

# Japan Finance Corporation

## Annual Report

# 2021



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.

# Overview of Japan Finance Corporation

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# Message from the Governor & CEO

## Roles and Mission of Japan Finance Corporation

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'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.

## COVID-19 Responses

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 from the protracted impact of COVID-19, Japan is currently confronting previously unseen economic and social crises. Many businesses continue to face extremely challenging circumstances.

Since we established special consultation desks in January 2020, we have made decisions for approximately 880,000 COVID-19 related loans with a value of 15 trillion yen through the end of June of this year. This is the largest operation in the history of Japan's policy-based finance. In addition, in August 2020 we began handling COVID-19 Hybrid Subordinated Loan Program in order to bolster the financial foundations of SMEs and micro/small businesses that have been impacted by the COVID-19 pandemic. As of June 30, 2021, a total of 3,000 loan decisions were made worth a total of 500 billion yen.

In light of the protracted status of the COVID-19 pandemic, the government has extended the application deadline for the COVID-19 Special Loan Program to the end of the year. We will continue to do everything we possibly can to support businesses. In addition, we will provide information and support to help businesses that are working hard, such as by presenting on our website the efforts of businesses that are employing various ideas and innovations to address the COVID-19 pandemic.

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.

## Future Measures

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 business succession and overseas expansion.

To provide support for business succession, the importance of which has been increasing recently, we will enhance our information collecting abilities and identify needs and will collaborate with relevant organizations to offer effective consulting including business matching. In addition, with regard to overseas expansion support, we will work



to reinforce our support for overseas development and increasing exports with an eye toward the post-COVID-19 era.

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 toward solving their problems, taking into consideration the changes in business environment caused by COVID-19. While doing so, 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.

### Closing

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

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

July 14, 2021

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TANAKA Kazuho  
Governor & CEO

# Profile (as of March 31, 2021)

<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: 6,990.2 billion yen Reserve fund: 3,503.9 billion yen	
<b>Branch Offices</b>	Branch offices in Japan: 152 Overseas representative offices: 2	
<b>Employees</b>	7,436 (budgetary fixed number for FY2021)	
<b>Total of Outstanding Loans</b>	Total of Outstanding Loans:	29,238.7 billion yen
	Micro Business and Individual Unit:	12,842.8 billion yen
	Agriculture, Forestry, Fisheries and Food Business Unit:	3,485.4 billion yen
	Small and Medium Enterprise (SME) Unit:	8,218.1 billion yen (Finance Operations)
	Operations to Facilitate Crisis Responses:	4,570.6 billion yen
	Operations to Facilitate Specific Businesses Promotion, etc.:	121.6 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 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

In order to carry out its Basic Philosophy, JFC promotes digitalization even during major crises such as the COVID-19 pandemic to build systems that can respond flexibly and agilely and strives to perform the functions required of it as a policy-based financial institution in collaboration with relevant organizations including private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and tax accountants.

### 1. Exercise of safety net functions

A. 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.

B. Establish systems that can respond flexibly and agilely to future crises including the creation of systems for operations during emergencies and further cooperation with private financial institutions.

### 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 rebuild business taking into consideration decarbonization and other 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 FY2021 on.

## Business and Management Plan (FY2021-2023)

JFC will continue to take all possible measures to support clients affected by the COVID-19 pandemic and will focus its efforts on following up with the many clients that have increased due to the COVID-19 pandemic. Based on the assumption that this type of large-scale crisis can occur in the future, JFC will undertake further digitalization, secure personnel in preparation for emergencies, actively manage personnel transfers between business units, and reinforce safety net functions.

In addition, JFC will deepen cooperation with relevant organizations that have played roles during the COVID-19 pandemic including private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and tax accountants, provide support in Strategic Fields of Growth by responding to increasing needs for business succession and rebuilding businesses with an eye toward the post-COVID era, and take measures to contribute to regional revitalization.

In accordance with this approach, each employee, as a policy-based finance operator, will undertake the following with a sense of mission to demonstrate their roles to connect this policy to its various business endeavors.

First, when performing its safety net functions, JFC will support clients that were affected by the COVID-19 pandemic and steadily and agilely provide support for recovery from and restoration following other natural disaster including earthquakes and typhoons.

Next, 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, environmental and energy measures, and support for customers undertaking business restructuring in the face of the COVID-19 crisis for the future development of the Japanese economy. Of these, we are responding to the increasing need for business succession by placing particular emphasis on enhancing information collection capabilities and collaborating with relevant organizations to provide effective consulting including matching. With regard to overseas development, we will 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 together in order to solve their problems. In doing so, we will perform our function of connecting the various relevant organizations 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 focusing on demonstrating our consulting functions and 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, taking into consideration responses to the COVID-19 crisis, we will address organizational operations by reinforcing organizational response capabilities by securing personnel and taking other measures during emergencies, promoting further digitalization, 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.

### 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, COVID-19 Hybrid Subordinated 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.  
Number of post-financing follow-ups: More than 200,000

## 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.
- (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) Enhancing initiatives for collaborative measures with private financial institutions.
  - 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 organizational dialogue including on the officer level and spread collaborative situations to management.
  - C. Hold practical level meetings, refer customers from JFC to private financial institutions, and reinforce measures for effective news releases.
  - D. Create and promote cooperative loan products.

## 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 including decarbonization 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): 24,000
  - (b) Proactively supply funds and support growth of SMEs engaged in new business activities.  
Number of companies contracted with for provision of loans to companies engaged in new business and entrepreneurs: 1,100
  - (c) Cooperation with institutions that support start-ups and new business.
  - (d) Hosting of High School Student Business Plan Grand Prix.
- B. Support for business revitalization.

- (a) Strengthen support functions for business revitalization.
- (b) Enhanced collaboration with Revitalization Support Council, etc.
- (c) Promotion and reinforcement of fundamental revitalization financing support such as DDS and DES.
- (d) Create systems and appropriately implement operations for commencement of administration of two-step loans for business restructuring and business adaptation (excluding decarbonization) pursuant to 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: 8,000
  - (b) Expansion of support services for the resolution of business challenges.
  - (c) Strengthen coordination with organizations supporting social business.
- E. Support for overseas expansion.
  - (a) Facilitate support for fundraising by SMEs engaged in overseas development and steadily provide direct financing support for overseas subsidiaries (Standby Letter of Credit Program, cross-border loans).  
Number of companies provided with support for overseas subsidiaries (Standby Letter of Credit Program, cross-border loans): 150
  - (b) Support the overseas development of micro/small businesses planning to expand sales channels through use of cross-border EC and other means.
  - (c) Support agricultural, forestry and fisheries business operators, food-related businesses, etc. 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 various forms of business support (funding programs such as HACCP support, the Trial Export Support Project, and agricultural corporation investment development programs, etc.) for measures under export business plans established by individual export regions in the future in accordance with the government's Action Strategy for Expanding the Export of Agricultural, Forestry, and Fishery Products and Foods.
  - (e) Provide information to customers seeking to expand overseas.
  - (f) 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 loans provided to agricultural management entities seeking to grow: 6,000
  - (b) Support efforts to secure new agricultural leaders.  
Number of borrowers of people entering agricultural management and agricultural management entities hiring new farmers: 1,800
  - (c) Support for agricultural, forestry, and fishery businesses initiatives to improve businesses in the "Sixth Industrialization" sector.  
Number of the "Sixth Industrialization" borrowers: 1,300
  - (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.
  - (d) Appropriate implementation of two-step loans for specific businesses based on the Low Carbon Investment Promotion Act.
  - (e) Creation of systems and appropriate implementation of operations for commencement of administration of two-step loans and interest subsidies for business adaptation (decarbonization) pursuant to the Industrial Competitiveness

Enhancement Act.

H. Contribute to equal educational opportunities.

- (a) Disseminate information on educational loans to reduce the burdens of educational expenses.
- (b) Effectively use media to conduct public relations activities.

I. Support development, provision, and introduction of advanced information and communications systems.

Appropriately implement two-step loans for development, supply, and so on based on the Act on Promotion of Developing/ Supplying and Introducing Systems Making Use of Specified Advanced Information Communication Technologies.

#### 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 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.

- A. Promote efforts to utilize our nationwide network of 152 branches.
- B. Promote matching customers.
- C. Holding of consultancy meetings and seminars.

(3) Performance of the role of connecting relevant organizations.

- A. Adopt a bird's eye perspective of regions, perform functions unique to JFC including connecting relevant 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 relevant 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 useful information and conduct consulting that contributes to business continuity and supports growth in cooperation with private financial institutions with an eye toward the post-COVID era.
  - (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 by enhancing the content of the PR magazine.
- C. Promote public relations activities by utilizing the special characteristics of various media such as the Internet.

(3) Enhance surveys and research and reinforce policy proposals to further demonstrate think tank functions.

- A. Pursue high research levels through original methods that utilize field work unique to JFC thanks to its large number of SME clients.
  - (a) Regularly conduct economic conditions research.
  - (b) Conduct thematic surveys and publish research results based on these surveys.
- B. Improve evaluations of think tanks through the strengthening of external communication capabilities.
  - (a) Edit and publish periodical publications, books, etc.
  - (b) Hold JFC Symposiums.
  - (c) Disseminate research results through lectures, etc. at universities.
  - (d) General academic publication of survey data.
- C. Strengthen exchanges with other think tanks.

- (a) Hold and participate in domestic and international research presentations, information exchange sessions, etc.
- (b) Participate in external research groups and research projects.
- (c) Enhance personnel exchanges 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 units engaged in 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, micro/small businesses, and agricultural, forestry, and fisheries 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.

<Monitoring items>

- Initial default rate (%)
- Upward-downward transition of debtor segment (number, etc.) [Agriculture and forestry/SMEs]
- Credit related expense ratio (%)

## Organizational Plans

### 1. Enhancing branch office functions

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

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

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 during emergencies.

- A. Further promote digitalization, review administrative work, and take other measures to enable timely and detailed responses to the rapid increase in applications.
- B. Effectively secure needed personnel based on the established personnel systems during emergencies.
- 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).
- I. Increase use of paper using thinned wood for printed materials.

### 3. Encourage system updates, shifting to the cloud, digitalization in close collaboration with IT departments with the active participation of individual business units

- A. Steadily carry out digitalization promotion plan based on close collaboration with individual business units.
  - (a) Reinforce cooperation with each business unit and steadily promote various measures related to digitalization in order to carry out the JFC's overall business strategies and adapt to changes in the JFC's environment.
  - (b) In light of issues that have become clear during the COVID-19 crisis, investigate systems to automate receipt of online applications and introduce electronic contracts.
  - (c) Begin work to shift systems created in data centers to cloud infrastructure.
  - (d) Encourage collaboration among business units and investigate optimal updates to systems in order to revise systems so

- that can flexibly and timely demonstrate policy-based finance functions according to the needs of each business unit.
- (e) Determine the trends of other financial institutions, research the latest IT technologies such as AI, investigate optimal IT use by JFC in light of responses during the COVID-19 crisis, and promote digitalization.
- B. Complete the next JFC system by rebuilding the operational systems of each business unit and taking other measures. Undertake the following measures relating to plans for the next JFC system such as rebuilding operational systems in each business and provide support according to conditions after the start of operation.
  - (a) Increase convenience by rebuilding operational systems.
  - (b) Improve system functions according to the operations of each business unit.
  - (c) Create “JFC Direct” so customers can perform administrative procedures and obtain information online.
  - (d) Build a portal site that consolidates the information of each customer.
- 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. Reinforce organizational systems to promote the development of digital human resources and digitalization.
  - (a) 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.
  - (b) Improve employee IT literacy and strengthen the support organization.
  - (c) Cultivate personnel who can respond to cyber security threats.
  - (d) Reinforce the organizational systems of IT departments by increasing personnel and using highly-skilled outside personnel in order to promote digitalization.
- E. Appropriate enforcement of system audits.

#### 4. Foster and utilize human resources

- (1) Enhance staff training for the realization of high-quality customer service and to nurture high-level management capabilities and expertise.
  - 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.
- (2) Achieve diverse and flexible work styles. 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.
- (3) Appropriately operate personnel payroll system.
  - A. 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.).
  - B. Efficiently execute salary payment work, etc.
- (4) Promote effective utilization of human resources.
  - A. Make proactive use of personnel transfers between business units, etc.
  - B. Expand scope of activities for area employment through administrative employment training systems, etc.
  - C. Increase awareness of recruitment activities, etc.
- (5) Increase 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.**

- ① Employee awareness survey item "Awareness level of basic philosophy and management policy" 100%
- ② Employee awareness survey item "Awareness level of business management plan" 100%
- ③ Employee awareness survey item "Monitoring of business objectives (properly monitor with sufficient interviewing)" 80%
- ④ Employee awareness survey item "Feedback on personnel evaluations (sufficient)" 90%

(Supplement) Details of employee awareness survey items

- ① Employee awareness survey item "Awareness level of basic philosophy and management policy"  
 Target number: positive ratio for all employees  
 Actual question: Do you know the details of the JFC basic philosophy and management policy?
- ② Employee awareness survey item "Awareness level of business management plan"  
 Target number: positive ratio for all employees  
 Actual question: Do you know the details of the business management plan for your business unit/Planning and Administration Unit, etc.?
- ③ Employee awareness survey item "Monitoring of business objectives (properly monitor with sufficient interviewing)"  
 Target number: positive ratio for all employees  
 Actual question: Do you think you are properly monitored by your supervisor through interim progress management and support?
- ④ Employee awareness survey item "Feedback on personnel evaluations (sufficient)"  
 Target number: positive ratio for all employees  
 Actual question: Do you get feedback from your superiors regarding achievement and employee performance evaluation results?

<Monitoring items>

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

**5. Promote diversity and improve the workplace environment**

- (1) Create a workplace where diverse human resources can fulfill their potential.
  - A. Implement measures to promote diversity at the Head Office and branch offices.
    - (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) In light of the environmental changes during the COVID-19 crisis, encourage diverse and flexible working styles that enable employees to conduct telework and so on with reassurance.
    - (b) Promote a varied working style and increase working time productivity.
  - C. 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.
  - D. Understand management issues through employee awareness surveys.
- (2). Promote women's empowerment including actively appointing women to management positions.
  - A. Implement measures for career development of women.
  - B. Conduct training and implement other measures to support the development of management candidates in order to actively appoint women to management position.
- (3). Strengthen harassment prevention.
 

Strengthen measures to prevent harassment (same initiative as "6. Establishment and strengthening risk management and compliance structures").

  - 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)" 80%
  - ③ Rate of enforcement of 2 no-overtime days per week. 80%
  - ④ Encourage male employees to take vacation time or leave for at least one month for childcare (including responses to surveys of issues).

(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

- (1). Carry out appropriate risk management in response to policy requests.
  - A. Formulate and ensure implementation of risk management programs.
  - B. Continuously monitoring of the status of risk management including the effects of the COVID-19 crisis on credit risks by the Corporate Governance Committee and so on.
- (2). Carry out appropriate monitoring together with establishing and strengthening compliance awareness.
  - A. Formulate and ensure implementation of compliance programs.
  - B. Continuously monitoring of the status of implementation of compliance programs by the Corporate Governance Committee and so on.
  - C. Reinforce the attitude of exclusion of antisocial forces (members of organized crime groups and their supports) and other comparable persons (persons participating in fraud and persons subject to economic sanctions).
  - D. Reinforce compliance awareness to ensure that officers and employees maintain high ethical standards as members of a policy-based financial institution and act responsibly to uphold the reputation of the JFC.
  - E. Thorough reporting and consultation concerning compliance.
  - F. Branch managers should properly fulfill their roles in handling compliance concerns.
- (3). Further strengthen risk management framework.
  - A. Promote understanding of response procedures regarding COVID-19 at all workplaces and implement rapid responses.
  - B. Based on responses to COVID-19, reinforce BCP with the spread of infectious disease as a possible disaster.
  - C. Continue conducting disaster response headquarters training and safety confirmation training based on the assumption of earthquakes occurring in the Tokyo Metropolitan area.
  - D. Reinforce risk management framework in preparation for earthquakes occurring in the Tokyo Metropolitan area.
  - E. Conduct risk management trainings at branches in anticipation of extreme rainfall, flooding and the like.
  - F. Branch managers should properly fulfill their roles in handling risk management.