

November 24, 2021

To association representatives

KISHIDA Fumio, Prime Minister
SUZUKI Shunichi, Minister of Finance and Minister of State for Financial Service
GOTO Shigeyuki, Minister of Health, Labour and Welfare
KANEKO Genjiro, Minister of Agriculture, Forestry and Fisheries
HAGIUDA Koichi, Minister of Economy, Trade and Industry

Request for Thorough Support for Companies Based on the Economic Measures to Overcome New
Coronavirus Infections and to Carve Out a New Era

We appreciate public and private financial institutions' steady efforts for providing cash flow support for companies while preventing the spread of infection in response to our repeated requests.

At present, signs of recovery from the impact of the COVID-19 infection are being observed but many companies are still facing difficulties. Toward the end of the year or the business year, when demand for operating capital is expected to increase, financial institutions are requested to fulfil their financial intermediary function more thoroughly so that companies' cash management will not be seriously hindered. Additionally, the need for support for management improvement and business reconstruction and transformation will increase in the process of companies' efforts for rebuilding their business models and enhancing financial bases toward the post-COVID-19 era.

Under such circumstances, the national government formulated the Economic Measures to Overcome New Coronavirus Infections and to Carve Out a New Era on November 19, and is committed to implementing measures, such as extending the application deadline for the effectively interest-free and unsecured loan system by government financial institutions to March 2022 and continuing the special loan program in April 2022 onward after making a review in line with companies' needs. Accordingly, we ask for your cooperation for the following matters from the perspective of ensuring thorough support for companies by public and private financial institutions. Please inform your members and staff of your member financial institutions, including sales staff, of the following, together with the requests by the Meeting to Exchange Views on the Facilitation of Finance for SMEs

1. In light of the impact of the COVID-19 infection and recent changes in the business environment, as well as an expected increase in demand for operating capital toward the end of the year, financial institutions should

continue offering support meticulously in accordance with individual companies' needs by positively ascertaining their business conditions and carefully responding to their consultations on fund procurement.

2. Businesses providing eating and drinking services, passenger transportation services, accommodation services, and tourism services, those operating amusement facilities, retailers, travel agencies, businesses relating to live entertainment, culture and art, sports and various events, bridal service providers, medical and welfare agencies, etc., and owners of these facilities, as well as their business partners, are directly and indirectly affected by the COVID-19 infection. Financial institutions should provide them with cash flow support as flexibly as possible in consideration of the impact of the infection on all companies, including large companies and leading medium-sized companies, not only SMEs.
3. The need for additional loans is expected to increase due to prolongation of the impact of the COVID-19 infection. Regarding funds necessary for capital investment toward the post-COVID-19 era, in addition to funds necessary until the Business Restoration Benefits and various other support benefits are actually paid, financial institutions should, in close collaboration among public and private entities and among the main financing bank and others, respond to companies' needs in a considerate and friendly manner by taking into account the characteristics of each business and forecast of demand recovery, as well as assistance measures to be taken that are incorporated in the Economic Measures to Overcome New Coronavirus Infections and to Carve Out a New Era, instead of automatically and rigidly making decisions only based on companies' current closing statuses or borrowings, or past modifications of loan conditions, etc. On those occasions, financial institutions should endeavor to positively provide loans by fully utilizing the effectively interest-free and unsecured loan system by government financial institutions, for which the application deadline is extended until March 2022, and the escort-type special credit guarantee system, for which the guarantee cap is to be raised to 60 million yen.
4. With regard to the modification of conditions for existing loans and refinancing, prompt and flexible responses should be continued depending on individual circumstances, such as proposing long-term extension of repayment periods or periods of deferment.
5. With regard to categories of loans, which private financial institutions decide upon modification of conditions, refinancing, or provision of new loans, when providing cash flow support to companies, the FSA respects their decisions, including their flexible treatment of borrowers' highly-feasible fundamental reconstruction plans, etc.¹ for deciding whether to ease loan conditions or not. Accordingly, financial institutions should endeavor to ensure support friendly to individual companies based on their own decisions

¹ For details, see the FSA's website: "Publication: Treatment for Highly Feasible Fundamental Reconstruction Plans upon Determining Lending Ranks for Restructured Loans under the Impact of the COVID-19 Infection"

6. 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.
7. In addition to cash flow support, public and private financial institutions, Credit Guarantee Corporations, Small and Medium-Sized Enterprise Revitalization Support Councils, REVIC, and other support organizations should closely cooperate with each other and make positive efforts to provide companies with business support, depending on their actual situations, for their management improvement and business reconstruction, not limited to modification of existing loan conditions, with the aim of assisting companies, including those whose borrowings increased due to the impact of the COVID-19 infection, with their efforts for vigorous recovery toward the post-COVID-19 era. They should also offer support for business reconstruction and transformation by the use of the Subsidy Program for Business Reconstruction or other support measures by the national government, supply funds recognizable as capital by the use of diverse funds, or introduce human resources and help business continuation in accordance with the needs of local companies.
8. For the purpose of strengthening financial bases of companies whose businesses need to be reconstructed or transformed and attracting private financial institutions' loans to those companies, subordinated loans recognizable as capital by government financial institutions should be actively utilized depending on companies' needs. Additionally, public and private financial institutions should endeavor to collaborate with each other effectively in such forms as developing cooperative loan programs using subordinated loans recognizable as capital to offer support friendly to companies. Private financial institutions are also expected to help companies formulate business plans necessary for receiving relevant loans.
9. Even for a new customer using the effectively interest-free and unsecured loan system or for a customer for which a financial institution ceased to be the main financing bank due to a decrease in its share in the balance of loans, the financial institution should continue offering support positively to its customer companies facing management problems for their main business, not limited to cash flow support, irrespective of whether the financial institution serves as the main financing bank or not, whether the customer is an existing customer or a new customer, or whether the relevant loans are proprietary loans or loans guaranteed by Credit Guarantee Corporations.

10. Financial institutions are expected to make efforts to further disseminate the Guidelines on Management Guarantees, also in light of the Economic Measures to Overcome New Coronavirus Infections and to Carve Out a New Era. Revolving guarantees and revolving mortgages to be created upon providing new loans should be limited within the required range and financial institutions should respect customers' intentions when they complete repayment. Furthermore, in consideration of the purport of the Special Provisions for the Application of the Guidelines for Debt Consolidation after a Natural Disaster to the COVID-19 Infection, financial institutions should endeavor to meticulously respond to consultations from individuals and sole proprietors that need to consolidate their debts due to the impact of the COVID-19 infection or otherwise offer support for their businesses and everyday lives.