

Guide to Japan Finance Corporation 2021



JAPAN FINANCE CORPORATION

Message from the Governor & CEO

Roles and Mission of Japan Finance Corporation

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'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.

COVID-19 Responses

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 from the protracted impact of COVID-19, Japan is currently confronting previously unseen economic and social crises. Many businesses continue to face extremely challenging circumstances.

Since we established special consultation desks in January 2020, we have made decisions for approximately 880,000 COVID-19 related loans with a value of 15 trillion yen through the end of June of this year. This is the largest operation in the history of Japan's policy-based finance. In addition, in August 2020 we began handling COVID-19 Hybrid Subordinated Loan Program in order to bolster the financial foundations of SMEs and micro/small businesses that have been impacted by the COVID-19 crisis. As of June 30, 2021, a total of 3,000 loan decisions were made worth a total of 500 billion yen.

In light of the protracted status of the COVID-19 pandemic, the government has extended the application deadline for the COVID-19 Special Loan Program to the end of the year. We will continue to do everything we possibly can to support businesses. In addition, we will provide information and support to help businesses that are working hard, such as by presenting on our website the efforts of businesses that are employing various ideas and innovations to address the COVID-19 pandemic.

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.

Future Measures

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 business succession and overseas expansion.

To provide support for business succession, the importance of which has been increasing recently, we will enhance our information collecting abilities and identify needs and will



collaborate with relevant organizations to offer effective consulting including business matching. In addition, with regard to overseas expansion support, we will work to reinforce our support for overseas development and increasing exports with an eye toward the post-COVID-19 era.

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 toward solving their problems, taking into consideration the changes in business environment caused by COVID-19. While doing so, 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.

Closing

In order to provide high-quality services regarding policy-based financing, while implementing the above measures, 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.

July 14, 2021

田中一穂

TANAKA Kazuho
Governor & CEO

Overview of Japan Finance Corporation

Profile of Japan Finance Corporation (as of March 31, 2021)

- 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: 6,990.2 billion yen
Reserve fund: 3,503.9 billion yen
- Branch Offices: Branch Offices in Japan: 152
Overseas representative offices: 2
- Employees: 7,436 (budgetary fixed number for FY2021)

Management Policy

In order to carry out its Basic Philosophy, JFC promotes digitalization even during major crises such as the COVID-19 pandemic to build systems that can respond flexibly and agilely and strives to perform the functions required of it as a policy-based financial institution in collaboration with relevant organizations including private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and tax accountants.

● 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.
- Establish systems that can respond flexibly and agilely to future crises including the creation of systems for operations during emergencies and further cooperation with private financial institutions.

● 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 rebuild business taking into consideration decarbonization and other 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.

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.

- 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 funds and information.

● 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 (FY2021-2023)

JFC will continue to take all possible measures to support clients affected by the COVID-19 pandemic and will focus its efforts on following up with the many clients that have increased due to the COVID-19 pandemic. Based on the assumption that this type of large-scale crisis can occur in the future, JFC will undertake further digitalization, secure personnel in preparation for emergencies, actively manage personnel transfers between business units, and reinforce safety net functions.

In addition, JFC will deepen cooperation with relevant organizations that have played roles during the COVID-19 pandemic including private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and tax accountants, provide support in Strategic Fields of Growth by responding to increasing needs for business succession and rebuilding businesses with an eye toward the post-COVID era, and take measures to contribute to regional revitalization.

In accordance with this approach, each employee, as a policy-based finance operator, will undertake the following with a sense of mission to demonstrate their roles to connect this policy to its various business endeavors.

First, when performing its safety net functions, JFC will support clients that were affected by the COVID-19 pandemic and steadily and agilely provide support for recovery from and restoration following other natural disaster including earthquakes and typhoons.

Next, JFC will focus its efforts on Strategic Fields of Growth, etc. including start-ups, new business, business revitalization, business succession, social business, overseas expansion, new development of agriculture, forestry and fisheries business operators, environmental and energy measures, and support for customers undertaking business restructuring in the face of the COVID-19 crisis for the future development of the Japanese economy. Of these, we are responding to the increasing need for business succession by placing particular emphasis on enhancing information collection capabilities and collaborating with relevant organizations to provide effective consulting including matching. With regard to overseas development, we will 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 together in order to solve their problems. In doing so, we will perform our function of connecting the various relevant organizations 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 focusing on demonstrating our consulting functions and 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, taking into consideration responses to the COVID-19 crisis, we will address organizational operations by reinforcing organizational response capabilities by securing personnel and taking other measures during emergencies, promoting further digitalization, 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.

Business Operation Plans

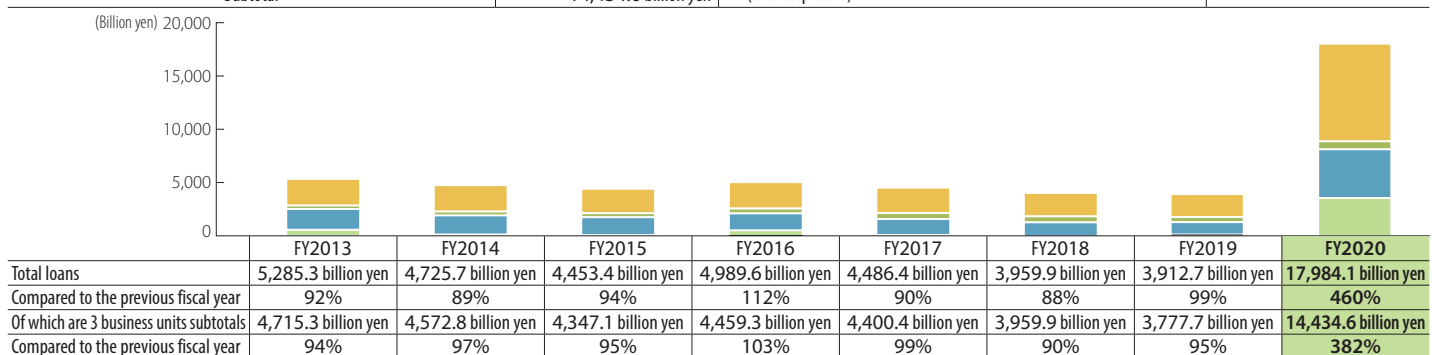
- Support clients affected by the COVID-19 crisis
- Respond carefully to the needs for safety net services, provide a stable supply of funds, and collaborate with private financial institutions
- Supply funds with priority given to Strategic Fields of Growth, etc.
- Contribution to local and regional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

Organizational Plans

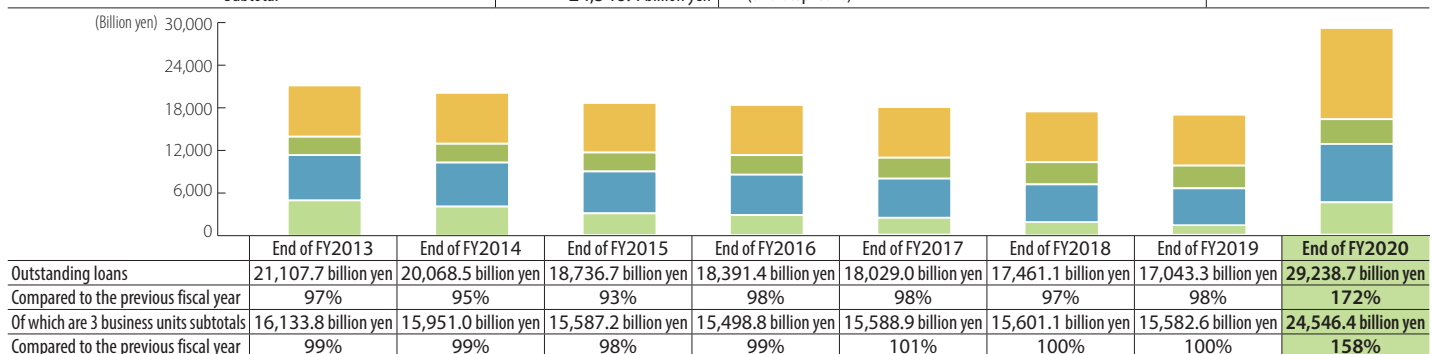
- Enhancing branch office functions
- Conduct efficient and effective operations taking into consideration issues that have become clear as a result of responses to the COVID-19
- Encourage system updates, shifting to the cloud, and digitalization in close collaboration with IT departments with the active participation of individual business units
- Foster and utilize human resources
- Promote diversity and improve the workplace environment
- Establishment and strengthening risk management and compliance structures

Overall Performance of Loan Program

FY2020 total loans: 17,984.1 billion yen (460% compared to the previous fiscal year)			
Micro Business and Individual Unit	9,164.0 billion yen	Operations to Facilitate Crisis Responses (two-step loans)	3,549.4 billion yen
Agriculture, Forestry, Fisheries and Food Business Unit	705.8 billion yen	Operations to Facilitate Specific Businesses Promotion, etc. (two-step loans)	—
Small and Medium Enterprise (SME) Unit (finance)	4,564.8 billion yen		
Subtotal	14,434.6 billion yen		



End of FY2020 outstanding loans: 29,238.7 billion yen (172% compared to the end of previous fiscal year)			
Micro Business and Individual Unit	12,842.8 billion yen	Operations to Facilitate Crisis Responses (two-step loans)	4,570.6 billion yen
Agriculture, Forestry, Fisheries and Food Business Unit	3,485.4 billion yen	Operations to Facilitate Specific Businesses Promotion, etc. (two-step loans)	121.6 billion yen
Small and Medium Enterprise (SME) Unit (finance)	8,218.1 billion yen		
Subtotal	24,546.4 billion yen		

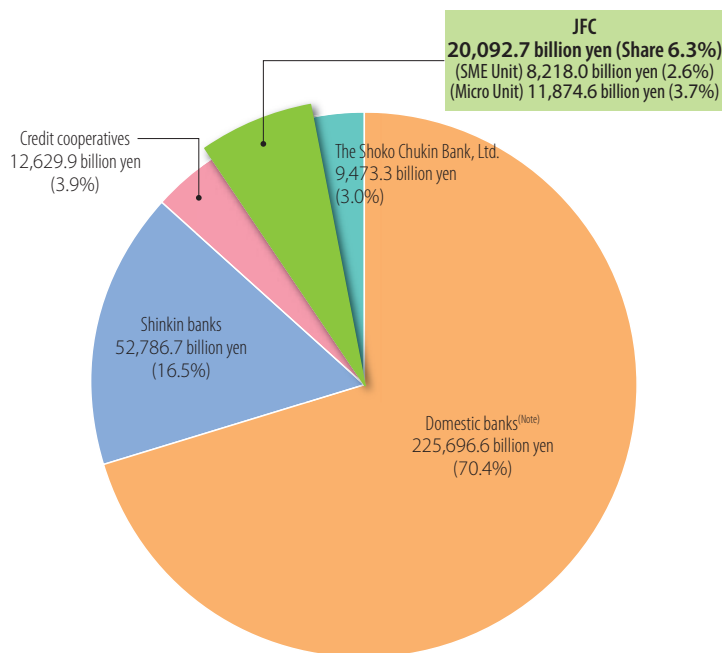


JFC has steadily and agilely performed the role of exhibiting safety net functions, including measures to respond to clients affected by the COVID-19 crisis and recovery and restoration from earthquakes, typhoons, and other natural disasters. At the same time, JFC works for the future development of the Japanese economy and provides support in six strategic fields of growth, etc.: (i) support for start-ups 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 **6.3%**.

Share of balance of financing to SMEs (as of March 31, 2021)

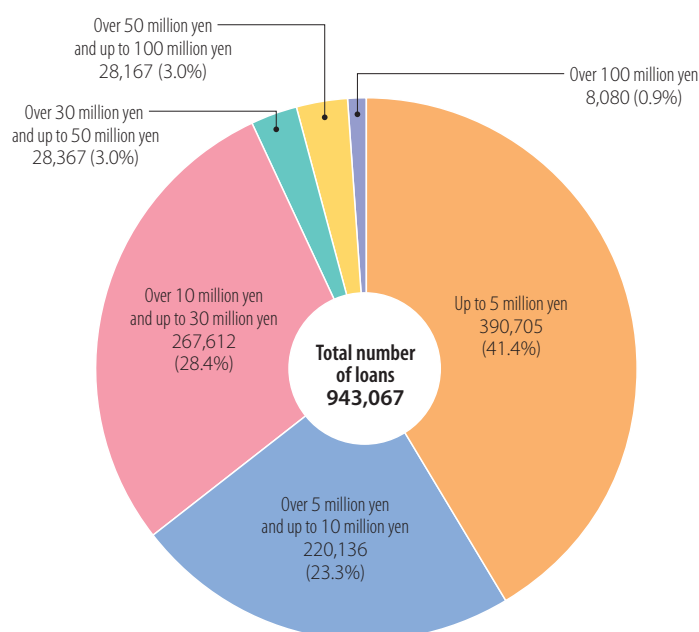


Note: Total of city banks, regional banks, regional banks II, and trust banks
 Sources: Bank of Japan, "Loans by Borrower," "Cash, Deposits, and Loans"; Shinkumi Bank, "Main Accounts of Nationwide Credit Unions"; Japan Finance Corporation, "Business Statistics"; Shoko Chukin Bank, "Business Statistics"

The composition of JFC's financing by loan amount in FY2020 was as follows. Of the total of approximately 940,000 business loans, **41% had loan amounts up to 5 million yen, and 93% were for 30 million yen or less.**

JFC also provides educational loans to the public (approximately 90,000 loans annually).

Financial results by loan amount in FY 2020^(Note)



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

Responses to the Spread of COVID-19

COVID-19 Related Loan

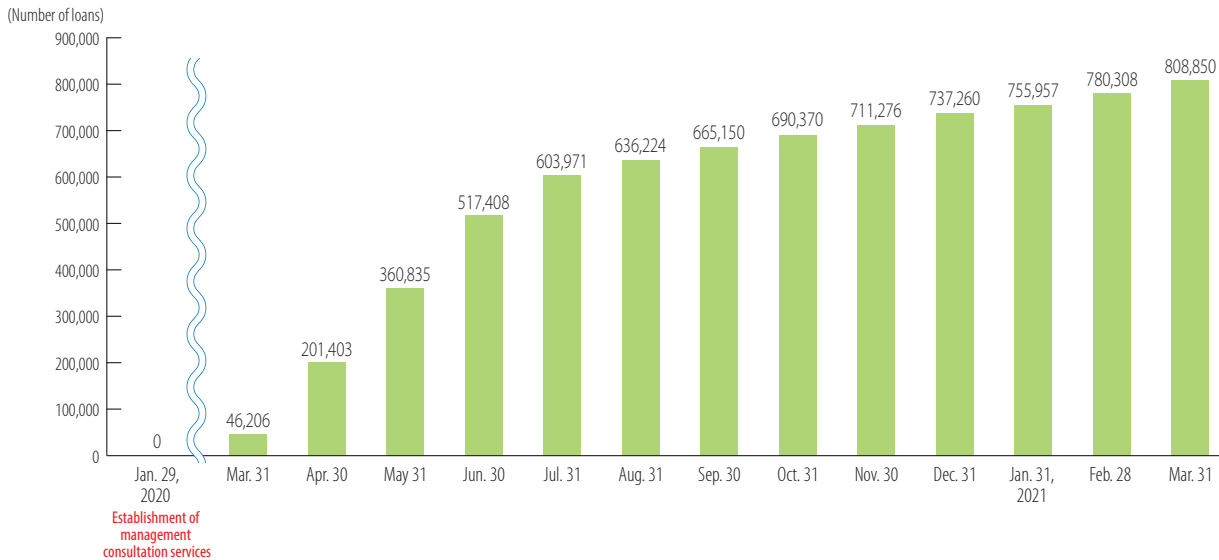
As of March 31, 2021, a total of **808,850** COVID-19 related loan decisions were made worth a total of **13,870.2 billion yen**.

COVID-19 related loan decision results

(as of March 31, 2021)

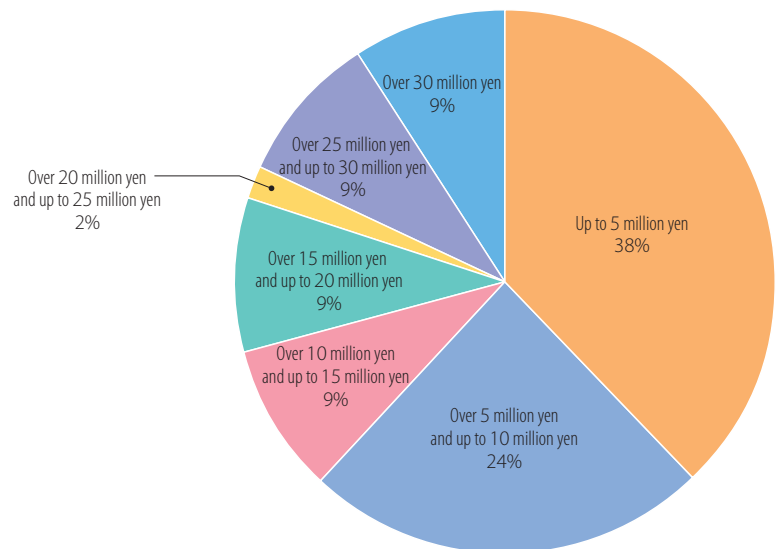
Number of loans	Amount
808,850	13,870.2 billion yen

Changes in number of COVID-19 related loan decisions (cumulative total)



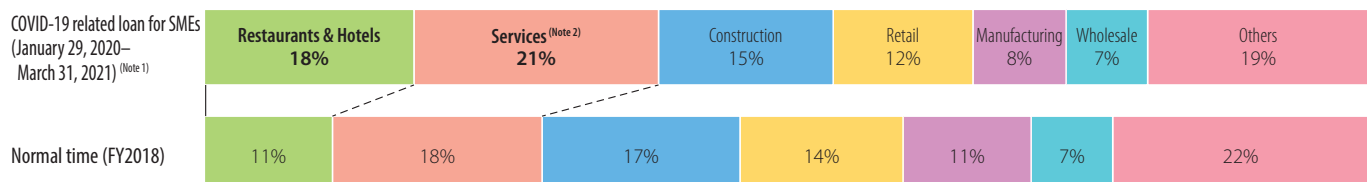
The composition of COVID-19 related loan by amount was **38% for loans up to 5 million yen** and **24% for loans of over 5 million yen and up to 10 million yen**, and thus, the majority of the loans were for small amounts.

Component ratios by amount of COVID-19 related loan (January 29, 2020–March 31, 2021)



With respect to the ratio by industry of COVID-19 related loans for SMEs (Micro Unit and SME Unit), the ratio of those in restaurants & hotels and service increased compared to normal time.

Component ratios by industry for SMEs



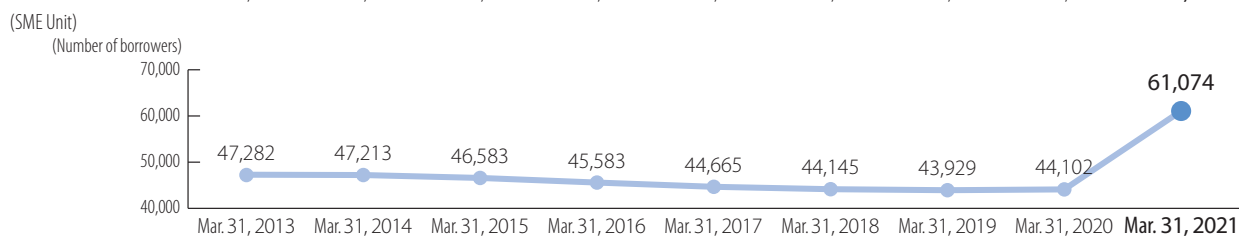
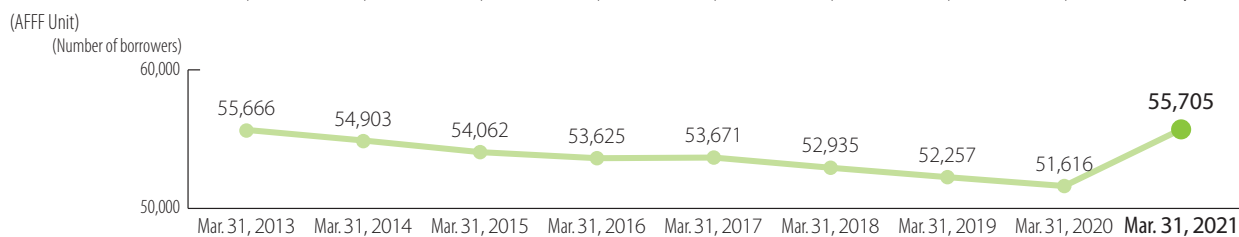
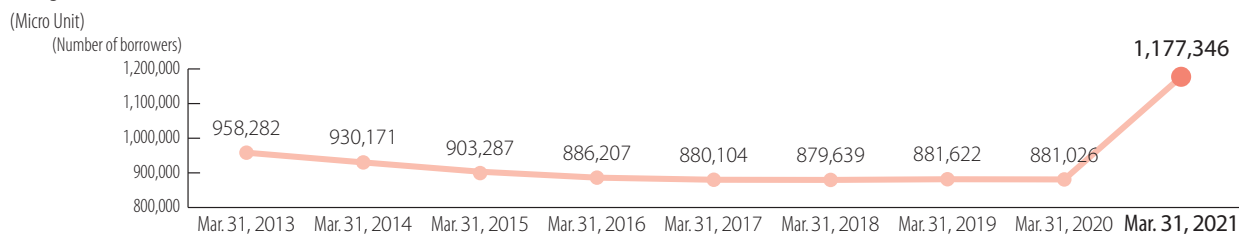
Notes: 1. COVID-19 related loan data is prepared on a loan decision basis.

2. Service industries include hairdressing and beauty salons, professional services, management consulting, automobile maintenance, advertising, and cosmetology as well as entertainment businesses such as theater groups and bands. Also, the share of the entertainment industry (including entertainment businesses such as theater groups and bands) within the service industry has increased compared to normal times (from 2.7% to 4.6%)

Change in Number of Borrowers

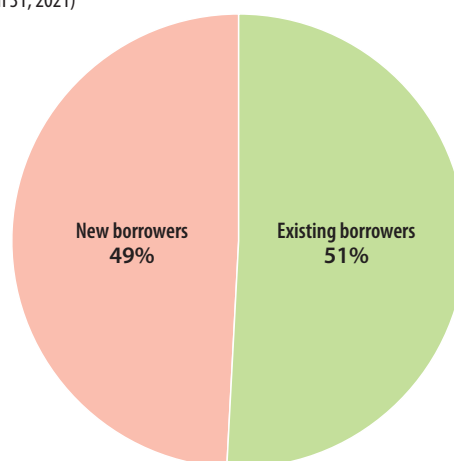
Until the outbreak of the COVID-19 pandemic, the number of JFC customers was trending downward, but as a result of responding to the unprecedented large number of inquiries concerning loans in response to COVID-19, the numbers of borrowers as of the end of FY2020 increased by **approximately 300,000** in the Micro Unit, **approximately 4,000** in the AFFF Unit, and **approximately 20,000** in the SME Unit compared to the end of FY2019.

Change in number of borrowers



Of the loan applications relating to COVID-19 (cumulative total), **49%** were from new borrowers (customers that did not have a business relationship with JFC).

Component Ratio of new borrowers among financing applicants
(January 29, 2020–March 31, 2021)



Collaboration with Private Financial Institutions during the COVID-19 Pandemic

Within our responses to COVID-19, we have provided funding support to SMEs and micro/small businesses that have been affected by the pandemic based on our existing collaborative relationships with private financial institutions.

Cooperative loan ^(Note) results

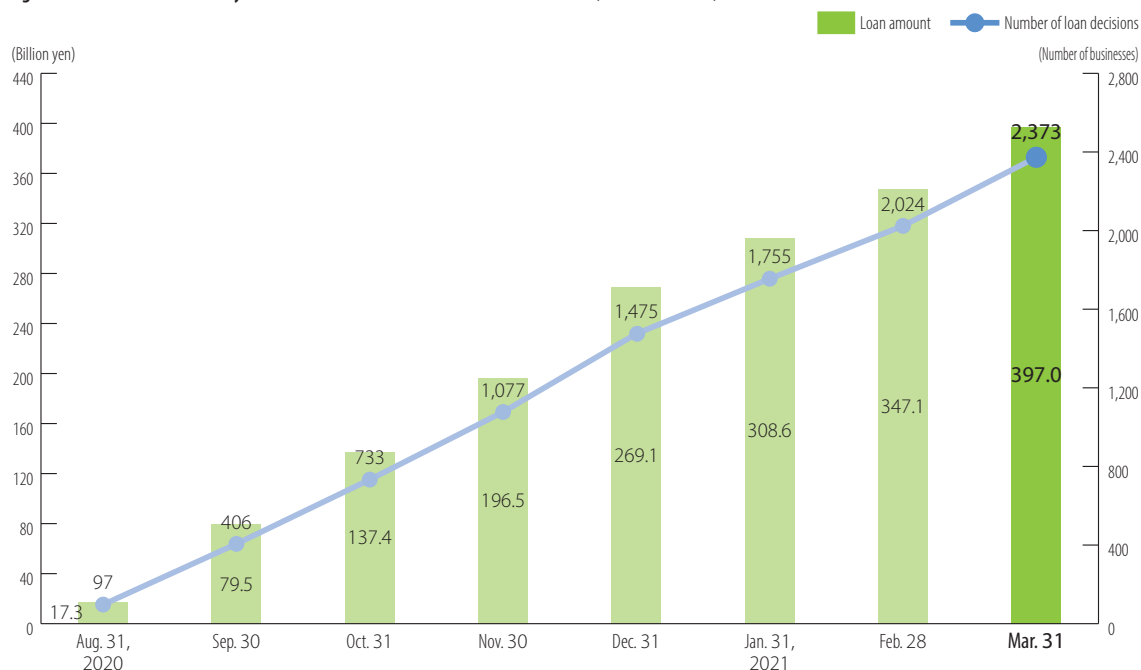
	FY2018	FY2019	FY2020	Compared to the previous fiscal year
Number of loans	30,768	28,736	24,467	85%
Amount	1,292.9 billion yen	1,255.6 billion yen	1,684.7 billion yen	134%
Amount per loan	42.02 million yen	43.69 million yen	68.85 million yen	158%

Note: Loans (guarantees) that are disbursed or decided by both 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).

COVID-19 Hybrid Subordinated Loan Program

In August 2020, we began handling COVID-19 Hybrid Subordinated Loan Program, which provide funds for reinforcing financial foundations, for companies that plan to develop and maintain business with support from relevant organizations, under an economic environment that was greatly affected by the COVID-19 pandemic. As of March 31, 2021, we made loan decisions for **2,373 businesses worth 397.0 billion yen.**

Changes in number of COVID-19 Hybrid Subordinated Loan decisions and amounts (cumulative total)



Dissemination of Examples of Measures by Businesses Addressing the COVID-19 Pandemic

In order to support businesses doing their best even during the COVID-19 pandemic, we put out a call for case studies of businesses that are using various ideas and innovations to overcome this crisis.

From among the submissions received, initiatives that will have a sustainable effect as a company are being presented on the website, in brochures, and in the "Connect JFC" PR magazine.



コロナ禍に立ち向かう事業者の取組み

コロナ禍を乗り切ろうと様々なアイデアや工夫を重ね、企業として持続的な効果をあげることができると取組み事例をご紹介します。広報誌「日本公庫つなぐ」22号でも取組み事例をご紹介します。くわしくはこちらをご覧ください。

型 × 連携	北原Northern Films / 南部美人 / 鏡子電気鉄道 / ツルミ印刷 / 今代司製造 / ジャパン・フラワー・コーポレーション / やさいバス / 泉はやし / 京西陣業匠宗禪 / 高兵衛 / 兵庫ベンダ工業 / 中の島 / OKM
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選択 × 積極投資	オーエイチ / 高尾ビール / 洋菓子のブルミエール / ヤマダアールカンパニー / 宇和島真珠

Please visit the JFC website for more information.
<https://www.jfc.go.jp/n/corona-jirei/index.html>
 (Available only in Japanese)



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, 2021**, MOUs on business cooperation and collaboration have been concluded with **484 financial institutions**.

(3) Creation of cooperative loan programs

Since FY2014, JFC has been focusing on establishing loan schemes ^(Note) in cooperation with private financial institutions to enhance partnership effectiveness and the number of private financial institutions which established the cooperative loan schemes reached **438 institutions as of March 31, 2021**. 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, 2021, 425 programs** were created in collaboration with **288 financial institutions**.

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

Creation of cooperative loan programs (as of March 31, 2021)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total ^(Note)
Number of financial institutions created cooperative loan programs	—	34	29	162	58	5	288
Number of cooperative loan programs ^(Note)	—	53	48	248	76	5	425

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 ^(Note)

In FY2020, total cooperative loans from private financial institutions came to: **24,467 loans (85% compared to the previous fiscal year), 1,684.7 billion yen (134% 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 (FY2020)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total ^(Note)		Reference FY2019 results
								Compared to the previous fiscal year	
Number of loans	2,185	9,232	3,175	8,640	1,269	572	24,467	85%	28,736
Amount	359.5 billion yen	787.3 billion yen	201.6 billion yen	345.8 billion yen	41.1 billion yen	61.2 billion yen	1,684.7 billion yen	134%	1,255.6 billion yen

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 FY2020, **JFC referred 5,266 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 FY2020, **private financial institutions referred 29,091 customers to JFC**. Of these, in addition to cooperative loans, **JFC independently provided 17,687 loans** to start-ups and businesses in the agricultural, forestry, and fishery sectors, etc.

Supporting Business Succession

The Business Succession-related Loans in FY2020 came to **1,442 loans (16% compared to the previous fiscal year) and 47.8 billion yen (32% 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.

Business succession-related loans

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Number of loans	176	707	1,492	2,467	5,593	9,047	1,442
Amount	11.9 billion yen	18.6 billion yen	29.6 billion yen	42.4 billion yen	88.2 billion yen	150.3 billion yen	47.8 billion yen

Note: 1. JFC is expanding financing subjects in order to respond to broader demand for funds such as providing funds for business succession preparations from April 2017 and environmental health-related businesses from FY2020.

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.

3. Loans used for funding necessary for business succession other than Business Success, Consolidation, and Revitalization Funds, etc. (certified loans) have been added to the total since FY2018.

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 (Revised in April 2021)

Business succession support video



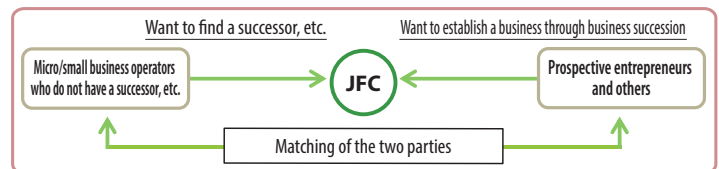
A video that provides information on the significance of business succession, the importance of preparation, and other topics (Currently available on the JFC website)

Business Succession Matching Support

Business succession matching support is a program 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 business owners 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 from FY2020.



Business succession matching support results

Results	Want to transfer business	Want to acquire business
Number of application registrations	163	544 (191)
Number of matchings	78	

Notes: 1. Please refer to the JFC website for detailed information on business succession matching support.

2. The results of business succession matching support are cumulative results from FY2019 to FY2020. Figures in parentheses are the numbers of registered applicants who wish to start a business.

Example of Successful Business Succession Matching Support

The transferred business is a popular udon noodle restaurant (a sole proprietorship operated by Mr. A) that has been selected as a well-known restaurant on gourmet websites. The owner is aging and has no successor, so he registered for this service. He desired to transfer his business to a company that he could trust with the taste of his udon dishes and his goodwill. Meanwhile, Company B, the acquiring company, is a corporation that manages multiple restaurants and was considering acquiring a restaurant with a strong lunchtime clientele.

JFC carefully interviewed Mr. A about his wishes regarding the transfer of his business and supported his extensive search for a successor by using private matching sites. With support from JFC, Mr. A signed a transfer agreement with Company B in April 2021 after interviewing senior management and negotiating with several candidate transferees.



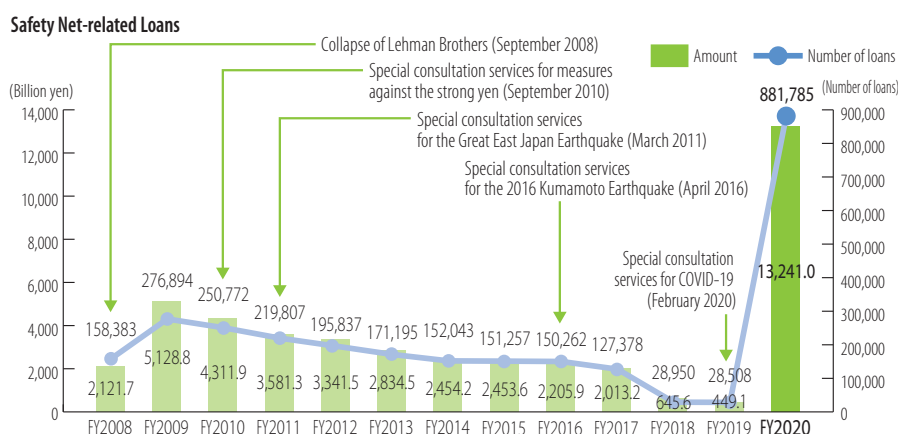
Mr. A and Company B signing the agreement

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

Safety Net-related Loans

In FY2020, financing related to Safety Net Loans ^(Note) 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 **881,785 loans (3,093% compared to the previous fiscal year) for 13,241.0 billion yen (2,948% compared to the previous fiscal year).**

Note: The loans related to Safety Net Loans include COVID-19 Special Loan Program, 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.



Provision of Policy-based Financing (Supporting Strategic Fields of Growth, etc.)

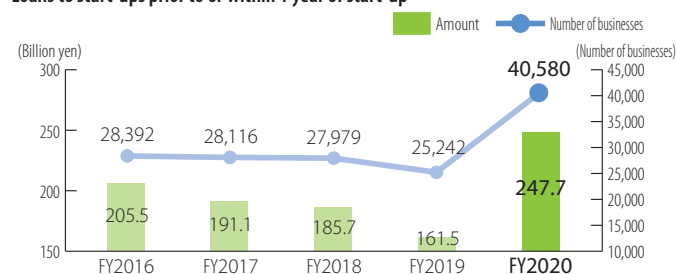
Support for Start-ups and New Business

(i) Loans to start-ups

The FY2020 loans to start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) came to **40,580 businesses (161% compared to the previous fiscal year), 247.7 billion yen (153% compared to the previous fiscal year).**

The loans to women entrepreneurs came to: **8,727 businesses (158% compared to the previous fiscal year)**; to senior entrepreneurs (aged 55 and older): **4,701 businesses (181% compared to the previous fiscal year)**; and to youth entrepreneurs (aged under 35): **10,986 businesses (158% compared to the previous fiscal year).**

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



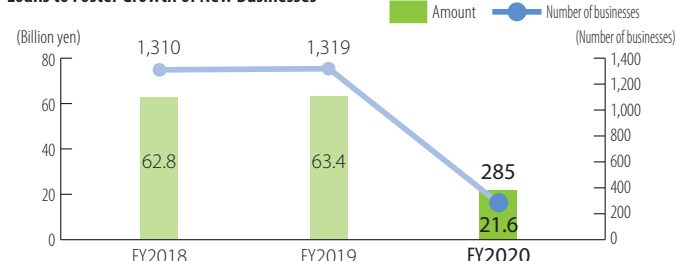
(ii) Loans to Foster Growth of New Businesses ^(Note)

In FY2020, Loans to Foster Growth of New Businesses came to: **285 businesses (22% compared to the previous fiscal year), 21.6 billion yen (34% 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 ^(Note)

In FY2020, Capital Subordinated Loans came to: **49 businesses (24% compared to the previous fiscal year), 4.4 billion yen (23% 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

	FY2018	FY2019	FY2020	Compared to the previous fiscal year
Number of businesses	279	207	49	24%
Amount	16.4 billion yen	18.9 billion yen	4.4 billion yen	23%

Support for Business Revitalization

The Corporate Revitalization Loans in FY2020 came to **654 businesses (10% compared to the previous fiscal year) and 54.3 billion yen (22% compared to the previous fiscal year).**

Results of loans related to support for revitalization

		FY2018	FY2019	FY2020	Compared to the previous fiscal year
Corporate Revitalization Loans	Number of businesses	7,669	6,466	654	10%
	Amount	221.5 billion yen	246.9 billion yen	54.3 billion yen	22%
Capital Subordinated Loans	Number of businesses	548	485	66	14%
	Amount	34.5 billion yen	33.5 billion yen	5.2 billion yen	16%

Results of financial support for revitalization

		FY2018	FY2019	FY2020	Compared to the previous fiscal year
Methods of financing for comprehensive revitalization such as DDS and DES ^(Note)	Number of businesses	165	160	93	58%

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.

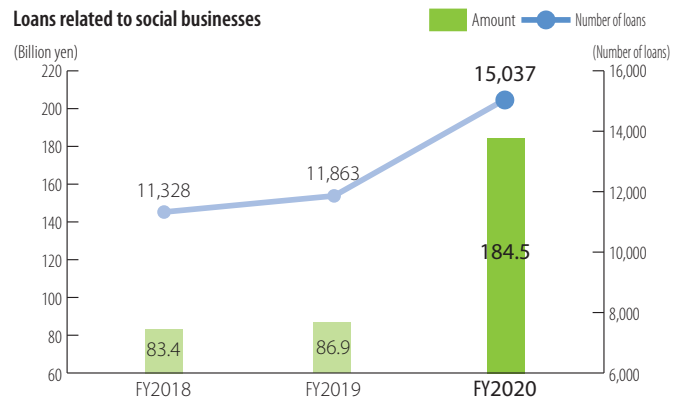
•**Debt waiver:** A financial method where creditors waive a portion of their claims to improve the cash flows and financial status of a reorganized company.

Support for Social Business ^(Note)

In FY2020, loans related to social businesses came to: **15,037 loans (127% compared to the previous fiscal year)**, **184.5 billion yen (212% compared to the previous fiscal year)**, of which **1,803 loans (156% compared to the previous fiscal year)**, **19.6 billion yen (276% 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.

Loans related to social businesses



Breakdown of loans related to social businesses results by recipient

		FY2018	FY2019	FY2020	Compared to the previous fiscal year
Number of loans related to social businesses ^(Note)	Number of loans	11,328	11,863	15,037	127%
	Amount	83.4 billion yen	86.9 billion yen	184.5 billion yen	212%
(i) For NPOs	Number of loans	1,381	1,155	1,803	156%
	Amount	8.7 billion yen	7.1 billion yen	19.6 billion yen	276%
(ii) For nursing care and welfare businesses	Number of loans	8,440	8,095	13,741	170%
	Amount	64.6 billion yen	59.2 billion yen	172.3 billion yen	291%
(iii) For businesses addressing social issues	Number of loans	2,527	3,447	560	16%
	Amount	17.0 billion yen	26.2 billion yen	5.0 billion yen	19%

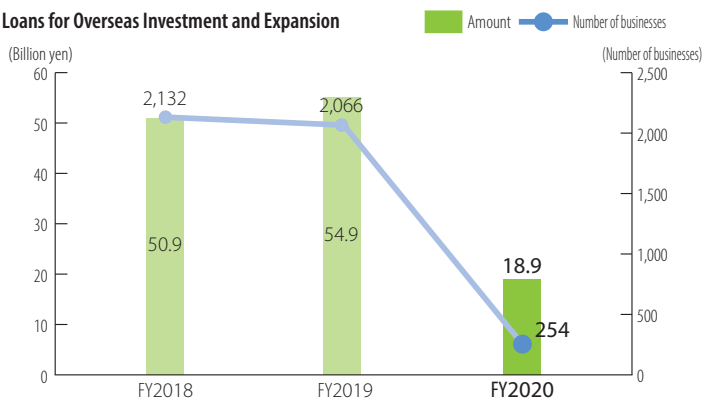
Note: Total for loan performance (excluding duplicate loans to (i), (ii) to (i), (ii), and (iii)).

Support for Overseas Expansion

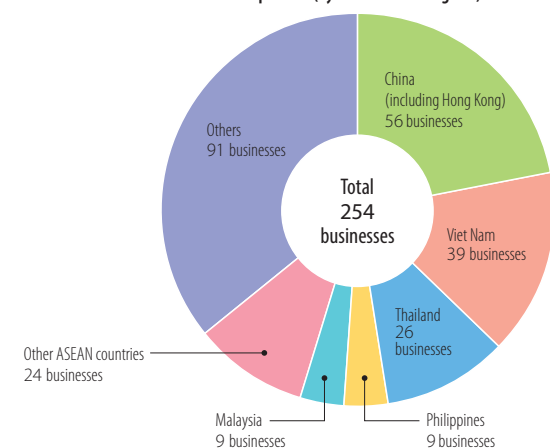
(i) Loans for Overseas Investment and Expansion

In FY2020, Loans for Overseas Investment and Expansion were provided to **254 businesses (12% compared to the previous fiscal year)**, totaling **18.9 billion yen (34% compared to the previous fiscal year)**.

Loans for Overseas Investment and Expansion

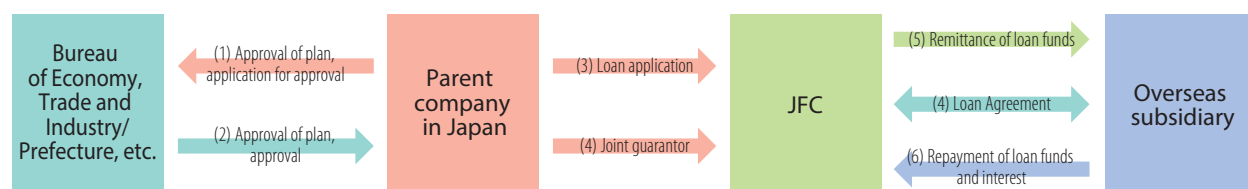


Loans for Overseas Investment and Expansion (by countries and regions)



We began handling the cross-border loans in January 2021. The cross-border loans are a program under which JFC provides direct loans to overseas subsidiaries that work with their domestic parent companies (SMEs and others) to improve management capabilities, implement management innovations, and revitalize local economies in order to adapt to structural changes overseas. The countries and regions where this program can be used are Thailand, Viet Nam, and Hong Kong, and loans were provided to **11 businesses** in FY2020.

Cross-border Loan Schematic Chart



Measures Implemented in FY2020

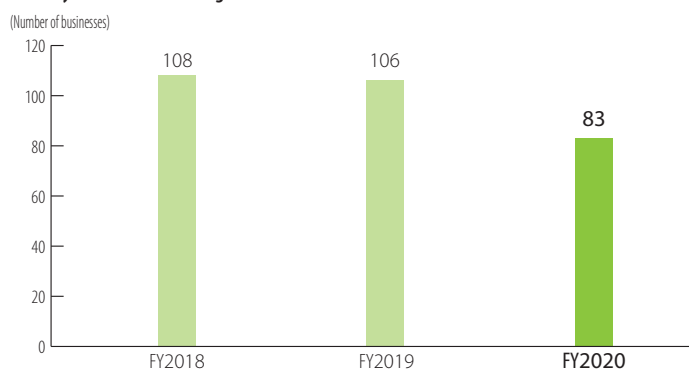
(ii) Standby Letter of Credit Program ^(Note)

As for FY2020, letters of credit were issued to the affiliated financial institutions in Thailand, China, Republic of Korea, Indonesia, Viet Nam, Mexico, Singapore, and Taiwan, being utilized by **83 businesses**. The cumulative usage (until March 31, 2021) of this program since its start in FY2012 has reached **720 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, 2021, we have business partnerships with 60 regional financial institutions in Japan, and letters of credit were issued to a total of **46 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



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

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

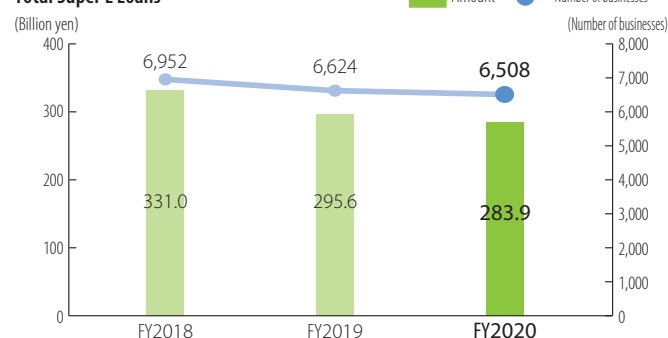
Agricultural Management Framework Reinforcement Loans (name: Super L Loan) in FY2020, came to: **6,508 businesses (98% compared to the previous fiscal year), 283.9 billion yen (96% compared to the previous fiscal year)**.

In FY2020, loans to new agricultural business and new entry farmers came to **2,757 businesses (114% compared to the previous fiscal year), and 72.3 billion yen (115% compared to the previous fiscal year)**.

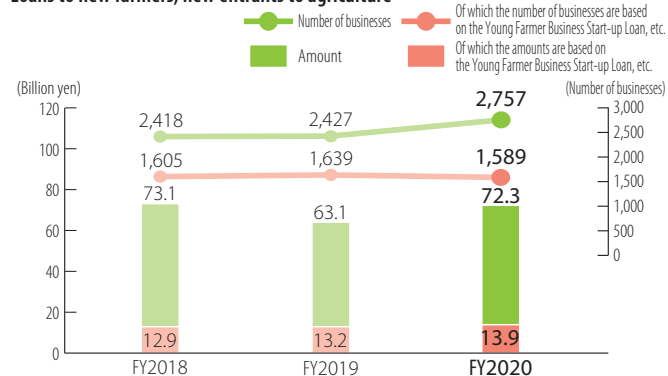
From FY2014, newly started loans to the Young Farmer Business Startup Loan, etc. ^(Note) came to: **1,589 businesses (97% compared to the previous fiscal year), 13.9 billion yen (105% compared to the previous fiscal year)**.

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

Total Super L Loans



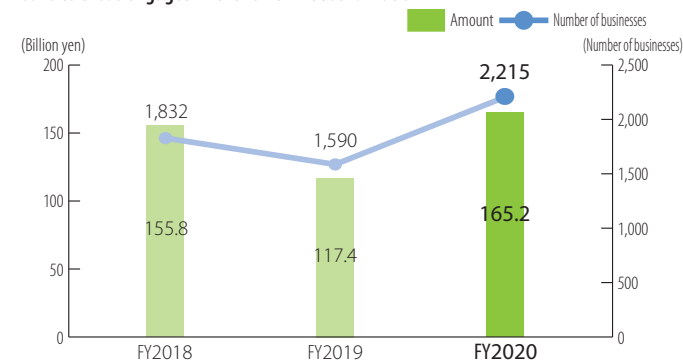
Loans to new farmers, new entrants to agriculture



(ii) Supporting the "Sixth Industrialization" activities

FY2020 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: **2,215 businesses (139% compared to the previous fiscal year), 165.2 billion yen (141% compared to the previous fiscal year)**.

Loans to those engaged in the "Sixth Industrialization"



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

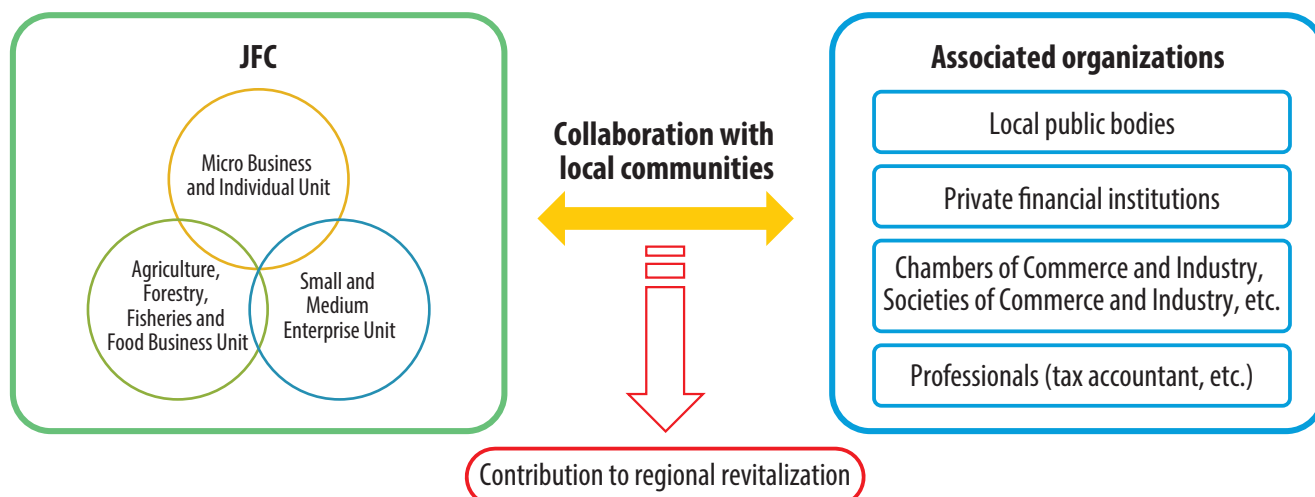
At the end of FY2020, investments came to **18 Limited Partnerships (LPS) (pledged investment amount by JFC: 3.56 billion yen)**, established by private financial institutions based on agricultural corporation investment development businesses ^(Note) and **1 stock company (investment amount by JFC: 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) Reinforcement of collaboration with local government through active participation in regional comprehensive strategies</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 under the national strategy for overcoming population decline and revitalizing local economies and actively contributes to measures for overcoming the COVID-19 pandemic.</p>
<p>(2) Provision of useful services tailored to customer and local needs</p>	<p>In order to deal with various needs of customers, JFC provide hands-on matching support for customers engaged in market and product development and conducts business discussion meetings and seminars by using its nationwide network of 152 branches.</p>
<p>(3) Performance of the role of connecting relevant organizations</p>	<p>JFC adopts an overall perspective of a region, strengthens cooperation with relevant organizations and works to resolve issues that the region and customers affected by the COVID-19 pandemic are facing.</p>

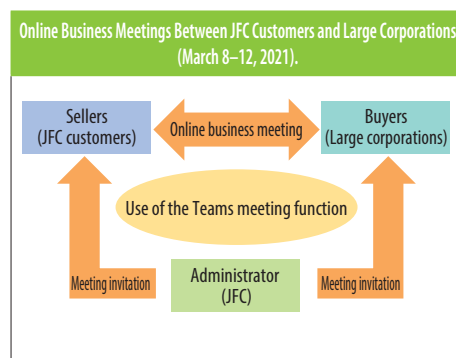


Reinforcement of Collaboration with Local Government through Active Participation in Regional Comprehensive Strategies

- JFC is attentively responding to regional challenges, taking into consideration local circumstances and needs, at 152 branches nationwide.
- In FY2020, we contacted **420** local governments to explain our approach to the COVID-19 pandemic while taking into account the circumstances of the pandemic. In addition, we cooperated in the formulation and implementation of phase 2 regional comprehensive strategies and worked to strengthen cooperation with local governments by participating in individual measures in various fields such as support for start-ups and venture businesses and promotion of industry.

Provision of Useful Services Tailored to Customer and Local Needs

- In FY2020, we held matching events and business meetings in regions throughout Japan according to the circumstances of each region while keeping in mind customer responses to the COVID-19 pandemic.
- The Agri-Food EXPO and National Business Discussion Meeting were held online in consideration of the status of the COVID-19 pandemic, and branches throughout Japan provided support to solve customer problems by holding business meetings and seminars tailored to local conditions and taking other actions.
- 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)

Measures Implemented in FY2020

Performance of the Role of Connecting Relevant 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 relevant organizations and other programs in various regions.
- As a policy-based finance institution, we play a role in “connecting” relevant organizations in regions and contribute to solving the problems that local customers are facing by holding regional Economic Revitalization Symposiums with local financial institutions, support groups, local companies, and local organizations in various locations around Japan. In FY2019, the symposiums were held in three locations nationwide (Nagoya, Niigata and Sendai), but in FY2020, the symposiums were canceled due to effects from the COVID-19 pandemic. In FY2021, we plan to hold the symposiums using a method that combines online distribution with supporting customers and communities affected by COVID-19 as the theme.



Regional economic revitalization symposium in Nagoya

The 8th High School Student Business Plan Grand Prix

JFC has been conducting the High School Student Business Plan Grand Prix since FY2013 with the aim of nurturing the ability to independently develop one's future through the process of creating a business plan. Many high schools throughout Japan were closed due to the COVID-19 pandemic, and even after schools reopen, it was difficult for high school and technical college students to secure sufficient time to create a business plan, so the 8th High School Student Business Plan Grand Prix event was cancelled.

For the 7th High School Student Business Plan Grand Prix, held in FY2019, a total of 3,808 entries were received from 409 schools. Business Start-up Support Centers nationwide visited 353 schools and gave lectures about how to create a business plan.

The 9th High School Student Business Plan Grand Prix

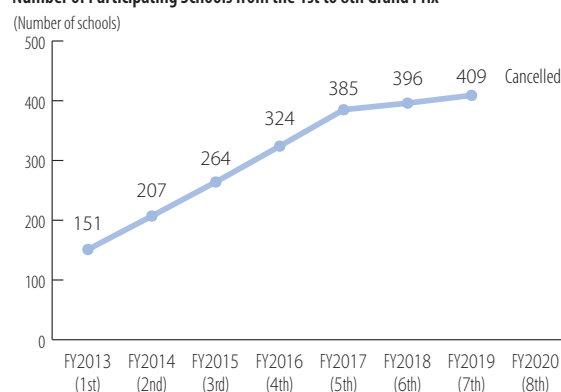
The 9th Grand Prix will be held after taking adequate measures to prevent the spread of infection, taking into account the status of COVID-19.

Application period: July 1 to September 29, 2021 (* If sent by mail, applications must be received by September 22)

Announcement of ten finalist groups: Late November 2021

Final competition and award ceremony: January 9, 2022

Number of Participating Schools from the 1st to 8th Grand Prix



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)



Provision of Information through the PR Magazine “Connect JFC”

JFC is engaged in the provision of information through the PR magazine “Connect JFC,” which aims to make the function, roles, and initiatives of JFC better known and create connections among those involved in policy and operations. In “Connect JFC,” we introduce not only the efforts of JFC, but also those of regional corporations.



Please visit the JFC website for more information.

https://www.jfc.go.jp/n/findings/tsunagu_index.html

(Available only in Japanese)



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.

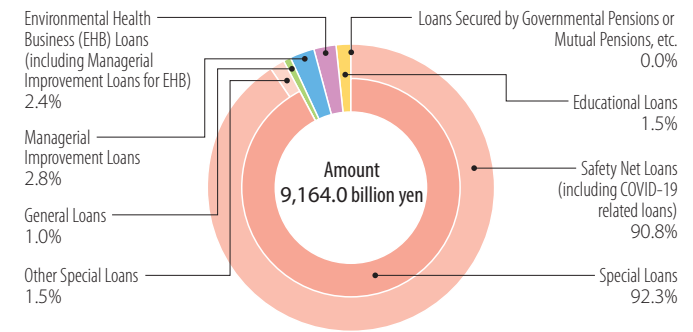
The Micro Unit acts as a community-based financial institution. It provides business loans to micro/small businesses, as well as educational loans to individuals who are in need of funds for school entrance fees and other educational expenses.

Business loans were provided to 1.17 million businesses as of March 31, 2021. Most of the loans are for small amounts, with an average loan balance per business of 10.08 million yen, which were mainly unsecured loans. Approximately 80% 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. To perform our safety net functions, we provided support to businesses affected by the COVID-19 pandemic, and since January 29, 2020, when the business consultation desk was established, we have made approximately 750,000 loan decisions worth a total of approximately 9 trillion yen through March 31, 2021.

In FY2020, the Micro Unit provided approximately 90,000 educational loans, which are intended to reduce household economic burdens relating to education and provide equal educational opportunities.

In addition to appropriately performing safety net functions, the Micro Unit is actively committed to supporting start-ups, business succession, and social businesses that are principally linked to revitalizing regional economies as well as those who need funds for their children's tuition and other educational expenses.

Breakdown of Loans (FY2020)



Number of business borrowers and average loan balance per business (as of March 31, 2021)

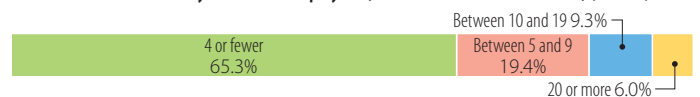
	Micro Business and Individual Unit	Total for Shinkin banks (254 credit associations)	Total for domestic banks (132 banks)
Number of business borrowers (million)	1.17	1.22	2.21
Average loan balance per business (million yen)	10.08	43.00	100.80

Notes: 1. Figures for Micro Unit are the total of General Loans and Environmental Health Business Loans (including agency 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) (FY2020)



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

Agriculture, Forestry, Fisheries and Food Business Unit

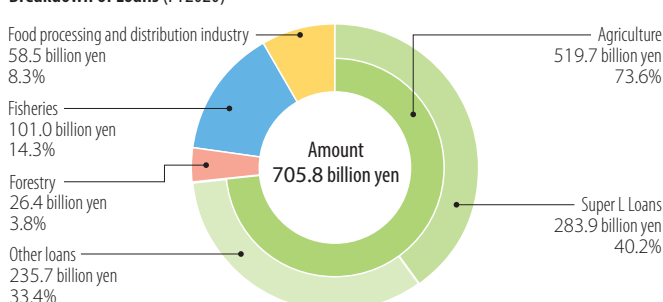
Supporting business development in the agricultural, forestry, fisheries, and food sectors that ensure Japan's food supply.

The Agriculture, Forestry, Fisheries and Food Business Unit (AFFB 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.

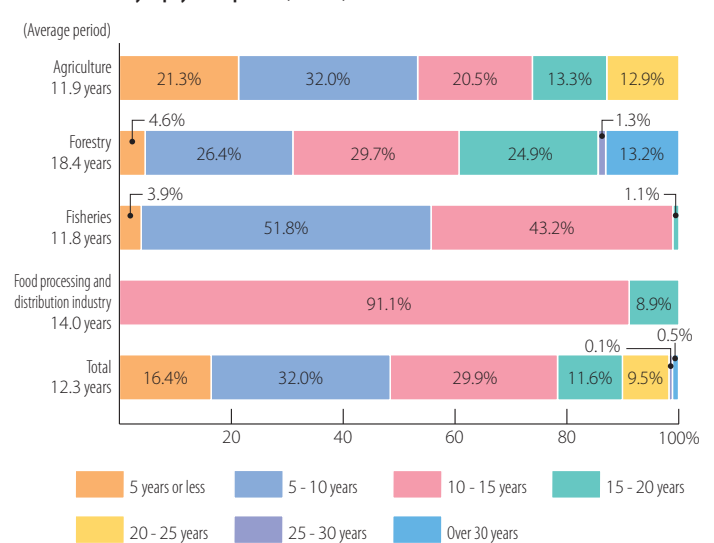
The AFFB Unit provides long-term financing that contributes to ensuring stable food supplies and the sustainable and sound development of the agricultural, forestry and fisheries sectors, taking into account the fact that these sectors have unique business characteristics such as long investment recovery 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

Breakdown of Loans (FY2020)



Status of loans by repayment period (FY2020)



Note: Aggregated by loan amount

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.

Outstanding loans by type of industry (loan programs) (End of FY2020)



Breakdown of loans by lending period (share in terms of value) (FY2020)



Note: Data are for fixed interest rate loans only.

Businesses that have utilized JFC funds are flourishing in many fields

A total of 703 businesses ^(Note) 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 534 ^(Note), accounting for roughly 20% of the total number of businesses that went.

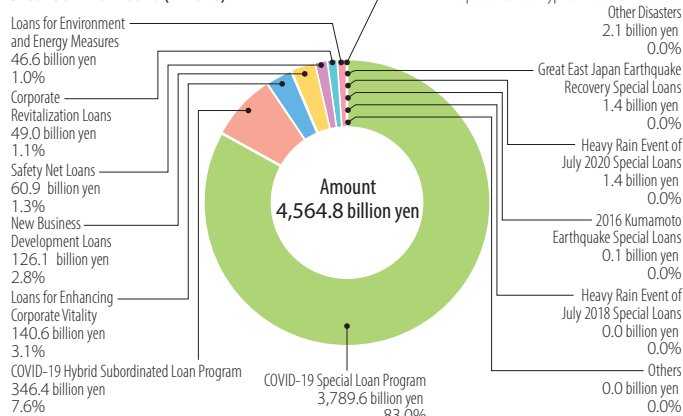
Note: The number of publicly listed businesses is as of March 31, 2021 (excluding delisted businesses and businesses that have dissolved due to merger, etc.).

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 1.55 million SMEs and micro/small businesses, accounting for 43% of all SMEs in Japan, through the Credit Guarantee System (as of March 31, 2021). It is designed so that these two systems together facilitate the smooth supply of business funds for SMEs and micro/small businesses.

Breakdown of Loans (FY2020)

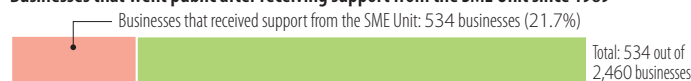


Note: Loans include corporate bonds, but excluding loans to Small and Medium Business Investment & Consultation Co., Ltd. Also, performance for respective loans is calculated while disregarding amounts of under 100 million yen.

Businesses that went public after receiving support from the SME Unit

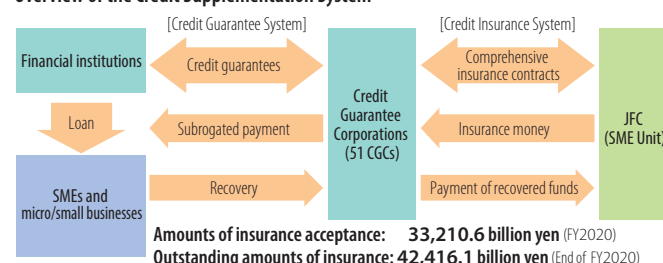


Businesses that went public after receiving support from the SME Unit since 1989



Note: JFC SME Unit. The number of publicly held businesses is as of March 31, 2021. Businesses in agriculture, forestry, fisheries, finance, and insurance, as well as foreign-owned corporations are excluded.

Overview of the Credit Supplementation System



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

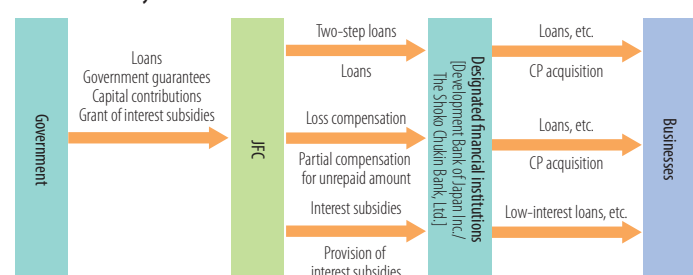
Operations to Facilitate Crisis Responses

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



Results of operations to facilitate crisis responses

	FY2018	FY2019	FY2020
Two-step loans	—	35.0 billion yen	3,549.4 billion yen
Loss compensation	1.0 billion yen	0.8 billion yen	2,364.5 billion yen
Interest subsidies	4.9 billion yen	2.7 billion yen	4.6 billion yen

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 2021, with loss compensation underwritten by JFC for losses incurred until May 10, 2021.

About Organizational Management

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^(Note), 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.

- **Create a workplace where diverse human resources can fulfill their potential**

In light of the environmental changes that occurred during the COVID-19 pandemic, JFC encourages new working styles that take advantage of digital technologies, such as teleworking, and seeks to create workplaces where diverse human resources can demonstrate their full capabilities with reassurance.

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.



September 2021

Publisher: Public Relations Department, Japan Finance Corporation

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