


C O N T E N T S

1	Overview of Japan Finance Corporation (JFC)
2	Message from the General Manager of the SME Unit
3	Profile of the SME Unit
6	Roles and Characteristics of the SME Unit
6	Demonstrating a Complementary Function for Private-sector Business Activities
8	Demonstrating a Credit Supplementation Function
	Demonstration of Policy-based Nature
10	Approach to Internationalization
13	Support for Post-disaster Reconstruction
14	Securitization Support
15	State of the SME Unit's Operations
17	Offices



A note on figures used in this Report:

Figures for which the value is less than one whole unit.

Numbers of items and amounts are rounded down to the nearest whole unit. In principle, comparative data (percentages) are rounded to the nearest first decimal place, and so the total may not equal the sum of the items.

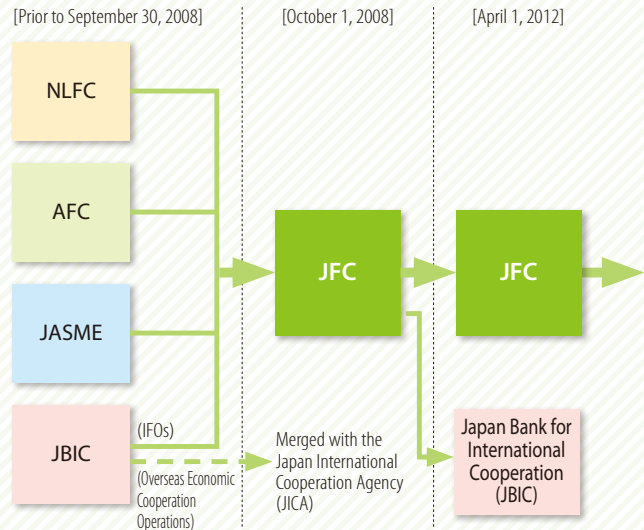
JFC was established in October 2008 with the integration of the National Life Finance Corporation (NLFC), the Agriculture, Forestry and Fisheries Finance Corporation (AFC), the Japan Finance Corporation for Small and Medium Enterprise (JASME) and the International Financial Operations (IFOs) of the Japan Bank for International Cooperation (JBIC). However, the Japan Bank for International Cooperation was separated from JFC in April 2012.

Profile of JFC

- **Name** : Japan Finance Corporation (JFC)
- **Establishment** : October 1, 2008
- **Statutory Law** : The Japan Finance Corporation Act
- **Head Office** : 1-9-3, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
- **Governor and CEO** : Shosaku Yasui
- **Capital, etc.** : Capital: 4,366.7 billion yen
Reserve fund: 2,236.2 billion yen
- **Branch Offices and Overseas Representative Offices** : Branch offices in Japan: 152
Overseas representative offices: 2 (as of April 1, 2012)
- **Employees** : 7,461 (positions sanctioned in the FY2012 budget)
- **Outstanding Loans^(Note)** : Total of Outstanding Loans: 30,019.5 billion yen
Micro Business and Individual Unit: 7,340.8 billion yen
Agriculture, Forestry, Fisheries and Food Business Unit: 2,630.6 billion yen
Small and Medium Enterprise (SME) Unit: 6,439.6 billion yen (Finance Operations)
Japan Bank for International Cooperation (JBIC): 8,192.7 billion yen (Outstanding Loans and Equity Participations)
Operations to Facilitate Crisis Responses: 5,394.2 billion yen
Operations to Facilitate Specific Businesses Promotion: 21.3 billion yen

Note: Including amounts associated with the Japan Bank for International Cooperation

Transition to JFC



Basic Philosophy

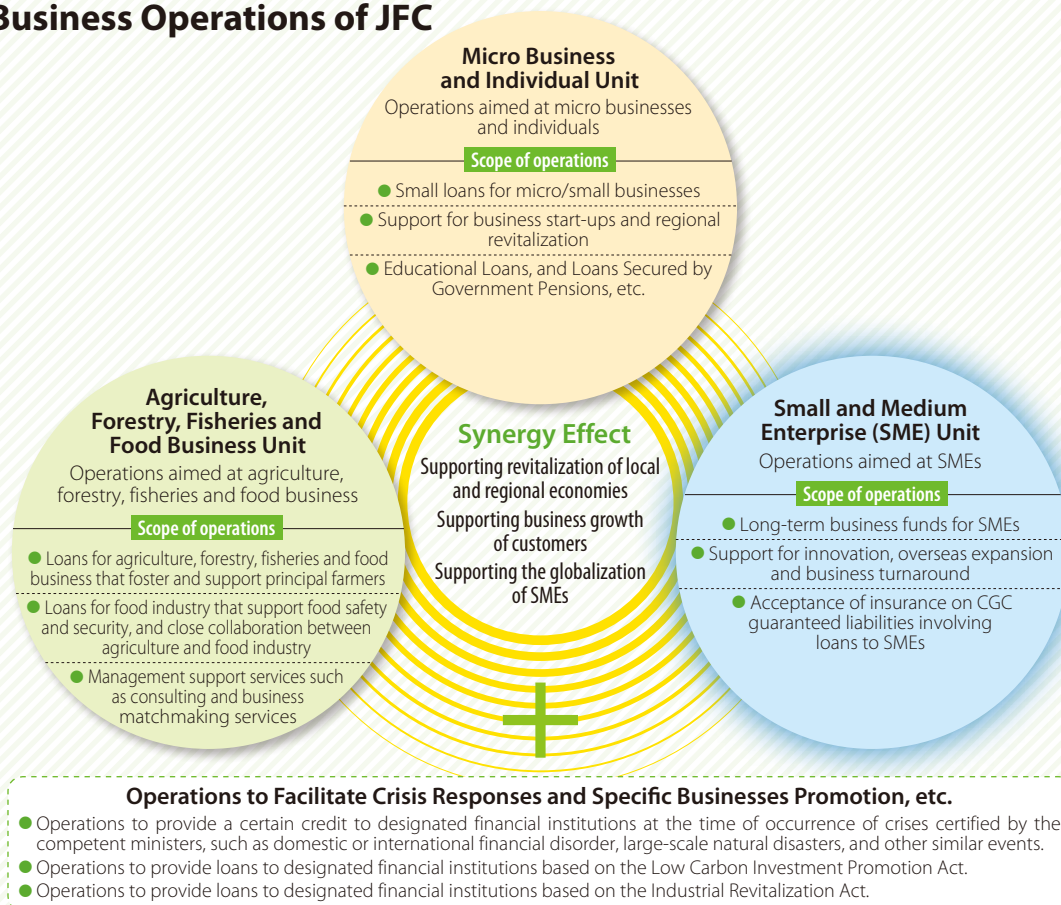
➤ Focused Policy-based Financing

Following the national policy, JFC will provide flexible policy-based financing by utilizing a variety of financing programs and schemes to meet the needs of society, while complementing the activities of private financial institutions.

➤ Mainstreaming Governance

JFC will strive to conduct highly transparent and efficient operations based on a high level of corporate governance and hold itself accountable to the public. Furthermore, JFC is committed to becoming a self-governing organization continuously evaluating and improving its activities.

Major Business Operations of JFC



Message from the General Manager of the SME Unit

2

Acting under the strong economic policy of the government to deal with the economic crisis that followed the collapse of Lehman Brothers as well the Great East Japan Earthquake and other natural disasters, the Small and Medium Enterprise (SME) Unit of Japan Finance Corporation (JFC) serves as a safety net to give full support to fund-raising needs of SMEs through its Loan Programs and Credit Insurance Programs. In FY2011, we provided approximately 13 trillion yen of financial support.

In the area of our Loan Programs, we have actively promoted the Great East Japan Earthquake Recovery Special Loan and the Safety Net Loan Programs, and have taken all possible measures to support the fund-raising needs of SMEs in the difficult business environment. We also acted quickly to establish special consultation desks for issues related to the Great East Japan Earthquake and the 2011 floods in Thailand, as well as a consultation desk for secure year-end financing. In addition, through initiatives such as consultation meetings organized locally with relevant organizations in disaster-affected areas, we have provided smooth, rapid, and precise responses to requirements of SMEs for consultation concerning financing and repayment.

In supporting overseas expansion by SMEs, we have provided loans for overseas business development and offered local managerial assistance through our overseas Representative Offices. Also, we have utilized various special lending programs and the Provision Scheme for Challenge Support and Capital Enhancement (subordinated capital loans) as part of initiatives aimed at regional revitalization and business development in new fields. As a result of these efforts, we provided loans totaling 2.0 trillion yen during FY2011.

As for our Credit Insurance Programs, we have established close ties with Credit Guarantee Corporations (CGCs) nationwide, and backed up the Great East Japan Earthquake Recovery Emergency Guarantee Program through our reinsurance system. The amount of credit guarantee insurance accepted for FY2011 reached 11.1 trillion yen, while the total outstanding amount of insurance is approximately 35 trillion yen.



Going forward, in addition to dealing with needs arising from the Great East Japan Earthquake, we will continue to provide our utmost support for the efforts of SMEs, which underpin regional economies, in their new business development, overseas expansion, management innovation, business revitalization, environmental measures, and other areas.

Accounting for 99.7% of all companies in Japan and around 70% of the total workforce, Japan's approximately 4.2 million SMEs represent the bedrock and source of vitality of domestic economic progress. On this basis, the health and well-being of SMEs are essential, not only for regional employment and the creation of added value, but also for the revitalization of the Japanese economy as a whole. Looking ahead, we will endeavor to fulfill our function as a policy-based financial institution and to be appreciated by as many people as possible. We remain dedicated to serving as a finance corporation that can be relied upon.

Ryuhei Katsuno

General Manager, Small and Medium Enterprise (SME) Unit
Japan Finance Corporation

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

Through its various functions such as its Loan Programs and Credit Insurance Programs, the SME Unit financially supports the growth and development of SMEs, which are the source of vitality behind Japan's economic vitality at both the national and regional levels.

Scope of Business

Loan Programs

These programs are designed to supply stable, long-term, fixed interest rate business funds which are essential for promoting the businesses of SMEs but which private financial institutions find it difficult to supply.

- Loans to SMEs
- Purchases 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)

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.

Performance for FY2011

▶ Loan Programs

Loans	2,047.0 billion yen
Direct loans	2,044.9 billion yen
Agency loans	0.2 billion yen
Loans to facility-leasing institutions, loans to Small and Medium Business Investment & Consultation Co., Ltd.	1.7 billion yen
Outstanding loans	6,439.6 billion yen
Direct loans	6,399.9 billion yen
Agency loans	32.3 billion yen
Loans to facility-leasing institutions, loans to Small and Medium Business Investment & Consultation Co., Ltd.	7.4 billion yen

▶ Securitization Support Programs

Total loan principal amount	
* No record of purchase-type, guarantee-type or accounts receivable-type securitization	
Outstanding amounts of trust beneficiary rights and guaranteed liabilities	
Purchase-type (outstanding amount of trust beneficiary rights)	1.1 billion yen
Guarantee-type (outstanding amount of guaranteed liabilities)	0.1 billion yen

Credit Insurance Programs

To facilitate the smooth flow of funds to SMEs, these programs focus on the acceptance of insurance on Credit Guarantee Corporation (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^(Note)

Performance for FY2011

▶ Credit Insurance Programs

Acceptance of insurance and loans	
Small Business Credit Insurance	11,131.3 billion yen
* No record of loans to CGCs and Special Insurance for Midsize Enterprises	
Outstanding amounts of insurance and loans	
Small Business Credit Insurance	34,913.6 billion yen
Special Insurance for Midsize Enterprises	0.1 billion yen
Machinery Credit Insurance ^(Note)	19.8 billion yen
* No record of loans to CGCs	

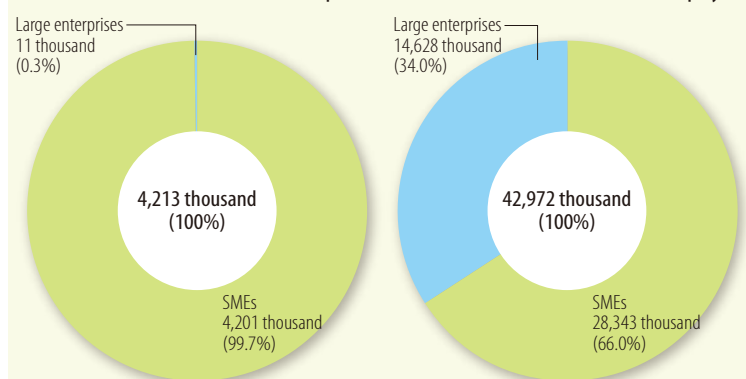
Note: Excluding Machinery Credit Insurance that had been accepted up to the end of March 2003, the SME Unit currently pays insurance money and receives recoveries based on the insurance contracts already in force (Transitional Operation of the Machinery Credit Insurance Programs).

▶ 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.

SMEs are also expected to serve as the driving force of the nation's economic revitalization through the creation of new industries, products and services.

▼ Share of SMEs in Total Number of Enterprises ▼ Share of SMEs in Total Number of Employees

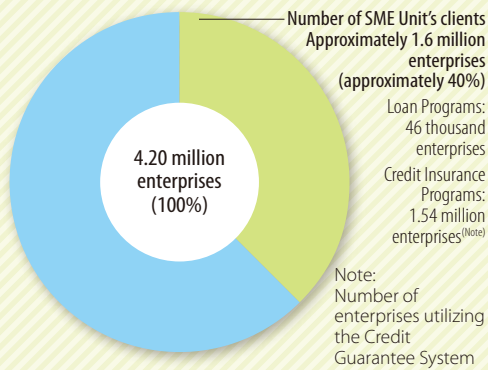


Source: Ministry of Internal Affairs and Communications, "2009 Economic Census for Business Frame," edited by the Small and Medium Enterprise Agency.

SME Unit's Clients

SMEs account for 99% of all businesses in Japan, and are both the source of Japanese economic vitality as well as the primary force underpinning regional economies. The size and conditions of each SME differ, such as companies that sustain the regional economy with many employees, long-established companies with a history over one hundred years and family-owned private shops.

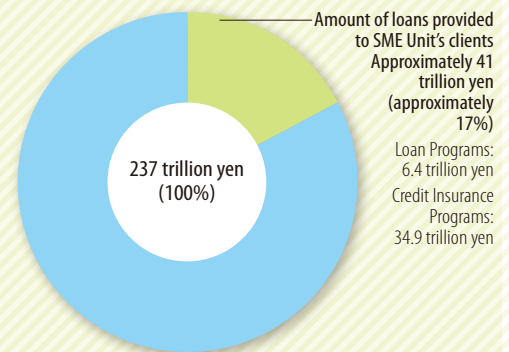
▼ Share of SME Unit's Clients in Total Number of Enterprises



Sources: Ministry of Internal Affairs and Communications, "2009 Economic Census for Business Frame," edited by the Small and Medium Enterprise Agency, and others.

The SME Unit provides a wide range of support to meet the individual needs of each SME through its financial tools, Loan Programs, Credit Insurance Programs and Securitization Support Programs.

▼ Share of SME Unit's Clients in Total Amount of Outstanding Loans to SMEs



Source: Bank of Japan, "Financial and Economic Statistics Monthly," and others.

The SME Unit facilitates funds to 1.6 million SMEs (approximately 40%) and accounts for 17% of outstanding loans to SMEs.

➔ Characteristics of SME Unit's Clients

Loan Programs

- Number of clients 46 thousand enterprises
- Average loan for FY2011
- Average loan amount per client 105 million yen
- Average term of loan 6 years and 11 months
- Average amount of capital per client 50 million yen
- Average number of employees per client 77
- Approximately 80% of outstanding loans are loans to enterprises with more than 20 employees, and approximately 90% have capital of 10 million yen or more.
- Covers a wide range of industries particularly manufacturing (approximately 50% of outstanding loans as of end of FY2011)

Credit Insurance Programs

- Number of clients 1.54 million enterprises^(Note)
- Average insurance for FY2011
- Average amount of insurance accepted per client 19 million yen
- Average term of insurance 5 years and 4 months
- Average number of employees per client 8
- Approximately 70% of the outstanding amount of insurance accepted is insurance to enterprises with fewer than 20 employees, and approximately 70% have capital of 10 million yen or less.
- Covers a wide range of industries

Note: Number of enterprises utilizing the Credit Guarantee System

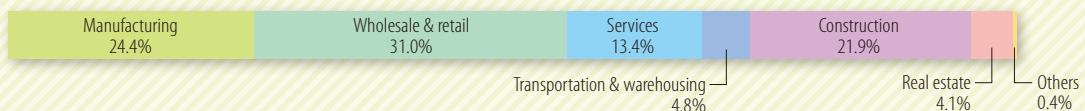
Note: Results are current as of March 31, 2012.

The SME unit also helps to maintain employment, with the number of employees at the 46 thousand companies receiving support (direct loans) rising to approximately 2.6 million persons (as of March 31, 2012).

▼ Outstanding Loans by Type of Industry (Loan Programs) (FY2011 year-end)



▼ Outstanding Amount of Insurance Accepted by Type of Industry (Credit Insurance Programs) (FY2011 year-end)



The Roles and Scope of the SME Unit as Policy-based Financing

Policy-based financing in Japan involves providing financial support based on the nation's key policies. These fields include new business development, management innovation, business revitalization and overseas development; these areas involve high risk which private financial institutions may have difficulty in supporting. The SME Unit quantitatively supplements the loans provided

by private financial institutions whose willingness to lend may be affected by economic stagnation.

Based on a policy of supplementing private financial institutions as a policy-based financial institution specialized in SMEs, the SME Unit supports the growth and development of SMEs through its financial tools as well as serving as a safety net.



Roles and Characteristics of the SME Unit

Demonstrating a Complementary Function for Private-sector Business Activities

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

Dedicated to Long-term Funding

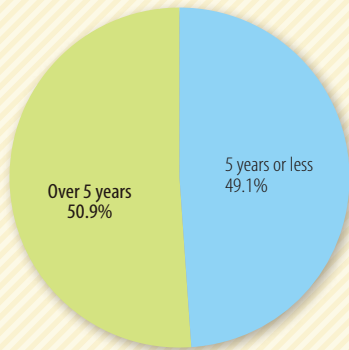
If SMEs are to grow and prosper, they must continually invest capital appropriately and consolidate their financial strength. To do this, they need to be able to raise long-term funds in a stable manner.

However, SMEs are at a disadvantage to larger enterprises in gaining 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 in providing. Over 50% of the SME Unit's loans have lending periods of longer than five years, with fixed-interest rates that make it easier to map out repayment schedules.

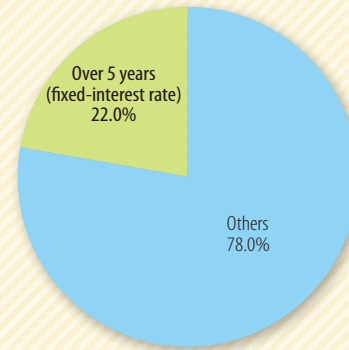
By covering those areas that private financial institutions find it hard to cover, the SME Unit meets the long-term funding needs of SMEs, which are a vital component of the Japanese economy.

▼ Breakdown of Loans of the SME Unit by Lending Period (share in terms of value) (FY2011)



Note: Data are for fixed-interest rate loans only

▼ (Reference) Breakdown of Long-term Loans of Private Financial Institutions by Lending Period (share in terms of number of borrowers) (FY2011)



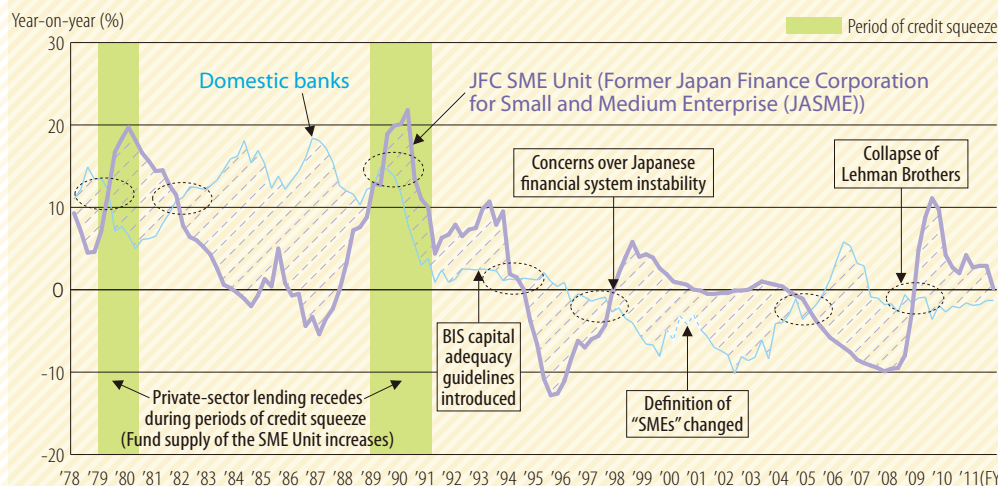
Source: JFC, "Quarterly Survey on SME Trends" (FY2011)

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 FY1993 forward, overdrafts have been included in the calculation base. Second-tier regional banks have been included in this category since FY1990.
- 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.

Source: Bank of Japan, "Financial and Economic Statistics Monthly"

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

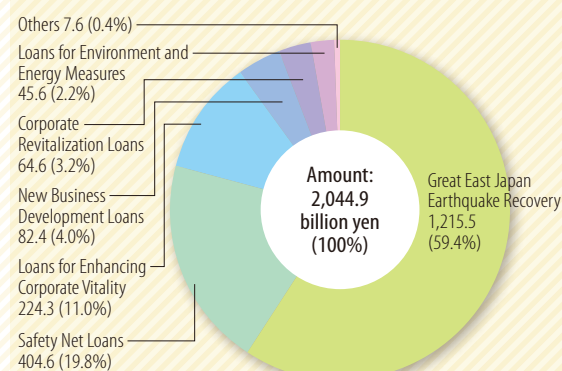
Promoting Policy-based Special-purpose Loans

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, overseas expansion, safety nets, regional economic revitalization, environmental measures, countermeasures against natural disasters, and stimulation

of capital investment to promote employment, among others.

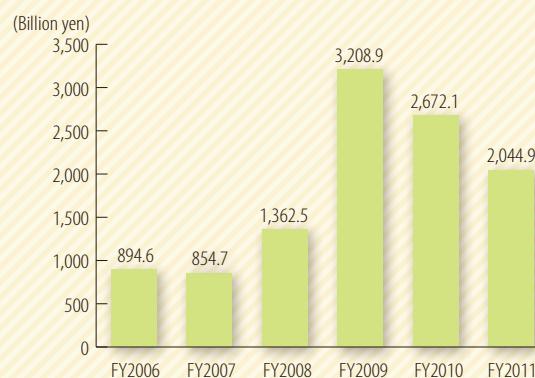
During FY2011, amid the Great East Japan Earthquake and the global financial crisis, the SME Unit took concerted steps to fully exercise its safety-net function. In this manner, the SME Unit made every effort to support SMEs, which continued to experience increasingly difficult cash flow conditions brought on by a deteriorating operating environment.

▼ Breakdown of Loans (FY2011)
(Billion yen)



(Loans include corporate bonds. Breakdown is calculated by excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total loan results.)

▼ Special-purpose Loans Performance Trends



Note: Including corporate bonds, but excluding facility leasing and investment development loans.

➔ 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) ¥2,818.6 billion (FY2009)
2011 Catastrophe caused by the Great East Japan Earthquake.	2010— Safety Net Loans ¥2,203.8 billion (FY2010) Great East Japan Earthquake Recovery Loans ¥1,215.5 billion (FY2011)

Note: The names of the loans listed above are as of their scheme termination dates, or, for active schemes, as of March 31, 2012.

Flexibly Responding to Relaxation of Repayment Terms, Promoting Efforts with Private Financial Institutions for Financing Facilitating

As a policy-based financial institution, the SME Unit has responded flexibly to meet the needs of customers that are experiencing financing difficulties by relaxing the repayment terms for existing loans. Furthermore, based on the spirit of the SME Financing Facilitation Act,

which came into effect in December 2009, while deepening its relationship with private financial institutions, the SME Unit has further promoted efforts for the facilitation of financing, such as by improving internal systems and comprehensively raising customer awareness.

Demonstrating a Credit Supplementation Function

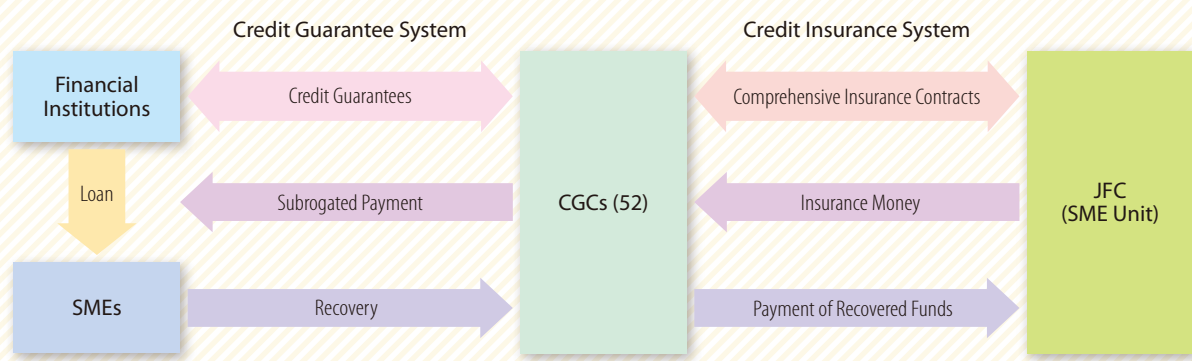
Facilitating the Smooth Flow of Funds to SMEs by Working Together with the Credit Guarantee System

Role of Credit Insurance System

The SME Unit insures guaranteed liabilities (i.e., credit guarantees) provided by CGCs to SMEs that fall short in terms 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 Credit Insurance System is to promote the development of SMEs

by insuring guarantees 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



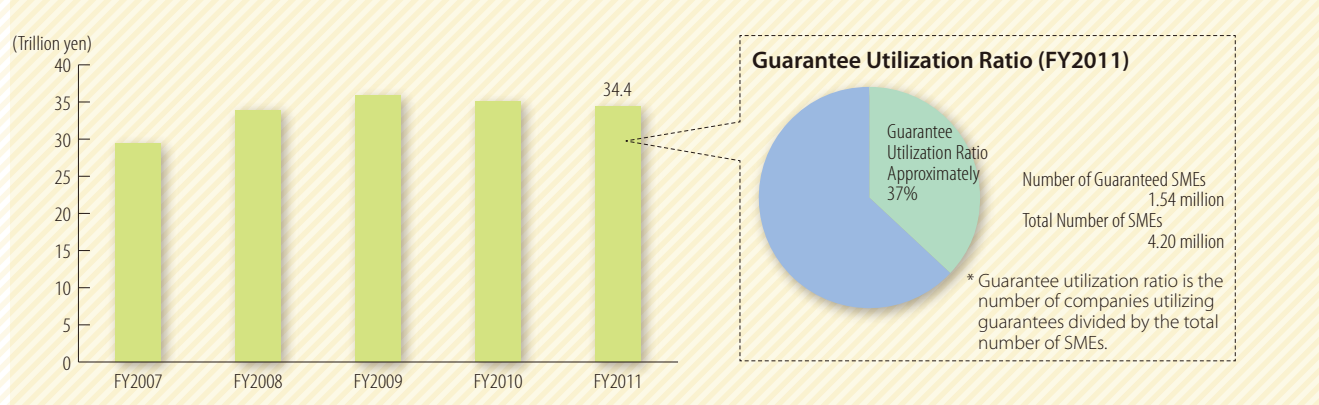
* Credit Guarantee Corporations (CGCs)
 Special public corporations established under the CGC Law. Numbering 52 across Japan, these corporations guarantee loans from financial institutions to SMEs, make subrogated payments against defaults by SMEs, and subsequently recover funds from the SMEs in question.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

Approximately 37% of SMEs Utilize the Credit Supplementation System

As of the end of March 2012, the portion of outstanding loans to SMEs guaranteed by CGCs (i.e., outstanding guaranteed liabilities) amounted to some 34 trillion yen, accounting for approximately 14% of all loans to SMEs.

Moreover, some 1.54 million SMEs, or approximately 37% of all SMEs in Japan, were raising funds with the support of the Credit Guarantee System.
 By providing insurance on such guarantees, the Credit Insurance System is contributing to the management stability of SMEs, and to their growth and prosperity by facilitating the smooth flow of funds.

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



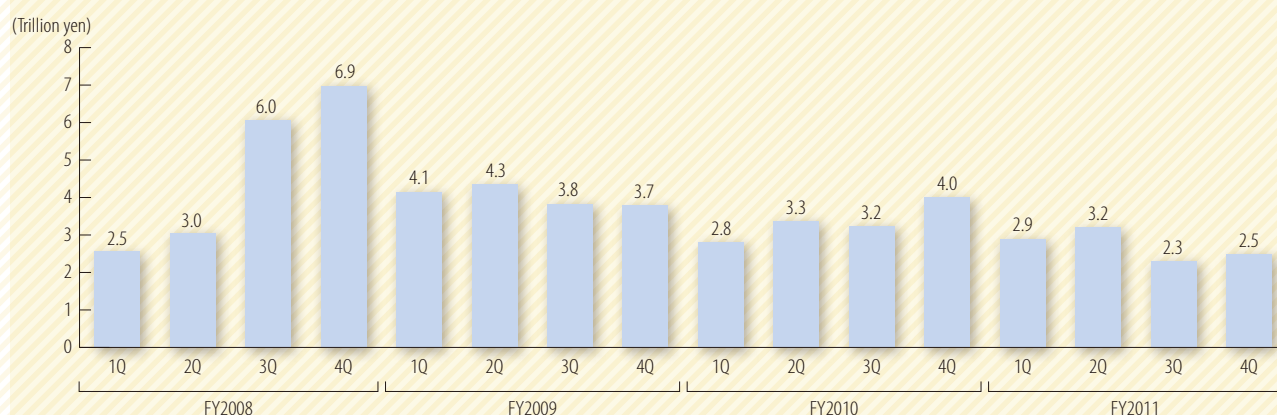
A Powerful Tool for Promoting the Government's Economic Policy

Functioning as a Safety Net that Copes with Rapid Changes in the Environment

Credit Guarantee Corporations throughout Japan have implemented safety net guarantees in light of recent economic and financial conditions, including the high yen. They have also implemented the Great East Japan Earthquake Recovery Emergency Guarantee Program based on the Special financial support by the Special Financial Support Act for the Great East Japan Earthquake.

By underwriting the insurance for these guarantees, the SME Unit helped in raising funds for SMEs that were facing difficulties in financing due to the negative impacts of the Great East Japan Earthquake, global financial market instability, and economic contraction.

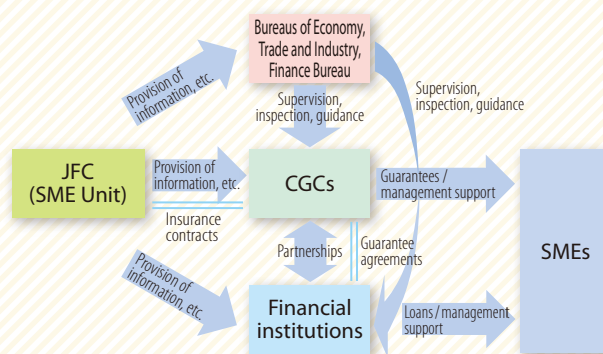
▼ Changes in the Amount of Insurance Accepted



Strengthening of Partnerships with CGCs, Aimed at the Establishment of a Sustainable Operational Basis for the Credit Supplementation System

The SME Unit promotes the sound operation of the system while building close relationships with other institutions such as CGCs and Bureaus of Economy, Trade and Industry, through measures such as the provision of information and the exchange of opinions.

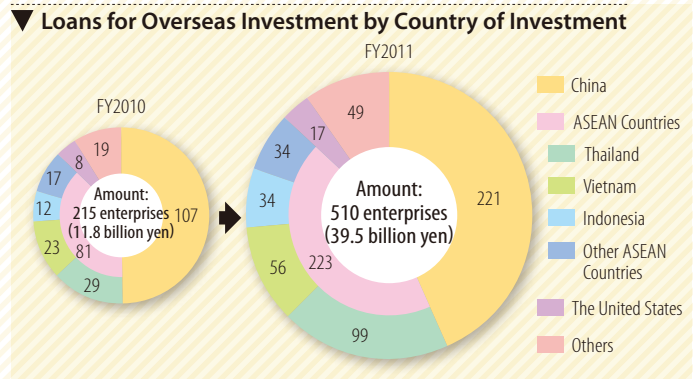
Given the heightened risks associated with modified loan terms and conditions and the effects of the Great East Japan Earthquake, the strong yen, and other factors, the SME Unit will continue to promote partnerships in support of efforts aimed at the operation of sustainable systems.



Proactively Supporting SMEs Dealing with Internationalization in Both Funding and Information

Loans for Overseas Investment

Client companies of the SME Unit have about 5,000 local subsidiaries actively engaged overseas. The SME Unit actively provides Loans for Overseas Investment that support the overseas expansion of SMEs, and many SMEs have taken advantage of the loans. During FY2011, many SMEs used this program, with loans being provided to 510 companies (a 237% increase compared to the previous fiscal year), totaling 39.5 billion yen (a 333% increase compared to the previous fiscal year).



Support for Resolving Overseas Management Issues

In partnership with representative offices in Bangkok and Shanghai as well as other relevant organizations overseas, the SME Unit provides support for the resolution of various management issues faced by SMEs in expanding their businesses overseas.

Example of SME Unit's Support for Solving Business Challenges (Representative Office in Bangkok)

Business Challenge

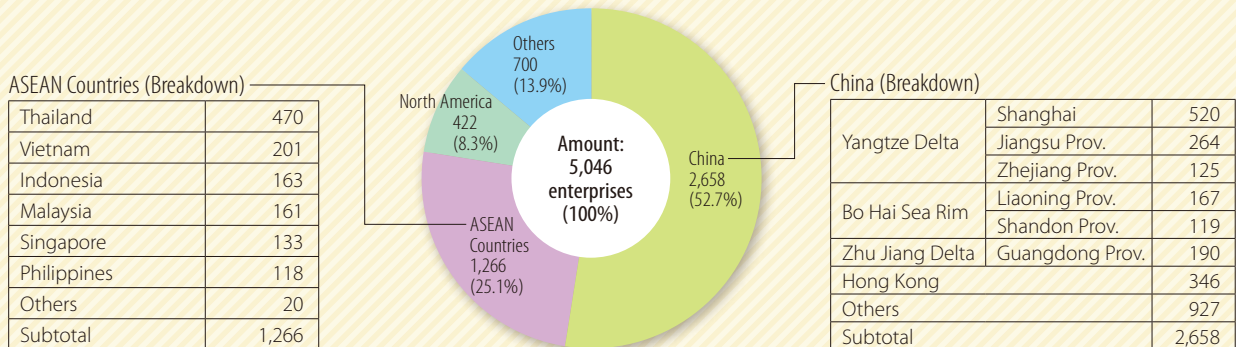
Company A (an electronic equipment manufacturer) was considering manufacturing in Thailand in order to reduce production costs, and made a request to the SME Unit for information regarding the investment environment in Thailand.

Support from the SME Unit

At the suggestion of the SME Unit agency, Company A visited the Representative Office in Bangkok and was provided with an explanation of the investment environment in Thailand. Subsequently, in the process of undertaking a full survey for the purposes of expansion, Company A received introductions from the Representative Office to potential suppliers and contractors from among local subsidiaries of JFC clients and other local companies, as well as consultants for providing information on company establishment procedures. Company A was also able to actively obtain information from other companies that had already expanded into Thailand by participating in exchange meetings with local subsidiaries of Japanese companies.

Based on consideration of this information, Company A made the decision to expand into Thailand. The SME Unit supplied financing by providing capital and sub-lending funds (a Loan for Overseas Investment) to Company A's Thai subsidiary for the purpose of overseas business expansion.

▼ Number of SME Unit's Clients Operating Overseas (FY2011 year-end)



Supporting Greater Business Opportunities Overseas for SMEs, by Utilizing Collaborative Networks with Various Overseas-related Organizations, and by Holding Seminars and Business Negotiation Meetings in Japan and Overseas

Holding of Seminars on Overseas Business Expansion in Japan

In February 2012, the Tokyo Branch (the Small and Medium Enterprise Unit, and the Micro Business and Individual Unit) held a seminar for clients who were considering investments in Shanghai, which was attended by 120 people from among JFC clients and other companies.

The seminar featured a presentation by Shanghai's SME promotion organization known as the Shanghai Small Enterprises Trade Development Service Center, entitled "Shanghai's Policies on Attracting Foreign Companies and Support for SMEs." A panel discussion was also held on the topic of "Issues Faced by Japanese SMEs in Shanghai and Solutions to those Issues," with panelists including JFC clients and representatives of the Japan-China Investment Promotion Organization.



Panel Discussion at Overseas (Shanghai) Development Seminar Held by the Tokyo Branch

Holding of Business Negotiation and Network Meetings Overseas

➔ Japan-Thailand Business Negotiation Meeting

In collaboration with the Small and Medium Enterprise Development Bank of Thailand (SME Bank), a policy-based financial institution for Thai SMEs, the SME Unit organizes Business Negotiation Meetings as a platform for matching the overseas subsidiaries of Japanese client companies with local companies. A total of about 140 businesses, comprised of local companies with ISO and other official certifications, which were introduced by the SME Bank, and overseas subsidiaries of client companies, took part in lively discussions during the sixth Business Negotiation Meeting, held in February 2012.



Business Negotiation Meetings

➔ Commemorative Seminar and Business Network Meeting for the Establishment of the Shanghai Representative Office

In November 2011, a seminar and business network meeting was held in Shanghai to commemorate the establishment of the Shanghai Representative Office, which was attended by approximately 220 managers and other personnel from local subsidiaries of client companies. The topic of the seminar was "The Chinese Economy and Business Prospects for Japanese Companies in China," presented by an attorney with expertise in Japan-China legal and economic issues. In conjunction with the commemorative seminar, a memorandum of understanding was signed with the Shanghai Small Enterprises Trade Development Service Center, with the objective of promoting business partnerships between SMEs in Japan and those in China.



Commemorative Seminar for the Establishment of the Shanghai Representative Office

Supporting Local Funds Procurement Overseas

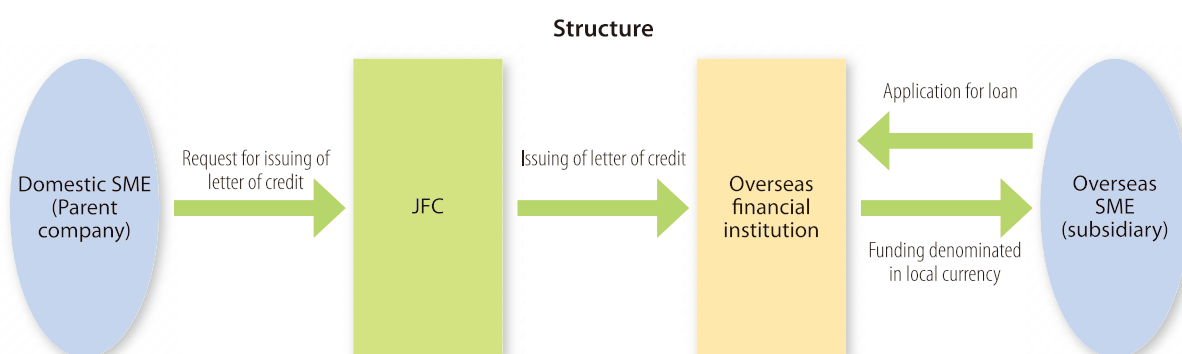
Commencement of the Standby Credit Program

The standby credit program was launched to support procurement of funds locally by SMEs engaged in overseas expansion.

Standby credit is a letter of credit issued with the same objective as a loan guarantee. After receiving a request from a Japanese parent company, JFC assists by issuing standby credit to a local bank, which enables the local overseas subsidiary to procure funds quickly and efficiently from the local bank. The advantages of the program include: (1) funds procurement in locally accepted currency, (2) avoidance of currency exchange risks, and (3) initiation and strengthening of financial transactions with local banks.

Those eligible for the program are SMEs that have formulated a Business Innovation Plan, New Business Entry Plan for Collaboration in Different Fields, Regional Industrial Resources Utilization Business Plan or an Agricultural and Commercial Collaboration Business Plan, with the plan having been approved by the competent minister or other relevant authority.

The program was launched in Thailand, forming a business partnership with Bangkok bank at 26th September 2012. The area will be gradually expanded such as other ASEAN countries and China, where many clients have set up overseas operations.



Cooperation with Overseas Institutions

➔ Cooperation with APEC Financial Institutions Dealing with SMEs

To promote cooperation with SME-related financial institutions within the APEC region, the SME Unit signed an MOU^(Note) with 13 financial institutions in the region, including the China Development Bank (CDB) and the Small and Medium Enterprise Development Bank of Thailand (SME Bank). The SME Unit attends the annual meeting and engages in technical cooperation and information exchange.

Note: Memorandum of Understanding on Cooperation among APEC (Asia-Pacific Economic Cooperation) Financial Institutions Dealing with SMEs



The 8th Annual Meeting of APEC Financial Institutions Dealing with SMEs (Mexico)

➔ Cooperation with ACSIC Member Institutions

The Asian Credit Supplementation Institution Confederation (ACSIC) comprises 16 institutions including the Korea Credit Guarantee Fund (KODIT), PT. Asuransi Kredit Indonesia (PT. Askrindo) and Thai Credit Guarantee Corporation (TCG). As an ACSIC member, the SME Unit attends the annual conference and actively encourages mutual exchange with institutions engaged in implementing the Credit Supplementation System.



The 24th ACSIC Conference (India)

Providing Financing and Other Support for the Recovery and Business Resumption of SMEs that Have Sustained Damage due to the Disaster

Disaster Recovery Loans

As a measure for SMEs that have sustained damage due to earthquakes, typhoons or other types of natural disasters, as well as establishing the special consultation desk, the SME Unit provides support for recovery and business resumption through the provision of Disaster Recovery Loans.

▼ Disaster Recovery Loans

Date of disaster		Name of disaster	Main affected areas	Loans granted	
Year	Month			Number of cases	Amount
1995	1	Great Hanshin-Awaji Earthquake	Osaka, Hyogo	3,906	174.8 billion yen
2004	7	Disaster caused by torrential rain	Fukui	38	0.9 billion yen
	10	Disaster caused by torrential rain and rainstorms	Kyoto, Hyogo	35	0.7 billion yen
	10	Niigata Chuetsu Earthquake	Niigata	135	3.7 billion yen
2007	7	Niigata Chuetsu-oki Earthquake	Niigata	25	0.4 billion yen
2011	3	Great East Japan Earthquake	Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima	18,234	1,224.0 billion yen

Response to the Great East Japan Earthquake

The SME Unit has taken the following responses aimed at recovery support and business resumption of SMEs affected by the Great East Japan Earthquake:

1. Established special consultation services for the Great East Japan Earthquake at branch offices nationwide, and has responded to inquiries about financing and repayments from affected SMEs.
2. Has reduced the interest rate of Disaster Recovery Loans for SMEs that sustained particularly extensive damage as a result of the disaster.
3. Due to concerns of a worsening management environment for SMEs caused by the effects of the planned blackouts arising from the Great East Japan Earthquake or by damage caused by rumors associated with the problems at the nuclear power plants in Fukushima Prefecture, has expanded the safety-net loans system, and has taken such measures as reducing interest rates for people who meet certain conditions.
4. As for inquiries about repayments from SMEs affected by this disaster, has strived to respond compassionately and to alleviate the burden, in view of the individual circumstances of the affected SMEs.

Great East Japan Earthquake Recovery Special Loan

Following approval of the first supplementary budget for FY2011, the Great East Japan Earthquake Recovery Special Loan—a loan program directed at SMEs—commenced on May 23, 2011.

This loan program was created in response to the Great East Japan Earthquake, and it integrates several financing programs that already existed. It significantly enhances the maximum loan

amounts, interest rate reductions and other measures. In particular, it provides for “separate loan limits” for people who have been affected directly and indirectly. Furthermore, the loan program also covers people whose cashflows have significantly deteriorated due to such effects as those attributable to damage caused by rumors.

Eligibility	Maximum amount	Loan period (grace period)	Interest rate
<ul style="list-style-type: none"> ◆ People affected directly by the earthquake ◆ People who own business premises within a caution zone, etc., related to the nuclear accidents^(Note 1) 	Special quota of 300 million yen	Facility funds: maximum 20 years (up to 5 years) Operating funds: maximum 15 years (up to 5 years)	People issued with a damage certificate, etc.: <ul style="list-style-type: none"> ● 0.5% reduction from the standard rate ● For first 3 years of loan, 1.4% reduction from the standard rate for up to 100 million yen
People indirectly affected (people who have a certain degree of business with the eligible people listed above)		Facility funds: maximum 15 years (up to 3 years) Operating funds: maximum 15 years (up to 3 years)	People issued with a damage certificate, etc.: <ul style="list-style-type: none"> ● maximum of 0.5% reduction from the standard rate^(Note 2) ● For first 3 years of loan, maximum of 1.4% reduction from the standard rate for up to 30 million yen
Other people whose sales, etc., have decreased due to the effects of the earthquake (including effects attributable to damage caused by rumors, etc.)	Special quota of 720 million yen	Facility funds: maximum 15 years (up to 3 years) Operating funds: maximum 8 years (up to 3 years)	Maximum of 0.5% reduction from the standard rate ^(Note 2)

Notes: 1. Caution zones, planned evacuation zones, emergency evacuation preparation zones

2. 0.3% reduction for decrease in sales, etc.; 0.2% reduction on condition of maintaining/increasing employment

Utilizing Securitization Methods to Support the Smooth Supply of Unsecured Funds to SMEs and the Diversification of Financing Instruments

Supporting the Smooth Supply of Unsecured Funds by Private Financial Institutions Using Securitization Methods

In light of the growing need to facilitate SME financing, loan claims for SMEs are being securitized.

The SME Unit uses securitization methods to support the smooth supply of unsecured funds to SMEs by private financial institutions and the diversification of the means available to SMEs for obtaining funds. Furthermore, by appropriately sharing the credit risks, credit analysis and administrative burdens of securitization, the SME Unit offers securitization methods convenient for private

financial institutions to use.

By utilizing such methods as purchase-type and guarantee-type securitization support programs, and in collaboration with a cumulative total of 161 financial institutions, between July 2004 when the programs were started and March 31, 2012, the SME Unit had supported the provision of 218.8 billion yen of unsecured funds to a total of 7,439 SMEs.

▼ State of Funds Provision (Cumulative for July 2004 through end of March 2012)

	Purchase-type (cash type)	Purchase-type (synthetic type)	Guarantee-type	Own-type ^(Note 1)	Total
Number of CDO deals	10 deals	4 deals	6 deals	7 deals	22 deals ^(Note 2)
Number of companies	2,317 companies	2,814 companies	2,308 companies	1,752 companies	9,191 companies
Amount	53.8 billion yen	70.7 billion yen	94.4 billion yen ^(Note 3)	92.6 billion yen	311.5 billion yen
Participating financial institutions	89 institutions	65 institutions	7 institutions	—	161 institutions
City banks	1 institution	—	2 institutions	—	3 institutions
Regional and second-tier banks	36 institutions	20 institutions	—	—	56 institutions
Credit associations	46 institutions	42 institutions	1 institution	—	89 institutions
Credit cooperatives	6 institutions	3 institutions	—	—	9 institutions
Other	—	—	4 institutions	—	4 institutions

Notes:1. Operations involving loan claims for loans by JFC itself or the securitization of acquired corporate bonds.

2. Of the 27 CDO deals, 5 were combinations of purchase-type and own-type.

3. Indicates the aggregate principal amount of loan claims. Guarantees total 66.1 billion yen (70% guarantee of the aggregate principal amount of loan claims of 94.4 billion yen).

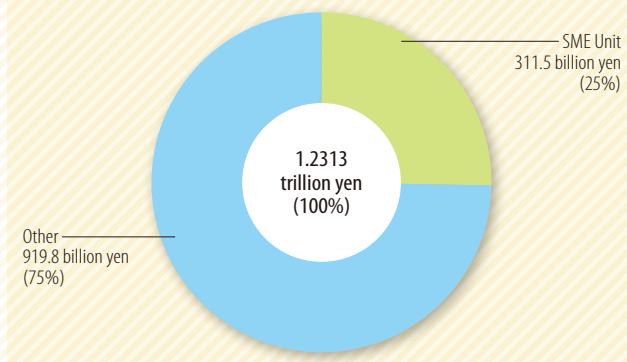
➔ Contributing to the Maintenance and Development of the CLO Market

CLOs (collateralized loan obligations) for SMEs issued as part of SME Unit securitization support operations have reached a cumulative total of 281.7 billion yen^(Note 4) since these operations were initiated in FY2004.

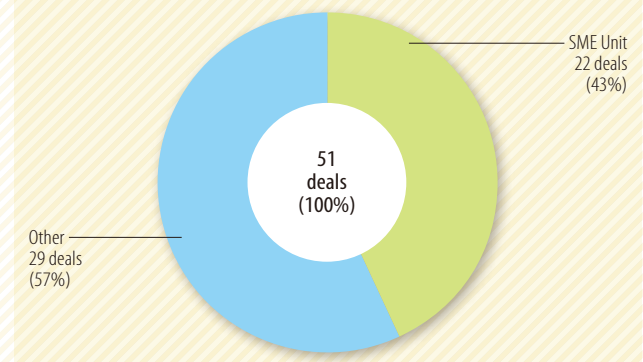
The SME Unit works to arrange CLOs for SMEs, actively carrying out information disclosure at the time of issue and during the term, and helping to maintain and develop the CLO market.

Notes:4. This amount excludes portions held by the SME Unit and participating financial institutions.

▼ Ratio of CDO deals Amount of SME CLOs Held by the SME Unit (FY2004-FY2011)

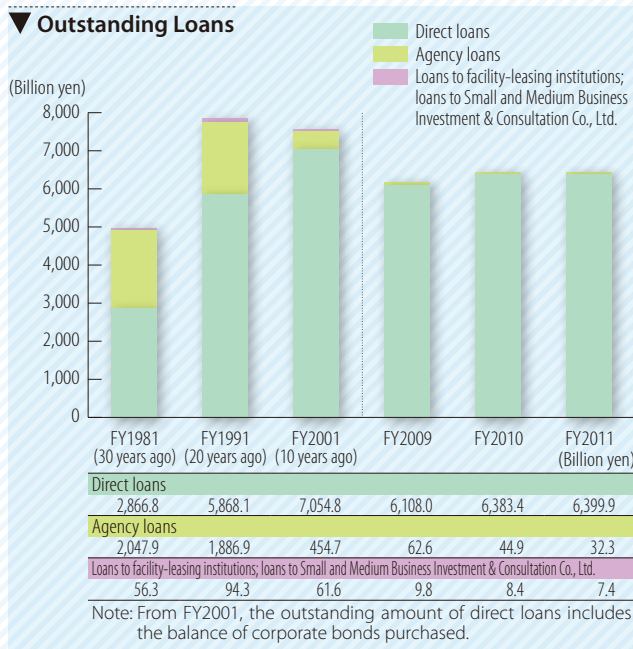


▼ Ratio of CDO deals Number of SME CLOs Held by the SME Unit (FY2004-FY2011)

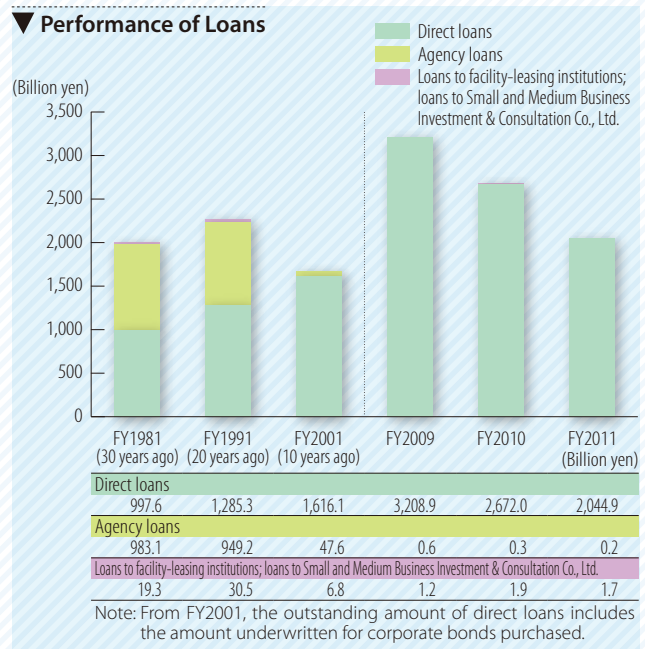


State of Loan Programs

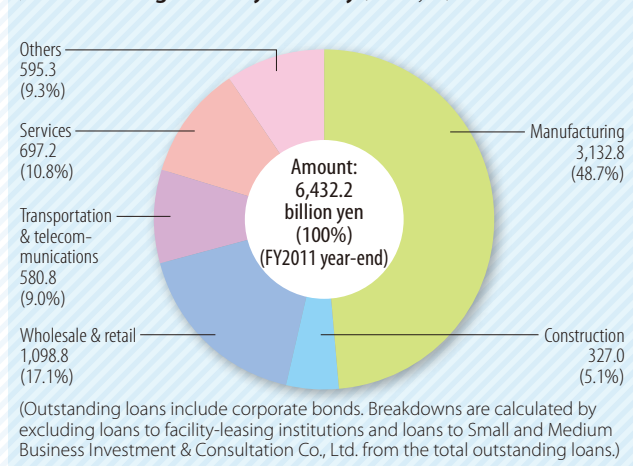
Outstanding Loans



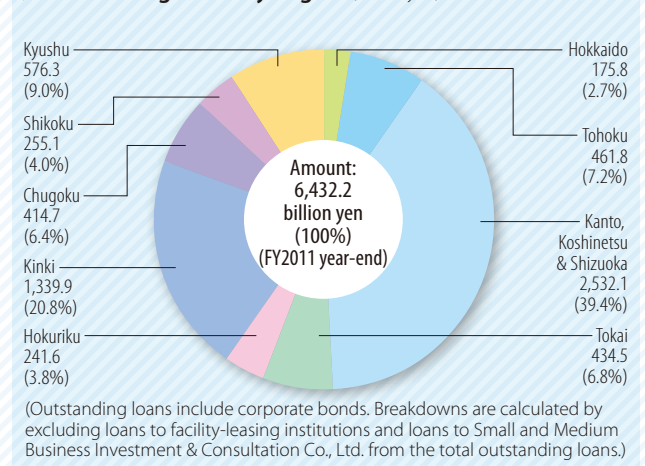
Performance of Loans



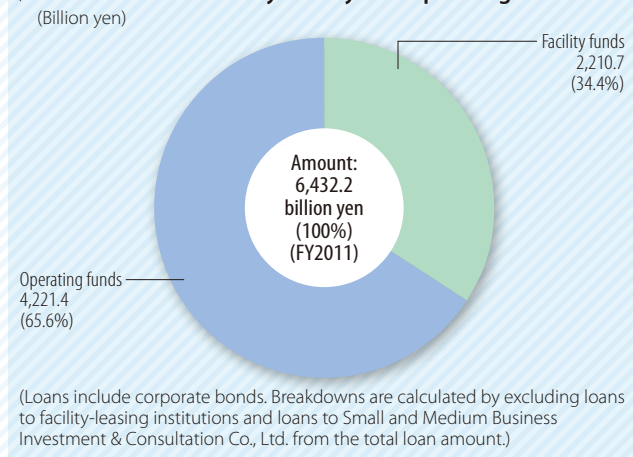
Outstanding Loans by Industry (Billion yen)



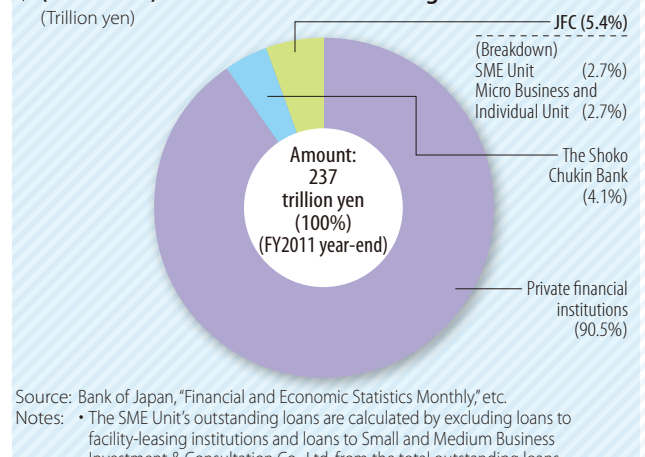
Outstanding Loans by Region (Billion yen)



Breakdown of Loans by Facility and Operating Funds (Billion yen)

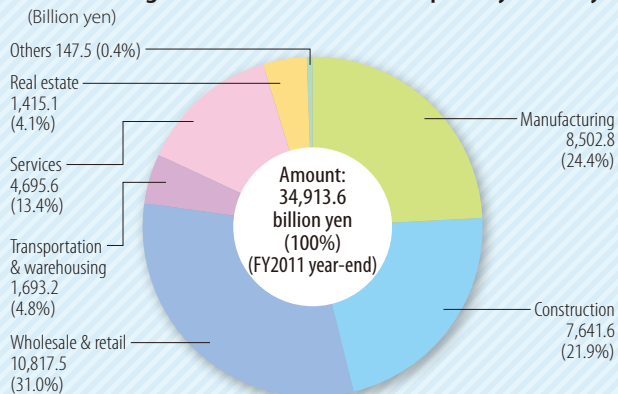


(Reference) JFC's Share of Outstanding Loans to SMEs (Trillion yen)

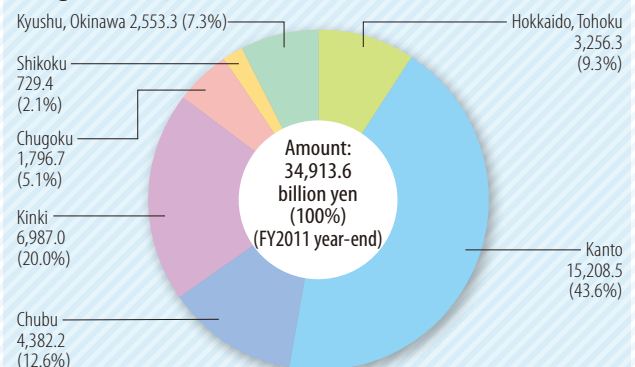


State of Credit Insurance Programs (Small Business Credit Insurance)

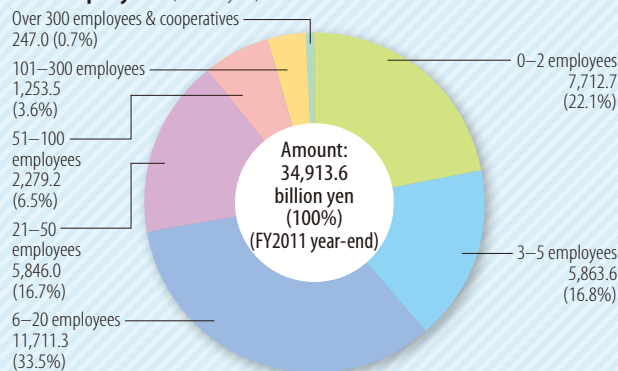
Outstanding Balance of Insurance Accepted by Industry (Billion yen)



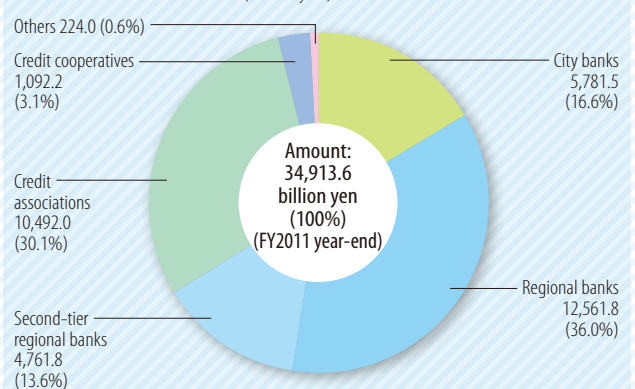
Outstanding Balance of Underwritten Insurance by Region (Billion yen)



Outstanding Balance of Insurance Accepted by Number of Employees (Billion yen)

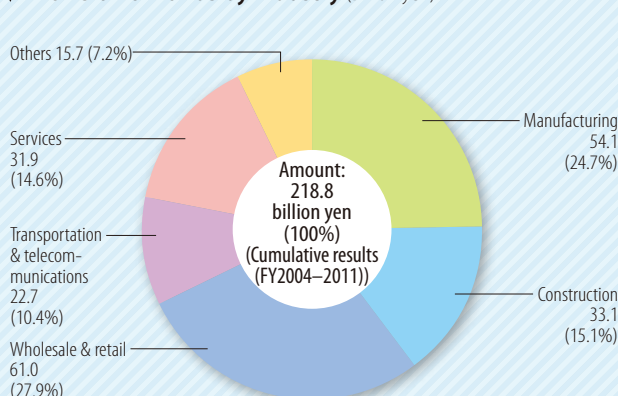


Outstanding Balance of Insurance Accepted by Type of Financial Institution (Billion yen)

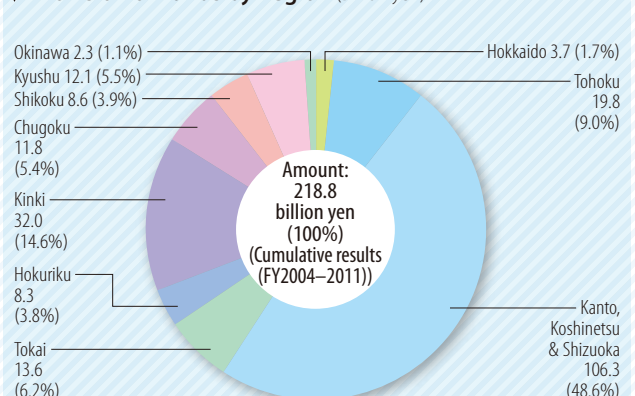


State of Securitization Support Programs

Provision of Funds by Industry (Billion yen)



Provision of Funds by Region (Billion yen)



Head Office

1-9-3, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

Number of Loan Offices: 152

For additional information and/or inquiries concerning the following programs, please contact:

Loan Programs and Securitization Support Programs

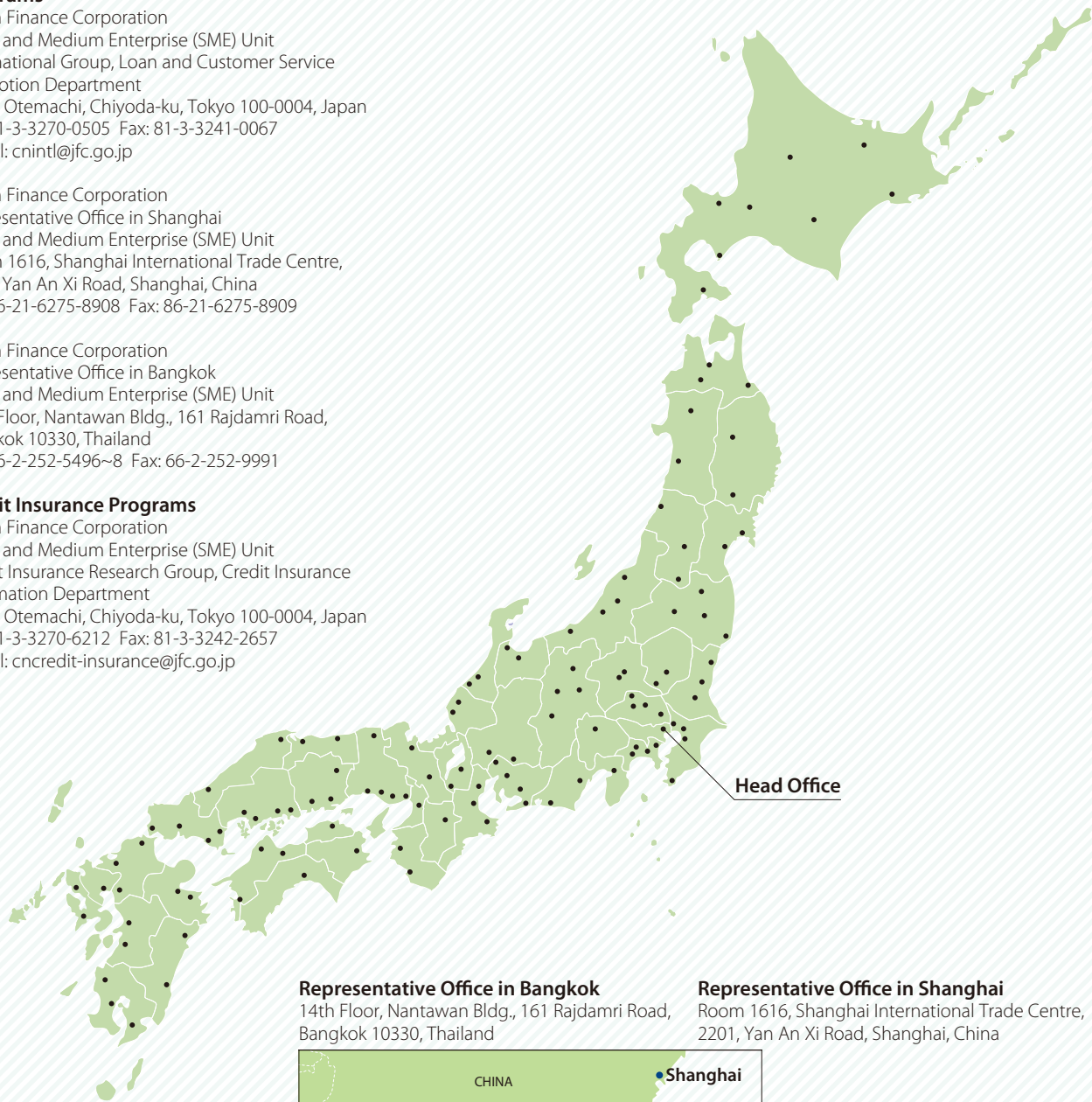
Japan Finance Corporation
 Small and Medium Enterprise (SME) Unit
 International Group, Loan and Customer Service
 Promotion Department
 1-9-3, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
 Tel: 81-3-3270-0505 Fax: 81-3-3241-0067
 E-mail: cnintl@jfc.go.jp

Japan Finance Corporation
 Representative Office in Shanghai
 Small and Medium Enterprise (SME) Unit
 Room 1616, Shanghai International Trade Centre,
 2201, Yan An Xi Road, Shanghai, China
 Tel: 86-21-6275-8908 Fax: 86-21-6275-8909

Japan Finance Corporation
 Representative Office in Bangkok
 Small and Medium Enterprise (SME) Unit
 14th Floor, Nantawan Bldg., 161 Rajdamri Road,
 Bangkok 10330, Thailand
 Tel: 66-2-252-5496~8 Fax: 66-2-252-9991

Credit Insurance Programs

Japan Finance Corporation
 Small and Medium Enterprise (SME) Unit
 Credit Insurance Research Group, Credit Insurance
 Information Department
 1-8-2, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
 Tel: 81-3-3270-6212 Fax: 81-3-3242-2657
 E-mail: cncredit-insurance@jfc.go.jp



Representative Office in Bangkok

14th Floor, Nantawan Bldg., 161 Rajdamri Road,
 Bangkok 10330, Thailand

Representative Office in Shanghai

Room 1616, Shanghai International Trade Centre,
 2201, Yan An Xi Road, Shanghai, China





October 2012

This publication has been printed on recycled paper that conforms to the environmental requirements as stipulated by the "Act on Promoting Green Purchasing" (Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities).



This publication has been printed using vegetable oil ink.