

March 8, 2022

To association representatives

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

Facilitation of Finance for Companies, etc.

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.

Due to the prolonged impact of the COVID-19 infection over two years, and other concerns over the situation in Ukraine and further increases in oil prices, etc., various types of companies have been in a tough situation.

Under such circumstances, the Japanese Bankers Association and other related parties have compiled and published the "Guidelines for Business Revitalization, etc. of Small- and Medium-sized Enterprises" (the "Guidelines") and the "Basic Perspectives of 'Guidelines for Personal Guarantee Provided by Business Owners' in the Event of the Closure of a Business" recently for the purpose of developing a favorable environment for management improvement for SMEs that are suffering from increasing debts. Furthermore, the Ministry of Economy, Trade and Industry, the Financial Services Agency, and the Ministry of Finance jointly formulated and published the "Revitalization Package for Small- and Medium-Sized Enterprises" with the aim of further enhancing cash flow support towards the fiscal year end, when demand for operating capital increases in particular, and implementing comprehensive support measures to encourage SMEs suffering from increasing debts to make efforts for improving earning power, business revitalization, or taking on new challenges.

Public and private financial institutions are expected to offer business support further by utilizing the Guidelines, in addition to endeavoring to respond to companies' diverse demand for funds toward the fiscal year end.

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, which was held on March 7.

1. In light of the impact of the COVID-19 infection and growing concerns over the situation in Ukraine and further increases in oil prices, etc., as well as an expected increase in demand for operating capital toward the end of the fiscal year, financial institutions should continue offering support meticulously in accordance with individual companies' needs by positively ascertaining business conditions of not only SMEs but also large companies and leading medium-sized companies, and carefully responding to their consultations on fund procurement. Additionally, broadly disseminate the content of the notice titled "Cash Flow Support in Light of the Situation in Ukraine and Increases in Oil Prices" (February 25, 2022).
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, and owners of these facilities, as well as their business partners, are directly and indirectly affected by the COVID-19 infection. Financial institutions should give due consideration to the circumstances of companies facing difficulties, including large companies and leading medium-sized companies, not only SMEs, and should continuously make flexible responses to the extent possible from the standpoint of respective companies, while refraining from showing reluctance to provide loans or insistence on repayments or avoiding even causing such misunderstanding.
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 and operating funds toward the post-COVID-19 era, in addition to funds necessary until actually receiving the Business Restoration Benefits, for which applications started to be accepted this January, and various other support benefits, 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, 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 the end of June 2022 and the maximum loan period is to be extended to 20 years accordingly.
4. When receiving consultations regarding the extension of repayment periods or periods of deferment, financial institutions should refrain from acting in an aloof manner to have consultants give up filing applications, but should continuously make prompt and flexible responses concerning the modification of conditions for

existing loans and refinancing, depending on individual circumstances, such as proposing long-term extension of repayment periods or periods of deferment. If a company hesitates to extend the deferment period in fear of an increase in repayment burden after the end of that period, the extension of the repayment period should also be proposed.

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.
6. In addition to cash flow support, public and private financial institutions, Credit Guarantee Corporations, Small and Medium-Sized Enterprise Revitalization Support Councils,² 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 revitalization, not limited to modification of existing loan conditions, with the aim of assisting companies, including those whose borrowings increased due to the prolonged 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.
7. 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.

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" (<https://www.fsa.go.jp/en/ordinary/coronavirus202001/20211110top.html>).

² On April 1, 2022, the Small and Medium-Sized Enterprise Revitalization Support Councils will be integrated with relevant organizations and the Small and Medium-Sized Enterprise Revitalization Council will be established for the purpose of integrally supporting SMEs' efforts for improving earning power, business revitalization, or taking on new challenges.

8. Public and private financial institutions, including Credit Guarantee Corporations, should sincerely consider the composition and utilization of funds to which the Regional Economy Vitalization Corporation of Japan (REVIC) and the Organization for Small & Medium Enterprises and Regional Innovation make contributions (such as the SME Management Strengthening Fund and the SME Rehabilitation Fund) in order to establish a regional system to support growth and rehabilitation of companies, while also supplying funds recognizable as capital. Additionally, for companies using subordinated loans recognizable as capital or consulting on loans, government financial institutions should introduce the SME Management Strengthening Fund and others, which intend to strengthen companies' capital through such means as making capital contributions. Private financial institutions should positively consider the utilization of those funds, as well as subordinated loans recognizable as capital.
9. Financial institutions should disseminate the purport and the details of the Guidelines thoroughly to their staff, including the front-line sales personnel, so as to ensure proper responses to companies' consultations and should positively and continuously assist companies suffering from increasing debts with their efforts to formulate business rehabilitation plans. Credit Guarantee Corporations are expected to closely collaborate and cooperate with public and private financial institutions as necessary from the initial stage of procedures based on the Guidelines to achieve smooth rehabilitation of companies.
10. Public and private financial institutions, including Credit Guarantee Corporations, should sincerely discuss and consider the formulation of companies' business rehabilitation plans based on the Guidelines, including cases where they need to offer financial support, such as granting a payment moratorium or reducing or releasing debts.
11. When utilizing the Guidelines, financial institutions should employ measures listed in the "Revitalization Package for Small- and Medium-Sized Enterprises", such as the program to support formulation of management improvement plans, the framework for supporting restoration and rehabilitation of the Subsidy Program for Business Reconstruction, and public-private funds,³ as necessary and should endeavor to offer comprehensive support to encourage SMEs to make efforts for improving earning power, business revitalization, or taking on new challenges.
12. 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 escort-type support positively to its customer

³ A notice titled "Further Business Rehabilitation Support through the 'Guidelines for Business Revitalization, etc. of Small- and Medium-sized Enterprises'" was separately issued to the REVIC and the Organization for Small & Medium Enterprises and Regional Innovation to ask for their cooperation.

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, not only during the deferment period but also after the lapse of that period.

13. Financial institutions are expected to make efforts to further disseminate the "Guidelines for Personal Guarantee Provided by Business Owners." 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. In addition, financial institutions should disseminate the " Basic Perspectives of 'Guidelines for Personal Guarantee Provided by Business Owners' in the Event of the Closure of a Business " thoroughly to their staff, including the front-line sales personnel, and should sincerely respond to requests for the consolidation of guarantee obligations from managers, etc. for preventing their individual bankruptcies.
14. Financial institutions are requested to continuously make prompt and flexible responses for home loans or other personal loans, such as deferment of payments or modification of other loan conditions, in accordance with each customer's circumstances and needs. 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.