

Cash Flow Support for Companies Including Those Providing Accommodation and Eating and Drinking Services, etc. (Request)

We appreciate financial institutions' steady efforts for providing cash flow support for companies while preventing the spread of infection also during the period under the declaration of a state of emergency.

The declaration was lifted, but the impact of the COVID-19 infection has been prolonged into the second business year and an expected continuation of the impact exerted by the restriction of economic activities and other policies is a matter of concern. It is important to continuously offer support to companies facing difficulties.

In particular, businesses providing accommodation and eating and drinking services have been seriously affected by the restriction of economic activities. The national government compiled emergency financial support packages to assist business owners with their efforts to continue or reconstruct their businesses while meticulously responding to their needs.

While you have been making the utmost efforts, we must further ask for your cooperation for the following matters, in addition to our past requests. Please properly inform the members of your association.

- (1) The Development Bank of Japan, Shoko Chukin Bank and others are going to take such measures as the suspension of the principle of co-financing, reduction of interest rates on subordinated loans recognizable as capital or dividends on preferred stocks, and shortening of examination periods. In light of such moves, proactively disseminate support measures by these institutions among large-sized and leading medium-sized companies, including those providing accommodation and eating and drinking services, and make proposals in accordance with their needs. Additionally, offer support in close collaboration with these institutions, such as providing senior loans, etc. when any of these institutions provides support to companies in the form of subordinated loans or subscription of preferred stocks, or proactively getting involved in the formulation of companies' business plans.
- (2) Also with regard to subordinated loans recognizable as capital, etc. provided by the Japan

Finance Corporation and others, thoroughly share policies internally, including with sales personnel, to offer support in close collaboration with these institutions, such as helping with the formulation of business plans that are necessary for receiving the relevant loans and providing senior loans, etc. in preparation therefor, in addition to proactively disseminating support measures by these institutions and making proposals.

- (3) When support is offered by any of these government-affiliated financial institutions or any other financial institution, with regard to companies for which you serve as the main financing bank, proactively fulfil roles as such appropriately on a timely basis in collaboration with the relevant government-affiliated financial institution or other financial institution. Also with regard to other companies for which you are not the main financing bank, endeavor to provide appropriate cash flow support in collaboration with their main financing bank instead of intending to supersede the relevant main financing bank.
- (4) Private financial institutions are required to sufficiently check the business and financial conditions of respective companies, including those providing accommodation and eating and drinking services, and make flexible responses, such as the remodification of loan conditions, not limited to cooperating in support measures by government-affiliated financial institutions. In particular, disseminate broadly among customers the fact that the period of deferment for effectively interest-free and unsecured loans by private financial institutions may be set longer, make proposals commensurate with their needs, and flexibly respond to their requests for the modification of conditions.
- (5) With regard to categories of loans, the FSA respects financial institutions' decision to maintain previous evaluations regarding customers that they had recognized as being financially sound before the spread of COVID-19 infection. Accordingly, provide cash flow support in a manner friendly to customers.
- (6) Even if a company falls foul of financial covenants, which serve as conditions for providing loans, such as being in the red for two consecutive terms, refrain from treating such case automatically and formalistically but ascertain the actual status of the company's business in detail and make responses accordingly, instead of demanding immediate debt redemption, etc. With regard to consultations concerning a change or extension of a financial covenant, promptly and sincerely make responses. For syndicated loans, in particular, make integrated responses in cooperation among related financial institutions.
- (7) The Japanese Institute of Certified Public Accountants (JICPA) published the Audit Considerations to request auditors to have appropriate communications with business

owners on a timely basis and to note that it is not appropriate to make an excessively pessimistic prediction and judge a business owner's accounting estimate as a serious false representation. Additionally, JICPA established a dedicated office to respond to consultations concerning audits amid the COVID-19 crisis. Financial institutions are requested to disseminate these efforts among listed companies, etc. appropriately, depending on their circumstances, so as to ensure smooth financial reporting and auditing.

- (8) In addition to the above, proactively check companies' circumstances, needs, and the prospects of their businesses and expenditures, etc. and make responses from the standpoint of respective companies in accordance with their actual statuses. Responses to be made include the positive provision of new loans, including those for funds required currently or in the future and funds necessary until various benefits are actually paid, and subscription of preferred stocks or provision of subordinated loans recognizable as capital for the reconstruction of businesses of companies facing problems not limited to funding difficulties. Upon providing new loans, thoroughly ensure that sales personnel make responses in consideration of companies' interest cost irrespective of the types of loans, such as card loans or free loans.
- (9) Also utilize functions of factoring, consolidation of debts, financing, hands-on support, etc. of the Reconstruction Support Fund by the Regional Economy Vitalization Corporation of Japan (REVIC) and the Managerial Ability Enhancement Support Fund and the Reconstruction Fund by the Organization for Small & Medium Enterprises and Regional Innovation, Japan, and facilitate companies' efforts for business improvement in collaboration with other financial institutions and support organizations, etc. For public transportation, which serves as the core of communities, in particular, take measures especially carefully in collaboration with relevant organizations, etc.
- (10) With regard to the Subsidy Program for Business Reconstruction, which aims to assist SMEs and leading medium-sized companies with their efforts for expanding business in new fields or changing business styles, disseminate the fact that expenses for restoring leasehold properties to their original state and expenses for transporting equipment necessary for relocation are also covered in addition to expenses for removing buildings, and proactively make proposals taking advantage of that program. Additionally, proactively disseminate and propose the utilization of various support measures, including the Subsidy Program for Business Reconstruction, being taken by the national government, etc., such as subsidies, grants and taxation measures, and offer support to companies for their efforts for business improvement using those support measures through the formulation of their business plans.
- (11) Disseminate the requests (1) to (10) 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.