

Japan Finance Corporation

Annual Report

2015



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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Message from the Governor & CEO



● Measures Implemented in FY2014

Nearly seven years have passed since the integrated launch of JFC in October of 2008. During this time, under the Basic Philosophies of “Focused Policy-based Financing” and “Mainstreaming Governance,” JFC continued 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 supporting, in order to address the various management issues faced by customers, JFC also worked on strengthening its consulting functions, strengthening its cooperation with private financial institutions, and strengthening financial services in terms of both information and funding demonstrating the comprehensive capabilities of JFC.

Promoting the demonstration of the comprehensive capability of these three integrated business units includes establishing the “Plan for Promoting the Demonstration of Collective Strength” for all branches as the pillar of our efforts to share our success with the public as well as participating in 263 local projects spearheaded by regional public organizations as measures for regional revitalization. JFC also matched a total of 2,910 pairs of businesses, which is a result of providing its services through national business matching meetings, such as the Agri-Food EXPO.

In addition, based on the premise of completion with private financial institutions, we have been promoting business partnerships with more private financial institutions than ever before. As of March 31, 2015, MOUs on business partnerships and collaboration have been concluded with 458 financial institutions. This accounts for over 95% of all regional banks, Regional banks II, and Shinkin banks. Specifically in FY2014 to

increase effectiveness, we have focused on creating cooperative loan schemes in business sectors such as start-up and revitalization or support for agricultural, forestry, and fishery businesses that require collaboration with private financial institutions. We have provided such loans to 324 institutions as of March 31, 2015. As a result of these efforts, we provided 10,714 total cooperative loans in FY2014, which totaled 535.4 billion yen.

(Reconstruction Support Following the Great East Japan Earthquake)

Though it has been four and a half years since the Great East Japan Earthquake, reconstruction efforts are still ongoing. During this time, JFC has worked hard to help support efforts to recover from the Great East Japan Earthquake by providing various loans to our customers affected by the Great East Japan Earthquake and responding as quickly and meticulously as possible to requests for financing and repayment from these loan recipients.

As a result, cumulative earthquake-related financing in FY2014 totaled 188.9 billion yen, and post-earthquake cumulative financing totaled 4.0221 trillion yen.

(Support for Safety Net Loan Demand)

Efforts to respond rapidly and carefully to requests from SMEs and micro businesses, and agriculture, forestry, fisheries and food businesses for advice on financing and repayments, were provided through consultation counters established in response to fluctuations in rice prices in 2014, high raw materials and energy costs, and natural disasters such as heavy rains, typhoons, and the eruption of Mount Ontake.

(Support for Growth Strategies and Other Areas)

JFC is aggressively engaged in major government growth strategy initiatives. One of these is to provide support for challenges faced by women and young people, etc. engaging in start-ups and new businesses. Another is to provide reconstruction support in cooperation with regional financial institutions. Yet another is social business support for NPOs. Other of these initiatives include support for overseas expansion and support of new development

for agriculture, forestry, fisheries and food businesses in anticipation of major changes in agricultural policies.

We have built a solid foundation to facilitate start-ups and provide comprehensive consulting and other support services through the establishment of a start-up network in conjunction with regional public organizations. In FY2014, we have provided start-up loans to 26,010 businesses totaling 221.4 billion yen, which represents the largest amount in the past 10 years for both the number of companies and amount of loans. We have also supported new business in conjunction with venture capitalists to help small and medium enterprises (SMEs) face new and challenging business sectors. In addition, we held the second "High School Student Business Plan Grand Prix" to help foster entrepreneurship in young people.

We have also worked with business revitalization cooperatives and private financial institutions while utilizing Capital Subordinated Loans and DES to provide support for business revitalization.

Some of our social business support efforts include interest rate incentives to authorized NPOs, seminars and individual consultations held together with NPO support centers, and the establishment of regional support facilities.

Regarding support for overseas expansions, the Standby Letter of Credit Program, which supports SME's overseas subsidiaries' smooth procurement of long-term local currency denominated funds through partnerships with overseas financial institutions, we now have extended our business partnership to 8 overseas financial institutions by signing a business cooperation agreement with a local financial institution in Mexico in FY2014. The number of regional financial institutions in cooperation with JFC's Standby Letter of Credit Program has increased by another 23 institutions for a total of 53 partner regional financial institutions. Accordingly, we have expanded our loan program to provide loans in US dollars for the benefit of domestic SMEs engaged in overseas expansion.

In order to support new agriculture, forestry, fisheries and food business developments, JFC supports farmers certified as core economic units in local communities under the Farmers and Farmland Plan. JFC also actively supports for the new farmers by providing Young Farmer Business Start-up Loan, which was established in FY2014 to help new farmers. As a result of these efforts, we provided loans to agricultural, forestry, and fishery and food industry businesses totaling 366.9 billion yen in FY2014, which represents the largest amount of loans since the establishment of JFC in 2008.

(Organizational Management Initiatives)

The question of how to manage the system from each of the old corporations was one of the biggest challenges we faced when we integrated. All projects under the comprehensive system optimization plan that has been in force since 2010 were completed by January of 2015. As a result, we have completely eliminated the mainframe that was present at each head office and have moved to a highly flexible and scalable common system infrastructure that incorporates the latest IT technologies including open technologies and virtualization. We have also reduced the number of servers to significantly reduce system operation costs. We have also reviewed changes in business flows due to the adoption of electronic approvals and utilized BPR such as changing to a paperless environment to streamline operations and improve efficiency.

To promote increased opportunities for female employees,

JFC has carefully and proactively moved closer it's a target for a 5% ratio of female managers by 2018 as well as worked toward increasing the total number of female employees.

We have also adopted "Regional Personnel" in FY2014 to limit the scope of transfers in efforts to retain a diverse workforce.

In addition, JFC has established a structure to delegate authority to the Corporate Governance Committee to observe and manage JFC management as part of the risk management system and compliance system. In particular, this committee also oversees investigations on the current effectiveness of governance to eliminate anti-social forces and reports the results of which to the Board of Directors.

● Future Initiatives

The Japanese economy is currently experiencing a gradual recovery, but small and medium enterprises (SMEs) and agricultural, forestry, and fishery businesses do not necessarily feel the effects of this recovery. Though this is certainly a major hurdle in fostering future sustainable growth, we can turn this challenging period into a positive opportunity if we remain resilient and stay focused on our goals.

Though JFC will continue to steadily yet flexibly fulfill our role in demonstrating the safety net function and provide support for the Great East Japan Earthquake, we will also continue to demonstrate our comprehensive capabilities and proactively in efforts to support Strategic Areas of Growth, etc.

Specifically, JFC will initially demonstrate this comprehensive capability by continuing to actively participate in regional projects tackled by regional public organizations and provide matching support such as loans and business discussion events that meet all of our different customers' needs.

Particularly with the "Strategy for overcoming population decline and vitalizing local economy" approved by the Cabinet at the end of last year, JFC and its collaboration with regional private financial institutions will play a significant role as regional governments develop their local comprehensive strategies. Drawing upon the experience and achievements gained through our past demonstrations of comprehensive capabilities, JFC will continue to be proactively engaged in community revitalization initiatives such as participation in the establishment of these local comprehensive strategies.

JFC is also committed to providing support for new developments in overseas expansion, business start-ups, social business, business revitalization, and agriculture, forestry, fisheries and food businesses as part of our individual Strategic Areas of Growth, etc. initiatives.

In fulfilling these initiatives, nothing is more important than the actual frontline activities that, along with precise internal operations, facilitate appropriate and accurate responses to business partners, regional public organizations, and other stakeholders. In this regard, we ask for your continued support and understanding.

July 2015



Koichi Hosokawa
Governor & CEO
Japan Finance Corporation

Profile (as of March 31, 2015)

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: 3,855.0 billion yen Capital reserve: 1,965.7 billion yen	
Branch Offices	Branch offices in Japan: 152 Overseas representative offices: 2	
Employees	7,364 (budgetary fixed number for FY2015)	
Outstanding Loans	Total of Outstanding Loans:	20,068.5 billion yen
	Micro Business and Individual Unit:	7,126.1 billion yen
	Agriculture, Forestry, Fisheries and Food Business Unit:	2,642.9 billion yen
	Small and Medium Enterprise (SME) Unit:	6,181.9 billion yen (Finance Operations)
	Operations to Facilitate Crisis Responses:	4,035.6 billion yen
	Operations to Facilitate Specific Businesses Promotion, etc.:	81.8 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.

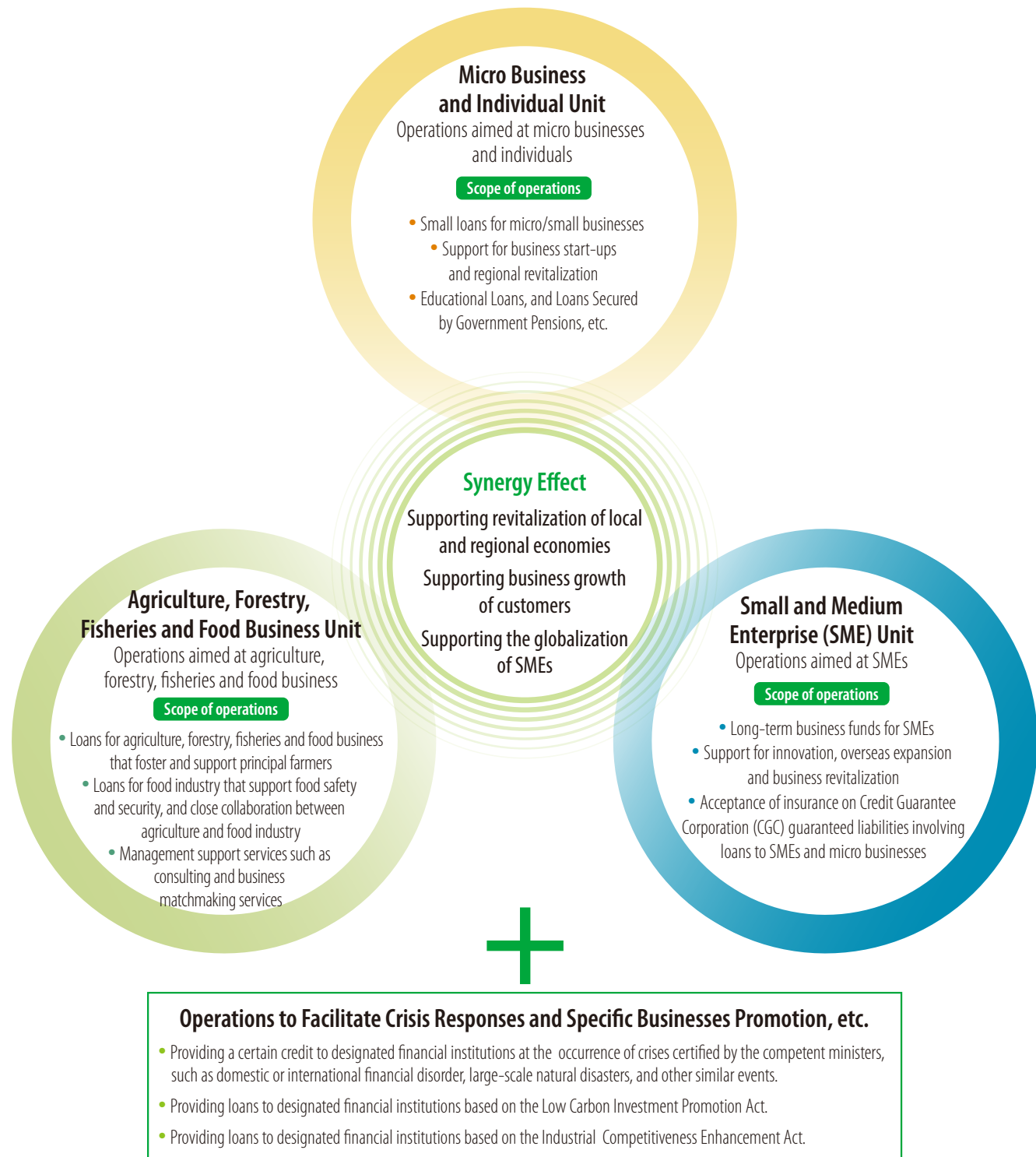
● Offering a broad range of services

JFC leverages the specialized expertise of each institution and shares knowhow 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 and Management Policy

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 Japanese Economy.

4. Contribution to regional revitalization

A. Promote support to demonstrate vitality of SMEs and micro businesses and agricultural, forestry, and fishery businesses sustaining regional economies by creating and maintaining employment, etc.

B. Contribute to regional revitalization by demonstrating our comprehensive capabilities by participation in projects, including regional measures and policies.

C. Commit to contributing to local communities by expanding activities rooted in local areas.

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 quality and ability 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 system and entrenchment of compliance awareness

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

Business and Management Plan (FY2015-2017)

JFC has formulated the following Business and Management Policy and Plan for the period from FY2015 to FY2017.

Business and Management Plan (FY2015-2017)

JFC steadily and agilely undertakes the exercise of safety net functions, including support for reconstruction after the Great East Japan Earthquake, recovery and restoration from typhoons and natural disasters, 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. Furthermore, in order to contribute to regional revitalization, JFC demonstrates its comprehensive support capabilities by providing further support to individual businesses that sustain regional economies by cooperating with relevant organizations, which include private financial institutions, for supporting local Government efforts in resolving regional issues.

Moreover, while exercising the policy proposal capabilities that are our mission as a policy financing institution, JFC seeks to enhance its consulting function capabilities and its public relations services, and to go beyond loans to provide the high-quality services made possibly by policy-based financing.

In the execution of our work, based on the premise of The Workplace comes First, 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. As a cornerstone of its JFC network, the integrated branch managers seek to perform the role and holding 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 SMEs and micro businesses 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

- Proactive 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) (consisting of those that have yet to start and those that are within 1 year of start-up): 22,000

Number of companies contracted with new business development loans: 2,800

(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: 1000

(b) Enhanced collaboration with revitalization cooperatives, etc.

Number of companies forwarded to revitalization cooperatives: 100

(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 social businesses.

(a) Proper support in response to loan demand.

Number of loans for NPOs: 800

(b) Promote financial services that solve business challenges.

(c) Enhance collaboration with institutions that support social businesses.

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: 450 companies

(b) Support for the overseas business expansion of micro/small businesses.

Number of Loans for Overseas Investment: 650

(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 efforts to help ensure employment of new farmers.

Number of borrowers to new agriculture business operators and farms employing new farmers: 800

(c) Support for initiatives of agricultural, forestry, and fishery businesses intending to improve businesses through sixth industrialization.

Number of sixth industrialization borrowers: 900

(d) Support for agricultural, forestry, and fishery businesses initiatives to engage in export business.

(e) Support for initiatives contributing to the use of domestic timber by large timber enterprises.

(f) Support for the construction of ships to replace old fishing boats, contributing to fishery production and structural reform.

(g) Support for food businesses engaged in expansion of domestic and foreign demand through reinforcement of the cooperation with agricultural, forestry, and fishery businesses.

Number of food business borrowers: 200

(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.

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

(1) Actively participate in regional projects and contribute to regional programs.

In particular, active participation in formulating local comprehensive strategies on the basis of requests from local municipalities and contribution to promoting and implementing such measures.

(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 (including the status of establishing local comprehensive strategies).

(b) Support for loans and supply of information meeting the needs of customers and local areas through collaboration with

multiple business units.

- (c) Matching customers through cross business unit collaborations.
- (d) Holding of consultancy meetings and seminars attended by customers from multiple businesses.
- (e) Conduct "High School Business Plan Grand Prix."

B. Further enhancement of collaboration between integrated branches and branches of the Micro Business and Individual Unit.

C. Provide optimal loan proposals to customers based on in-depth knowledge of JFC's entire loan programs.

Promote initiatives that enable the branch manager to demonstrate leadership and improve knowledge of 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 across multiple business areas.

5. Promotion of the services to JFC's customers and demonstration of its policy advocacy capabilities

(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.

C. Strengthen JFC's consulting capability while providing useful information in accordance with customer needs.

(a) Provide information to customers seeking to expand overseas.

Number of Seminars on Overseas Business Expansion: At least 80

(b) Collaboration with institutions that support overseas investment, etc.

(c) Strengthen integrated management support of loans through financial diagnostics, balance simulations, etc.

(d) 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 PR capability through publishing a new PR magazine.

B. Strengthen public relations activities with regional media.

Number of published regional newspaper articles: 5,000

C. Strengthen public relations activities through planned proposals.

Number of planned proposals generating articles: 60

D. Strengthen public relations activities utilizing various media such as the Internet.

(3) Demonstration of roles that contribute to the successful operation of business units 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.

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. Demonstration of roles that contribute to the successful operation of business units.

Conduct research activities that contribute to policy recommendations and the successful operation of business units.

(4) Initiatives that improve systems and policies through policy recommendations based on the needs of customers and local environments.

A. Collect the views expressed by customers, and reflect them in policy proposals and measures.

Views expressed by SMEs and micro business 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.

Accurately understand local area needs for policy-based financing and integrate these needs into policy recommendations and operations.

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.	$\frac{\text{Number of businesses, etc. defaulting from the number in the denominator}}{\text{Number of businesses, etc. that made loans}^{(\text{Notes 2 and 3})} \text{ during the fiscal year}}$ <p>[Annual target]</p> $\frac{\text{Number of businesses, etc. defaulting from the number in the denominator}}{\text{Number of businesses, etc. that made loans}^{(\text{Notes 2 and 3})} \text{ last year before the reporting month}^{(\text{Note 4})}}$ <p>[Monthly reports (monitoring index)]</p>	<p>Micro: 0.32%</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 5) [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 5)	Managing credit cost ratios ^(Note 6) 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>	—

Notes: 1. The scope of defaults excludes "restructured loans." Micro Business and Individual Unit shares a percentage of loans.

2. The Micro Business and Individual Unit provides loans directly (excluding managerial improvement, environmental sanitation, education, loans secured by government pension, and loans secured by government bonds).

3. The Small and Medium Enterprise (SME) Unit provides loans directly as well as securitization support loans, customers' liabilities for acceptances and guarantees related to the issuance of letters of credit other than the related duties of such issuance (cooperative), and corporate bonds including those with stock acquisition rights and those acquired from the securitization of loans.

4. Includes the reporting month.

5. This is a reference index to determine the level of achievement, etc.

6. 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. Demonstration of roles of Integrated branch office managers as the vital point for the JFC network.
- B. Accurate demonstration of roles that link branches within business units presiding over specific districts.
- C. Continual enhancement of branch management philosophy based on the idea that local areas are paramount.

2. 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^(Note) measures.

- B. Respond to active improvement proposals from staff, work to rationalize administrative operations and realize efficient business operations.

(2) Overall goals

- A. Achieve outlook of negotiated contract ratios for the fiscal year in accordance with the negotiated contract review plan.
- B. Establish and improve planned stores and staff procurement.
- C. Promote disposal of underutilized real estate.
- D. Respond to planned inspections/reviews and active improvement proposals from staff to realize efficient business operations.
- E. Increase use of paper using thinned wood for business cards, envelopes, and other printed materials.
- F. Promote administrative operation efficiency and improve expertise through standardization of credit management administrative operations.
- G. Improve operation of the Planning and Administration Unit, etc. through BPR.

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

(3) Individual goals

[Micro Business and Individual Unit]

- A. Initiatives to ensure further transition to consolidated administration.
- B. Expanded consolidation of educational loan reviews.
- C. Initiatives to convert credit surveys to an electronic format.
- D. Improve operations from the perspective of the local branch and local area.

[Agriculture, Forestry, Fisheries and Food Business Unit]

- A. Strengthening of frontline activities based on BPR of head office and branch operations.
- B. Establish the proposal system to help focus awareness of employees on daily activities.

[Small and Medium Enterprise (SME) Unit]

- A. Implementation of BPR for Loan Programs.
Streamline and improve the efficiency in the execution of appropriate loan programs through the strengthening of frontline activities.
- B. Conduct efficient screening operations.
- C. Implementation of BPR for Credit Insurance Programs.
- 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

Negotiated contract ratio

Number of loans (21.8%)/Amount of loans (28.8%)

3. To examine basic concepts for the steady promotion of the IT Medium-term Plan, efficient and effective systems administration, and the optimization plan for successive period

(1) Steady promotion of subsequent projects on the basis of the IT Medium-term Plan

- A. Individual development efforts toward standardization and integration

(a) Development efforts to be completed in FY2015

Integration of common infrastructure of Micro Unit business systems such as the trustee network system, network integration, integration of terminal management systems, integration of OCR input systems, integration of mobile systems, and development of information infrastructure.

(b) Development efforts to be completed by FY2017

Restructuring of credit insurance system and integration of collateral system.

- B. Actively support system development requests from business units, etc.

(2) Promote development and operation of efficient and trouble-free system

- A. Stable and efficient operation of optimized systems.
- B. Improved operation through automation and standardization of operations.
- C. Organization of teams composed of members from different areas in response to details of development.

(3) Examine basic concepts for the optimization plan of subsequent comprehensive systems

- A. Surveys and discussion on the effects, challenges, and business impact of the standardization and corresponding scope with regard to business systems.

- B. Trend research and analysis of effective and efficient IT technologies and infrastructure methodologies.
- C. Establish a system to develop and optimize subsequent planning.
- (4) Train human resources capable of effectively utilizing IT to plan and develop business enhancements
 - A. Develop human resources capable of cross-sectional analysis of business regarding standardization and integration planning so as to create system development plans.
 - B. Develop human resources capable of obtaining comprehensive IT knowledge so as to develop more effective and efficient systems.

(5) Appropriate implementation of system audits

4. 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. Operate and review personnel payroll system.
- 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 that facilitate debate and discussion among workers as well as 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 and programs to support self-development, excluding those specific to the business unit.
- C. Strengthen management capability.
 - (a) Improve content in human resources academy courses and ensure smooth operations.
 - (b) Promote initiatives to further improve communication between management and non-management employees.
- D. Appropriately conduct career paths for regional personnel.
- E. Ensure preparedness to ensure trouble-free operation of personnel payroll system.
 - (a) Monitor payroll system operation and conduct questionnaires regarding payroll system operation.
 - (b) Ensure preparedness to ensure trouble-free operation of a rehiring system.
- F. Unification of differences in using the personnel payroll system after transitional measures (April of 2016).
- G. Develop human resources capable of achieving business objectives for different business areas.
 - (a) Proactive support of personnel transfers between business units.
 - (b) Strengthen training programs for employees who have transferred between business units.
- H. Expand scope of activities for area employment through administrative employment training systems, etc.
- I. 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.
 - (d) Implementation of corporate training program.
- J. Utilize outsourcing and efficient operations of salary payments and similar activities.
- K. Support for the personal number system to be implemented in January of 2016 (social security/tax number).
- L. Improve HR payroll system in efforts to implement more attentive personnel and labor management.
Improve and enhance functionality of current employee support system.

(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 2015: 230	Fiscal year 2016: 240	Fiscal year 2017: 250
[SME Unit]	Fiscal year 2015: 210	Fiscal year 2016: 215	Fiscal year 2017: 220

Number of certified Agricultural, Forestry and Fishery Management Advisors

[Agriculture Unit]	Fiscal year 2015: 230	Fiscal year 2016: 240	Fiscal year 2017: 250
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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?

5. Promoting career opportunities for women and improving the workplace environment

(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. Enforce work-life management (WLM).
- E. Develop activities for participation by all employees and contribute to business operations regarding the promotion of career opportunities for women.
- F. Strengthen harassment prevention.

(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. Create a work environment that enables every employee to demonstrate their capability and proficiency.
- F. Increase productivity while promoting a work style of focusing on work during normal business hours to prevent needless overtime.
- G. Utilize existing activity base while further developing activities to further the promotion of career opportunities for women.
- H. Strengthen measures to prevent harassment (Same initiative "6. Establishment and strengthening of risk management system and compliance system").
- I. Strengthen measure to maintain mental health.
- (a) Expansion of mental health counseling facilities
- (b) Expansion of mental health training
- J. Understand management issues through employee awareness surveys.

(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 "Compliance with two no overtime days per week" | 80% |
| ⑤ Ratio of men taking child-related leave for 3 days (paternity leave, paternity participation, and childcare leave) | 100% |

(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 "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 system and compliance system

(1) Basic Policy

- A. Implement appropriate risk management while meeting what is called for by policy.
- B. Implement adequate monitoring while creating and enhancing compliance awareness.
- C. Further enhancement of crisis management system.

(2) Overall goals

- A. Establish risk management and compliance programs and monitor its progress through the Corporate Governance Committee, etc.
- B. Appropriate implementation of risk management for integrated branch operation.
- C. Taking appropriate action toward the elimination of anti-social behavior.
- D. Enhance compliance awareness through training and learning tools.
- E. Thorough compliance reporting and consulting.
- F. Initial response procedural training and BCP^(Note) review through regular training of established BCP.
- G. Branch managers must appropriately demonstrate their roles regarding crisis management and compliance activities.

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.