

# Credit Insurance Programs

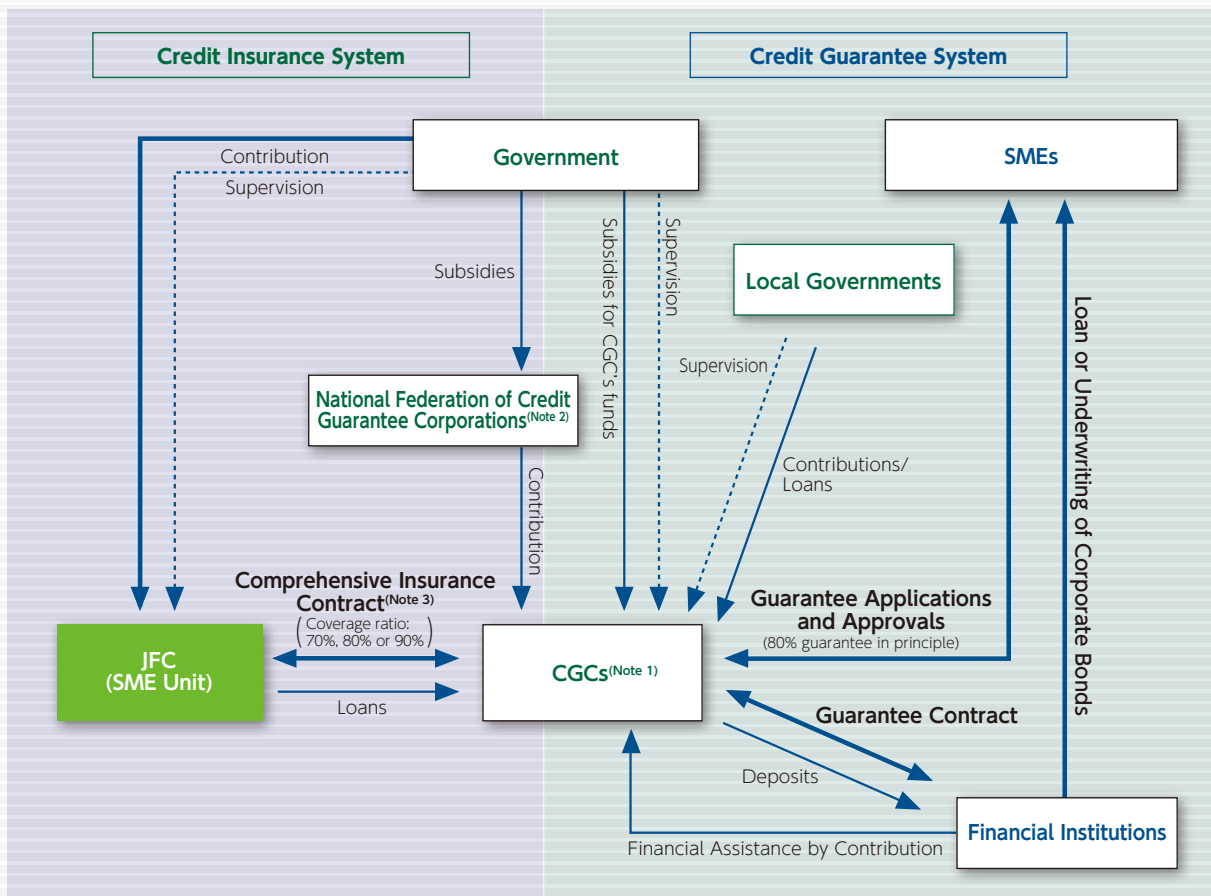
## Facilitating the Smooth Flow of Funds to SMEs by Working Together with the Credit Guarantee System

### Roles of Credit Insurance System

JFC insures guaranteed liabilities (credit guarantees) provided by CGCs to SMEs that fall short of collateral or creditworthiness when raising funds from financial institutions or issuing corporate bonds. Instituted under the Small Business Credit Insurance Law (Law No. 264 of 1950), the purpose of the Small Business Credit Insurance System is to promote the development of SMEs by insuring guar-

antees for SME loans and similar liabilities. It is designed so that the Credit Insurance System and the Credit Guarantee System together facilitate the smooth supply of business funds for SMEs. This mechanism is known as the Credit Supplementation System and plays a vital role in the Japanese government's SME finance policy.

#### Credit Supplementation System



Notes: 1. Credit Guarantee Corporations (CGCs)

Special public corporations established under the CGC Law. Numbering 52 across Japan, these corporations guarantee loans from financial institutions to SMEs, make subrogated payments against defaults by SMEs, and subsequently recover funds from the SMEs in question. They are placed under the supervision of central and local governments, and receive contributions/loans from local governments and financial assistance from financial institutions in the form of contributions.

2. National Federation of Credit Guarantee Corporations (NFCGC)

A national federation whose membership comprises the nation's 52 CGCs. It aims to promote the soundness of CGCs, thereby facilitating the smooth flow of funds to SMEs.

3. Comprehensive Insurance Contract

The comprehensive insurance contract stipulates that an insurance contract is established between JFC and the CGC in connection with CGC's guarantee for debts stemming from SME borrowings from financial institutions. The contract holds good until the total amount of guaranteed borrowings reaches a prescribed level.

## Approximately 38% of SMEs Utilize the Credit Supplementation System

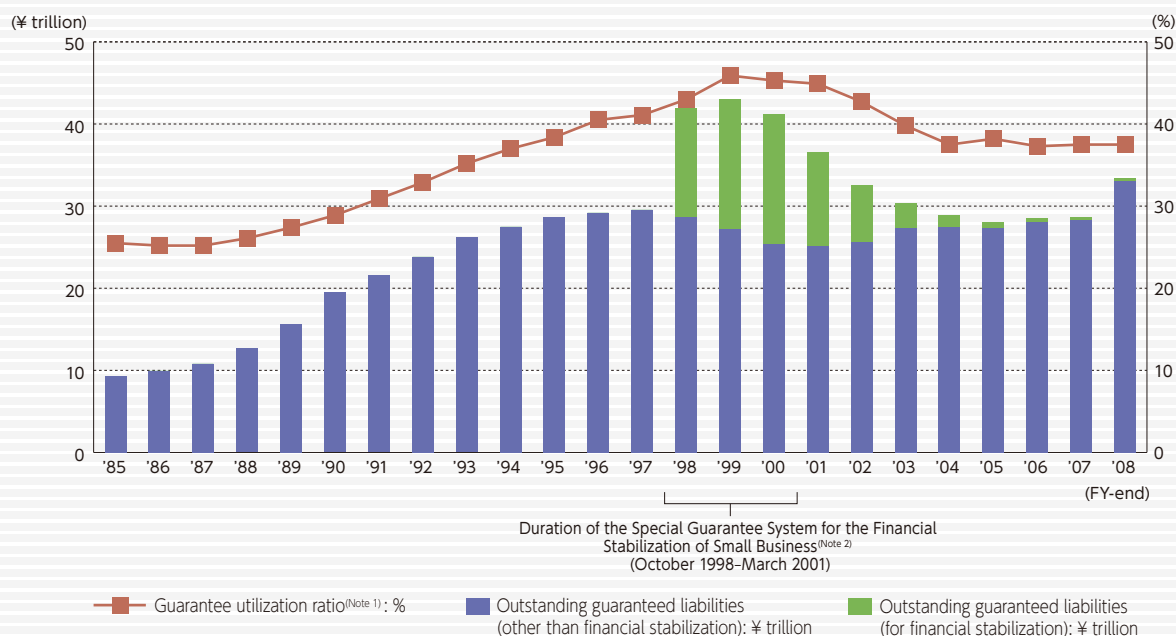
As of end-March 2009, the portion of outstanding loans to SMEs guaranteed by CGCs (outstanding guaranteed liabilities) amounted to some 33 trillion yen, accounting for approximately 13% of all loans to SMEs.

Moreover, some 1.57 million SMEs, or approximately 38% of all SMEs in Japan, were raising funds under the support of the Credit

Guarantee System.

Providing insurance on such guarantees, the Credit Insurance System is thus contributing to SME management stability, and to their business growth and prosperity by facilitating the smooth flow of funds.

### Changes in Outstanding Guaranteed Liabilities and Guarantee Utilization Ratio of 52 CGCs throughout Japan



Notes: 1. Guarantee utilization ratio is the number of companies utilizing guarantees divided by the total number of SMEs.

2. The Special Guarantee System for the Financial Stabilization of Small Business is a guarantee system created in October 1998 based on the "Outlines for the Countermeasures for Credit Crunch" (a Cabinet decision of August 1998). It is a temporary, exceptional measure to facilitate the smooth supply of funds through guaranteed loans by easing guarantee requirements for SMEs suffering from a financial institution-induced credit crunch.

## Credit Supplementation System—A Significant Tool to Promote the Government's Economic Policy

Under the "Comprehensive Immediate Policy Package-easing Public Anxiety-(ruling coalition government decision on August 29)," the "Emergency Guarantee Program" has been implemented since October 31, 2008.

The overarching objectives of this program are to provide a smooth flow of funds to SMEs who are facing difficulties due to the negative impacts of global financial market instability and economic contraction, as well as to promote their future business development.

As of the end of July 2009, 781 sectors were covered by this program which encompasses the vast majority of SME business categories.

The SME Unit strongly backs up the Credit Guarantee System by insuring the guarantee liabilities of CGCs, including this "Emergency Guarantee Program."