

Facilitation of Fiscal Year-end Finance for Companies

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

On March 5, the declaration was extended and the impact of the COVID-19 infection has been prolonged into the second business year. In light of an expected continuation of influence exerted on companies by restriction of economic activities and other policies, it is necessary to continue supporting various companies facing difficulties to achieve strong economic recovery in the post-corona era. In particular, toward the fiscal year end, when demand for operating capital increases, financial institutions are further expected to fulfil their intermediary functions so as to prevent any serious hindrance to the financing of companies.

While you have been making the utmost efforts, we would like to further ask for your cooperation for the following matters, in addition to our past requests, including the matters mentioned by the Minister and the State Minister at today's Meeting to Exchange Views on the Facilitation of Finance for SMEs, etc. Please properly inform the members of your association.

- (1) 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 owners of these facilities, retailers and travel agencies, and also business operators having transactions with these business operators have been directly or indirectly affected by the COVID-19 infection. Provide SMEs as well as large companies and leading medium-sized companies in these business fields with meticulous support, such as positively checking their funding needs and carefully responding to consultations therefrom.
- (2) When providing support, fully take into account the circumstances of companies facing difficulties in fund procurement due to a direct or indirect impact of the COVID-19 infection. It goes without saying that financial institutions should refrain

from showing reluctance to provide loans or insistence on repayments, but they are also requested to make flexible responses to the extent possible from the standpoint of the respective companies in order to avoid such misunderstanding toward the fiscal year end and thereafter.

- (3) Positively check circumstances and funding needs of companies toward the fiscal year end, and make flexible responses to the extent possible depending on each company, such as by actively providing new loans for funds necessary toward the fiscal year end and for funds that are necessary until various benefits are actually paid.
- (4) Also with regard to modification of conditions, such as moratoriums on payments, for existing loans, thoroughly make responses as flexibly as possible in line with requests from respective companies, including remodification of conditions, while sufficiently checking their business and financial conditions in light of the prolonged impact of the COVID-19 infection.
- (5) Regarding the system for effectively interest-free and unsecured loans by private financial institutions, for which the upper limit was raised, fully utilize it depending on companies' needs toward the fiscal year end, which is the application deadline. Additionally, regarding the period of deferment (mostly within one year) and repayment period for existing loans, meticulously and empathically respond to companies' consultations based on their future conditions and needs, such as by positively proposing a long-term extension of these periods.
- (6) With regard to categories of loans upon modification of conditions or provision of new loans, the FSA respects financial institutions' decisions to maintain previous evaluations regarding customers that they had recognized as being financially sound before the spread of COVID-19 infection. Accordingly, financial institutions are expected to make efforts to ensure cash flow support in a manner kind to customers.
- (7) Regarding subordinated loans recognizable as capital provided by the Development Bank of Japan, Shoko Chukin Bank, and Japan Finance Corporation, etc., it is necessary to make sure that the relevant system is understood by diverse companies in type and business size and to ensure smooth formulation of companies' business plans, which are required upon filing an application therefor. For that purpose, public and private financial institutions are requested to cooperatively promote efforts to disseminate the system among companies, proactively recommend it to companies highly likely to be in need of such loans, and help companies' formulate their business plans as a part of support measures for this program.
- (8) In light of scheduled commencement of the Subsidy Program for Business Reconstruction this month, have sufficient talks with business owners for their management improvement, while utilizing this subsidy as needed, and continue providing support for companies' management improvement and business

reconstruction and transformation through also utilizing the Reconstruction Support Fund by the Regional Economy Vitalization Corporation of Japan (REVIC) and collaborating with external organizations, such as the Small and Medium-Sized Enterprise Revitalization Support Councils and Business Succession Support Centers. Make active efforts to disseminate the aforementioned subsidy and other subsidies, grants, and taxation measures, etc. among companies. Furthermore, properly disseminate among listed companies, etc. documents¹ that have been issued by relevant associations concerning the COVID-19 infection, including the request from the Japanese Institute of Certified Public Accountants that auditors should have appropriate communications with business owners on a timely basis to ensure smooth financial reporting and auditing.

- (9) Disseminate the requests (1) to (8) above thoroughly to the front-line sales personnel and positively make all-out efforts. Additionally, promptly ascertain and analyze customers' consultations and complaints received at financial institutions' service offices, etc. and make improvements if any problems in customer services are found.

¹ Note the following:

• "Incorporating the Effects of the Novel Coronavirus Pandemic when Making Accounting Estimates under Japanese GAAP" by the Accounting Standards Board of Japan (published on April 10, 2020 and updated on February 10, 2021): In making accounting estimates, no assumption of a company is deemed to fall under an error except for evidently unreasonable ones.

• "Audit Consideration related to COVID-19 (Part 7)" by the Japanese Institute of Certified Public Accountants (published on March 2, 2021): It is not appropriate for an auditor to make an excessively pessimistic prediction and judge a business owner's accounting estimate as a serious false representation.

The Networking Group on the Corporate Disclosure, Financial Reporting and Audit of Listed Companies in Consideration of the Impact of the COVID-19 (Novel Coronavirus) Infection shares and publishes documents issued by relevant associations. See the following URL: <https://www.fsa.go.jp/singi/coronakansakyougikai/index.html>. (Available in Japanese)