

## 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 8.77 million yen, most of which were small loans.
- Approximately 90% 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, typhoons, and heavy rains.

### 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 26,447 a year. It is estimated that about 74,000 jobs were created 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.

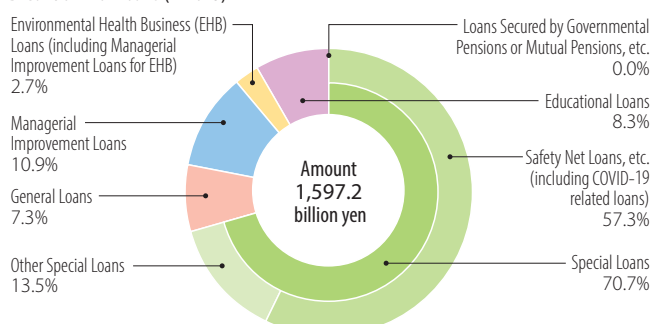
### Collaboration with Regional Financial Institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations, etc.

- Micro Unit works in close collaboration with such organizations as regional financial institutions, 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 collaborates with Approved Management Innovation Support Organizations with high specialty such as tax accountant, certified public accountant and SME management consultant.
- Micro Unit contributes to regional revitalization by reinforcing cooperation with local governments and proactively participating in regional comprehensive strategies initiated by local governments.

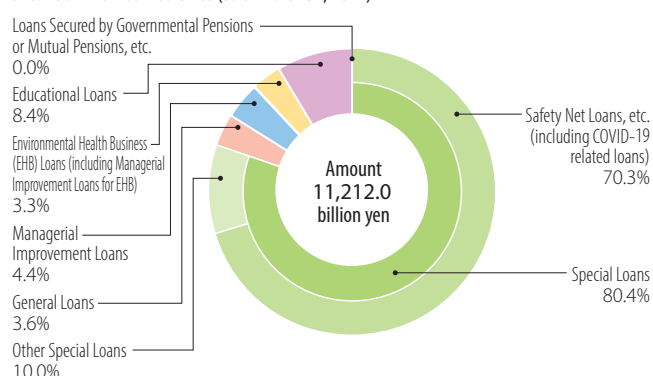
### Support through Educational Loans, etc.

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

Breakdown of Loans (FY2023)



Breakdown of loan balance (as of March 31, 2024)



## Feature of Operations

### Supporting Micro/Small Businesses

As of the end of FY2023, Business Loans were provided to 1.17 million businesses. The average loan balance per business is 8.77 million yen, most of which were small loans. Approximately 90% of borrowers are micro/small businesses with nine or fewer employees, and many are sole proprietors. Over 90% of all loans are uncollateralized.

We made every effort to support micro/small businesses affected by COVID-19, and as a result, the number of the businesses received business loans increased by approximately 290,000 compared to March 31, 2020.

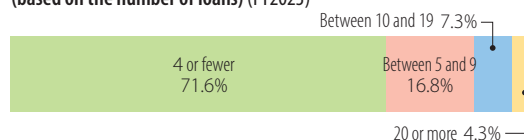
Number of business borrowers and average loan balance per business (as of March 31, 2024)

	Micro Business and Individual Unit	Total for shinkin banks (254 banks)	Total for domestic banks (132 banks)
Number of business borrowers (million)	1.17	1.23	2.19
Average loan balance per business (millions of yen)	8.77	43.94	114.56

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 (based on "total" in Deposits and Loans Market statistics by the Bank of Japan) and for domestic banks (based on "SMEs" in Deposits and Loans Market statistics by the Bank of Japan) 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.  
 4. Number of businesses for shinkin banks and domestic banks are based on the number of loans in Deposits and Loans Market statistics by the Bank of Japan.

Source: Bank of Japan website

Breakdown of borrowers by number of employees (based on the number of loans) (FY2023)



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

### Demonstrating Safety Net Functions

#### Measures during disasters

In the event of natural disasters such as earthquakes, typhoons, and torrential rains, or other unforeseen events such as major corporate bankruptcies, a special consultation desk is immediately established to promptly respond to inquiries from affected micro/small businesses regarding loans, repayment conditions, etc.

Main consultation desks currently in operation (as of June 30, 2024)

	Number of consultation desks	Consultation desks currently in operation	Date of establishment
Disaster-related	8	Special consultation desk for the Great East Japan Earthquake	Mar. 2011
		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 2022	Sep. 2022
		Special consultation desk for damage suffered as a result of Typhoon No. 15 of 2022	Sep. 2022
		Special consultation desk for damage suffered as a result of the earthquake in Noto Peninsula of Ishikawa Prefecture in 2023	May 2023
		Special consultation desk for damage suffered as a result of heavy rain from July 7, 2023	Jul. 2023
		Special consultation desk for damage suffered as a result of Typhoon No. 13 of 2023	Sep. 2023
		Special consultation desk for damage suffered as a result of the 2024 Noto Peninsula Earthquake	Jan. 2024
Others	4	Special consultation desk relating to COVID-19	Feb. 2020
		Special consultation desk relating to situation in Ukraine and rising oil prices, etc.	Nov. 2021
		Special consultation desk for management, export, and other measures for disposal of ALPS treated water	Aug. 2023
		Special consultation desk for SMEs relating to the supply chain of Daihatsu Motor	Jan. 2024

#### 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 micro/small businesses that have been impacted by the COVID-19 pandemic. We are providing COVID-19 Special Loan Program to clients that meet certain conditions such as a decline in sales.

From January 29, 2020, the day when the consultation desks were established, to March 31, 2024, we provided a total of 1,194,204 COVID-19 related loans worth a total of 13,473.9 billion yen.

### Supporting Customers' Business Continuity and Growth

To meet our customers' needs, we provide various information services, financial diagnostic services, SWOT analysis services, and other services that are useful for our customers' business management, as well as support in collaboration with outside experts and matching services utilizing our nationwide network of 152 branches.

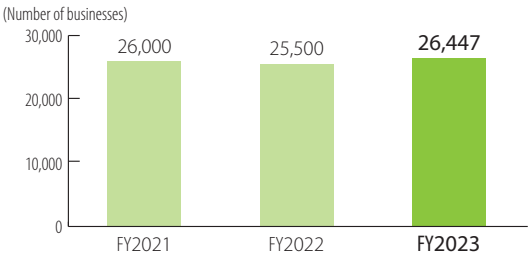
# Supporting Business Start-ups (consisting of those that have yet to start and those that are within 1 year of start-up)

## ● 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 26,447 business start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) in FY2023. It is estimated that about 74,000 jobs were created 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]

26,447 businesses × average of 2.8 employees<sup>(Note)</sup> = 74,051 employees

Note: The average number of employees at time of business start, based on Survey on Business Start-ups in Japan (FY2023) by the JFC Research Institute.

## ● Supporting women, youth, and senior entrepreneurs

As the economic society diversify and the range of business start-ups has been expanding, Micro Unit supports a wide range of business start-ups, including women, youth, and senior entrepreneurs.

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

<p>Women FY2023</p> <p><b>6,631 businesses</b></p>	<p>Youth (aged under 35) FY2023</p> <p><b>7,368 businesses</b></p>	<p>Seniors (aged 55 and older) FY2023</p> <p><b>2,521 businesses</b></p>
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Note: Women who also qualify as youth or seniors are included in both the Women category and the other relevant category.

## ● Business Start-up Support Desks have been established in the 152 branch offices nationwide

Business Start-up Support Desks provide services in which specialists offer advice on business start-up plans to people planning to start up a business and offer a wide variety of information on starting a business.

# Establishment of Business Start-up Support Centers and Other Facilities and Providing Support for Business Start-ups

The Micro Unit has established business start-up support centers, business support plazas, and start-up support plazas throughout Japan. Through these facilities, we support a wide range of business start-ups.

### ● Establishment of business start-up support centers throughout Japan

Centers are located in 14 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

Three locations: Tokyo (Shinjuku), Nagoya, and Osaka. Appointments for in-depth consultation are available to persons who plan to start a new business. 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.

### ● Establishment of start-up support plazas throughout Japan

Plazas are located in four locations: Tokyo (Shinjuku), Nagoya, Osaka, and Fukuoka. In collaboration with venture capitals, private financial institutions, and other support organizations, it provides detailed financing advice for seed and early-stage start-ups.

Locations (as of April 2024)



## Supporting Start-ups

We contribute to the growth and development of start-ups striving to achieve rapid growth that serve as a driving force for problem-solving and economic growth and provide original value with innovative ideas and uniqueness. In addition to providing financial support through capital subordinated loans and other startup-related financing, Micro Unit offers core business support, such as business matching with large companies and seminars to share management expertise.

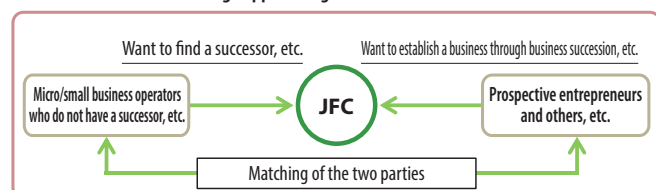
## Supporting Business Revitalization

Business revitalization support staff have been deployed at 152 branches nationwide to respond flexibly to requests for relaxing repayment terms, e.g., a reduction in the installment amount, temporary deferment of principal repayment, etc. In addition, by way of loan programs for business revitalization support and by providing advice for the resolution of business issues and support for the enactment of business improvement plans, the Micro Unit supports businesses undergoing corporate reorganization in cooperation with private financial institutions, outside experts, and public support organizations.

## Supporting Business Succession

To support 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. We also disseminate information on business succession diagnosis and best practices and hold events in collaboration with business succession support centers, Chambers of Commerce and Industry, and Societies of Commerce and Industry to raise the awareness of business owners and facilitate third-party succession. In addition, we support business succession from both the information and capital aspects in cooperation with regional financial institutions to respond to diverse capital needs relating to business succession.

Business succession matching support diagram



Business succession matching support results

Actual results	Transferer	Transferee
Number of registered applications	4,216	9,302 (2,187)
Number of successful matches	1,349	
Number of contracts concluded	168	

Note. The results of business succession matching support are the cumulative results from April 2019 to March 2024. The figure shown in parentheses next to the number of registered applications is the number of registered applications from those who wish to start their own businesses.

## Supporting Social Business

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 FY2023 loans to social businesses came to: 16,514 loans, 122.2 billion yen.

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.

## Supporting Businesses Seeking for Overseas Expansion

Overseas Expansion Support Desks are established at 152 branches nationwide to actively support businesses that are working to expand overseas. JFC-Micro cooperates with Japan External Trade Organization (JETRO), Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN), Japan Federation of Bar Associations, and other organizations that support overseas expansion. We establish consultations systems that can provide detailed support information according to the needs of customers by providing advice for first-time overseas expansion, information on overseas exhibitions and business matching events, and confirmation of local laws and regulations, required permits and licenses, and the details of contracts.

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

### ● Collaboration with regional financial institutions

We actively cooperate with regional financial institutions, utilizing their respective strengths and expertise, to provide support to our customers as well as to revitalize the regional economy.

As part of our efforts to enhance the effectiveness of cooperation with regional financial institutions, we are engaged in the development of the cooperative loan scheme <sup>(Note)</sup> in various fields such as business start-up and business revitalization.

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

### ● Total of cooperative loan <sup>(Note)</sup>

In FY2023, total cooperative loans from regional financial institutions came to: 24,795 loans, 256.9 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 (FY2023)

Cooperative loan	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total	Compared to the previous fiscal year	Reference FY2022 results
Number of loans	1,784	9,520	3,366	15,849	1,902	839	32,594	109%	29,894
Micro Unit	286	5,872	2,499	14,205	1,705	228	24,795	115%	21,519
Amount	251.7 billion yen	568.8 billion yen	144.0 billion yen	312.3 billion yen	36.1 billion yen	71.3 billion yen	1,240.6 billion yen	98%	1,264.5 billion yen
Micro Unit	6.6 billion yen	67.5 billion yen	26.8 billion yen	137.4 billion yen	15.7 billion yen	2.6 billion yen	256.9 billion yen	109%	235.4 billion yen

Note: In cases where cooperative loans are provided with multiple regional financial institutions, the number of loans and loan amounts indicated in the breakdown are totaled for each financial institution, and as a result, the totals do not match.

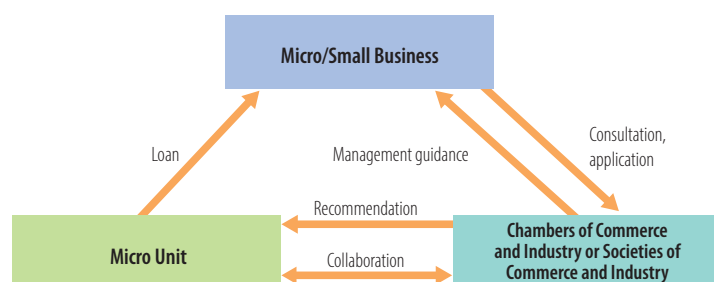
Example: In the case of a 100 million yen loan provided by a regional bank and regional bank II, the amounts for both the regional bank and regional bank II are reported as 100 million yen, and the total is reported as 100 million yen.

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

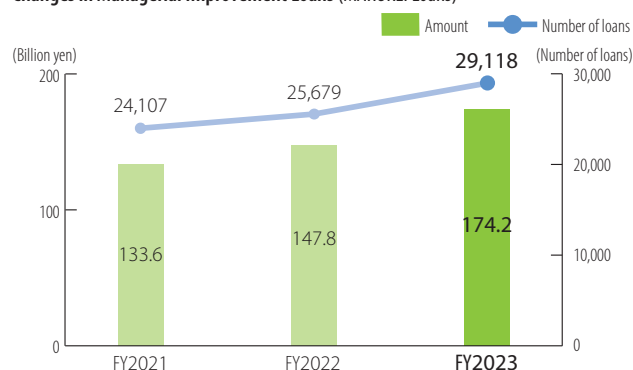
Micro Unit works in close collaboration with regional Chambers of Commerce and Industry, and with Societies of Commerce and Industry throughout Japan to support business improvement of micro/small businesses through providing Managerial Improvement Loans (MARUKEI Loans) and consultation sessions.

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. JFC marked 50 years since the establishment of this program in October 1973, and to date, 5.26 million loans have been provided.

#### 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 conduct online consultations to enhance customer convenience.

### ● Cooperation with approved management innovation support organizations <sup>(Note)</sup> 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.

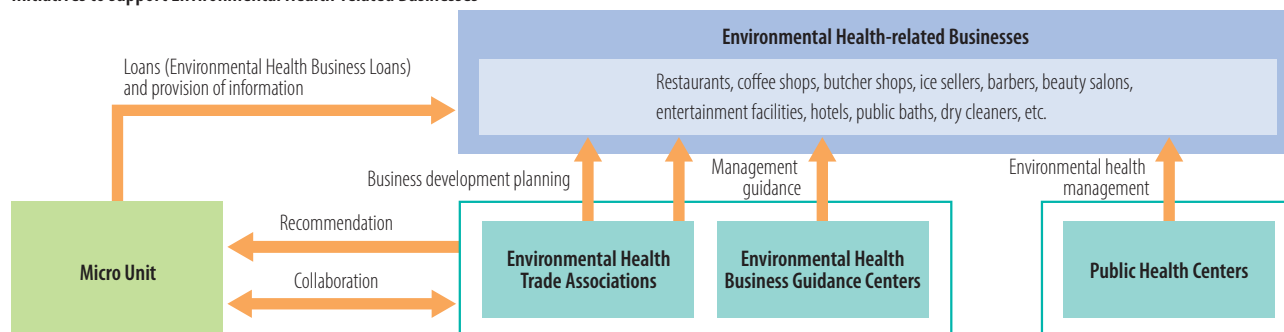
Note: Approved management innovation support organizations are support organizations recognized under the Small and Medium-sized Enterprises Business Enhancement Act. Please visit the Small and Medium Enterprise Agency website for more information.



## ● Collaboration with 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 80% are sole proprietorship, and approximately 70% have been before start-ups or within five years of start-ups.

### Initiatives to support Environmental Health-related Businesses



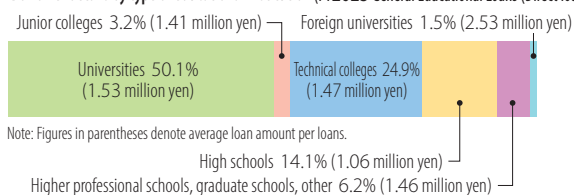
## Educational Loans for School Entrance Fees and Related Expenses

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 FY2023.

### ● 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 (FY2023 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. New applications were 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, Myanmar, and Cambodia.

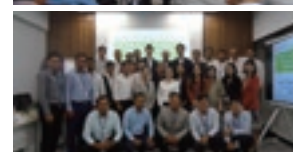
Here is an overview of our technical cooperation to the SME Bank of Cambodia.

#### —Technical cooperation for SME Bank of Cambodia—

In June 2023, JFC-Micro commenced a technical cooperation project for SME Bank of Cambodia, which is a state-owned bank in Cambodia. At the first seminar held in Cambodia, we implemented some lectures on SME Finance in Japan, the roles of JFC-Micro, and features of JFC-Micro's credit analysis.

After that, we held a seminar about supporting start-ups in Cambodia. And in May 2024, we organized a seminar in Japan for executives and officers of SME Bank of Cambodia. At this seminar, participants gained a deeper understanding of JFC-Micro's support for SMEs through lectures from headquarters' departments and visits to related organizations.

We plan to continue to support Cambodia's SME finance sector through holding seminars and discussions in Cambodia and Japan.



A scene from the seminar in Phnom Penh, Cambodia



A scene from the seminar in Japan

# Agriculture, Forestry, Fisheries and Food Business Unit

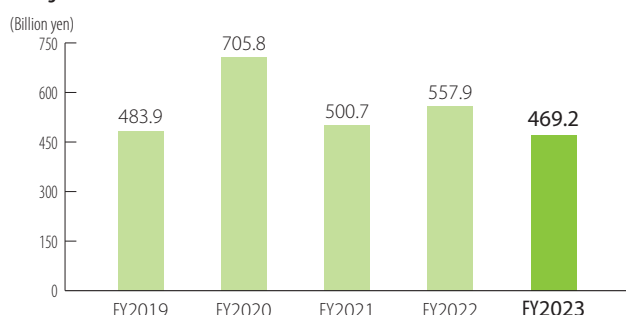
The Agriculture, Forestry, Fisheries and Food Business Unit (AFFF Unit) contributes to the reinforcement of the domestic agriculture, forestry, and fisheries industries and stable supplies of safe and high-quality foods by supporting individuals and businesses in these industries through finance or other services.

## Overview of Operations

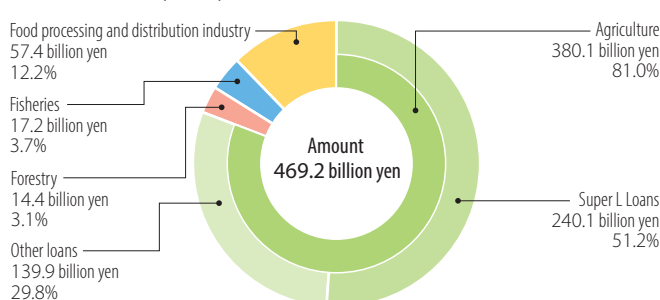
### Loan Status and Operation Features

The AFFF Unit provides long-term loans that contribute to ensuring stable food supplies or sustainable and sound development of the agriculture, forestry and fisheries sectors, based on the unique business characteristics of the industry such as long investment payback period and instability of income caused by external factors like weather.

Changes in loan amounts



Breakdown of loans (FY2023)



Status of loans by repayment period (FY2023)



### Demonstration of Safety Net Functions

The AFFF Unit offers dynamic support in the form of long-term working capital loans to demonstrate safety net function against the financial effects on agriculture, forestry, and fisheries businesses due to temporary crises such as natural disasters including earthquakes, typhoons, and tsunamis, etc., contagious livestock diseases, soaring oil prices, and price hikes.

### Support for Sustainable Business Development

In response to the increasingly sophisticated and diverse management issues that customers are facing as a result of natural disasters and changes in social and economic conditions in Japan and overseas, the AFFF Unit promotes "consulting and financing activities" to help customers analyze their current situation and solve their problems with accompanied supports.

#### ● Support offered to customer in different management stages

Through intensive and ongoing consulting and financing activities, the AFFF Unit helps customers resolve issues according to their different management stages, such as start-ups at the time of establishment, expansion (growth) in the growth phase, and further development in the maturity phase.

#### ● Identification of current status and issues through financial analysis

We analyze financial situations based on the financial information provided by customers and compare them to the AFFF Unit management indicators for other companies in the same industry. Through this process, we visualize customer strengths and management issues and share this information with the customer.

### Promotion of Cooperation with Private Financial Institutions in the Agriculture, 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 agriculture, 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.



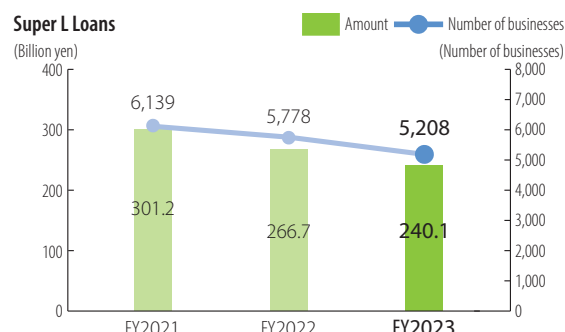
# Feature of Operations

## Agriculture

By providing loans in line with the policies of “Basic Law on Food, Agriculture and Rural Areas,” and “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 leading farmers through long-term loans

Through long-term loans 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 agriculture, forestry, and fishery businesses to increase the added value of products) by diverse local farmers, which include companies of rice growing, horticulture, livestock farming, and other businesses, as well as large-scale family run operations, new farmers, and companies entering the agriculture field.

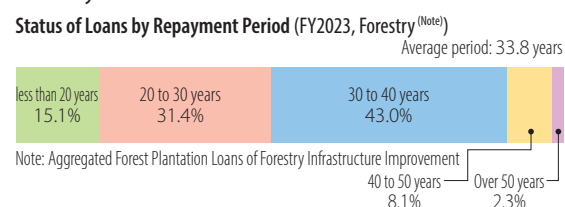


## Forestry

By providing loans in line with the policies of “Forest and Forestry Basic Act,” 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 loans to forestry businesses with long-term capital recovery periods

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 deforestation.



## Fisheries

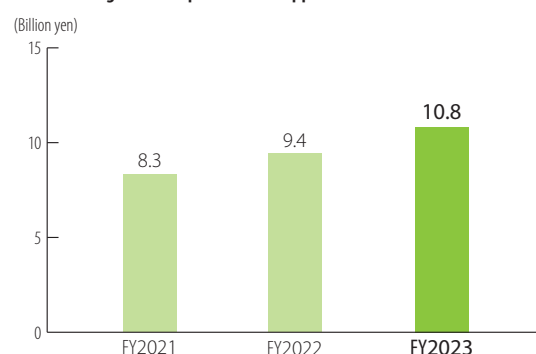
By supplying loans in line with the policies of “Fisheries Basic Act,” the AFFF Unit actively supports efforts to ensure a stable supply of marine products and the sustained use of marine resources.

### ● Supporting leaders in fisheries industry

The Fisheries Management Improvement Support Loan is a financing program that provides comprehensive support to leaders in fisheries industry wishing to improve their businesses.

In FY2023, Fisheries Management Improvement Support Loans came to 10.8 billion yen.

**Fisheries Management Improvement Support Loans**

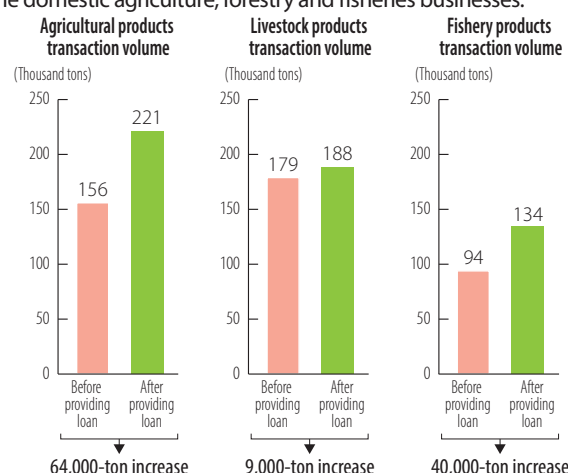


## Food Processing and Distribution Industry

Through providing loans to food processing and distribution industry that deal in domestic agriculture, forestry, and fishery products, the AFFF Unit actively supports efforts for the stable supply of food and the sound development of the domestic agriculture, forestry and fisheries businesses.

### ● Helping to promote the use of domestic agriculture, forestry, and fishery products

Loans to the food processing and distribution industry to use domestic agriculture, forestry, and fishery products as raw materials or as products, and are aimed at promotion of domestically produced agriculture, forestry, and fishery products. An estimation of the effects of the loans made in FY2023 suggests that the transaction volumes of domestically produced agriculture, forestry, and fishery products will increase by approximately 114,000 tons over the next five years.



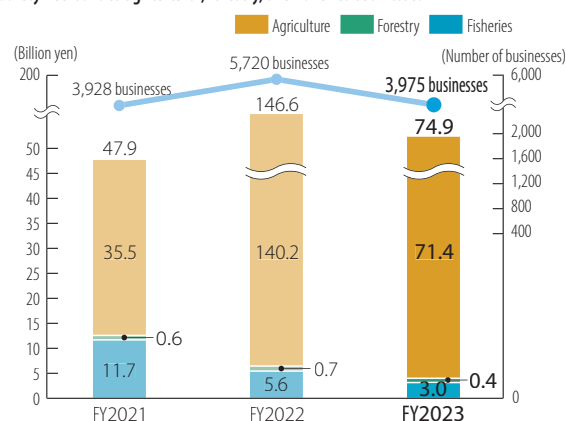
Notes: 1. The transaction volumes are rounded off by the unit.  
2. The transaction volume indicated in “After providing loan” is an estimate.

## Demonstrating 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 demonstrate safety net function against the financial effects on agriculture, forestry, and fisheries businesses due to temporary crises such as natural disasters including earthquakes, typhoons, and tsunamis, etc., contagious livestock diseases, soaring oil prices and price hikes, as well as COVID-19.

Also, the AFFF Unit establishes special consultation desks and is providing consultations on loan and repayment for agriculture, forestry, and fisheries operators that have been affected by soaring oil prices and price hikes, etc.

Safety net loans to agricultural, forestry, and fisheries businesses

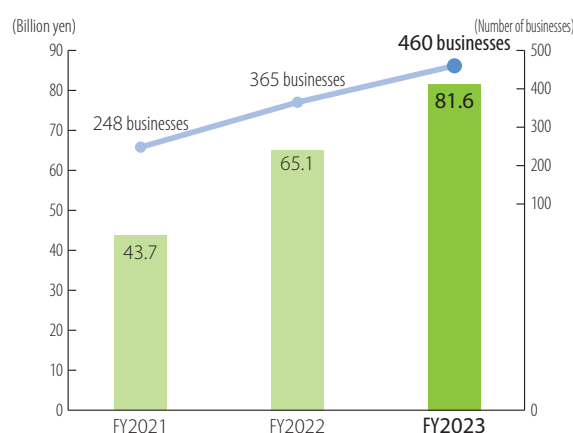


## Supporting Initiatives to Export

In addition to the Agriculture, Forestry, and Fisheries Products and Food Export Framework Reinforcement Loan established in October 2022, the AFFF Unit provides support through various loan programs and the provision of information in cases where agriculture, forestry, and fisheries business operators and companies in the food industry export domestic agriculture, forestry and fisheries products and foods to improve their own business or promote domestic agriculture, forestry, and fisheries products.

In FY2023, loan performances to those who work on management improvement through exports came to: 460 businesses (126% compared to the previous fiscal year), 81.6 billion yen (125% compared to the previous fiscal year).

Loans to those working on export business



## Supporting New Entrants into Agriculture and New Farmers

By providing various loan programs such as Loan for Young and New Farmers which offers loans to new farmers, new entrants into agricultural business, and authorized new farmers and information was provided.

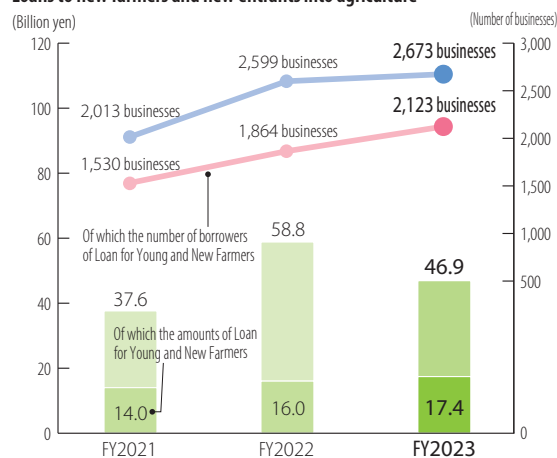
### Loans to new farmers and new entrants into agriculture

In FY2023, performance of loan to new entrants into agricultural business and new entry farmers came to 2,673 businesses (103% compared to the previous fiscal year), and 46.9 billion yen (80% compared to the previous fiscal year).

Performance of Loan for Young and New Farmers <sup>(Note)</sup> which was launched in FY2014 came to: 2,123 businesses (114% compared to the previous fiscal year), 17.4 billion yen (109% compared to the previous fiscal year).

Note: Loans to support new farmers who are about to start their businesses and are certified by municipalities under the Young and New Farmers Plan.

Loans to new farmers and new entrants into agriculture



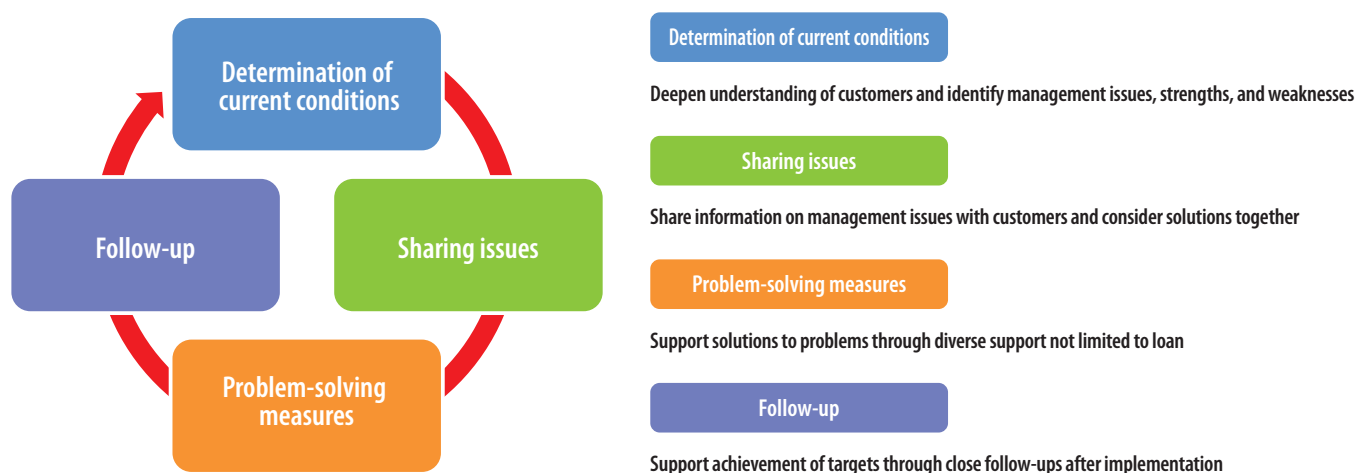
# Support for Sustainable Business Development

## Through Consulting and Financing Activities, the AFFF Unit Supports the Sustainable Business Development of Customers.

In response to the increasingly sophisticated and diverse management issues that customers are facing as a result of natural disasters and changes in social and economic conditions in Japan and overseas, the AFFF Unit promotes “consulting and financing activities” to help customers analyze their current situation and solve their problems with accompanied supports.

### ● Support offered to customers in different management stages

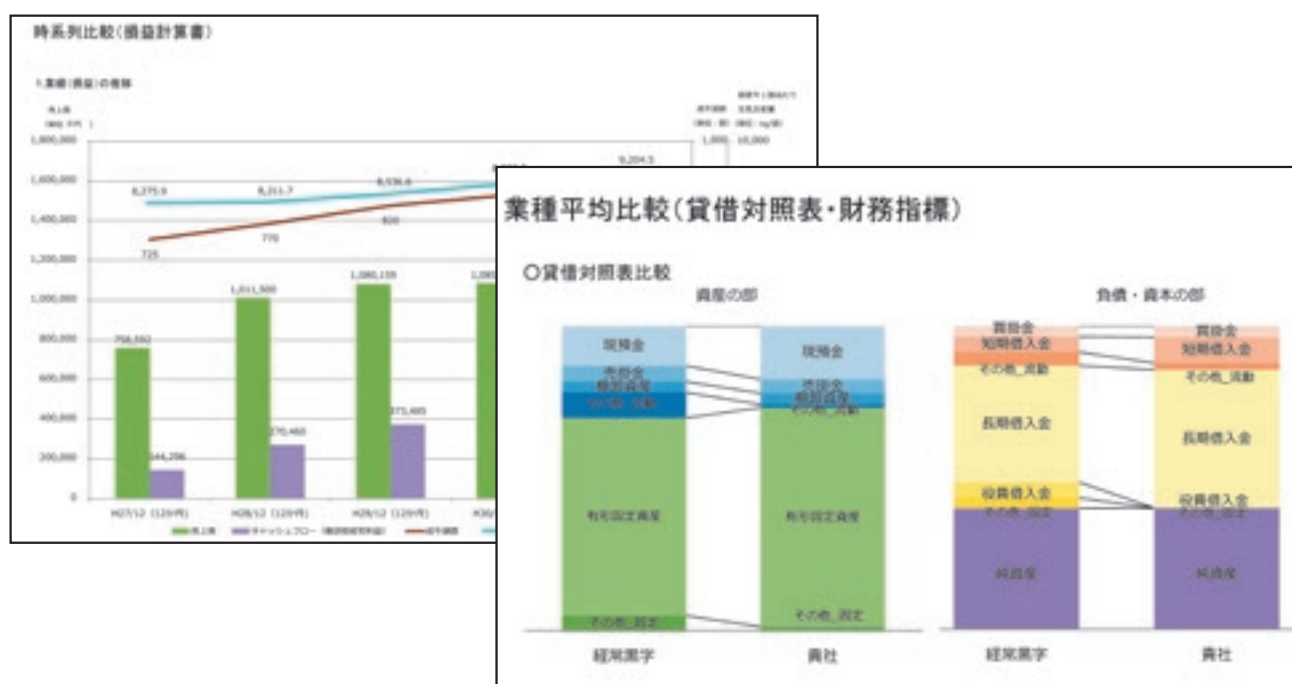
Through intensive and ongoing consulting and financing activities, the AFFF Unit helps customers resolve issues according to their different management stages, such as start-ups at the time of establishment, expansion (growth) in the growth phase, and further development in the maturity phase.



### ● Sharing current status and issues through financial analysis

We analyze financial situations based on the financial information provided by customers and compare them to the AFFF Unit management indicators for other companies in the same industry. Through this process, we visualize customer strengths and management issues and share this information with the customer.

(Image of financial analysis)

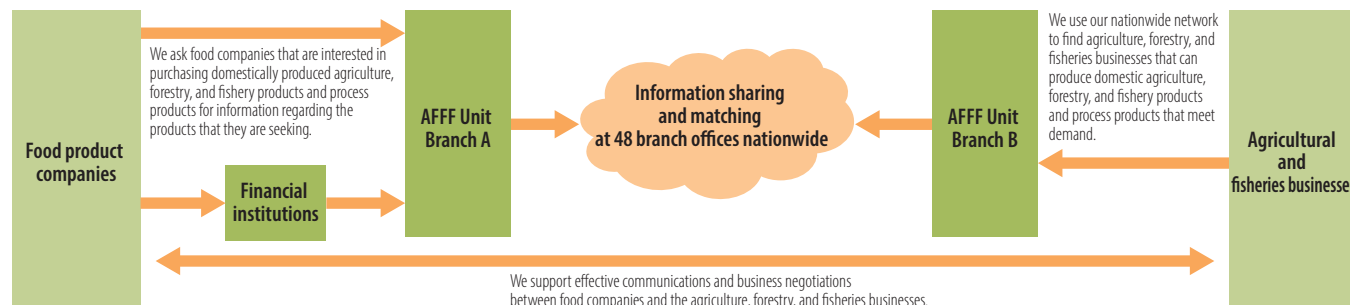


## Supporting Developing and Expanding Customer Sales Channels

### ● Business Matching support using our nationwide network

The AFFF Unit uses the JFC's nationwide network of 48 branch offices to match the purchasing needs of food processing and distributing companies for domestic agriculture, forestry, and fishery products with the sales needs of businesses in the agriculture, forestry, and fisheries industries, bringing together customers across prefectural borders.

This helps customers develop attractive products and enhance the products that they handle.



### ● Advanced 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.

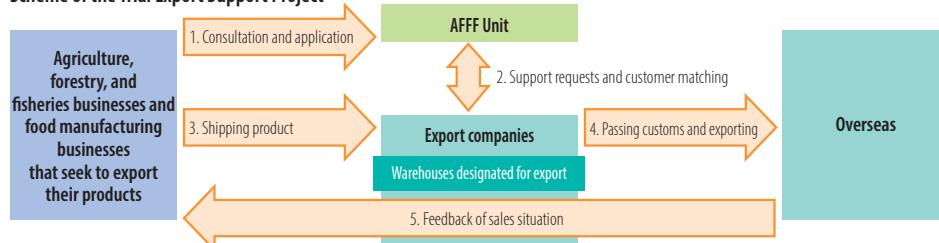
For example, J-PAO gets assistance from its members from a wide variety of types of businesses and uses its agriculture-support knowhow to provide sales and commercialization support to customers. JETRO supports exports of Japanese agriculture, forestry, fishery products and food by providing information, consultation and business-matching opportunities with foreign buyers.

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



Briefing session on the Trial Export Support Project

#### Scheme of the Trial Export Support Project



## Supporting Business Succession

To address the business succession issues of agriculture, 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 supports that are related 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 in these fields can be effectively handed down to the next generation.

## Supporting Business Revitalization

We actively support business revitalization by customers, which is essential for the maintenance and development of local agriculture, forestry, and fisheries industries.

In particular, we collaborate with private financial institutions such as main financing banks and outside experts to support the formulation of business improvement plan through close communications with customers and provide ongoing management consultations and follow-up after the plans are implemented. Especially, as support for business revitalization by farmers, we conduct support activities that take into account the characteristics of agriculture including support for formulating plans provided by agricultural business advisors, support for business succession by utilizing the AFFF Unit's unique network, and consulting in collaboration with external experts in production technology.

In addition, we cooperate with related institutions to provide prompt and detailed responses to inquiries from customers whose businesses are affected by the impact of natural disasters including earthquakes, typhoons, and tsunamis, etc., contagious livestock diseases, and soaring oil prices and price hikes, etc., and work to support business restructuring and reconstruction.

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

The AFFF Unit works to create an environment that encourages private financial institutions to actively provide loans to agriculture, 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 agriculture, forestry, and fisheries business operators and companies in the processed food industry in cooperation with private financial institutions. In FY2023, a total of 1,011 cooperative loans were provided in cooperation with private financial institutions <sup>(Note)</sup>.

The AFFF Unit also provides JFC loans through 619 private financial institutions with which it has entered into outsourcing agreements. The number of JFC loans provided through private financial institutions was 9,549, and this was 58.8% of total loans.

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).

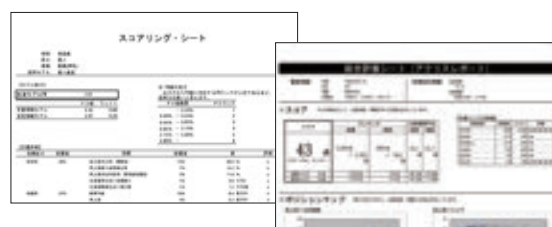
## Agricultural Credit Risk Information Service (ACRIS)

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 to strengthen 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) 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, 2024, a total of 138 financial institutions had signed a basic agreement with the AFFF Unit.

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

Financial institutions under CDS basic agreements with JFC (As of March 31, 2024)

	Banks	Shinkin banks	Credit cooperatives	Total
Hokkaido	1	13	2	16
Tohoku	7	5	1	13
Kanto	3	9	2	14
Chubu	7	24	4	35
Kinki	4	11	—	15
Chugoku	2	11	1	14
Shikoku	5	2	—	7
Kyushu	10	13	1	24
<b>Total</b>	<b>39</b>	<b>88</b>	<b>11</b>	<b>138</b>
(Of these, institutions that developed new programs)	(31)	(57)	(7)	(95)

## Providing Investment Support to Agriculture, Forestry and Fisheries Corporations, etc.

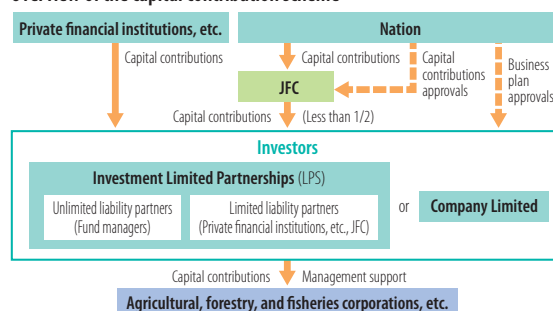
The AFFF Unit has been making capital contributions to Investment Limited Partnerships (LPS) and stock companies to invest in agricultural, forestry, and fisheries corporations with business program approval from the Minister of Agriculture, Forestry and Fisheries. This is done to support the adequacy of equity capital of leading agricultural, forestry, and fisheries corporations and food processing businesses and provide capital to businesses involved in all stages of the food value chain.

### Overview of capital contributions

(As of March 31, 2024)

	LPS	Company Limited
Number of capital contributions	20 associations	1 company
Pledged investment amount or investment amount (of which invested by JFC)	17.7 billion yen (6.2 billion yen)	6.0 billion yen (2.5 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 SMEs 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

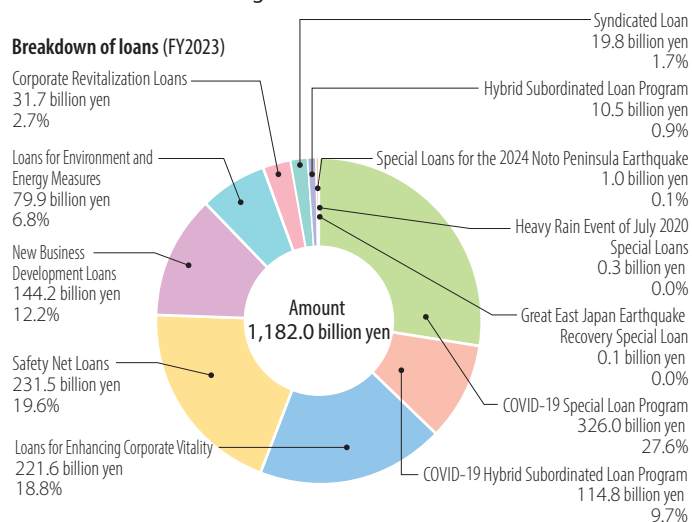
Policy-based financing in Japan provides financial support under the nation's key policies toward certain fields, such as new business development, business revitalization, business succession, and overseas expansion, that involve high risks.

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.



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 <sup>(Note)</sup>

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

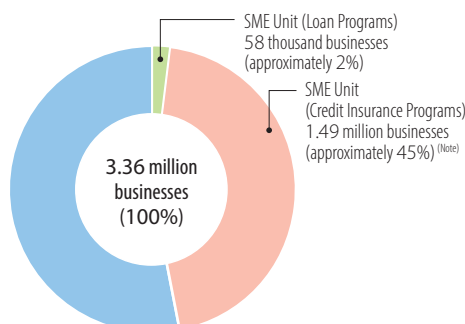
## SME Unit's Clients

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.

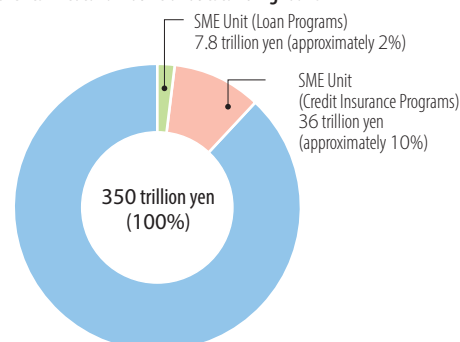
The SME Unit provides a wide range of support to meet the individual needs of each SME and micro/small business through its financial tools, Loan Programs, Credit Insurance Programs and Securitization Support Programs.

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



Note: Number of businesses utilizing the Credit Guarantee System  
 Sources: Small and Medium Enterprise Agency, "2024 White Paper on Small and Medium Enterprises in Japan"  
 Note: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2021 Economic Census for Business Activity," edited by the Small and Medium Enterprise Agency.

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 1.54 million SMEs and micro/small businesses (approximately 46%) and accounts for 13% of outstanding loans to SMEs and micro/small businesses.**

### Characteristics of SME Unit's Clients

#### Loan Programs (Direct Loans)

- Number of businesses ..... 58 thousand businesses
- Average loan for FY2023
  - Average loan amount per business ..... 97 million yen
  - Average term of loan ..... 9 years and 5 months
  - Average amount of capital per business ..... 41 million yen
  - Average number of employees per business ..... 74
- Approximately 79% of outstanding loans are loans to businesses with 20 employees or more, and approximately 90% 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 FY2023)

#### Credit Insurance Programs

- Number of businesses ..... 1.49 million businesses<sup>(Note)</sup>
- Average insurance for FY2023
  - Average amount of insurance acceptance per business ..... 21 million yen
  - Average term of insurance ..... 6 years and 3 months
  - Average number of employees per business ..... 7
- Approximately 75% of the outstanding amounts of insurance are insurance to businesses with 20 employees or less, and approximately 73% have capital of 10 million yen or less.
- Covers a wide range of industries

Note: Number of businesses utilizing the Credit Guarantee System.

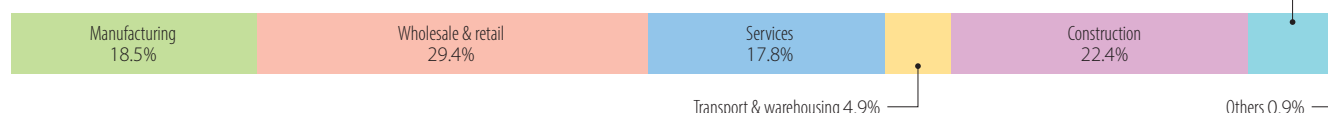
Note: Results are current as of March 31, 2024.

**The SME Unit also helps to maintain employment, with the number of employees at the 58 thousand businesses having approximately 3.56 million persons (as of March 31, 2024) by direct loans.**

Outstanding loans by type of industry (Loan Programs) (as of March 31, 2024)



Outstanding amounts of insurance by type of industry (Credit Insurance Programs) (as of March 31, 2024)



# Loan Programs

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

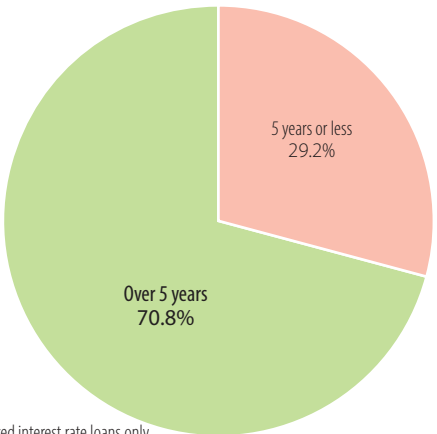
### Dedicated to long-term funding

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) (FY2023)



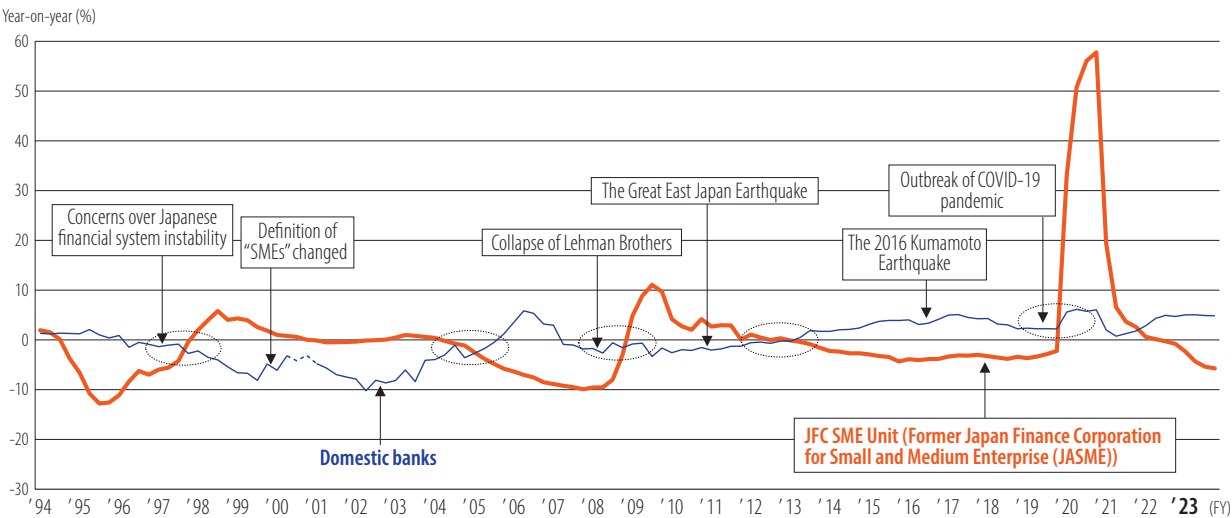
Note: Data are for fixed interest rate loans only.

### 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.

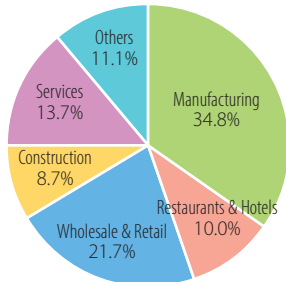
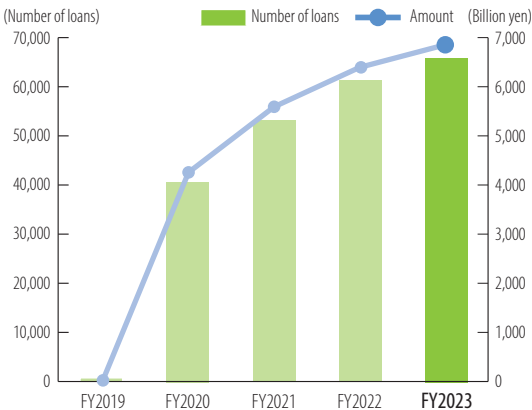
2. The definition of "SMEs" was changed in April 2000; the SME Unit has estimated the growth rate for domestic banks in the period from June 2000 to March 2001 based on the ratio between the old and new standards.

## Promoting special-purpose loans based on government policies to meet the needs of the times

### Safety net

Although the initial emergency demand for funds has subsided following the shift of COVID-19 to a Class 5 infectious disease, etc., due to the prolongation of the pandemic, the situation in Ukraine, rising oil prices, and other factors, we continued to support cash flows and business reconstruction by providing loans for SMEs through Safety Net Loans and COVID-19 Special Loan Program, and other programs.

COVID-19 related loan results



## ● Supporting new businesses and start-ups

The SME Unit provides active support to SMEs trying to develop new businesses with high growth potential through Loans to Foster Growth of New Businesses and to start-ups that are expected to lead Japan's economic growth and solve social problems through Loans to Support Start-up Businesses. Since the program began, the cumulative total <sup>(Note)</sup> (as of March 31, 2024) has reached 16,875 businesses, amounting to 822.2 billion yen. In addition, the SME Unit also offers Stock Subscription Rights Loans, an unsecured loan program through the acquisition of new share options issued by companies.

Note: Loans to Foster Growth of New Businesses was launched in February 2000, and the Loans to Support Start-up Businesses was launched in February 2023. Loan performance includes Hybrid Subordinated Loan Program.

Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses

	FY2021	FY2022	FY2023
Number of businesses	639	825	912
Amount of loans (billion yen)	27.2	43.2	52.9

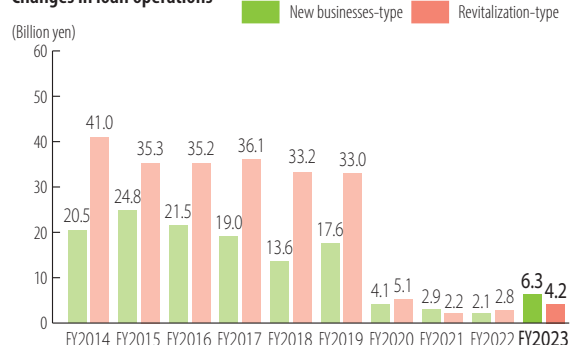
Results of stock subscription rights loans included in Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses

	FY2021	FY2022	FY2023
Number of businesses	41	69	75
Amount of loans (billion yen)	3.5	7.5	13.3

## ● Capital subordinated loans

The SME Unit supports reinforcing the financial standing of SMEs engaged in new businesses and business reconstructions, by applying the Hybrid Subordinated Loan Program (former Provision Scheme for Challenge Support and Capital Enhancement) 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 FY2023, Loans for Overseas Investment and Expansion were utilized by 570 businesses, for a total of 48.6 billion yen.

Note: Actual results include the loan performance of Hybrid Subordinated Loan Program since FY2022 and the Syndicated Loan Program since FY2023.

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, 2024, 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 2024, JFC established collaborative relationships with 62 regional financial institutions.

As for FY2023, letters of credit were issued to the financial institutions in 7 countries and regions, being utilized by 73 businesses.

The cross-border loans are a program under which JFC provides direct loans to overseas subsidiaries. The countries and regions where this program can be used are Thailand, Viet Nam, Hong Kong, Singapore, and the Philippines, and loans were provided to 93 borrowers, 6.8 billion yen in FY2023.

Loans for Overseas Investment and Expansion (by countries and regions) (FY2023)

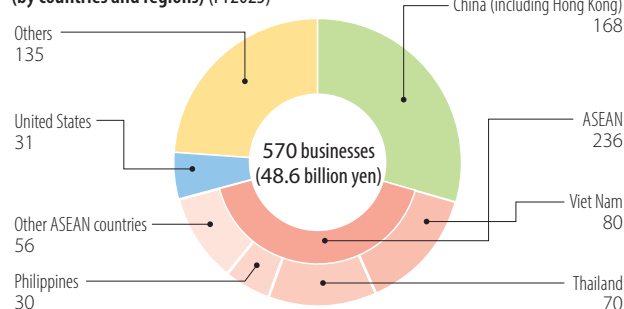
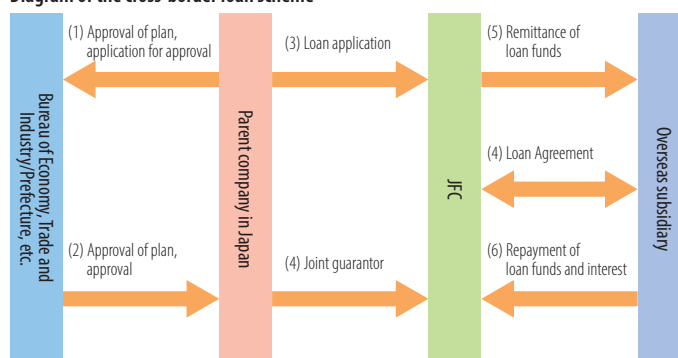


Diagram of the cross-border loan scheme

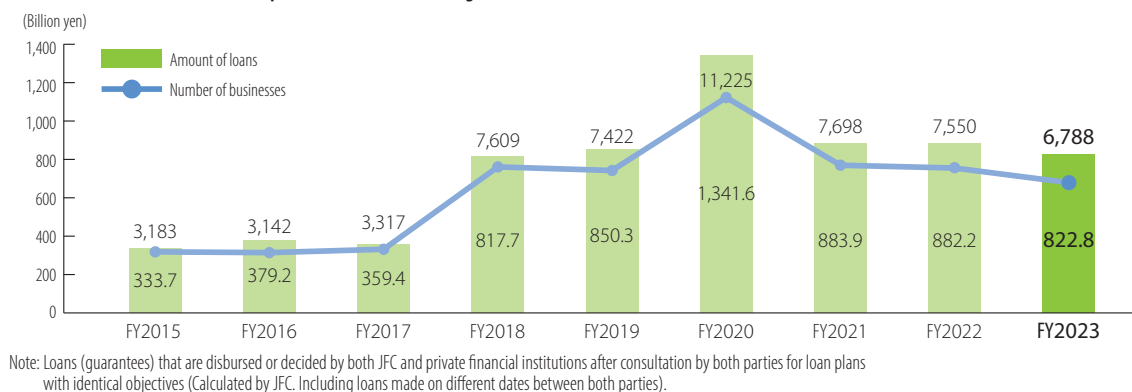


## Cooperative loans and securitization support in collaboration with private financial institutions

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 58,000 customers nationwide to collaborate with private financial institutions and provide support to SMEs in the areas of new businesses and start-ups, 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. We also provide financial support to SMEs affected by the price hikes, etc., based on existing cooperative relationships.

Changes in the number of businesses that utilize cooperative loan<sup>(note)</sup> and change in loan amount (SME Unit)

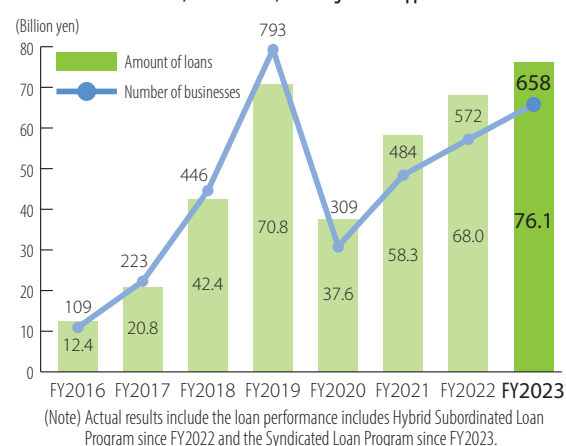


## Loans for business succession, consolidation, and invigoration support

The SME Unit provides support through special loans for business succession, consolidation, and invigoration support so that SME without a successor can carry out M&A or acquire their own shares in order to 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.

Loans for business succession, consolidation, and invigoration support



## Supporting the growth of businesses

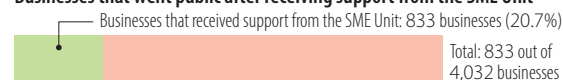
### Businesses that have utilized JFC funds are flourishing in many fields

A total of 833 businesses<sup>(Note)</sup> 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.

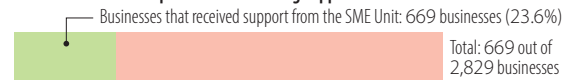
The number of businesses going public after receiving support from the SME Unit since 1989 is 669<sup>(Note)</sup>, accounting for roughly 20% of the total number of businesses that went.

Note: The number of publicly listed businesses is as of March 31, 2024 (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, 2024. Foreign-owned corporations are excluded.

## An Invaluable Source of Financing during Our Start-up Period

INAMORI Kazuo, Honorary Chairman of Kyocera Corporation

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).

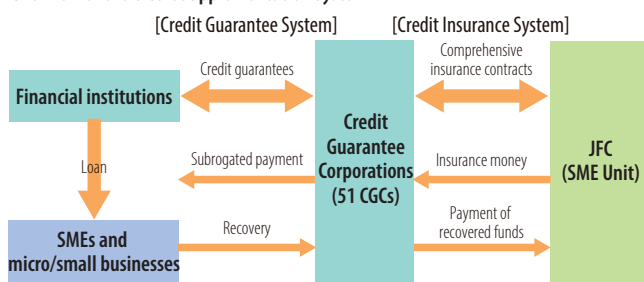
## Credit Insurance Programs

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

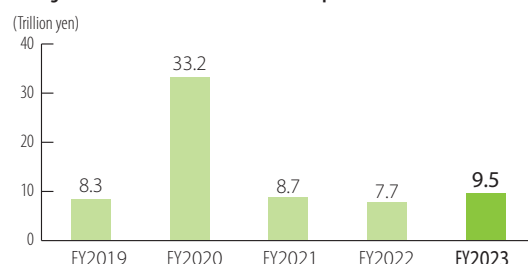
#### ● Role of the Credit Insurance System

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



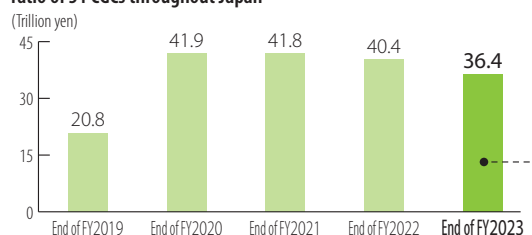
#### ● 45% of SMEs utilize the Credit Supplementation System

As of March 31, 2024, the portion of outstanding loans to SMEs guaranteed by CGCs (outstanding guaranteed liabilities) amounted to 36 trillion yen, accounting for 10% of all loans to SMEs.

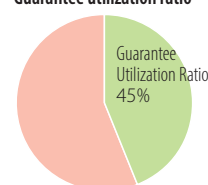
Moreover, 1.49 million SMEs and micro/small businesses, accounting for 45% of all SMEs in Japan, were raising funds with the support of the Credit Guarantee System.

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



#### Guarantee utilization ratio<sup>(Note)</sup> (FY2023)



Number of guaranteed SMEs: 1.49 million  
Total number of SMEs: 3.36 million  
Note: Guarantee utilization ratio is the number of SMEs utilizing guarantees divided by the total number of SMEs.

Sources: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2021 Economic Census for Business Activity," edited by the Small and Medium Enterprise Agency, and others.

## 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 FY2023, the "synthetic CLO of regional financial institutions (Clover 2024 LLC)" was issued in the securitization support purchasing business. Besides entering into credit default swap (CDS) contracts with 42 regional financial institutions, the SME Unit guaranteed 5.2 billion yen out of the 25.2 billion yen in corporate bonds issued by a special-purpose company (SPC) (Clover 2024 LLC). 45.4 billion yen in unsecured loans were provided to 2,397 businesses in 37 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

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

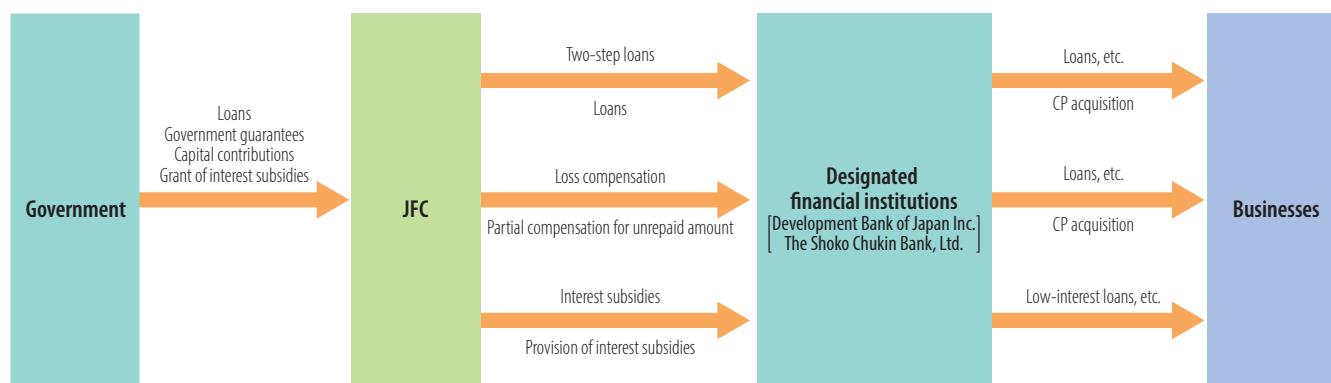
##### Guarantee-type

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

# 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, 2024, was 3,275.6 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, 2024 was 1,942.3 billion yen (on a basis of reports from designated financial institutions).

### Results of operations to facilitate crisis responses

	Second Half FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Two-step loans</b>	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	291.2	15.7	—
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	291.2	15.7	—
Commercial paper (CP) acquisitions	299.8	339.8	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Loss compensation</b>	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	593.1	170.7	—
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	593.1	170.7	—
Commercial paper (CP) acquisitions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity participations	—	30.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Interest subsidies</b>	—	—	0.3	2.4	7.8	10.9	12.4	11.0	5.4	12.6	4.9	2.7	4.6	18.2	22.9	20.5

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 2024.

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 2024, with loss compensation underwritten by JFC for losses incurred until May 10, 2024.

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 2023 (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

Pursuant to 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 approved business entities that are going to develop and manufacture energy and environmentally friendly products approved by competent ministers. The balance as of March 31, 2024 was 8.7 billion yen.



## Overview of Operations to Facilitate Business Restructuring Promotion

Pursuant to the Act on Strengthening Industrial Competitiveness (Act No. 98 of 2013), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities, etc. that are going to implement business restructuring approved by competent ministers. The balance as of March 31, 2024 was 62.5 billion yen.

## Overview of Operations to Facilitate Business Adaptation Promotion

Pursuant to the Act on Strengthening Industrial Competitiveness, JFC provides interest subsidies and lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities that are going to implement business adaptation approved by competent ministers.

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

Pursuant to the Act on Promotion of Developing/Supplying and Introducing Systems Making Use of specific 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 approved business entities that are going to develop, supply, etc. systems that make use of specific advanced information communication technologies or maintenance, etc. specific semiconductor production facilities approved by competent ministers.

## Overview of Operations to Facilitate Business Foundation Reinforcement Promotion

Pursuant to the Shipbuilding Act (Act No. 129 of 1950), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities that are going to implement business foundation reinforcement approved by competent ministers. The balance as of March 31, 2024 was 9.8 billion yen.

## Overview of Operations to Facilitate Business Introduction Promotion

Pursuant to the Marine Transportation Act (Act No. 187 of 1949), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved businesses entities that are going to introduce specific ship approved by competent ministers.

## Overview of Operations to Facilitate Ensuring Supply Promotion

Pursuant to the Act on the Promotion of Ensuring National Security through Integrated Implementation Economic Measures (Act No. 43 of 2022), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities that are going to conduct the business on initiatives for ensuring stable supply of specified critical products, etc. approved by competent ministers.

Results of Operations to Facilitate Specific Businesses Promotion, Operations to Facilitate Business Restructuring Promotion, Operations to Facilitate Business Adaptation Promotion, Operations to Facilitate Development and Supply, etc. Promotion, Operations to Facilitate Business Foundation Reinforcement Promotion, Operations to Facilitate Business Introduction Promotion, and Operations to Facilitate Ensuring Supply Promotion (Billion yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
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 Business Adaptation Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Development and Supply, etc. Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Business Foundation Reinforcement Promotion	—	—	—	—	—	—	—	—	—	—	—	8.5	1.3	—
Operations to Facilitate Business Introduction Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Ensuring Supply Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Notes: 1. The figures for the two-step loans refer to the amounts of loans JFC provided to the designated financial institutions through the end of March 2024.

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 Business Adaptation Promotion: August 2, 2021; Operations to Facilitate Development and Supply, etc. Promotion: August 31, 2020; Operations to Facilitate Business Foundation Reinforcement Promotion: August 24, 2021; Operations to Facilitate Business Introduction Promotion: August 24, 2021; Operations to Facilitate Ensuring Supply Promotion: January 13, 2023.

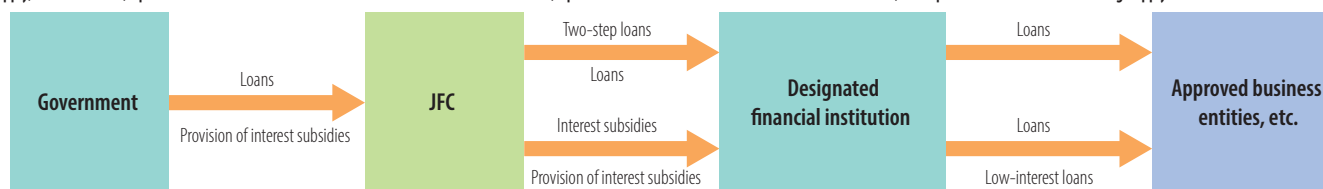
3. The figures before the start of Operations to Facilitate Business Restructuring Promotion are of loans issued under Operations to Facilitate Business Restructuring Promotion, etc. in accordance with the Act on the Special Measures for Industrial Revitalization and Innovation (Act No. 131 of 1999)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

### Interest subsidies

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Operations to Facilitate Business Adaptation Promotion	—	—	—	—	—	—	—	—	—	—	—	—	1	93

Note: The figures for interest subsidies represent the amounts of interest subsidies JFC provided to designated financial institutions for loans provided by the designated financial institutions through the end of November 2023 (in principle, disbursements pertaining to the period from December 1 each year to May 31 of the following year are made by July 31, while those pertaining to the period from June 1 to November 30 are made by January 31 of the following year).

Mechanism for Operations to Facilitate Specific Businesses Promotion, Operations to Facilitate Business Restructuring Promotion, Operations to Facilitate Business Adaptation Promotion, Operations to Facilitate Development and Supply, etc. Promotion, Operations to Facilitate Business Foundation Reinforcement Promotion, Operations to Facilitate Business Introduction Promotion, and Operations to Facilitate Ensuring Supply Promotion



Notes: 1. Designated financial institutions are designated by the competent minister upon application from the financial institution.

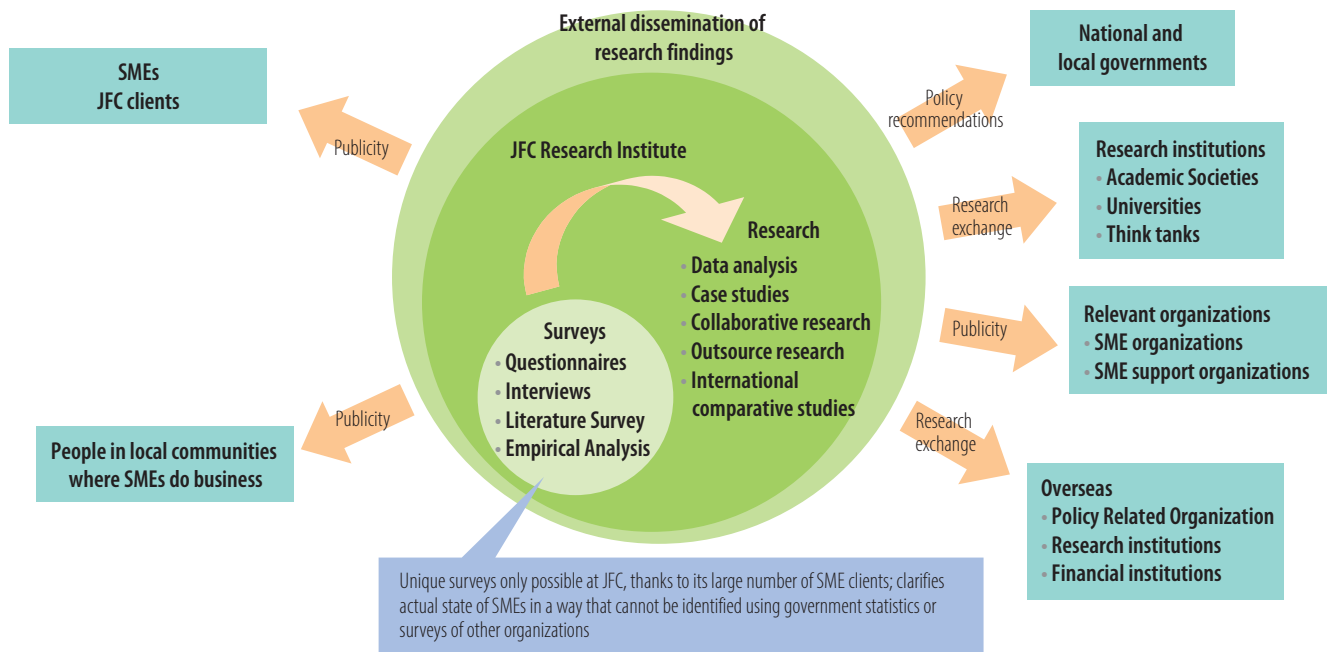
2. Interest subsidies are available only for Operations to Facilitate Business Adaptation Promotion (related to carbon neutrality).

# 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 companies 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.



## 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 (employees and entrepreneurs/CEOs); 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 employees. 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 and various types of research projects, etc.

\* Some of papers, reports, and survey results can be viewed on JFC's website in English.

### ● 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 FY2023) —

- Survey on Business Start-ups (FY2023 regular and special surveys)
- Panel Survey on Business Start-ups
- Survey on Starting Businesses and Entrepreneurial Minds
- Pre- and Post-COVID-19 Pandemic Structural Changes in the Business Succession Problems of SMEs
- Survey on the Actual State of Manager Retirement and Business Closure
- Impact of the COVID-19 Pandemic on SMEs
- Survey on Employment and Wage Trends at Micro and Small Businesses
- Survey on the Intentions of Micro and Small Business and SMEs Concerning Overseas Expansion
- Survey on Reshoring Manufacturing Sites by Manufacturing SMEs
- Survey on the Actual State of Job-based Employment by SMEs

#### — Main Research Papers and Reports (released in FY2023) —

- ◇ Changes Seen in Business Start-ups by Women and the Trend toward Smaller Start-ups: Examination with a Focus on the Homogenization of Male and Female Entrepreneurs
- ◇ Actual State of Greenhouse Gas Reduction by SMEs: Analysis of the Survey on Measures for Reducing the Greenhouse Gas Emissions of SMEs
- ◇ SME Overseas Expansion Strategies Using Japan's Unique Characteristics
- ◇ Interest in and Motivation for Business Start-ups in Rural Areas
- ◇ Home-Based Entrepreneurs
- ◇ Progression of the Aging of Managers and Business Succession Problems
- ◇ Job-based Employment and Investment in Human Resources by SMEs: SME Human Resource Development from the Perspective of Employees

### ● Research on Management Issues of SMEs

Cases are collected of SMEs that overcame the handicap of limited management resources, such as human capital, physical capital, and financial capital, to achieve success. Research findings are published annually as a book of case studies.

#### — FY2023 survey —

- Survey of Corporate Case Studies Regarding the Food Tech Business

#### — FY2023 publication —

- ◇ Spreading Japanese Culture to the World: Soft Overseas Expansion by SMEs

### ● 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 FY2023) —

- Management Strategies of SMEs Actively Involved in the Education Industry
  - SMEs Supporting the Development of the Sharing Economy
  - SMEs Supporting the Aging Society Using Technology
  - SMEs Supporting Next-generation Battery Industry
- #### — Main Research Papers and Reports (released in FY2023) —
- ◇ Management Strategies of Software SME Industries to Promote the Digitalization of SMEs
  - ◇ Research on Case Studies of SMEs Demonstrating Their Presence in Education Industry Circles
  - ◇ Management Strategies of SMEs Actively Involved in the Education Industry
  - ◇ The Potential of the Sharing Economy Pioneered by Small and Medium-sized Platforms
  - ◇ SMEs Supporting the Aging Society Using Technology

## Research Results and Reports at Academic Societies

### ● 43rd Conference of the Japan Academy of Small Business Studies (September 30, 2023)

"The Actual State and Problems of SMEs Supporting Greenhouse Gas Reduction in Other Sectors"

Countermeasures against global warming have become a global issue. This paper focuses on SMEs that are taking action in the business to support reductions in greenhouse gases and analyzes current conditions and differences from general new business start-up based on a questionnaire and interviews.

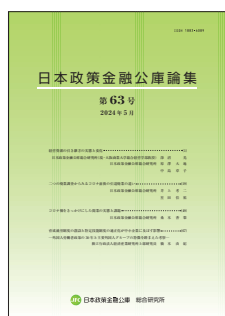
### ● 26th JASVE Annual Academic Conference (December 10, 2023)

"An Examination of the Business Performance of the Children of Entrepreneurs"

This study compares entrepreneurs whose parents had entrepreneurial experience with those whose parents did not. The result reveals that the former tends to have larger monthly sales and smaller gender disparities in monthly sales, be more resilient against risk, and have higher rates of use of financial institutions and specialized organizations.

## 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 63 (May 2024) —

Actual State and Changes in the Succession of Management Resources

Differences in Retirement and Business Closure Pre- and Post-COVID-19 Pandemic from the Perspective of Two Surveys on Business Closure

Actual State and Issues of Business Start-ups Triggered by COVID-19 Pandemic

Impacts of the Establishment of the Training and Employment System and the Optimization of the Specified Skilled Worker System on SMEs



#### **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 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.

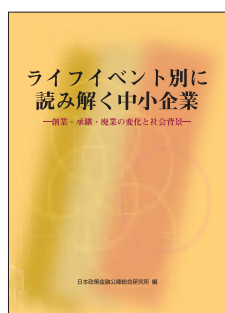
— Main Contents of 2024 Edition —

Summary of Results: Survey on Business Start-ups (FY2023)

Actual State of Business Start-ups Triggered by COVID-19 Pandemic

Summary of Results: Survey on Starting Businesses and Entrepreneurial Minds (FY2023)

Impacts of COVID-19 Pandemic on Entrepreneurial Minds.



#### **SMEs Analyzed by Corporate Life Cycles**

As the economic society changes, people's values and ways of thinking are also changing, as are the ways that companies undertake business. This publication analyzes the impacts of changes in the economic society on those concerning SMEs based on the results of a survey on corporate life cycles such as start-up, succession, and closure.



#### **Spreading Japanese Culture to the World: Soft Overseas Expansion by SMEs**

This is an introduction of 12 SMEs that have successfully acquired overseas fans by deploying products and services that reflect Japanese culture and lifestyles. Based on the action of case study companies, the motivations for overseas expansion, issues faced, and results obtained are analyzed.