

JFC Activities

Response to the Earthquake	10
Provision of Policy-based Financing	11
Working towards Improved Customer Service that Reflects Comprehensive Capabilities	12
Overview of Operations in FY2012 and Outline of Financial Statements	14
Funding	16

JFC 2013

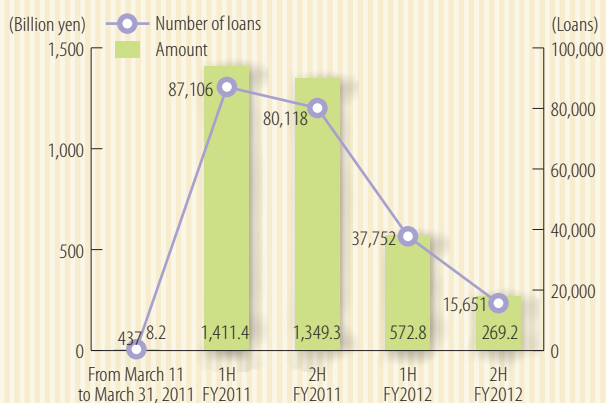
Supporting Reconstruction following the Great East Japan Earthquake

JFC provided various loans such as the Great East Japan Earthquake Recovery Special Loan to the SMEs, small business operators and agricultural, forestry and fisheries operators affected by the Great East Japan Earthquake, responding as quickly and

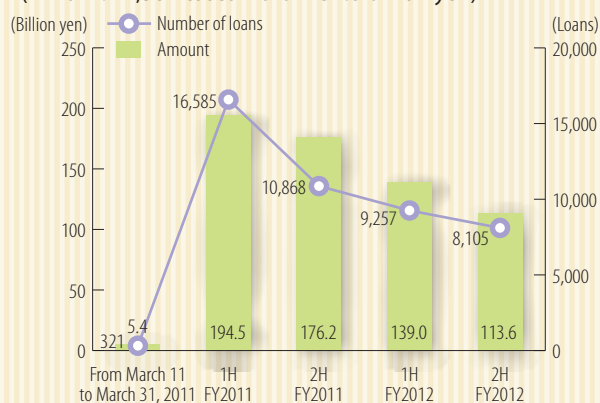
meticulously as possible to requests for financing and repayment from these loan recipients.

Cumulative earthquake-related financing (March 11, 2011 to March 31, 2013) amounts to 221,064 cases totaling 3.6112 trillion yen.

▼ Nationwide Earthquake Related Loans Cumulative: 221,064 cases worth 3,611.2 billion yen (FY2012: 53,403 cases worth 842.1 billion yen)



▼ Earthquake Related Loans for Five Earthquake-stricken Prefectures^(Note) Cumulative: 45,136 cases worth 628.8 billion yen (FY2012: 17,362 cases worth 252.6 billion yen)



Note: The five prefectures are Aomori, Iwate, Miyagi, Fukushima and Ibaraki.

➔ Educational loans

JFC has implemented a Special Disaster Measure for those people currently residing in a designated disaster-stricken area who have received a Disaster Victim Certificate (or a Disaster Certificate, etc., for those who received an evacuation order, etc., due to the nuclear power plant accident).

➔ 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 and small business operators that suffered damage from the earthquake borrow funds from financial institutions needed to rebuild their business, etc.

➔ Operations to Facilitate Crisis Responses

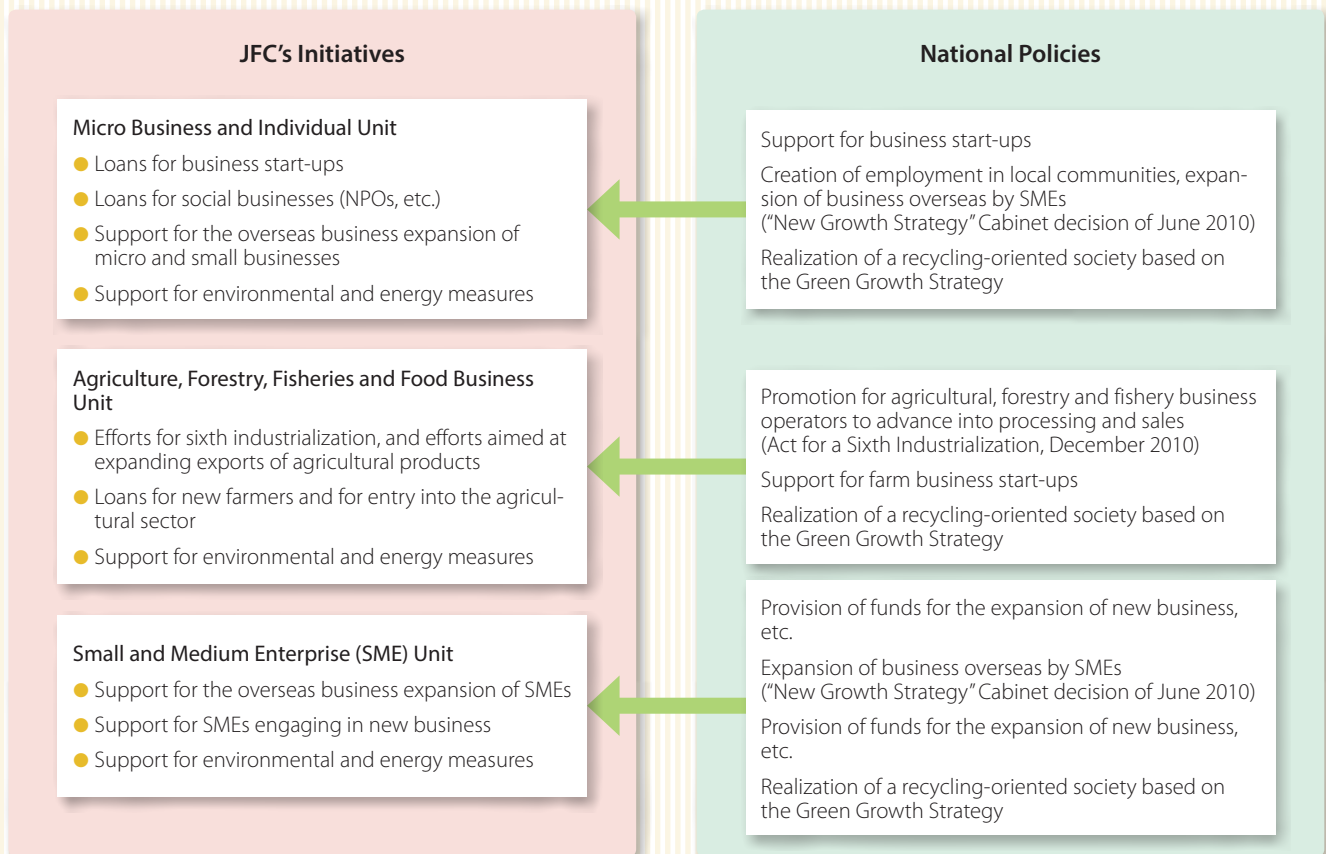
Development Bank of Japan Inc. and The Shoko Chukin Bank, Ltd. as designated financial institutions have been implementing Crisis Response Operations since Cases related to the Great East Japan Earthquake were designated as crises.

Contributing to the Development of the Japanese Economy

Seeking to contribute to Japanese economic development, JFC took the following measures based on government-led growth strategies. JFC assisted business start-ups and provided support for sixth industrialization in agriculture, forestry and fisheries as well as to new businesses such as venture companies. JFC assisted in efforts for overseas business development and supported environmental and energy measures by SMEs and small business operators. JFC also provided support for key management bodies in the Farmers and Farmland Plan.

In particular, in order to provide further support for initiatives undertaken by customers, JFC launched the Standby Letter of Credit program to support overseas business development. JFC also commenced capital loans to support new business and the corporate revitalization of small business operators.

In response to the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises and the impending limitation of this act, JFC established the Corporate Support Department as a unit specializing in business turnaround, and provided support for the formulation of plans for management improvement and support for corporate turnaround utilizing corporate rehabilitation loans and so forth. JFC also actively supported financing assistance for existing loans through the easing of repayment terms. Furthermore, in an effort to respond rapidly and carefully to requests from SMEs and small business operators for advice on financing and repayments, at the end of the fiscal year, JFC also established Management Improvement and Financing Consultation Counters at all branches nationwide.

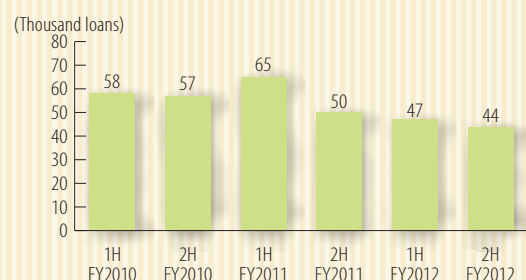


Responding Flexibly with Modified Repayment Conditions

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 (extending repayment periods and reducing installment payment amounts).

In FY2012, JFC modified approximately 92,000 loans to reflect the intent of the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises.

▼ Loan Modifications



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.

During FY2012, following on from the previous year, JFC formulated and actively advanced the Plan for Promoting the Demonstration of Comprehensive Capabilities for each integrated branch office, for the purpose of improving customer services. Specifically, JFC participated in 134 local projects spearheaded by regional public organizations, etc., as measures for regional revitalization, and of these, it provided loans to SMEs, etc., in 116 local projects. There were also 711 loans nationwide in which multiple units collaborated to meet the needs of the customers. Furthermore, JFC has also been working on services that better meet the diverse and multifaceted needs of customers, by combining the financial programs of each JFC unit which are most beneficial to customers.

JFC also matched a total of 3,030 pairs of businesses through collaboration between JFC units. This is a result of providing its services through national business discussion events, such as the Agri-Food EXPO, as well as regional business discussion meetings across Japan. This figure was a significant increase from the 2,058 matches made in FY2011. In addition, in June 2012, JFC launched its Internet Business Matching service, which brings the needs of fellow customers together through the internet.

Support for Regional Revitalization Initiatives

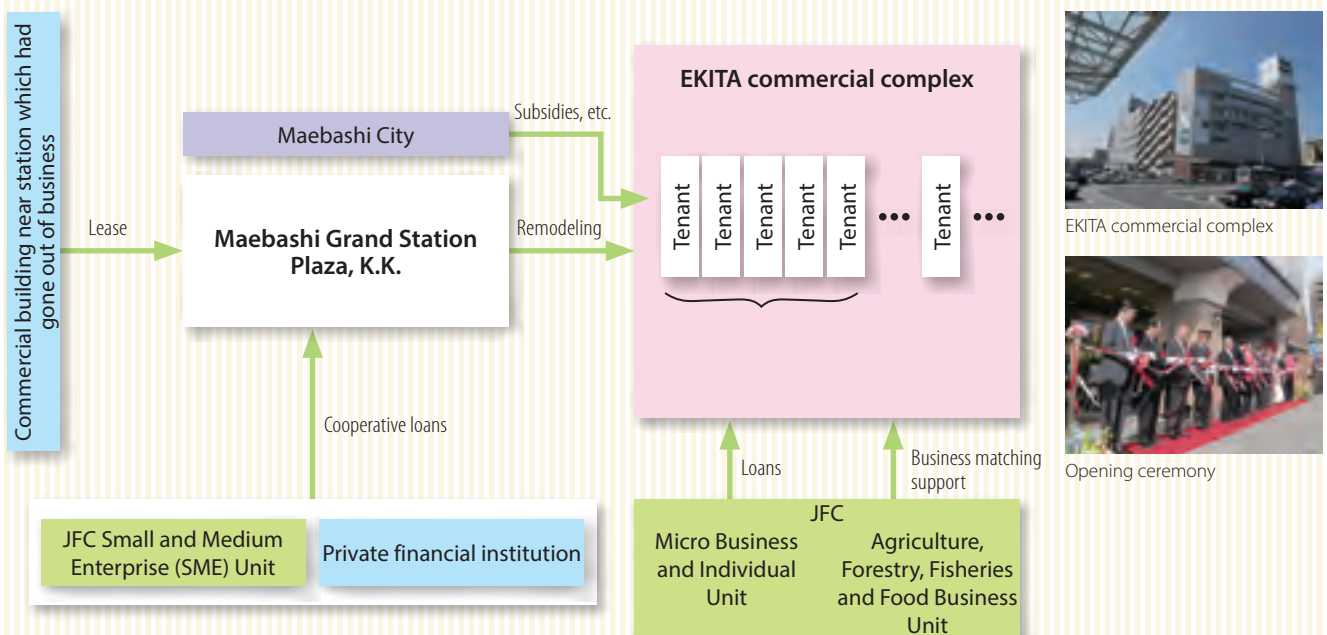
JFC coordinates with regional public organizations, etc. in order to respond to local issues, such as regional industrial revitalization, utilization of local resources, and collaboration between agriculture, commerce and industry.

Example of Support (Maebashi City, Gunma Prefecture)

Multiple branch offices and multiple units working together to help promote revitalization of the station area that had become desolate





- With an aim of revitalizing the downtown area in front of Maebashi Station, JFC is collaborating with Maebashi City on a project to redevelop the commercial building in front of the station which had gone out of business.
- In a project to remodel the building and reopen it as the EKITA commercial complex, three JFC units provided integrated support to the building management company leading the project (Maebashi Grand Station Plaza, K.K.) and to five business operators wanting to take up tenancies in the complex.
 - Loan details
 - Building management company: funds for remodeling the building (Small and Medium Enterprise (SME) Unit (Maebashi Branch))
 - 5 tenants: funds for taking up tenancies (Micro Business and Individual Unit (Maebashi, Takasaki, and Kumagaya Branches))
- JFC has provided business matching support for one food supermarket that will be a core tenant (Agriculture, Forestry, Fisheries and Food Business Unit (Maebashi Branch)).

▼ Schematic diagram of the project



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	Notes
Nationwide	The 5th Nationwide business discussion meeting (Yokohama) 	February 27, 2013	The largest business conference in Japan sponsored by a financial institution solely for its SME clients. Attended by 716 companies from a wide variety of industries from all over Japan.	The Small and Medium Enterprise (SME) Unit acted as secretariat.
	Agri-Food EXPO The 7th Agri-Food EXPO Tokyo 2012 (Tokyo) 	August 2 and 3, 2012	Exhibit and business fair for domestic agricultural products Products exhibited by 627 companies from all over Japan; attended by 12,538 visitors, with 36,477 business negotiations held.	The Agriculture, Forestry, Fisheries and Food Business Unit acted as secretariat.
	The 6th Agri-Food EXPO Osaka 2013 (Osaka) 	February 21 and 22, 2013	Products exhibited by 492 companies from all over Japan; attended by 14,562 visitors, with 24,061 business negotiations held.	
Regional	FY2012 Farmer Networking Event (Kyoto) 	January 30, 2013	Business fair for farmers and food industry proprietors from the six Kinki prefectures; attended by 249 participants, with 91 business negotiations held.	Kyoto Branch served as secretariat.

Operation of Internet Business Matching 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.

Overview of Operations in FY2012

Looking back at the Japanese economy in FY2012, the first half of the year saw slow recovery, with domestic demand being buoyed by reconstruction following the Great East Japan Earthquake and by government policies such as the Eco-car Subsidy. Then from about the middle of the year, against a backdrop of the global economic slowdown and the continued appreciation of the yen, economic activity became progressively weaker. Towards the end of the fiscal year, signs of economic recovery were seen, based on improvements in the export environment, the effects of monetary policy and expectancy of the introduction of economic measures.

JFC actively engaged in improving customer services, providing support for reconstruction following the Great East Japan Earthquake, and contributing to the growth of the Japanese economy.

In addition to the attentive support given to customers, in order to address the various management issues faced by customers, JFC also worked on strengthening its financial diagnostic services and other consulting functions, strengthening its cooperation with relevant organizations, and strengthening services by having individual units at JFC utilize each other's expertise and knowledge. During FY2012, JFC provided loans to SMEs, etc. through participating in local projects spearheaded by regional public organizations as measures for regional revitalization, and it provided loans in which several units collaborated to meet the needs of the customers. In June 2012, JFC also launched its Internet Business Matching service, which brings the needs of fellow customers together through the internet.

JFC also worked hard to support reconstruction. In addition to responding as quickly and meticulously as possible to requests for financing and repayment advice from SMEs, small business operators and agricultural, forestry and fisheries operators affected by the Great East Japan Earthquake, JFC also provided various loans such as the Great East Japan Earthquake Recovery Special Loan.

Furthermore, seeking to contribute to Japanese economic development through measures based on government-led growth strategies, JFC provided assistance for business start-ups; provided support for agricultural, forestry and fisheries operators to convert to a sixth industrialization (through merger/collaboration with secondary and tertiary industries). JFC also supported new businesses such as venture companies; efforts for overseas business development by SMEs and small business operators; environmental and energy measures; and key management bodies in the Farmers and Farmland Plan. In particular, in the context of support for overseas business development, JFC launched the Standby Letter of Credit program, and in the context of new business and the corporate revitalization of small business operators, JFC commenced subordinated capital loans.

Moreover, in response to the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises and the impending termination of this act, in addition to providing support for corporate turnaround utilizing corporate rehabilitation loans and so forth, JFC also actively handled financing assistance through the easing of repayment terms.

Outline of Financial Statements for FY2012

1. Profit and Loss

At the closing of FY2012 (ended March 31, 2013), JFC recorded an improvement of 61.7 billion yen over the previous fiscal year, for a net loss of 286.2 billion yen.

The key factor of the improvement was that a net loss in the Account for Credit Insurance Programs of the Small and Medium Enterprise (SME) Unit decreased 69.9 billion yen to 231.4 billion yen due to a decrease in expenses on insurance claims.

▼ Profit and Loss Statement (FY2011: from April 1, 2011 to March 31, 2012; FY2012: from April 1, 2012 to March 31, 2013)

(Unit: billion yen)

	Ordinary income		Ordinary expenses		Ordinary profit (losses)		Net income (loss)		
	FY ended March 31, 2012	FY ended March 31, 2013	FY ended March 31, 2012	FY ended March 31, 2013	FY ended March 31, 2012	FY ended March 31, 2013	FY ended March 31, 2012	FY ended March 31, 2013	
Japan Finance Corporation ^(Note)	665.4	665.5	1,013.0	951.4	(347.5)	(285.8)	(347.9)	(286.2)	
Micro Business and Individual Unit (Account for Micro Business and Individual Operations)	163.2	159.1	185.0	160.2	(21.7)	(1.0)	(21.9)	(1.3)	
Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)	66.2	63.9	66.1	63.8	0.0	0.0	0.0	0.0	
Small and Medium Enterprise (SME) Unit	Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operations)	123.3	118.9	150.8	144.0	(27.4)	(25.0)	(27.4)	(25.0)
	Account for Securitization Support Programs (Purchase-type Operations)	0.5	0.4	0.0	0.0	0.5	0.4	0.5	0.4
	Account for Credit Insurance Programs	256.8	272.9	558.1	504.3	(301.3)	(231.4)	(301.3)	(231.4)
Operations to Facilitate Crisis Responses (Account for Operations to Facilitate Crisis Responses)	57.2	50.4	54.9	79.2	2.3	(28.7)	2.3	(28.7)	
Operations to Facilitate Specific Businesses Promotion, etc. (Account for Operations to Facilitate Specific Businesses Promotion, etc.)	0.2	0.2	0.2	0.2	(0.0)	(0.0)	(0.0)	(0.0)	
Japan Bank for International Cooperation	Account for JBIC Operations	201.6		144.5		57.1		52.5	
	Financial Account Related to the Financial Operations for Facilitating Realignment of U.S. Forces in Japan	0.2		0.2		0.0		0.0	
JFC (including Japan Bank for International Cooperation)	857.1	665.5	1,147.6	951.4	(290.4)	(285.8)	(295.4)	(286.2)	

Note: Japan Bank for International Cooperation (JBIC) became a separate entity from JFC on April 1, 2012, and as such the Account for JBIC Operations and the Financial Account Related to the Financial Operations for Facilitating Realignment of U.S. Forces in Japan have been deducted from the period ended March 31, 2012.

2. Assets

Total assets were 25,421.1 billion yen, the majority of which were loans and bills discounted.

Loans and bills discounted decreased 78.1 billion yen from March 31, 2012, to 21,232.3 billion yen.

Total net assets stood at 4,184.4 billion yen, taking into account an increase from having received capital contributions from the government of 622.8 billion yen, against a net loss of 286.2 billion yen.

▼ Balance Sheet (as of March 31, 2013)

(Unit: billion yen)

Assets			Liabilities and net assets		
Item	Amount		Item	Amount	
	Fiscal year ended March 31, 2012 ^(Note)	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2012 ^(Note)	Fiscal year ended March 31, 2013
Cash and deposits	3,867.6	4,083.4	Borrowed money	16,956.1	16,904.6
Receivables under resale agreement	13.2	—	Corporate bonds	2,674.9	2,359.2
Securities	477.9	270.9	Trust funds	37.0	36.4
Loans and bills discounted	21,310.4	21,232.3	Reserve for insurance payments	1,727.2	1,622.9
Other assets	72.2	63.6	Other liabilities	51.8	43.7
Property, plant and equipment	210.4	204.4	Provision for bonuses	4.5	3.9
Intangible assets	9.6	14.8	Provision for directors' bonuses	0.0	0.0
Customers' guaranteed liabilities	2.7	3.1	Provision for retirement benefits	195.6	196.9
Allowance for loan losses	(407.1)	(451.6)	Provision for directors' retirement benefits	0.0	0.1
			Provision for loss compensation	59.0	65.5
			Guaranteed liabilities	2.7	3.1
			Total liabilities	21,709.3	21,236.6
			Capital stock	3,075.7	3,455.0
			Capital surplus	2,236.2	2,178.4
			Retained earnings	(1,464.0)	(1,448.9)
			Total net assets	3,847.8	4,184.4
Total assets	25,557.2	25,421.1	Total liabilities and net assets	25,557.2	25,421.1

(Unit: billion yen)

	At end of previous fiscal year (March 31, 2012) ^(Note)	At end of current fiscal year (March 31, 2013)	Change
Total assets	25,557.2	25,421.1	(136.1)
Total liabilities	21,709.3	21,236.6	(472.7)
Total net assets	3,847.8	4,184.4	336.5

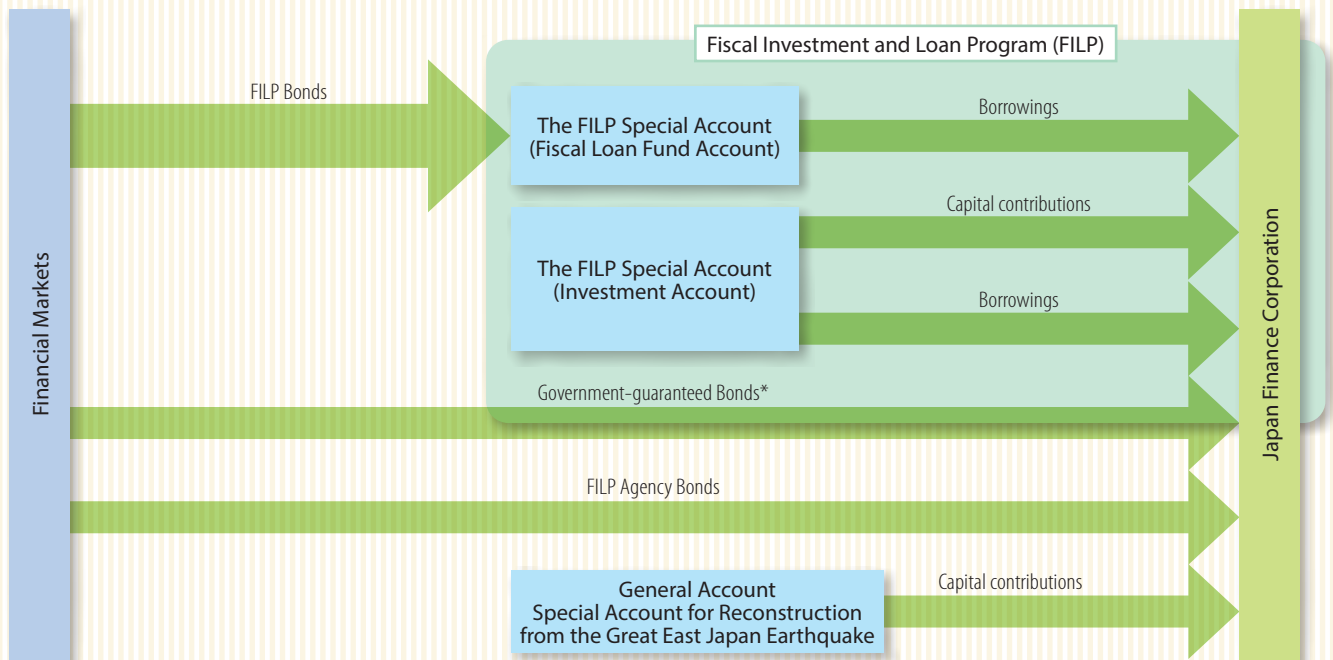
Note: Japan Bank for International Cooperation (JBIC) became a separate entity from JFC on April 1, 2012, and as such the Account for JBIC Operations and the Financial Account Related to the Financial Operations for Facilitating Realignment of U.S. Forces in Japan have been deducted from the period ended March 31, 2012.

Reference Total assets at March 31, 2012 (including Japan Bank for International Cooperation (JBIC)): 38,250.6 billion yen
Loans and bills discounted at March 31, 2012 (including JBIC): 29,420.8 billion yen

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 FILP.

▼ Breakdown of Funding Sources

(Unit: billion yen)

	FY2013 budget	FY2012 budget	FY2012 results
Borrowings from Fiscal Loan Fund, etc.	5,758.6	6,348.6	3,756.4
Government-guaranteed Bonds	585.0	1,285.0	120.0
Capital contributions from the government	188.4	623.3	622.8
Funding from the government (percentage of overall funding)	6,532.0 (95%)	8,257.0 (96%)	4,499.3 (94%)
FILP Agency Bonds	340.0	375.0	295.0
Total funding	6,872.0	8,632.0	4,794.3

- Notes: 1. The FY2012 budget amounts are the revised levels following the supplementary budget.
 2. The capital contributions from the government in 1. above include contributions from the Contingency Reserve for Economic Crisis Response and Regional Revitalization and from the Special Account for Reconstruction from the Great East Japan Earthquake.
 3. The item "borrowings from Fiscal Loan Fund, etc." refers to borrowings from Fiscal Loan Fund, borrowings from the FILP Special Account (Investment Account) of the national budget, and entrusted funds from the Agriculture, Forestry and Fisheries Credit Foundations.

➔ Government-guaranteed Bonds

JFC has issued government-guaranteed general mortgage bonds within the issue-amount limits of the budget.

(Unit: billion yen)

Maturity	Fiscal year	FY2012		FY2011		FY2010	
		Budget	Results	Budget	Results	Budget	Results
10-year bond		50.0	30.0	50.0	10.0	615.0	20.0
6-year bond		135.0	90.0	135.0	70.0	730.0	180.0
Less than 5-year bond		200.0	—	1,360.0	—	—	—
Long-term bonds sub-total		385.0	120.0	1,545.0	80.0	1,345.0	200.0
Short-term bonds		200.0	—	200.0	—	500.0	—
Total		585.0	120.0	1,745.0	80.0	1,845.0	200.0

- Notes: 1. The budget amounts for each fiscal year, except FY2013, are the revised levels following the respective supplementary budgets.
 2. Apart from short-term bonds, the budget amounts for each fiscal year are the issue-amount limits, that is, the maximum amount of the government guaranty in the relevant fiscal year.
 3. The budget amounts for short-term bonds are the maximum outstanding balances for the relevant fiscal year.

➔ FILP Agency Bonds

JFC has issued general mortgage bonds within the issue-amount limits of the budget.

(Unit: billion yen)

Month of issue / Maturity	Fiscal year	FY2012					FY2011			FY2010			
	Amount of issue	(Budget 375.0) Results 295.0					(Budget 375.0) Results 245.0			(Budget 400.0) Results 275.0			
	FY2013	May	May	August	September	October	February	May	August	October	May	August	October
	(Budget 340.0) Results 90.0												
20-year bond		—	—	—	—	—	—	15.0	—	10.0	15.0	—	10.0
10-year bond		10.0	15.0	—	—	10.0	—	—	—	—	—	—	—
5-year bond		30.0	30.0	—	—	20.0	—	—	60.0	—	40.0	—	40.0
2-year bond		50.0	50.0	50.0	30.0	50.0	40.0	60.0	50.0	50.0	60.0	50.0	60.0

- Notes: 1. The budget amounts for each fiscal year, except FY2013, are the revised levels following the respective supplementary budgets.
 2. The budget amounts and actual amounts for FY2010 and FY2011 exclude those bonds succeeded by the Japan Bank for International Cooperation (JBIC), which was separated from JFC on April 1, 2012.
 3. The budget amounts for each fiscal year are the issue-amount limits in the relevant fiscal year.
 4. The issue-result amounts for FY2013 are the amounts issued as at the end of May 2013.

▼ Ratings of JFC (as of May 31, 2013)

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