Japan Finance Corporation Annual Report

2025

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#### Presentation of quantities and amounts in this Report:

 $1. \, Quantities \, and \, amounts \, less \, than \, one \, standard \, unit$ 

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

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

 $2.\,Method\,of\,presentation$ 

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

# **Overview of Japan Finance Corporation**

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## Message from the Governor & CEO

#### **Roles and Mission of Japan Finance Corporation**

Japan Finance Corporation is a policy-based financial institution that carries out financing within a scope determined by applicable laws and budgets, which are based on government policy for SMEs and micro/small businesses, agriculture, forestry, and fisheries policy, etc., with the aim to complement financing carried out by private financial institutions.

JFC's primary role is to meet the capital needs, including small sums, of those starting new businesses, those dealing with natural disasters or a change in business environment, and to serve the capital procurement needs of Japan's SMEs and micro/small businesses and those engaged in business in the fields of agriculture, forestry, or fisheries.

In order to steadily fulfill this role, JFC will continue to support businesses by encouraging each and every employee to act autonomously under the mission of "As an expert in policy-based financing, creating futures together by providing support for reassurance and challenges."

#### **Exercise of Safety Net Functions**

Amid the normalization of socioeconomic activities following the COVID-19 pandemic, many businesses continue to face a challenging operating environment due to natural disasters, price hikes, labor shortages, and the impact of U.S. policy trends.

Currently, many businesses that utilized COVID-19 related loans are in the repayment phase. In response, JFC has implemented initiatives focused on business improvement and revitalization, including support measures aimed at easing the burden of repayment on existing debt. To this end, we have cooperated extensively with each region's private financial institutions. The future outlook remains unclear, but we are stepping up collaboration with private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and others, working with all supporting organizations to prop up businesses in order to provide them with effective financial support, as well as to bolster and restructure their financial foundations.

#### **Future Measures**

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

Additionally, we will perform our risk-taking function and continue to focus our efforts on supporting business fields that need prioritized support, including business foundation, start-ups, new businesses, business revitalization, business succession, overseas expansion, sustainable growth of agriculture, forestry, and fisheries, and social business, thereby contributing to the growth and development of the local economy while supporting businesses that are willing to take on challenges.

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

JFC has actively supported business foundation, start-ups, and new businesses through pioneering efforts in the area of start-up support. Some of these companies have later been listed on the stock exchange after doing business with JFC and have become leading forces in the Japanese economy. Start-ups are positively impacting society in terms of economic growth and job creation while also becoming the solution to new social issues. We will continue collaborating with private financial institutions, venture capitals, universities, etc. to provide financial support while organizing business matching and other events to support growth.

#### (Support for business succession)

In Japan, business succession has become an urgent issue due to the aging of management personnel and other factors. To provide support for business succession in fields critical to local regions, we will enhance our information-collecting abilities and identify key needs—acting as a bridge linking local hopes to the next generation. We will also collaborate with the Chamber of Commerce and Industry, Societies of Commerce and Industry, and other relevant organizations in each region to conduct initiatives such as business matching.



#### (Support for overseas expansion)

For business operators, overseas expansion not only links the growth of the global economy to that of their companies but is also important for diversifying risks and contributing to the resilience of the business. JFC supports business operators aiming for growth through overseas expansion and market development through both financial and informational means and will continue to expand its circle of support organizations to help resolve issues faced by businesses pursuing overseas expansion.

#### (Support for sustainable growth of agriculture, forestry, and fisheries businesses)

In recent years, there has been growing emphasis on achieving both a stable food supply and the sustainable development of agriculture, forestry, and fisheries businesses while also addressing global environmental concerns.

At the same time, the business outlook remains uncertain for many operators due to persistently high feed and fertilizer prices, as well as wage increases in response to the worsening labor shortage. In response to these changes in the business environment, JFC is committed to supporting the sustainable growth of agriculture, forestry, and fisheries businesses by providing financial support and assistance in developing sales channels, including efforts such as promoting crop-livestock collaboration and the use of smart agriculture technologies.

### (Service improvement and local community support)

JFC will continue working in collaboration with relevant organizations to help resolve the challenges faced by local communities and businesses by organizing seminars and business meetings, as well as providing business matching support utilizing its nationwide network of 152 branches. In particular, to address the issue of labor shortages, JFC will also focus on gathering information and providing guidance on the actual status of business activities that utilize foreign human resources, alongside efforts to improve productivity through the promotion of DX.

Going forward, JFC will continue to provide broad-ranging support so that businesses can view environmental changes as opportunities for growth and become a source of vitality for industry in each region. We sincerely hope for your further understanding and support in the future.

July 1, 2025



# Profile (as of March 31, 2025)

Name	Japan Finance Corporation (JFC)					
Establishment	October 1, 2008					
Statutory Law	The Japan Finance Corporation Act					
Head Office	Otemachi Financial City North Tower, 1-9-4, Otemachi, Chiyoda-ku	, Tokyo, Japan				
Governor & CEO	TANAKA Kazuho					
Capital, etc.	Capital: 11,768.6 billion yen					
	Reserve fund: 5,330.7 billion yen					
<b>Branch Offices</b>	Branch offices in Japan: 152					
	Overseas representative offices: 3					
Employees	7,423 (budgetary fixed number for FY2025)					
Total of Outstanding	Total of Outstanding Loans:	24,477.9 billion yen				
Loans	Micro Business and Individual Unit:	10,426.8 billion yen				
	Agriculture, Forestry, Fisheries and Food Business Unit:	3,609.0 billion yen				
	Small and Medium Enterprise (SME) Unit (Finance Operations): 7,685.4 billion yen					
	Operations to Facilitate Crisis Responses: 2,689.4 billion yen					
	Operations to Facilitate Specific Businesses Promotion, etc.:	67.0 billion yen				
Outstanding Amounts of Insurance	Small and Medium Enterprise (SME) Unit (Credit Insurance Program	ns): 34,525.9 billion yen				

## **Main Business Activities**

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

#### **Major Business Operations of JFC**

### **Micro Business** and Individual Unit

Operations aimed at micro/small businesses and individuals

#### Scope of operations

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

## Agriculture, Forestry, Fisheries and Food Business Unit

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

#### Scope of operations

- Long-term business funds for agriculture, forestry, fisheries, and food businesses
- Support for new entry into farming, business revitalization, business succession, and overseas expansion
  - Support for the resolution of business challenges, including business matching support

## **Synergy Effect**

Supporting revitalization of local and regional economies Supporting business growth of customers

Supporting the globalization of SMEs

## **Small and Medium Enterprise (SME) Unit**

Operations aimed at SMEs

#### Scope of operations

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



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

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

## Mission

The roles and purpose of Japan Finance Corporation (JFC) are stipulated as its "mission."

As an expert in policy-based financing, creating futures together by providing support for reassurance and challenges.

As a leading provider of policy-based financing, we will continue to serve our customers, support their reassurance and challenges, and work together with relevant local institutions to create the future of Japan.

Our mission statement

#### As an Expert in Policy-based Financing

- Always maintain a sense of pride in the role as an expert in policy-based financing, conduct business with integrity, and strive to become a trusted presence in society.
- Serve our customers with an attentive attitude, gain a deep understanding of their actual situations and requests, and accurately provide policy-based financing.
- Constantly pursue self-transformation in response to changes of the times and environment, think proactively, and act swiftly.

#### Reassurance and Challenges

- Ensure customers' reassurance by providing a safety net function in the event of any crisis.
- Support customers' new initiatives, growth, and reattempts.
- Respect diverse ideas and values, and support the reassurance and challenges of each and every employee.

#### Creating a Future Together

• Demonstrate teamwork, support customers together with relevant organizations, contribute to the maintenance and development of local communities, and create the future of Japan.

# **Basic Philosophy**

The basic philosophy represents the fundamental values of JFC.

#### Focused policy-based financing

Following the national policy, provide flexible policy-based financing by utilizing a variety of financing programs and schemes to meet the needs of society, while complementing the activities of private financial institutions.

#### Mainstreaming governance

Strive to conduct highly transparent and efficient business operations based on a high level of corporate governance and hold itself accountable to the public.

Furthermore, JFC is committed to becoming a self-governing organization continuously evaluating and improving its activities.



- · · Fundamental values of JFC
- · · Roles and purpose of JFC
- · Medium- to long-term vision for realizing the mission
- · · Action plan for achieving the management policy

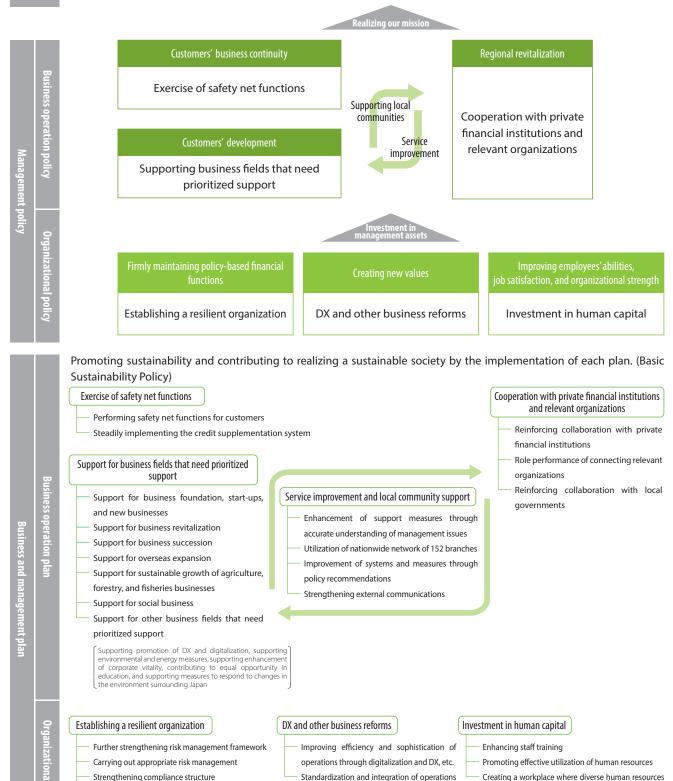
# **Management Policy, Business and Management Plan**

JFC formulates the management policy and business management plan toward realizing its mission.

Mission

As an expert in policy-based financing, creating futures together by providing support for reassurance and challenges.

As a leading provider of policy-based financing, we will continue to serve our customers, support their reassurance and challenges, and work together with relevant local institutions to create the future of Japan.



Please visit the JFC website for more information. https://www.jfc.go.jp/n/english/about/philosophy.html (Basic Philosophy, Mission, and Management Policy)

Enhancing stable system operations and implementing

comprehensive security measures



and systems

https://www.jfc.go.jp/n/english/about/business.html (Business and Management Plan)



can fulfill their potential

## **Sustainability Initiatives**

#### **Basic Sustainability Policy**

JFC has established the Basic Sustainability Policy to contribute to the realization of a sustainable society through its business operations.

#### [Basic Sustainability Policy]

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

#### Basic Concept

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

#### Identifying Materiality

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

#### Cooperation with Local Communities

Contribute to the progress of sustainability initiatives in the community as a whole by sharing the importance of sustainability initiatives with customers and

#### Foster Human Resources

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

#### Internal Environmental Improvement

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

#### Create Awareness among All Management and Staff

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

#### **Contributions to the SDGs Through JFC Initiatives**

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

#### Contributions to the SDGs Through JFC Initiatives (SDGs Mapping)



Reduction of the economic burden involved in education through support to single-parent families, etc.



- Support for sustainable growth of agriculture, forestry, and fisheries businesses
- Support to persons newly embarking on agricultural
- Support for ensuring the sustainability of the food system



Support for bolstering the medical setup Support for customers involved in health management



- Holding of the High School Student Business Plan Grand Prix Contribution to equal opportunities in education
- Transmission of research results by teaching at universities, etc.
- Strengthening of staff expertise



- Positive appointment of women managers
   Promotion of men's participation in housework, child raising,



Support for maintaining the multilateral functions of forests (cultivation of water resources)



- Support for decarbonization and other environmental and
- energy countermeasures

  Two-step loans for specified projects based on the Low-Carbon Investment Promotion Act
  Two-step loans for business adaptation (decarbonization)
  based on the Industrial Competitiveness Enhancement Act

Two-step loans relating to business reorganization, business adaptation, etc. based on the Industrial Competitiveness Enhancement Act
Two-step loans relating to the development, supply, and introduction of

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



- Exercise of safety net function
- Definite implementation of operations to facilitate crisis
- Steady implementation of credit supplementation
- Support for business foundation, start-ups and new businesses Business revitalization support
- Business succession support
- Social business support
   Overseas expansion support

- Promotion of digitalization and DX
   Further promotion of flexible workstyles, such as telecommuting
- Practice of work-life management
- (matching, holding of business meetings and seminars, etc.)
  Appropriate display of risk-taking function

Provision of useful services tailored to customer and local needs

- Strengthening of consulting function
   Display of thinktank function
   Promotion of proposal activities for SME policy and agriculture, forestry, and fisheries policy



Promotion of active roles for senior employees



Promotion of diversity Steady implementation of the employment of disabled persons

advanced information and communications system



#### Contribution to local and regional revitalization

#### Implementation of initiatives in

Strengthening of crisis management preparations Supporting the development of a sustainable fisheries industry into a growth business Strengthening of business continuity plan Understanding the risks of climate change



Support for the sustained and sound development of the forestry industry



- Strengthening and embedding of compliance awareness Strengthening of arrangements to exclude antisocial forces Establishment of evaluation and examination committee comprising external learned persons



- Cooperation with private financial institutions, etc. through
- cofinancing and securitization

  Cooperation with local governments through active participation in regional comprehensive strategies and the comprehensiv strategy for the Vision for a Digital Garden City Nation, etc.
- Conneration with related hodies, such as Chambers of Commerce and Industry, Societies of Commerce and Industry, etc.



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

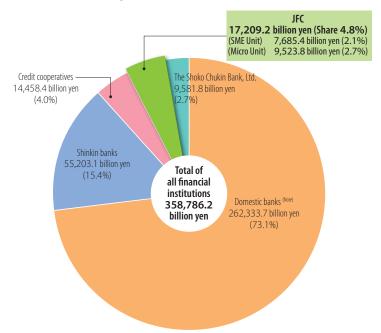
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# **Financing Structure of JFC**

JFC's share of the balance of financing to SMEs (Micro Unit and SME Unit) is 4.8%.

#### Share of balance of financing to SMEs (as of March 31, 2025)



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

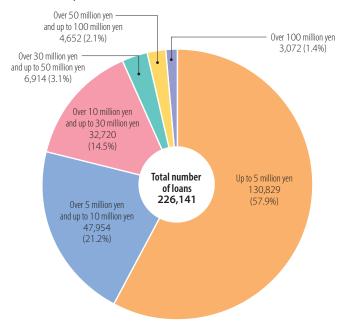
Sources: Bank of Japan, "Loans by Borrower," "Cash, Deposits, and Loans"; Shinkumi Bank, "Main Accounts of

Nationwide Credit Unions"; Japan Finance Corporation, "Business Statistics"; Shoko Chukin Bank, "Business Statistics"

The composition of JFC's financing by loan amount in FY2024 was as follows. Of the total of approximately 230,000 business loans, 58% had loan amounts up to 5 million yen, and 94% were for 30 million yen or less.

JFC also provides educational loans to the public (approximately 70,000 loans annually).

#### Financial results by loan amount in FY2024 (Note)



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

# **Exercise of Safety Net Functions**



#### **Responses to the Spread of COVID-19**

#### (1) COVID-19 related loan

The cumulative total of COVID-19 related loans from January 29, 2020, the day when the consultation desks were established, to March 31, 2025, amounted to **1,319,977 loans** for a total of **21,684.4 billion yen**.

#### (2) Change in number of borrowers

Until the outbreak of the COVID-19 pandemic, the number of JFC customers was trending downward, but as a result of responding to the unprecedented large number of inquiries concerning loans in response to COVID-19, the numbers of borrowers as of the end of FY2024 increased by approximately 280,000 in the Micro Unit, approximately 5,000 in the AFFF Unit, and approximately 13,000 in the SME Unit compared to the end of FY2019.

#### Change in number of borrowers



#### (3) COVID-19 Hybrid Subordinated Loan Program

In August 2020, we began handling COVID-19 Hybrid Subordinated Loan Program, which provides funds for reinforcing financial foundations, for companies that plan to develop and maintain business with support from relevant organizations, under an economic environment that was greatly affected by the COVID-19 pandemic. As of March 31, 2025, a total of 1,274.5 billion yen in financial to 11,885 businesses has been provided.

#### **COVID-19 Hybrid Subordinated Loans** (cumulative total)



#### Response to the 2024 Noto Peninsula Earthquake

On January 4, 2024, we set up a "special consultation desk for damage suffered as a result of the 2024 Noto Peninsula Earthquake" to promptly and meticulously respond to consultations on loans and repayments from SMEs, micro/small businesses, agriculture, forestry, and fisheries businesses, etc. affected by the disaster. Furthermore, we support those affected by the earthquake by offering "Special Loans for the 2024 Noto Peninsula Earthquake" for SMEs and micro/small businesses and "Special Provisions for Reduction of Interest Burden" for agriculture, forestry, and fisheries businesses, etc.

#### Loans related to the 2024 Noto Peninsula Earthquake

FY2024					
Number of loans Amount					
1,071	13.4 billion yen				

## Safety Net related Loans (Note)

In FY2024, financing related to Safety Net Loans to those facing obstacles due to international financial instability and economic contraction, and those impacted by the Great East Japan Earthquake, the 2024 Noto Peninsula Earthquake, typhoon, and other disasters came to 45,815 loans for 853.5 billion yen.

Note: The loans related to Safety Net Loans include COVID-19 Special Loan Program, Disaster Recovery Loans, Great East Japan Earthquake Recovery Special Loan, funds for changes in operating environments, funds for changes in financial environment, and funds for Safety Net Loans to agricultural, forestry, and fisheries businesses, etc.

# **Supporting Business Fields That Need Prioritized Support**



#### (1) Support for business foundation, start-ups and new businesses (i) Loans to start-ups

In FY2024, loans to start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) came to: 28,032 businesses (106% compared to the previous fiscal year), 150.3 billion yen (116% compared to the previous fiscal year).

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

	FY2022	FY2023	FY2024	Compared to the previous fiscal year
Women	6,367 businesses	6,631 businesses	7,208 businesses	109%
Youth (aged under 35)	7,368 businesses	7,368 businesses	7,742 businesses	105%
Seniors (aged 55 and older)	2,386 businesses	2,521 businesses	2,846 businesses	113%

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

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

In FY2024, Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses (Note 3) came to: 1,002 businesses (110% compared to the previous fiscal year), 64.0 billion yen (121% compared to the previous fiscal year).

Notes: 1. A special loan program that provides support to venture SMEs working to develop new businesses with high growth potential.

- 2. A special loan program that provides support to start-ups expected to lead Japan's economic growth and the resolution of social issues.
- 3. Loan performance includes Hybrid Subordinated Loan Program.

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



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



#### (iii) Stock Acquisition Rights Loans

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

In FY2024, loans came to: 75 businesses (100% compared to the previous fiscal year), 14.3 billion yen (108% compared to the previous fiscal year).

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

In FY2024, Capital Subordinated Loans (new businesses-type) came to: 63 businesses (147% compared to the previous fiscal year), 12.9 billion yen (205% compared to the previous fiscal year).

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

	FY2022	FY2023	FY2024	Compared to the previous fiscal year
Number of businesses	69	75	75	100%
Amount	7.5 billion yen	13.3 billion yen	14.3 billion yen	108%

#### Results of Capital Subordinated Loans (new businesses-type)

	FY2022	FY2023	FY2024	Compared to the previous fiscal year
Number of businesses	23	43	63	147%
Amount	2.1 billion yen	6.3 billion yen	12.9 billion yen	205%

#### (v) Cooperation with regional start-up support institutions

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

#### (vi) Holding of the High School Student Business Plan Grand Prix

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

For the 12th High School Student Business Plan Grand Prix, a total of 5,151 entries from 536 schools were received. Business startup support centers nationwide took the lead in providing on-site classes to 478 schools, offering support for business plan creation to approximately 36,000 students.

At the final screening, held in January 2025, 10 groups of finalists gave enthusiastic presentations. The Grand Prix was awarded to Miyagi Prefecture Agriculture High School's "Team Onkochishin" for their plan titled "Re: Onkochishin," which drew the attention of various media. In addition, Prime Minister Ishiba sent a video message in response to the presentations.

Amid growing interest in entrepreneurship education, the Department of Behavior Informatics, Faculty of Informatics, Shizuoka University will, for the first time among all national universities, designate the Grand Prix as part of the admissions materials for the first round of the comprehensive selection process starting from FY2027 and beyond.







Team Onkochishin at Miyagi Prefecture Agriculture High Presentation at the final screening School, which received the 12th Grand Prix award

Video message by Prime Minister Ishiba

#### The 13th High School Student Business Plan Grand Prix

Application period: August 20 to September 24, 2025

Announcement of ten finalist groups: Late November 2025

Final competition and award ceremony: January 11, 2026

Please visit the JFC website for more information. Also, the High School Student Business Plan Grand Prix Facebook page and Instagram page are frequently updated with the latest information.



High School Student Business Plan Grand Prix website (https://www.jfc.go.jp/n/grandprix/index.html) (Available only in Japanese)



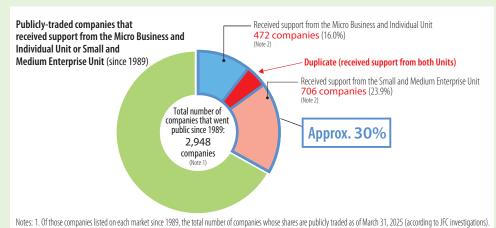
High School Student Business Plan Grand Prix Facebook (https://www.facebook.com/grandprix.jfc/) (Available only in Japanese)



High School Student Business Plan Grand Prix Instagram (https://instagram.com/grandprix\_kouko/) (Available only in Japanese)

## Record of JFC transactions with publicly-traded companies

Of those companies listed since 1989, the total numbers of companies that went public after receiving support from the Micro Business and Individual Unit or the Small and Medium Enterprise Unit were 472 companies and 706 companies, respectively, with 1,024 companies receiving support from both (excluding duplication), accounting for approximately 30% of the total.



2. Of those companies indicated in Note 1, companies confirmed to have received support from Micro Business and Individual Unit or Small and Medium Enterprise Unit.

#### (2) Support for business revitalization

Results of financing relating to business revitalization in FY2024 came to 1,183 businesses (191% compared to the previous fiscal year) and 87.2 billion yen (184% compared to the previous fiscal year) for Corporate Revitalization Loans, whereas Capital Subordinated Loans (revitalization-type) came to 89 businesses (178% compared to the previous fiscal year) and 8.2 billion yen (195% compared to the previous fiscal year). In addition, financing support relating to revitalization was provided to 288 businesses (143% compared to the previous fiscal year).

#### Results of loans related to support for revitalization

			FY2022	FY2023	FY2024	Compared to the previous fiscal year
Composto Dovitalization Loons		Number of businesses	450	619	1,183	191%
	Corporate Revitalization Loans	Amount	40.1 billion yen	47.5 billion yen	87.2 billion yen	184%
	Capital Subordinated Loan	Number of businesses	21	50	89	178%
	(revitalization-type)	Amount	2.8 billion yen	4.2 billion yen	8.2 billion yen	195%

#### Results of financial support relating to revitalization

		FY2022	FY2023	FY2024	Compared to the previous fiscal year
Methods of financing for comprehensive revitalization such as DDS and DES (Note)	fbusinesses	136	202	288	143%

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

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

#### (3) Support for business succession

The Business succession-related loans in FY2024 came to 3,488 loans (125% compared to the previous fiscal year) and 133.2 billion yen (146% compared to the previous fiscal year).

As the managers of SMEs and micro/small businesses age, JFC is responding to diverse demands for funds relating to business succession so that valuable management assets including the technologies and know-how that businesses have accumulated can be effectively transferred.

#### **Business succession-related loans**

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Number of loans	176	707	1,492	2,467	5,593	9,047	1,442	2,380	2,610	2,790	3,488
Amount	11.9 billion yen	18.6 billion yen	29.6 billion yen	42.4 billion yen	88.2 billion yen	150.3 billion yen	47.8 billion yen	76.6 billion yen	84.2 billion yen	91.3 billion yen	133.2 billion yen

Notes: 1. JFC is expanding financing subjects in order to respond to broader demand for funds such as providing funds for business succession preparations from April 2017 and environmental health-related businesses from FY2020.

- 2. The figure above includes results from the New Business Activity Promotion Funds (business succession-related\*) established in February 2015. \*Integrated into Business Success, Consolidation, and Revitalization Funds in 2017, etc.
- 3. Loans used for funding necessary for business succession other than Business Success, Consolidation, and Revitalization Funds, etc. (certified loans) have been added to the total since FY2018.

#### **Examples of Measures to Raise Manager Awareness**

#### Gift vol. 4, a collection of "Tsugu-sta" business succession cases



This booklet introduces the process of business succession of four entrepreneurs who achieved "Tsugu-sta" (Note) by utilizing JFC's business succession matching support, as well as the thoughts of both the successors and predecessors, and key points that led to the successful matches. (Issued in March 2025)

Note: A form of launching a business by succeeding an existing one.

#### **Business Succession Diagnosis Sheet**



A booklet designed not only to help customers perform a self-diagnosis regarding business succession, but also to encourage them to consider the succession readiness of their suppliers, such as the customers' vendors and subcontractors, and to facilitate the sharing of the issues and direction of their own succession with JFC staffs. (Revised in March 2024)

#### Agrifood Support



A booklet introducing business succession methods, challenges experienced during succession, and the support provided by JFC, together with case studies organized by type of succession, such as intra-family succession and third-party succession. (Issued in July 2024)

#### **Business Succession Matching Support**

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

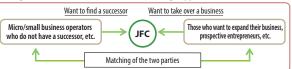
As of FY2024, the program has received 17,465 applications with 2,058 successful matches made, of which 331 contracts have been concluded.

In addition, to further promote the matching of companies lacking successors, "business succession matching events" were held online at 32 locations nationwide by FY2024, where companies publicly solicited successors with their names openly disclosed. At these events, a total of 124 companies wishing to transfer their businesses have showcased their businesses to a total of 4,196 participants (those interested in business transfers and those who support business succession) and publicly solicited successors.

In FY2025, these events will be held at 14 locations and are scheduled to be held in all prefectures within JFC's service area by the end of FY2025.

For more information regarding business succession matching support, please visit the JFC website. (Available only in Japanese)

#### Diagram of the business succession matching support



#### Business succession matching support results

Actual results	Transferrer	Transferee					
Number of registered applications	5,462	12,003 (2,875)					
Number of successful matches	2,058						
Number of contracts concluded	331						

Note: The results of business succession matching support are the cumulative results from April 2019 to March 2025. The figure shown in parentheses next to the number of registered applications is the number of registered applications from those who wish to start their own businesses.

#### • A scene from one of the business succession matching events



Introducing the business from the trans ferrer (Yamagata Prefecture)

#### **Example of Successful Business Succession Matching Support**

The transferrer is a sewing business with over 50 years of history, primarily manufacturing bags and small accessories. Based on the guidance from a JFC branch staff, the company registered with JFC's business succession matching support program and took the stage at the business succession matching event held in Tochigi Prefecture in September 2023.

The transferee established a correspondence high school in 2019 that provides education tailored to students with developmental disabilities. Recognizing the potential for creating employment opportunities for students with good manual skills, the transferee expressed interest in negotiating with the transferrer.

Following top-level meetings and negotiations, and with support from the Tochigi Prefecture Business Succession and Transfer Support Center in preparing the business transfer agreement, the succession was realized.



Scene from the signing ceremony for the transfer agreement

#### (4) Support for Overseas Expansion

#### (i) The Overseas Expansion Related Loans

In FY2024, the Overseas Expansion Related Loans were provided to **4,857** businesses (99% compared to the previous fiscal year), totaling 120.8 billion yen (104% compared to the previous fiscal year); of which cross-border loans (Note) were provided to **97** businesses in FY2024, in the amount of **6.7** billion yen. The totals since the program was launched in January 2021 (through March 31, 2025), stood at **395** businesses and **27.7** billion yen.

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



Note: Total number of loans provided to recipients of Loans for Overseas Investment and Expansion (including cross-border loans) and those who met the eligibility requirements for such loans, and the number of uses of the Standby Letter of Credit Program.

#### Breakdown of business target countries and regions utilizing the Overseas Expansion Related Loans

		FY20	022	FY20	023			
		Number of businesses	Ratio	Number of businesses	Ratio	Number of businesses	Ratio	Compared to the previous fiscal year
Ch	ina (including Hong Kong)	1,392	33%	1,502	31%	1,452	30%	97%
AS	SEAN	869	21%	1,063	22%	1,043	21%	98%
	Viet Nam	235	6%	266	5%	262	5%	98%
	Thailand	239	6%	287	6%	285	6%	99%
	Philippines	106	3%	113	2%	135	3%	119%
	Malaysia	80	2%	77	2%	87	2%	113%
	Other ASEAN countries	209	5%	320	7%	274	6%	86%
01	thers	1,931	46%	2,332	48%	2,362	49%	101%
To	tal	4,192	100%	4,897	100%	4,857	100%	99%

Among the Overseas Expansion Related Loans, in FY2024, the Standby Letter of Credit Program (Note) was utilized by **66 businesses**, with letters of credit issued to the affiliated financial institutions in Thailand, China, Republic of Korea, Indonesia, Taiwan, Malaysia, and Mexico. The cumulative usage (until March 31, 2025) of this program since its start in FY2012 has reached **1,026 businesses**.

As of March 31, 2025, the number of affiliated financial institutions expanded to 16 institutions.

In order to allow more SMEs to make use of this program, JFC established a scheme to partner regional financial institutions throughout Japan.

As of March 31, 2025, we have business partnerships with 61 regional financial institutions in Japan, and since the start of the program, letters of credit have been issued to a total of **65 businesses (3 businesses in FY2024)** through this partnership scheme.

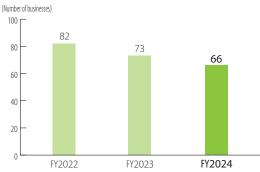
Note: The Standby Letter of Credit Program supports overseas subsidiaries that work with their domestic parent companies (SMEs and others) to improve management capabilities, implement management innovations, and revitalize local economies, can smoothly procure the long-term local currency denominated funds from JFC's affiliated financial institutions by using JFC's standby letter of credit as a guarantee.

#### (ii) Performance of Trial Export Support Project

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

In partnership with trading companies, the Trial Export Support Project has coordinated to provide support to small businesses, agriculture, forestry, fisheries, and food businesses showing an eagerness to export their products. This has resulted in support for **96 cases** of trial exports in FY2024.

#### Standby Letter of Credit Program



	FY2022	FY2023	FY2024
Number of supported cases		95	96

#### (5) Support for sustainable growth of agriculture, forestry, and fisheries businesses

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

Performance of Agricultural Management Framework Reinforcement Loan (name: Super L Loan) in FY2024, came to: 4,677 businesses (90% compared to the previous fiscal year), 236.5 billion yen (99% compared to the previous fiscal year).



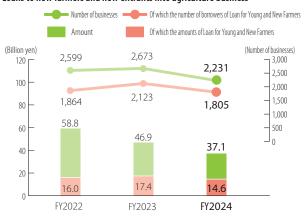
#### (ii) Supporting new entrants into agriculture business and new farmers

In FY2024, performance of loans to new entrants into agriculture business and new farmers came to: 2,231 businesses (83% compared to the previous fiscal year), and 37.1 billion yen (79% compared to the previous fiscal year).

Performance of Loan for Young and New Farmers (Note) which was launched in FY2014 came to: 1,805 businesses (85% compared to the previous fiscal year), 14.6 billion yen (84% compared to the previous fiscal year).

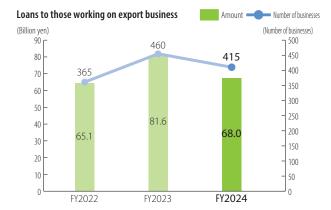
Note: Loans to support new farmers who are about to start their businesses and are certified by municipalities under the Young and New Farmers Plan.

#### Loans to new farmers and new entrants into agriculture business



#### (iii) Supporting initiatives to export

In FY2024, loan performances to those who work on management improvement through exports came to: 415 businesses (90% compared to the previous fiscal year), 68.0 billion yen (83% compared to the previous fiscal year).

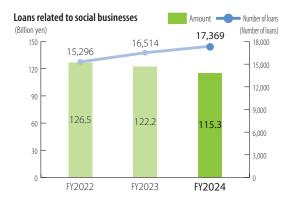


#### (6) Support for Social Business (Note)

#### (i) Loans related to social businesses

In FY2024, loans related to social businesses came to: 17,369 loans (105% compared to the previous fiscal year), 115.3 billion yen (94% compared to the previous fiscal year).

Note: Businesses that tackle regional and social issues, such as supporting the care and welfare of the elderly and disabled, child rearing, regional revitalization, and environmental conservation, etc.



#### (ii) Information dissemination through the "Social Business Johokyoku" website

The interviews with people involved in social business and case studies of support for solving regional and social issues are introduced.





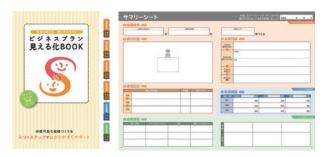
#### (iii) Supporting business plan formulation for social business

To assist those engaged in social business with formulating their business plans, JFC has published a workbook and explanatory video on its website.





#### **Business Plan Visualization Book**



This workbook explains the business planning process in six steps (organizational mission, understanding of current conditions, implementation hypotheses, results targets, financial foundations, and organizational foundations).

#### **Explanatory Video on Business Plan Formulation**



Based on the content of the Business Plan Visualization Book, this animated video allows users to learn important points of business plan formulation in an easy-to-understand manner.

# **Cooperation with Private Financial Institutions and Relevant Organizations**

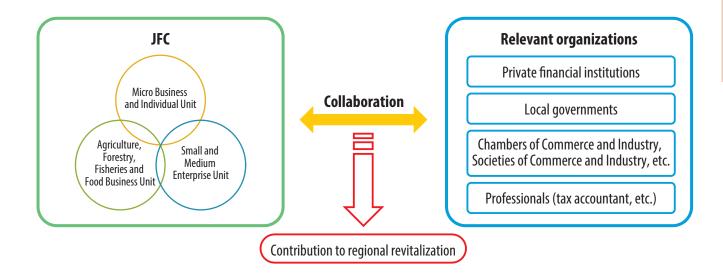






In cooperation with private financial institutions and relevant organizations, JFC provides its customers with a diverse range of services. In addition to active participation in various initiatives implemented by local governments for regional revitalization, JFC strives to revitalize local communities by promoting initiatives to resolve issues that local communities and customers face.

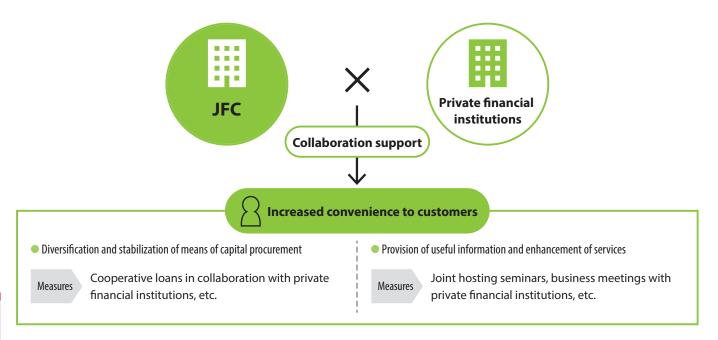
- Deeply reinforced collaborations with private financial institutions
- JFC supports SMEs, micro/small businesses and agriculture, forestry and fisheries businesses, and other businesses based on the premise of complementing the activities of private financial institutions. We strive to increase convenience to customers in collaboration with private financial institutions by providing various services that combine their respective strengths and expertise.
- Role performance of (2) connecting relevant organizations
- JFC promotes initiatives to resolve challenges which the region and customers are facing in cooperation with relevant local organizations.
- Reinforcement of collaboration with (3) local governments
- Through active involvement in various initiatives implemented by local governments for regional revitalization and dialogue with local government leaders, JFC works to strengthen collaboration with local governments.



#### **Deeply Reinforced Collaborations with Private Financial Institutions**

#### (1) Collaborations with private financial institutions

JFC supports SMEs, micro/small businesses and agricultural, forestry and fisheries businesses, and other businesses based on the premise of complementing the activities of private financial institutions. We strive to increase convenience to customers in collaboration with private financial institutions by providing various services that combine their respective strengths and expertise.



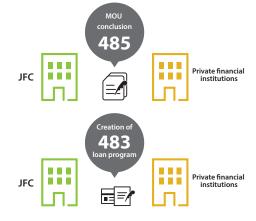
#### (2) MOU conclusion status on business partnerships and collaboration

JFC has been promoting business partnerships with many private financial institutions. As of March 31, 2025, MOUs on business cooperation and collaboration have been concluded with 485 financial institutions.

#### (3) Creation of cooperative loan programs

Since FY2014, JFC has been focusing on establishing loan schemes (Note) in cooperation with private financial institutions to enhance partnership effectiveness and the number of private financial institutions which established the cooperative loan schemes reached 434 financial institutions as of March 31, 2025. For some of the cooperative loan schemes, private financial institutions and the JFC collaborate to establish cooperative loan programs to support businesses. As of March 31, 2025, 483 programs were created in collaboration with 305 financial institutions.

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



#### (4) Total of cooperative loans (Note)

In FY2024, total cooperative loans from private financial institutions came to: 27,414 loans, 1,162.1 billion yen.

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

#### Cooperative loan results

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of loans	24,467	25,259	29,894	32,594	27,414
Amount	1,684.7 billion yen	1,252.7 billion yen	1,264.5 billion yen	1,240.6 billion yen	1,162.1 billion yen

#### **Role Performance of Connecting Relevant Organizations**

- In perspective to enhance the consulting functions for customers, JFC collaborates with relevant local organizations to proactively organize seminars or study sessions in various regions.
- As a role of policy-based financial institution, JFC performs to connect relevant local organizations and contribute to solving challenges customers and regions are facing. To this end, in FY2024, under the theme of "Business Succession: Passing Regional Assets to the Next Generation," we organized the Regional Economic Revitalization Symposium in Tokyo, Shimane, and Iwate, collaborating with local financial institutions, support organizations, and local companies.

◆ Date: September 17, 2024 Location: lino Hall (Chiyoda-ku, Tokyo) Tokyo Number of participants: Venue: 108 Live-streaming: 215 Date: October 30, 2024 Location: Matsue Terrsa (Matsue City) Shimane Number of participants: Venue: 162 Live-streaming: 138 Date: November 26, 2024 Location: Art Hotel Morioka (Morioka City) **l**wate Number of participants: Venue: 120 Live-streaming: 94





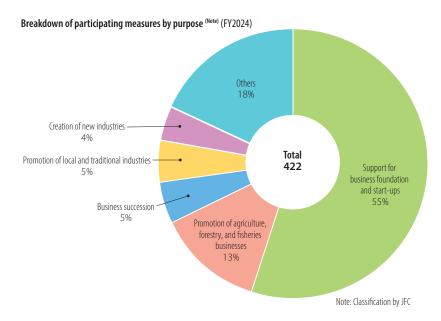
A scene of the Shimane venue



A scene of the Iwate venue

#### **Reinforcement of Collaboration with Local Governments**

- Taking consideration of local circumstances and needs, JFC is attentively responding to regional challenges at our 152 branches nationwide.
- In FY2024, JFC participated in various fields of 422 individual measures, among which set forth in Regional Comprehensive Strategies, etc., such as support for business start-ups and the promotion of agriculture, forestry, and fisheries businesses. Furthermore, by understanding the challenges the region is facing through dialogue with local government leaders, we further strengthened our partnerships through promoting initiatives to resolution.



# **Service Improvement and Local Community Support**



#### **Support Utilizing Nationwide Network of 152 Branches**

To contribute to the expansion of customers' business opportunities and the revitalization of local regions, JFC is engaged in hands-on business matching support and the organization of business discussion meetings and seminars by using its nationwide network of 152 branches.

- In FY2024, in addition to nationwide-scale business meetings such as the "Nationwide Online Business Discussion Meetings" and "Agri-Food EXPO," our regional branches also organized online matching to connect customers in remote areas as well as business meetings and seminars that take advantage of regional characteristics. Furthermore, by organizing business matching and meetings for customers in areas affected by the 2024 Noto Peninsula Earthquake, JFC supported supply chain reconstruction and market expansion.
- JFC also offers a platform called Internet Business Matching site, which connects the needs of customers such as search into new buyers or suppliers.

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



#### The 5th Nationwide Online Business Discussion Meetings

- To contribute to the expansion of customers' business opportunities, JFC organized online business discussion meetings. (February 3-7,
- This time, a record-high total of 866 business discussions were held, supporting participating companies to develop new sales channels. In addition, JFC invited supporting organizations to holding consultation sessions regarding foreign personnel employment, contributing to the solving business challenges and achieving high satisfaction among the participants.



#### Provision of Information through the PR Magazine "Connect JFC"

JFC is engaged in the provision of information through the PR magazine "Connect JFC," which aims to make the function, roles, and initiatives of JFC better known and connect policy with those involved in business. In "Connect JFC," we introduce case examples of innovative efforts by businesses based on special themes, as well as initiatives by related organizations that contribute to regional revitalization.

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





# **Overview of Operations in FY2024 and Outline of Financial Statements**

#### **Overview of Operations in FY2024**

Our country's economy is recovering at a moderate pace, although it remains pausing in part. Concerning short-term prospects, the economy is expected to continue recovering at a moderate pace with the improving employment and income situation, supported by the effects of the policies. However, the effect of continued price increases on private consumption through a downturn in consumer sentiment and the impact of policy trends in the U.S. such as trade policy are downside risks to Japanese economy. Also, full attention should be given to the effects of fluctuations in the financial and capital markets.

Under these circumstances, under the mission "As an expert in policy-based financing, creating futures together by providing support for reassurance and challenges," JFC engaged in initiatives such as exercising safety net functions, supporting business fields that need prioritized support, strengthening cooperation with private financial institutions and relevant organizations, and promoting service improvement and local community support.

#### **Exercising Safety Net Functions**

JFC provided support to customers affected by changes in the business environment due to natural disasters, pandemics, and economic conditions, as well as to those working on business improvement.

As a part of these efforts, JFC established new special consultation desks to provide prompt and detailed responses to financing and repayment inquiries to SMEs, micro/small businesses, agriculture, forestry, and fisheries businesses, etc., affected by the heavy rain disaster from July 9, 2024; the heavy rain from July 25, 2024; the disaster associated with Typhoon No. 10 of 2024; the heavy rain caused by a low-pressure system and a stationary front; the heavy rain from November 8, 2024; the heavy snowfall from December 28, 2024; the heavy snowfall from February 4, 2025; the road collapse caused by damage to regional sewer pipes; the heavy snowfall from February 17, 2025, mainly along the Sea of Japan coast; the large-scale fire in Ofunato City, Iwate Prefecture in 2025; and the forest fire that occurred on March 23, 2025.

We also continued to respond promptly and meticulously to consultations regarding financing and repayment from SMEs, micro/small businesses, and agriculture, forestry, and fisheries businesses, and others affected by the 2024 Noto Peninsula Earthquake. In addition to supporting customers in Ishikawa Prefecture, where the earthquake had a significant impact, JFC also worked on developing their sales channels by publishing the Ishikawa Prefecture Support Catalog multiple times.

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

### **Supporting Business Fields That Need Priori**tized Support

Based on the government's policies, JFC appropriately exercised its risk-taking function and engaged in supporting business foundation, start-ups, new businesses, business revitalization, business succession, overseas expansion, sustainable growth of agriculture, forestry, and fisheries businesses, and social business in hopes of contributing to the development and growth of the

Japanese economy.

As a part of these efforts, pertaining to business foundation, start-ups, and new businesses, JFC provided support for core business such as business matching events as well as financial support in cooperation with private financial institutions, venture capitals, and universities; for business succession, through collaboration with relevant organizations in each region, consulting services including business succession matching; for overseas expansion, we worked with relevant organizations to provide problem-solving support and financial support, as well as to gather and share information on the actual status of business activities utilizing foreign human resources; and for the sustainable growth of agriculture, forestry, and fisheries businesses, we supported initiatives such as the export of agriculture, forestry, fisheries, and food products, and crop-livestock collaboration.

#### Cooperation with Private Financial Institutions and Relevant Organizations

Based on the premise of playing a complementary role with private financial institutions as specified in Article 1 of the Japan Finance Corporation Law (Act No. 57 of 2007), JFC promoted partnerships with many private financial institutions.

In the current fiscal year, JFC maintained its existing actions in collaboration with private financial institutions, including the continued promotion of co-financing in business fields that need prioritized support and the organization of study sessions. At the same time, based on regional challenges and needs, JFC advanced new initiatives by working as an unified organization across Head Office and branches to propose and promote concrete collaboration in areas such as business foundation and start-ups, overseas expansion, agriculture, and business succession.

Furthermore, JFC not only collaborates with relevant local organizations to proactively organize seminars or study sessions in various regions, but as a role of policy-based financial institution, we also perform to connect relevant local organizations and contribute to solving challenges customers and regions are facing. To this end, we organized the Regional Economic Revitalization Symposium in Tokyo, Shimane, and Iwate.

#### Service Improvement and Local Community Support

JFC strived to provide useful information consistent with customer and local needs and enhance consultation capability, fully understanding its role in policy-based financing and appropriately operating systems.

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

As a result, JFC's loan results for FY2024 were 2,916.8 billion yen. JFC's financial results during FY2024 were as follows: ordinary income was 629.0 billion yen and net loss including extraordinary incomes and losses was 200.8 billion yen.

#### **Outline of Financial Statements for FY2024**

#### (1) Profit and loss

At the closing of FY2024 (ended March 31, 2025), JFC recorded an increase of 118.5 billion yen under the previous fiscal year, for a net loss of 200.8 billion yen.

The key factor for the increase was a decrease of net income by 198.9 billion yen under the previous term in the Account for Credit Insurance Programs.

**Profit and Loss Statement** (Billion yen)

		Ordinary income		Ordinary expenses		Ordinary profit (loss)		Net income (loss)	
		2024	2025	2024	2025	2024	2025	2024	2025
Japan Finance Co	rporation	749.3	629.0	831.6	829.7	(82.2)	(200.7)	(82.3)	(200.8)
Micro Business and Individual Unit (Account for Micro Business and Individual Operations)			143.3	349.0	303.3	(216.8)	(160.0)	(216.9)	(160.1)
Agriculture, Forestry,	Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)			50.7	49.5	(1.8)	3.1	(1.8)	3.1
	Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)		90.4	63.2	61.3	16.1	29.0	16.0	29.0
Small and Medium Enterprise (SME) Unit	Account for Securitization Support Programs (Purchase-type Operation)	0.5	0.5	0.5	0.4	0.0	0.0	0.0	0.0
., ., .,	Account for Credit Insurance Programs		331.2	327.8	380.5	149.7	(49.2)	149.7	(49.2)
Operations to Facilitate Crisis Responses (Account for Operations to Facilitate Crisis Responses)		10.8	10.9	40.2	34.6	(29.3)	(23.7)	(29.3)	(23.7)
Operations to Facilitate Specific Businesses Promotion, etc. (Account for Operations to Facilitate Specific Businesses Promotion, etc.)			0.3	0.2	0.3	(0.0)	(0.0)	(0.0)	(0.0)

#### (2) Assets

Total assets were 31,285.7 billion yen, the majority of which were loans and bills discounted.

Loans and bills discounted decreased 1,753.2 billion yen from March 31, 2024, to 23,907.8 billion yen.

Total net assets stood at 15,168.8 billion yen, taking into account an increase from having received capital contributions from the government of 46.7 billion yen, against a net loss of 200.8 billion yen, etc.

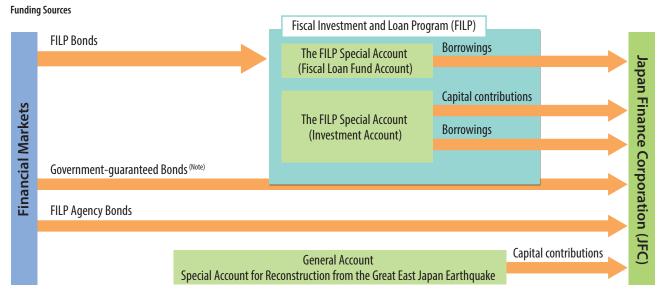
**Balance Sheet** (Billion yen)

Ass	sets		Liabilities and net assets			
Items	Am	ount	Items	Amount		
	2024 2025			2024	2025	
Cash and due from banks	8,641.9	7,925.2	Borrowed money	15,783.5	14,024.4	
Securities	45.5	244.9	Bonds payable	720.9	555.9	
Loans and bills discounted	25,661.1	23,907.8	Entrusted funds	20.9	18.9	
Other assets	33.8	42.6	Reserve for insurance policy liabilities	1,482.9	1,326.5	
Property, plant and equipment	190.1	190.6	Other liabilities	26.4	29.0	
Intangible assets	36.2	46.8	Provision for bonuses	5.4	5.7	
Customers' liabilities for acceptances and guarantees	28.0	28.2	Provision for directors' bonuses	0.0	0.0	
Allowance for loan losses	(1,118.0)	(1,100.8)	Provision for retirement benefits	98.4	97.9	
			Provision for directors' retirement benefits	0.0	0.0	
			Reserve for compensation losses	28.8	29.8	
			Acceptances and guarantees	28.0	28.2	
			Total liabilities	18,195.7	16,116.9	
			Capital stock	11,768.4	11,768.6	
			Capital surplus	5,465.6	5,512.2	
			Retained earnings	(1,910.9)	(2,111.8)	
			Valuation difference on available-for-sale securities	0.1	(0.1)	
			Total net assets	15,323.2	15,168.8	
Total assets	33,518.9	31,285.7	Total liabilities and net assets	33,518.9	31,285.7	

# **Funding**

### **Funding Sources**

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



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

#### Breakdown of funding sources

(Billion yen)

	FY2024 budget	FY2024 results	FY2025 budget
Borrowings from Fiscal Loan Fund, etc.	4,038.0	1,525.6	3,161.3
Government-guaranteed Bonds	100.0	-	100.0
Capital contributions from the government	46.8	46.7	46.2
Funding from the government (percentage of overall funding)	4,184.8 (94%)	1,572.4 (94%)	3,307.5 (92%)
FILP Agency Bonds	290.0	100.0	290.0
Total funding	4,474.8	1,672.4	3,597.5

Note: 1. The budget amounts for FY2024 are the revised amounts after the supplementary budget.

<sup>2.</sup> The item "Borrowings from Fiscal Loan Fund, etc." refers to borrowings from the Fiscal Loan Fund, borrowings from the FILP Special Account (Investment Account) of the national budget, and entrusted funds from the Agriculture, Forestry and Fisheries Credit Foundations.

#### Government-guaranteed Bonds

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

(Billion yen)

Fiscal year	FY2	022	FY2	023	FY2	024	FY2025	
Maturity	Budget	Results	Budget	Results	Budget	Results	Budget	Results
Less than 5-year bond	100.0	_	100.0	_	100.0	_	100.0	_

Notes: 1. The budget amounts for each fiscal year are the issue-amount limits, that is, the maximum amount of the government guaranty in the relevant fiscal year.

- 2. From FY2022 to FY2024, JFC has not issued any government-guaranteed bonds.
- 3. In FY2025, JFC has not issued government-guaranteed bonds as of May 31, 2025.

### FILP Agency Bonds

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

(Billion yen)

Fiscal year	Fiscal year FY2022 Amount of issue (Budget 290.0)				FY2023			FY2024				FY2025	
Amount of issue				(Budget 290.0)			(Budget 290.0)				(Budget 290.0)		
Month of issue/Maturity		Results	20.9		Results 20.0				Results 100.0				Results 10.0
Month of issue	May	August	November	March	May	August	November	March	May	August	November	March	May
5-year bond	_	_	_	10.9	_	_	_	_	_	_	_	10.0	_
3-year bond	_	_	_	10.0	_	_	_	10.0	_	_	10.0	_	_
2-year bond	_	_	_	_	_	_	_	10.0	_	30.0	40.0	10.0	10.0

Note: The budget amounts for each fiscal year are the issue-amount limits in the relevant fiscal year.

#### Ratings of JFC (As of May 31, 2025)

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

# **Overview of Operations**

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# Micro Business and Individual Unit

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

## **Overview of Operations**

#### Small Loans to a Large Number of Micro/Small Businesses

- Loans have been disbursed to 1.15 million businesses.
- The average loan balance per business is 8.22 million yen, most of which were small loans.
- Approximately 90% of borrowers are micro/small businesses with nine or fewer employees, and many are sole proprietors

#### **Safety Net Financing**

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

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

- The number of loans disbursed to business start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) reached 28,032 a year. It is estimated that about 81,000 jobs were created as a result.
- Micro Unit supports businesses engaged in innovative businesses or seeking business revitalization through Capital Subordinated Loans and other means.
- Micro Unit supports micro/small businesses working on business succession to ensure that their cultivated technologies and know-how are smoothly passed on to the next generation.

#### Supporting Social Businesses and Overseas Expansion, etc.

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

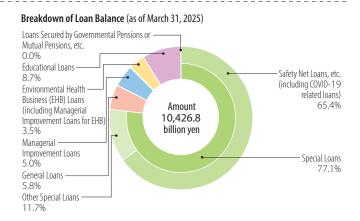
# Collaboration with Regional Financial Institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations, etc.

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

#### Support through Educational Loans, etc.

• Approximately 70,000 Educational Loans are disbursed each year.

#### Breakdown of Loans (FY2024) Loans Secured by Governmental Pensions or Mutual Pensions, etc. Safety Net Loans etc 0.0% (including COVID-19 Educational Loans related loans) 26.1% Environmental Health Business (EHB) Loans Amount Special Loans (including Managerial 1,422.0 49.9% Improvement Loans for EHB) billion yen Managerial Other Special Loans Improvement Loans 23.8% 13.3% General Loans 24.8%



## **Feature of Operations**

#### **Supporting Micro/Small Businesses**

As of the end of FY2024, Business Loans were provided to 1.15 million businesses. The average loan balance per business is 8.22 million yen, most of which were small loans. Approximately 90% of borrowers are micro/small businesses with nine or fewer employees, and many are sole proprietors. Over 90% of all loans are uncollateralized.

We made every effort to support micro/small businesses affected by COVID-19, and as a result, the number of the businesses received business loans increased by approximately 280,000 compared to March 31, 2020.

#### Number of business borrowers and average loan balance per business (as of March 31, 2025)

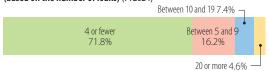
	Micro Business and Individual Unit	Credit associations (254 associations)	Domestic banks (130 banks)
Number of business borrowers (million)	1.15	1.24	2.18
Average loan balance per business (millions of yen)	8.22	44.20	118.36

Notes: 1. Figures for Micro Unit are the total of General Loans and Environmental Health Business Loans.

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

Source: Bank of Japan website

#### Breakdown of borrowers by number of employees (based on the number of loans) (FY2024)



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

#### **Demonstrating Safety Net Functions**

#### Establishment of special consultation desks

In the event of natural disasters such as earthquakes, typhoons, and torrential rains, or other unforeseen events such as a deterioration in the economic environment or major corporate bankruptcies, a special consultation desk is immediately established to promptly respond to inquiries from affected micro/small businesses regarding loans, repayment conditions, etc.

#### Special consultation desks currently in operation (as of June 30, 2025)

	Number of consultation desks	Consultation desks currently in operation	Date of establishment
		Special consultation desk for the Great East Japan Earthquake	Mar. 2011
		Special consultation desk for damage suffered as a result of heavy rain from July 3, 2020	Jul. 2020
		Special consultation desk for damage suffered as a result of the 2024 Noto Peninsula Earthquake	Jan. 2024
		Special consultation desk for damage suffered as a result of heavy rain from July 25, 2024	Jul. 2024
		Special consultation desk for damage suffered as a result of Typhoon No. 10 of 2024	Aug. 2024
		Special consultation desk for damage suffered as a result of heavy rain due to a low-pressure system and a stationary front	Sep. 2024
Disaster-related	13	Special consultation desk for damage suffered as a result of heavy rain from November 8, 2024	Nov. 2024
		Special consultation desk for damage suffered as a result of heavy snowfall from December 28, 2024	Jan. 2025
		Special consultation desk for damage suffered as a result of heavy snowfall from February 4, 2025	Feb. 2025
		Special consultation desk for damage suffered as a result of road collapse caused by damage to regional sewer pipes	Feb. 2025
		Special consultation desk for damage suffered as a result of heavy snowfall, mainly along the Sea of Japan coast from February 17, 2025	Feb. 2025
		Special consultation desk for damage suffered as a result of the large-scale fire in Ofunato City, Iwate Prefecture, in 2025	Feb. 2025
		Special consultation desk for damage suffered as a result of the forest fire on March 23, 2025	Mar. 2025
		Special consultation desk relating to situation in Ukraine and rising oil prices, etc.	Nov. 2021
Others	3	Special consultation desk for management, export, and other measures for disposal of ALPS treated water	Aug. 2023
		Special consultation desk relating to U.S. automobile tariff measures, etc.	Apr. 2025

#### Response to the Spread of COVID-19

From January 29, 2020, the day when the consultation desks were established, to March 31, 2025, we provided a total of 1,225,059 COVID-19 related loans worth a total of 13,840.9 billion yen.

Note: The special consultation desk relating to COVID-19 was closed at the end of March 2025.

#### **Supporting Customers' Business Continuity and Growth**

We share information on our customers' managerial strengths and issues and provide various information and advice tailored to their challenges and needs, as well as support collaboratively with outside experts and matching services.

#### **Supporting Business Start-ups**

#### Support for business start-ups

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

The Micro Unit provided loans to a total of 28,032 business start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) in FY2024. It is estimated that about 81,000 jobs were created as a result.

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



#### [Job Creation Effects]

28,032 businesses × average of 2.9 employees (Note) = 81,292 employees

Note: The average number of employees at time of business start, based on Survey on Business Start-ups in Japan (FY2024) by the JFC Research Institute.

#### Supporting women, youth, and senior entrepreneurs

As the economic society diversify and the range of business start-ups has been expanding, Micro Unit supports a wide range of business start-ups, including women, youth, and senior entrepreneurs.

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

Women FY2024 7,208 businesses Youth (aged under 35) FY2024 7,742 businesses

Seniors (aged 55 and older) FY2024 2,846 businesses

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

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

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

#### Establishment of Business Start-up Support Centers and Other Facilities and Providing Support for Business Start-ups

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

#### Establishment of business start-up support centers throughout Japan

Centers are located in 14 regions of Japan from Hokkaido to Kyushu. Centers organize diverse seminars targeted at customers in varying stages of their business cycle, both before and after starting business, and also provide timely support to customers through collaboration with regional organizations that support start-ups.

#### Establishment of business support plazas throughout Japan

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

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

#### Establishment of start-up support plazas throughout Japan

Plazas are located in four locations: Tokyo (Shinjuku), Nagoya, Osaka, and Fukuoka. In collaboration with venture capitals, private financial institutions, and other support organizations, it provides detailed financing advice for seed and early-stage start-ups.

## Locations (as of March 2025) Business start-up support centers Business support plazas Hokkaido Start-up support plazas Tohoku Hokuril Kita-Kanto Shinetsu Osaka Tokyo Fukuoka III Minami-Kanto

#### **Supporting Start-ups**

We contribute to the growth and development of start-ups striving to achieve rapid growth that serve as a driving force for problem-solving and economic growth and provide original value with innovative ideas and uniqueness. In addition to providing financial support through capital subordinated loans and other start-up related financing, Micro Unit offers core business support, such as business matching with large companies and seminars to share management expertise.

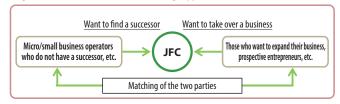
#### **Supporting Business Revitalization**

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

#### **Supporting Business Succession**

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

#### Diagram of the business succession matching support



#### **Business succession matching support results**

Actual results	Transferrer	Transferee			
Number of registered applications	5,462	12,003 (2,875)			
Number of successful matches	2,058				
Number of contracts concluded	331				

Note. The results of business succession matching support are the cumulative results from April 2019 to March 2025. The figure shown in parentheses next to the number of registered applications is the number of registered applications from those who wish to start their own businesses.

#### **Supporting Social Business**

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

The FY2024 loans to social businesses came to: 17,369 loans, 115.3 billion yen.

#### Social Business Mark



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

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

#### **Supporting Businesses Seeking for Overseas Expansion**

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

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

#### Collaboration with regional financial institutions

We actively cooperate with regional financial institutions, utilizing their respective strengths and expertise, to provide support to our customers as well as to revitalize the regional economy.

As part of our efforts to enhance the effectiveness of cooperation with regional financial institutions, we are engaged in the development of the cooperative loan scheme (Note) in various fields such as business start-up and business revitalization.

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

#### Total of cooperative loan (Note)

In FY2024, total cooperative loans from regional financial institutions came to: 20,207 loans, 180.2 billion yen.

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

#### Cooperative loans by business category (FY2024)

Cooperative loan	City banks	Regional banks	Regional banks II	Credit associations	Credit cooperatives	Others	Total	Compared to the previous fiscal year	Reference FY2023 results
Number of loans (Note)	1,558	7,682	2,612	13,747	1,672	652	27,414	84%	32,594
Micro Unit	205	4,286	1,800	12,208	1,492	216	20,207	81%	24,795
Amount (Note)	250.3 billion yen	542.7 billion yen	129.1 billion yen	274.7 billion yen	36.1 billion yen	49.0 billion yen	1,162.1 billion yen	94%	1,240.6 billion yen
Micro Unit	4.6 billion yen	43.7 billion yen	18.1 billion yen	99.1 billion yen	11.9 billion yen	2.4 billion yen	180.2 billion yen	70%	256.9 billion yen

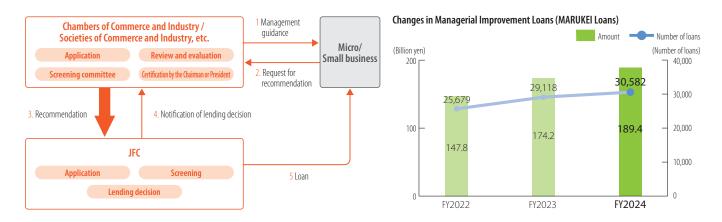
Note: In cases where cooperative loans are provided with multiple regional financial institutions, the number of loans and loan amounts indicated in the breakdown are totaled for each financial institution, and as a result, the totals do not match.

Example: In the case of a 100 million yen loan provided by a regional bank and regional bank II, the amounts for both the regional bank and regional bank II are reported as 100 million yen, and the total is reported as 100 million yen.

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

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

Managerial Improvement Loans (MARUKEI Loans) are a program whereby micro/small businesses receiving management guidance, such as from Chambers of Commerce and Industry or Societies of Commerce and Industry, can utilize funds needed for managerial improvement without collateral and guarantors. In October 2023, JFC marked 50 years since the establishment of this program, and as of the end of FY2024, a cumulative total of 5.29 million loans has been provided.



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

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

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

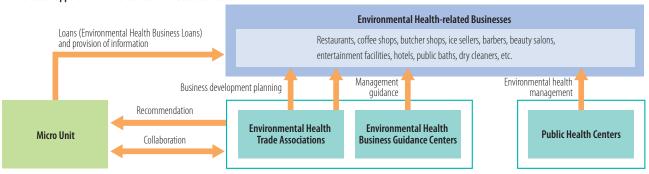
Management support provided through approved management innovation support organizations such as tax accountant, etc. who play a large role in supporting SMEs and micro/small businesses, and financial support from JFC come together to support micro/small business owners in business sectors like start-ups,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

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

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

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

#### Initiatives to support Environmental Health-related Businesses

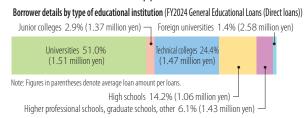


#### **Educational Loans for School Entrance Fees and Related Expenses**

The Micro Unit handles Educational Loans, which funds necessary expenses when entering educational institutions or continuing one's education, to lighten the financial burden of educational expenses on families and provide equal educational opportunities. Approximately 70,000 Educational Loans were provided in FY2024. We have received a cumulative total of over 6 million applications to date.

#### Loans to families with large educational expenses

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



#### Providing Loans Secured by Governmental Pensions or Mutual Pensions

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

#### **Initiatives Related to International Cooperation**

### **Supporting Developing Countries by ODA (Official Development Assistance)**

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

concerning small and medium enterprises (SMEs) financing in cooperation with the Ministry of Finance Policy Research Institute. To date, these have been implemented in Viet Nam, Malaysia, Laos, Myanmar, and Cambodia.

Here is an overview of our technical cooperation to the SME Bank of Cambodia.

#### **Technical cooperation for SME Bank of Cambodia**

In June 2023, JFC-Micro commenced a technical cooperation project for SME Bank of Cambodia, which is a state-owned bank in Cambodia. As part of this project, a total of five seminars were held in Cambodia and Japan, including lectures on JFC-Micro's loan screening methods. At the seminar held in Japan in May 2024, participants gained a deeper understanding of JFC-Micro's support for SMEs through lectures from headquarters' departments and visits to related organizations.





For details on initiatives related to international cooperation, please refer to the JFC website.





A scene from the seminar in Phnom Penh Cambodia



A scene from the seminar in Japan

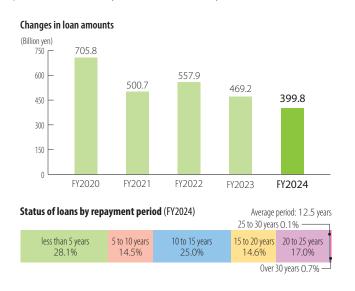
# Agriculture, Forestry, Fisheries and Food Business Unit

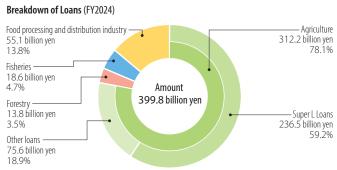
The Agriculture, Forestry, Fisheries and Food Business Unit (AFFF Unit) contributes to the reinforcement of the domestic agriculture, forestry, and fisheries industries and stable supplies of safe and high-quality foods by supporting individuals and businesses in these industries through finance or other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

## **Overview of Operations**

#### **Loan Status and Operation Features**

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





### **Demonstration of Safety Net Functions**

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

#### **Support for Sustainable Business Development**

In response to the increasingly sophisticated and diverse management issues that customers are facing as a result of natural disasters and changes in social and economic conditions in Japan and overseas, the AFFF Unit promotes initiatives to help customers analyze their current situation and solve their problems with accompanied supports.

#### Support offered to customer in different management stages

The AFFF Unit helps customers to resolve issues according to their different management stages, such as start-ups at the time of establishment, expansion (growth) in the growth phase, and further development in the maturity phase.

#### Identification of current status and issues through financial analysis

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

#### Promotion of Cooperation with Private Financial Institutions in the Agriculture, Forestry, and Fisheries Sectors

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

# **Feature of Operations**

## **Agriculture**

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

#### Supporting leading farmers through long-term loans

Through long-term loans such as Super L Loans the AFFF Unit supports management improvements such as scale expansion, cost reduction and the "Sixth industrialization" (e.g., processing, sales, and other business undertaken integrally by agriculture, forestry, and fisheries businesses to increase the added value of products) by diverse local farmers, which include companies of rice growing, horticulture, livestock farming, and other businesses, as well as large-scale family run operations, new farmers, and companies entering the agriculture field.

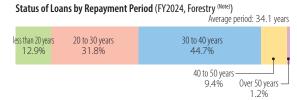


#### **Forestry**

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

#### Providing loans to forestry businesses with long-term capital recovery periods

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



Note: Aggregated Forest Plantation Loans of Forestry Infrastructure Improvement

#### **Fisheries**

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

# Supporting leaders in fisheries industry

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

In FY2024, Fisheries Management Improvement Support Loans came to 12.2 billion yen.

#### **Fisheries Management Improvement Support Loans**

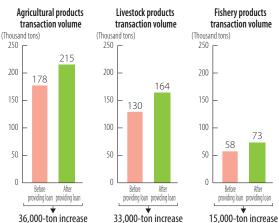


#### **Food Processing and Distribution Industry**

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

## Helping to promote the use of domestic agriculture, forestry, and fisheries products

Loans to the food processing and distribution industry to use domestic agriculture, forestry, and fisheries products as raw materials or as products, and are aimed at promotion of domestically produced agriculture, forestry, and fisheries products. An estimation of the effects of the loans made in FY2024 suggests that the transaction volumes of domestically produced agriculture, forestry, and fisheries products will increase by approximately 85,000 tons over the next five years.



Notes: 1. The transaction volumes are rounded off by the unit.

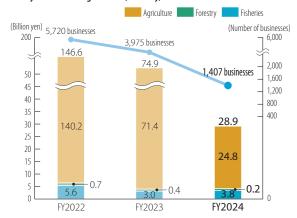
2. The transaction volume indicated in "After providing loan" is an

# Serving as a Safety Net Function against Disasters and Changes in Business Conditions

The AFFF Unit serves as a safety net function by way of dynamic support through loans including long-term working capital to agriculture, forestry, and fisheries operators whose businesses have temporarily worsened due to natural disasters such as earthquakes and typhoons, as well as contagious livestock diseases, soaring oil prices and price hikes.

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

#### Safety net loans to agricultural, forestry, and fisheries businesses



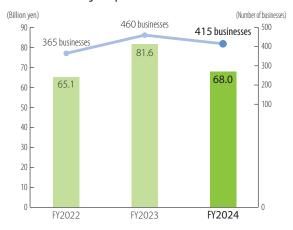
# **Supporting Initiatives to Export**

The AFFF Unit supports agriculture, forestry, and fisheries business operators and companies in the food industry who are trying to export domestic agriculture, forestry and fisheries products and foods for the improvement of their own business or the promotion of domestic agriculture, forestry, and fisheries products, through various loan programs including the Agriculture, Forestry, and Fisheries Products and Food Export Framework Reinforcement Loan established in October 2022 and the provision of information.

In addition to the Agriculture, Forestry, and Fisheries Products and Food Export Framework Reinforcement Loan established in October 2022, the AFFF Unit provides support through various loan programs and the provision of information in cases where agriculture, forestry, and fisheries business operators and companies in the food industry export domestic agriculture, forestry and fisheries products and foods to improve their own business or promote domestic agriculture, forestry, and fisheries products.

In FY2024, loan performances to those who work on management improvement through exports came to: 415 businesses (90% compared to the previous fiscal year), 68.0 billion yen (83% compared to the previous fiscal year).

#### Loans to those working on export business



# **Supporting New Entrants into Agriculture and New Farmers**

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

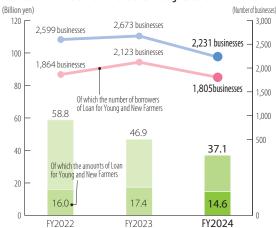
## Loans to new farmers and new entrants into agriculture

In FY2024, performance of loan to new entrants into agricultural business and new entry farmers came to 2,231 businesses (83% compared to the previous fiscal year), and 37.1 billion yen (79% compared to the previous fiscal year).

Performance of Loan for Young and New Farmers (Note) which was launched in FY2014 came to: 1,805 businesses (85% compared to the previous fiscal year), 14.6 billion yen (84% compared to the previous fiscal year).

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

#### Loans to new farmers and new entrants into agriculture



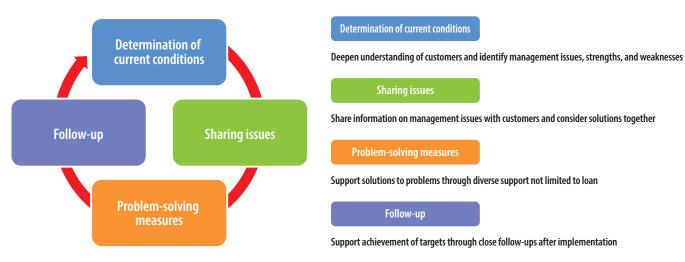
# **Support for Sustainable Business Development**

# AFFF Unit Provides Accompanied Support for the Sustainable Business Development of Customers.

In response to the increasingly sophisticated and diverse management issues that customers are facing as a result of natural disasters and changes in social and economic conditions in Japan and overseas, the AFFF Unit promotes initiatives to help customers analyze their current situation and solve their problems with accompanied supports.

# Support offered to customers in different management stages

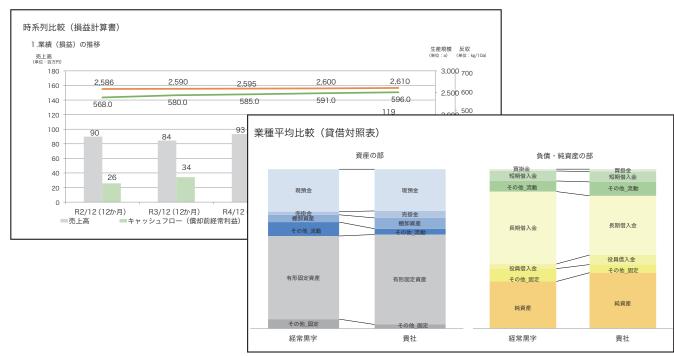
The AFFF Unit helps customers to resolve issues according to their different management stages, such as start-ups at the time of establishment, and the stage of the stage oexpansion (growth) in the growth phase, and further development in the maturity phase.



#### Sharing current status and issues through financial analysis

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

#### (Image of financial analysis)

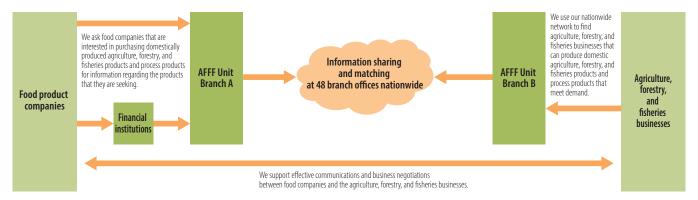


# **Supporting Developing and Expanding Customer Sales Channels**

#### Business Matching support using our nationwide network

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

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



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

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

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

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



Briefing session on the Trial Export Support Project

#### Scheme of the Trial Export Support Project 1. Consultation and application 2. Support requests and customer matching Agriculture, forestry, fisheries, and 3. Shipping product 4. Passing customs and exporting **Overseas** food businesses **Export companies** that seek to export their products 5. Feedback of sales situation

# **Supporting Business Succession**

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

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

# **Supporting Business Revitalization**

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

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

In addition, we cooperate with related institutions to provide prompt and detailed responses to inquiries from customers whose businesses are affected by the impact of natural disasters including earthquakes, typhoons, etc., contagious livestock diseases, and soaring oil prices and price hikes, etc., and work to support business restructuring and reconstruction.

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

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

# **Working to Strengthen Cooperation with Private Financial Institutions**

The AFFF Unit provides loans to agriculture, forestry, and fisheries business operators and companies in the processed food industry in cooperation with private financial institutions. In FY2024, a total of 864 cooperative loans were provided in cooperation with private financial institutions (Note).

The AFFF Unit also provides JFC loans through 620 private financial institutions with which it has entered into outsourcing agreements. The number of JFC loans provided through private financial institutions was 6,772, and this was 51.7% of total loans.

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

# **Agricultural Credit Risk Information Service (ACRIS)**

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

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

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

#### Images of scoring results obtained using ACRIS



# **Securitization Support**

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

As of March 31, 2025, a total of 143 financial institutions had signed a basic agreement with the AFFF Unit.

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

#### Financial institutions under CDS basic agreements with JFC (As of March 31, 2025)

	Banks	Shinkin banks	Credit cooperatives	Total
Hokkaido	2	13	2	17
Tohoku	8	5	1	14
Kanto	3	10	2	15
Chubu	6	25	4	35
Kinki	4	11	1	16
Chugoku	2	11	1	14
Shikoku	5	2	-	7
Kyushu	10	13	2	25
Total	40	90	13	143
(Of these, institutions that developed new programs)	(32)	(60)	(8)	(100)

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

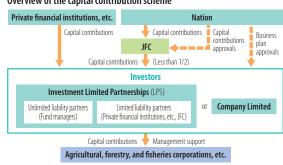
The AFFF Unit has been making capital contributions to Investment Limited Partnerships (LPS) and stock companies to invest in agricultural, forestry, and fisheries corporations with business program approval from the Minister of Agriculture, Forestry and Fisheries. This is done to support the adequacy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

# Overview of capital contributions

(As of March 31, 2025)

	LPS	Company Limited
Number of capital contributions	20 associations	1 company
Pledged investment amount or investment amount (of which invested by JFC)	17.9 billion yen (6.2 billion yen)	6.0 billion yen (2.5 billion yen)

#### Overview of the capital contribution scheme



# Small and Medium Enterprise (SME) Unit

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

# **Overview of Operations**

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

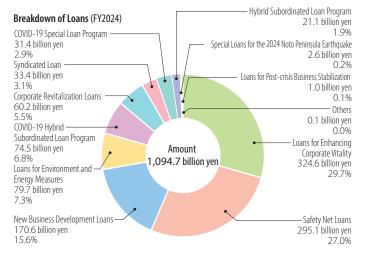
Policy-based financing in Japan provides financial support under the nation's key policies toward certain fields, such as start-up and new business development, business revitalization, business succession, and overseas expansion, that involve high risks.

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



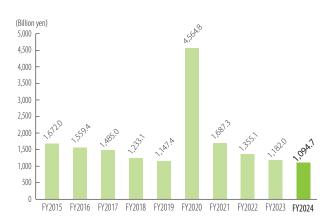
# **Loan Programs**

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



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

# Changes in loan performances



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

# **Credit Insurance Programs**

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

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

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

## **Securitization Support Programs**

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

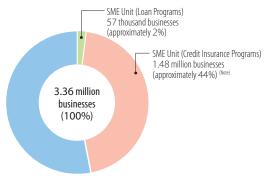
# **Feature of Operations**

#### **SME Unit's Clients**

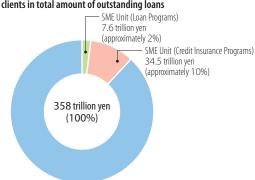
SMEs and micro/small businesses account for 99% of all businesses in Japan, and are both the source of Japanese economic vitality as well as the primary force underpinning regional economies. The size and conditions of each SME and micro/small business differ, such as companies that sustain the regional economy with many employees, long-established companies with a history over 100 years and family-owned private shops.

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

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







Note: Number of businesses utilizing the Credit Guarantee System Sources: Small and Medium Enterprise Agency, "2025 White Paper on Small and Medium Enterprises in Japan" Note: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2021 Economic Census for Business Activity," edited by the Small and Medium Enterprise Agency.

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

The SME Unit facilitates funds to 1.53 million SMEs and micro/small businesses (approximately 46%) and accounts for 12% of outstanding loans to SMEs and micro/small businesses.

# **Characteristics of SME Unit's Clients**

Loan Programs (Direct Loans)

- Number of businesses ......57 thousand businesses Average loan for FY2024 Average loan amount per business ...... 91 million yen Average term of loan......9 years and 3 months Average amount of capital per business......41 million yen Average number of employees per business......77
- Approximately 79% of outstanding loans are loans to businesses with 20 employees or more, and approximately 90% have capital of 10 million yen or more.
- Covers a wide range of industries particularly manufacturing (approximately 39% of outstanding loans as of the end of FY2024)

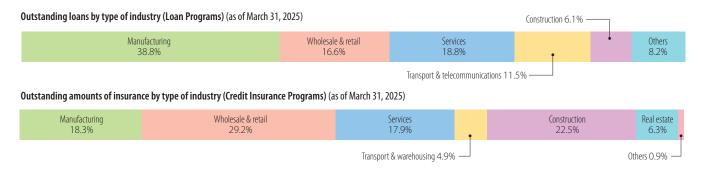
#### **Credit Insurance Programs**

- Number of businesses ...... 1.48 million businesses (Note) Average insurance for FY2024 Average amount of insurance acceptance per business....19 million yen Average term of insurance ...... 5 years and 10 months
- Approximately 75% of the outstanding amounts of insurance are insurance to businesses with 20 employees or less, and approximately 73% have capital of 10 million yen or less.
- · Covers a wide range of industries

Note: Number of businesses utilizing the Credit Guarantee System.

Note: Results are current as of March 31, 2025.

# The SME Unit also helps to maintain employment, with the number of employees at the 57 thousand businesses having approximately 3.52 million persons (as of March 31, 2025) by direct loans.



# **Loan Programs**

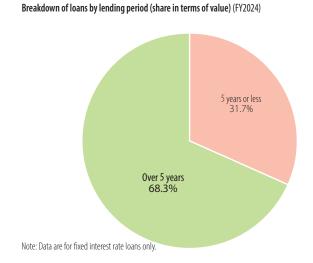
# Supplementing private financial institutions both in quality and quantity with a stable supply of long-term funds

#### Dedicated to long-term funding

If SMEs are to grow and prosper, they must continually invest capital appropriately and consolidate their financial strength. To do this, they need to be able to raise long-term funds in a stable manner. However, SMEs are at a disadvantage to larger enterprises in gaining access to funds from capital markets.

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

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

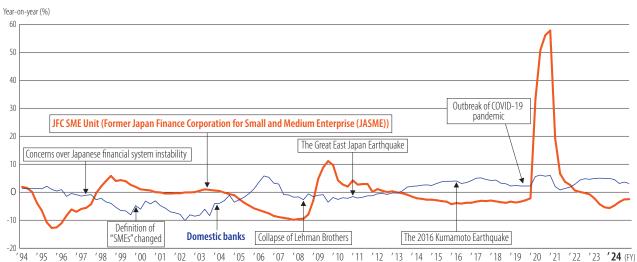


#### Stable supply of business funds

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

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

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



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

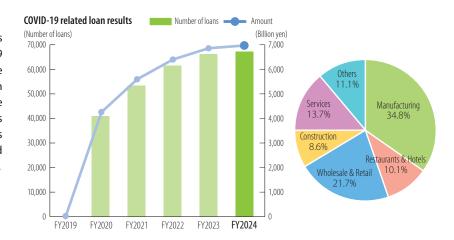
Notes: 1. Domestic banks' balances refer to the outstanding of loans to SMEs covering banking accounts only.

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

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

## Safety net

Although the initial emergency demand for funds has subsided following the shift of COVID-19 to a Class 5 infectious disease, etc., due to the prolongation of the pandemic, the situation in Ukraine, rising oil prices, and other factors, we continued to support cash flows and business reconstruction by providing loans for SMEs through Safety Net Loans and COVID-19 Hybrid Subordinated Loan Program, and other programs.



#### Supporting new businesses and start-ups

The SME Unit provides active support to SMEs trying to develop new businesses with high growth potential through Loans to Foster Growth of New Businesses and to start-ups that are expected to lead Japan's economic growth and solve social problems through Loans to Support Start-up Businesses. Since the program began, the cumulative total (Note) (as of March 31, 2025) has reached 17,877 businesses, amounting to 886.2 billion yen. In addition, the SME Unit also offers Stock Subscription Rights Loans, an unsecured loan program through the acquisition of new share options issued by companies.

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

#### Capital subordinated loans

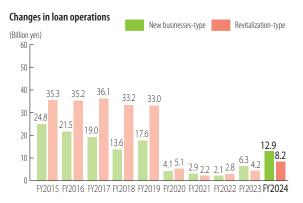
The SME Unit supports reinforcing the financial standing of SMEs engaged in new businesses and business reconstructions, by applying the Hybrid Subordinated Loan Program (former Provision Scheme for Challenge Support and Capital Enhancement) in cooperation with private financial institutions. Liabilities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

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

	FY2022	FY2023	FY2024
Number of businesses	825	912	1,002
Amount of loans (billion yen)	43.2	52.9	64.0

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

	FY2022	FY2023	FY2024
Number of businesses	69	75	75
Amount of loans (billion yen)	7.5	13.3	14.3



#### Support for overseas investment

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

In FY2024, the Overseas Expansion-Related Loans (Note) were utilized by 1,096 businesses, for a total of 80.3 billion yen.

Note: Total number of loans provided to recipients of Loans for Overseas Investment and Expansion (including cross-border loans) and those who met the eligibility requirements for such loans, and the number of uses of the Standby Letter of Credit Program.

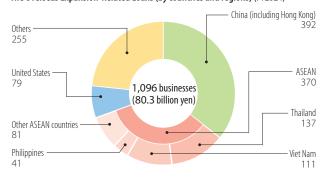
The cross-border loans are a program under which JFC provides direct loans to overseas subsidiaries. The countries and regions where this program can be used are Thailand, Viet Nam, Hong Kong, Singapore, the Philippines, and Mexico, and loans were provided to 97 businesses, 6.7 billion yen in FY2024.

The Standby Letter of Credit Program supports SMEs and micro/small businesses' overseas subsidiaries' and branches' smooth procurementof long-term local currency denominated funds from JFC's partnering overseas financial institutions by using JFC's standby letter of credit as a guarantee. As of March 31, 2025, the number of affiliated financial institutions, mainly in Asia, was 16 institutions.

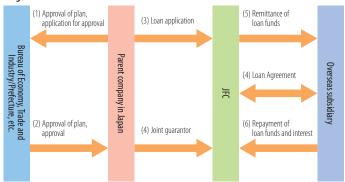
JFC also established a scheme to partner regional financial institutions throughout Japan, and through the end of March 2025, JFC established collaborative relationships with 61 regional financial institutions.

As for FY2024 letters of credit were issued to the financial institutions in 7 countries and regions, being utilized by 66 businesses.

#### The Overseas Expansion-Related Loans (by countries and regions) (FY2024)



# Diagram of the cross-border loan scheme



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#### • Cooperative loans and securitization support in collaboration with private financial institutions

The SME Unit makes use of various functions including loans, securitization support, and credit guarantees, as well as the screening capabilities that it has accumulated over many years and information in a database of approximately 57,000 customers nationwide to collaborate with private financial institutions and provide support to SMEs in the areas of new businesses and start-ups, overseas expansion, business revitalization, business succession, securitization, and resolution of management issues. Specific activities include close exchanges of information with private financial institutions, support for cooperative loans, and joint sponsorship of business matching events and seminars.

In particular, since FY2018 the SME Unit has actively undertaken collaboration with private financial institutions by promoting collaborative measures with private financial institutions to enter a new stage. We also provide financial support to SMEs affected by natural disasters, price hikes, etc., based on existing cooperative relationships.

#### Changes in the number of businesses that utilize cooperative loan<sup>(note)</sup> and change in loan amount (SME Unit)



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

#### Loans for business succession, consolidation, and invigoration support

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

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

#### Loans for business succession, consolidation, and invigoration support



FY2016 FY2017 FY2018 FY2019 FY2020 FY2021 FY2022 FY2023 FY2024

(Note) Actual results include the loan performance includes Hybrid Subordinated Loan Program since FY2022 and the Syndicated Loan Program since FY2023.

#### Supporting the growth of businesses

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

A total of 867 businesses (Note) have gone public after receiving support from the SME Unit, representing roughly 20% of all Japanese businesses that are publicly held. Many of these are flourishing as leading companies in Japan.

Note: The number of publicly listed businesses is as of March 31, 2025 (excluding delisted businesses and businesses that have dissolved due to merger, etc.).

# Businesses that went public after receiving support from the SME Unit



Source: JFC SME Unit. The number of publicly held businesses is as of March 31, 2025. Foreign-owned corporations are excluded.

#### An Invaluable Source of Financing during Our Start-up Period

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

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

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

# **Credit Insurance Programs**

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

#### Role of the Credit Insurance System

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

#### Overview of the Credit Supplementation System



#### 44% of SMEs utilize the Credit Supplementation System

As of March 31, 2025, the portion of outstanding loans to SMEs guaranteed by CGCs (outstanding guaranteed liabilities) amounted to 34 trillion yen, accounting for 10% of all loans to SMEs.

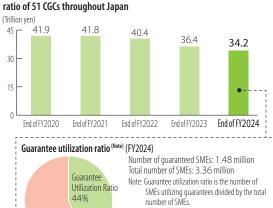
Moreover, 1.48 million SMEs and micro/small businesses, accounting for 44% of all SMEs in Japan, were raising funds with the support of the Credit Guarantee System.

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

#### Changes in the amounts of insurance acceptance



# Changes in outstanding guaranteed liabilities and guarantee utilization



Sources: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, "2021 Economic Census for Business Activity," edited by the Small and Medium Enterprise

Agency, and others.

#### **Securitization Support Programs**

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

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

In FY2024, the "synthetic CLO of regional financial institutions (Clover 2025 LLC)" was issued in the securitization support purchasing business. Besides entering into credit default swap (CDS) contracts with 47 regional financial institutions, the SME Unit guaranteed 6.0 billion yen out of the 30.0 billion yen in corporate bonds issued by a special-purpose company (SPC) (Clover 2025 LLC). 66.2 billion yen in unsecured loans were provided to 3,388 businesses in 36 prefectures by this CLO.

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

#### Methods of securitization support

#### Purchase-type

#### Operations that involve the securitization of unsecured SME loan claims, etc., acquired by way of transfer from private financial institutions or the use of credit default swap (CDS) contracts

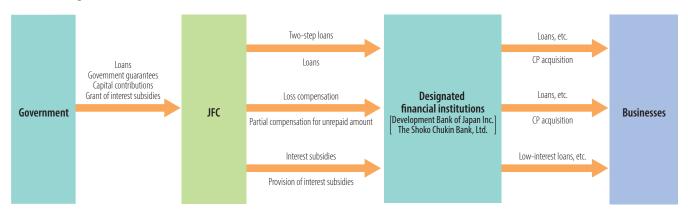
# **Guarantee-type**

Operations that involve the partial guarantee of unsecured SME loan claims, etc., securitized by private financial institutions as well as the guarantee of partial purchase of securitized instruments

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

# **Overview of Operations to Facilitate Crisis Responses**

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



#### [Crisis response operations to date]

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

#### Loans (two-step loans)

JFC provides loans from fiscal loan funds, etc. to designated financial institutions. The balance as of March 31, 2025, was 2,689.4 billion yen.

# Interest subsidies

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

#### Partial risk complementation (loss compensation transaction)

JFC collects compensation premiums from the designated financial institutions, and compensates for a certain proportion of losses incurred through loans, etc. conducted by the designated financial institutions. The balance of underwritten loss compensation as of March 31, 2025 was 1,550.9 billion yen (on a basis of reports from designated financial institutions).

# Results of operations to facilitate crisis responses

ľ	esuits 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	FY2024
1	wo-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	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
ı	oss 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	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
ı	nterest 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	8.9

Notes: 1. The figures for the two-step loans refer to the amounts of loans JFC provided to the designated financial institutions (Development Bank of Japan Inc. and The Shoko Chukin Bank, Ltd.) through the end of March 2025.

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 2025, with

- loss compensation underwritten by JFC for losses incurred until May 10, 2025.

  Equity participation figures (pertaining to the Act on Special Measures for Industrial Revitalization) are the amounts of equity investments made by designated financial institutions through the end of March 2013, with loss compensation underwritten by JFC.
- 3. The figures for interest subsidies represent the amounts of interest subsidies JFC provided to designated financial institutions for loans, etc. provided by the designated financial institutions through the end of September 2024 (in principle, disbursements pertaining to the period from October 1 each year to March 31 of the following year are made by June 10, while those pertaining to the period from April 1 to September 30 are made by December 10).

# **Overview of Operations to Facilitate Specific Businesses Promotion**

Pursuant to the Act on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products (Act No. 38 of 2010), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities that are going to develop and manufacture energy and environmentally friendly products approved by competent ministers. The balance as of March 31, 2025 was 7.0 billion yen.

# **Overview of Operations to Facilitate Business Restructuring Promotion**

Pursuant to the Act on Strengthening Industrial Competitiveness (Act No. 98 of 2013), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities, etc. that are going to implement business restructuring approved by competent ministers. The balance as of March 31, 2025 was 50.0 billion yen.

# Overview of Operations to Facilitate Business Adaptation Promotion

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

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

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

# Overview of Operations to Facilitate Business Foundation Reinforcement Promotion

Pursuant to the Shipbuilding Act (Act No. 129 of 1950), JFC lends funds (two-step loans) needed for loans that are provided by designated financial institutions to approved business entities that are going to implement business foundation reinforcement approved by competent ministers. The balance as of March 31, 2025 was 10.0 billion yen.

# **Overview of Operations to Facilitate Business Introduction Promotion**

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

# **Overview of Operations to Facilitate Ensuring Supply Promotion**

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

Results of Operations to Facilitate Specific Businesses Promotion, Operations to Facilitate Businesses 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

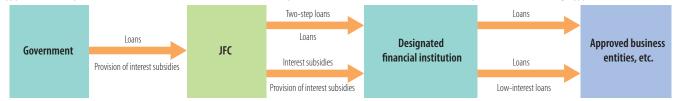
The step leans															(Dillion yen)
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Operations to Facilitate Specific Businesses Promotion	20.0	1.3	7.8	10.6	2.9	1.1	1.0	0.5	_	_	_	_	_	_	_
Operations to Facilitate Business Restructuring Promotion	_	_	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	_	0.1
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 2025.
  - 2. Day of commencement of operations: Operations to Facilitate Specific Businesses Promotion: August 16, 2010; Operations to Facilitate Business Restructuring Promotion: January 20, 2014; Operations to Facilitate Business Adaptation Promotion: August 2, 2021; Operations to Facilitate Development and Supply, etc. Promotion.: August 31, 2020; Operations to Facilitate Business Foundation Reinforcement Promotion: August 24, 2021; Operations to Facilitate Business Introduction Promotion: August 24, 2021; Operations to Facilitate Ensuring Supply Promotion: January 13, 2023.
  - 3. The figures before the start of Operations to Facilitate Business Restructuring Promotion are of loans issued under Operations to Facilitate Business Restructuring Promotion, etc. in accordance with the Act on the Special Measures for Industrial Revitalization and Innovation (Act No. 131 of 1999) that was abolished with the enactment of the Act on Strengthening Industrial Competitiveness on January 20, 2014.

Interest subsidies (Million											Millions of yen)						
		FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	
	Operations to Facilitate Business Adaptation Promotion	_	_	_	_	_	_	_	_	_	_	_	_	1	93	195	

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 2024 (in principle, disbursements pertaining to the period from December 1 each year to May 31 of the following year are made by July 31, while those pertaining to the period from June 1 to November 30 are made by January 31 of the following year).

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



Notes: 1. Designated financial institutions are designated by the competent minister upon application from the financial institution.

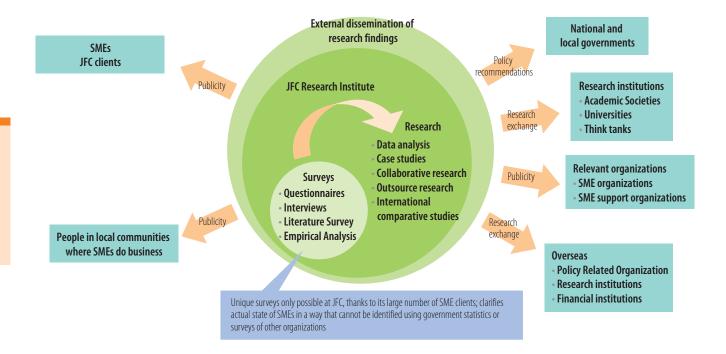
2. Interest subsidies are available only for Operations to Facilitate Business Adaptation Promotion (related to carbon neutrality).

# Research Institute

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

#### **Functions and Features of the Research Institute**

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



# **Surveys on SME Business Sentiment**

#### Quarterly Survey on SME Trends

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

# Monthly Survey on Micro and Small Business Trends

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

#### Monthly Survey on SME Trends

This monthly survey of business sentiment covers 900 relatively large SMEs. The feature of this survey is that in Japan's three major metropolitan areas, the manufacturing industry is given heavy emphasis. The survey has a history of more than 60 years since its inception in 1963, and its sales forecast diffusion index (DI) has been adopted by the Japanese government as a leading index of economic indicators.

# Survey on Capital Investments by Manufacturing SMEs

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

# Thematic Research on the Current State and Issues Faced by SMEs

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

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

#### Research on the Structural Problems of SMEs

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

#### -Main Surveys (conducted in FY2024)-

- Survey on Business Start-ups (FY2024 regular and special surveys)
- O Panel Survey on Business Start-ups
- O Survey on Starting Businesses and Entrepreneurial Minds
- O Survey on the Actual State of University Spin-offs
- O Survey on the Actual State of Lifelong Active Managers
- Long-term Analysis of Economic Outlook Data of Micro and Small Businesses and SMEs
- Survey on Labor Shortages and Price Pass-through Efforts among Micro and Small Businesses
- O Survey on the Actual State of DX Initiatives among SMEs
- -Main Research Papers and Reports (released in FY2024)-
- ♦ Actual State and Changes in the Succession of Management Resources
- Differences in Retirement and Business Closure Pre- and Post-COVID-19 Pandemic from the Perspective of Two Surveys on Business Closure
- ♦ Actual State and Issues of Business Start-ups Triggered by COVID-19 Pandemic
- Utilization of Urban Side-job and Concurrent-job Human Resources and Regional Revitalization
- ♦ An Empirical Analysis of Hybrid Entrepreneurship and the Risks Involved in Starting a Business
- ♦ Impact of Home-based Start-ups on Business Management
- ♦ Interest in Entrepreneurship in Japan and Its Background
- Skill Development among Entrepreneurs and Business Growth
- Factors Influencing the Purpose of Capital Investment—Analysis
  Based on the "Survey on Capital Investments by Manufacturing
  SMEs"—

#### Research on Management Issues of SMEs

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

- -FY2024 survey-
- Survey of Corporate Case Studies Regarding Business Succession
   Outside the Family
- -FY2024 publication-
- ♦ Food Tech—Transformation of the Food Industry by SMEs—

#### Research on Domestic and International Industry and Regional Economic Trends

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

#### -Main Surveys (conducted in FY2024)-

- O Automation in SMEs
- Actual State of Foreign Employment in SMEs
- Reskilling of Employees in Manufacturing SMEs
- SMEs Creating New Businesses Targeting Child-rearing Generation

#### -Main Research Papers and Reports (released in FY2024)-

- ♦ Actual State of SME Manufacturing Equipment Manufacturers Supporting the Storage Battery Market
- Manufacturing SMEs Addressing Labor Shortages through Labor-saving Investments
- Foreign Employment in SMEs: Workplace Communication as the Key
- ♦ Actual State of Reskilling in Manufacturing SMEs: Findings from Surveys and Case Studies
- ♦ SME Businesses Supporting Households with Children

# **Research Results and Reports at Academic Societies**

## 44th Conference of the Japan Academy of Small Business Studies (September 14, 2024)

"An Empirical Analysis on the Risks of Starting a Business and the Choice of Becoming a Hybrid Entrepreneur"

With growing interest in hybrid entrepreneurship in recent years, this paper presents findings based on a five-year follow-up survey of newly established businesses. It highlights that individuals are more likely to choose to become hybrid entrepreneurs when the risk of business failure is high, and that being a hybrid entrepreneur itself does not increase the likelihood of closure.

## 27th JASVE Annual Academic Conference (December 7, 2024)

"The Relationship Between Perceptions of and Interest in Starting a Business"

This study shows that individuals who hold entrepreneurs in high regard for their autonomy tend to have a greater interest in starting a business. It also finds that people interested in leveraging their skills or achieving work-life balance maintain an interest in starting a business even if they do not have a particularly positive perception of it.

# **Publications Issued by the Research Institute**

#### Periodical Publications



#### **JFCRI Quarterly Research Report**

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

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

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

-Main Papers Published in Volume 67 (May 2025)-

The Impact of Wage Increases on SME Management

Forecast Formation and Forecast Bias in SMEs

Entrepreneurs and Non-entrepreneurs on the Periphery of Growth-oriented Start-ups

Promotion of Regional Innovation and Public Support



# **JFC Research Institute Report Published occasionally**

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



# **Monthly Report**

Published on the 5th of every month

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

#### Books



#### White Paper on Business Start-ups

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

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



# Management Behavior of SMEs—Realities Reflected in **Business Sentiment Surveys**

Using data accumulated over a long period of time from business sentiment surveys, conducted by the Research Institute, this publication analyzes topics such as business sentiment, uncertainty, forecast formation, capital investment, pricing, and wage increases. It explores the underlying mechanisms behind the management decisions and behavior of SMEs.



# **Expanding Foreign** Employment—Issues, **Initiatives, and Outcomes from** the Frontlines of Management

As labor shortages grow increasingly severe, foreign employment is attracting attention. Based on surveys of managers and Japanese employees, as well as interviews with companies employing foreign workers, this publication explores the actual state of foreign employment in SMEs and agriculture, forestry, and fisheries businesses.



# Food Tech—Transformation of the Food Industry by SMEs

This publication introduces 12 case studies of SMEs leveraging their strengths and applying technology to tackle challenges in the food industry. Through these examples, it analyzes the problem-solving processes and the benefits these efforts bring to everyday life.

# **Systems for Organizational Management**

Governance ····· 5	overnance	5	52
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# Governance

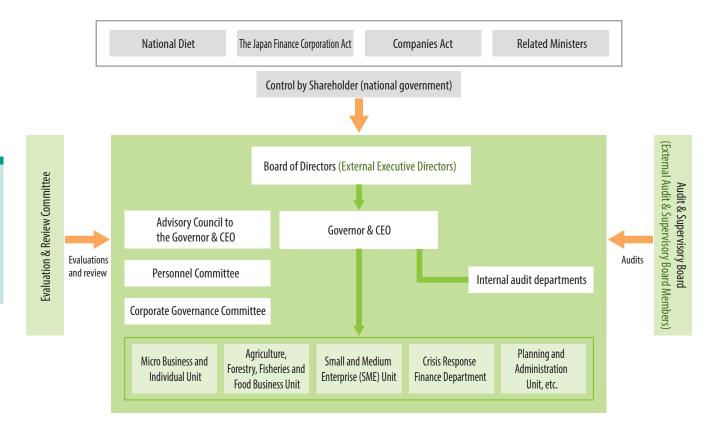
# **Fundamental Approach**

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

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

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

#### **Governance Structure**



#### 1 Control by national government

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

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

#### 2 Board of Directors

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

#### 3 Audit & Supervisory Board

The Audit & Supervisory Board comprises 4 members, 3 of whom are external members. The Audit & Supervisory Board members attend key meetings, including meetings of the Board of Directors, review significant documents, periodically meet with directors, and take other measures to monitor the performance of duties by the directors pursuant to fundamental audit policies and audit plans adopted by the Audit & Supervisory Board.

#### **4 Evaluation & Review Committee**

The Evaluation & Review Committee consists of Evaluation & Review Members, who are external advisers and JFC's external executive directors, and Expert Members, who are external experts with knowledge of JFC's operations. The Committee evaluates and reviews JFC's management and operations, performance of directors, and qualifications of candidates for the positions of director and Audit & Supervisory Board member.

Members of the Evaluation & Review Committee (as of July 1, 2025; honorifics omitted; in Japanese alphabetical order)

**Evaluation & Review Members** (\*: Chairman; \*\*: Deputy Chairman)

ARAI Tsutomu Attorney at Law

Former President, Fukuoka High Court

UZAWA Shizuka Former Chairman and Representative Director of Nisshinbo Holdings, Inc.

UMEYAMA Kaori Small and Medium Enterprise Management Consultant

Director of Research Center for Management Strategy Engineering, Japan Small and Medium Enterprise

Management Consultants Association

KURIHARA Mitsue Chairman and Representative Director, Value Management Institute, Inc.

External Executive Director, Japan Finance Corporation

SATO Yujiro External Executive Director, Japan Finance Corporation

\* SUMI Shuzo Senior Executive Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd.

\*\* NUMAGAMI Tsuyoshi Professor, Institute for Business and Finance, Waseda University

**Expert Members** 

TSURU Kotaro Professor, Faculty of Data Science, Otsuma Women's University

NAKASHIMA Yasuhiro Professor, Kagawa Nutrition University

NEMOTO Tadanobu Professor, Faculty of Commerce, Chuo University

# 5 Advisory Council to the Governor & CEO

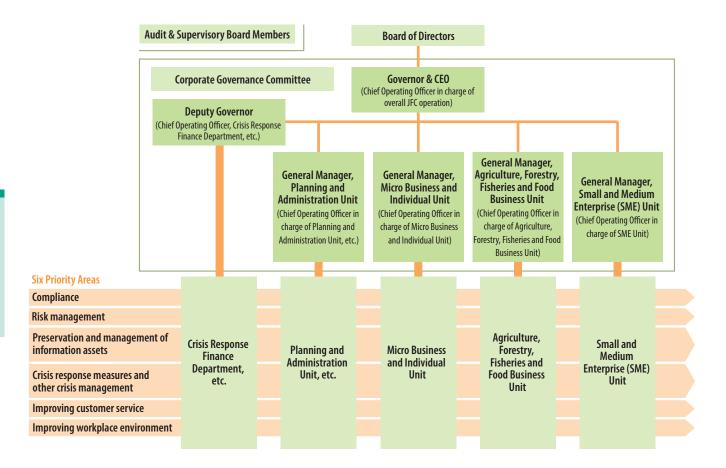
The Advisory Council to the Governor & CEO receives reports, also reviews and investigates key matters concerning management of JFC in response to inquiries from the Governor and CEO.

#### **6 Corporate Governance Committee**

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

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

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



#### 7 Internal Audit

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

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

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

The Governor & CEO approves an annual plan for internal audits, and the Audit Department and System Audit Office report to the Board of Directors and Audit & Supervisory Board Members. In addition, the Audit Department and System Audit Office report the results of internal audits to the Governor & CEO, Board of Directors, and Audit & Supervisory Board Members to ensure prompt action concerning matters needing attention.

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

# **◆**Fundamental Policy on Internal Control

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

Please visit the JFC website for more information. https://www.jfc.go.jp/n/company/pdf/governance\_03.pdf (Available only in Japanese)



# **Priority Areas of Internal Control**

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

#### 1 Compliance

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

#### (1) Compliance Manual

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

#### (2) Internal Reporting System

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

#### (3) Handling of Antisocial Forces

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

#### (4) Preventing Insider Trading

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

# 2 Risk Management

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

#### **Risks Subject to Management**

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

# **3 Management of Information Assets**

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

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



# 4 Crisis Response Measures and Other Crisis Management

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

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

# **5 Improving Customer Service**

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

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



## **6 Improving Workplace Environment**

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

# **Promote Diversity and Improve the Workplace Environment**

To create workplaces where diverse human resources can fulfill their potential, JFC promotes career development for women while also striving to create a workplace where it is possible to carry out work-life management (Note) regardless of gender.

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

# 1 Promotion of Career Development for Women

We set a target of women making up 12% or more of managerial staff by April 2028 (Note), and are undertaking training and promoting of women to achieve that target.

Among the specific measures are a training system to take participants from clerical work to business operations, and female employees are sent to external training with the aim of increasing their skills. In-house forums are also held for female managers, female deputy managers, and mid-level female employees. In addition, a Mentoring System was introduced for young employees in which veteran employees act not only as advisors for work related issues but also provide individual support by discussing issues related to work-life management, etc.

Moreover, JFC has earned the second level (two stars) under the Eruboshi certification system by the Minister of Health, Labour and Welfare as an employer with excellent implementation status of measures to promote the active participation and advancement of women. (Note) Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015)





Scene from the Joint Forum for Female Managers and Female Deputy Managers

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

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

#### **3 Supporting Work-life Balance**

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

Furthermore, we are encouraging men to take a period of one month or longer as leave or temporarily business closure for male childcare leave. JFC has obtained special Platinum Kurumin (certification) in accordance with the Next Generation Nurturing Support Measures Promotion Act (Act No. 120 of 2003) as an enterprise that offers superior child-rearing support.

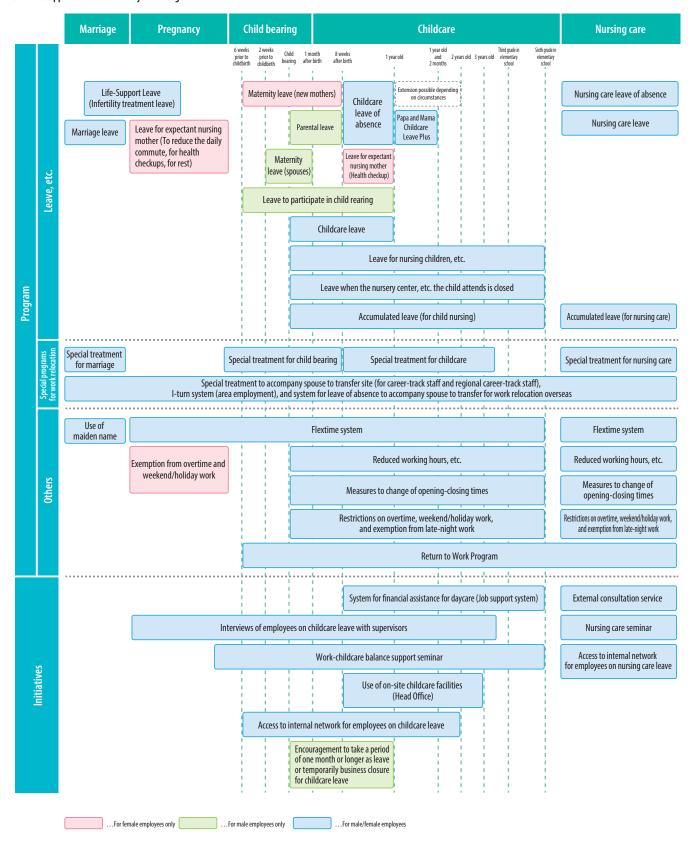


# **4 Promotion of Diverse Work Styles**

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

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

We established Committees for the Promotion of Diversity at the Head office and all branches, etc., nationwide, and we are actively working to raise awareness of the creation of workplaces where diverse human resources can fulfill their potential.



#### **Protection of Personal Information**

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

Please visit the JFC website for more information. https://www.jfc.go.jp/n/english/privacy\_policy/



Please visit the JFC website for details regarding the handling of personal information subject to the Thailand Personal Data Protection Act: https://www.jfc.go.jp/n/privacy/pdf/privacy\_policy\_Thailand.pdf

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

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



# **Information Disclosure Systems**

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

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

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

# Major Types of Information Made Available to the Public

	Information type	Disclosure site and method	Disclosure period		
Business reports					
Supporting schedul	es				
Asset inventories		• Available at all branches			
Financial statements		Distributed to National Diet Library, regional public organizations, and business groups	June-September		
	Opinions by Audit & Supervisory Board Members				
Audit reports by Au	dit & Supervisory Board				
Audit reports by CP/	A firm				
Annual Reports		Available at all branches     Distributed upon request	July		
	ons of business activities, business performance, uctures, financial conditions, etc. otice	Available on Internet (https://www.jfc.go.jp/n/english/)	Updated as necessary		

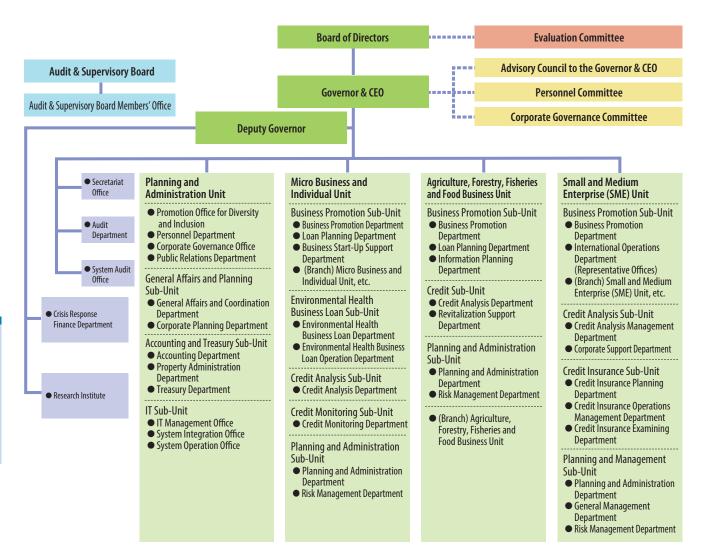
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# **Organization and History**

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# **Organization**

# **Organization Chart of Japan Finance Corporation**



# Directors and Audit & Supervisory Board Members (as of June 24, 2025)

Governor & CEO	TANAKA Kazuho	Managing Director	SHINBORI Kenji	External Executive Director	KURIHARA Mitsue
Deputy Governor	OKAZAKI Buntarou	Managing Director	MIZUTANI Yasuhisa	External Executive Director	SATO Yujiro
Senior Managing Director	IWAMOTO Tatsuhiro	Managing Director	KITAMURA Hidekazu	Audit & Supervisory Board Member	MITA Yoshihiro
Senior Managing Director	TOKIWA Mitsuo	Executive Director	YOSHINAGA Toshio	External Audit & Supervisory Board Member	ITO Shoji
Senior Managing Director	YONEDA Kenzo	Executive Director	YOKOO Kosuke	External Audit & Supervisory Board Member	MIYAGI Noriko
Senior Managing Director	SADAMITSU Yuki	Executive Director	IKEDA Satoshi	External Audit & Supervisory Board Member	OHTANI Akihiro
Managing Director	MEIHARA Yasushi	Executive Director	KAWAKAMI Ichiro		
Managing Director	CHODA Hiroshi	Executive Director	TAKAHASHI Keiichi		

# **History of JFC**

# [Micro Business and Individual Unit]

	times pasites and marriada sind					
Date	People's Finance Corporation-related events	Environmental Sanitation Business Financing Corporation-related events				
Jun. 1949	People's Finance Corporation established					
Sep. 1967	Environmental Sanitation Business Financing Corporation established					
Oct. 1967	Start of trustee operations for Environmental Sanitation Business Financing Corporation upon its creation					
Jul. 1972		Private financial institutions begin to be engaged directly for trustee operations				
Jan. 1982		Direct loans commenced				
Date	National Life Finance Corporation-related events					
Sep. 1997	Cabinet decision reached on Reorganization and Rationalization Plan for Special Public Corporations covering integration of People's Finance Corporation and Environmental Sanitation Business Financing Corporation					
May 1999	National Life Finance Corporation Act (or Act on Partial Revision of People's Finance Corporation Act) enacted					
Oct. 1999	The People's Finance Corporation changed its name to the National Life Finance Corporation (NLFC) in accordance with the National Life Finance Corporation Act NLFC inherits all rights and duties of the dissolved Environmental Sanitation Business Finance Corporation					
0ct. 2008	JFC is established based on the Japan Finance Corporation Act and excluding assets inherited by the government, inherited all rights and obligations (Micro Business and Individual Unit)					

# [Agriculture, Forestry, Fisheries and Food Business Unit]

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

# [Small and Medium Enterprise (SME) Unit]

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

#### [Japan Finance Corporation]

Apan Finance Corporation]						
Date	Events Events					
Dec. 2005	Cabinet Decision on Important Policy for Administrative Reform					
May 2006	Act on Promotion of Administrative Reform for Realization of Small and Efficient Government enacted					
Jun. 2006	System Design regarding the Reform of Policy-based Finance adopted by the council for the Reform of policy-based Finance					
May 2007	Japan Finance Corporation Act and "Act on Special Measures to Enable Smooth Restructuring of US Forces" established to regulate the operations of the Finance Department for Facilitating Realignment of U.S. Forces Japan					
Oct. 2008	JFC is established based on the Japan Finance Corporation Act JFC inherits all rights and obligations, excluding assets inherited by the government, from the National Life Finance Corporation (NLFC) (now Micro Business and Individual Unit), Agriculture, Forestry and Fisheries Finance Corporation (AFC) (now Agriculture, Forestry and Fisheries and Food Business Unit), Japan Finance Corporation for Small and Medium Enterprise (now Small and Medium Enterprise Unit) and the International Financial Operations (IFOs) of the (former) Japan Bank for International Cooperation (JBIC) (now Japan Bank for International Cooperation (JBIC)) Based on "laws related to establishment of Jws. Forces Japan are inherited as operations to be conducted by the Japan Bank for International Cooperation (JBIC) Operations to Facilitating Realignment of U.S. Forces Japan are inherited as operations to be conducted by the Japan Bank for International Cooperation (JBIC)					
Apr. 2010	Established special account for business related to the Finance Department for Facilitating Realignment of U.S. Forces Japan (Finance Department for Facilitating Realignment of U.S. Forces Japan accounts)					
Aug. 2010	Established special account for business related to the Operations to Facilitate Specific Businesses Promotion (Operations to Facilitate Specific Businesses Promotion accounts)					
Apr. 2011	The Japan Bank for International Cooperation Act enacted. (Decision to separate JBIC from JFC effective April 1, 2012)					
Jul. 2011	Operations to Facilitate Business Restructuring Promotion, etc. commenced					
Mar. 2012	"Laws revising portions of the Okinawa Promotion and Development Special Treatment Act" enacted. It is determined that JFC will merge with the Okinawa Development Finance Corporation (ODFC) from FY2022					
Apr. 2012	JBIC separated from JFC JBIC operations and financial operations for facilitating realignment of U.S. forces in Japan transferred to the Japan Bank for International Cooperation					
Jan. 2014	Operations to Facilitate Business Restructuring Promotion commenced					
Aug. 2020	Operations to Facilitate Development and Supply, etc. Promotion commenced					
Aug. 2021	Operations to Facilitate Business Adaptation Promotion, Operations to Facilitate Business Foundation Reinforcement Promotion, and Operations to Facilitate Business Introduction Promotion commenced					
Mar. 2022	"Laws revising portions of the Okinawa Promotion and Development Special Treatment Act. etc." enacted. It is determined that JFC will merge with the Okinawa Development Finance Corporation (ODFC) from FY2032					
Jan. 2023	Operations to Facilitate Ensuring Supply Promotion commenced					

# **Branch Map**

# [Contact information]

## For inquiries regarding business loans

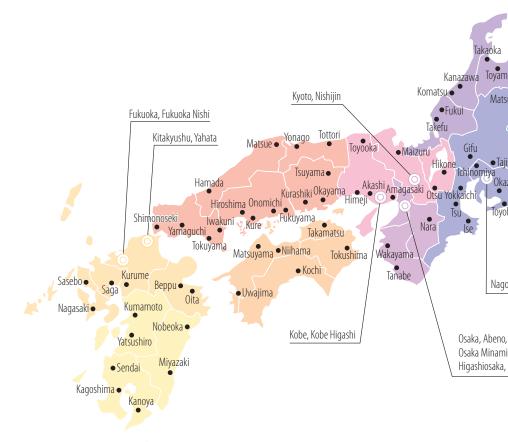
Business loan consultation hotline: 0120-154-505 (toll-free) Tokyo Business Support Plaza: +81-3-3342-3831 Nagoya Business Support Plaza: +81-52-561-6316 Osaka Business Support Plaza: +81-6-6315-0312

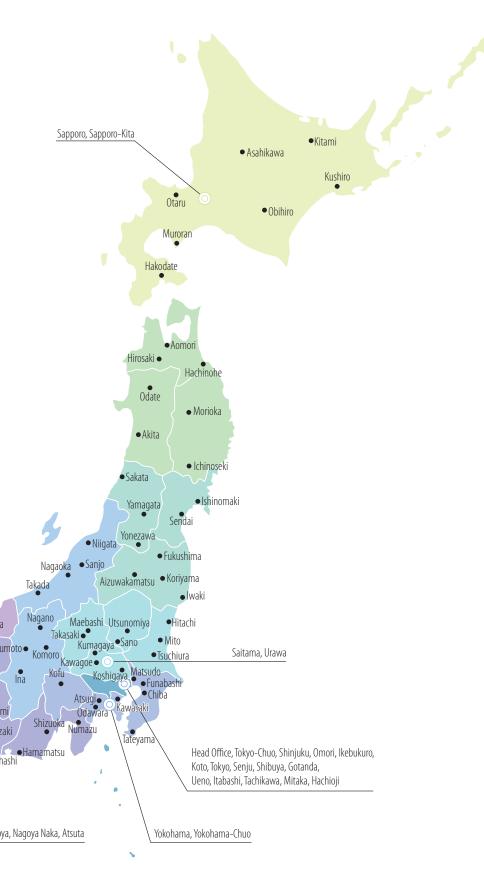
## For inquiries regarding educational loans

Educational Loan Call Center: +81-570-008656 (Navi Dial) +81-3-5321-8656

# Overseas representative offices

Representative Office in Shanghai: +86-21-6275-8908 Representative Office in Bangkok: +66-2-252-5496 Representative Office in Ho Chi Minh City: +84-28-3535-8921





Juso, , Osaka Nishi, Tamade, Moriguchi, Sakai, Izumisano, Suita

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



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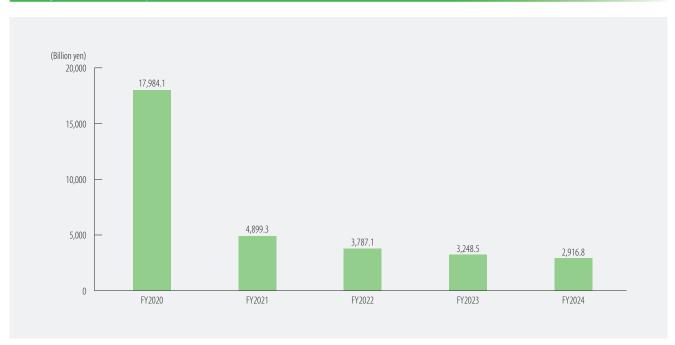
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# **Operational Performances**

# Japan Finance Corporation

# 1 Changes in Annual Loan Operations



# 2 Changes in Outstanding Loans

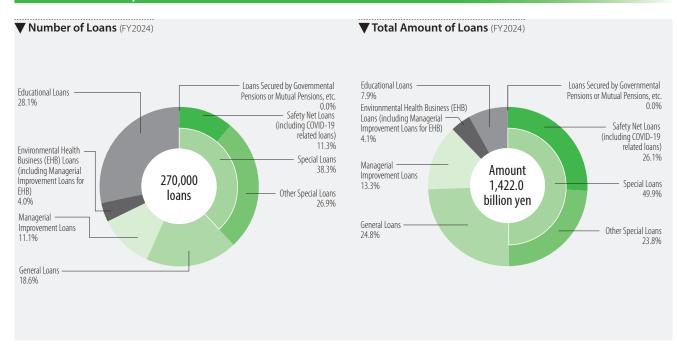


# Micro Business and Individual Unit

# 1 Changes in Annual Loan Operations



# 2 Breakdown of Loans by Scheme



# 3 Changes in Outstanding Loans



# 4 Breakdown of Business Loans Outstanding by Industry

(Billion yen, %)

	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Manufacturing	1,043.0	1,023.4	977.9	888.7	817.9
	(8.8)	(8.7)	(8.7)	(8.7)	(8.6)
Wholesale & Retail	2,362.7	2,320.3	2,220.0	2,033.7	1,880.4
	(19.9)	(19.8)	(19.8)	(19.8)	(19.7)
Restaurants & Hotels	1,475.1	1,448.3	1,372.4	1,254.4	1,155.8
	(12.4)	(12.3)	(12.3)	(12.2)	(12.1)
Services	3,106.8	3,098.3	2,971.4	2,743.8	2,574.3
	(26.2)	(26.4)	(26.5)	(26.7)	(27.0)
Construction	1,870.1	1,880.1	1,811.1	1,667.7	1,549.5
	(15.7)	(16.0)	(16.2)	(16.2)	(16.3)
Others	2,016.7	1,964.2	1,847.9	1,684.6	1,545.7
	(17.0)	(16.7)	(16.5)	(16.4)	(16.2)
Total	11,874.6	11,734.8	11,201.0	10,273.3	9,523.8
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Notes: 1. Loans comprise General Loans and Environmental Health Business Loans.

- 2. Industries are in accordance with the Japan Standard Industrial Classification as revised in March 2002.
- 3. Figures in parentheses denote percentage of shares.

## 5 Breakdown of Environmental Health Business Loans Outstanding by Industry

(Billion yen, %)

	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Restaurant-related	233.0	222.7	211.7	200.2	199.6
Services	(54.4)	(54.3)	(54.4)	(54.6)	(55.2)
Beauty parlors	89.9	88.8	85.4	81.0	80.8
	(21.0)	(21.6)	(21.9)	(22.1)	(22.3)
Hotels	63.2	59.6	55.1	51.0	48.3
	(14.8)	(14.5)	(14.2)	(13.9)	(13.4)
Barbershops	21.6	20.4	19.0	17.6	16.7
	(5.0)	(5.0)	(4.9)	(4.8)	(4.6)
Public baths	7.6	6.9	6.4	6.0	5.8
	(1.8)	(1.7)	(1.6)	(1.6)	(1.6)
Laundries	8.5	8.0	7.6	6.9	6.6
	(2.0)	(1.9)	(2.0)	(1.9)	(1.8)
Meat shops	2.9	2.8	2.6	2.5	2.5
	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Entertainment facilities	0.7	0.6	0.6	0.6	0.6
	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)
Others	0.3	0.3	0.2	0.2	0.2
	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total	428.0	410.4	389.1	366.5	361.6
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Note: Figures in parentheses denote percentage of shares.

## 6 Breakdown of Outstanding Loans by Use

(Billion yen, %)

	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Operating funds	10,071.6	10,073.4	9,632.6	8,767.9	8,038.8
	(84.8)	(85.8)	(86.0)	(85.3)	(84.4)
Facility funds	1,803.0	1,661.4	1,568.3	1,505.3	1,484.9
	(15.2)	(14.2)	(14.0)	(14.7)	(15.6)
Total	11,874.6	11,734.8	11,201.0	10,273.3	9,523.8
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Notes: 1. Loans comprise General Loans and Environmental Health Business Loans.

## 7 Number of Borrowers

(Number of borrowers)

	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Number of borrowers	1,177,346	1,197,384	1,197,327	1,170,623	1,157,423

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

## 8 Average Loan Balance per Business

(Thousand yen)

	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Average loan balance per business	10,085	9,800	9,355	8,775	8,228

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

## 9 Educational Loans Outstanding, etc.

(Billion yen)

	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Educational Loans	963.9	958.5	954.0	938.2	902.7
Loans Secured by Governmental Pensions and Mutual Pensions, etc.	4.2	2.8	1.2	0.4	0.1

<sup>2.</sup> Figures in parentheses denote percentage of shares.

## 10 Breakdown of Loans by Credit Amount

(Number of loans, %)

					(Number of loans, 70)
	FY2020	FY2021	FY2022	FY2023	FY2024
Up to 3 million yen	229,761	80,952	71,898	68,020	83,924
	(26.6)	(32.2)	(34.7)	(36.1)	(42.5)
Over 3 million yen and up to 5 million yen	151,201	48,677	41,443	38,403	40,887
	(17.5)	(19.3)	(20.0)	(20.4)	(20.7)
Over 5 million yen and up to 8 million yen	102,930	34,259	27,116	24,659	23,044
	(11.9)	(13.6)	(13.1)	(13.1)	(11.7)
Over 8 million yen	379,998	87,856	66,696	57,103	49,740
	(44.0)	(34.9)	(32.2)	(30.3)	(25.2)
Total	863,890	251,744	207,153	188,185	197,595
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Notes:1. Loans comprise General Loans and Environmental Health Business Loans.

## 11 Breakdown of Loans by Number of Employees of Borrowers

(Number of Ioans, %)

	FY2020	FY2021	FY2022	FY2023	FY2024
4 or fewer	564,073	185,748	151,568	134,821	141,968
	(65.3)	(73.8)	(73.2)	(71.6)	(71.8)
5–9	167,596	39,944	33,512	31,539	32,025
	(19.4)	(15.9)	(16.2)	(16.8)	(16.2)
10–19	80,433	16,783	14,018	13,760	14,574
	(9.3)	(6.7)	(6.8)	(7.3)	(7.4)
20 or more	51,785	9,269	8,055	8,065	9,028
	(6.0)	(3.7)	(3.9)	(4.3)	(4.6)
Total	863,887	251,744	207,153	188,185	197,595
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Notes: 1. Loans comprise General Loans and Environmental Health Business Loans.

## 12 Breakdown of Loans by Type of Collateral

(Number of loans, %)

		FY2020	FY2021	FY2022	FY2023	FY2024
No	collateral	857,271 (99.2)	247,087 (98.2)	203,107 (98.1)	183,512 (97.5)	189,814 (96.1)
	Real estate (including partial collateral)	6,602 (0.8)	4,640 (1.8)	4,033 (1.9)	4,657 (2.5)	7,771 (3.9)
teral	Securities	1 (0.0)	— (—)	1 (0.0)	1 (0.0)	1 (0.0)
Collateral	Credit Guarantee Corporations (CGCs)	<u> </u>	<u> </u>		— (—)	
	Others	<u> </u>	<u> </u>	 ( <u></u> )	<u> </u>	_ ( <u>—</u> )
Tota	al	863,874 (100.0)	251,727 (100.0)	207,141 (100.0)	188,170 (100.0)	197,586 (100.0)

Notes: 1. Loans comprise General Loans and Environmental Health Business Loans.

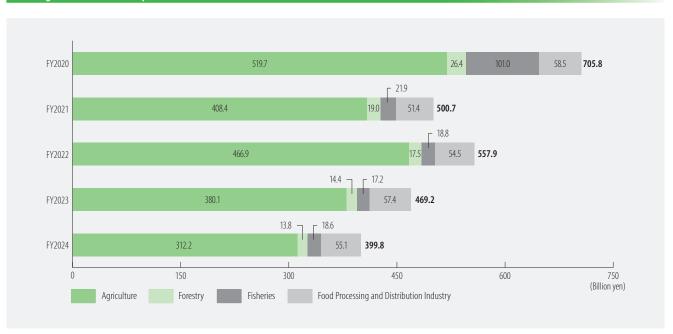
- 2. Figures in parentheses denote percentage of shares.
- 3. Partial collateral refers to real estate or other collateral whose estimated values do not reach amounts borrowed. Partial collateral of "Securities," "Credit Guarantee Corporations" and "Others" are included in "Real estate."

<sup>2.</sup> Figures in parentheses denote percentage of shares.

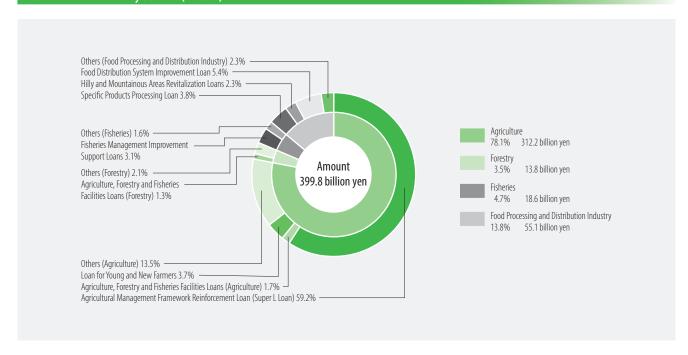
<sup>2.</sup> Figures in parentheses denote percentage of shares.

# Agriculture, Forestry, Fisheries and Food Business Unit

## 1 Changes in Annual Loan Operations



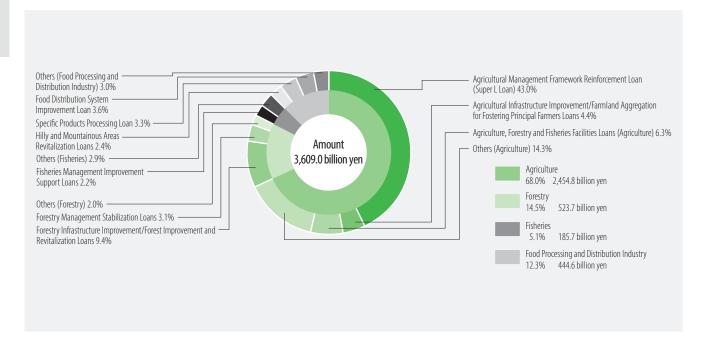
## 2 Breakdown of Loans by Scheme (FY2024)



## 3 Changes in Outstanding Loans



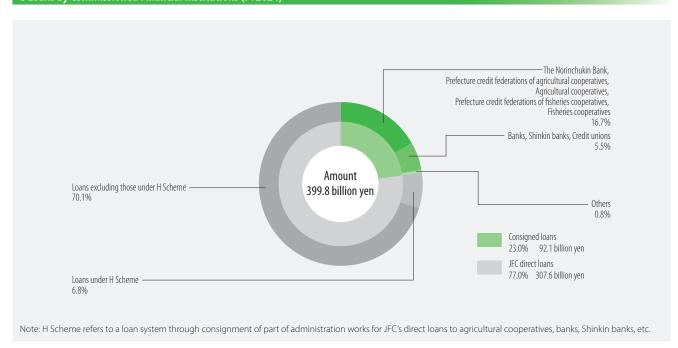
## 4 Breakdown of Outstanding Loans by Sector and Use (End of FY2024)



## 5 Loans by Repayment Period (FY2024)

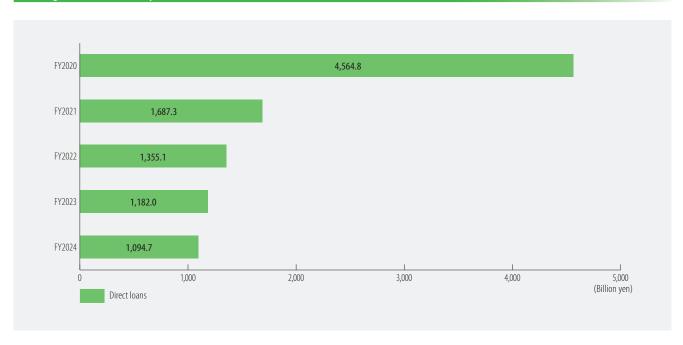


## 6 Loans by Commissioned Financial Institutions (FY2024)

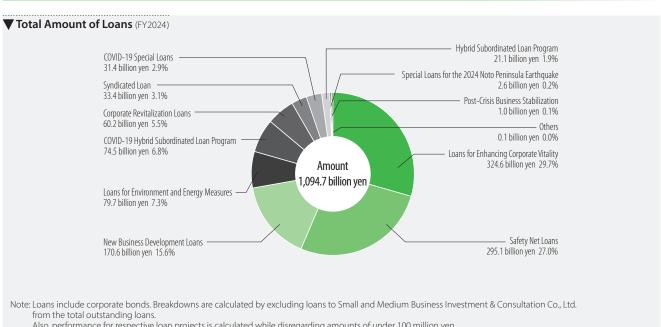


# **I. Loan Programs**

## 1 Changes in Annual Loan Operations

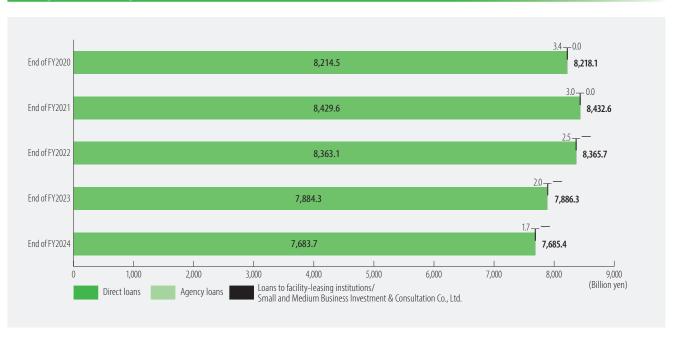


## 2 Breakdown of Loans by Scheme



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 FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Manufacturing	3,220.1	3,231.1	3,222.2	3,049.3	2,978.2
	(39.2)	(38.3)	(38.5)	(38.7)	(38.8)
Construction	516.4	534.4	527.1	488.3	470.8
	(6.3)	(6.3)	(6.3)	(6.2)	(6.1)
Wholesale & retail	1,413.7	1,450.1	1,436.4	1,324.4	1,276.2
	(17.2)	(17.2)	(17.2)	(16.8)	(16.6)
Transport & telecom-	850.6	888.7	903.1	884.6	882.4
munications	(10.4)	(10.5)	(10.8)	(11.2)	(11.5)
Services	1,488.9	1,608.2	1,585.4	1,496.1	1,447.4
	(18.1)	(19.1)	(19.0)	(19.0)	(18.8)
Others	728.1	719.8	691.2	643.4	630.4
	(8.9)	(8.5)	(8.3)	(8.2)	(8.2)
Total	8,218.0	8,432.6	8,365.7	7,886.3	7,685.4
	(100.0)	(100.0)	(100.0)	(100.0)	(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.

## 5 Breakdown of Outstanding Loans by Use

(Billion yen, %)

	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Operating funds	5,919.4	6,184.6	6,090.7	5,566.1	5,274.8
	(72.0)	(73.3)	(72.8)	(70.6)	(68.6)
Facility funds	2,298.5	2,247.9	2,274.9	2,320.2	2,410.6
	(28.0)	(26.7)	(27.2)	(29.4)	(31.4)
Total	8,218.0	8,432.6	8,365.7	7,886.3	7,685.4
	(100.0)	(100.0)	(100.0)	(100.0)	(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.

<sup>2.</sup> Figures in parentheses denote percentage of shares.

<sup>2.</sup> Figures in parentheses denote percentage of shares.

## **6 Number of Borrowers**

(Number of borrowers)

	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Number of borrowers	61,074	62,010	62,004	58,249	57,345

Note: Figures cover only businesses with direct loans.

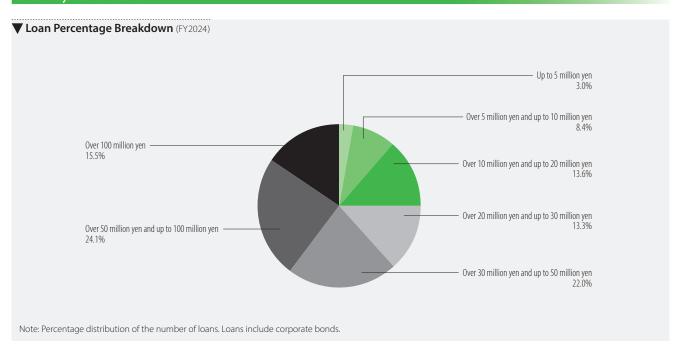
## 7 Average Loan Balance per Business

(Millions of yen)

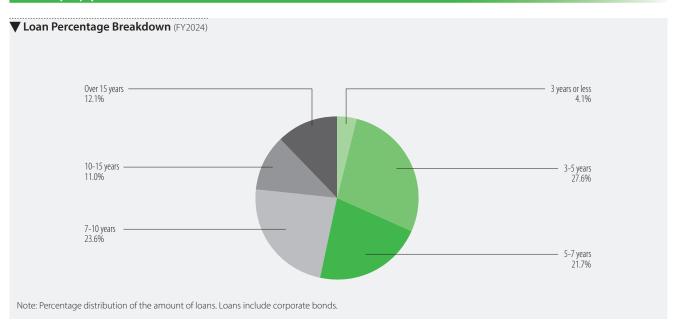
	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Average loan balance per business	134	135	134	135	133

Note: Figures cover only businesses with direct loans.

## **8 Loans by Credit Amount**



## 9 Loans by Repayment Period



# **II. Credit Insurance Programs**

(Billion yen)

Items	FY2020	FY2021	FY2022	FY2023	FY2024
Amounts of insurance acceptance and loans					
Small Business Credit Insurance	33,210.6	8,768.4	7,762.0	9,555.1	8,309.6
Loans to CGCs	_	_	_	_	_
Special Insurance for Mid-size Enterprises	_	_	_	_	_
Outstanding amounts of insurance and loans					
Small Business Credit Insurance	42,416.1	42,092.3	40,671.3	36,627.6	34,525.9
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 31,2025.

# **III. Securitization Support Programs**

(Billion yen)

Items	FY2020	FY2021	FY2022	FY2023	FY2024
Financing support amount					
Purchase-type	17.0	34.3	41.0	45.4	66.2
Guarantee-type	<u> </u>	_	_		
Outstanding amount of financing support					
Purchase-type	65.9	71.6	84.8	102.9	139.6
Guarantee-type	_	_	_		
Outstanding amounts of trust beneficiary rights and guaranteed liabilities					
Purchase-type (outstanding amount of trust beneficiary rights)	12.9	15.4	23.1	20.2	19.1
Purchase-type (outstanding amounts of asset-backed securities)	17.8	21.6	23.2	22.5	23.7
Guarantee-type (outstanding amount of guaranteed liabilities)	0.0	0.0	0.0	0.0	0.0
Standby Letter of Credit Program (outstanding amount of guaranteed liabilities)	5.0	4.9	4.9	5.4	4.5

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 Trading. (Note)
- 5. Outstanding amounts of trust beneficiary rights and guaranteed liabilities are as of March 31, 2025.

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

## 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	FY2024
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	8.9

- Notes: 1. The figures for the two-step loans refer to the amounts of loans JFC provided to the designated financial institutions (Development Bank of Japan Inc. and The Shoko Chukin Bank, Ltd.) through the end of March 2025.
  - 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 2025, with loss compensation underwritten by JFC for losses incurred until May 10, 2025. 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 2024 (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 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	FY2024
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	_	0.1
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 2025.
  - 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	FY2024
Operations to Facilitate Business Adaptation Promotion	_	_	_	_	_	_	_	_	_	_	_	_	1	93	195

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 2024 (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, 2025)

Items	Amount	Items	(Millions of yer
Assets	7111104111	Liabilities	711104111
Cash and due from banks	7,925,270	Borrowed money	14,024,431
Cash	11	Borrowings	14,024,431
Due from banks	7,925,259	Bonds payable	555,916
Securities	244,985	Entrusted funds	18,953
Government bonds	220,961	Reserve for insurance policy liabilities	1,326,593
Corporate bonds	19,008	Other liabilities	29,017
Stocks	2,530	Accrued expenses	5,947
Other securities	2,485	Contract liability	7,183
Loans and bills discounted	23,907,898	Unearned revenue	76
Loans on deeds	23,907,898	Derivatives other than for trading-liabilities	820
Other assets	42,607	Lease obligations	5,130
Prepaid expenses	134	Other	9,859
Accrued income	19,628	Provision for bonuses	5,782
Derivatives other than for trading-assets	956	Provision for directors' bonuses	25
Agency accounts receivable	645	Provision for retirement benefits	97,999
Other	21,241	Provision for directors' retirement benefits	68
Property, plant and equipment	190,664	Reserve for compensation losses	29,865
Buildings	46,708	Acceptances and guarantees	28,267
Land	138,135	Total liabilities	16,116,921
Lease assets	4,221	Net assets	
Construction in progress	933	Capital stock	11,768,625
Other	665	Capital surplus	5,512,200
Intangible assets	46,887	Special reserve for administrative improvement funds	181,500
Software	31,911	Legal capital surplus	5,330,700
Lease assets	267	Retained earnings	(2,111,871)
Other	14,708	Legal retained earnings	151,119
Customers' liabilities for acceptances and guarantees	28,267	Other retained earnings	(2,262,990)
Allowance for loan losses	(1,100,826)	Retained earnings brought forward	(2,262,990)
		Total shareholders' equity	15,168,955
		Valuation difference on available-for-sale securities	(121)
		Total valuation and translation adjustments	(121)
		Total net assets	15,168,833
Total assets	31,285,755	Total liabilities and net assets	31,285,755

## **Statement of Operations** (Year ended March 31, 2025)

(Millions of yen)

Items	Amount
Ordinary income	629,051
Interest income	238,242
Interest on loans and discounts	228,261
Interest and dividends on securities	739
Interest on deposits with banks	9,240
Other interest income	0
Fees and commissions	3,330
Fees and commissions on compensation security contract	3,067
Other fees and commissions	262
Insurance premiums and other	324,022
Insurance premiums	155,419
Receipts of burden charges under the Responsibility-sharing System	12,224
Reversal of reserve for insurance policy liabilities	156,377
Other ordinary income	307
Income from derivatives other than for trading or hedging	307
Receipts from the national budget	57,938
Receipts from general account of the national budget	57,740
Receipts from special account of the national budget	197
Other income	5,209
Recoveries of written-off claims	827
Gain on sales of stocks and other securities	213
Other	4,168
Ordinary expenses	829,798
Interest expenses	30,956
Interest on call money	26
Interest on borrowings and rediscounts	27,960
Interest on bonds	2,969
Fees and commissions payments	2,759
Other fees and commissions	2,759
Expenses on insurance claims and other	369,780
Expenses on insurance claims	439,044
Recoveries of insurance claims	(69,263)
Other ordinary expenses	11,168
Loss on foreign exchange transactions	664
Amortization of bond issuance cost	165
Interest subsidies	10,338
General and administrative expenses	147,324
Other expenses	267,808
Provision of allowance for loan losses	207,000
Provision of reserve for compensation losses	20,164
Written-off of loans	32,639
Other	
Ordinary loss	9,995 <b>200,746</b>
extraordinary income	
·	38
Gain on disposal of noncurrent assets	38
extraordinary losses	150
Loss on disposal of noncurrent assets	132
Impairment loss	200,858

## Statement of Changes in Net Assets (Year ended March 31, 2025)

											(Millions of yen)
				Sharehold	ers' equity				Valuation an adjust		
	Capital stock	Special reserve for administrative improvement	Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings  Retained earnings	Total retained earnings	Total shareholders' equity	Valuation difference on available-for- sale securities	Total valuation and translation adjustments	Total net assets
		funds				brought forward					
Balance at the beginning 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
Changes of items during the period											
Issuance of new shares	147		46,600	46,600				46,747			46,747
Provision of legal retained earnings					149,743	(149,743)	_	_			_
Reversal of legal retained earnings					(1,840)	1,840	_	_			_
Payment to the national treasury						(34)	(34)	(34)			(34)
Net income (loss)						(200,858)	(200,858)	(200,858)			(200,858)
Net changes of items other than shareholders' equity									(233)	(233)	(233)
Total changes of items during the period	147	_	46,600	46,600	147,902	(348,794)	(200,892)	(154,144)	(233)	(233)	(154,378)
Balance at the end of current period	11,768,625	181,500	5,330,700	5,512,200	151,119	(2,262,990)	(2,111,871)	15,168,955	(121)	(121)	15,168,833

#### Notes to Financial Statements > Japan Finance Corporation

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 ¥477,401 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: ¥1,100,826 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 credit risk of borrowers, who have missed their repayment deadlines but have been provided with moratoriums of repayments due to effects from COVID-19, etc. 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, JFC made necessary corrections to the anticipated loss rate by assuming that deterioration in credit risk on a level similar to that of borrowers provided with moratoriums of repayments in the past would occur for borrowers who were provided with moratoriums of repayments on loans whose repayment had been repeatedly deferred several times and loans related to COVID-19 due to the effect of COVID-19, etc., 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.

(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: ¥1,326,593 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: ¥29,865 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.

### Issued but not yet adopted accounting standards and others

Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

#### 1. Overview

As part of efforts to make Japanese accounting standards internationally consistent, the Accounting Standards Board of Japan (ASBJ) conducted an examination based on international accounting standards with a view to the development of an accounting standard for leases that recognizes assets and liabilities for all leases of a lessee. As its basic policy, the ASBJ announced an accounting standard for leases, etc. whose basis would be the single lessee accounting model under IFRS 16, but would be simple and highly convenient and would aim to require basically no revisions even when IFRS 16 stipulations are applied to non-consolidated financial statements by incorporating only the main stipulations of IFRS 16 rather than all of them.

For the accounting treatment of lessees, the single lessee accounting model, in which similar to IFRS 16, depreciation on rightof-use assets and an amount equivalent to interest on lease liabilities are recorded for all leases regardless of whether the leases are finance or operating leases, will be adopted as the method of allocating the cost of the leases of a lessee.

2. Scheduled date of application

This accounting standard, etc. will be applied from the beginning of the fiscal year ending March 2028.

3. Effects of the application of this accounting standard, etc.

The impact on the financial statements from the application of this accounting standard, etc. is currently under review.

## 2. Equity securities of affiliates

Equity securities of affiliates is ¥2,530 million.

### 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: ¥33,738 million

The amount of claims under high risk: ¥1,040,591 million

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥1,513,337 million

The amount of claims with interest or principal repayments more than 3 months in arrears: ¥1,282 million

The amount of restructured claims: ¥1,512,055 million

Subtotal amount: ¥2,587,667 million

The amount of normal claims: ¥21,366,249 million

Total amount: ¥23,953,916 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, 2025 is ¥93,068 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 ¥14,332 million. Of this amount, ¥1,662 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 ¥555,916 million.

### 5. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥52,811 million.

## 6. Amount of compensation security contract

(Millions of yen)

The total amount of compensation outstanding (34,073 contracts)	1,244,368
Reserve for compensation	29,865
Net amount	1,214,503

## 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.

## 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, 2025, 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	21,851,825,305,741	46,747,743,000	_	21,898,573,048,741

(Note) Increase is due to the issuance of 46,747,743,000 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

<sup>\*1</sup> 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).

<sup>\*2</sup> 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).

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 largescale 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.

The specific risk management method 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.

## (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, 2025 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥81,035 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 ¥77,986 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, 2025 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥9,744 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 ¥8,949 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) Ouantification 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, 2025 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥90,642 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 ¥85,873 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, 2025 will cause the fair value after netting (assets) of the financial assets and financial liabilities held in this account to increase by ¥975 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 ¥910 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, 2025, 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 ven)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	7,925,270	7,804,231	(121,038)
(2) Securities			
Held-to-maturity debt securities	220,975	215,903	(5,071)
Available-for-sale securities	18,995	18,995	_
(3) Loans and bills discounted	23,907,898		
Allowance for loan losses (*1)	(1,098,724)		
	22,809,174	22,418,041	(391,132)
Total assets	30,974,414	30,457,171	(517,243)
(1) Borrowings	14,024,431	13,535,016	(489,414)
(2) Bonds payable	555,916	549,991	(5,924)
Total liabilities	14,580,348	14,085,008	(495,339)
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	136	136	_
Derivative transactions qualifying for hedge accounting	_	_	_
Total derivative transactions	136	136	_

<sup>(\*1)</sup> General allowance for loan losses and specific allowance for loan losses have been deducted from loans.

(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.

Classification	Carrying amount on the balance sheet
Unlisted stocks (*1)	2,530
Partnership investments (*2)	2,485

<sup>(\*1)</sup> 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)	2,661,259	2,500,000	2,150,000	314,000	300,000	_
Securities						
Held-to-maturity debt securities	13	_	200,000	_	_	21,068
Available-for-sale securities	7,023	12,092	0	_	_	_
Loans and bills discounted (*2)	3,872,250	6,502,702	4,985,006	3,367,653	2,790,427	2,094,841
Total	6,540,546	9,014,795	7,335,006	3,681,653	3,090,427	2,115,909

<sup>(\*1)</sup> Demand deposits contained within due from banks are stated as "Maturities within one year."

(Note 3) Redemption schedule for bonds and borrowings with future redemption dates

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings (*)	2,866,001	3,962,494	2,880,030	1,726,472	1,689,707	899,725
Bonds payable	110,000	230,900	130,000	85,000	_	_
Total	2,976,001	4,193,394	3,010,030	1,811,472	1,689,707	899,725

<sup>(\*)</sup> In borrowings, general account borrowings with no redemption period stipulated are stated as "Maturities within one year."

<sup>(\*2)</sup> 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.

<sup>(\*2)</sup> 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.

<sup>(\*2)</sup> Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contain an amount of ¥295,016 million that is not expected to be redeemed and not included in the table above.

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, 2025)

(Millions of yen)

Classification	Fair value					
Classification	Level 1	Level 2	Level 3	Total		
Securities						
Available-for-sale securities						
Corporate bonds	_	_	18,995	18,995		
Derivative transactions						
Credit derivatives	_	_	956	956		
Total assets	_	_	19,951	19,951		
Derivative transactions						
Currency related	_	14	_	14		
Credit derivatives	_	_	805	805		
Total liabilities	_	14	805	820		

#### (2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2025)

(Millions of ven)

				(Millions of yen)		
Classification	Fair value					
Classification	Level 1	Level 2	Level 3	Total		
Cash and due from banks	_	7,804,231	_	7,804,231		
Securities						
Held-to-maturity debt securities						
Government bonds	215,889	_	_	215,889		
Corporate bonds	_	13	_	13		
Loans and bills discounted	_	2,616,802	19,801,239	22,418,041		
Total assets	215,889	10,421,047	19,801,239	30,438,176		
Borrowings	_	13,528,323	6,692	13,535,016		
Bonds payable	_	549,991	_	549,991		
Total liabilities	_	14,078,315	6,692	14,085,008		

(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 quarantee. 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 Ioan.

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

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

f. 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, etc. 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

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, 2025)

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

(2) Adjustment table from the beginning balance to the ending balance, appraised profits or losses that are recognized in profits/ losses for the current fiscal year (March 31, 2025)

		year or valuation	d losses in the fiscal uation and translation djustments					Appraised profits or losses of financial
	Beginning balance	Recorded in profits and losses (*1)	Recorded in valuation and translation adjustments (*2)	Net amount of purchase, selling, issuance and settlement	Transfer to level 3 fair value	Transfer from level 3 fair value	Ending balance	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)
Securities								
Available- for-sale securities								
Corporate bonds	20,223	_	(76)	(1,151)	_	_	18,995	
Derivative transactions								
Credit deriv- atives (*3)	64	87	_	_	_	_	151	73

<sup>(\*1)</sup> 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) 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, 2025 is as follows:

## (a) Held-to-maturity debt securities with fair value

	Туре	Carrying amount on the balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities whose fair value does	Japanese government bonds	220,961	215,889	(5,071)
not exceed their carrying amount	Corporate bonds	13	13	_
Total		220,975	215,903	(5,071)

#### (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

<sup>(\*3)</sup> Derivative transactions that are recorded as assets/liabilities of derivatives other than for trading or hedging are recorded in a lump sum.

## (c) Available-for-sale securities

	Туре	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount does	Corporate bonds	18,995	19,116	(121)
not exceed their acquisition cost	Others	309,800	309,800	_
Total		328,795	328,916	(121)

(Note) Amount of stocks and others without quoted market prices reported on the balance sheet not included in the table above

	Carrying amount on the balance sheet (Millions of yen)
Unlisted stocks	0
Partnership investments	2,485

## (d) Available-for-sale securities sold in the fiscal year in review (from April 1, 2024 to March 31, 2025)

	Sales amount (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
Stocks	4	2	_
Others	66	66	_
Total	70	69	_

### 12. Deferred tax accounting

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

#### 13. Retirement benefits

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

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

## Defined benefits plan

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

Opening balance of projected benefit obligations	161,347 million yen
Service cost	5,671
Interest cost	1,774
Actuarial difference	(10)
Payment of retirement benefits	(7,628)
Prior service cost	_
Other	<u>-</u>
Closing balance of projected benefit obligations	161,154

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

Opening balance of fair value of plan assets	72,521 million yen
Expected return on plan assets	1,450
Actuarial difference	(2,657)
Financing from employer	3,143
Payment of retirement benefits	(3,205)
Other	<u></u>
Closing balance of fair value of plan assets	<u>71,252</u>

(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	71,489 million yen
Fair value of plan assets	(71,252)
	236
Projected benefit obligations of unfunded plan	89,664
Unfunded pension obligations	89,901
Actuarial unrecognized difference	6,879
Unrecognized prior service cost	1,218
Net amount of liabilities and assets recorded on the balance sheet	97,999
Provision for retirement benefits	97,999
Prepaid pension cost	
Net amount of liabilities and assets recorded on the balance sheet	97,999

(4) Net pensions cost and breakdown of included items

5,671 million yen
1,774
(1,450)
1,446
(345)
<u>7,097</u>

- (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	28%
Debentures	61%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

Discount rate
 Long-term expected rate of return on plan assets
 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 ¥392 million.

### 14. Profit and loss on equity method

Investment in affiliates \$\text{2,530 million}\$
Investment in affiliates (equity method) \$\text{2,389 million}\$
Loss on investment in affiliates (equity method) \$\text{129 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 ¥3,001 million.
  - (2) The total transaction price allocated to remaining performance obligations at the last day of the current fiscal year amounts to  $\pm$ 7,183 million. The amount and the period of revenue recognition expected for remaining performance obligations are as follows:

(Millions of ven)

	Current fiscal year
Within one year	1,440
Over one year	5,743
Total	7,183

### 16. Related party transactions

Related party transactions in the fiscal year ended March 31, 2025 are as follows:

#### Transactions with parent company and major shareholder companies

(Millions of ven)

Classification	Corporate name	Ratio to Total Voting Rights(%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2025		
		98.44 (Direct)			Underwriting of capital increase <sup>(Note iii)</sup>	46,724	_	_	
				Receipts from general account of the national budget	10,396	_	_		
	Ministry of		e 98.44 (Direct) fo		Receipt of funds <sup>(Note iv)</sup>	1,525,160	Downsia	13,000,064	
Principal shareholder	Finance (Minister of			Financé 98.44 (Direct)	Administration for policy based	i Repaymentor i	3,283,077	Borrowings	13,889,964
	Finance) <sup>(Notes i and ii)</sup>			financing -	Payment of	27,960	Accrued expenses	4,308	
					Deposit of funds <sup>(Note v)</sup> 5,60	5,605,600	Due from banks	7,076,900	
		Refund of funds					6,219,600		
				Guarantee for bonds payable <sup>(Note vi)</sup>		270,021	_	_	

(Notes)

(ii) 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)

-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)

(ii) Transactions with the ministries and agencies other than Ministry of Finance are as follows:
-Ministry of Health, Labour and Welfare

Underwriting of capital increase ¥15 million -Ministry of Economy, Trade and Industry

Underwriting of capital increase ¥8 million

-Cabinet Office Receipts from the national budget

¥20 million

-Ministry of Health, Labour and Welfare Receipts from the national budget -Ministry of Agriculture, Forestry and Fisheries

¥2,138 million

Receipts from the national budget

¥29,813 million

-Ministry of Economy, Trade and Industry Receipts from the national budget -Agency for Natural Resources and Energy

Receipts from the national budget

¥249 million ¥0 million

-Small and Medium Enterprise Agency Receipts from the national budget

¥15,311 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

¥1,212 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.

1.35%

## 17. Per share information

Net assets per share ¥0.69 Net loss per share ¥0.00

## 18. Subsequent events

Issuance of New Shares

JFC plans to issue new shares with the Ministry of Finance (Minister of Finance) as set forth below pursuant to a resolution of the Board of Directors adopted on June 3, 2025.

Overview of the new shares issue

(a) Account for Agriculture, Forestry, Fisheries and Food Business Operations

Type and number of shares to be issued	64,000,000 common shares
Issue price	1 yen per share
Total issue price	64,000,000 yen
Paid-in capital	1 yen per share
Paid-in capital reserves	0 yen per share
Total paid-in capital	64,000,000 yen
Total paid-in capital reserves	0 yen
Payment period	From June 30, 2025 to July 7, 2025
Use of capital	Funding for substantively unsecured and unguaranteed Young Farmer Business Start-up Loan, etc.

## (b) Account for Credit Insurance Programs

Type and number of shares to be issued	46,100,000,000 common shares
Issue price	1 yen per share
Total issue price	46,100,000,000 yen
Paid-in capital	0 yen per share
Paid-in capital reserves	1 yen per share
Total paid-in capital	0 yen
Total paid-in capital reserves	46,100,000,000 yen
Payment period	From June 30, 2025 to July 7, 2025
Use of capital	Reinforcement of insurance foundations and stable operation of systems

## (c) Account for Operations to Facilitate Crisis Responses

Type and number of shares to be issued	10,000,000 common shares
Issue price	1 yen per share
Total issue price	10,000,000 yen
Paid-in capital	1 yen per share
Paid-in capital reserves	0 yen per share
Total paid-in capital	10,000,000 yen
Total paid-in capital reserves	0 yen
Payment period	From June 30, 2025 to July 7, 2025
Use of capital	Source of funds for compensation security

# Balance Sheet (as of March 31, 2025)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	87,414	Borrowed money	4,809,224
Cash	7	Borrowings	4,809,224
Due from banks	87,407	Bonds payable	225,021
Loans and bills discounted	10,096,650	Other liabilities	11,065
Loans on deeds	10,096,650	Accrued expenses	2,457
Other assets	11,547	Lease obligations	3,172
Prepaid expenses	123	Other	5,435
Accrued income	7,494	Provision for bonuses	3,529
Agency accounts receivable	360	Provision for directors' bonuses	8
Other	3,568	Provision for retirement benefits	59,377
Property, plant and equipment	92,968	Provision for directors' retirement benefits	24
Buildings	26,100	Total liabilities	5,108,251
Land	63,545	Net assets	
Lease assets	2,607	Capital stock	5,790,633
Construction in progress	289	Capital surplus	181,500
Other	425	Special reserve for administrative improvement funds	181,500
Intangible assets	25,250	Retained earnings	(1,207,623
Software	15,996	Other retained earnings	(1,207,623
Lease assets	167	Retained earnings brought forward	(1,207,623
Other	9,085	Total shareholders' equity	4,764,510
Allowance for loan losses	(441,068)	Total net assets	4,764,510
Total assets	9,872,762	Total liabilities and net assets	9,872,762

# Statement of Operations (Year ended March 31, 2025)

(Millions of yen)

Items	Amount
Ordinary income	143,301
Interest income	128,016
Interest on loans and discounts	127,960
Interest on deposits with banks	55
Receipts from the national budget	13,621
Receipts from general account of the national budget	13,621
Other income	1,664
Recoveries of written-off claims	548
Other	1,115
Ordinary expenses	303,317
Interest expenses	6,197
Interest on call money	16
Interest on borrowings and rediscounts	5,884
Interest on bonds	296
Fees and commissions payments	585
Other fees and commissions	585
Other ordinary expenses	101
Amortization of bond issuance cost	101
General and administrative expenses	88,719
Other expenses	207,713
Provision of allowance for loan losses	178,465
Written-off of loans	28,939
Other	308
Ordinary loss	160,015
Extraordinary income	37
Gain on disposal of noncurrent assets	37
Extraordinary losses	150
Loss on disposal of noncurrent assets	132
Impairment loss	17
Net loss	160,128

# Statement of Changes in Net Assets (Year ended March 31, 2025)

(Millions of ven)

							(Millions of yer
	Shareholders' equity						
		Capital surplus Retained earnings					
Ca	Capital stock	Special reserve for administra-	Total capital	Other retained earnings	Total retained	Total share- holders' equity	Total net assets
		tive improve- ment funds	surplus	surplus Retained earnings earnings brought forward	notatio equity		
Balance at the beginning of current period	5,790,568	181,500	181,500	(1,047,494)	(1,047,494)	4,924,573	4,924,573
Changes of items during the period							
Issuance of new shares	65					65	65
Net income (loss)				(160,128)	(160,128)	(160,128)	(160,128)
Total changes of items during the period	65	_	_	(160,128)	(160,128)	(160,062)	(160,062)
Balance at the end of current period	5,790,633	181,500	181,500	(1,207,623)	(1,207,623)	4,764,510	4,764,510

# Notes to Financial Statements > Account for Micro Business and Individual Operations

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 ¥329,597 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: ¥441,068 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 credit risk of borrowers, who have missed their repayment deadlines but have been provided with moratoriums of repayments due to effects from COVID-19, etc. 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, JFC made necessary corrections to the anticipated loss rate by assuming that deterioration in credit risk on a level similar to that of borrowers provided with moratoriums of repayments in the past would occur for borrowers who were provided with moratoriums of repayments on loans whose repayment had been repeatedly deferred several times and loans related to COVID-19 due to the effect of COVID-19, etc., 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.

(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.

# Issued but not yet adopted accounting standards and others

Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

# 1. Overview

As part of efforts to make Japanese accounting standards internationally consistent, the Accounting Standards Board of Japan (ASBJ) conducted an examination based on international accounting standards with a view to the development of an accounting standards dard for leases that recognizes assets and liabilities for all leases of a lessee. As its basic policy, the ASBJ announced an accounting standard for leases, etc. whose basis would be the single lessee accounting model under IFRS 16, but would be simple and highly convenient and would aim to require basically no revisions even when IFRS 16 stipulations are applied to non-consolidated financial statements by incorporating only the main stipulations of IFRS 16 rather than all of them.

For the accounting treatment of lessees, the single lessee accounting model, in which similar to IFRS 16, depreciation on rightof-use assets and an amount equivalent to interest on lease liabilities are recorded for all leases regardless of whether the leases are finance or operating leases, will be adopted as the method of allocating the cost of the leases of a lessee.

2. Scheduled date of application

This accounting standard, etc. will be applied from the beginning of the fiscal year ending March 2028.

3. Effects of the application of this accounting standard, etc.

The impact on the financial statements from the application of this accounting standard, etc. is currently under review.

# 2. Claims based on the Ministerial Ordinance Concerning Accounting for the JFC

Claims based on the Ministerial Ordinance Concerning Accounting for the JFC are as described below. Note that claims are corporate bonds (limited to those that guarantee all or part of the redemption of their principals and the payment of interests and in which the issuance of the corporate bonds is through private offering of securities (Financial Instruments and Exchange Act Law No. 25 of 1948, Article 2, Paragraph 3)) in "securities" on the balance sheet, loans, foreign exchange, accrued interest and suspense payment in "other assets," items recorded in each account of customers' liabilities for acceptance and guarantees, and the securities when lending of the securities noted is performed (limited to loans for use or lease contracts).

The amount of bankruptcy reorganization claims and similar claims: ¥19,713 million

The amount of claims under high risk: ¥128,338 million

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥1,160,423 million

The amount of claims with interest or principal repayments more than 3 months in arrears: ¥107 million

The amount of restructured claims: ¥1,160,316 million

Subtotal amount: ¥1,308,475 million

The amount of normal claims: ¥8,795,773 million

Total amount: ¥10,104,248 million

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

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

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

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

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

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

JFC, as a policy, does not pay down loans in part or in full immediately after the execution of the loan agreements, but instead makes disbursement, in accordance with the progress of the underlying projects. These undisbursed amounts are not included in the loans on deed in the Balance Sheets. The balance of unpaid amounts as of March 31, 2025 is ¥698 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 ¥225,021 million).

# 4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥29,815 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.

# 6. Issued shares

For the fiscal year ended March 31, 2025 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	5,972,068,198,000	65,743,000	_	5,972,133,941,000

(Note) Increase is due to the issuance of 65,743,000 shares.

<sup>\*1</sup> 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).

<sup>\*2</sup> 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. 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.

The associated credit risk consists of risk of losses arising from uncollectable claims on business and educational loans from deterioration in creditworthiness or fluctuation in the value of the real estate-collateral of the entity to which credit is granted.

For this operation account, JFC strives to make a proper financing decision in the financial screening process, conduct detailed claims management based on the condition of the borrower after financing is provided, use statistical management methods, and increase the sophistication of management methods employed. In addition, risks are distributed as the credit portfolio is comprised of small business and educational loans, etc. that are not concentrated in a specified region or industry.

However, based on future economic trends and changes in the business climate of borrowers, the number of borrowers with deteriorated creditworthiness could increase, bringing about requests for financial support including loan restructuring, causing an increase in uncollectable debt and credits costs for this operation account.

# (b) Market risk

The main type of market risk associated with this operation account is interest rate risk. It is JFC policy to minimize interest rate risk by matching the cash flows between assets and liabilities. However, not all cash flows can be matched, so some gaps arise between assets and liabilities. This operation account could incur losses from the interest rate risk caused by this gap.

# (c) Liquidity risk

Long-term and stable funds such as fiscal loan funds, government-backed bonds, the FILP agency bonds, and funding provided by government are secured to finance this operation account and deposits are not accepted. Cash flows are assessed and daily cash flows are maintained by performing proper risk management including establishing overdraft facility accounts with several private sector financial institutions, and JFC considers liquidity risk to be limited. However, financing costs could increase due to unexpected events.

# (3) Risk management structure for financial instruments

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

For each type of risk, management policies and procedures have been created to handle the specific types of credit risks, market risks, and liquidity risks for financing associated with each operation, and a structure has been established to smoothly handle these tasks in each operation.

The risk management structure of these operations is described below.

### (a) Credit risk management

For these operations, JFC has a structure to manage the credit risk of loans through (i) individual credit management, (ii) asset self assessment, and (iii) quantification of credit risk in accordance with regulations concerning financing operations and claims management operations, and management regulations concerning credit risk. This credit risk management is conducted by the Credit Analysis Department and risk management department as well as each branch office, and business operations meetings are regularly held with the General Manager acting as chairman to conduct discussions and reporting.

The specific risk management method is described below.

# (i) Individual credit management

The financial screening process associated with these operations to support appropriate financing decisions is based on consideration of the borrower's financial condition in terms of eligibility for financing, validity of the use of funds, profitability and sustainability of the business, as well as the business's qualitative aspects such as technical capabilities, selling power, and the future potential of the business.

Efforts are made to carefully manage claims after financing has been conducted through assessment of the future business outlook and repayment capacity.

#### (ii) Asset self assessment

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In this process, first stage assessments are conducted by the branch offices, second stage assessments by the Asset Self Assessment Office, and internal inspections by the auditing department.

The results of this self assessment are used to properly estimate write-off and allowance, and are used internally for the constant assessment of the credit conditions of the operations. They are also actively used for the disclosure of the quality of assets to enhance the transparency of financial position for the operations.

#### (iii) Quantification of credit risk

A credit scoring model for borrowers based on analysis of transaction data collected over a number of years has been constructed for these operations and this model has been used for screening procedures and to monitor credit portfolios. The reliability of this credit scoring model is ensured through continual recalibration based on annual inspections of the model's accuracy.

In addition, to assess the overall risk of the portfolio, efforts are made to quantify credit risk through methods that take into consideration the extremely diversified nature of the portfolios for these operations.

# (b) Market risk management

These operations are subject to the interest rate risk caused by the cash flow gap between assets and liabilities, and the operations could incur losses caused by this risk. Efforts are made to assess interest rate risk in these operations through methods such as maturity ladder approach and duration analysis, and appropriate risk management is carried out through adjustment of procurement period limits and other means to reduce interest rate risk.

These operations do not use quantitative analysis of interest rate risk for risk management purposes.

The primary financial instruments that are subject to interest rate risk in these operations include loans, borrowings, and bonds payable.

When all other risk variables are fixed, it is considered that a 50 basis point (0.5%) decline in the current interest rate as of March 31, 2025 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥81,035 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 ¥77,986 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, 2025, and the related fair value, and difference is as follows.

(Millions of ven)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	87,414	87,414	_
(2) Loans and bills discounted	10,096,650		
Allowance for loan losses (*)	(440,756)		
	9,655,894	9,287,735	(368,159)
Total assets	9,743,308	9,375,149	(368,159)
(1) Borrowings	4,809,224	4,693,207	(116,016)
(2) Bonds payable	225,021	220,459	(4,562)
Total liabilities	5,034,245	4,913,666	(120,579)

<sup>(\*)</sup> 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 ven)

	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)	87,407	_	_	_	_	_
Loans and bills discounted (*2)	1,685,105	3,078,664	2,414,793	1,406,529	1,035,197	328,427
Total	1,772,512	3,078,664	2,414,793	1,406,529	1,035,197	328,427

<sup>(\*1)</sup> 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 (*)	1,320,997	1,604,948	983,255	345,732	417,569	136,723
Bonds payable	65,000	100,000	10,000	50,000	_	_
Total	1,385,997	1,704,948	993,255	395,732	417,569	136,723

<sup>(\*)</sup> 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.

<sup>(\*2)</sup> Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contain an amount of ¥147,932 million that is not expected to be redeemed and not included in the table above.

Financial instruments except those recorded on the balance sheet for fair values (March 31, 2025)

(Millions of ven)

Classification	Fair value					
Classification	Level 1	Level 2	Level 3	Total		
Cash and due from banks	_	87,414	_	87,414		
Loans and bills discounted	_	_	9,287,735	9,287,735		
Total assets	_	87,414	9,287,735	9,375,149		
Borrowings	_	4,693,207	_	4,693,207		
Bonds payable	_	220,459	_	220,459		
Total liabilities	_	4,913,666		4,913,666		

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

# (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

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-emplayer 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	99,527 million yen
Service cost	3,450
Interest cost	1,094
Actuarial difference	(12)
Payment of retirement benefits	(4,478)
Prior service cost	_
Other	21
Closing balance of projected benefit obligations	99,604

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

Opening balance of fair value of plan assets	44,993	million y
Expected return on plan assets	900	
Actuarial difference	(1,690)	
Financing from employer	1,920	
Payment of retirement benefits	(1,978)	
Other	7	
Closing balance of fair value of plan assets	44,152	

(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	44,299 million yen
Fair value of plan assets	(44,152)
	146
Projected benefit obligations of unfunded plan	55,305
Unfunded pension obligations	55,451
Actuarial unrecognized difference	3,088
Unrecognized prior service cost	<u>837</u>
Net amount of liabilities and assets recorded on the balance sheet	59,377
Provision for retirement benefits	59,377
Prepaid pension cost	
Net amount of liabilities and assets recorded on the balance sheet	59,377

(4) Net pensions cost and breakdown of included items

Service cost	3,450 million yen
Interest cost	1,094
Expected return on plan assets	(900)
Amount of actuarial difference accounted for as expense	1,206
Amortization of prior service cost accounted for as expense	(316)
Other	<u></u>
Net pensions cost related to defined benefits plan	4,535

(5) Items concerning fair value of plan assets

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

The percentage of each eategory of total fall value of plantassets is	as ionovvs.
Shares	28%
Debentures	61%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

,	,	
1) Discount rate		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 ¥240 million.

# 10. Related party transactions

Related party transactions in the fiscal year ended March 31, 2025 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, 2025
				Underwriting of capital increase (Note iii)	50	_	_
	Ministry of Principal Finance 00.01 (Div	99.91 (Direct)		Receipts from general account of the national budget	10,339	_	_
Principal			Administration for policy based	Receipt of funds <sup>(Note iv)</sup>	850,000	- Borrowings	4,677,924
shareholder (Minister of Finance) (Notes i and ii)	•	financing	Repayment of borrowing	1,584,265			
			Payment of interest on borrowings	5,884	Accrued expenses	1,793	
			Guarantee for bonds payable <sup>(Note v)</sup>	135,021	_	_	

- (ii) 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 Receipts from the national budget ¥15 million ¥2,138 million

-Small and Medium Enterprise Agency

- Receipts from the national budget ¥1,143 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 ¥0.79 Net loss per share ¥0.02

# 12. Subsequent events

Not applicable.

# Balance Sheet (as of March 31, 2025)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	102,246	Borrowed money	2,974,250
Cash	0	Borrowings	2,974,250
Due from banks	102,246	Bonds payable	164,995
Securities	5,015	Entrusted funds	18,953
Stocks	2,530	Other liabilities	3,664
Other securities	2,485	Accrued expenses	2,256
Loans and bills discounted	3,522,977	Derivatives other than for trading-liabilities	76
Loans on deeds	3,522,977	Lease obligations	585
Other assets	6,614	Other	745
Prepaid expenses	4	Provision for bonuses	697
Accrued income	5,988	Provision for directors' bonuses	8
Derivatives other than for trading-assets	2	Provision for retirement benefits	11,582
Agency accounts receivable	285	Provision for directors' retirement benefits	19
Other	334	Total liabilities	3,174,171
Property, plant and equipment	33,356	Net assets	
Buildings	7,586	Capital stock	457,799
Land	24,922	Retained earnings	3,944
Lease assets	479	Legal retained earnings	801
Construction in progress	282	Other retained earnings	3,143
Other	85	Retained earnings brought forward	3,143
Intangible assets	6,460	Total shareholders' equity	461,744
Software	5,856		
Lease assets	32		
Other	571		
Allowance for loan losses	(40,755)	Total net assets	461,744
Total assets	3,635,916	Total liabilities and net assets	3,635,916

# **Statement of Operations** (Year ended March 31, 2025)

(Millions of yen)

ltems	Amount
Ordinary income	52,653
Interest income	22,385
Interest on loans and discounts	22,223
Interest on deposits with banks	161
Other interest income	0
Other ordinary income	39
Income from derivatives other than for trading or hedging	39
Receipts from the national budget	29,774
Receipts from general account of the national budget	29,772
Receipts from special account of the national budget	1
Other income	453
Recoveries of written-off claims	123
Other	329
Ordinary expenses	49,510
Interest expenses	17,025
Interest on call money	0
Interest on borrowings and rediscounts	14,689
Interest on bonds	2,335
Fees and commissions payments	1,881
Other fees and commissions	1,881
Other ordinary expenses	27
Amortization of bond issuance cost	27
General and administrative expenses	19,017
Other expenses	11,558
Provision of allowance for loan losses	11,331
Written-off of loans	86
Other	140
Ordinary profit	3,142
Extraordinary income	0
Gain on disposal of noncurrent assets	0
Extraordinary losses	0
Loss on disposal of noncurrent assets	0
Net income	3,143

# **Statement of Changes in Net Assets** (Year ended March 31, 2025)

(Millions o							
			Shareholders' equity				
			Retained earnings				
	Capital stock	Legal retained	Other retained earnings	Total retained	Total shareholders' equity	Total net assets	
		earnings	Retained earnings brought forward	earnings Retained earnings		-11-9	
Balance at the beginning of current period	457,735	2,642	(1,840)	801	458,537	458,537	
Changes of items during the period							
Issuance of new shares	64				64	64	
Reversal of legal retained earnings		(1,840)	1,840	_	_		
Net income (loss)			3,143	3,143	3,143	3,143	
Total changes of items during the period	64	(1,840)	4,983	3,143	3,207	3,207	
Balance at the end of current period	457,799	801	3,143	3,944	461,744	461,744	

# Notes to Financial Statements > Account for Agriculture, Forestry, Fisheries and Food Business Operations

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 ¥24,309 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: ¥40,755 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.

# Issued but not yet adopted accounting standards and others

Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

1. Overview

As part of efforts to make Japanese accounting standards internationally consistent, the Accounting Standards Board of Japan (ASBJ) conducted an examination based on international accounting standards with a view to the development of an accounting standard for leases that recognizes assets and liabilities for all leases of a lessee. As its basic policy, the ASBJ announced an accounting standard for leases, etc. whose basis would be the single lessee accounting model under IFRS 16, but would be simple and highly convenient and would aim to require basically no revisions even when IFRS 16 stipulations are applied to non-consolidated financial statements by incorporating only the main stipulations of IFRS 16 rather than all of them.

For the accounting treatment of lessees, the single lessee accounting model, in which similar to IFRS 16, depreciation on rightof-use assets and an amount equivalent to interest on lease liabilities are recorded for all leases regardless of whether the leases are finance or operating leases, will be adopted as the method of allocating the cost of the leases of a lessee.

2. Scheduled date of application

This accounting standard, etc. will be applied from the beginning of the fiscal year ending March 2028.

3. Effects of the application of this accounting standard, etc.

The impact on the financial statements from the application of this accounting standard, etc. is currently under review.

# 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: ¥4,139 million

The amount of claims under high risk: ¥126,710 million

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥192,767 million

The amount of claims with interest or principal repayments more than 3 months in arrears: ¥1,174 million

The amount of restructured claims: ¥191,593 million

Subtotal amount: ¥323,617 million

The amount of normal claims: ¥3,205,349 million

Total amount: ¥3,528,966 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, 2025 is ¥61,831 million.

# 4. Assets pledged as collateral

Pursuant to Article 52 of the JFC Act (Act No.57, 2007), assets of JFC are pledged as general collateral for all bonds issued by JFC (which includes this operation account bonds issued to a total amount of ¥164,995 million).

# 5. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to  $\$7,\!494$  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.

<sup>\*1</sup> 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).

<sup>\*2</sup> 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, 2025 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	457,735,700,000	64,000,000	_	457,799,700,000

(Note) Increase is due to the issuance of 64,000,000 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, 2025 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥9,744 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 ¥8,949 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, 2025, 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 ven)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	102,246	102,246	_
(2) Loans and bills discounted	3,522,977		
Allowance for loan losses (*1)	(40,742)		
	3,482,235	3,378,783	(103,451)
Total assets	3,584,481	3,481,029	(103,451)
(1) Borrowings	2,974,250	2,844,861	(129,388)
(2) Bonds payable	164,995	166,422	1,427
Total liabilities	3,139,245	3,011,283	(127,961)
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	(74)	(74)	_
Derivative transactions qualifying for hedge accounting	_	_	_
Total derivative transactions	(74)	(74)	_

<sup>(\*1)</sup> General allowance for loan losses and specific allowance for loan losses have been deducted from loans.

(Note 1) The amount reported on the balance sheet such as stocks and others without quoted market prices are as shown below.

Classification	Carrying amount on the balance sheet
Unlisted stocks (*1)	2,530
Partnership investments (*2)	2,485

<sup>(\*1)</sup> 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)	102,246	_	_	_	_	_
Loans and bills discounted (*2)	418,550	730,249	562,741	439,774	492,458	752,514
Total	520,796	730,249	562,741	439,774	492,458	752,514

<sup>(\*1)</sup> Demand deposits contained within due from banks are stated as "Maturities within one year."

# (Note 3) Redemption schedule for bonds and borrowings with future redemption dates

(Millions of ven)

	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	394,315	673,970	546,650	421,558	408,116	529,639
Bonds payable	10,000	50,000	70,000	35,000	_	_
Total	404,315	723,970	616,650	456,558	408,116	529,639

<sup>(\*2)</sup> 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.

<sup>(\*2)</sup> 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.

<sup>(\*2)</sup> Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contain an amount of ¥126,687 million that is not expected to be redeemed and not included in the table above.

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, 2025)

(Millions of yen)

Classification	Fair value						
Classification	Level 1	Level 2	Level 3	Total			
Derivative transactions							
Credit derivatives	_	_	2	2			
Total assets	_	_	2	2			
Derivative transactions							
Credit derivatives	_	_	76	76			
Total liabilities	_	_	76	76			

# (2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2025)

(Millions of ven)

Classification -	Fair value						
	Level 1	Level 2	Level 3	Total			
Cash and due from banks	_	102,246	_	102,246			
Loans and bills discounted	_	_	3,378,783	3,378,783			
Total assets	_	102,246	3,378,783	3,481,029			
Borrowings	_	2,841,975	2,885	2,844,861			
Bonds payable	_	166,422	_	166,422			
Total liabilities	_	3,008,398	2,885	3,011,283			

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

# (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.

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, 2025)

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, 2025)

(Millions of ven)

		Profits and losses in the fiscal year or valuation and translation adjustments						Appraised profits or losses of financial
	Beginning balance	Recorded in profits and losses (*1)	Recorded in 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	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)
Derivative transactions								
Credit deriv- atives (*2)	(73)	(0)	_	_	_	_	(74)	(14)

<sup>(\*1)</sup> Included in "income from derivatives other than for trading or hedging" in the profit and loss statement.

# (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, 2025 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

(b) / Wallable for sale securities								
	Туре	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	27,800	27,800	_				

<sup>(\*2)</sup> Derivative transactions that are recorded as assets/liabilities of derivatives other than for trading or hedging are recorded in a lump sum.

(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	2,485

# 11. Deferred tax accounting

JFC does not apply deferred tax accounting since JFC is a non-taxable 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	19,100 million yen
Service cost	683
Interest cost	210
Actuarial difference	15
Payment of retirement benefits	(1,176)
Prior service cost	_
Other	13
Closing balance of projected benefit obligations	<u>18,847</u>

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

Opening balance of fair value of plan assets	8,424 million yen
Expected return on plan assets	168
Actuarial difference	(306)
Financing from employer	369
Payment of retirement benefits	(371)
Other	(0)
Closing balance of fair value of plan assets	8,283

(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	8,311 million yen
Fair value of plan assets	(8,283)
	27
Projected benefit obligations of unfunded plan	10,536
Unfunded pension obligations	10,563
Actuarial unrecognized difference	869
Unrecognized prior service cost	148
Net amount of liabilities and assets recorded on the balance sheet	11,582
Provision for retirement benefits	11,582
Prepaid pension cost	<u></u>
Net amount of liabilities and assets recorded on the balance sheet	11,582

(4) Net pensions cost and breakdown of included items

Service cost	683 million yen
Interest cost	210
Expected return on plan assets	(168)
Amount of actuarial difference accounted for as expense	145
Amortization of prior service cost accounted for as expense	(49)
Other	
Net pensions cost related to defined benefits plan	820

# (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				28%
Debenture	es			61%
General ad	count			11%
Cash and	deposits			1%
Total				100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

# (6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate 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) ¥2,389 million Loss on Investment in affiliates (equity method) ¥129 million

# 14. Related party transactions

Related party transactions in the fiscal year ended March 31, 2025 are as follows:

# (a) Transactions with parent company and major shareholder companies

Classification	Corporate name	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2025
Principal Finance (Minister of Finance) (Notes i and ii)		f , 91.48 (Direct)	Administration	Underwriting of capital increase (Note iii)	64	_	_
	,			Receipt of funds (Note iv)	330,000	- Borrowings	2,971,083
	, ,	for policy based financing	Repayment of borrowing	434,125	borrowings	2,971,003	
				Payment of interest on borrowings	14,689	Accrued expenses	1,518

#### (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)

(ii) Transactions with the ministries and agencies other than Ministry of Finance are as follows:
-Ministry of Agriculture, Forestry and Fisheries

¥29,774 million Receipts from the national budget Repayment of borrowed money

- (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, 2025
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)	_	_

- (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
- (ii) There are no transactions recorded under income or expenses related to the joint and several liabilities.

# 15. Per share information

Net assets per share ¥1.00 Net income per share ¥0.00

# 16. Subsequent events

Issuance of New Shares

JFC plans to issue new shares with the Ministry of Finance (Minister of Finance) as set forth below pursuant to a resolution of the Board of Directors adopted on June 3, 2025.

Overview of the new shares issue

Type and number of shares to be issued	64,000,000 common shares
Issue price	1 yen per share
Total issue price	64,000,000 yen
Paid-in capital	1 yen per share
Paid-in capital reserves	0 yen per share
Total paid-in capital	64,000,000 yen
Total paid-in capital reserves	0 yen
Payment period	From June 30, 2025 to July 7, 2025
Use of capital	Funding for substantively unsecured and unguaranteed Young Farmer Business Start-up Loan, etc.

# Small and Medium Enterprise (SME) Unit Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)

# Balance Sheet (as of March 31, 2025)

Items	Amount	Items	Amount	
Assets		Liabilities		
Cash and due from banks	94,492	Borrowed money	3,484,448	
Cash	3	Borrowings	3,484,448	
Due from banks	94,488	Bonds payable	146,700	
Securities	13	Other liabilities	5,525	
Corporate bonds	13	Accrued expenses	1,092	
Stocks	0	Unearned revenue	76	
Loans and bills discounted	7,531,761	Derivatives other than for trading-liabilities	14	
Loans on deeds	7,531,761	Lease obligations	1,173	
Other assets	5,088	Other	3,169	
Prepaid expenses	6	Provision for bonuses	1,332	
Accrued income	4,056	Provision for directors' bonuses	7	
Other	1,025	Provision for retirement benefits	22,468	
Property, plant and equipment	47,381	Provision for directors' retirement benefits	20	
Buildings	10,202	Acceptances and guarantees	28,267	
Land	35,699	Total liabilities	3,688,769	
Lease assets	970	Net assets		
Construction in progress	361	Capital stock	4,047,651	
Other	147	Retained earnings	(636,710)	
Intangible assets	11,709	Other retained earnings	(636,710)	
Software	6,669	Retained earnings brought forward	(636,710)	
Lease assets	56	Total shareholders' equity	3,410,940	
Other	4,982			
Customers' liabilities for acceptances and guarantees	28,267			
Allowance for loan losses	(619,002)	Total net assets	3,410,940	
Total assets	7,099,710	Total liabilities and net assets	7,099,710	

# **Statement of Operations** (Year ended March 31, 2025)

(Millions of yen)

ltems	Amount
Ordinary income	90,400
Interest income	75,084
Interest on loans and discounts	75,024
Interest and dividends on securities	0
Interest on deposits with banks	59
Other interest income	0
Fees and commissions	262
Other fees and commissions	262
Receipts from the national budget	14,110
Receipts from general account of the national budget	14,110
Receipts from special account of the national budget	0
Other income	943
Recoveries of written-off claims	154
Gain on sales of stocks and other securities	213
Other	575
Ordinary expenses	61,337
Interest expenses	4,651
Interest on call money	8
Interest on borrowings and rediscounts	4,334
Interest on bonds	308
Fees and commissions payments	53
Other fees and commissions	53
Other ordinary expenses	698
Loss on foreign exchange transactions	664
Amortization of bond issuance cost	33
General and administrative expenses	33,869
Other expenses	22,064
Provision of allowance for loan losses	15,211
Written-off of loans	3,613
Other	3,238
Ordinary profit	29,063
Extraordinary income	0
Gain on disposal of concurrent assets	0
Extraordinary losses	0
Loss on disposal of noncurrent assets	0
Net income	29,064

# Statement of Changes in Net Assets (Year ended March 31, 2025)

(Millions of yen) Valuation and translation Shareholders' equity adjustments Retained earnings Total net Other retained Valuation assets Total shareholders' Total valuation earnings difference on Capital stock and translation Total retained available-forequity adjustments earnings sale securities Retained earnings brought forward Balance at the beginning of current period 4,047,643 (665,774) (665,774) 3,381,868 157 157 3,382,025 Changes of items during the period Issuance of 8 8 8 new shares Net income 29,064 29,064 29,064 29,064 (loss) Net changes of items other than shareholders' (157)(157)(157)equity Total changes of items during 8 29,064 29,064 29,072 (157)(157)28,915 the period Balance at the 3,410,940 end of current 4,047,651 (636,710) (636,710) 3,410,940 period

# Notes to Financial Statements > Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)

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. Availablefor-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 ¥123,495 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: ¥619,002 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.

# Issued but not yet adopted accounting standards and others

Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

# 1. Overview

As part of efforts to make Japanese accounting standards internationally consistent, the Accounting Standards Board of Japan (ASBJ) conducted an examination based on international accounting standards with a view to the development of an accounting standard for leases that recognizes assets and liabilities for all leases of a lessee. As its basic policy, the ASBJ announced an accounting standard for leases, etc. whose basis would be the single lessee accounting model under IFRS 16, but would be simple and highly convenient and would aim to require basically no revisions even when IFRS 16 stipulations are applied to non-consolidated financial statements by incorporating only the main stipulations of IFRS 16 rather than all of them.

For the accounting treatment of lessees, the single lessee accounting model, in which similar to IFRS 16, depreciation on rightof-use assets and an amount equivalent to interest on lease liabilities are recorded for all leases regardless of whether the leases are finance or operating leases, will be adopted as the method of allocating the cost of the leases of a lessee.

2. Scheduled date of application

This accounting standard, etc. will be applied from the beginning of the fiscal year ending March 2028.

3. Effects of the application of this accounting standard, etc.

The impact on the financial statements from the application of this accounting standard, etc. is currently under review.

# 2. Claims based on the Ministerial Ordinance Concerning Accounting for the JFC

Claims based on the Ministerial Ordinance Concerning Accounting for the JFC are as described below. Note that claims are corporate bonds (limited to those that guarantee all or part of the redemption of their principals and the payment of interests and in which the issuance of the corporate bonds is through private offering of securities (Financial Instruments and Exchange Act Law No. 25 of 1948, Article 2, Paragraph 3)) in "securities" on the balance sheet, loans, foreign exchange, accrued interest and suspense payment in "other assets," items recorded in each account of customers' liabilities for acceptance and guarantees, and the securities when lending of the securities noted is performed (limited to loans for use or lease contracts).

The amount of bankruptcy reorganization claims and similar claims: ¥9,885 million

The amount of claims under high risk: ¥785,542 million

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥160,146 million

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

The amount of restructured claims: ¥160,146 million

Subtotal amount: ¥955,574 million

The amount of normal claims: ¥6,608,509 million

Total amount: ¥7,564,084 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, 2025 is ¥30,539 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 ¥14,332 million. Of this amount, ¥1,662 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 ¥146,700 million).

# 4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥11,884 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<sup>12</sup> 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, 2025 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	4,047,643,000,000	8,000,000	_	4,047,651,000,000	

(Note) Increase is due to the issuance of 8,000,000 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 quarantee 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, 2025 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥90,642 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 ¥85,873 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, 2025, 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	94,492	94,492	_
(2) Securities			
Held-to-maturity debt securities	13	13	_
(3) Loans and bills discounted	7,531,761		
Allowance for loan losses (*1)	(617,225)		
	6,914,535	7,134,720	220,185
Total assets	7,009,041	7,229,226	220,185
(1) Borrowings	3,484,448	3,362,276	(122,171)
(2) Bonds payable	146,700	144,266	(2,433)
Total liabilities	3,631,148	3,506,543	(124,604)
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	(14)	(14)	_
Derivative transactions qualifying for hedge accounting	_	_	_
Total derivative transactions	(14)	(14)	_

<sup>(\*1)</sup> General allowance for loan losses and specific allowance for loan losses have been deducted from loans.

(Note 1) The amount reported on the balance sheet such as stocks and others without quoted market prices are as shown below, which is not included in the "securities" in the fair value information of financial instruments.

(Millions of yen)

Classification	Carrying amount on the balance sheet		
Unlisted stocks (*)	0		

<sup>(\*)</sup> 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)	94,488	_	_	_	_	_
Securities						
Held-to-maturity debt securities	13	_	_	_	_	_
Loans and bills discounted (*2)	1,208,561	1,889,986	1,383,275	1,237,203	934,726	857,611
Total	1,303,063	1,889,986	1,383,275	1,237,203	934,726	857,611

<sup>(\*1)</sup> Demand deposits contained within due from banks are stated as "Maturities within one year."

# (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	590,656	879,775	725,929	675,035	535,977	77,076
Bonds payable	35,000	61,700	50,000	_	_	_
Total	625,656	941,475	775,929	675,035	535,977	77,076

# 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.

<sup>(\*2)</sup> 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.

<sup>(\*2)</sup> Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contain an amount of ¥20,395 million that is not expected to be redeemed and not included in the table above.

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, 2025)

(Millions of yen)

Classification	Fair value					
Classification	Level 1	Level 2	Level 3	Total		
Derivative transactions						
Currency related	_	14	_	14		
Total liabilities		14	_	14		

#### (2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2025)

(Millions of yen)

Classification	Fair value					
Classification	Level 1	Level 2	Level 3	Total		
Cash and due from banks	_	94,492	_	94,492		
Securities						
Held-to-maturity debt securities						
Corporate bonds	_	13	_	13		
Loans and bills discounted	_	_	7,134,720	7,134,720		
Total assets	_	94,505	7,134,720	7,229,226		
Borrowings	_	3,358,468	3,807	3,362,276		
Bonds payable	_	144,266	_	144,266		
Total liabilities	_	3,502,735	3,807	3,506,543		

(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, 2025 is as follows:

#### (a) Held-to-maturity debt securities with fair value

	Туре	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	13	13	_

#### (b) Available-for-sale securities

(Note) Amount of stocks and others without quoted market prices reported on the balance sheet

	Carrying amount on the balance sheet (Millions of yen)
Unlisted stocks	0

#### (c) Available-for-sale securities sold in the fiscal year in review (from April 1, 2024 to March 31, 2025)

	Sales amount (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
Stocks	4	2	_
Others	66	66	_
Total	70	69	_

#### 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 multiemployer 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	35,619 million yen
Service cost	1,302
Interest cost	388
Actuarial difference	23
Payment of retirement benefits	(1,624)
Prior service cost	_
Other	(250)
Closing balance of projected benefit obligations	35,458

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

Opening balance of fair value of plan assets	15,731 million yen
Expected return on plan assets	313
Actuarial difference	(550)
Financing from employer	735
Payment of retirement benefits	(707)
Other	(59)
Closing balance of fair value of plan assets	15,463

(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	15,514 million yen
Fair value of plan assets	(15,463)
	51
Projected benefit obligations of unfunded plan	19,944
Unfunded pension obligations	19,995
Actuarial unrecognized difference	2,280
Unrecognized prior service cost	<u>192</u>
Net amount of liabilities and assets recorded on the balance sheet	22,468
Provision for retirement benefits	22,468
Prepaid pension cost	
Net amount of liabilities and assets recorded on the balance sheet	22,468

(4) Net pensions cost and breakdown of included items

Service cost	1,302 million yen
Interest cost	388
Expected return on plan assets	(313)
Amount of actuarial difference accounted for as expense	103
Amortization of prior service cost accounted for as expense	17
Other	
Net pensions cost related to defined benefits plan	1,499

(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	28%
Debentures	61%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate	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 ¥91 million.

# 11. Related party transactions

Related party transactions in the fiscal year ended March 31, 2025 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, 2025
Principal Finance (Minister of Finance) (Notes i and ii)			Receipt of funds <sup>(Note iii)</sup>	345,000	D	2.404.440	
	Ministry of	financing		Repayment of borrowing	744,270	Borrowings	3,484,448
	(Minister of 96.20 (Direct)		96.20 (Direct) for policy bas	for policy based	Payment of interest on borrowings	4,334	Accrued expenses
				Guarantee for bonds payable <sup>(Note iv)</sup>	135,000	_	_

- (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 -Agency for Natural Resources and Energy Receipts from the national budget

¥8 million ¥0 million

-Small and Medium Enterprise Agency Receipts from the national budget

¥14,110 million

- (iii) The receipts of funds represent borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement. (iv) No guarantee fee has been paid for the guarantee of bonds.

### 12. Per share information

Net assets per share ¥0.84 Net income per share ¥0.00

# 13. Subsequent events

Not applicable.

# Small and Medium Enterprise (SME) Unit Account for Securitization Support Programs (Purchase-type Operation)

# Balance Sheet (as of March 31, 2025)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	3,925	Bonds payable	19,200
Due from banks	3,925	Other liabilities	739
Securities	40,142	Accrued expenses	2
Government bonds	21,147	Derivatives other than for trading-liabilities	728
Corporate bonds	18,995	Other	8
Other assets	964	Provision for bonuses	2
Prepaid expenses	0	Provision for directors' bonuses	0
Accrued income	6	Provision for retirement benefits	36
Derivatives other than for trading-assets	954	Provision for directors' retirement benefits	0
Other	3	Total liabilities	19,977
Prepaid pension cost	1	Net assets	
		Capital stock	24,476
		Retained earnings	702
		Legal retained earnings	608
		Other retained earnings	93
		Retained earnings brought forward	93
		Total shareholders' equity	25,178
		Valuation difference on available-for-sale securities	(121)
		Total valuation and translation adjustments	(121)
		Total net assets	25,056
Total assets	45,034	Total liabilities and net assets	45,034

# Statement of Operations (Year ended March 31, 2025)

Items	Amount
Ordinary income	568
Interest income	214
Interest and dividends on securities	214
Interest on deposits with banks	0
Other ordinary income	268
Income from derivatives other than for trading or hedging	268
Other income	86
Other	86
Ordinary expenses	475
Interest expenses	43
Interest on bonds	43
Fees and commissions payments	238
Other fees and commissions	238
Other ordinary expenses	1
Amortization of bond issuance cost	1
General and administrative expenses	106
Other expenses	85
Other	85
Ordinary profit	93
Net income	93

# Statement of Changes in Net Assets (Year ended March 31, 2025)

Balance at the end of current

period

24,476

608

93

702

25,178

(121)

(121)

25,056

(Millions of yen) Valuation and translation Shareholders' equity adjustments Retained earnings Other Valuation Total Total net retained Total difference valuation assets earnings Legal Total Capital stock shareholders' on availableand retained retained equity for-sale translation Retained earnings earnings securities adjustments earnings brought forward Balance at the beginning of 24,476 574 68 642 25,118 (44)(44)25,073 current period Changes of items during the period Provision of legal (34) 34 retained earnings Payment to (34)(34)(34)(34)National Treasury Net income 93 93 93 93 (loss) Net changes of items other than (76)(76)(76)shareholders' equity Total changes of items during 25 59 59 34 (76)(76)(16)the period

# Notes to Financial Statements > Account for Securitization Support Programs (Purchase-type Operation)

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.

#### Issued but not yet adopted accounting standards and others

Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

#### 1. Overview

As part of efforts to make Japanese accounting standards internationally consistent, the Accounting Standards Board of Japan (ASBJ) conducted an examination based on international accounting standards with a view to the development of an accounting standard for leases that recognizes assets and liabilities for all leases of a lessee. As its basic policy, the ASBJ announced an accounting standard for leases, etc. whose basis would be the single lessee accounting model under IFRS 16, but would be simple and highly convenient and would aim to require basically no revisions even when IFRS 16 stipulations are applied to non-consolidated financial statements by incorporating only the main stipulations of IFRS 16 rather than all of them.

For the accounting treatment of lessees, the single lessee accounting model, in which similar to IFRS 16, depreciation on right-of-use assets and an amount equivalent to interest on lease liabilities are recorded for all leases regardless of whether the leases are finance or operating leases, will be adopted as the method of allocating the cost of the leases of a lessee.

#### 2. Scheduled date of application

This accounting standard, etc. will be applied from the beginning of the fiscal year ending March 2028.

#### 3. Effects of the application of this accounting standard, etc.

The impact on the financial statements from the application of this accounting standard, etc. is currently under review.

#### 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, 2025, 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, 2025 will cause the fair value after netting (assets) of the financial assets and financial liabilities held in this account to increase by ¥975 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 ¥910 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, 2025, 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	3,925	3,925	_
(2) Securities			
Held-to-maturity debt securities	21,147	18,822	(2,324)
Available-for-sale securities	18,995	18,995	_
Total assets	44,067	41,743	(2,324)
Bonds payable	19,200	18,843	(356)
Total debt	19,200	18,843	(356)
Derivative transactions (*)			
Derivative transactions not qualifying for hedge accounting	226	226	_
Derivative transactions qualifying for hedge accounting	_	_	_
Total derivative transactions	226	226	

<sup>(\*)</sup> 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 (*)	3,925	_	_	_	_	_
Securities						
Held-to-maturity debt securities	_	_	_	_	_	21,068
Available-for-sale securities	7,023	12,092	0	_	_	
Total	10,949	12,092	0	_	_	21,068

<sup>(\*)</sup> Demand deposits contained within due from banks are stated as "Maturities within one year."

(Note 2) Redemption schedule for bonds with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Bonds payable	_	19,200	_	_	_	_

#### 3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.

Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.

Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

#### (1) Financial instruments recorded on the balance sheet for fair values (March 31, 2025)

(Millions of yen)

Classification	Fair value					
Classification	Level 1	Level 2	Level 3	Total		
Securities						
Available-for-sale securities						
Corporate bonds	_	_	18,995	18,995		
Derivative transactions						
Credit derivatives	_	_	954	954		
Total assets	_	_	19,949	19,949		
Derivative transactions						
Credit derivatives	_	_	728	728		
Total liabilities	_	_	728	728		

#### (2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2025)

(Millions of yen)

Classification	Fair value					
Classification	Level 1	Level 2	Level 3	Total		
Cash and due from banks	_	3,925	_	3,925		
Securities						
Held-to-maturity debt securities						
Government bonds	18,822	_	_	18,822		
Total assets	18,822	3,925	_	22,747		
Bonds payable	_	18,843	_	18,843		
Total liabilities	_	18,843	_	18,843		

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values <u>Assets</u>

#### (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, 2025)

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, 2025)

(Millions of yen)

	Beginning balance	Profits and losses in the fiscal year or valuation and translation adjustments						Appraised profits or losses of financial
		Recorded in profits and losses (*1)	Recorded in valuation and translation adjustments (*2)	Net amount of purchase, selling, issuance and settlement	Transfer to level 3 fair value	Transfer from level 3 fair value	Ending balance	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)
Securities								
Available- for-sale securities								
Corporate bonds	20,223	_	(76)	(1,151)	_	_	18,995	_
Derivative transactions								
Credit deriv- atives (*3)	137	88	_	_	_	_	226	88

<sup>(\*1)</sup> 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) 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, 2025 is as follows:

(a) Held-to-maturity debt securities with fair value

	Туре	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	21,147	18,822	(2,324)	

#### (b) Available-for-sale securities

(b) / Wallable for sale securities						
		Туре	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)	
- 1	Securities whose carrying amount exceeds their acquisition cost	Corporate bonds	18,995	19,116	(121)	

<sup>(\*3)</sup> Derivative transactions that are recorded as assets/liabilities of derivatives other than for trading or hedging are recorded in a lump sum.

# 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	40 million yen
Service cost	3
Interest cost	0
Actuarial difference	1
Payment of retirement benefits	(1)
Prior service cost	_
Other	(4)
Closing balance of projected benefit obligations	39

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

Opening balance of fair value of plan assets	11 million yen
Expected return on plan assets	0
Actuarial difference	(0)
Financing from employer	1
Payment of retirement benefits	(0)
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	28
Unfunded pension obligations	28
Actuarial unrecognized difference	6
Unrecognized prior service cost	(0)
Net amount of liabilities and assets recorded on the balance sheet	34
Provision for retirement benefits	36
Prepaid pension cost	(1)
Net amount of liabilities and assets recorded on the balance sheet	34

(4) Net pensions cost and breakdown of included items

!	
Service cost	3 million yen
Interest cost	0
Expected return on plan assets	(0)
Amount of actuarial difference accounted for as expense	0
Amortization of prior service cost accounted for as expense	0
Other	<u> </u>
Net pensions cost related to defined benefits plan	4

(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	28%
Debentures	61%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

### (6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1.1% 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.

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	6,625,259	Reserve for insurance policy liabilities	1,326,593
Due from banks	6,625,259	Other liabilities	1,572
Securities	99,863	Accrued expenses	30
Government bonds	99,863	Lease obligations	189
Other assets	18,543	Other	1,352
Prepaid expenses	0	Provision for bonuses	208
Accrued income	1,405	Provision for directors' bonuses	1
Other	17,137	Provision for retirement benefits	4,394
Property, plant and equipment	16,951	Provision for directors' retirement benefits	3
Buildings	2,818	Total liabilities	1,332,773
Land	13,968	Net assets	
Lease assets	156	Capital surplus	5,330,700
Other	7	Legal capital surplus	5,330,700
Intangible assets	3,301	Retained earnings	100,444
Software	3,273	Legal retained earnings	149,709
Lease assets	9	Other retained earnings	(49,265
Other	18	Retained earnings brought forward	(49,265
		Total shareholders' equity	5,431,144
		Total net assets	5,431,144
Total assets	6,763,918	Total liabilities and net assets	6,763,918

# **Statement of Operations** (Year ended March 31, 2025)

Items	Amount
Ordinary income	331,249
Interest income	7,044
Interest and dividends on securities	238
Interest on deposits with banks	6,805
Insurance premiums and other	324,022
Insurance premiums	155,419
Receipts of burden charges under the Responsibility-sharing System	12,224
Reversal of reserve for insurance policy liabilities	156,377
Other income	182
Other	182
Ordinary expenses	380,514
Expenses on insurance claims and other	369,780
Expenses on insurance claims	439,044
Recoveries of insurance claims	(69,263)
General and administrative expenses	5,675
Other expenses	5,058
Other	5,058
Ordinary loss	49,265
Extraordinary losses	0
Loss on disposal of noncurrent assets	0
Net loss	49,265

# Statement of Changes in Net Assets (Year ended March 31, 2025)

							(Millions of yen)
	Shareholders' equity						
	Capital surplus Retained earnings				Capital surplus Retained earnings		
	Legal capital	Total capital	Legal retained	Other retained earnings	Total retained	Total shareholders'	Total net assets
	surplus	surplus	earnings	Retained earnings brought forward	earnings	equity	
Balance at the beginning of current period	5,284,100	5,284,100	_	149,709	149,709	5,433,810	5,433,810
Changes of items during the period							
Issuance of new shares	46,600	46,600				46,600	46,600
Provision of legal retained earnings			149,709	(149,709)	_	_	_
Net income (loss)				(49,265)	(49,265)	(49,265)	(49,265)
Total changes of items during the period	46,600	46,600	149,709	(198,974)	(49,265)	(2,665)	(2,665)
Balance at the end of current period	5,330,700	5,330,700	149,709	(49,265)	100,444	5,431,144	5,431,144

#### Notes to Financial Statements > Account for Credit Insurance Programs

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. Availablefor-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: ¥1,326,593 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.

# Issued but not yet adopted accounting standards and others

Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

1. Overview

As part of efforts to make Japanese accounting standards internationally consistent, the Accounting Standards Board of Japan (ASBJ) conducted an examination based on international accounting standards with a view to the development of an accounting standard for leases that recognizes assets and liabilities for all leases of a lessee. As its basic policy, the ASBJ announced an accounting standard for leases, etc. whose basis would be the single lessee accounting model under IFRS 16, but would be simple and highly convenient and would aim to require basically no revisions even when IFRS 16 stipulations are applied to non-consolidated financial statements by incorporating only the main stipulations of IFRS 16 rather than all of them.

For the accounting treatment of lessees, the single lessee accounting model, in which similar to IFRS 16, depreciation on right-of-use assets and an amount equivalent to interest on lease liabilities are recorded for all leases regardless of whether the leases are finance or operating leases, will be adopted as the method of allocating the cost of the leases of a lessee.

2. Scheduled date of application

This accounting standard, etc. will be applied from the beginning of the fiscal year ending March 2028.

3. Effects of the application of this accounting standard, etc.

The impact on the financial statements from the application of this accounting standard, etc. is currently under review.

# 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 ¥3,610 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 ¥5,032 million.

#### 6. Issued shares

For the fiscal year ended March 31, 2025, 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	9,901,847,407,741	46,600,000,000	_	9,948,447,407,741

(Note) Increase is due to the issuance of 46,600,000,000 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

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, 2025, 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	6,625,259	6,513,212	(112,047)
(2) Securities			
Held-to-maturity debt securities	99,863	98,535	(1,328)
Total assets	6,725,123	6,611,747	(113,376)

(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 (*)	2,111,259	2,000,000	1,900,000	314,000	300,000	_
Securities						
Held-to-maturity debt securities	_	_	100,000	_	_	_
Total	2,111,259	2,000,000	2,000,000	314,000	300,000	_

<sup>(\*)</sup> 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, 2025)

Classification	Fair value					
Classification	Level 1	Level 2	Level 3	Total		
Cash and due from banks	_	6,513,212	_	6,513,212		
Securities						
Held-to-maturity debt securities						
Government bonds	98,535	_	_	98,535		
Total assets	98,535	6,513,212	_	6,611,747		

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

#### (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 securities, classified into level 1 fair value. Notes for securities by purpose of holding are found in "8. Fair value of securities."

#### 8. Fair value of securities

In addition to "Government bonds" on the balance sheet, transferable deposits in "Due from banks" are also included.

The fair value of securities at March 31, 2025 is as follows:

#### (a) Held-to-maturity debt securities with fair value

	Туре	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	99,863	98,535	(1,328)

#### (b) Available-for-sale securities

	Туре	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	127,000	127,000	_

#### 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	6,842 million yen
Service cost	221
Interest cost	77
Actuarial difference	(41)
Payment of retirement benefits	(347)
Prior service cost	_
Other	248
Closing balance of projected benefit obligations	7,000

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

Opening balance of fair value of plan assets	3,308 million yen
Expected return on plan assets	67
Actuarial difference	(104)
Financing from employer	109
Payment of retirement benefits	(147)
Other	60
Closing balance of fair value of plan assets	3,293

(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	3,304 million yen
Fair value of plan assets	(3,293)
	10
Projected benefit obligations of unfunded plan	3,695
Unfunded pension obligations	3,706
Actuarial unrecognized difference	649
Unrecognized prior service cost	38
Net amount of liabilities and assets recorded on the balance sheet	4,394
Provision for retirement benefits	4,394
Prepaid pension cost	
Net amount of liabilities and assets recorded on the balance sheet	4,394

(4) Net pensions cost and breakdown of included items

Service cost	221 million yen
Interest cost	77
Expected return on plan assets	(67)
Amount of actuarial difference accounted for as expense	(19)
Amortization of prior service cost accounted for as expense	4
Other	<u> </u>
Net pensions cost related to defined benefits plan	216

(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	28%
Debentures	61%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

1) Discount rate	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, 2025 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, 2025
Principal	Ministry of Finance	400 (5)	Administration	Underwriting of capital increase <sup>(Note i)</sup>	46,600	_	_
shareholder	(Minister of Finance)	100 (Direct)	for policy based financing	Deposit of funds <sup>(Note ii)</sup>	4,430,600	Due from banks	6,326,900
				Refund of funds	4,834,600		

#### (Notes)

- (i) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.
- $\hbox{(ii) Deposit of funds is the deposit for the FILP and the interest rates applicable under the FILP are applied. } \\$

### 12. Per share information

Net assets per share ¥0.54 Net loss per share ¥0.00

### 13. Subsequent events

Issuance of New Shares

JFC plans to issue new shares with the Ministry of Finance (Minister of Finance) as set forth below pursuant to a resolution of the Board of Directors adopted on June 3, 2025.

Overview of the new shares issue

Type and number of shares to be issued	46,100,000,000 common shares
Issue price	1 yen per share
Total issue price	46,100,000,000 yen
Paid-in capital	0 yen per share
Paid-in capital reserves	1 yen per share
Total paid-in capital	0 yen
Total paid-in capital reserves	46,100,000,000 yen
Payment period	From June 30, 2025 to July 7, 2025
Use of capital	Reinforcement of insurance foundations and stable operation of systems

			(Millions of y
Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	1,011,745	Borrowed money	2,689,421
Due from banks	1,011,745	Borrowings	2,689,421
Securities	99,951	Other liabilities	7,335
Government bonds	99,951	Accrued expenses	80
Loans and bills discounted	2,689,421	Contract liability	7,183
Loans on deeds	2,689,421	Lease obligations	6
Other assets	747	Other	64
Prepaid expenses	0	Provision for bonuses	7
Accrued income	649	Provision for directors' bonuses	0
Other	97	Provision for retirement benefits	103
Property, plant and equipment	5	Provision for directors' retirement benefits	0
Lease assets	5	Reserve for compensation losses	29,865
Intangible assets	80	Total liabilities	2,726,732
Software	34	Net assets	
Lease assets	0	Capital stock	1,447,658
Other	45	Retained earnings	(372,431)
Prepaid pension cost	8	Other retained earnings	(372,431)
		Retained earnings brought forward	(372,431)
		Total shareholders' equity	1,075,226
		Total net assets	1,075,226
Total assets	3,801,958	Total liabilities and net assets	3,801,958

# **Statement of Operations** (Year ended March 31, 2025)

Items	Amount
Ordinary income	10,914
Interest income	5,416
Interest on loans and discounts	2,972
Interest and dividends on securities	286
Interest on deposits with banks	2,157
Fees and commissions	3,067
Fees and commissions on compensation security contract	3,067
Receipts from the national budget	154
Receipts from general account of the national budget	154
Other income	2,275
Other	2,275
Ordinary expenses	34,642
Interest expenses	2,956
Interest on borrowings and rediscounts	2,972
Interest on bonds	(15)
Other ordinary expenses	10,143
Amortization of bond issuance cost	1
Interest subsidies	10,142
General and administrative expenses	212
Other expenses	21,329
Provision of reserve for compensation losses	20,164
Other	1,164
Ordinary loss	23,728
Net loss	23,728

# **Statement of Changes in Net Assets** (Year ended March 31, 2025)

					(Millions of yen)
	Shareholders' equity				
		Retained earnings			
	Capital stock	Other retained earnings	Total retained	Total shareholders' equity	Total net assets
		Retained earnings brought forward	earnings	equity	
Balance at the beginning of current period	1,447,648	(348,703)	(348,703)	1,098,944	1,098,944
Changes of items during the period					
Issuance of new shares	10			10	10
Net income (loss)		(23,728)	(23,728)	(23,728)	(23,728)
Total changes of items during the period	10	(23,728)	(23,728)	(23,718)	(23,718)
Balance at the end of current period	1,447,658	(372,431)	(372,431)	1,075,226	1,075,226

#### Notes to Financial Statements > Account for Operations to Facilitate Crisis Responses

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. Availablefor-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: ¥29,865 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.

#### Issued but not yet adopted accounting standards and others

Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

1. Overview

As part of efforts to make Japanese accounting standards internationally consistent, the Accounting Standards Board of Japan (ASBJ) conducted an examination based on international accounting standards with a view to the development of an accounting standard for leases that recognizes assets and liabilities for all leases of a lessee. As its basic policy, the ASBJ announced an accounting standard for leases, etc. whose basis would be the single lessee accounting model under IFRS 16, but would be simple and highly convenient and would aim to require basically no revisions even when IFRS 16 stipulations are applied to non-consolidated financial statements by incorporating only the main stipulations of IFRS 16 rather than all of them.

For the accounting treatment of lessees, the single lessee accounting model, in which similar to IFRS 16, depreciation on right-of-use assets and an amount equivalent to interest on lease liabilities are recorded for all leases regardless of whether the leases are finance or operating leases, will be adopted as the method of allocating the cost of the leases of a lessee.

2. Scheduled date of application

This accounting standard, etc. will be applied from the beginning of the fiscal year ending March 2028.

3. Effects of the application of this accounting standard, etc.

The impact on the financial statements from the application of this accounting standard, etc. is currently under review.

#### 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: ¥2,689,500 million

Total amount: ¥2,689,500 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. There is no balance of bonds in this operation account.

#### 4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥4 million.

### 5. Amount of compensation security contract

(Millions of yen)

	· · · · · · · · · · · · · · · · · · ·
The total amount of compensation outstanding (34,073 contracts)	1,244,368
Reserve for compensation	29,865
Net amount	1,214,503

#### 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.

<sup>\*1</sup> 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).

<sup>\*2</sup> 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, 2025, 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	1,447,648,000,000	10,000,000	_	1,447,658,000,000

(Note) Increase is due to the issuance of 10,000,000 shares.

#### 8. Financial instruments and related disclosure

#### 1. Status of financial instruments

#### (1) Initiatives for financial instruments

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

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

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

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

In this operation account including 1) loans, 2) credit insurance underwriting (a certain portion of compensation paid by JFC to cover losses incurred by specified financial institutions on loans), and 3) interest subsidies (interest subsidies provided by JFC to a specified financial institutions for loans, etc., conducted by specified financial institutions that received a credit facility from JFC) are conducted for financial institutions specified by the competent minister for domestic and global financial disturbance that is recognized by the competent minister when a crisis such as a large-scale disaster occurs. To conduct these operations, the financing required for 1) loans is procured funds through the borrowing from Fiscal Investment and Loan Program ("FILP"), and the issuing of government guaranteed bonds. The loan period and borrowing period are equal, and the financing cost is covered by the interest on the loans, etc. The financing required for 2) credit insurance underwriting, and 3) interest subsidies is procured funds through equity participation from the government, etc.

#### (2) Types of financial instruments and risks

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

The financial assets in this operation account mainly include loans and financial liabilities against designated financial institutions, and the financial liabilities include borrowings and bonds payable. The associated risks are described below.

#### (a) Credit risk

The main financial assets in this operation account are loans of funds to designated financial institutions that are required to conduct crisis response operations. The associated credit risk consists of risk of losses arising from uncollectable claims due to deterioration in creditworthiness of the designated financial institution.

## (b) Market risk

The operations of this operation account consist of loans to designated financial institutions, and fiscal investment and loans and issuing of government-backed bonds are used for financing. Interest rate risk is not present as a type of market risk because the terms and conditions of the loans and borrowings are equal, and the financing cost is covered by the interest on the loans, etc.

# (c) Liquidity risk

Long-term and stable funds such as fiscal investment and loans, government-backed bonds, and funding provided by government are secured to finance this operation account and deposits are not accepted, and as a result, liquidity risk is considered to be limited. However, borrowings and bonds payable are exposed to liquidity risk that payment cannot be made on the payment date due to unexpected events.

#### (3) Risk management structure for financial instruments

JFC has a Corporate Governance Committee established to properly conduct management in order to comprehensively handle

risks faced, including risks associated with financial instruments, to ensure the sustained and stable realization of the financing policies of the function.

For each type of risk, management policies and procedures have been created to handle the specific types of credit risks, market risks, and liquidity risks for financing associated with each operation, and a structure has been established to smoothly handle these tasks in each operation.

The risk management structure for these operations is described below.

#### (a) Credit risk management

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In the asset self assessment, an inspection is conducted by the auditing department.

#### (b) Market risk management

The primary financial instruments that are subject to interest rate risk, which is one of the main risk variables in these operations include loans, borrowings, and bonds payable.

These operations provide loans to designated financial institutions and are funded through borrowings from fiscal investment and loans as well as issuance of government-backed bonds. Since the terms and conditions of lendings and borrowings are equal, cash inflows resulting from lendings and cash outflows resulting from borrowings and bonds payable are matched. Therefore, as a whole operations, interest rate risk does not exist as a market risk.

#### (c) Liquidity risk management related to fund procurement

Long-term and stable funds, such as fiscal investment and loans, government-backed bonds, and funding provided by government are secured to finance this account and deposits are not accepted. In addition, the loan period and borrowing period are egual, 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, 2025, 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	1,011,745	1,002,754	(8,991)
(2) Securities			
Held-to-maturity debt securities	99,951	98,532	(1,418)
(3) Loans and bills discounted	2,689,421	2,551,378	(138,042)
Total assets	3,801,117	3,652,665	(148,452)
Borrowings	2,689,421	2,569,051	(120,369)
Total liabilities	2,689,421	2,569,051	(120,369)

#### (Note 1) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of ven)

	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 (*)	261,745	500,000	250,000	_	_	_
Securities						
Held-to-maturity debt securities	_	_	100,000	_	_	_
Loans and bills discounted	545,147	773,855	608,377	282,220	325,611	154,211
Total	806,892	1,273,855	958,377	282,220	325,611	154,211

<sup>(\*)</sup> Demand deposits contained within due from banks are stated as "Maturities within one year."

# (Note 2) Redemption schedule for borrowings with future redemption dates

	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	545,147	773,855	608,377	282,220	325,611	154,211

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, 2025)

(Millions of yen)

Classification	Fair value					
Classification	Level 1	Level 2	Level 3	Total		
Cash and due from banks	_	1,002,754	_	1,002,754		
Securities						
Held-to-maturity debt securities						
Government bonds	98,532	_	_	98,532		
Loans and bills discounted	_	2,551,378	_	2,551,378		
Total assets	98,532	3,554,133	_	3,652,665		
Borrowings	_	2,569,051	_	2,569,051		
Total liabilities	_	2,569,051	_	2,569,051		

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

#### (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 securities, classified into level 1 fair value.

Notes for securities by purpose of holding are found in "9. Fair value of securities."

#### (3) 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**

#### 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.

#### Fair value of securities

In addition to "Government bonds" on the balance sheet, transferable deposits in "Due from banks" are also included.

The fair value of securities at March 31, 2025 is as follows:

# (a) Held-to-maturity debt securities with fair value

	Туре	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	99,951	98,532	(1,418)

#### (b) Available-for-sale securities

	Туре	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	155,000	155,000	_

## 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-emplayer 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	142 million yen
Service cost	6
Interest cost	1
Actuarial difference	(0)
Payment of retirement benefits	_
Prior service cost	_
Other	(17)
Closing balance of projected benefit obligations	133

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

Opening balance of fair value of plan assets	34 million yen
Expected return on plan assets	0
Actuarial difference	(2)
Financing from employer	4
Payment of retirement benefits	_
Other	(4)
Closing balance of fair value of plan assets	31

(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	31 million yen
Fair value of plan assets	(31)
	0
Projected benefit obligations of unfunded plan	101
Unfunded pension obligations	101
Actuarial unrecognized difference	(8)
Unrecognized prior service cost	1
Net amount of liabilities and assets recorded on the balance sheet	94
Provision for retirement benefits	103
Prepaid pension cost	(8)
Net amount of liabilities and assets recorded on the balance sheet	94

(4) Net pensions cost and breakdown of included items

Service cost	6 million yen
Interest cost	1
Expected return on plan assets	(0)
Amount of actuarial difference accounted for as expense	6
Amortization of prior service cost accounted for as expense	(0)
Other	<u> </u>
Net pensions cost related to defined benefits plan	13
Amount of actuarial difference accounted for as expense Amortization of prior service cost accounted for as expense Other	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	28%
Debentures	61%
General account	11%
Cash and deposits	1%
Total	100%

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, JFC takes into account the distribution of current and forecast fair value of plan assets, and the current and expected long-term rate of return on the diverse assets that compose the fair value of plan assets.

(6) Items related to actuarial calculation bases

Major actuarial calculation bases at the end of the fiscal year in review

Discount rate
 Long-term expected rate of return on plan assets
 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 ¥3,001 million.
  - (2) The total transaction price allocated to remaining performance obligations at the last day of the current fiscal year amounts to ¥7,183 million. The amount and the period of revenue recognition expected for remaining performance obligations are as follows:

	Current fiscal year
Within one year	1,440
Over one year	5,743
Total	7,183

## 13. Related party transactions

Related party transactions in the fiscal year ended March 31, 2025 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, 2025
				Underwriting of capital increase <sup>(Note iii)</sup>	10	_	_
	Ministry of Finance		Administration	Receipts from general account of the national budget	57		_
Principal shareholder	(Minister of Finance) (Notes i and ii)	90.14 (Direct)	for policy based financing	Repayment of borrowings	506,251	Borrowings	2,689,421
				Payment of interest on borrowings	2,972	Accrued expenses	79
				Deposit of funds <sup>(Note iv)</sup>	1,175,000	Due from banks	750,000
				Refund of funds	1,385,000		

#### (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 ¥38 million

- Small and Medium Enterprise Agency

Receipts from the national budget ¥57 million

- (iii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of \$11\$ per share.
- (iv) Deposit of funds is the deposit for the FILP and the interest rates applicable under the FILP are applied.

## 14. Per share information

Net assets per share ¥0.74 Net loss per share ¥0.01

### 15. Subsequent events

Issuance of New Shares

JFC plans to issue new shares with the Ministry of Finance (Minister of Finance) as set forth below pursuant to a resolution of the Board of Directors adopted on June 3, 2025.

Overview of the new shares issue

Overview of the new shares issue				
Type and number of shares to be issued	10,000,000 common shares			
Issue price	1 yen per share			
Total issue price	10,000,000 yen			
Paid-in capital	1 yen per share			
Paid-in capital reserves	0 yen per share			
Total paid-in capital	10,000,000 yen			
Total paid-in capital reserves	0 yen			
Payment period	From June 30, 2025 to July 7, 2025			
Use of capital	Source of funds for compensation security			

## Balance Sheet (as of March 31, 2025)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	186	Borrowed money	67,088
Due from banks	186	Borrowings	67,088
Loans and bills discounted	67,088	Other liabilities	56
Loans on deeds	67,088	Accrued expenses	28
Other assets	42	Lease obligations	3
Prepaid expenses	0	Other	24
Accrued income	27	Provision for bonuses	4
Other	14	Provision for directors' bonuses	0
Property, plant and equipment	2	Provision for retirement benefits	51
Lease assets	2	Provision for directors' retirement benefits	0
Intangible assets	85	Total liabilities	67,200
Software	80	Net assets	
Lease assets	0	Capital stock	407
Other	5	Retained earnings	(197)
Prepaid pension cost	4	Other retained earnings	(197)
Allowance for loan losses	(0)	Retained earnings brought forward	(197)
		Total shareholders' equity	209
		Total net assets	209
Total assets	67,409	Total liabilities and net assets	67,409

# **Statement of Operations** (Year ended March 31, 2025)

(Millions of yen)

Items	Amount
Ordinary income	359
Interest income	80
Interest on loans and discounts	80
Interest on deposits with banks	0
Receipts from the national budget	278
Receipts from general account of the national budget	82
Receipts from special account of the national budget	195
Other income	0
Other	0
Ordinary expenses	396
Interest expenses	80
Interest on borrowings and rediscounts	80
Other ordinary expenses	195
Interest subsidies	195
General and administrative expenses	119
Other expenses	0
Provision of allowance for loan losses	0
Ordinary loss	37
Net loss	37

# Statement of Changes in Net Assets (Year ended March 31, 2025)

(Millions of yen)

(Millions of yen)						
		Retained	earnings		Total net assets	
	Capital stock	Other retained earnings	Total retained	Total shareholders' equity		
		Retained earnings brought forward	earnings			
Balance at the beginning of current period	407	(160)	(160)	246	246	
Changes of items during the period						
Net income (loss)		(37)	(37)	(37)	(37)	
Total changes of items during the period	_	(37)	(37)	(37)	(37)	
Balance at the end of current period	407	(197)	(197)	209	209	

#### Notes to Financial Statements > Account for Operations to Facilitate Specific Businesses Promotion, etc.

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.

## Issued but not yet adopted accounting standards and others

Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

#### 1. Overview

As part of efforts to make Japanese accounting standards internationally consistent, the Accounting Standards Board of Japan (ASBJ) conducted an examination based on international accounting standards with a view to the development of an accounting standard for leases that recognizes assets and liabilities for all leases of a lessee. As its basic policy, the ASBJ announced an accounting standard for leases, etc. whose basis would be the single lessee accounting model under IFRS 16, but would be simple and highly convenient and would aim to require basically no revisions even when IFRS 16 stipulations are applied to non-consolidated financial statements by incorporating only the main stipulations of IFRS 16 rather than all of them.

For the accounting treatment of lessees, the single lessee accounting model, in which similar to IFRS 16, depreciation on right-

of-use assets and an amount equivalent to interest on lease liabilities are recorded for all leases regardless of whether the leases are finance or operating leases, will be adopted as the method of allocating the cost of the leases of a lessee.

2. Scheduled date of application

This accounting standard, etc. will be applied from the beginning of the fiscal year ending March 2028.

3. Effects of the application of this accounting standard, etc.

The impact on the financial statements from the application of this accounting standard, etc. is currently under review.

## 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: ¥67,115 million

Total amount: ¥67.115 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\*<sup>1</sup>. 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\*<sup>2</sup> 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, 2025, 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

## 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, 2025, 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	186	186	_
(2) Loans and bills discounted	67,088		
Allowance for loan losses (*)	(0)		
	67,087	65,423	(1,664)
Total assets	67,274	65,609	(1,664)
Borrowings	67,088	65,619	(1,468)
Total liabilities	67,088	65,619	(1,468)

<sup>(\*)</sup> General 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 (*)	186	_	_	_	_	_
Loans and bills discounted	14,886	29,946	15,819	1,927	2,434	2,076
Total	15,072	29,946	15,819	1,927	2,434	2,076

<sup>(\*)</sup> 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 ven)

	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	14,886	29,946	15,819	1,927	2,434	2,076

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, 2025)

(Millions of yen)

	Fair value					
Classification	Level 1	Level 2	Level 3	Total		
Cash and due from banks	_	186	_	186		
Loans and bills discounted	_	65,423	_	65,423		
Total assets	_	65,609	_	65,609		
Borrowings	_	65,619	_	65,619		
Total liabilities	_	65,619	_	65,619		

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values <u>Assets</u>

#### (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, etc. calculated based on the market yield of bonds issued by the borrower based on the type of borrower and period of loan, classified into level 2 fair value.

## Liabilities

Borrowings

Borrowings are based on a fixed rate of interest. Fair value is calculated by discounting the principal and interest of the borrowings by the risk free rate (the standard Japanese government bond rate) based on the set period of loan, classified into level 2 fair value.

## 8. Deferred tax accounting

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

#### 9. Retirement benefits

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

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

Defined benefits plan

(1)	D : : : : - : - : - : - :		to a series of the effective and	and the latest and th	II	and the same of the same of	C+ -  -  : +:
(1)	Reconciliation	schedule of c	pening balance	e and closing	palance of p	projected bene	nt obligations

Opening balance of projected benefit obligations	75 million yen
Service cost	3
Interest cost	0
Actuarial difference	1
Payment of retirement benefits	_
Prior service cost	_
Other	(11)
Closing balance of projected benefit obligations	70

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

Opening balance of fair value of plan assets	18 million yei
Expected return on plan assets	0
Actuarial difference	(1)
Financing from employer	2
Payment of retirement benefits	_
Other	(2)
Closing balance of fair value of plan assets	<u> </u>

(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	17 million yen
Fair value of plan assets	(17)
	0
Projected benefit obligations of unfunded plan	53
Unfunded pension obligations	53
Actuarial unrecognized difference	(6)
Unrecognized prior service cost	0
Net amount of liabilities and assets recorded on the balance sheet	47
Provision for retirement benefits	51
Prepaid pension cost	(4)
Net amount of liabilities and assets recorded on the balance sheet	47

(4) Net pensions cost and breakdown of included items

Service cost	3 million yen
Interest cost	0
Expected return on plan assets	(0)
Amount of actuarial difference accounted for as expense	3
Amortization of prior service cost accounted for as expense	(0)
Other	
Net pensions cost related to defined benefits plan	7

(5) Items concerning fair value of plan assets

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

28%
61%
11%
1%
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, 2025 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, 2025
Principal Finance shareholder (Minister	(Minister of 100 (Direct)			Receipt of funds (Note ii)	160	Downsians	67,000
		Administration for policy based financing	Repayment of borrowings	14,166	Borrowings	67,088	
			Payment of interest on borrowings	80	Accrued expenses	27	

#### (Notes)

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

-Cabinet Office Receipts from the national budget

¥20 million

-Ministry of Economy, Trade and Industry Receipts from the national budget

¥249 million

-Ministry of Land, Infrastructure, Transport and Tourism
Receipts from the national budget

¥7 million

(ii) The receipts of funds represent borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

### 11. Per share information

Net assets per share ¥0.51 ¥0.09 Net loss per share

## 12. Subsequent events

Not applicable.

# **Reference Information**

## **Risk-monitored Loans**

JFC reports risk-monitored loan amounts calculated based on the "Ministerial Ordinance Concerning Accounting of Japan Finance Corporation" (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 3 of 2008).

Risk-monitored Loans (Millions of yen)

	Micro Business and Individual Unit (Account for Micro Business and Individual Operations)	Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)	Small and Medium Enterprise (SME) Unit (Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation))	Total
Risk-managed loan rate	12.95%	9.17%	12.63%	12.21%
Risk-managed loan balance	1,308,475	323,617	955,574	2,587,667
Bankrupt or its equivalent	19,713	4,139	9,885	33,738
Doubtful loans	128,338	126,710	785,542	1,040,591
Loans with interest or principal repayments more than three months in arrears	107	1,174	_	1,282
Restructured loans	1,160,316	191,593	160,146	1,512,055
Normal	8,795,773	3,205,349	6,608,509	18,609,632
Total loan balance	10,104,248	3,528,966	7,564,123	21,197,339

### (Definitions)

- $\boldsymbol{\cdot}$  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).



