Japan Finance Corporation

Guide to the Operations of the Small and Medium Enterprise (SME) Unit

2025

Contents

2	Message from the General Manager of the SME Unit
3	Overview of Japan Finance Corporation
4	Overview of the SME Unit
6	Roles and Characteristics of the SME Unit
7	Demonstrating a Supplementation Function for Private Financial Institutions
8	Promotion of Policy-based Special-purpose Loans
9	Demonstrating Credit Supplementation Function
11	Support for Overseas Expansion
14	Demonstration of Policy-based Nature
14	Exercise of Safety Net Functions
15	Support for Initiatives for Business Revitalization
16	State of the SME Unit's Operations
18	Offices

A note on figures used in this Report:

^{1.} Figures for which the value is less than one whole unit.

Numbers of businesses, loans and amounts are rounded down to the nearest whole unit.

As a general rule, percentages (%) are rounded down to the nearest first decimal place when less than four and rounded up to the nearest first decimal place when five or more. Therefore, figures in the total column may not match the figure obtained by calculating all individual items.

^{2.} Figures:

Figures lower than the unit are shown as "0." "-" is shown when there is no applicable figure.

Message from the General Manager of the SME Unit

SMEs are the driving force behind Japan's economy at both the national and regional levels. JFC's SME Unit plays a role as a safety net, as well as providing policy-based financial support to shore up the growth and development of SMEs through both our Loan Programs and Credit Insurance Programs.

In our Loan Programs, amid a persistently difficult business environment due to successive natural disasters across the country, rising prices, and labor shortages, we made it our top priority to provide financial support to customers by carefully listening to their individual circumstances and working in collaboration with private financial institutions.

In response to the 2024 Noto Peninsula Earthquake, we established a special consultation desk and dispatched personnel to the Noto Industrial Recovery Consultation Center, where we responded to a wide range of inquiries, including those related to loans and repayments, in collaboration with various support organizations. We also co-hosted a business matching meeting with financial institutions in the affected areas to support the recovery of disaster-affected companies and expand the circle of support for the development of new sales channels.

Our responses concerning business fields that need prioritized support include actively providing funds and other support to help SMEs overcome their challenges and solve their management issues

Specifically, with regard to support for new businesses and start-ups, we actively responded to funding needs by utilizing the expanded Start-up Loan Program developed based on the government's Startup Development Five-year Plan. In addition, we supported sales channel development and improve awareness by holding events that provided opportunities for start-ups to engage in business discussions with customers and by inviting start-ups to events organized by private financial institutions and local governments.

To promote overseas business expansion, we established a structure that supports the resolution of customer management issues, such as by securing the participation of 118 regional financial institutions in the Overseas Business Support Package that we established with the Organization for Small & Medium Enterprises and Regional Innovation, Japan, Nippon Export and Investment Insurance, and Japan External Trade Organization (JETRO). We also provided highly detailed support to meet the funding needs of SMEs by providing a wide range of loans, such as Cross-Border Loans and the Standby Letter of Credit Program.

For SMEs working on business revitalization, the number of consultations from customers struggling with increasing debt is growing, and as a policy-based financial institution, we play a leading role in coordinating among the relevant parties including private financial institutions, and have supported the revitalization of customers who are working to improve management by taking measures such as relaxing repayment conditions to facilitate cash flow and collaborating with public revitalization support institutions including the Small and Medium Enterprises Revitalization Council.

To ensure smooth business succession by SMEs, we actively supported the formulation of business succession plans by customers and responded to their funding needs. We also promoted the Supply Chain Business Succession Initiative, which was developed to raise awareness of the importance of smooth business succession not only in-house but throughout entire supply chains, and undertook initiatives to provide information to potential successor candidates.

As a result of these efforts, loans to SMEs totaled 1.0 trillion yen in FY2024, and the outstanding loan amount as of the fiscal year-end was 7.6 trillion yen.



Through our Credit Insurance Programs, we offered financial support to SMEs and micro/small businesses facing harsh business environments by appropriately accepting insurance on Safetynet Guarantees in order to facilitate the smooth flow of funds in response to natural disasters such as the 2024 Noto Peninsula Earthquake and price hikes.

We also supported active business development by underwriting insurance for credit guarantee programs that provide customers with the option to not provide a management guarantee. Furthermore, in close cooperation with 51 Credit Guarantee Corporations in Japan, we worked to understand financial trends surrounding SMEs, and provided information through opinion and information exchanges to support the initiatives of these Credit Guarantee Corporations, including management improvement support.

As a result of these efforts, insurance acceptance for credit guarantees totaled 8.3 trillion yen in FY2024, and the outstanding insurance amount as of the fiscal year-end was 34.5 trillion yen.

Amid a major turning point in the economic and social landscape—including the rapidly evolving international situation such as U.S. tariff measures, a shift toward an inflationary society with rising prices and interest rates, and the rapid advancement of digital technologies such as Al—the business environment surrounding our customers continues to change in increasingly complex ways. We view these environmental changes as opportunities for our customers, and every member of our staff is committed to standing alongside them with a shared awareness of supporting customers who boldly take on challenges aimed at further growth and management improvement.

In Japan, there are approximately 3.36 million SMEs, accounting for 99.7% of all companies and approximately 70% of all employees. As a source of diverse innovation, they are truly the backbone of the Japanese economy. For Japan's economy to achieve further development, it is essential that these SMEs and micro/small businesses remain vibrant. Under the national SME policy, we will continue to fully fulfill our role as a policy-based financial institution, complementing private financial institutions where appropriate.

YONEDA Kenzo

General Manager, Small and Medium Enterprise (SME) Unit Japan Finance Corporation

Overview of Japan Finance Corporation

Japan Finance Corporation (JFC) is a policy-based financial institution which developed out of the National Life Finance Corporation, the Agriculture, Forestry and Fisheries Finance Corporation and the Japan Finance Corporation for Small and Medium Enterprise.

Profile of Japan Finance Corporation (as of Mar. 31, 2025)

Name: Japan Finance Corporation (JFC)

Establishment: October 1, 2008

Statutory Law: The Japan Finance Corporation Act
 Head Office: Otemachi Financial City North Tower,

1-9-4, Otemachi, Chiyoda-ku, Tokyo, Japan

Governor & CEO: TANAKA Kazuho

Capital, etc.: Capital: 11,768.6 billion yen

Reserve fund: 5,330.7 billion yen

Branch Offices: Branch Offices in Japan: 152

Overseas representative offices: 3

Employees: 7,423 (budgetary fixed number for FY2025)

Outstanding Loans: 24,477.9 billion yen
 Micro Business and Individual Unit: 10,426.8 billion yen

Agriculture, Forestry, Fisheries and Food Business Unit:

3,609.0 billion yen

Small and Medium Enterprise (SME) Unit (Finance Operations):

7,685.4 billion yen

Operations to Facilitate Crisis Responses: 2,689.4 billion yen Operations to Facilitate Specific Businesses Promotion, etc.:

67.0 billion yen

Outstanding Amounts of Insurance:

Small and Medium Enterprise (SME) Unit (Credit Insurance Programs):

34,525.9 billion yen

Basic Philosophy

Focused Policy-based Financing

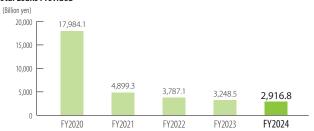
Following the national policy, provide flexible policy-based financing by utilizing a variety of financing programs and schemes to meet the needs of society, while complementing the activities of private financial institutions.

Mainstreaming Governance

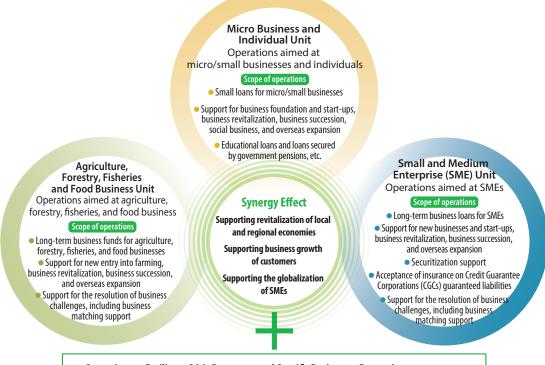
Strive to conduct highly transparent and efficient business operations based on a high level of corporate governance and hold itself accountable to the public.

Furthermore, JFC is committed to becoming a self-governing organization continuously evaluating and improving its activities.

Total Loans Provided



Major Business Operations of JFC



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

- Providing a certain credit to designated financial institutions at the occurrence of crises certified by the competent ministers, such as domestic or international financial disorder, large-scale natural disasters, and other similar events.
- Providing loans to designated financial institutions based on the Low Carbon Investment Promotion Act, etc.

Overview of the SME Unit

The SME Unit of JFC has taken over the operations of the former Japan Finance Corporation for Small and Medium Enterprise (JASME), a government-affiliated financial institution originally established in August 1953.

Through its various functions such as its Loan Programs and Credit Insurance Programs, the SME Unit works in hands with the private financial institutions, providing assistance from both financial and informational perspectives to support the growth and development of SMEs and micro/small businesses which are the source of Japanese economic vitality at both the national and regional levels.

Scope of Business

Loan Programs

These programs are designed to supply stable, long-term, fixed interest rate business funds which are essential for promoting the businesses of SMEs.

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

Note: Loans to facility-leasing institutions have been terminated with effect from March 30, 2015, and currently, only management and recovery of loan claims against facility-leasing institutions are being carried out.

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.

Performance for FY2024

Loan Programs

Loans 1	1,094.7 billion yen
Direct loans1	1,094.7 billion yen
Agency loans	
Loans to Small and Medium Business Investme	ent &
Consultation Co., Ltd.	
Outstanding loans 7	7,685.4 billion yen
Direct loans 7	7,683.7 billion yen
Agency loans	····· 1.7 billion yen
Loans to facility-leasing institutions, loans to Small and	d Medium
Business Investment & Consultation Co., Ltd	

Securitization Support Programs	
Financing support amount	
Purchase-type	66.2 billion yen
Financing support balance	
Purchase-type	139.6 billion yen
Outstanding holdings such as asset backed securi	ties
Purchase-type	19.1 billion yen
Outstanding guaranteed liabilities such as asset b	acked securities
Purchase-type	23.7 billion yen
Outstanding guaranteed liabilities of loan claims	
Guaranteed-type	0.0 billion ven

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)

Performance for FY2024

► Credit Insurance Programs

Amounts of insurance acceptance and loans

Small Business Credit Insurance 8,309.6 billion yen

No record of loans to CGCs and

Special Insurance for Mid-size Enterprises

Outstanding amounts of insurance and loans

Small Business Credit Insurance 34,525.9 billion yen Special Insurance for Mid-size Enterprises 0.0 billion yen

No record of the acceptance of Machinery Credit Insurance

No record of loans to CGCs

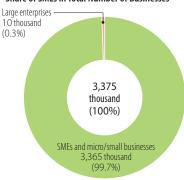
Note: Suspending the acceptance of new insurance since FY2003, the SME Unit currently pays on insurance money and receives recoveries based on insurance contracts already in force (Transitional Operation of the Machinery Credit Insurance Programs).

The Position of SMEs and Micro/Small Businesses in Japan

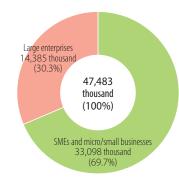
SMEs and micro/small businesses account for 99% of all businesses and approximately 70% of the total workforce in Japan. These figures attest to the fact that SMEs and micro/small businesses are the very source of Japanese economic vitality and the primary force underpinning regional economies.

SMEs and micro/small businesses are also expected to serve as the driving force of the nation's economic revitalization through the creation of new industries, products and services.

Share of SMEs in Total Number of Businesses



Share of SMEs in Total Number of Employees



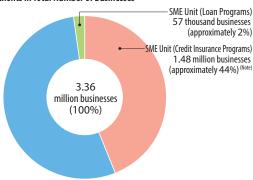
Sources: Small and Medium Enterprise Agency, "2025 White Paper on Small and Medium Enterprises in Japan" Note: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2021 Économic Census for Business Activity," edited by the Small and Medium Enterprise Agency.

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 one hundred years and family-owned private shops.

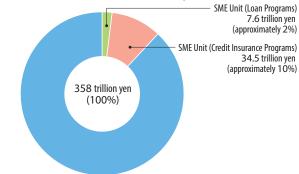
The SME Unit provides a wide range of support to meet the individual needs of each SME and micro/small business through its financial tools, Loan Programs, Credit Insurance Programs and Securitization Support Programs.

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, "2025 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 approximately 1.53 million SMEs and micro/small businesses (approximately 46%) and accounts for approximately 12% of outstanding loans to SMEs and micro/small businesses.

Characteristics of SME Unit's Clients

Loan Programs (Direct Loans)

 Number of businesses57 thousand businesses Average loan for FY2024

- 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 FY2024).

Credit Insurance Programs

Number of businesses ··········· 1.48 million businesses (Note)
 Average insurance for FY2024

Average amount of insurance acceptance per business ··· 19 million yen

Average term of insurance ········· 5 years and 10 months

Average number of employees per business ······ 7

- Approximately 75% of 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, 2025.

The SME Unit also helps to maintain employment, with the number of employees at the 57 thousand businesses receiving support (direct loans) rising to approximately 3.52 million persons (as of March 31, 2025).

Outstanding Loans by Type of Industry (Loan Programs) (as of the end of FY2024)



Outstanding Amounts of Insurance by Type of Industry (Credit Insurance Programs) (as of the end of FY2024)



Roles and Characteristics of the SME Unit

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 that involve high risks, such as start-up and new business development, business revitalization, business succession, and overseas expansion.

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.



Demonstrating a Supplementation Function for Private Financial Institutions

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

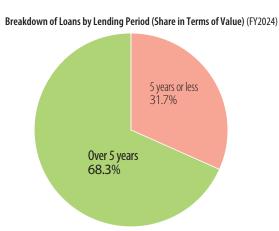
Dedicated to Long-term Funding

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 five years, with fixed interest rates that make it easier to map out repayment schedules.

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



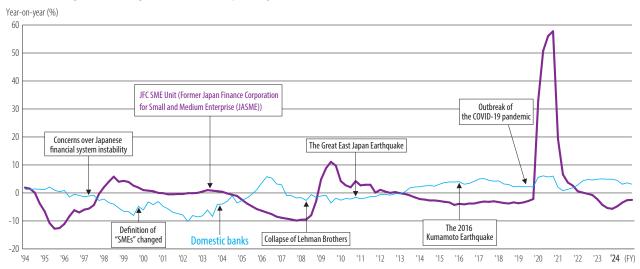
Note: Data are for fixed interest rate loans only.

Stable Supply of Business Funds

The SME Unit's lending volume tends to rise sharply during the economic stagnation period such as post-Lehman Shock, and conversely decline during the economic recovery period.

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 bank balances refer to loans to SMEs to cover banking accounts only.

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.

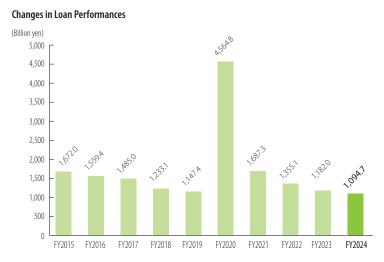
Promotion of Policy-based Special-purpose Loans

Promoting policy-based special-purpose loans in response to demands of the times

Promoting Policy-based Special-purpose Loans

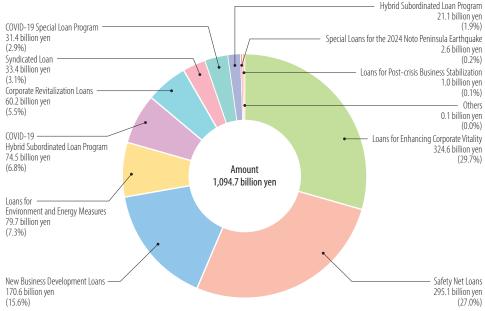
The SME Unit offers a variety of Special-purpose Loans designed to facilitate government policy guidance by channeling funds into targeted policy-based sectors. These sectors include new businesses, start-ups, business succession, business revitalization, overseas expansion, safety nets, regional economic revitalization, environmental measures, countermeasures against natural disasters, and stimulation of capital investment to promote employment.

During FY2024, the SME Unit took concerted steps to fully exercise its safety function and made every effort to support SMEs affected by successive natural disasters across Japan, the situation in Ukraine, and the sharp rise in oil prices, etc.



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

Breakdown of Loans (FY2024)



Note: Loans include corporate bonds, but excluding loans to Small and Medium Business Investment & Consultation Co.. Ltd. Performance for respective loans is rounded down to the nearest 100 million yen.

Flexibly Responding to Relaxation of Repayment Terms, Promoting Efforts with Private Financial Institutions for Financing Facilitating

As a policy-based financial institution, the SME Unit has responded flexibly to meet the needs of clients that are experiencing financing difficulties by relaxing the repayment terms for existing loans. Furthermore, the SME Unit will thoroughly prepare its internal system and make itself known while strengthening cooperation with private financial institutions and thereby work to further promote finance facilitation.

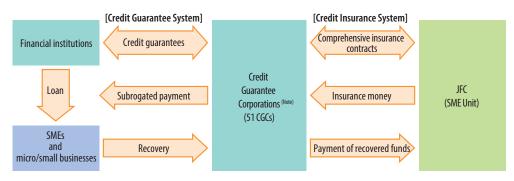
Demonstrating Credit Supplementation Function

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 (Note) 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



Note: Credit Guarantee Corporations (CGCs)

Special public corporations established under the CGC Law. Numbering 51 across Japan, CGCs guarantee loans from financial institutions to SMEs, make subrogated payments against defaults by SMEs, and subsequently recover funds from the SMEs in question. They are supervised by central and local governments, and receive contributions/loans from local governments and financial assistance from financial institutions in the form of contributions.

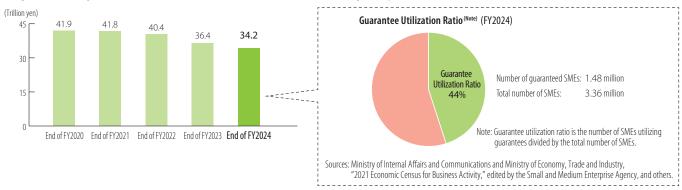
44% of SMEs Utilize the Credit Supplementation System

As of March 31, 2025, the portion of outstanding loans to SMEs guaranteed by CGCs (outstanding guaranteed liabilities) amounted to 34 trillion yen, accounting for 10% of all loans to SMEs.

Moreover, 1.48 million SMEs and micro/small businesses, accounting for 44% 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

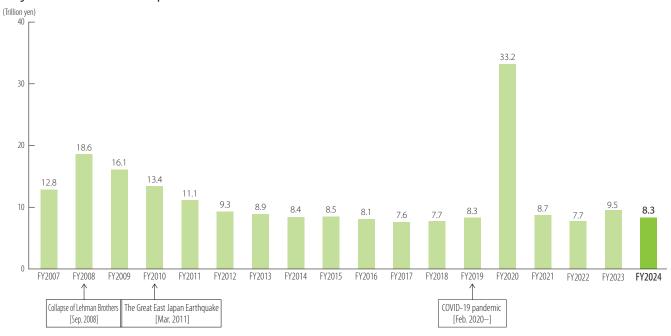


A powerful tool for promoting the government's economic policy

Functioning as a Safety Net that Copes with Rapid Changes in the Environment

The SME Unit helped in raising funds for SMEs and micro/small businesses that were facing difficulties in financing due to changes in the business environment caused by natural disasters, the outbreak of an infectious disease, and economic conditions, etc. by underwriting insurance for Safety-net Guarantees and the Great East Japan Earthquake Recovery Emergency Guarantee Program provided by CGCs throughout Japan.

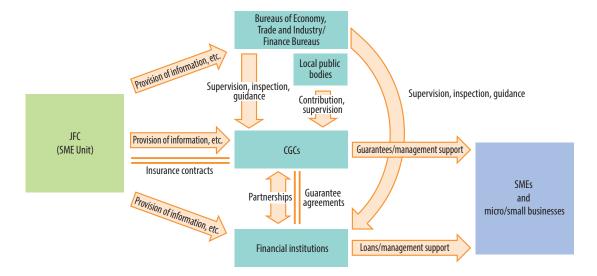
Changes in the Amounts of Insurance Acceptance



Strengthening Partnerships with CGCs for a Sustainable Operational Basis of the Credit Supplementation System

The SME Unit promotes the sound operation of the system while building close relationships with other institutions such as CGCs and Bureaus of Economy, Trade and Industry, through measures such as the provision of information and the exchange of opinions.

Given the heightened risks of insurance underwriting, the SME Unit will continue to promote partnerships in support of efforts aimed at the operation of sustainable systems.

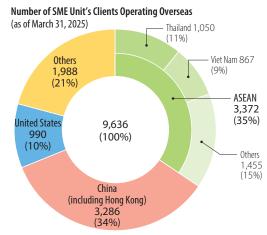


Support for Overseas Expansion

■The SME Unit actively supports SMEs engaging in overseas expansion

Support for Overseas Expansion Initiatives

Client companies of the SME Unit have 9,636 local subsidiaries actively engaged overseas, and the SME Unit provides Loans for Overseas Investment and Expansion and capital procurement support under our Standby Letter of Credit Program to support the overseas expansion of SMEs. The SME Unit established support structures at 36 sites nationwide that have many clients conducting business overseas by assigning Coordinators for the Promotion of Overseas Business Expansion.



Results of the Overseas Expansion Related Loans

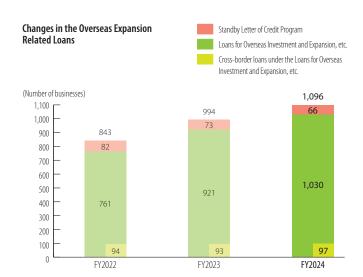
Status of use of the Overseas Expansion Related Loans

In FY2024, the SME Unit provided the Overseas Expansion Related Loans to 1,096 SMEs with a total value of 80.3 billion yen.

Among these loans, the number of users of the Loans for Overseas Investment and Expansion, etc. (Note), was 1,030, with a total amount of 76.6 billion yen. Of this, the number of cross-border loans (direct loans to overseas subsidiaries) was 97, totaling 6.7 billion yen.

In addition, under the Overseas Expansion Related Loans, the Standby Letter of Credit Program was utilized by 66 businesses, with letters of credit issued to the affiliated financial institutions in Thailand, China, Republic of Korea, Indonesia, Taiwan, Malaysia, and Mexico.

Note: Total number of loans provided to recipients of Loans for Overseas Investment and Expansion (including cross-border loans) and those who met the eligibility requirements for it.



Cross-border Loans

The cross-border loans are programs 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 in the economy. The countries and regions where this program can be used are Thailand, Viet Nam, Hong Kong, Singapore, the Philippines, and Mexico.





Support for Business Expansion by a Company Establishing Business in Viet Nam Using a Cross-border Loan

The Abeno Branch SME Unit provided a cross-border loan to Soltec Vietnam Company, a Vietnamese subsidiary of Soltec Industries Co., Ltd., which is involved in fabricating and installing various plant facilities.

Founded in 2010, the company has steadily expanded its business through its ability to provide integrated services from design to manufacturing and installation, along with thorough quality control and on-time delivery in accordance with Japanese quality standards in Viet Nam, leading to the acquisition of major local customers and the fabrication of plant equipment for the Japanese market.

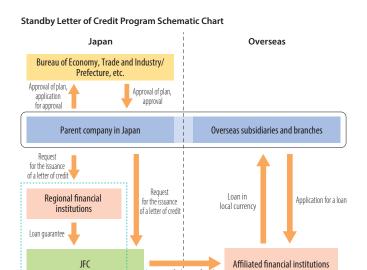
The SME Unit worked in collaboration with its main bank, The Nanto Bank, Ltd., to provide a cooperative loan to the local subsidiary for use as operating funds for business expansion.

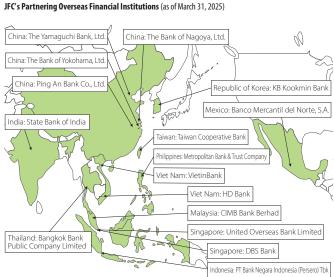
Furthermore, the introduction of cross-border loans is expected to have the effect of streamlining the balance sheet of the parent company in Japan and stabilizing the cash flow of the local subsidiary through the procurement of long-term, stable funds.



Standby Letter of Credit Program

The Standby Letter of Credit Program supports SMEs and micro/small businesses' overseas subsidiaries and branches working with their domestic parent companies (SMEs and others) to improve management capabilities, implement management innovations, and revitalize local economies. This program facilitates 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, 2025, the number of affiliated financial institutions, mainly in Asia, was 16 institutions.





Collaboration with regional financial institutions in Japan

Schemes in cooperation with regional financial institutions in Japan

In order to allow more SMEs to make use of the Standby Letter of Credit Program, the SME Unit established a scheme to partner with regional financial institutions throughout Japan. This partnership scheme has the benefits of enabling SMEs to perform procedures with local financial institutions with which they do business on a regular basis and enabling local financial institutions to utilize JFC's overseas networks as system infrastructure.

As of March 31, 2025, JFC has business partnerships with 61 regional financial institutions in Japan, and since the start of the program, letters of credit were issued to a total of 65 businesses through this partnership scheme.

Partnering Regional Financial Institutions (Japanese alphabetical order as of March 31, 2025)

• The Taiko Bank, Ltd.

· Aichi Bank, Ltd. Daishi Hokuetsu Bank, Ltd · The Kiyo Bank, Ltd. · The Hyakujushi Bank, Ltd. · The Akita Bank, Ltd. • The Kyoto Shinkin Bank · The Tajima Bank, Ltd. · The Fukui Bank, Ltd. • The Awa Bank, Ltd. · The Kyoto Chuo Shinkin Bank · Tsukuba Bank, Ltd. · Fukui Shinkin Bank · The Iyo Bank, Ltd. · Kiraboshi Bank, Ltd. · Tono Shinkin Bank • The Bank of Fukuoka, Ltd. · The Ehime Bank, Ltd. · Kuwanamie Shinkin Bank · The Towa Bank, Ltd. · The Fukushima Bank, Ltd. • The Enshu Shinkin Bank • The Tokushima Taisho Bank, Ltd. · The Saikyo Bank, Ltd. The Fuji Shinkin Bank · The Oita Bank, Ltd. • The Bank of Saga, Ltd. • The Tochigi Bank, Ltd. · Fujinomiya Shinkin Bank · San ju San Bank, Ltd. • The Tottori Bank, Ltd. • The Hekikai Shinkin Bank · Ogaki Kyoritsu Bank · Ogakiseino Shinkin Bank · The Sanjo Shinkin Bank · Tomato Bank, Ltd. · The Mishima Shinkin Bank • The Osaka City Shinkin Bank · Shizuoka Yaizu Shinkin Bank · Toyama Shinkin Bank · The Minato Bank, Ltd. · Osaka Shinkin Bank Shimada Kakegawa Shinkin Bank · The Nagano Bank, Ltd. · The Yamagata Bank, Ltd. · The Kagawa Bank, Ltd. · The Shimane Bank, Ltd. · The Nagano-ken Shinkumi Bank • The Bank of Yokohama, Ltd. · Kansai Mirai Bank, Ltd. • The Juhachi-Shinwa Bank, Ltd. • The Nagano Shinkin Bank • The Yokohama Shinkin Bank · Kitaiseueno Shinkin Bank · The Seishin Shinkin Bank · The Bank of Nagoya, Ltd. • The Kita-Nippon Bank, Ltd. The Seto Shinkin Bank · Numazu Shinkin Bank

Business Partnership with DBS Bank (Singapore) under the Standby Letter of Credit Program

On November 27, 2024, JFC concluded a business partnership agreement with DBS Bank, headquartered in Singapore, regarding the Standby Letter of Credit Program.

• The Gifu Shinkin Bank

This partnership covers not only Singapore but also China, Hong Kong, India, Indonesia, and Taiwan. By leveraging DBS Bank's extensive network across Asia, we are now able to provide more detailed support for local subsidiaries of our client companies in securing funding and other needs in the region.

As a result of this partnership, the number of affiliated financial institutions—primarily in Asia—has reached 16 as of the end of March 2025.



Signing ceremony

· The Himeji Shinkin Bank

Overseas Business Support Package

To provide seamless support to SMEs seeking to develop and expand overseas sales channels, JFC established the "Overseas Business Support Package" in collaboration with the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN), Nippon Export and Investment Insurance (NEXI), and the Japan External Trade Organization (JETRO), which joined in December 2024.

For SMEs facing challenges related to overseas expansion, four institutions are collaborating to provide support for enhancing overseas sales through business matching and other means, as well as financial support.

Also, 118 regional financial institutions throughout Japan were participating in this scheme as of the end of March 2025, supporting overseas expansion by SMEs in each region.

Regional financial **JETRO** institutions, JFC Support for Financial support the implementation of overseas expansion plans Provision of **Business operators** overseas information trade fairs, etc. SME Support, NEXI JAPAN Providing trade insurance Planning support Providing information on Consultations on exports and overseas buyers the establishment of

overseas bases

Preparation for and support with

business matching, etc.

Support by Overseas Representative Offices

The SME Unit holds business matching meetings and networking events between Japanese companies for the overseas subsidiaries of SMEs as a forum for supporting the resolution of management issues and facilitating network building.

The 16th Japan-Thai Business Matching Meeting

In February 2025, the SME Unit held the 16th Japan-Thai Business Matching Meeting in Bangkok, Thailand, with the aim of supporting local subsidiaries of Japanese companies in developing sales and procurement channels. The event was co-hosted with the Thailand Board of Investment and held with the cooperation of 32 Japanese regional financial institutions and others. A total of 152 companies (33 buyers and





119 suppliers) including Thai local firms participated, and 222 business meetings were conducted. Feedback from participants included comments such as, "One of the buyer companies we met with during the event requested a factory visit. We were able to have business discussions with real potential for future transactions, making this a very valuable opportunity." The event successfully provided opportunities for expanding sales channels.

The 3rd Online China Business Matching Meeting

The SME Unit co-hosted the 3rd Online China Business Matching Meeting with 17 financial institutions including Japanese regional financial institutions for Japanese-affiliated companies located throughout China, over five days in February 2025. A total of 72 companies (25 buyers and 47 suppliers) participated in the event, and 95 business meetings were conducted. By holding the event online, we were able to include companies from across all regions of China. Participant feedback included comments such as, "We had been hoping to have business discussions with a certain distant company, but had no point of contact until now. This event gave us that opportunity, and we felt the potential for future business." The event was highly satisfactory, offering meaningful opportunities even for participants from more remote areas.



Ho Chi Minh City Networking Event for Japanese Companies

In November 2024, with the aim of providing information and supporting network building for local subsidiaries of Japanese companies in Viet Nam, JFC held the Ho Chi Minh City Networking Event for Japanese Companies in cooperation with eight Japanese financial institutions. In Part 1, a seminar was held covering topics such as the latest updates on local laws, which are often difficult to grasp, and issues commonly faced by many companies, such as recruitment and retention of human resources. In Part 2, an information exchange session was held among participating companies. The session also included co-hosting financial institutions and seminar speakers, providing an active forum for exchange.



Cooperation with Overseas Institutions

Cooperation with ACSIC Member Institutions

The Asian Credit Supplementation Institution Confederation (ACSIC) comprises 18 institutions including the Korea Credit Guarantee Fund (KODIT), PT. Asuransi Kredit Indonesia (Askrindo) and Thai Credit Guarantee Corporation (TCG). As an ACSIC member, the SME Unit attends the annual conference and actively encourages mutual exchange with institutions engaged in implementing the Credit Supplementation System.

In September 2024, the ACSIC conference was held in Kathmandu, Nepal, hosted by Deposit and Credit Guarantee Fund (DCGF), on the topic of "Financing Innovation for Economic Growth."



The 36th ACSIC Conference (Nepal)

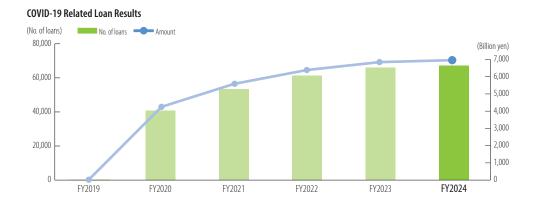
Demonstration of Policy-based Nature

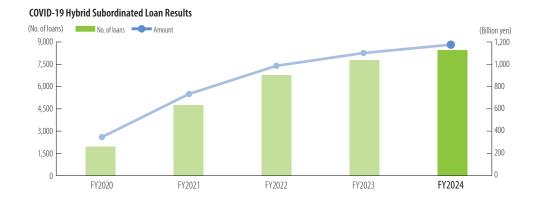
Exercise of Safety Net Functions

■The SME Unit supports the financing of SMEs in response to changes in the management, financial, and other environments

COVID-19 Related Loan Results

A total of 67,109 loans amounting to 6,958.6 billion yen have been disbursed to borrowers affected by COVID-19 through March 31, 2025. Of these loans, through March 31, 2025, the number of loans for COVID-19 Hybrid Subordinated Loan Program was 8,447 with a total value of 1,175.7 billion yen. (The COVID-19 Special Loan Program was terminated as of the end of March 2025.)





Support for Initiatives for Business Revitalization

The SME Unit actively supports initiatives for the business revitalization of SMEs, utilizing Capital Subordinated Loans and other facilities

Financing of Corporate Revitalization Loans

The SME Unit is actively engaged in providing special Corporate Revitalization Loans to support SMEs with their business revitalization and management reconstruction and initiatives.

Corporate Revitalization Loans

Fiscal year	FY2022	FY2023	FY2024
No. of businesses	349	497	878
Amount (billion yen)	38.0	45.2	82.8

Capital Subordinated Loans (revitalization-type)

Fiscal year	FY2022	FY2023	FY2024
No. of businesses	21	50	89
Amount (billion yen)	2.8	4.2	8.2

Cooperation with Public Revitalization Support Institutions

By the end of December 2024, Small and Medium Enterprises Revitalization Councils had provided revitalization planning support to 27,252 businesses nationwide. The SME Unit participated in the provision of support to over 20% (6,598 businesses) of these businesses.

revitalization or related support (cumulative total)		No. of cases where the SME Unit of JFC participated in the provision of support (cumulative total)
	27,252 businesses	6,598 (24.0%)

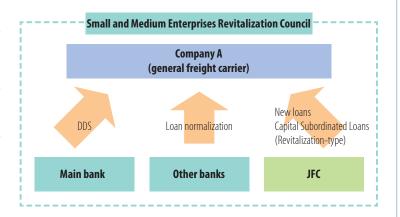
Note: As of December 31, 2024

Implementation of New Loan (Capital Subordinated Loan: Revitalization-type) in Cooperation with Public Revitalization Support Institutions and Private Financial Institutions

The SME Unit applied the Capital Subordinated Loans (revitalization-type) and provided loans to the company A that received revitalization planning support from the Small and Medium Enterprises Revitalization Council.

For this project, the SME Unit extended new financing in the form of Capital Subordinated Loan as necessary fund for implementation of revitalization plans to a reorganizing company that had no business with the SME Unit in the past, at the time when main bank supported drastic revitalization of the company with DDS, and other banks normalized the loan condition with new finance. By providing the Capital Subordinated Loan, the company reinforced its financial foundations and stabilized cash flows, leading to its recovery.

The SME Unit of JFC will continue to actively support the business revitalization of SMEs.



Business revitalization support results

		(a) FY2023 results	(b) FY2024 results	(b) \div (a) Year-on-year comparison
Support for borrowers with relaxed lo	oan conditions	408 businesses	410 businesses	100%
(1) Support through lending measures (Note 1)		45 businesses	61 businesses	136%
(2) Business revitalization through D	(2) Business revitalization through Drastic revitalization through DDS (Note 2), etc.		125 businesses	152%
financial support methods R	levitalization through loan condition modifications, etc.	281 businesses	224 businesses	80%
Support for the formulation of management improvement plans (Support for proactive plan formulation by customer companies)		1,300 businesses	1,279 businesses	98%

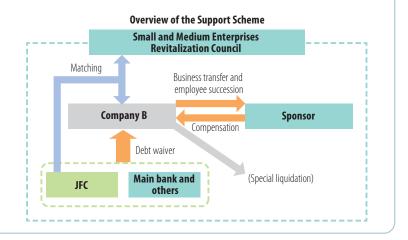
 $Notes: 1. \ Includes \ COVID-19 \ related \ loans \ and \ other \ support \ provided \ to \ borrowers \ with \ relaxed \ loan \ conditions.$

2. A financial support method that aims to eliminate insolvency by converting part of a claim into a capital subordinated loan, which is treated as capital under financial inspection standards.

Business Revitalization Support Using the Secondary Company Method through Public Revitalization Support Institutions

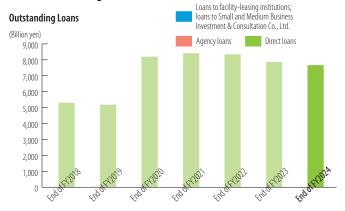
With the participation of the Small and Medium Enterprises Revitalization Council, JFC provided business revitalization support to Company B (integrated circuit manufacturer) in conjunction with an effective debt waiver of claims using a second company method.

In this case, JFC took the lead in connecting Company B—whose business conditions had severely deteriorated and who had not yet found a path to recovery—with the Small and Medium Enterprises Revitalization Council. In cooperation with the main bank and others, JFC was involved in coordinating the revitalization scheme, which led to the establishment of a drastic revitalization plan involving the transfer of the business to a sponsor.



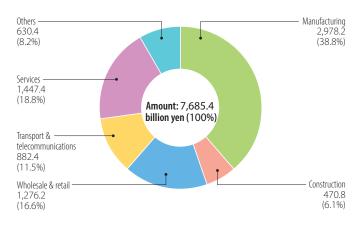
State of the SME Unit's Operations

State of Loan Programs



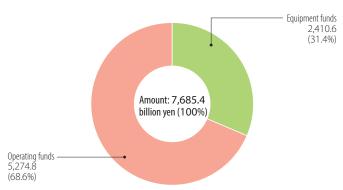
							(Billion yen)
Direct loans	5,321.5	5,203.7	8,214.5	8,429.6	8,363.1	7,884.3	7,683.7
Agency loans	4.9	4.1	3.4	3.0	2.5	2.0	1.7
Loans to facility-leasing institutions; loans to Small and Medium Business Investment & Consultation Co., Ltd.	0.4	0.2	0.0	0.0	0.0	0.0	0.0

Outstanding Loans by Industry (FY2024 year-end) (Billion yen)



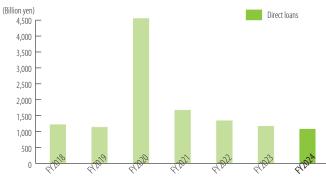
(Outstanding loans include corporate bonds. Breakdowns are calculated by excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding loans.)

Breakdown of Loans by Facility and Operating Funds (FY2024 year-end) (Billion yen)



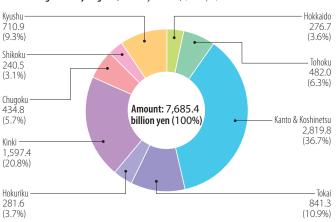
(Outstanding loans include corporate bonds. Breakdowns are calculated by excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding loans.)

Performance of Loans



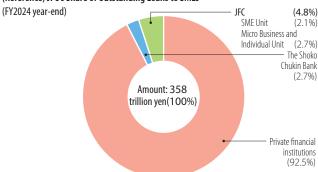
							(Billion yen)
Direct loans	1,233.1	1,147.4	4,564.8	1,687.3	1,355.1	1,182.0	1,094.7
Agency loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to facility-leasing institutions; loans to Small and Medium Business Investment & Consultation Co., Ltd.	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Outstanding Loans by Region (FY2024 year-end) (Billion yen)



(Outstanding loans include corporate bonds. Breakdowns are calculated by excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding loans.)

(Reference) JFC's Share of Outstanding Loans to SMEs



 $Notes: \ 1. The \ SME\ Unit's\ outstanding\ loans\ are\ calculated\ by\ excluding\ loans\ to\ facility-leasing\ institutions\ and$ loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding

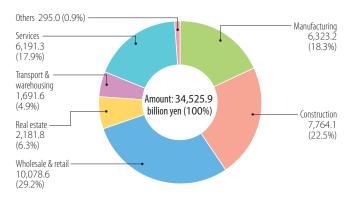
- 2. The figure for the Micro Business and Individual Unit's outstanding loans is the total of General Loans and Environmental Health Business Loans.

 3. The Shoko Chukin Bank's outstanding loans do not include loans related to offshore accounts and
- credit cooperative agency loans.
- 4. The amount of outstanding loans by private financial institutions is the total of loans by city banks, trust banks, regional banks, regional banks II, shinkin banks, and credit cooperatives.

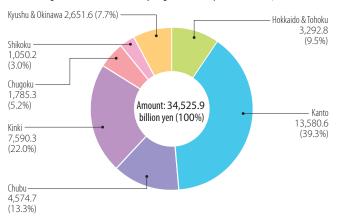
Source: Bank of Japan, "Deposits, Vault Cash, and Loans and Bills Discounted," etc.

State of Credit Insurance Programs (Small Business Credit Insurance)

Outstanding Amounts of Insurance by Industry (FY2024 year-end) (Billion yen)

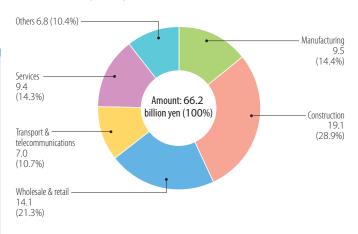


Outstanding Amounts of Insurance by Region (FY2024 year-end) (Billion yen)

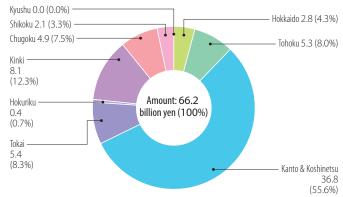


State of Securitization Support Programs (Purchase-type)

Provision of Funds by Industry (FY2024) (Billion yen)



Provision of Funds by Region (FY2024) (Billion yen)



Offices

Head Office

Otemachi Financial City North Tower, 1-9-4 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

Number of Branch Offices: 152

For additional information and/or inquiries concerning the following programs, please contact:

Loan Programs and Securitization Support Programs

Japan Finance Corporation
Small and Medium Enterprise (SME) Unit
International Operations Administration Group,
International Operations Department
Otemachi Financial City North Tower,
1-9-4 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Tel: +81-3-3270-0505 Fax: +81-3-3279-5910
E-mail: cnintl@jfc.go.jp

Credit Insurance Programs

Japan Finance Corporation
Small and Medium Enterprise (SME) Unit
Credit Insurance Research Group,
Credit Insurance Information Office
Otemachi Financial City North Tower,
1-9-4 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Tel: +81-3-3270-6212 Fax: +81-3-3242-0033



Representative Office in Bangkok

9th Floor, Park Ventures Ecoplex, 57 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand Tel: +66-2-252-5496 Fax: +66-2-252-9991

Representative Office in Ho Chi Minh City

Suite 1803-1805/ 18th Floor, Saigon Tower, 29 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Viet Nam Tel: +84-28-3535-8921

Representative Office in Shanghai

Head Office

R.N.1616, Shanghai International Trade Center, No. 2201, Yan An Xi Lu, Shanghai 200336 People's Republic of China

Tel: +86-21-6275-8908 Fax: +86-21-6275-8909



^{*} Red dots indicate JFC branches that have specialist SME Unit staff assigned to them (as of September, 2025).

