

# Issues Related to the Earthquake, Tsunami and Radiation Leakage: Regulations, Markets, Regional Banks and Financial Products

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## Issues related to the earthquake, tsunami and radiation leakage: regulations, markets, regional banks and financial products

1. Common aspects of the financial crisis and the disaster - really unexpected?
2. Difference between regulating to avoid a future crisis and responding to a current disaster
3. Damage caused by the disaster – t he case of regional banks and action by FSA
4. Injection of public funds into regional banks under the Act on Special Measures for Strengthening Financial Functions and proposed revisions thereof
5. “Too big to fail”: huge effect on the capital markets by possible bankruptcy of The Tokyo Electric Power Company, Inc. (“TEPCO”)
6. Setting up an institution similar to Deposit Insurance Corporation of Japan for TEPCO to continue supplying electricity and compensate for damage caused by radiation leakage
7. So-called “double loans” problem for debtors suffering from the disaster
8. Effect of the disaster on RMBS, CMBS, JREIT and CAT bonds
9. Conclusion



## Status of major damage and restoration from Great East Japan Earthquake

(Source : 5/11/2011 Nikkei)

Status of damage	
Dead	14,949 persons
Missing	9,880 persons
Evacuees	117,085 persons

(Note) As of 4p.m., May 10th

### Amount of damage from disasters and their ratio to capital stock

	Subject Area	Aggregate amount of capital stock	Amount of damage	Ratio compared to capital stock
Great East Japan Earthquake (2011)	all affected areas	175 trillion yen	16~25 trillion yen	9~14%
	among which three (3) prefectures of Iwate, Miyagi and Fukushima	70 trillion yen	14~23 trillion yen	20~30%
Great Hanshin Awaji Earthquake (1995)	Hyogo prefecture	64 trillion yen	10 trillion yen	16%
Pacific War (1945)	all Japan	253 billion yen	640 billion yen	25%
Great Kanto Earthquake (1923)	all Japan	50 billion yen	5 billion yen	10%

Note: Estimated amount based on materials prepared by Cabinet Office. All areas of the affected areas of Great East Japan Earthquake include Hokkaido, Aomori, Ibaraki and Chiba

(Source : 4/11/2011 Nikkei Business)

(Source : 5/11/2011 Nikkei)

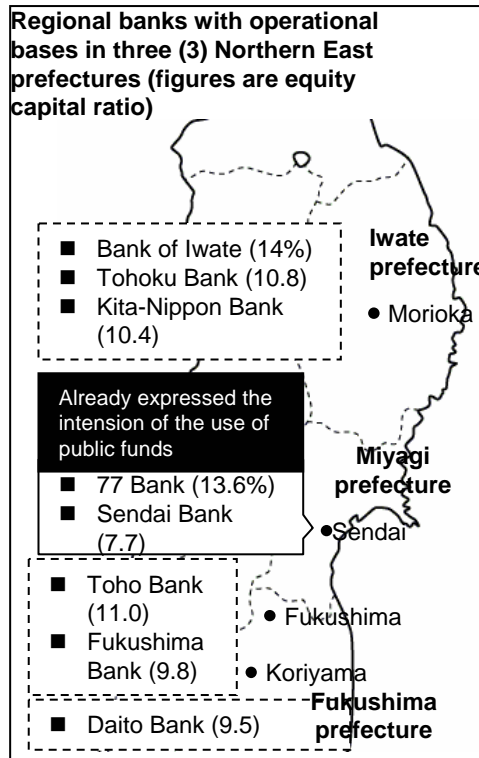
Status of restoration	
<Lifeline related>	
Electricity (within area of Tohoku Electric)	Power outage in 6,000 households (as of May 6th)
Waterworks **	Cutoff of water supply in 77,500 households (as of May 6th)
City gas ***	Mostly restored
Telephone	Both fixed and mobile lines mostly restored
Financial institutions **	93% in operation. 71 stores (branches) closed.
Post offices *	95% in operation
Gasoline stands *	95% in operation
<Transport infrastructure>	
Railways	All Shinkansen lines reopened. Portion of conventional lines of East Japan Railway with no prospect of restoration
Airports	Number of flights in thirteen (13) airports in affected areas are approximately 75% before the earthquake
Harbors	Operation of fourteen (14) affected ports reopened. 36% of the face of rock cliff available for use.
<Industry>	
Automobiles	The rate of operation of factories in Japan of each company is around 50%
Electronics	Factories for semiconductors, etc. are affected. Renesas Electronics aims to re-open major factory(ies) in June.
Petroleum	JX Nippon Oil & Energy Corporation resumed shipment from Sendai refinery

\*Six (6) Northern East prefectures, \*\*Three (3) prefectures of Iwate, Miyagi and Fukushima,

\*\*\*Four (4) prefectures of Aomori, Iwate, Miyagi and Fukushima



**Major support policy for affected areas  
by the government and BOJ**



(Source : 4/9/2011 Nikkei)

<b>For depositors and insurance policy holders</b>	<ul style="list-style-type: none"> <li>Respond to refund of deposits even if deposit passbooks are lost</li> <li>Possible to withdraw deposits in financial institutions in evacuated destinations</li> <li>Prompt payment of insurance money and grace for the payment of insurance charges</li> </ul>
<b>For corporations</b>	<ul style="list-style-type: none"> <li>Considerations for the dispositions for dishonored bills at the time of disaster</li> <li>Prompt responses to financing of emergency fund and grace in repayment, etc.</li> <li>Expansion of financing by governmental financial institutions</li> <li>Extension of three (3) months for the term of filing of securities report</li> </ul>
<b>For financial institutions</b>	<ul style="list-style-type: none"> <li>Revise the financial inspection manuals and acknowledge the leave of classification of borrowers</li> <li>Extension of the term of management reconstruction plan for financed parties</li> <li>Creation of low interest finance system in the amount of one (1) trillion yen by BOJ</li> <li>Injection of public funds under the Act on Special Measures for Strengthening Financial Functions also under consideration</li> </ul>

(Source : 4/10/2011 Nikkei)



### Status of financial institutions in affected areas

As of May 6, among approximately 2,700 branches of 72 financial institutions with head offices in six (6) Northern east prefectures and Ibaraki prefecture, 96 branches which is equivalent to approximately 4% of the above are closed (Note 1), and a considerable number of ATMs operations have been suspended. Branches of the other approximately 96% are operating as usual.

(Note 1) Among the closed branches, approximately thirty (30) branches are making efforts to respond to customers by establishing extraordinary tellers and provisional branches, etc.

(Reference) The changes in the number of closed branches are as follows:

Mon., March 14	Mon., April 4	Mon., April 11	Fri., May 6
Approx. 280	Approx. 150	Approx. 140	96

(Source : 5/6/2011 FSA HP)

### Issues in revision of the Act on Special Measures for Strengthening Financial Functions

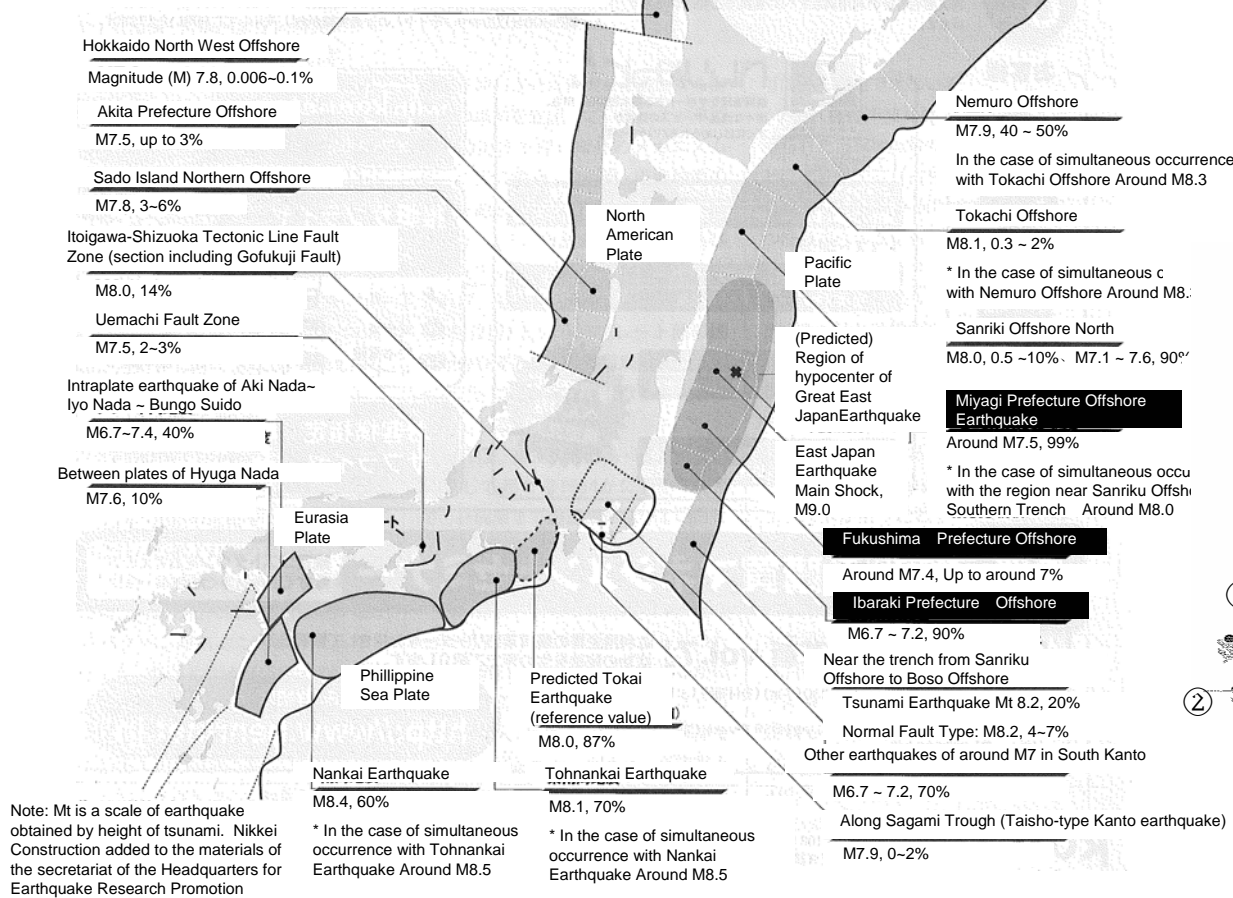
(Source : 4/13/2011 Nikkei)

Current Act	Points of revision
<b>▼Management strengthening plan</b>	
Creation of targets such as three (3) year profit plan and enhancement of ratio of financing towards small and medium-sized corporations → In the case of failure, order to improve business activities may be issued	Examine extension of the term for a period of three (3) years. Plans without profits will also be acknowledged.
<b>▼Management responsibility</b>	
Not questioned uniformly. However, if (equity ratio is) 4% or below at the time of injection of (public funds), management responsibility will be questioned and management may be requested to resign	Clarify that management responsibility will not be questioned
<b>▼Term of repayment</b>	
Conversion of preferred shares into ordinary shares in fifteen (15) years	Examine extension
<b>▼Term of application</b>	
End of March 2012	Extension of three (3) to five (5) years strong



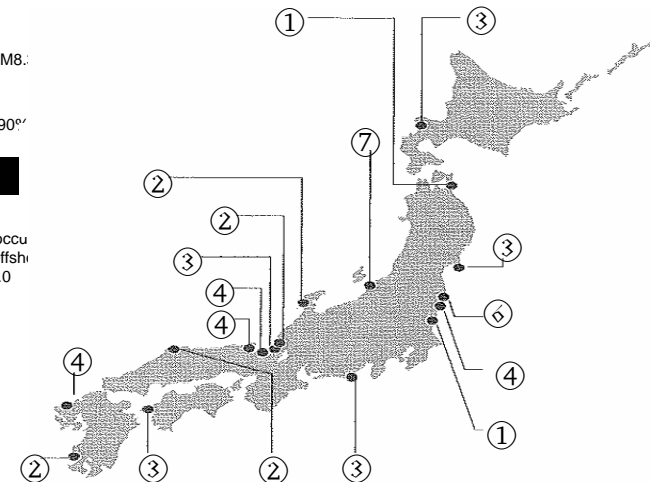
# Likelihood of earthquakes all over Japan in the future

Scale and probability of occurrence of major earthquakes which may occur within thirty (30) years (as of January)



(Source : 5/9/2011 Nikkei Business P76)

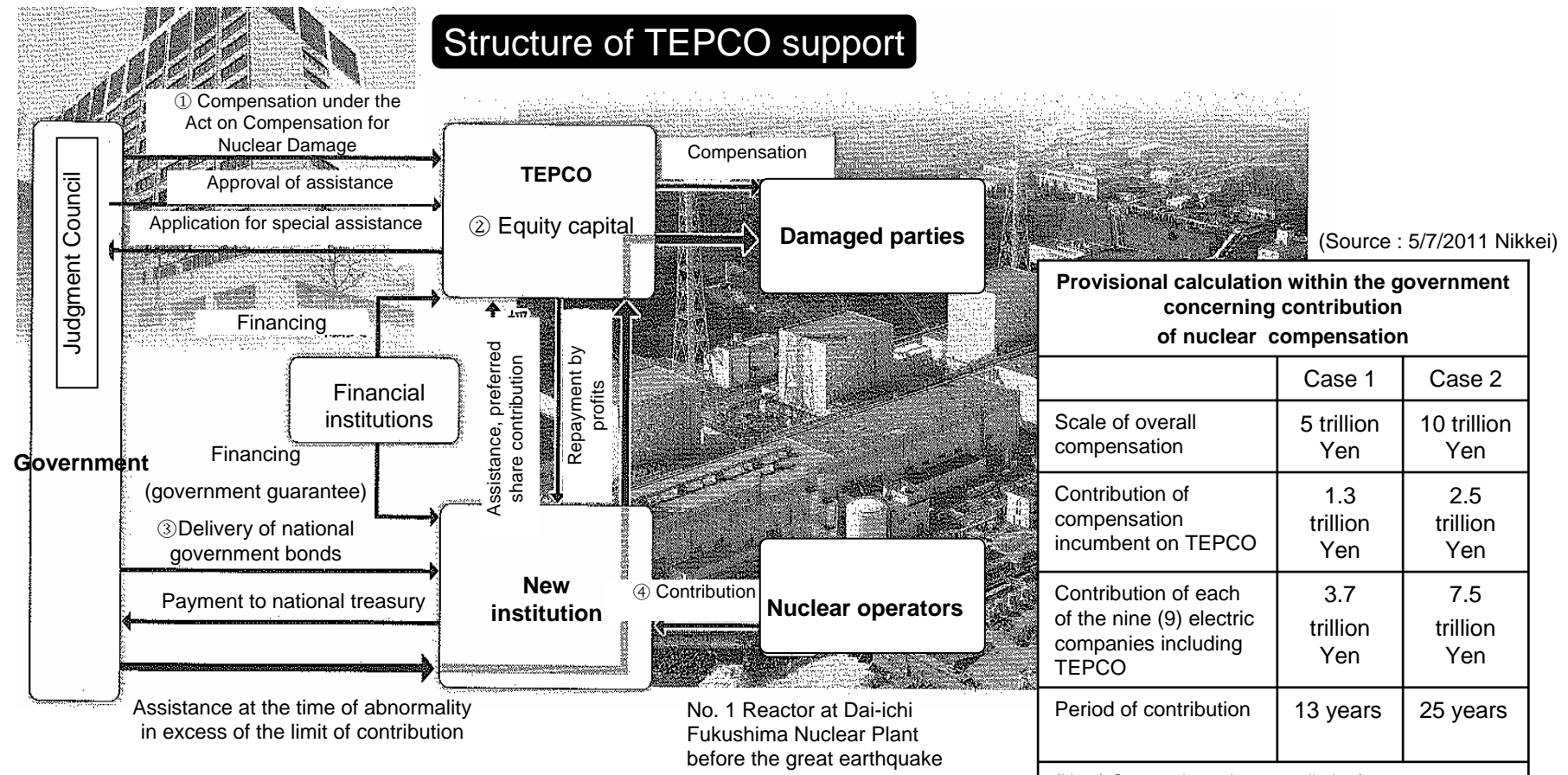
## Locations of 54 Nuclear reactors



(Source : 5/7/2011 Nikkei)



## Structure of TEPCO support



(Source : 5/4/2011 Nikkei)

	Case 1	Case 2
Scale of overall compensation	5 trillion Yen	10 trillion Yen
Contribution of compensation incumbent on TEPCO	1.3 trillion Yen	2.5 trillion Yen
Contribution of each of the nine (9) electric companies including TEPCO	3.7 trillion Yen	7.5 trillion Yen
Period of contribution	13 years	25 years

(Note) Cases where the upper limit of aggregate amount of contribution by TEPCO is not assumed. Total of contribution of each of the electric companies including TEPCO is predicted to be 300 billion yen per year, and the contribution incumbent on TEPCO is predicted to be 100 billion yen per year, and the increase in electricity fee of TEPCO is predicted to be around 16%.