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**My Proposal based on Japan's  
Experience for Extraordinary  
Restructuring Solutions**

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# ***Insolvency Law Reforms and Expedited Practice in Japan***

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- Civil Rehabilitation Law 1999 ←Composition Law 1922
- Law for Recognition and Assistance for Foreign Insolvency Proceeding 2000, adopting UNCITRAL MODEL LAW
- New Corporate Reorganization Law 2002←Former CRL 1952
- New Bankruptcy Law 2004←Former Bankruptcy Law 1922
- Company Law 2005
- Revised Act on Special Measures for Industrial Revitalization (RASMIR) 2007
- Guidelines of the Out Of Court Workout 2001
- Civil Rehabilitation Plan confirmed within 6 months, Corporate Reorganization Plan within 1 year
- Many PE funds & consulting firms specialized in distressed business reorganization are available in Japan
- IRCJ changed distressed business culture in Japan

# ***Industrial Revitalization Corporation of Japan***

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- IRCJ was created in 2003 and dissolved in 2007, 1 year earlier than scheduled
- Disposed of NPLs & revitalized companies with excessive debts
- Reorganized 41 enterprise groups (200 companies)
- Application by a company & its main bank with the biggest exposure
- Helping decision after preliminary DD
- DD and developed operational & financial restructuring plan
- Request creditor-banks to accept the proposed plan including debt forgiveness and DES
- IRCJ purchased debts and infused new money as equity wiping out stocks
- Sent hands-on turnaround managers replacing incumbent managers
- Sold purchased debts & equities through M&A
- IRCJ financed under the government guarantee

# ***Business Reorganization ADR***

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- Guidelines of out of court workout of 2001 ( cf. INSOL 8 Principle, London Approach) –Gentlemen’ s rule (Bankers Association et. al.)
- RASMIR provided for BRADR licensed by MEIT&MOJ
- JATP created BRADR and started its business this March.
- BRADR presides workout proceeding according to the Guidelines
- Governmental agencies guarantee substantial part of DIP financing loans
- Unanimous consent by financial creditors is needed to the plan accepted
- In converted statutory reorganization proceedings, pre–negotiated plans which are agreed by most of creditors in workout process may be respected
- More than 8 huge cases have been commenced

# ***Proposal to create Quasi-Governmental Organization to Revitalize Ailing Corporations***

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- Independence from political interference and freedom from corruption is not only critical but also essential for the effectiveness of the organization and its officers.
- The staffs must be consisted of professional experts recruited from the private sectors not of government bureaucrats.
- Advanced skill of staffs for turnaround management is essential. Most of team leaders of IRCJ earned MBA degree in business schools in USA or UK.

# ***Proposal to create Quasi-Governmental Organization to Revitalize Ailing Corporations (cont'd)***

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1. Application made by ailing companies which are useful for the national economy
2. After preliminary due diligence, a decision whether to help the applicant is to be made
3. Notice of standstill or stay to financial creditors (i.e., moratorium)
4. Facilitating provision of finance by financial institutions under the guarantee of Governmental agencies
5. Financial and business due diligence conducted by professional experts
6. Developing business and financial restructuring plans for the companies assisted by professional experts
7. Soliciting and persuading creditors and other affected parties to accept the proposed restructuring plans
8. Execution of the accepted plans
9. In some cases purchasing debts and infusion of capital may be useful.

**CV (Shinjiro TAKAGI)**

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**Admitted in Japanese bar in 1963. After engaging private practice for 25 years, he was appointed as a Judge of Tokyo District Court in 1988, President and Chief Judge of Yamagata District & Family Court, in 1995, President and Chief Judge of Niigata District Court in 1997 and Presiding Judge of Tokyo High Court (Court of Appeal) in 1998. After resuming private practice in 2000, he reorganized a lot of ailing huge companies including Daiei and Kanebo. He was Chair of the Committee organized by National Bankers Association etc. to establish the Guidelines for Out of Court Workout to Reorganize Business Corporations in 2001. He was Professor at Chuo University Law School from 2003 to 2006. He was Chair of Industrial Revitalization Corporation of Japan from 2003 to 2007. He earned Doctor of Law or PhD degree in 2002. He wrote numerous books and articles regarding Japanese, American and international bankruptcy laws and civil procedures.**