

Cash Flow Support for Companies in Consideration of the Extension of the Declaration of a State of Emergency (Request)

With regard to the matters requested in the Attachment titled "Cash Flow Support for Companies in Consideration of the Extension of the Declaration of a State of Emergency (Request)" (published on February 5, 2021), the following are especially requested for major bank groups, etc., in addition to cash flow support for SMEs, in light of their business size and their feature of offering comprehensive financial services.

- (1) Considering the characteristics of large companies and leading middle-sized companies, which are that their customers are relatively large-sized and their business partners are diverse in general, provide cash flow support meticulously and positively in accordance with such characteristics. It is especially necessary to check funding needs and make responses and provide support carefully to operators engaged in restaurant business, passenger transport business, accommodation business, tourism and leisure-related facility business, live entertainment and cultural and sports event-related business, and bridal business, operators of medical and welfare institutions, etc., as well as business operators having transactions with these business operators.
- (2) In light of the facts that consultations received at the FSA consultation desk contain complaints suggesting banks' reluctance to provide loans or insistence on repayments and that the FSA has repeatedly requested financial institutions to make the utmost efforts for ensuring cash flow support for companies, financial institutions should give due consideration to the circumstances of companies facing difficulties in financing due to the direct and indirect impact of the COVID-19 infection, and should not only refrain from showing reluctance to provide loans or insistence on repayments, but also make flexible responses to the extent possible from the standpoint of respective companies in order to avoid such misunderstanding.
- (3) Kindly and empathically respond to all customers irrespective of whether the financial institution serves as the main financing bank for the customer or not or whether the customer is an existing customer or a new customer.
More specifically, for a customer for which the financial institution serves as the main financing bank, it should fulfill the positive role as such properly on a timely basis, and for a customer for which the financial institution is not the main financing bank, it should endeavor to provide appropriate cash flow support in collaboration with the

customer's main financing bank instead of intending to supersede the relevant main financing bank.

- (4) When suggesting the utilization of the direct financing market or providing various financial services to companies, make careful responses to ensure that the content of the services is based on respective companies' needs and that companies fully understand the concrete details of provided services. When providing comprehensive financial services in collaboration among a business group, verify whether appropriate measures are taken to prevent abuse of dominant bargaining positions by banks and check individual cases as to whether there is any inappropriate act, such as causing a conflict of interest.
- (5) Considering the prolonged impact of the spread of the COVID-19 infection, thoroughly disseminate repeated requests from the FSA among sales personnel and occasionally inspect whether friendly services are being provided to companies at sales bases.

The FSA will confirm financial institutions' efforts for fulfilling their financial intermediary function through conducting intensive interviews, etc.

Financial Services Agency
February 5, 2021

Cash Flow Support for Companies in Consideration of the Extension of the Declaration of a
State of Emergency (Request)

We appreciate financial institutions' steady efforts for providing cash flow support for companies while preventing the spread of infection in response to our repeated requests under the declaration of a state of emergency issued by the national government.

Due to the further expansion of the impact of the COVID-19 infection, the national government decided to extend the declaration. Financial institutions are required to continue their utmost efforts to ensure cash flow support towards the fiscal year end in consideration of such impact of the infection and the business conditions and funding needs of SMEs and leading medium-sized companies.

While endeavoring to secure cash flow support and prevent the spread of the infection, we would like to reiterate the following requests so that efforts for cash flow support will be further continued based on what we have requested in the Notice, "Request for Thorough Support for Companies Based on the Comprehensive Economic Measures to Secure People's Lives and Livelihoods toward Relief and Hope," published on December 8, 2020, the Notice, "Cash Flow Support for Companies in Response to Measures to Prevent the Spread of Infection toward Year-end and New-year Holidays," published on December 17 2020, and the Notice, "Cash Flow Support for Companies in Response to the Expansion of the Impact of the COVID-19 Infection," published on January 19, 2021. Please properly inform the members of your association.

- (1) Positively check the funding needs of SMEs and leading medium-sized companies, meticulously respond to their consultations and offer support in consideration of the circumstances where demand for operating capital increases toward the fiscal year end amid the extended declaration of a state of emergency.
- (2) In addition to the positive provision of new loans for funds that are necessary until various benefits are actually paid and for funds necessary toward the fiscal year end, as well as active utilization of subordinated loans recognizable as capital, make flexible responses to the extent possible depending on the circumstances of respective SMEs and leading medium-sized companies with regard to the modification of conditions for existing loans for which the repayment period or the period of deferment

is about to end, such as by extending those periods. Also continue efforts for omission or simplification of documents to be collected upon such modification.

- (3) Considering the impact of the extension of the declaration of a state of emergency and increased funding needs toward the fiscal year end to be exerted on payment of rent by tenant restaurant business operators and individuals, and on fund procurement by owners of hotels, leisure facilities, or buildings for rent, in particular, make flexible responses to the extent possible to these SMEs and facility owners with regard to the provision of new loans or bridge loans and modification of conditions for existing loans, such as moratoriums on payments, as requested in the Attachment, "Cash Flow Support for Companies Regarding Rent (Request)," published on May 8, 2020.
- (4) Positively utilize the system for effectively interest-free and unsecured loans by private financial institutions, for which the upper limit was raised, by fully taking into account the circumstances and needs of respective SMEs, and meticulously and empathically respond to their consultations such as by proposing the extension of the period of deferment or repayment period as needed.
- (5) In addition to cash flow support mentioned above, fully utilize the Subsidy Program for Business Reconstruction, which is to be implemented under the third supplementary budget for FY2020, and the Reconstruction Support Fund by the Regional Economy Vitalization Corporation of Japan (REVIC) as needed, and also positively provide support for companies' management improvement and business reconstruction and transformation in collaboration with other financial institutions and support organizations.

(Provisional translation)
Financial Services Agency
May 8, 2020

Cash Flow Support for Businesses regarding Rent (Request)

The Financial Services Agency has issued requests to financial institutions concerning cash flow support for businesses and individuals.

The FSA has also been working to grasp the businesses' current situation and the financial institutions' efforts through special interviews with financial institutions and consultations from businesses' received at our consulting desk. On March 27, the FSA publicized efforts taken by some financial institutions for the purpose of informing other financial institutions and businesses (updated on April 20).

We understand that SMEs face serious challenges in paying rent, and real estate owners (hotels, leisure facilities, commercial buildings, etc.) suffer funding difficulties. At meetings with financial institutions, JFSA's Commissioner has made the following request:

"Businesses, renting or operating hotels and leisure facilities in particular, are expressing anxiety and requesting modifications of loan terms due to sharp decreases in tourism. Rent has been attracting attention in other countries as well. On March 31, the Ministry of Land, Infrastructure, Transport and Tourism requested companies leasing real estates, including owners of commercial buildings, to consider taking flexible measures such as granting tenants moratoriums on payments of rent in consideration of their current circumstances. We also request financial institutions to flexibly respond to requests for modification of loan conditions from SMEs and individuals that face difficulties in paying rent or repaying home loans."

Considering the seriousness of the current situations, financial institutions are required further efforts.

Therefore, the FSA issues the following requests from the perspective of further facilitating prompt and appropriate modification of loan terms, including deferment of principal payments, and provision of new loans.

1. For SMEs and individuals facing difficulties in paying rent, promptly and flexibly provide new loans or bridge loans using the newly introduced

substantially no-interest and unsecured loan system or other loan programs, or modify terms for existing loans such as granting reduction or deferment of payments on principal and interests.

2. For owners of hotels, leisure facilities, and commercial buildings, promptly and flexibly provide new loans or bridge loans, or alter conditions for existing loans such as granting reduction or deferment of payments on principal and interests.

In particular, when owners are granting tenants reduction or deferment on payments of rent for a certain period of time, financial institutions are urged to take prompt and flexible measures for the relevant period of time, granting reduction or deferment on payments of loans.

3. With regard to fees and penalty charges that are normally required upon modification of terms for existing loans, give special consideration in light of each customer's circumstances.

The FSA and Local Finance Bureaus will check private financial institutions' efforts for supporting companies regarding the points mentioned above as one of our priority issues in special interviews we have been holding. When there arises a need to check efforts put in place by any financial institution, we will conduct special inspections (an on-site inspection under Article 25 of the Banking Act) on a timely basis.

(Reference) Requests to financial institutions concerning cash flow support, etc.

- February 7 "Request for the Implementation of Measures against COVID-19 (Novel Coronavirus) Outbreak"
- March 6 "Cash Flow Support for Companies as Impact of COVID-19 (Novel Coronavirus) Outbreak Grows (Request)"
- March 24 "Cash Flow Support for Companies as Impact of COVID-19 (Novel Coronavirus) Outbreak Grows (Request)"
- April 7 "Cash Flow Support for Companies in Consideration of the Novel Coronavirus Disease (COVID-19) Emergency Economic Package (Request)"
- April 13 "Notice regarding the request for consideration for employment maintenance in relation to the COVID-19 infection"
- April 13 "Notice regarding the request for reducing attendance at work by 70% (information dissemination)"
- April 16 "Notice regarding the handling of negotiable instruments and checks, etc. in consideration of the impact of the COVID-19 (novel coronavirus) infection"
- April 21 "Further Strengthening of Cooperation with the Japan Finance Corporation, etc. (Request)"
- April 27 Cash Flow Support for Businesses following the "Emergency Economic Measures to cope with COVID-19"