

Facilitating the financing of Japanese SMEs' overseas subsidiaries to further Japanese SMEs' overseas business expansion

Japan Finance Corporation Small and Medium Enterprise (SME) Unit

STANDBY LETTER OF CREDIT PROGRAM

OUTLINE

Japan Finance Corporation (JFC) issues a Standby Letter of Credit (SBLC)* to JFC's affiliated financial institutions having overseas operations to support Japanese SMEs' overseas branches and associated firms ("SMEs' overseas subsidiaries") to smoothly obtain funds in local currencies abroad.

* SBLC is a letter of credit issued for guarantee purposes.

ELIGIBILITY

Applicants (Parent companies in Japan)

SMEs in Japan, whose business plans have been approved by the competent authorities pursuant to the "Small and Medium-sized Enterprises Business Enhancement Act. etc.", or other relevant laws.

Borrowers (Applicant's overseas subsidiaries)

Overseas subsidiaries controlled by the Applicants in terms of capital ties or composition of the board of officers. The funds obtained through the SBLC must be used for business activities based upon the approved plans mentioned above.

Smooth fundraising overseas

JFC's SBLC enables smooth fundraising from JFC's affiliated financial institutions. The interest rate will be applied in consideration of JFC's creditability.

Avoid foreign exchange risks

SMEs' overseas subsidiaries can repay their loan in local currency from the money earned through their local business activities. This method eliminates foreign exchange risks which occur when SMEs' overseas subsidiaries obtain funds from their parent companies in Japan.

Advantages of the SBLC Program

Improve the financial strength of Japanese parent companies

By shifting the funding sources for SMEs' overseas subsidiaries from their parent companies in Japan to affiliated financial institutions, the parent companies in Japan can downsize their balance sheets and improve their management indexes, such as Return on Assets.

Enhancement of business management structure overseas

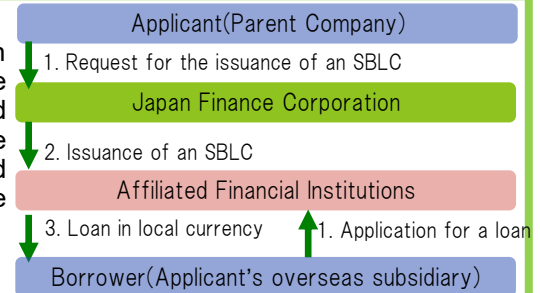
Using this program will enable the establishment and enhancement of direct financial trade with affiliated financial institutions and furthermore, contribute to strengthening fund-raising capacity and information-gathering ability overseas.

Affiliated Financial Institutions (Location of Head Office)

- Ping An Bank Co.,Ltd. (China) ■ State Bank of India (India) ■ PT Bank Negara Indonesia (Persero) Tbk (Indonesia)
 - The Yamaguchi Bank, Ltd. (Japan) 【Coverage area: China】 ■ The Bank of Nagoya, Ltd. (Japan) 【Coverage area: China】
 - The Bank of Yokohama, Ltd. (Japan) 【Coverage area: China】 ■ KB Kookmin Bank (Republic of Korea) ■ CIMB Bank Berhad (Malaysia)
 - Bangkok Bank Berhad (Malaysia) ■ Banco Mercantil del Norte, S.A. (Mexico) ■ Metropolitan Bank & Trust Company (Philippines)
 - DBS Bank (Singapore) ■ United Overseas Bank Limited (Singapore) ■ Taiwan Cooperative Bank (Taiwan) ■ Bangkok Bank Public Company Limited (Thailand) ■ Vietin Bank (Viet Nam) ■ HD Bank (Viet Nam)
- (in alphabetical order of location of head office)

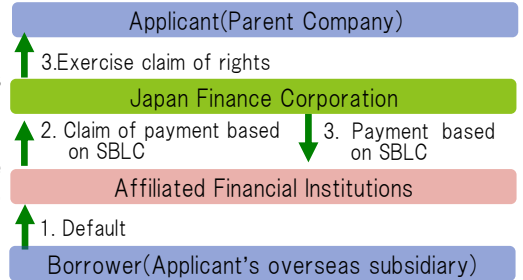
■ Procedures for the Issuance of SBLC

Based on an SBLC issuance request from an Applicant (parent company in Japan), JFC will conduct a credit examination of the Applicant, and at the same time, the Applicant's overseas subsidiary will apply for a loan from JFC's affiliated financial institution and undergo its credit examination. After the completion of the credit examinations from both sides, JFC will issue an SBLC to its affiliated financial institution and they will provide a loan backed by JFC's SBLC to the Applicant's overseas subsidiary.



■ Payment based on SBLC

If an Applicant's overseas subsidiary defaults and cannot pay back their loans, etc., and JFC's affiliated financial institution recognizes the need to protect its rights based on the SBLC, they can claim payment from JFC by submitting necessary documents to JFC. In that case, if JFC determines that the submitted documents satisfy the terms and conditions of the SBLC, JFC will promptly make payments to its affiliated financial institution. At the same time, JFC will exercise the claim right against the Applicant arising from the payments to JFC's affiliated financial institution.



Conditions of Use, etc.

Conditions of issuance

- Maximum amount of guarantee : 900 million JPY per company
- Condition of payment based on an SBLC : Payment on demand
- Period of an SBLC : One year or more, up to 11 years
- Applicable rule : UCP600 (The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No. 600 issued by the International Chamber of Commerce) or ISP98 (The International Standby Practices developed under the auspices of the Institute of International Banking Law & Practice, Inc.)

Conditions of use

- Rate of compensation fee : Applied rate is predetermined based on the credit risk and the effective period of the SBLC
- Payment of compensation fee : Lump sum payment in advance before JFC issues the SBLC
- Guarantor : Guarantee by an executive officer of the parent company will be required under certain conditions
- Amount payable by the Applicant : JPY amount equivalent to the amount paid by JFC to its affiliated financial institution in addition to other costs

Conditions of loans overseas

Detailed conditions of the loan (Period, Payment method, Rate, etc.) will be determined by the affiliated financial institution.

However, the following conditions in particular are necessary.

- Amount of loan : Within the amount of compensation which the SBLC covers (in local currency)
- Purpose of loan : Equipment funds or long term operating funds based on the business plan approved by the competent authority
- Terms of loan : One year or more, up to 10 years

Points to consider:

- A credit examination concerning the business prospects of the Applicants (the parent companies in Japan) by JFC and a credit examination of the SMEs' overseas subsidiaries by affiliated financial institutions are necessary. There is a possibility that the SMEs' overseas subsidiaries will not be able to obtain funds as a result of the examination by JFC or the affiliated financial institutions.
- JFC does not guarantee that affiliated financial institutions will provide financing to the SMEs' overseas subsidiaries.
- JFC assumes no responsibility whatsoever for any damages resulting from discrepancies between the documents presented by affiliated financial institutions and the actual facts, or any breach of contract or disputes related to any transactions between the SMEs' overseas subsidiaries (or the Applicant) and affiliated financial institutions.
- There is a possibility that JFC cannot issue an SBLC where any political or economic disorders arise.

JFC JAPAN FINANCE CORPORATION

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For further information, please contact below: