

(Provisional translation)

March 6, 2020

Cash Flow Support for Companies as Impact of COVID-19 (Novel Coronavirus) Outbreak Grows

(Statement by ASO Taro, Minister of Finance and Minister of State for Financial Services)

With the financial sector's fiscal year-end peak period drawing closer, we will today again be making the requests outlined below to private- and public-sector financial institutions to ensure there are no major impediments to the cash flow of companies as the impact of the ongoing COVID19 epidemic spreads.

To ensure that companies' cash flow is not seriously affected by the COVID19 outbreak, the relevant ministries/agencies on February 7 asked that policy financial institutions give due consideration to making timely and appropriate loans and pursuing other actions tailored to the actual circumstances facing companies. In addition, an emergency loan/guarantee line of 500 billion has been secured for the Japan Finance Corporation and other measures taken in line with the "Urgent Countermeasures for the COVID19 Outbreak" approved on February 13.

We will ask that policy financial institutions earnestly extend special consideration and adopt flexible approaches toward companies in line with their situations so that the ongoing COVID19 outbreak does not present any significant obstacles to companies' cash flow. As the fiscal year-end peak period fast approaches, we would like to see financial institutions do the following:

- Accurately ascertain business conditions and short-term cash flow at companies via emergency consultation desks that remain accessible even on holidays and other means, and provide prompt and suitable cash flow support to companies
- As consultations from companies increase with the approach of the financial sector's fiscal year-end busy period, take thorough and swift action to facilitate companies' cash flow by, for example, agreeing to consultations, screening/providing loans, accepting guarantees, offering concessions on principal/interest repayment, and extending and fully utilizing principal deferment periods
- Follow up meticulously on circumstances at companies, be quick and flexible in changing conditions for existing loans (e.g., offer concessions on principal/interest repayment), and report on these efforts (an announcement on this will be made later by the Ministry of Finance)
- Respond rapidly and appropriately to the needs of companies by, for instance, using

safety net loans/guarantees

We also ask that financial institutions take care not to unnecessarily require enormous volumes of documents from companies.

On March 1, Prime Minister Abe outlined his policy of beginning robust cash flow support and committedly implementing countermeasures with due consideration for their impact on local economies. We will be quickly formulating and implementing a second round of emergency response measures that will include cash flow support.

We are aware that private financial institutions have already been ascertaining companies' circumstances and providing needed assistance in the form of financing based on customer's business prospect and close-following support, and the current situation will put the true value of these efforts to the test. We also understand that tourism companies that have seen their sales drop off as the numbers of overseas and domestic travelers have fallen and manufacturers that have cut production because of difficulties procuring parts and materials from China are among a huge number of firms from various sectors voicing concerns about cash flow since the February 7 request.

In light of this situation, we strongly urge financial institutions to determine the business conditions and short-term cash flow at companies in even greater detail by visiting their facilities, setting up emergency consultation desks, etc. Given fears that cash flow could become even more challenging at the fiscal year-end, we request that financial institutions, including their front-line sales personnel, make full-fledged efforts to ensure that companies have access to the funding needed to get past the fiscal year-end by doing the following:

- Follow up carefully on circumstances at companies that have existing loans and be quick and flexible in changing loan conditions, e.g., offering concessions on principal/interest repayment
- Actively implement emergency lending programs for new loans (and make collateral/guarantee requirements more flexible) to meet the needs of companies promptly and appropriately, including the use of safety net loans/guarantees from policy financial institutions and credit guarantee associations
- Establish systems capable of providing prompt and appropriate support for companies.

We also urge that financial institutions take care not to unnecessarily require enormous volumes of documents from companies.

Once again, with the COVID19 outbreak affecting a growing number of companies, we are asking private financial institutions to take every possible measure to help companies maintain their cash flow. In view of the circumstances, the Financial Services Agency regards promoting efforts at private financial institutions to support companies as its highest inspection/supervision priority for the time being, and the Financial Services Agency and

local Finance Bureaus will be conducting special interviews as well as timely and appropriate inspections of private financial institutions as necessary to check on their efforts in this regard.

The Financial Services Agency established a "Free Telephone Consultation Service for COVID-19-Affected Parties" on February 28, and local Finance Bureaus set up their own dedicated telephone lines. The consultations conducted with companies will be relayed to financial institutions so that they can respond appropriately.

The Financial Services Agency will also request that private financial institutions submit reports (in accordance with Article 24 of the Banking Act) on the changes they have made to loan conditions (similar to the stipulations of the Financing Facilitation Act, "the number of applications for loan condition changes, etc.", "of which, the number of loan condition changes made", "of which, the number of requests denied", etc.) and other efforts, and will make these endeavors known publicly.

On the other hand, the Financial Services Agency will help ensure that financial institutions are able to efficiently undertake the aforementioned efforts by being flexible in scheduling the interviews, meetings, etc., regularly arranged by the Financial Services Agency and Local Finance Bureaus and taking other steps needed. We discontinued the inspection manual in December 2019 and, respecting the individual asset assessments and other decisions made by private financial institutions with regard to classifying receivables when repayment periods are extended or other conditions are changed, we are asking financial institutions to be pro-active in offering companies support.

The relevant ministries/agencies will continue working together to provide cash flow support to companies being affected by the COVID19 outbreak.