

Overview of Operations

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JFC 2012

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 980 thousand businesses.
- The average loan balance per business is 6.51 million yen.
- Approximately 90% of borrowers are businesses with nine or fewer employees, and approximately 40% are sole proprietorship.

Safety Net Financing

- The Micro Unit provides Safety-net Loans to support micro/small enterprises experiencing financing difficulties because of a changing business environment.
- Through loans and other means, the Micro 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 16,000 a year.
- It is estimated that about 64,000 jobs were created annually as a result.

Responding to the Needs of Strategic Areas of Growth

- The Micro Unit supports micro/small businesses trying to expand overseas.
- The Micro Unit supports "social businesses (NPOs, etc.)" which are engaged in solving community issues.

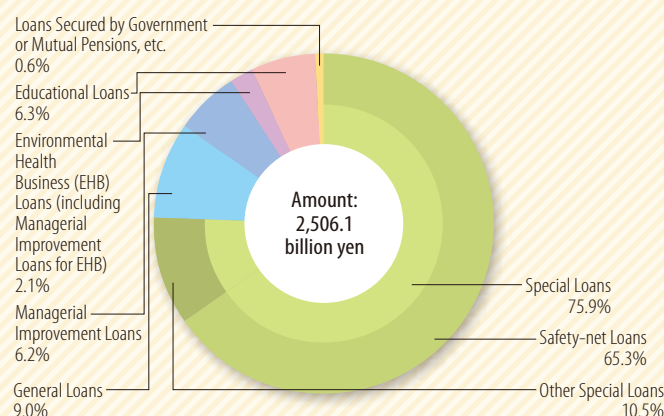
Collaboration with Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations

- The Micro 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.

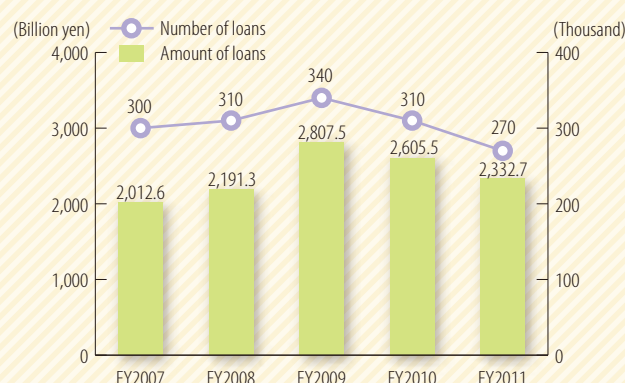
Support through Educational Loans, etc.

- Approximately 120,000 Educational Loans are made each year.

▼ Breakdown of Loans (FY2011)



▼ Trends in Business Loans



Major Player in Lending to Micro Businesses

Business Loans were provided to 0.98 million businesses. Most of the loans are for small amounts, with an average loan balance per business of 6.51 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 FY2011)

	JFC Micro Business and Individual Unit	Total for credit associations (271 credit associations)	Total for domestic banks (144 banks)
Number of business borrowers (million)	0.98	1.16	2.08
Average loan balance per business (million yen)	6.51	35.60	82.76

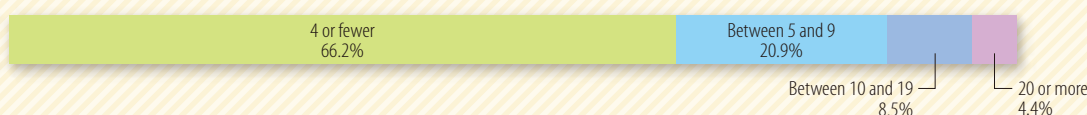
Notes: 1. Figures for JFC Micro Business and Individual Unit are total of General Loans and Environmental Health Business Loans.

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.

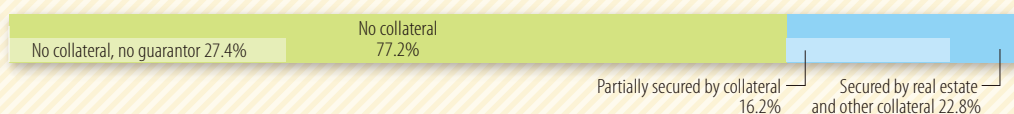
Source: Bank of Japan website

▼ Breakdown of Borrowers by Number of Employees (Based on Number of Loans) (FY2011)



Note: The breakdown is for the total of General Loans and Environmental Health Business Loans (direct loans).

▼ Breakdown of Loans by Type of Collateral (Based on Number of Loans) (FY2011)



Notes: 1. The breakdown is for the total of General Loans and Environmental Health Business Loans (direct loans).

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

Function as a Safety Net

The number of Safety-net Loans (including earthquakes) made in FY2011 to micro/small businesses experiencing financing difficulties because of a changing business or financial environment reached 167,024.

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

▼ Special Consultation Services Currently Available

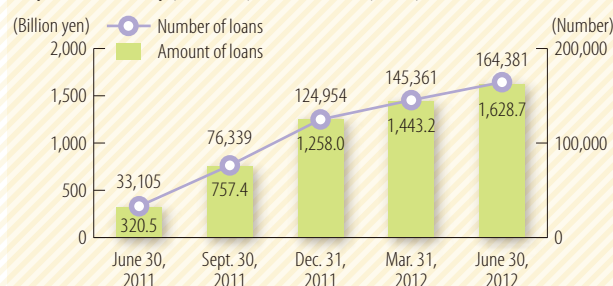
(As of end of June 2012)

Special consultation services	Date of establishment
Special consultation desks for damage caused by the windstorms of May 2012	May 2012
Special consultation desks for issues relating to Elpida Memory, Inc.'s application for commencement of corporate rehabilitation procedures	Feb. 2012
Special consultation desks for the 2011 great floods in Thailand	Nov. 2011
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

The Micro Unit supports the rehabilitation and reconstruction of micro/small businesses that have suffered damage at times of disaster such as earthquakes, typhoons and heavy snowfalls, by means of Disaster Loans that have more favorable repayment conditions than regular loans, such as a longer repayment period or a longer grace period for the principal.

Between March 11, 2011 when the Great East Japan Earthquake occurred and June 30, 2012, the Micro Unit executed 164,381 loans related to the earthquake, amounting to 1,628.7 billion yen.

▼ Trends in Loans for the Great East Japan Earthquake (Cumulative) (March 11, 2011 – June 30, 2012)



Note: Loans for the Great East Japan Earthquake include Disaster Loans and Great East Japan Earthquake Recovery Special Loans (cumulative).

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

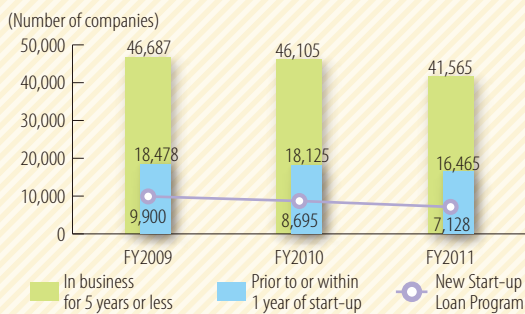
➔ Support for Business Start-ups

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

In FY2011, the Micro Unit provided loans to 41,565 businesses that had been in business five years or less. Of these, 16,465 obtained loans prior to or within one year of start-up. It is estimated that about 64,000 jobs a year were created as a result.

7,128 businesses received loans under the New Start-up Loan Program in FY2011. The program provides no-collateral, no-guarantor loans to start-ups that have not yet filed their tax returns for their second business year.

▼ Changes in Loans to Businesses Established within the Last Five Years



[Job Creation Effects]

16,465 businesses × Average employment of 3.9 persons^{Note} = 64,213 jobs

Note: The average number of employees at time of business start, based on Survey on Business Start-ups in Japan (FY2011) by the JFC Research Institute.

➔ Establishing Business Start-up Support Desks

In April 2012, Business Start-up Support Desks were set up in 152 branches nationwide where specialist staff provide a range of useful information for business start-ups, such as advice on the creation of business start-up plans.

➔ Support for Fresh Starts and Second Business Start-ups

The Micro 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):

482

(FY2011)

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

1,969

(FY2011)

➔ Supporting Collaboration between Industry and Academia

The Micro 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 memoranda for industry-academia collaboration have been signed

44

(As of end of June 30, 2012)

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

The Micro Unit has established Business Start-up Support Centers and Business Support Plazas throughout Japan to support a wide range of business start-ups and others attempting to start a second business.

[Business Start-up Support Center]

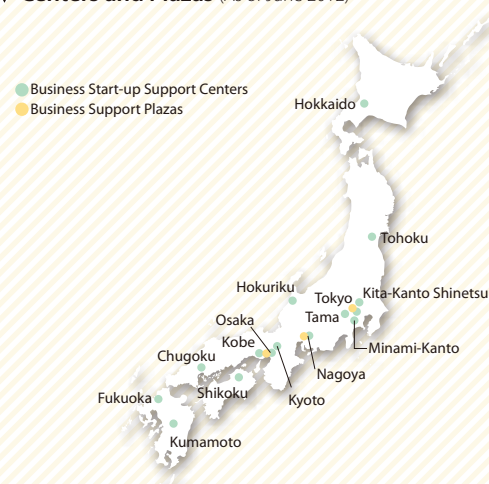
- Centers are located in 15 regions of Japan.
- Centers provide timely support to customers through collaboration with regional organizations that support start-ups.
- Centers organize diverse seminars targeted at customers in varying stages of their business cycle, both before and after starting business.

[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.
- 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 Tokyo Business Support Plaza.

▼ Centers and Plazas (As of June 2012)



Providing Assistance for Micro/Small Businesses Entering Strategic Areas of Growth

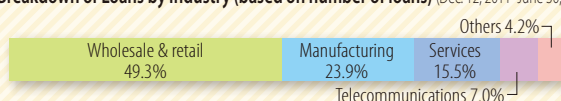
➡ Supporting Overseas Expansion

The Micro Unit provides support for the overseas expansion of micro/small businesses who are seeking to capture growth potential outside of Japan. It provides financial support through the Loans for Overseas Investment program, which was inaugurated in December 2011, and it provides information by drawing on its own network of connections.

Between the program being established and June 30, 2012, the Micro Unit executed 71 loans through the program.

One feature of borrowers is that about 50% are from the wholesale and retail sector.

▼ Breakdown of Loans by Industry (based on number of loans) (Dec. 12, 2011–June 30, 2012)



➡ Launch of Overseas Expansion Support Desks

In April 2012, Overseas Expansion Support Desks were set up in 152 branches nationwide. In cooperation with such organizations as JETRO and the Organization for Small & Medium Enterprises and Regional Innovation, the desks offer information services that meet the individual needs of customers who are considering expanding their business overseas.

➡ Supporting Revitalization in City Centers and Shopping Districts

The Micro 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:

13,885

(FY2011)

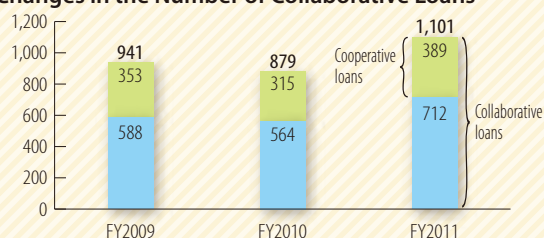
➡ Collaboration with Regional Financial Institutions

The Micro 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 June 2012)

	Large commercial banks	Regional banks	Secondary regional banks	Credit unions	Credit co-operatives	Total
Number of financial institutions (Total number of institutions)	2 (5)	29 (65)	31 (42)	231 (271)	125 (158)	418 (541)

▼ Changes in the Number of Collaborative Loans



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

➡ Supporting Social Business

The Micro Unit supports "social businesses (NPOs, etc.)" ^(Note) which are engaged in solving community issues and which create stable and ongoing employment.

Note: The term "social business" means an organization which promotes continuous activity utilizing business techniques in order to solve social or community issues, 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)).

Loans to NPO corporations

532

(FY2011)

➡ Supporting the Medical and Welfare Sectors ^(Note)

Based on the government's New Growth Strategy, the Micro Unit supports Japan's medical and welfare sectors where strong growth and employment are expected as society ages.

Note: Refers to medical services and social insurance, social welfare and nursing care businesses.

Loans to the medical and welfare sectors

13,804

(FY2011)

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

The Micro 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:

14

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

12

(FY2011)

➡ Business Reconstruction and Business Succession

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

Number of loans to parties undergoing corporate reorganization or business succession:

42

(FY2011)

Accommodating customers whose financing abilities have been adversely affected by such factors as a change in economic conditions or a natural disaster, the Micro Unit flexibly responds to requests to have their repayment terms relaxed by temporarily extending principal repayment due dates or reducing monthly payment amounts. In FY2011, the Micro Unit took steps to ease the payment terms of approximately 87,000 business loans.

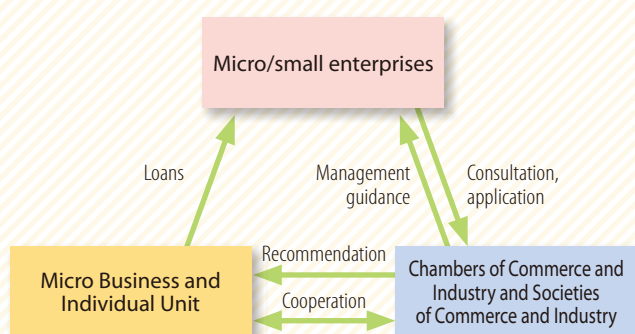
Collaboration with Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations

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

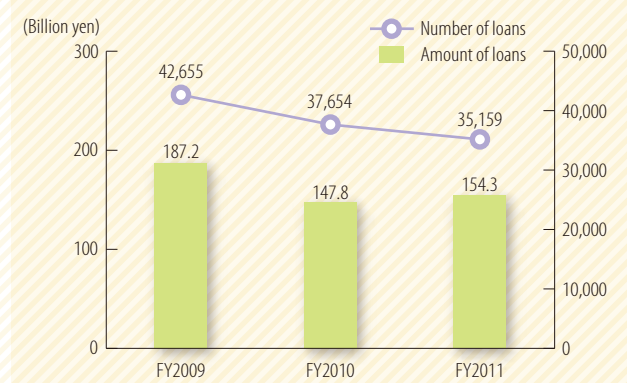
The Micro Unit works in close collaboration with regional Chambers of Commerce and Industry, and with Societies of Commerce and Industry throughout Japan to support business improvement of micro businesses such as through Managerial Improvement Loans (MARUKEI Loans) and consultation sessions.

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 4.80 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 Micro 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

FY2009	FY2010	FY2011
2,874	2,866	2,792

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

The Micro 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. Approximately 80% are sole proprietorship, and approximately 40% have been in business for five years or less.

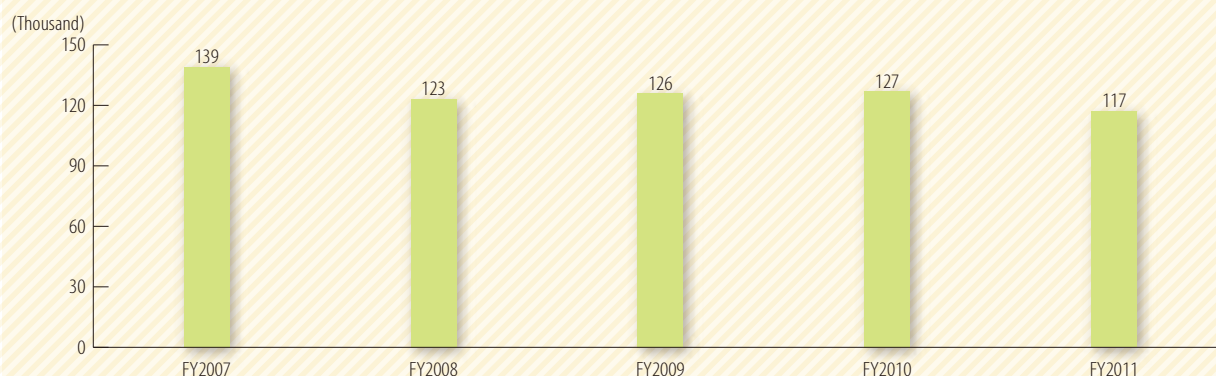


Note: Figures in parentheses are number of organizations.

Educational Loans for School Entrance Fees and Related Expenses

The Micro 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 FY2011. Of these, approximately 17,000 loans were made to households run by single mothers.

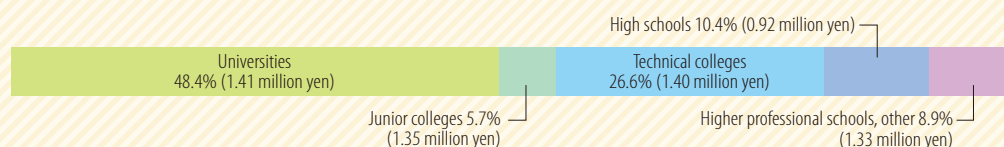
▼ Changes in Educational Loans (Number of Loans)



➡ 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 (FY2011 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 Disaster Victim Certificate, etc. (or a Disaster Certificate, etc., for those who have received evacuation order, etc., due to the nuclear power plant accident).

○ 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: 2.65% ^(Note) → **2.25% (Single-mother families: 1.85%)**

(Note) As of May 10, 2012

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.

Agriculture, Forestry, Fisheries and Food Business Unit (AFFF Unit)

Overview of Operations

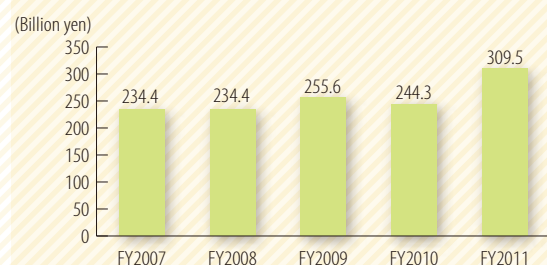
Through providing loans to businesses in agriculture, forestry and fishery industries as well as the food industry in Japan, the Agriculture, Forestry, Fisheries and Food Business Unit contributes toward strengthening of these industries while ensuring the stable supply of safe and high-quality foods.

Loans

The AFFF Unit provides long-term and low-interest financing, taking into account the fact that the agricultural, forestry and fisheries sectors have unique business characteristics such as long investment recovery periods and unstable income susceptible to the effects of weather. Assistance is also provided to the food industry, which contributes to the stable supply of domestically produced agricultural, forestry and fisheries products, as well as to improved added value.

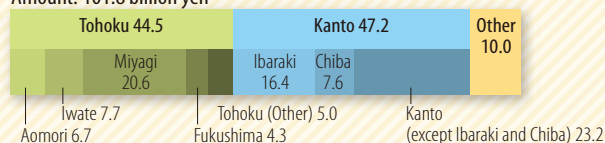
The Unit also serves as a safety net for agricultural, forestry and fishery operators, providing quick and flexible financing such as at times of disaster.

▼ Changes in Loan Operations



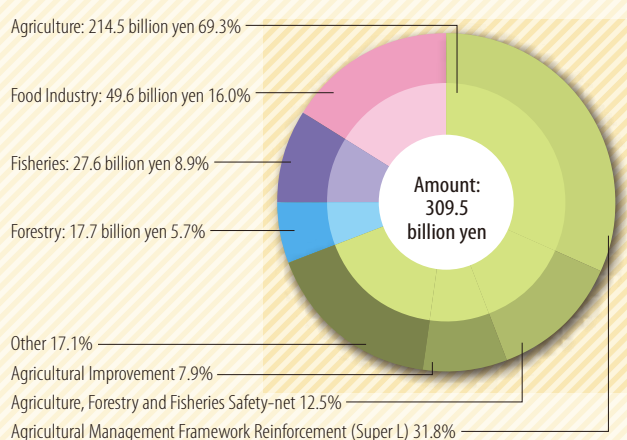
▼ Earthquake-Related Loan Operations (by Region)

Amount: 101.8 billion yen



(Cumulative total provided between March 11, 2011 and March 31, 2012)

▼ Breakdown of Loans (FY2011)



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

The AFFF Unit provides easily accessible consultation services at a customer call center, at 48 branches nationwide where the Unit is permanently based, as well as at 121 consultation service sites that operate 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 private financial institutions, etc., with which it has close business ties, the Unit responds to consultation requests from customers concerning all aspects of their business management.

➡ Business match-making support

The Unit supports efforts by agricultural, forestry and fishery business operators as well as those in the food-processing and distribution industries to expand their own sales channels and customer base. It does this by means of the Agri-Food EXPO (an exhibit and business fair for domestically produced agricultural products) and JFC Internet Business Matching, leveraging its unique capabilities for wide-ranging support from the initial production of related products through to processing and sales.

➡ Provision of information

The Unit provides customers and relevant organizations with useful information through its *AFC Forum and Agriculture & Food Business Support* information magazines, various reports such as the *Business Confidence Survey of the Agricultural Industry* and the *Survey on Movement of the Food Industry*, and through press releases, the website and the email distribution service.

Promoting Private Financing Support in Agricultural, Forestry and Fisheries Fields

The AFFF Unit is working to build an environment that encourages private financial institutions to actively enter the agricultural, forestry and fisheries fields by providing information on industry trends and assessment of agricultural credit risks (Agricultural Credit Risk Information Service (ACRIS)), while also offering securitization support services.

Feature 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 Business Expansion by Farmers

Support is provided to farmers who have been certified under the Agricultural Management Framework Reinforcement Law by means of Super L Loans, thereby helping to develop people who will be the pillars of local agriculture. Agricultural Improvement Loans are also offered interest free to farmers who take up challenging businesses involving the introduction of new crops or new technologies, or the launch of food processing or direct sales operations.

➡ Exercising Safety Net Functions at Time of Disasters

The AFFF Unit delivers rapid and flexible assistance in the form of safety net financing for agricultural, forestry and fisheries businesses suffering from a temporary deterioration in business conditions due to factors such as typhoons or other natural disasters, contagious livestock diseases like foot-and-mouth disease, or falls in the prices of agricultural products. The Unit has been actively supporting the rehabilitation and reconstruction efforts of farmers affected by the Great East Japan Earthquake, through such means as loans with zero real interest rates and other special financing programs.

➡ Supporting Efforts for Entry into the Agricultural Sector and for Sixth Industrialization

The AFFF Unit offers equipment funding and long-term working capital loans for start-up to new participants in the agricultural sector, as well as to farmers engaged in sixth industrialization (merger/collaboration between the agriculture, forestry and fisheries industries, and secondary and tertiary industries), thus helping to secure ongoing participation and to improve the added value of agricultural products.

▼ Loans Provided for New Entry into the Agricultural Sector

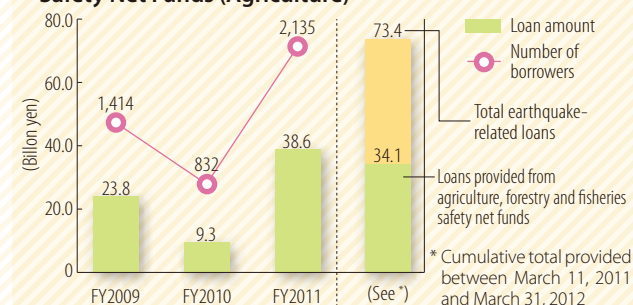
	FY2010	FY2011
No. of cases	90	154
Amount (billion yen)	2.5	5.3

▼ Number of Super L Loans Borrowers among Certified Farmers (Unit: thousand borrowers)

	Certified farmers	Super L Loan borrowers
Individuals	231	34.9
Corporations	15	5.8
Total	246	40.8

Note:
As of March 31, 2012 (The figure for certified farmers is as of March 31, 2011)

▼ Loans Provided from Agriculture, Forestry, and Fisheries Safety Net Funds (Agriculture)



▼ Loans Provided for Sixth Industrialization

	FY2010	FY2011
No. of cases	110	139
Amount (billion yen)	8.7	9.6

Note: Total amount of financing, including loans intended for agricultural, forestry, and fisheries product processing and/or sales facilities, etc.

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.

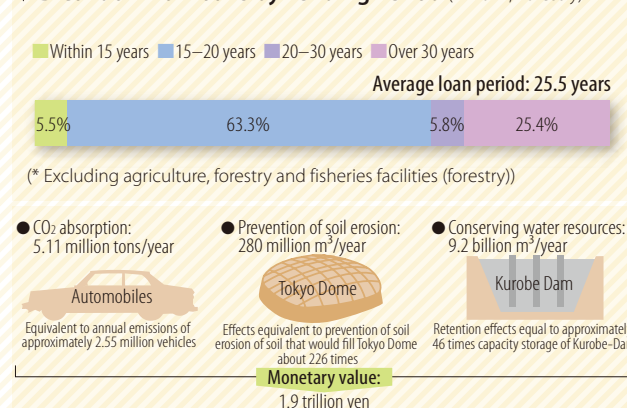
➡ Providing Financing to Forestry Operators Facing Difficulties in Procuring Loans

Given that it generally takes about 50 years for a forest to develop and so recovering any capital takes a very long time, many forestry operators face difficulties in securing loans from private financial institutions, and sometimes there is a mismatch between the redemption period of the loan and the period of time until logging. For this reason, the AFFF Unit supports forestry operators by providing the ultra-long-term, low-interest finance that is required until logging.

➡ Contributing to Prevention of Global Warming and Environmental Preservation

Adequate management of forests fulfils multifunctional roles, including preservation of water resources, prevention of soil erosion and absorption of carbon dioxide. An estimate of some of these multifunctional roles with respect to the 1.25 million hectares of afforested land ^(Note 1) owned by JFC's forestry loan borrowers as of the end of FY2011 is shown on the right, based on past case studies ^(Note 2).

▼ Breakdown of Loans by Lending Period (FY2011, Forestry)



Notes: 1. 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).

2. 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".

Fisheries

By supplying funds in line with the policies of the Fisheries Basic Act, the AFFU Unit actively supports efforts to ensure a stable supply of marine products and the sustained use of marine resources.

➔ Supporting Principal Fishery Operators

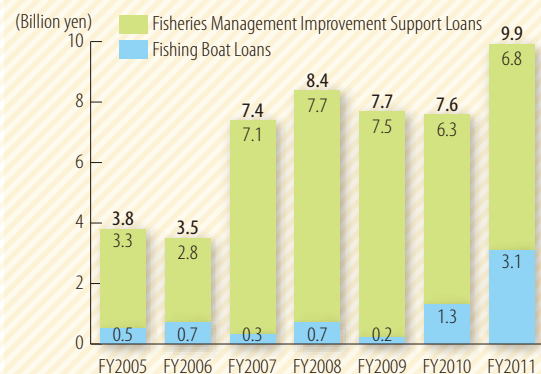
The Fisheries Management Improvement Support Loan is a financing program that provides comprehensive support to businesses approved for an improvement plan pursuant to the Special Measures Law for Improvement and Reconstruction of Fisheries Management.

As a result of the AFFU Unit's active participation in the G Project^(Note) since FY2007, amounts lent from the Fisheries Management Improvement Support Fund have remained steady. In FY2011, together with Fishing Boat Loans, 74 loans were made such as for the construction of fishing vessels, amounting to 9.9 billion yen.

Note: G Project:

The Fisheries Structural Reform Project (G Project) was launched by the national government in FY2007 to promote collaboration between fishery businesses and local communities for reform of entire production structures, from fish harvesting to product shipment, in an effort to raise profitability. The AFFU 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.

▼ Loans for Fishing Vessels

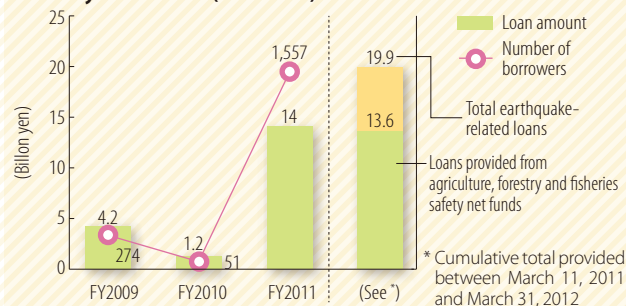


Exercising Safety Net Functions following Disasters

The AFFU Unit delivers rapid and flexible assistance by providing Safety-net Loans to fisheries operators who suffer from the temporary deterioration of business conditions due to factors such as natural disasters or falling prices of fisheries products.

In this context, the Unit has been actively supporting the rehabilitation and reconstruction efforts of farmers affected by the Great East Japan Earthquake, through such means as loans with zero real interest rates and other special financing programs.

▼ Loans Provided from Agriculture, Forestry, and Fisheries Safety Net Funds (Fisheries)



Food Industry

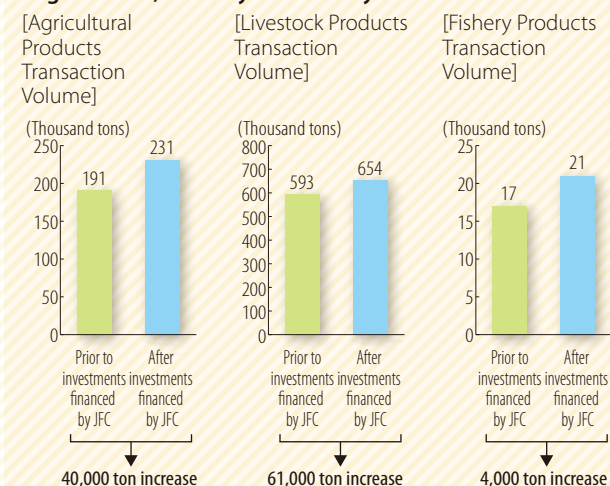
Through supplying funds to the food manufacturing and distribution sector, the AFFU Unit actively supports efforts for the stable supply of domestically produced agricultural, forestry and fisheries products and for improving added value.

➔ Helping to Increase the 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 FY2011 suggests that the transaction volumes of domestically produced raw materials will increase by approximately 100,000 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 the agricultural, forestry and fisheries sectors 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

The AFFF Unit provides easily accessible consultation services at branches nationwide, a customer call center, and at 121 consultation service sites that operate throughout Japan on a routine schedule.



➡ 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. As of March 31, 2012, examinations had been conducted 14 times and a total of 1,660 Agricultural Management Advisors now serve in 46 prefectures (excepting only Okinawa).

During FY2011, the Unit also established the Agricultural Management Senior Advisor program to play a leading role for more advanced management issues. 16 people across Japan passed the examination for this program.

The Unit also hosts a biennial Advisor Meeting (training session), supporting Agricultural Management Advisors to acquire and advance diverse knowledge.

The Forestry and Fishery Management Advisor System established in FY2008 has produced 20 Forestry Management Advisors and 19 Fishery Management Advisors.

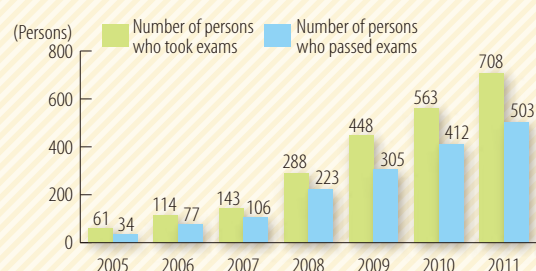
The AFFF Unit provides support for the business growth of its customers by utilizing staff members who have become Agricultural, Forestry and Fishery Management Advisors. The Unit also provides comprehensive management support services in collaboration with non-JFC management advisors, including tax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



[Breakdown of Agricultural Management Advisors (As of Mar. 31, 2012)]

Financial Institutions under
Business Cooperation with JFC: 648 persons
Tax accountants and SME management consultants: 586 persons
Agricultural extension officers, etc.: 281 persons
JFC employees: 145 persons

▼ Results of Agricultural Management Advisor Examinations



➡ Raising the Quality of Management Support 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 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.



Business Match-making Support

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

In FY2011, the AFFU Unit again hosted the Agri-Food EXPO, Japan's largest agricultural product exhibit and business fair, in Tokyo (August 2011) and in Osaka (February 2012).

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.



	EXPO Tokyo 2011 (Aug. 2–3, 2011)	EXPO Osaka 2012 (Feb. 14–15, 2012)
Exhibitors	564 (511 booths)	469 (356 booths)
Visitors	12,327	13,473
Number of business talks	45,367	26,992
Number of business talks during the EXPO (average per company)	18	30
Number of contracts concluded during the EXPO (average per company)	2.4	5.0
Value of contracts (average per company)	2.53 million yen	1.70 million yen
Number of visitors per booth (average per company)	377	478

Supporting Management with New Financing Techniques

➡ Efforts to Speed Up Loan Procedures

In addition to a loan screening process that uses the agricultural business version of a scoring model ^(Note 1) in connection with loans to farmers, in order to speed up procedures, the AFFU Unit has also adopted a screening process for loans to people starting out in the agricultural sector.

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

Since FY2008, as a means of financing that does not rely on real estate collateral or guarantors, the AFFU Unit has promoted the dissemination of an asset-based lending (ABL) program in the agricultural, forestry and fisheries sectors and the food industry which uses livestock as collateral. In FY2011, a total of 24 loans (totaling 1.0 billion yen) were provided to the beef cattle, pig and dairy farming sectors.

Efforts were also made to expand the system for promoting ABL. Four new ABL agreements ^(Note 2) were entered into, bringing the cumulative total to 49.

The AFFU Unit will continue to promote management support for customers by working to spread the use of ABL.

Notes: 1. A system independently developed by the AFFU Unit for assessing the creditworthiness of agricultural management on an individual basis, by taking into account the characteristics of the agricultural management, adding production-related data and qualitative information to financial data, and then combining these with the characteristics of each farming type.

2. The AFFU Unit has entered into an ABL agreement with business operators engaged in livestock, meat and other sectors, to build cooperative arrangements such as those pertaining to the preservation and disposal of movable collateral.

Efforts for Business Recovery Support

The AFFU Unit provides customers with business recovery support which is essential for the maintenance and development of local agricultural, forestry and fisheries businesses. Specifically, in view of the characteristics of these businesses—namely that they are susceptible to natural disasters and market conditions—the Unit identifies issues for customers where there are prospects of management improvement based on self-help efforts. It then considers solutions for these issues, and provides support needed for the formulation and implementation of feasible business improvement plans.

The Unit is also involved in providing advanced management support through cooperation with industrial organizations and external experts, such as for the restructuring of unprofitable businesses, the development of business execution systems and the construction of internal monitoring systems.

In order to promote business rehabilitation for customers affected by the Great East Japan Earthquake, the Unit is also committed to providing quick support for rehabilitation and reconstruction, by cooperating with industrial recovery consultation centers and other organizations in these affected areas.

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

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

➡ Signing of Memoranda for Business Cooperation

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. The support has included study sessions, joint operations and cooperative loans.

[Financial Institutions under Business Cooperation with JFC

(As of March 31, 2012)]

The Norinchukin Bank: 1

Prefecture credit federations of agricultural cooperatives: 37

Prefecture credit federations of fisheries cooperatives: 5

Banks: 90

Shinkin banks: 104

Credit cooperatives: 6

Other financial institutions: 13

Total: 256



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. (a fee-based membership service)

The AFFF 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.

The accuracy of the model is examined annually, and improvements are regularly made to reflect economic conditions and other factors.

➡ 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 FY2011, a total of 64 financial institutions had signed a basic agreement with the Unit. Forty four of these financial institutions developed new loan products for farmers that incorporated credit supplementation under this program.

▼ Images of Scoring Results Obtained Using ACRIS



▼ Financial Institutions under Basic Agreements with JFC (As of March 31, 2012)

	Regional Banks	Shinkin Banks	Credit Cooperatives	Total
Hokkaido	1	6	0	7
Tohoku	6	4	1	11
Kanto	1	0	1	2
Chubu	6	6	2	14
Kinki	3	4	0	7
Chugoku	1	3	0	4
Shikoku	5	0	0	5
Kyushu	8	6	0	14
Total	31	29	4	64
(Of these, institutions that developed new products)	(24)	(19)	(1)	(44)

Small and Medium Enterprise Unit (SME Unit)

Overview of Operations

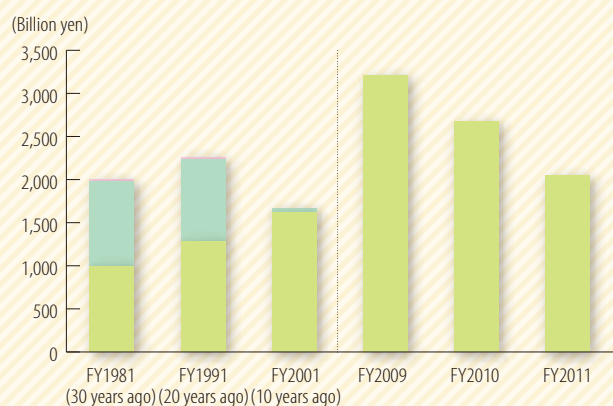
By providing such diverse services as loans and credit insurance, the Small and Medium Enterprise Unit (SME Unit) supports the growth and development of SMEs, the source of vitality of the Japanese economy and the cornerstones of regional economies.

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 Medium Business Investment & Consultation Co., Ltd. and facility-leasing institutions
- Securitization of SME loan claims and corporate bonds (CDO Program)

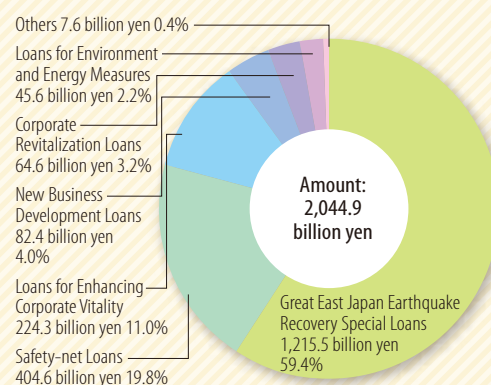
▼ Performance of Loans



	(Billion yen)					
Direct loans	997.6	1,285.3	1,616.1	3,208.9	2,672.0	2,044.9
Agency loans	983.1	949.2	47.6	0.6	0.3	0.2
Loans to facility-leasing institutions: loans to Small and Medium Business Investment & Consultation Co., Ltd.	19.3	30.5	6.8	1.2	1.9	1.7

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

▼ Breakdown of Loan Amounts (FY2011)



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."

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 FY2011
 - Average loan amount per client 105 million yen
 - Average term of loan 6 years 11 months
 - Average amount of capital per client 50 million yen
 - Average number of employees per client 77
- 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 FY2011).

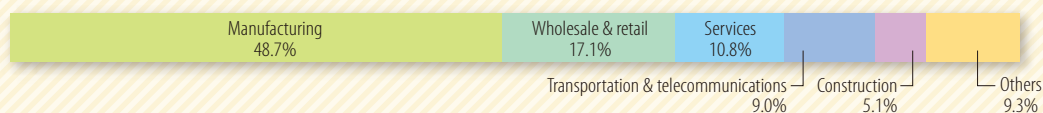
Credit Insurance Programs

- No. of clients: 1.54 million enterprises ^(Note)
Average insurance for FY2011
 - Average amount of insurance accepted per client 19 million yen
 - Average term of insurance 5 years 4 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, 2012.

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



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



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

Policy-based financing in Japan involves providing financial support based on the nation's key policies. These fields include new business development, management innovation, business revitalization and overseas 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

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

➔ Dedicated to Long-term Funding

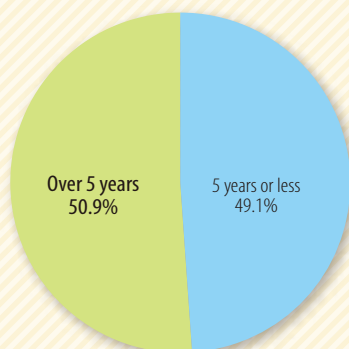
If SMEs are to grow and prosper, they must continually invest capital appropriately and consolidate their financial strength. To do this, they need to be able to raise long-term funds in a stable manner.

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

The SME Unit specializes in long-term funds that private financial institutions have difficulty in providing. Over 50% of the SME Unit's loans have lending periods of longer than five years, with fixed-interest rates that make it easier to map out repayment schedules.

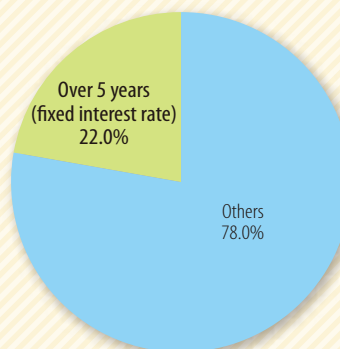
By covering those areas that private financial institutions find it hard to cover, the SME Unit meets the long-term funding needs of SMEs, which are a vital component of the Japanese economy.

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



Note: 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) (FY2011)



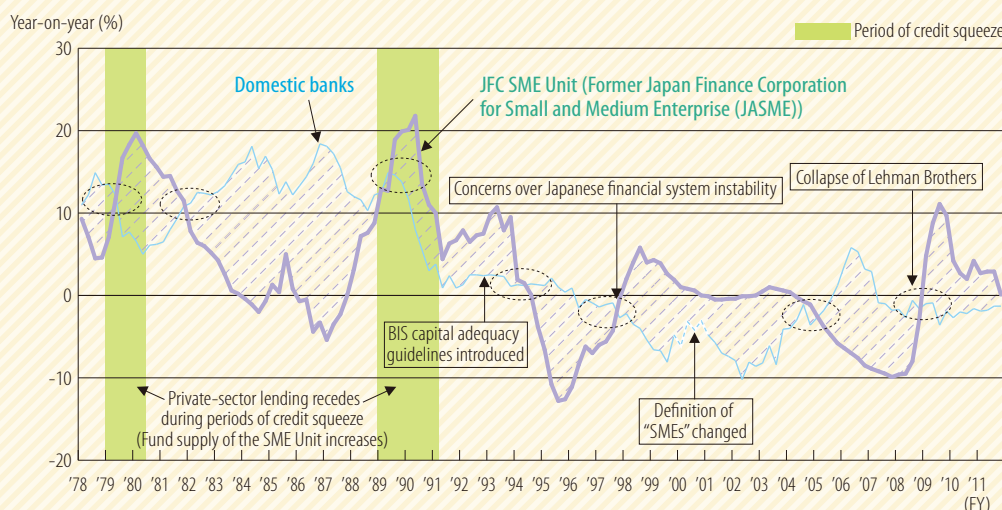
Source: JFC "Quarterly Survey on SME Trends (SME Edition)" (FY2011)

➔ Stable Supply of Business Funds

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

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

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



Notes: 1. Domestic bank balances refer to loans to SMEs to cover banking accounts only. From FY 1993 forward, overdrafts have been included in the calculation base. Second-tier regional banks have been included in this category since FY 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

By providing finance through Great East Japan Earthquake Recovery Special Loans and Safety-net Loans, the SME Unit assisted with the financing requirements and business reconstruction needs of SMEs experiencing a harsh business environment, including those SMEs that sustained damage during the Great East Japan Earthquake and the great floods in Thailand.

Great East Japan Earthquake Recovery Special Loan
1,215.5 billion yen

Safety-net Loans provided in FY2011
404.6 billion yen

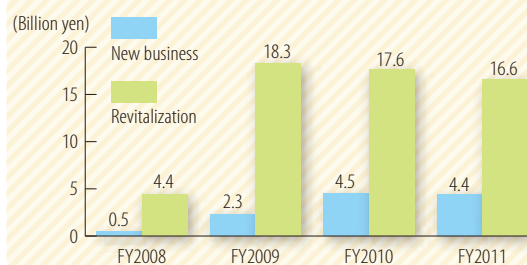
Subordinated Capital Loans

The SME Unit supports reinforcing the financial standing of SMEs engaged in new business, business reconstruction or so forth, 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.

▼ Provision of Capital Loans

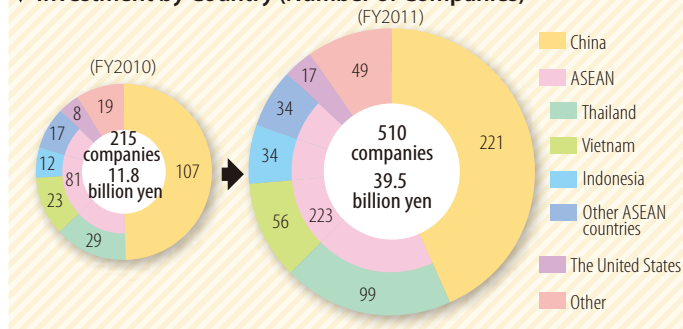


Support for Overseas Investment

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 FY2011, as a result of expanding the program and making active efforts, use of the Loans for Overseas Investment program increased significantly to 510 companies (up 137% from FY2010), totaling 39.5 billion yen (up 233% from FY2010).

▼ Investment by Country (Number of Companies)



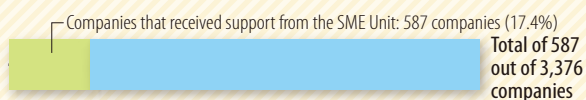
➡ Many of the Businesses That Have Borrowed JFC Funds Are Flourishing in a Number of Fields

A total of 587 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 397^(Note), accounting for roughly a quarter of the total increase in the number of companies going public during the same period, or 1,390 companies^(Note).

Note: The number of publicly listed companies as of March 31, 2012 (excluding delisted companies and companies that have dissolved due to merger, etc.).

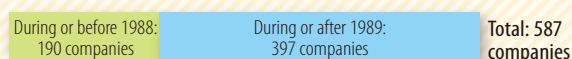
▼ Public Companies That Received Support from the SME Unit



Note: The number of publicly held corporations is as of March 31, 2012. 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

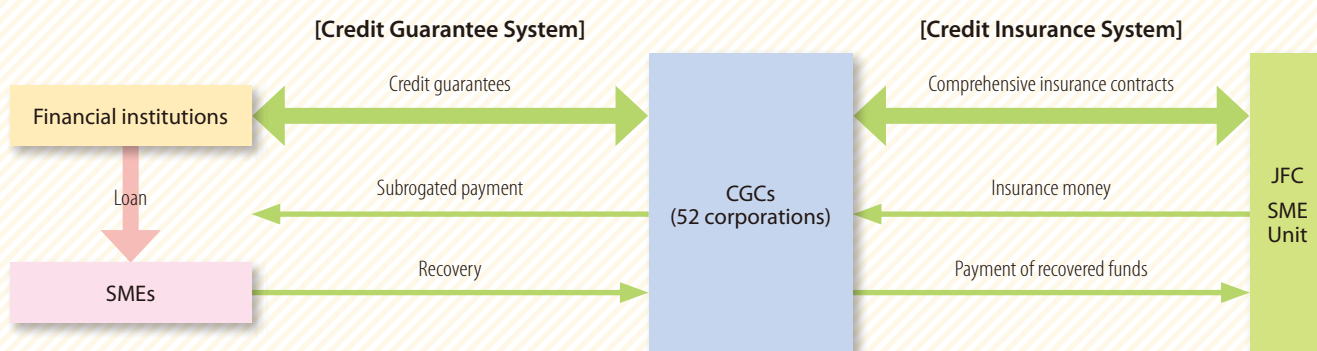
Working with the Credit Guarantee System to Facilitate the Smooth Flow of Funds to SMEs

➡ 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.

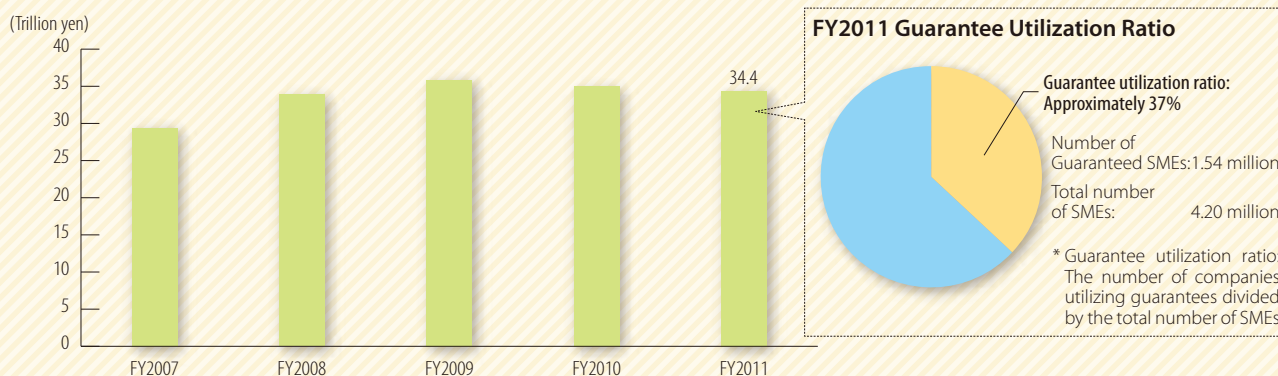
➡ Approximately 37% of SMEs Utilize the Credit Supplementation System

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

Moreover, some 1.54 million SMEs, or approximately 37% of all SMEs in Japan, were raising funds with the support of the Credit Guarantee System.

By providing insurance on such guarantees, the Credit Insurance System is contributing to the management stability of SMEs, and to their growth and prosperity by facilitating the smooth flow of funds.

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

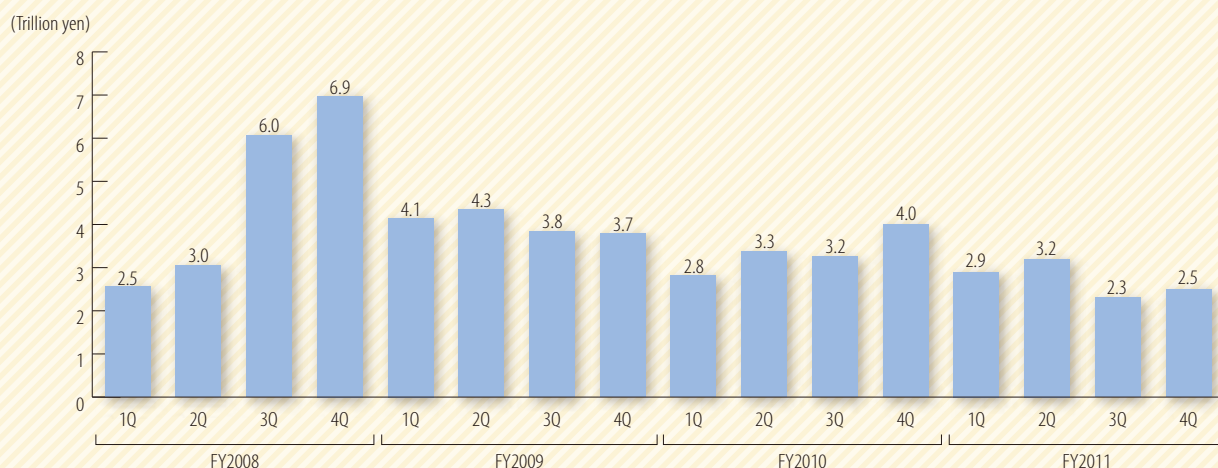


➡ Credit Supplementation System: A Significant Tool to Promote the Government's Economic Policy, etc.

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

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

▼ Changes in the Amount of Insurance Accepted



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.

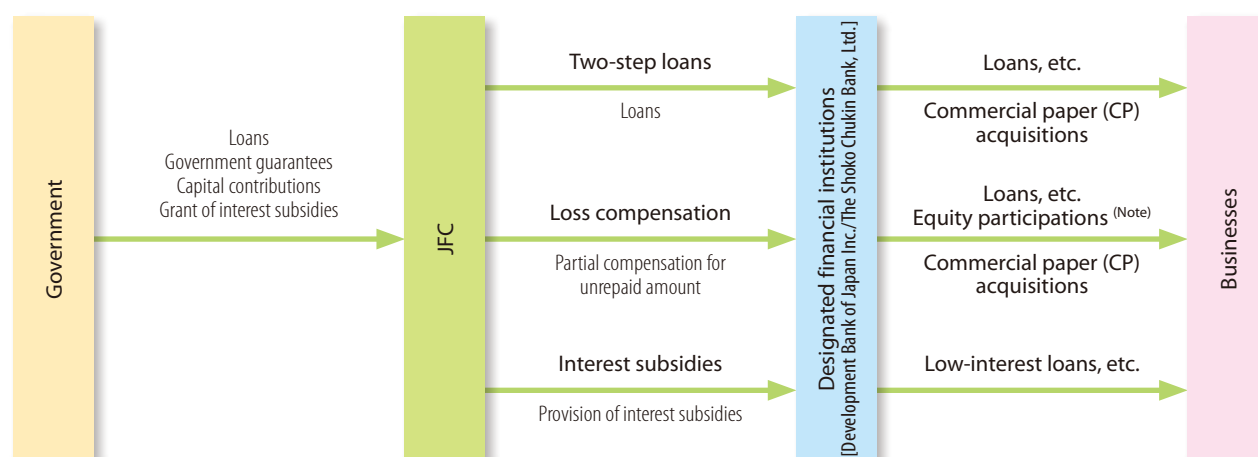
Securitization of Account Receivables

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 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 consultation desks
- 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. The balance as of the end of FY2011 was 5,394.2 billion yen.

➡ 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.

➡ 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. The balance of underwritten loss compensation as of the end of FY2011 was 3,379.5 billion yen (on a basis of reports from designated financial institutions).

▼ Results of Operations to Facilitate Crisis Responses

(Unit: billion yen)

	Second Half FY2008	FY2009	FY2010	FY2011
Two-step loans	1,430.1	3,869.3	405.2	1,153.4
Loans, etc.	1,130.3	3,529.4	405.2	1,153.4
Commercial paper (CP) acquisitions	299.8	339.8	—	—
Loss compensation	345.1	1,811.9	1,893.3	1,739.8
Loans, etc.	345.1	1,781.9	1,893.3	1,739.8
Commercial paper (CP) acquisitions	—	—	—	—
Equity participations	—	30.0	—	—
Interest subsidies	—	—	0.3	2.4

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 2012.

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 2012, with loss compensation underwritten by JFC for the incurred losses by May 10, 2012.

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 2011, 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 2011. (Disbursements pertaining to the period from October 1 each year to March 31 of the following year are made by June 10, while those pertaining to the period from April 1 to September 30 are made by December 10.)

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^(Note 1), 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 2)) needed for loans that are provided by designated financial institutions^(Note 3) to certified businesses^(Note 4) who are going to implement specific businesses certified by competent ministers. The balance as of the end of FY2011 was 21.3 billion yen.

Notes: 1. If the Bill to Promote Projects to Address Economic and Social Issues is enforced, the Low Carbon Investment Promotion Act will be abolished, and operations will become based on the bill.

2. Loans made by JFC out of the fiscal loan funds to designated financial institutions.

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

4. 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	FY2011
Two-step loans	20.0	1.3

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 2012.

Overview of Operations to Facilitate Business Restructuring Promotion, etc.

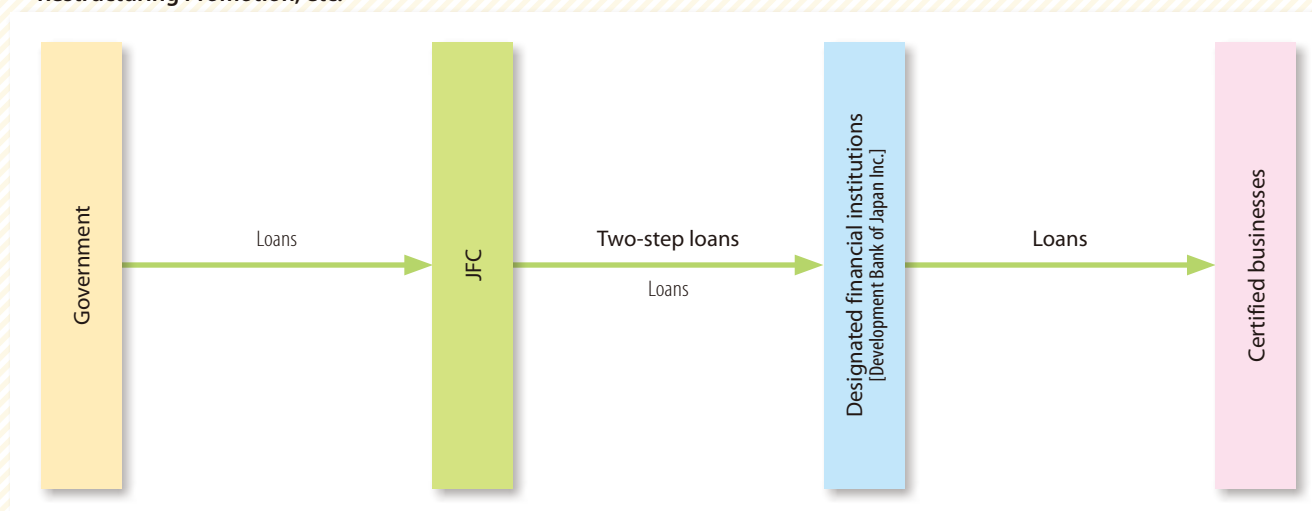
In accordance with the Act on Special Measures for Industrial Revitalization and Innovation commonly known as the Industrial Revitalization Act (Law No. 131 of 1999, revised act came into effect on July 1, 2011), JFC lends funds (two-step loans^(Note 1)) needed for loans that are provided by designated 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. No such loans were disbursed during FY2011.

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.

▼ Two-Step Loans Mechanism for Operations to Facilitate Specific Businesses Promotion and Operations to Facilitate Business Restructuring Promotion, etc.

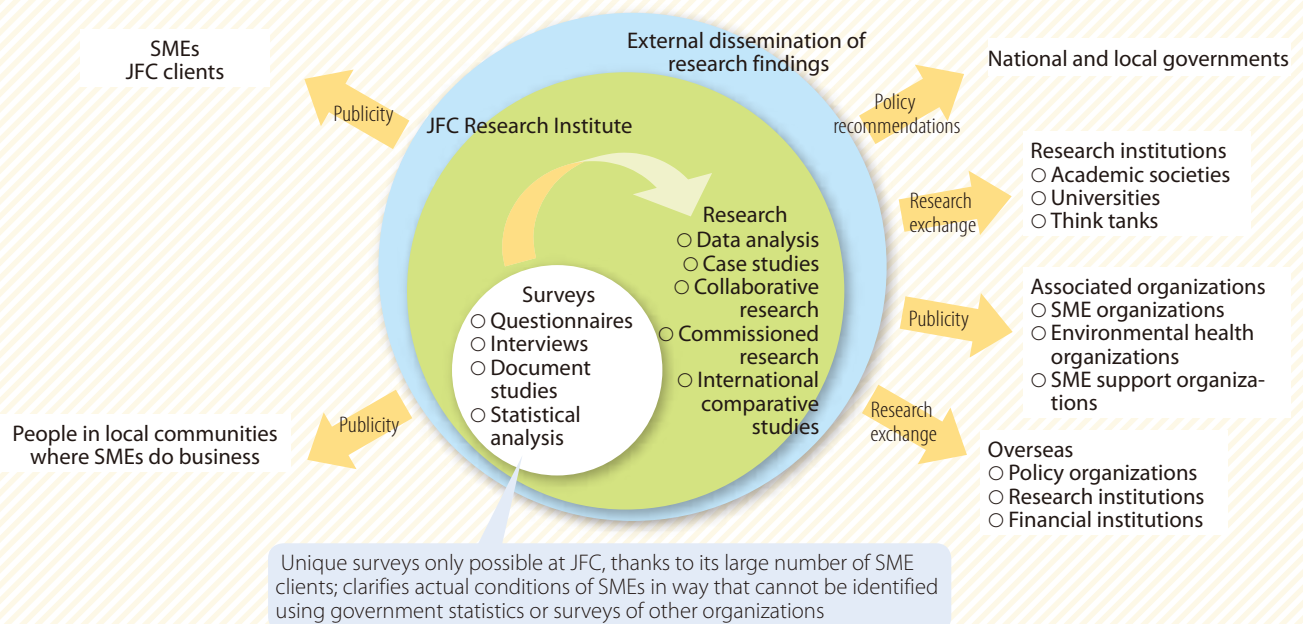


Pursuit of Specialization, Originality and Advancement Striving for Globally High Quality in SME Research

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 FY2011)

- Survey on State of New Business Start-ups (FY2011 regular and special surveys)
- Panel Survey on New Business Start-ups
- Survey on Workstyle of Women in SMEs
- Survey on the Business Conditions of NPOs

Main research papers and reports (released in FY2011)

- ◇ Efforts of SMEs for Environmental Problems
- ◇ Industry Experience of Business Starters and Performance Immediately After Start-up
- ◇ The Realities of Working Women in Micro/Small Businesses
- ◇ Micro/Small Businesses Challenging Overseas Markets
- ◇ Survival Strategies for Software SMEs
- ◇ What Kinds of Business Starters Are Satisfied with their Work?
- ◇ Human Individuality as a Source of Differentiation among SMEs
- ◇ Captivating Management

➡ 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.

FY2011 survey

- Corporate Case Studies: Unearthing New Customer Bases

FY2011 publication

- ◇ Micro and Small Businesses Sparkling with Individuality

➡ 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 FY2011)

- Current Conditions and Challenges of SMEs Expanding Business Overseas without Production Bases
- Current Conditions and Challenges of SMEs Utilizing Foreign Human Resources
- Business Opportunities for SMEs in the Medical, Nursing and Healthcare Services Sectors
- Diverse Strategies of SMEs Seen in the Pharmaceutical Industry

Main research papers and reports (released in FY2011)

- ◇ Overseas Market Development and Brand-Building by SMEs: Efforts of SMEs in Developed Countries in Europe and North America
- ◇ Modern Alchemists: SMEs Opening up Business Opportunities in the Field of High-Performance Materials
- ◇ Business Expansion by SMEs Using Biotechnology to Support the Pharmaceutical Industry
- ◇ Case Studies of SMEs Unearthing and Revolutionizing Drug-Discovery Technology
- ◇ New Business Opportunities and SME Technology Supporting the Environmental and New Energy Industries: The Realities of Environmental Technologies Supporting Solar Cells, Wind Power Generation, Electric Vehicles and Energy Conservation

➡ 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 FY2011)

- ◇ Creation of New Communities for the Revitalization of Regional Industries

The Fourth Japan Finance Corporation Symposium

The JFC Research Institute hosts a symposium every year.

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 2012. 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

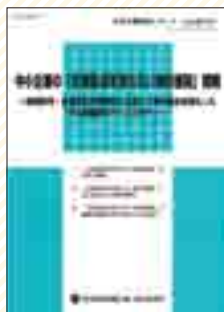
Quarterly (published on the 25th of February, May, August, and November)

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 15 (May 2012):

- The Role of SMEs in Environmental and New Energy Industries and Features of their Market Entry
- SMEs Utilizing At-Home Workers
- The Reality for New Business Starters of Different Ages
- SME Innovation Arising from Projects



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 2012 White Paper -

- Overview of the FY2011 Survey on the Condition of New Business Start-ups
- Discrepancies between Reality and Business Plans during the Initial Start-up Period, and Revisions by Entrepreneurs



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 Developing New Targets: Market Development Strategies for Micro/Small Businesses

This is a compilation of case studies on the management of SMEs. Based on corporate case studies, this book uses plain language to introduce the processes and main points for capturing new targets while making the most of existing management resources.