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Public Institutions Supply Capital Funds to Corporations Adapting to the New Normal

Past examples suggest the importance of risk money supplied by government agencies

Financial and Capital Market Research Dept.

Masahiro Nakamura

Satoshi Osanai

Ayaka Nakamura

Junya Sakaguchi

Tsubasa Fujiwara

Summary

- With the impact of COVID-19 continuing, the second supplementary budget in June is expected to provide substantial capital funds to corporations in the form of subordinated loans, preferred stocks, etc.
- Amid heightened uncertainty about the future, there is a possibility that corporate fund-raising will be delayed due to the decline in risk tolerance in the financial and capital markets. However, it is significant that support provided to corporations by public funds are not loans, but money with higher recovery risk than ordinary loans, such as stocks and subordinated loans.
- In the past, eight out of nineteen cases of provision of capital funds by government agencies to listed companies were aimed at rebuilding their financial bases, which had deteriorated due to sluggish business performance. Among these, there was a certain level of effectiveness in the case of six companies due to the injection of public funds, such as improvement of financial base and finding new business partners.

Attention

This report is a summary translation. The official document is only in Japanese.