

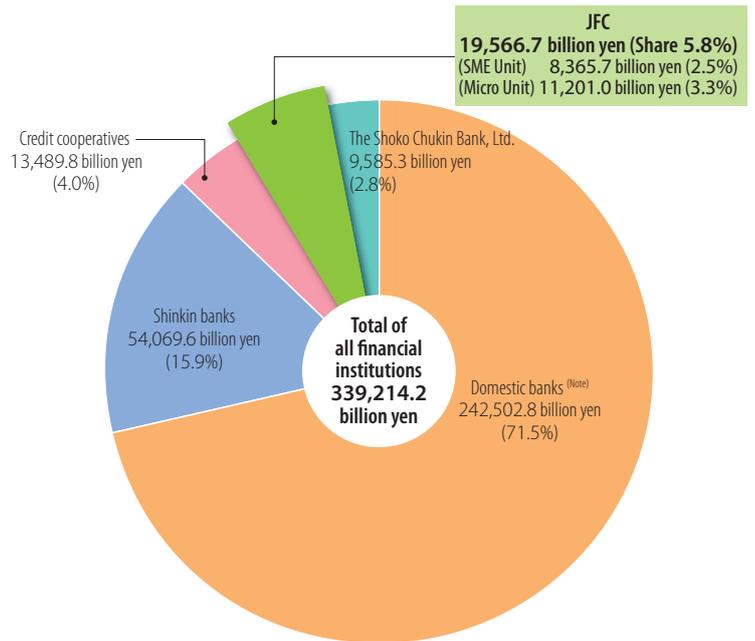
JFC Activities

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Financing Structure of JFC

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

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

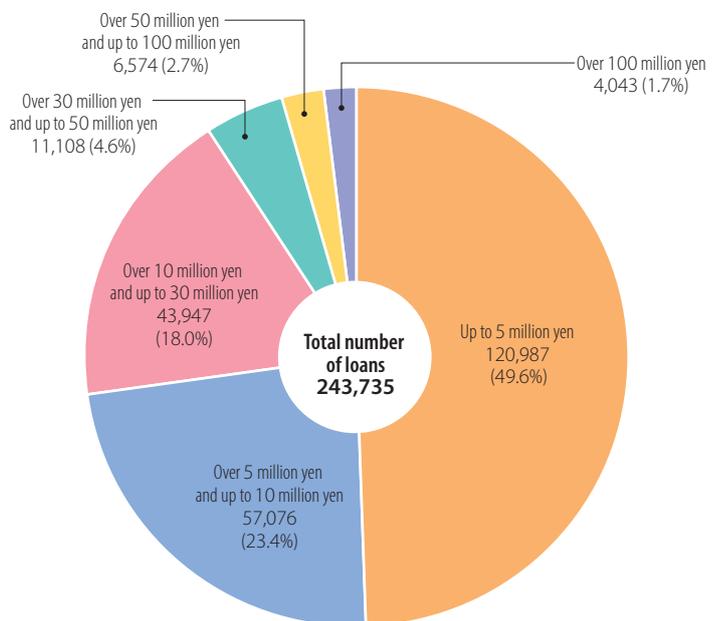


Note: Total of city banks, regional banks, regional banks II, and trust banks
 Sources: Bank of Japan, "Loans by Borrower," "Cash, Deposits, and Loans"; Shinkumi Bank, "Main Accounts of Nationwide Credit Unions"; Japan Finance Corporation, "Business Statistics"; Shoko Chukin Bank, "Business Statistics"

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

Responses to the Spread of COVID-19

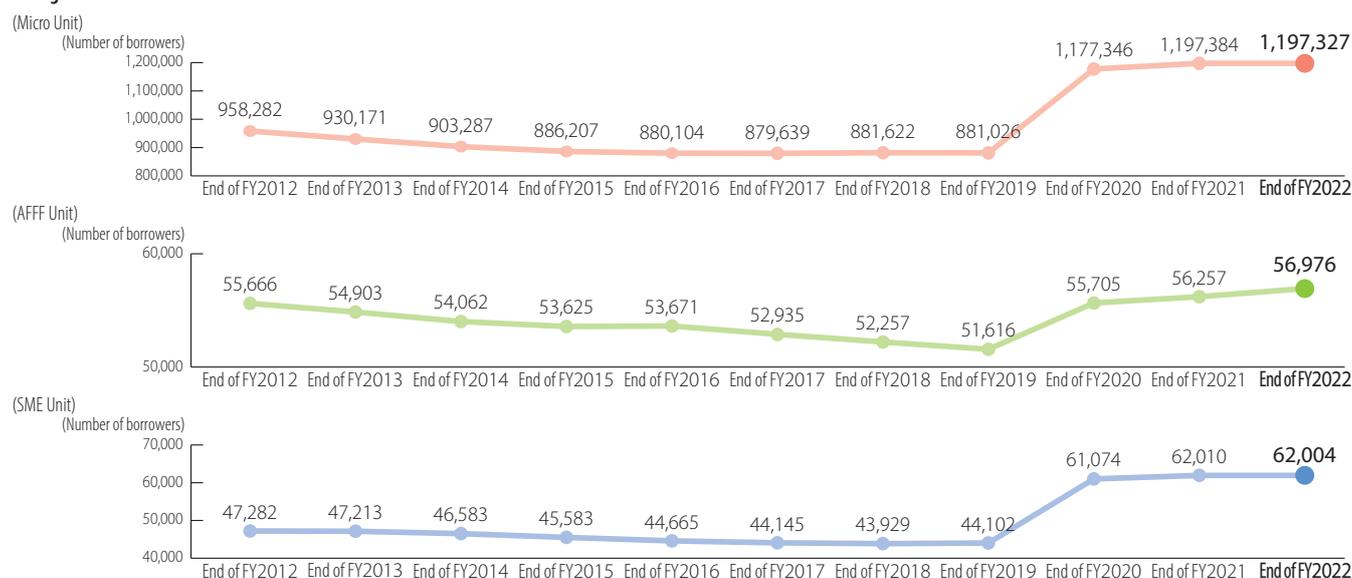
COVID-19 Related Loan

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 AFF 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)

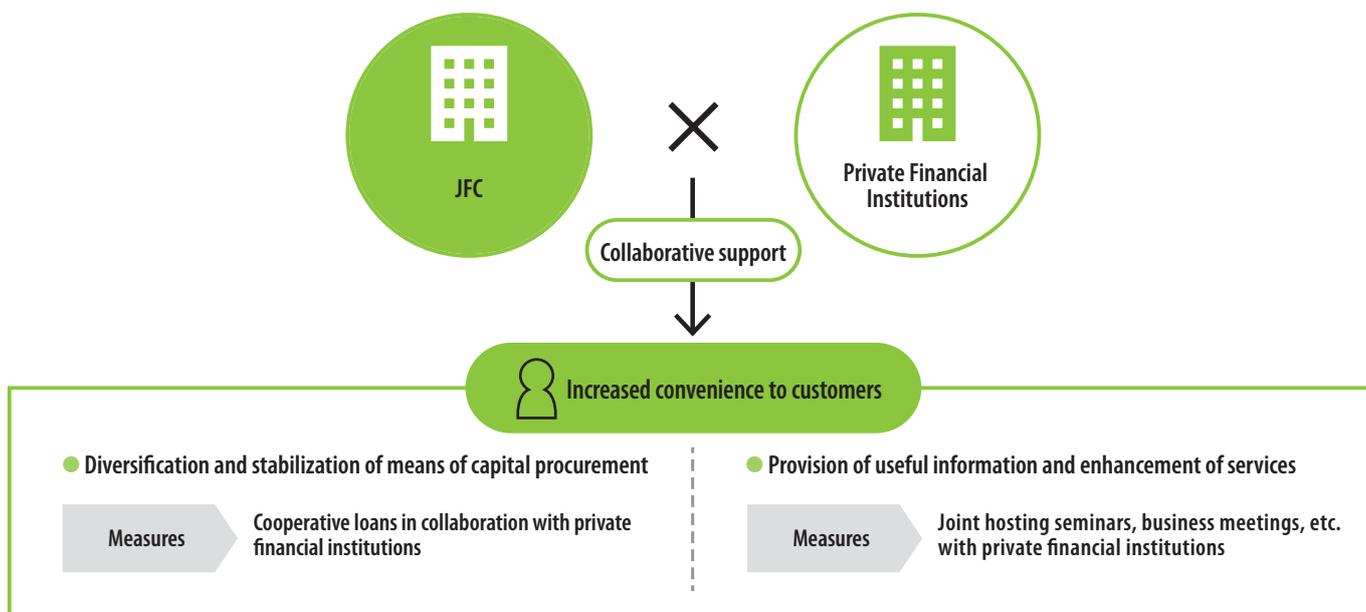


Cooperation with Private Financial Institutions

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.

(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)**.

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)

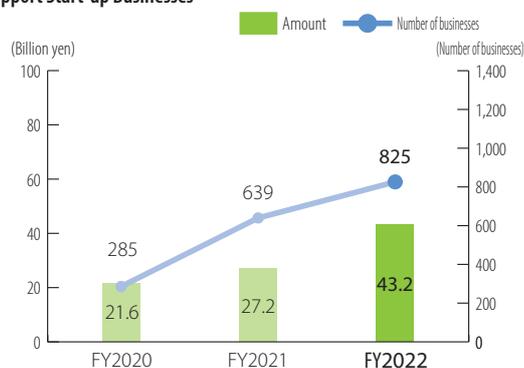
In FY2022, Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses ^(Note 3) came to: **825 businesses (129% compared to the previous fiscal year), 43.2 billion yen (159% compared to the previous fiscal year)**.

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



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

- Notes
- 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.
 - 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.
 - 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

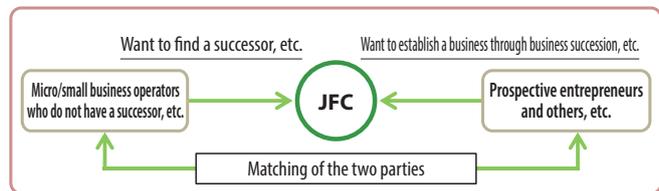


Seminars for management personnel designed to teach the importance of business succession and to acquire the business succession know-how to enable a sustainable business (Held in January 2022)

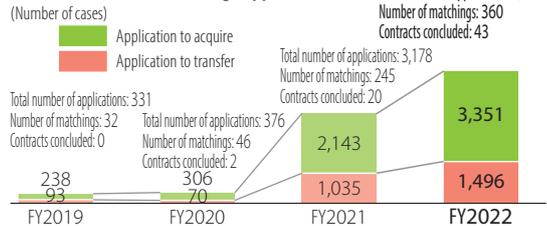
Business Succession Matching Support

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)

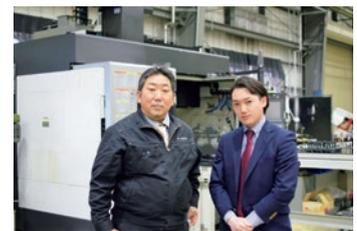


Example of Successful Business Succession Matching Support

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.

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.



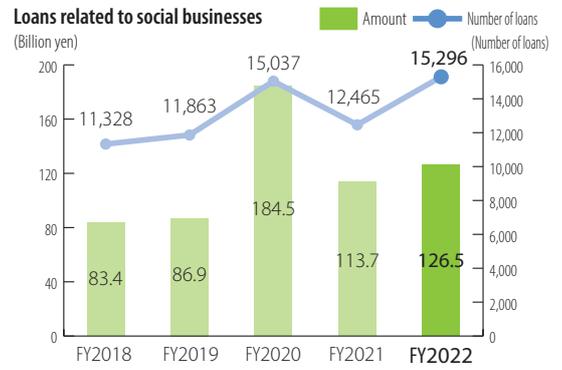
President Ono (left) of the transferrer company and President Aoyama (right) of the transferee company

(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.

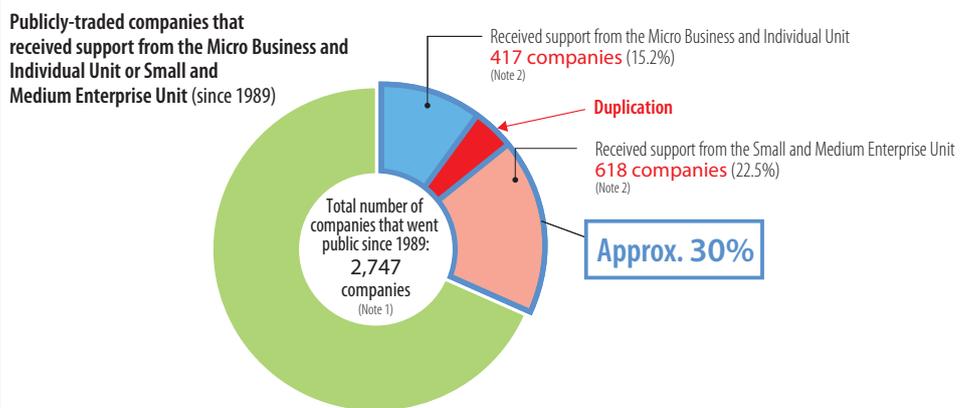


Also available on the JFC website (Available only in Japanese)



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 businesses 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		Compared to the previous fiscal year
	Number of businesses	Ratio	Number of businesses	Ratio	Number of businesses	Ratio	
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%

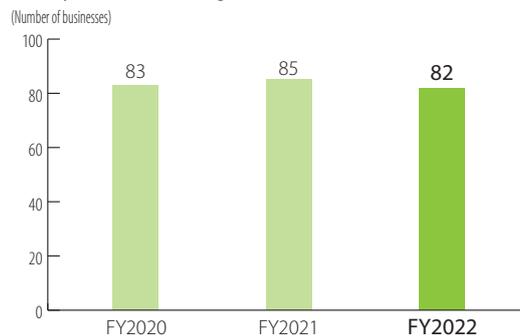
(ii) Standby Letter of Credit Program^(Note)

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.

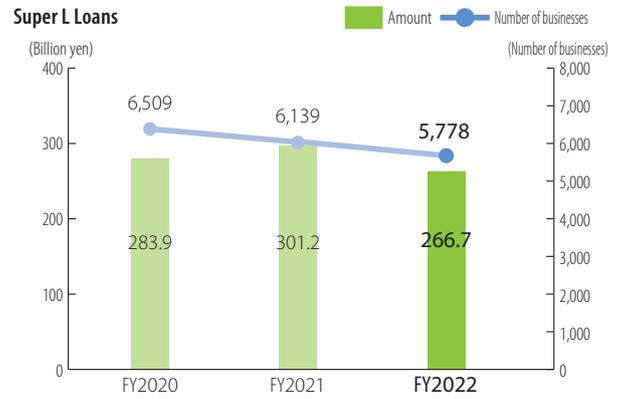
	FY2020	FY2021	FY2022
Number of supported cases	35	31	75

* 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).**



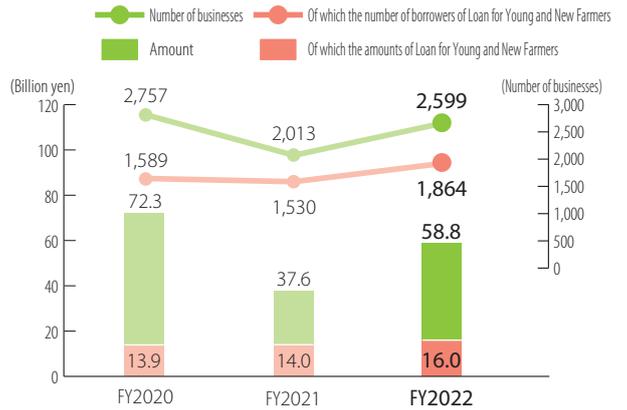
(ii) Supporting new entrants into agriculture business and new farmers

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.

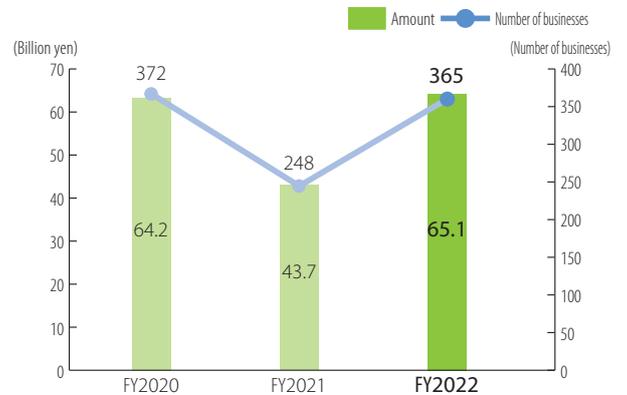
Loans to new farmers and new entrants into agriculture business



(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).**

Loans to those working on export business

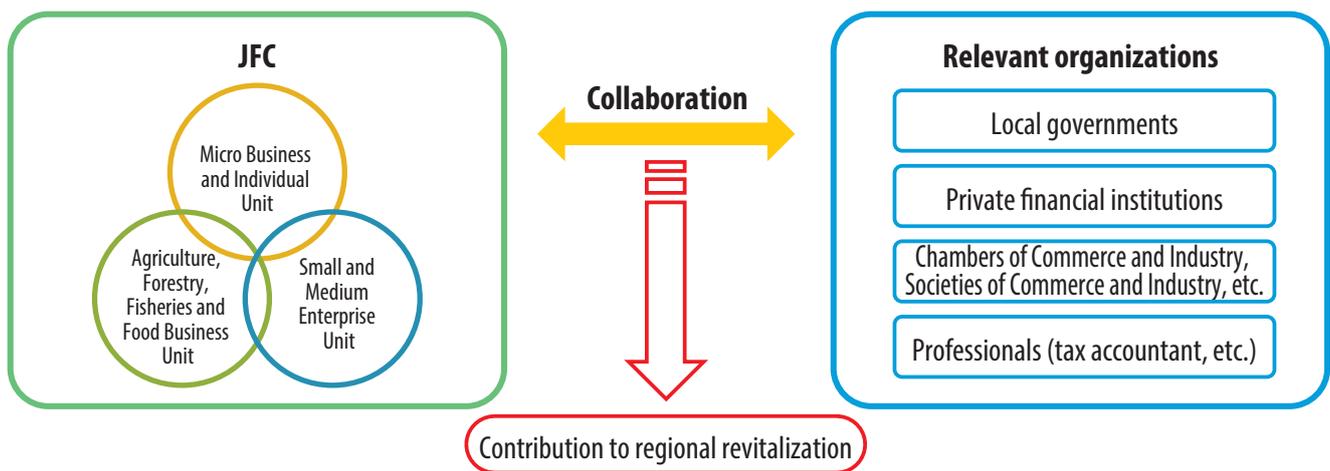


Contribution to Local and Regional Revitalization

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.

<p>(1) Reinforcement of collaboration with local governments</p>	<p>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.</p>
<p>(2) Provision of useful services tailored to customer and local needs</p>	<p>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.</p>
<p>(3) Performance of the role of connecting relevant organizations</p>	<p>JFC promotes initiatives to resolve challenges which the region and customers are facing in cooperation with various relevant organizations through the wide regional perspective.</p>

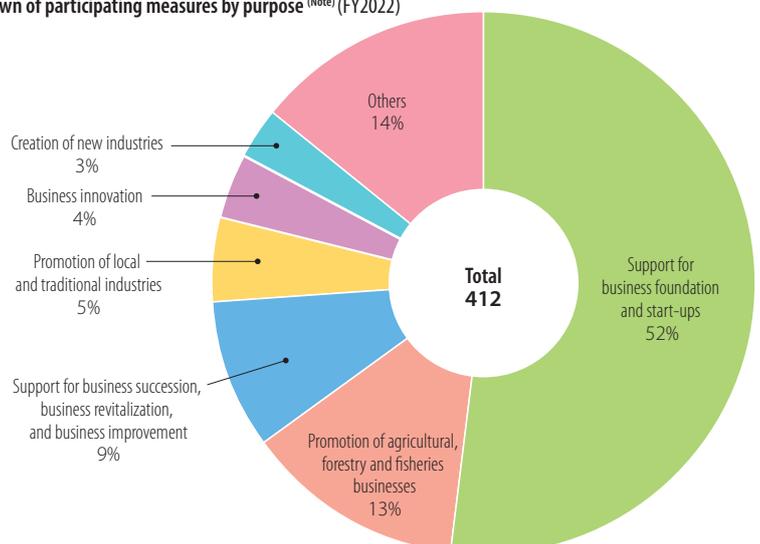
JFC Activities



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.



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



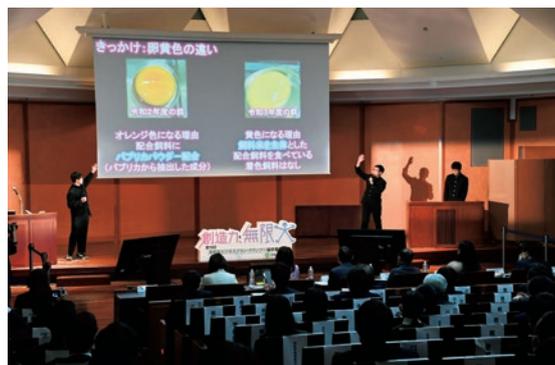
A scene of the Tokyo venue

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

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)



Video message by Prime Minister Kishida

Provision of Information through the PR Magazine "Connect JFC"

JFC is engaged in the provision of information through the PR magazine "Connect JFC," which aims to make the function, roles, and initiatives of JFC better known and 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

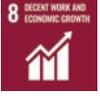
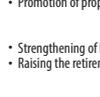
Based on its basic philosophy and managerial policy, JFC shall contribute to the realization of a sustainable society by striving to support SMEs, small businesses, agricultural, forestry and fisheries businesses, among others, through the appropriate provision of policy-based financing, and to manage 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)

 <p>[Project management]</p> <ul style="list-style-type: none"> Reduction of the economic burden involved in education through support to single-parent families, etc. 	 <p>[Project management]</p> <ul style="list-style-type: none"> 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 	 <p>[Project management]</p> <ul style="list-style-type: none"> Support for bolstering the medical setup Support for customers involved in health management
 <p>[Project management]</p> <ul style="list-style-type: none"> 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. <p>[Organization management]</p> <ul style="list-style-type: none"> Strengthening of staff expertise 	 <p>[Organization management]</p> <ul style="list-style-type: none"> Positive appointment of female managers Promotion of men's participation in housework, child raising, and care 	 <p>[Project management]</p> <ul style="list-style-type: none"> Support for maintaining the multilateral functions of forests (cultivation of water resources)
 <p>[Project management]</p> <ul style="list-style-type: none"> 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 	 <p>[Project management]</p> <ul style="list-style-type: none"> 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 <p>[Organization management]</p> <ul style="list-style-type: none"> Promotion of digitalization and DX Further promotion of flexible workstyles, such as telecommuting Practice of work-life management 	 <ul style="list-style-type: none"> 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
 <p>[Project management]</p> <ul style="list-style-type: none"> 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 	 <p>[Organization management]</p> <ul style="list-style-type: none"> Promotion of diversity Steady implementation of the employment of disabled persons 	 <p>[Project management]</p> <ul style="list-style-type: none"> Strengthening of harassment countermeasures Raising the retirement age
 <p>[Organization management]</p> <ul style="list-style-type: none"> Implementation of initiatives in consideration of the environment 	 <p>[Organization management]</p> <ul style="list-style-type: none"> Strengthening of crisis management preparations Strengthening of business continuity plan 	 <p>[Project management]</p> <ul style="list-style-type: none"> Support for the sustained and sound development of the forestry industry Efforts contributing to promoting the use of domestic material by timber-related businesses
 <p>[Organization management]</p> <ul style="list-style-type: none"> Strengthening and embedding of compliance awareness Strengthening of arrangements to exclude antisocial forces Establishment of evaluation and examination committee comprising external learned persons 	 <p>[Project management]</p> <ul style="list-style-type: none"> 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

	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.

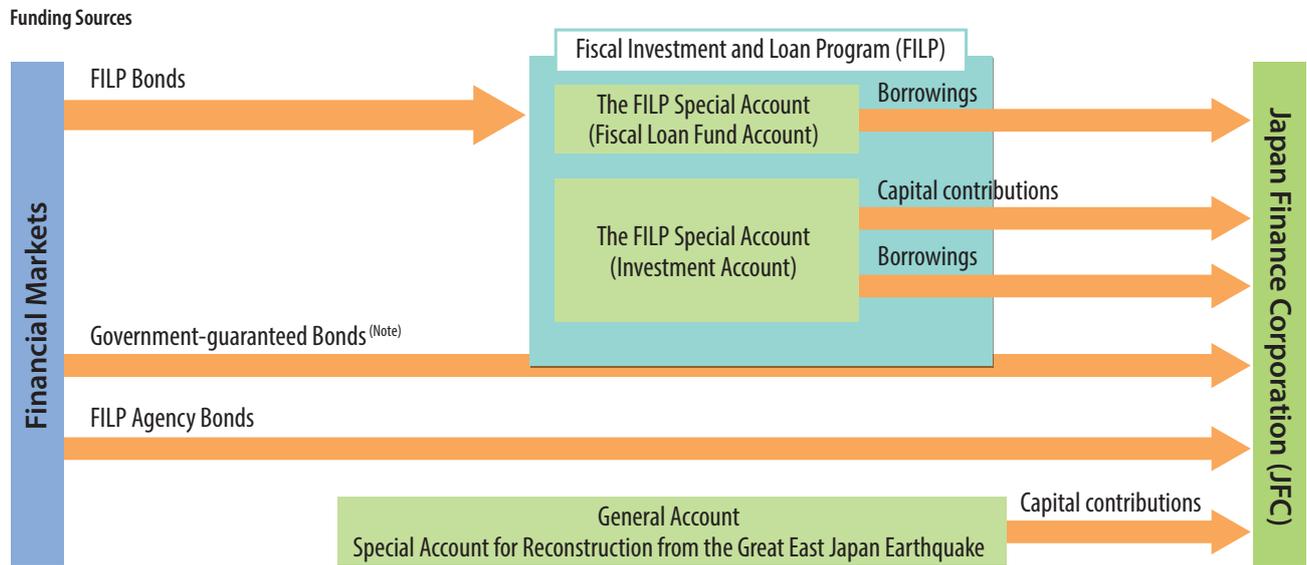
Balance Sheet

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.



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	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)

Fiscal year	FY2020				FY2021				FY2022				FY2023
	(Budget 300.0)				(Budget 290.0)				(Budget 290.0)				(Budget 290.0)
Amount of issue	Results 260.0				Results 50.0				Results 20.9				Results 0.0
Month of issue/Maturity	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
