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Micro Business and Individual Unit

The Micro Business and Individual Unit (Micro Unit) acts as a community-based financial institution. It provides business loans to micro/small businesses and business start-ups, and educational loans to individuals who are in need of funds for school entrance fees and other educational expenses.

Overview of Operations

Small Loans to a Large Number of Micro Businesses

- Loans have been made to 0.90 million businesses.
- The average loan balance per business is 6.91 million yen, most of which were small loans.
- Approximately 90% of borrowers are businesses with nine or fewer employees, and approximately half are sole proprietorship.

Safety Net Financing

- 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, 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.

Supporting Business Start-ups and Business Reconstruction

- 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 approximately 26,010 a year. It is estimated that about 104,000 jobs were created annually as a result.
- Supports businesses engaged in innovative businesses through Capital Subordinated Loans (from March, 2013).
- Supports recovering micro and small businesses.

Supporting Social Businesses and Overseas Expansion, etc.

- Supports businesses engaged in social businesses which are engaged in solving community issues.
- Micro Unit supports micro/small businesses trying to expand overseas.

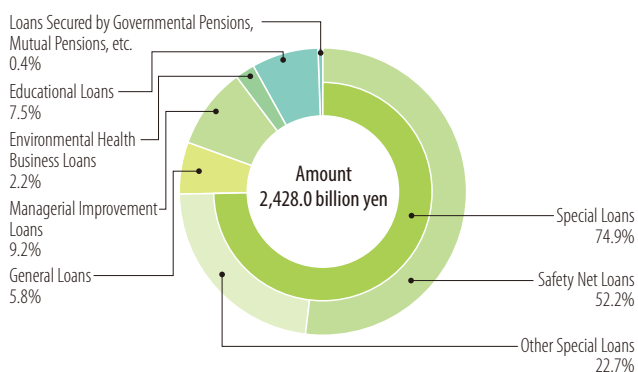
Collaboration with Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations

- 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 businesses, and help maintain or improve the sanitation level of environmental health-related businesses.
- Micro Unit proactively collaborates with regional financial institutions.

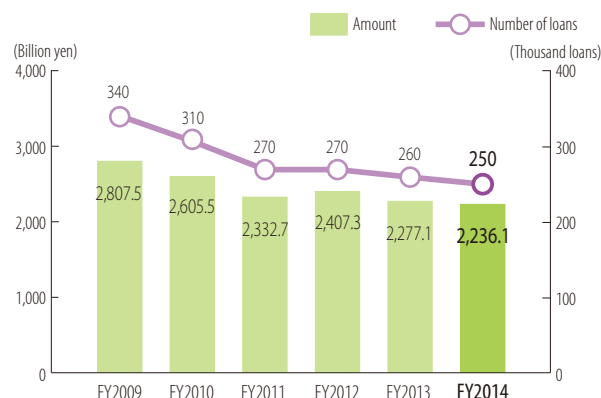
Support through Educational Loans, etc.

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

Breakdown of Loans (FY2014)



Trends in Business Loans



Feature of Operations

Supporting Micro/Small Businesses

Business Loans were provided to 0.90 million businesses. Most of the loans are for small amounts, with an average loan balance per business of 6.91 million yen. Approximately 90% of the borrowers have nine or fewer employees, and approximately half of them are sole proprietorship.

The percentage of all loans that are uncollateralized is over 70%.

Number of Business Borrowers and Average Loan Balance per Business (as of end of FY2014)

	Micro Business and Individual Unit	Total for Shinkin banks (267 credit associations)	Total for domestic banks (139 banks)
Number of business borrowers (million)	0.90	1.12	2.00
Average loan balance per business (million yen)	6.91	37.16	89.06

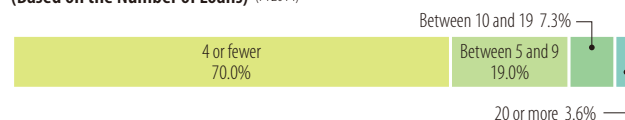
Notes: 1. Figures for Micro Business and Individual Unit are the total of General Loans and Environmental Health Business Loans.

2. Domestic banks include City banks, regional banks, Regional banks II, and trust banks.

3. Figures for Shinkin banks 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. Number of business borrowers for Shinkin banks and domestic banks are based on the number of loans.

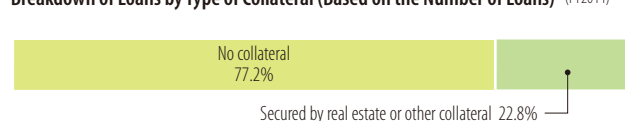
Source: Bank of Japan website

Breakdown of Borrowers by Number of Employees (Based on the Number of Loans) (FY2014)



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 the Number of Loans) (FY2014)



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

Demonstrating Safety Net Financing

The number of Safety Net Loans (including earthquakes) made in FY2014 to micro/small businesses experiencing financing difficulties because of a changing business or financial environment reached 123,893.

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/small business owners can receive consultation to find ways to ease their loan and repayment terms.

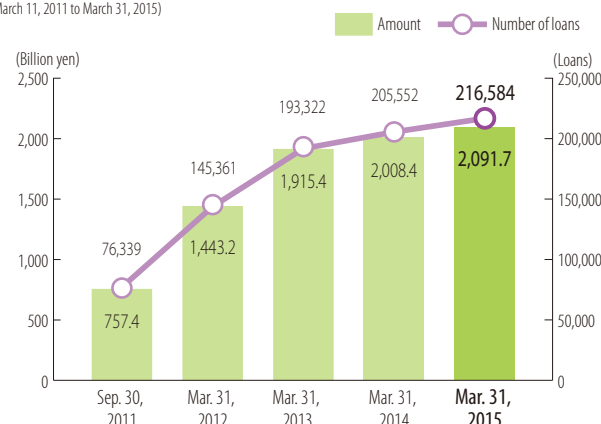
Micro Unit supports the rehabilitation and reconstruction of micro/small businesses that have suffered damage at times of disaster such as earthquakes, typhoons and heavy snowfalls, by means of Disaster Loans that have more favorable repayment conditions than regular loans, such as a longer repayment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

Between March 11, 2011 when the Great East Japan Earthquake occurred and March 31, 2015 Micro Unit executed 216,584 loans related to the earthquake, amounting to 2,091.7 billion yen.

Main Consultation Desks Currently In Operation (as of May 31, 2015)

Special consultation services	Date of establishment
Special consultation desk for the Great East Japan Earthquake	Mar. 2011
Special consultation desk for damage suffered as a result of Typhoon No. 26 in 2013	Oct. 2013
Special consultation desk for damage suffered as a result of heavy snowfall that began on February 14, 2014	Feb. 2014
Special consultation desk for countermeasures against increases in the cost of raw materials and energy	Feb. 2014
Special consultation desk for overcoming deflation, etc.	Feb. 2014
Special consultation desk for damage suffered as a result of heavy rain that began on August 15, 2014.	August 2014
Special consultation desk for damage suffered by the Earthquake in northern Nagano in 2014.	November 2014

Trends in Loans for the Great East Japan Earthquake (Cumulative)
(March 11, 2011 to March 31, 2015)



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

Supporting Business Start-ups Proactively

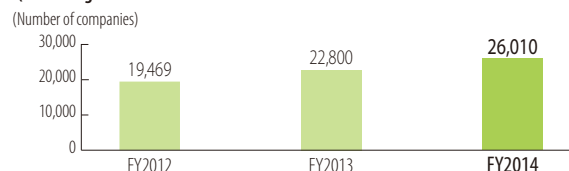
Support for Business Start-ups

Not a few start-ups and venture companies undertaking innovative new businesses face difficulties obtaining funding for such reasons as a short business history. Micro Unit actively provides loans to these companies to support their business activities.

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) in FY2014 totals approximately 26,010. It is estimated that about 104,000 jobs were created annually as a result.

17,024 businesses received loans under the New Start-up Loan program in FY2014. 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 Business Start-ups
(Consisting of Those That Have Yet to Start and Those That are within 1 Year of Start-up)



[Job Creation Effects]

26,010 companies × average of 4.0 employees^(Note) = 104,040

Note: The average number of employees at time of business start, based on Survey on Business Start-ups in Japan (FY2014) by the JFC Research Institute.

Supporting Women, Youth and Senior Entrepreneurs

We are actively providing loans to those who are starting-up companies, enabling women to leverage their sensibilities, young people to exercise their ideas, and senior entrepreneurs to utilize their experience.

Loans Made to Women, Youth and Senior Entrepreneurs (Number of Companies)

Women		Youth (aged 30 and younger)		Seniors (aged 55 and older)	
FY2013	FY2014	FY2013	FY2014	FY2013	FY2014
4,630 companies	→ 5,070 companies	1,817 companies	→ 1,823 companies	2,283 companies	→ 3,088 companies

Note: Women who also qualify as youth or seniors are included in the Women category.

Supporting Collaboration between Industry and Academia

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.

Setting up Business Start-up Support Desks

Business Start-up Support Desks are 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.

JFC Proactively Supports Businesses that Take on the Challenge of Innovative New Technologies

JFC actively supports micro businesses such as research and development venture companies which possess innovative technological capabilities that are expected to achieve long-term high growth.

Capital Subordinated Loans

Since establishing the program in March 2013, we have extended the loan limit and loan period. In FY2014, we made Capital Subordinated Loans to 119 businesses (up 118% on the previous year). JFC supports various businesses which possess high technological capabilities and require significant funding for expenses such as research and development funding.

Actively Supporting Business Revitalization

Through the loan program for business reconstruction and business succession, the Micro Unit supports parties undergoing corporate reorganization through involvement of the Small and Medium Size Business Rehabilitation Support Co-operative, approval of reconstruction plans based on the Civil Rehabilitation Act, or collaboration with commercial financial institutions, and business succession. The number of loans to parties undergoing corporate reorganization or business succession reached 226 in FY2014.

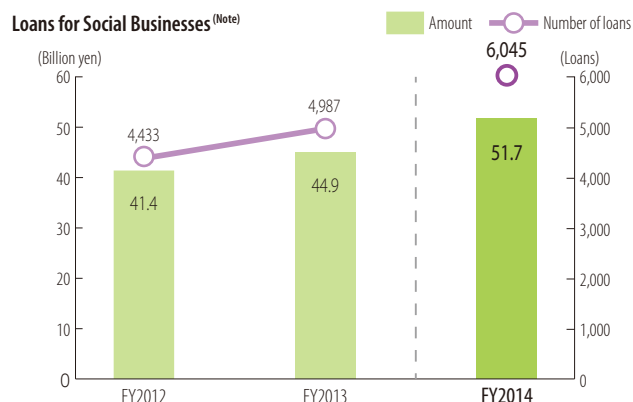
In addition, by installing corporate support staff in 152 branch offices nationwide, besides being able to respond flexibly to consultations for easing of loan repayments, such as temporary repayment grace of principal, concessions on repayments, and reduction of payment installments, we also give advice regarding solving business issues and implement development support for business improvement plans.

Supporting Social Businesses and Overseas Expansion

Supporting Social Businesses

Micro Unit supports leaders of social businesses that support regional and social issues, such as supporting the care and welfare of the elderly and disabled, child rearing, urban development, environmental conservation, and regional revitalization and that create steady and sustainable employment.

In FY2014, 6,045 loans were issued to Social Businesses totaling, 51.7 billion yen (of which 957 loans, 7.3 billion yen were loans to NPOs).



Note: Prior to FY2013, total loans to social businesses included loans to (i) NPOs and (ii) Care and Welfare businesses (excluding duplicate loans to (i), (ii)). However, from FY2014, due to adding loans to (iii) businesses for the purpose of resolving social issues (excluding (i), (ii)), no comparison to the previous year is given.

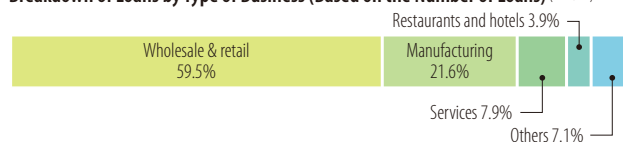
Supporting Overseas Expansion

Micro Unit works in cooperation with JETRO, the Japan Federation of Bar Associations, and other specialized organizations that support overseas development to conduct consultation services. Through these relationship, we provide information that meets customer needs.

The number of loans provided through the Loans for Overseas Expansion totaled 773 in FY2014. Approximately sixty percent of these loans were issued to wholesalers and retailers.

Customers include corporations/individuals working in fields that are popular overseas such as Japanese cuisine and local traditional crafts, the so-called "Cool Japan" fields.

Breakdown of Loans by Type of Business (Based on the Number of Loans) (FY2014)



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

Micro Unit has established Business Start-up Support Centers and Business Support Plazas throughout Japan. Through these facilities, we support a wide range of business start-ups and others attempting to start a second business^(Note).

Note: Companies diversifying or moving into a new business field.

[Business Start-up Support Centers]

- Centers are located in 15 regions of Japan from Hokkaido to Kyushu.
- 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.

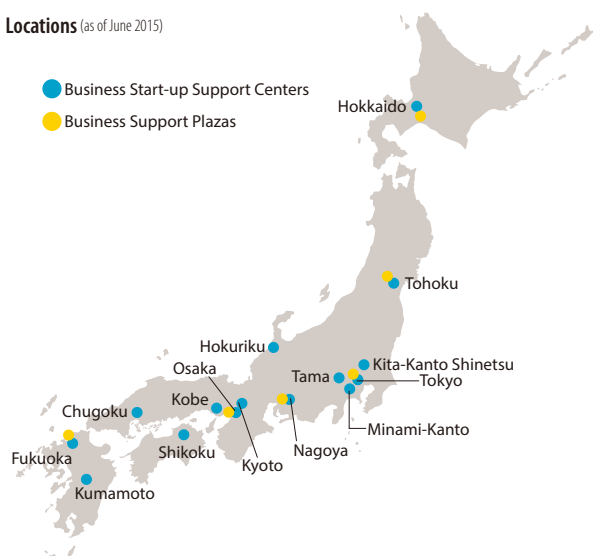
[Business Support Plazas]

- In six locations: Sapporo, Sendai, Tokyo, Nagoya, Osaka, and Fukuoka.
- 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 (excluding national holidays).

Notes: 1. Sunday consultations are available on first and third Sundays of each month at Tokyo Business Support Plaza.

2. Night consultations are available at Tokyo Business Support Plaza (every Thursday) and Osaka Business Support Plaza (every Tuesday).

Locations (as of June 2015)



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

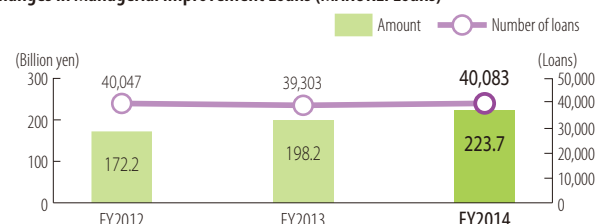
Micro Unit works in close collaboration with regional Chambers of Commerce and Industry, and with Societies of Commerce and Industry throughout Japan to support business improvement of micro/small businesses through providing Managerial Improvement Loans (MARUKEI Loans) and consultation sessions.

Managerial Improvement Loans (MARUKEI Loans) are a program whereby micro/small businesses 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 and guarantors. Since the establishment of this program in 1973, approximately 4.92 million loans have been provided.

Structure of Managerial Improvement Loans (MARUKEI Loans)



Changes in Managerial Improvement Loans (MARUKEI Loans)



Establishment of the Micro/Small Business Management Development Support Fund

With the approval of the annual budget 2015, the Micro/Small Business Management Development Support Fund is established. This is a fund program that can be utilized by micro/small businesses engaged in ongoing business development by receiving development and implementation support from Chambers of Commerce and Industry and Societies of Commerce and Industry that have been accredited for their management development programs.

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 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 businesses come to ask for advice.

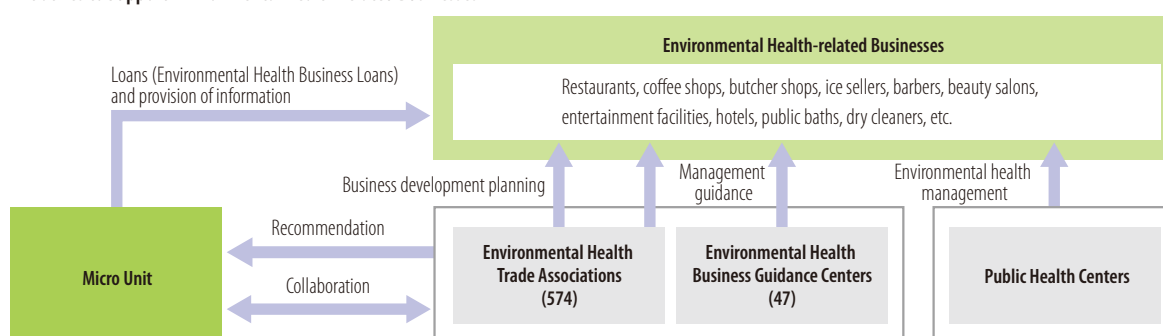
Number of "One-Day JFCs" held at Chambers of Commerce and Industry and at Societies of Commerce and Industry

FY2012	FY2013	FY2014
3,021	2,696	2,532

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

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 60% have been in business for five years or less.

Initiatives to Support Environmental Health-related Businesses

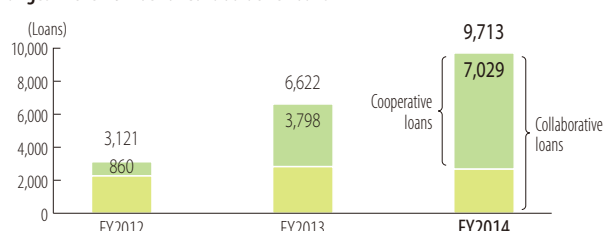


Note: Figures within parentheses represent the numbers of organizations (as of March 31, 2015).

Collaboration with Regional Financial Institutions

Micro Unit is actively working to reinforce its collaboration with regional financial institutions that are working to strengthen their relationships with the local communities as providers of funds ("relationship banking") mainly in the area of start-up support operations.

Changes in the Number of Collaborative Loans

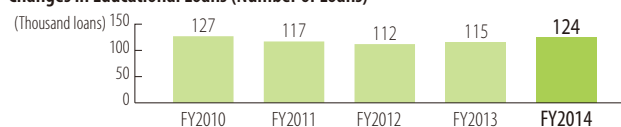


Notes: 1. Collaborative loans are loans issued via referral from a financial institution.
2. Cooperative loans are loans that are co-financed with financial institutions.

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 FY2014.

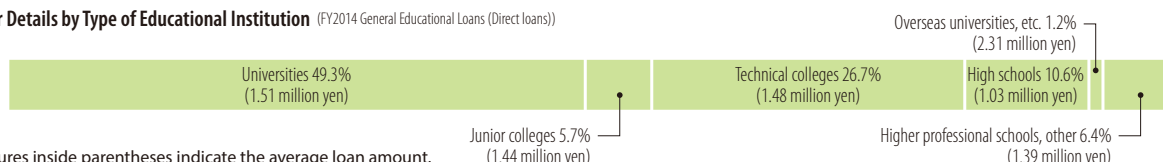
Changes in Educational Loans (Number of Loans)



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 (FY2014 General Educational Loans (Direct loans))



Note: Figures inside parentheses indicate the average loan amount.

FY2015 System Revisions of Educational Loans

From April 2015, hitherto extensions of repayment periods and reductions in interest rates and guarantee fees applicable to single-mother households have also been applied to single-father households.

	Persons of single-mother and single-father households	Annual household income (earnings): 2 million yen (1.22 million yen) or less	Persons of households whose parents were killed in traffic accidents
Repayment periods	Up to 18 years		
Interest	Normal interest rate -0.4%		Normal interest rate
Guarantee fee	2/3 of the normal fee	Normal guarantee fee	2/3 of the normal fee

Note: Please visit our website for the latest information on interest rates and guarantee fees.

Providing Loans Secured by Governmental Pensions or Mutual Pensions

Loans Secured by Governmental 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.

Micro Unit Supports Developing Countries

Supporting Developing Countries via ODA (Official Development Assistance)

The Micro Business and Individual Unit cooperates to overcome issues facing regional financial institutions through technical collaboration with Official Developmental Assistance (ODA) for developing countries and sharing our micro business loan-review capabilities that we have accumulated to date. In specific terms, the Unit is conducting local and national seminars, etc. concerning small and medium enterprises (SMEs) financing in cooperation with the Ministry of Finance Policy Research Institute. To date, these have been implemented in Vietnam and Malaysia and presently cooperating with Laos and Myanmar.

i. Laos

The Unit is presently implementing the second phase of the project by technical cooperation that began in 2011 with the Lao Development Bank (LDB), which is a state-owned commercial bank in Laos. This project provides the Unit's know-how in order to train LDB's human resources and improve their loan-review capabilities. Seminars in Laos and Japan have been held a total of five times, and lectures about loan-review methods have been conducted directly to employees of the bank.

ii. Myanmar

In January 2015, small and medium enterprise (SMEs) workshops were held for employees of The Myanmar Ministry of Finance and Revenue, the Central Bank of Myanmar, the Ministry of Industry, and the Myanmar Economic Bank (MEB) at the Myanmar Ministry of Finance and Revenue in Myanmar's capital Naypyidaw. The Unit gave explanations on the characteristics of Japan's small and medium enterprises (SMEs) financing, JFC's corporate profile, financing programs, and loan review features, etc. In April of the same year, lectures about loan-review methods, etc. were given directly to employees of the Myanmar Economic Bank, etc. (MEB).



Lectures given at local seminars in Laos (Vientiane)



Scene at a workshop in Myanmar (Naypyidaw)

Agriculture, Forestry, Fisheries and Food Business Unit

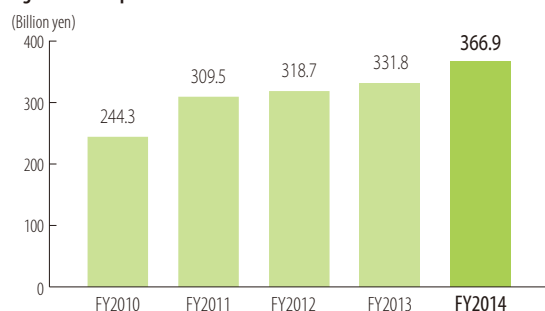
Through providing loans, etc. to businesses in agriculture, forestry and fishery industries as well as the food industry in Japan, the Agriculture, Forestry, Fisheries and Food Business Unit (AFFF Unit) contributes toward strengthening of these industries while ensuring the stable supply of safe and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

Overview of Operations

Loans

The AFFF Unit provides long-term 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 caused by 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 helping to increase value-added levels.

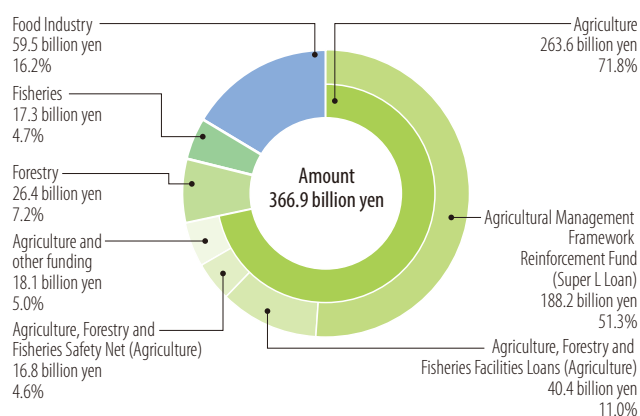
Changes in Loan Operations



Status of Loans by Repayment Period (FY2014)



Breakdown of Loans (FY2014)



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 and at the 48 branches nationwide where the Unit is permanently based, as well as at 123 consultation service sites that operate throughout Japan on a routine schedule.

Management Support Provided through Collaboration with Management Advisors and External Networks

Advisors in the fields of agriculture, forestry, and fisheries respond to consultation requests from customers concerning all aspects of their business management.

We also cooperate with private financial institutions and external specialized agencies such as the Japan Professional-Agriculture total support Organization (J-PAO) and the Japan External Trade Organization (JETRO) on matters concerning business cooperation in order to provide assistance with customer problems.

Business Matching Support

The AFFF Unit supports efforts by agricultural, forestry and fishery business operators as well as those in the food manufacturing 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 AFFF 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 financing of agricultural, forestry and fisheries fields by providing information on industry trends and assessment of agricultural credit risks (Agricultural Credit Risk Information Service (ACRIS)) and also offering capital contributions and securitization support services.

Feature of Operations

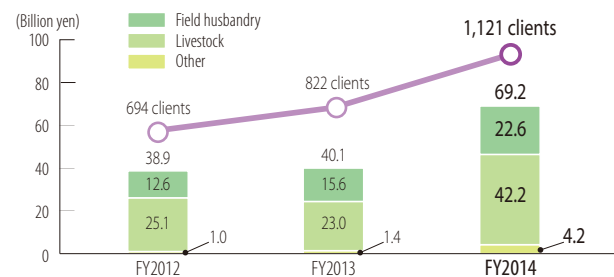
Agriculture

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 (Law No. 106 of 1999), the AFFF Unit actively supports efforts of farmers to improve their management with drive and innovative ideas.

Supporting People Engaged in Agriculture through Long-term Loans

Through long-term financing, such as Super L Loan the AFFF Unit supports management improvements such as scale expansion, cost reduction and Sixth Industrialization (e.g., processing, sales, and other business undertaken integrally by agricultural, forestry, and fishery businesses to increase the added value of products) by diverse local farmers, including corporate-run rice growing, horticulture, livestock farming, and other operations, as well as large-scale family-run operations, new farmers, and companies entering the agriculture field.

Loans to those engaged in Sixth Industrialization (Agriculture)



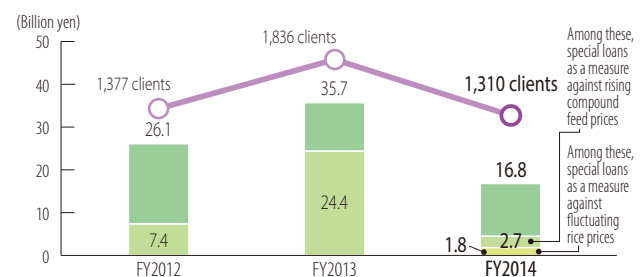
Exercising Safety Net Functions following Disasters and Changes in Business Conditions

The AFFF Unit offers dynamic support in the form of long-term working capital loans to provide agricultural operators as a safety net function against short-term crises such as natural disasters including earthquake and typhoon, etc., contagious livestock diseases, falls in the price of agricultural products, and rises in feed prices.

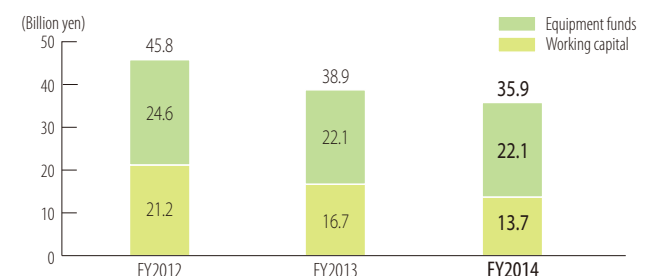
In November FY2014, the AFFF provides special loans (with zero real interest rates for 1 year) to rice crop farming that are experiencing financing difficulties by the depreciation of rice.

The AFFF Unit supported reconstruction efforts, primarily equipment funds, for agricultural businesses affected by the Great East Japan Earthquake.

Agriculture, Forestry and Fisheries Safety Net Loans (Agriculture)



Earthquake-related Loans (Agriculture)



Forestry

By providing funds in line with the policies of the Basic Law on Forest and Forestry (Law No. 161 of 1964), 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. For this reason, the AFFF Unit supports forestry operators by providing the ultra-long-term finance that is required until logging.

Supporting Increased Use of Wood Biomass

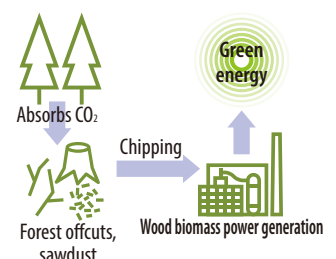
Wood biomass is an energy source linked to the prevention of global warming, and expanding its use has become a key component of Japan's forestry policy.

The AFFF Unit supports the expansion of wood biomass utilization by providing loans for projects such as the construction of the power generation facilities that use forest and timber offcuts, and the introduction of sawdust-fired boilers.

Status of Loans by Repayment Period (FY2014, Forestry ^(Note))



Note: Aggregated Forest Plantation fund of Forestry Infrastructure Improvement



Fisheries

By supplying funds in line with the policies of the Fisheries Basic Act (Law No. 89 of 2001), the AFFF 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 fisheries operators wishing to improve their businesses. Since 2007, the AFFF Unit has participated actively in the G project^(Note), and the loan amount has remained steady.

In FY2014, loans for fishing vessels, which proactively supported building of larger fishing vessels, came to 13.1 billion yen.

Note: 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 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.

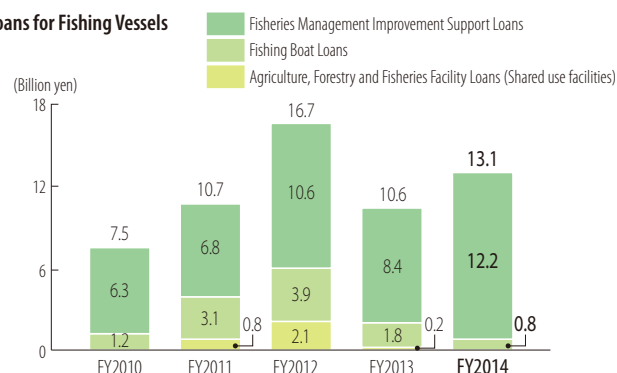
Exercising Safety Net Functions at Time of Disasters and Changes in Business Conditions

The AFFF Unit provides a safety net function to fisheries operators who suffer from the temporary deterioration of business conditions due to factors including natural disasters such as tsunami and red tide, falling prices of fisheries products, and rising fuel prices by delivering rapid and flexible assistance, for example, in the form of long-term working capital loans.

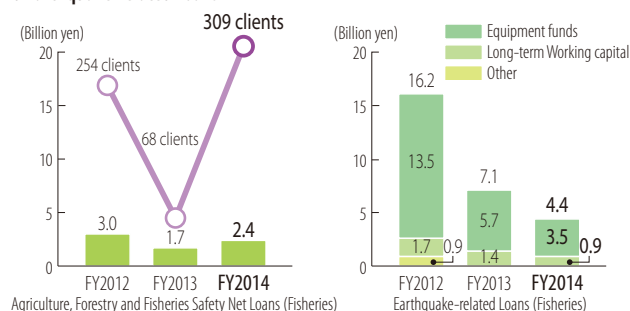
In addition, the AFFF Unit supported businesses by providing facility capital loans to fisheries operators who suffered damage by the Great East Japan Earthquake.

In FY2014, the AFFF Unit supported fish farming businesses that suffered red tide damage that occurred in the Ariake Sea.

Loans for Fishing Vessels



Loans Provided from Agriculture, Forestry and Fisheries Safety Net Loans (Fisheries) and Earthquake-related Loans



Food Industry

Through providing funding to food manufacturing and distribution companies that deal in domestic agricultural, forestry, and fishery products, the AFFF Unit actively supports efforts for the stable supply of domestically produced raw materials and for improving added value.

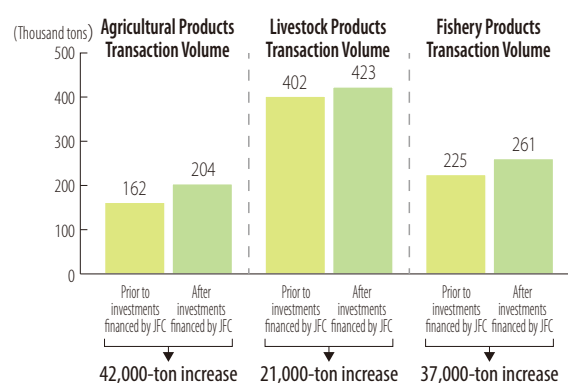
Helping to Promote the Use of Domestic Agricultural, Forestry and Fishery Products

Loans to the food industry requires to use domestically produced agricultural, forestry, and fishery products as raw materials or products, and are aimed at promotion of domestically produced agricultural, forestry and fishery products. An estimation of the effects of the loans made in FY2014 suggests that the transaction volumes of domestically produced agricultural, forestry, and fishery products will increase by approximately 99,000 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 is an increase in the trading volume of domestically produced agricultural, forestry and fishery products. The requirement helps to promote collaboration between the agricultural, forestry and fisheries sectors and the food industry.

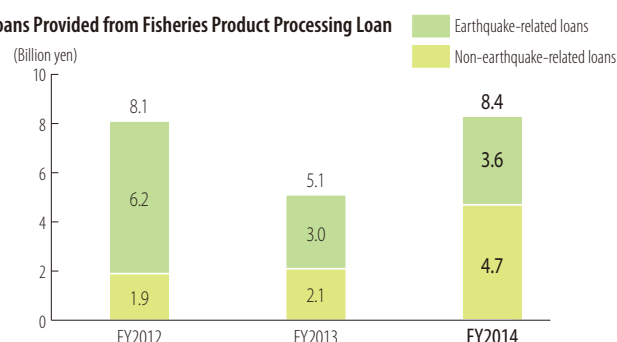
Supporting Reconstruction of the Fisheries Product Processing Industry following the Earthquake

The AFFF Unit supports the reconstruction of fisheries product processing businesses following the Great East Japan Earthquake through such means as loans with zero real interest rates and other special financing programs. In FY2014, earthquake-related loans made to fisheries product processing operators was amounted to 3.6 billion yen, supporting local businesses as the reconstruction effort began in earnest.



Note: The transaction volumes are rounded off by the unit.

Loans Provided from Fisheries Product Processing Loan



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.

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 123 consultation service sites such as regional public organizations that operate throughout Japan on a routine schedule.



Customer consultation

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

In FY2014, the AFFF Unit again hosted the Agri-Food EXPO, Japan's nationwide agricultural product exhibition and business fair, in Tokyo (August 2014) and in Osaka (February 2015).

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 2014 (Aug. 20–21, 2014)	EXPO Osaka 2015 (Feb. 19–20, 2015)
Exhibitors	624 (510 booths)	476 (344 booths)
Visitors	12,698	14,956
Number of business negotiations	7,430	4,915



State of the Agri-Food EXPO in Tokyo

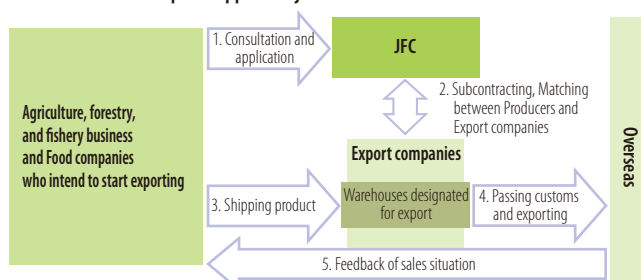
Advanced Management Supports Such as Overseas Expansion, etc. through Collaboration with External Networks

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.

For example, J-PAO uses its members from a wide variety of types of businesses and its agriculture-support know-how to provide sales and commercialization support to customers. JETRO hosts an export business conference at Agri-Food EXPO Tokyo and Osaka, where it provides assistance in the form of matching with overseas buyers.

In addition, the AFFF Unit supports customers who are working to export agricultural produce for the first time through cooperation with domestic and overseas trading companies by conducting 'Trial Export Support Projects' (preparations for exporting, exporting procedures, sales feedback from export destinations, etc.).

Scheme of the Trial Export Support Project



State of the Briefing on the Trial Export Support Project

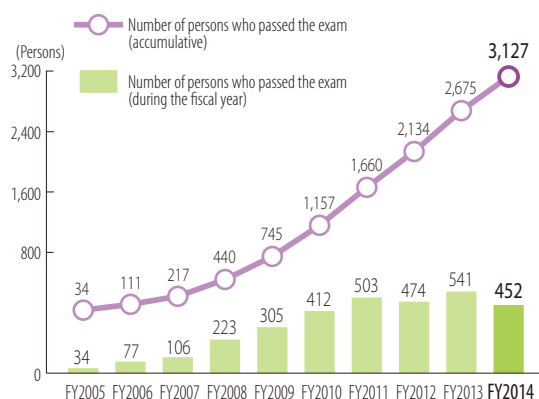
Business Management Support by Agricultural, Forestry and Fishery Management Advisors

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, 2015, examinations had been conducted 20 times and a total of 3,127 Agricultural Management Advisors now serve in all 47 prefectures. The AFFF Unit also conducted the Agricultural Management Senior Advisor program to develop staff with the skills to play a leading role in more advanced management issues. 41 people across Japan were registered through this program.

The Forestry and Fishery Management Advisor Program, created in FY2008 has produced 35 Forestry Management Advisors and 38 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.

Results of Agricultural Management Advisor Examinations



Breakdown of Agricultural Management Advisors (as of March 31, 2015)

Private financial institutions (including agricultural cooperatives)	1,679
Tax accountants and SME management consultants	901
Agricultural extension officers, etc.	328
JFC employees	219

Supporting Management with New Financing Techniques

Efforts to Speed Up Loan Procedures

By introducing a loan screening process that uses the agricultural business version of a scoring model^(Note 1) in connection with loans to farmers, the AFFF Unit works 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

Since FY2008, as a means of financing that does not rely on real estate collateral, the AFFF 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 and so on as collateral^(Note 2). In FY2014, a total of 82 loans (totaling 5.7 billion yen) were provided to the beef cattle, pig and dairy farming sectors.

The AFFF 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 AFFF 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 AFFF Unit has entered into ABL agreements 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 AFFF Unit provides customers with business recovery support which is essential for the maintenance and development of local agricultural, forestry and fisheries businesses.

Specifically, the Unit cooperates with commercial financial institutions, such as main banks, and external experts to provide support needed for the formulation of business improvement plans, and offers ongoing business consultation and guidance after plans have been implemented. In particular, the AFFF Unit works to aid business recovery for agricultural businesses—which are characteristically susceptible to natural disasters and market conditions—through means such as support by Agricultural Management Advisors with formulation of plans, assistance in locating sponsors using JFC's network, and monitoring by experts in fields such as production technology.

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

Working to strengthen cooperation with private financial institutions

The AFFF Unit, in addition to concluding outsourcing agreements with 646 private financial institutions, is committed to supporting loan entry subscriptions by private financial institutions of agriculture, forestry, fisheries business sectors by concluding “MOU for business collaborations with private financial institutions”, beginning with the Kagoshima Bank Ltd., in April 2004.

Based on this commitment, since FY2014, JFC has been focusing on loans in partnership and cooperation with private financial institutions to enhance partnership effectiveness in sectors where partnerships are highly sought after by private financial institutions in areas such as sixth industrialization and agriculture-commerce-industry cooperation, etc.



Signing of a MOU ceremony at a the Chikugo District Association of Shinkin Banks

Agricultural Credit Risk Information Service

The Agricultural Credit Risk Information Service (ACRIS) is an agricultural scoring model designed by the AFFF Unit to facilitate the active entry by private financial institutions into the market of agricultural finance (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 such as financial institutions and tax accountants.

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

Images of Scoring Results Obtained Using ACRIS



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 March 31, 2015, a total of 101 financial institutions had signed a basic agreement with the AFFF Unit.

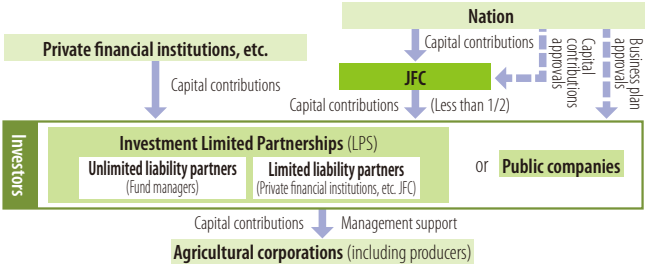
57 of these financial institutions developed new loan products for farmers that incorporated credit supplementation under this program.

Financial Institutions under Basic Agreements with JFC (As of March 31, 2015)

	Banks	Shinkin banks	Credit cooperatives	Total
Hokkaido	1	11	1	13
Tohoku	7	4	1	12
Kanto	2	3	2	7
Chubu	6	14	2	22
Kinki	5	6	0	11
Chugoku	2	5	1	8
Shikoku	5	2	0	7
Kyushu	9	11	1	21
Total	37	56	8	101
(Of these, institutions that developed new products)	(28)	(28)	(1)	(57)

Providing Investment Support to Agricultural Corporations

The AFFF Unit has been making capital contributions to investment Limited Partnerships (LPS) and public companies to invest in agriculture corporations with the approval of the Minister of Agriculture, Forestry and Fisheries. This is done to support the capital adequacy of leading agricultural corporations sustaining regional agriculture businesses.



Small and Medium Enterprise (SME) Unit

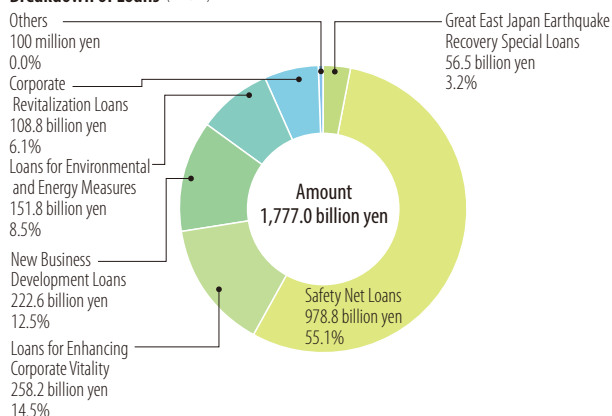
The Small and Medium Enterprise (SME) Unit provides financial support by offering diverse services, which include loans and credit insurance, to SMEs and micro businesses, which are the sources of Japanese economic vitality and the cornerstone of regional economies, to help them grow and develop.

Overview of Operations

Loan Programs

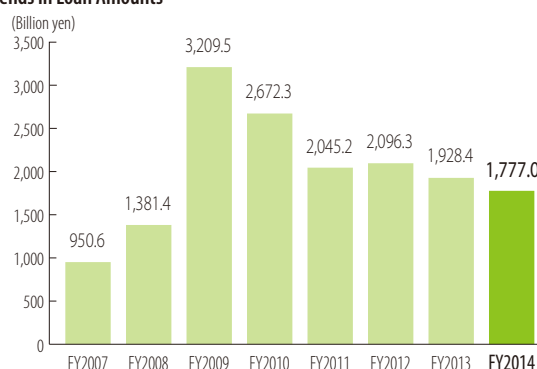
The SME Unit complements the financing of private financial institutions through its stable, long-term, fixed interest rate loans that is needed for the business growth of SMEs.

Breakdown of Loans (FY2014)



Note: Loans include corporate bonds, but excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd.

Trends in Loan Amounts

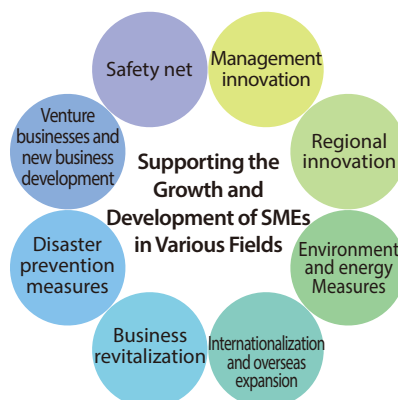


Note: Loans include corporate bonds, but excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd.

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

Policy-based financing in Japan provides financial support towards certain fields including 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 condition, etc.

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.



Credit Insurance Programs

To facilitate the smooth flow of funds to SMEs and micro businesses, these programs focus on the acceptance of insurance on Credit Guarantee Corporation (CGC) guaranteed liabilities associated with loans to SMEs and micro businesses.

- Insurance on Credit Guarantee Corporation (CGC) guaranteed liabilities involving loans to SMEs and micro businesses
- 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."

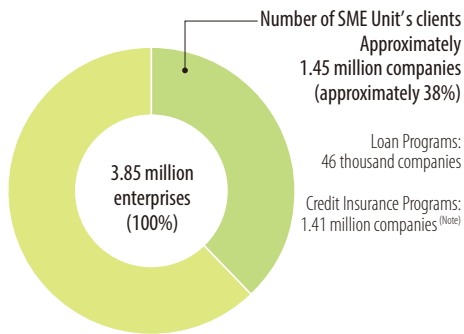
Feature of Operations

SME Unit's Clients

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

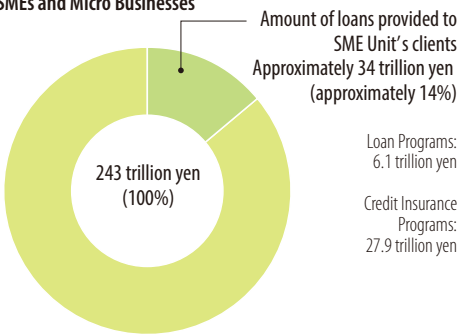
The SME Unit provides a wide range of support to meet the individual needs of each SME and micro business through its financial tools, Loan Programs, Credit Insurance Programs and Securitization Support Programs.

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



Note: Number of enterprises utilizing the Credit Guarantee System
Sources: Ministry of Internal Affairs and Communications, "2012 Economic Census for Business Frame," edited by the Small and Medium Enterprise Agency, and others.

Share of SME Unit's Clients in Total Amount of Outstanding Loans to SMEs and Micro Businesses



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

The SME Unit facilitates funds to 1.45 million SMEs and micro businesses (approximately 38%) and accounts for 14% of outstanding loans to SMEs and micro businesses.

Characteristics of SME Unit's Clients

Loan Programs (Direct loans)

- Number of clients 46 thousand companies
- Average loan for FY2014
 - Average loan amount per client 106 million yen
 - Average term of loan 7 years and 3 months
 - Average amount of capital per client 47 million yen
 - Average number of employees per client 75
- Approximately 80% of outstanding loans are loans to enterprises with more than 20 employees, and approximately 90% have capital of 10 million yen or more.
- Covers a wide range of industries particularly manufacturing (approximately 50% of outstanding loans as of end of FY2014)

Credit Insurance Programs

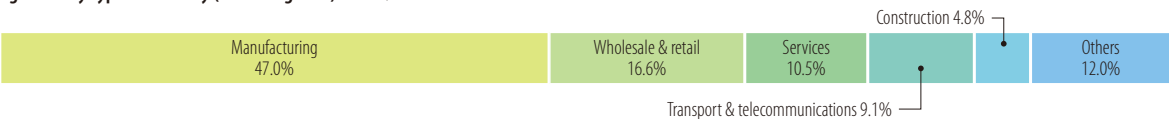
- Number of clients 1.41 million companies (Note)
- Average insurance for FY2014
 - Average amount of insurance acceptance per client 17 million yen
 - Average term of insurance 4 years and 8 months
 - Average number of employees per client 8
- Approximately 70% of the outstanding amounts of insurance is insurance to enterprises with fewer than 20 employees, and approximately 65% have capital of 10 million yen or less.
- Covers a wide range of industries

Note: Number of companies utilizing the Credit Guarantee System

Note: Results are current as of March 31, 2015.

The SME Unit also helps to maintain employment, with the number of employees at the 46 thousand companies receiving support (Direct loans) rising to approximately 2.70 million persons (as of March 31, 2015).

Outstanding Loans by Type of Industry (Loan Programs) (FY2014 year-end)



Outstanding Amount of Insurance Accepted by Type of Industry (Credit Insurance Programs) (FY2014 year-end)



Loan Programs

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

Dedicated to Long-term Funding

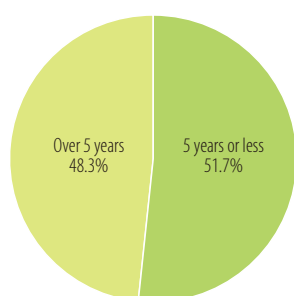
If SMEs are to grow and prosper, they must continually invest capital appropriately and consolidate their financial strength. To do this, they need to be able to raise long-term funds in a stable manner.

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. 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.

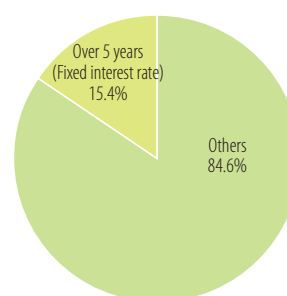
By complementing the activities of private financial institutions, the SME Unit meets the long-term funding needs of SMEs, which are a vital component of the Japanese economy.

Breakdown of Loans of the SME Unit by Lending Period (Share in Terms of Value) (FY2014)



Note: Data are for fixed interest rate loans only.

(Reference) Breakdown of Long-term Loans of Private Financial Institutions by Lending Period (Share in Terms of Number of Borrowers) (FY2014)



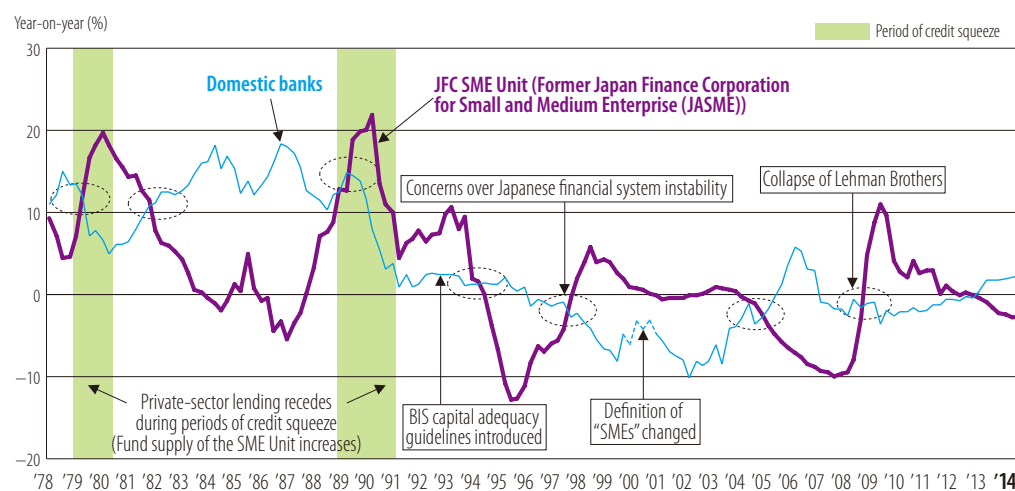
Source: JFC, "Quarterly Survey on SME Trends" (FY2014)

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 be impacted 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 FY1993 forward, overdrafts have been included in the calculation base. Regional banks II have been included in this category since FY1990.

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 the 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.

The Great East Japan Earthquake Recovery Special Loans provided

56.5 billion yen

Safety Net Loans provided

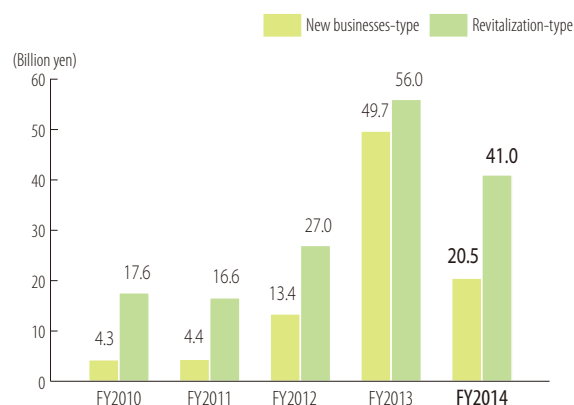
978.8 billion yen

● Capital Subordinated 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 (Capital Subordinated 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.

Results from Providing Capital Subordinated Loans



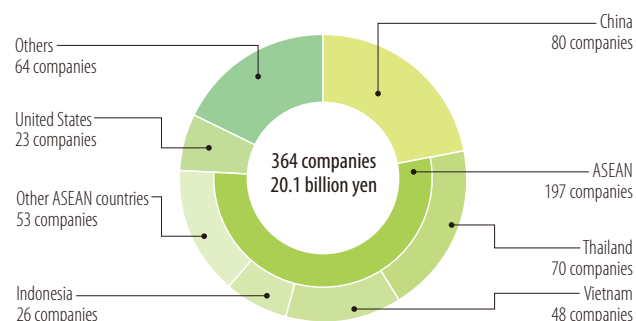
● Support for Overseas Investment

The SME Unit provides active support for the overseas expansion of SMEs, such as providing Loans for Overseas Investment, offering support for local currency denominated fundraising by SMEs' overseas subsidiaries and branches through the Standby Letter of Credit Program, offering management consulting services and holding business network meetings abroad.

In FY2014, Loans for Overseas Investment were utilized by 364 companies, for a total of 20.1 billion yen, while the Standby Letter of Credit Program was utilized by 76 companies, for a total of 3.1 billion yen.

In addition, the SME Unit expanded the Loans for Overseas Investment and launched a system that provides loans to SMEs in foreign currency (US dollar) since FY2015.

Loans for Overseas Investment (by countries and regions) (FY2014)



● Supporting New Businesses

The SME Unit provides active support to SMEs trying to develop new businesses with high growth potential, such as venture companies, through Loans to Foster Growth of New Businesses. Since the system began in February 2000, 341.0 billion yen has been loaned to 7,565 companies (as of March 31, 2015). In addition, the SME Unit also offers an unsecured loan system through acquisition of new share options issued by companies.

Loans for New Business Development

Fiscal year	FY2012	FY2013	FY2014
Number of companies	686	677	907
Amount of loans (billion yen)	28.3	35.7	47.8

Stock Subscription Rights Loans

Fiscal year	FY2012	FY2013	FY2014
Number of companies	16	18	18
Amount of loans (million yen)	520	340	270

Supporting the Growth of Businesses

Supporting the Procurement of Local Funds Overseas through the Standby Letter of Credit Program

The SME Unit has commenced its operation of the Standby Letter of Credit Program from FY2012 and has built business partnerships with overseas financial institutions. In addition, we work in collaboration with domestic regional financial institutions to allow more SMEs to make use of this program.

About the Standby Letter of Credit Program

The Standby Letter of Credit Program supports SMEs and micro businesses' overseas subsidiaries' and branches' smooth procurement of long-term local currency denominated funds from JFC's partnering overseas financial institutions by using JFC's standby letter of credit as a guarantee. By the end of May 2015, the number of affiliated overseas financial institutions had expanded to nine institutions and cumulative usage (until March 2015) of this program since its start in FY2012 has reached 122 companies.

In order to allow more SMEs to make use of this program, we launched a scheme to partner regional financial institutions in October 2013. As of end of March 2015, we have business partnership with 53 regional financial institutions in Japan, and letters of credit were issued to a total of 7 companies through this partnership scheme.

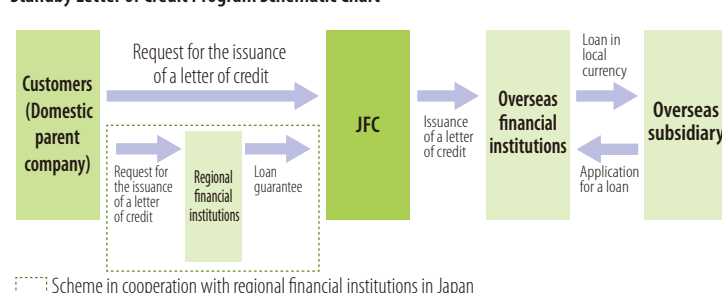
JFC will continue in its efforts to support SMEs and micro businesses' overseas fundraising through this program.

Affiliated Overseas Financial Institutions^(Note) (countries and regions listed in alphabetical order)

Country and region	Financial institution
Indonesia	Pt Bank Negara Indonesia (Persero) TBK
Republic of Korea	KB Kookmin Bank
Malaysia	CIMB Bank
Mexico	Banorte Bank
The Philippines	Metropolitan Bank & Trust Company
Singapore	United Overseas Bank
Taiwan	Taiwan Cooperative Bank
Thailand	Bangkok Bank
Vietnam	VietinBank

Note: As of end of May 2015. Affiliated overseas financial institutions are to be expanded.

Standby Letter of Credit Program Schematic Chart



Scheme in cooperation with regional financial institutions in Japan

Businesses that have Utilized JFC Funds are Flourishing in Many Fields

A total of 613 companies^(Note) have gone public after receiving support from the SME Unit, representing roughly one sixth of all Japanese companies that are publicly held. Many of these are flourishing as leading companies in Japan.

Since 1989, the number of companies going public after receiving support from the SME Unit has increased dramatically to 427^(Note), accounting for roughly 30% of the total increase in the number of companies going public during the same period, or 1,411 companies^(Note).

Note: The number of publicly listed companies is as of March 31, 2015 (excluding delisted companies and companies that have dissolved due to merger, etc.).

Public Companies that Received Support from the SME Unit



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



Note: The number of publicly held companies is as of March 31, 2015. Companies in agriculture, forestry, fisheries, finance, and insurance, as well as foreign-owned corporations are excluded.
Source: JFC SME Unit

An Invaluable Source of Financing During Our Start-up Period

Kazuo Inamori, Honorary Chairman of Kyocera Corporation (listed in the first section of the Tokyo Stock Exchange)

Around the third year after Kyocera was founded, I was a managing executive director and visited banks in search of funding for capital investment. However, we did not have any collateral and were ultimately unsuccessful in borrowing funds. Eventually I was introduced to Japan Finance Corporation for Small and Medium Enterprise (JASME), (current JFC), and gratefully accepted the opportunity to meet the branch manager. I made a faltering pitch, "We are a small venture company that just started up. We have generated over 10% profits since our first year of operation. I ask that you believe in the results that my three years of hard work have produced and grant our company a loan." Perhaps my earnest appeal hit the mark. After a pause, the branch manager replied "All right. We will extend you a loan against the machinery you plan to buy with the funds." I remember how deeply moved I was by the manager's courageous decision to believe in us and grant a loan against collateral to be purchased later, in what amounted to a very risky decision in light of the accepted wisdom of financial institutions at the time.

It is thanks to the decision made 40 years ago by that branch manager, who extended funding to us on the basis of our character when no other financial institution would, that today's Kyocera exists.

Source: Extracted from a column entitled "A 50 Year History of Japan Finance Corporation for Small and Medium Enterprise (JASME)," published by JASME in December 2003. (author's title is that held at time of writing)

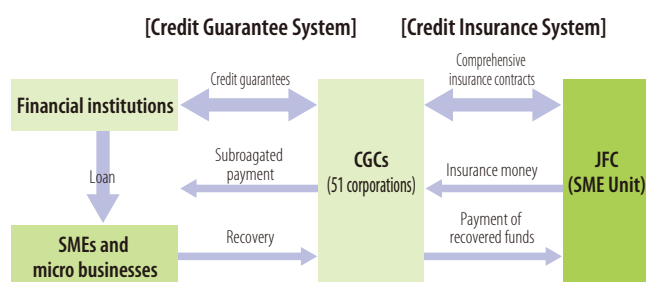
Credit Insurance Programs

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

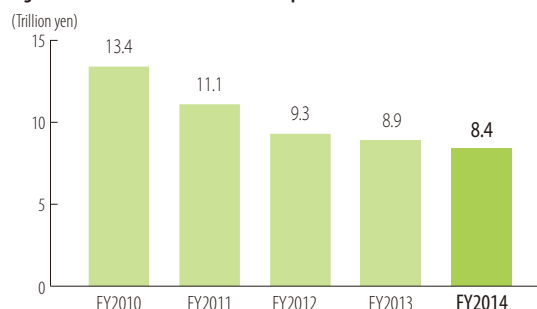
Roles of the Credit Insurance System

The SME Unit insures guaranteed liabilities (i.e., credit guarantees) provided by CGCs to SMEs and micro businesses that fall short in terms of collateral or creditworthiness when raising funds from financial institutions or issuing corporate bonds. Instituted under the Small and Medium-sized Enterprise Credit Insurance Act (Act No. 264 of 1950), the purpose of the Credit Insurance System is to promote the development of SMEs and micro businesses 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 and micro businesses. This mechanism is known as the Credit Supplementation System and plays a vital role in the Japanese government's SME finance policy.

Credit Supplementation System



Changes in the Amount of Insurance Acceptance



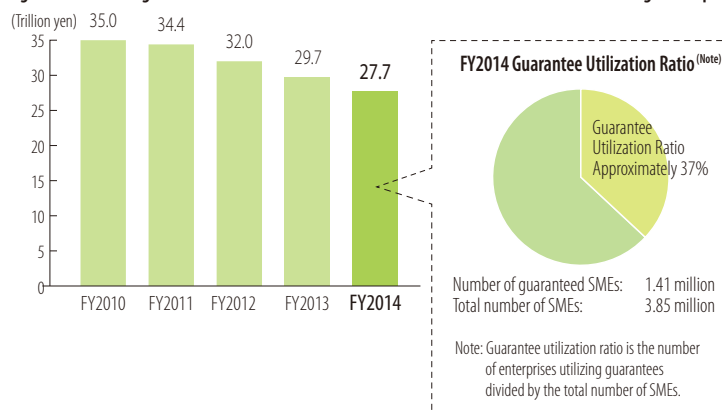
Approximately 40% of SMEs Utilize the Credit Supplementation System

As of the end of March 2015, the portion of outstanding loans to SMEs guaranteed by CGCs (i.e., outstanding guaranteed liabilities) amounted to some 27 trillion yen, accounting for approximately 11% of all loans to SMEs.

Moreover, some 1.41 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 micro businesses, and to their growth and prosperity by facilitating the smooth flow of funds.

Changes in Outstanding Guaranteed Liabilities and Guarantee Utilization Ratio of 51 CGCs throughout Japan



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 Unit will also contribute to the promotion and development of the debt securitization market.

Methods of Securitization Support

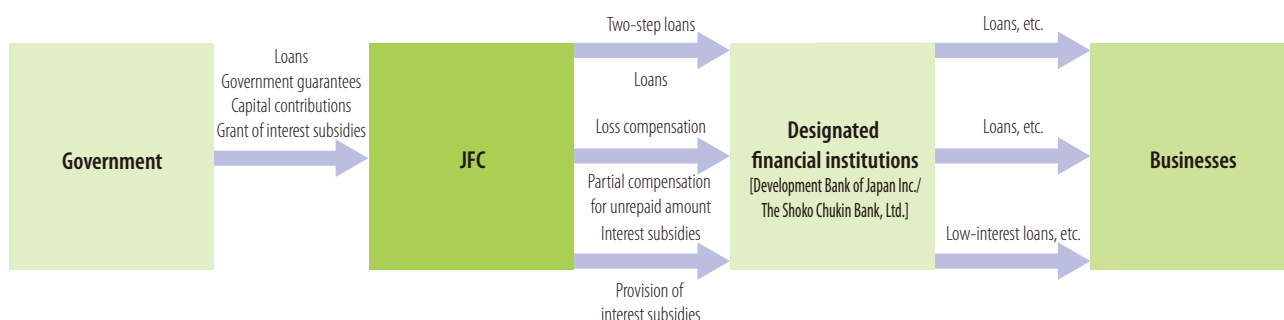
Purchase-type	Guarantee-type	Securitization of Account Receivables
Operations that involve the securitization of unsecured SME loans, etc., acquired by way of transfer from private financial institutions or the use of credit default swap (CDS) contracts.	Operations that involve the partial guarantee of unsecured SME loan claims, etc., securitized by private financial institutions as well as the guarantee of partial purchase of securitized instruments.	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 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.

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 increase 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 business.



[Crisis Response Operations to date]

• Cases related to the Disaster Relief Act • Cases related to special consultation desks • Cases related to turmoil in the international financial order • 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 FY2014 was 4,035.6 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. conducted by the designated financial institutions. The balance of underwritten loss compensation as of the end of FY2014 was 3,508.2 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	FY2012	FY2013	FY2014
Two-step loans	1,430.1	3,869.3	405.2	1,153.4	733.7	559.3	130.0
Loans, etc.	1,130.3	3,529.4	405.2	1,153.4	733.7	559.3	130.0
Commercial paper (CP) acquisitions	299.8	339.8	—	—	—	—	—
Loss compensation	345.1	1,811.9	1,893.3	1,739.8	1,470.2	1,409.3	1,234.2
Loans, etc.	345.1	1,781.9	1,893.3	1,739.8	1,470.2	1,409.3	1,234.2
Commercial paper (CP) acquisitions	—	—	—	—	—	—	—
Equity participations	—	30.0	—	—	—	—	—
Interest subsidies	—	—	0.3	2.4	7.8	10.9	12.4

Notes: 1. The figures for the two-step loans refer to the amounts of loans JFC provided to the designated financial institutions (Development Bank of Japan Inc. and The Shoko Chukin Bank, Ltd.) through the end of March 2015.

2. With respect to loss compensation, the figures for loans, etc. represent the amounts of loans provided by designated financial institutions through the end of March 2015, with loss compensation underwritten by JFC for losses incurred until May 10, 2015.

Equity participation figures (pertaining to the Act on Special Measures for Industrial Revitalization) are the amount of equity investments made by designated financial institutions through the end of March 2013, with loss compensation underwritten by JFC.

3. The figures for interest subsidies represent the amounts of interest subsidies JFC provided to designated financial institutions for loans, etc. provided by the designated financial institutions through the end of September 2014. (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 (Law No. 38 of 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. The balance as of the end of FY2014 was 37.3 billion yen.

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	FY2011	FY2012	FY2013	FY2014
Two-step loans	20.0	1.3	7.8	10.6	2.9

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 2015.

Overview of Operations to Facilitate Business Restructuring Promotion

In accordance with the Industrial Competitiveness Enhancement Act (Law No. 98 of 2013), JFC lends funds (two-step loans^(Note 1)) needed for loans that are provided by designated financial institutions^(Note 2) to certified businesses, etc.^(Note 3) who are going to implement business restructuring or specified business restructuring certified by competent ministers for the purpose of improving business productivity in order to enhance industrial competitiveness. The balance as of the end of FY2014 was 44.5 billion yen.

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 who implement approved business restructuring including their related business operators or businesses who implement approved specific business restructuring including specific operators concerned the said approval that prepare plans for business restructuring, etc., and receive approval from competent ministers.

Results of Operations to Facilitate Business Restructuring Promotion

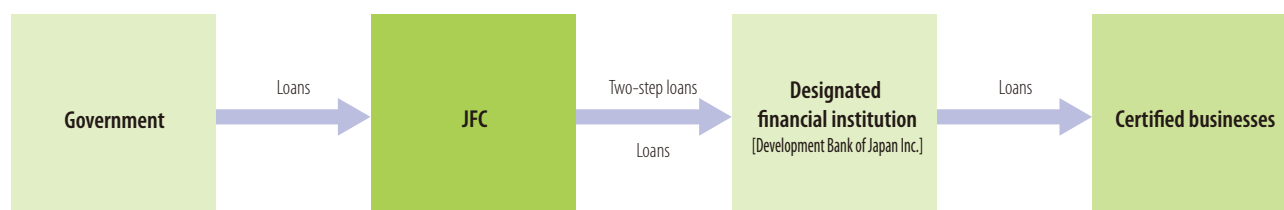
(Unit: billion yen)

	FY2011	FY2012	FY2013	FY2014
Two-step loans	—	25.0	—	20.0

Notes: 1. Operations to Facilitate Business Restructuring Promotion commenced on January 20, 2014.

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 2015. (The figures before the start of Operations to Facilitate Business Restructuring Promotion are of loans issued under Operations to Facilitate Business Restructuring Promotion, etc. in accordance with the Act on the Special Measures for Industrial Revitalization and Innovation (Law No. 131 of 1999) that was abolished with the enactment of the Industrial Competitiveness Enhancement Act on January 20, 2014).

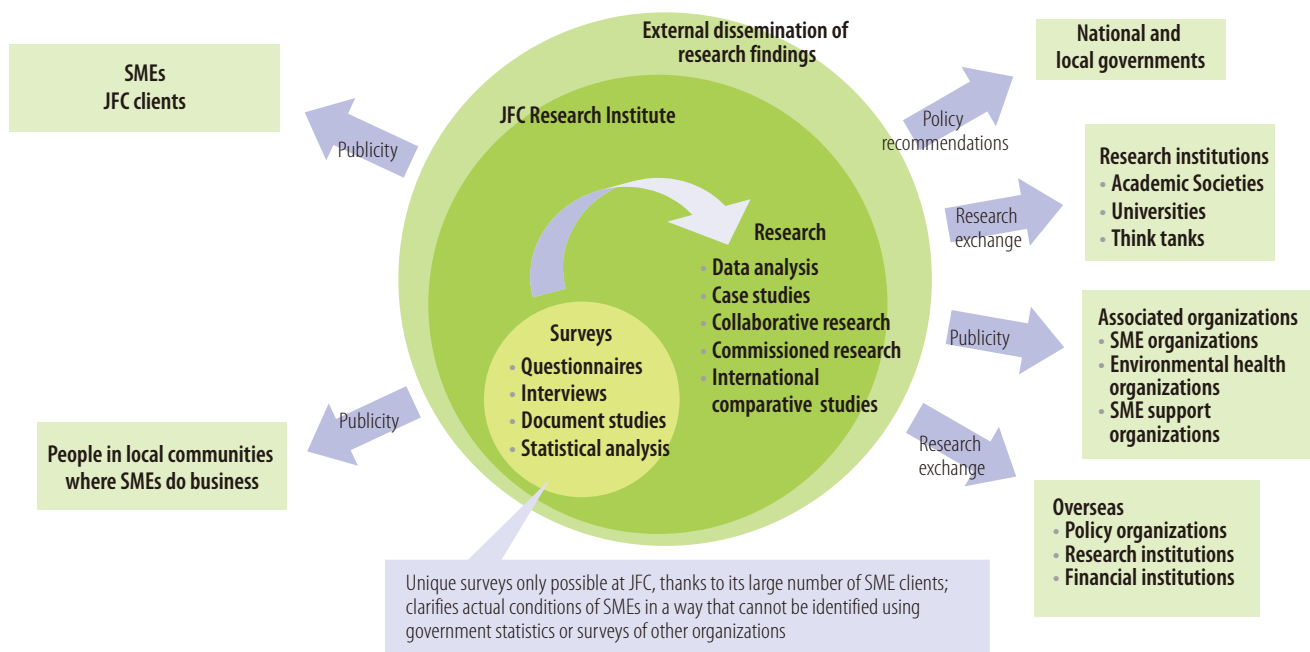
Two-step Loans Mechanism for Operations to Facilitate Specific Businesses Promotion and Operations to Facilitate Business Restructuring Promotion



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

Functions and Features of the Research Institute

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 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.

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

● Research on the Structural Problems of SMEs

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

Main surveys (conducted in FY2014)

- Survey on State of New Business Start-ups (FY2014 regular and special surveys)
- Panel Survey on New Business Start-ups
- Survey on Management of Social Businesses in an Aging Society with Fewer Children
- Survey of Companies from the Viewpoint of Manager Attributes

Main research papers and reports (released in FY2014)

- ◇ Current Status of Acceptance of Inbound Customers by the Small and Medium-Sized Service Industry
- ◇ Actual Conditions and Significance of Women Entrepreneurs
- ◇ Those Planning to Startup Businesses and Entrepreneurs
- ◇ Post-earthquake Role and Initiatives of SMEs
- ◇ Crowd Funding Expand the Possibilities for Growth of SMEs and NPOs

● Research on Management Issues of SMEs

Cases are collected of SMEs 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.

FY2014 survey

- Case Studies of SMEs Engaged in Management Innovations in response to Opportunities for Business Succession

FY2014 Publication

- ◇ The Great East Japan Earthquake and SMEs

● 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 FY2014)

- Construction of Business Models in the Era of a Low Birth Rate and Aging Population
- Actual Changes in Overseas Investment Environment Surrounding SMEs and Withdrawal of Businesses
- Important Elements for Successful Development of the SMEs' Original Product
- Actual Situation of Performing Companies

Main research papers and reports (released in FY2014)

- ◇ Commitments to New Value Creation (NVC) in SMEs
- ◇ Development of New Business Strategies in SMEs
- ◇ Current Situation and Issues of SMEs Engaged in Developing Overseas Manufacturing
- ◇ New-generation Innovations
- ◇ Survival Strategies '3S + P' of Small and Medium Wholesalers

● 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 survey (conducted in FY2014)

- Survey on Survival Efforts of Local Retail Chains and Supermarkets

Main research papers and report (released in FY2014)

- ◇ Advantages of SMEs as the Workplace

The Seventh Japan Finance Corporation Symposium

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 2015. Further details will be announced on the JFC website and via leaflets.

Publications Issued by the Research Institute

Periodical Publications



JFCRI Quarterly Research Report

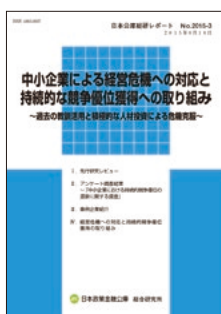
Quarterly (published on the 25th of February, May, August, and November)

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 27 (May 2015) —

- "Sociality" and "Business Feasibility" of Japan's Social Businesses
- Manufacturing Development Strategies of SMEs in Emerging Countries
- Characteristics of New Start-ups Acquiring Customers
- Policy-based Finance for SMEs in Western Countries in the Wake of the Collapse of Lehman Brothers



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 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 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 2015 White Paper —

- Overview of the FY2014 Survey on the Condition of New Business Start-ups
- Points for Acquiring Customers in New Start-ups
- Entrepreneur Activities and Social Networking
- Actual Situation of Business Plan Creation and Procurement of Start-up Expenses



Social Businesses in Japan

This book describes the result of research on social businesses in Japan based on the results of surveys conducted using questionnaires. It clarifies the business situation of social business in Japan and discusses essential factors and supports for achieving results by referring to the foreign current situation.



Corporate Case Studies

Reborn out of Business Succession: Management Innovations by SME Successors

This is a compilation of case studies on the management of SMEs. Examples of companies that have achieved management innovations through their successors and a summary of points extracted from case examples of company development.