

Outline of Measures to be Taken When You have Cash-Flow Problems

I am in a difficult situation even though I have consulted with a financial institution about a loan due to financial difficulties.  
If this situation continues, there is a risk of a fund shortage. What kinds of measures can I take to address this problem?

If your company has cash-flow problems and it becomes difficult to repay its debts, including borrowings, the company should first request to postpone payments on an individual basis. However, if such individual negotiations prove difficult, and it is determined that such temporary measures cannot overcome the difficulties, we think it is desirable to request experts to institute appropriate legal procedures. There are two main types of procedures; specifically, “legal liquidation procedures”, such as Civil Rehabilitation and Corporate Reorganization, and “voluntary liquidation procedures”, which are used to liquidate debts without going through legal liquidation procedures.

“Voluntary liquidation procedures” target only financial creditors and allow companies to pay trade receivables as agreed. These procedures have the advantage of allowing them to continue to rebuild their businesses while maintaining their business value. Therefore, we will first consider the possibility of recovery through “voluntary liquidation procedures,” and, if they are not possible, we will consider taking “legal liquidation procedures” (For details, please see “Q6 [Measures to be taken when it is difficult to pay existing debts due to the effects of the Novel Coronavirus even if various support programs are used; Difference between voluntary liquidation procedures and legal liquidation procedures]”).

The current worldwide pandemic is an unprecedented situation in which companies and businesses across the country are suffering from financial difficulties. It may be possible to overcome this situation by utilizing the support programs provided by the national and local governments, etc., while requesting the postponement of the repayment of loans, rent, accounts payable, etc. and reducing expenses, or if these are not possible, by considering “legal liquidation procedures” and “voluntary liquidation procedures” as mentioned above.

Please refer to the following Q&A regarding support programs for financial losses due to COVID-19.

Our offices are located in Osaka, Tokyo and Fukuoka, and we have a large number of attorneys and staff with extensive knowledge and experience. Please feel free to contact us with respect to any inquiries you or your company may have.

Financing Support Programs for Measures Against COVID-19

Sales have decreased due to the effects of COVID-19, but I am not sure which financing support programs are available.  
Please tell me how much sales need to decrease in order to be eligible for these programs, and whether the types of businesses that can use the programs are officially designated.

If there is a decrease in sales due to the effects of COVID-19, the programs that you can apply for in Japan are different according to the degree of decrease in sales. Furthermore, there is not always only one program that is available. For example, businesses with a 15% decrease in sales from a year earlier are eligible for both guarantees related to emergencies and a COVID-19 special loan. The following information outlines the requirements for each program. After you have confirmed the program for which you may be eligible, please refer to the relevant website for the detailed requirements and specific application methods. Please refer to the Ministry of Economy, Trade and Industry's special COVID-19 website for further information on available financing support programs (<https://www.meti.go.jp/COVID-19/index.html>) (Japanese).

Percentage of decrease in sales (compared to the previous year)

Percentage of decrease in sales (compared to the previous year)	Applicable Item
Minus 50% or more	See (i)
Minus 20% or more	See (ii)
Minus 15% or more	See(iii)
Minus 10% or more	See (iv)
Minus 5% or more	See (v)
No decrease	See (vi)

(i) Sales are down **50% or more** from previous year

Program	Amount of Subsidy	Target Companies	Method of Application	Miscellaneous	Details of Program
Subsidy Program for Sustaining Businesses	- Corporation: 2 million yen - Individual business operator: 1 million yen - The amount is not to exceed the figure for the year-on-year loss of sales	- Mid-level enterprises, SMEs, micro-enterprises and individual business operators, and corporations other than companies (including medical corporations, etc.)	- Electronic application *1	- There are exceptions for businesses that were newly established in 2019 or that have uneven sales periods.	<a href="#">Link</a>

\*1 Application procedure

For small and medium businesses ([https://www.meti.go.jp/COVID-19/pdf/kyufukin\\_chusho.pdf](https://www.meti.go.jp/COVID-19/pdf/kyufukin_chusho.pdf)) (Japanese)

For individual business operators ([https://www.meti.go.jp/COVID-19/pdf/kyufukin\\_kojin.pdf](https://www.meti.go.jp/COVID-19/pdf/kyufukin_kojin.pdf)) (Japanese)

(ii) Sales are down **20% or more** from previous earlier

Program	Content of Guarantee	Target Businesses	Method of Application	Reduction and Exemption of Guarantee Charge	Details of Program
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No. 4 Safety Nets for Financing Guarantee	- The Japan Federation of Credit Guarantee Corporations (JFG) guarantees the full loan amount - JFG guarantees 280 million yen separate from a general financing guarantee (shared with No. 4 Safety Nets for Financing Guarantee)	- Target areas: all 47 prefectures - Target businesses: all businesses	- You can request private financial institutions to confirm necessary documents in advance or apply as proxy when applying for certification to municipalities and applying for guarantees to credit guarantee corporations	- This program is subject to guarantee charge and interest reduction and exemption for loans with credit guarantees *1	<a href="#">Link</a>
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\*1 Guarantee charge and interest reduction and exemption program

Classification and Contents of Reduction and Exemption	Small and Medium-Sized businesses	Sales down 15% or more from previous year	No guarantee charge or interest
	Same as above	Sales down 5% or more from previous year	1/2 guarantee charge
	Individual business operators (micro-enterprises only, including freelance businesses)	Sales down 5% or more from previous year	No guarantee charge or interest
Maximum Loan Amount	30 million yen		
Period of Subsidy	Entire loan period for guarantee charge subsidy and first three years for interest subsidy		

Details of the Program

(<https://www.meti.go.jp/press/2020/05/20200501008/20200501008.html>) (Japanese)

(iii) Sales are down **15% or more** from previous year

Program	Content of Loan	Target Businesses	Method of Application	Reduction and Exemption of Guarantee Charge	Details of Program
Guarantees Related to Emergencies	- The Japan Federation of Credit Guarantee Corporations (JFG) guarantees the full loan amount - JFG guarantees 280 million yen separate from a general financing guarantee and Safety Nets for Financing Guarantee	- Target businesses: all businesses	- You can request private financial institutions to confirm necessary documents in advance or apply as proxy when applying for certification to municipalities and applying for guarantees to credit guarantee corporations	- This program is subject to guarantee charge and interest reduction and exemption for loans with credit guarantees	<a href="#">Link</a>

(iv) Sales are down **10% or more** from previous year or two years earlier

Program	Content of Loan	Target Businesses	Interest Rate, Etc.	Interest Subsidy	Details of Program
Hygienic Environment Change Special Loan	- Financial institution: Japan Finance Corporation - Maximum loan amount: additional 10 million yen (additional 30 million yen for hotel business)	- Hotel business, restaurant business and coffee shop business	- Basic interest rate - Basic interest rate for the members of environmental health association who have received certification for reconstruction plan is minus 0.9% - Grace period of up to 2 years	- No special interest subsidies or refinancing of existing debt	<a href="#">Link</a> (Japanese)

(v) Sales are down 5% or more from previous year or two years earlier (\*1)

Program	Guarantee/Loan	Target Businesses	Application Method/Interest Rate, Etc.	Reduction and Exemption of Guarantee Charge /Interest Subsidy	Details of Program
No. 5 Safety Nets for Financing Guarantee	- 80% of debt is guaranteed by The Japan Federation of Credit Guarantee Corporations - 280 million yen is guaranteed separate from general financing guarantee (shared with No. 5 Safety Nets for Financing Guarantee)	- All businesses	- You can request private financial institutions to confirm necessary documents in advance or apply as proxy when applying for certification to municipalities and applying for guarantees to credit guarantee corporations	- This program is subject to guarantee charge and interest reduction and exemption for loans with credit guarantees	<a href="#">Link</a> (Japanese)
COVID-19 Special Loan	- Financial institution: Japan Finance Corporation - Maximum loan amount: 300 million yen for small and medium-sized enterprises /60 million yen for micro business and individual unit (each of them has a separate frame)	- All businesses	- Basic interest rate for initial 3 years is minus 0.9%, and basic interest rate after 4 years - Grace period of up to 5 years	- Special interest subsidy or refinancing of existing debt is applied *2	<a href="#">Link</a> (Japanese)

Crisis Response Loan Provided by Shoko Chukin Bank	- Financial institution: Shoko Chukin Bank - Maximum loan amount: 300 million yen (separate frame)	- All businesses	- Basic interest rate for initial 3 years is minus 0.9%, and basic interest rate after 4 years - Grace period of up to 5 years	- Special interest subsidy or refinancing of existing debt is applied *2	<a href="#">Link (Japanese)</a>
Managerial Improvement Loan for Measures against COVID-19	- Financial institution: Japan Finance Corporation - Maximum loan amount: 10 million yen (separate frame)	- All industries (micro enterprises)	- Management, improvement rate for initial 3 years is minus 0.9% - Grace period of up to 3 or 4 years	- Special interest subsidy or refinancing of existing debt is applied *2	<a href="#">Link (Japanese)</a>
Environmental Sanitation Special Loan for COVID-19	- Financial institution: Japan Finance Corporation - Maximum loan amount: 60 million yen (separate frame)	- All 18 environmental sanitation businesses *3	- Basic interest rate for initial 3 years is minus 0.9%, and basic interest rate after 4 years - Grace period of up to 5 years	- Special interest subsidy or refinancing of existing debt is applied *2	<a href="#">Link (Japanese)</a>
Managerial Improvement Loan for Environmental Health Business for Measures Against COVID-19	- Financial institution: Japan Finance Corporation - Maximum loan amount: 10 million yen (separate frame)	- Micro-enterprises that operate environmental sanitation businesses under management guidance such as environmental health association	- Management, improvement rate for initial 3 years is minus 0.9% - Grace period of up to 3 or 4 years	- Special interest subsidy or refinancing of existing debt is applied *2	<a href="#">Link (Japanese)</a>

\*1 In case of No.5 Safety Nets for Financing Guarantee, sales are down 5% or more from the previous year

\*2 Special interest subsidy program

Classification and Contents of Reduction and Exemption	Small and Medium-Sized businesses	Sales down 20% or more from previous year
	Micro-enterprises (Corporation)	Sales down 20% or more from previous year
	Micro individual business operators	No Requirements
Maximum Subsidy	Japan Finance Corporation: 100 million yen for small and medium-sized businesses and 30 million yen for micro-business and individual unit Shoko Chukin Bank: Crisis response loan of 100 million yen Total of new loan and refinancing of existing debt	
Period of Subsidy	Initial 3 years from borrowing	
Refinancing Program	Refinancing of existing debt of Japan Finance Corporation and Shoko Chukin Bank is also eligible for interest subsidy	

The details will be announced on the website, etc. of Ministry of Economy, Trade and Industry

\*3

The 18 types of environmental sanitation businesses can be found at:

([https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou\\_iryuu/kenkou/seikatsu-eisei/seikatsu-eisei03/01.html](https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/kenkou/seikatsu-eisei/seikatsu-eisei03/01.html)) (Japanese)

(vi) There is no decrease in sales

Program	Content of Loan	Target Businesses	Interest Rate, Etc.	Interest Subsidy	Details of Program
Relaxation of Requirements for Safety Net Loan	- Financial institution: Japan Finance Corporation - 720 million yen for small and medium sized business, 48 million yen for micro-business and individual unit (same frame for both businesses)	- Businesses expected to be affected in the future	- Basic interest rate	- No special interest subsidy or refinancing of existing debt	<a href="#">Link (Japanese)</a>

## Financing Support Programs for Measures Against COVID-19; Capital Support Program

Although I have received loans because of a decrease in sales due to the effects of COVID-19, my business is likely to go bankrupt because it is difficult to keep up with payments. I heard that there is a program to receive financial support. Please provide details.

A new program under which the Regional Economy Vitalization Corporation of Japan (REVIC) provides capital injections will be established for small and medium-sized companies which become insolvent because of a significant decrease in sales.

At present, the requirements are that the target companies are expected to have net sales of at least 1 billion yen and at least 50 employees, and to be able to rebuild their business in the wake of COVID-19. It is assumed that the financial institutions with which small and medium-sized companies do business will request investments from REVIC, and REVIC will execute the investments after determining the possibility of restructuring. Capital injections may be made through the subscription of common and preferred shares and the use of subordinated loans.

When the details of the support program are decided, we will provide updates regarding same.

## Financing Support Programs for Measures Against COVID-19; Programs of Municipalities

I have suspended my business at the request of my prefecture. I heard that there are cases where I can receive a cooperation or business support subsidy from a municipality. Could you provide details?

If you suspend your business in response to a request from a prefectural government, you may be able to receive a cooperation or business support subsidy, depending upon the municipality. As the conditions for payment and the review process of the relevant program differ depending upon the municipality, below are the programs in Tokyo and Osaka that have already started accepting applications.

### \*Tokyo Metropolitan Government: COVID-19 Infection Expansion Prevention Cooperation Subsidy

Requirements	<p>Applicant who meets all the following requirements</p> <p>(i) Applicant is a small or medium-sized enterprise or sole proprietorship which has its principal place of business or secondary place of business in Tokyo and defined in Article 2 of the Small and Medium Sized Enterprise Basic Act (Act No. 154 of 1963) of which a large enterprise is not substantially participating in the management (hereinafter referred to as “Small and Medium-sized Enterprise and sole proprietor”).</p> <p>(ii) An applicant who operates any of the following facilities subject to a business suspension request after obtaining necessary permission, etc. prior to implementing emergency measures (before April 10, 2020).</p> <p>(1) Facilities that belong to the “facilities that the government basically requests for suspension” and are requested to be suspended;</p> <p>(2) Facilities that belong to the “facilities that the government requests for suspension depending on the type of facility” and are requested to be suspended; or</p> <p>(3) Facilities that belong to the “food service facilities” out of the “facilities necessary for maintaining social life” and are requested to cooperate by shortening business hours</p> <p>(iii) During all of the emergency measures periods (from April 11, 2020 to May 6, 2020), or at least during all of the periods from April 16, 2020 to May 6, 2020, applicant must suspend its business in response to a request from the Tokyo Metropolitan Government.</p> <p>(iv) The representative, officers, employees, or other workers or members, etc. of the applicant do not and will not constitute an organized crime group prescribed in Article 2, item 2 of the Tokyo Ordinance for Eliminating Organized Crime Groups, the organized crime group member prescribed in item 3 of the said Article, or a person related to the organized crime group prescribed in item 4 of the said Article. In addition, none of the aforementioned organized crime groups, members or related persons of organized crime groups practically participate in the management of the applicant’s business.</p>
Amount of Payment	500,000 yen (1 million yen for business enterprise that suspends its businesses of 2 or more offices)
Application Procedures	Applications can be submitted online, by mail, or in person between Wednesday, April 22, 2020 and Monday, June 15, 2020. The Tokyo Metropolitan Government recommends prior document confirmation by certified tax accountants, certified public accountants, or other professionals before filing an application (The Tokyo Metropolitan Government will separately take measures relating to applicable costs according to certain standards.).

#### \*1 List of Facilities Subject to Suspension Request

(<https://www.bousai.metro.tokyo.lg.jp/1007617/1007679.html>) (Japanese)

For details, please see “Information on COVID-19 Expansion Prevention Cooperation Subsidy” by the Tokyo Metropolitan Government (<https://www.tokyo-kyugyo.com/>) (Japanese).

### \*Osaka Prefecture: Closure Request Support Funds (Money of Prefecture, Municipalities Joint Support)

Requirements	<p>(i) Applicant is a small or medium-sized enterprise or a sole proprietorship that opened on or before March 31, 2020 and is operating as an actual business (However, this does not apply to enterprises related to anti-social forces).</p> <p>(ii) Applicant has its principal place of business in Osaka Prefecture.          Small and medium-sized enterprises: Its head office is located in Osaka Prefecture.          Sole proprietorship: Its office is in Osaka Prefecture.</p> <p>(iii) Applicant is a business operator that suspends all of its businesses of a facility eligible for support funds (*1) during all of the periods from April 21, 2020 to May 6, 2020 upon receiving a request from Osaka prefecture for restriction on use of facilities (In the case of operators of food service facilities, only when they cooperate in shortening business hours from 5 AM to 8 PM, etc.).</p> <p>(iv) Sales in April 2020 decreased by 50% or more from the same month of the previous year.</p>
Amount of Payment	1 million yen for small and medium-sized enterprises (SMEs) 500,000 yen for sole proprietors
Application Procedures	Applications can be submitted online or by mail between Monday, April 27, 2020 and May 31, 2020.

#### \*1 List of Facilities Subject to Support Funds and Those Not Subject to Support Funds

(<http://www.pref.osaka.lg.jp.e.agb.hp.transer.com/attach/38322/00000000/shisetsu.pdf>) (Japanese)

For details, please see “Closure Request Support Funds (Money of Prefecture, Municipalities Joint Support)” by Osaka Prefecture (<http://www.pref.osaka.lg.jp.e.agb.hp.transer.com/keieishien/kyugyoshienkin/index.html>).

As of today, Fukuoka Prefecture has not announced the payment of cooperation subsidy, but Fukuoka City is reviewing whether to provide rent support for business operators that comply with a request to suspend business (“Rent Support for Stores toward Continuation of Business following Declaration of a State of Emergency (Measures Against Novel Coronavirus Infections)” by Fukuoka City (<https://www.city.fukuoka.lg.jp/keizai/kokusaikeizai/business/cotenpo.html>) (Japanese).

Certain other municipalities have already started to accept applications for the payment of a cooperation subsidy, and other municipalities are now reviewing such measures. Therefore, please keep track of the latest information provided by the relevant municipalities and consider applying for such subsidy programs.

### Financing Support Programs for Measures Against Covid-19; Payment Deferment Program

Cash flow has become tight due to the effects of the Novel Coronavirus. In helping me to keep fixed costs as low as possible, is there any program that allows me to defer payments?

While you are obligated to pay fixed costs by the relevant due dates, if you are having trouble in paying due to the effects of the Novel Coronavirus, you may be able to defer payment of certain fixed costs, such as taxes, insurance fees, gas and electricity bills.

#### \*National Tax

##### (1) Special Deferment of Payment of National Tax

Special measures to defer payments have been implemented for those who are temporarily unable to pay national taxes due to the effects of the Novel Coronavirus. If you apply for this measure, you will be entitled to a one-year grace period without paying any delinquent taxes or providing any collateral. An outline of the requirements is as follows:

Requirements	Taxpayers who meet both of the following requirements; (i) Due to the effects of the Novel Coronavirus, revenues related to businesses, etc. have decreased by approximately 20% or more in any period since February 2020 (more than 1 month) compared to the same period during the previous year; and (ii) It is temporarily difficult to pay taxes.
National Taxes Subject to this Measure	Almost all national taxes, including income tax, corporation tax, and consumption tax, the payment of which is due between February 1, 2020 and January 31, 2021
Application Deadline	Application by June 30, 2020 or the due date of payment, whichever is later

\*For more information, please see the website of the National Tax Agency, “For taxpayers who face difficulty paying their national tax due to the influence of the novel coronavirus disease (COVID-19)” ([https://www.nta.go.jp/english/tax\\_payment/01.htm](https://www.nta.go.jp/english/tax_payment/01.htm)), or contact the Regional Taxation Bureau Grace Support Center established by each Regional Taxation Bureau ([https://www.nta.go.jp/english/tax\\_payment/02.htm](https://www.nta.go.jp/english/tax_payment/02.htm)).

##### (2) Existing Deferment Measures

Even if the special measure to defer payment set forth in (i) is not applicable, deferment of payment for national tax may be granted through the existing deferment measures (National Tax Agency website, “For taxpayers who face difficulty paying their national tax due to the influence of the novel coronavirus disease (COVID-19)” ([https://www.nta.go.jp/english/tax\\_payment/01.htm](https://www.nta.go.jp/english/tax_payment/01.htm))). For details, please contact the Regional Taxation Bureau Grace Support Center established by each Regional Taxation Bureau ([https://www.nta.go.jp/english/tax\\_payment/02.htm](https://www.nta.go.jp/english/tax_payment/02.htm)).

#### \*Local Tax

##### (1) Special Deferment of Payment for Local Tax

As for local tax, special measures to defer payment have begun for those who are temporarily unable to pay local tax due to the effects of the Novel Coronavirus. If you apply for these measures, you will be entitled to a one-year grace period without paying any delinquent taxes or providing any collateral. The outline of the requirements is as follows:

Requirements	Taxpayers who meet both of the following requirements; (i) Due to the effects of the Novel Coronavirus, revenues related to businesses, etc. have decreased by approximately 20% or more in any period since February 2020 (more than 1 month) compared to the same period in the previous year; and (ii) It is temporarily difficult to pay taxes.
Local Taxes Subject to this Measure	Almost all local taxes, including individual inhabitant tax, local and corporation taxes, and fixed property tax, which due date is from February 1, 2020 to January 31, 2021
Application Deadline	Application by June 30, 2020 or the due date of payment, whichever is later

\*For specific procedures, please consult with the contact point of each prefecture or municipality.

\*The tax base amount of the fixed property tax and city planning tax related to depreciable assets and business buildings for the year 2021 is considered to be: (i) reduced to 1/2 for a person whose sales for any 3 months from February 2020 to October 2020 decreased by 30% or more but less than 50% for the same period in the previous year; and (ii) reduced to zero for a person whose sales decreased by 50% or more.

In addition, tax measures are being considered, such as extending the application period for special measures to reduce automobile tax and mini vehicle environmental performance rate by 1% for 6 months for those who acquired such vehicles by March 31, 2021 (For details, please see the website of the Ministry of Internal Affairs and Communications, “Tax Measures under COVID-19 Emergency Economic Measures (Draft)” ([https://www.soumu.go.jp/main\\_content/000681221.pdf](https://www.soumu.go.jp/main_content/000681221.pdf)) (Japanese)).

##### (2) Existing Deferment Measures

Even if the special measures to defer payment set forth in (i) are not applicable, deferment of payment for local tax may be granted through existing deferment measures. For details, please consult with the contact point of each prefecture or municipality.

#### \*Labor Insurance Premiums, etc.

##### (1) Special Deferment of Payment of Labor Insurance Premiums, etc.

As for labor insurance premiums, etc., special measures to defer payment have been implemented for those who are temporarily unable to pay labor insurance premiums, etc. due to the effects of the Novel Coronavirus. If you apply for these measures, you will be entitled to a one-year grace period without paying any delinquent taxes or providing any collateral. An outline of the requirements is as follows:

Requirements	Taxpayers who meet both of the following requirements; (i) Due to the effects of the Novel Coronavirus, revenues related to businesses, etc. have decreased by approximately 20% or more in any period since February 2020 (more than 1 month) compared to the same period in the previous year; and (ii) It is temporarily difficult to pay taxes.
Labor Insurance Premiums, etc. Subject to this Measure	Labor insurance premiums, etc., the payment of which is due between February 1, 2020 and January 31, 2021
Application Deadline	Application by the due date

\*For details, please see the website of the Ministry of Health, Labour and Welfare, “Information on Novel Coronavirus Infections” ([https://www.mhlw.go.jp/stf/newpage\\_10647.html](https://www.mhlw.go.jp/stf/newpage_10647.html)) (Japanese), or please consult with the competent Prefectural Labour Bureau for specific procedures.

(2) Normal Deferment Measures

Even if the special measures to defer payment set forth in (i) are not available, “deferment of payment due to natural disaster” may be granted if property is significantly lost due to the outbreak of the Novel Coronavirus, or a “general deferment of payment” may be granted if labor insurance premiums, etc. are temporarily unable to be paid due to the effects of the Novel Coronavirus. As a general rule, the deferment period is one year or less, and it is necessary to apply to the competent Prefectural Labour Bureau.

For details, please see the website of the Ministry of Health, Labour and Welfare, “Information on Novel Coronavirus Infections” ([https://www.mhlw.go.jp/stf/newpage\\_10647.html](https://www.mhlw.go.jp/stf/newpage_10647.html)) (Japanese), or please consult with the competent Prefectural Labour Bureau for specific procedures.

\*National Health Insurance Premiums, Insurance Premiums of Medical Care System for the Elderly Aged 75 and Over, and Long-Term Care Insurance Premiums

For those who are unable to pay national health insurance premiums, insurance premiums for the medical care system for the elderly aged 75 and over, and long-term care insurance premiums due to the effects of the Novel Coronavirus, if they meet certain requirements, they may be eligible for payment deferment upon application. In addition, they may be eligible for an exemption from national health insurance premiums.

For any specific requirements or procedures, please contact the municipality which is your insurer or the national health insurance society which you join.

\*Welfare Pension Insurance Premiums

In the event that it becomes temporarily difficult to pay welfare pension premiums due to the effects of the Novel Coronavirus, deferment of payment or asset conversion may be granted up to 1 year in principle by applying to the director of the local (regional) bureau through the competent pension office. This application must be submitted within 6 months from the deadline for payment of the welfare pension insurance premiums, etc. which becomes difficult to pay (Please see the website of the Ministry of Health, Labour and Welfare, “Deferment System of Payment for Welfare Pension Insurance Premiums, etc.” [https://www.mhlw.go.jp/stf/newpage\\_10382.html](https://www.mhlw.go.jp/stf/newpage_10382.html) (Japanese)).

For specific procedures, please contact the nearest pension office (<https://www.nenkin.go.jp/international/english/offices/offices.html>).

\*Public Utility Charges (Water and Sewage), NHK Subscription Fees, Electricity and Gas Fees, Fixed and Mobile Phone Charges, Etc.

With regard to public utility charges (water and sewage), NHK subscription fees, electricity and gas fees, and fixed and mobile phone charges, the Japanese government also announced a policy to take flexible measures for deferring payment by those who are in poverty due to the effects of the Novel Coronavirus.

In response to this announcement, local governments and businesses have set up their own response desks. For specific requirements and procedures, please contact the local government or service provider from which you are receiving the service or have executed the supply agreement.

\*Rent

Please refer to “Q [Lease Agreement (From the standpoint of the Lessor) - I]” of Real Estate Q&A for deferment of payment of rent.

**Measures to be taken when it is difficult to pay existing debts due to the effects of the Novel Coronavirus even if various support programs are used; Difference between voluntary liquidation procedures and legal liquidation procedures**

My business has had cash-flow problems due to the effects of the Novel Coronavirus, and I cannot repay my existing debts even with available government support programs. What should I do?

As we explain below, in such case, there will be a need to undertake certain procedures to liquidate debts. These procedures are roughly divided into two types; “voluntary liquidation procedures” and “legal liquidation procedures”. The outline of these procedures is shown below (○ ×, etc. indicate advantages and disadvantages). However, to the extent possible, you should consider using voluntary liquidation procedures because you will be able to reconstruct your business while maintaining business value without involving your business partners.

	Voluntary Liquidation Procedures		Legal Liquidation Procedures (Civil Rehabilitation)	
Creditor	It is limited only to financial creditors.	○	It covers all creditors, in principle.	×
Consent of Creditor	Consent of all applicable creditors is required.	×	Majority vote (Approval of a majority of the number of creditors and 1/2 or more of the total amount of voting rights).	○
Confidentiality of Information	It is not disclosed, and, as a general rule, is not known to any party other than the creditors.	○	Although it is not disclosed, it is highly likely to be known to clients, etc. as it is published in the Official Gazette and covers all creditors.	×
Damage to Business Value	If it covers only financial creditors, business value will not be impaired as other claims related to commercial transactions will be paid as before.	◎	As it covers all creditors, including commercial creditors, it is easy to damage business value by terminating transactions.	×
Fairness and Transparency of Procedure	In the case of a standard type of procedure, such as SME revitalization support council schemes, because it involves a neutral third party organization, a certain degree of fairness and transparency can be ensured.	△	Fair and transparent due to supervision by courts and supervisors in legal proceedings.	○
Radical Reconstruction	Rehabilitation plan that is easily acceptable to creditors must be executed as the consent of all creditors is required.	△	Radical rehabilitation plan can be prepared as it covers all creditors and it is based on majority voting.	○

**Measures to be taken when it is difficult to pay existing debts due to the effects of the Novel Coronavirus even if various support programs are used;  
Financial support method in voluntary liquidation procedures**

I heard that there are cases where I can suspend repaying my debts or request creditors to waive debts by using voluntary liquidation procedures. Specifically, what options are there?

There are two main types of financial assistance which we request of financial institutions: (i) rescheduling; and (ii) waiver of debt.

First of all, rescheduling (“Risuke” in Japanese) is a type of assistance in which the repayment of the principal is reduced or deferred for a certain period of time by modifying the repayment terms of the loan. In some cases, you may receive a reduction or exemption of interest. Rescheduling should be considered first because it has a relatively minor impact on the relevant parties. In order to implement rescheduling, it is necessary to make a plan within a reasonable period to eliminate excessive debts and repay loans based on the free flow of cash to be obtained in the future. However, in some cases, a company can be eligible for “temporary debt rescheduling” for 3 years as a preparation period for making such plan.

Next, “waiver of debt” literally means a reduction or exemption of payment claims, but there are specific methods, such as: (i) directly receiving a reduction or exemption of claims; and (ii) so-called “secondary corporation method”, whereby a debtor (existing company) or sponsor establishes a new company (secondary corporation), transfers profitable businesses (Good) and corresponding debts to the new company through a corporate split, etc., and liquidates unprofitable divisions (Bad) and the existing company holding only excessive debts through special liquidation, etc.

Furthermore, there are other methods that have substantially the same effect as waiver of debt, such as a debt equity swap (DES) or debt debt swap (DDS).

In any case, the risk of secondary bankruptcy is lower if credit enhancement, including financial support from sponsors, is provided. Therefore, it is important to look for such sponsors at the same time, especially when you receive a reduction or exemption of claims.

**Measures to be taken when it is difficult to pay existing debts due to the effects of the Novel Coronavirus even if various support programs are used;  
Types of voluntary liquidation procedures**

What types of voluntary liquidation procedures are available?

In recent years, the available voluntary liquidation procedures have diversified and include the types listed below. In contrast to Item (i), pure voluntary liquidation, Items (ii) to (iv) below are classified as “regular voluntary liquidation procedures”, as they involve a third party organization in accordance with certain procedural rules.

(i) Pure Voluntary Liquidation

This is a type of voluntary liquidation that is implemented through negotiations between creditors and debtors. It has the advantage of flexibly proceeding with liquidation not based on any defined rules, but it is, in practice, limited to rescheduling.

(ii) SME Revitalization Support Council Scheme (<https://www.chusho.meti.go.jp/keiei/saisei/2019/190925saisei.htm>) (Japanese)

This is a procedure presided over by the “SME Revitalization Support Councils”, which are public institutions established in each prefecture based on the Industrial Competitiveness Enhancement Act. A variety of expert advisors are involved to support the revitalization. Eligible debtors are limited to small and medium-sized enterprises (including medical corporations), and large companies, such as listed companies and educational corporations, cannot use this system.

(iii) Business Revitalization ADR (<https://www.turnaround.jp/adr/index.php>) (Japanese)

This is a procedure presided over by the “Japanese Association of Turn-Around Professionals” which is certified under the Industrial Competitiveness Enhancement Act. A fair and impartial procedural administrator with extensive expertise and experience will coordinate the interests of debtors and creditors in accordance with rigorous requirements and regulations. There are no restrictions on eligible companies (except not applicable to sole proprietors).

(iv) Special Conciliation

This is a conciliation process for expediting adjustment of interest related to monetary debts in conciliation proceedings held in court; moreover, special conciliation procedures in a Summary Court for the purpose of assisting with the business recovery of SMEs ([https://www.nichibenren.or.jp/activity/resolution/chusho/tokutei\\_chotei.html](https://www.nichibenren.or.jp/activity/resolution/chusho/tokutei_chotei.html)) (Japanese) are also established. There are no restrictions on eligible debtors (applicable to sole proprietors).

**Measures to be taken when it is difficult to pay existing debts due to the effects of the Novel Coronavirus even if various support programs are used;  
Special provisions for the Novel Coronavirus**

Are there any newly established programs concerning the adjustment of debts due to the effects of the Novel Coronavirus?

Under the SME Revitalization Support Council system explained in Q8, support for the preparation of the “New Coronavirus Infection Special Rescheduling” (Special Rescheduling) plan has started, and you may be eligible for rescheduling by using this program.

First, small and medium-sized enterprise operators experiencing a temporary deterioration in business conditions and falling under either of the following due to the effects of the Novel Coronavirus are deemed to be eligible for this program. It also applies to small and medium-sized enterprise operators that have received or are currently receiving support from a SME Revitalization Support Council for the preparation of a rehabilitation plan.

(i) An operator whose sales in the previous month have decreased by 5% or more compared to the same period in the previous year or the year before the previous year; or

(ii) In the case where the business has been in existence between 3 months and less than 1 year and 1 month, an operator whose sales in the previous month have decreased by 5% or more in comparison to any of the following:

- a. Average sales for the last 3 months (including the last 1 month);
- b. Sales in December 2019; or

c. Average amount of sales from October to December 2019

Upon consultation with an eligible small or medium-sized enterprise operator (“Enterprise Seeking Consultation”), when the Council decides that it is appropriate to support the preparation of a special rescheduling plan and such operator falls under any of the following, the Council will start supporting the preparation of the special rescheduling plan.

- a. There are prospects of funding for the next 6 months;
- b. If Enterprise Seeking Consultation is able to obtain a loan from a financial institution or governmental financial institution, there are prospects of funding for the next 6 months; or
- c. The supervisory manager, etc. determines that making a request to extend the repayment of the principal of the Enterprise Seeking Consultation according to its business type and the nature of its industry is useful for improving its business.

The Enterprise Seeking Consultation starts preparing a draft of a special rescheduling plan, which should be a one-year cash flow plan prepared on the assumption that the impact of the Novel Coronavirus will last for at least 6 months. The Council supports the preparation of a draft of a special rescheduling plan for the Enterprise Seeking Consultation in cooperation with major creditors, and, depending on its cash flow situation, mediates with financial institutions for financing, including loans, etc. through financing support programs for the Novel Coronavirus by governmental financial institutions, etc.

If all relevant creditors agree to the proposed special rescheduling plan prepared by the Enterprise Seeking Consultation, the special rescheduling plan is approved and the support of the Council ends. Needless to say, the Council will continuously perform monitoring thereafter, and depending on the situation of the Enterprise Seeking Consultation, it may shift to support the preparation of a rehabilitation plan.

For details of the relevant procedures, etc., please see “COVID-19 Special Rescheduling Procedures” (<https://www.chusho.meti.go.jp/keiei/saisei/2020/200406saisei.html>) (Japanese) issued by the Small and Medium Enterprise Agency.

### Measures to be taken when it is difficult to pay existing debts due to the effects of the Novel Coronavirus even if various support programs are used; Civil rehabilitation proceedings

I heard that, if it is difficult to use voluntary liquidation, I have to file for a legal liquidation (civil rehabilitation proceedings). Are civil rehabilitation proceedings different from bankruptcy proceedings? Please explain the details.

If voluntary liquidation cannot be used due to reasons such as the inability to obtain the consent of all financial institutions or the urgency of cash flow problems, we will consider restructuring-type legal bankruptcy proceedings. Restructuring-type bankruptcy proceedings include civil rehabilitation proceedings, an outline of which is provided below. Corporate reorganization proceedings are another form of restructuring-type legal bankruptcy proceedings. Corporate reorganization proceedings are limited to joint stock companies, however, civil rehabilitation proceedings are not limited to joint stock companies and can be used by sole proprietors.

First, we file a petition for civil rehabilitation proceedings with the court. The court then issues a temporary restraining order prohibiting payment, and in principle, prohibits payment of any obligation owed by the debtor due to any cause that occurred before the filing of the application. In addition, a supervisor is usually appointed by the court.

The debtor then prepares a proposed rehabilitation plan while continuing its business under the supervision of the court and the supervisor. Proposed rehabilitation plans have two types, such as a voluntary restructuring type, in which creditors are repaid based on proceeds from ongoing business, and, if the debtor's credit is impaired, a sponsor type, in which the debtor receives credit support from the sponsor and uses the consideration for the business succession paid by the sponsor as payment funds to creditors. Proposed rehabilitation plans generally involve debt waivers, and it is possible to achieve a certain percentage of debt reduction based on a majority of the number of creditors or a majority vote of 1/2 or more of the total number of voting rights.

As explained above, civil rehabilitation proceedings are proceedings for the rehabilitation of the business and are totally different from bankruptcy proceedings, in which the business is suspended and the assets remaining in the debtor are disposed of or liquidated

#### 【Contact】

##### Jiri Mestecky

Partner (Osaka Office) / Registered Foreign Attorney

【E-mail】 [JMestecky@kitahama.or.jp](mailto:JMestecky@kitahama.or.jp)

##### Wataru Nakamori

Partner (Osaka Office/Tokyo Office) / Attorney at Law

【E-mail】 [WNakamori@kitahama.or.jp](mailto:WNakamori@kitahama.or.jp)

##### Keiko Horino

Partner (Osaka Office) / Attorney at Law

【E-mail】 [KHorino@kitahama.or.jp](mailto:KHorino@kitahama.or.jp)

##### Makoto Fujiwara

Partner (Osaka Office) / Attorney at Law

【E-mail】 [MFujiwara@kitahama.or.jp](mailto:MFujiwara@kitahama.or.jp)

##### Shinya Ota

Associate (Osaka Office) / Attorney at Law

【E-mail】 [SOta@kitahama.or.jp](mailto:SOta@kitahama.or.jp)

#### OSAKA OFFICE

OSAKA SECURITIES EXCHANGE BLDG.

1-8-16 KITAHAMA, CHUO-KU, OSAKA 541-0041, JAPAN

TEL:81-6-6202-1088 FAX:81-6-6202-1080

#### TOKYO OFFICE

SAPIA TOWER 14F

1-7-12 MARUNOUCHI, CHIYODA-KU, TOKYO 100-0005, JAPAN

TEL:81-3-5219-5151 FAX:81-3-5219-5155

#### FUKUOKA OFFICE

CANALCITY BUSINESS CENTER BLDG.

1-2-25 SUMIYOSHI, HAKATA-KU, FUKUOKA 812-0018, JAPAN

<https://www.kitahama.or.jp/>

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