

Guide to Credit Supplementation System in Japan

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Motohide Hashimoto

Executive Director



日本政策金融公庫

JAPAN FINANCE CORPORATION

Japan Finance Corporation (1)

◆ Features

1. Demonstration of Policy-based Financing
 - Based on important national policies, provide financial support to high-risk borrowers that have trouble borrowing from private-sector financial institutions.
2. Major Business Operations (Loans and Credit Insurance)
 - Long-term business funds for SMEs
 - Small loans for micro/small businesses
 - Loans for agriculture, forestry, fisheries and food business
 - **Credit insurance**
3. Fully Funded by the Government
 - Credit insurance operations financed by annual government outlays (FY 2013: 757 million EUR).

Japan Finance Corporation (2)

◆ Profile

Establishment	October 1, 2008 (through the merger of 4 government-affiliated financial institutions) (Credit insurance operation started in December 1950)	
Branch Offices	152 branch offices in Japan 2 overseas representative offices (Bangkok, Shanghai)	
Employees	7,364 (budgetary fixed number for FY 2014)	
Outstanding Loans (as of March 31, 2014)	Total of Outstanding Loans	152.5 billion EUR
	Micro Business and Individual Unit:	51.9 billion EUR
	Agriculture, Forestry, Fisheries and Food Business Unit:	18.8 billion EUR
	Small and Medium Enterprise (SME) Unit: (Finance Operations)	45.9 billion EUR
	Operations to Facilitate Crisis Responses:	35.9 billion EUR
Outstanding Amounts of Insurance (as of March 31, 2014)	Credit Insurance Operation:	217.6 billion EUR

Japan's Credit Supplementation System

1. System Structure

- Two-tier structure

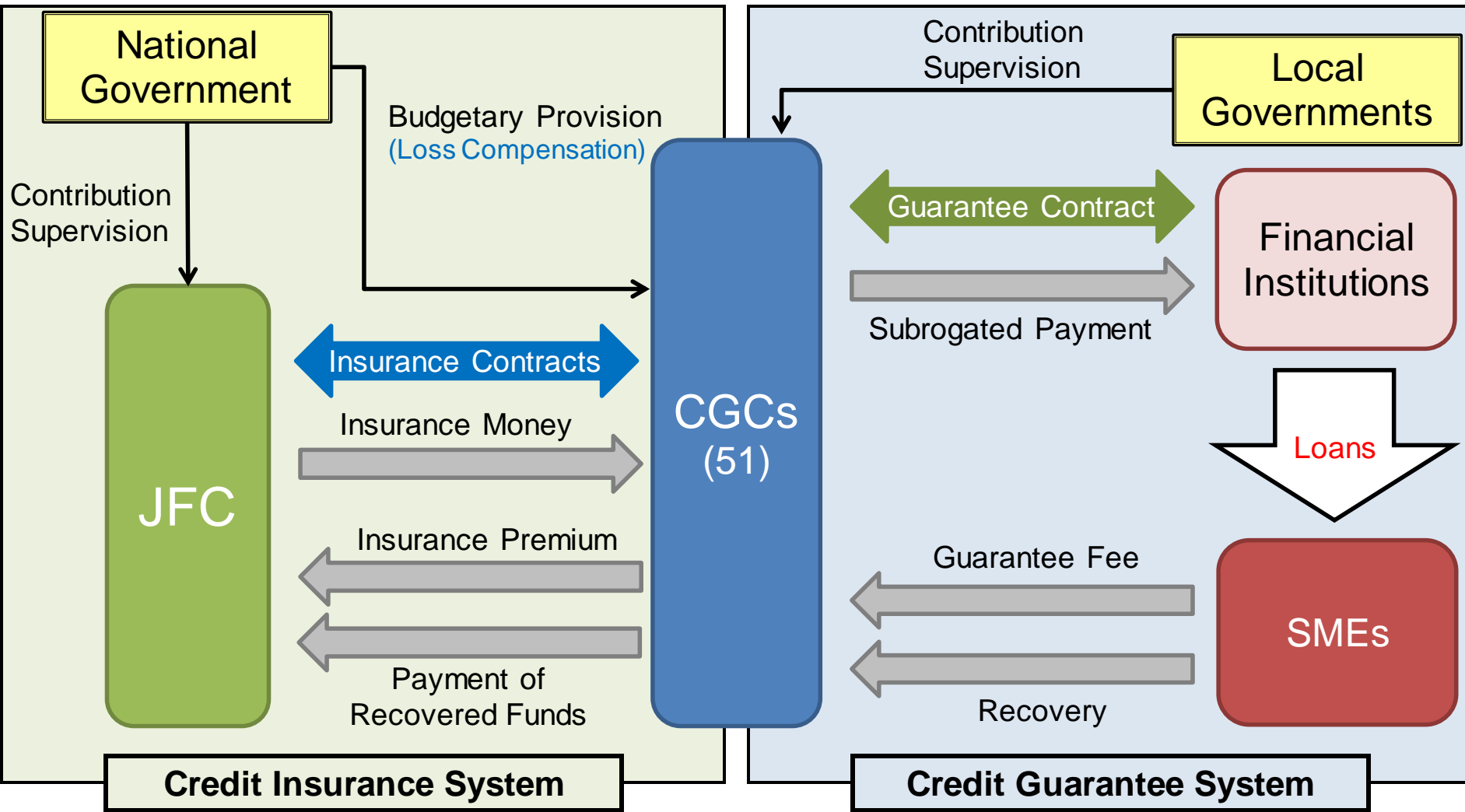
(Credit Guarantee System and Credit Insurance System)

2. Business Scale

- Guarantee utilization rate of 38%
- 6% nominal GDP

System Structure

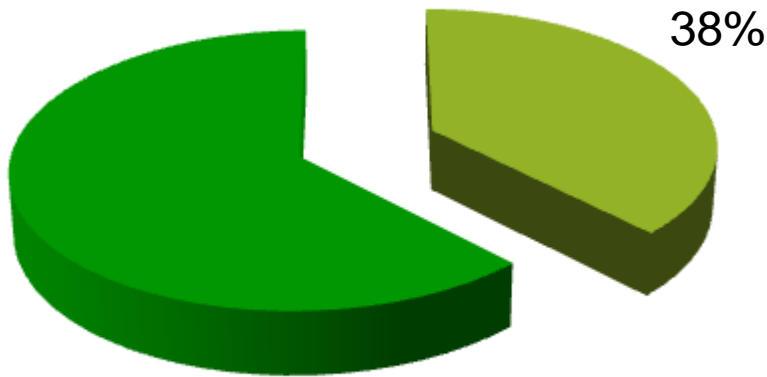
◆ Credit Supplementation System (Overview)



Business Scale (1)

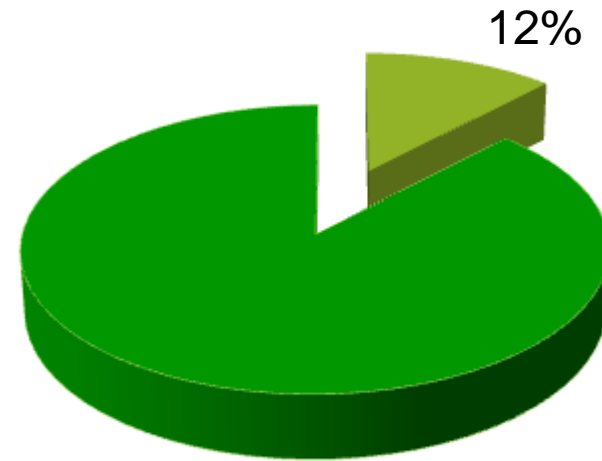
◆ Guarantee Utilization Ratio (FY 2013)

[Number of SMEs]



Number of Guaranteed SMEs: 1.54 million
 Total Number of SMEs: 3.85 million

[Amount]

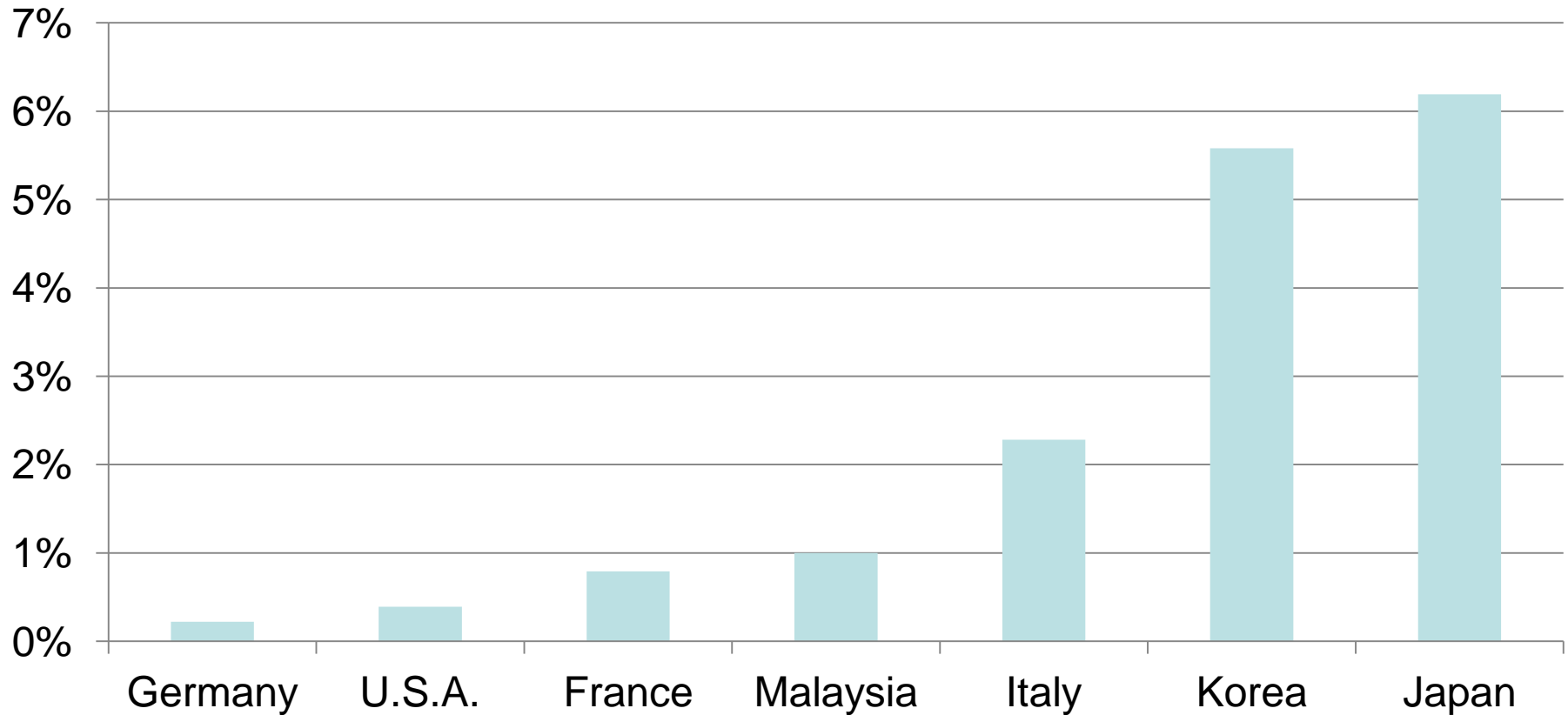


Outstanding Guaranteed Liabilities: 215.4 billion EUR
 Outstanding Loans to SMEs: 1,778 billion EUR

Credit Supplementation System plays huge role in SME financing.

Business Scale (2)

◆ Outstanding Guaranteed Liabilities vs. Nominal GDP



Note: Results for FY 2012 (FY 2013 for US, Japan)

Outstanding guaranteed liabilities calculated as Bpifrance, Socama and SIAGI total for France, KODIT, KOTEC and KOREG total for Korea.

Recent Measures to Support SME Access to Finance

1. Exercising Safety Net Functions

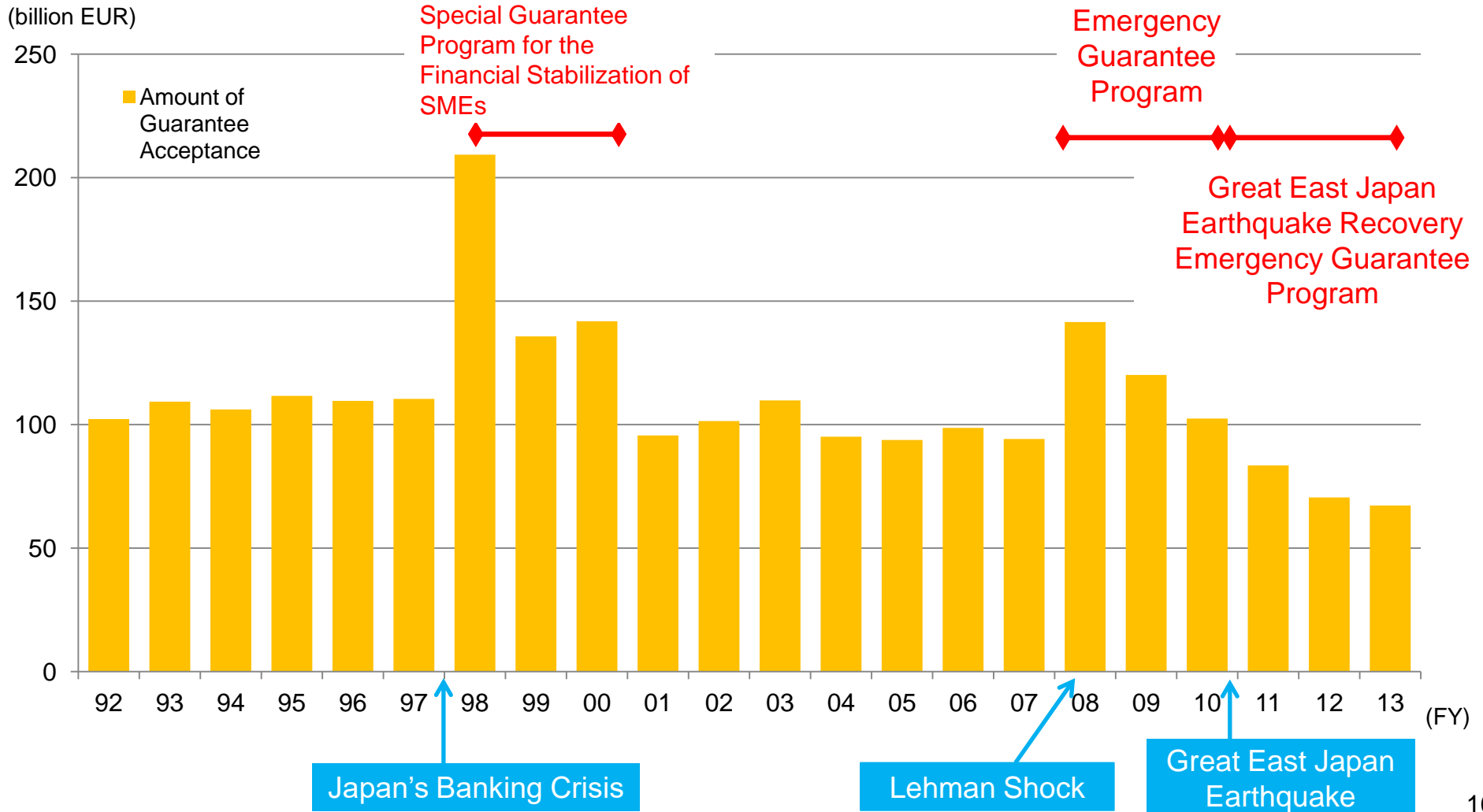
1. Response to Economic Crisis
2. Response to Natural Disasters (Great East Japan Earthquake)

2. Supporting Strategic Areas of Growth

1. Support for Start-ups
2. Support for Business Revitalization

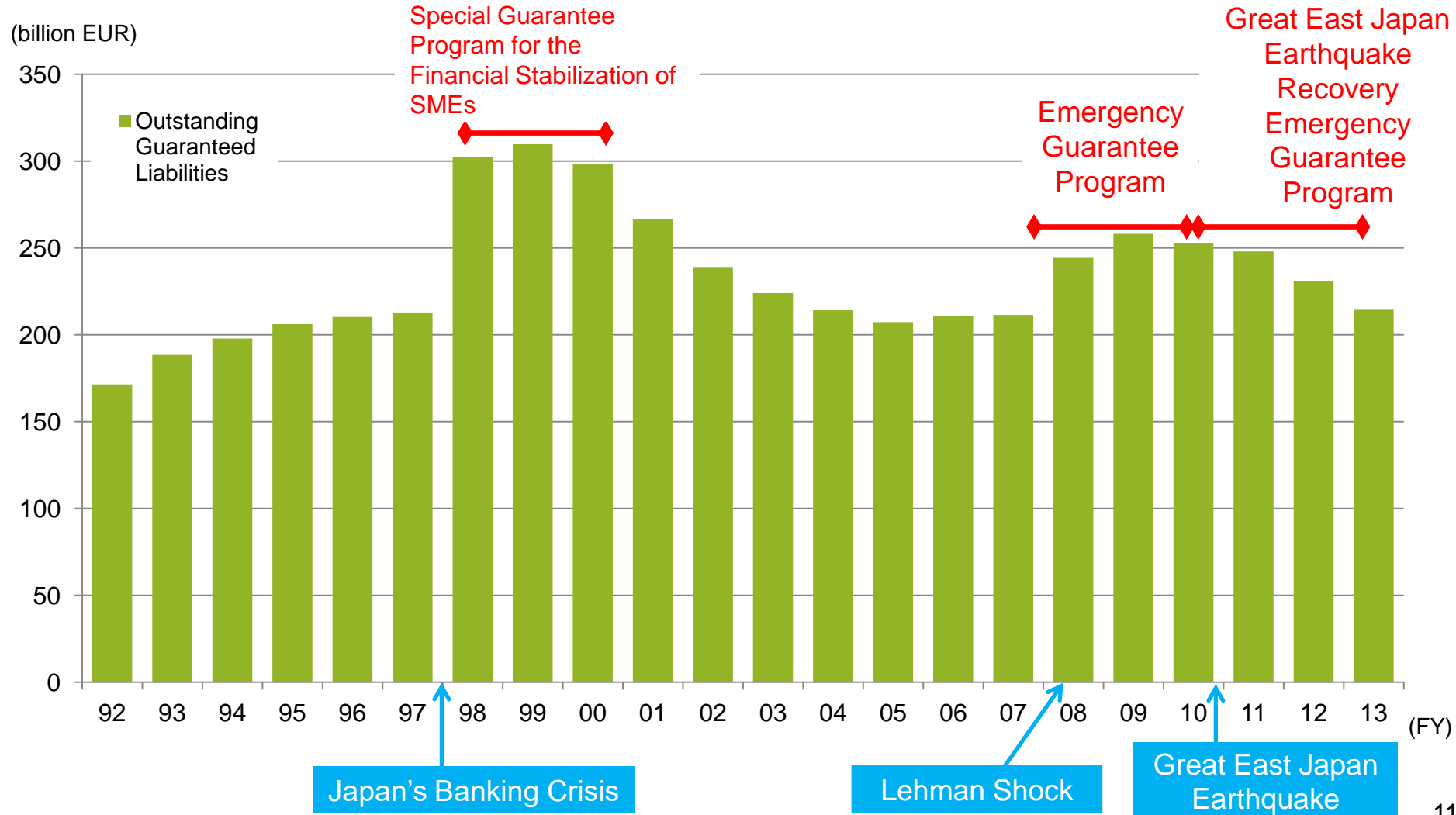
Exercising Safety Net Functions (1)

◆ Changes in Amount of Guarantee Acceptance



Exercising Safety Net Functions (2)

◆ Changes in Outstanding Guaranteed Liabilities



Exercising Safety Net Functions (3)

- ◆ Emergency Guarantee Program and Great East Japan Earthquake Recovery Emergency Guarantee Program were established in accordance with economic conditions.
- ◆ JFC provides special treatment of insurance in accordance with these programs.

	Type of Insurable Funds	Max Amount of Insurance	Insurance Coverage Ratio	Insurance Premium Rate (p.a.)	Guarantee Coverage Ratio
Special Treatment of Insurance Related to					
Business Stability	Business stabilization funds	Additional ceiling of 2.02 million EUR is set	80%	0.41%	100%
Great East Japan Earthquake Recovery Emergency Guarantees	Fund for reconstruction, other business stabilization	Additional ceiling of 2.89 million EUR is set for Ordinary Insurance	90%	0.41%	100%
General Insurance					
Ordinary Insurance	Business funds	1.45 million EUR	70%	0.25% - 1.69%	80%

Supporting Strategic Areas of Growth

1. Support for Start-ups

- Promote establishment of SME, strive for conditions in which new business opening rate is higher than business closing rate, and implement guarantee and insurance systems in accordance with the government's economic policy.
- Provide comprehensive management services for SMEs from pre-establishment financial advice to post-establishment management advice.

2. Support for Business Revitalization

- For the purpose of protecting jobs, preventing chain-reaction bankruptcies, preventing a decrease in the ability to attract customers, and maintain consumption in local economies.
- Support rehabilitating SMEs for smooth reconstructing of their businesses.

Contact Information

<p>Mr. Motohide HASHIMOTO Executive Director</p>	<p>cncredit-insurance@jfc.go.jp</p>
<p>Mr. Mitsuharu WADA Deputy Group Chief Credit Insurance Planning Department</p>	<p>cncredit-insurance@jfc.go.jp wada-mit@jfc.go.jp</p>

