

**Japan Finance Corporation**  
Annual Report  
**2013**

**JFC**



**JAPAN FINANCE CORPORATION**

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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. 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 2013



## Measures Implemented in FY2012

In fiscal 2012, ended March 31, 2013, Japan Finance Corporation (JFC) strove to fulfill its role of providing a safety net as a policy-based financial institution while demonstrating its comprehensive capabilities. In doing so, JFC focused on supporting reconstruction efforts following the Great East Japan Earthquake, contributing to the development of the Japanese economy, and enhancing customer services.

### *Reconstruction Support following the Great East Japan Earthquake*

As part of efforts to support reconstruction following the Great East Japan Earthquake, JFC responded swiftly and meticulously to inquiries from customers regarding financing and repayments. On a cumulative basis, JFC has made approximately 220,000 loans totaling ¥3,611.2 billion related to earthquake recovery and reconstruction. In the earthquake-affected areas, to facilitate full-fledged reconstruction, while continuing to provide a high volume of recovery-related loans, JFC also responded to needs for business start-up assistance. In addition, JFC worked to provide support through such activities as Credit Insurance Programs and Operations to Facilitate Crisis Responses.

### *Responding to Japan's Economic Development Needs*

Based on the government's growth strategy, JFC implemented measures to support targeted growth areas. JFC reinforced its operational structure in the area of business start-up, including through the establishment of Start-up Support Desks at all JFC branches. In the fiscal year under review, JFC provided support to 19,469 enterprises, an 18% increase compared with the previ-

ous fiscal year and the highest level recorded in a single fiscal year since the onset of the global financial crisis in late 2008. Support provided to women entrepreneurs particularly increased.

JFC has also worked to support social businesses, including those operated by non-profit organizations (NPOs), with loans increasing for five consecutive fiscal years. Loans particularly centered on the nursing care and welfare fields.

In overseas-related business development, JFC collaborated with the Japan External Trade Organization (JETRO) and set up Overseas Expansion Support Desks at all its branches, and commenced the Standby Letter of Credit program to meet needs in the area of local currency denominated fund-raising. JFC provided overseas expansion assistance to 926 companies in the fiscal year under review (an increase of 80% compared with the previous fiscal year), including a large number of micro businesses in the service industry. In addition, JFC provided new-business support to start-ups in the sixth industrialization field (merger/collaboration between the agriculture, forestry and fisheries industries, and secondary and tertiary industries), responded to customers' environment- and energy-related needs, and provided support to farmers who have been certified as core economic units in local communities under the Farmers and Farmland Plan—a blueprint for the future of local farming.

In response to the expiration of the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises, JFC established a specialist business revitalization department and provided management turnaround support, which included assistance in formulating management improvement plans and the provision of capital loans. JFC also responded proactively to needs in the area of financing support by relaxing

the repayment conditions for existing loans. In March 2013, JFC established Management Improvement and Financing Consultation Counters at its branches nationwide, and responded as rapidly and meticulously as possible to customer inquiries regarding loans and repayments.

### Enhancing Customer Services

To respond to diverse management issues, JFC strove to enhance its customer services such as consulting by utilizing its know-how and information resources. Furthermore, by leveraging its comprehensive capabilities, JFC participated in 134 local projects, 116 of which included the provision of loans to meet customer needs. In addition, JFC focused such business matching initiatives as the launch of the JFC Internet Business Matching service and organizing business discussion events, including the Agri-Food EXPO. As a result, JFC provided 3,030 business introductions for customers during the fiscal year under review, a 50% increase compared with the previous fiscal year.

### Organizational Management Initiatives

To build a governance structure that has high levels of transparency, fairness and timely action, JFC used such methods as business process reengineering (BPR) as it continued its reform efforts. In fiscal 2012, following the launch of a unified enterprise resource planning (ERP) system, JFC promoted BPR to achieve rationalization and improve operational efficiency. This included the reduction of administrative operations at branches through the aggregation of routine tasks, and such organizational reforms as the separation of head office planning and control departments.

To rationalize and improve the efficiency of its organization and operations, JFC is working toward the launch of a new backbone IT system across JFC during or after fiscal 2012, and the IT system optimization plan was steadily implemented.

To promote increased opportunities for women in the organization, JFC has set a target for 2018 for the ratio of women managers, and is implementing a program to nurture women candidates for management-level positions. JFC also expanded its special job transfer system, and strengthened the role of the Committee for the Promotion of Career Opportunities for Women at branches and other offices.

To cultivate personnel capable of responding to the expectations of JFC's stakeholders, JFC worked to strengthen its various training programs, including through the new establishment of an IT academy course as one of its human resources academy courses. In addition, to promote better work-life balance among employees, JFC implemented measures to enhance its working environment.

### Results in Fiscal 2012

In FY2012, JFC recorded an overall net loss of 286.2 billion yen, an improvement of 61.7 billion yen from the previous term. In lending and other operations for SMEs, micro businesses, and agricultural, forestry, and fishery businesses (other than credit insurance programs), JFC recorded a net loss of 54.8 billion yen. In credit insurance programs, JFC recorded a net loss of 231.4 billion yen, an improvement of 69.9 billion yen compared with the previous fiscal year, mainly owing to a decrease in expenses on insurance claims.

### Future Initiatives

In March 2013, under a new medium-term Management Policy, formulated in line with JFC's Basic Philosophy, we adopted the motto of "For the Future" as we strove to create a more familiar and reliable organization and a work environment that provides greater satisfaction. Each JFC employee and officer will think about what is necessary to achieve these goals, as we strive to fulfill our roll and mission as a policy-based financial institution.

In fiscal 2013, ending March 31, 2014, we will continue working to provide rapid and detailed responses in such areas as reconstruction following the Great East Japan Earthquake and financing related consultations with customers after the expiration of the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises. Furthermore, in line with the Japanese government's Growth Strategy, JFC will implement proactive measures in six areas to help revitalize Japan.

The first area is support for business start-ups and new businesses. As well as supporting women and young entrepreneurs through the provision of funds and information, JFC will also hold business start-up seminars and organize entrepreneurship contests for high school students to promote future business creation. JFC will also support companies taking on the challenge of new business development.

The second area is revitalization support. In addition to measures to promote SME revitalization, an enterprise support manager will be assigned at each JFC branch, and we will also undertake efforts to support the revitalization of micro businesses.

Thirdly, JFC is committed to helping NPOs in the fields of nursing care and child-rearing support. JFC will strengthen initiatives in conjunction with regional public organizations that provide support to social businesses.

The fourth area is overseas business development support. We will expand the countries eligible for our Standby Letter of Credit program, and assist the export of agricultural, forestry and fisheries products and foodstuffs. We will provide funding and information support for SMEs, micro businesses and agricultural, forestry, and fishery businesses aiming to expand overseas.

The fifth area is sixth industrialization support. In collaboration with the Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan (A-FIVE-J), JFC will support the realization of management that generates a high level of value-added by agriculture, forestry and fisheries businesses.

The sixth area is business matching support. We will hold business discussion meetings and seminars that meet the needs of local communities and customers, and work to promote the use of our Internet business matching service as part of our efforts to enhance customer services.

We will continue to efficiently and proactively fulfill our role as a policy-based financial institution, and in these endeavors we ask for the continued support of our stakeholders.

July 2013



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

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

## ➔ Governor & CEO

Shosaku Yasui

## ➔ Capital, Other

Capital: 3,455.0 billion yen

Reserve fund: 2,178.4 billion yen

## ➔ Branch Offices and Overseas Representative Offices

Branch offices in Japan: 152

Overseas representative offices: 2

## ➔ Employees

7,361 (budgetary fixed number for FY2013)

## ➔ Outstanding Loans

Total of Outstanding Loans:	21,750.5 billion yen
Micro Business and Individual Unit:	7,248.2 billion yen
Agriculture, Forestry, Fisheries and Food Business Unit:	2,626.8 billion yen
Small and Medium Enterprise (SME) Unit:	6,459.2 billion yen (Finance Operations)
Operations to Facilitate Crisis Responses:	5,362.0 billion yen
Operations to Facilitate Specific Businesses Promotion, etc.:	54.1 billion yen

## Organizational Transition of JFC

Japan Finance Corporation (JFC) is a policy-based financial institution which developed out of the National Life Finance Corporation, the Agriculture, Forestry and Fisheries Finance Corporation and the Japan Finance Corporation for Small and Medium Enterprise.

### Key Points in JFC's Establishment

#### ● Creating a highly public corporation

JFC is a highly public corporation established under a special law stipulating that the national government must always own all shares issued by JFC.

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

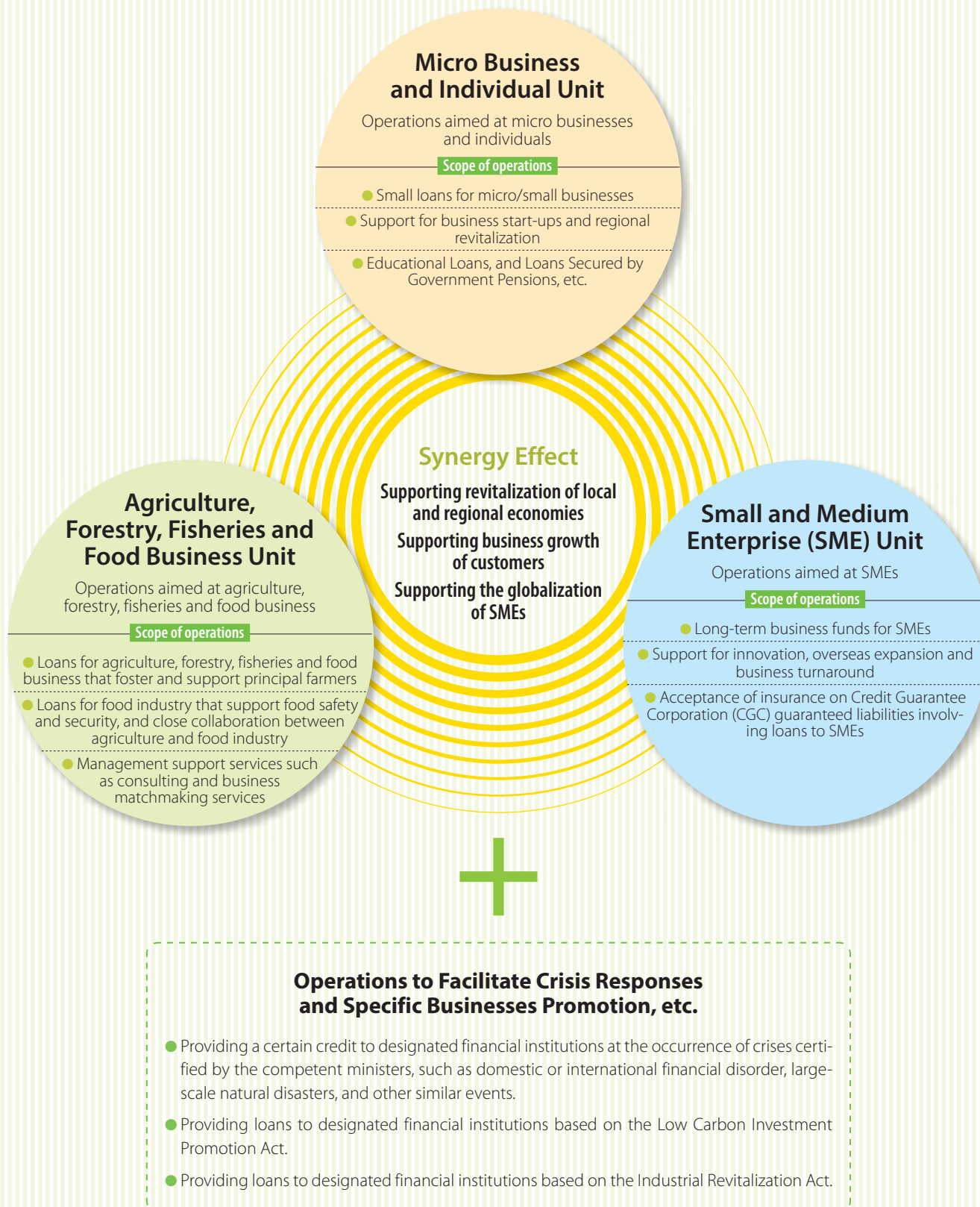
JFC has inherited any and all rights and obligations of the merged institutions. Funding being utilized from any of the institutions and profits gained by persons holding securities issued by each will be honored.

#### ● 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, 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.

## Management Policy

### 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 products, improve the quality of services by augmenting consulting functions and capacity, and it will respond promptly and precisely to the needs of a range of clients requiring policy-based financing.
- Seek to strengthen financial services, by exercising collective strengths and by mutually utilizing funds and information.

### Contributing to the development of the Japanese economy

- Respond properly to meet the diverse needs required for policy-based financing in accordance with national policies.
- Contribute to the growth and development of the general public, SMEs and agricultural, forestry, and fishery businesses.

### Responding to damage caused by domestic or international financial disorder or large-scale disasters, etc.

- Address damage caused by domestic or international financial disorder or large-scale natural disasters, terrorism, infectious disease, or other eventualities.

### Contributing to regional revitalization

- Contribute to regional revitalization, including job retention and creation, by conducting community-based programs and by integrating policy-based financing activities in respective units.

### Promoting low-cost and efficient business operations that show awareness of environment and energy issues

- Contribute to society by promoting corporate activity that shows 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 based on the TCO\* reduction approach.
- Responding to active improvement proposals from staff, work to rationalize administrative operations and realize efficient business operations.

\* TCO: total cost of ownership: total cost of introduction, maintenance, management, etc., of computer systems

### Creating a rewarding workplace

- Boost training to increase the degree of each employee's professional expertise for conducting policy-based financing.
- Create diverse workplaces where staff can fully utilize their capacities with pride and a sense of mission.
- Further promote career opportunities for women, including the active appointment of female employees to managerial positions and by promoting career development for women.

### Engage in enhancement of risk management environment and entrenchment of compliance awareness

- From the perspective of corporate governance, enhance risk management environment and instil strong compliance awareness into management and staff.



JFC has formulated the following Business and Management Policy and Plan for the period from FY2013 to FY2015.

## Business and Management Plan (FY2013–2015)

In addition to doing its utmost to support the reconstruction from the Great East Japan Earthquake, JFC will perform its role actively and efficiently by precisely tailored responses to the needs of customers for safety net services following the expiry of the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises, and by undertaking strategic provision of funds to key growth areas, such as overseas expansion, new businesses, business start-ups, and the sixth industrialization (merger/collaboration between the agriculture, forestry and fisheries industries, and secondary and tertiary industries). Meanwhile, in order to steadily fulfill its mission, JFC will seek to enhance its consulting functions and abilities in order to deliver high-quality services, not restricted to loan provision, that offer the special benefits of policy-based financing.

In the execution of our operations, each member of our management and staff will give thought to how to build an organization which increasingly enjoys the confidence of its customers and contributes to the future of Japan, and how to create a still more rewarding and positive atmosphere at workplace. In this spirit, we will unite under the motto 'For the Future' in efforts toward the following goals.

### Goals of Business Operations

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

- Respond with sincerity to the Earthquake-affected customers 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 and the Special Earthquake Loan for Agricultural, Forestry and Fishery Business Owners and for Food Business Operators.
  - Respond attentively and swiftly to repayment inquiries and issues with overlapping debt.
  - 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 to 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 in response to the expiry of the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises

- Make precisely tailored responses to the needs of customers for safety net services.
  - Provide support to SMEs and small business operators, who are still struggling with a worsening business environment and other issues working for business improvement by responding to their needs. Function as a safety net following the expiry of the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises.
  - Continue to provide support to agriculture, forestry and fishery business owners who are working for business improvement following the expiry of the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises, and additionally provide safety net functions to agriculture, forestry and fishery business owners who have suffered the effects of a natural disaster, infectious livestock diseases, 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 and small business operators.
  - Support new businesses and business start-ups, etc.
  - Support social businesses and the nursing care, welfare, and health sector.
  - Support corporate revitalization.
  - Provide active support for the development of aggressive agricultural, forestry and fisheries sectors.
  - Support responses to global environmental issues.
  - Contribute to 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 relations 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 comprehensive capabilities

- Strengthen financial services by combining services of its several business units, and provide useful information that meets customer needs.
  - Strongly promote the "demonstration of comprehensive capabilities" 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 comprehensive capabilities by improving the quality of research at the Research Institute, strengthening external communication capabilities, 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 IT Sub-Unit

- Based on the JFC General Systems Optimization Plan (Basic Plan) gradually begin full-scale operation of new systems as they become optimized.
- Achieve smooth and efficient information systems from a TCO reduction approach.
- Enhance the organizational structure of the IT Sub-Unit and the system for cultivating specialist human resources to create a smooth and efficient IT Sub-Unit operating under a small elite team.

#### ■ Strive to streamline back-office functions and improve operational efficiency, such as through BPR <sup>(Note 1)</sup>

- 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.
- Responding to active improvement proposals from staff, work to rationalize administrative operations and to realize efficient business operations.
- Make efforts aimed at centralizing the personnel function of each business unit.
- Achieve smooth operation of the common ERP <sup>(Note 2)</sup> system and build an efficient business management system which maximizes its benefits.

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

- Enhance staff training for the realization of high quality customer service and to nurture high-level management capabilities and expertise.
- Strive to strengthen expertise and promote the utilization of human resources.

#### ■ 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).
  - Support career development for women and promote measures to support 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 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 environment by holding regular BCP <sup>(Note 3)</sup> drills.

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.