

(Provisional Translation)

June 18, 2004

Financial Services Agency

The Government of Japan

Administrative Actions on the UFJ Bank

1. According to the inspection result [issued on May 31, 2004] by the Financial Services Agency [hereinafter referred to as the “FSA”] of the UFJ Bank [hereinafter referred to as the “Bank”] and the Bank’s subsequent report to the FSA in response to the FSA’s Reporting Order based on Article 24.1 of the Banking Law, it was found that the following deeds had been conducted in an organized manner by a large number of officials of the Bank.

[1] The Bank was found to have moved and concealed, in rooms separated from regular working spaces, important documents that would substantially affect the classifications of borrowers and the amount of write-offs and provisions. The Bank also hid equally important data to the server of an already-abolished section and made them virtually undetectable. These deeds were systematically conducted prior to the FSA’s inspections under the instructions given including at a series of internal meetings.

In addition, in response to inspectors’ inquiry whether or not there existed separated rooms from regular working spaces in order to stock documents, a false reply was made that such rooms did not exist. Some documents were torn in the presence of inspectors.

[2] The Bank forged a number of minutes of meetings in which executives evaluated large borrowers; for example, the Bank deleted from minutes some parts expressing concerns about business climates and financial conditions of borrowers. These deeds were conducted in an organized manner prior to the FSA’s inspections with the management involved.

After receiving inspectors’ request for documents concerning a specific borrower, the Bank deleted the description that would affect the classification of the borrower. This deed was also conducted in an organized manner with the management involved.

In addition, these forged minutes and other documents were submitted to inspectors in the inspections as authentic ones.

[3] The Bank gave inspectors false explanations on business climates and financial conditions of some borrowers as it concealed documents and data.

2. These deeds are considered to be “evasions of inspections” of Article 63.3 and 64.1.(2) of the

Banking Law [defined, in Article 63.3, as “acts to give no answer or false answers to questions of inspectors or to reject, obstruct or evade inspections based on Article 25.1 of the Banking Law”]. Other than the deeds mentioned in 1. above, deeds considered to be evasions of inspections and a number of inappropriate responses to the inspections were identified.

As a result of these deeds and responses to the inspections, it became difficult to correctly judge the classifications of borrowers and the needed levels of write-offs and provisions. Moreover, efficient implementation of the inspections was hampered and, as a result, the inspection period was considerably prolonged.

3. With the findings above, the FSA today took the following administrative actions on the Bank based on Article 26.1 of the Banking Law.

Business Improvement Order based on Article 26.1 of the Banking Law

[1] In order to prevent concealment of documents and data, forgery of documents, false explanations and inappropriate responses to the FSA’s inspections, the Bank must strengthen its operations and internal controls to properly receive the FSA’s inspections, with due emphasis on the following points:

- 1] To properly manage inspection-related operations for the purpose of receiving effective and efficient inspections
- 2] To strengthen internal audit and audits by corporate auditors
- 3] To clarify who, among the management and employees, should be held responsible for the evasion from inspections

[2] The Bank must strengthen internal controls in order to enhance compliance functions and to ensure the proper management of operations, with due emphasis on the following points:

- 1] To clarify the commitment of the management on compliance and also to clarify who is (are) responsible for compliance with laws and other related regulations
- 2] To enhance compliance functions by strengthening intersectional monitoring functions in the headquarters
- 3] To heighten the awareness of the management and employees about laws and other related regulations

[3] The Bank must submit a Business Improvement Plan to the FSA by July 20, 2004 and implement the plan steadily.

[4] The Bank must report the progress in the implementation of the plan to the FSA within one month after the end of every quarter starting from end-September, 2004, until its completion.

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