

## Profile

The SME Unit has taken over the responsibilities and operations of the Japan Finance Corporate for Small and Medium Enterprise (JASME), a government-affiliated financial institution originally established in August 1953.

Supplementing private financial institutions, the SME Unit provides a stable supply of long-term funds as part of its overall mission to support the growth and development of SMEs — the driving

force behind Japan's economic vitality at both the national and regional levels. In addition, the SME Unit has assumed the operations of the Credit Insurance Programs from the former Japan Small and Medium Enterprise Corporation (JASMEC), and is implementing wide-ranging policy-based finance by utilizing a diversity of functions.

### Scope of Business

#### Loan Programs

These programs are designed to supply stable, long-term funds that are essential for the promotion of SME business and yet found difficult for private financial institutions to supply on a commercial basis.

- Loans to SMEs
- Purchase of corporate bonds (with subscription warrants) issued by SMEs
- Loans to Small and Medium Business Investment & Consultation Co., Ltd. and facility-leasing institutions
- Securitization of SME loan claims and corporate bonds (CDO Program)

#### Business Results for Fiscal 2008

Loan amount: ¥1,383.9 billion

#### Planned Business Budget for Fiscal 2009

Loan amount: ¥2,440.0 billion

#### Securitization Support Programs

With the aim of facilitating the smooth supply of unsecured funds to SMEs, these programs support private financial institutions in their endeavors based on securitization methods.

- Support for private financial institutions utilizing securitization methods
  - Operations to securitize unsecured SME loan claims acquired by way of transfer from private financial institutions or to securitize them by utilizing credit default swap (CDS) contracts ("Purchase-type").
  - Operations to partially guarantee unsecured SME loan claims securitized by private financial institutions on their own as well as guarantee or partially purchase securitized instruments ("Guarantee-type").
- Support for private financial institutions working to securitize account receivables
  - Operations to provide guarantees for loans and loans to special purpose companies.

#### Business Results for Fiscal 2008

No record of Purchase-type as well as Guarantee-type operations or securitization of account receivables.

#### Planned Business Budget for Fiscal 2009

"Purchase-type" amount: ¥75.1 billion  
 "Guarantee-type" amount of guarantee: ¥42.0 billion  
 "Securitization of account receivables" amount of guarantee: ¥50.0 billion

#### Credit Insurance Programs

To facilitate the smooth flow of funds to SMEs, these programs focus on the acceptance of insurance on CGC guaranteed liabilities associated with loans to SMEs.

- Provision of insurance on CGC guaranteed liabilities associated with loans to SMEs
- Loans to CGCs
- Special Insurance Programs for Midsize Enterprises
- Transitional Operation of the Machinery Credit Insurance Programs<sup>(Note)</sup>

#### Business Results for Fiscal 2008

Amount of Small Business Credit Insurance accepted: ¥18,662.9 billion  
 Amount of loans to CGCs: —  
 Amount of Special Insurance for Midsize Enterprises accepted: —

#### Planned Business Budget for Fiscal 2009

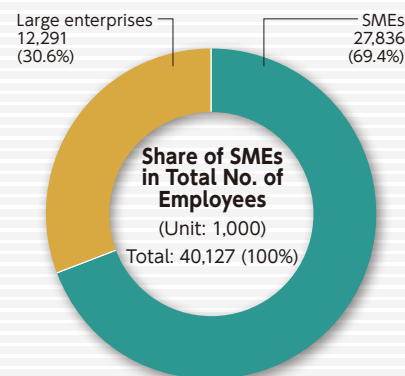
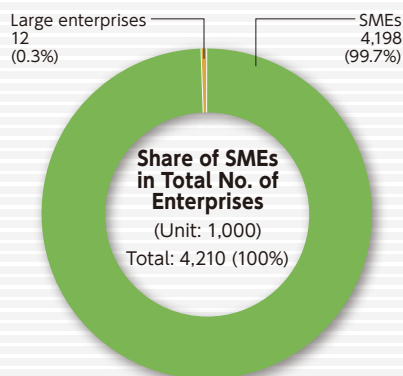
Amount of Small Business Credit Insurance to be accepted: ¥31,793.9 billion  
 Amount of loans to CGCs: ¥24.0 billion  
 Amount of Special Insurance for Midsize Enterprises to be accepted: ¥66.0 billion

(Note) Excluding insurance that had been accepted up to the end of March 2003, the SME Unit currently pays insurance money and receives recoveries based on insurance contracts that are already in force (Transitional Operation of the Machinery Credit Insurance Programs).

#### The Position of SMEs in Japan

SMEs account for 99% of all businesses and approximately 70% of the total workforce in Japan. These figures attest to the fact that SMEs are the very source of Japanese economic vitality and the primary force underpinning regional economies.

Much is also expected of SMEs as the driving force of the nation's economic revitalization in view of the roles they have played in the creation of new industries, products and services.



Source: Ministry of Internal Affairs and Communications, "Establishment and Enterprise Census (2006)," edited by the Small and Medium Enterprise Agency.