

JFC Activities

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JFC 2012

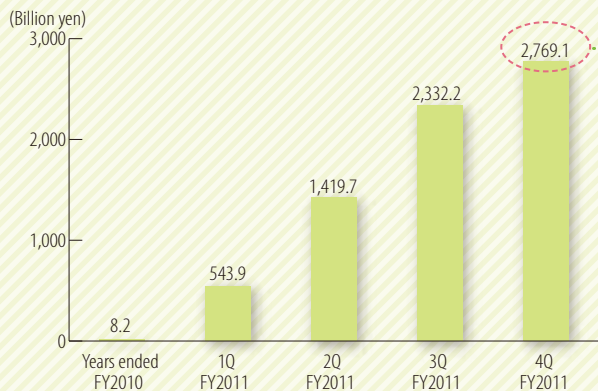
Supporting Recovery and Reconstruction following the Great East Japan Earthquake

JFC has set up special consultation desks at its branches throughout Japan, while implementing various support measures including the Great East Japan Earthquake Recovery Special Loan and Special Earthquake Loan programs, so as to deliver rapid and

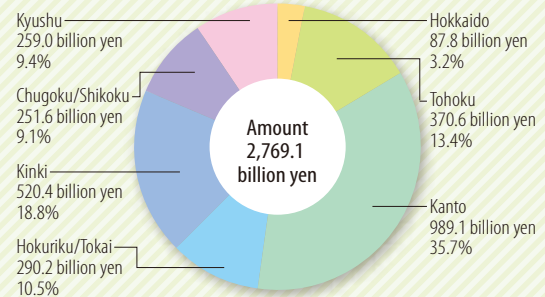
detailed responses to people's needs for consultation relating to financing and repayment.

Cumulative earthquake-related financing (March 11, 2011 to March 31, 2012) amounts to 167,661 cases totaling 2,769.1 billion yen.

▼ Earthquake Related Loans (Cumulative)



▼ Earthquake Related Loans (by Region)



➡ Reinforced Support Structure

- In order to provide rapid and detailed responses to needs for consultation relating to financing and repayment, JFC established the special consultation desk for the earthquake at branches throughout Japan (as of March 11, 2011).

Approx. 261,000 requests for consultation have been accommodated (Note 1).

- Staff members have been dispatched from headquarters and other locations to branches in the five earthquake-stricken prefectures (Note 2).

In total, over 300 staff members have been dispatched (Note 1).

- Local consultation and briefing sessions were conducted in the five earthquake-stricken prefectures.

A total of 1,474 such sessions were held (Note 1).

Notes: 1. Cumulative figure from March 2011 to March 2012.

2. Aomori, Iwate, Miyagi, Fukushima, and Ibaraki.

➡ Educational loans

JFC has expanded the Educational Loans program, implementing a Special Disaster Measure for people who have suffered damage from the earthquake.

➡ Credit insurance

JFC underwrites insurance related to the Great East Japan Earthquake Recovery Emergency Guarantee Program (commenced May 23, 2011), as well as disaster-related guarantee program and safety net guarantee program provided by CGCs throughout Japan when SMEs that suffered damage from the earthquake borrow funds from financial institutions needed to rebuild their business, etc.

➡ Operations to Facilitate Crisis Responses

Development Bank of Japan Inc. and the Shoko Chukin Bank, Ltd. as designated financial institutions have been implementing Crisis Response Operations since Cases related to the Great East Japan Earthquake were designated as crises.

Financing Case Study

Pig farmer: Resumes operations on larger scale after two pigpens completely destroyed

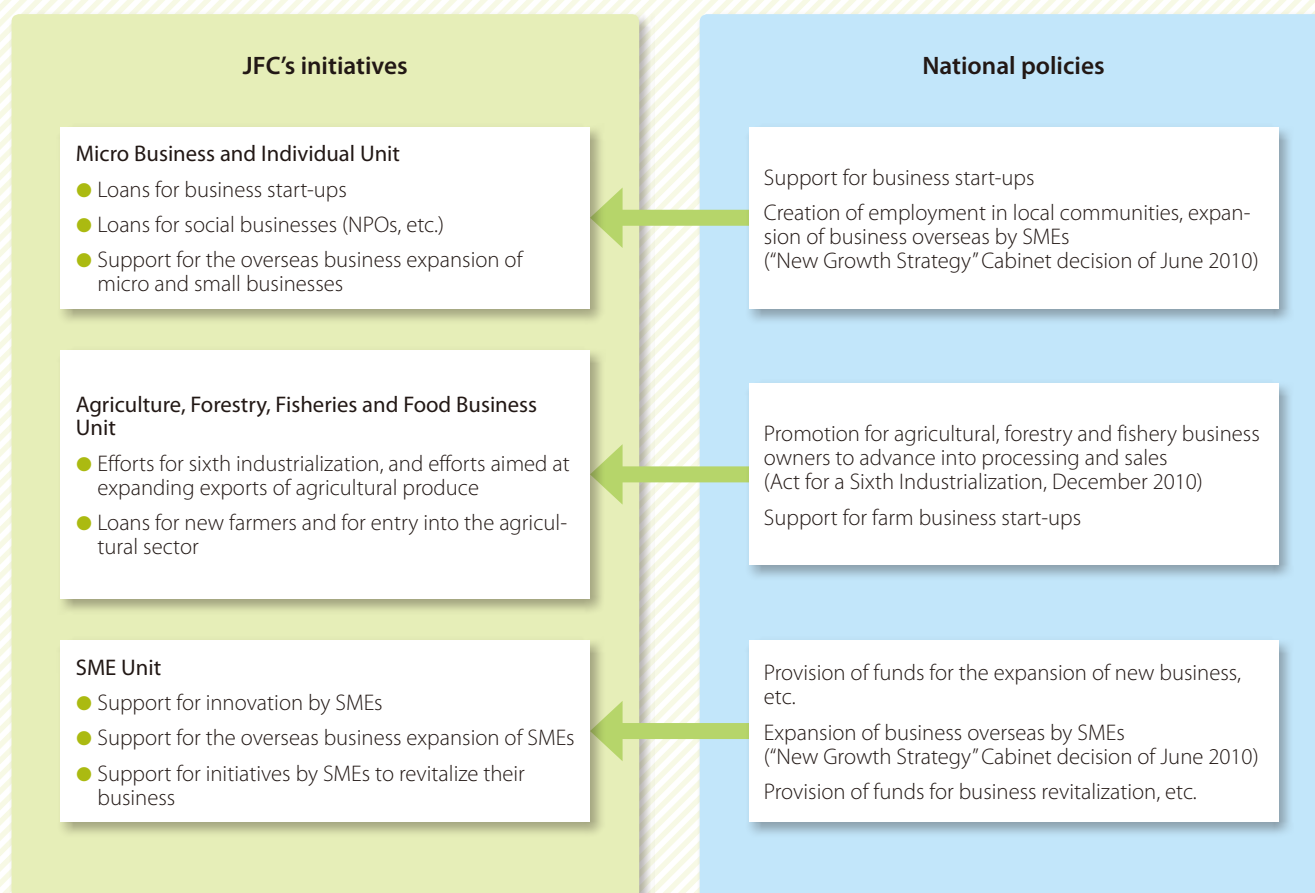
Loan Recipient	Pig farmer with a reputation for high quality, located in the Nishishirakawa district. With an aim of sixth industrialization, also ventured into the processing of hams and sausages using the farmer's own high-quality pork. Business had been performing well, including a gold medal at the SUFFA international meat processing competition in Germany.
Situation following Earthquake	Two pigpens were completely destroyed by the Great East Japan Earthquake. Continuing business was going to be difficult unless the pigpens were rebuilt.
State of Recovery Efforts	The company found itself in its most difficult predicament since being founded. Buoyed by requests from the market and by the strong desire to turn crisis into opportunity, the company decided to rebuild and enlarge its pigpens. The company utilized the JFC's Special Earthquake Loan for equipment funds to finance the construction of the pigpens and for working funds required to expand the scale of the pigpens (for bringing in new sows).



Contributing to the Development of the Japanese Economy

Seeking to contribute to Japanese economic development through measures based on government-led growth strategies, JFC provided assistance for business start-ups linked to regional revitalization and job creation; supported social businesses such as NPOs attempting to resolve social issues; assisted in overseas business development efforts by SMEs and other entities; and supported sixth industrialization by agricultural, forestry, and fishery business operators.

In the context of support for overseas business development in particular, JFC established a representative office in Shanghai so as to be more proactive in terms of local managerial consultation and the provision of information. Separately, in addition to SMEs, JFC also initiated the handling of overseas development financing in its Micro Business and Individual Unit, thus further reinforcing its support framework.

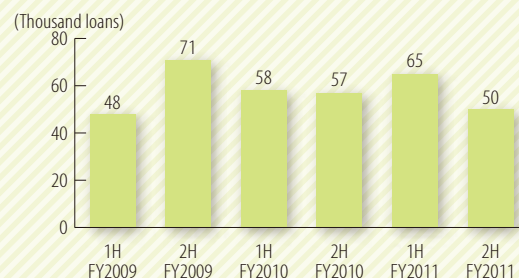


Responding Flexibly with Modified Repayment Conditions

As a policy-based finance institution, JFC responded flexibly to meet the needs of customers that are facing cash flow difficulties and relaxed repayment terms of existing loans, such as by extending repayment periods and reducing installment payment amounts.

In FY2011, JFC modified approximately 115,000 loans to reflect the intent of the SME Financing Facilitation Act.

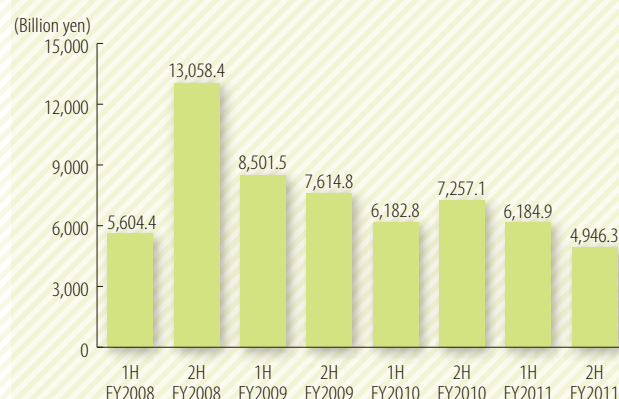
▼ Loan Modifications



Underpinning Credit Guarantees by the Credit Insurance System

Credit guarantee corporations throughout Japan have implemented safety net guarantees in light of recent economic and financial conditions, including the high yen. They have also implemented the Great East Japan Earthquake Recovery Emergency Guarantee Program based on the Great East Japan Earthquake Special Financial Assistance and Subsidy Law. JFC contributed to smooth fund-raising by SMEs through the underwriting of insurance. During FY2011, the total amount of insurance underwritten by JFC was 11.1313 trillion yen.

▼ Changes in Insurance Underwriting Figures



Implementing Operations to Facilitate Crisis Responses

At the time of occurrence of crises certified by the competent ministers such as domestic or international financial disorder, large-scale natural disasters and other similar events, JFC implements specified provisions of credit to financial institutions designated by the competent ministers. 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 supplies credit to designated financial institutions to encourage those institutions to smoothly provide funds to businesses.

During FY2011, centered on cases related to the Great East Japan Earthquake, JFC provided two-step loans totaling 1.1534 trillion yen, loss compensation transaction of 1.7398 trillion yen, and interest subsidies of 2.4 billion yen.

► Loans (two-step loans)

JFC lends fiscal loan funds, etc., to designated financial institutions.

► Partial risk complementation (loss compensation transaction)

JFC collects compensation premiums from designated financial institutions, and makes up for a certain proportion of losses incurred through loans, etc. (including equity participations related to the Industrial Revitalization Act) made by the designated financial institutions.

► Interest subsidies

JFC provides interest subsidies to designated financial institutions for loans, etc., made by those institutions through loans and partial risk complementation by JFC.

In addition to the attentive support given to customers, in order to provide useful information that meets customer needs, every unit at JFC is working together to strengthen services, utilizing each other's expertise and knowledge.

As a new initiative starting in FY2011, JFC has formulated and is actively advancing the Plan for Promoting the Demonstration of Collective Strength for each integrated branch office. Specifically, JFC participated in 120 local projects spearheaded by regional public organizations, etc., as measures for regional revitalization, and of these, it entered the support phase and provided loans to SMEs, etc., in 59 local projects. There were also 463 loans in which several units collaborate to meet the needs of the customers.

Furthermore, JFC matched a total of 2,058 pairs of businesses through collaboration between JFC units. This is a result of providing its services through national business fairs such as the Agri-Food Expo and hosting regional seminars where companies from different industries had an opportunity to meet one another. This figure was a significant increase from the 1,565 matches made in FY2010.

(Numerical results are for FY2011)

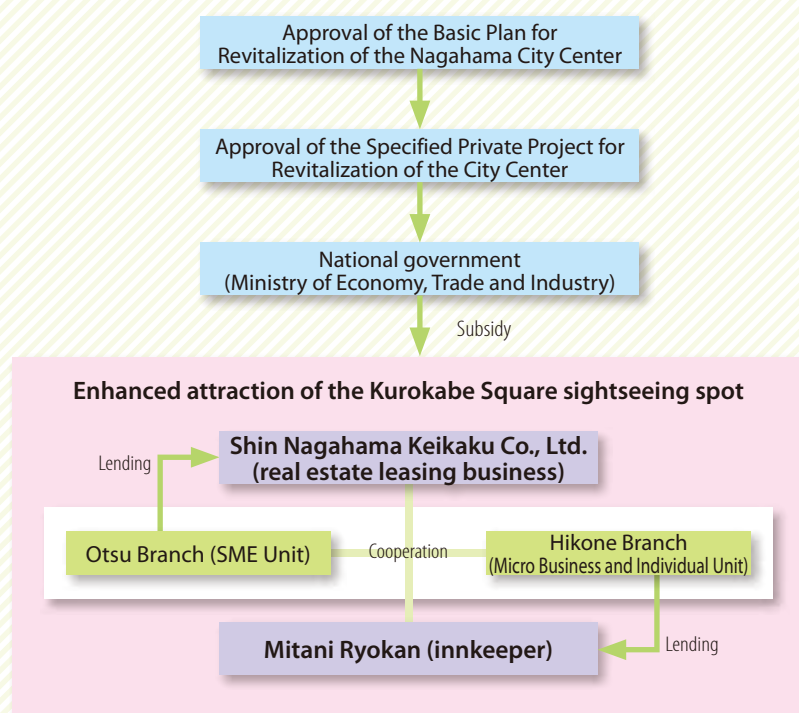
Support for regional revitalization initiatives

JFC cooperates with regional public organizations, etc., to address the issues faced by local communities, such as urban development, revitalization of local industry and the shift of agriculture to the sixth-order industry.

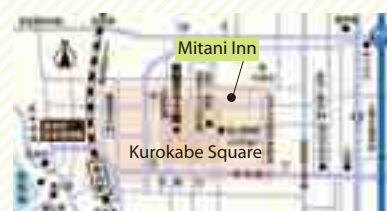
Examples of Support

- Kurokabe Square is a popular sightseeing spot located in the center of Nagahama City in Shiga Prefecture, and is visited by many tourists every year. It is a successful example of urban development which is known all over Japan for being a sightseeing spot with its streetscapes lined with traditional Japanese buildings and its collection of commercial facilities accommodated in these buildings.
- The Otsu Branch and Hikone Branch worked together for the Project for Revitalization of the City Center (Urban Development Plan) in Shiga Prefecture's Nagahama City, with the SME Unit (Otsu Branch) financing an urban development company (real estate leasing business) and the Micro Business and Individual Unit (Hikone Branch) financing a Japanese inn seeking to refurbish their facilities based on the Urban Development Plan.
- With respect to projects spearheaded by local and regional public entities aimed at regional revitalization, JFC exercised its collective strengths in providing support, helping to enhance the attraction of Kurokabe Square.

▼ Scheme of Operations







Kurokabe Square:
A popular sightseeing spot located in Shiga Prefecture. In an old-fashioned castle town along the shore of Lake Biwa, glass ateliers, art galleries and restaurants where visitors can try the local specialty Yaki-saba (grilled mackerel) are scattered throughout.



The central Kurokabe Glass Shop

Network Integration

Business discussions, seminars and other events are held jointly by JFC's individual units. Participants enjoy expanded business opportunities by utilizing JFC's networks.

	Title (venue)	Event date	Event details	Collaboration
Nationwide	The 4th Nationwide business discussion meeting (Yokohama) 	February 27, 2012	The largest business conference in Japan sponsored by a financial institution solely for its SME clients. Attended by 708 companies from a wide variety of industries from all over Japan.	The SME Unit acted as secretariat; customers of the Micro Business and Individual Unit and those of the Agriculture, Forestry, Fisheries and Food Business Unit also attended.
	Agri-Food EXPO The 6th Agri-Food EXPO Tokyo 2011 (Tokyo) 	August 2 and 3, 2011	Exhibit and business fair for domestic agricultural products Products exhibited by 564 companies from all over Japan; attended by 12,327 visitors, with 45,367 business negotiations held.	The Agriculture, Forestry, Fisheries and Food Business Unit acted as secretariat.
	The 5th Agri-Food EXPO Osaka 2012 (held in the city of Osaka) 	February 14 and 15, 2012	Products exhibited by 469 companies from all over Japan; attended by 13,473 visitors, with 26,992 business negotiations held.	
Regional	4th Tasting of Agricultural Produce (Tsu Mie Prefecture) 	August 8, 2011	Business fair for agricultural producers to promote the quality of their produce to restaurateurs and food companies by cooking and preparing samples for tasting on location. 48 business negotiations held.	The Tsu Branch acted as secretariat.

Operation of Internet Match-making Sites

Site name	Details
JFC Internet Business Matching https://match.jfc.go.jp/	Service that provides a platform for JFC customers to broaden their business chances via the Internet, such as by securing new sales channels or new suppliers of raw materials, etc. (established in June 2012)

Overview of Operations in FY2011

During FY2011, the Japanese economy showed signs of improvement with a focus on domestic demand. Despite being affected by a decline in production activity and a cooling of consumer confidence on account of the Great East Japan Earthquake, the improvements followed on the heels of the elimination of supply constraints and an increase in demand fueled by restoration and reconstruction work. Nevertheless, the level of economic activity remained low, in part due to a slowdown in overseas economies, the ongoing appreciation of the yen and lagging improvements in areas of employment and income.

To deal with requests for advice on financing and repayments from SMEs and micro businesses and from enterprises in the agriculture, forestry and fisheries industries, which had sustained damage or were affected by the Great East Japan Earthquake, JFC made arrangements for dealing with such requests as promptly and carefully as possible, such as by establishing special consultation desks and running mobile consultations. In addition, JFC directed all its efforts to providing support as a policy-based financial institution, such as by assisting reconstruction through

various forms of financing such as the Great East Japan Earthquake Recovery Special Loan, by underwriting insurance through the emergency provision for reconstruction from the Great East Japan Earthquake, and by implementing operations to facilitate crisis responses. Moreover, in view of the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises, JFC continued to actively provide financial support to SMEs by relaxing repayment terms for existing loans.

Furthermore, based on the government's growth strategy, etc., JFC provided support for business start-ups, support for overseas business expansion by SMEs, support for agriculture, forestry and fishery business operators to shift towards the sixth-order industry, and support for securing a stable resource supply and for maintaining and improving the international competitiveness of Japanese businesses. In addition, for the sake of improving customer service, JFC provided loans to SMEs through participation in local projects spearheaded by regional public organizations, etc., as measures for regional revitalization, and it also provided loans in which several units collaborate to meet the needs of the customers.

Outline of Financial Statements for FY2011

1. Profit and Loss

At the closing of FY2011 (ended March 31, 2012), an improvement of 591.0 billion yen was recorded over the previous fiscal year, for a net loss of 295.4 billion yen.

The main factor that contributed to the improvement was a net loss of 301.3 billion yen, a year-on-year decrease of 510.6 billion yen, in the Small and Medium Enterprise (SME) Unit's Account for Credit Insurance Programs due to: reserve for insurance policy liabilities, which had been recorded as provision under expenses on insurance claims and other in the previous fiscal year, being recorded as reversal under insurance premiums and other; a decrease in expenses on insurance claims; and, from the fiscal year under review, the recording of receipts of burden charges under the Responsibility-sharing System.

▼ Profit and Loss Statement (FY2010: from April 1, 2010 to March 31, 2011; FY2011: from April 1, 2011 to March 31, 2012)

(Unit: billion yen)

		Ordinary income		Ordinary expenses		Ordinary profit (losses)		Net income (Net loss)	
		FY ended March 31, 2011	FY ended March 31, 2012	FY ended March 31, 2011	FY ended March 31, 2012	FY ended March 31, 2011	FY ended March 31, 2012	FY ended March 31, 2011	FY ended March 31, 2012
JFC (consolidated)		768.1	857.1	1,643.7	1,147.6	(875.5)	(290.4)	(886.5)	(295.4)
Micro Business and Individual Unit (Account for Micro Business and Individual Operations)		161.9	163.2	210.8	185.0	(48.8)	(21.7)	(54.8)	(21.9)
Agriculture, Forestry, Fisheries, and Food Business Unit (Account for Agriculture, Forestry, Fisheries, and Food Business Operations)		73.3	66.2	72.1	66.1	1.2	0.0	(0.1)	0.0
SME Unit	Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operations)	124.9	123.3	169.6	150.8	(44.6)	(27.4)	(49.7)	(27.4)
	Account for Securitization Support Programs (Purchase-type Operations)	0.4	0.5	0.2	0.0	0.1	0.5	0.6	0.5
	Account for Credit Insurance Programs	151.3	256.8	964.4	558.1	(813.1)	(301.3)	(812.0)	(301.3)
Japan Bank for International Cooperation	Account for JBIC Operations	197.2	201.6	147.5	144.5	49.6	57.1	58.7	52.5
	Financial Account Related to the Financial Operations for Facilitating Realignment of U.S. Forces in Japan	0.4	0.2	0.1	0.2	0.2	0.0	0.2	0.0
Operations to Facilitate Crisis Responses (Account for Operations to Facilitate Crisis Responses)		58.7	57.2	88.2	54.9	(29.4)	2.3	(29.4)	2.3
Operations to Facilitate Specific Businesses Promotion, etc. (Account for Operations to Facilitate Specific Businesses Promotion, etc.) (Note)		0.0	0.2	0.0	0.2	(0.0)	(0.0)	(0.0)	(0.0)

Note: The period ended March 2011 started from August 16, 2010, and ended March 31, 2011.

2. Assets

Total assets were 38,250.6 billion yen, the majority of which were loans and bills discounted.

Loans and bills discounted increased 411.5 billion yen from March 31, 2011, to 29,420.8 billion yen.

Total net assets stood at 6,142.7 billion yen, due in part to an increase in capital stock and capital surplus of 1,243.0 billion yen by reason of capital investments received, etc., and to having recorded a net loss of 295.4 billion yen.

▼ Balance Sheet (as of March 31, 2012)

(Unit: billion yen)

Assets			Liabilities and net assets		
Item	Amount		Item	Amount	
	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Cash and deposits	3,354.4	4,553.4	Borrowed money	22,036.9	22,211.6
Receivables under resale agreement	—	615.9	Corporate bonds	5,670.8	5,053.5
Securities	1,153.2	552.0	Trust funds	37.7	37.0
Loans and bills discounted	29,009.2	29,420.8	Reserve for insurance payments	1,810.5	1,727.2
Other assets	1,059.1	999.4	Other liabilities	125.8	424.7
Property, plant and equipment	254.0	247.9	Provision for bonuses	5.1	5.0
Intangible assets	13.7	11.3	Provision for directors' bonuses	0.0	0.0
Customers' guaranteed liabilities	2,446.9	2,381.0	Provision for retirement benefits	206.4	208.2
Allowance for loan losses	(501.0)	(531.4)	Provision for directors' retirement benefits	0.1	0.1
			Provision for loss compensation	59.7	59.0
			Guaranteed liabilities	2,446.9	2,381.0
			Total liabilities	32,400.3	32,107.9
			Capital stock	3,352.5	4,366.7
			Capital surplus	2,007.3	2,236.2
			Retained earnings	(1,126.4)	(639.4)
			Valuation and translation adjustments	156.1	179.2
			Total net assets	4,389.5	6,142.7
Total assets	36,789.8	38,250.6	Total liabilities and net assets	36,789.8	38,250.6

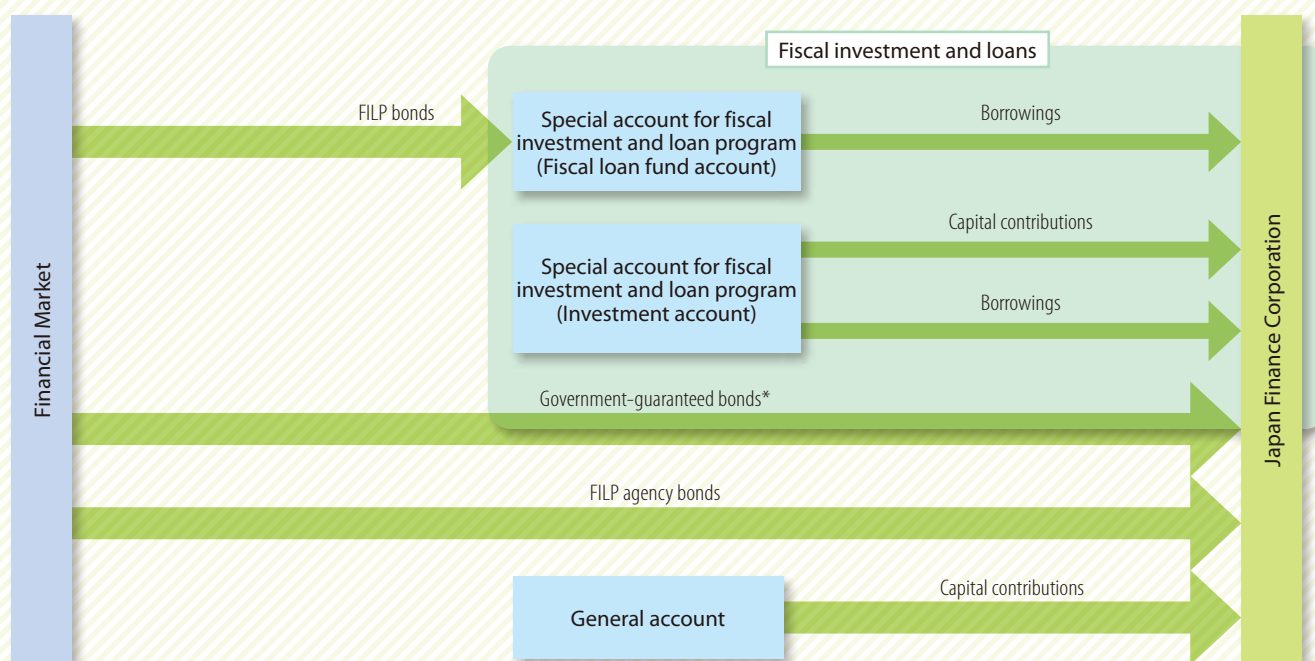
(Unit: billion yen)

	At end of previous fiscal year (March 31, 2011)	At end of current fiscal year (March 31, 2012)	Change
Total assets	36,789.8	38,250.6	1,460.7
Total liabilities	32,400.3	32,107.9	(292.4)
Total net assets	4,389.5	6,142.7	1,753.1

Funding Sources

JFC obtains funds through various sources such as borrowings from the fiscal loan fund, government-guaranteed bonds, FILP agency bonds, and capital contributions from the government.

▼ Funding Sources



* Government-guaranteed bonds with a redemption period of five years or more are included in fiscal investment and loans

▼ Breakdown of Funding Sources

(Unit: billion yen)

	FY2012 budget	FY2011 budget after supplementary budget	FY2011 actual
Borrowings from fiscal loan funds, etc.	5,948.6	8,091.4	3,968.9
Government-guaranteed domestic bonds ^(Note 2)	1,285.0	1,745.0	80.0
Total capital contributions from the government	196.5	1,859.7	1,855.0
Total funding through national programs (percentage of overall funding)	7,430.2 (95%)	11,696.2 (95%)	5,904.0 (96%)
FILP agency bonds ^(Note 2)	375.0	375.0	245.0
Total funding	7,805.2	12,071.2	6,149.0

Notes: 1. Government-guaranteed bonds are shown at face value.

2. JBIC, which was separated from JFC on April 1, 2012, has been excluded from the figures for FY2011 budget (after supplementary budget) and FY2011 actual.

➡ FILP Agency Bonds

JFC has issued general mortgage bonds pursuant to the Financial Instruments and Exchange Act.

(as of June 30, 2012)

(Unit: billion yen)

	FY2012 (Budget 375.0)	FY2011 Actual 245.0 (Budget 375.0)				FY2010 Actual 275.0 (Budget 400.0)			FY2009 Actual 116.0 (Budget 130.0)	
Month of issue / Term	May	May	August	October	May	August	October	October	February	
2-year bond	50.0	60.0	50.0	50.0	60.0	50.0	60.0	30.0	30.0	
3-year bond	—	—	—	—	—	—	—	—	16.0	
5-year bond	30.0	(50.0)	60.0	—	40.0	(50.0)	40.0	30.0	(50.0)	
10-year bond	15.0	—	—	—	—	—	—	(20.0)	—	
20-year bond	—	15.0	—	10.0	15.0	—	10.0	10.0	—	

Notes: 1. The figures contained in parentheses () for 5-year and 10-year bonds are those bonds succeeded by JBIC, which was separated from JFC on April 1, 2012.

2. Figures for JBIC have been excluded from the "actual" and "budget" figures from FY2009 to FY2011.

▼ Ratings of JFC (as of June 30, 2011)

Rating and Investment Information (R&I)	AA+ (Stable)
Moody's Japan (Moody's)	Aa3 (Stable)

➔ Government-guaranteed Domestic Bonds

JFC has domestically issued government-guaranteed bonds, according to the progress of operations, and within the limits of the budget.

(Unit: billion yen)

Term \ Fiscal year	FY2012	FY2011		FY2010		FY2009	
	Budget	Budget	Actual	Budget	Actual	Budget	Actual
10 years	40.0	50.0	10.0	615.0	20.0	725.0	50.0
6 years	145.0	135.0	70.0	730.0	180.0	770.0	220.0
4 years	—	260.0	0.0	—	—	1,665.0	145.0
3 years	—	—	—	—	—	2,770.0	50.0
2 years	900.0	1,100.0	0.0	—	—	1,865.0	0.0
Long-term bonds sub-total	1,085.0	1,545.0	80.0	1,345.0	200.0	7,795.0	465.0
Short-term bonds ^(Note)	200.0	200.0	0.0	500.0	0.0	2,000.0	340.0
Total	1,285.0	1,745.0	80.0	1,845.0	200.0	9,795.0	805.0

Note: Budget is the maximum outstanding balance. Actual is the total amount issued.