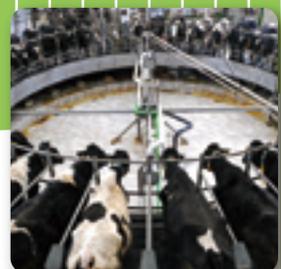
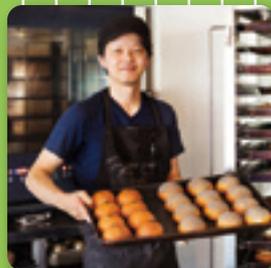


Japan Finance Corporation

Annual Report

2019



JAPAN FINANCE CORPORATION

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Presentation of quantities and amounts in this Report:

1. Quantities and amounts less than one standard unit

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

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

2. Method of presentation

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

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Message from the Governor & CEO

I would like to express my sincere sympathies to everyone harmed by the series of natural disasters in FY2018 and this year including the earthquake off the coast of Yamagata Prefecture and the heavy rains that affected primarily around Kyushu area.

JFC's Role and Mission

Japan Finance Corporation is a policy-based financial institution that carries out financing within a scope determined by applicable laws and budgets, which are based on government policy for medium- and small-businesses and micro-businesses, agriculture, forestry, and fisheries policy, etc., with the aim to complement financing carried out by private financial institutions. JFC arranges around 300,000 business loans a year. Of this total, around 51% are for less than 5 million yen and around 94% are for less than 30 million yen. JFC's primary mission is to meet the capital needs, including small sums, of those starting new businesses, those dealing with natural disasters or a change in business environment, and to serve the capital procurement needs of Japan's medium- and small-businesses and micro-businesses and those engaged in business in the fields of agriculture, forestry, or fisheries.

Measures Implemented in FY2018

In October 2018, JFC marked its 10th anniversary of its integration and launch. Over that time, guided by our Basic Philosophies of "Focused policy-based financing" and "Mainstreaming governance," we have responded to customer needs with a deep sense of our mission to "connect" policies and those involved in business. Specifically, we have dedicated ourselves to supporting the Strategic Fields of Growth, etc. meeting the safety net demand of those still in the process of recovering from the Great East Japan Earthquake, and also supporting business start-ups and new businesses; business revitalization; business succession; social businesses; overseas expansion; new expansion by agriculture, forestry, and fisheries. We have also placed "cooperation with private financial institutions" and "support for business succession" as top priority issues and took active measures in these areas. We will continue these efforts this fiscal year as priorities.

Cooperation with Private Financial Institutions

With regard to cooperation with private financial institutions, we promoted cooperative loans and worked to develop personal relationships on the workplace and the officer level. In FY2018, JFC financed 30,768 cooperative loans totaling 1,292.9 billion yen.

This fiscal year, we will keep strengthening cooperation and work with private financial institutions to support solving customer problems, and promoting regional revitalization.

Support for Business Succession

In the area of business succession, in order to increase awareness of business succession among proprietors, we held briefings on business succession taxation scheme at 133 regions nationwide in FY2018. Approximately 9,000 people including proprietors, successor, tax accountants, and personnel from private financial institutions, Chambers of Commerce and Industry, and Societies of Commerce and Industry attended.

This fiscal year, in addition to existing business succession support programs, we began providing business succession matching support, in the Tokyo Metropolitan region to begin with, to match small business operators who do not have successor with prospective entrepreneurs, with the aim of expanding to regional areas in the future. We will also show case studies to customers and place priority on providing information and other support, not just from JFC, but also in collaboration with other supporting organizations.



Conclusion

JFC will, by its very nature, continue to perform its safety net role by providing recovery support for those affected by natural disasters such as the Great East Japan Earthquake, and other earthquakes and typhoons while putting particular efforts into support for the Strategic Fields of Growth and other areas.

To contribute to regional revitalization, we will carefully ascertain the circumstances surrounding regions and businesses and adopt a bird's-eye perspective of regions to work towards solving their problems. In the meantime, we will perform our function of connecting the various relevant organizations such as private financial institutions while utilizing our nationwide network of 152 branches.

In order to provide high-quality services regarding policy-based financing, JFC will exercise appropriate risk-taking functions and make every effort to provide expert consulting. To reinforce our policy-based financing functions, we will work to streamline business and increase operational efficiency in the aspect of our organizational management.

We sincerely hope for your further understanding and support in the future.

July 18, 2019

田中一穂

Kazuho Tanaka
Governor & CEO

Profile (as of March 31, 2019)

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	Kazuho Tanaka	
Capital, etc.	Capital: 4,195.8 billion yen Reserve fund: 1,988.3 billion yen	
Branch Offices	Branch offices in Japan: 152 Overseas representative offices: 2	
Employees	7,364 (budgetary fixed number for FY2019)	
Total of Outstanding Loans	Total of Outstanding Loans:	17,461.1 billion yen
	Micro Business and Individual Unit:	7,151.3 billion yen
	Agriculture, Forestry, Fisheries and Food Business Unit:	3,122.9 billion yen
	Small and Medium Enterprise (SME) Unit:	5,326.9 billion yen (Finance Operations)
	Operations to Facilitate Crisis Responses:	1,815.3 billion yen
	Operations to Facilitate Specific Businesses Promotion, etc.:	44.7 billion yen

Key Points in JFC's Establishment

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.

● Creating a highly public corporation

JFC is a highly public corporation established under a special law stipulating that the national government must always own all shares issued by JFC.

The purpose of adopting the structure of a corporation is to utilize the governance framework of a corporation in order to conduct highly transparent and efficient business operations.

● Inheriting rights and obligations

JFC has inherited any and all rights and obligations of the merged institutions. Funding being utilized from any of the institutions and profits gained by persons holding securities issued by each will be honored.

● Offering a broad range of services

JFC leverages the specialized expertise of each institution and shares know-how in order to offer a wide spectrum of services, such as business matching, promoting collaboration among agriculture, commerce, and industry, and supporting the globalization of businesses.

Main Business Activities

JFC is a policy-based financial institution that aims to complement financial activities carried out by private financial institutions and contributes to the improvement in the living standards of Japanese people.

Major Business Operations of JFC



Basic Philosophy 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. JFC will fully understand its role in policy-based financing and appropriately operate systems, improve the quality of services by augmenting consulting functions and capacity, and respond promptly and precisely to the needs of a range of clients requiring policy-based financing, by leveraging funds and information.

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, business revitalization, business succession, 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/small 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. To promote enhancement of customer services and rationalization and greater efficiency in administrative operations, put in place efficient information systems using state-of-the-art technologies.

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

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

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.

JFC has formulated the following Business and Management Plan for the period from FY2019 on.

Business and Management Plan (FY2019-2021)

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 earthquakes, typhoons, and other natural disasters, while attentively meeting demands in accordance with economic conditions. Also, JFC continues to be comprehensively committed to Strategic Fields of Growth, etc., including support for the new development of start-ups, new business, business revitalization, business succession, social business, overseas expansion, agriculture, forestry, and fisheries business operators for the future development of the Japanese economy, and is placing particular emphasis on the business succession including the provision of information.

Furthermore, in order to contribute to regional revitalization, JFC carefully ascertains the circumstances surrounding regions and businesses and adopts a bird's-eye perspective of regions to work towards solving their problems. In doing so, we will perform our function of connecting the various relevant organizations such as private financial institutions while using our nationwide network of 152 branches to demonstrate comprehensive capabilities of JFC.

Also, given the significance of the policy finance function, we are working to perform an appropriate risk-taking function, and to provide high-quality services by enhancing our consulting functions and capabilities and demonstrating our policy recommendation abilities, as well as consistently promoting publicity activities.

In carrying out our affairs, we will follow the principle of "doing ordinary tasks with excellence" while maintaining a high level of awareness of compliance and steadily and appropriately building on each individual task. In addition, taking a bottom-up approach to management as our motto, we aim to gain an accurate understanding of customer and regional needs, respond empathetically, and become a more familiar and reliable presence. To this end, we are working to reinforce our nationwide network of 152 branches. In particular, the integrated branch chief manager will continue endeavoring to fulfill the role of the cornerstone of the network. Furthermore, JFC is undertaking comprehensive measures to streamline administration and raise operational efficiency including elimination of unnecessary administration and operations in order to reinforce policy-based finance functions. In particular, JFC is working to achieve further labor-saving and automation in operations that use state-of-the-art technologies such as RPA. JFC is also promoting diversity originating from career development for women, as well as human resource development and utilization and is taking other measures to create workplaces that enable employees to demonstrate their full capabilities and provide meaningful work.

Through the above measures, looking ahead to the coming 10 years, we plan to work towards maturation as "One Finance Corporation", and under that concept, 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 while achieving ever higher levels of collaboration with private financial institutions. In doing so, JFC is working to achieve the following plans.

Business Operation Plans

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 credit 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, provide a stable supply of funds, and collaborate with private financial institutions

- (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/small businesses confronted with changes in the management environment as a result of natural disaster, economic circumstances, or other factors, and those working towards business improvement.
 - (b) Provide safety net functions to agricultural, 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 towards business improvement.
- (2) Provide funds to customers in a timely and efficient manner.

- A. Support the funding needs, etc., of customers.
 - Swiftly handle the funding needs of customers such as various loans, funding programs, and securitization.
- B. Respond quickly to emergencies and conduct operations in a prompt and smooth manner.
 - Facilitate precise operations to facilitate crisis responses.
- (3) Steadily implement the Credit Supplementation System.
 - A. Support for SMEs and micro/small businesses through the Credit Supplementation System.
 - (a) Respond appropriately to demands for safety net services related to credit guarantees.
 - (b) Respond appropriately to various systemic and operational revisions by collaborating with relevant institutions.
 - B. Strengthen collaboration with Credit Guarantee Corporations, etc.
- (4) Ongoing initiatives for collaborative measures with private financial institutions in the new stage.
 - A. Continue efforts to promote cooperative loans with private financial institutions, etc.
 - B. Encourage dialogue on the officer level and at worksites.
 - C. Hold periodical practical level meetings, refer customers from JFC to private financial institutions, and reinforce measures for effective press releases.
 - D. Create and promote cooperative loan products.

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

In accordance with national policy, JFC proactively supports Strategic Fields of Growth, etc. including support for the new development of start-ups, new business, business revitalization, business succession, social business, overseas expansion, and agricultural, 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): 26,000
 - (b) Proactively supply funds and support growth of SMEs engaged in new business activities.
 - Number of companies contracted with start-up and entrepreneurial support loans: 1,400
 - (c) Cooperation with institutions that support start-ups and new business.
 - (d) Hosting of High School Student Business Plan Grand Prix.
- B. Support for business revitalization.
 - (a) Strengthen support functions for business revitalization.
 - Number of companies contracted with corporate revitalization loans (including business succession-related loans): 1,750
 - (b) Enhanced collaboration with Revitalization Support Council, etc.
 - (c) Proactive utilization of comprehensive revitalization financing methods such as DDS and DES.
 - (d) Appropriate implementation of two-step loans for business restructuring based on the Industrial Competitiveness Enhancement Act.
- C. Support for business succession.
 - (a) Promote consulting through collaboration with relevant organizations such as business succession support organizations, private financial institutions, tax accountants, and other outside professionals.
 - (b) Proactively participate in regional business succession networks and contribute to the revitalization of networks.
 - (c) Support funding needs for diverse business succession.
- D. Social business support.
 - (a) Response to requests for funds.
 - Number of loans to businesses engaged in social business: 10,000
 - (b) Expansion of support services for the resolution of business challenges.
 - (c) Strengthen coordination with organizations supporting social business.
- E. Support for overseas expansion.
 - (a) Facilitate support for fundraising 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: 580
 - (b) Support for the overseas business expansion of micro/small businesses.
 - Number of loans for overseas expansion: 1,400
 - (c) Provide information to customers seeking to expand overseas.
 - (d) Collaboration with institutions that support overseas expansion.
- F. 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: 5,000
 - (b) Support efforts to secure new farmers.
 - Number of borrowers of people entering agricultural management and agricultural management entities hiring new farmers: 1,800

- (c) Support for agricultural, forestry, and fishery businesses initiatives to improve businesses in the “Sixth Industry” sector.
Number of the “Sixth Industry” borrowers: 1,300
- (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 fishery production enhancement, construction of ships to replace fishing boats, and enhancement of cultivation foundations.
- (g) Support for food businesses engaged in expansion of domestic and foreign demand through increased collaboration with agricultural, forestry, and fishery businesses.
- (h) Provide information such as policy information and results of various surveys.
- G. Support responses to global environmental issues.
 - (a) Promote initiatives supporting environmental and energy measures by SMEs and micro/small businesses.
 - (b) Appropriate implementation of two-step loans for specific businesses based on the Low Carbon Investment Promotion Act.
- H. 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.
Carefully ascertain the circumstances surrounding regions and businesses and adopt a bird’s-eye perspective of regions to work towards solving their problems and contribute to promoting and implementing various measures related to comprehensive regional strategies.
- (2) Provision of useful service that meets customer and local needs through coordination of multibusiness branches and units.
 - A. Promote efforts to utilize the management resources of each business unit and 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 matching customers.
 - D. Holding of consultancy meetings and seminars.
- (3) Reinforce collaboration with relevant organizations, etc.
Collaborate with multiple branches and units and build networks as a member of the community to reinforce collaboration with relevant organizations and others.

5. Improve customer service and demonstrate policy significance

- (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 with mass media.
 - B. Promote public relations activities to enhance the content of the PR magazine.
 - C. Promote public relations activities by utilizing the special characteristics of various media such as the Internet.
- (3) Enhance surveys and research and reinforce policy proposals to further demonstrate think tank functions.
 - A. Pursue high research levels through original methods that utilize field work unique to JFC thanks to its large number of SME clients.
 - (a) Regularly conduct economic conditions research.
 - (b) Conduct thematic surveys and publish research results based on these surveys.
 - B. Improve evaluations of think tanks 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. Strengthen exchanges with other think tanks.
 - (a) Hold and participate in domestic and international research presentations, information exchange sessions, etc.

- (b) Participate in external research groups and research projects.
- D. Support measures for the provision of advice on SME policy in Japan.
 - (a) Conduct surveys and research with abundant policy implications.
 - (b) Collaborate with government agencies, relevant organizations, and business divisions regarding policy advice.
- (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/small 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 policy recommendation and 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.

<Monitoring items>

Initial default rate (%)

Upward-downward transition of debtor segment (number, etc.) [Agriculture and forestry/SMEs]

Credit related expense ratio (%)

Organizational Plans

1. Enhancing branch office functions

- A. The branch office manager will faithfully exhibit its role.
The branch office manager will carefully ascertain the circumstances surrounding regions and businesses and adopt a bird's-eye perspective of regions to work towards solving their problems.
- B. Strengthen our nationwide network of 152 branches.
- 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

<Basic policy>

Re-verify and ensure the suitability of current operations while robustly promoting streamlining back-office functions and achieving higher efficiency in operations based on the features of operations and the opinions of on-site personnel at each business unit.

<Overall plans>

- A. Re-verify current operations from a variety of perspectives.
- B. Implement an improvement proposal system to collect opinions from on-site personnel.
- C. Investigate and implement measures to streamline back-office functions and raise operational efficiency including effective use of state-of-the-art digital technologies ^(Note).
- D. Implement fair procurement procedures.
- E. Improve branches and other facilities based on the needs of customers and branches.
- F. Increase use of paper using thinned wood for printed materials.

Note: Consider reflecting in the Business and Management Plan based on the particulars of measures

<Individual plans>

[Micro Business and Individual Unit]

- A. Promote automation of repetitive tasks through use of RPA ^(Note) and other means.
- B. Review operational processes (including elimination, reduction, and consolidation) to promote higher operational efficiency.
- C. Further use sites that consolidate contract centers and so on.
- D. Use education loan centers and consolidate administration to promote efficient and effective educational loan operations.
- E. Promote work improvement from an on-site perspective.
- F. Promote further reduction in the number of Credit Monitoring Sub-Unit sites, consolidation of back-office functions, and outsourcing.

Note: RPA (Robotic Process Automation): A mechanism whereby various PC operations are performed by software robots in place of humans.

[Agriculture, Forestry, Fisheries and Food Business Unit]

- A. Steadily implement BPR policies.
- B. Implement further streamlining of administration and higher efficiency in operations.

[Small and Medium Enterprise (SME) Unit]

- A. Intensively investigate and promote streamlining of back-office functions.
- B. Investigate and implement further measures based on verification of effects of financing operations BPR and monitor progress.
- C. Conduct efficient screening operations.
- D. Steadily implement BPR for Credit Insurance Programs.
- E. Raise further operational efficiency by utilizing proposals from worksites.
- F. Plan efficient deployment of human resources.

[Planning and Administration Unit]

- A. Improve operations by using a suggestion program in the Planning and Administration Unit, etc.
- B. Establish expense management framework (ongoing initiative of multi-faceted analysis of expenses).
- C. Strengthen human resource development to improve procurement capability.

3. Steadily promote the next JFC system, efficient and effective systems development and operation, and promote further utilization of IT and human resource development

- A. Steadily carry out the next JFC system.
 - (a) Steadily implement procurement procedures, design, and development relating to the following measures through close collaboration among business divisions.
 - a. Develop internet environments as channels to customers and partners.
 - b. Consolidate and use customer information to raise operational efficiency and improve customer service.
 - c. Improve system functions according to the operations of each business division.

- d. Rebuild terminal environments and groupware for flexible working formats.
- e. Enhance convenience by rebuilding operational systems.
- (b) Achieve optimal IT use by conducting a flexible review of plans tailored to changes in the research and business environments in order to adapt to future advances in IT.
- B. Promote efforts toward smooth and efficient system development and operation.
 - (a) Strengthen the cooperative framework with each business unit, etc. to respond in a timely manner and accurately to business needs.
 - (b) Greater efficiency in systems development, taking stable operation into consideration.
 - (c) Promote smooth and efficient system operation.
 - (d) Reinforce effective security measures based on the status of cyber security and the latest developments in technology.
 - (e) Reinforce systems for fair and accurate IT procurement.
- C. Promote further utilization of IT and human resource development.
 - (a) Investigate and promote the use of IT for further increasing operational efficiency in close collaboration with business divisions and other organizations.
 - (b) Gather information on the latest examples of IT use and make proposals and conduct verification trials with business divisions.
 - (c) Promote introduction of RPA for raise operational efficiency.
 - (d) Improve employee IT literacy and strengthen the support organization.
 - (e) Cultivate personnel who can use new IT technologies and services in operations.
 - (f) Cultivate personnel who can respond to cyber security threats.
- D. Appropriate enforcement of system audits.

4. Foster and utilize human resources

<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 personnel payroll system.
- C. Promote effective utilization of human resources.
- D. Increase expertise.

<Overall plans>

- A. Consensus and understanding of the basic philosophy, management policy, and business management plan.
Build a consensus and raise understanding including background through conferences, training, study groups, and so on.
- 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 capabilities.
 - (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).
 - (c) Perform multifaceted observations and provide feedback on the results.
- D. Response to government policies involving work style reforms.
- E. Undertake measures to further promote flexible working styles.
 - (a) Increase use of flextime systems and telecommuting (working from home).
 - (b) Encourage the effective use of vacation time.
- F. Efforts to operate appropriately personnel payroll system.
 - (a) Conduct monitoring of the operational status of human resource and payroll systems (special transfer system, regional comprehensive employment system, re-employment system, etc.).
 - (b) Monitor the operational status of personnel changes (transfer cycles, transfers over wide areas, consecutive transfers unaccompanied by family, etc.).
 - (c) Conduct monitoring regarding employee satisfaction with personnel evaluation systems.
- G. Make proactive use of personnel transfers between business units, etc.
- H. Expand scope of activities for area employment through administrative employment training systems, etc.
- I. Conduct measures to improve expertise.
 - (a) Implement internal promotion and hiring of experienced personnel.
 - (b) Promote 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, etc.

K. Efficiently execute salary payment work, etc.

- | | |
|--|------|
| 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 "Monitoring of business objectives (properly monitor with sufficient interviewing)" | 80% |
| ④ Employee awareness survey item "Feedback on personnel evaluations (sufficient)" | 90% |

(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 "Monitoring of business objectives (properly monitor with sufficient interviewing)"
Target number: positive ratio for all employees
Actual question: Do you think you are properly monitored by your supervisor through interim progress management and support?
- ④ Employee awareness survey item "Feedback on personnel evaluations (sufficient)"
Target number: positive ratio for all employees
Actual question: Do you get feedback from your superiors regarding achievement and employee performance evaluation results?

<Monitoring items>

- Number of certified SME management consultants
- Number of certified Agricultural, Forestry and Fishery Management Advisors

5. Promote diversity originating from career development for women and improve the workplace environment

<Basic policy>

- A. Create a workplace where diverse human resources can fulfill their potential
- B. Promote women's empowerment including actively appointing women to management positions.
- C. Strengthen harassment prevention.

<Overall plans>

- A. Implement measures to promote diversity at the Head Office.
 - (a) Take measures to establish workplaces where each employee is free to fulfill their potential.
 - (b) Encourage men to participate in housework, childcare, and family care.
- B. Practice work-life management (WLM).
 - (a) Inform personnel about programs that enable flexible working styles.
 - (b) Inform personnel about support measures according to their current life stage.
 - (c) Promote a varied working style and increase working time productivity.
- C. Promote career development for female employees.
 - (a) Implement measures for career development by female employees.
 - (b) Conduct training and implement other measures to support the development of management candidates in order to actively appoint women to management position.
- D. Strengthen measures to prevent harassment (same initiative as "6. Establishment and strengthening risk management and compliance structures").
- E. Create a workplace that makes an effort to encourage every employee to maintain his or her health.
 - (a) Conduct training on health and encourage medical examinations pursuant to specified health guidance.
 - (b) Enforce 2 no-overtime days per week, and encourage taking of paid leave.
- F. Understand management issues through employee awareness surveys.
 - ① Ratio of female managers 7% (By April, 2023)
 - ② Ratio of career-track female new hires recently graduated from university over 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 5 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 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

<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.

<Overall plans>

- A. Formulate and ensure implementation of risk management programs and compliance programs, and monitor the implementation status of those programs by the Corporate Governance Committee, etc.
- B. Take appropriate measures to eliminate antisocial forces.
- C. Further reinforce awareness of compliance as officers and employees of a policy-based finance institution.
- D. Thorough reporting and consultation concerning compliance.
- E. Strengthen crisis management awareness at the individual level through practical training from the head office concerning BCP.
- F. Branch managers should properly fulfill their roles in handling compliance concerns and risk management.