

## Loan Programs

### Responding to Ever-more-sophisticated Needs of the Times with “Diverse Loans”

#### Features of Loan Programs

- ◇ Long-term loans up to 20 years are available.
- ◇ Fixed interest rates make it easier to draw up business plans.
- ◇ A wide range of Special-purpose Loans that are designed to achieve government policy goals are available.
- ◇ For the purpose of supporting venture businesses, the SME Unit supplies funds by acquiring subscription warrants when certain requirements have been met.
- ◇ Under certain conditions, the SME Unit provides funds in the form of unsecured loans and corporate bond underwriting on the premise of securitization.
- ◇ For direct loans, either special treatment of no-collateral or partially collateralized provisions is available for most Special-purpose Loans, subject to certain conditions.
- ◇ Under certain conditions, all direct loans are available to borrowers without the need for the CEO's personal guarantee. Again, under certain conditions and special circumstances, the need to obtain the CEO's personal guarantee on liabilities can be postponed.

#### Eligible Businesses by Type and Size

The following businesses are eligible for SME Unit loans (excluding businesses marked with an \*):

Type of business	Size of business <sup>(Note 1)</sup>
Manufacturing <sup>(Note 2)</sup> , construction, transportation, etc	Max. capital of ¥300 million or max. workforce of 300
Wholesale	Max. capital of ¥100 million or max. workforce of 100
Retail	Max. capital of ¥50 million or max. workforce of 50
Services <sup>(Note 3)</sup>	Max. capital of ¥50 million or max. workforce of 100

Notes: (1) Businesses become eligible when they fall under either one of the capital or workforce criteria (workforce criteria in the case of self-employed entrepreneurs).  
 (2) Among manufacturing businesses, criteria for rubber product manufacturers (excluding manufacturers of tires/tubes for automobiles and aircraft, and of industrial rubber belts) are max. capital of 300 million yen or less or max. workforce of 900.  
 (3) Among services businesses, criteria for *ryokan* (traditional inn) are max. capital of 50 million yen or max. workforce of 200; for software and information processing service businesses, max. capital of 300 million yen or max. workforce of 300.

\* Businesses falling under the following industrial categories are not eligible.

- Agriculture
- Forestry
- Fisheries
- Financial and insurance (excluding insurance agency and insurance service)
- Within the real estate industry, housing and residential lot rental businesses
- Non-profit organizations
- Certain types of nightlife/entertainment businesses
- Businesses that corrupt public morals
- Speculation-type businesses

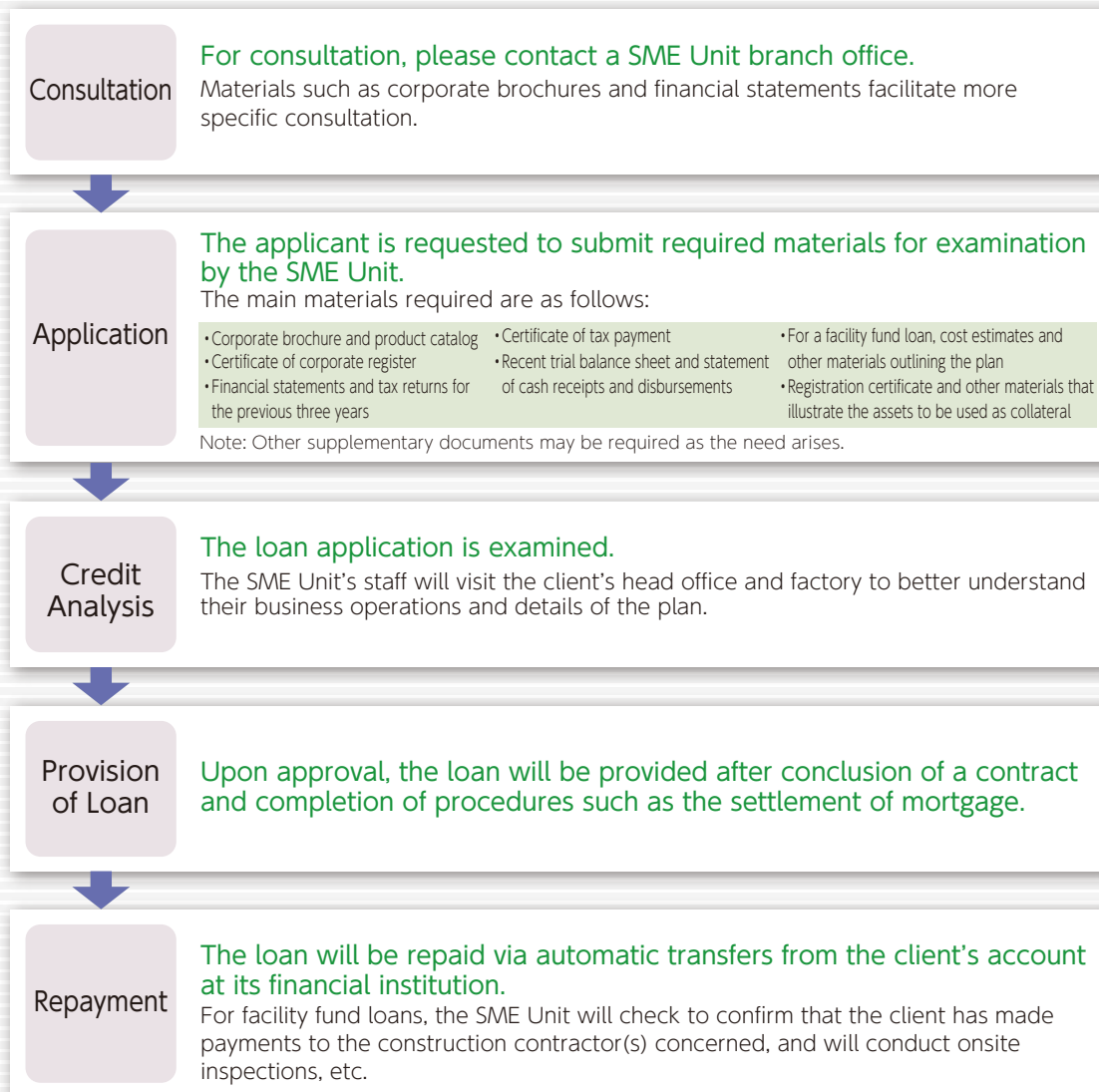
## Obtaining Loans

Two types of SME Unit loans are available: direct loans and agency loans. With the former, SMEs apply for loans directly at the SME Unit's branch offices while, with the latter, they apply for loans at private financial institutions with which the SME Unit has an agency contract.

### ■ Direct Loans

The SME Unit's nationwide branches handle all procedures, from application acceptance, credit analysis and contract conclusion to the remittance of funds. In addition, the SME Unit provides consulting services to help solve SME management problems.

#### Application Process (Direct Loans)



### ■ Agency Loans

To facilitate access to the SME Unit funds, the SME Unit maintains agency contracts with most private financial institutions – city banks, regional banks, second-tier regional banks, credit associations and credit cooperatives – providing loans through their

head and branch offices. These agencies handle procedures on behalf of the SME Unit such as application acceptance, credit analysis and contract conclusion.

Note: The total number of agencies is 505 (as of March 31, 2009)

## Special-purpose Loans

The SME Unit actively promotes Special-purpose Loans that have been instituted to support the implementation of government policies from the financial side.

Taking into consideration changes in the economic and social environments, policy issues of the day and the needs of SMEs, steps are taken to flexibly establish innovative Special-purpose Loans and to improve or eliminate existing products as considered necessary.

Among the Special-purpose Loans recently created by the SME Unit are: "Loans to Foster Growth of New Businesses" targeting forward-looking SMEs to support their innovative undertakings in tune with socioeconomic trends; "Rechallenge Support Loans" aiming to support once-failed entrepreneurs striving to take up

the challenge of recovery; "Loans to Promote New Business Activities" to support SMEs' endeavors for management innovation, new alliance establishment and effective utilization of regional resources; and "Loans to Boost Corporate Vitality" to support client endeavors geared toward enhancement of manufacturing technologies.

Furthermore, in its active efforts to promote Special-purpose Loans that assist SMEs to adapt smoothly to rapid fluctuations in both economic and financial environments, the SME Unit offers such products as "Safety Net Loans" that help to fulfill its role as a safety net for SMEs, and "Corporate Revitalization Loans" that support SMEs striving to revitalize their operations.

### ■ Main Schemes

#### New Business Development Loans

Name	Eligibility	Max. amount for direct loans	Max. loan period
Loans to Foster Growth of New Businesses <sup>(Note)</sup>	Companies that have undertaken new or businesses with high potential within the past seven years.	¥600 million	<Fixed interest rate type> (Facility funds) 15 years (Operating funds) 7 years <Performance-based repayment type> 7 years
Rechallenge Support Loans <sup>(Note)</sup>	Companies that have gone out of business but are willing to start a new business or companies who have restarted business within the past five years.	¥720 million	<Fixed interest rate type> (Facility funds) 15 years (Operating funds) 7 years <Performance-based repayment type> 7 years
Loans to Promote New Business Activities	Companies whose plan has been approved as a "Business Innovation Plan" and those with a plan accredited to either of the "Alliance-based New Business Field Development Plan," "Regional Resources Utilization-oriented Business Plan" or "Agriculture, Commerce and Industry Collaboration Plan."	¥720 million	<Fixed interest rate type> (Facility funds) 20 years (Operating funds) 7 years <Performance-based repayment type> 7 years

Note: Available only in the form of direct loans.

#### Loans for Enhancing Corporate Vitality

Name	Eligibility	Max. amount for direct loans	Max. loan period
Loans to Boost Corporate Vitality	Companies in the wholesale, retail, services, warehousing and freight trucking industries, etc. that plan to make specified capital investments, and companies seeking enhancement of their manufacturing technologies.	¥720 million	(Facility funds) 20 years (Operating funds) 7 years
Loans to Promote IT Use	Companies planning to make IT-related investments to cope with changes in business environment due to development of IT.	¥720 million	(Facility funds) 15 years (Operating funds) 7 years
Loans for Overseas Investment	Companies that engage in overseas business development in their efforts to adapt to structural shifts in the economy.	Special quota of ¥250 million	(Facility funds) 15 years (Operating funds) 7 years
Loans for Regional Revitalization and Employment Promotion	Companies making capital investments that are expected to produce a certain number of jobs in designated regions and companies that have received approval for a "Business Location Plan."	¥720 million	(Facility funds) 20 years (Operating funds) 7 years

#### Loans for Environment and Energy Measures

Name	Eligibility	Max. amount for direct loans	Max. loan period
Environment and Energy Measures Loans	Companies planning to install energy conservation equipment or designated pollution control equipment.	¥720 million	(Facility funds) 15 years (Operating funds) 7 years

## Safety Net Loans

Name	Eligibility	Max. amount for direct loans	Max. loan period
Loans to Deal with Changes in the Business Environment <sup>(Note)</sup>	Companies suffering from temporary decline in sales or deteriorating profitability.	¥720 million	(Facility funds) 15 years (Operating funds) 8 years
Loans to Deal with Changes in the Financial Environment <sup>(Note)</sup>	Companies suffering from temporary deterioration of cash flow due to changes in conditions of transactions with financial institutions.	Special quota of ¥300 million	(Facility funds) 15 years (Operating funds) 8 years
Loans to Respond to the Bankruptcy of Trading Partners	Companies suffering from deterioration of cash flow due to bankruptcy of related companies.	Special quota of ¥150 million	(Operating funds) 8 years

Note: Available only in the form of direct loans.

## Corporate Revitalization Loans

Name	Eligibility	Max. amount for direct loans	Max. loan period
Loans to Support Business Revitalization <sup>(Note)</sup>	Companies that have filed a petition to initiate rehabilitation procedures under the Civil Rehabilitation Law, approval for which is still pending.	¥720 million	1 year
	Companies whose rehabilitation plans have been approved under the Civil Rehabilitation Law.		(Facility funds) 10 years (Operating funds) 5 years
Loans to Support Corporate Rebuilding/ Accession of Bankrupt Business <sup>(Note)</sup>	Companies striving to rebuild their business in line with a corporate rebuilding plan.	¥720 million	(Facility funds) 20 years (Operating funds) 10 years
	Companies that have acceded the operations of bankrupt business and companies acquiring equity capital from shareholders.		(Facility funds) 15 years (Operating funds) 7 years

Note: Available only in the form of direct loans.

◇ In addition to the above, other Special-purpose Loan schemes are also available as follows:

- New Business Development Loans (Support Funds for Female and Young/Senior Entrepreneurs)
- Loans for Environment and Energy Measures (Funds to Improve Facilities for Coping with Social Environment)
- Loans for Disaster Recovery

## Loans That Do Not Excessively Rely on Real Estate Collateral or Guarantors

### ■ Loans That Do Not Excessively Rely on Real Estate Collateral

In providing to its customers Special-purpose Loans, the SME Unit recognizes machinery and equipment, inventories and intellectual property rights as collateral. At the same time, the SME Unit continues to adopt an increasingly flexible approach through the introduction of "no-collateral provision."

### ■ Guarantor Provisions

The SME Unit maintains various guarantor provisions that accommodate the wide-ranging needs of its mainstay SME customer base. In addition to the "no-guarantor provision," the SME Unit has expanded its "personal guarantee postponement provision," which allows a company CEO to postpone the issuance of his or her personal guarantee subject to certain predetermined terms and conditions.

	No-guarantor provision	Personal guarantee postponement provision
Eligibility	Those planning to use direct loans. (Eligibility requirement: applicant must undergo credit analysis in respect to business outlook, etc.)	Those planning to use direct Special-purpose Loans. (Eligibility requirement: applicant must undergo credit analysis in respect to business outlook, etc.)
Outline of provision	No-guarantor: Upon loan implementation, applicant's CEO is exempted from personal guarantee. Interest rate: Loans provided under this provision are subject to an extra interest rate of 0.3%.	Postponement of personal guarantee: Upon loan implementation (conditional upon borrower's compliance with requirement for periodic submission of financial status report, etc.), the applicant is granted postponement of personal guarantee by CEO. Interest rate: Loans provided under this provision are subject to an extra interest rate of 0.1%.
Remarks	◆ The applicant is requested to conclude a special contract that includes a restrictive financial covenant as deemed appropriate by the SME Unit.	◆ The applicant is requested to conclude a special contract as deemed appropriate by the SME Unit.

## Subordinated Loans

In order to boost the financial structures of SMEs that are endeavoring to either cultivate new businesses or implement corporate rehabilitation initiatives, the SME Unit commenced a series of subordinated loans such as the "Provision Scheme for Challenge

Support and Capital Enhancement" (subordinated capital loans) from fiscal 2008, and the "Special Subordinated Regional-based Loans" as well as "Special Subordinated Safety Net Loans" from fiscal 2009.

### ■ Provision Scheme for Challenge Support and Capital Enhancement (Subordinated Capital Loans)

Eligibility	Companies that are utilizing Loans to Foster Growth of New Businesses or Loans to Support Business Revitalization (excepting some schemes) in forms of direct loans, and those that have been recognized as having a specific effect on employment (creating new employment or maintaining employment), providing businesses that is essential to the local community, or an enterprise with a high level of technical capabilities in order to revitalize the regional economy. (Use of the scheme requires the SME Unit's credit analysis of financial details, business outlook, and other factors.)	
Outline of provision	Maximum amount	¥200 million per company
	Interest rate	Three interest rate bands—9.95%, 5.30%, and 0.40%—are applied depending on business success in the most recent financial results in each year after the loan.
	Loan period	15 years (Lump-sum repayment on maturity)
	Collateral/ Guarantor	No collateral/no guarantor
	Others	<ul style="list-style-type: none"> <li>◆ Debt under this provision may be treated as shareholders' equity in financial inspections.</li> <li>◆ Debt under this provision is subordinate to all debts in the event of a decision with regard to legal bankruptcy proceedings in a court of law (excluding debts that are equivalent or lower in precedence for repayment.)</li> </ul>
Remarks	<ul style="list-style-type: none"> <li>◆ Loan conditions other than those above are set for each specific loan.</li> <li>◆ Special agreements, including a quarterly business report, are to be concluded.</li> <li>◆ Business plans which the SME Unit deems appropriate are to be submitted.</li> </ul>	

### ■ Special Subordinated Region-based Loans

Eligibility	Among the Loans for Enhancing Corporate Vitality, companies that utilize Loans to Boost Corporate Vitality (corporate sector-related urban development) as well as Loans for Regional Revitalization and Employment Promotion (social contribution-oriented business activities) (use of these schemes is subject to credit analysis of the applicant's financial details, business outlook and other factors by the SME Unit)	
Outline of provision	Maximum amount	¥200 million per company
	Interest rate	An interest rate of 5.05% in the case of a 15-year loan; 5.0% in the case of a 10-year loan
	Loan period	15 or 10 years (Lump-sum repayment on maturity)
	Collateral/ Guarantor	No collateral/no guarantor
	Others	Debt under this provision is subordinate to all debts in the event of a decision with regard to legal bankruptcy proceedings in a court of law (excluding debts that are equivalent or lower in precedence for repayment.)
Remarks	<ul style="list-style-type: none"> <li>◆ Loan conditions other than those above are set for each specific loan.</li> <li>◆ Special agreements, including a quarterly business report, are to be concluded.</li> <li>◆ Business plans which the SME Unit deems appropriate are to be submitted.</li> </ul>	

### ■ Special Subordinated Safety Net Loans

Eligibility	Companies that utilize Loans to Deal with Changes in the Business Environment under Safety Net Loans (use of this scheme is subject to credit analysis of the applicant's financial details, business outlook and other factors by the SME Unit)	
Outline of provision	Maximum amount	¥200 million per company
	Interest rate	Up to 5.40% (a rate of interest predetermined in line with credit risk and the term of each loan)
	Loan period	15 or 10 years (Lump-sum repayment on maturity)
	Collateral/ Guarantor	No collateral/no guarantor
	Others	Debt under this provision is subordinate to all debts in the event of a decision with regard to legal bankruptcy proceedings in a court of law (excluding debts that are equivalent or lower in precedence for repayment.)
Remarks	<ul style="list-style-type: none"> <li>◆ Terms and conditions other than those identified above are stipulated under Loans to Deal with Changes in the Business Environment.</li> <li>◆ Special agreements, including a quarterly business report, are to be concluded.</li> <li>◆ Business plans which the SME Unit deems appropriate are to be submitted.</li> </ul>	

## Special System with regard to the Refinancing of Loans

Eligibility	Companies that utilize loans to deal with changes in the business environment as well as loans to deal with changes in the financial environment collectively under the Safety Net Loan system (use of these schemes is subject to credit analysis of the applicant's financial details, business outlook and other factors by the SME Unit).	
Outline of provision	Application of funds	Including the refinance of existing loans provided by the SME Unit
	Interest rate	<ul style="list-style-type: none"> <li>◆ The rate of interest stipulated under the Special-purpose Loans applies.</li> <li>◆ With respect to the portion to be refinanced, however, the relevant weighted-average rate of interest shall be applied in those cases where the weighted-average rate of interest* applicable to the portion to be refinanced exceeds the basic rate of interest at the time the loan is to be provided.</li> </ul> <p>In the event the portion to be refinanced falls within the scope of Safety Net Loans interest rate reduction requirements, the stipulated rate of interest shall be deducted from the relevant weighted-average rate of interest.</p> <p>Note: Calculated based on the rate of interest stipulated under the loan contract.</p>
	Loan period	8 years or less (with an in-principle grace period of one month or less)
Remarks	<ul style="list-style-type: none"> <li>◆ Loan conditions other than those above are set for each specific loan.</li> <li>◆ In addition to the refinancing of existing loans, the use of new loans is in principle required.</li> <li>◆ Some of the existing loans are evident that cannot be included in the scope of refinancing.</li> </ul>	

## Five-yearly Interest Rate Review Option and Early Repayment Charge

### ■ Five-yearly Interest Rate Review Option

The borrower may choose to pay interest to maturity at the same rate agreed upon at the time of contract, or to pay interest at a rate that is reviewed every five years.

### ■ Early Repayment Charge

In the event the client opts to repay all or part of the loan prior to maturity, an early repayment charge will accrue.

Note: Early repayment is only allowed when the SME Unit's approval has been secured or when the borrower has paid their early repayment charge.

## Securitization of Loan Claims and Corporate Bonds (CDO Program)

From July 2004 forward, the SME Unit supplies unsecured funds by means of loans or corporate bond underwriting, presupposing the issuance of asset-backed securities like CLOs (collateralized loan obligations) or CBOs (collateralized bond obligations).

A subscription system is used for loans or corporate bond underwriting under the scheme for securitization of loan claims and corporate bonds. Subscription period and loan conditions, etc., are determined relative to each individual subscription deal.

Application of funds	Facility funds and long-term operating funds
Collateral	No collateral required
Loan conditions	Maximum amount of loan per company, loan interest rate, loan period, repayment method and other conditions are determined relative to each individual subscription deal.