

International Credit Management in a Nutshell

~The 36 points you should know about

International Credit Management~

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About Creditsafe

Creditsafe Business Information is the world's most used supplier of online business information.

With more than 100,000 users, Creditsafe provides more than 320 million business credit reports.

By providing high quality information in a format that is easy for everyone to use, Creditsafe is transforming traditional business credit information services. Also, as a private company, it enables investigations and information provision from a third-party standpoint.

Creditsafe was founded in Norway in 1997 and currently has over 1,100 employees worldwide. It is a company with remarkable growth in the corporate credit information industry, with operations in 16 offices in 12 countries including UK, Germany, France, Sweden, Ireland, Italy, Belgium, the Netherlands and the US.

In 2016, Creditsafe opened a Japan office in Tokyo and Fukuoka, and started operations in earnest as a major base in Asia. You can see our firm details at <https://www.creditsafe.com/jp/>

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After graduating from Waseda University, Makino made his name at Dun and Bradstreet, before subsequently starting his own management consultancy Knowledge Management Japan Co., Ltd., a credit management consulting company, in 2000. He became a representative director of Creditsafe Business Information in 2016. With over 900 lectures on credit management, debt collection and overseas transactions, the number of participants exceeds 20,000. In addition to lecturing for the first time in Japan at National Collections & Credit Risk, he has held seminars in English in 10 countries.

He is also serving as a seminar lecturer for Nikkei Inc. and JETRO.

<Books>

"The Credit Management and Debt Collection Practices of Overseas Transactions" (Nihon Jitsugyo Shuppan)

"Credit Management and Debt Collection in Overseas Transactions" (Zeimu Keiri Kyokai)

"Credit Management Guide for Tax Accountants / Accounting Firms" (Chuo Keizai)

"English for Credit Management Commonly Used in Overseas Transactions" (IBC Publishing)

"Mastering the Business English without spending money (Chukei Shuppan)

"E-business risk management" (Ex Media)

"Introduction to corporate examination of Dun" (Nikkei Inc.)

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1. Major differences between international and domestic transactions

What's common sense in Japan is often beyond imagination for the rest of the world, and the same applies to credit management. The main difference is the proliferation of promissory notes in trade settlements.

In Japan, settlements by promissory notes account for more than half of trade settlements but has been decreasing over the recent years.

That is because the bill transactions are kept at a distance for various reasons. A typical reason is the stamp tax to put on the bill. If you process accounts payable by transfer instead of bills, you only need the transfer fee.

Regardless, the biggest feature of the settlement by promissory note is the dishonoured note system. In Japan, if the notes are not settled on time, it instigates fair amount of fear and loss of credibility. If this occurs twice within six months, the bank transactions will be suspended, which technically means the bankruptcy in Japan. For example, it is not uncommon to trigger bankruptcy, even for a single dishonoured note causing credit insecurity.

However, in abroad, promissory notes are hardly used. In addition, most countries do not have a dishonouring system for notes and checks. Instead, the due date cash transactions called open accounts is the mainstream. In other words, it is a settlement condition by issuing an invoice for payment and having it paid by the due date.

This open account has in fact no penalty for overdue. Of course, the contract between the parties will contain provisions for delayed interest rates and damages for delayed payments.

However, with this rule applied, there should be few companies that charge customers for interest rates on delinquencies for several days. There is no big difference between paying on time and paying late. Thus days-beyond-terms is a common scenario in companies overseas.

In overseas, unlike Japanese companies, there are many companies that do not closely monitor due dates. Of course, not all the companies do. Accountants of foreign companies can delay the payments without being sued, and are often admired for these skills.



2. Difference in the concepts of collateral

In Japan, collateral is almost equivalent to real estate. In the collateral of a bank loan, this trend is particularly remarkable. Accordingly, in credit management, it is essential to check the real estate register.

Recently, while loans against property and debt collateral has started gaining momentum in Japan, it's been still quite confined to government led banks trying to support SMEs. Obviously, the more stocks and equipment can be used as collaterals against loans, fund-raising would become easier for SMEs.



On the other hand, in overseas, collateral is not necessarily real estate. Rather, they are mainly properties and debts. This is largely due to differences in culture and business practices.

In Japan, the myth that there is no depreciation to real estate still persists. In fact, in recent years except for some areas, the value of real estate has decreased but Japanese still think that the value of real estate is high.

However, such real estate myths do not necessarily exist overseas. In countries such as the United States with territory, the value of real estate does not always increase. In addition to that, there are overwhelmingly many rental groups because there is no hesitation to move the residence

Certainly, in some Asian countries, especially in places where the land is narrow as in Japan, there are also countries with a focus on real estate collateral. However, in other countries, real estate values and markets are often less defined than in Japan. Instead, debts are mainly accounts receivables and it is considered to be easy to manage and high in value because it will be cash if collected reliably. A system for managing accounts receivable has also been developed.

In addition, there is a second-hand market and a resale market for properties, so the value of properties can be easily calculated. Even in Japan, in the used car market it can be easily calculated manually. In overseas, this situation is true not only for cars but also for other properties.

Under these circumstances, collateral among corporate transactions in foreign countries is mainly properties and debts.

3. Prevalence of personal guarantee in the market

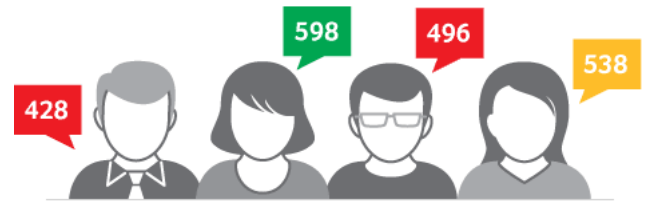
In Japan, when getting a loan from a bank, etc., it is common to ask for a joint guarantee of proprietor and in the case of SMEs and micro-enterprises, the proprietor is most often the joint guarantor of loans, leases and other debts. No president would be surprised or refuse to stand as a joint-guarantee when asked by a financial institution. Perhaps, Japanese have many opportunities to be a joint guarantor, not just limited to the proprietor. When renting a rental apartment, one or two guarantors are always required, this is actually a joint guarantee. In everyday life, there are widespread personal guarantees such as when you are admitted to a hospital or as a guarantor when you get a job. Even an ordinary person often becomes a guarantor once or twice in life.

However, in overseas, especially in Europe and America the situation is different.

Even if you are a new company with few assets, the proprietor may not always be asked for a joint guarantee when getting a loan from the bank. Furthermore, even in transactions between business firms, it is not uncommon for the proprietors of overseas companies to reject when asked for joint guarantees for the purpose of preserving open accounts.

This is their way of thinking. "Why do I have to underwrite a joint guarantee which is unlimited liability despite being incorporated because of limited liability? I am not a sole proprietor."

In addition to these psychological hurdles, many countries have stricter legal requirements than Japan. Therefore, it is better to think that general personal guarantee in Japan is not very popular in overseas as a means of debt protection.



4. Credit Application

In Japan, financial institutions make the customer fill in and submit Credit Application. In other words, it often doubles as a loan application form. On the other hand, in a business firm, a sales representative does the formality of filling in rather than the customer filling in directly and it is often an in-house approval document.

In the US and Europe, even business firm often have their customers fill in information. In addition, the credit application is strictly handled if there are omission of entry, not being reviewed, etc.

Speaking of the difference in business practices, I think that there is a difference in the perception of credit between Japan and the West. Credit Application comes from the expression Customer applies credit. Credits applied will be reviewed and will be approved or refused.

In other words, there is a strong sense that credit transactions conducted by business firms are a kind of indirect financing. By allowing for deferred payment, there is no need for the customers to raise working capital. It reduces borrowing from banks and reduces the burden of interest.

That is why even in a business firm, giving credit is considered to be the same as indirectly lending money. In this area of sense, it is a place where Japanese companies want to learn beyond business customs.

5. Trade Reference

Although it is not common in Japan, there is trade reference (credit reference) as a common business practice overseas. It is an intercompany transaction version of bank reference that confirms the contents of transactions, bank to bank.

Even in Japan, it is a common practice to indirectly interview the fellow trader about the transaction situation. However, in order to do so, it is essential to build a human network among the traders. It is necessary to become familiar on a regular basis through industry meetings and exchange meetings.

Exchanging internal payment information of business partners to third parties is a common practice in some countries which would raise eyebrows in Japan. The credit application mentioned above also has a section for credit inquiries. Generally, you should list three to five major suppliers and their contacts.



Based on that, the suppliers are contacted to obtain the customer's payment information. You can hear the transaction amount, as well as payment terms and conditions and whether there is a delinquency.

Whether suppliers disclose information is not enforced by law, but is optional. However, instead of offering information to the other party, they receive an offer of the information. So as to speak, it is the spirit of give and take.

In order to obtain valuable information from the suppliers, I would recommend that such a credit reference be made when Japanese companies trade overseas.

6. Bank Reference

Like Japan, overseas too have a business practice called Bank Reference (bank reference) in which the bank is referred to the contents of transaction with a correspondent bank.

The difference between Japan and overseas although is that there is no main bank system overseas. In the case of Japan, when making inquiries, it is often the case that the person in charge of the branch of the correspondent is introduced through the person in charge of the branch of the company's main bank. Even if you make a phone call to a bank that has no transactions at all and ask them to tell you the details of the transaction of the client, you will be simply rejected.

However, since there is no main bank system in overseas, there are few barriers due to differences between banks. Of course, just because it is a Japanese company, there is no discrimination. In this sense, Japanese companies should use bank reference more actively.

For that purpose, it is necessary to devise ways to obtain the name of the person in charge of the bank, the telephone number, the e-mail, etc. directly from the client by making good use of the above-mentioned Credit Application. As far the information to be inquired, it is better to ask the presence or absence of borrowing, the amount of borrowing, the presence or absence of payment delay, the term, the presence of collateral or guarantee, etc.



Obviously, the bank doesn't expose the exact amount rather gives an idea of the amount range and number of digits, which one could guess the approximate amount.

7. Collection Agency (1)

One of the major differences in debt collection between Japan and overseas is the Collection Agency.

In a company that specializes in the collection of delayed loans and other receivables, the client pays a contingent fee according to the collected amount when collected.

It is said that there are over 30,000 debt collection agencies worldwide. Among them, 10,000 companies exist in the United States, and the rest across the whole world. Collection agencies are found in BRICS, Asia, South America, Eastern Europe, Israel and South Africa while not in and around Middle-East and Africa.

As you know in Japan, there is a restriction by the Lawyer Act and it is prohibited to do such work except lawyers.



As an exception, there is a company called "Servicer", but this can only handle loans from financial institutions, lease claims and instalment sales monetary claims. Accounts receivables are not included. Whereas, this is also a law unique to Japan and few countries have such restrictions overseas.

In Japan, when you hear debt collection agency you could think of a heavy-built man forcefully threatening to collect money by all means, however although this may not be precisely so everywhere but is quite common overseas.

8. Collection Agency (2)

Collection Agency refers to a company that negotiates with a debtor in response to a request from a creditor to collect delayed loans. If you can successfully recover the debt, you can claim a commission of the recovered amount as a success fee.

The success fee is called Contingent Fee. Generally, the rate is around 15-40%. It is a fair amount of money that cannot be compared with premiums, etc., but it is not a good deal because it is a trouble process compared with insurance, which is a prior risk hedge. In addition to the contingent fee, basic fee or an annual fee may also be required. If you become a member of Collection Agency, you can rely on collection agency. However, there is no need for advance payment, start money, etc., and only the success reward on recovery.

The existence of the basic fee or annual fee varies depending on the company. In addition, the rate of contingent fee also varies. Among them, there are companies whose contingent fee is set 30% uniformly. Anyway, the point where it does not cost other than that also leads to the height of convenience.

If you search for "Collection Agency" on the Internet, many companies will be listed. You may want to find one that suits your company.

By the way, Japanese servicers are servicers in English, but they are not debt collection agencies but specialized companies that securitize debts. One can search for servicer over internet and only Japanese servicers would be listed. It is hard to understand why they named "servicers" instead of collection agencies.

9. Delayed debt and Recovery rate

Delayed debt and recovery rates are inversely proportional. The recovery rate varies by the amount and the age of debts. According to data from a US debt collection agency industry group, the average recovery rate dips below 80% when delayed by 90 days.

The recovery rate here is not for the number but for the amount. In other words, \$ 8,000 can be recovered if you have \$ 10,000 debt with overdue 90 days. However, when the delay period passes one year, this ratio falls to almost 20%. Even the same debt can only be recovered less than \$ 2,000.

You should see the need for early recovery. In fact, many companies in Europe and the United States manage accounts receivable on the basis of 90 days. Basically, late claims after 90 days will not be voluntarily collected in house and they are usually placed for collection to a collection agency. The rule of thumb is that they know that the recovery rate is higher, and that is how they are defined in their own credit policy.

When collecting delayed loans overseas, Japanese companies can also refer to the idea of 90 days.

10. Reasons behind difficulties in recovering delayed debts



As time goes on, why does it become difficult to collect delayed debts and retained debt?

It is because the debtor goes bankrupt.

A debtor who delays the payment for your company is not just delaying payment for your company. Payments are delayed to the other creditors as well. These debtors often go bankrupt after two or three years.

Debt collection from a bankrupt company is extremely difficult. This is even more difficult for non-secured general debt. Therefore, it becomes difficult to recover with course of time. Besides this, there is also a reason that the priority of debt falls. Debtors, whether consciously or unconsciously have a debt priority.

First, between domestic and overseas creditors, domestic creditors are given priority. In domestic, payments to banks, large suppliers, employees, etc., are given priority. Time also affects priorities. With current and past debts, current debts generally have higher priority.

In this sense, it can be said that debt recovery is easier if transactions continue. However, from the point of risk management, credit transactions with customers with delayed debts should be deferred.

This is, in a sense, contradictory but it is unavoidable. In any case, you may think that the priorities for foreign creditors and past counterparties are quite low.

11. Mistakes in international transactions where Japanese companies are prone to fail (1)

One of the mistakes made by Japanese companies in international transactions is that they do not "investigate customers".

Of course, it does not mean that we do not investigate all the customers. In particular, one should survey a non-listed unknown company with whom you haven't had transactions before. However, the situations differ with the entry of an "introducer".

Often we trust partner and end up giving credit owing to introduction by influential customers or local politicians or a heavy influencer.

In addition, surprisingly, there are many introductions of managers and directors. Under internal credit management rules, even for customers that are not eligible for credit, it is often the case that it is treated specially by the president's voice of authority such as "This company can be trusted because it is credible". As a result, the transaction is started without conducting sufficient investigations and examinations, resulting in problems such as delayed payment.



Having an introduction and doing research is a story of different dimensions. Customers should be investigated according to regulations, regardless of introductions.

In addition, there are companies that have investigated at the time of new credit and never conducted regular investigations. It is important to rank and rate according to the customer's creditworthiness and change the frequency of the periodic investigation accordingly.

However, no matter how powerful a company is, it does not mean that it is not necessary to investigate for 5 or 10 years. In particular, overseas companies have a side where information is difficult to obtain, so even major companies should conduct regular surveys every two to three years.

It is the same as the human body, unexpected illness may be discovered at a regular medical check-up. Such steady activities will lead to the early detection of business failures of customers.

12. Mistakes in international transactions where Japanese companies are prone to fail (2)

Other than "Not investigating customers", there are other mistakes that Japanese companies are likely to fall into. That is "Trusting trading partners too much". Of course, you cannot do business without trusting the other party. However, it is dangerous to trust blindly.

This is especially true for SMEs and other business managers who have closely related transactions, such as family exchanges. For example, in the West, it is not uncommon to invite trading partners home. Home parties are also popular.

On the other hand, in Japan, calling someone home is centred on people in the office, even in work-related situations, and is limited to customers who are really close outside the office. Others are usually entertained with wining and dining.

However, in the West, customers are invited to their homes regardless of closeness. Without knowing that, there are many Japanese managers who will remit their mind when they are invited to their house.

From such a sense of security, for customers who have to take decisive action such as delayed payment, they may take things lightly. This becomes a fatal wound.

It is important to take action early in the recovery of delayed debts. Getting a late start decreases the recovery rate accordingly.

At the time of emergency, to be able to take prompt action without being caught in personal feeling, it is necessary to think that being invited home is just a mere entertainment, business is business and keeping a distant relationship with your customer.

13. Mistakes in international transactions where Japanese companies are prone to fail (3)

The mistakes in international transactions that make Japanese companies prone to fail is "Starting transactions without signing a contract."

This is related to culture and business practices, it is believed that human nature is fundamentally good, since we basically trust the other party, we tend to do business even with oral promises. Of course, as long as the business is going well, there will be no problem with oral promise. The problem is when issues such as delayed payment surfaces.

The contract can be made by "Offer and Acceptance" and does not have to be in writing.

However, when a problem arises, in case of only oral promise or e-mail, at the time of problems such as delayed payment there is no rule like a penalty as compared with contract.



Obviously, you can prove the existence of a contract if you invoice the order by e-mail and there is a receipt of the product but there is no match for a contract in which the parties have discussed, agreed upon, and signed on how to deal with various issues arising from the transaction beforehand.

The other party may also delay payment in anticipation of this point. For the debtor, creditor priorities always exist and generally foreign creditors are often postponed. Furthermore, without a contract, priorities can go down, but not go up.

Some companies have claimed that "There is no problem even without a contract so far," but that is only a thing of the past and does not guarantee the security of future transactions.

When dealing with foreign companies, I would recommend to exchange basic contracts.

14. Credit Score

When you look at company information reports, the first thing you notice is credit score.

In the case of Creditsafe (CS) company information reports, the importance of visuals makes it possible to judge risks intuitively. Green is acceptable for credit, red is not. In addition, it appears that it is easy to judge the point which adopts the rating of 100-point perfect score system familiar to Japanese.



However, it should be noted that the criteria for evaluation are significantly different from Japanese scores.

The significant difference is that the rating of the CS is an objective assessment based on the probability of bankruptcy, while the rating of the Japanese credit reporting agency is a subjective assessment that is mainly evaluated by a personal reporter. The investigators come with the Japanese score which is said to be concentrated from 45 to 55. If a subject with a high rating goes bankrupt in a certain period, the reporter who scored the high rating will be penalized.

In addition, it is pointed out that there are also negative effects that the reporter is also working as a sales person. It is for an act of intentionally raising the evaluation of the subject in which it operates to have many tickets bought.

On the other hand, CS ratings are based on bankruptcy probability and there is no arbitrariness. It can be used safely as an objective index.

The CS rating is an indicator that predicts the probability of the company going bankrupt within the next 12 months. 100 is the highest credit rating while 1 is the lowest credit rating.

For example, UK ratings are as follows.

Rank	Rating	Definition
A	71~100	Very low risk
B	51~70	Low risk
C	30~50	Average risk
D	21~29	High risk
E	1~20	Very high risk

What needs attention here is that rank C is not a company that needs attention. According to the Japanese rating, the 40-point level is considered to be at high risk.



However, CS ratings indicate average risk and credit transactions are possible. This is based on the probability of bankruptcy and is statistically normal distribution. The CS rating draws a smooth distribution curve while the analysis of the Japanese score becomes trapezoidal.

Therefore, in Japanese rating you can rarely see companies with 90 points, furthermore, 100 points companies are also present. For 29 points or less credit transactions should be avoided as the risk is high and L / C trading or trading on a down payment is recommended.

15. Credit Limit and Enquiries Trend (Download history)

Credit Limit and Contract Limit are described next to the credit rating of CS. There are many business information reports that describe credit limits, but there should be no report that describes contract limits other than Creditsafe.

What is the difference between the credit limit and the contract limit?

The credit limit is the upper limit of the balance in general trade receivables and the credit remaining. It is calculated by CS original algorithm. A company that manages overseas customers with credit limits can use its own limit as a reference.

On the other hand, the contract limit is a numerical value given as a yardstick for the maximum contract capacity for a single contract over 12 months period. The contract limits are calculated as a percentage of turnover. Regarding credit limit, the history for one or two years is also displayed, so changes can be seen.

Another unique item is the Enquiries Trend (download history).

It is generally believed many suppliers place inquiries to credit reporting agency for a customer with high credit risk. The number of inquiries rapidly increase one month before a bankruptcy when the customer goes bankrupt. Enquiries trend is the download history that "visualized" the history of inquiries to the subject company by graph. The number of downloads of the concerned company's reports by 100,000 CS customers has been shown for the period of one year.

If there is a company whose number of inquiries has been increasing rapidly in a short period of time, it means that many companies are uncertain about the subject credit risk, so be cautious.



16. Payment (Payment Information)

The payment information included in the CS report includes DBT and Industry DBT. DBT stands for Days Beyond Terms and indicates the Delay in number of days.

Industry DBT represents the average days beyond terms in the industry and within the industry, we can compare how much the concerned company has delayed. Also, by looking at Payment Trend, it is possible to see if the days beyond terms are improving or deteriorating.

In addition, the following information is displayed in number and amount, so you can get an overview of payment to the vendor.

- **Average Invoice Value**

- **Invoices Available**

- **Outstanding**

- **Paid**

The breakdown of Outstanding and Paid is described in the graph and it can be intuitively judged visually whether the payment situation is good or bad.

Notation	Meaning	Colour
Within Terms	Within the deadline	Dark green
0-30 Days	30 days delay	Green
31-60 Days	60 days delay	Yellow
61-90 Days	90 days delay	Orange
91+ Days	More than 91 days delay	Red

If you want to know the details, you can see the specific number by looking at the table that appears at the end of the report.

The payment information is basically numbers and amounts, so it is not possible to know a specific supplier and delay status by invoice. The reason for not describing the details is to make it easy for a company providing payment information to provide CS with information. For reference, about 7,000 companies provide payment information in CS and about 250 million payment information is collected annually.

Payment information is an important item in overseas credit management, some companies may even emphasize more than financial statements.

The advantages of payment information over financial statements are the following two points.

(1) Latest Information (2) No manipulations

(1) Latest Information

It takes time for financial statements to be updated in credit reports. For example, if the fiscal year of a company ends at the end of December, it will be reflected in its credit report three months later at the earliest and it may take more than six months depending on the country.

However, since payment information is updated daily, it is possible to know the current financial position of the subject.

(2) No manipulations

Manipulation could be a major problem even in the financial statements of listed companies. The credibility of financial statements of unlisted companies that have not been audited is in doubt.

On the other hand, payment information is obtained from the suppliers, it cannot be falsified by the subject. We can know the true payment situation of a company.

17. Rating & Limit History (Rating and Credit limit history) and Group Structure (Group information)

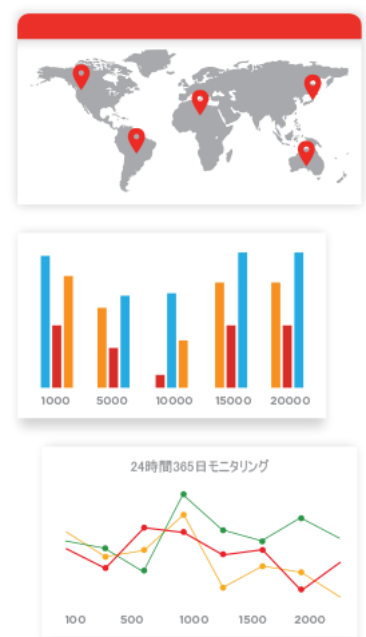
The CS report shows the past history of credit ratings and credit limits for one to two years. By looking at changes in ratings and limits, changes in the credit risk of the subject can be understood.

One should be careful when there is a sudden decline in rating and a decrease in credit limit because it means there is a deterioration of credit risk in a short period of time. Unlike general business information reports, CS's series information includes credit ratings, credit limits, sales, etc.

In addition, when the subject is a newly established company or a foreign company, the amount of information in the business information report is often less. In such cases, the credit risk of the parent company may be viewed to make credit decisions.

In general business information reports, you can only know the company name and address, but in CS reports, being able to know credit risk is highly convenient.

Also, in terms of cost, there is an advantage that it is possible to know the risk of the entire group at the cost of one company.



18. Analysis of Customers ~ 5 C's of Credit

The analysis of customer is often referred to as "human, thing, money" in Japan. In foreign countries, it is called as 5 C's of Credit.

- **Character (Characteristics of the company)**

It is the analysis of the competitiveness and market penetration of products and services, the managerial ability and background of representatives, bankruptcy history, etc., as well as the characteristic features of company such as business history, type of industry and number of employees.

- **Capacity (Capacity to pay)**

Analysis of short-term solvency. In overseas, since payment information can be obtained, the capacity to pay is judged by analysing payment information and collection agency history.

- **Capital (Capital strength)**

Examine the adequacy of capital. It is also an analysis of long-term solvency. Of course, it is a matter of top priority to check whether the company has fallen into excess debt or not.

- **Collateral (Collateral strength)**

Examine how many assets are there for collateral. Depending on the country, the credit report describes the status of collateral status. Check creditors, amount of debt, collateral property, etc.

- **Conditions (Economic condition)**

Analyse the macroeconomics and the economic situation surrounding customers. It is necessary to understand not only country risk but also business trends in the industry.

Collecting and analysing information from customers with an awareness of 5C's of Credit eliminates leakage and reduces the possibility of missing the whole picture.



19. Analysis of solvency (1)

Solvency analysis is also known as payment analysis. Examples are as follows. It is the most important analysis in credit management.

- **Current Ratio**

- **Quick Ratio**

- **Debt to Equity Ratio**

- **Fixed Assets to Net Worth**

●Current Ratio

The Current Ratio is a representative indicator for safety. This index shows the ratio of current assets to current liabilities. It analyses how much of assets can be cashed out within one year for the debt due within one year.

In Japan, it is expressed as Percentage but in overseas, it is often in Times. Either way, higher the number, the better and the general rule is 200% or more or 2 times or more.

It is said that if this ratio falls below 70-80% or 0.7-0.8, liquidity will be low and funding will become rigid.

<Calculation formula>

Current Assets / Current Liabilities = Current Ratio (Times)

●Quick Ratio

The quick ratio is an indicator that analyses the short-term solvency more strictly than the current ratio. In English, it is also called Acid Test, which is often used as a measure of liquidity.

The major difference between liquid assets and current assets is the presence of inventories. Even if the current ratio is good, companies with a low quick ratio may have a bad inventory, so should be cautious.

The higher the number, the better. The general rule is 100% or more, or 1 time or more. It is said that, if this ratio falls below 50% or 0.5, liquidity will be low and funding will become rigid.

<Calculation formula>

Liquid Assets / Current Liabilities = Quick Ratio (Times)

20. Analysis of solvency (2)

●Debt to Equity Ratio

Debt to Equity Ratio is an indicator to see long-term solvency. Also called D/E Ratio. It shows how much capital you do not need to repay, called equity, for debt that needs repayment, called borrowed capital.

The lower the better, the general rule is 150 to 250% or less. The D/E ratio, which is often used in Japan, is often not the debt but the ratio of interest-bearing debt and equity capital. Note that even with the ratio name being same, the formulae may differ.



<Calculation formula>

Total Liabilities / Net Worth = Debt to Equity Ratio (%)

- **Fixed Assets to Net Worth**

Fixed ratio is also an indicator to look at long-term solvency. Investment in fixed assets, which is a long-term investment, in accounting terms, it is safe to cover in the range of equity capital. Fixed ratio sees if it is within the scope of equity. The fixed ratio of 100% indicates that the total amount of fixed assets and the total amount of equity capital are the same.

The lower the number, the better. The general rule is 100% or less. Depending on the type of industry, it can be said that an investment that is many times more than the equity capital is an over-investment.

<Calculation formula>

Fixed Assets / Net Worth = Fixed Assets to Net Worth Ratio (%)

21. Analysis of efficiency

The important Efficiency Ratios often used abroad have the following indicators.

- **Assets to Sales (Total asset turnover rate)**
- **Days Sales Outstanding, DSO (Accounts Receivables turnover days)**
- **Sales to Inventory (Inventory turnover rate)**

- **Assets to Sales (Total asset turnover rate)**

It is the most common indicator that determines the efficiency of a company. It is a ratio often used in Japan but the formula is different in the West.

Unlike Japan, it is calculated as a percentage of sales.

The lower the ratio, the higher the efficiency of the asset, and the higher the ratio, the less effective use of the asset.

<Calculation formula>

Total Assets / Sales = Assets to Sales (%)

- **Days Sales Outstanding, DSO (Accounts Receivables turnover days)**

It is also known as Collection Period. An indicator to determine the collection efficiency of accounts receivable. The smaller the number of days, the higher the management efficiency, which means early collection.

It is common to use balance sheet figures for trade receivables for numerators, in some cases, averages for the period or two periods may be used.

<Calculation formula>

Accounts Receivable / Credit Sales × 365 = DSO (Days)



● Sales to Inventory (Inventory turnover rate)

An indicator that measures the efficiency of inventories. One of the commonly used efficiency indicators in Japan, the higher the ratio, the better the management efficiency of inventories.

However, if it is extremely high compared to other companies in the same industry, there is a possibility that the sales opportunity may be lost, and if it is extremely low, there is a suspicion of defective stock.

<Calculation formula>

Sales / Inventory = Sales to Inventory (Times)

22. Analysis of profitability

The main Profitability Ratio commonly used overseas has the following indicators.

- Return on Sales
- Return on Assets, ROA
- Return on Equity, ROE

● Return on Sales

The most common indicator to determine the profitability of Western companies. Return here means the dividend source for investors and it is Net Profit after Taxes. More than 5% becomes a standard.

<Calculation formula>

Net Profit / Sales = Return on Sales (%)

● Return on Assets, ROA

It is an indicator that shows how effectively a company's assets are being used to make profit. The higher the ratio, the better the soundness and profitability of the company. In the West, 10% or more is considered as a standard for high profit.

<Calculation formula>

Net Profit / Assets = Return on Assets (%)

●Return on Equity, ROE

It is an indicator that shows how effectively shareholders' and investors' capital is being used to make a profit. In particular, it is an indicator that is emphasized in the stock market.

The higher the ratio, the better the soundness and profitability of the company. In the West, 20% or more is considered as a standard of an excellent company.

<Calculation formula>

Net Profit / Net Worth = Return on Equity (%)

23. Debtor's Psychology

When I talk about the debtor's psychology, I often refer to the well-known psychologist's "five stages of Maslow's needs".

It is a theory that human desires have stages, if lower-level needs are not fulfilled, higher-level needs do not appear. The five stages of needs are as follows.

Stage 1 Physiological Needs

Stage 2 Safety needs

Stage 3 Love and Belonging

Stage 4 Self-Esteem

Stage 5 Self-Actualization



"Physiological needs refers to the basic desires such as food and sleep that are indispensable for human beings to live.

"Safety Needs" is the desire to live safely, want money and goods.

"Love and Belonging", also referred to as "Desire for belongingness", refers to social life where there is a desire for belonging to a certain group.

The "Self-esteem" is the desire to be evaluated by the group to which you belong, also referred to as the "Desire for approval".

"Self-actualization" is the highest-level of desire to fully develop one's own abilities and to grow oneself humanly.

The five stages of this desire apply to companies and debtors. As the management of the company gets rigid, the level of desire of the manager goes down steadily and, in the end, it is better to somehow survive.

It is extremely difficult to recover from debtors who are reluctant to meet lower-level needs. It is important to always be aware of what level is the desire of partners you are currently negotiating are at and respond.

24. Type of debtor

I have classified debtors into six types from my experience. The lower you go, the higher the risk and the more difficult the debt recovery.

(1) Negligence type

(2) Deferred type

(3) Negotiation type

(4) Responsibility transfer type

(5) Forced type

(6) Sudden aggressive type

(1) Negligence type

As the name implies, it refers to a company that delays payment due to mere neglect

It is a company that is not properly managed internally and is often found in Asian companies. This type of debtor can often be recovered without problems by proper credit management.

(2) Deferred type

A debtor who tries to delay payment by one day, with this and that reason. The big difference with "Negligence type" is that the delay is intentional.

There are many companies in abroad work in accounting department that delay payments even one day without angering creditors. This type requires dealing with delays in a resolute manner.

(3) Negotiation type

It is a type that tries to pay after drawing out terms that are favourable to the company by negotiating while keeping payment delayed. Favourable conditions include discounting, payment extension, and payment in instalments.

There are many problems with creditors, such as the inability to conclude a contract and incompleteness, and this can often be prevented by making arrangements such as penalty for late payment at the contract stage.

(4) Responsibility transfer type

A type that transfers unpaid responsibility to the creditor. In particular, the unpaid reason is replaced with a claim for product quality.

If it is a normal claim, it should occur when the product is received but it is not possible for the claim to occur at the time of payment itself.

This type of solvency will fight thoroughly in an attitude not to give up the lawsuit. If they have no solvency, claims are just excuses and debt exemption is often the real reason.

(5) Forced type

Debtors who do not pay when not forced. Force refers to being sued, defeated or likely to be enforced. Seeing the other party's attitude, if serious, try to respond to the negotiations.

This will also determine if there is solvency and if there is an asset, proceed with legal proceedings so that a final verdict can be obtained early. If there is no asset, make it possible to collect some of the debt by responding to instalment payments and debt exemption.

(6) Sudden aggressive type

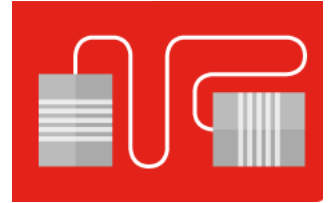
It is a debtor who has no solvency and no willingness to pay, and cannot handle it. These types have no choice but to give up. If you go to lawsuits, you might win, but there is no point when there is no property to put in force. It would be better to spend time collecting tax-free information and materials.

Remember, there are no forced type or sudden aggressive type debtors from the beginning. As the delay period lengthens, the management condition and financial condition deteriorate and change into such a type of debtor.

The classification of debtors also reveals the importance of early recovery.

25. Dangerous signs

Regardless of domestic or foreign transactions, while the relationship between the two companies is successful, the frequency of contact is high and the response of the other party is quick. Even in overseas, in the case of e-mail, there are replies on the same day in areas with small time differences such as China and Asia but in other areas the reply will often come on the next day.



However, when payment is delayed, situations are different. There will be no response even after 2 or 3 days, after being reminded several times, after a week or so you will receive a short email with 1 or 2 lines.

This is evidence that the importance of your company among suppliers is decreasing. Since it has become less important, the reply is being delayed. Payment is the same, it will be postponed later.

Perhaps, there may be a mental state that it is somewhat difficult to reply, as there is an anticipation to delay payment from now on.

In addition, it is also important to note that you will not be able to get answer for questions or small requests from here. It's likely that the customer is bothered and annoyed to work with your company, which means there will be a fall in priority.

Such events may not necessarily be signs of delay. However, taking appropriate measures at an early stage without losing sight of these minor signs will prevent the occurrence of delayed debts. It is important not to be bothered but to pursue a few questions.

"Request to change payment terms" is also a dangerous sign. There are numerous creditors who are unable to collect debt due to the easy response to change requests.

In particular, it is important to keep in mind that customers will also have plausible reasons, such as "L/C establishment costs are high" and "L/C is complicated in documents". Certainly, letter of credit also has a high establishing cost and the documents are complicated. Since the bank guarantees the payment, every word and every mistake cannot be tolerated. Alternatively, in business transactions, it is quite natural to ease the terms of payment depending on the transaction results.

However, the reality is that business conditions have deteriorated and banks may not be able to establish letters of credit. Credit status is one, it is required to provide collateral for establishing a letter of credit but it may not be possible to provide collateral. You do not say that you did not receive a change request but it is not a good idea to respond easily. If there is a change request, make sure to conduct a credit check of the customer again.

Also, "discovery of collection agency history" is a dangerous sign. Depending on the number and amount of the debt, it would be reasonable to see that the debtor's ability to pay has declined considerably.

Of course, there are some companies which are outsourced to semi-automatically for accounts overdue over three months, which are stipulated by the credit policy. Even so, using a collection agency will result in expenses such as contingent fees. Naturally, gross profit blows away. If you want to recover some of the cost, it can be guessed that it will be more difficult for debt recovery.

In this sense, it is a sign that cannot be overlooked in overseas debt collection.

26. Five principles of debt collection

There is a common law for successful debt collection, both domestically and internationally. That is the five principles. Whether you are asking by phone or by fax or email, by adhering to these five principles, the possibility of debt collection will increase.

(1) Objective setting

(2) Setting of deadlines

(3) Thorough demand

(4) Make it a practice

(5) Confirmation of the results

Among these, the most important is the setting of the deadlines. In negotiation with the debtor, be sure to mark off the deadline. The same can be said for payment agreement as well as minor confirmations and small promises. By marking off the deadline, the other party, in boxing term, feels like being pushed in the corner.

In other words, no matter what excuse is said, the next deadline always exists, and when that deadline is reached, a flow of contact from the creditor is made.

For example, let's assume that there is such a conversation with the debtor.

Claimant : When will you be able to pay our invoice?

Debtor : I cannot promise a payment date now.

C: Then who can promise your payment date?

D: Of course, I can, but first I need to check with my financial manager.

C: O.K. When will you check with your financial manager?

D: Not later than next Monday.

And so on, also set a deadline for the confirmation action of the other party. By doing this, it will be an excuse to make a phone call next Monday, and if this promise is not kept, the debtor will be further psychologically disadvantaged in negotiations.

Have a habit to keep these small promises. By planting the image of a so-called annoying creditor on the debtor, it encourages them to pay prior to other companies.

27. Collection by telephone

The important thing in the telephone demand is silence. This is called Strategic Pause in the West. It is common to negotiate things but the point is to let the other party talk a lot.

In terms of collection, the more the other party talks, the easier it is to find out the contradictions of excuses. Do not start talking just because the other party is silent. Human nature is that they cannot stand the awkwardness of silence. They frantically start talking to fill the silence.

When the debtor starts talking, listen carefully to the debtor's talk and just attach a commitment. The most important thing in the commitment is to set a deadline. This is as stated earlier.

Another important thing is to let the debtor promise you. Humans tend to keep their own commitment. Therefore, it is also important to have the debtor promise you a specific date and time or the amount of money. For those who cannot speak for themselves, offer a concrete promise is to make an unreasonable date and money request from here on.

When a debtor tells you, "We cannot pay in full. We cannot pay today", then switch immediately to "Then how much can you pay? Then when can you pay?" The debtor has no choice but to reply.

28. Collection by E-mail

The important thing in E-mail demand is to use different contents according to the delay period. Of course, when the delay period is about several days and three months, not only the contents to be described but also the word style should change.



However, there are a lot of companies demanding in the same tone with the same phrase for the delay of several days and the delay of three months. By the way, when the language is English, there are many cases where it is not conscious of subtle nuances. For that purpose, it is desirable to prepare in advance several English dunning messages according to the delay period.

Obviously, not all emails will be sent with the same content email to all clients but the presence of a template can also reduce the time for email creation. By sharing dunning tools as an organization, it is possible to build a consistent debt collection system across the company. Also, it is important to mark off the deadlines in the English dunning email. The deadlines apply not only to documents but also by phone and visits. It is this phrase that is unexpectedly used incorrectly.

As soon as possible

Immediately

At first glance, "as soon as possible" "immediately" may seem like a phrase suitable for demand, but this is no use. Because, depending on the person, there is a difference in the sense of speed. Some think today is as early as possible, others think tomorrow.

The following phrases are desirable to eliminate such differences in speed.

by May 27, 2011

These fine points play an important role in the demand email.

29. Trade insurance

Trade insurance is insurance for the trade transaction offered by Nippon Export and Investment Insurance (NEXI). Substantially, it is an insurance business conducted by the government to promote the trade of Japanese companies that are trading nations.

▽ Nippon Export and Investment Insurance (NEXI) website

<http://nexi.go.jp/>

Trade insurance covers not only export but also foreign investment and loans.

Trade insurance compensates for losses arising from the following risks:

- **Emergency Risk (Country Risk, Political Risk)**

Risk of force majeure that is not the contract party's responsibility, such as war, terrorism, civil unrest, natural disasters, exchange restrictions, etc.

- **Credit risk (Commercial Risk, Credit Risk)**

Risks to contract counterparts such as bankruptcy of other party, substantial insolvency, late payment for 3 months or more

Trade insurance compensates for the loss caused by these risks due to the inability to ship cargo, freight and services fee, the inability to recover loans, and the loss of foreign investment due to the inability to continue the joint venture.

Insurance products such as export draft insurance and trade general insurance are diverse. Recently, "SME export insurance" for small and medium-sized enterprises, whose exporters are not obligated to recover, has also appeared. The problem with trade insurance is that the procedure is complicated and it tends to take longer to receive insurance after an accident.



30. Export Transaction Credit Insurance

Export Transactions Credit insurance and the last-mentioned trade insurance are basically the same insurance. However, in Japan, the government (Ministry of Foreign affairs, Ministry of Economy, Trade and Industry) has long conducted trade insurance as a monopoly. Therefore, the private sector was able to enter just a decade ago. It has a different meaning from the government-provided trade insurance and it is called export transaction credit insurance.



The major difference from trade insurance is that comprehensive insurance is the main factor. Depending on the insurance company, it is necessary to apply insurance from around 10 companies. Of course, it is not possible to pick up only 10 dangerous companies. Otherwise, insurance cannot be established.

10 companies in a segment that is not optional are OK. For example, there are only 10 client company located in Shanghai in the Chemicals Division. In a sense, it can be said that cutting off this segment is know-how to make good use of insurance.

However, in recent years, in order to meet the needs of customers, a growing number of private insurers are also taking on insurance individually. In general, the premium is often calculated as a few percent of the sales to these 10 companies.

The biggest advantage compared to trade insurance is the simplicity of the procedures involved in receiving contracts and insurance. Of course, the insurance company also bears the obligation to recover. Also, the time it takes to receive insurance is short.

After understanding the characteristics of these two types of insurance, it is good to use the insurance that matches your own overseas transactions as a means of externalizing risk.

31. International factoring

Along with trade insurance and export transaction credit insurance, international factoring is able to externalize the risks associated with credit transactions of foreign transactions. International factoring is a bank or factoring company guaranteeing exporters of open account transactions.

The factoring business is a service provided by a major Japanese bank and its subsidiary factoring company. If you ask a bank with a transaction, you should be able to get introduced to a representative of the factoring company immediately.

Take on the risk of collecting money through networks of banks, overseas banks, factoring companies, etc. The merit of factoring is that, unlike export transaction credit insurance, it can be said that the risk for each client can be externalized.

On the other hand, the disadvantage is that in the case of a basic type, it means transferring the receivables to a factoring company, and the client's consent is required. Even in the guarantee type, there is no transfer of debt, but consent is required.

In addition, factoring companies in overseas than Japan often make a final decision on whether to accept factoring or not, and even if multiple factoring companies are asked, the same conclusion may be reached.

32. Risk management by contract

In order to consider risk management by contract, it is necessary to first know the "The United Nations Convention on Contracts for the International Sales of Goods (The Vienna Trading Treaty)".

The official name is "United Nations Convention on Contracts for the International Sale of Goods (CISG)".

"United Nations Convention on Contracts for the International Sale of Goods (Vienna Trading Treaty)"

http://www.mofa.go.jp/mofaj/gaiko/treaty/treaty169_5gai.html

The Convention was drafted by the United Nations Commission on International Trade Law (UNCITRAL) to promote international trade, adopted at the Vienna Foreign Relations Conference in April 1980, and entered into force on January 1, 1988. As of January 2008, 70 countries have signed the convention and Japan has entered into force on August 1, 2009.

In international transactions with companies in these countries, the Vienna Trading Treaty (CISG) is considered to be basically applied unless there is a mandatory provision of domestic law or an agreement between the parties.

There are four points to keep in mind.

(1) Applied automatically

If both parties are located in a Contracting State, the Vienna Trading Treaty is automatically applied.

By agreement between the parties, some or all of the CISG may not apply to the transaction.

(2) Limited to corporate transactions, buying and selling goods

Not applicable to personal transactions or service offerings

(3) The requirement for termination is limited to serious breach of contract

The Japanese Civil Code can terminate a contract if there is a breach of the contract and cannot be corrected for a fixed period, but the CISG is limited to a serious breach (Fundamental breach).

(4) Claim filing period is 2 years

In Japan it is up to six months but CISG is in favour of the buyer two years after delivery. The buyer's duty to notify of non-conformance of contract goods is "within a reasonable period from the time it was discovered or should have been discovered" and is considered to be similar to "immediately after receipt" of Japan.

As a result of the CISG, the CISG will be applied to transactions that do not enter into contracts, and also to international transactions of SMEs, enabling risk management such as claim processing and debt collection based on international standards.

33. Arbitration

Arbitration is a type of ADR: Alternative Dispute Resolution. The contracting parties agree in advance to make the dispute resolution by means of an arbitration and include the arbitration clause in the contract.

If a dispute arises, apply for an arbitration to the arbitration institution. The Awards issued by Arbitrators have an international force.

For example, it will be possible for Japanese companies to enforce on Chinese companies' assets in China based on arbitration decisions issued by the Japan Commercial Arbitration Association.

It cannot be said that this is a final decision of a trial. It is not possible to force a Chinese company's assets in China based on a final decision issued by a Japanese court. Also, from the beginning, it is necessary to bring a trial in China to win. The reverse is also true.



The benefits of arbitration are several.

(1) Choosing an arbitrator

In a trial, basically, you cannot choose a judge. On the other hand, in arbitration, the parties can select an arbitrator.

The number of arbitrators is usually three. If it is an even number, it will not be possible to make a majority decision when the arbitration decision is divided. It is unreliable if alone and it is not always the case that the company can choose the arbitrator. If there are three people, one person for Japanese company, one person for Chinese company and the last one can be appointed in the discussion.

Of course, it can be 5 or 7 people, but it costs more. The rewards to the arbitrators will increase with the number of people.

(2) You can save time and money because of one trial system

In Japan and the United States, trials are three-trial system, in China it is two-trail system. On the other hand, the arbitration only deliberates once.

There are no initial appeals or appeals and a short deliberation period saves time and money. On the other hand, there is also the risk that there is only one chance of getting an arbitration decision in favour of the company.

(3) Can keep company secret because it is private

Unlike the trial which is open to the public, the arbitration is basically private. Due this, it is said that it is suitable for dispute resolution for business secrets and intellectual property rights that the rival company should not know.

Arbitration is such an advantage but the problem is the selection of the arbitration institution and the place of arbitration.

Japanese companies will insist that they want the Japan Commercial Arbitration Association to act as an arbitration institution in Tokyo, etc. On the other hand, foreign companies often insist on doing so at their home country arbitration institution.

A compromise against this is to adopt a defendant principle. In other words, if a Japanese company sues a US company, the American Arbitration Association will be the arbitration institution. On the contrary, if a US company sues a Japanese company, it will use the Japan Commercial Arbitration Association.

In this way, both parties have their advantages and disadvantages.

34. Points to Note on Overseas Lawsuits

There are two points to be aware of when filing a lawsuit abroad.

(1) Investigate the existence of assets

(2) Estimate the time and cost of the entire lawsuit

Companies that have never experienced debt recovery in a lawsuit tend to vaguely think that “winning a lawsuit = recovery”. First, the other party may make an appeal. Even if the other party makes a final decision without appealing, there are many cases where it cannot be recovered.

By losing the case, unless the other party gives up and offers a settlement or makes a voluntary payment, there is no alternative but to realize recovery by enforcement.

At the same time, it is the existence of the other party's assets that they notice while trying to commence enforcement. The assets to be enforced must be designated by the creditor. At that time, it's too late to start an asset survey. Malicious debtors may transfer or conceal the assets at the time they are being sued. It is not too late to decide the pros and cons of the lawsuit after confirming the whereabouts of the assets.

It is also important to estimate the cost and time involved in lawsuit. Depending on the amount of debt, there is not much possibility that the cost will end up falling.

Under these circumstances, it is important to remember, translation of documents and interpretation costs in court. It is surprisingly not known, that the cost of translation and interpretation accounts for a considerable proportion of foreign lawsuits. Given these costs and effort, it is not uncommon to settle for the conclusion that it is better not to sue.

35. Points to Note on Appointment of Foreign Lawyers

Naturally, it is the lawyer who is the key to filing a lawsuit abroad. Generally speaking, unlike in Japan where all the lawyers are of high quality, there are lawyers abroad who are not very capable.

Basically, the debt collection lawsuit is said to have a high probability of success. If you can prove that there is a claim and that it is unpaid, there is relatively little room for refusal. However, if there is a competent lawyer on the debtor side, you may lose the case. Communication is important in this respect.



English language skill is important for communication but more importantly, it is important not to leave unknown things or questions as they are. I think the point is largely due to differences in

culture and thinking, there are lawyers overseas who are willing to answer only if they ask questions about the client's disadvantage and the possibility of losing charges.

It is also common to sign the Power of Attorney for delegation but it is also important to specify the scope of the delegation. The risk is too high for a blank power of attorney.

In these respects, it would be better to have your partner's overseas lawyers be introduced through your own legal counsel or to use a large international legal corporation.

36. If overseas customer goes bankrupt

If a foreign customer goes bankrupt, the first step is to identify the type of bankruptcy. Whether it is legal arrangement or private arrangement, the way to hit is different.

In general, the proportion of legal arrangements is higher in developed countries. While the United States and Japan exceed 80%, most countries such as China and Asia have less than 50% and some countries have less than 10%.

In the case of legal arrangement, unless you are a major creditor, what you can do as a general creditor is limited. It is all about filing a claim form for claims coming from the trustee. Actually, whether or not there will actually be a dividend is not known but if claims are not filed, there will be no dividend. In most cases, there is no need for authentication or certification at the embassy for credit claim.

In many cases, the amount of claim is printed in the claim form from the beginning, so if the amount is correct, it is only necessary for the appropriate person to sign. If the amount is different, the correct amount may be entered and attach a contract or other document that can prove the amount of the claim and return it. Remember to charge for late interest too. As the total amount of the sum of the amount of the principal plus the interest increases, the amount of recovery often increases.

Since overseas trustees are cluttered with paperwork, they may not receive a claim form even though they are creditors. In that case, investigate the trustee in the company information report of CS and get in touch from here. If you do not know the trustee, you should tell the debtor directly or contact the court that has filed for legal arrangement.

Unlike legal arrangements involving courts, in the case of private arrangements, debt recovery action should be quick. First of all, it is important to confirm the fact of bankruptcy. Bankruptcy is just a name, there are cases in which business is being barely continued. Although it is basic to negotiate with the debtor and collect it but in the case of an emergency, it is necessary to immediately carry out the withdrawal of the company product.

What I have to worry about here is not a denial of transactions or fraudulent act but a crime of theft. Although denial of fraud and transactions is a civil case, theft is a criminal case and in the worst case, officials may be detained.

Also, in the case of a bankrupt debtor and in the case of a private arrangement, it is extremely rare to pursue fraudulent acts and the right of denial. Although there are differences depending on the laws of each country, basically, it is premised to obtain the other party's consent. You should be more careful about

this than withdrawing your own products domestically. Especially in China, be careful. Consulting with local lawyer before carrying out the withdrawal of your products is highly recommended.



If you cannot recover by negotiating or withdrawing your product, it is wise to give up. Of course, it is possible to file a lawsuit to acquire the debt name and force the debtor's property but, in most cases, there is no target asset.

Even companies with no significant assets will generate receivables if they continue operations, so it is customary to foreclose them but often they are already ahead of banks and local suppliers. Alternatively, bank account foreclosures are also common, but this is also likely to be ahead.

Having filed a lawsuit after knowing the bankruptcy, it cannot win local creditors. In that sense, it is important to prepare for a contingency by preparing a fair certificate with a statement of compulsory enforcement approval and a notice of transfer of claims from ordinary times.

<Overseas Credit Management in a nutshell>

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