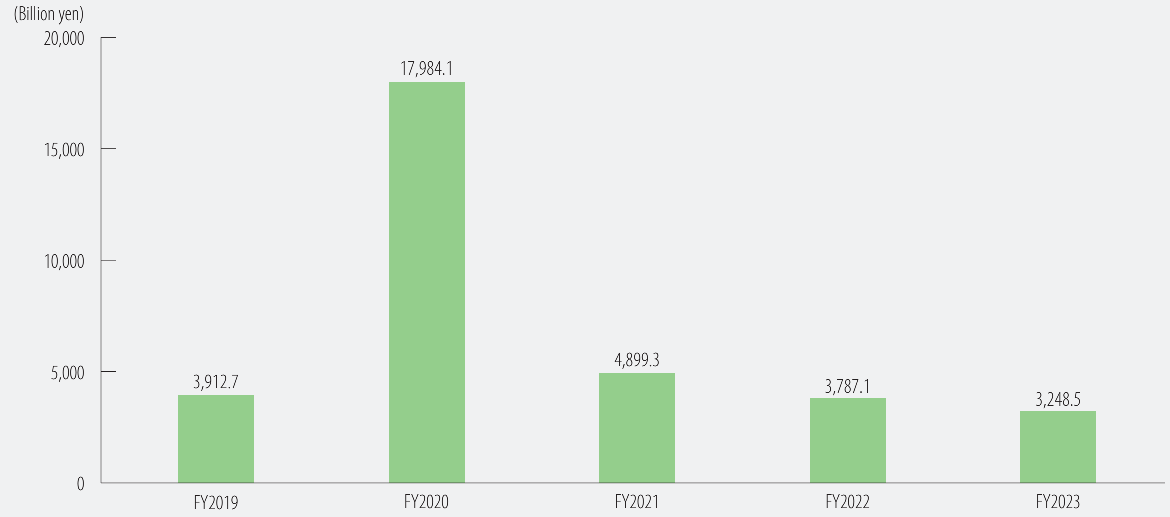
Data

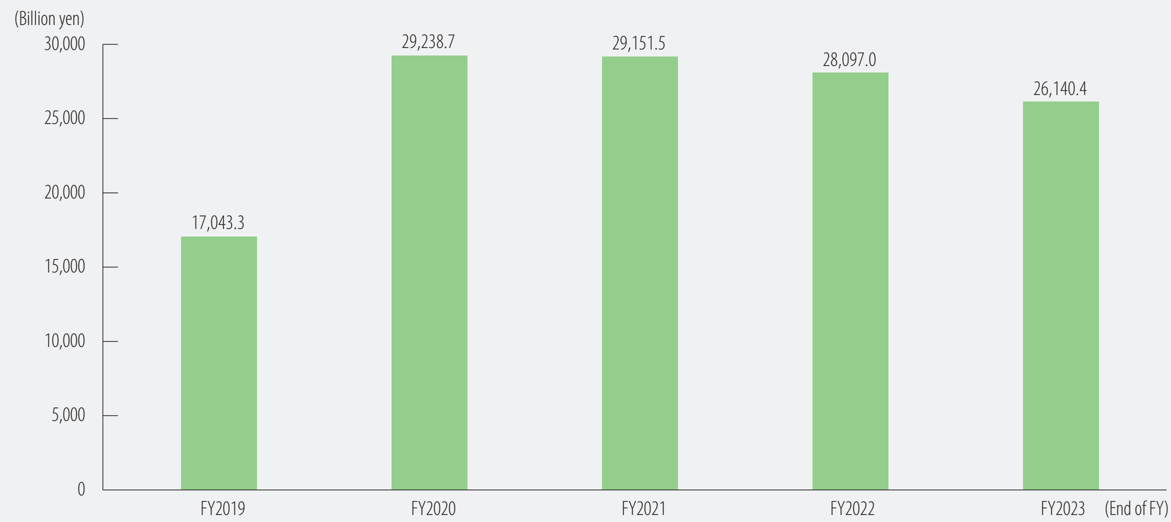
Operational Performances

Japan Finance Corporation

1 Changes in Annual Loan Operations



2 Changes in Outstanding Loans



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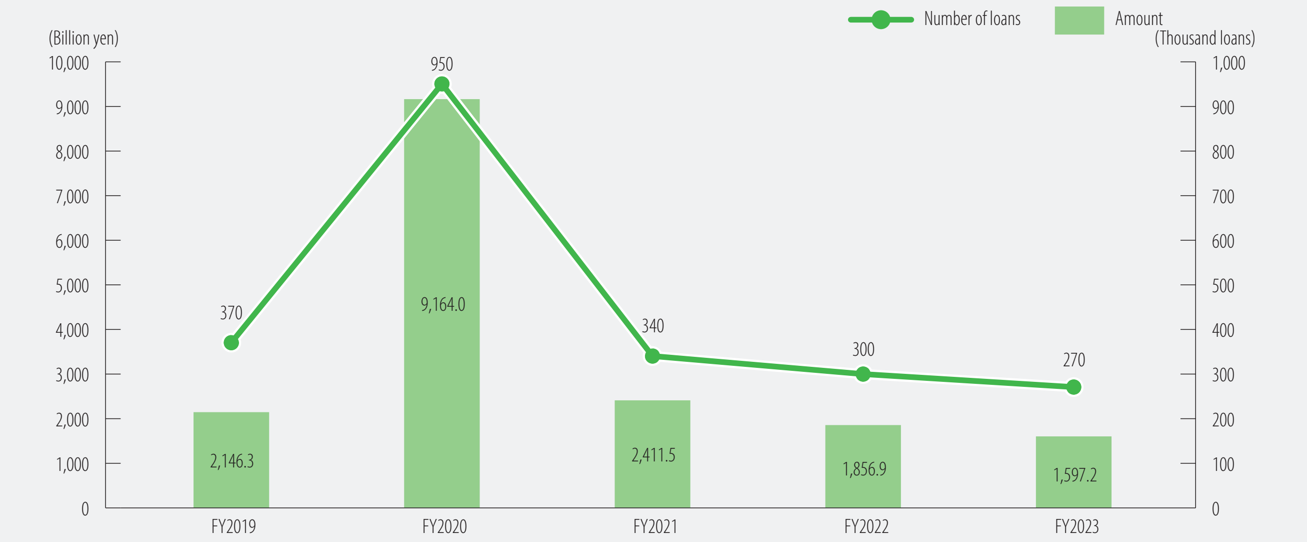
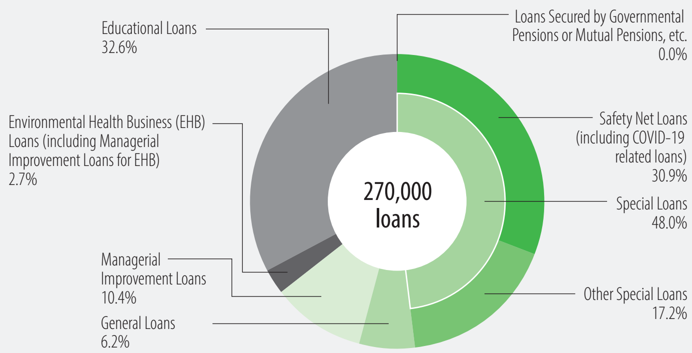
Micro Business and Individual Unit

1 Changes in Annual Loan Operations

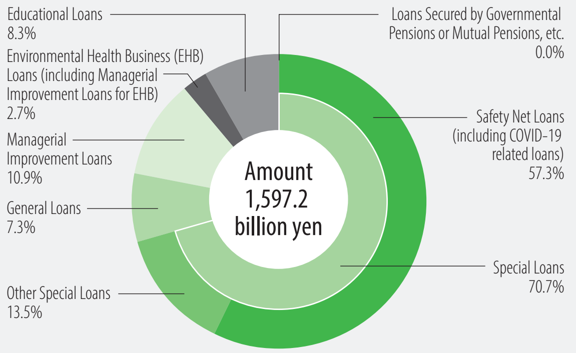


2 Breakdown of Loans by Scheme

Number of Loans (FY2023)



Total Amount of Loans (FY2023)



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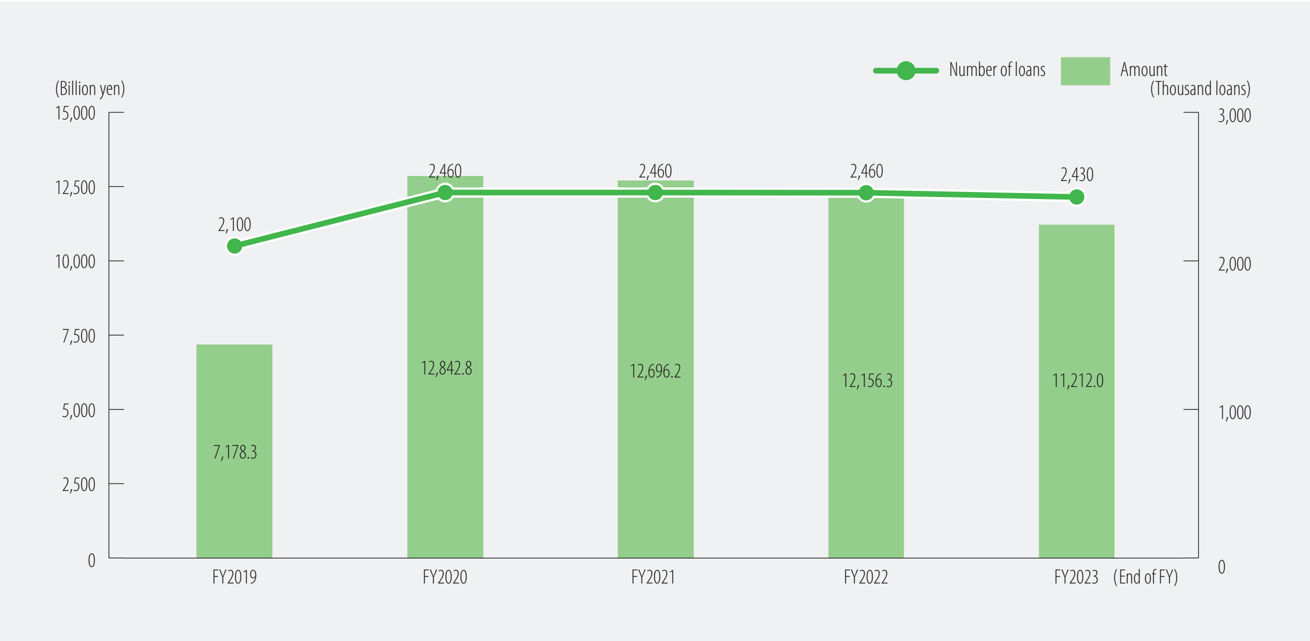
3 Changes in Outstanding Loans



4 Breakdown of Business Loans Outstanding by Industry

(Billion yen, %)

	End of FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023
Manufacturing	574.2 (9.3)	1,043.0 (8.8)	1,023.4 (8.7)	977.9 (8.7)	888.7 (8.7)
Wholesale & Retail	1,293.6 (20.9)	2,362.7 (19.9)	2,320.3 (19.8)	2,220.0 (19.8)	2,033.7 (19.8)
Restaurants & Hotels	580.7 (9.4)	1,475.1 (12.4)	1,448.3 (12.3)	1,372.4 (12.3)	1,254.4 (12.2)
Services	1,525.4 (24.6)	3,106.8 (26.2)	3,098.3 (26.4)	2,971.4 (26.5)	2,743.8 (26.7)
Construction	911.1 (14.7)	1,870.1 (15.7)	1,880.1 (16.0)	1,811.1 (16.2)	1,667.7 (16.2)
Others	1,313.6 (21.2)	2,016.7 (17.0)	1,964.2 (16.7)	1,847.9 (16.5)	1,684.6 (16.4)
Total	6,198.8 (100.0)	11,874.6 (100.0)	11,734.8 (100.0)	11,201.0 (100.0)	10,273.3 (100.0)

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

5 Breakdown of Environmental Health Business Loans Outstanding by Industry

(Billion yen, %)

	End of FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023
Restaurant-related Services	178.0 (51.9)	233.0 (54.4)	222.7 (54.3)	211.7 (54.4)	200.2 (54.6)
Beauty parlors	73.1 (21.3)	89.9 (21.0)	88.8 (21.6)	85.4 (21.9)	81.0 (22.1)
Hotels	53.9 (15.7)	63.2 (14.8)	59.6 (14.5)	55.1 (14.2)	51.0 (13.9)
Barbershops	19.4 (5.7)	21.6 (5.0)	20.4 (5.0)	19.0 (4.9)	17.6 (4.8)
Public baths	8.0 (2.4)	7.6 (1.8)	6.9 (1.7)	6.4 (1.6)	6.0 (1.6)
Laundries	6.7 (2.0)	8.5 (2.0)	8.0 (1.9)	7.6 (2.0)	6.9 (1.9)
Meat shops	2.4 (0.7)	2.9 (0.7)	2.8 (0.7)	2.6 (0.7)	2.5 (0.7)
Entertainment facilities	0.5 (0.2)	0.7 (0.2)	0.6 (0.1)	0.6 (0.2)	0.6 (0.2)
Others	0.3 (0.1)	0.3 (0.1)	0.3 (0.1)	0.2 (0.1)	0.2 (0.1)
Total	342.8 (100.0)	428.0 (100.0)	410.4 (100.0)	389.1 (100.0)	366.5 (100.0)

Note: Figures in parentheses denote percentage of shares.

6 Breakdown of Outstanding Loans by Use

(Billion yen, %)

	End of FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023
Operating funds	3,891.8 (62.8)	10,071.6 (84.8)	10,073.4 (85.8)	9,632.6 (86.0)	8,767.9 (85.3)
Facility funds	2,307.0 (37.2)	1,803.0 (15.2)	1,661.4 (14.2)	1,568.3 (14.0)	1,505.3 (14.7)
Total	6,198.8 (100.0)	11,874.6 (100.0)	11,734.8 (100.0)	11,201.0 (100.0)	10,273.3 (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 FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023
Number of borrowers	881,026	1,177,346	1,197,384	1,197,327	1,170,623

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

8 Average Loan Balance per Business

(Thousand yen)

	End of FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023
Average loan balance per business	7,036	10,085	9,800	9,355	8,775

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

9 Educational Loans Outstanding, etc.

(Billion yen)

	End of FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023
Educational Loans	973.6	963.9	958.5	954.0	938.2
Loans Secured by Governmental Pensions and Mutual Pensions, etc.	5.8	4.2	2.8	1.2	0.4

10 Breakdown of Loans by Credit Amount

(Number of loans, %)

	FY2019	FY2020	FY2021	FY2022	FY2023
Up to 3 million yen	87,643 (34.2)	229,761 (26.6)	80,952 (32.2)	71,898 (34.7)	68,020 (36.1)
Over 3 million yen and up to 5 million yen	52,774 (20.6)	151,201 (17.5)	48,677 (19.3)	41,443 (20.0)	38,403 (20.4)
Over 5 million yen and up to 8 million yen	34,586 (13.5)	102,930 (11.9)	34,259 (13.6)	27,116 (13.1)	24,659 (13.1)
Over 8 million yen	80,994 (31.6)	379,998 (44.0)	87,856 (34.9)	66,696 (32.2)	57,103 (30.3)
Total	255,997 (100.0)	863,890 (100.0)	251,744 (100.0)	207,153 (100.0)	188,185 (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, %)

	FY2019	FY2020	FY2021	FY2022	FY2023
4 or fewer	166,749 (65.1)	564,073 (65.3)	185,748 (73.8)	151,568 (73.2)	134,821 (71.6)
5–9	51,647 (20.2)	167,596 (19.4)	39,944 (15.9)	33,512 (16.2)	31,539 (16.8)
10–19	23,108 (9.0)	80,433 (9.3)	16,783 (6.7)	14,018 (6.8)	13,760 (7.3)
20 or more	14,489 (5.7)	51,785 (6.0)	9,269 (3.7)	8,055 (3.9)	8,065 (4.3)
Total	255,993 (100.0)	863,887 (100.0)	251,744 (100.0)	207,153 (100.0)	188,185 (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

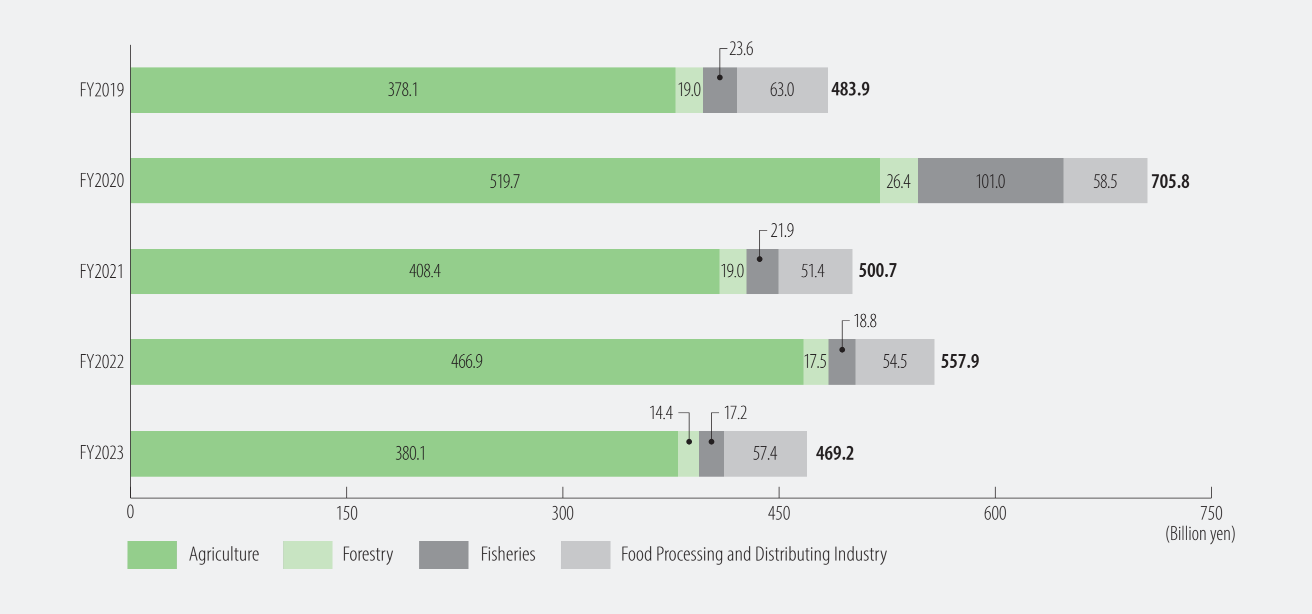
(Number of loans, %)

		FY2019	FY2020	FY2021	FY2022	FY2023
No collateral		223,441 (87.3)	857,271 (99.2)	247,087 (98.2)	203,107 (98.1)	183,512 (97.5)
Collateral	Real estate (including partial collateral)	32,522 (12.7)	6,602 (0.8)	4,640 (1.8)	4,033 (1.9)	4,657 (2.5)
	Securities	4 (0.0)	1 (0.0)	— (—)	1 (0.0)	1 (0.0)
	Credit Guarantee Corporations (CGCs)	— (—)	— (—)	— (—)	— (—)	— (—)
	Others	— (—)	— (—)	— (—)	— (—)	— (—)
Total		255,967 (100.0)	863,874 (100.0)	251,727 (100.0)	207,141 (100.0)	188,170 (100.0)

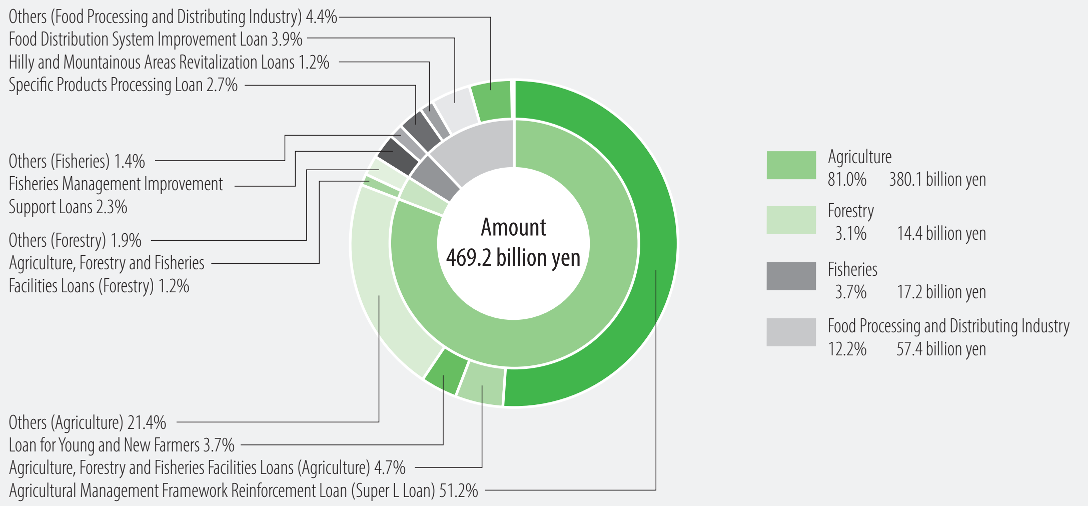
Notes:1. Loans comprise General Loans and Environmental Health Business Loans.
2. Figures in parentheses denote percentage of shares.
3. Partial collateral refers to real estate or other collateral whose estimated values do not reach amounts borrowed. Partial collateral of "Securities," "Credit Guarantee 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 (FY2023)



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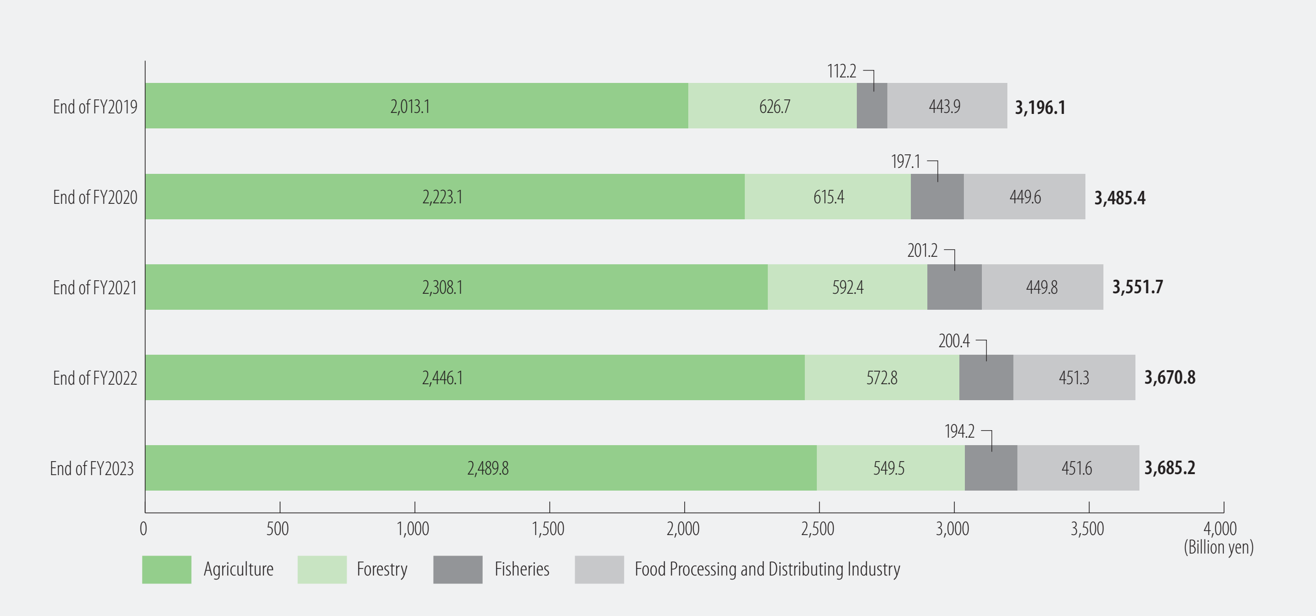
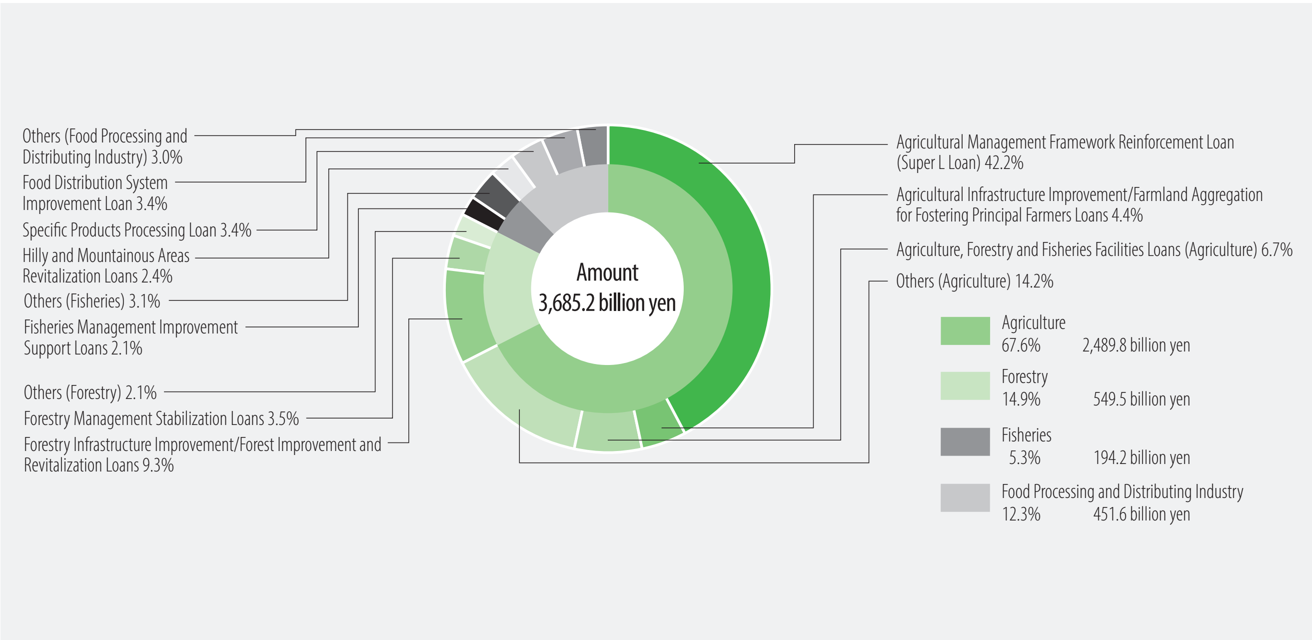
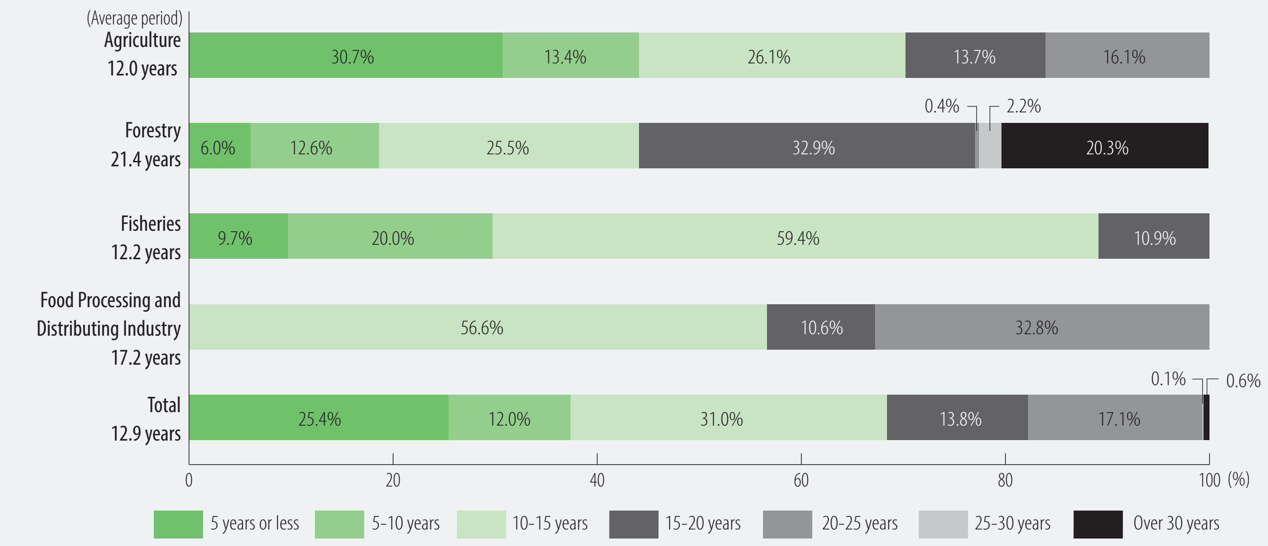
3 Changes in Outstanding Loans



4 Breakdown of Outstanding Loans by Sector and Use (End of FY2023)

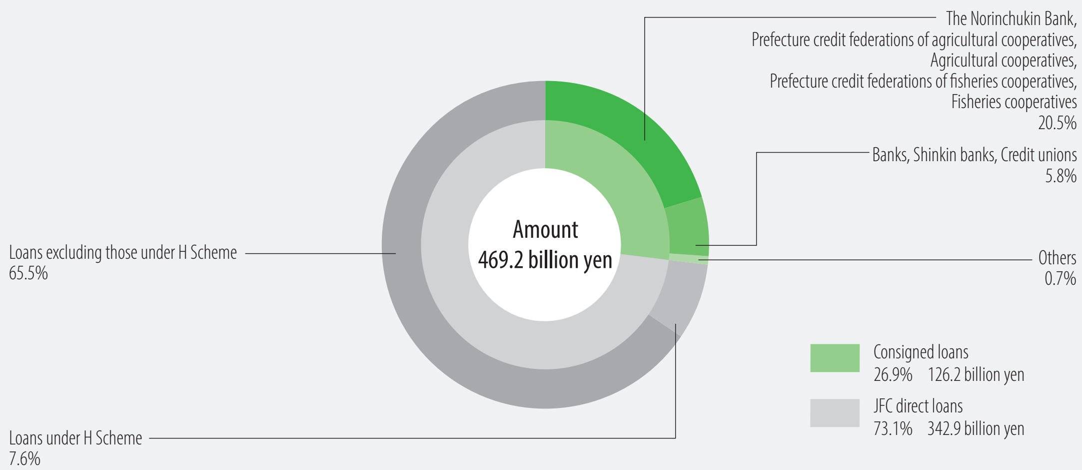


5 Loans by Repayment Period (FY2023)



Note: Aggregated by loan amount.

6 Loans by Commissioned Financial Institutions (FY2023)

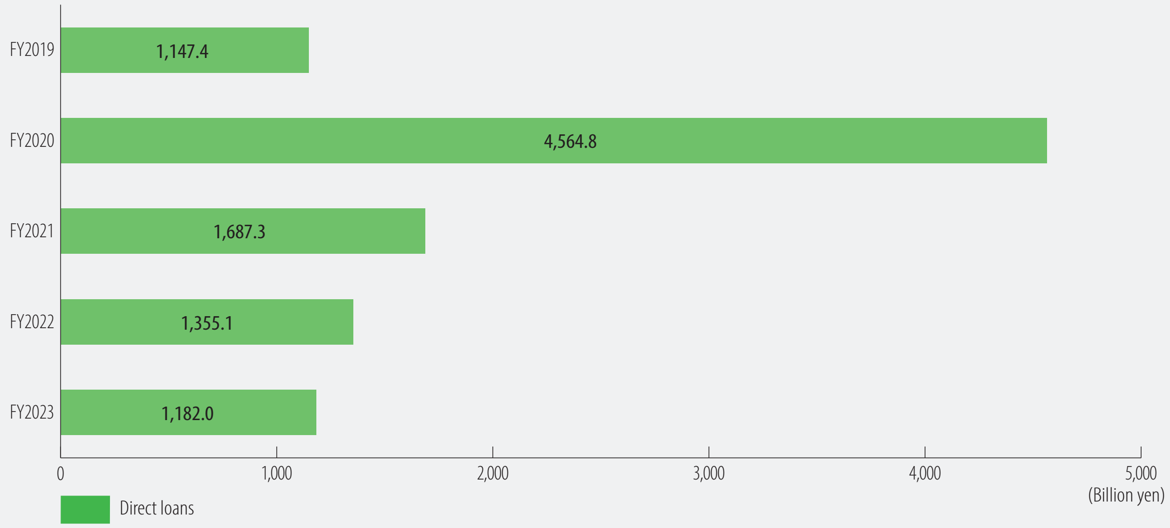


Note: H Scheme refers to a loan system through consignment of part of administration works for JFC's direct loans to agricultural cooperatives, banks, Shinkin banks, etc.

Data

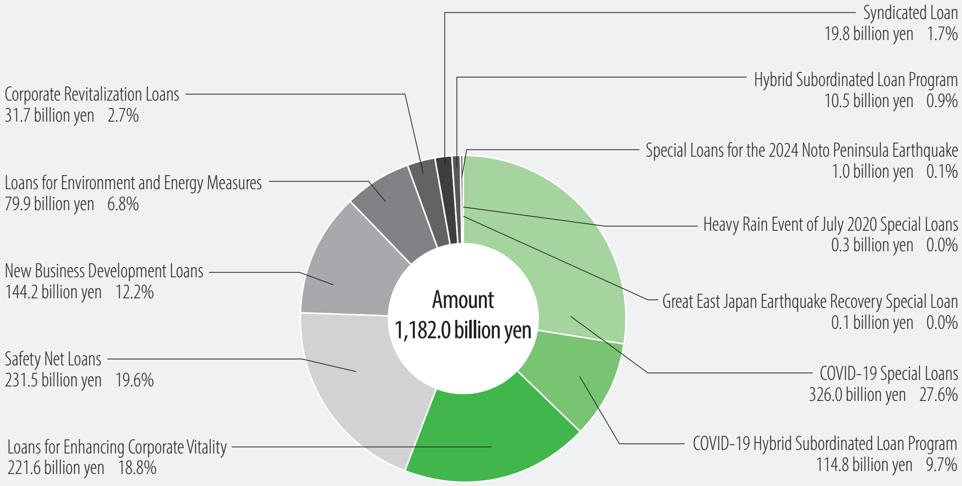
I. Loan Programs

1 Changes in Annual Loan Operations



2 Breakdown of Loans by Scheme

▼Total Amount of Loans (FY2023)



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 FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023
Manufacturing	2,387.4 (45.8)	3,220.1 (39.2)	3,231.1 (38.3)	3,222.2 (38.5)	3,049.3 (38.7)
Construction	249.4 (4.8)	516.4 (6.3)	534.4 (6.3)	527.1 (6.3)	488.3 (6.2)
Wholesale & retail	787.1 (15.1)	1,413.7 (17.2)	1,450.1 (17.2)	1,436.4 (17.2)	1,324.4 (16.8)
Transport & telecommunications	549.9 (10.6)	850.6 (10.4)	888.7 (10.5)	903.1 (10.8)	884.6 (11.2)
Services	612.5 (11.8)	1,488.9 (18.1)	1,608.2 (19.1)	1,585.4 (19.0)	1,496.1 (19.0)
Others	621.1 (11.9)	728.1 (8.9)	719.8 (8.5)	691.2 (8.3)	643.4 (8.2)
Total	5,207.9 (100.0)	8,218.0 (100.0)	8,432.6 (100.0)	8,365.7 (100.0)	7,886.3 (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 FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023
Operating funds	2,785.2 (53.5)	5,919.4 (72.0)	6,184.6 (73.3)	6,090.7 (72.8)	5,566.1 (70.6)
Facility funds	2,422.6 (46.5)	2,298.5 (28.0)	2,247.9 (26.7)	2,274.9 (27.2)	2,320.2 (29.4)
Total	5,207.9 (100.0)	8,218.0 (100.0)	8,432.6 (100.0)	8,365.7 (100.0)	7,886.3 (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 FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023
Number of borrowers	44,102	61,074	62,010	62,004	58,249

Note: Figures cover only businesses with direct loans.

7 Average Loan Balance per Business

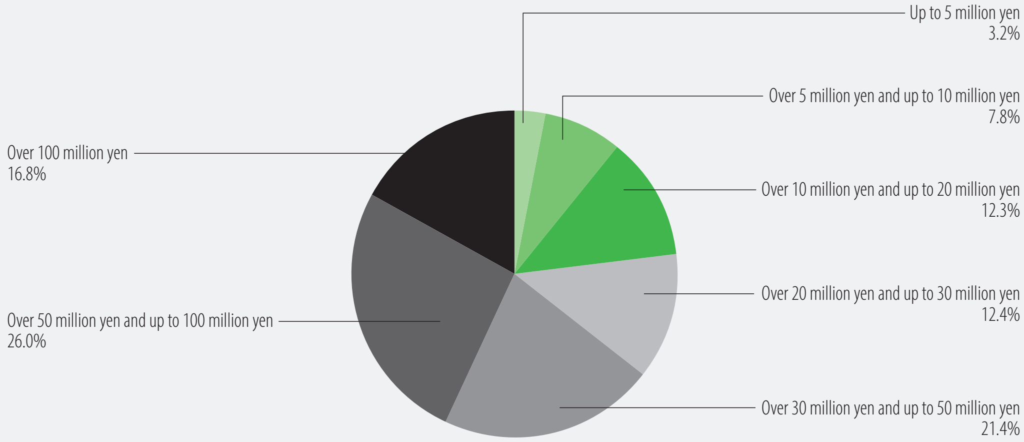
(Millions of yen)

	End of FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023
Average loan balance per business	117	134	135	134	135

Note: Figures cover only businesses with direct loans.

8 Loans by Credit Amount

▼ Loan Percentage Breakdown (FY2023)



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

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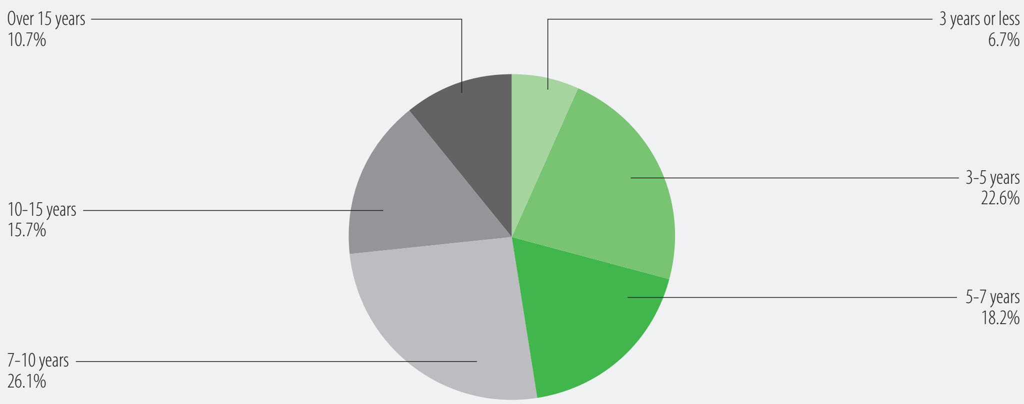
9 Loans by Repayment Period

▼ **Loan Percentage Breakdown** (FY2023)



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

II. Credit Insurance Programs

(Billion yen)

Items	FY2019	FY2020	FY2021	FY2022	FY2023
Amounts of insurance acceptance and loans					
Small Business Credit Insurance	8,324.3	33,210.6	8,768.4	7,762.0	9,555.1
Loans to CGCs	—	—	—	—	—
Special Insurance for Mid-size Enterprises	—	—	—	—	—
Outstanding amounts of insurance and loans					
Small Business Credit Insurance	21,244.8	42,416.1	42,092.3	40,671.3	36,627.6
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, 2024.

III. Securitization Support Programs

(Billion yen)

Items	FY2019	FY2020	FY2021	FY2022	FY2023
Financing support amount					
Purchase-type	33.2	17.0	34.3	41.0	45.4
Guarantee-type	—	—	—	—	—
Outstanding amount of financing support					
Purchase-type	78.3	65.9	71.6	84.8	102.9
Guarantee-type	—	—	—	—	—
Outstanding amounts of trust beneficiary rights and guaranteed liabilities					
Purchase-type (outstanding amount of trust beneficiary rights)	17.4	12.9	15.4	23.1	20.2
Purchase-type (outstanding amounts of asset-backed securities)	14.9	17.8	21.6	23.2	22.5
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)	4.7	5.0	4.9	4.9	5.4

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, 2024.

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	FY2023
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	20.5

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 2024.

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 2024, with loss compensation underwritten by JFC for losses incurred until May 10, 2024.
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 2023 (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	FY2023
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 2024.

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 of yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Operations to Facilitate Business Adaptation Promotion	—	—	—	—	—	—	—	—	—	—	—	—	1	93

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 2023 (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, 2024)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	**8,641,966**	**Borrowed money**	**15,783,561**
Cash	18	Borrowings	15,783,561
Due from banks	8,641,947	**Bonds payable**	**720,972**
Securities	**45,565**	**Entrusted funds**	**20,925**
Government bonds	21,153	**Reserve for insurance policy liabilities**	**1,482,971**
Corporate bonds	20,238	**Other liabilities**	**26,412**
Stocks	2,531	Accrued expenses	4,386
Other securities	1,642	Contract liability	10,092
Loans and bills discounted	**25,661,159**	Unearned revenue	88
Loans on deeds	25,661,159	Derivatives other than for trading-liabilities	649
Other assets	**33,853**	Lease obligations	4,315
Prepaid expenses	129	Other	6,880
Accrued income	17,106	**Provision for bonuses**	**5,486**
Derivatives other than for trading-assets	727	**Provision for directors' bonuses**	**24**
Agency accounts receivable	689	**Provision for retirement benefits**	**98,469**
Other	15,199	**Provision for directors' retirement benefits**	**60**
Property, plant and equipment	**190,156**	**Reserve for compensation losses**	**28,803**
Buildings	47,925	**Acceptances and guarantees**	**28,015**
Land	138,242	Total liabilities	18,195,705
Lease assets	3,149	Net assets	
Construction in progress	287	**Capital stock**	**11,768,477**
Other	551	**Capital surplus**	**5,465,600**
Intangible assets	**36,276**	Special reserve for administrative improvement funds	181,500
Software	26,424	Legal capital surplus	5,284,100
Lease assets	600	**Retained earnings**	**(1,910,979)**
Other	9,251	Legal retained earnings	3,216
Customers' liabilities for acceptances and guarantees	**28,015**	Other retained earnings	(1,914,195)
Allowance for loan losses	**(1,118,075)**	Retained earnings brought forward	(1,914,195)
		Total shareholders' equity	**15,323,099**
		Valuation difference on available-for-sale securities	**112**
		Total valuation and translation adjustments	**112**
		Total net assets	15,323,211
Total assets	33,518,917	Total liabilities and net assets	33,518,917

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Statement of Operations (Year ended March 31, 2024)

(Millions of yen)

Items	Amount
Ordinary income	749,380
Interest income	209,317
Interest on loans and discounts	207,052
Interest and dividends on securities	233
Interest on deposits with banks	2,030
Other interest income	0
Fees and commissions	3,618
Fees and commissions on compensation security contract	3,416
Other fees and commissions	202
Insurance premiums and other	475,439
Insurance premiums	165,800
Receipts of burden charges under the Responsibility-sharing System	5,334
Reversal of reserve for insurance policy liabilities	304,305
Other ordinary income	205
Income from derivatives other than for trading or hedging	205
Receipts from the national budget	54,192
Receipts from general account of the national budget	54,096
Receipts from special account of the national budget	96
Other income	6,606
Recoveries of written-off claims	1,005
Gain on sales of stocks and other securities	53
Other	5,547
Ordinary expenses	831,626
Interest expenses	26,843
Interest on call money	(0)
Interest on borrowings and rediscounts	23,711
Interest on bonds	3,132
Fees and commissions payments	2,891
Other fees and commissions	2,891
Expenses on insurance claims and other	318,231
Expenses on insurance claims	384,977
Recoveries of insurance claims	(66,745)
Other ordinary expenses	23,260
Loss on foreign exchange transactions	893
Amortization of bond issuance cost	66
Interest subsidies	22,300
General and administrative expenses	136,450
Other expenses	323,949
Provision of allowance for loan losses	274,896
Provision of reserve for compensation losses	13,191
Written-off of loans	27,399
Other	8,461
Ordinary loss	82,246
Extraordinary income	11
Gain on disposal of noncurrent assets	11
Other extraordinary income	0
Extraordinary losses	78
Loss on disposal of noncurrent assets	38
Impairment loss	39
Net loss	82,313

Statement of Changes in Net Assets (Year ended March 31, 2024)

(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	11,696,178	181,500	5,309,054	5,490,554	3,227	(1,903,547)	(1,900,319)	15,286,413	84	84	15,286,497
Changes of items during the period											
Issuance of new shares	72,298		46,700	46,700				118,998			118,998
Reversal of legal retained earnings					(11)	11	—	—			—
Reversal of legal capital surplus (Deficit disposition)			(71,653)	(71,653)		71,653	71,653	—			—
Net income (loss)						(82,313)	(82,313)	(82,313)			(82,313)
Net changes of items other than shareholders' equity									28	28	28
Total changes of items during the period	72,298	—	(24,953)	(24,953)	(11)	(10,647)	(10,659)	36,685	28	28	36,713
Balance at the end of current period	11,768,477	181,500	5,284,100	5,465,600	3,216	(1,914,195)	(1,910,979)	15,323,099	112	112	15,323,211

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 ¥393,361 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: ¥1,118,075 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, etc. 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

Data

from COVID-19, etc. 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

While the impact of COVID-19 on economic activities has weakened, the impact on the credit risk of borrowers remains unclear due to changes in economic conditions. 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 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 assumption is the outlook for borrowers when determining the borrowers' categories.

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

(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 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 assumption is the outlook for borrowers when determining the borrowers' categories.

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

(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 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: ¥1,482,971 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, and 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.

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 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: ¥28,803 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 status of compensation payments in the current fiscal year, 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

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 status of compensation payments in the current fiscal year, 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, with the assumption that the status of compensation payments in the current fiscal year will continue in the future as well.

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: ¥32,697 million
The amount of claims under high risk: ¥1,083,959 million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥1,301,106 million
  The amount of claims with interest or principal repayments more than 3 months in arrears: ¥1,038 million
  The amount of restructured claims: ¥1,300,067 million
Subtotal amount: ¥2,417,764 million
The amount of normal claims: ¥23,288,306 million
Total amount: ¥25,706,071 million

Data

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, 2024 is ¥86,249 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 ¥9,399 million. Of this amount, ¥1,293 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 ¥720,972 million.

5. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥49,808 million.

6. Amount of compensation security contract

(Millions of yen)

The total amount of compensation outstanding (37,386 contracts)	1,552,804
Reserve for compensation	28,803
Net amount	1,524,001

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

1. Ordinary income-Other income-Other: ¥0 million
2. Ordinary expenses-General and administrative expenses: ¥0 million

9. Issued shares

For the fiscal year ended March 31, 2024, 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	21,732,826,406,741	118,998,899,000	—	21,851,825,305,741

(Note) Increase is due to the issuance of 118,998,899,000 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 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 from fiscal loan funds 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, 2024 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥100,101 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 ¥96,288 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, 2024 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥17,173 million. Conversely, it is considered that a 50 basis point (0.5%) rise in the interest rate will cause the fair value to decrease by ¥15,676 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, 2024 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥95,237 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 ¥89,451 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, 2024 will cause the fair value after netting (assets) of the financial assets and financial liabilities held in this account to increase by ¥982 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 ¥903 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 from fiscal investment and loans 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, 2024, 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	8,641,966	8,614,200	(27,765)
(2) Securities			
Held-to-maturity debt securities	21,168	20,362	(805)
Available-for-sale securities	20,380	20,380	—
(3) Loans and bills discounted	25,661,159		
Allowance for loan losses (*1)	(1,116,218)		
	24,544,940	24,652,878	107,938
Total assets	33,228,455	33,307,822	79,366
(1) Borrowings	15,783,561	15,615,643	(167,917)
(2) Bonds payable	720,972	725,214	4,242
Total liabilities	16,504,534	16,340,858	(163,675)
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	78	78	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	78	78	—

(*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)	1,485

(*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)	3,401,247	2,740,700	2,000,000	200,000	300,000	—
Securities						
Held-to-maturity debt securities	1	13	—	—	—	21,068
Available-for-sale securities	1,243	18,983	41	—	—	—
Loans and bills discounted (*2)	3,918,604	6,833,741	5,139,123	3,816,345	3,187,869	2,468,400
Total	7,321,097	9,593,438	7,139,165	4,016,345	3,487,869	2,489,468

(*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 ¥297,074 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 (*)	3,385,250	4,637,855	3,111,686	1,900,006	1,720,447	1,028,315
Bonds payable	265,000	190,000	135,900	105,000	25,000	—
Total	3,650,250	4,827,855	3,247,586	2,005,006	1,745,447	1,028,315

(*) 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, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Corporate bonds	—	—	20,223	20,223
Others	—	157	—	157
Derivative transactions				
Currency related	—	14	—	14
Credit derivatives	—	—	713	713
Total assets	—	171	20,937	21,108
Derivative transactions				
Credit derivatives	—	—	649	649
Total liabilities	—	—	649	649

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	8,614,200	—	8,614,200
Securities				
Held-to-maturity debt securities				
Government bonds	20,347	—	—	20,347
Corporate bonds	—	14	—	14
Loans and bills discounted	—	3,271,376	21,381,502	24,652,878
Total assets	20,347	11,885,591	21,381,502	33,287,441
Borrowings	—	15,602,346	13,297	15,615,643
Bonds payable	—	725,214	—	725,214
Total liabilities	—	16,327,561	13,297	16,340,858

(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, with the exception of Agriculture, Forestry and Fisheries Management Capital Enhancement Loans and loans on deed 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 Agriculture, Forestry and Fisheries Management Capital Enhancement Loans and loans on deed 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, 2024)

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%

Data

(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, 2024)

(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	23,200	—	(128)	(2,847)	—	—	20,223	—
Derivative transactions								
Credit derivatives (*3)	24	39	—	—	—	—	64	32

(*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, 2024 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	21,153	20,347	(805)
	Corporate bonds	14	14	—
Total		21,168	20,362	(805)

(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

Data

(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	Others	157	—	157
Securities whose carrying amount does not exceed their acquisition cost	Corporate bonds	20,223	20,268	(44)
	Others	198,780	198,780	—
	Subtotal	219,003	219,048	(44)
Total		219,160	219,048	112

(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	1,485

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.

Data

Defined benefits plan

(1) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	179,469	million yen
Service cost	6,555	
Interest cost	179	
Actuarial difference	(19,804)	
Payment of retirement benefits	(5,052)	
Prior service cost	—	
Other	—	
Closing balance of projected benefit obligations	161,347	

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

Opening balance of fair value of plan assets	66,534	million yen
Expected return on plan assets	1,330	
Actuarial difference	4,874	
Financing from employer	3,065	
Payment of retirement benefits	(3,284)	
Other	—	
Closing balance of fair value of plan assets	72,521	

(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	72,095	million yen
Fair value of plan assets	(72,521)	
	(425)	
Projected benefit obligations of unfunded plan	89,251	
Unfunded pension obligations	88,825	
Actuarial unrecognized difference	8,080	
Unrecognized prior service cost	1,563	
Net amount of liabilities and assets recorded on the balance sheet	98,469	
Provision for retirement benefits	98,469	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	98,469	

(4) Net pensions cost and breakdown of included items

Service cost	6,555	million yen
Interest cost	179	
Expected return on plan assets	(1,330)	
Amount of actuarial difference accounted for as expense	3,842	
Amortization of prior service cost accounted for as expense	(1,050)	
Other	—	
Net pensions cost related to defined benefits plan	8,196	

(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	27%
Debentures	62%
General account	10%
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	1.1%
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 ¥387 million.

14. Profit and loss on equity method

Investment in affiliates	¥2,530 million
Investment in affiliates (equity method)	¥2,522 million
Loss on investment in affiliates (equity method)	¥64 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 ¥3,346 million.

(2) The total transaction price allocated to remaining performance obligations at the last day of the current fiscal year amounts to ¥10,092 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	1,863
Over one year	8,229
Total	10,092

16. Related party transactions

Related party transactions in the fiscal year ended March 31, 2024 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, 2024
Principal shareholder	Ministry of Finance (Minister of Finance)[Notes i and ii]	98.44 (Direct)	Administration for policy based financing	Underwriting of capital increase[Note iii]	118,946	—	—
				Receipts from general account of the national budget	10,210	—	—
				Receipt of funds[Note iv]	750,700	Borrowings	15,647,882
				Repayment of borrowing	3,484,541		
				Payment of interest on borrowings	23,711	Accrued expenses	2,920
				Deposit of funds[Note v]	11,334,700	Due from banks	7,690,900
				Refund of funds	11,474,800		
				Guarantee for bonds payable[Note vi]	435,079	—	—

(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) 0.18%
-Ministry of Economy, Trade and Industry (Minister of Economy, Trade and Industry) 1.35%

(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 ¥22 million
-Ministry of Economy, Trade and Industry
Underwriting of capital increase ¥30 million
- Cabinet Office
Receipts from the national budget ¥19 million
-Ministry of Health, Labour and Welfare
Receipts from the national budget ¥2,038 million
-Ministry of Agriculture, Forestry and Fisheries
Receipts from the national budget ¥27,036 million
-Ministry of Economy, Trade and Industry
Receipts from the national budget ¥146 million
-Agency for Natural Resources and Energy
Receipts from the national budget ¥0 million
-Small and Medium Enterprise Agency
Receipts from the national budget ¥14,734 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 ¥1,764 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	¥0.00

18. Subsequent events

Not applicable.

Data

Account for Micro Business and Individual Operations

Balance Sheet (as of March 31, 2024)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	100,798	Borrowed money	5,543,489
Cash	13	Borrowings	5,543,489
Due from banks	100,785	Bonds payable	210,064
Loans and bills discounted	10,937,774	Other liabilities	6,891
Loans on deeds	10,937,774	Accrued expenses	1,221
Other assets	11,115	Lease obligations	2,738
Prepaid expenses	117	Other	2,931
Accrued income	7,092	Provision for bonuses	3,342
Agency accounts receivable	381	Provision for directors' bonuses	8
Other	3,523	Provision for retirement benefits	59,248
Property, plant and equipment	92,521	Provision for directors' retirement benefits	20
Buildings	26,276	Total liabilities	5,823,065
Land	63,652	Net assets	
Lease assets	2,001	Capital stock	5,790,568
Construction in progress	247	Capital surplus	181,500
Other	343	Special reserve for administrative improvement funds	181,500
Intangible assets	18,930	Retained earnings	(1,047,494)
Software	13,329	Other retained earnings	(1,047,494)
Lease assets	377	Retained earnings brought forward	(1,047,494)
Other	5,223	Total shareholders' equity	4,924,573
Allowance for loan losses	(413,501)	Total net assets	4,924,573
Total assets	10,747,638	Total liabilities and net assets	10,747,638

Statement of Operations (Year ended March 31, 2024)

(Millions of yen)

Items	Amount
Ordinary income	132,139
Interest income	116,758
Interest on loans and discounts	116,757
Interest on deposits with banks	0
Other interest income	0
Receipts from the national budget	13,662
Receipts from general account of the national budget	13,662
Other income	1,719
Recoveries of written-off claims	582
Other	1,136
Ordinary expenses	349,032
Interest expenses	2,879
Interest on call money	(0)
Interest on borrowings and rediscounts	2,732
Interest on bonds	146
Fees and commissions payments	587
Other fees and commissions	587
Other ordinary expenses	25
Amortization of bond issuance cost	25
General and administrative expenses	82,146
Other expenses	263,393
Provision of allowance for loan losses	239,517
Written-off of loans	23,740
Other	135
Ordinary loss	216,892
Extraordinary income	11
Gain on disposal of noncurrent assets	11
Extraordinary losses	41
Loss on disposal of noncurrent assets	1
Impairment loss	39
Net loss	216,922

Data

Statement of Changes in Net Assets (Year ended March 31, 2024)

(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	5,785,273	181,500	181,500	(830,571)	(830,571)	5,136,201	5,136,201
Changes of items during the period							
Issuance of new shares	5,294					5,294	5,294
Net income (loss)				(216,922)	(216,922)	(216,922)	(216,922)
Total changes of items during the period	5,294	—	—	(216,922)	(216,922)	(211,627)	(211,627)
Balance at the end of current period	5,790,568	181,500	181,500	(1,047,494)	(1,047,494)	4,924,573	4,924,573

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 ¥273,632 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: ¥413,501 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, etc. 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, etc. 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

While the impact of COVID-19 on economic activities has weakened, the impact on the credit risk of borrowers remains unclear due to changes in economic conditions. 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 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: ¥20,664 million
The amount of claims under high risk: ¥127,351 million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥1,009,377 million

The amount of claims with interest or principal repayments more than 3 months in arrears: ¥88 million
The amount of restructured claims: ¥1,009,288 million
Subtotal amount: ¥1,157,393 million
The amount of normal claims: ¥9,787,553 million
Total amount: ¥10,944,947million

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, 2024 is ¥725 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 ¥210,064 million).

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥28,266 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, 2024 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	5,966,773,299,000	5,294,899,000	—	5,972,068,198,000

(Note) Increase is due to the issuance of 5,294,899,000 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

Data

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, 2024 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥100,101 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 ¥96,288 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, 2024, 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	100,798	100,798	—
(2) Loans and bills discounted	10,937,774		
Allowance for loan losses (*)	(413,231)		
	10,524,542	10,612,635	88,092
Total assets	10,625,340	10,713,433	88,092
(1) Borrowings	5,543,489	5,502,151	(41,337)
(2) Bonds payable	210,064	208,251	(1,812)
Total liabilities	5,753,553	5,710,402	(43,150)

(*) 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)	100,785	—	—	—	—	—
Loans and bills discounted (*2)	1,685,507	3,163,012	2,536,264	1,700,661	1,215,012	489,376
Total	1,786,292	3,163,012	2,536,264	1,700,661	1,215,012	489,376

(*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 ¥147,939 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 (*)	1,687,736	1,842,361	1,159,744	318,688	335,345	199,615
Bonds payable	65,000	75,000	20,000	50,000	—	—
Total	1,752,736	1,917,361	1,179,744	368,688	335,345	199,615

(*) 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, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	100,798	—	100,798
Loans and bills discounted	—	—	10,612,635	10,612,635
Total assets	—	100,798	10,612,635	10,713,433
Borrowings	—	5,502,151	—	5,502,151
Bonds payable	—	208,251	—	208,251
Total liabilities	—	5,710,402	—	5,710,402

(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	110,528	million yen
Service cost	3,969	
Interest cost	110	
Actuarial difference	(11,976)	
Payment of retirement benefits	(3,106)	
Prior service cost	—	
Other	2	
Closing balance of projected benefit obligations	99,527	

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

Opening balance of fair value of plan assets	41,202	million yen
Expected return on plan assets	824	
Actuarial difference	3,139	
Financing from employer	1,865	
Payment of retirement benefits	(2,039)	
Other	1	
Closing balance of fair value of plan assets	44,993	

(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	44,728	million yen
Fair value of plan assets	(44,993)	
	(264)	
Projected benefit obligations of unfunded plan	54,798	
Unfunded pension obligations	54,534	
Actuarial unrecognized difference	3,560	
Unrecognized prior service cost	1,153	
Net amount of liabilities and assets recorded on the balance sheet	59,248	
Provision for retirement benefits	59,248	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	59,248	

(4) Net pensions cost and breakdown of included items

Service cost	3,969	million yen
Interest cost	110	
Expected return on plan assets	(824)	
Amount of actuarial difference accounted for as expense	2,664	
Amortization of prior service cost accounted for as expense	(756)	
Other	—	
Net pensions cost related to defined benefits plan	5,162	

(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	27%
Debentures	62%
General account	10%
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	1.1%
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 ¥235 million.

10. Related party transactions

Related party transactions in the fiscal year ended March 31, 2024 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, 2024
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)	5,272	—	—
				Receipts from general account of the national budget	10,141	—	—
				Receipt of funds (Note iv)	209,200	Borrowings	5,412,189
				Repayment of borrowing	1,741,849		
				Payment of interest on borrowings	2,732	Accrued expenses	673
				Guarantee for bonds payable (Note v)	200,064	—	—

(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 ¥22 million
  - Receipts from the national budget ¥2,038 million
- Small and Medium Enterprise Agency
  - Receipts from the national budget ¥1,481 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 ¥0.82
Net loss per share ¥0.03

12. Subsequent events

Not applicable.

Account for Agriculture, Forestry, Fisheries and Food Business Operations

Balance Sheet (as of March 31, 2024)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	129,139	Borrowed money	3,079,588
Cash	0	Borrowings	3,079,588
Due from banks	129,138	Bonds payable	174,992
Securities	4,015	Entrusted funds	20,925
Stocks	2,530	Other liabilities	3,966
Other securities	1,485	Accrued expenses	2,444
Loans and bills discounted	3,610,367	Derivatives other than for trading-liabilities	74
Loans on deeds	3,610,367	Lease obligations	456
Other assets	6,622	Other	990
Prepaid expenses	4	Provision for bonuses	662
Accrued income	5,980	Provision for directors' bonuses	8
Derivatives other than for trading-assets	1	Provision for retirement benefits	11,922
Agency accounts receivable	308	Provision for directors' retirement benefits	16
Other	327	Total liabilities	3,292,083
Property, plant and equipment	33,178	Net assets	
Buildings	7,828	Capital stock	457,735
Land	24,922	Retained earnings	801
Lease assets	329	Legal retained earnings	2,642
Construction in progress	27	Other retained earnings	(1,840)
Other	69	Retained earnings brought forward	(1,840)
Intangible assets	5,844	Total shareholders' equity	458,537
Software	4,293		
Lease assets	67		
Other	1,484		
Allowance for loan losses	(38,546)	Total net assets	458,537
Total assets	3,750,620	Total liabilities and net assets	3,750,620

Data

Statement of Operations (Year ended March 31, 2024)

(Millions of yen)

Items	Amount
Ordinary income	**48,952**
Interest income	21,265
Interest on loans and discounts	21,258
Interest on deposits with banks	6
Other interest income	0
Other ordinary income	12
Income from derivatives other than for trading or hedging	12
Receipts from the national budget	26,990
Receipts from general account of the national budget	26,988
Receipts from special account of the national budget	2
Other income	683
Recoveries of written-off claims	332
Other	350
Ordinary expenses	**50,773**
Interest expenses	15,907
Interest on borrowings and rediscounts	13,394
Interest on bonds	2,513
Fees and commissions payments	2,036
Other fees and commissions	2,036
Other ordinary expenses	28
Amortization of bond issuance cost	28
General and administrative expenses	17,721
Other expenses	15,079
Provision of allowance for loan losses	14,178
Written-off of loans	124
Other	776
Ordinary loss	**1,821**
Extraordinary losses	**19**
Loss on disposal of noncurrent assets	19
Net loss	**1,840**

Statement of Changes in Net Assets (Year ended March 31, 2024)

(Millions of yen)

	Shareholders' equity					
		Retained earnings				
			Other retained earnings			
	Capital stock	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Total shareholders' equity	Total net assets
Balance at the beginning of current period	453,671	2,642	—	2,642	456,313	456,313
Changes of items during the period						
Issuance of new shares	4,064				4,064	4,064
Net income (loss)			(1,840)	(1,840)	(1,840)	(1,840)
Total changes of items during the period	4,064	—	(1,840)	(1,840)	2,223	2,223
Balance at the end of current period	457,735	2,642	(1,840)	801	458,537	458,537

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 ¥20,562 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: ¥38,546 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 assumption is the outlook for borrowers when determining the borrowers' categories.

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

   (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 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: ¥3,537 million

The amount of claims under high risk: ¥129,250 million

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥132,890 million

  The amount of claims with interest or principal repayments more than 3 months in arrears: ¥950 million

  The amount of restructured claims: ¥131,940 million

Subtotal amount: ¥265,678 million

The amount of normal claims: ¥3,350,698 million

Total amount: ¥3,616,377 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, 2024 is ¥54,407 million.

Data

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 ¥174,992 million).

5. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥6,956 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

1. Ordinary income–Other income-Other: ¥0 million
2. Ordinary expenses–General and administrative expenses: ¥0 million

8. Issued shares

For the fiscal year ended March 31, 2024 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	453,671,700,000	4,064,000,000	—	457,735,700,000

(Note) Increase is due to the issuance of 4,064,000,000 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, 2024 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥17,173 million. Conversely, it is considered that a 50 basis point (0.5%) rise in the interest rate will cause the fair value to decrease by ¥15,676 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, 2024, 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	129,139	129,139	—
(2) Loans and bills discounted	3,610,367		
Allowance for loan losses (*1)	(38,538)		
	3,571,828	3,605,100	33,271
Total assets	3,700,967	3,734,239	33,271
(1) Borrowings	3,079,588	3,053,983	(25,604)
(2) Bonds payable	174,992	181,881	6,888
Total liabilities	3,254,581	3,235,865	(18,716)
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	(73)	(73)	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	(73)	(73)	—

(*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)	1,485

(*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)	129,138	—	—	—	—	—
Loans and bills discounted (*2)	428,338	723,306	567,136	465,751	507,894	791,340
Total	557,476	723,306	567,136	465,751	507,894	791,340

(*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 ¥126,600 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	432,827	737,928	578,794	431,853	432,579	465,605
Bonds payable	20,000	40,000	35,000	55,000	25,000	—
Total	452,827	777,928	613,794	486,853	457,579	465,605

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.

Data

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, 2024)

(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	—	—	74	74
Total liabilities	—	—	74	74

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	129,139	—	129,139
Loans and bills discounted	—	—	3,605,100	3,605,100
Total assets	—	129,139	3,605,100	3,734,239
Borrowings	—	3,049,794	4,189	3,053,983
Bonds payable	—	181,881	—	181,881
Total liabilities	—	3,231,675	4,189	3,235,865

(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, with the exception of Agriculture, Forestry and Fisheries Management Capital Enhancement Loans and loans on deed 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 Agriculture, Forestry and Fisheries Management Capital Enhancement Loans and loans on deed 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, 2024)

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, 2024)

(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)	(48)	(25)	—	—	—	—	(73)	(33)

(*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, 2024 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	57,780	57,780	—

(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	1,485

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	21,217 million yen
Service cost	788
Interest cost	21
Actuarial difference	(2,252)
Payment of retirement benefits	(685)
Prior service cost	—
Other	10
Closing balance of projected benefit obligations	19,100

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

Opening balance of fair value of plan assets	7,695 million yen
Expected return on plan assets	153
Actuarial difference	580
Financing from employer	362
Payment of retirement benefits	(367)
Other	(0)
Closing balance of fair value of plan assets	8,424

(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	8,374 million yen
Fair value of plan assets	(8,424)
	(49)
Projected benefit obligations of unfunded plan	10,725
Unfunded pension obligations	10,676
Actuarial unrecognized difference	1,047
Unrecognized prior service cost	198
Net amount of liabilities and assets recorded on the balance sheet	11,922
Provision for retirement benefits	11,922
Prepaid pension cost	—
Net amount of liabilities and assets recorded on the balance sheet	11,922

(4) Net pensions cost and breakdown of included items

Service cost	788 million yen
Interest cost	21
Expected return on plan assets	(153)
Amount of actuarial difference accounted for as expense	402
Amortization of prior service cost accounted for as expense	(132)
Other	—
Net pensions cost related to defined benefits plan	926

(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	27%
Debentures	62%
General account	10%
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 1.1%

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 ¥46 million.

13. Profit and loss on equity method

Investment in affiliates	¥2,530 million
Investment in affiliates (equity method)	¥2,522 million
Loss on Investment in affiliates (equity method)	¥64 million

14. Related party transactions

Related party transactions in the fiscal year ended March 31, 2024 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, 2024
Principal shareholder	Ministry of Finance (Minister of Finance)(Notes i and ii)	91.47 (Direct)	Administration for policy based financing	Underwriting of capital increase (Note iii)	4,064	—	—
				Receipt of funds (Note iv)	460,000	Borrowings	3,075,209
				Repayment of borrowing	414,533		
				Payment of interest on borrowings	13,394	Accrued expenses	1,748

(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) 8.53%

(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 ¥26,990 million

Repayment of borrowed money ¥1,764 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, 2024
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 loss per share	¥0.00

16. Subsequent events

Not applicable.

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

Balance Sheet (as of March 31, 2024)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	379,499	Borrowed money	3,883,718
Cash	4	Borrowings	3,883,718
Due from banks	379,495	Bonds payable	236,700
Securities	172	Other liabilities	3,437
Corporate bonds	14	Accrued expenses	562
Stocks	1	Unearned revenue	88
Other securities	157	Lease obligations	967
Loans and bills discounted	7,756,251	Other	1,818
Loans on deeds	7,756,251	Provision for bonuses	1,272
Other assets	4,607	Provision for directors' bonuses	7
Prepaid expenses	7	Provision for retirement benefits	22,813
Accrued income	3,563	Provision for directors' retirement benefits	17
Derivatives other than for trading-assets	14	Acceptances and guarantees	28,015
Other	1,022	Total liabilities	4,175,982
Property, plant and equipment	47,361	Net assets	
Buildings	10,813	Capital stock	4,047,643
Land	35,699	Retained earnings	(665,774)
Lease assets	707	Other retained earnings	(665,774)
Construction in progress	12	Retained earnings brought forward	(665,774)
Other	129	Total shareholders' equity	3,381,868
Intangible assets	8,127	Valuation difference on available-for-sale securities	157
Software	5,621	Total valuation and translation adjustments	157
Lease assets	133		
Other	2,372		
Customers' liabilities for acceptances and guarantees	28,015		
Allowance for loan losses	(666,027)	Total net assets	3,382,025
Total assets	7,558,008	Total liabilities and net assets	7,558,008

Statement of Operations (Year ended March 31, 2024)

(Millions of yen)

Items	Amount
Ordinary income	**79,348**
Interest income	65,217
Interest on loans and discounts	65,216
Interest and dividends on securities	0
Interest on deposits with banks	0
Other interest income	0
Fees and commissions	202
Other fees and commissions	202
Receipts from the national budget	13,184
Receipts from general account of the national budget	13,184
Receipts from special account of the national budget	0
Other income	743
Recoveries of written-off claims	90
Gain on sales of stocks and other securities	53
Other	599
Ordinary expenses	**63,244**
Interest expenses	4,249
Interest on borrowings and rediscounts	3,765
Interest on bonds	483
Fees and commissions payments	55
Other fees and commissions	55
Other ordinary expenses	905
Loss on foreign exchange transactions	893
Amortization of bond issuance cost	11
General and administrative expenses	31,281
Other expenses	26,752
Provision of allowance for loan losses	21,200
Written-off of loans	3,534
Other	2,017
Ordinary profit	**16,103**
Extraordinary income	**0**
Other extraordinary income	0
Extraordinary losses	**17**
Loss on disposal of noncurrent assets	17
Net income	**16,085**

Statement of Changes in Net Assets (Year ended March 31, 2024)

(Millions of yen)

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Capital stock	Retained earnings		Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		Other retained earnings	Total retained earnings				
		Retained earnings brought forward					
Balance at the beginning of current period	3,986,313	(681,860)	(681,860)	3,304,452	—	—	3,304,452
Changes of items during the period							
Issuance of new shares	61,330			61,330			61,330
Net income (loss)		16,085	16,085	16,085			16,085
Net changes of items other than shareholders' equity					157	157	157
Total changes of items during the period	61,330	16,085	16,085	77,415	157	157	77,572
Balance at the end of current period	4,047,643	(665,774)	(665,774)	3,381,868	157	157	3,382,025

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. 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 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 ¥99,166 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: ¥666,027 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 assumption is the outlook for borrowers when determining the borrowers' categories.

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

(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 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: ¥8,495 million
The amount of claims under high risk: ¥827,357 million
The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥158,838 million

The amount of claims with interest or principal repayments more than 3 months in arrears: ¥– million
The amount of restructured claims: ¥158,838 million
Subtotal amount: ¥994,691 million
The amount of normal claims: ¥6,793,163 million
Total amount: ¥7,787,855 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, 2024 is ¥31,116 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 ¥9,399 million. Of this amount, ¥1,293 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 ¥236,700 million).

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥11,170 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, 2024 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	3,986,313,000,000	61,330,000,000	—	4,047,643,000,000

(Note) Increase is due to the issuance of 61,330,000,000 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, 2024 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥95,237 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 ¥89,451 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, 2024, 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	379,499	379,499	—
(2) Securities			
Held-to-maturity debt securities	14	14	—
Available-for-sale securities	157	157	—
(3) Loans and bills discounted	7,756,251		
Allowance for loan losses (*1)	(664,448)		
	7,091,803	7,163,766	71,963
Total assets	7,471,474	7,543,438	71,963
(1) Borrowings	3,883,718	3,838,704	(45,013)
(2) Bonds payable	236,700	236,005	(694)
Total liabilities	4,120,418	4,074,709	(45,708)
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	14	14	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	14	14	—

(*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

(*) 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)	379,495	—	—	—	—	—
Securities						
Held-to-maturity debt securities	1	13	—	—	—	—
Loans and bills discounted (*2)	1,204,342	1,917,575	1,390,200	1,168,721	1,130,530	922,346
Total	1,583,838	1,917,589	1,390,200	1,168,721	1,130,530	922,346

(*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 ¥22,534 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	744,270	1,027,719	727,626	668,254	618,091	97,758
Bonds payable	100,000	66,700	70,000	—	—	—
Total	844,270	1,094,419	797,626	668,254	618,091	97,758

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, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Others	—	157	—	157
Derivative transactions				
Currency related	—	14	—	14
Total assets	—	171	—	171

Data

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	379,499	—	379,499
Securities				
Held-to-maturity debt securities				
Corporate bonds	—	14	—	14
Loans and bills discounted	—	—	7,163,766	7,163,766
Total assets	—	379,514	7,163,766	7,543,281
Borrowings	—	3,829,596	9,107	3,838,704
Bonds payable	—	236,005	—	236,005
Total liabilities	—	4,065,601	9,107	4,074,709

(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, 2024 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	14	14	—

(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	Others	157	—	157

(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

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	39,799	million yen
Service cost	1,537	
Interest cost	39	
Actuarial difference	(4,674)	
Payment of retirement benefits	(1,038)	
Prior service cost	—	
Other	(44)	
Closing balance of projected benefit obligations	35,619	

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

Opening balance of fair value of plan assets	14,547	million yen
Expected return on plan assets	290	
Actuarial difference	911	
Financing from employer	721	
Payment of retirement benefits	(730)	
Other	(9)	
Closing balance of fair value of plan assets	15,731	

Data

(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	15,639 million yen
Fair value of plan assets	(15,731)
	(92)
Projected benefit obligations of unfunded plan	19,979
Unfunded pension obligations	19,887
Actuarial unrecognized difference	2,751
Unrecognized prior service cost	174
Net amount of liabilities and assets recorded on the balance sheet	22,813
Provision for retirement benefits	22,813
Prepaid pension cost	—
Net amount of liabilities and assets recorded on the balance sheet	22,813

(4) Net pensions cost and breakdown of included items

Service cost	1,537 million yen
Interest cost	39
Expected return on plan assets	(290)
Amount of actuarial difference accounted for as expense	677
Amortization of prior service cost accounted for as expense	(134)
Other	—
Net pensions cost related to defined benefits plan	1,829

(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	27%
Debentures	62%
General account	10%
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	1.1%
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, 2024 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, 2024
Principal shareholder	Ministry of Finance (Minister of Finance)(Notes i and ii)	96.20 (Direct)	Administration for policy based financing	Underwriting of capital increase(Note iii)	61,300	—	—
				Receipt of funds(Note iv)	81,500	Borrowings	3,883,718
				Repayment of borrowing	780,800		
				Payment of interest on borrowings	3,765	Accrued expenses	373
				Guarantee for bonds payable(Note v)	155,000	—	—

Data

(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) 3.80%

(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	¥30 million
-Agency for Natural Resources and Energy	
Receipts from the national budget	¥0 million
-Small and Medium Enterprise Agency	
Receipts from the national budget	¥13,184 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	¥0.83
Net income per share	¥0.00

13. Subsequent events

Not applicable.

Account for Securitization Support Programs (Purchase-type Operation)

Balance Sheet (as of March 31, 2024)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	2,795	Bonds payable	19,200
Due from banks	2,795	Other liabilities	590
Securities	41,377	Accrued expenses	1
Government bonds	21,153	Derivatives other than for trading-liabilities	574
Corporate bonds	20,223	Other	14
Other assets	730	Provision for bonuses	2
Prepaid expenses	0	Provision for directors' bonuses	0
Accrued income	6	Provision for retirement benefits	38
Derivatives other than for trading-assets	712	Provision for directors' retirement benefits	0
Other	11	Total liabilities	19,832
Prepaid pension cost	2	Net assets	
		Capital stock	24,476
		Retained earnings	642
		Legal retained earnings	574
		Other retained earnings	68
		Retained earnings brought forward	68
		Total shareholders' equity	25,118
		Valuation difference on available-for-sale securities	(44)
		Total valuation and translation adjustments	(44)
		Total net assets	25,073
Total assets	44,905	Total liabilities and net assets	44,905

Statement of Operations (Year ended March 31, 2024)

(Millions of yen)

Items	Amount
Ordinary income	**582**
Interest income	233
Interest and dividends on securities	233
Interest on deposits with banks	0
Other ordinary income	192
Income from derivatives other than for trading or hedging	192
Other income	156
Other	156
Ordinary expenses	**514**
Interest expenses	44
Interest on bonds	44
Fees and commissions payments	211
Other fees and commissions	211
Other ordinary expenses	0
Amortization of bond issuance cost	0
General and administrative expenses	101
Other expenses	155
Other	155
Ordinary profit	**68**
Net income	**68**

Statement of Changes in Net Assets (Year ended March 31, 2024)

(Millions of yen)

	Shareholders' equity					Valuation and translation adjustments		
		Retained earnings						
	Capital stock	Legal retained earnings	Other 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	585	(11)	574	25,050	84	84	25,134
Changes of items during the period								
Reversal of legal retained earnings		(11)	11	—	—			—
Net income (loss)			68	68	68			68
Net changes of items other than shareholders' equity						(128)	(128)	(128)
Total changes of items during the period	—	(11)	79	68	68	(128)	(128)	(60)
Balance at the end of current period	24,476	574	68	642	25,118	(44)	(44)	25,073

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. 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 ¥19,200 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, 2024, 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, 2024 will cause the fair value after netting (assets) of the financial assets and financial liabilities held in this account to increase by ¥982 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 ¥903 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, 2024, and the related fair value, and difference is as follows.

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	2,795	2,795	—
(2) Securities			
Held-to-maturity debt securities	21,153	20,347	(805)
Available-for-sale securities	20,223	20,223	—
Total assets	44,172	43,366	(805)
Bonds payable	19,200	19,097	(102)
Total debt	19,200	19,097	(102)
Derivative transactions (*)			
Derivative transactions not qualifying for hedge accounting	137	137	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	137	137	—

(*) 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 (*)	2,795	—	—	—	—	—
Securities						
Held-to-maturity debt securities	—	—	—	—	—	21,068
Available-for-sale securities	1,243	18,983	41	—	—	—
Total	4,038	18,983	41	—	—	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	—	8,300	10,900	—	—	—

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, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Corporate bonds	—	—	20,223	20,223
Derivative transactions				
Credit derivatives	—	—	712	712
Total assets	—	—	20,936	20,936
Derivative transactions				
Credit derivatives	—	—	574	574
Total liabilities	—	—	574	574

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	2,795	—	2,795
Securities				
Held-to-maturity debt securities				
Government bonds	20,347	—	—	20,347
Total assets	20,347	2,795	—	23,143
Bonds payable	—	19,097	—	19,097
Total liabilities	—	19,097	—	19,097

(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, 2024)

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%–7.69%

(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, 2024)

(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	23,200	—	(128)	(2,847)	—	—	20,223	—
Derivative transactions								
Credit derivatives (*3)	72	65	—	—	—	—	137	65

(*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, 2024 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	21,153	20,347	(805)

(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	20,223	20,268	(44)

7. Deferred tax accounting

JFC does not apply deferred tax accounting since JFC is a nontaxable entity classified in the Article 2 (5) of the Corporation Tax Act (Act No. 34 of 1965).

8. Retirement benefits

JFC has a defined benefit pension plan comprising of a corporate pension fund plan and a lump-sum severance indemnity plan and a defined contribution pension plan as its defined contribution-type plan. Although the JFC corporate pension fund plan is a multi-employer plan, related notes are listed within the following defined benefits plan notes, to enable rational calculation of the fair value of plan assets in accordance with the projected benefit obligations ratio.

Under the corporate pension fund plan (a funded plan), JFC pays pensions based on salary and years of service. Under the retirement lump-sum severance indemnity plan (an unfunded plan), JFC pays lump-sum payments based on salary and years of service, as retirement benefits.

Defined benefits plan

(1) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	54 million yen
Service cost	4
Interest cost	0
Actuarial difference	(16)
Payment of retirement benefits	—
Prior service cost	—
Other	(2)
Closing balance of projected benefit obligations	40

(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	(0)
Closing balance of fair value of plan assets	11

(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	11 million yen
Fair value of plan assets	(11)
	(0)
Projected benefit obligations of unfunded plan	29
Unfunded pension obligations	28
Actuarial unrecognized difference	7
Unrecognized prior service cost	(0)
Net amount of liabilities and assets recorded on the balance sheet	36
Provision for retirement benefits	38
Prepaid pension cost	(2)
Net amount of liabilities and assets recorded on the balance sheet	36

(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	27%
Debentures	62%
General account	10%
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	1.1%
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 income per share	¥0.00

10. Subsequent events

Not applicable.

Small and Medium Enterprise (SME) Unit

Account for Credit Insurance Programs

Balance Sheet (as of March 31, 2024)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	6,891,614	Reserve for insurance policy liabilities	1,482,971
Due from banks	6,891,614	Other liabilities	1,940
Other assets	11,306	Accrued expenses	28
Prepaid expenses	0	Lease obligations	145
Accrued income	319	Other	1,766
Other	10,987	Provision for bonuses	194
Property, plant and equipment	17,089	Provision for directors' bonuses	1
Buildings	3,007	Provision for retirement benefits	4,300
Land	13,968	Provision for directors' retirement benefits	5
Lease assets	105	Total liabilities	1,489,414
Other	8	Net assets	
Intangible assets	3,213	Capital surplus	5,284,100
Software	3,030	Legal capital surplus	5,284,100
Lease assets	21	Retained earnings	149,709
Other	161	Other retained earnings	149,709
		Retained earnings brought forward	149,709
		Total shareholders' equity	5,433,810
		Total net assets	5,433,810
Total assets	6,923,224	Total liabilities and net assets	6,923,224

Statement of Operations (Year ended March 31, 2024)

(Millions of yen)

Items	Amount
Ordinary income	**477,596**
Interest income	1,953
Interest on deposits with banks	1,953
Insurance premiums and other	475,439
Insurance premiums	165,800
Receipts of burden charges under the Responsibility-sharing System	5,334
Reversal of reserve for insurance policy liabilities	304,305
Other income	202
Other	202
Ordinary expenses	**327,886**
Expenses on insurance claims and other	318,231
Expenses on insurance claims	384,977
Recoveries of insurance claims	(66,745)
General and administrative expenses	5,266
Other expenses	4,389
Other	4,389
Ordinary profit	**149,709**
Extraordinary losses	**0**
Loss on disposal of noncurrent assets	0
Net income	**149,709**

Data

Statement of Changes in Net Assets (Year ended March 31, 2024)

(Millions of yen)

	Shareholders' equity						
	Capital surplus		Retained earnings				
	Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	Total shareholders' equity	Total net assets
Balance at the beginning of current period	5,309,054	5,309,054	(71,653)	(71,653)	5,237,400	5,237,400
Changes of items during the period						
Issuance of new shares	46,700	46,700			46,700	46,700
Reversal of legal capital surplus (Deficit disposition)	(71,653)	(71,653)	71,653	71,653	—	—
Net income (loss)			149,709	149,709	149,709	149,709
Total changes of items during the period	(24,953)	(24,953)	221,363	221,363	196,409	196,409
Balance at the end of current period	5,284,100	5,284,100	149,709	149,709	5,433,810	5,433,810

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: ¥1,482,971 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, and 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.
   (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 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 ¥3,409 million.

4. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act*1. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations*2 listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order to the extent that it reaches the certain amount, and if there is still a surplus, JFC shall pay such surplus into the National Treasury within 3 months after closing date.

In the event that the amount of the retained earnings brought forward falls below zero in each account set forth in the preceding paragraph, legal capital surplus and legal retained earnings shall be transferred to retained earnings brought forward to the extent that the amount of retained earnings brought forward becomes zero.

*1 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

*2 Including instances deemed applicable by the replacement of terms pursuant to the provisions of Article 17 of the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38, 2010).

5. Other expenses

Other expenses include refund of insurance premiums ¥4,361 million.

6. Issued shares

For the fiscal year ended March 31, 2024, 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	9,855,147,407,741	46,700,000,000	—	9,901,847,407,741

(Note) Increase is due to the issuance of 46,700,000,000 shares.

7. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

Based on the JFC Act, we are a public corporation founded for the purpose of supplementing the financing conducted by general financial institutions and contributing to the improvement of the lifestyle of citizens.

The budget required for governmental financial operations is decided on by the Diet of Japan, and business plans and financial plans (funds through borrowing from the fiscal investment funds and loans, bonds, investments from the general account, and loans, etc.) are appended to the budget and submitted to the Diet of Japan.

These operations are classified into Micro Business and Individual Operations, Agriculture, Forestry, Fisheries and Food Business Operations, SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), Securitization Support Programs (Purchase-type Operation), Credit Insurance Programs, Operations to Facilitate Crisis Responses, and Operations to Facilitate Specific Businesses Promotion, etc. Accounts are made for each classification ("operation account") for accounting treatment.

The funds procured by JFC through borrowing from the fiscal investment funds and loans, bonds and investments from the general account are managed separately by each operational account. In principle, it is assumed that funds intended for one operation account will not be used for another operation account. Accordingly, ALM (asset and liability management) is conducted for the risks associated with financial assets and liabilities for each operation account. Note that financial instruments that can be used for the management of surplus funds are limited to extremely safe instruments such as Japanese government bonds, etc., based on the JFC Act.

In this operation account, insurance is provided for the guarantees related to the liabilities on SME loans. To conduct these operations, funds are raised through capital investment from the government.

(2) Types of financial instruments and risks

The financial assets and liabilities owned by JFC are managed in separate operation accounts.

The financial assets in this operation account mainly include deposits. The associated risks are described below.

(a) Market risk

The main type of market risk associated with this operation account is interest rate risk.

However, this operation account is exposed to limited interest rate risk because funds procured through government investments are managed using highly stable instruments including the deposit for the FILP.

(b) Liquidity risk

This operation account does not accept deposits and since long-term stable funds such as investments from the Japanese government are secured to finance this operation account, liquidity risk is considered to be limited.

(3) Risk management structure for financial instruments

JFC has a Corporate Governance Committee established to properly conduct management in order to comprehensively handle risks faced, including risks associated with financial instruments, to ensure the sustained and stable realization of the financing policies of the function.

The risk management structure for these operations is described below.

(a) Market risk management

The main type of market risk associated with these operations is interest rate risk.

These operations strive to undertake appropriate risk management practices by managing funds procured from government investments through using highly stable instruments such as the deposit for the FILP.

(b) Liquidity risk management related to fund procurement

Long-term and stable financing provided by government are secured to finance this account. Efforts are made for proper risk management through the assessment of cash flows.

(4) Supplementary explanation concerning fair value of financial instruments

Set valuation inputs are used for the calculation of fair value of financial instruments, and if different valuation inputs are used, the resulting amount could vary.

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2024, and the related fair value, and difference is as follows.

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
Cash and due from banks	6,891,614	6,863,801	(27,812)

(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 (*)	1,650,914	2,740,700	2,000,000	200,000	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, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	6,863,801	—	6,863,801

(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, 2024 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	69,000	69,000	—

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	7,626	million yen
Service cost	243	
Interest cost	7	
Actuarial difference	(847)	
Payment of retirement benefits	(221)	
Prior service cost	—	
Other	34	
Closing balance of projected benefit obligations	6,842	

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

Opening balance of fair value of plan assets	3,027	million yen
Expected return on plan assets	60	
Actuarial difference	249	
Financing from employer	107	
Payment of retirement benefits	(146)	
Other	9	
Closing balance of fair value of plan assets	3,308	

(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	3,288	million yen
Fair value of plan assets	(3,308)	
	(19)	
Projected benefit obligations of unfunded plan	3,553	
Unfunded pension obligations	3,534	
Actuarial unrecognized difference	732	
Unrecognized prior service cost	34	
Net amount of liabilities and assets recorded on the balance sheet	4,300	
Provision for retirement benefits	4,300	
Prepaid pension cost	—	
Net amount of liabilities and assets recorded on the balance sheet	4,300	

(4) Net pensions cost and breakdown of included items

Service cost	243	million yen
Interest cost	7	
Expected return on plan assets	(60)	
Amount of actuarial difference accounted for as expense	82	
Amortization of prior service cost accounted for as expense	(25)	
Other	—	
Net pensions cost related to defined benefits plan	247	

(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	27%
Debentures	62%
General account	10%
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	1.1%
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, 2024 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, 2024
Principal shareholder	Ministry of Finance (Minister of Finance)	100 (Direct)	Administration for policy based financing	Underwriting of capital increase(Note i)	46,700	—	—
				Deposit of funds(Note ii)	9,094,700	Due from banks	6,730,900
				Refund of funds	9,194,800		

(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 ¥0.54

Net income per share ¥0.01

13. Subsequent events

Not applicable.

Account for Operations to Facilitate Crisis Responses

Balance Sheet (as of March 31, 2024)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	1,137,919	Borrowed money	3,195,672
Due from banks	1,137,919	Borrowings	3,195,672
Loans and bills discounted	3,275,672	Bonds payable	80,015
Loans on deeds	3,275,672	Other liabilities	10,222
Other assets	113	Accrued expenses	95
Prepaid expenses	0	Contract liability	10,092
Accrued income	113	Lease obligations	4
Other	0	Other	30
Property, plant and equipment	3	Provision for bonuses	6
Lease assets	3	Provision for directors' bonuses	0
Intangible assets	55	Provision for retirement benefits	107
Software	48	Provision for directors' retirement benefits	0
Lease assets	0	Reserve for compensation losses	28,803
Other	5	Total liabilities	3,314,828
Prepaid pension cost	10	Net assets	
		Capital stock	1,447,648
		Retained earnings	(348,703)
		Other retained earnings	(348,703)
		Retained earnings brought forward	(348,703)
		Total shareholders' equity	1,098,944
		Total net assets	1,098,944
Total assets	4,413,773	Total liabilities and net assets	4,413,773

Data

Statement of Operations (Year ended March 31, 2024)

(Millions of yen)

Items	Amount
Ordinary income	**10,883**
Interest income	3,798
Interest on loans and discounts	3,729
Interest on deposits with banks	69
Fees and commissions	3,416
Fees and commissions on compensation security contract	3,416
Receipts from the national budget	181
Receipts from general account of the national budget	181
Other income	3,485
Other	3,485
Ordinary expenses	**40,260**
Interest expenses	3,672
Interest on borrowings and rediscounts	3,728
Interest on bonds	(56)
Other ordinary expenses	22,207
Amortization of bond issuance cost	1
Interest subsidies	22,206
General and administrative expenses	202
Other expenses	14,178
Provision of reserve for compensation losses	13,191
Other	986
Ordinary loss	**29,377**
Net loss	**29,377**

Statement of Changes in Net Assets (Year ended March 31, 2024)

(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	1,446,038	(319,325)	(319,325)	1,126,712	1,126,712
Changes of items during the period					
Issuance of new shares	1,610			1,610	1,610
Net income (loss)		(29,377)	(29,377)	(29,377)	(29,377)
Total changes of items during the period	1,610	(29,377)	(29,377)	(27,767)	(27,767)
Balance at the end of current period	1,447,648	(348,703)	(348,703)	1,098,944	1,098,944

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: ¥28,803 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 status of compensation payments in the current fiscal year, 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

   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 status of compensation payments in the current fiscal year, 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, with the assumption that the status of compensation payments in the current fiscal year will continue in the future as well.

   (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: ¥3,275,766 million
Total amount: ¥3,275,766 million

Bankruptcy reorganization claims and similar claims are the claims on borrowers who are in bankruptcy due to reasons such as petition for commencement of bankruptcy proceedings, commencement of reorganization proceedings, commencement of rehabilitation proceedings, etc. and similar claims.

Claims under high risk are the claims in which it is highly unlikely that their principals are collected and their interests are received according to the contract due to the deterioration of borrowers' financial conditions and business performances even though they have not yet reached the state of bankruptcy and that do not fall under "bankruptcy reorganization claims and similar claims."

Claims with interest or principal repayments more than 3 months in arrears are claims whose principal or interest payment is more than 3 months in arrears, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," and "claims under high risk."

Restructured claims are claims whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," "claims under high risk," and "claims with interest or principal repayments more than 3 months in arrears."

Normal claims are the claims that are classified into items other than "bankruptcy reorganization claims or similar claims," "claims under high risk," "claims with interest or principal repayments more than 3 months in arrears," and "restructured claims," assuming that there are no particular problems with the borrowers' financial conditions and business performances.

Note that the above claim amounts are the gross amounts prior to the deduction of allowance for possible claim losses.

3. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for all bonds issued by JFC (which includes this operation account bonds issued to a total amount of ¥80,015 million).

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥3 million.

5. Amount of compensation security contract

(Millions of yen)

The total amount of compensation outstanding (37,386 contracts)	1,552,804
Reserve for compensation	28,803
Net amount	1,524,001

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, 2024, 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	1,446,038,000,000	1,610,000,000	—	1,447,648,000,000

(Note) Increase is due to the issuance of 1,610,000,000 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, 2024, 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	1,137,919	1,137,966	46
(2) Loans and bills discounted	3,275,672	3,191,107	(84,564)
Total assets	4,413,591	4,329,073	(84,517)
(1) Borrowings	3,195,672	3,140,187	(55,484)
(2) Bonds payable	80,015	79,979	(36)
Total liabilities	3,275,687	3,220,166	(55,520)

(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 (*)	1,137,919	—	—	—	—	—
Loans and bills discounted	586,251	999,991	616,008	478,979	331,916	262,527
Total	1,724,170	999,991	616,008	478,979	331,916	262,527

(*) 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	506,251	999,991	616,008	478,979	331,916	262,527
Bonds payable	80,000	—	—	—	—	—
Total	586,251	999,991	616,008	478,979	331,916	262,527

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, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	1,137,966	—	1,137,966
Loans and bills discounted	—	3,191,107	—	3,191,107
Total assets	—	4,329,073	—	4,329,073
Borrowings	—	3,140,187	—	3,140,187
Bonds payable	—	79,979	—	79,979
Total liabilities	—	3,220,166	—	3,220,166

(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, 2024 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	72,000	72,000	—

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	157 million yen
Service cost	8
Interest cost	0
Actuarial difference	(23)
Payment of retirement benefits	—
Prior service cost	—
Other	(0)
Closing balance of projected benefit obligations	142

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

Opening balance of fair value of plan assets	32 million yen
Expected return on plan assets	0
Actuarial difference	(3)
Financing from employer	4
Payment of retirement benefits	—
Other	(0)
Closing balance of fair value of plan assets	34

(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	33 million yen
Fair value of plan assets	(34)
	(0)
Projected benefit obligations of unfunded plan	108
Unfunded pension obligations	108
Actuarial unrecognized difference	(12)
Unrecognized prior service cost	1
Net amount of liabilities and assets recorded on the balance sheet	97
Provision for retirement benefits	107
Prepaid pension cost	(10)
Net amount of liabilities and assets recorded on the balance sheet	97

(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	8
Amortization of prior service cost accounted for as expense	(1)
Other	—
Net pensions cost related to defined benefits plan	14

(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	27%
Debentures	62%
General account	10%
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	1.1%
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 ¥3,346 million.
   (2) The total transaction price allocated to remaining performance obligations at the last day of the current fiscal year amounts to ¥10,092 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	1,863
Over one year	8,229
Total	10,092

Data

13. Related party transactions

Related party transactions in the fiscal year ended March 31, 2024 are as follows:

Transactions with parent company and major shareholder companies

(Millions of yen)

<table>
<tr><th>Classification</th><th>Corporate name</th><th>Ratio to Total Voting Rights (%)</th><th>Relation with related parties</th><th>Transactions</th><th>Amount of transactions</th><th>Items</th><th>Balance as of March 31, 2024</th></tr>
<tr><td rowspan="7">Principal shareholder</td><td rowspan="7">Ministry of Finance (Minister of Finance) (Notes i and ii)</td><td rowspan="7">90.14 (Direct)</td><td rowspan="7">Administration for policy based financing</td><td>Underwriting of capital increase (Note iii)</td><td>1,610</td><td>—</td><td>—</td></tr>
<tr><td>Receipts from general account of the national budget</td><td>68</td><td>—</td><td>—</td></tr>
<tr><td>Repayment of borrowings</td><td>533,193</td><td>Borrowings</td><td>3,195,672</td></tr>
<tr><td>Payment of interest on borrowings</td><td>3,728</td><td>Accrued expenses</td><td>94</td></tr>
<tr><td>Deposit of funds (Note iv)</td><td>2,240,000</td><td rowspan="2">Due from banks</td><td rowspan="2">960,000</td></tr>
<tr><td>Refund of funds</td><td>2,280,000</td></tr>
<tr><td>Guarantee for bonds payable (Note v)</td><td>80,015</td><td>—</td><td>—</td></tr>
</table>

(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) 9.78%

(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 ¥45 million
- Small and Medium Enterprise Agency
  Receipts from the national budget ¥68 million

(iii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.
(iv) Deposit of funds is the deposit for the FILP and the interest rates applicable under the FILP are applied.
(v) No guarantee fee has been paid for the guarantee of bonds.

14. Per share information

Net assets per share	¥0.75
Net loss per share	¥0.02

15. Subsequent events

Not applicable.

Account for Operations to Facilitate Specific Businesses Promotion, etc.

Balance Sheet (as of March 31, 2024)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	200	Borrowed money	81,094
Due from banks	200	Borrowings	81,094
Loans and bills discounted	81,094	Other liabilities	35
Loans on deeds	81,094	Accrued expenses	31
Other assets	31	Lease obligations	2
Prepaid expenses	0	Other	0
Accrued income	31	Provision for bonuses	4
Other	0	Provision for directors' bonuses	0
Property, plant and equipment	1	Provision for retirement benefits	55
Lease assets	1	Provision for directors' retirement benefits	0
Intangible assets	103	Total liabilities	81,189
Software	100	Net assets	
Lease assets	0	Capital stock	407
Other	3	Retained earnings	(160)
Prepaid pension cost	5	Other retained earnings	(160)
		Retained earnings brought forward	(160)
		Total shareholders' equity	246
		Total net assets	246
Total assets	81,436	Total liabilities and net assets	81,436

Statement of Operations (Year ended March 31, 2024)

(Millions of yen)

Items	Amount
Ordinary income	**263**
Interest income	90
Interest on loans and discounts	90
Interest on deposits with banks	0
Receipts from the national budget	173
Receipts from general account of the national budget	79
Receipts from special account of the national budget	93
Other income	0
Other	0
Ordinary expenses	**298**
Interest expenses	90
Interest on borrowings and rediscounts	90
Other ordinary expenses	93
Interest subsidies	93
General and administrative expenses	114
Ordinary loss	**35**
Net loss	**35**

Data

Statement of Changes in Net Assets (Year ended March 31, 2024)

(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	407	(124)	(124)	282	282
Changes of items during the period					
Net income (loss)		(35)	(35)	(35)	(35)
Total changes of items during the period	—	(35)	(35)	(35)	(35)
Balance at the end of current period	407	(160)	(160)	246	246

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: ¥81,125 million
Total amount: ¥81,125 million

Bankruptcy reorganization claims and similar claims are the claims on borrowers who are in bankruptcy due to reasons such as petition for commencement of bankruptcy proceedings, commencement of reorganization proceedings, commencement of rehabilitation proceedings, etc. and similar claims.

Claims under high risk are the claims in which it is highly unlikely that their principals are collected and their interests are received according to the contract due to the deterioration of borrowers' financial conditions and business performances even though they have not yet reached the state of bankruptcy and that do not fall under "bankruptcy reorganization claims and similar claims."

Claims with interest or principal repayments more than 3 months in arrears are claims whose principal or interest payment is more than 3 months in arrears, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," and "claims under high risk."

Restructured claims are claims whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "bankruptcy reorganization claims and similar claims," "claims under high risk," and "claims with interest or principal repayments more than 3 months in arrears."

Normal claims are the claims that are classified into items other than "bankruptcy reorganization claims or similar claims," "claims under high risk," "claims with interest or principal repayments more than 3 months in arrears," and "restructured claims," assuming that there are no particular problems with the borrowers' financial conditions and business performances.

Note that the above claim amounts are the gross amounts prior to the deduction of allowance for possible claim losses.

3. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for all bonds issued by JFC. No Operations to this operation account bonds have been issued.

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥2 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, 2024, 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	407,000,000	—	—	407,000,000

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 from fiscal loan funds 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 from fiscal investment and loans 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, 2024, 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	200	200	—
(2) Loans and bills discounted	81,094	80,268	(825)
Total assets	81,294	80,468	(825)
Borrowings	81,094	80,616	(477)
Total liabilities	81,094	80,616	(477)

(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 (*)	200	—	—	—	—	—
Loans and bills discounted	14,166	29,856	29,514	2,232	2,516	2,810
Total	14,366	29,856	29,514	2,232	2,516	2,810

(*) 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	14,166	29,856	29,514	2,232	2,516	2,810

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, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	200	—	200
Loans and bills discounted	—	80,268	—	80,268
Total assets	—	80,468	—	80,468
Borrowings	—	80,616	—	80,616
Total liabilities	—	80,616	—	80,616

(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.

Data

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	84 million yen
Service cost	4
Interest cost	0
Actuarial difference	(14)
Payment of retirement benefits	—
Prior service cost	—
Other	(0)
Closing balance of projected benefit obligations	75

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

Opening balance of fair value of plan assets	17 million yen
Expected return on plan assets	0
Actuarial difference	(1)
Financing from employer	2
Payment of retirement benefits	—
Other	(0)
Closing balance of fair value of plan assets	18

(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 million yen
Fair value of plan assets	(18)
	(0)
Projected benefit obligations of unfunded plan	56
Unfunded pension obligations	56
Actuarial unrecognized difference	(6)
Unrecognized prior service cost	0
Net amount of liabilities and assets recorded on the balance sheet	50
Provision for retirement benefits	55
Prepaid pension cost	(5)
Net amount of liabilities and assets recorded on the balance sheet	50

(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	4
Amortization of prior service cost accounted for as expense	(0)
Other	—
Net pensions cost related to defined benefits plan	8

(5) Items concerning fair value of plan assets

1) The percentage of each category of total fair value of plan assets is as follows.

Shares	27%
Debentures	62%
General account	10%
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	1.1%
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, 2024 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, 2024
Principal shareholder	Ministry of Finance (Minister of Finance) (Note)	100 (Direct)	Administration for policy based financing	Repayment of borrowings	14,166	Borrowings	81,094
				Payment of interest on borrowings	90	Accrued expenses	31

(Note)

Transactions with the ministries and agencies other than Ministry of Finance are as follows:

-Cabinet Office
Receipts from the national budget ¥19 million
-Ministry of Economy, Trade and Industry
Receipts from the national budget ¥146 million
-Ministry of Land, Infrastructure, Transport and Tourism
Receipts from the national budget ¥7 million

11. Per share information

Net assets per share	¥0.60
Net loss per share	¥0.08

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 of yen)

	Micro Business and Individual Unit (Account for Micro Business and Individual Operations)	Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)	Small and Medium Enterprise (SME) Unit (Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation))	Total
Risk-managed loan rate	10.57%	7.35%	12.77%	10.82%
Risk-managed loan balance	1,157,393	265,678	994,691	2,417,764
Bankrupt or its equivalent	20,664	3,537	8,495	32,697
Doubtful loans	127,351	129,250	827,357	1,083,959
Loans with interest or principal repayments more than three months in arrears	88	950	—	1,038
Restructured loans	1,009,288	131,940	158,838	1,300,067
Normal	9,787,553	3,350,698	6,793,163	19,931,415
Total loan balance	10,944,947	3,616,377	7,787,900	22,349,224

(Definitions)

- Bankrupt or its equivalent:
  Loans or loan equivalents to borrowers who have gone bankrupt for reasons such as a declaration of bankruptcy, reorganization, or revitalization proceedings.
- Doubtful loans:
  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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JAPAN FINANCE CORPORATION