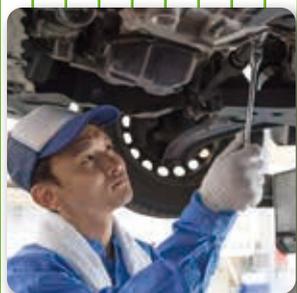


Japan Finance Corporation

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

2020



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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 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

Through our Loan Programs and Credit Insurance Programs, the SME Unit plays a role as a safety net, as well as providing policy-based financing to shore up the growth and development of SMEs and micro/small businesses that are the driving force behind Japan's economy at both the national and regional levels.

Due to the COVID-19 pandemic, the Japanese economy is now facing difficulties said to arguably exceed those presented by the financial crisis in 2008. Moreover, the frequency of large-scale disasters such as earthquakes and heavy rains is rising almost annually. By exercising our safety net functions, we will continue to provide tailored support aimed at business continuity, restoration, and reconstruction of SMEs and micro/small businesses suffering seriously from these disasters.

To address the various challenges that SMEs and micro/small businesses encounter, in consultation with business owners we provide support through our diversified Loan Programs implemented by the government.

Business succession is a top priority among SME measures, and in addition to financial assistance, we provide support to ensure smooth business succession for SMEs and micro/small businesses, including the facilitation of JFC business succession diagnosis, matching support for M&A utilizing our nationwide network, and collaboration with business succession experts and support agencies. We will further strengthen our initiatives amid mounting concerns over closures of businesses affected by the COVID-19 pandemic.

We also offer revitalization support for SMEs and micro/small businesses endeavoring to revitalize their businesses by working together with Small and Medium Enterprises Revitalization Support Councils and private financial institutions. Preferential treatment for syndicated loans, a support scheme we introduced in FY2018, showed a significant increase from the previous fiscal year as it reached 25.8 billion yen in FY2019 (up from 12.3 billion yen in FY2018).

Support for overseas expansion has become increasingly important in terms of diversification and resilience of the global supply chain. We have provided textured support to meet the funding needs of SMEs and micro/small businesses by utilizing our Standby Letter of Credit Program and Loans in Foreign Currency. Through these initiatives, loans in FY2019 totaled 41.7 billion yen and letters of credit issued amounted to 4.2 billion yen. Along with these forms of financial support, representative offices in Bangkok and Shanghai provided informational support by holding business network meetings for our clients' overseas subsidiaries in major cities in ASEAN countries and China.

For new businesses and venture companies, Capital Subordinated Loans and Stock Subscription Rights Loans were utilized to bridge the gap between growth stages in which investment by funds and loans from banks are difficult to obtain, and the provision of Loans to Foster Growth of New Businesses reached 63.4 billion yen.

As a result of these efforts, loans to SMEs and micro/small businesses totaled 1.1 trillion yen in FY2019.

Through our Credit Insurance Programs, we have worked to provide financial support to SMEs and micro/small businesses facing severe business environments by accepting insurance on Safety-net Guarantees and Crisis-related Guarantees as appropriate to facilitate the smooth flow of funds to cope with COVID-19 and natural disasters.

In addition, through the special treatment of insurance stipulated by the Small and Medium-sized Enterprises Business



Enhancement Act, etc. and other laws, we have worked to support start-ups, business revitalization, and business succession, besides underwriting insurance for NPOs' social businesses.

Moreover, under close cooperation with 51 Credit Guarantee Corporations (CGCs) located throughout Japan, we have worked to identify financial trends of SMEs and micro/small businesses and provide necessary information to CGCs to enhance their support for start-ups and business revitalization.

As a result of these efforts, insurance acceptance for credit guarantees in FY2019 totaled 8.3 trillion yen, and the total underwriting balance was 21.2 trillion yen.

By implementing supportive measures related to the impacts of the COVID-19 pandemic, lending under our Loan Programs and underwriting under our Credit Insurance Programs increased dramatically. The business environment surrounding SMEs and micro/small businesses is in an extremely difficult state, and this is expected to continue for the time being, so we will positively exercise our COVID-19 Hybrid Subordinated Loan Program to fully support SMEs and micro/small businesses rising to challenges such as business revitalization and new business. Furthermore, as for our support to facilitate overseas expansion, we would like SMEs to utilize the Cross-Border Loans (direct loans in Japanese yen and foreign currency for overseas subsidiaries) that is to be implemented this fiscal year.

Needless to say, Japan's approximately 3.58 million SMEs and micro/small businesses, which account for 99.7% of the total number of businesses and about 70% of all employees in Japan, are the backbone of the Japanese economy. For our economy to develop further by responding to the effects of COVID-19, it is essential for SMEs and micro/small businesses to become more active, as they create regional employment and bring added value. Looking ahead to the future, we will continue to commit ourselves to fully functioning as a public financial institution following in step with national SME policy and complementing private financial institutions.

YOSHINO Kyoji

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, 2020)

- 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: Kazuho Tanaka
- Capital, etc.: Capital: 4,324.2 billion yen
Reserve fund: 2,052.2 billion yen
- Branch Offices: Branch Offices in Japan: 152
Overseas representative offices: 2
- Employees: 7,364 (budgetary fixed number for FY2020)
- Outstanding Loans: 17,043.3 billion yen
 - Micro Business and Individual Unit: 7,178.3 billion yen
 - Agriculture, Forestry, Fisheries and Food Business Unit: 3,196.1 billion yen
 - Small and Medium Enterprise (SME) Unit: 5,208.1 billion yen
 (Finance Operations)
 - Operations to Facilitate Crisis Responses: 1,327.7 billion yen
 - Operations to Facilitate Specific Businesses Promotion, etc.: 132.9 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

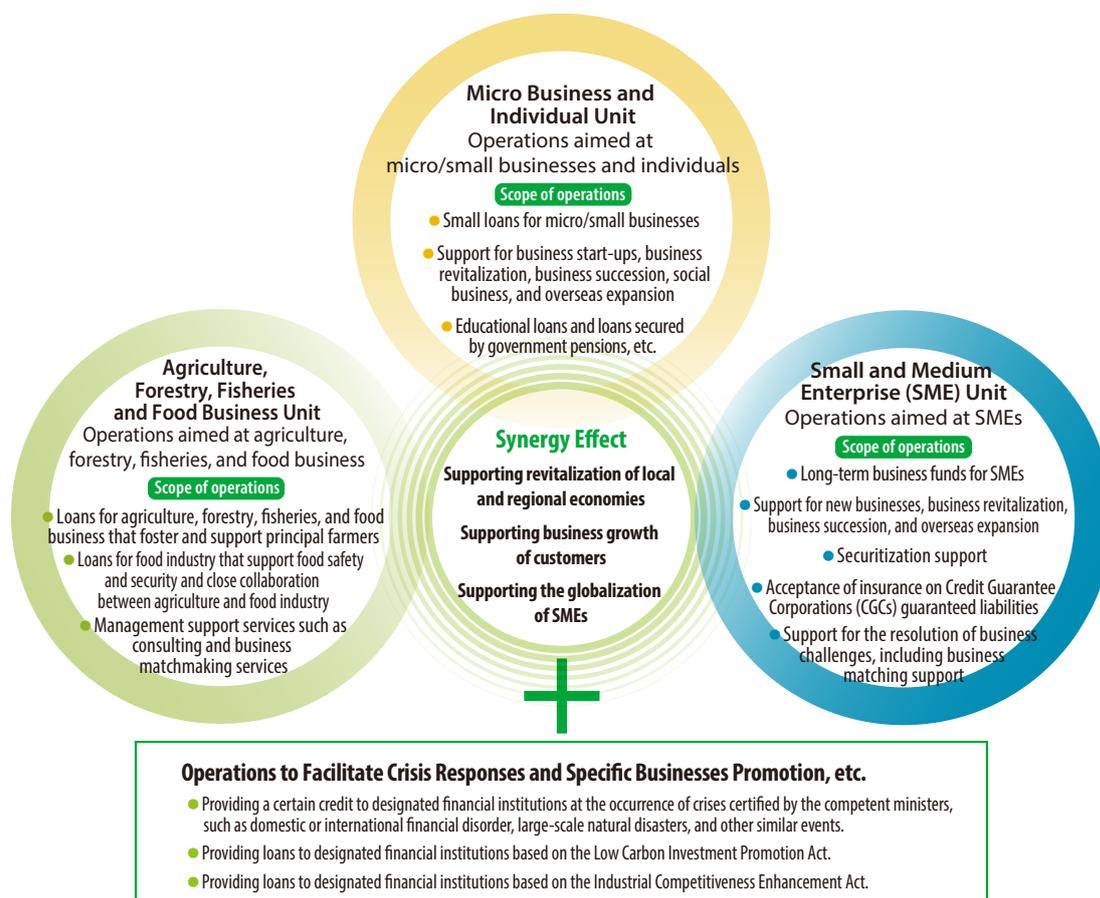
Strive to conduct highly transparent and efficient business operations based on a high level of corporate governance and hold itself accountable to the public.

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

Total Loans Provided



Major Business Operations of JFC



Overview of SME Unit

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

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

Scope of Business

Loan Programs

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

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

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

Securitization Support Programs

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

Performance for FY2019

▶ Loan Programs

Loans	1,147.4 billion yen
Direct loans	1,147.4 billion yen
Agency loans	0.0 billion yen
Loans to Small and Medium Business Investment & Consultation Co., Ltd.	0.0 billion yen
Outstanding loans	5,208.1 billion yen
Direct loans	5,203.7 billion yen
Agency loans	4.1 billion yen
Loans to facility-leasing institutions, loans to Small and Medium Business Investment & Consultation Co., Ltd.	0.2 billion yen

▶ Securitization Support Programs

Financing support amount	
Purchase-type	33.2 billion yen
Financing support balance	
Purchase-type	78.3 billion yen
Outstanding holdings such as asset backed securities	
Purchase-type	17.4 billion yen
Outstanding guaranteed liabilities such as asset backed securities	
Purchase-type	14.9 billion yen
Outstanding guaranteed liabilities of loan claims	
Guaranteed-type	0.0 billion 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 FY2019

▶ Credit Insurance Programs

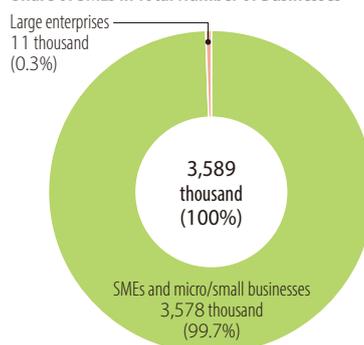
Amounts of insurance acceptance and loans	
Small Business Credit Insurance	8,324.3 billion yen
No record of loans to CGCs and Special Insurance for Mid-size Enterprises	
Outstanding amounts of insurance and loans	
Small Business Credit Insurance	21,244.8 billion yen
Special Insurance for Mid-size Enterprises	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

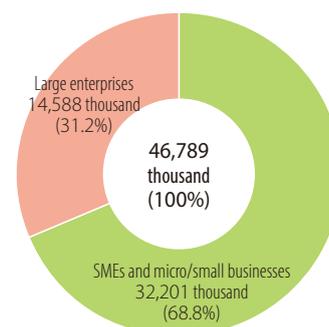
SMEs and micro/small businesses account for 99% of all businesses and approximately 70% of the total workforce in Japan. These figures attest to the fact that SMEs and micro/small businesses are the very source of Japanese economic vitality and the primary force underpinning regional economies.

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



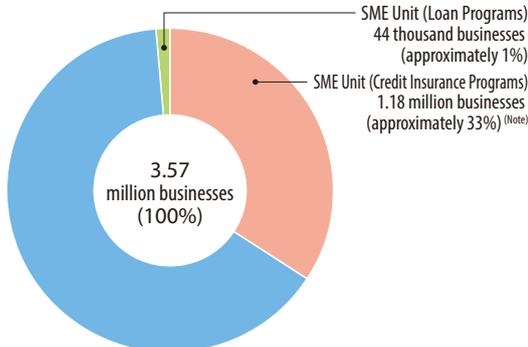
Sources: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2016 Economic Census for Business Activity," edited by the Small and Medium Enterprise Agency, and others.

SME Unit's Clients

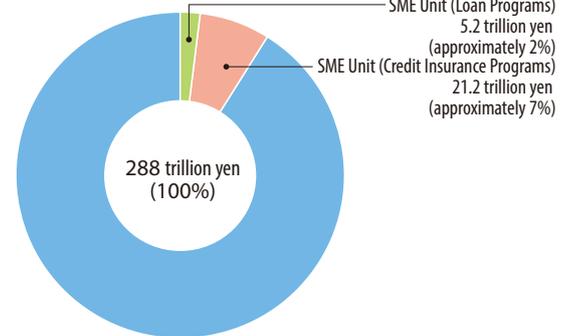
SMEs and micro/small businesses account for 99% of all businesses in Japan, and are both the source of Japanese economic vitality as well as the primary force underpinning regional economies. The size and conditions of each SME and micro/small business differ, such as companies that sustain the regional economy with many employees, long-established companies with a history over one hundred years and family-owned private shops.

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

Share of SME Unit's Clients in Total Number of Businesses



Share of SME Unit's Clients in Total Amount of Outstanding Loans to SMEs and Micro/small Businesses



Note: Number of businesses utilizing the Credit Guarantee System.

Sources: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2016 Economic Census for Business Activity," edited by the Small and Medium Enterprise Agency, and others.

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

The SME Unit facilitates funds to 1.22 million SMEs and micro/small businesses (approximately 34%) and accounts for approximately 9% of outstanding loans to SMEs and micro/small businesses.

Characteristics of SME Unit's Clients

Loan Programs (Direct Loans)

- Number of businesses 44 thousand businesses
- Average loan for FY2019
 - Average loan amount per business 80 million yen
 - Average term of loan 9 years and 5 months
 - Average amount of capital per business 38 million yen
 - Average number of employees per business 72
- Approximately 78% of outstanding loans are loans to businesses with 20 employees or more, and approximately 92% have capital of 10 million yen or more
- Covers a wide range of industries particularly manufacturing (approximately 46% of outstanding loans as of the end of FY2019)

Credit Insurance Programs

- Number of businesses 1.18 million businesses (Note)
- Average insurance for FY2019
 - Average amount of insurance acceptance per business ... 18 million yen
 - Average term of insurance 4 years and 11 months
 - Average number of employees per business 7
- Approximately 76% of outstanding amounts of insurance are insurance to businesses with 20 employees or less, and approximately 72% have capital of 10 million yen or less.
- Covers a wide range of industries

Note: Number of businesses utilizing the Credit Guarantee System

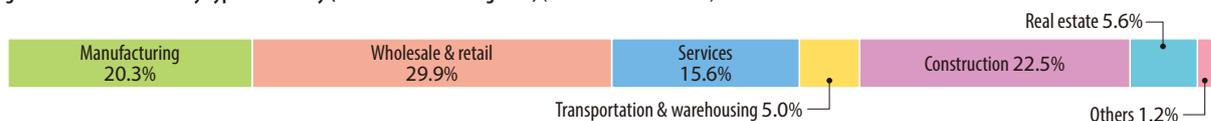
Note: Results are current as of March 31, 2020.

The SME Unit also helps to maintain employment, with the number of employees at the 44 thousand businesses receiving support (direct loans) rising to approximately 2.62 million persons (as of March 31, 2020).

Outstanding Loans by Type of Industry (Loan Programs) (as of the end of FY2019)



Outstanding Amounts of Insurance by Type of Industry (Credit Insurance Programs) (as of the end of FY2019)



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

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

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



Demonstrating a Complementary Function for Private-sector Business Activities

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

Dedicated to Long-term Funding

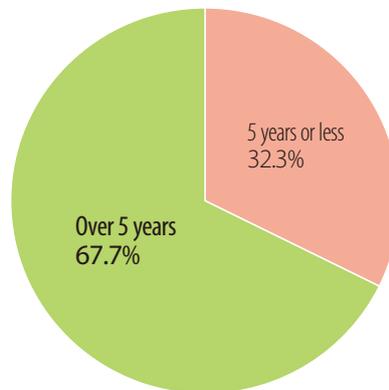
If SMEs are to grow and prosper, they must continually invest capital appropriately and consolidate their financial strength. To do this, they need to be able to raise long-term funds in a stable manner.

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

Breakdown of Loans by Lending Period (Share in Terms of Value) (FY2019)



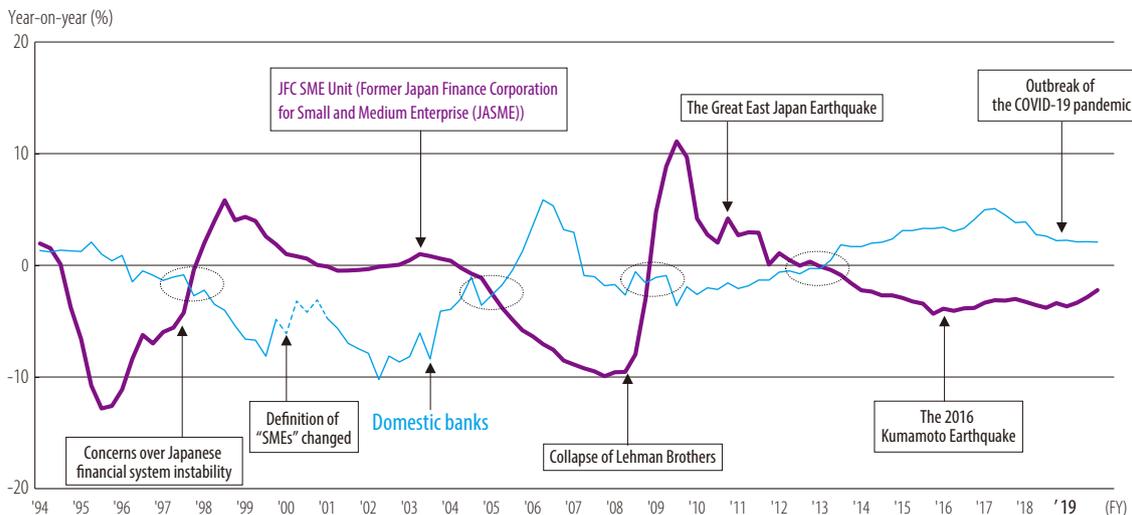
Note: Data are for fixed interest rate loans only.

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. (As of March 31, 2020, not including credit cooperatives, etc.)

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.

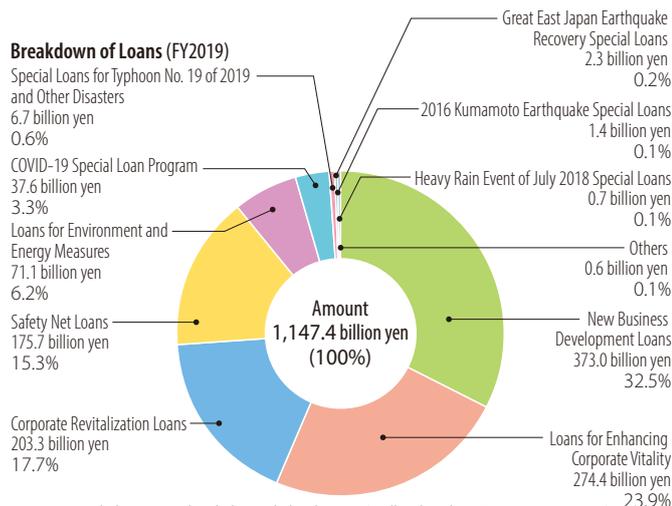
Promotion of Policy-based Special-purpose Loans

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 the government policy guidance by channeling funds into targeted policy-based sectors. These sectors include new businesses, business revitalization, overseas expansion, safety nets, regional economic revitalization, environmental measures, countermeasures against natural disasters, and stimulation of capital investment to promote employment, among others.

During FY2019, amid full-scale reconstruction after the Great East Japan Earthquake and reconstruction of the disaster region of the Kumamoto Earthquake and torrential rain, etc., the SME Unit continued to take concerted steps to fully exercise its safety net function. In this manner, the SME Unit made every effort to support SMEs, which continued to experience increasingly difficult cash flow conditions brought on by a deteriorating operating environment.



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.

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.

Roles and Characteristics of the SME Unit

Socioeconomic Developments and the SME Unit's Roles

Socioeconomic Developments		Roles Played by the SME Unit of JFC ~ Performance of Special-purpose Loans ^(Note) ~
1964 Tokyo Olympic Games held	1960-	Loans to Export-driven Manufacturers 7.7 billion yen (FY1964)
1970 World EXPO '70 held in Osaka	1970-	Loans to Promote Modernization 35.5 billion yen (FY1970)
1985 Plaza Accord reached, triggering sharp appreciation of the yen	1980-	Special Loans for the Promotion of Application of Businesses to Changes in the World Economy 186.2 billion yen (FY1986)
1989 Consumption tax introduced		Loans to Facilitate Introduction of Consumption Tax 332.5 billion yen (FY1989)
1995 Catastrophic Great Hanshin-Awaji Earthquake strikes	1990-	Loans for Disaster Recovery 107.1 billion yen (FY1995)
1997 Hokkaido Takushoku Bank and Yamaichi Securities collapse		Loans to Deal with Changes in the Financial Environment. . . 336.9 billion yen (FY1998)
2005 Full introduction of "payoff" system	2000-	Loans to Promote IT Use 159.3 billion yen (FY2004)
2006 "Zero interest rate policy" removed		Loans for Regional Revitalization and Employment Promotion . . . 215.1 billion yen (FY2005)
2007 Occurrence of U.S. subprime mortgage crisis		Loans to Promote New Business Activities 125.2 billion yen (FY2007)
2008 Lehman Brothers files for bankruptcy		Safety Net Loans 925.8 billion yen (FY2008)
	 2,818.6 billion yen (FY2009)
2011 Catastrophic Great East Japan Earthquake strikes	2010-	Safety Net Loans 2,203.8 billion yen (FY2010)
		Great East Japan Earthquake Recovery Special Loans . . . 1,215.5 billion yen (FY2011)

Note: The names of the loans listed above are as of their scheme termination dates, or, for active schemes, as of March 31, 2020.

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 our internal system and make ourselves known while strengthening cooperation with private financial institutions and thereby work to further promote finance facilitation.

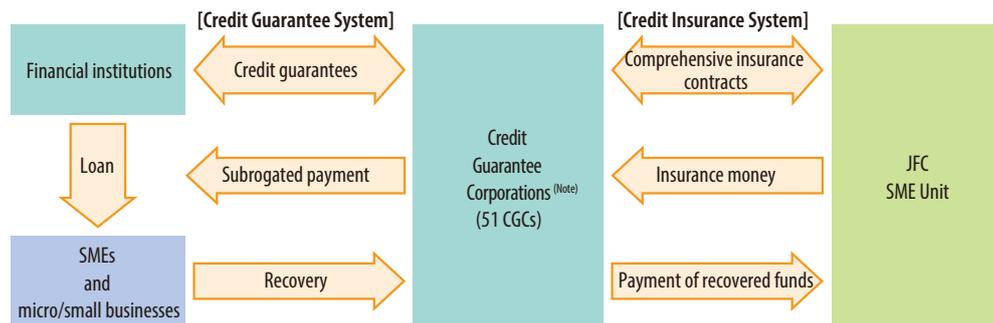
Demonstrating Credit Supplementation Function

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 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.

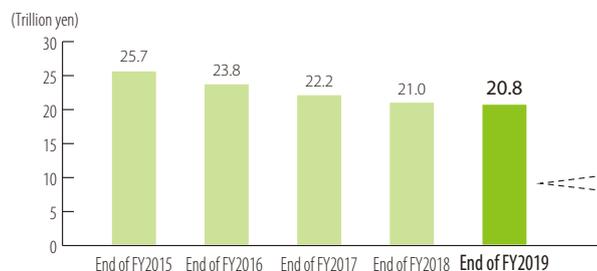
33% of SMEs Utilize the Credit Supplementation System

As of March 31, 2020, the portion of outstanding loans to SMEs guaranteed by CGCs (outstanding guaranteed liabilities) amounted to 20 trillion yen, accounting for 7% of all loans to SMEs.

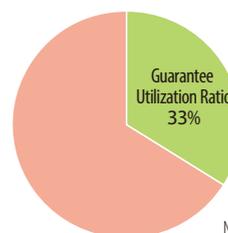
Moreover, 1.18 million SMEs and micro/small businesses, accounting for 33% of all SMEs in Japan, were raising funds with the support of the Credit Guarantee System.

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) (FY2019)



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, "2016 Economic Census for Business Activity," edited by the Small and Medium Enterprise Agency, and others.

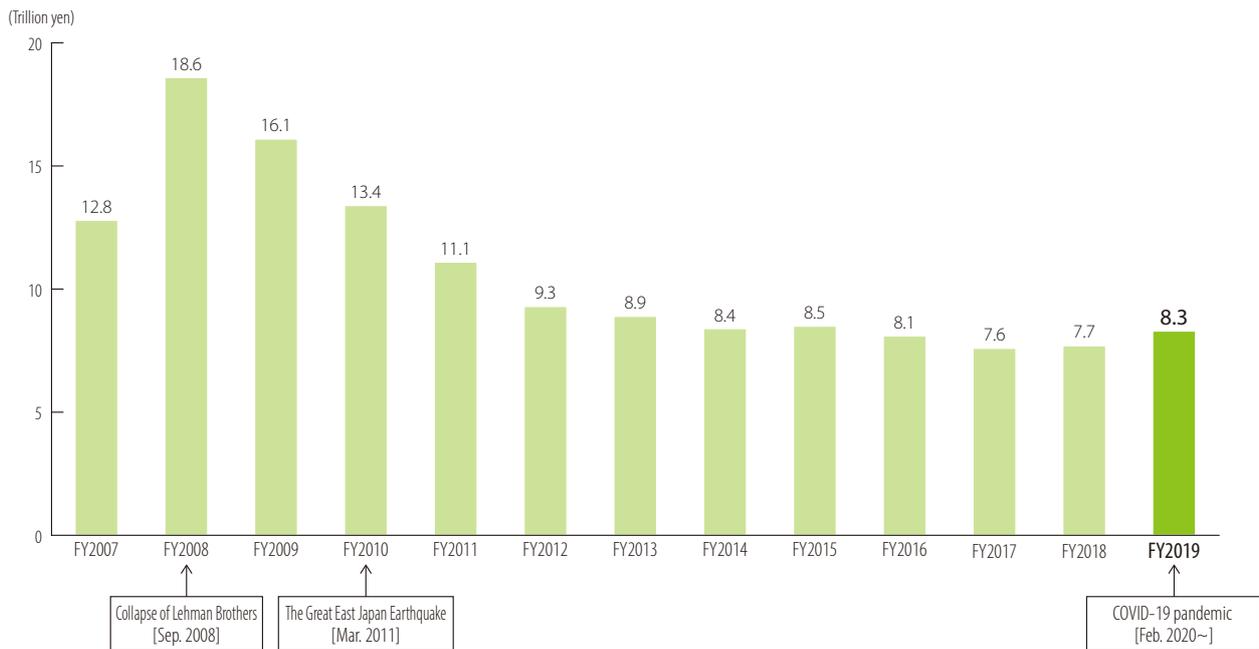
A powerful tool for promoting the government's economic policy

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

CGCs throughout Japan have implemented Safety-net Guarantees in light of recent economic and financial conditions. They have also implemented the Great East Japan Earthquake Recovery Emergency Guarantee Program based on the Special Financial Support Act for the Great East Japan Earthquake (Act No. 40 of 2011). By underwriting the insurance for these guarantees, the SME Unit helped in raising funds for SMEs and micro/small businesses that were facing difficulties in financing due to the negative impacts of the Great East Japan Earthquake, global financial market instability, and economic contraction.

In response to the COVID-19 pandemic in particular, we support the fund raising of SMEs and micro/small businesses by accepting insurance on Safety-net Guarantees and Crisis-related Guarantees.

Changes in the Amounts of Insurance Acceptance

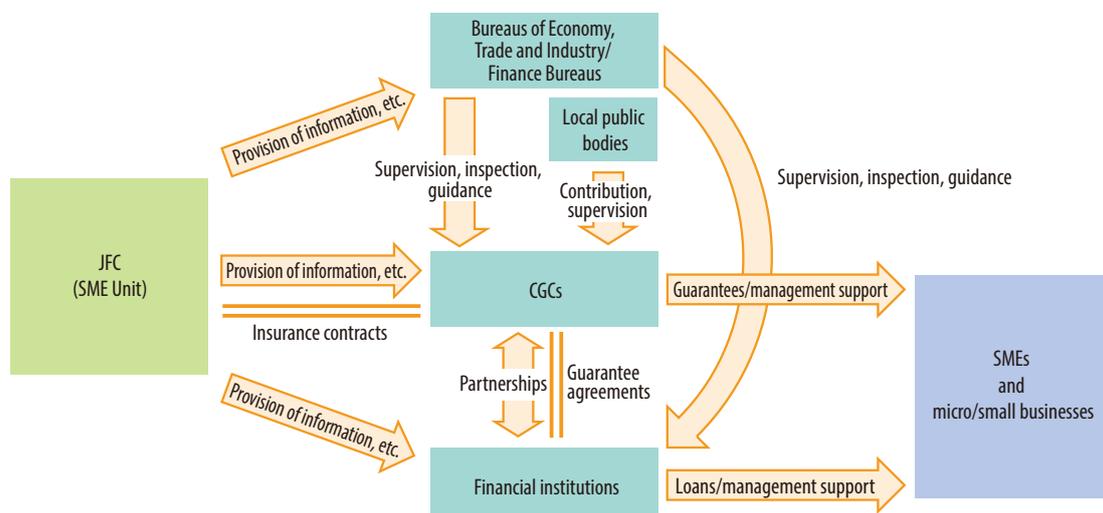


Roles and Characteristics of the SME Unit

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.

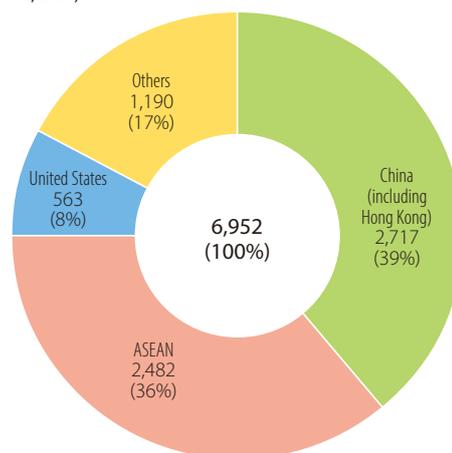


Approach to Internationalization

Support for Overseas Expansion Initiatives

Client companies of the SME Unit have 6,952 local subsidiaries actively engaged overseas, and the SME Unit provides Loans for Overseas Investment and Expansion and capital procurement support under our Standby Letter of Credit Program to support the overseas expansion of SMEs. The SME Unit established support structures at 30 sites nationwide that have many clients conducting business overseas by assigning Coordinators for the Promotion of Overseas Business Expansion.

Number of SME Unit's Clients Operating Overseas (as of March 31, 2020)



Overseas Business Development Related Programs

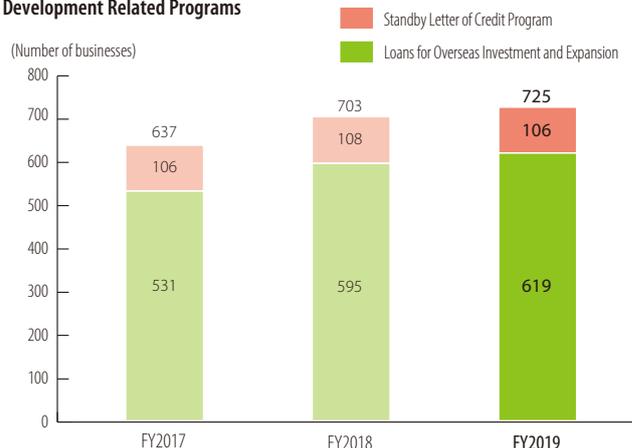
● Status of use of Loans for Overseas Investment and Expansion

In FY2019, the SME Unit provided Loans for Overseas Investment and Expansion to many SMEs as 619 businesses, 41.7 billion yen in total.

● Status of use of Standby Letter of Credit Program

In FY2019, the Standby Letter of Credit Program was utilized by 106 businesses. Letters of Credit were issued to the financial institutions in Thailand, China, Republic of Korea, the Philippines, Indonesia, Malaysia, Viet Nam, Hong Kong, Mexico, Singapore and Taiwan.

Changes in Overseas Business Development Related Programs



Expansion into the Philippines Supported by Loans in Foreign Currency (US Dollars)

The Aomori Branch of the SME Unit extended a foreign currency denominated Loans for Overseas Investment and Expansion to Sasaki Tekkou Bending Co., Ltd. providing 260,000 US dollars (equivalent to 29 million yen) as operating funds for its subsidiary in the Philippines.

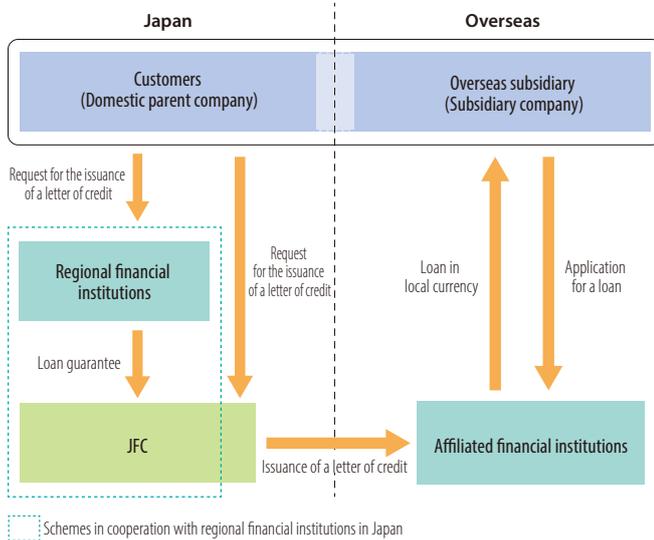
Sasaki Tekkou Bending is a metal processor that specializes in processing, joining and painting large products. When establishing business in the Philippines, the company borrowed funds in yen from The Aomori Bank, Ltd. for capital investment by its local subsidiary including the purchase of land and building, and borrowed funds from JFC's Aomori Branch in US dollars for operating funds after the commencement of its operations from the perspective of hedging currency exchange risks.



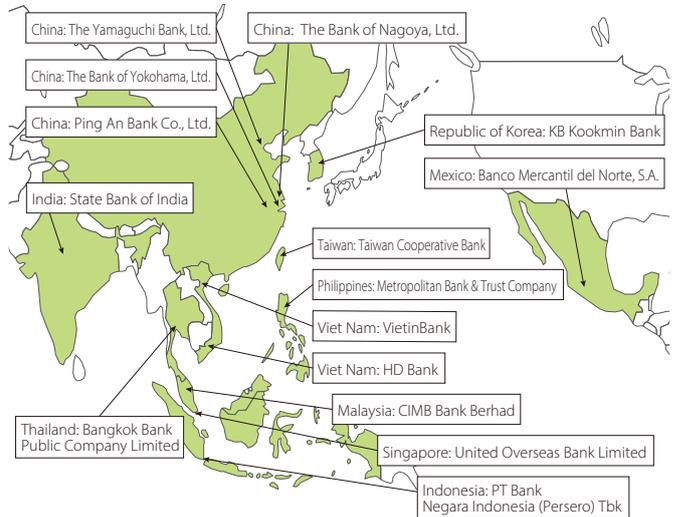
Standby Letter of Credit Program

The Standby Letter of Credit Program supports SMEs and micro/small businesses' overseas subsidiaries' and branches' smooth procurement of long-term local currency denominated funds from JFC's partnering overseas financial institutions by using JFC's standby letter of credit as a guarantee. As of March 31, 2020, the number of affiliated financial institutions, mainly in Asia, was 15 institutions.

Standby Letter of Credit Program Schematic Chart



JFC's Partnering Overseas Financial Institutions (as of March 31, 2020)



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 in FY2013. 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, 2020, JFC has business partnerships with 61 regional financial institutions in Japan, and since the start of the program, letters of credit were issued to a total of 40 businesses through this partnership scheme.

Partnering Regional Financial Institutions (Japanese alphabetical order as of March 31, 2020)

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

Business Expansion in Thailand Supported through Standby Letter of Credit Program

Pronics Co., Ltd., a plastic molding die manufacturer that produces precision components and other products, established local subsidiaries in Thailand and Viet Nam to respond to overseas expansion of their customers by supplying high-quality products at low cost to its customers' local subsidiaries, and other local affiliates of Japanese companies, etc.

Their subsidiary in Thailand expanded its business from die manufacturing by introducing injection molding machines to go into plastic molding and processing business to diversify its product lineup.

The SME Unit worked with The Kyoto Shinkin Bank to issue a letter of credit to Bangkok Bank under the collaborative standby letter of credit partnership scheme to support their capital procurement in Thai baht.



Holding of Seminars on Overseas Business Expansion in Japan

The SME Unit conducts overseas business development seminars to support overseas business development by SMEs at branches nationwide. The Unit collaborates with external institutions and private financial institutions to provide information on overseas development initiatives and conducts lectures on overseas situation and the investment environment.

● Miyazaki Branch: Seminar on U.S.-China Economic Friction

The Miyazaki Branch collaborated with JETRO Miyazaki, Osaka Small and Medium Business Investment & Consultation Co., Ltd., the Miyazaki Bank, Ltd., and the Miyazaki Taiyo Bank, Ltd., to hold a lecture on the effects of the economic friction between China and the U.S. The lecture was presented by employees of JETRO and JFC Shanghai representative office and was attended by 47 persons.



Holding of Business Network Meetings Overseas, etc.

The SME Unit holds business networking meetings and business matching meetings targeting overseas subsidiaries of its clients serving as platforms to obtain support for addressing management issues and to build networks.

● The 13th Japan-Thai Business Matching Meeting

In January 2020, the SME Unit held its 13th Japan-Thai Business Matching Meeting in Bangkok, Thailand to expand business between JFC's clients' overseas subsidiaries and Thai local companies. Jointly hosted with the Japanese Chamber of Commerce, Bangkok and Thai Board of Investment (BOI), along with the cooperation of 76 Japanese financial institutions and leading local financial institutions, the event is one of Thailand's largest business matching meeting. Under the participation of 376 companies (271 Japanese companies and 105 Thai local companies), including the attendance of 44 large Japanese company's local subsidiaries potential buyers, over 1,900 business negotiations took place exceeding the previous year's level which provided an opportunity for JFC's clients' overseas subsidiaries to develop their sales channel with Thai local companies and Japanese large companies.



Examples of Support through the Japan-Thai Business Matching Meeting (Printing Company A: Support for Expanding Sales Channels)

Company A expanded its business into Thailand in response to the demand from their major client. However, at first, they were not able to receive as many orders as expected, and was forced to develop new sales channel to local Japanese retailers. Under such circumstances, JFC's representative office in Bangkok suggested to participate in the Japan-Thai Business Matching Meeting, and with the request from the company, arranged negotiation meetings with retailer and wholesales companies. As a result, the company succeeded in receiving new printing orders, and at the same time, started receiving orders from the initial client, and now their business is on track.

● Three Regional Financial Institutions-JFC Shanghai Joint Business Network Meeting

A Business Network Meeting jointly held with three regional financial institutions, JFC's partnering financial institution under Standby Letter of Credit Program, took place in Shanghai, China in September 2019. At the meeting, with the participation of 86 local subsidiaries of the Bank of Yokohama, Ltd., the Yamaguchi Bank, Ltd., the Bank of Nagoya, Ltd., and JFC's clients, a guest speaker gave a lecture under the theme "Human-Centric Management in China," followed by a networking session to provide an opportunity for mutual interaction among participants making it a meaningful event.



Cooperation with Overseas Institutions

● Cooperation with ACSIC Member Institutions

The Asian Credit Supplementation Institution Confederation (ACSIC) comprises 17 institutions including the Korea Credit Guarantee Fund (KODIT), PT. Asuransi Kredit Indonesia (Askriindo) and Thai Credit Guarantee Corporation (TCG). As an ACSIC member, the SME Unit attends the annual conference and actively encourages mutual exchange with institutions engaged in implementing the Credit Supplementation System.



The 32nd ACSIC Conference (Sri Lanka)

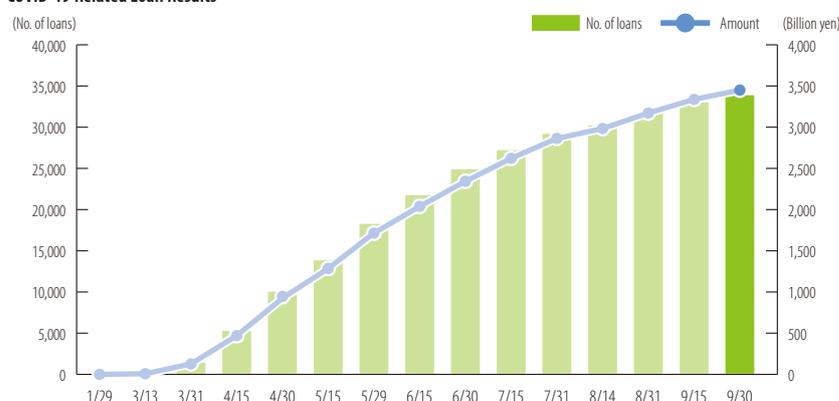
Exercise of Safety Net Functions

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

COVID-19 Related Loan Results

A total of 33,974 loans amounting to 3,450.5 billion yen have been disbursed to borrowers affected by COVID-19 through September 30, 2020. These figures are substantially higher than the number of business loans (19,521) and the financing amount (1,147.4 billion yen) in the previous fiscal year.

COVID-19 Related Loan Results



COVID-19 Special Loan Program

The COVID-19 Special Loan Program for SMEs was launched in March 17, 2020. This loan program provides support to businesses that have been temporarily adversely impacted by effects of the COVID-19 pandemic.

Eligibility	Maximum amount	Loan period (grace period)	Interest rate
Business that fall under both of the following due to effects from the COVID-19 pandemic. (1) Business whose sales revenues in the most recent moth declined by 5% or more compared to the previous year or the year before that or experienced similar circumstances; and (2) There is a likelihood that business conditions will recover and the business will develop over the medium to long term.	Special quota of 600 million yen	Facility funds: maximum 20 years (up to 5 years) Operating funds: maximum 15 years (up to 5 years)	Standard rate However, the standard rate is reduced by 0.9% through the third year after loan disbursement for amounts up to 200 million yen; the standard rate applies from the fourth year.

COVID-19 Hybrid Subordinated Loan Program

We launched the COVID-19 Hybrid Subordinated Loan Program, a loan program for SMEs, on August 3, 2020.

This loan program is intended to strengthen the financial structures of SMEs that plan to develop and continue business with the support of related organizations in an economic environment that is seriously affected by COVID-19. It is a loan program that provides capital funds to reinforce financial status.

Eligibility	Maximum amount	Loan period (grace period)	Interest rate									
SMEs affected by COVID-19. However, limited to those who fall under any of the followings: (1) Businesses selected for the J-Startup Program or that seek to expand their business by receiving investment from an investment limited partnership in which the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN invested; (2) Businesses that are performing business revitalization through participation in the Small and Medium Enterprises Revitalization Support Council; or (3) Business that do not fall under (1) or (2) above and have formulated a business plan and have built a support system such as receiving support from a private financial institution.	Special quota of 720 million yen	5 years and 1 month, 10 years, or 20 years (lump-sum repayment upon maturity)	The rate is 0.50% for the first three years after funds are disbursed. After the third year, the following two categories of interest rate apply depending in performance during the most recent settlement period. <table border="1" style="margin-top: 10px;"> <thead> <tr> <th>Amount of after-tax net income</th> <th>Term of 5 years and 1 month</th> <th>Term of 20 years</th> </tr> </thead> <tbody> <tr> <td>0 yen or more</td> <td>2.60%</td> <td>2.95%</td> </tr> <tr> <td>Less than 0 yen</td> <td>0.50%</td> <td>0.50%</td> </tr> </tbody> </table>	Amount of after-tax net income	Term of 5 years and 1 month	Term of 20 years	0 yen or more	2.60%	2.95%	Less than 0 yen	0.50%	0.50%
Amount of after-tax net income	Term of 5 years and 1 month	Term of 20 years										
0 yen or more	2.60%	2.95%										
Less than 0 yen	0.50%	0.50%										

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	FY2017	FY2018	FY2019
No. of businesses	1,385	1,658	2,260
Amount (billion yen)	134.6	151.9	203.3

Capital Subordinated Loans (revitalization-type)

Fiscal year	FY2017	FY2018	FY2019
No. of businesses	526	488	461
Amount (billion yen)	36.1	33.2	33.0

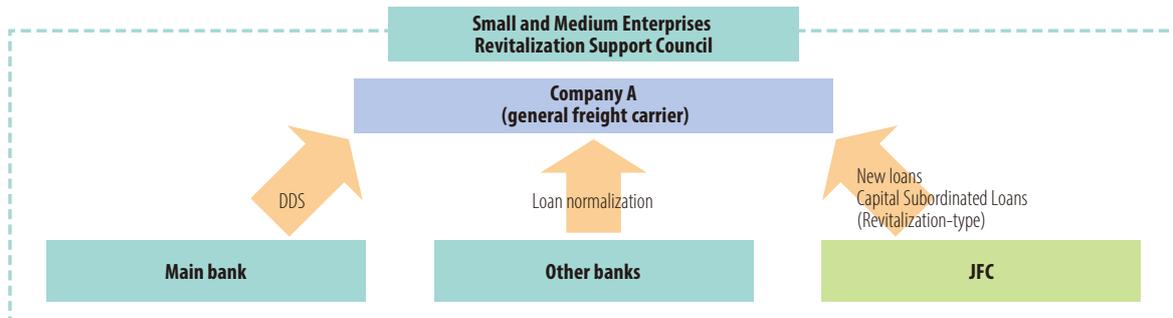
Cooperation with Public Revitalization Support Institutions

By the end of March 2020, Small and Medium Enterprises Revitalization Support Councils had provided revitalization planning support to 15,185 businesses nationwide. The SME Unit participated in the provision of support to over 20% (3,301 businesses) of these businesses (cumulative total as of March 31, 2020).

No. of revitalization planning support cases completed by Small and Medium Enterprises Revitalization Support Council (cumulative total)	No. of cases where the SME Unit of JFC participated in the provision of support (cumulative total)	
	FY2019	Support through loans
15,185 businesses	3,301 (21.7%)	302 businesses

Note: As of March 31, 2020

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



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

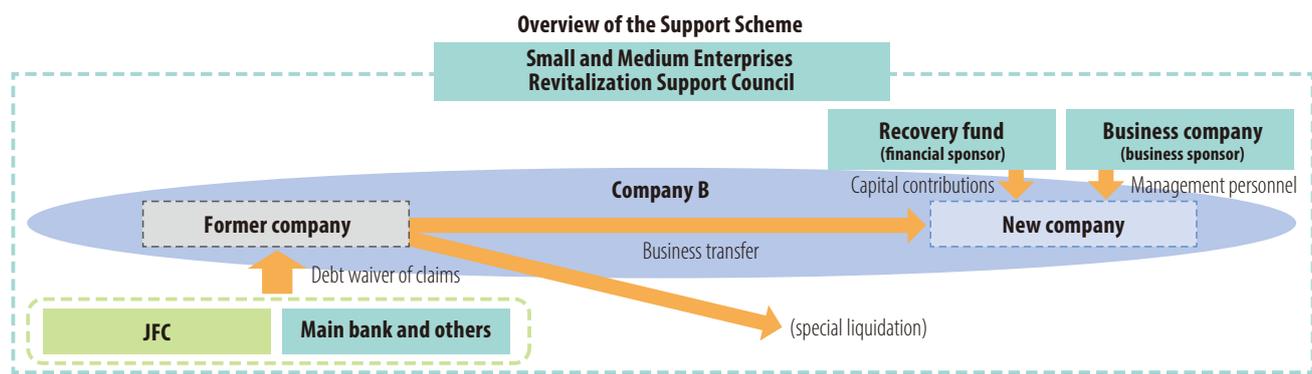
The SME Unit of JFC will continue to actively support the business revitalization of SMEs.

Demonstration of Policy-based Nature

Business Recovery Support Provided in Collaboration with Sponsors and Others through Secondary Company Method

With the participation of the Small and Medium Enterprises Revitalization Support Council, the SME Unit provided business revitalization support to the company B (automobile part manufacturer) in conjunction with an effective debt waiver of claims using a second company method.

For this project, the company's main bank and JFC established the recovery scheme by sounding out financial sponsors (recovery funds) regarding capital contribution to the company and actively participating in the screening of business sponsor candidates, leading to the formulation of a comprehensive revitalization plan.



State of the SME Unit's Operations

State of Loan Programs

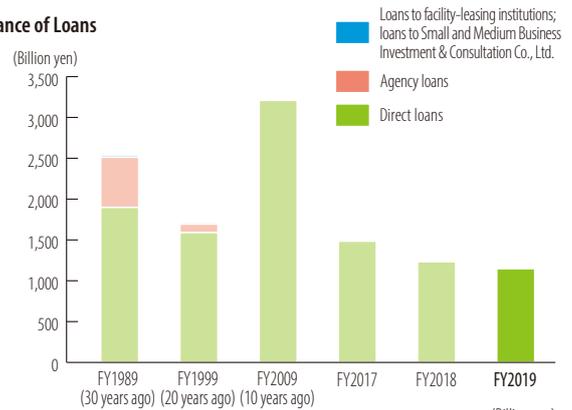
Outstanding Loans



	(Billion yen)					
Direct loans	5,213.3	6,793.5	6,108.0	5,507.1	5,321.5	5,203.7
Agency loans	1,329.5	746.3	62.6	6.2	4.9	4.1
Loans to facility-leasing institutions; loans to Small and Medium Business Investment & Consultation Co., Ltd.	82.4	87.4	9.8	0.8	0.4	0.2

Note: From FY2001, the outstanding amount of direct loans includes the balance of corporate bonds purchased

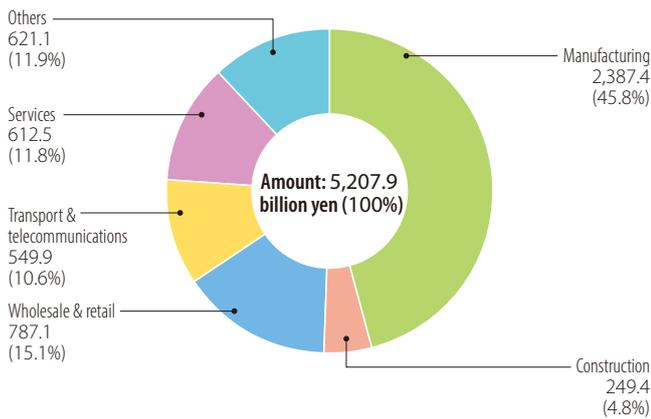
Performance of Loans



	(Billion yen)					
Direct loans	1,898.3	1,590.5	3,208.9	1,485.0	1,233.1	1,147.4
Agency loans	614.5	103.4	0.6	0.0	0.0	0.0
Loans to facility-leasing institutions; loans to Small and Medium Business Investment & Consultation Co., Ltd.	26.9	20.4	1.2	0.0	0.0	0.0

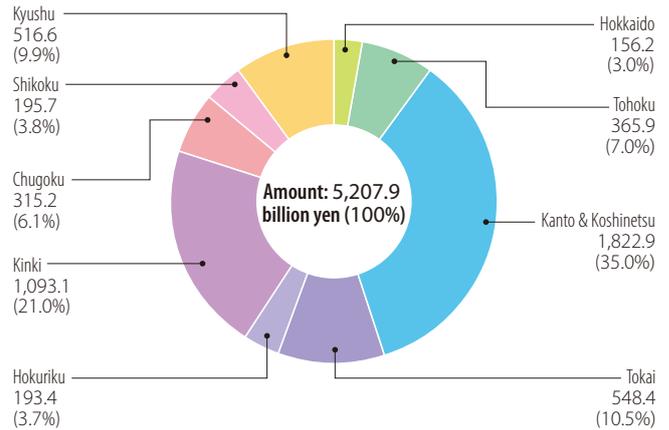
Note: From FY2001, the outstanding amount of direct loans includes the balance of corporate bonds underwritten

Outstanding Loans by Industry (FY2019 year-end) (Billion yen)



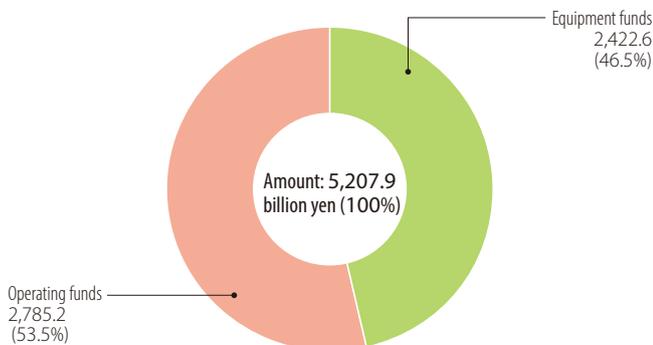
(Outstanding loans include corporate bonds. Breakdowns are calculated by excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding loans.)

Outstanding Loans by Region (FY2019 year-end) (Billion yen)



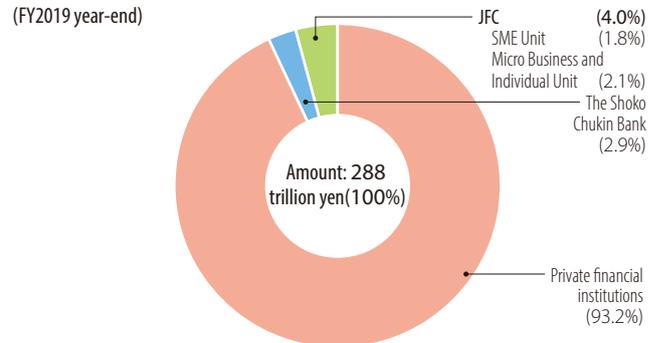
(Outstanding loans include corporate bonds. Breakdowns are calculated by excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding loans.)

Breakdown of Loans by Facility and Operating Funds (FY2019 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.)

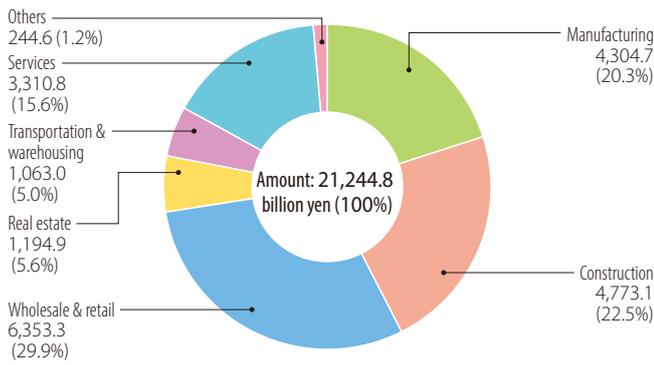
(Reference) JFC's Share of Outstanding Loans to SMEs (FY2019 year-end)



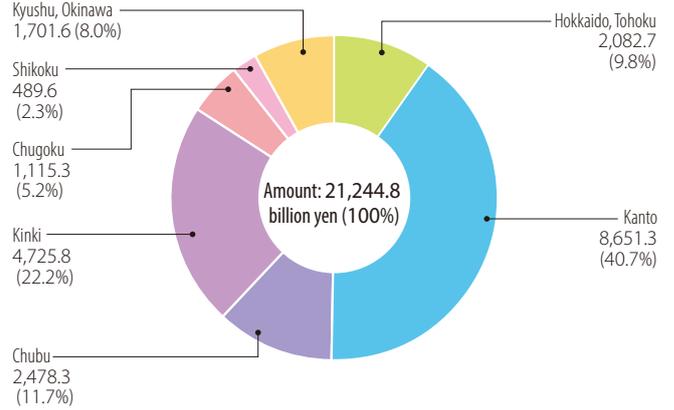
Notes: 1. The SME Unit's outstanding loans are calculated by excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding loans.
 2. The figure for the Micro Business and Individual Unit's outstanding loans is the total of General Loans and Environmental Health Business Loans.
 3. The Shoko Chukin Bank's outstanding loans do not include loans related to offshore accounts and credit cooperative agency loans.
 4. The amount of outstanding loans by private financial institutions is the total of loans by city banks, trust banks, regional banks, regional banks II, shinkin banks, and credit cooperatives.
 Source: Bank of Japan, "Deposits, Vault Cash, and Loans and Bills Discounted," etc.

State of Credit Insurance Programs (Small Business Credit Insurance)

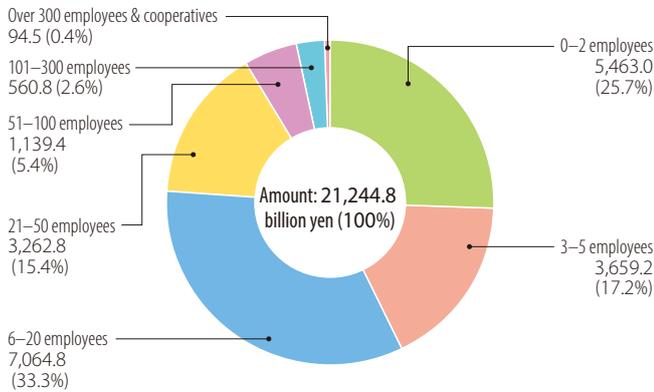
Outstanding Amounts of Insurance by Industry (FY2019 year-end) (Billion yen)



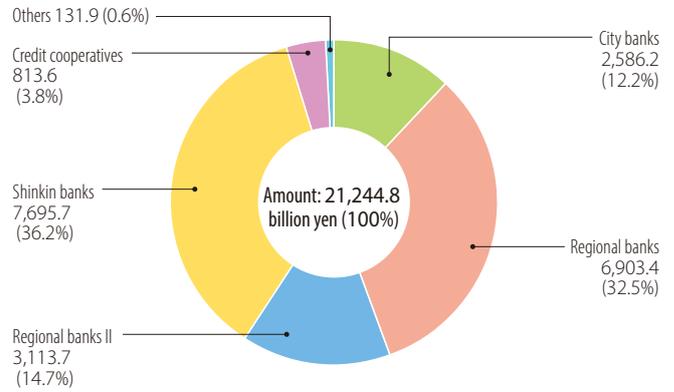
Outstanding Amounts of Insurance by Region (FY2019 year-end) (Billion yen)



Outstanding Amounts of Insurance by Number of Employees (FY2019 year-end) (Billion yen)

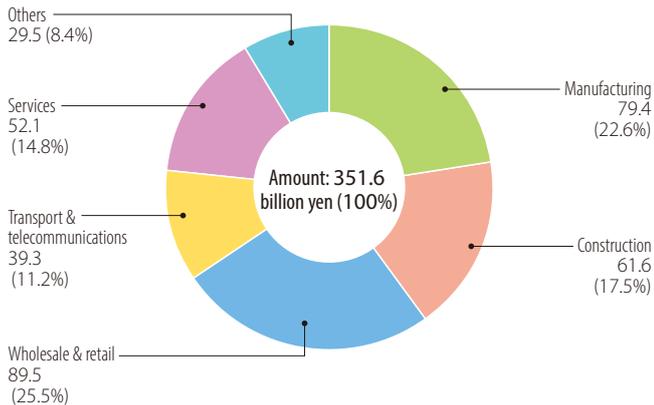


Outstanding Amounts of Insurance by Type of Financial Institution (FY2019 year-end) (Billion yen)

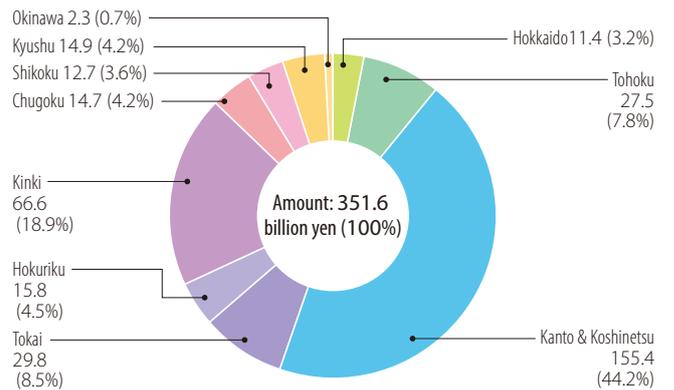


State of Securitization Support Programs (Purchase-type and Guarantee-type)

Provision of Funds by Industry (cumulative results (FY2004-2019)) (Billion yen)



Provision of Funds by Region (cumulative results (FY2004-2019)) (Billion yen)



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Number of Branch Offices: 152

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

Loan Programs and Securitization Support Programs

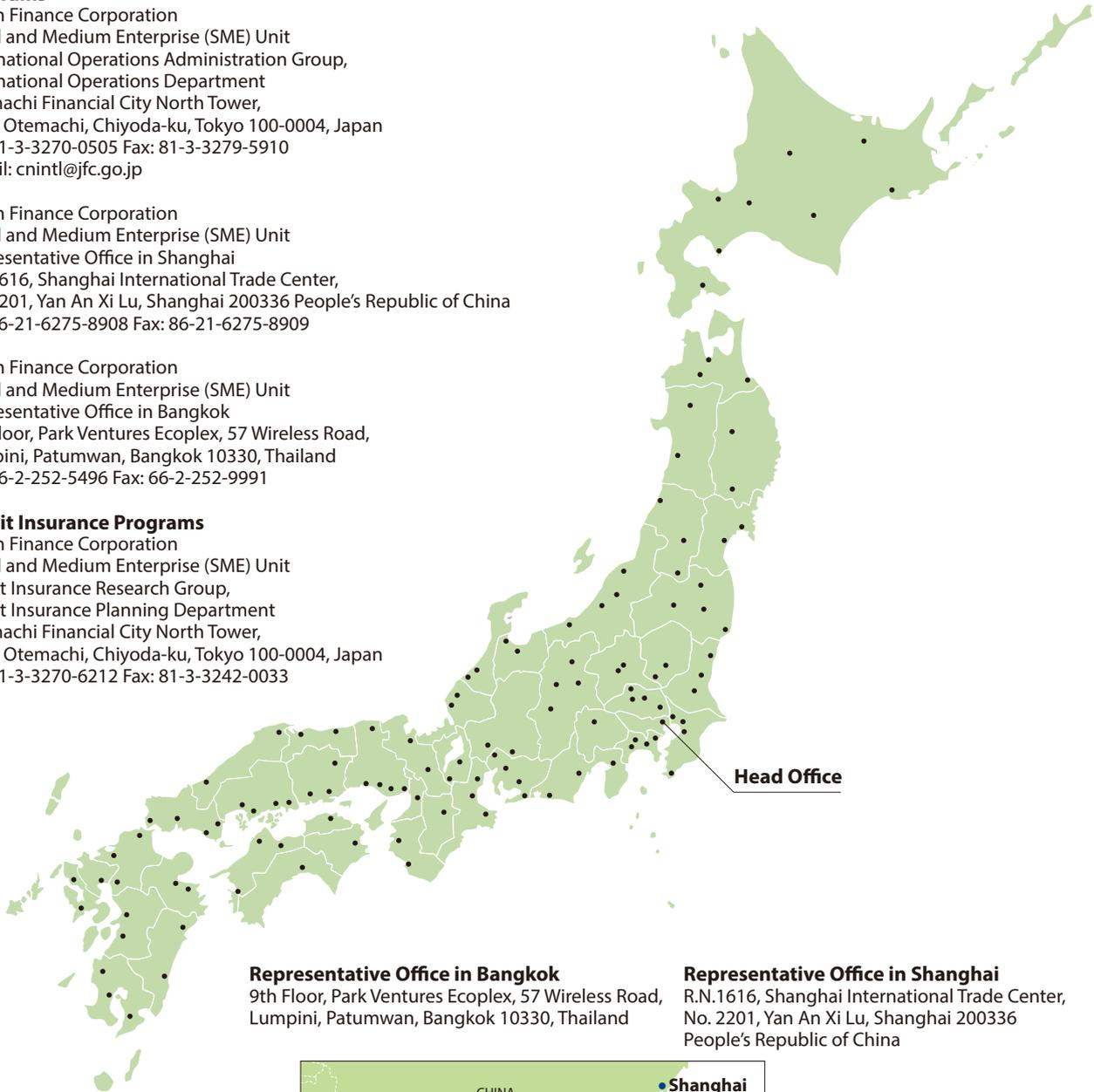
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Credit Insurance Programs

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