

# SME Financing in Japan

January 18, 2008

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Japan Finance Corporation for  
Small and Medium Enterprise

JASME

中小企業金融公庫

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# SMEs in the Japanese Economy

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## **SMEs as a Foundation of Japanese Industry**

- accounting for over 99% of all businesses in Japan
- accounting for over 71% of the total work force in Japan
- exceeding large-sized enterprises in annual value added

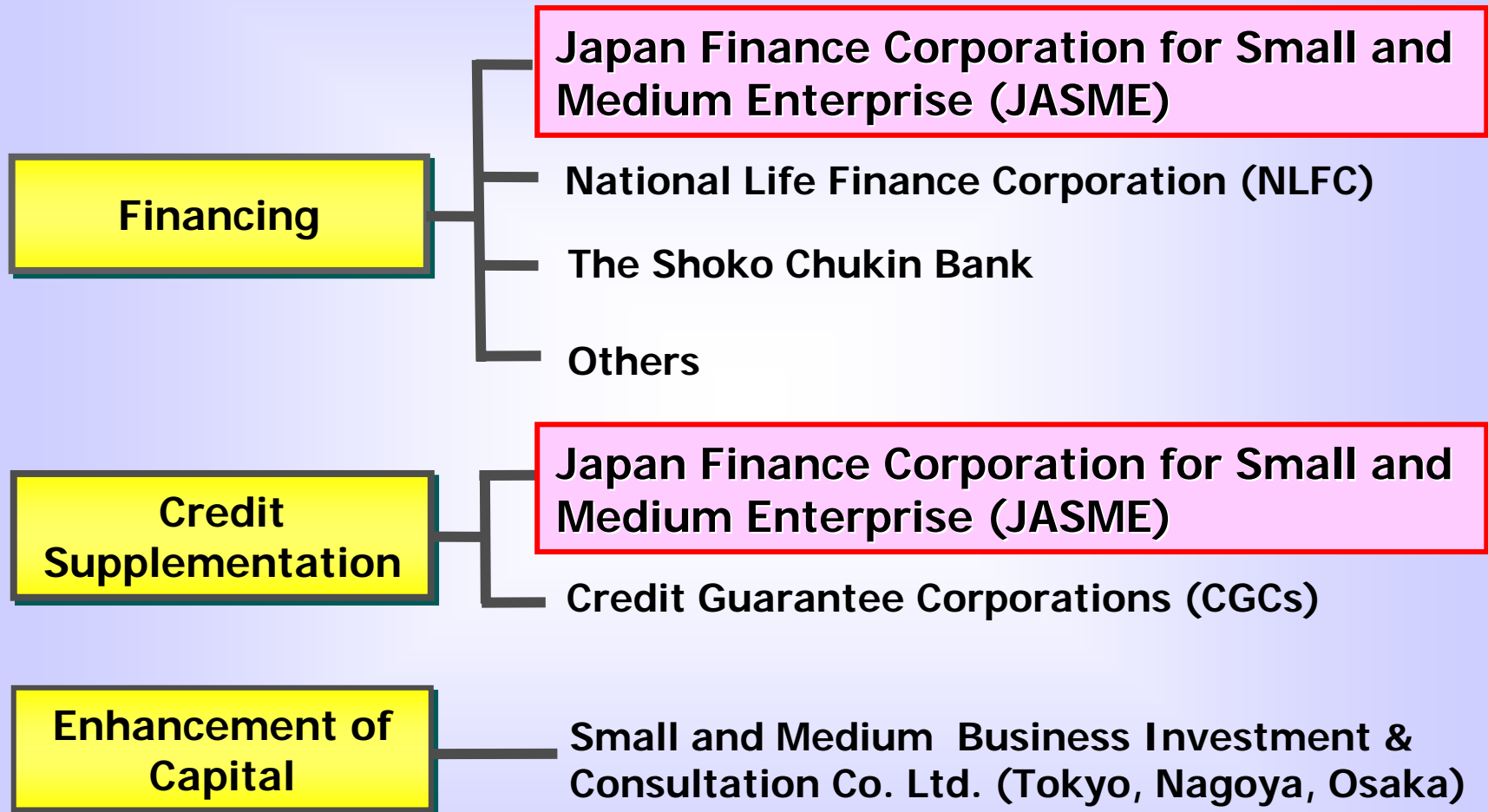


## **Expected Roles of SMEs in Japan**

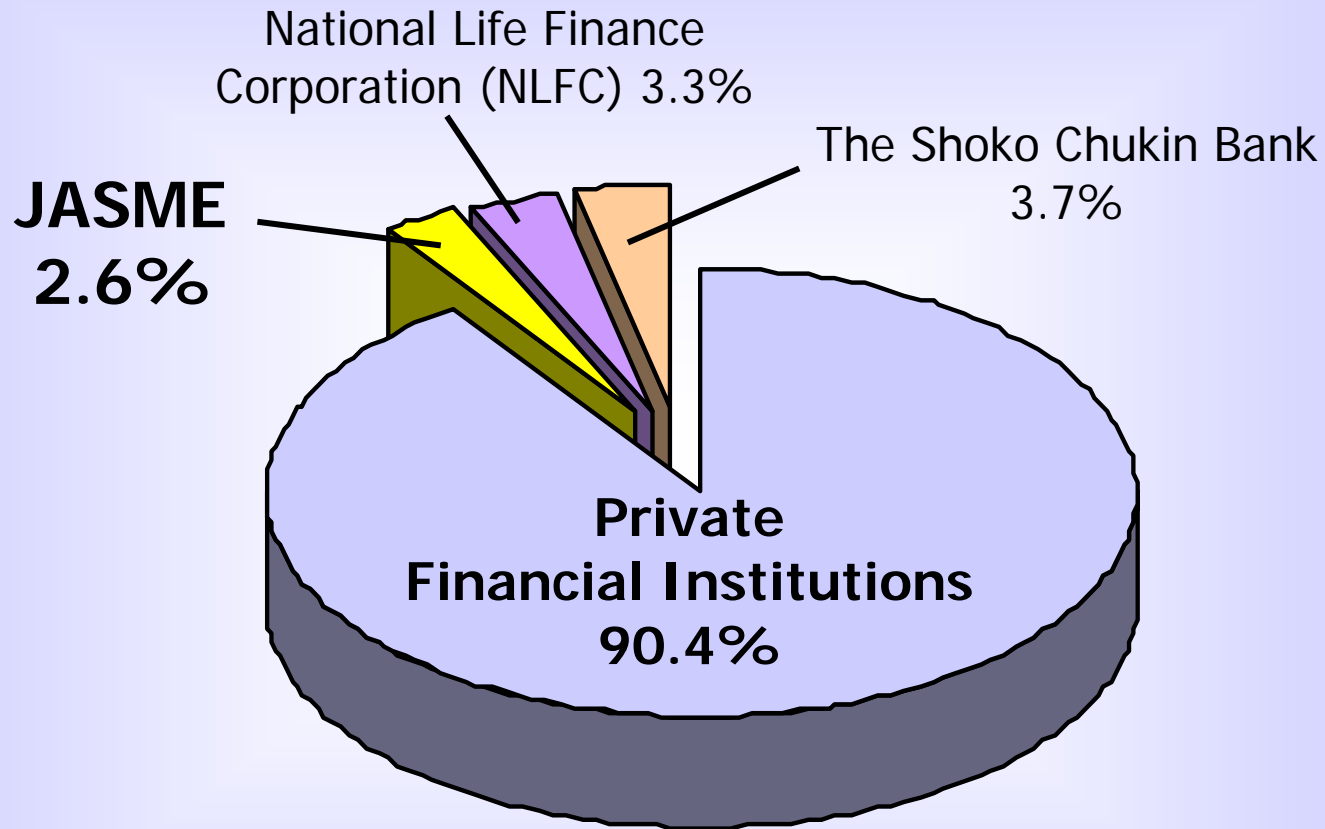
- (1) creating new industries
- (2) increasing employment opportunities
- (3) encouraging competition in the market
- (4) vitalizing regional economies

# Major Financial Supports for SMEs by Public Sector

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# Share of JASME in the SME Financing of Japan (FY 2006)



【 Total amount of outstanding loans 】  
¥250 trillion

# Outline of JASME

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【Establishment】 August 20, 1953

【Capital】 ¥ 1,433.8 billion

Loan Programs	¥	464.3 billion
Securitization Support Programs	¥	35.3 billion
Credit Insurance Programs	¥	934.2 billion

【Number of Employees】 2,070

【Number of Branches】

- 61 Loan Offices throughout Japan
- Overseas Representative Office (Kuala Lumpur, Malaysia)

*(As of March 31, 2007)*

# Business Programs of JASME

## Loan Programs

- Loans to SMEs
- Purchase corporate bonds (with subscription rights to newly-issued shares) issued by SMEs
- Securitization of loan claims against and corporate bonds for SMEs  
(Synthetic CBO Program)

### [FY 2006 Business Results]

- Loan Amount  
→ ¥ 1,028.9 billion  
(of which ¥9.4 billion for Synthetic CBO Program)
- Loan Outstanding  
→ ¥ 6,455.6 billion

## Securitization Support Programs

- Support for private financial institutions in using securitization methods
  - ① The business of securitizing loan claims, etc., taken over from private financial institutions.
  - ② The business of guaranteeing part of the loan claims of private financial institutions, or partially purchasing/guaranteeing asset-backed securities.

### [FY 2006 Business Results]

- Purchase-type  
Total loan principal amount  
→ ¥ 38.8 billion
- Guarantee-type  
Total loan principal amount  
→ ¥ 11.2 billion

## Credit Insurance Programs

- Provide insurance for the guaranteed liabilities of Credit Guarantee Corporations (CGCs)
  - Coverage Ratio:  
70%, 80% or 90%
  - Comprehensive Insurance
  - 52 CGCs throughout Japan
- Loans to CGCs.

### [FY 2006 Business Results]

- Amount of Small Business Credit Insurance Acceptance  
→ ¥ 13,444.0 billion
- Loan Amount to CGCs  
→ ¥ 463.0 billion

# Loan Programs

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## Promoting Policy-oriented Special-purpose Loans





# Providing Loans that do not Depend on Real Estate Collateral or Guarantors

## No-collateral provision

<b>Eligible applicants</b>	SMEs or individuals using Special-purpose Loans as direct loans, which are recognized from their financial positions as posing relatively little credit risk.
<b>Maximum amount</b>	¥ 80 million per company
<b>Interest rate</b>	A prescribed interest rate is added according to the loan period and credit risk.
<b>Loan period</b>	Maximum 5 years

## Partially collateralized provision

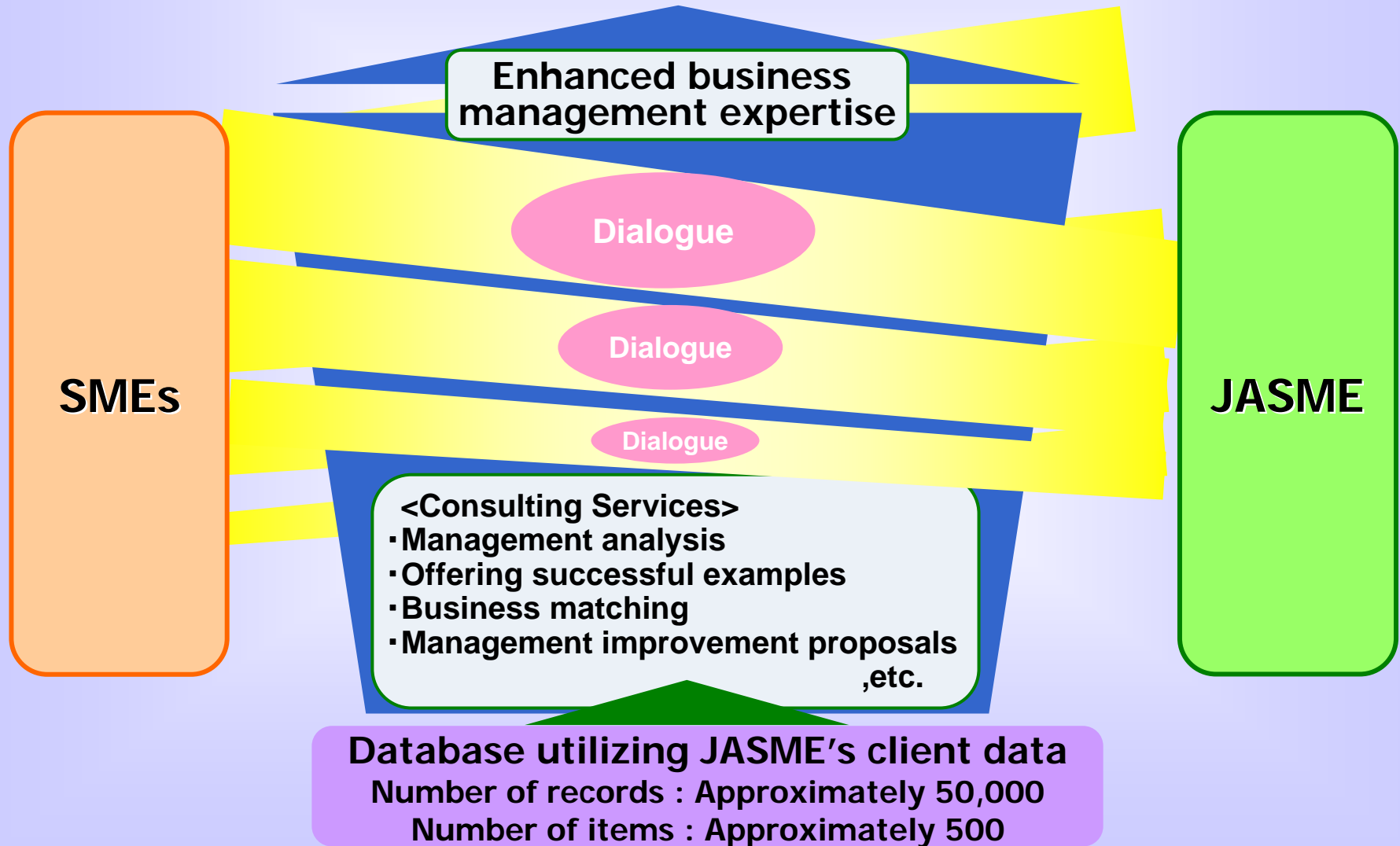
<b>Eligible applicants</b>	SMEs or individuals using Special-purpose Loans as direct loans.
<b>Maximum amount</b>	Up to 75% of the loan amount (maximum ¥ 120 million) under each Special-purpose Loan scheme
<b>Interest rate</b>	A prescribed interest rate is added according to the loan period and credit risk for the portion of the loan subject to the partially collateralized provision.
<b>Loan period</b>	The loan period stipulated for each Special-purpose Loan.

## No-guarantor provision

<b>Eligible applicants</b>	<b>SMEs or individuals using direct loans.</b>
<b>No-guarantor exceptions</b>	<b>CEOs or senior managers are exempted from providing personal guarantees for loans.</b>
<b>Interest rate</b>	<b>An extra 0.3% is added for loans to which the no-guarantor loan program applies.</b>

# Consulting Services

Supporting Management with Effective and Useful Information and Face-to-face Dialog



# Relationship Banking

## 1. MOU and other cooperation frameworks (FY 2006)

	Number of Banks	Of which Number of MOU Banks
Regional banks	108	108
Credit associations	289	275
Credit cooperatives	168	75

## 2. Co-financing with other banks (FY 2006)

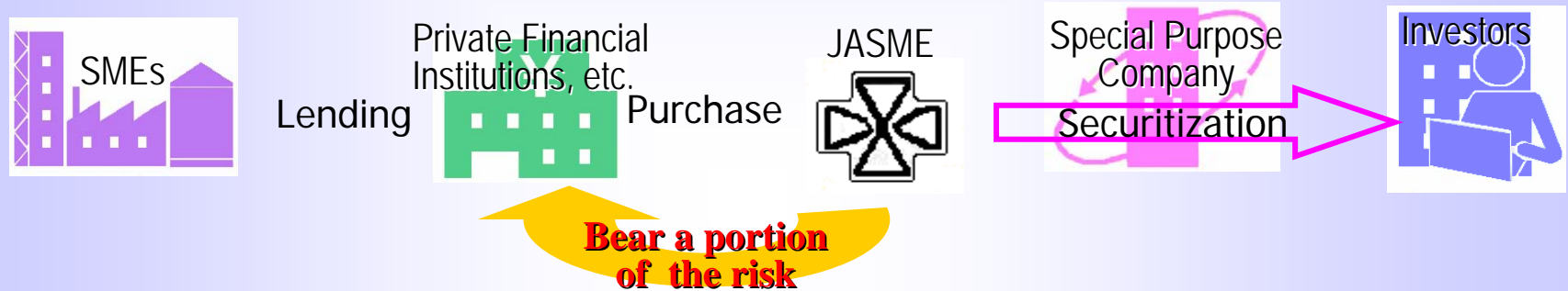
Size of project	¥ 100-300 million	Over ¥ 300 million
Total	1,289	761
(co-financed)	(1,024)	(756)
Share of co-financed	79%	99%
[FY2005 (April-March)]	[ 64% ]	[ 98% ]

# Securitization Support Programs

## Supporting Private Financial Institutions in Using Securitization Methods to Promote the Smooth Supply of Unsecured Funds

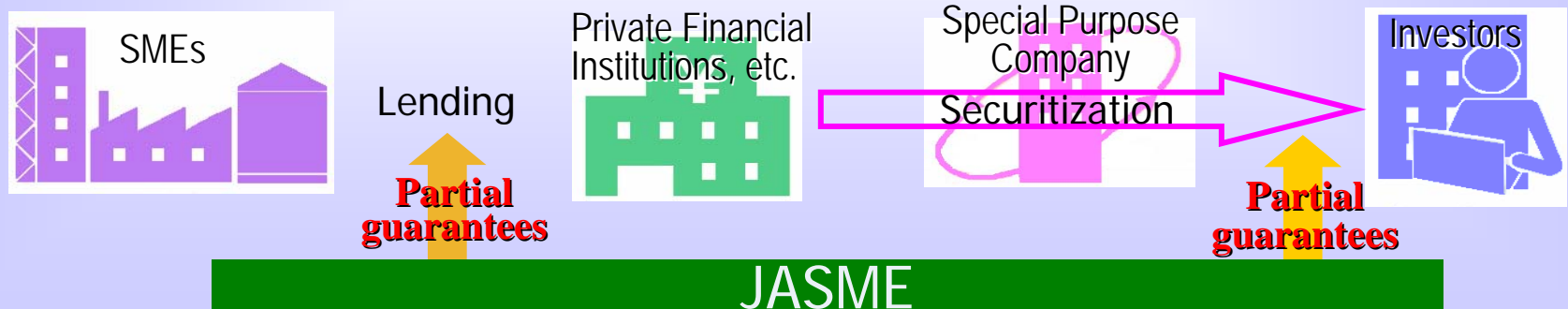
### PURCHASE-TYPE

JASME accepts and securitizes unsecured loan claims that multiple private financial institutions have extended to SMEs on condition of securitization



### GUARANTEE-TYPE

JASME partially guarantees unsecured loan claims that private financial institutions have extended to SMEs on condition of securitization, and partially guarantees a portion of the securitized product as well.

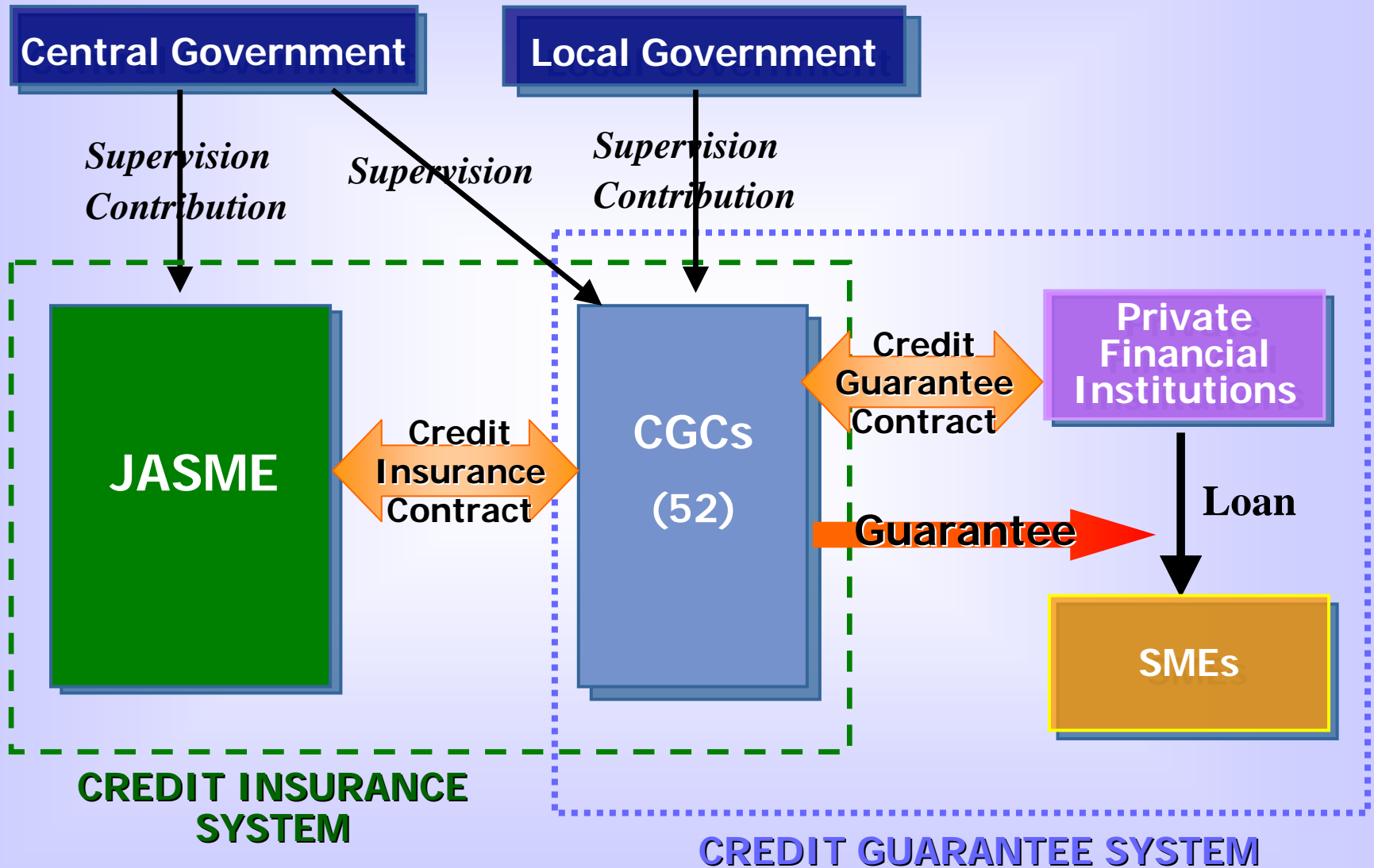


# Funding Results for Securitization Support Programs (July 2004 – December 2007)

Type	Date	Number of SMEs	Amount (¥ billion)
<b>Purchase type</b>	(No. of Banks)		
No. 1	Sep. 2004 (3)	58	2.6
No. 2	Mar. 2005 (14)	507	10.4
No. 3	Dec. 2005 (31)	832	20.5
No. 4	Mar. 2006 (13)	320	7.1
No. 5 (*)	Sep. 2006 (8)	338	12.1
No. 6	Feb. 2007 (26)	1,183	30.5
No. 7	Mar. 2007 (16)	270	5.7
No. 8 (*)	Jun. 2007 (1)	355	13.5
No. 9	Sep. 2007 (12)	309	7.4
No.10 (*)	Sep. 2007 (1)	235	10.1
No.11 (*)	Dec. 2007 (1)	241	9.9
<b>Total</b>	<b>(126)</b>	<b>4,648</b>	<b>129.7</b>
<b>Guarantee type</b>			
No. 1	Dec. 2004	752	44.5
No. 2	Mar. 2005	635	19.7
No. 3	Nov. 2005	403	9.4
No. 4	Mar. 2006	181	6.4
No. 5	Mar. 2007	241	11.2
No. 6	Dec. 2007	96	3.1
<b>Total</b>		<b>2,308</b>	<b>94.4</b>
<b>Synthetic CBO</b>			
No. 1	Sep. 2004	372	24.5
No. 2	Jun. 2005	322	19.9
<b>Total</b>		<b>694</b>	<b>44.4</b>
<b>[Total]</b>		<b>[7,650]</b>	<b>[268.5]</b>

\* : Joint composition with Synthetic CBO program.

# Credit Insurance Programs



# Reform of the Credit Insurance Programs

1. Introducing New Guarantee Fee/Insurance Premium Rate Structure with Consideration for Credit Risks as of April 1, 2006.

[Insurance Premium Rate]

Before March 31, 2006 : 0.87% p.a. (flat)

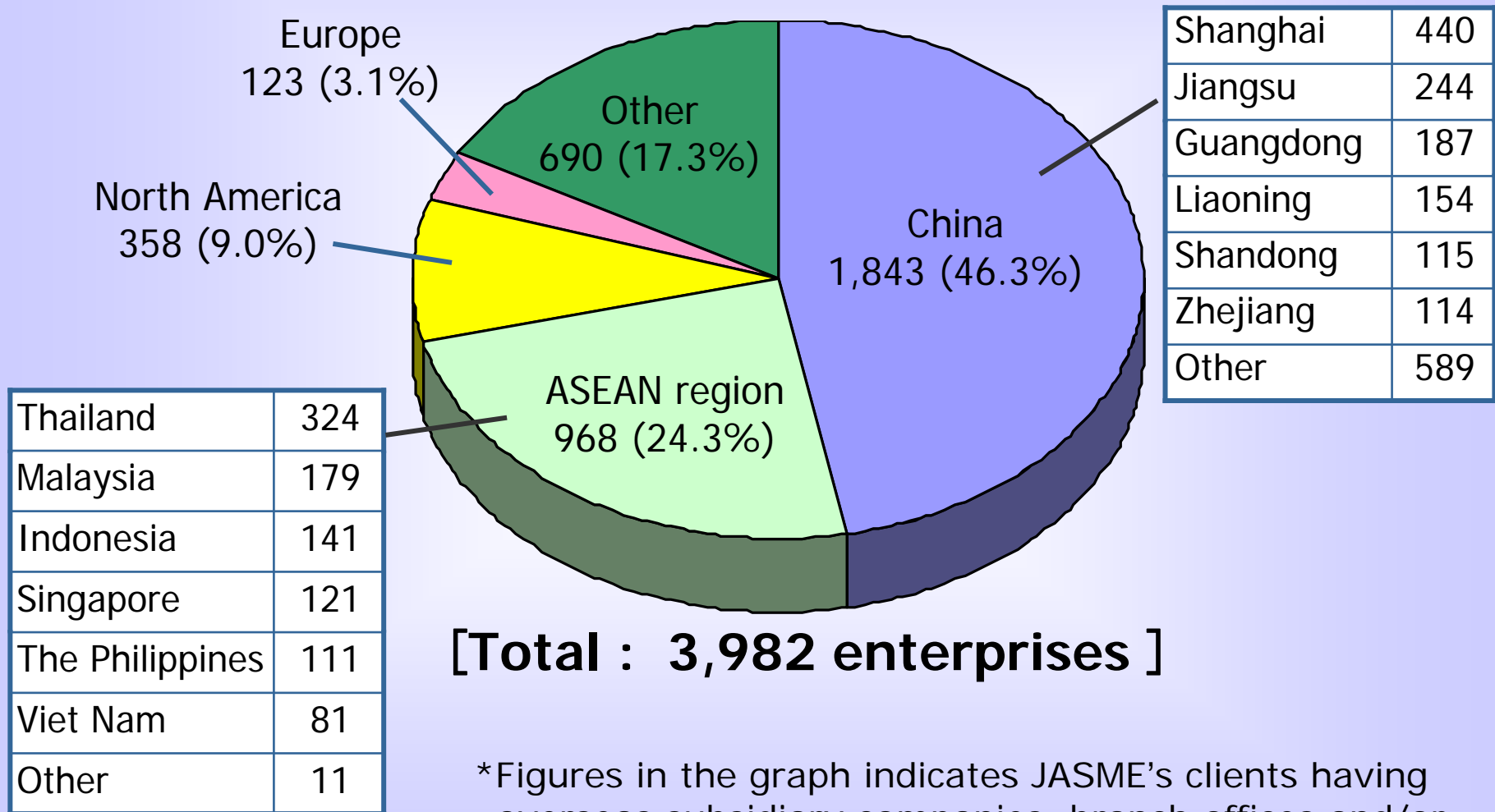


After April 1, 2006 : 0.15~1.59% p.a. (flexible)

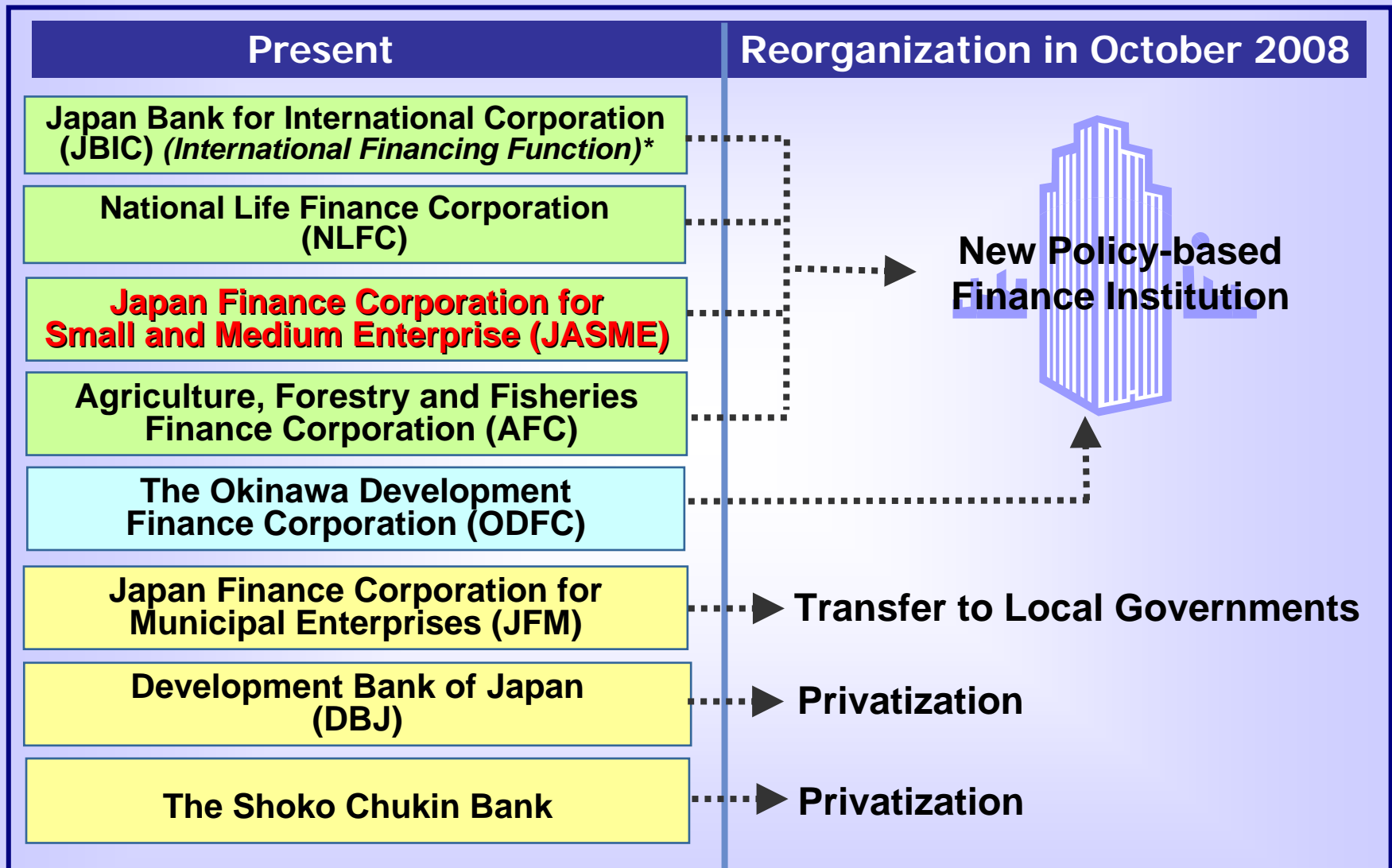
2. Introduction of a Responsibility-sharing System by way of Partial Guarantees, etc. as of October 1, 2007



# JASME's Clients Expanding Overseas



# Policy-based Finance Reform in Japan



\*Operation of ODA loans by JBIC would be merged to Japan International Cooperation Agency (JICA).

***Thank you!***

**Japan Finance Corporation  
for  
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(JASME)  
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