

Japan Finance Corporation Annual Report 2014



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.

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Measures Implemented in FY2013

Though nearly 6 years have passed since our launch in October of 2008, JFC continues to improve customer service, demonstrate safety net functions such as reconstruction support following the Great East Japan Earthquake, and contribute to growth strategies and other areas under a mission directive to "connect policies" with all relevant business initiatives while aiming to create an even deeper relationship of trust with customers and constantly reviewing business operations.

(Improving Customer Services)

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 consulting functions, strengthening its cooperation with relevant organizations, and strengthening financial services in terms of both information and funding demonstrating the comprehensive capabilities of JFC.

Promoting the demonstration of these comprehensive capabilities specifically includes participating in 241 local projects spearheaded by regional public organizations as measures for regional revitalization, 190 of which provided specific loan assistance to customers, and other consulting functions utilizing information from multiple units and integrated business loans for multiple units linked together.

JFC also matched a total of 2,909 pairs of businesses, which is a result of providing its services through national business discussion events, such as the Agri-Food EXPO, as well as business discussion meetings conducted at various branches across Japan.

In addition, we honored the request for "Management Assurance Guidelines" with its publication in December of 2013, established a new lending facility, reviewed special clauses, and developed various response manuals.

(Reconstruction Support Following the Great East Japan Earthquake)

JFC provided various loans such as the Great East Japan Earthquake Recovery Special Loan to our customers affected by the Great East Japan Earthquake, responding as quickly and meticulously as possible to requests for financing and repayment from these loan recipients.

As a result, cumulative earthquake-related financing totaled

220.9 billion yen, and post-earthquake cumulative financing totaled 3,832.1 billion yen. In particular, as a result of support concerning start-up needs regarding the reconstruction of affected areas, the number of supported start-ups in five of the affected prefectures (Aomori, Iwate, Miyagi, Fukushima, and Ibaraki prefectures) was 1,555 companies, representing a 46% increase over 2010 before the earthquake. Thus, we have endeavored to provide reconstruction support as a policy-based financial institution.

(Support for Safety-Net Loan Demand)

By providing finance through Management Support-Type Safety-Net Loans, JFC provided a bundled set of services including financing requirements support and business advice to SMEs and micro businesses experiencing a harsh business environment.

Furthermore, efforts to respond rapidly and carefully to requests from SMEs, micro businesses, and agriculture, forestry, fisheries and food businesses for advice on financing and repayments, were provided through consultation counters established in response to the end of the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises as well as rising feed prices.

We also endeavored to understand the state of damage and responded as quickly and meticulously as possible to requests for financing and repayment advice from SMEs, micro businesses, and agricultural, forestry, fisheries and food businesses affected by natural disasters such as heavy rains that occurred in July of 2013 in collaboration with local associated organizations.

(Support for Growth Strategies and Other Areas)

Seeking to contribute to Japanese economic development, JFC took the following measures based on government-led growth strategies. JFC assisted overseas expansion, business start-ups and new businesses, social business, business revitalization, and support for sixth industrialization (collaboration of primary, secondary, and tertiary industries) in agriculture, forestry, and fisheries.

Support for overseas expansion was provided in terms of funding and information through the strengthening of cooperation with external professional organizations and overseas expansion support desks established at branches throughout Japan. The "Standby Letter of Credit Program"

supports SMEs and micro businesses' overseas subsidiaries' and branches' smooth procurement of long-term local currency denominated funds through partnerships with 7 overseas financial institutions. Furthermore, under this program, we have established a funding scheme in cooperation with domestic regional financial institutions in October 2013 to enable SMEs to effectively utilize this program. The number of regional financial institutions partnering in this program totals 33 institutions throughout Japan (as of June 2014).

We have built 32 networks with regional public organizations and support institutions to help facilitate start-ups through the promotion of a comprehensive and integrated set of services provided by these institutions as well as establishing a collaborative loan scheme with 78 regional financial institutions to focus on start-ups, and creating the organization of these collaborative loans through private financial institutions. In addition, we held a business plan "Grand Prix" for high school students to support entrepreneurship education for young people.

In addition to an advertising campaign to increase awareness for social business support, we have also introduced interest rate incentives on loans to social businesses satisfying certain requirements such as being a certified NPO.

We have leveraged the newly created "DES Program" to support business revitalization to support cooperation between business revitalization cooperatives and private financial institutions.

We have supported farmers defined by regional agriculture regarding the Farmers and Farmland Plan while also supporting sixth industrialization that diversify farmers' businesses through processing and selling agricultural products.

(Organizational Management Initiatives)

In its organizational management, JFC aims to construct transparency, fairness, timely action. It continually innovates using the BPR method to separate and strengthen the three functions of decision-making, monitoring, and business execution.

In fiscal 2013, JFC launched the ERP system and Agriculture, Forestry, Fisheries and Food Business unit optimization system as part of the JFC system optimization plan implemented from fiscal 2010 while streamlining and improving efficiency in business operations and reducing costs related to system development and operation.

To increase the career opportunities for women, JFC has set a target for a 5% ratio of women in managerial positions by 2018, and is implementing a program to nurture women candidates for management-level positions. JFC also has placed 10 Responsible Managers for the Promotion of Career Opportunities for Women throughout Japan to improve efforts to this initiative.

In addition, JFC has designated priority areas for internal control to attain a high level of corporate governance and has established a structure to delegate authority to the Corporate Governance Committee to observe and manage JFC management as part of risk management and compliance initiatives.

Particular activities include conducting continuous inspections regarding exclusions toward the elimination of anti-social forces and appropriate reporting to management.

Results in Fiscal 2013

The results for this term see an improvement of 250.3 billion yen over the previous term and a net loss of 35.9 billion yen due to an increase in reversal of reserve for insurance policy liabilities for the Account for Credit Insurance Programs and decreases in

expenses on insurance claims.

Future Initiatives

The Japanese government in the process of creating the "Basic Policies on Economic and Fiscal Management and Reform 2014" (Basic Policies 2014) and the "Japan Revitalization Strategy-Japan is Back!" revised edition for 2014, which are designed to keep Japan on the course of economic revitalization set by last year's "Japan Revitalization Strategy-Japan is Back!" and "Economic Measures for Realization of Virtuous Cycles" as well as the June 2014 efforts to pull the country out of deflation. The coming year will bring difficult challenges to continued economic growth, such as overcoming the increase in the consumption tax rate. This opportunity must be carefully developed to fruition.

Since JFC began, we have done everything in our power to demonstrate Safety-Net Loans after the collapse of Lehman Brothers and the Response to the Great East Japan Earthquake. Though we will continue to reliably fulfill our role with flexibility in demonstrating the safety net function with finely tuned responses to demand in accordance with the economic situation and reconstruction support for the Great East Japan Earthquake which is still amidst a long recovery this year, JFC will also be proactive with support for growth strategies and the demonstration of our comprehensive capabilities for the development of future Japanese economy based on government measures and under changes in the economy.

Specifically, JFC will initially continue to actively participate in regional projects tackled by regional public organizations and provide business matching support such as loans and business discussion events in accordance with all of our different customers' needs as a demonstration of our comprehensive capabilities. JFC will work tirelessly to realize its ultimate goal of giving back to the people with the fruits of our labors.

JFC will engage in five major growth strategy initiatives. The first is support for challenges faced by women and young people engaging in start-ups and new businesses. The second is reconstruction support in cooperation with regional financial institutions. The third is social business support for NPOs. The fourth is support for overseas expansion such as the utilization of the Standby Letter of Credit Program and provision of funding for overseas development. The fifth is the support of new development for agriculture, forestry, fisheries, and food businesses in anticipation of major changes in agricultural policies.

In fulfilling these initiatives, nothing is more important than the actual frontline activities with regard to responding appropriately and accurately to business partners, regional public organizations, and other stakeholders and ensures precise internal operations. In this regard, we ask for your continued support and understanding.

July 2014



Koichi Hosokawa
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	Koichi Hosokawa	
Capital, etc.	Capital: 3,709.5 billion yen Reserve fund: 1,870.2 billion yen	
Branch Offices	Branch offices in Japan: 152 Overseas representative offices: 2	
Employees	7,364 (budgetary fixed number for FY2014)	
Outstanding Loans	Total of Outstanding Loans:	21,107.7 billion yen
	Micro Business and Individual Unit:	7,175.8 billion yen
	Agriculture, Forestry, Fisheries and Food Business Unit:	2,603.7 billion yen
	Small and Medium Enterprise (SME) Unit:	6,354.2 billion yen (Finance Operations)
	Operations to Facilitate Crisis Responses:	4,911.5 billion yen
	Operations to Facilitate Specific Businesses Promotion, etc.:	62.3 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.

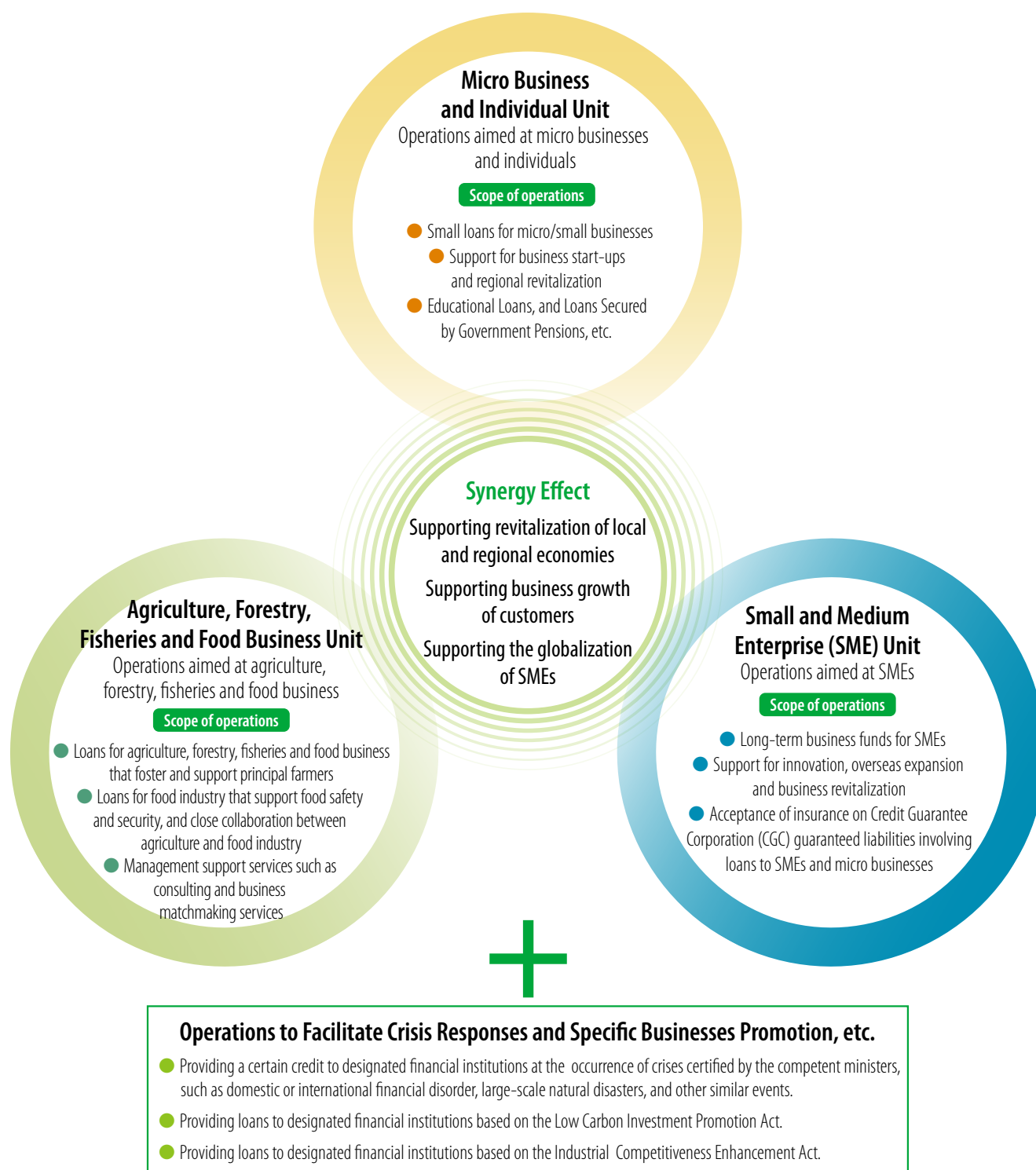
● Offering a broad range of services

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.

Main Business Activities

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

1. 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.

2. 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

1. Improving customer service

A. JFC is committed to being a familiar and reliable organization that responds with compassion from the customer's perspective.

B. In addition to enhancing products, JFC will improve the quality of services by augmenting consulting functions and capacity, and by leveraging capital and information, it will respond promptly and precisely to the needs of a range of clients requiring policy-based financing.

2. Exercise of safety net functions

A. Respond agilely to demands for safety net services due to natural disaster, economic change, etc.

B. Respond to damage due to risks including internal and external turmoil in the financial order, natural disaster, etc.

3. Contribution to the growth and development of the Japanese economy

JFC will respond properly to meet the diverse needs required for policy-based financing including support for the creation of new businesses, revitalization of businesses, overseas expansion, and new expansion of agricultural, forestry, and fisheries businesses, in accordance with national policies and will contribute to the growth and development of the micro businesses and individuals, SMEs and agricultural, forestry, and fishery businesses.

4. Contribution to regional revitalization

While exercising its comprehensive capabilities, JFC will conduct community-based programs and provide support for the exercise of vitality by the micro businesses and individuals, SMEs, and agricultural, forestry, and fishery businesses that support regional economies. By doing so, JFC will contribute to regional revitalization, including job retention and creation.

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

A. Contribute to society by promoting corporate activity that shows awareness of environment and energy issues.

B. 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.

C. 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

6. Creation of a rewarding workplace

A. Boost training to increase the degree of each employee's professional expertise for conducting policy-based financing.

B. Create diverse workplaces where staff can fully utilize their capacities with pride and a sense of mission.

C. Further promote career opportunities for women, including the active appointment of female employees to managerial positions and by promoting career development for women.

7. Engage in enhancement of risk management environment and entrenchment of compliance awareness

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

Business and Management Plan (FY2014-2016)

JFC has formulated the following Business and Management Policy and Plan for the period from FY2014 to FY2016.

Business and Management Plan (FY2014-2016)

JFC steadily and agilely undertakes the exercise of safety net functions, including support for reconstruction after the Great East Japan Earthquake and attentive response to demand in accordance with economic conditions. While actively working to advance Japan's economy by making efforts in strategic areas of growth, such as support for start-ups and new business, business revitalization, social business, overseas expansion, and new expansion by agricultural, forestry, and fisheries businesses, JFC performs policy-based financing with precision and efficiency, by strengthening initiatives that leverage our comprehensive capabilities. Moreover, while exercising the policy proposal capabilities that are our mission as a policy financing institution, JFC seeks to enhance its consulting functions and capabilities, and to go beyond loans to provide the high-quality services made possible by policy-based financing.

In the execution of our work, we aim to provide clients with a dependable presence, and strive to create a motivating workplace and an organization where employees come together to contribute to the growth and development of the Japanese economy. We hold a sense of mission by which each of our employees, as a person responsible for bearing policy-based financing, seeks to "connect" persons such as engaged in policy and business. Doing so, we work toward the following goals.

Goals of Business Operations

1. Support for reconstruction from the Great East Japan Earthquake

- A. Respond with sincerity to the Earthquake-affected customers seeking advice on financing and repayments, etc.
 - (a) Respond smoothly, promptly and carefully through special consultation desks for the Great East Japan Earthquake.
 - (b) 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.
 - (c) Respond attentively and swiftly to repayment inquiries and issues with overlapping debt.
 - (d) Endeavor to make prompt and precisely tailored responses through insurance such as the Great East Japan Earthquake Recovery Emergency Guarantee program.
- B. Make precisely tailored responses to reconstruction projects implemented in affected areas.
- C. Appropriately and promptly implement operations to facilitate crisis responses to cope with any crises recognized as "cases related to the Great East Japan Earthquake."

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

- (1) Make precisely tailored responses to the needs of customers for safety net services.

Safety net financing such as funding support

 - (a) Provide precisely tailored support to SMEs and micro businesses faced with a worsening business environment and working towards business improvement.
 - (b) 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, and those working towards business improvement.
- (2) Provide sufficient funds to customers in a timely and efficient manner.
 - A. Actively support the funding needs, etc., of customers.

Utilize various types of loans and funding programs that meet the funding needs of customers.
 - B. Respond quickly to emergencies and conduct operations in a prompt and smooth manner.

Facilitate precise operations to facilitate crisis responses.
- (3) Steady implementation of the Credit Supplementation System.
 - A. Support customers, who are struggling to raise funds, through the Credit Supplementation System.
 - B. Strengthen collaboration with Credit Guarantee Corporations.

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

- (1) Precise funding support for growth strategies such as support for new developments in overseas expansion, business start-ups and new businesses, social business, business revitalization, and agriculture, forestry, fisheries, and food businesses.
 - A. Support for business start-ups and new businesses.
 - (a) Contribute to regional innovation and job creation through increased support to companies engaged in business start-ups and new business activities.

New development loans (number of companies) (before establishment and within one year after establishment): 20,000
Number of companies contracted with new business development loans: 2,400
 - (b) Strengthen financial services by combining services of its several business units.
 - B. Support business revitalization.
 - (a) Strengthen support functions for business revitalization.

Number of companies contracted with revitalization development loans: 900
 - (b) Enhanced collaboration with revitalization cooperatives, etc.

- Number of companies forwarded to revitalization cooperatives: 120
- (c) Proactive utilization of financing methods such as DDS and DES.
- (d) Enhanced revitalization initiatives for multiple linked businesses.
 - Number of private financial institutions benefiting from information exchange meetings conducted by JFC: 100
- (e) Appropriate implementation of two-step loans for business restructuring based on the Industrial Competitiveness Enhancement Act.
- C. Support for companies addressing social issues.
 - Promote initiatives for companies conducting social businesses.
 - Number of loans for NPOs: 700
- D. Support for overseas investment.
 - (a) Facilitation support for business funding of overseas development and steady implementation of the Standby Letter of Credit Program.
 - Number of companies utilizing overseas development programs: 430 companies (including 80 companies utilizing the Standby Letter of Credit Program)
 - (b) Support for the overseas business expansion of micro/small businesses.
 - Number of Loans for Overseas Investment: 450
 - (c) Strengthen financial services by combining services of its several business units.
- E. Provide support for new developments in agriculture, forestry, fisheries, and food businesses.
 - (a) Support for business improvement initiatives for corporations and large family businesses.
 - Number of borrowers in areas as defined by the Farmers and Farmland Plan: 4,400
 - (b) Support for operators starting new agriculture business.
 - Number of borrowers of the Agricultural Employment Fund for Youth, etc.: 800
 - (c) Support for agricultural, forestry, and fishery businesses initiatives to improve businesses through sixth industrialization.
 - Number of sixth industrialization borrowers: 800
 - (d) Support for agricultural, forestry, and fishery businesses initiatives to engage in export business.
 - (e) Support for initiatives contributing to stable use of domestic timber by large timber enterprises that have a significant impact on timber demand.
 - (f) Support for fishery production enhancement and construction of ships to replace old fishing boats.
 - (g) Support for food businesses engaged in expansion of domestic and foreign demand through increased collaboration with agricultural, forestry, and fishery businesses.
 - Number of food business borrowers: 190
 - (h) Provide information such as policy information and results of various surveys.
- F. Support responses to global environmental issues.
 - (a) Promote initiatives supporting environmental and energy measures by SMEs and micro businesses.
 - (b) Appropriate implementation of two-step loans for specific businesses based on the Low Carbon Investment Promotion Act.
- G. Contribute to equal educational opportunities.
- (2) Strengthen capacity to make policy proposals.
 - A. Collect the views expressed by customers, and reflect them in policy proposals and measures.
 - Views expressed by SMEs, micro businesses and agricultural, forestry, and fishery businesses as well as customer trends to be reflected in business management (establishment of and improvements to lending programs).
 - B. Understand local issues and promote policy recommendations and initiatives to resolve these issues.

4. Enhancement of community-based initiatives by exercising JFC's comprehensive capabilities

- (1) Actively participate in regional projects and contribute to regional programs.
 - Contribute to local and regional revitalization through demonstration of comprehensive capabilities.
 - Strengthen regional revitalization initiatives in cooperation with regional public organizations, etc.: At least one initiative per year per branch
- (2) Strengthen financial services by combining services of its several business units, and provide useful information that meets customer and regional needs.
 - A. Strongly promote the "demonstration of comprehensive capabilities" in a way which utilizes the management resources of each business unit.
 - (a) Aggregate and provide policy information for each region and status of participation in regional projects.
 - (b) Support for loans meeting the needs of customers through collaboration with multiple units.
 - At least one loan per branch of the Micro Business and Individual Unit when there are at least three per integrated branch and a collaborating branch of the Micro Business and Individual Unit.
 - (c) Demonstrate the consulting capability utilizing information from multiple units.
 - (d) Number of customer matches through collaboration between units: At least 1,800
 - (e) Number of business meetings and seminars participated by customers from multiple units: At least 250
 - (f) Operation of the "Internet Business Matching Site."

- (g) Conduct "High School Business Plan Grand Prix."
- B. Promote "demonstration of comprehensive capabilities" including branches of the Micro Business and Individual Unit. Strengthen collaboration between integrated branches and branches of the Micro Business and Individual Unit.
- C. Promote initiatives to improve knowledge of all of JFC's loan programs.
 - Provide optimal loans to customers based on in-depth knowledge of all of JFC's loan programs.
- (3) Reinforce collaboration with private financial institutions and relevant organizations, etc.
 - A. Promote initiatives to enhance collaboration with private financial institutions.
 - B. Enhanced collaboration with relevant organizations (Chambers of Commerce and Industry, professional associations, industry groups, revitalization support councils, universities, etc.).
 - Enhanced collaboration with organizations that support business revitalization and take on the challenge of new business development.

5. Performance of customer services aimed at making JFC reliable and easily accessible

- (1) Promote various measures such as enhancing the consultation capability to improve services with a view to increasing customer satisfaction.
 - A. Promote branch management that thinks from the customers' perspective.
 - B. Promote necessary measures to respond to customer needs.
 - (a) Initiatives to shorten the time for loan approval.
 - (b) Initiatives to increase satisfaction regarding "appropriate proposals and advice" to customers.
 - (c) Initiatives to reduce document filing.
 - (d) Initiatives regarding customer "privacy considerations" at branches.
 - C. Provide useful information in accordance with customer needs.
 - (a) Promote "CS Plus One Activities."
 - (b) Provide information to customers seeking to expand overseas.
 - Number of Seminars on Overseas Business Expansion: At least 70
 - (c) Collaboration with institutions that support overseas investment, etc.
 - D. Provide appropriate proposals and advice to customers.
 - (a) Demonstrate consulting capability through financial diagnostics, balance simulations, etc.
 - (b) Provide appropriate proposals and advice to customers.
 - Promote the provision of customer support tools that meet customer needs.
- (2) Promote public relations activities such as through strengthening information dissemination.
 - A. Strengthen public relations activities with regional media.
 - Number of published regional newspaper articles: 4,000
 - B. Strengthen public relations activities through planned proposals.
 - Number of planned proposals generating articles: 50
 - C. Strengthen public relations activities utilizing various media such as the Internet.
 - D. Conduct awareness surveys.
- (3) Improve the quality of research at the Research Institute, strengthen external communication capabilities, enhance the capacity to share knowledge with external institutions, and promote collaboration with JFC units.
 - A. Striving for globally high quality in SME research.
 - (a) Regularly conduct economic conditions research.
 - (b) Conduct thematic surveys and publish research results based on these surveys.
 - B. Improve evaluations of research institutions through the strengthening of external communication capabilities.
 - (a) Edit and publish periodical publications, books, etc.
 - (b) Hold JFC Symposiums.
 - (c) Promote dissemination of research results internationally.
 - (d) General academic publication of survey data.
 - C. Improve exchanges with other research institutions.
 - (a) Hold and participate in domestic and international research presentations, information exchange sessions, etc.
 - (b) Conduct collaborative research.
 - (c) Participate in external research groups and research projects.
 - D. Actively promote collaboration with business units.
 - Select research themes that contribute to policy recommendations from business units.

6. Appropriate management of credit risk

- A. Conduct appropriate credit management.
- B. Appropriate management of credit costs.
- C. Strengthen and improve insurance underwriting risk management.
- D. Develop credit risk management structure regarding loss compensation transactions.

[Unified index according to credit risk]

Index	Objective	Expression	Target numbers
Initial default ratio (%) Target index	Indexing the ratio of the number of businesses ^(Note 1) defaulted within one year post-lending (bankruptcy, late payment) enables us to monitor whether or not screenings are functioning properly and to reduce initial defaults.	<p>[Annual target]</p> $\frac{\text{Number of businesses, etc. defaulting from the number in the denominator}}{\text{Number of businesses, etc. that made loans during the fiscal year}}$ <p>[Monthly reports (monitoring index)]</p> $\frac{\text{Number of businesses, etc. defaulting from the number in the denominator}}{\text{Number of businesses, etc. that made loans last year before the reporting month}^{(Note 2)}}$	<p>Micro: 0.30%</p> <p>Agriculture, forestry, fisheries, and food businesses: 0.10%</p> <p>SMEs: 0.11%</p>
Upward-downward shifts of borrower classifications (number of businesses, etc.) Monitoring index ^(Note 3) [Agriculture, forestry, fisheries, and food businesses/SMEs]	Managing the number of businesses, etc. experiencing upward (upward shift from the previous fiscal year at the time of earnings) and downward (downward shift from the previous fiscal year at the time of earnings) shifts in borrower classifications as an index promotes effective measures contributing to appropriate credit monitoring (including business improvement support).	<p>Number of businesses shifted upward: Number of businesses, etc. that shifted from loans requiring monitoring to other types of substandard loans</p> <p>Number of businesses shifted downward: Number of businesses, etc. that shifted from other substandard loans to loans requiring monitoring [Interim report (after settlement of financial results)]</p>	—
Credit cost ratio (%) Monitoring index ^(Note 3)	Managing credit cost ^(Note 4) ratios as an index promotes effective measures contributing to minimizing the financial burden (minimizing the allowance for loan losses, etc.) incurred from appropriate screening and credit management.	$\frac{\text{Credit costs}}{\text{Total end-of-year credit balance}}$ <p>[Interim report (after settlement of financial results)]</p>	—

(Note 1) The scope of defaults excludes "restructured loans." Micro Business and Individual Unit shares a percentage of loans.

(Note 2) Includes the reporting month.

(Note 3) This is a reference index to determine the level of achievement, etc.

(Note 4) Credit costs include the total of allowances/reversals for loan loss, provision of reserve for compensation losses/reversal of allowances, written-off of loans, losses on devaluation of stocks and other securities, recoveries of written-off claims, loss on accounts receivables, waived loans, recourse amortization, and other expenses (DES implementation).

Organizational Goals

1. Strengthening of branch office functions

- A. Strengthening of administrative authority and responsibility of branch managers to enable precise and flexible branch management.
- B. Revitalize branch management by collaboration between district supervisors in different business units and collaboration between the branch manager and district supervisors.
- C. Development of branch management structure.

2. Optimization of JFC's IT infrastructure and systems, and IT Sub-Unit

- (1) Ensure completion of future projects based on the JFC General Systems Optimization Plan (Basic Plan).
 - A. Restructure SME loan program system, credit insurance system migration, and restructure of Micro Unit business systems.
 - B. Create trade inquiry system, credit management system, and financial institution transmission system.
 - C. Increase network capacity.
- (2) Actively support system development requests from business units, etc.
Actively support development requests as a result of limited methods to promote optimization planning with consideration for ensuring commonality and accuracy of office activities.
- (3) Create a post-optimization mid-term IT plan and promote initiatives based on this plan.
 - A. Integrate non-integrated systems.
 - (a) Integrate emergency response systems, national trustee network systems, etc. to a common infrastructure.
 - (b) Integrate agriculture unit networks via integrated WAN solutions ^(Note).

- B. Plan and implement future policies to integrate credit insurance systems to common infrastructure after migration.
- C. Implement information system to further reduce costs and achieve greater efficiency in administrative operations through standardization and integration to common infrastructure.
 - (a) Expansion and integration of CLOVER.net, document management system, terminal management system, etc.
 - (b) Plan and implement common infrastructure for mobile systems, OCR statement input system, etc.

(Note) Wide Area Network (WAN): Wide area communication network connecting computers separated geographically to exchange data. The Micro Business and Individual Unit and Small and Medium Enterprise (SME) Unit are already integrated.

- (4) Implement initiatives to operate the IT Department more efficiently and smoothly.
 - A. Aggregate knowledge and skills regarding development of business units and strategic placement of operation personnel, and standardize procedures, etc.
 - B. Further promotion of BPR in the IT Department.
- (5) Establish a systems monitoring system.

3. Strive to streamline back-office functions and improve operations such as through BPR

(1) Basic Policy

- A. 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.
- B. Respond to active improvement proposals from staff, work to rationalize administrative operations and realize efficient business operations.
- C. Achieve smooth operation of the common ERP ^(Note) system and build an efficient business management system which maximizes its benefits.

(2) Overall goals

- A. Build an efficient business management system via a unified enterprise resource planning (ERP) system.
- B. Demonstrate integration results by consolidating expense and budget functions.
- C. Achieve outlook of negotiated contract ratios for the fiscal year in accordance with the negotiated contract review plan.
- D. Establish and improve planned stores and staff procurement.
- E. Promote disposal of underutilized real estate.
- F. Respond to planned inspections/reviews and active improvement proposals from staff to realize efficient business operations.
- G. Increase use of paper using thinned wood for business cards, envelopes, and other printed materials.
- H. Promote administrative operation efficiency and improve expertise through standardization of credit management administrative operations.

(Note) 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.

(3) Individual goals

[Micro Business and Individual Unit]

- A. Initiatives to ensure smooth transition of consolidated administrative base.
- B. Optimum placement of employees and establish efficient internal branch organization associated with consolidation of branch offices.
- C. Establish administrative improvement proposals to improve efficiency thereof.

[Agriculture, Forestry, Fisheries, and Food Business Unit]

- A. Promote operation utilizing district supervisors.
- B. Conduct BPR to further improve efficiency of administrative operations, and review and improve business processes.
- C. Revitalize the proposal system to help focus awareness of employees on daily activities.

[Small and Medium Enterprise (SME) Unit]

- A. Streamline and improve the efficiency in the execution of appropriate loan programs through the strengthening of frontline activities.
- B. Conduct efficient screening operations.
- C. Initiatives to further improve efficiency through the promotion of systems in collaboration with Credit Guarantee Corporations, etc.
- D. Plan efficient deployment of human resources.

[Planning and Administration Unit]

- A. Establish expense management system (ongoing initiative of multi-faceted analysis of expenses).
- B. Improve human resource development to improve procurement capability.

(4) Target numbers

- ① Negotiated contract ratio
Number of loans (28.8%)/Amount of loans (28.8%)
- ② Number of improvement proposal loads for branch operations
Two loans per integrated branch (one of which benefits from the reduction in the number of specific business units)
One loan per branch of the Micro Business and Individual Unit

4-1. Human resource development

(1) Basic policy

- A. Enhance staff training for the realization of high quality customer service and to nurture high-level management capabilities and expertise.
- B. Establish and review payroll system for new personnel.
- C. Promote effective utilization of human resources.
- D. Increase expertise.

(2) Overall goals

- A. Consensus and understanding of the basic philosophy, management policy, and business management plan.
Building consensus and understanding through study groups among workers in the same department as well as larger meetings and training sessions.
- B. Establish a training system that is consistent for all employees from new personnel to senior management.
Standardize and conduct organization-wide training, compulsory distance training, and programs to support self-development.
- C. Improve content in human resources academy courses and ensure smooth operations.
Establish new courses for senior administrative positions and young managers (middle management courses).
Increase discussion opportunities with management.
- D. Introduce and appropriately conduct career paths for regional personnel.
- E. Monitor system operation and conduct questionnaires to ensure smooth operation of payroll system for new personnel.
- F. Plan for review of payroll system for new personnel after transitional measures (April of 2016).
- G. Promote personnel transfers between business units.
- H. Conduct common training.
Establish separate training programs encompassing young personnel through mid-career personnel.
Establish and conduct common training in certain business units.
- I. Promote increased utilization of part-time workers.
- J. Expand scope of activities for area employment through administrative employment training systems, etc.
- K. Conduct measures to improve expertise.
 - (a) Promote internal promotion and hiring of experienced personnel.
 - (b) Promote and support training to improve expertise.
 - (c) Promote programs to help individuals obtain SME management consultant and Agricultural, Forestry and Fishery Management Advisor certifications, and effectively utilize those certified.
- L. Promote improvements in and utilization of personnel payroll system.
- M. Efficient administrative operations after restructuring the Personnel Department.

(3) Target numbers

- ① Employee awareness survey item "Awareness level of basic philosophy and management policy" 100%
- ② Employee awareness survey item "Awareness level of business management plan" 100%
- ③ Employee awareness survey item "Management of business objectives (managed properly with sufficient interviewing)" 75%
- ④ Employee awareness survey item "Feedback on personnel evaluations" 85%
- ⑤ Promote obtainment of certifications, etc.

Number of certified SME management consultants

[Micro Unit]	Fiscal year 2014: 210	Fiscal year 2015: 220	Fiscal year 2016: 230
[SME Unit]	Fiscal year 2014: 205	Fiscal year 2015: 210	Fiscal year 2016: 215

Number of certified Agricultural, Forestry and Fishery Management Advisors

[Agriculture Unit]	Fiscal year 2014: 205	Fiscal year 2015: 215	Fiscal year 2016: 225
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(Supplement) Details of employee awareness survey items

- ① Employee awareness survey item "Awareness level of basic philosophy and management policy"
Target number: positive ratio for all employees
Actual question: Do you know the details of the JFC basic philosophy and management policy?
- ② Employee awareness survey item "Awareness level of business management plan"
Target number: positive ratio for all employees
Actual question: Do you know the details of the business management plan for your business unit/Planning and Administration Unit, etc.?
- ③ Employee awareness survey item "Management of business objectives (managed properly with sufficient interviewing)"
Target number: positive ratio for all employees
Actual question: Do you think you are properly managed by your supervisor through interim progress management and support?
- ④ Employee awareness survey item "Feedback on personnel evaluations"
Target number: positive ratio for all employees
Actual question: Did you receive feedback from your supervisor regarding the results of your business results and personnel evaluation?

4-2. Promotion of career opportunities for women

- (1) Basic policy
- A. Actively appoint female managers.
 - B. Support career development for women in accordance with career path, area position, and life stage.
 - C. Support continued employment while promoting measure to support work-life balance in accordance with the current life stage.
 - D. Develop activities for participation by all employees to develop awareness of activities to promote career development for women in their branch to contribute to positive operations.
- (2) Overall goals
- A. Nurture female candidates for managerial positions under the initiative to employ more female managers through "Project Challenge!"
 - B. Support career development for women through mentoring programs, etc.
 - C. Support expansion of area employment through administrative employment training.
 - D. Motivate and increase capabilities of female employees by active participation of management to provide "Practice opportunities and challenges" to female employees so that these employees can gain work experience.
 - E. Establish a working environment that allows working mothers to be motivated working towards a career path.
 - F. Utilize existing activity base while further developing activities to develop awareness of activities to promote career development for women in their branch to contribute to positive operations.
 - G. Foster greater awareness in male employees regarding the promotion of women in the workplace.
- (3) Target numbers
- | | |
|--|---------------------|
| ① Ratio of female managers | 5% (By April, 2018) |
| ② Ratio of female new hires recently graduated from university | 30% |
| ③ Employee awareness survey item "Management support to develop capabilities of female employees (females)" | 75% |
| ④ Employee awareness survey item "Evaluation of activities promoting career development for women in branches" | 70% |
- (Supplement) Details of employee awareness survey items
- ③ Employee awareness survey item "Management support to develop capabilities of female employees (females)"
Target number: positive ratio for all female employees
Actual question: Do you think managers support the promotion of career development for women through daily guidance?
 - ④ Employee awareness survey item "Evaluation of activities promoting career development for women in branches"
Target number: positive ratio for all employees
Actual question: What do you think of the activities for promoting career development for women in your branch?

5. Improvement of the workplace environments

- (1) Basic policy
- A. Enforce work-life management.
 - B. Strengthen harassment prevention.
- (2) Overall goals
- A. Increase productivity while promoting a work style of focusing on work during normal business hours to prevent needless overtime.
 - B. Promote the building of a workplace environment enabling both men and women to work comfortably.
 - C. Strengthen measures to prevent harassment (Same initiative "6. Establish and strengthen risk management and compliance structures").
 - D. Strengthen measure to maintain mental health.
 - E. Understand management issues through employee awareness surveys.
- (3) Target numbers
- | | |
|--|-----|
| ① Employee awareness survey item "Compliance with two no-overtime days per week" | 70% |
| ② Ratio of men taking child-related leave for 3 days (paternity leave, paternity participation, and childcare leave) | 80% |
- (Supplement) details of employee awareness survey items
- ① Employee awareness survey item "Compliance with two no-overtime days per week"
Target number: ratio of responses from all employees indicating compliance every week
Actual question: Is there compliance with two no-overtime days per week?

6. Establishment and strengthening of risk management and compliance structures

- (1) Basic Policy
- A. In order to properly manage risk while meeting what is called for by policy, establish a risk management program and monitor its progress through the Corporate Governance Committee, etc.
 - B. In order to further instill strong compliance awareness among staff, establish a compliance program and monitor its progress through the Corporate Governance Committee, etc.
 - C. Enhance crisis management system by holding regular BCP^(Note) drills.

(2) Overall goals

- A. Create a new risk management program and compliance program based on implementation in the previous year, monitor the status of implementation of these programs, and report to the Corporate Governance Committee when there are issues that require deliberation or investigation by JFC.
- B. Conducting continuous inspections and appropriate action toward the elimination of anti-social forces.
- C. Ensure proper understanding of harassment through training and tools as well as increase level of understanding through a compliance help line and consultation services.
- D. Enhanced common compliance training (expansion of target audience and improving the content).
- E. BCP review based on procedures training and understanding of issues through regular training of established BCP.
- F. Increase and enhance awareness of employee compliance and crisis management through branch training.
- G. Plan review of BCP and disaster supplies depending on review of damage assumptions in the event of a large-scale earthquake.

(Note) 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.