

Japan Finance Corporation
Guide to the Operations of
the Small and Medium Enterprise (SME) Unit
2026



JAPAN FINANCE CORPORATION

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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, the international environment, including U.S. tariff measures, and the situation in the Middle East, 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 continued to respond to a wide range of inquiries, including those related to loans and repayments, and co-hosted business matching meetings with financial institutions in the affected areas, among other initiatives, thereby continuing to expand the circle of support and helping develop new sales channels. In response to U.S. tariff measures and the situation in the Middle East, we also established a consultation structure, including setting up special consultation desks, and provided necessary cash flow support.

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 productivity improvement and related initiatives, we provided both financial and informational support to customers making capital investments in labor-saving measures, digitalization, digital transformation, and other initiatives, as well as to customers aiming for rapid growth, including by declaring a 10-billion-yen sales target. Among these efforts, to foster companies with annual sales of 10 billion yen, we conducted broad outreach on relevant policy measures and supported customers in formulating growth strategies, including assistance with applications for the Subsidy Program for Accelerating SME Growth.

With regard to support for new businesses and start-ups, in addition to providing financial support through the Start-up Loan Program and other programs, we worked to support sales channel development and improve awareness by holding events that provided opportunities for start-ups to engage in business discussions with customers and by introducing 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 121 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 (NEXI), 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 1.1 trillion yen in FY2025, and the outstanding loan amount as of the fiscal year-end was 7.5 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 Safety Net Guarantee, and Cooperatively Supportive Special Credit Guarantee Program, in order to facilitate the smooth flow of funds in response to natural disasters, the international environment including U.S. tariff measures and the situation in the Middle East, price hikes, and labor shortages.

We also supported active business development by underwriting insurance for credit guarantee programs that provide customers with the option not to 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 FY2025, and the outstanding insurance amount as of the fiscal year-end was 33.2 trillion yen.

While the Japanese economy has begun moving toward a growth-oriented economy, customers are facing a phase in which it is difficult to steer their management due to the persistence of rising prices and labor shortages, the rapidly changing international situation, and other factors. In this environment marked by a turning point, all staff members will work together to provide hands-on support to customers, who boldly take on growth investment and management improvement, helping them achieve productivity improvements and wage increases, and connecting these efforts to a sustainable growth-oriented economy.

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, while complementing private financial institutions, we will continue to fully fulfill our role as a policy-based financial institution.

TODAKA Hideshi

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, 2026)

- 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: FUJII Takeshi (appointed June 23, 2026)
- Capital, etc.: Capital: 11,780.9 billion yen
Reserve fund: 5,376.8 billion yen
- Branch Offices: Branch offices in Japan: 152
Overseas representative offices: 3
- Employees: 7,423 (budgetary fixed number for FY2026)
- Outstanding Loans: 23,140.0 billion yen
 - Micro Business and Individual Unit: 9,837.6 billion yen
 - Agriculture, Forestry, Fisheries and Food Business Unit: 3,507.1 billion yen
 - Small and Medium Enterprise (SME) Unit (Finance Operations): 7,576.7 billion yen
 - Operations to Facilitate Crisis Responses: 2,144.2 billion yen
 - Operations to Facilitate Specific Businesses Promotion, etc.: 74.2 billion yen
- Outstanding Amounts of Insurance:
 - Small and Medium Enterprise (SME) Unit (Credit Insurance Programs): 33,229.9 billion yen

Basic Philosophy

● Focused Policy-based Financing

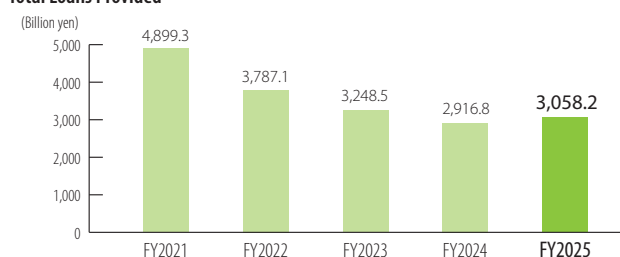
Following the national policy, provide flexible policy-based financing by utilizing a variety of financing programs and schemes to meet the needs of society, while complementing the activities of private financial institutions.

● Mainstreaming Governance

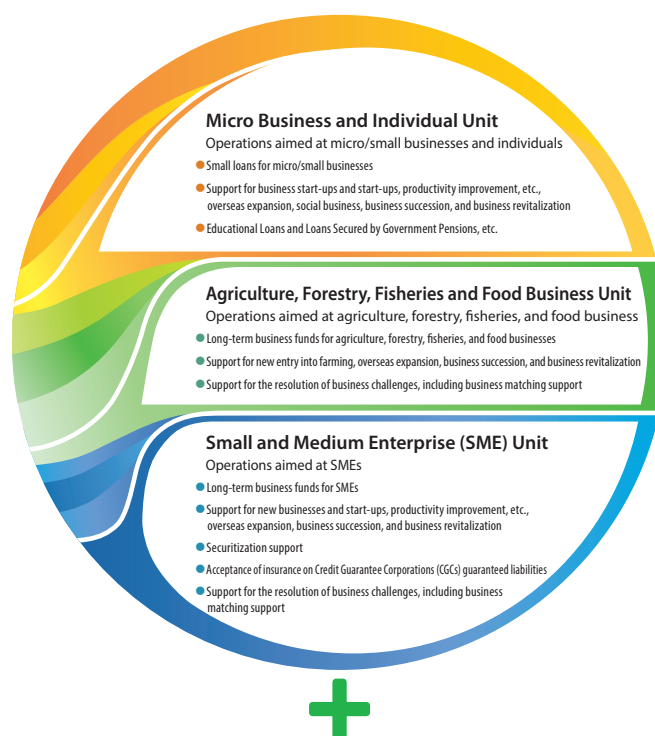
Strive to conduct highly transparent and efficient business operations based on a high level of corporate governance and hold itself accountable to the public.

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 hand in hand 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 act as the source of Japan's economic vitality and are the primary force underpinning regional economies.

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 FY2025

► Loan Programs

Loans	1,167.4 billion yen
Direct loans	1,167.4 billion yen
Agency loans	- yen
Loans to Small and Medium Business Investment & Consultation Co., Ltd.	- yen
Outstanding loans.....	7,576.7 billion yen
Direct loans	7,575.3 billion yen
Agency loans	1.3 billion yen
Loans to facility-leasing institutions, loans to Small and Medium Business Investment & Consultation Co., Ltd.	- yen

► Securitization Support Programs

Financing support amount	
Purchase-type	70.8 billion yen
Financing support balance	
Purchase-type	170.6 billion yen
Outstanding holdings such as asset backed securities	
Purchase-type	12.5 billion yen
Outstanding guaranteed liabilities such as asset backed securities	
Purchase-type	28.7 billion yen
Outstanding guaranteed liabilities of loan claims	
Guaranteed-type	- yen

Credit Insurance Programs

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

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

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

Performance for FY2025

► Credit Insurance Programs

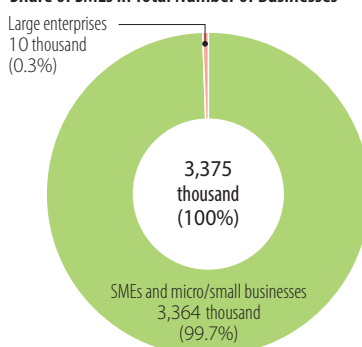
Amounts of insurance acceptance and loans	
Small Business Credit Insurance.....	8,388.8 billion yen
No record of loans to CGCs and	
Special Insurance for Mid-size Enterprises	
Outstanding amounts of insurance and loans	
Small Business Credit Insurance.....	33,229.9 billion yen
Special Insurance for Mid-size Enterprises	0.0 billion yen
No record of the acceptance of Machinery Credit Insurance	
No record of loans to CGCs	

● The Position of SMEs and Micro/Small Businesses in Japan

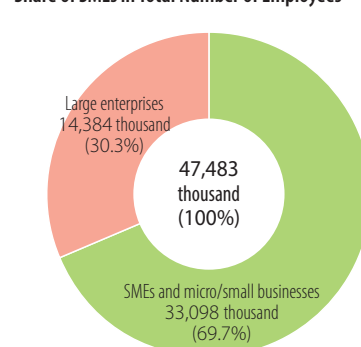
SMEs and micro/small businesses account for approximately 99% of all businesses and approximately 70% of the total workforce in Japan. These figures attest to the fact that SMEs and micro/small businesses are the very source of Japanese economic vitality and the primary force underpinning regional economies.

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



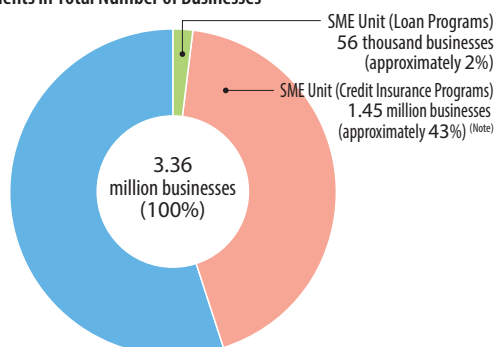
Sources: Small and Medium Enterprise Agency, "2026 White Paper on Small and Medium Enterprises in Japan"
 Note: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry,
 "2021 Economic Census for Business Activity," edited by the Small and Medium Enterprise Agency.

SME Unit's Clients

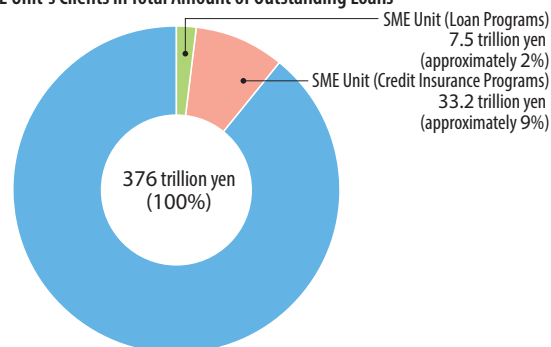
SMEs and micro/small businesses account for approximately 99% of all businesses in Japan, and underpin regional economies, acting as a source of Japanese economic vitality. The size and conditions of each SME and micro/small business differ, such as companies that sustain the regional economy with many 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



Share of SME Unit's Clients in Total Amount of Outstanding Loans



Note: Number of businesses utilizing the Credit Guarantee System.

Sources: Small and Medium Enterprise Agency, "2026 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.

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

The SME Unit has business relationships with 1.50 million SMEs and micro/small businesses (approximately 45%) and accounts for 11% of outstanding loans to SMEs and micro/small businesses.

Characteristics of SME Unit's Clients

Loan Programs (Direct Loans)

- Number of businesses 56 thousand businesses
Average loan for FY2025
Average loan amount per business 92 million yen
Average term of loan 9 years and 3 months
Average amount of capital per business 40 million yen
Average number of employees per business 78
- Approximately 79% of outstanding loans are for businesses with 20 employees or more, and approximately 90% are for those with 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 FY2025).

Credit Insurance Programs

- Number of businesses 1.45 million businesses (Note)
Average insurance for FY2025
Average amount of insurance acceptance per business 19 million yen
Average term of insurance 5 years and 8 months
Average number of employees per business 8
- Approximately 74% of outstanding amounts of insurance are for businesses with 20 employees or less, and approximately 73% are for those with capital of 10 million yen or less.
- Covers a wide range of industries.

Note: Number of businesses utilizing the Credit Guarantee System.

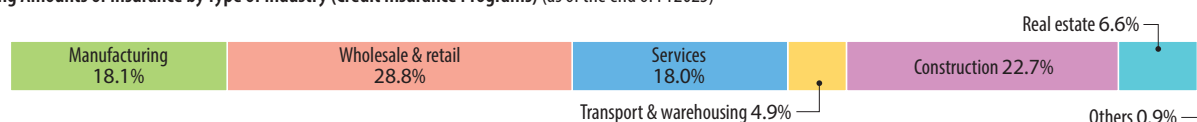
Note: Results are current as of March 31, 2026.

The SME Unit also helps to maintain employment, with the number of employees at the 56 thousand businesses receiving support (direct loans) rising to approximately 3.49 million persons (as of March 31, 2026).

Outstanding Loans by Type of Industry (Loan Programs) (as of the end of FY2025)



Outstanding Amounts of Insurance by Type of Industry (Credit Insurance Programs) (as of the end of FY2025)



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 support for new businesses and start-ups, 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

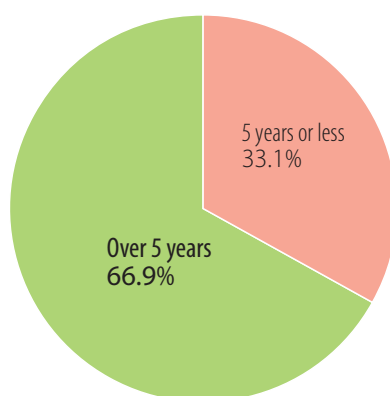
If SMEs are to grow and prosper, they must continually invest capital appropriately and consolidate their financial strength. To do this, they need to be able to raise long-term funds in a stable manner.

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.

Breakdown of Loans by Lending Period (Share in Terms of Value) (FY2025)



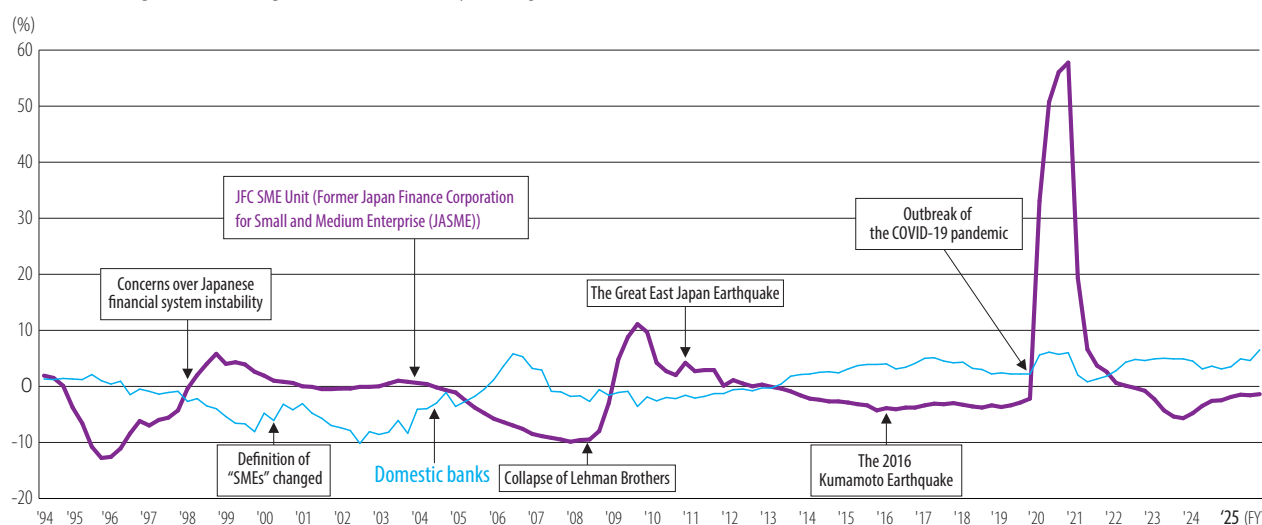
Note: Data are for fixed interest rate loans only.

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.

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.

Promotion of Policy-based Special-purpose Loans

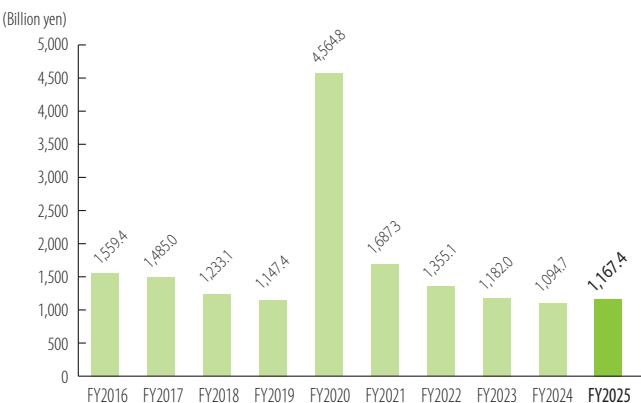
Promoting policy-based special-purpose loans in response to demands of the times

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.

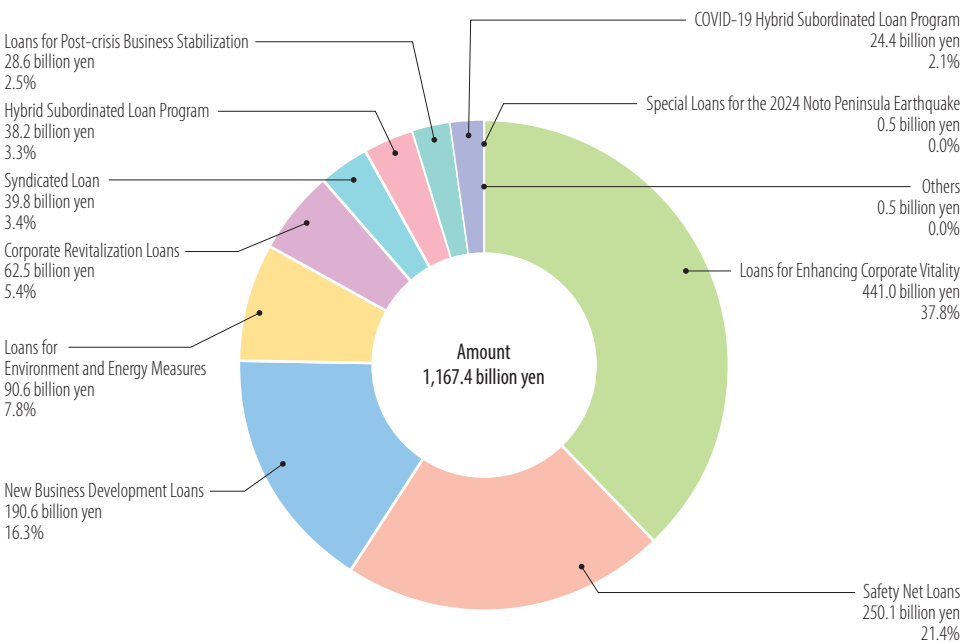
During FY2025, the SME Unit took concerted steps to fully exercise its safety function and made every effort to support SMEs affected by successive natural disasters across Japan, rising prices, the situation in the Middle East and Ukraine, and other factors.

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.

Breakdown of Loans (FY2025)



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.

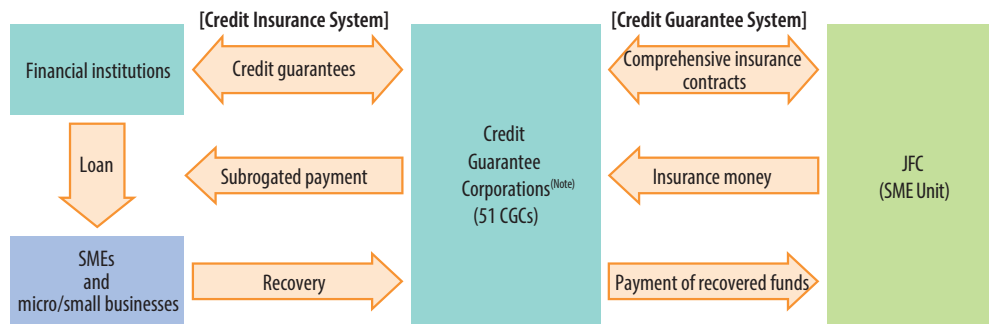
Demonstrating Credit Supplementation Function

■ 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.

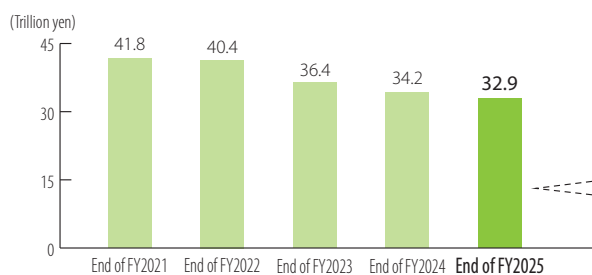
43% of SMEs Utilize the Credit Supplementation System

As of March 31, 2026, the portion of outstanding loans to SMEs guaranteed by CGCs (outstanding guaranteed liabilities) amounted to 32 trillion yen, accounting for approximately 9% of all loans to SMEs.

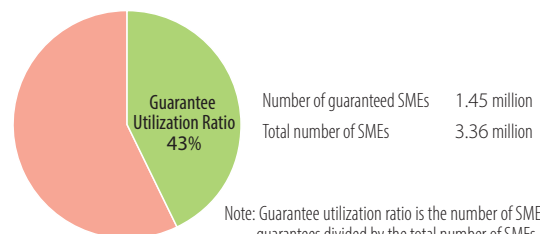
Moreover, 1.45 million SMEs and micro/small businesses, accounting for 43% of all SMEs in Japan, were raising funds with the support of the Credit Guarantee System.

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

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



Guarantee Utilization Ratio ^(Note) (FY2025)



Note: Guarantee utilization ratio is the number of SMEs utilizing guarantees divided by the total number of SMEs.

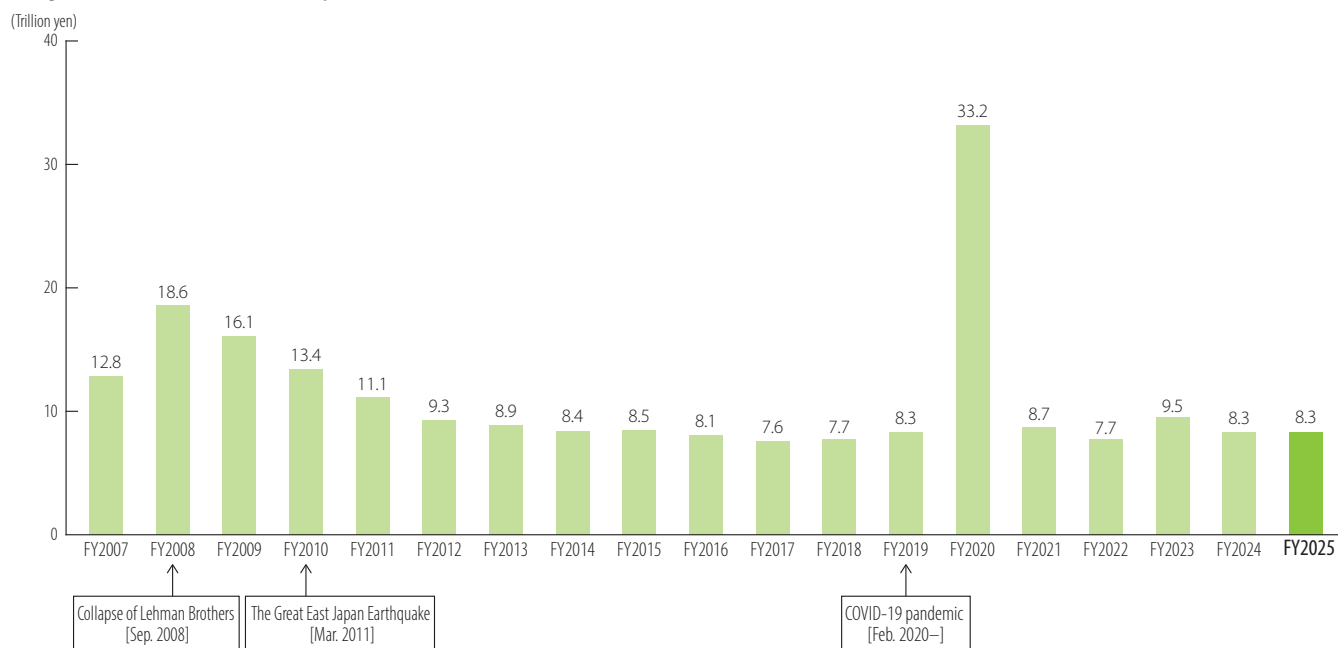
Sources: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2021 Economic Census for Business Activity," edited by the Small and Medium Enterprise Agency, and others.

■ 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.

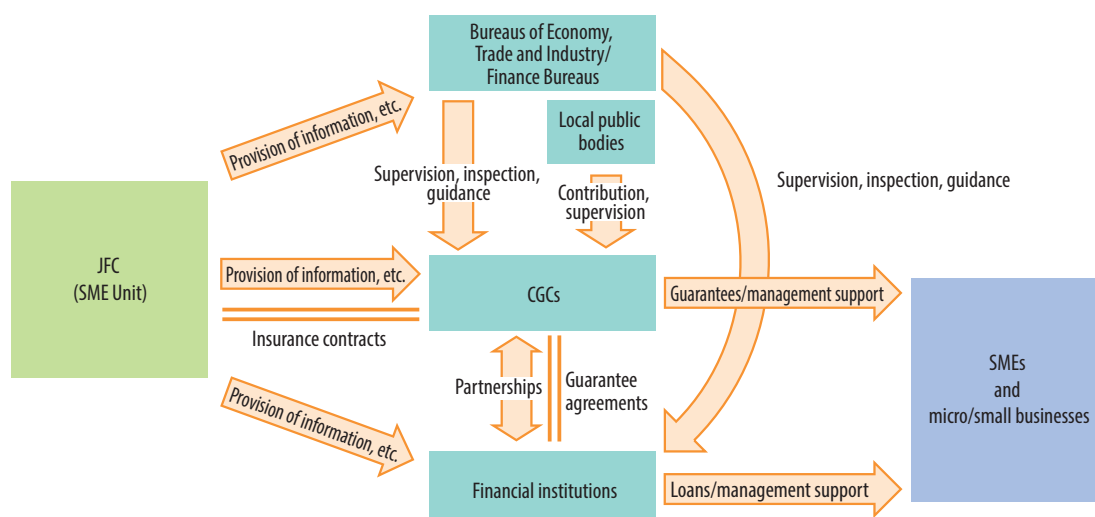
Changes in the Amounts of Insurance Acceptance



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.



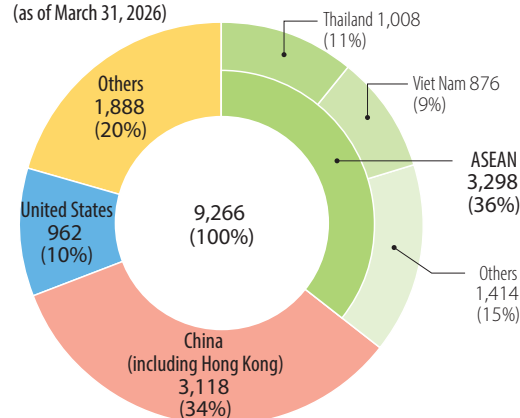
Support for Overseas Expansion

■ The SME Unit actively supports SMEs engaging in overseas expansion

Support for Overseas Expansion Initiatives

Client companies of the SME Unit have 9,266 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 has established support structures by assigning Coordinators for the Promotion of Overseas Business Expansion at all branches where the SME Unit operates, totaling 66 locations.

Number of SME Unit's Clients Operating Overseas
(as of March 31, 2026)



Results of the Overseas Expansion Related Loans

● Status of use of the Overseas Expansion Related Loans

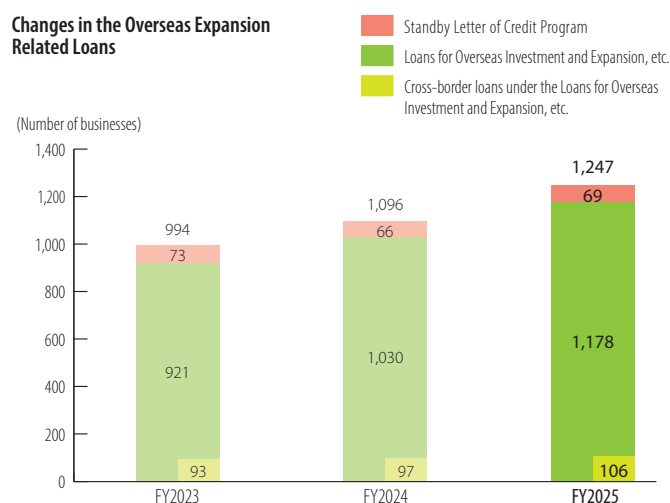
In FY2025, the SME Unit provided the Overseas Expansion Related Loans to 1,247 SMEs with a total value of 98.0 billion yen.

Among these loans, the number of users of the Loans for Overseas Investment and Expansion, etc. ^(Note), was 1,178, with a total amount of 94.2 billion yen. Of this, the number of cross-border loans (direct loans to overseas subsidiaries) was 106, totaling 8.3 billion yen.

In addition, under the Overseas Expansion Related Loans, the Standby Letter of Credit Program was utilized by 69 businesses, with letters of credit issued to the affiliated financial institutions in Thailand, China, Republic of Korea, Indonesia, Viet Nam, Singapore, 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.

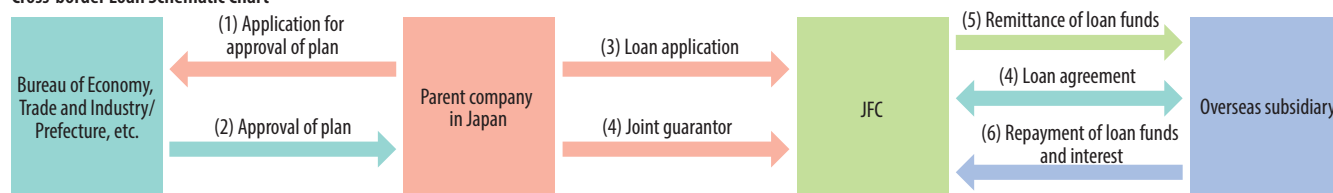
Changes in the Overseas Expansion Related Loans



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.

Cross-border Loan Schematic Chart



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.

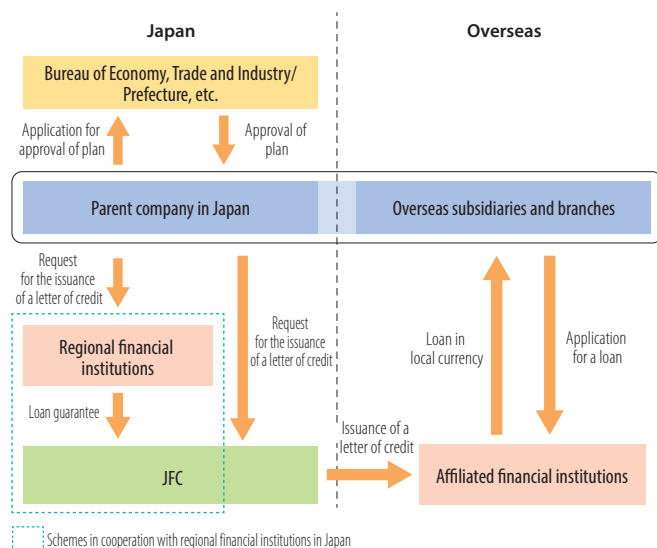
Furthermore, the introduction of cross-border loans is expected to have the effect of streamlining the balance sheet of the parent company in Japan and stabilizing the cash flow of the local subsidiary through the procurement of long-term, stable funds.



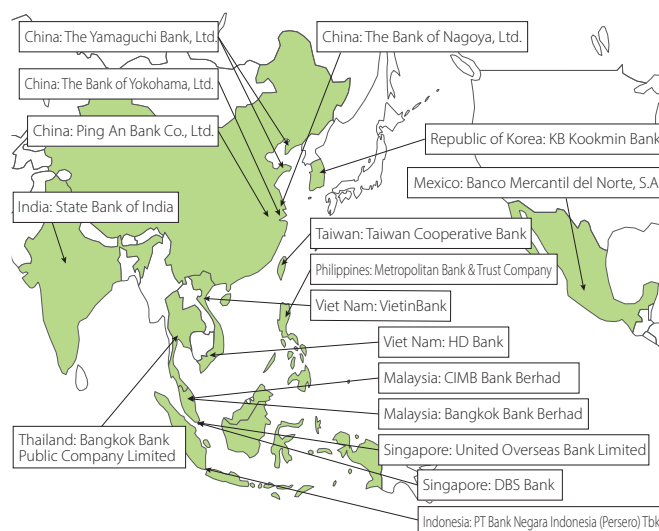
Standby Letter of Credit Program

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, 2026, the number of affiliated financial institutions, mainly in Asia, was 17 institutions.

Standby Letter of Credit Program Schematic Chart



JFC's Partnering Overseas Financial Institutions (as of March 31, 2026)



Collaboration 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, 2026, JFC has business partnerships with 60 regional financial institutions in Japan, and since the start of the program, letters of credit have been issued to a total of 68 businesses through this partnership scheme.

Partnering Regional Financial Institutions (Japanese alphabetical order as of March 31, 2026)

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

Supporting Business Expansion in Thailand through the Standby Letter of Credit Program

FUJIWARA HEAVY EQUIPMENT is a company engaged in the installation of construction machinery and equipment. To secure markets and respond to the overseas expansion of its business partners, the company established local subsidiaries in Thailand, China, and Indonesia, and provides integrated services ranging from transport to the installation of construction machinery, mainly for customers' local subsidiaries and local Japanese-affiliated companies.

Its Thai subsidiary mainly handles installation work and dismantling operations of large machinery at factories, and has expanded its local business operations thanks to its highly regarded safety standards.

Through the partnership scheme under the Standby Letter of Credit Program, the SME Unit worked with the Osaka City Shinkin Bank to issue a letter of credit to Bangkok Bank, supporting the Thai subsidiary's procurement of funds in Thai baht.

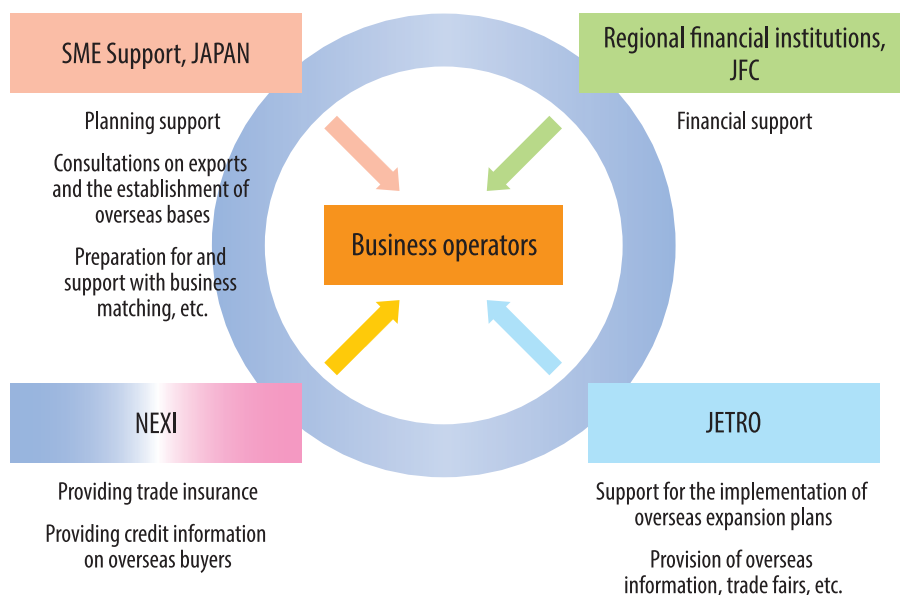


Overseas Business Support Package

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).

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, 121 regional financial institutions throughout Japan were participating in this scheme as of the end of March 2026, supporting overseas expansion by SMEs in each region.



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.

● Online China Business Matching Meeting (Representative Office in Shanghai)

In January 2026, the SME Unit co-hosted the 4th Online China Business Matching Meeting with 16 institutions, including Japanese regional financial institutions, for Japanese-affiliated local subsidiaries in China over five days. A total of 67 companies (27 buyers and 40 suppliers) participated in the event, and 77 business meetings were conducted. Participant feedback included comments such as, “Because the event was held online, we were able to hold business meetings with distant companies with which we normally have no contact, without the burden of travel and other logistics. The matching system was also helpful because it allowed us to research the other companies in advance.” The event was highly satisfactory.

● Ho Chi Minh City Business Matching Meeting for Japanese Companies (Representative Office in Ho Chi Minh City)

In January 2026, with the aim of supporting local subsidiaries of Japanese companies in Viet Nam in developing sales and procurement channels, the SME Unit held the 1st Ho Chi Minh City Business Matching Meeting for Japanese Companies, co-hosted with the Japanese Chamber of Commerce and Industry in Ho Chi Minh City and with the cooperation of 16 Japanese regional financial institutions and others. A total of 100 companies (33 buyers and 67 suppliers) participated in the event, and 138 business meetings were conducted. Participant feedback included comments such as, "We were able to have more in-depth discussions than expected and felt a strong response. In the future, we would like to develop these discussions into transactions not only in Viet Nam but also between the Japanese parent companies." The event successfully provided opportunities for expanding sales channels.



● India Networking Event for Japanese Companies (Representative Office in Bangkok)

In September 2025, the SME Unit held the India Networking Event for Japanese Companies in India with the cooperation of five Japanese regional financial institutions and others. This was the first event held in India in collaboration with Japanese regional financial institutions. In Part 1, a seminar was held on the latest information on local laws, regulations, and tax systems, topics of high interest to Japanese companies. In Part 2, an information exchange session was held among participating companies. Participant feedback included comments such as, "It was very helpful to connect with companies in other industries and relevant organizations that we may be able to consult about day-to-day concerns." The event provided an active forum for information exchange that also included co-hosting financial institutions and seminar speakers.



Cooperation with Overseas Institutions

● Cooperation with ACSIC Member Institutions

The Asian Credit Supplementation Institution Confederation (ACSIC) comprises 20 institutions including the Korea Credit Guarantee Fund (KODIT), PT. Asuransi Kredit Indonesia (Askrindo) and Thai Credit Guarantee Corporation (TCG). As an ACSIC member, JFC attends the annual conference and actively encourages mutual exchange with institutions engaged in implementing the Credit Supplementation System.

In November 2025, the ACSIC conference was held in Taipei, Taiwan, hosted by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan, under the theme of "How to Utilize Financial Innovation to Enhance the Efficiency of Credit Supplementation."



The 37th ACSIC Conference (Taiwan)

Demonstration of Policy-based Nature

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	FY2023	FY2024	FY2025
No. of businesses	497	878	1,030
Amount (billion yen)	45.2	82.8	97.4

Capital Subordinated Loans (revitalization-type)

Fiscal year	FY2023	FY2024	FY2025
No. of businesses	50	89	225
Amount (billion yen)	4.2	8.2	22.3

Cooperation with Public Revitalization Support Institutions

By the end of December 2025, Small and Medium Enterprises Revitalization Councils had provided revitalization planning support to 29,453 businesses nationwide. The SME Unit participated in the provision of support to over 20% (7,157 businesses) of these businesses.

No. of cases in which the Small and Medium Enterprises Revitalization Council completed business revitalization or related support (cumulative total)	No. of cases where the SME Unit of JFC participated in the provision of support (cumulative total)
29,453 businesses	7,157 (24.0%)

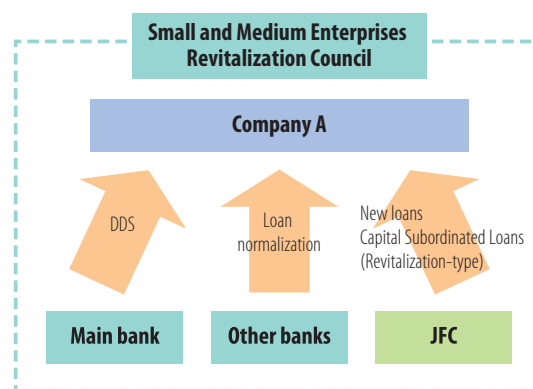
Note: As of December 31, 2025

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 (general freight carrier) 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

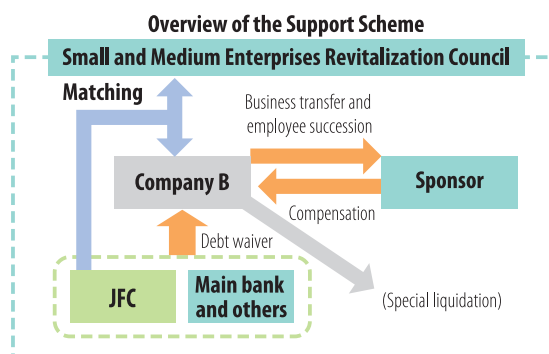
	(a) FY2024 results	(b) FY2025 results	(b) ÷ (a) Year-on-year comparison
Support for borrowers with relaxed loan conditions	410 businesses	430 businesses	105%
(1) Support through lending measures	61 businesses	64 businesses	105%
(2) Business revitalization through financial support methods	Drastic revitalization through DDS ^(Note) , etc. Revitalization through loan condition modifications, etc.	141 businesses 225 businesses	113% 100%
Support for the formulation of management improvement plans (Support for proactive plan formulation by customer companies)	1,279 businesses	1,176 businesses	92%

Note: 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

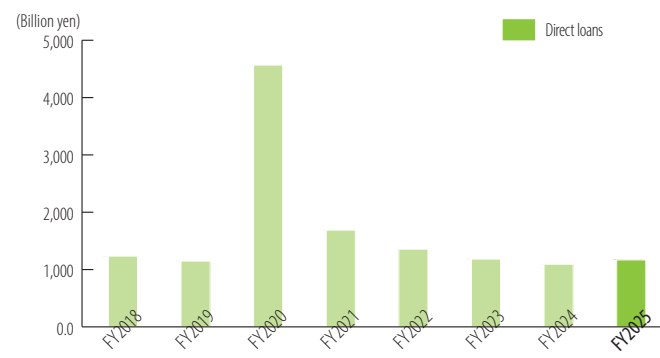
State of Loan Programs

Outstanding Loans



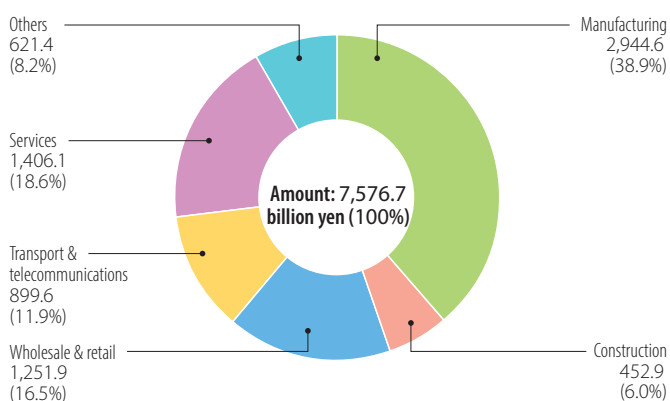
	(Billion yen)							
Direct loans	5,321.5	5,203.7	8,214.5	8,429.6	8,363.1	7,884.3	7,683.7	7,575.3
Agency loans	4.9	4.1	3.4	3.0	2.5	2.0	1.7	1.3
Loans to facility-leasing institutions; loans to Small and Medium Business Investment & Consultation Co., Ltd.	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0

Performance of Loans



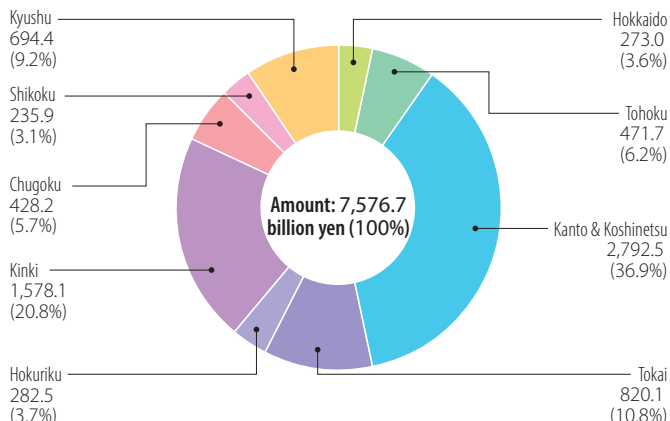
	(Billion yen)							
Direct loans	1,233.1	1,147.4	4,564.8	1,687.3	1,355.1	1,182.0	1,094.7	1,167.4
Agency loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to facility-leasing institutions; loans to Small and Medium Business Investment & Consultation Co., Ltd.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Outstanding Loans by Industry (FY2025 year-end) (Billion yen)



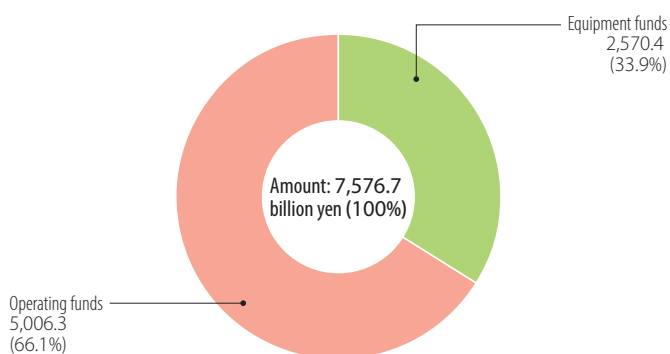
Outstanding loans include corporate bonds. Breakdowns are calculated by excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding loans.

Outstanding Loans by Region (FY2025 year-end) (Billion yen)



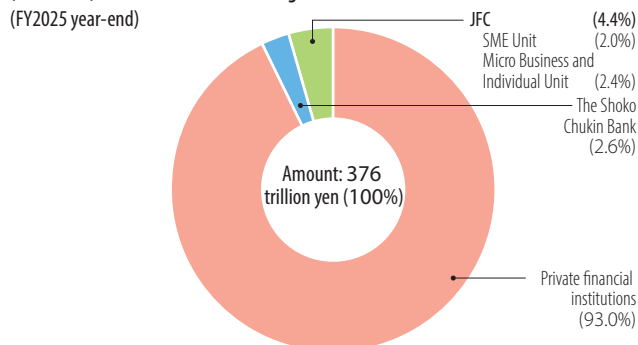
Outstanding loans include corporate bonds. Breakdowns are calculated by excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding loans.

Breakdown of Loans by Facility and Operating Funds (FY2025 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.

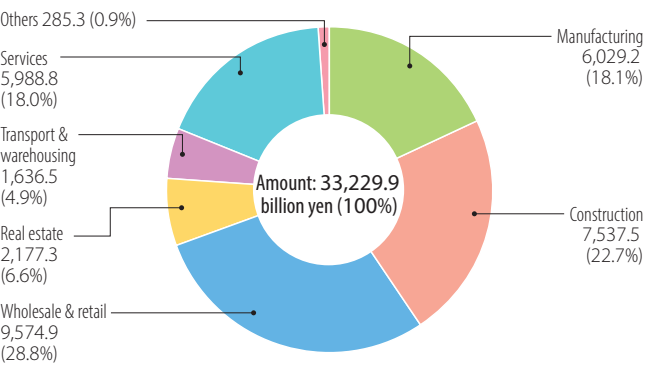
(Reference) JFC's Share of Outstanding Loans to SMEs (FY2025 year-end)



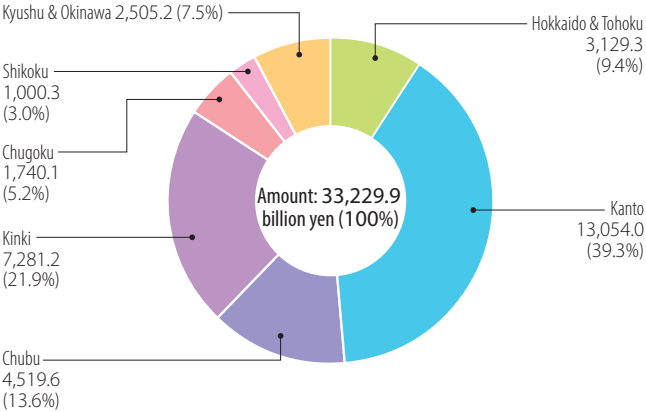
- Notes:
- The SME Unit's outstanding loans are calculated by excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding loans.
 - The figure for the Micro Business and Individual Unit's outstanding loans is the total of General Loans and Environmental Health Business Loans.
 - The Shoko Chukin Bank's outstanding loans do not include loans related to offshore accounts and credit cooperative agency loans.
 - 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 (FY2025 year-end) (Billion yen)

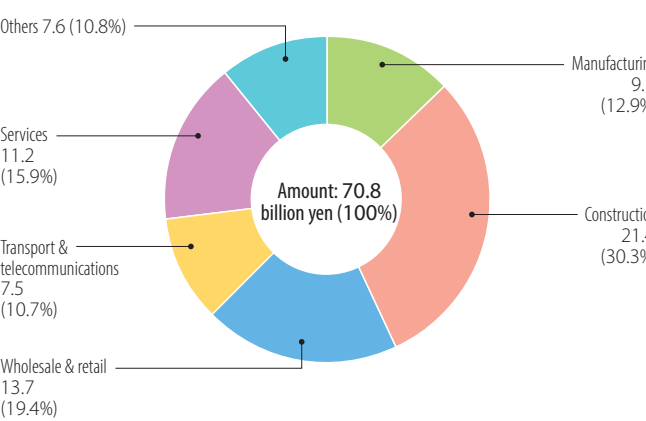


Outstanding Amounts of Insurance by Region (FY2025 year-end) (Billion yen)

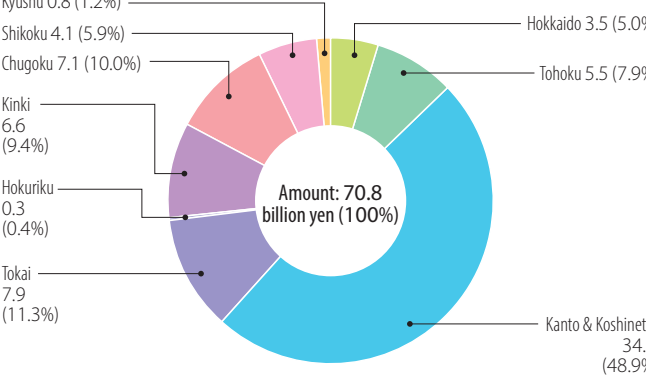


● State of Securitization Support Programs (Purchase-type)

Provision of Funds by Industry (FY2025) (Billion yen)



Provision of Funds by Region (FY2025) (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

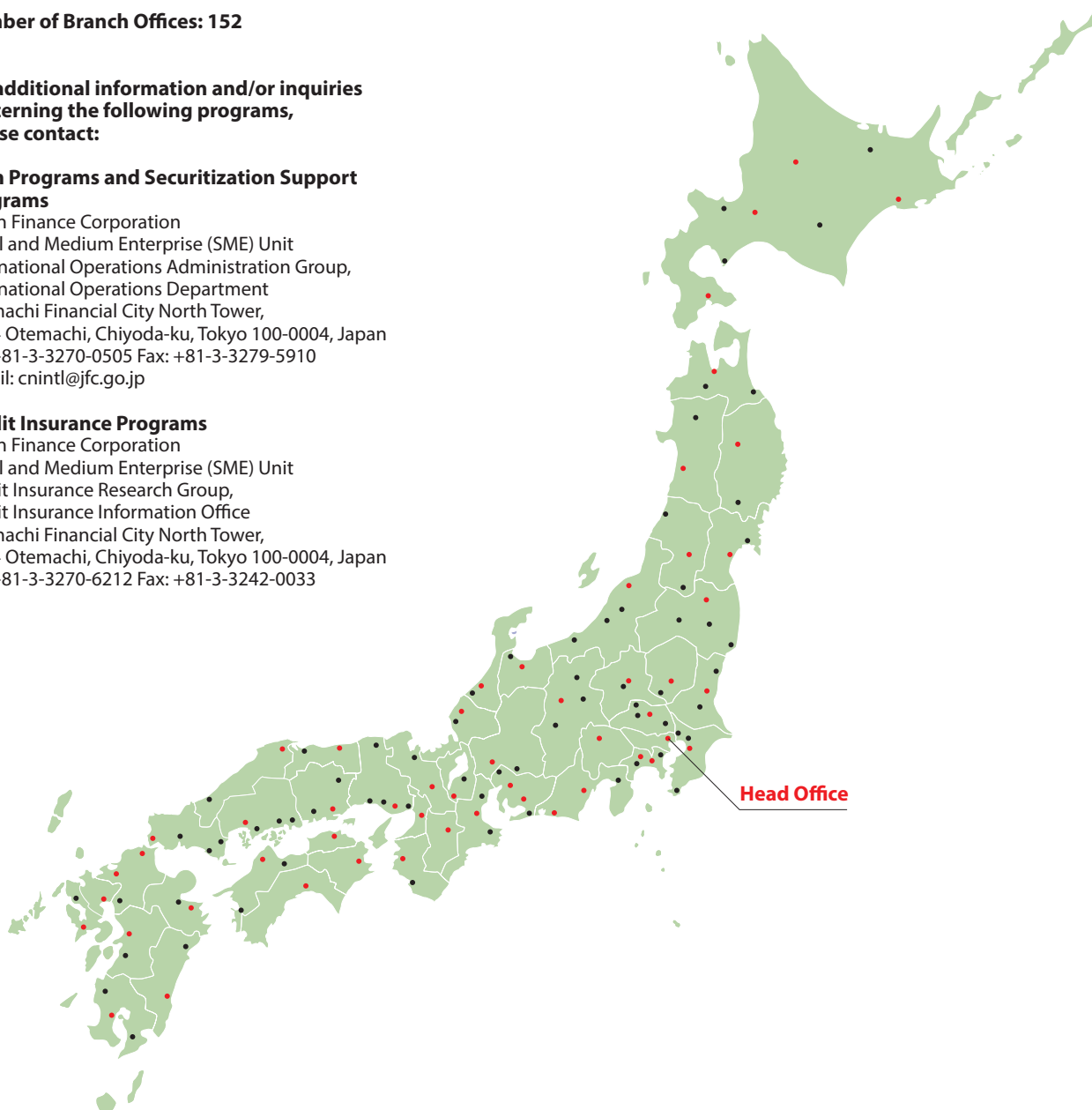
For additional information and/or inquiries concerning the following programs, please contact:

Loan Programs and Securitization Support Programs

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International Operations Department
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* Red dots indicate JFC branches that have specialist SME Unit staff assigned to them (as of September, 2026).

