

# Japan Finance Corporation

## Annual Report

# 2020



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

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 SMEs and micro/small businesses, agriculture, forestry, and fishery policy, etc., with the aim to complement financing carried out by private financial institutions.

JFC arranged around 300,000 business loans in FY2019. Of this total, around 51% were for less than 5 million yen and around 94% were 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 SMEs and micro/small businesses and those engaged in business in the fields of agriculture, forestry, or fisheries.

We have responded to customer needs with a deep sense of our mission as a policy-based financial institution to "connect" policies and those involved in business.

Due to the unprecedented threat in the form of the COVID-19 pandemic, Japan is currently confronting previously unseen economic and social crises. Many businesses have been placed in extremely challenging circumstances.

To support those who have been affected by the COVID-19 related crisis, the government has implemented economic measures on an unparalleled budgetary scale. In accordance with these measures, JFC established new consultation desks and on March 17 began handling COVID-19 Special Loan Program, which are substantially interest-free loans without requiring collateral.

As of September 30, 2020, the number of COVID-19 related loan decisions had reached approximately 660,000, exceeding the results for the prior fiscal year, but also substantially surpassing the results for FY2009, which was impacted severely by the collapse of Lehman Brothers and the subsequent financial crisis.

Private financial institutions also began handling substantially interest-free loans which do not require collateral in May, and Managerial Improvement Loans (MARUKEI Loans), which are handled by Chambers of Commerce and Industry and Societies of Commerce and Industry, were also made subject to interest-free. In August, we began handling COVID-19 Hybrid Subordinated Loan Program in order to bolster the financial foundations of businesses that were impacted by the COVID-19 related crisis. In addition, in October we launched a website to gather case studies of business that have implemented various ideas and innovations for weathering the crisis, providing additional support to businesses that are doing their best.

The future outlook remains unclear, but we aim to deepen our collaboration with private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and others. And to work with all supporting organizations to prop up businesses in order to provide effective financial support to businesses.

JFC will support businesses affected by the COVID-19 related crisis, support reconstruction from the Great East Japan Earthquake and other earthquakes, typhoons, and other natural disasters, and perform safety net functions while focusing our efforts on supporting the Strategic Fields of Growth, etc. including entrepreneurialism and new business establishment as well as overseas expansion.



As the number of aging business managers increases, JFC will provide financial support for business succession and continue existing initiatives such as business succession diagnosis and business succession matching services.

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 to deepen collaboration with local communities.

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.

October 6, 2020

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TANAKA Kazuho  
Governor & CEO

## Profile (as of March 31, 2020)

<b>Name</b>	Japan Finance Corporation (JFC)	
<b>Establishment</b>	October 1, 2008	
<b>Statutory Law</b>	The Japan Finance Corporation Act	
<b>Head Office</b>	Otemachi Financial City North Tower, 1-9-4, Otemachi, Chiyoda-ku, Tokyo, Japan	
<b>Governor &amp; CEO</b>	TANAKA Kazuho	
<b>Capital, etc.</b>	Capital: 4,324.2 billion yen Reserve fund: 2,052.2 billion yen	
<b>Branch Offices</b>	Branch offices in Japan: 152 Overseas representative offices: 2	
<b>Employees</b>	7,364 (budgetary fixed number for FY2020)	
<b>Total of Outstanding Loans</b>	Total of Outstanding Loans:	17,043.3 billion yen
	Micro Business and Individual Unit:	7,178.3 billion yen
	Agriculture, Forestry, Fisheries and Food Business Unit:	3,196.1 billion yen
	Small and Medium Enterprise (SME) Unit:	5,208.1 billion yen (Finance Operations)
	Operations to Facilitate Crisis Responses:	1,327.7 billion yen
	Operations to Facilitate Specific Businesses Promotion, etc.:	132.9 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.

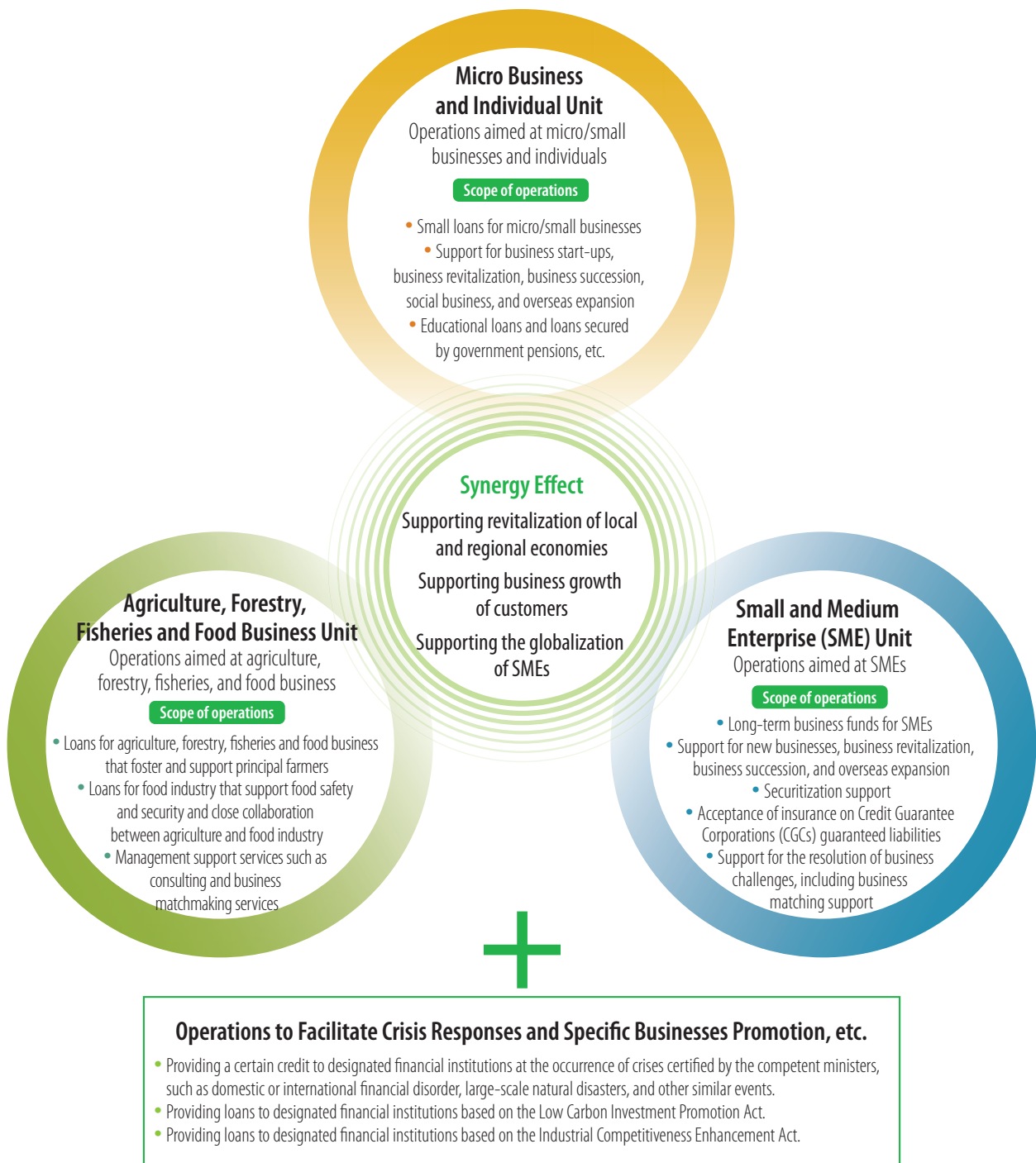
#### ● Offering a broad range of services

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. Exercise of safety net functions

Perform policy-based financing functions to the greatest extent possible and respond agilely to demands for safety net services due to natural disasters, pandemics, economic change, etc.

### 2. 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, new expansion of agricultural, forestry, and fisheries businesses, and review of business taking into consideration environmental and energy measures intended to create a sustainable society as well as changes in the business environment caused by pandemic in accordance with national policies and will contribute to the growth and development of the Japanese economy.

### 3. 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. Promote coordination with local communities and contribute to regional revitalization by ascertaining results in regions that have been affected by changes in the business environment from the pandemic and participating in regional projects such as comprehensive strategies of the local government.

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

### 4. 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.

### 5. Use digital technologies to promote 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. Encourage diversity and create workplaces where staff can fully utilize their capacities with pride and a sense of mission.

B. Achieve diverse and flexible working styles by expanding telework and other measures.

C. Further promote career opportunities for women, including the active appointment of female employees to managerial positions and by promoting career development for women.

D. Boost training to increase the quality and ability of each employee's professional expertise for conducting policy-based financing.

### 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 FY2020 on.

## Business and Management Plan (FY2020-2022)

JFC has taken all possible measures to support clients affected by the COVID-19 related crisis and responded steadily and agilely to demonstrate its safety net functions of assisting recovery and restoration from earthquakes, typhoons, and other natural disasters. Also, JFC will focus its efforts on Strategic Fields of Growth, etc. including start-ups, new business, business revitalization, business succession, social business, overseas expansion, new development of agriculture, forestry, and fisheries business operators, and support for business reviews taking into consideration changes in the business environment caused by environmental and energy measures and the COVID-19 crisis for the future development of the Japanese economy. Of these, as are addressing business succession by placing particular emphasis on collaborating with relevant organizations to provide effective information including matching. With regard to overseas development, we will strengthen existing collaboration with relevant organizations and bolster support for overseas expansion and export growth.

Furthermore, in order to contribute to regional revitalization, JFC carefully ascertains the circumstances surrounding regions and businesses, taking into consideration the changes in the business environment during the COVID-19 crisis in particular, 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 utilize the unique characteristics of the JFC and promote further collaboration with local communities.

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 office manager will continue endeavoring to fulfill the role of the cornerstone of the network. Furthermore, in order to reinforce policy-based finance functions, we will address organizational operations by reviewing administrative work including greater digitalization, taking into consideration responses to the COVID-19 crisis, and undertaking measures to carry out proposals made from an on-site perspective to continuously streamline administration including abolishing unnecessary procedures and raise the efficiency of operations. When carrying out IT strategies, we will deeply analyze the trends of digitalization of private financial institutions, select the methods most suitable for JFC, and work closely with IT departments with the active participation of individual business units. We will also address human resource development and utilization and promote diversity by creating rewarding workplaces where employees can maximize their abilities through measures such as telework and staggered commuting times.

Through the above measures, 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 Clients Affected by the COVID-19 Crisis

- A. Respond in a supportive manner to loan, repayment and other inquiries from clients affected by the COVID-19 crisis.
  - (a) Effectively and promptly provide detailed responses by the COVID-19 Special Consultation Desk.
  - (b) Provide loans in a timely and appropriate manner through COVID-19 Special Loan Program, Special Loans for Agricultural, Forestry, and Fisheries Business Operators, and other programs.
  - (c) Respond attentively and swiftly to repayment inquiries.
  - (d) Respond in detail and at a timely manner through insurance for Safety-net Guarantees No. 4 and 5 and Crisis-related Guarantees.
- B. Appropriately implement Operations to Facilitate Crisis Responses to cope with any crises recognized as COVID-19 Related Matters.
- C. Collect and disseminate case studies of business maintenance and development for overcoming the COVID-19 crisis and demonstrate consulting functions through follow-ups after the provision of loans.  
(Also include "4 Contribution to Local and Regional Revitalization through Collaboration with Local Communities" and "5 Improve customer service and demonstrate policy significance.")

## 2. Respond carefully to the needs for safety net services, provide a stable supply of funds, and collaborate with private financial institutions

- (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) 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, pandemic, economic circumstances, or other factors and 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, pandemic, falling prices of farm produce, or some other adversity, and those working towards business improvement.
- (3) 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.
- (4) 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.
- (5) 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. and reinforce collaboration relating to responses to clients affected by the COVID-19 crisis.
  - 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. <sup>(Note 1)</sup>

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

In light of changes in the business environment during the COVID-19 crisis, JFC supports active responses to new development of start-ups, new business, business revitalization, business succession, social business, overseas expansion, and agricultural, forestry, and fisheries business operators and environment and energy measures for the development of a sustainable society.

- 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): <sup>(Note 2)</sup>
  - (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: <sup>(Note 2)</sup>
  - (c) Cooperation with institutions that support start-ups and new business.
  - (d) Hosting of High School Student Business Plan Grand Prix. <sup>(Note 1)</sup>
- 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): <sup>(Note 2)</sup>
  - (b) Enhanced collaboration with Revitalization Support Council, etc.
  - (c) Promotion and reinforcement of fundamental revitalization financing support 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 including matching 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: <sup>(Note 2)</sup>
  - (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 engaged in overseas development and reinforce direct financing support for overseas subsidiaries.  
Number of companies contracted with support for overseas expansion: <sup>(Note 2)</sup>
  - (b) Support for the overseas business expansion of micro/small businesses.  
Number of loans for overseas expansion: <sup>(Note 2)</sup>
  - (c) Support agricultural, forestry and fisheries business operators that plan to develop overseas business in accordance with the Act on Facilitating the Export of Agricultural, Forestry, and Fishery Products and Food and other laws and regulations
  - (d) Provide information to customers seeking to expand overseas.
  - (e) 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: <sup>(Note 2)</sup>
  - (b) Support efforts to secure new farmers.  
Number of borrowers of people entering agricultural management and agricultural management entities hiring new farmers: <sup>(Note 2)</sup>
  - (c) Support for agricultural, forestry, and fishery businesses initiatives to improve businesses in the “Sixth Industrialization” sector. Number of the “Sixth Industrialization” borrowers: <sup>(Note 2)</sup>
  - (d) Support efforts to promote the use of domestic timber by large-scale wood-related businesses.
  - (e) Support fishery production enhancement, construction of ships to replace fishing boats, and enhancement of cultivation foundations.
  - (f) Support for food businesses engaged in expansion of domestic and foreign demand through increased collaboration with agricultural, forestry, and fishery businesses.
  - (g) Provide information such as policy information and results of various surveys.
- G. Support environmental and energy measures.
- (a) Promote initiatives supporting environmental and energy measures by SMEs and micro/small businesses.
  - (b) Support environmental and energy measures by agricultural, forestry and fisheries business operators.
  - (c) Gather and provide information to promote understanding inside and outside JFC regarding environmental and energy measures. <sup>(Note 1)</sup>
  - (d) Appropriate implementation of two-step loans for specific businesses based on the Low Carbon Investment Promotion Act.
- H. Contribute to equal educational opportunities.
- I. Support development, provision, and introduction of advanced information and communications systems.  
Create systems and reliably conduct business for two-step loan business commencement relating to the development, provision, and introduction of advanced information and communications systems.

#### 4. Contribution to Local and Regional Revitalization through Collaboration with Local Communities

- (1) Reinforce collaboration with local government through active participation in regional comprehensive strategies.
  - A. Actively disseminate information to local government regarding JFC's efforts relating to the COVID-19 crisis and actively participate in measures to overcome COVID-19 that are under consideration by local governments.
  - B. Contribute to implementation and promotion of various measures relating to local comprehensive strategies and the like.
  - C. Provide information to local governments.
- (2) Provision of useful service that meets customer and local needs through coordination of multibusiness branches and units.
  - A. Collect and disseminate case studies of business maintenance and development for overcoming the COVID-19 crisis.
  - B. Promote efforts to utilize our nationwide network of 152 branches.
  - C. Promote matching customers.
  - D. Holding of consultancy meetings and seminars.

- (3) Performance of the role of connecting related organizations.
- A. Adopt a bird's eye perspective of regions, perform functions unique to JFC including connecting related organizations, and implement measures intended to solve the problems that clients and regions are facing including business maintenance and management during the COVID-19 crisis.
  - B. Reinforce collaboration with related organizations including Chambers of Commerce and Industry, Societies of Commerce and Industry, and tax accountants.

#### 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) Provide to clients that have been affected by the COVID-19 crisis information that will be effective for clients such as indicating means of procuring funds including private financial institutions.
    - (b) Strengthen management support in combination with financing through financial assessments, income and expenditure simulations, etc.
    - (c) Promote appropriate proposals and advice for customers.  
Promote the provision of customer support tools tailored to the needs of customers.
    - (d) 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 such as case studies of business maintenance and development that has overcome the COVID-19 crisis.
  - 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.<sup>(Note 1)</sup>
    - (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.
    - (c) Enhance personnel exchanged with outside organizations by individual researchers.
  - 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

- Appropriately manage credit risks taking into consideration outstanding loan balances and the substantial increase in clients in conjunction with COVID-19 Special Loan Program.
- 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.

## &lt;Monitoring items&gt;

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. Conduct efficient and effective operations taking into consideration issues that have become clear as a result of responses to the COVID-19**

## &lt;Basic policy&gt;

Solve organizational management problems that were noticed as a result of responses to the COVID-19 crisis such as further streamlining of administration, increasing operational efficiency, and securing personnel in the event of an emergency.

## &lt;Overall plans&gt;

A. Further promote digitalization, review administrative work, and take other measures to enable timely and detailed responses to the rapid increase in applications.

B. Investigate measures to strengthen organizational responsiveness, such as effectively securing personnel required in the event of an emergency and build effective personnel systems.

C. Promote streamlining of administrative work and the efficiency of operations while effectively utilizing the latest digital technologies based on centrally collected proposals from branches.

D. Broadly collect opinions and requests from worksites and implement measures to use them in operational improvements.

E. Implement fair procurement procedures.

F. Improve branches and other facilities based on the needs of customers and branches.

G. Effectively procure supplies necessary to address COVID-19.

H. Establish an expense management system (multifaceted expense analysis measures)<sup>(Note 1)</sup>

I. Increase use of paper using thinned wood for printed materials.

**3. Carry out IT strategies in collaboration with IT departments with the active participation of individual business units**

A. Formulate and implement IT strategies based on close collaboration with individual business divisions.

(a) Establish a council to investigate the strategic use of IT and propose a medium- to long-term IT strategy.

(b) Determine the trends of other financial institutions, research the latest IT technologies, investigate optimal IT use by JFC in light of responses during the COVID-19 crisis, and promote digitalization.

B. Steadily carry out the next JFC system.

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.

C. Promote efforts toward smooth and efficient system development and operation.

(a) Greater efficiency in systems development, taking stable operation into consideration.

(b) Promote smooth and efficient system operation.

(c) Reinforce effective security measures based on the status of cyber security and the latest developments in technology.

(d) Reinforce systems for fair and accurate IT procurement.

D. 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) Technical support for expanded use of RPA<sup>(Note)</sup> to raise operational efficiency.

(c) Improve employee IT literacy and strengthen the support organization.

(d) Develop digital human resources who can create strategies and business models that use digital technologies to contribute to improving customer service and improving operational efficiency.

(e) Cultivate personnel who can respond to cyber security threats.

E. Appropriate enforcement of system audits.

Note: Robotic process automation: A mechanism for carrying out various PC-based processes using software and robots in place of humans.



#### 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. Achieve diverse and flexible work styles.
- C. Appropriately operate personnel payroll system.
- D. Promote effective utilization of human resources.
- E. 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.
  - (a) Collaborate to implement a personal development system, and training at all levels in addition to those particular to each business unit.
  - (b) Promote self-initiated measures that contribute to regional coordination and client support.
  - (c) Promote the use of online tools and the like through training.
- 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. Further promote flexible work style that are compatible with work style reforms.
  - (a) Further expand and spread systems that enable flexible work styles such as telecommuting (working from home).
  - (b) Encourage the effective use of vacation time.
- E. 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.).
- F. Make proactive use of personnel transfers between business units, etc.
- G. Expand scope of activities for area employment through administrative employment training systems, etc.
- H. 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.
- I. Increase awareness of recruitment activities, etc.
- J. Efficiently execute salary payment work, etc.
  - ① Employee awareness survey item "Awareness level of basic philosophy and management policy"<sup>(Note 3)</sup>
  - ② Employee awareness survey item "Awareness level of business management plan"<sup>(Note 3)</sup>
  - ③ Employee awareness survey item "Monitoring of business objectives (properly monitor with sufficient interviewing)"<sup>(Note 3)</sup>
  - ④ Employee awareness survey item "Feedback on personnel evaluations (sufficient)"<sup>(Note 3)</sup>

##### (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 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 including reform of awareness 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) Encourage personnel to use programs and so on that enable flexible working styles.
  - (b) Promote a varied working style and increase working time productivity.
- C. Promote career development for female.
  - (a) Implement measures for career development by female.
  - (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.
- F. Understand management issues through employee awareness surveys.

① Ratio of female managers      7% (By April, 2023)

<Monitoring items>

Ratio of numbers of female manager and manager candidates (female senior management positions) in each year compared to the number of female manager positions equivalent to plan values.

- ② Employee awareness survey item "Management support to develop capabilities of female employees (females)"<sup>(Note 3)</sup>
- ③ Rate of enforcement of 2 no-overtime days per week.<sup>(Note 2)</sup>
- ④ Encourage male employees to take vacation time or leave for at least one month for childcare (including responses to surveys of issues).<sup>(Note 4)</sup>

(Supplement) Details of employee awareness survey items.

- ② 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. Establish systems to eliminate antisocial forces, financial fraud, and special fraud and prevent the provision of funds to terrorists.
- C. Further reinforce awareness of compliance as officers and employees of a policy-based finance institution.
- D. Thorough reporting and consultation concerning compliance.
- E. Review BCP in light of responses to the COVID-19 crisis and 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.



Note 1. JFC will not implement this measure in FY2020 in order to take all possible action to respond to customers during the COVID-19 crisis.

Note 2. JFC will not set this plan in FY2020 in order to take all possible action to respond to customers during the COVID-19 crisis.

Note 3. In FY2020, JFC will limit questions to those relating to JFC's responses to the COVID-19 crisis and consequently, will not set planned values for these questions.

Note 4. JFC will not set guidelines for the number of days in FY2020 so that the range will not cause any impediment to taking all possible action to respond to customers during the COVID-19 crisis.