fixed Liabilities > | 3,290,590 |
| Reserves for Retirement Allowance | 19 |
| Repayable Payments Received from Bank of Japan | 100,000 |
| Charges against Assets Allotted in Operation | 193 |
| Loan Guarantees | 3,190,377 |
| < Statutory Reserves > | 1,009,061 |
| Financial Stabilization Fund | 1,009,061 |
| Counterpart of Private-Sector Contributions | 1,007,000 |
| Counterpart of Operating Income | 2,061 |
| <<Liabilities Total>> | 4,464,382 |
| < Capital > | 5,000 |
| Government Capital | 5,000 |
| < Deficit > | △164,614 |
| Deficit Brought Forward | △122,369 |
| Current Deficit | △42,245 |
| <<Capital Total>> | △159,614 |
| Total | 4,304,767 |

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

Profit and Loss Statement (April 1, 2003 to March 31, 2004)

(Unit: ¥million)

| Revenue | |
|-----------------------------------------------------------|--------|
| Item | Amount |
| < Current Revenue > | 27,865 |
| Income from Investment | |
| Income from Investment of Financial Stabilization Fund | 13,779 |
| Income from Special Operations Contributions | 469 |
| Reversal from Financial Stabilization Fund | 13,510 |
| Non-Operating Income | 93 |
| Reversal from Charge Against Assets Allotted in Operation | 12 |
| < Current Deficit > | 42,245 |
| Total | 70,110 |
| Expenses | |
| Item | Amount |
| < Current Expenses > | 70,110 |
| Grant for Claim Resolution Company | |
| Operation Promotion Grant | 55,760 |
| General Administrative Expenses | 569 |
| Transfer to Financial Stabilization Fund | 13,779 |
| < Extraordinary Expenses > | |
| Loss from Retirement of Fixed Assets | 0 |
| Total | 70,110 |

- Notes: 1. Current deficit of ¥42,245 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 :¥87 million
3. Appropriation Criteria for Reserves
 - (1) Reserves for Retirement Allowance
 The required remuneration at the end of the fiscal year is used as the criterion for appropriating reserves in preparation for payment of retirement allowances for employees.
 - (2) Financial Stabilization Fund
 Contributions made by financial institutions which were investors or creditors of *Jusen* companies and interest income, etc., accrued by the operation of such contributions are accounted for pursuant to the provisions of Article 9, Paragraph 1, and Article 9, Paragraph 2, of the *Jusen* Law, respectively, for investment in the claim resolution company and for the provision of grants for such companies for the smooth implementation of their business.
4. Other Important Matters Relating to Preparation of Financial Statements
 - (1) Accounting method for consumption tax: tax inclusive method
 - (2) Accounting criteria for revenue and expenses: accrual method

6) Financial Institutions' Management Base Strengthening Account**Balance Sheet (as of March 31, 2004)**

(Unit: ¥million)

| Assets | |
|---------------------------------------------|--------|
| Item | Amount |
| < Current Assets > | 60 |
| Cash and Deposits | 59 |
| Accrued Income | 1 |
| Accounts Receivable | 0 |
| < Fixed Assets > | 6,000 |
| Tangible Fixed Assets | 0 |
| Buildings | 0 |
| Tools/Equipment/Fixtures | 0 |
| Investment and Other Assets | 6,000 |
| Loans for Contracted Bank | 6,000 |
| Guarantee Money and Other Security Deposits | 0 |
| Total | 6,060 |
| Liabilities and Capital Accounts | |
| Item | Amount |
| < Current Liabilities > | 6,102 |
| Short-Term Loans | 6,100 |
| Accounts Payable | 0 |
| Accrued Expenses Payable | 1 |
| < Fixed Liabilities > | 1 |
| Reserves for Retirement Allowance | 1 |
| <<Liabilities Total>> | 6,103 |
| < Deficit > | △42 |
| Current Deficit | △42 |
| <<Capital Total>> | △42 |
| Total | 6,060 |

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

Profit and Loss Statement (April 1, 2003 to March 31, 2004)

(Unit: ¥million)

| Revenue | |
|--------------------------------------|--------|
| Item | Amount |
| < Current Revenue > | 1 |
| Interest on Loans to Contracted Bank | 1 |
| < Current Deficit > | 42 |
| Total | 44 |
| Expenses | |
| Item | Amount |
| < Current Expenses > | 44 |
| General Administrative Expenses | 42 |
| Non-Operating Expenses | |
| Interest on Borrowings | 1 |
| Total | 44 |

Notes: 1. Current deficit of ¥42 million for this FY is carried forward to the next fiscal year pursuant to Article 4, paragraph 2 of the decision which specifies DICJ's operations for strengthening of financial institutions' managerial base.

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

Important Accounting Principles and Other Relevant Matters
1. 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 :¥0 million

2. Appropriation Criteria for Reserves

Reserves for Retirement Allowance:

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

3. Other Important Matters Relating to Preparation of Financial Statements

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

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

7) Industrial Revitalization Account**Balance Sheet (as of March 31, 2004)**

(Unit: ¥million)

| Assets | |
|-----------------------------------------------------|--------|
| Item | Amount |
| < Current Assets > | 25 |
| Cash and Deposits | 25 |
| Accounts Receivable | 0 |
| < Fixed Assets > | 49,757 |
| Shares of the Industrial Revitalization Corporation | 49,757 |
| Total | 49,782 |
| Liabilities and Capital Accounts | |
| Item | Amount |
| < Current Liabilities > | 0 |
| Accounts Payable | 0 |
| < Fixed Liabilities > | 49,787 |
| Payments Received from Financial Institutions | 49,787 |
| Reserves for Retirement Allowance | 0 |
| <<Liabilities Total>> | 49,787 |
| < Deficit > | △4 |
| Current Deficit | △4 |
| <<Capital Total>> | △4 |
| Total | 49,782 |

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

Profit and Loss Statement (April 1, 2003 to March 31, 2004)

(Unit: ¥million)

| Revenue | |
|---------------------------------|--------|
| Item | Amount |
| < Current Revenue > | 348 |
| Non-Operating Income | 348 |
| < Current Deficit > | 4 |
| Total | 353 |
| Expenses | |
| Item | Amount |
| < Current Expenses > | 353 |
| General Administrative Expenses | 353 |
| Total | 353 |

Notes: 1. Current deficit of ¥4 million is carried forward to the next fiscal year pursuant to Article 3, Paragraph 2 of the directive concerning the exceptional provisions on DICJ's operations, specified in the Chapter 8 of the Industrial Revitalization Corporation Law.

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

Important Accounting Principles and Other Relevant Matters

1. Appropriation Criteria for Reserves

Reserves for Retirement Allowance:

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

2. 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)

(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 | 34,650 | 216,151 |
| 1985 | 25,274 | - | 38,569 | 134 | 38,435 | 254,586 |
| 1986 | 40,739 | - | 55,236 | 140 | 55,096 | 309,683 |
| 1987 | 44,195 | - | 62,015 | 155 | 61,860 | 371,543 |
| 1988 | 48,759 | - | 68,021 | 143 | 67,878 | 439,421 |
| 1989 | 53,757 | - | 74,333 | 146 | 74,187 | 513,608 |
| 1990 | 60,381 | - | 87,944 | 156 | 87,788 | 601,396 |
| 1991 | 63,202 | - | 95,154 | 166 | 94,987 | 696,384 |
| 1992 | 63,149 | - | 94,411 | 20,169 | 74,241 | 770,626 |
| 1993 | 63,792 | - | 96,081 | 46,137 | 49,944 | 820,570 |
| 1994 | 64,972 | - | 98,140 | 42,680 | 55,459 | 876,030 |
| 1995 | 66,643 | - | 111,581 | 601,033 | △489,452 | 386,578 |
| 1996 | 461,992 | - | 532,743 | 1,314,428 | △781,684 | △395,106 |
| 1997 | 462,956 | - | 464,317 | 163,228 | 301,089 | △94,017 |
| 1998 | 465,003 | 1,199,232 | 1,675,820 | 2,769,430 | △1,093,610 | △1,187,627 |
| 1999 | 480,736 | 3,645,679 | 4,216,932 | 4,926,059 | △709,127 | △1,896,755 |
| 2000 | 482,837 | 3,640,683 | 4,204,983 | 5,453,792 | △1,248,809 | △3,145,565 |
| 2001 | 511,087 | 667,547 | 1,288,209 | 1,940,875 | △652,666 | △3,798,231 |
| 2002 | 509,944 | 1,589,874 | 2,502,074 | 2,710,347 | △208,273 | △4,006,504 |
| 2003 | 522,106 | - | 742,728 | 230,070 | 512,657 | △3,493,847 |

Notes: 1. Figures for FY1996, except for inter-account transfers, are the total for the general account, the special account for general financial institutions and the special account for credit cooperatives.

2. Figures for FY1997 to FY2002, except for inter-account transfers, are the total for the general account and the special operations account.

3. 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 of Insured Financial Institutions | | | Deposit Insurance Fund | |
|----------------------------------------|--------------------------------------------|----------------|--------------------------------------------|------------------------|-----------------------------------------------------------|
| | Total (A) | Insured (B) | Percentage of Insured Deposits (B/A) | Amount | Ratio of Deposit Insurance Fund to Insured Deposits |
| 1971 | 81,194.7 | 72,253.0 | 89.0 | 3.0 | 0.004 |
| 1972 | 102,833.3 | 90,863.5 | 88.4 | 8.0 | 0.009 |
| 1973 | 116,312.7 | 104,186.7 | 89.6 | 14.3 | 0.014 |
| 1974 | 129,839.0 | 116,631.5 | 89.8 | 21.8 | 0.019 |
| 1975 | 150,629.5 | 136,197.8 | 90.4 | 30.7 | 0.023 |
| 1976 | 169,410.4 | 153,636.2 | 90.7 | 41.4 | 0.027 |
| 1977 | 189,872.9 | 172,002.1 | 90.6 | 53.6 | 0.031 |
| 1978 | 213,416.8 | 192,942.1 | 90.4 | 67.5 | 0.035 |
| 1979 | 235,571.3 | 209,822.2 | 89.1 | 83.5 | 0.040 |
| 1980 | 255,141.1 | 227,184.8 | 89.0 | 101.8 | 0.045 |
| 1981 | 285,301.3 | 251,345.8 | 88.1 | 122.0 | 0.049 |
| 1982 | 305,115.2 | 270,301.4 | 88.6 | 150.1 | 0.056 |
| 1983 | 331,490.5 | 290,402.5 | 87.6 | 181.5 | 0.062 |
| 1984 | 362,385.1 | 315,927.8 | 87.2 | 216.1 | 0.068 |
| 1985 | 407,760.2 | 339,108.6 | 83.2 | 254.5 | 0.075 |
| 1986 | 453,845.5 | 366,709.3 | 80.8 | 309.6 | 0.084 |
| 1987 | 515,952.1 | 404,748.5 | 78.4 | 371.5 | 0.092 |
| 1988 | 594,626.7 | 446,396.8 | 75.1 | 439.4 | 0.098 |
| 1989 | 685,242.0 | 501,597.7 | 73.2 | 513.6 | 0.102 |
| 1990 | 703,458.9 | 526,686.0 | 74.9 | 601.3 | 0.114 |
| 1991 | 694,900.5 | 526,242.7 | 75.7 | 696.3 | 0.132 |
| 1992 | 695,013.6 | 531,607.0 | 76.5 | 770.6 | 0.145 |
| 1993 | 704,975.2 | 541,444.8 | 76.8 | 820.5 | 0.152 |
| 1994 | 710,349.8 | 555,711.2 | 78.2 | 876.0 | 0.158 |
| 1995 | 717,604.3 | 550,600.5 | 76.7 | 386.5 | 0.070 |
| 1996 | 713,479.8 | 551,270.8 | 77.3 | △ 395.1 | - |
| 1997 | 705,772.0 | 556,393.5 | 78.8 | △ 94.0 | - |
| 1998 | 703,259.9 | 572,729.9 | 81.4 | △ 1,187.6 | - |
| 1999 | 698,382.0 | 575,717.4 | 82.4 | △ 1,896.7 | - |
| 2000 | 728,863.8 | 611,512.7 | 83.9 | △ 3,145.5 | - |
| 2001 | 718,543.4 | 609,374.8 | 84.8 | △ 3,798.2 | - |
| 2002 | 708,597.2 | 622,556.3 | 87.9 | △ 4,006.5 | - |
| 2003 | 709,811.2 | 627,257.9 | 88.4 | △ 3,493.8 | - |

Notes: 1. Total deposits include installment savings, money in trust, foreign currency deposits, and negotiable certificates of deposit.

2. Insured deposits exclude deposits, etc. under Article 3 and Article 3-2 of the Deposit Insurance Law Enforcement Regulations (in FY2003, the specific settlement debts based on Article 69-2 of the Deposit Insurance Law are added to this amount). From FY2001, insurance premiums are calculated from average balance of deposits.

3. Amounts for the Deposit Insurance Fund for FY1996 show the total amount for the general account, the special account for general financial institutions and the special account for credit cooperatives.

4. Amounts for the Deposit Insurance Fund for FY1997 to FY2002 is the total for the general account and the special operations account.

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 |
| 2003 | 155 | 7 | 64 | 50 | 27 | 2 | 306 | 181 | 13 | 3 | 658 |

* 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 | 72,253.0 | 60,775.0 | 29,188.7 | 15,582.0 | 7,228.8 | 7,511.6 | 1,263.7 | 9,160.6 | 2,317.2 | - | - |
| 1972 | 90,863.5 | 76,404.5 | 36,165.2 | 19,788.1 | 9,245.9 | 9,489.0 | 1,716.1 | 11,602.9 | 2,856.0 | - | - |
| 1973 | 104,186.7 | 86,505.0 | 39,037.6 | 23,497.1 | 11,280.6 | 10,760.8 | 1,928.7 | 14,195.5 | 3,486.1 | - | - |
| 1974 | 116,631.5 | 96,133.4 | 42,209.5 | 26,536.8 | 13,019.3 | 12,312.3 | 2,055.3 | 16,346.8 | 4,151.2 | - | - |
| 1975 | 136,197.8 | 112,259.6 | 49,227.5 | 30,983.9 | 15,088.6 | 14,465.9 | 2,493.5 | 19,008.0 | 4,930.1 | - | - |
| 1976 | 153,636.2 | 126,426.3 | 54,967.5 | 34,935.7 | 16,881.8 | 16,887.3 | 2,753.8 | 21,639.4 | 5,570.4 | - | - |
| 1977 | 172,002.1 | 141,872.3 | 61,697.8 | 39,221.4 | 18,945.1 | 19,158.3 | 2,849.5 | 23,944.0 | 6,185.7 | - | - |
| 1978 | 192,942.1 | 158,926.8 | 68,034.6 | 44,717.0 | 21,614.9 | 21,616.3 | 2,943.7 | 27,083.7 | 6,931.5 | - | - |
| 1979 | 209,822.2 | 171,728.2 | 71,684.6 | 49,556.1 | 23,851.8 | 23,544.9 | 3,090.7 | 30,371.6 | 7,722.3 | - | - |
| 1980 | 227,184.8 | 185,572.7 | 77,550.1 | 53,474.3 | 25,761.9 | 25,497.9 | 3,288.4 | 33,162.8 | 8,449.2 | - | - |
| 1981 | 251,345.8 | 205,435.2 | 85,876.8 | 59,497.7 | 28,471.2 | 28,085.0 | 3,504.3 | 36,603.6 | 9,307.0 | - | - |
| 1982 | 270,301.4 | 220,683.3 | 90,962.9 | 64,099.1 | 30,573.2 | 31,417.5 | 3,630.5 | 39,491.0 | 10,127.0 | - | - |
| 1983 | 290,402.5 | 237,449.3 | 98,093.4 | 68,333.0 | 32,444.7 | 34,761.6 | 3,816.4 | 42,074.7 | 10,878.4 | - | - |
| 1984 | 315,927.8 | 258,664.2 | 107,585.0 | 76,232.6 | 33,195.1 | 37,522.8 | 4,128.4 | 45,606.9 | 11,656.6 | - | - |
| 1985 | 339,108.6 | 273,540.2 | 117,048.6 | 79,947.6 | 34,460.5 | 37,963.7 | 4,119.6 | 48,412.1 | 12,372.2 | 4,784.0 | - |
| 1986 | 366,709.3 | 296,482.7 | 128,829.3 | 86,621.8 | 37,045.2 | 39,813.6 | 4,172.6 | 51,909.3 | 13,187.8 | 5,129.4 | - |
| 1987 | 404,748.5 | 327,984.1 | 145,975.0 | 95,995.9 | 40,019.0 | 41,304.2 | 4,689.8 | 56,738.4 | 14,551.4 | 5,474.5 | - |
| 1988 | 446,396.8 | 361,564.3 | 158,959.8 | 107,207.4 | 44,179.1 | 46,063.8 | 5,154.0 | 62,574.5 | 16,349.4 | 5,908.5 | - |
| 1989 | 501,597.7 | 405,035.5 | 180,209.3 | 120,168.4 | 47,904.3 | 50,384.1 | 6,369.1 | 70,972.5 | 19,172.4 | 6,417.1 | - |
| 1990 | 526,686.0 | 421,729.6 | 184,899.5 | 125,264.3 | 50,722.6 | 55,185.0 | 5,657.9 | 76,734.8 | 21,307.2 | 6,914.2 | - |
| 1991 | 526,242.7 | 417,522.6 | 175,188.3 | 129,149.0 | 51,681.5 | 57,126.2 | 4,377.6 | 79,876.1 | 21,473.7 | 7,370.2 | - |
| 1992 | 531,607.0 | 418,975.4 | 169,169.0 | 133,250.4 | 52,707.7 | 59,378.9 | 4,469.1 | 82,933.0 | 21,854.2 | 7,844.3 | - |
| 1993 | 541,444.8 | 424,776.0 | 169,657.0 | 137,050.6 | 53,879.5 | 59,841.5 | 4,347.2 | 85,735.4 | 22,588.5 | 8,344.8 | - |
| 1994 | 555,711.2 | 434,071.2 | 172,413.8 | 142,630.5 | 55,794.6 | 58,628.8 | 4,540.3 | 89,632.1 | 23,158.3 | 8,849.4 | - |
| 1995 | 550,600.5 | 428,676.3 | 170,717.2 | 144,615.1 | 55,864.0 | 52,825.0 | 4,547.5 | 91,224.1 | 21,512.7 | 9,187.3 | - |
| 1996 | 551,270.8 | 428,206.9 | 168,766.4 | 147,132.3 | 55,817.9 | 51,923.5 | 4,566.7 | 92,552.2 | 20,976.2 | 9,535.3 | - |
| 1997 | 556,393.5 | 432,488.4 | 172,244.4 | 150,615.2 | 55,549.1 | 49,482.5 | 4,587.8 | 93,725.7 | 20,098.7 | 10,080.5 | - |
| 1998 | 572,729.9 | 446,811.9 | 178,508.3 | 154,772.0 | 58,990.5 | 49,445.4 | 5,090.1 | 96,118.6 | 19,267.4 | 10,531.9 | - |
| 1999 | 575,717.4 | 448,926.7 | 181,490.1 | 160,421.9 | 53,932.7 | 48,496.1 | 4,582.5 | 97,371.8 | 18,440.3 | 10,978.4 | - |
| 2000 | 611,512.7 | 479,229.2 | 193,100.6 | 174,359.8 | 55,917.7 | 48,794.2 | 7,016.7 | 102,201.5 | 17,853.9 | 11,709.6 | 518.5 |
| 2001 | 609,374.8 | 478,098.3 | 200,167.1 | 173,500.6 | 55,325.8 | 45,994.1 | 2,993.5 | 101,747.7 | 16,599.3 | 12,303.8 | 625.6 |
| 2002 | 622,556.3 | 493,256.5 | 216,243.7 | 176,510.1 | 52,708.5 | 43,587.8 | 3,908.4 | 100,918.5 | 14,562.8 | 13,088.7 | 729.5 |
| 2003 | 627,257.9 | 494,460.9 | 220,185.7 | 173,472.8 | 53,875.5 | 42,053.6 | 4,318.5 | 103,442.0 | 15,015.6 | 13,527.2 | 811.9 |

* 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 ¥100million.

(Annex 1) International Association of Deposit Insurers (IADI) List of Participants

(As of April 30, 2004)

| I. Member Organizations (Deposit insurers: 34 organizations from 33 countries/regions) | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Asia | (1) Japan: Deposit Insurance Corporation of Japan (2) South Korea: Korea Deposit Insurance Corporation (3) Philippines: Philippine Deposit Insurance Corporation (4) Taiwan: Central Deposit Insurance Corporation (5) Vietnam: Deposit Insurance of Vietnam (6) Kazakhstan: CJSC Kazakhstan Deposit Insurance Fund |
| North America | (7) Canada: Canada Deposit Insurance Corporation (8) Canada: Regie de l'assurance depots du Quebec (9) United States: Federal Deposit Insurance Corporation |
| Middle & South America | (10) Argentina: Seguro de Depositos Sociedad Anonima (11) Bahamas: Deposit Insurance Corporation, Central Bank of The Bahamas (12) Brazil: Fundo Garantidor de Creditos (13) El Salvador: Instituto de Garantia de Depositos (14) Jamaica: Jamaica Deposit Insurance Corporation (15) Mexico: Instituto para la Proteccion al Ahorro Bancario (16) Peru: Fondo de Seguro de Depositos (17) Trinidad and Tobago: Deposit Insurance Corporation (18) Venezuela: Fondo de Garantia de Depositos y Proteccion Bancaria (19) Colombia: Fondo de Garantias de Instituciones Financieras |
| Europe | (20) Bulgaria: Bulgarian Deposit Insurance Fund (21) Czech: Deposit Insurance Fund Czech Republic (22) France: Fonds de Garantie des Depots (23) Hungary: National Deposit Insurance Fund of Hungary (24) Sweden: Swedish Deposit Guarantee Board (25) Ukraine: The Household Deposit Insurance Fund (26) Albania: Albanian Deposit Insurance Agency (27) Russia: Deposit Insurance Agency (28) Bosnia and Herzegovina: Deposit Insurance Agency of Bosnia and Herzegovina |
| Middle East and Africa | (29) Jordan: Jordan Deposit Insurance Corporation (30) Kenya: Deposit Protection Fund Board (31) Nigeria: Nigeria Deposit Insurance Corporation (32) Turkey: Savings Deposit Insurance Fund, Banking Regulation and Supervision Agency (33) Tanzania: Deposit Insurance Board of Tanzania (34) Zimbabwe: Deposit Protection Board |
| II. Associates (Entities that are considering the establishment of a deposit insurance system or other entities that are part of a financial safety net: 8 entities from 8 countries/regions) | |
| Asia | (1) Hong Kong: Hong Kong Monetary Authority (2) Malaysia: Bank Negara Malaysia (3) Philippines: Bangko Sentral ng Pilipinas (4) Mongolia: Bank of Mongolia (5) Singapore: Monetary Authority of Singapore |
| Europe and Africa | (6) Russia: Bank of Russia (7) Algeria: Bank of Algeria (8) South Africa: The National Treasury |

| III. Observers (Interested parties such as professional firms: 4 entities from 3 countries/regions) | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| North America | (1) Deloitte & Touche (Canada) (2) BearingPoint LLC. (United States) (3) Goodmans LLP (Canada) |
| Europe | (4) Agency for Restructuring Credit Organizations (Russia) |
| IV. Partners (International organizations etc. : 5 organizations) | |
| (1) Asian Development Bank (2) European Bank for Reconstruction and Development (3) European Forum of Deposit Insurers (4) International Monetary Fund (5) The Toronto International Leadership Centre for Financial Sector Supervision | |
| Standing and Regional Committees | |
| Standing Committees | Training and Conference Committee Research and Guidance Committee Membership and Communications Committee Finance and Planning Committee Governance Committee |
| Regional Committees | Asia Regional Committees Africa Regional Committees Caribbean Regional Committees Eurasia Regional Committees Latin America Regional Committees |

(Reference: Number of IADI participants)

| Category | Number of entities | Number of countries |
|-----------|--------------------|---------------------|
| Member | 34 | 33 |
| Associate | 8 | 8 |
| Observer | 4 | 4 |
| Partner | 5 | - |
| Total | 51 | 39 |

(Annex 2) International Seminar on Deposit Insurance and the 2nd IADI ARC Meeting (Kyoto) Program and Participants

1. Program

■ March 18 (Thursday), 2004

(Morning)

1. The 2nd ARC meeting

Chaired by Mr. Hajime Shinohara, Deputy Governor, DICJ

- | | |
|-------------|-------------------------------------------------------------------------------------------|
| 09:30 | Opening Remarks by Mr. Hajime Shinohara |
| 09:40-10:20 | Review on TOR and Business Plan of Regional Committee |
| 10:20-10:40 | Coffee Break |
| 10:40-12:15 | Future Business Development of the ARC, Common Issues and Approaches (End of ARC meeting) |

(Afternoon)

2. International Seminar on Deposit Insurance

(Plenary session)

14:00-: Opening Address by Mr. Hideaki Suzuki, Executive Director, DICJ

Session One: “Challenges for Deposit Insurers in the Post Banking Crisis”
(Moderator: Dr. Naoyuki Yoshino, Professor of Economics, Keio University)
- Independency of a deposit insurer and its relationship with other financial safety net players
- Strengthening of Deposit Insurance Fund
- Risk assessment function of deposit insurers

14:10-14:50 “Experiences in Asia (with focus on Indonesia, Malaysia and Thailand)”
Ms. Shamshad Akhtar, Director General, Southeast Asia Department, Asian Development Bank

14:50-15:30 “Korea’s Experience”
Mr. Wongkeun Yang, Executive Director, Korea Deposit Insurance Corporation

15:30-15:50 Coffee Break

15:50-16:30 “Japanese Banking Failures and the Deposit Insurance”
Mr. Naoyuki Yoshino, Professor of Economics, Keio University

16:30-17:10 “Role of Asset Management Companies after Asian Financial Crisis”
Mr. Shinichi Yoshikuni, Chief Representative, Representative Office for Asia and the Pacific (Hong Kong), Bank of International Settlement

■ March 19 (Friday), 2004

Session Two: “Differential Premium System: New Funding Tool after Banking Crisis”
(Moderator: Mr. Hideaki Suzuki, Executive Director, DICJ)

09:30-10:00 Keynote speech: “The Early Warning System and Risk Based Premium Scheme of Central Deposit Insurance Corporation (Taiwan)”
Mr. William Su, Director, Risk Management Department
Ms. Yvonne Fan, Chief of International Division, Business Department

10:00-10:20 “The Canadian Experience”
Ms. Sandra Chisholm, Director, Standards and Insurance, Canada Deposit Insurance Corporation

10:20-10:40 Coffee Break

10:40-11:10 Comments (10 minutes for each commentator):
Mr. Ricardo M. Tan, President and CEO, Philippine Deposit Insurance Corporation
Mr. Jaeho Chung, Senior Economist, Research and Analysis Department, Korea Deposit Insurance Corporation

Ms. Bakhyt Mazhenova, Director General, CJSC Kazakhstan Deposit Insurance Fund)

11:10-11:40 Closing Remarks by Mr. Hideaki Suzuki, Executive Director, DICJ

2. Participants*: (in alphabetical order of the name of organizations)

* The 2nd ARC meeting was attended by representatives of Members and Associates of IADI-ARC.

ARC Members:

- Central Deposit Insurance Corporation (Taiwan)
(Mr.) Johnson Chen, President, and two other participants
- CJSC Kazakhstan Deposit Insurance Fund
(Ms.) Bakhyt Mazhenova, Director General
- Deposit Insurance Corporation of Japan
(Mr.) Noboru Matsuda, Governor
(Mr.) Hajime Shinohara, Deputy Governor, and 10 other participants
- Deposit Insurance of Vietnam
(Mr.) Do Khac Hai, Chairman, and one other participant
- Korea Deposit Insurance Corporation
(Mr.) Wongkeun Yang, Executive Director, and one other participant
- Philippine Deposit Insurance Corporation
(Mr.) Ricardo M. Tan, President and CEO, and two other participants

*6 organizations / 23 participants*ARC Associates:

- Bank Negara Malaysia
(Ms.) Lai Wai Keen, Senior Manager, Bank Regulation Department
- Central Bank of the Philippines
(Mr.) Alberto V. Reyes, Deputy Governor
- Hong Kong Monetary Authority
(Mr.) Colin Pou, Senior Manager, Banking Development
- Monetary Authority of Singapore
(Ms.) Loo Siew Yee, Lead Policy Analyst, Prudential Policy Department
- The Bank of Mongolia
(Mr.) Danjlaa Ganbat, Director, Supervision Division, Supervision Department

*5 organizations / 5 participants*IADI:

- Canada Deposit Insurance Corporation
(Ms.) Sandra Chisholm, Director, Standards and Insurance

*1 organization / 1 participant*Non-IADI Participants:

- Bank of Thailand
(Ms.) Ruchukorn Sangsubhan, Director, Special Project Department
- Central Bank of Sri Lanka
(Mr.) Nishan S. Jayakody, Assistant Examiner, Bank Supervision Department
- Ministry of Finance, Japan
(Mr.) Hidenori Higuchi, Deputy Director, Financial System Stabilization Division, and one other participant
- Ministry of Justice and Home Affairs, Mongolia
(Mr.) Dashdondov Bayarsaikhan, Legal Policy Department
- Nepal Rastra Bank
(Mr.) Lekh Nath Bhusal, Executive Director, Human Resource Department

*5 organizations / 6 participants*IFIs:

- Asian Development Bank
(Ms.) Shamshad Akhtar, Director General, South East Asia Department, and two other participants
- Bank for International Settlement
(Mr.) Shinichi Yoshikuni, Chief Representative, Representative Office for Asia and the Pacific
(Hong Kong)
- International Monetary Fund



(Mr.) Romuald Semblat, Economist, Regional Office for Asia and the Pacific

3 organizations / 5 participants

Academics:

- Keio University

(Mr.) Naoyuki Yoshino, Professor of Economics

(Mr.) Mikhail Frolov, Research Fellow, 21st Century COE Joint Program

1 organization / 2 participants

Observers:

- Bank of Fukuoka

(Mr.) Naohiko Gondo, Deputy Councilor, Tokyo Representative Office (Deputy Councilor, Office of Chairman, Regional Banks Association of Japan)

- Regional Banks Association of Japan

(Mr.) Akira Nakamura, Manager, Planning Department

- The Resolution and Collection Corporation

(Mr.) Satoshi Hashimoto, Senior Managing Director, and one other participant

3 organization / 4 participants

(Total of 24 organizations / 46 participants)