

(Provisional translation)

August, 18, 2009

Financial Services Agency

Summary of Annual Supervisory Policies for Major Banks for Program Year 2009

1. Experience of Financial Crisis and Basic Concepts on Supervision of Financial Institutions for the Future

- The FSA is placing “Better Regulation” as the basis and striving to further have it become embedded and enhanced. In doing so, the FSA will pay attention to the following points in particular.
 - 1) The FSA more than ever will strive to (i) conduct financial administration with a high risk sensitivity, (ii) conduct financial administration by looking at things from citizen’s and user’s point of view, (iii) conduct financial administration with an eye on the future, and (iv) help financial institutions autonomously improve management and make better business judgments.
 - 2) The FSA, in addition to encouraging closer cooperation among inspection divisions, the Securities and Exchange Surveillance Commission (SESC) and the Bank of Japan (BOJ), will also cooperate with overseas authorities via supervisory colleges, and positively contribute to international standards setting bodies.
 - 3) The FSA will redouble efforts for human resource development and permeate financial knowledge.

2. Risk Management and Stability of Financial System

- Under the leadership and strong commitment of management personnel, financial institutions keep an eye on changes in the environment surrounding, and the FSA investigate whether a bank is implementing appropriate risk management. At the same time, the FSA will keep an eye on progressions in international discussions and encourage financial institutions to enhance their equity capital.
- Supervising major financial groups, the FSA will investigate whether an institution is appropriately maintaining comprehensive risk management for the group overall.

- The FSA will be aware of the strong correlative relationships between (i) macroeconomics and movements in financial markets and (ii) the financial intermediary function and the soundness of banking finance, as well as scrutinize from the viewpoint of being able to continually and stably develop the financial system as a whole.

3. Performing a Smooth Financial Intermediary Function

- Continuing to implement a questionnaire for SMEs, the FSA will further utilize the hotline for smooth finance. Through this questionnaire and these kinds of efforts, the FSA will have a firm grasp of the details of the financing climate and the state of borrower companies.
- The FSA will investigate whether a bank makes finance decisions based on the management status and characteristics of borrower companies on an everyday basis, and based on those things whether a bank makes accurate and detailed business judgments.
- The FSA will aim for smooth business finance of the Emergency Guarantee System and positively achieve a financial intermediary function that creates value to increase the added value of borrower companies.
- Also with regards to personal finance such as housing loans, the FSA will encourage banking operations that sufficiently consider customers' economic situations and lifestyles including revisions to repayment conditions. Also with regards to new loans, the FSA will work to ensure a smooth provision of funds via detailed loan judgment that considers customer's economic situations.

4. Improving Customer Protection and Convenience for Users

- In this program year the FSA will respect the autonomous efforts of each bank, and proceed with supervision that places importance on incentives. And the FSA will conduct investigations while placing priority on the following points aiming to have improved customer protection and better convenience for users; (i) thorough management of information security, (ii) enhancing systems for providing explanations to customers, (iii) enhancing systems for processing consultations and complaints, (iv) preventing abuse of financial functions, (v) ensuring business continuity for the pandemic influenza and so on.