



Guide to Japan Finance Corporation

**2022**

# 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.

## Responses to the Spread of COVID-19

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 services in January 2020, we have made decisions for approximately 1.06 million COVID-19 related loans with a value of 18 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 pandemic. As of June 30, 2022, a total of 6,000 loan decisions were made worth a total of 900 billion yen.

Inquiries on financing support related to the COVID-19 pandemic have fallen compared to the peak. However, in addition to the ongoing pandemic, other factors such as rising crude oil and commodity prices, growing international tensions, and more, have led to a situation where the future outlook remains unclear. Still, we are stepping up collaboration with private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and others, working with all supporting organizations to prop up businesses in order to provide them with effective financial support, as well as to bolster and restructure their financial foundations.

## Future Measures

In line with its role as a policy-based financial institutions for emergencies, JFC supports businesses affected by the COVID-19 related crisis, reconstruction from the Great East Japan Earthquake and other earthquakes, typhoons, and other natural disasters, and consistently implements safety net functions in any situation.

Additionally, with a view to the post-COVID-19 world, we continue to focus our efforts on supporting the Strategic Fields of Growth, including support for start-ups and new business, business succession, and new expansion for the agriculture, forestry, and fisheries businesses.

### **(Support for start-ups and new business)**

JFC is actively committed to supporting start-ups and new business and facilitates the launch of start-ups, which are driving force behind innovation. Some of these companies have later been listed on the stock exchange, taking on a leading role in the Japanese economy. Drawing on the experience and knowledge gained through the present time, JFC continues to provide support for start-ups and new business in a wide array of fields.

### **(Support for business succession)**

In Japan, supporting business succession is a critically important issue exacerbated by problems such as the aging of management personnel and the prolonged COVID-19 pandemic. To provide support for business succession in fields critical to local regions, we will enhance our information—collecting abilities and identify key needs—acting as a bridge linking local hopes to the next generation. We will also collaborate with relevant organizations to offer effective consulting including business matching.



**(Support for new expansion by agricultural, forestry, and fisheries businesses)**

In recent years, Japan's agricultural sector has begun to overcome the general public perception that it is small and unprofitable. As the implementation of smart agriculture and its expansion into global markets progress, there is now a real possibility that agriculture will serve as a growth engine for regional economies. With a view to remaking agricultural, forestry, and fisheries business into growth businesses, JFC collaborates with relevant organizations, including private finance institutions, to support the agricultural sector.

**Closing**

To contribute to regional revitalization, JFC 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.

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, including stepping up digitalization.

In addition, through assistance programs for business and by doing our part for the community, we are working to achieve the SDGs and an all-around more sustainable society.

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

July 25, 2022

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TANAKA Kazuho  
Governor & CEO

# Overview of Japan Finance Corporation

## Profile of Japan Finance Corporation (as of March 31, 2022)

- 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: 11,612.7 billion yen  
Reserve fund: 5,394.1 billion yen
- Branch Offices: Branch Offices in Japan: 152  
Overseas representative offices: 2
- Employees: 7,436 (budgetary fixed number for FY2022)

## Management Policy

In order to carry out its Basic Philosophy, JFC promotes digitalization even during any crisis 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, decarbonization, and other environmental and energy measures as well as changes in the business environment caused by promotion of digital transformation (DX) and 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 engaging in activities rooted in local areas including ascertaining conditions in regions that have been affected by changes in the business environment from the pandemic and other factors 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.

### ● 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 promoting 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 (FY2022-2024)

The roles strongly required of JFC as a policy-based financial institution, of which there is renewed awareness as a result of its responses to the COVID-19 pandemic, are to continuously review operations to ensure that they are capable of addressing large-scale crises with the premise that such crises may occur in the future and to demonstrate reliable safety net functions under all circumstances.

JFC collaborates with relevant organizations to support business creation and new businesses including the start-up and other companies that will lead the new society in the post-COVID era, promote exports of agricultural, forestry, fishery and food products, and provide strong support in growth strategy areas such as business succession, which is a management issue for many clients. By supporting SMEs, micro/small businesses, and agriculture, forestry, fisheries and food business operators, which function as the foundations of regional economies, JFC is contributing to regional revitalization.

JFC also promotes further digitalization so that it can provide such policy-based financial services broadly and promptly.

In addition, JFC will contribute to the achievement of the Sustainable Development Goals (SDGs) in order to create a sustainable society by supporting these types of clients and contributing to communities.

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, promotion of digital transformation (DX), and support for customers undertaking business restructuring with an eye toward the post-COVID era 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. 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

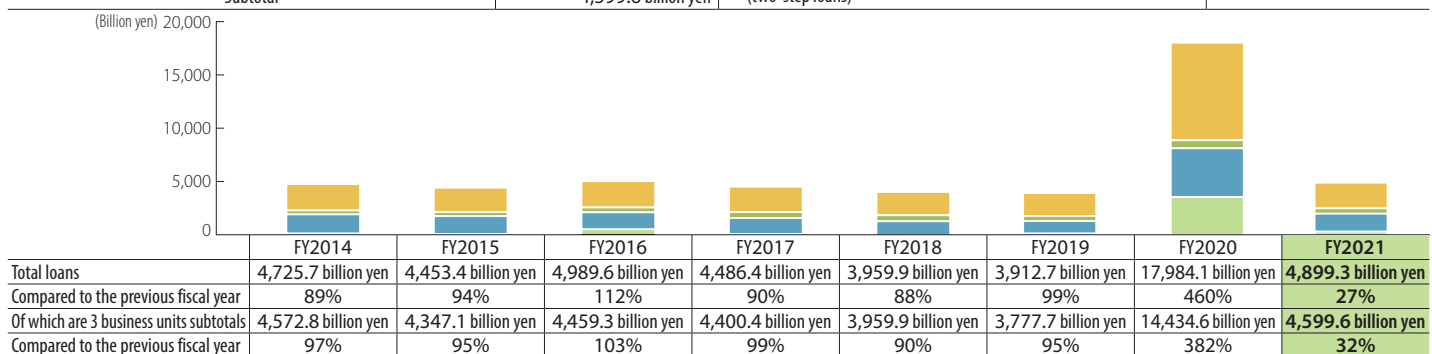
- Respond carefully to the needs for safety net services, provide a stable supply of funds, and collaborate with private financial institutions
- Supply funds with priority given to Strategic Fields of Growth, etc.
- Contribution to local and regional revitalization through collaboration with local communities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

### Organizational Plans

- Promote digitalization
- Enhancing branch office functions
- Conduct efficient and effective operations
- Foster and utilize human resources
- Promote diversity and improve the workplace environment
- Establishment and strengthening of risk management, compliance structures, and risk management framework

## Overall Performance of Loan Program

FY2021 total loans: 4,899.3 billion yen (27% compared to the previous fiscal year)			
Micro Business and Individual Unit	2,411.5 billion yen	Operations to Facilitate Crisis Responses (two-step loans)	291.2 billion yen
Agriculture, Forestry, Fisheries and Food Business Unit	500.7 billion yen	Operations to Facilitate Specific Businesses Promotion, etc. (two-step loans)	8.5 billion yen
Small and Medium Enterprise (SME) Unit (finance)	1,687.3 billion yen		
<b>Subtotal</b>	<b>4,599.6 billion yen</b>		



End of FY2021 outstanding loans: 29,151.5 billion yen (100% compared to the end of previous fiscal year)			
Micro Business and Individual Unit	12,696.2 billion yen	Operations to Facilitate Crisis Responses (two-step loans)	4,359.9 billion yen
Agriculture, Forestry, Fisheries and Food Business Unit	3,551.7 billion yen	Operations to Facilitate Specific Businesses Promotion, etc. (two-step loans)	110.8 billion yen
Small and Medium Enterprise (SME) Unit (finance)	8,432.6 billion yen		
<b>Subtotal</b>	<b>24,680.7 billion yen</b>		

