Japan Finance Corporation

Annual Report

2023

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.

Exercise of Safety Net Functions

We have responded to customer needs with a deep sense of our mission as a policy-based financial institution to connect policy with businesses and communities and support them.

Amidst the ongoing impacts of COVID-19, prices are rising due to soaring energy prices and other factors, and the many businesses that support the Japanese economy and local communities are currently confronting a challenging business environment. JFC has made maximum use of COVID-19 related loans including the COVID-19 Hybrid Subordinated Loan Program as well as Safety Net Loans created as countermeasures against rising prices to support the cash flow of businesses. To this end, we have cooperated extensively with each region's private financial institutions. The future outlook remains unclear, but 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

With a strong awareness of its role as a policy-based financial institution, JFC will create frameworks that can respond to all crisis including natural disasters such as the Great East Japan Earthquake, pandemics, and changes in the business environment due to economic circumstances and consistently implement safety net functions in any situation.

Additionally, we will perform our risk-taking functions and continue to focus our efforts on supporting the growth fields, including support for business foundation, start-ups, new businesses, business succession, and new expansion by agriculture, forestry, and fisheries businesses, thereby contributing to the growth and development of Japan's economy.

(Support for business foundation, start-ups and new businesses)

JFC is actively committed to supporting business foundation, 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. Support for start-ups is becoming even more important for regional economic revitalization in the post-COVID era, and JFC is collaborating with private financial institutions, venture capital firms, and others to provide financial support while supporting core business by holding business matching and other events.

(Support for business succession)

In Japan, supporting business succession is a critically important issue exacerbated by problems such as the advancing aging of management personnel. 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 the Chamber of Commerce and Industry, Societies of Commerce and Industry, and relevant organizations in each region to offer effective consulting including business matching.

(Support for new expansion by agricultural, forestry, and fisheries businesses)
Agriculture, forestry, and fisheries businesses are facing soaring feed and fertilizer prices and are experiencing an unprecedented deteriorating business environment. At the same time, some businesses are actively developing by discovering overseas channels, exporting products, and taking other action. With a long-term perspective of shifting to more sustainable management, JFC collaborates with relevant organizations, including private finance institutions, to support the agricultural, forestry, and fisheries 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 conduct efficient operations, including stepping up digitalization and DX.

In addition, we are promoting sustainability and working to achieve the SDGs through assistance programs for business and by doing our part for communities.

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

July 12, 2023

TANAKA Kazuho
Governor & CEO

Profile (as of March 31, 2023)

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: 11,696.1 billion yen	
	Reserve fund: 5,309.0 billion yen	
Branch Offices	Branch offices in Japan: 152	
	Overseas representative offices: 2	
Employees	7,436 (budgetary fixed number for FY2023)	
Total of Outstanding Loans	Total of Outstanding Loans:	28,097.0 billion yen
	Micro Business and Individual Unit:	12,156.3 billion yen
	Agriculture, Forestry, Fisheries and Food Business Unit:	3,670.8 billion yen
	Small and Medium Enterprise (SME) Unit (Finance Operations):	8,365.7 billion yen
	Operations to Facilitate Crisis Responses:	3,808.8 billion yen
	Operations to Facilitate Specific Businesses Promotion, etc.:	95.2 billion yen
Outstanding Amounts of Insurance	Small and Medium Enterprise (SME) Unit (Credit Insurance Programs): 40,671.3 billion yen	

Overview of Japan Finance Corporation

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 foundation and 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 and start-ups, 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

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.
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 collaborates with relevant organizations so that it can respond to any crisis, perform required functions as a policy-based financial institution, and contribute to the development of a sustainable society.

1 Exercise of safety net functions	● Perform safety net functions for SMEs, micro/small businesses, and agricultural, forestry and fisheries businesses in response to natural disasters, pandemics, economic change, etc. ● Establish systems that can respond to any crisis including the creation of systems for operations during emergencies and promotion of further cooperation with private financial institutions.
2 Contribution to the growth and development of the Japanese economy	● Support the creation of new businesses, business revitalization, business succession, overseas expansion, new expansion by agricultural, forestry, and fisheries businesses, decarbonization and other environmental and energy measures, promotion of digital transformation (DX), and business reconstruction in accordance with national policies.
3 Contribution to regional revitalization	● Support regional revitalization in collaboration with relevant organizations including Chambers of Commerce and Industry, Societies of Commerce and Industry, and tax accountants by engaging in activities rooted in local areas including ascertaining local conditions participating in regional projects such as comprehensive strategies of local governments.
4 Improving customer service	● JFC is committed to being a familiar and reliable organization that responds with compassion from the customer's perspective. ● Respond promptly and precisely to the needs of clients by leveraging funds and information. ● Promote digitalization and DX and enhance customer service.
5 Efficient business operations that show awareness of environmental and energy issues	● Promote increased efficiency in operations by undertaking digitalization and DX and drawing the ideas from personnel. ● Conduct operations that show awareness of environment and energy issues.
6 Creation of a rewarding workplace where personnel can demonstrate their capabilities	● Encourage diversity and create workplaces where staff can fully utilize their capacities with pride and a sense of mission. ● Achieve diverse and flexible working styles by establishing telework and other measures. ● Promote career opportunities for women, including the active appointment of female employees to managerial positions and by promoting career development for women. ● Reinforce personnel 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 improving compliance awareness	● From the perspective of corporate governance, enhance develop risk management systems and further instill strong compliance awareness into among management and staff.

Business and Management Plan (FY2023-2025)

JFC has formulated the following Business and Management Plan for the period from FY2023 on.

Business and Management Plan (FY2023-2025)

Connect Policy with Businesses and Communities and Support Them

Amidst the lingering effects of the COVID-19 pandemic combined rising prices caused by soaring global energy prices and other factors in Japan, the SMEs, micro/small businesses, and agricultural, forestry and fisheries businesses that support Japan's economy and local communities are facing a challenging business environment.

Under the circumstances, the continuation of business and steady efforts to achieve growth and development by the business operators who will support Japan in the future is a pressing issue.

In light of this, JFC will undertake the following actions with a sense of mission to connect policy with businesses and local communities and support them.

First, based on a strong awareness of the roles of policy-based finance, we will create frameworks capable of responding to all crises and perform safety net functions for SMEs, micro/small businesses, and agricultural, forestry and fisheries businesses under all circumstances.

Next, we will perform our risk-taking functions and provide powerful support in growth fields including the start-ups that will support growth by Japan's economy, promotion of exports, and business succession that links with future generations.

We will also leverage our nationwide network of 152 branches to support SMEs, micro/small businesses, and agricultural, forestry and fisheries businesses that support local communities to achieve regional revitalization.

Furthermore, we will reinforce policy-based functions by deepening collaboration with private financial institutions and relevant organizations, enhancing customer service through performance of consulting functions, promoting digitalization and DX to achieve operational efficiency, enhancing the capabilities of the personnel who perform these functions, and creating workplaces where diverse human resources can play active roles.

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.

Three roles as a policy-based financial institution

Exercise of safety net functions

Respond agilely to demands for safety net services due to natural disasters, economic change, etc.

Contribution to the growth and development of the Japanese economy

Respond properly to meet the diverse needs including the creation of new businesses, business revitalization, overseas expansion, new expansion by agricultural, forestry and fisheries businesses, etc.

Contribution to regional revitalization

Collaborate with private financial institutions and participation in regional projects to contribution to regional revitalization

Business Operation Plans

1 Perform safety net functions, provide a stable supply of funds, and collaborate with private financial institutions

- Support clients affected by the COVID-19 Crisis.
- Perform safety net functions for customers.
- Provide funds to customers in a timely and efficient manner.
- Steadily implement the credit supplementation system.
- Reinforce collaboration with private financial institutions.

2 Provide priority support to growth fields, etc.

- Business foundation, start-ups, and new businesses.
- Business revitalization.
- Business succession.
- Social business.
- Overseas expansion.
- New expansion by agricultural, forestry and fisheries businesses.
- DX and digitalization, etc.
- Environmental and energy measures.
- Equal educational opportunities.
- Development, provision, and introduction of advanced information and communications systems.
- Secure stable supplies of specified key goods, etc.

3 Contribution to local and regional revitalization

- Reinforce collaboration with local government.
- Provision of useful service that meets customer and local needs.
- Performance of the role of connecting relevant organizations.

4 Improve customer service and demonstrate policy significance

- Promote various measures such as enhancing the consultation capability to improve services and appropriately perform a risk-taking function.
- Promote public relations activities.
- Enhance surveys and research and further demonstrate think tank functions.
- Improve systems and measures through policy recommendations that conform to customer feedback and the needs on-site.

5 Appropriate management of credit risk

- Appropriately manage credit risks taking into consideration the effects of the COVID-19 pandemic, rising prices, and other factors on businesses.

Organizational Plans

1 Promote digitalization and DX

- Steadily promote digitalization and DX in accordance with a digitalization promotion plan and other plans.
- Reinforce preparations relating to information systems in anticipation of emergencies.
- Enhance stable system operations and implement comprehensive security measures.
- Reinforce internal stance to promote digitalization.
- Appropriate enforcement of system audits.

2 Enhancing branch office functions

- The branch office manager will faithfully exhibit its role.
- Strengthen our nationwide network of 152 branches.
- Continuously strengthen the branch management framework based on a bottom-up approach to management including implementation of measures intended to solve branch operational issues in light of changes in the business environment.

3 Conduct efficient and effective operations

- Review administrative work and take other measures to enable timely and detailed responses to the rapid increase in applications.
- Broadly collect opinions and requests from worksites and implement measures to use them in operational improvements.
- Implement fair procurement procedures.
- Improve branches and other facilities based on the needs of customers and branches.
- Implement environmentally-conscious measures including encouraging the use of products and services that contribute to reduced environmental impact.
- Implementation of appropriate expense management.

4 Foster and utilize human resources

- Enhance staff training for the realization of high-quality customer service and to nurture high-level management capabilities and expertise.
- Appropriately operate personnel payroll system.
- Promote effective utilization of human resources.
- Increase expertise.

5 Promote diversity and improve the workplace environment

- Create a workplace where diverse human resources can fulfill their potential.
- Promote women's empowerment including actively appointing women to management positions.
- Strengthen harassment prevention.

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

- Carry out appropriate risk management in response to policy requests.
- Carry out appropriate monitoring together with establishing and strengthening compliance awareness.
- Further strengthen risk management framework.

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

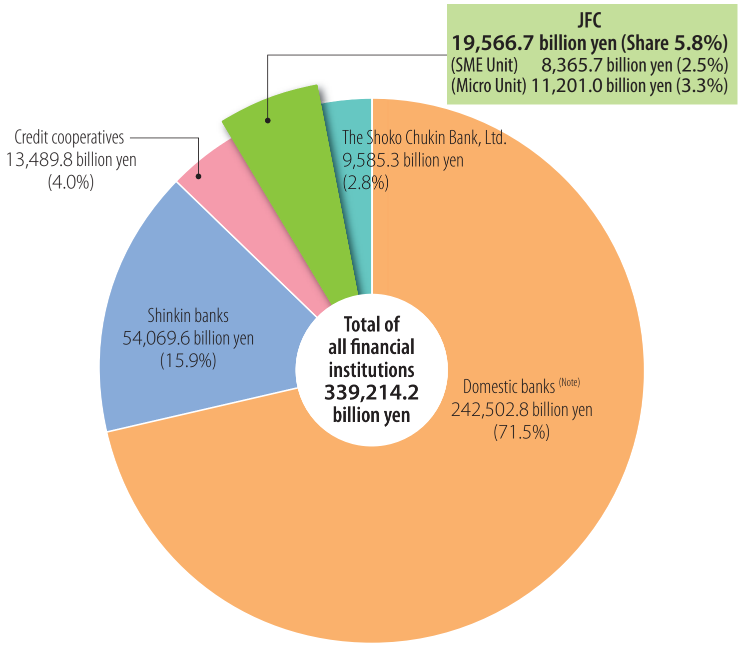
Memo

JFC Activities

Financing Structure of JFC

JFC's share of the balance of financing to SMEs (Micro Unit and SME Unit) is **5.8%**.

Share of balance of financing to SMEs (as of March 31, 2023)

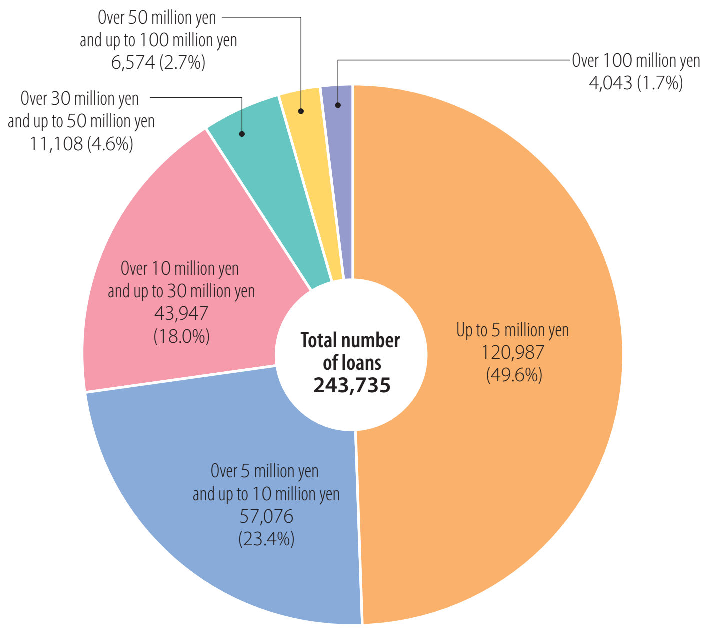


Note: Total of city banks, regional banks, regional banks II, and trust banks
Sources: Bank of Japan, "Loans by Borrower," "Cash, Deposits, and Loans" ; Shinkumi Bank, "Main Accounts of Nationwide Credit Unions" ; Japan Finance Corporation, "Business Statistics" ; Shoko Chukin Bank, "Business Statistics"

The composition of JFC's financing by loan amount in FY2022 was as follows. Of the total of approximately 240,000 business loans, **50% had loan amounts up to 5 million yen, and 91% 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 FY2022 (Note)



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

JFC Activities

Responses to the Spread of COVID-19

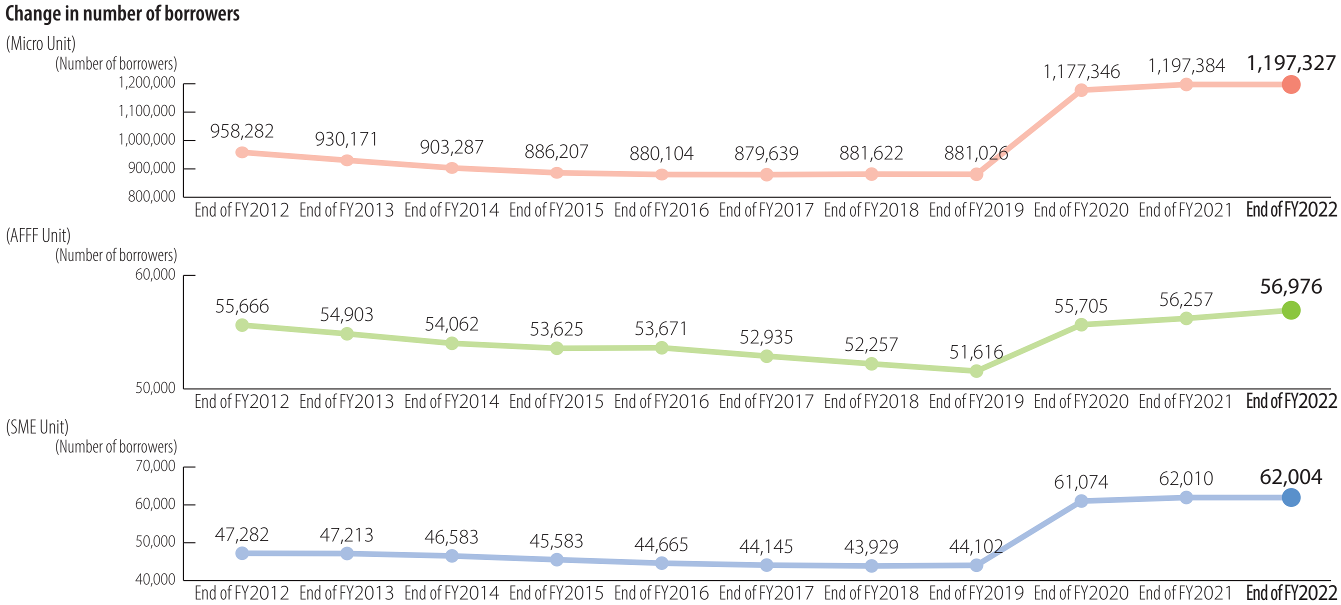
COVID-19 Related Loan

The cumulative total of COVID-19 related loans from January 29, 2020, the day when the consultation desks were established, to March 31, 2023, amounted to **1,181,638 loans** for a total of **19,646.2 billion yen**.

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 FY2022 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.

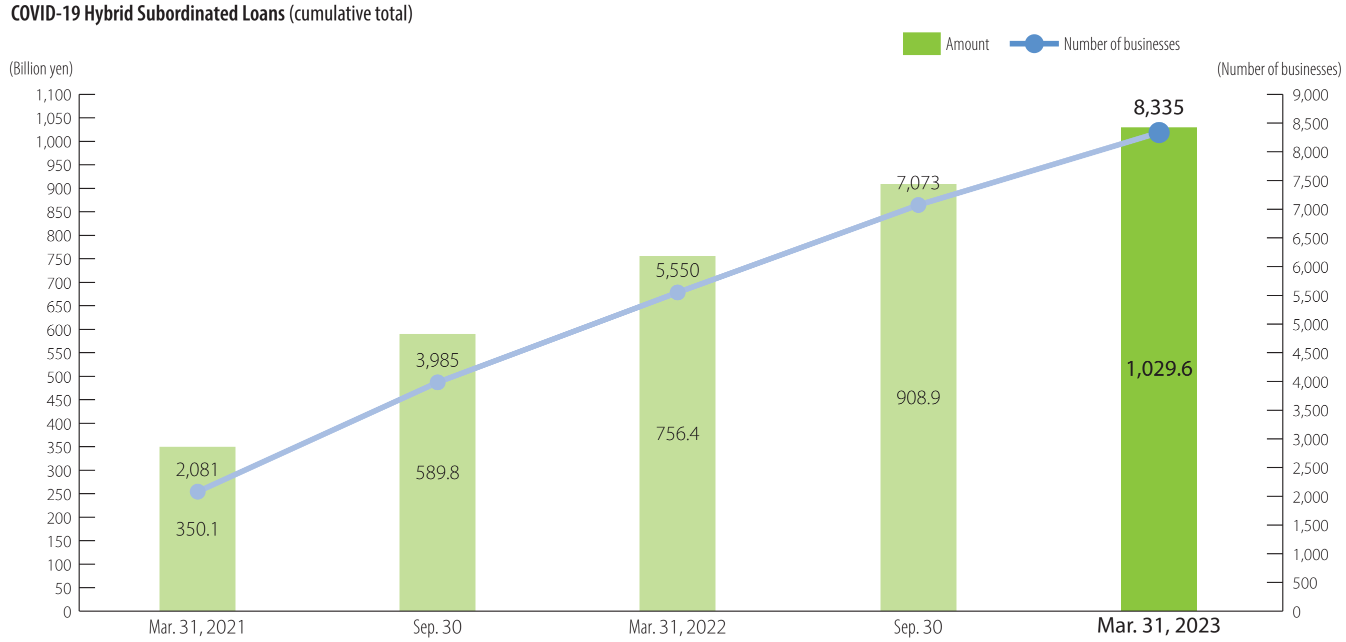
Change in number of borrowers



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, 2023, a total of **1,029.6 billion yen in financial to 8,335 businesses** has been provided.

COVID-19 Hybrid Subordinated Loans (cumulative total)

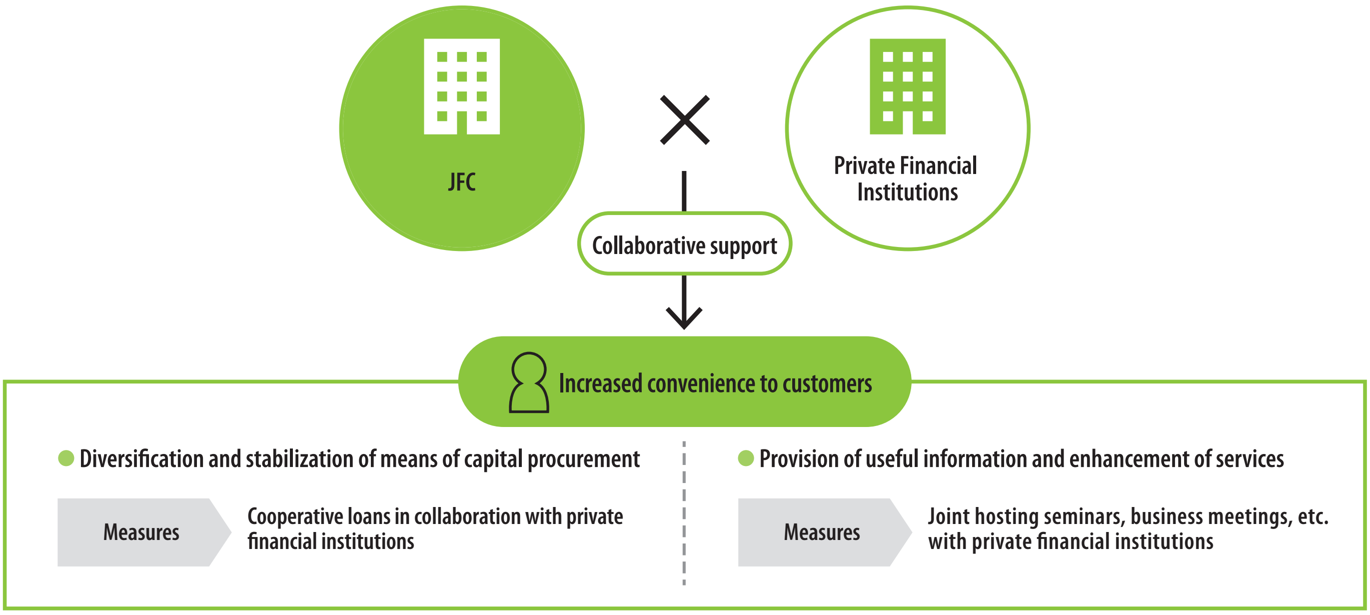


Cooperation with Private Financial Institutions

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, 2023**, MOUs on business cooperation and collaboration have been concluded with **486 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, 2023**. For some of the cooperative loan schemes, private financial institutions and the JFC collaborate to establish cooperative loan programs to support businesses. **As of March 31, 2023, 471 programs** were created in collaboration with **304 financial institutions**.

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

Creation of cooperative loan programs (as of March 31, 2023)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total (Note)
Number of financial institutions created cooperative loan programs	–	37	29	173	61	4	304
Number of cooperative loan programs (Note)	–	56	50	277	88	4	471

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 FY2022, total cooperative loans from private financial institutions came to: **29, 894 loans (118% compared to the previous fiscal year), 1,264.5 billion yen (101% compared to the previous fiscal year)**.

Cooperative loan [(Note)] **results**

		FY2019	FY2020	FY2021	FY2022	Compared to the previous fiscal year
Number of loans		28,736	24,467	25,259	29,894	118%
Amount		1,255.6 billion yen	1,684.7 billion yen	1,252.7 billion yen	1,264.5 billion yen	101%
	Amount per loan	43.69 million yen	68.85 million yen	49.59 million yen	42.29 million yen	85%

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 (FY2022)

	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total [(Note)]		Reference FY2021 results
								Compared to the previous fiscal year	
Number of loans	1,850	9,341	3,262	13,744	1,826	549	29,894	118%	25,259
Amount	273.0 billion yen	597.3 billion yen	147.0 billion yen	300.7 billion yen	31.5 billion yen	48.9 billion yen	1,264.5 billion yen	101%	1,252.7 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.

JFC Activities

(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 FY2022, **JFC referred 8,946 customers to private financial institutions.**

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

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

In FY2022, **private financial institutions referred 26,239 customers to JFC**. Of these, in addition to cooperative loans, **JFC independently provided 12,102 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 FY2022, 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 **181,498 loans for 2,636.3 billion yen**.

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.

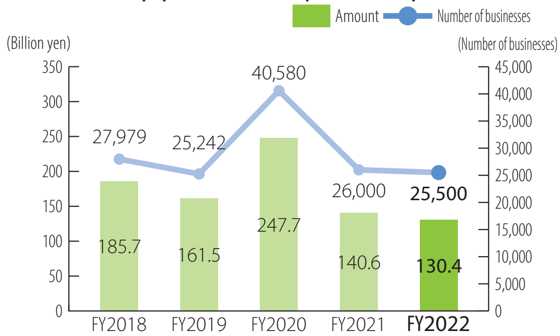
Provision of Policy-based Financing (Supporting the Growth Fields, etc.)

(1) Support for business foundation, start-ups and new businesses

(i) Loans to start-ups

In FY2022, loans to start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) came to: **25,500 businesses (98% compared to the previous fiscal year), 130.4 billion yen (93% 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

	FY2020	FY2021	FY2022	Compared to the previous fiscal year
Women	8,727 businesses	6,077 businesses	**6,367 businesses**	**105%**
Seniors (aged 55 and older)	4,701 businesses	2,509 businesses	**2,386 businesses**	**95%**
Youth (aged under 35)	10,986 businesses	7,889 businesses	**7,368 businesses**	**93%**

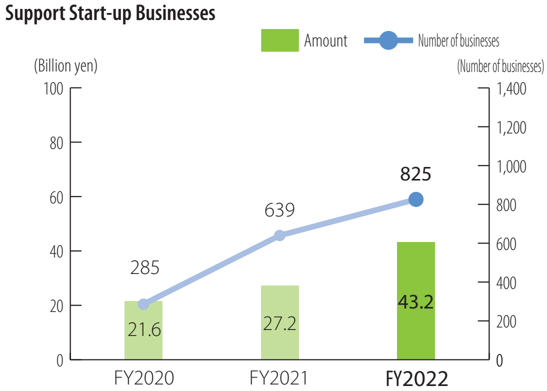
Note: Women who also qualify as youth or seniors included in the women category.

(ii) Loans to Foster Growth of New Businesses (Note 1) and Loans to Support Start-up Businesses (Note 2)

In FY2022, Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses (Note 3) came to: **825 businesses (129% compared to the previous fiscal year), 43.2 billion yen (159% compared to the previous fiscal year)**.

Notes: 1. A special loan program that provides support to venture SMEs working to develop new businesses with high growth potential.
2. A special loan program that provides support to start-ups expected to lead Japan's economic growth and the resolution of social issues.
3. Loan performance includes Hybrid Subordinated Loan Program.
4. Loan performance for FY2022 includes Loans to Support Start-up Businesses (8 businesses, 500 million yen) established in February 2023.

Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses



(iii) Stock Acquisition Rights Loans

Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses include Stock Acquisition Rights Loans, a program to provide unsecured loans through the acquisition of new company-issued share options by the SME Unit aimed at start-ups intending to offer stocks publicly.

In FY2022, loans came to: **69 businesses (168% compared to the previous fiscal year), 7.5 billion yen (214% compared to the previous fiscal year)**.

Results of Stock Acquisition Rights Loans included in Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses

	FY2020	FY2021	FY2022	Compared to the previous fiscal year
Number of businesses	15	41	**69**	**168%**
Amount	2.0 billion yen	3.5 billion yen	**7.5 billion yen**	**214%**

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

In FY2022, Capital Subordinated Loans (new businesses-type) came to: **23 businesses (96% compared to the previous fiscal year), 2.1 billion yen (72% compared to the previous fiscal year)**.

Results of Capital Subordinated Loans (new businesses-type)

	FY2020	FY2021	FY2022	Compared to the previous fiscal year
Number of businesses	49	24	**23**	**96%**
Amount	4.4 billion yen	2.9 billion yen	**2.1 billion yen**	**72%**

(v) Cooperation with regional start-up support institutions

We are working on discovering and supporting regional start-ups by holding presentation events for the start-ups in local areas in cooperation with regional start-up support institutions (regional banks, venture capitalists, etc.).

(2) Support for business revitalization

Results of financing relating to business revitalization in FY2022 came to **450 businesses (146% compared to the previous fiscal year) and 40.1 billion yen (133% compared to the previous fiscal year)** for Corporate Revitalization Loans, whereas Capital Subordinated Loans (revitalization-type) came to **21 businesses (124% compared to the previous fiscal year) and 2.8 billion yen (127% compared to the previous fiscal year)**. In addition, financing support relating to revitalization was provided to **136 businesses (119% compared to the previous fiscal year)**.

Results of loans related to support for revitalization

		FY2020	FY2021	FY2022	Compared to the previous fiscal year
Corporate Revitalization Loans	Number of businesses	654	308	**450**	**146%**
	Amount	54.3 billion yen	30.2 billion yen	**40.1 billion yen**	**133%**
Capital Subordinated Loans (revitalization-type)	Number of businesses	66	17	**21**	**124%**
	Amount	5.2 billion yen	2.2 billion yen	**2.8 billion yen**	**127%**

Results of financial support relating to revitalization

		FY2020	FY2021	FY2022	Compared to the previous fiscal year
Methods of financing for comprehensive revitalization such as DDS and DES (Note)	Number of businesses	93	114	**136**	**119%**

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 FY2022 came to **2,610 loans (110% compared to the previous fiscal year) and 84.2 billion yen (110% 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	FY2022
Number of loans	176	707	1,492	2,467	5,593	9,047	1,442	2,380	**2,610**
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	**84.2 billion yen**

Nots 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. 3, a collection of examples of business succession to a third-party

This brochure showcases the initiatives and aspirations of previous and current business management who have achieved third-party succession through the use of JFC's business succession matching support and support measures provided by other organizations
(Issued in July 2022)

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)

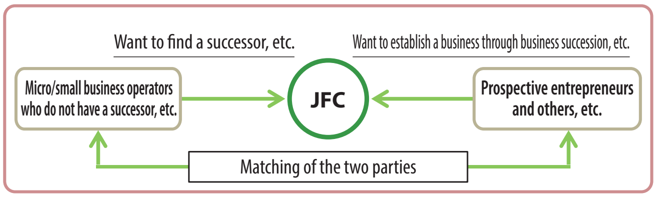
Business Succession Seminar

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)

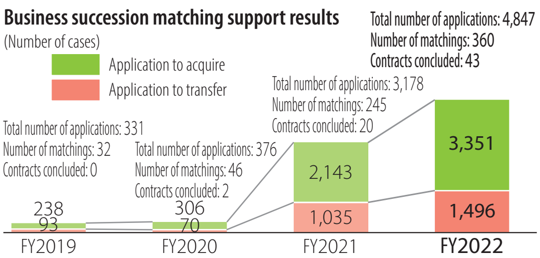
Business Succession Matching Support

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 FY2022, the program had 4,847 applications (153% compared to the previous fiscal year), with 360 successful matches made (147% compared to the previous fiscal year) and 43 contracts concluded (215% 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 transferrer is Ono Manufacturing Co., Ltd. (headed at the time by Mr. Ono), a cutting and processing company that was founded in 1984. The company, which lacked a successor, registered with the JFC's business succession matching support program so that it could transfer its business to a company that could be expected to maintain the employment of its workers.

The transferee, Kamakin Co., Ltd. (headed by Mr. Aoyama), meanwhile, is an aluminum casting company that was established in 1969.They lacked cutting functions, which are post-process functions of casting, preventing it from adequately meeting customer needs.

President Ono (left) of the transferrer company and President Aoyama (right) of the transferee company

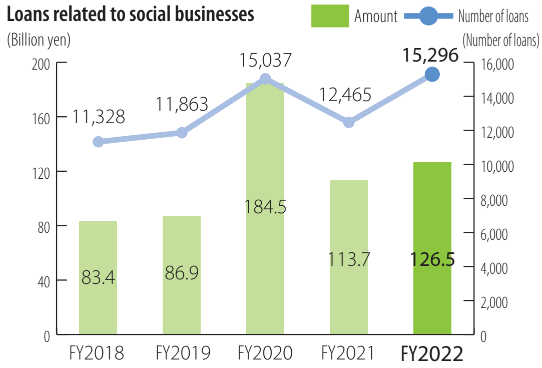
JFC-Micro carefully listened to Mr. Ono's wishes regarding the transfer of his business, and since transferee could expect to create synergy effects by using Ono Manufacturing's cutting technology, JFC-Micro referred Kamakin to Mr. Ono. Following multiple discussions and factory tours, the two companies signed a share transfer agreement in December 2022 with support from the JFC-Micro and a business succession support center.

(4) Support for Social Business (Note)

(i) Loans related to social businesses

In FY2022, loans related to social businesses came to: **15,296 loans (123% compared to the previous fiscal year), 126.5 billion yen (111% compared to the previous fiscal year)**.

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"

The Social Business Station is an information platform targeting companies in support of formulating collaborative and cooperative relationships with NPOs. Anyone interested in social business may use this site, including managers and individuals launching new businesses.

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.

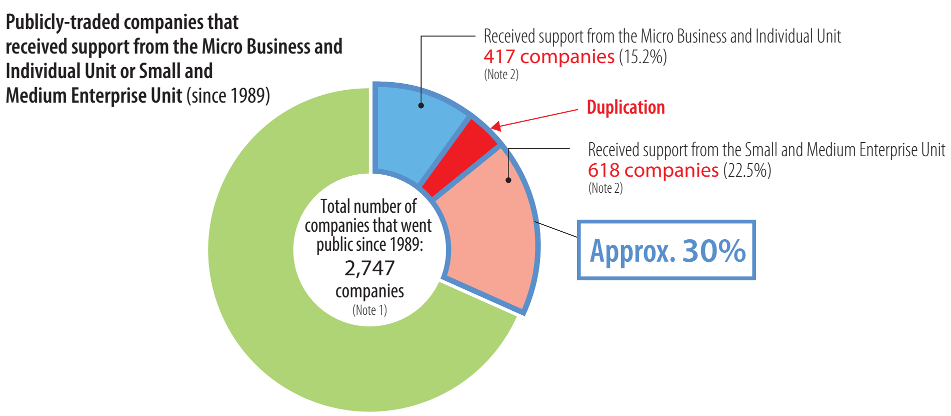
The Visualization Book is a workbook that helps businesses organize six elements relating to business planning (organizational mission, understanding of current conditions, implementation hypotheses, results targets, financial foundations, and organizational foundations). The Visualization Book can be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

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

JFC Activities

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 the Small and Medium Enterprise Unit were 417 companies and 618 companies, respectively, with 908 companies receiving support from both (excluding duplication), accounting for approximately 30% of the total.



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, 2023 (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.

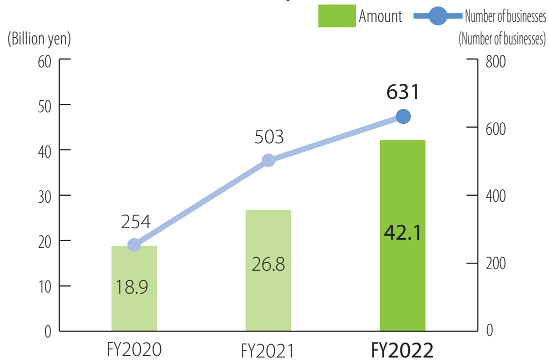
(5) Support for Overseas Expansion

(i) Loans for Overseas Investment and Expansion

In FY2022, Loans for Overseas Investment and Expansion were provided to **631 businesses (125% compared to the previous fiscal year), totaling 42.1 billion yen (157% compared to the previous fiscal year)**; of which cross-border loans (Note) were provided to **94 businesses** in FY2022, in the amount of **7.6 billion yen**. The totals since the system was launched in January 2021 (through March 31, 2023), stood at **205 business and 14.1 billion yen**.

Note: 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, Singapore, and the Philippines.

Loans for Overseas Investment and Expansion



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

	FY2020		FY2021		FY2022		
	Number of businesses	Ratio	Number of businesses	Ratio	Number of businesses	Ratio	Compared to the previous fiscal year
China (including Hong Kong)	56	22%	136	27%	**181**	**29%**	**133%**
ASEAN	107	42%	211	42%	**234**	**37%**	**111%**
Viet Nam	39	15%	85	17%	**78**	**12%**	**92%**
Thailand	26	10%	80	16%	**71**	**11%**	**89%**
Philippines	9	4%	13	3%	**24**	**4%**	**185%**
Malaysia	9	4%	9	2%	**22**	**3%**	**244%**
Other ASEAN countries	24	9%	24	5%	**39**	**6%**	**163%**
Others	91	36%	156	31%	**216**	**34%**	**138%**
Total	254	100%	503	100%	**631**	**100%**	**125%**

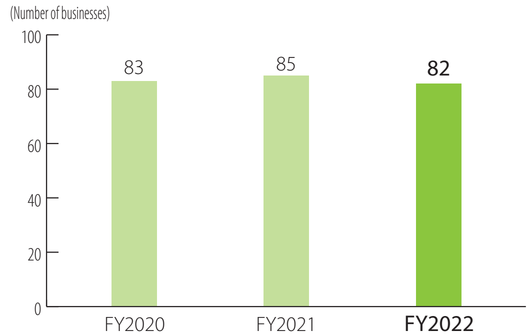
(ii) Standby Letter of Credit Program (Note)

As for FY2022, letters of credit were issued to the affiliated financial institutions in Thailand, China, Republic of Korea, Indonesia, Viet Nam, Mexico, Singapore, Malaysia, and Taiwan, being utilized by **82 businesses**. The cumulative usage (until March 31, 2023) of this program since its start in FY2012 has reached **887 businesses**.

As of March 31, 2023, 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, 2023, 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 **58 businesses (4 businesses in FY2022)** through this partnership scheme.

Standby Letter of Credit Program



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.

(iii) Performance of Trial Export Support Project

As part of the business support services to customers who have JFC loan balance, the Trial Export Support Project was established by JFC AFFF Unit in FY2013 and the Micro Business and Individual Unit in FY2022 to support customers attempting to export agricultural and fisheries products for the first time, in cooperation with experienced export trading companies.

In partnership with trading companies, the Trial Export Support Project has coordinated to provide support to small businesses, agriculture, fisheries and food manufacturing businesses showing an eagerness to export their products. This has resulted in support for **75 cases** of trial exports in FY2022.

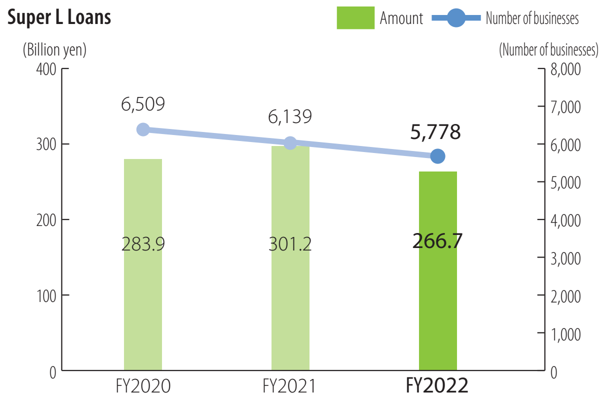
	FY2020	FY2021	FY2022
Number of supported cases	35	31	**75**

* The number of supported cases up to FY2021 is solely for the Agriculture, Forestry and Fisheries Businesses. The number of supported cases in FY2022 is the cumulative total of the Micro Business and Individual Unit and the Agriculture, Forestry and Fisheries Businesses Unit.

(6) Support for new expansion by agriculture, forestry, and fisheries businesses

(i) Supporting leaders of agriculture (new entrants into farming, large family businesses, corporations)

Performance of Agricultural Management Framework Reinforcement Loan (name: Super L Loan) in FY2022, came to: **5,778 businesses (94% compared to the previous fiscal year), 266.7 billion yen (89% compared to the previous fiscal year)**.

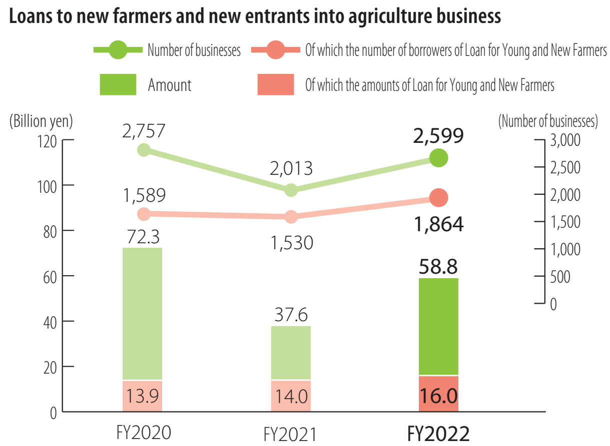


(ii) Supporting new entrants into agriculture business and new farmers

In FY2022, performance of loan to new entrants into agriculture business and new farmers came to **2,599 businesses (129% compared to the previous fiscal year)**, and **58.8 billion yen (156% compared to the previous fiscal year)**.

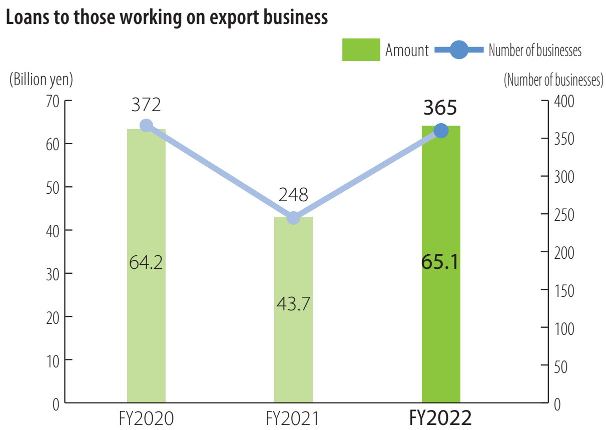
Performance of Loan for Young and New Farmers(Note) which was launched in FY2014 came to: **1,864 businesses (122% compared to the previous fiscal year), 16.0 billion yen (114% compared to the previous fiscal year)**.

Note: Loans to support new farmers who are about to start their businesses and are certified by municipalities under the Young and New Farmers Plan.



(iii) Supporting initiatives to export

In FY2022, loan performances to those who work on management improvement through exports came to: **365 businesses (147% compared to the previous fiscal year), 65.1 billion yen (149% compared to the previous fiscal year)**.

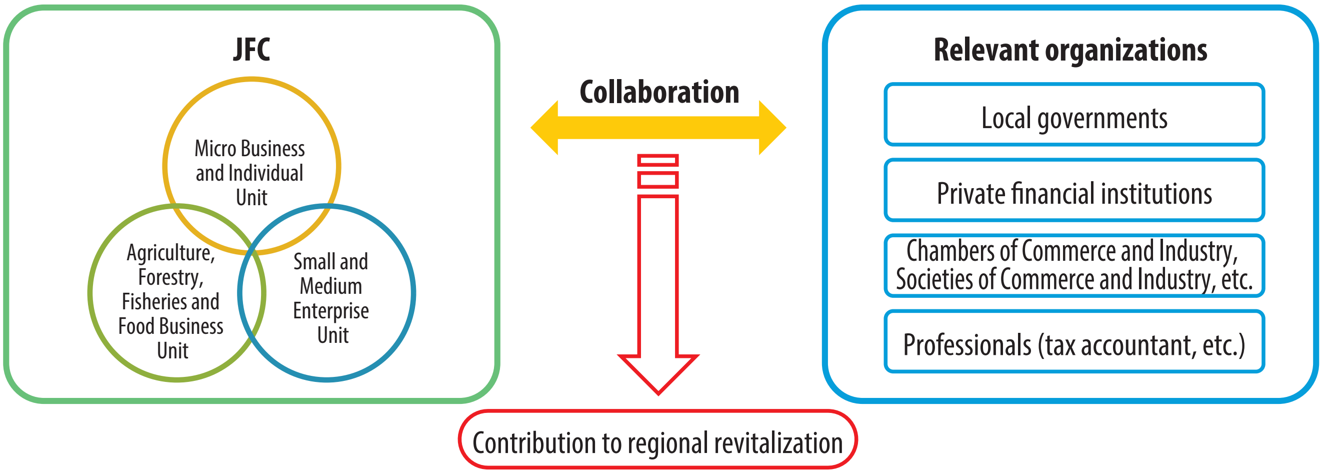


JFC Activities

Contribution to Local and Regional Revitalization

JFC proactively participates in the Regional Comprehensive Strategies, promotes regional cooperation, and contributes to local and regional revitalization through programs such as business matching, business discussion meetings, and seminars implemented through nationwide 152 branches' network.

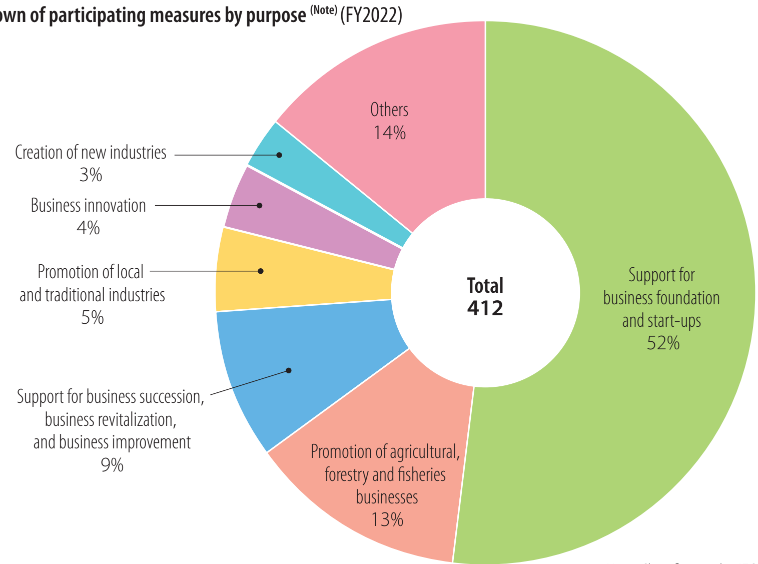
(1) **Reinforcement of collaboration with local governments**	In order to contribute to regional revitalization, JFC supports the implementation and promotion of the Regional Comprehensive Strategies which the local government formulated under the National Strategy for Overcoming Population Decline and Vitalizing Local Economy, through collaborating with private financial institutions and other institutions by proactively involving into various measures of the regional strategies.
(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 promotes initiatives to resolve challenges which the region and customers are facing in cooperation with various relevant organizations through the wide regional perspective.



Reinforcement of Collaboration with Local Governments

- Taking consideration of local circumstances and needs, JFC is attentively responding to regional challenges at our 152 branches nationwide.
- In FY2022, JFC participated in various fields of **412 individual measures**, among which set forth in Phase 2: Regional Comprehensive Strategies, such as support for business start-ups and the promotion of agriculture, forestry, and fisheries businesses. Furthermore, by understanding the challenges the region is facing through our proactive visits to the local governments as well as the dialogue with the regional leaders, we further strengthened our partnerships through promoting initiatives to resolution.

Breakdown of participating measures by purpose (Note) (FY2022)



Note: Classification by JFC

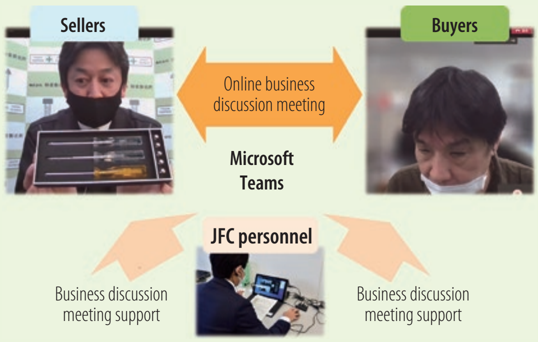
Providing Useful Services Meeting the Customer and Local Needs

- In FY2022, to support customers' core businesses regarding post-COVID and to contribute to the revitalization of local regions, JFC organized business matching, business discussion meetings and seminars nationwide.
- To support customers' challenge resolving, in addition to nationwide scale business meetings held online, our regional branches organized online business matching to connect customers in remote areas as well as business discussion meeting depending on regional situation.
- JFC offers a platform called Internet Business Matching site, which connects the needs of customers such as search into new buyers or raw material suppliers.

JFC Internet Business Matching
https://match.jfc.go.jp/
(Available only in Japanese)

The 3rd Nationwide Online Business Discussion Meetings

- To meet the customers' diversified matching needs regarding post-COVID, JFC organized online business discussion meetings in order to support their further business opportunities. (February 13-17, 2023).
- In addition to previous business discussion meeting contents, a start-up slot was newly added to match start-ups offering services such as DX, productivity improvement, and others with customers who are willing to solve business challenges. As a result, a total of 849 business discussions were held (725 in the previous event), achieving high satisfaction among the participants.



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

Role Performance of Connecting Relevant Organizations

- In perspective to enhance the consulting functions for customers, JFC collaborates with relevant organizations to proactively organize seminars or study sessions in each regions.
- As a role of policy-based financial institution, JFC performs to connect relevant organizations in regions and contribute to solving challenges customers and regions are facing. To this end, in FY2022, we organized the Regional Economic Revitalization Symposium in Nagasaki and Tokyo collaborating with local financial institutions, support organizations, local companies, also distributed the event online nationwide. The theme in Nagasaki was "Regional Development x Agriculture, Forestry and Fisheries Businesses: Making the Profitable Agriculture, Forestry and Fisheries Businesses as the Engine of Local Economies," while the theme in Tokyo was "SMEs Going out to the World." At the events, information on the support options was provided, as well as the current measures, challenges, and future possibilities were exchanged by participants.

First Nagasaki Event
- Date: June 28, 2022
- Location: Dejima Messe Nagasaki
- Theme: 'Regional Development' x Agriculture, Forestry and Fisheries Businesses: Making the Profitable Agriculture, Forestry and Fisheries Businesses as the Engine of Local Economies
- Number of participants: Venue: 100
  Live-Streaming: 398


A scene of the Nagasaki venue

Second Tokyo Event
- Date: October 31, 2022
- Location: Nikkei Hall
- Theme: SMEs Going out to the World
- Number of participants: Venue: 80
  Live-Streaming: 408

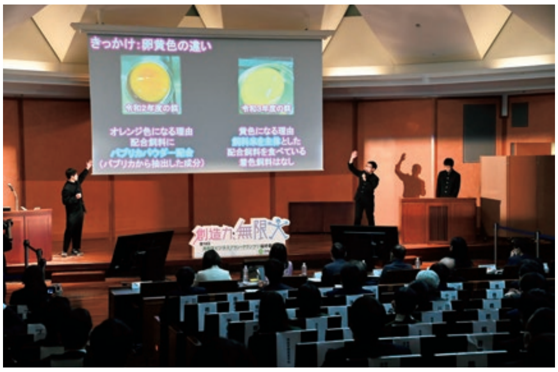

A scene of the Tokyo venue

Holding of the 10th 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 10th High School Student Business Plan Grand Prix, a total of 33,000 students from 425 schools received assistance in creating their business plans through on-site classes led by Business Start-up Support Centers nationwide. A record number of 4,996 entries were received from 455 schools.

At the final screening, held in January 2023, 10 groups of finalists gave enthusiastic presentations. The Grand Prix went to Ms.Himawari Motojima at Tokyo Metropolitan Harumi Sogo High School for "Refrigerator Project JAPAN—Save Poverty in Developing Countries with Japanese Wisdom—" which drew the attention of various media. In addition, Prime Minister Kishida sent a video message in response to the presentations, as in the 9th Grand Prix.



Presentation at the final screening

Ms. Himawari Motojima at Tokyo Metropolitan Harumi Sogo High School who received the 10th Grand Prix award

Video message by Prime Minister Kishida

The 11th High School Student Business Plan Grand Prix

Application period: August 22 to September 27, 2023 (*If sent by mail, applications must be received by September 20)

Announcement of ten finalist groups: Late November 2023

Final competition and award ceremony: January 7, 2024

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)

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)

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 connect policy with businesses and local communities and support them. 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)

Sustainability Initiatives

Basic Sustainability Policy

JFC has adopted a managerial policy of "contributing to realizing a sustainable society" to clarify its commitment to sustainability. Based on this policy, JFC has established the Basic Sustainability Policy to contribute to the realization of a sustainable society through its business operations.

Basic Sustainability Policy

Based on its basic philosophy and managerial policy, JFC shall contribute to the realization of a sustainable society by striving to support SMEs, small businesses, agricultural, forestry and fisheries businesses, among others, through the appropriate provision of policy-based financing, and to manage its operations in consideration of regional revitalization and the environment through cooperation with relevant organizations.

◆ **Basic Concept**
Through steady implementation of each item of the Business and Management Plan, we will promote sustainability and contribute to the achievement of the SDGs.

◆ **Identifying Materiality**
- The following materialities are defined as key issues to be addressed in promoting sustainability.
  (1) Supporting customers' business continuity by exercising safety net functions
  (2) Collaborate with private financial institutions and related organizations to support the growth of customers and the regional community
  (3) Focus on growth areas to support customers and the development of Japan
  (4) Increase the satisfaction of working staff by creating a workplace where diverse human resources can play their active roles
- Progress in addressing materiality issues shall be reported to and monitored by the Board of Directors and evaluated by the Evaluation & Review Committee in an effort to improve initiatives for the promotion of sustainability.

◆ **Cooperation with Local Communities**
Contribute to the progress of sustainability initiatives in the community as a whole by sharing the importance of sustainability initiatives with customers and relevant institutions.

◆ **Foster Human Resource**
Enhance staff training to realize high-quality customer service and nurture high-level management capabilities and expertise to enable all management and staff to fulfill their expected roles as policy finance providers.

◆ **Internal Environmental Improvement**
Promote career development for women while also striving to create a workplace where it is possible to practice work-life management regardless of gender.

◆ **Create awareness among all management and staff**
Foster awareness of sustainability among all management and staff to ensure they are actively engaged in promoting sustainability in accordance with this Policy.

Contributions to the SDGs Through JFC Initiatives

As a policy-based financial institution, JFC is committed to contributing to the achievement of the Sustainable Development Goals (SDGs) as advocated by the United Nations.

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
- Support for customers involved in health management

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 for customers impacted by the COVID-19 pandemic
- Exercise of safety net function
- Definite implementation of operations to facilitate crisis responses
- Steady implementation of credit supplementation
- Support for business foundation, start-ups and new businesses
- 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 and DX
- Further promotion of flexible workstyles, such as telecommuting
- Practice of work-life management
- Strengthening of harassment countermeasures
- Raising the retirement age

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
- Two-Step loans for securing stable supplies of specified goods of importance

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]
- Supporting the development of a sustainable fisheries industry into a growth business

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.

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

Overview of Operations in FY2022 and Outline of Financial Statements

Overview of Operations in FY2022

The Japanese economy continues to show a gradual recovery as socioeconomic activities begin to normalize in the aftermath of the COVID-19 pandemic. Conversely, concerns of a global recession due to soaring energy and food prices and monetary tightening in the U.S. and Europe have increased the severity of the environment surrounding the Japanese economy.

Under these circumstances, as a policy-based financial institution, with a sense of mission to connect and support policy, businesses, and communities, JFC actively engaged in supporting customers affected by the COVID-19 pandemic, exercising safety net functions, collaborating with private financial institutions, contributing to strategic fields of growth, improving customer service, and contributing to local and regional revitalization, etc.

JFC is deeply aware of the role it is expected to play as a policy-based financial institution, and is prepared to deal with any crisis, and will continue to function as a safety net for SMEs, small businesses, and the agriculture, forestry and fisheries businesses under any circumstances.

In addition, we will exercise our risk-taking function and actively engage in growth areas such as start-ups, promotion of exports, business revitalization to maintain the vitality of local communities, and business succession for the next generation.

We will also utilize our nationwide network of 152 branches to support SMEs, small businesses, agricultural, forestry and fisheries businesses, etc., to contribute to local and regional revitalization.

Moreover, to reinforce the policy-based financing function, we will work to deepen cooperation with private financial institutions and related organizations, enhance customer service through the exercise of consulting functions, promote digitization and DX to improve operational efficiency, improve the capabilities of employees responsible for these functions, and realize a workplace where diverse human resources can play an active role.

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 made a cumulative total of approximately 1,180,000 new COVID-19 related loans, totaling 19 trillion yen, through March 31, 2023. 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, 2023, a total of 1 trillion yen in financial to approximately 8,000 businesses has been provided.

Other support for customers affected by the COVID-19 pandemic includes performing consulting functions through post-loan follow-up and disseminating information on examples of JFC's support in the wake of the COVID-19 crisis.

JFC will continue to strengthen its consultation system and respond to customers' concerns regarding financing and repayment in a kind, courteous, and prompt manner.

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 new special consultation desks to provide prompt and detailed responses to financing and repayment inquiries to SMEs, small businesses, agricultural, forestry and fisheries businesses, etc., affected by the heavy rains from July 14, 2022, August 3, 2022, Typhoon No. 14 of 2022, Typhoon No. 15 of 2022, heavy snowfall from December 17, 2022, December 22, 2022, and January 24, 2023.

We also continue to respond promptly and meticulously to consultations regarding financing and repayment from SMEs, small businesses, agricultural, forestry and fisheries businesses, and others affected by the situation in Ukraine and the sharp rise in oil prices.

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. Furthermore, through the continued promotion of cooperative loans with private financial institutions, notably in growth sectors, we strengthened collaboration relating to management improvement and business revitalization support for SMEs, micro/small businesses, and agricultural, forestry and fisheries businesses with a post-COVID perspective.

Supporting the Growth Fields, etc.

Based on the government's policies, JFC appropriately exercised its risk-taking function and, with a view toward post-COVID world, engaged in supporting start-ups, new businesses, business revitalization and succession, social business, overseas expansion, the new expansion by agriculture, forestry and fisheries business operators, promotion of DX 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.

As a part of these efforts, JFC provided support for start-ups in cooperation with venture capitalists and private financial institutions; for business succession, through collaboration with relevant organizations in each prefecture, consulting services including business succession matching; and in the area of overseas business development, we worked with relevant organizations to provide direct financial support to overseas subsidiaries and to promote exports of agricultural, forestry and fisheries products and food products.

Improving Customer Service and Contributions to Local and Regional Revitalization

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.

In addition, the Unit also held nationwide online business discussion meetings and held seminars and business discussion meetings tailored to local characteristics and worked to provide matching support by utilizing its network of 152 branches nationwide.

Furthermore, even during the COVID-19 pandemic, JFC actively participated in local projects such as Phase 2: Comprehensive Regional Strategies and held the Regional Economic Revitalization Symposium in two locations nationwide.

As a result, JFC's loan results for FY2022 were 3,787.1 billion yen.

JFC's financial results during FY2022 were as follows: ordinary income was 416.9 billion yen and net loss including extraordinary incomes and losses was 268.7 billion yen.

Outline of Financial Statements for FY2022

1. Profit and loss

At the closing of FY2022 (ended March 31, 2023), JFC recorded a net loss of 268.7 billion yen, by a loss of 118.8 billion yen under the previous fiscal year.

The key factor was a decrease of current net loss by 123.4 billion yen under the previous term in the Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation).

Profit and Loss Statement

(Billion yen)

		Ordinary income		Ordinary expenses		Ordinary profit (loss)		Net income (loss)	
		2022	2023	2022	2023	2022	2023	2022	2023
Japan Finance Corporation		437.0	416.9	824.4	685.7	(387.3)	(268.7)	(387.5)	(268.7)
Micro Business and Individual Unit (Account for Micro Business and Individual Operations)		121.8	110.7	172.9	228.3	(51.1)	(117.5)	(51.1)	(117.3)
Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)		47.6	47.2	47.6	47.2	0.0	0.0	–	–
Small and Medium Enterprise (SME) Unit	Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)	72.5	67.3	244.1	115.5	(171.6)	(48.1)	(171.6)	(48.2)
	Account for Securitization Support Programs (Purchase-type Operation)	0.5	0.4	0.3	0.4	0.1	(0.0)	0.1	(0.0)
	Account for Credit Insurance Programs	182.0	179.6	324.0	251.3	(142.0)	(71.6)	(142.0)	(71.6)
Operations to Facilitate Crisis Responses (Account for Operations to Facilitate Crisis Responses)		12.7	11.6	35.4	43.0	(22.7)	(31.4)	(22.7)	(31.4)
Operations to Facilitate Specific Businesses Promotion, etc. (Account for Operations to Facilitate Specific Businesses Promotion, etc.)		0.1	0.1	0.1	0.2	(0.0)	(0.0)	(0.0)	(0.0)

2. Assets

Total assets were 36,730.7 billion yen, the majority of which were loans and bills discounted.

Loans and bills discounted decreased 1,116.2 billion yen from March 31, 2022, to 27,739.6 billion yen.

Total net assets stood at 15,286.4 billion yen, taking into account an increase from having received capital contributions from the government of 140.4 billion yen, against a net loss of 268.7 billion yen, etc.

Balance Sheet

(Billion yen)

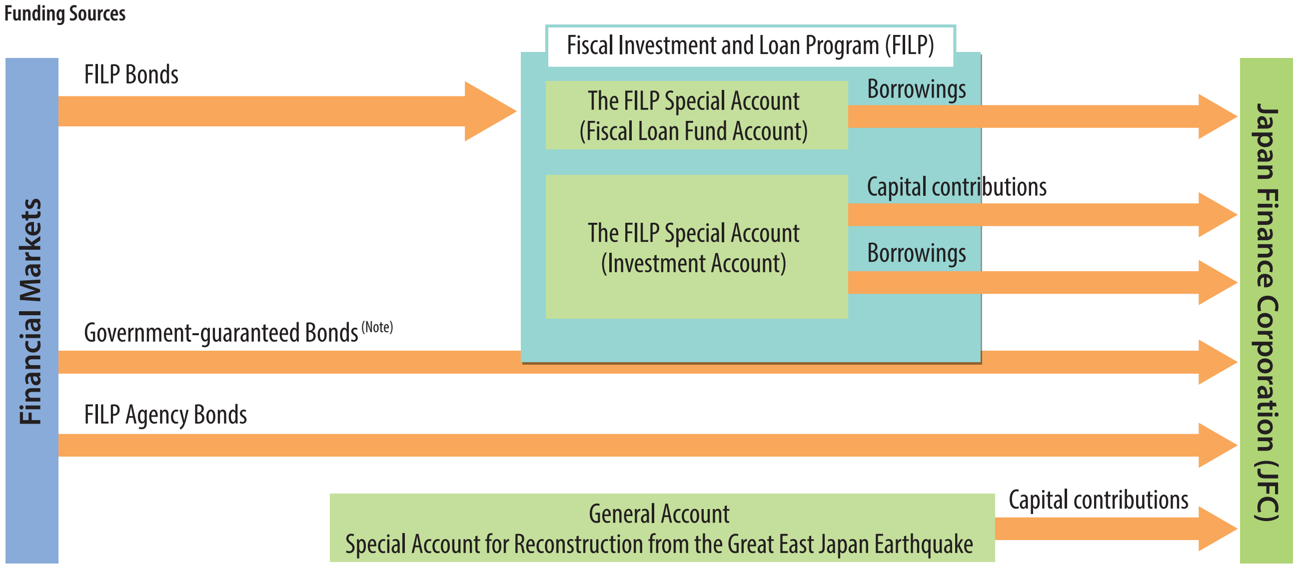
Assets			Liabilities and net assets		
Items	Amount		Items	Amount	
	2022	2023		2022	2023
Cash and due from banks	12,086.5	9.728.0	Borrowed money	21,580.4	18,519.1
Securities	40.2	48.2	Bonds payable	1,325.3	926.0
Loans and bills discounted	28,855.8	27,739.6	Entrusted funds	24.5	22.8
Other assets	26.2	27.3	Reserve for insurance policy liabilities	1,737.6	1,787.2
Property, plant and equipment	193.7	190.7	Other liabilities	33.2	31.9
Intangible assets	23.4	24.9	Provision for bonuses	5.2	5.4
Customers' liabilities for acceptances and guarantees	26.5	28.2	Provision for directors' bonuses	0.0	0.0
Allowance for loan losses	(986.0)	(1,056.4)	Provision for retirement benefits	92.4	95.1
			Provision for directors' retirement benefits	0.0	0.0
			Reserve for compensation losses	25.9	28.0
			Acceptances and guarantees	26.5	28.2
			Total liabilities	**24,851.6**	**21,444.2**
			Capital stock	11,612.7	11,696.1
			Capital surplus	5,575.6	5,490.5
			Retained earnings	(1,773.6)	(1,900.3)
			Valuation difference on available-for-sale securities	0.1	0.0
			Total net assets	**15,414.9**	**15,286.4**
Total assets	**40,266.5**	**36,730.7**	**Total liabilities and net assets**	**40,266.5**	**36,730.7**

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)

	FY2022 budget	FY2022 results	FY2023 budget
Borrowings from Fiscal Loan Fund, etc.	4,793.3	741.2	6,069.3
Government-guaranteed Bonds	100.0	–	100.0
Capital contributions from the government	159.5	140.4	75.7
Funding from the government (percentage of overall funding)	5,052.8 (95%)	881.7 (98%)	6,245.0 (96%)
FILP Agency Bonds	290.0	20.9	290.0
Total funding	5,342.8	902.6	6,535.0

Notes: 1. The budget amounts for FY2022 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	FY2020		FY2021		FY2022		FY2023	
	Budget	Results	Budget	Results	Budget	Results	Budget	Results
10-year bond	500.0	50.0	500.0	—	—	—	—	—
Over 5-year bond (excluding 10-year bond)	6,000.0	—	—	—	—	—	—	—
Less than 5-year bond	600.0	150.0	400.0	—	100.0	—	100.0	—
Short-term bond (Less than 1 year)	500.0	—	300.0	—	—	—	—	—
Total	7,600.0	200.0	1,200.0	—	100.0	—	100.0	—

Notes: 1. The budget amounts for FY2020 are the revised levels following the supplementary budget.
In FY2023, 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 and FY2022, JFC has not issued any government-guaranteed bonds.
4. In FY2023, JFC has not issued government-guaranteed bonds as of May 31, 2023.

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	FY2020 (Budget 300.0) Results 260.0				FY2021 (Budget 290.0) Results 50.0				FY2022 (Budget 290.0) Results 20.9				FY2023 (Budget 290.0) Results 0.0
Month of issue	May	August	November	March	May	August	November	March	May	August	November	March	May
5-year bond	—	—	—	—	—	—	—	10.0	—	—	—	10.9	—
4-year bond	—	80.0	—	—	—	—	—	—	—	—	—	—	—
3-year bond	—	—	—	10.0	—	—	—	10.0	—	—	—	10.0	—
2-year bond	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 FY2023 JFC has not issued FILP agency bonds as of May 31, 2023.

Ratings of JFC (As of May 31, 2023)

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 9.35 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 25,500 a year. It is estimated that about 79,000 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.

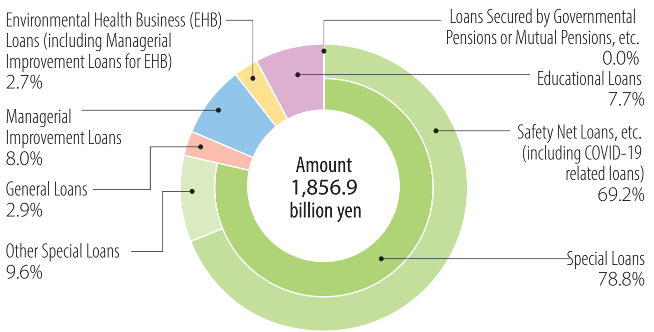
Collaboration with Regional Financial Institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations, etc.

- Micro Unit works in close collaboration with such organizations as regional financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations 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 contributes to regional revitalization by reinforcing cooperation with local governments and proactively participating in comprehensive regional strategies initiated by local governments.

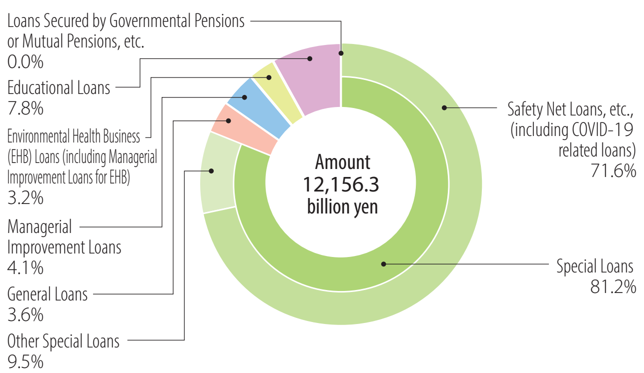
Support through Educational Loans, etc.

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

Breakdown of Loans (FY2022)



Breakdown of loan balance (as of March 31, 2023)



Overview of Operations

Feature of Operations

Supporting Micro/Small Businesses

As of the end of FY2022, Business Loans were provided to 1.19 million businesses. The average loan balance per business is 9.35 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.

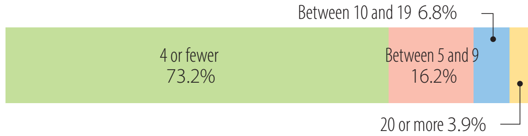
Number of business borrowers and average loan balance per business (as of March 31, 2023)

	Micro Business and Individual Unit	Total for shinkin banks (254 banks)	Total for domestic banks (132 banks)
Number of business borrowers (million)	1.19	1.25	2.22
Average loan balance per business (million yen)	9.35	43.18	107.75

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) (FY2022)



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

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 to clients that meet certain conditions such as a decline in sales.

From January 29, 2020, the day when the consultation desks were established, to March 31, 2023, we provided a total of 1,096,872 COVID-19 related loans worth a total of 12,463.4 billion yen.

Measures during disasters

A special consultation desk is immediately established in case of a major earthquake such as the Great East Japan Earthquake, other natural disasters such as typhoons or torrential rains, 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 June 30, 2023)

	Number of consultation desks	Consultation desks currently in operation	Date of establishment
Disaster-related	9	Special consultation desk for the Great East Japan Earthquake	Mar. 2011
		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 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
		Special consultation desk for damage suffered as a result of heavy rain from August 3, 2022	Aug. 2022
		Special consultation desk for damage suffered as a result of Typhoon No. 14 of 2022	Sep. 2022
		Special consultation desk for damage suffered as a result of Typhoon No. 15 of 2022	Sep. 2022
		Special consultation desk for damage suffered as a result of the earthquake in Noto Peninsula of Ishikawa Prefecture in 2023.	May. 2023
		Special consultation desk for damage suffered as a result of the heavy rain brought by the seasonal rain front and Typhoon No. 2 of 2023	Jun. 2023
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 Customers' Business Continuity and Growth

We share information on our customers' managerial strengths and issues through dialogue with them, not only when providing loans, but in all phases including post-financing follow-ups. When addressing these issues that have been shared, we use financial diagnostic services and SWOT analysis services to provide advice and information that is useful for management as well as support collaboratively with outside experts.

Overview of Operations

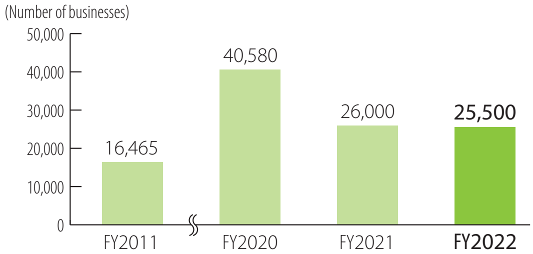
Supporting Business Start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) Proactively

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 25,500 business start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) in FY2022. It is estimated that about 79,000 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]

25,500 businesses × average of 3.1 employees (Note) = 79,050 employees

Note: The average number of employees at time of business start, based on Survey on Business Start-ups in Japan (FY2022) 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)
FY2022	FY2022	FY2022
6,367 businesses	7,368 businesses	2,386 businesses

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

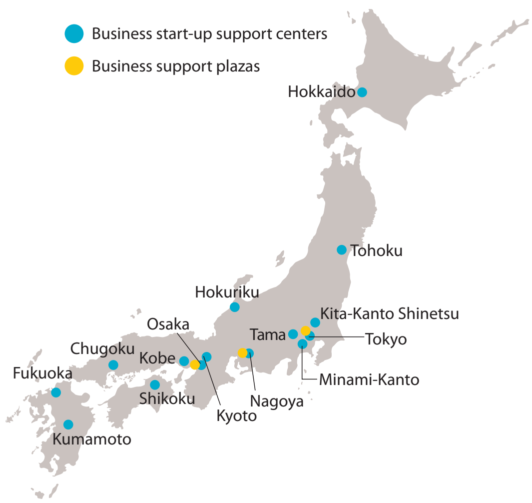
Business Start-up Support Desks have been established in the 152 branch offices nationwide

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

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.

Locations (as of March 2023)



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

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 Start-ups

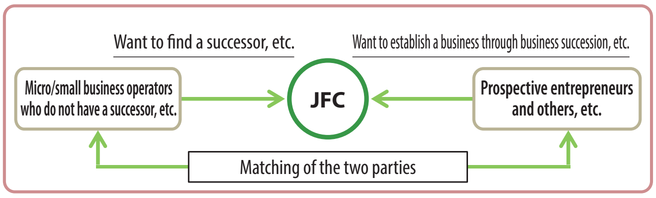
To contribute to the growth and development of start-ups striving to achieve rapid growth that serve as a driving force to innovation and provide original value with innovative ideas, JFC-Micro provides financing that does not rely on guarantors including "Capital Subordinated Loan" as well as core business support such as business matching with large companies.

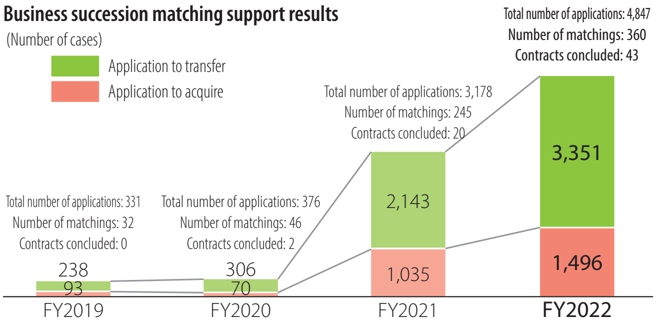
Supporting Business Revitalization Actively

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 private financial institutions, outside experts, and public support organizations.

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 events 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.





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 FY2022 loans to social businesses came to: 15,296 loans, 126.5 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 are established at 152 branches nationwide to actively support businesses that are working to expand overseas. JFC-Micro cooperates with Japan External Trade Organization (JETRO), Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN), Japan Federation of Bar Associations, and other organizations that support overseas expansion. We establish consultations systems that can provide detailed support information according to the needs of customers by providing advice for first-time overseas expansion, information on overseas exhibitions and business matching events, and confirmation of local laws and regulations, required permits and licenses, and the details of contracts.

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

Collaboration with regional financial institutions

We promote cooperation with regional financial institutions to support customers affected by the COVID-19 pandemic and price hikes, etc., 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 the 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 FY2022, total cooperative loans from regional financial institutions came to: 21,519 loans, 235.4 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 (FY2022)

Cooperative loan	City banks	Regional banks	Regional banks II	Shinkin banks	Credit cooperatives	Others	Total	Total: Compared to the previous fiscal year	Reference FY2021 results
Number of loans	1,850	9,341	3,262	13,744	1,826	549	29,894	118%	25,259
Micro Unit	274	5,249	2,272	11,951	1,651	122	21,519	128%	16,752
Amount	273.0 billion yen	597.3 billion yen	147.0 billion yen	300.7 billion yen	31.5 billion yen	48.9 billion yen	1,264.5 billion yen	101%	1,252.7 billion yen
Micro Unit	6.1 billion yen	62.2 billion yen	25.7 billion yen	125.2 billion yen	14.6 billion yen	1.4 billion yen	235.4 billion yen	111%	212.3 billion yen

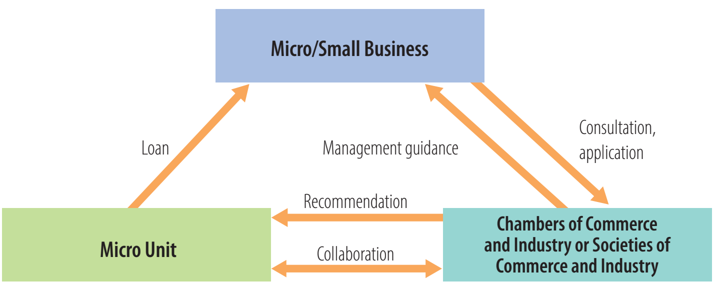
Note: In cases where cooperative loans are provided with multiple regional financial institutions, the number of loans and loan amounts indicated in the breakdown are totaled for each financial institution, and as a result, the totals do not match.
Example: In the case of a 100 million yen loan provided 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.

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

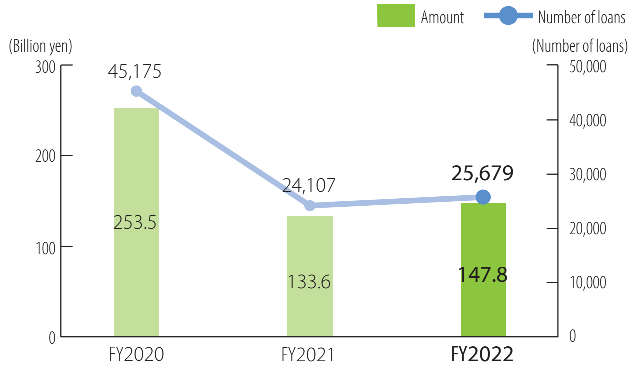
Micro Unit works in close collaboration with regional Chambers of Commerce and Industry, and with Societies of Commerce and Industry throughout Japan to support business improvement of micro/small businesses through providing Managerial Improvement Loans (MARUKEI Loans) and consultation sessions.

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. JFC marked 50 years since the establishment of this program in October 1973, and to date, 5.23 million loans have been provided.

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 enhance customer convenience.

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

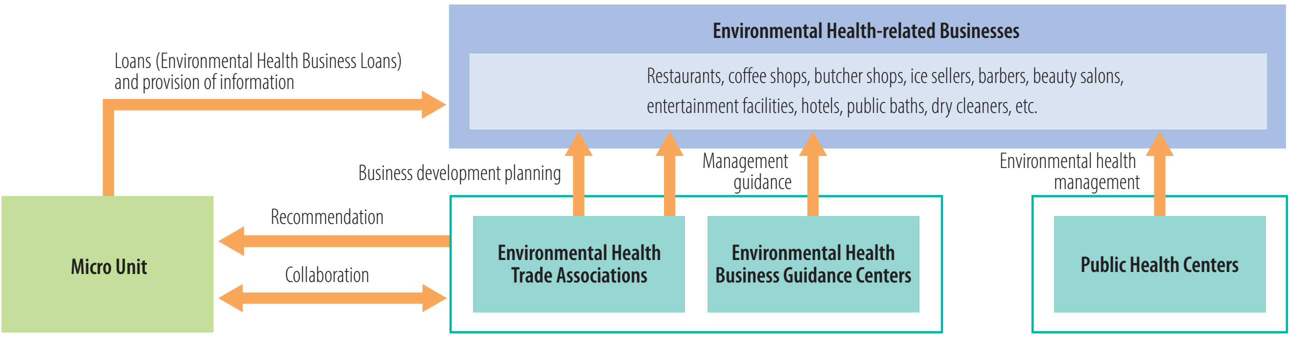
Management support provided through approved management innovation support organizations such as tax accountant, etc. who play a large role in supporting SMEs and micro/small businesses, and financial support from JFC come together to support micro/small business owners in business sectors like start-ups,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

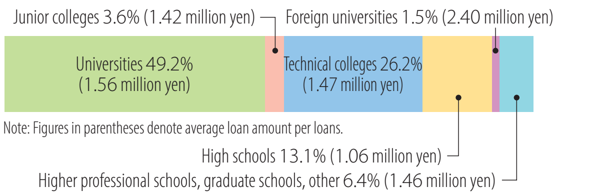
Initiatives to support Environmental Health-related Businesses



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 FY2022.

Borrower details by type of educational institution (FY2022 General Educational Loans (Direct loans))



Note: Figures in parentheses denote average loan amount per 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, Myanmar, and Cambodia.

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. Cambodia

In June 2023, JFC-Micro commenced a technical assistance project for SME Bank of Cambodia, which is a state-owned bank in Cambodia. At the first seminar held in Cambodia, we implemented some lectures on SME Finance in Japan, roles of JFC-Micro, features of JFC-Micro's credit analysis. We plan to continue to support Cambodia's SME finance sector through holding seminars and discussions in Cambodia and Japan.

A scene from the seminar in Phnom Penh, Cambodia

Agriculture, Forestry, Fisheries and Food Business Unit

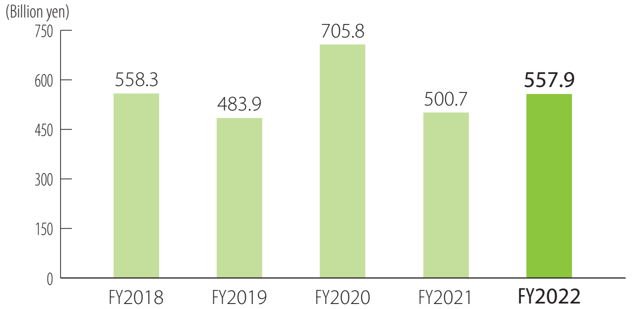
The Agriculture, Forestry, Fisheries and Food Business Unit (AFFF Unit) contributes to the reinforcement of the domestic agriculture, forestry, and fisheries industries and stable supplies of safe and high-quality foods by supporting individuals and businesses in these industries through finance or other services.

Overview of Operations

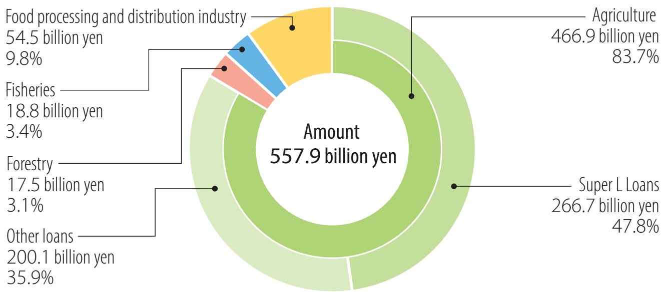
Loan Status and Operation Features

The AFFF Unit provides long-term loans that contribute to ensuring stable food supplies or sustainable and sound development of the agriculture, forestry and fisheries sectors, based on the unique business characteristics of the industry such as long investment payback period and instability of income caused by external factors like weather.

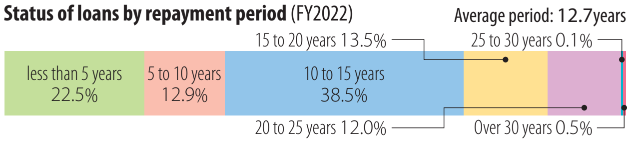
Changes in loan amounts



Breakdown of loans (FY2022)



Status of loans by repayment period (FY2022) Average period: 12.7years



Demonstration of Safety Net Functions

The AFFF Unit offers dynamic support in the form of long-term working capital loans to demonstrate safety net function against the financial effects on agriculture, forestry, and fisheries businesses due to temporary crises such as natural disasters including earthquakes, typhoons, and tsunamis, etc., contagious livestock diseases, soaring oil prices and price hikes, as well as COVID-19.

Promotion of Consulting and Financing Activities

In response to the increasingly diverse management issues that customers are facing as a result of the changing environment caused by the COVID-19 pandemic, the AFFF Unit promotes consulting and financing activities to help customers analyze their current situation, and solve their problems with accompanied supports.

● Support offered to customer in different management stages

Through intensive and ongoing consulting and financing activities, the AFFF Unit helps customers resolve issues according to their different management stages, such as 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.

Promotion of Cooperation with Private Financial Institutions in the Agriculture, 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 agriculture, 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

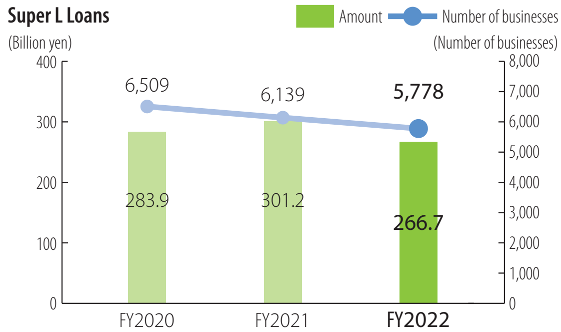
Agriculture

By providing loans in line with the policies of "Basic Law on Food, Agriculture and Rural Areas," and "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 leading farmers through long-term loans

Through long-term loans 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 agriculture, forestry, and fishery businesses to increase the added value of products) by diverse local farmers, which include companies of rice growing, horticulture, livestock farming, and other businesses, as well as large-scale family run operations, new farmers, and companies entering the agriculture field.

Super L Loans



Forestry

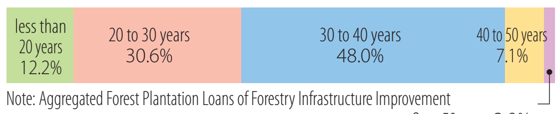
By providing loans in line with the policies of "Forest and Forestry Basic Act," the AFFF Unit actively supports the improvement of forest that has multifunctional roles, and the creation of structures to supply and process domestically harvested lumber.

● The AFFF Unit provides loan programs to customers in the forestry business, for which capital recovery period is 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 deforestation.

Status of Loans by Repayment Period (FY2022, Forestry (Note))

Average period: 34.4 years



Note: Aggregated Forest Plantation Loans of Forestry Infrastructure Improvement

Over 50 years 2.0%

Fisheries

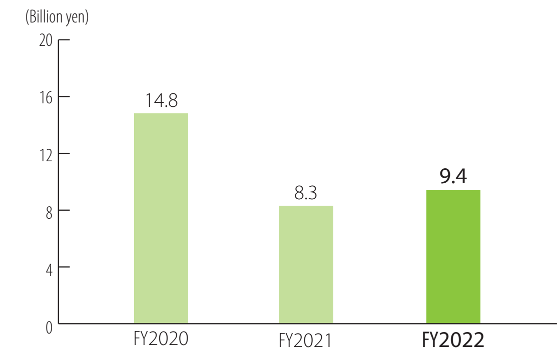
By supplying loans in line with the policies of "Fisheries Basic Act," the AFFF Unit actively supports efforts to ensure a stable supply of marine products and the sustained use of marine resources.

● Supporting leaders in fisheries industry

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

In FY2022, Fisheries Management Improvement Support Loans came to 9.4 billion yen.

Fisheries Management Improvement Support Loans



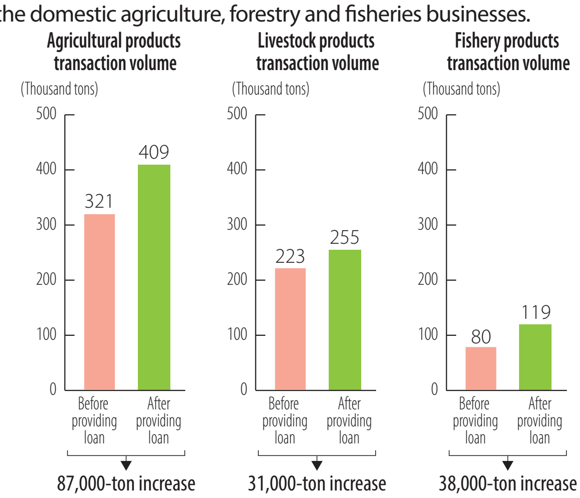
Food Processing and Distribution Industry

Through providing loans to food processing and distribution industry that deal in domestic agriculture, forestry, and fishery products, the AFFF Unit actively supports efforts for the stable supply of food and the sound development of the domestic agriculture, forestry and fisheries businesses.

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

Loans to the food processing and distribution industry to use domestic agriculture, forestry, and fishery products as raw materials or as products, and are aimed at promotion of domestically produced agriculture, forestry, and fishery products. An estimation of the effects of the loans made in FY2022 suggests that the transaction volumes of domestically produced agriculture, forestry, and fishery products will increase by approximately 157,000 tons over the next five years.

In particular, 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) require borrowers to increase the trading volume of domestically produced agriculture, forestry and fishery products. The requirement helps promote collaboration between the agriculture, forestry and fisheries sectors and the food industry.



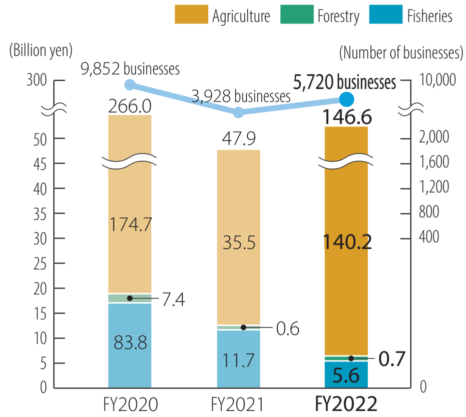
Notes: 1. The transaction volumes are rounded off by the unit.
2. The transaction volume indicated in "After providing loan" is an estimate.

Demonstrating 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 demonstrate safety net function against the financial effects on agriculture, forestry, and fisheries businesses due to temporary crises such as natural disasters including earthquakes, typhoons, and tsunamis, etc., contagious livestock diseases, soaring oil prices and price hikes, as well as COVID-19.

Also, the AFFF Unit establishes special consultation desks and is providing consultations on loan and repayment for agriculture, forestry, and fisheries operators that have been affected by soaring oil prices and price hikes, etc.

Safety net loans to agricultural, forestry, and fisheries businesses

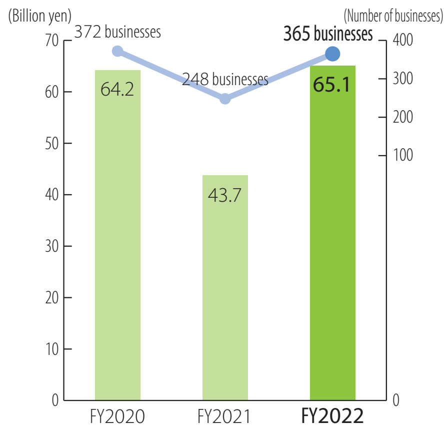


Supporting Initiatives to Export

In addition to the Agriculture, Forestry, and Fisheries Products and Food Export Framework Reinforcement Loan established in FY2022, the AFFF Unit provides support through various loan programs and the provision of information in cases where agriculture, forestry, and fisheries business operators and companies in the food industry export domestic agriculture, forestry and fisheries products and foods to improve their own business or promote domestic agriculture, forestry, and fisheries products.

In FY2022, loan performances to those who work on management improvement through exports came to: 365 businesses (147% compared to the previous fiscal year) ,65.1 billion yen (149% compared to the previous fiscal year).

Loans to those working on export business



Supporting New Entrants into Agriculture and New Farmers

By providing various loan programs such as Loan for Young and New Farmers which offers loans to new farmers, new entrants into agricultural business, and authorized new farmers and information was provided.

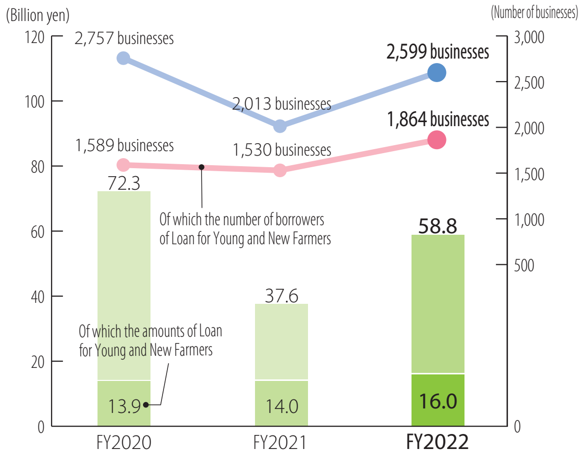
● Loans to new farmers and new entrants into agriculture

In FY2022, performance of loan to new entrants into agricultural business and new entry farmers came to 2,599 businesses (129% compared to the previous fiscal year), and 58.8 billion yen (156% compared to the previous fiscal year).

Performance of Loan for Young and New Farmers(Note) which was launched in FY2014 came to: 1,864 businesses (122% compared to the previous fiscal year), 16.0 billion yen (114% compared to the previous fiscal year).

Note: Loans to support new farmers who are about to start their businesses and are certified by municipalities under the Young and New Farmers Plan.

Loans to new farmers and new entrants into agriculture



Overview of Operations

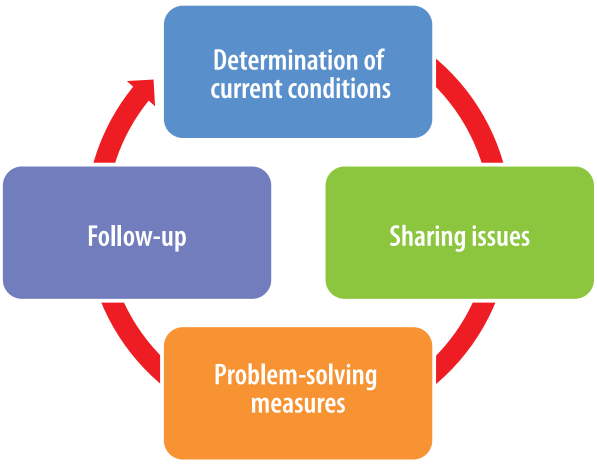
Promotion of Consulting and Financing Activities

The AFFF Unit Conducts Consulting and Financing Activities that Help Resolve Problems with Accompanied Supports

In response to the increasingly diverse management issues that customers are facing as a result of the changing environment caused by the COVID-19 pandemic and price hikes, etc., the AFFF Unit promotes consulting and financing activities to help customers analyze their current situation, and solve their problems with accompanied support.

● Support offered to customers in different management stages

Through intensive and ongoing consulting and financing activities, the AFFF Unit helps customers resolve issues according to their different management stages, such as 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 loan

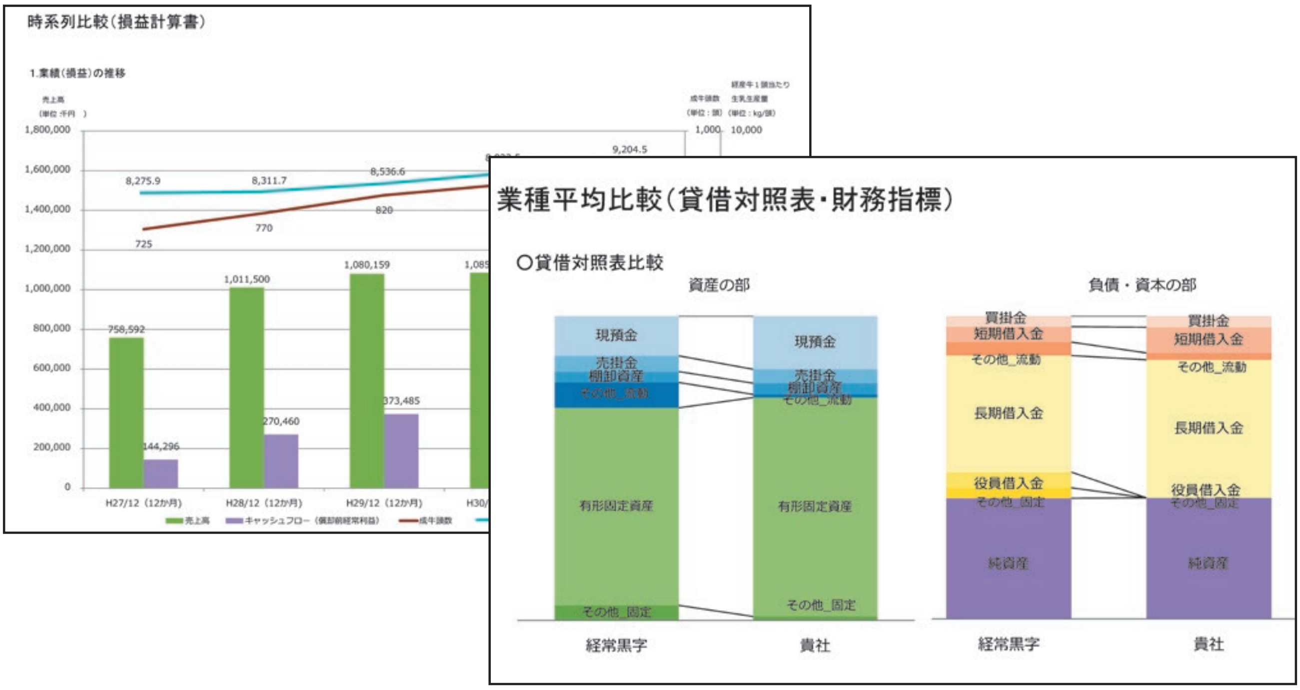
Follow-up

Support achievement of targets through close follow-ups after implementation

● Sharing 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 analysis)

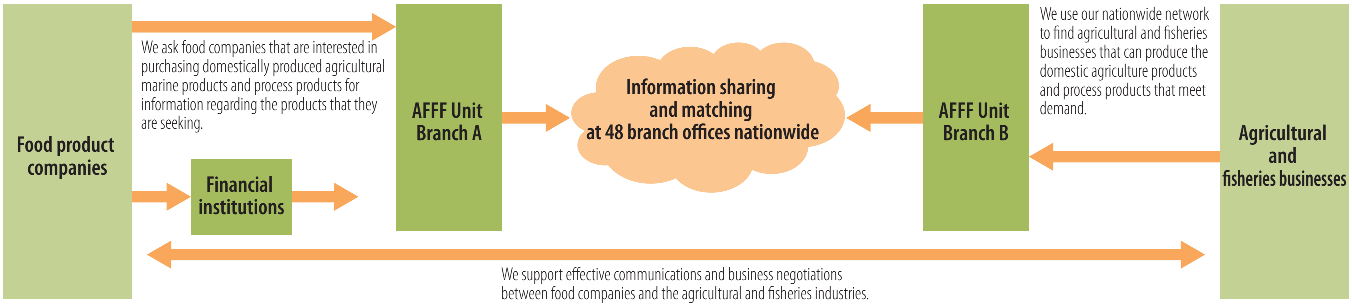


Supporting Developing and Expanding Customer Sales Channels

● Business 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 distributing companies for domestic agricultural marine products with the sales needs of businesses in the agriculture and fisheries industries, bringing together customers across prefectural borders.

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

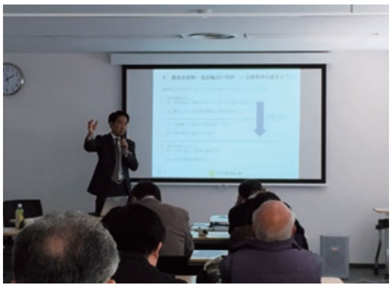


● Advanced supports such as overseas expansion, etc. through collaboration with external networks

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.

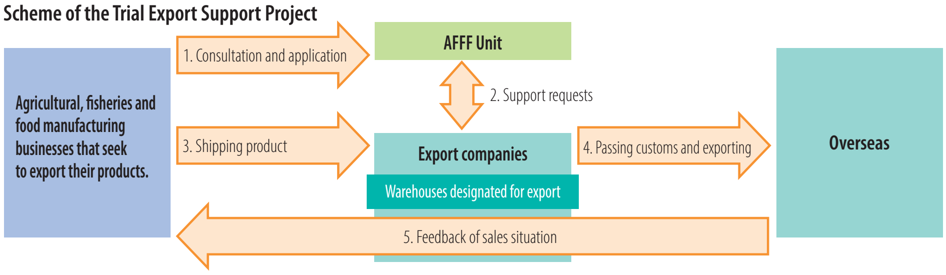
For example, J-PAO gets assistance from its members from a wide variety of types of businesses and uses its agriculture-support knowhow to provide sales and commercialization support to customers. JETRO supports exports of Japanese agriculture, forestry, fishery products and food by providing information,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

In addition, the AFFF Unit supports customers who are working on exporting agricultural products for the first time through cooperation with domestic and overseas trading companies by conducting Trial Export Support Projects (preparations for export, 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

To address the business succession issues of agriculture, 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 supports that are related 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 in these fields can be effectively handed down to the next generation.

Supporting Business Revitalization

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

In particular, 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. Especially, 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 whose businesses are affected by the impact of soaring oil prices and price hikes, etc. and large-scale natural disasters, and work to support business restructuring and reconstruction.

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

The AFFF Unit works to create an environment that encourages private financial institutions to actively provide loans to agriculture, 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 agriculture, forestry, and fisheries business operators and companies in the processed food industry in cooperation with private financial institutions. In FY2022, a total of 825 cooperative loans were provided in cooperation with private financial institutions (Note).

The AFFF Unit also provides JFC loans through 616 private financial institutions with which it has entered into outsourcing agreements. The number of JFC loans provided through private financial institutions was 10,996, and this was 58.7% 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 to strengthen 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, 2023, a total of 138 financial institutions had signed a basic agreement with the AFFF Unit.

95 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, 2023)

	Banks	Shinkin banks	Credit cooperatives	Total
Hokkaido	1	13	2	16
Tohoku	7	5	1	13
Kanto	3	9	2	14
Chubu	7	24	4	35
Kinki	4	11	–	15
Chugoku	2	11	1	14
Shikoku	5	2	–	7
Kyushu	10	13	1	24
Total	**39**	**88**	**11**	**138**
(Of these, institutions that developed new programs)	(31)	(57)	(7)	(95)

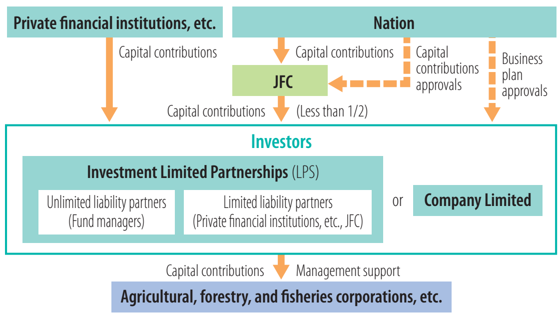
Providing Investment Support to Agriculture, Forestry and Fisheries Corporations, etc.

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, 2023)

	LPS	Company Limited
Number of capital contributions	20 associations	1 company
Pledged investment amount or investment amount (of which invested by JFC)	14.5 billion yen (6.3 billion yen)	6.0 billion yen (2.5 billion yen)

Overview of the capital contribution scheme



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 SMEs 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

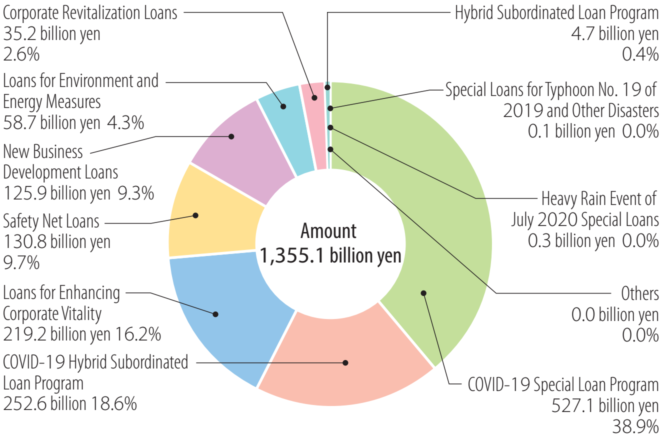
Policy-based financing in Japan provides financial support under the nation's key policies towards certain fields, such as new business development, business revitalization, business succession, and overseas expansion, that involve high risks.

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

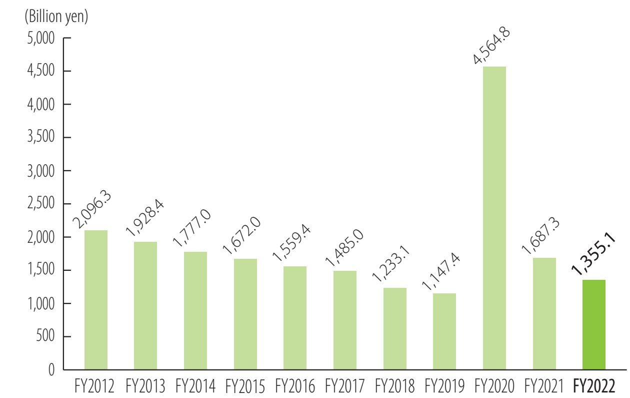
The SME Unit complements the financing of private financial institutions through its stable, long-term, fixed interest rate loans that is needed for the business growth of SMEs.

Breakdown of loans (FY2022)



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

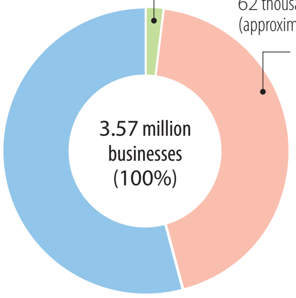
SME Unit's Clients

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.

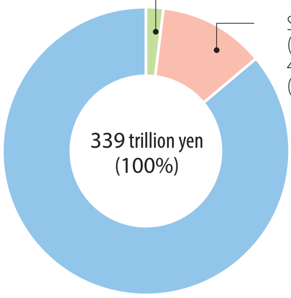
The SME Unit provides a wide range of support to meet the individual needs of each SME and micro/small business through its financial tools, Loan Programs, Credit Insurance Programs and Securitization Support Programs.

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, "2023 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 14% 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 FY2022
  - Average loan amount per business .... 100 million yen
  - Average term of loan..............................9 years and 11 months
  - Average amount of capital per business...........40 million yen
  - Average number of employees per business........................74
- Approximately 79% 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 39% of outstanding loans as of the end of FY2022)

Credit Insurance Programs

- Number of businesses .... 1.58 million businesses(Note)
  Average insurance for FY2022
  - Average amount of insurance acceptance per business.....19 million yen
  - Average term of insurance .... 5 years and 10 months
  - Average number of employees per business.......................... 7
- 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

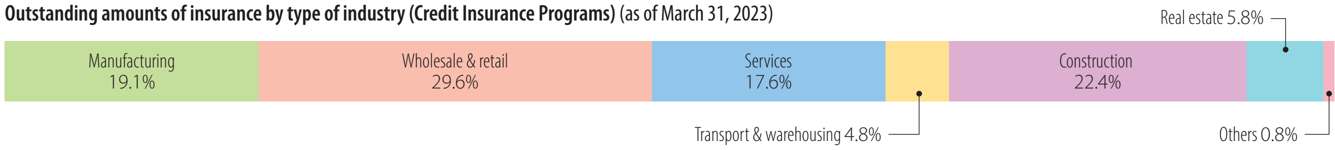
Note: Number of businesses utilizing the Credit Guarantee System.

Note: Results are current as of March 31, 2023.

The SME Unit also helps to maintain employment, with the number of employees at the 62 thousand businesses having approximately 3.84 million persons (as of March 31, 2023) by direct loans.

Outstanding loans by type of industry (Loan Programs) (as of March 31, 2023)

Outstanding amounts of insurance by type of industry (Credit Insurance Programs) (as of March 31, 2023)



Loan Programs

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

● Dedicated to long-term funding

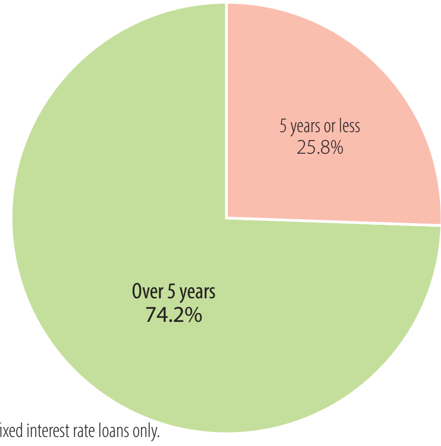
If SMEs are to grow and prosper, they must continually invest capital appropriately and consolidate their financial strength. To do this, they need to be able to raise long-term funds in a stable manner.

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) (FY2022)



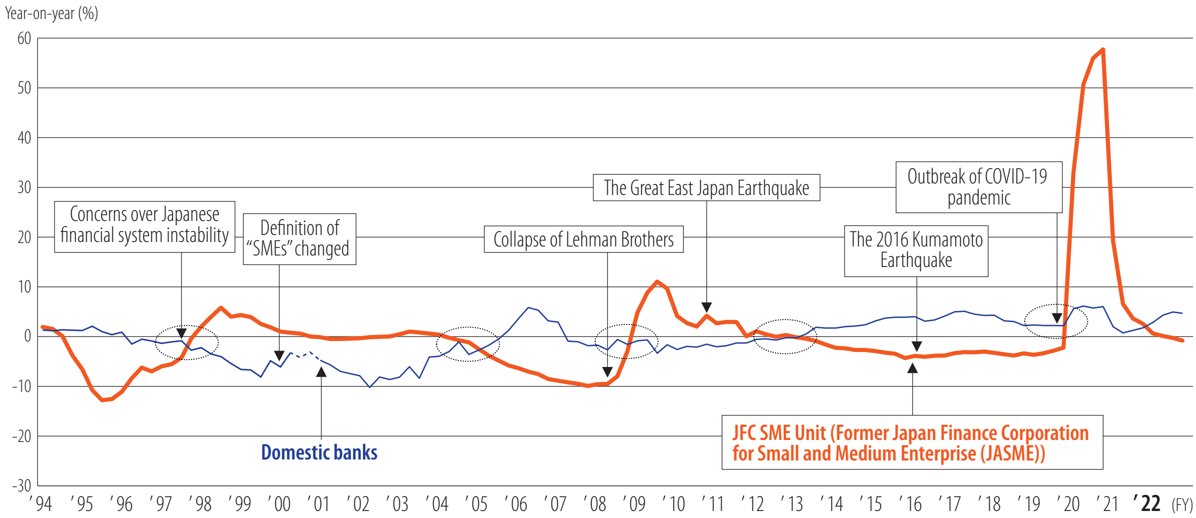
Note: Data are for fixed interest rate loans only.

● 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.

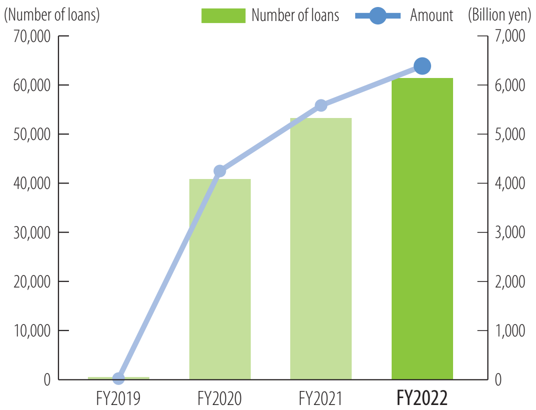
2. The definition of "SMEs" was changed in April 2000; the SME Unit has estimated the growth rate for domestic banks in the period from June 2000 to March 2001 based on the ratio between the old and new standards.

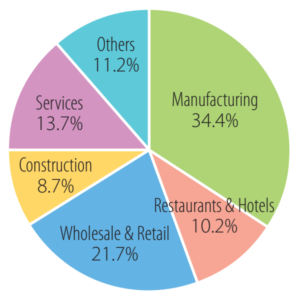
Promoting special-purpose loans based on government policies to meet the needs of the times

● 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 for SMEs through Safety Net Loans and COVID-19 Special Loan Program, and other programs, as in the previous fiscal year.

COVID-19 related loan results





Overview of Operations

Supporting new businesses and start-ups

The SME Unit provides active support to SMEs trying to develop new businesses with high growth potential through Loans to Foster Growth of New Businesses and to start-ups that are expected to lead Japan's economic growth and solve social problems through Loans to Support Start-up Businesses. Since the program began, the cumulative total (Note) (as of March 31, 2023) has reached 15,963 businesses, amounting to 769.3 billion yen. In addition, the SME Unit also offers Stock Subscription Rights Loans, an unsecured loan program through the acquisition of new share options issued by companies.

Note: Loans to Foster Growth of New Businesses was launched in February 2000, and the Loans to Support Start-up Businesses was launched in February 2023. Loan performance includes Hybrid Subordinated Loan Program.

Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses

	FY2020	FY2021	FY2022
Number of businesses	285	639	825
Amount of loans (billion yen)	21.6	27.2	43.2

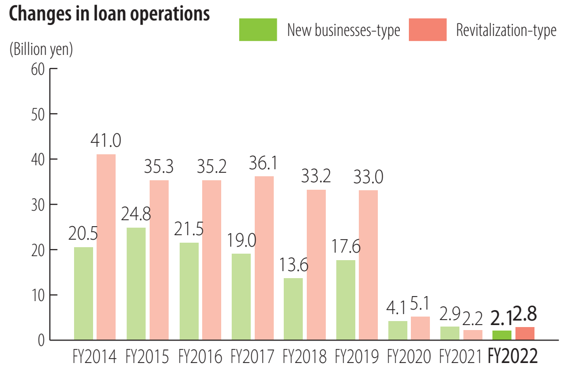
Results of stock subscription rights loans included in Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses

	FY2020	FY2021	FY2022
Number of businesses	15	41	69
Amount of loans (billion yen)	2.0	3.5	7.5

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 FY2022, Loans for Overseas Investment and Expansion were utilized by 434 businesses, for a total of 40.5 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, 2023, 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 2023, JFC established collaborative relationships with 61 regional financial institutions.

As for FY2022, letters of credit were issued to the financial institutions in 9 countries and regions, being utilized by 82 businesses.

The cross-border loans are a program under which JFC provides direct loans to overseas subsidiaries. The countries and regions where this program can be used are Thailand, Viet Nam, Hong Kong, Singapore, and the Philippines, and loans were provided to 94 borrowers, 7.6 billion yen in FY2022.

Loans for Overseas Investment and Expansion (by countries and regions) (FY2022)

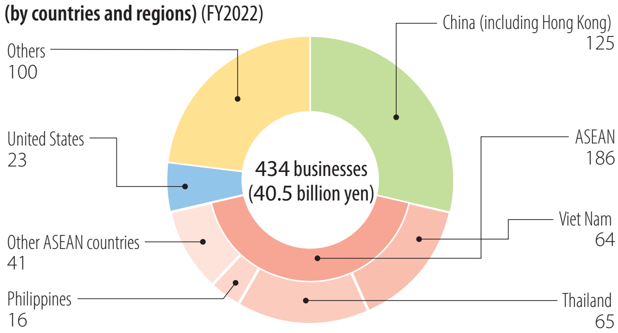
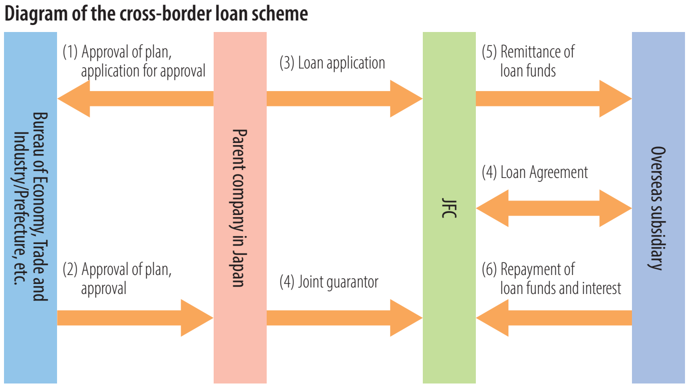


Diagram of the cross-border loan scheme

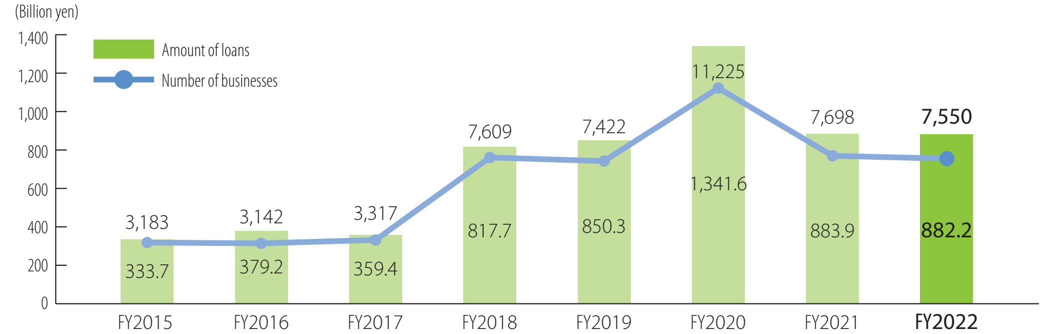


Cooperative loans and securitization support in collaboration with private financial institutions

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 new businesses and start-ups, 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)



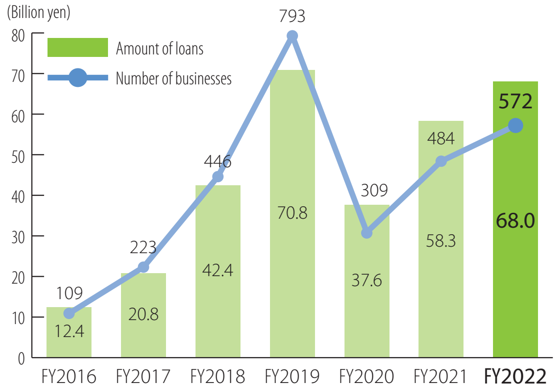
Note: Loans (guarantees) that are disbursed or decided by both JFC and private financial institutions after consultation by both parties for loan plans with identical objectives (Calculated by JFC. Including loans made on different dates between both parties).

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



Note: Since FY2022, loan performance includes Hybrid Subordinated Loan Program.

Supporting the growth of businesses

Businesses that have utilized JFC funds are flourishing in many fields

A total of 783 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 618 (Note), accounting for roughly 20% of the total number of businesses that went.

Note: The number of publicly listed businesses is as of March 31, 2023 (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, 2023. 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

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).

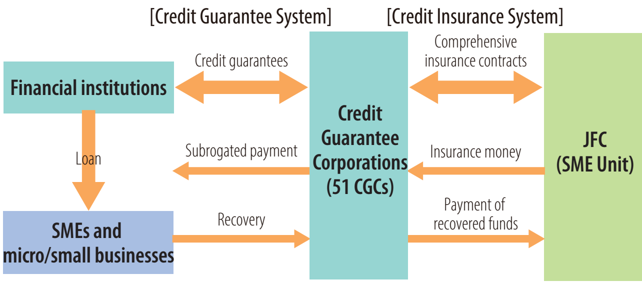
Credit Insurance Programs

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

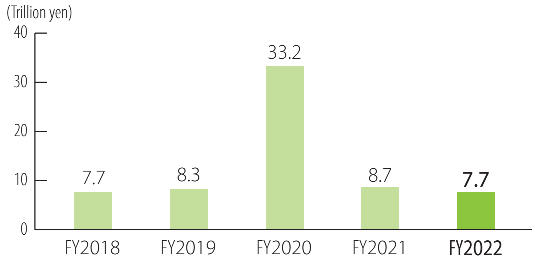
● Role of the Credit Insurance System

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



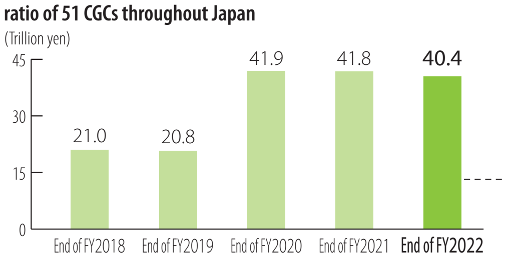
● 44% of SMEs utilize the Credit Supplementation System

As of March 31, 2023, the portion of outstanding loans to SMEs guaranteed by CGCs (outstanding guaranteed liabilities) amounted to 40 trillion yen, accounting for 12% of all loans to SMEs.

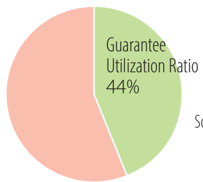
Moreover, 1.58 million SMEs and micro/small businesses, accounting for 44% of all SMEs in Japan, were raising funds with the support of the Credit Guarantee System.

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



Guarantee utilization ratio (Note) (FY2022)



Number of guaranteed SMEs: 1.58 million
Total number of SMEs: 3.57 million

Note: Guarantee utilization ratio is the number of SMEs utilizing guarantees divided by the total number of SMEs.

Sources: 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, and others.

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 FY2022, the "synthetic CLO of regional financial institutions (Clover 2023 LLC)" was issued in the securitization support purchasing business. Besides entering into credit default swap (CDS) contracts with 39 regional financial institutions, the SME Unit acquired 10.9 billion yen of the 39.9 billion yen in corporate bonds issued by the special-purpose company (SPC) (Clover 2023 LLC), and also guaranteed 5.0 billion yen in the bonds. 41.0 billion yen in unsecured loans were provided to 1,943 businesses in 38 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.

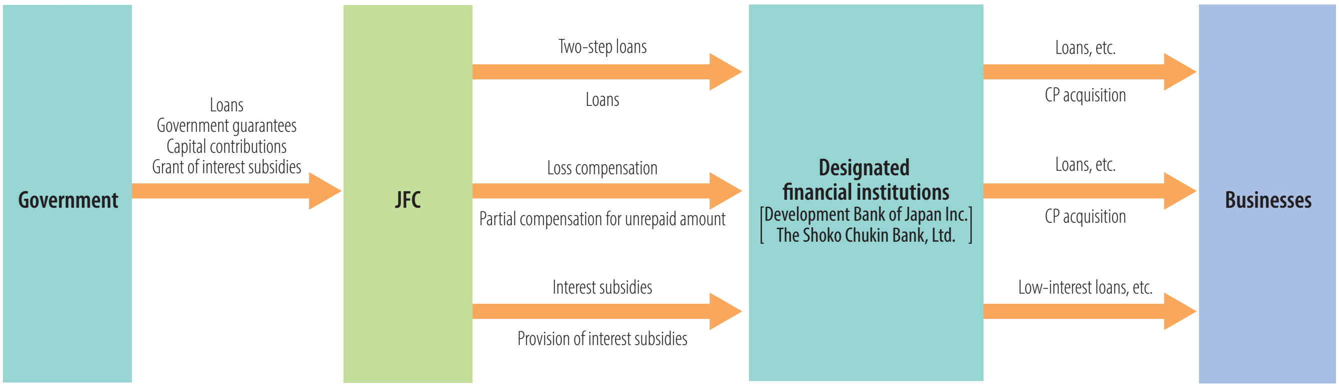
Methods of securitization support

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, 2023 was 3,808.8 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, 2023 was 2,519.2 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	FY2022
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	15.7
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	15.7
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	170.7
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	170.7
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	22.9

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 2023.
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 2023, with loss compensation underwritten by JFC for losses incurred until May 10, 2023.
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 2022 (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

Pursuant to 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 approved business entities that are going to develop and manufacture energy and environmentally friendly products approved by competent ministers. The balance as of March 31, 2023 was 10.4 billion yen.

Overview of Operations to Facilitate Business Restructuring Promotion

Pursuant to the Act on Strengthening Industrial Competitiveness (Act No. 98 of 2013), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities, etc. that are going to implement business restructuring, etc. approved by competent ministers. The balance as of March 31, 2023 was 75.0 billion yen.

Overview of Operations to Facilitate Business Adaptation Promotion

Pursuant to the Act on Strengthening Industrial Competitiveness, JFC provides interest subsidies and lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities that are going to implement business adaptation approved by competent ministers.

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

Pursuant to the Act on Promotion of Developing/Supplying and Introducing Systems Making Use of specific 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 approved business entities that are going to develop, supply, etc. systems that make use of specific advanced information communication technologies or maintenance, etc. specific semiconductor production facilities approved by competent ministers.

Overview of Operations to Facilitate Business Foundation Reinforcement Promotion

Pursuant to the Shipbuilding Act (Act No. 129 of 1950), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities that are going to implement business foundation reinforcement approved by competent ministers. The balance as of March 31, 2023 was 9.8 billion yen.

Overview of Operations to Facilitate Business Introduction Promotion

Pursuant to the Marine Transportation Act (Act No. 187 of 1949), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved businesses entities that are going to introduce specific ship approved by competent ministers.

Overview of Operations to Facilitate Ensuring Supply Promotion

Pursuant to the Act on the Promotion of Ensuring National Security through Integrated Implementation Economic Measures (Act No. 43 of 2022), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities that are going to conduct the business on initiatives for ensuring stable supply of specified critical products, etc. 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, etc. Promotion, Operations to Facilitate Business Foundation Reinforcement Promotion, Operations to Facilitate Business Introduction Promotion, and Operations to Facilitate Ensuring Supply Promotion

Two-step loans

(Billion yen)

	FY2010	Y2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
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, etc. Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Business Foundation Reinforcement Promotion	—	—	—	—	—	—	—	—	—	—	—	8.5	1.3
Operations to Facilitate Business Introduction Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Ensuring Supply Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—

Notes: 1. The figures for the two-step loans refer to the amounts of loans JFC provided to the designated financial institutions through the end of March 2023.
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 , etc. Promotion,: August 31, 2020; Operations to Facilitate Business Foundation Reinforcement Promotion: August 24, 2021; Operations to Facilitate Business Introduction Promotion: August 24, 2021; Operations to Facilitate Ensuring Supply Promotion: January 13, 2023.
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 Act on Strengthening Industrial Competitiveness on January 20, 2014.

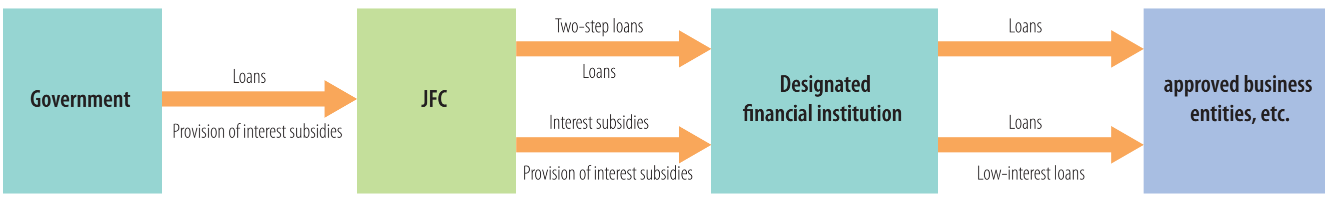
Interest subsidies

(Million yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Operations to Facilitate Business Adaptation Promotion	—	—	—	—	—	—	—	—	—	—	—	—	1

Note: The figures for interest subsidies represent the amounts of interest subsidies JFC provided to designated financial institutions for loans provided by the designated financial institutions through the end of November 2022 (in principle, disbursements pertaining to the period from December 1 each year to May 31 of the following year are made by July 31, while those pertaining to the period from June 1 to November 30 are made by January 31 of the following year).

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, etc. Promotion, Operations to Facilitate Business Foundation Reinforcement Promotion, Operations to Facilitate Business Introduction Promotion, and Operations to Facilitate Ensuring Supply Promotion



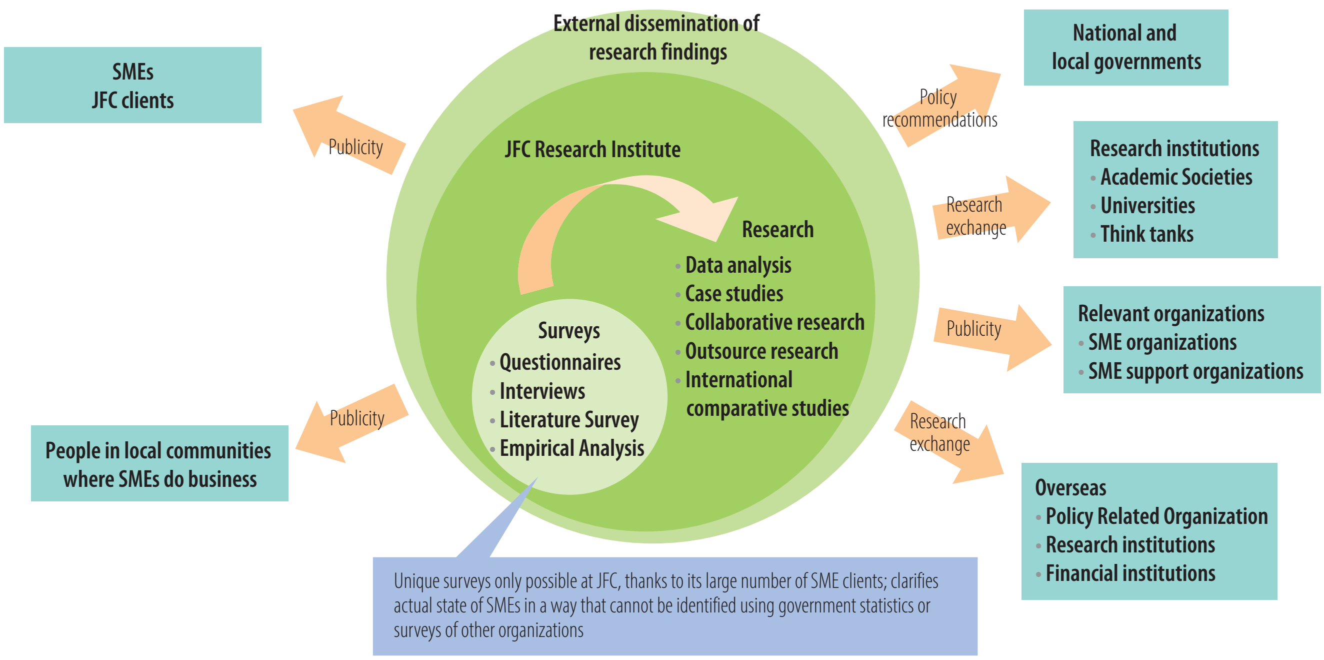
Notes: 1. Designated financial institutions are designated by the competent minister upon application from the financial institution.
2. Interest subsidies are available only for Operations to Facilitate Business Adaptation Promotion (related to carbon neutrality).

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 FY2022) —

◯Survey on Business Start-ups (FY2022 regular and special surveys)
◯Panel Survey on Business Start-ups
◯Survey on Starting Businesses and Entrepreneurial Minds
◯Survey on Measures for Reducing the Greenhouse Gas Emissions of SMEs
◯Survey on SMEs that Drive Decarbonization Business
◯Impact of the COVID-19 Pandemic on SMEs
◯Work Style Reforms by SMEs from the Perspective of Employees

— Main Research Papers and Reports (released in FY2022) —

◇Roles Required of Relocating Entrepreneurs and Local Residents in the Era of Declining Populations
◇Impact of COVID-19 on Start-up Enterprises: Based on Analysis of the Follow-up Survey on Business Start-ups
◇SMEs Implementing Management Innovations in the Use of Time and Space: Analysis of Examples of No-Contact Business
◇Impact of Economic Shocks on Business Start-ups
◇Intention of Children of SME Managers to Succeed Business: Factors that Effect and Measures to Increase Intention
◇Characteristics of Foreign CEOs and Performance of SMEs Managed by Foreigners
◇Quasi-Entrepreneurship during the Spread of the COVID-19 Pandemic: A Consideration of Performance and Start-up Motivation

● Research on Management Issues of SMEs

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

— FY2022 survey —

◯Surveys on SMEs Developing Japanese Culture Overseas

— FY2022 publication —

◇SMEs Challenging the Status Quo of Time and Space: Concepts at the Vanguard of the New Normal

● 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 FY2022) —

◯Software SMEs Promoting Digitalization in Manufacturing SMEs
◯Manufacturing SMEs Raising Productivity through Digitalization
◯Skill Transfer from Veterans to Newcomers and Digitalization in Construction SMEs

— Main Research Papers and Reports (released in FY2022) —

◇How is the Actual Situation of DtoC in SMEs ?
◇Development and Promotion of Alternative Materials for Plastics by SMEs
◇Management Strategies for Software SMEs Industry Learned from Digitalization in Small and Medium Factories
◇Manufacturing SMEs Raising Productivity Through Digitalization
◇Digitalization and Skill Transfer from Veterans to Newcomers in Construction SMEs

Research Results and Reports at Academic Societies

● 42nd Conference of the Japan Academy of Small Business Studies (September 25, 2022)

"Possibility of Revitalizing the Local Economy through the Development of Small Satellites"

As the aerospace industry grows worldwide, this paper examines the possibility of SMEs entering small satellite component development and manufacturing to revitalize local economies through comparison with entry by SMEs into conventional aircraft part manufacturing.

● 25th JASVE Annual Academic Conference (November 19, 2022)

"Impacts on Quasi-Entrepreneurship During the Spread of the COVID-19 Pandemic"

Through the analysis of the impacts of the COVID-19 pandemic on quasi-entrepreneurs who obtained business income without being aware of being self-employed, this paper indicates that those with a larger monthly business scale, higher ability ratings in business, and less characteristics of an employee, experience a greater adverse impact.

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 59 (May 2023) —

Structural Change Observed in Business Start-ups in the 21st Century

Changes Seen in Business Start-ups by Women and the Trend toward Smaller Start-ups

Actual State of Greenhouse Gas Reduction by SMEs

Policies for the Formation of a Decarbonized Society and Regional Responses

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 2023 Edition —

Summary of Results: Survey on Business Start-ups (FY2022)

Characteristics of Female Entrepreneurs

Changes in Business Start-up Trends by Gender and Productivity of Female Entrepreneurs

Conditions of Entrepreneurs as Seen in the Survey on Starting Businesses and Entrepreneurial Minds (FY2022)

Conditions of Unaware Entrepreneurs

Interest in Business Start-up as Seen in the Survey on Starting Businesses and Entrepreneurial Minds (FY2022)

Interest in Business Start-up among Women

SMEs Pacing the Way to Decarbonization

SMEs are expected to take action to reduce greenhouse gas emissions and to become business leaders who support such action for achieving a decarbonized society. This publication discusses the relationships between SMEs and decarbonization based on questionnaires and interviews.

Business Start-ups in the 21st Century

This book is the outcome of the Panel Survey on Business Start-ups that tracks start-ups for five years. Using data spanning 20 years from 2001, the book analyzes four groups of companies founded in different years to explore trends in business start-ups in the early 21st century, including the impact of economic shocks and structural changes on start-ups.

Systems for Organizational Management

Governance

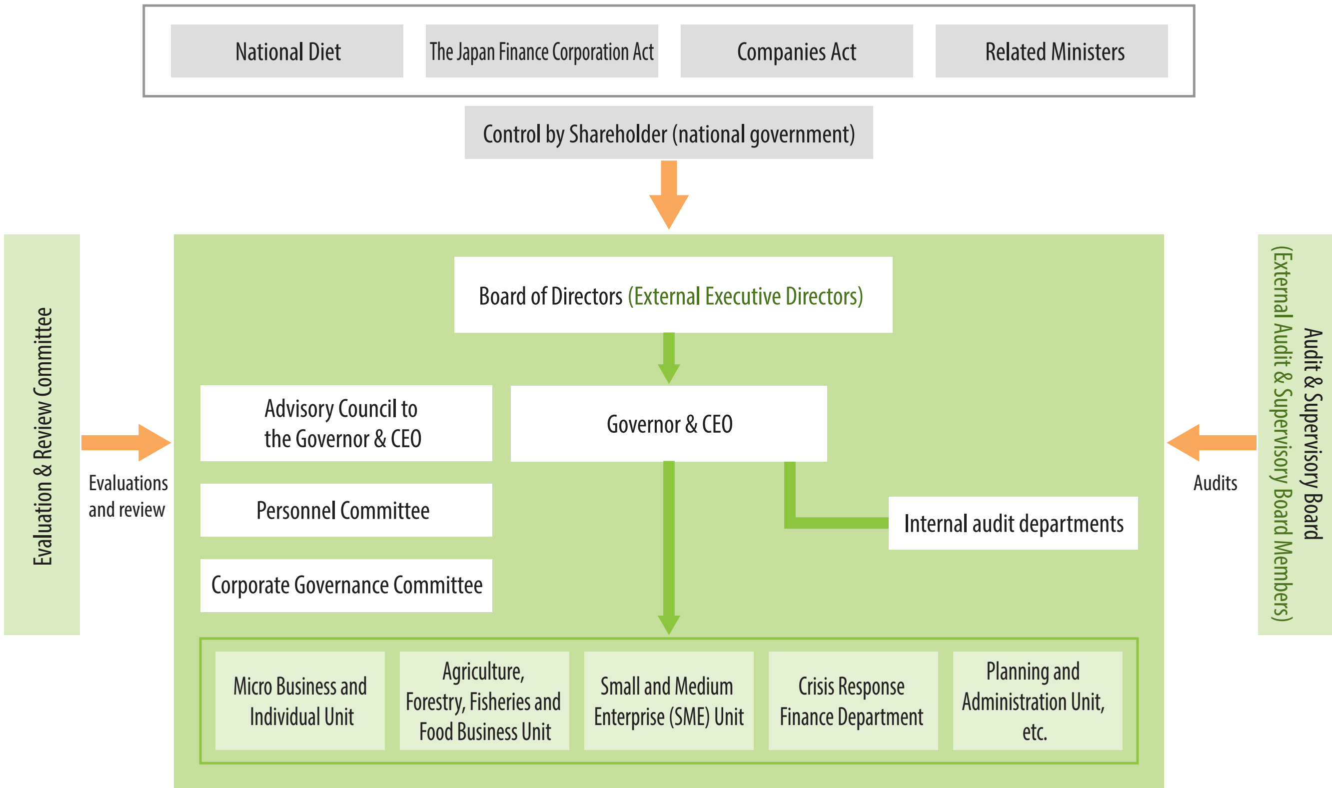
Fundamental Approach

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, 2023; 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, Institute for Business and Finance, Waseda University
MIYAJIMA Kazumi	News Commentator, Nippon Television Network Corporation

Expert Members

ODAGIRI Tokumi	Professor, School of Agriculture, Meiji University
TSURU Kotaro	Professor, Graduate School of Business and Commerce, Keio University
NEMOTO Tadanobu	Professor, Faculty of Commerce, Chuo University

(* : Chairman; ** : Deputy Chairman)

Meetings of Evaluation & Review Committee

(Main agenda)

● First meeting of FY2022 (April 19, 2022)

- Confirmation of the circumstances relating to a series of reports and other topics

● Second meeting of FY2022 (May 25, 2022)

- FY2022 business management plan
- FY2022 business performance evaluation criteria
- FY2021 evaluation of the performance of directors
- Evaluation and review of candidate directors and Audit & Supervisory Board members

● Third meeting of FY2022 (July 8, 2022)

- Report on the evaluation of FY2021 business performance
- Change of evaluation method of interim reviews
- Performance evaluations of retiring directors, etc.

● Fourth meeting of FY2022 (November 21, 2022)

- Interim review of the FY2022 business management plan

Systems for Organizational Management

5 Advisory Council to the Governor & CEO

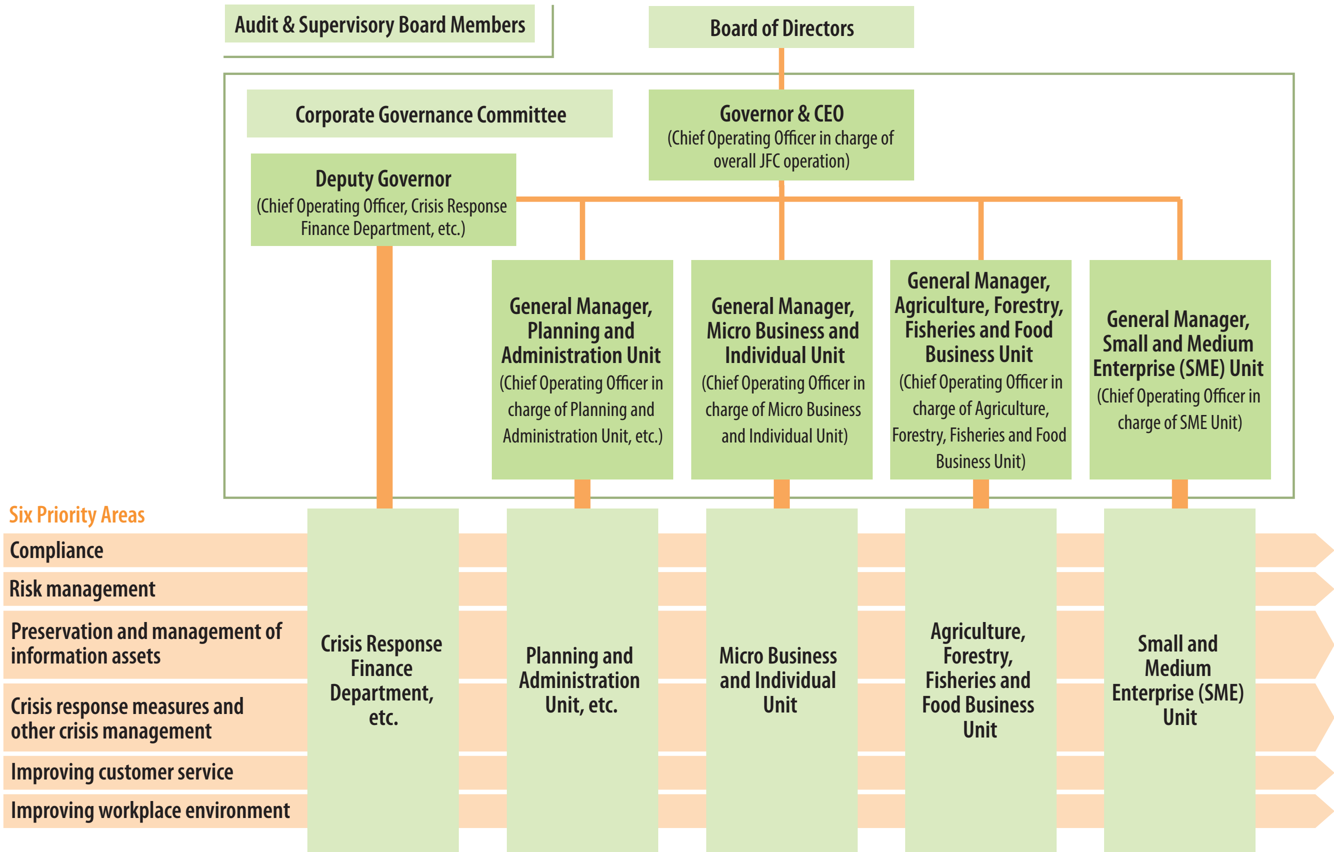
The Advisory Council to the Governor & CEO receives reports, also reviews and investigates key matters concerning the management of JFC in response to inquiries from the Governor and CEO.

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 Office 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 Office operate independently from other departments under the direct authority of the Governor& CEO. 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& CEO approves an annual plan for internal audits, and the Audit Department and System Audit Office report to the Board of Directors and Audit & Supervisory Board Members. In addition, the Audit Department and System Audit Office report the results of internal audits to the Governor & CEO , Board of Directors, and Audit & Supervisory Board Members 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 12% or more of managerial staff by April 2028(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.

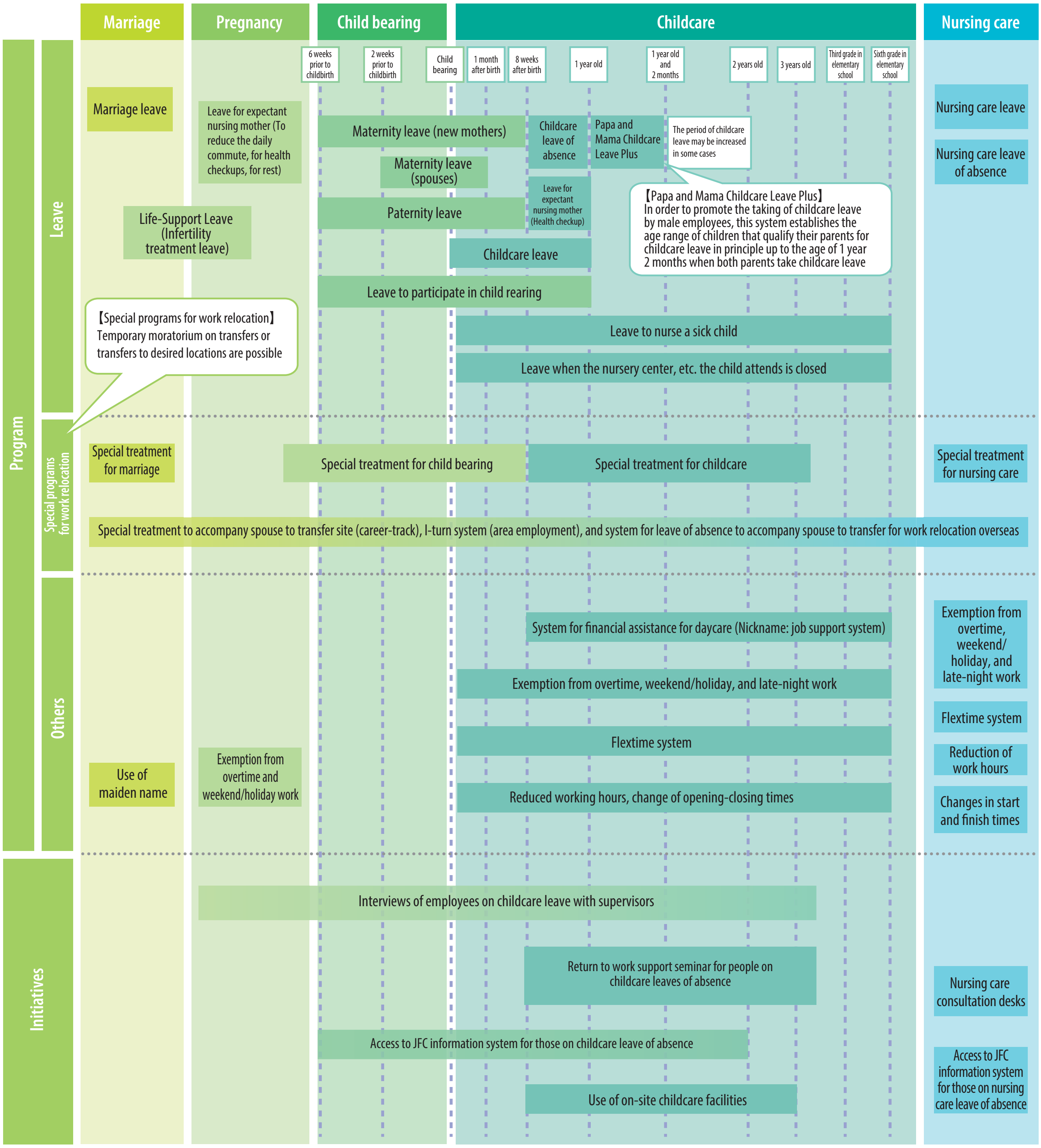
5 Measures to Promote Diversity at the Head Office and Branch Offices

We established Committees for the Promotion of Diversity at all branches, and we are actively working to solve workplace issues at the Head office and all 152 branches nationwide.

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

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

Organization and History

Organization

Organization Chart of Japan Finance Corporation

- **Board of Directors**
  - Evaluation Committee
- **Governor & CEO**
  - Advisory Council to the Governor & CEO
  - Personnel Committee
  - Corporate Governance Committee
- **Audit & Supervisory Board**
  - Audit & Supervisory Board Members' Office
- **Deputy Governor**

- Secretariat Office
- Audit Department
- System Audit Office
- Crisis Response Finance Department
- Research Institute

Planning and Administration Unit

- Promotion Office for Diversity and Inclusion
- Personnel Department
- Corporate Governance Office
- Public Relations Department

General Affairs and Planning Sub-Unit
- General Affairs and Coordination Department
- Corporate Planning Department

Accounting and Treasury Sub-Unit
- Accounting Department
- Property Administration Department
- Treasury Department

IT Sub-Unit
- IT Management Office
- System Integration Office
- System Operation Office

Micro Business and Individual Unit

Business Promotion Sub-Unit
- Business Promotion Department
- Loan Planning Department
- Business Start-Up Support Department
- (Branch) Micro Business and Individual Unit, etc.

Environmental Health Business Loan Sub-Unit
- Environmental Health Business Loan Department
- Environmental Health Business Loan Operation Department

Credit Analysis Sub-Unit
- Credit Analysis Department

Credit Monitoring Sub-Unit
- Credit Monitoring Department

Planning and Administration Sub-Unit
- Planning and Administration Department
- Risk Management Department

Agriculture, Forestry, Fisheries and Food Business Unit

Business Promotion Sub-Unit
- Business Promotion Department
- Loan Planning Department
- Information Planning Department

Credit Sub-Unit
- Credit Analysis Department
- Revitalization Support Department

Planning and Administration Sub-Unit
- Planning and Administration Department
- Risk Management Department

- (Branch) Agriculture, Forestry, Fisheries and Food Business Unit

Small and Medium Enterprise (SME) Unit

Business Promotion Sub-Unit
- Business Promotion Department
- International Operations Department (Representative Offices)
- (Branch) Small and Medium Enterprise (SME) Unit, etc.

Credit Analysis Sub-Unit
- Credit Analysis Management Department
- Corporate Support Department

Credit Insurance Sub-Unit
- Credit Insurance Planning Department
- Credit Insurance Operations Management Department
- Credit Insurance Examining Department

Planning and Management Sub-Unit
- Planning and Administration Department
- General Management Department
- Risk Management Department

Directors and Audit & Supervisory Board Members (As of June 21, 2023)

Governor & CEO	TANAKA Kazuho	Managing Director	SOGAME Mikio	External Executive Director	OTANI Kunio
Deputy Governor	WATANABE Masahiro	Managing Director	TANIGUCHI Shinichi	External Executive Director	KURIHARA Mitsue
Senior Managing Director	IWAMOTO Tatsuhiro	Managing Director	SUZUKI Naoto	External Audit & Supervisory Board Member	KUSUMI Nobuyasu
Senior Managing Director	KURASHIGE Yasuhiko	Executive Director	TAKAHASHI Keiichi	Audit & Supervisory Board Member	MITA Yoshihiro
Senior Managing Director	YONEDA Kenzo	Executive Director	SHINBORI Kenji	External Audit & Supervisory Board Member	YAMADA Yuichi
Senior Managing Director	ONO Yota	Executive Director	TANIGUCHI Shinji	External Audit & Supervisory Board Member	MIYAGI Noriko
Managing Director	MEIHARA Yasushi	Executive Director	KATO Yoshiaki	Audit & Supervisory Board Member	KAZAMA Satoshi
Managing Director	SASAKI Yusuke	Executive Director	SAGO Tatsuya		

Office Locations (As of September 2023)

	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., 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	Heiwa Real Estate Nagoya Fushimi Bldg., 1-11-20, Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003, Japan	+81-570-053502 (Navi Dial)
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 Shoko Kaigisho 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	Shoko Kaigisho 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	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)

	Location	Telephone Number
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]

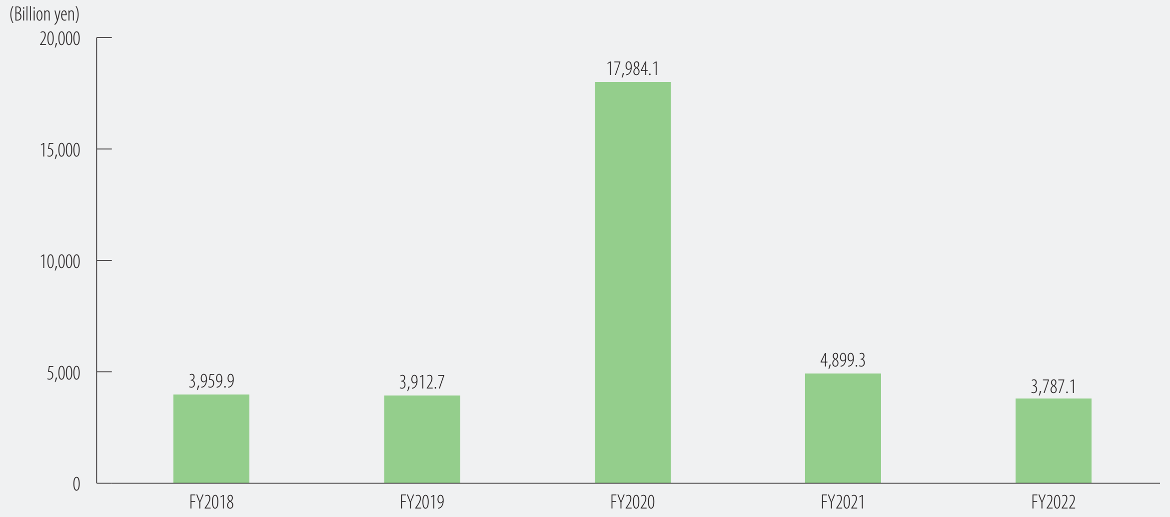
Date	Events
Dec. 2005	Cabinet Decision on Important Policy for Administrative Reform
May 2006	Act on Promotion of Administrative Reform for Realization of Small and Efficient Government enacted
Jun. 2006	System Design regarding the Reform of Policy-based Finance adopted by the council for the Reform 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, etc. 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
Jan. 2023	Operations to Facilitate Ensuring Supply Promotion commenced

Data

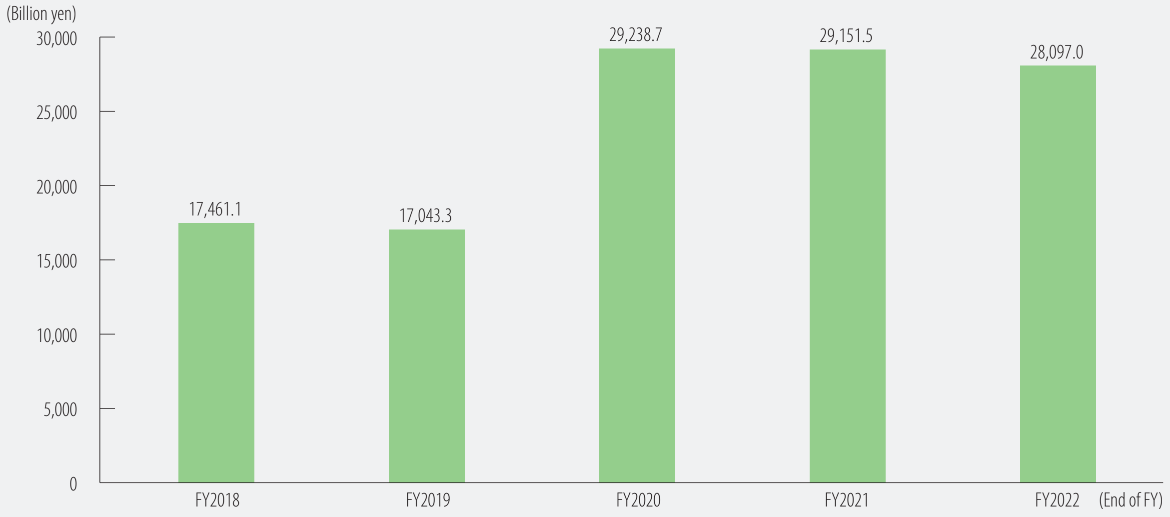
Operational Performances

Japan Finance Corporation

1 Changes in Annual Loan Operations



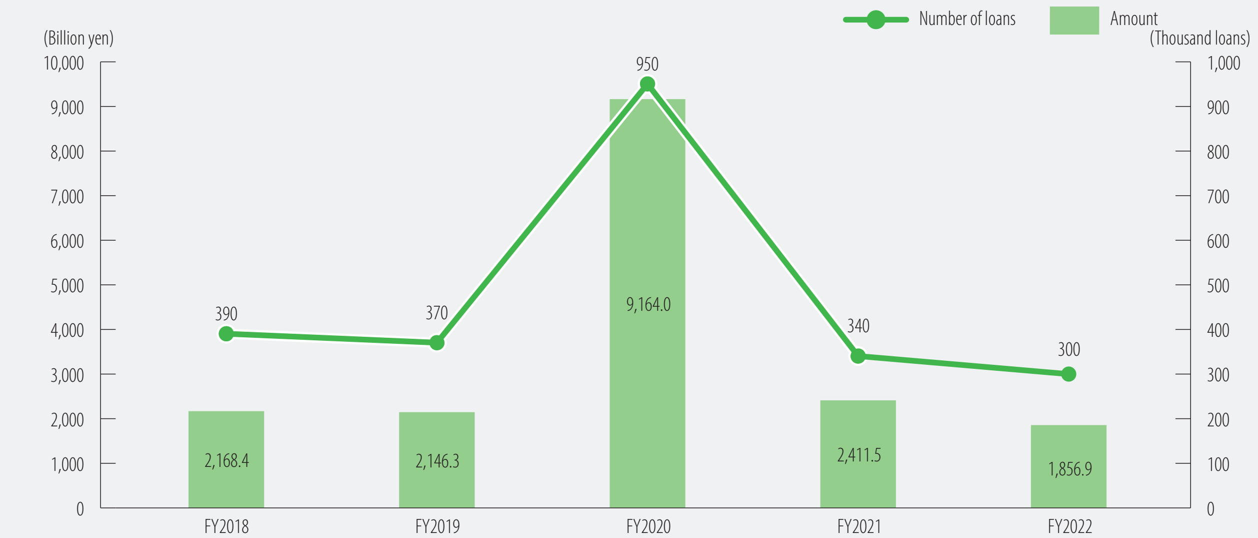
2 Changes in Outstanding Loans



Data

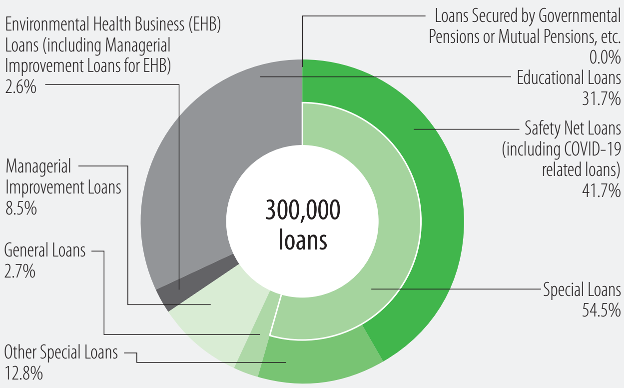
Micro Business and Individual Unit

1 Changes in Annual Loan Operations

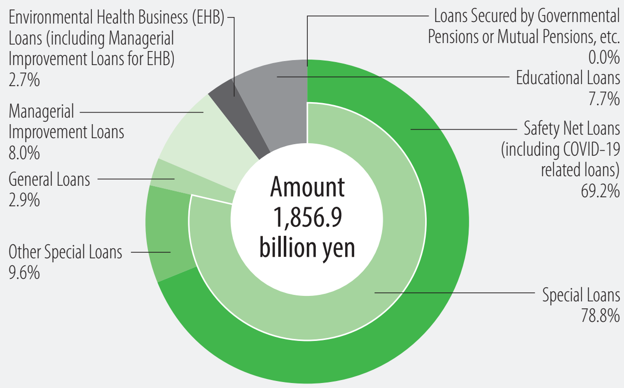


2 Breakdown of Loans by Scheme

▼ Number of Loans (FY2022)

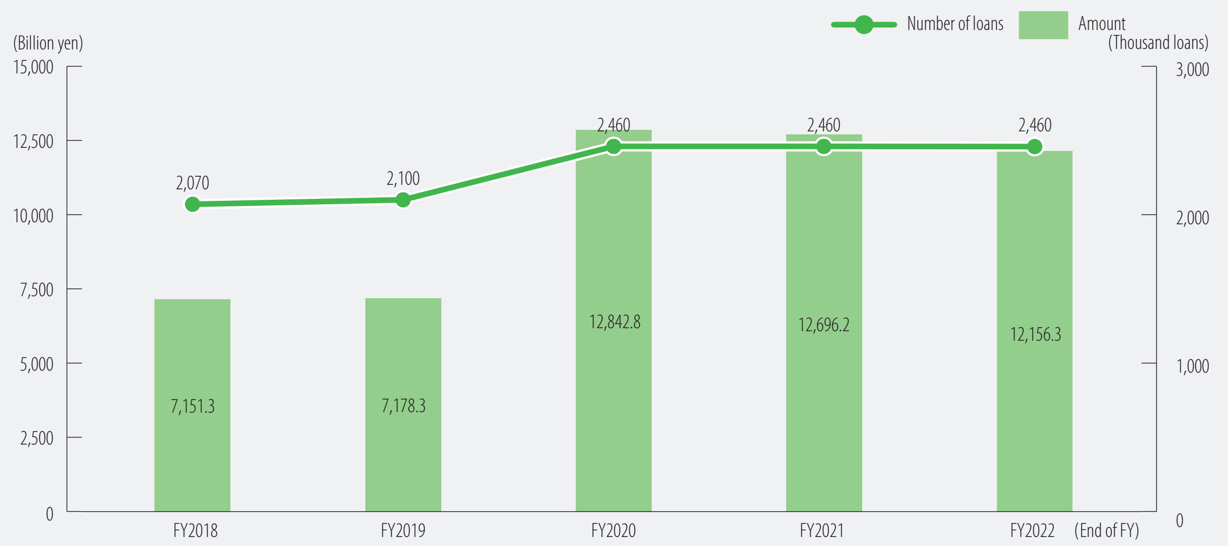


▼ Total Amount of Loans (FY2022)



Data

3 Changes in Outstanding Loans



4 Breakdown of Business Loans Outstanding by Industry

(Billion yen, %)

	End of FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Manufacturing	586.1 (9.5)	574.2 (9.3)	1,043.0 (8.8)	1,023.4 (8.7)	977.9 (8.7)
Wholesale & Retail	1,318.1 (21.3)	1,293.6 (20.9)	2,362.7 (19.9)	2,320.3 (19.8)	2,220.0 (19.8)
Restaurants & Hotels	547.9 (8.9)	580.7 (9.4)	1,475.1 (12.4)	1,448.3 (12.3)	1,372.4 (12.3)
Services	1,501.1 (24.2)	1,525.4 (24.6)	3,106.8 (26.2)	3,098.3 (26.4)	2,971.4 (26.5)
Construction	919.5 (14.9)	911.1 (14.7)	1,870.1 (15.7)	1,880.1 (16.0)	1,811.1 (16.2)
Others	1,317.7 (21.3)	1,313.6 (21.2)	2,016.7 (17.0)	1,964.2 (16.7)	1,847.9 (16.5)
Total	6,190.6 (100.0)	6,198.8 (100.0)	11,874.6 (100.0)	11,734.8 (100.0)	11,201.0 (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.

Data

5 Breakdown of Environmental Health Business Loans Outstanding by Industry

(Billion yen, %)

	End of FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Restaurant-related Services	169.7 (51.7)	178.0 (51.9)	233.0 (54.4)	222.7 (54.3)	211.7 (54.4)
Beauty parlors	69.9 (21.3)	73.1 (21.3)	89.9 (21.0)	88.8 (21.6)	85.4 (21.9)
Hotels	49.4 (15.1)	53.9 (15.7)	63.2 (14.8)	59.6 (14.5)	55.1 (14.2)
Barbershops	19.4 (5.9)	19.4 (5.7)	21.6 (5.0)	20.4 (5.0)	19.0 (4.9)
Public baths	8.7 (2.7)	8.0 (2.4)	7.6 (1.8)	6.9 (1.7)	6.4 (1.6)
Laundries	6.9 (2.1)	6.7 (2.0)	8.5 (2.0)	8.0 (1.9)	7.6 (2.0)
Meat shops	2.6 (0.8)	2.4 (0.7)	2.9 (0.7)	2.8 (0.7)	2.6 (0.7)
Entertainment facilities	0.8 (0.3)	0.5 (0.2)	0.7 (0.2)	0.6 (0.1)	0.6 (0.2)
Others	0.4 (0.1)	0.3 (0.1)	0.3 (0.1)	0.3 (0.1)	0.2 (0.1)
Total	328.0 (100.0)	342.8 (100.0)	428.0 (100.0)	410.4 (100.0)	389.1 (100.0)

Note: Figures in parentheses denote percentage of shares.

6 Breakdown of Outstanding Loans by Use

(Billion yen, %)

	End of FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Operating funds	3,880.7 (62.7)	3,891.8 (62.8)	10,071.6 (84.8)	10,073.4 (85.8)	9,632.6 (86.0)
Facility funds	2,309.9 (37.3)	2,307.0 (37.2)	1,803.0 (15.2)	1,661.4 (14.2)	1,568.3 (14.0)
Total	6,190.6 (100.0)	6,198.8 (100.0)	11,874.6 (100.0)	11,734.8 (100.0)	11,201.0 (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 FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Number of borrowers	881,622	881,026	1,177,346	1,197,384	1,197,327

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

8 Average Loan Balance per Business

(Thousand yen)

	End of FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Average loan balance per business	7,021	7,036	10,085	9,800	9,355

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

9 Educational Loans Outstanding, etc.

(Billion yen)

	End of FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Educational Loans	953.2	973.6	963.9	958.5	954.0
Loans Secured by Governmental Pensions and Mutual Pensions, etc.	7.3	5.8	4.2	2.8	1.2

10 Breakdown of Loans by Credit Amount

(Number of loans, %)

	FY2018	FY2019	FY2020	FY2021	FY2022
Up to 3 million yen	88,280 (34.3)	87,643 (34.2)	229,761 (26.6)	80,952 (32.2)	71,898 (34.7)
Over 3 million yen and up to 5 million yen	53,659 (20.8)	52,774 (20.6)	151,201 (17.5)	48,677 (19.3)	41,443 (20.0)
Over 5 million yen and up to 8 million yen	34,829 (13.5)	34,586 (13.5)	102,930 (11.9)	34,259 (13.6)	27,116 (13.1)
Over 8 million yen	80,872 (31.4)	80,994 (31.6)	379,998 (44.0)	87,856 (34.9)	66,696 (32.2)
Total	257,640 (100.0)	255,997 (100.0)	863,890 (100.0)	251,744 (100.0)	207,153 (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, %)

	FY2018	FY2019	FY2020	FY2021	FY2022
4 or fewer	172,541 (67.0)	166,749 (65.1)	564,073 (65.3)	185,748 (73.8)	151,568 (73.2)
5–9	51,002 (19.8)	51,647 (20.2)	167,596 (19.4)	39,944 (15.9)	33,512 (16.2)
10–19	21,541 (8.4)	23,108 (9.0)	80,433 (9.3)	16,783 (6.7)	14,018 (6.8)
20 or more	12,555 (4.9)	14,489 (5.7)	51,785 (6.0)	9,269 (3.7)	8,055 (3.9)
Total	257,639 (100.0)	255,993 (100.0)	863,887 (100.0)	251,744 (100.0)	207,153 (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

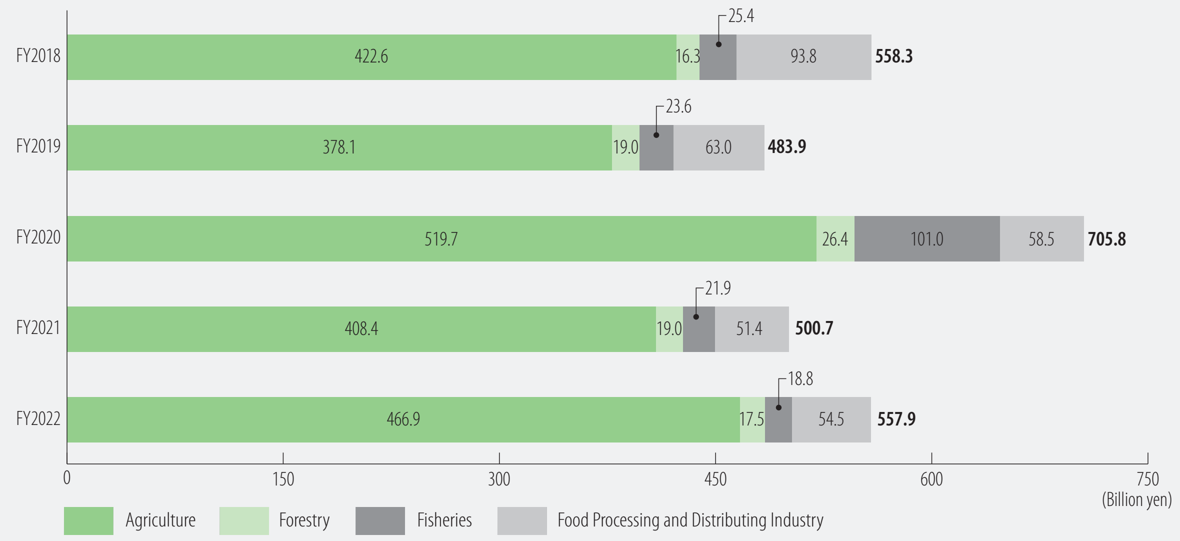
(Number of loans, %)

		FY2018	FY2019	FY2020	FY2021	FY2022
No collateral		223,271 (86.7)	223,441 (87.3)	857,271 (99.2)	247,087 (98.2)	203,107 (98.1)
Collateral	Real estate (including partial collateral)	34,323 (13.3)	32,522 (12.7)	6,602 (0.8)	4,640 (1.8)	4,033 (1.9)
	Securities	10 (0.0)	4 (0.0)	1 (0.0)	0 (0.0)	1 (0.0)
	Credit Guarantee Corporations (CGCs)	— (—)	— (—)	— (—)	— (—)	— (—)
	Others	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Total		257,604 (100.0)	255,967 (100.0)	863,874 (100.0)	251,727 (100.0)	207,141 (100.0)

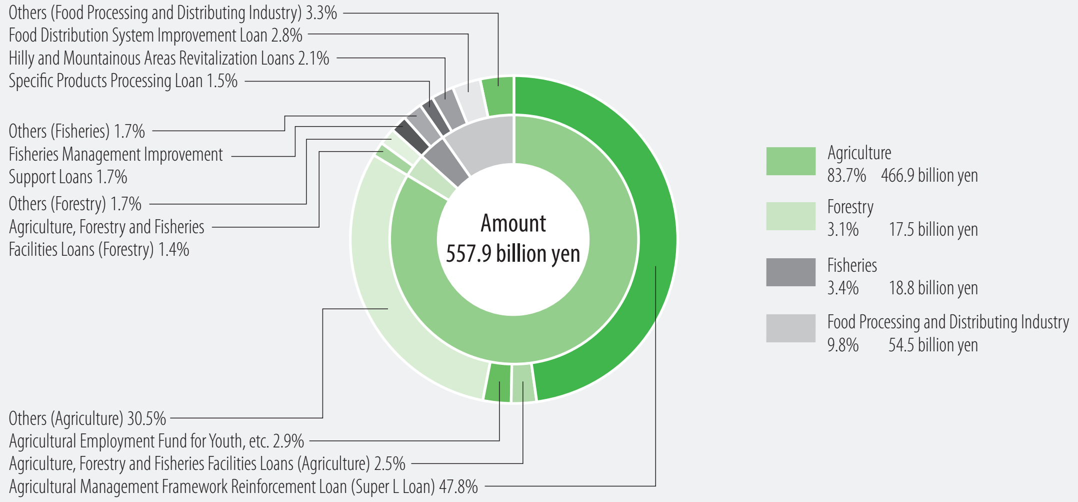
Notes:1. Loans comprise General Loans and Environmental Health Business Loans.
2. Figures in parentheses denote percentage of shares.
3. Partial collateral refers to real estate or other collateral whose estimated values do not reach amounts borrowed. Partial collateral of "Securities," "Credit Guarantee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

Agriculture, Forestry, Fisheries and Food Business Unit

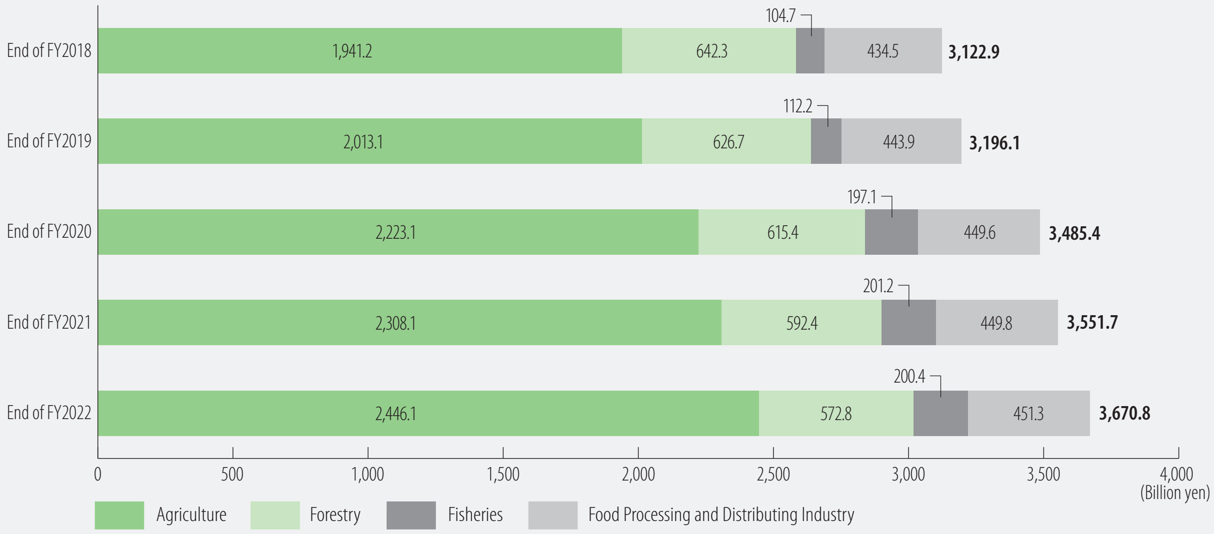
1 Changes in Annual Loan Operations



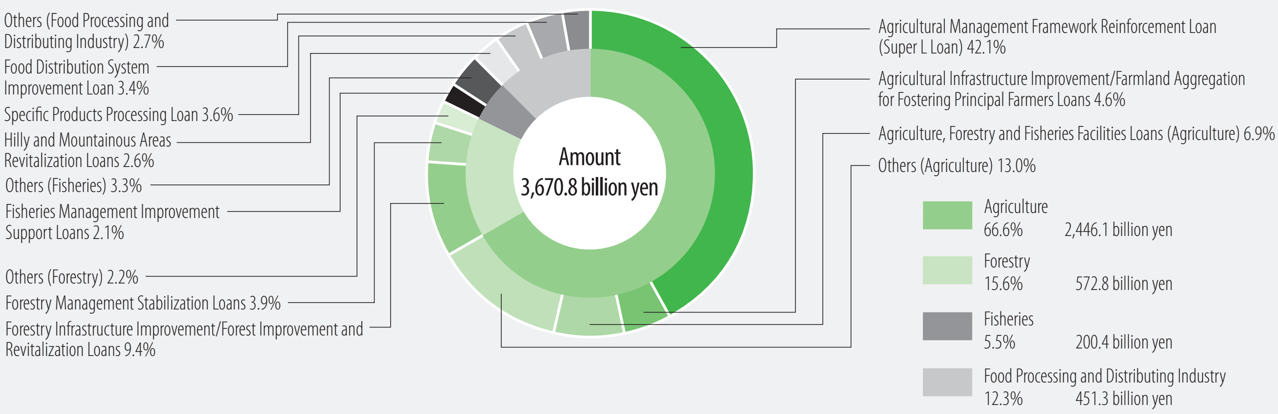
2 Breakdown of Loans by Scheme (FY2022)



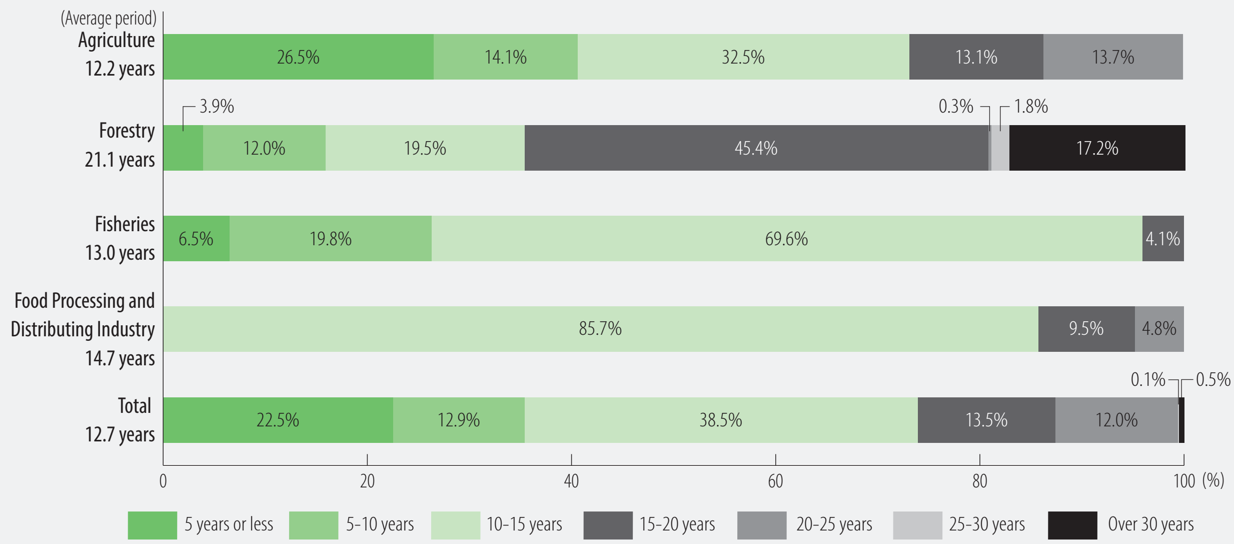
3 Changes in Outstanding Loans



4 Breakdown of Outstanding Loans by Sector and Use (End of FY2022)

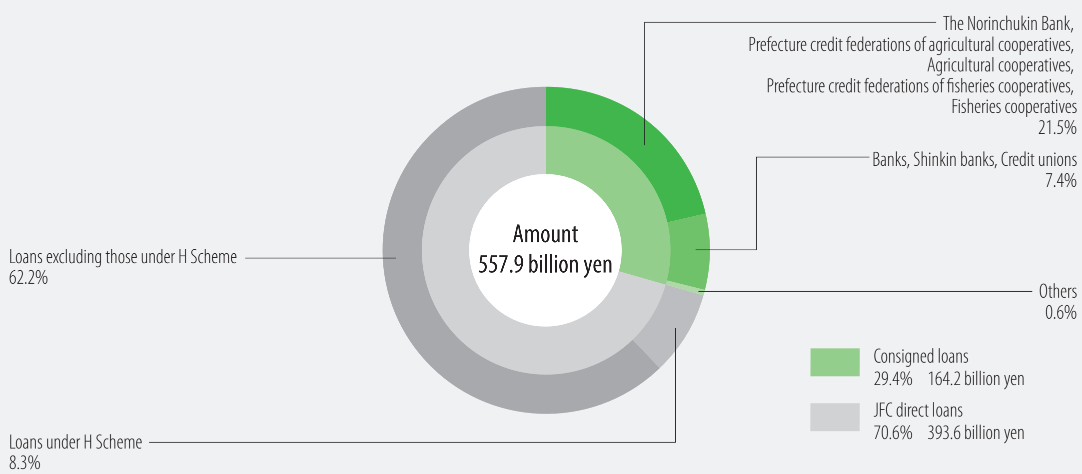


5 Loans by Repayment Period (FY2022)



Note: Aggregated by loan amount.

6 Loans by Commissioned Financial Institutions (FY2022)

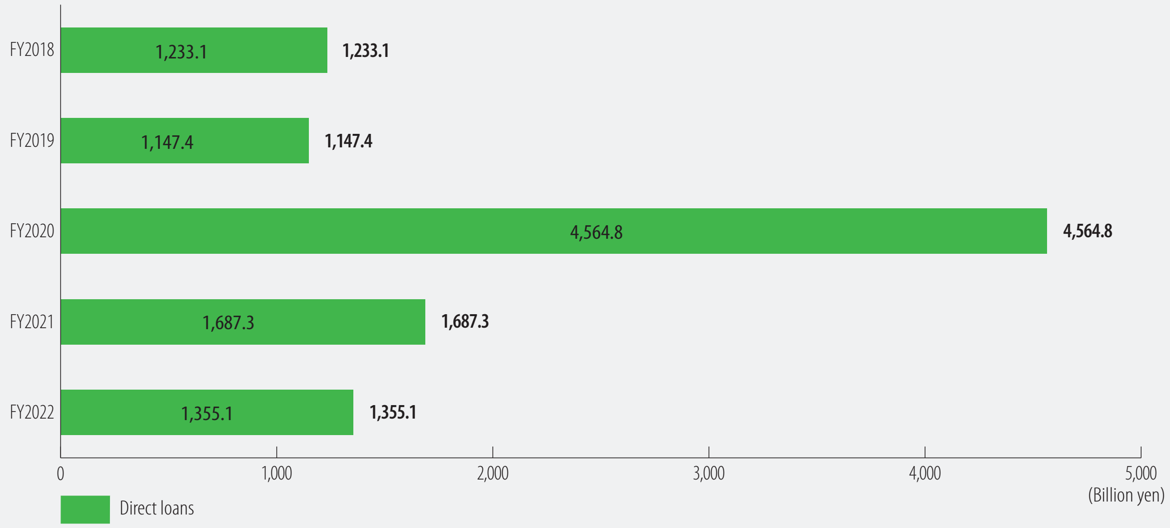


Note: H Scheme refers to a loan system through consignment of part of administration works for JFC's direct loans to agricultural cooperatives, banks, Shinkin banks, etc.

Data

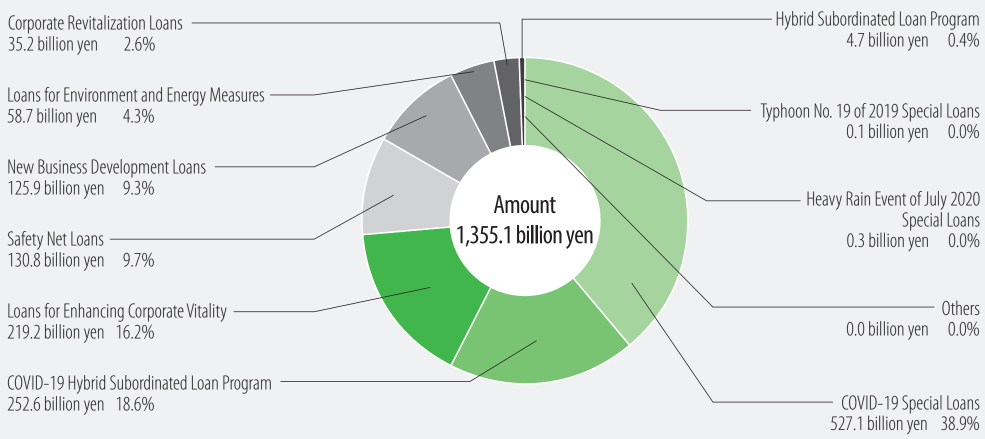
I. Loan Programs

1 Changes in Annual Loan Operations



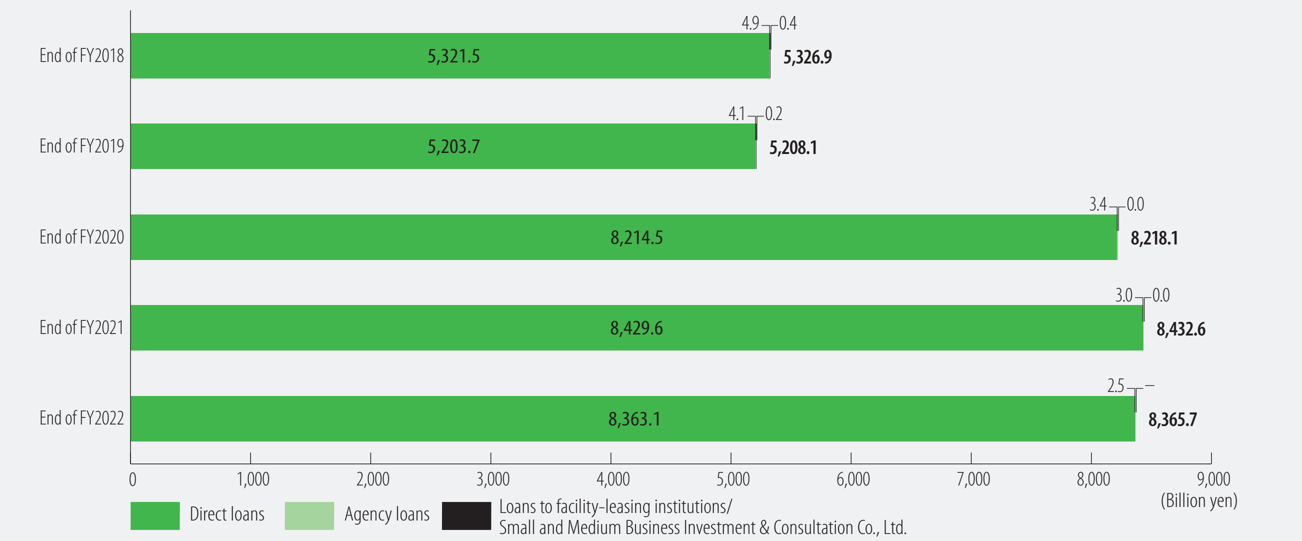
2 Breakdown of Loans by Scheme

▼Total Amount of Loans (FY2022)



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 FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Manufacturing	2,487.1 (46.7)	2,387.4 (45.8)	3,220.1 (39.2)	3,231.1 (38.3)	3,222.2 (38.5)
Construction	252.1 (4.7)	249.4 (4.8)	516.4 (6.3)	534.4 (6.3)	527.1 (6.3)
Wholesale & retail	834.3 (15.7)	787.1 (15.1)	1,413.7 (17.2)	1,450.1 (17.2)	1,436.4 (17.2)
Transport & telecommunications	538.2 (10.1)	549.9 (10.6)	850.6 (10.4)	888.7 (10.5)	903.1 (10.8)
Services	584.2 (11.0)	612.5 (11.8)	1,488.9 (18.1)	1,608.2 (19.1)	1,585.4 (19.0)
Others	630.2 (11.8)	621.1 (11.9)	728.1 (8.9)	719.8 (8.5)	691.2 (8.3)
Total	5,326.4 (100.0)	5,207.9 (100.0)	8,218.0 (100.0)	8,432.6 (100.0)	8,365.7 (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 FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Operating funds	3,013.5 (56.6)	2,785.2 (53.5)	5,919.4 (72.0)	6,184.6 (73.3)	6,090.7 (72.8)
Facility funds	2,312.8 (43.4)	2,422.6 (46.5)	2,298.5 (28.0)	2,247.9 (26.7)	2,274.9 (27.2)
Total	5,326.4 (100.0)	5,207.9 (100.0)	8,218.0 (100.0)	8,432.6 (100.0)	8,365.7 (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 FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Number of borrowers	43,929	44,102	61,074	62,010	62,004

Note: Figures cover only businesses with direct loans.

7 Average Loan Balance per Business

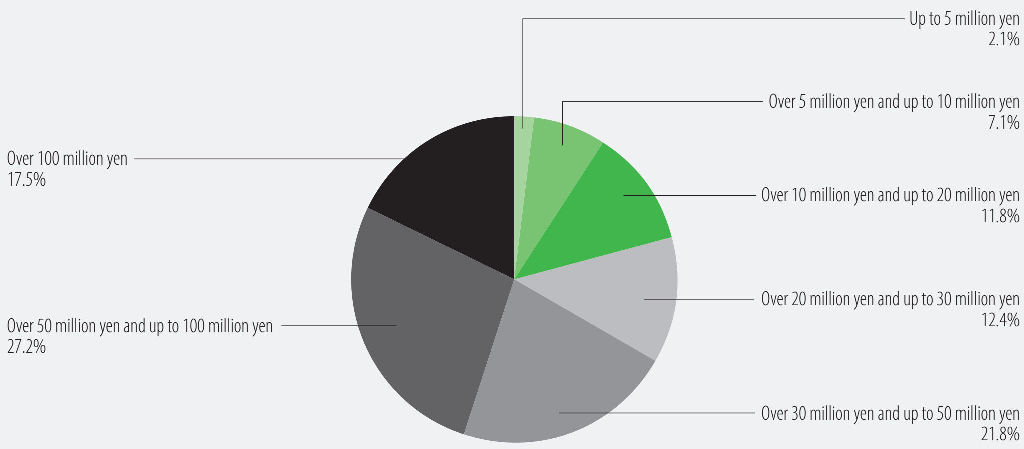
(Million yen)

	End of FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Average loan balance per business	121	117	134	135	134

Note: Figures cover only businesses with direct loans.

8 Loans by Credit Amount

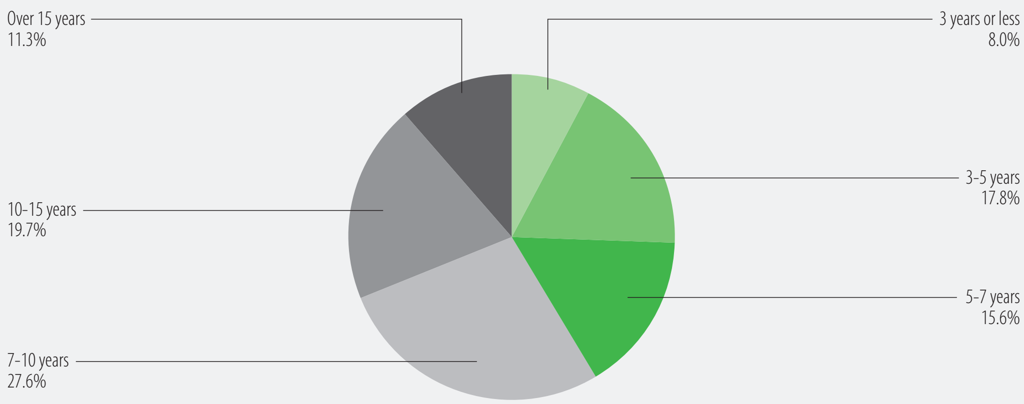
▼ Loan Percentage Breakdown (FY2022)



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

9 Loans by Repayment Period

▼ Loan Percentage Breakdown (FY2022)



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

II. Credit Insurance Programs

(Billion yen)

Items	FY2018	FY2019	FY2020	FY2021	FY2022
Amounts of insurance acceptance and loans					
Small Business Credit Insurance	7,707.2	8,324.3	33,210.6	8,768.4	7,762.0
Loans to CGCs	—	—	—	—	—
Special Insurance for Mid-size Enterprises	—	—	—	—	—
Outstanding amounts of insurance and loans					
Small Business Credit Insurance	21,264.0	21,244.8	42,416.1	42,092.3	40,671.3
Loans to CGCs	—	—	—	—	—
Special Insurance for Mid-size Enterprises	0.0	0.0	0.0	0.0	0.0
Machinery Credit Insurance	—	—	—	—	—

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, 2023.

III. Securitization Support Programs

(Billion yen)

Items	FY2018	FY2019	FY2020	FY2021	FY2022
Financing support amount					
Purchase-type	34.5	33.2	17.0	34.3	41.0
Guarantee-type	—	—	—	—	—
Outstanding amount of financing support					
Purchase-type	67.2	78.3	65.9	71.6	84.8
Guarantee-type	—	—	—	—	—
Outstanding amounts of trust beneficiary rights and guaranteed liabilities					
Purchase-type (outstanding amount of trust beneficiary rights)	18.1	17.4	12.9	15.4	23.1
Purchase-type (outstanding amounts of asset-backed securities)	10.3	14.9	17.8	21.6	23.2
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)	5.2	4.7	5.0	4.9	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, 2023.

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	FY2022
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	15.7
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	15.7
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	170.7
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	170.7
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	22.9

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 2023.

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 2023, with loss compensation underwritten by JFC for losses incurred until May 10, 2023.
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 2022 (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, etc. Promotion, Operations to Facilitate Business Foundation Reinforcement Promotion, Operations to Facilitate Business Introduction Promotion, and Operations to Facilitate Ensuring Supply Promotion

▼Two-step loans

(Billion yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
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, etc. Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Business Foundation Reinforcement Promotion	—	—	—	—	—	—	—	—	—	—	—	8.5	1.3
Operations to Facilitate Business Introduction Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—
Operations to Facilitate Ensuring Supply Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—

Notes: 1. The figures for the two-step loans refer to the amounts of loans JFC provided to the designated financial institutions through the end of March 2023.

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, etc. Promotion: August 31, 2020; Operations to Facilitate Business Foundation Reinforcement Promotion: August 24, 2021; Operations to Facilitate Business Introduction Promotion: August 24, 2021; Operations to Facilitate Ensuring Supply Promotion: January 13, 2023.

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 Act on Strengthening Industrial Competitiveness on January 20, 2014.

▼Interest subsidies

(Millions yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Operations to Facilitate Business Adaptation Promotion	—	—	—	—	—	—	—	—	—	—	—	—	1

Note: The figures for interest subsidies represent the amounts of interest subsidies JFC provided to designated financial institutions for loans provided by the designated financial institutions through the end of November 2022 (in principle, disbursements pertaining to the period from December 1 each year to May 31 of the following year are made by July 31, while those pertaining to the period from June 1 to November 30 are made by January 31 of the following year).

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, 2023)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	**9,728,076**	**Borrowed money**	**18,519,168**
Cash	16	Borrowings	18,519,168
Due from banks	9,728,060	**Bonds payable**	**926,088**
Securities	**48,292**	**Entrusted funds**	**22,823**
Government bonds	21,160	**Reserve for insurance policy liabilities**	**1,787,277**
Corporate bonds	23,215	**Other liabilities**	**31,962**
Stocks	2,531	Accrued expenses	4,384
Other securities	1,385	Contract liability	13,321
Loans and bills discounted	**27,739,603**	Unearned revenue	86
Loans on deeds	27,739,603	Derivatives other than for trading-liabilities	509
Other assets	**27,311**	Lease obligations	3,861
Prepaid expenses	99	Other	9,797
Accrued income	14,483	**Provision for bonuses**	**5,405**
Derivatives other than for trading-assets	543	**Provision for directors' bonuses**	**23**
Agency accounts receivable	701	**Provision for retirement benefits**	**95,107**
Other	11,482	**Provision for directors' retirement benefits**	**74**
Property, plant and equipment	**190,706**	**Reserve for compensation losses**	**28,088**
Buildings	48,878	**Acceptances and guarantees**	**28,225**
Land	138,312	Total liabilities	21,444,245
Lease assets	2,405	Net assets	
Construction in progress	465	**Capital stock**	**11,696,178**
Other	645	**Capital surplus**	**5,490,554**
Intangible assets	**24,933**	Special reserve for administrative improvement funds	181,500
Software	20,944	Legal capital surplus	5,309,054
Lease assets	967	**Retained earnings**	**(1,900,319)**
Other	3,021	Legal retained earnings	3,227
Customers' liabilities for acceptances and guarantees	**28,225**	Other retained earnings	(1,903,547)
Allowance for loan losses	**(1,056,406)**	Retained earnings brought forward	(1,903,547)
		Total shareholders' equity	**15,286,413**
		Valuation difference on available-for-sale securities	**84**
		Total valuation and translation adjustments	**84**
		Total net assets	15,286,497
Total assets	36,730,743	Total liabilities and net assets	36,730,743

Data

Statement of Operations (Year ended March 31, 2023)

(Millions of yen)

Items	Amount
Ordinary income	416,980
Interest income	176,188
Interest on loans and discounts	174,599
Interest and dividends on securities	220
Interest on deposits with banks	1,368
Other interest income	0
Fees and commissions	3,518
Fees and commissions on compensation security contract	3,340
Other fees and commissions	177
Insurance premiums and other	178,170
Insurance premiums	176,590
Receipts of burden charges under the Responsibility-sharing System	1,579
Other ordinary income	119
Income from derivatives other than for trading or hedging	119
Receipts from the national budget	52,361
Receipts from general account of the national budget	52,352
Receipts from special account of the national budget	8
Other income	6,622
Recoveries of written-off claims	1,032
Gain on sales of stocks and other securities	132
Other	5,457
Ordinary expenses	685,740
Interest expenses	26,991
Interest on call money	(0)
Interest on borrowings and rediscounts	23,489
Interest on bonds	3,502
Fees and commissions payments	3,046
Other fees and commissions	3,046
Expenses on insurance claims and other	243,994
Expenses on insurance claims	256,352
Recoveries of insurance claims	(61,937)
Provision of reserve for insurance policy liabilities	49,579
Other ordinary expenses	25,299
Loss on foreign exchange transactions	476
Amortization of bond issuance cost	84
Interest subsidies	24,739
General and administrative expenses	131,746
Other expenses	254,661
Provision of allowance for loan losses	208,691
Provision of reserve for compensation losses	13,140
Written-off of loans	26,712
Other	6,117
Ordinary loss	268,760
Extraordinary income	371
Gain on disposal of noncurrent assets	371
Extraordinary losses	319
Loss on disposal of noncurrent assets	146
Impairment loss	172
Net loss	268,708

Statement of Changes in Net Assets (Year ended March 31, 2023)

(Millions of yen)

	Shareholders' equity								Valuation and translation adjustments		Total net assets
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		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				
Balance at the beginning 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
Changes of items during the period											
Issuance of new shares	83,451		57,020	57,020				140,471			140,471
Provision of legal retained earnings					85	(85)	—	—			—
Payment to National Treasury						(85)	(85)	(85)			(85)
Reversal of legal capital surplus (Deficit disposition)			(142,087)	(142,087)		142,087	142,087	—			—
Net income (loss)						(268,708)	(268,708)	(268,708)			(268,708)
Net changes of items other than shareholders' equity									(115)	(115)	(115)
Total changes of items during the period	83,451	—	(85,067)	(85,067)	85	(126,791)	(126,705)	(128,321)	(115)	(115)	(128,437)
Balance at the end of current period	11,696,178	181,500	5,309,054	5,490,554	3,227	(1,903,547)	(1,900,319)	15,286,413	84	84	15,286,497

Data

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 ¥278,768 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: ¥1,056,406 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. Among these, it is possible that deterioration of borrower credit risks regarding COVID-19 related loans for which a principal deferment period has been set and the repayment deadline has not arrived will not appear and will not be reflected in the borrowers' categories and that deterioration of credit risk of borrowers that are provided with moratoriums of repayments due to effects from

Data

COVID-19 and whose repayment deadlines have arrived is not properly reflected in the borrowers' categories, 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 in the following fiscal year and beyond. Because of this, potential short-term credit risks concerning borrowers for which principal deferment periods were set to a certain degree and whose repayment deadlines have not arrived are anticipated, and accordingly, JFC made corrections required for the anticipated 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 and whose repayment deadlines have not arrived. In addition, with regard to borrowers for whom lending was unified with a new loan after receiving loans related to COVID-19, since borrowers whose new loan repayment deadlines have not arrived are included, such as borrowers who principal deferment periods were extended, and there is a possibility that deterioration of credit risk is not properly reflected in the borrowers' categories, it was assumed that the deterioration in credit risk will be of the same degree as for borrowers for whom lending was unified with a new loan in the past, and necessary revisions to the anticipated loss rate were made.

Moreover, JFC made necessary corrections by assuming that the 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 the current fiscal year.

(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 and deterioration in economic circumstances, 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 in the following fiscal year and beyond. 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 anticipated 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.

(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 and deterioration in economic circumstances, 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 in the following fiscal year and beyond. 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: ¥1,787,277 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 in the following fiscal year and beyond. 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: ¥28,088 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.

When calculating the anticipated loss rate, in consideration of the increase in compensation payments in the second half of fiscal 2022, necessary adjustments were made to the group of compensation security transactions to SME and medium-sized businesses for which the repayment performance deadline has not yet arrived and the loan conditions have not been restructured.

b. Main assumptions

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.

Because of this, in principle, 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.

However, in consideration of the increase in compensation payments in the second half of fiscal 2022, necessary adjustments were made to the anticipated loss rate for the group of compensation security transactions to SME and medium-sized businesses for which the repayment performance deadline has not yet arrived and the loan conditions have not been restructured.

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.

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: ¥34,329 million
The amount of claims under high risk: ¥1,037,593 million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥977,417 million
  The amount of claims with interest or principal repayments more than 3 months in arrears: ¥920 million
  The amount of restructured claims: ¥976,497 million
Subtotal amount: ¥2,049,340 million
The amount of normal claims: ¥25,732,805 million
Total amount: ¥27,782,145 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, 2023 is ¥79,060 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 ¥674 million. Of this amount, ¥265 million is for loans with an original contract term of one year or less.

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 ¥926,088 million.

5. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥46,241 million.

6. Amount of compensation security contract

(Millions of yen)

The total amount of compensation outstanding (45,302 contracts)	2,002,425
Reserve for compensation	28,088
Net amount	1,974,336

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, 2023, 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	21,592,355,107,741	140,471,299,000	—	21,732,826,406,741

(Note) Increase is due to the issuance of 140,471,299,000 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, certified business operators that are introducing specified ships, and certified business operators that conduct business relating to measures to ensure stable supply of specified critical materials, etc. 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

Data

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, business reorganization promotion operations, business adaptation promotion operations, development and provision, etc. promotion operations, business infrastructure reinforcement promotion operations, introduction promotion operations, and ensuring supply 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, 2023 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥62,450 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 ¥60,591 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, 2023 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥21,003 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 ¥19,163 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.

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, 2023 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥115,455 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 ¥108,058 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, 2023 will cause the fair value after netting (assets) of the financial assets and financial liabilities held in this account to increase by ¥1,316 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 ¥1,219 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, 2023, 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	9,728,076	9,729,567	1,490
(2) Securities			
Held-to-maturity debt securities	21,176	21,031	(144)
Available-for-sale securities	23,200	23,200	—
(3) Loans and bills discounted	27,739,603		
Allowance for loan losses (*1)	(1,054,754)		
	26,684,848	27,946,051	1,261,203
Total assets	36,457,301	37,719,850	1,262,548
(1) Borrowings	18,519,168	18,488,267	(30,900)
(2) Bonds payable	926,088	935,111	9,023
Total liabilities	19,445,256	19,423,379	(21,876)
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	33	33	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	33	33	—

(*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)	2,531
Partnership investments (*2)	1,385

(*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, June 17, 2021), Paragraph 24-16.

(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)	5,726,860	1,801,200	1,200,000	700,000	300,000	—
Securities						
Held-to-maturity debt securities	1	14	—	—	—	21,068
Available-for-sale securities	2,711	8,862	11,541	0	—	—
Loans and bills discounted (*2)	4,027,205	7,159,162	5,569,184	4,179,216	3,726,161	2,838,116
Total	9,756,779	8,969,239	6,780,726	4,879,216	4,026,161	2,859,184

(*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 contain an amount of ¥240,556 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 (*)	3,609,651	5,762,802	3,536,864	2,409,821	1,965,684	1,234,343
Bonds payable	225,000	365,000	130,900	120,000	85,000	—
Total	3,834,651	6,127,802	3,667,764	2,529,821	2,050,684	1,234,343

(*) 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, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Corporate bonds	—	—	23,200	23,200
Derivative transactions				
Currency related	—	9	—	9
Credit derivatives	—	—	534	534
Total assets	—	9	23,734	23,743
Derivative transactions				
Credit derivatives	—	—	509	509
Total liabilities	—	—	509	509

Data

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	9,729,567	—	9,729,567
Securities				
Held-to-maturity debt securities				
Government bonds	21,015	—	—	21,015
Corporate bonds	—	15	—	15
Loans and bills discounted	—	3,838,152	24,107,899	27,946,051
Total assets	21,015	13,567,735	24,107,899	37,696,650
Borrowings	—	18,469,409	18,858	18,488,267
Bonds payable	—	935,111	—	935,111
Total liabilities	—	19,404,521	18,858	19,423,379

(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 taking into consideration actual interest rates for borrowings that have been redeemed, 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, 2023)

Classification	Valuation techniques	Important unobservable inputs	Range of inputs
Securities			
Available-for-sale securities			
Corporate bonds	Discounted present value method	Default probability	0.00%–0.15%
Derivative transactions			
Credit derivatives	Discounted present value method	Default probability	0.11%–100.00%

(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, 2023)

(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	15,620	—	(115)	7,695	—	—	23,200	—
Derivative transactions								
Credit derivatives (*3)	54	(30)	—	—	—	—	24	(33)

(*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, 2023 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	Japanese government bonds	21,160	21,015	(144)
	Corporate bonds	15	15	—
Total		21,176	21,031	(144)

(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	23,200	23,115	84
Securities whose carrying amount does not exceed their acquisition cost	Others	289,650	289,650	—
Total		312,850	312,765	84

(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	1
Partnership investments	1,385

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	179,986	million yen
Service cost	6,552	
Interest cost	179	
Actuarial difference	1,093	
Payment of retirement benefits	(7,521)	
Prior service cost	(821)	
Other	—	
Closing balance of projected benefit obligations	179,469	

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	67,514	million yen
Expected return on plan assets	1,350	
Actuarial difference	(2,032)	
Financing from employer	3,018	
Payment of retirement benefits	(3,315)	
Other	—	
Closing balance of fair value of plan assets	66,534	

(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	85,701	million yen
Fair value of plan assets	(66,534)	
	19,167	
Projected benefit obligations of unfunded plan	93,767	
Unfunded pension obligations	112,934	
Actuarial unrecognized difference	(20,441)	
Unrecognized prior service cost	2,614	
Net amount of liabilities and assets recorded on the balance sheet	95,107	
Provision for retirement benefits	95,107	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	95,107	

(4) Net pensions cost and breakdown of included items

Service cost	6,552	million yen
Interest cost	179	
Expected return on plan assets	(1,350)	
Amount of actuarial difference accounted for as expense	5,472	
Amortization of prior service cost accounted for as expense	(982)	
Other	—	
Net pensions cost related to defined benefits plan	9,872	

(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	26%
Debentures	62%
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 ¥382 million.

14. Profit and loss on equity method

Investment in affiliates	¥2,530 million
Investment in affiliates (equity method)	¥2,585 million
Profit on investment in affiliates (equity method)	¥3 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 ¥3,085 million.
   (2) The total transaction price allocated to remaining performance obligations at the last day of the current fiscal year amounts to ¥13,321 million. 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	2,436
Over one year	10,885
Total	13,321

Data

16. Related party transactions

Related party transactions in the fiscal year ended March 31, 2023 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, 2023
Principal shareholder	Ministry of Finance (Minister of Finance)(Notes i and ii)	98.43 (Direct)	Administration for policy based financing	Underwriting of capital increase(Note iii)	140,458	—	—
				Receipts from general account of the national budget	10,432	—	—
				Receipt of funds(Note iv)	740,686	Borrowings	18,381,724
				Repayment of borrowing	3,799,594		
				Payment of interest on borrowings	23,489	Accrued expenses	2,879
				Deposit of funds(Note v)	11,374,200	Due from banks	7,831,000
				Refund of funds	11,058,000		
				Guarantee for bonds payable(Note vi)	555,198	—	—

(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) 1.36%

(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 ¥7 million
-Ministry of Economy, Trade and Industry
Underwriting of capital increase ¥6 million
-Ministry of Health, Labour and Welfare
Receipts from the national budget ¥2,103 million
-Ministry of Agriculture, Forestry and Fisheries
Receipts from the national budget ¥25,548 million
-Ministry of Economy, Trade and Industry
Receipts from the national budget ¥73 million
-Agency for Natural Resources and Energy
Receipts from the national budget ¥0 million
-Small and Medium Enterprise Agency
Receipts from the national budget ¥14,196 million
-Ministry of Land, Infrastructure, Transport and Tourism
Receipts from the national budget ¥7 million
-Ministry of Agriculture, Forestry and Fisheries
Repayment of borrowed money ¥2,384 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 represent 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.

17. Per share information

Net assets per share ¥0.70
Net loss per share ¥0.01

18. Subsequent events

Not applicable.

Account for Micro Business and Individual Operations

Balance Sheet (as of March 31, 2023)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	**816,348**	**Borrowed money**	**7,076,138**
Cash	11	Borrowings	7,076,138
Due from banks	816,336	**Bonds payable**	**295,122**
Loans and bills discounted	**11,976,086**	**Other liabilities**	**9,123**
Loans on deeds	11,976,086	Accrued expenses	919
Other assets	**9,164**	Lease obligations	2,488
Prepaid expenses	88	Other	5,715
Accrued income	5,156	**Provision for bonuses**	**3,284**
Agency accounts receivable	492	**Provision for directors' bonuses**	**7**
Other	3,426	**Provision for retirement benefits**	**57,017**
Property, plant and equipment	**92,979**	**Provision for directors' retirement benefits**	**17**
Buildings	27,070	Total liabilities	7,440,710
Land	63,721	Net assets	
Lease assets	1,571	**Capital stock**	**5,785,273**
Construction in progress	217	**Capital surplus**	**181,500**
Other	399	Special reserve for administrative improvement funds	181,500
Intangible assets	**12,039**	**Retained earnings**	**(830,571)**
Software	10,621	Other retained earnings	(830,571)
Lease assets	602	Retained earnings brought forward	(830,571)
Other	816	Total shareholders' equity	5,136,201
Allowance for loan losses	**(329,705)**	Total net assets	5,136,201
Total assets	12,576,912	Total liabilities and net assets	12,576,912

Statement of Operations (Year ended March 31, 2023)

(Millions of yen)

Items	Amount
Ordinary income	**110,783**
Interest income	94,687
Interest on loans and discounts	94,686
Interest on deposits with banks	0
Other interest income	0
Receipts from the national budget	14,391
Receipts from general account of the national budget	14,391
Other income	1,704
Recoveries of written-off claims	676
Other	1,028
Ordinary expenses	**228,319**
Interest expenses	2,349
Interest on call money	(0)
Interest on borrowings and rediscounts	2,148
Interest on bonds	201
Fees and commissions payments	614
Other fees and commissions	614
Other ordinary expenses	15
Amortization of bond issuance cost	15
General and administrative expenses	79,745
Other expenses	145,594
Provision of allowance for loan losses	121,499
Written-off of loans	23,975
Other	118
Ordinary loss	**117,535**
Extraordinary income	**366**
Gain on disposal of noncurrent assets	366
Extraordinary losses	**219**
Loss on disposal of noncurrent assets	46
Impairment loss	172
Net loss	**117,388**

Statement of Changes in Net Assets (Year ended March 31, 2023)

(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	5,773,243	181,500	181,500	(713,182)	(713,182)	5,241,560	5,241,560
Changes of items during the period							
Issuance of new shares	12,030					12,030	12,030
Net income (loss)				(117,388)	(117,388)	(117,388)	(117,388)
Total changes of items during the period	12,030	—	—	(117,388)	(117,388)	(105,358)	(105,358)
Balance at the end of current period	5,785,273	181,500	181,500	(830,571)	(830,571)	5,136,201	5,136,201

Data

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 ¥179,643 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: ¥329,705 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. Among these, it is possible that deterioration of borrower credit risks regarding COVID-19 related loans for which a principal deferment period has been set and the repayment deadline has not arrived will not appear and will not be reflected in the borrowers' categories and that deterioration of credit risk of borrowers that are provided with moratoriums of repayments due to effects from COVID-19 and whose repayment deadlines have arrived is not properly reflected in the borrowers' categories, 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 in the following fiscal year and beyond. Because of this, potential short-term credit risks concerning borrowers for which principal deferment periods were set to a certain degree and whose repayment deadlines have not arrived are anticipated, and accordingly, JFC made corrections required for the anticipated 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 and whose repayment deadlines have not arrived. In addition, with regard to borrowers for whom lending was unified with a new loan after receiving the loans related to COVID-19, since borrowers whose new loan repayment deadlines have not arrived are included, such as borrowers who principal deferment periods were extended, and there is a possibility that deterioration of credit risk is not properly reflected in the borrowers' categories, it was assumed that the deterioration in credit risk will be of the same degree as for borrowers for whom lending was unified with a new loan in the past, and necessary revisions to the anticipated loss rate were made.

Moreover, JFC made necessary corrections by assuming that the 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 the current fiscal year.

(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.

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: ¥19,608 million
The amount of claims under high risk: ¥114,061 million

Data

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥757,024 million
The amount of claims with interest or principal repayments more than 3 months in arrears: ¥52 million
The amount of restructured claims: ¥756,972 million
Subtotal amount: ¥890,693 million
The amount of normal claims: ¥11,090,622 million
Total amount: ¥11,981,316 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, 2023 is ¥727 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 ¥295,122 million).

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥26,187 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, 2023 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	5,954,743,000,000	12,030,299,000	—	5,966,773,299,000

(Note) Increase is due to the issuance of 12,030,299,000 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, 2023 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥62,450 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 ¥60,591 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, 2023, 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	816,348	816,348	—
(2) Loans and bills discounted	11,976,086		
Allowance for loan losses (*)	(329,559)		
	11,646,526	12,009,357	362,830
Total assets	12,462,874	12,825,705	362,830
(1) Borrowings	7,076,138	7,067,189	(8,948)
(2) Bonds payable	295,122	293,994	(1,127)
Total liabilities	7,371,260	7,361,183	(10,076)

(*) 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)	816,336	—	—	—	—	—
Loans and bills discounted (*2)	1,698,164	3,321,476	2,726,637	2,001,369	1,427,069	667,764
Total	2,514,501	3,321,476	2,726,637	2,001,369	1,427,069	667,764

(*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 contain an amount of ¥133,604 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 (*)	1,873,149	2,603,313	1,338,420	695,727	328,854	236,675
Bonds payable	95,000	120,000	20,000	10,000	50,000	—
Total	1,968,149	2,723,313	1,358,420	705,727	378,854	236,675

(*) 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, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	816,348	—	816,348
Loans and bills discounted	—	—	12,009,357	12,009,357
Total assets	—	816,348	12,009,357	12,825,705
Borrowings	—	7,067,189	—	7,067,189
Bonds payable	—	293,994	—	293,994
Total liabilities	—	7,361,183	—	7,361,183

(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	110,812	million yen
Service cost	3,973	
Interest cost	110	
Actuarial difference	689	
Payment of retirement benefits	(4,587)	
Prior service cost	(492)	
Other	22	
Closing balance of projected benefit obligations	110,528	

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	41,797	million yen
Expected return on plan assets	836	
Actuarial difference	(1,210)	
Financing from employer	1,830	
Payment of retirement benefits	(2,058)	
Other	6	
Closing balance of fair value of plan assets	41,202	

(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	53,071	million yen
Fair value of plan assets	(41,202)	
	11,869	
Projected benefit obligations of unfunded plan	57,457	
Unfunded pension obligations	69,326	
Actuarial unrecognized difference	(14,220)	
Unrecognized prior service cost	1,910	
Net amount of liabilities and assets recorded on the balance sheet	57,017	
Provision for retirement benefits	57,017	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	57,017	

(4) Net pensions cost and breakdown of included items

Service cost	3,973	million yen
Interest cost	110	
Expected return on plan assets	(836)	
Amount of actuarial difference accounted for as expense	3,625	
Amortization of prior service cost accounted for as expense	(715)	
Other	—	
Net pensions cost related to defined benefits plan	6,157	

(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	26%
Debentures	62%
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, 2023 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, 2023
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)	12,023	—	—
				Receipts from general account of the national budget	10,374	—	—
				Receipt of funds(Note iv)	111,200	Borrowings	6,944,838
				Repayment of borrowing	2,016,285		
				Payment of interest on borrowings	2,148	Accrued expenses	359
				Guarantee for bonds payable(Note v)	265,121	—	—

(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 ¥7 million
Receipts from the national budget ¥2,103 million
-Small and Medium Enterprise Agency
Receipts from the national budget ¥1,914 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 represent 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.

11. Per share information

Net assets per share ¥0.86
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, 2023)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	**105,129**	**Borrowed money**	**3,035,887**
Cash	0	Borrowings	3,035,887
Due from banks	105,128	**Bonds payable**	**194,989**
Securities	**3,915**	**Entrusted funds**	**22,823**
Stocks	2,530	**Other liabilities**	**5,344**
Other securities	1,385	Accrued expenses	2,713
Loans and bills discounted	**3,607,416**	Derivatives other than for trading-liabilities	49
Loans on deeds	3,607,416	Lease obligations	382
Other assets	**6,812**	Other	2,198
Prepaid expenses	4	**Provision for bonuses**	**658**
Accrued income	6,261	**Provision for directors' bonuses**	**7**
Derivatives other than for trading-assets	1	**Provision for retirement benefits**	**11,665**
Agency accounts receivable	208	**Provision for directors' retirement benefits**	**28**
Other	336	Total liabilities	3,271,405
Property, plant and equipment	**32,956**	Net assets	
Buildings	7,485	**Capital stock**	**453,671**
Land	24,922	**Retained earnings**	**2,642**
Lease assets	225	Legal retained earnings	2,642
Construction in progress	237	**Total shareholders' equity**	**456,313**
Other	85		
Intangible assets	**4,686**		
Software	4,504		
Lease assets	107		
Other	75		
Allowance for loan losses	**(33,197)**	Total net assets	456,313
Total assets	3,727,719	Total liabilities and net assets	3,727,719

Statement of Operations (Year ended March 31, 2023)

(Millions of yen)

Items	Amount
Ordinary income	**47,260**
Interest income	21,042
Interest on loans and discounts	21,040
Interest on deposits with banks	1
Other interest income	0
Other ordinary income	29
Income from derivatives other than for trading or hedging	29
Receipts from the national budget	25,509
Receipts from general account of the national budget	25,502
Receipts from special account of the national budget	6
Other income	678
Recoveries of written-off claims	266
Other	412
Ordinary expenses	**47,202**
Interest expenses	15,705
Interest on call money	(0)
Interest on borrowings and rediscounts	13,078
Interest on bonds	2,626
Fees and commissions payments	2,192
Other fees and commissions	2,192
Other ordinary expenses	27
Amortization of bond issuance cost	27
General and administrative expenses	17,059
Other expenses	12,217
Provision of allowance for loan losses	12,037
Written-off of loans	84
Other	95
Ordinary profit	**57**
Extraordinary income	**5**
Gain on disposal of noncurrent assets	5
Extraordinary losses	**62**
Loss on disposal of noncurrent assets	62
Net income	**—**

Statement of Changes in Net Assets (Year ended March 31, 2023)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Retained earnings			Total shareholders' equity	Total net assets
		Legal retained earnings	Other retained earnings	Total retained earnings		
			Retained earnings brought forward			
Balance at the beginning of current period	448,606	2,642	—	2,642	451,248	451,248
Changes of items during the period						
Issuance of new shares	5,065				5,065	5,065
Net income			—	—	—	—
Total changes of items during the period	5,065	—	—	—	5,065	5,065
Balance at the end of current period	453,671	2,642	—	2,642	456,313	456,313

Data

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 ¥16,443 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: ¥33,197 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 and deterioration in economic circumstances, 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 in the following fiscal year and beyond. 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.

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: ¥5,624 million

The amount of claims under high risk: ¥92,956 million

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥72,560 million

The amount of claims with interest or principal repayments more than 3 months in arrears: ¥868 million

Data

The amount of restructured claims: ¥71,692 million
Subtotal amount: ¥171,141 million
The amount of normal claims: ¥3,442,567 million
Total amount: ¥3,613,709 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, 2023 is ¥47,111 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 ¥194,989 million).

5. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥6,519 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, 2023 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	448,606,700,000	5,065,000,000	—	453,671,700,000

(Note) Increase is due to the issuance of 5,065,000,000 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, 2023 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥21,003 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 ¥19,163 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, 2023, 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	105,129	105,129	—
(2) Loans and bills discounted	3,607,416		
Allowance for loan losses (*1)	(33,026)		
	3,574,390	3,662,056	87,665
Total assets	3,679,519	3,767,185	87,665
(1) Borrowings	3,035,887	3,051,375	15,487
(2) Bonds payable	194,989	204,856	9,866
Total liabilities	3,230,877	3,256,231	25,353
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	(48)	(48)	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	(48)	(48)	—

(*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)	1,385

(*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, June 17, 2021), Paragraph 24-16.

(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)	105,128	—	—	—	—	—
Loans and bills discounted (*2)	411,283	715,882	566,062	476,573	525,322	824,252
Total	516,412	715,882	566,062	476,573	525,322	824,252

(*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 contain an amount of ¥88,039 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	407,785	748,750	575,426	424,271	434,945	444,707
Bonds payable	30,000	30,000	30,000	70,000	35,000	—
Total	437,785	778,750	605,426	494,271	469,945	444,707

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, 2023)

(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	—	—	49	49
Total liabilities	—	—	49	49

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	105,129	—	105,129
Loans and bills discounted	—	—	3,662,056	3,662,056
Total assets	—	105,129	3,662,056	3,767,185
Borrowings	—	3,045,387	5,987	3,051,375
Bonds payable	—	204,856	—	204,856
Total liabilities	—	3,250,243	5,987	3,256,231

(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, 2023)

Classification	Valuation techniques	Important unobservable inputs	Range of inputs
Derivative transactions			
Credit derivatives	Discounted present value method	Default probability	0.70%–100.00%

(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, 2023)

(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)	(42)	(5)	—	—	—	—	(48)	(9)

(*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, 2023 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	16,650	16,650	—

(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	1,385

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	21,473	million yen
Service cost	802	
Interest cost	21	
Actuarial difference	55	
Payment of retirement benefits	(1,038)	
Prior service cost	(96)	
Other	1	
Closing balance of projected benefit obligations	21,217	

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	7,838	million yen
Expected return on plan assets	156	
Actuarial difference	(278)	
Financing from employer	357	
Payment of retirement benefits	(378)	
Other	(0)	
Closing balance of fair value of plan assets	7,695	

(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	9,911	million yen
Fair value of plan assets	(7,695)	
	2,216	
Projected benefit obligations of unfunded plan	11,305	
Unfunded pension obligations	13,522	
Actuarial unrecognized difference	(2,187)	
Unrecognized prior service cost	330	
Net amount of liabilities and assets recorded on the balance sheet	11,665	
Provision for retirement benefits	11,665	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	11,665	

(4) Net pensions cost and breakdown of included items

Service cost	802	million yen
Interest cost	21	
Expected return on plan assets	(156)	
Amount of actuarial difference accounted for as expense	601	
Amortization of prior service cost accounted for as expense	(124)	
Other	—	
Net pensions cost related to defined benefits plan	1,144	

(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	26%
Debentures	62%
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)	¥2,585 million
Profit on Investment in affiliates (equity method)	¥3 million

14. Related party transactions

Related party transactions in the fiscal year ended March 31, 2023 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, 2023
Principal shareholder	Ministry of Finance (Minister of Finance)(Notes i and ii)	91.40 (Direct)	Administration for policy based financing	Underwriting of capital increase (Note iii)	5,065	—	—
				Receipt of funds (Note iv)	500,000	Borrowings	3,029,743
				Repayment of borrowing	364,303		
				Payment of interest on borrowings	13,078	Accrued expenses	2,014

(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) 8.60%

(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 ¥25,509 million
Repayment of borrowed money ¥2,384 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 represent borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

(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, 2023
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.

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, 2023)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	629,688	Borrowed money	4,583,018
Cash	4	Borrowings	4,583,018
Due from banks	629,684	Bonds payable	330,903
Securities	16	Other liabilities	3,053
Corporate bonds	15	Accrued expenses	564
Stocks	1	Unearned revenue	86
Loans and bills discounted	8,251,975	Lease obligations	857
Loans on deeds	8,251,975	Other	1,544
Other assets	3,733	Provision for bonuses	1,251
Prepaid expenses	6	Provision for directors' bonuses	6
Accrued income	2,613	Provision for retirement benefits	22,048
Derivatives other than for trading-assets	9	Provision for directors' retirement benefits	25
Other	1,103	Acceptances and guarantees	28,225
Property, plant and equipment	47,513	Total liabilities	4,968,532
Buildings	11,125	Net assets	
Land	35,700	Capital stock	3,986,313
Lease assets	528	Retained earnings	(681,860)
Construction in progress	10	Other retained earnings	(681,860)
Other	148	Retained earnings brought forward	(681,860)
Intangible assets	5,334	Total shareholders' equity	3,304,452
Software	4,836		
Lease assets	222		
Other	276		
Customers' liabilities for acceptances and guarantees	28,225		
Allowance for loan losses	(693,503)	Total net assets	3,304,452
Total assets	8,272,985	Total liabilities and net assets	8,272,985

Statement of Operations (Year ended March 31, 2023)

(Millions of yen)

Items	Amount
Ordinary income	**67,355**
Interest income	54,116
Interest on loans and discounts	54,115
Interest and dividends on securities	0
Interest on deposits with banks	0
Other interest income	0
Fees and commissions	177
Other fees and commissions	177
Receipts from the national budget	12,224
Receipts from general account of the national budget	12,223
Receipts from special account of the national budget	0
Other income	837
Recoveries of written-off claims	90
Gain on sales of stocks and other securities	132
Other	614
Ordinary expenses	**115,539**
Interest expenses	4,245
Interest on call money	(0)
Interest on borrowings and rediscounts	3,507
Interest on bonds	738
Fees and commissions payments	57
Other fees and commissions	57
Other ordinary expenses	488
Loss on foreign exchange transactions	476
Amortization of bond issuance cost	12
General and administrative expenses	30,060
Other expenses	80,686
Provision of allowance for loan losses	75,154
Written-off of loans	2,651
Other	2,880
Ordinary loss	**48,183**
Extraordinary losses	**36**
Loss on disposal of noncurrent assets	36
Net loss	**48,220**

Statement of Changes in Net Assets (Year ended March 31, 2023)

(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	3,920,007	(633,639)	(633,639)	3,286,367	3,286,367
Changes of items during the period					
Issuance of new shares	66,306			66,306	66,306
Net income (loss)		(48,220)	(48,220)	(48,220)	(48,220)
Total changes of items during the period	66,306	(48,220)	(48,220)	18,085	18,085
Balance at the end of current period	3,986,313	(681,860)	(681,860)	3,304,452	3,304,452

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 ¥82,681 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: ¥693,503 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 anticipated 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 and deterioration in economic circumstances, 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 in the following fiscal year and beyond. 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.

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: ¥9,097 million
The amount of claims under high risk: ¥830,574 million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥147,832 million
The amount of claims with interest or principal repayments more than 3 months in arrears: ¥– million
The amount of restructured claims: ¥147,832 million
Subtotal amount: ¥987,505 million
The amount of normal claims: ¥7,295,336 million
Total amount: ¥8,282,841 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, 2023 is ¥31,220 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 ¥674 million. Of this amount, ¥265 million is for loans with an original contract term of one year or less.

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 ¥330,903 million).

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥10,338 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, 2023 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	3,920,007,000,000	66,306,000,000	—	3,986,313,000,000

(Note) Increase is due to the issuance of 66,306,000,000 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, 2023 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥115,455 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 ¥108,058 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, 2023, 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	629,688	629,688	—
(2) Securities			
Held-to-maturity debt securities	15	15	—
(3) Loans and bills discounted	8,251,975		
Allowance for loan losses (*1)	(692,168)		
	7,559,806	8,436,486	876,679
Total assets	8,189,511	9,066,190	876,679
(1) Borrowings	4,583,018	4,569,467	(13,550)
(2) Bonds payable	330,903	331,233	329
Total liabilities	4,913,921	4,900,700	(13,220)
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	9	9	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	9	9	—

(*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.

Data

(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

(*) 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)	629,684	—	—	—	—	—
Securities Held-to-maturity debt securities	1	14	—	—	—	—
Loans and bills discounted (*2)	1,369,840	1,961,601	1,472,953	1,077,163	1,379,856	971,647
Total	1,999,525	1,961,616	1,472,953	1,077,163	1,379,856	971,647

(*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 contain an amount of ¥18,912 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	780,800	1,330,537	819,487	665,713	807,971	178,510
Bonds payable	94,200	135,000	61,700	40,000	—	—
Total	875,000	1,465,537	881,187	705,713	807,971	178,510

Data

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, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Derivative transactions Currency related	—	9	—	9
Total assets	—	9	—	9

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	629,688	—	629,688
Securities				
Held-to-maturity debt securities				
Corporate bonds	—	15	—	15
Loans and bills discounted	—	—	8,436,486	8,436,486
Total assets	—	629,704	8,436,486	9,066,190
Borrowings	—	4,556,596	12,871	4,569,467
Bonds payable	—	331,233	—	331,233
Total liabilities	—	4,887,829	12,871	4,900,700

(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 taking into consideration actual interest rates for borrowings that have been redeemed, 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, 2023 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	15	15	—

(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	1

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	39,556 million yen
Service cost	1,517
Interest cost	39
Actuarial difference	334
Payment of retirement benefits	(1,463)
Prior service cost	(194)
Other	8
Closing balance of projected benefit obligations	39,799

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	14,714 million yen
Expected return on plan assets	294
Actuarial difference	(451)
Financing from employer	714
Payment of retirement benefits	(732)
Other	9
Closing balance of fair value of plan assets	14,547

(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	18,738 million yen
Fair value of plan assets	(14,547)
	4,190
Projected benefit obligations of unfunded plan	21,060
Unfunded pension obligations	25,251
Actuarial unrecognized difference	(3,512)
Unrecognized prior service cost	309
Net amount of liabilities and assets recorded on the balance sheet	22,048
Provision for retirement benefits	22,048
Prepaid pension cost	—
Net amount of liabilities and assets recorded on the balance sheet	22,048

(4) Net pensions cost and breakdown of included items

Service cost	1,517 million yen
Interest cost	39
Expected return on plan assets	(294)
Amount of actuarial difference accounted for as expense	1,061
Amortization of prior service cost accounted for as expense	(118)
Other	—
Net pensions cost related to defined benefits plan	2,206

(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	26%
Debentures	62%
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 ¥90 million.

11. Related party transactions

Related party transactions in the fiscal year ended March 31, 2023 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, 2023
Principal shareholder	Ministry of Finance (Minister of Finance)(Notes i and ii)	96.14 (Direct)	Administration for policy based financing	Underwriting of capital increase(Note iii)	66,300	—	—
				Receipt of funds(Note iv)	112,400	Borrowings	4,583,018
				Repayment of borrowing	905,251		
				Payment of interest on borrowings	3,507	Accrued expenses	350
				Guarantee for bonds payable(Note v)	210,003	—	—

(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) 3.86%

(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 ¥6 million
-Agency for Natural Resources and Energy
Receipts from the national budget ¥0 million
-Small and Medium Enterprise Agency
Receipts from the national budget ¥12,223 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 represent 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.

12. Per share information

Net assets per share	¥0.82
Net loss per share	¥0.01

13. Subsequent events

Not applicable.

Data

Small and Medium Enterprise (SME) Unit

Account for Securitization Support Programs (Purchase-type Operation)

Balance Sheet (as of March 31, 2023)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	5,737	Bonds payable	25,000
Due from banks	5,737	Other liabilities	503
Securities	44,360	Accrued expenses	2
Government bonds	21,160	Derivatives other than for trading-liabilities	460
Corporate bonds	23,200	Other	40
Other assets	575	Provision for bonuses	2
Prepaid expenses	0	Provision for directors' bonuses	0
Accrued income	7	Provision for retirement benefits	36
Derivatives other than for trading-assets	532	Provision for directors' retirement benefits	0
Other	35	Total liabilities	25,541
Prepaid pension cost	3	Net assets	
		Capital stock	24,476
		Retained earnings	574
		Legal retained earnings	585
		Other retained earnings	(11)
		Retained earnings brought forward	(11)
		Total shareholders' equity	25,050
		Valuation difference on available-for-sale securities	84
		Total valuation and translation adjustments	84
		Total net assets	25,134
Total assets	50,676	Total liabilities and net assets	50,676

Data

Statement of Operations (Year ended March 31, 2023)

(Millions of yen)

Items	Amount
Ordinary income	**423**
Interest income	219
Interest and dividends on securities	219
Interest on deposits with banks	0
Other ordinary income	89
Income from derivatives other than for trading or hedging	89
Other income	113
Other	113
Ordinary expenses	**434**
Interest expenses	8
Interest on bonds	8
Fees and commissions payments	181
Other fees and commissions	181
Other ordinary expenses	26
Amortization of bond issuance cost	26
General and administrative expenses	104
Other expenses	113
Other	113
Ordinary loss	**11**
Net loss	**11**

Statement of Changes in Net Assets (Year ended March 31, 2023)

(Millions of yen)

	Shareholders' equity					Valuation and translation adjustments		
		Retained earnings						
			Other retained earnings					
	Capital stock	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Total sharehold-ers' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
Balance at the beginning of current period	24,476	500	170	670	25,146	199	199	25,346
Changes of items during the period								
Provision of legal retained earnings		85	(85)	—	—			—
Payment to National Treasury			(85)	(85)	(85)			(85)
Net income (loss)			(11)	(11)	(11)			(11)
Net changes of items other than shareholders' equity						(115)	(115)	(115)
Total changes of items during the period	—	85	(181)	(96)	(96)	(115)	(115)	(212)
Balance at the end of current period	24,476	585	(11)	574	25,050	84	84	25,134

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.

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 ¥25,000 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, 2023, 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, 2023 will cause the fair value after netting (assets) of the financial assets and financial liabilities held in this account to increase by ¥1,316 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 ¥1,219 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, 2023, 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	5,737	5,737	—
(2) Securities			
Held-to-maturity debt securities	21,160	21,015	(144)
Available-for-sale securities	23,200	23,200	—
Total assets	50,097	49,952	(144)
Bonds payable	25,000	24,995	(4)
Total debt	25,000	24,995	(4)
Derivative transactions (*)			
Derivative transactions not qualifying for hedge accounting	72	72	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	72	72	—

(*) 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 (*)	5,737	—	—	—	—	—
Securities						
Held-to-maturity debt securities	—	—	—	—	—	21,068
Available-for-sale securities	2,711	8,862	11,541	0	—	—
Total	8,448	8,862	11,541	0	—	21,068

(*) Demand deposits contained within due from banks are stated as "Maturities within one year."

Data

(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	5,800	—	19,200	—	—	—

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, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Corporate bonds	—	—	23,200	23,200
Derivative transactions				
Credit derivatives	—	—	532	532
Total assets	—	—	23,732	23,732
Derivative transactions				
Credit derivatives	—	—	460	460
Total liabilities	—	—	460	460

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	5,737	—	5,737
Securities				
Held-to-maturity debt securities				
Government bonds	21,015	—	—	21,015
Total assets	21,015	5,737	—	26,752
Bonds payable	—	24,995	—	24,995
Total liabilities	—	24,995	—	24,995

(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, 2023)

Classification	Valuation techniques	Important unobservable inputs	Range of inputs
Securities			
Available-for-sale securities			
Corporate bonds	Discounted present value method	Default probability	0.00%–0.15%
Derivative transactions			
Credit derivatives	Discounted present value method	Default probability	0.11%–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, 2023)

(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	15,620	—	(115)	7,695	—	—	23,200	—
Derivative transactions								
Credit derivatives (*3)	97	(24)	—	—	—	—	72	(24)

(*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, 2023 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	Japanese government bonds	21,160	21,015	(144)

(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	23,200	23,115	84

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	63 million yen
Service cost	4
Interest cost	0
Actuarial difference	(0)
Payment of retirement benefits	(7)
Prior service cost	0
Other	(5)
Closing balance of projected benefit obligations	54

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	12 million yen
Expected return on plan assets	0
Actuarial difference	(1)
Financing from employer	1
Payment of retirement benefits	—
Other	(1)
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	39
Unfunded pension obligations	42
Actuarial unrecognized difference	(9)
Unrecognized prior service cost	(0)
Net amount of liabilities and assets recorded on the balance sheet	32
Provision for retirement benefits	36
Prepaid pension cost	(3)
Net amount of liabilities and assets recorded on the balance sheet	32

(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	2
Amortization of prior service cost accounted for as expense	0
Other	—
Net pensions cost related to defined benefits plan	6

(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	26%
Debentures	62%
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	¥1.02
Net loss per share	¥0.00

10. Subsequent events

Not applicable.

Account for Credit Insurance Programs

Balance Sheet (as of March 31, 2023)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	7,002,722	Reserve for insurance policy liabilities	1,787,277
Due from banks	7,002,722	Other liabilities	1,250
Other assets	7,666	Accrued expenses	28
Prepaid expenses	0	Lease obligations	126
Accrued income	278	Other	1,094
Other	7,387	Provision for bonuses	197
Property, plant and equipment	17,252	Provision for directors' bonuses	1
Buildings	3,196	Provision for retirement benefits	4,211
Land	13,968	Provision for directors' retirement benefits	3
Lease assets	76	Total liabilities	1,792,941
Other	11	Net assets	
Intangible assets	2,700	Capital surplus	5,309,054
Software	813	Legal capital surplus	5,309,054
Lease assets	34	Retained earnings	(71,653)
Other	1,852	Other retained earnings	(71,653)
		Retained earnings brought forward	(71,653)
		Total shareholders' equity	5,237,400
		Total net assets	5,237,400
Total assets	7,030,342	Total liabilities and net assets	7,030,342

Statement of Operations (Year ended March 31, 2023)

(Millions of yen)

Items	Amount
Ordinary income	**179,653**
Interest income	1,338
Interest on deposits with banks	1,338
Insurance premiums and other	178,170
Insurance premiums	176,590
Receipts of burden charges under the Responsibility-sharing System	1,579
Other income	143
Other	143
Ordinary expenses	**251,307**
Expenses on insurance claims and other	243,994
Expenses on insurance claims	256,352
Recoveries of insurance claims	(61,937)
Provision of reserve for insurance policy liabilities	49,579
General and administrative expenses	4,823
Other expenses	2,488
Other	2,488
Ordinary loss	**71,653**
Extraordinary losses	**0**
Loss on disposal of noncurrent assets	0
Net loss	**71,653**

Statement of Changes in Net Assets (Year ended March 31, 2023)

(Millions of yen)

	Shareholders' equity					Total net assets
	Capital surplus		Retained earnings		Total shareholders' equity	
	Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at the beginning of current period	5,394,121	5,394,121	(142,087)	(142,087)	5,252,034	5,252,034
Changes of items during the period						
Issuance of new shares	57,020	57,020			57,020	57,020
Reversal of legal capital surplus (Deficit disposition)	(142,087)	(142,087)	142,087	142,087	—	—
Net income (loss)			(71,653)	(71,653)	(71,653)	(71,653)
Total changes of items during the period	(85,067)	(85,067)	70,433	70,433	(14,633)	(14,633)
Balance at the end of current period	5,309,054	5,309,054	(71,653)	(71,653)	5,237,400	5,237,400

Data

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: ¥1,787,277 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 in the following fiscal year and beyond. 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.

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 ¥3,191 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 ¥2,474 million.

6. Issued shares

For the fiscal year ended March 31, 2023, 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	9,798,127,407,741	57,020,000,000	—	9,855,147,407,741

(Note) Increase is due to the issuance of 57,020,000,000 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, 2023, 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	7,002,722	7,003,847	1,124

(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 (*)	3,031,522	1,771,200	1,200,000	700,000	300,000	—

(*) 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, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	7,003,847	—	7,003,847

(Note) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

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, 2023 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	112,000	112,000	—

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	7,862	million yen
Service cost	242	
Interest cost	7	
Actuarial difference	10	
Payment of retirement benefits	(424)	
Prior service cost	(37)	
Other	(34)	
Closing balance of projected benefit obligations	7,626	

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	3,107	million yen
Expected return on plan assets	61	
Actuarial difference	(86)	
Financing from employer	107	
Payment of retirement benefits	(147)	
Other	(14)	
Closing balance of fair value of plan assets	3,027	

(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	3,899	million yen
Fair value of plan assets	(3,027)	
	872	
Projected benefit obligations of unfunded plan	3,727	
Unfunded pension obligations	4,599	
Actuarial unrecognized difference	(447)	
Unrecognized prior service cost	60	
Net amount of liabilities and assets recorded on the balance sheet	4,211	
Provision for retirement benefits	4,211	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	4,211	

(4) Net pensions cost and breakdown of included items

Service cost	242	million yen
Interest cost	7	
Expected return on plan assets	(61)	
Amount of actuarial difference accounted for as expense	165	
Amortization of prior service cost accounted for as expense	(22)	
Other	—	
Net pensions cost related to defined benefits plan	330	

(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	26%
Debentures	62%
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, 2023 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, 2023
Principal shareholder	Ministry of Finance (Minister of Finance)	100 (Direct)	Administration for policy based financing	Underwriting of capital increase(Note i)	57,020	—	—
				Deposit of funds(Note ii)	9,344,200	Due from banks	6,831,000
				Refund of funds	9,368,000		

(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.

12. Per share information

Net assets per share	¥0.53
Net loss per share	¥0.00

13. Subsequent events

Not applicable.

Account for Operations to Facilitate Crisis Responses

Balance Sheet (as of March 31, 2023)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	1,168,219	Borrowed money	3,728,865
Due from banks	1,168,219	Borrowings	3,728,865
Loans and bills discounted	3,808,865	Bonds payable	80,072
Loans on deeds	3,808,865	Other liabilities	13,494
Other assets	170	Accrued expenses	121
Prepaid expenses	0	Contract liability	13,321
Accrued income	131	Lease obligations	3
Other	39	Other	48
Property, plant and equipment	2	Provision for bonuses	7
Lease assets	2	Provision for directors' bonuses	0
Intangible assets	69	Provision for retirement benefits	99
Software	68	Provision for directors' retirement benefits	0
Lease assets	1	Reserve for compensation losses	28,088
Other	0	Total liabilities	3,850,628
Prepaid pension cost	13	Net assets	
		Capital stock	1,446,038
		Retained earnings	(319,325)
		Other retained earnings	(319,325)
		Retained earnings brought forward	(319,325)
		Total shareholders' equity	1,126,712
		Total net assets	1,126,712
Total assets	4,977,341	Total liabilities and net assets	4,977,341

Data

Statement of Operations (Year ended March 31, 2023)

(Millions of yen)

Items	Amount
Ordinary income	**11,679**
Interest income	4,681
Interest on loans and discounts	4,654
Interest on deposits with banks	27
Fees and commissions	3,340
Fees and commissions on compensation security contract	3,340
Receipts from the national budget	155
Receipts from general account of the national budget	155
Other income	3,502
Other	3,502
Ordinary expenses	**43,090**
Interest expenses	4,581
Interest on borrowings and rediscounts	4,653
Interest on bonds	(72)
Other ordinary expenses	24,739
Amortization of bond issuance cost	2
Interest subsidies	24,737
General and administrative expenses	208
Other expenses	13,560
Provision of reserve for compensation losses	13,140
Other	420
Ordinary loss	**31,410**
Net loss	**31,410**

Statement of Changes in Net Assets (Year ended March 31, 2023)

(Millions of yen)

	Shareholders' equity				
		Retained earnings			
		Other retained earnings			
	Capital stock	Retained earnings brought forward	Total retained earnings	Total shareholders' equity	Total net assets
Balance at the beginning of current period	1,446,028	(287,914)	(287,914)	1,158,113	1,158,113
Changes of items during the period					
Issuance of new shares	10			10	10
Net income (loss)		(31,410)	(31,410)	(31,410)	(31,410)
Total changes of items during the period	10	(31,410)	(31,410)	(31,400)	(31,400)
Balance at the end of current period	1,446,038	(319,325)	(319,325)	1,126,712	1,126,712

Data

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: ¥28,088 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.

   When calculating the anticipated loss rate, in consideration of the increase in compensation payments in the second half of fiscal 2022, necessary adjustments were made to the group of compensation security transactions to SME and medium-sized businesses for which the repayment performance deadline has not yet arrived and the loan conditions have not been restructured.

   (2) Main assumptions

   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.

   Because of this, in principle, 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.

   However, in consideration of the increase in compensation payments in the second half of fiscal 2022, necessary adjustments were made to the anticipated loss rate for the group of compensation security transactions to SME and medium-sized businesses for which the repayment performance deadline has not yet arrived and the loan conditions have not been restructured.

   (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.

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: ¥3,808,985 million
Total amount: ¥3,808,985 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

Data

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 ¥80,072 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 (45,302 contracts)	2,002,425
Reserve for compensation	28,088
Net amount	1,974,336

Data

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, 2023, 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	1,446,028,000,000	10,000,000	—	1,446,038,000,000

(Note) Increase is due to the issuance of 10,000,000 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, 2023, 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	1,168,219	1,168,585	365
(2) Loans and bills discounted	3,808,865	3,743,401	(65,463)
Total assets	4,977,084	4,911,986	(65,097)
(1) Borrowings	3,728,865	3,704,879	(23,985)
(2) Bonds payable	80,072	80,032	(40)
Total liabilities	3,808,937	3,784,911	(24,026)

(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 (*)	1,138,219	30,000	—	—	—	—
Loans and bills discounted	533,193	1,131,398	773,855	608,377	391,189	370,853
Total	1,671,412	1,161,398	773,855	608,377	391,189	370,853

(*) 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	533,193	1,051,398	773,855	608,377	391,189	370,853
Bonds payable	—	80,000	—	—	—	—
Total	533,193	1,131,398	773,855	608,377	391,189	370,853

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, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	1,168,585	—	1,168,585
Loans and bills discounted	—	3,743,401	—	3,743,401
Total assets	—	4,911,986	—	4,911,986
Borrowings	—	3,704,879	—	3,704,879
Bonds payable	—	80,032	—	80,032
Total liabilities	—	3,784,911	—	3,784,911

(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, 2023 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	161,000	161,000	—

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	140 million yen
Service cost	8
Interest cost	0
Actuarial difference	1
Payment of retirement benefits	—
Prior service cost	(0)
Other	7
Closing balance of projected benefit obligations	157

(2) Reconciliation schedule of opening balance and closing balance of fair value of plan assets

Opening balance of fair value of plan assets	29 million yen
Expected return on plan assets	0
Actuarial difference	(2)
Financing from employer	4
Payment of retirement benefits	—
Other	1
Closing balance of fair value of plan assets	32

(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	41 million yen
Fair value of plan assets	(32)
	9
Projected benefit obligations of unfunded plan	115
Unfunded pension obligations	124
Actuarial unrecognized difference	(40)
Unrecognized prior service cost	2
Net amount of liabilities and assets recorded on the balance sheet	86
Provision for retirement benefits	99
Prepaid pension cost	(13)
Net amount of liabilities and assets recorded on the balance sheet	86

(4) Net pensions cost and breakdown of included items

Service cost	8 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	17

(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	26%
Debentures	62%
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 ¥3,085 million.
   (2) The total transaction price allocated to remaining performance obligations at the last day of the current fiscal year amounts to ¥13,321 million. 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	2,436
Over one year	10,885
Total	13,321

13. Related party transactions

Related party transactions in the fiscal year ended March 31, 2023 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, 2023
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)	10	—	—
				Receipts from general account of the national budget	58	—	—
				Receipt of funds (Note iv)	15,736	Borrowings	3,728,865
				Repayment of borrowings	496,849		
				Payment of interest on borrowings	4,653	Accrued expenses	120
				Deposit of funds (Note v)	2,030,000	Due from banks	1,000,000
				Refund of funds	1,690,000		
				Guarantee for bonds payable (Note vi)	80,072	—	—

(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 ¥38 million
- Small and Medium Enterprise Agency
  Receipts from the national budget ¥58 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 represent 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.

14. Per share information

Net assets per share	¥0.77
Net loss per share	¥0.02

15. Subsequent events

Not applicable.

Data

Account for Operations to Facilitate Specific Businesses Promotion, etc.

Balance Sheet (as of March 31, 2023)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	231	Borrowed money	95,260
Due from banks	231	Borrowings	95,260
Loans and bills discounted	95,260	Other liabilities	38
Loans on deeds	95,260	Accrued expenses	34
Other assets	34	Lease obligations	2
Prepaid expenses	0	Other	1
Accrued income	34	Provision for bonuses	3
Other	0	Provision for directors' bonuses	0
Property, plant and equipment	1	Provision for retirement benefits	50
Lease assets	1	Provision for directors' retirement benefits	0
Intangible assets	101	Total liabilities	95,353
Software	100	Net assets	
Lease assets	0	Capital stock	407
Other	0	Retained earnings	(124)
Prepaid pension cost	6	Other retained earnings	(124)
		Retained earnings brought forward	(124)
		Total shareholders' equity	282
		Total net assets	282
Total assets	95,635	Total liabilities and net assets	95,635

Data

Statement of Operations (Year ended March 31, 2023)

(Millions of yen)

Items	Amount
Ordinary income	**183**
Interest income	102
Interest on loans and discounts	102
Interest on deposits with banks	0
Receipts from the national budget	81
Receipts from general account of the national budget	79
Receipts from special account of the national budget	1
Other income	0
Other	0
Ordinary expenses	**206**
Interest expenses	102
Interest on borrowings and rediscounts	102
Other ordinary expenses	1
Interest subsidies	1
General and administrative expenses	102
Other expenses	0
Other	0
Ordinary loss	**22**
Net loss	**22**

Statement of Changes in Net Assets (Year ended March 31, 2023)

(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	367	(102)	(102)	264	264
Changes of items during the period					
Issuance of new shares	40			40	40
Net income (loss)		(22)	(22)	(22)	(22)
Total changes of items during the period	40	(22)	(22)	17	17
Balance at the end of current period	407	(124)	(124)	282	282

Data

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.

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: ¥95,294 million
Total amount: ¥95,294 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, 2023, 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	367,000,000	40,000,000	—	407,000,000

(Note) Increase is due to the issuance of 40,000,000 shares.

Data

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, certified business operators that are introducing specified ships, and certified business operators that conduct business relating to measures to ensure stable supply of specified critical materials, etc. 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 reorganization promotion operations, business adaptation promotion operations, development and provision, etc. promotion operations, business infrastructure reinforcement promotion operations, introduction promotion operations, and ensuring supply 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, 2023, 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	231	231	—
(2) Loans and bills discounted	95,260	94,750	(509)
Total assets	95,491	94,982	(509)
Borrowings	95,260	95,357	97
Total liabilities	95,260	95,357	97

(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 (*)	231	—	—	—	—	—
Loans and bills discounted	14,724	28,804	29,676	15,733	2,725	3,598
Total	14,955	28,804	29,676	15,733	2,725	3,598

(*) 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	14,724	28,804	29,676	15,733	2,725	3,598

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, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	231	—	231
Loans and bills discounted	—	94,750	—	94,750
Total assets	—	94,982	—	94,982
Borrowings	—	95,357	—	95,357
Total liabilities	—	95,357	—	95,357

(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	77 million yen
Service cost	4
Interest cost	0
Actuarial difference	3
Payment of retirement benefits	—
Prior service cost	(0)
Other	(0)
Closing balance of projected benefit obligations	84

(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	(0)
Closing balance of fair value of plan assets	17

(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	22 million yen
Fair value of plan assets	(17)
	5
Projected benefit obligations of unfunded plan	62
Unfunded pension obligations	67
Actuarial unrecognized difference	(23)
Unrecognized prior service cost	1
Net amount of liabilities and assets recorded on the balance sheet	44
Provision for retirement benefits	50
Prepaid pension cost	(6)
Net amount of liabilities and assets recorded on the balance sheet	44

(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	9

(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	26%
Debentures	62%
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, 2023 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, 2023
Principal shareholder	Ministry of Finance (Minister of Finance) (Note i)	100 (Direct)	Administration for policy based financing	Underwriting of capital increase (Note ii)	40	—	—
				Receipt of funds (Note iii)	1,350	Borrowings	95,260
				Repayment of borrowings	16,905		
				Payment of interest on borrowings	102	Accrued expenses	34

(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 ¥73 million
-Ministry of Land, Infrastructure, Transport and Tourism
Receipts from the national budget ¥7 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 represent borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

11. Per share information

Net assets per share	¥0.69
Net loss per share	¥0.05

12. Subsequent events

Not applicable.

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 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		7.43%	4.74%	11.92%	8.58%
Risk-managed loan balance		890,693	171,141	987,505	2,049,340
Bankruptcy reorganization claims, etc.		19,608	5,624	9,097	34,329
Doubtful loans		114,061	92,956	830,574	1,037,593
Special attention	Loans with interest or principal repayments more than three months in arrears	52	868	—	920
	Restructured loans	756,972	71,692	147,832	976,497
Normal		11,090,622	3,442,567	7,295,336	21,828,525
Total loan balance		11,981,316	3,613,709	8,282,891	23,877,917

(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).

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