

**"Program for Financial Revival "Work Schedule**

**(Provisional Translation)**

*Program for Financial Revival  
Released (30 October)*

Already Implemented

*Work Schedule  
Released(29 November)*

Implemented by the end of 2002

Implemented by the end of FY 2002  
(note ) Including measures applied to the account settlement of March 2003

1. Framework for a new financial system	Financing to small- and medium-sized enterprises(SMEs)	<ul style="list-style-type: none"> <li>•Entry of new lenders to SMEs (Expediting approval of banking license )</li> <li>•Developing financial schemes to support revival of SMEs (including establishing schemes to utilize RCC's trust function)</li> <li>•Ensuring inspections which take account of SMEs' actual conditions</li> <li>•Setting up a "Hotline for credit crunch and credit withdrawal"</li> <li>•Implementing "Inspections on credit crunch and credit withdrawal" (Developing a system to analyze information provided through the Hotline )</li> </ul>	<ul style="list-style-type: none"> <li>•Starting examination for establishing "Small- and Medium- Sized Enterprises Loan Trust Companies" (J loan)</li> <li>•Utilizing information provided through the Hotline in inspection and supervision</li> </ul>	<ul style="list-style-type: none"> <li>•Issuing a "Business Improvement Administrative Order" to a bank which has not achieved its plan for lending to SMEs (Responding to progress reports on implementation of its plan under the Early Strengthening of Financial Function Law)</li> </ul>
	Special Support	<ul style="list-style-type: none"> <li>•Applying the "Special Support" framework immediately as needed</li> <li>Corporate revival through "Special Support"</li> <li>•Credit guarantee system for DIP finance (A draft law was submitted by the Small and Medium Enterprise Agency to the current Extraordinary Diet session and enacted )</li> </ul>	<ul style="list-style-type: none"> <li>•Establishing "Task Force on Financial Issues" (Monitoring business plans)</li> <li>•Starting examination of a new public funds scheme (The Financial System Council starts to discuss the necessity of a new scheme (to reach a conclusion within about 6 months))</li> <li>•Utilization of banks' self-assessments as reference information in judging fair value (Elaborating the concept of fair value)</li> </ul>	<ul style="list-style-type: none"> <li>•Dispatch of de facto resident inspectors (Examining concrete ways of dispatch and taking necessary measures, while paying attention to the Banking Law, the Commercial Code and relevant regulations)</li> <li>•Developing a concrete scheme for account division for the purpose of managerial accounting</li> </ul>
2. New framework for corporate revival	Corporate revival	<ul style="list-style-type: none"> <li>•Further utilization of the RCC and corporate revival (strengthening RCC's corporate revival function and enhancing its cooperation with corporate reconstruction funds)</li> <li>•Developing a market for loans (Requesting the Japanese Bankers Association to examine relevant issues)</li> <li>•Developing favorable environments for corporate revival (Requesting relevant ministries to take necessary actions)</li> <li>•Establishing "Strategic Headquarters for Industrial Revival and Employment Measures" and a preparatory office for establishing "Institution for Industrial Revival" (provisional name)</li> </ul>	<ul style="list-style-type: none"> <li>•Strengthening the corporate revival function of the RCC (Developing and disclosing a basic policy to accelerate collections and sales of loans purchased by the RCC)</li> <li>•Enhancing securitization function (Developing and disclosing a basic policy)</li> </ul>	
3. Framework of the new financial administration	Tightening assessment of assets	<ul style="list-style-type: none"> <li>•Starting to examine whether DCF type methods should be accepted and whether the criteria of average remaining period of loans to figure out provisioning should be reviewed (Establishing a special team in the Japanese Institute of Certified Public Accountants (JICPA) and a liaison group between the FSA and the JICPA.)</li> <li>•Requesting major banks and the JICPA to evaluate Dept Equity Swaps at fair value</li> <li>•Disclosure of the gap between major banks' self-assessment and the result of FSA's inspections</li> </ul>	<ul style="list-style-type: none"> <li>•Harmonizing classification of large borrowers among banks (Developing a system for application to inspections from January 2003)</li> <li>•Establishing a special team for examination of reconstruction plans (Rigorous examination)</li> <li>•Declaration by the management regarding the accuracy of financial statements (Reaching a conclusion in the Financial System Council Amending Cabinet Ordinances)</li> <li>•Strengthening administrative measures against inadequate correction of self-assessments (Amendment of the Guidelines for Supervision by the end of this year)</li> </ul>	<ul style="list-style-type: none"> <li>•Reaching a conclusion on DCF type methods after the examination in the JICPA and amending the Inspection Manual</li> <li>•Rigorous examination of assessment of collateral (Developing a policy based on the research of the practices and actual situations in each bank, and requesting major banks to conduct rigorous assessments)</li> <li>•Conducting another round of special inspections</li> </ul>
	Enhancing capital adequacy	<ul style="list-style-type: none"> <li>•Requesting strict assessment and audit of deferred tax assets (Major banks and the JICPA)</li> </ul>	<ul style="list-style-type: none"> <li>•The Financial System Council starts to examine the upper limit of deferred tax assets which can be included in regulatory capital</li> </ul>	<ul style="list-style-type: none"> <li>•Improving the Guidelines for Supervision on capital increase through the allocation of new stocks to a third party</li> <li>•Introducing external audit of capital adequacy ratio (Reviewing the format of business report stipulated in the Ministerial Ordinance of Banking Law and other regulations)</li> </ul>
	Strengthening governance	<ul style="list-style-type: none"> <li>•Rigorous audit by external auditors (Requesting the JICPA to implement it)</li> </ul>	<ul style="list-style-type: none"> <li>•Rigorous review of the prompt corrective action framework</li> <li>•Utilization of "Early Warning System"</li> </ul> <p align="center">(Amendment of the Guidelines for Supervision by the end of this year)</p>	<ul style="list-style-type: none"> <li>Strengthening governance of banks which received public funds</li> <li>•Clarifying the operational guidelines regarding conditions for converting preferred stocks into common stocks</li> <li>•Clarifying the policy in issuing a business improvement administrative order to a bank which has not achieved its rationalization plan, as well as the managerial responsibilities</li> </ul>
4. Future steps				<ul style="list-style-type: none"> <li>•As to the disposal of NPLs of small- and medium-sized and regional financial institutions, the FSA aims to develop an "Action Program" within this fiscal year, after examining appropriate models of "Relationship Oriented Banking" in the Financial System Council</li> </ul>