Japan Finance Corporation

Annual Report

2022

JAPAN FINANCE CORPORATION

Contents

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

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.

Responses to the Spread of COVID-19

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 services in January 2020, we have made decisions for approximately 1.06 million COVID-19 related loans with a value of 18 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, 2022, a total of 6,000 loan decisions were made worth a total of 900 billion yen.

Inquiries on financing support related to the COVID-19 pandemic have fallen compared to the peak. However, in addition to the ongoing pandemic, other factors such as rising crude oil and commodity prices, growing international tensions, and more, have led to a situation where the future outlook remains unclear. Still, we are stepping up collaboration with private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and others, working with all supporting organizations to prop up businesses in order to provide them with effective financial support, as well as to bolster and restructure their financial foundations.

Future Measures

In line with its role as a policy-based financial institutions for emergencies, JFC supports businesses affected by the COVID-19 related crisis, reconstruction from the Great East Japan Earthquake and other earthquakes, typhoons, and other natural disasters, and consistently implements safety net functions in any situation.

Additionally, with a view to the post-COVID-19 world, we continue to focus our efforts on supporting the Strategic Fields of Growth, including support for start-ups and new business, business succession, and new expansion for the agriculture, forestry, and fisheries businesses.

(Support for start-ups and new business)

JFC is actively committed to supporting start-ups and new business and facilitates the launch of start-ups, which are driving force behind innovation. Some of these companies have later been listed on the stock exchange, taking on a leading role in the Japanese economy. Drawing on the experience and knowledge gained through the present time, JFC continues to provide support for start-ups and new business in a wide array of fields.

(Support for business succession)

In Japan, supporting business succession is a critically important issue exacerbated by problems such as the aging of management personnel and the prolonged COVID-19 pandemic. To provide support for business succession in fields critical to local regions, we will enhance our information—collecting abilities and identify key needs—acting as a bridge linking local hopes to the next generation. We will also collaborate with relevant organizations to offer effective consulting including business matching.

(Support for new expansion by agricultural, forestry, and fisheries businesses)
In recent years, Japan's agricultural sector has begun to overcome the general public perception that it is small and unprofitable. As the implementation of smart agriculture and its expansion into global markets progress, there is now a real possibility that agriculture will serve as a growth engine for regional economies. With a view to remaking agricultural, forestry, and fisheries business into growth businesses, JFC collaborates with relevant organizations, including private finance institutions, to support the agricultural sector.

Closing

To contribute to regional revitalization, JFC 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.

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, including stepping up digitalization.

In addition, through assistance programs for business and by doing our part for the community, we are working to achieve the SDGs and an all-around more sustainable society.

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

July 25, 2022

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TANAKA Kazuho
Governor & CEO

Profile (as of March 31, 2022)

Name	Japan Finance Corporation (JFC)	
Establishment	October 1, 2008	
Statutory Law	The Japan Finance Corporation Act	
Head Office	Otemachi Financial City North Tower, 1-9-4, Otemachi, Chiyoda-ku, Tokyo, Japan	
Governor & CEO	TANAKA Kazuho	
Capital, etc.	Capital: 11,612.7 billion yen	
	Reserve fund: 5,394.1 billion yen	
Branch Offices	Branch offices in Japan: 152	
	Overseas representative offices: 2	
Employees	7,436 (budgetary fixed number for FY2022)	
Total of Outstanding Loans	Total of Outstanding Loans:	29,151.5 billion yen
	Micro Business and Individual Unit:	12,696.2 billion yen
	Agriculture, Forestry, Fisheries and Food Business Unit:	3,551.7 billion yen
	Small and Medium Enterprise (SME) Unit (Finance Operations):	8,432.6 billion yen
	Operations to Facilitate Crisis Responses:	4,359.9 billion yen
	Operations to Facilitate Specific Businesses Promotion, etc.:	110.8 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

Micro Business and Individual Unit

Operations aimed at micro/small businesses and individuals

Scope of operations

- Small loans for micro/small businesses
- Support for business start-ups, business revitalization, business succession, social business, and overseas expansion
- Educational loans and loans secured by government pensions, etc.

Synergy Effect

Supporting revitalization of local and regional economies

Supporting business growth of customers

Supporting the globalization of SMEs

Agriculture, Forestry, Fisheries and Food Business Unit

Operations aimed at agriculture, forestry, fisheries, and food business

Scope of operations

- Loans for agriculture, forestry, fisheries and food business that foster and support principal farmers
- Loans for food industry that support food safety and security and close collaboration between agriculture and food industry
- Management support services such as consulting and business matchmaking services

Small and Medium Enterprise (SME) Unit

Operations aimed at SMEs

Scope of operations

- Long-term business funds for SMEs
- Support for new businesses, business revitalization, business succession, and overseas expansion
- Securitization support
- Acceptance of insurance on Credit Guarantee Corporations (CGCs) guaranteed liabilities
- Support for the resolution of business challenges, including business matching support

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Operations to Facilitate Crisis Responses and Specific Businesses Promotion, etc.

- Providing a certain credit to designated financial institutions at the occurrence of crises certified by the competent ministers, such as domestic or international financial disorder, large-scale natural disasters, and other similar events.
- Providing loans to designated financial institutions based on the Low Carbon Investment Promotion Act, etc.

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 any crisis 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, decarbonization, and other environmental and energy measures as well as changes in the business environment caused by promotion of digital transformation (DX) and 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 engaging in activities rooted in local areas including ascertaining conditions in regions that have been affected by changes in the business environment from the pandemic and other factors and participating in regional projects such as comprehensive strategies of the local government.

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 promoting 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.

Business and Management Plan (FY2022-2024)

JFC has formulated the following Business and Management Plan for the period from FY2022 on.

Business and Management Plan (FY2022-2024)

The roles strongly required of JFC as a policy-based financial institution, of which there is renewed awareness as a result of its responses to the COVID-19 pandemic, are to continuously review operations to ensure that they are capable of addressing large-scale crises with the premise that such crises may occur in the future and to demonstrate reliable safety net functions under all circumstances.

JFC collaborates with relevant organizations to support business creation and new businesses including the start-up and other companies that will lead the new society in the post-COVID era, promote exports of agricultural, forestry, fishery and food products, and provide strong support in growth strategy areas such as business succession, which is a management issue for many clients. By supporting SMEs, micro/small businesses, and agriculture, forestry, fisheries and food business operators, which function as the foundations of regional economies, JFC is contributing to regional revitalization.

JFC also promotes further digitalization so that it can provide such policy-based financial services broadly and promptly.
In addition, JFC will contribute to the achievement of the Sustainable Development Goals (SDGs) in order to create a sustainable society by supporting these types of clients and contributing to communities.

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, promotion of digital transformation (DX), and support for customers undertaking business restructuring with an eye toward the post-COVID era 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. 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. Respond carefully to the needs for safety net services, provide a stable supply of funds, and collaborate with private financial institutions

(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 prompt 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.

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.

(2) 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.

(3) 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.

(4) 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. Promote online applications through follow-ups after financing for the effective provision of capital even during emergencies.

C. Respond quickly to emergencies and conduct operations in a prompt and smooth manner.

Facilitate precise operations to facilitate crisis responses.

(5) 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.

(6) Enhancing initiatives for collaborative measures with private financial institutions.

A. Continue efforts to promote cooperative loans with private financial institutions, etc. such as in growth strategy areas 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.

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

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, promotion of digital transformation (DX), and environment and energy measures including decarbonization with an eye toward the post-COVID era.

A. Support for business start-ups and new businesses.

Contributing to the creation and development of start-ups, the leaders of innovation.

(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): 25,000

(b) Reinforce the provision of capital to start-ups in the seed and early stages and support business development through events such as the Venture Meet-Up from the Local Region JFC Version.

(c) 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:1,250

(d) Promote the Start-up Support Package, a pillar of growth support, by reinforcing the provision of capital to start-ups, providing opportunities for business talks, and taking other measures.

(e) Reinforce collaboration with institutions such as universities engaged in venture capital and innovation creation that support start-ups and new business.

(f) Hosting of High School Student Business Plan Grand Prix.

B. Support for business revitalization.

(a) Strengthen support functions for business revitalization.

Number of loan agreements with businesses undertaking business restructuring: 2,300

(b) Enhanced collaboration with Revitalization Support Council, etc.

(c) Promotion and reinforcement of fundamental revitalization financing support such as DDS and DES.

(d) Appropriately implement operations 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: 11,000

(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 loan agreements with businesses undertaking overseas development: 600

(b) Support the overseas development of micro/small businesses planning to expand sales channels through use of crossborder EC and other means.

Number of loans with businesses conducting overseas development: 1,200

(c) Provide support integrated with subsidies and tax systems to agricultural, forestry and fisheries business operators, food businesses, etc. that plan to enhance their export capabilities in accordance with the Act on Facilitating the Export of Agricultural, Forestry, and Fishery Products and Food and the government's strategy on expanding exports while collaborating with regional agricultural bureaus, prefectural governments, private financing institutions, and others.

Number of loans to businesses engaged in exporting agricultural, forestry and fishery, and food products: 230

(d) Provide information to customers seeking to expand overseas.

(e) Collaboration with institutions that support overseas expansion.

F. Support for new expansion by agricultural, forestry, and fisheries businesses.

(a) Support business improvement initiatives for corporations and large family businesses while utilizing valuation techniques with an emphasis on profitability.

Number of loans provided to agricultural management entities seeking to grow: 6,200

(b) Support efforts to secure new agricultural leaders.

Number of borrowers of people entering agricultural management and agricultural management entities hiring new farmers: 2,000

(c) Support for agricultural, forestry, and fishery businesses initiatives to improve businesses in the "Sixth Industrialization" sector.

(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 and technology information and results of various surveys.

G. Support for DX and digitalization.

(a) Support for DX and digitalization by SMEs and micro/small businesses.

(b) Support for smart technologies used by agriculture, forestry and fishery businesses and measures using eMAFF.

H. 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) Appropriately implement operations of two-step loans and interest subsidies for business adaptation (decarbonization) pursuant to the Industrial Competitiveness Enhancement Act.

I. 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.

(c) Appropriately respond to diverse consultations needs.

J. 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.

3. 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. Contribute to implementation and promotion of various measures relating to local comprehensive strategies and the like.

B. 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 collaborating with various relevant organizations, and promote measures in close partnership with relevant organizations 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.

4. 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) Expand opportunities for external presentation of research results.

(c) Disseminate research results through lectures, etc. at universities.
(d) General academic publication of survey data.
C. Strengthen and expand networks with outside organizations.
(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.

5. 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. Promote digitalization

A. Steadily promote digitalization in accordance with a digitalization promotion plan and other plans.
(a) Steadily promote digitalization measures, such as expanding the functions of our membership-based online services (JFC Direct) and introduce electronic contracts, in order to achieve the business strategies of the JFC as a whole and respond to changes in the JFC's environment.
(b) Steadily implement system update work and investigate optimal information systems in order to achieve stable operation of systems in the future and raise development efficiency.
(c) Step-by-step shift systems created in data centers to cloud infrastructure.
(d) 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.
(e) Improve system functions according to the operations of each business unit.
B. Reinforce preparations relating to information systems in anticipation of emergencies.
Undertake system development including increasing the capacity to process online applications in order to ensure continued and effective operations even during emergencies.
C. Enhance system quality and implement comprehensive security measures.
(a) Prepare high-quality requirements definitions and carry out detailed system tests through collaboration by business divisions and the IT department.
(b) Reinforce effective security measures based on the status of cyber security and the latest developments in technology.
(c) Greater efficiency in systems development, taking stable operation into consideration.
(d) Promote smooth and efficient system operation.
D. Reinforce internal stance to promote 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) Cultivate personnel who can enhance the quality of and stable operate information systems and respond to cyber security threats.
(c) Improve employee IT literacy and strengthen the support organization.

(d) Recruit mid-career IT specialist personnel.

E. Appropriate enforcement of system audits.

2. 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. Continuously strengthen the branch management framework based on a bottom-up approach to management including implementation of measures intended to solve branch operational issues that have become clear as a result of responses to the COVID-19 pandemic.

3. Conduct efficient and effective operations

Solve organizational management problems that were noticed as a result of responses to the COVID-19 crisis.

A. Review administrative work and take other measures to enable timely and detailed responses to the rapid increase in applications.

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

C. Implement fair procurement procedures.

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

E. Implement environmentally-conscious measures including encouraging the use of products and services that contribute to reduced environmental impact.

F. Implementation of appropriate expense management.

4. Foster and utilize human resources

A. 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.

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%

(b) Establish a training system that is consistent for all employees from new personnel to senior management.

(i) Collaborate to implement a personal development system, and training at all levels in addition to those particular to each business unit.

(ii) Promote self-initiated measures that contribute to regional coordination and client support.

(iii) Promote the use of online tools and the like through training.

(c) Strengthen management capabilities.

(i) Carry out smooth implementation and content enhancement for human resources academy courses.

(ii) Quality content for level-specific training (newly appointed senior level position and above).

(iii) Perform multifaceted observations and provide feedback on the results.

B. Appropriately operate personnel payroll system.

(a) Efforts to operate appropriately personnel payroll system.

(i) Conduct monitoring of the operational status of human resource and payroll systems (special transfer system, regional comprehensive employment system, re-employment system, etc.).

① Employee awareness survey item "Monitoring of business objectives (properly monitor with sufficient interviewing)" 80%

② Employee awareness survey item "Feedback on personnel evaluations (sufficient)" 90%

(ii) 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.

C. 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.

(d) Promote further utilization of senior employees.

D. 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.

<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

A. Create a workplace where diverse human resources can fulfill their potential.

(a) Implement measures to promote diversity at the Head Office and branch offices.

(i) Further promote proactive participation by all employees and diversity.

(ii) Raise employee awareness to create workplaces that employees find rewarding.

(b) Practice work-life management (WLM).

(i) Encourage the further use of systems that enable flexible work style including telework.

(ii) Promote a varied working style and increase working time productivity.

(iii) Encourage men to participate in housework, childcare, and family care.

Ratio of male employees to take vacation time or leave for at least one month for childcare. 90%

(c) Create a workplace that makes an effort to encourage every employee to maintain his or her health.

(i) Conduct training on health and encourage medical examinations pursuant to specified health guidance.

(ii) Enforce 2 no-overtime days per week.

Rate of enforcement of 2 no-overtime days per week. 90%

(d) Understand management issues through employee awareness surveys.

B. 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.

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

② Employee awareness survey item "Management support to develop capabilities of female employees (females)" 80%

<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.

C. Strengthen harassment prevention.

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

6. Establishment and strengthening of risk management, compliance structures, and risk management framework

A. 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.

B. 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.

C. Further strengthen risk management framework.

(a) Promote understanding of response procedures regarding COVID-19 at all workplaces and continue implementing rapid responses.

(b) Based on responses to COVID-19, reinforce BCP with the spread of infectious disease as a possible disaster.

(c) Reinforce BCP and continue conducting disaster response headquarters training and safety confirmation training based on the assumption of earthquakes occurring in the Tokyo Metropolitan area.

(d) Raise the crisis awareness of each employee and conduct training and drills to prepare for the risk of damage in each region.

(e) Branch managers should properly fulfill their roles in handling risk management.

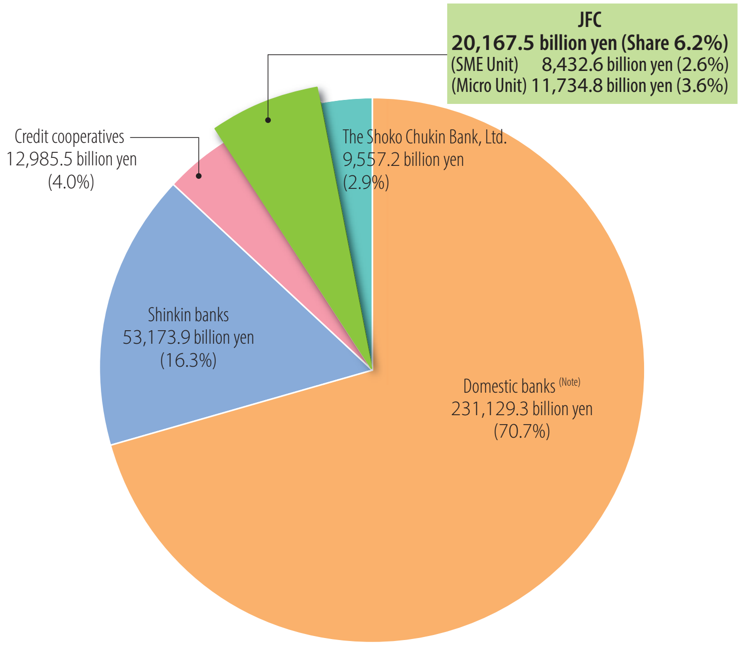
(f) Prepare contingency arrangements including personnel systems for emergency situations.

JFC Activities

Financing Structure of JFC

JFC's share of the balance of financing to SMEs (Micro Unit and SME Unit) is **6.2%**.

Share of balance of financing to SMEs (as of March 31, 2022)



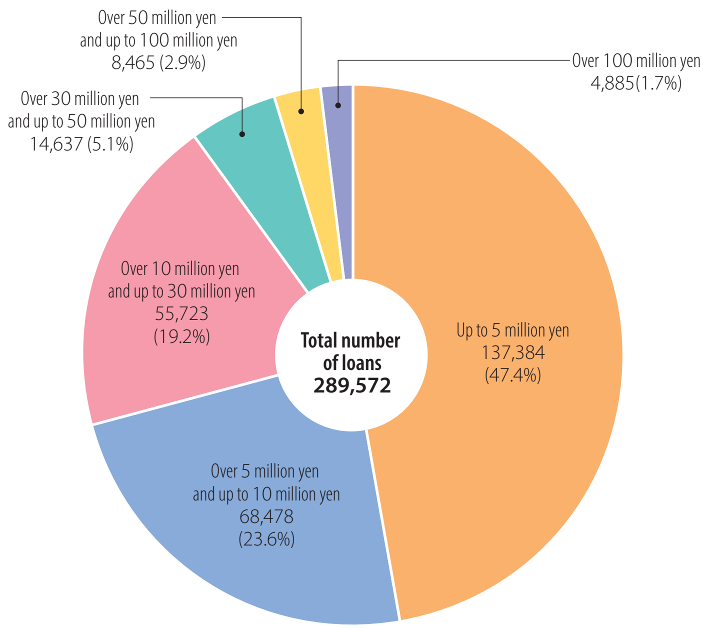
Note: Total of city banks, regional banks, regional banks II, and trust banks

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 FY2021 was as follows. Of the total of approximately 290,000 business loans, **47% had loan amounts up to 5 million yen, and 90% were for 30 million yen or less**.

JFC also provides educational loans to the public (approximately 90,000 loans annually).

Financial results by loan amount in FY2021 (Note)



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

Responses to the Spread of COVID-19

COVID-19 Related Loan

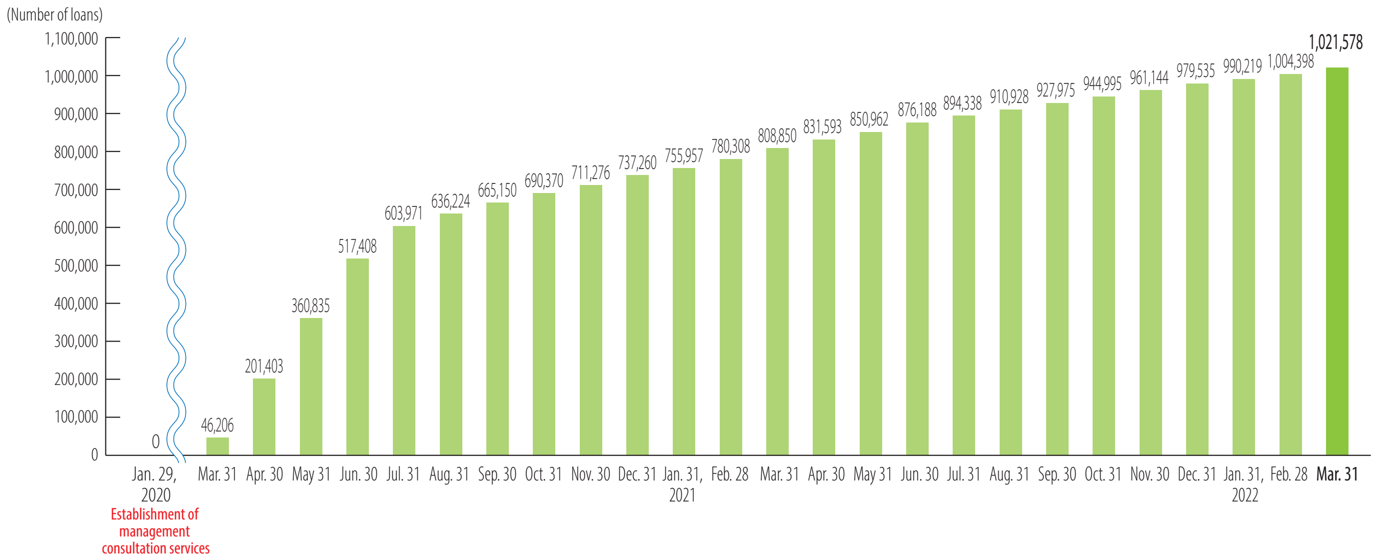
As of March 31, 2022, a total of **1,021,578** COVID-19 related loan decisions were made worth a total of **17,319.9 billion yen**.

COVID-19 related loan decision results

(as of March 31, 2022)

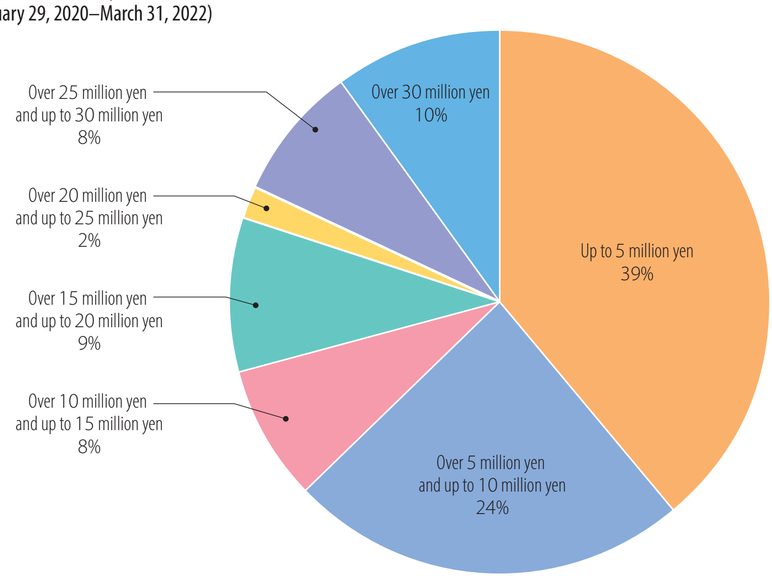
Number of loans	Amount
1,021,578	17,319.9 billion yen

Changes in number of COVID-19 related loan decisions (cumulative total)



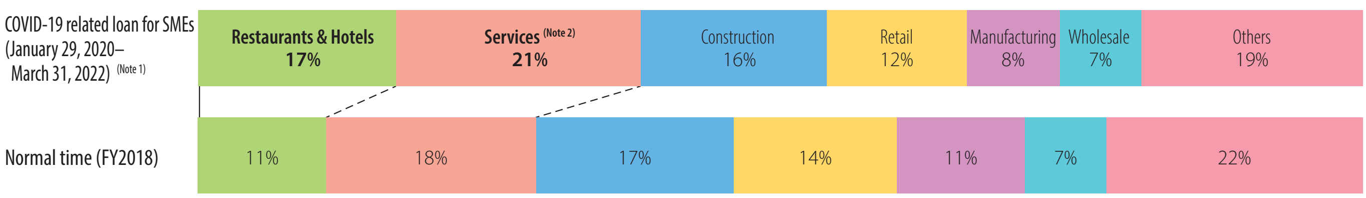
The composition of COVID-19 related loan by amount was **39% for loans up to 5 million yen and 24% for loans of over 5 million yen and up to 10 million yen**, and thus, the majority of the loans were for small amounts.

Component ratios by amount of COVID-19 related loan
(January 29, 2020–March 31, 2022)



With respect to the ratio by industry of COVID-19 related loans for SMEs (Micro Unit and SME Unit), the ratio of those in restaurants & hotels and service increased compared to normal time.

Component ratios by industry for SMEs

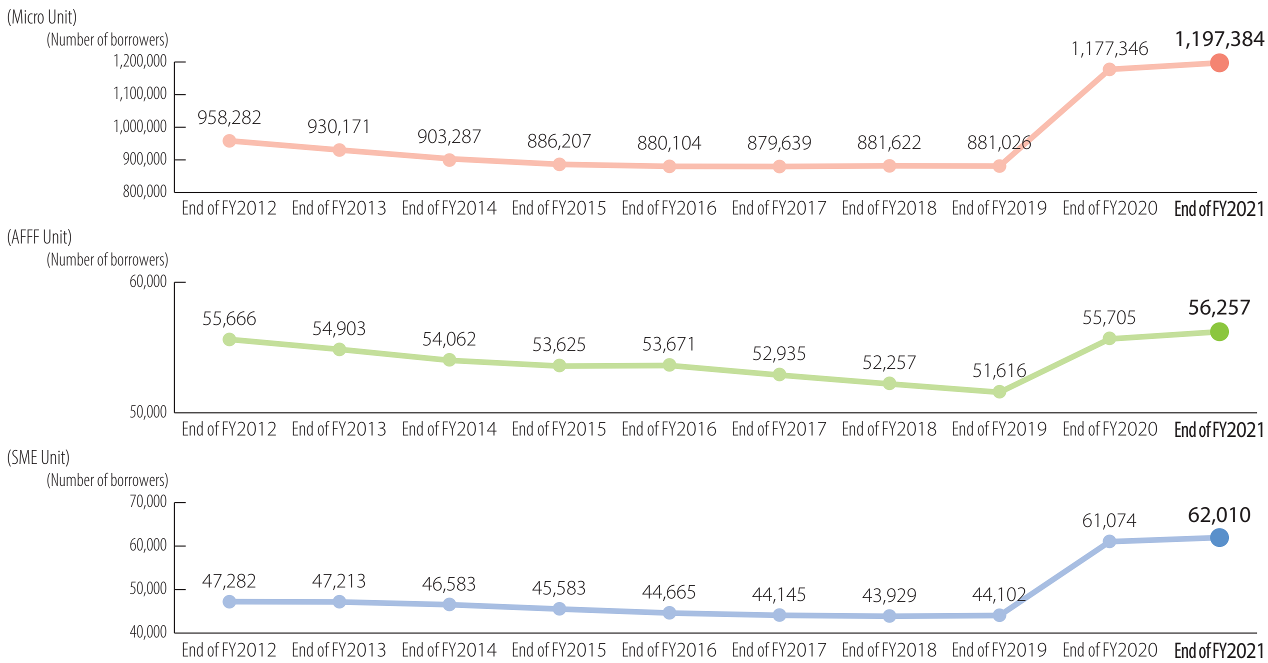


Notes: 1. COVID-19 related loan data is prepared on a loan decision basis.
2. Service industries include hairdressing and beauty salons, professional services, management consulting, automobile maintenance, advertising, and cosmetology as well as entertainment businesses such as theater groups and bands. Also, the share of the entertainment industry (including entertainment businesses such as theater groups and bands) within the service industry has increased compared to normal times (from 2.7% to 4.4%).

Change in Number of Borrowers

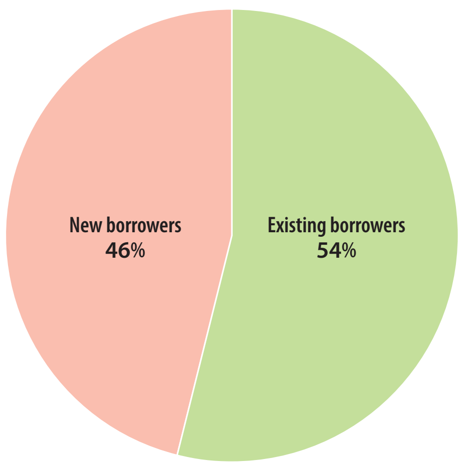
Until the outbreak of the COVID-19 pandemic, the number of JFC customers was trending downward, but as a result of responding to the unprecedented large number of inquiries concerning loans in response to COVID-19, the numbers of borrowers as of the end of FY2021 increased by **approximately 320,000** in the Micro Unit, **approximately 5,000** in the AFFF Unit, and **approximately 20,000** in the SME Unit compared to the end of FY2019.

Change in number of borrowers



Of the loan applications relating to COVID-19 (cumulative total), **46%** were from new borrowers (customers that did not have a business relationship with JFC).

Component Ratio of new borrowers among financing applicants
(January 29, 2020–March 31, 2022)



Collaboration with Private Financial Institutions during the COVID-19 Pandemic

Within our responses to COVID-19, we have provided funding support to SMEs and micro/small businesses that have been affected by the pandemic based on our existing collaborative relationships with private financial institutions.

Cooperative loan(Note) results

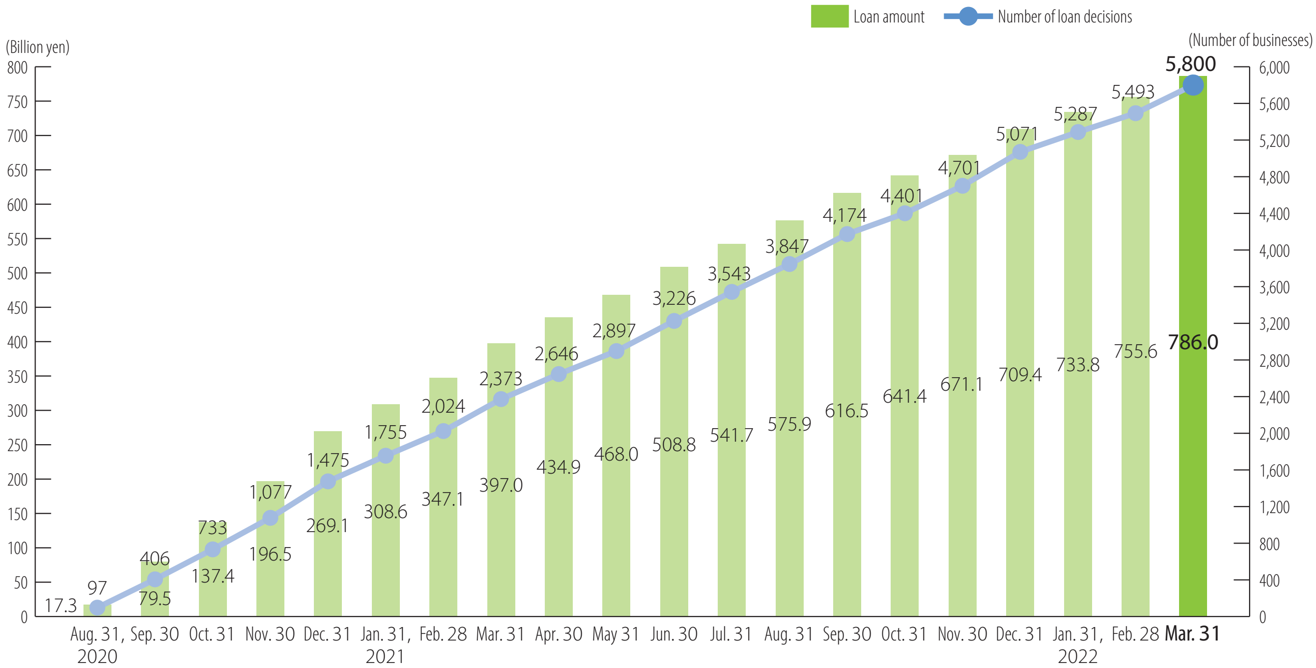
	FY2019	FY2020	FY2021	Compared to the previous fiscal year
Number of loans	28,736	24,467	25,259	103%
Amount	1,255.6 billion yen	1,684.7 billion yen	1,252.7 billion yen	74%
Amount per loan	43.69 million yen	68.85 million yen	49.59 million yen	72%

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).

COVID-19 Hybrid Subordinated Loan Program

In August 2020, we began handling COVID-19 Hybrid Subordinated Loan Program, which provides funds for reinforcing financial foundations, for companies that plan to develop and maintain business with support from relevant organizations, under an economic environment that was greatly affected by the COVID-19 pandemic. As of March 31, 2022, we made loan decisions for **5,800 businesses worth 786.0 billion yen**.

Changes in number of COVID-19 Hybrid Subordinated Loan decisions and amounts (cumulative total)



Information Dissemination during the COVID-19 Pandemic

Dissemination of Examples of Measures by Businesses Addressing the COVID-19 Pandemic

In order to help businesses to do their best even during the COVID-19 pandemic, we present case studies of businesses employing various ideas and innovations to overcome this crisis and initiatives that will have a sustainable effect on the companies employing them.

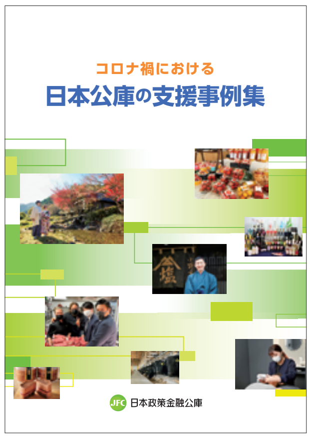
Please visit the JFC website for more information.
https://www.jfc.go.jp/n/corona-jirei/index.html
(Available only in Japanese)

Issuing Case Study Examples of JFC Support during the COVID-19 Pandemic

At JFC, in addition to financial assistance programs on various kinds of financing, we provide a diverse array of management support services such as consulting and business matching, through related institutions including private financial institutions and our network of 152 branches nationwide.

In order to make as many people as possible aware of and take advantage of JFC's various types of support, we present businesses successfully overcoming the obstacles of the COVID-19 pandemic by way of assistance programs.

Please visit the JFC website for more information.
https://www.jfc.go.jp/n/corona-jirei/sienjirei/index.html
(Available only in Japanese)

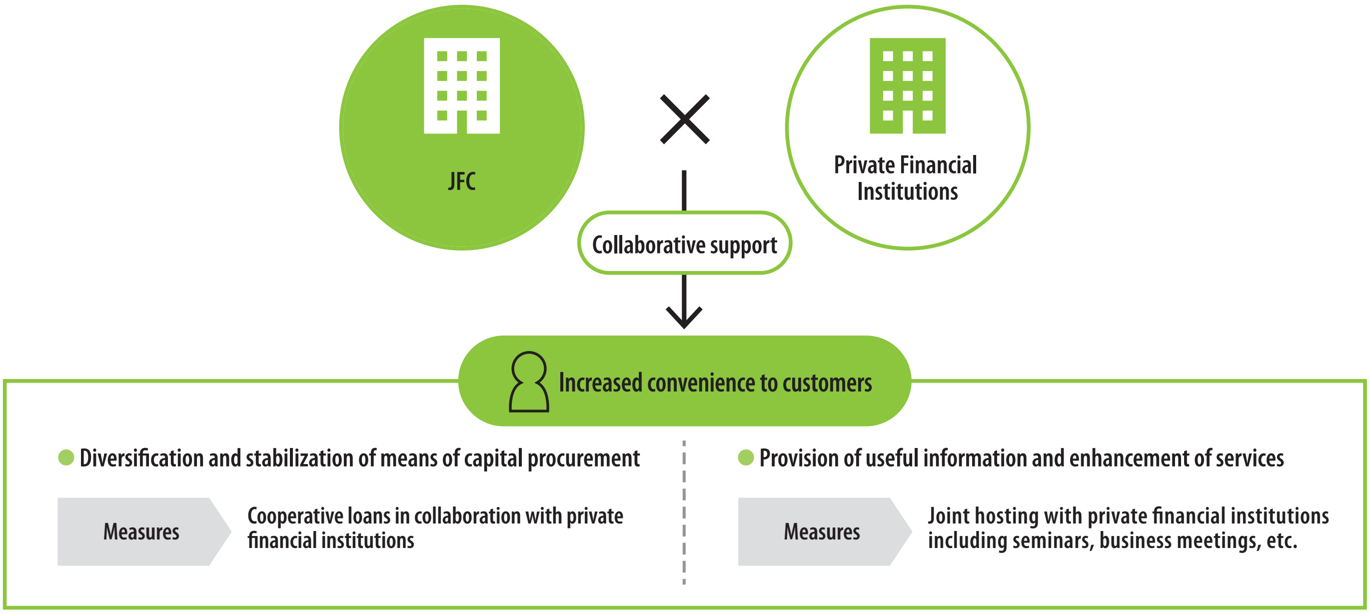


Cooperation with Private Financial Institutions

Working in Cooperation with Private Financial Institutions

(1) Purpose of cooperation with private financial institutions

JFC supports SMEs, micro/small businesses and 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, 2022**, MOUs on business cooperation and collaboration have been concluded with **484 financial institutions**.

(3) Creation of cooperative loan programs

Since FY2014, JFC has been focusing on establishing loan schemes (Note) in cooperation with private financial institutions to enhance partnership effectiveness and the number of private financial institutions which established the cooperative loan schemes reached **437 financial institutions as of March 31, 2022**. 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, 2022, 459 programs** were created in collaboration with **300 financial institutions**.

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

Creation of cooperative loan programs (as of March 31, 2022)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total (Note)
Number of financial institutions created cooperative loan programs	–	35	29	171	60	5	300
Number of cooperative loan programs (Note)	–	54	49	269	86	5	459

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

(4) Total of cooperative loans (Note)

In FY2021, total cooperative loans from private financial institutions came to: **25,259 loans (103% compared to the previous fiscal year), 1,252.7 billion yen (74% 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 (FY2021)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total (Note)		Reference FY2020 results
								Compared to the previous fiscal year	
Number of loans	1,717	8,481	2,890	10,813	1,473	504	25,259	103%	24,467
Amount	254.4 billion yen	580.2 billion yen	151.6 billion yen	301.7 billion yen	34.6 billion yen	54.9 billion yen	1,252.7 billion yen	74%	1,684.7 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 FY2021, **JFC referred 7,611customers 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 FY2021, **private financial institutions referred 24,316 customers to JFC**. Of these, in addition to cooperative loans, **JFC independently provided 12,160 loans** to start-ups and businesses in the agricultural, forestry, and fisheries sectors, etc.

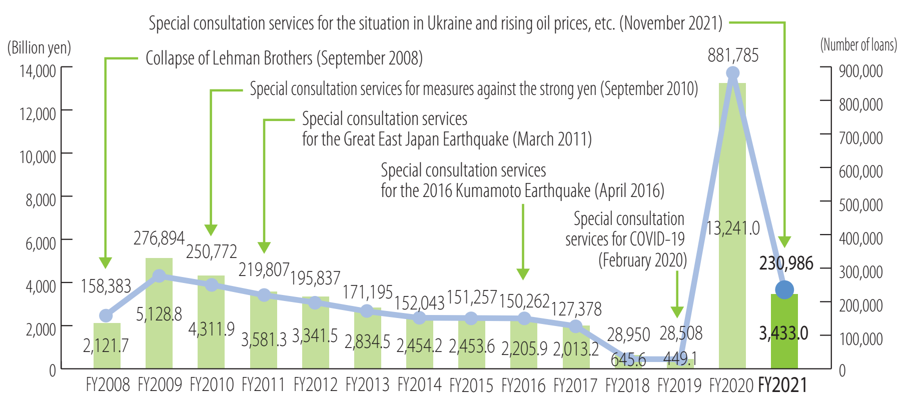
Provision of Policy-based Financing (Exercise of Safety Net Functions)

Safety Net-related Loans

In FY2021, financing related to Safety Net Loans (Note) to those facing obstacles due to international financial instability and economic contraction, and those impacted by the Great East Japan Earthquake, the 2016 Kumamoto Earthquake, typhoon, and other disasters came to **230,986 loans (26% compared to the previous fiscal year) for 3,433.0 billion yen (26% compared to the previous fiscal year)**.

Note: The loans related to Safety Net Loans include COVID-19 Special Loan Program, 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



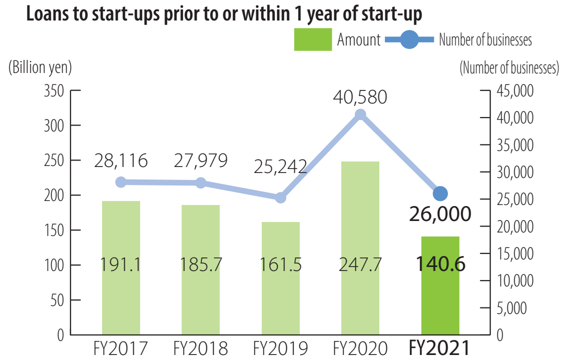
Provision of Policy-based Financing (Supporting Strategic Fields of Growth, etc.)

(1) Support for start-ups and new business

(i) Loans to start-ups

In FY2021, loans to start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) came to: **26,000 businesses (64% compared to the previous fiscal year), 140.6 billion yen (57% compared to the previous fiscal year)**.

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



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

	FY2019	FY2020	FY2021	Compared to the previous fiscal year
Women	5,513 businesses	8,727 businesses	**6,077 businesses**	**70%**
Seniors (aged 55 and older)	2,603 businesses	4,701 businesses	**2,509 businesses**	**53%**
Youth (aged under 35)	6,954 businesses	10,986 businesses	**7,889 businesses**	**72%**

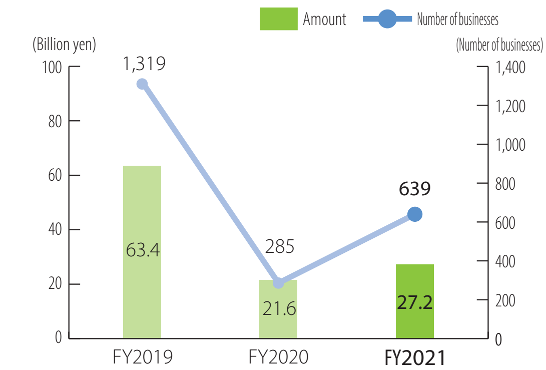
Note: Women who also qualify as youth or seniors included in the women category.

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

In FY2021, Loans to Foster Growth of New Businesses came to: **639 businesses (224% compared to the previous fiscal year), 27.2 billion yen (126% 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 FY2021, loans came to: **41 businesses (273% compared to the previous fiscal year), 3.5 billion yen (167% compared to the previous fiscal year)**.

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

	FY2019	FY2020	FY2021	Compared to the previous fiscal year
Number of businesses	31	15	**41**	**273%**
Amount	3.04 billion yen	2.09 billion yen	**3.5 billion yen**	**167%**

(iv) Capital Subordinated Loans (Note) (new businesses-type)

In FY2021, Capital Subordinated Loans (new businesses-type) came to: **24 businesses (49% compared to the previous fiscal year), 2.9 billion yen (66% 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.

Results of Capital Subordinated Loans (new businesses-type)

	FY2019	FY2020	FY2021	Compared to the previous fiscal year
Number of businesses	207	49	**24**	**49%**
Amount	18.9 billion yen	4.4 billion yen	**2.9 billion yen**	**66%**

(v) Cooperation with regional venture support institutions

We are working on discovery and support for regional venture companies by holding presentation events for venture support in local areas in cooperation with regional venture support institutions (regional banks, venture capitalists, brokerages, etc.).

(2) Support for business revitalization

Results of financing relating to business revitalization in FY2021 came to **308 businesses (47% compared to the previous fiscal year) and 30.2 billion yen (56% compared to the previous fiscal year)** for Corporate Revitalization Loans, whereas Capital Subordinated Loans (revitalization-type) came to **17 businesses (26% compared to the previous fiscal year) and 2.2 billion yen (42% compared to the previous fiscal year)**. In addition, financing support relating to revitalization was provided to **114 businesses (123% compared to the previous fiscal year)**.

Results of loans related to support for revitalization

		FY2019	FY2020	FY2021	Compared to the previous fiscal year
Corporate Revitalization Loans	Number of businesses	6,466	654	**308**	**47%**
	Amount	246.9 billion yen	54.3 billion yen	**30.2 billion yen**	**56%**
Capital Subordinated Loans (revitalization-type)	Number of businesses	485	66	**17**	**26%**
	Amount	33.5 billion yen	5.2 billion yen	**2.2 billion yen**	**42%**

Results of financial support relating to revitalization

		FY2019	FY2020	FY2021	Compared to the previous fiscal year
Methods of financing for comprehensive revitalization such as DDS and DES (Note)	Number of businesses	160	93	**114**	**123%**

Note: These results are the total of DDS, DES, non-equivalent transfer of claims, secondary company method, and debt waiver; calculated by adding up the number of businesses agreed by JFC for the corresponding period.

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

Symposium on Business Revitalization Held

JFC held a business revitalization symposium titled "SME Support and Business Revitalization with a Focus on the COVID-19 Pandemic" at the Nikkei Hall on May 31, 2022.

Practitioners and experts in the field of business revitalization introduced the SME Revitalization Package announced in March 2022 and other measures and support systems for SMEs struggling with rising debt. They also discussed the key points for utilizing these measures from a variety of perspectives.

The 150 slots for on-site participation and 500 slots for live streaming were quickly filled. In order to provide broader access to the content of the symposium among those with interest in it, the number of slots for online participation was increased to approximately 900.

A scene of the symposium

(3) Support for business succession

The business succession-related loans in FY2021 came to **2,380 loans (165% compared to the previous fiscal year) and 76.6 billion yen (160% 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.

Business succession-related loans

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Number of loans	176	707	1,492	2,467	5,593	9,047	1,442	**2,380**
Amount	11.9 billion yen	18.6 billion yen	29.6 billion yen	42.4 billion yen	88.2 billion yen	150.3 billion yen	47.8 billion yen	**76.6 billion yen**

Notes: 1. JFC is expanding financing subjects in order to respond to broader demand for funds such as providing funds for business succession preparations from April 2017 and environmental health-related businesses from FY2020.
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.
3. Loans used for funding necessary for business succession other than Business Success, Consolidation, and Revitalization Funds, etc. (certified loans) have been added to the total since FY2018.

Examples of measures to raise manager awareness

Gift vol. 2, a collection of examples of business succession

This brochure showcases the initiatives of current business management as they take new steps forward, drawing on the strengths of their predecessors—who successfully handed the business down to them—and on the strengths of that business
(Issued in May 2021)

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
(Revised in April 2021)

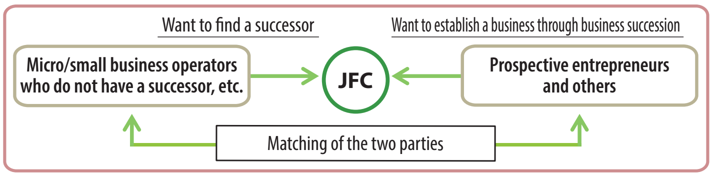
Business Succession Seminar

Seminars for management personnel designed to teach the importance of business succession and to acquire the business succession know-how to enable a sustainable business
(Held in January 2022)

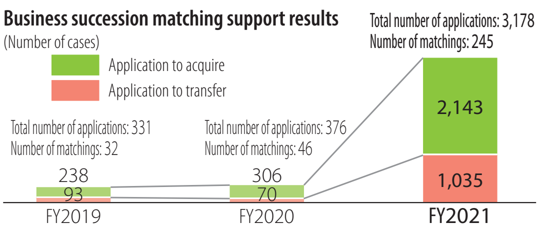
Business succession matching support

Business succession matching support is a support program for business succession by the third party. This program supports for matching micro/small businesses that do not have a successor with people who wish to start their own businesses.

The program was launched on a trial basis in Tokyo in FY2019, and has expanded nationwide since FY2020. Due to the impact of factors such as the aging of business owners, as well as the COVID-19 pandemic, inquiries from micro/small businesses which do not have a successor have been increasing. In FY2021, the program had 3,178 applicants (845% compared to the previous fiscal year), with 245 successful matches made (533% compared to the previous fiscal year).



Business succession matching support results



Also available on the JFC website (Available only in Japanese)

Example of Successful Business Succession Matching Support

The transferred business is a tutoring school with a history of over 50 years covering elementary school through high school (Mr. A, sole proprietor). Because the proprietor is getting old and there is no successor, he registered JFC's business succession matching support program. The owner wanted to transfer the company to someone who would hand over the company's history and goodwill. The recipient had an experience to work as a teacher overseas (Japan Overseas Cooperation Volunteers, JOCV), and after coming back to Japan, she worked as school principal at a private-tutoring school (Ms. B, who wants to start a business). She was considering the receive in light of her past career experience.

JFC carefully interviewed Mr. A about his wishes regarding the transfer of his business and introduced several potential successors. With support from JFC, Mr. A signed a transfer agreement with Ms. B in February 2022 after interviewing senior management and negotiating with several candidate transferees.

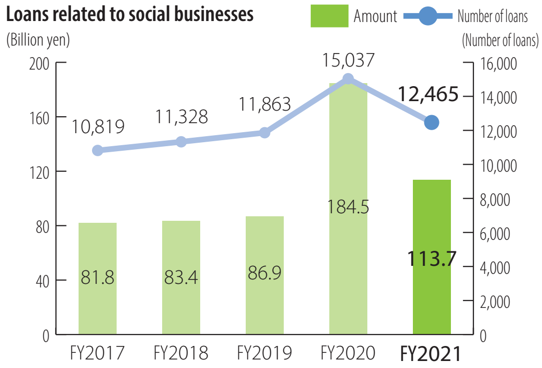
Mr. A and Ms. B signing the agreement

(4) Support for social business (Note)

(i) Loans related to social businesses

In FY2021, loans related to social businesses came to: **12,465 loans, 113.7 billion yen**.

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.



(ii) Collaboration and cooperation by the "Social Business Station"

On December 1, 2021, the JFC launched the Social Business Station on the JFC Website. The Social Business Station is an information platform targeting companies in support of the formulation of collaborative and cooperative relationships with NPOs. Anyone with an interest in social business may use this site, including managers and individuals launching new businesses.

Social Business Station top page

Also available on the JFC website (Available only in Japanese)

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

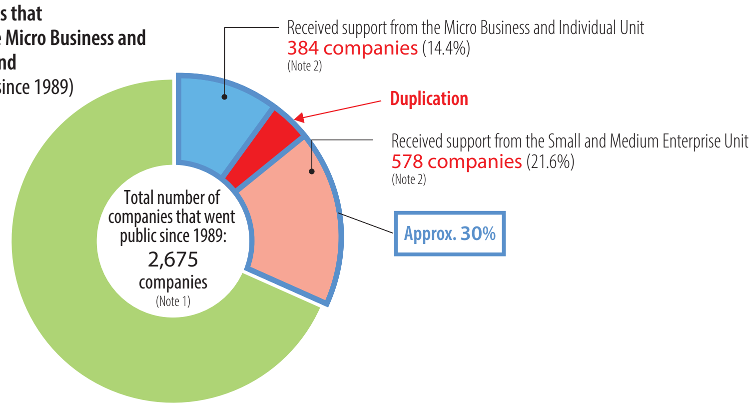
Sustainable growth of social business activities requires the formulation of a highly feasible business plan and securing adequate profits. The JFC Micro Unit published the Business Plan Visualization Book (referred to as the "Visualization Book") on the JFC website to support the formulation of business 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 384 companies and 578 companies, respectively, with 851 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, 2022 (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.

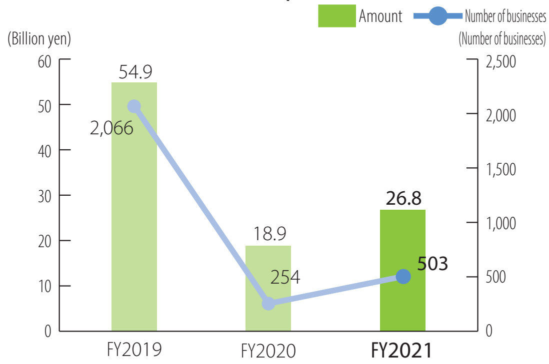
(5) Support for overseas expansion

(i) Loans for Overseas Investment and Expansion

In FY2021, Loans for Overseas Investment and Expansion were provided to **503 businesses (198% compared to the previous fiscal year), totaling 26.8 billion yen (142% compared to the previous fiscal year)**; of which crossborder loans were provided to **100 businesses** in FY2021, in the amount of **6.0 billion yen**. The totals since the system was launched in January 2021 (through March 31, 2022), stood at **111 business and 6.5 billion yen**.

The crossborder loans are a program under which JFC provides direct loans to overseas subsidiaries that work with their domestic parent companies (SMEs and others) to improve management capabilities, implement management innovations, and revitalize local economies in order to adapt to structural changes overseas. The countries and regions where this program can be used are Thailand, Viet Nam, and Hong Kong, and Singapore.

Loans for Overseas Investment and Expansion



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

	FY2019		FY2020		FY2021		
	Number of businesses	Ratio	Number of businesses	Ratio	Number of businesses	Ratio	Compared to the previous fiscal year
China (including Hong Kong)	667	32%	56	22%	**136**	**27%**	**243%**
ASEAN	547	26%	107	42%	**211**	**42%**	**197%**
Viet Nam	169	8%	39	15%	**85**	**17%**	**218%**
Thailand	126	6%	26	10%	**80**	**16%**	**308%**
Philippines	62	3%	9	4%	**13**	**3%**	**144%**
Malaysia	46	2%	9	4%	**9**	**2%**	**100%**
Other ASEAN countries	144	7%	24	9%	**24**	**5%**	**100%**
Others	852	41%	91	36%	**156**	**31%**	**171%**
Total	2,066	100%	254	100%	**503**	**100%**	**198%**

(ii) Standby Letter of Credit Program (Note)

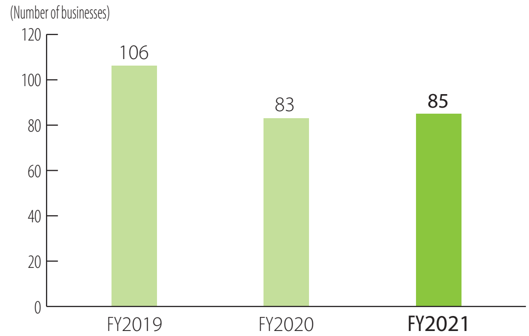
As for FY2021, letters of credit were issued to the affiliated financial institutions in Thailand, China, Republic of Korea, Indonesia, Viet Nam, Mexico, Singapore, and Taiwan, being utilized by **85 businesses**. The cumulative usage (until March 31, 2022) of this program since its start in FY2012 has reached **805 businesses**.

As of March 31, 2022, 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, 2022, 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 **54 businesses (8 businesses in FY2021)** through this partnership scheme.

Note: The Standby Letter of Credit Program supports overseas subsidiaries that work with their domestic parent companies (SMEs and others) to improve management capabilities, implement management innovations, and revitalize local economies, can smoothly procure the 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 (Note)

In partnership with trading companies, the Trial Export Support Project has coordinated to provide support to domestic agricultural, fisheries and food manufacturing businesses showing an eagerness to export their products. This has resulted in support for **31 cases** of trial exports in FY2021.

Countries to which products were exported include Macau with 15 cases, Taiwan with 6 cases, Germany with 6 cases, Hong Kong with 1 case, Singapore with 1 case, Thailand with 1 case, and China with 1 case.

Actual types of products exported included 10 agricultural products (Shine Muscat, Japanese yam, rice for sushi, etc.), 1 livestock product (beef), and 20 processed foods (mandarin orange juice, processed soy products, wine, etc.).

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

Performance of Trial Main Export Support Project

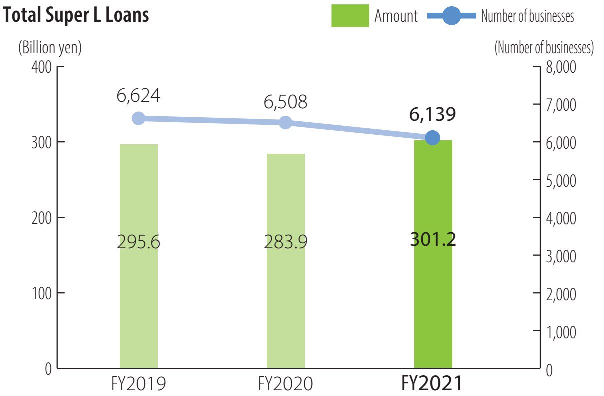
Country or region of export	FY2019 Number of trials	FY2020 Number of trials	FY2021 Number of trials	Items (FY2021)
Macau	5	6	**15**	Shine Muscat, sweet potato, rice for sushi, sake, etc.
Taiwan	22	3	**6**	Mandarin orange juice, apple juice, popcorn, wine, etc.
Germany	–	4	**6**	Japanese yam, processed soy products, etc.
Hong Kong	5	9	**1**	Ham, sausage
Singapore	3	7	**1**	Green soybean
Thailand	–	1	**1**	Beef
China	–	–	**1**	Wine
Others	5	5	**–**	
Total	40	35	**31**	

(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 FY2021, came to: **6,139 businesses (94% compared to the previous fiscal year), 301.2 billion yen (106% compared to the previous fiscal year)**.

Total Super L Loans



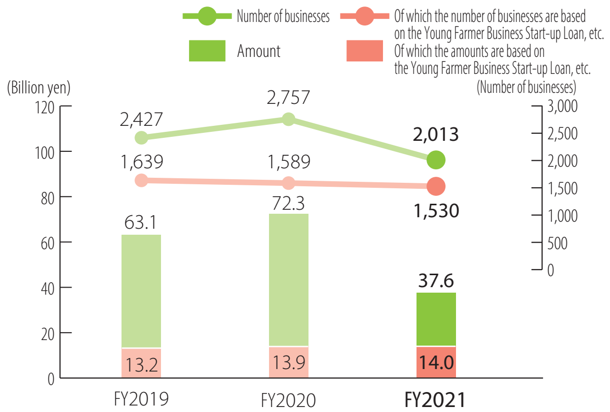
(ii) Supporting new agricultural business and new entry farmers

In FY2021, loans to new agricultural business and new entry farmers came to **2,013 businesses (73% compared to the previous fiscal year), and 37.6 billion yen (52% compared to the previous fiscal year)**.

From FY2014, newly started loans to the Young Farmer Business Start-up Loan, etc. (Note) came to: **1,530 businesses (96% compared to the previous fiscal year), 14.0 billion yen (101% 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.

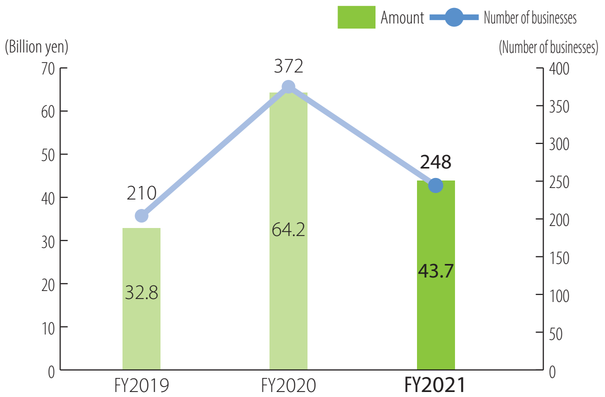
Loans to new farmers, new entrants to agriculture



(iii) Support for export development measures

In FY2021, loans to improve management through exports were made to **248 businesses (67% compared to the previous fiscal year)** and amounted to **43.7 billion yen (68% compared to the previous fiscal year)**.

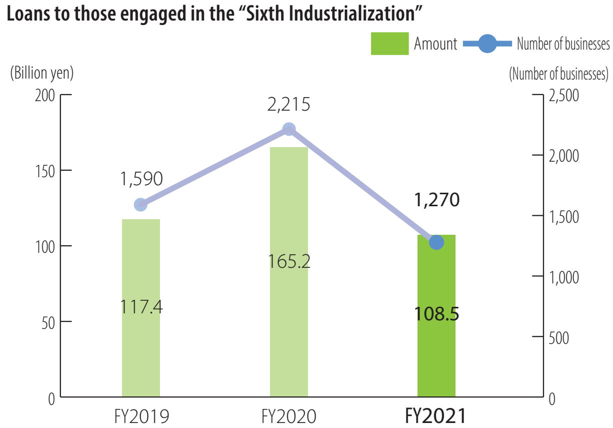
Loans to those engaged in export



(iv) Supporting the "Sixth Industrialization" activities

FY2021 loans to activities due to improved management by the "Sixth Industrialization" (e.g., processing, sales, and other business undertaken integrally by agricultural, forestry, and fisheries businesses to increase the added value of products) were made to: **1,270 businesses (57% compared to the previous fiscal year), 108.5 billion yen (66% compared to the previous fiscal year)**.

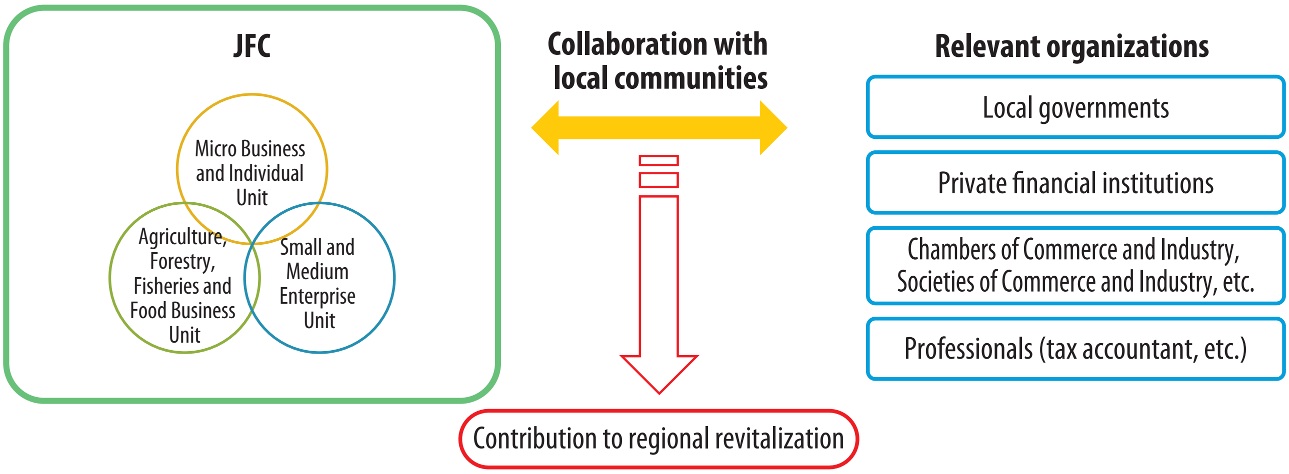
Loans to those engaged in the "Sixth Industrialization"



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.

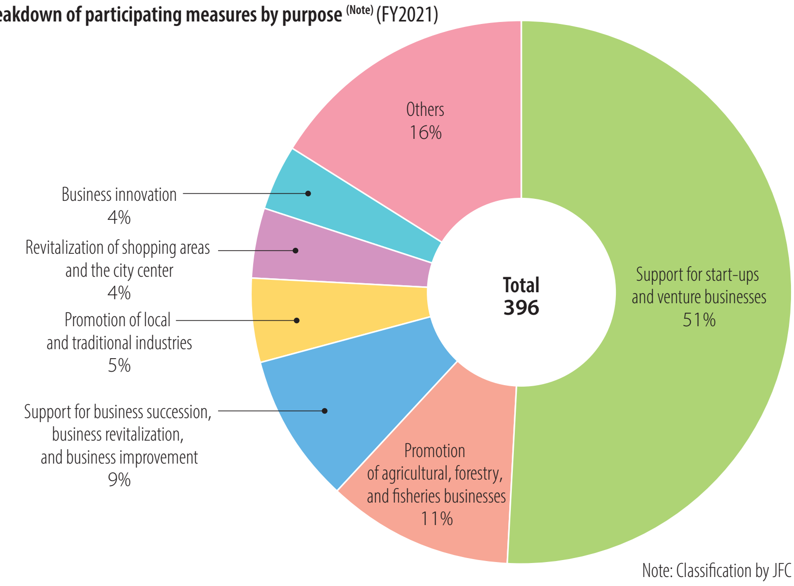
(1) **Reinforcement of collaboration with local government through active participation in regional comprehensive strategies**	In order to contribute to regional revitalization, JFC supports the implementation and promotion of regional comprehensive strategies formulated by local governments through collaboration with private financial institutions and others under the national strategy for overcoming population decline and revitalizing local economies and actively contributes to measures for overcoming the COVID-19 pandemic.
(2) **Provision of useful services tailored to customer and local needs**	In order to deal with various needs of customers, JFC provides hands-on matching support for customers engaged in market and product development and conducts business discussion meetings and seminars by using its nationwide network of 152 branches.
(3) **Performance of the role of connecting relevant organizations**	JFC adopts an overall perspective of a region, strengthens cooperation with relevant organizations and works to resolve issues that the region and customers affected by the COVID-19 pandemic are facing.



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.
- In FY2021, we participated in **396 individual measures** in various fields such as support for start-ups and ventures businesses and promotion of agriculture, forestry and fisheries businesses in Phase 2: Comprehensive Regional Strategies. Additionally, for local governments, etc., we provided information on JFC initiatives pertaining to the COVID-19 pandemic, along with case study examples of businesses addressing the pandemic. All in all, we stepped up collaboration with local governments to resolve issues faced by customers and regions.

Breakdown of participating measures by purpose (Note) (FY2021)



Note: Classification by JFC

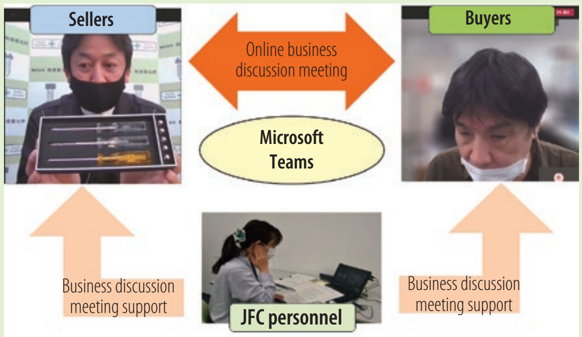
Provision of Useful Services Tailored to Customer and Local Needs

- In FY2021, we held matching events, business meetings, and seminars in regions throughout Japan according to the circumstances of each region while keeping in mind customer responses to the COVID-19 pandemic, as we did in FY2020.
- The Agri-Food EXPO and Nationwide Business Discussion Meeting were held online in consideration of the status of the COVID-19 pandemic, and branches throughout Japan provided support to solve customer problems by holding business meetings and seminars tailored to local conditions and taking other actions.
- 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)

Nationwide Online Business Discussion Meetings

- As matching needs diversify, including the expansion of new sales channels and the restructuring of supply chains, due to effects from the COVID-19 pandemic, JFC supported the expansion of business opportunities for customers by again holding the online business discussion meetings that were conducted in the previous fiscal year (February 14–18, 2022).
- As a result of recruiting new buyers, not only large companies, but also customer SMEs and overseas affiliates, 725 effective business talks were conducted (compared to 424 in the previous year), achieving a high level of satisfaction among the participating firms.



(Image of a business discussion meeting on one of the event days)

Performance of the Role of Connecting Relevant 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 relevant organizations, and other programs in various regions.
- As a policy-based finance institution, we play a role in “connecting” relevant organizations in regions and contribute to solving the problems that local customers are facing. In FY2021, we held regional Economic Revitalization Symposiums in Tokyo and Kumamoto with local financial institutions, support groups, local companies, and organizations. The theme in Tokyo was “Support Needed in the With-COVID Era,” while the theme in Kumamoto was “Regional Revitalization and Local Development: Five Years After the Kumamoto Earthquake and During the COVID-19 Pandemic.” At the events, information on support options was provided and information was exchanged on current measures and issues as well as possibilities for the future. The events were also live-streamed nationwide.

First Tokyo Event
●Date: July 9, 2021
●Location: Nikkei Hall
●Theme: Support Needed in the With-COVID Era
●Applicants: 1,076 (live-streaming)
382 (archive streaming)


A scene of the Tokyo venue

Second Kumamoto Event
●Date: October 12, 2021
●Location: Hotel Nikko Kumamoto
●Theme: Regional Revitalization and Local Development: Five Years After the Kumamoto Earthquake and During the COVID-19 Pandemic
●Applicants: 377 (live-streaming)
106 (archive streaming)


A scene of the Kumamoto venue

Holding of the 9th High School Student Business Plan Grand Prix

JFC has been conducting the High School Student Business Plan Grand Prix since FY2013 with the aim of nurturing the ability to independently develop one's future through the process of creating a business plan.

For the 9th High School Student Business Plan Grand Prix, a total of 3,087 entries were received from 353 schools. Business Start-up Support Centers nationwide visited 249 schools and gave lectures about how to create a business plan.

At the final screening, held in January, 2022, 10 groups of finalists gave enthusiastic presentations. The Grand Prix went to Miyagi Prefecture Agricultural High School for "#ZERO My Plastic," which drew the attention of various media. In addition, Prime Minister Kishida sent a video message in response to the presentations.


Presentation at the final screening

The 10th High School Student Business Plan Grand Prix

Application period: August 23 to September 28, 2022 (*If sent by mail, applications must be received by September 21)

Announcement of ten finalist groups: Early December 2022

Final competition and award ceremony: January 8, 2023

Please visit the High School Student Business Plan Grand Prix website for more information.
https://www.jfc.go.jp/n/grandprix/
(Available only in Japanese)

Students from Miyagi Prefecture Agricultural High School which received the 9th Grand Prix award

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)

The High School Student Business Plan Grand Prix Instagram page is frequently updated with the latest information.
https://instagram.com/grandprix_kouko/
(Available only in Japanese)


Video message by Prime Minister Kishida

Provision of Information through the PR Magazine "Connect JFC"

JFC is engaged in the provision of information through the PR magazine "Connect JFC," which aims to make the function, roles, and initiatives of JFC better known and create connections among those involved in policy and operations. In "Connect JFC," we introduce not only the efforts of JFC, but also those of regional corporations.

Please visit the JFC website for more information.
https://www.jfc.go.jp/n/findings/tsunagu_index.html
(Available only in Japanese)

SDG-Related Initiatives

As a policy-based finance institution, JFC will continue to make efforts contributing to the achievement of the Sustainable Development Goals (SDGs) proposed by the United Nations.

Contributions to the SDGs Through JFC Initiatives

Our Business and Management Plan (FY2022-2024) states clearly that "We will also contribute to the achievements of the SDGs toward the realization of a sustainable society through our support to customers and contribution to local communities."

Contributions to the SDGs Through JFC Initiatives (SDG Mapping)

1 NO POVERTY
[Project management]
- Reduction of the economic burden involved in education through support to single-parent families, etc.

2 ZERO HUNGER
[Project management]
- Support to key agricultural management entities aiming for growth
- Support to persons newly embarking on agricultural management
- Support to agricultural, forestry, and fisheries businesses engaged in the "Sixth Industrialization"
- Support for food-product-related companies addressing the expansion of domestic and foreign demand for Japanese agricultural, forestry, and fisheries products

3 GOOD HEALTH AND WELL-BEING
[Project management]
- Support for bolstering the medical setup

4 QUALITY EDUCATION
[Project management]
- Holding of the High School Student Business Plan Grand Prix
- Contribution to equal opportunities in education
- Transmission of research results by teaching at universities, etc.

[Organization management]
- Strengthening of staff expertise

5 GENDER EQUALITY
[Organization management]
- Positive appointment of female managers
- Promotion of men's participation in housework, child raising, and care

6 CLEAN WATER AND SANITATION
[Project management]
- Support for maintaining the multilateral functions of forests (cultivation of water resources)

7 AFFORDABLE AND CLEAN ENERGY
[Project management]
- Support for decarbonization and other environmental and energy countermeasures
- Two-step loans for specified projects based on the Low-Carbon Investment Promotion Act
- Two-step loans for business adaptation (decarbonization) based on the Industrial Competitiveness Enhancement Act

8 DECENT WORK AND ECONOMIC GROWTH
[Project management]
- Support to customers impacted by the COVID-19 pandemic
- Support for recovery from the Great East Japan Earthquake
- Well-planned response to safety-net demand
- Definite implementation of operations to facilitate crisis responses
- Steady implementation of the credit supplementation system
- Business start-up and new business support
- Business revitalization support
- Business succession support
- Social business support
- Overseas expansion support
- Provision of useful services tailored to customer and local needs (matching, holding of business meetings and seminars, etc.)
- Appropriate display of risk-taking function
- Strengthening of consulting function
- Display of thinktank function
- Promotion of proposal activities for SME policy and agriculture, forestry, and fisheries policy

[Organization management]
- Promotion of digitalization
- Further promotion of flexible workstyles, such as telecommuting
- Practice of work-life management
- Strengthening of harassment countermeasures

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
[Project management]
- Two-step loans relating to business reorganization, business adaptation, etc. based on the Industrial Competitiveness Enhancement Act
- Two-step loans relating to the development, supply, and introduction of advanced information and communications systems

10 REDUCED INEQUALITIES
[Organization management]
- Promotion of diversity
- Steady implementation of the employment of disabled persons

11 SUSTAINABLE CITIES AND COMMUNITIES
[Project management]
- Contribution to local and regional revitalization

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
[Organization management]
- Implementation of initiatives in consideration of the environment

13 CLIMATE ACTION
[Organization management]
- Strengthening of crisis management preparations
- Strengthening of business continuity plan

14 LIFE BELOW WATER
[Project management]
- Support for strengthening of aquaculture infrastructure

15 LIFE ON LAND
[Project management]
- Support for the sustained and sound development of the forestry industry
- Efforts contributing to promoting the use of domestic material by timber-related businesses

16 PEACE, JUSTICE AND STRONG INSTITUTIONS
[Organization management]
- Strengthening and embedding of compliance awareness
- Strengthening of arrangements to exclude antisocial forces
- Establishment of evaluation and examination committee comprising external learned persons

17 PARTNERSHIPS FOR THE GOALS
[Project management]
- Cooperation with private financial institutions, etc. through cofinancing and securitization
- Cooperation with local governments through active participation in regional comprehensive strategies, etc.
- Cooperation with related bodies, such as Chambers of Commerce and Industry, Societies of Commerce and Industry, etc.

Dissemination of Examples of Initiatives Relating to the SDGs

We publish examples of initiatives taken by our loan beneficiaries and by JFC on our website.

Please visit the JFC website for more information.
https://www.jfc.go.jp/n/company/sdgs/index.html
(Available only in Japanese)

Financing Examples

- Transferring the company's knowledge and technology overseas including know-how on operating lightning protection equipment, contributing to happy communities
- Development of the world's only paper powder that can be used as an alternative to plastic materials
- Using electricity from wood biomass generation with the aim of sustainable agriculture and locally producing energy for local consumption.
- Providing support for persons with disabilities from the perspective of their families and creating communities where everyone can enjoy active lives
- As one of the largest livestock industries in Japan, building a highly productive business model and promoting resource-recycling agriculture with dairy farming as a starting point

JFC Examples

- Contributing to identification of regional issues through High School Business Plan Grand Prix activities
- Promoting diversity
- Holding symposiums on regional revitalization and creating forums for connecting stakeholders

Overview of Operations in FY2021 and Outline of Financial Statements

Overview of Operations in FY2021

The Japanese economy continues to show movements of picking up, although some weaknesses are seen as a severe situation due to the COVID-19 pandemic remains. Concerning short-term prospects, the economy is expected to show movements of picking up, supported by the effects of the policies and improvement in overseas economies while all possible measures are being taken against infectious diseases and economic and social activities move toward normalization. However, full attention should be given to the further increase in downside risks due to rising raw material prices and fluctuations in the financial and capital markets and supply-side constraints while the uncertainties surrounding the state of affairs of Ukraine. Also attention should be given to the effects of the COVID-19 pandemic.

Under these circumstances, as a policy-based financial institution with a sense of mission to connect policy with the people engaged in business, JFC actively engaged in exercising of support customers affected by the COVID-19 pandemic, 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.

JFC is very much aware of the roles it is required to play as a policy-based financial institution, which we have reaffirmed through our responses to the COVID-19 pandemic, and we continuously review operations to ensure that we can respond to large-scale crises in the future, and we will steadily strengthen our safety net functions under all circumstances.

In addition, JFC cooperates with private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, tax accountants, and other relevant organizations to provide strong support in Strategic Fields of Growth such as start-ups and new business that will serve as drivers of the post-COVID society, promotion of exports, agricultural, forestry, and fishery products, and food products, and business succession, which management of our customers have identified as management issues, and contribute to regional revitalization by supporting SMEs, micro/small businesses, and the agriculture, forestry and fishery industries that form the foundations of local economies.

We will also undertake further digitalization so that we are able to provide these policy-based financial services widely and promptly.

In addition, we will contribute to the realization of the SDGs for the development of a sustainable society through our support to these customers and contributions to local communities.

Support for Customers Affected by the COVID-19 Pandemic

As the effects of the COVID-19 pandemic have become prolonged, since the establishment of a consultation services in January 2020, JFC has decided a cumulative total of approximately 1,020,000 new COVID-19 related loans, totaling 17 trillion yen, through March 31, 2022. Also, to strengthen the financial bases of SMEs and micro/small businesses affected by the pandemic, we have provided support through the COVID-19 Hybrid Subordinated Loan Program, which was launched in August 2020, and as of March 31, 2022, a total of 700 billion yen in financial to approximately 5,000 businesses has been decided.

Other support for customers affected by the COVID-19 pandemic, includes performing our consulting function through post-loan follow-ups and other measures as well as dissemination information on examples of initiatives by businesses that are confronting the COVID-19 crisis.

JFC will continue implementing countermeasures to prevent the spread of infections among customers and employees, and courteously, methodically, and promptly provide consultations on financing and repayment to alleviate the concerns of customers.

Exercising Safety Net Functions

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

As a part of these efforts, 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 to address the major fire in Matsue City, Shimane Prefecture, the heavy rains in July and August 2021, the mudslide in Chino City, Nagano Prefecture in 2021, the situation in Ukraine and rising oil prices, and the earthquake off Fukushima Prefecture in 2022.

In addition, JFC conducted credit guarantee underwriting to ensure the effective provision of guarantees by Credit Guarantee Corporations (CGCs) and carried out the Operations to the Facilitate Crisis Responses.

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 Law (Act No. 57 of 2007), JFC promoted partnerships with many private financial institutions.

In the current fiscal year, JFC maintained its existing actions in collaboration with private financial institutions and worked to promote organizational dialogue, including at the executive level, and to disseminate information on the status of collaboration to management.

To support customers affected by the COVID-19 pandemic, JFC promoted the COVID-19 Hybrid Subordinated Loan Program by holding study sessions and establishing cooperative loan products with private financial institutions and strengthened collaboration relating to management improvement and business revitalization support for SMEs and micro-small businesses through measures such as providing information on the JFC website on COVID-19 support offered by individual private financial institutions.

Support for Strategic Fields of Growth, etc.

Based on the government's policies, JFC appropriately determined its risk-taking functions and engaged in supporting start-ups, new businesses, business revitalization and succession, social businesses, overseas expansion, new expansion of agriculture, forestry, and fisheries business operators, and environmental and energy countermeasures such as decarbonization for achieving a sustainable society in hopes of contributing to the development and growth of the Japanese economy, taking into consideration changes in the environment during the COVID-19 pandemic.

As a part of these efforts, JFC focused on effective consulting including business succession diagnosis and business succession matching with regard to business succession support, and in the area of overseas business development support, we worked with overseas business development support organizations to provide direction financial support to overseas subsidiaries and promote export of agricultural, forest, marine, and food products.

Improving Customer Service and Contributions to Local and Regional Revitalization

To proactively improve customer service, 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.

Also, even during the COVID-19 pandemic, JFC actively participated in local projects such as phase 2 comprehensive regional strategies, provided financing support based on the needs of customers and local communities, and Regional Economic Revitalization Symposiums at two locations.

The Unit also held nationwide online business discussion meetings, and individual branches business discussion meeting and other events tailored to local characteristics and worked to solve the issues the customers and local communities are facing.

As a result, JFC's loan results for FY2021 were 4,899.3 billion yen.

JFC's financial results during FY2021 were as follows: ordinary income was 437.0 billion yen and net loss including extraordinary incomes and losses was 387.5 billion yen.

Outline of Financial Statements for FY2021

1. Profit and loss

At the closing of FY2021 (ended March 31, 2022), JFC recorded a loss of 649.7 billion yen under the previous fiscal year, for a net loss of 387.5 billion yen.

The key factor was a decrease of current net loss by 576.7 billion yen under the previous term in the Account for Credit Insurance Programs.

Profit and Loss Statement

(Billion yen)

		Ordinary income		Ordinary expenses		Ordinary profit (loss)		Net income (loss)	
		2021	2022	2021	2022	2021	2022	2021	2022
Japan Finance Corporation		478.8	437.0	1,515.8	824.4	(1,037.0)	(387.3)	(1,037.2)	(387.5)
Micro Business and Individual Unit (Account for Micro Business and Individual Operations)		135.8	121.8	290.3	172.9	(154.5)	(51.1)	(154.6)	(51.1)
Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)		49.9	47.6	49.9	47.6	0.0	0.0	–	–
Small and Medium Enterprise (SME) Unit	Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)	80.6	72.5	232.9	244.1	(152.2)	(171.6)	(152.3)	(171.6)
	Account for Securitization Support Programs (Purchase-type Operation)	0.7	0.5	0.5	0.3	0.1	0.1	0.1	0.1
	Account for Credit Insurance Programs	201.6	182.0	920.4	324.0	(718.8)	(142.0)	(718.8)	(142.0)
Operations to Facilitate Crisis Responses (Account for Operations to Facilitate Crisis Responses)		10.1	12.7	21.7	35.4	(11.6)	(22.7)	(11.6)	(22.7)
Operations to Facilitate Specific Businesses Promotion, etc. (Account for Operations to Facilitate Specific Businesses Promotion, etc.)		0.2	0.1	0.2	0.1	(0.0)	(0.0)	(0.0)	(0.0)

2. Assets

Total assets were 40,266.5 billion yen, the majority of which were loans and bills discounted.

Loans and bills discounted decreased 89.8 billion yen from March 31, 2021, to 28,855.8 billion yen.

Total net assets stood at 15,414.9 billion yen, taking into account an increase from having received capital contributions from the government of 6,945.2 billion yen, against a net loss of 387.5 billion yen, etc.

Balance Sheet

(Billion yen)

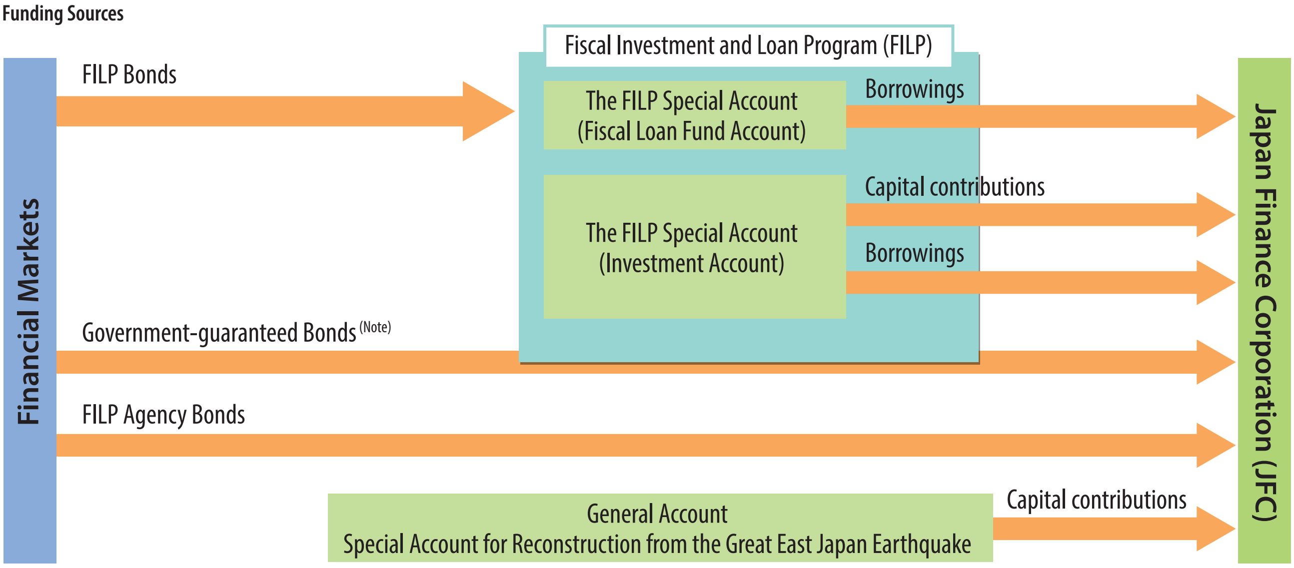
Assets			Liabilities and net assets		
Items	Amount		Items	Amount	
	2021	2022		2021	2022
Cash and due from banks	7,403.5	12,086.5	Borrowed money	23,713.8	21,580.4
Securities	37.4	40.2	Bonds payable	1,575.6	1,325.3
Loans and bills discounted	28,945.7	28,855.8	Entrusted funds	26.0	24.5
Other assets	44.9	26.2	Reserve for insurance policy liabilities	1,536.8	1,737.6
Property, plant and equipment	195.1	193.7	Other liabilities	35.2	33.2
Intangible assets	18.3	23.4	Provision for bonuses	5.4	5.2
Customers' liabilities for acceptances and guarantees	93.8	26.5	Provision for directors' bonuses	0.0	0.0
Allowance for loan losses	(779.1)	(986.0)	Provision for retirement benefits	90.2	92.4
			Provision for directors' retirement benefits	0.0	0.0
			Reserve for compensation losses	25.4	25.9
			Acceptances and guarantees	93.8	26.5
			Total liabilities	**27,102.7**	**24,851.6**
			Capital stock	6,990.2	11,612.7
			Capital surplus	3,685.4	5,575.6
			Retained earnings	(1,818.5)	(1,773.6)
			Valuation difference on available-for-sale securities	–	0.1
			Total net assets	**8,857.0**	**15,414.9**
Total assets	**35,959.7**	**40,266.5**	**Total liabilities and net assets**	**35,959.7**	**40,266.5**

Funding

Funding Sources

JFC obtains funds through various sources such as borrowings from the Fiscal Loan Fund, Government-guaranteed Bonds, FILP Agency Bonds, and capital contributions from the government.

Funding Sources



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

Breakdown of funding sources

(Billion yen)

	FY2021 budget	FY2021 results	FY2022 budget
Borrowings from Fiscal Loan Fund, etc.	24,727.6	1,851.1	4,793.3
Government-guaranteed Bonds	1,200.0	–	100.0
Capital contributions from the government	196.1	6,945.2	66.7
Funding from the government (percentage of overall funding)	26,123.7 (99%)	8,796.3 (99%)	4,960.0 (94%)
FILP Agency Bonds	290.0	50.0	290.0
Total funding	26,413.7	8,846.3	5,250.0

Notes: 1. The budget amounts for FY2021 are the revised levels following the supplementary budget.
2. The item "Borrowings from Fiscal Loan Fund, etc." refers to borrowings from the Fiscal Loan Fund, borrowings from the FILP Special Account (Investment Account) of the national budget, and entrusted funds from the Agriculture, Forestry and Fisheries Credit Foundations.

Government-guaranteed Bonds

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

(Billion yen)

Maturity \ Fiscal year	FY2019		FY2020		FY2021		FY2022	
	Budget	Results	Budget	Results	Budget	Results	Budget	Results
10-year bond	30.0	–	500.0	50.0	500.0	–	–	–
6-year bond	90.0	45.0	–	–	–	–	–	–
Over 5-year bond (excluding 10-year bond)	–	–	6,000.0	–	–	–	–	–
Less than 5-year bond	100.0	–	600.0	150.0	400.0	–	100.0	–
Short-term bond (Less than 1 year)	–	–	500.0	–	300.0	–	–	–
Total	220.0	45.0	7,600.0	200.0	1,200.0	–	100.0	–

Notes: 1. The budget amounts for FY2020 are the revised levels following the supplementary budget.
In FY2022, JFC plans to issue government-guaranteed bonds 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. In FY2021, JFC has not been issued government-guaranteed bonds.
4. In FY2022, JFC has not been issued government-guaranteed bonds as of May 31, 2022.

FILP Agency Bonds

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

(Billion yen)

Month of issue/Maturity \ Amount of issue \ Fiscal year	FY2019				FY2020				FY2021				FY2022
	(Budget 320.0) Results 205.0				(Budget 300.0) Results 260.0				(Budget 290.0) Results 50.0				(Budget 290.0) Results 0.0
Month of issue	May	August	November	March	May	August	November	March	May	August	November	March	May
10-year bond	10.0	10.0	–	–	–	–	–	–	–	–	–	–	–
5-year bond	–	–	–	–	–	–	–	–	–	–	–	10.0	–
4-year bond	30.0	–	–	15.0	–	80.0	–	–	–	–	–	–	–
3-year bond	–	–	–	–	–	–	–	10.0	–	–	–	10.0	–
2-year bond	50.0	40.0	50.0	–	60.0	110.0	–	–	–	–	30.0	–	–

Notes: 1. The budget amounts for each fiscal year are the issue-amount limits in the relevant fiscal year.
2. In FY2022 JFC has not been issued FILP agency bonds as of May 31, 2022.

Ratings of JFC (As of May 31, 2022)

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

Memo

Overview of Operations

Micro Business and Individual Unit

The Micro Business and Individual Unit (Micro Unit) acts as a community-based financial institution. It provides business loans to micro/small businesses and business start-ups, and educational loans to individuals who are in need of funds for school entrance fees and other educational expenses.

Overview of Operations

Small Loans to a Large Number of Micro/Small Businesses

- Loans have been disbursed to 1.19 million businesses.
- The average loan balance per business is 9.80 million yen, most of which were small loans.
- Approximately 90% of borrowers are micro/small businesses with nine or fewer employees, and many are sole proprietors.

Safety Net Financing

- Micro Unit provides Safety Net Loans and other means to support micro/small enterprises experiencing in finance difficulties because of a changing business environment.
- Through loans and other means, Micro Unit supports the rehabilitation and reconstruction of micro/small businesses that have suffered damage at times of disaster such as earthquakes, typhoons, and heavy rains.

Supporting Business Start-ups, Business Revitalization, and Business Succession

- The number of loans disbursed to business start-ups (consisting of those that have yet to start and those that are within 1 year of startup) reached 26,000 a year. It is estimated that about 83,000 jobs were created annually as a result.
- Micro Unit supports businesses engaged in innovative businesses or seeking business revitalization through Capital Subordinated Loans and other means.
- Supports succession of micro/small businesses.

Supporting Social Businesses and Overseas Expansion, etc.

- Micro Unit supports businesses engaged in social businesses to solve regional and social issues.
- Micro Unit supports micro/small businesses trying to expand overseas.

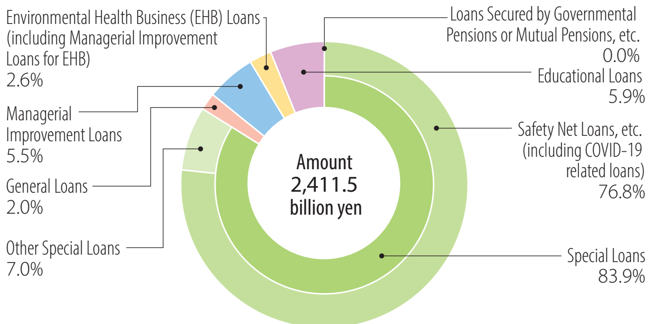
Collaboration with Chambers of Commerce and Industry, Societies of Commerce and Industry, Environmental Health Trade Associations, and Regional Financial Institutions, etc.

- Micro Unit works in close collaboration with such organizations as Chambers of Commerce and Industry, Societies of Commerce and Industry, Environmental Health Trade Associations and regional financial institutions to support the financial improvement of micro/small businesses and help maintain or improve the sanitation level of environmental health-related businesses.
- Micro Unit collaborates with Approved Management Innovation Support Organizations with high specialty such as tax accountant, certified public accountant and SME management consultant.
- Micro Unit proactively collaborates with regional financial institutions.

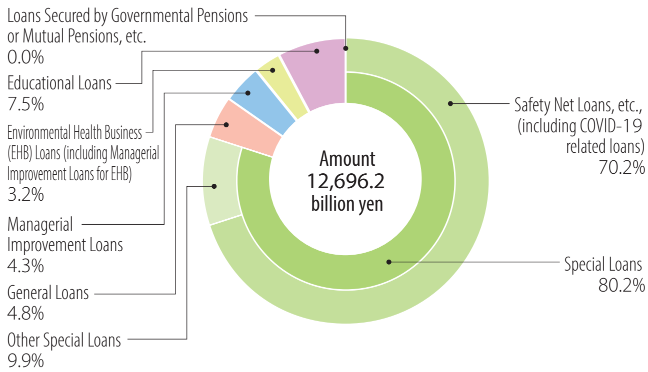
Support through Educational Loans, etc.

- Approximately 90,000 Educational Loans are disbursed each year.

Breakdown of Loans (FY2021)



Breakdown of loan balance (as of March 31, 2022)



Feature of Operations

Supporting Micro/Small Businesses

Business Loans in FY2021 were provided to 1.19 million businesses. The average loan balance per business is 9.80 million yen, most of which were small loans. Approximately 90% of borrowers are micro/small businesses with nine or fewer employees, and many are sole proprietors. Over 90% of all loans are uncollateralized.

We made every effort to support micro/small businesses affected by COVID-19, and as a result, the number of the businesses received business loans increased by approximately 320,000 compared to March 31, 2020.

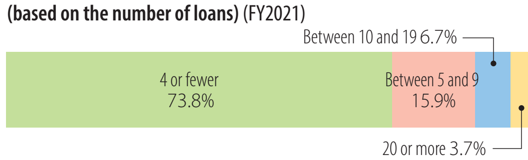
Number of business borrowers and average loan balance per business (as of March 31, 2022)

	Micro Business and Individual Unit	Total for shinkin banks (254 banks)	Total for domestic banks (132 banks)
Number of business borrowers (million)	**1.19**	1.24	2.23
Average loan balance per business (million yen)	**9.80**	42.78	102.57

Notes: 1. Figures for Micro Unit are the total of General Loans and Environmental Health Business Loans.
2. Domestic banks include major commercial banks, regional banks, regional banks II, and trust banks.
3. Figures for shinkin banks (based on "total" in Deposits and Loans Market statistics by the Bank of Japan) and for domestic banks (based on "SMEs" in Deposits and Loans Market statistics by the Bank of Japan) do not include loans to individuals (loans for housing, consumption, tax payments, etc.), loans to regional public organizations, overseas yen-loans, or loans made to businesses in foreign countries in name of their domestic branches.
4. Number of businesses for shinkin banks and domestic banks are based on the number of loans in Deposits and Loans Market statistics by the Bank of Japan.

Source: Bank of Japan website

Breakdown of borrowers by number of employees (based on the number of loans) (FY2021)



Note: The breakdown is the total of General Loans and Environmental Health Business Loans (direct loans).

Demonstrating Safety Net Functions

Response to the Spread of COVID-19

	Number of loans (Note)	Amount (Note)
COVID-19 related loans: January 29, 2020–March 2022	950,400	11,026.9 billion yen
Loans at the time of the Lehman Brothers bankruptcy: April 2009–March 2010	341,231	2,803.8 billion yen
Great East Japan Earthquake Related Loans: March 2011–March 2022	239,900	2,258.3 billion yen

Note: COVID-19 related financing data is prepared on a loan decision basis. The number of loans are based on the number of businesses.

The Micro Unit created special consultation desks at its 152 branches nationwide and is providing consultations on financing and repayment for micro/small businesses that have been impacted by the COVID-19 pandemic. We are providing COVID-19 Special Loan Program, which are practically interest-free and require no collateral, and other means to clients that meet certain conditions such as a decline in sales.

From January 29, 2020, the day when the consultation desks were created, to March 31, 2022, the Micro Unit decided a total of 950,400 COVID-19 related loans worth a total of 11,026.9 billion yen. These loan results considerably surpassed even the results of FY2009, when businesses were greatly affected by the collapse of Lehman Brothers and the subsequent financial crisis, and loans related to the Great East Japan Earthquake.

Measures during disasters

A special consultation desk is immediately established in case of a major earthquake such as the Great East Japan Earthquake and the 2016 Kumamoto Earthquake, other natural disaster such as a typhoon or torrential rain, a major corporate bankruptcy, or other unforeseen events so that affected micro/small businesses can discuss their loan and repayment conditions.

Main consultation desks currently in operation (as of May 31, 2022)

	Number of consultation desks	Consultation desks currently in operation	Date of establishment
Disaster-related	10	Special consultation desk for the Great East Japan Earthquake	Mar. 2011
		Special consultation desk for damage suffered as a result of the 2016 Kumamoto Earthquake	Apr. 2016
		Special consultation desk for damage suffered as a result of Typhoon No. 15 of 2019	Sep. 2019
		Special consultation desk for damage suffered as a result of Typhoon No. 19 of 2019	Oct. 2019
		Special consultation desk for damage suffered as a result of heavy rain from July 3, 2020	Jul. 2020
		Special consultation desk for damage suffered as a result of the earthquake off the coast of Fukushima prefecture in 2021	Feb. 2021
		Special consultation desk for damage suffered as a result of heavy rain from July 1, 2021	Jul. 2021
		Special consultation desk for damage suffered as a result of heavy rain associated with extratropical cyclone changed from Typhoon No. 9 of 2021	Aug. 2021
		Special consultation desk for damage suffered as a result of heavy rain from August 11, 2021	Aug. 2021
		Special consultation desk for damage suffered as a result of the earthquake off the coast of Fukushima prefecture in 2022	Mar. 2022
Others	3	Special consultation desk relating to COVID-19	Feb. 2020
		Special consultation desk relating to situation in Ukraine and rising oil prices, etc.	Nov. 2021
		Special consultation desk for SMEs relating to supply chain of Hino Motors	Apr. 2022

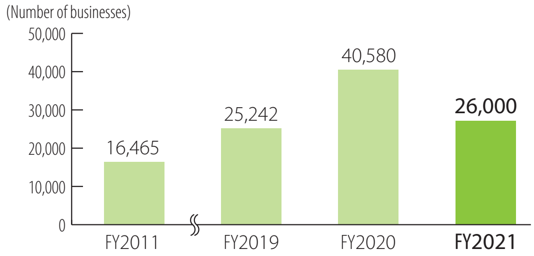
Supporting Business Start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) Proactively

Support for business start-ups

Not a few companies that have yet to start and those that are within 1 year of start-up face difficulties in raising funds for such reasons as a shortage of business experiences. The Micro Unit actively provides loans to these companies to support their business activities.

The Micro Unit provided loans to a total of 26,000 business start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) in FY2021. It is estimated that about 83,000 jobs were created annually as a result.

Loans for start-ups (consisting of those that have yet to start and those that are within 1 year of start-up)



[Job Creation Effects]

26,000 businesses × average of 3.2 employees (Note) = 83,200 employees

Note: The average number of employees at time of business start, based on Survey on Business Start-ups in Japan (FY2021) by the JFC Research Institute.

Supporting women, youth, and senior entrepreneurs

As the economic society diversify, the range of business start-ups has been expanding start-ups by women who take advantage of their ability to notice the small things in daily life, young people who utilize novel ideas, and seniors who draw on their many years of experience. In such trend, Micro Unit actively provides loans to such women, youth, and senior entrepreneurs.

Loans for women, youth, and senior entrepreneurs (number of businesses)

Women	Youth (aged under 35)	Seniors (aged 55 and older)
FY2021	FY2021	FY2021
6,077 businesses	7,889 businesses	2,509 businesses

Note: Women who also qualify as youth or seniors are included in both the Women category and the other relevant category.

Business Start-up Support Desks have been established in the 152 branch offices nationwide

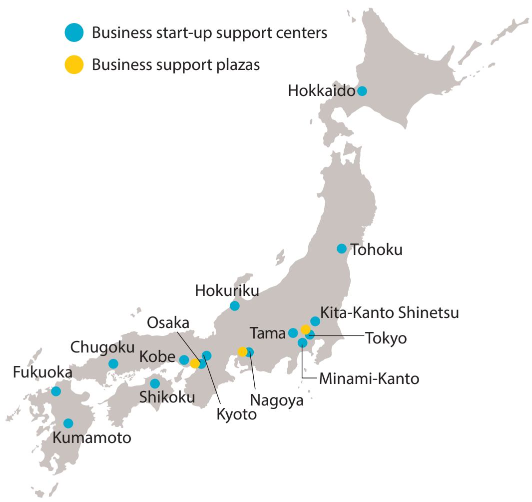
Business Start-up Support Desks provide services in which specialists offer advice on business start-up plans to people planning to start up a business and offer a wide variety of information on starting a business.

Establishment of Business Start-up Support Centers and Business Support Plazas and Providing Support for Business Start-ups and Second Business Start-ups (Note)

Note: Second business start-ups are businesses diversifying or moving into a new business field.

The Micro Unit has established business start-up support centers and business support plazas throughout Japan. Through these facilities, we support a wide range of business start-ups and others attempting to start a second business.

Locations (as of March 2022)



Establishment of business start-up support centers throughout Japan

Centers are located in 15 regions of Japan from Hokkaido to Kyushu. Centers organize diverse seminars targeted at customers in varying stages of their business cycle, both before and after starting business, and also provide timely support to customers through collaboration with regional organizations that support start-ups.

Establishment of business support plazas throughout Japan

In three locations: Tokyo (Shinjuku), Nagoya, and Osaka. Appointments for in-depth consultation are available to persons who plan to start a new business. For those who cannot consult during regular business hours, weekend appointments are also available (excluding national holidays).

Note: Sunday consultations are available on first and third Sundays of each month at Tokyo (Shinjuku) Business Support Plaza.

Supporting Commercialization of Start-ups Actively

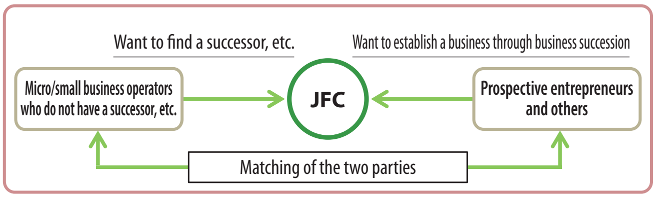
The Micro Unit actively supports start-ups striving for rapid growth that form the driving force behind innovation at university ventures, and which provide new value with original ideas. JFC supports them by providing both capital and information including Capital Subordinated Loan, which can be treated as "owned capital" rather than a "debt" for the purpose of asset audits by financial institutions.

Supporting Business Revitalization Actively

Business revitalization support staff have been deployed at 152 branches nationwide to respond flexibly to requests for relaxing repayment terms e.g. a reduction in the installment amount, temporary deferment of principal repayment, etc. In addition, by way of loan programs for business revitalization support, and by providing advice for the resolution of business issues and support for the enactment of business improvement plans, the Micro Unit supports businesses undergoing corporate reorganization in cooperation with other financial institutions and public enterprise turnaround institutions.

Supporting Business Succession Actively

To support micro/small businesses in securing successors, the Micro Unit conducts a nationwide business succession matching support program to match micro/small businesses that do not have a successor with people who wish to start their own businesses. We also disseminate information on business succession diagnosis and best practices and hold seminars in collaboration with business succession support centers, Chambers of Commerce and Industry, and Societies of Commerce and Industry to raise the awareness of business owners and facilitate third-party succession. In addition, we support business succession from both the information and capital aspects in cooperation with regional financial institutions to respond to diverse capital needs relating to business succession.



Business succession matching support results

Results	Want to transfer business	Want to acquire business
Number of application registrations	1,198	2,687 (553)
Number of matching	323	

Notes: 1. Please refer to the JFC website for detailed information on business succession matching support.
2. The results of business succession matching support are cumulative results from FY2019 to FY2021. Figures in parentheses are the numbers of registered application registrations persons who wish to start a business.

Supporting Social Business Actively

The Micro Unit supports bearers of social businesses that support regional and social issues, such as supporting the care and welfare of the elderly and disabled, child rearing, environmental conservation, and regional revitalization.

The FY2021 loans to social businesses came to: 12,465 loans, 113.7 billion yen.

Social Business Mark

We are engaged in PR activities and have created the Social Business Mark in order to make social business, which works to solve regional and social problems, more widely known.

The "S" in social business is used to indicate various actors including businesses, NPOs, residents, government, public institutions, etc. coming together to solve the problems faced in the region.

Supporting Businesses Seeking for Overseas Expansion Actively

Overseas Expansion Support Desks, established at 152 branches nationwide cooperate with Japan External Trade Organization (JETRO), Organization for Small & Medium Enterprises and Regional Innovation (SME Support, Japan), Japan Federation of Bar Associations, and other external experts that support overseas expansion. The Micro Unit provides detailed support information according to the needs of customers by providing advice for first-time overseas expansion, information on overseas exhibitions and business meetings, and confirmation of local laws and regulations, required permits and licenses, and the details of contracts.

Collaboration with Chambers of Commerce and Industry, Societies of Commerce and Industry, Environmental Health Trade Associations, and Regional Financial Institutions

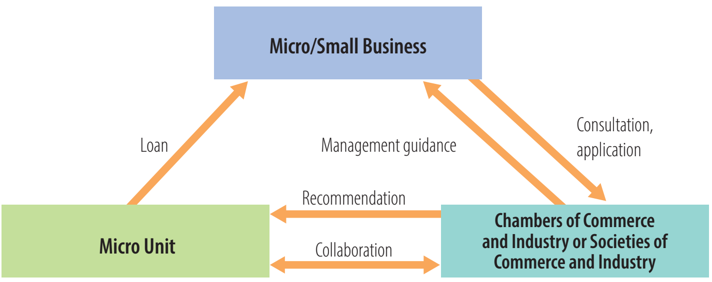
Collaboration with Chambers of Commerce and Industry, and with Societies of Commerce and Industry

Micro Unit works in close collaboration with regional Chambers of Commerce and Industry, and with Societies of Commerce and Industry throughout Japan to support business improvement of micro/small businesses through providing Managerial Improvement Loans and consultation sessions.

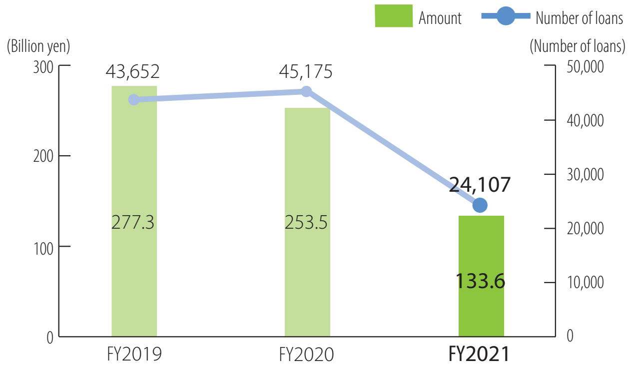
Managerial Improvement Loans (MARUKEI Loans) are a program whereby micro/small businesses receiving management guidance, such as from Chambers of Commerce and Industry or Societies of Commerce and Industry, can utilize funds needed for managerial improvement without collateral and guarantors. Since the establishment of this program in 1973, approximately 5.20 million loans have been provided.

Also, the Micro/Small Management Development Support Fund was established which can be used by micro/small businesses who are working towards sustainable development, and have received assistance in developing and executing a business plan through certified management development support programs offered by Chambers of Commerce and Industry or Societies of Commerce and Industry.

Structure of Managerial Improvement Loans (MARUKEI Loans)



Changes in Managerial Improvement Loans (MARUKEI Loans)



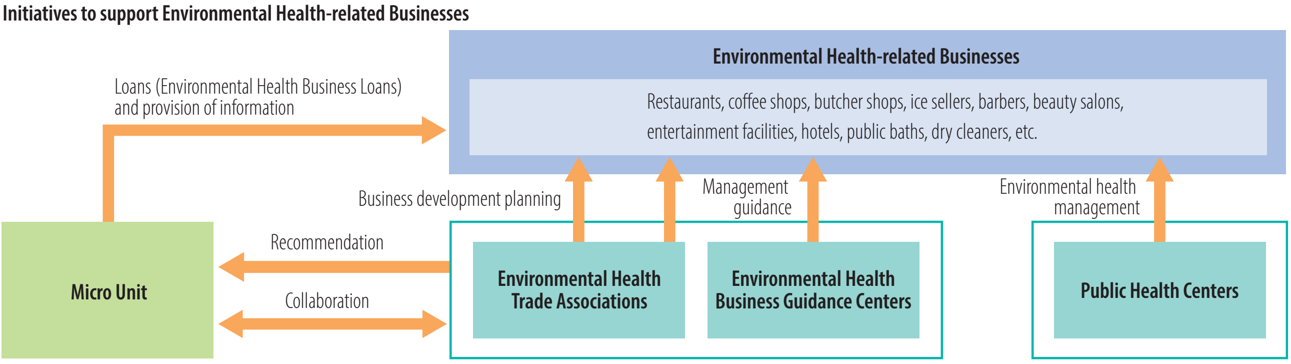
Holding of "One-Day JFC" consultation sessions at Chambers of Commerce and Industry or at Societies of Commerce and Industry

Consultation sessions called "One-Day JFC," where staff from Micro Unit consult on finance, are held at Chambers of Commerce and Industry or at Societies of Commerce and Industry. Every year, many micro/small businesses come to ask for advice. In addition, we also conduct online consultations to prevent the spread of COVID-19.

Collaboration with Environmental Health Trade Associations and Environmental Health Business Guidance Centers

The Micro Unit works in close collaboration with such organizations as Environmental Health Trade Associations and Environmental Health Business Guidance Centers to support the maintenance and enhancement of the sanitation levels of environmental health-related businesses, which are closely involved in the daily lives of the public and are subject to strong demands to maintain sanitation levels, through Environmental Health Business Loans. The majority of the borrowers of Environmental Health Business Loans are businesses with nine or fewer employees. Approximately 80% are sole proprietorship, and approximately 60% have been before start-ups or within five years of start-ups.

Initiatives to support Environmental Health-related Businesses



Cooperation with approved management innovation support organizations (Note) such as tax accountants, certified public accountants, and SME management consultants

Management support provided through approved management innovation support organizations such as tax accountant, etc. who play a large role in supporting SMEs and micro/small businesses, and financial support from JFC come together to support micro/small business owners in business sectors like start-ups, management innovation, business revitalization, etc.

Note: Approved management innovation support organizations are support organizations recognized under the Small and Medium-sized Enterprises Business Enhancement Act. Please visit the Small and Medium Enterprise Agency website for more information.

● Collaboration with regional financial institutions

We promote cooperation with regional financial institutions to support customers affected by the COVID-19 pandemic, revitalize the regional economy, and meet the customer's convenience.

We are actively engaged in providing collaborative loans to help with the development of the cooperative loan scheme (Note) and the creation of cooperative loan products, which is part of efforts to enhance the effectiveness of cooperation with regard to support in various fields including COVID-19 response, business start-ups, business revitalization.

Note: A cooperative loan scheme has specific referral rules for projects treated as cooperative loans.

● Total of cooperative loan (Note)

In FY2021, total cooperative loans from regional financial institutions came to: 16,752 loans, 212.3 billion yen.

Note: Loans (guarantees) that are disbursed or decided by both JFC and regional 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 (FY2021)

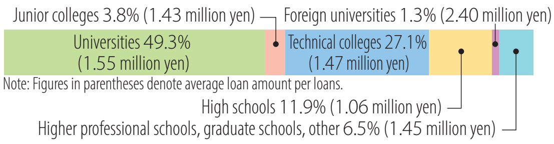
Cooperative loan	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total		Reference FY2020 results
								Compared to the previous fiscal year	
Number of loans	1,717	8,481	2,890	10,813	1,473	504	25,259	103%	24,467
Micro Unit	229	4,324	1,823	9,009	1,279	88	16,752	138%	12,134
Amount	254.4 billion yen	580.2 billion yen	151.6 billion yen	301.7 billion yen	34.6 billion yen	54.9 billion yen	1,252.7 billion yen	74%	1,684.7 billion yen
Micro Unit	5.4 billion yen	58.8 billion yen	24.0 billion yen	108.5 billion yen	14.2 billion yen	1.1 billion yen	212.3 billion yen	131%	161.8 billion yen

Note: In cases where cooperative loans are provided with multiple regional 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.

Educational Loans for School Entrance Fees and Related Expenses

The Micro Unit handles Educational Loans, which funds necessary expenses when entering educational institutions or continuing one's education, to lighten the financial burden of educational expenses on families and provide equal educational opportunities. Approximately 90,000 Educational Loans were provided in FY2021.

Borrower details by type of educational institution (FY2021 General Educational Loans (Direct loans))



● Loans to families with large educational expenses

Educational Loans are primarily provided to families with university or technical college students, who incur large educational expenses.

Providing Loans Secured by Governmental Pensions or Mutual Pensions

Loans Secured by Governmental Pensions or Mutual Pensions, etc., are offered only by JFC (or the Okinawa Development Finance Corporation in Okinawa Prefecture) in accordance with the Act on Loans Rendered by Japan Finance Corporation Secured by Public Officers Pension (Act No. 91 of 1954). These loans can be used for a broad range of purposes, including home purchases and business funding. New applications were closed at the end of March 2022 due to the amendment of pension system laws in 2020, with the exception of military pensions and relief pensions.

Micro Unit Supports Developing Countries

Supporting Developing Countries by ODA (Official Development Assistance)

The Micro Unit provides assistance to overcome issues which financial institutions in developing countries are facing through technical cooperation by Official Development Assistance (ODA). This assistance has been implemented by sharing our accumulated credit analysis know-how on micro and small enterprises. In specific terms, the Unit is conducting local and national seminars, etc. concerning small and medium enterprises (SMEs) financing in cooperation with the Ministry of Finance Policy Research Institute.

To date, these have been implemented in Viet Nam, Malaysia, Laos and Myanmar.

i. Laos

The Micro Unit implemented the technical cooperation project from FY2011 to FY2017 with the Lao Development Bank (LDB), which is a state-owned commercial bank in Laos. With the aim of developing LDB human resources and credit analysis skills, eight seminars were held in Laos and Japan and the Micro Unit provided lectures about our credit analysis. We also cooperated to create their own credit analysis manual.

Lecture given at local seminars in Laos (Vientiane)

ii. Myanmar

We have been conducting technical cooperation project for Myanma Economic Bank (MEB), which is the largest state managed bank in Myanmar, since April 2015. We provided support through four seminars in Myanmar and Japan. These measures have been highly valued in Myanmar, and we held a local seminar as the second phase of the project in June 2018.

Seminar in Myanmar (Yangon)

Agriculture, Forestry, Fisheries and Food Business Unit

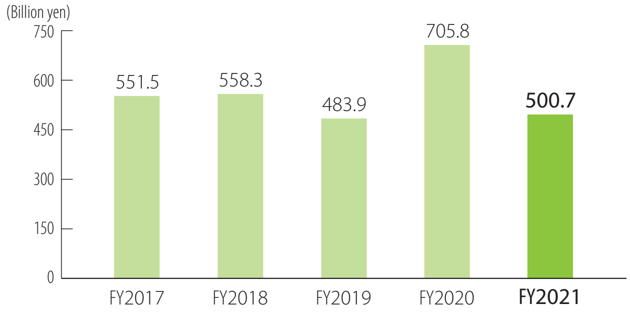
Through providing loans, etc. to businesses in agriculture, forestry and fishery industries as well as the food industry in Japan, the Agriculture, Forestry, Fisheries and Food Business Unit (AFFF Unit) contributes towards strengthening of these industries while ensuring the stable supply of safe and high-quality foods.

Overview of Operations

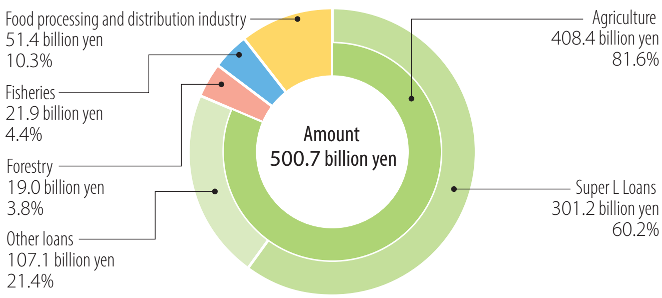
Status of Loan and Feature of Operations

The AFFF Unit provides long-term financing, taking into account the fact that the agricultural, forestry and fisheries sectors have unique business characteristics such as long investment recovery periods and unstable income caused by the effects of weather. Assistance is also provided to the food industry, which contributes to the stable supply of domestically produced agricultural, forestry and fisheries products, as well as helping to increase value-added levels.

Changes in loan amounts

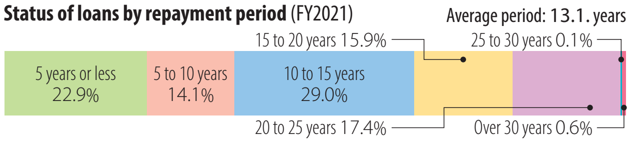


Breakdown of loans (FY2021)



Status of loans by repayment period (FY2021)

Average period: 13.1. years



Exercise of Safety Net Functions

The AFFF Unit offers dynamic support in the form of long-term working capital loans to provide agricultural, forestry, and fisheries operators as a safety net function against short-term crises such as natural disasters including earthquake, typhoon, tsunami, etc., contagious livestock diseases, and falls in the price of agricultural products, as well as COVID-19.

Promotion of Consulting and Financing Activities

In response to the increasingly diverse management issues faced by customers as a result of the changing environment caused by the COVID-19 pandemic, the AFFF Unit conducts consulting and financing activities to help customers identify and share information on their current situation and issues and helps them solve their problems in close collaboration with customers.

● Support for solving customer problems according to management stage

Through intensive and ongoing consulting and financing activities, the AFFF Unit helps customers resolve issues according to their management stage, such as supporting farm start-ups at the time of establishment, expansion (growth) in the growth phase, and further development in the maturity phase.

● Identification of current status and issues through financial analysis

We analyze financial situations based on the financial information provided by customers and compare them to the AFFF Unit management indicators for other companies in the same industry. Through this process, we visualize customer strengths and management issues and share this information with the customer.

Promoting Cooperation with Private Financial Institutions in the Agricultural, Forestry, and Fisheries Sectors

The AFFF Unit promotes collaborative financing with private financial institutions such as cooperative loans and outsourced lending and is working to build an environment that encourages private financial institutions to actively enter financing of agricultural, forestry and fisheries fields by providing information service on industry trends and assessment of agricultural credit risks (Agricultural Credit Risk Information Service (ACRIS)) and also offering capital contributions and securitization support services.

Feature of Operations

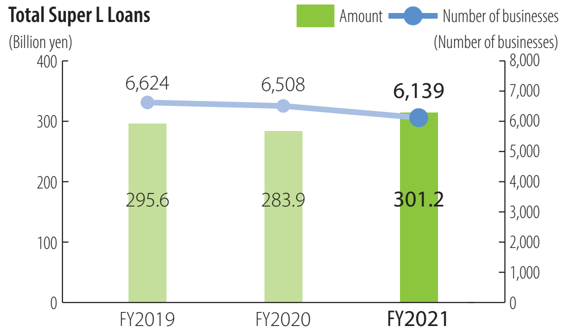
Agriculture

By providing loans in line with the policies of the Basic Law on Food, Agriculture and Rural Areas, and those of the Basic Plan for Food, Agriculture and Rural Areas, the AFFF Unit actively supports efforts of farmers to improve their management with drive and innovative ideas.

● Supporting people engaged in agriculture through long-term loans

Through long-term financing such as Super L Loans the AFFF Unit supports management improvements such as scale expansion, cost reduction and 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) by diverse local farmers, including companies of rice growing, horticulture, livestock farming, and other operations, as well as large-scale family run operations, new farmers, and companies entering the agriculture field.

Total Super L Loans



Forestry

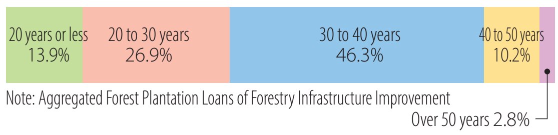
By providing loans in line with the policies of the Basic Law on Forest and Forestry, the AFFF Unit actively supports the improvement of forest that has multifunctional roles, and the creation of structures to supply and process domestically harvested lumber.

● The AFFF Unit provides financing to customers in the forestry business, for which capital recovery periods are very long

It generally takes about 50 years for a forest to develop and so recovering any capital takes a very long time. For this reason, the AFFF Unit supports forestry operators by providing the ultra-long-term finance that is required until logging.

Status of Loans by Repayment Period (FY2021, Forestry [Note])

Average period: 34.8 years



Note: Aggregated Forest Plantation Loans of Forestry Infrastructure Improvement

Fisheries

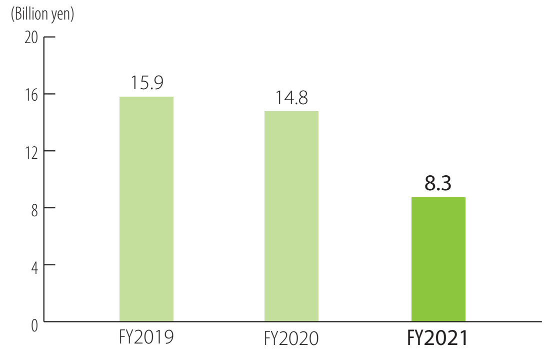
By supplying loans in line with the policies of the Fisheries Basic Act, the AFFF Unit actively supports efforts to ensure a stable supply of marine products and the sustained use of marine resources.

● Supporting principal fishery operators

The Fisheries Management Improvement Support Loan is a financing program that provides comprehensive support to fisheries operators wishing to improve their businesses.

In FY2021, Fisheries Management Improvement Support Loans came to 8.3 billion yen.

Fisheries Management Improvement Support Loans



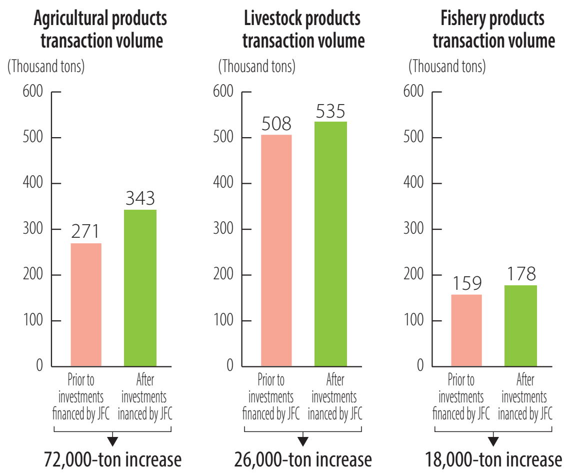
Food Processing and Distribution Industry

Through providing loans to food processing and distribution industry that deal in domestic agricultural, forestry, and fishery products, the AFFF Unit actively supports efforts for the stable supply of domestically produced raw materials and for improving added value.

● Helping to promote the use of domestic agricultural, forestry, and fishery products

Loans to the food processing and distribution industry to use domestically produced agricultural, forestry, and fishery products as raw materials or products, and are aimed at promotion of domestically produced agricultural, forestry, and fishery products. An estimation of the effects of the loans made in FY2021 suggests that the transaction volumes of domestically produced agricultural, forestry, and fishery products will increase by approximately 117,000 tons over the next five years.

In particular, one of the requirements for the Hilly and Mountainous Areas Revitalization Loan and the Food Distribution System Improvement Loan (Food production manufacturing affiliated business facilities, food production and sales affiliated business facilities) is an increase in the trading volume of domestically produced agricultural, forestry and fishery products. The requirement helps to promote collaboration between the agricultural, forestry and fisheries sectors and the food industry.



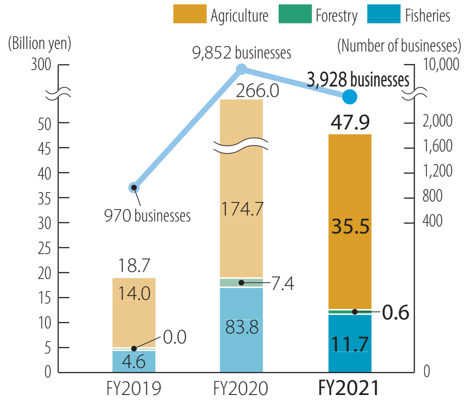
Notes: 1. The transaction volumes are rounded off by the unit.
2. The transaction volume indicated in "After investments financed by JFC" is an estimate.

Exercising Safety Net Functions Following Disasters and Changes in Business Conditions

The AFFF Unit offers dynamic support in the form of long-term working capital loans to provide agricultural, forestry, and fisheries operators as a safety net function against short-term crises such as natural disasters including earthquake, typhoon, tsunami, etc., contagious livestock diseases, and falls in the price of agricultural products.

Also, the AFFF Unit created special consultation desks and is providing consultations on financing and repayment for agricultural, forestry, and fisheries operators that have been impacted by the COVID-19 pandemic.

Safety net loans to agricultural, forestry, and fisheries businesses

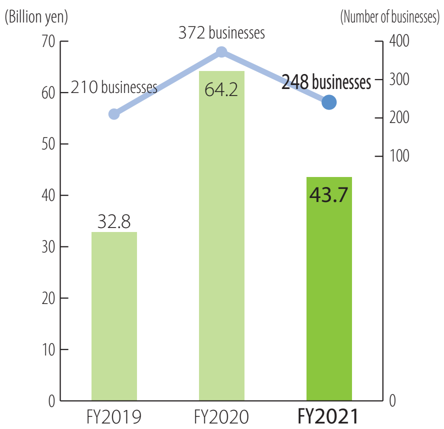


Export and "Sixth Industrialization" Development Measures

In addition to the agricultural, forestry, and fisheries products and processed foods export promotion loan program created in 2020, the AFFF Unit provides support through various financing programs and the provision of information in cases where agricultural, forestry, and fisheries business operators and companies in the food industry export domestic agricultural products and other processed products to improve their own business or promote domestic agricultural, forestry, and fisheries products.

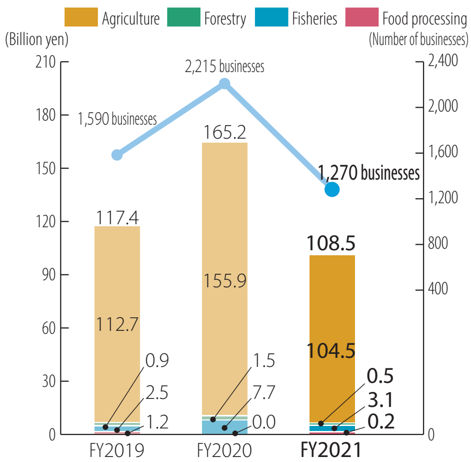
The AFFF Unit also supports measures for the development of "Sixth Industrialization" (integrated processing and sales measures for increasing the added value of products) by agricultural, forestry, and fisheries business operators through various financing programs and the provision of information.

Loans to those engaged in export



In FY2021, loans to improve management through exports were made to 248 businesses (67% compared to the previous fiscal year) and amounted to 43.7 billion yen (68% compared to the previous fiscal year).

Loans to those engaged in the "Sixth Industrialization"



In FY2021, 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) were made to 1,270 businesses (57% compared to the previous fiscal year) and amounted to 108.5 billion yen (66% compared to the previous fiscal year).

Support for New Farmers and New Entrants to Agriculture

Support was provided to various financing programs such as the Agricultural Employment Fund for Youth, etc. which offers loans to new farmers, new entrants to agricultural business, and authorized new farmers and information was provided.

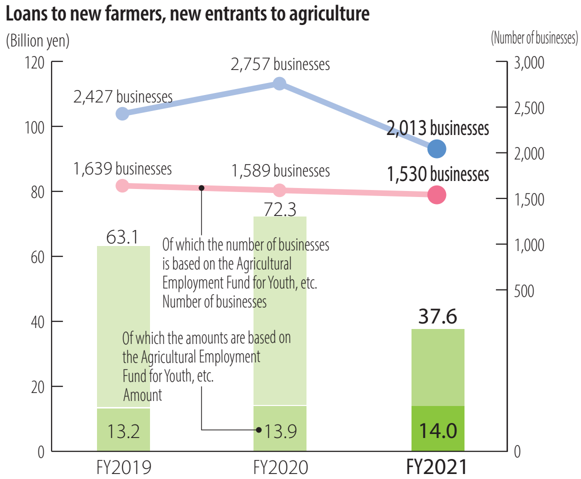
Loans to new farmers, new entrants to agriculture

In FY2021, loans to new agricultural business and new entry farmers came to 2,013 businesses (73% compared to the previous fiscal year), and 37.6 billion yen (52% compared to the previous fiscal year).

From FY2014, newly started loans to Agricultural Employment Fund for Youth, etc. (Note) came to: 1,530 businesses (96% compared to the previous fiscal year), 14.0 billion yen (101% 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 new farming businesses.

Loans to new farmers, new entrants to agriculture



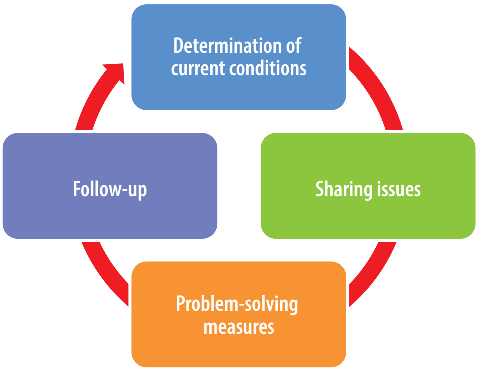
Promotion of Consulting and Financing Activities

The AFFF Unit conducts consulting and financing activities that help resolve issues through close collaboration

In response to the increasingly diverse management issues faced by customers as a result of the changing environment caused by the COVID-19 pandemic, the AFFF Unit conducts consulting and financing activities to help customers identify and share information on their current situation and issues and helps them solve their problems in close collaboration with customers.

● Support for solving customers problems according to management stage

Through intensive and ongoing consulting and financing activities, the AFFF Unit helps customers resolve issues according to their management stage, such as supporting farm start-ups at the time of establishment, expansion (growth) in the growth phase, and further development in the maturity phase.

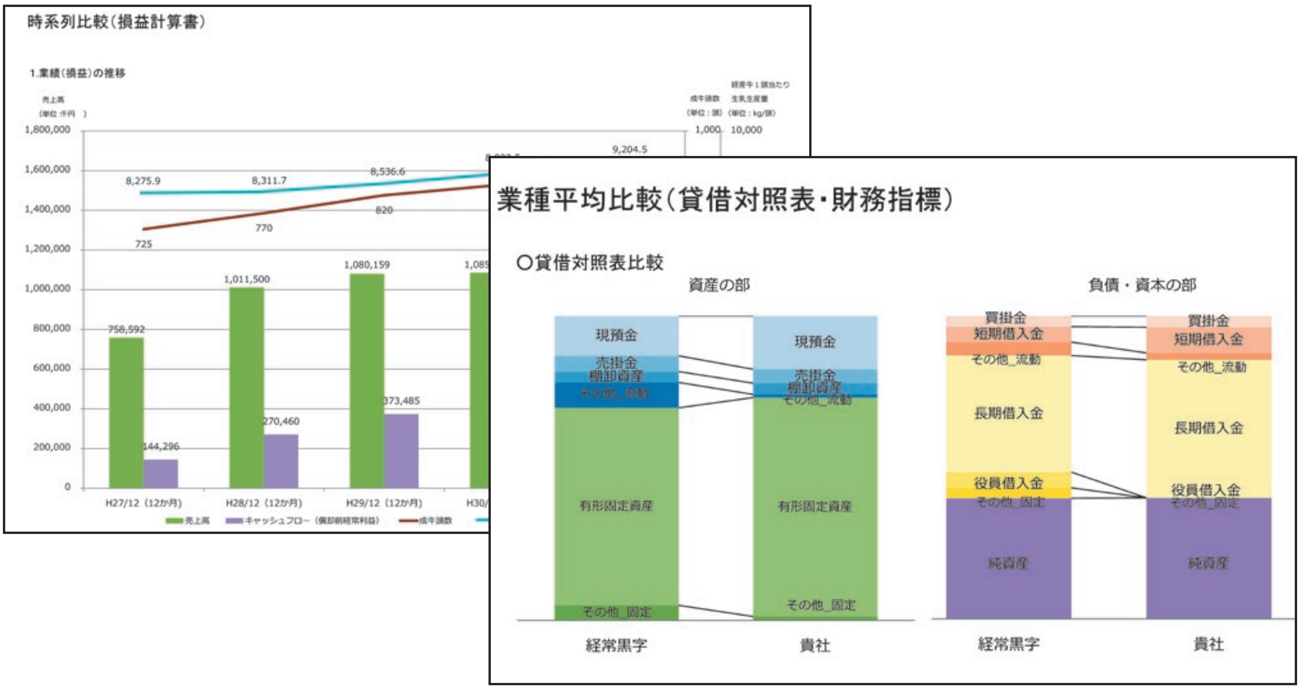


Determination of current conditions	Deepen understanding of customers and identify management issues, strengths, and weaknesses
Sharing issues	Share information on management issues with customers and consider solutions together
Problem-solving measures	Support solutions to problems through diverse support not limited to financing
Follow-up	Support achievement of targets through close follow-ups after implementation

● Identification of current status and issues through financial analysis

We analyze financial situations based on the financial information provided by customers and compare them to the AFFF Unit management indicators for other companies in the same industry. Through this process, we visualize customer strengths and management issues and share this information with the customer.

(Image of financial assessments)

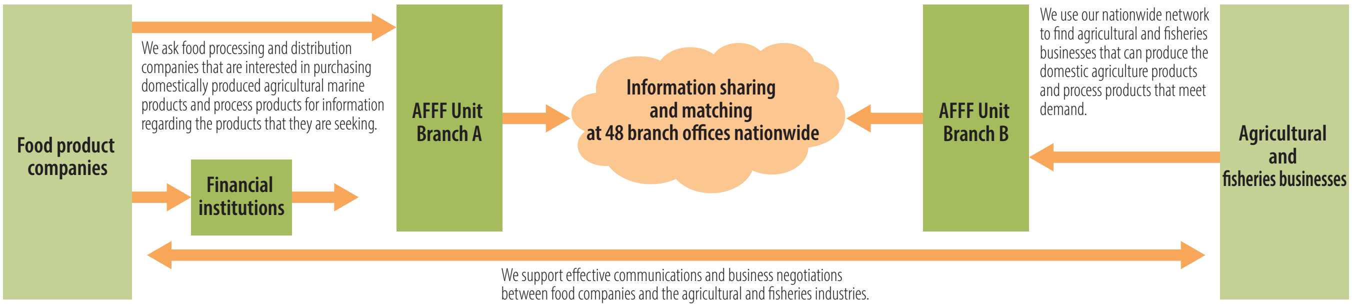


Supporting Developing and Expanding Customer Sales Channels

Matching support using our nationwide network

The AFFF Unit uses the JFC's nationwide network of 48 branch offices to match the purchasing needs of food processing and distribution companies for domestic agricultural marine products with the sales needs of businesses in the agricultural and fisheries industries, bringing together customers across prefectural borders.

This helps customers develop attractive products and enhance the products that they handle.

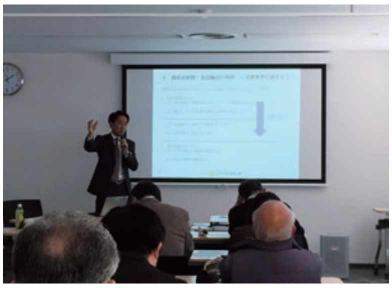


Advanced Supports Such as Overseas Expansion, etc. through Collaboration with External Networks

The AFFF Unit collaborates with external networks (Japan Professional Agriculture Total Support Organization (J-PAO), Japan External Trade Organization (JETRO), and other organizations) to support the business growth of its customers and respond accurately to the diverse management issues they face, such as the development of new sales channels, financial improvement, and productivity enhancement.

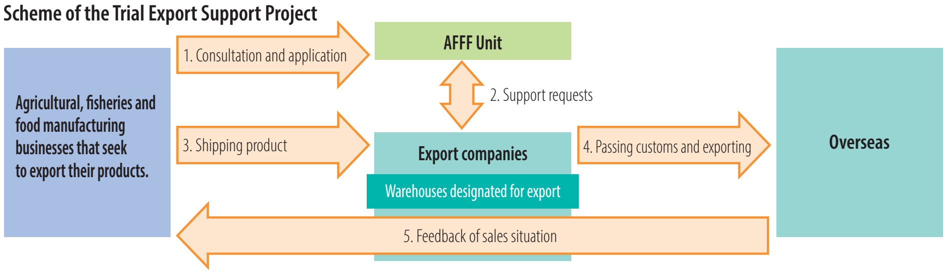
For example, J-PAO gets assistance from its members from a wide variety of types of businesses and uses its agriculture-support knowhow to provide sales and commercialization support to customers. JETRO supports exports of Japanese agricultural, forestry, fishery products and food by providing information, consultation and business-matching opportunities with foreign buyers.

In addition, the AFFF Unit supports customers who are working to export agricultural products for the first time through cooperation with domestic and overseas trading companies by conducting Trial Export Support Projects (preparations for exporting, exporting procedures, sales feedback from export destinations, etc.).



Briefing session on the Trial Export Support Project

Scheme of the Trial Export Support Project



Supporting Business Succession of Customers

To address the business succession issues of agricultural, forestry, and fisheries business operators, the AFFF Unit supports customers by providing information tailored according to the type and stage of business succession, referring and dispatching outside experts and relevant organizations, providing funds, and other means.

In addition, the AFFF Unit is reinforcing its information gathering and support relating to M&A and the like in the agricultural, forestry, and fisheries fields and providing business succession support to customers so that the management resources of customers in these fields can effectively be handed down to the next generation.

Supporting Business Revitalization by Customers

We actively support business revitalization by customers, which is essential for the maintenance and development of local agricultural, forestry, and fisheries industries.

Specifically, we collaborate with private financial institutions such as main financing banks and outside experts to support the formulation of business improvement plan through close communications with customers and provide ongoing management consultations and follow-up after the plans are implemented. Specifically, as support for business revitalization by farmers, we conduct support activities that take into account the characteristics of agriculture including support for formulating plans provided by agricultural business advisors, support for business succession by utilizing the AFFF Unit's unique network, and consulting in collaboration with external experts in production technology.

In addition, we cooperate with related institutions to provide prompt and detailed responses to inquiries from customers affected by the impact of COVID-19 and large-scale natural disasters and work to support business restructuring and reconstruction.

Support for Private Financial Institutions in the Agricultural, Forestry, and Fisheries Sectors

The AFFF Unit works to create an environment that encourages private financial institutions to actively provide loans to agricultural, forestry, and fisheries businesses by providing information concerning risk assessments as well as by supporting financing and securitization.

Working to Strengthen Cooperation with Private Financial Institutions

The AFFF Unit provides loans to agricultural, forestry, and fisheries business operators and companies in the processed food industry in cooperation with private financial institutions. In FY2021, a total of 809 cooperative loans were provided in cooperation with private financial institutions (Note).

The AFFF Unit also provides JFC loans through 615 private financial institutions with which it has entered into outsourcing agreements. The number of JFC loans provided through private financial institutions was 9,430, and this was 56.3% of total loans.

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).

Agricultural Credit Risk Information Service (ACRIS)

The Agricultural Credit Risk Information Service (ACRIS) is an agricultural scoring model designed by the AFFF Unit to facilitate the active entry by private financial institutions into the market of agricultural finance (a fee-based membership service).

The AFFF Unit positions ACRIS as a tool for stimulating agricultural lending, and is strengthening its business collaboration with ACRIS members such as financial institutions and tax accountants.

The accuracy of the model is examined annually, and improvements are made to reflect economic conditions and other factors if necessary.

Images of scoring results obtained using ACRIS

Securitization Support

The AFFF Unit established a credit supplementation program (securitization support operation) using credit default swap (CDS) to encourage private financial institutions to promote agricultural lending. This program has been in operation since October 2008. By using this program, private financial institutions can transfer credit risks worth up to 80% of the loan amounts or a maximum of 50 million yen to JFC.

As of March 31, 2022, a total of 134 financial institutions had signed a basic agreement with the AFFF Unit.

91 of these financial institutions developed new loan products for farmers that incorporated credit supplementation under this program.

Financial institutions under CDS basic agreements with JFC (As of March 31, 2022)

	Banks	Shinkin banks	Credit cooperatives	Total
Hokkaido	1	13	2	16
Tohoku	7	5	1	13
Kanto	3	8	2	13
Chubu	7	22	4	33
Kinki	4	10	–	14
Chugoku	2	11	1	14
Shikoku	5	2	–	7
Kyushu	10	13	1	24
Total	**39**	**84**	**11**	**134**
(Of these, institutions that developed new programs)	(31)	(54)	(6)	(91)

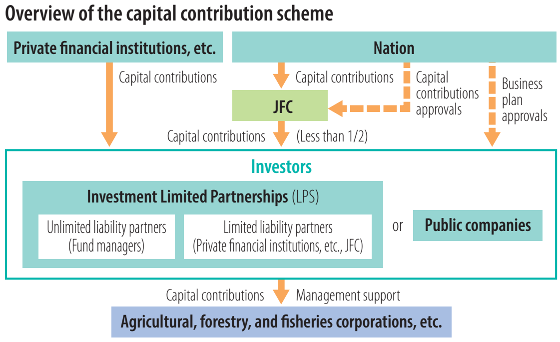
Providing Investment Support to Agricultural, Forestry and Fisheries Corporations, etc.

The AFFF Unit has been making capital contributions to Investment Limited Partnerships (LPs) and stock companies to invest in agricultural, forestry, and fisheries corporations with business program approval from the Minister of Agriculture, Forestry and Fisheries. This is done to support the adequacy of equity capital of leading agricultural, forestry, and fisheries corporations and food processing businesses and provide capital to businesses involved in all stages of the food value chain.

(As of March 31, 2022)

	LPS	Public companies
Number of capital contributions	18 associations	1 company
Pledged investment amount or investment amount (of which invested by JFC)	6.61 billion yen (3.14 billion yen)	5.07 billion yen (2.53 billion yen)

Overview of the capital contribution scheme



Overview of Operations

Small and Medium Enterprise (SME) Unit

Through its various functions such as Loan Programs and Credit Insurance Programs, the Small and Medium Enterprise Unit (SME Unit) financially supports the growth and development of SME's and micro/small businesses which are the source of Japan's economic vitality as well as the primary force underpinning regional economies.

Overview of Operations

The Roles and Scope of the SME Unit as Policy-based Financing

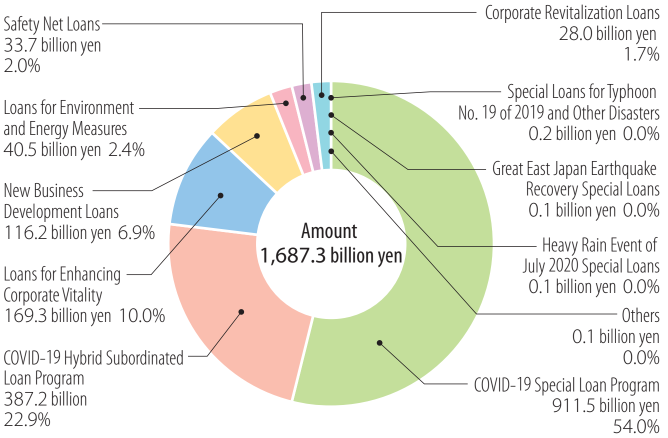
Policy-based financing in Japan provides financial support under the nation's key policies towards certain fields, such as new business development, business revitalization, business succession, and overseas expansion, that involve high risks.

Based on these policies, while supplementing private financial institutions as a policy-based financial institution specialized in SMEs, the SME Unit supports the growth and development of SMEs and micro/small businesses through its financial tools as well as serving as a safety net function.

Loan Programs

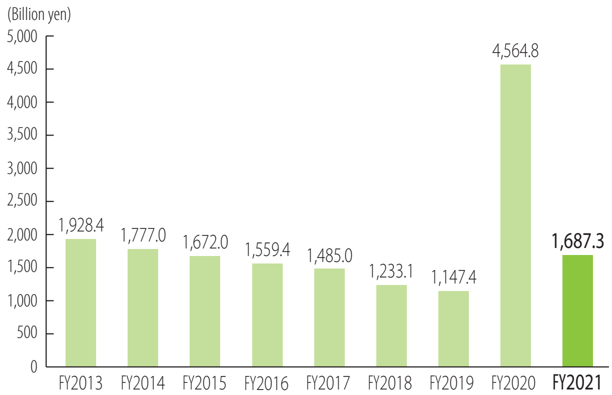
The SME Unit complements the financing of private financial institutions through its stable, long-term, fixed interest rate loans that is needed for the business growth of SMEs.

Breakdown of loans (FY2021)



Note: Loans include corporate bonds, but excluding loans to Small and Medium Business Investment & Consultation Co., Ltd. Also, performance for respective loans is calculated while disregarding amounts of under 100 million yen.

Changes in loan performances



Note: Loans include corporate bonds, but excluding loans to facility-leasing institutions and loans to Small and Medium Business Investment & Consultation Co., Ltd.

Credit Insurance Programs

To facilitate the smooth flow of funds to SMEs and micro/small businesses, these programs focus on the acceptance of insurance on Credit Guarantee Corporations (CGCs) guaranteed liabilities associated with loans to SMEs and micro/small businesses.

- Insurance on CGCs guaranteed liabilities involving loans to SMEs and micro/small businesses
- Loans to CGCs
- Special Insurance Programs for Mid-size Enterprises
- Transitional Operation of the Machinery Credit Insurance Programs (Note)

Note: Suspending the acceptance of new insurance since FY2003, the SME Unit currently pays on insurance money and receives recoveries based on insurance contracts already in force (Transitional Operation of the Machinery Credit Insurance Programs).

Securitization Support Programs

With the aim of facilitating the smooth supply of unsecured funds to SMEs, these programs support private financial institutions in their endeavors based on securitization methods.

Feature of Operations

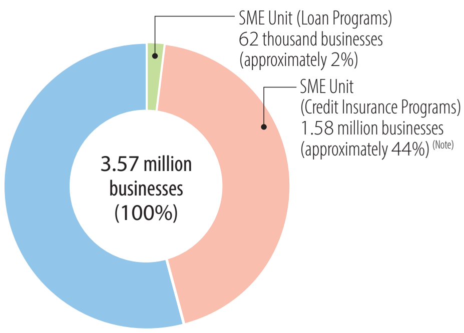
SME Unit's Clients

SMEs and micro/small businesses account for 99% of all businesses in Japan, and are both the source of Japanese economic vitality as well as the primary force underpinning regional economies.

The size and conditions of each SME and micro/small business differ, such as companies that sustain the regional economy with many employees, long-established companies with a history over 100 years and family-owned private shops.

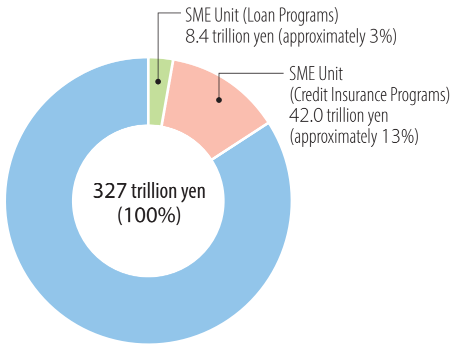
The SME Unit provides a wide range of support to meet the individual needs of each SME and micro/small business through its financial tools, Loan Programs, Credit Insurance Programs and Securitization Support Programs.

Share of SME Unit's clients in total number of businesses



Note: Number of businesses utilizing the Credit Guarantee System
Sources: Small and Medium Enterprise Agency, "2022 White Paper on Small and Medium Enterprises in Japan"
Note: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2016 Economic Census for Business Activity," edited by the Small and Medium Enterprise Agency.

Share of SME Unit's clients in total amount of outstanding loans



Source: Bank of Japan, "Deposits, Vault Cash, and Loans and Bills Discounted," and others.

The SME Unit facilitates funds to 1.64 million SMEs and micro/small businesses (approximately 46%) and accounts for 16% of outstanding loans to SMEs and micro/small businesses.

Characteristics of SME Unit's Clients

Loan Programs (Direct Loans)

- Number of businesses ....62 thousand businesses
  Average loan for FY2021
  - Average loan amount per business .... 106 million yen
  - Average term of loan .... 10 years and 5 months
  - Average amount of capital per business ......41 million yen
  - Average number of employees per business 79
- Approximately 80% of outstanding loans are loans to businesses with 20 employees or more, and approximately 91% have capital of 10 million yen or more.
- Covers a wide range of industries particularly manufacturing (approximately 38% of outstanding loans as of the end of FY2021)

Credit Insurance Programs

- Number of businesses .... 1.58 million businesses (Note)
  Average insurance for FY2021
  - Average amount of insurance acceptance per business ...19 million yen
  - Average term of insurance ....6 years and 3 months
  - Average number of employees per business 8
- Approximately 75% of the outstanding amounts of insurance are insurance to businesses with 20 employees or less, and approximately 72% have capital of 10 million yen or less.
- Covers a wide range of industries

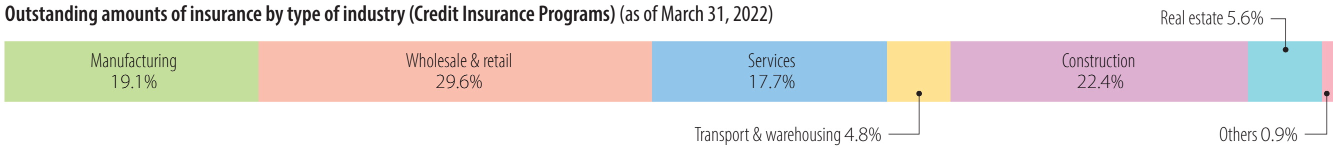
Note: Number of businesses utilizing the Credit Guarantee System.

Note: Results are current as of March 31, 2022.

The SME Unit also helps to maintain employment, with the number of employees at the 62 thousand businesses having approximately 3.83 million persons (as of March 31, 2022) by direct loans.

Outstanding loans by type of industry (Loan Programs) (as of March 31, 2022)

Outstanding amounts of insurance by type of industry (Credit Insurance Programs) (as of March 31, 2022)



Loan Programs

Supplementing private financial institutions both in quality and quantity with a stable supply of long-term funds

● Dedicated to long-term funding

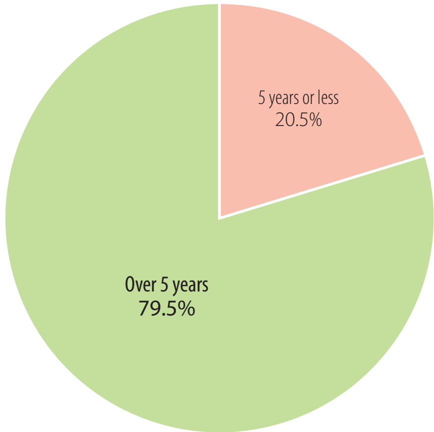
If SMEs are to grow and prosper, they must continually invest capital appropriately and consolidate their financial strength. To do this, they need to be able to raise long-term funds in a stable manner.

However, SMEs are at a disadvantage to larger enterprises in gaining access to funds from capital markets.

The SME Unit specializes in long-term funds. More than 50% of the SME Unit's loans have lending periods of over 5 years, with fixed interest rates that make it easier to map out repayment schedules.

By complementing private financial institutions, the SME Unit meets the long-term funding needs of SMEs, which are a vital component of the Japanese economy.

Breakdown of loans by lending period (share in terms of value) (FY2021)



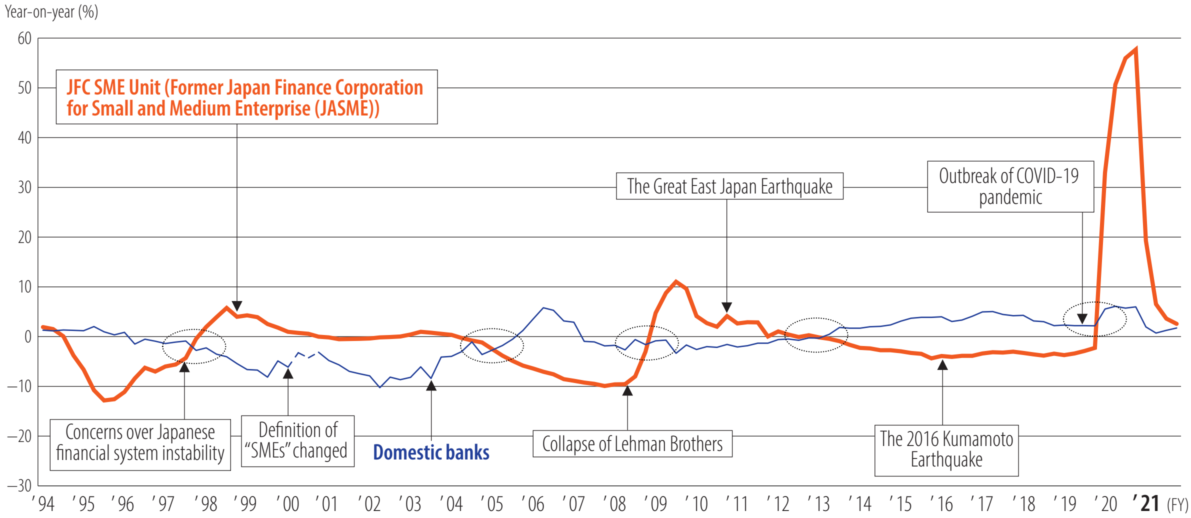
Note: Data are for fixed interest rate loans only.

● Stable supply of business funds

Growth in loans to SMEs was high during the economic downtown precipitated by the collapse of Lehman Brothers and conversely has been declining during the period of economic recovery.

Over the years, the SME Unit has provided SMEs with stable, long-term business funds by supplementing private financial institutions.

Growth rate changes in outstanding loans to SMEs (year-on-year changes)



Source: Bank of Japan, "Deposits, Vault Cash, and Loans and Bills Discounted"

Notes: 1. Domestic banks' balances refer to the outstanding of loans to SMEs covering banking accounts only.

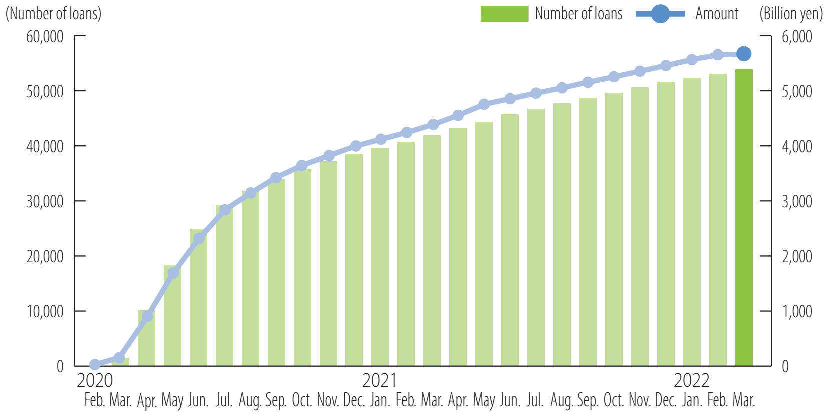
2. The definition of "SMEs" was changed in April 2000; the SME Unit has estimated the growth rate for domestic banks in the period from June 2000 to March 2001 based on the ratio between the old and new standards.

Promoting special-purpose loans based on government policies to meet the needs of the times

● Safety net

Although the initial emergency demand for funds when the COVID-19 pandemic first spread has subsided, due to the prolongation of the pandemic, we continued to support cash flows and business reconstruction by providing loans through the Great East Japan Earthquake Recovery Special Loans, Safety Net Loans, and COVID-19 Special Loan Program, and other programs, as in FY2020.

COVID-19 related loan results



Supporting new businesses

The SME Unit provides active support to SMEs trying to develop new businesses with high growth potential, such as venture companies, through Loans to Foster Growth of New Businesses. Since the program began in February 2000, 726.1 billion yen has been loaned to 15,138 businesses (as of March 31, 2022). In addition, the SME Unit also offers Stock Subscription Rights Loans, an unsecured loan program through acquisition of new share options issued by companies.

Loans to Foster Growth of New Businesses

	FY2019	FY2020	FY2021
Number of businesses	1,319	285	**639**
Amount of loans (billion yen)	63.4	21.6	**27.2**

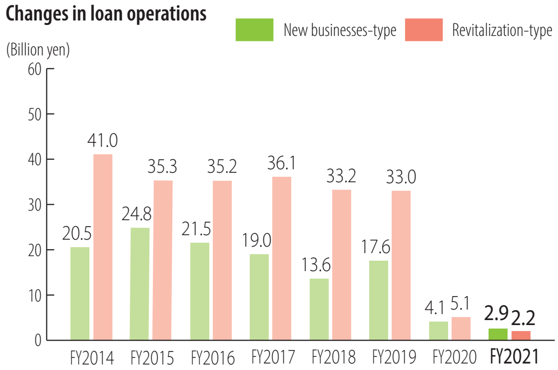
Stock Subscription Rights Loans

	FY2019	FY2020	FY2021
Number of businesses	31	15	**41**
Amount of loans (billion yen)	3.04	2.09	**3.50**

Capital subordinated loans

The SME Unit supports reinforcing the financial standing of SMEs engaged in new businesses and business reconstructions, by applying the Hybrid Subordinated Loan Program (former Provision Scheme for Challenge Support and Capital Enhancement) in cooperation with private financial institutions. Liabilities under this provision scheme may be treated as shareholders' equity under the borrower classifications determined by financial institutions.

Changes in loan operations



Support for overseas investment

The SME Unit provides active support for the overseas expansion of SMEs, such as providing Loans for Overseas Investment and Expansion, supporting the fundraising by SMEs' overseas subsidiaries and branches through the Standby Letter of Credit Program and cross-border loans, offering management consulting services and holding business network meetings abroad.

In FY2021, Loans for Overseas Investment and Expansion were utilized by 397 businesses, for a total of 25.9 billion yen.

The Standby Letter of Credit Program supports SMEs and micro/small businesses' overseas subsidiaries' and branches' smooth procurement of long-term local currency denominated funds from JFC's partnering overseas financial institutions by using JFC's standby letter of credit as a guarantee. As of March 31, 2022, the number of affiliated financial institutions, mainly in Asia, was 15 institutions.

JFC also established a scheme to partner regional financial institutions throughout Japan, and through the end of March 2022, JFC established collaborative relationships with 61 regional financial institutions.

As for FY2021, letters of credit were issued to the financial institutions in 8 countries and regions, being utilized by 85 businesses.

The cross-border loans are a program under which JFC provides direct loans to overseas subsidiaries that work with their domestic parent companies (SMEs and others) to improve management capabilities, implement management innovations, and revitalize local economies in order to adapt to structural changes overseas. The countries and regions where this program can be used are Thailand, Viet Nam, Hong Kong, and Singapore, and loans were provided to 100 borrowers, 6.0 billion yen in FY2021.

Loans for Overseas Investment and Expansion (by countries and regions) (FY2021)

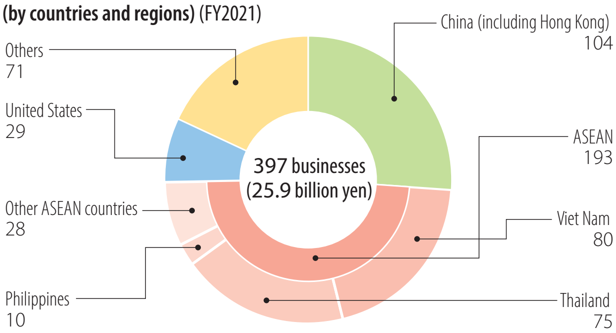
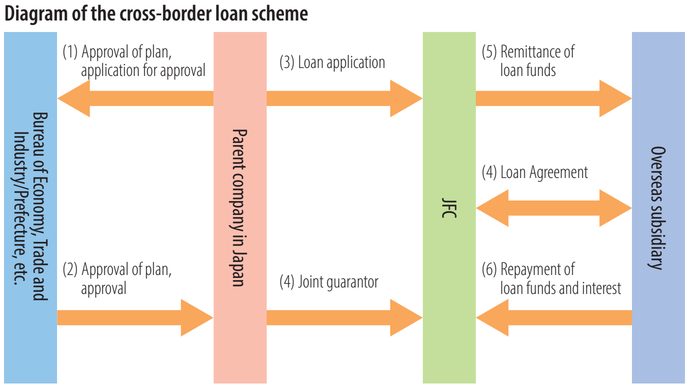


Diagram of the cross-border loan scheme

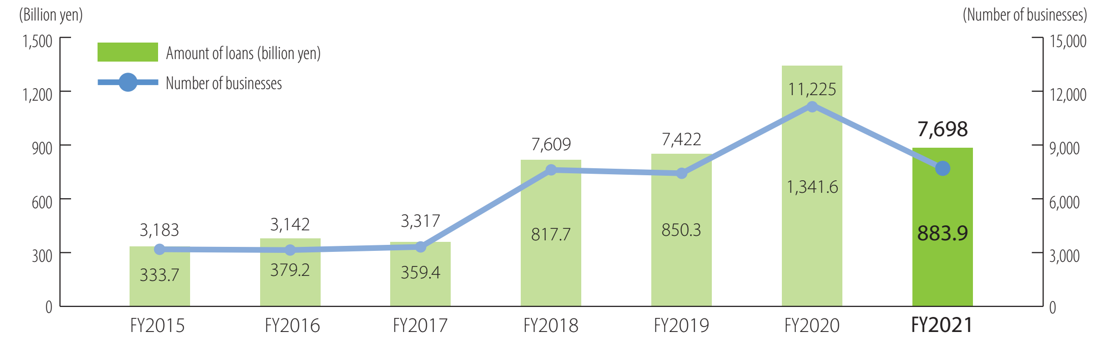


● Cooperative loans and securitization support in collaboration with private financial institutions

The SME Unit makes use of various functions including loans, securitization support, and credit guarantees as well as the screening capabilities that it has accumulated over many years and information in a database of approximately 62,000 customers nationwide to collaborate with private financial institutions and provide support to SMEs in the areas of business start-up and new business, overseas expansion, rapid business revitalization, business succession, securitization, management consultation, and human resource development. Specific activities include close exchanges of information with private financial institutions, support for cooperative loans, and joint sponsorship of business matching events and seminars on overseas business development and business succession.

In particular, since FY2018 the SME Unit has actively undertaken collaboration with private financial institutions by promoting collaborative measures with private financial institutions to enter a new stage. In response to the COVID-19 pandemic, we also provide financial support to affected SMEs based on existing cooperative relationships.

Changes in the number of businesses that utilize cooperative loan(note) and change in loan amount (SME Unit)



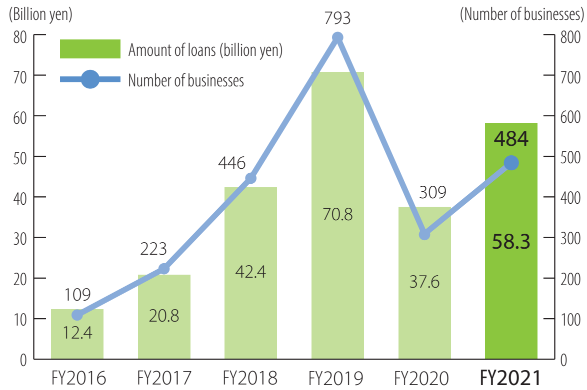
Note: Loans (guarantees) that are disbursed or decided by both JFC and private financial institutions after consultation by both parties for loan plans with identical objectives (Calculated by JFC. Including loans made on different dates between both parties).

● Loans for business succession, consolidation, and invigoration support

The SME Unit provides support through special loans for business succession, consolidation, and invigoration support so that SME without a successor can carry out M&A or acquire their own shares in order to secure stable management rights so that they can carry out succession and consolidation of their businesses or companies.

The Small and Medium Enterprise Agency positioned the promotion of business revitalization through succession, reorganization, and consolidation as a priority measure for FY 2018 and later. The SME Unit will continue to use these loan programs to support SMEs that are undertaking business or company succession and consolidation.

Loans for business succession, consolidation, and invigoration support



Supporting the growth of businesses

● Businesses that have utilized JFC funds are flourishing in many fields

A total of 746 businesses (Note) have gone public after receiving support from the SME Unit, representing roughly 20% of all Japanese businesses that are publicly held. Many of these are flourishing as leading companies in Japan.

The number of businesses going public after receiving support from the SME Unit since 1989 is 578 (Note), accounting for roughly 20% of the total number of businesses that went.

Note: The number of publicly listed businesses is as of April 3, 2022 (excluding delisted businesses and businesses that have dissolved due to merger, etc.).

Businesses that went public after receiving support from the SME Unit

Businesses that went public after receiving support from the SME Unit since 1989

Source: JFC SME Unit. The number of publicly held businesses is as of April 3, 2022. Businesses in agriculture, forestry, fisheries, finance, and insurance, as well as foreign-owned corporations are excluded.

An Invaluable Source of Financing during Our Start-up Period

INAMORI Kazuo, Honorary Chairman of Kyocera Corporation (listed in the first section of the Tokyo Stock Exchange)

Around the third year after Kyocera was founded, I was a managing executive director and visited banks in search of funding for capital investment. However, we did not have any collateral and were ultimately unsuccessful in borrowing funds. Eventually I was introduced to Japan Finance Corporation for Small and Medium Enterprise (JASME; current JFC), and gratefully accepted the opportunity to meet the branch manager. I made a faltering pitch, "We are a small venture company that just started up. We have generated over 10% profits since our first year of operation. I ask that you believe in the results that my three years of hard work have produced and grant our company a loan." Perhaps my earnest appeal hit the mark. After a pause, the branch manager replied "All right. We will extend you a loan against the machinery you plan to buy with the funds." I remember how deeply moved I was by the manager's courageous decision to believe in us and grant a loan against collateral to be purchased later, in what amounted to a very risky decision in light of the accepted wisdom of financial institutions at the time.

It is thanks to the decision made 40 years ago by that branch manager, who extended funding to us on the basis of our character when no other financial institution would, that today's Kyocera exists.

Source: Extracted from a column entitled "A 50 Year History of Japan Finance Corporation for Small and Medium Enterprise (JASME)," published by JASME in December 2003 (author's title is that held at time of writing).

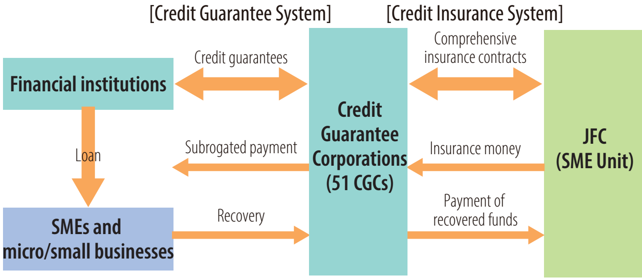
Credit Insurance Programs

Facilitating the smooth flow of funds to SMEs and micro/small businesses by working together with the Credit Guarantee System

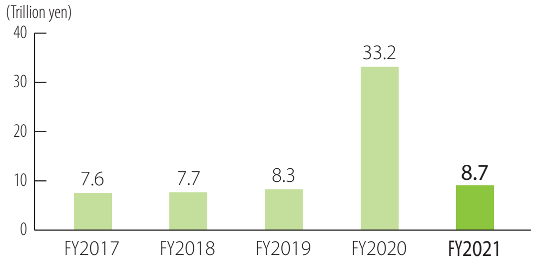
● Role of the Credit Insurance System

The SME Unit insures guaranteed liabilities (credit guarantees) provided by CGCs to SMEs and micro/small businesses that fall short in terms of collateral or creditworthiness when raising funds from financial institutions or issuing corporate bonds. Instituted under the Small and Medium-sized Enterprise Credit Insurance Act (Act No. 264 of 1950), the purpose of the Credit Insurance System is to promote the development of SMEs and micro/small businesses by insuring guarantees for SME loans and similar liabilities. It is designed so that the Credit Insurance System and the Credit Guarantee System together facilitate the smooth supply of business funds for SMEs and micro/small businesses. This mechanism is known as the Credit Supplementation System and plays a vital role in the Japanese government's SME finance policy.

Overview of the Credit Supplementation System



Changes in the amounts of insurance acceptance



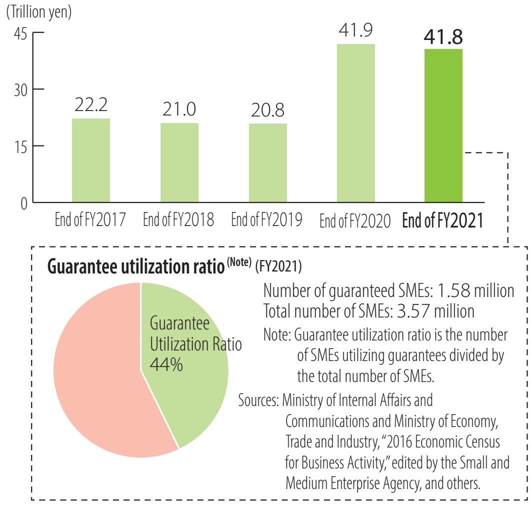
● 44% of SMEs utilize the Credit Supplementation System

As of March 31, 2022, the portion of outstanding loans to SMEs guaranteed by CGCs (outstanding guaranteed liabilities) amounted to 41 trillion yen, accounting for 13% of all loans to SMEs.

Moreover, 1.58 million SMEs and micro/small businesses, accounting for 44% of all SMEs in Japan, were raising funds with the support of the Credit Guarantee System.

By providing insurance on such guarantees, the Credit Insurance System is contributing to the management stability of SMEs and micro/small businesses, and to their growth and prosperity by facilitating smooth flow of funds.

Changes in outstanding guaranteed liabilities and guarantee utilization ratio of 51 CGCs throughout Japan



Securitization Support Programs

● Supporting the smooth supply of unsecured funds by private financial institutions using securitization methods

The securitization of loan claims for SMEs is conducted from the standpoint of ensuring smooth facilitation of SME financing.

In FY2021, the "synthetic CLO of regional financial institutions (Clover 2022 LLC)" was issued in the securitization support purchasing business. Besides entering into credit default swap (CDS) contracts with 23 regional financial institutions, the SME Unit acquired 8.3 billion yen of the 33.4 billion yen in corporate bonds issued by the special-purpose company (SPC) (Clover 2022 LLC), and also guaranteed 6.1 billion yen in the bonds. 34.3 billion yen in unsecured loans were provided to 1,712 businesses in 29 prefectures by this CLO.

By appropriately sharing the credit risks, credit analysis and administrative burdens of securitization, the SME Unit offers securitization methods convenient for private financial institutions to smoothly supply unsecured funds to SMEs and to diversify the means by which SMEs can obtain funds. While fulfilling its pioneering roles as a policy-based financial institution, the Unit will also contribute to the promotion and development of the securitization market.

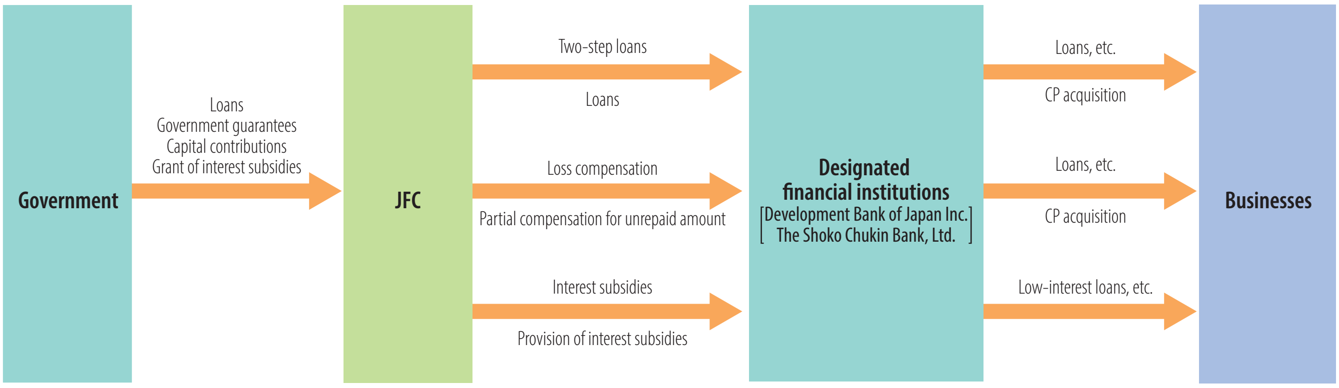
Methods of securitization support

Purchase-type	Guarantee-type
Operations that involve the securitization of unsecured SME loan claims, etc., acquired by way of transfer from private financial institutions or the use of credit default swap (CDS) contracts	Operations that involve the partial guarantee of unsecured SME loan claims, etc., securitized by private financial institutions as well as the guarantee of partial purchase of securitized instruments

Operations to Facilitate Crisis Responses and Specific Businesses Promotion, etc.

Overview of Operations to Facilitate Crisis Responses

At the occurrence of such event as domestic or international financial disorder and large-scale natural disasters that is declared a crisis by the competent ministers, JFC provides certain specified type of credit to the financial institutions designated by the competent ministers. Since a business's credit risk generally increases at the time of a crisis, it is assumed that private financial institutions would be unable to provide a satisfactory amount of funds. As a measure to counter this situation, JFC supplies credit to the designated financial institutions to encourage smooth funding of the affected business.



[Crisis response operations to date]

- Cases related to the Disaster Relief Act
- Cases related to special consultation desks
- Cases related to turmoil in the international financial order
- Cases related to the Great East Japan Earthquake
- Cases related to the disaster by the Kumamoto Earthquake in 2016
- Cases related to COVID-19 pandemic

● Loans (two-step loans)

JFC provides loans from fiscal loan funds, etc. to designated financial institutions. The balance as of March 31, 2022 was 4,359.9 billion yen.

● Interest subsidies

JFC provides interest subsidies to designated financial institutions for loans, etc., made by those institutions through loans and partial risk complementation by JFC.

● Partial risk complementation (loss compensation transaction)

JFC collects compensation premiums from the designated financial institutions, and compensates for a certain proportion of losses incurred through loans, etc. conducted by the designated financial institutions. The balance of underwritten loss compensation as of March 31, 2022 was 2,752.1 billion yen (on a basis of reports from designated financial institutions).

Results of operations to facilitate crisis responses

(Billion yen)

	Second Half FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Two-step loans	1,430.1	3,869.3	405.2	1,153.4	733.7	559.3	130.0	105.2	529.2	85.4	—	35.0	3,549.4	291.2
Loans, etc.	1,130.3	3,529.4	405.2	1,153.4	733.7	559.3	130.0	105.2	529.2	85.4	—	35.0	3,549.4	291.2
Commercial paper (CP) acquisitions	299.8	339.8	—	—	—	—	—	—	—	—	—	—	—	—
Loss compensation	345.1	1,811.9	1,893.3	1,739.8	1,470.2	1,409.3	1,234.2	1,077.5	547.3	89.2	1.0	0.8	2,364.5	593.1
Loans, etc.	345.1	1,781.9	1,893.3	1,739.8	1,470.2	1,409.3	1,234.2	1,077.5	547.3	89.2	1.0	0.8	2,364.5	593.1
Commercial paper (CP) acquisitions	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity participations	—	30.0	—	—	—	—	—	—	—	—	—	—	—	—
Interest subsidies	—	—	0.3	2.4	7.8	10.9	12.4	11.0	5.4	12.6	4.9	2.7	4.6	18.2

Notes: 1. The figures for the two-step loans refer to the amounts of loans JFC provided to the designated financial institutions (Development Bank of Japan Inc. and The Shoko Chukin Bank, Ltd.) through the end of March 2022.
2. With respect to loss compensation, the figures for loans, etc. represent the amounts of loans provided by designated financial institutions through the end of March 2022, with loss compensation underwritten by JFC for losses incurred until May 10, 2022.
Equity participation figures (pertaining to the Act on Special Measures for Industrial Revitalization) are the amounts of equity investments made by designated financial institutions through the end of March 2013, with loss compensation underwritten by JFC.
3. The figures for interest subsidies represent the amounts of interest subsidies JFC provided to designated financial institutions for loans, etc. provided by the designated financial institutions through the end of September 2021 (in principle, disbursements pertaining to the period from October 1 each year to March 31 of the following year are made by June 10, while those pertaining to the period from April 1 to September 30 are made by December 10).

Overview of Operations to Facilitate Specific Businesses Promotion

In accordance with the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38 of 2010), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to certified businesses who are going to implement specific businesses certified by competent ministers. The balance as of March 31, 2022 was 12.3 billion yen.

Overview of Operations to Facilitate Business Restructuring Promotion

In accordance with the Industrial Competitiveness Enhancement Act (Act No. 98 of 2013), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to certified businesses, etc. who are going to implement business restructuring or special business restructuring certified by competent ministers for the purpose of improving business productivity in order to enhance industrial competitiveness. The balance as of March 31, 2022 was 90.0 billion yen.

Overview of Operations to Facilitate Business Adaptation Promotion

In accordance with the Industrial Competitiveness Enhancement Act (Act No. 98 of 2013), JFC provides interest subsidies and lends funds (two-step loans) needed for loans that are provided by designated financial institutions to certified businesses who are going to implement business adaptation certified by competent ministers for the purpose of improving business productivity in order to enhance industrial competitiveness.

Overview of Operations to Facilitate Development and Supply Promotion, etc.

In accordance with the Act on Promotion of Developing/Supplying and Introducing Systems Making Use of Specified Advanced Information Communication Technologies (Act No. 37 of 2020), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to certified businesses that are going to develop, supply, etc. systems that make use of specified advanced information communication technologies or develop specified semiconductor production facilities, etc. certified by competent ministers.

Overview of Operations to Facilitate Business Foundation Reinforcement Promotion

Pursuant to the Shipbuilding Act (Act No. 129 of 1950), this program provides funds for loans (two-step loans) provided by designated financial institutions to approved businesses that intend to strengthen their business structure as approved by competent ministers. The balance as of March 31, 2022 was 8.5 billion yen.

Overview of Operations to Facilitate Business Introduction Promotion

Pursuant to the Marine Transportation Act (Act No. 187 of 1949), this program provides funds for loans (two-step loans) provided by designated financial institutions to approved operators who plan to introduce specified vehicles approved by competent ministers.

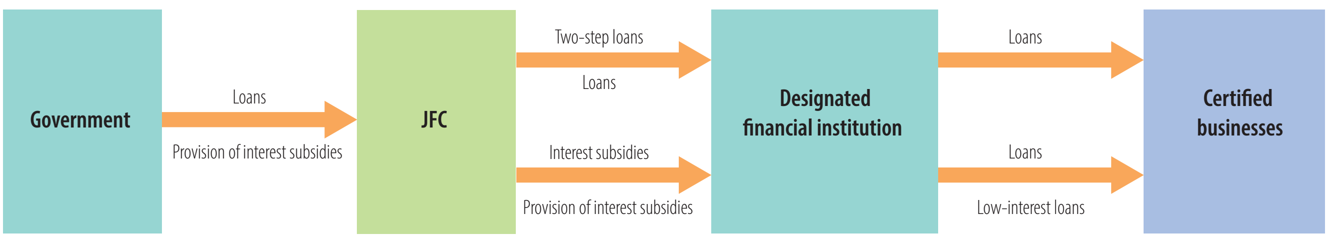
Results of Operations to Facilitate Specific Businesses Promotion, Operations to Facilitate Business Restructuring Promotion, Operations to Facilitate Business Adaptation Promotion, Operations to Facilitate Development and Supply Promotion, etc., Operations to Facilitate Business Foundation Reinforcement Promotion, and Operations to Facilitate Business Introduction Promotion (Two-step Loans)

(Billion yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Operations to Facilitate Specific Businesses Promotion	20.0	1.3	7.8	10.6	2.9	1.1	1.0	0.5	—	—	—	—
Operations to Facilitate Business Restructuring Promotion	—	—	25.0	—	20.0	—	—	—	—	100.0	—	—
Operations to Facilitate Business Adaptation Promotion	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Development and Supply Promotion, etc.	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Business Foundation Reinforcement Promotion	—	—	—	—	—	—	—	—	—	—	—	8.5
Operations to Facilitate Business Introduction Promotion	—	—	—	—	—	—	—	—	—	—	—	—

Notes: 1. The figures refer to the amount of loans provided by JFC to the designated financial institution (Development Bank of Japan Inc.) through the end of March 2022. There are no interest subsides.
2. Day of commencement of operations: Operations to Facilitate Specific Businesses Promotion: August 16, 2010; Operations to Facilitate Business Restructuring Promotion: January 20, 2014; Operations to Facilitate Business Adaptation Promotion: August 2, 2021; Operations to Facilitate Development and Supply Promotion, etc. : August 31, 2020; Operations to Facilitate Business Foundation Reinforcement Promotion: August 24, 2021; Operations to Facilitate Business Introduction Promotion: August 24, 2021.
3. The figures before the start of Operations to Facilitate Business Restructuring Promotion are of loans issued under Operations to Facilitate Business Restructuring Promotion, etc. in accordance with the Act on the Special Measures for Industrial Revitalization and Innovation (Act No. 131 of 1999) that was abolished with the enactment of the Industrial Competitiveness Enhancement Act on January 20, 2014.

Mechanism for Operations to Facilitate Specific Businesses Promotion, Operations to Facilitate Business Restructuring Promotion, Operations to Facilitate Business Adaptation Promotion, Operations to Facilitate Development and Supply Promotion, etc., Operations to Facilitate Business Foundation Reinforcement Promotion, and Operations to Facilitate Business Introduction Promotion



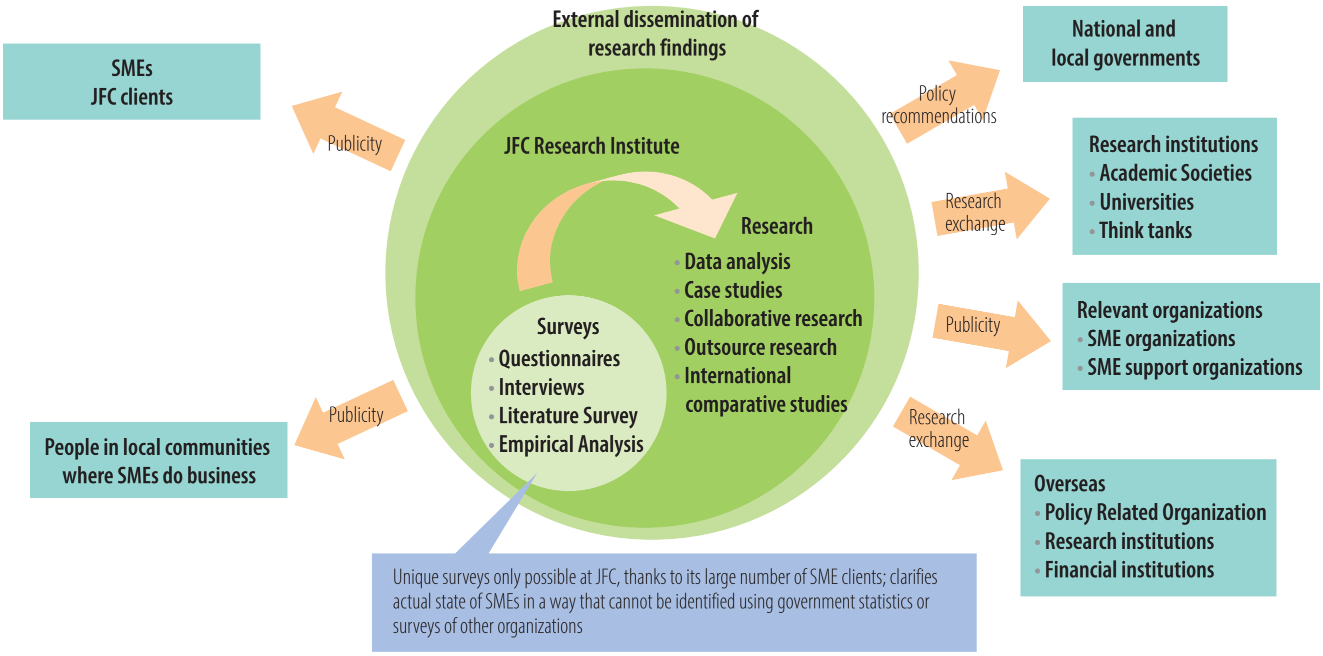
Notes: 1. Financial institutions that submit applications and receive designations from competent ministers.
2. Interest subsidies are available only for Operations to Facilitate Business Adaptation Promotion (related to carbon neutrality).

Research Institute

Striving for High Research Quality,
Based on Field Work Only Possible at JFC with its Large Number of SME Clients

Functions and Features of the Research Institute

Research Institute is a comprehensive research institution whose research targets are a diverse range of SMEs, from micro businesses operated only by entrepreneurs and their families to high-tech ventures on the verge of going public. Relying on questionnaire- and interview-based surveys, as well as other types of field work only possible at JFC with its large number of SME clients, the Research Institute engages in highly specialized, original, and leading-edge research activities.



Surveys on SME Business Sentiment

Quarterly Survey on SME Trends

This quarterly survey is comprised of two parts: the micro business section, which surveys 10,000 micro businesses having fewer than 20 workers(employees and entrepreneurs/CEOs); and the SME section, which surveys about 13,000 SMEs that generally employ at least 20 workers. It is a massive survey of economic outlook, which covers the whole gamut of SMEs, from self-employed individuals to businesses employing 300 workers.

Monthly Survey on Micro and Small Business Trends

This monthly survey targets 1,500 micro and small businesses having fewer than 20 workers. The survey captures the current business sentiment of small businesses in a timely manner by telephone surveys, which reduce the turnaround time for reporting.

Monthly Survey on SME Trends

This monthly survey of business sentiment covers 900 relatively large SMEs. The feature of this survey is that in Japan's three major metropolitan areas, the manufacturing industry is given heavy emphasis. The survey has a history of more than 50 years since its inception in 1963, and its sales forecast diffusion index (DI) has been adopted by the Japanese government as a leading index of economic indicators.

Survey on Capital Investments by Manufacturing SMEs

This biannual survey reports on planned and actual capital investment among 30,000 SME manufacturers that employ between 20 and 299 employees. This is the largest and most detailed survey in Japan of capital investment trends among SMEs.

Thematic Research on the Current State and Issues Faced by SMEs

Surveys are conducted by selecting timely themes, such as the issues faced by SMEs, industries centered around SMEs, and trends in regional economies. Further research is conducted based on the survey results. Research findings are compiled into papers and reports, and are disseminated by means of journals, books, and other publications, as well as by way of academic societies and various types of research projects, etc.

* Some of papers, reports, and survey results can be viewed on JFC's website in English.

Research on the Structural Problems of SMEs

Surveys and research are conducted on structural problems faced by SMEs, including business start-ups, business succession, employment, financing, and involvement in local economies and communities.

– Main Surveys (conducted in FY2021) –

○ Survey on Business Start-ups (FY2021 regular and special surveys)
○ Panel Survey on Business Start-ups
○ Survey on Starting Businesses and Entrepreneurial Minds
○ Survey on Business Start-ups under the COVID-19 Pandemic
○ Survey on Awareness of Residents Concerning Relocation Start-ups
○ Research on the Relationship between Start-up Experience or Employment Experience and Increases in Income
○ Survey on the Intention of Children to Succeed Their Parents' Businesses
○ Impact of the COVID-19 Pandemic on SMEs

– Main Research Papers and Reports (released in FY2021) –

◇ The Status of Damage from and Preparation for Natural Disasters by SMEs
◇ Consideration of Relocating Entrepreneurs in Terms of Region and Career
◇ Increase in Foreign CEOs in Japan and Their Overall Picture
◇ Survey on the Impacts of Natural Disasters on SME Management: Analysis of Conditions Based on Quarterly Survey on SME Trends
◇ Unique Appeals of SMEs that Use Cutting-Edge Technologies
◇ Does Business Start-up Experience Impede Career Redevelopment?: Analysis of Data from the Survey on Starting Businesses and Entrepreneurial Minds
◇ Can General Abilities Enhance Start-up Performance?: Reverification of the Jack of All Trade Hypothesis
◇ Five-Year Trends of Companies Started in 2016 Based on the Results of the Panel Survey on Business Start-ups (the Fourth Cohort)

Research on Management Issues of SMEs

Cases are collected of SMEs that overcame the handicap of limited management resources, such as human capital, phisical capital, and financial capital, to achieve success. Research findings are published annually as a book of case studies.

– FY2021 survey –

○ Survey on No-Contact Business by SMEs

– FY2021 publication –

◇ Use by Small Companies of IoT, Robots, AI and Big Data

Research on Domestic and International Industry and Regional Economic Trends

The latest trends occurring around SMEs, including innovations in technology and changes in production systems, are viewed from the perspective of industrial policy. Also, the movements of SMEs are tracked from the contemporary perspective of promoting local economies, including their role in regional revitalization.

– Main Surveys (conducted in FY2021) –

○ Design Strategies of SMEs
○ The Current Situation of Information Security in SMEs
○ Small and Medium Manufacturers Opening up a Career in DtoC
○ SMEs Providing Eco-friendly Products and Services

– Main Research Papers and Reports (released in FY2021) –

◇ SMEs Finding Opportunities in Subscription Business
◇ Constellation Business Expands SMEs' Opportunities to Enter the Space Industry
◇ SMEs Increasing Competitiveness through "Design"
◇ SMEs Should Enhance Cybersecurity
◇ DtoC Strengthening Sales Capabilities of SMEs
◇ SMEs Developing and Promoting Alternative Materials for Plastics

Research Results and Reports at Academic Societies

41st Conference of the Japan Academy of Small Business Studies (October 10, 2021)

"Characteristics of SMEs Continuing Their Business under Natural Disasters and Their Effective Measures"

The status of business interruption during natural disasters of SMEs that incurred damage from major natural disasters in the 2010s was analyzed and the features of businesses that were able to continue business and effective efforts to prevent and mitigate damage were clarified.

24th JASV Annual Academic Meeting (December 4, 2021)

"Consideration of the Performance of Relocation Start-ups"

There are expectations for the growth of business start-ups by relocating entrepreneurs from the perspective of regional revitalization. Data on actions at the relocation sites, attributes of businesses, and other factors were tabulated, indicating that measures to understand regional characteristics before relocation enhanced business performance.

Publications Issued by the Research Institute

Periodical Publications

JFCRI Quarterly Research Report

Quarterly (published on the 25th of February, May, August, and November)

Contains academic research papers written by staff from the Research Institute.

Papers from outside the Research Institute are also included, giving SME researchers an opportunity to publish their research.

— Main Papers Published in Volume 55 (May 2022) —

Roles Required of Relocating Entrepreneurs and Local Residents in the Era of Declining Populations

Impact of COVID-19 on Start-up Enterprises

Transnational Start-ups under the COVID-19 Pandemic

SMEs Implementing Management Innovations in the Use of Time and Space

JFC Research Institute Report

Published occasionally

This research report brings together the latest research findings on the current state of SMEs and the issues they face, and disseminates those findings in a timely manner.

Monthly Report

Published on the 5th of every month

The aim of this magazine is to disseminate the research findings of the Research Institute to researchers, business managers and officials from SME support organizations, and other readers in a way that is easy for them to understand.

Books

White Paper on Business Start-ups

Based on the results of the Survey on Business Start-ups, this paper analyzes the trend of business start-ups according to the latest themes.

Published annually since 1992, the document is important literature in the field of researches on business start-ups in Japan.

— Main Contents of 2022 Edition —

Summary of Results: Survey on Business Start-ups (FY2021)

Impacts of the COVID-19 Pandemic as Seen from the Survey on Business Start-ups

Overview of the Results of the Follow-up Survey on Business Start-ups under the COVID-19 Pandemic

Summary of Results: Survey on Starting Businesses and Entrepreneurial Minds (FY2021)

Phased Relocation of Sole Proprietors during the COVID-19 Pandemic

Transnational Start-ups under the COVID-19 Pandemic

The Future of Relocation Start-ups and Local Communities

A publication examining the status of relocation start-ups based on the results of a questionnaire administered to both entrepreneurs who relocated and local residents as well as regional case studies. The report analyzes the measures for the raising interest of regional sites under the COVID-19 pandemic leading to relocation start-ups and achieving regional revitalization.

SMEs Challenging the Status Quo of Time and Space

The results of case study research relating to SME management. Initiatives by SMEs developing contactless business models by employing innovative uses of time and space are summarized. The effective use of management resources by small companies and measures for maintaining and developing management are examined.

Systems for Organizational Management

Governance

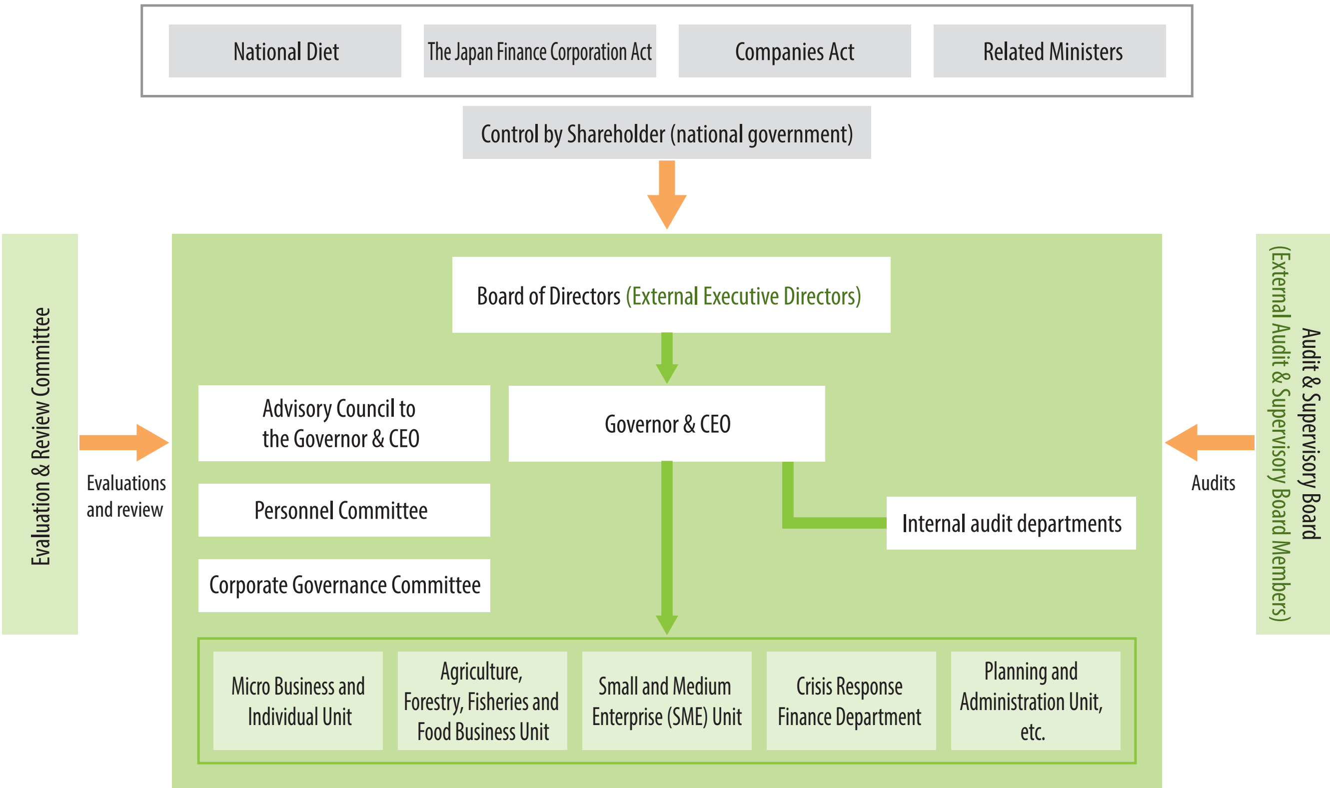
Fundamental Approach

In order to fulfill its mission as a government-affiliated financial institution, Japan Finance Corporation (JFC) conducts appropriate and sound operations with a constant awareness of its social responsibilities. The governance structure is built from the perspectives of transparency, fairness, and timely action.

To ensure transparency, fairness, and timely action, JFC has established systems for undergoing external evaluations and reviews by an Evaluation & Review Committee as well as internal and external audits by the internal audit departments, the Audit & Supervisory Board, and accounting auditors.

In addition, the Board of Directors has delegated authority to the Governor & CEO to ensure rapid decision making, while transparency and fairness are ensured by the deliberations of bodies such as the Advisory Council to the Governor & CEO.

Governance Structure



1 Control by national government

Unlike general stock corporations, a special law provides that the national government must always own all shares issued by JFC, making JFC a chartered corporation under the strict control of the government. (Note)

Note: Control by the government

- ●Control by the government as a shareholder (pursuant to the Companies Act and other legislation)
- ●Control by related ministries and agencies (including audits by the Financial Services Agency and the Board of Audit of Japan)
- ●Control by the Diet (through budgets and other means)

2 Board of Directors

JFC's Board of Directors consists of up to 18 directors, 2 of whom are external directors. In principle, the Board of Directors meets monthly to make decisions on key matters relating to JFC operations and for directors to make periodic reports on the performance of their duties.

3 Audit & Supervisory Board

The Audit & Supervisory Board comprises 5 members, 3 of whom are external members. The Audit & Supervisory Board members attend key meetings, including meetings of the Board of Directors, review significant documents, periodically meet with directors, and take other measures to monitor the performance of duties by the directors pursuant to fundamental audit policies and audit plans adopted by the Audit & Supervisory Board.

4 Evaluation & Review Committee

JFC established an Evaluation & Review Committee comprised of external advisers based on a decision made by the government (regarding the designing of a system pertaining to policy-based finance reform). The purpose of the Committee is to evaluate and review whether the corporation's management and operations are performed properly and efficiently in accordance with policy goals, and to assess and examine candidates for the positions of director and Audit & Supervisory Board member in order to ensure the fairness and transparency of personnel matters relating to such positions.

The Evaluation & Review Committee evaluates and reviews the management and operations of the overall JFC, as well as that of its individual units. It also evaluates and reviews the performance of the directors responsible for executing JFC operations, and assesses and examines candidates for the positions of director and Audit & Supervisory Board member. The standards and results of evaluations and reviews relating to management and operations are made public.

The members of the Committee consist of Evaluation & Review Members, who are made up of external advisers and JFC's external executive directors, and Expert Members, who are external experts having specialized knowledge about the operations of JFC.

Member of the Evaluation & Review Committee

(as of July 1, 2022; in Japanese alphabetical order)

Evaluation & Review Members

UZAWA Shizuka	Former Chairman and Representative Director of Nisshinbo Holdings, Inc.
OTANI Kunio	Corporate Adviser, Nichirei Corporation External Executive Director, Japan Finance Corporation
KURIHARA Mitsue	Chairman and Representative Director, Value Management Institute, Inc. External Executive Director, Japan Finance Corporation
* SUMI Shuzo	Senior Executive Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd.
NISHIOKA Seiichiro	Attorney at Law Former President, Hiroshima High Court
** NUMAGAMI Tsuyoshi	Professor, Graduate School of Business Administration, Hitotsubashi University
MIYAJIMA Kazumi	News Commentator, Nippon Television Network Corporation

Expert Members

SHOGENJI Shinichi	Professor, Faculty of Food and Agricultural Sciences, Fukushima University
TSURU Kotaro	Professor, Graduate School of Business and Commerce, Keio University
NAKATA Masao	Professor, Faculty of Economics, Seijo University
NEMOTO Tadanobu	Professor, Faculty of Commerce, Chuo University

(* : Chairman; ** : Deputy Chairman)

Meetings of Evaluation & Review Committee

(Main agenda)

● First meeting of FY2021 (May 19, 2021)
- FY2021 business management plan
- Responses to the COVID-19 pandemic
- FY2021 business performance evaluation criteria
- FY2020 evaluation of the performance of directors
- Evaluation and review of candidate directors and Audit & Supervisory Board members

● Second meeting of FY2021 (July 12, 2021)
- Report on the evaluation of FY2020 business performance
- Performance evaluations of retiring directors

● Third meeting of FY2021 (November 29, 2021)
- Interim review of the FY2021 business management plan
- Overall image of preparations for emergency responses

5 Advisory Council to the Governor & CEO

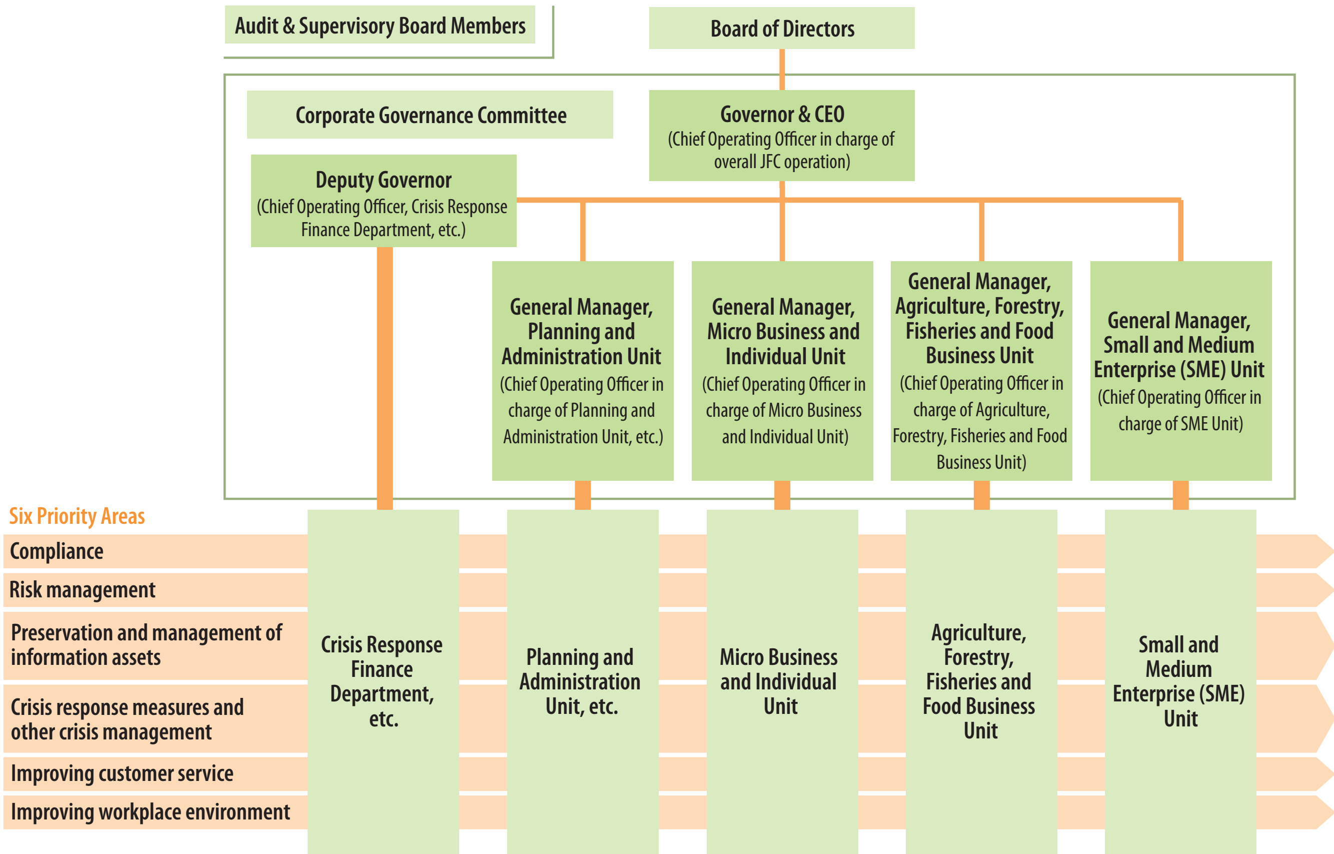
The Advisory Council to the Governor & CEO receives reports and reviews and investigates key matters concerning management of JFC in response to inquiries from the Governor.

6 Corporate Governance Committee

JFC has designated six priority areas for action concerning internal control with the aim of achieving sophisticated governance. JFC has appointed operating officers responsible for each of its business units (Note) and has clearly established their authority and responsibilities. The operating officers have taken steps to establish a necessary structure in their respective units.

The Corporate Governance Committee deliberates matters related to the six priority areas and which require its attention and control as they relate to JFC's overall operation.

Note: The units are the Micro Business and Individual Unit, the Agriculture, Forestry, Fisheries and Food Business Unit, the SME Unit, the Crisis Response Finance Department, etc., and the Planning and Administration Unit, etc.



7 Internal Audit

JFC established the Audit Department and the System Audit Department as the internal audit departments to contribute to effective operations and the fulfillment of its operational objectives. The departments assess the suitability and effectiveness of internal controls over all operations and make proposals for improvements.

The Audit Department and the System Audit Department operate independently from other departments under the direct authority of the Governor. It is responsible for conducting internal audits of all other departments, including JFC's head office, branches, and overseas representative offices.

When conducting audits, the Audit Department assesses and verifies the suitability and effectiveness of internal control structures, the suitability of operational processes, the reasonableness of asset appraisals, and the status of compliance with laws, regulations, and internal rules in individual departments, and makes recommendations for improvement as necessary.

The Governor approves an annual plan for internal audits, and reports concerning the results of internal audits are submitted to the Governor to ensure prompt action concerning matters needing attention.

Proper and effective execution of internal audits by the internal audit departments thus ensure that JFC functions properly as a government-affiliated financial institution and its operations continue to be sound.

◆ **Fundamental Policy on Internal Control**

Pursuant to the provisions of the Companies Act and the Ordinance for Enforcement of the Companies Act (Act No. 86 of 2005), JFC adopted a fundamental policy on internal controls concerning the establishment of structures for ensuring compliance with laws and regulations and proper activities by directors and employees when performing their duties.

Fundamental Policy on Internal Control

Article 1. Systems for ensuring compliance with laws, regulations, and the Articles of Incorporation in the performance of duties by directors and employees

1. JFC shall adopt Regulations Concerning Compliance with Laws and Regulations, as well as other rules concerning compliance, to ensure that the performance of duties by directors and employees, including temporary workers (this definition applies to the remainder of this document), comply with laws, regulations, and the Articles of Incorporation (hereinafter referred to as the "Laws and Regulations"). Furthermore, JFC shall make such regulations known to all directors and employees.
2. Directors and employees shall abide by all rules concerning compliance.
3. JFC shall appoint persons responsible for compliance so as to establish and reinforce structures relating to compliance with the Laws and Regulations.
4. JFC shall establish a committee with the Governor & CEO as its Chairman to review key matters relating to compliance and to monitor the status of compliance with the Laws and Regulations.
5. JFC shall establish effective internal reporting systems and operate them appropriately so that material matters relating to compliance can be discovered promptly and necessary corrective measures can be introduced.
6. JFC shall not maintain any relationships whatsoever with antisocial forces. It shall maintain an uncompromising attitude throughout the organization toward antisocial forces, and decisively reject all improper demands from such forces.

Article 2. Systems relating to retention and management of information concerning performance of duties by directors

1. JFC shall establish Information Asset Management Regulations and other rules concerning the retention and management of information assets so that information concerning the performance of duties by directors, customer information, and other information handled by JFC can be appropriately retained and managed.
2. JFC shall retain and manage minutes of Board of Directors' meetings and other documents concerning the performance of duties by directors in accordance with laws, regulations, and rules relating to the retention and management of information assets.
3. Directors and employees shall appropriately retain and manage information assets in line with laws, regulations, and rules relating to the retention and management of information assets.

Article 3. Regulations and other systems relating to management of loss exposure

1. In recognition of the importance of risk management, JFC shall adopt Comprehensive Risk Management Regulations and other rules relating to risk management, including an organizational structure to enable risk management specific to different types of risks that should be recognized in the performance of operations, as well as comprehensive risk management. JFC shall apply appropriate risk management tools to control various types of risks.
2. JFC shall appoint persons responsible for the management of various types of risks and establish a committee with the Governor & CEO as its Chairman to conduct reviews and examinations to ensure effective risk management.
3. JFC shall adopt Crisis Management Regulations and other rules relating to crisis management and establish crisis management systems to prepare for the occurrence of disasters and other critical events.
4. If a critical event occurs that either disrupts or is feared to disrupt normal operations, JFC shall establish a response headquarters as necessary and take measures for the speedy and efficient restoration of operations in accordance with various rules concerning crisis management.

Article 4. Systems to ensure efficient performance of duties by directors

1. The Board of Directors shall meet monthly and as necessary to make decisions on significant matters relating to the basic policy of operation for the entire JFC organization, and receive reports from directors concerning the performance status of their duties.
2. JFC shall establish an Advisory Council to the Governor & CEO and other deliberative bodies to ensure the efficient performance of duties by directors.
3. JFC shall clearly define the authority vested in the Governor & CEO and general managers, as well as that vested in directors, managing executive officers, department managers at the head office and other individuals with operational responsibility. Such individuals shall efficiently perform their duties in line with the authority vested upon them.

Article 5. Internal audit systems for ensuring proper operations

1. JFC shall adopt Internal Audit Regulations and other rules relating to internal audits to ensure the appropriateness and soundness of its operations.
2. JFC shall establish the internal audit departments, which shall be independent of audited divisions and under the direct authority of the Governor, to handle matters relating to internal audits.
3. The internal audit departments shall perform internal audits pursuant to various rules relating to internal audits under the direction of the Governor & CEO, and report the results of its audits to the Governor.
4. The internal audit departments shall periodically and as necessary, as well as upon request by a director or an Audit & Supervisory Board Member, report the results of internal audits to either the Board of Directors or other organizations or deliberative bodies under the direction of the Governor & CEO.
5. The internal audit departments shall exchange information as necessary with the Audit & Supervisory Board Members and the accounting auditors and shall strive to perform internal audits efficiently under the Governor's direction.

Article 6. Matters relating to employees assigned to assist Audit & Supervisory Board Members in performing their duties upon request by Audit & Supervisory Board Members

1. JFC shall assign full-time employees to assist the Audit & Supervisory Board Members in performing their duties.
2. Those full-time employees shall perform their duties in line with instructions from the Audit & Supervisory Board Members.
3. When deemed necessary, the Audit & Supervisory Board Members may assign employees other than the full-time employees referred to above to assist in the performance of audits with the approval of the Governor.

Article 7. Matters relating to independence from directors of employees assisting Audit & Supervisory Board Members

JFC shall secure prior approval of the full-time Audit & Supervisory Board Members on any decision concerning personnel evaluations, transfers, or other personnel matters relating to employees assisting with the performance of duties by the Audit & Supervisory Board Members.

Article 8. Matters relating to the effectiveness of instruction to employees assisting Audit & Supervisory Board Members

In addition to compliance with the preceding two articles, JFC shall not prevent employees from carrying out directives received from Audit & Supervisory Board Members when assisting such Audit & Supervisory Board Members.

Article 9. System of reporting by directors and employees to Audit & Supervisory Board Members and other systems of reporting to Audit & Supervisory Board Members

1. The representative director and other directors who perform operational duties shall make accurate reports concerning the status of performance of their duties from time to time at the Board of Directors' meetings and other important meetings attended by the Audit & Supervisory Board Members.
2. In the event that a director or an employee discovers any fact that has the potential of inflicting substantial harm upon JFC, or improper conduct or serious violations of the Laws and Regulations, such director or employee shall promptly report the fact to the Audit & Supervisory Board Members.

Article 10. System to ensure that directors and employees that have reported to Audit & Supervisory Board Members are not treated unfairly due to having submitted such reports

JFC shall not unfairly treat directors and employees that have submitted reports in accordance with Paragraph 2 of the preceding article.

Article 11. Matters relating to policy on procedures for prepayment or reimbursement of costs incurred due to the execution of Audit & Supervisory Board Members directives as well as the processing of costs and debt incurred due to the execution of other related duties

JFC shall not refuse invoices for costs incurred from the Audit & Supervisory Board Members seeking the advice of attorneys, certified public accountants, and other professionals concerning audits when deemed necessary for the effective performance of audits.

Article 12. System for ensuring effective performance of audits by Audit & Supervisory Board Members

1. The Audit & Supervisory Board Members shall be entitled to request reports from directors and employees concerning the status of performance of their duties whenever they determine such reports are necessary for the effective performance of audits. A director or employee who receives such a request shall promptly furnish a report in line with the request.
2. The Audit & Supervisory Board Members may attend important meetings, including the Board of Directors' meetings and those of the Advisory Council to the Governor & CEO, to express their opinions as necessary. Audit & Supervisory Board Members may also request to review minutes and other related documents concerning meetings they did not attend.
3. The Governor & CEO shall hold periodic meetings with the Audit & Supervisory Board Members to exchange opinions.
4. The Audit & Supervisory Board Members may request the cooperation of the internal audit departments and divisions that oversee risk management and compliance matters.
5. The Audit & Supervisory Board Members may seek the advice of attorneys, certified public accountants, and other professionals concerning audits when deemed necessary for the effective performance of audits.

Priority Areas of Internal Control

JFC has designated six priority areas for action concerning internal control with the aim of achieving sophisticated governance.

1 Compliance

JFC is pursuing highly transparent and efficient business operations and developing a compliance regime aimed at not only strict compliance with laws and regulations but also compliance fully congruent with social norms.

(1) Compliance Manual

JFC publishes a Compliance Manual that serves as a guidebook for practicing compliance, and ensures that all management and staff are fully knowledgeable of its contents.

(2) Internal Reporting System

With the goal of promptly recognizing and resolving behavior that poses or has the potential of posing compliance issues, JFC has established compliance help lines inside the company and at an attorney's office to allow employees to directly inform the company of any such behavior.

(3) Handling of Antisocial Forces

Recognizing that adopting a firm stance and rejecting all relationships with antisocial forces is essential for maintaining the trust of the public in JFC and for ensuring the appropriateness and soundness of its operations, JFC responds properly to antisocial forces in cooperation with the police and other competent organizations.

(4) Preventing Insider Trading

In an effort to prevent insider trading by its management and staff, JFC has adopted regulations that stipulate fundamental compliance requirements that all management and staff must follow. They are all required to be thoroughly knowledgeable of these regulations and to comply with them.

2 Risk Management

JFC is conducting integrated management of the risks it is facing to perform sustainable and stable policy-based financing.

Risks Subject to Management

Managed risk		Definition
Credit risk		Potential losses from a decline or loss of the value of credit assets (including off-balance sheet assets) due to deterioration in the financial conditions of borrowers.
Credit insurance underwriting risk		Potential losses that result from unexpected fluctuations in the covered risk occurrence rate, collection rate, or other factors not anticipated when insurance premiums are set.
Market risk		Potential losses from changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) or in returns generated by them, as a result of fluctuations in various market risk factors, including interest rates, foreign exchange rates and stock prices.
Liquidity risk		Potential losses from difficulties in funding due to a maturity mismatch between financing and funding or from being forced to fund at an interest rate significantly higher than in normal circumstances, as well as potential losses from a failure to make transactions in the market due to market turmoil or from being forced to make transactions at a significantly disadvantageous price than in normal circumstances.
Operational risk		Potential losses from inadequate or failed internal processes, people and systems or from external events.
	Administrative risk	Potential losses from negligence of duty or from accidents or misdeeds.
	Information technology risk	Potential losses from breakdown or malfunction in computer systems as well as from their misuse.
	Human risk	Potential losses as the result of inappropriate work conditions, improper workplace and safety environments, personnel turnovers, declines in morale, inadequate employee training, etc.
	Legal risk	Potential losses resulting from violations of laws, breaches of contracts, signing of inappropriate contracts, and other legal factors.
	Tangible asset risk	Potential losses from damage to tangible assets as the result of a disaster or other events.
	Reputational risk	Potential losses and damage from a decline in creditworthiness caused by such factors as a tarnished reputation or spread of rumors.

3 Management of Information Assets

JFC has adopted a security policy in order to ensure a high level of information security and contribute to appropriate and efficient business operations and also conducts appropriate information assets management.

Security Policy

Japan Finance Corporation (hereinafter "JFC") adopts the following fundamental policy concerning the use and management of information assets and will properly handle, manage, protect, and maintain information assets to achieve information security that meets the highest standards so as to support the proper and efficient operations of JFC.

(1) Basic Principles

JFC shall use and manage information assets in line with the basic principles set forth hereunder while complying with all applicable laws, regulations, and rules.

A. Information assets shall be used appropriately and only for their intended purposes.

B. Authority concerning the management of information assets shall be granted only after careful consideration of the nature of the work and necessity.

C. When adopting and implementing information security measures, the following matters shall be taken into consideration, based on the nature of the work:

a. clarification of responsibilities and roles within implementation structures;

b. timely and prompt implementation of necessary, sufficient, effective, and efficient measures.

(2) Proper Management of Information Assets

Information assets refer to information and information systems. Information assets are classified according to such factors as their degree of confidentiality, completeness, usability, and importance, and are managed appropriately in line with their classification.

(3) Information Asset Management Structures

Structures shall be established for ensuring the security of information assets.

(4) Protection of Personal Information

JFC shall protect and manage personal information by establishing a Privacy Policy in line with the provisions of the Act on the Protection of Personal Information (Act No. 57 of 2003).

(5) Information Security Training

JFC shall provide necessary training to all officers and employees who handle information assets as called for by the duties they perform and when needed so as to ensure that they understand the requirements imposed by applicable laws and regulations, as well as by this policy and other applicable rules, and prevent the occurrence of information security-related problems.

(6) Outsourcing of Work

In the event that JFC engages persons other than its officers and employees to manage its information assets by outsourcing such work, it shall verify that information security is ensured and take appropriate measures in line with the content of the information assets.

(7) Responses to Information Security Incidents

A. In the event of improper disclosure of personal or customer information or other incidents that present information security problems, JFC shall promptly introduce appropriate measures.

B. In the event information is obtained via cyber-attack of information systems, JFC shall promptly contact the Ministry of Finance.

(8) Evaluation and Review

This policy shall be evaluated and reviewed as necessary to enable flexible responses to such changes in the external environment as the enactment, amendment, or repeal of applicable laws and regulations, as well as innovations in information security technology, and to those in the internal environment, including organizational and operational changes, and updates to JFC's information systems.

4 Crisis Response Measures and Other Crisis Management

JFC has in place such organizations as a disaster and accident response headquarters, and an overseas crisis management committee to restore and maintain appropriate operational structures in the event of such disasters as earthquakes or fire, as well as emergency situations, such as accidents, or the outbreak of an infectious disease. We have also established the Business Continuity Plan (BCP [Note]) in anticipation of such disasters as earthquakes occurring in the Tokyo Metropolitan area or new strains of pandemic influenza to limit the effects of these disasters to the extent possible and facilitate a quick recovery.

Note: The Business Continuity Plan (BCP) enables the continuation or early restoration of core business operations which thereby minimizes economic loss in the event of a natural disaster or some other emergency situation.

5 Improving Customer Service

JFC strives to protect the interests of customers and enhance their convenience, and assumes the perspective of customers in its behavior under its Customer Protection Management Policy.

Customer Protection Management Policy

(1) Japan Finance Corporation (hereinafter "JFC") shall continuously protect the interests of its customers and strive to enhance the convenience afforded to customers by providing appropriate and adequate explanations and support in line with applicable laws and regulations.
(2) JFC shall provide customers with appropriate and adequate explanations and information concerning transactions and products.
(3) JFC shall respond fairly, promptly, and sincerely to customer inquiries and complaints in order to gain their understanding and trust, and shall strive to properly reflect them in its operations.
(4) JFC shall appropriately protect and manage customer-related information.
(5) JFC shall take steps to ensure that customer information is properly managed and responses to customers are properly handled when it outsources its work to outside parties.

* In this policy, "customers" refer to corporations, other organizations, and individuals who meet the following criteria:
i) Those who currently use JFC's services;
ii) Those who previously used JFC's services; and
iii) Those considering the use of JFC's services.

* JFC operations that require the protection of its customers are stipulated in Article 11 of the Japan Finance Corporation Act (Act No. 57 of May 25, 2007) and other JFC operations stipulated by laws and regulations.

6 Improving Workplace Environment

JFC conducts an awareness survey on all employees once per year to assess working environment and other challenges and help determine future initiatives to overcome these challenges. JFC makes active use of the views and assessments of the workers expressed in this survey to improve the workplace environment.

Promote Diversity and Improve the Workplace Environment

JFC has adopted a managerial policy of creating a workplace where employees can engage in meaningful work and promotes career development for women while also striving to create a workplace where it is possible regardless of gender to carry out work-life management (Note).

(Note) "Work-life management": Employees actively and willingly managing how they work and live so that they can enrich both their work and lives as they wish while also fulfilling their roles and responsibilities in each.

1 Promotion of Career Development for Women

We set a target of women making up 7% or more of managerial staff by April 2023 (Note), and are undertaking training and promoting of women to achieve that target.

Among the specific measures are a training system to take participants from clerical work to business operations, and female employees are sent to external seminars with the aim of increasing their skills. In-house forums are also held for female managers and female senior management positions.

In addition, a Mentoring System was introduced for young employees in which veteran employees act not only as advisors for work related issues but also provide individual support by discussing issues related to work-life management, etc.

(Note) Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015)

2 Create a Workplace Where Diverse Human Resources Can Fulfill Their Potential

JFC makes use of systems that enable flexible working styles, such as teleworking, and seeks to create workplaces where diverse human resources can demonstrate their full capabilities.

3 Supporting Work-life Balance

In order to realize flexible working styles, we are developing measures to support work-life balance in accordance with the current life stage of employees.

In addition, we encourage men to participate in housework and childcare by urging male employees to take childcare leave and time off.

JFC has obtained special Platinum Kurumin (certification) in accordance with the Next Generation Nurturing Support Measures Promotion Act (Act No. 120 of 2003) as an enterprise that offers superior child-rearing support.

@Platinum Kurumin

4 Promotion of Diverse Work Styles

As part of our implementation of work-life management, we promote the implementation of "two no overtime days per week" and the planning vacation acquisition. We also hold study sessions and disseminate information internally in order to encourage flexible working styles such as teleworking. Through these initiatives, we are raising time productivity and promoting diverse work styles for each employee.

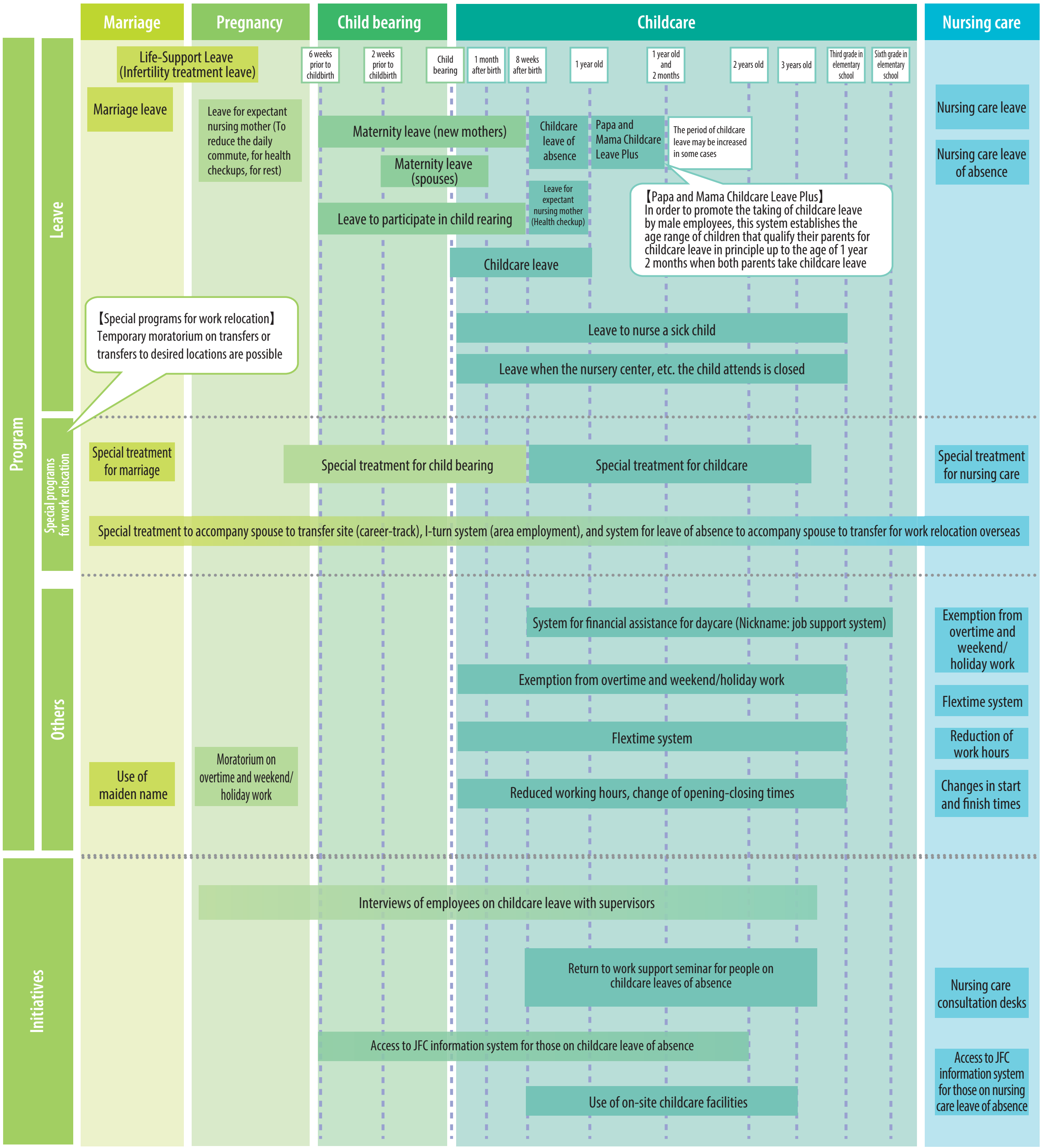
5 Measures to Promote Diversity at the Head Office and Branch Offices

We are actively working to solve workplaces issues at the Head Office and all 152 branches nationwide, mainly through the ten Regional Committees for the Promotion of Diversity blocks (located at the Sapporo, Sendai, Saitama, Tokyo, Yokohama, Nagoya, Osaka, Hiroshima, Takamatsu and Fukuoka branches).

6 Reflection of Employee Needs in All Policies

Once a year we conduct an awareness survey of all employees to ascertain problems related to workplace environments. We reflect the views of the employees expressed in this survey in all of our policies to improve workplace environments.

Balance support measures for major life stage



Protection of Personal Information

JFC adopted and made available to the public its Privacy Policy with provisions necessary for the appropriate management of personal information in its possession in accordance with the Act on the Protection of Personal Information (Act No. 57 of 2003) and other laws relating to the protection of personal information.

Privacy Policy

Japan Finance Corporation (hereinafter "JFC") positions the trust of our clients as our first priority, deeply recognizes the importance of our clients' personal information, and believes that it is our duty to our clients to properly manage and protect their personal information.

With a view to protecting our clients' personal information, JFC will conduct our operations in a manner whereby we observe the Act on the Protection of Personal Information (hereinafter called the "Law"), the Guidance concerning the Measures to Properly Manage the Personal Information Held by Administrative Organs, etc., and so forth.

1 Acquisition of Personal Information

JFC will acquire our clients' personal information through proper and lawful means.

When we acquire personal information from our clients directly in writing, we will specify in advance the purposes for its use that are within the necessary scope of JFC's operations.

2 Use of Personal Information

JFC will specify the purposes for use in obtaining the necessary personal information of our clients as listed below, and will use it within the scope that is necessary to achieve such purposes:

For all JFC Sectors

① To confirm the clients' personal identity (including qualifications and requirements for our various Loan Programs).
② To receive loan applications, decide loan approvals, and conduct loan management after disbursements and/or repayments.
③ To make contracts, and exercise legal rights and obligations.
④ To conduct surveys and research through issuing questionnaires and providing reference information.
⑤ To respond properly and smoothly to questions and inquiries, and deal with transactions including queries from JFC.

Micro Business and Individual Unit

① Direct mailings providing information on Loan Programs, etc. (Note)

Note: JFC may use direct mailing to furnish its customers with information on its Loan Programs that it believes to be in the best interest of the customers. Customers who do not wish to receive such mailings may request to be removed from the mailing list by contacting a local branch of the Micro Business and Individual Unit.

② Disclosure to designated recipients of information listed in the following table.

Customer information disclosed	Recipient
a. Customers who inquire about or submit applications for business improvement Loan Program	Chambers of commerce and industry, commerce and industry associations, and prefectural federations of societies of commerce and industry
b. Customers who inquire about or submit applications for environmental health improvement Loan Program	Prefectural environmental health industry associations and prefectural environmental health business guidance centers
c. Customers who submit applications for general loans, Managerial improvement Loan (limited to Micro/Small Business Management Development Support Fund), special loans and environmental health business loans (excluding environmental health improvement loans) and educational Loan Program	Consumer credit agencies
d. Customers who submit applications for government pension- and mutual aid pension-backed Loan Programs	Government agencies that determine government pensions, etc.
e. Customers who submit applications for loan guarantees by Educational Financing Guarantee Fund (limited to education Loan Program)	Educational Financing Guarantee Fund
f. Customers who submit applications for group credit life insurance	Kouko Group Credit Life Insurance Association
g. Customers who submit applications for loans with guarantee from Credit Guarantee Corporations	Prefectural Credit Guarantee Corporations

Agriculture, Forestry, Fisheries and Food Business Unit

① Screening procedures by administrative agencies necessary for loans, and procedures for receipt of confirmatory documents and opinion letters from administrative agencies necessary for loans.
② Disclosure of information to third parties to the extent necessary for proper execution of operations, such as reporting to competent ministries and supervisory agencies.
③ Preparation of documents for use in making loan decisions, such as by conducting data analysis.
④ Disclosure of information relating to loans/repayment, such as the mailing of payment notices.
⑤ Surveys and research using questionnaires and so on, and the provision of reference information such as through direct mail. (Note)

Note: JFC may use direct mailing to furnish its customers with information on its Loan Programs that it believes to be in the best interest of the customers. Customers who do not wish to receive such mailings may request to be removed from the mailing list by contacting a local branch of the Agriculture, Forestry, Fisheries and Food Business Unit.

Small and Medium Enterprise (SME) Unit

① Accepts letters of credit, decides on issuance of letters of credit and management after issuance.
② Decides on continuous trading related to credit business.
③ Acceptance of credit insurance, payment of insurance money, and management of insurance after insurance accepted.
④ Cancelled transactions and post-management following transaction cancellation.
⑤ Provision of business management information necessary for SMEs to aid the client's growth and development.
⑥ Implementation and disclosure of survey results on business trends among SMEs to aid the client's growth and development.
⑦ Provision of information or suggestions concerning Loan Programs. (Note)

Note: JFC may use direct mailing to furnish its customers with information on its Loan Programs that it believes to be in the best interest of the customers. Customers who do not wish to receive such mailings may request to be removed from the mailing list by contacting a local branch of the Small and Medium Enterprise (SME) Unit.

⑧ Evaluation of policies regarding SMEs, and release of evaluation results, as well as research and development concerning new policy-based financing methods.

Crisis Response Finance Department, etc.

① Casualty insurance underwriting, damage compensation, and post-crisis management.
② Payment of interest subsidies and management subsequent to payment.

3 Provision of Personal Information to Third Parties

JFC will not provide the personal information acquired from its clients to third parties except for in the following cases:

(1) It is required by law.
(2) It is provided within the scope of the purposes for use as prescribed above.
(3) Consent is obtained from the clients.
(4) There are convincing reasons why administrative organs, incorporated administrative agencies, local municipal entities or local incorporated administrative agencies would use it to the necessary extent to carry out the law-stipulated operations.
(5) It is used for statistics compilation or academic research.
(6) It is clearly beneficial to the clients or there exist special reasons to provide personal information.

4 Subcontract

JFC may subcontract the handling of our clients' personal information to conduct such operations more smoothly. In such cases, JFC will attempt to select a trustworthy subcontractor, enter into a confidentiality agreement, supervise the handling and administering of the personal information impeccably, and assure the protection of personal information.

5 Personal Information Management

(1) JFC will attempt to keep our clients' personal information correct and updated, and take prevention and safety measures against unauthorized access, leakage, loss, damage, and alteration of personal information.
(2) JFC will constantly educate its employees about the protection and proper management of our clients' personal information to thoroughly make sure of its proper handling in its daily operations.
(3) JFC will audit whether the protection and management of personal information is undertaken properly.

6 Disclosure, Correction, and Disuse

If a client wishes to make a request to disclose, correct or disuse the clients' personal information held by JFC, we will deal with such a request by following the procedure of disclosure stipulated in the Law.

Meanwhile, there are some cases when such disclosure could be made out of the procedure of disclosure stipulated in the Law, for which please contact our nearest office of the relevant Unit.

7 Inquiries about Personal Information Management

For inquiries or complaints about the clients' personal information management at JFC, please contact our nearest office of the relevant Unit.

8 Continuous Improvement

JFC will continuously improve the clients' personal information management as necessary.

JFC has formulated a "Basic policy on safety management of Specific Personal Information, etc." that establishes the items necessary for appropriate management of personal numbers and specific personal information (hereafter referred to as "Specific Personal Information, etc.") in accordance with the Act on the Use of Numbers to Identify a Specific Individuals in Administrative Procedures (Act No. 27 of 2013).

Basic policy on safety management of Specific Personal Information, etc.

1 Approach to the Protection of Specific Personal Information, etc.

Japan Finance Corporation handles personal numbers and specific personal information (hereafter referred to as "Specific Personal Information, etc.") in administrative procedures specified in the Act on the Use of Numbers to Identify a Specific Individuals in Administrative Procedures (Act No. 27 of 2013; referred to as the "Social Security and Tax Number Law"). The Social Security and Tax Number Law provides for stricter protective measures such as limiting the scope of use of Specific Personal Information, etc., with the measures specified in the Act on the Protection of Personal Information (Act No. 57 of 2003) as special provisions, and accordingly, Japan Finance Corporation established management systems and rules on the handling of Specific Personal Information, etc., takes measures to ensure compliance by officers and employees, and properly handles Specific Personal Information, etc.

2 Policy for Protection of Specific Personal Information, etc.

All work that deals with Specific Personal Information, etc. should properly handle it in accordance with the following principles.

(1) Regulatory compliance

Comply with all laws, etc. (Note) relating to appropriate handling of Specific Personal Information, etc.

Note: Laws, etc. includes the following

- Social Security and Tax Number Law
- Laws and ordinances relating to protection of personal information, etc.
- Guidelines relating to the proper handling of specific personal information (version for administrative organs, regional public organizations, etc.) (2014 Specific Personal Information Protection Commission Public Notice No. 6)
- The Guidance concerning the Measures to Properly Manage the Personal Information Held by Administrative Organs, etc.

(2) Safety Management Measures

Take necessary safety management measures to prevent disclosure, damage or destruction of Specific Personal Information, etc., and carry out other appropriate management.

(3) Utilization for Purposes Other Than Proper Collection, Storage, Use and Disposal Is Forbidden

Collection, storage and provision of Specific Personal Information, etc. should only be carried out for use within the scope necessary to achieve the purposes reported beforehand to the person identified by said information as part of the work established in the Social Security and Tax Number Law. Said Specific Personal Information, etc. should be swiftly disposed of when no longer needed. Moreover, measures should be taken to prevent utilization for other than intended purposes.

(4) Outsourcing and Subcontracting

When work that handles Specific Personal Information, etc. is outsourced in whole or in part, contractors (including subcontractors) should be properly supervised as necessary to ensure that safety management measures are in place which are equivalent to the measures that JFC should itself carry out based on compliance with Social Security and Tax Number Law.

(5) Continuous Improvement

Regulations for handling Specific Personal Information, etc. and safety management measures should be continuously reviewed in an attempt to improve upon them.

Information Disclosure Systems

JFC is working to expand the disclosure of information in its possession in order to hold itself accountable to the public.

JFC is subject to the Act on Access to Information Held by Incorporated Administrative Agencies (Act No. 140 of 2001). JFC works to promote better information disclosure through a system for filing requests as well as a system for information provision.

The main types of information made available to the public are as follows:

Major Types of Information Made Available to the Public

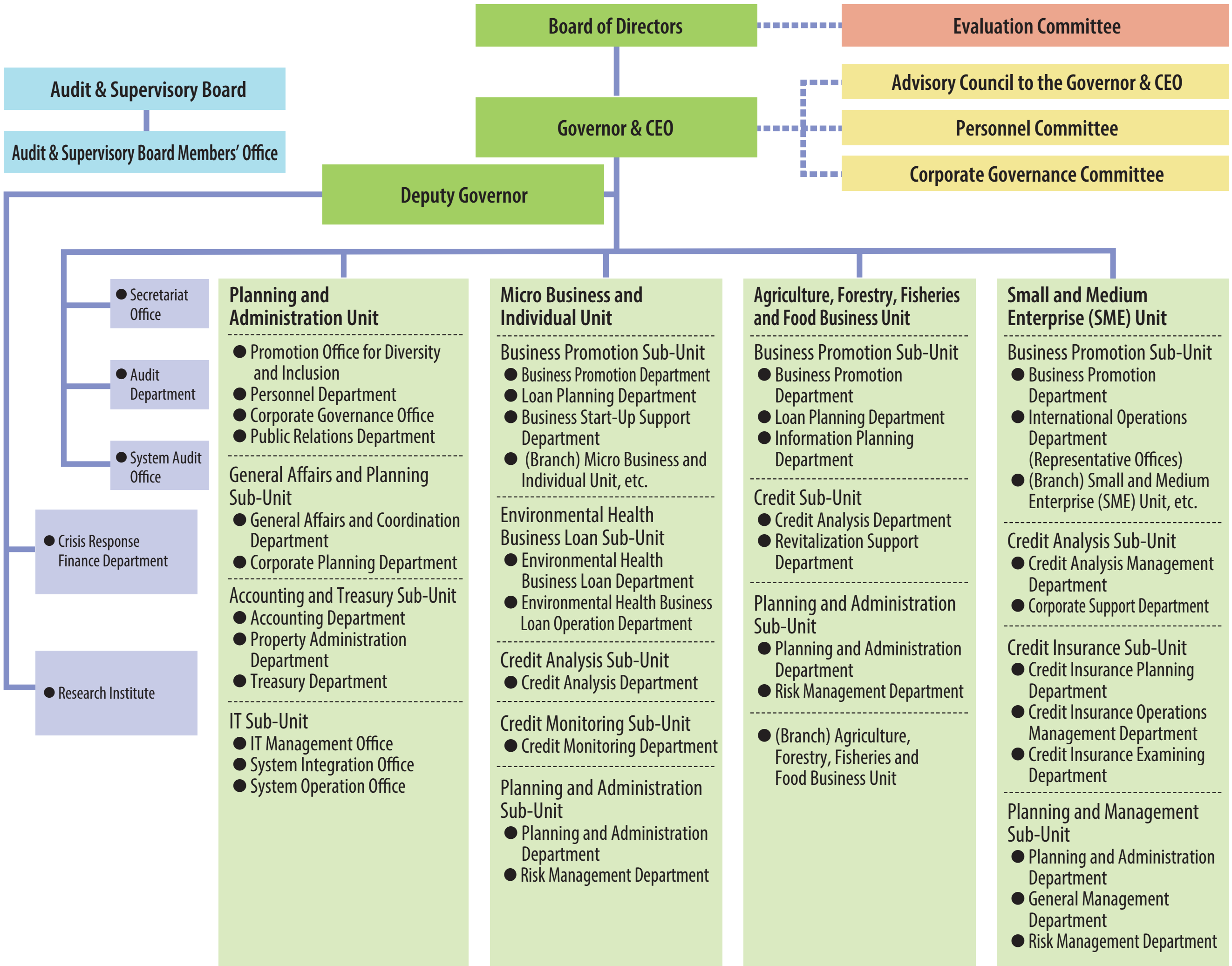
<table>
<tr><th>Information type</th><th>Disclosure site and method</th><th>Disclosure period</th></tr>
<tr><td>Business reports</td><td rowspan="7">• Available at all branches
• Distributed to National Diet Library, regional public organizations, and business groups</td><td rowspan="7">June-September</td></tr>
<tr><td>Supporting schedules</td></tr>
<tr><td>Asset inventories</td></tr>
<tr><td>Financial statements</td></tr>
<tr><td> Opinions by Audit & Supervisory Board Members</td></tr>
<tr><td>Audit reports by Audit & Supervisory Board</td></tr>
<tr><td>Audit reports by CPA firm</td></tr>
<tr><td>Annual Reports (this document)</td><td>• Available at all branches
• Distributed upon request</td><td>August</td></tr>
<tr><td>Website
• Includes explanations of business activities, business performance, organizational structures, financial conditions, etc.
• Electronic public notice</td><td>• Available on Internet
(https://www.jfc.go.jp/n/english/)</td><td>Updated as necessary</td></tr>
</table>

Memo

Organization and History

Organization

Organization Chart of Japan Finance Corporation



Directors and Audit & Supervisory Board Members (As of June 16, 2022)

Governor & CEO	TANAKA Kazuho	Managing Director	TAGUCHI Katsuyuki	External Executive Director	OTANI Kunio
Deputy Governor	IWAMA Kunihiko	Managing Director	TANIGUCHI Shinichi	External Executive Director	KURIHARA Mitsue
Senior Managing Director	TOMIYAMA Kazushige	Managing Director	SUZUKI Naoto	Audit & Supervisory Board Member	JOKO Keisuke
Senior Managing Director	KURASHIGE Yasuhiko	Executive Director	MEIHARA Yasushi	Audit & Supervisory Board Member	KUSUMI Nobuyasu
Senior Managing Director	YONEDA Kenzo	Executive Director	TANIGUCHI Shinji	External Audit & Supervisory Board Member	YAMADA Yuichi
Senior Managing Director	ONO Yota	Executive Director	SOGAME Mikio	Audit & Supervisory Board Member	MITA Yoshihiro
Managing Director	WATANABE Masahiro	Executive Director	KATO Yoshiaki	External Audit & Supervisory Board Member	MIYAGI Noriko
Managing Director	SASAKI Yusuke	Executive Director	SAGO Tatsuya		

Office Locations (As of September 2022)

	Location	Telephone Number
Head Office	Otemachi Financial City North Tower, 1-9-4, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan	
Hokkaido		
Sapporo Branch		
Micro Unit	Hokkaido Keizai Center Bldg., Nishi 2-2-2, Kita 1-jo, Chuo-ku, Sapporo-shi, Hokkaido 060-0001, Japan	+81-570-000202 (Navi Dial)
AFFF Unit		+81-11-251-1261
SME Unit		+81-11-281-5221
Sapporo-Kita Branch		
Micro Unit	Ito 110 Bldg., Nishi 4-5-1, Kita 7-jo, Kita-ku, Sapporo-shi, Hokkaido 060-0807, Japan	+81-570-000230 (Navi Dial)
Hakodate Branch		
Micro Unit	20-9, Toyokawacho, Hakodate-shi, Hokkaido 040-0065, Japan	+81-570-001009 (Navi Dial)
SME Unit		+81-138-23-7175
Otaru Branch		
Micro Unit	2-1-3, Inaho, Otaru-shi, Hokkaido 047-0032, Japan	+81-570-002986 (Navi Dial)
Asahikawa Branch		
Micro Unit	Asahi Seimei Asahikawa Bldg., 9-1704-12, Shijo-Dori, Asahikawa-shi, Hokkaido 070-0034, Japan	+81-570-000266 (Navi Dial)
SME Unit		+81-166-24-4161
Muroran Branch		
Micro Unit	2-9-8, Higashimachi, Muroran-shi, Hokkaido 050-0083, Japan	+81-570-002540 (Navi Dial)
Kushiro Branch		
Micro Unit	Doto Keizai Center Bldg., 1-1-1, Omachi, Kushiro-shi, Hokkaido 085-0847, Japan	+81-570-002172 (Navi Dial)
SME Unit		+81-154-43-2541
Obihiro Branch		
Micro Unit	Obihiro Odori Bldg., Odoriminami 9-4, Obihiro-shi, Hokkaido 080-0010, Japan	+81-570-001698 (Navi Dial)
AFFF Unit		+81-155-27-4011
Kitami Branch		
Micro Unit	1-2-22, Saiwaicho, Kitami-shi, Hokkaido 090-0036, Japan	+81-570-002313 (Navi Dial)
AFFF Unit		+81-157-61-8212
Aomori		
Aomori Branch		
Micro Unit	AQUA Aomori Nagashima Bldg., 1-5-1, Nagashima, Aomori-shi, Aomori 030-0861, Japan	+81-570-003521 (Navi Dial)
AFFF Unit		+81-17-777-4211
SME Unit		+81-17-734-2511
Hirosaki Branch		
Micro Unit	Hirosaki Shoko Kaigisho Kaikan, 18-1, Kamisayashimachi, Hirosaki-shi, Aomori 036-8354, Japan	+81-570-004375 (Navi Dial)
Hachinohe Branch		
Micro Unit	1-2, Babacho, Hachinohe-shi, Aomori 031-0074, Japan	+81-570-003753 (Navi Dial)
Iwate		
Morioka Branch		
Micro Unit	2-7-21, Saien, Morioka-shi, Iwate 020-0024, Japan	+81-570-004730 (Navi Dial)
AFFF Unit		+81-19-653-5121
SME Unit		+81-19-623-6125
Ichinoseki Branch		
Micro Unit	1-9, Jonai, Ichinoseki-shi, Iwate 021-0877, Japan	+81-570-004802 (Navi Dial)
Miyagi		
Sendai Branch		
Micro Unit I	Tokyo Tatemono Sendai Bldg., 1-6-35, Chuo, Aobaku, Sendai-shi, Miyagi 980-8452, Japan	+81-570-005843 (Navi Dial)
Micro Unit II		+81-570-005864 (Navi Dial)
AFFF Unit	Tokyo Tatemono Sendai Bldg., 1-6-35, Chuo, Aobaku, Sendai-shi, Miyagi 980-8454, Japan	+81-22-221-2331
SME Unit	Tokyo Tatemono Sendai Bldg., 1-6-35, Chuo, Aobaku, Sendai-shi, Miyagi 980-8453, Japan	+81-22-223-8141

	Location	Telephone Number
Ishinomaki Branch		
Micro Unit	Meiji Chuo Bldg., 16-1, Kokucho, Ishinomaki-shi, Miyagi 986-0825, Japan	+81-570-006709 (Navi Dial)
Akita		
Akita Branch		
Micro Unit	Hokuto Bldg., 5-1-51, Naka-dori, Akita-shi, Akita 010-0001, Japan	+81-570-005597 (Navi Dial)
AFFF Unit		+81-18-833-8247
SME Unit		+81-18-832-5511
Odate Branch		
Micro Unit	2-3-38, Onaricho, Odate-shi, Akita 017-8567, Japan	+81-570-005626 (Navi Dial)
Yamagata		
Yamagata Branch		
Micro Unit	Yamagata Shoko Kaigisho Kaikan, 3-1-9, Nanokamachi, Yamagata-shi, Yamagata 990-0042, Japan	+81-570-006754 (Navi Dial)
AFFF Unit		+81-23-625-6135
SME Unit		+81-23-641-7941
Yonezawa Branch		
Micro Unit	Yonezawa Shoko Kaigisho Kaikan, 4-1-30, Chuo, Yonezawa-shi, Yamagata 992-0045, Japan	+81-570-007787 (Navi Dial)
Sakata Branch		
Micro Unit	Sakata Sangyo Kaikan, 2-5-10, Nakacho, Sakata-shi, Yamagata 998-0044, Japan	+81-570-007419 (Navi Dial)
Fukushima		
Fukushima Branch		
Micro Unit	Unix Bldg., 6-6, Sakaemachi, Fukushima-shi, Fukushima 960-8031, Japan	+81-570-008503 (Navi Dial)
AFFF Unit		+81-24-521-3328
SME Unit		+81-24-522-9241
Aizuwakamatsu Branch		
Micro Unit	2-35, Nakamachi, Aizuwakamatsu-shi, Fukushima 965-0878, Japan	+81-570-009386 (Navi Dial)
Koriyama Branch		
Micro Unit	Yamaso Koriyama Bldg., 1-6-21, Shimizudai, Koriyama-shi, Fukushima 963-8005, Japan	+81-570-009629 (Navi Dial)
Iwaki Branch		
Micro Unit	1-5, Hishikawacho, Taira, Iwaki-shi, Fukushima 970-8026, Japan	+81-570-008545 (Navi Dial)
Ibaraki		
Mito Branch		
Micro Unit	3-3-55, Minamimachi, Mito-shi, Ibaraki 310-0021, Japan	+81-570-009857 (Navi Dial)
AFFF Unit		+81-29-232-3623
SME Unit		+81-29-231-4246
Hitachi Branch		
Micro Unit	Akiyama Bldg., 2-1-48, Saiwaicho, Hitachi-shi, Ibaraki 317-0073, Japan	+81-570-012777 (Navi Dial)
Tsuchiura Branch		
Micro Unit	Tamagawa Tsuchiura Bldg., 1-1-26, Chuo, Tsuchiura-shi, Ibaraki 300-0043, Japan	+81-570-012646 (Navi Dial)
Tochigi		
Utsunomiya Branch		
Micro Unit	1-31, Nibancho, Utsunomiya-shi, Tochigi 320-0813, Japan	+81-570-012903 (Navi Dial)
AFFF Unit		+81-28-636-3901
SME Unit		+81-28-636-7171
Sano Branch		
Micro Unit	2806-1, Takasagocho, Sano-shi, Tochigi 327-0022, Japan	+81-570-015099 (Navi Dial)
Gunma		
Maebashi Branch		
Micro Unit	1-6-19, Honmachi, Maebashi-shi, Gunma 371-0023, Japan	+81-570-015124 (Navi Dial)
AFFF Unit		+81-27-243-6061
SME Unit		+81-27-243-0050

	Location	Telephone Number
Takasaki Branch		
Micro Unit	Okaba Takasaki Bldg., 81, Renjakucho, Takasaki-shi, Gunma 370-0826, Japan	+81-570-015165 (Navi Dial)
Saitama		
Saitama Branch		
Micro Unit	Omiya Miyacho Bldg., 1-109-1, Miyacho, Omiya-ku, Saitama-shi, Saitama 330-0802, Japan	+81-570-017202 (Navi Dial)
AFFF Unit		+81-48-645-5421
SME Unit		+81-48-643-8320
Urawa Branch		
Micro Unit	4-25-14, Kishicho, Urawa-ku, Saitama-shi, Saitama 330-0064, Japan	+81-570-015295 (Navi Dial)
Kawagoe Branch		
Micro Unit	Nihon Seimei Kawagoe Bldg., 14-1, Wakitahoncho, Kawagoe-shi, Saitama 350-1123, Japan	+81-570-017448 (Navi Dial)
Kumagaya Branch		
Micro Unit	2-45, Miyacho, Kumagaya-shi, Saitama 360-0041, Japan	+81-570-015958 (Navi Dial)
Koshigaya Branch		
Micro Unit	Koshigaya Higashi Ekimae Bldg., 3-33, Yayoicho, Koshigaya-shi, Saitama 343-0816, Japan	+81-570-017686 (Navi Dial)
Niigata		
Niigata Branch		
Micro Unit	MetLife Niigata Telecom Bldg. (former NBF Niigata Telecom Bldg.), 4-4-27, Bandai, Chuo-ku, Niigata-shi, Niigata 950-0088, Japan	+81-570-018548 (Navi Dial)
AFFF Unit		+81-25-240-8511
SME Unit		+81-25-244-3122
Nagaoka Branch		
Micro Unit	3-9-23, Senju, Nagaoka-shi, Niigata 940-0087, Japan	+81-570-020295 (Navi Dial)
Sanjo Branch		
Micro Unit	Sanjo Shoko Kaigisho Kaikan, 1-20, Sugoro, Sanjo-shi, Niigata 955-0092, Japan	+81-570-021403 (Navi Dial)
Takada Branch		
Micro Unit	Asutopia Takada, 5-4-5 Honcho, Joetsu-shi, Niigata 943-0832, Japan	+81-570-020527 (Navi Dial)
Nagano		
Nagano Branch		
Micro Unit	1291, Miwatamachi, Nagano-shi, Nagano 380-0816, Japan	+81-570-021469 (Navi Dial)
AFFF Unit		+81-26-233-2152
Matsumoto Branch		
Micro Unit	Nihon Seimei Matsumotoekimae Bldg., 1-4-20, Chuo, Matsumoto-shi, Nagano 390-0811, Japan	+81-570-023118 (Navi Dial)
SME Unit		+81-263-33-0300
Komoro Branch		
Micro Unit	Komoro Shoko Kaigisho Kaikan, 3-3-12, Aioicho, Komoro-shi, Nagano 384-0025, Japan	+81-570-026076 (Navi Dial)
Ina Branch		
Micro Unit	3413-2, Arai, Ina-shi, Nagano 396-0025, Japan	+81-570-023834 (Navi Dial)
Chiba		
Chiba Branch		
Micro Unit	Sen City Tower, 1000, Shinmachi, Chuo-ku, Chiba-shi, Chiba 260-0028, Japan	+81-570-037502 (Navi Dial)
AFFF Unit		+81-43-238-8501
SME Unit		+81-43-243-7121
Funabashi Branch		
Micro Unit	Funabashi Shoko Kaigisho Kaikan, 1-10-10, Honcho, Funabashi-shi, Chiba 273-0005, Japan	+81-570-039512 (Navi Dial)
Tateyama Branch		
Micro Unit	1063-2, Hojo, Tateyama-shi, Chiba 294-0045, Japan	+81-570-037524 (Navi Dial)
Matsudo Branch		
Micro Unit	Chibagin Bldg., 7-10, Honcho, Matsudo-shi, Chiba 271-0091, Japan	+81-570-037762 (Navi Dial)

	Location	Telephone Number
Tokyo		
Tokyo Branch		
Micro Unit	Otemachi Financial City North Tower, 1-9-4, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan	+81-570-031227 (Navi Dial)
AFFF Unit		+81-3-3270-9791
SME Unit I		+81-3-3270-1282
SME Unit II		+81-3-3270-7994
SME Unit III		+81-3-3270-6801
Tokyo-Chuo Branch		
Micro Unit	1-17-28, Shinkawa, Chuo-ku, Tokyo 104-0033, Japan	+81-570-026103 (Navi Dial)
Shinjuku Branch		
Micro Unit	1-14-9, Nishishinjuku, Shinjuku-ku, Tokyo 160-0023, Japan	+81-570-026825 (Navi Dial)
SME Unit		+81-3-3343-1261
Ueno Branch		
Micro Unit	Nihon Seimei Ueno Bldg., 2-18-10, Higashiueno, Taito-ku, Tokyo 110-0015, Japan	+81-570-032371 (Navi Dial)
Koto Branch		
Micro Unit	Nihon Seimei Kinshicho Bldg., 3-7-8, Kotobashi, Sumida-ku, Tokyo 130-0022, Japan	+81-570-031092 (Navi Dial)
Gotanda Branch		
Micro Unit	Nihon Seimei Gotanda Bldg., 1-31-1, Nishigotanda, Shinagawa-ku, Tokyo 141-0031, Japan	+81-570-032140 (Navi Dial)
Omori Branch		
Micro Unit	1-15-17, Omorikita, Ota-ku, Tokyo 143-0016, Japan	+81-570-026894 (Navi Dial)
SME Unit		+81-3-5763-3001
Shibuya Branch		
Micro Unit	Nihon Seimei Bldg., 1-21-1, Jinnan, Shibuya-ku, Tokyo 150-0041, Japan	+81-570-031502 (Navi Dial)
Ikebukuro Branch		
Micro Unit	Nissei Ikebukuro Bldg., 1-24-1, Higashiikebukuro, Toshima-ku, Tokyo 170-0013, Japan	+81-570-027352 (Navi Dial)
SME Unit		+81-3-3986-1261
Itabashi Branch		
Micro Unit	Itabashi Hojin Kaikan, 39-2, Hikawacho, Itabashi-ku, Tokyo 173-0013, Japan	+81-570-032415 (Navi Dial)
Senju Branch		
Micro Unit	Taiju Seimei Kitasenju Bldg., 41-1, Senjunakacho, Adachi-ku, Tokyo 120-0036, Japan	+81-570-031482 (Navi Dial)
SME Unit		+81-3-3870-2125
Hachioji Branch		
Micro Unit	T-5place, 7-3, Azumacho, Hachioji-shi, Tokyo 192-0082, Japan	+81-570-037386 (Navi Dial)
Tachikawa Branch		
Micro Unit	Shin-Suzuharu Bldg., 2-8-3 Akebonocho, Tachikawa-shi, Tokyo 190-8551, Japan	+81-570-032591 (Navi Dial)
SME Unit		+81-42-528-1261
Mitaka Branch		
Micro Unit	Sanshiro Bldg., 3-26-9, Shimorenjaku, Mitaka-shi, Tokyo 181-0013, Japan	+81-570-035745 (Navi Dial)
Kanagawa		
Yokohama Branch		
Micro Unit	2-21-2, Minaminakadori, Naka-ku, Yokohama-shi, Kanagawa 231-8831, Japan	+81-570-039574 (Navi Dial)
AFFF Unit		+81-45-641-1841
SME Unit		+81-45-682-1061
Yokohama Nishiguchi Branch		
Micro Unit	Nihon Seimei Bldg., 1-11-7, Kitasaiwai, Nishi-ku, Yokohama-shi, Kanagawa 220-0004, Japan	+81-570-041137 (Navi Dial)
Kawasaki Branch		
Micro Unit	Kawasaki Frontier Bldg., 11-2, Ekimaehoncho, Kawasaki-ku, Kawasaki-shi, Kanagawa 210-0007, Japan	+81-570-041403 (Navi Dial)
Odawara Branch		
Micro Unit	Odawara Hakone Shoko Kaigisho Kaikan, 4-2-39, Honcho, Odawara-shi, Kanagawa 250-0012, Japan	+81-570-041420 (Navi Dial)

	Location	Telephone Number
Atsugi Branch		
Micro Unit	Meiji Yasuda Seimei Atsugi Bldg., 3-11-21, Nakacho, Atsugi-shi, Kanagawa 243-8575, Japan	+81-570-041632 (Navi Dial)
SME Unit		+81-46-297-5071
Yamanashi		
Kofu Branch		
Micro Unit	2-26-2, Marunouchi, Kofu-shi, Yamanashi 400-0031, Japan	+81-570-042086 (Navi Dial)
AFFF Unit		+81-55-228-2182
SME Unit		+81-55-228-5790
Toyama		
Toyama Branch		
Micro Unit	Toyama Daiichi Seimei Bldg., 2-25, Sakurabashidori, Toyama-shi, Toyama 930-0004, Japan	+81-570-044686 (Navi Dial)
AFFF Unit		+81-76-441-8411
SME Unit		+81-76-442-2483
Takaoka Branch		
Micro Unit	Takaoka Shoko Bldg. Annex, 1-40, Marunouchi, Takaoka-shi, Toyama 933-0912, Japan	+81-570-045028 (Navi Dial)
Ishikawa		
Kanazawa Branch		
Micro Unit	Asahi Seimei Kanazawa Bldg., 6-1, Minamicho, Kanazawa-shi, Ishikawa 920-0919, Japan	+81-570-045202 (Navi Dial)
AFFF Unit		+81-76-263-6471
SME Unit		+81-76-231-4275
Komatsu Branch		
Micro Unit	Komatsu Shoko Kaigisho Bldg., Ni-1, Sonomachi, Komatsu-shi, Ishikawa 923-0801, Japan	+81-570-045445 (Navi Dial)
Fukui		
Fukui Branch		
Micro Unit	Fukui Shoko Kaigisho Bldg., 2-8-1, Nishikida, Fukui-shi, Fukui 918-8004, Japan	+81-570-045462 (Navi Dial)
AFFF Unit		+81-776-33-2385
SME Unit		+81-776-33-0030
Takefu Branch		
Micro Unit	Century Plaza, 1-2-3, Fuchu, Echizen-shi, Fukui 915-0071, Japan	+81-570-045515 (Navi Dial)
Gifu		
Gifu Branch		
Micro Unit	Gifu Skywing 37 West Building, 6-31, Yoshinomachi, Gifu-shi, Gifu 500-8844, Japan	+81-570-049154 (Navi Dial)
AFFF Unit		+81-58-264-4855
SME Unit		+81-58-265-3171
Tajimi Branch		
Micro Unit	Totetsu Bldg., 2-70-5, Honmachi, Tajimi-shi, Gifu 507-0033, Japan	+81-570-049200 (Navi Dial)
Shizuoka		
Shizuoka Branch		
Micro Unit	Daido Seimei Shizuoka Bldg., 59-6, Kuroganecho, Aoi-ku, Shizuoka-shi, Shizuoka 420-0851, Japan	+81-570-049824 (Navi Dial)
AFFF Unit		+81-54-205-6070
SME Unit		+81-54-254-3631
Hamamatsu Branch		
Micro Unit	Hamamatsu ACT Tower, 111-2, Itayamachi, Naka-ku, Hamamatsu-shi, Shizuoka 430-7723, Japan	+81-570-049890 (Navi Dial)
SME Unit		+81-53-453-1611
Numazu Branch		
Micro Unit	5-7, Ichibacho, Numazu-shi, Shizuoka 410-8585, Japan	+81-570-050737 (Navi Dial)
Aichi		
Nagoya Branch		
Micro Unit	Horiuchi Bldg., 3-25-9, Meieki, Nakamura-ku, Nagoya-shi, Aichi 450-0002, Japan	+81-570-053634 (Navi Dial)
AFFF Unit		+81-52-582-0741
SME Unit		+81-52-551-5181
Nagoya Naka Branch		
Micro Unit	Daiei Bldg., 1-11-20, Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003, Japan	+81-570-053502 (Navi Dial)

	Location	Telephone Number
Atsuta Branch		
Micro Unit	7-30, Tamanoicho, Atsuta-ku, Nagoya-shi, Aichi 456-0025, Japan	+81-570-053569 (Navi Dial)
SME Unit		+81-52-682-7881
Toyohashi Branch		
Micro Unit	2-15, Hacchodori, Toyohashi-shi, Aichi 440-0806, Japan	+81-570-054351 (Navi Dial)
Okazaki Branch		
Micro Unit	Asahi Seimei Okazaki Bldg., 1-4-2, Karasawacho, Okazaki-shi, Aichi 444-0043, Japan	+81-570-054689 (Navi Dial)
SME Unit		+81-564-65-3025
Ichinomiya Branch		
Micro Unit	2-3-18, Daishi, Ichinomiya-shi, Aichi 491-0852, Japan	+81-570-054412 (Navi Dial)
Mie		
Tsu Branch		
Micro Unit	133, Yorozumachitsu, Tsu-shi, Mie 514-0021, Japan	+81-570-057829 (Navi Dial)
AFFF Unit		+81-59-229-5750
SME Unit		+81-59-227-0251
Yokkaichi Branch		
Micro Unit	Asahi Seimei Yokkaichi Bldg., 1-12, Suwasakaemachi, Yokkaichi-shi, Mie 510-0086, Japan	+81-570-057864 (Navi Dial)
Ise Branch		
Micro Unit	Sangin Nissei Bldg., 2-5-1, Iwabuchi, Ise-shi, Mie 516-0037, Japan	+81-570-058002 (Navi Dial)
Shiga		
Otsu Branch		
Micro Unit	Shiga Bldg., 1-3-10, Umebayashi, Otsu-shi, Shiga 520-0051, Japan	+81-570-058413 (Navi Dial)
AFFF Unit		+81-77-525-7195
SME Unit		+81-77-524-3825
Hikone Branch		
Micro Unit	11-34, Sawacho, Hikone-shi, Shiga 522-0075, Japan	+81-570-058452 (Navi Dial)
Kyoto		
Kyoto Branch		
Micro Unit	Urbannet Shijokarasuma Bldg., 101, Kankobokocho, Shijo-dori Muromachi Higashiiru, Shimogyo-ku, Kyoto-shi, Kyoto 600-8009, Japan	+81-570-058788 (Navi Dial)
AFFF Unit		+81-75-221-2147
SME Unit		+81-75-221-7825
Nishijin Branch		
Micro Unit	82, Okaminocho, Onmae-dori Nishiiru, Ichijo-dori, Kamigyo-ku, Kyoto-shi, Kyoto 602-8375, Japan	+81-570-061401 (Navi Dial)
Maizuru Branch		
Micro Unit	66, Uoya, Maizuru-shi, Kyoto 624-0923, Japan	+81-570-061435 (Navi Dial)
Osaka		
Osaka Branch		
Micro Unit	Umeshin Dai-ichi Seimei Bldg., 2-3-5, Sonezaki, Kita-ku, Osaka-shi, Osaka 530-0057, Japan	+81-570-065604 (Navi Dial)
AFFF Unit		+81-6-6131-0750
SME Unit I		+81-6-6314-7615
SME Unit II		+81-6-6314-7810
Osaka Nishi Branch		
Micro Unit	Shin-shinanobashi Bldg., 1-13-47, Nishihonmachi, Nishi-ku, Osaka-shi, Osaka 550-0005, Japan	+81-570-065446 (Navi Dial)
SME Unit		+81-6-4390-0366
Abeno Branch		
Micro Unit	3-15-12, Matsuzakicho, Abeno-ku, Osaka-shi, Osaka 545-0053, Japan	+81-570-065462 (Navi Dial)
SME Unit		+81-6-6623-2160
Tamade Branch		
Micro Unit	Meiji Yasuda Seimei Tamade Bldg., 2-15-22, Tamadenaka, Nishinari-ku, Osaka-shi, Osaka 557-0044, Japan	+81-570-065986 (Navi Dial)
Juso Branch		
Micro Unit	Meiji Yasuda Seimei Juso Bldg., 1-2-13, Shinkitano, Yodogawa-ku, Osaka-shi, Osaka 532-0025, Japan	+81-570-065530 (Navi Dial)

	Location	Telephone Number
Osaka Minami Branch		
Micro Unit	Midosuji Jun Ashida Bldg., 2-2-7, Nishishinsaibashi, Chuo-ku, Osaka-shi, Osaka 542-0086, Japan	+81-570-065596 (Navi Dial)
Sakai Branch		
Micro Unit	Sakai Shoko Kaigisho Kaikan, 130-23, Nagasonecho, Kita-ku, Sakai-shi, Osaka 591-8025, Japan	+81-570-068698 (Navi Dial)
SME Unit		+81-72-255-1261
Suita Branch		
Micro Unit	Matsuoka Bldg., 27-14, Asahimachi, Suita-shi, Osaka 564-0027, Japan	+81-570-068846 (Navi Dial)
Moriguchi Branch		
Micro Unit	4-10, Keihankita-hondori, Moriguchi-shi, Osaka 570-0094, Japan	+81-570-068502 (Navi Dial)
Izumisano Branch		
Micro Unit	3-1-6, Uemachi, Izumisano-shi, Osaka 598-0007, Japan	+81-570-068829 (Navi Dial)
Higashiosaka Branch		
Micro Unit	2-9-2, Takaidamotomachi, Higashiosaka-shi, Osaka 577-0054, Japan	+81-570-068663 (Navi Dial)
SME Unit		+81-6-6787-2661
Hyogo		
Kobe Branch		
Micro Unit	Harborland Dia Nissei Bldg., 1-7-4, Higashikawasakicho, Chuo-ku, Kobe-shi, Hyogo 650-0044, Japan	+81-570-061468 (Navi Dial)
AFFF Unit		+81-78-362-8451
SME Unit		+81-78-362-5961
Kobe Higashi Branch		
Micro Unit	KHK Nada Bldg., 3-6-15, Tomodacho, Nada-ku, Kobe-shi, Hyogo 657-0035, Japan	+81-570-061497 (Navi Dial)
Himeji Branch		
Micro Unit	200, Shinobumachi, Himeji-shi, Hyogo 670-0917, Japan	+81-570-062292 (Navi Dial)
Amagasaki Branch		
Micro Unit	4-18-1, Higashinaniwacho, Amagasaki-shi, Hyogo 660-0892, Japan	+81-570-062547 (Navi Dial)
Akashi Branch		
Micro Unit	8-36, Taruyamachi, Akashi-shi, Hyogo 673-0898, Japan	+81-570-062017 (Navi Dial)
Toyooka Branch		
Micro Unit	10-6, Chiyodacho, Toyooka-shi, Hyogo 668-0032, Japan	+81-570-065418 (Navi Dial)
Nara		
Nara Branch		
Micro Unit	Nara Center Bldg., 7-1-33, Omiyacho, Nara-shi, Nara 630-8115, Japan	+81-570-069483 (Navi Dial)
AFFF Unit		+81-742-32-2270
SME Unit		+81-742-35-9910
Wakayama		
Wakayama Branch		
Micro Unit	58, Junibancho, Wakayama-shi, Wakayama 640-8158, Japan	+81-570-071039 (Navi Dial)
AFFF Unit		+81-73-423-0644
SME Unit		+81-73-431-9301
Tanabe Branch		
Micro Unit	1-11-27, Takao, Tanabe-shi, Wakayama 646-0028, Japan	+81-570-071826 (Navi Dial)
Tottori		
Tottori Branch		
Micro Unit	Tottori JA-kaikan, 723, Suehiroonsencho Tottori-shi, Tottori 680-0833, Japan	+81-570-073246 (Navi Dial)
AFFF Unit		+81-857-20-2151
SME Unit		+81-857-23-1641
Yonago Branch		
Micro Unit	Kounan-Asset Yonago Bldg., 2-106, Kamocho, Yonago-shi, Tottori 683-0823, Japan	+81-570-074563 (Navi Dial)

	Location	Telephone Number
Shimane		
Matsue Branch		
Micro Unit	Matsue Century Bldg., 111, Tonomachi, Matsue-shi, Shimane 690-0887, Japan	+81-570-075025 (Navi Dial)
AFFF Unit		+81-852-26-1133
SME Unit		+81-852-21-0110
Hamada Branch		
Micro Unit	82-7, Tonomachi, Hamada-shi, Shimane 697-0027, Japan	+81-570-075878 (Navi Dial)
Okayama		
Okayama Branch		
Micro Unit	Taiyo Seimei Okayama Yanagimachi Bldg., 1-1-27, Yanagimachi, Kita-ku, Okayama-shi, Okayama 700-0904, Japan	+81-570-076541 (Navi Dial)
AFFF Unit		+81-86-232-3611
SME Unit		+81-86-222-7666
Kurashiki Branch		
Micro Unit	Kurashiki Shoko Kaikan, 249-5, Bakurocho, Kurashiki-shi, Okayama 710-0824, Japan	+81-570-077626 (Navi Dial)
Tsuyama Branch		
Micro Unit	18-1, Sange, Tsuyama-shi, Okayama 708-0022, Japan	+81-570-077483 (Navi Dial)
Hiroshima		
Hiroshima Branch		
Micro Unit	Hiroshima Train Vert Bldg., 1-2-22, Kamiyacho, Naka-ku, Hiroshima-shi, Hiroshima 730-0031, Japan	+81-570-077861 (Navi Dial)
AFFF Unit		+81-82-249-9152
SME Unit		+81-82-247-9151
Kure Branch		
Micro Unit	Kure Shokokaigisho Bldg., 4-7-1-201, Hondori, Kure-shi, Hiroshima 737-0045, Japan	+81-570-080581 (Navi Dial)
Onomichi Branch		
Micro Unit	JB Honshi-kosoku Onomichi Bldg., 1-20, Higashigoshocho, Onomichi-shi, Hiroshima 722-0036, Japan	+81-570-079509 (Navi Dial)
Fukuyama Branch		
Micro Unit	2-2-7, Konancho, Fukuyama-shi, Hiroshima 720-0814, Japan	+81-570-079765 (Navi Dial)
Yamaguchi		
Yamaguchi Branch		
Micro Unit	New Media Plaza Yamaguchi, 1-10, Kumanocho, Yamaguchi-shi, Yamaguchi 753-0077, Japan	+81-570-082035 (Navi Dial)
AFFF Unit		+81-83-922-2140
Shimonoseki Branch		
Micro Unit	2-4-3, Hosoecho, Shimonoseki-shi, Yamaguchi 750-0016, Japan	+81-570-082169 (Navi Dial)
SME Unit		+81-83-223-2251
Iwakuni Branch		
Micro Unit	ARK Bldg. II, 4-1-3, Marifumachi, Iwakuni-shi, Yamaguchi 740-0018, Japan	+81-570-082727 (Navi Dial)
Tokuyama Branch		
Micro Unit	Daido Seimei Tokuyama Bldg. 1-3, Honcho, Shunan-shi, Yamaguchi 745-0036, Japan	+81-570-082201 (Navi Dial)
Tokushima		
Tokushima Branch		
Micro Unit	1-58, Nakazucho, Tokushima-shi, Tokushima 770-0856, Japan	+81-570-082897 (Navi Dial)
AFFF Unit		+81-88-656-6880
SME Unit		+81-88-625-7790
Kagawa		
Takamatsu Branch		
Micro Unit	ICHIGO Takamatsu Bldg., 2-2-7 Kotobukicho, Takamatsu-shi, Kagawa 760-0023, Japan	+81-570-085298 (Navi Dial)
AFFF Unit		+81-87-851-2880
SME Unit		+81-87-851-9141

	Location	Telephone Number
Ehime		
Matsuyama Branch		
Micro Unit	6-7-3, Sanbancho, Matsuyama-shi, Ehime 790-0003, Japan	+81-570-085302 (Navi Dial)
AFFF Unit		+81-89-933-3371
SME Unit		+81-89-943-1231
Uwajima Branch		
Micro Unit	Shokokaigisho Kaikan, 1-3-24, Marunouchi, Uwajima-shi, Ehime 798-0060, Japan	+81-570-087364 (Navi Dial)
Niihama Branch		
Micro Unit	3-3, Shigemotocho, Niihama-shi, Ehime 792-8691, Japan	+81-570-086894 (Navi Dial)
Kochi		
Kochi Branch		
Micro Unit	Kochi Chuo Business Square, 2-26, Sakaimachi, Kochi-shi, Kochi 780-0834, Japan	+81-570-088529 (Navi Dial)
AFFF Unit		+81-88-825-1091
SME Unit		+81-88-875-0281
Fukuoka		
Fukuoka Branch		
Micro Unit	3-21-12, Hakataekimae, Hakata-ku, Fukuoka-shi, Fukuoka 812-0011, Japan	+81-570-089302 (Navi Dial)
AFFF Unit		+81-92-451-1780
SME Unit		+81-92-431-5296
Fukuoka Nishi Branch		
Micro Unit	8th Floor, Fukuoka Maizuru Square, 3-9-39, Maizuru, Chuo-ku, Fukuoka-shi, Fukuoka 810-0073, Japan	+81-570-089806 (Navi Dial)
Kitakyushu Branch		
Micro Unit	Daido Seimei Kitakyushu Bldg., 1-10-10, Kajimachi, Kokurakita-ku, Kitakyushu-shi, Fukuoka 802-0004, Japan	+81-570-091236 (Navi Dial)
SME Unit		+81-93-531-9191
Yahata Branch		
Micro Unit	Earth Court Kurosakiekimae Bldg., 3-1-7, Kurosaki, Yahatanishi-ku, Kitakyushu-shi, Fukuoka 806-0021, Japan	+81-570-092501 (Navi Dial)
Kurume Branch		
Micro Unit	Daido Seimei Kurume Bldg., 38-1, Higashimachi, Kurume-shi, Fukuoka 830-0032, Japan	+81-570-092580 (Navi Dial)
Saga		
Saga Branch		
Micro Unit	4-21, Ekiminamihonmachi, Saga-shi, Saga 840-0816, Japan	+81-570-094616 (Navi Dial)
AFFF Unit		+81-952-27-4120
SME Unit		+81-952-24-7224
Nagasaki		
Nagasaki Branch		
Micro Unit	10-4, Daikokumachi, Nagasaki-shi, Nagasaki 850-0057, Japan	+81-570-094696 (Navi Dial)
AFFF Unit		+81-95-824-6221
SME Unit		+81-95-823-6191
Sasebo Branch		
Micro Unit	2-21, Tenmacho, Sasebo-shi, Nagasaki 857-0043, Japan	+81-570-095507 (Navi Dial)
Kumamoto		
Kumamoto Branch		
Micro Unit	4-22, Anseimachi, Chuo-ku, Kumamoto-shi, Kumamoto 860-0801, Japan	+81-570-097290 (Navi Dial)
AFFF Unit		+81-96-353-3104
SME Unit		+81-96-352-9155
Yatsushiro Branch		
Micro Unit	4-17, Demachi, Yatsushiro-shi, Kumamoto 866-0857, Japan	+81-570-098446 (Navi Dial)
Oita		
Oita Branch		
Micro Unit	2-1-12, Miyakomachi, Oita-shi, Oita 870-0034, Japan	+81-570-095575 (Navi Dial)
AFFF Unit		+81-97-532-8491
SME Unit		+81-97-532-4106
Beppu Branch		
Micro Unit	9-1, Mochigahamacho, Beppu-shi, Oita 874-0924, Japan	+81-570-095765 (Navi Dial)
Miyazaki		
Miyazaki Branch		
Micro Unit	3-6-30, Tachibanadorihigashi, Miyazaki-shi, Miyazaki 880-0805, Japan	+81-570-098502 (Navi Dial)
AFFF Unit		+81-985-29-6811
SME Unit		+81-985-24-4214
Nobeoka Branch		
Micro Unit	Nobeokaeki Nishiguchi Gaiku Bldg.,3-101, Saiwaimachi, Nobeoka-shi, Miyazaki 882-0053, Japan	+81-570-098531 (Navi Dial)
Kagoshima		
Kagoshima Branch		
Micro Unit	CenTerrace Tenmonkan, 1-1, Sennichicho, Kagoshima-shi, Kagoshima 892-0843, Japan	+81-570-098842 (Navi Dial)
AFFF Unit		+81-99-805-0511
SME Unit		+81-99-223-2221
Kanoya Branch		
Micro Unit	2-19, Otemachi, Kanoya-shi, Kagoshima 893-0009, Japan	+81-570-098951 (Navi Dial)
Sendai Branch		
Micro Unit	Nangoku Shokusan Sendai Bldg., 5-29, Nishimukodacho, Satsumasendai-shi, Kagoshima 895-0027, Japan	+81-570-099616 (Navi Dial)

Notes: 1. Operations conducted at branches include those carried out by the Micro Business and Individual Unit; the Agriculture, Forestry, Fisheries and Food Business Unit; and the Small and Medium Enterprise (SME) Unit. In the table above, the listing of specific units under a branch indicates that specialist staff members are permanently assigned to conduct respective unit operations at that branch.
2. For branches that do not have permanently assigned specialist staff for a particular unit, consulting services and information provided by specialists from that unit are available through such measures as regular specialist staff visits.

Overseas Representative Offices

	Location	Telephone Number
Representative Office in Bangkok	9th Floor, Park Ventures Ecoplex, 57 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand	+66-2-252-5496
Representative Office in Shanghai	R. N. 1616, Shanghai International Trade Center, No. 2201, Yan An Xi Lu, Shanghai 200336, P. R. China	+86-21-6275-8908

History of JFC

[Micro Business and Individual Unit]

Date	People's Finance Corporation-related events	Environmental Sanitation Business Financing Corporation-related events
Jun. 1949	People's Finance Corporation established	
Sep. 1967		Environmental Sanitation Business Financing Corporation established
Oct. 1967	Start of trustee operations for Environmental Sanitation Business Financing Corporation upon its creation	
Jul. 1972		Private financial institutions begin to be engaged directly for trustee operations
Jan. 1982		Direct loans commenced

Date	National Life Finance Corporation-related events
Sep. 1997	Cabinet decision reached on Reorganization and Rationalization Plan for Special Public Corporations covering integration of People's Finance Corporation and Environmental Sanitation Business Financing Corporation
May 1999	National Life Finance Corporation Act (or Act on Partial Revision of People's Finance Corporation Act) enacted
Oct. 1999	The People's Finance Corporation changed its name to the National Life Finance Corporation (NLFC) in accordance with the National Life Finance Corporation Act NLFC inherits all rights and duties of the dissolved Environmental Sanitation Business Finance Corporation
Oct. 2008	JFC is established based on the Japan Finance Corporation Act and excluding assets inherited by the government, inherited all rights and obligations (Micro Business and Individual Unit)

[Agriculture, Forestry, Fisheries and Food Business Unit]

Date	Events
Apr. 1953	Agriculture, Forestry and Fisheries Finance Corporation (AFC) established. Begins offering cosigned loans
Sep. 1958	Direct loans commenced
Jul. 2002	Established investment business for agricultural corporation investment development firms
Oct. 2008	JFC is established based on the Japan Finance Corporation Act and excluding assets inherited by the government, inherited all rights and obligations (Agriculture, Forestry, Fisheries and Food Business Unit)

[Small and Medium Enterprise (SME) Unit]

Date	Japan Finance Corporation for Small and Medium Enterprise-related events	Small Business Credit Insurance Corporation-related events
Aug. 1953	Japan Finance Corporation for Small and Medium Enterprise (JASME) established	
Sep. 1953	Agency loans commenced	
Oct. 1955	Direct loans commenced	
Jul. 1958		Small Business Credit Insurance Corporation (Japan CIC) established (Credit insurance operations for small and medium enterprises and loan operations to Credit Guarantee Corporations (CGCs) transferred from Small and Medium Enterprise Agency)
Oct. 1984		Japan CIC takes over machinery credit insurance operations from the Ministry of International Trade and Industry (MITI)
Dec. 1998		Special Insurance Programs for Mid-size Enterprises commenced
		Japan Small and Medium Enterprise Corporation-related events
Jul. 1999		Japan Small and Medium Enterprise Corporation (JASMEC) established (takes over operations of Small Business Credit Insurance Corporation, etc.)
Apr. 2003		Migration of machinery credit insurance operations to Transitional Operation of the Machinery Credit Insurance Programs
Jul. 2004	Scope of operations expanded as a result of partial revision to the Japan Finance Corporation for Small and Medium Enterprise Act (Securitization Support Programs commenced, JASMEC's Credit Insurance Programs inherited.)	
Oct. 2008	JFC is established based on the Japan Finance Corporation Act and excluding assets inherited by the government, inherits all rights and obligations (Small and Medium Enterprise Unit)	

[Japan Finance Corporation]

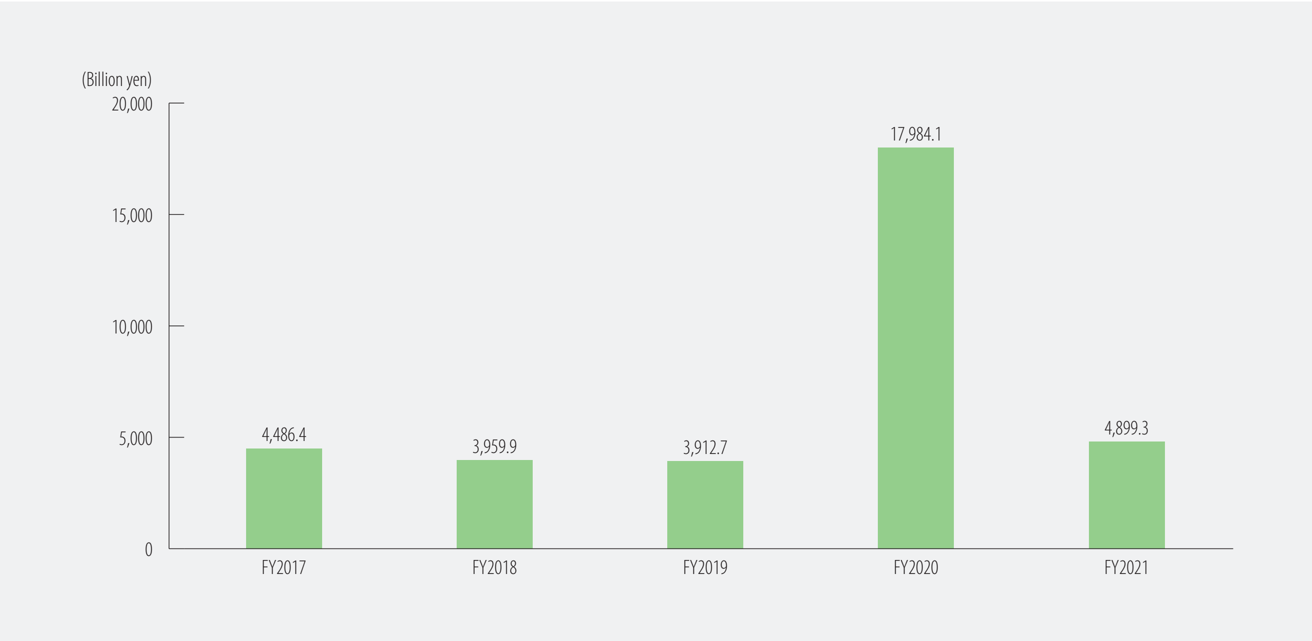
Date	Events
Dec. 2005	Cabinet Decision on Important Policy for Administrative Reform
May 2006	Act on Promotion of Administrative Reform for Realization of Small and Efficient Government enacted
Jun. 2006	System Design regarding the Reform of Policy-based Finance adopted by the council for the Reform of policy-based Finance
May 2007	Japan Finance Corporation Act and "Act on Special Measures to Enable Smooth Restructuring of US Forces" established to regulate the operations of the Finance Department for Facilitating Realignment of U.S. Forces Japan
Oct. 2008	JFC is established based on the Japan Finance Corporation Act JFC inherits all rights and obligations, excluding assets inherited by the government, from the National Life Finance Corporation (NLFC) (now Micro Business and Individual Unit), Agriculture, Forestry and Fisheries Finance Corporation (AFC) (now Agriculture, Forestry and Fisheries and Food Business Unit), Japan Finance Corporation for Small and Medium Enterprise (now Small and Medium Enterprise Unit) and the International Financial Operations (IFOs) of the (former) Japan Bank for International Cooperation (JBIC) (now Japan Bank for International Cooperation (JBIC)) Based on "laws related to establishment of laws concerning implementation of the Japan Finance Corporation Act," even following the establishment of JFC operations of the Finance Department for Facilitating Realignment of U.S. Forces Japan are inherited as operations to be conducted by the Japan Bank for International Cooperation (JBIC) Operations to Facilitate Crisis Responses established
Apr. 2010	Established special account for business related to the Finance Department for Facilitating Realignment of U.S. Forces Japan (Finance Department for Facilitating Realignment of U.S. Forces Japan accounts)
Aug. 2010	Established special account for business related to the Operations to Facilitate Specific Businesses Promotion (Operations to Facilitate Specific Businesses Promotion accounts)
Apr. 2011	The Japan Bank for International Cooperation Act enacted. (Decision to separate JBIC from JFC effective April 1, 2012)
Jul. 2011	Operations to Facilitate Business Restructuring Promotion, etc. commenced
Mar. 2012	"Laws revising portions of the Okinawa Promotion and Development Special Treatment Act" enacted. It is determined that JFC will merge with the Okinawa Development Finance Corporation (ODFC) from FY2022
Apr. 2012	JBIC separated from JFC JBIC operations and financial operations for facilitating realignment of U.S. forces in Japan transferred to the Japan Bank for International Cooperation
Jan. 2014	Operations to Facilitate Business Restructuring Promotion commenced
Aug. 2020	Operations to Facilitate Development and Supply Promotion commenced
Aug. 2021	Operations to Facilitate Business Adaptation Promotion, Operations to Facilitate Business Foundation Reinforcement Promotion, and Operations to Facilitate Business Introduction Promotion commenced
Mar. 2022	"Laws revising portions of the Okinawa Promotion and Development Special Treatment Act. etc." enacted. It is determined that JFC will merge with the Okinawa Development Finance Corporation (ODFC) from FY2032

Data

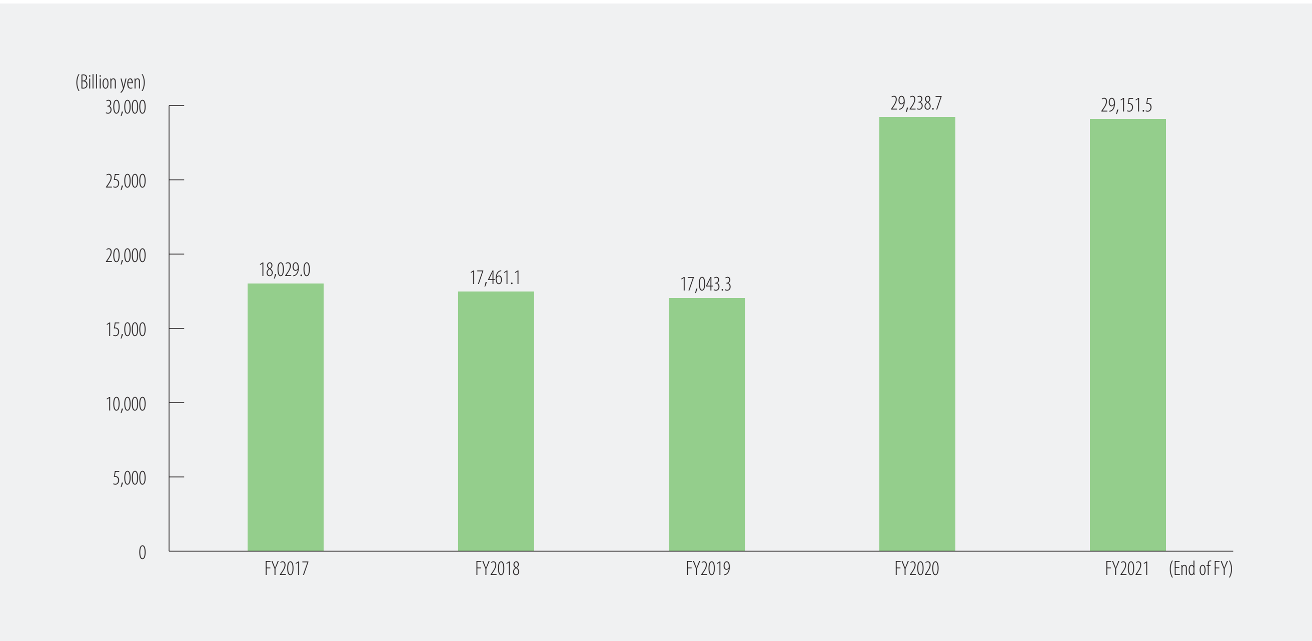
Operational Performances

Japan Finance Corporation

1 Changes in Annual Loan Operations

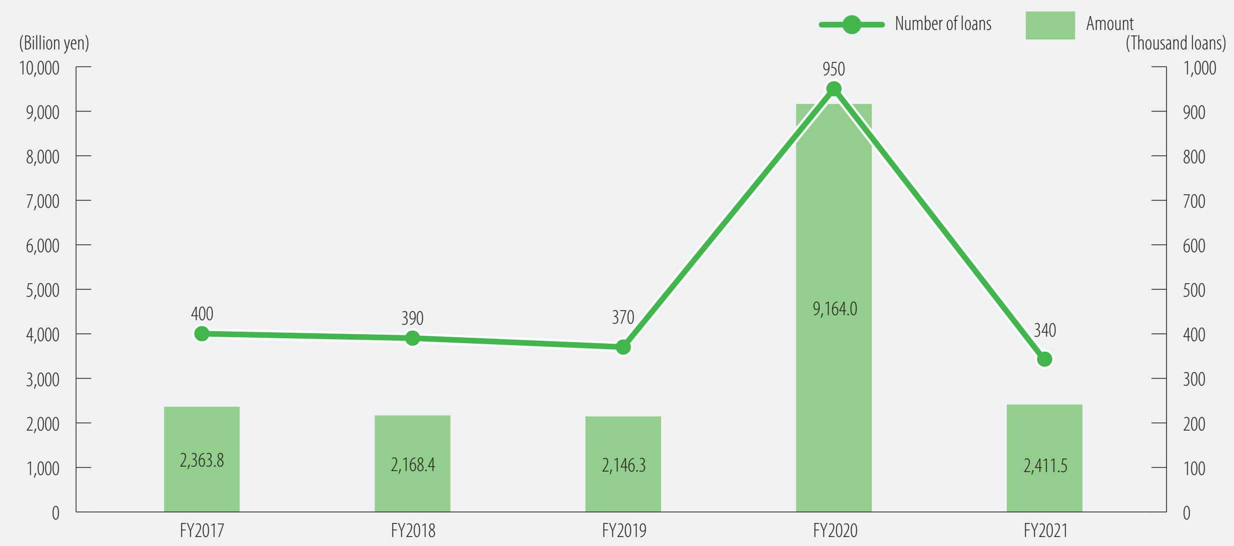


2 Changes in Outstanding Loans



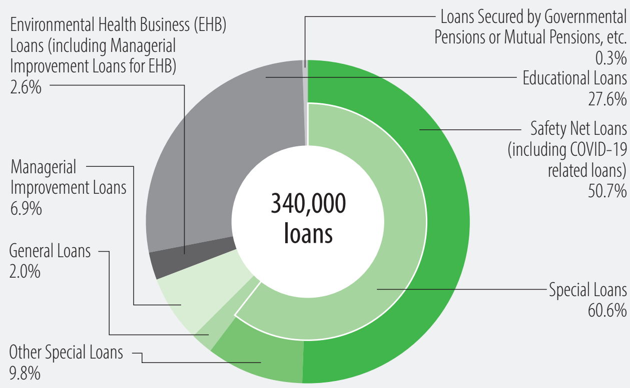
Micro Business and Individual Unit

1 Changes in Annual Loan Operations

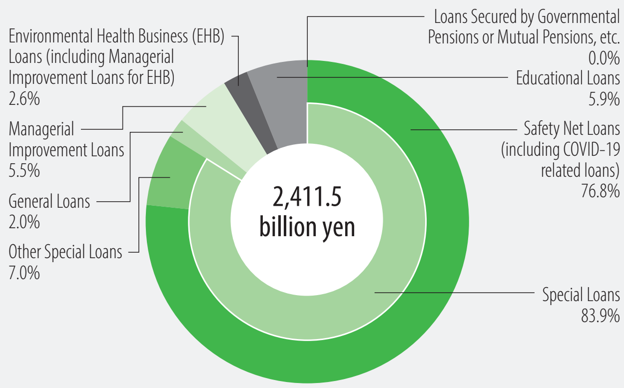


2 Breakdown of Loans by Scheme

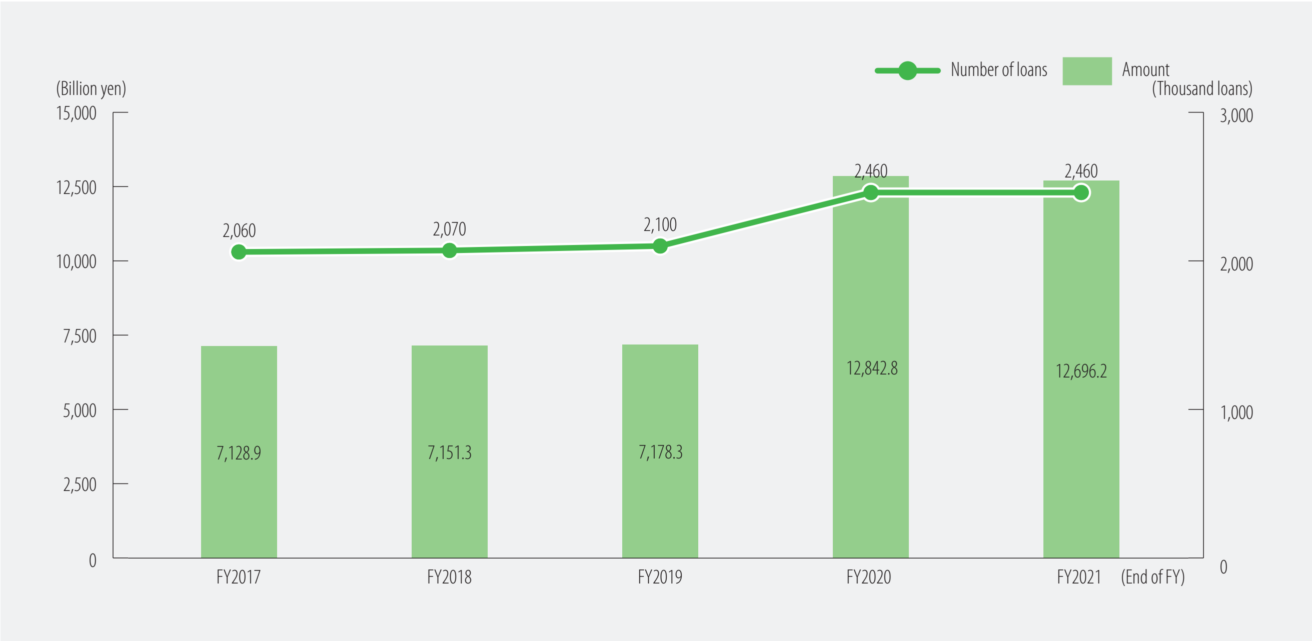
Number of Loans (FY2021)



Total Amount of Loans (FY2021)



3 Changes in Outstanding Loans



4 Breakdown of Business Loans Outstanding by Industry

(Billion yen, %)

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021
Manufacturing	606.2 (9.8)	586.1 (9.5)	574.2 (9.3)	1,043.0 (8.8)	1,023.4 (8.7)
Wholesale & Retail	1,346.5 (21.8)	1,318.1 (21.3)	1,293.6 (20.9)	2,362.7 (19.9)	2,320.3 (19.8)
Restaurants & Hotels	532.7 (8.6)	547.9 (8.9)	580.7 (9.4)	1,475.1 (12.4)	1,448.3 (12.3)
Services	1,472.5 (23.8)	1,501.1 (24.2)	1,525.4 (24.6)	3,106.8 (26.2)	3,098.3 (26.4)
Construction	916.8 (14.8)	919.5 (14.9)	911.1 (14.7)	1,870.1 (15.7)	1,880.1 (16.0)
Others	1,315.8 (21.3)	1,317.7 (21.3)	1,313.6 (21.2)	2,016.7 (17.0)	1,964.2 (16.7)
Total	6,190.8 (100.0)	6,190.6 (100.0)	6,198.8 (100.0)	11,874.6 (100.0)	11,734.8 (100.0)

Notes: 1. Loans comprise General Loans and Environmental Health Business Loans.
2. Industries are in accordance with the Japan Standard Industrial Classification as revised in March 2002.
3. Figures in parentheses denote percentage of shares.

5 Breakdown of Environmental Health Business Loans Outstanding by Industry

(Billion yen, %)

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021
Restaurant-related Services	159.1 (50.8)	169.7 (51.7)	178.0 (51.9)	233.0 (54.4)	222.7 (54.3)
Beauty parlors	65.6 (21.0)	69.9 (21.3)	73.1 (21.3)	89.9 (21.0)	88.8 (21.6)
Hotels	48.8 (15.6)	49.4 (15.1)	53.9 (15.7)	63.2 (14.8)	59.6 (14.5)
Barbershops	19.4 (6.2)	19.4 (5.9)	19.4 (5.7)	21.6 (5.0)	20.4 (5.0)
Public baths	9.5 (3.0)	8.7 (2.7)	8.0 (2.4)	7.6 (1.8)	6.9 (1.7)
Laundries	7.1 (2.3)	6.9 (2.1)	6.7 (2.0)	8.5 (2.0)	8.0 (1.9)
Meat shops	2.4 (0.8)	2.6 (0.8)	2.4 (0.7)	2.9 (0.7)	2.8 (0.7)
Entertainment facilities	0.6 (0.2)	0.8 (0.3)	0.5 (0.2)	0.7 (0.2)	0.6 (0.1)
Others	0.3 (0.1)	0.4 (0.1)	0.3 (0.1)	0.3 (0.1)	0.3 (0.1)
Total	313.3 (100.0)	328.0 (100.0)	342.8 (100.0)	428.0 (100.0)	410.4 (100.0)

Note: Figures in parentheses denote percentage of shares.

6 Breakdown of Outstanding Loans by Use

(Billion yen, %)

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021
Operating funds	3,914.0 (63.2)	3,880.7 (62.7)	3,891.8 (62.8)	10,071.6 (84.8)	10,073.4 (85.8)
Facility funds	2,276.7 (36.8)	2,309.9 (37.3)	2,307.0 (37.2)	1,803.0 (15.2)	1,661.4 (14.2)
Total	6,190.8 (100.0)	6,190.6 (100.0)	6,198.8 (100.0)	11,874.6 (100.0)	11,734.8 (100.0)

Notes: 1. Loans comprise General Loans and Environmental Health Business Loans.
2. Figures in parentheses denote percentage of shares.

7 Number of Borrowers

(Number of borrowers)

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021
Number of borrowers	879,639	881,622	881,026	1,177,346	1,197,384

Note: Loans comprise General Loans and Environmental Health Business Loans.

8 Average Loan Balance per Business

(Thousand yen)

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021
Average loan balance per business	7,037	7,021	7,036	10,085	9,800

Note: Loans comprise General Loans and Environmental Health Business Loans.

9 Educational Loans Outstanding, etc.

(Billion yen)

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021
Educational Loans	930.0	953.2	973.6	963.9	958.5
Loans Secured by Governmental Pensions and Mutual Pensions, etc.	7.9	7.3	5.8	4.2	2.8

10 Breakdown of Loans by Credit Amount

(Number of loans, %)

	FY2017	FY2018	FY2019	FY2020	FY2021
Up to 3 million yen	89,410 (33.2)	88,280 (34.3)	87,643 (34.2)	229,761 (26.6)	80,952 (32.2)
Over 3 million yen and up to 5 million yen	54,534 (20.2)	53,659 (20.8)	52,774 (20.6)	151,201 (17.5)	48,677 (19.3)
Over 5 million yen and up to 8 million yen	35,830 (13.3)	34,829 (13.5)	34,586 (13.5)	102,930 (11.9)	34,259 (13.6)
Over 8 million yen	89,603 (33.3)	80,872 (31.4)	80,994 (31.6)	379,998 (44.0)	87,856 (34.9)
Total	269,377 (100.0)	257,640 (100.0)	255,997 (100.0)	863,890 (100.0)	251,744 (100.0)

Notes: 1. Loans comprise General Loans and Environmental Health Business Loans.
2. Figures in parentheses denote percentage of shares.

11 Breakdown of Loans by Number of Employees of Borrowers

(Number of loans, %)

	FY2017	FY2018	FY2019	FY2020	FY2021
4 or fewer	192,794 (71.6)	172,541 (67.0)	166,749 (65.1)	564,073 (65.3)	185,748 (73.8)
5–9	48,486 (18.0)	51,002 (19.8)	51,647 (20.2)	167,596 (19.4)	39,944 (15.9)
10–19	19,046 (7.1)	21,541 (8.4)	23,108 (9.0)	80,433 (9.3)	16,783 (6.7)
20 or more	9,047 (3.4)	12,555 (4.9)	14,489 (5.7)	51,785 (6.0)	9,269 (3.7)
Total	269,373 (100.0)	257,639 (100.0)	255,993 (100.0)	863,887 (100.0)	251,744 (100.0)

Notes: 1. Loans comprise General Loans and Environmental Health Business Loans.
2. Figures in parentheses denote percentage of shares.

12 Breakdown of Loans by Type of Collateral

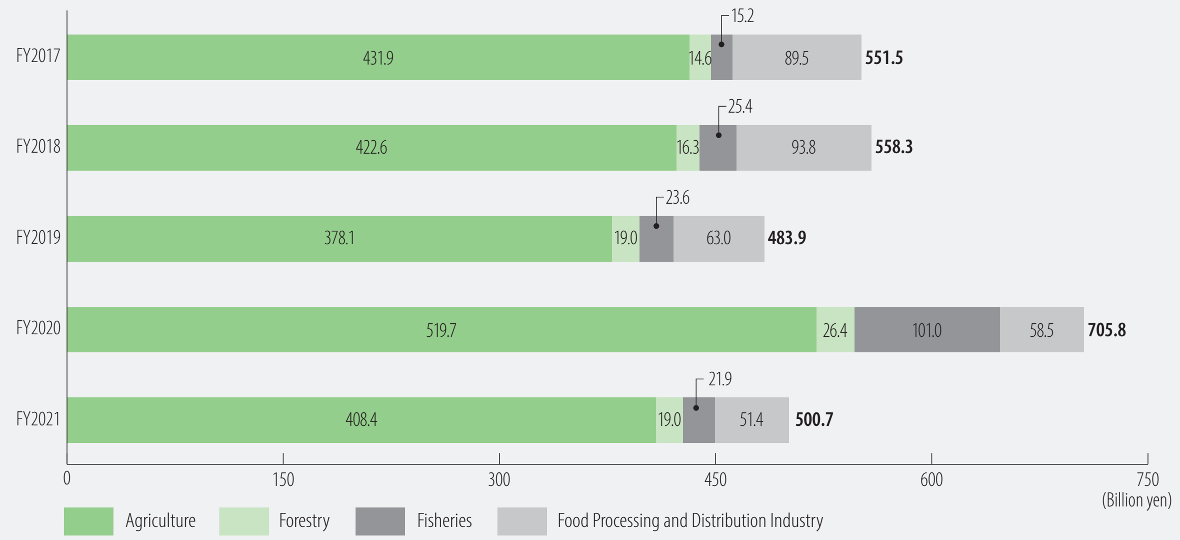
(Number of loans, %)

		FY2017	FY2018	FY2019	FY2020	FY2021
No collateral		230,263 (85.5)	223,271 (86.7)	223,441 (87.3)	857,271 (99.2)	247,087 (98.2)
Collateral	Real estate (including partial collateral)	39,054 (14.5)	34,323 (13.3)	32,522 (12.7)	6,602 (0.8)	4,640 (1.8)
	Securities	10 (0.0)	10 (0.0)	4 (0.0)	1 (0.0)	0 (0.0)
	Credit Guarantee Corporations (CGCs)	— (—)	— (—)	— (—)	— (—)	— (—)
	Others	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Total		269,327 (100.0)	257,604 (100.0)	255,967 (100.0)	863,874 (100.0)	251,727 (100.0)

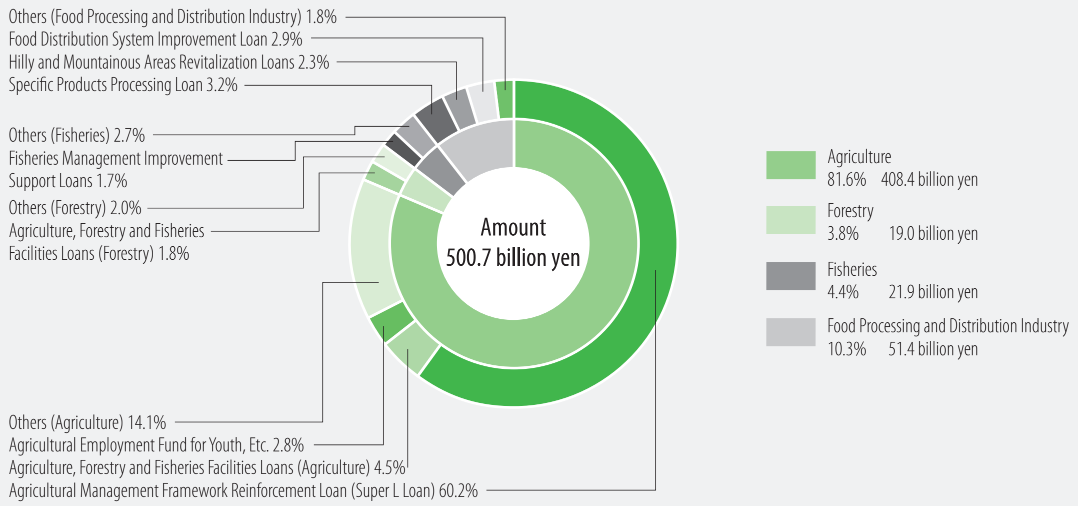
Notes: 1. Loans comprise General Loans and Environmental Health Business Loans.
2. Figures in parentheses denote percentage of shares.
3. Partial collateral refers to real estate or other collateral whose estimated values do not reach amounts borrowed. Partial collateral of "Securities," "Credit Guarantee Corporations" and "Others" are included in "Real estate."

Agriculture, Forestry, Fisheries and Food Business Unit

1 Changes in Annual Loan Operations

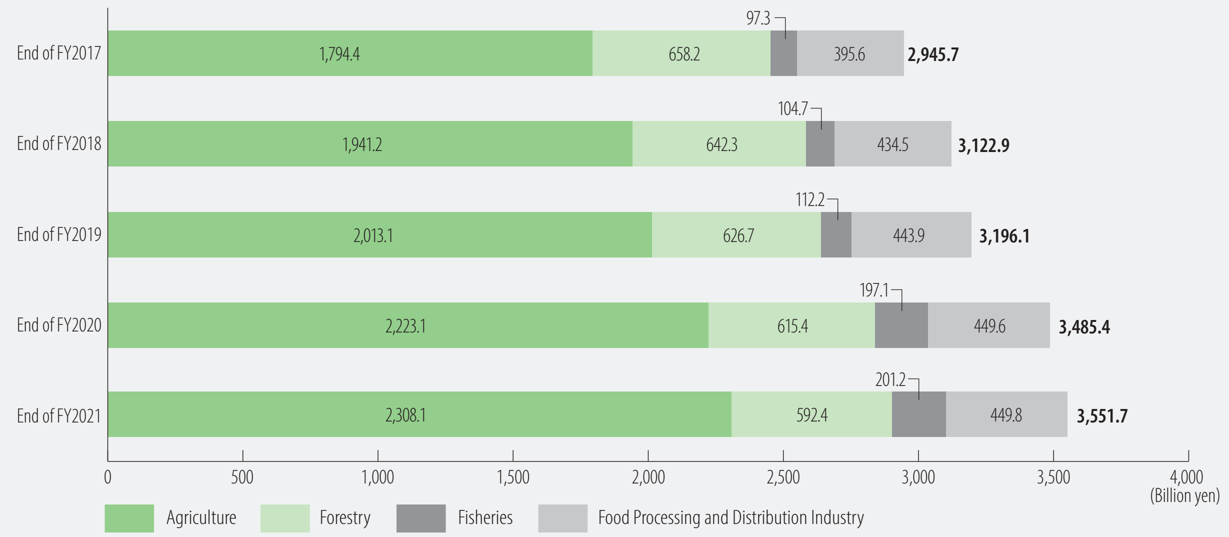


2 Breakdown of Loans by Scheme (FY2021)

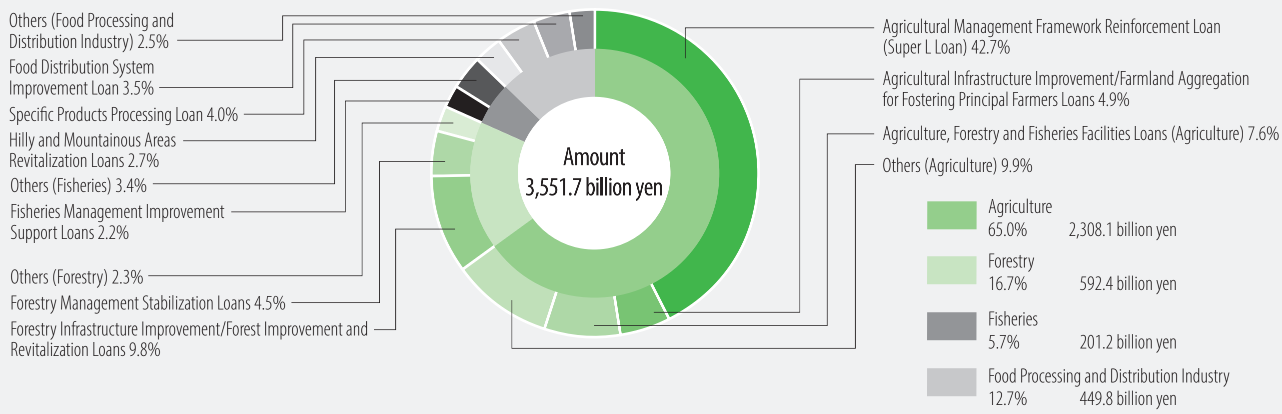


Data

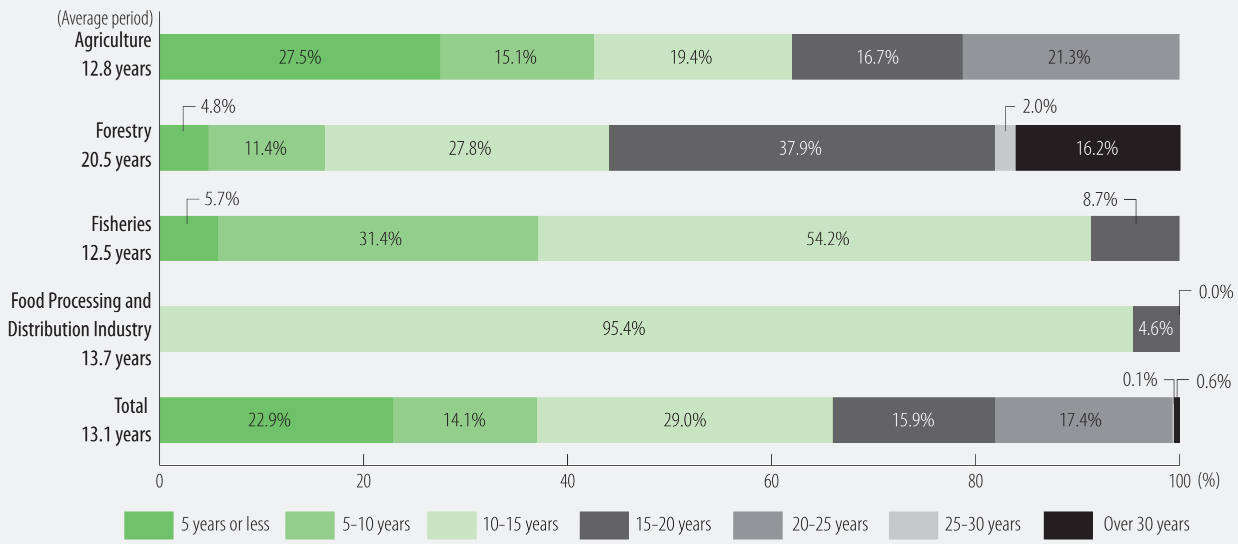
3 Changes in Outstanding Loans



4 Breakdown of Outstanding Loans by Sector and Use (End of FY2021)

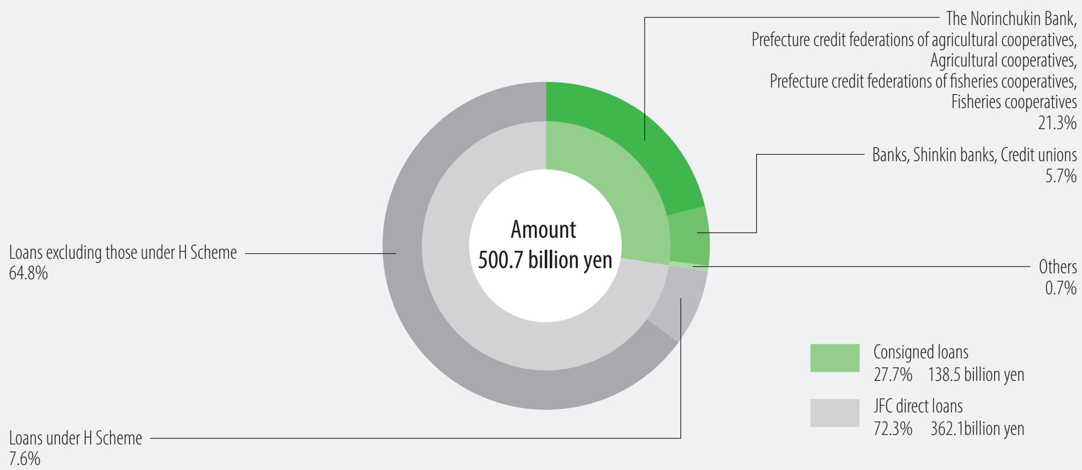


5 Loans by Repayment Period (FY2021)



Note: Aggregated by loan amount.

6 Loans by Commissioned Financial Institutions (FY2021)

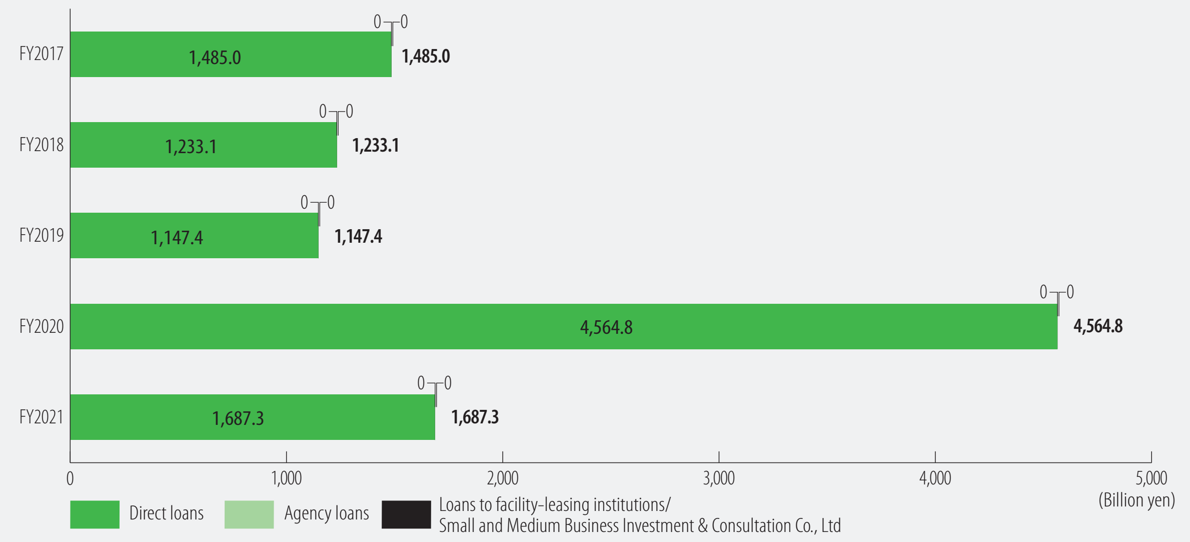


Note: H Scheme refers to a loan system through consignment of part of administration works for JFC's direct loans to agricultural cooperatives, banks, Shinkin banks, etc.

Small and Medium Enterprise (SME) Unit

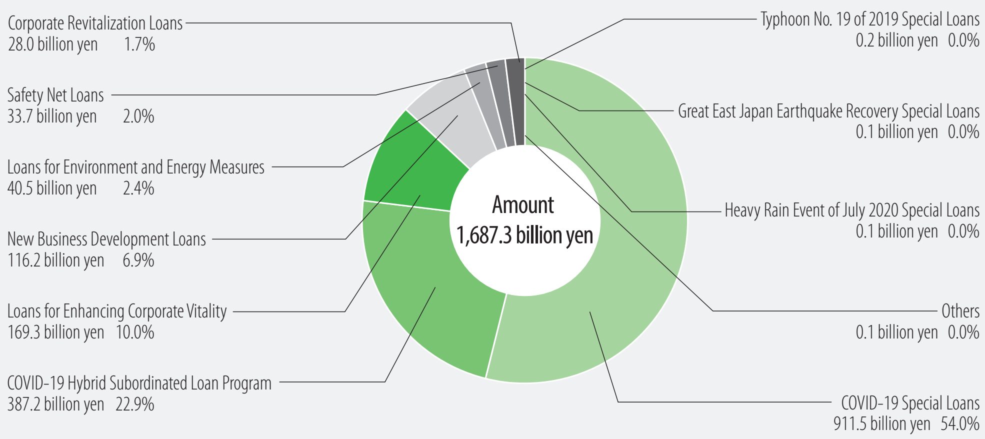
I. Loan Programs

1 Changes in Annual Loan Operations



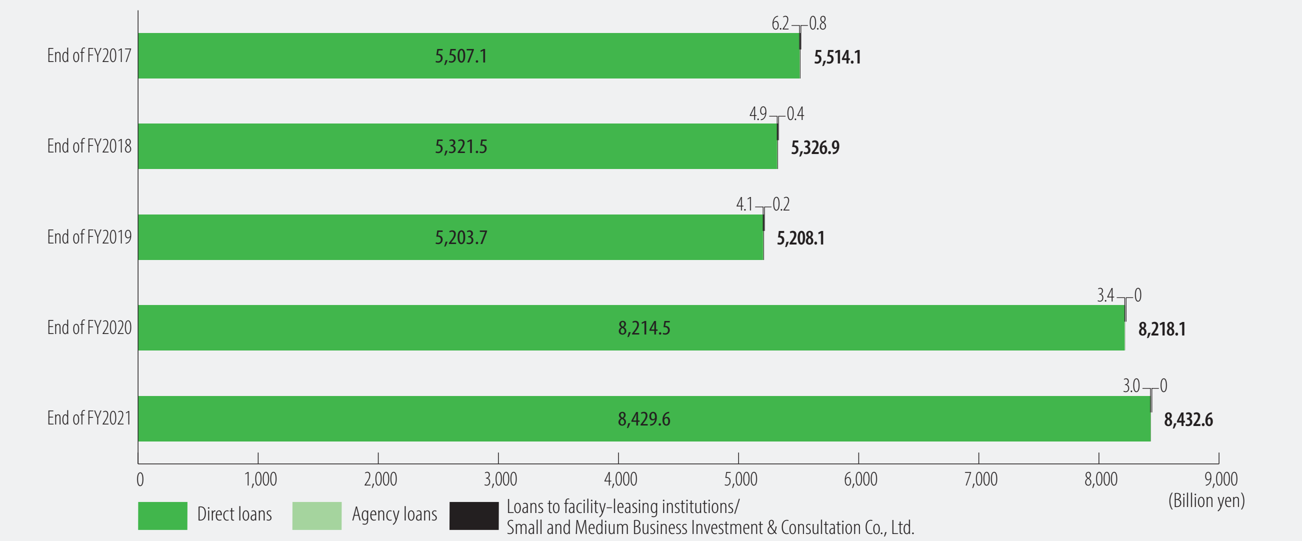
2 Breakdown of Loans by Scheme

▼**Total Amount of Loans** (FY2021)



Note: Loans include corporate bonds. Breakdowns are calculated by excluding loans to Small and Medium Business Investment & Consultation Co., Ltd. from the total outstanding loans.
Also, performance for respective loan projects is calculated while disregarding amounts of under 100 million yen.

3 Changes in Outstanding Loans



4 Breakdown of Outstanding Loans by Industry

(Billion yen, %)

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021
Manufacturing	2,588.1 (46.9)	2,487.1 (46.7)	2,387.4 (45.8)	3,220.1 (39.2)	3,231.1 (38.3)
Construction	255.9 (4.6)	252.1 (4.7)	249.4 (4.8)	516.4 (6.3)	534.4 (6.3)
Wholesale & retail	895.5 (16.2)	834.3 (15.7)	787.1 (15.1)	1,413.7 (17.2)	1,450.1 (17.2)
Transport & telecommunications	535.6 (9.7)	538.2 (10.1)	549.9 (10.6)	850.6 (10.4)	888.7 (10.5)
Services	581.8 (10.6)	584.2 (11.0)	612.5 (11.8)	1,488.9 (18.1)	1,608.2 (19.1)
Others	656.2 (11.9)	630.2 (11.8)	621.1 (11.9)	728.1 (8.9)	719.8 (8.5)
Total	5,513.3 (100.0)	5,326.4 (100.0)	5,207.9 (100.0)	8,218.0 (100.0)	8,432.6 (100.0)

Notes: 1. Loans include corporate bonds. Outstanding balances are calculated by deducting the amounts of loans to facility-leasing institutions/Small and Medium Business Investment & Consultation Co., Ltd. from the total balance.
2. Figures in parentheses denote percentage of shares.

5 Breakdown of Outstanding Loans by Use

(Billion yen, %)

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021
Operating funds	3,321.1 (60.2)	3,013.5 (56.6)	2,785.2 (53.5)	5,919.4 (72.0)	6,184.6 (73.3)
Facility funds	2,192.2 (39.8)	2,312.8 (43.4)	2,422.6 (46.5)	2,298.5 (28.0)	2,247.9 (26.7)
Total	5,513.3 (100.0)	5,326.4 (100.0)	5,207.9 (100.0)	8,218.0 (100.0)	8,432.6 (100.0)

Notes: 1. Loans include corporate bonds. Outstanding balances are calculated by deducting the amounts of loans to facility-leasing institutions/Small and Medium Business Investment & Consultation Co., Ltd. from the total balance.
2. Figures in parentheses denote percentage of shares.

6 Number of Borrowers

(Number of borrowers)

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021
Number of borrowers	44,145	43,929	44,102	61,074	62,010

Note: Figures cover only businesses with direct loans.

7 Average Loan Balance per Business

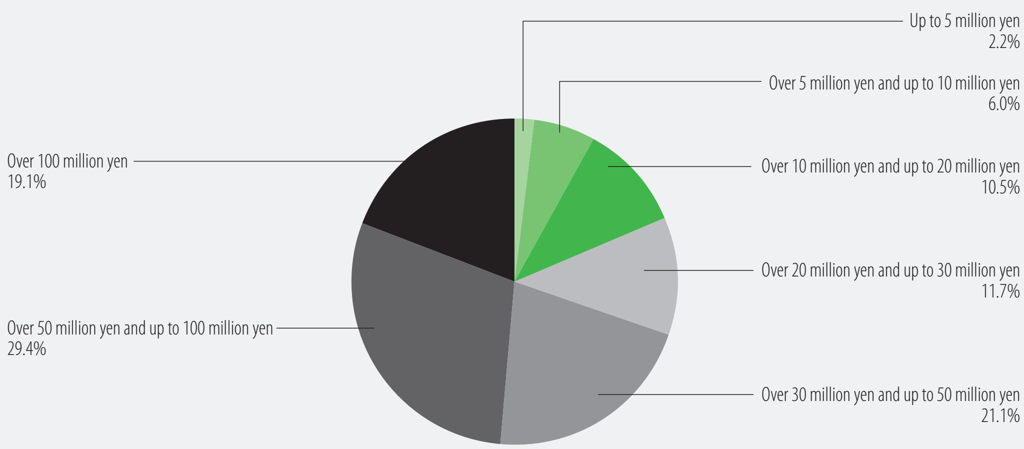
(Million yen)

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021
Average loan balance per business	124	121	117	134	135

Note: Figures cover only businesses with direct loans.

8 Loans by Credit Amount

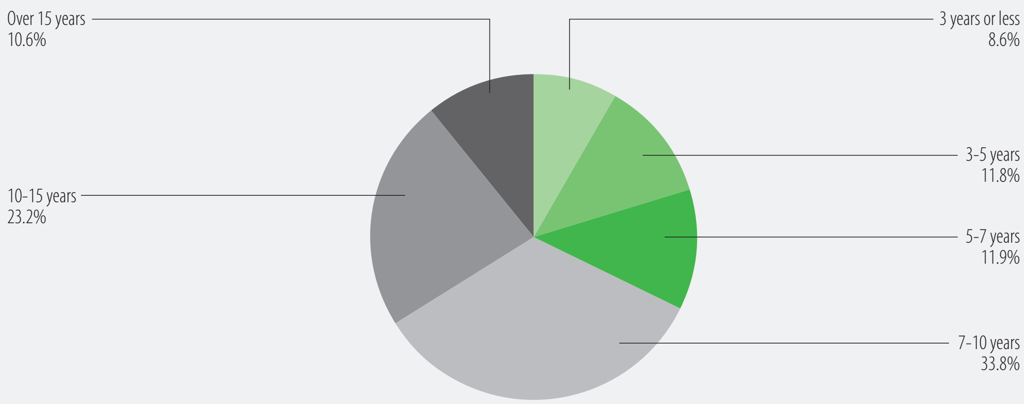
▼ **Loan Percentage Breakdown** (FY2021)



Note: Percentage distribution of the number of loans. Loans include corporate bonds.

9 Loans by Repayment Period

▼ Loan Percentage Breakdown (FY2021)



Note: Percentage distribution of the amount of loans. Loans include corporate bonds.

II. Credit Insurance Programs

(Billion yen)

Items	FY2017	FY2018	FY2019	FY2020	FY2021
Amounts of insurance acceptance and loans					
Small Business Credit Insurance	7,635.5	7,707.2	8,324.3	33,210.6	8,768.4
Loans to CGCs	—	—	—	—	—
Special Insurance for Mid-size Enterprises	—	—	—	—	—
Outstanding amounts of insurance and loans					
Small Business Credit Insurance	22,401.0	21,264.0	21,244.8	42,416.1	42,092.3
Loans to CGCs	—	—	—	—	—
Special Insurance for Mid-size Enterprises	0.0	0.0	0.0	0.0	0.0
Machinery Credit Insurance	0.4	—	—	—	—

Notes:1. Suspending the acceptance of new insurance since FY2003, the SME Unit currently pays on insurance money and receives recoveries based on insurance contracts already in force (Transitional Operation of the Machinery Credit Insurance Programs).

2. Outstanding amounts of insurance and loans are as of March 31, 2022.

III. Securitization Support Programs

(Billion yen)

Items	FY2017	FY2018	FY2019	FY2020	FY2021
Financing support amount					
Purchase-type	27.0	34.5	33.2	17.0	34.3
Guarantee-type	—	—	—	—	—
Outstanding amount of financing support					
Purchase-type	50.1	67.2	78.3	65.9	71.6
Guarantee-type	—	—	—	—	—
Outstanding amounts of trust beneficiary rights and guaranteed liabilities					
Purchase-type (outstanding amount of trust beneficiary rights)	15.1	18.1	17.4	12.9	15.4
Purchase-type (outstanding amounts of asset-backed securities)	6.6	10.3	14.9	17.8	21.6
Guarantee-type (outstanding amount of guaranteed liabilities)	0.0	0.0	0.0	0.0	0.0
Standby Letter of Credit Program (outstanding amount of guaranteed liabilities)	5.3	5.2	4.7	5.0	4.9

Notes:1. Purchase-type refers to operations prescribed in Article 11-1-2 of the Japan Finance Corporation Act as well as Items 3, 5, 7 and 8 on the Schedule II thereof.

2. Guarantee-type refers to operations prescribed in Article 11-1-2 of the Japan Finance Corporation Act as well as Items 4 and 6 on the Schedule II thereof.

3. Outstanding amounts of asset-backed securities refer to subordinated amounts acquired by JFC out of asset-backed securities and trust beneficiary rights and regarding the purchase-type securitization support programs.

4. Standby Letter of Credit Program refers to the operations of debt guarantee which are deemed to be operations prescribed in Article 11-1-2 of the Japan Finance Corporation Act as well as Item 4 on the Schedule II thereof by SMEs Business Enhancement Act, etc., Support under the SME Regional Resources Utilization Promotion Law, the Law to Promote Collaboration between Agriculture, Commerce and Industry, the Act on Support for Strengthening Agricultural Competitiveness, and the Act on Rationalization of Foodstuff Distribution and Normalization of Foodstuff Trading. (Note)

5. Outstanding amounts of trust beneficiary rights and guaranteed liabilities are as of March 31, 2022.

Note: This is a literal translation, not an official English name.

Data

Operations to Facilitate Crisis Responses and Specific Businesses Promotion, etc.

Results of Operations to Facilitate Crisis Responses

(Billion yen)

	Second Half FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Two-step loans	1,430.1	3,869.3	405.2	1,153.4	733.7	559.3	130.0	105.2	529.2	85.4	—	35.0	3,549.4	291.2
Loans, etc.	1,130.3	3,529.4	405.2	1,153.4	733.7	559.3	130.0	105.2	529.2	85.4	—	35.0	3,549.4	291.2
Commercial paper (CP) acquisitions	299.8	339.8	—	—	—	—	—	—	—	—	—	—	—	—
Loss compensation	345.1	1,811.9	1,893.3	1,739.8	1,470.2	1,409.3	1,234.2	1,077.5	547.3	89.2	1.0	0.8	2,364.5	593.1
Loans, etc.	345.1	1,781.9	1,893.3	1,739.8	1,470.2	1,409.3	1,234.2	1,077.5	547.3	89.2	1.0	0.8	2,364.5	593.1
Commercial paper (CP) acquisitions	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity participations	—	30.0	—	—	—	—	—	—	—	—	—	—	—	—
Interest subsidies	—	—	0.3	2.4	7.8	10.9	12.4	11.0	5.4	12.6	4.9	2.7	4.6	18.2

Notes: 1. The figures for the two-step loans refer to the amounts of loans JFC provided to the designated financial institutions (Development Bank of Japan Inc. and The Shoko Chukin Bank, Ltd.) through the end of March 2022.

2. With respect to loss compensation, the figures for loans, etc. represent the amounts of loans provided by designated financial institutions through the end of March 2022, with loss compensation underwritten by JFC for losses incurred until May 10, 2022.
Equity participation figures (pertaining to the Act on Special Measures for Industrial Revitalization) are the amounts of equity investments made by the designated financial institutions through the end of March 2013, with loss compensation underwritten by JFC.

3. The figures for interest subsidies represent the amounts of interest subsidies JFC provided to designated financial institutions for loans, etc. provided by the designated financial institutions through the end of September 2021 (in principle, disbursements pertaining to the period from October 1 each year to March 31 of the following year are made by June 10, while those pertaining to the period from April 1 to September 30 are made by December 10).

Results of Operations to Facilitate Specific Businesses Promotion, Operations to Facilitate Business Restructuring Promotion, Operations to Facilitate Business Adaptation Promotion, Operations to Facilitate Development and Supply Promotion, etc., Operations to Facilitate Business Foundation Reinforcement Promotion, and Operations to Facilitate Business Introduction Promotion (Two-step Loans)

(Billion yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Operations to Facilitate Specific Businesses Promotion	20.0	1.3	7.8	10.6	2.9	1.1	1.0	0.5	—	—	—	—
Operations to Facilitate Business Restructuring Promotion	—	—	25.0	—	20.0	—	—	—	—	100.0	—	—
Operations to Facilitate Business Adaptation Promotion	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Development and Supply Promotion, etc.	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Business Foundation Reinforcement Promotion	—	—	—	—	—	—	—	—	—	—	—	8.5
Operations to Facilitate Business Introduction Promotion	—	—	—	—	—	—	—	—	—	—	—	—

Notes: 1. The figures refer to the amount of loans provided by JFC to the designated financial institution (Development Bank of Japan Inc.) through the end of March 2022. There are no interest subsidies.

2. Day of commencement of operations: Operations to Facilitate Specific Businesses Promotion: August 16, 2010; Operations to Facilitate Business Restructuring Promotion: January 20, 2014; Operations to Facilitate Business Adaptation Promotion: August 2, 2021; Operations to Facilitate Development and Supply Promotion, etc.: August 31, 2020; Operations to Facilitate Business Foundation Reinforcement Promotion: August 24, 2021; Operations to Facilitate Business Introduction Promotion: August 24, 2021.

3. The figures before the start of Operations to Facilitate Business Restructuring Promotion are of loans issued under Operations to Facilitate Business Restructuring Promotion, etc. in accordance with the Act on the Special Measures for Industrial Revitalization and Innovation (Act No. 131 of 1999) that was abolished with the enactment of the Industrial Competitiveness Enhancement Act on January 20, 2014.

Financial Statements and Notes

Japan Finance Corporation

The balance sheet, statement of operations, statement of changes in net assets, and notes to the non-consolidated financial statements of JFC and each operating account were prepared in Japanese in accordance with Article 42 of the Japan Finance Corporation Act as well as Article 435 Paragraph 2 of the Companies Act, and audited by Ernst & Young ShinNihon LLC in accordance with Article 42 of the Japan Finance Corporation Act as well as Article 436 Paragraph 2 Item 1 of the Companies Act.
Financial statements and notes in English were prepared based on these audited financial statements and notes in Japanese.

Balance Sheet (as of March 31, 2022)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	**12,086,510**	**Borrowed money**	**21,580,461**
Cash	17	Borrowings	21,580,461
Due from banks	12,086,493	**Bonds payable**	**1,325,360**
Securities	**40,216**	**Entrusted funds**	**24,542**
Government bonds	21,166	**Reserve for insurance policy liabilities**	**1,737,697**
Corporate bonds	15,637	**Other liabilities**	**33,239**
Stocks	2,530	Accrued expenses	4,929
Other securities	882	Contract liability	14,252
Loans and bills discounted	**28,855,893**	Unearned revenue	77
Loans on deeds	28,855,893	Derivatives other than for trading-liabilities	306
Other assets	**26,298**	Lease obligations	4,158
Prepaid expenses	51	Other	9,514
Accrued income	15,052	**Provision for bonuses**	**5,264**
Derivatives other than for trading-assets	376	**Provision for directors' bonuses**	**23**
Agency accounts receivable	760	**Provision for retirement benefits**	**92,460**
Other	10,057	**Provision for directors' retirement benefits**	**60**
Property, plant and equipment	**193,710**	**Reserve for compensation losses**	**25,950**
Buildings	50,338	**Acceptances and guarantees**	**26,565**
Land	138,842	Total liabilities	24,851,626
Lease assets	3,252	Net assets	
Construction in progress	565	**Capital stock**	**11,612,727**
Other	710	**Capital surplus**	**5,575,621**
Intangible assets	**23,446**	Special reserve for administrative improvement funds	181,500
Software	21,862	Legal capital surplus	5,394,121
Lease assets	400	**Retained earnings**	**(1,773,613)**
Other	1,182	Legal retained earnings	3,142
Customers' liabilities for acceptances and guarantees	**26,565**	Other retained earnings	(1,776,756)
Allowance for loan losses	**(986,079)**	Retained earnings brought forward	(1,776,756)
		Total shareholders' equity	**15,414,735**
		Valuation difference on available-for-sale securities	**199**
		Total valuation and translation adjustments	**199**
		Total net assets	15,414,935
Total assets	40,266,562	Total liabilities and net assets	40,266,562

Statement of Operations (Year ended March 31, 2022)

(Millions of yen)

Items	Amount
Ordinary income	**437,096**
Interest income	191,279
Interest on loans and discounts	190,896
Interest and dividends on securities	213
Interest on deposits with banks	169
Other interest income	0
Fees and commissions	3,533
Fees and commissions on compensation security contract	3,371
Other fees and commissions	162
Insurance premiums and other	181,680
Insurance premiums	180,047
Receipts of burden charges under the Responsibility-sharing System	1,632
Other ordinary income	231
Income from derivatives other than for trading or hedging	231
Receipts from the national budget	53,693
Receipts from general account of the national budget	53,683
Receipts from special account of the national budget	9
Other income	6,677
Recoveries of written-off claims	914
Gain on sales of stocks and other securities	238
Other	5,524
Ordinary expenses	**824,408**
Interest expenses	29,435
Interest on call money	(0)
Interest on borrowings and rediscounts	25,693
Interest on bonds	3,741
Fees and commissions payments	2,897
Other fees and commissions	2,897
Expenses on insurance claims and other	314,476
Expenses on insurance claims	178,027
Recoveries of insurance claims	(64,394)
Provision of reserve for insurance policy liabilities	200,844
Other ordinary expenses	20,039
Loss on foreign exchange transactions	10
Amortization of bond issuance cost	121
Interest subsidies	19,907
General and administrative expenses	128,001
Other expenses	329,559
Provision of allowance for loan losses	291,303
Provision of reserve for compensation losses	9,189
Written-off of loans	22,624
Other	6,441
Ordinary loss	**387,312**
Extraordinary income	**60**
Gain on disposal of noncurrent assets	60
Other	0
Extraordinary losses	**258**
Loss on disposal of noncurrent assets	154
Impairment loss	104
Net loss	**387,510**

Statement of Changes in Net Assets (Year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity								Valuation and translation adjustments		
		Capital surplus			Retained earnings						
	Capital stock	Special reserve for administrative improvement funds	Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
Balance at the beginning of current period	6,990,201	181,500	3,503,984	3,685,484	289,324	(2,107,914)	(1,818,590)	8,857,095	—	—	8,857,095
Changes of items during the period											
Issuance of new shares	4,622,526		2,322,700	2,322,700				6,945,226			6,945,226
Provision of legal retained earnings					75	(75)	—	—			—
Reversal of legal retained earnings					(286,257)	286,257	—	—			—
Payment to the national treasury						(75)	(75)	(75)			(75)
Reversal of legal capital surplus (Deficit disposition)			(432,562)	(432,562)		432,562	432,562	—			—
Net income (loss)						(387,510)	(387,510)	(387,510)			(387,510)
Net changes of items other than shareholders' equity									199	199	199
Total changes of items during the period	4,622,526	—	1,890,137	1,890,137	(286,181)	331,157	44,976	6,557,640	199	199	6,557,840
Balance at the end of current period	11,612,727	181,500	5,394,121	5,575,621	3,142	(1,776,756)	(1,773,613)	15,414,735	199	199	15,414,935

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Securities

Held-to-maturity securities are carried at amortized cost (straight-line method) based on the moving average method. Investments in affiliates are carried at cost based on the moving average method. Available-for-sale securities are stated at fair value. However, stocks and others without quoted market prices are carried at cost based on the moving average method.

Note that valuation difference on available-for-sale securities are processed by directly booking to net assets.

(b) Valuation method for derivative financial instruments

Derivative financial instruments are carried at fair value.

(c) Depreciation basis for fixed assets

(i) Property, plant and equipment (except for lease assets)

Tangible fixed assets are depreciated under the declining-balance method over their useful economic lives except for buildings (excluding installed facilities) and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated under the straight-line method.

Amortization is based on the following range of estimated useful lives:

Buildings: 2 years to 50 years

Other: 2 years to 20 years

(ii) Intangible assets (except for lease assets)

Amortization of intangible fixed assets is computed by the straight-line method. Software used by Japan Finance Corporation (JFC) is amortized over its useful life (5 years).

(iii) Lease assets

Lease assets in "property, plant and equipment" or "intangible assets," under finance leases that do not involve transfer of ownership to the lessee are amortized under the straight-line method over the lease term. Depreciation for lease assets is calculated with zero residual value being assigned to the asset.

(d) Method of amortization for deferred assets

Bond issuance costs are expensed as incurred.

(e) Foreign currency translation and revaluation method

JFC maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the market exchange rate prevailing at the fiscal year end.

(f) Accounting policy for reserves

(i) Allowance for loan losses

The allowance for loan losses is maintained in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt ("Bankrupt borrowers") or substantially bankrupt ("Substantially bankrupt borrowers") is provided based on the outstanding balance after the write-offs described in the followings and the deductions of the amount expected to be collected through the disposal of collateral and execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt ("Potentially bankrupt borrowers") is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

The allowance for claims on debtors other than Bankrupt borrowers is provided based on primarily the anticipated loss amount within the next one year or the anticipated loss amount within the next three years. The anticipated loss amount is calculated by seeking the loss rate on the basis of the average default rate over a certain period in the past based on the default rates for one or three years and making necessary adjustments such as future expectations.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments.

With respect to claims with collateral or guarantees on debtors who are legally or substantially bankrupt (Bankrupt borrowers and Substantially bankrupt borrowers), etc., the residual booked amount of the claims after deduction of the amount which is deemed collectible through the disposal of collateral or the execution of guarantees is written-off. The amount of accumulated write-off is ¥213,196 million.

Write-offs are recognized by offsetting the current allowance for loan losses for the amount of the claim deemed uncollectible against the year-end claim amount balance; the previous allowance for loan losses and claim balances are reversed at the start of the fiscal year, upon approval received from the competent minister pursuant to Article 4 of the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 3 of 2008).

(ii) Reserve for compensation losses

The "reserve for compensation losses" provides for losses based on the estimated amounts of future losses attributed to compensation security contracts.

(iii) Provision for bonuses

The "provision for bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the balance sheet.

(iv) Provision for directors' bonuses

The "provision for directors' bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the balance sheet.

(v) Provision for retirement benefits

The "provision for retirement benefits" represents the future payment for pension and retirement benefits to employees, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the fiscal period end. In addition, in calculating projected benefit obligations, JFC follows straight-line basis with regard to methods for attributing projected benefit payments to the period through the end of the fiscal year in review. Moreover, unrecognized prior service costs and unrecognized actuarial differences in profit and loss disposition are calculated as follows:

Unrecognized prior service costs are recognized as income or expense by the straight-line method over a certain number of years; 10 years within the average remaining work period of employees at the time of occurrence.

Unrecognized actuarial differences are recognized as income or expense from the following fiscal year by the straight-line method over a period up to a maximum of 10 years within the average remaining service period of employees of the respective fiscal year at the time of occurrence.

(vi) Provision for directors' retirement benefits

The "provision for directors' retirement benefits," which provides for future retirement pension payments to directors, corporate auditors and executive officers, is recognized at the amount accrued at the end of the fiscal year.

(g) Accounting policy for revenue and expense

Contents of main performance obligations and normal points of time to recognize revenues in major businesses with respect to revenues arising from contracts with customers are as described below.

Compensation security transactions in the account for Operations to Facilitate Crisis Responses

JFC is obliged to make a certain percentage of compensation against any loss that occurs in a loan, etc. made by designated financial institutions through concluding damage security contracts with the designated financial institution and collecting its compensation security charges. JFC recognizes revenues by judging that revenues from compensation security transactions shall meet its performance obligations during the indemnity contract period.

(h) Accounting policies for reserve for insurance policy liabilities

The "reserve for insurance policy liabilities" consists of the following two items, pursuant to Article 9, Paragraph 1 of the Ministerial Ordinance Concerning Accounting for JFC. Furthermore, in accordance with Article 9, Paragraph 2 of the Ministerial Ordinance Concerning Accounting for JFC, an additional amount shall be provided for insurance policy liabilities in the event that an impediment to the fulfillment of future obligations has been confirmed.

(i) Policy reserve

The policy reserve which provides for future obligations under insurance policies has been calculated based on actuarial and statistical method.

(ii) Outstanding claims reserve

The outstanding claims reserve represents the accumulation of the estimates for reported losses and includes provision for losses incurred but not reported, after the deduction of collectable amounts based on insurance policies.

Significant accounting estimates

The items for which the amount was recorded in the financial statements for the current fiscal year based on accounting estimates that may have significant impacts on the financial statements for the following fiscal year are as follows.

1. Allowance for loan losses

(1) Amount recorded in financial statements for the current fiscal year

Allowance for loan losses: ¥986,079 million

(2) Information that will contribute to understanding in relation to the details of significant accounting estimates relating to the identified items

a. Account for micro business and individual operations

(a) Calculation method

The method of calculating the allowance for loan losses is described in Significant accounting policies, (f) Accounting policy for reserves, (i) Allowance for loan losses.

When making calculations, JFC takes the effect of COVID-19 into consideration and adds necessary revisions. Specifically, the borrowers' categories are determined based on the status of loan repayment, whether loan conditions were restructured, and the information ascertained in the course of normal operations and other factors, however it is possible that deterioration of borrower credit risks for which a principal deferment period has been set in COVID-19 related loans will not immediately appear and will not be reflected in the borrowers' categories. In addition, there is a possibility that deterioration of credit risk of borrowers that are provided with moratoriums of repayments is not properly reflected in borrowers' categories under the influence of COVID-19, and therefore, loan losses expected to occur in the future are additionally estimated.

(b) Main assumptions

Although the impacts of COVID-19 will gradually diminish, it is expected that the effects on the economy will continue for about one year into the future. Because of this, potential short-term credit risks concerning borrowers for which principal deferment periods were set to a certain degree are anticipated, and accordingly, JFC made corrections required for the expected loss rate by assuming that there would be the deterioration of credit risk that is similar to that of the borrower who set the principal deferment periods in the past. In addition, since target periods, etc. for extension of principal deferment periods were included and materialization of credit risk may have been postponed for borrowers for whom lending was unified with a new loan after receiving loans related to COVID-19, it was assumed that the borrowers' categories would decline to a certain degree and necessary revisions were made.

Moreover, JFC made necessary corrections by assuming that borrowers' categories would decline to some extent for borrowers that were provided with moratoriums of repayments whose repayment had been repeatedly deferred several times and loans related to COVID-19 under the influence of COVID-19, because it was considered highly likely that repayment would be interrupted, including the aspect that their deferment period might be longer than others under repayment deferment.

In addition, necessary corrections to the anticipated loss rate were made based on the assumptions that deterioration of the credit risks of borrowers who have no particular problems with repayment at this time will occur and late payment, relaxation of lending conditions, bankrupt, termination of business, and so on will occur at approximately the same rate as before the COVID-19 pandemic.

(c) Impacts on financial statements for the following fiscal year

The main assumptions used for accounting estimates may change in circumstances where there is increased uncertainty regarding the future such as significant changes in the credit conditions of borrowers and economic conditions and a delay in the resolution of COVID-19, and there may be a material impact on allowances for loan losses in the financial statements for the following fiscal year.

b. Account for Agriculture, Forestry, Fisheries and Food Business Operations

(a) Calculation method

The method of calculating the allowance for loan losses is described in Significant accounting policies, (f) Accounting policy for reserves, (i) Allowance for loan losses.

When making calculations, the borrowers' categories are determined by assessing and setting borrower repayment capacity based on borrower repayment status, financial details, business performance, projections of these, and other factors and an anticipated loss rate on the basis of the average default rate over a certain period in the past based on the loan loss, and making necessary adjustments such as future expectations is included.

(b) Main assumptions

The main assumptions are the outlook for borrowers when determining the borrowers' categories and the impacts of COVID-19.

The outlook for borrowers is assessed on an individual basis according to repayment status including effects from COVID-19, financial details, balance of payments status, reasonableness and feasibility of management improvement plans, and other factors.

Also, although the impacts of COVID-19 will gradually diminish, it is expected that the effects on the economy will continue for about one year into the future. However, it is assumed that the short-term credit risks of loans held at the end of the current fiscal year are approximately the same as in the past due to the various supports provided to businesses based on a variety of government measures.

(c) Impacts on financial statements for the following fiscal year

The main assumptions used for accounting estimates may change in circumstances where there is increased uncertainty regarding the future such as significant changes in the credit conditions of borrowers and economic conditions and a delay in the resolution of COVID-19, and there may be a material impact on allowances for loan losses in the financial statements for the following fiscal year.

c. Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)

(a) Calculation method

The method of calculating the allowance for loan losses is described in Significant accounting policies, (f) Accounting policy for reserves, (i) Allowance for loan losses.

When making calculations, the borrowers' categories are determined by assessing and setting borrower repayment capacity based on borrower repayment status, financial details, business performance, projections of these, and other factors, and an anticipated loss rate on the basis of the average default rate over a certain period in the past based on the loan loss, and making necessary adjustments such as future expectations is included.

Regarding the loan loss ratio, we calculated the expected loss amount through grouping into subordinated capital loans and other claims, based on risk characteristics. For subordinated capital loan receivables, expected loss amounts are recorded based primarily on the assumption that the portion corresponding to substantive insolvency is not expected to be recovered.

(b) Main assumptions

The main assumptions are the outlook for borrowers when determining the borrowers' categories and the impacts of COVID-19.

The outlook for borrowers is assessed on an individual basis according to repayment status including effects from COVID-19, financial details, balance of payments status, reasonableness and feasibility of management improvement plans, and other factors.

Also, although the impacts of COVID-19 will gradually diminish, it is expected that the effects on the economy will continue for about one year into the future. However, it is assumed that the short-term credit risks of loans held at the end of the current fiscal year are approximately the same as in the past due to the various supports provided to businesses based on a variety of government measures.

(c) Impacts on financial statements for the following fiscal year

The main assumptions used for accounting estimates may change in circumstances where there is increased uncertainty regarding the future such as significant changes in the credit conditions of borrowers and economic conditions and a delay in the resolution of COVID-19, and there may be a material impact on allowances for loan losses in the financial statements for the following fiscal year.

2. Reserve for insurance policy liabilities

(1) Amount recorded in financial statements for the current fiscal year

Reserve for insurance policy liabilities: ¥1,737,697 million

(2) Information that will contribute to understanding in relation to the details of significant accounting estimates relating to identified items

a. Calculation method

The method of calculating the reserve for insurance policy liabilities is described in Significant accounting policies, (h) Accounting policies for reserve for insurance policy liabilities.

When making calculations, grouping for each program category and insurance type category is made on March 31 and September 30 of each fiscal year as the record dates in accordance with the standards on the reserve for insurance policy liabilities, the accounting base rates including the balance compared with the prior fiscal year and accident rate are determined, and the reserve for insurance policy liabilities (policy reserve and outstanding claims reserve) is calculated based on estimated future cash flows including estimated insurance claims payment amounts.

In cases where the amount of cumulative maximum excess expenditures of future income and expenditures calculated for each fiscal year after a record date surpasses the amount of the reserve for insurance policy liabilities, the corresponding amount is additionally recorded.

b. Main assumptions

An assumed accident rate based on actual performance over a certain period in the past is used for estimating future insurance claims payment amounts.

The accident rate used for such estimates is the average for the most recent 10 years based on prior results for each insurance underwriting fiscal year and elapsed fiscal year.

Also, although the impacts of COVID-19 will gradually diminish, it is expected that the effects on the economy will continue for about one year into the future. However, it is assumed that the short-term credit insurance underwriting risks relating to insurance underwriting at the end of the current fiscal year are approximately the same as in the past due to the various supports provided to businesses based on a variety of government measures.

c. Impacts on financial statements for the following fiscal year

The main assumptions used for accounting estimates may change in circumstances where there is increased uncertainty regarding the future such as significant changes in the credit conditions of SMEs and economic conditions and a delay in the resolution of COVID-19, and there may be a material impact on the reserve for insurance policy liabilities in the financial statements for the following fiscal year.

3. Reserve for compensation losses

(1) Amount recorded in financial statements for the current fiscal year

Reserve for compensation losses: ¥25,950 million

(2) Information that will contribute to understanding in relation to the details of significant accounting estimates relating to identified items

a. Calculation method

The method of calculating the reserve for compensation losses is described in Significant accounting policies, (f) Accounting policy for reserves, (ii) Reserve for compensation losses.

Specifically, compensation security contracts were grouped based on reports from designated financial institutions about the presence or absence of the arrival of repayment performance deadline, and the reserves for compensation losses are calculated based on the anticipated loss rate for each group.

b. Main assumptions

The anticipated loss rate is calculated based on past compensation payment results rate with the assumption that there will not be a major change in the credit risks included in compensation security contracts.

It is assumed that there is no major change in credit risks included in compensation security contracts in relation to COVID-19 or other crises.

c. Impacts on financial statements for the following fiscal year

The main assumptions used for accounting estimates may change in circumstances where there is increased uncertainty regarding the future such as significant changes in the credit conditions of businesses and economic conditions, and there may be a material impact on reserve for compensation losses in the financial statements for the following fiscal year.

Changes in accounting policies

(Accounting Standard for Revenue Recognition, etc.)

JFC has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the current fiscal year, and JFC recognizes revenues at the amount expected to be received in exchange for the goods or service when control of the promised goods or service is transferred to the customer.

JFC follows the transitional treatment specified in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for application of the Accounting Standard for Revenue Recognition, etc., which will not affect retained earnings at the beginning of the current fiscal year. In addition, application of the relevant accounting standards does not affect the profit and loss and the information per share for the current fiscal year.

Because JFC applied the Revenue Recognition Accounting Standard, etc., JFC modified accounting items of the balance sheet from "unearned revenue" to "contract liability" regarding the consideration received from the customer before transferring the service to the customer out of the compensation security transactions in the account for Operations to Facilitate Crisis Responses.

(Accounting Standard for Fair Value Measurement, etc.)

JFC has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc., from the beginning of the current fiscal year, and JFC applies new accounting policies stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment specified in the Accounting Standard for Fair Value Measurement, Paragraph 19 and the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2 for the future.

Accordingly, JFC modified the valuation criteria for corporate bonds which had traditionally been regarded as financial instruments whose fair value is extremely difficult to grasp (specified asset-backed securities) from the cost method to the fair value method, and the valuation criteria for credit default swap transactions from the processing according to debt guarantee to the fair value method.

In addition, JFC made notes such as matters concerning the breakdown of the fair value of financial instruments for each appropriate category in the "financial instruments and related disclosure."

The Change in presentation

(Matters related to balance sheets)

In line with the enforcement of the Ministerial Ordinance on the Partial Revision of the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 1 of 2020) from March 31, 2022, we show the classification of "risk-monitored loans," etc. according to the classification of disclosed claims, etc. based on the "Act on Emergency Measures for the Revitalization of the Financial Functions" (Law No. 132 of 1998).

2. Equity securities of affiliates

Equity securities of affiliates is ¥2,530 million.

3. Claims based on the Ministerial Ordinance Concerning Accounting for the JFC

Claims based on the Ministerial Ordinance Concerning Accounting for the JFC are as described below. Note that claims are corporate bonds (limited to those that guarantee all or part of the redemption of their principals and the payment of interests and in which the issuance of the corporate bonds is through private offering of securities (Financial Instruments and Exchange Act Law No. 25 of 1948, Article 2, Paragraph 3)) in "securities" on the balance sheet, loans, foreign exchange, accrued interest and suspense payment in "other assets," items recorded in each account of customers' liabilities for acceptance and guarantees, and the securities when lending of the securities noted is performed (limited to loans for use or lease contracts).

The amount of bankruptcy reorganization claims and similar claims: ¥31,424 million
The amount of claims under high risk: ¥968,212 million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥724,708 million
  The amount of claims with interest or principal repayments more than 3 months in arrears: ¥709 million
  The amount of restructured claims: ¥723,998 million
Subtotal amount: ¥1,724,346 million
The amount of normal claims: ¥27,172,976 million
Total amount: ¥28,897,322 million

Bankruptcy reorganization claims and similar claims are the claims on borrowers who are in bankruptcy due to reasons such as petition for commencement of bankruptcy proceedings, commencement of reorganization proceedings, commencement of rehabilitation proceedings, etc. and similar claims.

Claims under high risk are the claims in which it is highly unlikely that their principals are collected and their interests are received according to the contract due to the deterioration of borrowers' financial conditions and business performances even though they have not yet reached the state of bankruptcy and that do not fall under "bankruptcy reorganization claims and similar claims."

Claims with interest or principal repayments more than 3 months in arrears are claims whose principal or interest payment is more than 3 months in arrears, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," and "claims under high risk."

Restructured claims are claims whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," "claims under high risk," and "claims with interest or principal repayments more than 3 months in arrears."

Normal claims are the claims that are classified into items other than "bankruptcy reorganization claims or similar claims," "claims under high risk," "claims with interest or principal repayments more than 3 months in arrears," and "restructured claims," assuming that there are no particular problems with the borrowers' financial conditions and business performances.

Note that the above claim amounts are the gross amounts prior to the deduction of allowance for possible claim losses.

JFC, as a policy, does not pay down loans in part or in full immediately after the execution of the loan agreements, but instead makes disbursement, in accordance with the progress of the underlying projects. These undisbursed amounts are not included in the loans on deed in the Balance Sheet. The balance of unpaid amounts as of March 31, 2022 is ¥82,782 million.
In cases where a customer makes a request for loan disbursement in relation to a loan agreement with a commitment period, as long as there are not violations of the conditions set forth in the agreement, the agreement provides for a promise to loan funds up to a certain maximum amount. The undisbursed loan balance of above agreements is ¥442 million.

This agreement contains provisions such that if there are changes in financial conditions, it is necessary for preservation of claims, or there is other cause, JFC may reject a request for disbursement. In addition, JFC collects collateral such as real estate and securities at the time of contract execution as necessary, takes periodical credit preservation measures such as being aware of customer business performance in accordance with JFC procedures specified and review of agreements as necessary after agreement execution.

4. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for bonds totaling ¥1,325,360 million.

5. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥42,666 million.

6. Amount of compensation security contract

(Millions of yen)

The total amount of compensation outstanding (48,618 contracts)	2,140,758
Reserve for compensation	25,950
Net amount	2,114,808

7. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act*1. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations*2 listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order to the extent that it reaches the certain amount, and if there is still a surplus, JFC shall pay such surplus into the national treasury within 3 months after closing date.

In the event that the amount of the retained earnings brought forward falls below zero in each account set forth in the preceding paragraph, legal capital surplus and legal retained earnings shall be transferred to retained earnings brought forward to the extent that the amount of retained earnings brought forward becomes zero.

*1 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No.38, 2010).

*2 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No.38, 2010).

8. The account title and the amount related to transactions with affiliates

Ordinary income-Other income-Other: ¥0 million

9. Issued shares

For the fiscal year ended March 31, 2022, types and number of issued shares are as follows:

(Unit: shares)

Types	The number of stocks at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of stocks at the end of the fiscal year
Common stock	14,647,129,107,741	6,945,226,000,000	—	21,592,355,107,741

(Note) Increase is due to the issuance of 6,945,226,000,000 shares.

10. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

Based on the JFC Act, we are a public corporation founded for the purpose of supplementing the financing conducted by general financial institutions and contributing to the improvement of the lifestyle of citizens.

The budget required for governmental financial operations is decided on by the Diet of Japan, and business plans and financial plans (funds through borrowing from the fiscal investment funds and loans, bonds, investments from the general account, and loans, etc.) are appended to the budget and submitted to the Diet of Japan.

These operations are classified into Micro Business and Individual Operations, Agriculture, Forestry, Fisheries and Food Business Operations, SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), Securitization Support Programs (Purchase-type Operation), Credit Insurance Programs, Operations to Facilitate Crisis Responses, and Operations to Facilitate Specific Businesses Promotion, etc. Accounts are made for each classification ("operation account") for accounting treatment.

The funds procured by JFC through borrowing from the fiscal investment funds and loans, bonds and investments from the general account are managed separately by each operational account. In principle, it is assumed that funds intended for one operation account will not be used for another operation account. Accordingly, ALM (asset and liability management) is conducted for the risks associated with financial assets and liabilities for each operation account. Note that financial instruments that can be used for the management of surplus funds are limited to extremely safe instruments such as Japanese government bonds, etc., based on the JFC Act.

The Account for Micro Business and Individual Operations is for operations, such as business fund financing and educational loans, etc. To conduct these operations funds are raised through the borrowing of fiscal investment funds and loans and the issuing of bonds.

In the Account for Agriculture, Forestry, Fisheries and Food Business Operations, the main operations consist of supplementing the financing provided by general financial institutions and supplying long-term funds at a low interest rate aimed at businesses engaged in agriculture, forestry, fisheries and food manufacturing, etc., in order to contribute to the sustainable and robust development of the agriculture, forestry, fisheries business and ensure the stable supply of food. To conduct these operations funds are raised through borrowing from fiscal investment funds and loans and the issuing of bonds.

In the Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), a stable supply of long-term funds is provided to supplement private sector financial institutions in order to support the growth and development of SMEs. To conduct these operations, funds are raised by borrowing from the government and through the issuing of bonds. Forward exchange contracts are conducted for avoiding foreign exchange risk related to foreign currency loans.

Operations in the Account for Securitization Support Programs (Purchase-type Operation) are conducted for the purpose of promoting the supply of unsecured funds to SMEs from private sector financial institutions, etc., utilizing securitization and fostering the securitization market for SME loan claims. To conduct these operations funds are raised through the issuing of bonds.

In the Account for Credit Insurance Programs, insurance is provided for the guarantees related to the liabilities on SME loans. To conduct these operations funds are raised through capital investment from the government.

In the Account for Operations to Facilitate Crisis Responses financing operations including 1) loans, 2) credit insurance underwriting (a certain portion of compensation paid by JFC to cover losses incurred by specified financial institutions on loans), and 3) interest subsidies (interest subsidies provided by JFC to specified financial institutions for loans, etc., conducted by specified financial institutions that received a credit facility from JFC) are conducted for financial institutions specified by the competent minister for domestic and global financial disturbance that is recognized by the competent minister when a crisis such as a large-scale disaster occurs. To conduct these operations, the financing required for 1) loans is procured funds through the borrowing from Fiscal Investment and Loan Program ("FILP"), and the issuing of government guaranteed bonds. The loan period and borrowing period are equal, and the financing cost is covered by the interest on the loans. The financing required for 2) credit insurance underwriting, and 3) interest subsidies is procured funds through equity participation from the government, etc.

The Account for Operations to Facilitate Specific Businesses Promotion, etc. provides loans, etc. of required funds for loans provided by designated financial institutions appointed by the competent minister to certified business operators that are developing or manufacturing energy and environmentally friendly products, certified business operators that are restructuring their business, certified business operators that are adapting their business, certified business operators engaged in the development and provision, etc. of systems using specified advanced information and communications technology or improvement of specified semiconductor production facilities, certified business operators that are reinforcing business infrastructure, and certified business operators that are introducing specified ships.

The funds for these lending operations are financed using fiscal investment and loans. The loan period and borrowing period are equal, and the financing cost is covered by the interest on loans.

(2) Types of financial instruments and risks

The financial assets and liabilities owned by JFC are managed in separate operation accounts, and the risks associated with the financial assets and liabilities contained within each operation account are described below.

a. Account for Micro Business and Individual Operations

The financial assets in this operation account mainly include loans to micro business and individuals, and the financial liabilities mainly include borrowings and bonds. The associated risks are described below.

(a) Credit risk

The associated credit risk consists of risk of losses arising from uncollectable claims on business and educational loans from deterioration in creditworthiness or fluctuation in the value of the real estate-collateral of the entity to which credit is granted.

For this operation account, JFC strives to make a proper financing decision in the financial screening process, conduct detailed claims management based on the condition of the borrower after financing is provided, use statistical management methods, and increase the sophistication of management methods employed. In addition, risks are distributed as the credit portfolio is comprised of small business and educational loans, etc. that are not concentrated in a specified region or industry.

However, based on future economic trends and changes in the business climate of borrowers, the number of borrowers with deteriorated creditworthiness could increase, bringing about requests for financial support including loan restructuring, causing an increase in uncollectable debt and credits costs for this operation account.

(b) Market risk

The main type of market risk associated with this operation account is interest rate risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities. However, not all cash flows can be matched, so some gaps arise between assets and liabilities. This operation account could incur losses from the interest rate risk caused by this gap.

(c) Liquidity risk

Long-term and stable funds such as fiscal loan funds, government-backed bonds, the FILP agency bonds, and funding provided by government are secured to finance this operation account and deposits are not accepted. Cash flows are assessed and daily cash flows are maintained by performing proper risk management including establishing overdraft facility accounts with several private sector financial institutions, and JFC considers liquidity risk to be limited. However, financing costs could increase due to unexpected events.

b. Account for Agriculture, Forestry, Fisheries and Food Business Operations

The financial assets in this operation account mainly include loans to agriculture, forestry, fisheries and food businesses, and financial liabilities mainly include borrowings and bonds. The associated risks are described below.

(a) Credit risk

The associated credit risk consists of risk of losses arising from uncollectable claims on credit to agriculture, forestry, fisheries and food businesses from deterioration in creditworthiness or fluctuation in the value of the real estate-collateral of the entity to which credit is granted. For this reason, efforts are made to maintain and improve the soundness of assets through proper financial screening and account management throughout the year.

However, among the majority of borrowers that make up this operation account, there are many small businesses in the agriculture, forestry, fisheries sector. These businesses are especially susceptible to natural conditions such as weather, etc., so depending on future conditions, uncollectable debt and credits costs for this operation account could increase.

(b) Market risk

The main type of market risk associated with this operation account is interest rate risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities. However, due to characteristics such as long redemption periods and fixed interest rates that are required by agriculture, forestry, and fisheries policy, not all cash flows can be matched, so some gaps arise between assets and liabilities. This operation account could incur losses from the interest rate risk caused by this gap.

(c) Liquidity risk

Long-term and stable funds such as fiscal loan funds, the FILP agency bonds, and funding provided by government are secured to finance this operation account and deposits are not accepted. Cash flows are assessed and daily cash flows are maintained by performing proper risk management including establishing overdraft facility accounts with several private sector financial institutions, and JFC considers liquidity risk to be limited. However, financing costs could increase due to unexpected events.

c. Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)

The financial assets in this operation account mainly include loans and securities for SMEs, and financial liabilities mainly include borrowings and bonds. The associated risks are described below.

(a) Credit risk

The following operations are conducted in this operation account: (1) Loans to SMEs, etc., (2) Acquisition of bonds issued by SMEs, (3) Securitization of loan claims and bonds of SMEs, (4) Partial guarantee of loan claims for private sector financial institutions and guarantee of securitized financial products, (5) Guarantee related to the liabilities of SMEs and micro businesses' overseas subsidiaries and branches, (6) Loans to foreign-affiliated corporations, and (7) Acquisition of shares or equity of SMEs that have debt in the form of loans from JFC for the purpose of reducing qualifying debt. For this operation account, JFC identifies and evaluates credit risk by taking steps for appropriate screening and monitoring of loans and implements the necessary management to steadily put in place measures aimed at reducing credit costs. However, future economic trends in Japan and overseas, which may lead to a deterioration in creditworthiness of borrowers, and a fluctuation in the value of the real estate-collateral and other unexpected events could cause losses for this operation account as a result of bad debts and uncollectable claims.

(b) Market risk

The main type of market risks associated with this operation account are interest rate risk and foreign exchange risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities. However, not all cash flows can be matched, so some gaps arise between assets and liabilities. This operation account could suffer losses from the interest rate risk caused by this gap.

It is JFC policy to minimize foreign exchange risk arising from foreign currency loans in this operation account by conducting forward exchange contracts.

(c) Liquidity risk

Long-term and stable funds such as fiscal loan funds, government-backed bonds, the FILP agency bonds, and funding provided by government are secured to finance this operation account and deposits are not accepted. Cash flows are assessed and daily cash flows are maintained by performing proper risk management including establishing overdraft facility accounts with several private sector financial institutions, and JFC considers liquidity risk to be limited. However, financing costs could increase due to unexpected events.

d. Account for Securitization Support Programs (Purchase-type Operation)

The financial assets in this operation account mainly include securities, and the financial liabilities are bonds payable. The associated risks are described below.

(a) Credit risk

The following operations are conducted in this operation account: (1) Receipt and securitization of loan claims for private sector financial institutions and (2) Partial purchase of securitized instruments. Since credit is provided to SMEs in this operation account, the account risks losses arising from uncollectable claims caused by deterioration in creditworthiness of the SMEs to which credit is granted and the resulting drop in value of securitized instruments owned.

(b) Market risk

The main type of market risk associated with this operation account is interest rate risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities.

(c) Liquidity risk

Long-term and stable funds such as FILP agency bonds are secured to finance this operation account and deposits are not accepted. Proper measures, including establishing overdraft facility accounts with multiple private sector financial institutions, are taken to maintain daily cash flows, and JFC considers liquidity risk to be limited. However, financing costs could increase due to unexpected events.

e. Account for Credit Insurance Programs

The financial assets in this operation account mainly include deposits. The associated risks are described below.

(a) Market risk

The main type of market risk associated with this operation account is interest rate risk.

However, this operation account is exposed to limited interest rate risk because funds procured through government investments are managed using highly stable instruments including the deposit for the FILP.

(b) Liquidity risk

This operation account does not accept deposits and since long-term stable funds such as investments from the Japanese government are secured to finance this operation account, liquidity risk is considered to be limited.

f. Account for Operations to Facilitate Crisis Responses

The financial assets in this operation account mainly include loans and financial liabilities against designated financial institutions, and the financial liabilities include borrowings and bonds payable. The associated risks are described below.

(a) Credit risk

The main financial assets in this operation account are loans of funds to designated financial institutions that are required to conduct crisis response operations. The associated credit risk consists of risk of losses arising from uncollectable claims due to deterioration in creditworthiness of the designated financial institution.

(b) Market risk

The operations of this operation account consist of loans to designated financial institutions, and fiscal investment and loans and issuing of government-backed bonds are used for financing. Interest rate risk is not present as a type of market risk because the terms and conditions of the loans and borrowings are equal, and the financing cost is covered by the interest on the loans, etc.

(c) Liquidity risk

Long-term and stable funds such as fiscal investment and loans, government-backed bonds, and funding provided by government are secured to finance this operation account and deposits are not accepted, and as a result, liquidity risk is considered to be limited. However, borrowings and bonds payable are exposed to liquidity risk that payment cannot be made on the payment date due to unexpected events.

g. Account for Operations to Facilitate Specific Businesses Promotion, etc.

The financial assets in this operation account mainly include loans and financial liabilities against designated financial institutions, and the financial liabilities include borrowings. The associated risks are described below.

(a) Credit risk

The main financial assets in this operation account are loans to designated financial institutions that are required to conduct specific businesses promotion operations, businesses restructuring promotion, etc. operations, business reorganization promotion operations, business adaptation promotion operations, development and provision, etc. promotion operations, business infrastructure reinforcement promotion operations and introduction promotion operations. The associated credit risk consists of risk of losses arising from uncollectable claims due to deterioration in creditworthiness of the designated financial institution.

(b) Market risk

The operations of this operation account consist of loans to designated financial institutions, and fiscal investment and loans are used for financing. Interest rate risk is not present as a market risk because the terms and conditions of the loans and borrowings are equal, and the financing cost is covered by the interest on the loans.

(c) Liquidity risk

Long-term and stable funds such as fiscal loan funds and funding provided by government are secured to finance this operation account and deposits are not accepted. As a result, liquidity risk is considered to be limited. However, borrowings are exposed to liquidity risk that payment cannot be made on the payment date due to unexpected events.

(3) Risk management structure for financial instruments

JFC has a Corporate Governance Committee established to properly conduct management in order to comprehensively handle risks faced, including risks associated with financial instruments, to ensure the sustained and stable realization of the financing policies of the function.

For each type of risk, management policies and procedures have been created to handle the specific types of credit risks, market risks, and liquidity risks for financing associated with each operation, and a structure has been established to smoothly handle these tasks in each operation.

The risk management structure for each type of operation is described below.

a. Micro Business and Individual Operations

The risk management structure of these operations is described below.

(a) Credit risk management

For these operations, JFC has a structure to manage the credit risk of loans through (i) individual credit management, (ii) asset self assessment, and (iii) quantification of credit risk in accordance with regulations concerning financing operations and claims management operations, and management regulations concerning credit risk. This credit risk management is conducted by the Credit Analysis Department and risk management department as well as each branch office, and business operations meetings are regularly held with the General Manager acting as chairman to conduct discussions and reporting.

The specific risk management method is described below.

(i) Individual credit management

The financial screening process associated with these operations to support appropriate financing decisions is based on consideration of the borrower's financial condition in terms of eligibility for financing, validity of the use of funds, profitability and sustainability of the business, as well as the business's qualitative aspects such as technical capabilities, selling power, and the future potential of the business.

Efforts are made to carefully manage claims after financing has been conducted through assessment of the future business outlook and repayment capacity.

(ii) Asset self assessment

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In this process, first stage assessments are conducted by the branch offices, second stage assessments by the Asset Self Assessment Office, and internal inspections by the auditing department.

The results of this self assessment are used to properly estimate write-off and allowance, and are used internally for the constant assessment of the credit conditions of the operations. They are also actively used for the disclosure of the quality of assets to enhance the transparency of financial position for the operations.

(iii) Quantification of credit risk

A credit scoring model for borrowers based on analysis of transaction data collected over a number of years has been constructed for these operations and this model has been used for screening procedures and to monitor credit portfolios. The reliability of this credit scoring model is ensured through continual recalibration based on annual inspections of the model's accuracy.

In addition, to assess the overall risk of the portfolio, efforts are made to quantify credit risk through methods that take into consideration the extremely diversified nature of the portfolios for these operations.

(b) Market risk management

These operations are subject to the interest rate risk caused by the cash flow gap between assets and liabilities, and the operations could incur losses caused by this risk. Efforts are made to assess interest rate risk in these operations through methods such as maturity ladder approach and duration analysis, and appropriate risk management is carried out through adjustment of procurement period limits and other means to reduce interest rate risk.

These operations do not use quantitative analysis of interest rate risk for risk management purposes.

The primary financial instruments that are subject to interest rate risk in these operations include loans, borrowings, and bonds payable.

When all other risk variables are fixed, it is considered that a 50 basis point (0.5%) decline in the current interest rate as of March 31, 2022 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥32,805 million. Conversely, it is considered that a 50 basis point (0.5%) rise in the interest rate will cause the fair value to decrease by ¥31,832 million. This impact presumes that risk variables excluding interest rate are fixed, and does not consider the correlation between interest rate and other risk variables. In addition, there is a possibility that these calculated amount may underestimate the impact when the interest rate fluctuation goes beyond a rationally expected range.

(c) Liquidity risk management related to fund procurement

To conduct proper risk management in these operations, long-term and stable funds such as fiscal loan funds, government-backed bonds, FILP agency bonds, and funding provided by government are secured to finance this account and deposits are not accepted. Cash flows are assessed and overdraft facility accounts are established with multiple private sector financial institutions to maintain daily cash flows.

b. Agriculture, Forestry, Fisheries and Food Business Operations

The risk management structure for these operations is described below.

(a) Credit risk management

For these operations, credit risk is properly managed through (i) individual credit management, (ii) credit rating, (iii) asset self assessment, and (iv) quantification of credit risk.

(i) Individual credit management

The screening process for these operations includes screening of the probability of repayment based on eligibility for financing, validity of the financing conditions, and the future potential of the business. Particularly, screening for the certainty of repayment is conducted with a screening standard that gives sufficient consideration to the specific industry (agriculture, forestry, and fisheries) risks. This consists of close examination of the creditworthiness of the borrower, investment-risk, investment-effect, and comprehensive verification and confirmation of repayment ability that takes into account feasibility of the payment and repayment plan, and suitability of financing conditions.

Efforts are also made to continuously assess the customer's economic condition, and maintain and improve the soundness of loan assets through active and detailed support activities.

(ii) Credit rating

These operations strive to maintain and improve the quality of loan assets by using ratings for early discovery of customers with business conditions that could be cause for concern in order to enact business support. Ratings are assigned based on a model built using internal data. The reliability of this scoring model is ensured through continual recalibration based on annual inspection of the model's evaluation accuracy.

The credit ratings are also used for individual credit management, asset self assessment, and quantification of credit risk as the basis for credit risk management. For this reason reassessment of the credit ratings system is conducted as required.

(iii) Asset self assessment

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In this process, first stage assessments are conducted by the branch offices, etc., second stage assessments by the Credit Analysis Department and the Revitalization Support Department, and internal inspections by the auditing departments.

The results of this self assessment are used to appropriately estimate write-offs and allowances, and are used internally for the constant assessment of the credit conditions of the operations. They are also actively used for the disclosure of the quality of assets to enhance the transparency of the financial position of the operations.

(iv) Quantification of credit risk

To assess the overall risk of the portfolio, credit risks are quantified for internal management in these operations.

(b) Market risk management

These operations are subject to the interest rate risk caused by the cash flow gap between assets and liabilities, and the operations could incur losses caused by this risk. Efforts are made to assess interest rate risk in these operations through methods such as maturity ladder approach and duration analysis, and appropriate risk management is carried out through adjustment of procurement period limits and other means to reduce interest rate risk.

These operations do not use quantitative analysis of interest rate risk for risk management purposes.

The primary financial instruments that are subject to interest rate risk in these operations include loans, borrowings, and bonds payable.

When all other risk variables are fixed, it is considered that a 50 basis point (0.5%) decline in the current interest rate as of March 31, 2022 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥17,252 million. Conversely, it is considered that a 50 basis point (0.5%) rise in the interest rate will cause the fair value to decrease by ¥15,650 million. This impact presumes that risk variables excluding interest rate are fixed, and does not consider the correlation between interest rate and other risk variables. In addition, there is a possibility that these calculated amount may underestimate the impact when the interest rate fluctuation goes beyond a rationally expected range.

(c) Liquidity risk management related with fund procurement

Long-term and stable funds such as fiscal loans, FILP agency bonds, and funding provided by government are secured to finance this account and deposits are not accepted.

Cash flows are assessed and proper measures including establishing overdraft facility accounts with multiple private sector financial institutions have been taken to maintain daily cash flows for proper risk management.

c. SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)

The risk management structure for these operations is described below.

(a) Credit risk management

(i) Individual credit management

For financing operations, the decision on financing and other related matters is conducted upon assessment of the situation of companies applying for funds from a fair and neutral position and verification of the certainty of repayment and validity of use of funds.

Since these financing operations specialize in long-term funding for businesses, in the screening process, verification assessment is made of the likelihood of long-term repayment focusing on business profits as well as on overall judgment being made on the certainty of repayment.

An overall judgment of the company's enterprise power is made, not limited to a quantitative analysis focusing on the financial statements, but taking into consideration various management activities including the combination of people, money, and conducting fact finding surveys from a variety of view points, including the business environment in which the company is placed, in addition to determining the future prospects of the company that has applied for funds.

We strive to continuously assess the situation after financing has been granted through review of financial reports and regular company visits. Based on the classification of the borrower or otherwise as required, and after consideration of the results of management improvement plans, follow-ups will be conducted as required to define transaction policy.

In addition, in order to support the growth and development of the borrower, we will strive to give as much feedback as possible on the screening results and provide consultation support to help resolve management issues. In particular, we will support companies struggling to respond to changes in the business environment by formulating management improvement plans.

(ii) Credit rating

A proprietary credit scoring model based on analysis of transaction data collected over the years for borrowers and a credit rating system that assesses the creditworthiness of borrowers based on qualitative analysis through fact finding surveys and other methods have been developed for these financing operations and have been used in the formulation of lending policy and in the screening process.

(iii) Asset self assessment

For these financing operations, JFC has conducted the asset self assessment such that the characteristics of assets in these financing operations are properly reflected in the assessment results. In this process, first stage assessments of borrower classification are conducted by the front offices and second stage assessments by a separate credit department. An auditing department independent from the other sections then conducts an internal inspection to verify the accuracy of self assessments.

The results of the self assessments are used in providing the allowance for loan losses, taking into account the amount expected to be recovered through the disposal of collateral and the execution of guarantees, the actual rate of loan losses and other factors.

(iv) Quantification of credit risk

In the quantification of credit risk in financing operations, we conduct statistical analysis based on credit ratings and other factors to quantify and monitor the overall risk of the portfolio, and we advance our studies by using this monitoring in controlling credit risk.

(v) Credit risk management for securitization support operations

In the securitization support operations, we use our proprietary scoring model which was developed based on the analysis of transaction data collected over the years for SMEs, and external models such as the Credit Risk Database (CRD) to conduct screening. In addition, statistical methods such as Monte Carlo simulations are used to accurately assess the overall credit risk for pools of claims to establish a proper guarantee rate based on credit risk.

After formation of a securitization project, the redemption status of the underlying claims is verified and monitoring is performed. With respect to loan receivable-backed securities guaranteed in this operation account, credit risks are accurately determined by using external ratings or statistical methods such as Monte Carlo simulations.

(b) Market risk management

(i) Interest rate risk

It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities. However, not all cash flows can be matched, so some gaps do arise between assets and liabilities. Efforts are made to assess interest rate risk in these operations through methods such as maturity ladder approach, and duration analysis, and conduct proper risk management by attempting to reduce interest rate risk through adjustment of procurement period limits and other means.

(ii) Foreign exchange risk

It is JFC policy to minimize foreign exchange risk by conducting forward exchange contracts.

With regards to forward exchange contracts transactions, we have established internal control system which is separating the departments executing and managing.

Forward exchange contracts are conducted by actual needs, and are not maintained in speculative positions.

(iii) Quantitative information relating to market risk

These operations do not use quantitative analysis of interest rate risk for risk management purposes.

The primary financial instruments that are subject to interest rate risk, which is one of the main risk variables in these operations include loans, borrowings, and bonds payable.

When all other risk variables are fixed, it is considered that a 50 basis point (0.5%) decline in the current interest rate as of March 31, 2022 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥99,025 million. Conversely, it is considered that a 50 basis point (0.5%) rise in the interest rate will cause the fair value to decrease by ¥92,285 million. This impact presumes that risk variables excluding interest rate are fixed, and does not consider the correlation between interest rate and other risk variables. In addition, there is a possibility that these calculated amount may underestimate the impact when the interest rate fluctuation goes beyond a rationally expected range.

(c) Liquidity risk management related to fund procurement

Long-term and stable funds such as fiscal loan funds, government-backed bonds, FILP agency bonds, and funding provided by government are secured to finance this account and deposits are not accepted.

Cash flows are assessed and proper measures including establishing overdraft facility accounts with multiple private sector financial institutions have been taken to maintain daily cash flows for proper risk management.

d. Securitization Support Programs (Purchase-type Operation)

The risk management structure for these operations is described below.

(a) Credit risk management

In the securitization support operations, we use our proprietary scoring model developed based on analysis of transaction data collected over a number of years for SMEs, and external models such as CRD (Credit Risk Database) to conduct screening. In addition, statistical methods such as Monte Carlo simulations are used to accurately assess the overall credit risk for pools of claims to establish a proper return based on credit risk.

After formation of a securitization project, the redemption status of the underlying claims is verified and monitoring is performed. With respect to loan receivable-backed securities in this operation account, credit risks are accurately determined by using external ratings or statistical methods such as Monte Carlo simulations.

(b) Market risk management

The main type of market risk associated with these operations is interest rate risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities, and we consider that interest rate risk is limited.

These operations do not use quantitative analysis of interest rate risk for risk management purposes.

The primary financial instruments that are subject to interest rate risk in these operations are securities, other assets, bonds payable, and other liabilities.

When all other risk variables are fixed, it is considered that a 50 basis point (0.5%) decline in the current interest rate as of March 31, 2022 will cause the fair value after netting (assets) of the financial assets and financial liabilities held in this account to increase by ¥1,537 million. Conversely, it is considered that a 50 basis point (0.5%) rise in the interest rate will cause the fair value to decrease by ¥1,419 million. This impact presumes that risk variables excluding interest rate are fixed, and does not consider the correlation between interest rate and other risk variables. In addition, there is a possibility that these calculated amount may underestimate the impact when the interest rate fluctuation goes beyond a rationally expected range.

(c) Liquidity risk management related with fund procurement

It is considered that liquidity risk is limited in this account because a system has been adopted to minimize liquidity risk and sufficient funding support can be expected from the government.

e. Credit Insurance Programs

The risk management structure for these operations is described below.

(a) Market risk management

The main type of market risk associated with these operations is interest rate risk.

These operations strive to undertake appropriate risk management practices by managing funds procured from government investments through using highly stable instruments such as the deposit for the FILP.

(b) Liquidity risk management related to fund procurement

Long-term and stable financing provided by government are secured to finance this account. Efforts are made for proper risk management through the assessment of cash flows.

f. Operations to Facilitate Crisis Responses

The risk management structure for these operations is described below.

(a) Credit risk management

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In the asset self assessment, an inspection is conducted by the auditing department.

(b) Market risk management

The primary financial instruments that are subject to interest rate risk, which is one of the main risk variables in these operations include loans, borrowings, and bonds payable.

These operations provide loans to designated financial institutions and are funded through borrowings from fiscal investment and loans as well as issuance of government-backed bonds. Since the terms and conditions of lendings and borrowings are equal, cash inflows resulting from lendings and cash outflows resulting from borrowings and bonds payable are matched. Therefore, as a whole operations, interest rate risk does not exist as a market risk.

(c) Liquidity risk management related to fund procurement

Long-term and stable funds, such as fiscal investment and loans, government-backed bonds, and funding provided by government are secured to finance this account and deposits are not accepted. In addition, the loan period and borrowing period are equal, and liquidity risk is considered to be limited. In addition, continual efforts are being made to make financing plans more sophisticated and minimize liquidity risk.

g. Operations to Facilitate Specific Businesses Promotion, etc.

The risk management structure for these operations is described below.

(a) Credit risk management

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In the asset self assessment, an inspection is conducted by the auditing department.

(b) Market risk management

The primary financial instruments that are subject to interest rate risk, which is one of the main risk variables in these operations include loans and borrowings.

These operations provide loans to designated financial institutions and are funded through borrowings from fiscal investment and loans. Since the terms and conditions of lendings and borrowings are equal, cash inflows resulting from lendings and cash outflows resulting from borrowings are matched. Therefore, as a whole operations, interest rate risk does not exist as a market risk.

(c) Liquidity risk management related to fund procurement

Long-term stable funds, such as fiscal investment and loans and funding provided by government are secured to finance this account and deposits are not accepted. Liquidity risk is believed to be limited because the loan period and borrowing period are equal.

(4) Supplementary explanation concerning fair value of financial instruments

Set valuation inputs are used for the calculation of fair value of financial instruments, and if different valuation inputs are used, the resulting amount could vary.

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2022, and the related fair value, and difference is as follows. Note that stocks and others without quoted market prices are not included in the following chart (refer to Note 1).

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	12,086,510	12,088,105	1,595
(2) Securities			
Held-to-maturity debt securities	21,183	21,822	638
Available-for-sale securities	15,620	15,620	—
(3) Loans and bills discounted	28,855,893		
Allowance for loan losses (*1)	(984,731)		
	27,871,161	29,225,611	1,354,450
Total assets	39,994,475	41,351,160	1,356,684
(1) Borrowings	21,580,461	21,604,131	23,670
(2) Bonds payable	1,325,360	1,339,149	13,788
Total liabilities	22,905,821	22,943,280	37,459
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	70	70	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	70	70	—

(*1) General allowance for loan losses and specific allowance for loan losses have been deducted from loans.

(*2) Derivative transactions recorded in "other assets and other liabilities" are collectively displayed. The net values of assets and liabilities arising from derivative transactions are displayed.

(Note 1) The amount reported on the balance sheet such as stocks and others without quoted market prices are as shown below, which is not included in the "securities" in the fair value information of financial instruments.

(Millions of yen)

Classification	Carrying amount on the balance sheet
Unlisted stocks (*1)	2,530
Partnership investments (*2)	882

(*1) Unlisted stocks are not subject to fair value disclosure in accordance with the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), Paragraph 5.

(*2) Partnership investments are not subject to fair value disclosure in accordance with the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), Paragraph 27.

(Note 2) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks (*1)	9,011,393	775,100	1,200,000	700,000	300,000	100,000
Securities						
Held-to-maturity debt securities	1	2	13	—	—	21,068
Available-for-sale securities	3,204	3,883	8,332	0	—	—
Loans and bills discounted (*2)	3,801,752	7,330,272	5,910,714	4,269,921	4,262,233	3,077,243
Total	12,816,351	8,109,258	7,119,060	4,969,921	4,562,233	3,198,311

(*1) Demand deposits contained within due from banks are stated as "Maturities within one year."

(*2) Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contains an amount of ¥203,755 million that is not expected to be redeemed and not included in the table above.

(Note 3) Redemption schedule for bonds and borrowings with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings (*)	3,916,890	6,567,700	4,415,380	2,881,749	2,308,366	1,490,373
Bonds payable	420,000	490,000	160,000	125,000	130,000	—
Total	4,336,890	7,057,700	4,575,380	3,006,749	2,438,366	1,490,373

(*) In borrowings, general account borrowings with no redemption period stipulated are stated as "Maturities within one year."

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.
Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.
Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

(1) Financial instruments recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Corporate bonds	—	—	15,620	15,620
Derivative transactions				
Currency related	—	15	—	15
Credit derivatives	—	—	360	360
Total assets	—	15	15,980	15,996
Derivative transactions				
Credit derivatives	—	—	306	306
Total liabilities	—	—	306	306

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	12,088,105	—	12,088,105
Securities				
Held-to-maturity debt securities				
Government bonds	21,805	—	—	21,805
Corporate bonds	—	17	—	17
Loans and bills discounted	—	4,433,527	24,792,084	29,225,611
Total assets	21,805	16,521,650	24,792,084	41,335,540
Borrowings	—	21,577,596	26,535	21,604,131
Bonds payable	—	1,339,149	—	1,339,149
Total liabilities	—	22,916,745	26,535	22,943,280

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For cash and due from banks that do not mature or have a maturity under 3 months, the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

For due from banks that have a maturity over 3 months, fair value is based on the current price calculated by discounting future cash flow by the risk free rate (the standard Japanese government bond rate) based on the appropriate deposit term, classified into level 2 fair value.

(2) Securities

Market value is used for bonds, classified into level 1 fair value.

However, for corporate bonds in the Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), the carrying amount is used as fair value because fair value approximates the carrying amount, classified into level 2 fair value.

In addition, corporate bonds in the Account for Securitization Support Programs (Purchase-type Operation) (specified asset-backed securities) have no market prices. They are the securities that are issued with finance receivables for small and medium-sized enterprises originated by several financial institutions as underlying assets, but do not provide a mechanism for continuously obtaining individual borrowers' financial data as underlying assets. Therefore, their fair values are calculated by discounting risk-adjusted cash flows based on external ratings by the risk free rate (the standard Japanese government bond rate), classified into level 3 fair value.

Notes for securities by purpose of holding are found in "11. Fair value of securities."

(3) Loans and bills discounted

Loans are calculated as follows.

a. Account for Micro Business and Individual Operations

All loans, with the exception of loans on deed (subordinated capital loans) under the Provision Scheme for Challenge Support and Capital Enhancement or other schemes and loans on deed (post-establishment target-achievement type interest rate) to which a post-establishment target-achievement type interest rate applies, have a fixed interest rate and fair value is calculated for all loans other than bankrupt loans, substantially bankrupt loans, potentially bankrupt loans and performing loans that require monitoring by discounting the risk-adjusted principal and interest by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for subordinated capital loans and post-establishment target-achievement type interest rate, JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

For obligations on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers, allowance for loan losses is calculated based on the expected collectable amount from the collateral or guarantee. Fair value resembles the amount of loans on the balance sheet on the closing date after a deduction has been made for allowance for loan losses, so this amount is used for fair value.

These transactions are classified into level 3 fair values.

b. Account for Agriculture, Forestry, Fisheries and Food Business Operations

All loans except loans on deeds under the challenge-oriented capital lending scheme for new sectors, etc. have a fixed interest rate and fair value is calculated for each borrower's status by discounting the risk-reflected principal and interest that incorporates risk by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for loans on deeds under the challenge-oriented capital lending scheme for new sectors, etc., JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

These transactions are classified into level 3 fair values.

c. Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)

For loans with fixed interest rates, the fair value is calculated by discounting the risk-adjusted principal and interest by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan.

For loans with variable interest rates, with the exception of loans on deed (subordinated capital loans) under the Provision Scheme for Challenge Support and Capital Enhancement or other schemes and loans on deed (post-establishment target-achievement type interest rate) to which a post-establishment target-achievement type interest rate applies, since short-term market rates are reflected, the fair value resembles the carrying amount as long as there is no significant difference in the credit status of the borrower, the carrying amount is used as the fair value.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for subordinated capital loans and loans with post-establishment target-achievement type interest rate, JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

For obligations on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers subject to variable interest rates, allowance for loan losses is calculated based on the expected collectable amount from the collateral or guarantee. Fair value resembles the amount of loans on the balance sheet on the closing date after a deduction has been made for allowance for loan losses, so this amount is used for fair value.

These transactions are classified into level 3 fair values.

d. Account for Securitization Support Programs (Purchase-type Operation) and Account for Credit Insurance Programs

Not applicable.

e. Account for Operations to Facilitate Crisis Responses and Account for Operations to Facilitate Specific Businesses Promotion, etc.

All loans have a fixed interest rate and fair value is calculated by discounting the principal and interest by the interest rate calculated based on the market yield of bonds issued by the borrower based on the type of borrower and period of loan, classified into level 2 fair values.

Liabilities

(1) Borrowings

Borrowings are based on a fixed rate of interest. Fair value is calculated by discounting the principal and interest of the borrowings by the risk free rate (the standard Japanese government bond rate) based on the set period of loan, classified into level 2 fair values.

However, JFC regards the carrying amount as fair values for general account borrowings in the account for Micro Business and Individual Operations by assuming that payment shall be made immediately upon request due to the nature of the transactions.

In addition, general account borrowings in the Account for Agriculture, Forestry, Fisheries and Food Business Operations are interest-free, and we calculate their fair values by discounting at risk free rates (the standard Japanese government bond rate) after making necessary adjustments to the principal of the general account borrowings divided by a certain period, classified into level 3 fair values.

Because borrowings from the FILP special account (investment account) of the national budget in the Account for SME

Loan Programs and Securitization Support Programs (Guarantee-type Operation) are a scheme that does not have interest rates set at the time of borrowing and that pays interests in a lump sum after the final principal is redeemed, JFC calculates their interest rates based on the interest rates of similar borrowings that are executed simultaneously during the same period, and calculate their fair values by discounting at risk free rates (the standard Japanese government bond rate) corresponding to the principal and interest amount of the borrowed money divided by redemption periods, classified into level 3 fair values.

(2) Bonds payable

Market value is used for fair value of bonds, classified into level 2 fair values.

Derivative transactions

The fair value of forward exchange contracts is determined based on the price provided by financial institutions, classified into level 2 fair values.

As for credit default swaps (CDS) in the Account for Agriculture, Forestry, Fisheries and Food Business Operations, JFC calculates fair values by discounting the risk-adjusted premiums according to the credit rating on the closing date and the compensation expected due to the occurrence of credit events by the risk free rates (the standard Japanese government bond rate), classified into level 3 fair values. As for CDS in the Account for Securitization Support Programs (Purchase-type Operation), finance receivables for SMEs are used as reference debts and they have no market prices and do not have a mechanism where financial data of individual borrowers that constitute the reference debt can be continuously obtained, thus JFC calculates fair values by discounting the risk-adjusted cash flow according to the transaction details and the credit events that occur by the risk free rates (the standard Japanese government bond rate), classified into level 3 fair values.

(Note 2) Information on level 3 fair values out of the financial instruments recorded on the balance sheet with fair values

(1) Quantitative information on important unobservable inputs (March 31, 2022)

Classification	Valuation techniques	Important unobservable inputs	Range of inputs
Securities			
Available-for-sale securities			
Corporate bonds	Discounted present value method	Default probability	0.00%–0.04%
Derivative transactions			
Credit derivatives	Discounted present value method	Default probability	0.12%–20.32%

(2) Adjustment table from the beginning balance to the ending balance, appraised profits or losses that are recognized in profits/losses for the current fiscal year (March 31, 2022)

(Millions of yen)

	Beginning balance	Profits and losses in the fiscal year or valuation and translation adjustments		Net amount of purchase, selling, issuance and settlement	Transfer to level 3 fair value	Transfer from level 3 fair value	Ending balance	Appraised profits or losses of financial assets and financial liabilities that are held on the balance sheet date out of the amount recorded in profits and losses for the fiscal year (*1)
		Recorded in profits and losses (*1)	Recorded in valuation and translation adjustments (*2)					
Securities								
Available-for-sale securities								
Corporate bonds	13,141	—	51	2,427	—	—	15,620	—
Derivative transactions								
Credit derivatives (*3)	107	(52)	—	—	—	—	54	(53)

(*1) Included in "income from derivatives other than for trading or hedging" in the profit and loss statement.
(*2) Included in "valuation difference on available-for-sale securities" on the balance sheet.
(*3) Derivative transactions that are recorded as assets/liabilities of derivatives other than for trading or hedging are recorded in a lump sum.

(3) Explanation of a valuation process for fair values

The Risk Management Department determined the purpose and the procedure of calculating fair values, and calculates fair values according to it. The Risk Management Department uses a valuation model that can reflect nature, characteristics, and risks of assets most adequately in calculating fair values.

(4) Explanation of impacts on fair values when changing important and unobservable inputs

The default probability is an estimate value that indicates the possibility that a credit event occurs and that the contract amount or the compensation amount cannot be collected. A significant increase (decrease) in default probability brings about the remarkable decline (rise) in a fair value.

11. Fair value of securities

In addition to "Government bonds," "Corporate bonds," "Stocks" and "Other securities" on the balance sheet, transferable deposits in "Due from banks" are also included.

The fair value of securities at March 31, 2022 is as follows:

(a) Held-to-maturity debt securities with fair value

	Type	Carrying amount on the balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities whose fair value exceeds their carrying amount	Japanese government bonds	21,166	21,805	638
Securities whose fair value does not exceed their carrying amount	Corporate bonds	17	17	—
Total		21,183	21,822	638

(b) Equity securities of subsidiaries and affiliates

(Note) Carrying amount of stocks and others without quoted market prices on the balance sheet.

	Carrying amount on the balance sheet (Millions of yen)
Equity securities of affiliates	2,530

(c) Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount exceeds their acquisition cost	Corporate bonds	15,620	15,420	199
Securities whose carrying amount does not exceed their acquisition cost	Others	177,100	177,100	—
Total		192,720	192,520	199

(Note) Amount of stocks and others without quoted market prices reported on the balance sheet not included in the table above

	Carrying amount on the balance sheet (Millions of yen)
Unlisted stocks	0
Partnership investments	882

12. Deferred tax accounting

JFC does not apply deferred tax accounting since JFC is a nontaxable entity classified in the Article 2 (5) of the Corporation Tax Act (Act No. 34 of 1965).

13. Retirement benefits

JFC has a defined benefit pension plan comprising of a corporate pension fund plan and a lump-sum severance indemnity plan and a defined contribution pension plan as its defined contribution-type plan. Although the JFC corporate pension fund plan is a multi-employer plan, related notes are listed within the following defined benefits plan notes, to enable rational calculation of the fair value of plan assets in accordance with the projected benefit obligations ratio.

Under the corporate pension fund plan (a funded plan), JFC pays pensions based on salary and years of service. Under the retirement lump-sum severance indemnity plan (an unfunded plan), JFC pays lump-sum payments based on salary and years of service, as retirement benefits.

Defined benefits plan

(1) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	177,378	million yen
Service cost	6,272	
Interest cost	177	
Actuarial difference	3,619	
Payment of retirement benefits	(7,461)	
Prior service cost	—	
Other	—	
Closing balance of projected benefit obligations	179,986	

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	66,728	million yen
Expected return on plan assets	1,334	
Actuarial difference	(204)	
Financing from employer	2,991	
Payment of retirement benefits	(3,334)	
Other	—	
Closing balance of fair value of plan assets	67,514	

(3) Reconciliation schedule of closing balance of projected benefit obligations and fair value of plan assets, and provision for retirement benefits and prepaid pension cost recorded on balance sheet

Projected benefit obligations of funded plan	86,601	million yen
Fair value of plan assets	(67,514)	
	19,087	
Projected benefit obligations of unfunded plan	93,384	
Unfunded pension obligations	112,471	
Actuarial unrecognized difference	(22,787)	
Unrecognized prior service cost	2,775	
Net amount of liabilities and assets recorded on the balance sheet	92,460	
Provision for retirement benefits	92,460	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	92,460	

(4) Net pensions cost and breakdown of included items

Service cost	6,272	million yen
Interest cost	177	
Expected return on plan assets	(1,334)	
Amount of actuarial difference accounted for as expense	5,147	
Amortization of prior service cost accounted for as expense	(968)	
Other	—	
Net pensions cost related to defined benefits plan	9,294	

(5) Items concerning fair value of plan assets

1) The percentage of each category of total fair value of plan assets is as follows.

Shares	25%
Debentures	64%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate	0.1%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.6% to 6.8%

Defined contribution pension plan

JFC's defined contribution to the defined contribution pension plan is ¥380 million.

14. Profit and loss on equity method

Investment in affiliates	¥2,530 million
Investment in affiliates (equity method)	¥2,564 million
Profit on investment in affiliates (equity method)	¥16 million

15. Revenue Recognition

1. Disaggregation of revenue from contracts with customers.

The revenue from a contract with a customer at the JFC is the revenue from compensation security transactions in the Account for Operations to Facilitate Crisis Responses. In revenue from compensation security transactions, JFC recognizes revenues by judging that the performance obligation is satisfied over the period of the compensation contract, recording its full amount in the "fees and commissions on compensation security contract" on the profit and loss statement, and since disaggregation of revenue the information generated through decomposition of the revenue generated from contracts with customers is of little significance, JFC omits its description.

2. Information on the basis for understanding revenues from contracts with customers.

Information on the basis for understanding revenues from contracts with customers is as described in "(g) Accounting policy for revenue and expense" of "Significant accounting policies."

3. Information for understanding the amount of revenues in the current fiscal year and after the last day of this fiscal year.

(1) Regarding contract liabilities, JFC records the balance that does not satisfy performance obligations at the last day of the current fiscal year out of fees and commissions on compensation security contract collected in a lump sum from designated financial institutions at the time of concluding contracts. The amount included in the contract liability balance as of the beginning of the current fiscal year out of the revenue amount recognized in this fiscal year reaches 2,782 million yen.

(2) The total transaction price allocated to remaining performance obligations at the last day of the current fiscal year amounts to 14,252 million yen. The amount and the period of revenue recognition expected for remaining performance obligations are as follows:

(Millions of yen)

	Current fiscal year
Within one year	2,355
Over one year	11,896
Total	14,252

16. Related party transactions

Related party transactions in the fiscal year ended March 31, 2022 are as follows:

Transactions with parent company and major shareholder companies

(Millions of yen)

Classification	Corporate name	Ratio to Total Voting Rights(%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2022
Principal shareholder	Ministry of Finance (Minister of Finance)[Notes i and ii]	98.42 (Direct)	Administration for policy based financing	Underwriting of capital increase[Note iii]	6,945,141	—	—
				Receipts from general account of the national budget	10,967	—	—
				Receipt of funds[Note iv]	1,850,519	Borrowings	21,440,632
				Repayment of borrowing	3,980,788		
				Payment of interest on borrowings	25,693	Accrued expenses	3,348
				Deposit of funds[Note v]	19,798,400	Due from banks	7,514,800
				Refund of funds	17,129,600		
				Guarantee for bonds payable[Note vi]	735,372	—	—

(Notes)

(i) Ownership of voting rights by ministries and agencies other than Ministry of Finance (Minister of Finance) is as follows:
- -Ministry of Health, Labour and Welfare (Minister of Health, Labour and Welfare) 0.02%
- -Ministry of Agriculture, Forestry and Fisheries (Minister of Agriculture, Forestry and Fisheries) 0.19%
- -Ministry of Economy, Trade and Industry (Minister of Economy, Trade and Industry) 1.37%

(ii) Transactions with the ministries and agencies other than Ministry of Finance are as follows:
- -Ministry of Health, Labour and Welfare
  - Underwriting of capital increase ¥15 million
- -Ministry of Economy, Trade and Industry
  - Underwriting of capital increase ¥70 million
- -Ministry of Health, Labour and Welfare
  - Receipts from the national budget ¥2,275 million
- -Ministry of Agriculture, Forestry and Fisheries
  - Receipts from the national budget ¥24,889 million
- -Ministry of Economy, Trade and Industry
  - Receipts from the national budget ¥77 million
- -Agency for Natural Resources and Energy
  - Receipts from the national budget ¥0 million
- -Small and Medium Enterprise Agency
  - Receipts from the national budget ¥15,482 million
- -Ministry of Agriculture, Forestry and Fisheries
  - Repayment of borrowed money ¥3,100 million

(iii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.

(iv) The receipts of funds represents borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

(v) Deposit of funds is the deposit for the FILP and the interest rates applicable under the FILP are applied.

(vi) No guarantee fee has been paid for the guarantee of bonds.

(vii) Figures in the table above do not include consumption taxes.

17. Per share information

Net assets per share ¥0.71

Net loss per share ¥0.02

18. Subsequent events

Not applicable.

Account for Micro Business and Individual Operations

Balance Sheet (as of March 31, 2022)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	2,433,921	Borrowed money	8,981,223
Cash	12	Borrowings	8,981,223
Due from banks	2,433,908	Bonds payable	525,206
Loans and bills discounted	12,572,300	Other liabilities	9,333
Loans on deeds	12,572,300	Accrued expenses	1,062
Other assets	9,451	Lease obligations	2,705
Prepaid expenses	41	Other	5,564
Accrued income	5,566	Provision for bonuses	3,200
Agency accounts receivable	578	Provision for directors' bonuses	7
Other	3,264	Provision for retirement benefits	55,203
Property, plant and equipment	95,233	Provision for directors' retirement benefits	16
Buildings	28,057	Total liabilities	9,574,191
Land	64,244	Net assets	
Lease assets	2,128	Capital stock	5,773,243
Construction in progress	318	Capital surplus	181,500
Other	483	Special reserve for administrative improvement funds	181,500
Intangible assets	11,784	Retained earnings	(713,182)
Software	11,195	Other retained earnings	(713,182)
Lease assets	249	Retained earnings brought forward	(713,182)
Other	339	Total shareholders' equity	5,241,560
Allowance for loan losses	(306,940)	Total net assets	5,241,560
Total assets	14,815,751	Total liabilities and net assets	14,815,751

Statement of Operations (Year ended March 31, 2022)

(Millions of yen)

Items	Amount
Ordinary income	**121,804**
Interest income	104,325
Interest on loans and discounts	104,325
Interest on deposits with banks	0
Receipts from the national budget	15,865
Receipts from general account of the national budget	15,865
Other income	1,612
Recoveries of written-off claims	550
Other	1,062
Ordinary expenses	**172,905**
Interest expenses	2,925
Interest on borrowings and rediscounts	2,724
Interest on bonds	200
Fees and commissions payments	622
Other fees and commissions	622
Other ordinary expenses	52
Amortization of bond issuance cost	52
General and administrative expenses	77,544
Other expenses	91,759
Provision of allowance for loan losses	72,529
Written-off of loans	19,204
Other	25
Ordinary loss	**51,101**
Extraordinary income	**55**
Gain on disposal of noncurrent assets	55
Extraordinary losses	**136**
Loss on disposal of noncurrent assets	31
Impairment loss	104
Net loss	**51,181**

Statement of Changes in Net Assets (Year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity						Total net assets
	Capital stock	Capital surplus		Retained earnings		Total share-holders' equity	
		Special reserve for administra-tive improve-ment funds	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at the beginning of current period	2,997,738	181,500	181,500	(662,001)	(662,001)	2,517,236	2,517,236
Changes of items during the period							
Issuance of new shares	2,775,505					2,775,505	2,775,505
Net income (loss)				(51,181)	(51,181)	(51,181)	(51,181)
Total changes of items during the period	2,775,505	—	—	(51,181)	(51,181)	2,724,323	2,724,323
Balance at the end of current period	5,773,243	181,500	181,500	(713,182)	(713,182)	5,241,560	5,241,560

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Depreciation basis for fixed assets

(i) Property, plant and equipment (except for lease assets)

Tangible fixed assets are depreciated under the declining-balance method over their useful economic lives except for buildings (excluding installed facilities) and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated under the straight-line method.

Amortization is based on the following range of estimated useful lives:

Buildings: 2 years to 50 years

Other: 2 years to 20 years

(ii) Intangible assets (except for lease assets)

Amortization of intangible fixed assets is computed by the straight-line method. Software used by JFC is amortized over its useful life (5 years).

(iii) Lease assets

Lease assets in "property, plant and equipment" or "intangible assets," under finance leases that do not involve transfer of ownership to the lessee are amortized under the straight-line method over the lease term. Depreciation for lease assets is calculated with zero residual value being assigned to the asset.

(b) Method of amortization for deferred assets

Bond issuance costs are expensed as incurred.

(c) Accounting policy for reserves

(i) Allowance for loan losses

The allowance for loan losses is maintained in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt ("Bankrupt borrowers") or substantially bankrupt ("Substantially bankrupt borrowers") is provided based on the outstanding balance after the write-offs described in the followings and the deductions of the amount expected to be collected through the disposal of collateral and execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt ("Potentially bankrupt borrowers") is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

The allowance for claims on debtors other than Bankrupt borrowers is provided based on primarily the anticipated loss amount within the next one year or the anticipated loss amount within the next three years. The anticipated loss amount is calculated by seeking the loss rate on the basis of the average default rate over a certain period in the past based on the default rates for one or three years and making necessary adjustments such as future expectations.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments.

With respect to claims with collateral or guarantees on debtors who are legally or substantially bankrupt (Bankrupt borrowers and Substantially bankrupt borrowers), etc., the residual booked amount of the claims after deduction of the amount which is deemed collectible through the disposal of collateral or the execution of guarantees is written-off. The amount of accumulated write-off is ¥123,043 million.

Write-offs of this operation account are recognized by offsetting the current allowance for loan losses for the amount of the claim deemed uncollectible against the year-end claim amount balance; the previous allowance for loan losses and claim balances are reversed at the start of the fiscal year, upon approval received from the competent minister pursuant to Article 4 of the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 3 of 2008).

(ii) Provision for bonuses

The "provision for bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the balance sheet.

(iii) Provision for directors' bonuses

The "provision for directors' bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the balance sheet.

(iv) Provision for retirement benefits

The "provision for retirement benefits" represents the future payment for pension and retirement benefits to employees, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the fiscal period end. In addition, in calculating projected benefit obligations, JFC follows straight-line basis with regard to methods for attributing projected benefit payments to the period through the end of the fiscal year in review. Moreover, unrecognized prior service costs and unrecognized actuarial differences in profit and loss disposition are calculated as follows:

Unrecognized prior service costs are recognized as income or expense by the straight-line method over a certain number of years; 10 years within the average remaining work period of employees at the time of occurrence.

Unrecognized actuarial differences are recognized as income or expense from the following fiscal year by the straight-line method over a period up to a maximum of 10 years within the average remaining service period of employees of the respective fiscal year at the time of occurrence.

(v) Provision for directors' retirement benefits

The "provision for directors' retirement benefits," which provides for future retirement pension payments to directors, corporate auditors and executive officers, is recognized at the amount accrued at the end of the fiscal year.

Significant accounting estimates

The item for which the amount was recorded in the financial statements for the current fiscal year based on accounting estimates that may have significant impacts on the financial statements for the following fiscal year is the allowance for loan losses.

1. Amount recorded in financial statements for the current fiscal year

Allowance for loan losses: ¥306,940 million

2. Information that will contribute to understanding in relation to the details of significant accounting estimates relating to the identified item

(1) Calculation method

The method of calculating the allowance for loan losses is described in Significant accounting policies, (c) Accounting policy for reserves, (i) Allowance for loan losses.

When making calculations, JFC takes the effect of COVID-19 into consideration and adds necessary revisions. Specifically, the borrowers' categories are determined based on the status of loan repayment, whether loan conditions were restructured, and the information ascertained in the course of normal operations and other factors, however it is possible that deterioration of borrower credit risks for which a principal deferment period has been set in COVID-19 related loans will not immediately appear and will not be reflected in the borrowers' categories. In addition, there is a possibility that deterioration of credit risk of borrowers that are provided with moratoriums of repayments is not properly reflected in borrowers' categories under the influence of COVID-19, and therefore, loan losses expected to occur in the future are additionally estimated.

(2) Main assumptions

Although the impacts of COVID-19 will gradually diminish, it is expected that the effects on the economy will continue for about one year into the future. Because of this, potential short-term credit risks concerning borrowers for which principal deferment periods were set to a certain degree are anticipated, and accordingly, JFC made corrections required for the expected loss rate by assuming that there would be the deterioration of credit risk that is similar to that of the borrower who set the principal deferment periods in the past. In addition, since target periods, etc. for extension of principal deferment periods were included and materialization of credit risk may have been postponed for borrowers for whom lending was unified with a new loan after receiving loans related to COVID-19, it was assumed that the borrowers' categories would decline to a certain degree and necessary revisions were made.

Moreover, JFC made necessary corrections by assuming that borrowers' categories would decline to some extent for borrowers that were provided with moratoriums of repayments whose repayment had been repeatedly deferred several times and loans related to COVID-19 under the influence of COVID-19, because it was considered highly likely that repayment would be interrupted, including the aspect that their deferment period might be longer than others under repayment deferment.

In addition, necessary corrections to the anticipated loss rate were made based on the assumptions that deterioration of the credit risks of borrowers who have no particular problems with repayment at this time will occur and late payment, relaxation of lending conditions, bankrupt, termination of business, and so on will occur at approximately the same rate as before the COVID-19 pandemic.

(3) Impacts on financial statements for the following fiscal year

The main assumptions used for accounting estimates may change in circumstances where there is increased uncertainty regarding the future such as significant changes in the credit conditions of borrowers and economic conditions and a delay in the resolution of COVID-19, and there may be a material impact on allowances for loan losses in the financial statements for the following fiscal year.

Changes in accounting policies

(Accounting Standard for Revenue Recognition, etc.)

JFC has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and JFC recognizes revenues at the amount expected to be received in exchange for the goods or service when control of the promised goods or service is transferred to the customer.

JFC follows the transitional treatment specified in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for application of the Accounting Standard for Revenue Recognition, etc., which will not affect retained earnings at the beginning of the current fiscal year. In addition, application of the relevant accounting standards does not affect the profit and loss and the information per share for the current fiscal year.

(Accounting Standard for Fair Value Measurement, etc.)

JFC has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the current fiscal year, and JFC applies new accounting policies stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment specified in the Accounting Standard for Fair Value Measurement, Paragraph 19 and the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2 for the future.

In addition, JFC made notes such as matters concerning the breakdown of the fair values of financial instruments for each appropriate category in the "financial instruments and related disclosure."

The Change in presentation

(Matters related to balance sheets)

In line with the enforcement of the Ministerial Ordinance on the Partial Revision of the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry Ordinance No. 1 of 2020) from March 31, 2022, we show the classification of "risk-monitored loans," etc. according to the classification of disclosed claims, etc. based on the "Act on Emergency Measures for the Revitalization of the Financial Functions" (Law No. 132 of 1998).

2. Claims based on the Ministerial Ordinance Concerning Accounting for the JFC

Claims based on the Ministerial Ordinance Concerning Accounting for the JFC are as described below. Note that claims are corporate bonds (limited to those that guarantee all or part of the redemption of their principals and the payment of interests and in which the issuance of the corporate bonds is through private offering of securities (Financial Instruments and Exchange Act Law No. 25 of 1948, Article 2, Paragraph 3)) in "securities" on the balance sheet, loans, foreign exchange, accrued interest and suspense payment in "other assets," items recorded in each account of customers' liabilities for acceptance and guarantees, and the securities when lending of the securities noted is performed (limited to loans for use or lease contracts) .

The amount of bankruptcy reorganization claims and similar claims: ¥18,444 million
The amount of claims under high risk: ¥93,365 million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥542,050 million
  The amount of claims with interest or principal repayments more than 3 months in arrears: ¥50 million
  The amount of restructured claims: ¥542,000 million
Subtotal amount: ¥653,861 million
The amount of normal claims: ¥11,924,135 million
Total amount: ¥12,577,996 million

Bankruptcy reorganization claims and similar claims are the claims on borrowers who are in bankruptcy due to reasons such as petition for commencement of bankruptcy proceedings, commencement of reorganization proceedings, commencement of rehabilitation proceedings, etc. and similar claims.

Claims under high risk are the claims in which it is highly unlikely that their principals are collected and their interests are received according to the contract due to the deterioration of borrowers' financial conditions and business performances even though they have not yet reached the state of bankruptcy and that do not fall under "bankruptcy reorganization claims and similar claims."

Claims with interest or principal repayments more than 3 months in arrears are claims whose principal or interest payment is more than 3 months in arrears, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," and "claims under high risk."

Restructured claims are claims whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," "claims under high risk," and "claims with interest or principal repayments more than 3 months in arrears."

Normal claims are the claims that are classified into items other than "bankruptcy reorganization claims or similar claims," "claims under high risk," "claims with interest or principal repayments more than 3 months in arrears," and "restructured claims," assuming that there are no particular problems with the borrowers' financial conditions and business performances.

Note that the above claim amounts are the gross amounts prior to the deduction of allowance for possible claim losses.

JFC, as a policy, does not pay down loans in part or in full immediately after the execution of the loan agreements, but instead makes disbursement, in accordance with the progress of the underlying projects. These undisbursed amounts are not included in the loans on deed in the Balance Sheets. The balance of unpaid amounts as of March 31, 2022 is ¥1,078 million.

3. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for all bonds issued by JFC (which includes this operation account bonds issued to a total amount of ¥525,206 million).

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥24,209 million.

5. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act*[1]. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations*[2] listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order to the extent that it reaches the certain amount, and if there is still a surplus, JFC shall pay such surplus into the national treasury within 3 months after closing date.

In the event that the amount of the retained earnings brought forward falls below zero in each account set forth in the preceding paragraph, legal capital surplus and legal retained earnings shall be transferred to retained earnings brought forward to the extent that the amount of retained earnings brought forward becomes zero.

*1 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No.38, 2010).
*2 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No.38, 2010).

6. Issued shares

For the fiscal year ended March 31, 2022 types and number of issued shares are as follows:

(Unit: shares)

Types	The number of stocks at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of stocks at the end of the fiscal year
Common stocks	3,179,238,000,000	2,775,505,000,000	—	5,954,743,000,000

(Note) Increase is due to the issuance of 2,775,505,000,000 shares.

7. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

Based on the JFC Act, we are a public corporation founded for the purpose of supplementing the financing conducted by general financial institutions and contributing to the improvement of the lifestyle of citizens.

The budget required for governmental financial operations is decided on by the Diet of Japan, and business plans and financial plans (funds through borrowing from the fiscal investment funds and loans, bonds, investments from the general account, and loans, etc.) are appended to the budget and submitted to the Diet of Japan.

These operations are classified into Micro Business and Individual Operations, Agriculture, Forestry, Fisheries and Food Business Operations, SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), Securitization Support Programs (Purchase-type Operation), Credit Insurance Programs, Operations to Facilitate Crisis Responses, and Operations to Facilitate Specific Businesses Promotion, etc. Accounts are made for each classification (“operation account”) for accounting treatment.

The funds procured by JFC through borrowing from the fiscal investment funds and loans, bonds and investments from the general account are managed separately by each operational account. In principle, it is assumed that funds intended for one operation account will not be used for another operation account. Accordingly, ALM (asset and liability management) is conducted for the risks associated with financial assets and liabilities for each operation account. Note that financial instruments that can be used for the management of surplus funds are limited to extremely safe instruments such as Japanese government bonds, etc., based on the JFC Act.

This operation account is for operations, such as business fund financing and educational loans, etc. To conduct these operations funds are raised through the borrowing of fiscal investment funds and loans and the issuing of bonds.

(2) Types of financial instruments and risks

The financial assets and liabilities owned by JFC are managed in separate operation accounts.

The financial assets in this operation account mainly include loans to micro business and individuals, and the financial liabilities mainly include borrowings and bonds. The associated risks are described below.

(a) Credit risk

The associated credit risk consists of risk of losses arising from uncollectable claims on business and educational loans from deterioration in creditworthiness or fluctuation in the value of the real estate-collateral of the entity to which credit is granted.

For this operation account, JFC strives to make a proper financing decision in the financial screening process, conduct detailed claims management based on the condition of the borrower after financing is provided, use statistical management methods, and increase the sophistication of management methods employed. In addition, risks are distributed as the credit portfolio is comprised of small business and educational loans, etc. that are not concentrated in a specified region or industry.

However, based on future economic trends and changes in the business climate of borrowers, the number of borrowers with deteriorated creditworthiness could increase, bringing about requests for financial support including loan restructuring, causing an increase in uncollectable debt and credits costs for this operation account.

(b) Market risk

The main type of market risk associated with this operation account is interest rate risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities. However, not all cash flows can be matched, so some gaps arise between assets and liabilities. This operation account could incur losses from the interest rate risk caused by this gap.

(c) Liquidity risk

Long-term and stable funds such as fiscal loan funds, government-backed bonds, the FILP agency bonds, and funding provided by government are secured to finance this operation account and deposits are not accepted. Cash flows are assessed and daily cash flows are maintained by performing proper risk management including establishing overdraft facility accounts with several private sector financial institutions, and JFC considers liquidity risk to be limited. However, financing costs could increase due to unexpected events.

(3) Risk management structure for financial instruments

JFC has a Corporate Governance Committee established to properly conduct management in order to comprehensively handle risks faced, including risks associated with financial instruments, to ensure the sustained and stable realization of the financing policies of the function.

For each type of risk, management policies and procedures have been created to handle the specific types of credit risks, market risks, and liquidity risks for financing associated with each operation, and a structure has been established to smoothly handle these tasks in each operation.

The risk management structure of these operations is described below.

(a) Credit risk management

For these operations, JFC has a structure to manage the credit risk of loans through (i) individual credit management, (ii) asset self assessment, and (iii) quantification of credit risk in accordance with regulations concerning financing operations and claims management operations, and management regulations concerning credit risk. This credit risk management is conducted by the Credit Analysis Department and risk management department as well as each branch office, and business operations meetings are regularly held with the General Manager acting as chairman to conduct discussions and reporting.

The specific risk management method is described below.

(i) Individual credit management

The financial screening process associated with these operations to support appropriate financing decisions is based on consideration of the borrower's financial condition in terms of eligibility for financing, validity of the use of funds, profitability and sustainability of the business, as well as the business's qualitative aspects such as technical capabilities, selling power, and the future potential of the business.

Efforts are made to carefully manage claims after financing has been conducted through assessment of the future business outlook and repayment capacity.

(ii) Asset self assessment

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In this process, first stage assessments are conducted by the branch offices, second stage assessments by the Asset Self Assessment Office, and internal inspections by the auditing department.

The results of this self assessment are used to properly estimate write-off and allowance, and are used internally for the constant assessment of the credit conditions of the operations. They are also actively used for the disclosure of the quality of assets to enhance the transparency of financial position for the operations.

(iii) Quantification of credit risk

A credit scoring model for borrowers based on analysis of transaction data collected over a number of years has been constructed for these operations and this model has been used for screening procedures and to monitor credit portfolios. The reliability of this credit scoring model is ensured through continual recalibration based on annual inspections of the model's accuracy.

In addition, to assess the overall risk of the portfolio, efforts are made to quantify credit risk through methods that take into consideration the extremely diversified nature of the portfolios for these operations.

(b) Market risk management

These operations are subject to the interest rate risk caused by the cash flow gap between assets and liabilities, and the operations could incur losses caused by this risk. Efforts are made to assess interest rate risk in these operations through methods such as maturity ladder approach and duration analysis, and appropriate risk management is carried out through adjustment of procurement period limits and other means to reduce interest rate risk.

These operations do not use quantitative analysis of interest rate risk for risk management purposes.

The primary financial instruments that are subject to interest rate risk in these operations include loans, borrowings, and bonds payable.

When all other risk variables are fixed, it is considered that a 50 basis point (0.5%) decline in the current interest rate as of March 31, 2022 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥32,805 million. Conversely, it is considered that a 50 basis point (0.5%) rise in the interest rate will cause the fair value to decrease by ¥31,832 million. This impact presumes that risk variables excluding interest rate are fixed, and does not consider the correlation between interest rate and other risk variables. In addition, there is a possibility that these calculated amount may underestimate the impact when the interest rate fluctuation goes beyond a rationally expected range.

(c) Liquidity risk management related to fund procurement

To conduct proper risk management in these operations, long-term and stable funds such as fiscal loan funds, government-backed bonds, FILP agency bonds, and funding provided by government are secured to finance this account and deposits are not accepted. Cash flows are assessed and overdraft facility accounts are established with multiple private sector financial institutions to maintain daily cash flows.

(4) Supplementary explanation concerning fair value of financial instruments

Set valuation inputs are used for the calculation of fair value of financial instruments, and if different valuation inputs are used, the resulting amount could vary.

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2022, and the related fair value, and difference is as follows.

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	2,433,921	2,433,921	—
(2) Loans and bills discounted	12,572,300		
Allowance for loan losses (*)	(306,792)		
	12,265,508	12,648,377	382,869
Total assets	14,699,429	15,082,299	382,869
(1) Borrowings	8,981,223	8,977,096	(4,126)
(2) Bonds payable	525,206	524,607	(599)
Total liabilities	9,506,429	9,501,703	(4,725)

(*) General allowance for loan losses and specific allowance for loan losses have been deducted from loans.

(Note 1) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks (*1)	2,433,908	—	—	—	—	—
Loans and bills discounted (*2)	1,607,971	3,346,597	2,837,816	2,099,967	1,733,759	834,494
Total	4,041,880	3,346,597	2,837,816	2,099,967	1,733,759	834,494

(*1) Demand deposits contained within due from banks are stated as "Maturities within one year."

(*2) Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contains an amount of ¥111,694 million that is not expected to be redeemed and not included in the table above.

(Note 2) Redemption schedule for bonds and borrowings with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings (*)	2,147,585	3,271,525	1,800,365	1,117,748	364,275	279,725
Bonds payable	230,000	160,000	65,000	20,000	50,000	—
Total	2,377,585	3,431,525	1,865,365	1,137,748	414,275	279,725

(*) In borrowings, general account borrowings with no redemption period stipulated are stated as "Maturities within one year."

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.
Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.
Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

Financial instruments except those recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	2,433,921	—	2,433,921
Loans and bills discounted	—	—	12,648,377	12,648,377
Total assets	—	2,433,921	12,648,377	15,082,299
Borrowings	—	8,977,096	—	8,977,096
Bonds payable	—	524,607	—	524,607
Total liabilities	—	9,501,703	—	9,501,703

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For due from banks that do not mature , the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

(2) Loans and bills discounted

All loans, with the exception of loans on deed (subordinated capital loans) under the Provision Scheme for Challenge Support and Capital Enhancement or other schemes and loans on deed (post-establishment target-achievement type interest rate) to which a post-establishment target-achievement type interest rate applies, have a fixed interest rate and fair value is calculated for all loans other than bankrupt loans, substantially bankrupt loans, potentially bankrupt loans and performing loans that require monitoring by discounting the risk-adjusted principal and interest by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for subordinated capital loans and post-establishment target-achievement type interest rate, JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

For obligations on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers, allowance for loan losses is calculated based on the expected collectable amount from the collateral or guarantee. Fair value resembles the amount of loans on the balance sheet on the closing date after a deduction has been made for allowance for loan losses, so this amount is used for fair value.

These transactions are classified into level 3 fair values.

Liabilities

(1) Borrowings

Borrowings are based on a fixed rate of interest. Fair value is calculated by discounting the principal and interest of the borrowings by the risk free rate (the standard Japanese government bond rate) based on the set period of loan, classified into level 2 fair values.

However, JFC regards the carrying amount as fair values for general account borrowings by assuming that payment shall be made immediately upon request due to the nature of the transactions.

(2) Bonds payable

Market value is used for fair value of bonds, classified into level 2 fair values.

8. Deferred tax accounting

JFC does not apply deferred tax accounting since JFC is a nontaxable entity classified in the Article 2 (5) of the Corporation Tax Act (Act No. 34 of 1965).

9. Retirement benefits

JFC has a defined benefit pension plan comprising of a corporate pension fund plan and a lump-sum severance indemnity plan and a defined contribution pension plan as its defined contribution-type plan. Although the JFC corporate pension fund plan is a multi-employer plan, related notes are listed within the following defined benefits plan notes, to enable rational calculation of the fair value of plan assets in accordance with the projected benefit obligations ratio.

Under the corporate pension fund plan (a funded plan), JFC pays pensions based on salary and years of service. Under the retirement lump-sum severance indemnity plan (an unfunded plan), JFC pays lump-sum payments based on salary and years of service, as retirement benefits.

Defined benefits plan

(1) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	109,480	million yen
Service cost	3,802	
Interest cost	109	
Actuarial difference	1,916	
Payment of retirement benefits	(4,515)	
Prior service cost	—	
Other	18	
Closing balance of projected benefit obligations	110,812	

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	41,341	million yen
Expected return on plan assets	826	
Actuarial difference	(133)	
Financing from employer	1,816	
Payment of retirement benefits	(2,058)	
Other	4	
Closing balance of fair value of plan assets	41,797	

(3) Reconciliation schedule of closing balance of projected benefit obligations and fair value of plan assets, and provision for retirement benefits and prepaid pension cost recorded on balance sheet

Projected benefit obligations of funded plan	53,614	million yen
Fair value of plan assets	(41,797)	
	11,816	
Projected benefit obligations of unfunded plan	57,198	
Unfunded pension obligations	69,014	
Actuarial unrecognized difference	(15,945)	
Unrecognized prior service cost	2,134	
Net amount of liabilities and assets recorded on the balance sheet	55,203	
Provision for retirement benefits	55,203	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	55,203	

(4) Net pensions cost and breakdown of included items

Service cost	3,802	million yen
Interest cost	109	
Expected return on plan assets	(826)	
Amount of actuarial difference accounted for as expense	3,460	
Amortization of prior service cost accounted for as expense	(707)	
Other	—	
Net pensions cost related to defined benefits plan	5,837	

(5) Items concerning fair value of plan assets

1) The percentage of each category of total fair value of plan assets is as follows.

Shares	25%
Debentures	64%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate	0.1%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.6% to 5.7%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥231 million.

10. Related party transactions

Related party transactions in the fiscal year ended March 31, 2022 are as follows:

Transactions with parent company and major shareholder companies

(Millions of yen)

Classification	Corporate name	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2022
Principal shareholder	Ministry of Finance (Minister of Finance) (Notes i and ii)	99.91 (Direct)	Administration for policy based financing	Underwriting of capital increase (Note iii)	2,775,490	—	—
				Receipts from general account of the national budget	10,905	—	—
				Receipt of funds (Note iv)	605,000	Borrowings	8,849,923
				Repayment of borrowing	2,136,988		
				Payment of interest on borrowings	2,724	Accrued expenses	489
				Guarantee for bonds payable (Note v)	325,205	—	—

(Notes)

(i) Ownership of voting rights by ministries and agencies other than Ministry of Finance (Minister of Finance) is as follows:
-Ministry of Health, Labour and Welfare (Minister of Health, Labour and Welfare) 0.09%

(ii) Transactions with the ministries and agencies other than Ministry of Finance are as follows:
-Ministry of Health, Labour and Welfare
Underwriting of capital increase ¥15 million
Receipts from the national budget ¥2,275 million
-Small and Medium Enterprise Agency
Receipts from the national budget ¥2,684 million

(iii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.

(iv) The receipts of funds represents borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

(v) No guarantee fee has been paid for the guarantee of bonds.

(vi) Figures in the table above do not include consumption taxes.

11. Per share information

Net assets per share ¥0.88
Net loss per share ¥0.01

12. Subsequent events

Not applicable.

Account for Agriculture, Forestry, Fisheries and Food Business Operations

Balance Sheet (as of March 31, 2022)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	108,197	Borrowed money	2,902,575
Cash	0	Borrowings	2,902,575
Due from banks	108,197	Bonds payable	209,987
Securities	3,412	Entrusted funds	24,542
Stocks	2,530	Other liabilities	5,528
Other securities	882	Accrued expenses	3,053
Loans and bills discounted	3,474,105	Derivatives other than for trading-liabilities	44
Loans on deeds	3,474,105	Lease obligations	406
Other assets	7,097	Other	2,024
Prepaid expenses	3	Provision for bonuses	644
Accrued income	6,582	Provision for directors' bonuses	7
Derivatives other than for trading-assets	1	Provision for retirement benefits	11,538
Agency accounts receivable	181	Provision for directors' retirement benefits	22
Other	328	Total liabilities	3,154,845
Property, plant and equipment	32,936	Net assets	
Buildings	7,505	Capital stock	448,606
Land	24,929	Retained earnings	2,642
Lease assets	315	Legal retained earnings	2,642
Construction in progress	129	Total shareholders' equity	451,248
Other	56		
Intangible assets	4,870		
Software	4,808		
Lease assets	40		
Other	21		
Allowance for loan losses	(24,524)	Total net assets	451,248
Total assets	3,606,094	Total liabilities and net assets	3,606,094

Statement of Operations (Year ended March 31, 2022)

(Millions of yen)

Items	Amount
Ordinary income	**47,673**
Interest income	22,102
Interest on loans and discounts	22,102
Interest on deposits with banks	0
Other interest income	0
Other ordinary income	2
Income from derivatives other than for trading or hedging	2
Receipts from the national budget	24,848
Receipts from general account of the national budget	24,838
Receipts from special account of the national budget	9
Other income	719
Recoveries of written-off claims	261
Other	458
Ordinary expenses	**47,618**
Interest expenses	16,958
Interest on call money	(0)
Interest on borrowings and rediscounts	14,166
Interest on bonds	2,792
Fees and commissions payments	2,053
Other fees and commissions	2,053
Other ordinary expenses	28
Amortization of bond issuance cost	28
General and administrative expenses	16,528
Other expenses	12,049
Provision of allowance for loan losses	11,600
Written-off of loans	196
Other	252
Ordinary profit	**54**
Extraordinary income	**5**
Gain on disposal of noncurrent assets	5
Extraordinary losses	**60**
Loss on disposal of noncurrent assets	59
Impairment loss	0
Net income	—

Statement of Changes in Net Assets (Year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity					Total net assets
	Capital stock	Retained earnings			Total shareholders' equity	
		Legal retained earnings	Other retained earnings	Total retained earnings		
			Retained earnings brought forward			
Balance at the beginning of current period	424,823	2,642	—	2,642	427,465	427,465
Changes of items during the period						
Issuance of new shares	23,783				23,783	23,783
Net income			—	—	—	—
Total changes of items during the period	23,783	—	—	—	23,783	23,783
Balance at the end of current period	448,606	2,642	—	2,642	451,248	451,248

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Securities

Investments in affiliates are carried at cost based on the moving average method. Available-for-securities are stated at fair value. However, stocks and others without quoted market prices are carried at cost based on the moving average method.

(b) Valuation method for derivative financial instruments

Derivative financial instruments are carried at fair value.

(c) Depreciation basis for fixed assets

(i) Property, plant and equipment (except for lease assets)

Tangible fixed assets are depreciated under the declining-balance method over their useful economic lives except for buildings (excluding installed facilities) and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated under the straight-line method.

Amortization is based on the following range of estimated useful lives:

Buildings: 2 years to 50 years

Other: 2 years to 20 years

(ii) Intangible assets (except for lease assets)

Amortization of intangible fixed assets is computed by the straight-line method. Software used by JFC is amortized over its useful life (5 years).

(iii) Lease assets

Lease assets in "property, plant and equipment" or "intangible assets," under finance leases that do not involve transfer of ownership to the lessee are amortized under the straight-line method over the lease term. Depreciation for lease assets is calculated with zero residual value being assigned to the asset.

(d) Method of amortization for deferred assets

Bond issuance costs are expensed as incurred.

(e) Accounting policy for reserves

(i) Allowance for loan losses

The allowance for loan losses is maintained in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt ("Bankrupt borrowers") or substantially bankrupt ("Substantially bankrupt borrowers") is provided based on the outstanding balance after the write-offs described in the followings and the deductions of the amount expected to be collected through the disposal of collateral and execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt ("Potentially bankrupt borrowers") is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

The allowance for claims on debtors other than Bankrupt borrowers is provided based on primarily the anticipated loss amount within the next one year or the anticipated loss amount within the next three years. The anticipated loss amount is calculated by seeking the loss rate on the basis of the average default rate over a certain period in the past based on the default rates for one or three years and making necessary adjustments such as future expectations.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments.

With respect to claims with collateral or guarantees on debtors who are legally or substantially bankrupt (Bankrupt borrowers and Substantially bankrupt borrowers), etc., the residual booked amount of the claims after deduction of the amount which is deemed collectible through the disposal of collateral or the execution of guarantees is written-off. The amount of accumulated write-off is ¥15,892 million.

Write-offs of this operation account are recognized by offsetting the current allowance for loan losses for the amount of the claim deemed uncollectable against the year-end claim amount balance; the previous allowance for loan losses and claim balances are reversed at the start of the fiscal year, upon approval received from the competent minister pursuant to Article 4 of the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 3 of 2008).

(ii) Provision for bonuses

The "provision for bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the balance sheet.

(iii) Provision for directors' bonuses

The "provision for directors' bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the balance sheet.

(iv) Provision for retirement benefits

The "provision for retirement benefits" represents the future payment for pension and retirement benefits to employees, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the fiscal period end. In addition, in calculating projected benefit obligations, JFC follows straight-line basis with regard to methods for attributing projected benefit payments to the period through the end of the fiscal year in review. Moreover, unrecognized prior service costs and unrecognized actuarial differences in profit and loss disposition are calculated as follows:

Unrecognized prior service costs are recognized as income or expense by the straight-line method over a certain number of years; 10 years within the average remaining work period of employees at the time of occurrence.

Unrecognized actuarial differences are recognized as income or expense from the following fiscal year by the straight-line method over a period up to a maximum of 10 years within the average remaining service period of employees of the respective fiscal year at the time of occurrence.

(v) Provision for directors' retirement benefits

The "provision for directors' retirement benefits," which provides for future retirement pension payments to directors, corporate auditors and executive officers, is recognized at the amount accrued at the end of the fiscal year.

Significant accounting estimates

The item for which the amount was recorded in the financial statements for the current fiscal year based on accounting estimates that may have significant impacts on the financial statements for the following fiscal year is the allowance for loan losses.

1. Amount recorded in financial statements for the current fiscal year
   Allowance for loan losses: ¥24,524 million
2. Information that will contribute to understanding in relation to the details of significant accounting estimates relating to the identified item

(1) Calculation method

The method of calculating the allowance for loan losses is described in Significant accounting policies, (e) Accounting policy for reserves, (i) Allowance for loan losses.

When making calculations, the borrowers' categories are determined by assessing and setting borrower repayment capacity based on borrower repayment status, financial details, business performance, projections of these, and other factors and an anticipated loss rate on the basis of the average default rate over a certain period in the past based on the loan loss, and making necessary adjustments such as future expectations is included.

(2) Main assumptions

The main assumptions are the outlook for borrowers when determining the borrowers' categories and the impacts of COVID-19.

The outlook for borrowers is assessed on an individual basis according to repayment status including effects from COVID-19, financial details, balance of payments status, reasonableness and feasibility of management improvement plans, and other factors.

Also, although the impacts of COVID-19 will gradually diminish, it is expected that the effects on the economy will continue for about one year into the future. However, it is assumed that the short-term credit risks of loans held at the end of the current fiscal year are approximately the same as in the past due to the various supports provided to businesses based on a variety of government measures.

(3) Impacts on financial statements for the following fiscal year

The main assumptions used for accounting estimates may change in circumstances where there is increased uncertainty regarding the future such as significant changes in the credit conditions of borrowers and economic conditions and a delay in the resolution of COVID-19, and there may be a material impact on allowances for loan losses in the financial statements for the following fiscal year.

Changes in accounting policies

(Accounting Standard for Revenue Recognition, etc.)

JFC has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and JFC recognizes revenues at the amount expected to be received in exchange for the goods or service when control of the promised goods or service is transferred to the customer.

JFC follows the transitional treatment specified in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for application of the Accounting Standard for Revenue Recognition, etc., which will not affect retained earnings at the beginning of the current fiscal year. In addition, application of the relevant accounting standards does not affect the profit and loss and the information per share for the current fiscal year.

(Accounting Standard for Fair Value Measurement, etc.)

JFC has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the current fiscal year, and JFC applies new accounting policies stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment specified in the Accounting Standard for Fair Value Measurement, Paragraph 19 and the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2 for the future.

Accordingly, JFC modified the valuation criteria for credit default swap transactions which had traditionally been regarded as financial instruments whose fair value is extremely difficult to grasp from the processing according to debt guarantee to the fair value method.

In addition, JFC made notes such as matters concerning the breakdown of the fair value of financial instruments for each appropriate category in the "financial instruments and related disclosure."

The Change in presentation

(Matters related to balance sheets)

In line with the enforcement of the Ministerial Ordinance on the Partial Revision of the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry Ordinance No. 1 of 2020) from March 31, 2022, we show the classification of "risk-monitored loans," etc. according to the classification of disclosed claims, etc. based on the "Act on Emergency Measures for the Revitalization of the Financial Functions" (Law No. 132 of 1998).

2. Equity securities of affiliates

Equity securities of affiliates is ¥2,530 million.

3. Claims based on the Ministerial Ordinance Concerning Accounting for the JFC

Claims based on the Ministerial Ordinance Concerning Accounting for the JFC are as described below. Note that claims are corporate bonds (limited to those that guarantee all or part of the redemption of their principals and the payment of interests and in which the issuance of the corporate bonds is through private offering of securities (Financial Instruments and Exchange Act Law No. 25 of 1948, Article 2, Paragraph 3)) in "securities" on the balance sheet, loans , foreign exchange, accrued interest and suspense payment in "other assets," items recorded in each account of customers' liabilities for acceptance and guarantees, and the securities when lending of the securities noted is performed (limited to loans for use or lease contracts) .

The amount of bankruptcy reorganization claims and similar claims: ¥5,509 million
The amount of claims under high risk: ¥77,929 million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥45,904 million
  The amount of claims with interest or principal repayments more than 3 months in arrears: ¥659 million
  The amount of restructured claims: ¥45,245 million
Subtotal amount: ¥129,343 million
The amount of normal claims: ¥3,351,376 million
Total amount: ¥3,480,720 million

Bankruptcy reorganization claims and similar claims are the claims on borrowers who are in bankruptcy due to reasons such as petition for commencement of bankruptcy proceedings, commencement of reorganization proceedings, commencement of rehabilitation proceedings, etc. and similar claims.

Claims under high risk are the claims in which it is highly unlikely that their principals are collected and their interests are received according to the contract due to the deterioration of borrowers' financial conditions and business performances even though they have not yet reached the state of bankruptcy and that do not fall under "bankruptcy reorganization claims and similar claims."

Claims with interest or principal repayments more than 3 months in arrears are claims whose principal or interest payment is more than 3 months in arrears, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," and "claims under high risk."

Restructured claims are claims whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," "claims under high risk," and "claims with interest or principal repayments more than 3 months in arrears."

Normal claims are the claims that are classified into items other than "bankruptcy reorganization claims or similar claims," "claims under high risk," "claims with interest or principal repayments more than 3 months in arrears," and "restructured claims," assuming that there are no particular problems with the borrowers' financial conditions and business performances.

Note that the above claim amounts are the gross amounts prior to the deduction of allowance for possible claim losses.

JFC, as a policy, does not pay down loans in part or in full immediately after the execution of the loan agreements, but instead makes disbursement, in accordance with the progress of the underlying projects. These undisbursed amounts are not included in the loans on deed in the Balance Sheet. The balance of unpaid amounts as of March 31, 2022 is ¥61,814 million.

4. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for all bonds issued by JFC (which includes this operation account bonds issued to a total amount of ¥209,987 million).

5. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥6,007 million.

6. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act*1. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations*2 listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order to the extent that it reaches the certain amount, and if there is still a surplus, JFC shall pay such surplus into the national treasury within 3 months after closing date.

In the event that the amount of the retained earnings brought forward falls below zero in each account set forth in the preceding paragraph, legal capital surplus and legal retained earnings shall be transferred to retained earnings brought forward to the extent that the amount of retained earnings brought forward becomes zero.

*1 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

*2 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

7. The account title and the amount related to transactions with affiliates

Ordinary income–Other income-Other: ¥0 million

8. Issued shares

For the fiscal year ended March 31, 2022 types and number of issued shares are as follows:

(Unit: shares)

Types	The number of stocks at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of stocks at the end of the fiscal year
Common stocks	424,823,700,000	23,783,000,000	—	448,606,700,000

(Note) Increase is due to the issuance of 23,783,000,000 shares.

9. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

Based on the JFC Act, we are a public corporation founded for the purpose of supplementing the financing conducted by general financial institutions and contributing to the improvement of the lifestyle of citizens.

The budget required for governmental financial operations is decided on by the Diet of Japan, and business plans and financial plans (funds through borrowing from the fiscal investment funds and loans, bonds, investments from the general account, and loans, etc.) are appended to the budget and submitted to the Diet of Japan.

These operations are classified into Micro Business and Individual Operations, Agriculture, Forestry, Fisheries and Food Business Operations, SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), Securitization Support Programs (Purchase-type Operation), Credit Insurance Programs, Operations to Facilitate Crisis Responses, and Operations to Facilitate Specific Businesses Promotion, etc. Accounts are made for each classification ("operation account") for accounting treatment.

The funds procured by JFC through borrowing from the fiscal investment funds and loans, bonds and investments from the general account are managed separately by each operational account. In principle, it is assumed that funds intended for one operation account will not be used for another operation account. Accordingly, ALM (asset and liability management) is conducted for the risks associated with financial assets and liabilities for each operation account. Note that financial instruments that can be used for the management of surplus funds are limited to extremely safe instruments such as Japanese government bonds, etc., based on the JFC Act.

In this operation account, the main operations consist of supplementing the financing provided by general financial institutions and supplying long-term funds at a low interest rate aimed at businesses engaged in agriculture, forestry, fisheries and food manufacturing, etc., in order to contribute to the sustainable and robust development of the agriculture, forestry, fisheries business and ensure the stable supply of food. To conduct these operations funds are raised through borrowing from fiscal investment funds and loans and the issuing of bonds.

(2) Types of financial instruments and risks

The financial assets and liabilities owned by JFC are managed in separate operation accounts.

The financial assets in this operation account mainly include loans to agriculture, forestry, fisheries and food businesses, and financial liabilities mainly include borrowings and bond. The associated risks are described below.

(a) Credit risk

The associated credit risk consists of risk of losses arising from uncollectable claims on credit to agriculture, forestry, fisheries and food businesses from deterioration in creditworthiness or fluctuation in the value of the real estate-collateral of the entity to which credit is granted. For this reason, efforts are made to maintain and improve the soundness of assets through proper financial screening and account management throughout the year.

However, among the majority of borrowers that make up this operation account, there are many small businesses in the agriculture, forestry, fisheries sector. These businesses are especially susceptible to natural conditions such as weather, etc., so depending on future conditions, uncollectable debt and credits costs for this operation account could increase.

(b) Market risk

The main type of market risk associated with this operation account is interest rate risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities. However, due to characteristics such as long redemption periods and fixed interest rates that are required by agriculture, forestry, and fisheries policy, not all cash flows can be matched, so some gaps arise between assets and liabilities. This operation account could incur losses from the interest rate risk caused by this gap.

(c) Liquidity risk

Long-term and stable funds such as fiscal loan funds and the FILP agency bonds, and funding provided by government are secured to finance this operation account and deposits are not accepted. Cash flows are assessed and daily cash flows are maintained by performing proper risk management including establishing overdraft facility accounts with several private sector financial institutions, and JFC considers liquidity risk to be limited. However, financing costs could increase due to unexpected events.

(3) Risk management structure for financial instruments

JFC has a Corporate Governance Committee established to properly conduct management in order to comprehensively handle risks faced, including risks associated with financial instruments, to ensure the sustained and stable realization of the financing policies of the function.

For each type of risk, management policies and procedures have been created to handle the specific types of credit risks, market risks, and liquidity risks for financing associated with each operation, and a structure has been established to smoothly handle these tasks in each operation.

The risk management structure for these operations is described below.

(a) Credit risk management

For these operations, credit risk is properly managed through (i) individual credit management, (ii) credit rating, (iii) asset self assessment, and (iv) quantification of credit risk.

(i) Individual credit management

The screening process for these operations includes screening of the probability of repayment based on eligibility for financing, validity of the financing conditions, and the future potential of the business. Particularly, screening for the certainty of repayment is conducted with a screening standard that gives sufficient consideration to the specific industry (agriculture, forestry, and fisheries) risks. This consists of close examination of the creditworthiness of the borrower, investment-risk, investment-effect, and comprehensive verification and confirmation of repayment ability that takes into account feasibility of the payment and repayment plan, and suitability of financing conditions.

Efforts are also made to continuously assess the customer's economic condition, and maintain and improve the soundness of loan assets through active and detailed support activities.

(ii) Credit rating

These operations strive to maintain and improve the quality of loan assets by using ratings for early discovery of customers with business conditions that could be cause for concern in order to enact business support. Ratings are assigned based on a model built using internal data. The reliability of this scoring model is ensured through continual recalibration based on annual inspection of the model's evaluation accuracy.

The credit ratings are also used for individual credit management, asset self assessment, and quantification of credit risk as the basis for credit risk management. For this reason reassessment of the credit ratings system is conducted as required.

(iii) Asset self assessment

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In this process, first stage assessments are conducted by the branch offices, etc., second stage assessments by the Credit Analysis Department and the Revitalization Support Department, and internal inspections by the auditing department.

The results of this self assessment are used to appropriately estimate write-off and allowance, and are used internally for the constant assessment of the credit conditions of the operations. They are also actively used for the disclosure of the quality of assets to enhance the transparency of the financial position of the operations.

(iv) Quantification of credit risk

To assess the overall risk of the portfolio, credit risks are quantified for internal management in these operations.

(b) Market risk management

These operations are subject to the interest rate risk caused by the cash flow gap between assets and liabilities, and the operations could incur losses caused by this risk. Efforts are made to assess interest rate risk in these operations through methods such as maturity ladder approach and duration analysis, and appropriate risk management is carried out through adjustment of procurement period limits and other means to reduce interest rate risk.

These operations do not use quantitative analysis of interest rate risk for risk management purposes.

The primary financial instruments that are subject to interest rate risk in these operations include loans, borrowings, and bonds payable.

When all other risk variables are fixed, it is considered that a 50 basis point (0.5%) decline in the current interest rate as of March 31, 2022 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥17,252 million. Conversely, it is considered that a 50 basis point (0.5%) rise in the interest rate will cause the fair value to decrease by ¥15,650 million. This impact presumes that risk variables excluding interest rate are fixed, and does not consider the correlation between interest rate and other risk variables. In addition, there is a possibility that these calculated amount may underestimate the impact when the interest rate fluctuation goes beyond a rationally expected range.

(c) Liquidity risk management related with fund procurement

Long-term and stable funds such as fiscal loan funds, FILP agency bonds, and funding provided by government are secured to finance this account and deposits are not accepted.

Cash flows are assessed and proper measures including establishing overdraft facility accounts with multiple private sector financial institutions have been taken to maintain daily cash flows for proper risk management.

(4) Supplementary explanation concerning fair value of financial instruments

Set valuation inputs are used for the calculation of fair value of financial instruments, and if different valuation inputs are used, the resulting amount could vary.

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2022, and the related fair value, and difference is as follows. Note that stocks and others without quoted market prices are not include in the following chart (refer to Note 1).

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	108,197	108,197	—
(2) Loans and bills discounted	3,474,105		
Allowance for loan losses (*1)	(24,520)		
	3,449,585	3,577,358	127,773
Total assets	3,557,783	3,685,556	127,773
(1) Borrowings	2,902,575	2,940,660	38,084
(2) Bonds payable	209,987	223,531	13,544
Total liabilities	3,112,562	3,164,191	51,628
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	(42)	(42)	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	(42)	(42)	—

(*1) General allowance for loan losses and specific allowance for loan losses have been deducted from loans.
(*2) Derivative transactions recorded in "other assets and other liabilities" are collectively displayed. The net values of assets and liabilities arising from derivative transactions are displayed. The figures in parentheses indicate net liabilities.

(Note 1) The amount reported on the balance sheet such as stocks and others without quoted market prices are as shown below.

(Millions of yen)

Classification	Carrying amount on the balance sheet
Unlisted stocks (*1)	2,530
Partnership investments (*2)	882

(*1) Unlisted stocks are not subject to fair value disclosure in accordance with the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), Paragraph 5.
(*2) Partnership investments are not subject to fair value disclosure in accordance with the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), Paragraph 27.

(Note 2) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks (*1)	108,197	—	—	—	—	—
Loans and bills discounted (*2)	390,580	689,454	540,741	455,390	515,939	803,958
Total	498,777	689,454	540,741	455,390	515,939	803,958

(*1) Demand deposits contained within due from banks are stated as "Maturities within one year."

(*2) Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contains an amount of ¥78,041 million that is not expected to be redeemed and not included in the table above.

(Note 3) Redemption schedule for bonds and borrowings with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings	350,299	704,118	559,507	403,135	417,084	468,429
Bonds payable	25,000	50,000	20,000	35,000	80,000	—
Total	375,299	754,118	579,507	438,135	497,084	468,429

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.
Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.
Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

(1) Financial instruments recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Derivative transactions				
Credit derivatives	—	—	1	1
Total assets	—	—	1	1
Derivative transactions				
Credit derivatives	—	—	44	44
Total liabilities	—	—	44	44

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	108,197	—	108,197
Loans and bills discounted	—	—	3,577,358	3,577,358
Total assets	—	108,197	3,577,358	3,685,556
Borrowings	—	2,932,259	8,400	2,940,660
Bonds payable	—	223,531	—	223,531
Total liabilities	—	3,155,790	8,400	3,164,191

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For cash and due from banks that do not mature or have a maturity under 3 months, the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

(2) Loans and bills discounted

All loans except loans on deeds under the challenge-oriented capital lending scheme for new sectors, etc. have a fixed interest rate and fair value is calculated for each borrower's status by discounting the risk-reflected principal and interest that incorporates risk by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for loans on deeds under the challenge-oriented capital lending scheme for new sectors, etc., JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

These transactions are classified into level 3 fair values.

Liabilities

(1) Borrowings

Borrowings are based on a fixed rate of interest. Fair value is calculated by discounting the principal and interest of the borrowings by the risk free rate (the standard Japanese government bond rate) based on the set period of loan, classified into level 2 fair values.

However, general account borrowings are interest-free, and we calculate their fair values by discounting at risk free rates (the standard Japanese government bond rate) after making necessary adjustments to the principal of the general account borrowings divided by a certain period, classified into level 3 fair values.

(2) Bonds payable

Market value is used for fair value of bonds, classified into level 2 fair values.

Derivative transactions

As for credit default swaps (CDS), JFC calculates fair values by discounting the risk-adjusted premiums according to the credit rating on the closing date and the compensation expected due to the occurrence of credit events by the risk free rates (the standard Japanese government bond rate), classified into level 3 fair values.

(Note 2) Information on level 3 fair values out of the financial instruments recorded on the balance sheet with fair values

(1) Quantitative information on important unobservable inputs (March 31, 2022)

Classification	Valuation techniques	Important unobservable inputs	Range of inputs
Derivative transactions			
Credit derivatives	Discounted present value method	Default probability	0.70%–20.32%

(2) Adjustment table from the beginning balance to the ending balance, appraised profits or losses that are recognized in profits/losses for the current fiscal year (March 31, 2022)

(Millions of yen)

	Beginning balance	Profits and losses in the fiscal year or valuation and translation adjustments		Net amount of purchase, selling, issuance and settlement	Transfer to level 3 fair value	Transfer from level 3 fair value	Ending balance	Appraised profits or losses of financial assets and financial liabilities that are held on the balance sheet date out of the amount recorded in profits and losses for the fiscal year (*1)
		Recorded in profits and losses (*1)	Recorded in valuation and translation adjustments					
Derivative transactions								
Credit derivatives (*2)	(37)	(5)	—	—	—	—	(42)	(6)

(*1) Included in "income from derivatives other than for trading or hedging" in the profit and loss statement.
(*2) Derivative transactions that are recorded as assets/liabilities of derivatives other than for trading or hedging are recorded in a lump sum.

(3) Explanation of a valuation process for fair values

The Risk Management Department determined the purpose and the procedure of calculating fair values, and calculates fair values according to it. The Risk Management Department uses a valuation model that can reflect nature, characteristics, and risks of assets most adequately in calculating fair values.

(4) Explanation of impacts on fair values when changing important and unobservable inputs

The default probability is an estimate value that indicates the possibility that a credit event occurs and that the compensation amount cannot be collected. A significant increase (decrease) in default probability brings about the remarkable decline (rise) in a fair value.

10. Fair value of securities

In addition to "Stocks" and "Other securities" on the balance sheet, transferable deposits in "Due from banks" are also included.
The fair value of securities at March 31, 2022 is as follows:

(a) Equity securities of subsidiaries and affiliates

(Note) Carrying amount of stocks and others without quoted market prices on the balance sheet.

	Carrying amount on the balance sheet (Millions of yen)
Equity securities of affiliates	2,530

(b) Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount does not exceed their acquisition cost	Others	18,100	18,100	—

(Note) Amount of stocks and others without quoted market prices reported on the balance sheet not included in the table above

	Carrying amount on the balance sheet (Millions of yen)
Partnership investments	882

11. Deferred tax accounting

JFC does not apply deferred tax accounting since JFC is a nontaxable entity classified in the Article 2 (5) of the Corporation Tax Act (Act No. 34 of 1965).

12. Retirement benefits

JFC has a defined benefit pension plan comprising of a corporate pension fund plan and a lump-sum severance indemnity plan and a defined contribution pension plan as its defined contribution-type plan. Although the JFC corporate pension fund plan is a multi-employer plan, related notes are listed within the following defined benefits plan notes, to enable rational calculation of the fair value of plan assets in accordance with the projected benefit obligations ratio.

Under the corporate pension fund plan (a funded plan), JFC pays pensions based on salary and years of service. Under the retirement lump-sum severance indemnity plan (an unfunded plan), JFC pays lump-sum payments based on salary and years of service, as retirement benefits.

Defined benefits plan

(1) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	21,101 million yen
Service cost	771
Interest cost	21
Actuarial difference	485
Payment of retirement benefits	(923)
Prior service cost	—
Other	18
Closing balance of projected benefit obligations	21,473

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	7,727 million yen
Expected return on plan assets	154
Actuarial difference	(21)
Financing from employer	358
Payment of retirement benefits	(383)
Other	2
Closing balance of fair value of plan assets	7,838

(3) Reconciliation schedule of closing balance of projected benefit obligations and fair value of plan assets, and provision for retirement benefits and prepaid pension cost recorded on balance sheet

Projected benefit obligations of funded plan	10,054 million yen
Fair value of plan assets	(7,838)
	2,215
Projected benefit obligations of unfunded plan	11,419
Unfunded pension obligations	13,635
Actuarial unrecognized difference	(2,455)
Unrecognized prior service cost	358
Net amount of liabilities and assets recorded on the balance sheet	11,538
Provision for retirement benefits	11,538
Prepaid pension cost	—
Net amount of liabilities and assets recorded on the balance sheet	11,538

(4) Net pensions cost and breakdown of included items

Service cost	771 million yen
Interest cost	21
Expected return on plan assets	(154)
Amount of actuarial difference accounted for as expense	555
Amortization of prior service cost accounted for as expense	(122)
Other	—
Net pensions cost related to defined benefits plan	1,071

(5) Items concerning fair value of plan assets

1) The percentage of each category of total fair value of plan assets is as follows.

Shares	25%
Debentures	64%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate	0.1%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.7% to 6.8%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥45 million.

13. Profit and loss on equity method

Investment in affiliates	¥2,530 million
Investment in affiliates (equity method)	¥2,564 million
Profit on Investment in affiliates (equity method)	¥16 million

14. Related party transactions

Related party transactions in the fiscal year ended March 31, 2022 are as follows:

(a) Transactions with parent company and major shareholder companies

(Millions of yen)

Classification	Corporate name	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2022
Principal shareholder	Ministry of Finance (Minister of Finance)(Notes i and ii)	91.30 (Direct)	Administration for policy based financing	Underwriting of capital increase (Note iii)	23,783	—	—
				Receipt of funds (Note iv)	419,000	Borrowings	2,894,047
				Repayment of borrowing	325,398		
				Payment of interest on borrowings	14,166	Accrued expenses	2,324

(Notes)

(i) Ownership of voting rights by ministries and agencies other than Ministry of Finance (Minister of Finance) is as follows:
-Ministry of Agriculture, Forestry and Fisheries (Minister of Agriculture, Forestry and Fisheries) 8.70%

(ii) Transactions with the ministries and agencies other than Ministry of Finance are as follows:
-Ministry of Agriculture, Forestry and Fisheries
Receipts from the national budget ¥24,848 million
Repayment of borrowed money ¥3,100 million

(iii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.

(iv) The receipts of funds represents borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

(v) Figures in the table above do not include consumption taxes.

(b) Transactions with fellow subsidiaries and affiliates' subsidiaries

(Millions of yen)

Classification	Corporate name	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2022
Principal shareholder (corporates) holding the majority of voting rights	JBIC	—	Relation of joint and several liability	Joint and several liability	60,000 (Notes i and ii)	—	—

(Notes)

(i) Pursuant to paragraph 1, Article 46-2 of the Supplementary Provisions to the JFC Act, JBIC has joint and several liability for bonds issued by JFC that this operation account will redeem. Pursuant to paragraph 2, Article 46-2 of the Supplementary Provisions, JBIC's assets have been pledged as general collateral for the joint and several liabilities.

(ii) There are no transactions recorded under income or expenses related to the joint and several liabilities.

(iii) Figures in the table above do not include consumption taxes.

15. Per share information

Net assets per share ¥1.00

Net income per share ¥0

16. Subsequent events

Not applicable.

Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)

Balance Sheet (as of March 31, 2022)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	1,364,159	Borrowed money	5,375,869
Cash	4	Borrowings	5,375,869
Due from banks	1,364,155	Bonds payable	417,521
Securities	17	Other liabilities	3,378
Corporate bonds	17	Accrued expenses	603
Stocks	0	Unearned revenue	77
Loans and bills discounted	8,338,693	Lease obligations	912
Loans on deeds	8,338,693	Other	1,784
Other assets	4,232	Provision for bonuses	1,213
Prepaid expenses	5	Provision for directors' bonuses	6
Accrued income	2,678	Provision for retirement benefits	21,288
Derivatives other than for trading-assets	15	Provision for directors' retirement benefits	20
Other	1,532	Acceptances and guarantees	26,565
Property, plant and equipment	48,079	Total liabilities	5,845,863
Buildings	11,399	Net assets	
Land	35,700	Capital stock	3,920,007
Lease assets	705	Retained earnings	(633,639)
Construction in progress	117	Other retained earnings	(633,639)
Other	156	Retained earnings brought forward	(633,639)
Intangible assets	5,096	Total shareholders' equity	3,286,367
Software	4,812		
Lease assets	96		
Other	187		
Customers' liabilities for acceptances and guarantees	26,565		
Allowance for loan losses	(654,614)	Total net assets	3,286,367
Total assets	9,132,230	Total liabilities and net assets	9,132,230

Statement of Operations (Year ended March 31, 2022)

(Millions of yen)

Items	Amount
Ordinary income	**72,500**
Interest income	58,615
Interest on loans and discounts	58,613
Interest and dividends on securities	0
Interest on deposits with banks	0
Fees and commissions	162
Other fees and commissions	162
Receipts from the national budget	12,737
Receipts from general account of the national budget	12,737
Receipts from special account of the national budget	0
Other income	985
Recoveries of written-off claims	102
Gain on sales of stocks and other securities	238
Other	644
Ordinary expenses	**244,114**
Interest expenses	3,820
Interest on call money	(0)
Interest on borrowings and rediscounts	2,948
Interest on bonds	872
Fees and commissions payments	59
Other fees and commissions	59
Other ordinary expenses	27
Loss on foreign exchange transactions	10
Amortization of bond issuance cost	17
General and administrative expenses	28,988
Other expenses	211,217
Provision of allowance for loan losses	207,191
Written-off of loans	3,222
Other	803
Ordinary loss	**171,613**
Extraordinary income	**0**
Other extraordinary income	0
Extraordinary losses	**62**
Loss on disposal of noncurrent assets	62
Net loss	**171,676**

Statement of Changes in Net Assets (Year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity				Total net assets
	Capital stock	Retained earnings		Total shareholders' equity	
		Other retained earnings	Total retained earnings		
		Retained earnings brought forward			
Balance at the beginning of current period	2,546,937	(461,963)	(461,963)	2,084,973	2,084,973
Changes of items during the period					
Issuance of new shares	1,373,070			1,373,070	1,373,070
Net income (loss)		(171,676)	(171,676)	(171,676)	(171,676)
Total changes of items during the period	1,373,070	(171,676)	(171,676)	1,201,393	1,201,393
Balance at the end of current period	3,920,007	(633,639)	(633,639)	3,286,367	3,286,367

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Securities

Held-to-maturity securities are carried at amortized cost (straight-line method) based on the moving average method. Available-for-sale securities are stated at fair value. However, stocks and others without quoted market prices are carried at cost based on the moving average method.

(b) Valuation method for derivative financial instruments

Derivative financial instruments are carried at fair value.

(c) Depreciation basis for fixed assets

(i) Property, plant and equipment (except for lease assets)

Tangible fixed assets are depreciated under the declining-balance method over their useful economic lives except for buildings (excluding installed facilities) and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated under the straight-line method.

Amortization is based on the following range of estimated useful lives:

Buildings: 2 years to 50 years

Other: 2 years to 20 years

(ii) Intangible assets (except for lease assets)

Amortization of intangible fixed assets is computed by the straight-line method. Software used by JFC is amortized over its useful life (5 years).

(iii) Lease assets

Lease assets in "property, plant and equipment" or "intangible assets," under finance leases that do not involve transfer of ownership to the lessee are amortized under the straight-line method over the lease term. Depreciation for lease assets is calculated with zero residual value being assigned to the asset.

(d) Method of amortization for deferred assets

Bond issuance costs are expensed as incurred.

(e) Foreign currency translation and revaluation method

JFC maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the market exchange rate prevailing at the fiscal year end.

(f) Accounting policy for reserves

(i) Allowance for loan losses

The allowance for loan losses is maintained in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt ("Bankrupt borrowers") or substantially bankrupt ("Substantially bankrupt borrowers") is provided based on the outstanding balance after the write-offs described in the followings and the deductions of the amount expected to be collected through the disposal of collateral and execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt ("Potentially bankrupt borrowers") is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

The allowance for claims on debtors other than Bankrupt borrowers is provided based on primarily the anticipated loss amount within the next one year or the anticipated loss amount within the next three years. The anticipated loss amount is calculated by seeking the loss rate on the basis of the average default rate over a certain period in the past based on the default rates for one or three years and making necessary adjustments such as future expectations.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments.

With respect to claims with collateral or guarantees on debtors who are legally or substantially bankrupt (Bankrupt borrowers and Substantially bankrupt borrowers), etc., the residual booked amount of the claims after deduction of the amount which is deemed collectible through the disposal of collateral or the execution of guarantees is written-off. The amount of accumulated write-off is ¥74,260 million.

Write-offs of this operation account are recognized by offsetting the current allowance for loan losses for the amount of the claim deemed uncollectable against the year-end claim amount balance; the previous allowance for loan losses and claim balances are reversed at the start of the fiscal year, upon approval received from the competent minister pursuant to Article 4 of the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 3 of 2008).

(ii) Provision for bonuses

The "provision for bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the balance sheet.

(iii) Provision for directors' bonuses

The "provision for directors' bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the balance sheet.

(iv) Provision for retirement benefits

The "provision for retirement benefits" represents the future payment for pension and retirement benefits to employees, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the fiscal period end. In addition, in calculating projected benefit obligations, JFC follows straight-line basis with regard to methods for attributing projected benefit payments to the period through the end of the fiscal year in review. Moreover, unrecognized prior service costs and unrecognized actuarial differences in profit and loss disposition are calculated as follows:

Unrecognized prior service costs are recognized as income or expense by the straight-line method over a certain number of years; 10 years within the average remaining work period of employees at the time of occurrence.

Unrecognized actuarial differences are recognized as income or expense from the following fiscal year by the straight-line method over a period up to a maximum of 10 years within the average remaining service period of employees of the respective fiscal year at the time of occurrence.

(v) Provision for directors' retirement benefits

The "provision for directors' retirement benefits," which provides for future retirement pension payments to directors, corporate auditors and executive officers, is recognized at the amount accrued at the end of the fiscal year.

Significant accounting estimates

The item for which the amount was recorded in the financial statements for the current fiscal year based on accounting estimates that may have significant impacts on the financial statements for the following fiscal year is the allowance for loan losses.

1. Amount recorded in financial statements for the current fiscal year
   Allowance for loan losses: ¥654,614 million
2. Information that will contribute to understanding in relation to the details of significant accounting estimates relating to the identified item

(1) Calculation method

The method of calculating the allowance for loan losses is described in Significant accounting policies, (f) Accounting policy for reserves, (i) Allowance for loan losses.

When making calculations, the borrowers' categories are determined by assessing and setting borrower repayment capacity based on borrower repayment status, financial details, business performance, projections of these, and other factors and an anticipated loss rate on the basis of the average default rate over a certain period in the past based on the loan loss, and making necessary adjustments such as future expectations is included.

Regarding the loan loss ratio, we calculated the expected loss amount through grouping into subordinated capital loans and other claims, based on risk characteristics.

For subordinated capital loan receivables, anticipated loss amounts are recorded based primarily on the assumption that the portion corresponding to substantive insolvency is not expected to be recovered.

(2) Main assumptions

The main assumptions are the outlook for borrowers when determining the borrowers' categories and the impacts of COVID-19.

The outlook for borrowers is assessed on an individual basis according to repayment status including effects from COVID-19, financial details, balance of payments status, reasonableness and feasibility of management improvement plans, and other factors.

Also, although the impacts of COVID-19 will gradually diminish, it is expected that the effects on the economy will continue for about one year into the future. However, it is assumed that the short-term credit risks of loans held at the end of the current fiscal year are approximately the same as in the past due to the various supports provided to businesses based on a variety of government measures.

(3) Impacts on financial statements for the following fiscal year

The main assumptions used for accounting estimates may change in circumstances where there is increased uncertainty regarding the future such as significant changes in the credit conditions of borrowers and economic conditions and a delay in the resolution of COVID-19, and there may be a material impact on allowances for loan losses in the financial statements for the following fiscal year.

Changes in accounting policies

(Accounting Standard for Revenue Recognition, etc.)

JFC has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and JFC recognizes revenues at the amount expected to be received in exchange for the goods or service when control of the promised goods or service is transferred to the customer.

JFC follows the transitional treatment specified in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for application of the Accounting Standard for Revenue Recognition, etc., which will not affect retained earnings at the beginning of the current fiscal year. In addition, application of the relevant accounting standards does not affect the profit and loss and the information per share for the current fiscal year.

(Accounting Standard for Fair Value Measurement, etc.)
JFC has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the current fiscal year, and JFC applies new accounting policies stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment specified in the Accounting Standard for Fair Value Measurement, Paragraph 19 and the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2 for the future.

In addition, JFC made notes such as matters concerning the breakdown of the fair value of financial instruments for each appropriate category in the "financial instruments and related disclosure."

The Change in presentation

(Matters related to balance sheets)
In line with the enforcement of the Ministerial Ordinance on the Partial Revision of the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry Ordinance No. 1 of 2020) from March 31, 2022, we show the classification of "risk-monitored loans," etc. according to the classification of disclosed claims, etc. based on the "Act on Emergency Measures for the Revitalization of the Financial Functions" (Law No. 132 of 1998).

2. Claims based on the Ministerial Ordinance Concerning Accounting for the JFC

Claims based on the Ministerial Ordinance Concerning Accounting for the JFC are as described below. Note that claims are corporate bonds (limited to those that guarantee all or part of the redemption of their principals and the payment of interests and in which the issuance of the corporate bonds is through private offering of securities (Financial Instruments and Exchange Act Law No. 25 of 1948, Article 2, Paragraph 3)) in "securities" on the balance sheet, loans, foreign exchange, accrued interest and suspense payment in "other assets," items recorded in each account of customers' liabilities for acceptance and guarantees, and the securities when lending of the securities noted is performed (limited to loans for use or lease contracts) .

The amount of bankruptcy reorganization claims and similar claims: ¥7,470 million
The amount of claims under high risk: ¥796,918 million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥136,753 million
The amount of claims with interest or principal repayments more than 3 months in arrears: ¥– million
The amount of restructured claims: ¥136,753 million
Subtotal amount: ¥941,141 million
The amount of normal claims: ¥7,426,491 million
Total amount: ¥8,367,633 million

Bankruptcy reorganization claims and similar claims are the claims on borrowers who are in bankruptcy due to reasons such as petition for commencement of bankruptcy proceedings, commencement of reorganization proceedings, commencement of rehabilitation proceedings, etc. and similar claims.

Claims under high risk are the claims in which it is highly unlikely that their principals are collected and their interests are received according to the contract due to the deterioration of borrowers' financial conditions and business performances even though they have not yet reached the state of bankruptcy and that do not fall under "bankruptcy reorganization claims and similar claims."

Claims with interest or principal repayments more than 3 months in arrears are claims whose principal or interest payment is more than 3 months in arrears, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," and "claims under high risk."

Restructured claims are claims whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," "claims under high risk," and "claims with interest or principal repayments more than 3 months in arrears."

Normal claims are the claims that are classified into items other than "bankruptcy reorganization claims and similar claims," "claims under high risk," "claims with interest or principal repayments more than 3 months in arrears," and "restructured claims," assuming that there are no particular problems with the borrowers' financial conditions and business performances.

Note that the above claim amounts are the gross amounts prior to the deduction of allowance for possible claim losses.

JFC, as a policy, does not pay down loans in part or in full immediately after the execution of the loan agreements, but instead makes disbursement, in accordance with the progress of the underlying projects. These undisbursed amounts are not included in the loans on deed in the Balance Sheet. The balance of unpaid amounts as of March 31, 2022 is ¥19,890 million.

In cases where a customer makes a request for loan disbursement in relation to a loan agreement with a commitment period, as long as there are not violations of the conditions set forth in the agreement, the agreement provides for a promise to loan funds up to a certain maximum amount. The undisbursed loan balance of above agreements is ¥442 million.

This agreement contains provisions such that if there are changes in financial conditions, it is necessary for preservation of claims, or there is other cause, JFC may reject a request for disbursement. In addition, JFC collects collateral such as real estate and securities at the time of contract execution as necessary, takes periodical credit preservation measures such as being aware of customer business performance in accordance with JFC procedures specified and review of agreements as necessary after agreement execution.

3. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for all bonds issued by JFC (which includes this operation account bonds issued to a total amount of ¥417,521 million).

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥9,469 million.

5. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act*[1]. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations*[2] listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order to the extent that it reaches the certain amount, and if there is still a surplus, JFC shall pay such surplus into the national treasury within 3 months after closing date.

In the event that the amount of the retained earnings brought forward falls below zero in each account set forth in the preceding paragraph, legal capital surplus and legal retained earnings shall be transferred to retained earnings brought forward to the extent that the amount of retained earnings brought forward becomes zero.

*1 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

*2 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

6. Issued shares

For the fiscal year ended March 31, 2022 types and number of issued shares are as follows:

(Unit: shares)

Types	The number of stocks at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of stocks at the end of the fiscal year
Common stocks	2,546,937,000,000	1,373,070,000,000	—	3,920,007,000,000

(Note) Increase is due to the issuance of 1,373,070,000,000 shares.

7. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

Based on the JFC Act, we are a public corporation founded for the purpose of supplementing the financing conducted by general financial institutions and contributing to the improvement of the lifestyle of citizens.

The budget required for governmental financial operations is decided on by the Diet of Japan, and business plans and financial plans (funds through borrowing from the fiscal investment funds and loans, bonds, investments from the general account, and loans, etc.) are appended to the budget and submitted to the Diet of Japan.

These operations are classified into Micro Business and Individual Operations, Agriculture, Forestry, Fisheries and Food Business Operations, SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), Securitization Support Programs (Purchase-type Operation), Credit Insurance Programs, Operations to Facilitate Crisis Responses, and Operations to Facilitate Specific Businesses Promotion, etc. Accounts are made for each classification ("operation account") for accounting treatment.

The funds procured by JFC through borrowing from the fiscal investment funds and loans, bonds and investments from the general account are managed separately by each operational account. In principle, it is assumed that funds intended for one operation account will not be used for another operation account. Accordingly, ALM (asset and liability management) is conducted for the risks associated with financial assets and liabilities for each operation account. Note that financial instruments that can be used for the management of surplus funds are limited to extremely safe instruments such as Japanese government bonds, etc., based on the JFC Act.

In this operation account, a stable supply of long-term funds is provided to supplement private sector financial institutions in order to support the growth and development of SMEs. To conduct these operations, funds are raised by borrowing from the government and through the issuing of bonds. Forward exchange contracts are conducted for avoiding foreign exchange risk related to foreign currency loans.

(2) Types of financial instruments and risks

The financial assets and liabilities owned by JFC are managed in separate operation accounts.

The financial assets in this operation account mainly include loans and securities for SMEs, and financial liabilities mainly include borrowings and bonds. The associated risks are described below.

(a) Credit risk

The following operations are conducted in this operation account: (1) Loans to SMEs, etc., (2) Acquisition of bonds issued by SMEs, (3) Securitization of loan claims and bonds of SMEs, (4) Partial guarantee of loan claims for private sector financial institutions and guarantee of securitized financial products, (5) Guarantee related to the liabilities of SMEs and micro businesses' overseas subsidiaries and branches, (6) Loans to foreign-affiliated corporations, and (7) Acquisition of shares or equity of SMEs that have debt in the form of loans from JFC for the purpose of reducing qualifying debt. For this operation account, JFC identifies and evaluates credit risk by taking steps for appropriate screening and monitoring of loans and implements the necessary management to steadily put in place measures aimed at reducing credit costs. However, future economic trends in Japan and overseas, which may lead to a deterioration in creditworthiness of borrowers, and a fluctuation in the value of the real estate-collateral and other unexpected events could cause losses for this operation account as a result of bad debts and uncollectable claims.

(b) Market risk

The main type of market risks associated with this operation account are interest rate risk and foreign exchange risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities. However, not all cash flows can be matched, so some gaps arise between assets and liabilities. This operation account could suffer losses from the interest rate risk caused by this gap.

It is JFC policy to minimize foreign exchange risk arising from foreign currency loans in this operation account by conducting forward exchange contracts.

(c) Liquidity risk

Long-term and stable funds such as fiscal loan funds, government-backed bonds, the FILP agency bonds, and funding provided by government are secured to finance this operation account and deposits are not accepted. Cash flows are assessed and daily cash flows are maintained by performing proper risk management including establishing overdraft facility accounts with several private sector financial institutions, and JFC considers liquidity risk to be limited. However, financing costs could increase due to unexpected events.

(3) Risk management structure for financial instruments

JFC has a Corporate Governance Committee established to properly conduct management in order to comprehensively handle risks faced, including risks associated with financial instruments, to ensure the sustained and stable realization of the financing policies of the function.

For each type of risk, management policies and procedures have been created to handle the specific types of credit risks, market risks, and liquidity risks for financing associated with each operation, and a structure has been established to smoothly handle these tasks in each operation.

The risk management structure for these operations is described below.

(a) Credit risk management

(i) Individual credit management

For financing operations, the decision on financing and other related matters is conducted upon assessment of the situation of companies applying for funds from a fair and neutral position and verification of the certainty of repayment and validity of use of funds.

Since these financing operations specialize in long-term funding for businesses, in the screening process, verification assessment is made of the likelihood of long-term repayment focusing on business profits as well as on overall judgment being made on the certainty of repayment.

An overall judgment of the company's enterprise power is made, not limited to a quantitative analysis focusing on the financial statements, but taking into consideration various management activities including the combination of people, money, and conducting fact finding surveys from a variety of view points, including the business environment in which the company is placed, in addition to determining the future prospects of the company that has applied for funds.

We strive to continuously assess the situation after financing has been granted through review of financial reports and regular company visits. Based on the classification of the borrower or otherwise as required, and after consideration of the results of management improvement plans, follow-ups will be conducted as required to define transaction policy.

In addition, in order to support the growth and development of the borrower, we will strive to give as much feedback as possible on the screening results and provide consultation support to help resolve management issues. In particular, we will support companies struggling to respond to changes in the business environment by formulating management improvement plans.

(ii) Credit rating

A proprietary credit scoring model based on analysis of transaction data collected over the years for borrowers and a credit rating system that assesses the creditworthiness of borrowers based on qualitative analysis through fact finding surveys and other methods have been developed for these financing operations and have been used in the formulation of lending policy and in the screening process.

(iii) Asset self assessment

For these financing operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In this process, first stage assessments of borrower classification are conducted by the front offices and second stage assessments by a separate credit department. An auditing department independent from the other sections then conducts an internal inspection to verify the accuracy of self assessments.

The results of the self assessments are used in providing the allowance for loan losses, taking into account the amount expected to be recovered through the disposal of collateral and the execution of guarantees, the actual rate of loan losses and other factors.

(iv) Quantification of credit risk

In the quantification of credit risk in financing operations, we conduct statistical analysis based on credit ratings and other factors to quantify and monitor the overall risk of the portfolio, and we advance our studies by using this monitoring in controlling credit risk.

(v) Credit risk management for securitization support operations

In the securitization support operations, we use our proprietary scoring model which was developed based on the analysis of transaction data collected over the years for SMEs, and external models such as the Credit Risk Database (CRD) to conduct screening. In addition, statistical methods such as Monte Carlo simulations are used to accurately assess the overall credit risk for pools of claims to establish a proper guarantee rate based on credit risk.

After formation of a securitization project, the redemption status of the underlying claims is verified and monitoring is performed. With respect to loan receivable-backed securities guaranteed in this operation account, credit risks are accurately determined by using external ratings or statistical methods such as Monte Carlo simulations.

(b) Market risk management

(i) Interest rate risk

It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities. However, not all cash flows can be matched, so some gaps do arise between assets and liabilities. Efforts are made to assess interest rate risk in these operations through methods such as maturity ladder approach and duration analysis, and conduct proper risk management by attempting to reduce interest rate risk through adjustment of procurement period limits and other means.

(ii) Foreign exchange risk

It is JFC policy to minimize foreign exchange risk by conducting forward exchange contracts.

With regards to forward exchange contracts transactions, we have established internal control system which is separating the departments executing and managing.

Forward exchange contracts are conducted by actual needs, and are not maintained in speculative positions.

(iii) Quantitative information relating to market risk

These operations do not use quantitative analysis of interest rate risk for risk management purposes.

The primary financial instruments that are subject to interest rate risk, which is one of the main risk variables in these operations include loans, borrowings, and bonds payable.

When all other risk variables are fixed, it is considered that a 50 basis point (0.5%) decline in the current interest rate as of March 31, 2022 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥99,025 million. Conversely, it is considered that a 50 basis point (0.5%) rise in the interest rate will cause the fair value to decrease by ¥92,285 million. This impact presumes that risk variables excluding interest rate are fixed, and does not consider the correlation between interest rate and other risk variables. In addition, there is a possibility that these calculated amount may underestimate the impact when the interest rate fluctuation goes beyond a rationally expected range.

(c) Liquidity risk management related to fund procurement

Long-term and stable funds such as fiscal loan funds, government-backed bonds, FILP agency bonds, and funding provided by government are secured to finance this account and deposits are not accepted.

Cash flows are assessed and proper measures including establishing overdraft facility accounts with multiple private sector financial institutions have been taken to maintain daily cash flows for proper risk management.

(4) Supplementary explanation concerning fair value of financial instruments

Set valuation inputs are used for the calculation of fair value of financial instruments, and if different valuation inputs are used, the resulting amount could vary.

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2022, and the related fair value, and difference is as follows. Note that stocks and others without quoted market prices are not included in the following chart (refer to Note 1).

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	1,364,159	1,364,159	—
(2) Securities			
Held-to-maturity debt securities	17	17	—
(3) Loans and bills discounted	8,338,693		
Allowance for loan losses (*1)	(653,419)		
	7,685,274	8,566,348	881,073
Total assets	9,049,451	9,930,524	881,073
(1) Borrowings	5,375,869	5,371,641	(4,227)
(2) Bonds payable	417,521	418,569	1,048
Total liabilities	5,793,390	5,790,211	(3,179)
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	15	15	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	15	15	—

(*1) General allowance for loan losses and specific allowance for loan losses have been deducted from loans.

(*2) Derivative transactions recorded in "other assets and other liabilities" are collectively displayed. The net values of assets and liabilities arising from derivative transactions are displayed.

(Note 1) The amount reported on the balance sheet such as stocks and others without quoted market prices are as shown below, which is not included in the "securities" in the fair value information of financial instruments.

(Millions of yen)

Classification	Carrying amount on the balance sheet
Unlisted stocks (*)	0

(*) Unlisted stocks are not subject to fair value disclosure in accordance with the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), Paragraph 5.

(Note 2) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks (*1)	1,364,155	—	—	—	—	—
Securities						
Held-to-maturity debt securities	1	2	13	—	—	—
Loans and bills discounted (*2)	1,219,446	2,147,233	1,504,367	1,081,324	1,416,468	955,833
Total	2,583,603	2,147,236	1,504,381	1,081,324	1,416,468	955,833

(*1) Demand deposits contained within due from banks are stated as "Maturities within one year."

(*2) Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contains an amount of ¥14,019 million that is not expected to be redeemed and not included in the table above.

(Note 3) Redemption schedule for bonds and borrowings with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings	905,251	1,525,070	1,027,719	727,626	930,941	259,262
Bonds payable	86,600	194,200	66,700	70,000	—	—
Total	991,851	1,719,270	1,094,419	797,626	930,941	259,262

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.

Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs

for observable fair values.
Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

(1) Financial instruments recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Derivative transactions				
Currency related	—	15	—	15
Total assets	—	15	—	15

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	1,364,159	—	1,364,159
Securities				
Held-to-maturity debt securities				
Corporate bonds	—	17	—	17
Loans and bills discounted	—	—	8,566,348	8,566,348
Total assets	—	1,364,176	8,566,348	9,930,524
Borrowings	—	5,353,506	18,134	5,371,641
Bonds payable	—	418,569	—	418,569
Total liabilities	—	5,772,076	18,134	5,790,211

(Note) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For cash and due from banks that do not mature, the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

(2) Securities

For corporate bonds in this operation account, the carrying amount is used as fair value because fair value approximates the carrying amount, classified into level 2 fair value.

Notes for securities by purpose of holding are found in "8. Fair value of securities".

(3) Loans and bills discounted

For loans with fixed interest rates, the fair value is calculated by discounting the risk-adjusted principal and interest by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan. For loans with variable interest rates, with the exception of loans on deed (subordinated capital loans) under the Provision Scheme for Challenge Support and Capital Enhancement or other schemes and loans on deed (post-establishment target-achievement type interest rate) to which a post-establishment target-achievement type interest rate applies, since short-term market rates are reflected, the fair value resembles the carrying amount as long as there is no significant difference in the credit status of the borrower, the carrying amount is used as the fair value.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for subordinated capital loans and loans with post-establishment target-achievement type interest rate, JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

For obligations on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers subject to variable interest rates, allowance for loan losses is calculated based on the expected collectable amount from the collateral or guarantee. Fair value resembles the amount of loans on the balance sheet on the closing date after a deduction has been made for allowance for loan losses, so this amount is used for fair value.

These transactions are classified into level 3 fair values.

Liabilities

(1) Borrowings

Borrowings are based on a fixed rate of interest. Fair value is calculated by discounting the principal and interest of the borrowings by the risk free rate (the standard Japanese government bond rate) based on the set period of loan, classified into level 2 fair values.

However, because borrowings from the FILP special account (investment account) of the national budget are a scheme that does not have interest rates set at the time of borrowing and that pays interests in a lump sum after the final principal is redeemed, JFC calculates their interest rates based on the interest rates of similar borrowings that are executed simultaneously during the same period, and calculate their fair values by discounting at risk free rates (the standard Japanese government bond rate) corresponding to the principal and interest amount of the borrowed money divided by redemption periods, classified into level 3 fair values.

(2) Bonds payable

Market value is used for fair value of bonds, classified into level 2 fair values.

Derivative transactions

The fair value of forward exchange contracts is determined based on the price provided by financial institutions, classified into level 2 fair values.

8. Fair value of securities

The fair value of securities at March 31, 2022 is as follows:

(a) Held-to-maturity debt securities with fair value

	Type	Carrying amount on the balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities whose fair value does not exceed their carrying amount	Corporate bonds	17	17	—

(b) Available-for-sale securities

(Note) Amount of stocks and others without quoted market prices reported on the balance sheet

	Carrying amount on the balance sheet (Millions of yen)
Unlisted stocks	0

9. Deferred tax accounting

JFC does not apply deferred tax accounting since JFC is a nontaxable entity classified in the Article 2 (5) of the Corporation Tax Act (Act No. 34 of 1965).

10. Retirement benefits

JFC has a defined benefit pension plan comprising of a corporate pension fund plan and a lump-sum severance indemnity plan and a defined contribution pension plan as its defined contribution-type plan. Although the JFC corporate pension fund plan is a multi-employer plan, related notes are listed within the following defined benefits plan notes, to enable rational calculation of the fair value of plan assets in accordance with the projected benefit obligations ratio.

Under the corporate pension fund plan (a funded plan), JFC pays pensions based on salary and years of service. Under the retirement lump-sum severance indemnity plan (an unfunded plan), JFC pays lump-sum payments based on salary and years of service, as retirement benefits.

Defined benefits plan

(1) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	38,144 million yen
Service cost	1,447
Interest cost	38
Actuarial difference	1,091
Payment of retirement benefits	(1,697)
Prior service cost	—
Other	532
Closing balance of projected benefit obligations	39,556

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	14,368	million yen
Expected return on plan assets	289	
Actuarial difference	(22)	
Financing from employer	697	
Payment of retirement benefits	(746)	
Other	126	
Closing balance of fair value of plan assets	14,714	

(3) Reconciliation schedule of closing balance of projected benefit obligations and fair value of plan assets, and provision for retirement benefits and prepaid pension cost recorded on balance sheet

Projected benefit obligations of funded plan	18,873	million yen
Fair value of plan assets	(14,714)	
	4,159	
Projected benefit obligations of unfunded plan	20,682	
Unfunded pension obligations	24,842	
Actuarial unrecognized difference	(3,788)	
Unrecognized prior service cost	233	
Net amount of liabilities and assets recorded on the balance sheet	21,288	
Provision for retirement benefits	21,288	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	21,288	

(4) Net pensions cost and breakdown of included items

Service cost	1,447	million yen
Interest cost	38	
Expected return on plan assets	(289)	
Amount of actuarial difference accounted for as expense	965	
Amortization of prior service cost accounted for as expense	(115)	
Other	—	
Net pensions cost related to defined benefits plan	2,046	

(5) Items concerning fair value of plan assets

1) The percentage of each category of total fair value of plan assets is as follows.

Shares	25%
Debentures	64%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate	0.1%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.6% to 5.9%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥88 million.

11. Related party transactions

Related party transactions in the fiscal year ended March 31, 2022 are as follows:

Transactions with parent company and major shareholder companies

(Millions of yen)

Classification	Corporate name	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2022
Principal shareholder	Ministry of Finance (Minister of Finance)(Notes i and ii)	96.08 (Direct)	Administration for policy based financing	Underwriting of capital increase(Note iii)	1,373,000	—	—
				Receipt of funds(Note iv)	526,800	Borrowings	5,375,869
				Repayment of borrowing	997,180		
				Payment of interest on borrowings	2,948	Accrued expenses	355
				Guarantee for bonds payable(Note v)	260,021	—	—

(Notes)

(i) Ownership of voting rights by ministries and agencies other than Ministry of Finance (Minister of Finance) is as follows:
-Ministry of Economy, Trade and Industry (Minister of Economy, Trade and Industry) 3.92%

(ii) Transactions with the ministries and agencies other than Ministry of Finance are as follows:
-Ministry of Economy, Trade and Industry
Underwriting of capital increase ¥70 million
-Agency for Natural Resources and Energy
Receipts from the national budget ¥0 million
-Small and Medium Enterprise Agency
Receipts from the national budget ¥12,737 million

(iii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.
(iv) The receipts of funds represents borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.
(v) No guarantee fee has been paid for the guarantee of bonds.
(vi) Figures in the table above do not include consumption taxes.

12. Per share information

Net assets per share ¥0.83
Net loss per share ¥0.06

13. Subsequent events

Not applicable.

Small and Medium Enterprise (SME) Unit

Account for Securitization Support Programs (Purchase-type Operation)

Balance Sheet (as of March 31, 2022)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	11,000	Bonds payable	22,500
Due from banks	11,000	Other liabilities	264
Securities	36,786	Accrued expenses	0
Government bonds	21,166	Derivatives other than for trading-liabilities	262
Corporate bonds	15,620	Other	1
Other assets	366	Provision for bonuses	2
Prepaid expenses	0	Provision for directors' bonuses	0
Accrued income	7	Provision for retirement benefits	43
Derivatives other than for trading-assets	359	Provision for directors' retirement benefits	0
Other	0	Total liabilities	22,810
Prepaid pension cost	3	Net assets	
		Capital stock	24,476
		Retained earnings	670
		Legal retained earnings	500
		Other retained earnings	170
		Retained earnings brought forward	170
		Total shareholders' equity	25,146
		Valuation difference on available-for-sale securities	199
		Total valuation and translation adjustments	199
		Total net assets	25,346
Total assets	48,157	Total liabilities and net assets	48,157

Statement of Operations (Year ended March 31, 2022)

(Millions of yen)

Items	Amount
Ordinary income	565
Interest income	212
Interest and dividends on securities	212
Interest on deposits with banks	0
Other ordinary income	229
Income from derivatives other than for trading or hedging	229
Other income	123
Reversal of allowance for loan losses	18
Other	105
Ordinary expenses	395
Interest expenses	3
Interest on bonds	3
Fees and commissions payments	161
Other fees and commissions	161
Other ordinary expenses	20
Amortization of bond issuance cost	20
General and administrative expenses	105
Other expenses	104
Other	104
Ordinary profit	170
Net income	170

Statement of Changes in Net Assets (Year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity					Valuation and translation adjustments		
	Capital stock	Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
		Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings				
Balance at the beginning of current period	24,476	424	151	576	25,052	—	—	25,052
Changes of items during the period								
Provision of legal retained earnings		75	(75)	—	—			—
Payment to the national treasury			(75)	(75)	(75)			(75)
Net income (loss)			170	170	170			170
Net changes of items other than shareholders' equity						199	199	199
Total changes of items during the period	—	75	18	94	94	199	199	294
Balance at the end of current period	24,476	500	170	670	25,146	199	199	25,346

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Securities

Held-to-maturity securities are carried at amortized cost (straight-line method) based on the moving average method. Available-for-sale securities are stated at fair value.

Note that valuation difference on available-for-sale securities are processed by directly booking to net assets.

(b) Valuation method for derivative financial instruments

Derivative financial instruments are carried at fair value.

(c) Method of amortization for deferred assets

Bond issuance costs are expensed as incurred.

(d) Accounting policy for reserves

(i) Allowance for loan losses

The allowance for loan losses is calculated and recorded based on an anticipated loan loss ratio in accordance with internally established standards for write-offs and allowances.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments.

(ii) Provision for bonuses

The "provision for bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the balance sheet.

(iii) Provision for directors' bonuses

The "provision for directors' bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the balance sheet.

(iv) Provision for retirement benefits

The "provision for retirement benefits" (including prepaid pension cost) represents the future payment for pension and retirement benefits to employees, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the fiscal period end. In addition, in calculating projected benefit obligations, JFC follows straight-line basis with regard to methods for attributing projected benefit payments to the period through the end of the fiscal year in review. Moreover, unrecognized prior service costs and unrecognized actuarial differences in profit and loss disposition are calculated as follows:

Unrecognized prior service costs are recognized as income or expense by the straight-line method over a certain number of years; 10 years within the average remaining work period of employees at the time of occurrence.

Unrecognized actuarial differences are recognized as income or expense from the following fiscal year by the straight-line method over a period up to a maximum of 10 years within the average remaining service period of employees of the respective fiscal year at the time of occurrence.

(v) Provision for directors' retirement benefits

The "provision for directors' retirement benefits," which provides for future retirement pension payments to directors, corporate auditors and executive officers, is recognized at the amount accrued at the end of the fiscal year.

Changes in accounting policies

(Accounting Standard for Revenue Recognition, etc.)

JFC has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and JFC recognizes revenues at the amount expected to be received in exchange for the goods or service when control of the promised goods or service is transferred to the customer.

JFC follows the transitional treatment specified in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for application of the Accounting Standard for Revenue Recognition, etc., which will not affect retained earnings at the beginning of the current fiscal year. In addition, application of the relevant accounting standard does not affect the profit and loss and the information per share for the current fiscal year.

(Accounting Standard for Fair Value Measurement, etc.)

JFC has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the current fiscal year, and JFC applies new accounting policies stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment specified in the Accounting Standard for Fair Value Measurement, Paragraph 19 and the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2 for the future.

Accordingly, JFC modified the valuation criteria for corporate bonds which had traditionally been regarded as financial instruments whose fair value is extremely difficult to grasp (specified asset-backed securities) from the cost method to the fair value method, and the valuation criteria for credit default swap transactions from the processing according to debt guarantee to the fair value method.

In addition, JFC made notes such as matters concerning the breakdown of the fair value of financial instruments for each appropriate category in the "financial instruments and related disclosure."

2. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for all bonds issued by JFC (which includes this operation account bonds issued to a total amount of ¥22,500 million).

3. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act*[1]. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations*[2] listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order to the extent that it reaches the certain amount, and if there is still a surplus, JFC shall pay such surplus into the national treasury within 3 months after closing date.

In the event that the amount of the retained earnings brought forward falls below zero in each account set forth in the preceding paragraph, legal capital surplus and legal retained earnings shall be transferred to retained earnings brought forward to the extent that the amount of retained earnings brought forward becomes zero.

*1 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

*2 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010) .

4. Issued shares

For the fiscal year ended March 31, 2022, types and number of issued shares are as follows:

(Unit: shares)

Types	The number of stocks at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of stocks at the end of the fiscal year
Common stocks	24,476,000,000	—	—	24,476,000,000

5. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

Based on the JFC Act, we are a public corporation founded for the purpose of supplementing the financing conducted by general financial institutions and contributing to the improvement of the lifestyle of citizens.

The budget required for governmental financial operations is decided on by the Diet of Japan, and business plans and financial plans (funds through borrowing from the fiscal investment funds and loans, bonds, investments from the general account, and loans, etc.) are appended to the budget and submitted to the Diet of Japan.

These operations are classified into Micro Business and Individual Operations, Agriculture, Forestry, Fisheries and Food Business Operations, SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), Securitization Support Programs (Purchase-type Operation), Credit Insurance Programs, Operations to Facilitate Crisis Responses, and Operations to Facilitate Specific Businesses Promotion, etc. Accounts are made for each classification ("operation account") for accounting treatment.

The funds procured by JFC through borrowing from the fiscal investment funds and loans, bonds and investments from the general account are managed separately by each operational account. In principle, it is assumed that funds intended for one operation account will not be used for another operation account. Accordingly, ALM (asset and liability management) is conducted for the risks associated with financial assets and liabilities for each operation account. Note that financial instruments that can be used for the management of surplus funds are limited to extremely safe instruments such as Japanese government bonds, etc., based on the JFC Act.

This operation account is conducted for the purpose of promoting the supply of unsecured funds to SMEs from private sector financial institutions, etc., utilizing securitization and fostering the securitization market for SME loan claims. To conduct these operations, funds are raised through the issuing of bonds.

(2) Types of financial instruments and risks

The financial assets and liabilities owned by JFC are managed in separate operation accounts.

The financial assets in this operation account mainly include securities, and the financial liabilities are bonds payable. The associated risks are described below.

(a) Credit risk

The following operations are conducted in this operation account: (1) Receipt and securitization of loan claims for private sector financial institutions and (2) Partial purchase of securitized instruments. Since credit is provided to SMEs in this operation account, the account risks losses arising from uncollectable claims caused by deterioration in creditworthiness of the SMEs to which credit is granted and the resulting drop in value of securitized instruments owned.

(b) Market risk

The main type of market risk associated with this operation account is interest-rate risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities.

(c) Liquidity risk

Long-term and stable funds such as FILP agency bonds are secured to finance this operation account and deposits are not accepted. Proper measures, including establishing overdraft facility accounts with multiple private sector financial institutions, are taken to maintain daily cash flows, and JFC considers liquidity risk to be limited. However, financing costs could increase due to unexpected events.

(3) Risk management structure for financial instruments

JFC has a Corporate Governance Committee established to properly conduct management in order to comprehensively handle risks faced, including risks associated with financial instruments, to ensure the sustained and stable realization of the financing policies of the function.

For each type of risk, management policies and procedures have been created to handle the specific types of credit risks, market risks, and liquidity risks for financing associated with each operation, and a structure has been established to smoothly handle these tasks in each operation.

The risk management structure for these operations is described below.

(a) Credit risk management

In these operations, we use our proprietary scoring model developed based on analysis of transaction data collected over a number of years for SMEs, and external models such as CRD (Credit Risk Database) to conduct screening. In addition, statistical methods such as Monte Carlo simulations are used to accurately assess the overall credit risk for pools of claims to establish a proper return based on credit risk.

After formation of a securitization project, the redemption status of the underlying claims is verified and monitoring is performed. With respect to loan receivable-backed securities in this operation account, credit risks are accurately determined by using external ratings or statistical methods such as Monte Carlo simulations.

(b) Market risk management

The main type of market risk associated with these operations is interest rate risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities, and we consider that interest rate risk is limited.

These operations do not use quantitative analysis of interest rate risk for risk management purposes.

The primary financial instruments that are subject to interest rate risk in these operations are securities, other assets, bonds payable, and other liabilities. When all other risk variables are fixed, it is considered that a 50 basis point (0.5%) decline in the current interest rate as of March 31, 2022 will cause the fair value after netting (assets) of the financial assets and financial liabilities held in this account to increase by ¥1,537 million. Conversely, it is considered that a 50 basis point (0.5%) rise in the interest rate will cause the fair value to decrease by ¥1,419 million. This impact presumes that risk variables excluding interest rate are fixed, and does not consider the correlation between interest rate and other risk variables. In addition, there is a possibility that these calculated amount may underestimate the impact when the interest rate fluctuation goes beyond a rationally expected range.

(c) Liquidity risk management related with fund procurement

It is considered that liquidity risk is limited in this account because a system has been adopted to minimize liquidity risk and sufficient funding support can be expected from the government.

(4) Supplementary explanation concerning fair value of financial instruments

Set valuation inputs are used for the calculation of fair value of financial instruments, and if different valuation inputs are used, the resulting amount could vary.

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2022, and the related fair value, and difference is as follows.

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	11,000	11,000	—
(2) Securities			
Held-to-maturity debt securities	21,166	21,805	638
Available-for-sale securities	15,620	15,620	—
Total assets	47,786	48,425	638
Bonds payable	22,500	22,477	(22)
Total debt	22,500	22,477	(22)
Derivative transactions (*)			
Derivative transactions not qualifying for hedge accounting	97	97	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	97	97	—

(*) Derivative transactions recorded in "other assets and other liabilities" are collectively displayed. The net values of assets and liabilities arising from derivative transactions are displayed.

(Note 1) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks (*)	11,000	—	—	—	—	—
Securities						
Held-to-maturity debt securities	—	—	—	—	—	21,068
Available-for-sale securities	3,204	3,883	8,332	0	—	—
Total	14,204	3,883	8,332	0	—	21,068

(*) Demand deposits contained within due from banks are stated as "Maturities within one year."

(Note 2) Redemption schedule for bonds with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Bonds payable	8,400	5,800	8,300	—	—	—

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.
Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.
Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

(1) Financial instruments recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Corporate bonds	—	—	15,620	15,620
Derivative transactions				
Credit derivatives	—	—	359	359
Total assets	—	—	15,979	15,979
Derivative transactions				
Credit derivatives	—	—	262	262
Total liabilities	—	—	262	262

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	11,000	—	11,000
Securities				
Held-to-maturity debt securities				
Government bonds	21,805	—	—	21,805
Total assets	21,805	11,000	—	32,805
Bonds payable	—	22,477	—	22,477
Total liabilities	—	22,477	—	22,477

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For cash and due from banks that do not mature, the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

(2) Securities

Market value is used for securities, classified into level 1 fair value.

In addition, corporate bonds (specified asset-backed securities) have no market prices. They are the securities that are issued with finance receivables for small and medium-sized enterprises originated by several financial institutions as underlying assets, but do not provide a mechanism for continuously obtaining individual borrowers' financial data as underlying assets. Therefore, their fair values are calculated by discounting risk-adjusted cash flows based on external ratings by the risk free rate (the standard Japanese government bond rate), classified into level 3 fair value.

Notes for securities by purpose of holding are found in "6. Fair value of securities".

Liabilities

Bonds payable

Market value is used for fair value of bonds, classified into level 2 fair values.

Derivative transactions

As for credit default swaps (CDS), finance receivables for SMEs are used as reference debts and they have no market prices and do not have a mechanism where financial data of individual borrowers that constitute the reference debt can be continuously obtained, thus JFC calculates fair values by discounting the risk-adjusted cash flow according to the transaction details and the credit events that occur by the risk free rates (the standard Japanese government bond rate), classified into level 3 fair values.

(Note 2) Information on level 3 fair values out of the financial instruments recorded on the balance sheet with fair values

(1) Quantitative information on important unobservable inputs (March 31, 2022)

Classification	Valuation techniques	Important unobservable inputs	Range of inputs
Securities			
Available-for-sale securities			
Corporate bonds	Discounted present value method	Default probability	0.00%–0.04%
Derivative transactions			
Credit derivatives	Discounted present value method	Default probability	0.12%–3.31%

(2) Adjustment table from the beginning balance to the ending balance, appraised profits or losses that are recognized in profits/losses for the current fiscal year (March 31, 2022)

(Millions of yen)

	Beginning balance	Profits and losses in the fiscal year or valuation and translation adjustments		Net amount of purchase, selling, issuance and settlement	Transfer to level 3 fair value	Transfer from level 3 fair value	Ending balance	Appraised profits or losses of financial assets and financial liabilities that are held on the balance sheet date out of the amount recorded in profits and losses for the fiscal year (*1)
		Recorded in profits and losses (*1)	Recorded in valuation and translation adjustments (*2)					
Securities								
Available-for-sale securities								
Corporate bonds	13,141	—	51	2,427	—	—	15,620	—
Derivative transactions								
Credit derivatives (*3)	144	(47)	—	—	—	—	97	(47)

(*1) Included in "income from derivatives other than for trading or hedging" in the profit and loss statement.
(*2) Included in "valuation difference on available-for-sale securities" on the balance sheet.
(*3) Derivative transactions that are recorded as assets/liabilities of derivatives other than for trading or hedging are recorded in a lump sum.

(3) Explanation of a valuation process for fair values

The Risk Management Department determined the purpose and the procedure of calculating fair values, and calculates fair values according to it. The Risk Management Department uses a valuation model that can reflect nature, characteristics, and risks of assets most adequately in calculating fair values.

(4) Explanation of impacts on fair values when changing important and unobservable inputs

The default probability is an estimate value that indicates the possibility that a credit event occurs and that the contract amount cannot be collected. A significant increase (decrease) in default probability brings about the remarkable decline (rise) in a fair value.

6. Fair value of securities

The fair value of securities at March 31, 2022 is as follows:

(a) Held-to-maturity debt securities with fair value

	Type	Carrying amount on the balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities whose fair value exceeds their carrying amount	Japanese government bonds	21,166	21,805	638

(b) Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount exceeds their acquisition cost	Corporate bonds	15,620	15,420	199

7. Deferred tax accounting

JFC does not apply deferred tax accounting since JFC is a nontaxable entity classified in the Article 2 (5) of the Corporation Tax Act (Act No. 34 of 1965).

8. Retirement benefits

JFC has a defined benefit pension plan comprising of a corporate pension fund plan and a lump-sum severance indemnity plan and a defined contribution pension plan as its defined contribution-type plan. Although the JFC corporate pension fund plan is a multi-employer plan, related notes are listed within the following defined benefits plan notes, to enable rational calculation of the fair value of plan assets in accordance with the projected benefit obligations ratio.

Under the corporate pension fund plan (a funded plan), JFC pays pensions based on salary and years of service. Under the retirement lump-sum severance indemnity plan (an unfunded plan), JFC pays lump-sum payments based on salary and years of service, as retirement benefits.

Defined benefits plan

(1) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	54 million yen
Service cost	3
Interest cost	0
Actuarial difference	5
Payment of retirement benefits	—
Prior service cost	—
Other	(0)
Closing balance of projected benefit obligations	63

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	10 million yen
Expected return on plan assets	0
Actuarial difference	(0)
Financing from employer	1
Payment of retirement benefits	—
Other	(0)
Closing balance of fair value of plan assets	12

(3) Reconciliation schedule of closing balance of projected benefit obligations and fair value of plan assets, and provision for retirement benefits and prepaid pension cost recorded on balance sheet

Projected benefit obligations of funded plan	15 million yen
Fair value of plan assets	(12)
	3
Projected benefit obligations of unfunded plan	47
Unfunded pension obligations	51
Actuarial unrecognized difference	(11)
Unrecognized prior service cost	(0)
Net amount of liabilities and assets recorded on the balance sheet	39
Provision for retirement benefits	43
Prepaid pension cost	(3)
Net amount of liabilities and assets recorded on the balance sheet	39

(4) Net pensions cost and breakdown of included items

Service cost	3 million yen
Interest cost	0
Expected return on plan assets	(0)
Amount of actuarial difference accounted for as expense	1
Amortization of prior service cost accounted for as expense	(0)
Other	—
Net pensions cost related to defined benefits plan	5

(5) Items concerning fair value of plan assets

1) The percentage of each category of total fair value of plan assets is as follows.

Shares	25%
Debentures	64%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate	0.1%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	2.7% to 5.9%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥0 million.

9. Per share information

Net assets per share	¥1.03
Net income per share	¥0.00

10. Subsequent events

Not applicable.

Account for Credit Insurance Programs

Balance Sheet (as of March 31, 2022)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	6,970,450	Reserve for insurance policy liabilities	1,737,697
Due from banks	6,970,450	Other liabilities	1,453
Other assets	6,172	Accrued expenses	28
Prepaid expenses	0	Lease obligations	127
Accrued income	32	Other	1,298
Other	6,139	Provision for bonuses	192
Property, plant and equipment	17,456	Provision for directors' bonuses	1
Buildings	3,376	Provision for retirement benefits	4,285
Land	13,968	Provision for directors' retirement benefits	1
Lease assets	97	Total liabilities	1,743,632
Other	14	Net assets	
Intangible assets	1,586	Capital surplus	5,394,121
Software	938	Legal capital surplus	5,394,121
Lease assets	13	Retained earnings	(142,087)
Other	634	Other retained earnings	(142,087)
		Retained earnings brought forward	(142,087)
		Total shareholders' equity	5,252,034
		Total net assets	5,252,034
Total assets	6,995,667	Total liabilities and net assets	6,995,667

Statement of Operations (Year ended March 31, 2022)

(Millions of yen)

Items	Amount
Ordinary income	**182,005**
Interest income	156
Interest on deposits with banks	156
Insurance premiums and other	181,680
Insurance premiums	180,047
Receipts of burden charges under the Responsibility-sharing System	1,632
Other income	168
Other	168
Ordinary expenses	**324,093**
Expenses on insurance claims and other	314,476
Expenses on insurance claims	178,027
Recoveries of insurance claims	(64,394)
Provision of reserve for insurance policy liabilities	200,844
General and administrative expenses	4,906
Other expenses	4,709
Other	4,709
Ordinary loss	**142,087**
Net loss	**142,087**

Statement of Changes in Net Assets (Year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity						Total net assets
	Capital surplus		Retained earnings			Total shareholders' equity	
	Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at the beginning of current period	3,503,984	3,503,984	286,257	(718,819)	(432,562)	3,071,421	3,071,421
Changes of items during the period							
Issuance of new shares	2,322,700	2,322,700				2,322,700	2,322,700
Reversal of legal retained earnings			(286,257)	286,257	—	—	—
Reversal of legal capital surplus (Deficit disposition)	(432,562)	(432,562)		432,562	432,562	—	—
Net income (loss)				(142,087)	(142,087)	(142,087)	(142,087)
Total changes of items during the period	1,890,137	1,890,137	(286,257)	576,731	290,474	2,180,612	2,180,612
Balance at the end of current period	5,394,121	5,394,121	—	(142,087)	(142,087)	5,252,034	5,252,034

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Securities

Available-for-sale securities are stated at fair value.

(b) Depreciation basis for fixed assets

(i) Property, plant and equipment (except for lease assets)

Tangible fixed assets are depreciated under the declining-balance method over their useful economic lives except for buildings (excluding installed facilities) and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated under the straight-line method.

Amortization is based on the following range of estimated useful lives:

Buildings: 5 years to 50 years

Other: 2 years to 15 years

(ii) Intangible assets (except for lease assets)

Amortization of intangible fixed assets is computed by the straight-line method. Software used by JFC is amortized over its useful life (5 years).

(iii) Lease assets

Lease assets in "property, plant and equipment" or "intangible assets," under finance leases that do not involve transfer of ownership to the lessee are amortized under the straight-line method over the lease term. Depreciation for lease assets is calculated with zero residual value being assigned to the asset.

(c) Accounting policy for reserves

(i) Allowance for loan losses

The allowance for loan losses is maintained in accordance with internally established standards, and provided primarily based on the default rate, which is calculated based on the actual defaults during a certain period in the past.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments.

(ii) Provision for bonuses

The "provision for bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the balance sheet.

(iii) Provision for directors' bonuses

The "provision for directors' bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the balance sheet.

(iv) Provision for retirement benefits

The "provision for retirement benefits" represents the future payment for pension and retirement benefits to employees, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the fiscal period end. In addition, in calculating projected benefit obligations, JFC follows straight-line basis with regard to methods for attributing projected benefit payments to the period through the end of the fiscal year in review. Moreover, unrecognized prior service costs and unrecognized actuarial differences in profit and loss disposition are calculated as follows:

Unrecognized prior service costs are recognized as income or expense by the straight-line method over a certain number of years; 10 years within the average remaining work period of employees at the time of occurrence.

Unrecognized actuarial differences are recognized as income or expense from the following fiscal year by the straight-line method over a period up to a maximum of 10 years within the average remaining service period of employees of the respective fiscal year at the time of occurrence.

(v) Provision for directors' retirement benefits

The "provision for directors' retirement benefits," which provides for future retirement pension payments to directors, corporate auditors and executive officers, is recognized at the amount accrued at the end of the fiscal year.

(d) Accounting policies for reserve for insurance policy liabilities

The "reserve for insurance policy liabilities" consists of the following two items, pursuant to Article 9, Paragraph 1 of the Ministerial Ordinance Concerning Accounting for JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 3 of 2008). Furthermore, in accordance with Article 9, Paragraph 2 of the Ministerial Ordinance Concerning Accounting for JFC, an additional amount shall be provided for insurance policy liabilities in the event that an impediment to the fulfillment of future obligations has been confirmed.

(i) Policy reserve

The policy reserve which provides for future obligations under insurance policies has been calculated based on actuarial and statistical method.

(ii) Outstanding claims reserve

The outstanding claims reserve represents the accumulation of the estimates for reported losses and includes provision for losses incurred but not reported, after the deduction of collectable amounts based on insurance policies.

Significant accounting estimates

The item for which the amount was recorded in the financial statements for the current fiscal year based on accounting estimates that may have significant impacts on the financial statements for the following fiscal year is the reserve for insurance policy liabilities.

1. Amount recorded in financial statements for the current fiscal year

   Reserve for insurance policy liabilities: ¥1,737,697 million

2. Information that will contribute to understanding in relation to the details of significant accounting estimates relating to the identified item

   (1) Calculation method

   The method of calculating the reserve for insurance policy liabilities is described in Significant accounting policies and (d) Accounting policies for reserve for insurance policy liabilities.

   When making calculations, grouping for each program category and insurance type category is performed on March 31 and September 30 of each fiscal year as the record dates in accordance with the standards on the reserve for insurance policy liabilities, the accounting base rates including the balance compared with the prior fiscal year and accident rate are determined, and the reserve for insurance policy liabilities (policy reserve and outstanding claims reserve) is calculated based on estimated future cash flows including estimated insurance claims payment amounts.

   In cases where the amount of cumulative maximum excess expenditures of future income and expenditures calculated for each fiscal year after a record date surpasses the amount of the reserve for insurance policy liabilities, the corresponding amount is additionally recorded.

   (2) Main assumptions

   An assumed accident rate based on actual performance over a certain period in the past is used for estimating future insurance claims payment amounts.

   The accident rate used for such estimates is the average for the most recent 10 years based on prior results for each insurance underwriting fiscal year and elapsed fiscal year.

   Also, although the impacts of COVID-19 will gradually diminish, it is expected that the effects on the economy will continue for about one year into the future. However, it is assumed that the short-term credit insurance underwriting risks relating to insurance underwriting at the end of the current fiscal year are approximately the same as in the past due to the various supports provided to businesses based on a variety of government measures.

   (3) Impacts on financial statements for the following fiscal year

   The main assumptions used for accounting estimates may change in circumstances where there is increased uncertainty regarding the future such as significant changes in the credit conditions of SMEs and economic conditions and a delay in the resolution of COVID-19, and there may be a material impact on the reserve for insurance policy liabilities in the financial statements for the following fiscal year.

Changes in accounting policies

(Accounting Standard for Revenue Recognition, etc.)

JFC has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and JFC recognizes revenues at the amount expected to be received in exchange for the goods or service when control of the promised goods or service is transferred to the customer.

JFC follows the transitional treatment specified in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for application of the Accounting Standard for Revenue Recognition, etc., which will not affect retained earnings at the beginning of the current fiscal year. In addition, application of the relevant accounting standards does not affect the profit and loss and the information per share for the current fiscal year.

(Accounting Standard for Fair Value Measurement, etc.)

JFC has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the current fiscal year, and JFC applies new accounting policies stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment specified in the Accounting Standard for Fair Value Measurement, Paragraph 19 and the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2 for the future.

In addition, JFC made notes such as matters concerning the breakdown of the fair value of financial instruments for each appropriate category in the "financial instruments and related disclosure."

2. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for all bonds issued by JFC. No Operations to this operation account bonds have been issued.

3. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥2,975 million.

4. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act*1. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations*2 listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order to the extent that it reaches the certain amount, and if there is still a surplus, JFC shall pay such surplus into the national treasury within 3 months after closing date.

In the event that the amount of the retained earnings brought forward falls below zero in each account set forth in the preceding paragraph, legal capital surplus and legal retained earnings shall be transferred to retained earnings brought forward to the extent that the amount of retained earnings brought forward becomes zero.

*1 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

*2 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

5. Other expenses

Other expenses include refund of insurance premiums ¥4,664 million.

6. Issued shares

For the fiscal year ended March 31, 2022, types and number of issued shares are as follows:

(Unit: shares)

Types	The number of stocks at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of stocks at the end of the fiscal year
Common stocks	7,475,427,407,741	2,322,700,000,000	—	9,798,127,407,741

(Note) Increase is due to the issuance of 2,322,700,000,000 shares.

7. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

Based on the JFC Act, we are a public corporation founded for the purpose of supplementing the financing conducted by general financial institutions and contributing to the improvement of the lifestyle of citizens.

The budget required for governmental financial operations is decided on by the Diet of Japan, and business plans and financial plans (funds through borrowing from the fiscal investment funds and loans, bonds, investments from the general account, and loans, etc.) are appended to the budget and submitted to the Diet of Japan.

These operations are classified into Micro Business and Individual Operations, Agriculture, Forestry, Fisheries and Food Business Operations, SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), Securitization Support Programs (Purchase-type Operation), Credit Insurance Programs, Operations to Facilitate Crisis Responses, and Operations to Facilitate Specific Businesses Promotion, etc. Accounts are made for each classification ("operation account") for accounting treatment.

The funds procured by JFC through borrowing from the fiscal investment funds and loans, bonds and investments from the general account are managed separately by each operational account. In principle, it is assumed that funds intended for one operation account will not be used for another operation account. Accordingly, ALM (asset and liability management) is conducted for the risks associated with financial assets and liabilities for each operation account. Note that financial instruments that can be used for the management of surplus funds are limited to extremely safe instruments such as Japanese government bonds, etc., based on the JFC Act.

In this operation account, insurance is provided for the guarantees related to the liabilities on SME loans. To conduct these operations, funds are raised through capital investment from the government.

(2) Types of financial instruments and risks

The financial assets and liabilities owned by JFC are managed in separate operation accounts.

The financial assets in this operation account mainly include deposits. The associated risks are described below.

(a) Market risk

The main type of market risk associated with this operation account is interest rate risk.

However, this operation account is exposed to limited interest rate risk because funds procured through government investments are managed using highly stable instruments including the deposit for the FILP.

(b) Liquidity risk

This operation account does not accept deposits and since long-term stable funds such as investments from the Japanese government are secured to finance this operation account, liquidity risk is considered to be limited.

(3) Risk management structure for financial instruments

JFC has a Corporate Governance Committee established to properly conduct management in order to comprehensively handle risks faced, including risks associated with financial instruments, to ensure the sustained and stable realization of the financing policies of the function.

The risk management structure for these operations is described below.

(a) Market risk management

The main type of market risk associated with these operations is interest rate risk.

These operations strive to undertake appropriate risk management practices by managing funds procured from government investments through using highly stable instruments such as the deposit for the FILP.

(b) Liquidity risk management related to fund procurement

Long-term and stable financing provided by government are secured to finance this account. Efforts are made for proper risk management through the assessment of cash flows.

(4) Supplementary explanation concerning fair value of financial instruments

Set valuation inputs are used for the calculation of fair value of financial instruments, and if different valuation inputs are used, the resulting amount could vary.

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2022, and the related fair value, and difference is as follows.

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
Cash and due from banks	6,970,450	6,971,940	1,489

(Note) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks (*)	3,895,350	775,100	1,200,000	700,000	300,000	100,000

(*) Demand deposits contained within due from banks are stated as "Maturities within one year."

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.
Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.
Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

Financial instruments except those recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	6,971,940	—	6,971,940

(Note) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

<u>Assets</u>

Cash and due from banks

For cash and due from banks that do not mature or have a maturity under 3 months, the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

For due from banks that have a maturity over 3 months, fair value is based on the current price calculated by discounting future cash flow by the risk free rate (the standard Japanese government bond rate) based on the appropriate deposit term, classified into level 2 fair value.

8. Fair value of securities

Transferable deposits in "Due from banks" on the balance sheet is included.

The fair value of securities at March 31, 2022 is as follows:

Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount does not exceed their acquisition cost	Others	79,000	79,000	—

9. Deferred tax accounting

JFC does not apply deferred tax accounting since JFC is a nontaxable entity classified in the Article 2 (5) of the Corporation Tax Act (Act No. 34 of 1965).

10. Retirement benefits

JFC has a defined benefit pension plan comprising of a corporate pension fund plan and a lump-sum severance indemnity plan and a defined contribution pension plan as its defined contribution-type plan. Although the JFC corporate pension fund plan is a multi-employer plan, related notes are listed within the following defined benefits plan notes, to enable rational calculation of the fair value of plan assets in accordance with the projected benefit obligations ratio.

Under the corporate pension fund plan (a funded plan), JFC pays pensions based on salary and years of service. Under the retirement lump-sum severance indemnity plan (an unfunded plan), JFC pays lump-sum payments based on salary and years of service, as retirement benefits.

Defined benefits plan

(1) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	8,369	million yen
Service cost	236	
Interest cost	7	
Actuarial difference	109	
Payment of retirement benefits	(324)	
Prior service cost	—	
Other	(536)	
Closing balance of projected benefit obligations	7,862	

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	3,232	million yen
Expected return on plan assets	62	
Actuarial difference	(24)	
Financing from employer	110	
Payment of retirement benefits	(146)	
Other	(126)	
Closing balance of fair value of plan assets	3,107	

(3) Reconciliation schedule of closing balance of projected benefit obligations and fair value of plan assets, and provision for retirement benefits and prepaid pension cost recorded on balance sheet

Projected benefit obligations of funded plan	3,985	million yen
Fair value of plan assets	(3,107)	
	878	
Projected benefit obligations of unfunded plan	3,877	
Unfunded pension obligations	4,755	
Actuarial unrecognized difference	(514)	
Unrecognized prior service cost	45	
Net amount of liabilities and assets recorded on the balance sheet	4,285	
Provision for retirement benefits	4,285	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	4,285	

(4) Net pensions cost and breakdown of included items

Service cost	236 million yen
Interest cost	7
Expected return on plan assets	(62)
Amount of actuarial difference accounted for as expense	149
Amortization of prior service cost accounted for as expense	(21)
Other	—
Net pensions cost related to defined benefits plan	309

(5) Items concerning fair value of plan assets

1) The percentage of each category of total fair value of plan assets is as follows.

Shares	25%
Debentures	64%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate	0.1%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.6% to 5.9%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥13 million.

11. Related party transactions

Related party transactions in the fiscal year ended March 31, 2022 are as follows:

Transactions with parent company and major shareholder companies

(Millions of yen)

Classification	Corporate name	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2022
Principal shareholder	Ministry of Finance (Minister of Finance)	100 (Direct)	Administration for policy based financing	Underwriting of capital increase(Note i)	2,322,700	—	—
				Deposit of funds(Note ii)	17,875,400	Due from banks	6,854,800
				Refund of funds	15,266,600		

(Notes)

(i) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.

(ii) Deposit of funds is the deposit for the FILP and the interest rates applicable under the FILP are applied.

(iii) Figures in the table above do not include consumption taxes.

12. Per share information

Net assets per share ¥0.53

Net loss per share ¥0.01

13. Subsequent events

Not applicable.

Account for Operations to Facilitate Crisis Responses

Balance Sheet (as of March 31, 2022)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	1,198,479	Borrowed money	4,209,978
Due from banks	1,198,479	Borrowings	4,209,978
Loans and bills discounted	4,359,978	Bonds payable	150,145
Loans on deeds	4,359,978	Other liabilities	14,465
Other assets	174	Accrued expenses	148
Prepaid expenses	0	Contract liability	14,252
Accrued income	153	Lease obligations	4
Other	20	Other	60
Property, plant and equipment	3	Provision for bonuses	6
Lease assets	3	Provision for directors' bonuses	0
Intangible assets	93	Provision for retirement benefits	84
Software	92	Provision for directors' retirement benefits	0
Lease assets	0	Reserve for compensation losses	25,950
Other	0	Total liabilities	4,400,631
Prepaid pension cost	17	Net assets	
		Capital stock	1,446,028
		Retained earnings	(287,914)
		Other retained earnings	(287,914)
		Retained earnings brought forward	(287,914)
		Total shareholders' equity	1,158,113
		Total net assets	1,158,113
Total assets	5,558,745	Total liabilities and net assets	5,558,745

Statement of Operations (Year ended March 31, 2022)

(Millions of yen)

Items	Amount
Ordinary income	12,749
Interest income	5,767
Interest on loans and discounts	5,756
Interest on deposits with banks	11
Fees and commissions	3,371
Fees and commissions on compensation security contract	3,371
Receipts from the national budget	164
Receipts from general account of the national budget	164
Other income	3,446
Other	3,446
Ordinary expenses	35,471
Interest expenses	5,628
Interest on borrowings and rediscounts	5,754
Interest on bonds	(126)
Other ordinary expenses	19,910
Amortization of bond issuance cost	2
Interest subsidies	19,907
General and administrative expenses	198
Other expenses	9,734
Provision of reserve for compensation losses	9,189
Other	545
Ordinary loss	22,721
Net loss	22,721

Statement of Changes in Net Assets (Year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity				Total net assets
	Capital stock	Retained earnings		Total shareholders' equity	
		Other retained earnings	Total retained earnings		
		Retained earnings brought forward			
Balance at the beginning of current period	995,960	(265,192)	(265,192)	730,767	730,767
Changes of items during the period					
Issuance of new shares	450,068			450,068	450,068
Net income (loss)		(22,721)	(22,721)	(22,721)	(22,721)
Total changes of items during the period	450,068	(22,721)	(22,721)	427,346	427,346
Balance at the end of current period	1,446,028	(287,914)	(287,914)	1,158,113	1,158,113

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Securities

Available-for-sale securities are stated at fair value.

(b) Depreciation basis for fixed assets

(i) Intangible assets (except for lease assets)

Amortization of intangible fixed assets is computed by the straight-line method. Software used by JFC is amortized over its useful life (5 years).

(ii) Lease assets

Lease assets in "property, plant and equipment" or "intangible assets," under finance leases that do not involve transfer of ownership to the lessee are amortized under the straight-line method over the lease term. Depreciation for lease assets is calculated with zero residual value being assigned to the asset.

(c) Method of amortization for deferred assets

Bond issuance costs are expensed as incurred.

(d) Accounting policy for reserves

(i) Allowance for loan losses

The allowance for loan losses is maintained in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt ("Bankrupt borrowers") or substantially bankrupt ("Substantially bankrupt borrowers") is provided based on the outstanding balance after the write-offs described in the followings and the deductions of the amount expected to be collected through the disposal of collateral and execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt ("Potentially bankrupt borrowers") is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

The allowance for claims on debtors other than Bankrupt borrowers is provided based on primarily the anticipated loss amount within the next one year or the anticipated loss amount within the next three years. The anticipated loss amount is calculated by seeking the loss rate on the basis of the average default rate over a certain period in the past based on the default rates for one or three years and making necessary adjustments such as future expectations.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments.

(ii) Reserve for compensation losses

The "reserve for compensation losses" provides for losses based on the estimated amounts of future losses attributed to compensation security contracts.

(iii) Provision for bonuses

The "provision for bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the balance sheet.

(iv) Provision for directors' bonuses

The "provision for directors' bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the balance sheet.

(v) Provision for retirement benefits

The "provision for retirement benefits" (including prepaid pension cost) represents the future payment for pension and retirement benefits to employees, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the fiscal period end. In addition, in calculating projected benefit obligations, JFC follows straight-line basis with regard to methods for attributing projected benefit payments to the period through the end of the fiscal year in review. Moreover, unrecognized prior service costs and unrecognized actuarial differences in profit and loss disposition are calculated as follows:

Unrecognized prior service costs are recognized as income or expense by the straight-line method over a certain number of years; 10 years within the average remaining work period of employees at the time of occurrence.

Unrecognized actuarial differences are recognized as income or expense from the following fiscal year by the straight-line method over a period up to a maximum of 10 years within the average remaining service period of employees of the respective fiscal year at the time of occurrence.

(vi) Provision for directors' retirement benefits

The "provision for directors' retirement benefits" , which provides for future retirement pension payments to directors, corporate auditors and executive officers, is recognized at the amount accrued at the end of the fiscal year.

(e) Accounting policy for revenue and expense

Contents of main performance obligations and normal points of time to recognize revenues in major businesses with respect to revenues arising from contracts with customers are as described below.

Compensation security transactions

This account is obliged to make a certain percentage of compensation against any loss that occurs in a loan, etc. made by designated financial institutions through concluding damage security contracts with the designated financial institution and collecting its compensation security charges. This account recognizes revenues by judging that revenues from compensation security transactions shall meet its performance obligations during the indemnity contract period.

Significant accounting estimates

The item for which the amount was recorded in the financial statements for the current fiscal year based on accounting estimates that may have significant impacts on the financial statements for the following fiscal year is the reserve for compensation losses.

1. Amount recorded in financial statements for the current fiscal year
   Reserve for compensation losses: ¥25,950 million
2. Information that will contribute to understanding in relation to the details of significant accounting estimates relating to the identified item
   (1) Calculation method
   The method of calculating the reserve for compensation losses is described in Significant accounting policies, (d) Accounting policy for reserves, (ii) Reserve for compensation losses.
   Specifically, compensation security contracts were grouped based on reports from designated financial institutions about the presence or absence of the arrival of repayment performance deadline, and the reserves for compensation losses are calculated based on the anticipated loss rate for each group.
   (2) Main assumptions
   The anticipated loss rate is calculated based on past compensation payment results rate with the assumption that there will not be a major change in the credit risks included in compensation security contracts.
   It is assumed that there is no major change in credit risks included in compensation security contracts in relation to COVID-19 or other crises.
   (3) Impacts on financial statements for the following fiscal year
   The main assumptions used for accounting estimates may change in circumstances where there is increased uncertainty regarding the future such as significant changes in the credit conditions of businesses and economic conditions, and there may be a material impact on reserve for compensation losses in the financial statements for the following fiscal year.

Changes in accounting policies

(Accounting Standard for Revenue Recognition, etc.)

JFC has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) etc., from the beginning of the current fiscal year, and JFC recognizes revenues at the amount expected to be received in exchange for the goods or service when control of the promised goods or service is transferred to the customer.

JFC follows the transitional treatment specified in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for application of the Accounting Standard for Revenue Recognition, etc., which will not affect retained earnings at the beginning of the current fiscal year. In addition, application of the relevant accounting standards does not affect the profit and loss and the information per share for the current fiscal year.

Because JFC applied the Revenue Recognition Accounting Standard, etc., JFC modified accounting items of the balance sheet from "unearned revenue" to "contract liability" regarding the consideration received from the customer before transferring the service to the customer out of the compensation security transactions.

(Accounting Standard for Fair Value Measurement, etc.)

JFC has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) etc., from the beginning of the current fiscal year, and JFC applies new accounting policies stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment specified in the Accounting Standard for Fair Value Measurement, Paragraph 19 and the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2 for the future.

In addition, JFC made notes such as matters concerning the breakdown of the fair value of financial instruments for each appropriate category in the "financial instruments and related disclosure."

The Change in presentation

(Matters related to balance sheets)

In line with the enforcement of the Ministerial Ordinance on the Partial Revision of the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry Ordinance No. 1 of 2020) from March 31, 2022, we show the classification of "risk-monitored loans," etc. according to the classification of disclosed claims, etc. based on the "Act on Emergency Measures for the Revitalization of the Financial Functions" (Law No. 132 of 1998).

2. Claims based on the Ministerial Ordinance Concerning Accounting for the JFC

Claims based on the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 3 of 2008) are as described below. Note that claims are corporate bonds (limited to those that guarantee all or part of the redemption of their principals and the payment of interests and in which the issuance of the corporate bonds is through private offering of securities (Financial Instruments and Exchange Act Law No. 25 of 1948, Article 2, Paragraph 3)) in "securities" on the balance sheet, loans , foreign exchange, accrued interest and suspense payment in "other assets," items recorded in each account of customers' liabilities for acceptance and guarantees, and the securities when lending of the securities noted is performed (limited to loans for use or lease contracts) .

The amount of bankruptcy reorganization claims and similar claims: ¥– million
The amount of claims under high risk: ¥– million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥– million
 The amount of claims with interest or principal repayments more than 3 months in arrears: ¥– million
 The amount of restructured claims: ¥– million
Subtotal amount: ¥– million
The amount of normal claims: ¥4,360,125 million
Total amount: ¥4,360,125 million

Bankruptcy reorganization claims and similar claims are the claims on borrowers who are in bankruptcy due to reasons such as petition for commencement of bankruptcy proceedings, commencement of reorganization proceedings, commencement of rehabilitation proceedings, etc. and similar claims.

Claims under high risk are the claims in which it is highly unlikely that their principals are collected and their interests are received according to the contract due to the deterioration of borrowers' financial conditions and business performances even though they have not yet reached the state of bankruptcy and that do not fall under "bankruptcy reorganization claims and similar claims."

Claims with interest or principal repayments more than 3 months in arrears are claims whose principal or interest payment is more than 3 months in arrears, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," and "claims under high risk."

Restructured claims are claims whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," "claims under high risk," and "claims with interest or principal repayments more than 3 months in arrears."

Normal claims are the claims that are classified into items other than "bankruptcy reorganization claims or similar claims," "claims under high risk," "claims with interest or principal repayments more than 3 months in arrears," and "restructured claims," assuming that there are no particular problems with the borrowers' financial conditions and business performances.

Note that the above claim amounts are the gross amounts prior to the deduction of allowance for possible claim losses.

3. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for all bonds issued by JFC (which includes this operation account bonds issued to a total amount of ¥150,145 million).

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥2 million.

5. Amount of compensation security contract

(Millions of yen)

The total amount of compensation outstanding (48,618 contracts)	2,140,758
Reserve for compensation	25,950
Net amount	2,114,808

6. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act*1. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations*2 listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order to the extent that it reaches the certain amount, and if there is still a surplus, JFC shall pay such surplus into the national treasury within 3 months after closing date.

In the event that the amount of the retained earnings brought forward falls below zero in each account set forth in the preceding paragraph, legal capital surplus and legal retained earnings shall be transferred to retained earnings brought forward to the extent that the amount of retained earnings brought forward becomes zero.

*1 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

*2 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

7. Issued shares

For the fiscal year ended March 31, 2022, types and number of issued shares are as follows:

(Unit: shares)

Types	The number of stocks at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of stocks at the end of the fiscal year
Common stocks	995,960,000,000	450,068,000,000	—	1,446,028,000,000

(Note) Increase is due to the issuance of 450,068,000,000 shares.

8. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

Based on the JFC Act, we are a public corporation founded for the purpose of supplementing the financing conducted by general financial institutions and contributing to the improvement of the lifestyle of citizens.

The budget required for governmental financial operations is decided on by the Diet of Japan, and business plans and financial plans (funds through borrowing from the fiscal investment funds and loans, bonds, investments from the general account, and loans, etc.) are appended to the budget and submitted to the Diet of Japan.

These operations are classified into Micro Business and Individual Operations, Agriculture, Forestry, Fisheries and Food Business Operations, SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), Securitization Support Programs (Purchase-type Operation), Credit Insurance Programs, Operations to Facilitate Crisis Responses, and Operations to Facilitate Specific Businesses Promotion, etc. Accounts are made for each classification ("operation account") for accounting treatment.

The funds procured by JFC through borrowing from the fiscal investment funds and loans, bonds and investments from the general account are managed separately by each operational account. In principle, it is assumed that funds intended for one operation account will not be used for another operation account. Accordingly, ALM (asset and liability management) is conducted for the risks associated with financial assets and liabilities for each operation account. Note that financial instruments that can be used for the management of surplus funds are limited to extremely safe instruments such as Japanese government bonds, etc., based on the JFC Act.

In this operation account including 1) loans, 2) credit insurance underwriting (a certain portion of compensation paid by JFC to cover losses incurred by specified financial institutions on loans), and 3) interest subsidies (interest subsidies provided by JFC to a specified financial institutions for loans, etc., conducted by specified financial institutions that received a credit facility from JFC) are conducted for financial institutions specified by the competent minister for domestic and global financial disturbance that is recognized by the competent minister when a crisis such as a large-scale disaster occurs. To conduct these operations, the financing required for 1) loans is procured funds through the borrowing from Fiscal Investment and Loan Program ("FILP"), and the issuing of government guaranteed bonds. The loan period and borrowing period are equal, and the financing cost is covered by the interest on the loans, etc. The financing required for 2) credit insurance underwriting, and 3) interest subsidies is procured funds through equity participation from the government, etc.

(2) Types of financial instruments and risks

The financial assets and liabilities owned by JFC are managed in separate operation accounts.

The financial assets in this operation account mainly include loans and financial liabilities against designated financial institutions, and the financial liabilities include borrowings and bonds payable. The associated risks are described below.

(a) Credit risk

The main financial assets in this operation account are loans of funds to designated financial institutions that are required to conduct crisis response operations. The associated credit risk consists of risk of losses arising from uncollectable claims due to deterioration in creditworthiness of the designated financial institution.

(b) Market risk

The operations of this operation account consist of loans to designated financial institutions, and fiscal investment and loans and issuing of government-backed bonds are used for financing. Interest rate risk is not present as a type of market risk because the terms and conditions of the loans and borrowings are equal, and the financing cost is covered by the interest on the loans, etc.

(c) Liquidity risk

Long-term and stable funds such as fiscal investment and loans, government-backed bonds, and funding provided by government are secured to finance this operation account and deposits are not accepted, and as a result, liquidity risk is considered to be limited. However, borrowings and bonds payable are exposed to liquidity risk that payment cannot be made on the payment date due to unexpected events.

(3) Risk management structure for financial instruments

JFC has a Corporate Governance Committee established to properly conduct management in order to comprehensively handle risks faced, including risks associated with financial instruments, to ensure the sustained and stable realization of the financing policies of the function.

For each type of risk, management policies and procedures have been created to handle the specific types of credit risks, market risks, and liquidity risks for financing associated with each operation, and a structure has been established to smoothly handle these tasks in each operation.

The risk management structure for these operations is described below.

(a) Credit risk management

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In the asset self assessment, an inspection is conducted by the auditing department.

(b) Market risk management

The primary financial instruments that are subject to interest rate risk, which is one of the main risk variables in these operations include loans, borrowings, and bonds payable.

These operations provide loans to designated financial institutions and are funded through borrowings from fiscal investment and loans as well as issuance of government-backed bonds. Since the terms and conditions of lendings and borrowings are equal, cash inflows resulting from lendings and cash outflows resulting from borrowings and bonds payable are matched. Therefore, as a whole operations, interest rate risk does not exist as a market risk.

(c) Liquidity risk management related to fund procurement

Long-term and stable funds, such as fiscal investment and loans, government-backed bonds, and funding provided by government are secured to finance this account and deposits are not accepted. In addition, the loan period and borrowing period are equal, and therefore, liquidity risk is considered to be limited. In addition, continual efforts are being made to make financing plans more sophisticated and minimize liquidity risk.

(4) Supplementary explanation concerning fair value of financial instruments

Set valuation inputs are used for the calculation of fair value of financial instruments, and if different valuation inputs are used, the resulting amount could vary.

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2022, and the related fair value, and difference is as follows.

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	1,198,479	1,198,585	106
(2) Loans and bills discounted	4,359,978	4,322,895	(37,082)
Total assets	5,558,457	5,521,481	(36,976)
(1) Borrowings	4,209,978	4,203,651	(6,326)
(2) Bonds payable	150,145	149,963	(182)
Total liabilities	4,360,123	4,353,614	(6,509)

(Note 1) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks (*)	1,198,479	—	—	—	—	—
Loans and bills discounted	566,849	1,118,221	998,335	604,132	593,258	479,183
Total	1,765,328	1,118,221	998,335	604,132	593,258	479,183

(*) Demand deposits contained within due from banks are stated as "Maturities within one year."

(Note 2) Redemption schedule for bonds and borrowings with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings	496,849	1,038,221	998,335	604,132	593,258	479,183
Bonds payable	70,000	80,000	—	—	—	—
Total	566,849	1,118,221	998,335	604,132	593,258	479,183

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.
Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.
Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

Financial instruments except those recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	1,198,585	—	1,198,585
Loans and bills discounted	—	4,322,895	—	4,322,895
Total assets	—	5,521,481	—	5,521,481
Borrowings	—	4,203,651	—	4,203,651
Bonds payable	—	149,963	—	149,963
Total liabilities	—	4,353,614	—	4,353,614

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For cash and due from banks that do not mature or have a maturity under 3 months, the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

For due from banks that have a maturity over 3 months, fair value is based on the current price calculated by discounting future cash flow by the risk free rate (the standard Japanese government bond rate) based on the appropriate deposit term, classified into level 2 fair value.

(2) Loans and bills discounted

All loans have a fixed interest rate and fair value is calculated by discounting the principal and interest by the interest rate calculated based on the market yield of bonds issued by the borrower based on the type of borrower and period of loan, classified into level 2 fair values.

Liabilities

(1) Borrowings

Borrowings are based on a fixed rate of interest. Fair value is calculated by discounting the principal and interest of the borrowings by the risk free rate (the standard Japanese government bond rate) based on the set period of loan, classified into level 2 fair values.

(2) Bonds payable

Market value is used for fair value of bonds, classified into level 2 fair values.

9. Fair value of securities

Transferable deposits in "Due from banks" on the balance sheet is included.

The fair value of securities at March 31, 2022 is as follows:

Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount does not exceed their acquisition cost	Others	80,000	80,000	—

10. Deferred tax accounting

JFC does not apply deferred tax accounting since JFC is a nontaxable entity classified in the Article 2 (5) of the Corporation Tax Act (Act No. 34 of 1965).

11. Retirement benefits

JFC has a defined benefit pension plan comprising of a corporate pension fund plan and a lump-sum severance indemnity plan and a defined contribution pension plan as its defined contribution-type plan. Although the JFC corporate pension fund plan is a multi-employer plan, related notes are listed within the following defined benefits plan notes, to enable rational calculation of the fair value of plan assets in accordance with the projected benefit obligations ratio.

Under the corporate pension fund plan (a funded plan), JFC pays pensions based on salary and years of service. Under the retirement lump-sum severance indemnity plan (an unfunded plan), JFC pays lump-sum payments based on salary and years of service, as retirement benefits.

Defined benefits plan

(1) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	149 million yen
Service cost	6
Interest cost	0
Actuarial difference	6
Payment of retirement benefits	—
Prior service cost	—
Other	(22)
Closing balance of projected benefit obligations	140

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	31 million yen
Expected return on plan assets	0
Actuarial difference	(1)
Financing from employer	4
Payment of retirement benefits	—
Other	(4)
Closing balance of fair value of plan assets	29

(3) Reconciliation schedule of closing balance of projected benefit obligations and fair value of plan assets, and provision for retirement benefits and prepaid pension cost recorded on balance sheet

Projected benefit obligations of funded plan	37 million yen
Fair value of plan assets	(29)
	8
Projected benefit obligations of unfunded plan	103
Unfunded pension obligations	111
Actuarial unrecognized difference	(47)
Unrecognized prior service cost	3
Net amount of liabilities and assets recorded on the balance sheet	67
Provision for retirement benefits	84
Prepaid pension cost	(17)
Net amount of liabilities and assets recorded on the balance sheet	67

(4) Net pensions cost and breakdown of included items

Service cost	6 million yen
Interest cost	0
Expected return on plan assets	(0)
Amount of actuarial difference accounted for as expense	10
Amortization of prior service cost accounted for as expense	(1)
Other	—
Net pensions cost related to defined benefits plan	15

(5) Items concerning fair value of plan assets

1) The percentage of each category of total fair value of plan assets is as follows.

Shares	25%
Debentures	64%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate	0.1%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.6% to 5.9%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥0 million.

12. Revenue Recognition

1. Disaggregation of revenue from contracts with customers.

The revenue from a contract with a customer at this account is the revenue from compensation security transactions. In revenue from compensation security transactions, JFC recognizes revenues by judging that the performance obligation is satisfied over the period of the compensation contract, recording its full amount in the "fees and commissions on compensation security contract" on the profit and loss statement, and since disaggregation of revenue from contracts with customers is of little significance, JFC omits its description.

2. Information on the basis for understanding revenues from contracts with customers.

Information on the basis for understanding revenues from contracts with customers is as described in "(e) Accounting policy for revenue and expense" of "Significant accounting policies."

3. Information for understanding the amount of revenues in the current fiscal year and after the last day of this fiscal year.

(1) Regarding contract liabilities, JFC records the balance that does not satisfy performance obligations at the last day of the current fiscal year out of fees and commissions on compensation security contract collected in a lump sum from designated financial institutions at the time of concluding contracts. The amount included in the contract liability balance as of the beginning of the current fiscal year out of the revenue amount recognized in this fiscal year reaches 2,782 million yen.

(2) The total transaction price allocated to remaining performance obligations at the last day of the current fiscal year amounts to 14,252 million yen. The amount and the period of revenue recognition expected for remaining performance obligations are as follows:

(Millions of yen)

	Current fiscal year
Within one year	2,355
Over one year	11,896
Total	14,252

13. Related party transactions

Related party transactions in the fiscal year ended March 31, 2022 are as follows:

Transactions with parent company and major shareholder companies

(Millions of yen)

Classification	Corporate name	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2022
Principal shareholder	Ministry of Finance (Minister of Finance) (Notes i and ii)	90.13 (Direct)	Administration for policy based financing	Underwriting of capital increase (Note iii)	450,068	—	—
				Receipts from general account of the national budget	61	—	—
				Receipt of funds (Note iv)	291,219	Borrowings	4,209,978
				Repayment of borrowings	501,890		
				Payment of interest on borrowings	5,754	Accrued expenses	147
				Deposit of funds (Note v)	1,923,000	Due from banks	660,000
				Refund of funds	1,863,000		
				Guarantee for bonds payable (Note vi)	150,145	—	—

(Notes)

(i) Ownership of voting rights by ministries and agencies other than Ministry of Finance (Minister of Finance) is as follows:

- Ministry of Agriculture, Forestry and Fisheries (Minister of Agriculture, Forestry and Fisheries) 0.09%
- Ministry of Economy, Trade and Industry (Minister of Economy, Trade and Industry) 9.79%

(ii) Transactions with the ministries and agencies other than Ministry of Finance are as follows:

- Ministry of Agriculture, Forestry and Fisheries
  - Receipts from the national budget ¥41 million
- Small and Medium Enterprise Agency
  - Receipts from the national budget ¥61 million

(iii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.

(iv) The receipts of funds represents borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

(v) Deposit of funds is the deposit for the FILP and the interest rates applicable under the FILP are applied.

(vi) No guarantee fee has been paid for the guarantee of bonds.

(vii) Figures in the table above do not include consumption taxes.

14. Per share information

Net assets per share	¥0.80
Net loss per share	¥0.02

15. Subsequent events

Not applicable.

Account for Operations to Facilitate Specific Businesses Promotion, etc.

Balance Sheet (as of March 31, 2022)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	300	Borrowed money	110,815
Due from banks	300	Borrowings	110,815
Loans and bills discounted	110,815	Other liabilities	69
Loans on deeds	110,815	Accrued expenses	32
Other assets	57	Lease obligations	2
Prepaid expenses	0	Other	35
Accrued income	31	Provision for bonuses	3
Other	26	Provision for directors' bonuses	0
Property, plant and equipment	1	Provision for retirement benefits	45
Lease assets	1	Provision for directors' retirement benefits	0
Intangible assets	15	Total liabilities	110,933
Software	15	Net assets	
Lease assets	0	Capital stock	367
Other	0	Retained earnings	(102)
Prepaid pension cost	8	Other retained earnings	(102)
		Retained earnings brought forward	(102)
		Total shareholders' equity	264
		Total net assets	264
Total assets	111,198	Total liabilities and net assets	111,198

Statement of Operations (Year ended March 31, 2022)

(Millions of yen)

Items	Amount
Ordinary income	177
Interest income	99
Interest on loans and discounts	99
Interest on deposits with banks	0
Receipts from the national budget	77
Receipts from general account of the national budget	77
Other income	0
Other	0
Ordinary expenses	189
Interest expenses	99
Interest on borrowings and rediscounts	99
General and administrative expenses	90
Other expenses	0
Other	0
Ordinary loss	12
Net loss	12

Statement of Changes in Net Assets (Year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity				Total net assets
	Capital stock	Retained earnings		Total shareholders' equity	
		Other retained earnings	Total retained earnings		
		Retained earnings brought forward			
Balance at the beginning of current period	267	(89)	(89)	177	177
Changes of items during the period					
Issuance of new shares	100			100	100
Net income (loss)		(12)	(12)	(12)	(12)
Total changes of items during the period	100	(12)	(12)	87	87
Balance at the end of current period	367	(102)	(102)	264	264

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Depreciation basis for fixed assets

(i) Intangible assets (except for lease assets)

Amortization of intangible fixed assets is computed by the straight-line method. Software used by JFC is amortized over its useful life (5 years).

(ii) Lease assets

Lease assets in "property, plant and equipment" or "intangible assets," under finance leases that do not involve transfer of ownership to the lessee are amortized under the straight-line method over the lease term. Depreciation for lease assets is calculated with zero residual value being assigned to the asset.

(b) Accounting policy for reserves

(i) Allowance for loan losses

The allowance for loan losses is maintained in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt ("Bankrupt borrowers") or substantially bankrupt ("Substantially bankrupt borrowers") is provided based on the outstanding balance after the write-offs described in the followings and the deductions of the amount expected to be collected through the disposal of collateral and execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt ("Potentially bankrupt borrowers") is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

The allowance for claims on debtors other than Bankrupt borrowers is provided based on primarily the anticipated loss amount within the next one year or the anticipated loss amount within the next three years. The anticipated loss amount is calculated by seeking the loss rate on the basis of the average default rate over a certain period in the past based on the default rates for one or three years and making necessary adjustments such as future expectations.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments.

(ii) Provision for bonuses

The "provision for bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the balance sheet.

(iii) Provision for directors' bonuses

The "provision for directors' bonuses" is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the balance sheet.

(iv) Provision for retirement benefits

The "provision for retirement benefits" (including prepaid pension cost) represents the future payment for pension and retirement benefits to employees, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the fiscal period end. In addition, in calculating projected benefit obligations, JFC follows straight-line basis with regard to methods for attributing projected benefit payments to the period through the end of the fiscal year in review. Moreover, unrecognized prior service costs and unrecognized actuarial differences in profit and loss disposition are calculated as follows:

Unrecognized prior service costs are recognized as income or expense by the straight-line method over a certain number of years; 10 years within the average remaining work period of employees at the time of occurrence.

Unrecognized actuarial differences are recognized as income or expense from the following fiscal year by the straight-line method over a period up to a maximum of 10 years within the average remaining service period of employees of the respective fiscal year at the time of occurrence.

(v) Provision for directors' retirement benefits

The "provision for directors' retirement benefits," which provides for future retirement pension payments to directors, corporate auditors and executive officers, is recognized at the amount accrued at the end of the fiscal year.

Changes in accounting policies

(Accounting Standard for Revenue Recognition, etc.)

JFC has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and JFC recognizes revenues at the amount expected to be received in exchange for the goods or service when control of the promised goods or service is transferred to the customer.

JFC follows the transitional treatment specified in the proviso of Paragraph 84 of the Accounting Standards for Revenue Recognition for application of the Accounting Standard for Revenue Recognition, etc., which will not affect retained earnings at the beginning of the current fiscal year. In addition, application of the relevant accounting standards does not affect the profit and loss and the information per share for the current fiscal year.

(Accounting Standard for Fair Value Measurement, etc.)

JFC has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the current fiscal year, and JFC applies new accounting policies stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment specified in the Accounting Standard for Fair Value Measurement, Paragraph 19 and the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2 for the future.

In addition, JFC made notes such as matters concerning the breakdown of the fair value of financial instruments for each appropriate category in the "financial instruments and related disclosure."

The Change in presentation

(Matters related to balance sheets)

In line with the enforcement of the Ministerial Ordinance on the Partial Revision of the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry Ordinance No. 1 of 2020) from March 31, 2022, we show the classification of "risk-monitored loans," etc. according to the classification of disclosed claims, etc. based on the "Act on Emergency Measures for the Revitalization of the Financial Functions" (Law No. 132 of 1998).

2. Claims based on the Ministerial Ordinance Concerning Accounting for the JFC

Claims based on the Ministerial Ordinance Concerning Accounting for the JFC (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 3 of 2008) are as described below. Note that claims are corporate bonds (limited to those that guarantee all or part of the redemption of their principals and the payment of interests and in which the issuance of the corporate bonds is through private offering of securities (Financial Instruments and Exchange Act Law No. 25 of 1948, Article 2, Paragraph 3)) in "securities" on the balance sheet, loans , foreign exchange, accrued interest and suspense payment in "other assets," items recorded in each account of customers' liabilities for acceptance and guarantees, and the securities when lending of the securities noted is performed (limited to loans for use or lease contracts) .

The amount of bankruptcy reorganization claims and similar claims: ¥– million
The amount of claims under high risk: ¥– million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥– million
    The amount of claims with interest or principal repayments more than 3 months in arrears: ¥– million
    The amount of restructured claims: ¥– million
Subtotal amount: ¥– million
The amount of normal claims: ¥110,846 million
Total amount: ¥110,846 million

Bankruptcy reorganization claims and similar claims are the claims on borrowers who are in bankruptcy due to reasons such as petition for commencement of bankruptcy proceedings, commencement of reorganization proceedings, commencement of rehabilitation proceedings, etc. and similar claims.

Claims under high risk are the claims in which it is highly unlikely that their principals are collected and their interests are received according to the contract due to the deterioration of borrowers' financial conditions and business performances even though they have not yet reached the state of bankruptcy and that do not fall under "bankruptcy reorganization claims and similar claims."

Claims with interest or principal repayments more than 3 months in arrears are claims whose principal or interest payment is more than 3 months in arrears, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," and "claims under high risk."

Restructured claims are claims whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," "claims under high risk," and "claims with interest or principal repayments more than 3 months in arrears."

Normal claims are the claims that are classified into items other than "bankruptcy reorganization claims or similar claims," "claims under high risk," "claims with interest or principal repayments more than 3 months in arrears," and "restructured claims," assuming that there are no particular problems with the borrowers' financial conditions and business performances.

Note that the above claim amounts are the gross amounts prior to the deduction of allowance for possible claim losses.

3. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for all bonds issued by JFC. No Operations to this operation account bonds have been issued.

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥1 million.

5. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act*1. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations*2 listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order to the extent that it reaches the certain amount, and if there is still a surplus, JFC shall pay such surplus into the national treasury within 3 months after closing date.

In the event that the amount of the retained earnings brought forward falls below zero in each account set forth in the preceding paragraph, legal capital surplus and legal retained earnings shall be transferred to retained earnings brought forward to the extent that the amount of retained earnings brought forward becomes zero.

*1 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

*2 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

6. Issued shares

For the fiscal year ended March 31, 2022, types and number of issued shares are as follows:

(Unit: shares)

Types	The number of stocks at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	The number of stocks at the end of the fiscal year
Common stocks	267,000,000	100,000,000	—	367,000,000

(Note) Increase is due to the issuance of 100,000,000 shares.

7. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

Based on the JFC Act, we are a public corporation founded for the purpose of supplementing the financing conducted by general financial institutions and contributing to the improvement of the lifestyle of citizens.

The budget required for governmental financial operations is decided on by the Diet of Japan, and business plans and financial plans (funds through borrowing from the fiscal investment funds and loans, bonds, investments from the general account, and loans, etc.) are appended to the budget and submitted to the Diet of Japan.

These operations are classified into Micro Business and Individual Operations, Agriculture, Forestry, Fisheries and Food Business Operations, SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), Securitization Support Programs (Purchase-type Operation), Credit Insurance Programs, Operations to Facilitate Crisis Responses, and Operations to Facilitate Specific Businesses Promotion, etc. Accounts are made for each classification ("operation account") for accounting treatment.

The funds procured by JFC through borrowing from the fiscal investment funds and loans, bonds and investments from the general account are managed separately by each operational account. In principle, it is assumed that funds intended for one operation account will not be used for another operation account. Accordingly, ALM (asset and liability management) is conducted for the risks associated with financial assets and liabilities for each operation account. Note that financial instruments that can be used for the management of surplus funds are limited to extremely safe instruments such as Japanese government bonds, etc., based on the JFC Act.

This account provides loans, etc. of required funds for loans provided by designated financial institutions appointed by the competent minister to certified business operators that are developing or manufacturing energy and environmentally friendly products, certified business operators that are restructuring their business, certified business operators that are adapting their business, certified business operators engaged in the development and provision, etc. of systems using specified advanced information and communications technology or improvement of specified semiconductor production facilities, certified business operators that are reinforcing business infrastructure, and certified business operators that are introducing specified ships. The funds for these lending operations are financed using fiscal investment and loans. The loan period and borrowing period are equal, and the financing cost is covered by the interest on loans.

(2) Types of financial instruments and risks

The financial assets and liabilities owned by JFC are managed in separate operation accounts.

The financial assets in this operation account mainly include loans and financial liabilities against designated financial institutions, and the financial liabilities include borrowings. The associated risks are described below.

(a) Credit risk

The main financial assets in this operation account are loans to designated financial institutions that are required to conduct specific business promotion operations, business restructuring promotion, etc. operations, business reorganization promotion operations, business adaptation promotion operations, development and provision, etc. promotion operations, business infrastructure reinforcement promotion operations and introduction promotion operations. The associated credit risk consists of risk of losses arising from uncollectable claims due to deterioration in creditworthiness of the designated financial institution.

(b) Market risk

The operations of this operation account consist of loans to designated financial institutions, and fiscal investment and loans are used for financing. Interest rate risk is not present as a market risk because the terms and conditions of the loans and borrowings are equal, and the financing cost is covered by the interest on the loans.

(c) Liquidity risk

Long-term and stable funds such as fiscal loan funds and funding provided by government are secured to finance this operation account and deposits are not accepted. As a result, liquidity risk is considered to be limited. However, borrowings are exposed to liquidity risk that payment cannot be made on the payment date due to unexpected events.

(3) Risk management structure for financial instruments

JFC has a Corporate Governance Committee established to properly conduct management in order to comprehensively handle risks faced, including risks associated with financial instruments, to ensure the sustained and stable realization of the financing policies of the function.

For each type of risk, management policies and procedures have been created to handle the specific types of credit risks, market risks, and liquidity risks for financing associated with each operation, and a structure has been established to smoothly handle these tasks in each operation.

The risk management structure for these operations is described below.

(a) Credit risk management

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In the asset self assessment, an inspection is conducted by the auditing department.

(b) Market risk management

The primary financial instruments that are subject to interest rate risk, which is one of the main risk variables in these operations include loans and borrowings.

These operations provide loans to designated financial institutions and are funded through borrowings from fiscal investment and loans. Since the terms and conditions of lendings and borrowings are equal, cash inflows resulting from lendings and cash outflows resulting from borrowings are matched. Therefore, as a whole operations, interest rate risk does not exist as a market risk.

(c) Liquidity risk management related to fund procurement

Long-term stable funds, such as fiscal investment and loans and funding provided by government are secured to finance this account and deposits are not accepted. Liquidity risk is believed to be limited because the loan period and borrowing period are equal.

(4) Supplementary explanation concerning fair value of financial instruments

Set valuation inputs are used for the calculation of fair value of financial instruments, and if different valuation inputs are used, the resulting amount could vary.

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2022, and the related fair value, and difference is as follows.

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	300	300	—
(2) Loans and bills discounted	110,815	110,631	(183)
Total assets	111,115	110,932	(183)
Borrowings	110,815	111,082	267
Total liabilities	110,815	111,082	267

(Note 1) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks (*)	300	—	—	—	—	—
Loans and bills discounted	16,905	28,766	29,454	29,108	2,808	3,774
Total	17,205	28,766	29,454	29,108	2,808	3,774

(*) Demand deposits contained within due from banks are stated as "Maturities within one year."

(Note 2) Redemption schedule for bonds and borrowings with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings	16,905	28,766	29,454	29,108	2,808	3,774

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.
Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.
Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

Financial instruments except those recorded on the balance sheet for fair values (March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	300	—	300
Loans and bills discounted	—	110,631	—	110,631
Total assets	—	110,932	—	110,932
Borrowings	—	111,082	—	111,082
Total liabilities	—	111,082	—	111,082

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For cash and due from banks that do not mature, the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

(2) Loans and bills discounted

All loans have a fixed interest rate and fair value is calculated by discounting the principal and interest by the interest rate calculated based on the market yield of bonds issued by the borrower based on the type of borrower and period of loan, classified into level 2 fair value.

Liabilities

Borrowings

Borrowings are based on a fixed rate of interest. Fair value is calculated by discounting the principal and interest of the borrowings by the risk free rate (the standard Japanese government bond rate) based on the set period of loan, classified into level 2 fair value.

8. Deferred tax accounting

JFC does not apply deferred tax accounting since JFC is a nontaxable entity classified in the Article 2 (5) of the Corporation Tax Act (Act No. 34 of 1965).

9. Retirement benefits

JFC has a defined benefit pension plan comprising of a corporate pension fund plan and a lump-sum severance indemnity plan and a defined contribution pension plan as its defined contribution-type plan. Although the JFC corporate pension fund plan is a multi-employer plan, related notes are listed within the following defined benefits plan notes, to enable rational calculation of the fair value of plan assets in accordance with the projected benefit obligations ratio.

Under the corporate pension fund plan (a funded plan), JFC pays pensions based on salary and years of service. Under the retirement lump-sum severance indemnity plan (an unfunded plan), JFC pays lump-sum payments based on salary and years of service, as retirement benefits.

Defined benefits plan

(1) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	78 million yen
Service cost	4
Interest cost	0
Actuarial difference	4
Payment of retirement benefits	—
Prior service cost	—
Other	(10)
Closing balance of projected benefit obligations	77

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	16 million yen
Expected return on plan assets	0
Actuarial difference	(0)
Financing from employer	2
Payment of retirement benefits	—
Other	(1)
Closing balance of fair value of plan assets	16

(3) Reconciliation schedule of closing balance of projected benefit obligations and fair value of plan assets, and provision for retirement benefits and prepaid pension cost recorded on balance sheet

Projected benefit obligations of funded plan	20 million yen
Fair value of plan assets	(16)
	4
Projected benefit obligations of unfunded plan	56
Unfunded pension obligations	61
Actuarial unrecognized difference	(25)
Unrecognized prior service cost	1
Net amount of liabilities and assets recorded on the balance sheet	37
Provision for retirement benefits	45
Prepaid pension cost	(8)
Net amount of liabilities and assets recorded on the balance sheet	37

(4) Net pensions cost and breakdown of included items

Service cost	4 million yen
Interest cost	0
Expected return on plan assets	(0)
Amount of actuarial difference accounted for as expense	5
Amortization of prior service cost accounted for as expense	(0)
Other	—
Net pensions cost related to defined benefits plan	8

(5) Items concerning fair value of plan assets

1) The percentage of each category of total fair value of plan assets is as follows.

Shares	25%
Debentures	64%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate	0.1%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	2.7% to 5.9%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥0 million.

10. Related party transactions

Related party transactions in the fiscal year ended March 31, 2022 are as follows:

Transactions with parent company and major shareholder companies

(Millions of yen)

Classification	Corporate name	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2022
Principal shareholder	Ministry of Finance (Minister of Finance) (Note i)	100 (Direct)	Administration for policy based financing	Underwriting of capital increase (Note ii)	100	—	—
				Receipt of funds (Note iii)	8,500	Borrowings	110,815
				Repayment of borrowings	19,332		
				Payment of interest on borrowings	99	Accrued expenses	31

(Notes)

(i) Transactions with the ministries and agencies other than Ministry of Finance are as follows:
-Ministry of Economy, Trade and Industry
Receipts from the national budget ¥77 million

(ii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.

(iii) The receipts of funds represents borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

(iv) Figures in the table above do not include consumption taxes.

11. Per share information

Net assets per share ¥0.72

Net loss per share ¥0.04

12. Subsequent events

Not applicable.

Reference Information

Risk-monitored Loans

JFC reports risk-monitored loan amounts calculated based on the “Ministerial Ordinance Concerning Accounting of Japan Finance Corporation” (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 3 of 2008).

▼ Risk-monitored Loans

(Millions of yen)

			Micro Business and Individual Unit (Account for Micro Business and Individual Operations)	Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)	Small and Medium Enterprise (SME) Unit (Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation))	Total
Risk-managed loan rate			5.20%	3.72%	11.25%	7.06%
Risk-managed loan balance			653,861	129,343	941,141	1,724,346
	Bankruptcy reorganization claims, etc.		18,444	5,509	7,470	31,424
	Doubtful loans		93,365	77,929	796,918	968,212
	Special attention	Loans with interest or principal repayments more than three months in arrears	50	659	–	709
		Restructured loans	542,000	45,245	136,753	723,998
Normal			11,924,135	3,351,376	7,426,491	22,702,004
Total loan balance			12,577,996	3,480,720	8,367,690	24,426,407

(Definitions)

- Bankrupt or de facto bankrupt:
  Loans or loan equivalents to borrowers who have gone bankrupt for reasons such as a declaration of bankruptcy, reorganization, or revitalization proceedings.

- Doubtful:
  Loans to borrowers who have not yet reached a state of legal bankruptcy but whose financial position and business performance have deteriorated; therefore, the prospect of complete repayment of principal and interest is remote in accordance with the contract obligations (excluding bankrupt or de facto bankrupt borrowers).

- Loans with interest or principal repayments more than three months in arrears:
  Loans whose principal or interest payments are more than three months in arrears (excluding bankrupt or de facto bankrupt and doubtful).

- Restructured loans:
  Loans whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers’ recovery from financial difficulties to facilitate collection of the loans (excluding bankrupt or de facto bankrupt, doubtful, and loans with interest or principal repayments more than three months in arrears).

- Normal:
  Loans to borrowers whose financial position or business performance are not a point of concern; therefore, those are excluded from the above three categories of “bankrupt or de facto bankrupt,” “doubtful,” “loans with interest or principal repayments more than three months in arrears,” and “restructured loans.”

September 2022
Publisher: Public Relations Department, Japan Finance Corporation
Otemachi Financial City North Tower,
1-9-4, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
URL: https://www.jfc.go.jp/n/english/index.html

JAPAN FINANCE CORPORATION

This publication has been printed on recycled paper that conforms to the environmental requirements as stipulated by the "Act on Promoting Green Purchasing" (Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities).

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