

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

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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

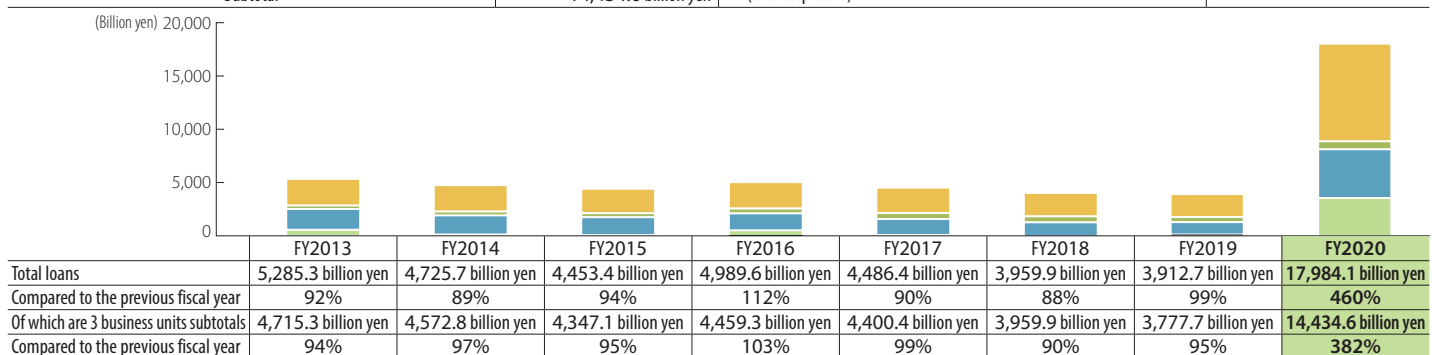
- Support clients affected by the COVID-19 crisis
- Respond carefully to the needs for safety net services, provide a stable supply of funds, and collaborate with private financial institutions
- Supply funds with priority given to Strategic Fields of Growth, etc.
- Contribution to local and regional 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		

