

2012  
**Japan Finance Corporation**  
Annual Report



# Japan Finance Corporation 2012 Annual Report

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### Presentation of quantities and amounts in this report

#### 1. Quantities and amounts less than one standard unit

Quantities, numbers of items, monetary amounts and other numerical figures presented in this report are, in principle, truncated (rounded down) to the nearest standard unit of presentation (however, for the Japan Bank for International Cooperation, monetary amounts presented for fiscal years ended on or before March 31, 2008, are rounded up or down to the nearest whole unit). Percentages are rounded up or down to the nearest decimal place presented. Consequently, some totals presented differ slightly from the sum of the component figures presented.

#### 2. Method of presentation

In cases where quantities, numbers of items, monetary amounts and other numerical figures are less than one standard unit of presentation, such figures are presented as zero (0). In cases where there is no applicable amount, a hyphen (-) is shown.

# Overview of JFC

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# JFC 2012



### Measures Implemented in FY2011

In FY2011, ended March 31, 2012, Japan Finance Corporation (JFC) strove to fulfill its role of providing a safety net for small and medium-sized enterprises (SMEs) as a policy-based financial institution. JFC helped with recovery and reconstruction following the Great East Japan Earthquake, strengthened customer services, and worked to meet emerging needs in strategic growth sectors.

After the earthquake, JFC helped affected businesses through such means as providing consultation on loans and repayments, establishing special consultation desks to facilitate a quick, effective response, and dispatching staff to locations near customers. JFC held almost 1,500 consultations and briefings in the five prefectures most directly affected and disbursed loans totaling more than 2,700 billion yen nationwide. In addition, under the Great East Japan Earthquake Emergency Recovery Special Provision, JFC has implemented insurance underwriting and Operations to Facilitate Crisis Responses as part of an all-out effort to support the recovery of SMEs.

To bolster customer services, we promoted collaboration throughout our organization, helping units share information and know-how. This led to the execution of loans involving

multiple businesses and improved access to key information. Also in FY2011, JFC took part in 120 projects initiated by regional authorities to revitalize local economies, and we executed some 463 loans combining funding for multiple projects to meet customer needs. To help bring businesses together, JFC held a nationwide business networking convention. These efforts led to some 2,058 business introductions in FY2011, a substantial increase from the previous year.

To support growth of the Japanese economy, particularly in sectors targeted by the government, JFC supported start-ups, overseas expansion by SMEs, and agricultural, forestry, and fishery businesses aiming to integrate their processing and marketing operations. JFC also responded to the Act Concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises by relaxing the repayment conditions for existing loans.

### Organizational Management Initiatives

In FY2011, JFC worked to boost the capabilities of its staff and empower its women employees. Efforts included creating a human resources academy and implementing measures to help more women attain management-level positions.



Streamlining operations and improving efficiency was also a focus. Toward that end, we clarified authority and responsibilities and reformed our organizational structures. As the culmination of these efforts, in FY2012, ending March 31, 2013, we plan to build a new backbone IT system across JFC. This system, due to become operational during or after FY2013, will include an optimized, unified enterprise resource planning (ERP) system that will enhance operational efficiency.

### Results in FY2011

In FY2011, JFC recorded an overall net loss of 295.4 billion yen, an improvement of 591.0 billion yen from the previous term.

In domestic operations (other than credit insurance programs), JFC recorded a net loss of 46.6 billion yen, while operations undertaken by the Japan Bank for International Cooperation (JBIC) posted net income of 52.5 billion yen.

In credit insurance programs, JFC recorded a net loss of 301.3 billion yen, an improvement of 510.6 billion yen from the previous term.

### New JFC Programs and Measures

Under the motto of "Active Action", JFC aims to be a close, dependable partner with an expanding lineup of services and capabilities that meet customer needs.

Reconstruction efforts following the Great East Japan Earthquake have only just begun, and JFC is committed to being a key provider of loans and services. To support growth in strategic sectors of the Japanese economy, we are launching programs to help business start-ups, promote overseas expansion, and support corporate management turnaround.

Start-up support efforts are focused on new businesses that offer potential for revitalizing local economies and creating jobs, particularly domestic businesses with innovative technology or pioneering business models. Each JFC branch has set up a "Start-Up Support Desk" with a dedicated staff member who can provide range of information useful to businesses and help formulate business plans. In addition, our business start-up support centers nationwide hold seminars on a variety of topics, including those aimed at women entrepreneurs.

Our globalization support programs help Japanese companies expand overseas, such as in fast-growing Asian markets. For example, we are launching a "Standby Letter of Credit" program that will facilitate loans in the local currency to a company's overseas subsidiary. JFC offices in Bangkok and Shanghai offer local management support and business network-building assistance. We have also created an International Operations Department and set up an "Over-

seas Expansion Support Desk" at every branch to strengthen our support capabilities.

Our support for the agricultural sector includes such activities as inviting overseas buyers to the Agri-Food EXPO and dispatching staff to Japan External Trade Organization (JETRO) to promote exports.

To support corporate management turnaround, we have expanded our corporate revitalization department and offer management consulting services and plan formulation.

In accordance with the 2011 JBIC Law, on April 1, 2012, JBIC became a joint-stock corporation and a separate entity from JFC. We will continue to serve faithfully as a policy-based financial institution focused on three core domestic business operations, and in these endeavors we ask for the continued support of our stakeholders.

August 2012



Shosaku Yasui  
Governor & CEO  
Japan Finance Corporation

## ➡ Name

Japan Finance Corporation (JFC)

## ➡ Establishment

October 1, 2008

## ➡ Statutory Law

The Japan Finance Corporation Act

## ➡ Head Office

1-9-3, Otemachi, Chiyoda-ku, Tokyo, Japan

## ➡ Governor & CEO

Shosaku Yasui

## ➡ Capital, Other

Capital: 4,366.7 billion yen

Reserve fund: 2,236.2 billion yen

## ➡ Branch Offices and Overseas Representative Offices

Branch offices in Japan: 152

Overseas representative offices: 2 (as of April 1, 2012)

## ➡ Employees

7,461 (budgetary fixed number for FY2012)

## ➡ Outstanding Loans (see Note)

Total of Outstanding Loans: 30,019.5 billion yen

Micro Business and Individual Unit: 7,340.8 billion yen

Agriculture, Forestry, Fisheries and

Food Business Unit: 2,630.6 billion yen

Small and Medium Enterprise (SME) Unit: 6,439.6 billion yen

(Finance Operations)

Japan Bank for International Cooperation (JBIC): 8,192.7 billion yen

(Outstanding Loans and Equity Participations)

Operations to Facilitate Crisis Responses: 5,394.2 billion yen

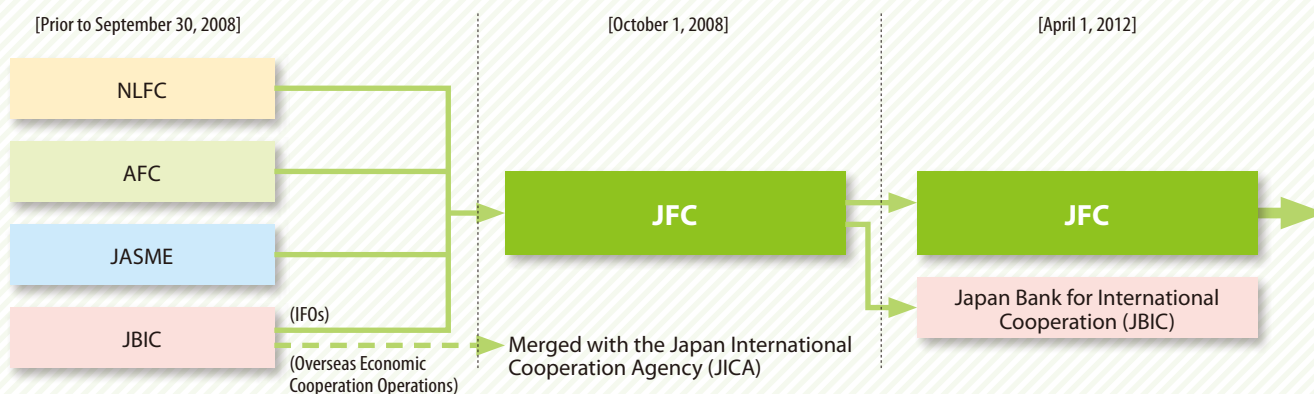
Operations to Facilitate Specific Businesses Promotion, etc.: 21.3 billion yen

Note: Including amounts associated with the Japan Bank for International Cooperation.

## Organizational Transition of JFC

JFC was established in October 2008 with the integration of the National Life Finance Corporation (NLFC), the Agriculture, Forestry and Fisheries Finance Corporation (AFC), the Japan Finance Corporation for Small and Medium Enterprise (JASME) and the International Financial Operations (IFOs) of the Japan Bank for International Cooperation (JBIC). However, the Japan Bank for International Cooperation was separated from JFC in April 2012.

### ▼ Organizational Transition of JFC



## Key Points in JFC's Establishment

### ● Creating a highly public corporation

JFC is a highly public corporation established under a special law stipulating that it is wholly and permanently owned by the government.

The purpose of adopting the structure of a corporation is to utilize the governance framework of a corporation in order to conduct highly transparent and efficient business operations.

### ● Inheriting rights and obligations

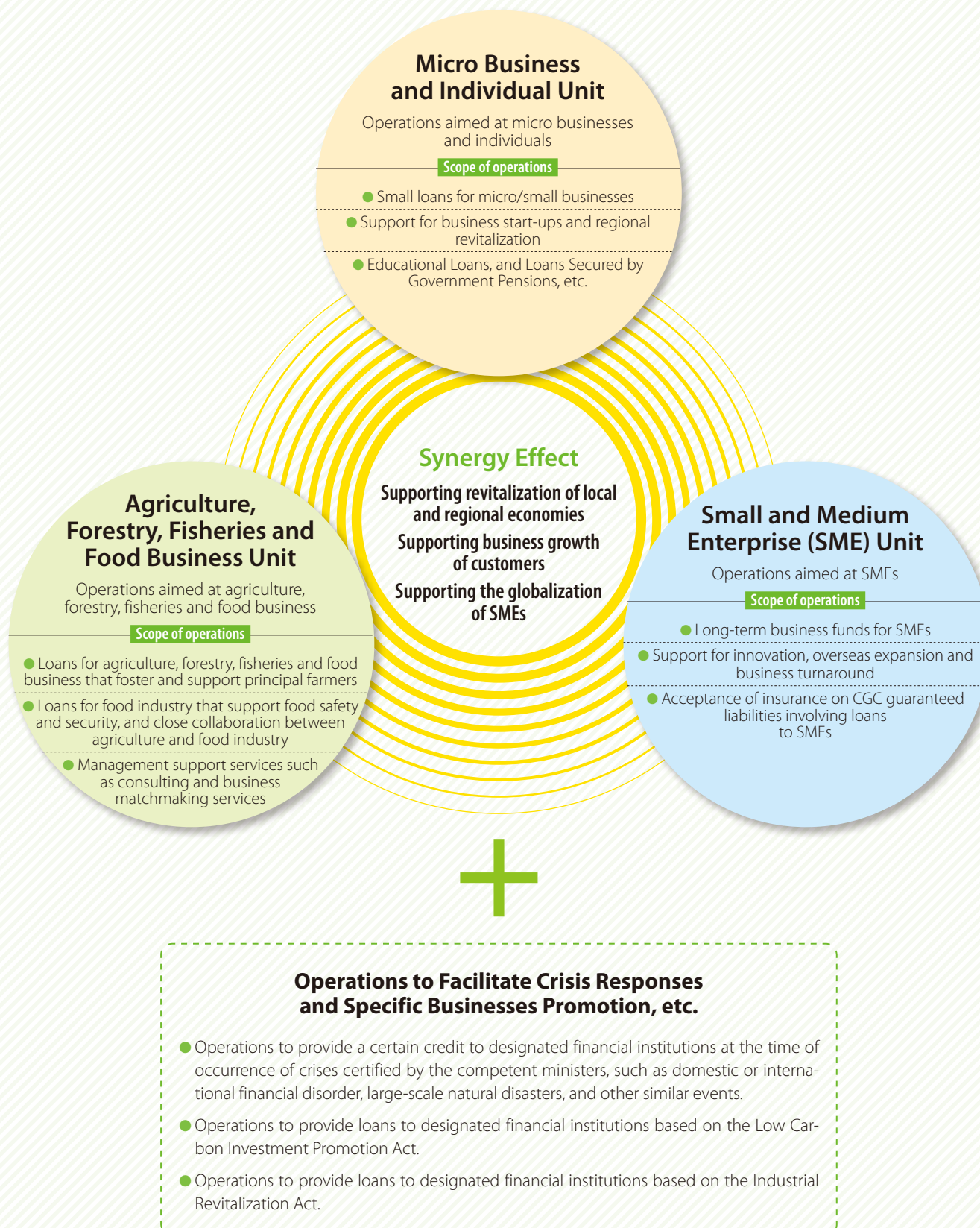
JFC has inherited any and all rights and obligations of the four merged institutions. Funding being utilized from any of the institutions and profits gained by persons holding securities issued by each will be honored.

### ● Offering a broad range of services

JFC leverages the specialized expertise of each institution and shares know-how in order to offer a wide spectrum of services, such as business matching, promoting collaboration among agriculture, commerce, and industry, and supporting the globalization of businesses.

JFC is a policy-based financial institution that aims to complement financial activities carried out by private financial institutions and contributes to the improvement in the living standards of Japanese people.

## Major Business Operations of JFC



## Basic Philosophy

### ● Focused Policy-based Financing

Following the national policy, JFC will 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

JFC will 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.

## Principles Guiding Our Operations

In addition to fully exercising safety net functions and providing assistance for reconstruction from the Great East Japan Earthquake, JFC will continue to actively and efficiently fulfill its role as a policy-based financial institution facilitating funding to the general public, SMEs and agricultural, forestry, and fishery businesses, based on national policies.

Furthermore, in order to steadily fulfill its mission as a policy-based financial institution, JFC will not only provide financing, but will also strive to provide high-quality services unique to policy-driven financing.

In performing their duties, every officer and employee will consider what they should do for the development of the Japanese economy, and will strive as one for the following measures, based on the motto "Active Action."

### Improving customer service

- JFC is committed to being a familiar and reliable organization that responds with compassion from the customer's perspective.
- In addition to enhancing its products, JFC will improve the quality of its services by augmenting its consulting functions and capacity, and it will respond promptly and precisely to the needs of a range of clients requiring policy-based financing.
- JFC will seek to strengthen its financial services, by exercising its collective strengths and by mutually utilizing its funds and information.

### Assistance for reconstruction from the Great East Japan Earthquake

- In addition to supporting the business recovery of customers affected by the Great East Japan Earthquake, JFC will promote such efforts as active participation in reconstruction projects in affected areas.

### Contributing to the development of the Japanese economy

- JFC will contribute to the growth and development of the general public, SMEs and agricultural, forestry, and fishery businesses.
- JFC will cope with damage caused by domestic or international financial disorder or large-scale disasters, etc.
- JFC will respond properly to meet the diverse needs required for policy-based financing in accordance with national policies.
- JFC will actively support the overseas business development of SMEs, etc., in order to capture the growth potential of the world.
- JFC will contribute to regional revitalization, including job retention and creation, by conducting community-based programs and by integrating policy-based financing activities in its respective units.
- JFC will contribute to society by striving to engage in corporate activities that take into account environmental sustainability and by conducting operations that address environmental issues.

### Promoting the Systems Optimization Plan

- JFC will work for the steady and proper promotion of its Systems Optimization Plan with an eye toward enhancing customer service, streamlining and improving the efficiency of its back-office functions, and reducing the costs associated with business development and operations.

### Developing an efficient and rewarding workplace

- JFC will complete its business efficiency improvement process, aimed at operation of its general IT infrastructure and systems which will start in FY2013 as they become optimized, in order to further enhance its organizational strength.
- JFC will make preparations for operation of a common ERP system in FY2013, and will build an efficient business management system which maximizes its use.
- JFC will create a workplace that enables all employees to foster their professional expertise for conducting policy-based financing and to fully utilize their capacities with pride and a sense of mission.
- JFC will further promote career opportunities for women, including the active appointment of female employees to managerial positions and their career development.
- From the perspective of corporate governance, JFC will establish a risk management structure and will instill strong compliance awareness into management and staff.



JFC has formulated the following Business and Management Policy and Plan for the period from FY2012 to FY2014.

## Business and Management Plan

### Goals of Business Operations

#### ■ Support reconstruction from the Great East Japan Earthquake

- Respond with compassion to customers affected by the Great East Japan Earthquake seeking advice on financing and repayments, etc.
  - Respond smoothly, promptly and carefully through special consultation desks for the Great East Japan Earthquake.
  - Provide loans in an appropriate and timely manner through the Great East Japan Earthquake Recovery Special Loan, the Special Interest Rate Program for Equipment Fund, and the Special Earthquake Loan for Agricultural, Forestry and Fishery Business Owners and for Food Business Operators.
  - Respond swiftly and carefully to inquiries about repayments.
  - Endeavor to make prompt and precisely tailored responses through insurance such as the Great East Japan Earthquake Recovery Emergency Guarantee Program.
- Make precisely tailored responses to reconstruction projects implemented in affected areas.
- Appropriately implement operations that facilitate crisis responses to cope with any crises recognized as “cases related to the Great East Japan Earthquake.”

#### ■ Respond carefully to the needs for safety net services and provide a stable supply of funds

- Make precisely tailored responses to the needs of customers for safety net services.
  - Function as a safety net for SMEs, such as those grappling against the effects of a strong yen or Thailand floods and those still struggling with a worsening business environment, as well as for agricultural, forestry and fishery business owners who have suffered the effects of a natural disaster, outbreak of an infectious livestock disease, falling prices of farm produce or some other adversity.
- Provide sufficient funds to customers in a timely and efficient manner.
  - Actively support the funding needs, etc., of customers.
- Support customers struggling to raise funds through the Credit Supplementation System.
- Respond quickly to emergencies and conduct operations to facilitate crisis responses in a prompt and smooth manner.

#### ■ Supply funds with priority given to strategic areas of growth, etc., and exercise the capacity to make policy proposals

- Provide appropriate lending support to strategic areas of growth, etc.
  - Support the overseas expansion of SMEs.
  - Support new projects and new business start-ups, etc.
  - Support corporate revitalization.
  - Provide active support for the revitalization of Japan’s food, agricultural, forestry and fisheries sectors.
  - Support responses to global environmental issues.
  - Contribute to lightening the financial burden of educational expenses on families and to providing equal educational opportunities.
- Exercise the capacity to make policy proposals.
  - Collect the views expressed by customers, and reflect them in policy proposals and measures.

#### ■ Aim to realize a JFC that is reliable and easily accessible for customers

- Reinforce collaboration with private financial institutions and relevant organizations, etc.
- Promote public information activities such as through strengthening information dissemination.
- Promote various measures to improve services with a view to increasing customer satisfaction.

#### ■ Enhance the JFC’s financial services both in funding and information service by exercising its collective strengths

- Strengthen financial services by combining services of its several business units, and provide useful information that meets customer needs.
  - Strongly promote the “demonstration of collective strength” in a way which utilizes the management resources of each business unit.
  - Provide useful information to customers seeking to expand overseas.
- Strengthen consulting functions, such as management consultation and guidance as well as support for developing business improvement plans.
- Demonstrate JFC’s collective strengths by improving the quality of research at the Research Institute, enhancing the capacity to share knowledge with external institutions, and promoting collaboration with JFC units.

#### ■ Develop a strong credit risk management structure

## Organizational Goals

### ■ Promote the optimization of JFC's IT infrastructure and systems as well as its entire Systems Divisions

- Based on the JFC General Systems Optimization Plan (Basic Plan), starting in FY2013, gradually begin full-scale operation of new systems as they become optimized.
- Improve the organizational structure of the integrated IT divisions and strengthen the structure for developing IT specialists. Achieve the smooth and efficient operation of the Systems Division based on having a small, elite team.

### ■ Strive to streamline back-office functions and improve operational efficiency, such as through BPR

- Continue efforts to clarify job authority and responsibilities, reassess the way work is performed and how it can be made more efficient, and increase the transparency and efficiency of decision-making processes, while taking into account examinations of past BPR measures.
- Make efforts aimed at centralizing the personnel and budgeting functions of each business unit.
- Make preparations for operation of a common ERP<sup>(Note 2)</sup> system in April 2013, and build an efficient business management system which maximizes its use.

Note 1: Business Process Reengineering (BPR): a management technique aimed at radical reform and more efficient business processes by fundamentally rethinking an enterprise's business activities

Note 2: Enterprise Resource Planning (ERP): integrated (cross-business) packaged software designed to increase managerial efficiency by integrating the management of an enterprise's overall management resources from a perspective of effective utilization

### ■ Strive to develop human resources

- Take various steps to secure the human resources necessary for an organization that can quickly respond to changes in the operational environment surrounding JFC and reliably meet customer expectations.
  - Enhance the content of each course at the human resources academy and ensure its smooth running in order to strengthen employees' advanced management skills and specialist knowledge.
  - Enhance basic education in order to achieve high-quality services.
  - Conduct training so that employees can learn the specialist knowledge and skills to meet customer needs, and support employees in acquiring qualifications.

### ■ Promote career opportunities for women

- Steadily implement various initiatives designed to create a workplace where female employees can demonstrate their full competence, with an aim of maximizing the capacity of the organization.
  - Nurture female candidates for managerial positions to achieve the numerical target for the percentage of female managers (5% as of April 2018).
  - Promote various measures supporting career development, as well as measures supporting work-life balance.

### ■ Improve the workplace environment

- Promote the practice of a varied work style so that each and every employee can enrich their family life and work life while also fulfilling their roles and responsibilities in each.

### ■ Establish and strengthen risk management and compliance structures

- In order to stop losses from being incurred while meeting what is called for by policy, establish a risk management program and monitor its progress.
- In order to further instill strong compliance awareness among staff, establish a compliance program and monitor its progress.
- Enhance crisis management systems by means of BCP<sup>(Note 3)</sup> drills and training.

Note 3: Business Continuity Plan (BCP): A plan for enabling the continuation or early restoration of core business operations thereby minimizing economic loss in the event of a natural disaster or some other emergency situation.