

Japan Finance Corporation Annual Report 2016



JAPAN FINANCE CORPORATION

Contents

1	Overview of JFC
2	Message from the Governor & CEO
4	Profile
5	Main Business Activities
6	Basic Philosophy and Management Policy
7	Business and Management Plan (FY2016-2018)
15	JFC Activities
16	Response to the Great East Japan Earthquake
16	Provision of Policy-based Financing
21	Working towards Improved Customer Service that Reflects Comprehensive Capabilities
25	Other Initiatives
26	Overview of Operations in FY2015 and Outline of Financial Statements
28	Funding
31	Overview of Operations
32	Micro Business and Individual Unit
38	Agriculture, Forestry, Fisheries and Food Business Unit
44	Small and Medium Enterprise (SME) Unit
50	Operations to Facilitate Crisis Responses and Specific Businesses Promotion, etc.
52	Research Institute
55	Systems for Organizational Management
56	Governance
71	Organization and History
72	Organization
73	Office Locations
78	History of JFC
79	Data
80	Operational Performances
93	Financial Statements and Notes
187	Reference Information

Presentation of quantities and amounts in this report

1. Quantities and amounts less than one standard unit

Quantities, numbers of items, monetary amounts and other numerical figures presented in this report are, in principle, truncated (rounded down) to the nearest standard unit of presentation.

Percentages are rounded up or down to the nearest decimal place presented. Consequently, some totals presented differ slightly from the sum of the component figures presented.

2. Method of presentation

In cases where quantities, numbers of items, monetary amounts and other numerical figures are less than one standard unit of presentation, such figures are presented as zero (0). In cases where there is no applicable amount, a hyphen (-) is shown.

Overview of JFC

- Message from the Governor & CEO2
- Profile4
- Main Business Activities5
- Basic Philosophy and Management Policy6
- Business and Management Plan (FY2016-2018)7

Message from the Governor & CEO

I would like to express my condolences to the families of those who lost their lives in the Kumamoto Earthquakes of April 2016, as well as my sincere sympathies to everyone who suffered damages.

Starting with Kumamoto and Oita prefectures, JFC is establishing special consultation desks at branches throughout the country in order to support SMEs and micro businesses, and agricultural, forestry, and fisheries and food businesses, by consultation regarding financing and repayment for those who have been affected by the Kumamoto Earthquakes.

We will continue to carry out a swift and focused response.

Measures Implemented in FY2015

Nearly 8 years have passed since the integration of the three enterprises comprising the Japan Finance Corporation in October 2008.

Meanwhile, under our Basic Philosophies of “Focused Policy-based Financing” and “Mainstreaming Governance”, JFC conducts constant reviews of business operations in order to bring about the benefits of integration. And under a mission directive to “connect” policies with all relevant business initiatives, we have worked on improving customer service, and demonstrating safety net functions such as reconstruction support following the Great East Japan Earthquake, and contributing to growth strategies and other areas.

Improving Customer Services

As one of the main pillars of our Management Policy, JFC actively promotes on improving Customer Service.

Above all, in order to return the fruits of integration to the people, our three entities cooperate every year in formulating a “Plan for Promoting the Demonstration of Collective Strength” and all branches will proactively approach the problems faced by each region.

Specifically, our three business units cooperate with each other and actively participate in regional projects by local governments aimed at regional vitalization, working to provide financing support based on the needs of each customer and region.

In FY2015, we contacted all local governments, and leveraged our experience to actively participate in formulating a “Comprehensive regional strategy”, based on the requests from each local government.

Hereafter, JFC will actively cooperate in the concrete execution and promotion of these strategies, through use of our nationwide network of 152 branches.

In addition, with the goal of providing beneficial information that matches the needs of each customer and region, we continued to host events on a nationwide scale, such as “Agri-Food Expo” and “Nationwide Business Discussion Meeting”. Also, in order to help match customers via cross business unit collaboration, our branches in each region conducted trade fairs and seminars, putting their integrity in full use.

And, with the aim of complementing private financial institutions, we actively pursued collaboration by entering into MoU’s for business collaboration and cooperation with many institutions (nearly 100% of regional banks and credit associations).

Furthermore, to help make this a reality, we have greatly surpassed last fiscal year’s cooperative loans (15,130, totaling 607.1 billion yen) as a result of efforts such as creating a “cooperative loan scheme” which combines the financing systems of each institution.

Moreover, as part of our comprehensive integration, we are working to strengthen public relations through efforts such as launching a PR magazine called “Connect JFC”, which aims to make the function, roles, and initiatives of JFC more well known.

(Dealing with demands for a safety net for reconstruction support following the Great East Japan Earthquake, etc.)

Including support for reconstruction following the Great East Japan Earthquake, after 5 years but yet on the way to recovery, JFC has responded swiftly and meticulously to inquiries regarding financing and repayments from SMEs and micro businesses, and agricultural, forestry, and fisheries and food businesses who are affected by natural disasters and worsening of economic environment.

(Contributions to Strategic Areas of Growth, etc.)

Based on the government’s growth strategies, etc., JFC is proactively engaged in supporting the new development of SMEs and micro businesses start-ups, new business, business revitalization, social business, overseas expansion, and new expansion by agriculture, forestry, and fisheries business operators for the development and growth of the Japanese economy.

Through such activities, each business unit is striving to collaborate for improved service by sharing know-how about each financing system, inspection, post-financing support, customer network, etc.

As support for business start-ups, for example, we are holding a “High School Student Business Plan Grand Prix” to encourage entrepreneurialism in the younger generation.



Future Initiatives

Japan's economy is currently following a gradual recovery trend, but I think now is the key point for putting it on track to economic comeback in the future. I believe we must not pass up this important opportunity.

Within this context, JFC will concentrate its efforts on steadily and flexibly fulfilling its role in maintaining a safety net function including support for recovery from the Great East Japan Earthquake and Kumamoto Earthquake. We will also continue working aggressively to support initiatives that demonstrate the comprehensive capabilities of JFC, strategic Areas of Growth, etc.

Also, in order to provide the high-quality service characteristic of policy finance, we will carry out initiatives that link policy to customer feedback and the needs on-site, while appropriately performing a risk-taking function, and working to improve our consulting functions and abilities. Moreover, in carrying out our affairs, we will follow the principle of "doing ordinary tasks with excellence" while steadily and appropriately building on each individual task, and take a bottom-up approach to achieve the aim of becoming a more familiar and reliable organization in each region.

In our organizational management we will utilize information technology in pursuit of efficient and effective management. At the same time, we will work toward maturation as "One Finance Corporation" by engaging in efforts to create a self-fulfilling workplace through human resource development and promotion of career opportunities for women.

In regards to the initiatives above, we will leverage appropriate management based on the opinions of our customers, local governments, relevant organizations and bodies.

We look forward to your further understanding and support in the future.

Jul. 2016

Koichi Hosokawa
Governor & CEO
Japan Finance Corporation

Profile (as of March 31, 2016)

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: 3,904.6 billion yen Reserve fund: 1,748.8 billion yen	
Branch Offices	Branch Offices in Japan: 152 Overseas representative offices: 2	
Employees	7,364 (budgetary fixed number for FY2016)	
Outstanding Loans	Total of Outstanding Loans:	18,736.7 billion yen
	Micro Business and Individual Unit:	7,001.2 billion yen
	Agriculture, Forestry, Fisheries and Food Business Unit:	2,673.3 billion yen
	Small and Medium Enterprise (SME) Unit:	5,912.6 billion yen (Finance Operations)
	Operations to Facilitate Crisis Responses:	3,073.2 billion yen
	Operations to Facilitate Specific Businesses Promotion, etc.:	76.2 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.

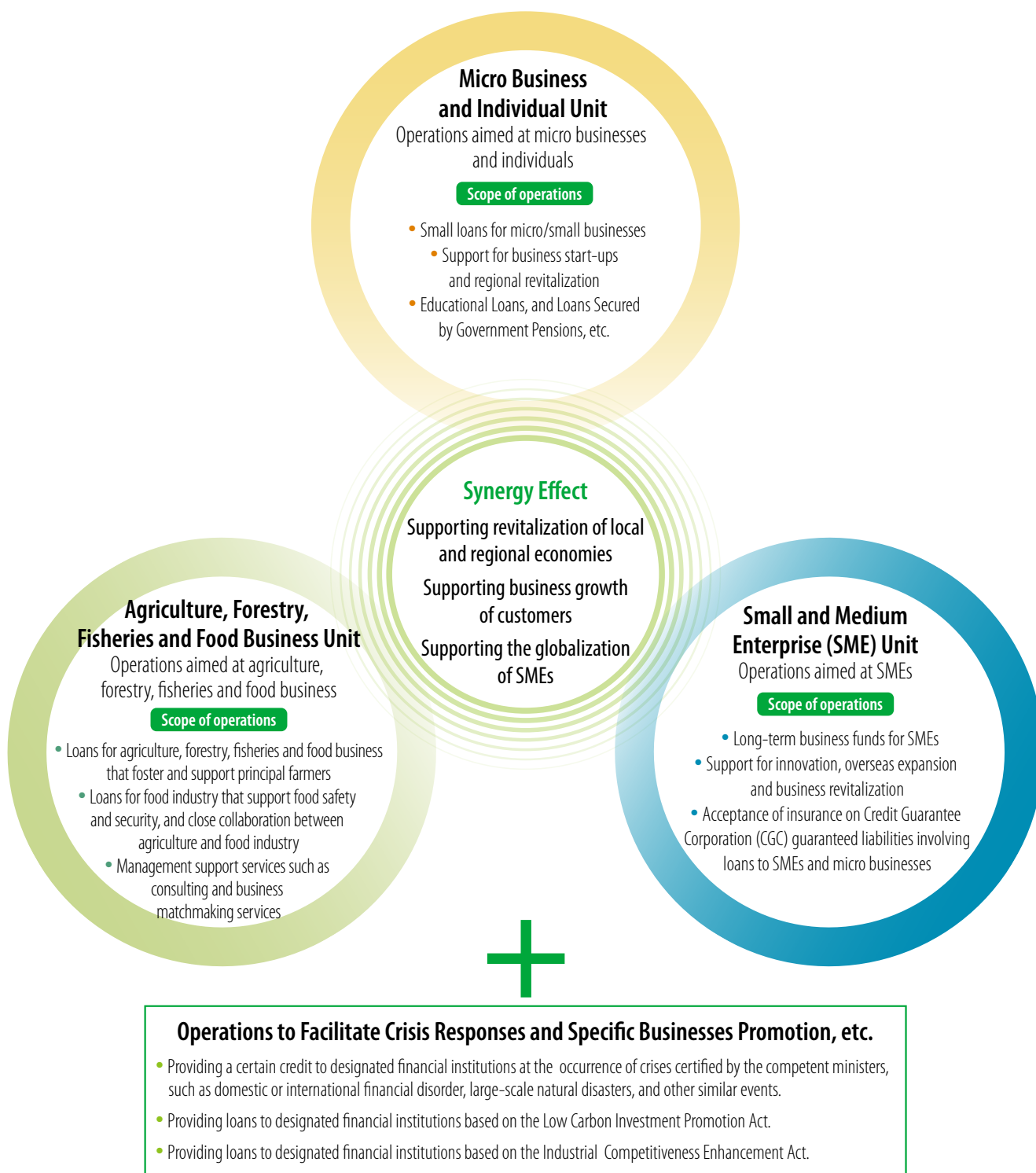
- **Offering a broad range of services**

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 participating in regional project such as comprehensive strategies of the local government.

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 (FY2016-2018)

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

Business and Management Plan (FY2016-2018)

JFC has responded steadily and agilely to firmly demonstrate its safety-net functions for assisting the reconstruction from the Great East Japan Earthquake, recovery and restoration from typhoons and natural disasters, while attentively meeting demands in accordance with economic conditions. In addition, JFC is comprehensively committed to Strategic Areas of Growth, etc., including support for the new development of start-ups, new business, business revitalization, social business, overseas expansion, agriculture, forestry, and fisheries business operators for the future development of the Japanese economy. Furthermore, in order to contribute to regional revitalization, JFC is demonstrating its comprehensive support capabilities by providing further support to individual businesses that sustain regional economies by utilizing its network of 152 branches nationwide, as well as cooperating with relevant organizations, which include private financial institutions, on initiatives such as comprehensive regional strategies that support local Government efforts in resolving regional issues.

Also, in order to provide the high-quality service characteristic of policy finance, we will work to consistently promote publicity activities and demonstrations of policy recommendation ability which link policy to customer feedback and the needs on-site, while appropriately performing a risk-taking function, and working to enhance our consulting function and ability.

In carrying out our affairs, we will follow the principle of “doing ordinary tasks with excellence”, and while steadily and appropriately building on each individual task, we will take a bottom-up approach to management with the aim of being a more familiar and reliable organization in each region. In this the integrated branch office manager will endeavor to fulfill the role of the “cornerstone” on the JFC network. Also, in our organizational management we will utilize information technology in pursuit of efficient and effective management. At the same time, we will work to create a fulfilling workplace through human resource development and promotion of career opportunities for women. Through the above measures, we plan to work toward maturation as “One Finance Corporation.”

Based on these, each employee strives with a sense of mission, as a policy-based finance operator, to demonstrate their roles to connect this policy to its various business endeavors. In doing so, JFC is working to achieve the following goals.

Goals of Business Operations

1. Support for reconstruction from the Great East Japan Earthquake

- A. Respond sincerely to 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 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 natural disasters, infectious livestock diseases, falling prices of farm produce or some other adversity, and those working toward business improvement.
- (2) Provide sufficient funds to customers in a timely and efficient manner.
 - A. Actively support the funding needs, etc., of customers.
 - Swiftly handle the funding needs of customers such as various loans, funding programs and securities.
 - 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 for SMEs and micro businesses through the Credit Supplementation System.
 - (a) Respond appropriately to demands for safety net services concerning credit guarantees

(b) Consider policy measures for enhancement/improvement of the system from the standpoint of an executing agency, in order to make the Credit Supplementation System sustainable.

B. Strengthen collaboration with Credit Guarantee Corporations.

3. Supply funds with priority given to Strategic Areas of Growth, etc.

In addition, JFC proactively supports Strategic Areas of Growth, etc., including support for the new development of start-ups, new business, business revitalization, social business, overseas expansion, agriculture, forestry, and fisheries business operators.

A. Support for business start-ups and new businesses.

(a) Contribute to regional innovation and job creation through increased support to business start-ups.

New development loans (number of companies) (before establishment and within one year after establishment): 22,000

(b) Proactively supply funds and support growth of companies engaged in new business activities.

Number of companies contracted with startup and entrepreneurial support loans: 1,150

(c) Strengthen financial services by combining the services of its multi-business units.

(d) Cooperation with institutions that support start-ups and new business.

(e) Hosting of "High School Student Business Plan Grand Prix".

B. Support business revitalization.

(a) Strengthen support functions for business revitalization.

Number of companies contracted with business revitalization loans: 1,100

(b) Enhanced collaboration with Revitalization Support Council, etc.

Number of companies forwarded to Revitalization Support Council, etc: 100

(c) Proactive utilization of financing methods such as DDS and DES.

(d) Enhanced revitalization initiatives for multiple linked businesses.

(e) Appropriate implementation of two-step loans for business restructuring based on the Industrial Competitiveness Enhancement Act.

C. Social Business Support.

(a) Proactive response to requests for funds.

Number of loans to businesses engaged in social business: 6,000

(b) Expansion of support services for the resolution of business challenges.

(c) Strengthen coordination with organizations supporting social business.

D. Support for overseas expansion.

(a) Facilitate support for fundraising (yen and foreign currencies) by SMEs engaging in overseas development and steady implementation of the Standby Letter of Credit Program.

Number of companies contracted with support for overseas expansion: 500

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

Number of Loans for Overseas Investment and Expansion: 900

(c) Strengthen financial services by combining the services of its multi-business units.

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

Number of Seminars on Overseas Business Expansion: At least 80

(e) Collaboration with institutions that support overseas investment.

E. Support for new expansion by agricultural, forestry, and fisheries businesses.

(a) Support business improvement initiatives for corporations and large family businesses while utilizing valuation techniques with an emphasis on profitability.

Number of borrowers in areas as defined by the Farmers and Farmland Plan: 4,800

(b) Support efforts to secure new farmers.

Number of loans to people entering agricultural management and agricultural management entities hiring new farmers: 1,200

(c) Support for agricultural, forestry, and fishery businesses initiatives to improve businesses in the sixth industrial sector.

Number of sixth sector of industry borrowers: 1,000

(d) Support for agricultural, forestry, and fishery businesses engaging in overseas expansion.

(e) Support efforts to promote the use of domestic timber by large-scale wood-related businesses.

(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: 210

(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) Contribution to local and regional revitalization by active participation in regional projects from comprehensive regional strategies, etc.
 - Contribution to promoting and implementing various measures related to comprehensive regional strategies
- (2) Strengthen financial services by combining the services of its multi-business units, and provide useful information that meets customer and regional needs.
 - A. Strongly promote the "Demonstrating Comprehensive Capabilities" in a way which utilizes the management resources of each business unit.
 - (a) Promote efforts to utilize our nationwide network of 152 branches.
 - (b) Collect and provide information about measures in each region and participation in regional projects such as various policies stemming from the comprehensive regional strategy.
 - (c) Promote provision of information and loans consistent with customer and local needs through coordination of multi-business units.
 - (d) Match customers through cross business unit collaboration.
 - (e) Hold consultancy meetings and seminars attended by customers from multi-business units.
 - B. Further strengthen cooperation between the integrated branch and independent branch for micro business and individual units
 - C. Promote optimal financing proposals to customers through mastery of the JFC financing system.
 - Branch managers exhibit leadership by strengthening efforts toward mastery of the financing system.
- (3) Reinforce collaboration with private financial institutions and relevant organizations, etc.
 - A. Promote cooperative loans, etc. through collaboration with private financial institutions.
 - B. Enhanced collaboration with relevant organizations (Chambers of Commerce and Industry, professional associations, industry).

5. Improve customer service and demonstrate policy advocacy capabilities

- (1) Promote various measures such as enhancing the consultation capability to improve services and appropriately perform a risk-taking function.
 - A. Appropriately perform a risk-taking function.
 - B. Provide useful information consistent with customer and local needs and enhance consultation capability.
 - (a) Strengthen management support in combination with financing through financial assessments, income and expenditure simulations, etc.
 - (b) Promote appropriate proposals and advice for customers.
 - Promote the provision of customer support tools tailored to the needs of customers.
 - (c) Cooperation with network of outside specialists.
 - C. Promote branch management and various service improvements from the customer's point of view through implementation of customer satisfaction surveys, etc.
- (2) Promote public relations activities such as through strengthening information dissemination.
 - A. Promote public relations activities to enhance the content of the PR magazine.
 - B. Promote public relations activities with regional media.
 - Number of published regional newspaper articles: 5,000
 - C. Promote public relations activities through planned proposals.
 - Number of planned proposals generating articles: 60
 - D. Promote public relations activities by utilizing the special characteristics of various media such as the Internet.
- (3) Demonstrate JFC's role in contributing to management and policy recommendations by improving the quality of research at the Research Institute, strengthening external communication capabilities, and enhancing the capacity to share knowledge with external institutions.
 - 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) Disseminate research results through lectures, etc. at universities.
 - (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. Demonstrate JFC's role in contributing to management and policy recommendations.
 - Conduct surveys and research that contribute to JFC's management and policy recommendations
- (4) Efforts to improve systems and measures through policy recommendations that conform to customer feedback and the needs on-site
 - A. Collect the views expressed by customers, and reflect them in policy recommendations and measures.
 - Allow customer trends and the opinions of SMEs and micro businesses, and agricultural, forestry, and fisheries and food businesses to be reflected in our business management (new establishment and improvement of loan program)
 - B. Understand the challenges for the region, and promote policy recommendations aimed at resolving them.
 - Gain a detailed understanding the needs of the region regarding policy-based finance, and allow them to be reflected in business management
- 6. Appropriate management of credit risk**
 - A. Implementation of appropriate credit management.
 - B. Appropriate management of credit cost.
 - C. Reinforcement of insurance underwriting risk management system.
 - D. Maintenance of a risk management system for loss compensation transactions.

[Unified index according to credit risk]

Index	Objective	Calculation Method
Initial default rate (%) Monitoring indicators ^(Note 5)	By setting the percentage ^(Note 1) of defaults within one year of a loan (bankruptcy, delinquency) as the index, we monitor whether examinations are functioning correctly.	$\frac{\text{Number of defaults, etc. in the denominator}}{\text{Number of loans provided in this year}^{\text{(Note 2, 3)}}}$ [Year-end Report] $\frac{\text{Number of defaults, etc. in the denominator}}{\text{Number of loans provided in the year}^{\text{(Note 2, 3)}} \text{ preceding the reporting month}^{\text{(Note 4)}}}$ [Monthly Report]
Upward-downward transition of debtor segment (number, etc.) Monitoring indicators ^(Note 5) [Agriculture and forestry/SMEs]	Promote implementation of policies that contribute to appropriate loan management (including support for management improvement) by setting the upward transition of the debtor segment (upward transition from the previous period), and downward transition (downward transition from the previous period) as indices.	Upward transition number: Number of cases that transitioned from below requiring management to attention required or above Downward transition number: Number of cases that transitioned from attention required or above to below requiring management [Semiannual Report (final settlement)]
Credit related expense ratio (%) Monitoring indicators ^(Note 5)	By setting credit related expense ^(note 6) ratio as the index, promote implementation of policies that contribute to minimization of the financial burden (minimization of allowance for loan losses) through appropriate examinations and credit management.	$\frac{\text{Credit related expenses}}{\text{Closing credit balance}}$ [Semiannual Report (final settlement)]

Notes: 1. The scope of defaults excludes "restructured loans." Micro Business and Individual Unit shares a percentage of loans.
 2. Direct loans claims by the Micro Business and Individual Unit (Excluding Managerial Improvement, Environmental Health Improvement Loans, Educational Financing, loans against pension, and loans against signed government bonds.)
 3. The SME Unit, in addition to direct loan claims, includes loan claims concerning securitization loans, customers' liabilities for acceptances and guarantees of letters of credit other than the issuance of letters of credit (cooperative), and acquired bonds (with stock acquisition rights) and obtained bonds relating to 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 (related to DES implementation).

Organizational Goals

1. Enhancing branch office functions

- A. The integrated branch office manager will faithfully exhibit the role of the "cornerstone" of the JFC network.
- B. Appropriately fulfill the role of district unification (Understand how to efficiently and effectively develop a framework for businesses at each branch).
- C. Constantly strengthen the branch management framework based on a bottom-up approach to management.

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. Implement fair contract and procurement procedures.
- 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 efficient and effective business through effective utilization of information technology.
- G. Improve operations through BPR by the Planning and Administration Unit, etc.

Note : Business Process Reengineering (BPR): 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. Efforts to further develop integration of contract processes.
- B. Expand integration of examinations related to educational loans.
- C. Efforts to digitize credit check form.
- D. Promote work improvement from an on-site perspective.
- E. Promote location centralization in accordance with the reduction in number of cases managed by the Credit Analysis Sub-Unit

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

- A. Steadily implement BPR policies from the head office.
- B. Utilize proposed system to intensify daily employee awareness.

[Small and Medium Enterprise (SME) Unit]

- A. Implement BPR for Loan Programs.
Further promote rationalization and increased efficiency of work, and steadily implement BPR initiatives based on the results of external consultation.
- B. Conduct efficient screening operations.
- C. Implement BPR for Credit Insurance Programs.
- D. Plan efficient deployment of human resources.

[Planning and Administration Unit]

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

3. Steadily promote medium-term IT planning, efficient and effective systems development and operation, and consider successive period optimized planning

(1) Steadily implement the following projects based on medium-term IT planning

- A. Individual development items aimed at standardization and collaboration.
Share use of the security system (completion FY2016), and rebuild the credit insurance system (completion FY2017)
- B. Proactively respond to requests for system development by each business unit.

(2) Consider master plan for overall system optimization next period

- A. Establish a project structure that is integrated with headquarters.
- B. Review system structure and analyze systemization work.
- C. Specific investigation and consideration of applied technology, construction methods, etc.

(3) Promote efforts toward smooth and efficient system development and operation

- A. Establish a cooperative framework with each business unit, etc.
- B. Greater efficiency in systems development.

- C. Promote smooth and efficient system operation.
- D. Strengthen security measures.
- (4) Cultivate human resources for operational reform/business promotion utilizing information technology
 - A. Improve employee IT literacy.
 - B. Use training and human resource exchanges to cultivate a core personnel who can utilize and apply information technology.
 - C. Cultivate personnel with a wide range of IT knowledge and high level of proposal ability.
 - D. Cultivate personnel who can respond to cyber security threats.
- (5) Appropriate enforcement 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. Appropriately 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.
Widening understanding through implementation of study groups where employees can engage in discussion, in addition to various meetings and group training.
- B. Establish a training system that is consistent for all employees from new personnel to senior management.
Collaborate to implement a personal development system, and training at all levels in addition to those particular to each business unit.
- C. Strengthen management capacity.
 - (a) Carry out smooth implementation and content enhancement for human resources academy courses
 - (b) Quality content for level-specific training (newly appointed senior level position and above)
- D. Appropriately employ regional personnel.
- E. Introduce and smoothly operate a system that enables flexible working styles.
- F. Establish a new personnel payroll system and evaluation system.
 - (a) Conduct questionnaire surveys and monitoring concerning system operation
 - (b) Establish a framework for smooth operation of the rehiring system
- G. Make appropriate use of personnel transfers 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) Implement corporate dispatch training
- J. Increase awareness of recruitment activities.
- K. Efficiently execute salary payment work, etc.

(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)" 80%
- ④ Employee awareness survey item "Feedback on personnel evaluations" 90%
- ⑤ Promote obtainment of certifications, etc.

Number of certified SME management consultants

[Micro Unit] Fiscal year 2016: 240 Fiscal year 2017: 250 Fiscal year 2018: 260

[SME Unit] Fiscal year 2016: 225 Fiscal year 2017: 230 Fiscal year 2018: 235

Number of certified Agricultural, Forestry and Fishery Management Advisors

[Agriculture Unit] Fiscal year 2016: 260 Fiscal year 2017: 270 Fiscal year 2018: 280

(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: Do you get feedback from your superiors regarding achievement and employee performance evaluation results?

5. Promoting Career Development for Women and improving the workplace environment

(1) Basic Policy

- A. Actively appoint female managers.
- B. Promote Career Development for Female Employees.
- C. Practice work-life management (WLM).
- D. Implement activities which contribute to the business and have all employees participate in activities for Promotion of Career Opportunities for Women.
- E. Strengthen harassment prevention.

(2) Overall goals

- A. Nurture candidates for managerial positions under the initiative to employ more female managers through “Project Challenge!” and “Follow up on Project Challenge!!” (FY2016 - 2018)
- 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.
- E. Establish a workplace where each employee is free to fulfill their potential.
 - (a) Carry out support in accordance with the current life stage of employees.
 - (b) Promote a varied working style and increase working time productivity.
- F. Steadily carry out efforts to further contribute to the business by utilizing the existing foundation of activities up to this point in the Promotion of Career Opportunities for Women.
- G. Strengthen measures to prevent harassment (Same initiative as “6. Establish and strengthen risk management and compliance structures”).
- H. Strengthen measures to maintain mental health.
 - (a) Establish a mental health counseling framework
 - (b) Carry out training concerning mental health
 - (c) Introduce a stress check
- I. 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 Rate of enforcement of 2 no-overtime days per week 80%
- ⑤ Rate of taking male childcare leave (paternity leave, childcare participation leave, child-care leave) Total 3 days 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?

6. Establishment and strengthening of risk management and compliance structures

(1) Basic Policy

- A. Carry out appropriate risk management in response to policy requests
- B. Carry out appropriate monitoring together with establishing and strengthening compliance awareness
- C. Further strengthen risk management framework

(2) Overall goals

- A. Formulate risk management programs and compliance programs, and monitor the implementation status of the same programs by the Corporate Governance Committee, etc.
- B. Properly execute business risk management concerning integrated branch management.
- C. Take appropriate measures to eliminate antisocial forces.
- D. Strengthen the compliance awareness of each employee through training and utilization of learning tools.
- E. Thorough reporting and consultation concerning compliance.
- F. Review BCP and master the initial response procedures through practical training from the head office concerning BCP ^(Note).
- G. Branch managers should properly fulfill their roles in handling compliance concerns and risk management.

Note: BCP: 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.