

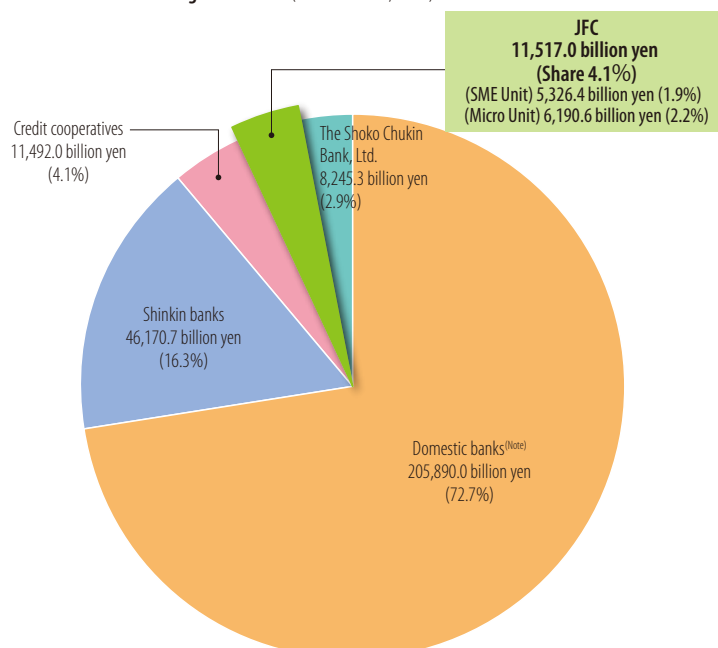
JFC Activities

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Financing Structure of JFC

- JFC's share of the balance of financing to SMEs (Micro Unit and SME Unit) is **4.1%**.

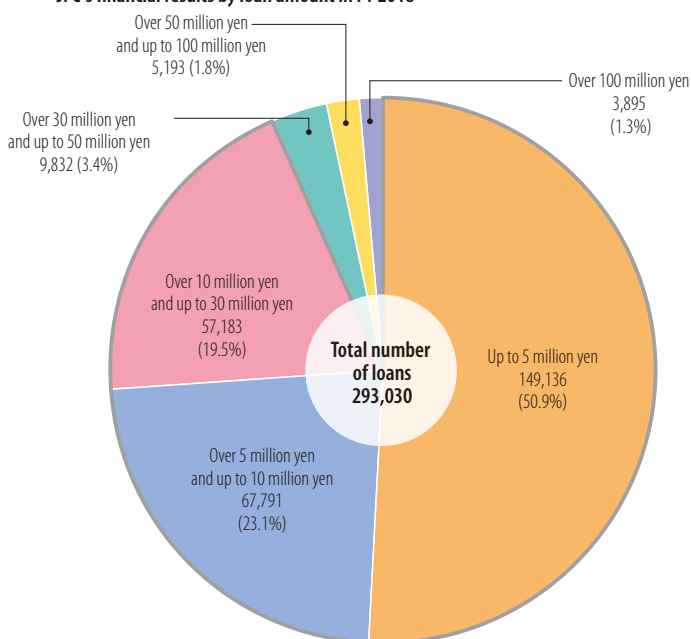
Share of balance of financing to SMEs ^(Note) (as of March 31, 2019)



Note: Total of city banks, regional banks, regional banks II, 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 FY2018 was as follows. Of the total of approximately 300,000 business loans, **51% had loan amounts of 5 million yen or less, and 94% 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 FY 2018 ^(Note)



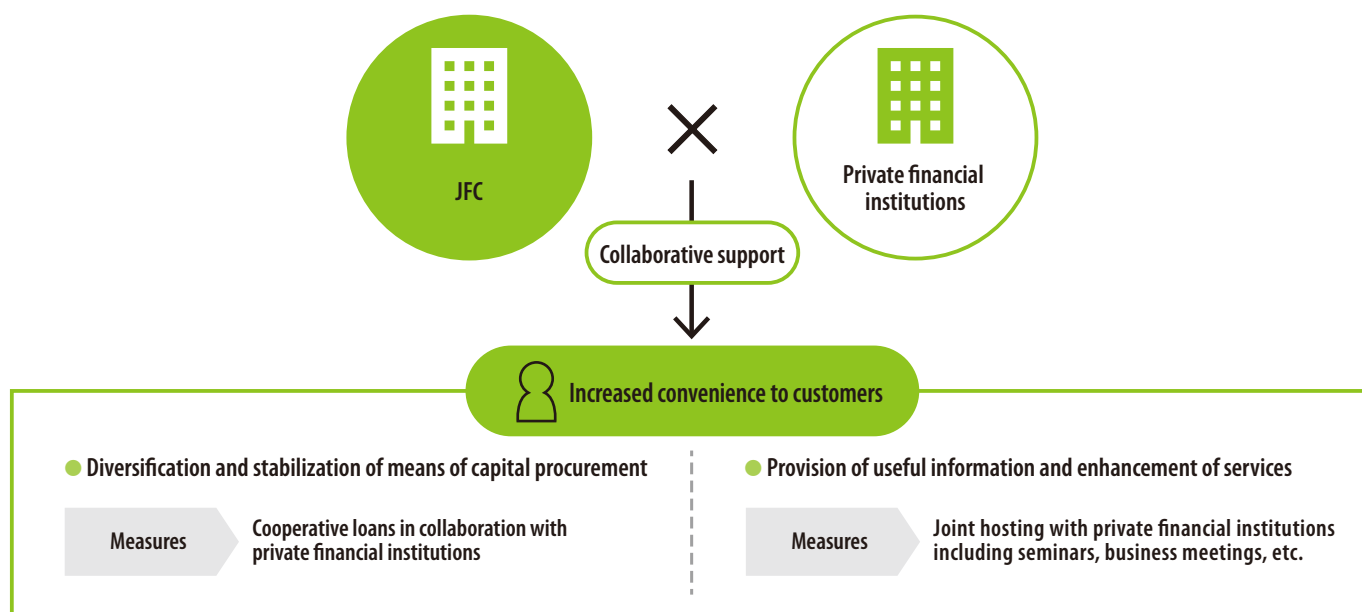
Note: Total of Micro Unit, AFFF Unit, and SME Unit (financing) business loans

Cooperation with Private Financial Institutions

Working in Cooperation with Private Financial Institutions

(1) Purpose of Cooperation with private financial institutions

JFC supports SMEs, micro/small businesses, agricultural, forestry, and fishery businesses, and other businesses based on the premise of complementing the activities of private financial institutions. We strive to increase convenience to customers in collaboration with private financial institutions by providing various services that combine their respective strengths and expertise.



(2) MOU conclusion status on business partnerships and collaboration

JFC has been promoting business partnerships with more private financial institutions. **As of March 31, 2019, MOUs on business cooperation and collaboration have been concluded with 496 financial institutions.**

(3) Creation of cooperative loan programs

Since FY2014, JFC has been focusing on establishing loan schemes ^(Note) in cooperation with private financial institutions to enhance partnership effectiveness and the number of private financial institutions which established the cooperative loan schemes reached **448 financial institutions as of March 31, 2019**. For some of the cooperative loan scheme, private financial institutions and the JFC collaborate to establish cooperative loan programs to support businesses. **As of March 31, 2019, 366 programs** were created in collaboration with **266 financial institutions**.

Note: A specific introduction rules are set for projects treated as cooperative loans.

Creation of cooperative loan programs (as of March 31, 2019)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total ^(Note)
Number of financial institutions creating cooperative loan programs	—	32	28	149	52	5	266
Number of cooperative loan programs ^(Note)	—	43	40	213	68	5	366

Note: Some cooperative loan programs were created jointly by multiple institutions, and as a result, the total number of programs does not equal the total of programs in each category.

(4) Total of cooperative loans ^(Note)

In FY2018, total cooperative loans from private financial institutions came to: **30,768 loans (133% compared to the previous fiscal year), 1,292.9 billion yen (172% 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 ^(FY2018)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total ^(Note)		Reference FY2017 results
								Compared to the previous fiscal year	
Number of loans	2,177	9,470	4,083	12,608	2,112	818	30,768	133%	23,080
Amount	265.6 billion yen	567.4 billion yen	157.2 billion yen	271.6 billion yen	32.9 billion yen	83.5 billion yen	1,292.9 billion yen	172%	750.5 billion yen

Note: In cases where cooperative loans are provided with multiple private financial institutions, the number of loans and loan amounts indicated in the breakdown are totaled for each financial institution, and as a result, the totals do not match.

Example: In the case of a 100 million yen loan provided by a regional bank and regional bank II, the amounts for both the regional bank and regional bank II are reported as 100 million yen, and the total is reported as 100 million yen.

(5) Results of JFC customer referrals to private financial institutions

To respond to the diversifying capital needs of customers and increased customer options for capital procurement, JFC refers customers to private financial institutions.

In fiscal 2018, **JFC referred 9,801 customers to private financial institutions.**

(6) Results of private financial institution customer referrals to JFC

JFC actively response to referrals of customers from private financial institutions so that it can implement the stable provision of capital to more businesses.

In FY2018, **private financial institutions referred 34,197 customers to JFC.** Of these, in addition to cooperative loans, **JFC independently provided 17,833 loans** to start-ups and businesses in the agricultural, forestry, and fishery sectors.

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

Responses to Heavy Rain Event of July 2018 and 2018 Hokkaido Eastern Iburi Earthquake

In response to the Heavy Rain Event of July 2018 and the 2018 Hokkaido Eastern Iburi Earthquake, JFC established special consultation desks at branches in the affected regions and other areas and provided timely and detailed financing and economic consultations to SMEs, micro/small businesses, and agricultural, forestry, and fishery businesses that were damaged by these events.

JFC also began handling the Heavy Rain Event of July 2018 Special Loans for SMEs and micro/small businesses and began offering special measures including reduced interest for disaster-related financing for agricultural, forestry, and fishery businesses.

[Heavy Rain Event of July 2018] Consultation and loans results (July 6, 2018–March 29, 2019)

11 affected prefectures	Consultation results	Total loans provided	
		Number of loans	Amount
	2,719	1,742	17.9 billion yen

[Hokkaido Eastern Iburi Earthquake] Consultation and loans results (September 6, 2018–March 29, 2019)

9 branches in Hokkaido	Consultation results	Total loans provided	
		Number of loans	Amount
	1,067	846	7.1 billion yen

Consultation details from customers

Region/Industry	Consultation details
Ozu City, Ehime Prefecture/ Food retail	<ul style="list-style-type: none"> A river flooded near the Michinoeki (Roadside Station) where the store is located. The store was damaged by the flooding and all store facilities and inventory were lost. Application for funding for interior construction and acquisition of stocks to resume business at temporary store.
Miyoshi City, Hiroshima Prefecture/ Fishery processed products sales	<ul style="list-style-type: none"> The head office located in the Miyoshi City Wholesale Center was flooded. Application for financing for operating funds and to replace flooded equipment and facilities.

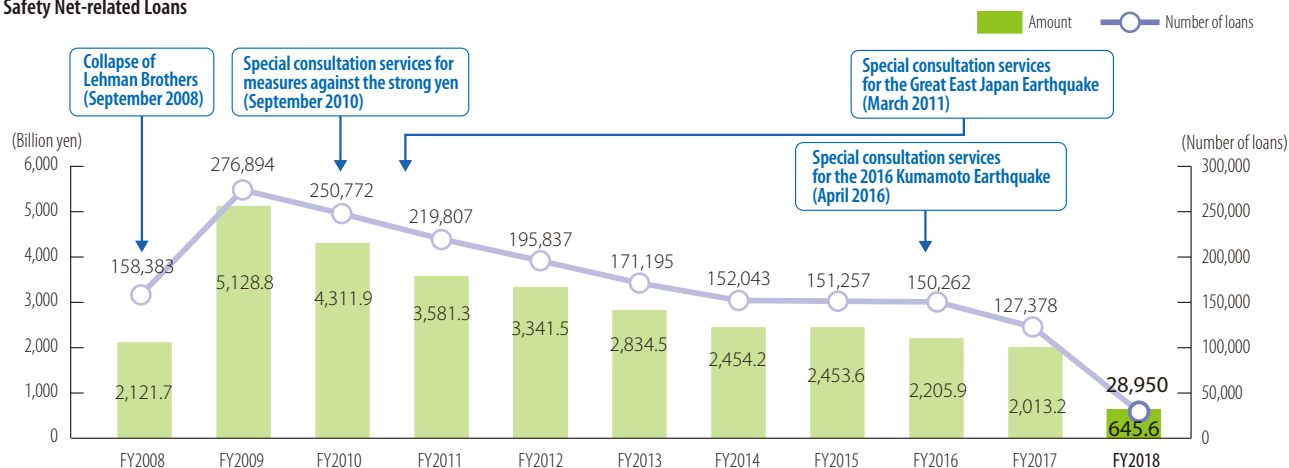
Region/Industry	Consultation details
Kiyota-ku, Sapporo City/ Facility for mentally disabled persons	<ul style="list-style-type: none"> As a result of ground liquefaction caused by the earthquake, the building leased for offices was leaning over and relocation of the offices was necessary. Application for funds to purchase supplies necessary for relocation of offices and for operating funds.
Abira-machi/ Agricultural business	<ul style="list-style-type: none"> The agricultural warehouse and tractor were damaged by the earthquake. Delays occurred in farm work which resulted in decreased income. Consultation on operating funds for the short term, reconstruction of the damaged warehouse, and acquisition of a tractor.

Safety Net-related Loans

In FY2018, financing related to Safety Net Loans ^(Note) 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 **28,950 loans (23% compared to the previous fiscal year) for 645.6 billion yen (32% 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, 2016 Kumamoto Earthquake Recovery Special Loans, 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



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 FY2018 loans to start-ups came to: **27,979 businesses (100% compared to the previous fiscal year), 185.7 billion yen (97% compared to the previous fiscal year).**

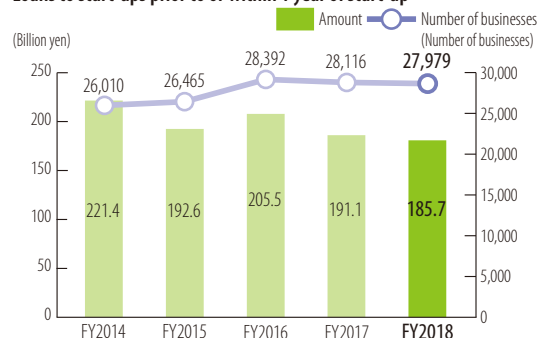
Start-up loans to women, youth, and senior entrepreneurs

(Number of businesses)

	FY2016	FY2017	FY2018	Compared to the previous fiscal year
Women	6,364	6,174	6,116	99%
Seniors (aged 55 and older)	3,208	2,995	3,071	103%
Youth (aged under 35)	7,823	7,931	7,787	98%

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

Loans to start-ups prior to or within 1 year of start-up

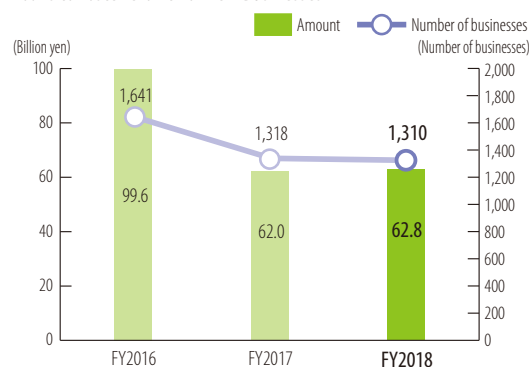


(ii) Loans to Foster Growth of New Businesses ^(Note)

In FY2018, loans came to: **1,310 businesses (99% compared to the previous fiscal year), 62.8 billion yen (101% 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.

Loans to Foster Growth of New Businesses



Results of stock subscription rights loans included in Loans to Foster Growth of New Businesses

	FY2016	FY2017	FY2018	Compared to the previous fiscal year
Number of businesses	37	33	32	97%
Amount	570 million yen	570 million yen	1.5 billion yen	263%

(iii) 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.

In FY2018, loans came to: **32 businesses (97% compared to the previous fiscal year), 1.5 billion yen (263% compared to the previous fiscal year).**

(iv) Capital Subordinated Loans ^(Note)

In FY2018, loans came to: **279 businesses (75% compared to the previous fiscal year), 16.4 billion yen (72% 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.

Financial performance of Capital Subordinated Loans

	FY2016	FY2017	FY2018	Compared to the previous fiscal year
Number of businesses	398	373	279	75%
Amount	25.1 billion yen	22.8 billion yen	16.4 billion yen	72%

(v) 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.).



Information exchange meetings by venture support organizations in the six prefectures of the Tohoku region

(2) Support for business revitalization

Results of financing relating to business revitalization came to **7,669 businesses (168% compared to the previous fiscal year)** and **221.5 billion yen (126% compared to the previous fiscal year)** for Corporate Revitalization Loans, whereas Capital Subordinated Loans came to **548 businesses (93% compared to the previous fiscal year)** and **34.5 billion yen (92% compared to the previous fiscal year)**. In addition, financing support relating to revitalization support was provided to **165 businesses (103% compared to the previous fiscal year)**.

Results of loans related to support for revitalization

		FY2016	FY2017	FY2018	Compared to the previous fiscal year
Corporate Revitalization Loans	Number of businesses	2,349	4,564	7,669	168%
	Amount	135.6 billion yen	175.7 billion yen	221.5 billion yen	126%
Capital Subordinated Loans	Number of businesses	547	588	548	93%
	Amount	35.9 billion yen	37.7 billion yen	34.5 billion yen	92%

Results of financial support for revitalization

		FY2016	FY2017	FY2018	Compared to the previous fiscal year
Methods of financing for comprehensive revitalization such as DDS and DES ^(Note)	Number of businesses	197	160	165	103%

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 businesses 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 equitizing 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.

(3) Support for business succession

(i) Business succession-related financing results

The business succession-related loans in FY2018 came to **4,635 loans (188% compared to the previous fiscal year)** and **80.2 billion yen (189% compared to the previous fiscal year)**.

As the managers of SMEs and micro/small businesses age, JFC is responding to diverse demands for funds relating to business succession so that valuable management assets including the technologies and know-how that businesses have accumulated can be effectively transferred.

(ii) Briefings on business succession taxation scheme

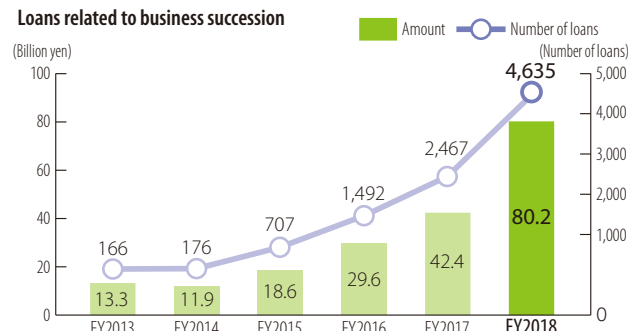
JFC held briefings on business succession taxation scheme and support measures in cooperation with the national tax authorities, tax accountants, and others at **133 regions nationwide**, to broadly increase understanding of business succession tax systems that create special measures.

At the briefings, JFC called for participation not just by managers and successors of SMEs and micro/small businesses but also by relevant organizations such as private financial institutions, tax accountants, chambers of commerce and industry, and societies of commerce and industry to provide succession support in collaboration with local supporting organizations. Through March 2019, approximately 9,000 persons participated in these briefings.

Business succession taxation scheme briefing results

Nationwide	133 regions
Hokkaido block	8 regions
Tohoku block	16 regions
Kanto block	27 regions
Tokai/Hokuriku/Koshinetsu block	28 regions
Kinki block	20 regions
Chugoku block	13 regions
Shikoku block	6 regions
Kyushu block	15 regions

Loans related to business succession



Note: 1. 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.

2. 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.



Toyooka site



Fukuoka site

Examples of measures to raise manager awareness

Connecting Note

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)



Power of Entrustment

A collection of examples presenting the thoughts of managers and successors at the time of business succession and what types of issues should be addressed. (Issued in February 2018)



Guide to Discovering the Possibilities of Business Handovers

A pamphlet with advice that spurs consideration of business handovers and introduces examples from businesses. (Issued in March 2018)



Baton for the Future

A pamphlet that encourages self-diagnosis concerning business succession and provides information on sharing information with JFC officials concerning issues regarding business succession and the direction the company should take. (Issued in June 2018)

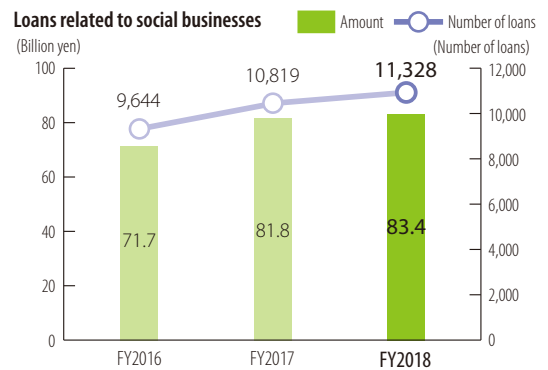


(4) Support for social business ^(Note)

(i) Loans related to social businesses

The FY2018 loans to social businesses came to: **11,328 loans (105% compared to the previous fiscal year)**, **83.4 billion yen (102% compared to the previous fiscal year)**, of which **1,381 loans (89% compared to the previous fiscal year)**, **8.7 billion yen (90% 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.



Breakdown of social business loans results by recipient

		FY2016	FY2017	FY2018	Compared to the previous fiscal year
Number of social business loans ^(Note)	Number of loans	9,644	10,819	11,328	105%
	Amount	71.7 billion yen	81.8 billion yen	83.4 billion yen	102%
(i) For NPOs	Number of loans	1,476	1,552	1,381	89%
	Amount	8.6 billion yen	9.7 billion yen	8.7 billion yen	90%
(ii) For nursing care and welfare businesses	Number of loans	7,885	8,375	8,440	101%
	Amount	60.8 billion yen	65.5 billion yen	64.6 billion yen	99%
(iii) For businesses addressing social issues	Number of loans	1,364	2,021	2,527	125%
	Amount	9.3 billion yen	14.2 billion yen	17.0 billion yen	120%

Note: Total for loan performance (excluding duplicate loans to (i), (ii)) to (i), (ii), and (iii).

(ii) Supporting business plan formulation by issuing the Business Plan Visualization Book

Sustainable growth of social business activities requires the formulation of a highly feasible business plan and securing adequate profits. The JFC Micro Unit issued the Business Plan Visualization Book (referred to as the "Visualization Book") to support the formulation of business plans.

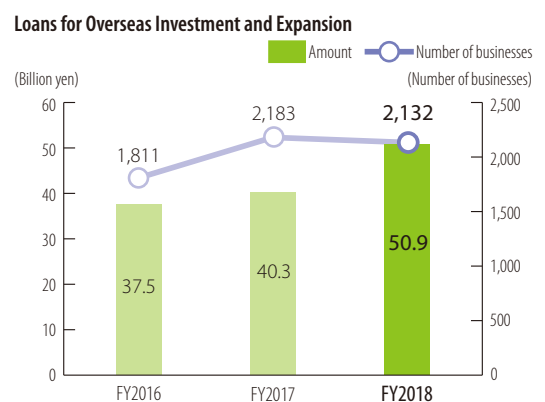
The Visualization Book is a workbook that helps businesses organize six elements relating to business planning (organizational mission, understanding of current conditions, implementation hypotheses, results targets, financial foundations, and organizational foundations). The Visualization Book can be used when those engaged in social business formulate business plans.



(5) Support for overseas expansion

(i) Loans for Overseas Investment and Expansion

As a result of detailed financing support meeting the needs of SMEs and micro/small businesses actively undertaking imports and exports, in FY2018, Loans for Overseas Investment and Expansion were provided to **2,132 businesses (98% compared to the previous fiscal year)**, **totaling 50.9 billion yen (126% compared to the previous fiscal year)**.



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

	FY2016		FY2017		FY2018		
	Number of businesses	Ratio	Number of businesses	Ratio	Number of businesses	Ratio	Compared to the previous fiscal year
China (including Hong Kong)	494	27%	655	30%	701	33%	107%
ASEAN	585	32%	600	27%	532	25%	89%
Viet Nam	139	8%	174	8%	154	7%	89%
Thailand	141	8%	147	7%	124	6%	84%
Philippines	96	5%	78	4%	88	4%	113%
Malaysia	35	2%	45	2%	44	2%	98%
Other ASEAN countries	174	10%	156	7%	122	6%	78%
Others	732	40%	928	43%	899	42%	97%
Total	1,811	100%	2,183	100%	2,132	100%	98%

(ii) Standby Letter of Credit Program ^(Note)

As for FY2018, 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 **108 businesses**. The cumulative usage (until end of March 2019) of this program since its start in FY2012 has reached **531 businesses**.

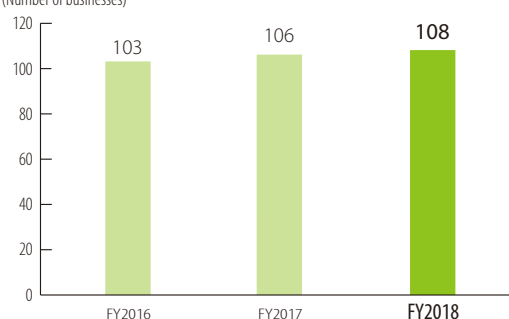
As of the end of March 2019, and the number of affiliated financial institutions expanded to 15 institutions.

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 2019, we have business partnerships with 61 regional financial institutions in Japan, and letters of credit were issued to a total of **33 businesses** 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

(Number of businesses)



(iii) Performance of Trial Export Support Project on agricultural and fishery companies ^(Note)

In partnership with trading companies, the Trial Export Support Project has coordinated to provide support to domestic agricultural and food manufacturing companies showing an eagerness to export their products. This has resulted in support for **43 cases** of trial exports in FY2018. Countries to which products were exported include Singapore, the largest with 15 cases, Taiwan with 12 cases, Macau with 6 cases, Thailand with 5 cases, Malaysia with 4 cases, and China with 1 case. Actual types of products exported included rice, fruit tomato, melon, sweet potato, and other vegetables, and processed foods such as Japanese sake, tomato juice, beer, frozen hamburger, and others.

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

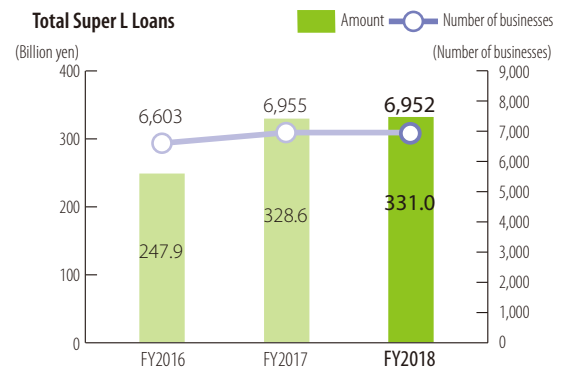
Performance of Trial Main Export Support Project

Country or region of export	FY2016 Number of trials	FY2017 Number of trials	FY2018 Number of trials	Items
Singapore	8	11	15	<ul style="list-style-type: none"> • Tomato • Raw shiitake • Minced tuna • Grilled scallop • Apple • Green juice • Dashi pack • Jelly drink • Strawberry • Green pepper • Beer • Sweet potato • Noodles
Taiwan	10	30	12	<ul style="list-style-type: none"> • Raw shiitake • Gelato • Minced tuna • Rice • Cosmetics • Japanese sake • Beer • Tomato juice • Yuzu pepper
Macau	5	1	6	<ul style="list-style-type: none"> • Dried green pepper • Green juice • Grilled sweet potato • Japanese Kurobuta sausage • Uncured ham • Canned beef • Frozen hamburger • Jam
Thailand	—	—	5	<ul style="list-style-type: none"> • Fruit tomato • Melon • Cucumber • Green onion
Malaysia	8	7	4	<ul style="list-style-type: none"> • Grilled scallop • Dashi pack • Tea • Noodles
China	—	—	1	<ul style="list-style-type: none"> • Tea
Total	37	55	43	

(6) Support for new expansion in agricultural, forestry, and fisheries businesses

(i) Supporting leaders of agriculture (new entry farmers, large family run businesses, corporations)

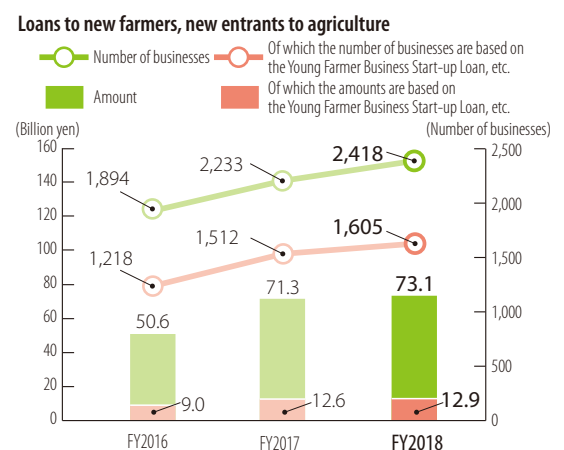
Agricultural Management Framework Reinforcement Loans (name: Super L Loan) in FY2018, came to: **6,952 businesses (100% compared to the previous fiscal year), 331.0 billion yen (101% compared to the previous fiscal year).**



In FY2018, loans to new agricultural business and new entry farmers came to **2,418 businesses (108% compared to the previous fiscal year), and 73.1 billion yen (103% compared to the previous fiscal year).**

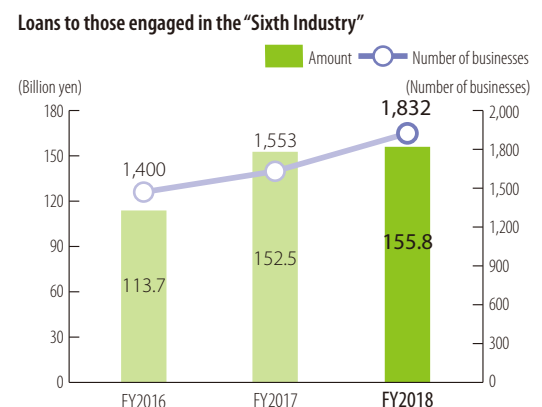
From FY2014, newly started loans to Young Farmer Business Start-up Loan, etc. ^(Note) came to: **1,605 businesses (106% compared to the previous fiscal year), 12.9 billion yen (103% compared to the previous fiscal year).**

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



(ii) Supporting the “Sixth Industry” activities

FY2018 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: **1,832 businesses (118% compared to the previous fiscal year), 155.8 billion yen (102% compared to the previous fiscal year).**



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

At the end of FY2018, 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 ^(Note) 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 (Act No. 52 of 2002).

Working towards Improved Customer Service that Reflects Comprehensive Capabilities

Improving Customer Service that Exercises Our Comprehensive Capabilities

In order to respond to various needs of customers and regions, JFC's business units are coordinating to mutually leverage their expertise and information and enhance our services including provision of useful information.

Japan Finance Corporation



152 Branches throughout Japan

- Formulation of a Comprehensive Capability Promotion Plan for each branch, based on local conditions and requirements
- Provision of even higher quality financial services, from the perspectives of both funding and information
- Complete utilization of the various managerial resources (network of 152 branches nationwide, network of customers, expertise, etc.) controlled by the three business units

Demonstrating Comprehensive Capabilities

- (1) Contribution to local and regional revitalization by active participation in regional projects

- Participation in regional projects implemented by regional public organizations with the aim of revitalizing local industry, etc., in order to contribute to regional revitalization.
- Under the national strategy for overcoming population decline and vitalizing local economies, JFC supports the implementation and promotion of regional comprehensive strategies formulated by regional local governments through collaboration with private financial institutions and others based on requests from regional local governments.

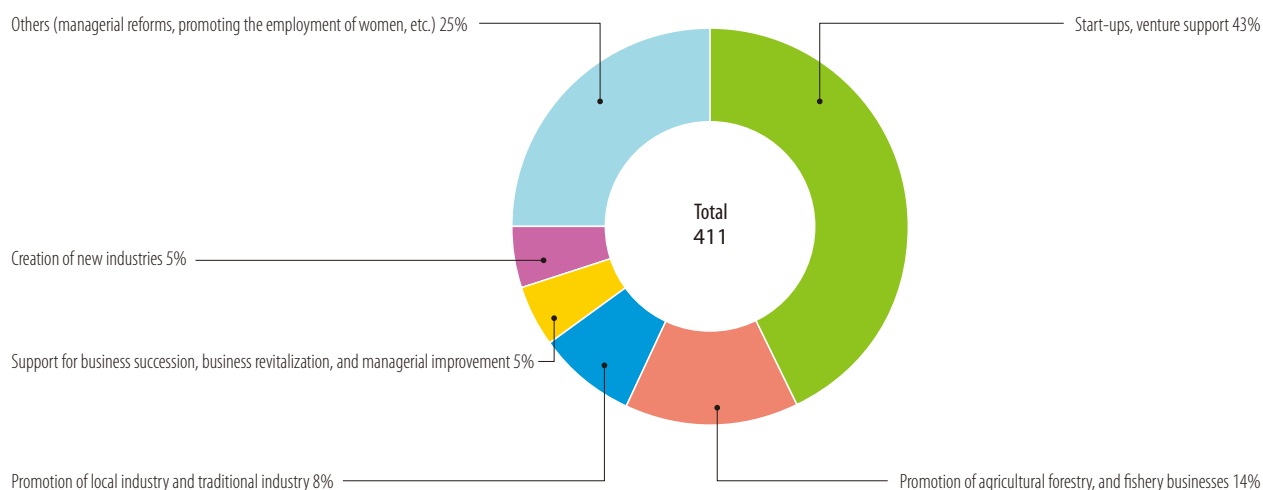
- (2) Provision of useful information consistent to customer and local needs

- 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 to better meet customer needs.

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 FY2018, JFC participated in a total of **411 regional projects** nationwide. Partnership projects include start-ups and venture support, which at **43%** was the highest to date.

Breakdown of regional projects by policy ^(Note) (FY2018)



Note: Classification by JFC

Provision of useful information consistent to customer and local needs

- The FY2018 number of customer matching partnerships formed by cross business unit collaboration came to: **2,495 partnerships.**
- The number of business meetings held in FY2018 in all regions nationwide came to: **434 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, providing support for increased business opportunities by customers.
- To provide broad notice of the special measures created in the business succession taxation scheme as a result of taxation scheme revisions made in FY 2018, JFC held business succession taxation scheme briefings in 133 regions nationwide in cooperation with lecturers dispatched by the national tax authority and tax accountants and called for participation by private financial institutions and others.
- Through its Internet business matching site, JFC provides a forum offering business opportunities to customers, including new buyers and new suppliers of raw materials.

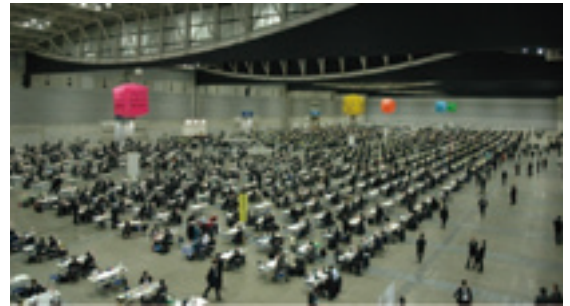
JFC Internet Business Matching

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

National-scale business discussion meetings

National Business Discussion Meeting

- JFC conducted business discussion meetings on a nationwide scaled to support expanded business opportunities for customers. In FY2018, a total of 961 companies from around the country participated, a new record high, including businesses that were recommended by sponsoring organizations. As a result of these meetings, each business engaged participated in an average of 6.5 discussions.



The 11th National Business Discussion Meeting

Regional business discussion meetings

Tohoku Food Net 2018 in Sendai

- Branches in the Tohoku region collaborated to hold this event, which took place at the Hotel Metropolitan Sendai in October 2018. The meeting provided opportunities for businesses in agriculture, forestry, fisheries, food, and food processing in the Tohoku's six prefectures to conduct talks with buyers from inside and outside the region.



Tohoku Food Net 2018 in Sendai

San'in Foods Business Discussion Meeting in Hiroshima

- Hiroshima Branch and branches in the San'in region collaborated to hold this event, which took place at the Hiroshima City Bunka Koryu Kaikan in November 2018. The meeting provided opportunities for businesses in agriculture, forestry, fisheries, food, and food processing in San'in region to conduct talks with retail and restaurant businesses in Hiroshima Prefecture.



San'in Foods Business Discussion Meeting in Hiroshima

Nagasaki Business Discussion Meeting 2018 That Conveys the Appeals of Local Businesses

- Nagasaki Branch, Sasebo Branch, and the Nagasaki Chamber of Commerce and Industry collaborated to hold this event, which took place at the Hotel New Nagasaki in October 2018. The meeting provided opportunities for businesses in Nagasaki Prefecture, to conduct talks with buyers from inside and outside the prefecture. Buyers were recruited by making use of the nationwide network of 152 branches.



Nagasaki Business Discussion Meeting 2018 That Conveys the Appeals of Local Businesses

Hosting of the 6th High School Student Business Plan Grand Prix

JFC hosted the 6th 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: **396 schools, 4,359 applicants** (385 schools, 3,247 applicants in the 5th Grand Prix). By the leading act by the Business Start-up Support Center nationwide, JFC promoted this event to many schools. Business Start-up Support centers visited **331 schools** (300 schools in the 5th Grand Prix), and gave lectures about how to create a business plan.

At the final competition held in January 2019, ten finalist groups gave heated presentations. The entry from Kyoto Prefectural Kizu High School "Stairs are a Bridge to a Health Life: A Warning Bell for Japanese People Who Don't Exercise Enough" 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 7th High School Student Business Plan Grand Prix)

Application period: July 1 to September 25, 2019

Business plan sheet submission deadline: September 25 (must be received by the 25th)

Announcement of ten finalist groups: Late November, 2019

Final competition and award ceremony: January 12, 2020

Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/grandprix/>

(Available only in Japanese)



The High School Student Business Plan Grand Prix Facebook page is frequently updated with the latest information.

<https://www.facebook.com/grandprix.jfc/>

(Available only in Japanese)



Presentation in final competition



Students from Kyoto Prefectural Kizu High School which received the Grand Prix award



Participants of the final competition and the award ceremony

Provision of information through the 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

(Available only in Japanese)



Overview of Operations in FY2018 and Outline of Financial Statements

Overview of Operations in FY2018

During the fiscal year under review, the Japanese economy recovered at a moderate pace. Exports were nearly flat, but corporate profits reached a record high and capital investment increased. Personal consumption continued to rally as a result of improvement in the employment and income environments, and the economy remains in a virtuous cycle. A series of natural disasters that occurred in the summer, however, temporarily pushed the economy down, particularly personal consumption and exports.

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 natural disasters, such as the 2016 Kumamoto Earthquake, the 2018 Northern Osaka Prefecture Earthquake, the Heavy Rain Event of July 2018, the 2018 Hokkaido Eastern Iburi Earthquake, and contributing to the Strategic Fields of Growth, etc.

Improving Customer Service

As one of the main pillars of our Management Policy, JFC actively promotes on improving Customer Service. Under these circumstances, JFC strived to provide useful information consistent with customers and local needs and enhance consultation capability.

Specifically, JFC actively participated in local projects such as Comprehensive Regional Strategies and provided financing support based on the needs of customers and local communities.

In addition, the Agri-Food EXPO and National Business Discussion Meetings were continuously held on a nationwide scale, business discussion meetings were held at branches around the country taking into consideration local characteristics, and JFC used its nationwide network of 152 branches to conduct business matching, actively responding to the issues faced by customers and local communities.

During the fiscal year under review, in October 2018, we marked the 10th anniversary of the integration of JFC by holding regional economic revitalization symposiums intended to lead to the development of local economies, support local recovery, and support displays of vitality by SMEs, micro/small businesses, and agricultural, forestry, and fishery businesses.

Cooperation with Private Financial Institutions

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. As of the end of the fiscal year, JFC concluded memoranda on business collaboration and cooperation with 496 institutions.

During this fiscal year, JFC placed emphasis on collaboration with private financial institutions, promoting dialogue on the officer level and in the field, referred customers to private financial institutions, and promoting creation and revitalization of cooperative loan products as initiatives for collaboration with private financial institutions to enter a new stage.

As a result of these initiatives, JFC created 366 new cooperative loan programs with 266 financial institutions through the end of the fiscal year. Cooperative loan results were 30,768 loans worth

1,292.9 billion yen, 133.3% and 172.3% compared to the previous fiscal year, respectively.

Support for Reconstruction from the Great East Japan Earthquake

With regard to consultation inquiries concerning financing and repayment from SMEs, micro/small businesses, and agricultural, forestry, and fishery businesses affected by the Great East Japan Earthquake, JFC continued to provide timely and detailed responses and made efforts to support reconstruction through various financing programs such as the Great East Japan Earthquake Reconstruction Special Loans.

As a result, during the fiscal year under review, JFC provided a total of 1,599 Great East Japan Earthquake Reconstruction Special Loans and other earthquake related loans with 28.6 billion yen. Since the earthquake occurred, a cumulative total of 274,076 loans worth 4,416.8 billion yen have been provided. In addition, JFC provided guarantees relating to Great East Japan Earthquake Recovery Emergency Guarantees and worked to facilitate crisis responses.

Responses to Safety Net Demand

JFC provides refinancing support and managerial advice to SMEs, micro/small businesses, and agricultural, forestry, and fishery businesses impacted by natural disasters such as typhoons and torrential rains as well as deterioration of the economic environment.

In response to the 2016 Kumamoto Earthquake, the 2018 Northern Osaka Prefecture Earthquake, the Heavy Rain Event of July 2018, the 2018 Hokkaido Eastern Iburi Earthquake, and other natural disasters, branches in the affected regions established special consultation desks and provided timely and detailed responses to financing and repayment inquiries to affected SMEs, micro/small businesses, and agricultural, forestry, and fishery businesses.

As a result of these measures, total safety net related loans including Great East Japan Earthquake related financing was 28,950 loans worth 645.6 billion yen.

Contributions 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 addition, in FY2018, to broadly increase understanding of business succession taxation schemes that create special measures, JFC held briefings on taxation schemes and support measures in cooperation with the national tax authorities, tax accountants, and others at 133 locations nationwide.

As a result, JFC's loan results for the fiscal year under review were 3,959.9 billion yen.

JFC's financial results during the fiscal year were as follows: ordinary income was 570.7 billion yen and net income including extraordinary incomes and losses was 76.4 billion yen.

Outline of Financial Statements for FY2018

1. Profit and loss

At the closing of FY2018 (ended March 31, 2019), JFC recorded a loss of 41.3 billion yen over the previous fiscal year, for a net income of 76.4 billion yen.

The key factor was a decrease of current net income by 18.4 billion yen over the previous term 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)	
		2018	2019	2018	2019	2018	2019	2018	2019
Japan Finance Corporation		606.8	570.7	488.8	493.7	118.0	76.9	117.7	76.4
Micro Business and Individual Unit (Account for Micro Business and Individual Operations)		138.7	137.2	133.1	146.8	5.6	(9.6)	5.4	(10.0)
Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)		42.0	41.5	41.9	41.4	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)	89.7	84.3	65.9	76.8	23.8	7.5	23.7	7.4
	Account for Securitization Support Programs (Purchase-type Operation)	0.3	0.4	0.3	0.4	0.0	0.0	0.0	0.0
	Account for Credit Insurance Programs	313.7	291.3	203.2	199.3	110.5	92.0	110.5	92.0
Operations to Facilitate Crisis Responses (Account for Operations to Facilitate Crisis Responses)		24.7	15.8	46.7	29.0	(22.0)	(13.1)	(22.0)	(13.1)
Operations to Facilitate Specific Businesses Promotion, etc. (Account for Operations to Facilitate Specific Businesses Promotion, etc.)		0.3	0.3	0.4	0.3	(0.0)	(0.0)	(0.0)	(0.0)

2. Assets

Total assets were 21,088.1 billion yen, the majority of which were loans and bills discounted.

Loans and bills discounted decreased 519.9 billion yen from March 31, 2018, to 17,085.7 billion yen.

Total net assets stood at 5,614.2 billion yen, taking into account an increase from having received capital contributions from the government of 171.3 billion yen, against a net income of 76.4 billion yen, etc.

Balance Sheet (as of March 31)

(Unit: billion yen)

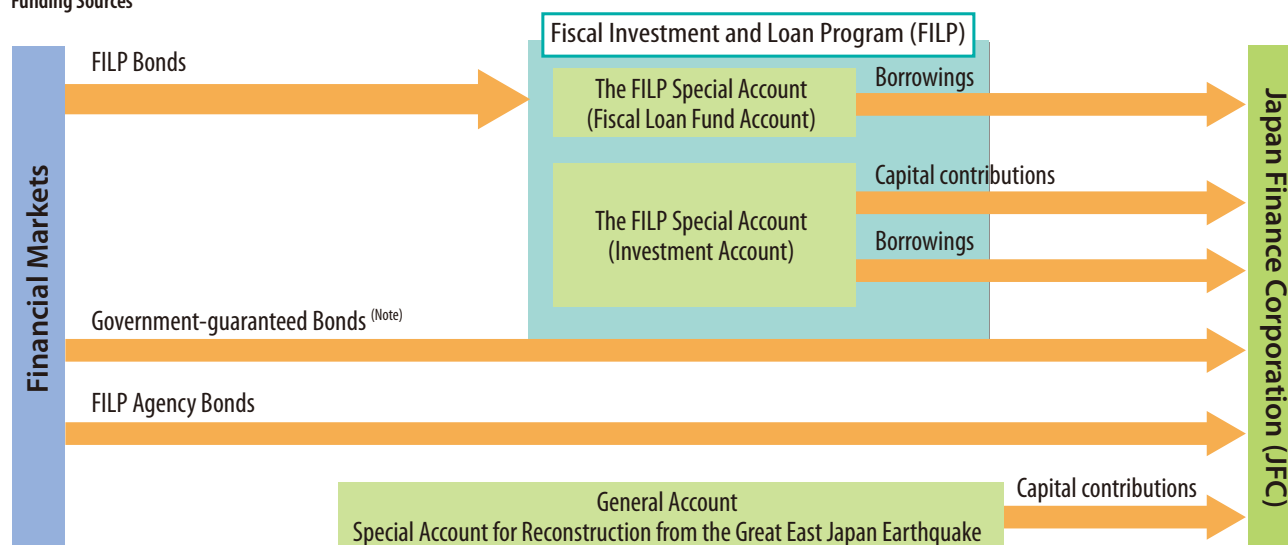
Assets			Liabilities and net assets		
Items	Amount		Items	Amount	
	2018	2019		2018	2019
Cash and due from banks	4,032.6	4,033.9	Borrowed money	13,518.2	12,885.0
Securities	39.7	42.5	Bonds payable	1,460.3	1,490.3
Loans and bills discounted	17,605.6	17,085.7	Entrusted funds	28.7	27.9
Other assets	35.1	33.0	Reserve for insurance policy liabilities	1,002.6	838.4
Property, plant and equipment	195.1	195.6	Other liabilities	27.6	21.6
Intangible assets	14.0	11.3	Provision for bonuses	5.0	5.2
Customers' liabilities for acceptances and guarantees	64.5	86.4	Provision for directors' bonuses	0.0	0.0
Allowance for loan losses	(383.7)	(400.6)	Provision for retirement benefits	91.0	89.5
			Provision for directors' retirement benefits	0.0	0.0
			Reserve for compensation losses	38.0	29.2
			Acceptances and guarantees	64.5	86.4
			Total liabilities	16,236.3	15,473.9
			Capital stock	4,124.9	4,195.8
			Capital surplus	2,069.4	2,169.8
			Retained earnings	(828.0)	(751.5)
			Valuation difference on available-for-sale securities	0.4	—
			Total net assets	5,366.8	5,614.2
Total assets	21,603.2	21,088.1	Total liabilities and net assets	21,603.2	21,088.1

Funding

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



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

Breakdown of funding sources

(Unit: billion yen)

	FY2019 budget	FY2018 budget	FY2018 results
Borrowings from Fiscal Loan Fund, etc.	3,672.5	3,592.6	2,722.9
Government-guaranteed Bonds	220.0	385.0	105.0
Capital contributions from the government	98.8	187.2	171.3
Funding from the government (percentage of overall funding)	3,991.3 (93%)	4,164.9 (93%)	2,999.2 (93%)
FILP Agency Bonds	320.0	320.0	235.0
Total funding	4,311.3	4,484.9	3,234.2

Notes: 1. The FY2018 budget amounts are the revised levels following the supplementary budget.

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	FY2019	FY2018		FY2017		FY2016	
	Budget	Budget	Results	Budget	Results	Budget	Results
10-year bond	30.0	70.0	50.0	60.0	40.0	60.0	40.0
6-year bond	90.0	115.0	55.0	125.0	75.0	125.0	80.0
Less than 5-year bond	100.0	200.0	—	270.0	—	200.0	—
Total	220.0	385.0	105.0	455.0	115.0	385.0	120.0

Notes: 1. The budget amounts for FY2016–FY2018 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)

Fiscal year Amount of issue Month of issue/Maturity	FY2019	FY2018				FY2017				FY2016			
	(Budget 320.0) Results 90.0	(Budget 320.0) Results 235.0				(Budget 318.0) Results 240.0				(Budget 293.7) Results 190.0			
Month of issue	May	May	August	November	March	May	August	November	March	May	August	September	March
10-year bond	10.0	—	25.0	—	—	—	—	—	—	—	—	—	—
4-year bond	30.0	30.0	—	—	15.0	40.0	—	—	15.0	—	—	—	10.0
3-year bond	—	—	25.0	—	—	—	30.0	—	15.0	—	—	60.0	—
2-year bond	50.0	60.0	50.0	30.0	—	50.0	40.0	50.0	—	60.0	60.0	—	—

Notes: 1. The budget amounts for FY2016 and FY2018 are the revised levels following the respective supplementary budgets.

2. 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.

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

4. The issue-result amounts for FY2019 are the amounts issued as at the end of May 2019.

Ratings of JFC (As of May 31, 2019)

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

Memo
