

Overview of Operations



1	Micro Business and Individual Unit	20
2	Agriculture, Forestry, Fisheries and Food Business Unit (AFFF Unit)	26
3	Small and Medium Enterprise Unit (SME Unit)	32
4	Japan Bank for International Cooperation (JBIC)	38
5	Operations to Facilitate Crisis Responses and Specific Businesses Promotion, etc.	44
6	Research Institute	46



1 Micro Business and Individual Unit

Overview of Operations

The Micro Business and Individual Unit acts as a community-based financial institution to provide business loans to micro/small enterprises and business start-ups, as well as educational loans to individuals in need of school entrance fees and other educational expenses.

Small Loans to a Large Number of Micro Businesses

- Loans have been made to 1.03 million businesses.
- The average loan balance per business is 6.34 million yen.
- Approximately 90% of borrowers are businesses with nine or fewer employees, and approximately 40% are sole proprietorship.

Safety Net Financing

- Loans made to micro/small enterprises experiencing financing difficulties because of a changing business environment remained at a high level in FY2010.
- Through loans and other means, the Unit supports the rehabilitation and reconstruction of micro/small enterprises that have suffered damage at times of disaster such as earthquakes, typhoons and heavy snowfalls.

Supporting Business Start-ups

- The number of loans made to business start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) reached more than 18,000 a year.
- It is estimated that about 80,000 jobs were created annually as a result.

Supporting Regional Revitalization

- Supporting "social businesses" which are engaged in solving community issues.
- Supporting the revitalization of city centers and shopping districts.

Collaboration with Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations

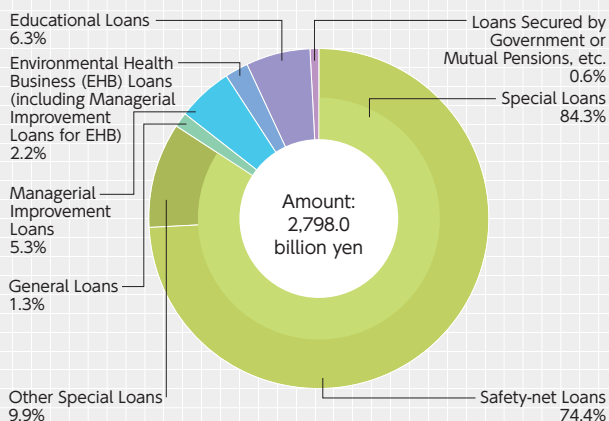
- The Unit works in close collaboration with such organizations as Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations to support the financial improvement of micro/small enterprises, and help maintain or improve the sanitation level of environmental health-related businesses.

Support through Educational Loans, etc.

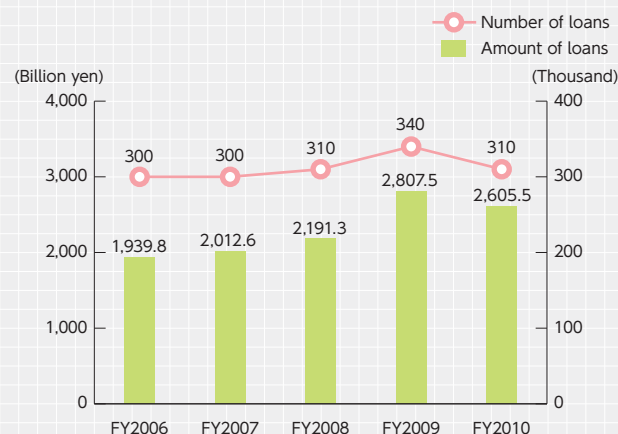
- Approximately 120,000 Educational Loans are made each year.
- Loans Secured by Government Pensions or Mutual Pensions are widely used for home purchases and business financing.

Details of Loans Made

(FY2010)



Trends in Business Loans



Feature of Operations

Major Player in Lending to Micro Businesses

Business Loans were provided to 1.03 million businesses. Most of the loans are for small amounts, with an average loan balance per business of 6.34 million yen. Approximately 90% of the borrowers have nine or fewer employees, and approximately 40% of them are sole proprietorship. Loans that are not secured by any collateral account for approximately 80% of all loans (in number). Furthermore, approximately 30% (in number) of all loans are without collateral or guarantors. More than 70% of all loans (in number) are provided without a third-party guarantor.

Number of Business Borrowers and Average Loan Balance per Business

(As of end of FY2010)

	JFC Micro Business and Individual Unit	Total for credit associations (271 credit associations)	Total for domestic banks (144 banks)
Number of business borrowers (million)	1.03	1.18	2.16
Average loan balance per business (million yen)	6.34	35.12	81.09

Notes: 1. Figures for JFC Micro Business and Individual Unit are total of General Loans and Environmental Health Business Loans.

2. Domestic banks include major commercial banks, regional banks, secondary regional banks, and trust banks.

3. Figures for credit associations and domestic banks do not include loans to individuals (loans for housing, consumption, tax payments, etc.), loans to regional public organizations, overseas yen-loans, or loans made to businesses in foreign countries in name of their domestic branches.

Source: Bank of Japan website

Breakdown of Borrowers by Number of Employees (based on number of loans)

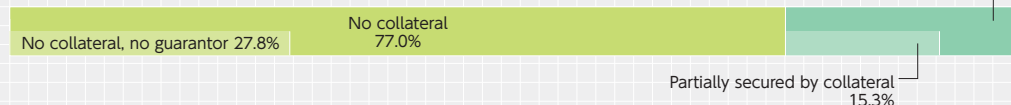
(FY2010)



Note: Breakdown is for total of General Loans and Environmental Health Business Loans.

Breakdown of Loans by Type of Collateral (based on number of loans)

(FY2010)



Notes: 1. Breakdown is for total of General Loans and Environmental Health Business Loans.

2. Loans partially secured by collateral are loans secured by real estate or other collateral whose worth is less than the amount of loan.

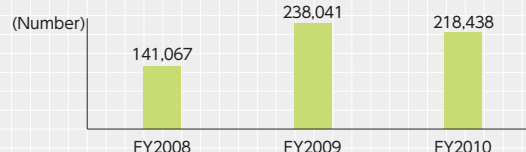
Function as a Safety Net

The number of loans made to micro/small enterprises experiencing financing difficulties because of a changing business or financial environment remained at a high level (218,438) in FY2010.

Furthermore, a special consultation service is immediately established in the event of an unforeseen event, such as a natural disaster, a major corporate bankruptcy or an outbreak of foot-and-mouth disease, so that affected micro business owners can receive consultation to find ways to ease their loan and repayment terms.

In addition to establishing special consultation desks for the Great East Japan Earthquake at 152 branches throughout Japan when the earthquake struck on March 11, 2011, the Unit has also supported the rehabilitation and reconstruction of micro/small enterprises that suffered damage by providing the Great East Japan Earthquake Recovery Special Loan.

Changes in the Number of Loans Made through the Safety-net Loan Program



Note: The figures represent the actual number of Safety-net Loans made by the Micro Business and Individual Unit in each year. Includes Environmental Health Safety-net Loans.

Special Consultation Services Established in FY2010

Special consultation services	Date of establishment
Special consultation desks for the Great East Japan Earthquake	Mar. 2011
Special consultation desks for the eruption of Shinmoedake peak (Kirishima Volcanic Range)	Feb. 2011
Special consultation desks for measures to counter the strong yen	Sep. 2010
Special consultation service addressing the torrential rain disaster in Hiroshima prefecture of July 2010	Jul. 2010
Special consultation service addressing the torrential rain disaster in Yamaguchi prefecture on Jul. 15, 2010	Jul. 2010
Special consultation service to support SMEs coping with the outbreak of foot-and-mouth disease	May 2010

Support for Business Start-ups, Fresh Starts, and Second Business Start-ups

Support for Business Start-ups

Many start-ups face difficulties obtaining financing from ordinary financial institutions for such reasons as a short business history. The Unit actively provides loans to these companies to support their business activities.

In FY2010, the Unit provided loans to 46,105 businesses that had been in business five years or less. Of these, 18,125 obtained loans prior to or within one year of start-up. It is estimated that about 80,000 jobs a year were created as a result.

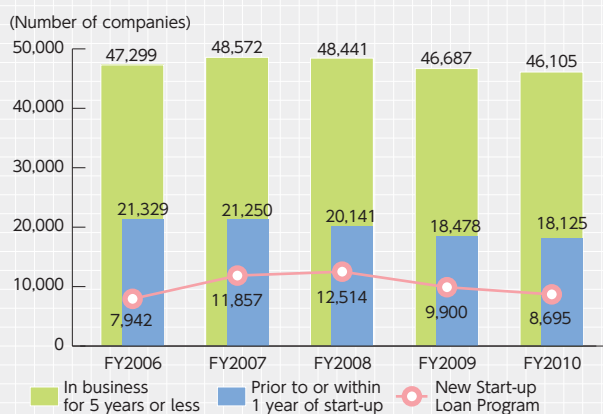
8,695 businesses received loans under the New Start-up Loan Program in FY2010. The program provides no-collateral, no-guarantor loans to start-ups that have not yet filed their tax returns for their second business year.

[Job Creation Effects]

18,125 businesses × Average employment of 4.4 persons* = 79,750 jobs

* The average number of employees at time of business start, based on Survey on Business Start-ups in Japan (FY2010) by the JFC Research Institute.

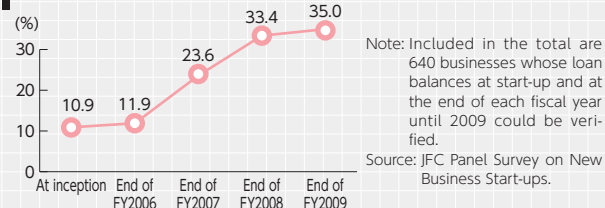
Changes in Loans to Businesses Established within the Last Five Years



[Pump-Priming for Private-Sector Financing]

The percentage of businesses that secured loans from private financial institutions has increased substantially since these businesses started. The reason is believed to be that businesses that were initiated with financing from the Micro Business and Individual Unit have grown steadily and that the Unit's financing has had a pump-priming effect, inducing new financing opportunities from private financial institutions.

Percentage of Businesses with Loans from Private Financial Institutions



Support for Fresh Starts and Second Business Start-ups

The Unit also provides support to persons who wish to start a new business for the second time, called "Challenge Again," and those who attempt a "Second Business Start-ups" by diversifying or moving into a new business field.

Number of loans for Fresh Starts
("Challenge Again" assistance fund):

611

(FY2010)

Number of loans for Second Business Start-ups
(New business activity promotion fund):

2,207

(FY2010)

Establishment of Business Start-up Support Centers and Business Support Plazas

The Unit strives to support start-ups and others attempting to restart their businesses for the second time by providing consultation at its 152 branch offices throughout Japan, as well as at its KOKUKIN Business Start-up Support Centers and KOKUKIN Business Support Plazas.

[KOKUKIN Business Start-up Support Center]

- Centers are located in 15 regions of Japan.
- Centers provide timely support to customers through collaboration with regional organizations that support start-ups.

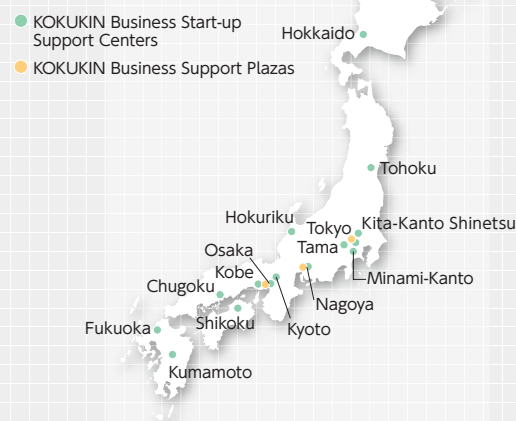
[KOKUKIN Business Support Plaza]

- There are three plazas: Tokyo, Nagoya, and Osaka.
- Appointments for consultation are available to persons who plan to start a new business and those who have never used JFC's services.
- Professional staff provide consultation, starting at the business-planning phase.
- For those who cannot visit during regular business hours, weekend and evening appointments are also available.

Note: Sunday consultations are available on first and third Sundays of each month at KOKUKIN Business Support Plaza, Tokyo.

Centers and Plazas

(As of Jul. 2011)



Support for Regional Revitalization

Active Support for Social Businesses

The Unit actively supports “social businesses (nonprofit organization (NPO), etc.)”^(Note) which are engaged in solving community issues and which create stable and ongoing employment.

Note: The term “social business” is a one which continuously promotes projects a community, such as parenting support, medical, welfare or nursing problems, or environmental problems (extract from Selection of 55 Social Businesses, Ministry of Economy, Trade and Industry (METI)).

Number of loans to NPOs:

384

(FY2010)

Supporting Revitalization in City Centers and Shopping Districts

The Unit supports parties working to revitalize city centers and shopping districts by providing information and loans under such programs as the business vitality strengthening fund and the Loans for Modernization of Grocery Retailers.

Number of loans to commence and service businesses in approved city centers:

14,335

(FY2010)

Supporting under the Challenge Support Loan Program

Through the Challenge Support Loan Program, the Unit assists businesses that are engaged in operations that can help revitalize local economies, based on medium-and long-term business plans that utilize innovative technologies or expertise. This program provides for special treatment, namely lump-sum repayment on maturity and special subordinated provisions.

Collaboration with Regional Financial Institutions

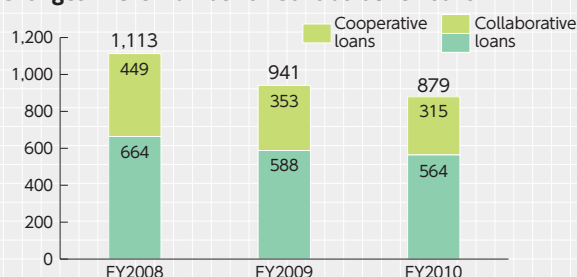
The Unit is working to reinforce its collaboration with regional financial institutions working to strengthen their relationship banking mainly in the area of start-up support operations.

Number of Financial Institutions with which the Micro Business and Individual Unit has Executed Memorandum on Business Collaboration

(As of end of July 2011)

	Large commercial banks	Regional banks	Secondary regional banks	Credit unions	Credit cooperatives	Total
Number of financial institutions (Total number of institutions)	2 (5)	28 (64)	31 (42)	230 (271)	125 (158)	416 (540)

Changes in the Number of Collaborative Loans



Note: Cooperative loans are loans Micro Business and Individual Unit provided in cooperation with regional and other financial institutions.

Supporting Use of Local Resources and Collaboration among Agriculture, Commerce and Industry

The Unit supports regional revitalization through a program that provides loans to businesses approved for a Regional Industrial Resource Utilization Business Plan or an Agriculture, Commerce and Industry Collaboration Plan.

Number of loans to businesses with approved Regional Industrial and Resource Utilization Business Plan:

28

Number of loans to businesses with approved Agriculture, Commerce and Industry Collaboration Plan:

21

(FY2010)

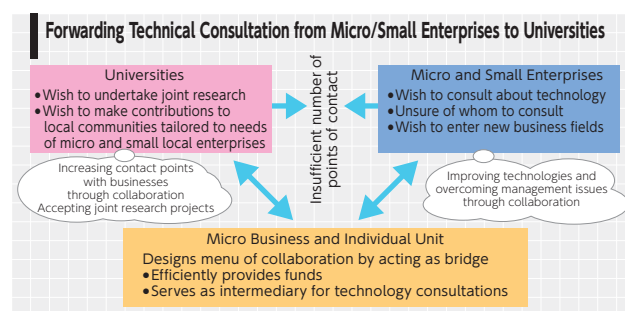
Supporting Collaboration between Industry and Academia

The Unit also supports collaboration between industry and academia by acting as an intermediary and referring technology-related inquiries from micro businesses to universities, and by providing loans to university-initiated venture companies.

Number of universities with which the Micro Business and Individual Unit executed memorandum concerning collaboration between industry and academia:

44

(As of July 31, 2011)



Supporting Business Reconstruction and Business Succession

Through the Business reconstruction & business succession support fund, the Unit supports parties undergoing corporate reorganization or business succession.

Number of loans to parties undergoing corporate reorganization or business succession

76

(FY2010)

Accommodating customers whose financing abilities have been adversely affected by such factors as a change in economic conditions or a natural disaster, the Unit flexibly responds to requests to have their repayment terms relaxed by temporarily extending principal repayment due dates or reducing monthly payment amounts. In FY2010, the Unit took steps to ease the payment terms of approximately 90,000 business loans.

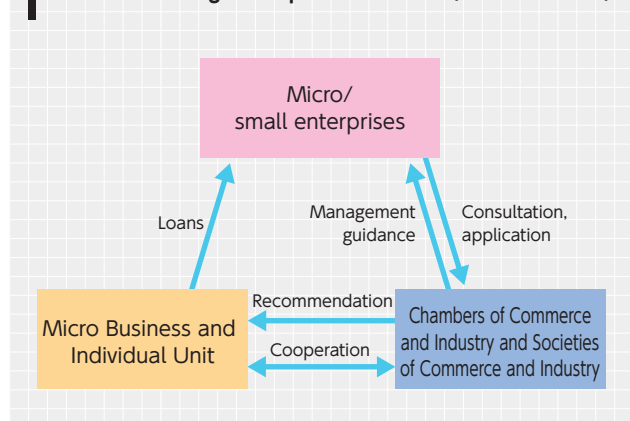
Collaboration with Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations

Collaboration with Chambers of Commerce and Industry, and with Societies of Commerce and Industry

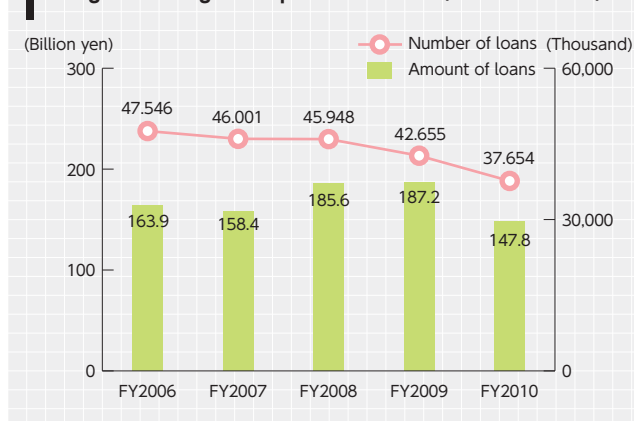
The Unit works in close collaboration with regional Chambers of Commerce and Industry, and with Societies of Commerce and Industry throughout Japan to support business improvement of micro businesses such as through Managerial Improvement Loans (MARUKEI Loans) and consultation sessions.

Managerial Improvement Loans (MARUKEI Loans) are a program whereby micro/small enterprises receiving management guidance, such as from Chambers of Commerce and Industry or Societies of Commerce and Industry, can utilize funds needed for managerial improvement without collateral or guarantors. Since the program was established in 1973, it has been accessed for approximately 4.76 million cases.

Structure of Managerial Improvement Loans (MARUKEI Loans)



Changes in Managerial Improvement Loans (MARUKEI Loans)



Expansion of Managerial Improvement Loans (MARUKEI Loans) for the Great East Japan Earthquake (from May 2011)

The maximum loan amounts for Managerial Improvement Loans (MARUKEI Loans) and Managerial Improvement Loans for Environmental Health Business have been expanded as follows for people, who are in receipt of a damage certificate, etc. and who conduct a business in accordance with a "small business operator reorganization assistance policy" or the like formulated by a Chamber of Commerce and Industry, etc.

- Increase in maximum loan amounts: 15 million yen ⇒ 15 million yen + separate limit of 10 million yen
- Interest rate reduction: Standard rate - 0.3% ⇒ (initial 3 years) Standard rate - 1.2% (for separate 10 million yen)
(4th year onwards) Standard rate - 0.3%

Holding of "One-Day JFC" Consultation Sessions at Chambers of Commerce and Industry and at Societies of Commerce and Industry

Consultation sessions called "One-Day JFCs," where staff from the Unit consult on finance, are held at Chambers of Commerce and Industry and at Societies of Commerce and Industry. Every year, many micro/small enterprises come to ask for advice.

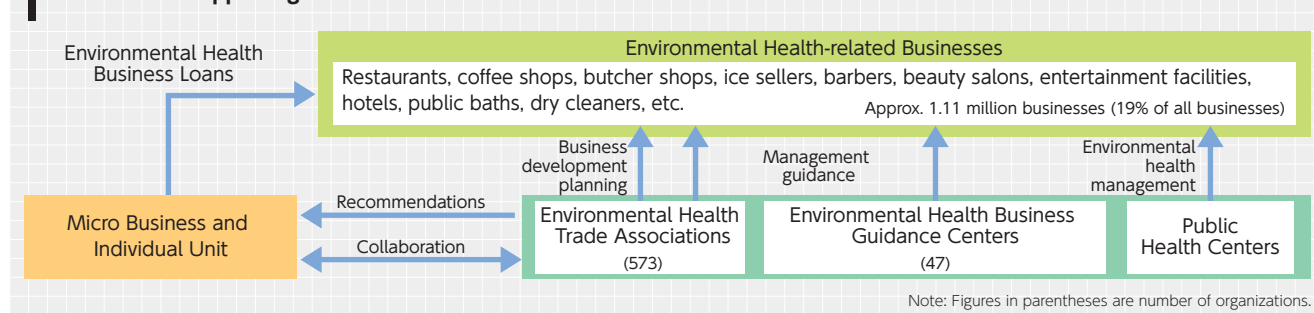
Number of "One-Day JFCs" held at Chambers of Commerce and Industry and at Societies of Commerce and Industry

FY2008	FY2009	FY2010
3,068	2,874	2,866

Collaboration with Environmental Health Trade Associations and Environmental Health Business Guidance Centers

The Unit works with such organizations as Environmental Health Trade Associations and Environmental Health Business Guidance Centers to support the maintenance and enhancement of the sanitation level of environmental health-related businesses. The majority of the borrowers of Environmental Health Business Loans are businesses with four or fewer employees, and approximately 80% are sole proprietorship.

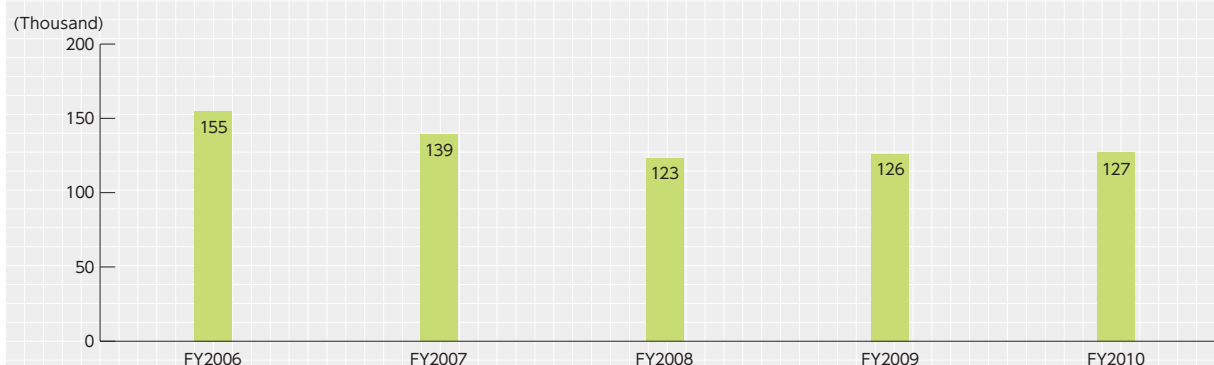
Structures for Supporting Environmental Health-related Businesses



Educational Loans for School Entrance Fees and Related Expenses

The Unit handles Educational Loans to lighten the financial burden of educational expenses on families and provide equal educational opportunities. Approximately 120,000 Educational Loans were provided in FY2010. Of these, approximately 17,000 loans were made to households run by single mothers.

Changes in Educational Loans (Number of Loans)

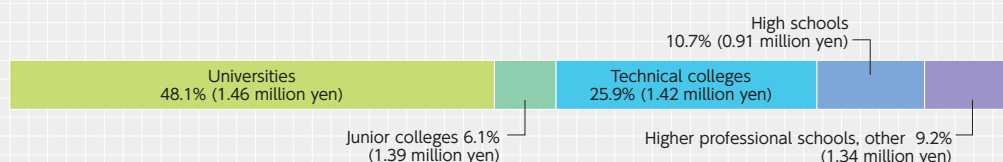


Utilized Primarily by Families with Large Educational Expenses

Educational Loans are primarily provided to families with university or technical college students, who incur large educational expenses.

Borrower Details by Type of Educational Institution

(FY2010 general educational loans (direct loans))



Note: Figures inside parentheses indicate the average loan amount.

Special Disaster Measure in Educational Loans Commences for the Great East Japan Earthquake (from May 2011)

The following special measures were implemented for people in receipt of a damage certificate, etc.

- Partial relaxation of annual gross income (net income) limits: Increase in maximum annual gross income (net income) for households with one or two children

Households with 1 child	Maximum of 7.9 (5.9) million yen	→ 9.9 (7.7) million yen
Households with 2 children	Maximum of 8.9 (6.8) million yen	

- Extension of repayment periods: Maximum of 15 years → Maximum of 18 years

- Interest rate reduction: Standard rate of Educational Loans (2.85% ^(Note)) - 0.4% (Single-mother families: 2.45% ^(Note)) - 0.4%

(Note) As of May 10, 2011

Providing Loans Secured by Government Pensions or Mutual Pensions

Loans Secured by Government Pensions or Mutual Pensions, etc. are offered only by JFC (or the Okinawa Development Finance Corporation in Okinawa prefecture) in accordance with the Act on Loans Rendered by Japan Finance Corporation Secured by Public Officers Pension. These loans can be used for a broad range of purposes, including home purchases and business funding.

Overview of Operations

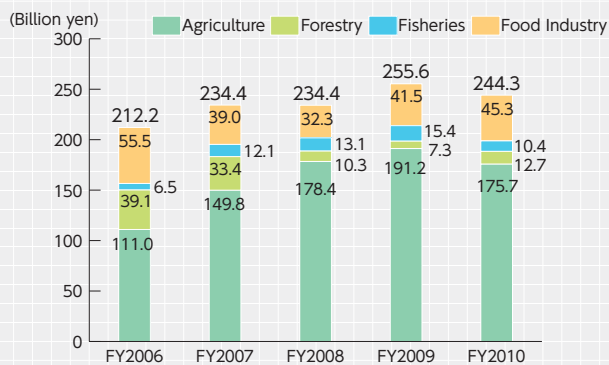
Through providing loans to businesses in agriculture, forestry, and fishery industries as well as the food industry in Japan, the Agriculture, Forestry, Fisheries and Food Business Unit contributes toward strengthening of these industries while ensuring the stable supply of safe and high-quality foods.

Loans

The AFFF Unit provides long-term financing with fixed, low-interest rates with a focus on supplying the funds necessary for capital investment and managerial improvement in agriculture, forestry, fisheries and the food industry, taking into account unique business characteristics such as long investment recovery periods and unstable income caused by the effects of climate.

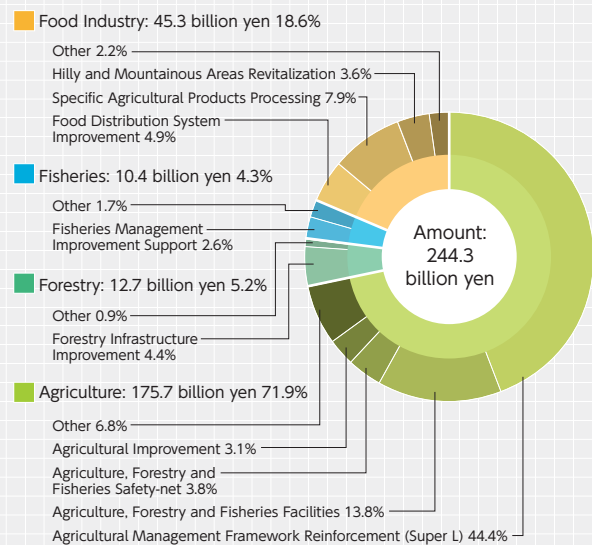
The AFFF Unit also serves as a safety net for the agricultural, forestry, and fishery industry, providing quick and flexible financing for disasters, etc.

Changes in Loan Operations



Breakdown of Loans

(FY2010)



Diverse Management Support Services

The AFFF Unit provides various services for supporting the operations of customers in the agricultural, forestry, fisheries and food businesses.

Customer call center and periodic consultation desk services

In addition to 48 nationwide branches staffed with employees of the Agriculture, Forestry, Fisheries and Food Business Unit and a customer call center, the Unit opens 110 more easily accessible consultation service sites throughout Japan on a routine schedule.

Management support provided through collaboration with management advisors and external networks

Mobilizing the expertise of its Agricultural Management Advisors, Forestry Management Advisors, and Fishery Management Advisors—management experts in their respective fields—and in collaboration with institutions under business cooperation agreement, the Unit responds to consultation requests from customers concerning all aspects of their business management.

Business match-making support

The AFFF Unit supports sales channel development and customer base expansion efforts of businesses in the agriculture, forestry and fisheries industries, as well as those in the food-processing and distribution industries. The Unit accomplishes this by holding the Agri-Food Expo, an exhibit and business fair for domestically produced agricultural products, and operating Agri-Food Expo Internet Matching, a business match-making website, by taking advantage of the fact that it is capable of providing wide-ranging support encompassing production, processing and sale of agricultural, forestry and fisheries products.

Promoting Private Financing Support in Agricultural, Forestry and Fisheries Fields

The AFFF Unit works to create an environment that encourages private financial institutions to actively enter the agricultural, forestry and fisheries fields by providing information concerning industry trends and risk assessments, while supporting securitization.

Features of Operations

Agriculture

By providing funds in line with the policies of the Basic Law on Food, Agriculture and Rural Areas, and those of the Basic Plan for Food, Agriculture and Rural Areas, The AFFF Unit actively supports efforts of farmers to improve their management with innovative ideas and an independent spirit, and preserve the environment.

Supporting the Challenges of Farmers

The Agricultural Improvement Loan is an interest-free financing program that provides support for the challenging endeavors of farmers such as when they adopt a new crop or technology and commence processing or retailing. The program can also be utilized by food business operators who support those endeavors. The program has been handled by the AFFF Unit since October 2010.

Supporting Principal Farmers through the Super L Loan

The AFFF Unit provides support to Japanese farmers who have been certified under the Agricultural Management Framework Reinforcement Law by offering a Super L Loan to help them improve their farm management.

Number of Super L Loans Borrowers among Certified Farmers

	(Unit: thousand borrowers)	
	Certified farmers	Super L Loan borrowers
Individuals	235	33.2
Corporations	14	5.4
Total	249	38.6

Note: Figures are as of March 31, 2011 (The numbers for certified farmers are as of March 31, 2010.)

Supporting the Shift toward the Sixth-order Industry

By way of loans such as the Agricultural Improvement Loan and the Super L Loan, the AFFF Unit supports the initiatives of agricultural, forestry and fishery businesses and food business operators who are engaged in expanding regional business that creates added value through the shift toward the sixth-order industry (merger/collaboration between the agriculture, forestry and fisheries industries and the secondary and tertiary industries).

Forestry

By providing funds in line with the policies of the Basic Law on Forest and Forestry, the AFFF Unit actively supports the improvement of forest that has multifunctional roles, and the creation of structures to supply and process domestically harvested lumber.

Providing Financing to Forestry Operators Facing Difficulties in Procuring Loans

With their characteristically long investment recovery periods many forestry operators face difficulties in securing loans from private financial institutions. For this reason, the AFFF Unit provides long-term financing, low-interest loans to forestry businesses, thereby playing an important role in the promotion of the forestry industry.

Contributing to Prevention of Global Warming and Environmental Preservation

Proper maintenance of forests through forestry operations can serve a variety of functions, including conservation of water resources, prevention of soil erosion, and absorption of carbon dioxide. An estimate of some of these multifunctionality effects with respect to the 1.41 million hectares of afforested land^{*2} owned by JFC's forestry loan borrowers as of the end of FY2010 is shown on the right, based on past examples^{*3}.

^{*2}. When the figure for an area of afforested land area was not known an estimate was made by multiplying the borrower's total forest land holdings by the national afforested land rate (from the Forestry Agency).

^{*3}. Science Council of Japan, "Report on description and estimation of multiple-functions of fisheries and fishing villages related to the global environment and human lives"; Ministry of Land, Infrastructure, Transport and Tourism, "Statistical Report on Motor Vehicle Transport"; Ministry of the Environment, "List of Emissions Coefficients Stipulated in the Enforcement Order of the Law Concerning the Promotion of the Measures to Cope with Global Warming"; Japan Automobile Manufacturers Association, "Ministry of the Environment interview materials".

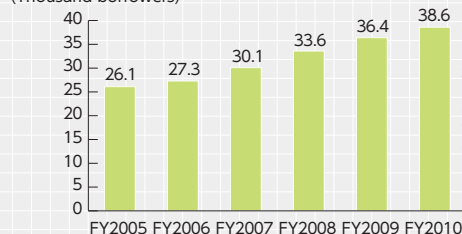
Agricultural Improvement Loans

(FY2010)

	Target business	Number of recipients	Amount (billion yen)
Farmers	Production	422	6.0
	Processing	60	0.7
	Retail	41	0.6
Food business operators		5	0.1
Total		528	7.6

Number of Super L Loan Borrowers

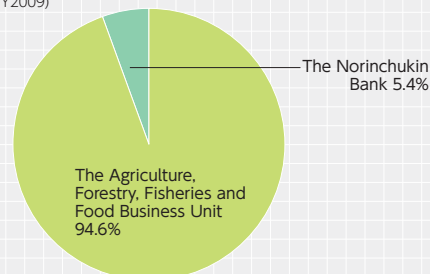
(Thousand borrowers)



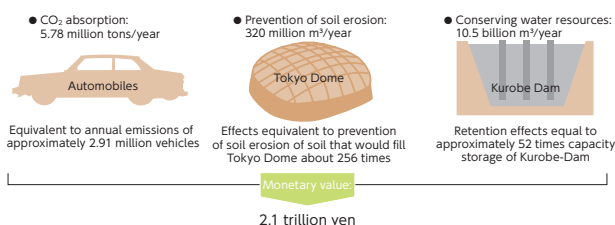
Note: Figures are aggregate number of new borrowers as of the end of each fiscal year since the introduction of Super L loans.

Balance of Loans to Forestry Businesses (JFC and The Norinchukin Bank only)^{*1}

(As of the end of FY2009)



^{*1}: The Norinchukin Bank, "Financial Statistics of Agriculture, Forestry and Fisheries 2010"



Fisheries

By providing funds in line with the policies of the Basic Law on Fisheries, the AFFF Unit actively supports fisheries businesses to ensure a stable supply of marine products and sustained use of marine resources.

Supporting Principal Fishery Operators

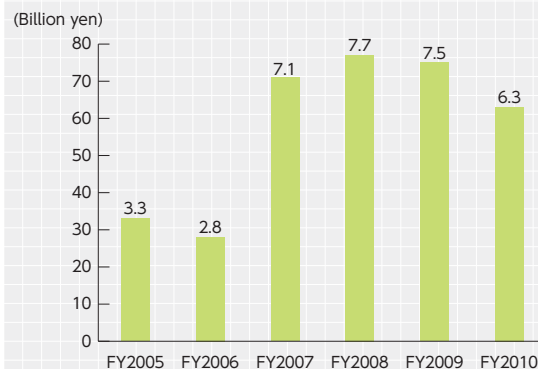
The Fisheries Management Improvement Support Loan is a financing program that provides comprehensive support to businesses approved for an improvement plan pursuant to the Special Measures Law for Improvement and Reconstruction of Fisheries Management.

As a result of the AFFF Unit's active participation in the G Project* since FY2007, amounts lent from the Fisheries Management Improvement Support Fund have remained steady. In FY2010, a total of 6.3 billion yen was loaned including for the construction of 49 fishing vessels.

* G Project:

The Fishing Boat Fisheries Reform Project is a five-year project launched by the national government in FY2007 to promote collaboration between fishery businesses and local communities to reform the entire production structures, from fish harvesting to product shipment, in an effort to raise profitability. The AFFF Unit not only provides funds for building and purchasing fishing vessels but also actively participates in joint projects with local communities to raise the profitability of fisheries by fishing boats.

Fishery Management Improvement Support Loans



Food Industry

The AFFF Unit provides needed funds to food manufacturers and distributors. These sectors face the challenge of ensuring food safety and are also susceptible to risks associated with weather and market fluctuations that impact the procurement of raw materials produced in Japan.

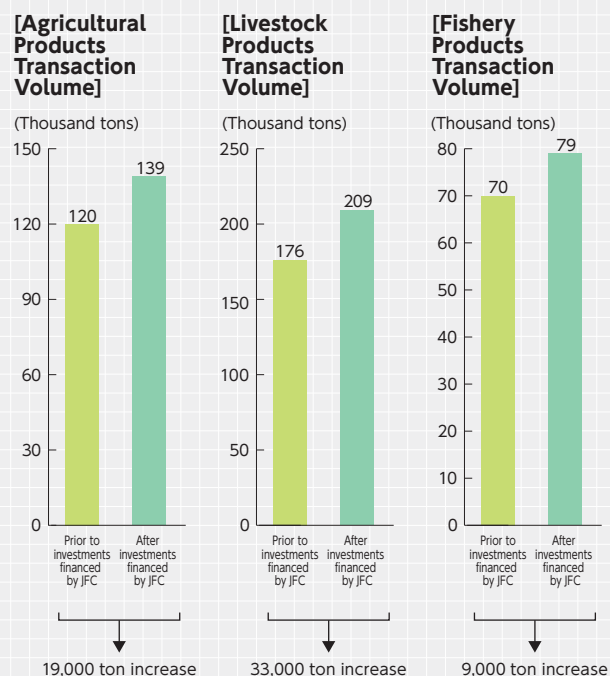
Supporting Use of Domestic Agricultural, Forestry and Fishery Products

Loans to the food industry are provided to businesses that use domestically produced raw materials, and are aimed at increased use of domestically produced agricultural, forestry and fishery products. An estimation of the effects of the loans made in FY2010 suggests that the transaction volumes of domestically produced raw materials will increase by approximately 60,000 tons over the next five years.

In particular, one of the requirements for the Hilly and Mountainous Areas Revitalization Loan and the Food Distribution System Improvement Loan (for food production and manufacturing collaboration business and food production and sales collaboration business facilities) is an increase in the volume of domestically produced agricultural, forestry and fishery products used. The requirement helps to promote collaboration between agriculture and the food industry.



Increases in Transaction Volumes of Domestic Agricultural, Forestry and Fishery Products



Providing a Wide Range of Management Support Services

The AFFF Unit provides various suggestions and offers information for customers tailored to their needs and concerns at convenient locations. Such services include management improvement advice, business match-making, and referrals to experts.

■ Management Consulting Services

● Consulting Services Provided at Locations Convenient for Customers

In addition to nationwide branches and a call center, the Unit opens approximately 110 periodic consultation service sites on a routine schedule. These sites are located throughout Japan to give customers ready access to the Unit's services.



● Business Management Support by Agricultural, Forestry and Fishery Management Advisors

Responding to requests from farmers for advice on taxes, labor, marketing, and other topics from experts who understand the unique characteristics of agriculture, The AFFF Unit created the Agricultural Management Advisor program in FY2005. Examinations have been conducted 12 times and a total of 1,157 Agricultural Management Advisors now serve in 46 prefectures (excepting only Okinawa).

The Forestry and Fishery Management Advisor System established in FY2008 has produced 16 Forestry Management Advisors and 14 Fishery Management Advisors.

The AFFF Unit provides support for the business growth of its customers by utilizing Agricultural, Forestry and Fishery Management Advisors. The Unit also provides comprehensive management support services in collaboration with non-JFC management advisors, including tax accountants and SME management consultants.

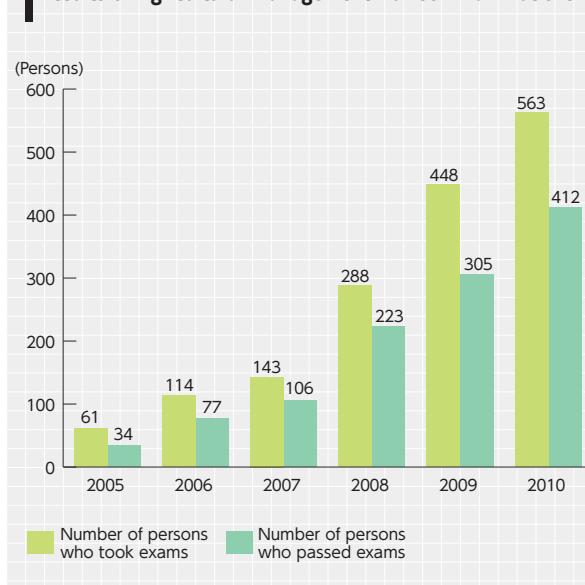
[Breakdown of Agricultural Management Advisors (As of Mar. 31, 2011)]

Financial Institutions under
Business Cooperation with JFC: 427 persons
Tax accountants and
SME management consultants: 439 persons
Agricultural extension officers, etc.: 175 persons
JFC employees: 116 persons

● Raising Quality of Services through Collaboration with External Networks

The AFFF Unit collaborates with external networks (Japan Professional Agriculture Total Support Organization (J-PAO), Japan External Trade Organization (JETRO), and 16 other organizations) to support the business growth of its customers and respond accurately to the diverse management issues they face, such as the development of new sales channels, financial improvement, and productivity enhancement.

Results of Agricultural Management Advisor Examinations



Business Match-making Support

Agri-Food EXPO, Domestic Agricultural Product Exhibit and Business Fair Held

In FY2010, the AFFF Unit again hosted the Agri-Food EXPO, Japan's largest agricultural product exhibit and business fair, in Tokyo (August 2010) and in Osaka (February 2011).

Held since FY2006, the Agri-Food EXPO is an exhibition and business fair for providing business-matching opportunities that link farmers and food processors, who are looking for market expansion, together with buyers.



Farmers and food processors committed to local agricultural produce came to exhibit from all over Japan, and held lively business negotiations with the buyers in attendance.

Through the Agri-Food EXPO, the AFFF Unit will continue to support the market expansion and business development of its customers.

	EXPO Tokyo 2010 (Aug. 3-4, 2010)	EXPO Osaka 2011 (Feb. 15-16, 2011)
Exhibitors	549 (501 booths)	375 (308 booths)
Visitors	13,030	11,489
Number of business talks	45,443	21,257
Number of business talks during the EXPO (average per company)	14.5	28.6
Number of contracts concluded during the EXPO (average per company)	4.7	5.0
Value of contracts (average per company)	2.154 million yen	1.159 million yen
Number of visitors per booth (average per company)	280.3	421.9

Supporting Management with New Financing Techniques

Efforts to Speed Up Loan Procedures

The AFFF Unit adopted a loan screening process that uses the agricultural business version of a scoring model in connection with loans to farmers to speed up procedures.

As well, approved agricultural businesses requesting loans

for up to 5 million yen from the Super L Loan who meet certain conditions are given a response within six business days as to whether or not they qualify for loans without the requirement of collateral or a guarantor.

Efforts Concerning Loans Not Relying Excessively on Real Estate Collateral or Guarantors

The asset-based lending (ABL) program has been in effect since FY2008 and uses as collateral such business assets as cattle and pigs. The program was expanded in FY2010 to include aquaculture endeavors in addition to beef cattle pig and dairy farming. A total of 54 such loans (worth 2 billion yen) were made.

The AFFF Unit will continue to promote business support for customers by working to spread the use of ABL in the agricultural, forestry and fisheries sector and the food sector as a means of financing that does not rely on real estate collateral or guarantors.

Business Recovery Support

Amid the continuing harsh business environment, in addition to identifying management issues peculiar to the agricultural, forestry and fisheries sectors and supporting the development of business improvement plans by utilizing Agricultural, Forestry and Fishery Management Advisors, etc., the AFFF Unit worked hard to provide fine-tuned support in cooperation with private financial institutions and producers associations.

For the purpose of supporting business revitalization and the smooth succession of management resources, the AFFF Unit selected 41 designated businesses to receive business recovery

support, and focused its efforts on business revitalization by bolstering the degree of involvement of the business units. As a result, the Unit provided support necessary for the formulation and implementation of business improvement plans for 31 of the businesses.

The AFFF Unit will continue to provide support for rehabilitation of businesses that help reinforce the structure of the agricultural, forestry and fisheries sectors and secure stable food supply in collaboration with private financial institutions and related experts.

The AFFF Unit works to create an environment that encourages private financial institutions to actively provide financing to agricultural, forestry and fisheries businesses by providing information concerning risk assessments as well as by supporting securitization.

Support for Private Financial Institutions in the Agricultural, Forestry and Fisheries Sectors

Business Cooperation Agreements

Starting with the Kagoshima Bank in April 2004, the AFFF Unit has signed business cooperation memoranda with private financial institutions in order to support entry by private financial institutions into the market of lending to the agricultural, forestry and fisheries sectors.

[Financial Institutions under Business Cooperation with JFC (As of Mar. 31, 2011)]

The Norinchukin Bank: 1
 Prefecture credit federations of agricultural cooperatives: 37
 Prefecture credit federations of fisheries cooperatives: 4
 Banks: 88
 Shinkin banks: 97
 Credit cooperatives: 6
 Other financial institutions: 13
 Total: 246



Business cooperation symposium

Agricultural Credit Risk Information Service

The Agricultural Credit Risk Information Service (ACRIS) is an agricultural scoring model designed by the Agriculture, Forestry, Fisheries and Food Business Unit to facilitate the active entry by private financial institutions into the market of agricultural loans.

ACRIS was launched in October 2008 as a fee-based membership service.

The Unit positions ACRIS as a tool for stimulating agricultural lending, and is strengthening its business collaboration with ACRIS members. Thanks to ACRIS, the funding needs of farmers are now precisely met.

Securitization Support

The AFFF Unit established a credit supplementation program (securitization support operation) to encourage private financial institutions to provide agricultural lending. This program has been in operation since October 2008. By using this program, private financial institutions can transfer credit risks worth up to 80% of the loan amounts or a maximum of 50 million yen to JFC.

As of the end of FY2010, a total of 56 financial institutions had signed a basic agreement with the Unit. Thirty seven of these financial institutions developed new loan products for farmers that incorporated credit supplementation under this program.

In FY2010, the AFFF Unit gave credit supplementation worth 400 million yen in connection with the loans to farmers made by these private financial institutions.

Images of Scoring Results Obtained Using ACRIS



Financial Institutions under Basic Agreements with JFC

(As of Mar. 31, 2011)

	Regional Banks	Shinkin Banks	Credit Cooperatives	Total
Hokkaido	1	6	0	7
Tohoku	6	2	0	8
Kanto	1	0	1	2
Chubu	4	6	2	12
Kinki	3	4	0	7
Chugoku	1	2	0	3
Shikoku	5	0	0	5
Kyushu	7	5	0	12
Total	28	25	3	56
(Of these, institutions that developed new products)	(21)	(15)	(1)	(37)

3 Small and Medium Enterprise Unit (SME Unit)

Overview of Operations

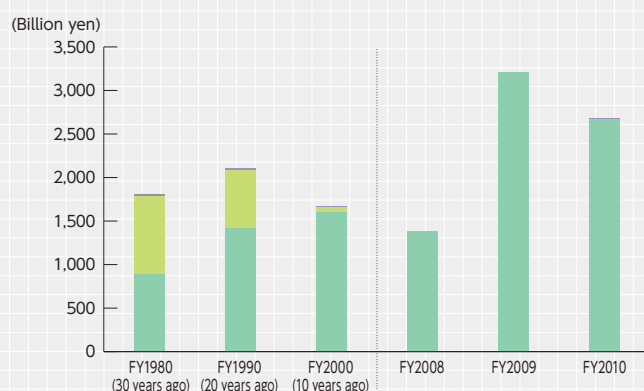
By providing such diverse services as loans and credit insurance, the Small and Medium Enterprise Unit (SME Unit) supports the growth and development of SMEs, the source of vitality of the Japanese economy and the cornerstones of regional economies.

Loan Programs

The SME Unit provides in a stable manner funds that SMEs need for their business growth as well as long-term, fixed-interest business funds that private financial institutions have difficulty providing.

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

Performance of Loans

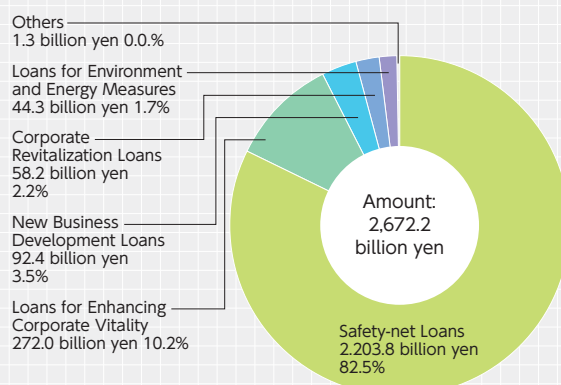


Direct loans	895.9	1,419.6	1,598.5	1,379.8	3,208.9	2,672.0
Agency loans	892.8	661.7	57.6	1.6	0.6	0.3
Loans to facility-leasing institutions: loans to Small and Business Investment & Consultation Co., Ltd.	16.6	28.2	13.2	2.5	1.2	1.9

Note: Direct loans from FY2007 onward include transfer amount for acquired corporate bonds

Breakdown of Loan Amounts

(FY2010)



Note: 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.

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 Mid-size Enterprises
- Transitional Operation of the Machinery Credit Insurance Programs (Note)

Note: Excluding insurance that had been accepted up to the end of March 2003, the SME Unit currently pays on insurance money and receives recoveries based on insurance contracts that are already in force.

Securitization Support Programs

With the aim of facilitating the smooth supply of unsecured funds to SMEs, these programs support private financial firms and other institutions in their endeavors based on securitization methods. Securitization support methods consist of the "Purchase-type," "Guarantee-type" and "Securitization of Account Receivables."

Features of Operations

Enterprises Receiving Support from the Small and Medium Enterprise (SME) Unit

In Japan, SMEs account for 99% of all businesses. They are the source of national economic vitality and also offer significant support to local economies. SMEs come in many sizes and forms. Some are corporations that employ a large number of employees and center on local economies, or long-established companies with more than 100 years of history. Others are small mom-and-

pop type businesses.

Employing various financial tools such as loans, credit insurance and securitization support, the SME Unit provides a wide array of SMEs with a broad range of support tools suited to individual businesses.

Characteristic of SME Unit's Clients

Loan Programs

- No. of clients (direct loans): 46 thousand enterprises
Average loan for FY2010
Average loan amount per client 123 million yen
Average term of loan 6 years 11 months
Average amount of capital per client 49 million yen
Average number of employees per client 76
- Approx. 80% of the outstanding loans are loans to enterprises with more than 20 employees, and approx. 90% are to those with capital of 10 million yen or more.
- Covers a wide range of industries particularly manufacturing (approx. 50% of the outstanding loans for end of FY2010)

Credit Insurance Programs

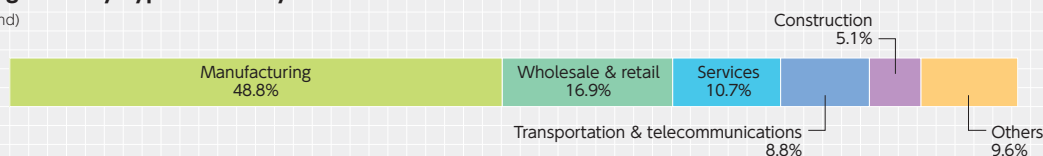
- No. of clients: 1.57 million enterprises ^(Note)
Average insurance for FY2010
Average amount of insurance accepted per client 20 million yen
Average term of insurance 5 years 8 months
Average number of employees per client 8
- Approx. 70% of the outstanding amount of insurance accepted is insurance to enterprises with fewer than 20 employees, and approx. 70% is to those with capital of 10 million yen or less.
- Covers a wide range of industries

Note: No. of enterprises utilizing the Credit Guarantee System

Note: Figures are as of March 31, 2011.

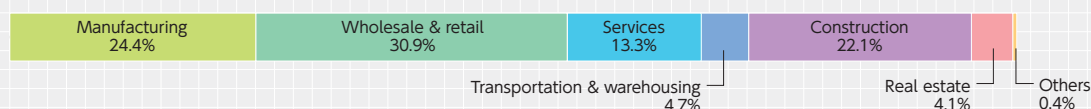
Outstanding Loans by Type of Industry

(FY2010 year-end)



Outstanding Amount of Insurance Accepted by Type of Industry

(FY2010 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 investment. These areas involve high risk that private financial institutions find it hard to support. The SME Unit quantitatively supplements the loans provided by private financial institutions whose lending attitudes may be affected by economic stagnation.

Based on these policies, while 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.



Loan Programs

Qualitative and Quantitative Supplementation of Private Financial Institutions with a Stable Supply of Long-term Funds

Dedicated to Long-term Funding

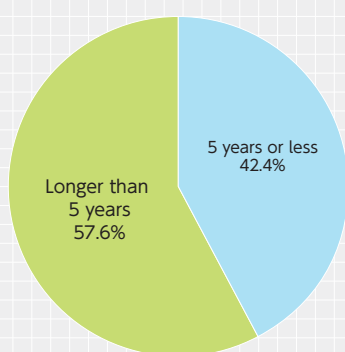
If SMEs are to grow and prosper soundly, they must undertake timely and appropriate capital investments and make ongoing efforts to consolidate their financial strength. These activities rely on the ability to raise long-term funds in a stable manner.

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.

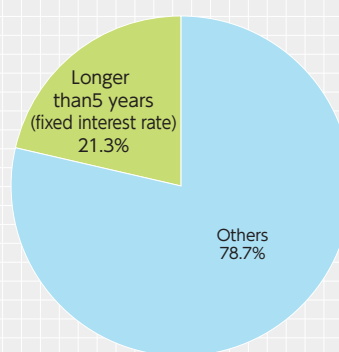
By supplementing the fields where private financial institutions find it hard to cover, the SME Unit meets long-term funding needs of SMEs—the vital component of the Japanese economy.

Breakdown of Loans of the SME Unit by Lending Period (Share in terms of value)
(FY2010)



Note: All are fixed interest rate loans.

(Reference) Breakdown of Long-term Loans of Private Financial Institutions by Lending Period (Share in terms of number of borrowers)
(FY2010)



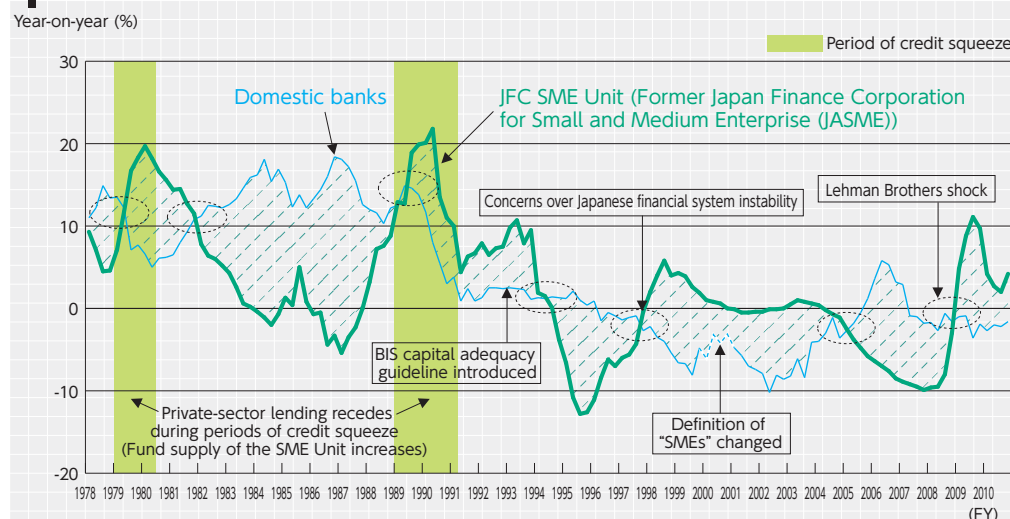
Source: JFC "Quarterly Survey on SME Trends (SME Edition)" (FY2010)

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: 1. 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.
2. Figures for domestic banks prior to September 1996 refer to those for all Japanese banks.
3. 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 Special-purpose Loans Based on Government Policies to Meet the Needs of the Times

Safety Net

The SME Unit provides finance through Safety Net Loans to SMEs that are experiencing financing difficulties because of a worsening business environment.

Particularly during the global financial and economic crises triggered by the collapse of the Lehman Brothers, the SME Unit concentrated its efforts on helping SMEs, functioning as a safety net in a flexible and speedy manner under the government's economic stimulus packages.

Safety-net Loans provided in FY2010

2.2 trillion yen

(0.9 trillion yen in FY2008, 2.8 trillion yen in FY2009)

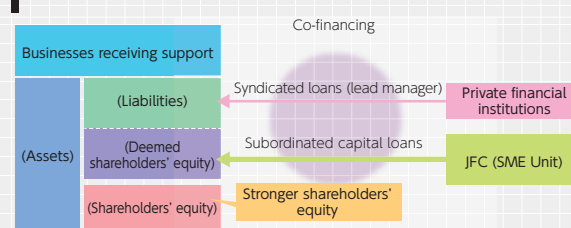
Subordinated Capital Loans

The SME Unit provides support to SMEs that need reinforcement of their financial standing by applying the Provision Scheme for Challenge Support and Capital Enhancement (Subordinated Capital Loans) in cooperation with private financial institutions. Liabilities under this Provision Scheme may be treated as shareholders' equity under the borrower classifications determined by financial

institutions. They are expected to have a "pump-priming" effect on co-financing with private financial institutions.

Use of these loans has steadily expanded since the program was established in FY2008.

Schematic Description



Loans

FY2009

205 companies,
20.6 billion yen

Business revitalization: 174 companies,
18.3 billion yen
New business: 31 companies, 2.3
billion yen

FY2010

340 companies,
22.1 billion yen

241 companies, 17.6 billion yen
99 companies, 4.5 billion yen

Support for Overseas Investment

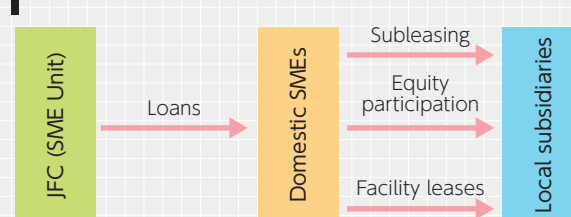
In order to respond to structural changes in the economy, the SME Unit provides support for the overseas expansion of SMEs by means of Loans for Overseas Investment.

During FY2010, as a result of expanding the program and making active efforts, there was a significant increase in the use of the program.

The SME Unit also holds regular overseas exchange events and business seminars targeted at the local subsidiaries of Japanese clients,

providing opportunities for interaction, information exchange and business matching between local subsidiaries.

Schematic Description



Loans

FY2010

252 companies, 11.8 billion yen

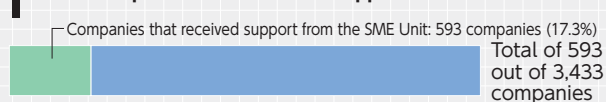
Many of the Businesses That Have Borrowed JFC Funds Are Flourishing in a Number of Fields

A total of 593 companies ^(Note) have gone public after receiving support from the SME Unit, representing roughly one sixth of all Japanese corporations that are publicly held. Many of these are flourishing as leading corporations in Japan.

Since 1989, the number of companies going public after receiving support from the SME Unit has increased dramatically to 402 ^(Note), accounting for roughly a quarter of the total increase in the number of companies going public during the same period, or 1,447 companies ^(Note).

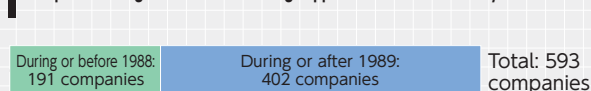
Note: Figures are as of March 31, 2011.

Public Companies That Received Support from the SME Unit



Note: The number of publicly held corporations is as of March 31, 2011. Companies in agriculture, forestry, fisheries, finance, and insurance, as well as foreign-owned corporations are excluded.
Source: JFC SME Unit

Companies Going Public after Receiving Support from the SME Unit by Time Period



Credit Insurance Programs

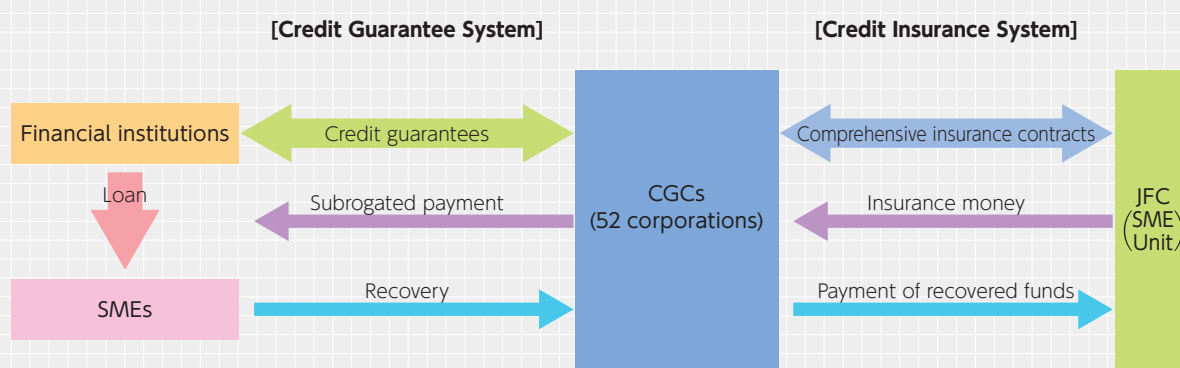
Working with the Credit Guarantee System to Facilitate the Smooth Flow of Funds to SMEs

Roles 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.

Overview of the 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 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.

Approximately 38% of SMEs Utilize the Credit Supplementation System

As of the end of March 2011, the portion of outstanding loans to SMEs guaranteed by CGCs (i.e., outstanding guaranteed liabilities) amounted to some 35 trillion yen, accounting for approximately 14% of all loans to SMEs.

Moreover, some 1.57 million SMEs, or approximately 38% 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

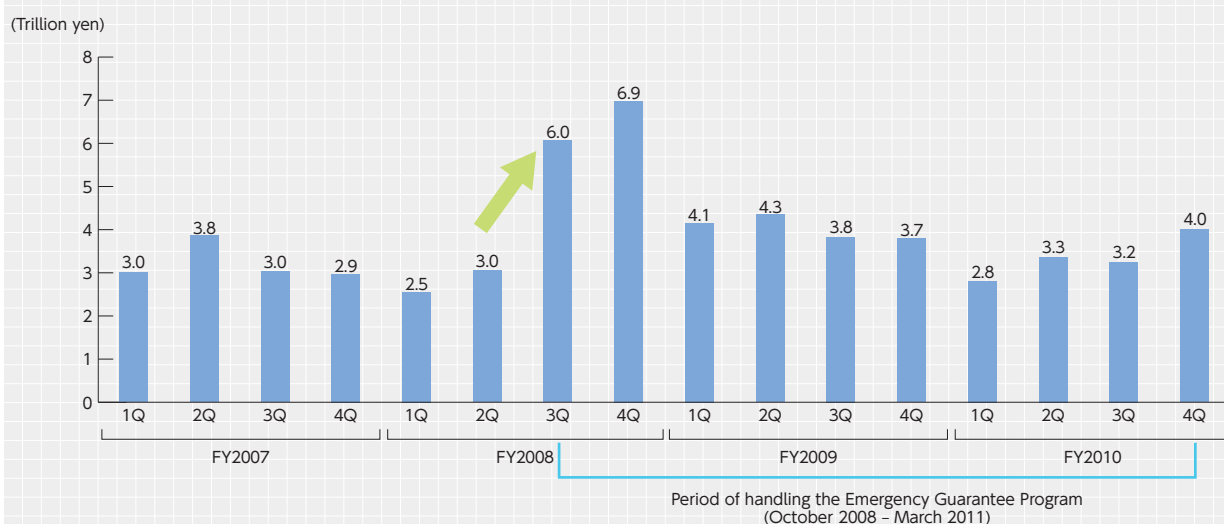


● Credit Supplementation System: A Significant Tool to Promote the Government's Economic Policy, etc.

The "Emergency Guarantee Program" determined under the "Comprehensive Immediate Policy Package-Easing Public Anxiety- (August 29, 2008 Cabinet decision)" was implemented from October 31, 2008 until March 31, 2011. By underwriting the insurance

for this guarantee, the SME Unit helped in raising funds for SMEs that were facing difficulties in financing due to the negative impacts of global financial market instability and economic contraction.

Changes in the Amount of Insurance Accepted



■ Securitization Support Programs

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

The securitization of loan claims for SMEs is conducted from the standpoint of ensuring smooth facilitation of SME financing.

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 in facilitating unsecured funds to SMEs and to diversify measures to obtain funds. While fulfilling its pioneering roles as a policy-based financial institution, the SME Unit will also contribute to the promotion and development of the debt securitization market.

Methods of Securitization Support

Purchase-type

Operations that involve the securitization of unsecured SME loans, etc., acquired by way of transfer from private financial institutions or the use of credit default swap (CDS) contracts.

Guarantee-type

Operations that involve the partial guarantee of unsecured SME loan claims, etc., securitized by private financial institutions as well as the guarantee of partial purchase of securitized instruments.

Securitization of Account Receivables

Operations that involve support in the securitization of account receivable claims held by SMEs (suppliers) through such means as the provision of guarantees by the SME Unit for private financial institution loan claims against a special-purpose company (SPC) as well as the provision of loans by the SME Unit to SPCs.

Note: In addition to "Purchase-type" and "Guarantee-type" Operations, the SME Unit implements the Synthetic CDO Program, under which it securitizes claims on loans provided by itself or corporate bonds acquired by itself.

Overview of Operations

The Japan Bank for International Cooperation (JBIC) contributes to the sound development of the Japanese and international economies by performing its functions in the four areas (1) promoting overseas development and acquisition of strategically important natural resources to Japan; (2) maintaining and improving the international competitiveness of Japanese industries; (3) promoting the overseas business for preserving the global environment, such as preventing global warming; and (4) responding to disruptions in financial order in the international economy.

Note: Apart from the above functions, JBIC is also assigned a task of conducting lending operations for facilitating realignment of U.S. Forces Japan (by helping the private sector finance U.S. housing and infrastructure development in U.S. bases). During FY2010, however, JBIC did not provide any loan.

Export Loans

Loans to support exports of Japanese machinery, equipment and technologies.

Import Loans

Loans support imports of oil, LNG, iron ore and other strategically important materials to Japan. Apart from resources, the guarantee facility also supports imports of goods and services for which there are crucial domestic needs, such as aircraft.

Overseas Investment Loans

Loans to support overseas investment projects undertaken by Japanese companies for manufacturing, sales, resource development, and other business ventures.

Untied Loans

Loans to support improvement in the overseas business environment to facilitate Japanese trade, investments and other overseas

business activities. Untied loans also support projects undertaken by foreign governments and government agencies.

Bridge Loans

Loans to provide short-term financing for developing country governments that are facing balance-of-payments difficulties to meet their foreign currency needs.

Equity Participations

Equity investments in joint ventures set up or participated by Japanese firms to undertake overseas projects, or funds in which Japanese companies participate.

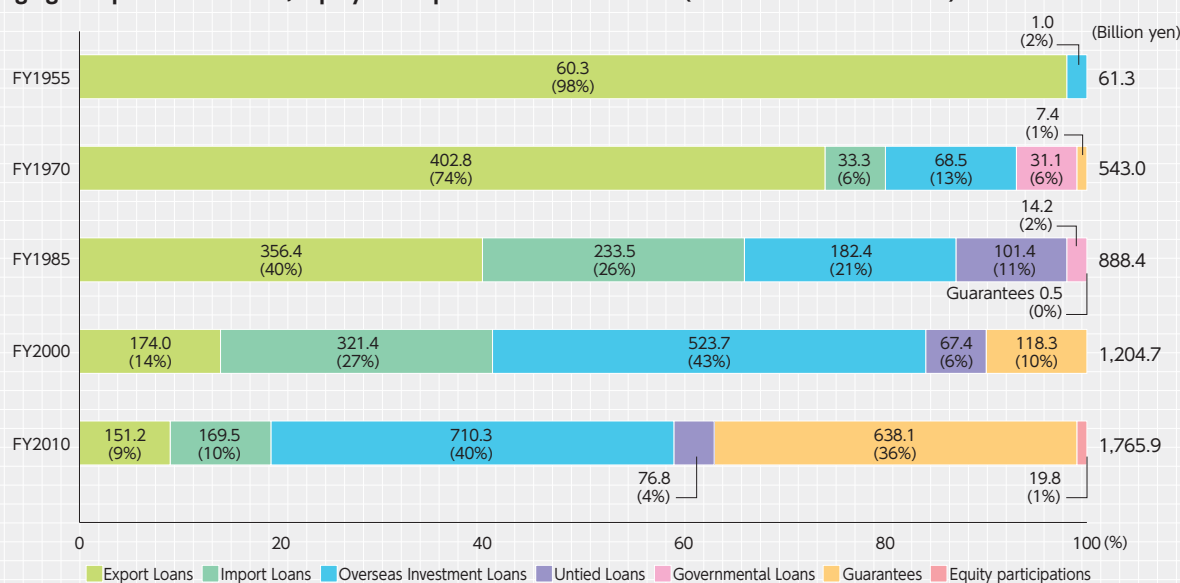
Studies and Research Activities

JBIC conducts studies and research related to its operations.

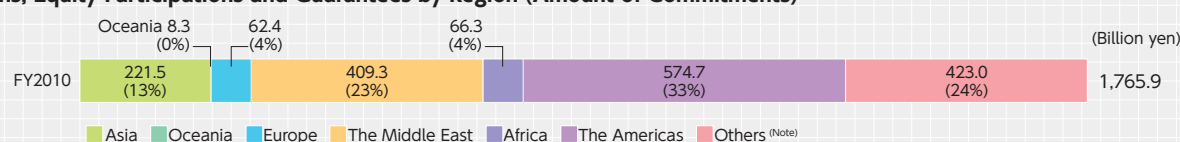
Loans, Equity Participations and Guarantees

The contracts of loans, equity participations and guarantees in FY2010 amounted to 1,765.9 billion yen, a decrease of 47.5% from the previous fiscal year.

Changing Composition of Loans, Equity Participations and Guarantees (Amount of Commitments)



Loans, Equity Participations and Guarantees by Region (Amount of Commitments)



Note: "Others" includes credits to international organizations and two-step loans to Japanese private financial institutions.

Scope of Operations

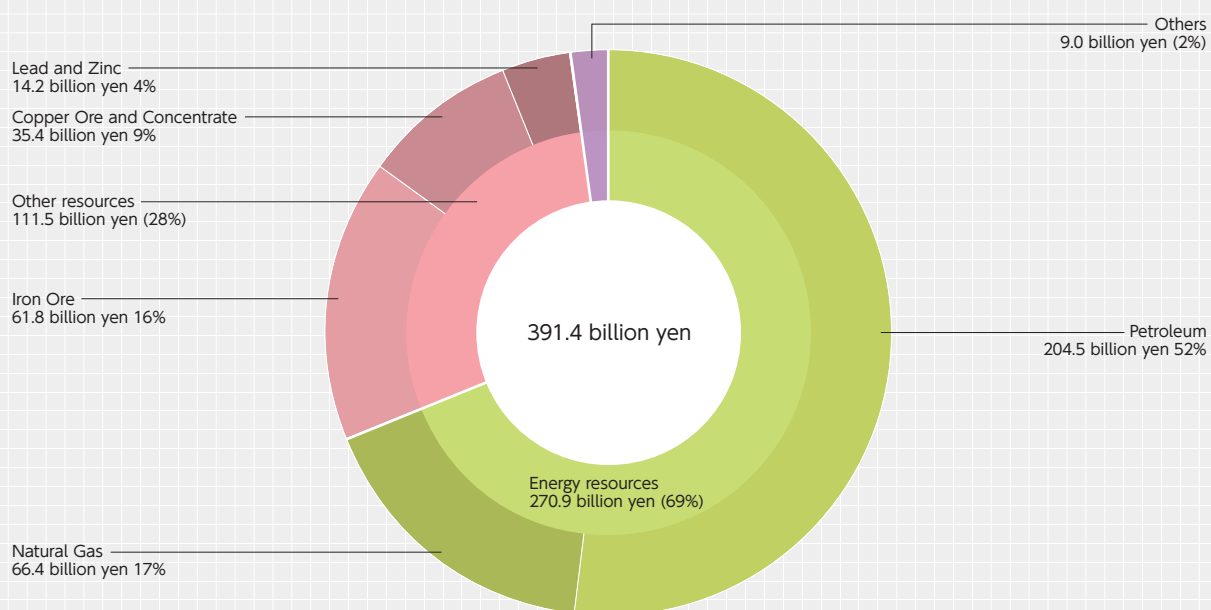
Promoting Overseas Development and Acquisition of Strategically Important Natural Resources to Japan

Demand continues to rise for energy resources such as oil and natural gas, as well as for mineral resources such as nickel, cobalt, and other rare metals indispensable for manufacturing semiconductors and other high-tech products. Countries around the world

are stepping up efforts to secure long-term, stable supplies of these resources. JBIC provided support for securing stable supplies of these resources essential for the sound development of the Japanese economy.

Natural Resource Loans by Item

(Commitments for FY2010)



- U.S.: Loan for acquisition of interests in shale gas
- Canada: Similco Copper Mine Redevelopment Project
- Bolivia: Loan for acquisition of an additional interest in the San Cristóbal Mine producing zinc, lead and silver, etc.



Bolivia: San Cristóbal Mine producing zinc, lead and silver

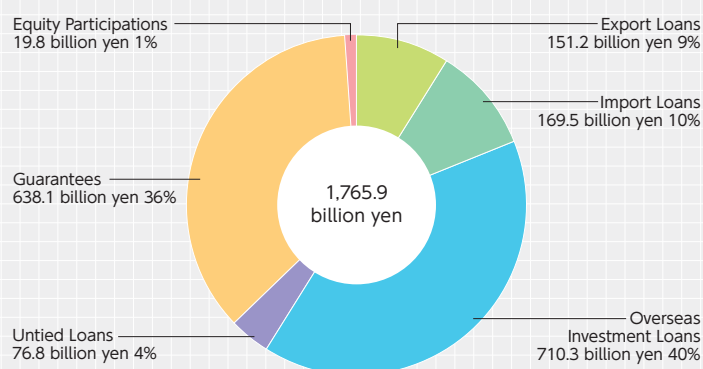
Maintaining and Improving the International Competitiveness of Japanese Industries

Economic globalization has led to increasingly intense international competition. JBIC helps to maintain and improve the international competitiveness of Japanese industries by utilizing a variety of financing instruments to support Japanese companies, such as

export loans, which support the export of ships, machinery, equipment, plant and other facilities to other countries, and overseas investment loans, which support Japanese companies doing business abroad, including production and sales activities.

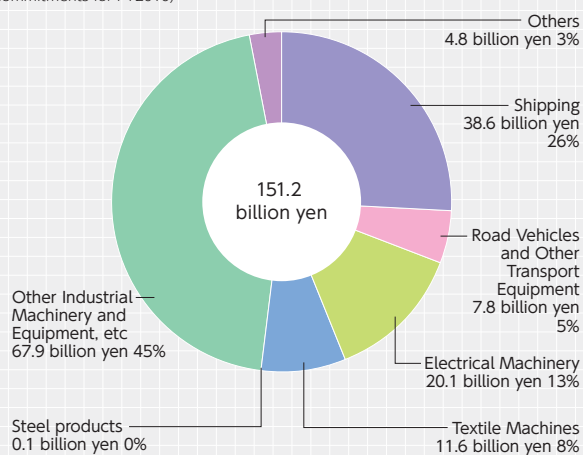
Commitments by Purpose of Financing

(Commitments for FY2010)



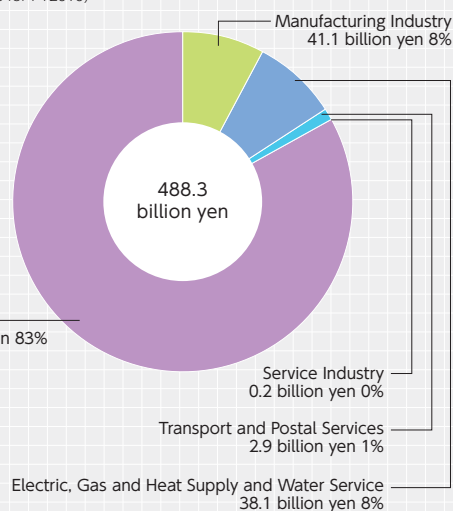
Export Loans by Industry

(Commitments for FY2010)



Overseas Investment Loans by Industry (Note)

(Commitments for FY2010)



Note: Figures in this graph do not include loan commitments for resource-related investments. "Others" includes two-step loans for Japanese financial institutions (381.9 billion yen). By way of these TSLs, JBIC supports the overseas operations of Japanese enterprises (especially SMEs) engaged in a diverse range of manufacturing and services, such as motor vehicles and parts, electrical and electronic equipment, machinery and metals, chemicals, and wholesale and retail businesses.

(1) Support for exports by Japanese companies

- Turkey: Export of ships (bulk carriers)
- Egypt: Export of transport infrastructure by Japanese companies for a subway construction project, etc.

(2) Support for the overseas business expansion of Japanese companies

- Indonesia: Guarantee of loans to a Japanese-affiliated sales finance company of motorcycles
- Equity participations for the funds aiming to develop infrastructure in emerging countries, etc.



Cars on Line 3 of the Cairo Metro (provided by The Kinki Sharyo Co., Ltd.)

Support for the Overseas Business Expansion of Mid-tier Enterprises and SMEs

Amid economic globalization, overseas business expansion has also become increasingly important for mid-tier enterprises and small and medium-sized enterprises (SMEs). JBIC is active in supporting overseas direct investments by mid-tier enterprises and SMEs with its financing instruments.

It also provides the latest information on overseas conditions and investment climates primarily to mid-tier enterprises and SMEs through publication of guidebooks on investment climates in foreign countries and dispatched speakers to various seminars and other activities.

JBIC, moreover, offers advisory service for overseas business activities and in making applications for its long-term financing facility.



Booklets on investment climates

In FY2010, JBIC offered two-step loans (TSLs) as part of its Emergency Operations to Support Japanese Overseas Business Activities. These TSLs were made to Japanese financial institutions in order to help overseas business activities of Japanese firms that were faced with fund-raising difficulties. The TSLs enabled Japanese financial institutions to provide sub-loans targeting the overseas business operations of Japanese companies, including SMEs (141 commitments, totaling US\$211 million) and mid-tier enterprises (88 commitments, totaling US\$152 million).

In addition, JBIC has also exerting its effort to develop a system for supporting the expansion of business activities of Japanese mid-tier enterprises and SMEs into other parts of Asia by forming partnerships with regional financial institutions in Japan and in co-operation with local financial institutions in Asian countries.



Overseas Investment Seminar: Overseas Business Expansion by Japanese Manufacturers: Competition and Commitment in Emerging Markets

Responding to Disruptions in Financial Order in the International Economy

Disruptions in financial order in the international economy have as much serious impact on the Japanese and world economies as the business activities of companies. By drawing on its accumulated expertise, JBIC will respond to such disruptions in international financing.

Support for trade and investment activities of Japanese firms (Emergency Operations to Support Japanese Overseas Businesses Activities)

In response to the global financial turmoil, JBIC launched three (3) operations as exceptional measures in order to maintain and improve the international competitiveness of Japanese industries: (1) supplier's credit to finance exports to developing countries, (2) loans to large Japanese companies for investment projects in developing countries, and (3) loans and guarantees for investment projects undertaken by Japanese companies in developed countries. During FY2010, four (4) loan and guarantee commitments totaling 1.7 billion yen were made to support Japanese trade and investment activities in developing countries, and one (1) loan commitment totaling 2.9 billion yen was made to support trade and investment activities in developed countries.

Additionally, JBIC provided five (5) two-step loans totaling 381.9 billion yen to Japanese financial institutions. These loans supported overseas subsidiaries of Japanese firms—especially mid-tier enterprises, SMEs, medium-sized and second-tier large enterprises—that were facing difficulties obtaining financing for their overseas business operations. Overall, 10 commitments totaling 386.6 billion yen were made in Emergency Operations to Support Japanese Overseas Business Activities.

Efforts to Support Strategic Projects in the Environment and Infrastructure Sectors

Under the Leading Investment to Future Environment (LIFE) Initiative for which the Government of Japan pledged US\$5 billion over a two-year period in March 2009, JBIC actively supported environment investment projects in which Japanese firms participated or to which Japanese firms exported machinery, equipment or services, while mobilizing private sector financing. In FY2010, JBIC provided loans and guarantees totaling about US\$900 million under the LIFE Initiative, including funding mobilized from the private sector, for the projects and trade transactions. Notable among them were: a loan for the export of the rolling stock in the Egyptian

metro project and a loan for the export of thermal power generation boiler/steam turbine sets to India. The cumulative financing commitments since the launch of the LIFE Initiative to the end of March 2011 added up to US\$6.3 billion, including funding from the private sector. Furthermore, in April 2011, JBIC launched the Enhanced Facility for Global Cooperation in Low Carbon Infrastructure and Equity Investment (E-FACE). E-FACE aims to develop and expand the JBIC Facility for Asia Cooperation and Environment (FACE) and the LIFE Initiative.

JBIC Enhanced Facility for Global Cooperation in Low Carbon Infrastructure and Equity Investment (E-FACE)



Addressing Climate Change and Environmental Business

Efforts for GREEN Operations

Following entry into force of the act to revise part of the Japan Finance Corporation Act (the JFC Act) in March 2010, JBIC has expanded its scope of operations by adding a new area of financial operations for promoting the overseas business for preserving the global environment, such as preventing global warming. Immediately following this revision of the JFC Act, on April 1, 2010, JBIC launched Global action for Reconciling Economic growth and ENvironmental preservation (GREEN) operations for preserving the global environment. The popularly called GREEN operations

finance projects such as those expected to significantly reduce greenhouse gas (GHG) emissions with a focus placed on their measurable effect on global environmental preservation, while being mindful of propagating Japan's advanced technologies in the world.

During FY2010, JBIC supported a total of four (4) projects, with an aggregate loan/guarantee value of US\$820 million under the GREEN.

Other Efforts

In 2010, JBIC signed memorandums of understanding (MOUs) on operational cooperation for GREEN operations with the Asian Development Bank (ADB), PT Sarana Multi Infrastruktur (Persero) (SMI) in Indonesia, the European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IDB), as well as with the Banco Nacional de Obras y Servicios Públicos, S.N.C. (BANOBRAS), the Mexican National Infrastructure Fund (Fonadin) and IDB. In conducting GREEN operations, JBIC established "The Guidelines for Measurement, Reporting and Verification of GHG Emission Reductions in JBIC's GREEN" (J-MRV Guidelines). J-MRV contains the basic principles and procedures pertaining to the measurement, reporting and verification of GHG emission reductions. JBIC has also deepened cooperation domestically and internationally, such as the signing of MOUs on mutual cooperation on environmental infrastructure projects respectively with the Ministry of Industry, Tourism and Trade (MITY) in Spain and Yokohama City.



Signing ceremony for the MOU with BANOBRAS, Fonadin and the IDB

Promoting the Formulation of Projects by Strengthening Policy Dialogue with Partner Countries

In August 2010, JBIC held the first Annual Meeting for Financial Policy Dialogue with the Government of Indonesia. The meeting covered comprehensive cooperation toward environmentally sustainable economic growth, with a focus placed on power development and macroeconomic analysis. While holding a balance between Indonesia's economic growth and its environmental preservation, JBIC intended to fully utilize the technology and knowledge of Japanese companies for this purpose. And JBIC will engage in deeper discussions with key ministries and agencies on the issues discussed in the meeting for facilitating the smooth implementation of concrete projects.



Speech given at the 1st Annual Meeting for Financial Policy Dialogue

Project Finance and Structured Finance

Project finance is a financing method in which repayment for the project loan is limited to the cash flow generated by the project and the security is limited to the project assets.

Amid difficulties the public sector has been facing in increasing external debt, there has been an increase in project financing among developing countries in recent years to finance the projects that especially serve public purpose, such as those in the electricity, transport, water supply and sewerage sectors.

Structured finance, which provides financing by relying on incomes from export proceeds of resources or manufactured products, has been expanding for much the same reason. JBIC utilizes such financial engineering to perform an active role in formulating projects, while taking steps to manage and reduce country risk and other types of risk.



Saudi Arabia: Jubail Refinery Project

Promoting Financial Support for Africa

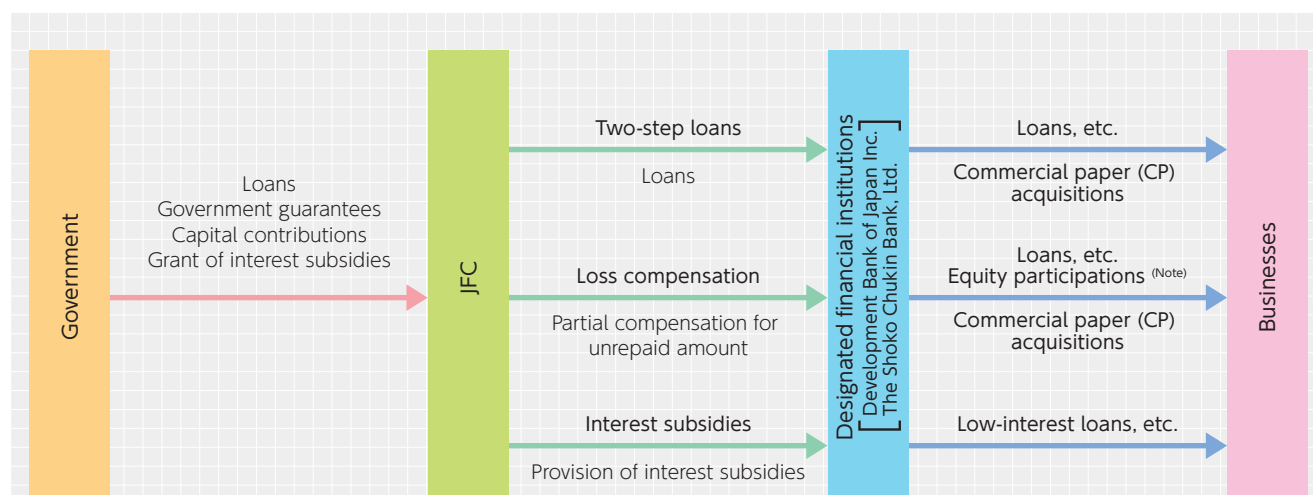
Following the Japanese government's pledge of US\$2.5 billion in financial support for Africa over the next 5 years during the Fourth Tokyo International Conference on African development (TICAD IV) in May 2008, JBIC established the JBIC Facility for African Investment (FAI) in April 2009 to support Japanese business projects undertaken in Africa through equity investment, guarantee

facility and advisory service, etc. As of the end of FY2010, JBIC had approved financial support worth a total of about US\$2.1 billion. In May 2010, JBIC signed an MOU with the African Export-Import Bank (Afreximbank) on financial cooperation for facilitating the projects in which Japanese firms get involved in African countries and trade between Japan and African countries.

5 Operations to Facilitate Crisis Responses and Specific Businesses Promotion, etc.

Overview of Operations to Facilitate Crisis Responses

At the occurrence of such event as domestic or international financial disorder and large-scale natural disasters that is declared a crisis by the competent ministers, JFC provides certain specified type of credit to the financial institutions designated by the competent ministers. Since the credit risks of businesses generally increases at the time of a crisis, it is assumed that private financial institutions would be unable to provide a satisfactory amount of funds. As a measure to counter this situation, JFC supplies credit to the designated financial institutions to encourage smooth funding of the affected businesses.



Note: Loss compensation for equity participations of designated financial institutions based on the Act on Special Measures for Industrial Revitalization and Innovation (Industrial Revitalization Act)

[Crisis Response Operations to date]

- o Cases related to the Disaster Relief Act
- o Cases related to special consulting services
- o Cases related to turmoil in the international financial order
- o Cases related to the Great East Japan Earthquake

Loans (two-step loans)

JFC lends fiscal loan funds, etc., to the designated financial institutions.

Partial risk complementation (loss compensation transaction)

JFC collects compensation premiums from the designated financial institutions, and compensates for a certain proportion of losses incurred through loans, etc. (including equity participations related to the Industrial Revitalization Act) conducted by the designated financial institutions.

Interest subsidies

JFC provides interest subsidies to designated financial institutions for loans, etc., made by those institutions through loans and partial risk complementation by JFC.

Results of Operations to Facilitate Crisis Responses

(Unit: billion yen)

	Second Half FY2008	FY2009	FY2010	Cumulative total
Two-step loans	1,430.1	3,869.3	405.2	5,704.7
Loans, etc.	1,130.3	3,529.4	405.2	5,065.0
Commercial paper (CP) acquisitions	299.8	339.8	—	639.7
Loss compensation	345.1	1,811.9	1,893.3	4,050.4
Loans, etc.	345.1	1,781.9	1,893.3	4,020.4
Commercial paper (CP) acquisitions	—	—	—	—
Equity participations	—	30.0	—	30.0
Interest subsidies	—	—	0.3	0.3

Notes: 1. The figures of the two-step loans refer to the loan amounts JFC provided to the designated financial institutions (Development Bank of Japan Inc. and The Shoko Chukin Bank, Ltd.) through March 2011.

2. With respect to the loss compensation, the figures for loans, etc. represent the amounts of loans provided by the designated financial institutions through the end of March 2011, with loss compensation underwritten by JFC for the incurred losses by May 10, 2011. Equity participation figures pertaining to the Industrial Revitalization Act are the amounts of equity investments made by the designated financial institutions through the end of September 2010, with loss compensation underwritten by JFC.

3. The figures for interest subsidies represent the amounts of interest subsidies JFC provided to the designated financial institutions for loans, etc. provided by the institutions through the end of September 2010.

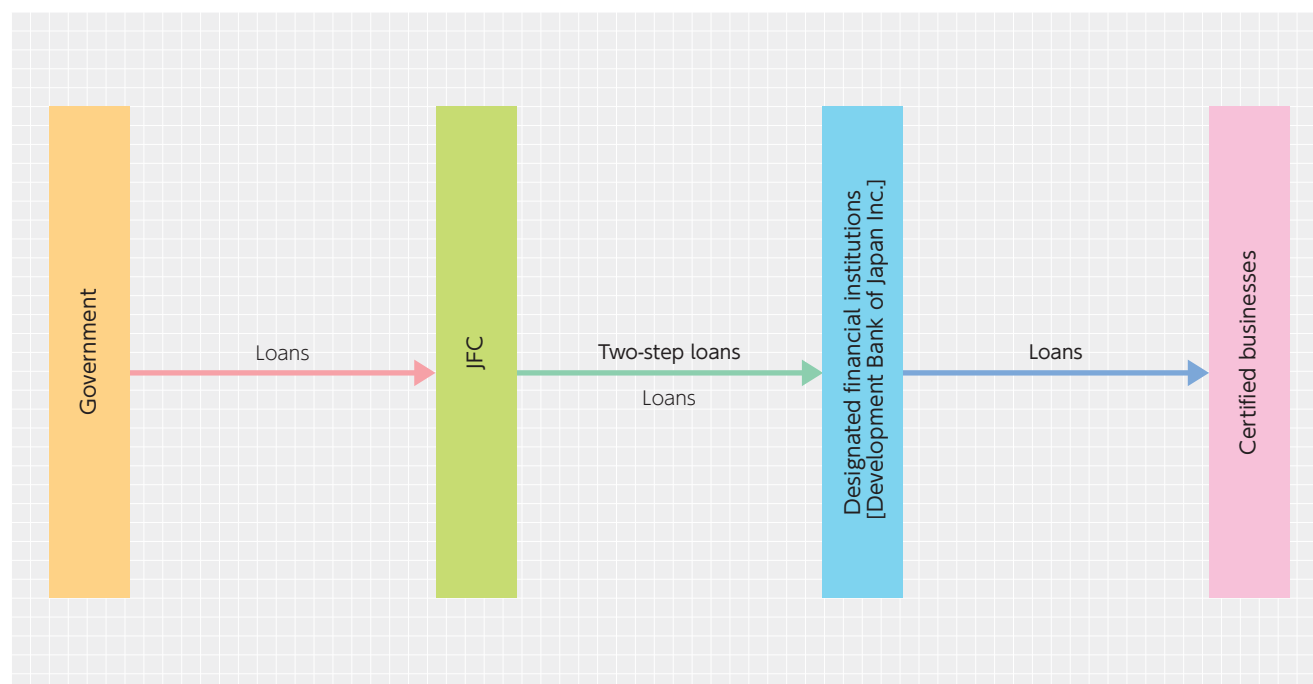
Overview of Operations to Facilitate Specific Businesses Promotion

In accordance with the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products, commonly known as the Low Carbon Investment Promotion Act (Law No. 38 of 2010, in effect on August 16, 2010), JFC lends funds (two-step loans^(Note 1)) needed for loans that are provided by designated financial institutions^(Note 2) to certified businesses^(Note 3) who are going to implement specific businesses certified by competent ministers.

Notes: 1. Loans made by JFC out of the fiscal loan funds to designated financial institutions.

2. Financial institutions that submit applications and receive designations from competent ministers.

3. Businesses that prepare plans related to development or manufacturing of energy-efficient and/or environmentally-friendly products, and receive approval from competent ministers.



Results of Operations to Facilitate Specific Businesses Promotion

(Unit: billion yen)

	FY2010	Cumulative total
Two-step loans	20.0	20.0

Notes: 1. Operations to Facilitate Specific Businesses Promotion commenced on August 16, 2010.

2. The figures for two-step loans refer to the amount of loans provided by JFC to the designated financial institution (Development Bank of Japan Inc.) through March 2011.

Overview of Operations to Facilitate Business Restructuring Promotion, etc. (commenced in FY2011)

In accordance with the Act on Special Measures for Industrial Revitalization and Innovation commonly known as the Industrial Revitalization Act (Law No. 131 of 1999, revised act came into effect on July 1, 2011), JFC lends funds (two-step loans^(Note 1)) needed for loans that are provided by designated financial institutions^(Note 2) to certified businesses or their related business operators^(Note 3) who are going to implement business restructuring certified by competent ministers for the purpose of strengthening international competitiveness.

Notes: 1. Loans made by JFC out of the fiscal loan funds to designated financial institutions.

2. Financial institutions that submit applications and receive designations from competent ministers.

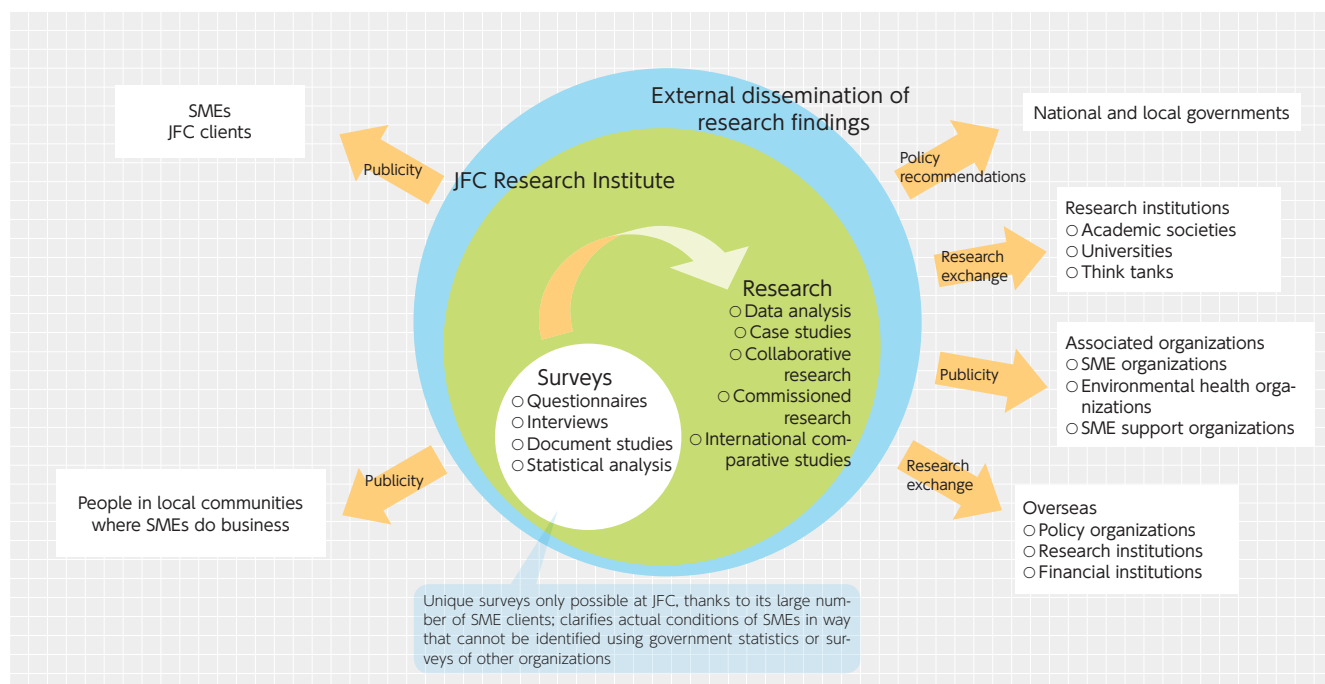
3. Businesses including their related business operators that prepare plans for business restructuring and receive approval from competent ministers.

Pursuit of Specialization, Originality and Advancement Striving for Globally High Quality in SME Research

Functions and Features of the Research Institute

The Japan Finance Corporation (JFC) Research Institute conducts research on the latest trends of small and medium enterprises (SMEs) and on the internal and external economic and financial circumstances surrounding SMEs. As a comprehensive research institution that investigates a diverse range of SMEs, from "self-employment" type businesses operated by sole proprietors and families to high-tech ventures on the verge of going public, the

Research Institute maintains an invaluable presence in the global community. Relying on questionnaire- and interview-based surveys, as well as other types of field work only possible at JFC with its large number of SME clients, the Research Institute strives for an academic quality of international excellence by engaging in highly specialized, original, and leading-edge research activities.



Surveys on SME Business Sentiment

Quarterly survey on SME trends

This quarterly survey is comprised of two parts: the micro business section, which surveys 10,000 micro businesses having fewer than 20 employees; and the SME section, which surveys 13,000 SMEs that generally employ at least 20 workers. It is a massive survey of economic outlook, which covers the whole gamut of SMEs, from self-employed individuals to businesses employing 300 workers.

Monthly survey on micro and small business trends

This monthly survey targets 1,500 micro and small businesses having fewer than 20 employees. The survey captures the current business sentiment of small businesses in a timely manner by telephone surveys, which reduce the turnaround time for reporting.

Monthly survey on SME trends

This monthly survey of business sentiment covers 900 relatively large SMEs. The feature of this survey is that in Japan's three major metropolitan areas, the manufacturing industry is given heavy emphasis. The survey has a history of almost 50 years since its inception in 1963, and its sales forecast diffusion index (DI) has been adopted by the Japanese government as a leading index of economic indicators.

Survey on capital investments by manufacturing SMEs

This biannual survey reports on planned and actual capital investment among 30,000 SME manufacturers that employ between 20 and 299 workers. This is the largest and most detailed survey in Japan of capital investment trends among SMEs.

Thematic Research on the Current State and Issues Faced by SMEs

Surveys are conducted by selecting timely themes, such as the issues faced by SMEs, industries centered around SMEs, and trends in regional economies. Further research is conducted based on the survey results. Research findings are compiled into papers and

reports, and are disseminated by means of journals, books, and other publications, as well as by way of academic societies, various types of research projects, and symposia.

Note: Most papers, reports, and survey results can be viewed on JFC's website.

Research on the structural problems of micro and small businesses

Surveys and research are conducted on structural problems faced by micro and small businesses, including new business start-ups, business succession, employment, capital procurement, and involvement in local economies and communities.

Main surveys (conducted in FY2010)

- Survey on State of New Business Start-ups (FY2010 regular and special surveys)
- Panel Survey on New Business Start-ups
- Survey on Environmental Management of SMEs
- Survey on Employment of Women by Micro and Small Businesses

Main research papers and reports (released in FY2010)

- ◇ State of Borrowings among Startups
- ◇ Management Innovation of Micro and Small Businesses Triggered by Business Succession
- ◇ Extension of Environmental Management and the Management of Micro and Small Businesses
- ◇ Determinants of Work-Life Balance for New Business Starters
- ◇ Potential for Promoting the Use of ICT by SMEs Via "Clouds" and "Mobile"
- ◇ The Roles of Family Members Working in New Startups
- ◇ The Effects of Support Derived from the Personal Networks of Business Starters

Research on management issues of micro and small businesses

Cases are collected of micro and small businesses that overcame the handicap of limited management resources, such as human resources, equipment and funds, to achieve success. Research findings are published annually as a compilation of case studies.

FY2010 survey

- Case Studies on the Sources of Differentiation among Micro and Small Businesses

FY2010 publication

- ◇ New Management Resource Theory
- ◇ "Mottainai (Waste Not)" Can Transform SME Management

Research on domestic and international industry trends

The latest trends occurring around SMEs, including innovations in technology and changes in production systems, are viewed from the perspective of industrial policy.

Main surveys (conducted in FY2010)

- Survey on the Realignment of Development and Production Systems by Major Manufacturers Targeting Middle-Income Markets in Emerging Countries, and the Response by Small and Medium Suppliers
- Survey on New Developments in Electric Cars and other Environmentally Friendly Vehicles, and the Trends of Small and Medium Parts Suppliers
- Survey on the Roles and Growth of SMEs in Industries Related to High-Performance Materials which Have Potential for Growth
- Survey on the Branding of Luxury Consumer Goods Undertaken by SMEs Targeting the Global Market

Main research papers and reports (released in FY2010)

- ◇ Basic Strategies for Controlling Business Risks in the Small and Medium Apparel Industry
- ◇ Actual Conditions of the Parts Supply Structure and Entry Environment in the Aircraft Industry
- ◇ New Developments in Electric Cars and other Environmentally Friendly Vehicles, and the Trends of Small and Medium Parts Suppliers
- ◇ Information Technology (IT) Innovation and New Business Expansion Assumed by SMEs

Research on regional economic trends

The movements of SMEs are tracked from the contemporary perspective of promoting local economies, including their role in regional revitalization.

Main research papers and reports (released in FY2010)

- ◇ Roles of Various Organizational Forms in Developing Regional Industries:
Case Study of Regional Industry Development Cases Utilizing the Special Characteristics of Differing Organizational Forms
- ◇ Skills as a Social System
- ◇ Various Aspects of Innovation: Recent Characteristics Seen in Regional Industry

Japan Finance Corporation Symposium

JFC will hold a symposium for the third time

Discussions will be held between staff from the Research Institute and external panelists on on-going research findings. Participation of many people interested in this field such as SME scholars / researchers, SME owners and journalists, are highly appreciated.

The symposium will be held in November 2011. Further details will be announced on the JFC website and via leaflets.

Publications Issued by the Research Institute

Periodical Publications



Collection of papers by the Japan Finance Corporation

Quarterly (published on the 25th of February, May, August, and November)

Contains academic research papers written by staff from the Research Institute.

Papers from outside the Research Institute are also included, giving SME researchers an opportunity to publish their research.

Main papers published in Volume 11 (May 2011):

- The State of Family Members Working in New Startups
- The Distinctive Characteristics of the Parts Supply Structure Seen in the Aircraft Industry
- Organizational Reform during Business Succession
- Efforts of SMEs for Environmental Problems (Part I)



JFC Research Institute Report

Published occasionally

This research report brings together the latest research findings on the current state of SMEs and the issues they face, and disseminates those findings in a timely manner.



Monthly Survey Report

Published on the 5th of every month

The aim of this magazine is to disseminate the research findings of the Research Institute to researchers, business managers and officials from SME support organizations, and other readers in a way that is easy for them to understand.

Books



White Paper on New Business Start-ups

Based on the results of the Survey on the State of New Business Start-ups, this paper analyzes the trend of new business start-ups according to the latest themes. Published annually since 1992, the document is important literature in the field of start-ups in Japan.

- Main contents of the 2011 White Paper -

- Overview of the FY2010 Survey on the State of New Business Start-ups
- The Effects of Support Derived from the Personal Networks of Business Starters
- Industry Experience of Business Starters
- An Empirical Analysis of Voluntary / Involuntary Exit
- Challenges to Overcome during the Growth Period



Micro and Small Businesses where Women Shine

This book describes the findings of a multifaceted study on the results of the "Survey on the State of Employment of Women by Micro and Small Businesses." This remarkable study sheds light on the state of micro and small businesses achieving diversity in employment, combining the results of a questionnaire with case studies.



Corporate Case Studies Micro and Small Businesses Sparkling with Individuality

This is a compilation of case studies on the management of SMEs. Based on corporate case studies, this book introduces the processes and main points for differentiating oneself from other companies taking advantage of the individuality of managers.