

Interest Rate Restriction Act

(Act No. 100 of May 15, 1954)

Chapter I Restrictions on Interest, etc. (Articles 1 to 4)

Chapter II Special Provisions on Commercial Loans (Articles 5 to 9)

Supplementary Provisions

Chapter I Restrictions on Interest, etc.

(Restrictions on Interest)

Article 1 If the interest under a contract for interest on a loan of money exceeds the amounts calculated based on the interest rates specified in the following items in relation to each of the instances referenced in the following items, the contract is to be void in relation to the portion of interest which exceeds those respective amounts:

- (i) where the amount of the principal is less than 100,000 yen: 20 percent per annum;
- (ii) where the amount of the principal is 100,000 yen or more but less than 1,000,000 yen: 18 percent per annum; or
- (iii) where the amount of the principal is 1,000,000 yen or more: 15 percent per annum.

(Advance Deduction of Interest)

Article 2 Where interest is deducted in advance, if the amount deducted in advance exceeds the amount calculated based on the interest rate prescribed in the preceding Article, with the amount received by the debtor being the principal, the portion of interest in excess of that amount is deemed to have been appropriated to payment of the principal.

(Deemed Interest)

Article 3 For purposes of the application of the provisions of the preceding two Articles, any monies other than the principal, whether they are called a reward, discount charge, commission charge, inspection fee, or any other name, which the creditor receives with regard to the loan of money, are deemed to be interest; provided, however, that this does not apply to expenses for concluding the contract and for the performance of obligations.

(Restrictions on Agreements for Liquidated Damages)

Article 4 (1) If the ratio of liquidated damages to the principal under an

agreement for liquidated damages due to a failure to perform an obligation under a loan of money, exceeds 1.46 times the rate prescribed in Article 1, the agreement is to be void in relation to the excess portion.

- (2) For purposes of the application of the provisions of the preceding paragraph, any penalty for breach of contract is deemed to be an agreement for liquidated damages.

Chapter II Special Provisions on Commercial Loans

(Special Provisions on the Amount of Principal)

Article 5 For purposes of the application of the provisions of Article 1 to the interest listed in the following items, the amounts specified respectively in those items are deemed to be the amounts of principal prescribed in said Article:

- (i) where a debtor who already bears an obligation under a commercial loan (meaning a loan whose subject is money and which is provided by a creditor on a regular basis; the same applies hereinafter) additionally receives a loan by way of a commercial loan from the same creditor, such interest as accrues on that additional loan: the sum of the amount of the outstanding principal of the obligation already borne and the amount of the principal of the loan that was additionally received; or
- (ii) where an debtor receives two or more loans by way of commercial loans simultaneously from the same creditor, such interest as accrues on each of the loans: the sum of the amounts of the principal of the two or more loans received.

(Special Provisions on Deemed Interest)

Article 6 (1) The provisions of the main clause of Article 3 do not apply to, among any money other than the principal which the creditor receives with regard to a commercial loan, fees for the reissuance of a card delivered to the debtor to be used for receiving money or performing the obligation, or any other expenses specified by Cabinet Order as those for the administration carried out by the creditor upon the request of the debtor.

- (2) In regard to a commercial loan, the provisions of the proviso to Article 3 are to apply only with regard to the following expenses for entering into the contract and for performing the obligation:
- (i) expenses to be allocated for paying taxes and other public charges;
 - (ii) expenses for compulsory execution, expenses for auction procedures for the exercise of a security right, or any other expenses to be paid to a public organization for a procedure carried out by the organization; and
 - (iii) usage fees (limited to those up to the amounts specified by Cabinet Order)

for automated teller machines or any other machines which the debtor uses for receiving money or performing the obligation.

(Special Provisions on Agreements for Liquidated Damages)

Article 7 (1) Notwithstanding the provisions of Article 4, paragraph (1), if the ratio of liquidated damages to the principal under an agreement for liquidated damages due to a failure to perform an obligation under a commercial loan, exceeds 20 percent per annum, the agreement is to be void in relation to the excess portion.

(2) The provisions of Article 4, paragraph (2) apply mutatis mutandis to an agreement for liquidated damages as set forth in the preceding paragraph.

(Restriction on Guarantee Charges)

Article 8 (1) Where, under a contract for guarantee charges (limited to those to be paid by the principal debtor; the same applies hereinafter) entered into a guarantee (limited to one that is provided on a regular basis ; the same applies hereinafter) where the primary obligation is an obligation under a commercial loan, if the guarantee charges (limited to those to be paid by the principal debtor; the same applies hereinafter) exceed the amount calculated by subtracting the amount of interest to be paid on the primary obligation from the maximum statutory amount (meaning the amount calculated based on the rules set forth in the provisions of Articles 1 and 5; the same applies hereinafter) in relation to the principal of said primary obligation, the contract is to be void in relation to the excess portion of the charges.

(2) Notwithstanding the provisions of the preceding paragraph, with regard to a contract for guarantee charges where the interest to be paid on the primary obligation set forth in that paragraph is specified as an interest rate that may fluctuate after entering into a contract on interest (hereinafter referred to as a "floating interest rate"), if the guarantee charges exceed the amounts specified in the following items in relation to the instances referenced in those items, the contract is to be void in relation to the portion in excess of the relevant amount:

(i) where the maximum rate of interest for the interest which the creditor is entitled to receive from the principal debtor was decided by agreement between the creditor and the guarantor at the time the contract of guarantee was entered into (hereinafter be referred to as the "agreed-upon maximum interest rate"), and the creditor or the guarantor gave notice of the decision to the principal debtor: the amount calculated by subtracting, from the maximum statutory amount, the amount of interest calculated based on the agreed-upon maximum interest rate (hereinafter referred to as the "agreed-upon maximum amount of interest"); and

- (ii) any case other than that set forth in the preceding item: half the maximum statutory amount.
- (3) Where the guarantee set forth in paragraph (1) is a revolving guarantee (meaning a guarantee where the primary obligation is unspecified obligations that fall within a predetermined scope; the same applies hereinafter), the maximum statutory amount set forth in the preceding two paragraphs is to be the maximum statutory amount pertaining to the principal of the primary obligation(s) that actually existed at the time the contract of guarantee was entered into, except where the guarantee charges are specified as a percentage of the principal of the primary obligation.
- (4) Notwithstanding the provisions of the preceding three paragraphs, where the guarantee set forth in paragraph (1) is a revolving guarantee wherein the maximum amount of the principal (meaning the maximum amount of the principal in the primary obligation for whose performance the guarantor is liable; the same applies hereinafter) and the principal determination date (meaning the date (limited to a fixed date) on which the principal of the primary obligation is to be determined under the contract for the revolving guarantee; the same applies hereinafter) have been specified, and when the principal debtor is an individual (limited to where the guarantor is any of the persons specified by Cabinet Order as those to be supervised by administrative organs with regard to their guarantee services) or a juridical person, the guarantor may be entitled to receive guarantee charges up to the amounts specified in the following items for the cases listed respectively in those items, except where the creditor is a person who is prohibited by provisions of laws or regulations from providing loans on a regular basis:
- (i) the instance set forth in paragraph (2), item (i): the amount calculated by subtracting the agreed-upon maximum amount of interest, calculated by deeming the maximum amount of principal to be the amount of principal of the primary obligation and the principal determination date to be the due date, from the maximum statutory amount calculated by deeming the maximum amount of principal to be the amount of principal of the primary obligation and the principal determination date to be the due date; and
 - (ii) any instance other than that set forth in the preceding item: half the maximum statutory amount as set forth in that item.
- (5) The provisions of the preceding paragraph do not apply to instances where the guarantor, at the time the contract of guarantee was entered into, manifested to the creditor their intention not to be subject to the provisions of said paragraph, and where the guarantor has also given notice to the principal debtor to that effect.
- (6) With regard to a contract for guarantee charges under a guarantee set forth in paragraph (1) that is being provided on a primary obligation that is covered

by another guarantee as set forth in that paragraph, if the guarantee charges exceed the amount calculated by subtracting the amount of the guarantee charges for that other guarantee from the maximum amount of guarantee charges which the guarantor is entitled to receive pursuant to the provisions of that paragraph through paragraph (4), the contract is to be void in relation to the portion of charges in excess.

- (7) For purposes of the application of the provisions of paragraphs (1) through (4) and the preceding paragraph, any monies other than guarantee charges, whether they are called a reward, commission charge, inspection fee, or any other name, which the guarantor receives from the principal debtor with regard to the contract of guarantee, are deemed to be a guarantee charge, excluding the following:
- (i) expenses for entering into the contract or for the performance of obligations which fall under any of the following categories:
 - (a) expenses to be allocated for paying taxes and other public charges;
 - (b) expenses for compulsory execution, expenses for auction procedures for the exercise of a security right, or any other expenses to be paid to a public organization for a procedure carried out by said organization; and
 - (c) usage fees (limited to those up to the amounts specified by Cabinet Order) for automated teller machines or any other machines which the principal debtor uses for the performance of obligations;
 - (ii) the fee for the reissuance of the card delivered to the principal debtor to be used for performing the obligation, or any other expenses specified by Cabinet Order as those for the affairs conducted by the guarantor at the request of the principal debtor.
- (8) Where the creditor of a commercial loan wishes to enter into a contract of guarantee, and when the provisions of Article 5 apply (limited to where this causes a different interest rate to apply under Article 1), or when interest is to be deducted in advance, or when another contract of guarantee already exists for the primary obligation, the creditor must give notice to the person who is to be the guarantor to that effect in advance. In this case, if the creditor fails to give the relevant notice, the creditor is liable to compensate for any damages incurred by the guarantor as a result of such failure.

(Special Provisions on Restrictions on Interest Where a Guarantee Exists)

Article 9 (1) With regard to a contract on interest, where interest is increased by agreement between the creditor and the principal debtor after entering into a contract on guarantee charges as set forth in paragraph (1) of the preceding Article, notwithstanding the provisions of Article 1, if the interest as increased exceeds the amount calculated by subtracting the amount of guarantee charges from the maximum statutory amount, the contract is to be void in relation to

the excess portion of interest.

- (2) With regard to a contract on interest, where the interest to be paid on a primary obligation as set forth in paragraph (1) of the preceding Article is specified as having a floating interest rate, notwithstanding the provisions of Article 1 and the preceding paragraph, if the interest exceeds the amounts specified in the following items for the cases listed respectively in those items, the contract is to be void in relation to the excess portion of interest:
- (i) the case set forth in paragraph (2), item (i) of the preceding Article: the agreed-upon maximum amount of interest; or
 - (ii) any case other than that set forth in the preceding item: half the maximum statutory amount.
- (3) With regard to a contract on interest on the primary obligation, where the provisions of paragraph (4) of the preceding Article apply, notwithstanding the provisions of Article 1 and the preceding two paragraphs, if the interest exceeds the amounts specified in the following items for the cases listed respectively in those items, the contract is to be void in relation to the excess portion of interest:
- (i) the case set forth in paragraph (2), item (i) of the preceding Article: the agreed-upon maximum amount of interest; or
 - (ii) any case other than that set forth in the preceding item: half the maximum statutory amount.