

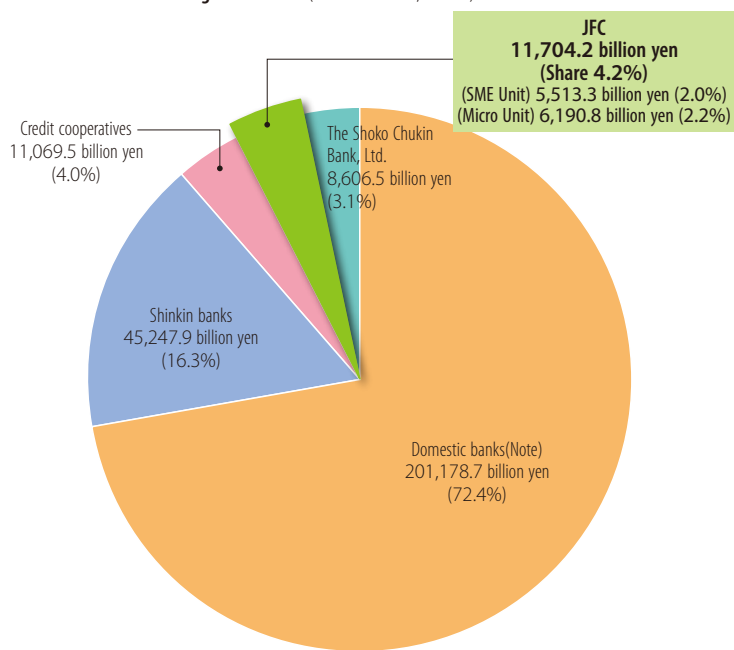
# JFC Activities

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# Financing Structure of JFC

- JFC's share of the balance of financing to SMEs (Micro Unit and SME Unit) is **4.2%**.

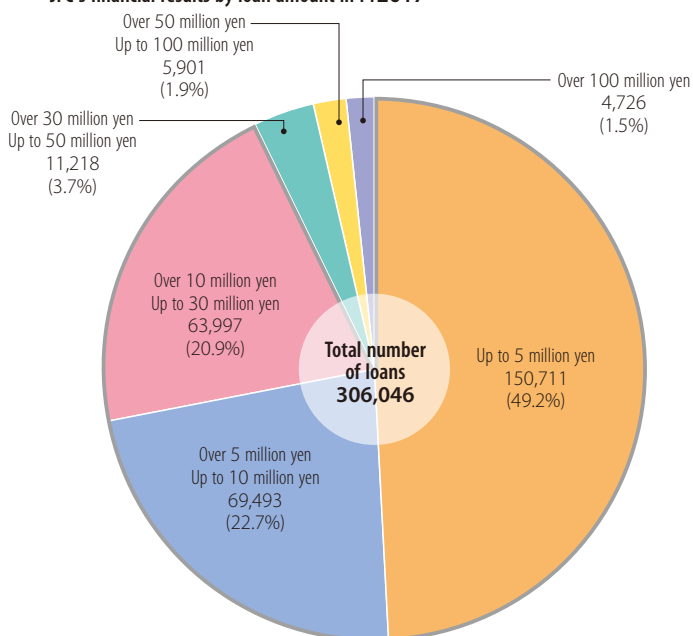
Share of balance of financing to SMEs<sup>(Note)</sup> (as of March 31, 2018)



Note: Total of city banks, regional banks, regional banks II, shinkin banks, and trust banks  
 Sources: Bank of Japan, "Loans by Borrower," "Cash, Deposits, and Loans"; Shinkumi Bank, "Main Accounts of Nationwide Credit Unions"; Japan Finance Corporation, "Business Statistics"; Shoko Chukin Bank, "Business Statistics"

- The composition of JFC's financing by loan amount in FY2017 was as follows. Of the total of approximately 300,000 business loans, **49% had loan amounts of 5 million yen or less, and 93% were for 30 million yen or less.**
- JFC also provides educational loans to the public (approximately 120,000 loans annually).

JFC's financial results by loan amount in FY2017<sup>(Note)</sup>



Note: Total of Micro Unit, AFFF Unit, and SME Unit (financing) business loans

# Cooperation with Private Financial Institutions

## Working in Cooperation with Private Financial Institutions

### (1) MOU conclusion status on business partnerships and collaboration

Based on the premise of complementing the activities of private financial institutions, JFC have been promoting business partnerships with more private financial institutions. **As of March 31, 2018, MOUs on business cooperation and collaboration have been concluded with 495 financial institutions.**

### (2) Cooperative loan scheme <sup>(Note)</sup> establishment

Since FY2014, **JFC has been focusing on establishing loan schemes in cooperation with private financial institutions** to enhance partnership effectiveness.

The number of private financial institutions which established the cooperative loan schemes reached **454 institutions as of March 31, 2018.**

Note: Schemes for agreeing specific introduction rules for projects treated as cooperative loans.

Number of financial institutions established by cooperative loan schemes by business category (as of March 31, 2018)

(Financial institutions)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total
Number of financial institutions	1	61	40	257	90	5	454
(Reference)							
Total number of financial institutions	4	64	41	261	105	—	475
Business category by establishing percentage	25%	95%	98%	98%	86%	—	95%

Note: 1. The total number of credit cooperatives exclude working area credit cooperative and occupational credit cooperatives.

2. The total establishing percentage by business category is calculated by excluding "others".

### Cooperative loan scheme establishment partners and creation of cooperative loan products

Among the cooperative loan scheme, private financial institutions and JFC collaborate to establish cooperative loan products to support businesses.

Some examples of products are "Fukugin and JFC Start-up Support W-ing", which was created in the business start-up field with Fukui Bank; "Aizu Agri-Partner Loan", a cooperative loan product created in the agricultural field with Aizu Shoko Credit Cooperative; and "Management Reinforcement Cooperative Loan Scheme", created in the business revitalization field with Kita-Nippon Bank. Cooperative loans are being provided through these coming out in concrete results.

### (3) Total of cooperative loans <sup>(Note)</sup>

In FY2017, total cooperative loans with private financial institutions came to: **23,080 loans (117% compared to the previous fiscal year), 750.5 billion yen (102% compared to the previous fiscal year).**

Note: Loans (guarantees) that are disbursed or decided by both JFC and private financial institutions after consultation by both parties for loan plans with identical objectives (Calculated by JFC. Including loans made on different dates between both parties).

Cooperative loans by business category (FY2017)

Total cooperative loans	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total		Reference FY2016 results
								Compared to the previous fiscal year	
Number of loans	1,043	6,587	3,179	9,785	1,748	738	23,080	117%	19,671
Amount	108.3 billion yen	300.3 billion yen	78.8 billion yen	166.4 billion yen	26.3 billion yen	70.2 billion yen	750.5 billion yen	102%	732.2 billion yen

### Collaborative support for business improvement and successor development through use of the business succession support network

T Corporation conducts design and implementation of water supply and drainage facilities and water purification facilities for general residential structures and public facilities.

The company faced management issues such as efficient placement of personnel, through profitability management, and development of successors for a change in leadership. The company consulted with Bisai Shikin Bank, its main financing bank, and Bisai Societies of Commerce and Industry and adopted a management improvement plan to address its management issues by reinforcing sales structures to maintain incoming construction orders, establish a profitability and cost management system, and develop successors.

T Company later consulted with JFC regarding financing for hiring human resources and prepare for business succession in accordance with its management improvement plan.

JFC used the business succession support network <sup>(Note)</sup> which established in the region and conferred and worked with Bisai Shikin Bank to provide a loan.

Note: Bisai Shikin Bank and JFC are working with local economic organizations to build a network to support business succession, and this project was the first that made use of that business succession support network.

### Collaborative support for large-scale renovation of a commercial facility that is a regional landmark

LLC S owned a large-scale commercial facility in a central urban area of Akita City. The facility was in a good location, fronting the Akita Station west entrance traffic circle, and contributed to the prosperity of the area.

The company planned to conduct earthquake proofing as a result of deterioration of the building. It also planned a large-scale renovation to increase the ability to attract customers by implementing a major refurbishment including a review of tenants and changing the facility name. The company consulted with Akitaken Credit Cooperative, its main financing bank, and Hokuto Bank, and the banks reached out to JFC regarding cooperative financing, since a large amount of capital investment was involved.

Enhancing the ability to attract customers of a large-scale commercial facility that would likely be used by many young customers was expected to reinvigorate the local economy. JFC collaborated with Akitaken Credit Cooperative and Hokuto Bank from the consultation stages and provided a cooperative loan for large-scale renovation of the facility.

### Collaborative support provided to an agricultural company to carry out regional redevelopment through agriculture

N Company is an agricultural production company established by companies located in the prefecture, the town of Yanaizu-machi in Fukushima Prefecture, and farmers to utilize abandoned farmland in the region and eliminate harm to the region's reputation as a result of the nuclear power plant accident. The company started producing garlic, which was designated as the regional recovery crop for Yanaizu-machi.

The company successfully produced high-quality, sweet garlic, and planned to expand the scope of production and perform all processes from production to processing and sales.

The Aizu Commerce and Industry Credit Union and JFC worked together from the consultation stage including conducting interviews of N Company and assessing the feasibility of the company's plans and the degree of regional contribution to support the company's continued business development. The Credit Union and JFC used the Aizu Agri-Partner Loan, a cooperative product for agricultural businesses, to provide the funds necessary for the company to launch its business including garlic production facilities.

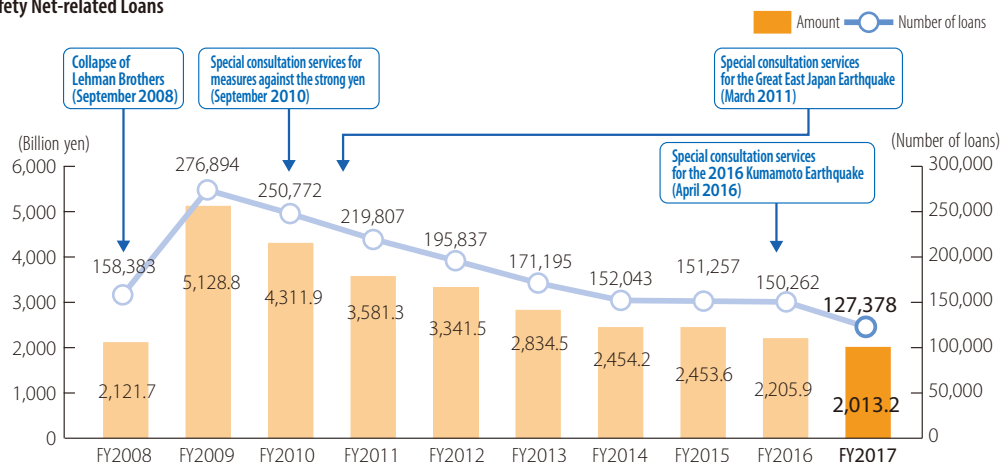
# Provision of Policy-based Financing (Exercise of Safety Net Functions)

## Exercising Safety Net Functions

In FY2017, financing related to Safety Net Loans <sup>(Note)</sup> to those facing obstacles due to international financial instability and economic contraction, and those impacted by the Great East Japan Earthquake, the 2016 Kumamoto Earthquake, typhoon and other disasters came to **127,378 loans (85% compared to the previous fiscal year) for 2,013.2 billion yen (91% compared to the previous fiscal year)**.

Note: The loans related to Safety Net Loans include Disaster Recovery Loans, Great East Japan Earthquake Recovery Special Loan, funds for changes in operating environments, funds for changes in financial environment, and funds for Safety Net Loans to agricultural, forestry, and fisheries businesses, etc.

Safety Net-related Loans



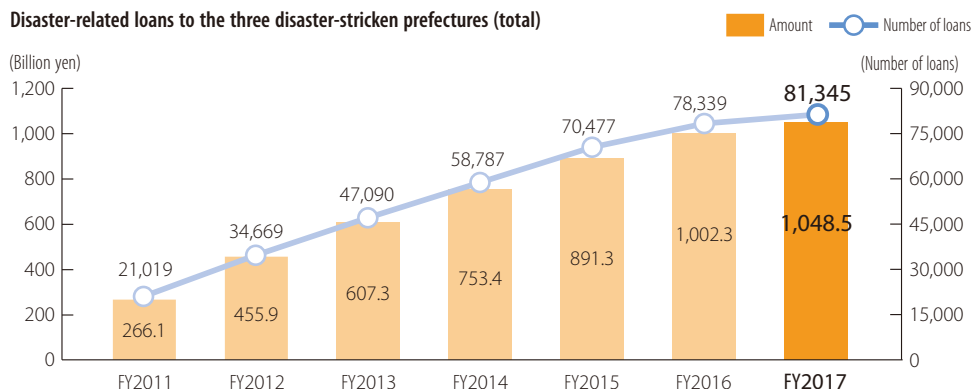
## Great East Japan Earthquake Initiatives

### Supporting Reconstruction Following the Great East Japan Earthquake

The Great East Japan Earthquake-related loans in the three affected prefectures (Iwate, Miyagi, and Fukushima) until FY2017 (March 11, 2011 to March 31, 2018) amounted to **81,345 loans with a value of 1,048.5 billion yen**.

The value of manufactured products shipped from the three prefectures affected by the earthquake has generally reached pre-earthquake levels. There are some companies, however, whose sales have not recovered because of loss of sales channels during the period when they suspended operations after the earthquake, effects from harm to reputation, and other factors. JFC continues to make tailored responses to address issues in these disaster-affected regions.

Disaster-related loans to the three disaster-stricken prefectures (total)



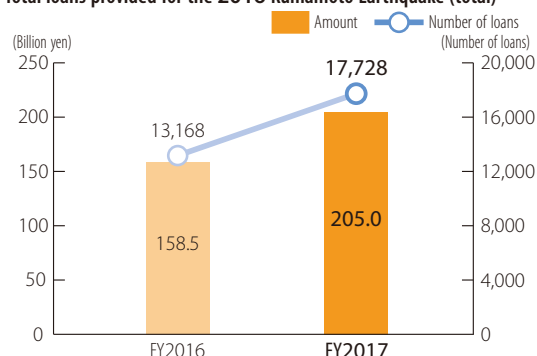
# 2016 Kumamoto Earthquake Initiatives

## Supporting Reconstruction Following the 2016 Kumamoto Earthquake

To precisely and promptly respond to loan and repayment consultations, JFC established the Special Consultation Service for Damage Suffered as a result of the 2016 Kumamoto Earthquake. JFC initiated the 2016 Kumamoto Earthquake Recovery Special Loans, aimed at SMEs and micro businesses and the Special Measures for Financial Easing, etc., aimed at agricultural, forestry and fisheries businesses, while commencing consultations since the disaster on April 14, 2016.

A financing track record (total loans provided) of **17,728 loans with a value of 205.0 billion yen** was achieved following the disaster by March 31, 2018.

Total loans provided for the 2016 Kumamoto Earthquake (total)



### ●Educational loans

JFC implements Disaster Special Measures <sup>(Note)</sup>, including lowered interest rates for persons who suffered damages as a result of disasters such as the Great East Japan Earthquake and the 2016 Kumamoto Earthquake.

Note: Includes certain requirements such as residential qualifications, etc.

### ●Credit insurance

JFC underwrites insurance related to the Great East Japan Earthquake Recovery Emergency Guarantee Program as well as the Disaster-related Guarantee Program for the 2016 Kumamoto Earthquake provided by CGCs throughout Japan to support SMEs and micro businesses who suffer damages from these disasters when they try to obtain necessary loans from financial institutions to rebuild their business.

### ●Operations to facilitate crisis responses

Development Bank of Japan Inc. and The Shoko Chukin Bank, Ltd. as designated financial institutions have been implementing crisis response operations since Cases related to the Great East Japan Earthquake and the 2016 Kumamoto Earthquake were designated as crises.

## Provision of Policy-based Financing (Support for Strategic Fields of Growth, etc.)

### (1) Support for start-ups and new business

#### (i) Loans to start-ups

The FY2017 loans to start-ups came to: **28,116 companies (99% compared to the previous fiscal year)**, **191.1 billion yen (93% compared to the previous fiscal year)**. Disbursement has increased for youth in particular.

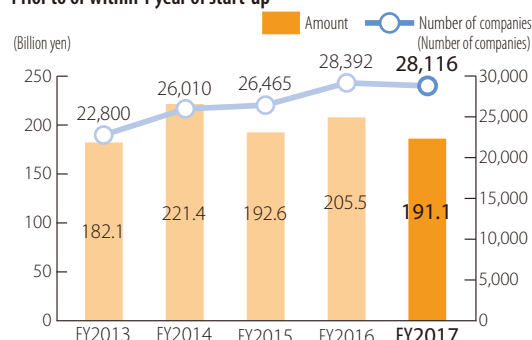
Start-up loans to women, youth, and senior entrepreneurs

(Number of companies)

	FY2015	FY2016	FY2017	Compared to the previous fiscal year
Women	5,555	6,364	<b>6,174</b>	<b>97%</b>
Seniors (aged 55 and above)	3,157	3,208	<b>2,995</b>	<b>93%</b>
Youth (aged under 35)	7,265	7,823	<b>7,931</b>	<b>101%</b>

Note: Women who also qualify as youth or seniors included in the women category.

Prior to or within 1 year of start-up



## (ii) Establishment of start-up support network

We are coordinating with regional start-up support organizations and creating a start-up support network in each region so that people wanting to start their own businesses can receive one-stop support on various issues related to starting a business.

## (iii) Loans to foster growth of new businesses <sup>(Note)</sup>

Loans in FY2017 were provided to **1,318 companies (80% compared to the previous fiscal year), totaling 62.0 billion yen (62% compared to the previous fiscal year).**

Note: A special Loan Program that provides support to venture SMEs working to develop new businesses with high growth potential.

## (iv) Cooperation with regional venture support institutions

We are working on discovery and support for regional venture companies by holding information exchange events and presentation events for venture support in local areas in cooperation with regional venture support institutions (regional banks, venture capitalists, brokerages, etc.).

## (v) Capital Subordinated Loans <sup>(Note)</sup>

In FY2017, loans came to: **373 companies (94% compared to the previous fiscal year), 22.8 billion yen (91% compared to the previous fiscal year).**

Note: A Loan Program for providing capital-like funds for reinforcing the financial standing of small and medium enterprises (SMEs). The feature of this loan program is unsecured/unguaranteed loans subordinated to other debts at the time of legal bankruptcy proceedings. In addition, it can be regarded as self-owned capital on financial inspection.

## (vi) Usage status of Stock Subscription Rights Loans

Loans to Foster Growth of New Businesses includes a program to provide unsecured loans through acquisition of new company-issued share options by SMEs, aimed at venture companies intending to publicly offer stocks.

## (2) Support for business revitalization and succession

### (i) Support for business revitalization, etc.

The Corporate Revitalization Loans in FY2017 came to **4,564 companies (194% compared to the previous fiscal year) and 175.7 billion yen (130% compared to the previous fiscal year).**

### Results of loans related to support for revitalization

		FY2015	FY2016	FY2017	Compared to the previous fiscal year
Corporate Revitalization Loans	Number of companies	1,492	2,349	<b>4,564</b>	<b>194%</b>
	Amount	102.1 billion yen	135.6 billion yen	<b>175.7 billion yen</b>	<b>130%</b>
Capital Subordinated Loans	Number of companies	520	547	<b>588</b>	<b>107%</b>
	Amount	35.5 billion yen	35.9 billion yen	<b>37.7 billion yen</b>	<b>105%</b>

### Results of financial support for revitalization

		FY2015	FY2016	FY2017	Compared to the previous fiscal year
Methods of financing for comprehensive revitalization such as DDS and DES <sup>(Note)</sup>	Number of companies	199	197	<b>160</b>	<b>81%</b>

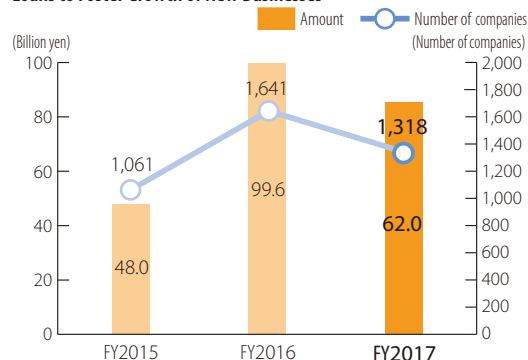
Note: These results are the total of DDS, DES, non-equivalent transfer of claims, secondary company method, and debt waiver; calculated by adding up the number of companies agreed by JFC for the corresponding period.

- **DDS (Debt Debt Swap)**: A financial technique for exchanging a part of an existing debt for a subordinated debt.
- **DES (Debt Equity Swap)**: A financial method that seeks to improve company's financial constitution by equityizing a portion of existing liabilities.
- **Non-equivalent transfer of claims**: A financial method where creditors exchange their claims to a regional revitalization fund for less than face value (market value).
- **Secondary company method**: A financial method where a profitable business is spun off through a corporation division or business transfer and assumed by another business. The excess debt and non-profitable business are retained by the original company and debt relief is obtained through special liquidation or other legal reorganization proceedings.
- **Debt waiver**: A financial method where creditors waive a portion of their claims to improve the cash flows and financial status of a reorganized company.

## Number of start-up support network establishments (total)

As of the end of FY2016	As of the end of FY2017
912 locations	<b>976 locations</b>

## Loans to Foster Growth of New Businesses



A presentation event for venture companies held in cooperation with a regional bank

## Financial performance of Capital Subordinated Loans

	FY2015	FY2016	FY2017	Compared to the previous fiscal year
Number of companies	441	398	<b>373</b>	<b>94%</b>
Amount	28.3 billion yen	25.1 billion yen	<b>22.8 billion yen</b>	<b>91%</b>

## Stock Subscription Rights Loans

	FY2015	FY2016	FY2017	Compared to the previous fiscal year
Number of companies	30	37	<b>33</b>	<b>89%</b>
Amount	740 million yen	570 million yen	<b>570 million yen</b>	<b>100%</b>

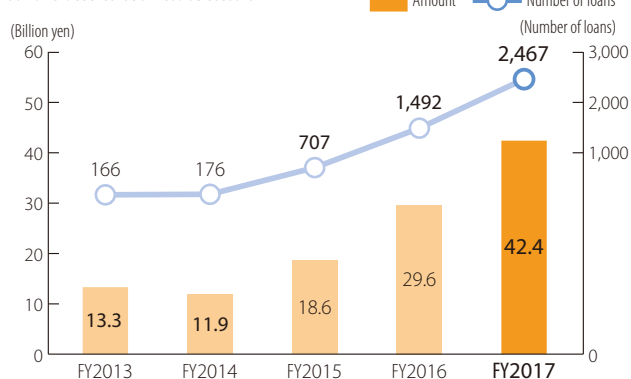


## (ii) Support for business succession

The Business Succession-related Loans in FY2017 came to **2,467 loans (165% compared to the previous fiscal year)** and **42.4 billion yen (143% compared to the previous fiscal year)**.

JFC also provides information on business succession issues in order to raise the awareness of managers regarding business succession and support the resolution of various issues concerning business succession.

Loans related to business succession



Note: JFC is expanding financing subjects in order to respond to broader demand for funds such as providing funds for business succession preparations as of April 2017.

The figure above includes results from the New Business Activity Promotion Funds (business succession-related\*) established in February 2015.\* Integrated into Business Success, Consolidation, and Revitalization Funds in 2017, etc.

## Examples of measures to raise manager awareness



Overview of the "Connecting Note" (Left)  
A workbook that facilitates investigation of measures for business succession such as identifying business succession issues and creating a preparatory plan.  
(Issued in December 2017)



Overview of the "Power of Entrustment" (Right)  
A collection of examples presenting the opinions of managers and successors at the time of business succession and what types of issues should be addressed.  
(Issued in February 2018)

## Examples of mediation by outside experts

Customer overview	A manufacturer of parts for metalworking machinery (the manager is a man in his 40s)
Status of business succession preparations	The manager is young, but has a high awareness of business succession including considering his teenage son as a candidate successor. In order to reinforce management foundations and prepare for the future business succession, he is considering recruiting engineers, expanding sales channels to large companies, and acquiring a nearby company in the same business (M&A).
Details of support	When JFC personnel provided information obtained in collaboration with a regional business succession support center (there are many inquiries from SMEs, so information is provided without naming potential targets) to the manager, the manager showed interest, so an interview was set up.

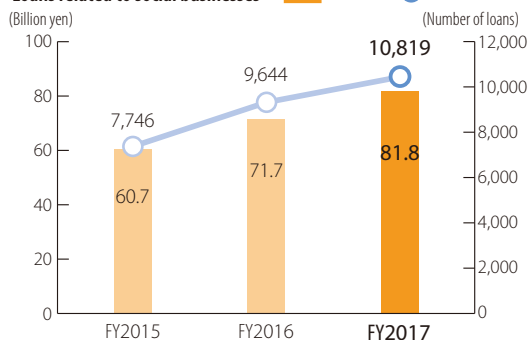
## (3) Support for social business <sup>(Note)</sup>

### (i) Loans related to social businesses

The FY2017 loans to social businesses came to: **10,819 loans (112% compared to the previous fiscal year)**, **81.8 billion yen (114% compared to the previous fiscal year)**, of which **1,552 loans (105% compared to the previous fiscal year)**, **9.7 billion yen (113% compared to the previous fiscal year)** were loans to NPOs.

Note: Businesses that tackle regional issues, such as supporting the care and welfare of the elderly and disabled, child rearing, regional revitalization and environmental conservation, etc.

Loans related to social businesses



## Breakdown of Loans

		FY2015	FY2016	FY2017	Compared to the previous fiscal year
Number of social business loans <sup>(Note)</sup>	Number of loans	7,746	9,644	<b>10,819</b>	<b>112%</b>
	Amount	60.7 billion yen	71.7 billion yen	<b>81.8 billion yen</b>	<b>114%</b>
(i) For NPOs	Number of loans	1,177	1,476	<b>1,552</b>	<b>105%</b>
	Amount	7.2 billion yen	8.6 billion yen	<b>9.7 billion yen</b>	<b>113%</b>
(ii) For nursing care and welfare businesses	Number of loans	6,212	7,885	<b>8,375</b>	<b>106%</b>
	Amount	49.1 billion yen	60.8 billion yen	<b>65.5 billion yen</b>	<b>108%</b>
(iii) For companies addressing social issues	Number of loans	1,190	1,364	<b>2,021</b>	<b>148%</b>
	Amount	9.8 billion yen	9.3 billion yen	<b>14.2 billion yen</b>	<b>152%</b>

Note: Total for loan performance (excluding duplicate loans to (i), (ii) to (i) NPOs, (ii) nursing care and welfare businesses, and (iii) companies addressing social issues (excluding (i), (iii)).

### (ii) Social business support network initiatives

JFC is collaborating with local governments, regional financial institutions and institutions supporting NPOs to build a network to support the resolution of management challenges. While providing one-stop measures and services by network institutions, JFC supports the resolution of the management challenges which social businesses are grappling (including incorporation, development of business plan, fund-raising and the fostering of human resources) through organizing management support seminars and individual consultations.

The network has a total of 113 bases as of March 31, 2018.





#### (4) Support for overseas expansion

##### (i) Loans for Overseas Investment and Expansion

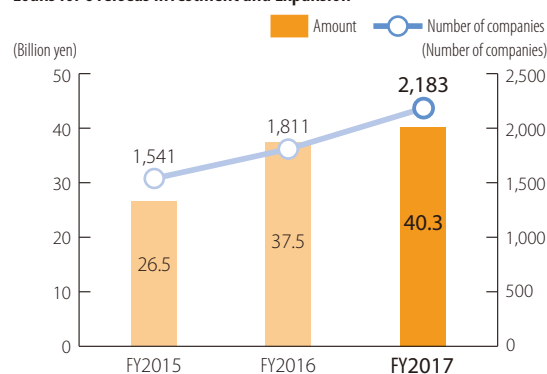
Due to steady demand for funds by overseas subsidiaries and an increase in SMEs and micro businesses engaging in active imports and exports, loans in FY2017 were provided to **2,183 companies (121% compared to the previous fiscal year)**, **40.3 billion yen (107% compared to the previous fiscal year)**.

Loans in foreign currency (US dollars) <sup>(Note)</sup>, which commenced in FY2015, were provided to **103 companies, 29.07 million US dollars (equivalent to 3.2 billion yen)**.

Of the business target countries and regions, China and ASEAN countries accounted for **approximately 60% of the total**.

Note: JFC expanded the Loans for Overseas Investment and Expansion to provide loans in foreign currency (US dollars) to further meet the needs of SMEs and micro businesses.

Loans for Overseas Investment and Expansion



Breakdown of business target countries and regions utilizing Loans for Overseas Investment and Expansion

	FY2015		FY2016		FY2017		
	Total		Total		Total		
	Number of companies	Ratio	Number of companies	Ratio	Number of companies	Ratio	Compared to the previous fiscal year
China (including Hong Kong)	408	26%	494	27%	655	30%	133%
ASEAN	490	32%	585	32%	600	27%	103%
Thailand	138	9%	141	8%	147	7%	104%
Viet Nam	106	7%	139	8%	174	8%	125%
Philippines	80	5%	96	5%	78	4%	81%
Indonesia	56	4%	65	4%	48	2%	74%
Other ASEAN countries	110	7%	144	8%	153	7%	106%
Others	643	42%	732	40%	928	43%	127%
Total	1,541	100%	1,811	100%	2,183	100%	121%

##### (ii) Standby Letter of Credit Program <sup>(Note)</sup>

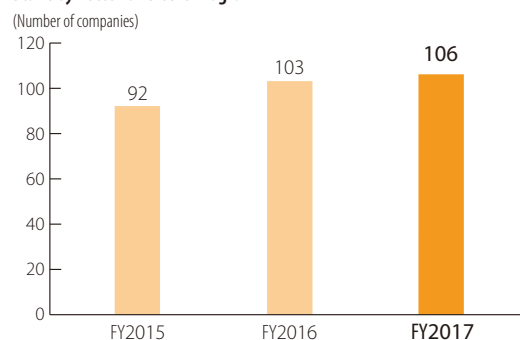
As for FY2017, letters of credit were issued to the financial institutions in Thailand, China, Republic of Korea, the Philippines, Indonesia, Malaysia, Viet Nam, Hong Kong, Mexico, Singapore and Taiwan, being utilized by **106 companies**. The cumulative usage (until March 2018) of this program since its start in FY2012 has reached **423 companies**.

In FY2017, partnerships with Yamaguchi Bank, which has branches in Qingdao and Dalian, China, were initiated, and the number of affiliated financial institutions expanded to 12 institutions.

In order to allow more SMEs to make use of this program, JFC established a scheme to partner regional financial institutions throughout Japan in FY2013. As of the end of March 2018, we have business partnerships with 61 regional financial institutions in Japan, and letters of credit were issued to a total of **23 companies** through this partnership scheme.

Note: The Standby Letter of Credit Program supports SMEs' overseas subsidiaries' and branches' smooth procurement of long-term local currency denominated funds from JFC's affiliated financial institutions by using JFC's standby letter of credit as a guarantee.

Standby Letter of Credit Program



##### (iii) Performance of Trial Export Support Project on agricultural and fishery companies <sup>(Note)</sup>

In partnership with trading companies, the Trial Export Support Project has coordinated with trading companies to provide support to domestic agricultural and food manufacturing companies showing an eagerness to expand into exportation of their products. This has resulted in support for 55 cases of trial exports in FY2017. Countries to which products were exported include Taiwan, the largest with 30 trials, Singapore with 11 trials, Malaysia with 7 trials, Hong Kong with 5 trials, Macau with 1 trial and the United States with 1 trial. Actual types of products exported included rice, tea, wagyu Japanese beef, potatoes, Japanese mustard spinach, and others, and processed goods such as ice cream, fruit and vegetable juices, jelly, and others.

Note: As a part of business support services, the Trial Export Support Project was established by JFC AFF unit in FY2013, to support our customers attempting to expand into exportation of agricultural, forestry and fishery products for the first time, cooperating with experienced trade companies in the exportation of those products.

Performance of Trial Export Support Project

Country or region of export	FY2015	FY2016	FY2017	Main items of export in FY2017
Taiwan	2	10	30	• Wagyu Japanese beef · Rice • Agricultural produce (carrot, melon) • Dairy product (ice cream, cheese) • Processed goods (tomato juice, dried tomato, anpagaki half-dried persimmon, azuki bean, garlic in olive oil, rice cracker, Japanese black tea)
Singapore	15	8	11	• Agricultural produce (potato, Japanese mustard spinach) · Tea • Processed goods (green juice, rice cracker, puffed rice, roast sweet potato, tomato, mixed juice, fruit jelly)
Malaysia	11	8	7	• Agricultural produce (strawberry) • Tea • Processed goods (satsuma-age fried fishcake, simmered food)
Hong Kong	4	3	5	• Agricultural produce (napa cabbage, daikon radish, cabbage)
Macau	—	5	1	• Tea
United States	8	3	1	• Powdered green tea
Canada	1	—	—	—
Total	41	37	55	

(5) Support for new expansion by agricultural, forestry, and fisheries businesses  
(i) Supporting leaders of agriculture (new entry farmers, large family run businesses and corporations)

Agricultural Management Framework Reinforcement Loans (name: Super L Loan) in FY2017, came to: **6,955 companies (105% compared to the previous fiscal year), 328.6 billion yen (133% compared to the previous fiscal year).**

In FY2017, loans to new agricultural business and new entry farmers came to **2,233 companies (118% compared to the previous fiscal year), and 71.3 billion yen (141% compared to the previous fiscal year).**

From FY2014, newly started loans to Agricultural Employment Fund for Youth, etc.<sup>(Note)</sup> came to: **1,512 companies (124% compared to the previous fiscal year), 12.6 billion yen (139% compared to the previous fiscal year).**

Note: Loans to support authorized new farmers certified by municipalities under the Young Farmers Plan as young people engaging in new farming businesses.

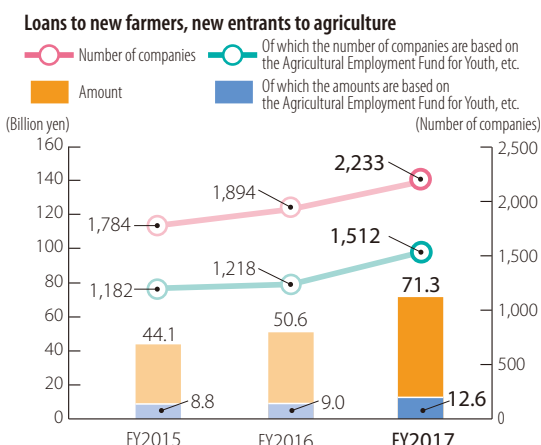
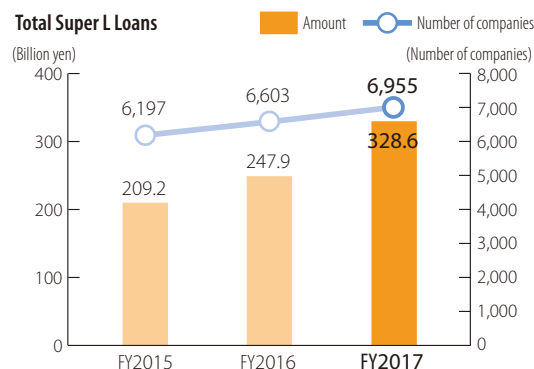
(ii) Supporting the “Sixth Industry” activities

FY2017 loans to activities due to improved management by the “Sixth Industry” (e.g., processing, sales, and other business undertaken integrally by agricultural, forestry, and fishery businesses to increase the added value of products) increased to: **1,553 companies (111% compared to the previous fiscal year), 152.5 billion yen (134% compared to the previous fiscal year).**

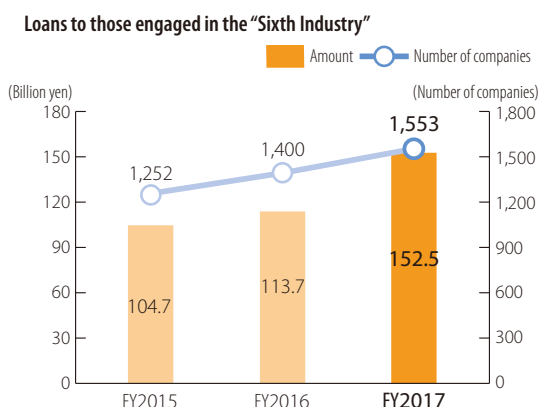
(iii) Providing investment support to agricultural corporations by private financial institutions, etc.

At the end of FY2017, investments came to **13 Limited Partnerships (LPS) (pledged investment amount by JFC: 3.36 billion yen)**, established by private financial institutions based on agricultural corporation investment development businesses<sup>(Note)</sup> and **1 stock company (investment amount by JFC: 2.03 billion yen).**

Note: Businesses providing management and technical guidance by acquisition/holding of stock from agricultural corporations based on the Act on Special Measures to Facilitate in Agricultural Corporations (Law No. 52 of 2002).



Note: Because the number of loans to agricultural management entities hiring new farmers (eligible entities of subsidized project for promoting the employment) in FY2015 includes “loans to new farmers and new entrants to agriculture”, it cannot be compared to FY2014.



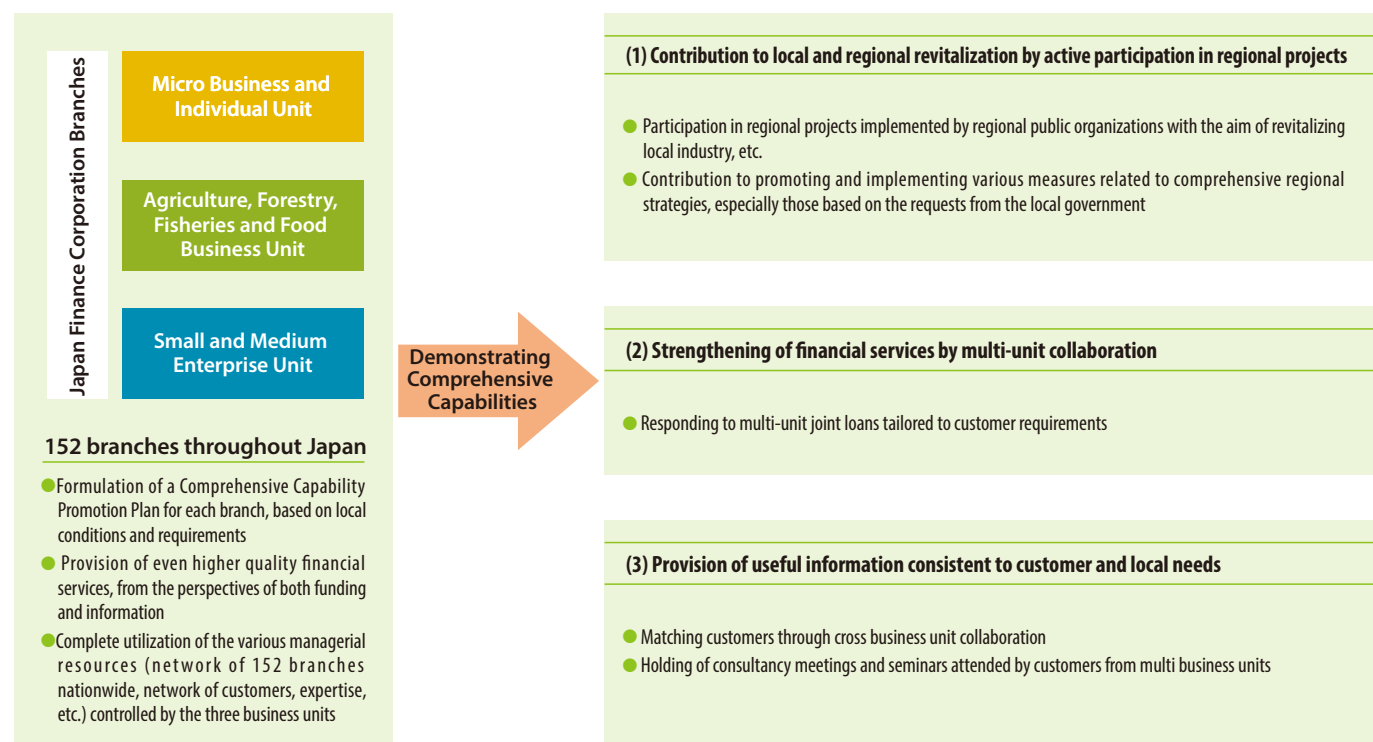
List of investees

Name	Pledged investment amount or investment amount (of which invested by JFC)
Hokuyo Agricultural Support Fund Investment Limited Partnership	500 million yen (249 million yen)
Iwagin Agricultural Corporation Investment Limited Partnership	500 million yen (245 million yen)
Shogin Agricultural Support Fund Investment Limited Partnership	300 million yen (147 million yen)
Tochigin Agricultural Corporation Investment Limited Partnership	500 million yen (245 million yen)
Hokuriku Agricultural Development Fund Investment Limited Partnership	100 million yen (49 million yen)
Sangin Agricultural Corporation Investment Limited Partnership	300 million yen (147 million yen)
Chugin Agricultural Fund Investment Limited Partnership	1 billion yen (490 million yen)
Iyo Evergreen Agricultural Support Fund Investment Limited Partnership	500 million yen (240 million yen)
Ehime Agri Fund Investment Limited Partnership	500 million yen (245 million yen)
FFG Agricultural Corporation Investment Limited Partnership	1 billion yen (499 million yen)
Oita Agriculture Fund Investment Limited Partnership	300 million yen (144 million yen)
KFG Agricultural Investment Limited Partnership	1 billion yen (490 million yen)
Shinyo Agricultural Cooperative Association Future Investment Limited Partnership	360 million yen (176 million yen)
The Agribusiness Investment & Consultation, Ltd.	4.07 billion yen (2.03 billion yen)

# Working towards Improved Customer Service that Reflects Comprehensive Capabilities

## Improving Customer Service that Exercises our Comprehensive Capabilities

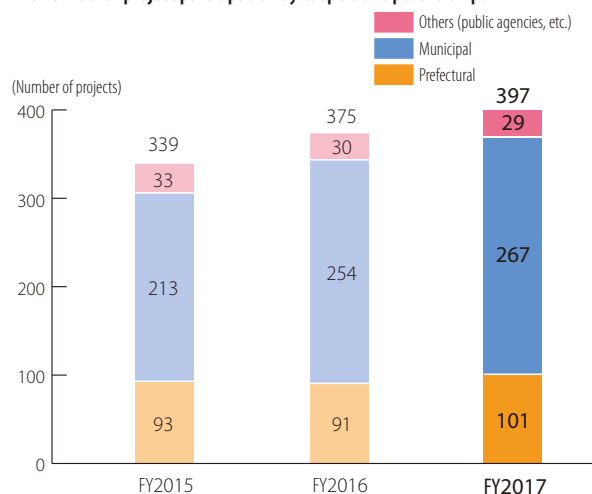
In order to offer beneficial information, etc. matched to the needs of customers and regions, JFC's business units are coordinating to mutually leverage their expertise and information and enhance our services.



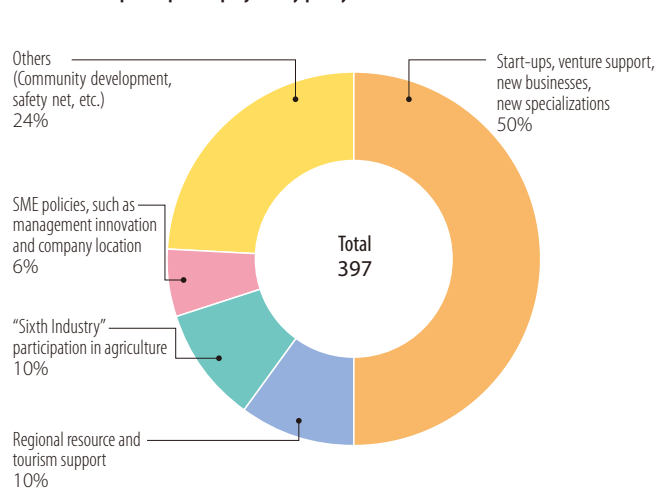
## Participation in Regional Projects

- JFC is attentively responding to regional challenges by formulating Plans for Promoting the Demonstration of Collective Strength at 152 branches nationwide.
- In FY2017, JFC participated in a total of **397 regional projects** nationwide. Cooperative partnerships include: **101 prefectural partners, 267 municipal partners**; partnership projects include: new businesses, new specializations, start-ups and venture support, which at **50%** was the highest to date.

The number of project participation by cooperative partnerships



Breakdown of participation projects by policy <sup>(Note)</sup>



Note: Classification by JFC

## Strengthening of Financial Services by Multi-unit Collaboration and Provision of Useful Information Consistent to Customer and Local Needs

- Improve customer service by utilizing the variety of loans available from multi business units to better meet customer needs.
- Conduct business discussion meetings and seminars to facilitate appropriate product matching for customers engaged in market and product development, by coordination between JFC business units to mutually leverage their expertise and information.
- The FY2017 number of customer matching partnerships formed by cross business unit collaboration came to: **2,923 partnerships**.
- The number of business meetings held in FY2017 in all regions nationwide came to: **365 meetings**. National-scale business discussion meetings such as the Agri-Food EXPO and National Business Discussion Meeting were held, and branches throughout Japan held business discussion meetings that made use of local characteristics.
- Through its Internet business matching site, JFC provides a forum offering expanded business opportunities to customers, including new buyers and new suppliers of raw materials.

JFC Internet Business Matching

<https://match.jfc.go.jp/> (Available only in Japanese)

### National-scale business discussion meetings

#### Agri-Food EXPO

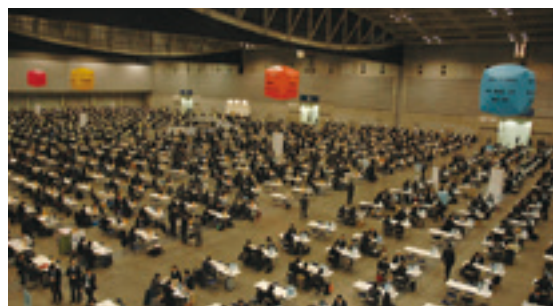
- Held since FY2006, the Agri-Food EXPO is a nationwide exhibition and business fair focused on domestic goods that provides farmers and food processors with opportunities for market expansion. In FY2017, the meetings were held in Tokyo (August 2017) and in Osaka (February 2018).



The 11th Agri-Food EXPO Osaka 2018

#### National Business Discussion Meeting

- This event has been held since FY2007 to provide an opportunity for business partners from around Japan to expand their business. In FY2017, the meeting was held in Yokohama in February 2018.



The 10th National Business Discussion Meeting

### Regional business discussion meetings

#### San'in Foods Business Discussion Meeting: San'in × Kobe/Osaka

- Branches in the San'in and Kansai regions collaborated with private financial institutions to hold this event, which took place at the JFC Kobe branch in November 2017. It provides opportunities for customers in the San'in region who want to develop sales channels into the Kansai region and customers from the Kansai region who want to find suppliers in the San'in region to engage in business discussions.



Second San'in Foods Business Discussion Meeting: San'in × Kobe/Osaka

#### JFC Oita Agriculture, Commerce, and Industry Business Discussion Meeting

- JFC cooperated with all private financial institutions which have a main branch in Oita Prefecture and all local governments in the prefecture to hold this event at the Horuto Hall in January 2018. The meeting provided opportunities for businesses in agricultural, commerce, and industry to conduct talks with buyers from inside and outside the prefecture.



Second JFC Oita Agriculture, Commerce, and Industry Business Discussion Meeting



## Hosting of the 5th High School Student Business Plan Grand Prix

JFC hosted the 5th Infinite ∞ Creativity High School Student Business Plan Grand Prix targeted for all high school students across the country.

The numbers of applicants in the event came to: **385 schools, 3,247 applicants** (324 schools, 2,662 applicants in the 4th Grand Prix). By the leading act by the Business Start-ups Support Center nationwide, JFC promoted this event to many schools. Business Start-ups Support centers visited **300 schools** (241 schools in the 4th Grand Prix), and gave lectures about how to create a business plan.

At the final competition held in January 2018, ten finalist groups gave heated presentations. The entry from Ichikawa High School "Protect the Future of Terraced Rice Fields! Yayoi Automated Harvester for Terraced Rice Fields" won the Grand Prix and garnered much attention from the media.

Nurturing entrepreneurship to develop the leaders of next generation is crucial for Japan's future, and JFC will continue to return its business start-up experience and expertise to sites of entrepreneurial education.

### (Schedule for the 6th High School Student Business Plan Grand Prix)

Application period: July 2 to October 10, 2018

Entry (submission registration) deadline: September 14 (must be received by the 14th)

Business plan sheet submission deadline: October 10 (must be received by the 10th)

Announcement of ten finalist groups: Early December, 2018

Final competition and award ceremony: January 13, 2019

Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/grandprix/> (Available only in Japanese)

High School Student Business Plan Grand Prix Facebook

The page is frequently updated with the latest information.

<http://www.facebook.com/grandprix.jfc/> (Available only in Japanese)



Presentation in final competition



Students and teachers from Ichikawa High School which received the Grand Prix award.



Participants of the final competition and the award ceremony



## Other Initiatives

### PR magazine "Connect JFC"

JFC is engaged in the provision of information through the PR magazine "Connect JFC", which aims to make the function, roles, and initiatives of JFC better known and create connections among those involved in policy and operations. In "Connect JFC", we introduce not only the efforts of JFC, but also those of regional corporations.

Please visit the JFC website for more information.

[https://www.jfc.go.jp/n/findings/tsunagu\\_index.html](https://www.jfc.go.jp/n/findings/tsunagu_index.html)

(Available only in Japanese)



# Overview of Operations in FY2017 and Outline of Financial Statements

## Overview of Operations in FY2017

The Japanese economy is experiencing a moderate recovery in the current period, while employment and income environments continued to improve. As overseas economies recovered, exports and production picked up, while private demand improved as a result of higher consumer spending and private-sector plant and equipment investment, and the economy is undergoing a virtuous cycle.

JFC actively engaged in improving customer services, cooperation with private financial institutions, providing the role of safety net including support for reconstruction following the Great East Japan Earthquake and responses to the 2016 Kumamoto Earthquake, and contributing to Strategic Fields of Growth, etc.

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

Each business unit and all 152 branches, as part of a cooperative initiative, formulated a "Plan for Promoting the Demonstration of Collective Strength" through which proactively approach the problems faced by each region. Specifically, our three business units provided financial support based on the needs of each customer and region, by cooperating with each other and actively participating in regional projects by regional public organizations, which are aimed at regional vitalization, in cooperation with private financial institutions. For the drafting by respective local authorities of a Comprehensive Regional Strategy in particular, in response to requests from local governments, we worked with institutions such as private financial institutions, participated in local projects, supported UIJ-Turn Seminars by making use of the nationwide JFC network, and took other measures to actively cooperate with the implementation of that strategy.

In addition, we continued to host Agri-Food EXPO and National Business Discussion Meeting on a nationwide scale with the goal of providing beneficial information that matches the needs of each

customer and region. Also, our branches in each region used their ingenuity to conduct trade fairs and seminars to help match customers via collaboration of the three units.

Also, based on the premise of playing a complementary role with private financial institutions as specified in Article 1 of the Japan Finance Corporation Act (Act No. 57 of 2007), we promoted partnerships with many private financial institutions. In particular, we held periodic practical-level meetings, referred customers to private financial institutions, conducted study meetings and briefings, and promoted the development of collaborative finance schemes based on regional needs and issues in the business start-up, business revitalization, agricultural, forestry, fisheries, and other fields.

Regarding support for recovery from the Great East Japan Earthquake, JFC also worked hard to support reconstruction, and responded quickly and meticulously to requests for financing and repayment advice from SMEs and micro businesses, and agricultural, forestry, and fisheries and food businesses affected by the Great East Japan Earthquake.

Regarding our contribution to Strategic Fields of Growth, etc., based on the government's policies, JFC appropriately determined its risk-taking functions and proactively engaged in supporting start-ups, new businesses, business revitalization and succession, social businesses and overseas expansion as well as new expansion of agriculture, forestry, and fisheries business operators in hopes of contributing to the development and growth of the Japanese economy. In doing so, each unit is striving to collaborate for improved service by sharing know-how about each financing system, inspection, post-financing support, customer network, etc.

## Outline of Financial Statements for FY2017

### 1. Profit and Loss

At the closing of FY2017 (ended March 31, 2018), JFC recorded a profit of 15.7 billion yen over the previous fiscal year, for a net income of 117.7 billion yen.

The key factor was an increase of current net income by 35.6 billion yen over the previous term for a total of 110.5 billion yen in the Account for Credit Insurance Programs.

Profit and Loss Statement (For the fiscal year ended March 31)

(Unit: billion yen)

		Ordinary income		Ordinary expenses		Ordinary profit (loss)		Net income (loss)	
		2017	2018	2017	2018	2017	2018	2017	2018
Japan Finance Corporation		610.6	606.8	508.4	488.8	102.2	118.0	102.0	117.7
Micro Business and Individual Unit (Account for Micro Business and Individual Operations)		142.7	138.7	124.3	133.1	18.3	5.6	18.2	5.4
Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)		45.3	42.0	45.3	41.9	0.0	0.0	0.0	(0.0)
Small and Medium Enterprise (SME) Unit	Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)	96.0	89.7	65.4	65.9	30.5	23.8	30.5	23.7
	Account for Securitization Support Programs (Purchase-type Operation)	0.4	0.3	0.3	0.3	0.0	0.0	0.0	0.0
	Account for Credit Insurance Programs	302.0	313.7	227.1	203.2	74.8	110.5	74.8	110.5
Operations to Facilitate Crisis Responses (Account for Operations to Facilitate Crisis Responses)		25.6	24.7	47.4	46.7	(21.7)	(22.0)	(21.7)	(22.0)
Operations to Facilitate Specific Businesses Promotion, etc. (Account for Operations to Facilitate Specific Businesses Promotion, etc.)		0.4	0.3	0.4	0.4	(0.0)	(0.0)	(0.0)	(0.0)

## 2. Assets

Total assets were 21,603.2 billion yen, the majority of which were loans and bills discounted.

Loans and bills discounted decreased 394.3 billion yen from March 31, 2017, to 17,605.6 billion yen.

Total net assets stood at 5,366.8 billion yen, taking into account an increase from having received capital contributions from the government of 117.8 billion yen, against a net income of 117.7 billion yen, etc.

Balance Sheet (as of March 31)

(Unit: billion yen)

Assets			Liabilities and net assets		
Items	Amount		Items	Amount	
	2017	2018		2017	2018
Cash and due from banks	4,033.8	4,032.6	Borrowed money	13,924.2	13,518.2
Securities	35.7	39.7	Bonds payable	1,490.2	1,460.3
Loans and bills discounted	17,999.9	17,605.6	Entrusted funds	29.5	28.7
Other assets	36.3	35.1	Reserve for insurance policy liabilities	1,185.1	1,002.6
Property, plant and equipment	196.6	195.1	Other liabilities	33.5	27.6
Intangible assets	16.6	14.0	Provision for bonuses	4.9	5.0
Customers' liabilities for acceptances and guarantees	44.4	64.5	Provision for directors' bonuses	0.0	0.0
Allowance for loan losses	(393.7)	(383.7)	Provision for retirement benefits	93.1	91.0
			Provision for directors' retirement benefits	0.0	0.0
			Reserve for compensation losses	28.5	38.0
			Reserve for interest subsidies	5.0	—
			Acceptances and guarantees	44.4	64.5
			<b>Total liabilities</b>	<b>16,839.0</b>	<b>16,236.3</b>
			Capital stock	4,061.1	4,124.9
			Capital surplus	2,015.4	2,069.4
			Retained earnings	(945.7)	(828.0)
			Valuation difference on available-for-sale securities	—	0.4
			<b>Total net assets</b>	<b>5,130.8</b>	<b>5,366.8</b>
<b>Total assets</b>	<b>21,969.8</b>	<b>21,603.2</b>	<b>Total liabilities and net assets</b>	<b>21,969.8</b>	<b>21,603.2</b>

(Unit: billion yen)

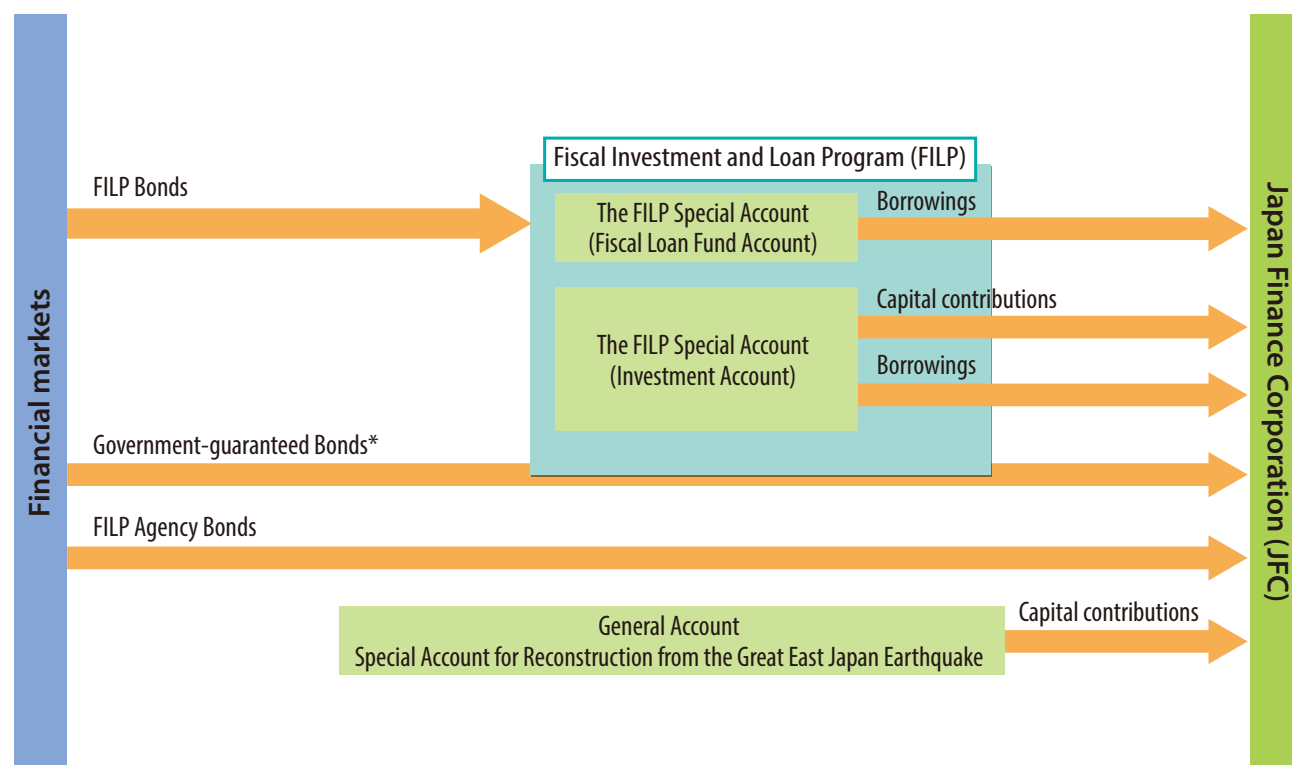
	2017	2018	Change
<b>Total assets</b>	<b>21,969.8</b>	<b>21,603.2</b>	<b>(366.6)</b>
Total liabilities	16,839.0	16,236.3	(602.7)
Total net assets	5,130.8	5,366.8	236.0



## Funding Sources

JFC obtains funds through various sources such as borrowings from the Fiscal Loan Fund, Government-guaranteed Bonds, FILP Agency Bonds, and capital contributions from the government.

Funding sources



\* Government-guaranteed bonds with a redemption period of five years or more are included in FILP.

Breakdown of funding sources

(Unit: billion yen)

	FY2018 budget	FY2017 budget	FY2017 results
Borrowings from Fiscal Loan Fund, etc.	3,592.6	3,507.1	2,998.8
Government-guaranteed Bonds	385.0	455.0	115.0
Capital contributions from the government	104.7	124.9	117.8
Funding from the government (percentage of overall funding)	4,082.4 (93%)	4,087.0 (93%)	3,231.6 (93%)
FILP Agency Bonds	320.0	318.0	240.0
Total funding	4,402.4	4,405.0	3,471.6

Notes: 1. The FY2017 budget amounts are the increased amounts approved by the Minister of Finance by applying Article 2, Paragraph 2 of the General Rules on Government-Affiliated Institutions Budgets.

2. The item "Borrowings from Fiscal Loan Fund, etc." refers to borrowings from the Fiscal Loan Fund, borrowings from the FILP Special Account (Investment Account) of the national budget, and entrusted funds from the Agriculture, Forestry and Fisheries Credit Foundations.

## ● Government-guaranteed Bonds

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

(Unit: billion yen)

Fiscal year Maturity	FY2018	FY2017			FY2016		FY2015	
	Budget	Budget	Results		Budget	Results	Budget	Results
10-year bond	70.0	60.0	40.0		60.0	40.0	60.0	45.0
6-year bond	115.0	125.0	75.0		125.0	80.0	125.0	70.0
Less than 5-year bond	200.0	270.0	—		200.0	—	200.0	—
Total	385.0	455.0	115.0		385.0	120.0	385.0	115.0

Notes: 1. The budget amounts for FY2015 and FY2016 are the revised levels following the respective supplementary budgets.

2. The budget amounts for each fiscal year are the issue-amount limits, that is, the maximum amount of the government guaranty in the relevant fiscal year.

## ● FILP Agency Bonds

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

(Unit: billion yen)

<div>Fiscal year</div> <div>Amount of issue</div> <div>Month of issue/Maturity</div>	FY2018	FY2017				FY2016				FY2015			
	(Budget 320.0)	(Budget 318.0)				(Budget 293.7)				(Budget 300.0)			
	Results 90.0	Results 240.0				Results 190.0				Results 215.0			
Month of issue	May	May	August	November	March	May	August	September	March	May	August	November	March
4-year bond	30.0	40.0	—	—	15.0	—	—	—	10.0	—	—	—	—
3-year bond	—	—	30.0	—	15.0	—	—	60.0	—	—	—	20.0	10.0
2-year bond	60.0	50.0	40.0	50.0	—	60.0	60.0	—	—	70.0	50.0	65.0	—

Notes: 1. The FY2017 budget amounts are the increased amounts approved by the Minister of Finance by applying Article 2, Paragraph 2 of the General Rules on Government-Affiliated Institutions Budgets.

2. The budget amounts for FY2015 and FY2016 are the revised levels following the respective supplementary budgets.

3. The budget amounts for each fiscal year are the issue-amount limits in the relevant fiscal year.

4. The issue-result amounts for FY2018 are the amounts issued as at the end of May 2018.

## Ratings of JFC (As of May 31, 2018)

Rating and Investment Information (R&I)	AA+ (Negative)
Moody's Japan (Moody's)	A1 (Stable)

# Memo

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