

Systems for Organizational Management

Governance 52

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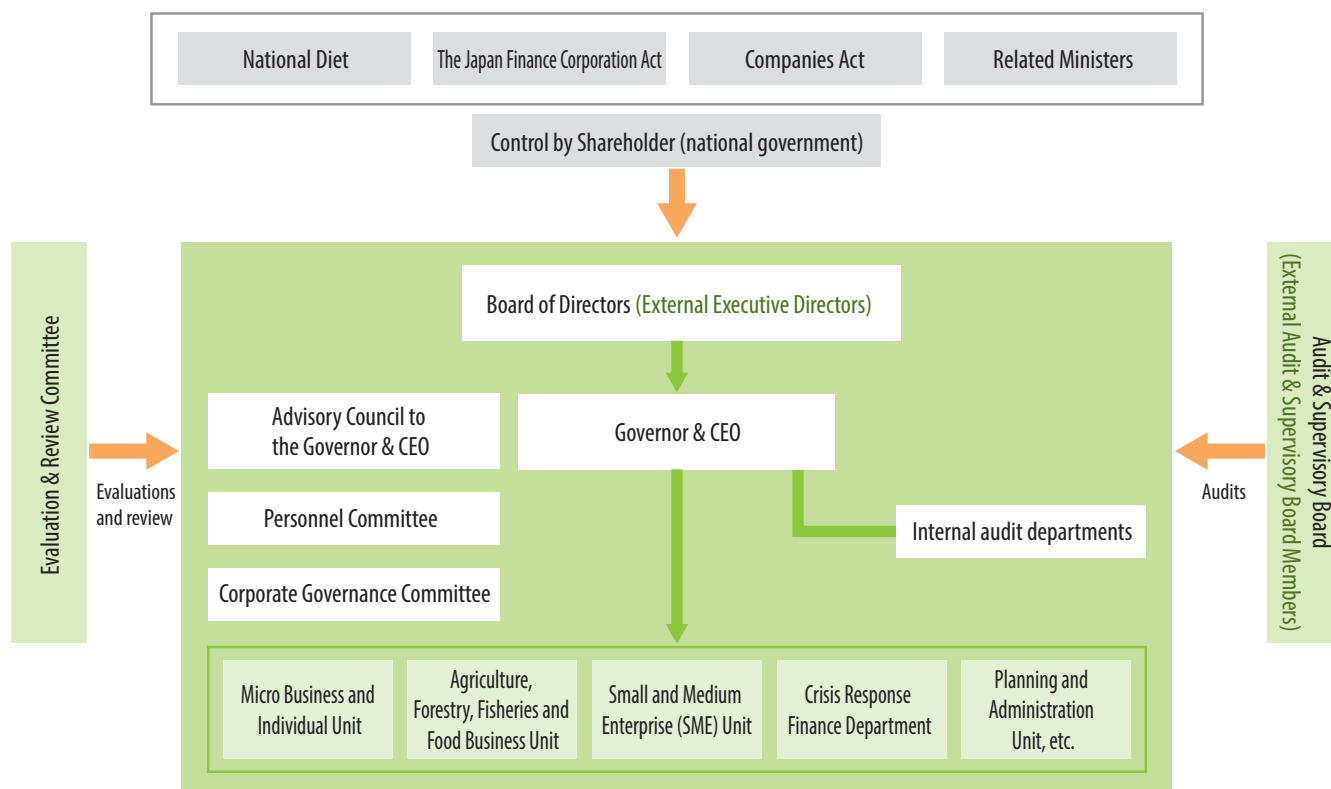
Fundamental Approach

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

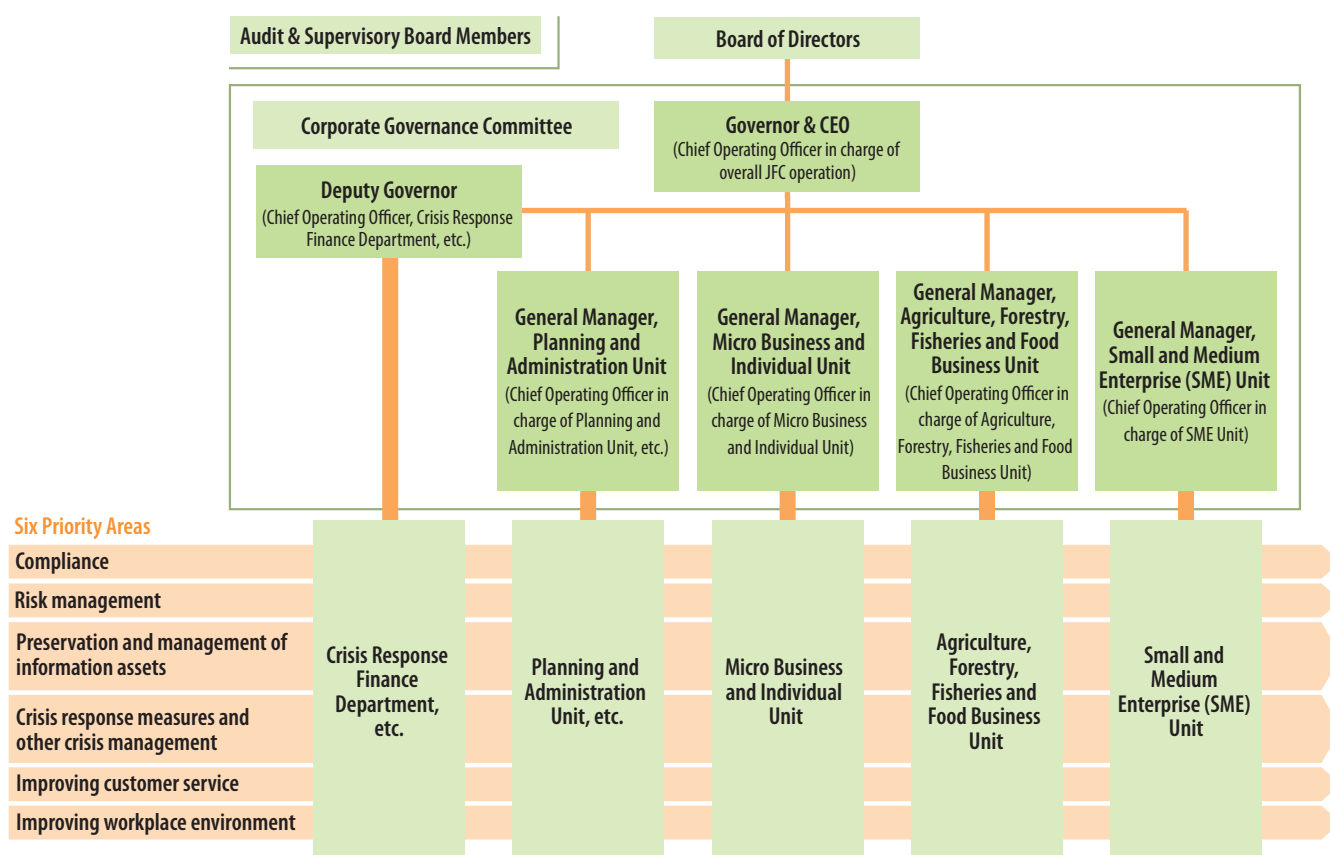
The Advisory Council to the Governor & CEO receives reports, also reviews and investigates key matters concerning management of JFC in response to inquiries from the Governor and CEO.

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)

@Eruboshi



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.

@Platinum Kurumin

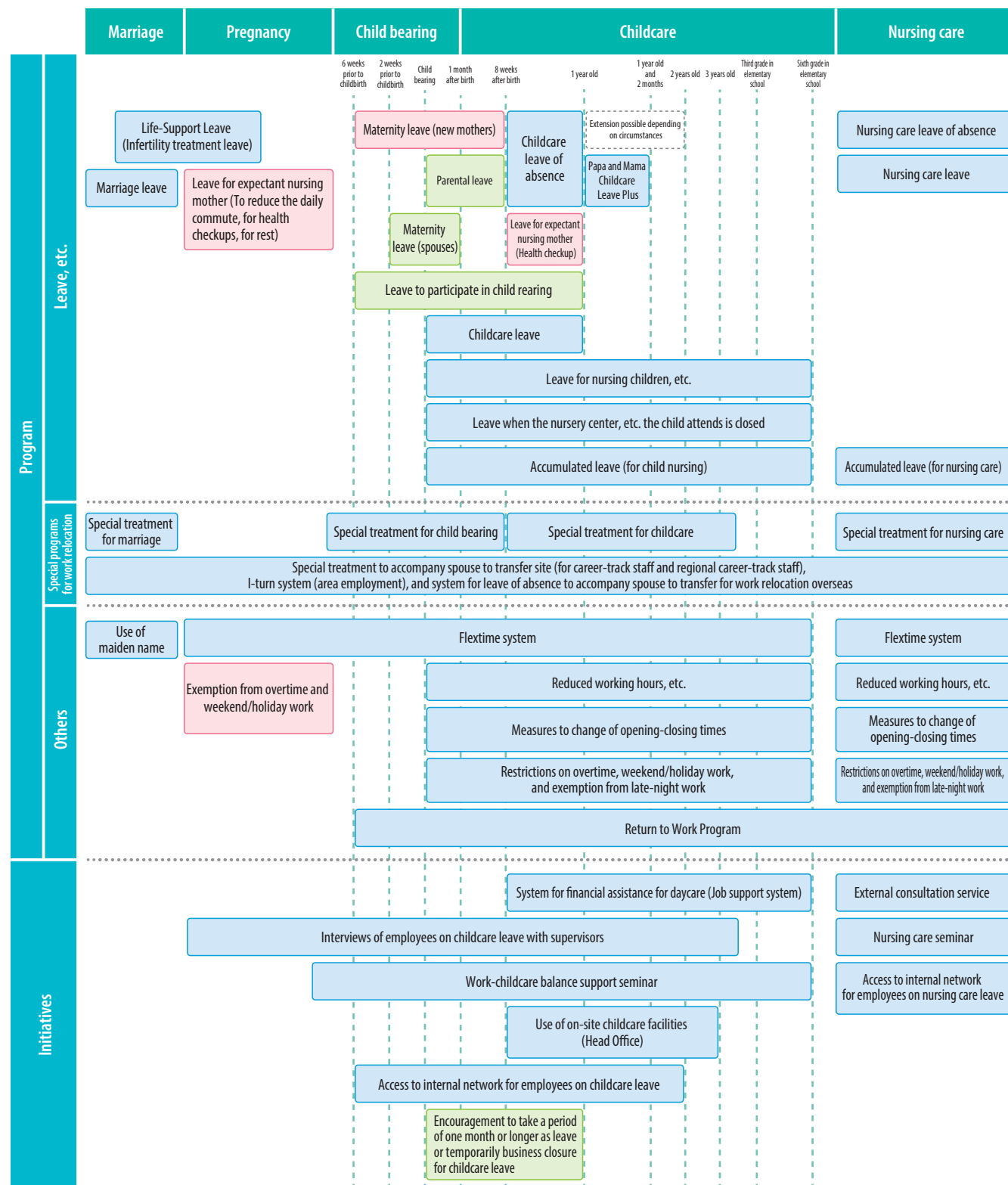


4 Promotion of Diverse Work Styles

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

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

We established Committees for the Promotion of Diversity at 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.



...For female employees only ...For male employees only ...For male/female employees

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	<ul style="list-style-type: none"> • Available at all branches • Distributed to National Diet Library, regional public organizations, and business groups 	June–September
Supporting schedules		
Asset inventories		
Financial statements		
Opinions by Audit & Supervisory Board Members		
Audit reports by Audit & Supervisory Board		
Audit reports by CPA firm	<ul style="list-style-type: none"> • Available at all branches • Distributed upon request 	July
Annual Reports		
Website • Includes explanations of business activities, business performance, organizational structures, financial conditions, etc. • Electronic public notice	<ul style="list-style-type: none"> • Available on Internet (https://www.jfc.go.jp/n/english/) 	Updated as necessary

Memo
