

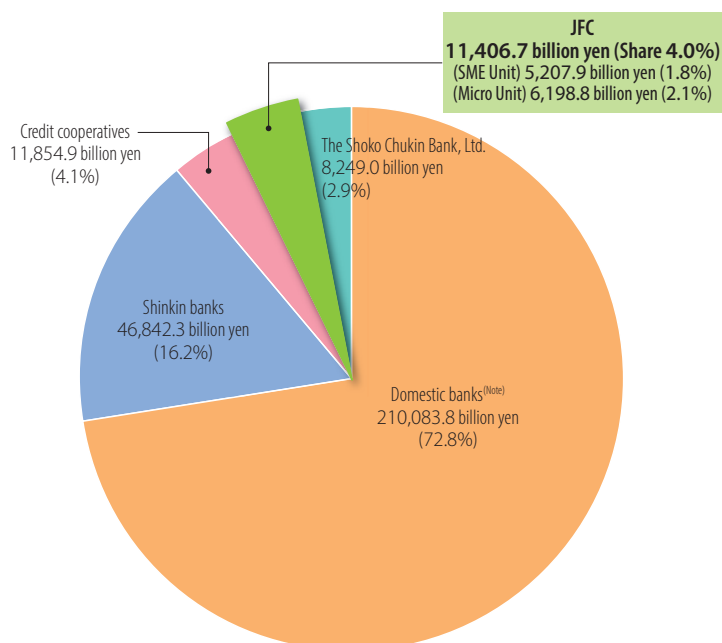
## ■ JFC Activities ■

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## Financing Structure of JFC

JFC's share of the balance of financing to SMEs (Micro Unit and SME Unit) is **4.0%**.

Share of balance of financing to SMEs<sup>(Note)</sup> (as of March 31, 2020)

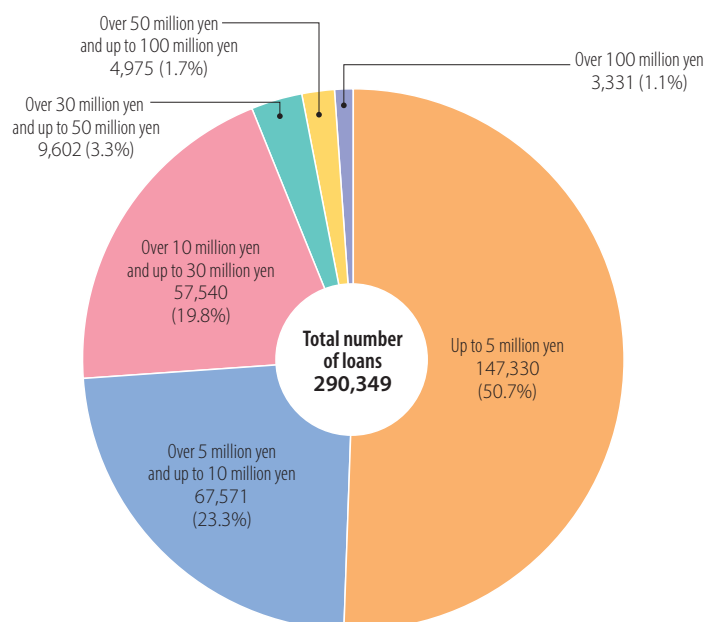


Note: Total of city banks, regional banks, regional banks II, and trust banks  
 Sources: Bank of Japan, "Loans by Borrower," "Cash, Deposits, and Loans"; Shinkumi Bank, "Main Accounts of Nationwide Credit Unions"; Japan Finance Corporation, "Business Statistics"; Shoko Chukin Bank, "Business Statistics"

The composition of JFC's financing by loan amount in FY2019 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).

Financial results by loan amount in FY2019<sup>(Note)</sup>



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

# Responses to the Spread of COVID-19

## COVID-19 Related Loan

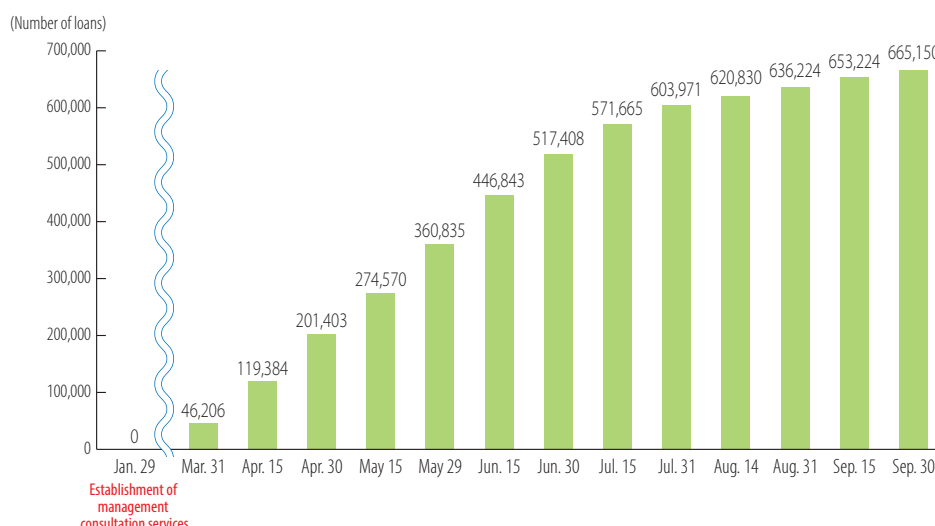
As of September 30, 2020, a total of 665,150 COVID-19 related loan decisions were made worth a total of 11,395.7 billion yen.

The number of loan decisions exceeded last year's result and even substantially surpassed the level of FY2009 when there was considerable impact from the collapse of Lehman Brothers and the subsequent financial crisis.

COVID-19 related loan decision results  
(as of September 30, 2020)

| Number of loans | Amount               |
|-----------------|----------------------|
| 665,150         | 11,395.7 billion yen |

Changes in number of COVID-19 related loan decisions (January–September 30, 2020)



## Measures to Reinforce Consultation Systems and Address the Spread of COVID-19

We are reinforcing consultation systems and taking measures to prevent infection of clients and employees in order to respond to the rapid increase in financing inquiries from businesses affected by the COVID-19 pandemic.

### Main measures to reinforce consultation systems

- Freeze on periodic personnel transfers
- Hiring of former employees
- Dispatch of personnel from the head office and other sites to branches to provide support
- Telephone consultation on holidays
- Operations on holidays
- Increase in the number of toll-free consultation lines
- Simplification of documents to be submitted
- Simplification of screening procedures

### Main measures to prevent infection of clients and employees

- Measures to reduce visits to branches
  - Enhancement of websites (posting of explanatory videos and updating of FAQs as needed)
  - Launch of branch visit reservation system
  - Encouragement of mailing documents and online applications
- Measures in response to visits to branches
  - Creation of environments that avoid the "Three Cs" (closed spaces, crowded places, close-contact settings)
  - Installation of transparent acrylic panels at consultation desks
  - Thorough preventive measures (wearing masks, provision of alcohol-based sanitizers, etc.)
- Measures to continue branch operations when employees are infected
  - Prompt disinfection of branches
  - Securing alternative consultation sites until disinfection is completed

## Measures to Provide Funds to Businesses in Collaboration with Private Financial Institutions

- Supported by private financial institutions concerning preparation of documents necessary for businesses to submit an application to JFC
- Provision of bridge loans by private financial institutions until JFC provides financing to businesses
- Provision of information on the JFC website concerning programs for substantially interest-free loans without requiring collateral provided by private financial institutions and on COVID-19 related support by individual financial institutions



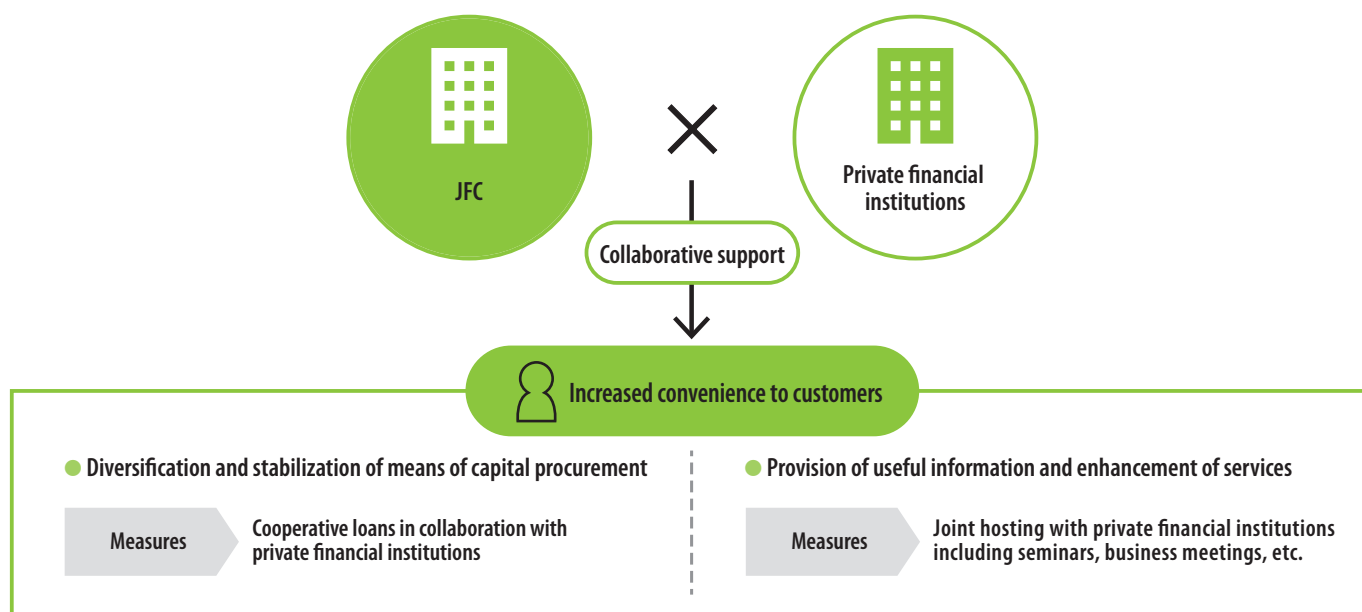
We provide information on COVID-19 related support handled by private financial institutions. (184 financial institutions as of September 30)

# 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 many private financial institutions. **As of March 31, 2020**, MOUs on business cooperation and collaboration have been concluded with **489 financial institutions**.

### (3) Creation of cooperative loan programs

Since FY2014, JFC has been focusing on establishing loan schemes<sup>(Note)</sup> in cooperation with private financial institutions to enhance partnership effectiveness and the number of private financial institutions which established the cooperative loan schemes reached **441 financial institutions as of March 31, 2020**. 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, 2020, 402 programs** were created in collaboration with **281 financial institutions**.

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

Creation of cooperative loan programs (as of March 31, 2020)

|  | City banks | Regional banks | Regional banks II | Shinkin banks | Credit cooperatives | Others | Total <sup>(Note)</sup> |
|--|------------|----------------|-------------------|---------------|---------------------|--------|-------------------------|
| Number of financial institutions created cooperative loan programs | —          | 33             | 28                | 158           | 57                  | 5      | 281                     |
| Number of cooperative loan programs <sup>(Note)</sup>              | —          | 44             | 45                | 236           | 75                  | 5      | 402                     |

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 <sup>(Note)</sup>

In FY2019, total cooperative loans from private financial institutions came to: **28,736 loans (93% compared to the previous fiscal year), 1,255.6 billion yen (97% 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 (FY2019)

|                 | City banks        | Regional banks    | Regional banks II | Shinkin banks     | Credit cooperatives | Others           | Total <sup>(Note)</sup> |   | Reference<br>FY2018 results |
|-----------------|-------------------|-------------------|-------------------|-------------------|---------------------|------------------|-------------------------|---|-----------------------------|
|                 |                   |                   |                   |                   |                     |                  |                         | Compared to the<br>previous fiscal year |                             |
| Number of loans | 1,996             | 9,015             | 3,431             | 12,375            | 1,864               | 602              | 28,736                  | 93%                                     | 30,768                      |
| Amount          | 238.7 billion yen | 592.5 billion yen | 145.9 billion yen | 296.9 billion yen | 34.9 billion yen    | 60.4 billion yen | 1,255.6 billion yen     | 97%                                     | 1,292.9 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 FY2019, **JFC referred 6,972 customers to private financial institutions.**

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

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

In FY2019, **private financial institutions referred 26,774 customers to JFC.** Of these, in addition to cooperative loans, **JFC independently provided 11,093 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 Typhoon No. 19 of 2019 and Other Disasters

In response to Typhoon No. 19 of 2019 and other disasters, JFC established special consultation desks at branches in the affected regions and other areas. We provided timely and detailed financing and economic consultations on loans and repayments from SMEs, micro/small businesses, and agricultural, forestry, and fishery businesses that were damaged by these disasters. We also provided support to customers that incurred damage through programs such as the Special Loans for the Typhoon No. 19 of 2019 and Other Disasters for SMEs and micro/small businesses.

Typhoon No. 19 of 2019 related loan results

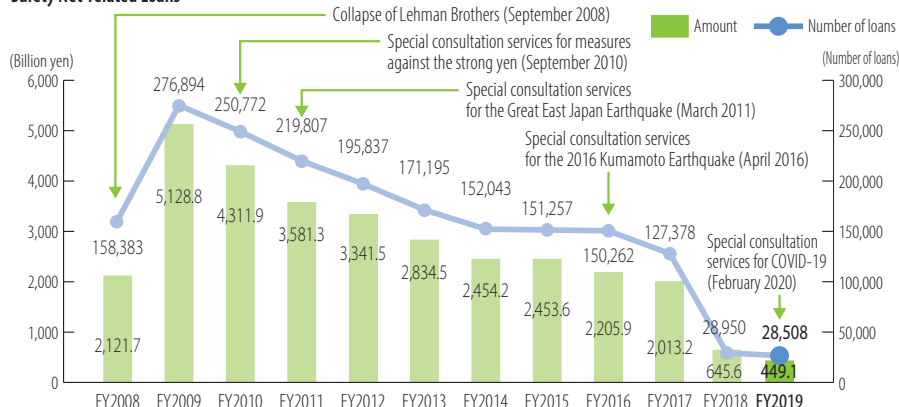
| FY2019          |                  |
|-----------------|------------------|
| Number of loans | Amount           |
| 1,489           | 21.4 billion yen |

## Safety Net-related Loans

In FY2019, financing related to Safety Net Loans<sup>(Note)</sup> to those facing obstacles due to international financial instability and economic contraction, and those impacted by the Great East Japan Earthquake, the 2016 Kumamoto Earthquake, typhoon and other disasters came to **28,508 loans (98% compared to the previous fiscal year) for 449.1 billion yen (70% compared to the previous fiscal year)**.

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

Safety Net-related Loans



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

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

### (i) Loans to start-ups

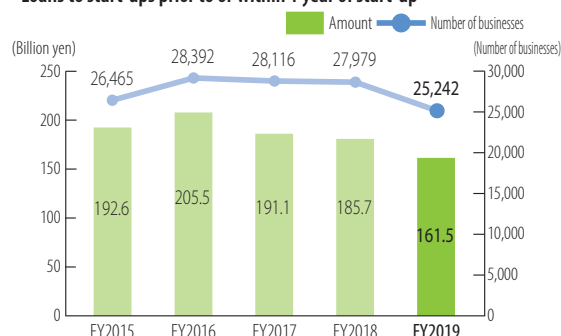
The FY2019 loans to start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) came to: **25,242 businesses (90% compared to the previous fiscal year), 161.5 billion yen (87% compared to the previous fiscal year)**.

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

|                             | FY2017           | FY2018           | FY2019                  | Compared to the previous fiscal year |
|-----------------------------|------------------|------------------|-------------------------|--------------------------------------|
| Women                       | 6,174 businesses | 6,116 businesses | <b>5,513 businesses</b> | <b>90%</b>                           |
| Seniors (aged 55 and older) | 2,995 businesses | 3,071 businesses | <b>2,603 businesses</b> | <b>85%</b>                           |
| Youth (aged under 35)       | 7,931 businesses | 7,787 businesses | <b>6,954 businesses</b> | <b>89%</b>                           |

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

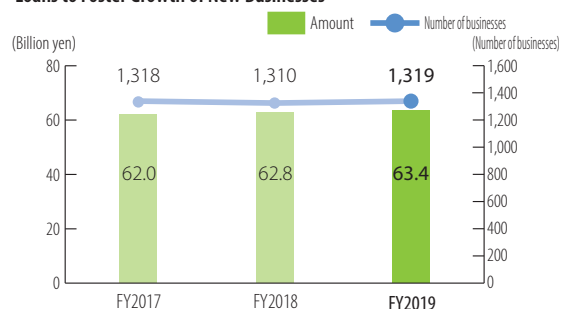


### (ii) Loans to Foster Growth of New Businesses<sup>(Note)</sup>

In FY2019, Loans to Foster Growth of New Businesses came to: **1,319 businesses (101% compared to the previous fiscal year), 63.4 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



### (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 FY2019, loans came to: **31 businesses (97% compared to the previous fiscal year), 3.04 billion yen (203% compared to the previous fiscal year).**

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

In FY2019, Capital Subordinated Loans came to: **207 businesses (74% compared to the previous fiscal year), 18.9 billion yen (115% 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.

### (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.).

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

|                      | FY2017          | FY2018          | FY2019           | Compared to the previous fiscal year |
|----------------------|-----------------|-----------------|------------------|--------------------------------------|
| Number of businesses | 33              | 32              | 31               | 97%                                  |
| Amount               | 570 million yen | 1.5 billion yen | 3.04 billion yen | 203%                                 |

### Results of Capital Subordinated Loans

|                      | FY2017           | FY2018           | FY2019           | Compared to the previous fiscal year |
|----------------------|------------------|------------------|------------------|--------------------------------------|
| Number of businesses | 373              | 279              | 207              | 74%                                  |
| Amount               | 22.8 billion yen | 16.4 billion yen | 18.9 billion yen | 115%                                 |



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 in FY2019 came to **6,466 businesses (84% compared to the previous fiscal year) and 246.9 billion yen (111% compared to the previous fiscal year)** for Corporate Revitalization Loans, whereas Capital Subordinated Loans came to **485 businesses (89% compared to the previous fiscal year) and 33.5 billion yen (97% compared to the previous fiscal year)**. In addition, financing support relating to revitalization support was provided to **160 businesses (97% compared to the previous fiscal year)**.

### Results of loans related to support for revitalization

|                                |                      | FY2017            | FY2018            | FY2019            | Compared to the previous fiscal year |
|--------------------------------|----------------------|-------------------|-------------------|-------------------|--------------------------------------|
| Corporate Revitalization Loans | Number of businesses | 4,564             | 7,669             | 6,466             | 84%                                  |
|                                | Amount               | 175.7 billion yen | 221.5 billion yen | 246.9 billion yen | 111%                                 |
| Capital Subordinated Loans     | Number of businesses | 588               | 548               | 485               | 89%                                  |
|                                | Amount               | 37.7 billion yen  | 34.5 billion yen  | 33.5 billion yen  | 97%                                  |

### Results of financial support for revitalization

|   |                      | FY2017 | FY2018 | FY2019 | Compared to the previous fiscal year |
|---|----------------------|--------|--------|--------|--------------------------------------|
| Methods of financing for comprehensive revitalization such as DDS and DES <sup>(Note)</sup> | Number of businesses | 160    | 165    | 160    | 97%                                  |

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

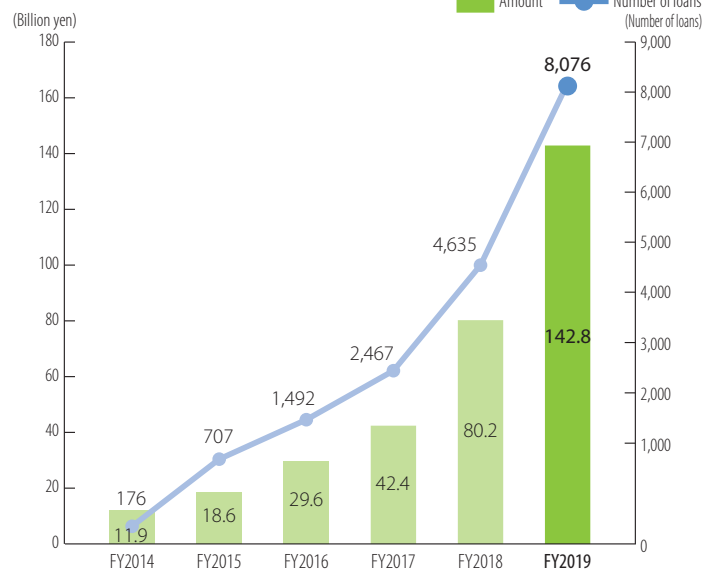


### (3) Support for business succession

The business succession-related loans in FY2019 came to **8,076 loans (174% compared to the previous fiscal year) and 142.8 billion yen (178% 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.

Loans related to business succession



Notes: 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.

### Examples of measures to raise manager awareness

#### Gift, a collection of examples of third-party business succession



A pamphlet that introduces the ideas and efforts of prior managers who successfully implemented business succession to third parties who were not relatives or employees and of the current managers who acquired the businesses (Issued in December 2019)

#### 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)

#### Business succession support video



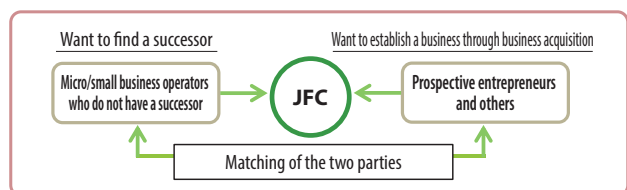
A video that provides information on the significance of business succession, the importance of preparation, and other topics (Currently available on the JFC website)

### Business succession matching support

Business succession matching support is an initiative that identifies the needs of micro/small business operators who do not have a successor and want to transfer their business to a third party, searches for potential entrepreneurs or businesses that want to acquire a business and have matching wishes, and introduces them to each other.

The program was launched on a trial basis in Tokyo in FY2019, and it was confirmed that there is a certain level of need for support. There are many people in urban areas who wish to start a business, but it is said that the problem of business succession is particularly severe in regional areas.

In light of these circumstances and taking into consideration changes in the business environment due to the impact of the COVID-19 pandemic, JFC began matching support on a nationwide scale.



Notes: 1. In principle, the program is intended for businesses that have an outstanding loan balance owed to JFC (including those who register for this service within five years from the date of final repayment of a loan), but even businesses that do not have a loan balance can make use of this service through introduction by an organization or expert working to support SMEs and micro/small businesses such as a Societies of Commerce and Industry, Chamber of Commerce and Industry, Environmental Health Trade Association, or tax accountant.

2. This program is not available to certain business types.

#### Business succession matching support results in FY2019

| Number of matches                   | Want to transfer business | Want to acquire business |
|-------------------------------------|---------------------------|--------------------------|
| Number of application registrations | 93                        | 238 (72)                 |
| Number of inquiries                 |                           | 32                       |

Note: The figure in parentheses for application registrations is the number of registrations from persons wishing to establish a business.

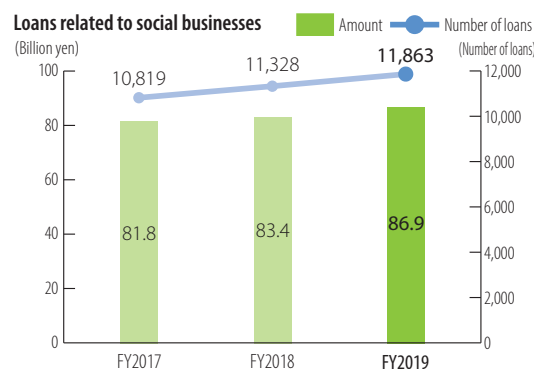


#### (4) Support for social business <sup>(Note)</sup>

##### (i) Loans related to social businesses

In FY2019, loans related to social businesses came to: **11,863 loans (105% compared to the previous fiscal year)**, **86.9 billion yen (104% compared to the previous fiscal year)**, of which **1,155 loans (84% compared to the previous fiscal year)**, **7.1 billion yen (82% compared to the previous fiscal year)** were loans to NPOs.

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



##### Breakdown of loans related to social businesses results by recipient

|  |  | FY2017           | FY2018           | FY2019                  | Compared to the previous fiscal year |
|--|--|------------------|------------------|-------------------------|--------------------------------------|
| Number of loans related to social businesses <sup>(Note)</sup> | Number of loans                              | 10,819           | 11,328           | <b>11,863</b>           | <b>105%</b>                          |
|  | Amount                                       | 81.8 billion yen | 83.4 billion yen | <b>86.9 billion yen</b> | <b>104%</b>                          |
|  | (i) For NPOs                                 |                  |                  |                         |                                      |
|  | Number of loans                              | 1,552            | 1,381            | <b>1,155</b>            | <b>84%</b>                           |
|  | Amount                                       | 9.7 billion yen  | 8.7 billion yen  | <b>7.1 billion yen</b>  | <b>82%</b>                           |
|  | (ii) For nursing care and welfare businesses |                  |                  |                         |                                      |
|  | Number of loans                              | 8,375            | 8,440            | <b>8,095</b>            | <b>96%</b>                           |
|  | Amount                                       | 65.5 billion yen | 64.6 billion yen | <b>59.2 billion yen</b> | <b>92%</b>                           |
| (iii) For businesses addressing social issues                  | Number of loans                              | 2,021            | 2,527            | <b>3,447</b>            | <b>136%</b>                          |
|  | Amount                                       | 14.2 billion yen | 17.0 billion yen | <b>26.2 billion yen</b> | <b>154%</b>                          |

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.

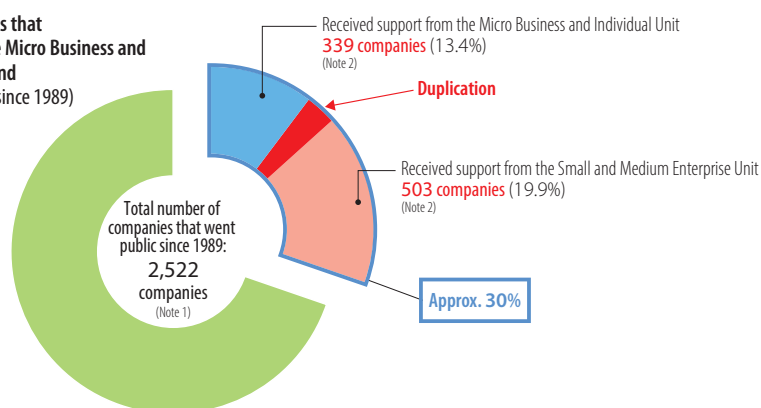
The Visualization Book is a workbook that helps businesses organize six elements relating to business planning (organizational mission, understanding of current conditions, implementation hypotheses, results targets, financial foundations, and organizational foundations). The Visualization Book can be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



#### Record of JFC transactions with publicly-traded companies

Of those companies listed since 1989, the total numbers of companies that went public after receiving support from the Micro Business and Individual Unit or Small and Medium Enterprise Unit were 339 companies and 503 companies, respectively, with 750 companies receiving support from both (excluding duplication), accounting for approximately 30% of the total.

Publicly-traded companies that received support from the Micro Business and Individual Unit or Small and Medium Enterprise Unit (since 1989)

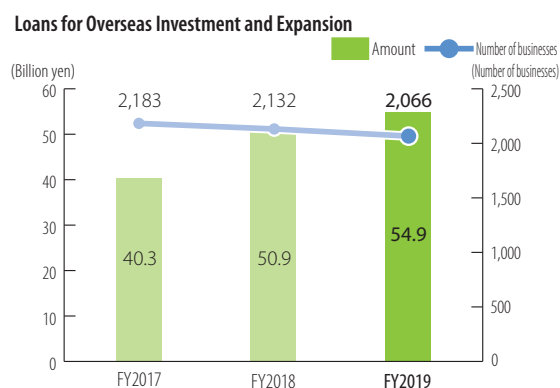


Notes: 1. Of those companies listed on each market since 1989, the total number of companies whose shares are publicly traded as of March 31, 2020 (according to JFC investigations)  
2. Of those companies indicated in Note 1, companies confirmed to have received support from Micro Business and Individual Unit or Small and Medium Enterprise Unit.

## (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 FY2019, Loans for Overseas Investment and Expansion were provided to **2,066 businesses (97% compared to the previous fiscal year), totaling 54.9 billion yen (108% compared to the previous fiscal year).**



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

|                             | FY2017               |             | FY2018               |             | FY2019               |             |                                      |
|-----------------------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|--------------------------------------|
|                             | Number of businesses | Ratio       | Number of businesses | Ratio       | Number of businesses | Ratio       | Compared to the previous fiscal year |
| China (including Hong Kong) | 655                  | 30%         | 701                  | 33%         | <b>667</b>           | <b>32%</b>  | <b>95%</b>                           |
| ASEAN                       | 600                  | 27%         | 532                  | 25%         | <b>547</b>           | <b>26%</b>  | <b>103%</b>                          |
| Viet Nam                    | 174                  | 8%          | 154                  | 7%          | <b>169</b>           | <b>8%</b>   | <b>110%</b>                          |
| Thailand                    | 147                  | 7%          | 124                  | 6%          | <b>126</b>           | <b>6%</b>   | <b>102%</b>                          |
| Philippines                 | 78                   | 4%          | 88                   | 4%          | <b>62</b>            | <b>3%</b>   | <b>70%</b>                           |
| Malaysia                    | 45                   | 2%          | 44                   | 2%          | <b>46</b>            | <b>2%</b>   | <b>105%</b>                          |
| Other ASEAN countries       | 156                  | 7%          | 122                  | 6%          | <b>144</b>           | <b>7%</b>   | <b>118%</b>                          |
| Others                      | 928                  | 43%         | 899                  | 42%         | <b>852</b>           | <b>41%</b>  | <b>95%</b>                           |
| <b>Total</b>                | <b>2,183</b>         | <b>100%</b> | <b>2,132</b>         | <b>100%</b> | <b>2,066</b>         | <b>100%</b> | <b>97%</b>                           |

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

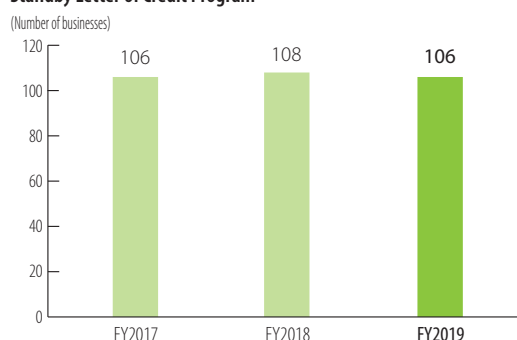
As for FY2019, letters of credit were issued to the financial institutions in Thailand, China, Republic of Korea, the Philippines, Indonesia, Malaysia, Viet Nam, Hong Kong, Mexico, Singapore, and Taiwan, being utilized by **106 businesses**. The cumulative usage (until March 31, 2020) of this program since its start in FY2012 has reached **637 businesses**.

As of March 31, 2020, 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 March 31, 2020, we have business partnerships with 61 regional financial institutions in Japan, and since the start of the program, letters of credit have been issued to a total of **40 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



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

In partnership with trading companies, the Trial Export Support Project has coordinated to provide support to domestic agricultural and food manufacturing businesses showing an eagerness to export their products. This has resulted in support for **40 cases** of trial exports in FY2019.

Countries to which products were exported include Taiwan, the largest with 22 cases; Hong Kong and Macau with 5 cases respectively; Singapore and France with 3 cases respectively; and Malaysia with 2 cases.

Actual types of products exported included 19 agricultural products (rice, tomato, sweet potato, etc.), 3 livestock products (egg), 18 processed foods (tea, gelato, vegetable juice, perilla oil, umeshu (plum wine), processed marine products, etc.), and others.

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

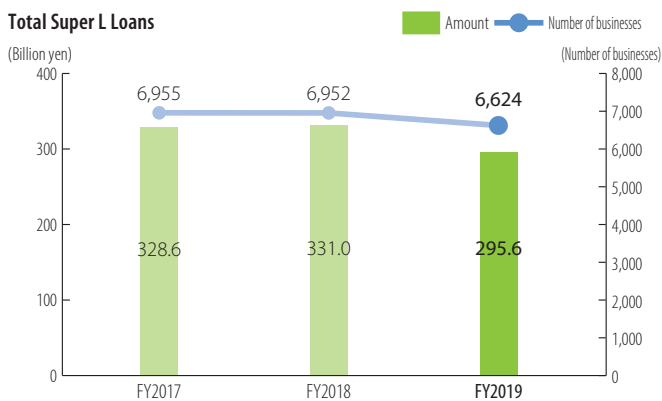
#### Performance of Trial Main Export Support Project

| Country or region of export | FY2017 Number of trials | FY2018 Number of trials | FY2019 Number of trials | Items (FY2019)  |
|-----------------------------|-------------------------|-------------------------|-------------------------|---|
| Taiwan                      | 30                      | 12                      | 22                      | Rice, umeshu (plum wine), processed marine products, pumpkin soup, cherry wine, perilla oil, etc. |
| Hong Kong                   | —                       | —                       | 5                       | Rice, green onion, sweet potato, egg, etc.  |
| Macau                       | 1                       | 6                       | 5                       | Sweet potato, vegetable juice, tea, etc.  |
| Singapore                   | 11                      | 15                      | 3                       | Tomato, gelato, etc.  |
| China                       | —                       | 1                       | —                       |   |
| Malaysia                    | 7                       | 4                       | 2                       | Tomato, kaki (Japanese persimmon), etc.   |
| Thailand                    | —                       | 5                       | —                       |   |
| France                      | —                       | —                       | 3                       | Lotus root, enoki mushroom, tea   |
| <b>Total</b>                | <b>55</b>               | <b>43</b>               | <b>40</b>               |   |

## (6) Support for new expansion by 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 FY2019, came to: **6,624 businesses (95% compared to the previous fiscal year), 295.6 billion yen (89% compared to the previous fiscal year).**

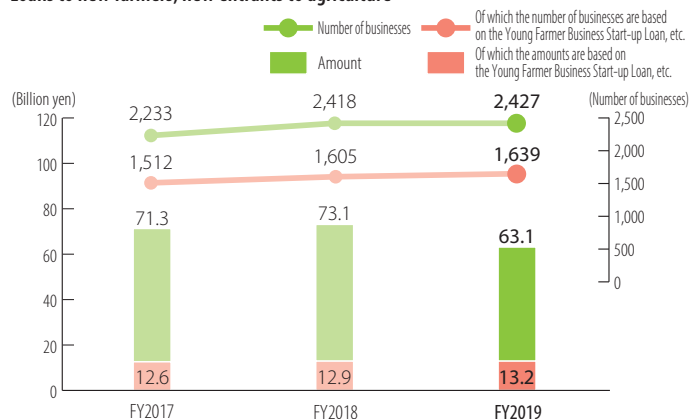


In FY2019, loans to new agricultural business and new entry farmers came to **2,427 businesses (100% compared to the previous fiscal year), and 63.1 billion yen (86% compared to the previous fiscal year).**

From FY2014, newly started loans to Young Farmer Business Start-up Loan, etc. <sup>(Note)</sup> came to: **1,639 businesses (102% compared to the previous fiscal year), 13.2 billion yen (102% 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.

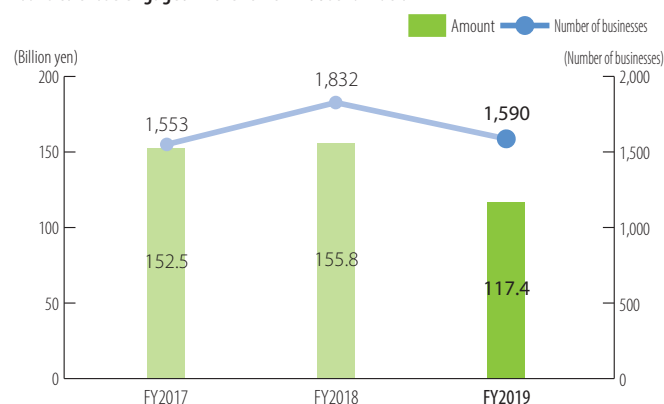
### Loans to new farmers, new entrants to agriculture



### (ii) Supporting the “Sixth Industrialization” activities

FY2019 loans to activities due to improved management by the “Sixth Industrialization” (e.g., processing, sales, and other business undertaken integrally by agricultural, forestry, and fishery businesses to increase the added value of products) increased to: **1,590 businesses (87% compared to the previous fiscal year), 117.4 billion yen (75% compared to the previous fiscal year).**

### Loans to those engaged in the “Sixth Industrialization”



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

At the end of FY2019, investments came to **15 Limited Partnerships (LPS) (pledged investment amount by JFC: 3.56 billion yen), established by private financial institutions based on agricultural corporation investment development businesses <sup>(Note)</sup> and 1 stock company (investment amount by JFC: 2.03 billion yen).**

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

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

JFC actively participates in regional comprehensive strategies and contributes to local and regional revitalization through programs such as matching, business discussion meetings, and seminars implemented through use of its nationwide network of 152 branches.

(1) **Reinforcement of collaboration with local government through active participation in regional comprehensive strategies**

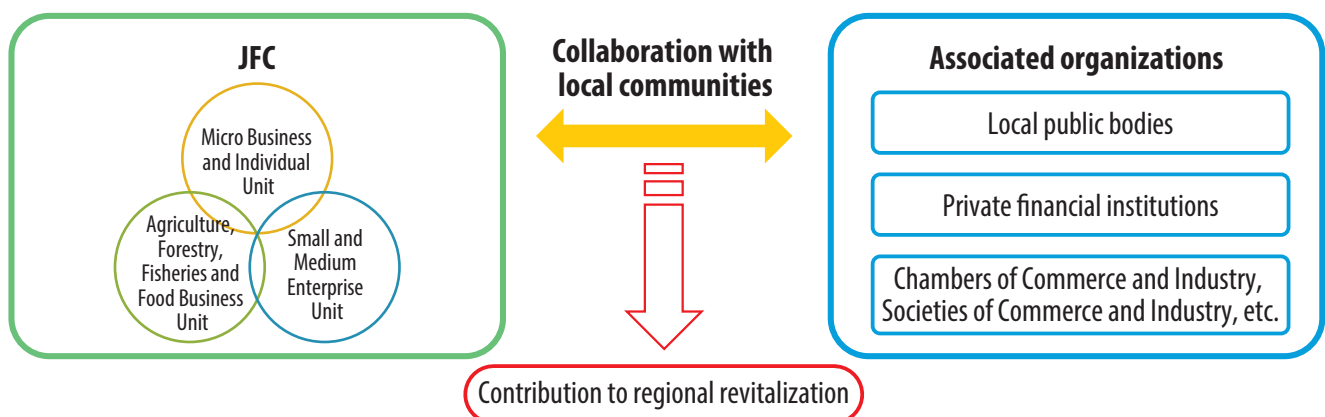
In order to contribute to regional revitalization, JFC supports the implementation and promotion of regional comprehensive strategies formulated by regional local governments through collaboration with private financial institutions and others based on requests from regional local governments under the national strategy for overcoming population decline and revitalizing local economies.

(2) **Provision of useful services tailored to customer and local needs through use of its nationwide network of 152 branches**

JFC conducts business discussion meetings and seminars to facilitate appropriate product matching for customers engaged in market and product development by using its nationwide network of 152 branches to better meet customer needs.

(3) **Performance of the role of connecting related organizations**

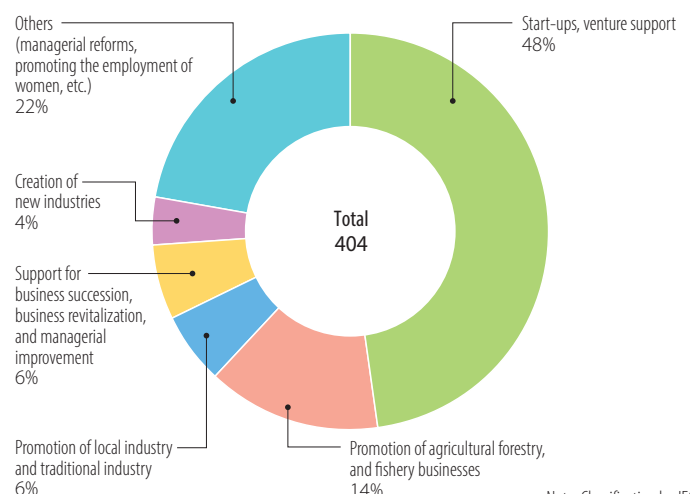
As a member of local communities, JFC participates in various networks and the like in order to strengthen collaboration with related organizations.



### Reinforcement of Collaboration with Local Government through Active Participation in Regional Comprehensive Strategies

- JFC is attentively responding to regional challenges, taking into consideration local circumstances and needs, at 152 branches nationwide.
- To support the implementation of regional comprehensive strategies, officers and branch managers visited prefectural governors to explain the efforts of JFC, request that they make use of JFC in regional revitalization, and work to strengthen collaboration with local communities.
- In FY2019, JFC participated in a total of **404 regional programs** nationwide. Partnership programs include start-ups and venture support, which at **48%** was the highest to date.

Breakdown of program participation by purpose <sup>(Note)</sup> (FY2019)



Note: Classification by JFC

## Provision of Useful Services Tailored to Customer and Local Needs through Use of its Nationwide Network of 152 Branches

- The FY2019 number of customer matching partnerships came to: **5,447 partnerships.**
- The number of business meetings held in FY2019 in all regions nationwide came to: **74 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.
- Through its Internet business matching site, JFC provides a forum offering business opportunities to customers, including new buyers and new suppliers of raw materials.

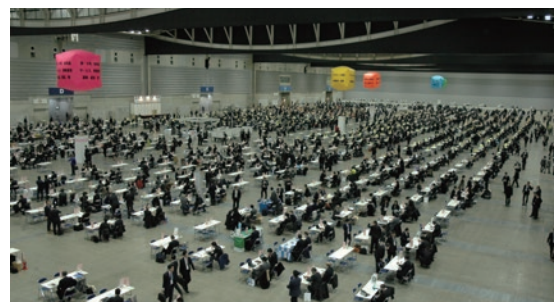
JFC Internet Business Matching

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



### National Business Discussion Meeting

- JFC held the 12th National Business Discussion Meeting at PACIFICO Yokohama in February 2020 to support expansion of business opportunities for customers. A total of 993 companies from around the country participated, including businesses that were recommended by supporting private financial institutions and other organizations. At the meeting, each company participated in an average of 6.8 business discussions.



The 12th National Business Discussion Meeting

## Performance of the Role of Connecting Related Organizations

- From the perspective of strengthening consulting functions for clients, we collaborate with relevant organizations and hold seminars for clients, study groups for the personnel of JFC and clients, and other programs in various regions.
- As a policy-based finance institution, we held regional economic revitalization symposiums at three locations nationwide (Nagoya, Niigata, and Sendai) in order to carry out our role of “connecting” regional organizations. Local financial institutions, support groups, and local companies and organizations presented at these symposiums, the themes of which were business succession in Nagoya, agricultural support in Niigata, and business start-ups in Sendai. JFC presented information on support options and exchanged information on current initiatives, issues, and future possibilities with regional organizations.

### First Symposium: Nagoya

- Date: December 20, 2019
- Location: Nagoya Convention Hall
- Topic: Local development through business succession
- Number of participants: 260



A scene from the Nagoya venue

### Second Symposium: Niigata

- Date: January 24, 2020
- Location: Toki Messe
- Topic: Local development through support for agriculture
- Number of participants: 165



A scene from the Niigata venue

### Third Symposium: Sendai

- Date: February 7, 2020
- Location: Sendai International Center
- Topic: Local development through support for business start-up
- Number of participants: 200



A scene from the Sendai venue



## Hosting of the 7th High School Student Business Plan Grand Prix

JFC hosted the 7th Infinite ∞ Creativity High School Student Business Plan Grand Prix targeted for high school and higher professional school students all across the country.

The numbers of applicants in the event came to: **409 schools, 3,808 applicants** (396 schools, 4,359 applicants in the 6th Grand Prix). By the leading act by the Business Start-up Support Center nationwide, we promoted this event to many schools. Business Start-up Support Centers visited **353 schools** (331 schools in the 6th Grand Prix), and gave lectures about how to create a business plan.

At the final competition held in January 2020, ten finalist groups gave passionate presentations. The entry from Osaka Prefectural Mikunigaoka High School "PeriPeri: Don't Make You Tell Me You're Being Wasteful" 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 provide its business start-up experience and expertise to sites of entrepreneurial education.

### (The 8th High School Student Business Plan Grand Prix)

The 8th High School Student Business Plan Grand Prix has been canceled due to COVID-19.

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 and teachers from Osaka Prefectural Mikunigaoka High School which received the Grand Prize 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](https://www.jfc.go.jp/n/findings/tsunagu_index.html) (Available only in Japanese)



# Overview of Operations in FY2019 and Outline of Financial Statements

## Overview of Operations in FY2019

The Japanese economy had been recovering at a moderate pace in FY 2019, mainly driven by domestic demand reflecting an improvement in the employment and income situation, despite weakness in external demand due to a slowdown in overseas economies. Since January 2020, however, the economy is in severe situation, extremely depressed by COVID-19 pandemic.

JFC actively engaged in exercising of safety net functions, cooperation with private financial institutions, contributing to strategic fields of growth, improving customer services, and contributing to local and regional revitalization, etc.

### Exercising of Safety Net Functions

JFC provides refinancing support and managerial advice to SMEs, micro/small businesses, and agricultural, forestry, and fishery businesses affected by the Great East Japan Earthquake, natural disasters such as typhoons, pandemic, changes in the management environment due to economic circumstances, or other factors.

In response to the heavy rain event associated with weather fronts in August 2019, Typhoon No. 15 and No. 19 of 2019, COVID-19 pandemic, and other natural disasters, JFC 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 in FY2019 was 28,508 loans worth 449.1 billion yen. In addition, JFC conducted credit guarantee underwriting to ensure the effective provision of guarantees by the Credit Guarantee Corporation (CGC) and carried out the Operations to Facilitate Crisis Responses.

JFC established a Disaster and Accident Response Headquarters to respond to the COVID-19 pandemic, took measures to reinforce consultations while implementing countermeasures to prevent the spread of infections among customers and employees, and courteously, methodically, and promptly provided consultations on financing and repayment to alleviate the concerns of customers.

Starting in March in particular, loan programs were created and expanded pursuant to the Second Novel Coronavirus Disease (COVID-19) Emergency Response Package implemented by the government, and consultations and requests regarding loans increased rapidly, with applications through the end of March reaching 93,559. At this point, the number of applications per business day substantially exceeded the numbers during the global financial crisis precipitated by the Lehman Brothers bankruptcy and during the Great East Japan Earthquake in 2011.

To respond to these conditions, JFC began conducting consultations on weekends and holidays, dispatched support staff to branches, greatly reduced non-urgent work, postponed the regular reassignment of personnel scheduled for March, and took other measures with all its abilities and build support structures for customers.

### Cooperation with Private Financial Institutions

Based on the premise of playing a complementary role with private financial institutions as specified in Article 1 of the Japan

Finance Corporation Act, JFC promoted partnerships with many private financial institutions.

Measures for a new stage of cooperation with private financial institutions in FY2019 included continuation of the exchanges of opinions with the Japanese Bankers Association, Regional Banks Association of Japan, and other organizations that began the previous fiscal year, developing personal relationships on the worksite and officer levels, and creating and promoting cooperative loan products whereby JFC refers customers to private financial institutions. With respect to responses to the COVID-19 pandemic as well, existing relationships were used to implement cooperative measures.

### 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. Also, JFC hosted the 7th "High School Student Business Plan Grand Prix" to help foster entrepreneurship mindset in future generations of business leaders.

In FY2019, in addition to existing business succession support programs, JFC began providing business succession matching support to match small business operators who do not have successor with prospective entrepreneurs on a trial basis in Tokyo. JFC will also present case studies of business succession to customers and place priority on providing information and other support, not just from JFC, but also in collaboration with other support organizations.

### Improving Customer Service and Contributions to Local and Regional Revitalization

JFC actively engaged in improving customer services. Under these circumstances, JFC strived to provide useful information consistent with customer and local needs and enhance consultation capability, fully understanding its role in policy-based financing and appropriately operating systems.

Specifically, JFC actively participated in local projects such as regional comprehensive strategies and provided financing support based on the needs of customers and local communities, and JFC again held regional economic revitalization symposiums at three locations nationwide, as in the previous fiscal year.

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.

As a result, JFC's loan results for FY2019 were 3,912.7 billion yen.

JFC's financial results during FY2019 were as follows: ordinary income was 469.4 billion yen and net loss including extraordinary incomes and losses was 29.6 billion yen.



## Outline of Financial Statements for FY2019

### 1. Profit and loss

At the closing of FY2019 (ended March 31, 2020), JFC recorded a loss of 106.1 billion yen over the previous fiscal year, for a net loss of 29.6 billion yen.

The key factor was a decrease of current net income by 94.4 billion yen over the previous term in the Account for Credit Insurance Programs.

#### Profit and Loss Statement

(Unit: billion yen)

|   |  | Ordinary income |       | Ordinary expenses |       | Ordinary profit (loss) |        | Net income (loss) |        |
|---|--|-----------------|-------|-------------------|-------|------------------------|--------|-------------------|--------|
|   |  | 2019            | 2020  | 2019              | 2020  | 2019                   | 2020   | 2019              | 2020   |
| Japan Finance Corporation   |  | 570.7           | 469.4 | 493.7             | 498.7 | 76.9                   | (29.3) | 76.4              | (29.6) |
| Micro Business and Individual Unit (Account for Micro Business and Individual Operations)   |  | 137.2           | 138.2 | 146.8             | 152.0 | (9.6)                  | (13.7) | (10.0)            | (13.9) |
| Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)     |  | 41.5            | 43.2  | 41.4              | 43.2  | 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) | 84.3            | 80.8  | 76.8              | 84.7  | 7.5                    | (3.9)  | 7.4               | (4.0)  |
|   | Account for Securitization Support Programs (Purchase-type Operation)                        | 0.4             | 0.6   | 0.4               | 0.5   | 0.0                    | 0.1    | 0.0               | 0.1    |
|   | Account for Credit Insurance Programs  | 291.3           | 195.3 | 199.3             | 197.7 | 92.0                   | (2.3)  | 92.0              | (2.3)  |
| Operations to Facilitate Crisis Responses (Account for Operations to Facilitate Crisis Responses)                                       |  | 15.8            | 11.2  | 29.0              | 20.6  | (13.1)                 | (9.3)  | (13.1)            | (9.3)  |
| Operations to Facilitate Specific Businesses Promotion, etc. (Account for Operations to Facilitate Specific Businesses Promotion, etc.) |  | 0.3             | 0.2   | 0.3               | 0.2   | (0.0)                  | (0.0)  | (0.0)             | (0.0)  |

### 2. Assets

Total assets were 21,038.3 billion yen, the majority of which were loans and bills discounted.

Loans and bills discounted decreased 404.7 billion yen from March 31, 2019, to 16,680.9 billion yen.

Total net assets stood at 5,776.7 billion yen, taking into account an increase from having received capital contributions from the government of 192.2 billion yen, against a net loss of 29.6 billion yen, etc.

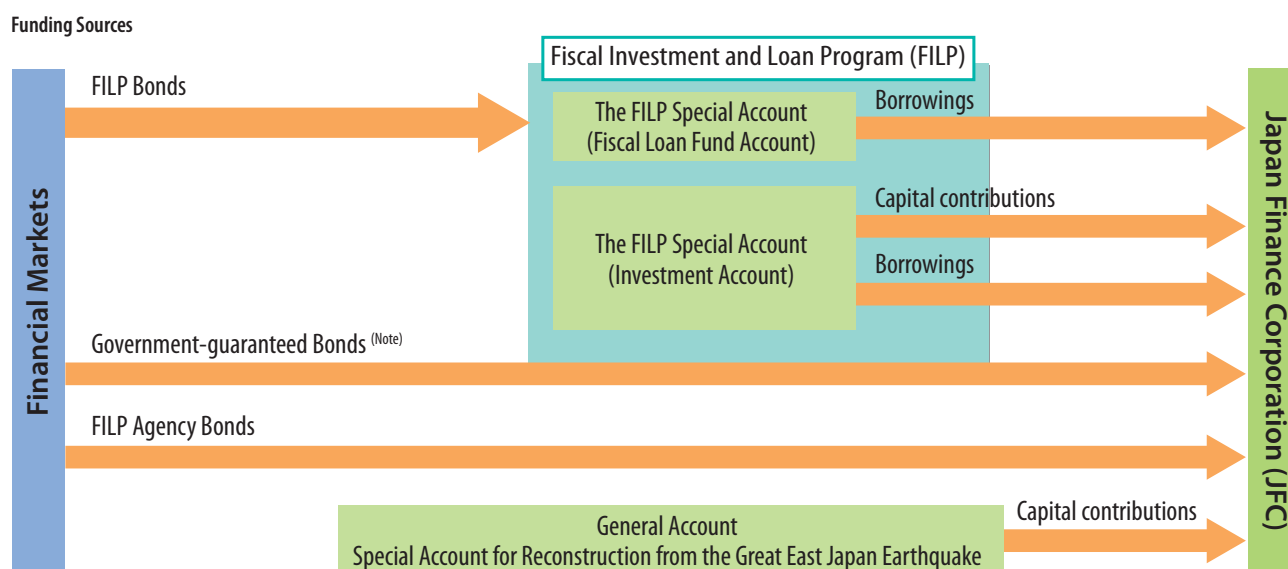
#### Balance Sheet

(Unit: billion yen)

| Assets  |                 |                 | Liabilities and net assets                   |                 |                 |
|---|-----------------|-----------------|--|-----------------|-----------------|
| Items   | Amount          |                 | Items  | Amount          |                 |
|   | 2019            | 2020            |  | 2019            | 2020            |
| Cash and due from banks                               | 4,033.9         | 4,401.1         | Borrowed money                               | 12,885.0        | 12,810.3        |
| Securities  | 42.5            | 41.9            | Bonds payable                                | 1,490.3         | 1,410.4         |
| Loans and bills discounted                            | 17,085.7        | 16,680.9        | Entrusted funds                              | 27.9            | 27.0            |
| Other assets  | 33.0            | 37.8            | Reserve for insurance policy liabilities     | 838.4           | 773.1           |
| Property, plant and equipment                         | 195.6           | 194.6           | Other liabilities                            | 21.6            | 19.7            |
| Intangible assets                                     | 11.3            | 15.7            | Provision for bonuses                        | 5.2             | 5.3             |
| Customers' liabilities for acceptances and guarantees | 86.4            | 100.9           | Provision for directors' bonuses             | 0.0             | 0.0             |
| Allowance for loan losses                             | (400.6)         | (434.9)         | Provision for retirement benefits            | 89.5            | 88.7            |
|   |                 |                 | Provision for directors' retirement benefits | 0.0             | 0.0             |
|   |                 |                 | Reserve for compensation losses              | 29.2            | 25.6            |
|   |                 |                 | Acceptances and guarantees                   | 86.4            | 100.9           |
|   |                 |                 | <b>Total liabilities</b>                     | <b>15,473.9</b> | <b>15,261.5</b> |
|   |                 |                 | Capital stock                                | 4,195.8         | 4,324.2         |
|   |                 |                 | Capital surplus                              | 2,169.8         | 2,233.7         |
|   |                 |                 | Retained earnings                            | (751.5)         | (781.2)         |
|   |                 |                 | <b>Total net assets</b>                      | <b>5,614.2</b>  | <b>5,776.7</b>  |
| <b>Total assets</b>                                   | <b>21,088.1</b> | <b>21,038.3</b> | <b>Total liabilities and net assets</b>      | <b>21,088.1</b> | <b>21,038.3</b> |

## 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.



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

## Breakdown of funding sources

(Unit: billion yen)

|  | FY2020 budget      | FY2019 budget    | FY2019 results   |
|--|--------------------|------------------|------------------|
| Borrowings from Fiscal Loan Fund, etc.                         | 44,098.7           | 3,757.5          | 3,207.0          |
| Government-guaranteed Bonds                                    | 7,600.0            | 220.0            | 45.0             |
| Capital contributions from the government                      | 10,739.6           | 199.0            | 192.2            |
| Funding from the government<br>(percentage of overall funding) | 62,438.3<br>(100%) | 4,176.5<br>(93%) | 3,444.2<br>(94%) |
| FILP Agency Bonds  | 300.0              | 320.0            | 205.0            |
| Total funding  | 62,738.3           | 4,496.5          | 3,649.2          |

Notes: 1. The budget amounts for each fiscal year are the revised levels following the supplementary budget.

The budget amounts for FY2020 include expenditures under the reserve funds.

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<br>Maturity                      | FY2020  |         | FY2019 |         | FY2018 |         | FY2017 |         |
|--|---------|---------|--------|---------|--------|---------|--------|---------|
|  | Budget  | Results | Budget | Results | Budget | Results | Budget | Results |
| 10-year bond                                 | 500.0   | —       | 30.0   | —       | 70.0   | 50.0    | 60.0   | 40.0    |
| 6-year bond                                  | —       | —       | 90.0   | 45.0    | 115.0  | 55.0    | 125.0  | 75.0    |
| Over 5-year bond<br>(excluding 10-year bond) | 6,000.0 | —       | —      | —       | —      | —       | —      | —       |
| Less than 5-year bond                        | 600.0   | 150.0   | 100.0  | —       | 200.0  | —       | 270.0  | —       |
| Short-term bond<br>(Less than 1 year)        | 500.0   | —       | —      | —       | —      | —       | —      | —       |
| Total  | 7,600.0 | 150.0   | 220.0  | 45.0    | 385.0  | 105.0   | 455.0  | 115.0   |

Notes: 1. The FY2020 budget amounts are the revised levels following the supplementary budget.

Within the budget amounts for FY2020, JFC plans to issue up to 6.6 trillion yen depending on the progress of operations.

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 (excluding short-term bond (less than 1 year)\*).

The budget amounts for short-term bond (less than 1 year) are the outstanding-amount limits in the relevant fiscal year.

3. The issue-result amounts for FY2020 are the amounts issued as at the end of August 2020.

## ● FILP Agency Bonds

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

(Unit: billion yen)

| Fiscal year<br>Amount of issue<br>Month of issue/Maturity | FY2020         |        | FY2019         |        |          |       | FY2018         |        |          |       | FY2017         |        |          |       |
|---|----------------|--------|----------------|--------|----------|-------|----------------|--------|----------|-------|----------------|--------|----------|-------|
|   | (Budget 300.0) |        | (Budget 320.0) |        |          |       | (Budget 320.0) |        |          |       | (Budget 318.0) |        |          |       |
|   | Results 250.0  |        | Results 205.0  |        |          |       | Results 235.0  |        |          |       | Results 240.0  |        |          |       |
| Month of issue  | May            | August | May            | August | November | March | May            | August | November | March | May            | August | November | March |
| 10-year bond  | —              | —      | 10.0           | 10.0   | —        | —     | —              | 25.0   | —        | —     | —              | —      | —        | —     |
| 4-year bond   | —              | 80.0   | 30.0           | —      | —        | 15.0  | 30.0           | —      | —        | 15.0  | 40.0           | —      | —        | 15.0  |
| 3-year bond   | —              | —      | —              | —      | —        | —     | —              | 25.0   | —        | —     | —              | 30.0   | —        | 15.0  |
| 2-year bond   | 60.0           | 110.0  | 50.0           | 40.0   | 50.0     | —     | 60.0           | 50.0   | 30.0     | —     | 50.0           | 40.0   | 50.0     | —     |

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

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

3. The issue-result amounts for FY2020 are the amounts issued as at the end of August 2020.

## Ratings of JFC (As of August 31, 2020)

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