

# Guide to Japan Finance Corporation

# 2020



JAPAN FINANCE CORPORATION

## Message from the Governor & CEO

Japan Finance Corporation is a policy-based financial institution that carries out financing within a scope determined by applicable laws and budgets, which are based on government policy for SMEs and micro/small businesses, agriculture, forestry, and fishery policy, etc., with the aim to complement financing carried out by private financial institutions.

JFC arranged around 300,000 business loans in FY2019. Of this total, around 51% were for less than 5 million yen and around 94% were for less than 30 million yen. JFC's primary mission is to meet the capital needs, including small sums, of those starting new businesses, those dealing with natural disasters or a change in business environment, and to serve the capital procurement needs of Japan's SMEs and micro/small businesses and those engaged in business in the fields of agriculture, forestry, or fisheries.

We have responded to customer needs with a deep sense of our mission as a policy-based financial institution to "connect" policies and those involved in business.

Due to the unprecedented threat in the form of the COVID-19 pandemic, Japan is currently confronting previously unseen economic and social crises. Many businesses have been placed in extremely challenging circumstances.

To support those who have been affected by the COVID-19 related crisis, the government has implemented economic measures on an unparalleled budgetary scale. In accordance with these measures, JFC established new consultation desks and on March 17 began handling COVID-19 Special Loan Program, which are substantially interest-free loans without requiring collateral.

As of September 30, 2020, the number of COVID-19 related loan decisions had reached approximately 660,000, exceeding the results for the prior fiscal year, but also substantially surpassing the results for FY2009, which was impacted severely by the collapse of Lehman Brothers and the subsequent financial crisis.

Private financial institutions also began handling substantially interest-free loans which do not require collateral in May, and Managerial Improvement Loans (MARUKEI Loans), which are handled by Chambers of Commerce and Industry and Societies of Commerce and Industry, were also made subject to interest-free. In August, we began handling COVID-19 Hybrid Subordinated Loan Program in order to bolster the financial foundations of businesses that were impacted by the COVID-19 related crisis. In addition, in October we launched a website to gather case studies of business that have implemented various ideas and innovations for weathering the crisis, providing additional support to businesses that are doing their best.

The future outlook remains unclear, but we aim to deepen our collaboration with private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and others. And to work with all supporting organizations to prop up businesses in order to provide effective financial support to businesses.

JFC will support businesses affected by the COVID-19 related crisis, support reconstruction from the Great East Japan Earthquake and other earthquakes, typhoons, and other natural disasters, and perform safety net functions while focusing our efforts on supporting the Strategic Fields of Growth, etc. including entrepreneurialism and new business establishment as well as overseas expansion.



As the number of aging business managers increases, JFC will provide financial support for business succession and continue existing initiatives such as business succession diagnosis and business succession matching services.

To contribute to regional revitalization, we will carefully ascertain the circumstances surrounding regions and businesses and adopt a bird's-eye perspective of regions to work towards solving their problems. In the meantime, we will perform our function of connecting the various relevant organizations such as private financial institutions while utilizing our nationwide network of 152 branches to deepen collaboration with local communities.

In order to provide high-quality services regarding policy-based financing, JFC will exercise appropriate risk-taking functions and make every effort to provide expert consulting. To reinforce our policy-based financing functions, we will work to streamline business and increase operational efficiency in the aspect of our organizational management.

We sincerely hope for your further understanding and support in the future.

October 6, 2020

田中一穂

TANAKA Kazuho  
Governor & CEO

# 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 March 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:** TANAKA Kazuho
- **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)

## Management Policy

### ● Exercise of safety net functions

- Perform policy-based financing functions to the greatest extent possible and respond agilely to demands for safety net services due to natural disasters, pandemics, economic change, etc.

### ● Contribution to the growth and development of the Japanese economy

- JFC will respond properly to meet the diverse needs required for policy-based financing including support for the creation of new businesses, business revitalization, business succession, overseas expansion, new expansion of agricultural, forestry, and fisheries businesses, and review of business taking into consideration environmental and energy measures intended to create a sustainable society as well as changes in the business environment caused by pandemic in accordance with national policies and will contribute to the growth and development of the Japanese economy.

### ● Contribution to regional revitalization

- Promote support to demonstrate vitality of SMEs and micro/small businesses and agricultural, forestry, and fishery businesses sustaining regional economies by creating and maintaining employment, etc.
- Promote coordination with local communities and contribute to regional revitalization by ascertaining results in regions that have been affected by changes in the business environment from the pandemic and participating in regional projects such as comprehensive strategies of the local government.
- Commit to contributing to local communities by expanding activities rooted in local areas.

### ● Improving customer service

- JFC is committed to being a familiar and reliable organization that responds with compassion from the customer's perspective.
- JFC will fully understand its role in policy-based financing and appropriately operate systems, improve the quality of services by augmenting consulting functions and capacity, and respond promptly and precisely to the needs of a range of clients requiring policy-based financing, by leveraging capital and information.

## 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.

### ● Use digital technologies to promote efficient business operations that show awareness of environment and energy issues

- To promote enhancement of customer services and rationalization and greater efficiency in administrative operations, put in place efficient information systems using state-of-the-art technologies.
- Responding to active improvement proposals from staff, work to rationalize administrative operations and realize efficient business operations.
- Contribute to society by promoting corporate activity that shows awareness of environment and energy issues.

### ● Creation of a rewarding workplace

- Encourage diversity and create workplaces where staff can fully utilize their capacities with pride and a sense of mission.
- Achieve diverse and flexible working styles by expanding telework and other measures.
- Further promote career opportunities for women, including the active appointment of female employees to managerial positions and by promoting career development for women.
- Boost training to increase the quality and ability of each employee's professional expertise for conducting policy-based financing.

### ● Engage in enhancement of risk management system and entrenchment of compliance awareness

- From the perspective of corporate governance, enhance risk management system and instill strong compliance awareness into management and staff.



## Business and Management Plan (FY2020–2022)

JFC has taken all possible measures to support clients affected by the COVID-19 crisis and responded steadily and agilely to demonstrate its safety net functions of assisting recovery and restoration from earthquakes, typhoons, and other natural disasters. Also, JFC will focus its efforts on strategic growth fields including start-ups, new business, business revitalization, business succession, social business, overseas expansion, new development of agriculture, forestry, and fisheries business operators, and support for business reviews taking into consideration changes in the business environment caused by environmental and energy measures and the COVID-19 crisis for the future development of the Japanese economy. Of these, as are addressing business succession by placing particular emphasis on collaborating with relevant organizations to provide effective information including matching. With regard to overseas development, we will strengthen existing collaboration with relevant organizations and bolster support for overseas expansion and export growth.

Furthermore, in order to contribute to regional revitalization, JFC carefully ascertains the circumstances surrounding regions and businesses, taking into consideration the changes in the business environment during the COVID-19 crisis in particular, and adopts a bird's eye perspective of regions to work towards solving their problems. In doing so, we will perform our function of connecting the various relevant organizations such as private financial institutions while using our nationwide network of 152 branches to utilize the unique characteristics of the JFC and promote further collaboration with local communities.

Also, given the significance of the policy finance function, we are working to perform an appropriate risk-taking function, and to provide high-quality services by enhancing our consulting functions and capabilities and demonstrating our policy recommendation abilities, as well as consistently promoting publicity activities.

In carrying out our affairs, we will follow the principle of “doing ordinary tasks with excellence” while maintaining a high level of awareness of compliance and steadily and appropriately building on each individual task. In addition, taking a bottom-up approach to management as our motto, we aim to gain an accurate understanding of customer and regional needs, respond empathetically, and become a more familiar and reliable presence. To this end, we are working to reinforce our nationwide network of 152 branches. In particular, the integrated branch office manager will continue endeavoring to fulfill the role of the cornerstone of the network. Furthermore, in order to reinforce policy-based finance functions, we will address organizational operations by reviewing administrative work including greater digitalization, taking into consideration responses to the COVID-19 crisis, and undertaking measures to carry out proposals made from an on-site perspective to continuously streamline administration including abolishing unnecessary procedures and raise the efficiency of operations. When carrying out IT strategies, we will deeply analyze the trends of digitalization of private financial institutions, select the methods most suitable for JFC, and work closely with IT departments with the active participation of individual business units. We will also address human resource development and utilization and promote diversity by creating rewarding workplaces where employees can maximize their abilities through measures such as telework and staggered commuting times.

Through the above measures, we plan to work towards maturation as “One Finance Corporation,” and under that concept, each employee strives with a sense of mission, as a policy-based finance operator, to demonstrate their roles to connect this policy to its various business endeavors while achieving ever higher levels of collaboration with private financial institutions. In doing so, JFC is working to achieve the following plans.

### Business Operation Plans

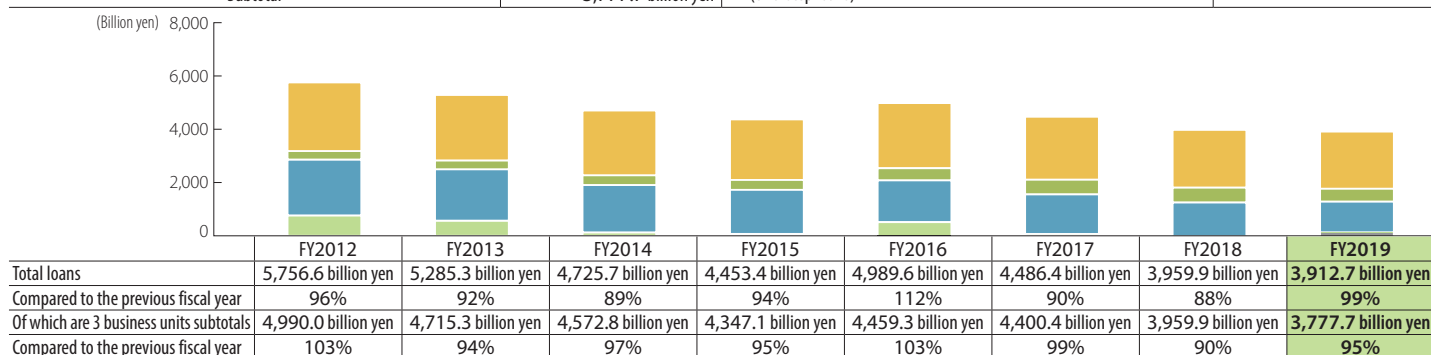
- Support clients that have been affected by the COVID-19 crisis
- Respond carefully to the needs for safety net services, provide a stable supply of funds, and collaborate with private financial institutions
- Supply funds with priority given to Strategic Fields of Growth, etc.
- Contribution to local and regional revitalization through collaboration with local communities
- Improve customer service and demonstrate policy significance
- Appropriate management of credit risk

### Organizational Plans

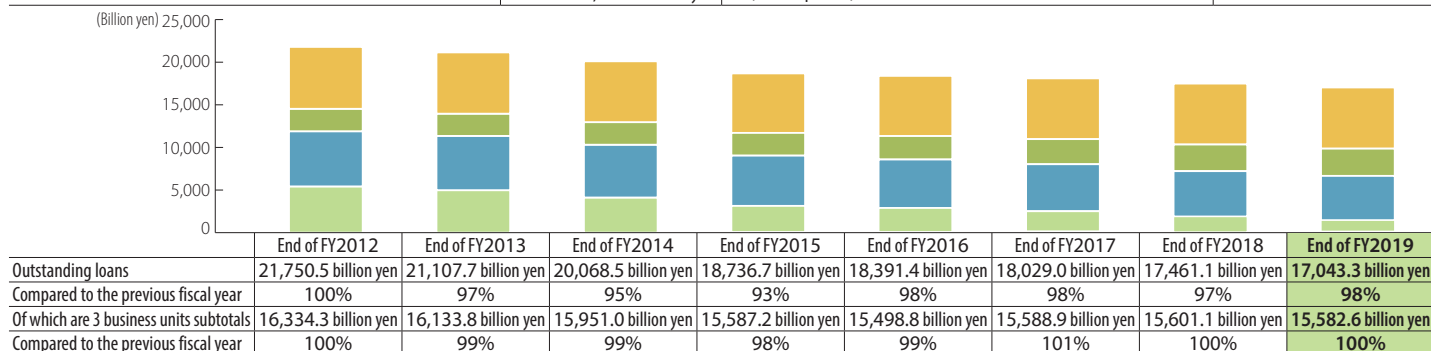
- Enhance branch office functions
- Conduct efficient and effective operations taking into consideration issues that have become clear as a result of responses to the COVID-19
- Carry out IT strategies in collaboration with IT departments with the active participation of individual business units
- Foster and utilize human resources
- Promote diversity and improve the workplace environment
- Establish and strengthen risk management and compliance structures

## Overall Performance of Loan Program

FY2019 total loans: 3,912.7 billion yen (99% compared to the previous fiscal year)			
Micro Business and Individual Unit	2,146.3 billion yen	Operations to Facilitate Crisis Responses (two-step loans)	35.0 billion yen
Agriculture, Forestry, Fisheries and Food Business Unit	483.9 billion yen		
Small and Medium Enterprise (SME) Unit (finance)	1,147.4 billion yen	Operations to Facilitate Specific Businesses Promotion, etc. (two-step loans)	100.0 billion yen
Subtotal	3,777.7 billion yen		



End of FY2019 outstanding loans: 17,043.3 billion yen (98% compared to the end of previous fiscal year)			
Micro Business and Individual Unit	7,178.3 billion yen	Operations to Facilitate Crisis Responses (two-step loans)	1,327.7 billion yen
Agriculture, Forestry, Fisheries and Food Business Unit	3,196.1 billion yen		
Small and Medium Enterprise (SME) Unit (finance)	5,208.1 billion yen	Operations to Facilitate Specific Businesses Promotion, etc. (two-step loans)	132.9 billion yen
Subtotal	15,582.6 billion yen		

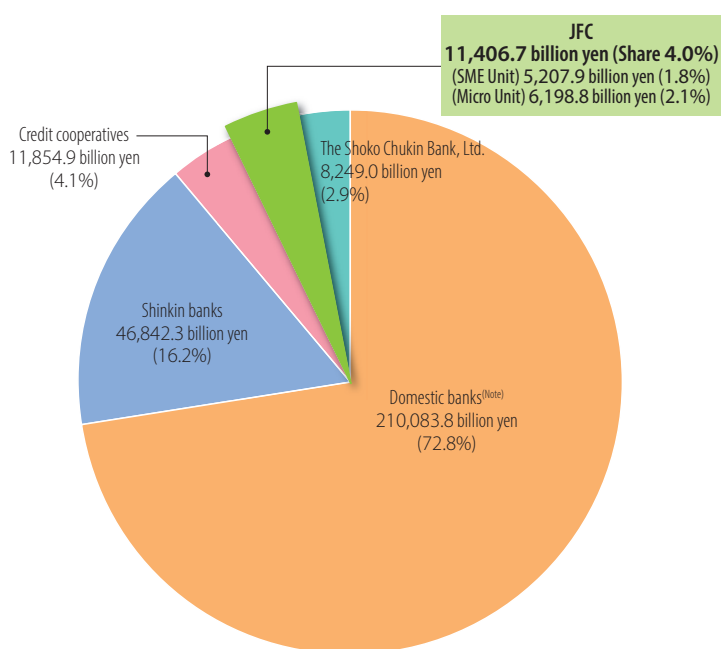


JFC has steadily and agilely performed the role of exhibiting safety net functions, including measures to respond to clients affected by the COVID-19 crisis and recovery and restoration from earthquakes, typhoons, and other natural disasters. At the same time, JFC works for the future development of the Japanese economy and provides support in five strategic fields of growth, etc.: (i) support for startups and new business, (ii) support for business revitalization, (iii) support for business succession, (iv) support for social business (NPOs, etc.), (v) support for overseas expansion, and (vi) support for new expansion by agricultural, forestry, and fisheries businesses.

## Financing Structure of JFC

JFC's share of the balance of financing to SMEs (Micro Unit and SME Unit) is **4.0%**.

Share of balance of financing to SMEs<sup>(Note)</sup> (as of March 31, 2020)

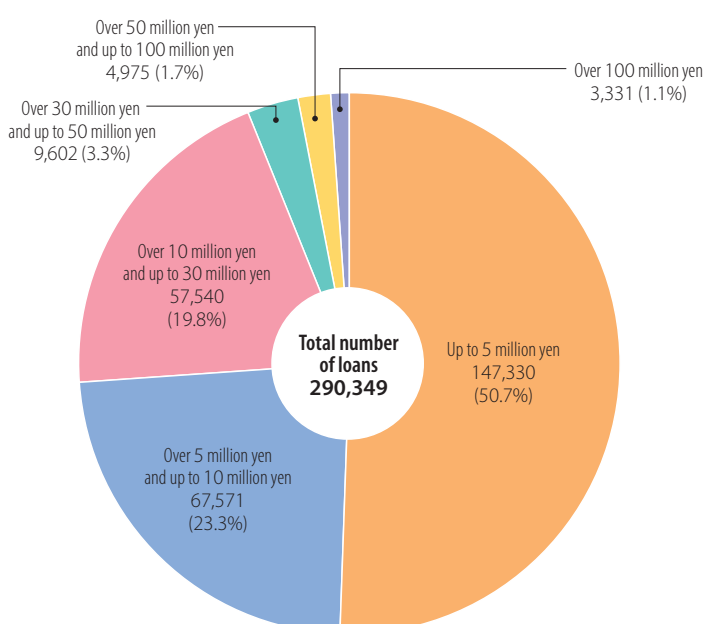


Note: Total of city banks, regional banks, regional banks II, and trust banks  
Sources: Bank of Japan, "Loans by Borrower," "Cash, Deposits, and Loans"; Shinkumi Bank, "Main Accounts of Nationwide Credit Unions"; Japan Finance Corporation, "Business Statistics"; Shoko Chukin Bank, "Business Statistics"

The composition of JFC's financing by loan amount in FY2019 was as follows. Of the total of approximately 300,000 business loans, **51% had loan amounts of 5 million yen or less, and 94% were for 30 million yen or less.**

JFC also provides educational loans to the public (approximately 120,000 loans annually).

Financial results by loan amount in FY 2019<sup>(Note)</sup>



Note: Total of Micro Unit, AFFF Unit, and SME Unit (financing) business loans

# Responses to the Spread of COVID-19

## COVID-19 Related Loan

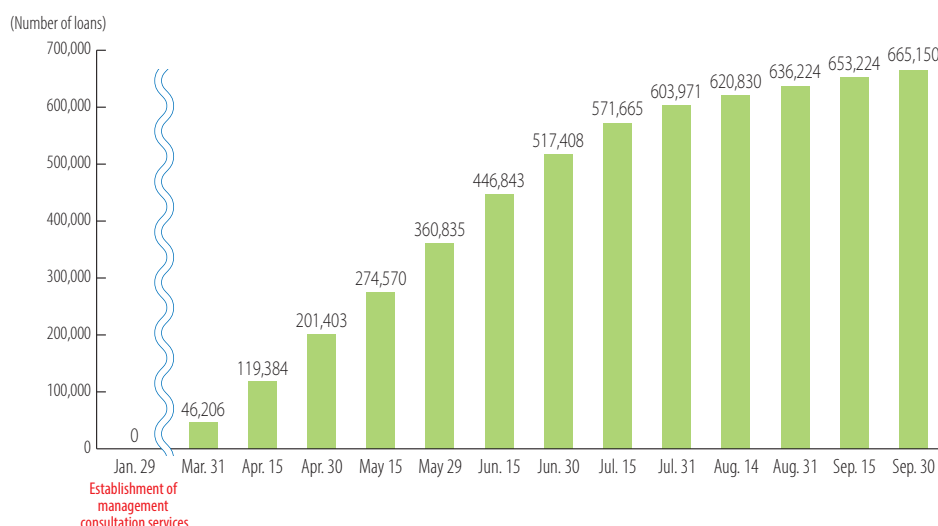
As of September 30, 2020, a total of 665,150 COVID-19 related loan decisions were made worth a total of 11,395.7 billion yen.

The number of loan decisions exceeded last year's result and even substantially surpassed the level of FY2009 when there was considerable impact from the collapse of Lehman Brothers and the subsequent financial crisis.

COVID-19 related loan decision results  
(as of September 30, 2020)

Number of loans	Amount
665,150	11,395.7 billion yen

Changes in number of COVID-19 related loan decisions (January–September 30, 2020)



## Measures to Reinforce Consultation Systems and Address the Spread of COVID-19

We are reinforcing consultation systems and taking measures to prevent infection of clients and employees in order to respond to the rapid increase in financing inquiries from businesses affected by the COVID-19 pandemic.

### Main measures to reinforce consultation systems

- Freeze on periodic personnel transfers
- Hiring of former employees
- Dispatch of personnel from the head office and other sites to branches to provide support
- Telephone consultation on holidays
- Operations on holidays
- Increase in the number of toll-free consultation lines
- Simplification of documents to be submitted
- Simplification of screening procedures

### Main measures to prevent infection of clients and employees

- Measures to reduce visits to branches
  - Enhancement of websites (posting of explanatory videos and updating of FAQs as needed)
  - Launch of branch visit reservation system
  - Encouragement of mailing documents and online applications
- Measures in response to visits to branches
  - Creation of environments that avoid the "Three Cs" (closed spaces, crowded places, close-contact settings)
  - Installation of transparent acrylic panels at consultation desks
  - Thorough preventive measures (wearing masks, provision of alcohol-based sanitizers, etc.)
- Measures to continue branch operations when employees are infected
  - Prompt disinfection of branches
  - Securing alternative consultation sites until disinfection is completed

## Measures to Provide Funds to Businesses in Collaboration with Private Financial Institutions

- Supported by private financial institutions concerning preparation of documents necessary for businesses to submit an application to JFC
- Provision of bridge loans by private financial institutions until JFC provides financing to businesses
- Provision of information on the JFC website concerning programs for substantially interest-free loans without requiring collateral provided by private financial institutions and on COVID-19 related support by individual financial institutions



We provide information on COVID-19 related support handled by private financial institutions. (184 financial institutions as of September 30)

## Working in Cooperation with Private Financial Institutions

### (1) Purpose of cooperation with private financial institutions

JFC supports SMEs, micro/small businesses, agricultural, forestry, and fishery businesses, and other businesses based on the premise of complementing the activities of private financial institutions. We strive to increase convenience to customers in collaboration with private financial institutions by providing various services that combine their respective strengths and expertise.

### (2) MOU conclusion status on business partnerships and collaboration

JFC has been promoting business partnerships with many private financial institutions. **As of March 31, 2020**, MOUs on business cooperation and collaboration have been concluded with **489 financial institutions**.

### (3) Creation of cooperative loan programs

Since FY2014, JFC has been focusing on establishing loan schemes<sup>(Note)</sup> in cooperation with private financial institutions to enhance partnership effectiveness and the number of private financial institutions which established the cooperative loan schemes reached **441 institutions as of March 31, 2020**. For some of the cooperative loan scheme, private financial institutions and the JFC collaborate to establish cooperative loan programs to support businesses. **As of March 31, 2020, 402 programs** were created in collaboration with **281 financial institutions**.

Note: A specific introduction rules are set for projects treated as cooperative loans.

#### Creation of cooperative loan programs (as of March 31, 2020)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total <sup>(Note)</sup>
Number of financial institutions created cooperative loan programs	—	33	28	158	57	5	281
Number of cooperative loan programs <sup>(Note)</sup>	—	44	45	236	75	5	402

Note: Some cooperative loan programs were created jointly by multiple institutions, and as a result, the total number of programs does not equal the total of programs in each category.

### (4) Total cooperative loans<sup>(Note)</sup>

In FY2019, total cooperative loans from private financial institutions came to: **28,736 loans (93% compared to the previous fiscal year), 1,255.6 billion yen (97% compared to the previous fiscal year)**.

Note: Loans (guarantees) that are disbursed or decided by JFC and private financial institutions after consultation by both parties for loan plans with identical objectives (Calculated by JFC. Including loans made on different dates between both parties).

#### Cooperative loans by business category (FY2019)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total <sup>(Note)</sup>	Reference FY2018 results
							Compared to the previous fiscal year	
Number of loans	1,996	9,015	3,431	12,375	1,864	602	28,736	93%
Amount	238.7 billion yen	592.5 billion yen	145.9 billion yen	296.9 billion yen	34.9 billion yen	60.4 billion yen	1,255.6 billion yen	97%

Note: In cases where cooperative loans are provided with multiple private financial institutions, the number of loans and loan amounts indicated in the breakdown are totaled for each financial institution, and as a result, the totals do not match.

Example: In the case of a 100 million yen loan provided by a regional bank and regional bank II, the amounts for both the regional bank and regional bank II are reported as 100 million yen, and the total is reported as 100 million yen.

### (5) Results of JFC customer referrals to private financial institutions

To respond to the diversifying capital needs of customers and increased customer options for capital procurement, JFC refers customers to private financial institutions.

In FY2019, **JFC referred 6,972 customers to private financial institutions**.

### (6) Results of private financial institution customer referrals to JFC

JFC actively responds to referrals of customers from private financial institutions so that it can implement the stable provision of capital to more businesses.

In FY2019, **private financial institutions referred 26,774 customers to JFC**. Of these, in addition to cooperative loans, **JFC independently provided 11,093 loans** to start-ups and businesses in the agricultural, forestry, and fishery sectors.

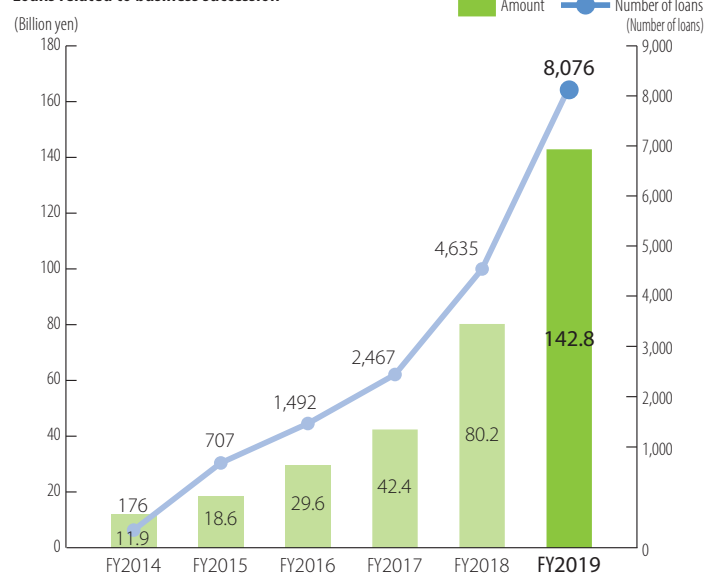


# Supporting Business Succession

The Business Succession-related Loans in FY2019 came to **8,076 loans** (174% compared to the previous fiscal year) and **142.8 billion yen** (178% compared to the previous fiscal year).

As the managers of SMEs and micro/small businesses age, JFC is responding to diverse demands for funds relating to business succession so that valuable management assets including the technologies and know-how that businesses have accumulated can be effectively transferred.

Loans related to business succession



Notes: 1. JFC is expanding financing subjects in order to respond to broader demand for funds such as providing funds for business succession preparations as of April 2017.

2. The figure above includes results from the New Business Activity Promotion Funds (business succession-related\*) established in February 2015.

\*Integrated into Business Success, Consolidation, and Revitalization Funds in 2017, etc.

## Examples of measures to raise manager awareness

Gift, a collection of examples of third-party business succession



A pamphlet that introduces the ideas and efforts of prior managers who successfully implemented business succession to third parties who were not relatives or employees and of the current managers who acquired the businesses (Issued in December 2019)

Baton for the Future



A pamphlet that encourages self-diagnosis concerning business succession and provides information on sharing information with JFC officials concerning issues regarding business success and the direction the company should take (Issued in June 2018)

Business succession support video



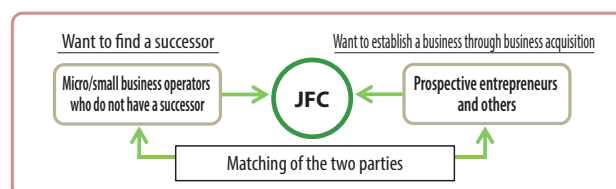
A video that provides information on the significance of business succession, the importance of preparation, and other topics (Currently available on the JFC website)

## Business succession matching support

Business succession matching support is an initiative that identifies the needs of micro/small business operators who do not have a successor and want to transfer their business to a third party, searches for potential entrepreneurs or businesses that want to acquire a business and have matching wishes, and introduces them to each other.

The program was launched on a trial basis in Tokyo in FY2019, and it was confirmed that there is a certain level of need for support. There are many people in urban areas who wish to start a business, but it is said that the problem of business succession is particularly severe in regional areas.

In light of these circumstances and taking into consideration changes in the business environment due to the impact of the COVID-19 pandemic, JFC began matching support on a nationwide scale.



Notes: 1. In principle, the program is intended for businesses that have an outstanding loan balance owed to JFC (including those who register for this service within five years from the date of final repayment of a loan), but even businesses that do not have a loan balance can make use of this service through introduction by an organization or expert working to support SMEs and micro/small businesses such as a Societies of Commerce and Industry, Chamber of Commerce and Industry, Environmental Health Trade Associations, or tax accountant.

2. This program is not available to certain business types.

Business succession matching support results in FY2019

Number of matches	Want to transfer business	Want to acquire business
Number of application registrations	93	238 (72)
Number of inquiries		32

Note: The figure in parentheses for application registrations is the number of registrations from persons wishing to establish a business.

## Provision of Policy-based Financing (Exercise of Safety Net Functions)

### Responses to Typhoon No. 19 of 2019 and Other Disasters

In response to Typhoon No. 19 of 2019 and other disasters, JFC established special consultation desks at branches in the affected regions and other areas. We provided timely and detailed financing and economic consultations on loans and repayments from SMEs, micro/small businesses, and agricultural, forestry, and fishery businesses that were damaged by these disasters. We also provided support to clients that incurred damage through programs such as the Special Loans for the Typhoon No. 19 of 2019 and Other Disasters for SMEs and micro/small businesses.

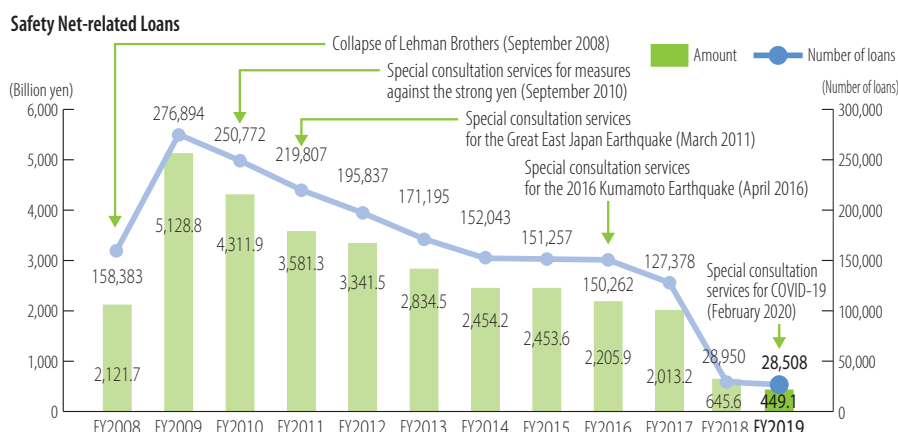
Typhoon No. 19 of 2019 related loan results

FY2019	
Number of loans	Amount
1,489	21.4 billion yen

### Safety Net-related Loans

In FY2019, financing related to Safety Net Loans <sup>(Note)</sup> to those facing obstacles due to international financial instability and economic contraction, and those impacted by the Great East Japan Earthquake, the 2016 Kumamoto Earthquake, typhoon and other disasters came to **28,508 loans (98% compared to the previous fiscal year) for 449.1 billion yen (70% compared to the previous fiscal year).**

Note: The loans related to Safety Net Loans include Disaster Recovery Loans, Great East Japan Earthquake Recovery Special Loan, funds for changes in operating environments, funds for changes in financial environment, and funds for Safety Net Loans to agricultural, forestry, and fisheries businesses, etc.



## Supporting Strategic Fields of Growth, etc.

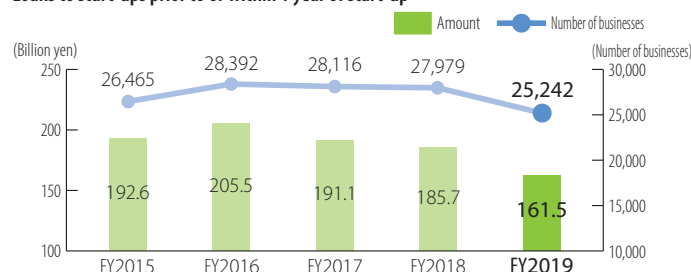
### Support for Start-ups and New Business

#### (i) Loans to start-ups

The FY2019 loans to start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) came to: **25,242 businesses (90% compared to the previous fiscal year), 161.5 billion yen (87% compared to the previous fiscal year).**

The loans to women entrepreneurs came to: **5,513 businesses (90% compared to the previous fiscal year)**; to senior entrepreneurs (aged 55 and older): **2,603 businesses (85% compared to the previous fiscal year)**; and to youth entrepreneurs (aged under 35): **6,954 businesses (89% compared to the previous fiscal year).**

Loans to start-ups prior to or within 1 year of start-up



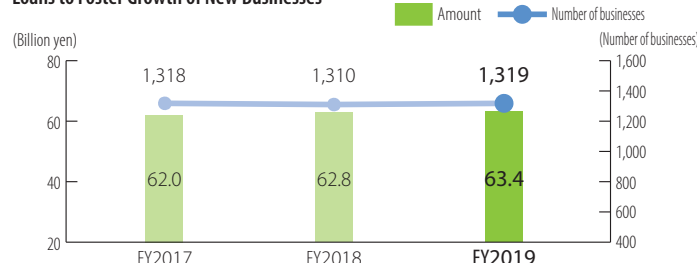
#### (ii) Loans to Foster Growth of New Businesses <sup>(Note)</sup>

In FY2019, Loans to Foster Growth of New Businesses came to: **1,319 businesses (101% compared to the previous fiscal year), 63.4 billion yen (101% compared to the previous fiscal year).**

Note: A special loan program that provides support to venture SMEs working to develop new businesses with high growth potential.

We are working on discovery and support for regional venture companies by holding information exchange events and presentation events for venture support in local areas in cooperation with regional venture support institutions (regional banks, venture capitalists, brokerages, etc.).

Loans to Foster Growth of New Businesses



#### (iii) Capital Subordinated Loans <sup>(Note)</sup>

In FY2019, Capital Subordinated Loans came to: **207 businesses (74% compared to the previous fiscal year), 18.9 billion yen (115% compared to the previous fiscal year).**

Note: A Loan Program for providing capital-like funds for reinforcing the financial standing of small and medium enterprises (SMEs). The feature of this loan program is unsecured/unguaranteed loans subordinated to other debts at the time of legal bankruptcy proceedings. In addition, it can be regarded as self-owned capital on financial inspection.

Results of Capital Subordinated Loans

	FY2017	FY2018	FY2019	Compared to the previous fiscal year
Number of businesses	373	279	207	74%
Amount	22.8 billion yen	16.4 billion yen	18.9 billion yen	115%

## Support for Business Revitalization

The Corporate Revitalization Loans in FY2019 came to **6,466 businesses (84% compared to the previous fiscal year)** and **246.9 billion yen (111% compared to the previous fiscal year)**.

Results of loans related to support for revitalization

		FY2017	FY2018	FY2019	Compared to the previous fiscal year
Corporate Revitalization Loans	Number of businesses	4,564	7,669	<b>6,466</b>	<b>84%</b>
	Amount	175.7 billion yen	221.5 billion yen	<b>246.9 billion yen</b>	<b>111%</b>
Capital Subordinated Loans	Number of businesses	588	548	<b>485</b>	<b>89%</b>
	Amount	37.7 billion yen	34.5 billion yen	<b>33.5 billion yen</b>	<b>97%</b>

Results of financial support for revitalization

		FY2017	FY2018	FY2019	Compared to the previous fiscal year
Methods of financing for comprehensive revitalization such as DDS and DES <sup>(Note)</sup>	Number of businesses	160	165	<b>160</b>	<b>97%</b>

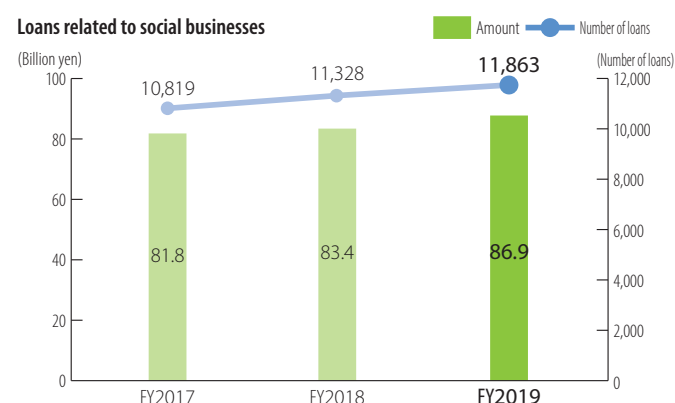
Note: These results are the total of DDS, DES, non-equivalent transfer of claims, secondary company method, and debt waiver; calculated by adding up the number of businesses agreed by JFC for the corresponding period.

- **DDS (Debt Debt Swap):** A financial technique for exchanging a part of an existing debt for a subordinated debt.
- **DES (Debt Equity Swap):** A financial method that seeks to improve company's financial constitution by equitizing a portion of existing liabilities.
- **Non-equivalent transfer of claims:** A financial method where creditors exchange their claims to a regional revitalization fund for less than face value (market value).
- **Secondary company method:** A financial method where a profitable business is spun off through a corporation division or business transfer and assumed by another business. The excess debt and non-profitable business are retained by the original company and debt relief is obtained through special liquidation or other legal reorganization proceedings.
- **Debt waiver:** A financial method where creditors waive a portion of their claims to improve the cash flows and financial status of a reorganized company.

## Support for Social Business <sup>(Note)</sup>

In FY2019, loans related to social businesses came to: **11,863 loans (105% compared to the previous fiscal year)**, **86.9 billion yen (104% compared to the previous fiscal year)**, of which **1,155 loans (84% compared to the previous fiscal year)**, **7.1 billion yen (82% compared to the previous fiscal year)** were loans to NPOs.

Note: Businesses that tackle regional and social issues, such as supporting the care and welfare of the elderly and disabled, child rearing, regional revitalization and environmental conservation, etc.



Breakdown of loans related to social businesses results by recipient

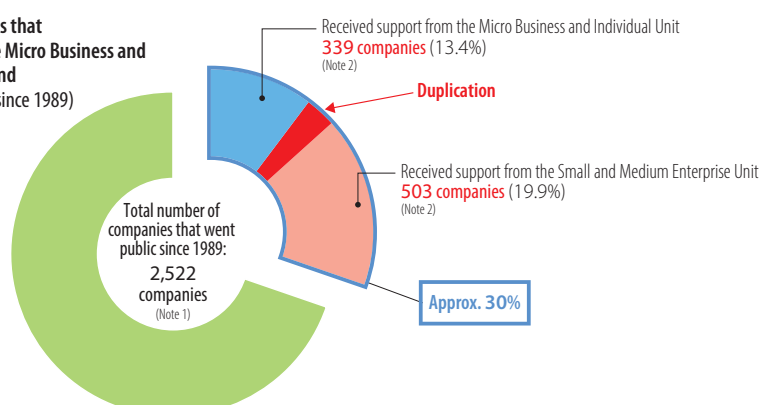
		FY2017	FY2018	FY2019	Compared to the previous fiscal year
Number of loans related to social businesses <sup>(Note)</sup>	Number of loans	10,819	11,328	<b>11,863</b>	<b>105%</b>
	Amount	81.8 billion yen	83.4 billion yen	<b>86.9 billion yen</b>	<b>104%</b>
	(i) For NPOs	Number of loans	1,552	<b>1,155</b>	<b>84%</b>
		Amount	9.7 billion yen	<b>7.1 billion yen</b>	<b>82%</b>
	(ii) For nursing care and welfare businesses	Number of loans	8,375	<b>8,095</b>	<b>96%</b>
		Amount	65.5 billion yen	<b>59.2 billion yen</b>	<b>92%</b>
	(iii) For businesses addressing social issues	Number of loans	2,021	<b>3,447</b>	<b>136%</b>
		Amount	14.2 billion yen	<b>26.2 billion yen</b>	<b>154%</b>

Note: Total for loan performance (excluding duplicate loans to (i), (ii) to (i), (ii), and (iii)).

## Record of JFC transactions with publicly-traded companies

Of those companies listed since 1989, the total numbers of companies that went public after receiving support from the Micro Business and Individual Unit or Small and Medium Enterprise Unit were 339 companies and 503 companies, respectively, with 750 companies receiving support from both (excluding duplication), accounting for approximately 30% of the total.

Publicly-traded companies that received support from the Micro Business and Individual Unit or Small and Medium Enterprise Unit (since 1989)



Notes: 1. Of those companies listed on each market since 1989, the total number of companies whose shares are publicly traded as of March 31, 2020 (according to JFC investigations)  
2. Of those companies indicated in Note 1, companies confirmed to have received support from Micro Business and Individual Unit or Small and Medium Enterprise Unit.

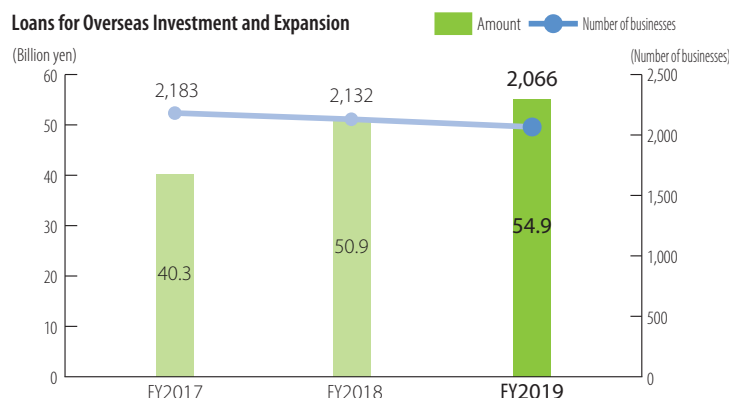
## Measures Implemented in FY2019

### Support for Overseas Expansion

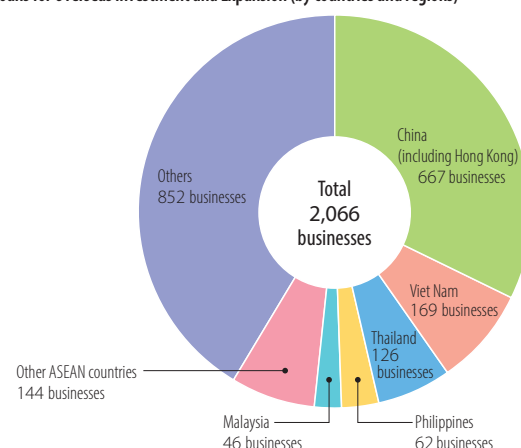
#### (i) Loans for Overseas Investment and Expansion

As a result of detailed financing support meeting the needs of SMEs and micro/small businesses actively undertaking imports and exports, in FY2019, Loans for Overseas Investment and Expansion were provided to **2,066 businesses (97% compared to the previous fiscal year), totaling 54.9 billion yen (108% compared to the previous fiscal year).**

Loans for Overseas Investment and Expansion



Loans for Overseas Investment and Expansion (by countries and regions)



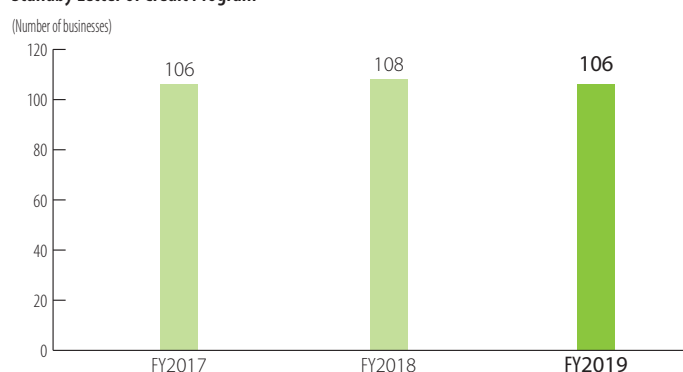
#### (ii) Standby Letter of Credit Program <sup>(Note)</sup>

As for FY2019, 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, being utilized by **106 businesses**. The cumulative usage (until March 31, 2020) of this program since its start in FY2012 has reached **637 businesses**.

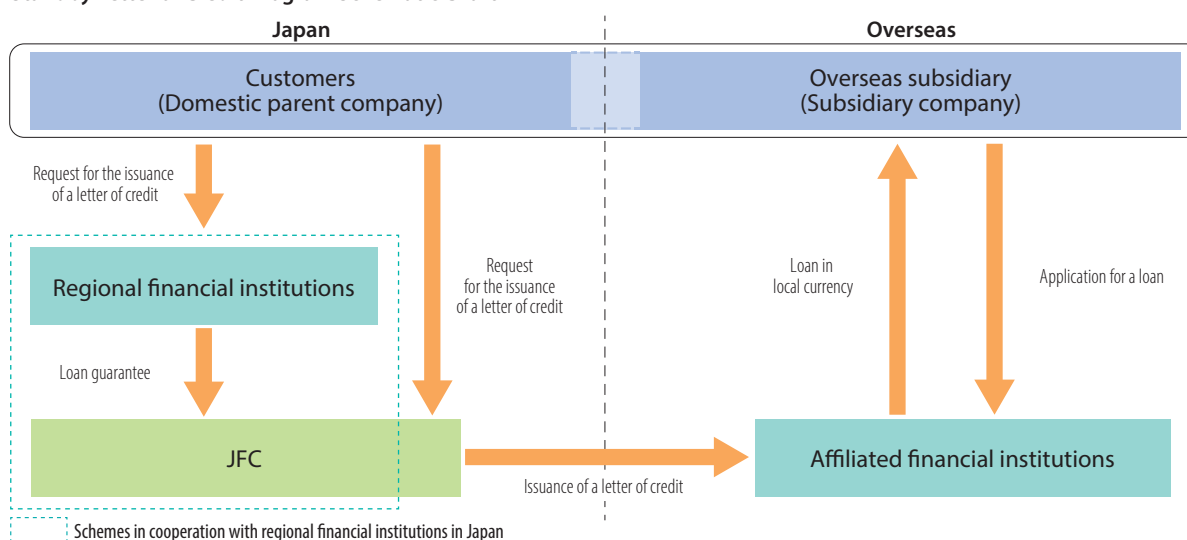
In order to allow more SMEs to make use of this program, JFC established a scheme to partner regional financial institutions throughout Japan in FY2013. As of March 31, 2020, we have business partnerships with 61 regional financial institutions in Japan, and letters of credit were issued to a total of **40 businesses** through this partnership scheme.

Note: The Standby Letter of Credit Program supports SMEs' overseas subsidiaries' and branches' smooth procurement of long-term local currency denominated funds from JFC's affiliated financial institutions by using JFC's standby letter of credit as a guarantee.

Standby Letter of Credit Program



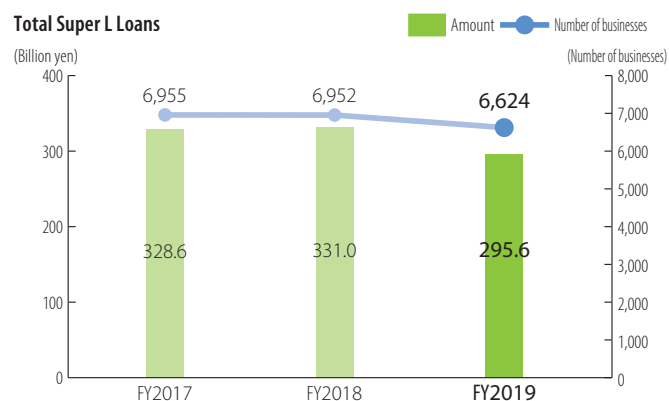
Standby Letter of Credit Program Schematic Chart



## Support for New Expansion by Agricultural, Forestry, and Fisheries Businesses

### (i) Supporting leaders of agriculture (new entry farmers, large family run businesses, corporations)

Agricultural Management Framework Reinforcement Loans (name: Super L Loan) in FY2019, came to: **6,624 businesses (95% compared to the previous fiscal year), 295.6 billion yen (89% compared to the previous fiscal year).**

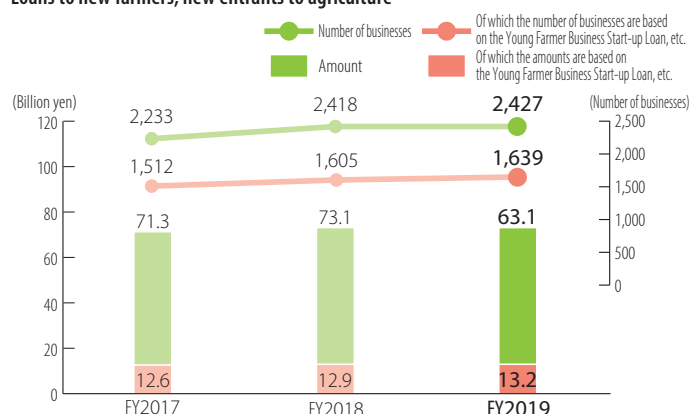


In FY2019, loans to new agricultural business and new entry farmers came to **2,427 businesses (100% compared to the previous fiscal year), and 63.1 billion yen (86% compared to the previous fiscal year).**

From FY2014, newly started loans to Young Farmer Business Start-up Loan, etc.<sup>(Note)</sup> came to: **1,639 businesses (102% compared to the previous fiscal year), 13.2 billion yen (102% compared to the previous fiscal year).**

Note: Loans to support authorized new farmers certified by municipalities under the Young Farmers Plan as young people engaging in new farming businesses.

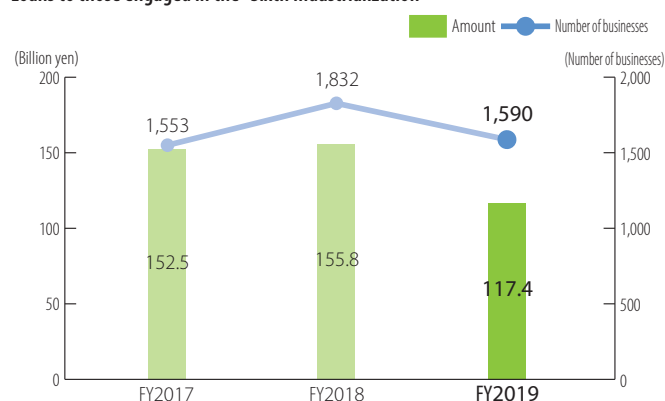
### Loans to new farmers, new entrants to agriculture



### (ii) Supporting the "Sixth Industrialization" activities

FY2019 loans to activities due to improved management by the "Sixth Industrialization" (e.g., processing, sales, and other business undertaken integrally by agricultural, forestry, and fishery businesses to increase the added value of products) increased to: **1,590 businesses (87% compared to the previous fiscal year), 117.4 billion yen (75% compared to the previous fiscal year).**

### Loans to those engaged in the "Sixth Industrialization"



### (iii) Providing investment support to agricultural corporations by private financial institutions, etc.

At the end of FY2019, investments came to **15 Limited Partnerships (LPS) (pledged investment amount by JFC: 3.56 billion yen),** established by private financial institutions based on agricultural corporation investment development businesses<sup>(Note)</sup> and **1 stock company (investment amount by JFC: 2.03 billion yen).**

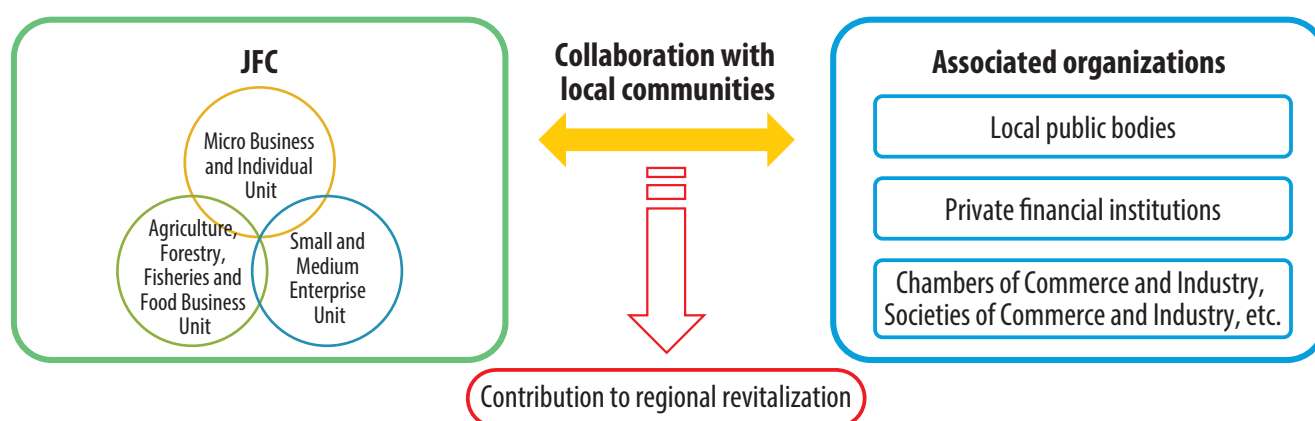
Note: Businesses providing management and technical guidance by acquisition/holding of stock from agricultural corporations based on the Act on Special Measures to Facilitate in Agricultural Corporations (Act No. 52 of 2002).



# Contribution to Local and Regional Revitalization through Collaboration with Local Communities

JFC actively participates in regional comprehensive strategies and contributes to local and regional revitalization through programs such as matching, business discussion meetings, and seminars implemented through use of its nationwide network of 152 branches.

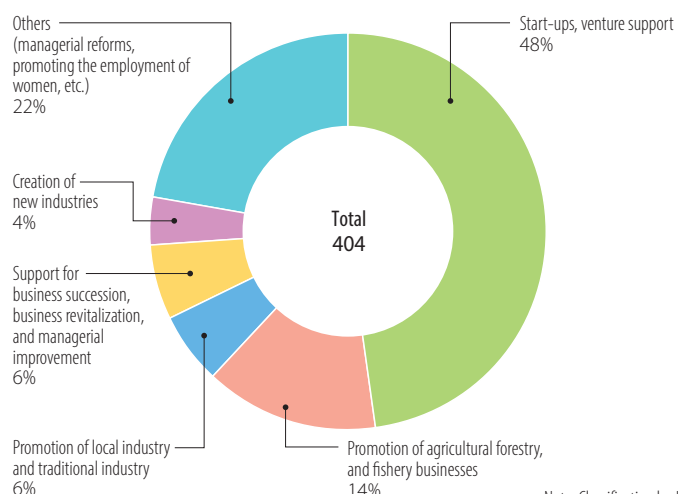
<p>(1) <b>Reinforcement of collaboration with local government through active participation in regional comprehensive strategies</b></p>	<p>In order to contribute to regional revitalization, JFC supports the implementation and promotion of regional comprehensive strategies formulated by regional local governments through collaboration with private financial institutions and others based on requests from regional local governments under the national strategy for overcoming population decline and revitalizing local economies.</p>
<p>(2) <b>Provision of useful services tailored to customer and local needs through use of its nationwide network of 152 branches</b></p>	<p>JFC conducts business discussion meetings and seminars to facilitate appropriate product matching for customers engaged in market and product development by using its nationwide network of 152 branches to better meet customer needs.</p>
<p>(3) <b>Performance of the role of connecting related organizations</b></p>	<p>As a member of local communities, JFC participates in various networks and the like in order to strengthen collaboration with related organizations.</p>



## Reinforcement of Collaboration with Local Government through Active Participation in Regional Comprehensive Strategies

- JFC is attentively responding to regional challenges, taking into consideration local circumstances and needs, at 152 branches nationwide.
- To support the implementation of regional comprehensive strategies, officers and branch managers visited prefectural governors to explain the efforts of JFC, request that they make use of JFC in regional revitalization, and work to strengthen collaboration with local communities.
- In FY2019, JFC participated in a total of **404 regional programs** nationwide. Partnership programs include start-ups and venture support, which at **48%** was the highest to date.

Breakdown of program participation by purpose <sup>(Note)</sup> (FY2019)



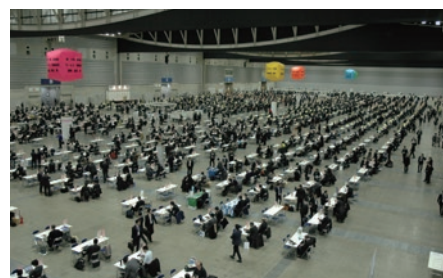
Note: Classification by JFC

## Provision of Useful Services Tailored to Customer and Local Needs through Use of its Nationwide Network of 152 Branches

- The FY2019 number of customer matching partnerships came to: **5,447 partnerships**.
- The number of business meetings held in FY2019 in all regions nationwide came to: **74 meetings**.
- National-scale business discussion meetings such as the Agri-Food EXPO and National Business Discussion Meeting were held, and branches throughout Japan held business discussion meetings that made use of local characteristics, providing support for increased business opportunities by customers.
- Through its Internet business matching site, JFC provides a forum offering business opportunities to customers, including new buyers and new suppliers of raw materials.

JFC Internet Business Matching

<https://match.jfc.go.jp/> (Available only in Japanese)



The 12th National Business Discussion Meeting (February 12, 2020)

## Performance of the Role of Connecting Related Organizations

- From the perspective of strengthening consulting functions for clients, we collaborate with relevant organizations and hold seminars for clients, study groups for the personnel of JFC and clients, and other programs in various regions.
- As a policy-based finance institution, we held regional economic revitalization symposiums at three locations nationwide (Nagoya, Niigata, and Sendai) in order to carry out our role of “connecting” regional organizations. Local financial institutions, support groups, and local companies and organizations presented at these symposiums, the themes of which were business succession in Nagoya, agricultural support in Niigata, and business start-ups in Sendai. JFC presented information on support options and exchanged information on current initiatives, issues, and future possibilities with regional organizations.



Regional economic revitalization symposium in Nagoya (December 20, 2019)

## Hosting of the 7th High School Student Business Plan Grand Prix

JFC hosted the 7th Infinite ∞ Creativity High School Student Business Plan Grand Prix targeted for high school and higher professional school students all across the country.

The numbers of applicants in the event came to: **409 schools, 3,808 applicants** (396 schools, 4,359 applicants in the 6th Grand Prix). By the leading act by the Business Start-up Support Center nationwide, we promoted this event to many schools. Business Start-up Support Centers visited **353 schools** (331 schools in the 6th Grand Prix), and gave lectures about how to create a business plan.

At the final competition held in January 2020, ten finalist groups gave passionate presentations. The entry from Osaka Prefectural Mikunigaoka High School “PeriPeri: Don’t Make You Tell Me You’re Being Wasteful” won the Grand Prix and garnered much attention from the media.

Nurturing entrepreneurship to develop the leaders of next generation is crucial for Japan’s future, and JFC will continue to provide its business start-up experience and expertise to sites of entrepreneurial education.

### (The 8th High School Student Business Plan Grand Prix)

The 8th High School Student Business Plan Grand Prix has been canceled due to COVID-19.

Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/grandprix/> (Available only in Japanese)



The High School Student Business Plan Grand Prix Facebook page is frequently updated with the latest information.

<https://www.facebook.com/grandprix.jfc/> (Available only in Japanese)



Presentation in final competition



Students and teachers from Osaka Prefectural Mikunigaoka High School which received the Grand Prize award



Participants of the final competition and the award ceremony

# Micro Business and Individual Unit

In addition to supporting the growth and development of micro/small businesses and business start-ups, the Micro Business and Individual Unit (Micro Unit) also supports the future of our children through Educational Loans.

The Micro Unit acts as a community-based financial institution. It provides business loans to micro/small businesses, as well as educational loans to individuals who are in need of funds for school entrance fees and other educational expenses.

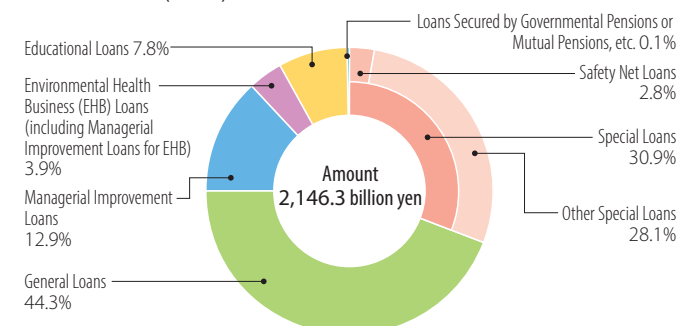
Business loans were provided to 0.88 million businesses as of March 31, 2020. Most of the loans are for small amounts, with an average loan balance per business of 7.03 million yen, which were mainly unsecured loans. Approximately 90% of the borrowers have nine or fewer employees, such businesses range from companies that are close to local community living like grocery stores, building contractors, etc., to new market pioneering businesses, such as venture companies, etc. These loans are utilized by a wide variety of business operators. In 2020, the Micro Unit is working to support businesses affected by COVID-19, and as of August 31, 2020, approximately 1.13 million businesses have received business loans.

The Micro Unit is actively committed to supporting start-ups and social businesses that are principally linked to activating regional economies, and also to demonstrate our safety net function.

Changes in Educational Loans (number of loans)



Breakdown of Loans (FY2019)



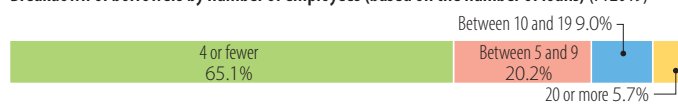
Number of business borrowers and average loan balance per business (as of March 31, 2020)

	Micro Business and Individual Unit	Total for Shinkin banks (255 credit associations)	Total for domestic banks (134 banks)
Number of business borrowers (million)	0.88	1.13	1.97
Average loan balance per business (million yen)	7.03	41.33	105.61

Notes: 1. Figures for Micro Unit are the total of General Loans and Environmental Health Business Loans.  
2. Domestic banks include major commercial banks, regional banks, regional bank II, and trust banks.  
3. Figures for shinkin banks and domestic banks do not include loans to individuals (loans for housing, consumption, tax payments, etc.), loans to regional public organizations, overseas yen-loans, or loans made to businesses in foreign countries in name of their domestic branches. Number of business borrowers for shinkin banks and domestic banks are based on the number of loans.

Source: Bank of Japan website

Breakdown of borrowers by number of employees (based on the number of loans) (FY2019)



Note: The breakdown is the total of General Loans and Environmental Health Business Loans (direct loans).

# Agriculture, Forestry, Fisheries and Food Business Unit

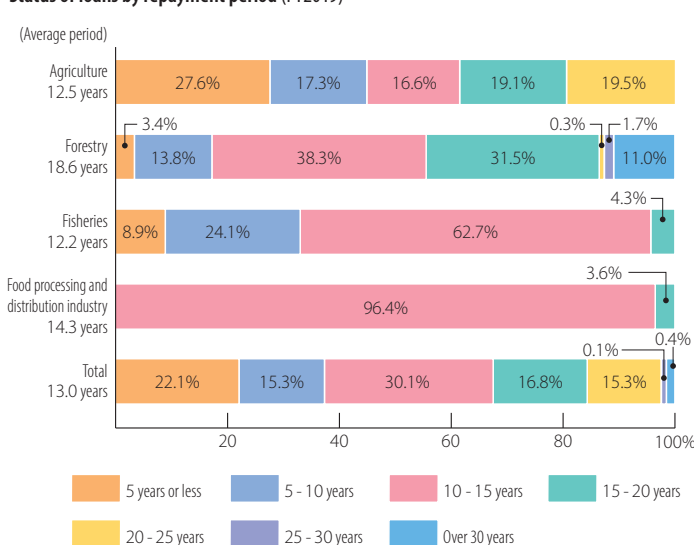
Supporting business development in the agricultural, forestry, fisheries, and food sectors that sustain Japan's food supply.

The Agriculture, Forestry, Fisheries and Food Business Unit (AFFU Unit) contributes to the reinforcement of the domestic agriculture, forestry, and fisheries industries and stable supplies of safe and good-quality of foods by providing supports to individuals and businesses in these industries.

The AFFU Unit provides long-term financing that contributes to ensuring stable food supplies and the sustainable and sound development of the agricultural, forestry and fisheries sectors, taking into account the fact that these sectors have unique business characteristics such as long investment recovery periods and unstable income caused by the effects of weather.

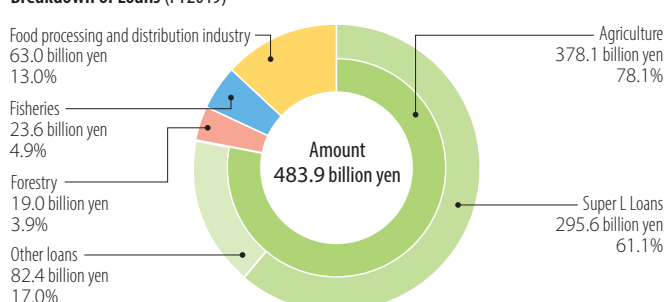
Besides loans and investments, JFC support businesses through various efforts such as business consultation by business consultants who are familiar with agriculture, forestry, fishery industries, business matching support by Agri-Food EXPOs, and support for customers who are engaged in exporting. JFC also provides useful information on a wide scale to all its customers through surveys and information magazines.

Status of loans by repayment period (FY2019)



Note: Aggregated by loan amount

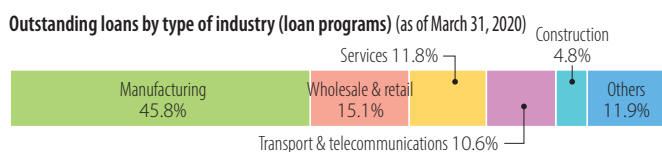
Breakdown of Loans (FY2019)



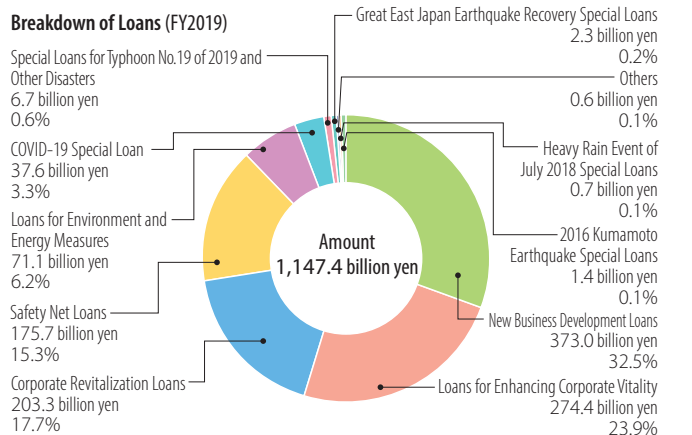
# Small and Medium Enterprise (SME) Unit

Through its various functions such as Loan Programs and Credit Insurance Programs, the Small and Medium Enterprise Unit (SME Unit) supports the growth and development of SMEs and micro/small businesses which are the source of Japan's economic vitality at both the national and regional levels.

The SME Unit complements the provision of loans by private financial institutions to various types of small and medium enterprises (SMEs) by the stable provision of business funding at long-term fixed interest rates and implementing special loans based on national policies.



Note: Data are for fixed interest rate loans only.



Note: Loans include corporate bonds, but excluding loans to Small and Medium Business Investment & Consultation Co., Ltd. Also, performance for respective loans is calculated while disregarding amounts of under 100 million yen.

## Businesses that have utilized JFC funds are flourishing in many fields

A total of 676 businesses<sup>(Note)</sup> have gone public after receiving support from the SME Unit, representing roughly 20% of all Japanese businesses that are publicly held. Many of these are flourishing as leading companies in Japan.

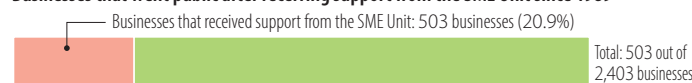
The number of businesses going public after receiving support from the SME Unit since 1989 is 503<sup>(Note)</sup>, accounting for roughly 20% of the total number of businesses that went.

Note: The number of publicly listed businesses is as of March 31, 2020 (excluding delisted businesses and businesses that have dissolved due to merger, etc.).

### Businesses that went public after receiving support from the SME Unit



### Businesses that went public after receiving support from the SME Unit since 1989



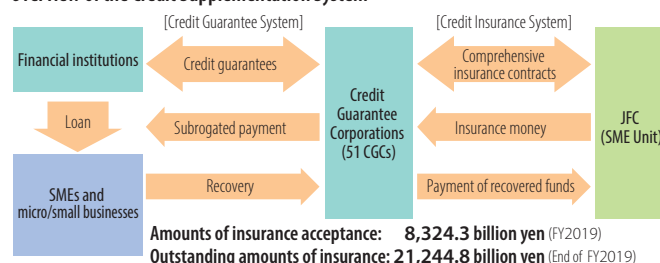
Source: JFC SME Unit. The number of publicly held businesses is as of March 31, 2020. Businesses in agriculture, forestry, fisheries, finance, and insurance, as well as foreign-owned corporations are excluded.

## Facilitating the smooth flow of funds to SMEs and micro/small businesses by working together with the Credit Guarantee 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 (Credit Insurance System).

The Credit Insurance System was used by 1.18 million SMEs and micro/small businesses, accounting for 33% of all SMEs in Japan, through the Credit Guarantee System (as of March 31, 2020). It is designed so that these two systems together facilitate the smooth supply of business funds for SMEs and micro/small businesses.

### Overview of the Credit Supplementation System



Note: Amounts of insurance acceptance and outstanding amounts of insurance are those for Small Business Credit Insurance.

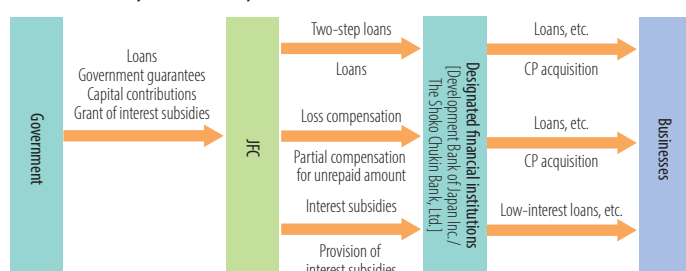
## Operations to Facilitate Crisis Responses

At times of crisis designated by the competent minister—such as financial disorder in Japan or overseas or large-scale disaster—JFC carries out Operations to Facilitate Crisis Responses.

Since a business's credit risk generally increases at the time of a crisis, it is assumed that private financial institutions would be unable to provide a satisfactory amount of funds.

In order to counter this situation, JFC promotes the smooth provision of funds to business from designated financial institutions by granting them credit.

### Overview of the system (as of July 31, 2020)



### Results of operations to facilitate crisis responses

	FY2017	FY2018	FY2019
<b>Two-step loans</b>	85.4 billion yen	—	<b>35.0 billion yen</b>
<b>Loss compensation</b>	89.2 billion yen	1.0 billion yen	<b>0.8 billion yen</b>
<b>Interest subsidies</b>	12.6 billion yen	4.9 billion yen	<b>2.7 billion yen</b>

Note: With respect to loss compensation, the figures for loans, etc. represent the amounts of loans provided by designated financial institutions through the end of March 2020, with loss compensation underwritten by JFC for losses incurred until May 10, 2020.



## About Organizational Management

In its organizational management, JFC continuously makes efforts to streamline its administration and increase operational efficiency through digitalization and other means and implemented the following principal initiatives in FY2019.

### Expansion and Restructuring of JFC Systems and Cyber Security Measures

#### ● Expansion and restructuring of JFC systems

With regard to plans for the next-generation JFC information system, which was launched in FY2016, we are working to actively use the Internet, external services that make use of the Internet, the public cloud, and so on so that we can improve customer service and adapt to the increased efficiency and higher levels of operations. We are also rebuilding business applications, which have become overly bloated and complex as a result of repeated improvements over an extended period, and building systems that can respond promptly and flexibly to needs. JFC is using the latest information technologies such as AI and RPA<sup>(Note)</sup> in its operations to respond to the rapid advances in IT in recent years.

Note: RPA (Robotic Process Automation): A mechanism whereby various PC operations are performed by software robots in place of humans.

#### ● Cyber security measures

To respond to the increasingly diverse and growing threats of cyber attacks, in addition to technological measures, we have outside experts conduct security risk assessments, raising our security management stance. We also conduct information security training and targeted email attack simulation drills for all officers and employees and make efforts to raise awareness concerning information security.

### Provision of Information through the PR Magazine “Connect JFC”

JFC is engaged with the provision of information through the PR magazine “Connect JFC,” which aims to make the function, roles, and initiatives of JFC better known. In “Connect JFC” we introduce not only the efforts of JFC, but those of regional corporations.

Please visit the JFC website for more information.

[https://www.jfc.go.jp/n/findings/tsunagu\\_index.html](https://www.jfc.go.jp/n/findings/tsunagu_index.html)

(Available only in Japanese)





## Promote Diversity

JFC is undertaking numerous initiatives to create workplaces where each employee is free to fulfill their potential.

### ● Career development and proactive management appointment for women

We set a target of women making up 7% or more of managerial staff by April 2023<sup>(Note)</sup>, and are promoting women to achieve that target.

Note: The plan of action pursuant to the "Act on Promotion of Women's Participation and Advancement in the Workplace" (Act No. 64 of 2015).

### ● Develop measure that support both work and life stages

JFC provides organizational support for continuous employment, through measures such as special transfer system related to marriage, childbirth, childrearing, nursing care, and work relocation of a spouse. We are also developing measures to support work-life balance in accordance with the current life stage of employees, in order to realize flexible working styles.

### ● Promotion of employee activities

We are undertaking activities to solve regional and workplaces issues through active collaboration with private business firms and local public bodies at all 152 branches nationwide.

## Establishment and Strengthening of Risk Management System and Compliance System

- The risk management system and compliance system are being developed to define the fields that need to be addressed with the highest priority by internal management, and identifying them throughout the entire JFC management, or by the Corporate Governance Committee discussing matters that need to be addressed.
- The Corporate Governance Committee discusses and defines risk management programs and compliance programs every year, provides regular updates on the state of progress, and makes the required adjustments and enhancements related to risk management and compliance systems.



January 2021

Publisher: Public Relations Department, Japan Finance Corporation

Otemachi Financial City North Tower, 1-9-4, Otemachi, Chiyoda-ku, Tokyo, 100-0004 Japan