

# Japan Finance Corporation

## Guide to the Operations of the Micro Business and Individual Unit

# 2021



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Note: Figures used in this Report:

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

Numbers of items 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 Micro Business and Individual Unit

First, I would like to express my sincere gratitude for your kind understanding and support to the operations of Micro Business and Individual Unit, Japan Finance Corporation (JFC). As a result of the spread of COVID-19 in FY2020, the government twice declared a state of emergency. On behalf of JFC, I would like to express my heartfelt sympathies to all who have been affected.

We offer life-based financing including business loans for micro/small businesses and educational loans.

In the previous fiscal year, we established consultation desks at 152 branches nationwide on January 29, 2020, extended operating hours, and conducted operations on holidays, took other actions to respond to provide all possible support businesses that have been affected by COVID-19 and perform our safety net functions. In conjunction with this, from the perspective of preventing the spread of infection, we improved branch environments, conducted loan consultations with prior appointments, and enhanced non-face-to-face services by conducting online interviews and expanding online application functions, made it possible for customers to access our services with reassurance. We will continue to make all possible efforts to support those affected by the COVID-19 pandemic by responding to inquiries and providing support to continue their business.

Along with the government's growth strategy, we also have been proactively supporting SMEs in the field of "business start-up," "business succession," "business revitalization," "social business," and "overseas expansion."

Especially, support for business start-ups is crucial policy in local revitalization, so we enhance support for wide range of people, such as female, and/or young, and/or migrator entrepreneurs. We have focused not only on responding to the funding needs of entrepreneurs, but also on solving problems after business start-up, helping businesses get on track. Also, we have held "High School Student Business Plan Grand Prix" to help foster entrepreneurship mindset in future generations of business leaders. We intend to make use of this new business support experience and know-how in the business start-up education sites.

As the managers of SMEs and micro/small businesses age and the impacts of COVID-19 become protracted, business succession support is an important measure for connecting businesses that are important in local communities to the next generation, and accordingly, we commenced nationwide "business succession matching support" that connects micro/small businesses who do not have a successor with prospective entrepreneurs. We also held events and disseminate information on examples of success. JFC will actively continue its efforts relating to business succession so that valuable management assets including the technologies and know-how that micro/small businesses have accumulated can be effectively transferred.

In the field of revitalizing businesses, we supported micro/small businesses which intend to reorganize their business management by flexibly responding to requests from customers, providing assistance on preparing management improvement plans. In



the future, we will reinforce collaboration with regional financial institutions and other support organizations and bodies to support business revitalization for business continuation of micro/small businesses while using Capital Subordinated Loans and other programs that lead to increased capital.

Moreover, we will pursue partnerships with regional financial institutions in order to thoroughly implement policy-based financing. We have focused our efforts on deepening dialogue and further strengthening our partnerships with regional financial institutions including creation and utilization of cooperative loan programs and referring customers to them in order to connect small business operators with regional financial institutions. We will continue to collaborate with regional financial institutions and support solutions to diverse management problems including funding support for businesses that have been affected by COVID-19.

The Educational Loan program which aims to reduce the financial burden of educational expenses on households and provide equal educational opportunity has been used by many of our customers for more than 40 years. We will continue to adequately use special measures for those affected by the COVID-19 pandemic and provide support for those who require funds to enroll or maintain their children in school.

Through cooperation with the Chambers and Societies of Commerce and Industry and relevant organizations such as tax accountants, we will continue to make every effort to support micro/small business owners. We will also take into consideration the changes that have occurred in the business environment as a result of the COVID-19 pandemic and actively the undertake digitalization measures promoted by the government to fulfill our policy-based financing function.

I sincerely hope for your continued understanding and support.

**TOMIYAMA Kazushige**

General Manager, Micro Business and Individual 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 JFC (as of Mar. 31, 2021)

- 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: 6,990.2 billion yen  
Reserve fund: 3,503.9 billion yen
- Branch Offices: Branch Offices in Japan: 152  
Overseas representative offices: 2
- Employees: 7,436 (budgetary fixed number for FY2021)
- Outstanding Loans: 29,238.7 billion yen
  - Micro Business and Individual Unit: 12,842.8 billion yen
  - Agriculture, Forestry, Fisheries and Food Business Unit: 3,485.4 billion yen
  - Small and Medium Enterprise (SME) Unit: 8,218.1 billion yen (Finance Operations)
- Operations to Facilitate Crisis Responses: 4,570.6 billion yen
- Operations to Facilitate Specific Businesses Promotion, etc.: 121.6 billion yen

## Basic Philosophy

### ● Focused policy-based financing

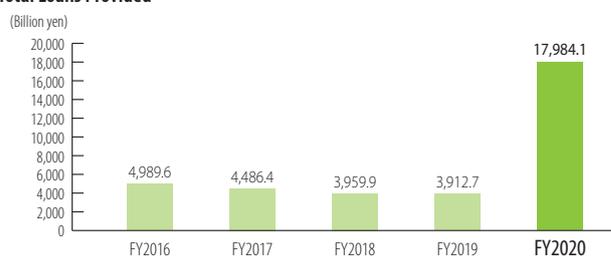
Following the national policy, provide flexible policy-based financing by utilizing a variety of financing programs and schemes to meet the needs of society, while complementing the activities of private financial institutions.

### ● Mainstreaming governance

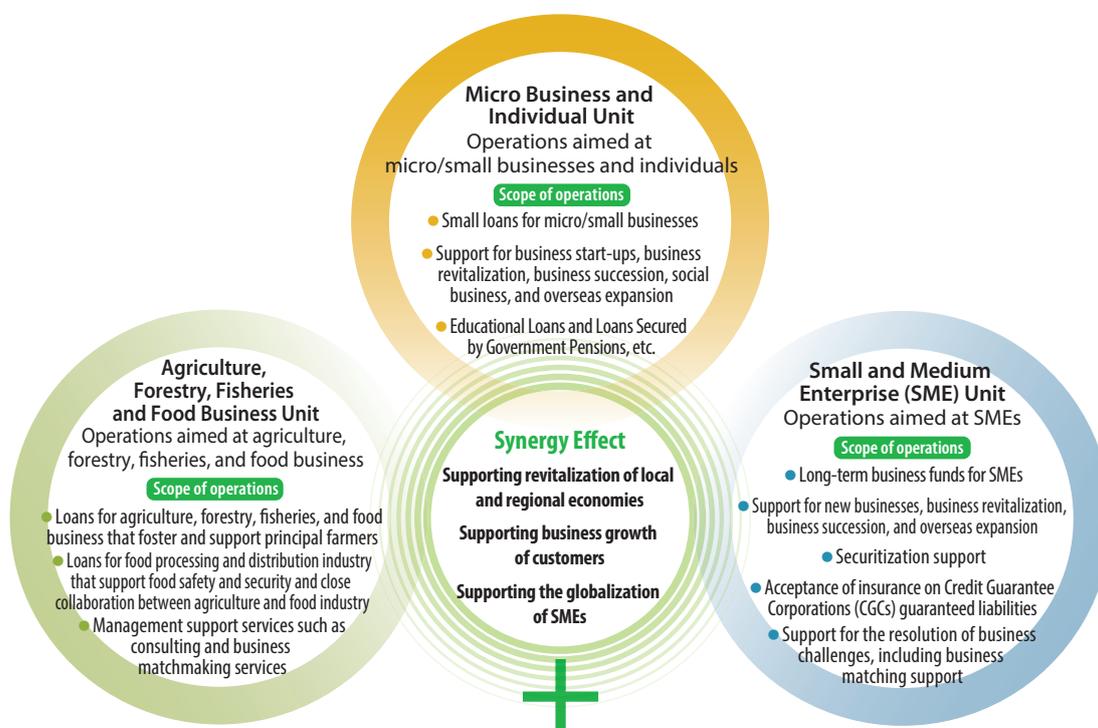
Strive to conduct highly transparent and efficient business operations based on a high level of corporate governance and hold itself accountable to the public.

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

### Total Loans Provided



## Major Business Operations of JFC

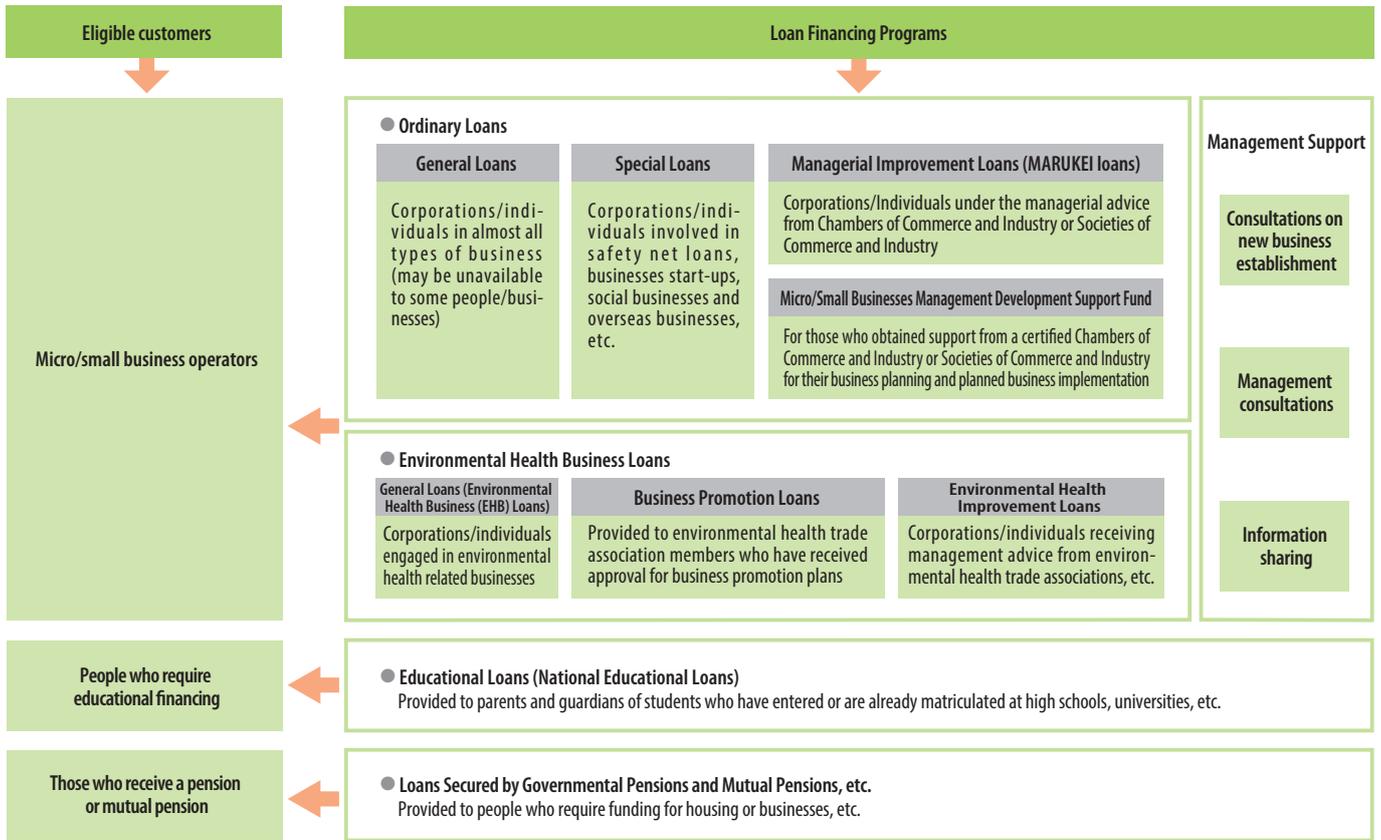


### Operations to Facilitate Crisis Responses and Specific Businesses Promotion, etc.

- 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, the Industrial Competitiveness Enhancement Act, and the Act on Promotion of Developing/Supplying and Introducing Systems Making Use of Specified Advanced Information Communication Technologies.

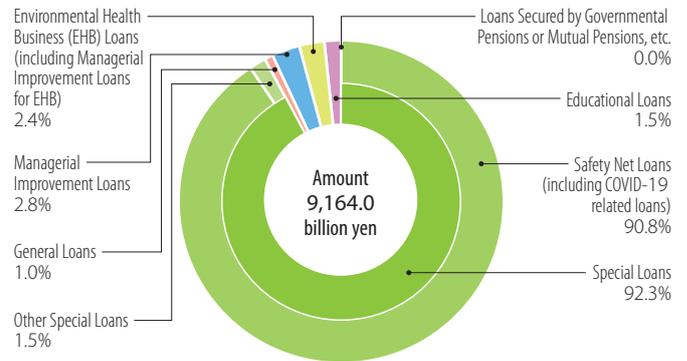
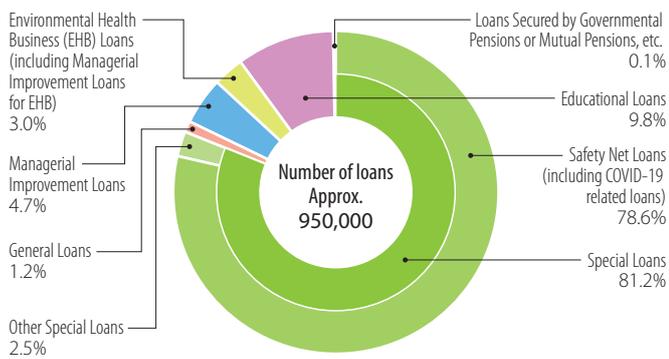
# Overview of the Micro Business and Individual Unit

## Providing Loans for a Wide Variety of Activities Closely Related to National Life, Including Business Financing

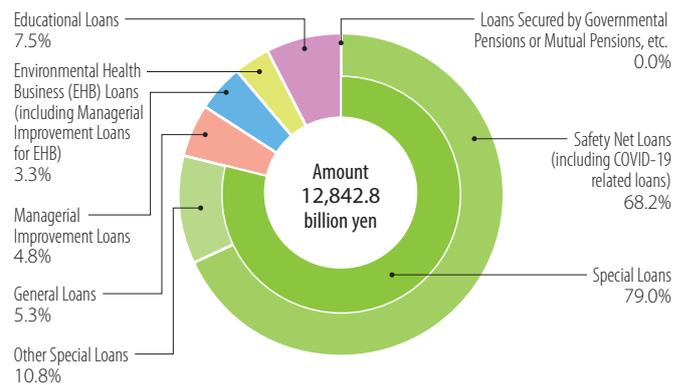
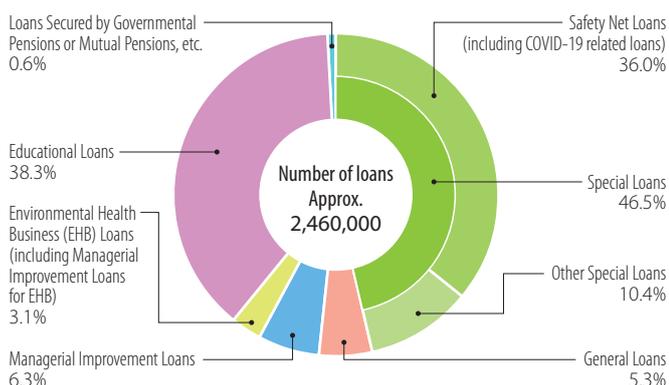


Overview of the Micro Business and Individual Unit

**Breakdown of Loans (FY2020)**



**Breakdown of Loan Balance (as of the end of FY 2020)**



## Support for Micro/Small Businesses

### Loans Used by Many Customer

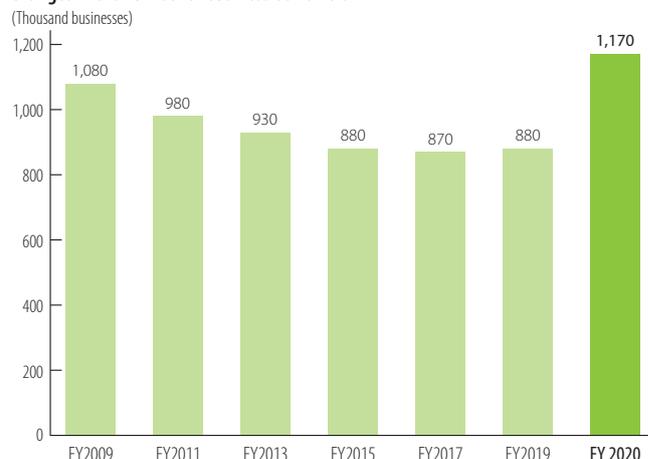
JFC-Micro loans are used by many micro/small businesses, which are the source of vitality of the Japanese economy, employing many people, and support regional economies.

The number of SMEs and micro/small businesses nationwide in 1996 exceeded 5 million, but declined to 3.85 million in 2012 and 3.57 million in 2016. Under the circumstances, the number of loans provided by JFC-Micro has gradually declined and was 880,000 at the end of FY2019.

As a result of our full-scale efforts to support business operators that were impacted by the COVID-19 pandemic in 2020, the number of loans increased to 1.17 million as of March 31, 2021. In fact, approximately 30% of SMEs and micro/small businesses nationwide were making use of JFC-Micro loans.

Source: Prepared by the Small and Medium Enterprise Agency based primarily on Ministry of Internal Affairs and Communications, "Establishment and Enterprise Census"; "2009 Economic Census for Business Frame"; Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2012 Economic Census for Business Activity"; Ministry of Internal Affairs and Communications, "2014 Economic Census for Business Frame"; Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2016 Economic Census for Business Activity"; and other sources.

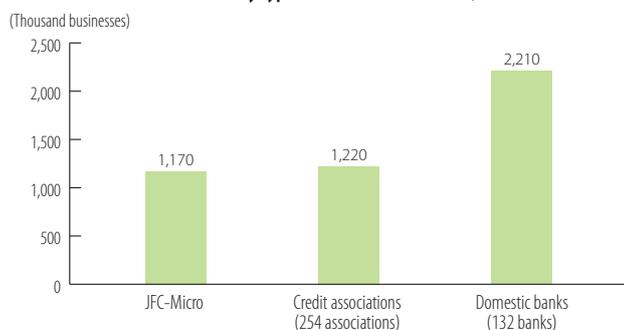
Changes in the number of business borrowers



### Most Loans Are Small, Unsecured Loans

Approximately 70% of all loans are for 10 million yen or less and the average loan balance per business is 10.08 million yen. Also, more than 90% of all loans are unsecured.

Number of business borrowers by type of financial institution (as of the end of FY2020)

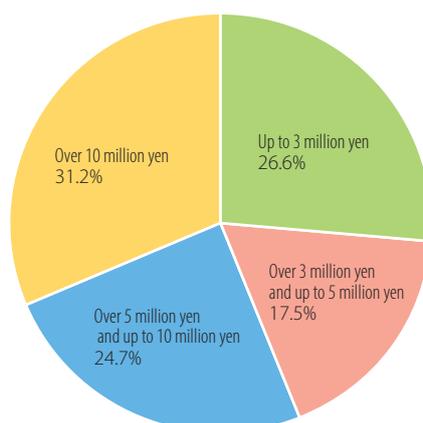


Type of financial institution	Average loan balance per business
Domestic banks	100.80 million yen
Credit associations	43.00 million yen
<b>JFC-Micro</b>	<b>10.08 million yen</b>

Notes: 1. Figures for JFC-Micro are the total of General Loans and Environmental Health Business Loans.  
2. Domestic banks include major commercial banks, regional banks, regional bank II, and trust banks.  
3. Figures for credit associations and domestic banks do not include loans to individuals (loans for housing, consumption, tax payments, etc.), loans to regional public organizations, overseas yen-loans, or loans made to businesses in foreign countries in name of their domestic branches. Number of business borrowers for credit associations and domestic banks are based on the number of loans.

Source: Bank of Japan website

### Breakdown of loans by credit amount



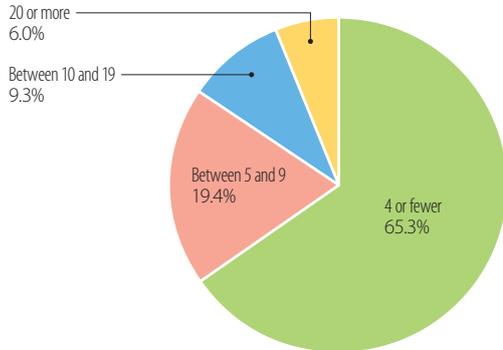
Note: The breakdown is the total of General Loans and Environmental Health Business Loans.

## Most Borrowers Are Micro/Small Businesses, with Approximately Half Sole Proprietorships

Borrowers are mainly micro/small businesses such as bakeries, restaurants, barber shops and hairdressers, building contractors, and others that have a close relationship with the people in local communities.

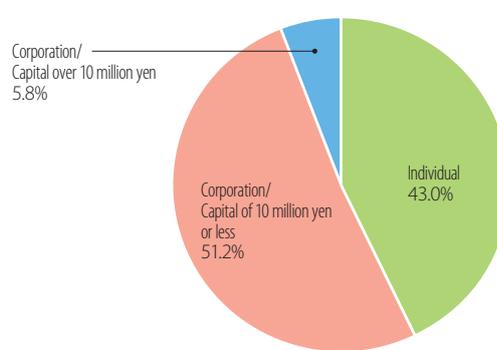
Approximately 80% of borrowers have nine or fewer employees, and many are sole proprietors.

**Breakdown of borrowers by number of employees (based on the number of loans) (FY2020)**



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

**Breakdown of loans by capital, individual and corporation (based on the number of loans) (FY2020)**



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

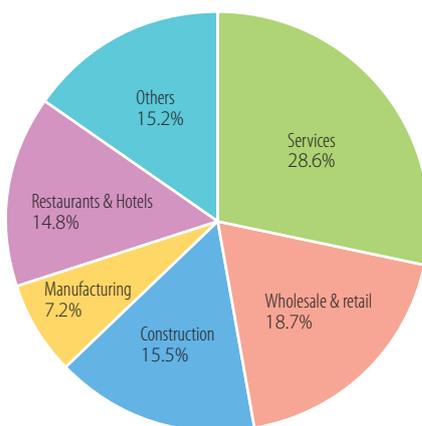
## Providing Loans for Various Types of Industries Through Our 152 Branch Offices

We provide a variety of loans for micro/small businesses by covering region and industry widely through our 152 branch offices around the country.

The ratio of loans by industry provided by JFC-Micro is almost the same as the ratio of industries for Japan as a whole, and these loans are extensively used by a wide range of micro/small businesses.

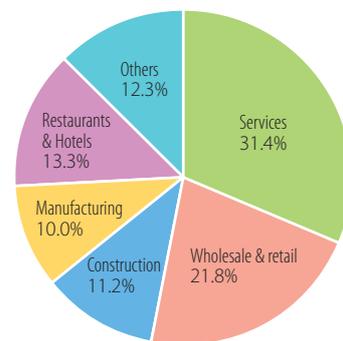
Borrowers include micro/small businesses from companies with close relationships to local communities such as grocery stores of shopping streets, neighboring builders to those ready to be pioneers in new fields by using cutting-edge knowledge and technologies including bio-tech and AI. In terms of growth stage, borrowers cover a wide range of micro/small businesses such as those recently established that are aiming for growth to those with a solid management foundation and a stable business.

**Breakdown of balance of loans by type of business (based on amount of loan) (as of the end of FY2020)**



Note: The breakdown is the total of General Loans and Environmental Health Business Loans.

Reference: Component ratios of Japanese companies by industry



Sources: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2016 Economic Census for Business Activity"

# Exercise of Safety Net Functions

## Measures to Address the COVID-19 Pandemic

### Consultations for Micro/Small Businesses Affected by the COVID-19 Pandemic

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

#### ● COVID-19 related loans

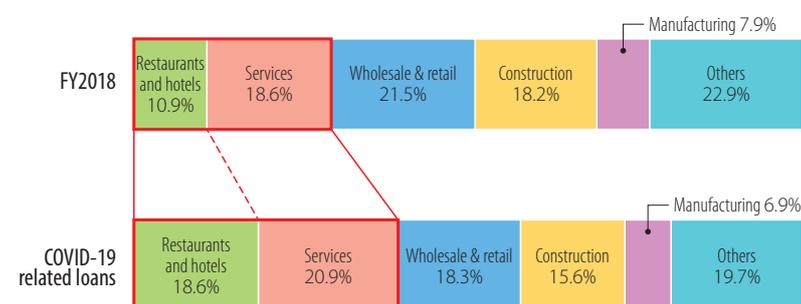
From January 29, 2020, the day that the consultation desks were established, to March 31, 2021, we made a decision to provide a total of 755,301 COVID-19 related loans worth a total of 9,053.1 billion yen. This is about three times the number of loans provided in FY2018, before the outbreak of the COVID-19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

With respect to the ratio of COVID-19 related loans by industry, the ratio of those in service industries such as restaurants, hotel, and hairdressing and beauty, which are businesses that were particularly affected by COVID-19, increased compared to FY2018. In addition, approximately 65% of loans were for 10 million yen or less.

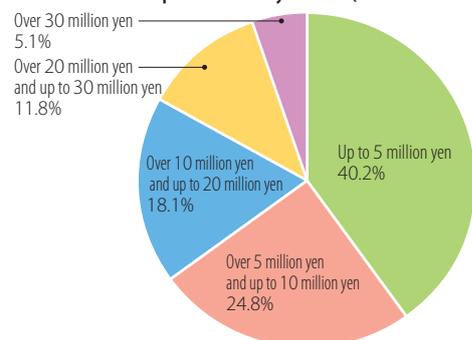
	Number of loans <sup>(Note)</sup>	Amount <sup>(Note)</sup>
COVID-19 related loans: January 29, 2020–March 2021	<b>755,301</b>	<b>9,053.1 billion yen</b>
Loans at the time of the collapse of Lehman Brothers: April 2009–March 2010	341,231	2,803.8 billion yen
Great East Japan Earthquake Related Loans: March 2011–March 2021	239,861	2,257.9 billion yen
Reference: FY2018 Loan Results	257,640	1,990.7 billion yen

Note: COVID-19 related financing data is prepared on a loan decision basis. The number of loans is the number of borrowers.

#### Component ratios by industry (number of loans)



#### Component ratios by amount (number of loans)



### Example of a Loan Disbursed to a Business Affected by COVID-19

Company A operates a Japanese-style restaurant in Yamaguchi Prefecture. The number of restaurant customers declined due to effects from the COVID-19 pandemic. In addition, the restaurant reduced its business hours in accordance with requests from the national and prefectural governments.

As the pandemic spread and sales revenues declined, the business implemented measures to prevent infection of customers and employees, such as disinfecting and thoroughly ventilating the restaurant and placing seats to avoid crowding. As a result of these measures, the restaurant was certified as the first COVID-19 Countermeasures Declaration Restaurant by the Prefecture. In addition, due to the temporary closure of schools, the business started selling special lunch boxes for children in after-school clubs who were facing food shortages and also work to provide meals for families and children impacted by the pandemic.

JFC-Micro provided a loan of operating funds needed because of the decline in sales revenues so that the business could pay personnel expenses and various other expenses.



## ● COVID-19 Hybrid Subordinated Loan Program

Under an economic environment that was greatly affected by the COVID-19 pandemic, we handled COVID-19 Hybrid Subordinated Loan Program, which provides funds for reinforcing financial foundations, for companies that plan to develop and maintain business with support from related organizations. Through the active use of COVID-19 Hybrid Subordinated Loan Program, we support the continuation or revitalization of business by micro/small businesses and support the transformation of business formats for during and after the COVID-19 pandemic.

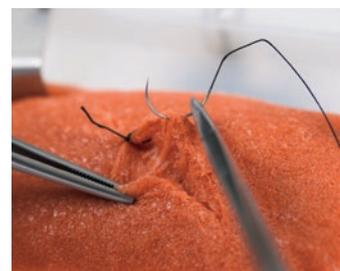
### ■ Overview of COVID-19 Hybrid Subordinated Loan Program

(1) Certain term lump-sum repayment	The loans are repayable in a lump sum upon maturity, and only interest is paid until maturity, and consequently, the burdens of monthly principal repayments are lower.
(2) Fixed interest rates according to business performance	The interest rate can be lowered during times of slumping business performance such as during the economic downturn caused by the COVID-19 pandemic.
(3) Subordinated	In the event of bankruptcy, the priority of repayment of borrowings from Capital Subordinated Loans is subordinated to other liabilities.

### Example of Financing Using a COVID-19 Hybrid Subordinated Loan Program: Support for New Initiatives

Company B is a business that develops and manufactures simulated organs for surgical training of medical professionals. Unlike the animal organs that were used in the past, the company uses konnyaku, a paste made from the starch of the konnyaku plant, as a raw material, which has the advantages of low environmental impact and low cost. In addition, the quality of the products is comparable to that of real organs, and these products are expected to contribute to the reduction of medical and surgical errors through surgical training using them.

Sales activities were restricted due to COVID-19, but the company planned a new initiative to install a new system that makes possible online training. Based on this business plan, the project was provided operating funds through a COVID-19 Hybrid Subordinated Loan Program in order to stabilize cash flow and provide a financial base for upfront expenses.



Surgical training using a simulated organ produced by Company B

#### COVID-19 related loan programs (as of June 30, 2021)

Loan programs	Eligible customers	Maximum loan amount	Repayment period
COVID-19 Special Loan Program	Businesses impacted by the COVID-19 pandemic whose sales revenues have declined by at least a certain amount	Special amount 80 million yen If certain conditions are satisfied, a loan with virtually no interest up to a maximum of 60 million yen for an initial period out of three years can be obtained.	Equipment funds: 20 years or less Operating funds: 15 years or less (including a grace period of 5 years or less)
Special Loans for COVID-19 Environmental Health	Businesses engaged in environmental health related business that have been impacted by the COVID-19 pandemic and whose sales revenues have declined by at least a certain amount <sup>(notes 1 and 2)</sup>	Special amount 80 million yen If certain conditions are satisfied, a loan with virtually no interest up to a maximum of 60 million yen for an initial period out of three years can be obtained.	Equipment funds: 20 years or less Operating funds: 15 years or less (including a grace period of 5 years or less)
Managerial Improvement Loans (MARUKEI Loans) [COVID-19 related]	Businesses impacted by the COVID-19 pandemic whose sales revenues have declined by at least a certain amount <sup>(note 3)</sup>	Special amount 10 million yen If certain conditions are satisfied, a loan with virtually no interest up to a maximum of 10 million yen for an initial period out of three years can be obtained.	Equipment funds: 10 years or less (including a grace period of 4 years or less) Operating funds: 7 years or less (including a grace period of 3 years or less)
Environmental Health Improvement Loans [COVID-19 related]	Businesses engaged in environmental health related business that have been impacted by the COVID-19 pandemic and whose sales revenues have declined by at least a certain amount <sup>(note 4)</sup>	Special amount 10 million yen If certain conditions are satisfied, a loan with virtually no interest up to a maximum of 10 million yen for an initial period out of three years can be obtained.	Equipment funds: 10 years or less (including a grace period of 4 years or less) Operating funds: 7 years or less (including a grace period of 3 years or less)
COVID-19 Hybrid Subordinated Loan Program	Start-up businesses and businesses attempting a recovery that have been impacted by the COVID-19 pandemic	Special amount 72 million yen	5 years and 1 month, 7 years, 10 years, 15 years, or 20 years (lump-sum repayment upon maturity (interest paid monthly))
Environmental Health COVID-19 Hybrid Subordinated Loan Program	Start-up businesses and businesses attempting a recovery that have been impacted by the COVID-19 pandemic and whose sales revenues have declined by at least a certain amount <sup>(notes 1 and 2)</sup>	Special amount 72 million yen	5 years and 1 month, 7 years, 10 years, 15 years, or 20 years (lump-sum repayment upon maturity (interest paid monthly))

Notes: 1. When using this loan, a Certificate of Funds for Project Implementation issued by the head of the association (including branch manager and directors authorized by the associated head) is required if the borrower is a member of an association certified under a promotion plan. In the case of a non-member of an association, a letter of recommendation from the prefectural governor is required (not required if the loan amount is 5 million yen or less).

2. Operating funds for non-members are provided only when refinancing existing loans (environmental health loans).

3. Management guidance provided by a Chamber of Commerce and Industry, Society of Commerce and Industry, or prefectural federations of societies of commerce and industry, and a recommendation from the head of a Chamber of Commerce and Industry or other such organization are required.

4. A recommendation from the head of an Environmental Health Trade Association or other such organization are required.

## ● Consultation services

We are providing consultation services to businesses that have been impacted by the COVID-19 pandemic by conducting telephone conversations and other operations on holidays.

We are also taking measures to prevent infection including conducting consultations with prior appointments, installing transparent acrylic panels at consultation desks, ensuring proper ventilation, and using video communications to conduct online consultations so that customers can consult safely and with peace of mind.

### Main Measures Implemented in Relation to COVID-19

#### 【Consultation services】

- Telephone consultations on holidays, operations on holidays, extended operating hours
- Prolongation of periodic personnel transfers
- Dispatch of personnel from the head office and other sites to branches to provide support
- Hiring of former employees

#### 【Measures to prevent infection】

- Recommendations that customers submit applications online via the website and submit documents by mail, implementation of branch reservations
- Creation of environments that avoid the Three Cs (waiting room spacing, guidance by receptionists, etc.)
- Installation of transparent acrylic panels at consultation desks and air purifiers
- Thorough implementation of infection-prevention measures (wearing masks, provision of alcohol-based sanitizers, ventilation, etc.)
- Online interviews and financing consultations using video communications

## ● Cooperation with private financial institutions

JFC-Micro is collaborating with private financial institutions to provide support to businesses that have been impacted by the COVID-19 pandemic. Specific measures include private financial institutions providing support for applications to JFC-Micro and provision of bridge loans to businesses that urgently need funds. In addition, JFC-Micro provides information on loan programs and support systems provided by private financial institutions on its website. We will continue to cooperate with private financial institutions to support businesses.

## ● Provision of COVID-19 related information

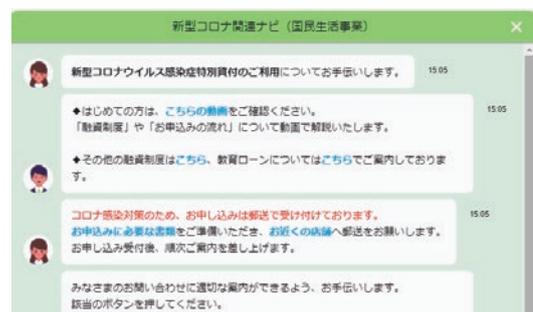
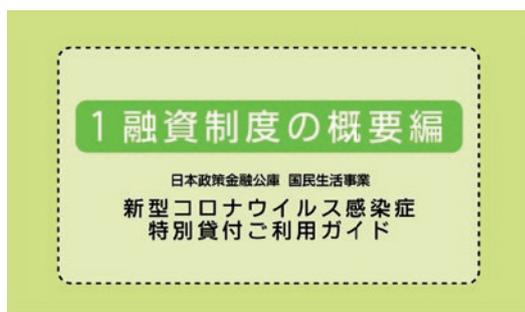
We make the latest information relating to loan programs, application procedures, and so on available on our website.

#### 【Explanatory videos】

We prepared five explanatory videos on topics such as an overview of loan programs and application documents.

#### 【COVID-19 related FAQs】

We provide information related to the COVID-19 pandemic frequently asked questions (FAQs).



# Measures against Disasters

## Special Consultation Desks Are Established to Quickly Respond to Affected Micro/Small Businesses

A special consultation desk is immediately established in case of a major earthquake such as the Great East Japan Earthquake and the 2016 Kumamoto Earthquake, other natural disaster such as a typhoon or torrential rain, a major corporate bankruptcy, or other unforeseen events so that affected micro/small businesses can discuss their loan and repayment conditions.



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

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

## We Provide Support to the Recovery and Reconstruction Efforts of Micro/Small Businesses Affected by the Great East Japan Earthquake

In the wake of the Great East Japan Earthquake that struck on March 11, 2011, JFC-Micro has provided support for the recovery and reconstruction efforts of small business operators who were the victims of the disaster through the Great East Japan Earthquake Recovery Special Loans, etc.

### ● Changes in loans for the Great East Japan Earthquake (cumulative) (March 11, 2011–March 31, 2021)

A total of 239,861 loans amounting 2,257.9 billion yen have been disbursed to borrowers affected by the Great East Japan Earthquake from the happening of the incident until March 31, 2021.

### The Great East Japan Earthquake Loan, Example: Support for Business in Reconstruction

Company C manufactures coils that are hand made by technicians for use in industrial motors in Fukushima Prefecture. Due to the nuclear accident, the company had to stop operating at its main factory in Minami-Soma City, which was in the Evacuation Directive Lift Prepared Area.

The company built a new factory, in the same city, outside the Evacuation Directive Lift Prepared Area and re-started in April 2015. For this project, JFC-Micro provided loans to the purchase of the machinery installed in the new factory together with a production site development subsidy and a loan from a private financial institution.



Servomotor electrical works

## We Provide Support to the Recovery and Reconstruction Efforts of Micro/Small Businesses Affected by the Typhoon No. 19 of 2019 and Other Disasters

A total of 1,534 loans amounting 15.4 billion yen have been disbursed to borrowers affected by the Typhoon No. 19 of 2019 from the happening of the incident until March 31, 2021.

# Initiatives in the Strategic Fields of Growth

## Initiatives to Support Business Start-ups

### The Number of Loans Disbursed to Business Start-ups (Consisting of Those That Have Yet to Start and Those That Are Within 1 Year of Start-up) Has Reached Around 40,000 a Year

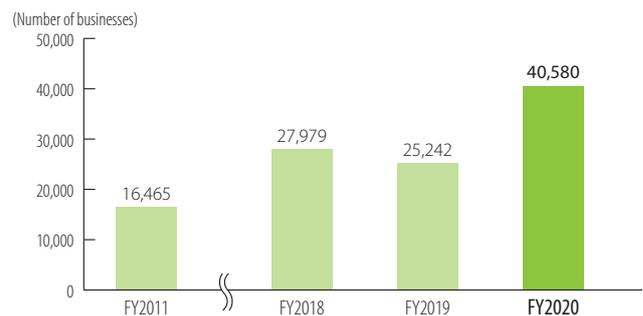
There are not a few business start-ups consisting of those that have yet to start and those that are newly start-up face difficulties in obtaining funds for such reasons as a lack of business track record. JFC-Micro actively provides loans to such business start-ups. Also, in order to enable people who want to start their own businesses to receive one-stop information related to start-up business in each region, JFC is constructing a nationwide start-up support network in cooperation with municipalities, Chambers of Commerce and Industry, Societies of Commerce and Industry, regional financial institutions, etc.

#### ● Changes of loans disbursed to businesses start-ups (number of businesses)

The number of loans disbursed to business start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) in FY2020 totaled 40,580.

It can be considered that approximately 130,000 job creation a year have been made as a result of these loans disbursed to business start-ups.

Changes of loans disbursed to businesses start-ups (number of businesses) (consisting of those that have yet to start and those that are within 1 year of start-up)



#### [Job Creation Effects]

**40,580 businesses × average of 3.2 employees<sup>(Note)</sup> = 129,856 employees**

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

#### ● Support for Women, Youth, and Senior Entrepreneurs

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

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

Women  
FY2020  
**8,727** businesses

Youth (aged under 35)  
FY2020  
**10,986** businesses

Seniors (aged 55 and above)  
FY2020  
**4,701** businesses

Note: Women who qualify as Youth or Seniors are also included in both the Women and the corresponding age-related category.

### Example of a Loan Disbursed to a Women Entrepreneur: Sweets that Can Be Eaten with Peace of Mind by Those Who Need to Control Their Sugar Levels

Company D is in the business of manufacturing and selling sugar-free sweets and other products. The company was founded by its representative, who is a certified dietician and a diabetic, with a desire to create sweets that can be eaten with peace of mind by those who needs to control their sugar levels, after she personally experienced the difficulties of sugar restriction. Using reliable techniques learned from famous pastry chefs, she conducts extensive research and develops delicious sweets with low sugar content. The company was also recently commissioned to provide nutritional guidance to hospitals and is steadily expanding its business.

JFC-Micro provided a loan for equipment funds such as store remodeling at the time of opening.



Company D's products

### Example of a Loan Disbursed to a Youth Entrepreneur: Dissemination of Information on "Do-local Media"

Company E operates online media, which targets local youth, using social media. The company focuses on the fact that local youth use Twitter and Instagram more than magazines and the web to gather information and distributes strictly "local" information such as descriptions of cafes that hired local university students as models and leisure information.

The company has recently expanded into new business areas such as conducting branding and PR targeting for university students which is ordered from a local baseball team and arranging for sales assistants and a team of image models.

Until sales got on track, JFC-Micro provided a loan for operating funds and equipment funds to purchase supplies and other items.



From Company E's website

## Example of a Senior Entrepreneur: Using Local Specialty Products to Revitalize Local Economies

In the region where the representative of Company F lives, the loquat is a specialty fruit. The representative, who had been a fulltime housewife, had a critical feeling regarding the abandonment of farms as a result of aged producers, and established the business that manufacture and sell processed goods using loquat fruit and leaves, such as soap and tea. The representative participated in a prefectural business plan contest at the time that the business was established, and won an award.

JFC-Micro collaborated with a private financial institution to loan the company funds for raw materials needed to manufacture the products.



Company F products made with loquat

## Consultation Week Held for Women and Youth Entrepreneurs

Since FY2016, JFC-Micro has been holding Consultation Week for Women and Youth Entrepreneurs, a consultation event with the aim of expanding the scope of business founders by finding potential entrepreneurs, primarily among women and youth people.

In response to the spread of COVID-19, the number of events in FY2020 was reduced from two to one. In consideration of preventing the spread of infection, the event was held online for the first time. A total of 839 people participated, and the level of satisfaction by participants was 96.8%, an increase from the previous fiscal year.

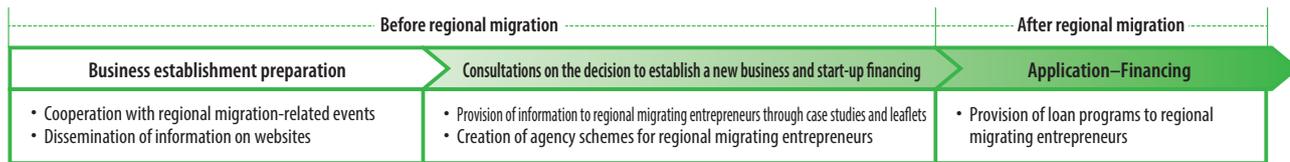
### ● The kickoff event conducted via online streaming



### ● Support for regional migrating entrepreneurs

JFC-Micro uses its nationwide network of 152 branches to support persons who wish to migrate from a city to a rural area in order to establish a business. We provide support according to the stage of business establishment from before to after regional migration.

【Overall image of JFC-Micro's support for regional migrating entrepreneurs】



### ● Support for innovative businesses

JFC-Micro actively supports micro/small businesses with a high growth potential that possess innovative technologies and knowhow e.g. R&D venture companies. JFC-Micro also supports various businesses which possess high technological capabilities and require significant funding for expenses such as research and development, using Capital Subordinated Loans, which the loan itself can be treated as "owned capital" rather than a "debt" for the purpose of asset audits by financial institutions.

## Capital Subordinated Loan Example: Support for Measures for Alternative Water Supply

Company G provides small-scale, autonomous, decentralized water infrastructure rather than the conventional water infrastructure (water supply) such as water purification plants. The company's motto is "water freedom for everyone, everywhere." It has established core technologies relating to water reclamation that cannot be imitated by other companies against a backdrop of advanced technology and has developed small-scale autonomous decentralized waters of infrastructure to replace conventional water supply. In addition, not only can its infrastructure be installed anywhere, can also conserve water and maintain water quality. To date, the company has released portable water reclamation treatment plants, automated hand washing machines, and other products, and there are expectations that its products will be used for various purposes such as bathing at disaster sites and handwashing at the entrances of commercial facilities and restaurants.

JFC-Micro provided a loan for operating funds relating to research and development of a portable water processing plant.



Company G's portable water reclamation treatment plant

## Reinforcing Our Structures for Responding to Inquiries from Customers

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

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

### ● Business Start-up Support Centers and Business Support Plazas have been established throughout the country

Business Start-up Support Centers organize diverse seminars targeted at customers in varying stages of their business cycle, both before and after starting business, and also provide timely support through collaboration with regional organizations that support start-ups. At Business Support Plazas, appointments for consultation are available to persons who plan to start a new business and those who have never used JFC's services.

## Contributing to the Growth and Development of Businesses through Loans and Other Activities

Of the companies that have got listed public since 1989, some 368 had received support from JFC-Micro before going public.

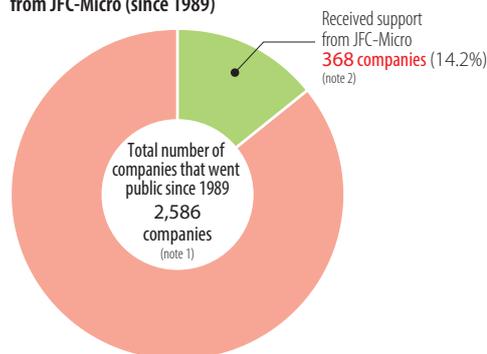
Approximately one-quarter of companies listed on the Mothers market, a representative market of high-growth and emerging stocks, have a history of support from JFC-Micro, indicating that JFC-Micro's support for businesses during the start-up and growth phases has produced certain results.

### Examples of companies that went public after receiving support from JFC-Micro

Company name	Store or brand name	Establishment	Listing year (Note 1)	Stock market (Note 1)
Kushikatsu Tanaka Holdings Co.	Kushikatsu Tanaka	2002	2016	Tokyo Stock Exchange, First Section
Hotland Co., Ltd.	Tsukiji Gindaco	1991	2014	Tokyo Stock Exchange, First Section
JINS Holdings Inc.	JINS	1988	2006	Tokyo Stock Exchange, First Section
Bic Camera Inc.	Bic Camera	1978	2006	Tokyo Stock Exchange, First Section
Pepper Food Service Co., Ltd.	Ikinari Steak	1970	2006	Tokyo Stock Exchange, First Section
Tempstaff Co., Ltd. (Note 2)	Tempstaff	1973	2006	Tokyo Stock Exchange, First Section
Bookoff Corporation Ltd. (Note 3)	Book Off	1991	2004	Tokyo Stock Exchange, First Section
Village Vanguard Co., Ltd.	Village/Vanguard	1998	2003	JASDAQ
Seria Co., Ltd.	Seria	1987	2003	JASDAQ
Future Corporation	Future	1989	1999	Tokyo Stock Exchange, First Section

Notes: 1. The listing year is the year of the first listing, and the stock market is the main exchange on which the stock is currently traded.  
2. The company changed its tradename to Persol Tempstaff in 2017. Currently, Persol Holdings is publicly traded.  
3. Currently, Bookoff Holdings is publicly traded.

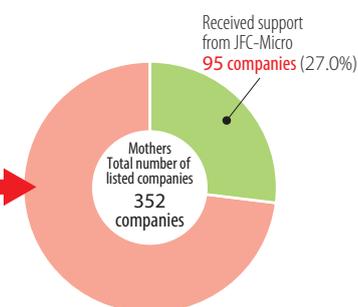
### Publicly-traded companies that received support from JFC-Micro (since 1989)



### Listed companies that received support from JFC-Micro (since 1989; by stock market)

(Unit: companies, %)

	Number of listed companies	Listed companies that received support from JFC-Micro	
		Number of companies	Share of their respective markets
Tokyo Stock Exchange, First Section	1,212	133	11.0
Tokyo Stock Exchange, Second Section	258	24	9.3
<b>Mothers</b>	<b>352</b>	<b>95</b>	<b>27.0</b>
JASDAQ	650	87	13.4
Others	114	29	25.4
<b>Total</b>	<b>2,586</b>	<b>368</b>	<b>14.2</b>



Notes: 1. Of those companies listed on each market since 1989, the total number of companies whose shares are publicly traded as of March 31, 2020 (according to JFC investigations).  
2. Of those companies indicated in Note 1, companies confirmed to have received support from JFC-Micro.

## Developing Entrepreneurship among Youth

We take measures to foster an entrepreneurial mindset among youth and develop future entrepreneurs.

### Hosting of High School Student Business Plan Grand Prix.

We have been conducting the High School Student Business Plan Grand Prix since 2013 with the aim of nurturing the ability to independently develop one's future through the process of creating a business plan. Many high schools throughout Japan are closed due to the COVID-19 pandemic, and even after schools reopen, it will be difficult for high school and technical college students to secure sufficient time to create a business plan, so the 8th High School Student Business Plan Grand Prix event was cancelled.

For the 7th High School Student Business Plan Grand Prix held in FY2019, a total of 3,808 entries were received from 409 schools. Business Start-up Support Centers nationwide visited 353 schools, and gave lectures about how to create a business plan.

#### The 9th High School Student Business Plan Grand Prix

The 9th Grand Prix will be held after taking adequate measures to prevent the spread of infection, taking into account the status of COVID-19.

Application period: July 1 to September 29, 2021 (\* If sent by mail, applications must be received by September 22)

Announcement of ten finalist groups: Late November 2021

Final competition and award ceremony: January 9, 2022.

- Please visit the High School Student Business Plan Grand Prix website for more information. Also, the High School Student Business Plan Grand Prix Facebook page is frequently updated with the latest information.

High School Student Business Plan Grand Prix website  
(<https://www.jfc.go.jp/n/grandprix/>)  
(Available only in Japanese)



High School Student Business Plan Grand Prix Facebook  
(<https://www.facebook.com/grandprix.jfc/>)  
(Available only in Japanese)



Students and teachers from Osaka Prefectural Mikunigaoka High School which received the 7th Grand Prize award.



On-site lecture

# Initiatives to Support Business Revitalization

## Support for Micro/Small Businesses Seeking Business Revitalization

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

In addition, business revitalization support staff have been deployed at 152 branches nationwide to respond flexibly to requests for relaxing repayment terms e.g. a reduction in the installment amount, temporary deferment of principal repayment, etc., and to provide advice for the resolution of business issues and support for the enactment of business improvement plans.

### “Signal” Business Status Self-diagnosis Tool

During the protracted COVID-19 pandemic, it is important to detect the signs of business changes at an early stage in order to increase the possibility of business continuity. JFC created the “Signal” check notebook, which enables businesses to perform a self-diagnosis of their business status.

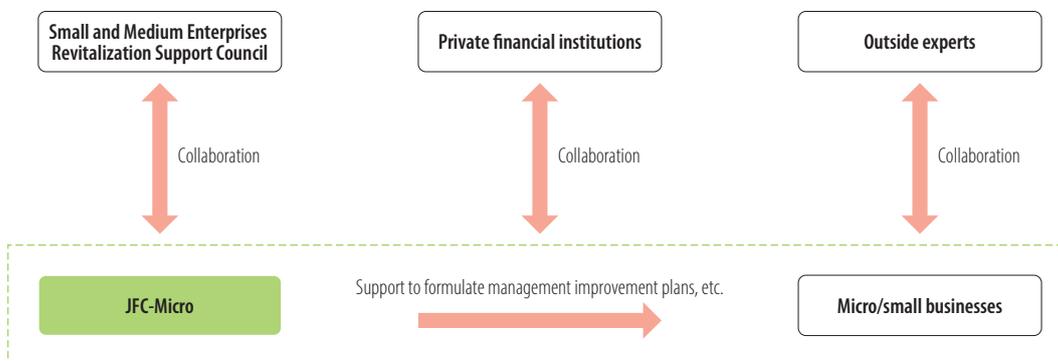
Signal has a checklist of events that are likely to occur before business changes for seven different industries. In addition, by converting the result into a radar chart, it can be used as a tool for visualizing management awareness.



### ● Collaboration with relevant organizations

JFC-Micro is reinforcing its collaboration with private financial institutions, the Small and Medium Enterprises Revitalization Support Council, outside experts, and others in order to encourage business revitalization in regional areas. We support the formulation of management improvement plans by customers that have collaborated with the Small and Medium Enterprises Revitalization Support Council and work with private financial institutions to provide long-term loans so that the relevant organizations can work together to support management improvement by customers.

Business revitalization in collaboration with relevant organizations



### ● Support through Capital Subordinated Loans

We support customers that seek to restructure management by using Capital Subordinated Loans and COVID-19 Hybrid Subordinated Loan Program, which lead to strengthened financial foundations.

### Overview of Capital Subordinated Loans

Capital Subordinated Loans enable businesses to secure the necessary stable funding while undergoing management restructuring and strengthen financial foundations. The key features of Capital Subordinated Loans and COVID-19 Hybrid Subordinated Loan Program include “certain term lump-sum repayment,” “fixed interest rates according to the business performance,” and “the ability to view the funds as the borrower’s own capital for the purposes of asset assessments by financial institutions.” Since a lump-sum payment is made upon maturity and the interest rate is set according to business performance, the burdens of monthly principal repayments can be reduced and the interest rate can be lowered when business results are poor. In addition, loans obtained under this program allow the funds to be viewed as the borrower’s own capital for the purposes of asset assessments by financial institutions<sup>(Note)</sup>, and therefore, it is easier for financial institutions to provide support than before the loan is obtained.

Note: The amount deemed the borrower’s own capital is gradually reduced at a fixed rate after the remaining loan term is fewer than five years.

# Initiatives to Support Business Succession

## Supporting the Business Succession of Micro/Small Businesses

Amid the aging of the owners of SMEs and micro/small businesses, JFC-Micro is supporting business succession in terms of both funds and information so that valuable management resources, including the technologies and know-how that businesses have accumulated, can be smoothly transferred.

### Loans for businesses addressing business succession

We extend various loans needed by micro/small businesses that are addressing business succession such as the funds necessary to acquire shares and business assets and the funds necessary to prepare for business succession, such as the development of successors.

### Example of Loan to Micro/Small Businesses Addressing Business Succession

Company H engages in the planning and development of surveillance cameras for use in residences and parking lots and small cameras that can identify the causes of machine tool malfunctions.

The founder (the previous representative) did not have a successor and made a request to a business succession support center to search for a successor. As a result, the founder was put in contact with an electrical design engineer (the current representative) who was considering establishing an independent business, and a third-party succession was implemented with the current representative using financing from JFC to acquire the shares of Company H.

In order to take over the business, the current representative worked at Company H until the business succession and developed a thermography device (a non-contact thermometer) with the founder. By starting to handle this new product, the company attempts to overcome the difficult management environment caused by the COVID-19 pandemic.



The previous and current representative of Company H

### Measures to Raise Awareness of Owners

Encouraging third-party succession is necessary to facilitate business succession, but many micro/small businesses have a negative impression of third-party succession or believe that micro/small businesses are not suitable for third-party succession.

Our initiatives include providing business succession diagnoses, delivering successful examples, producing videos and holding events with relevant organizations to raise the awareness of owners and to foster an atmosphere making the business succession to a third party.

### Tools for Raising Awareness of Owners

#### Business succession diagnostic sheets



Check sheets for easy confirmation of the status of business succession preparation and issues

#### Tsunagu Notebook



A workbook that facilitates planning of measures for business succession

#### Gift, a collection of examples of business transfer based on the theme of business succession to third-party



This pamphlet outlines the merits of business transfer based on the theme of business succession to third-party

#### Business succession support video



A video that provides information on the significance of business succession, the importance of preparation, and other topics

### Events Held in Collaboration with Support Organizations

Working in collaboration with Chambers of Commerce and Industry, Societies of Commerce and Industry, private financial institutions, business succession support centers, and other support organizations, we hold events intended to raise awareness of owners.

Through these events, we are able to broadly disseminate the advantages of third-party successions, the disadvantages of closing a business, specific action points for a third-party business succession, and support measures for third-party successions.



## ● Support finding successors

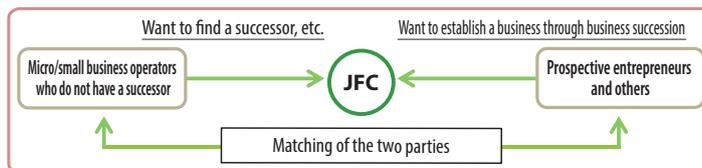
We help micro/small businesses without a successor find someone to take over the business.

### Business Succession Matching Support

Business succession matching support is a program that identifies the needs of micro/small business operators who do not have a successor and want to transfer their business to a third party, searches for potential entrepreneurs or business owners that want to acquire a business and have matching wishes, and introduces them to each other.

The program was launched on a trial basis in Tokyo in FY2019, and it was confirmed that there is a certain level of need for support. There are many people in urban areas who wish to start a business, but it is said that the problem of business succession is particularly severe in provincial areas.

In light of these circumstances and taking into consideration changes in the business environment due to the impact of the COVID-19 pandemic, JFC began matching support on a nationwide scale from FY2020.



#### Business succession matching support results

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

Also available on the JFC website



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

### Example of Contracted Case of Business Succession Matching Support

The transferred business is a popular udon noodle restaurant (a sole proprietorship operated by Mr. I) that has been selected as an excellent restaurant on gourmet websites. The owner is aging and has no successor, so he registered for this service. He desired to transfer his business to a company that he could trust with the taste of his udon dishes and his goodwill. Meanwhile, Company J, the acquiring company, is a corporation that manages multiple restaurants and was considering acquiring a restaurant with a strong lunchtime clientele.

JFC carefully interviewed Mr. I about his wishes regarding the transfer of his business and supported his extensive search for a successor by using private matching sites. With support from the JFC, Mr. I signed a transfer agreement with Company J in April 2021 after interviewing senior management and negotiating with several candidate transferees.



Mr. I and Company J signing the agreement

## ● Business Succession Start-Ups

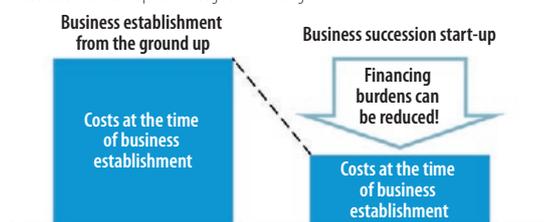
We support business succession start-ups, which is a way of launching a new business by acquiring an existing business, rather than the conventional means of establishing a business from the ground up (start-up from zero). We name it "Tsugu-sta," start-up by succession.

### Characteristics of Business Succession Start-Ups (Tsugu-sta)

Unlike the establishment of a new business from the ground up, a business succession start-up (Tsugu-sta) can acquire existing management resources including facilities, technologies, and know-how, which make it possible to reduce start-up costs and achieve stable management.

#### Characteristics of Business Succession Start-ups (Tsugu-sta)

Reduced business start-up costs through use of existing facilities



Stable management can be achieved through the assumption of technologies, know-how, etc.



### The Event on Support for Business Succession Start-up

We held the Business Succession Start-up Support Seminar and other events to promote business succession start-ups (Tsugu-sta). In FY2021, we will hold the first Business Succession Start-up School, an online course, to support the acquisition of knowledge necessary for achieving a business succession start-up and effective management after succession.

#### The Business Succession Start-up Support Seminar



Holding of seminars to disseminate the significance and merits of business succession start-ups



#### Business Succession Start-up School

The curriculum will be conducted over a total of five days in August and September 2021. In addition to useful lectures for business succession start-ups, discussions of experiences by persons who conducted business succession start-ups will be also broadcast live.

# Initiatives to Support Social Business

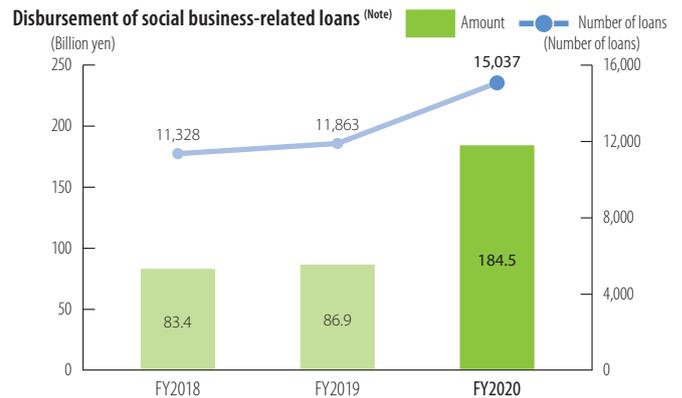
## JFC-Micro Supports Social Businesses

JFC-Micro supports social businesses engaged in tackling regional and social issues such as nursing care and support for the elderly and disabled, child development, community revitalization, and environmental protection.

### ● Disbursement of social business-related loans

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

Note: This is the total of financing to (i) NPO corporations, (ii) nursing and welfare businesses, and (iii) businesses whose purpose is resolution of social issues (other than (i) and (ii)) and excluding overlaps in (i) and (ii).



## Example of Loan to Social Business

Company K operates elderly daycare, homes for elderly people with attached services, home care services, sports clubs, and other facilities in Aomori Prefecture.

The Kakko no Mori (Cuckoo Forest) day care offers handmade lunches using locally grown ingredients and pleasant spaces, as well as rehabilitation by physiotherapists. In accordance with its motto of "Doing natural tasks in a natural manner," it provides careful all-round support to users and places importance on individual dignity.

JFC-Micro provided a loan for the establishment of a new day care facility.



The Kakko no Mori day care

## Supporting business plan formulation by issuing the Business Plan Visualization Book

Sustainable growth of social business activities requires the formulation of a highly feasible business plan and securing adequate profits. JFC-Micro published the Business Plan Visualization Book (referred to as the "Visualization Book") on the JFC website to support the formulation of business plans.

The Visualization Book is a workbook that helps businesses organize six elements relating to business planning (organizational mission, understanding of current conditions, implementation hypotheses, results targets, financial foundations, and organizational foundations). The Visualization Book is used when persons engaged in social business formulate business plans.



Useful Information That Supports Social Business Activities  
<https://www.jfc.go.jp/n/finance/social/index.html>

## Social Business Support Network

JFC-Micro takes measures to build a network linking regional public organizations, local financial institutions, and NPO support organizations to support resolution of management issues. Comprising the policy and service operations of the member institutions, the network offers one-stop provision. Also, by means of management support seminars and individual counselling, it offers assistance for resolving management issues which social business operators face such as corporate establishment, business plan formulation, fund procurement, and personnel education.

As of the end of March 2021, the network totaled 113 elements.

### ● Consultation Month for Social Business

As a new initiative starting in FY2019, JFC-Micro designated the two months from September to October as Consultation Month for Social Business. By holding consultation meetings and other events, which the Social Business Support Network operates intensively during this period, JFC-Micro endeavors to improve consultation and support services for people engaged in social businesses.

Note: Consultation Month for Social Business in FY2020 was canceled due to effects from the COVID-19 pandemic. In FY2021 and later, we will consider holding online events, taking into consideration the status of the COVID-19 pandemic at the time.



# Initiatives to Support Overseas Expansion

## JFC-Micro Supports Micro/Small Businesses Seeking to Expand Overseas

By providing financing programs and information relating to overseas expansion, we are supporting overseas businesses such as strengthening export, outsourcing production and conducting direct investment and so on.

### ● Support Systems for Micro/Small Businesses Seeking to Expand Overseas

Overseas Development Support Desks, established at 152 branches nationwide cooperate with Japan External Trade Organization (JETRO), Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN), Japan Federation of Bar Associations, and other specialized organizations that support overseas expansion. JFC-micro establishes consultations systems that can provide detailed support information according to the needs of customers by providing advice for first-time overseas expansion, information on overseas exhibitions and business meetings, and confirmation of local laws and regulations, required permits and licenses, and the details of contracts.



A leaflet on collaboration with SME Support, Japan



A leaflet on collaboration with JETRO

### ● Various Information Tools for Micro/Small Businesses Expanding Overseas

We support businesses that seek to expand overseas by providing useful information tools on overseas expansion, such as case studies of overseas expansion using online, etc. as well as information on points to consider when engaging in the export business.

#### ■ Collection of Case Studies on Overseas Expansion

There are various challenges to be addressed and points to be considered when a company expands business overseas. The case study collection includes examples of businesses that have actually overcome these challenges describing how they addressed and solved them. In addition, it also includes feature articles on timely topics that are trending concerning overseas expansion.

The environment for business dealings with overseas companies has changed dramatically as a result of the COVID-19 pandemic. Under such circumstance, this collection presents information on businesses that are making various efforts to conduct business dealings as smoothly as in the past. The collection also features transactions conducted under the new normal conditions.



#### ■ Key Points of the Export Business

This pamphlet is for new entrants to the export business and contains the key points they need to know and examples of common problems according to the processes of the export business. Key Points of the Export Business summarizes points that should be kept in mind step-by-step (preparation, negotiation, transportation, settlement) and can be used to resolve issues.

#### ■ Useful Information That Supports Overseas Expansion (JFC Website)

The JFC website has information that is useful to businesses expanding overseas such as information about exports and case studies on overseas expansion.



The JFC website

## Example of Loan to a Micro/Small Business Expanding Overseas

Company L, based in Yamagata Prefecture, is a manufacturer of unique slippers. The company's products are popular for their durability and comfort as well as the wide variety of sizes and colors and the designs that they have been recognized by various design awards.

Until now, the company sold its products to select shops and department stores nationwide and online. Recently, in response to rising awareness concerning indoor sanitation as well as the increase in working from home in foreign countries, demand for indoor shoes has increased. The company decided to take on the challenges of overseas direct sales and began exports to countries including the United States and Israel.

JFC-Micro provided a loan for operating funds to stabilize the company's business foundations.



Company L's slippers made by hand by artisans

# Collaboration with Support Organizations

## JFC-Micro Collaborates with Chambers of Commerce and Industry and Societies of Commerce and Industry

JFC-Micro works in close collaboration with regional Chambers of Commerce and Industry, and with Societies of Commerce and Industry throughout Japan to support business improvement of micro/small businesses via Managerial Improvement Loans and consultation sessions.

### ● Overview of Managerial Improvement Loan

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

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

### ● Holding of "One-Day JFC" Consultation Sessions at Chambers of Commerce and Industry or at Societies of Commerce and Industry

Consultation sessions called "One-Day JFC," where staff from JFC Micro consult on finance, are held at Chambers of Commerce and Industry and at Societies of Commerce and Industry.

Every year, many micro/small businesses come to ask for advice.

In addition, we also conducted online consultations in FY2020 to prevent the spread of COVID-19.

Structure of Managerial Improvement Loan (MARUKEI Loan)



Total number of Managerial Improvement Loans (MARUKEI Loans) provided



## Consultations Conducted Online

To prevent the spread of COVID-19, we are taking measures to provide no-contact online consultations. The online consultations have been well received, and the following comments were received from participants: "I was able to consult with peace of mind, since the risk of infection with COVID-19 was eliminated" and "I was able to consult with JFC using a computer at Societies of Commerce and Industry near my place of business, which reduced the burden of travel time and expense."



Online consultations at the Funabashi branch

## JFC Collaborates with Various Organizations That Support Micro/Small Businesses

### ● Signing of MOU for business cooperation

JFC has concluded MOU to collaborate with the Japan Federation of Certified Tax Accountants Associations and other organizations. We are actively involved in stabilizing and strengthening the business foundation of micro/small businesses in collaboration with specialist institutions e.g. information provision through the dispatch of lecturers to seminars and study groups.

List of the main organizations signed MOU (as of the end of May 2021)

Japan Federation of Bar Associations	(Apr. 27, 2011)
Japan Federation of Labor and Social Security Attorney's Associations	(Sep. 1, 2011)
Japan Federation of Certified Tax Accountants Associations	(Oct. 14, 2011)
Japan Federation of Shihō-Shoshi Lawyer's Associations	(Nov. 11, 2011)
Japan Federation of Certified Administrative Procedures Legal Specialists Associations	(Mar. 29, 2012)
Japan External Trade Organization (JETRO)	(Oct. 25, 2012)
Organization for Small & Medium Enterprises and Regional Innovation, Japan	(Feb. 7, 2020)

Note: Dates within parentheses are the dates the MOU were concluded.

### ● Cooperation with the approved management innovation support organizations <sup>(Note)</sup>, such as Tax Accountants, Certified Public Accountants, and SME Management Consultants

JFC's loan support, together with the management support provided by the Approved Management Innovation Support Organization comprised of tax accountants and other specialists that play an important role in the support for small and medium-sized enterprises (SMEs), micro/small businesses in such important areas as business start-ups, management improvement, and business reconstruction.

Note: The Approved Management Innovation Support Organization is a support organization (tax accountant, certified public accountant, SME management consultant, Societies of Commerce and Industry, Chambers of Commerce and Industry, etc.) based on the Small and Medium-sized Enterprises Business Enhancement Act. Please refer to the Small and Medium Enterprise Agency website for more information.

# Collaboration with Regional Financial Institutions

## JFC-Micro Actively Collaborates with Regional Financial Institutions

JFC collaborates with regional financial institutions to support customers that have been impacted by COVID-19, help revitalize local economies, and improve customer convenience.

### ● Cooperative loan scheme construction<sup>(Note)</sup> and creation of cooperative loan programs

In such various fields as respond to the spread of COVID-19 and support for business start-ups and business revitalization, we focus on creating financing schemes by linkages and collaboration in order to enhance the effectiveness of relationship with regional financial institutions. The number of regional financial institutions JFC-Micro has constructed the cooperative loan schemes with amount to 436 institutions as of the end of March 2021.

In addition, for some of the cooperative loan scheme, regional financial institutions and the JFC collaborates to establish cooperative loan programs to support businesses. Concrete results have already been generated from these programs.

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

### ● Total cooperative loans<sup>(Note)</sup>

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

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

#### Cooperative loans by business category (FY2020)

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

### ● Collaboration during the COVID-19 pandemic

Based on a shared understanding the supporting businesses affected by the COVID-19 pandemic is a top priority, new collaborations with regional financial institutions including support for preparation for loan applications of JFC as well as a bridge loans have been started. In addition, collaboration for cooperative loans including the COVID-19 Hybrid Subordinated Loan Program, which was launched in August 2020, has increased.

Going forward, JFC will deepen its collaboration with regional financial institutions and further promote support for business continuity and growth of customers that have been impacted by COVID-19.

Collaboration with Regional Financial Institutions Working towards Improved Customer Service

# Working towards Improved Customer Service

### ● Measures to Contribute to Regional Revitalization

JFC's 152 branches located nationwide are strengthening their collaboration with local governments and actively participating in "regional comprehensive strategies" implemented by local governments. By leveraging our experience and know-how relating to business start-up support and business succession support, as well as our network of regional financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, tax accountants, and others, we are working to contribute to regional revitalization while taking into account the actual conditions and needs of each region.

#### "Companies Promoting Regional Revitalization Through Food and Agriculture" Project in Collaboration with Onan-cho, Shimane Prefecture (Hamada Branch)

The Hamada Branch actively participates in a "Job Creation" regional comprehensive strategy promoted by Onan-cho. The branch cooperates with a wide range of measures implemented by the town, such as conducting a "Practical Entrepreneurship Class" for entrepreneurs, supporting entrepreneurship, branding of the agricultural and forestry industries, and the sixth industrialization of food and agriculture (expansion of the A-class gourmet concept and support for developing chefs who will become entrepreneurs). As a result of these efforts, 40 businesses were created in Onan-cho from 2015 to 2018, and the Onan-cho model has spread throughout the country.

The collaboration between the Hamada Branch and Onan-cho was selected as a "FY2019 Noteworthy Examples of Financial Institutions and Other Organizations Contributing to Regional Development" announced by the Secretariat of Headquarter for Overcoming Population Decline and Vitalizing Local Economy in Japan.

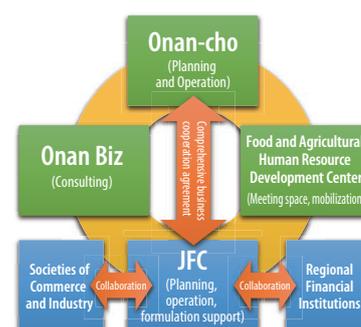


Diagram of the Collaborative Scheme  
\* Excerpted from the FY2019 Noteworthy Examples of Financial Institutions and Other Organizations Contributing to Regional Development

# Digitalization Measures

## Promoting the Digitalization of Operation

With the aim of becoming a financial institution that offers even greater convenience to customers, we are undertaking the digitalization of operation to facilitate use of JFC's services regardless of time and location.

We are also working to provide support through financing and to share information relating to digitalization so that SMEs and micro/small businesses can increase business efficiency and raise productivity.

### ● Increased convenience to customers

We are working to enhance customer convenience by reviewing procedures that required customers to come to a branch or to submit documents by mail and allowing these procedures to be performed online.

Specifically, we are expanding the functions of our Internet Application service, which enables customers to complete the application process online, as well as providing online consultations services using video calls for loan screening interviews and various consultations.

We will continue to accelerate our digitalization measures and improve customer service by introducing the latest digital technologies, including the launch of a customer-exclusive website (My Page) that allows customers to make various inquiries, obtain certificates online, and perform procedures from loan application to contract online.

### ■ Online Applications

Application procedures for both business loans and educational loans can be performed online at any time, 24 hours a day, 365 days a year. We are expanding functions so that financial reports and other documents relating to business loans can be transmitted electronically, and the application process can be completed without the need to visit a JFC branch or mail documents.



### ■ Online Consultation Service

We provide online loan counselling and screening services using video calls. We also offer online consultations in collaboration with related organizations.

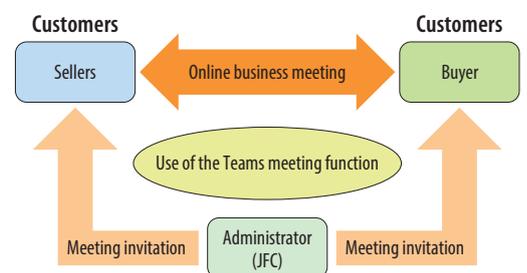
At the six Business Support Plazas nationwide, online business start-up consultations are available by appointment on holidays for those who are considering starting a business.



Joint business start-up consultation sessions are conducted online by the Yorozu Support Center and Nagoya Business Support Plaza in Aichi Prefecture using Microsoft Teams

### ■ Online Business Meeting

We are holding online business meetings via video call. By holding these meetings online, even during the COVID-19 pandemic, we are able to connect customers in remote areas where it is difficult to hold meetings, and we are working to provide management support for expanding the business opportunities of customers.



Schematic diagram of online consultations conducted by the Aomori, Toyama, and Takaoka branches

### ● Supporting digitalization by customers

JFC-Micro provides both financial and information support for the digitalization efforts of customers, which lead to higher business efficiency and increase productivity.

We use IT utilization promotion funds and other financing programs to support SMEs and micro/small businesses planning to digitalize their operations by providing funds for equipment.

We also provide information and case studies relating to digitalization and use networks with businesses and relevant organizations to provide referrals to outside experts.

# International Cooperation

## JFC-Micro shares expertise and experience through international cooperation

By sharing our accumulated credit analysis know-how on and experience with micro/small businesses, we also support developing and other countries.

### Supporting Developing Countries by ODA (Official Development Assistance)

JFC-Micro provides assistance to overcome issues which financial institutions in developing countries face through technical collaboration by Official Development Assistance (ODA). This assistance has been implemented by sharing our accumulated credit analysis know-how on micro/small businesses. In details, we are conducting seminars concerning SME finance in the foreign countries and in Japan in cooperation with Policy Research Institute, Ministry of Finance. To date, these have been implemented in Viet Nam, Malaysia, Laos, and Myanmar.

#### i. Laos

JFC-Micro implemented the technical assistance project from FY2011 to FY2017 with the Lao Development Bank (LDB), which is a state-owned commercial bank in Laos. This project provides our know-how in order to enhance LDB's human resources and improve their credit analysis capabilities. Seminars in Laos and Japan have been held a total of eight times, and lectures about credit analysis methods were conducted to employees of the bank. We have also helped LDB create their own credit analysis manual.

LDB and related governmental organizations have praised the project as extremely significant. LDB is currently working to improve its financing operations even further and is conducting employee training.

Over the two years starting in March 2017, based on the request by the Japan International Cooperation Agency (JICA), JFC-Micro dispatched our staff as the long-term expert for continuous support on site.

#### ii. Myanmar

In January 2015, the workshop on SME finance was held for Myanmar Ministry of Finance, the Central Bank of Myanmar, the Ministry of Industry, and the Myanmar Economic Bank (MEB) at the Myanmar Ministry of Finance in Myanmar's capital Naypyidaw. JFC-Micro gave explanations on the characteristics of Japan's SME finance, JFC's corporate profile, loan programs, and its credit analysis features, etc.

Later, a request was received from the government of Myanmar, and in April of that year, JFC commenced a technical assistance project for MEB and other organizations. In four seminars which have been held in Myanmar and Japan, JFC-Micro conducted lectures on fundamental credit analysis methods and other topics. These events have been quite active, with numerous questions posed by the participants on topics such as methods of grasping the actual situation of enterprises.

Second phase of this project was launched in June 2018 with the aim of developing MEB's credit analysis skills even further. JFC-Micro is providing support to revise its credit analysis format and making other improvements so that the bank can get its new financing program for SMEs on track.

At the seminars held in Myanmar, we conducted practical courses such as a case study on the example for loans provided by MEB using a revised credit analysis format.



Lecture given at local seminars in Laos (Vientiane)



Seminar in Myanmar (Yangon)

### Accepting Foreign Missions, etc.

Every year, a lot of foreign missions from mainly developing countries visit Japan to learn Japan's experience. JFC-Micro provides lectures on such as its history, summaries of its activities, loan programs and various other operations to overseas government related persons coming for observation/inspection tours as part of the training sponsored by JICA and others.



Lecture for foreign missions

