

Loan Programs

Supplementing Private Financial Institutions Both in Quality and Quantity with a Stable Supply of Long-term Funds

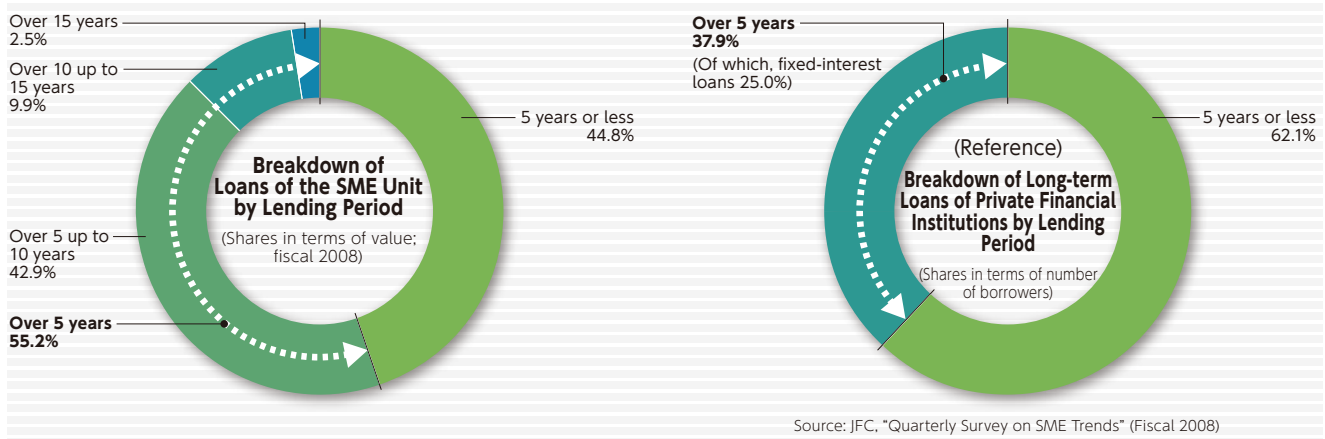
Dedicated to Long-term Funding

If SMEs are to grow and prosper soundly, they must undertake timely and appropriate capital investments and make ongoing efforts to consolidate their financial strength. These activities rely on the ability to raise long-term funds in a stable manner.

In general, however, SMEs are at a comparative disadvantage to larger enterprises when it comes to access to funds from capital markets. In addition, private financial institutions tend to prefer short-term loans of one year or less, thus making it difficult for SMEs to raise sufficient long-term funds.

The SME Unit specializes in long-term funds that private financial institutions have difficulty providing, and approximately 60% of the SME Unit's loans have lending periods longer than five years, with fixed interest rates that make it easier to map out repayment schedules.

By supplementing the fields where private financial institutions find it hard to cover, the SME Unit meets long-term funding needs of SMEs—the vital component of the Japanese economy.

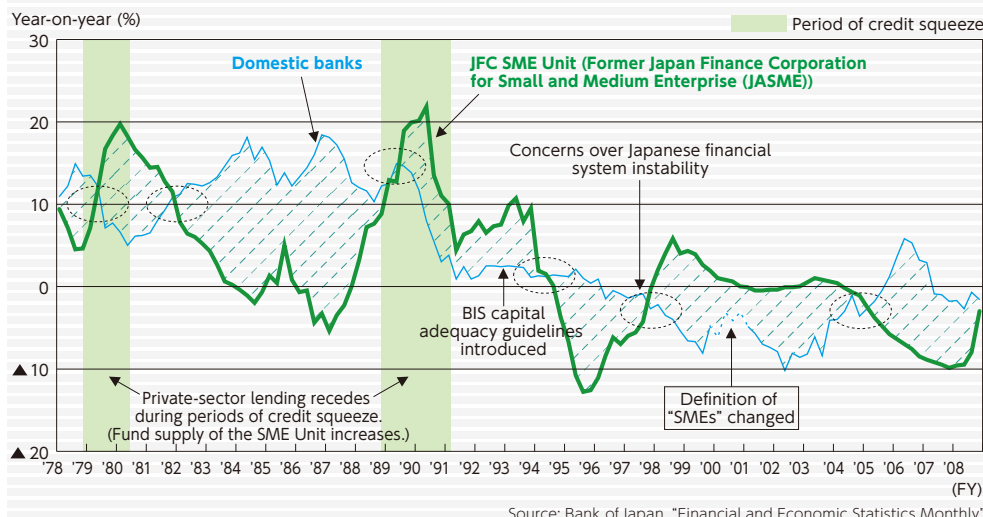


Stable Supply of Business Funds

The SME Unit's lending volume tends to rise sharply during a credit squeeze or when financial institutions are positioned for risk aversion (examples include the post-"Bubble" financial adjustment phase and periods of strategically tight lending) and declines when credit becomes easier to obtain.

Over the years, the SME Unit has provided SMEs with stable, long-term business funds by supplementing private financial institutions whose lending attitudes and activities are subject to impact by changes in prevailing business conditions.

Growth Rate Changes in Outstanding Loans to SMEs (Year-on-year changes)



Notes:

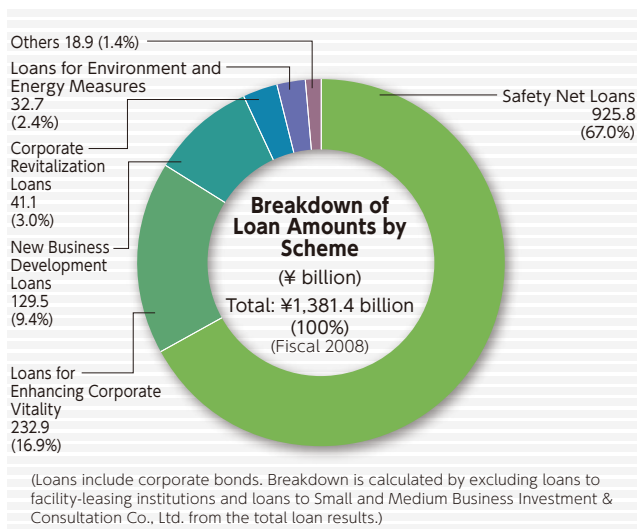
- Domestic bank balances refer to loans to SMEs to cover banking accounts only. From fiscal 1993 forward, overdrafts have been included in the calculation base. Second-tier regional banks (formerly known as *sogo* [mutual loans & savings] banks) have been included in this category since fiscal 1990.
- Figures for domestic banks prior to September 1996 refer to those for all Japanese banks.
- The definition of "SMEs" was changed in April 2000; the SME Unit has estimated the growth rate for domestic banks in the period from June 2000 to March 2001 based on the ratio between the old and new standards.

Promoting Policy-based Special-purpose Loans in Response to Demands of the Times

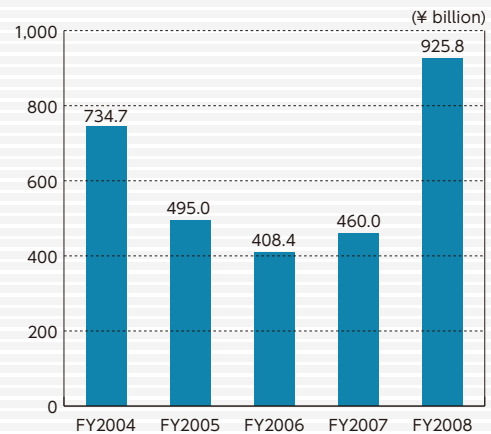
Promoting Policy-based Special-purpose Loans

The SME Unit offers a variety of Special-purpose Loans designed to facilitate the government policy guidance by channeling funds into targeted sectors, funding for which remains insufficient when relying on private financial institutions alone. These sectors include venture businesses, business revitalization, safety nets, regional economic revitalization, environmental measures, and stimulation of capital investment to promote employment, among others.

During fiscal 2008, a period of unprecedented global financial crisis, the SME Unit took concerted steps to fully exercise its safety-net function. In this manner, the SME Unit made every effort to support SMEs, which continued to experience increasingly difficult cash flow conditions brought on by a deteriorating operating environment.



Safety Net Loans Performance Trends



Socioeconomic Developments and the SME Unit's Roles

Socioeconomic Developments	Roles Played by the SME Unit of JFC Performance of Special-purpose Loans ^(Note)
1964: Tokyo Olympic Games held.	1960- Loans to Export-driven Manufacturers.....¥7.7 billion (FY1964)
1970: World EXPO'70 held in Osaka.	1970- Loans to Promote Modernization.....¥35.5 billion (FY1970)
1985: Plaza Accord reached, triggering sharp appreciation of the yen. 1989: Consumption tax introduced.	1980- Special Loans for the Promotion of Application of Businesses to Changes in the World Economy.....¥186.2 billion (FY1986) Loans to Facilitate Introduction of Consumption Tax.....¥332.5 billion (FY1989)
1995: Great Hanshin-Awaji Earthquake strikes. 1997: Hokkaido Takushoku Bank and Yamaichi Securities collapse.	1990- Loans for Disaster Recovery.....¥107.1 billion (FY1995) Loans to Deal with Changes in the Financial Environment.....¥336.9 billion (FY1998)
2005: Full introduction of "payoff" system. 2006: "Zero interest rate policy" removed. 2007: Occurrence of U.S. subprime mortgage crisis. 2008: Lehman Brothers files for bankruptcy.	2000- Loans to Promote IT Use.....¥159.3 billion (FY2004) Loans for Regional Revitalization and Employment Promotion.....¥215.1 billion (FY2005) Loans to Promote New Business Activities.....¥125.2 billion (FY2007) Safety Net Loans.....¥925.8 billion (FY2008)

Note: The names of the loans listed above are as of their scheme termination dates, or, for active schemes, as of March 31, 2009.

▶ New Businesses

Providing Proactive Support for Venture Businesses, etc.

Results of Loans to Foster Growth of New Businesses

The SME Unit promotes the "Loans to Foster Growth of New Businesses" to support SMEs taking on new businesses with high growth potential, including venture companies. The cumulative total of such loans since the establishment of the system in February 2000 has reached 163.1 billion yen for 3,468 companies as of March 31, 2009.

Fiscal year	2008		2007	
	No. of companies and amount	493	¥21.6 billion	555
(Of which, intellectual property-related) ^(Note)	260	¥10.7 billion	259	¥12.4 billion

Note: Loans to Support the Use of Intellectual Property support SMEs taking on new businesses with high growth potential by utilizing intellectual property rights (patents and utility model rights etc.) that are not being used by other companies.

Use of Subscription Warrants to Supply Unsecured Funds

"Loans to Foster Growth of New Businesses" include a loan scheme that provides unsecured funds to venture companies and others with insufficient collateral through the purchase by the SME Unit of subscription warrants for shares newly issued by the company.

Cumulative Achievements (February 2000–March 2009)	
No. of companies	177
Amount	¥5.3 billion

▶ New Alliances / Utilization of Regional Resources / Cooperation between Agriculture, Commerce and Industry

Taking Steps to Proactively Support Business Activities that Facilitate Collaboration with Diverse SMEs (New Alliances), Utilize Regional Industry Resources and Promote Cooperation between the Agriculture, Forestry and Fisheries Industries (Cooperation between Agriculture, Commerce and Industry)

Results of Loan Programs That Support New Alliances, Utilization of Regional Resources and Cooperation between Agriculture, Commerce and Industry

The SME Unit proactively provides Loans to Promote New Business Activities in support of efforts that facilitate collaboration with diverse SMEs (New Alliances), utilize regional industry resources and promote cooperation between agriculture, forestry and fisheries industries (Cooperation between Agriculture, Commerce and Industry). Through these means, the SME Unit is working diligently to revitalize local communities.

Overview of Loans in Fiscal 2008

	New Alliances	Support Utilization of Regional Resources	Cooperation between Agriculture, Commerce and Industry
No. of companies	56	58	15
Amount	¥1.6 billion	¥0.8 billion	¥0.2 billion

▶ Corporate Revitalization and Accession of Bankrupt Business Support

Proactively Supporting SME Corporate Revitalization and Accession of Bankrupt Business Initiatives Utilizing Subordinated Loans

Results of Corporate Revitalization Loans

Under its Special-purpose Loans, the SME Unit proactively promotes Corporate Revitalization Loans in support of SMEs that are endeavoring to revitalize their businesses, pursue corporate rehabilitation and implement business succession. Since the launch of the scheme in January 2002, the SME Unit has extended loans totaling 206.4 billion yen to 2,821 companies on a cumulative basis as of March 31, 2009.

In addition, the SME Unit collaborates closely with private financial institutions providing assistance through the "Provision Scheme for Challenge Support and Capital Enhancement" (Subordinated Capital Loans), which may be treated as shareholders' equity under the borrower classifications determined by financial institutions. This is particularly the case for SMEs that need to boost their financial standing.

Growth in Number of Companies Receiving Corporate Revitalization Loans

Fiscal year	2008	2007
No. of companies	577	398
Amount	¥41.1 billion	¥24.6 billion

Loans Provided under the Provision Scheme for Challenge Support and Capital Enhancement (Subordinated Capital Loans)

Fiscal year	2008
No. of companies	52
Amount	¥4.9 billion

Results of Cooperation with Public Revitalization Support Institutions

The SME Unit was involved in supporting 662 companies, or approximately one-third, of the 2,105 cases nationwide for which regional SME Revitalization Support Councils had completed support for the formulation of revitalization plans up to the end of March 2009. (Cumulative result as of end-March 2009)

No. of revitalization plans completed by SME Revitalization Support Councils	No. of cases in which the SME Unit was involved	
		Of which, support in the form of loans
2,105	662 (31%)	176

▶ Loans Not Excessively Dependent on Real Estate Collateral or Guarantors

Responding to Wide-ranging SME Funding Needs through Loans Not Excessively Dependent on Real Estate Collateral or Guarantors

Loans Not Excessively Dependent on Real Estate Collateral or Guarantors

In addition to loans collateralized by machinery and equipment, inventories and intellectual property rights, the SME Unit flexibly offers no-collateral loans.

In its efforts to further address the wide-ranging funding needs of SMEs, the SME Unit also maintains the "no-guarantor provision," as well as the "personal guarantee postponement provision" subject to certain predetermined terms and conditions.

Application of Guarantor Provisions

Fiscal year	2008
No-guarantor provision	¥32.9 billion
Personal guarantee postponement provision	¥8.2 billion

► Collaboration with Regional Financial Institutions

Facilitating SME Financing through Collaboration with Regional Financial Institutions

Working with Over 400 Regional Financial Institutions to Provide Co-financing and Securitization Support, etc.

The SME Unit is committed to supporting regional financial institutions in their efforts to provide region-based financing. This support is directed toward a wide range of fields including “the creation of new companies and businesses,” “prompt business revitalization,” “securitization,” “business management consultation” and “cooperation in human resource development.” In providing this assistance, the SME Unit utilizes its diverse loans, securitization support and credit insurance capabilities, along with its long-standing expertise in credit analysis and the wealth of information based on its

client database, which covers some 50,000 companies nationwide. In specific terms, the SME Unit promotes the close-knit exchange of information with regional financial institutions, placing considerable emphasis on business revitalization and new proposal activities. In providing Subordinated Capital Loans, the SME Unit is fostering increasingly robust collaborative ties. In the period from April 2003 through to March 2009, the Unit has engaged in cooperative activities with 460 regional financial institutions, more than 80% of all such institutions in Japan.

Results of Cooperation with Regional Financial Institutions

Details of Cooperation with Regional Financial Institutions

(April 2003–March 2009)

(No. of institutions/cases)

	No. of regional financial institutions ^(Note)	No. of regional financial institutions involved in cooperative activities	% of cooperation cases implemented	Details of cooperation (aggregate no. of deals executed)		
				Loan consultations	Informational support	Dispatching lecturers, etc.
Regional banks and second-tier regional banks	106	106	100%	8,683	1,173	1,278
Credit associations	278	275	99%	3,383	610	2,423
Credit cooperatives	162	79	49%	264	22	171
Total	546	460	84%	12,330	1,805	3,872

Note: Not including financial institutions in Okinawa Prefecture, but including Saitama Resona Bank.

Conclusions of Memorandum of Understanding on Business Tie-ups and Cooperation

(April 2003–March 2009)

(No. of institutions)

Regional banks and second-tier regional banks	103
Credit associations	232
Credit cooperatives	32
Total	367

Cooperation in Securitization Support

(July 2004–March 2009)

(No. of institutions)

Regional banks and second-tier regional banks	56
Credit associations	84
Credit cooperatives	9
Total	149

Note: The number of cooperating financial institutions in respect to securitization support is the aggregate number of regional financial institutions participating in Securitization Support Programs (Purchase-type, Guarantee-type).

► Industry-Academia-Government Collaboration

Actively Supporting SMEs in Industry-Academia-Government Collaboration by Utilizing Its Network of Cooperation with Universities and Research Institutions

Characteristics of Industry-Academia-Government Collaboration

In supporting SMEs seeking to solve technological problems and develop new business fields, the SME Unit effectively utilizes its nationwide networks and alliances with universities, research institutions and public institutions around the country.

The SME Unit's branch offices across the country actively provide client companies with opportunities for joint industry-academia-government seminars and by utilizing its neutrality as a government-affiliated financial institution, the SME Unit also acts as an interface with universities and other institutions after identifying an SME's exact needs through face-to-face dialogs.

▶ Contributions of the SME Unit to SME Growth

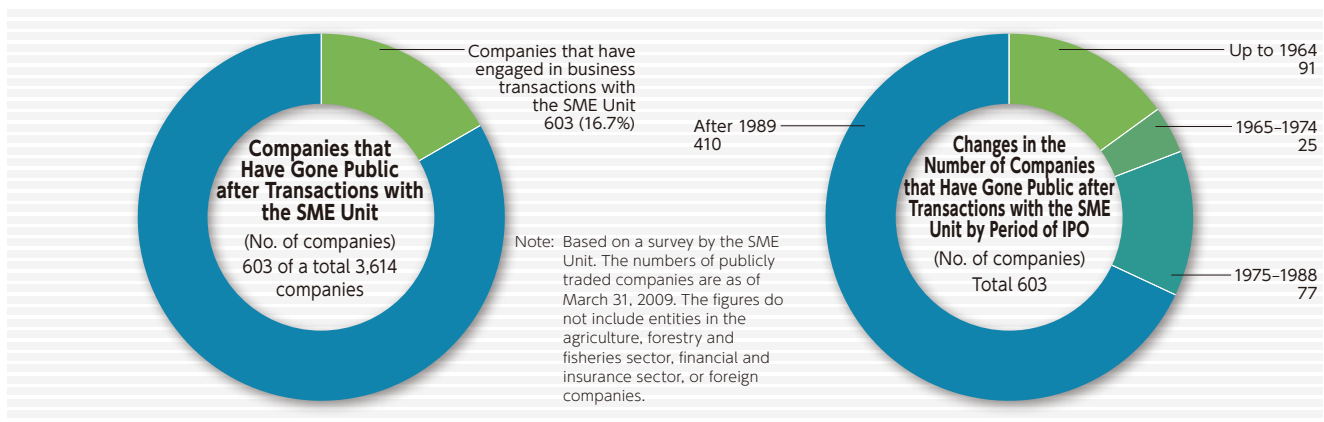
Many SMEs Are Advancing, Benefiting from Transactions with the SME Unit

Over 600 Clients of the SME Unit Have Gone Public

As a government-affiliated financial institution dedicated to SMEs, the SME Unit strives to support the growth and development of its client companies. 603 companies^(Note) have since gone public with the aid of transactional relationships with the SME Unit. This figure accounts for approximately one-sixth of all publicly traded companies in Japan and includes major companies with a solid international reputation.

Since 1989, the number of publicly traded companies with a record of doing business with the SME Unit has increased substantially—the total, which now stands at 410^(Note), accounts for approximately one-quarter of the 1,628^(Note) companies that went public in the corresponding period.

Note: The number of companies is as of March 31, 2009.



Valuable Loans during the Time of Foundation

Kazuo Inamori, Chairman Emeritus of KYOCERA Corporation
(Listed on the First Section of the Tokyo Stock Exchange)

About three years after KYOCERA was founded, as a Managing Director, I went to the banks to borrow some funds for capital investment. However, I was unable to borrow any money in the end without any collateral. Finally, I was introduced to JASME and was extremely grateful to have a meeting with a branch manager of a branch office. Haltingly, I asked, "We are a tiny venture company that has just been established. Since our initial fiscal year, we have been producing profits of 10% or more. Could you lend us some money on the basis of our efforts and performance over the past three years?"

After a while, perhaps because he realized my eagerness, the branch manager replied, "I see. We will lend you funds secured on the equipment you are planning to acquire." It was an extremely risky decision in terms of the conventional wisdom of financial institutions, and I remember being very impressed with the courage of the branch manager who had faith in me and decided to lend us the funds using this method of collateral.

KYOCERA exists today because of the decision of that branch manager about 40 years ago to lend us funds based on personal character and trust when no financial institution would do business with us.

Source: Extract from a column in "Fifty Years at JASME" published by Japan Finance Corporation for Small and Medium Enterprise (JASME), December 2003 (Job title of the contributor is as at the time of contribution.)