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JFC Activities

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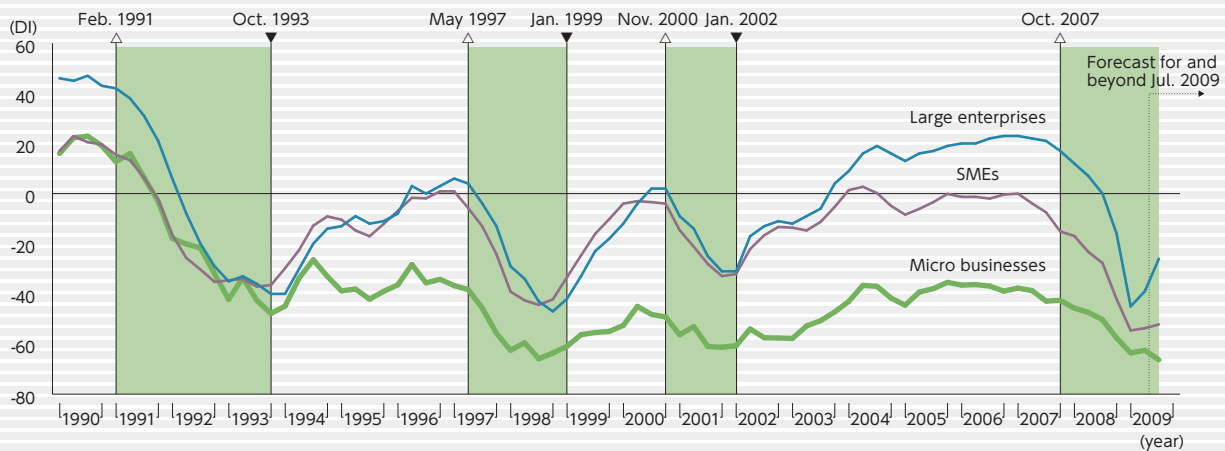
Responses to Financial Crisis

In FY2008, the Japanese economy found itself in an extremely harsh financial environment as it faced both stagnation in domestic demand and a rapid decline in overseas demand against the backdrop of a global financial crisis and a worldwide economic recession. While the Japanese government implemented three rounds of economic measures, JFC provided support to the Japanese economy as a policy finance institution by fully exercising the functions transferred from its predecessor institutions.

Business Recession

In the autumn of 2008, the economy began to show signs of a recession as a result of the financial crisis. With their business conditions worsening further, small and medium enterprises (SMEs) and micro businesses continue to struggle with their financing.

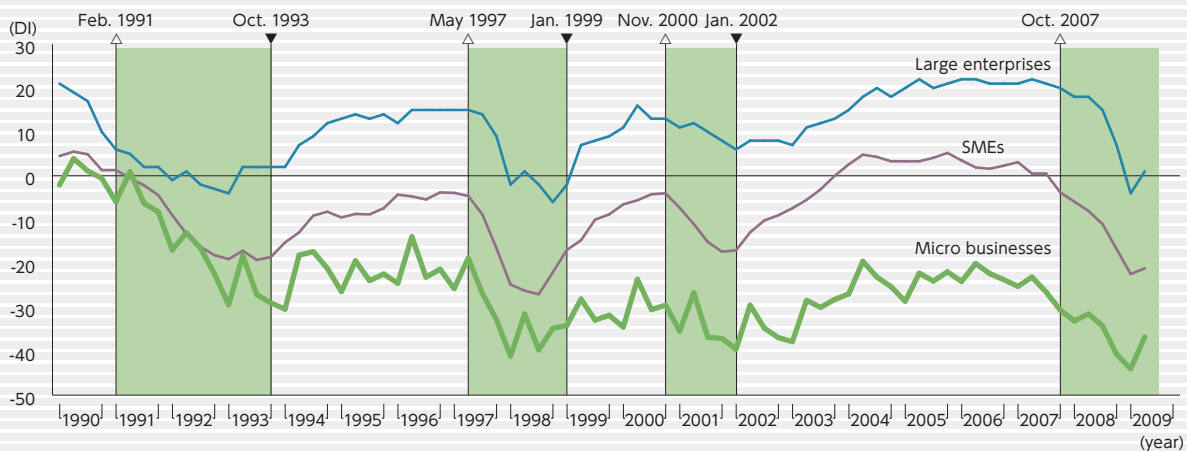
[Changes in Business Conditions Diffusion Index (DI)]



Source: Statistics for micro businesses and SMEs were extracted from JFC's "Survey of SME Trends in Japan." Those for large enterprises were extracted from Bank of Japan's "Short-Term Economic Survey of Enterprises in Japan (Tankan)."

- Notes: 1. For large and micro businesses, the DI is calculated by deducting the percentage of enterprises responding that business conditions were "Bad" from the percentage of those responding that conditions were "Good." For SMEs, the DI was calculated by deducting the percentage of enterprises that felt business conditions were "Improving" from the percentage of enterprises that felt conditions were "Worsening" (the figures are seasonally adjusted).
2. Micro businesses are generally defined to be businesses with fewer than 20 employees. SMEs are those with 20 or more employees, and large enterprises have capital of at least 1 billion yen

[Changes in Funding Diffusion Index (DI)]



Source: Statistics for micro businesses and SMEs were extracted from JFC's "Survey of SME Trends in Japan." Those for large enterprises were extracted from Bank of Japan's "Short-Term Economic Survey of Enterprises in Japan (Tankan)."

Note: The DI for micro businesses was calculated by deducting the percentage of enterprises that felt business conditions "Improved" from the previous quarter from the percentage of enterprises that felt conditions "Worsened." The DI for SMEs was calculated by deducting the percentage of enterprises that responded business conditions "Deteriorated" over the same period a year earlier from the percentage of those who responded conditions "Improved" (the figures are seasonally adjusted). The DI for large enterprises was calculated by deducting the percentage of enterprises responding that business conditions were "Difficult" from the percentage of those responding that conditions were "Easy."

Funding Support Aimed at SMEs, Micro-enterprises, and Agricultural, Forestry, and Fishery Business Owners (Safety Net Loans)

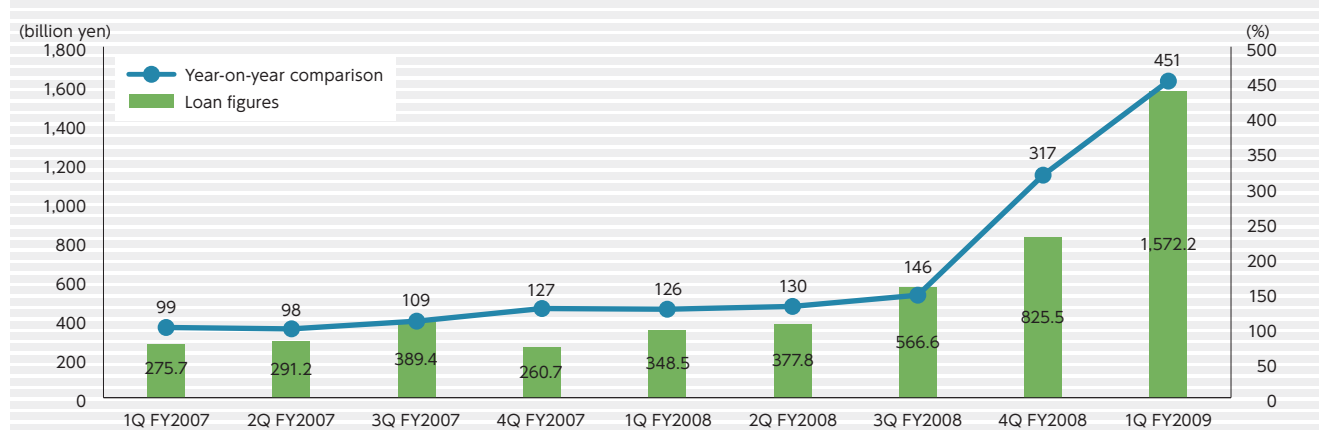
Through expeditious application of its function as a safety net, JFC supports SMEs, micro businesses and agricultural, forestry, and fishery businesses facing difficulties obtaining funding due to the worsening business environment by providing Safety Net Loans.

To encourage an even greater number of these enterprises to utilize Safety Net Loans, JFC has stepped up its nationwide PR activities. These include seminars, held mostly near the end of the

calendar and fiscal years, where the program was explained. JFC has also strengthened its advisory and consultation functions by taking such measures as opening its offices for consultation on weekends.

Safety Net Loans grew 2.1 times in the second half of FY2008 over the same period a year earlier, and 4.5 times in the first quarter of FY2009 (Apr. – Jun.).

[Safety Net Loans Used (Total for Three Domestic Operations)]



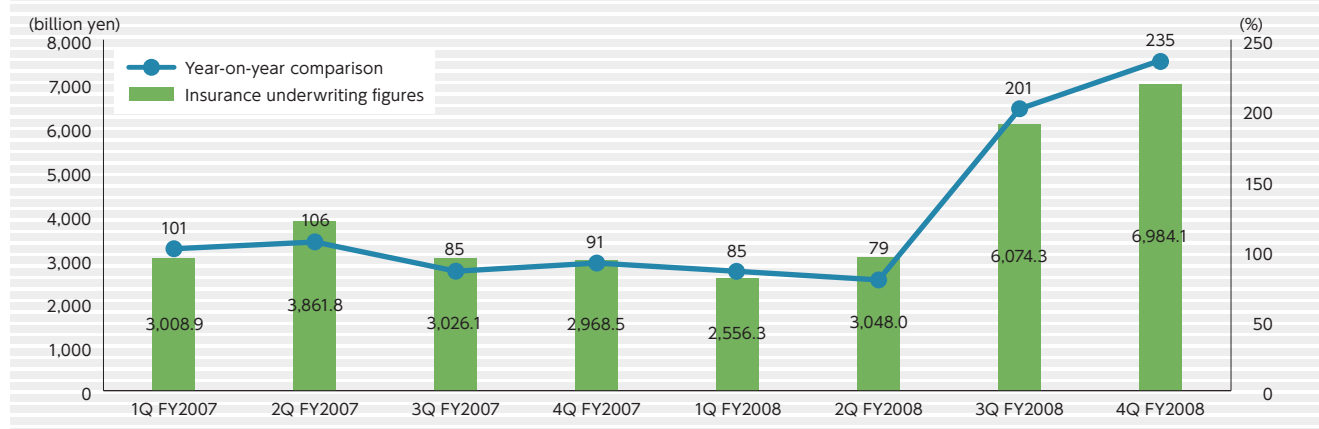
Note: Figures for the first quarter of FY2009 are preliminary estimates

Backing Up Credit Insurance through the Credit Guarantee System

Based on the government's economic measures, CGCs throughout Japan began offering an Emergency Guarantee Program from October 31, 2008. Related to emergency guarantees, JFC continues to contribute to the smooth financing of SMEs and micro businesses by underwriting insurance.

Insurance underwriting amounts showed a large increase after establishment of the Emergency Guarantee Program. They totaled 13,058.4 billion yen in the second half of FY2008, a 118% increase over the same period a year earlier.

[Changes in Insurance Underwriting Figures]



Support for Japanese Industries' Exports and Overseas Business Operations

Responding to disruptions in the international financial order, JBIC supported Japanese firms' exports and overseas business operations, and mobilized a variety of facilities to address global financial crisis.

[JBIC's Commitments to Emergency Projects to Support Overseas Operations]

(As of Jul. 31, 2009)

	No. of projects	Amount (Unit: billion yen)
Directed at developing countries	47	447.4
Directed at developed countries	40	1,051.3

Notes: 1. As temporary measures to remain in effect until March 2010, JFC is providing 1) loans for large Japanese enterprises' operations in developing countries; 2) suppliers credit for exports to developing countries, and 3) loans and guarantees for the operations of Japanese companies in developed countries
2. Number of projects and commitment amounts are shown

Other operations to address financial crisis

- (1) Equity participation and loans for Bank capitalization Fund for Developing country banks (co-financed with the International Finance Corporation (IFC))
- (2) Trade finance facility totaling US\$1.5 billion over the two-year period for financial institutions in developing countries, with a focus placed on Asia
- (3) Market Access Support Facility (MASF): JBIC will provide guarantees totaling up to 500 billion yen under MASF to Asian countries for issuing Samurai bonds. (JBIC signed a US\$1.5 billion-equivalent guarantee agreement with Indonesia for the country's Samurai bonds issue).
- (4) Leading Investment to Future Environment Initiative (LIFE Initiative) (financial support totaling approximately US\$5 billion over the period of about two years)

Implementation of Crisis Response Operations

Crisis Response Operations provide a fixed credit facility to two financial institutions (Development Bank of Japan Inc., and Shoko Chukin Bank) designated by JFC when the eruption of a crisis is recognized by the government. Designated financial institutions receive a credit facility from JFC to perform Crisis Response Operations and provide funds needed to deal with the crisis.

In FY2008, "International Chaos in the Financial Order" was recognized by the government as a crisis. As a result, JFC implemented Crisis Response Operations.

Crisis Response Operations in FY2008 consisted of two-step loans worth 1,430.1 billion yen and damage compensation 345.2 billion yen.

Efforts to Maximize Integration Effects (Match-making for Business Collaboration)

Having taken over the roles and operations of its four predecessor institutions and continuing to provide focused policy-based financing in each of their respective fields, JFC is also aiming to improve its services to clients by capitalizing on the expertise available in each of the units while also taking advantage of know-how and networks.

To optimize the integration effect, project teams were formed in November 2008 by theme. These teams, consisting of members from the Planning and Administration Unit, other units and JBIC, deliberate on issues related to their respective designated themes. JFC is striving to bring the results of their deliberations to realization.

Integration of Specialized Financing Know-how on Loans, etc.

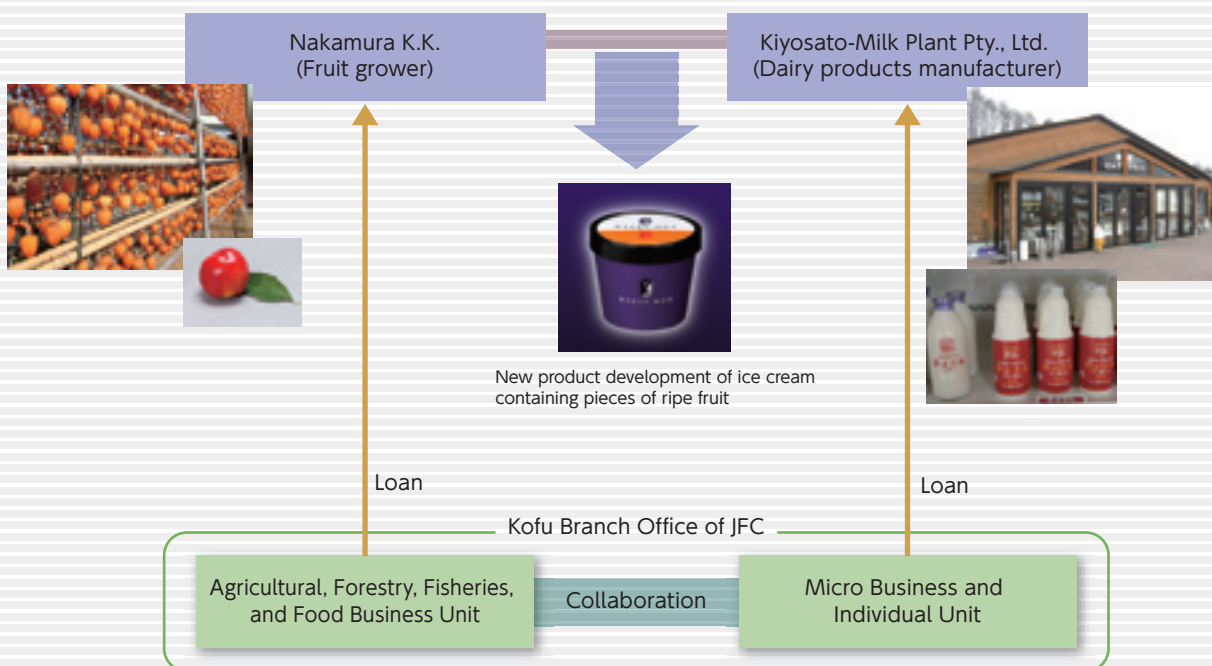
By bringing together the specialized know-how in each of JFC's units and JBIC, JFC finances new business initiatives that span across industrial and operational boundaries.

Examples of Match-making (Business Collaborations in Agriculture, Commerce, and Industry)

- In Yamanashi prefecture, Nakamura K.K., a company that grows such fruit as peaches, plums, and persimmons by using the least possible amount of agricultural chemicals, formed a business alliance with Kiyosato-Milk Plant Pty., Ltd., a company that processes fresh, raw milk from the Kiyosato highlands to produce ice cream that contains pieces of ripe fruit.
- Both companies received approval for a "Business Plan for Collaboration among the Agriculture, Commerce, and Industry" under the "Act on Promotion of Collaboration among the Agriculture, Commerce, and Industries." JFC's Kofu branch office (of the Micro Business and Individual Unit) extended the first agriculture, commerce, and industry collaboration support loan in the prefecture (program name: New Business Activation Promotion Fund <Agriculture, Commerce, and Manufacturing Industry Collaborations>) to Kiyosato-Milk Plant Pty., Ltd. The same branch office (of the Agricultural, Forestry, Fisheries, and Food Business Unit) also loaned needed funds to Nakamura K.K.'s agricultural operations.




[Scheme of Operations]

Business plan for collaboration among agriculture, commerce, and manufacturing industries



Network Integration

Prior to integration, business discussions, seminars and other events were held by the separate institutions. Following integration, these events have been held jointly by various JFC units and JBIC. Participants enjoy expanded business opportunities by traversing among the networks of all JFC units.

	Title	Event date	Event details	Collaboration
Nationwide	Agri-food EXPO 2009 Osaka 	Feb. 4-5, 2009	Exhibition and business discussions concerning Japan's agricultural products; exhibitors numbered 225, visitors totaled 9,047, approximately three-fold increase over previous year; 16,193 business negotiations were held	Organized by Agricultural, Forestry, Fisheries, and Food Business Unit; clients of Micro Business and Individual Unit and SME Unit also exhibited products
Regional	New Discoveries! Tokachi Foods 	Oct. 29, 2008	Using "Food" of Tokachi, Hokkaido, as point of attraction, activities included lectures on building brands for locally produced products, local vegetable tastings, and panel discussions on developing industries in Tokachi region	Organized by JFC's Obihiro branch office (Micro Business and Individual Unit and Agricultural, Forestry, Fisheries, and Food Business Unit; co-sponsored by Obihiro City)
	JFC Nagasaki Agriculture, Commerce, and Manufacturing Industry Consulting Conference 	Jan. 22-23, 2009	Total of 38 companies involved in agriculture, marine products manufacture, and food industries located in Nagasaki prefecture conducted business negotiations with "co-op" supermarkets in Tokyo, Osaka, and Kobe for foods produced in Nagasaki	Organized by Micro Business and Individual Unit, Agricultural, Forestry, Fisheries, and Food Business Unit, and SME Unit at JFC's Nagasaki and Sasebo branch offices
	"Ride out the Recession, IT Management Recommended!"	Feb. 5, 6, 10 and 12, 2009	At four seminar venues in Fukushima prefecture, the Fukushima Prefecture SME IT Management Education and Support Association conducted seminars in cooperation with JFC and local chambers of commerce	Participants were customers of Micro Business and Individual Unit and SME Unit
Overseas	Interchange (seminar) among Japanese SMEs operating locally in Thailand	Mar. 10, 2009	Networking event for JFC's clients operating in Thailand (held in Bangkok)	Organized by SME Unit; lectures by JBIC

Operation of Internet Matching-making Sites

Site name	Details
Business Matching Gate (Micro Business and Individual Unit) http://match.k.jfc.go.jp/	By presenting business opportunities on national scale via Internet, this site helps businesses find buyers and suppliers (services commenced in Jan. 2009)
Agri-food EXPO Internet Matching (Agricultural, Forestry, Fisheries, and Food Business Unit) http://www.afc.jfc.go.jp/matching	To those who strive to sell domestically produced brands by creating attractive products (producers in agriculture, forestry, and fisheries industries) and those who manufacture wide variety of gourmet foods that utilize locally produced goods (food makers), this site provides opportunities to expand sales channels throughout Japan via Internet (site upgraded in Jul. 2008)

Overview of Operations in FY2008 (Oct. - Mar.), and Outline of Financial Statements

Overview of Operations in FY2008 (Oct. - Mar.)

Severely hit by the global financial crisis triggered by the Lehman Shock in September, 2008, Japanese economy in FY2008 was thrown into a quagmire dubbed as "the worst and most formidable" since the end of World War II. Exporting industries are substantially decreasing production due to plunging overseas demand, while rapidly deteriorating employment and income level are driving down personal consumption.

JFC as a government-affiliated financial institution strived to utilize its safety net functions by taking following measures: promoting safety net loans and other programs; addressing to expanded use of credit insurance following the establishment of the Emergency Guarantee Program; implementing Crisis Response Operations and Emergency Operations to Support Overseas Businesses; and strengthening consultation service to ensure more

speedy and fine-tuned reply to financing questions asked by owners of SMEs/micro businesses and agriculture, forestry and fishery businesses.

JFC also strived to offer a wide spectrum of services that demonstrate synergistic effects, including business matching service for assisting in the expansion of sales routes and suppliers, promotion of collaboration between businesses in agriculture, commerce, and industry, and support of the globalization of businesses.

JFC drafted the Management Policy and the Business Management Plan for FY2009 and beyond, aspiring to become a self-reliant organization that pursues flexible policy-based financing as well as greater transparency and efficiency in its operations.

Outline of Financial Statements for FY2008 (Oct. - Mar.)

1. Profit and Loss

Ordinary losses for FY2008 (Oct. 2008 - Mar. 2009) amounted to 664.0 billion yen. Although JBIC earned ordinary profit of 19.9 billion yen, the principal factors causing the overall loss were (1) 427.0 billion yen of insurance money disbursed by Credit Insurance Programs through an increase in amount repaid under guarantees by CGC, and 358.1 billion yen provided as a reserve for insurance policy liabilities and included in ordinary expenses, and (2) in loan programs, 87.8 billion yen provided as an allowance for loan losses due to a deterioration in loan assets that accompanied the declining business performance.

[Profit and Loss Statement (Oct. 1, 2008 - Mar. 31, 2009)]

(Unit: billion yen)

	Ordinary income	Ordinary expenses	Ordinary profit (losses)	Net profit (Net loss)	
JFC (consolidated)	381.7	1,045.8	(664.0)	(655.4)	
Micro Business and Individual Unit (accounts for Micro Business and Individual Operations)	87.2	106.2	(19.0)	(18.7)	
Agriculture, Forestry, Fisheries, and Food Business Unit (accounts for Agriculture, Forestry and Fisheries and Food Business Operations)	39.3	40.6	(1.3)	0	
SME Unit	Account for SME Loan programs and Securitization Support Programs (Guarantee-type Operations)	64.5	91.5	(27.0)	(26.9)
	Account for Securitization Support programs (Purchase-type Operations)	0.3	0.5	(0.2)	(0.2)
	Account for Credit Insurance programs	91.8	724.7	(632.8)	(632.8)
Japan Bank for International Corporation (accounts for JBIC operations)	97.7	77.8	19.9	26.8	
Crisis Response Finance Department (accounts for Crisis Response Operations)	0.9	4.3	(3.4)	(3.4)	

2. Assets

Total assets were 28,002.0 billion yen, the majority of which were loans and bills discounted. Although a current loss of 655.4 billion yen was recorded, in the net asset section the net asset total was 2,880.5 billion yen after acceptance of capital in the combined total amount of 972.1 billion yen in the first and second supplementary budgets.

[Balance Sheet (as of Mar. 31, 2009)]

(Unit: billion yen)

Assets		Liabilities and net assets	
Item	Amount	Item	Amount
Cash and deposits	1,617.2	Borrowed money	15,990.5
Receivables under resale agreement	11.4	Short-term bonds payable	299.8
Securities	49.6	Corporate bonds	5,772.6
Loans and bills discounted	24,004.9	Trust funds	36.7
Other assets	749.3	Reserve for insurance payments	1,017.8
Property, plant and equipment	284.6	Other liabilities	102.7
Intangible assets	10.5	Provision for bonuses	5.8
Customers' guaranteed liabilities	1,692.0	Provision for directors' bonuses	0
Allowance for loan losses	(417.8)	Provision for retirement benefits	200.2
		Provision for directors' retirement benefits	0
		Provision for loss compensation	3.0
		Guaranteed liabilities	1,692.0
		Total liabilities	25,121.5
		Capital stock	2,452.1
		Capital surplus	1,472.6
		Retained earnings	(1,215.2)
		Total valuation and translation adjustments	170.9
		Total net assets	2,880.5
Total assets	28,002.0	Total liabilities and net assets	28,002.0

(Unit: billion yen)

	At beginning of year (Oct. 1, 2008)	At end of year (Mar. 31, 2009)	Change
Total assets	25,478.4	28,002.0	2,523.6
Total liabilities	23,085.6	25,121.5	2,035.8
Total net assets	2,392.8	2,880.5	487.7