

Insolvency Proceedings for MSMEs in Japan

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Insolvency Legislation

- Civil Rehabilitation Act of 1999

Type: rehabilitation, DIP proceeding

Debtors: individuals and corporations

- Corporate Reorganization Act of 2002

Type: rehabilitation, trustee appointed

Debtors: stock companies

- Bankruptcy Act of 2004

Type: liquidation, trustee appointed

Debtors: individuals and corporations

Insolvency Proceedings for MSMEs

- Civil Rehabilitation Act
 - Standard Rehabilitation Proceeding
 - Simplified Rehabilitation
 - Consensual Rehabilitation
 - Rehabilitation for Individuals with Small-Scale Debts
- Bankruptcy Act
 - Small Administration

Problems of the Composition Act

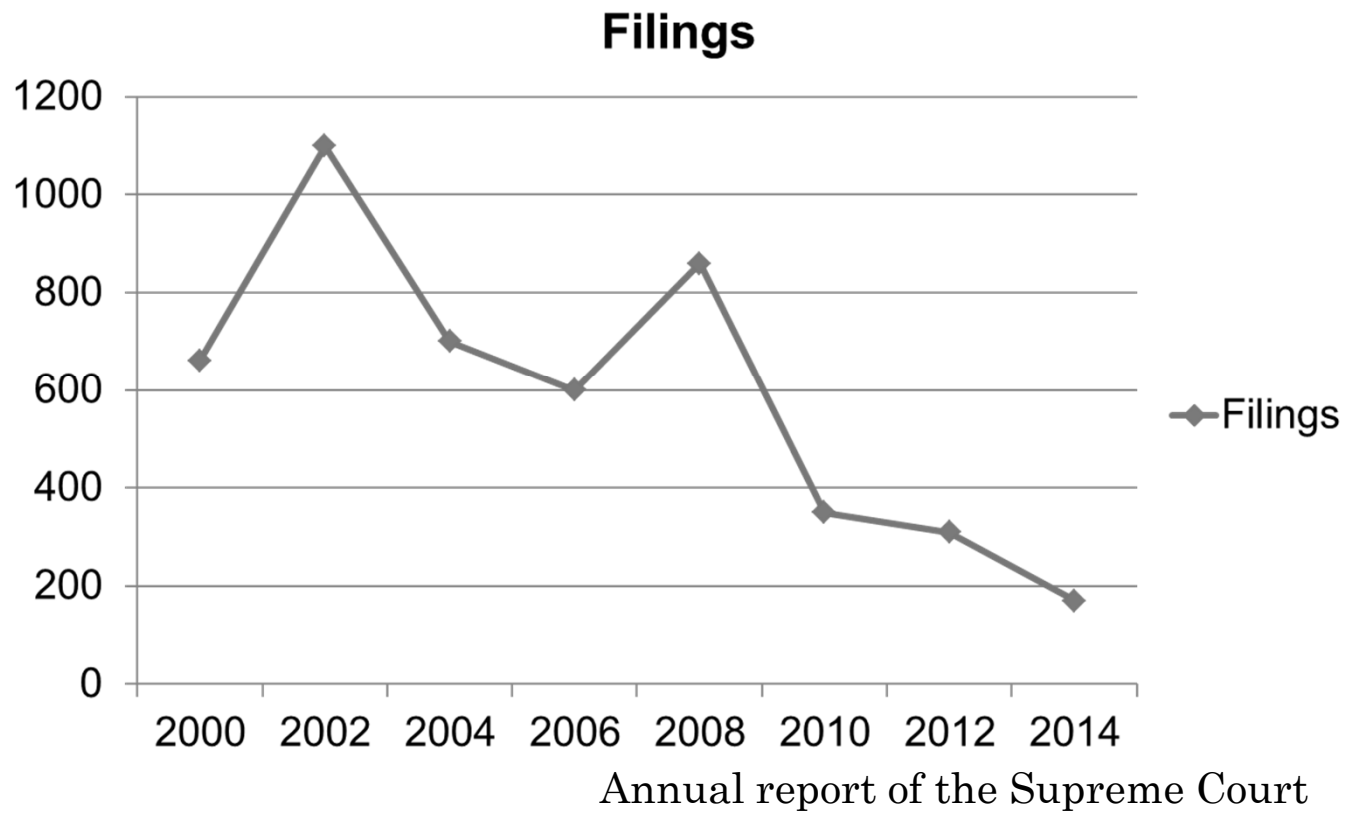
- The requirements for commencing the composition proceedings were the same as those for the bankruptcy proceedings.
- No way to stay the actions of secured creditors, nor to avoid preferences.
- The composition plan was hardly approved.
- No one supervised the execution of the plan.

Situations of Civil Rehabilitation

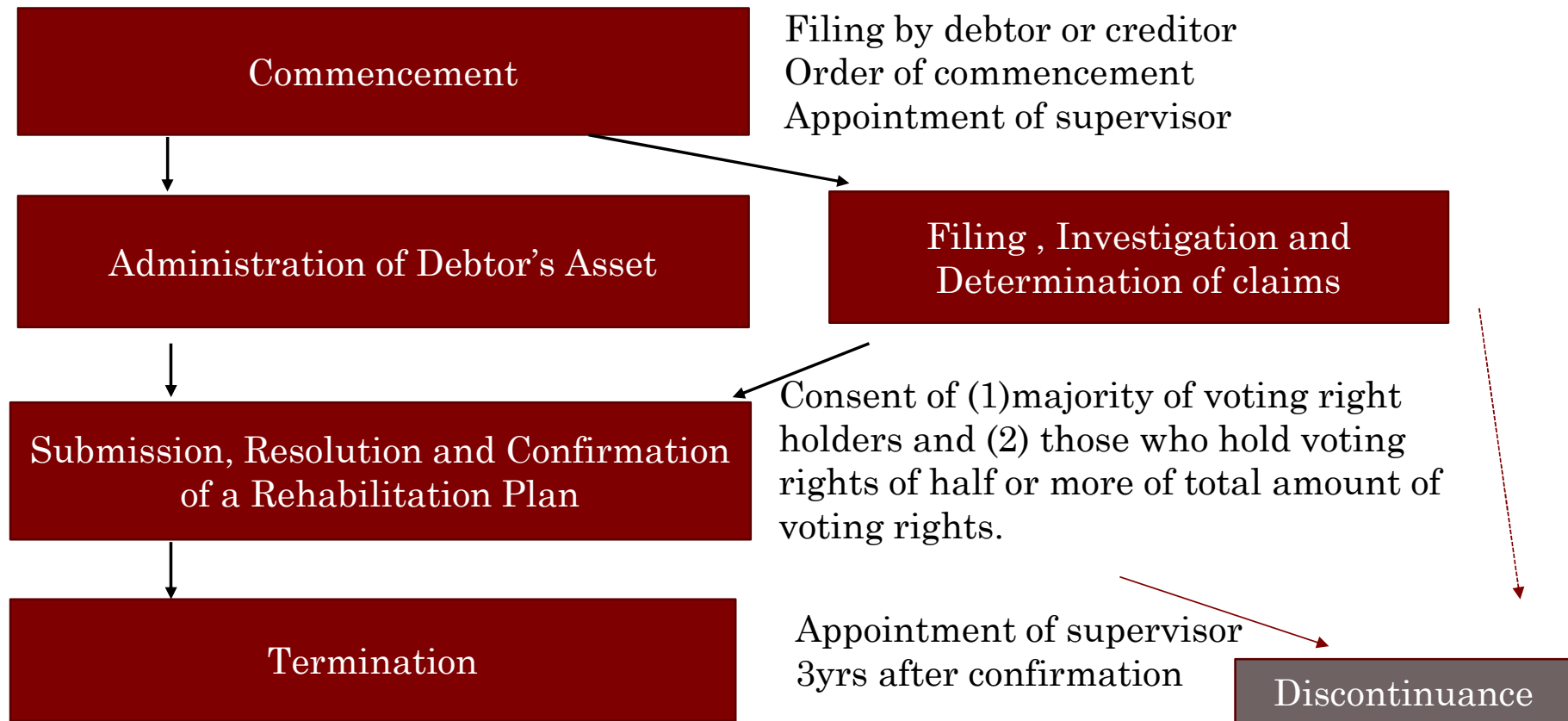
| From 2000 to 2015 | total |
|--|------------|
| Number of filing | 7341 |
| Number of commencement | 7053 |
| Ratio of commencement | 96.1% |
| Average days from filing to commencement | 21.8 days |
| Number of confirmation of a plan | 5890 |
| Ratio of commencement | 80.2% |
| Average days from commencement to confirmation of a plan | 234.1 days |

Tokyo Shoko Research

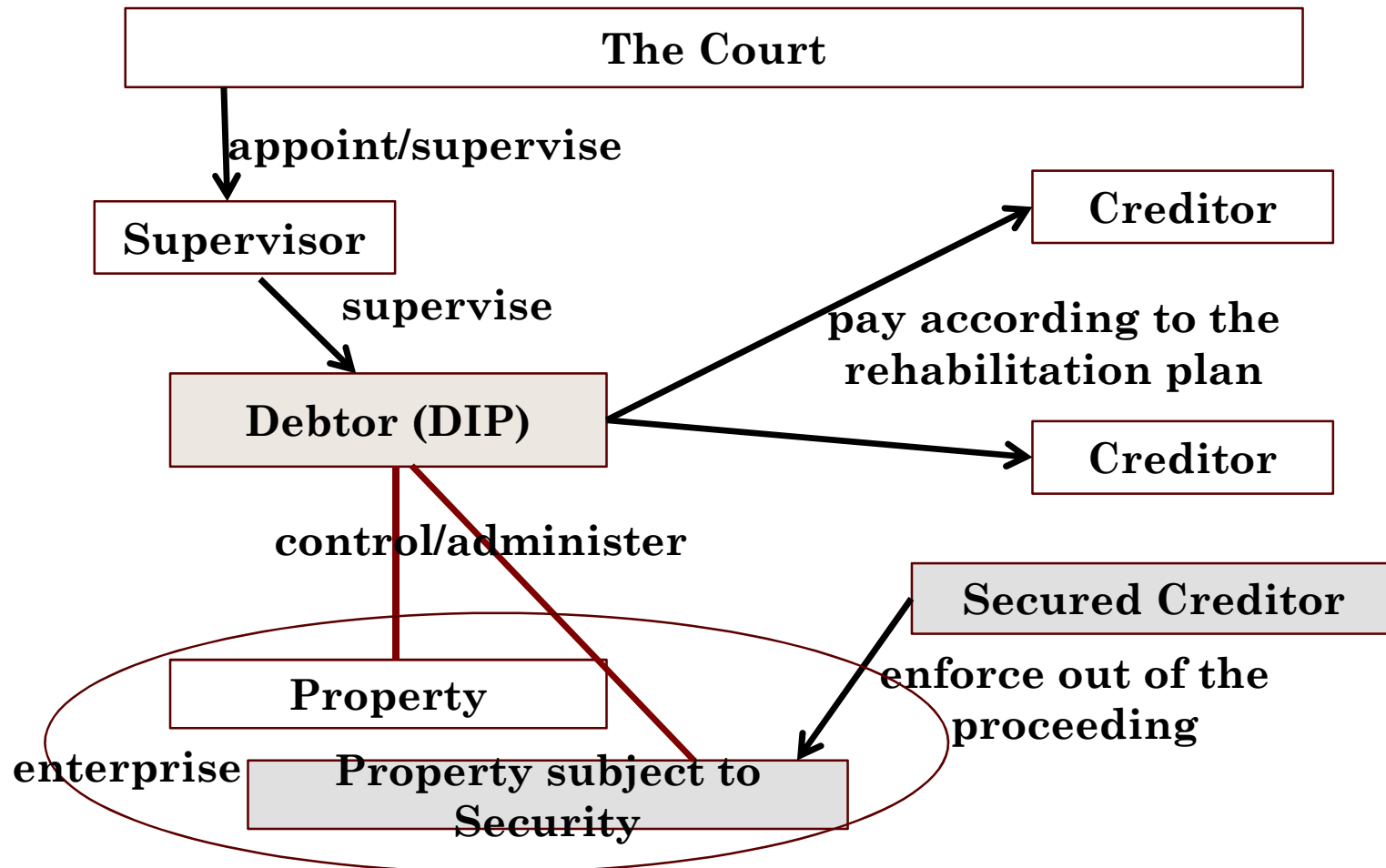
Filings for the Standard Rehabilitation



Standard Rehabilitation



Standard Rehabilitation Procedure (Civil Rehabilitation Procedure)



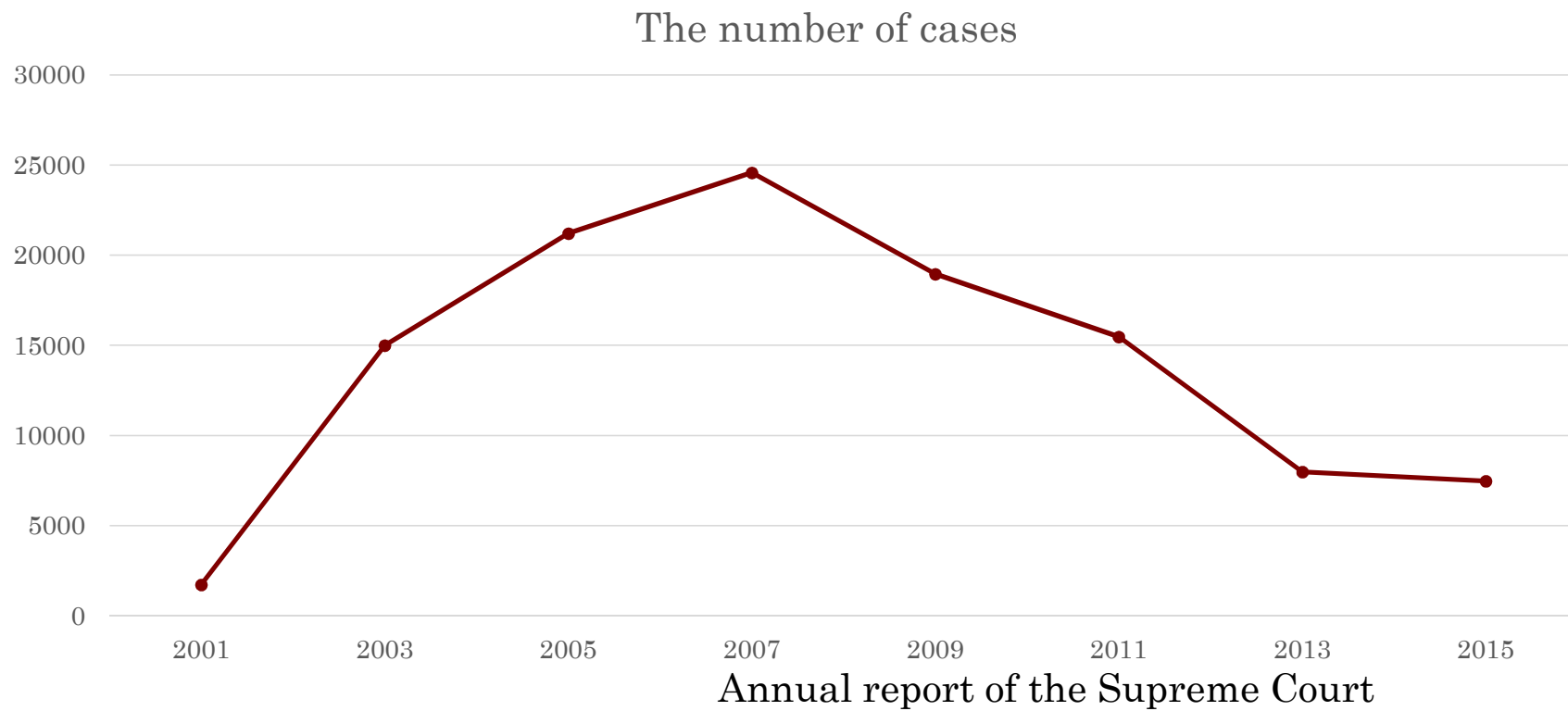
Simplified Rehabilitation

- No proceedings for investigation and determination of rehabilitation claims.
- Filing by the Debtor.
- Creditors who hold claims that account for three-fifths or more of the total filed claims consent, in writing, to
 - (1) a proposed plan and
 - (2) investigation proceedings not being performed.
- Creditors are deemed to attend the creditor's meeting and vote for the plan.
- No binding effect, nor discharge

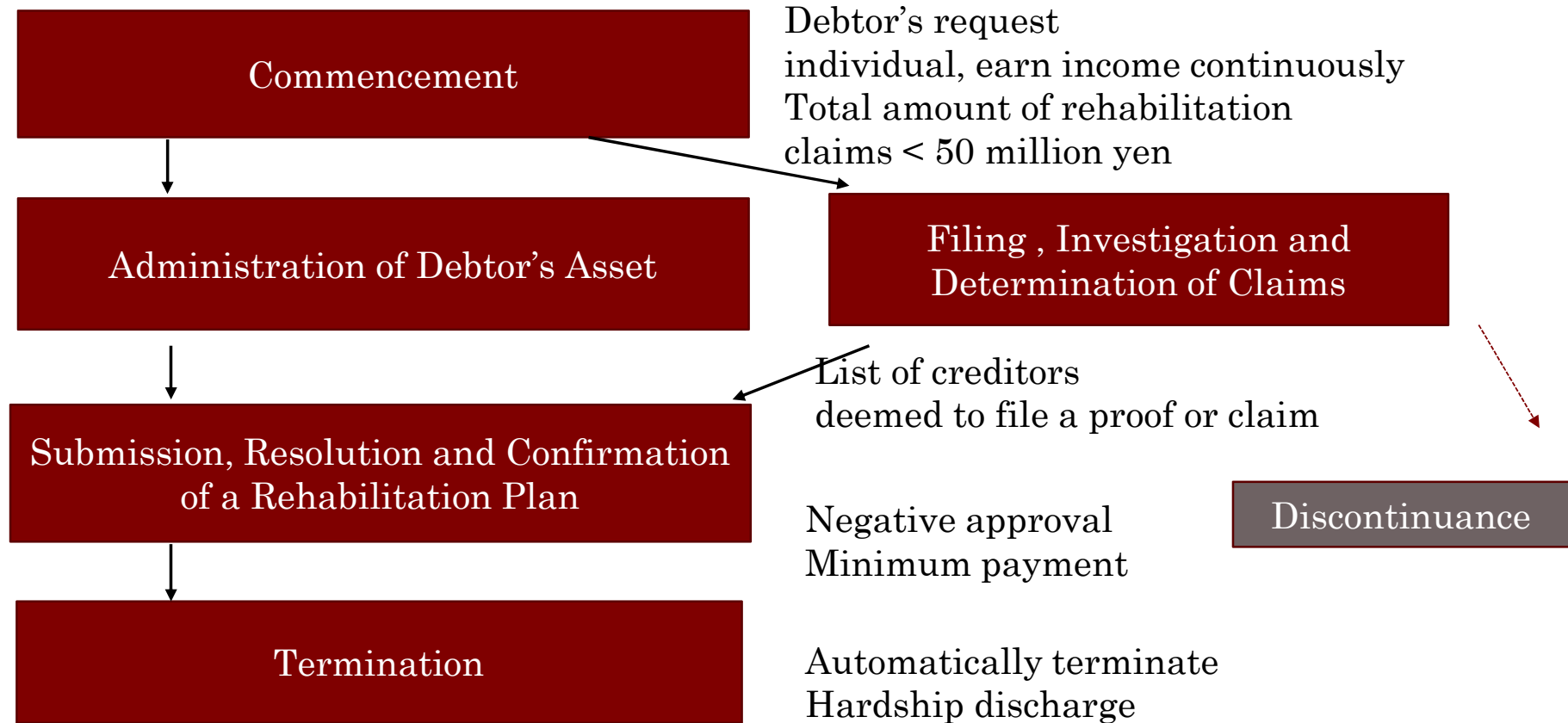
Consensual Rehabilitation

- No proceedings for investigation and determination of rehabilitation claims
- No resolution on a rehabilitation plan submitted by the debtor.
- All holders of filed rehabilitation claims consent, in writing,
 - (1) to a proposed rehabilitation plan submitted by the debtor and
 - (2) the proceedings for investigation and determination of rehabilitation claims not being performed.

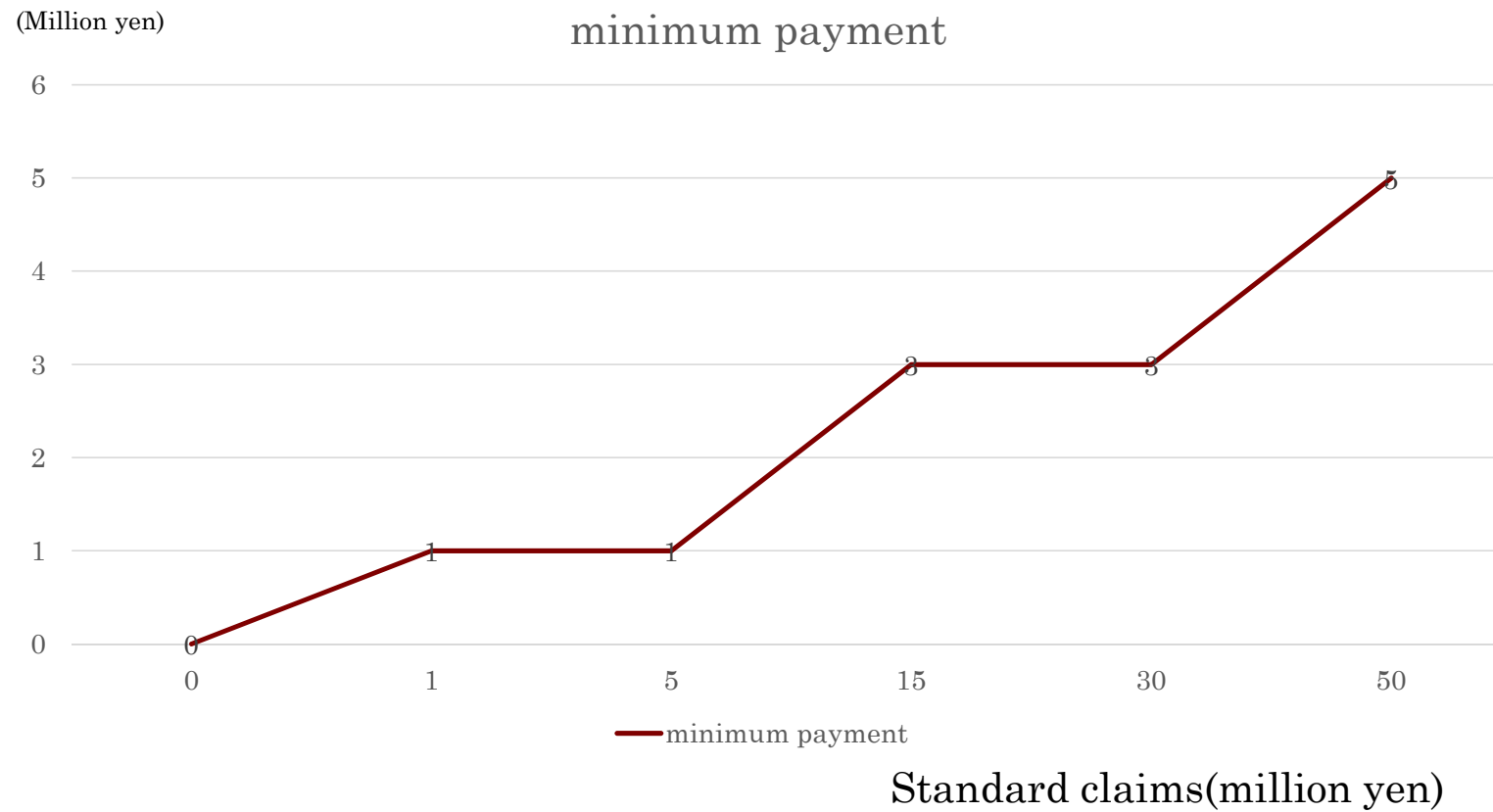
Rehabilitation for Individuals with Small-Scale Debts



Rehabilitation for Individuals with Small-Scale Debts



Minimum payment



Small Administration

