



Japan Finance Corporation

Annual Report

2023



JAPAN FINANCE CORPORATION

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Presentation of quantities and amounts in this Report:

1. Quantities and amounts less than one standard unit

Quantities, monetary amounts and other numerical figures presented in this report are truncated (rounded down) to the nearest standard unit of presentation.

Percentages are rounded up or down to the nearest decimal place presented. Consequently, some totals presented differ slightly from the sum of the component figures presented.

2. Method of presentation

In cases where quantities, numbers of items, monetary amounts and other numerical figures are less than one standard unit of presentation, such figures are presented as zero (0). In cases where there is no applicable amount, a hyphen (-) is shown.

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Message from the Governor & CEO

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

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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	

Key Points in JFC's Establishment

Japan Finance Corporation (JFC) is a policy-based financial institution which developed out of the National Life Finance Corporation, the Agriculture, Forestry and Fisheries Finance Corporation and the Japan Finance Corporation for Small and Medium Enterprise.

● Creating a highly public corporation

JFC is a highly public corporation established under a special law stipulating that the national government must always own all shares issued by JFC.

The purpose of adopting the structure of a corporation is to utilize the governance framework of a corporation in order to conduct highly transparent and efficient business operations.

● Inheriting rights and obligations

JFC has inherited any and all rights and obligations of the merged institutions. Funding being utilized from any of the institutions and profits gained by persons holding securities issued by each will be honored.

● Offering a broad range of services

JFC leverages the specialized expertise of each institution and shares know-how in order to offer a wide spectrum of services, such as business matching and supporting the globalization of businesses.

Main Business Activities

JFC is a policy-based financial institution that aims to complement financial activities carried out by private financial institutions and contributes to the improvement in the living standards of Japanese people.

Major Business Operations of JFC



Basic Philosophy and Management Policy

Basic Philosophy

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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
