

Overview of Operations

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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/Small Businesses

- Loans have been disbursed to 1.17 million businesses.
- The average loan balance per business is 10.08 million yen, most of which were small loans.
- Approximately 80% of borrowers are micro/small businesses with nine or fewer employees, and many are sole proprietors.

Safety Net Financing

- Micro Unit provides Safety Net Loans and other means to support micro/small enterprises experiencing in finance 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, heavy rains and typhoons.

Supporting Business Start-ups, Business Revitalization, and Business Succession

- The number of loans disbursed to business start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) reached 40,580 a year. It is estimated that about 130,000 jobs were created annually as a result.
- Micro Unit supports businesses engaged in innovative businesses or seeking business revitalization through Capital Subordinated Loans and other means.
- Supports succession of micro/small businesses.

Supporting Social Businesses and Overseas Expansion, etc.

- Micro Unit supports businesses engaged in social businesses to solve regional and social issues.
- Micro Unit supports micro/small businesses trying to expand overseas.

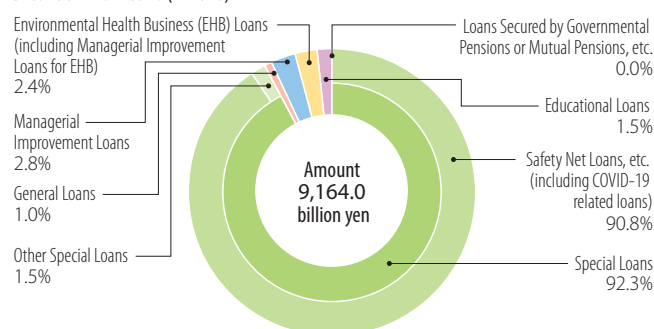
Collaboration with Chambers of Commerce and Industry, Societies of Commerce and Industry, Environmental Health Trade Associations, and Regional Financial Institutions, etc.

- Micro Unit works in close collaboration with such organizations as Chambers of Commerce and Industry, Societies of Commerce and Industry, Environmental Health Trade Associations and regional financial institutions to support the financial improvement of micro/small businesses and help maintain or improve the sanitation level of environmental health-related businesses.
- Micro Unit collaborates with Approved Management Innovation Support Organizations with high specialty such as tax accountant, certified public accountant and SME management consultant.
- Micro Unit proactively collaborates with regional financial institutions.

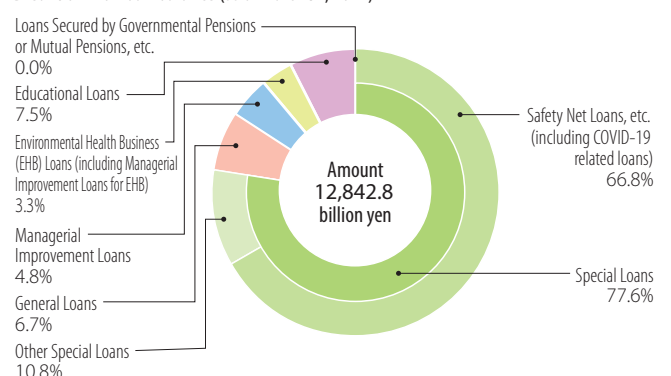
Support through Educational Loans, etc.

- Approximately 90,000 Educational Loans are disbursed each year.

Breakdown of Loans (FY2020)



Breakdown of loan balance (as of March 31, 2021)



Feature of Operations

Supporting Micro/Small Businesses

Business Loans in FY2020 were provided to 1.17 million businesses. The average loan balance per business is 10.08 million yen, most of which were small loans. Approximately 80% of borrowers are micro/small businesses with nine or fewer employees, and many are sole proprietors. Over 90% of all loans are uncollateralized.

We worked to support businesses affected by COVID-19, and as a result, approximately 300,000 more businesses received business loans compared to March 31, 2020.

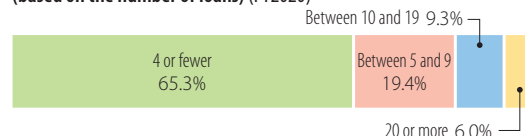
Number of business borrowers and average loan balance per business (as of March 31, 2021)

	Micro Business and Individual Unit	Total for shinkin banks (254 banks)	Total for domestic banks (132 banks)
Number of business borrowers (million)	1.17	1.22	2.21
Average loan balance per business (million yen)	10.08	43.00	100.80

Notes: 1. Figures for Micro Unit are the total of General Loans and Environmental Health Business Loans.
2. Domestic banks include major commercial 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) (FY2020)



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

Demonstrating Safety Net Functions

● Response to the Spread of COVID-19

The Micro Unit created special consultation desks at its 152 branches nationwide and is providing consultations on financing and repayment for businesses that have been impacted by the COVID-19 pandemic. We are providing COVID-19 Special Loan Program, which are practically interest-free and require no collateral, and other means to clients that meet certain conditions such as a decline in sales.

From January 29, 2020, the day when the consultation desks were created, to March 31, 2021, we decided a total of 755,301 COVID-19 related loans worth a total of 9,053.1 billion yen. This is about three times the number of loans provided in FY2018, before the outbreak of the COVID-19 pandemic. These loan results surpassed even the results of FY2009, when businesses were greatly affected by the collapse of Lehman Brothers and the subsequent financial crisis, and loans related to the Great East Japan Earthquake.

	Number of loans ^(Note)	Amount ^(Note)
COVID-19 related loans: January 29, 2020–March 2021	755,301	9,053.1 billion yen
Loans at the time of the Lehman Brothers bankruptcy: April 2009–March 2010	341,231	2,803.8 billion yen
Great East Japan Earthquake Related Loans: March 2011–March 2021	239,861	2,258.0 billion yen
Reference: FY2018 Loan Results	257,640	1,990.7 billion yen

Note: COVID-19 related financing data is prepared on a loan decision basis.

● Measures during disasters

A special consultation desk was immediately established in the event of a natural disaster like the Great East Japan Earthquake, the 2016 Kumamoto Earthquake, and the Typhoon No. 19 of 2019 and other disasters, so that affected micro/small business owners can receive consultation concerning their loans and repayment.

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 rains, by means of Disaster Loans that have easier repayment conditions than General 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 as of March 31, 2021, the Micro Unit executed 239,861 loans related to the earthquake, amounting to 2,258.0 billion yen.

For loan performance related to the damages suffered from Typhoon No. 19 of 2019 and other disasters, the Micro Unit executed 1,534 loans, amounting to 15.4 billion yen, as of March 31, 2021.

Main consultation desks currently in operation (as of May 31, 2021)

	Number of consultation desks	Consultation desks currently in operation	Date of establishment
Disaster-related	15	Special consultation desk for the Great East Japan Earthquake	Mar. 2011
		Special consultation desk for damage suffered as a result of the 2016 Kumamoto Earthquake	Apr. 2016
		Special consultation desk for damage suffered as a result of storms and torrential rain between May 20 and July 10, 2018	Jul. 2018
		Special consultation desk for damage suffered as a result of the 2018 Hokkaido Eastern Iburi Earthquake	Sep. 2018
		Special consultation desk for damage suffered as a result of heavy rain associated with weather fronts in August 2019	Aug. 2019
		Special consultation desk for damage suffered as a result of Typhoon No. 15 of 2019	Sep. 2019
		Special consultation desk for damage suffered as a result of Typhoon No. 19 of 2019	Oct. 2019
		Special consultation desk for damage suffered as a result of heavy rain from July 3, 2020	Jul. 2020
		Special consultation desk for damage suffered as a result of Typhoon No. 14 of 2020	Oct. 2020
		Special consultation desk for damage suffered as a result of heavy snowfall from December 16, 2020	Dec. 2020
		Special consultation desk for damage suffered as a result of heavy snowfall from January 7, 2021	Jan. 2021
		Special consultation desk for damage suffered as a result of the earthquake off the coast of Fukushima Prefecture in 2021	Feb. 2021
		Special consultation desk for damage suffered as a result of the large-scale fire in Ashikaga City, Tochigi Prefecture in 2021	Feb. 2021
		Special consultation desk for damage suffered as a result of the landslide in Itoigawa City, Niigata Prefecture in 2021	Mar. 2021
Special consultation desk for damage suffered as a result of the large-scale fire in Matsue City, Shimane Prefecture in 2021	Apr. 2021		
Others	1	Special consultation desk relating to COVID-19	Feb. 2020

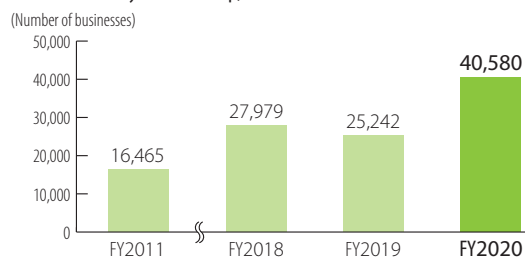
Supporting Business Start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) Proactively

● Support for business start-ups

Not a few companies that have yet to start and those that are within 1 year of start-up face difficulties in raising funds for such reasons as a shortage of business experiences. The Micro Unit actively provides loans to these companies to support their business activities.

The Micro Unit provided loans to a total of 40,580 business start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) in FY2020. It is estimated that about 130,000 jobs were created annually as a result.

Loans for start-ups (consisting of those that have yet to start and those that are within 1 year of start-up)



[Job Creation Effects]

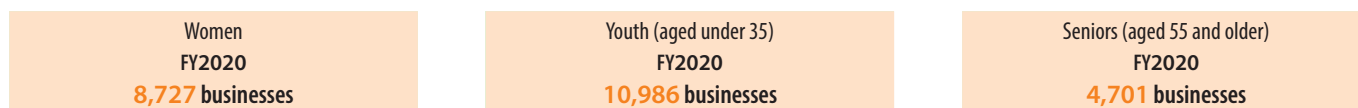
40,580 businesses × average of 3.2 employees^(Note) = 129,856 employees

Note: The average number of employees at time of business start, based on Survey on Business Start-ups in Japan (FY2020) by the JFC Research Institute.

● Supporting women, youth, and senior entrepreneurs

As the economic society diversify, the range of business start-ups has been expanding start-ups by women who take advantage of their ability to notice the small things in daily life, young people who utilize novel ideas, and seniors who draw on their many years of experience. In such trend, Micro Unit actively provides loans to such women, youth, and senior entrepreneurs.

Loans for women, youth, and senior entrepreneurs (number of businesses)



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

● 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 information for business start-ups, such as advice on the creation of business start-up plans.

Establishment of Business Start-up Support Centers and Business Support Plazas and Providing Support for Business Start-ups and Second Business Start-ups^(Note)

Note: Second business start-ups are businesses diversifying or moving into a new business field.

The 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.

● Establishment of business start-up support centers throughout Japan

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

● Establishment of business support plazas throughout Japan

In six locations: Sapporo, Sendai, Tokyo (Shinjuku), 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 consult during regular business hours, weekend appointments are also available (excluding national holidays).

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

Locations (as of June 2021)



The Micro Unit Proactively Supports Businesses that Take on the Challenge of Innovative New Technologies

The Micro Unit actively supports micro/small businesses such as research and development venture companies which possess innovative technological capabilities that are expected to achieve long-term high growth. We use Capital Subordinated Loans, which are characterized by certain term lump-sum repayment and fixed interest rates according to business performance and the loan itself can be treated as “owned capital” rather than a “debt” for the purpose of asset audits by financial institutions. The Micro Unit supports various businesses which possess high technological capabilities and require significant funding for expenses such as research and development.

● Supporting collaboration between industry and academia

The Micro Unit supports collaboration between industry and academia by forwarding technological consultation from micro/small businesses to universities, and by providing loans to university-originated ventures.

Supporting Social Business Actively

The Micro Unit supports bearers of social businesses that support regional and social issues, such as supporting the care and welfare of the elderly and disabled, child rearing, environmental conservation, and regional revitalization.

The FY2020 loans to social businesses came to: 15,037 loans, 184.5 billion yen, of which 1,803 loans, 19.6 billion yen were loans to NPOs.

Social Business Mark



We are engaged in PR activities and have created the Social Business Mark in order to make social business, which works to solve regional and social problems, more widely known.

The “S” in social business is used to indicate various actors including businesses, NPOs, residents, government, public institutions, etc. coming together to solve the problems faced in the region.

Actively Supporting Businesses Seeking for Overseas Expansion

Overseas Expansion Support Desks, established at 152 branches nationwide cooperate with Japan External Trade Organization (JETRO), Organization for Small & Medium Enterprises and Regional Innovation (SME Support, Japan), Japan Federation of Bar Associations, and other external experts that support overseas expansion. The Micro Unit provides detailed support information according to the needs of customers by providing advice for first-time overseas expansion, information on overseas exhibitions and business meetings, and confirmation of local laws and regulations, required permits and licenses, and the details of contracts.

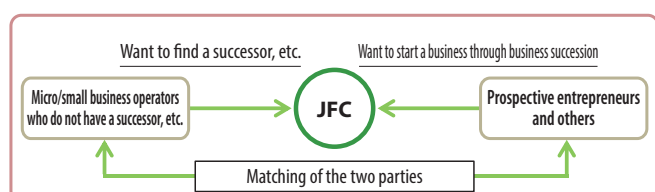
Supporting Business Revitalization Actively

Through the Loan Programs for business revitalization support, the Micro Unit supports businesses undergoing corporate reorganization through collaboration with regional financial institutions, involvement of the Small and Medium Enterprises Revitalization Support Council, or approval of reconstruction plans based on the Civil Rehabilitation Act.

In addition, by installing business revitalization 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, and reduction of payment installments, we also give advice regarding solving business issues and support for creating business improvement plans.

Supporting Business Succession Actively

To strengthen support for micro/small businesses in securing successors, the Micro Unit conducts a nationwide business succession matching support program to match micro/small businesses that do not have a successor with people who wish to start their own businesses. In addition, we are working on disseminating information on best practices, distributing videos on third-party succession, and holding online seminars to raise the awareness of business owners and create social momentum for third-party succession.



Business succession matching support results

Results	Want to transfer business	Want to acquire business
Number of application registrations	163	544 (191)
Number of matching	78	

Notes: 1. Please refer to the JFC website for detailed information on business succession matching support.
2. The results of business succession matching support are cumulative results from FY2019 to FY2020. Figures in parentheses are the numbers of registered application registrations persons who wish to start a business.

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

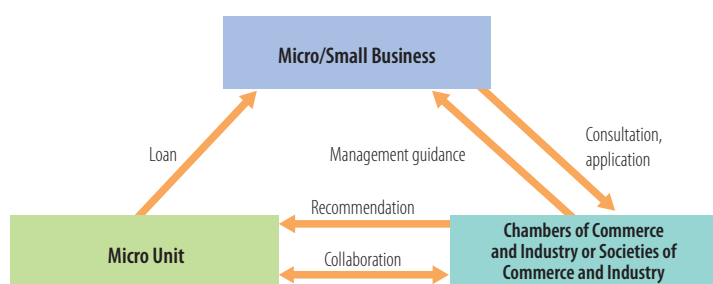
● Collaboration with Chambers of Commerce and Industry, and with Societies of Commerce and Industry

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 and consultation sessions.

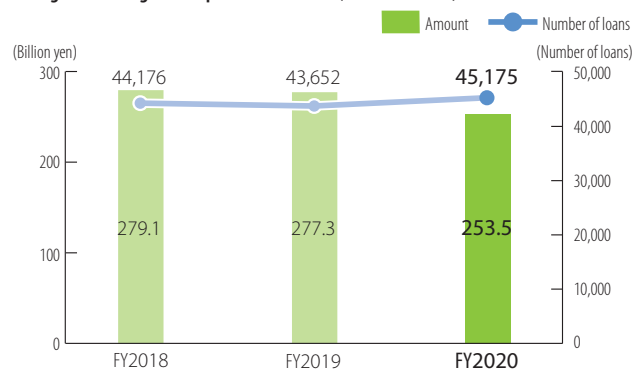
Managerial Improvement Loans (MARUKEI Loans) are a program whereby micro/small businesses receiving management guidance, such as from Chambers of Commerce and Industry or Societies of Commerce and Industry, can utilize funds needed for managerial improvement without collateral and guarantors. Since the establishment of this program in 1973, approximately 5.18 million loans have been provided.

Also, in FY2015, the Micro/Small Management Development Support Fund was established which can be used by micro/small businesses who are working towards sustainable development, and have received assistance in developing and executing a business plan through certified management development support programs offered by Chambers of Commerce and Industry or Societies of Commerce and Industry.

Structure of Managerial Improvement Loans (MARUKEI Loans)



Changes in Managerial Improvement Loans (MARUKEI Loans)



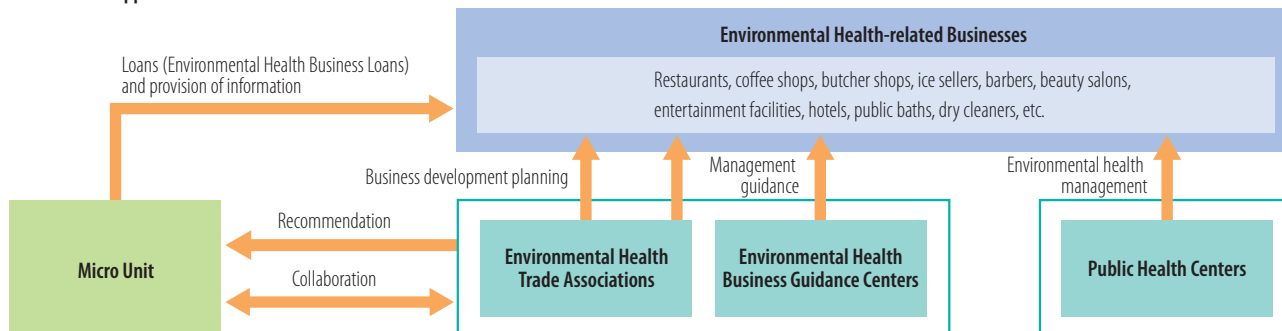
● Holding of "One-Day JFC" consultation sessions at Chambers of Commerce and Industry or at Societies of Commerce and Industry

Consultation sessions called "One-Day JFC," where staff from Micro Unit consult on finance, are held at Chambers of Commerce and Industry or at Societies of Commerce and Industry. Every year, many micro/small businesses come to ask for advice. In addition, we also conducted online consultations in FY2020 to prevent the spread of COVID-19.

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

The Micro Unit works in close collaboration with such organizations as Environmental Health Trade Associations and Environmental Health Business Guidance Centers to support the maintenance and enhancement of the sanitation levels of environmental health-related businesses, which are closely involved in the daily lives of the public and are subject to strong demands to maintain sanitation levels, through Environmental Health Business Loans. The majority of the borrowers of Environmental Health Business Loans are businesses with nine or fewer employees. Approximately 70% are sole proprietorship, and approximately 40% have been before start-ups or within five years of start-ups.

Initiatives to support Environmental Health-related Businesses



● Cooperation with approved management innovation support organizations^(Note) such as tax accountants, certified public accountants, and SME management consultants

Management support provided through approved management innovation support organizations such as tax accountant, etc. who play a large role in supporting SMEs and micro/small businesses, and financial support from JFC come together to support micro/small business owners in business sectors like start-ups, management innovation, business revitalization, etc.

Note: Approved management innovation support organizations are support organizations recognized under the Small and Medium-sized Enterprises Business Enhancement Act. Please visit the Small and Medium Enterprise Agency website for more information.

● Collaboration with regional financial institutions

We promote cooperation with regional financial institutions to support customers affected by the COVID-19 pandemic, revitalize the regional economy, and meet the customer's convenience.

We are actively engaged in providing collaborative loans to help with the development of the cooperative loan scheme ^(Note) and the creation of cooperative loan products, which is part of efforts to enhance the effectiveness of cooperation with regard to support in various fields including business start-ups, business revitalization, business succession, and social businesses.

Note: A cooperative loan scheme has specific referral rules for projects treated as cooperative loans.

● Total of cooperative loan ^(Note)

In FY2020, total cooperative loans from regional financial institutions came to: 12,134 loans, 161.8 billion yen.

Note: Loans (guarantees) that are disbursed or decided by both JFC and regional financial institutions after consultation by both parties for loan plans with identical objectives (Calculated by JFC. Including loans made on different dates between both parties).

Cooperative loans by business category

(FY 2020)

Cooperative loan	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total		Reference FY2019 results
								Compared to the previous fiscal year	
Number of loans	2,185	9,232	3,175	8,640	1,269	572	24,467	85%	28,736
Micro Unit	171	3,369	1,592	5,995	984	23	12,134	60%	20,225
Amount	359.5 billion yen	787.3 billion yen	201.6 billion yen	345.8 billion yen	41.1 billion yen	61.2 billion yen	1,684.7 billion yen	134%	1,255.6 billion yen
Micro Unit	3.2 billion yen	47.5 billion yen	21.8 billion yen	77.4 billion yen	11.3 billion yen	0.3 billion yen	161.8 billion yen	76%	212.2 billion yen

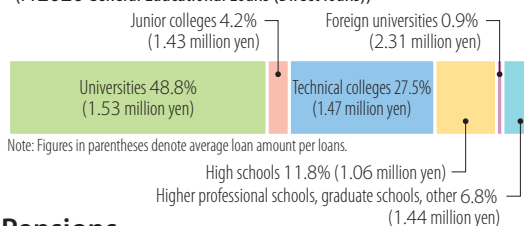
Educational Loans for School Entrance Fees and Related Expenses

The Micro Unit handles Educational Loans, which funds necessary expenses when entering educational institutions or continuing one's education, to lighten the financial burden of educational expenses on families and provide equal educational opportunities. Approximately 90,000 Educational Loans were provided in FY2020.

● Loans to 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
(FY2020 General Educational Loans (Direct loans))



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 (Act No. 91 of 1954). These loans can be used for a broad range of purposes, including home purchases and business funding. A decision was made that new applications will be closed at the end of March 2022 due to the amendment of pension system laws in 2020, with the exception of military pensions and relief pensions.

Micro Unit Supports Developing Countries

Supporting Developing Countries by ODA (Official Development Assistance)

The Micro Unit provides assistance to overcome issues which financial institutions in developing countries are facing through technical cooperation by Official Development Assistance (ODA). This assistance has been implemented by sharing our accumulated credit analysis know-how on micro and small enterprises. 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 Viet Nam, Malaysia, Laos and Myanmar.

i. Laos

The Micro Unit implemented the technical cooperation project from FY2011 to FY2017 with the Lao Development Bank (LDB), which is a state-owned commercial bank in Laos. With the aim of developing LDB human resources and credit analysis skills, eight seminars were held in Laos and Japan and the Micro Unit provided lectures about our credit analysis. We also cooperated to create their own credit analysis manual.



Lectures given at local seminars in Laos (Vientiane)

ii. Myanmar

We have been conducting technical cooperation project for Myanma Economic Bank (MEB), which is the largest state managed bank in Myanmar, since April 2015. We provided support through four seminars in Myanmar and Japan. These measures have been highly valued in Myanmar, and we launched second phase of the project in June 2018.



Seminar in Myanmar (Yangon)

Agriculture, Forestry, Fisheries and Food Business Unit

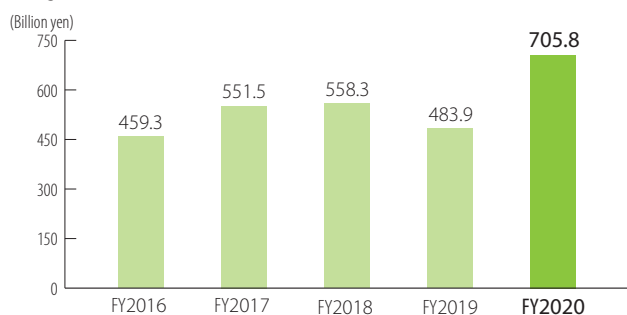
Through providing loans, etc. to businesses in agriculture, forestry and fishery industries as well as the food industry in Japan, the Agriculture, Forestry, Fisheries and Food Business Unit (AFFF Unit) contributes towards strengthening of these industries while ensuring the stable supply of safe and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

Overview of Operations

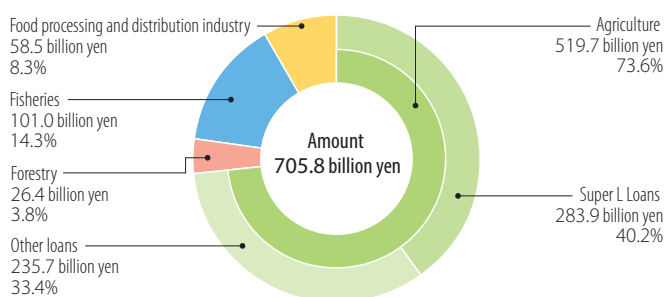
Status of Loan and Feature of Operations

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.

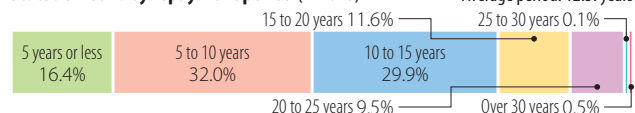
Changes in loan amounts



Breakdown of loans (FY2020)



Status of loans by repayment period (FY2020)



Exercise of Safety Net Functions

The AFFF Unit offers dynamic support in the form of long-term working capital loans to provide agricultural, forestry, and fisheries operators as a safety net function against short-term crises such as natural disasters including earthquake, typhoon, tsunami, etc., contagious livestock diseases, and falls in the price of agricultural products, as well as COVID-19.

Promotion of Consulting and Financing Activities

By performing project assessments and follow-ups based on those assessments, the AFFF Unit actively supports customers who seek to assertively develop business by expanding the scope of business or diversifying business.

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 external networks

The AFFF Unit also cooperates with management advisors in the fields of agriculture, forestry, and fisheries and private financial institutions and external specialized agencies on matters concerning business cooperation in order to respond to consultation requests from customers.

● Business matching support

The AFFF Unit supports efforts by agricultural, forestry and fishery business operators to expand their own sales channels through the Agri-Food EXPO (an exhibit and business fair for domestically produced agricultural products) and JFC Internet Business Matching.

● Provision of information

The AFFF Unit provides useful information through its information magazines such as AFC Forum and Agri-Food Support, various reports such as the Business Confidence Survey of the Agricultural Industry and the Survey on Movement of the Food Industry, and news releases.

Promoting Cooperation with Private Financial Institutions in the Agricultural, Forestry, and Fisheries Sectors

The AFFF Unit promotes collaborative financing with private financial institutions such as cooperative loans and outsourced lending and is working to build an environment that encourages private financial institutions to actively enter financing of agricultural, forestry and fisheries fields by providing information service on industry trends and assessment of agricultural credit risks (Agricultural Credit Risk Information Service (ACRIS)) and also offering capital contributions and securitization support services.

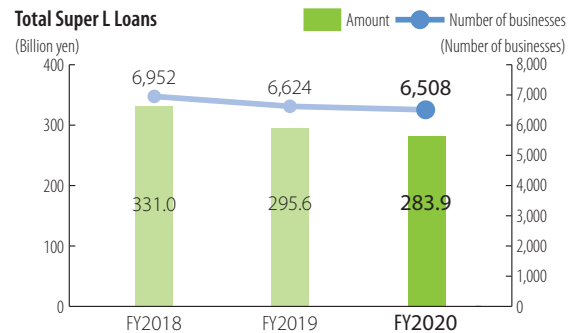
Feature of Operations

Feature of Operations

By providing loans 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 drive and innovative ideas.

● Supporting people engaged in agriculture through long-term loans

Through long-term financing such as Super L Loans the AFFF Unit supports management improvements such as scale expansion, cost reduction and the "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 companies of rice growing, horticulture, livestock farming, and other operations, as well as large-scale family run operations, new farmers, and companies entering the agriculture field.

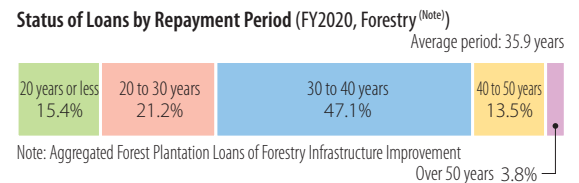


Forestry

By providing loans 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.

● The AFFF Unit provides financing to customers in the forestry business, for which capital recovery periods are very long

It generally takes about 50 years for a forest to develop and so recovering any capital takes a very long time. For this reason, the AFFF Unit supports forestry operators by providing the ultra-long-term finance that is required until logging.



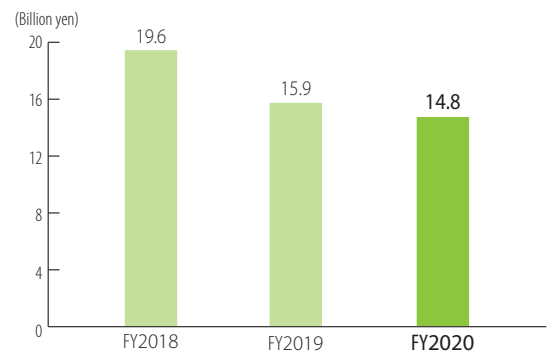
Fisheries

By supplying loans in line with the policies of the Fisheries Basic Act, 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. In FY2020, Fisheries Management Improvement Support Loans, which proactively supported building of larger fishing vessels, came to 14.8 billion yen.

Fisheries Management Improvement Support Loans



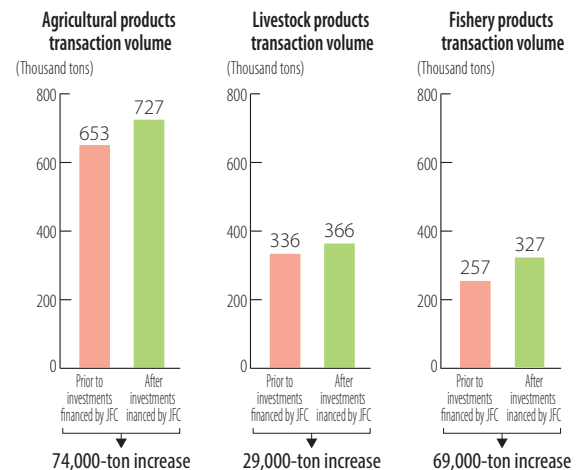
Food Processing and Distribution Industry

Through providing loans to food processing and distribution industry 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 processing and distribution industry 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 FY2020 suggests that the transaction volumes of domestically produced agricultural, forestry, and fishery products will increase by approximately 173,000 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 (Food production manufacturing affiliated business facilities, food production and sales affiliated business facilities) 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.



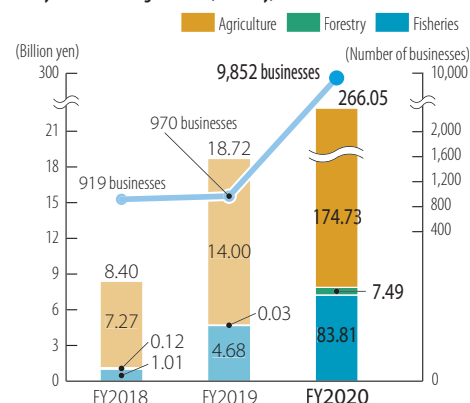
Notes: 1. The transaction volumes are rounded off by the unit.
2. The transaction volume indicated in "After investments financed by JFC" is an estimate.

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, forestry, and fisheries operators as a safety net function against short-term crises such as natural disasters including earthquake, typhoon, tsunami, etc., contagious livestock diseases, and falls in the price of agricultural products.

Also, the AFFF Unit created special consultation desks and is providing consultations on financing and repayment for agricultural, forestry, and fisheries operators that have been impacted by the COVID-19 pandemic.

Safety net loans to agricultural, forestry, and fisheries businesses

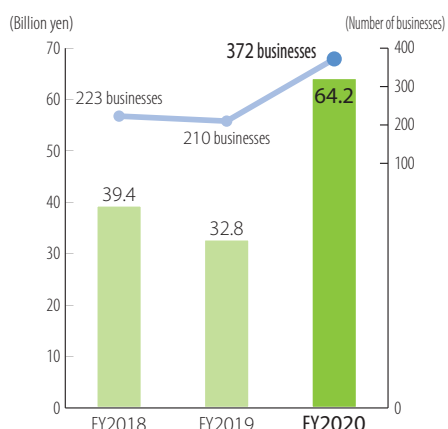


Export and "Sixth Industrialization" Development Measures

In addition to the agricultural, forestry, and fisheries products and processed foods export promotion loan program created in 2020, the AFFF Unit provides support through various financing programs and the provision of information in cases where agricultural, forestry, and fisheries business operators and companies in the food industry export domestic agricultural products and other processed products to improve their own business or promote domestic agricultural, forestry, and fisheries products.

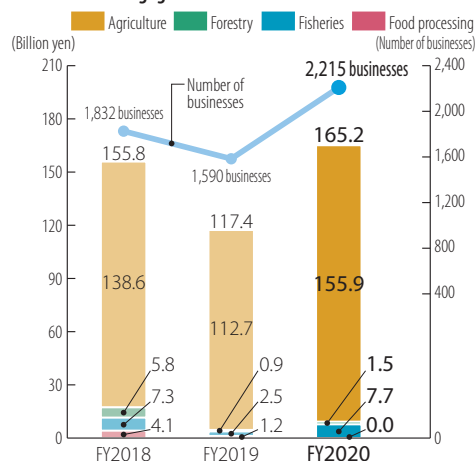
The AFFF Unit also supports measures for the development of "Sixth Industrialization" (integrated processing and sales measures for increasing the added value of products) by agricultural, forestry, and fisheries business operators through various financing programs and the provision of information.

Loans to those engaged in export



In FY2020, loans to improve management through exports were made to 372 businesses (177% compared to the previous fiscal year) and amounted to 64.2 billion yen (196% compared to the previous fiscal year).

Loans to those engaged in the "Sixth Industrialization"



FY2020 loans to activities due to improved management by the "Sixth Industrialization" (e.g., processing, sales, and other business undertaken integrally by agricultural, forestry, and fishery businesses to increase the added value of products) increased to: 2,215 businesses (139% compared to the previous fiscal year), 165.2 billion yen (141% compared to the previous fiscal year).

Support for New Farmers and New Entrants to Agriculture

Support was provided to various financing programs such as the Agricultural Employment Fund for Youth, etc. which offers loans to new farmers, new entrants to agricultural business, and authorized new farmers and information was provided.

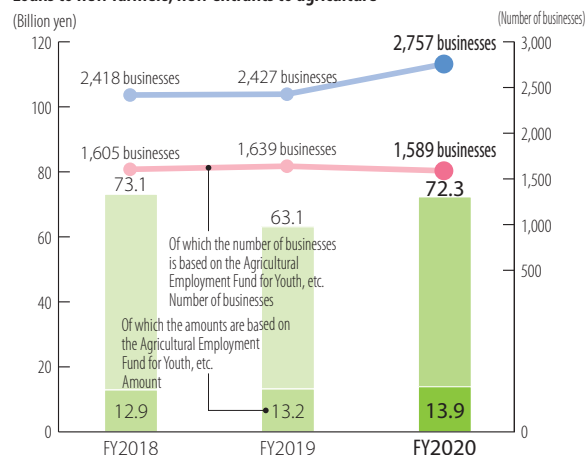
Loans to new farmers, new entrants to agriculture

In FY2020, loans to new agricultural business and new entry farmers came to 2,757 businesses (114% compared to the previous fiscal year), and 72.3 billion yen (115% compared to the previous fiscal year).

From FY2014, newly started loans to Agricultural Employment Fund for Youth, etc. (Note) came to: 1,589 businesses (97% compared to the previous fiscal year), 13.9 billion yen (105% compared to the previous fiscal year).

Note: Loans to support authorized new farmers certified by municipalities under the Young Farmers Plan as young people engaging in new farming businesses.

Loans to new farmers, new entrants to agriculture



Consulting Activities through Project Assessment

By conducting project assessments and follow-ups based on the results, active support is provided to customers who seek to expand the scope of business, diversify business, or undertake determined business development.

● Framework of project assessment

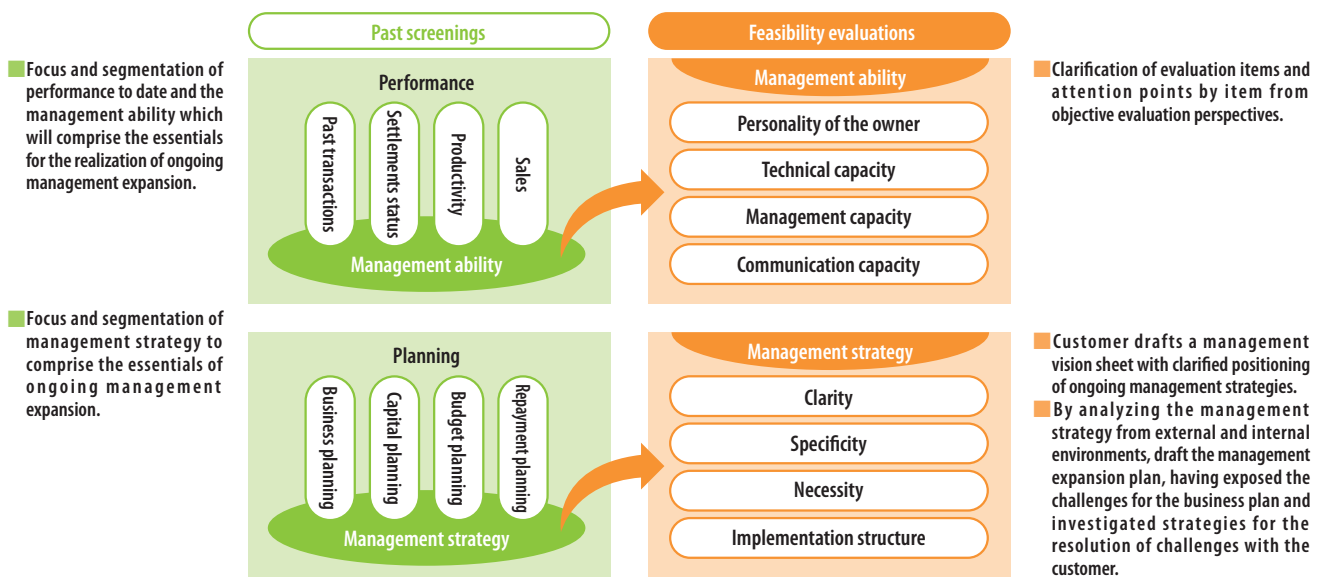
The AFFF Unit organizes managerial strengths and deficiencies with customers, investigates means of leveraging managerial strengths that the customer may have difficulty recognizing and measures to overcome weaknesses, and performs project assessment to promise solutions to problems in order to provide robust support for achieving the customer's management objectives.

● Main points of project assessment

The AFFF Unit has customers prepare Management Vision Sheets to review past management and reaffirm strengths and weaknesses and to clarify their vision for the future.

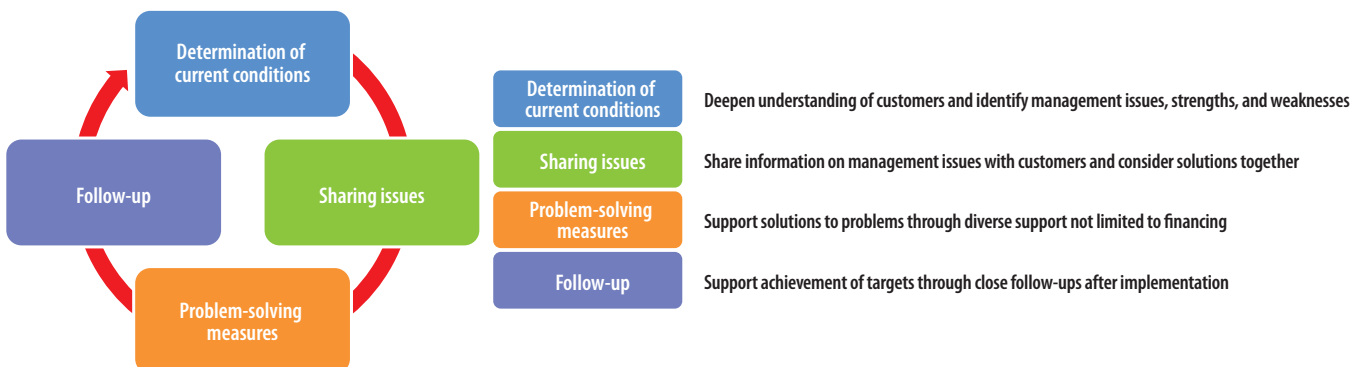
The AFFF Unit segments and actively evaluates management capacities (including past management performance and the basis for realizing management development) and management strategies (the basis for future management development) in order to accurately discern management strengths and growth potentials.

Management issues are then identified, taking into consideration the external environment and other factors, solutions to those issues are investigated with the customer, and various problem-solving support not limited to financing but also providing management support services.



● Consulting activities through project assessment

The AFFF Unit provides consulting services through project assessments, linking aspects from determining the customer's current status to sharing issues and supporting solutions.



Supporting Business Succession of Customers

To address the business succession issues of agricultural, forestry, and fisheries business operators, the AFFF Unit supports customers by providing information tailored according to the type and stage of business succession, referring and dispatching outside experts and relevant organizations, providing funds, and other means.

In addition, the AFFF Unit is reinforcing its information gathering and support relating to M&A and the like in the agricultural, forestry, and fisheries fields and providing business succession support to customers so that the management resources of customers in these fields can effectively be handed down to the next generation.

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.

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

In response to requests from agricultural, forestry, and fishery businesses for advice on taxes, labor, marketing, and other topics from experts who understand the unique characteristics of primary industries, the AFFF Unit operates the Agricultural, Forestry and Fishery Management Advisor Program to develop human resources who can provide comprehensive and accurate management advice.

The AFFF Unit also provides comprehensive management support services in collaboration with tax accountants, SME management consultants, and management advisors of private financial institutions. In conjunction with this, we established Agricultural Advisor Liaison Committees in each prefecture to promote advisory activities by exchanging information and improving skills among members and strengthening cooperation with agriculture related organizations.

Breakdown of personnel with agricultural, forestry, and fishery management advisory qualifications (as of March 31, 2021)

	Agricultural management advisors	Senior agricultural management advisors	Forestry management advisors	Fishery management advisors
Private financial institutions	2,572	22	35	28
Professionals (tax accountants, SME management consultants, etc.)	746	19	28	16
Others (agricultural extension officers, etc.)	677	16	17	14
JFC employees	352	20	53	21
Total	4,347	77	133	79

Business Matching Support

● Agri-Food EXPO Online, domestic agricultural product exhibition and business fair held

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

In FY2020, we held the Agri-Food EXPO Online for the first time in consideration of the COVID-19 pandemic. The EXPO features a new official website where exhibitors and products information can be viewed and searched through videos and images, and a concierge service was provided by the administrative office to support business negotiations in a proactive manner over a period of about five months.

Many agricultural, fishery, and food companies from around Japan that focus on domestic production participated, and active business discussions were held with buyers.



Agri-Food EXPO Online website

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.

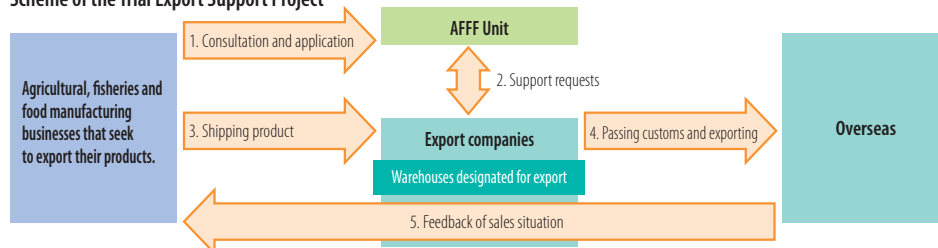
For example, J-PAO gets assistance from its members from a wide variety of types of businesses and uses its agriculture-support knowhow to provide sales and commercialization support to customers. JETRO hosts an export business conference in conjunction with the Agri-Food EXPO, where it provides assistance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

In addition, the AFFF Unit supports customers who are working to export agricultural products 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.).



Briefing session on the Trial Export Support Project

Scheme of the Trial Export Support Project



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 loans 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 provides loans to agricultural, forestry, and fisheries business operators and companies in the processed food industry in cooperation with private financial institutions. In FY2020, a total of 1,108 cooperative loans were provided to agricultural, forestry, and fisheries business operators in cooperation with private financial institutions ^(Note).

The AFFF Unit also provides JFC loans to agricultural, forestry, and fisheries business operators and companies in the processed food industry through 631 private financial institutions with which it has entered into outsourcing agreements. In FY2020, the number of JFC loans provided through private financial institutions was 13,302.

Note: Loans (guarantees) that are disbursed or decided by both JFC and private financial institutions after consultation by both parties for loan plans with identical objectives (Calculated by JFC. Including loans made on different dates between both parties).

Agricultural Credit Risk Information Service (ACRIS)

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



Overview of Operations

Securitization Support

The AFFF Unit established a credit supplementation program (securitization support operation) using credit default swap (CDS) to encourage private financial institutions to promote 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, 2021, a total of 134 financial institutions had signed a basic agreement with the AFFF Unit.

92 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, 2021)

	Banks	Shinkin banks	Credit cooperatives	Total
Hokkaido	1	12	2	15
Tohoku	7	5	1	13
Kanto	3	8	2	13
Chubu	7	22	4	33
Kinki	5	10	—	15
Chugoku	2	11	1	14
Shikoku	5	2	—	7
Kyushu	10	13	1	24
Total	40	83	11	134
(Of these, institutions that developed new programs)	(32)	(54)	(6)	(92)

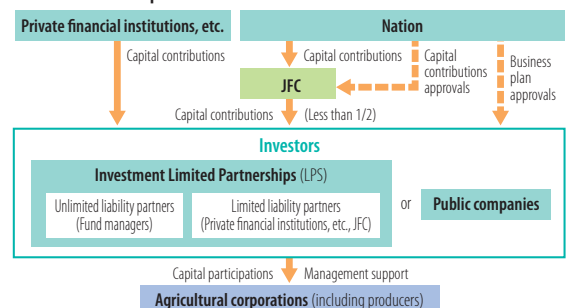
Providing Investment Support to Agricultural Corporations

The AFFF Unit has been making capital contributions to Investment Limited Partnerships (LPS) and stock companies to invest in agriculture corporations with the business program approval of the Minister of Agriculture, Forestry and Fisheries. This is done to support the adequacy of equity capital of leading agricultural corporations which will sustain regional agriculture businesses.

(As of March 31, 2021)

	LPS	Public companies
Number of capital contributions	18 associations	1 company
Pledged investment amount or investment amount (of which invested by JFC)	7.46 billion yen (3.56 billion yen)	4.07 billion yen (2.03 billion yen)

Overview of the capital contribution scheme



Small and Medium Enterprise (SME) Unit

Through its various functions such as Loan Programs and Credit Insurance Programs, the Small and Medium Enterprise Unit (SME Unit) financially supports the growth and development of SME's and micro/small businesses which are the source of Japan's economic vitality as well as the primary force underpinning regional economies.

Overview of Operations

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

Policy-based financing in Japan provides financial support under the nation's key policies towards certain fields, such as new business development, business revitalization, business succession, and overseas expansion, that involve high risks.

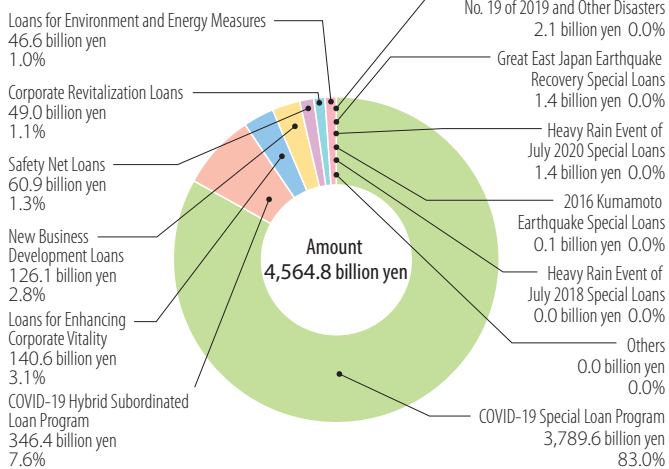
Based on these policies, while supplementing private financial institutions as a policy-based financial institution specialized in SMEs, the SME Unit supports the growth and development of SMEs and micro/small businesses through its financial tools as well as serving as a safety net function.



Loan Programs

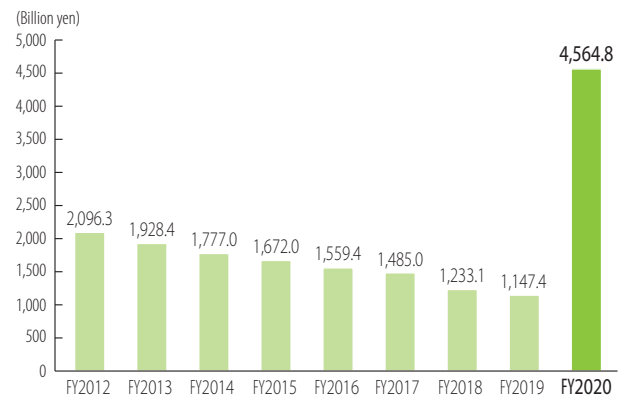
The SME Unit complements the financing of private financial institutions through its stable, long-term, fixed interest rate loans that is needed for the business growth of SMEs.

Breakdown of loans (FY2020)



Note: Loans include corporate bonds, but excluding loans to Small and Medium Business Investment & Consultation Co., Ltd. Also, performance for respective loans is calculated while disregarding amounts of under 100 million yen.

Changes in loan performances



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

Credit Insurance Programs

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

- Insurance on CGCs guaranteed liabilities involving loans to SMEs and micro/small businesses
- Loans to CGCs
- Special Insurance Programs for Mid-size Enterprises
- Transitional Operation of the Machinery Credit Insurance Programs ^(Note)

Note: Suspending the acceptance of new insurance since FY2003, the SME Unit currently pays on insurance money and receives recoveries based on insurance contracts already in force (Transitional Operation of the Machinery Credit Insurance Programs).

Securitization Support Programs

With the aim of facilitating the smooth supply of unsecured funds to SMEs, these programs support private financial institutions in their endeavors based on securitization methods.

Feature of Operations

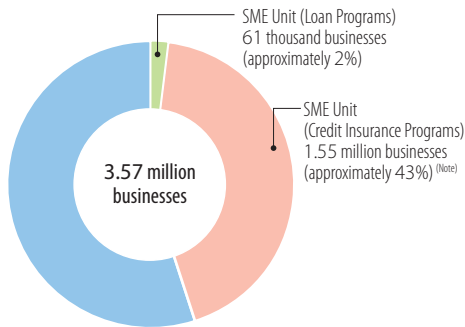
SME Unit's Clients

SMEs and micro/small 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/small business differ, such as companies that sustain the regional economy with many employees, long-established companies with a history over 100 years and family-owned private shops.

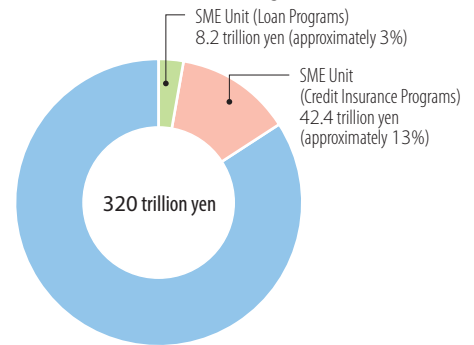
The SME Unit provides a wide range of support to meet the individual needs of each SME and micro/small business through its financial tools, Loan Programs, Credit Insurance Programs and Securitization Support Programs.

Share of SME Unit's clients in total number of businesses



Note: Number of businesses utilizing the Credit Guarantee System
Sources: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2016 Economic Census for Business Activity," edited by the Small and Medium Enterprise Agency, and others

Share of SME Unit's clients in total amount of outstanding loans



Source: Bank of Japan, "Deposits, Vault Cash, and Loans and Bills Discounted," and others.

The SME Unit facilitates funds to 1.61 million SMEs and micro/small businesses (approximately 45%) and accounts for 16% of outstanding loans to SMEs and micro/small businesses.

Characteristics of SME Unit's Clients

Loan Programs (Direct Loans)

- Number of businesses 61 thousand businesses
- Average loan for FY2020
 - Average loan amount per business 105 million yen
 - Average term of loan 10 years and 1 month
 - Average amount of capital per business 40 million yen
 - Average number of employees per business 84
- Approximately 80% of outstanding loans are loans to businesses with 20 employees or more, and approximately 91% have capital of 10 million yen or more.
- Covers a wide range of industries particularly manufacturing (approximately 39% of outstanding loans as of the end of FY2020)

Credit Insurance Programs

- Number of businesses 1.55 million businesses ^(Note)
- Average insurance for FY2020
 - Average amount of insurance acceptance per business ... 28 million yen
 - Average term of insurance 7 years and 9 months
 - Average number of employees per business 8
- Approximately 75% of the outstanding amounts of insurance are insurance to businesses with 20 employees or less, and approximately 71% have capital of 10 million yen or less.
- Covers a wide range of industries

Note: Number of businesses utilizing the Credit Guarantee System

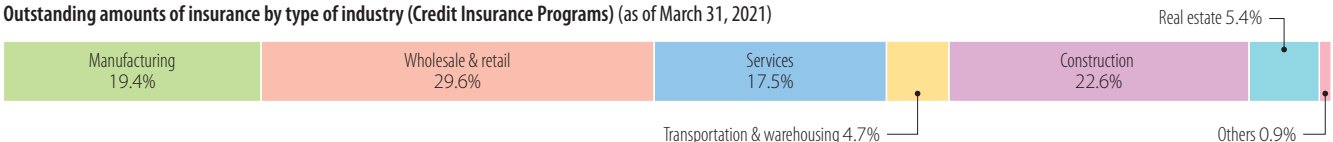
Note: Results are current as of March 31, 2021.

The SME Unit also helps to maintain employment, with the number of employees at the 61 thousand businesses having approximately 3.78 million persons (as of March 31, 2021) by direct loans.

Outstanding loans by type of industry (Loan Programs) (as of March 31, 2021)



Outstanding amounts of insurance by type of industry (Credit Insurance Programs) (as of March 31, 2021)



Loan Programs

Supplementing private financial institutions both in quality and quantity with a stable supply of long-term funds

● Dedicated to long-term funding

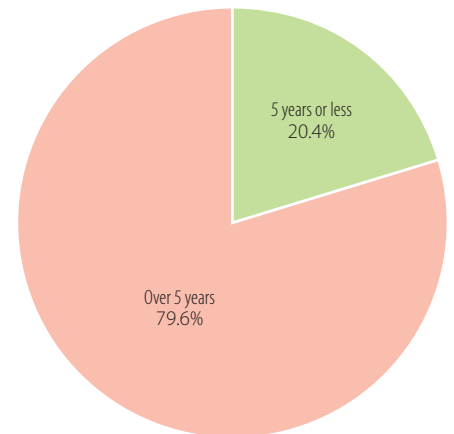
If SMEs are to grow and prosper, they must continually invest capital appropriately and consolidate their financial strength. To do this, they need to be able to raise long-term funds in a stable manner.

However, SMEs are at a disadvantage to larger enterprises in gaining access to funds from capital markets.

The SME Unit specializes in long-term funds. More than 50% of the SME Unit's loans have lending periods of over 5 years, with fixed interest rates that make it easier to map out repayment schedules.

By complementing 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 by lending period (share in terms of value) (FY2020)



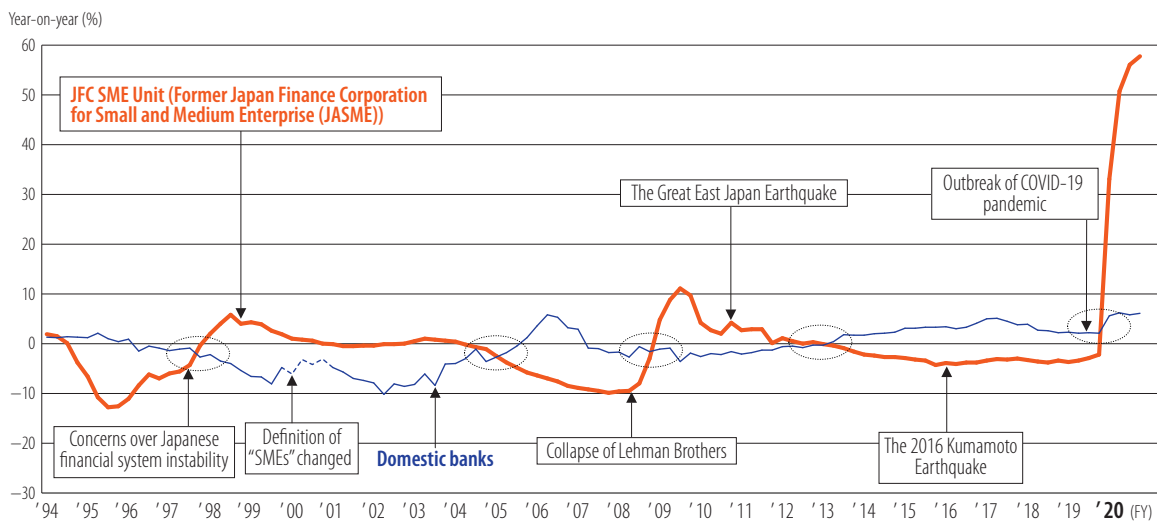
Note: Data are for fixed interest rate loans only.

● Stable supply of business funds

Growth in loans to SMEs was high during the economic downturn precipitated by the collapse of Lehman Brothers and conversely has been declining during the period of economic recovery.

Over the years, the SME Unit has provided SMEs with stable, long-term business funds by supplementing private financial institutions.

Growth rate changes in outstanding loans to SMEs (year-on-year changes)



Source: Bank of Japan, "Deposits, Vault Cash, and Loans and Bills Discounted"

Notes: 1. Domestic banks' balances refer to the outstanding of loans to SMEs covering banking accounts only.

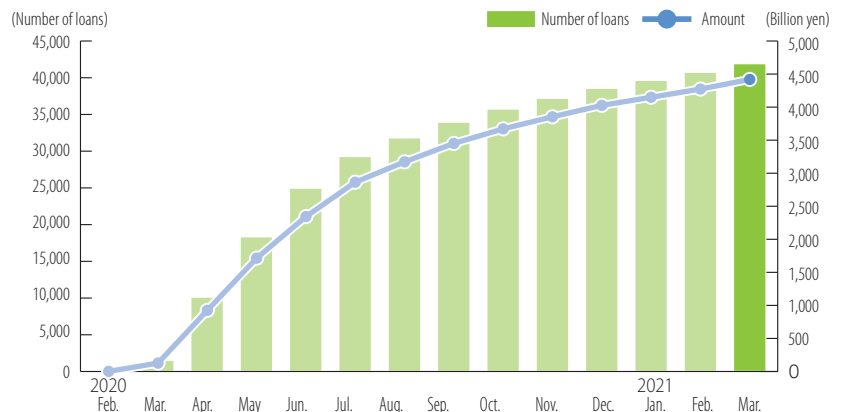
2. The definition of "SMEs" was changed in April 2000; the SME Unit has estimated the growth rate for domestic banks in the period from June 2000 to March 2001 based on the ratio between the old and new standards.

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, the Typhoon No. 19 of 2019 Special Loans, the Heavy Rain Event of July 2020 Special Loans, Safety Net Loans, and COVID-19 Special Loan Program, etc., 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 COVID-19 pandemic.

COVID-19 related loan results



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 program began in February 2000, 698.8 billion yen has been loaned to 14,499 businesses (as of March 31, 2021). In addition, the SME Unit also offers Stock Subscription Rights Loans, an unsecured loan program through acquisition of new share options issued by companies.

Loans to Foster Growth of New Businesses

	FY2018	FY2019	FY2020
Number of businesses	1,310	1,319	285
Amount of loans (billion yen)	62.8	63.4	21.6

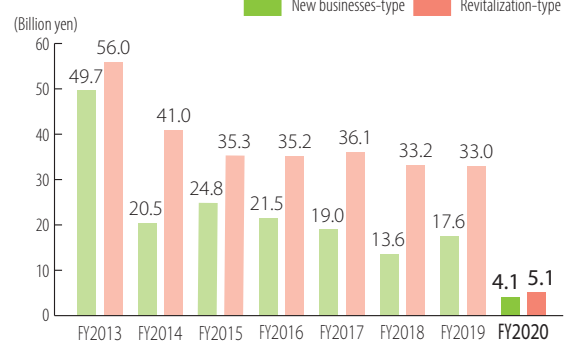
Stock Subscription Rights Loans

	FY2018	FY2019	FY2020
Number of businesses	32	31	15
Amount of loans (billion yen)	1.5	3.04	2.09

Capital subordinated loans

The SME Unit supports reinforcing the financial standing of SMEs engaged in new businesses and business reconstructions, 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.

Changes in loan operations



Support for overseas investment

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

In FY2020, Loans for Overseas Investment and Expansion were utilized by 191 businesses, for a total of 18.1 billion yen.

The Standby Letter of Credit Program supports SMEs and micro/small 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. As of March 31, 2021, the number of affiliated financial institutions, mainly in Asia, was 15 institutions.

JFC also established a scheme to partner regional financial institutions throughout Japan, and through the end of March 2021, JFC established collaborative relationships with 60 regional financial institutions.

As for FY2020, letters of credit were issued to the financial institutions in 8 countries and regions, being utilized by 83 businesses.

We began handling cross-border loans in January 2021 and support effective capital procurement by overseas subsidiaries. The cross-border loans are a program under which JFC provides direct loans to overseas subsidiaries that work with their domestic parent companies (SMEs and others) to improve management capabilities, implement management innovations, and revitalize local economies in order to adapt to structural changes overseas. The countries and regions where this program can be used are Thailand, Viet Nam, and Hong Kong, and loans were provided to 11 borrowers in FY2020.

Loans for Overseas Investment and Expansion (by countries and regions) (FY2020)

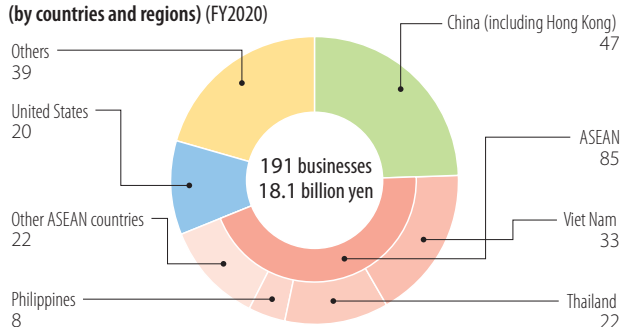
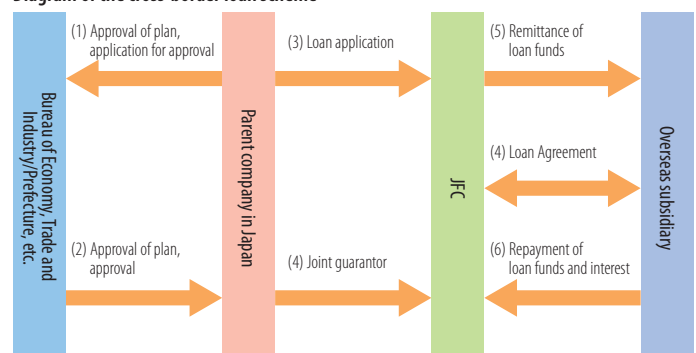


Diagram of the cross-border loan scheme

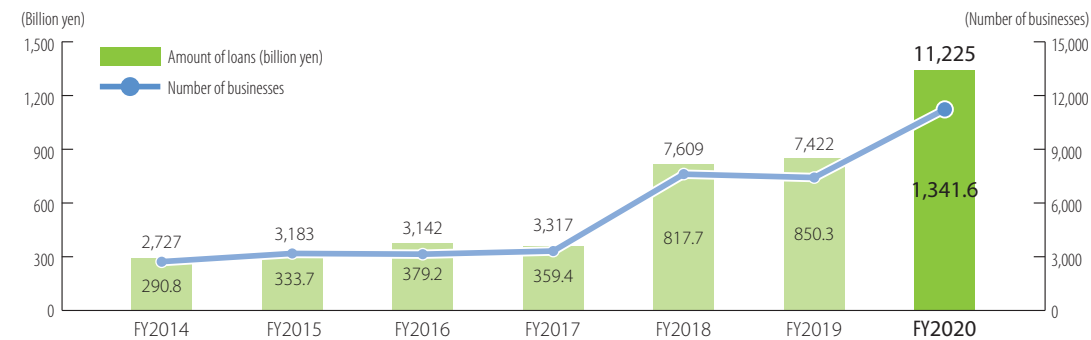


● Cooperative loans and securitization support in collaboration with private financial institutions

The SME Unit makes use of various functions including loans, securitization support, and credit guarantees as well as the screening capabilities that it has accumulated over many years and information in a database of approximately 61,000 customers nationwide to collaborate with private financial institutions and provide support to SMEs in the areas of business start-up and new business, overseas expansion, rapid business revitalization, business succession, securitization, management consultation, and human resource development. Specific activities include close exchanges of information with private financial institutions, support for cooperative loans, and joint sponsorship of business matching events and seminars on overseas business development and business succession.

In particular, since FY2018 the SME unit has actively undertaken collaboration with private financial institutions by promoting collaborative measures with private financial institutions to enter a new stage. In response to the COVID-19 pandemic, we also provide financial support to affected SMEs based on existing cooperative relationships.

Number of businesses that utilize cooperative loan^(note) and change in loan amount (SME Unit)



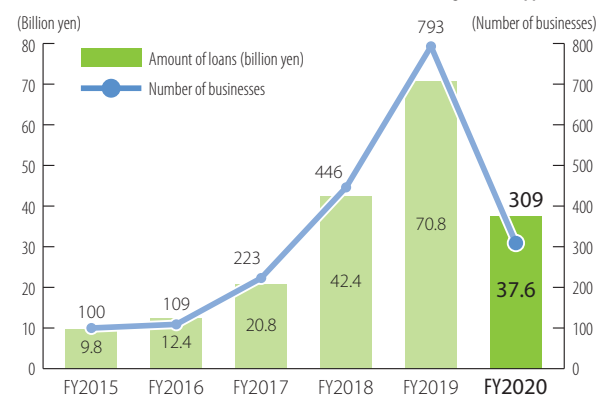
Note: Loans (guarantees) that are disbursed or decided by both JFC and private financial institutions after consultation by both parties for loan plans with identical objectives (Calculated by JFC. Including loans made on different dates between both parties).

● Disbursement of loans for business succession, consolidation, and invigoration support

The SME Unit provides support through special loans for business succession, consolidation, and invigoration support so that SME is without a successor can acquire their own shares in order to carry out M&A or secure stable management rights so that they can carry out succession and consolidation of their businesses or companies.

The Small and Medium Enterprise Agency positioned the promotion of business revitalization through succession, reorganization, and consolidation as a priority measure for FY 2018 and later. The SME Unit will continue to use these loan programs to support SMEs that are undertaking business or company succession and consolidation.

Disbursement of loans for business succession, consolidation, and invigoration support



Supporting the growth of businesses

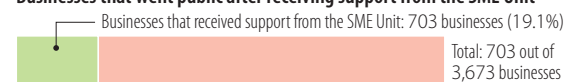
● Businesses that have utilized JFC funds are flourishing in many fields

A total of 703 businesses^(Note) have gone public after receiving support from the SME Unit, representing roughly 20% of all Japanese businesses that are publicly held. Many of these are flourishing as leading companies in Japan.

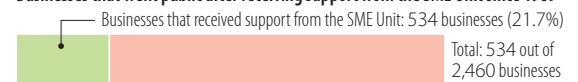
The number of businesses going public after receiving support from the SME Unit since 1989 is 534^(Note), accounting for roughly 20% of the total number of businesses that went.

Note: The number of publicly listed businesses is as of March 31, 2021 (excluding delisted businesses and businesses that have dissolved due to merger, etc.).

Businesses that went public after receiving support from the SME Unit



Businesses that went public after receiving support from the SME Unit since 1989



Source: JFC SME Unit. The number of publicly held businesses is as of March 31, 2021. Businesses in agriculture, forestry, fisheries, finance, and insurance, as well as foreign-owned corporations are excluded.

An Invaluable Source of Financing during Our Start-up Period

INAMORI Kazuo, 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).

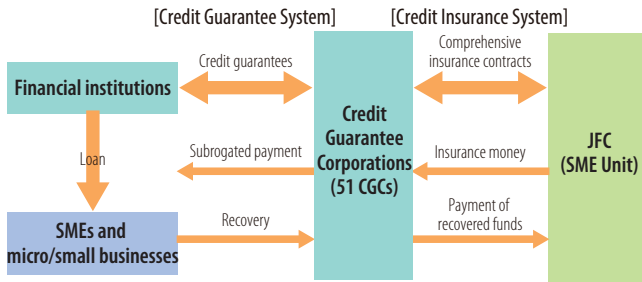
Credit Insurance Programs

Facilitating the smooth flow of funds to SMEs and micro/small businesses by working together with the Credit Guarantee System

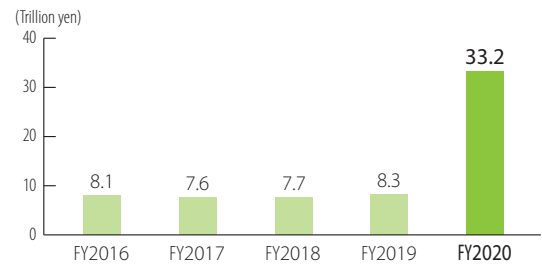
● Role of the Credit Insurance System

The SME Unit insures guaranteed liabilities (credit guarantees) provided by CGCs to SMEs and micro/small 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/small 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/small businesses. 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



Changes in the amounts of insurance acceptance



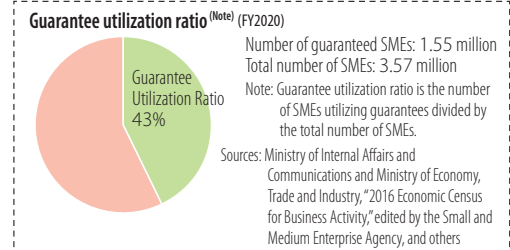
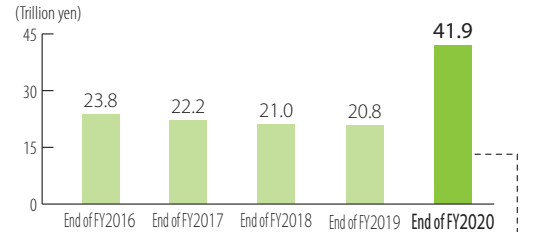
● 43% of SMEs utilize the Credit Supplementation System

As of March 31, 2021, the portion of outstanding loans to SMEs guaranteed by CGCs (outstanding guaranteed liabilities) amounted to 41 trillion yen, accounting for 13% of all loans to SMEs.

Moreover, 1.55 million SMEs and micro/small businesses, accounting for 43% 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/small businesses, and to their growth and prosperity by facilitating smooth flow of funds.

Changes in outstanding guaranteed liabilities and guarantee utilization ratio of 51 CGCs throughout Japan



Overview of Operations

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.

In FY2020, the “synthetic CLO of regional financial institutions (Clover 2021 LLC)” was issued in the securitization support purchasing business. Besides entering into credit default swap (CDS) contracts with 14 regional financial institutions, the SME Unit acquired 3.3 billion yen of the 16.4 billion yen in corporate bonds issued by the special-purpose company (SPC) (Clover 2021 LLC), and also guaranteed 3.1 billion yen in the bonds. 17.0 billion yen in unsecured loans were provided to 800 businesses in 22 prefectures by this CLO.

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 smoothly supply unsecured funds to SMEs and to diversify the means by which SMEs can 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 securitization market.

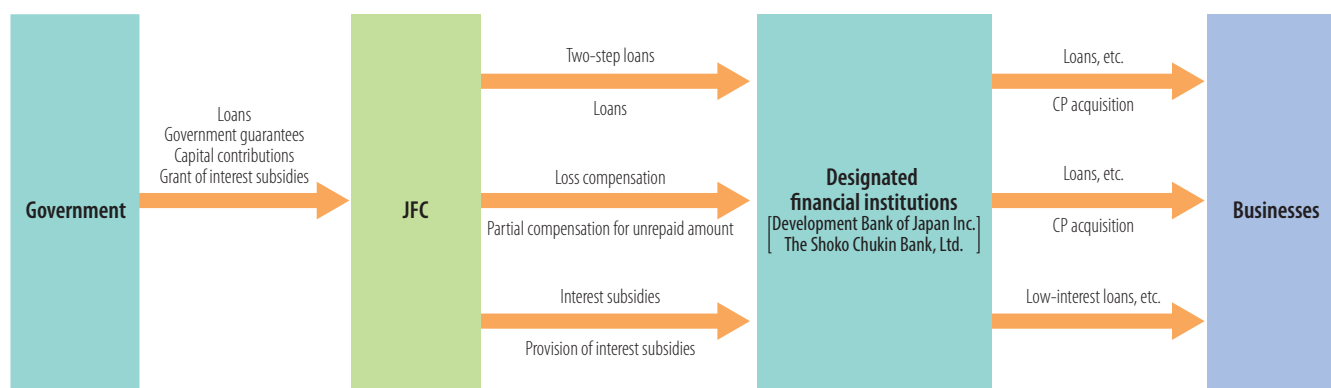
Methods of securitization support

Purchase-type	Guarantee-type
Operations that involve the securitization of unsecured SME loan claims, 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 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 a business's credit risk 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 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
- Cases related to the disaster by the Kumamoto Earthquake in 2016
- Cases related to COVID-19 pandemic

Loans (two-step loans)

JFC provides loans from fiscal loan funds, etc. to designated financial institutions. The balance as of March 31, 2021 was 4,570.6 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 March 31, 2021 was 2,507.9 billion yen (on a basis of reports from designated financial institutions).

Results of operations to facilitate crisis responses

(Billion yen)

	Second Half FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Two-step loans	1,430.1	3,869.3	405.2	1,153.4	733.7	559.3	130.0	105.2	529.2	85.4	—	35.0	3,549.4
Loans, etc.	1,130.3	3,529.4	405.2	1,153.4	733.7	559.3	130.0	105.2	529.2	85.4	—	35.0	3,549.4
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	1,077.5	547.3	89.2	1.0	0.8	2,364.5
Loans, etc.	345.1	1,781.9	1,893.3	1,739.8	1,470.2	1,409.3	1,234.2	1,077.5	547.3	89.2	1.0	0.8	2,364.5
Commercial paper (CP) acquisitions	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity participations	—	30.0	—	—	—	—	—	—	—	—	—	—	—
Interest subsidies	—	—	0.3	2.4	7.8	10.9	12.4	11.0	5.4	12.6	4.9	2.7	4.6

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 2021.

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 2021, with loss compensation underwritten by JFC for losses incurred until May 10, 2021.

Equity participation figures (pertaining to the Act on Special Measures for Industrial Revitalization) are the amounts 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 2020 (in principle, 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 (Act No. 38 of 2010), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to certified businesses who are going to implement specific businesses certified by competent ministers. The balance as of March 31, 2021 was 14.6 billion yen.

Overview of Operations to Facilitate Business Restructuring Promotion

In accordance with the Industrial Competitiveness Enhancement Act (Act No. 98 of 2013), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to certified businesses, etc. who are going to implement business restructuring or special business restructuring certified by competent ministers for the purpose of improving business productivity in order to enhance industrial competitiveness. The balance as of March 31, 2021 was 107.0 billion yen.

Overview of Operations to Facilitate Development and Supply Promotion, etc.

In accordance with the Act on Promotion of Developing/Supplying and Introducing Systems Making Use of Specified Advanced Information Communication Technologies (Act No. 37 of 2020), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to certified businesses that are going to implement development or supply and introduce systems that make use of specified advanced information communication technologies of specific businesses certified by competent ministers.

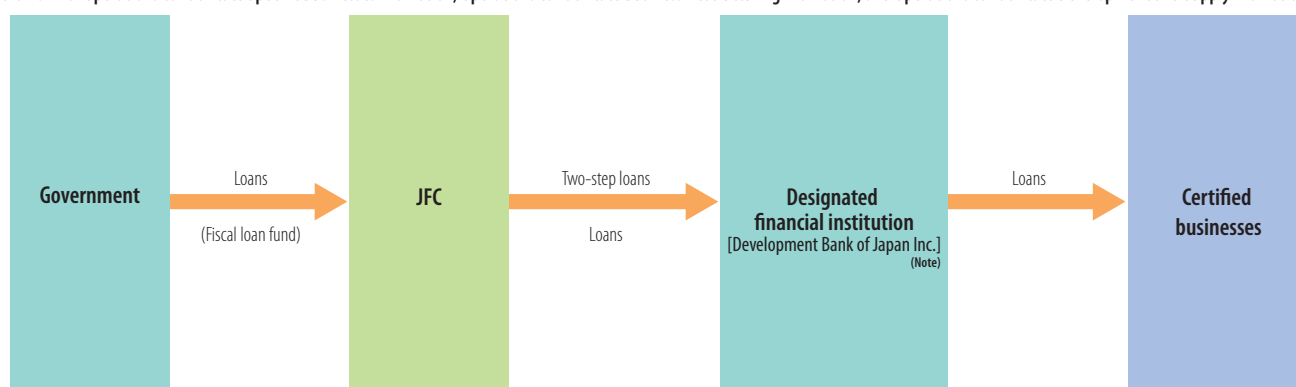
Results of Operations to Facilitate Specific Businesses Promotion, Operations to Facilitate Business Restructuring Promotion, and Operations to Facilitate Development and Supply Promotion, etc. (Two-step Loans)

(Billion yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Operations to Facilitate Specific Businesses Promotion	20.0	1.3	7.8	10.6	2.9	1.1	1.0	0.5	—	—	—
Operations to Facilitate Business Restructuring Promotion	—	—	25.0	—	20.0	—	—	—	—	100.0	—
Operations to Facilitate Development and Supply Promotion, etc.	—	—	—	—	—	—	—	—	—	—	—

- Notes: 1. The figures refer to the amount of loans provided by JFC to the designated financial institution (Development Bank of Japan Inc.) through the end of March 2021.
 2. Day of commencement of operations: Operations to Facilitate Specific Businesses Promotion: August 16, 2010; Operations to Facilitate Business Restructuring Promotion: January 20, 2014; Operations to Facilitate Development and Supply Promotion, etc. : August 31, 2020.
 3. 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 (Act No. 131 of 1999) that was abolished with the enactment of the Industrial Competitiveness Enhancement Act on January 20, 2014.

Mechanism for Operations to Facilitate Specific Businesses Promotion, Operations to Facilitate Business Restructuring Promotion, and Operations to Facilitate Development and Supply Promotion, etc.



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

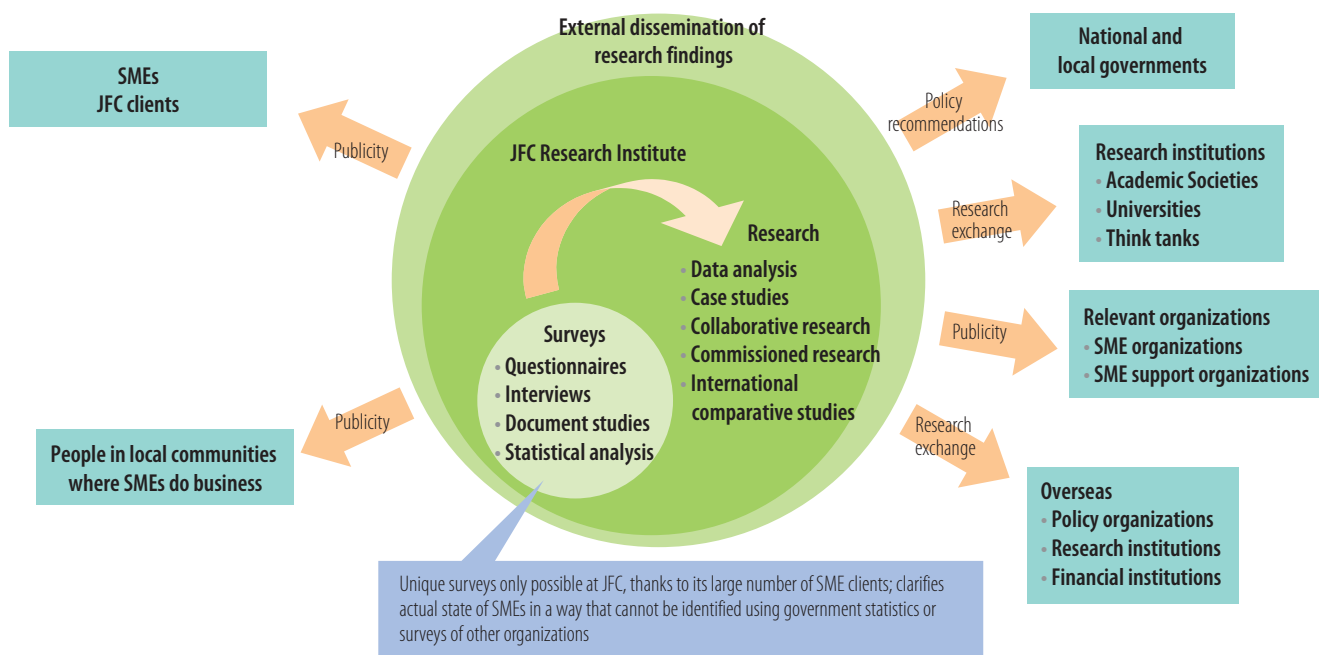
Research Institute

**Striving for High Research Quality,
Based on Field Work Only Possible at JFC with its Large Number of SME Clients**

Functions and Features of the Research Institute

Research Institute is a comprehensive research institution whose research targets are a diverse range of SMEs, from micro businesses operated only by entrepreneurs and their families to high-tech ventures on the verge of going public. 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 engages in highly specialized, original, and leading-edge research activities.

Overview of Operations



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 workers; and the SME section, which surveys about 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 workers. 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 more than 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 business start-ups, business succession, employment, financing, and involvement in local economies and communities.

– Main Surveys (conducted in FY2020) –

- Survey on Business Start-ups
- Panel Survey on Business Start-ups
- Survey on Starting Businesses and Entrepreneurial Minds
- Survey on Businesses Start-ups Accompanied by Relocation
- Survey on “Unaware Entrepreneurs”
- Survey on the Impacts of Natural Disasters on SME Management
- Survey on Foreign CEOs Who Grow SMEs
- Long-Term Analysis of the Impact of Climate Change on SME Performance
- Status of Use of Crowdsourcing by SMEs
- Survey on Structural Changes to Capital Investment by Small and Medium Manufacturing Enterprises
- Impact of the COVID-19 Pandemic on SMEs
- Research on the post-COVID Direction of SME Management

– Main Research Papers and Reports (released in FY2020) –

- ◇ The Impact of SME Closure on the Macro Economy
- ◇ Consideration of People who have a Borderless Consciousness about Entrepreneurship
- ◇ Current Status and Outlook for Alternative Finance by SMEs in Japan
- ◇ The Reality of Business Closures Due To Managerial Circumstances and Necessary Support Measures

● 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 book of case studies.

– FY2020 survey –

- Small Companies Refining Their Business Models with Cutting-Edge Technology

– FY2020 publication –

- ◇ Companies that Customers Choose

● Research on Domestic and International Industry and Regional Economic Trends

The latest trends occurring around SMEs, including innovations in technology and changes in production systems, are viewed from the perspective of industrial policy. Also, the movements of SMEs are tracked from the contemporary perspective of promoting local economies, including their role in regional revitalization.

– Main Surveys (conducted in FY2020) –

- SMEs Entering the Subscription Business
- SMEs Active in the Space Industry

– Main Research Papers and Reports (released in FY2020) –

- ◇ Current Status of AI Utilization in SMEs and Required Support
- ◇ Management Strategy of Small and Medium-Sized Manufacturers to Diversify by Entering the Medical Device Field
- ◇ Small and Medium-Sized Manufacturers Working on Skill Transfer: Technology and Human Resource Development Pass on Craftsmanship to the Next Generation
- ◇ Current Status and Solutions to Skill Transfer Problems in Small and Medium-Sized Manufacturers
- ◇ Small and Medium-Sized Manufacturers Manufacturing Machinery and Equipment for Production that Support automation of Manufacturing Sites

Research Results and Reports at Academic Societies

● 40th Conference of the Japan Academy of Small Business Studies (October 11, 2020)

“Skill Transfer by Using Information Technology in Small and Medium-Sized Manufacturers in Japan”

By Using IT such as Databases, Smart Glasses, and AI, Knowledge can be Accumulated and Used by the Entire Organization. In this Research, We Clarified Specific IT Utilization Methods for SMEs to Transfer Their Skills Effectively and Efficiently.

● 23rd JASV Annual Academic Meeting (December 5, 2020)

“Research on the Willingness to Re-start Businesses of Workers Who have Experience of Going out of Business”

As a result of analyzing the willingness to re-start businesses by those who have closed their own business and are currently working, it became clear that it is important to increase the “immunity” against management failure to promote re-starting.

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 51 (May 2021) —

Actual State of Damage and Preparation for Natural Disasters in SMEs

Consideration of Entrepreneurs Who Relocated with a Focus on Regions and Careers

Increase in Foreign CEOs in Japan and Their Overall Picture

Encouraging Business Start-ups by Foreigners Using National Strategic Special Zones



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.

Overview of Operations

● Books



White Paper on Business Start-ups

Based on the results of the Survey on Business Start-ups, this paper analyzes the trend of business start-ups according to the latest themes.

Published annually since 1992, the document is important literature in the field of researches on business start-ups in Japan.

— Main Contents of 2021 Edition —

Summary of Results: Survey on Business Start-ups (FY2020)

Summary of Results: Survey on Starting Businesses and Entrepreneurial Minds (FY2020)

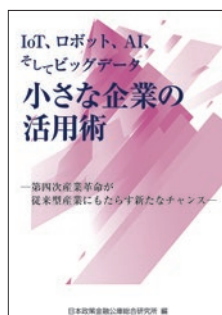
Status of Entrepreneurs Who Relocated with a Focus on Regions and Careers

Changes in Self-Employment in Japan



Increasing Foreign CEOs

Foreign SME CEOs are attracting attention as players who can bring diversity to the Japanese business world. Based on a large-scale questionnaire survey and interviews, a detailed analysis of the actual situation of foreign SME CEOs born and raised overseas in an environment different from that of Japan was conducted.



Use by Small Companies of IoT, Robots, AI and Big Data

We analyze the introduction of cutting-edge technologies such as IoT and AI through a questionnaire survey, and consider measures for small companies to make the Fourth Industrial Revolution a leap opportunity from the case studies of companies that utilize cutting-edge technologies.