

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

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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

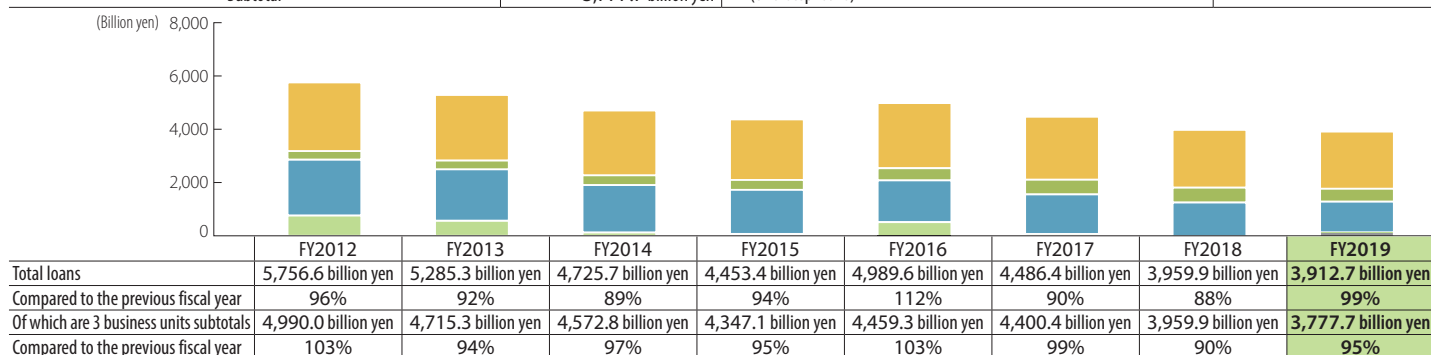
- Support clients that have been affected by the COVID-19 crisis
- Respond carefully to the needs for safety net services, provide a stable supply of funds, and collaborate with private financial institutions
- Supply funds with priority given to Strategic Fields of Growth, etc.
- Contribution to local 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	Operations to Facilitate Specific Businesses Promotion, etc. (two-step loans)	100.0 billion yen
Small and Medium Enterprise (SME) Unit (finance)	1,147.4 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	Operations to Facilitate Specific Businesses Promotion, etc. (two-step loans)	132.9 billion yen
Small and Medium Enterprise (SME) Unit (finance)	5,208.1 billion yen		
Subtotal	15,582.6 billion yen		

