

Japan Finance Corporation
Annual Report

2026



JAPAN FINANCE CORPORATION

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Presentation of quantities and amounts in this Report:

1. Quantities and amounts less than one standard unit

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

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

2. Method of presentation

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

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Message from the Governor & CEO

My name is Fujii, and I have recently been appointed Governor & CEO of Japan Finance Corporation. I am humbled by the responsibility of this position, and while I am well aware of my modest abilities, I am determined to devote my utmost efforts to fulfilling this important duty. I sincerely ask for your guidance and support.

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 has responded to financing needs from small amounts upward for those starting new businesses and for those responding to disasters and changes in the business environment, and plays an important role in the financing of Japan's SMEs, micro/small businesses, and people engaged in agriculture, forestry, and fisheries.

In order to steadily fulfill this role, JFC will work as one organization to support business operators 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

Businesses continue to face a challenging operating environment due to the impact of natural disasters, rising prices, labor shortages, and other factors.

Many businesses that utilized COVID-19 related loans are in the repayment phase. In response, JFC is implementing initiatives focused on business improvement and revitalization, including support measures aimed at easing the burden of repayment on existing debt.

At present, in light of the situation in the Middle East, there are concerns over impacts such as rising prices for crude oil and petroleum-related products. In response, JFC is handling consultations on loans and repayments from affected businesses.

The future outlook remains unclear, but JFC will continue to further strengthen collaboration with private financial institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and others, working with all supporting organizations to support businesses in order to smoothly carry out financing support.

Future Measures

With a strong awareness of its role as a policy-based financial institution, JFC will establish 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 functions and continue to focus our efforts on supporting business fields that need prioritized support, including start-ups and new businesses, business start-ups, productivity improvement, structural transformation of agriculture, forestry, and fisheries, overseas expansion, social business, business succession, and business revitalization, thereby contributing to the growth and development of the local economy while supporting businesses that are willing to take on challenges.

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

JFC has actively supported business start-ups, 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 having had transactions 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 capital, universities, higher professional schools, and other organizations to provide financial support tailored to the diverse needs of businesses at each stage of growth, while organizing business matching and other events to support growth.

(Support for productivity improvement, etc.)

JFC provides support to businesses working on labor-saving measures, DX, digitalization, and other initiatives to improve productivity. JFC is also supporting businesses working to enhance human capital through environmental and energy measures, including GX, as well as wage increases and health management.

In addition, JFC will provide proactive growth support, from both financial and informational perspectives, according to company size and growth ambitions, including support for businesses seeking dramatic growth through declaring a 10-billion-yen sales target.



(Support for structural transformation of agriculture, forestry, and fisheries)

In the agriculture, forestry, fisheries, and food industries, new initiatives are spreading, including the development of new varieties that respond to climate change, the introduction of smart agriculture technologies, and the development of large-scale production areas for exports. At the same time, the business outlook remains uncertain for many businesses due to persistently high production costs, worsening labor shortages, natural disasters, and other factors. In response to these changes in the business environment, JFC is committed to supporting the structural transformation of agriculture, forestry, and fisheries by providing financial support and assistance in developing sales channels.

(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.

(Cooperation with private financial institutions and relevant organizations)

Last year, the Financial Services Agency formulated the “Regional Financial Power Enhancement Plan,” and supporting organizations such as regional financial institutions are strongly expected to contribute to regional economies not only in financial areas but also in non-financial areas. JFC will promote the conclusion of “Memorandums on Business Cooperation in the Event of a Crisis” with private financial institutions, while also collaborating 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.

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 6, 2026

藤井健志

FUJII Takeshi
Governor & CEO

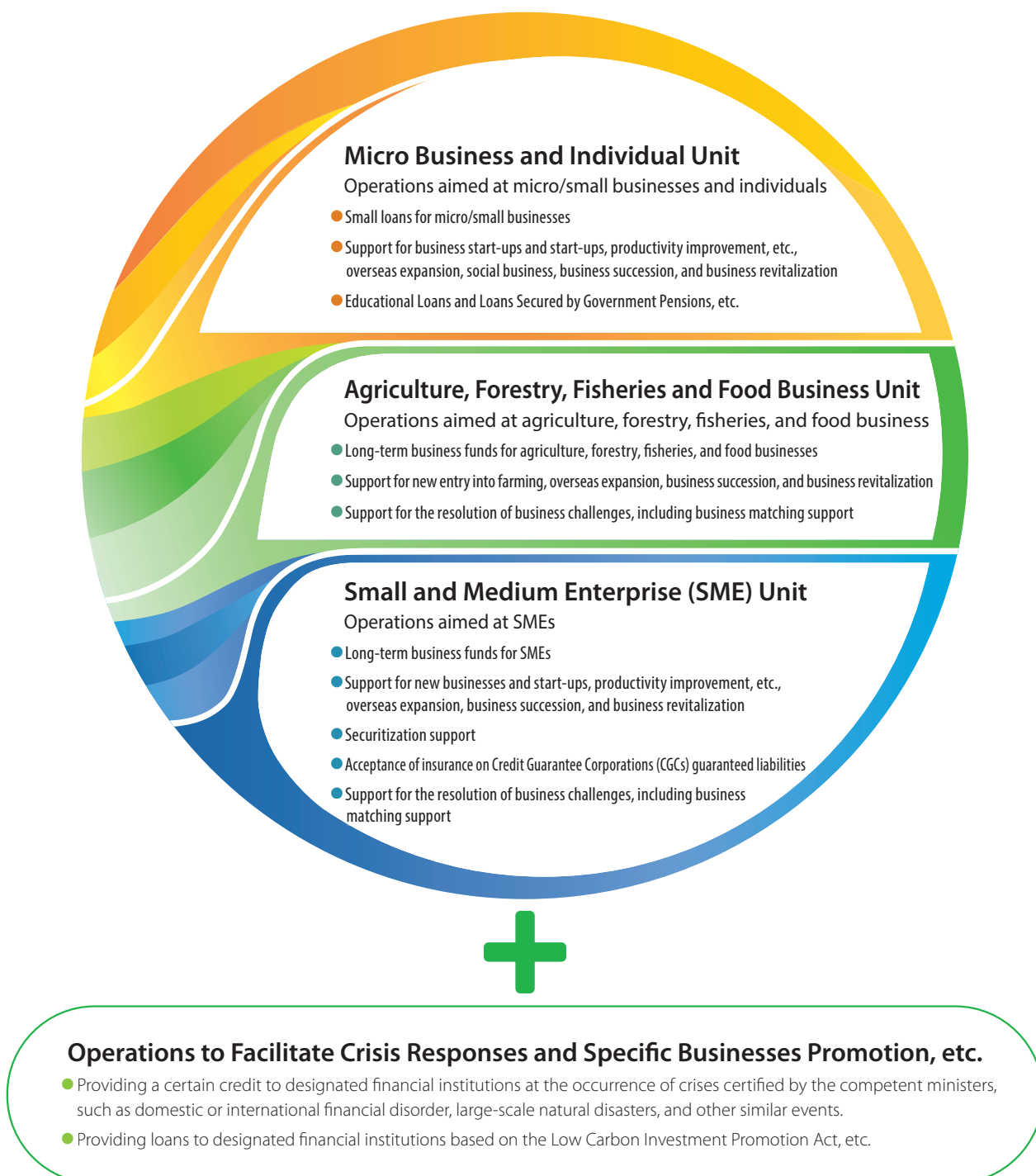
Profile (as of March 31, 2026)

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	FUJII Takeshi (appointed June 23, 2026)	
Capital, etc.	Capital: 11,780.9 billion yen Reserve fund: 5,376.8 billion yen	
Branch Offices	Branch offices in Japan: 152 Overseas representative offices: 3	
Employees	7,423 (budgetary fixed number for FY2026)	
Total of Outstanding Loans	Total of Outstanding Loans:	23,140.0 billion yen
	Micro Business and Individual Unit:	9,837.6 billion yen
	Agriculture, Forestry, Fisheries and Food Business Unit:	3,507.1 billion yen
	Small and Medium Enterprise (SME) Unit (Finance Operations):	7,576.7 billion yen
	Operations to Facilitate Crisis Responses:	2,144.2 billion yen
	Operations to Facilitate Specific Businesses Promotion, etc.:	74.2 billion yen
Outstanding Amounts of Insurance	Small and Medium Enterprise (SME) Unit (Credit Insurance Programs): 33,229.9 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



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 functions 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.

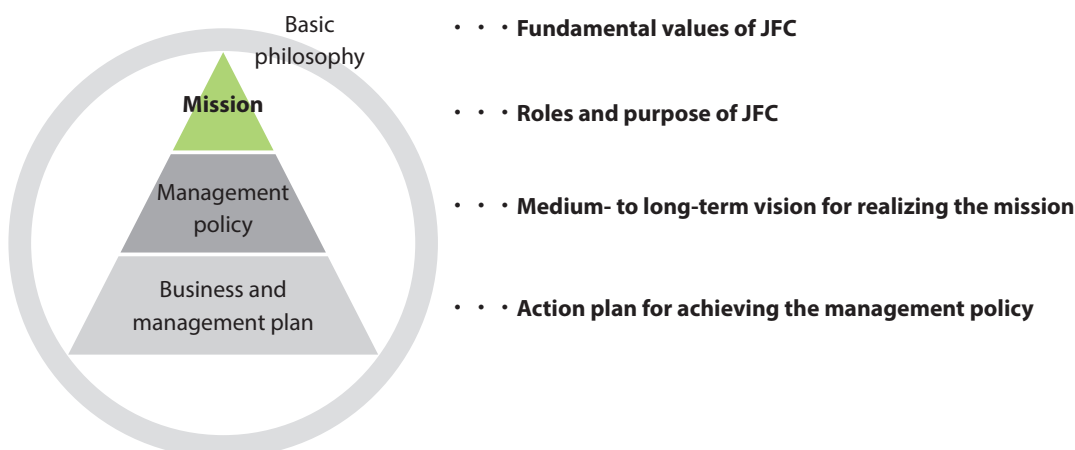
● **Focused policy-based financing**

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**

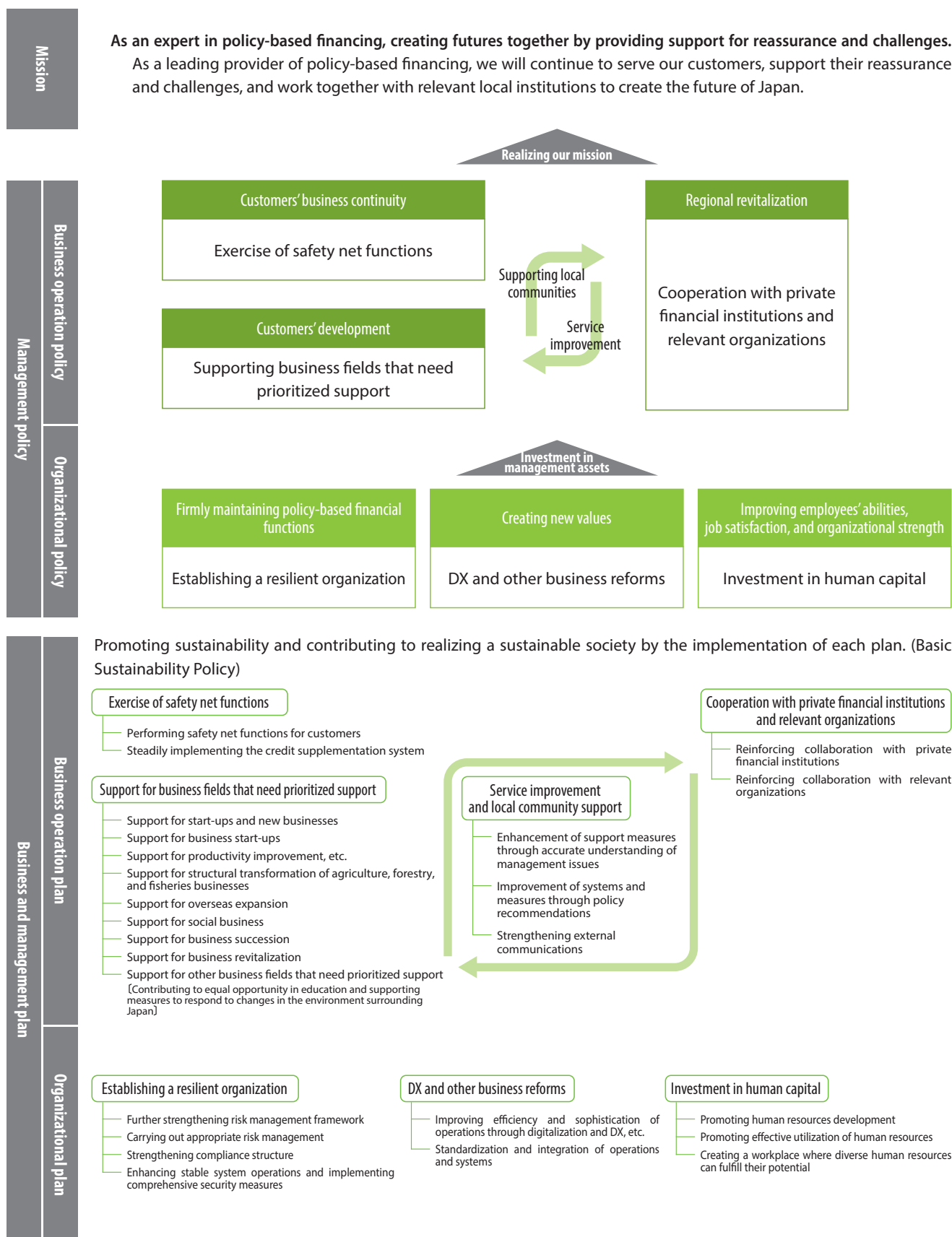
Strive to conduct highly transparent and efficient business operations based on a high level of corporate governance and hold itself accountable to the public.

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



Management Policy, Business and Management Plan

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



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



▶ Please visit the JFC website for more information.
<https://www.jfc.go.jp/n/english/about/business.html>
 (Business and Management Plan)



Sustainability Initiatives

Basic Sustainability Policy

JFC established the Basic Sustainability Policy in 2023. Based on this Basic Policy, JFC will promote sustainability and contribute to the realization of a sustainable society.

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.

► Please visit the JFC website for the full text of the policy.
<https://www.jfc.go.jp/n/english/about/philosophy.html>



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)

1 NO POVERTY [Project management] Reduction of the economic burden involved in education through support to single-parent families, etc.	2 ZERO HUNGER [Project management] - Support for structural transformation of agriculture, forestry, and fisheries - Support to persons newly embarking on agricultural management - Support for ensuring the sustainability of the food system	3 GOOD HEALTH AND WELL-BEING [Project management] Support for customers involved in health management
4 QUALITY EDUCATION [Project 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. [Organization management] - Promotion of support for self-directed skills development	5 GENDER EQUALITY [Organization management] - Positive appointment of women managers - Promotion of men's participation in housework, child raising, and care	6 CLEAN WATER AND SANITATION [Project management] Support for maintaining the multilateral functions of forests (cultivation of water resources)
7 AFFORDABLE AND CLEAN ENERGY [Project management] - 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	8 DECENT WORK AND ECONOMIC GROWTH [Project management] - Exercise of safety net functions - Definite implementation of operations to facilitate crisis responses - Steady implementation of credit supplementation - Support for start-ups and new businesses - Support for business start-ups - Support for productivity improvement, etc. - Overseas expansion support - Social business support [Organization management] - Promotion of digitalization and DX - Further promotion of flexible workstyles, such as telecommuting - Practice of work-life management	- Business succession support - Business revitalization support - Provision of useful services tailored to customer and local needs (matching, holding of business meetings and seminars, etc.) - Appropriate display of risk-taking functions - Strengthening of consulting functions - Display of thinktank functions - Promotion of proposal activities for SME policy and agriculture, forestry, and fisheries policy
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE [Project management] - Two-step loans relating to business reorganization, business adaptation, etc. based on the Industrial Competitiveness Enhancement Act - Two-step loans relating to the development, supply, and introduction of advanced information and communications systems - Two-step loans for securing stable supplies of specified goods of importance	11 SUSTAINABLE CITIES AND COMMUNITIES [Project management] Contribution to local and regional revitalization	12 RESPONSIBLE CONSUMPTION AND PRODUCTION [Organization management] Implementation of initiatives in consideration of the environment
10 REDUCED INEQUALITIES [Organization management] - Promotion of initiatives to respect human rights - Promotion of diversity - Steady implementation of the employment of disabled persons	14 LIFE BELOW WATER [Project management] Supporting the development of a sustainable fisheries industry into a growth business	15 LIFE ON LAND [Project management] Support for the sustained and sound development of the forestry industry
13 CLIMATE ACTION [Organization management] - Strengthening of crisis management preparations - Strengthening of business continuity plan - Understanding the risks of climate change	17 PARTNERSHIPS FOR THE GOALS [Project management] - Cooperation with private financial institutions, etc. through cofinancing and securitization - Cooperation with related bodies, such as Chambers of Commerce and Industry, Societies of Commerce and Industry, etc. - Participation in various measures undertaken by local governments based on national strategies	

► Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/company/sdgs/index.html> (Available only in Japanese)



Initiatives to Respect Human Rights

In April 2026, JFC published its Human Rights Policy and stated its commitment to respect for human rights within the organization.

Human Rights Policy

In realizing its mission of "As an expert in policy-based financing, creating futures together by providing support for reassurance and challenges," JFC recognizes respect for human rights as an important management issue and is committed to making efforts to fulfill its responsibility to respect human rights in all of its business activities.

► Please visit the JFC website for the full text of the policy.
<https://www.jfc.go.jp/n/english/about/philosophy.html>



Based on this policy, JFC will promote initiatives to respect human rights, respect the human rights of management and staff as well as customers, suppliers, and other stakeholders, and strive to take appropriate action if adverse impacts are identified.

In addition, as a part of initiatives to respect the human rights of officers and employees, JFC will respond appropriately to customer harassment based on the Basic Policy on Customer Harassment published in April 2026.

► Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/company/sdgs/pdf/CustomerHarassmentPolicy.pdf> (Available only in Japanese)



Consultations and other inquiries from stakeholders are accepted through the website, including the comment box.

JFC Activities

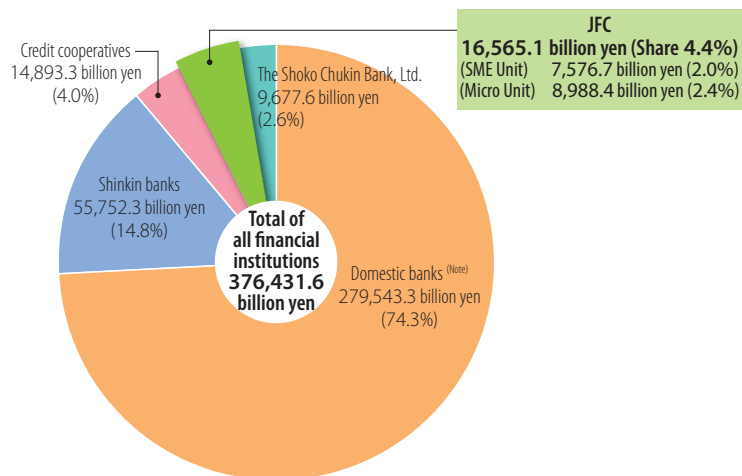
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Financing Structure of JFC

JFC's share of the balance of financing to SMEs (Micro Unit and SME Unit) is **4.4%**.

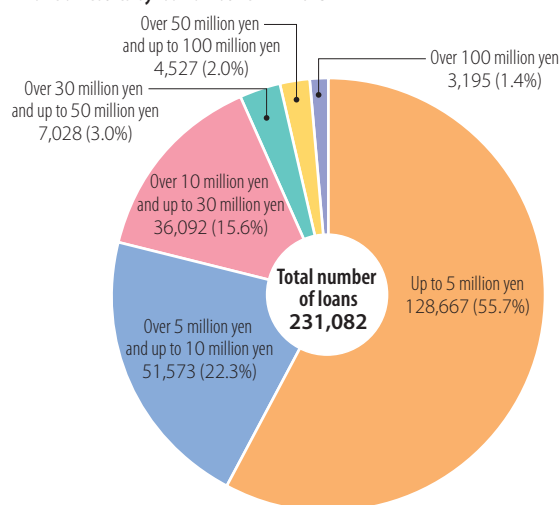
Furthermore, the composition of JFC's financing by loan amount in FY2025 was as follows. Of the total of approximately 230,000 business loans, **56% had loan amounts up to 5 million yen, and 94% were for 30 million yen or less**. JFC also provides educational loans to the public (approximately 60,000 loans annually).

Share of balance of financing to SMEs (as of March 31, 2026)



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"

Financial results by loan amount in FY2025 (Note)

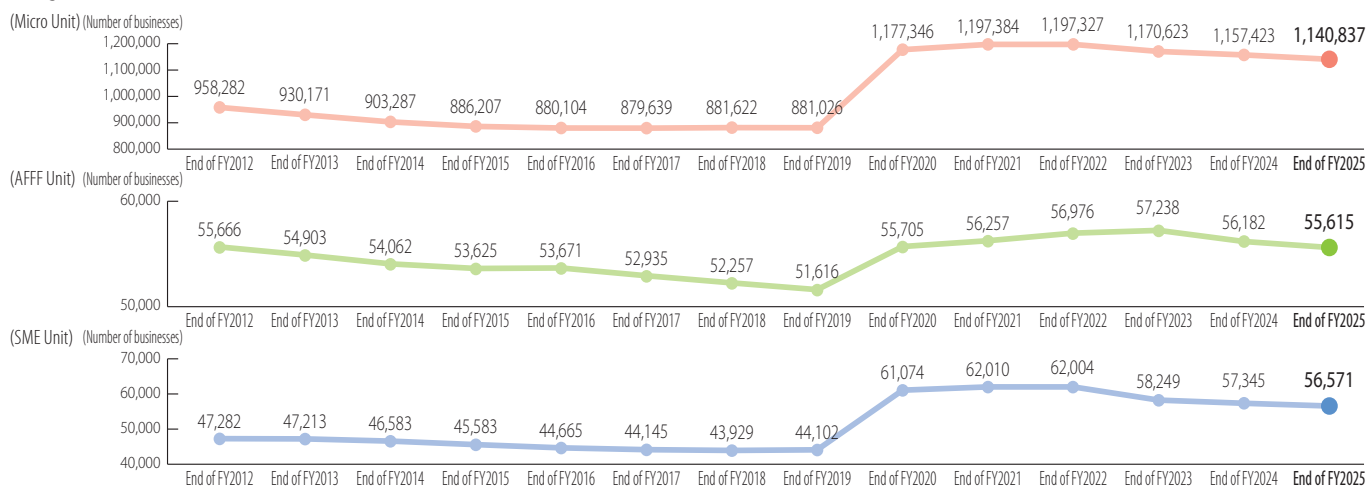


Note: Total of Micro Unit, AFFF Unit, and SME Unit (financing) business loans

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 FY2025 increased by **approximately 260,000** in the Micro Unit, **approximately 4,000** in the AFFF Unit, and **approximately 12,000** in the SME Unit compared to the end of FY2019.

Change in number of borrowers



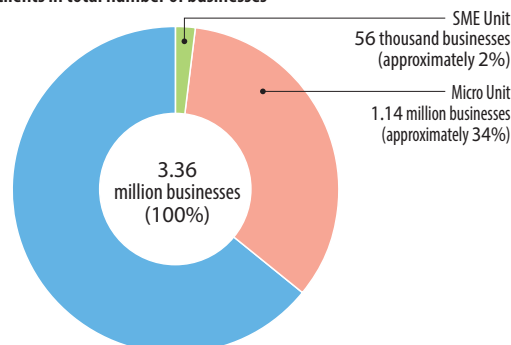
Share of JFC Customers

SMEs and micro/small businesses account for approximately 99% of all businesses in Japan, and underpin regional economies, acting as a source of Japanese economic vitality.

JFC has business relationships with 1.19 million (Notes) of Japan's 3.36 million SMEs and micro/small businesses, accounting for approximately 36% of the total number of SMEs and micro/small businesses.

Notes: 1. Total number of customers of the Micro Unit and the SME Unit.
2. Includes customers that do business with both the Micro Unit and the SME Unit.

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



Exercise of Safety Net Functions



Safety Net-related Loans ^(Note)

In FY2025, financing related to Safety Net Loans to those facing obstacles in cash flow due to earthquakes, typhoons, and other natural disasters, as well as the adverse effects of international financial instability and economic contraction, came to **15,065 loans for 453.6 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.

Safety Net-related Loans in FY2025

FY2025	
Number of loans	Amount
15,065	453.6 billion yen

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

FY2025	
Number of loans	Amount
377	4.9 billion yen

Initiatives to Support Disaster-Affected Areas (The 2024 Noto Peninsula Earthquake)

(1) Ishikawa Prefecture Support Catalog

To support the development of sales channels for customers in Ishikawa Prefecture affected by the 2024 Noto Peninsula Earthquake, JFC published a catalog booklet introducing corporate information, products, and services. The catalog is posted on JFC’s website and distributed to relevant organizations and customers through all branches nationwide. The first edition was published in April 2024, the second in July, the third in December, and the fourth in July 2026, featuring a total of 55 customers.

▶ Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/finance/saftynt/202401saigai/notofukko.html#list-01>
(Available only in Japanese)



(2) Ishikawa Prefecture Successor Recruitment Project

JFC has launched a special webpage for the “Connecting Hopes to the Future—Ishikawa Prefecture Successor Recruitment Project,” which provides information on business operators in Ishikawa Prefecture who wish to transfer their businesses. The page also introduces initiatives by various support organizations and successful cases in Ishikawa Prefecture.

▶ Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/finance/jigyosyokei/matching/ishikawa/index.html>
(Available only in Japanese)



(3) Business Matching Meeting to Support Recovery from the 2024 Noto Peninsula Earthquake

To support the development of sales channels for companies affected by the 2024 Noto Peninsula Earthquake, we held a business matching meeting, continuing from FY2024.

This time as well, the meeting was co-hosted with financial institutions in the affected areas (The Hokkoku Bank, Ltd.; The Hokuriku Bank, Ltd.; Noto Kyoei Shinkin Bank; and Kono Shinkin Bank), with their customers participating as sellers, among other arrangements. A total of 75 business meetings were conducted.

Event Data		
	Current Event	Previous Event
Period	July 23–25, 2025	March 26–27, 2025
Event / Business Meeting Format	Online / Individual Meeting Format	Online / Individual Meeting Format
Number of Participating Companies ^(Note)	Sellers	17
	Buyers	11
Total Number of Business Meetings ^(Note)	75	61

Note: The number of participating companies with business meetings reserved in advance and the number of such business meetings.

▶ Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/finance/saftynt/202401saigai/notofukko.html#list-01>
(Available only in Japanese)



Supporting Business Fields That Need Prioritized Support



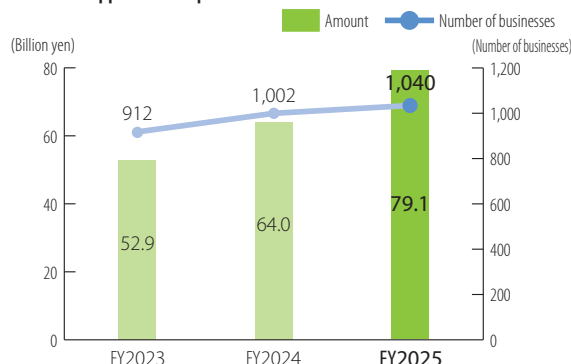
(1) Support for start-ups and new businesses

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

In FY2025, Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses ^(Note 3) came to: **1,040 businesses (104% compared to the previous fiscal year), 79.1 billion yen (124% 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 the Hybrid Subordinated Loan Program and the Syndicated Loan Program.

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



(ii) 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 FY2025, loans came to: **90 businesses (120% compared to the previous fiscal year), 20.1 billion yen (141% 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

	FY2023	FY2024	FY2025	Compared to the previous fiscal year
Number of businesses	75	75	90	120%
Amount	13.3 billion yen	14.3 billion yen	20.1 billion yen	141%

(iii) Capital Subordinated Loans (new businesses-type)

In FY2025, Capital Subordinated Loans (new businesses-type) came to: **212 businesses (337% compared to the previous fiscal year), 19.6 billion yen (152% compared to the previous fiscal year).**

Results of Capital Subordinated Loans (new businesses-type)

	FY2023	FY2024	FY2025	Compared to the previous fiscal year
Number of businesses	43	63	212	337%
Amount	6.3 billion yen	12.9 billion yen	19.6 billion yen	152%

(iv) 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 capital, universities, higher professional schools, etc.).

(2) Support for business start-ups

(i) Loans to start-ups

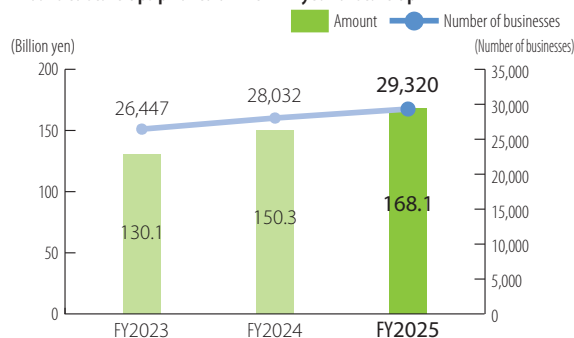
In FY2025, loans to start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) came to: **29,320 businesses (105% compared to the previous fiscal year), 168.1 billion yen (112% compared to the previous fiscal year).**

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

	FY2023	FY2024	FY2025	Compared to the previous fiscal year
Women	6,631 businesses	7,208 businesses	7,870 businesses	109%
Youth (aged under 35)	7,368 businesses	7,742 businesses	8,268 businesses	107%
Seniors (aged 55 and older)	2,521 businesses	2,846 businesses	3,135 businesses	110%

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

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



(ii) 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 13th High School Student Business Plan Grand Prix, a total of 5,640 entries from 639 schools were received. Business start-up support centers nationwide took the lead in providing on-site classes and offering support for business plan creation.

At the final competition, held in January 2026, 10 groups of finalists gave enthusiastic presentations. The Grand Prix was awarded to Kyoritsu Girls' Senior High School's "Shonin Yokkyu girls" for their plan titled "Admic: Turn Your Desire for Recognition into Your Own Comic," which drew the attention of various media. In addition, Prime Minister Takaichi sent a message to the high school students presenting their business plans, which was read aloud by the emcee on the day of the event.

Amid growing interest in entrepreneurship education, scenes from and details of the High School Student Business Plan Grand Prix have been featured in high school Public textbooks, and Japanese language illustrated reference materials used as supplementary teaching materials, demonstrating the growing presence of JFC's business start-up support in educational settings.



Members of Kyoritsu Girls' Senior High School's "Shonin Yokkyu girls," winners of the 13th Grand Prix award



Message from Prime Minister Takaichi (read aloud by the emcee on the day of the event)

The 14th High School Student Business Plan Grand Prix

Application period: August 19 to September 24, 2026

Announcement of 10 finalist groups: Late November 2026

Final competition and award ceremony: January 10, 2027

- 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

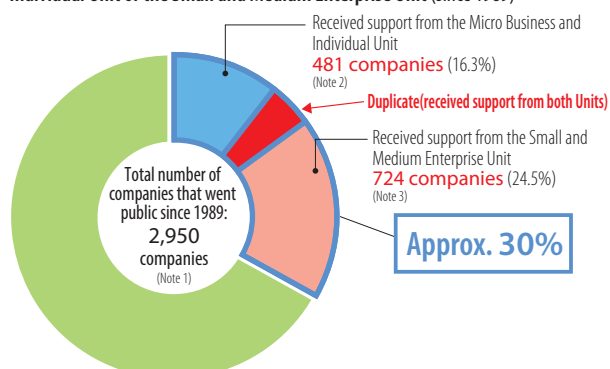
https://www.instagram.com/grandprix_kouko/
(Available only in Japanese)



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 481 companies and 724 companies, respectively, with 1,056 companies receiving support from both (excluding duplication), accounting for approximately 30% of the total.

Publicly-traded companies that received support from the Micro Business and Individual Unit or the Small and Medium Enterprise Unit (since 1989)



- Notes: 1. Of those companies listed on each market since 1989, the total number of companies whose shares are publicly traded as of March 31, 2026 (according to JFC investigations).
2. Of those companies indicated in Note 1, companies confirmed to have received support from the Micro Business and Individual Unit.
3. Of those companies indicated in Note 1, companies confirmed to have received support from the Small and Medium Enterprise Unit.

Examples of publicly-traded companies that received support from JFC

Company name	Store or brand name	Establishment	Listing year (Note 4)	Stock market (Note 4)
Timee, Inc.	Timee	2017	2024	Tokyo Stock Exchange, Growth Market
BALMUDA Inc.	BALMUDA	2003	2020	Tokyo Stock Exchange, Growth Market
Spacemarket, Inc.	SPACEMARKET	2014	2019	Tokyo Stock Exchange, Growth Market
Bushiroad Inc.	CARDFIGHT!! Vanguard New Japan Pro-Wrestling	2007	2019	Tokyo Stock Exchange, Growth Market
Sansan, Inc.	Sansan	2007	2019	Tokyo Stock Exchange, Prime Market
Kushikatsu Tanaka Holdings Co., Ltd. (Note 5)	Kushikatsu Tanaka	2002	2016	Tokyo Stock Exchange, Standard Market
Hotland Co., Ltd. (Note 6)	Tsukiji Gindaco	1991	2014	Tokyo Stock Exchange, Prime Market
Torikizoku Co., Ltd. (Note 7)	Torikizoku	1986	2014	Tokyo Stock Exchange, Prime Market
JINS Holdings Inc.	JINS	1988	2006	Tokyo Stock Exchange, Prime Market
Bic Camera Inc.	Bic Camera	1980	2006	Tokyo Stock Exchange, Prime Market
Pepper Food Service Co., Ltd.	Ikinari Steak	1985	2006	Tokyo Stock Exchange, Standard Market
Tempstaff Co., Ltd. (Note 8)	Tempstaff	1973	2006	Tokyo Stock Exchange, Prime Market
Bookoff Corporation Ltd. (Note 9)	BOOK · OFF	1991	2004	Tokyo Stock Exchange, Prime Market
Village Vanguard Co., Ltd.	VILLAGE/VANGUARD	1988	2003	Tokyo Stock Exchange, Standard Market
Seria Co., Ltd.	Seria	1987	2003	Tokyo Stock Exchange, Standard Market
Future Corporation	FUTURE	1989	1999	Tokyo Stock Exchange, Prime Market

Notes: 1. Of those companies listed on each market since 1989, the total number of companies whose shares are publicly traded as of March 31, 2026 (according to JFC investigations).

- Of those companies indicated in Note 1, companies confirmed to have received support from the Micro Business and Individual Unit.
- Of those companies indicated in Note 1, companies confirmed to have received support from the Small and Medium Enterprise Unit.
- The listing year is the year of the first listing, and the stock market is the main exchange on which the stock is currently traded.
- The company changed its trade name to Unisia Holdings Co. in 2026.
- The company changed its trade name to HOTLAND HOLDINGS Co., Ltd. in 2025.
- Currently, Eternal Hospitality Group Co., Ltd. is publicly traded.
- The company changed its trade name to Persol Tempstaff Co., Ltd. in 2017. Currently, Persol Holdings is publicly traded.
- Currently, BOOKOFF GROUP HOLDINGS LIMITED is publicly traded.

(3) Support for productivity improvement, etc.

(i) Support for labor-saving measures, DX and digitalization, environmental and energy measures, etc.

JFC is supporting customers' digitalization initiatives that lead to greater operational efficiency and productivity improvement through both financial and informational means.

JFC supports capital investment by SMEs and micro/small businesses working to digitalize their operations by utilizing loan programs such as Loans for Enhancing Corporate Vitality. In addition to providing information on digitalization and introducing case examples of related initiatives, JFC also uses its network with relevant organizations to make introductions to external specialists.

JFC is also supporting customers working on environmental and energy measures. In addition to support through Loans for Environment and Energy Measures, JFC provides information through pamphlets and videos to help customers introduce energy-saving and decarbonization initiatives.

First Digitalization Guidebook



This guidebook provides easy-to-understand explanations of various tools that can be adopted easily and at low cost and that lead to increased sales and cost reductions, based on implementation steps and reference examples.

Guide to Loans for Environment and Energy Measures



This pamphlet explains the loan program and introduces reference examples of how the program has been utilized.

(ii) Support of the creation of companies with annual sales of 10 billion yen

The SME Unit actively supports, through both financial and informational means, initiatives by customers seeking dramatic growth, including those that have declared a 10-billion-yen sales target.

To support the creation of companies with annual sales of 10 billion yen, the SME Unit provides pamphlets explaining the purpose of the policy and public support measures, as well as video content introducing the growth strategies of customers that have declared a 10-billion-yen sales target. The SME Unit also provides hands-on support for the development of customers' growth strategies, including assistance with applications for the Subsidy Program for Accelerating SME Growth.

Policy Information Pamphlet



Video Content

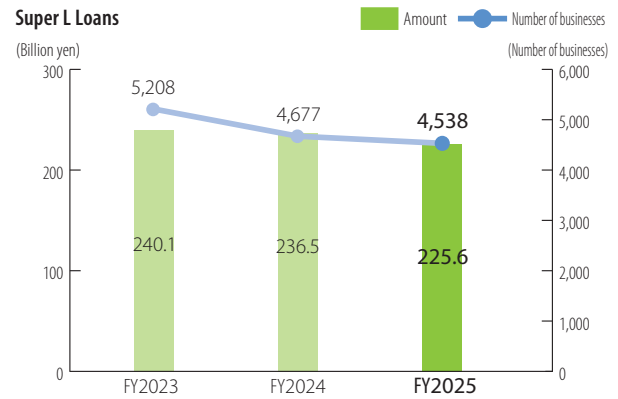


(4) Support for structural transformation of agriculture, forestry, and fisheries businesses

(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 FY2025, came to: **4,538 businesses (97% compared to the previous fiscal year), 225.6 billion yen (95% compared to the previous fiscal year).**

Super L Loans



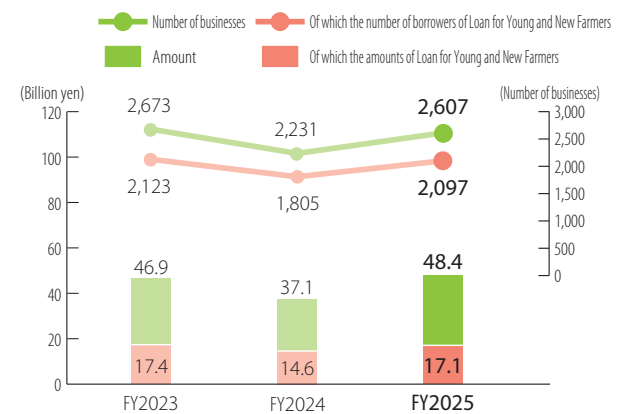
(ii) Supporting new entrants into agriculture business and new farmers

In FY2025, performance of loans to new entrants into agriculture business and new farmers came to: **2,607 businesses (117% compared to the previous fiscal year), and 48.4 billion yen (130% compared to the previous fiscal year).**

Of these, performance of Loan for Young and New Farmers ^(Note) came to: **2,097 businesses (116% compared to the previous fiscal year), 17.1 billion yen (117% 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 agricultural business



(5) Support for overseas expansion

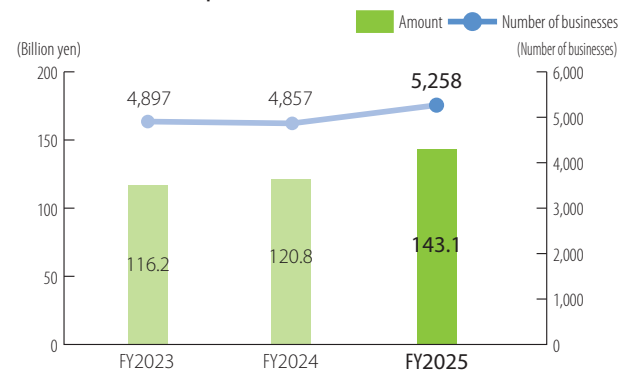
(i) The Overseas Expansion Related Loans

In FY2025, the Overseas Expansion Related Loans were provided to **5,258 businesses (108% compared to the previous fiscal year), totaling 143.1 billion yen (118% compared to the previous fiscal year)**; of which cross-border loans ^(Note 1) were provided to **106 businesses** in FY2025, in the amount of **8.3 billion yen**. The totals since the program was launched in January 2021 (through March 31, 2026), stood at **501 businesses and 36.0 billion yen**.

Notes: 1. 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.

2. 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.

Results of the Overseas Expansion Related Loans ^(Note 2)



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

	FY2023		FY2024		FY2025		
	Number of businesses	Ratio	Number of businesses	Ratio	Number of businesses	Ratio	Compared to the previous fiscal year
China (including Hong Kong)	1,502	31%	1,452	30%	1,505	29%	104%
ASEAN	1,063	22%	1,043	21%	1,162	22%	111%
Viet Nam	266	5%	262	5%	307	6%	117%
Thailand	287	6%	285	6%	292	6%	102%
Philippines	113	2%	135	3%	141	3%	104%
Malaysia	77	2%	87	2%	86	2%	99%
Other ASEAN countries	320	7%	274	6%	336	6%	123%
Others	2,332	48%	2,362	49%	2,591	49%	110%
Total	4,897	100%	4,857	100%	5,258	100%	108%

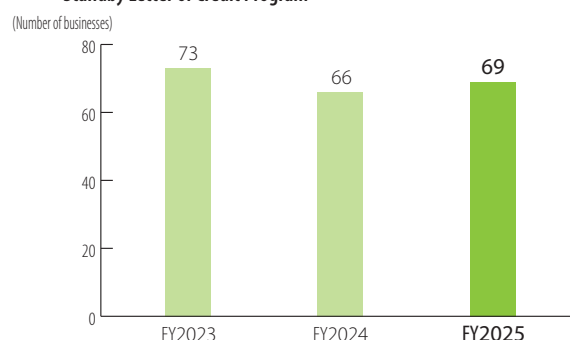
Among the Overseas Expansion Related Loans, in FY2025, the Standby Letter of Credit Program ^(Note) was utilized by **69 businesses**, with letters of credit issued to the affiliated financial institutions in Thailand, China, Republic of Korea, Indonesia, Viet Nam, Singapore, and Mexico. The cumulative usage (until March 31, 2026) of this program since its start in FY2012 has reached **1,095 businesses**.

As of March 31, 2026, the number of affiliated financial institutions expanded to 17 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, 2026, JFC has business partnerships with 60 regional financial institutions in Japan, and since the start of the program, letters of credit have been issued to a total of **68 businesses (3 businesses in FY2025)** 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.

Standby Letter of Credit Program



(ii) Dissemination of information via the "Overseas Expansion Zero to One +" website

The overseas expansion support website "Overseas Expansion Zero to One +" features useful materials such as the "Export Notebook" and the "Overseas Expansion Step Guide," as well as introductions of companies expanding overseas and helpful videos.



► Please visit the JFC website for more information.

https://www.jfc.go.jp/n/finance/keiei/kaigai_s.html (Available only in Japanese)

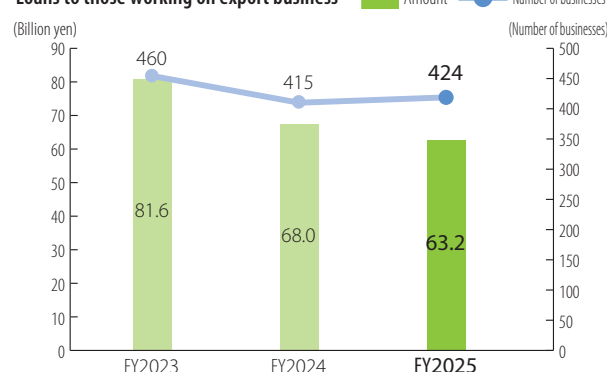


(iii) Supporting initiatives to export

The AFFF Unit provides support through loan programs such as the Agriculture, Forestry, and Fisheries Products and Food Export Framework Reinforcement Loan and the provision of information for initiatives by agriculture, forestry, and fisheries business operators and companies in the food industry to export domestic agriculture, forestry, and fisheries products and foods in order to improve their own management and promote domestic agriculture, forestry, and fisheries businesses

In FY2025, loan performances to those who work on management improvement through exports came to: **424 businesses (102% compared to the previous fiscal year)**, **63.2 billion yen (93% compared to the previous fiscal year)**.

Loans to those working on export business

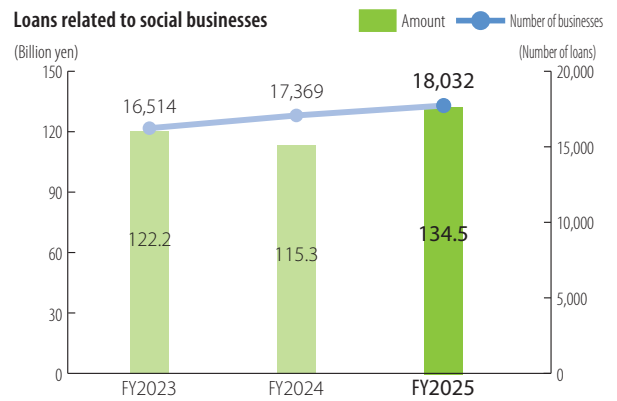


(6) Support for Social Business ^(Note)

(i) Loans related to social businesses

In FY2025, loans related to social businesses came to: **18,032 loans (104% compared to the previous fiscal year), 134.5 billion yen (117% 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

JFC publishes interviews with people involved in social business and case studies of support for solving regional and social issues on its website.



► Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/finance/social/jouhoukyoku/index.html> (Available only in Japanese)



(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 6 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.

► Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/finance/social/sakutei.html> (Available only in Japanese)



(7) Support for business succession

The Business succession-related loans in FY2025 came to **3,825 loans (110% compared to the previous fiscal year) and 178.0 billion yen (134% 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

	FY2023	FY2024	FY2025	Compared to the previous fiscal year
Number of loans	2,790	3,488	3,825	110%
Amount	91.3 billion yen	133.2 billion yen	178.0 billion yen	134%

Note: The figures include Business Succession, Consolidation, and Revitalization Funds, including Environmental Health Business Succession, Consolidation, and Revitalization Support Funds, and other loans used for funding necessary for business succession.

Examples of Measures to Raise Manager Awareness

M&A Navigate Book



A workbook for those engaging in small M&A for the first time to understand key points in the M&A process and organize and record their own thinking. (Issued in March 2026)

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 vendors and subcontractors, and to facilitate the sharing of issues and direction of their own succession with JFC staff. (Revised in March 2024)

Agrifood Support



A booklet introducing cases in which business succession served as an opportunity to develop management, cases of third-party succession, interviews with business succession support organizations, and JFC's business succession support. (Issued in July 2025)

Business Succession Matching Support

Business succession matching support is a program that supports third-party business succession by matching micro/small businesses that do not have a successor with people seeking business expansion, prospective entrepreneurs, and others.

As of FY2025, the program has received 21,019 applications with 2,788 successful matches made, of which 503 contracts have been concluded.

In addition, to further promote the matching of companies lacking successors, JFC held "business succession matching events" in all prefectures except Okinawa Prefecture through FY2025, where companies publicly solicited successors with their names openly disclosed. At these events, a cumulative total of 177 companies wishing to transfer their businesses showcased their businesses to a total of 5,780 participants, including those interested in business transfers and those who support business succession, and publicly solicited successors.

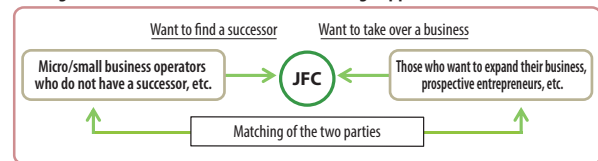
In FY2025, we also held "Regional Transportation Matching: Protecting and Connecting Local Mobility," a business succession matching event for transportation operators, in cooperation with the Ministry of Land, Infrastructure, Transport and Tourism and other organizations.

▶ For more information regarding business succession matching support, please visit the JFC website.

<https://www.jfc.go.jp/n/finance/jigyosyokei/matching/index.html>
(Available only in Japanese)



● Diagram of the business succession matching support



● Business succession matching support results

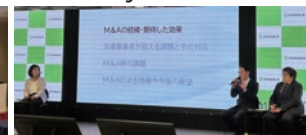
Actual results	Transferor	Transferee
Number of registered applications	6,649	14,370 (3,329)
Number of successful matches	2,788	
Number of contracts concluded	503	

Note: The results of business succession matching support are the cumulative results from April 2019 to March 2026. 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 Transferor
(Aomori Prefecture)



Regional Transportation Matching:
Protecting and Connecting Local Mobility

Example of Successful Business Succession Matching Support

The Transferor is a soba restaurant founded in 1989 in Minakami Town, Gunma Prefecture. Based on guidance from the Minakami Town Society of Commerce and Industry, the restaurant registered with JFC's business succession matching support program and took the stage at the business succession matching event held in Gunma Prefecture in September 2024.

The transferee is a prospective entrepreneur from Gunma Prefecture. Drawing on work experience at restaurants, the transferee was considering starting a restaurant business. After seeing the transferor, a restaurant the transferee had visited since childhood, take the stage at the event, the transferee expressed interest in negotiating with the transferor out of a desire to preserve a familiar taste.

JFC introduced the transferee to the transferor. After approximately 6 months of training, and with support from the Gunma Prefecture Business Succession and Transfer Support Center in completing the contract procedures, the transferee realized the business succession in December 2025.



Scene from the signing ceremony
for the transfer agreement

(8) Support for business revitalization

Results of financing relating to business revitalization in FY2025 came to **1,524 businesses (129% compared to the previous fiscal year) and 106.3 billion yen (122% compared to the previous fiscal year)** for Corporate Revitalization Loans, whereas Capital Subordinated Loans (revitalization-type) came to **289 businesses (325% compared to the previous fiscal year) and 24.3 billion yen (296% compared to the previous fiscal year)**. In addition, financing support relating to revitalization was provided to **368 businesses (105% compared to the previous fiscal year)**.

Results of loans related to support for revitalization

		FY2023	FY2024	FY2025	Compared to the previous fiscal year
Corporate Revitalization Loans	Number of businesses	619	1,183	1,524	129%
	Amount	47.5 billion yen	87.2 billion yen	106.3 billion yen	122%
Capital Subordinated Loans (revitalization-type)	Number of businesses	50	89	289	325%
	Amount	4.2 billion yen	8.2 billion yen	24.3 billion yen	296%

Results of financial support relating to revitalization

		FY2023	FY2024	FY2025	Compared to the previous fiscal year
Results of support for comprehensive revitalization, etc. ^(Note)	Number of businesses	242	352	368	105%

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. The figures for each fiscal year also include results of Rechallenge Support, which provides support through private workout procedures for business closure to businesses that were unable to achieve business revitalization.

- **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 in which profitable business operations are separated through a company split or business transfer and assumed by another business, etc., and debt relief is obtained for the remaining excess debt 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.

Cooperation with Private Financial Institutions and Relevant Organizations



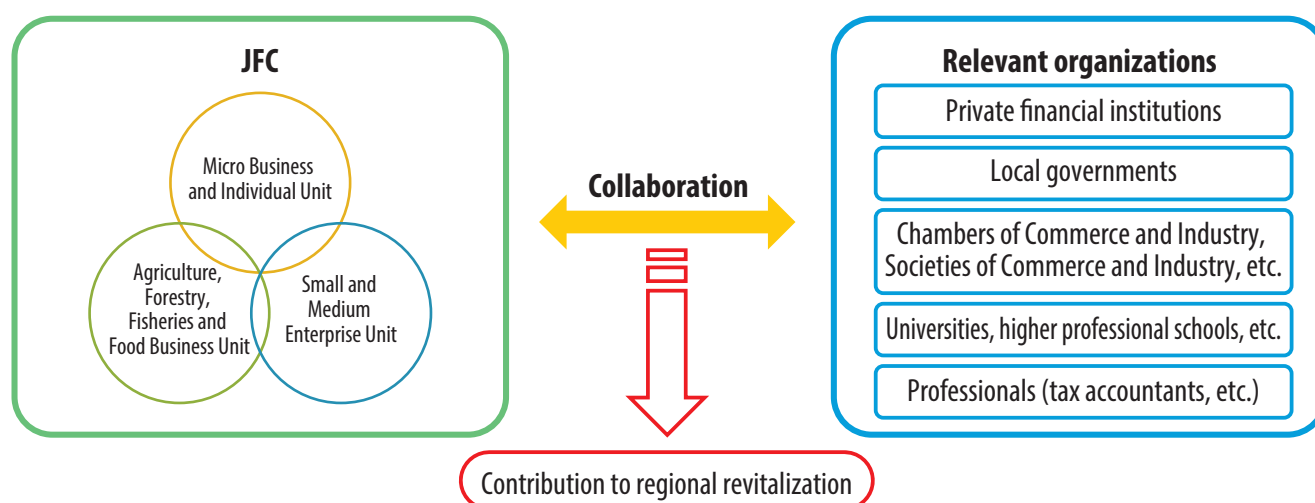
In cooperation with private financial institutions and relevant organizations, JFC provides its customers with a diverse range of services. In addition to active participation in various initiatives implemented by local governments for regional revitalization, JFC strives to revitalize local communities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

(1) 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.

(2) Reinforcing collaboration with relevant organizations

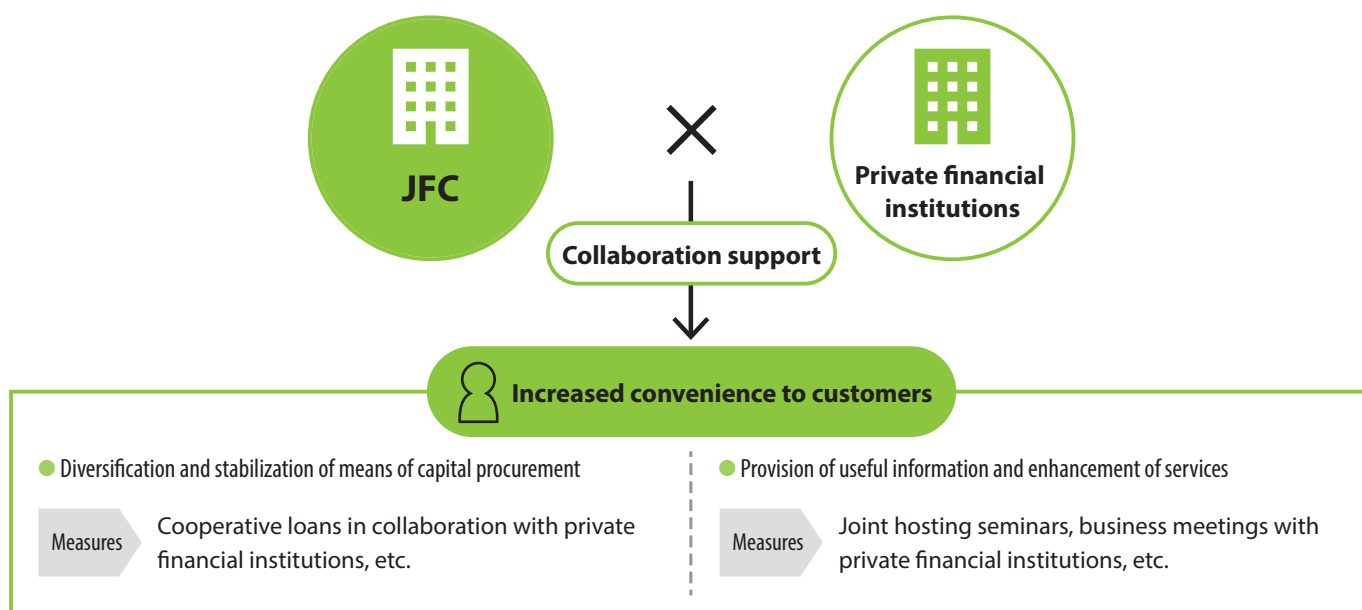
- Role performance of connecting relevant organizations
JFC promotes initiatives to resolve challenges which the region and customers are facing in cooperation with relevant local organizations.
- Reinforcement of collaboration with local governments
Through active involvement in various initiatives 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

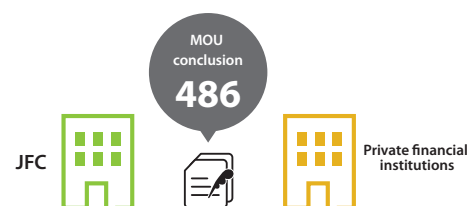
JFC supports SMEs, micro/small businesses and agricultural, forestry and fisheries businesses, and other businesses based on the premise of complementing the activities of private financial institutions. We strive to increase convenience to customers in collaboration with private financial institutions 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, 2026, MOUs on business cooperation and collaboration have been concluded with **486 financial institutions**.

Since FY2025, in preparation for the occurrence of crisis events such as pandemics and increasingly severe natural disasters, JFC has concluded MOUs on Business Cooperation in the Event of a Crisis with **323 financial institutions** as of March 31, 2026. By establishing policies for cooperation with private financial institutions in the event of a crisis, JFC is developing a framework that enables seamless financial services to be provided to local businesses, thereby contributing to the prompt support for businesses and disaster recovery.



(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 **433 financial institutions** as of March 31, 2026. 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, 2026, **488 programs** were created in collaboration with **306 financial institutions**.

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



(4) Total of cooperative loans ^(Note)

In FY2025, total cooperative loans from private financial institutions came to: **23,692 loans, 1,115.1 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 by JFC. Including loans made on different dates between both parties).

Cooperative loan results

	FY2021	FY2022	FY2023	FY2024	FY2025
Number of loans	25,259	29,894	32,594	27,414	23,692
Amount	1,252.7 billion yen	1,264.5 billion yen	1,240.6 billion yen	1,162.1 billion yen	1,115.1 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 policy-based financial institution, JFC plays a role in connecting relevant local organizations and contributing to the resolution of challenges faced by customers and local communities. To this end, in FY2025, JFC organized the Regional Economic Revitalization Symposium in two locations, Tokyo and Tokushima, in collaboration with local financial institutions, educational institutions, support organizations, and local companies and organizations.

Tokyo	◆ Date: July 22, 2025 ◆ Location: Nikkei Hall (Chiyoda-ku, Tokyo) ◆ Theme: Start-ups (Deep Tech) ◆ Number of participants: Venue: 118 Live-streaming: 326
Tokushima	◆ Date: September 22, 2025 ◆ Location: Awagin Hall (Tokushima) ◆ Theme: Regional Revitalization × Start-ups ◆ Number of participants: Venue: 164 Live-streaming: 144



A scene of the Tokyo venue

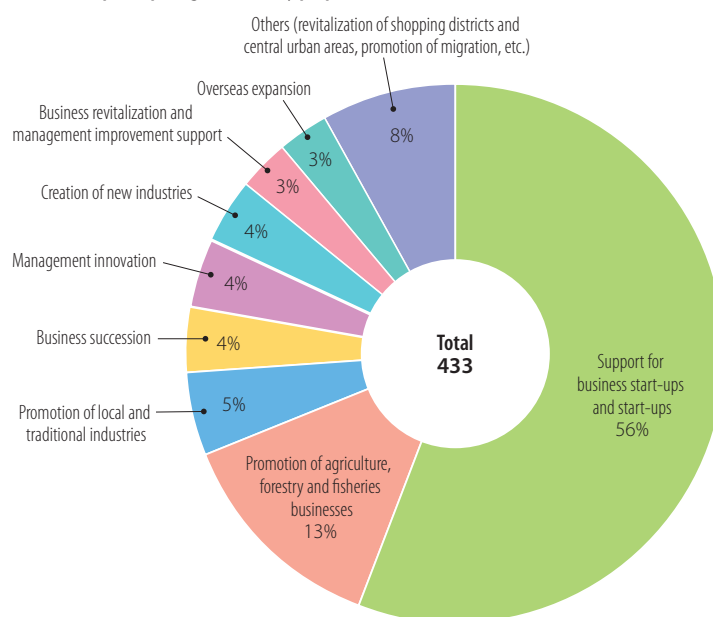


A scene of the Tokushima venue

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 FY2025, JFC participated in various fields of **433 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.

Breakdown of participating measures by purpose (Note) (FY2025)



Note: Classification by JFC

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 meetings and seminars by using its nationwide network of 152 branches.

- In FY2025, 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.

The 6th Nationwide Online Business Discussion Meetings

- To contribute to the expansion of customers' business opportunities, JFC organized online business discussion meetings. (February 2–6, 2026)
- This time, a record-high total of 1,038 business discussions were held by supporting participating companies in developing sales channels, while also helping resolve business challenges by inviting sponsoring organizations and others to hold consultation sessions on foreign human resources and intellectual property utilization.



JFC Direct App

JFC offers a variety of services through the JFC Direct App, including business-related information, email newsletters, seminar announcements, checking transaction status, and issuing balance certificates.

▶ Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/finance/direct/app.html> (Available only in Japanese)



Also available via our website.

JFC Direct Search



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 functions, 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)



JFC's Official YouTube Channel

JFC's official YouTube channel provides videos useful for business management, as well as information on JFC initiatives.

▶ 日本公庫公式YouTubeチャンネル

▶ Please visit JFC's official YouTube channel.

<https://www.youtube.com/@日本政策金融公庫公式> (Available only in Japanese)



Overview of Operations in FY2025 and Outline of Financial Statements

Overview of Operations in FY2025

Japan's economy is recovering at a moderate pace. As for the outlook, although improvements in the employment and income environment and the effects of various policies are expected to support a moderate recovery, it is necessary to closely monitor the impact of the situation in the Middle East. Attention should also be given to the effects of fluctuations in the financial and capital markets, as well as developments surrounding U.S. trade policy.

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.

With respect to natural disasters, JFC established new special consultation desks relating to the earthquake with its epicenter near the Tokara Islands; the tsunami caused by the 2025 earthquake near the Kamchatka Peninsula; the disaster associated with heavy rain caused by a low-pressure system and a stationary front from August 6, 2025; the heavy rain from August 20, 2025; the disaster associated with Typhoon No. 12 of 2025; the heavy rain from September 2, 2025; the disaster associated with Typhoon No. 15 of 2025, etc.; the heavy rain from September 12, 2025; the disaster associated with Typhoon No. 22 of 2025; the large-scale fire in Saganoseki, Oita City on November 18, 2025; the disaster associated with the 2025 earthquake with its epicenter off the eastern coast of Aomori Prefecture; oyster mortality damage due to high water temperatures, etc.; and the disaster related to heavy snowfall from January 21, 2026. JFC provided prompt and detailed responses to financing and repayment inquiries from affected SMEs, micro/small businesses, agriculture, forestry, and fisheries businesses, and others. JFC also continued to respond promptly and meticulously to consultations regarding financing and repayment from SMEs, micro/small businesses, agriculture, forestry, and fisheries businesses, and others affected by the disaster caused by the 2024 Noto Peninsula Earthquake, while also working to support sales channel expansion by holding the business discussion meeting for reconstruction support following the 2024 Noto Peninsula Earthquake to support customers in Ishikawa Prefecture, where the earthquake had a significant impact.

Furthermore, regarding changes in the business environment due to economic conditions and other factors, JFC established the special consultation desk relating to U.S. automobile tariff measures, etc. in April 2025 and the special consultation desk on regional economic measures related to Nissan Motor in August 2025. In March 2026, JFC also expanded the special consultation desk relating to the situation in Ukraine and rising crude oil prices, etc., into the special consultation desk relating to the situation in the Middle East and Ukraine, and rising oil prices, etc., and responded promptly and carefully to consultations from affected businesses and others.

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 Prioritized Support

Based on the government's policies, JFC appropriately exercised its risk-taking functions and engaged in supporting business

start-ups, start-ups, new businesses, business revitalization, business succession, overseas expansion, sustainable growth of agriculture, forestry, and fisheries businesses, social business, and enhancement of corporate vitality in hopes of contributing to the development and growth of the Japanese economy.

As a part of these efforts, pertaining to business start-ups, 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 capital, 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 understand and provide information on the current status and issues of foreign employment; 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; and for enhancement of corporate vitality, we supported SMEs aiming for dramatic growth.

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 continued initiatives such as promoting mutual understanding through organizational dialogue, including at the executive level; continuously promoting cofinancing, mainly in business fields that need prioritized support; holding study sessions; and, based on regional issues and needs, proposing and encouraging specific cooperation in areas such as business start-ups, start-ups, overseas expansion, agriculture, and business succession through integrated efforts by the head office and branches. JFC also newly concluded a MOU on Comprehensive Cooperation for Regional Economic Revitalization with the Second Association of Regional Banks. In addition, in preparation for natural disasters, pandemics, and other events, JFC concluded MOUs on Business Cooperation in the Event of a Crisis with private financial institutions, as well as with the TKC National Federation and TKC Corporation.

Furthermore, JFC actively held seminars, study sessions, and other events in cooperation with relevant local organizations. In addition to fulfilling its role as a policy-based financial institution in connecting relevant local organizations and contributing to resolving challenges faced by customers and local communities, JFC held the Regional Economic Revitalization Symposium in Tokyo and Tokushima.

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 FY2025 were 3,058.2 billion yen.

JFC's financial results during FY2025 were as follows: ordinary income was 624.5 billion yen and net loss including extraordinary incomes and losses was 292.5 billion yen.

Outline of Financial Statements for FY2025

(1) Profit and loss

At the closing of FY2025 (ended March 31, 2026), JFC recorded an increase of 91.6 billion yen under the previous fiscal year, for a net loss of 292.5 billion yen.

The key factor for the increase was a 40.1 billion yen increase in net loss from the previous fiscal year in the Account for Micro Business and Individual Operations.

Profit and Loss Statement

(Billion yen)

		Ordinary income		Ordinary expenses		Ordinary profit (loss)		Net income (loss)	
		2025	2026	2025	2026	2025	2026	2025	2026
Japan Finance Corporation		629.0	624.5	829.7	917.1	(200.7)	(292.5)	(200.8)	(292.5)
Micro Business and Individual Unit (Account for Micro Business and Individual Operations)		143.3	155.9	303.3	356.2	(160.0)	(200.3)	(160.1)	(200.3)
Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)		52.6	67.4	49.5	69.6	3.1	(2.1)	3.1	(2.1)
Small and Medium Enterprise (SME) Unit	Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation)	90.4	99.8	61.3	96.5	29.0	3.3	29.0	3.3
	Account for Securitization Support Programs (Purchase-type Operation)	0.5	0.6	0.4	0.4	0.0	0.2	0.0	0.2
	Account for Credit Insurance Programs	331.2	287.2	380.5	373.2	(49.2)	(85.9)	(49.2)	(85.9)
Operations to Facilitate Crisis Responses (Account for Operations to Facilitate Crisis Responses)		10.9	13.1	34.6	20.8	(23.7)	(7.6)	(23.7)	(7.6)
Operations to Facilitate Specific Businesses Promotion, etc. (Account for Operations to Facilitate Specific Businesses Promotion, etc.)		0.3	0.6	0.3	0.6	(0.0)	(0.0)	(0.0)	(0.0)

(2) Assets

Total assets were 29,700.6 billion yen, the majority of which were loans and bills discounted.

Loans and bills discounted decreased 1,464.1 billion yen from March 31, 2025, to 22,443.7 billion yen.

Total net assets stood at 14,931.9 billion yen, taking into account an increase from having received capital contributions from the government of 58.4 billion yen, against a net loss of 292.5 billion yen, etc.

Balance Sheet

(Billion yen)

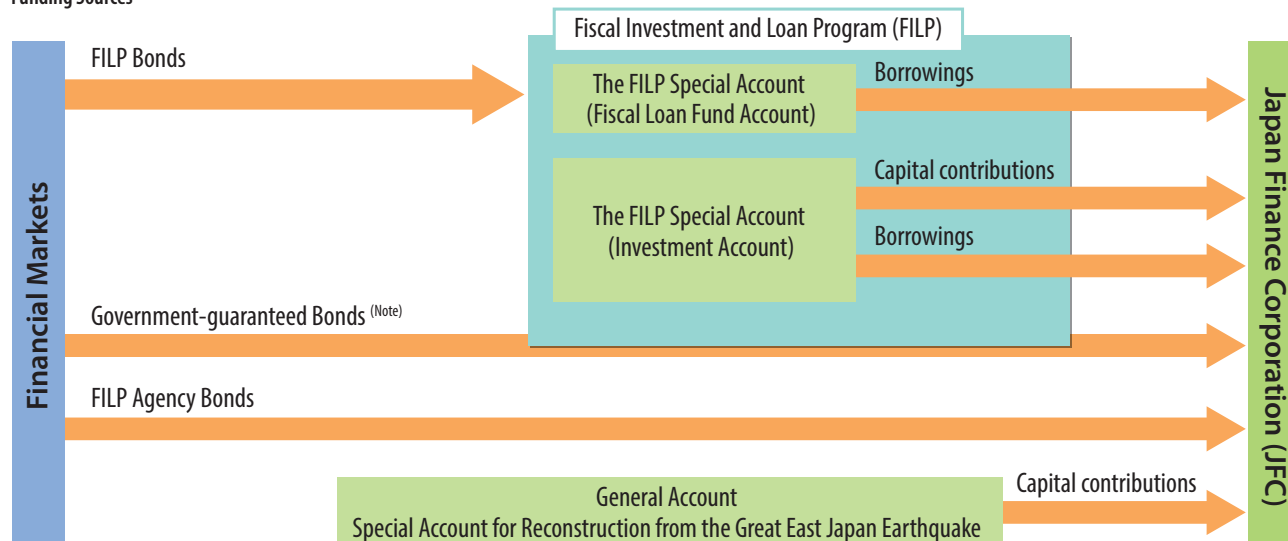
Assets			Liabilities and net assets		
Items	Amount		Items	Amount	
	2025	2026		2025	2026
Cash and due from banks	7,925.2	7,760.6	Borrowed money	14,024.4	12,770.9
Securities	244.9	339.6	Bonds payable	555.9	545.8
Loans and bills discounted	23,907.8	22,443.7	Entrusted funds	18.9	16.9
Other assets	42.6	51.0	Reserve for insurance policy liabilities	1,326.5	1,231.9
Property, plant and equipment	190.6	191.4	Other liabilities	29.0	33.3
Intangible assets	46.8	45.5	Provision for bonuses	5.7	6.2
Customers' liabilities for acceptances and guarantees	28.2	33.3	Provision for directors' bonuses	0.0	0.0
Allowance for loan losses	(1,100.8)	(1,164.8)	Provision for retirement benefits	97.9	100.4
			Provision for directors' retirement benefits	0.0	0.0
			Reserve for compensation losses	29.8	29.3
			Acceptances and guarantees	28.2	33.3
			Total liabilities	16,116.9	14,768.6
			Capital stock	11,768.6	11,780.9
			Capital surplus	5,512.2	5,558.3
			Retained earnings	(2,111.8)	(2,407.3)
			Valuation difference on available-for-sale securities	(0.1)	0.0
			Total net assets	15,168.8	14,931.9
Total assets	31,285.7	29,700.6	Total liabilities and net assets	31,285.7	29,700.6

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.

Funding Sources



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

Breakdown of funding sources

(Billion yen)

	FY2025 budget	FY2025 results	FY2026 budget
Borrowings from Fiscal Loan Fund, etc.	3,161.3	1,577.5	2,879.8
Government-guaranteed Bonds	100.0	—	100.0
Capital contributions from the government	58.4	58.4	44.8
Funding from the government (percentage of overall funding)	3,319.7 (92%)	1,635.9 (94%)	3,024.6 (91%)
FILP Agency Bonds	290.0	100.0	290.0
Total funding	3,609.7	1,735.9	3,314.6

Note: 1. The budget amounts for FY2025 are the revised amounts after the supplementary budget.

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

● Government-guaranteed Bonds

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

(Billion yen)

Maturity	Fiscal year	FY2023		FY2024		FY2025		FY2026	
		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 FY2023 to FY2025, JFC has not issued any government-guaranteed bonds.

3. In FY2026, JFC has not issued government-guaranteed bonds as of May 31, 2026.

● FILP Agency Bonds

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

(Billion yen)

Month of issue/Maturity	Fiscal year	FY2023				FY2024				FY2025				FY2026
	Amount of issue	(Budget 290.0)				(Budget 290.0)				(Budget 290.0)				(Budget 290.0)
		Results 20.0				Results 100.0				Results 100.0				Results 0.0
Month of issue		May	August	November	March	May	August	November	March	May	August	October	March	May
5-year bond		—	—	—	—	—	—	—	10.0	—	—	—	—	—
3-year bond		—	—	—	10.0	—	—	10.0	—	—	—	10.0	—	—
2-year bond		—	—	—	10.0	—	30.0	40.0	10.0	10.0	50.0	20.0	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, 2026)

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

Memo

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 1.14 million businesses.
- The average loan balance per business is 7.87 million yen, most of which were small loans.
- Approximately 90% of borrowers are micro/small businesses with 9 or fewer employees, and many are sole proprietors

Exercising Safety Net Functions

- 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 Initiatives Such as Business Start-ups, Start-ups, and Corporate Productivity Improvement, etc.

- 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 29,320 a year. It is estimated that about 82,000 jobs were created as a result.
- Micro Unit supports businesses working on productivity improvement and other initiatives, including labor-saving measures, DX and digitalization, and environmental and energy measures.

Supporting Overseas Expansion and Social Businesses

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

Supporting Business Succession and Business Revitalization

- 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.
- Micro Unit supports businesses engaged in innovative businesses or seeking business revitalization through Capital Subordinated Loans and other means.

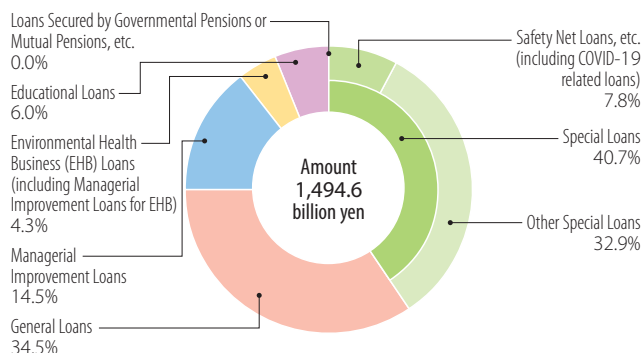
Collaboration with Regional Financial Institutions, Chambers of Commerce and Industry, Societies of Commerce and Industry, and Environmental Health Trade Associations, etc.

- 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.

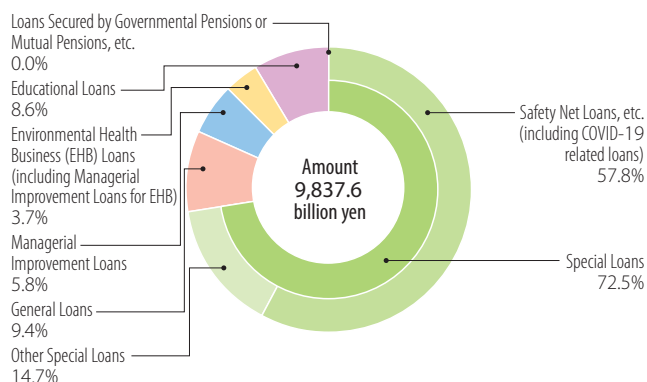
Support through Educational Loans, etc.

- Approximately 60,000 Educational Loans are disbursed each year.

Breakdown of Loans (FY2025)



Breakdown of Loan Balance (as of March 31, 2026)



Feature of Operations

Supporting Micro/Small Businesses

As of the end of FY2025, Business Loans were provided to 1.14 million businesses. The average loan balance per business is 7.87 million yen, most of which were small loans. Approximately 90% of borrowers are micro/small businesses with 9 or fewer employees, and many are sole proprietors. Over 90% of all loans are uncollateralized.

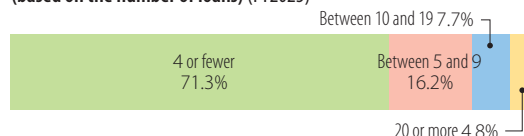
Number of business borrowers and average loan balance per business (as of March 31, 2026)

	Micro Business and Individual Unit	Credit associations (254 associations)	Domestic banks (130 banks)
Number of business borrowers (million)	1.14	1.24	2.18
Average loan balance per business (millions of yen)	7.87	44.72	126.03

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) (FY2025)



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

Exercising 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, 2026)

	Number of consultation desks	Consultation desks currently in operation	Date of establishment
Disaster-related	13	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 due to a low-pressure system and a stationary front	Sep. 2024
		Special consultation desk for damage suffered as a result of heavy rain caused by a low-pressure system and a stationary front from August 6, 2025	Aug. 2025
		Special consultation desk for damage suffered as a result of heavy rain from September 2, 2025	Sep. 2025
		Special consultation desk for damage suffered as a result of Typhoon No. 15 of 2025, etc.	Sep. 2025
		Special consultation desk for damage suffered as a result of heavy rain from September 12, 2025	Sep. 2025
		Special consultation desk for damage suffered as a result of Typhoon No. 22 of 2025	Oct. 2025
		Special consultation desk for damage suffered as a result of the 2025 earthquake, with its epicenter off the eastern coast of Aomori Prefecture	Dec. 2025
		Special consultation desk for damage suffered as a result of heavy snowfall from January 21, 2026	Jan. 2026
		Special consultation desk for damage suffered as a result of the forest fire in Otsuchi Town, Iwate Prefecture, in 2026	Apr. 2026
		Special consultation desk for damage suffered as a result of heavy rain from June 24, 2026	Jun. 2026
Others	4	Special consultation desk relating to the situation in the Middle East and Ukraine, and rising oil prices, etc.	Nov. 2021
		Special consultation desk relating to U.S. automobile tariff measures, etc.	Apr. 2025
		Special consultation desk on regional economic measures related to Nissan Motor	Aug. 2025
		Special consultation desk for damage from oyster mortality due to high water temperatures, etc.	Dec. 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.

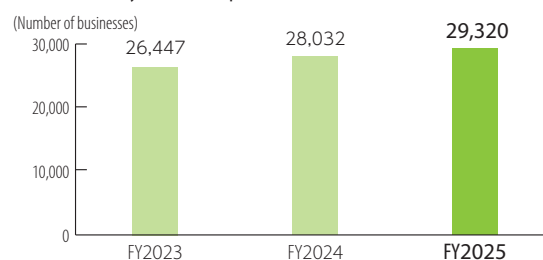
Supporting Business Start-ups

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 29,320 business start-ups (consisting of those that have yet to start and those that are within 1 year of start-up) in FY2025. It is estimated that about 82,000 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]

29,320 businesses × average of 2.8 employees^(Note) = 82,096 employees

Note: The average number of employees at time of business start, based on Survey on Business Start-ups in Japan (FY2025) 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 FY2025 7,870 businesses	Youth (aged under 35) FY2025 8,268 businesses	Seniors (aged 55 and older) FY2025 3,135 businesses
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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

Two locations: Tokyo (Shinjuku) 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 capital, private financial institutions, and other support organizations, it provides detailed financing advice for seed and early-stage start-ups.

Locations (as of June 2026)



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 Productivity Improvement, etc.

We provide support through both financial and informational means for customers' digitalization initiatives that lead to greater operational efficiency and productivity improvement. We support capital investment by SMEs and micro/small businesses working to digitalize their operations by utilizing loan programs such as Loans for Enhancing Corporate Vitality. In addition to providing information on digitalization and introducing examples of initiatives, we also use its network with relevant organizations to provide referrals to outside experts.

We also support customers working on environmental and energy measures. In addition to support through Loans for Environment and Energy Measures, we provide information through pamphlets and videos.

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.

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 FY2025 loans to social businesses came to: 18,032 loans, 134.5 billion yen.

Social Business Mark



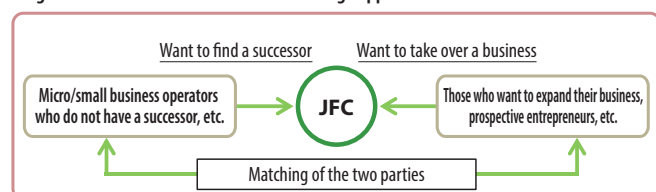
We are engaged in PR activities and have created the Social Business Mark in order to make social business, which works to solve regional and social problems, more widely known.

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 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 want to expand their business, prospective entrepreneurs, etc. 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	Transferor	Transferee
Number of registered applications	6,649	14,370 (3,329)
Number of successful matches	2,788	
Number of contracts concluded	503	

Note: The results of business succession matching support are the cumulative results from April 2019 to the end of March 2026. 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 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.

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 FY2025, total cooperative loans from regional financial institutions came to: 17,006 loans, 163.2 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 (FY2025)

Cooperative loan	City banks	Regional banks	Regional banks II	Credit associations	Credit cooperatives	Others	Total	Compared to the previous fiscal year	Reference FY2024 results
Number of loans ^(Note)	1,317	6,773	2,224	11,743	1,570	622	23,692	86%	27,414
Micro Unit	126	3,469	1,468	10,382	1,401	160	17,006	84%	20,207
Amount ^(Note)	247.0 billion yen	561.1 billion yen	124.4 billion yen	250.9 billion yen	33.8 billion yen	46.9 billion yen	1,115.1 billion yen	96%	1,162.1 billion yen
Micro Unit	3.1 billion yen	36.6 billion yen	14.9 billion yen	94.1 billion yen	12.3 billion yen	1.9 billion yen	163.2 billion yen	91%	180.2 billion yen

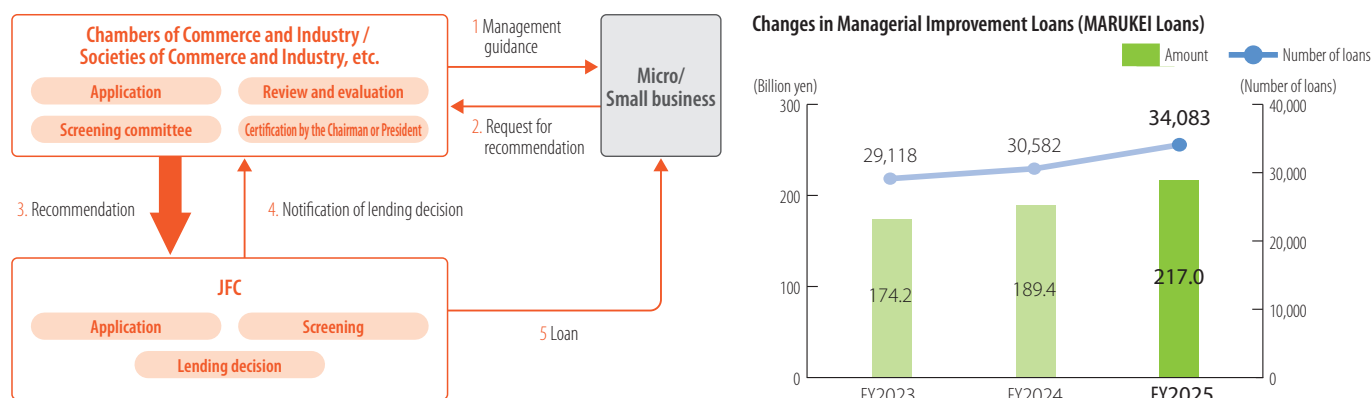
Note: In cases where cooperative loans are provided with multiple regional financial institutions, the number of loans and loan amounts indicated in the breakdown are totaled for each financial institution, and as a result, the totals do not match.

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. Since the establishment of the program in 1973, a cumulative total of 5.32 million loans has been provided as of the end of FY2025.



● 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

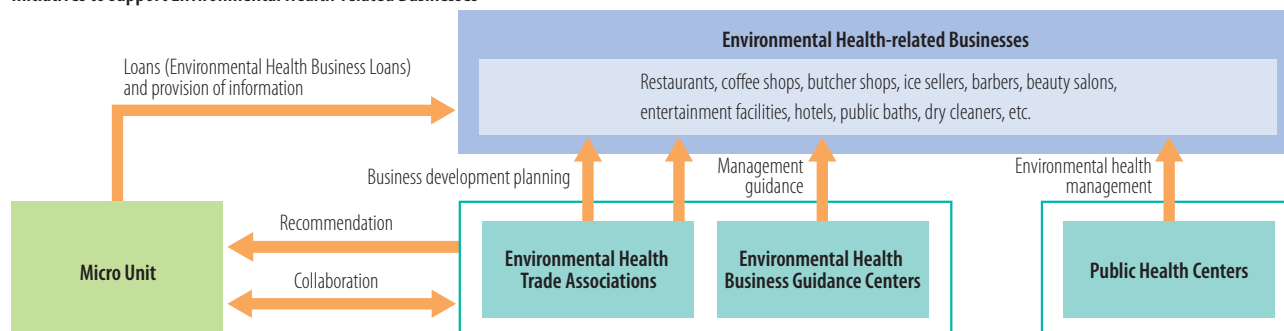
Management support provided through approved management innovation support organizations such as tax accountant, etc. who play a large role in supporting SMEs and micro/small businesses, and financial support from JFC come together to support micro/small business owners in business sectors like start-ups, 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 9 or fewer employees. Approximately 80% are sole proprietorship, and approximately 60% have been before start-up or within 5 years of start-up.

Initiatives to support Environmental Health-related Businesses

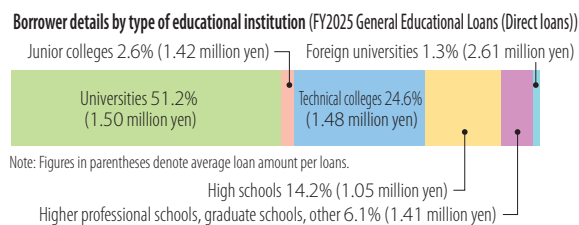


Educational Loans for School Entrance Fees and Related Expenses

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 60,000 Educational Loans were provided in FY2025. 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, to date, a total of five seminars have been held in Cambodia and Japan for the purpose of developing the SME bank's human resources and improving its credit analysis skills, including lectures on JFC-Micro's credit analysis methods. In April 2026, JFC-Micro commenced Phase 2 of the project, which aims to further improve the bank's credit analysis skills and develop its credit risk management framework.



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

<https://www.jfc.go.jp/n/english/mbis/international/index.html>



Agriculture, Forestry, Fisheries and Food Business Unit

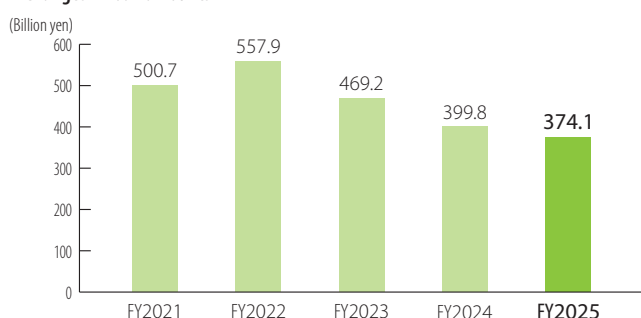
The Agriculture, Forestry, Fisheries and Food Business Unit (AFFF Unit) contributes to the reinforcement of the domestic agriculture, forestry, and fisheries industries and stable supplies of safe and high-quality foods by supporting individuals and businesses in these industries through finance or other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

Overview of Operations

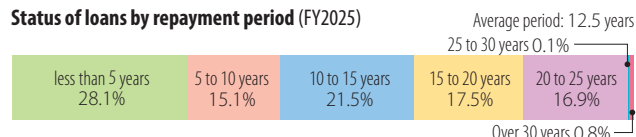
Loan Status and Operation Features

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

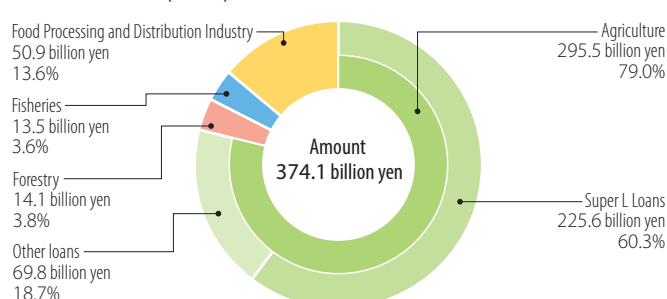
Changes in loan amounts



Status of loans by repayment period (FY2025)



Breakdown of Loans (FY2025)



Exercise of Safety Net Functions

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.

Support for 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 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, 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 customers.

Promotion of Cooperation with Private Financial Institutions, etc., 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 and others 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.

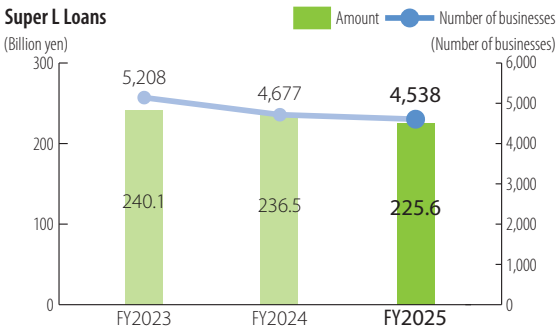
Feature of Operations

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.

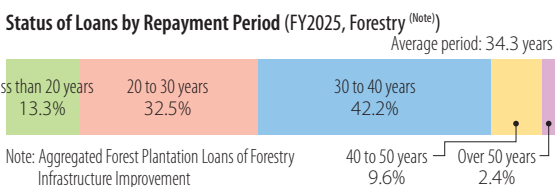


Forestry

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.



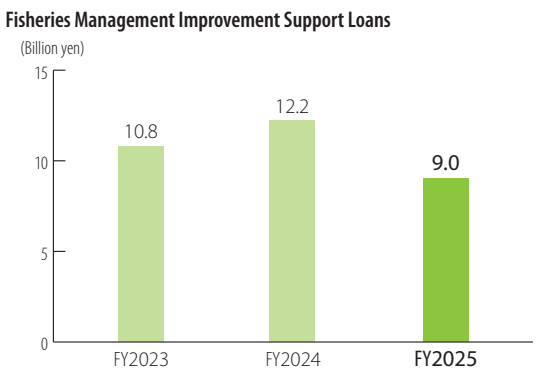
Fisheries

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 FY2025, Fisheries Management Improvement Support Loans came to 9.0 billion yen.

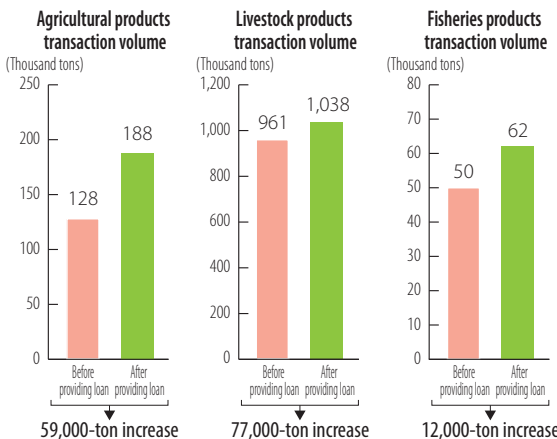


Food Processing and Distribution Industry

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 FY2025 suggests that the transaction volumes of domestically produced agriculture, forestry, and fisheries products will increase by approximately 148,000 tons over the next five years.



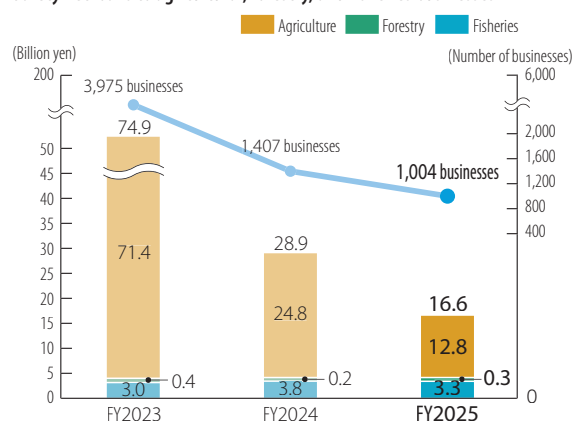
Notes: 1. The transaction volumes are rounded off by the unit.
2. The transaction volume indicated in “After providing loan” is an estimate.

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

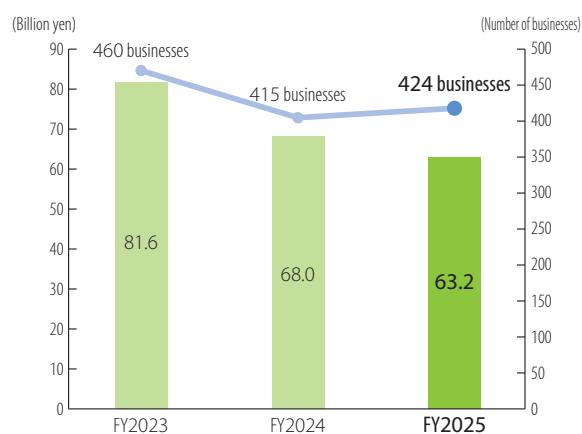


Supporting Initiatives to Export

The AFFF Unit provides support through loan programs such as the Agriculture, Forestry, and Fisheries Products and Food Export Framework Reinforcement Loan and the provision of information for initiatives by agriculture, forestry, and fisheries business operators and companies in the food industry to export domestic agriculture, forestry, and fisheries products and foods in order to improve their own management and promote domestic agriculture, forestry, and fisheries businesses.

In FY2025, loan performances to those who work on management improvement through exports came to: 424 businesses (102% compared to the previous fiscal year), 63.2 billion yen (93% 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.

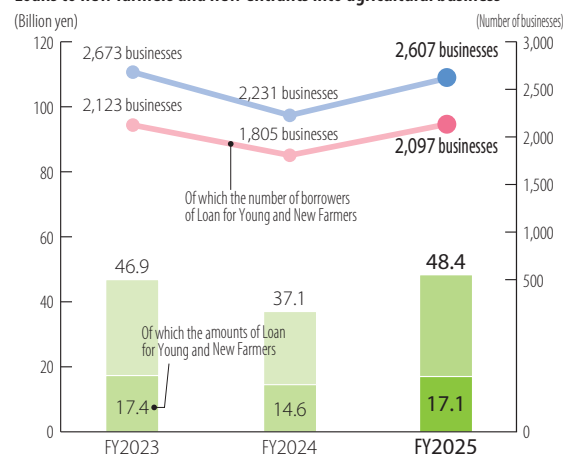
Loans to new farmers and new entrants into agriculture

In FY2025, performance of loan to new entrants into agricultural business and new entry farmers came to 2,607 businesses (117% compared to the previous fiscal year), and 48.4 billion yen (130% compared to the previous fiscal year).

Of these, performance of Loan for Young and New Farmers ^(Note) came to: 2,097 businesses (116% compared to the previous fiscal year), 17.1 billion yen (117% 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 agricultural business



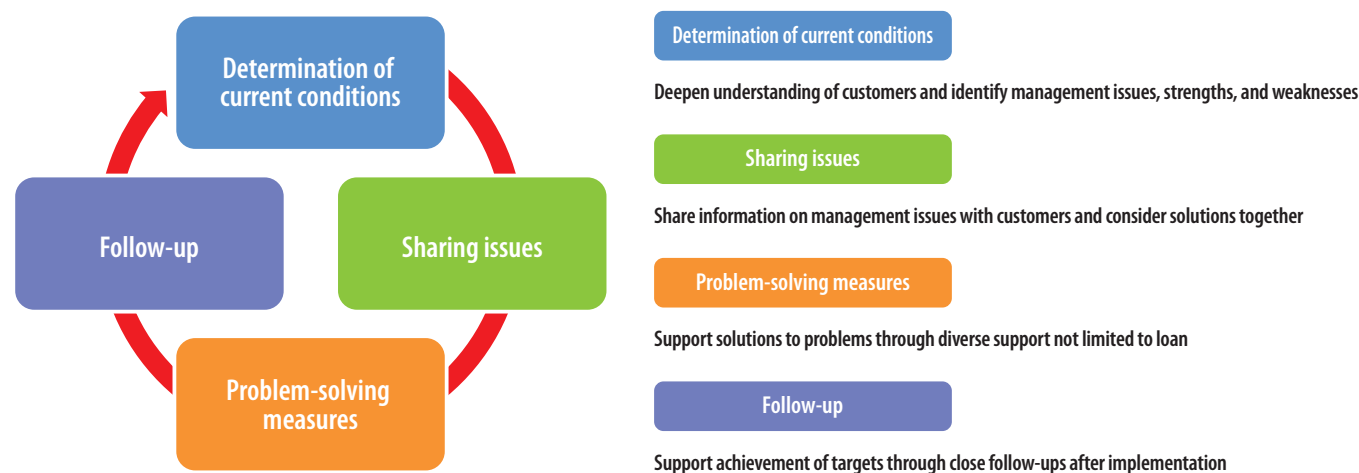
Support for Business Development

AFFF Unit Provides Accompanied Support for Customers' 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 customers in different management stages

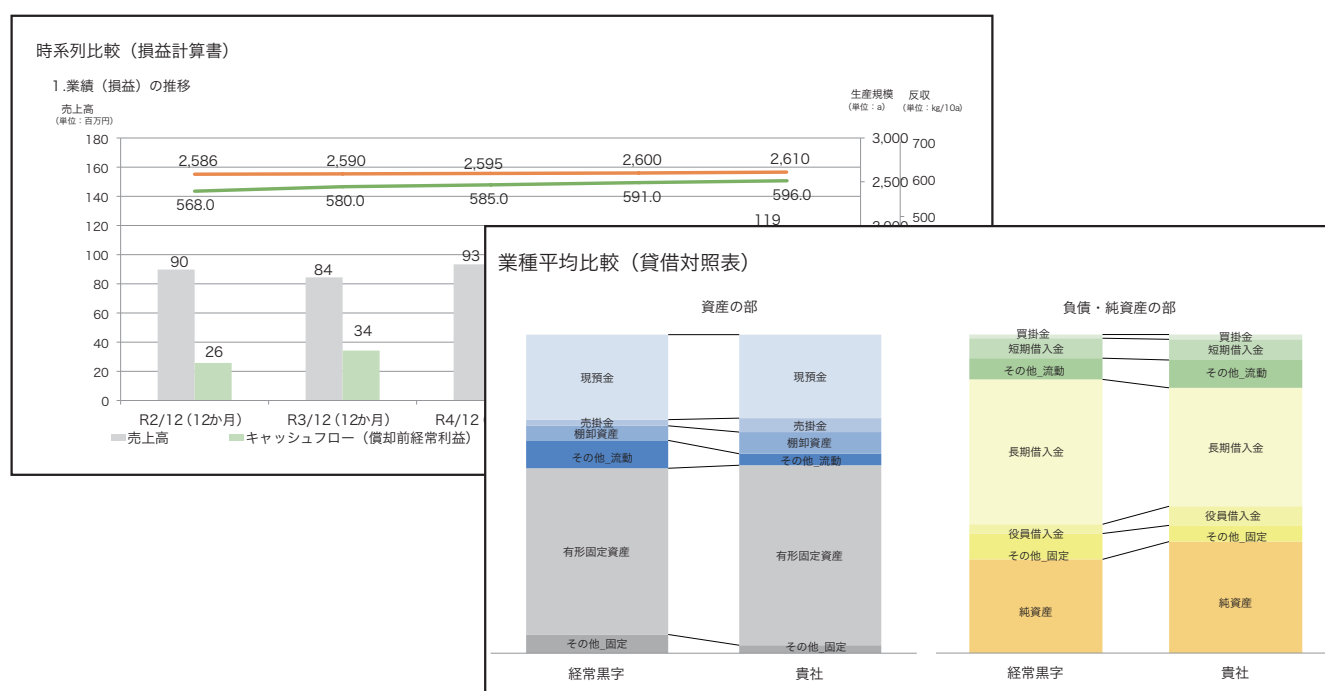
The AFFF Unit helps customers to resolve issues according to their different management stages, such as start-ups at the time of establishment, expansion (growth) in the growth phase, and further development in the maturity phase.



● 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)

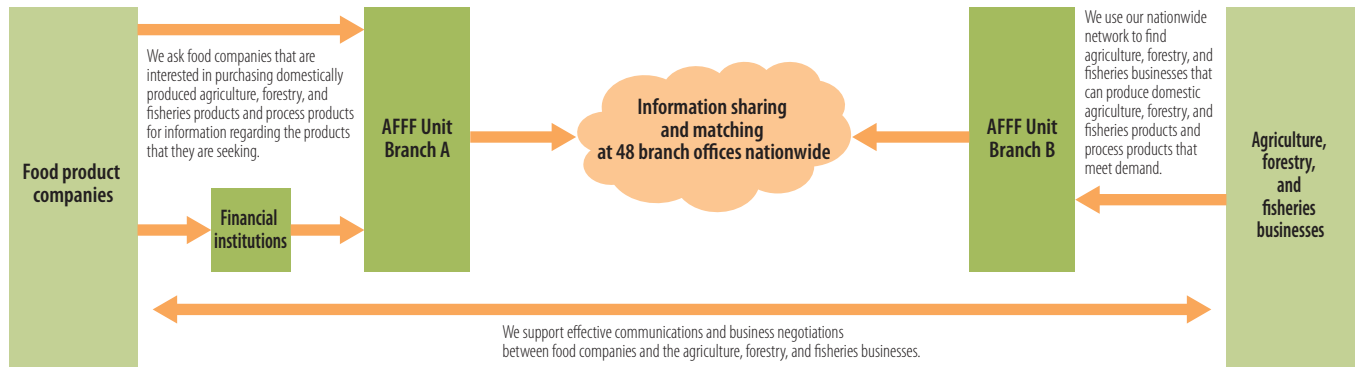


Supporting Developing and Expanding Customer Sales Channels

● 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.

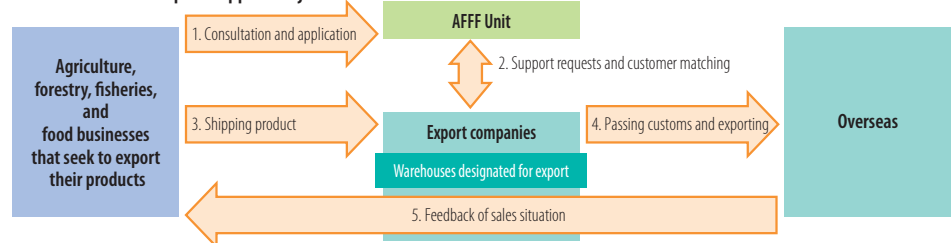
For example, J-PAO gets assistance from its members from a wide variety of types of businesses and uses its agriculture-support know-how to provide sales and commercialization support to customers. JETRO supports exports of Japanese agriculture, forestry, fisheries products and food by providing information, 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



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 to maintain and develop local agriculture, forestry, and fisheries industries.

In particular, we collaborate with private financial institutions and outside experts to support the formulation of business improvement plans through close communications with customers. The AFFF Unit also continues to provide management consultations and follow-up after the plans are implemented, and provides support for business succession by utilizing its unique network.

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 customers' business continuity.

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

The AFFF Unit works to create an environment that encourages private financial institutions and others 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 FY2025, a total of 938 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 6,487, and this was 50.3% 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 fee-based 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, 2026, a total of 144 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, 2026)

	Banks	Shinkin banks	Credit cooperatives	Total
Hokkaido	2	13	2	17
Tohoku	8	5	1	14
Kanto	3	10	2	15
Chubu	5	25	5	35
Kinki	4	11	1	16
Chugoku	2	11	1	14
Shikoku	5	2	—	7
Kyushu	10	14	2	26
Total	39	91	14	144
(Of these, institutions that developed new programs)	(31)	(61)	(8)	(100)

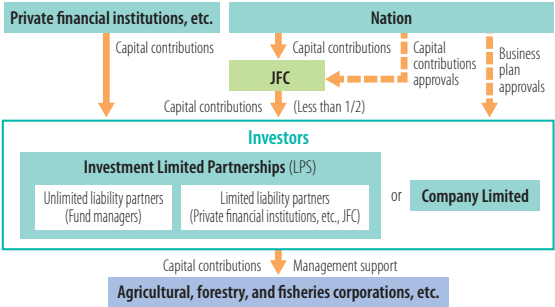
Providing Investment Support to Agriculture, Forestry and Fisheries Corporations, etc.

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, 2026)

	LPS	Company Limited
Number of capital contributions	25 associations	1 company
Pledged investment amount or investment amount (of which invested by JFC)	21.6 billion yen (8.0 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 act as the source of Japan's economic vitality and are 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 that involve high risks, such as support for new businesses and start-ups, business revitalization, business succession, and overseas expansion

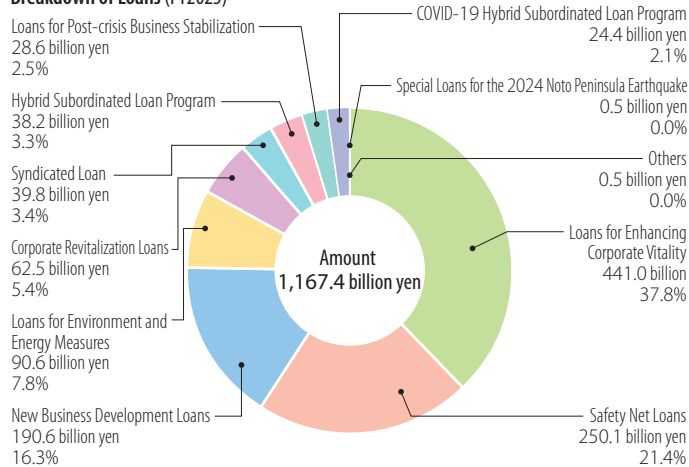
Based on these policies, while supplementing private financial institutions as a policy-based financial institution specialized in SMEs, the SME Unit supports the growth and development of SMEs and micro/small businesses through its financial tools as well as serving a safety net functions.



Loan Programs

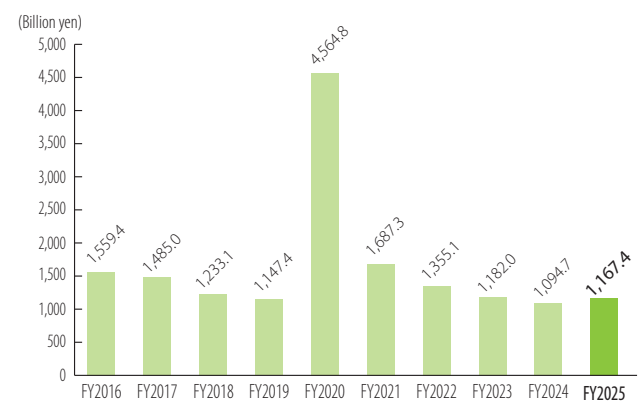
The SME Unit complements the financing of private financial institutions through its stable, long-term, fixed interest rate loans that is needed for the business growth of SMEs.

Breakdown of Loans (FY2025)



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 operations



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.

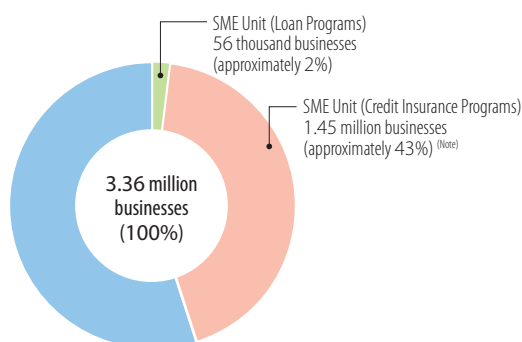
Feature of Operations

SME Unit's Clients

SMEs and micro/small businesses account for approximately 99% of all businesses in Japan, and underpin regional economies, acting as a source of Japanese economic vitality. 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 such as Loan Programs, Credit Insurance Programs and Securitization Support Programs.

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

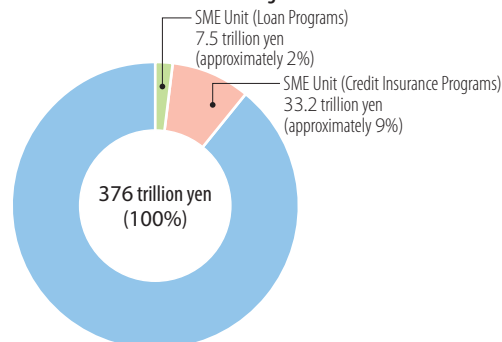


Note: Number of businesses utilizing the Credit Guarantee System

Source: Small and Medium Enterprise Agency, "2026 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.

Share of SME Unit's clients in total amount of outstanding loans



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

The SME Unit has business relationships with 1.50 million SMEs and micro/small businesses (approximately 45%) and accounts for 11% of outstanding loans to SMEs and micro/small businesses.

Characteristics of SME Unit's Clients

Loan Programs (Direct Loans)

- Number of businesses 56 thousand businesses
- Average loan for FY2025
 - Average loan amount per business 92 million yen
 - Average term of loan 9 years and 3 months
 - Average amount of capital per business 40 million yen
 - Average number of employees per business 78
- Approximately 79% of outstanding loans are for businesses with 20 employees or more, and approximately 90% are for those with 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 FY2025).

Credit Insurance Programs

- Number of businesses 1.45 million businesses (Note)
- Average insurance for FY2025
 - Average amount of insurance acceptance per business 19 million yen
 - Average term of insurance 5 years and 8 months
 - Average number of employees per business 8
- Approximately 74% of the outstanding amounts of insurance are for businesses with 20 employees or less, and approximately 73% are for those with capital of 10 million yen or less.
- Covers a wide range of industries.

Note: Number of businesses utilizing the Credit Guarantee System.

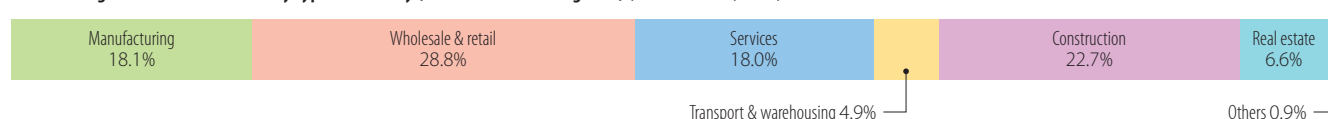
Note: Results are current as of March 31, 2026.

The SME Unit also helps to maintain employment, with the number of employees at the 56 thousand businesses having approximately 3.49 million persons (as of March 31, 2026) by direct loans.

Outstanding loans by type of industry (Loan Programs) (as of March 31, 2026)



Outstanding amounts of insurance by type of industry (Credit Insurance Programs) (as of March 31, 2026)



Loan Programs

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

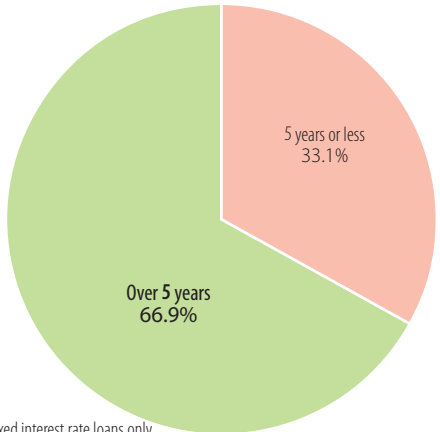
● Dedicated to long-term funding

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.

Breakdown of loans by lending period (share in terms of value) (FY2025)



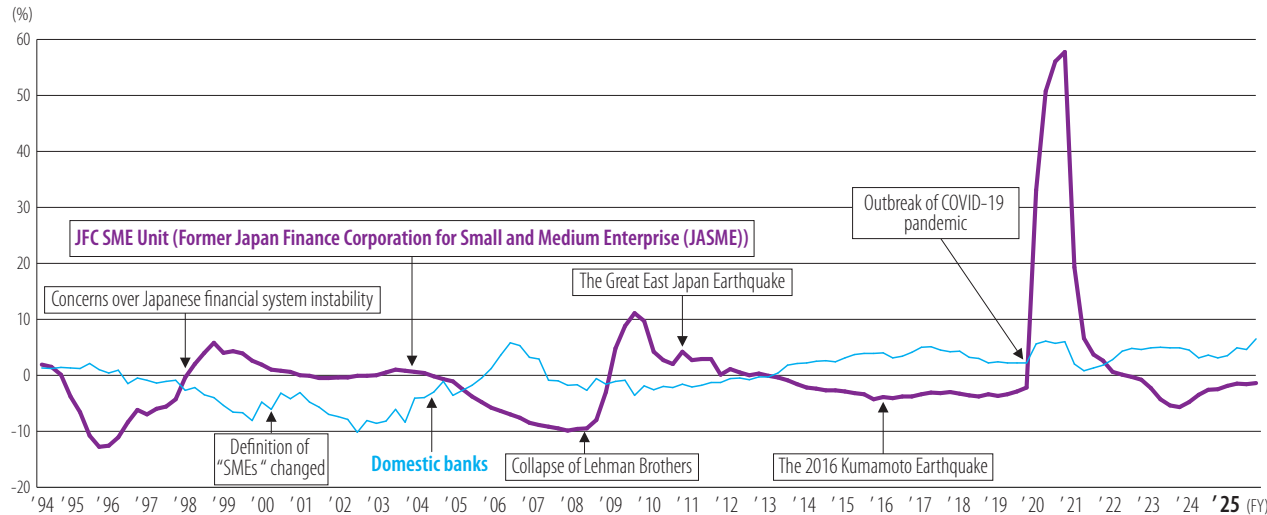
Note: Data are for fixed interest rate loans only.

● 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 from the standpoint of 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.

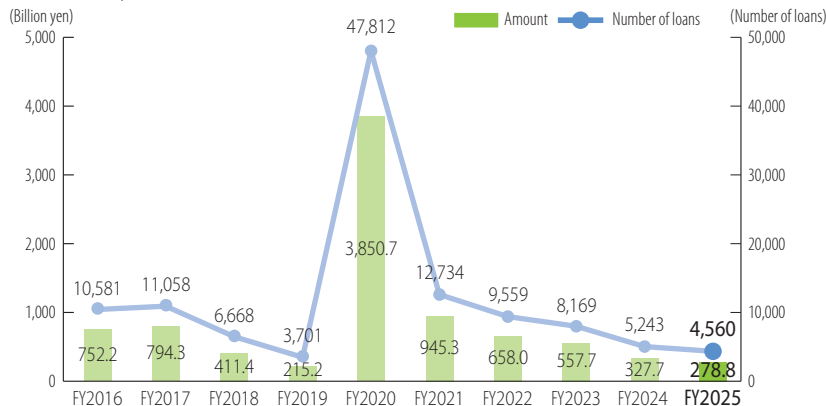
2. The definition of "SMEs" was changed in April 2000; the SME Unit has estimated the growth rate for domestic banks in the period from June 2000 to March 2001 based on the ratio between the old and new standards.

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

● Safety net

In FY2025, the SME Unit flexibly exercised its safety net functions for SMEs affected by successive natural disasters across Japan, price hikes, the situation in the Middle East and Ukraine, and other factors. The SME Unit provided loans through Safety Net Loans and other programs, supporting cash flow and business reconstruction through the smooth supply of funds.

Results of Safety Net Loans



● 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, 2026) has reached 18,917 businesses, amounting to 965.3 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 the Hybrid Subordinated Loan Program and the Syndicated Loan Program.

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

	FY2023	FY2024	FY2025
Number of businesses	912	1,002	1,040
Amount of loans (billion yen)	52.9	64.0	79.1

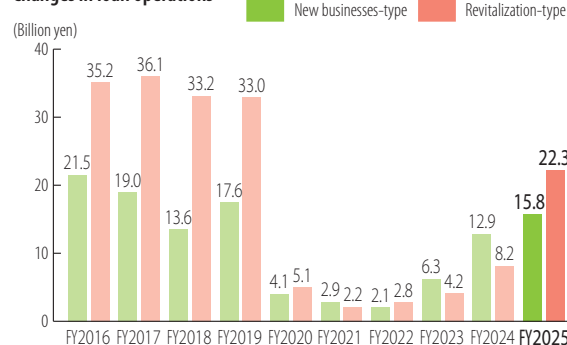
Results of stock subscription rights loans included in Loans to Foster Growth of New Businesses and Loans to Support Start-up Businesses

	FY2023	FY2024	FY2025
Number of businesses	75	75	90
Amount of loans (billion yen)	13.3	14.3	20.1

● 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.

Changes in loan operations



● 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 FY2025, the Overseas Expansion Related Loans ^(Note) were utilized by 1,247 businesses, for a total of 98.0 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 106 businesses, 8.3 billion yen in FY2025.

The Standby Letter of Credit Program supports SMEs and micro/small businesses' overseas subsidiaries' and branches' smooth procurement of 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, 2026, the number of affiliated financial institutions, mainly in Asia, was 17 institutions.

JFC also established a scheme to partner with regional financial institutions throughout Japan, and through the end of March 2026, JFC established collaborative relationships with 60 regional financial institutions.

As for FY2025 letters of credit were issued to the financial institutions in 7 countries and regions, being utilized by 69 businesses.

The Overseas Expansion Related Loans (by countries and regions) (FY2025)

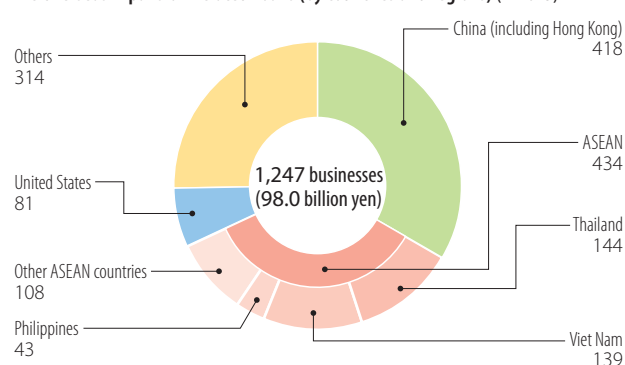
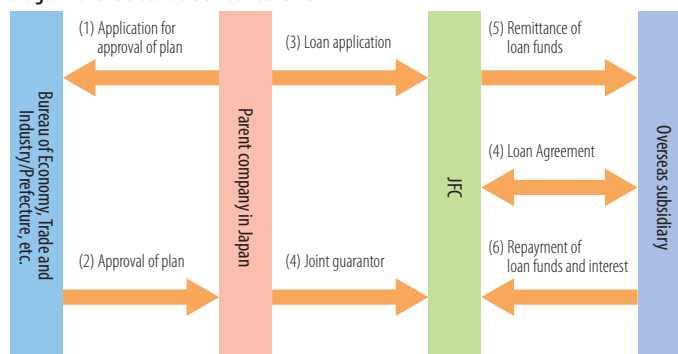


Diagram of the cross-border loan scheme

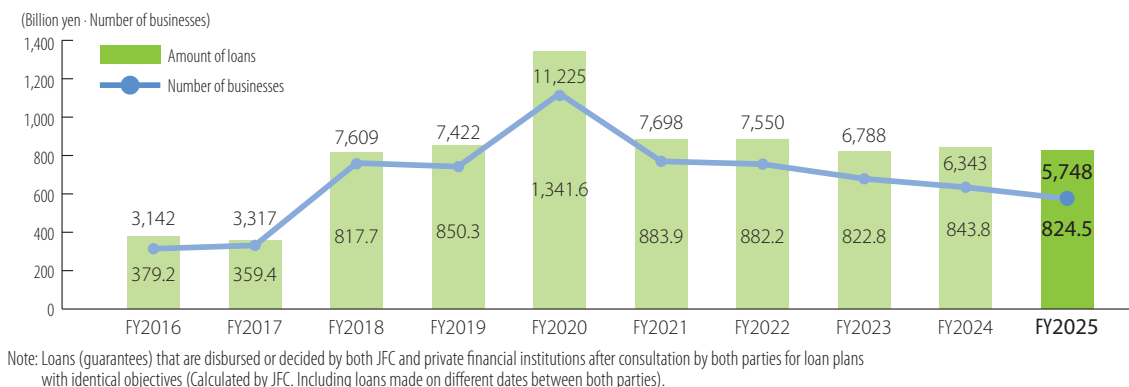


● Cooperative loans and securitization support in collaboration with private financial institutions

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 56,000 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 through cooperative loans, participation in syndicated 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 ^(note) and change in loan amount

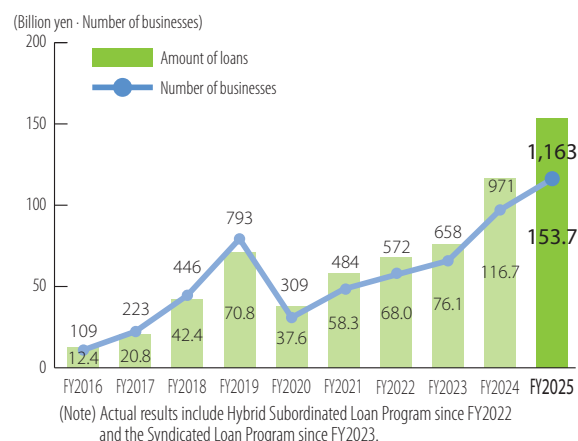


● Loans for business succession, consolidation, and invigoration support

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



Supporting the growth of businesses

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

A total of 880 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, 2026 (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, 2026. Foreign-owned corporations are excluded.

An Invaluable Source of Financing during Our Start-up Period

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).

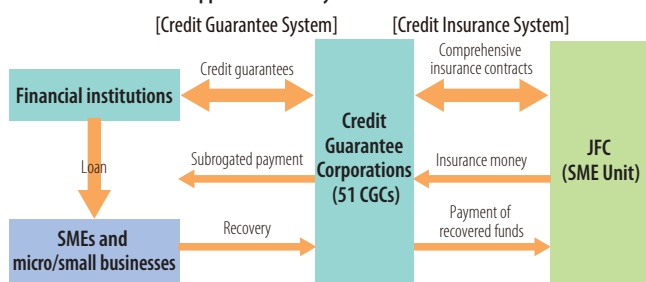
Credit Insurance Programs

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

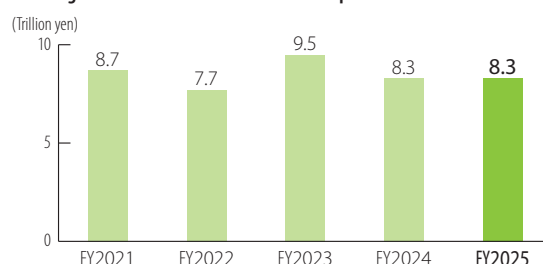
● Role of the Credit Insurance System

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



Changes in the amounts of insurance acceptance



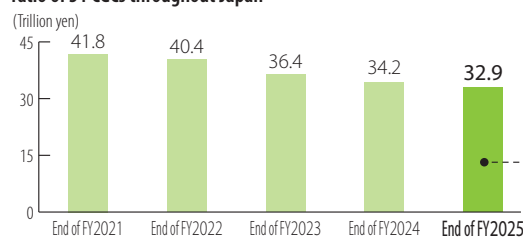
● 43% of SMEs utilize the Credit Supplementation System

As of March 31, 2026, the portion of outstanding loans to SMEs guaranteed by CGCs (outstanding guaranteed liabilities) amounted to 32 trillion yen, accounting for approximately 9% of all loans to SMEs.

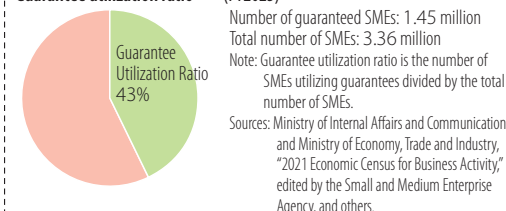
Moreover, 1.45 million SMEs and micro/small businesses, accounting for 43% of all SMEs in Japan, were raising funds with the support of the Credit Guarantee System.

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 outstanding guaranteed liabilities and guarantee utilization ratio of 51 CGCs throughout Japan



Guarantee utilization ratio^(Note) (FY2025)



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 FY2025, the "synthetic CLO of regional financial institutions (Clover 2026 LLC)" was issued in the securitization support purchasing business. Besides entering into credit default swap (CDS) contracts with 62 regional financial institutions, the SME Unit guaranteed 6.5 billion yen out of the 34.5 billion yen in corporate bonds issued by a special-purpose company (SPC) (Clover 2026 LLC). 70.8 billion yen in unsecured loans were provided to 3,628 businesses in 39 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

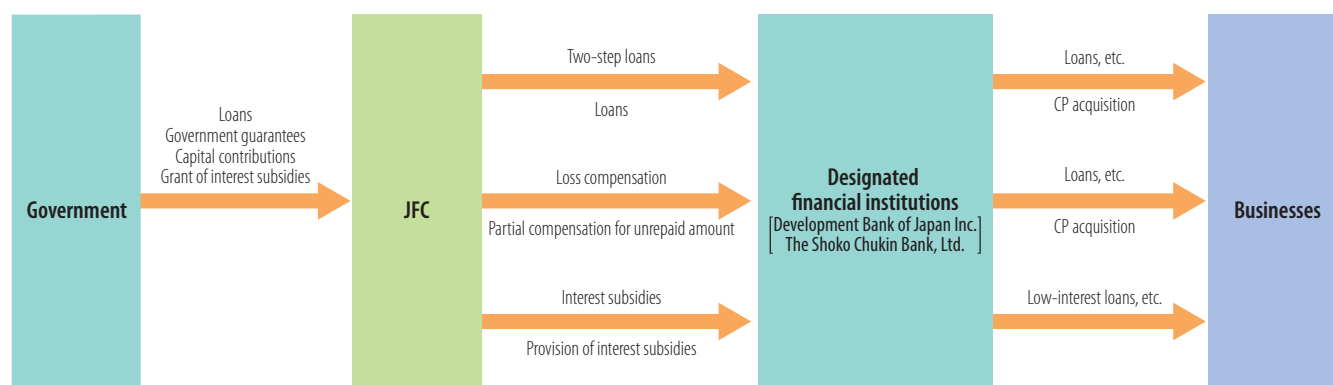
Guarantee-type

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

Upon the occurrence of events such as the disruption of domestic or international financial order, or large-scale natural disasters, which are then declared a crisis by 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, 2026, was 2,144.2 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, 2026 was 1,302.4 billion yen (on a basis of reports from designated financial institutions).

Results of operations to facilitate crisis responses

(Billion yen)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Two-step loans	529.2	85.4	—	35.0	3,549.4	291.2	15.7	—	—	—
Loss compensation	547.3	89.2	1.0	0.8	2,364.5	593.1	170.7	—	—	—
Interest subsidies	5.4	12.6	4.9	2.7	4.6	18.2	22.9	20.5	8.9	3.0

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 2026.

2. The figures for loss compensation represent the amounts of loans provided by designated financial institutions through the end of March 2026, with loss compensation underwritten by JFC for losses incurred until May 10, 2026.

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 2025 (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, 2026 was 5.4 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, 2026 was 37.5 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. The balance of two-step loans as of March 31, 2026 was 7.0 billion yen.

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, 2026 was 9.2 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 ministers. The balance as of March 31, 2026 was 15.0 billion yen.

Results of Operations to Facilitate Specific Businesses Promotion, Operations to Facilitate Business Restructuring Promotion, Operations to Facilitate Business Adaptation Promotion, Operations to Facilitate Development and Supply, etc. Promotion, Operations to Facilitate Business Foundation Reinforcement Promotion, Operations to Facilitate Business Introduction Promotion, and Operations to Facilitate Ensuring Supply Promotion
Two-step loans

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Operations to Facilitate Specific Businesses Promotion	1.0	0.5	—	—	—	—	—	—	—	—
Operations to Facilitate Business Restructuring Promotion	—	—	—	100.0	—	—	—	—	—	—
Operations to Facilitate Business Adaptation Promotion	—	—	—	—	—	—	—	—	—	7.0
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	—	—	—	—	—	—	—	—	—	15.0

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 2026.

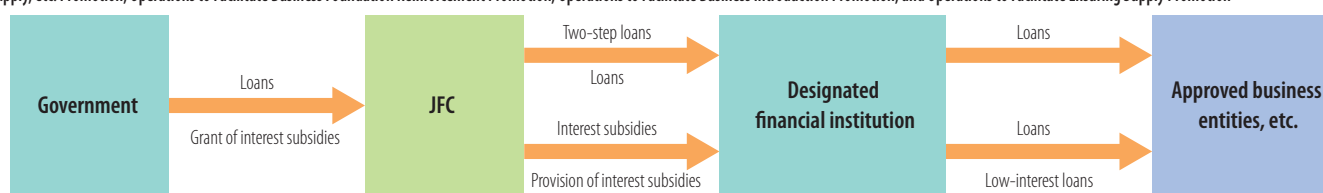
2. Day of commencement of operations: Operations to Facilitate Specific Businesses Promotion: August 16, 2010; Operations to Facilitate Business Restructuring Promotion: January 20, 2014; Operations to Facilitate Business Adaptation Promotion: August 2, 2021; Operations to Facilitate Development and 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.

Interest subsidies

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Operations to Facilitate Business Adaptation Promotion	—	—	—	—	—	—	1	93	195	325

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 2025 (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 Restructuring Promotion, Operations to Facilitate Business Adaptation Promotion, Operations to Facilitate Development and Supply, etc. Promotion, Operations to Facilitate Business Foundation Reinforcement Promotion, Operations to Facilitate Business Introduction Promotion, and Operations to Facilitate Ensuring Supply Promotion



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

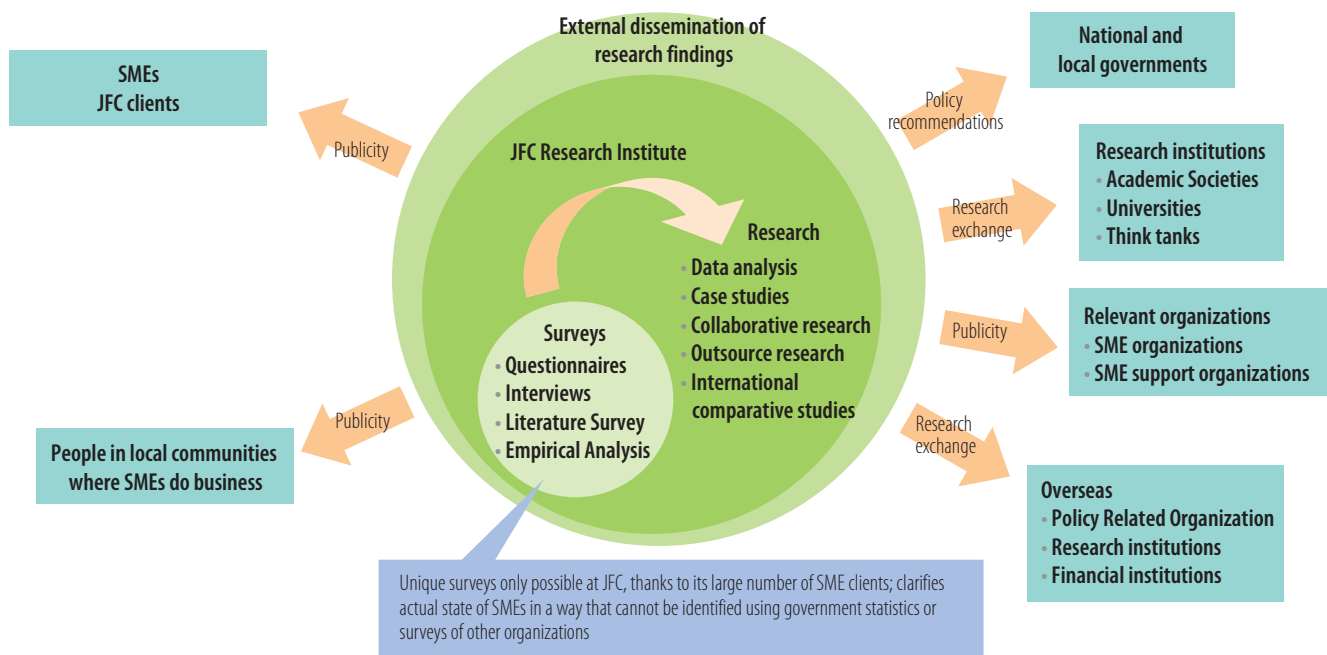
2. Interest subsidies are available only for Operations to Facilitate Business Adaptation Promotion (related to carbon neutrality).

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 and small business section, which surveys 10,000 micro and small 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.

▶ Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/findings/index.html#kenkyujo> (Available only in Japanese)



● 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 FY2025)—

- Survey on Business Start-ups (FY2025 regular and special surveys)
- Panel Survey on Business Start-ups
- Survey on Starting Businesses and Entrepreneurial Minds
- Survey on the Role of Small and Medium Enterprises in Their Local Communities
- Survey on the Actual State of Business Start-ups by Former Employees of Large Enterprises
- Case Study Survey on Foreign Entrepreneurs
- Survey on Initiatives by Micro and Small Businesses to Respond to Inbound Tourism

—Main Research Papers and Reports (released in FY2025)—

- ◇ The Impact of Wage Increases on SME Management
- ◇ Entrepreneurs and Non-entrepreneurs on the Periphery of Growth-oriented Start-ups: An Analysis Based on Business Growth Orientation and Interest in Entrepreneurship
- ◇ Business Succession Support for Older Managers Intending to Remain Active Throughout Their Lives
- ◇ Whether Entrepreneurship Enables Flexible Workstyles
- ◇ Expanding Regional Potential Through Sports
- ◇ University Spin-offs Challenging Social Transformation
- ◇ What Does Entrepreneurship by Foreign Nationals Bring to Japan?
- ◇ Impact of Growth in Inbound Tourism on the Business Conditions of Micro and Small Businesses
- ◇ Sustainable Town Development in an Era of Population Decline
- ◇ Exploring the Actual State of Entrepreneurship by Foreign Nationals Through Case Studies

● 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.

—FY2025 survey—

- Survey of Corporate Case Studies Regarding Businesses Targeting Market Gaps

—FY2025 publication—

- ◇ Relationships and Bonds Passing Aspirations on to the Next Generation: SMEs Growing Through Business Succession Outside the Family

● 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 FY2025)—

- SMEs Evolving by Drawing on Disaster Experience
- SMEs Expanding Their Businesses Through Relocation to Regional Areas
- International Comparison of Perceptions of SMEs
- Survey on Companies' Growth Orientation
- SMEs Growing Through Cross-industry Collaboration
- SMEs Where Disabled Persons Play Active Roles

—Main Research Papers and Reports (released in FY2025)—

- ◇ SMEs Evolving by Drawing on Disaster Experience
- ◇ SMEs Expanding Their Businesses by Relocating from the Tokyo Metropolitan Area to Regional Areas
- ◇ SMEs Growing Through Cross-industry Collaboration
- ◇ Understanding Perceptions of Japanese SMEs Through International Comparison

Research Results and Reports at Academic Societies

● 45th Conference of the Japan Academy of Small Business Studies (October 5, 2025)

“Foreign Employment as a Key to Regional Economies: A Comparison with Major Metropolitan Areas”

Based on the results of the “Questionnaire on Foreign Employment in SMEs, etc.,” the presentation reported that initiatives for daily life support are more extensive in regional areas, that differences from major metropolitan areas are not observed in many aspects, and that efforts such as highlighting a company's technological capabilities and holding Japanese language classes led by employees are effective.

● 28th JASVE Annual Academic Conference (November 29, 2025)

“What Kind of Entrepreneurs Have an Accelerated Growth Orientation?”

The presentation analyzed entrepreneurs aiming to achieve accelerated growth with the goal of expanding nationwide or overseas within 10 years, and pointed out the importance of focusing not only on the current performance of entrepreneurs' businesses but also on their growth orientation when creating growth-type start-ups.

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 71 (May 2026)—

Performance and Growth Ambition of Entrepreneurs with Large Enterprise Backgrounds

What Role Should Japan's Large Enterprises Play in the Start-up Ecosystem?

Actual State of Entrepreneurship by Foreign Nationals and Its Economic and Social Contributions

Actual State and Issues of SMEs Playing Social Roles in Local Communities



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 start-ups in Japan.

—Main Contents of the 2026 Edition—

Overview of Results of the FY2025 Survey on Business Start-ups

Overview of Results of the FY2025 Survey on Starting Businesses and Entrepreneurial Minds

Characteristics of Entrepreneurs with Large Enterprise Backgrounds



Relationship Between Local Communities and SMEs in an Era of Population Decline

Amid a decrease in those who support local communities due to the declining birthrate and aging population, how are SMEs involved with their local communities? Based on the results of questionnaires and interviews, this publication depicts companies that support and are supported by their local communities.



Relationships and Bonds Passing Aspirations on to the Next Generation: SMEs Growing Through Business Succession Outside the Family

Amid the challenge posed by a lack of successors, an increasing number of companies are looking beyond family members to find successors in order to continue their businesses. Through 12 case studies of SMEs that have been taken over by third parties and achieved growth, this publication examines the advantages and issues of business succession outside the family, as well as key points for success.

Systems for Organizational Management

Governance 54

Governance

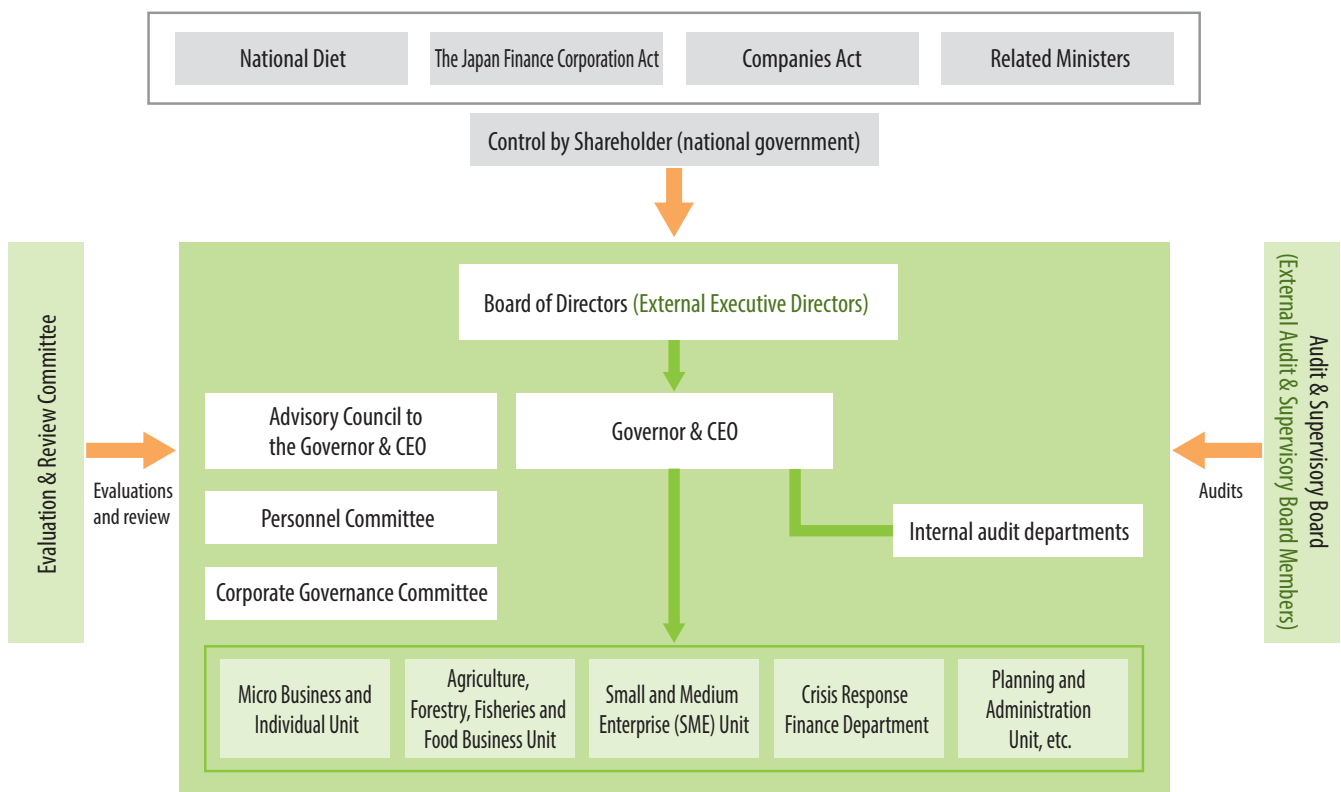
Fundamental Approach

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, 2026; 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
KANZAKI Yuki	Former Managing Executive Officer, Kirin Holdings Company, Limited, and Former President and CEO, Kyowa Hakko Bio Co., Ltd.
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
MIYAGI Noriko	Outside Director, SANYO DENKI CO., LTD. External Executive Director, Japan Finance Corporation
YAMORI Nobuyoshi	Professor, Research Institute for Economics and Business Administration, Kobe University

Expert Members

TSURU Kotaro	Professor, Faculty of Data Science, Otsuma Women's University
NAKASHIMA Yasuhiro	Professor, Faculty of Nutrition, Japan Nutrition University
NEMOTO Tadanobu	Professor, Faculty of Commerce, Chuo University

5 Advisory Council to the Governor & CEO

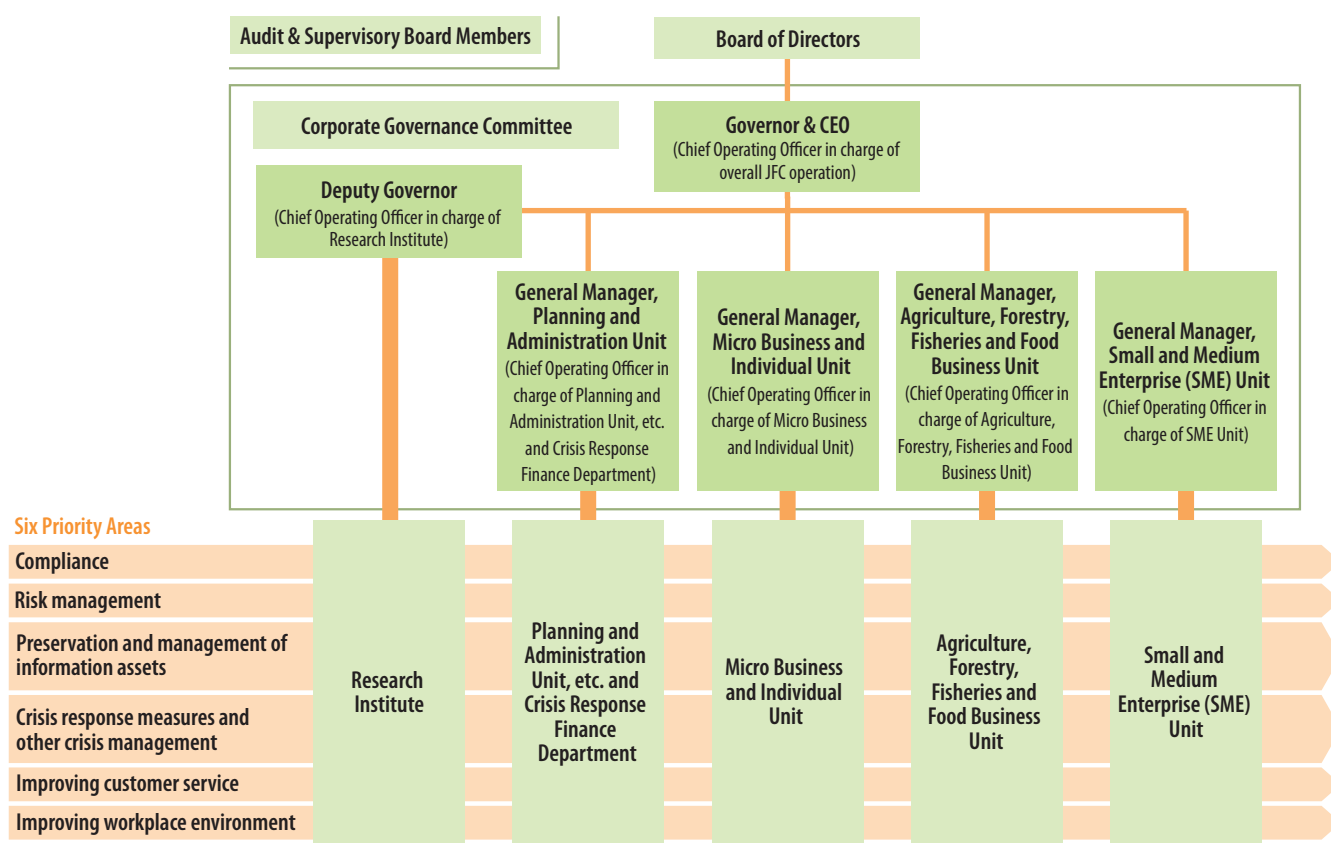
The Advisory Council to the Governor & CEO receives reports, also reviews and investigates key matters concerning management of JFC in response to inquiries from the Governor and CEO.

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 Planning and Administration Unit, etc. (excluding the Research Institute), the Crisis Response Finance Department, and the Research Institute.



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

JFC is working to create workplaces where diverse human resources can fulfill their potential.

1 Invigorating Workplace Communication and Improving Teamwork Through Activities to Promote Diversity, etc.

JFC has established Committees for the Promotion of Diversity at the Head Office and all 152 branches nationwide, and is carrying out activities to invigorate communication and resolve workplace issues. JFC also holds internal seminars to promote mutual understanding among employees regarding diversifying workstyles and values, thereby raising employee awareness toward creating workplaces where diverse human resources can fulfill their potential.

2 Practice of Work-life Management ^(Note)

To enable employees to practice work-life management regardless of gender, JFC is developing measures to support work-life balance in accordance with employees' life stages, promoting the use of systems that enable flexible working styles, such as working from home (teleworking) and staggered working hours, and encouraging men to take at least one month of leave or leave of absence for childcare, etc.

In addition, JFC promotes workstyles with focus and balance through the planned acquisition of leave and the implementation of no overtime days.

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.

(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.

@Platinum Kurumin



3 Promotion of Women's Participation and Advancement

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

Specific initiatives include developing managerial candidates through training and other measures, utilizing opportunities that enable employees to gradually gain management experience, holding in-house forums for female managers and candidates for managerial positions, etc., to build networks across positions and consider career advancement, and establishing a Mentoring System for young employees in which senior employees serve as advisors and respond to a wide range of consultations.

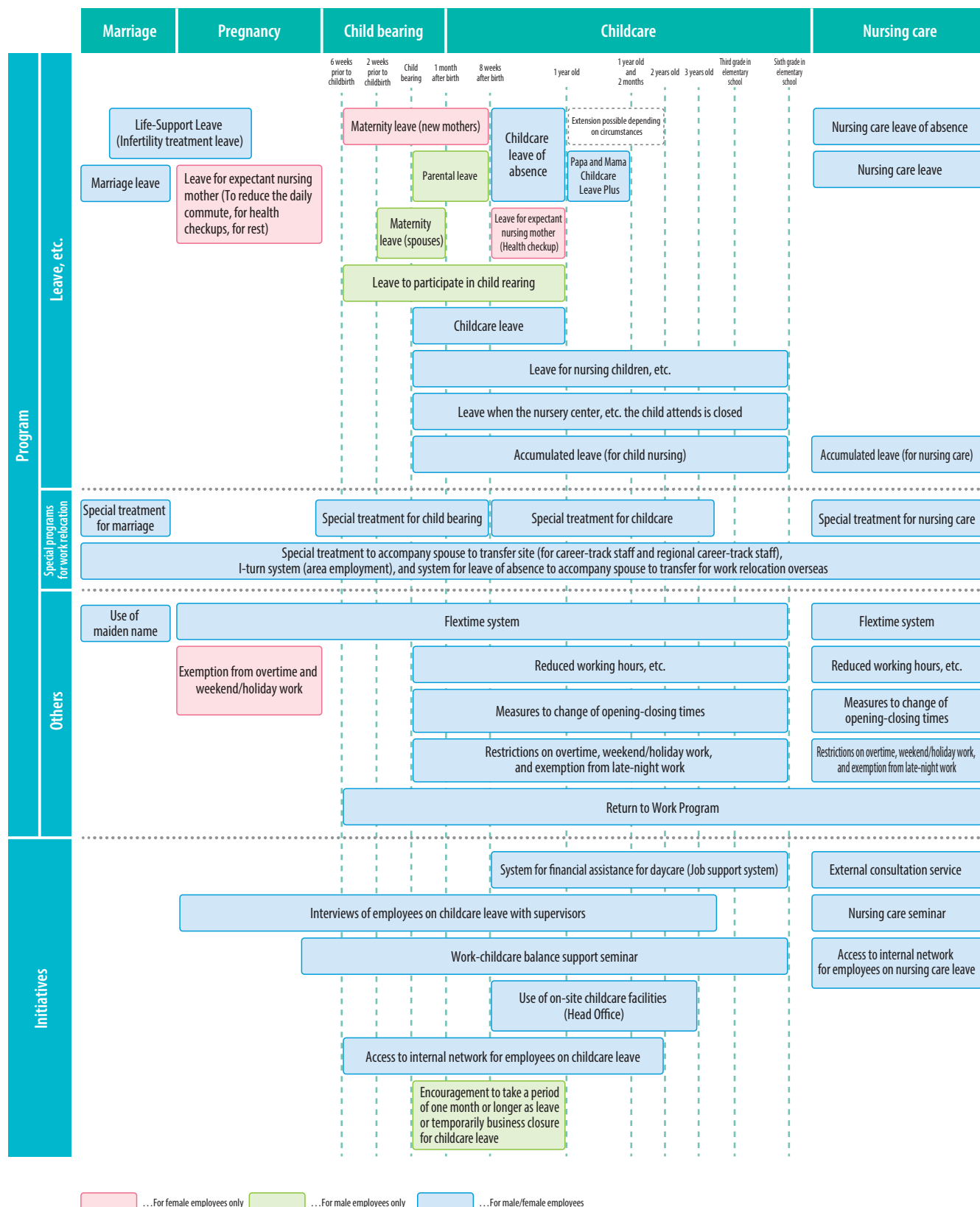
JFC has earned the second level (two stars) under the Eruboshi certification system by the Minister of Health, Labour and Welfare as an employer with excellent implementation status of measures to promote the active participation and advancement of women.

(Note) Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015)

@Eruboshi



Scene from the in-house forum



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)



Cybersecurity

Even amid a situation in which the threat of cyberattacks is becoming more serious and sophisticated by the day, JFC positions ensuring cybersecurity as an important management issue in order to continue responding to the trust of its customers as a policy-based financial institution, and has formulated and published its “Basic Policy on Cybersecurity Management,” which stipulates matters necessary for these initiatives.

► Please visit the JFC website for more information.
<https://www.jfc.go.jp/n/company/sdgs/pdf/CybersecurityGuideline.pdf> (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

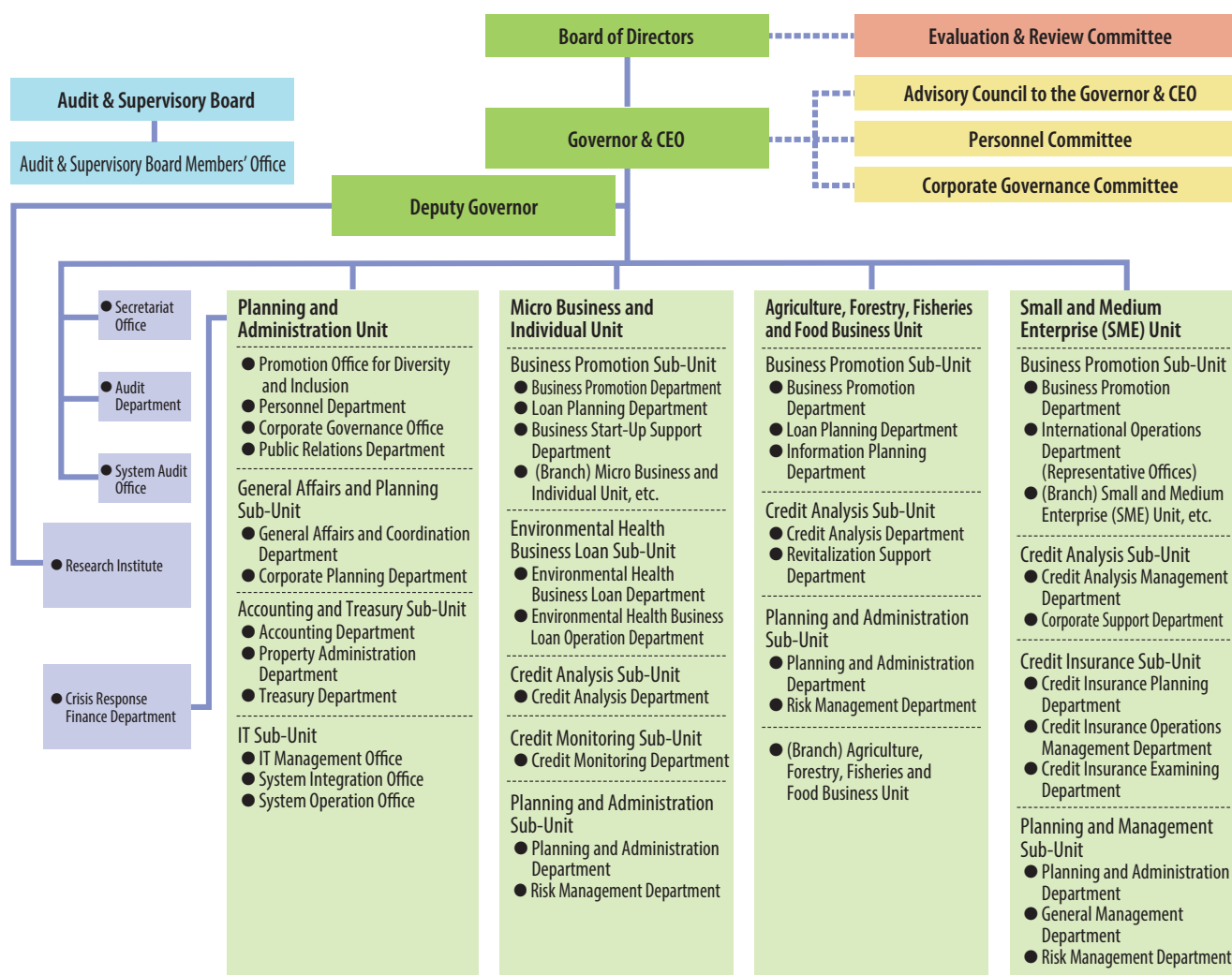
Information type	Disclosure site and method	Disclosure period
Business reports	• Available at all branches • Distributed to National Diet Library, regional public organizations, and business groups	June–September
Supporting schedules		
Asset inventories		
Financial statements		
Opinions by Audit & Supervisory Board Members		
Audit reports by Audit & Supervisory Board		
Audit reports by CPA firm	• Available at all branches • Distributed upon request	July
Annual Reports		
Website	• Available on Internet (https://www.jfc.go.jp/n/english/)	Updated as necessary
• Includes explanations of business activities, business performance, organizational structures, financial conditions, etc.		
• Electronic public notice		

Organization and History

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Organization

Organization Chart of Japan Finance Corporation



Directors and Audit & Supervisory Board Members (as of June 23, 2026)

Governor & CEO	FUJII Takeshi	Managing Director	SHINBORI Kenji	External Executive Director	SATO Yujiro
Deputy Governor	OKAZAKI Buntarou	Managing Director	MIZUTANI Yasuhisa	External Executive Director	MIYAGI Noriko
Senior Managing Director	TSUJI Takahiro	Managing Director	KITAMURA Hidekazu	Audit & Supervisory Board Member	IIDA Keiichi
Senior Managing Director	TOKIWA Mitsuo	Executive Director	YOSHINAGA Toshio	External Audit & Supervisory Board Member	ITO Shoji
Senior Managing Director	TODAKA Hideshi	Executive Director	NARAI Kou	External Audit & Supervisory Board Member	OHTANI Akihiro
Senior Managing Director	SADAMITSU Yuki	Executive Director	IKEDA Satoshi	External Audit & Supervisory Board Member	KAYAMA Makoto
Managing Director	TAKAHASHI Keiichi	Executive Director	KAWAKAMI Ichiro		
Managing Director	CHODA Hiroshi	Executive Director	ISOGAI Hiroaki		

History of JFC

[Micro Business and Individual Unit]

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 Financing Corporation	
Oct. 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	Events
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]

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
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.)	
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]

Date	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 laws concerning implementation of the Japan Finance Corporation Act," even following the establishment of JFC operations of the Finance Department for Facilitating Realignment of U.S. Forces Japan are inherited as operations to be conducted by the Japan Bank for International Cooperation (JBIC) Operations to Facilitate Crisis Responses established
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

Osaka Business Support Plaza: +81-6-6315-0312

■ For inquiries regarding educational loans

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

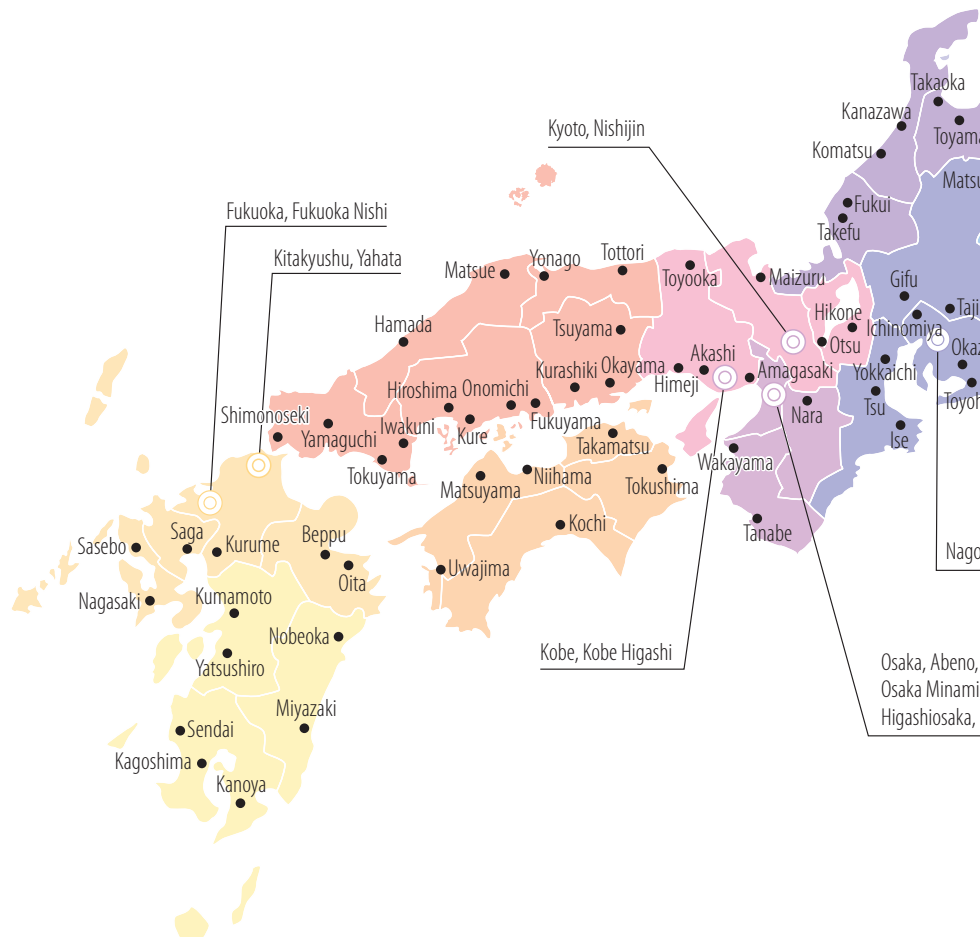
+81-3-5321-8656

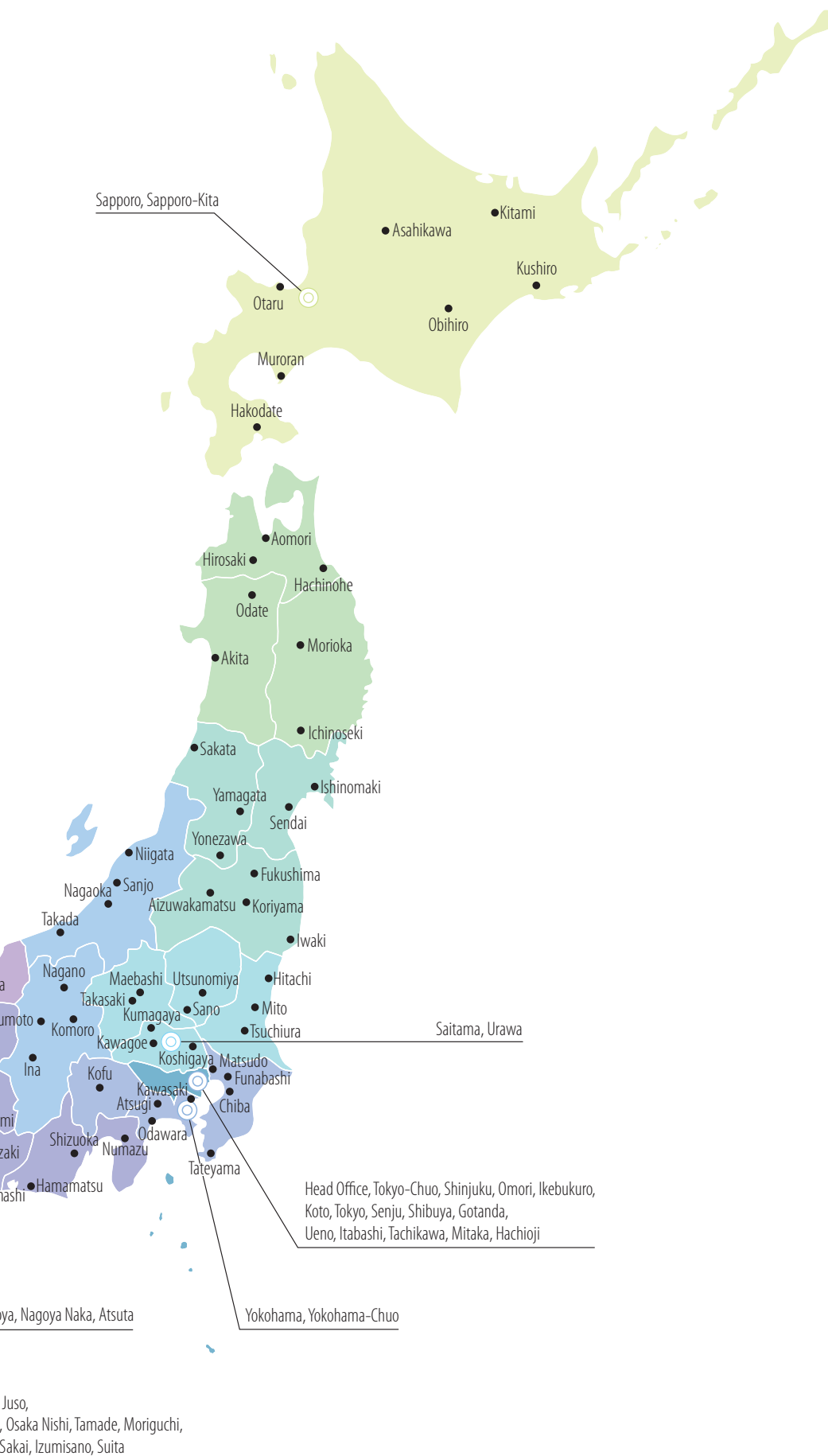
■ Overseas representative offices

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





► Please visit the JFC website for more information.

<https://www.jfc.go.jp/n/branch/index.html> (Available only in Japanese)

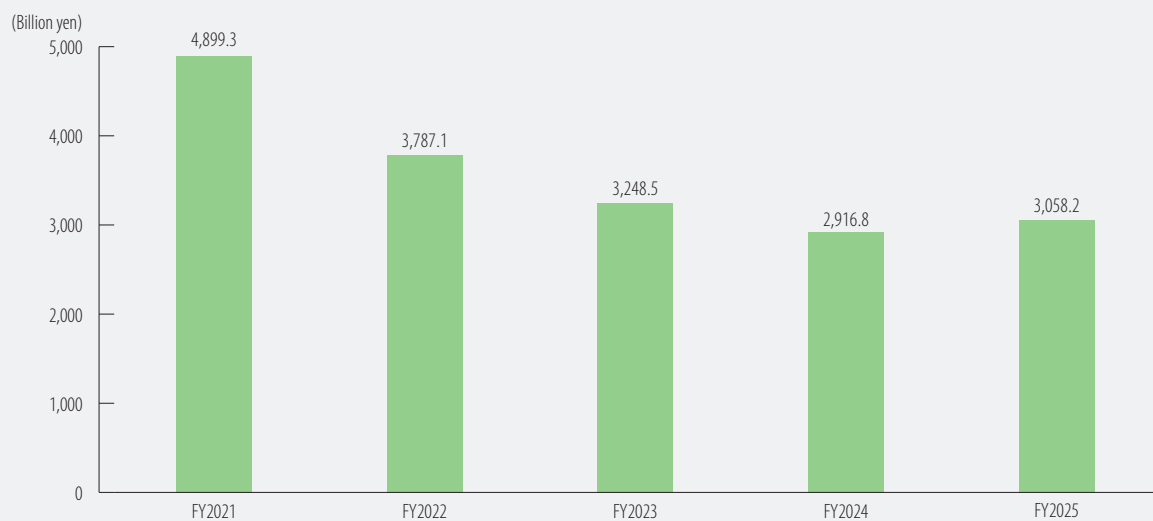


Memo

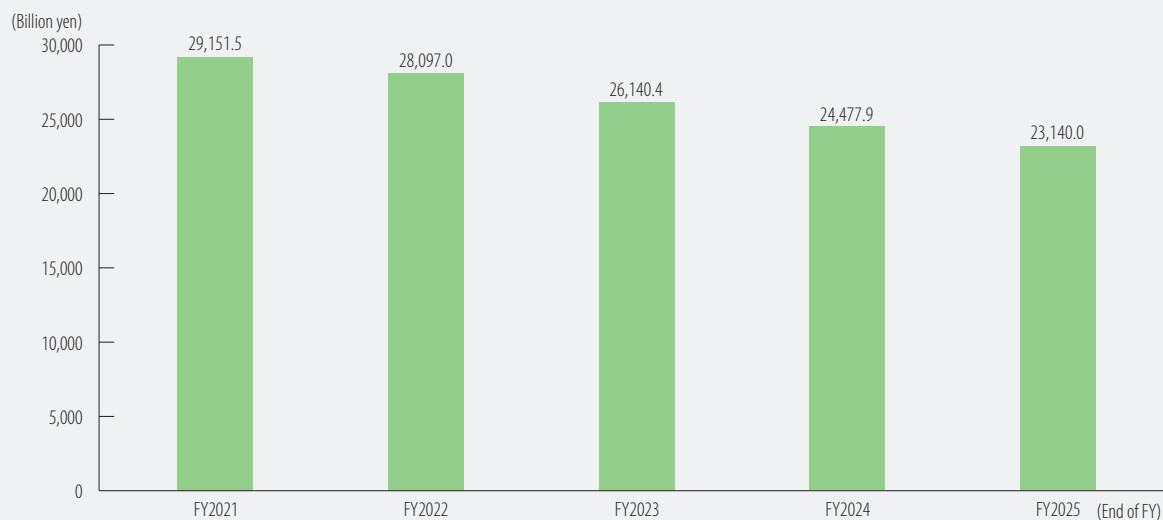
Data

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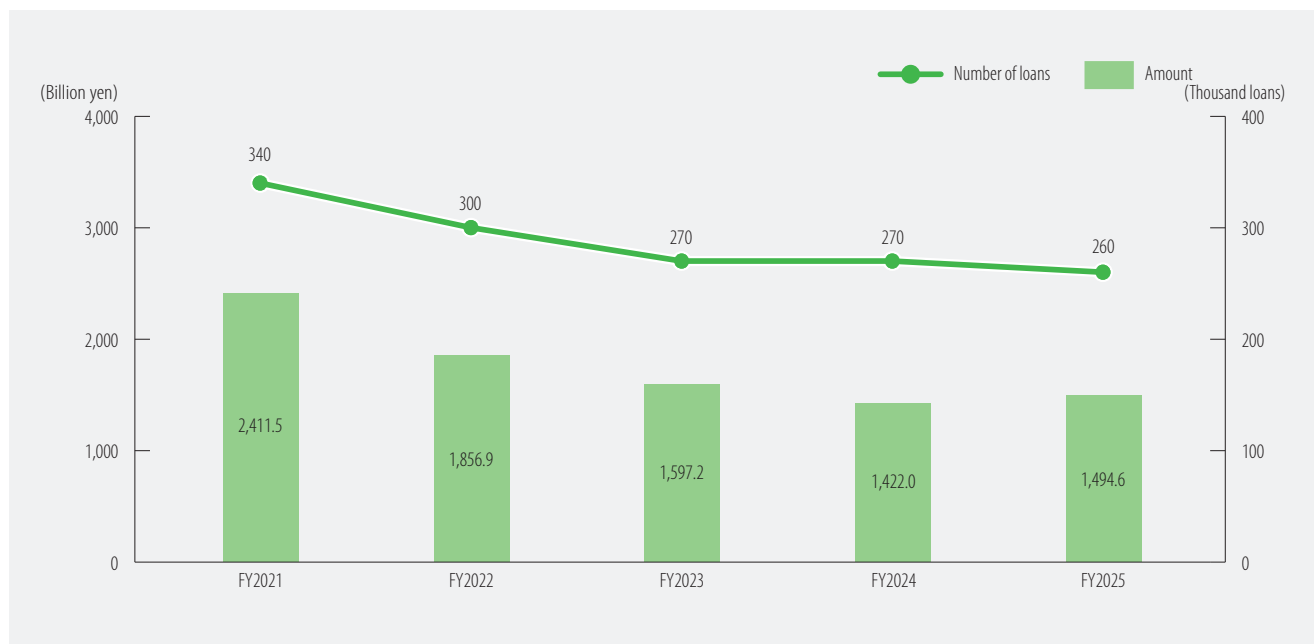
1 Changes in Annual Loan Operations



2 Changes in Outstanding Loans

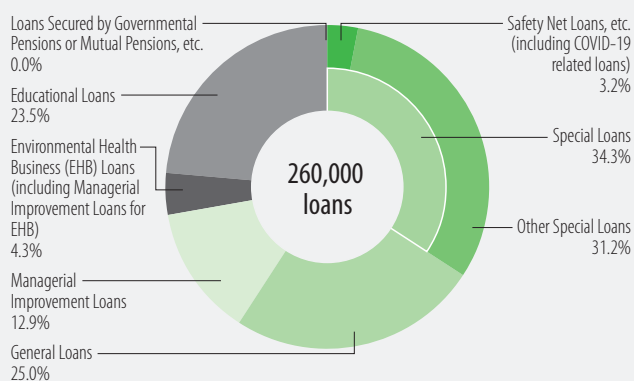


1 Changes in Annual Loan Operations

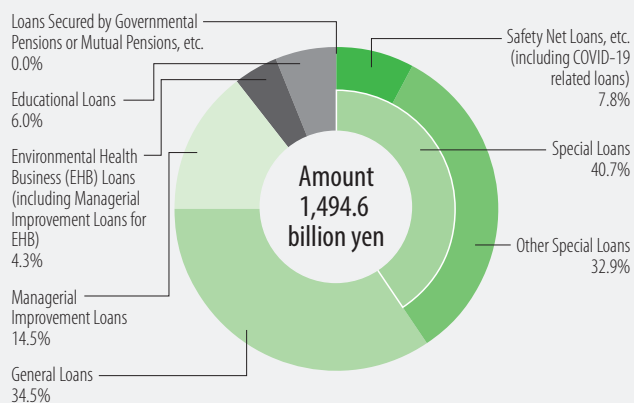


2 Breakdown of Loans by Scheme

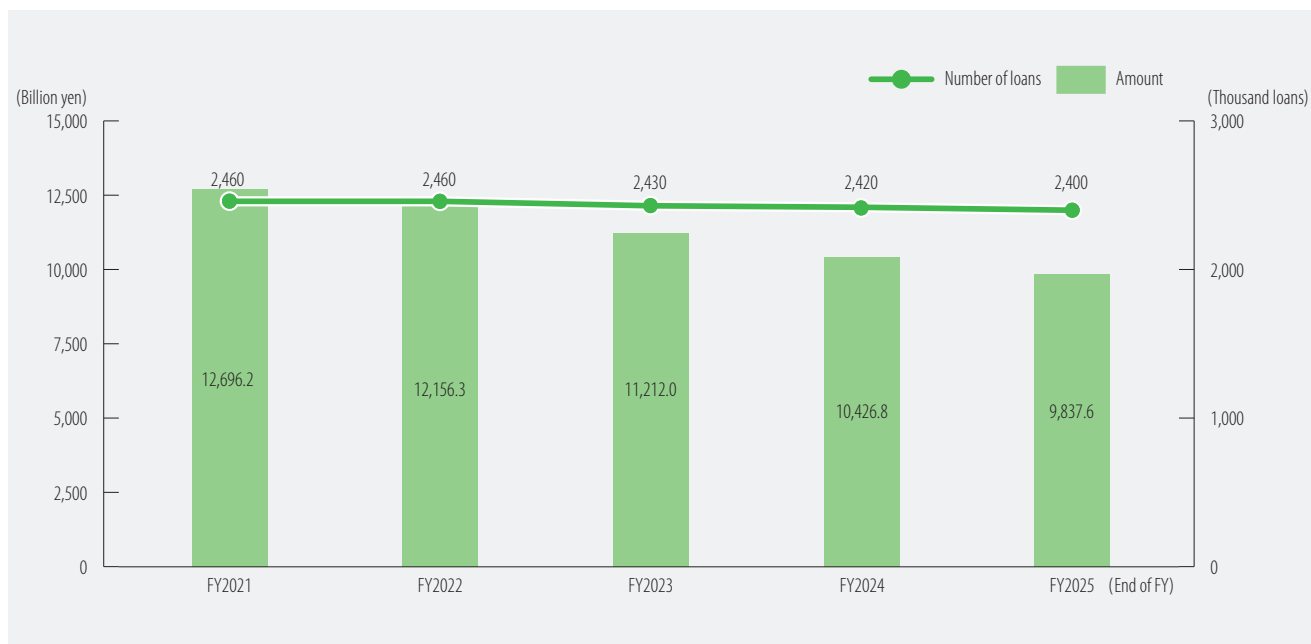
▼ Number of Loans (FY2025)



▼ Total Amount of Loans (FY2025)



3 Changes in Outstanding Loans



4 Breakdown of Business Loans Outstanding by Industry

(Billion yen, %)

	End of FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025
Manufacturing	1,023.4 (8.7)	977.9 (8.7)	888.7 (8.7)	817.9 (8.6)	762.6 (8.5)
Wholesale & Retail	2,320.3 (19.8)	2,220.0 (19.8)	2,033.7 (19.8)	1,880.4 (19.7)	1,763.1 (19.6)
Restaurants & Hotels	1,448.3 (12.3)	1,372.4 (12.3)	1,254.4 (12.2)	1,155.8 (12.1)	1,077.0 (12.0)
Services	3,098.3 (26.4)	2,971.4 (26.5)	2,743.8 (26.7)	2,574.3 (27.0)	2,464.5 (27.4)
Construction	1,880.1 (16.0)	1,811.1 (16.2)	1,667.7 (16.2)	1,549.5 (16.3)	1,469.7 (16.4)
Others	1,964.2 (16.7)	1,847.9 (16.5)	1,684.6 (16.4)	1,545.7 (16.2)	1,451.3 (16.1)
Total	11,734.8 (100.0)	11,201.0 (100.0)	10,273.3 (100.0)	9,523.8 (100.0)	8,988.4 (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 FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025
Restaurant-related Services	222.7 (54.3)	211.7 (54.4)	200.2 (54.6)	199.6 (55.2)	203.1 (55.7)
Beauty parlors	88.8 (21.6)	85.4 (21.9)	81.0 (22.1)	80.8 (22.3)	81.9 (22.5)
Hotels	59.6 (14.5)	55.1 (14.2)	51.0 (13.9)	48.3 (13.4)	47.4 (13.0)
Barbershops	20.4 (5.0)	19.0 (4.9)	17.6 (4.8)	16.7 (4.6)	16.3 (4.5)
Public baths	6.9 (1.7)	6.4 (1.6)	6.0 (1.6)	5.8 (1.6)	5.9 (1.6)
Laundries	8.0 (1.9)	7.6 (2.0)	6.9 (1.9)	6.6 (1.8)	6.2 (1.7)
Meat shops	2.8 (0.7)	2.6 (0.7)	2.5 (0.7)	2.5 (0.7)	2.8 (0.8)
Entertainment facilities	0.6 (0.1)	0.6 (0.2)	0.6 (0.2)	0.6 (0.2)	0.6 (0.2)
Others	0.3 (0.1)	0.2 (0.1)	0.2 (0.1)	0.2 (0.1)	0.2 (0.1)
Total	410.4 (100.0)	389.1 (100.0)	366.5 (100.0)	361.6 (100.0)	364.7 (100.0)

Note: Figures in parentheses denote percentage of shares.

6 Breakdown of Outstanding Loans by Use

(Billion yen, %)

	End of FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025
Operating funds	10,073.4 (85.8)	9,632.6 (86.0)	8,767.9 (85.3)	8,038.8 (84.4)	7,487.0 (83.3)
Facility funds	1,661.4 (14.2)	1,568.3 (14.0)	1,505.3 (14.7)	1,484.9 (15.6)	1,501.4 (16.7)
Total	11,734.8 (100.0)	11,201.0 (100.0)	10,273.3 (100.0)	9,523.8 (100.0)	8,988.4 (100.0)

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

2. Figures in parentheses denote percentage of shares.

7 Number of Borrowers

(Number of borrowers)

	End of FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025
Number of borrowers	1,197,384	1,197,327	1,170,623	1,157,423	1,140,837

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

8 Average Loan Balance per Business

(Thousand yen)

	End of FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025
Average loan balance per business	9,800	9,355	8,775	8,228	7,878

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

9 Educational Loans Outstanding, etc.

(Billion yen)

	End of FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025
Educational Loans	958.5	954.0	938.2	902.7	849.0
Loans Secured by Governmental Pensions and Mutual Pensions, etc.	2.8	1.2	0.4	0.1	0.0

10 Breakdown of Loans by Credit Amount

(Number of loans, %)

	FY2021	FY2022	FY2023	FY2024	FY2025
Up to 3 million yen	80,952 (32.2)	71,898 (34.7)	68,020 (36.1)	83,924 (42.5)	78,417 (38.9)
Over 3 million yen and up to 5 million yen	48,677 (19.3)	41,443 (20.0)	38,403 (20.4)	40,887 (20.7)	44,388 (22.0)
Over 5 million yen and up to 8 million yen	34,259 (13.6)	27,116 (13.1)	24,659 (13.1)	23,044 (11.7)	24,524 (12.2)
Over 8 million yen	87,856 (34.9)	66,696 (32.2)	57,103 (30.3)	49,740 (25.2)	54,478 (27.0)
Total	251,744 (100.0)	207,153 (100.0)	188,185 (100.0)	197,595 (100.0)	201,807 (100.0)

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

2. Figures in parentheses denote percentage of shares.

11 Breakdown of Loans by Number of Employees of Borrowers

(Number of loans, %)

	FY2021	FY2022	FY2023	FY2024	FY2025
4 or fewer	185,748 (73.8)	151,568 (73.2)	134,821 (71.6)	141,968 (71.8)	143,971 (71.3)
5–9	39,944 (15.9)	33,512 (16.2)	31,539 (16.8)	32,025 (16.2)	32,602 (16.2)
10–19	16,783 (6.7)	14,018 (6.8)	13,760 (7.3)	14,574 (7.4)	15,479 (7.7)
20 or more	9,269 (3.7)	8,055 (3.9)	8,065 (4.3)	9,028 (4.6)	9,755 (4.8)
Total	251,744 (100.0)	207,153 (100.0)	188,185 (100.0)	197,595 (100.0)	201,807 (100.0)

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

2. Figures in parentheses denote percentage of shares.

12 Breakdown of Loans by Type of Collateral

(Number of loans, %)

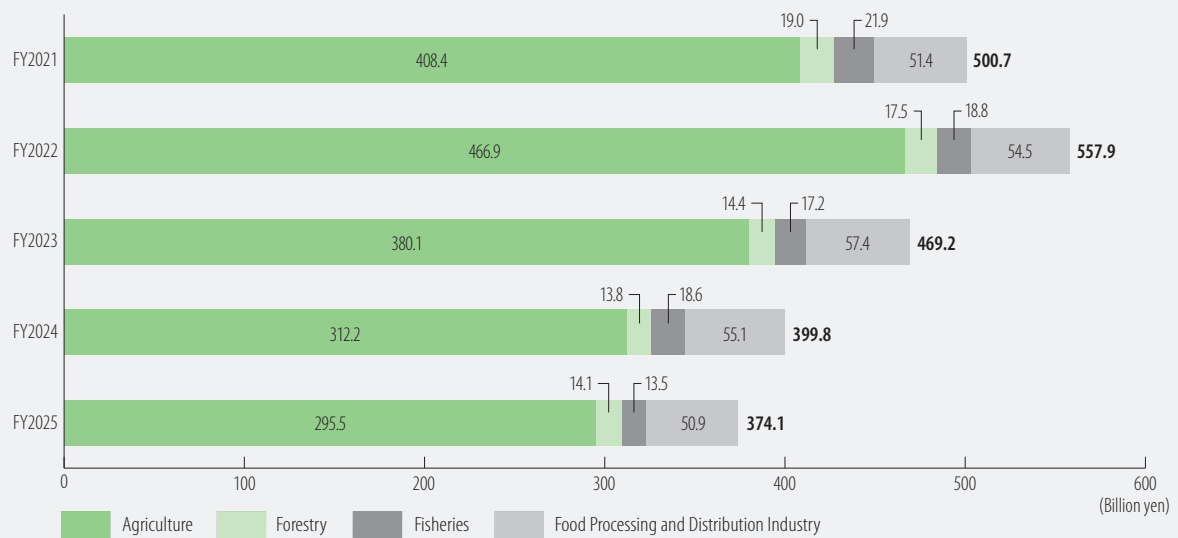
	FY2021	FY2022	FY2023	FY2024	FY2025
No collateral	247,087 (98.2)	203,107 (98.1)	183,512 (97.5)	189,814 (96.1)	192,164 (95.2)
Collateral	Real estate (including partial collateral)	4,640 (1.8)	4,033 (1.9)	4,657 (2.5)	7,771 (3.9)
	Securities	— (—)	1 (0.0)	1 (0.0)	1 (0.0)
	Credit Guarantee Corporations (CGCs)	— (—)	— (—)	— (—)	— (—)
	Others	— (—)	— (—)	— (—)	— (—)
Total	251,727 (100.0)	207,141 (100.0)	188,170 (100.0)	197,586 (100.0)	201,798 (100.0)

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

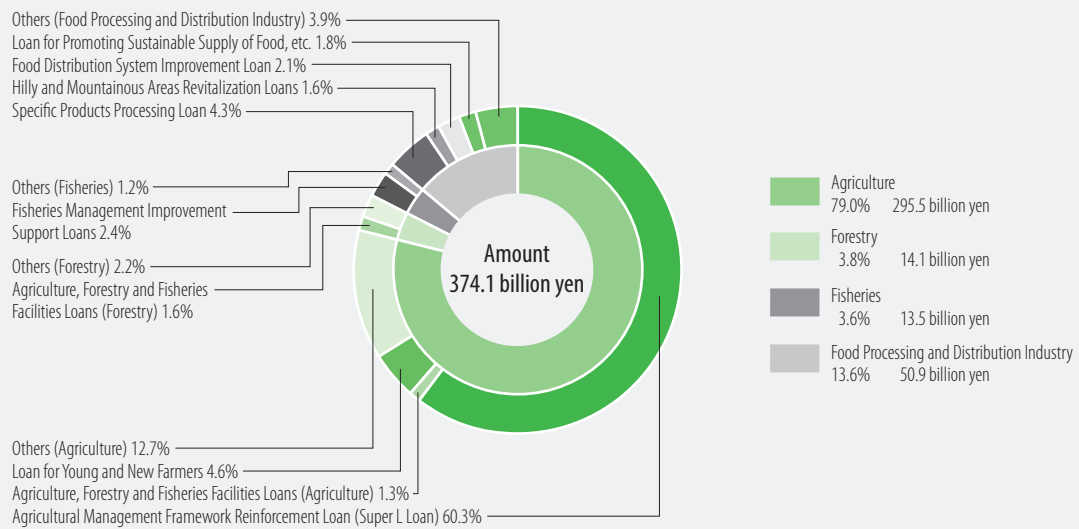
2. Figures in parentheses denote percentage of shares.

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."

1 Changes in Annual Loan Operations



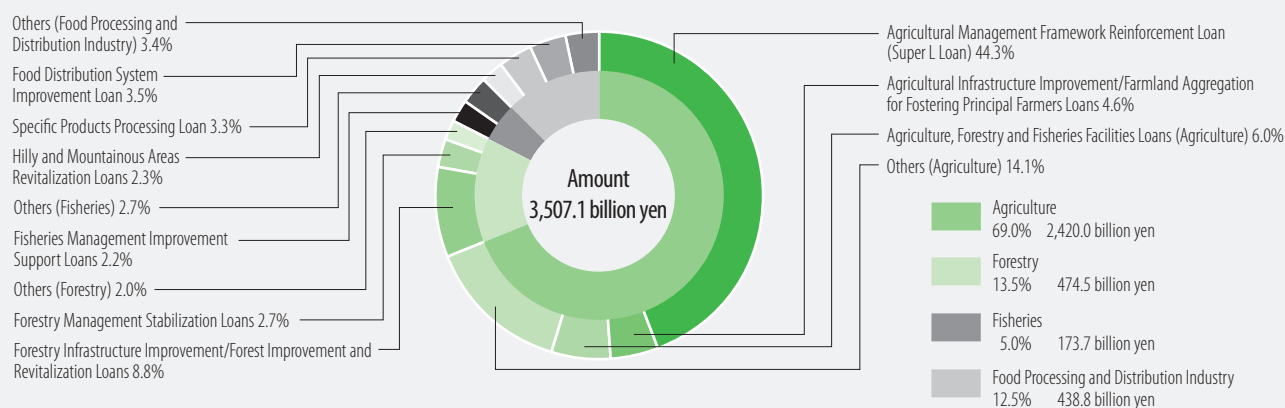
2 Breakdown of Loans by Scheme (FY2025)



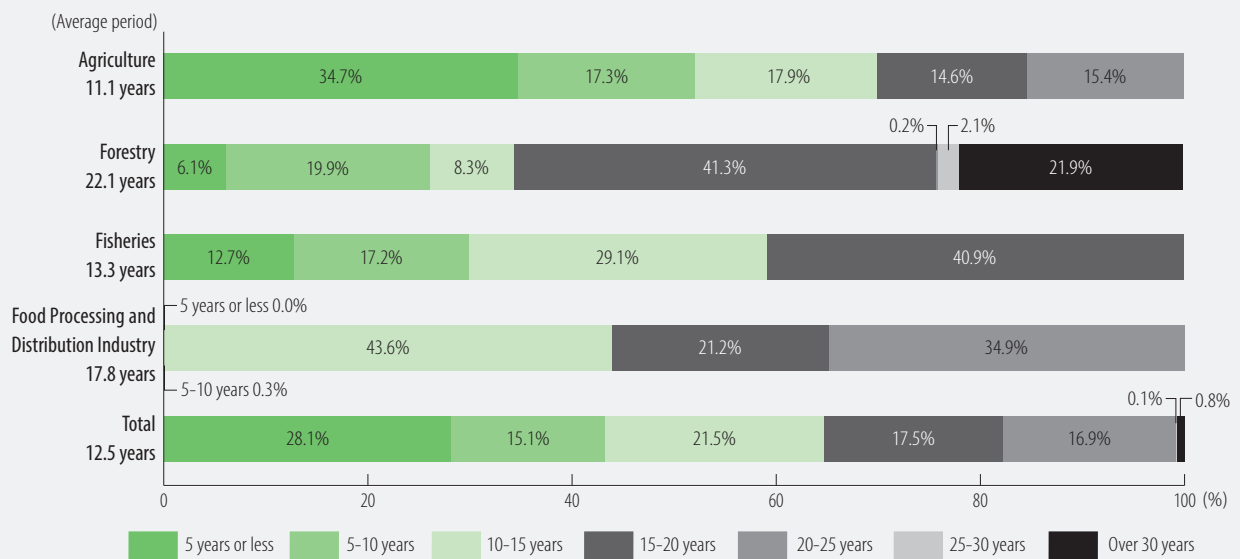
3 Changes in Outstanding Loans



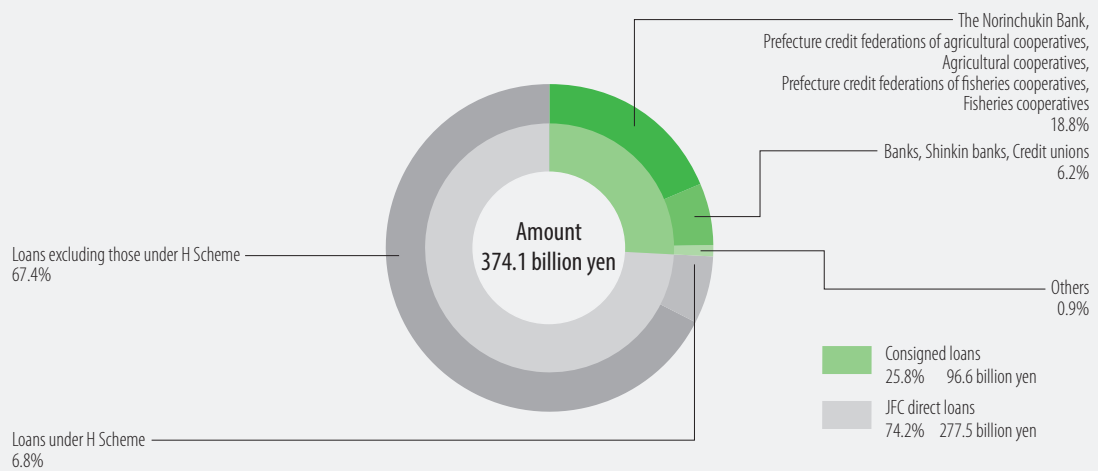
4 Breakdown of Outstanding Loans by Sector and Use (End of FY2025)



5 Loans by Repayment Period (FY2025)



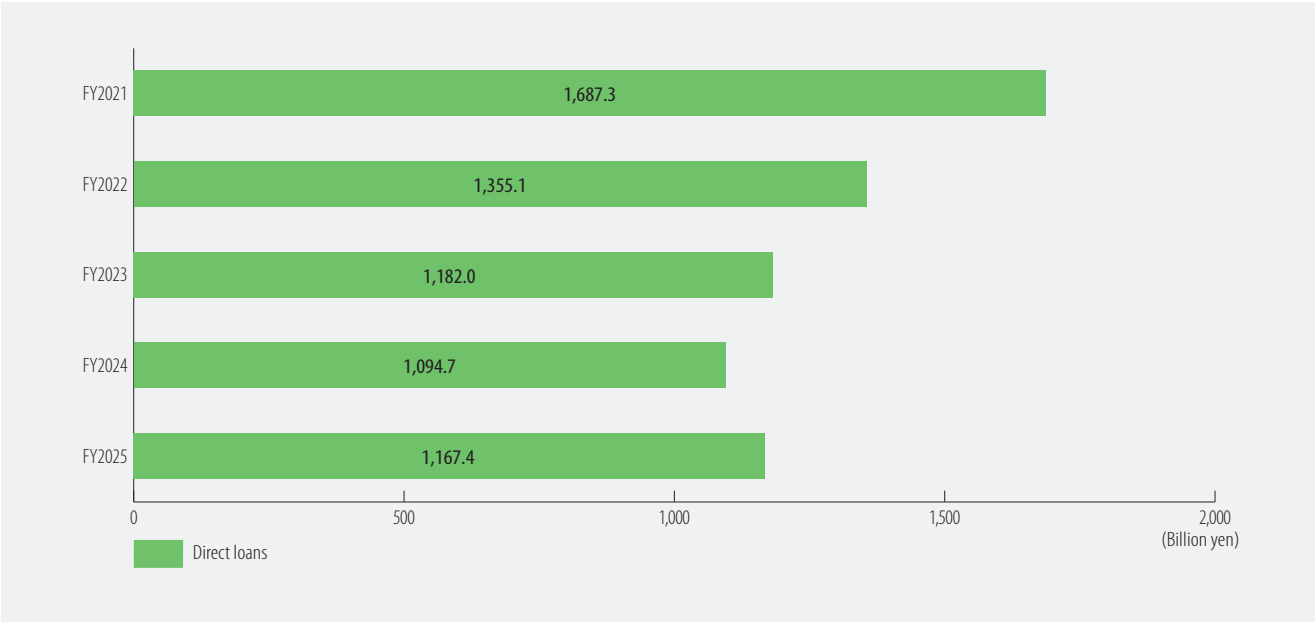
6 Loans by Commissioned Financial Institutions (FY2025)



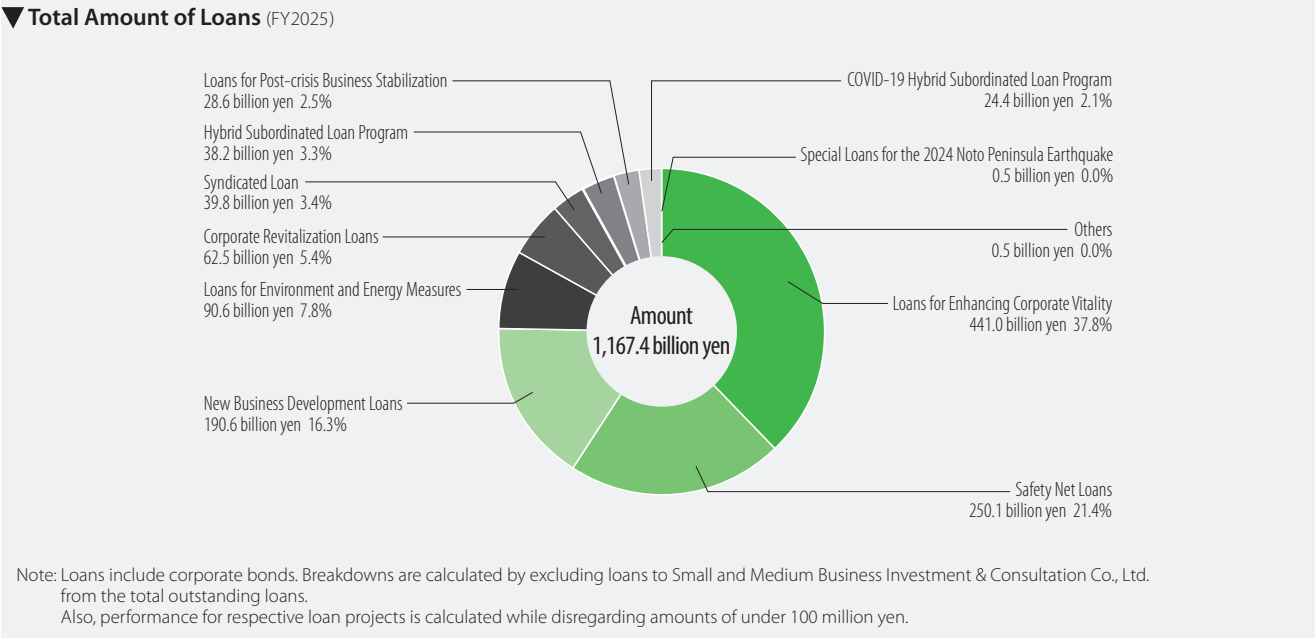
Note: H Scheme refers to a loan system through consignment of part of administration works for JFC's direct loans to agricultural cooperatives, banks, Shinkin banks, etc.

I. Loan Programs

1 Changes in Annual Loan Operations



2 Breakdown of Loans by Scheme



3 Changes in Outstanding Loans



4 Breakdown of Outstanding Loans by Industry

(Billion yen, %)

	End of FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025
Manufacturing	3,231.1 (38.3)	3,222.2 (38.5)	3,049.3 (38.7)	2,978.2 (38.8)	2,944.6 (38.9)
Construction	534.4 (6.3)	527.1 (6.3)	488.3 (6.2)	470.8 (6.1)	452.9 (6.0)
Wholesale & retail	1,450.1 (17.2)	1,436.4 (17.2)	1,324.4 (16.8)	1,276.2 (16.6)	1,251.9 (16.5)
Transport & telecom- munications	888.7 (10.5)	903.1 (10.8)	884.6 (11.2)	882.4 (11.5)	899.6 (11.9)
Services	1,608.2 (19.1)	1,585.4 (19.0)	1,496.1 (19.0)	1,447.4 (18.8)	1,406.1 (18.6)
Others	719.8 (8.5)	691.2 (8.3)	643.4 (8.2)	630.4 (8.2)	621.4 (8.2)
Total	8,432.6 (100.0)	8,365.7 (100.0)	7,886.3 (100.0)	7,685.4 (100.0)	7,576.7 (100.0)

Notes: 1. Loans include corporate bonds. Outstanding balances are calculated by deducting the amounts of loans to facility-leasing institutions/Small and Medium Business Investment & Consultation Co., Ltd. from the total balance.

2. Figures in parentheses denote percentage of shares.

5 Breakdown of Outstanding Loans by Use

(Billion yen, %)

	End of FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025
Operating funds	6,184.6 (73.3)	6,090.7 (72.8)	5,566.1 (70.6)	5,274.8 (68.6)	5,006.3 (66.1)
Facility funds	2,247.9 (26.7)	2,274.9 (27.2)	2,320.2 (29.4)	2,410.6 (31.4)	2,570.4 (33.9)
Total	8,432.6 (100.0)	8,365.7 (100.0)	7,886.3 (100.0)	7,685.4 (100.0)	7,576.7 (100.0)

Notes: 1. Loans include corporate bonds. Outstanding balances are calculated by deducting the amounts of loans to facility-leasing institutions/Small and Medium Business Investment & Consultation Co., Ltd. from the total balance.

2. Figures in parentheses denote percentage of shares.

6 Number of Borrowers

(Number of borrowers)

	End of FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025
Number of borrowers	62,010	62,004	58,249	57,345	56,571

Note: Figures cover only businesses with direct loans.

7 Average Loan Balance per Business

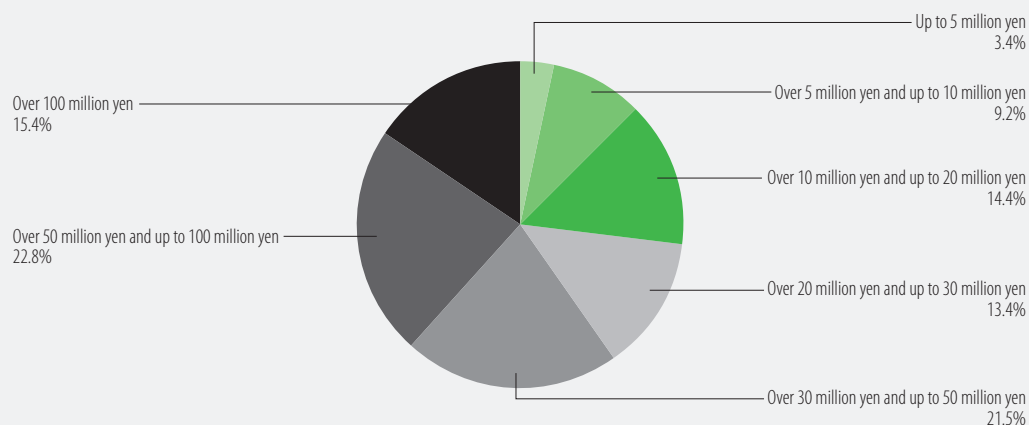
(Millions of yen)

	End of FY2021	End of FY2022	End of FY2023	End of FY2024	End of FY2025
Average loan balance per business	135	134	135	133	133

Note: Figures cover only businesses with direct loans.

8 Loans by Credit Amount

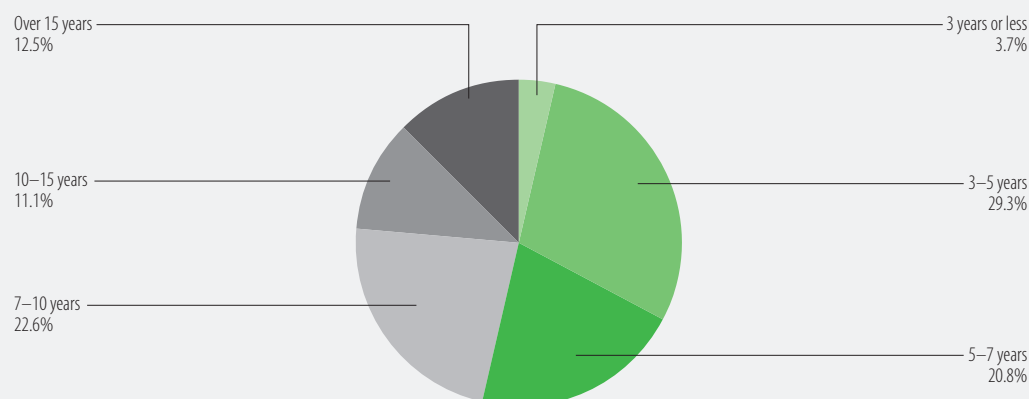
▼ Loan Percentage Breakdown (FY2025)



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

9 Loans by Repayment Period

▼ Loan Percentage Breakdown (FY2025)



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

II. Credit Insurance Programs

(Billion yen)

Items	FY2021	FY2022	FY2023	FY2024	FY2025
Amounts of insurance acceptance and loans					
Small Business Credit Insurance	8,768.4	7,762.0	9,555.1	8,309.6	8,388.8
Loans to CGCs	—	—	—	—	—
Special Insurance for Mid-size Enterprises	—	—	—	—	—
Outstanding amounts of insurance and loans					
Small Business Credit Insurance	42,092.3	40,671.3	36,627.6	34,525.9	33,229.9
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, 2026.

III. Securitization Support Programs

(Billion yen)

Items	FY2021	FY2022	FY2023	FY2024	FY2025
Financing support amount					
Purchase-type	34.3	41.0	45.4	66.2	70.8
Guarantee-type	—	—	—	—	—
Outstanding amount of financing support					
Purchase-type	71.6	84.8	102.9	139.6	170.6
Guarantee-type	—	—	—	—	—
Outstanding amounts of trust beneficiary rights and guaranteed liabilities					
Purchase-type (outstanding amount of trust beneficiary rights)	15.4	23.1	20.2	19.1	12.5
Purchase-type (outstanding amounts of asset-backed securities)	21.6	23.2	22.5	23.7	28.7
Guarantee-type (outstanding amount of guaranteed liabilities)	0.0	0.0	0.0	0.0	—
Standby Letter of Credit Program (outstanding amount of guaranteed liabilities)	4.9	4.9	5.4	4.5	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, the Act on Rationalization of Foodstuff Distribution and Normalization of Foodstuff Trading, the Act on the Sustainable Supply of Food, etc., the Export Facilitation Act, and the Act for Promotion of Future Regional Investment. ^(Note)

5. Outstanding amounts of trust beneficiary rights and guaranteed liabilities are as of March 31, 2026.

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)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Two-step loans	529.2	85.4	—	35.0	3,549.4	291.2	15.7	—	—	—
Loss compensation	547.3	89.2	1.0	0.8	2,364.5	593.1	170.7	—	—	—
Interest subsidies	5.4	12.6	4.9	2.7	4.6	18.2	22.9	20.5	8.9	3.0

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 2026.

2. The figures for loss compensation represent the amounts of loans provided by designated financial institutions through the end of March 2026, with loss compensation underwritten by JFC for losses incurred until May 10, 2026.

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 2025 (in principle, disbursements pertaining to the period from October 1 each year to March 31 of the following year are made by June 10, while those pertaining to the period from April 1 to September 30 are made by December 10).

Results of Operations to Facilitate Specific Businesses Promotion, Operations to Facilitate Business Restructuring Promotion, Operations to Facilitate Business Adaptation Promotion, Operations to Facilitate Development and Supply, etc. Promotion, Operations to Facilitate Business Foundation Reinforcement Promotion, Operations to Facilitate Business Introduction Promotion, and Operations to Facilitate Ensuring Supply Promotion

▼ Two-step loans

(Billion yen)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Operations to Facilitate Specific Businesses Promotion	1.0	0.5	—	—	—	—	—	—	—	—
Operations to Facilitate Business Restructuring Promotion	—	—	—	100.0	—	—	—	—	—	—
Operations to Facilitate Business Adaptation Promotion	—	—	—	—	—	—	—	—	—	7.0
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	—	—	—	—	—	—	—	—	—	15.0

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 2026.

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.

▼ Interest subsidies

(Millions of yen)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Operations to Facilitate Business Adaptation Promotion	—	—	—	—	—	—	1	93	195	325

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 2025 (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, 2026)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	7,760,656	Borrowed money	12,770,997
Cash	9	Borrowings	12,770,997
Due from banks	7,760,647	Bonds payable	545,897
Securities	339,661	Entrusted funds	16,901
Government bonds	321,051	Reserve for insurance policy liabilities	1,231,947
Corporate bonds	12,510	Other liabilities	33,392
Stocks	2,530	Accrued expenses	7,840
Other securities	3,570	Contract liability	5,479
Loans and bills discounted	22,443,730	Unearned revenue	79
Loans on deeds	22,443,730	Derivatives other than for trading-liabilities	827
Other assets	51,046	Lease obligations	9,353
Prepaid expenses	147	Other	9,812
Accrued income	23,349	Provision for bonuses	6,230
Derivatives other than for trading-assets	1,134	Provision for directors' bonuses	26
Agency accounts receivable	684	Provision for retirement benefits	100,491
Other	25,730	Provision for directors' retirement benefits	66
Property, plant and equipment	191,414	Reserve for compensation losses	29,370
Buildings	45,126	Acceptances and guarantees	33,368
Land	137,892	Total liabilities	14,768,689
Lease assets	6,424	Net assets	
Construction in progress	1,222	Capital stock	11,780,945
Other	748	Capital surplus	5,558,300
Intangible assets	45,581	Special reserve for administrative improvement funds	181,500
Software	40,259	Legal capital surplus	5,376,800
Lease assets	1,862	Retained earnings	(2,407,317)
Other	3,459	Legal retained earnings	102,186
Customers' liabilities for acceptances and guarantees	33,368	Other retained earnings	(2,509,504)
Allowance for loan losses	(1,164,824)	Retained earnings brought forward	(2,509,504)
		Total shareholders' equity	14,931,929
		Valuation difference on available-for-sale securities	16
		Total valuation and translation adjustments	16
		Total net assets	14,931,946
Total assets	29,700,635	Total liabilities and net assets	29,700,635

Data

Statement of Operations (Year ended March 31, 2026)

(Millions of yen)

Items	Amount
Ordinary income	624,568
Interest income	279,609
Interest on loans and discounts	249,424
Interest and dividends on securities	2,374
Interest on deposits with banks	27,810
Other interest income	0
Fees and commissions	2,127
Fees and commissions on compensation security contract	1,855
Other fees and commissions	272
Insurance premiums and other	263,748
Insurance premiums	153,706
Receipts of burden charges under the Responsibility-sharing System	15,394
Reversal of reserve for insurance policy liabilities	94,646
Other ordinary income	472
Income from derivatives other than for trading or hedging	472
Receipts from the national budget	73,308
Receipts from general account of the national budget	72,982
Receipts from special account of the national budget	326
Other income	5,302
Recoveries of written-off claims	917
Gain on sales of stocks and other securities	81
Other	4,303
Ordinary expenses	917,146
Interest expenses	47,827
Interest on call money	52
Interest on borrowings and rediscounts	44,316
Interest on bonds	3,458
Fees and commissions payments	2,895
Other fees and commissions	2,895
Expenses on insurance claims and other	364,560
Expenses on insurance claims	435,253
Recoveries of insurance claims	(70,693)
Other ordinary expenses	4,969
Loss on foreign exchange transactions	450
Amortization of bond issuance cost	153
Interest subsidies	4,366
General and administrative expenses	158,125
Other expenses	338,767
Provision of allowance for loan losses	294,899
Provision of reserve for compensation losses	13,646
Written-off of loans	23,605
Other	6,615
Ordinary loss	292,577
Extraordinary income	153
Gain on disposal of noncurrent assets	153
Extraordinary losses	117
Loss on disposal of noncurrent assets	40
Impairment loss	77
Net loss	292,541

Statement of Changes in Net Assets (Year ended March 31, 2026)

(Millions of yen)

	Shareholders' equity								Valuation and translation adjustments		Total net assets
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		Special reserve for administrative improvement funds	Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings				
						Retained earnings brought forward					
Balance at the beginning 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
Changes of items during the period											
Issuance of new shares	12,320		46,100	46,100				58,420			58,420
Provision of legal retained earnings					332	(332)	—	—			—
Reversal of legal retained earnings					(49,265)	49,265	—	—			—
Payment to National Treasury						(2,904)	(2,904)	(2,904)			(2,904)
Net income (loss)						(292,541)	(292,541)	(292,541)			(292,541)
Net changes of items other than shareholders' equity									138	138	138
Total changes of items during the period	12,320	—	46,100	46,100	(48,932)	(246,513)	(295,446)	(237,025)	138	138	(236,887)
Balance at the end of current period	11,780,945	181,500	5,376,800	5,558,300	102,186	(2,509,504)	(2,407,317)	14,931,929	16	16	14,931,946

Data

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Securities

Held-to-maturity securities are carried at amortized cost (straight-line method) based on the moving average method. 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 ¥572,428 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) 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: ¥1,164,824 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, 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 on loans related to COVID-19 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 related to COVID-19, because it was considered highly likely that repayment would be interrupted, including the aspect that their deferment period might be longer than others under repayment deferment.

(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: ¥1,231,947 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: ¥29,370 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.

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.

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

1. 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. Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026) and Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events and other standards were issued with the priority objective of setting comprehensive accounting standards that address the definition, accounting treatment, and disclosure of subsequent events. The fundamental policy was to transfer the accounting guidance into the Accounting Standards Board of Japan (ASBJ), in principle following the accounting-related provisions set forth in the Audit Treatment concerning Subsequent Events (Auditing Standards Committee Statement 560, Practice Guideline No. 1) issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants. The standards also revise the wording and clarify the evaluation period for subsequent events, and require new notes regarding the approval for the issuance of financial statements.

(2) Scheduled date of application

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

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: ¥35,263 million

The amount of claims under high risk: ¥1,035,094 million

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥1,617,181 million

The amount of claims with interest or principal repayments more than 3 months in arrears: ¥1,710 million

The amount of restructured claims: ¥1,615,470 million

Subtotal amount: ¥2,687,538 million

The amount of normal claims: ¥19,809,056 million

Total amount: ¥22,496,595 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, 2026 is ¥124,556 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 ¥17,974 million. Of this amount, ¥1,398 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 ¥545,897 million.

5. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥54,629 million.

6. Amount of compensation security contract

(Millions of yen)

The total amount of compensation outstanding (29,918 contracts)	1,041,146
Reserve for compensation	29,370
Net amount	1,011,776

7. Restriction in dividend distribution

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

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

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

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

8. The account title and the amount related to transactions with affiliates

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

9. Issued shares

For the fiscal year ended March 31, 2026, 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	21,898,573,048,741	58,420,215,000	—	21,956,993,263,741

(Note) Increase is due to the issuance of 58,420,215,000 shares.

10. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

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

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

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

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

The Account for Micro Business and Individual Operations is for operations, such as business fund financing and educational loans, etc. To conduct these operations funds are raised through the borrowing of fiscal investment funds and loans and the issuing of bonds.

In the Account for Agriculture, Forestry, Fisheries and Food Business Operations, the main operations consist of supplementing the financing provided by general financial institutions and supplying long-term funds at a low interest rate aimed at businesses engaged in agriculture, forestry, fisheries and food manufacturing, etc., in order to contribute to the sustainable and robust development of the agriculture, forestry, fisheries business and ensure the stable supply of food. To conduct these operations funds are raised through borrowing from fiscal investment funds and loans and the issuing of bonds.

In the Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation), a stable supply of long-term funds is provided to supplement private sector financial institutions in order to support the growth and development of SMEs. To conduct these operations, funds are raised by borrowing from the government and through the issuing of bonds. Forward exchange contracts are conducted for avoiding foreign exchange risk related to foreign currency loans.

Operations in the Account for Securitization Support Programs (Purchase-type Operation) are conducted for the purpose of promoting the supply of unsecured funds to SMEs from private sector financial institutions, etc., utilizing securitization and fostering the securitization market for SME loan claims. To conduct these operations funds are raised through the issuing of bonds.

In the Account for Credit Insurance Programs, insurance is provided for the guarantees related to the liabilities on SME loans. To conduct these operations funds are raised through capital investment from the government.

In the Account for Operations to Facilitate Crisis Responses financing operations including 1) loans, 2) credit insurance underwriting (a certain portion of compensation paid by JFC to cover losses incurred by specified financial institutions on loans), and 3) interest subsidies (interest subsidies provided by JFC to specified financial institutions for loans, etc., conducted by specified financial institutions that received a credit facility from JFC) are conducted for financial institutions specified by the competent minister for domestic and global financial disturbance that is recognized by the competent minister when a crisis such as a large-scale disaster occurs. To conduct these operations, the financing required for 1) loans is procured funds through the borrowing from Fiscal Investment and Loan Program ("FILP"), and the issuing of government guaranteed bonds. The loan period and borrowing period are equal, and the financing cost is covered by the interest on the loans. The financing required for 2) credit insurance underwriting, and 3) interest subsidies is procured funds through equity participation from the government, etc.

The Account for Operations to Facilitate Specific Businesses Promotion, etc. provides loans, etc. of required funds for loans provided by designated financial institutions appointed by the competent minister to certified business operators that are developing or manufacturing energy and environmentally friendly products, certified business operators that are restructuring their business, certified business operators that are adapting their business, certified business operators engaged in the development and provision, etc. of systems using specified advanced information and communications technology or improvement of specified semiconductor production facilities, certified business operators that are reinforcing business infrastructure, certified business operators that are introducing specified ships, and certified business operators that conduct business relating to measures to ensure stable supply of specified critical materials, etc. The funds for these lending operations are financed using fiscal investment and loans. The loan period and borrowing period are equal, and the financing cost is covered by the interest on loans.

(2) Types of financial instruments and risks

The financial assets and liabilities owned by JFC are managed in separate operation accounts, and the risks associated with the financial assets and liabilities contained within each operation account are described below.

a. Account for Micro Business and Individual Operations

The financial assets in this operation account mainly include loans to micro business and individuals, and the financial liabilities mainly include borrowings and bonds. The associated risks are described below.

(a) Credit risk

The associated credit risk consists of risk of losses arising from uncollectible 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 uncollectible 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 uncollectible 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, uncollectible 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 uncollectible 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 as-

essed 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 uncollectible 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 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 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 uncollectible 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 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.

(c) Liquidity risk

Long-term and stable funds such as fiscal investment and loans 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 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 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 uncollectible claims due to deterioration in creditworthiness of the designated financial institution.

(b) Market risk

The operations of this operation account consist of loans to designated financial institutions, and fiscal investment and loans are used for financing. Interest rate risk is not present as a market risk because the terms and conditions of the loans and borrowings are equal, and the financing cost is covered by the interest on the loans.

(c) Liquidity risk

Long-term and stable funds from fiscal loan funds are secured to finance this operation account and deposits are not accepted. As a result, liquidity risk is considered to be limited. However, borrowings are exposed to liquidity risk that payment cannot be made on the payment date due to unexpected events.

(3) Risk management structure for financial instruments

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

For each type of risk, management policies and procedures have been created to handle the specific types of credit risks, market risks, and liquidity risks for financing associated with each operation, and a structure has been established to smoothly handle these tasks in each operation.

The risk management structure for each type of operation is described below.

a. Micro Business and Individual Operations

The risk management structure of these operations is described below.

(a) Credit risk management

For these operations, JFC has a structure to manage the credit risk of loans through (i) individual credit management, (ii) asset self assessment, and (iii) quantification of credit risk in accordance with regulations concerning financing operations and claims management operations, and management regulations concerning credit risk. This credit risk management is conducted by the Credit Analysis Department and risk management department as well as each branch office, and business operations meetings are regularly held with the General Manager acting as chairman to conduct discussions and reporting.

The specific risk management method is described below.

(i) Individual credit management

The financial screening process associated with these operations to support appropriate financing decisions is based on consideration of the borrower's financial condition in terms of eligibility for financing, validity of the use of funds, profitability and sustainability of the business, as well as the business's qualitative aspects such as technical capabilities, selling power, and the future potential of the business.

Efforts are made to carefully manage claims after financing has been conducted through assessment of the future business outlook and repayment capacity.

(ii) Asset self assessment

For these operations, JFC has conducted the asset self assessment such that the characteristics of assets in these operations are properly reflected in the assessment results. In this process, first stage assessments are conducted by the branch offices, second stage assessments by the Asset Self Assessment Office, and internal inspections by the auditing department.

The results of this self assessment are used to properly estimate write-off and allowance, and are used internally for the constant assessment of the credit conditions of the operations. They are also actively used for the disclosure of the quality of assets to enhance the transparency of financial position for the operations.

(iii) Quantification of credit risk

A credit scoring model for borrowers based on analysis of transaction data collected over a number of years has been constructed for these operations and this model has been used for screening procedures and to monitor credit portfolios. The reliability of this credit scoring model is ensured through continual recalibration based on annual inspections of the model's accuracy.

In addition, to assess the overall risk of the portfolio, efforts are made to quantify credit risk through methods that take into consideration the extremely diversified nature of the portfolios for these operations.

(b) Market risk management

These operations are subject to the interest rate risk caused by the cash flow gap between assets and liabilities, and the operations could incur losses caused by this risk. Efforts are made to assess interest rate risk in these operations through

methods such as maturity ladder approach and duration analysis, and appropriate risk management is carried out through adjustment of procurement period limits and other means to reduce interest rate risk.

These operations do not use quantitative analysis of interest rate risk for risk management purposes.

The primary financial instruments that are subject to interest rate risk in these operations include loans, borrowings, and bonds payable.

When all other risk variables are fixed, it is considered that a 50 basis point (0.5%) decline in the current interest rate as of March 31, 2026 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥66,821 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 ¥64,538 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, 2026 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥6,311 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 ¥5,781 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 strive to give feedback on the screening results and provide consultation support for resolving management issues. In particular, we support companies struggling to respond to changes in the business environment by formulating management improvement plans.

(ii) Credit rating

A proprietary credit scoring model based on analysis of transaction data collected over the years for borrowers and a credit rating system that assesses the creditworthiness of borrowers based on qualitative analysis through fact finding surveys and other methods have been developed for these financing operations and have been used in the formulation of lending policy and in the screening process.

(iii) Asset self assessment

For these financing operations, JFC has conducted the asset self assessment such that the characteristics of assets in these financing operations are properly reflected in the assessment results. In this process, first stage assessments of borrower classification are conducted by the front offices and second stage assessments by a separate credit department. An auditing department independent from the other sections then conducts an internal inspection to verify the accuracy of self assessments.

The results of the self assessments are used in providing the allowance for loan losses, taking into account the amount expected to be recovered through the disposal of collateral and the execution of guarantees, the actual rate of loan losses and other factors.

(iv) Quantification of credit risk

In the quantification of credit risk in financing operations, we conduct statistical analysis based on credit ratings and other factors to quantify and monitor the overall risk of the portfolio, and we advance our studies by using this monitoring in controlling credit risk.

(v) Credit risk management for securitization support operations

In the securitization support operations, we use our proprietary scoring model which was developed based on the anal-

ysis 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, 2026 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥74,400 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 ¥70,614 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, 2026 will cause the fair value after netting (assets) of the financial assets and financial liabilities held in this account to increase by ¥811 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 ¥760 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 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 and stable funds, such as fiscal investment and loans 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, 2026, 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	7,760,656	7,599,410	(161,246)
(2) Securities			
Held-to-maturity debt securities	321,051	309,169	(11,881)
Available-for-sale securities	12,544	12,544	—
(3) Loans and bills discounted	22,443,730		
Allowance for loan losses ^(*)	(1,162,410)		
	21,281,319	20,310,132	(971,186)
Total assets	29,375,571	28,231,256	(1,144,314)
(1) Borrowings	12,770,997	12,036,738	(734,259)
(2) Bonds payable	545,897	535,913	(9,984)
Total liabilities	13,316,894	12,572,651	(744,243)
Derivative transactions ^(*)			
Derivative transactions not qualifying for hedge accounting	307	307	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	307	307	—

(*) General allowance for loan losses and specific allowance for loan losses have been deducted from loans.

(*) Derivative transactions recorded in "other assets and other liabilities" are collectively displayed. The net values of assets and liabilities arising from derivative transactions are displayed.

(Note 1) The amount reported on the balance sheet such as stocks and others without quoted market prices are as shown below, which is not included in the "securities" in the fair value information of financial instruments.

(Millions of yen)

Classification	Carrying amount on the balance sheet
Unlisted stocks ^(*)	2,530
Partnership investments ^(*)	3,536

(*) 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.

(*) Partnership investments are not subject to fair value disclosure in accordance with the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021), Paragraph 24-16.

(Note 2) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks ^(*)	2,975,647	2,500,000	1,800,000	285,000	200,000	—
Securities						
Held-to-maturity debt securities	—	50,000	250,000	—	—	21,068
Available-for-sale securities	12,222	304	—	—	—	—
Loans and bills discounted ^(*)	3,842,132	6,297,706	4,785,957	2,940,031	2,396,108	1,895,858
Total	6,830,002	8,848,010	6,835,957	3,225,031	2,596,108	1,916,927

(*) Demand deposits contained within due from banks are stated as "Maturities within one year."

(*) Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contain an amount of ¥285,934 million that is not expected to be redeemed and not included in the table above.

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

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings ^(*)	2,488,483	3,794,937	2,545,218	1,601,739	1,508,850	831,768
Bonds payable	160,000	245,900	115,000	25,000	—	—
Total	2,648,483	4,040,837	2,660,218	1,626,739	1,508,850	831,768

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

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.

Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.

Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

(1) Financial instruments recorded on the balance sheet for fair values (March 31, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Corporate bonds	—	—	12,510	12,510
Others	—	33	—	33
Derivative transactions				
Currency related	—	4	—	4
Credit derivatives	—	—	1,130	1,130
Total assets	—	38	13,640	13,678
Derivative transactions				
Credit derivatives	—	—	827	827
Total liabilities	—	—	827	827

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	7,599,410	—	7,599,410
Securities				
Held-to-maturity debt securities				
Government bonds	309,169	—	—	309,169
Loans and bills discounted	—	2,052,493	18,257,639	20,310,132
Total assets	309,169	9,651,903	18,257,639	28,218,712
Borrowings	—	12,034,431	2,306	12,036,738
Bonds payable	—	535,913	—	535,913
Total liabilities	—	12,570,344	2,306	12,572,651

(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, corporate bonds in the Account for Securitization Support Programs (Purchase-type Operation) (specified asset-backed securities) have no market prices. They are the securities that are issued with finance receivables for small and medium-sized enterprises originated by several financial institutions as underlying assets, but do not provide a mechanism for continuously obtaining individual borrowers' financial data as underlying assets. Therefore, their fair values are calculated by discounting risk-adjusted cash flows based on external ratings by the risk free rate (the standard Japanese government

bond rate), classified into level 3 fair value.

Notes for securities by purpose of holding are found in "11. Fair value of securities."

(3) Loans and bills discounted

Loans are calculated as follows.

a. Account for Micro Business and Individual Operations

All loans, with the exception of loans on deed (subordinated capital loans) under the Provision Scheme for Challenge Support and Capital Enhancement or other schemes and loans on deed (post-establishment target-achievement type interest rate) to which a post-establishment target-achievement type interest rate applies, have a fixed interest rate and fair value is calculated for all loans other than bankrupt loans, substantially bankrupt loans, potentially bankrupt loans and performing loans that require monitoring by discounting the risk-adjusted principal and interest by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for subordinated capital loans and post-establishment target-achievement type interest rate, JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

For obligations on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers, allowance for loan losses is calculated based on the expected collectable amount from the collateral or guarantee. Fair value resembles the amount of loans on the balance sheet on the closing date after a deduction has been made for allowance for loan losses, so this amount is used for fair value.

These transactions are classified into level 3 fair values.

b. Account for Agriculture, Forestry, Fisheries and Food Business Operations

All loans, with the exception of Agriculture, Forestry and Fisheries Management Capital Enhancement Loans and loans on deed under the challenge-oriented capital lending scheme for new sectors, etc. have a fixed interest rate and fair value is calculated for each borrower's status by discounting the risk-reflected principal and interest that incorporates risk by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for Agriculture, Forestry and Fisheries Management Capital Enhancement Loans and loans on deed under the challenge-oriented capital lending scheme for new sectors, etc., JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

These transactions are classified into level 3 fair values.

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

For loans with fixed interest rates, the fair value is calculated by discounting the risk-adjusted principal and interest by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan.

For loans with variable interest rates, with the exception of loans on deed (subordinated capital loans) under the Provision Scheme for Challenge Support and Capital Enhancement or other schemes and loans on deed (post-establishment target-achievement type interest rate) to which a post-establishment target-achievement type interest rate applies, since short-term market rates are reflected, the fair value resembles the carrying amount as long as there is no significant difference in the credit status of the borrower, the carrying amount is used as the fair value.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for subordinated capital loans and loans with post-establishment target-achievement type interest rate, JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

For obligations on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers subject to variable interest rates, allowance for loan losses is calculated based on the expected collectable amount from the collateral or guarantee. Fair value resembles the amount of loans on the balance sheet on the closing date after a deduction has been made for allowance for loan losses, so this amount is used for fair value.

These transactions are classified into level 3 fair values.

d. Account for Securitization Support Programs (Purchase-type Operation) and Account for Credit Insurance Programs

Not applicable.

e. Account for Operations to Facilitate Crisis Responses

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 level 2 fair values.

However, JFC regards the carrying amount as fair values for general account borrowings in the account for Micro Business and Individual Operations by assuming that payment shall be made immediately upon request due to the nature of the transactions.

In addition, general account borrowings in the Account for Agriculture, Forestry, Fisheries and Food Business Operations are interest-free, and we calculate their fair values by discounting at risk free rates (the standard Japanese government bond rate) after making necessary adjustments to the principal of the general account borrowings divided by a certain period, classified into level 3 fair values.

Because borrowings from the FILP special account (investment account) of the national budget in the Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation) are a scheme that does not have interest rates set at the time of borrowing and that pays interests in a lump sum after the final principal is redeemed, JFC calculates their interest rates taking into consideration actual interest rates for borrowings that have been redeemed, and calculate their fair values by discounting at risk free rates (the standard Japanese government bond rate) corresponding to the principal and interest amount of the borrowed money divided by redemption periods, classified into level 3 fair values.

(2) Bonds payable

Market value is used for fair value of bonds, classified into level 2 fair values.

Derivative transactions

The fair value of forward exchange contracts is determined based on the price provided by financial institutions, classified into level 2 fair values.

As for credit default swaps (CDS) in the Account for Agriculture, Forestry, Fisheries and Food Business Operations, JFC calculates fair values by discounting the risk-adjusted premiums according to the credit rating on the closing date and the compensation expected due to the occurrence of credit events by the risk free rates (the standard Japanese government bond rate), classified into level 3 fair values. As for CDS in the Account for Securitization Support Programs (Purchase-type Operation), finance receivables for SMEs are used as reference debts and they have no market prices and do not have a mechanism where financial data of individual borrowers that constitute the reference debt can be continuously obtained, thus JFC calculates fair values by discounting the risk-adjusted cash flow according to the transaction details and the credit events that occur by the risk free rates (the standard Japanese government bond rate), classified into level 3 fair values.

(Note 2) Information on level 3 fair values out of the financial instruments recorded on the balance sheet with fair values

(1) Quantitative information on important unobservable inputs (March 31, 2026)

Classification	Valuation techniques	Important unobservable inputs	Range of inputs
Securities			
Available-for-sale securities			
Corporate bonds	Discounted present value method	Default probability	0.00%–0.02%
Derivative transactions			
Credit derivatives	Discounted present value method	Default probability	0.10%–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, 2026)

(Millions of yen)

	Beginning balance	Profits and losses in the fiscal year or valuation and translation adjustments		Net amount of purchase, selling, issuance and settlement	Transfer to level 3 fair value	Transfer from level 3 fair value	Ending balance	Appraised profits or losses of financial assets and financial liabilities that are held on the balance sheet date out of the amount recorded in profits and losses for the fiscal year ^(*)
		Recorded in profits and losses ^(*)	Recorded in valuation and translation adjustments ^(*)					
Securities								
Available-for-sale securities								
Corporate bonds	18,995	—	104	(6,589)	—	—	12,510	—
Derivative transactions								
Credit derivatives ^(*)	151	151	—	—	—	—	302	138

(*)1 Included in "Income from derivatives other than for trading or hedging" in the profit and loss statement.

(*)2 Included in "valuation difference on available-for-sale securities" on the balance sheet.

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

(3) Explanation of a valuation process for fair values

The Risk Management Department determined the purpose and the procedure of calculating fair values, and calculates fair values according to it. The Risk Management Department uses a valuation model that can reflect nature, characteristics, and risks of assets most adequately in calculating fair values.

(4) Explanation of impacts on fair values when changing important and unobservable inputs

The default probability is an estimate value that indicates the possibility that a credit event occurs and that the contract amount or the compensation amount cannot be collected. A significant increase (decrease) in default probability brings about the remarkable decline (rise) in a fair value.

11. Fair value of securities

In addition to "Government bonds", "Corporate bonds", "Stocks" and "Other securities" on the balance sheet, transferable deposits in "Due from banks" are also included.

The fair value of securities at March 31, 2026 is as follows:

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

	Type	Carrying amount on the balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities whose fair value does not exceed their carrying amount	Japanese government bonds	321,051	309,169	(11,881)

(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

(c) Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount exceeds their acquisition cost	Others	33	—	33
Securities whose carrying amount does not exceed their acquisition cost	Corporate bonds	12,510	12,527	(16)
	Others	980,200	980,200	—
	Subtotal	992,710	992,727	(16)
Total		992,744	992,727	16

(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	3,536

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	161,154 million yen
Service cost	5,713
Interest cost	1,772
Actuarial difference	(32,560)
Payment of retirement benefits	(5,415)
Prior service cost	—
Other	—
Closing balance of projected benefit obligations	<u>130,664</u>

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

Opening balance of fair value of plan assets	71,252 million yen
Expected return on plan assets	1,425
Actuarial difference	2,220
Financing from employer	3,259
Payment of retirement benefits	(3,174)
Other	—
Closing balance of fair value of plan assets	<u>74,983</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	53,463 million yen
Fair value of plan assets	<u>(74,983)</u>
	(21,520)
Projected benefit obligations of unfunded plan	<u>77,200</u>
Unfunded pension obligations	55,680
Actuarial unrecognized difference	43,692
Unrecognized prior service cost	1,118
Net amount of liabilities and assets recorded on the balance sheet	<u>100,491</u>
Provision for retirement benefits	100,491
Prepaid pension cost	—
Net amount of liabilities and assets recorded on the balance sheet	<u>100,491</u>

(4) Net pensions cost and breakdown of included items

Service cost	5,713 million yen
Interest cost	1,772
Expected return on plan assets	(1,425)
Amount of actuarial difference accounted for as expense	2,031
Amortization of prior service cost accounted for as expense	(99)
Other	—
Net pensions cost related to defined benefits plan	<u>7,992</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	56%
General account	10%
Cash and deposits	6%
Total	<u>100%</u>

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	3.2%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.1% to 5.8%

Defined contribution pension plan

JFC's defined contribution to the defined contribution pension plan is ¥404 million.

14. Profit and loss on equity method

Investment in affiliates	¥2,530 million
Investment in affiliates (equity method)	¥2,372 million
Loss on investment in affiliates (equity method)	¥14 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 ¥1,790 million.
- (2) The total transaction price allocated to remaining performance obligations at the last day of the current fiscal year amounts to ¥5,479 million. The amount and the period of revenue recognition expected for remaining performance obligations are as follows:

(Millions of yen)

	Current fiscal year
Within one year	1,183
Over one year	4,295
Total	5,479

16. Related party transactions

Related party transactions in the fiscal year ended March 31, 2026 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, 2026
Principal shareholder	Ministry of Finance (Minister of Finance) ^(Notes i and ii)	98.45 (Direct)	Administration for policy based financing	Underwriting of capital increase ^(Note iii)	58,410	—	—
				Receipts from general account of the national budget	12,317	—	—
				Receipt of funds ^(Note iv)	1,577,000	Borrowings	12,637,419
				Repayment of borrowing	2,829,544		
				Payment of interest on borrowings	44,316	Accrued expenses	5,966
				Deposit of funds ^(Note v)	3,247,700	Due from banks	6,035,000
				Refund of funds	4,289,600		
				Guarantee for bonds payable ^(Note vi)	180,000	—	—

(Notes)

(i) Ownership of voting rights by ministries and agencies other than Ministry of Finance (Minister of Finance) is as follows:

-Ministry of Health, Labour and Welfare (Minister of Health, Labour and Welfare)	0.02%
-Ministry of Agriculture, Forestry and Fisheries (Minister of Agriculture, Forestry and Fisheries)	0.18%
-Ministry of Economy, Trade and Industry (Minister of Economy, Trade and Industry)	1.34%

(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	¥8 million
-Ministry of Economy, Trade and Industry	
Underwriting of capital increase	¥1 million
-Cabinet Office	
Receipts from the national budget	¥23 million
-Ministry of Health, Labour and Welfare	
Receipts from the national budget	¥2,448 million
-Ministry of Agriculture, Forestry and Fisheries	
Receipts from the national budget	¥41,749 million
-Ministry of Economy, Trade and Industry	
Receipts from the national budget	¥377 million
-Agency for Natural Resources and Energy	
Receipts from the national budget	¥0 million
-Small and Medium Enterprise Agency	
Receipts from the national budget	¥16,384 million
-Ministry of Land, Infrastructure, Transport and Tourism	
Receipts from the national budget	¥8 million
-Ministry of Agriculture, Forestry and Fisheries	
Repayment of borrowed money	¥888 million

(iii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.

(iv) The receipts of funds represent borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

(v) Deposit of funds is the deposit for the FILP and the interest rates applicable under the FILP are applied.

(vi) No guarantee fee has been paid for the guarantee of bonds.

17. Per share information

Net assets per share	¥0.68
Net loss per share	¥0.01

18. Subsequent events

Not applicable.

Balance Sheet (as of March 31, 2026)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	108,172	Borrowed money	4,273,419
Cash	5	Borrowings	4,273,419
Due from banks	108,166	Bonds payable	250,000
Loans and bills discounted	9,452,366	Other liabilities	14,091
Loans on deeds	9,452,366	Accrued expenses	2,762
Other assets	12,361	Lease obligations	5,704
Prepaid expenses	133	Other	5,624
Accrued income	8,277	Provision for bonuses	3,807
Agency accounts receivable	341	Provision for directors' bonuses	8
Other	3,608	Provision for retirement benefits	61,051
Property, plant and equipment	93,612	Provision for directors' retirement benefits	26
Buildings	25,603	Total liabilities	4,602,404
Land	63,302	Net assets	
Lease assets	3,900	Capital stock	5,798,879
Construction in progress	296	Capital surplus	181,500
Other	509	Special reserve for administrative improvement funds	181,500
Intangible assets	24,512	Retained earnings	(1,407,942)
Software	21,833	Other retained earnings	(1,407,942)
Lease assets	1,153	Retained earnings brought forward	(1,407,942)
Other	1,526	Total shareholders' equity	4,572,436
Allowance for loan losses	(516,185)	Total net assets	4,572,436
Total assets	9,174,840	Total liabilities and net assets	9,174,840

Statement of Operations (Year ended March 31, 2026)

(Millions of yen)

Items	Amount
Ordinary income	155,917
Interest income	138,677
Interest on loans and discounts	138,538
Interest on deposits with banks	139
Other interest income	0
Receipts from the national budget	15,559
Receipts from general account of the national budget	15,559
Other income	1,679
Recoveries of written-off claims	641
Other	1,038
Ordinary expenses	356,298
Interest expenses	13,928
Interest on call money	31
Interest on borrowings and rediscounts	12,967
Interest on bonds	929
Fees and commissions payments	570
Other fees and commissions	570
Other ordinary expenses	117
Amortization of bond issuance cost	117
General and administrative expenses	95,583
Other expenses	246,098
Provision of allowance for loan losses	225,258
Written-off of loans	20,632
Other	207
Ordinary loss	200,381
Extraordinary income	153
Gain on disposal of noncurrent assets	153
Extraordinary losses	92
Loss on disposal of noncurrent assets	14
Impairment loss	77
Net loss	200,319

Statement of Changes in Net Assets (Year ended March 31, 2026)

(Millions of yen)

	Shareholders' equity						Total net assets
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity	
		Special reserve for administrative improvement funds	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at the beginning of current period	5,790,633	181,500	181,500	(1,207,623)	(1,207,623)	4,764,510	4,764,510
Changes of items during the period							
Issuance of new shares	8,245					8,245	8,245
Net income (loss)				(200,319)	(200,319)	(200,319)	(200,319)
Total changes of items during the period	8,245	—	—	(200,319)	(200,319)	(192,074)	(192,074)
Balance at the end of current period	5,798,879	181,500	181,500	(1,407,942)	(1,407,942)	4,572,436	4,572,436

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 ¥384,788 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: ¥516,185 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, 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 on loans related to COVID-19 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 related to COVID-19, because it was considered highly likely that repayment would be interrupted, including the aspect that their deferment period might be longer than others under repayment deferment.

(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

1. 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. Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026) and Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events and other standards were issued with the priority objective of setting comprehensive accounting standards that address the definition, accounting treatment, and disclosure of subsequent events. The fundamental policy was to transfer the accounting guidance into the Accounting Standards Board of Japan (ASBJ), in principle following the accounting-related provisions set forth in the Audit Treatment concerning Subsequent Events (Auditing Standards Committee Statement 560, Practice Guideline No. 1) issued by the Auditing and Assurance Standards Committee of the Japanese

Institute of Certified Public Accountants. The standards also revise the wording and clarify the evaluation period for subsequent events, and require new notes regarding the approval for the issuance of financial statements.

(2) Scheduled date of application

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

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: ¥21,332 million

The amount of claims under high risk: ¥130,139 million

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥1,243,289 million

The amount of claims with interest or principal repayments more than 3 months in arrears: ¥51 million

The amount of restructured claims: ¥1,243,238 million

Subtotal amount: ¥1,394,761 million

The amount of normal claims: ¥8,066,045 million

Total amount: ¥9,460,807 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, 2026 is ¥748 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 ¥250,000 million).

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥30,575 million.

5. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act¹. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations² 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, 2026 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	5,972,133,941,000	8,245,215,000	—	5,980,379,156,000

(Note) Increase is due to the issuance of 8,245,215,000 shares.

7. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

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

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

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

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

This operation account is for operations, such as business fund financing and educational loans, etc. To conduct these operations funds are raised through the borrowing of fiscal investment funds and loans and the issuing of bonds.

(2) Types of financial instruments and risks

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

The financial assets in this operation account mainly include loans to micro business and individuals, and the financial liabilities mainly include borrowings and bonds. The associated risks are described below.

(a) Credit risk

The associated credit risk consists of risk of losses arising from uncollectible 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 uncollectible 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, 2026 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥66,821 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 ¥64,538 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, 2026, 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	108,172	108,172	—
(2) Loans and bills discounted	9,452,366		
Allowance for loan losses ^(*)	(515,789)		
	8,936,576	8,400,490	(536,086)
Total assets	9,044,749	8,508,663	(536,086)
(1) Borrowings	4,273,419	4,109,322	(164,096)
(2) Bonds payable	250,000	244,399	(5,601)
Total liabilities	4,523,419	4,353,721	(169,697)

(*) General allowance for loan losses and specific allowance for loan losses have been deducted from loans.

(Note 1) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks ^{(*)1}	108,166	—	—	—	—	—
Loans and bills discounted ^{(*)2}	1,704,631	3,050,992	2,228,061	1,231,306	832,651	253,431
Total	1,812,798	3,050,992	2,228,061	1,231,306	832,651	253,431

(*)1 Demand deposits contained within due from banks are stated as "Maturities within one year."

(*)2 Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contain an amount of ¥151,291 million that is not expected to be redeemed and not included in the table above.

(Note 2) Redemption schedule for bonds and borrowings with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings ^(*)	1,113,792	1,596,444	696,975	381,133	365,454	119,621
Bonds payable	90,000	110,000	50,000	—	—	—
Total	1,203,792	1,706,444	746,975	381,133	365,454	119,621

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

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.

Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.

Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

Financial instruments except those recorded on the balance sheet for fair values (March 31, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	108,172	—	108,172
Loans and bills discounted	—	—	8,400,490	8,400,490
Total assets	—	108,172	8,400,490	8,508,663
Borrowings	—	4,109,322	—	4,109,322
Bonds payable	—	244,399	—	244,399
Total liabilities	—	4,353,721	—	4,353,721

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For due from banks that do not mature, the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

(2) Loans and bills discounted

All loans, with the exception of loans on deed (subordinated capital loans) under the Provision Scheme for Challenge Support and Capital Enhancement or other schemes and loans on deed (post-establishment target-achievement type interest rate) to which a post-establishment target-achievement type interest rate applies, have a fixed interest rate and fair value is calculated for all loans other than bankrupt loans, substantially bankrupt loans, potentially bankrupt loans and performing loans that require monitoring by discounting the risk-adjusted principal and interest by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for subordinated capital loans and post-establishment target-achievement type interest rate, JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

For obligations on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers, allowance for loan losses is calculated based on the expected collectable amount from the collateral or guarantee. Fair value resembles the amount of loans on the balance sheet on the closing date after a deduction has been made for allowance for loan losses, so this amount is used for fair value.

These transactions are classified into level 3 fair values.

Liabilities

(1) Borrowings

Borrowings are based on a fixed rate of interest. Fair value is calculated by discounting the principal and interest of the borrowings by the risk free rate (the standard Japanese government bond rate) based on the set period of loan, classified into level 2 fair values.

However, JFC regards the carrying amount as fair values for general account borrowings by assuming that payment shall be made immediately upon request due to the nature of the transactions.

(2) Bonds payable

Market value is used for fair value of bonds, classified into level 2 fair values.

8. Deferred tax accounting

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

9. Retirement benefits

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

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

Defined benefits plan

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

Opening balance of projected benefit obligations	99,604 million yen
Service cost	3,482
Interest cost	1,095
Actuarial difference	(19,817)
Payment of retirement benefits	(3,346)
Prior service cost	—
Other	13
Closing balance of projected benefit obligations	<u>81,031</u>

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

Opening balance of fair value of plan assets	44,152 million yen
Expected return on plan assets	883
Actuarial difference	1,513
Financing from employer	2,000
Payment of retirement benefits	(1,950)
Other	5
Closing balance of fair value of plan assets	<u>46,604</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	33,229 million yen
Fair value of plan assets	<u>(46,604)</u>
	(13,375)
Projected benefit obligations of unfunded plan	<u>47,802</u>
Unfunded pension obligations	34,426
Actuarial unrecognized difference	25,945
Unrecognized prior service cost	678
Net amount of liabilities and assets recorded on the balance sheet	<u>61,051</u>
Provision for retirement benefits	61,051
Prepaid pension cost	—
Net amount of liabilities and assets recorded on the balance sheet	<u>61,051</u>

(4) Net pensions cost and breakdown of included items

Service cost	3,482 million yen
Interest cost	1,095
Expected return on plan assets	(883)
Amount of actuarial difference accounted for as expense	1,526
Amortization of prior service cost accounted for as expense	(158)
Other	—
Net pensions cost related to defined benefits plan	<u>5,062</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	56%
General account	10%
Cash and deposits	6%
Total	<u>100%</u>

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	3.2%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.1% to 5.6%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥247 million.

10. Related party transactions

Related party transactions in the fiscal year ended March 31, 2026 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, 2026
Principal shareholder	Ministry of Finance (Minister of Finance) (Notes i and ii)	99.91 (Direct)	Administration for policy based financing	Underwriting of capital increase (Note iii)	8,236	—	—
				Receipts from general account of the national budget	12,259	—	—
				Receipt of funds (Note iv)	720,000	Borrowings	4,142,119
				Repayment of borrowing	1,255,805		
				Payment of interest on borrowings	12,967	Accrued expenses	1,968
				Guarantee for bonds payable (Note v)	80,000	—	—

(Notes)

(i) Ownership of voting rights by ministries and agencies other than Ministry of Finance (Minister of Finance) is as follows:

-Ministry of Health, Labour and Welfare (Minister of Health, Labour and Welfare) 0.09%

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

-Ministry of Health, Labour and Welfare

Underwriting of capital increase ¥8 million

Receipts from the national budget ¥2,448 million

-Small and Medium Enterprise Agency

Receipts from the national budget ¥851 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 ¥0.76

Net loss per share ¥0.03

12. Subsequent events

Not applicable.

Balance Sheet (as of March 31, 2026)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	102,190	Borrowed money	2,860,692
Cash	0	Borrowings	2,860,692
Due from banks	102,189	Bonds payable	164,997
Securities	6,066	Entrusted funds	16,901
Stocks	2,530	Other liabilities	4,234
Other securities	3,536	Accrued expenses	2,173
Loans and bills discounted	3,406,505	Derivatives other than for trading-liabilities	75
Loans on deeds	3,406,505	Lease obligations	1,124
Other assets	7,021	Other	860
Prepaid expenses	4	Provision for bonuses	748
Accrued income	6,294	Provision for directors' bonuses	8
Derivatives other than for trading-assets	1	Provision for retirement benefits	11,807
Agency accounts receivable	342	Provision for directors' retirement benefits	21
Other	379	Total liabilities	3,059,412
Property, plant and equipment	33,197	Net assets	
Buildings	7,094	Capital stock	457,863
Land	24,922	Retained earnings	(1,071)
Lease assets	780	Legal retained earnings	1,087
Construction in progress	316	Other retained earnings	(2,159)
Other	83	Retained earnings brought forward	(2,159)
Intangible assets	5,889	Total shareholders' equity	456,792
Software	5,584		
Lease assets	216		
Other	88		
Allowance for loan losses	(44,667)	Total net assets	456,792
Total assets	3,516,204	Total liabilities and net assets	3,516,204

Statement of Operations (Year ended March 31, 2026)

(Millions of yen)

Items	Amount
Ordinary income	67,476
Interest income	25,181
Interest on loans and discounts	24,761
Interest on deposits with banks	419
Other interest income	0
Other ordinary income	50
Income from derivatives other than for trading or hedging	50
Receipts from the national budget	41,710
Receipts from general account of the national budget	41,709
Receipts from special account of the national budget	1
Other income	534
Recoveries of written-off claims	238
Other	295
Ordinary expenses	69,622
Interest expenses	20,230
Interest on call money	1
Interest on borrowings and rediscounts	18,025
Interest on bonds	2,203
Fees and commissions payments	2,032
Other fees and commissions	2,032
Other ordinary expenses	27
Amortization of bond issuance cost	27
General and administrative expenses	19,982
Other expenses	27,348
Provision of allowance for loan losses	27,174
Written-off of loans	13
Other	159
Ordinary loss	2,146
Extraordinary losses	12
Loss on disposal of noncurrent assets	12
Net loss	2,159

Statement of Changes in Net Assets (Year ended March 31, 2026)

(Millions of yen)

	Shareholders' equity					Total net assets
	Capital stock	Retained earnings			Total shareholders' equity	
		Legal retained earnings	Other retained earnings	Total retained earnings		
			Retained earnings brought forward			
Balance at the beginning of current period	457,799	801	3,143	3,944	461,744	461,744
Changes of items during the period						
Issuance of new shares	64				64	64
Provision of legal retained earnings		285	(285)	—	—	—
Payment to National Treasury			(2,857)	(2,857)	(2,857)	(2,857)
Net income (loss)			(2,159)	(2,159)	(2,159)	(2,159)
Total changes of items during the period	64	285	(5,302)	(5,016)	(4,952)	(4,952)
Balance at the end of current period	457,863	1,087	(2,159)	(1,071)	456,792	456,792

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-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.

(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 ¥43,878 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: ¥44,667 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

1. 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. Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026) and Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events and other standards were issued with the priority objective of setting com-

prehensive accounting standards that address the definition, accounting treatment, and disclosure of subsequent events. The fundamental policy was to transfer the accounting guidance into the Accounting Standards Board of Japan (ASBJ), in principle following the accounting-related provisions set forth in the Audit Treatment concerning Subsequent Events (Auditing Standards Committee Statement 560, Practice Guideline No. 1) issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants. The standards also revise the wording and clarify the evaluation period for subsequent events, and require new notes regarding the approval for the issuance of financial statements.

(2) Scheduled date of application

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

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: ¥4,537 million

The amount of claims under high risk: ¥112,896 million

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥204,433 million

The amount of claims with interest or principal repayments more than 3 months in arrears: ¥1,658 million

The amount of restructured claims: ¥202,774 million

Subtotal amount: ¥321,866 million

The amount of normal claims: ¥3,090,964 million

Total amount: ¥3,412,830 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, 2026 is ¥56,836 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 ¥164,997 million).

5. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥7,908 million.

6. Restriction in dividend distribution

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

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

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

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

7. The account title and the amount related to transactions with affiliates

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

8. Issued shares

For the fiscal year ended March 31, 2026 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	457,799,700,000	64,000,000	—	457,863,700,000

(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 uncollectible 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, uncollectible 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.

(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, 2026 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥6,311 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 ¥5,781 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, 2026, and the related fair value, and difference is as follows. Note that stocks and others without quoted market prices are not include in the following chart (refer to Note 1).

(Millions of yen)

	Amount on the Balance Sheet	Fair value	Difference
(1) Cash and due from banks	102,190	102,190	—
(2) Loans and bills discounted	3,406,505		
Allowance for loan losses ^{(*)1}	(44,651)		
	3,361,854	3,144,854	(216,999)
Total assets	3,464,044	3,247,044	(216,999)
(1) Borrowings	2,860,692	2,629,321	(231,371)
(2) Bonds payable	164,997	163,465	(1,532)
Total liabilities	3,025,689	2,792,786	(232,903)
Derivative transactions ^{(*)2}			
Derivative transactions not qualifying for hedge accounting	(73)	(73)	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	(73)	(73)	—

(*)1 General allowance for loan losses and specific allowance for loan losses have been deducted from loans.

(*)2 Derivative transactions recorded in "other assets and other liabilities" are collectively displayed. The net values of assets and liabilities arising from derivative transactions are displayed. The figures in parentheses indicate net liabilities.

(Note 1) The amount reported on the balance sheet such as stocks and others without quoted market prices are as shown below.

(Millions of yen)

Classification	Carrying amount on the balance sheet
Unlisted stocks ^{(*)1}	2,530
Partnership investments ^{(*)2}	3,536

(*)1 Unlisted stocks are not subject to fair value disclosure in accordance with the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), Paragraph 5.

(*)2 Partnership investments are not subject to fair value disclosure in accordance with the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021), Paragraph 24-16.

(Note 2) Redemption schedule for receivables and redeemable securities with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Due from banks ^{(*)1}	102,189	—	—	—	—	—
Loans and bills discounted ^{(*)2}	431,828	720,719	535,900	420,105	471,257	711,918
Total	534,017	720,719	535,900	420,105	471,257	711,918

(*)1) Demand deposits contained within due from banks are stated as "Maturities within one year."

(*)2) Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contain an amount of ¥114,776 million that is not expected to be redeemed and not included in the table above.

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

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings	376,922	648,667	518,186	399,033	404,120	513,762
Bonds payable	30,000	55,000	55,000	25,000	—	—
Total	406,922	703,667	573,186	424,033	404,120	513,762

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, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Derivative transactions				
Credit derivatives	—	—	1	1
Total assets	—	—	1	1
Derivative transactions				
Credit derivatives	—	—	75	75
Total liabilities	—	—	75	75

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	102,190	—	102,190
Loans and bills discounted	—	—	3,144,854	3,144,854
Total assets	—	102,190	3,144,854	3,247,044
Borrowings	—	2,627,333	1,988	2,629,321
Bonds payable	—	163,465	—	163,465
Total liabilities	—	2,790,798	1,988	2,792,786

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For cash and due from banks that do not mature or have a maturity under 3 months, the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

(2) Loans and bills discounted

All loans, with the exception of Agriculture, Forestry and Fisheries Management Capital Enhancement Loans and loans on deed under the challenge-oriented capital lending scheme for new sectors, etc. have a fixed interest rate and fair value is calculated for each borrower's status by discounting the risk-reflected principal and interest that incorporates risk by the risk free rate (the standard Japanese government bond rate) based on the borrowers' categories and period of loan.

Although interest rates that are applied based on borrowers' business performances, etc. may fluctuate for Agriculture, Forestry and Fisheries Management Capital Enhancement Loans and loans on deed under the challenge-oriented capital lending scheme for new sectors, etc., JFC calculates their fair values like those of other loans by assuming that their interest rates on the closing date will continue in the future as well.

These transactions are classified into level 3 fair values.

Liabilities

(1) Borrowings

Borrowings are based on a fixed rate of interest. Fair value is calculated by discounting the principal and interest of the borrowings by the risk free rate (the standard Japanese government bond rate) based on the set period of loan, classified into level 2 fair values.

However, general account borrowings are interest-free, and we calculate their fair values by discounting at risk free rates (the standard Japanese government bond rate) after making necessary adjustments to the principal of the general account borrowings divided by a certain period, classified into level 3 fair values.

(2) Bonds payable

Market value is used for fair value of bonds, classified into level 2 fair values.

Derivative transactions

As for credit default swaps (CDS), JFC calculates fair values by discounting the risk-adjusted premiums according to the credit rating on the closing date and the compensation expected due to the occurrence of credit events by the risk free rates (the standard Japanese government bond rate), classified into level 3 fair values.

(Note 2) Information on level 3 fair values out of the financial instruments recorded on the balance sheet with fair values

(1) Quantitative information on important unobservable inputs (March 31, 2026)

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, 2026)

	Beginning balance	Profits and losses in the fiscal year or valuation and translation adjustments		Net amount of purchase, selling, issuance and settlement	Transfer to level 3 fair value	Transfer from level 3 fair value	Ending balance	Appraised profits or losses of financial assets and financial liabilities that are held on the balance sheet date out of the amount recorded in profits and losses for the fiscal year ^(*)
		Recorded in profits and losses ^(*)	Recorded in valuation and translation adjustments					
Derivative transactions								
Credit derivatives ^(*)	(74)	0	—	—	—	—	(73)	(12)

(*)1 Included in "income from derivatives other than for trading or hedging" in the profit and loss statement.

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

(3) Explanation of a valuation process for fair values

The Risk Management Department determined the purpose and the procedure of calculating fair values, and calculates fair values according to it. The Risk Management Department uses a valuation model that can reflect nature, characteristics, and risks of assets most adequately in calculating fair values.

(4) Explanation of impacts on fair values when changing important and unobservable inputs

The default probability is an estimate value that indicates the possibility that a credit event occurs and that the compensation amount cannot be collected. A significant increase (decrease) in default probability brings about the remarkable decline (rise) in a fair value.

10. Fair value of securities

In addition to "Stocks" and "Other securities" on the balance sheet, transferable deposits in "Due from banks" are also included.

The fair value of securities at March 31, 2026 is as follows:

(a) Equity securities of subsidiaries and affiliates

(Note) Carrying amount of stocks and others without quoted market prices on the balance sheet.

	Carrying amount on the balance sheet (Millions of yen)
Equity securities of affiliates	2,530

(b) Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount does not exceed their acquisition cost	Others	57,500	57,500	—

(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	3,536

11. Deferred tax accounting

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

12. Retirement benefits

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

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

Defined benefits plan

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

Opening balance of projected benefit obligations	18,847 million yen
Service cost	681
Interest cost	207
Actuarial difference	(3,687)
Payment of retirement benefits	(682)
Prior service cost	—
Other	15
Closing balance of projected benefit obligations	15,382

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

Opening balance of fair value of plan assets	8,283 million yen
Expected return on plan assets	165
Actuarial difference	264
Financing from employer	379
Payment of retirement benefits	(370)
Other	5
Closing balance of fair value of plan assets	<u>8,728</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	6,223 million yen
Fair value of plan assets	<u>(8,728)</u>
	(2,505)
Projected benefit obligations of unfunded plan	<u>9,159</u>
Unfunded pension obligations	6,654
Actuarial unrecognized difference	5,025
Unrecognized prior service cost	<u>128</u>
Net amount of liabilities and assets recorded on the balance sheet	<u>11,807</u>
Provision for retirement benefits	11,807
Prepaid pension cost	<u>—</u>
Net amount of liabilities and assets recorded on the balance sheet	<u>11,807</u>

(4) Net pensions cost and breakdown of included items

Service cost	681 million yen
Interest cost	207
Expected return on plan assets	(165)
Amount of actuarial difference accounted for as expense	204
Amortization of prior service cost accounted for as expense	(20)
Other	<u>—</u>
Net pensions cost related to defined benefits plan	<u>906</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	56%
General account	10%
Cash and deposits	<u>6%</u>
Total	<u>100%</u>

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	3.2%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	2.2% to 5.8%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥47 million.

13. Profit and loss on equity method

Investment in affiliates	¥2,530 million
Investment in affiliates (equity method)	¥2,372 million
Loss on Investment in affiliates (equity method)	¥14 million

14. Related party transactions

Related party transactions in the fiscal year ended March 31, 2026 are as follows:

(a) Transactions with parent company and major shareholder companies

(Millions of yen)

Classification	Corporate name	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2026
Principal shareholder	Ministry of Finance (Minister of Finance) ^(Notes i and ii)	91.48 (Direct)	Administration for policy based financing	Underwriting of capital increase ^(Note iii)	64	—	—
				Receipt of funds ^(Note iv)	285,000	Borrowings	2,858,414
				Repayment of borrowing	397,668		
				Payment of interest on borrowings	18,025	Accrued expenses	1,343

(Notes)

(i) Ownership of voting rights by ministries and agencies other than Ministry of Finance (Minister of Finance) is as follows:

-Ministry of Agriculture, Forestry and Fisheries (Minister of Agriculture, Forestry and Fisheries) 8.52%

(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 ¥41,710 million

Repayment of borrowed money ¥888 million

(iii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.

(iv) The receipts of funds represent borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

(b) Transactions with fellow subsidiaries and affiliates' subsidiaries

(Millions of yen)

Classification	Corporate name	Ratio to Total Voting Rights (%)	Relation with related parties	Transactions	Amount of transactions	Items	Balance as of March 31, 2026
Principal shareholder (corporates) holding the majority of voting rights	JBIC	—	Relation of joint and several liability	Joint and several liability	60,000 ^(Notes i and ii)	—	—

(Notes)

(i) Pursuant to paragraph 1, Article 46-2 of the Supplementary Provisions to the JFC Act, JBIC has joint and several liability for bonds issued by JFC that this operation account will redeem. Pursuant to paragraph 2, Article 46-2 of the Supplementary Provisions, JBIC's assets have been pledged as general collateral for the joint and several liabilities.

(ii) There are no transactions recorded under income or expenses related to the joint and several liabilities.

15. Per share information

Net assets per share ¥0.99

Net loss per share ¥0.00

16. Subsequent events

Not applicable.

Balance Sheet (as of March 31, 2026)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	153,748	Borrowed money	3,418,410
Cash	2	Borrowings	3,418,410
Due from banks	153,745	Bonds payable	111,700
Securities	33	Other liabilities	7,978
Stocks	0	Accrued expenses	2,688
Other securities	33	Unearned revenue	79
Loans and bills discounted	7,366,381	Lease obligations	2,149
Loans on deeds	7,366,381	Other	3,061
Other assets	5,688	Provision for bonuses	1,439
Prepaid expenses	9	Provision for directors' bonuses	7
Accrued income	4,576	Provision for retirement benefits	22,964
Derivatives other than for trading-assets	4	Provision for directors' retirement benefits	15
Other	1,097	Acceptances and guarantees	33,368
Property, plant and equipment	47,728	Total liabilities	3,595,883
Buildings	9,796	Net assets	
Land	35,699	Capital stock	4,051,652
Lease assets	1,481	Retained earnings	(633,344)
Construction in progress	609	Other retained earnings	(633,344)
Other	143	Retained earnings brought forward	(633,344)
Intangible assets	11,247	Total shareholders' equity	3,418,307
Software	9,864	Valuation difference on available-for-sale securities	33
Lease assets	422	Total valuation and translation adjustments	33
Other	960		
Customers' liabilities for acceptances and guarantees	33,368		
Allowance for loan losses	(603,972)	Total net assets	3,418,341
Total assets	7,014,225	Total liabilities and net assets	7,014,225

Statement of Operations (Year ended March 31, 2026)

(Millions of yen)

Items	Amount
Ordinary income	99,889
Interest income	83,542
Interest on loans and discounts	83,406
Interest and dividends on securities	0
Interest on deposits with banks	135
Other interest income	0
Fees and commissions	272
Other fees and commissions	272
Receipts from the national budget	15,475
Receipts from general account of the national budget	15,475
Receipts from special account of the national budget	0
Other income	598
Recoveries of written-off claims	37
Gain on sales of stocks and other securities	81
Other	480
Ordinary expenses	96,511
Interest expenses	10,906
Interest on call money	19
Interest on borrowings and rediscounts	10,606
Interest on bonds	280
Fees and commissions payments	52
Other fees and commissions	52
Other ordinary expenses	456
Loss on foreign exchange transactions	450
Amortization of bond issuance cost	6
General and administrative expenses	36,429
Other expenses	48,665
Provision of allowance for loan losses	42,466
Written-off of loans	2,959
Other	3,239
Ordinary profit	3,378
Extraordinary income	0
Gain on disposal of noncurrent assets	0
Extraordinary losses	12
Loss on disposal of noncurrent assets	12
Net income	3,365

Data

Statement of Changes in Net Assets (Year ended March 31, 2026)

(Millions of yen)

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Capital stock	Retained earnings		Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		Other retained earnings	Total retained earnings				
		Retained earnings brought forward					
Balance at the beginning of current period	4,047,651	(636,710)	(636,710)	3,410,940	—	—	3,410,940
Changes of items during the period							
Issuance of new shares	4,001			4,001			4,001
Net income (loss)		3,365	3,365	3,365			3,365
Net changes of items other than shareholders' equity					33	33	33
Total changes of items during the period	4,001	3,365	3,365	7,366	33	33	7,400
Balance at the end of current period	4,051,652	(633,344)	(633,344)	3,418,307	33	33	3,418,341

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Securities

Available-for-sale securities are stated at fair value. 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 ¥143,761 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: ¥603,972 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**1. 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. Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026) and Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events and other standards were issued with the priority objective of setting comprehensive accounting standards that address the definition, accounting treatment, and disclosure of subsequent events. The fundamental policy was to transfer the accounting guidance into the Accounting Standards Board of Japan (ASBJ), in principle following the accounting-related provisions set forth in the Audit Treatment concerning Subsequent Events (Auditing Standards Committee Statement 560, Practice Guideline No. 1) issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants. The standards also revise the wording and clarify the evaluation period for subsequent events, and require new notes regarding the approval for the issuance of financial statements.

(2) Scheduled date of application

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

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: ¥9,393 million

The amount of claims under high risk: ¥792,058 million

The amount of performing claims that require monitoring by discounting the risk-adjusted principal and interest: ¥169,458 million

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

The amount of restructured claims: ¥169,458 million

Subtotal amount: ¥970,910 million

The amount of normal claims: ¥6,433,391 million

Total amount: ¥7,404,301 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, 2026 is ¥66,972 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 ¥17,974 million. Of this amount, ¥1,398 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 ¥111,700 million).

4. Accumulated depreciation of fixed assets

Accumulated depreciation of fixed assets amounted to ¥12,372 million.

5. Restriction in dividend distribution

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

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

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

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

6. Issued shares

For the fiscal year ended March 31, 2026 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	4,047,651,000,000	4,001,000,000	—	4,051,652,000,000

(Note) Increase is due to the issuance of 4,001,000,000 shares.

7. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

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

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

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

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

In this operation account, a stable supply of long-term funds is provided to supplement private sector financial institutions in order to support the growth and development of SMEs. To conduct these operations, funds are raised by borrowing from the government and through the issuing of bonds. Forward exchange contracts are conducted for avoiding foreign exchange risk related to foreign currency loans.

(2) Types of financial instruments and risks

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

The financial assets in this operation account mainly include loans and securities for SMEs, and financial liabilities mainly include borrowings and bonds. The associated risks are described below.

(a) Credit risk

The following operations are conducted in this operation account: (1) Loans to SMEs, etc., (2) Acquisition of bonds issued by SMEs, (3) Securitization of loan claims and bonds of SMEs, (4) Partial guarantee of loan claims for private sector financial institutions and guarantee of securitized financial products, (5) Guarantee related to the liabilities of SMEs and micro businesses' overseas subsidiaries and branches, (6) Loans to foreign-affiliated corporations, and (7) Acquisition of shares or equity of SMEs that have debt in the form of loans from JFC for the purpose of reducing qualifying debt. For this operation account, JFC identifies and evaluates credit risk by taking steps for appropriate screening and monitoring of loans and implements the necessary management to steadily put in place measures aimed at reducing credit costs. However, future economic trends in Japan and overseas, which may lead to a deterioration in creditworthiness of borrowers, and a fluctuation in the value of the real estate-collateral and other unexpected events could cause losses for this operation account as a result of bad debts and uncollectible 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 strive to give feedback on the screening results and provide consultation support for resolving management issues. In particular, we 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, 2026 will cause the fair value after netting of the financial assets and financial liabilities held in this account to increase by ¥74,400 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 ¥70,614 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, 2026, 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	153,748	153,748	—
(2) Securities			
Available-for-sale securities	33	33	—
(3) Loans and bills discounted	7,366,381		
Allowance for loan losses ^{(*)1}	(601,969)		
	6,764,412	6,712,293	(52,118)
Total assets	6,918,194	6,866,076	(52,118)
(1) Borrowings	3,418,410	3,234,865	(183,545)
(2) Bonds payable	111,700	109,183	(2,516)
Total liabilities	3,530,110	3,344,048	(186,061)
Derivative transactions ^{(*)2}			
Derivative transactions not qualifying for hedge accounting	4	4	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	4	4	—

(*)1 General allowance for loan losses and specific allowance for loan losses have been deducted from loans.

(*)2 Derivative transactions recorded in "other assets and other liabilities" are collectively displayed. The net values of assets and liabilities arising from derivative transactions are displayed.

(Note 1) The amount reported on the balance sheet such as stocks and others without quoted market prices are as shown below, which is not included in the "securities" in the fair value information of financial instruments.

(Millions of yen)

Classification	Carrying amount on the balance sheet
Unlisted stocks ^(*)	0

(*) 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}	153,745	—	—	—	—	—
Loans and bills discounted ^{(*)2}	1,235,859	1,876,638	1,533,099	1,057,021	814,387	829,509
Total	1,389,604	1,876,638	1,533,099	1,057,021	814,387	829,509

(*)1 Demand deposits contained within due from banks are stated as "Maturities within one year."

(*)2 Within loans, claims against bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers contain an amount of ¥19,866 million that is not expected to be redeemed and not included in the table above.

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

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings	527,955	900,470	841,162	589,975	461,463	97,385
Bonds payable	31,700	70,000	10,000	—	—	—
Total	559,655	970,470	851,162	589,975	461,463	97,385

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, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Others	—	33	—	33
Derivative transactions				
Currency related	—	4	—	4
Total assets	—	38	—	38

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	153,748	—	153,748
Loans and bills discounted	—	—	6,712,293	6,712,293
Total assets	—	153,748	6,712,293	6,866,042
Borrowings	—	3,234,546	318	3,234,865
Bonds payable	—	109,183	—	109,183
Total liabilities	—	3,343,730	318	3,344,048

(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) 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, 2026 is as follows:

Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount exceeds their acquisition cost	Others	33	—	33

(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

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	35,458 million yen
Service cost	1,321
Interest cost	389
Actuarial difference	(7,596)
Payment of retirement benefits	(1,172)
Prior service cost	—
Other	(33)
Closing balance of projected benefit obligations	28,367

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

Opening balance of fair value of plan assets	15,463 million yen
Expected return on plan assets	309
Actuarial difference	309
Financing from employer	757
Payment of retirement benefits	(711)
Other	(11)
Closing balance of fair value of plan assets	16,116

(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	11,491 million yen
Fair value of plan assets	(16,116)
	(4,625)
Projected benefit obligations of unfunded plan	16,876
Unfunded pension obligations	12,251
Actuarial unrecognized difference	10,455
Unrecognized prior service cost	257
Net amount of liabilities and assets recorded on the balance sheet	22,964
Provision for retirement benefits	22,964
Prepaid pension cost	—
Net amount of liabilities and assets recorded on the balance sheet	22,964

(4) Net pensions cost and breakdown of included items

Service cost	1,321 million yen
Interest cost	389
Expected return on plan assets	(309)
Amount of actuarial difference accounted for as expense	268
Amortization of prior service cost accounted for as expense	65
Other	—
Net pensions cost related to defined benefits plan	1,736

(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	56%
General account	10%
Cash and deposits	6%
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	3.2%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.2% to 5.8%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥93 million.

11. Related party transactions

Related party transactions in the fiscal year ended March 31, 2026 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, 2026
Principal shareholder	Ministry of Finance (Minister of Finance) ^(Notes i and ii)	96.20 (Direct)	Administration for policy based financing	Underwriting of capital increase ^(Note iii)	4,000	—	—
				Receipt of funds ^(Note iv)	550,000	Borrowings	3,418,410
				Repayment of borrowing	616,038		
				Payment of interest on borrowings	10,606	Accrued expenses	2,474
				Guarantee for bonds payable ^(Note v)	100,000	—	—

(Notes)

(i) Ownership of voting rights by ministries and agencies other than Ministry of Finance (Minister of Finance) is as follows:

-Ministry of Economy, Trade and Industry (Minister of Economy, Trade and Industry) 3.80%

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

-Ministry of Economy, Trade and Industry
Underwriting of capital increase ¥1 million
-Agency for Natural Resources and Energy
Receipts from the national budget ¥0 million
-Small and Medium Enterprise Agency
Receipts from the national budget ¥15,475 million

(iii) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.

(iv) The receipts of funds represent borrowing under the FILP, and for this borrowing, the interest rates are applied under the FILP agreement.

(v) No guarantee fee has been paid for the guarantee of bonds.

12. Per share information

Net assets per share ¥0.84

Net income per share ¥0.00

13. Subsequent events

Not applicable.

Balance Sheet (as of March 31, 2026)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	10,559	Bonds payable	19,200
Due from banks	10,559	Other liabilities	779
Securities	33,650	Accrued expenses	2
Government bonds	21,140	Derivatives other than for trading-liabilities	751
Corporate bonds	12,510	Other	25
Other assets	1,161	Provision for bonuses	2
Prepaid expenses	0	Provision for directors' bonuses	0
Accrued income	7	Provision for retirement benefits	41
Derivatives other than for trading-assets	1,128	Provision for directors' retirement benefits	0
Other	25	Total liabilities	20,023
Prepaid pension cost	1	Net assets	
		Capital stock	24,476
		Retained earnings	891
		Legal retained earnings	655
		Other retained earnings	235
		Retained earnings brought forward	235
		Total shareholders' equity	25,367
		Valuation difference on available-for-sale securities	(16)
		Total valuation and translation adjustments	(16)
		Total net assets	25,350
Total assets	45,373	Total liabilities and net assets	45,373

Statement of Operations (Year ended March 31, 2026)

(Millions of yen)

Items	Amount
Ordinary income	682
Interest income	209
Interest and dividends on securities	199
Interest on deposits with banks	9
Other ordinary income	422
Income from derivatives other than for trading or hedging	422
Other income	51
Other	51
Ordinary expenses	446
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	112
Other expenses	50
Other	50
Ordinary profit	235
Net income	235

Data

Statement of Changes in Net Assets (Year ended March 31, 2026)

(Millions of yen)

	Shareholders' equity					Valuation and translation adjustments		Total net assets
	Capital stock	Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		Legal retained earnings	Other retained earnings	Total retained earnings				
			Retained earnings brought forward					
Balance at the beginning of current period	24,476	608	93	702	25,178	(121)	(121)	25,056
Changes of items during the period								
Provision of legal retained earnings		46	(46)	—	—			—
Payment to National Treasury			(46)	(46)	(46)			(46)
Net income (loss)			235	235	235			235
Net changes of items other than shareholders' equity						104	104	104
Total changes of items during the period	—	46	142	189	189	104	104	293
Balance at the end of current period	24,476	655	235	891	25,367	(16)	(16)	25,350

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. Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026) and Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events and other standards were issued with the priority objective of setting comprehensive accounting standards that address the definition, accounting treatment, and disclosure of subsequent events. The fundamental policy was to transfer the accounting guidance into the Accounting Standards Board of Japan (ASBJ), in principle following the accounting-related provisions set forth in the Audit Treatment concerning Subsequent Events (Auditing Standards Committee Statement 560, Practice Guideline No. 1) issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants. The standards also revise the wording and clarify the evaluation period for subsequent events, and require new notes regarding the approval for the issuance of financial statements.

(2) Scheduled date of application

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

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, 2026, 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 uncollectible 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, 2026 will cause the fair value after netting (assets) of the financial assets and financial liabilities held in this account to increase by ¥811 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 ¥760 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, 2026, 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	10,559	10,559	—
(2) Securities			
Held-to-maturity debt securities	21,140	17,459	(3,681)
Available-for-sale securities	12,510	12,510	—
Total assets	44,209	40,528	(3,681)
Bonds payable	19,200	18,865	(334)
Total debt	19,200	18,865	(334)
Derivative transactions ^(*)			
Derivative transactions not qualifying for hedge accounting	376	376	—
Derivative transactions qualifying for hedge accounting	—	—	—
Total derivative transactions	376	376	—

(*) 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 ^(*)	10,559	—	—	—	—	—
Securities						
Held-to-maturity debt securities	—	—	—	—	—	21,068
Available-for-sale securities	12,222	304	—	—	—	—
Total	22,781	304	—	—	—	21,068

(*) 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	8,300	10,900	—	—	—	—

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.

Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.

Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

(1) Financial instruments recorded on the balance sheet for fair values (March 31, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Corporate bonds	—	—	12,510	12,510
Derivative transactions				
Credit derivatives	—	—	1,128	1,128
Total assets	—	—	13,638	13,638
Derivative transactions				
Credit derivatives	—	—	751	751
Total liabilities	—	—	751	751

(2) Financial instruments except those recorded on the balance sheet for fair values (March 31, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	10,559	—	10,559
Securities				
Held-to-maturity debt securities				
Government bonds	17,459	—	—	17,459
Total assets	17,459	10,559	—	28,018
Bonds payable	—	18,865	—	18,865
Total liabilities	—	18,865	—	18,865

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For cash and due from banks that do not mature, 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, 2026)

Classification	Valuation techniques	Important unobservable inputs	Range of inputs
Securities			
Available-for-sale securities			
Corporate bonds	Discounted present value method	Default probability	0.00%–0.02%
Derivative transactions			
Credit derivatives	Discounted present value method	Default probability	0.10%–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, 2026)

(Millions of yen)

	Beginning balance	Profits and losses in the fiscal year or valuation and translation adjustments		Net amount of purchase, selling, issuance and settlement	Transfer to level 3 fair value	Transfer from level 3 fair value	Ending balance	Appraised profits or losses of financial assets and financial liabilities that are held on the balance sheet date out of the amount recorded in profits and losses for the fiscal year ^(*)
		Recorded in profits and losses ^(*)	Recorded in valuation and translation adjustments ^(*)					
Securities								
Available-for-sale securities								
Corporate bonds	18,995	—	104	(6,589)	—	—	12,510	—
Derivative transactions								
Credit derivatives ^(*)	226	150	—	—	—	—	376	150

(*) Included in "income from derivatives other than for trading or hedging" in the profit and loss statement.

(*) Included in "valuation difference on available-for-sale securities" on the balance sheet.

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

(3) Explanation of a valuation process for fair values

The Risk Management Department determined the purpose and the procedure of calculating fair values, and calculates fair values according to it. The Risk Management Department uses a valuation model that can reflect nature, characteristics, and risks of assets most adequately in calculating fair values.

(4) Explanation of impacts on fair values when changing important and unobservable inputs

The default probability is an estimate value that indicates the possibility that a credit event occurs and that the contract amount cannot be collected. A significant increase (decrease) in default probability brings about the remarkable decline (rise) in a fair value.

6. Fair value of securities

The fair value of securities at March 31, 2026 is as follows:

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

	Type	Carrying amount on the balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities whose fair value does not exceed their carrying amount	Japanese government bonds	21,140	17,459	(3,681)

(b) Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount exceeds their acquisition cost	Corporate bonds	12,510	12,527	(16)

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	39 million yen
Service cost	3
Interest cost	0
Actuarial difference	(16)
Payment of retirement benefits	—
Prior service cost	—
Other	1
Closing balance of projected benefit obligations	<u>28</u>

(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	(4)
Financing from employer	1
Payment of retirement benefits	—
Other	(0)
Closing balance of fair value of plan assets	<u>8</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	5 million yen
Fair value of plan assets	(8)
	(2)
Projected benefit obligations of unfunded plan	<u>22</u>
Unfunded pension obligations	20
Actuarial unrecognized difference	18
Unrecognized prior service cost	0
Net amount of liabilities and assets recorded on the balance sheet	<u>39</u>
Provision for retirement benefits	41
Prepaid pension cost	(1)
Net amount of liabilities and assets recorded on the balance sheet	<u>39</u>

(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	—
Net pensions cost related to defined benefits plan	<u>4</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	56%
General account	10%
Cash and deposits	6%
Total	<u>100%</u>

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	3.2%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	2.3% to 5.8%

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	¥1.03
Net income per share	¥0.00

10. Subsequent events

Not applicable.

Balance Sheet (as of March 31, 2026)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	6,384,438	Reserve for insurance policy liabilities	1,231,947
Due from banks	6,384,438	Other liabilities	1,399
Securities	199,948	Accrued expenses	32
Government bonds	199,948	Lease obligations	355
Other assets	24,464	Other	1,011
Prepaid expenses	0	Provision for bonuses	220
Accrued income	3,063	Provision for directors' bonuses	1
Other	21,400	Provision for retirement benefits	4,473
Property, plant and equipment	16,860	Provision for directors' retirement benefits	2
Buildings	2,632	Total liabilities	1,238,043
Land	13,968	Net assets	
Lease assets	248	Capital surplus	5,376,800
Other	11	Legal capital surplus	5,376,800
Intangible assets	3,617	Retained earnings	14,486
Software	2,666	Legal retained earnings	100,444
Lease assets	66	Other retained earnings	(85,958)
Other	884	Retained earnings brought forward	(85,958)
		Total shareholders' equity	5,391,286
		Total net assets	5,391,286
Total assets	6,629,329	Total liabilities and net assets	6,629,329

Statement of Operations (Year ended March 31, 2026)

(Millions of yen)

Items	Amount
Ordinary income	287,297
Interest income	23,429
Interest and dividends on securities	1,463
Interest on deposits with banks	21,966
Insurance premiums and other	263,748
Insurance premiums	153,706
Receipts of burden charges under the Responsibility-sharing System	15,394
Reversal of reserve for insurance policy liabilities	94,646
Other income	119
Other	119
Ordinary expenses	373,255
Expenses on insurance claims and other	364,560
Expenses on insurance claims	435,253
Recoveries of insurance claims	(70,693)
General and administrative expenses	6,092
Other expenses	2,603
Other	2,603
Ordinary loss	85,958
Extraordinary losses	0
Loss on disposal of noncurrent assets	0
Net loss	85,958

Statement of Changes in Net Assets (Year ended March 31, 2026)

(Millions of yen)

	Shareholders' equity						Total net assets
	Capital surplus		Retained earnings			Total shareholders' equity	
	Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at the beginning of current period	5,330,700	5,330,700	149,709	(49,265)	100,444	5,431,144	5,431,144
Changes of items during the period							
Issuance of new shares	46,100	46,100				46,100	46,100
Reversal of legal retained earnings			(49,265)	49,265	—	—	—
Net income (loss)				(85,958)	(85,958)	(85,958)	(85,958)
Total changes of items during the period	46,100	46,100	(49,265)	(36,692)	(85,958)	(39,858)	(39,858)
Balance at the end of current period	5,376,800	5,376,800	100,444	(85,958)	14,486	5,391,286	5,391,286

Data

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Securities

Held-to-maturity securities are carried at amortized cost (straight-line method) based on the moving average method. Available-for-sale securities are stated at fair value.

(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: ¥1,231,947 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

1. 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. Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026) and Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events and other standards were issued with the priority objective of setting comprehensive accounting standards that address the definition, accounting treatment, and disclosure of subsequent events. The fundamental policy was to transfer the accounting guidance into the Accounting Standards Board of Japan (ASBJ), in principle following the accounting-related provisions set forth in the Audit Treatment concerning Subsequent Events (Auditing Standards Committee Statement 560, Practice Guideline No. 1) issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants. The standards also revise the wording and clarify the evaluation period for subsequent events, and require new notes regarding the approval for the issuance of financial statements.

(2) Scheduled date of application

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

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 ¥3,767 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 ¥2,570 million.

6. Issued shares

For the fiscal year ended March 31, 2026, 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	9,948,447,407,741	46,100,000,000	—	9,994,547,407,741

(Note) Increase is due to the issuance of 46,100,000,000 shares.

7. Financial instruments and related disclosure

1. Status of financial instruments

(1) Initiatives for financial instruments

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

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

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

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

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

(2) Types of financial instruments and risks

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

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

(a) Market risk

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

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

(b) Liquidity risk

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

(3) Risk management structure for financial instruments

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

The risk management structure for these operations is described below.

(a) Market risk management

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

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

(b) Liquidity risk management related to fund procurement

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

(4) Supplementary explanation concerning fair value of financial instruments

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

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2026, 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	6,384,438	6,233,512	(150,925)
(2) Securities			
Held-to-maturity debt securities	199,948	194,487	(5,461)
Total assets	6,584,386	6,428,000	(156,386)

(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 ^(*)	2,099,438	2,000,000	1,800,000	285,000	200,000	—
Securities						
Held-to-maturity debt securities	—	25,000	175,000	—	—	—
Total	2,099,438	2,025,000	1,975,000	285,000	200,000	—

(*) Demand deposits contained within due from banks are stated as "Maturities within one year."

3. Breakdown, etc. of fair value of financial instruments for each category

Fair values of financial instruments are classified into the following three levels depending on the observability and the importance of inputs used for calculation of fair values.

Level 1 fair value: Fair values calculated from the market prices of assets or liabilities whose fair values are formed in active markets that are subject to calculation among the inputs for calculation of observable fair values.

Level 2 fair value: Fair values calculated using inputs for calculation of fair values other than the inputs at Level 1 among the inputs for observable fair values.

Level 3 fair value: Fair values calculated using inputs for calculation of unobservable fair values.

When several inputs having significant impacts on calculating fair values are used, fair values are classified into the lowest priority level in calculation of fair values out of the levels to which their respective inputs belong.

Financial instruments except those recorded on the balance sheet for fair values (March 31, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	6,233,512	—	6,233,512
Securities				
Held-to-maturity debt securities				
Government bonds	194,487	—	—	194,487
Total assets	194,487	6,233,512	—	6,428,000

(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 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, 2026 is as follows:

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

	Type	Carrying amount on the balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities whose fair value does not exceed their carrying amount	Japanese government bonds	199,948	194,487	(5,461)

(b) Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount does not exceed their acquisition cost	Others	772,700	772,700	—

9. Deferred tax accounting

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

10. Retirement benefits

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

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

Defined benefits plan

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

Opening balance of projected benefit obligations	7,000 million yen
Service cost	213
Interest cost	77
Actuarial difference	(1,388)
Payment of retirement benefits	(213)
Prior service cost	—
Other	4
Closing balance of projected benefit obligations	<u>5,693</u>

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

Opening balance of fair value of plan assets	3,293 million yen
Expected return on plan assets	65
Actuarial difference	149
Financing from employer	114
Payment of retirement benefits	(141)
Other	1
Closing balance of fair value of plan assets	<u>3,483</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	2,484 million yen
Fair value of plan assets	<u>(3,483)</u>
	(999)
Projected benefit obligations of unfunded plan	<u>3,209</u>
Unfunded pension obligations	2,209
Actuarial unrecognized difference	2,212
Unrecognized prior service cost	51
Net amount of liabilities and assets recorded on the balance sheet	<u>4,473</u>
Provision for retirement benefits	4,473
Prepaid pension cost	—
Net amount of liabilities and assets recorded on the balance sheet	<u>4,473</u>

(4) Net pensions cost and breakdown of included items

Service cost	213 million yen
Interest cost	77
Expected return on plan assets	(65)
Amount of actuarial difference accounted for as expense	24
Amortization of prior service cost accounted for as expense	13
Other	—
Net pensions cost related to defined benefits plan	<u>262</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	56%
General account	10%
Cash and deposits	6%
Total	<u>100%</u>

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	3.2%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.2% to 5.8%

Defined contribution pension plan

This operation account's defined contribution to the defined contribution pension plan is ¥14 million.

11. Related party transactions

Related party transactions in the fiscal year ended March 31, 2026 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, 2026
Principal shareholder	Ministry of Finance (Minister of Finance)	100 (Direct)	Administration for policy based financing	Underwriting of capital increase ^(Note i)	46,100	—	—
				Deposit of funds ^(Note ii)	3,247,700	Due from banks	5,285,000
				Refund of funds	4,289,600		

(Notes)

(i) The underwriting of capital increase represents the increase in capital by JFC at an allocation amount of ¥1 per share.

(ii) Deposit of funds is the deposit for the FILP and the interest rates applicable under the FILP are applied.

12. Per share information

Net assets per share ¥0.53

Net loss per share ¥0.00

13. Subsequent events

Not applicable.

Balance Sheet (as of March 31, 2026)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	1,001,390	Borrowed money	2,144,274
Due from banks	1,001,390	Borrowings	2,144,274
Securities	99,961	Other liabilities	5,568
Government bonds	99,961	Accrued expenses	67
Loans and bills discounted	2,144,274	Contract liability	5,479
Loans on deeds	2,144,274	Lease obligations	12
Other assets	1,016	Other	9
Prepaid expenses	0	Provision for bonuses	7
Accrued income	1,016	Provision for directors' bonuses	0
Other	0	Provision for retirement benefits	111
Property, plant and equipment	8	Provision for directors' retirement benefits	0
Lease assets	8	Reserve for compensation losses	29,370
Intangible assets	240	Total liabilities	2,179,332
Software	238	Net assets	
Lease assets	2	Capital stock	1,447,668
Other	0	Retained earnings	(380,099)
Prepaid pension cost	8	Other retained earnings	(380,099)
		Retained earnings brought forward	(380,099)
		Total shareholders' equity	1,067,568
		Total net assets	1,067,568
Total assets	3,246,900	Total liabilities and net assets	3,246,900

Statement of Operations (Year ended March 31, 2026)

(Millions of yen)

Items	Amount
Ordinary income	13,144
Interest income	8,361
Interest on loans and discounts	2,510
Interest and dividends on securities	710
Interest on deposits with banks	5,140
Fees and commissions	1,855
Fees and commissions on compensation security contract	1,855
Receipts from the national budget	153
Receipts from general account of the national budget	153
Other income	2,773
Other	2,773
Ordinary expenses	20,812
Interest expenses	2,510
Interest on borrowings and rediscounts	2,510
Other ordinary expenses	4,040
Interest subsidies	4,040
General and administrative expenses	259
Other expenses	14,001
Provision of reserve for compensation losses	13,646
Other	355
Ordinary loss	7,667
Net loss	7,667

Statement of Changes in Net Assets (Year ended March 31, 2026)

(Millions of yen)

	Shareholders' equity				Total net assets
	Capital stock	Retained earnings		Total shareholders' equity	
		Other retained earnings	Total retained earnings		
		Retained earnings brought forward			
Balance at the beginning of current period	1,447,658	(372,431)	(372,431)	1,075,226	1,075,226
Changes of items during the period					
Issuance of new shares	10			10	10
Net income (loss)		(7,667)	(7,667)	(7,667)	(7,667)
Total changes of items during the period	10	(7,667)	(7,667)	(7,657)	(7,657)
Balance at the end of current period	1,447,668	(380,099)	(380,099)	1,067,568	1,067,568

Data

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Securities

Held-to-maturity securities are carried at amortized cost (straight-line method) based on the moving average method. Available-for-sale securities are stated at fair value.

(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) 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.

(d) 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: ¥29,370 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, (c) 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.

(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.

(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

1. 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. Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026) and Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events and other standards were issued with the priority objective of setting comprehensive accounting standards that address the definition, accounting treatment, and disclosure of subsequent events. The fundamental policy was to transfer the accounting guidance into the Accounting Standards Board of Japan (ASBJ), in principle following the accounting-related provisions set forth in the Audit Treatment concerning Subsequent Events (Auditing Standards Committee Statement 560, Practice Guideline No. 1) issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants. The standards also revise the wording and clarify the evaluation period for subsequent events, and require new notes regarding the approval for the issuance of financial statements.

(2) Scheduled date of application

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

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: ¥2,144,340 million

Total amount: ¥2,144,340 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 ¥3 million.

5. Amount of compensation security contract

(Millions of yen)

The total amount of compensation outstanding (29,918 contracts)	1,041,146
Reserve for compensation	29,370
Net amount	1,011,776

6. Restriction in dividend distribution

JFC is restricted in its dividend distribution pursuant to Article 47 of the JFC Act¹. In the event that the amount of the retained earnings brought forward in the balance sheet exceeds zero in each account related to the operations² listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order to the extent that it reaches the certain amount, and if there is still a surplus, JFC shall pay such surplus into the National Treasury within 3 months after closing date.

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

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

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

7. Issued shares

For the fiscal year ended March 31, 2026, 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	1,447,658,000,000	10,000,000	—	1,447,668,000,000

(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 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 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 uncollectible 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 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.

(c) Liquidity risk

Long-term and stable funds such as fiscal investment and loans 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 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 and stable funds, such as fiscal investment and loans and funding provided by government are secured to finance this account and deposits are not accepted. In addition, the loan period and borrowing period are equal, and therefore, liquidity risk is considered to be limited. In addition, continual efforts are being made to make financing plans more sophisticated and minimize liquidity risk.

(4) Supplementary explanation concerning fair value of financial instruments

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

2. Fair value of financial instruments

The amount in the balance sheet at March 31, 2026, 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	1,001,390	991,069	(10,321)
(2) Securities			
Held-to-maturity debt securities	99,961	97,222	(2,739)
(3) Loans and bills discounted	2,144,274	1,980,581	(163,692)
Total assets	3,245,626	3,068,872	(176,753)
Borrowings	2,144,274	1,991,115	(153,158)
Total liabilities	2,144,274	1,991,115	(153,158)

(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 ^(*)	501,390	500,000	—	—	—	—
Securities						
Held-to-maturity debt securities	—	25,000	75,000	—	—	—
Loans and bills discounted	454,844	616,008	478,979	223,590	271,129	99,724
Total	956,234	1,141,008	553,979	223,590	271,129	99,724

(*) Demand deposits contained within due from banks are stated as "Maturities within one year."

(Note 2) Redemption schedule for 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	454,844	616,008	478,979	223,590	271,129	99,724

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, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	991,069	—	991,069
Securities				
Held-to-maturity debt securities				
Government bonds	97,222	—	—	97,222
Loans and bills discounted	—	1,980,581	—	1,980,581
Total assets	97,222	2,971,650	—	3,068,872
Borrowings	—	1,991,115	—	1,991,115
Total liabilities	—	1,991,115	—	1,991,115

(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 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.

9. 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, 2026 is as follows:

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

	Type	Carrying amount on the balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities whose fair value does not exceed their carrying amount	Japanese government bonds	99,961	97,222	(2,739)

(b) Available-for-sale securities

	Type	Carrying amount on the balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying amount does not exceed their acquisition cost	Others	150,000	150,000	—

10. Deferred tax accounting

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

11. Retirement benefits

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

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

Defined benefits plan

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

Opening balance of projected benefit obligations	133 million yen
Service cost	6
Interest cost	1
Actuarial difference	(35)
Payment of retirement benefits	—
Prior service cost	—
Other	(0)
Closing balance of projected benefit obligations	<u>105</u>

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

Opening balance of fair value of plan assets	31 million yen
Expected return on plan assets	0
Actuarial difference	(8)
Financing from employer	4
Payment of retirement benefits	—
Other	(0)
Closing balance of fair value of plan assets	<u>27</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	19 million yen
Fair value of plan assets	<u>(27)</u>
	(7)
Projected benefit obligations of unfunded plan	<u>86</u>
Unfunded pension obligations	78
Actuarial unrecognized difference	23
Unrecognized prior service cost	1
Net amount of liabilities and assets recorded on the balance sheet	<u>103</u>
Provision for retirement benefits	111
Prepaid pension cost	<u>(8)</u>
Net amount of liabilities and assets recorded on the balance sheet	<u>103</u>

(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	4
Amortization of prior service cost accounted for as expense	0
Other	—
Net pensions cost related to defined benefits plan	<u>12</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	56%
General account	10%
Cash and deposits	6%
Total	<u>100%</u>

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	3.2%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	1.2% to 5.8%

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 "(d) 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 ¥1,790 million.

(2) The total transaction price allocated to remaining performance obligations at the last day of the current fiscal year amounts to ¥5,479 million. The amount and the period of revenue recognition expected for remaining performance obligations are as follows:

(Millions of yen)

	Current fiscal year
Within one year	1,183
Over one year	4,295
Total	5,479

13. Related party transactions

Related party transactions in the fiscal year ended March 31, 2026 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, 2026
Principal shareholder	Ministry of Finance (Minister of Finance) (Notes i and ii)	90.14 (Direct)	Administration for policy based financing	Underwriting of capital increase ^(Note iii)	10	—	—
				Receipts from general account of the national budget	57	—	—
				Repayment of borrowings	545,147	Borrowings	2,144,274
				Payment of interest on borrowings	2,510	Accrued expenses	66
				Deposit of funds ^(Note iv)	—	Due from banks	750,000
				Refund of funds	—		

(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 ¥1 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	¥0.73
Net loss per share	¥0.00

15. Subsequent events

Not applicable.

Balance Sheet (as of March 31, 2026)

(Millions of yen)

Items	Amount	Items	Amount
Assets		Liabilities	
Cash and due from banks	157	Borrowed money	74,202
Due from banks	157	Borrowings	74,202
Loans and bills discounted	74,202	Other liabilities	121
Loans on deeds	74,202	Accrued expenses	113
Other assets	113	Lease obligations	7
Prepaid expenses	0	Other	0
Accrued income	113	Provision for bonuses	4
Other	0	Provision for directors' bonuses	0
Property, plant and equipment	5	Provision for retirement benefits	56
Lease assets	5	Provision for directors' retirement benefits	0
Intangible assets	73	Total liabilities	74,385
Software	72	Net assets	
Lease assets	1	Capital stock	407
Other	0	Retained earnings	(236)
Prepaid pension cost	4	Other retained earnings	(236)
Allowance for loan losses	(0)	Retained earnings brought forward	(236)
		Total shareholders' equity	170
		Total net assets	170
Total assets	74,555	Total liabilities and net assets	74,555

Statement of Operations (Year ended March 31, 2026)

(Millions of yen)

Items	Amount
Ordinary income	616
Interest income	207
Interest on loans and discounts	207
Interest on deposits with banks	0
Receipts from the national budget	409
Receipts from general account of the national budget	83
Receipts from special account of the national budget	325
Other income	0
Reversal of allowance for loan losses	0
Other	0
Ordinary expenses	655
Interest expenses	207
Interest on borrowings and rediscounts	207
Other ordinary expenses	325
Interest subsidies	325
General and administrative expenses	122
Ordinary loss	38
Net loss	38

Statement of Changes in Net Assets (Year ended March 31, 2026)

(Millions of yen)

	Shareholders' equity				Total net assets
	Capital stock	Retained earnings		Total shareholders' equity	
		Other retained earnings	Total retained earnings		
		Retained earnings brought forward			
Balance at the beginning of current period	407	(197)	(197)	209	209
Changes of items during the period					
Net income (loss)		(38)	(38)	(38)	(38)
Total changes of items during the period	—	(38)	(38)	(38)	(38)
Balance at the end of current period	407	(236)	(236)	170	170

Data

Amounts presented are rounded down to the nearest million yen.

1. Significant accounting policies

(a) Depreciation basis for fixed assets

(i) Intangible assets (except for lease assets)

Amortization of intangible fixed assets is computed by the straight-line method. Software used by JFC is amortized over its useful life (5 years).

(ii) Lease assets

Lease assets in “property, plant and equipment” or “intangible assets,” under finance leases that do not involve transfer of ownership to the lessee are amortized under the straight-line method over the lease term. Depreciation for lease assets is calculated with zero residual value being assigned to the asset.

(b) Accounting policy for reserves

(i) Allowance for loan losses

The allowance for loan losses is maintained in accordance with internally established standards.

The allowance for claims on debtors who are legally bankrupt (“Bankrupt borrowers”) or substantially bankrupt (“Substantially bankrupt borrowers”) is provided based on the outstanding balance after the write-offs described in the followings and the deductions of the amount expected to be collected through the disposal of collateral and execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt (“Potentially bankrupt borrowers”) is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral and the execution of guarantees.

The allowance for claims on debtors other than Bankrupt borrowers is provided based on primarily the anticipated loss amount within the next one year or the anticipated loss amount within the next three years. The anticipated loss amount is calculated by seeking the loss rate on the basis of the average default rate over a certain period in the past based on the default rates for one or three years and making necessary adjustments such as future expectations.

All claims are assessed initially by the operational departments and subsequently by risk evaluation departments based on internal rules for self-assessment of asset quality. The risk evaluation departments, which are independent from the operational departments, review these self-assessments.

(ii) Provision for bonuses

The “provision for bonuses” is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the balance sheet.

(iii) Provision for directors' bonuses

The “provision for directors' bonuses” is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by directors to the date of the balance sheet.

(iv) Provision for retirement benefits

The “provision for retirement benefits” (including prepaid pension cost) represents the future payment for pension and retirement benefits to employees, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the fiscal period end. In addition, in calculating projected benefit obligations, JFC follows straight-line basis with regard to methods for attributing projected benefit payments to the period through the end of the fiscal year in review. Moreover, unrecognized prior service costs and unrecognized actuarial differences in profit and loss disposition are calculated as follows:

Unrecognized prior service costs are recognized as income or expense by the straight-line method over a certain number of years; 10 years within the average remaining work period of employees at the time of occurrence.

Unrecognized actuarial differences are recognized as income or expense from the following fiscal year by the straight-line method over a period up to a maximum of 10 years within the average remaining service period of employees of the respective fiscal year at the time of occurrence.

(v) Provision for directors' retirement benefits

The “provision for directors' retirement benefits,” which provides for future retirement pension payments to directors, corporate auditors and executive officers, is recognized at the amount accrued at the end of the fiscal year.

Issued but not yet adopted accounting standards and others

1. 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. Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026) and Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events and other standards were issued with the priority objective of setting comprehensive accounting standards that address the definition, accounting treatment, and disclosure of subsequent events. The fundamental policy was to transfer the accounting guidance into the Accounting Standards Board of Japan (ASBJ), in principle following the accounting-related provisions set forth in the Audit Treatment concerning Subsequent Events (Auditing Standards Committee Statement 560, Practice Guideline No. 1) issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants. The standards also revise the wording and clarify the evaluation period for subsequent events, and require new notes regarding the approval for the issuance of financial statements.

(2) Scheduled date of application

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

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: ¥74,315 million

Total amount: ¥74,315 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 ¥1 million.

5. Restriction in dividend distribution

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

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

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

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

6. Issued shares

For the fiscal year ended March 31, 2026, 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 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 uncollectible 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, 2026, 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	157	157	—
(2) Loans and bills discounted	74,202		
Allowance for loan losses ^(*)	(0)		
	74,201	71,912	(2,289)
Total assets	74,359	72,069	(2,289)
Borrowings	74,202	72,114	(2,087)
Total liabilities	74,202	72,114	(2,087)

(*) 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 ^(*)	157	—	—	—	—	—
Loans and bills discounted	14,970	33,348	9,916	8,008	6,684	1,276
Total	15,127	33,348	9,916	8,008	6,684	1,276

(*) Demand deposits contained within due from banks are stated as "Maturities within one year."

(Note 2) Redemption schedule for bonds and borrowings with future redemption dates

(Millions of yen)

	Maturities within one year	Maturities after one year but within three years	Maturities after three years but within five years	Maturities after five years but within seven years	Maturities after seven years but within ten years	Maturities after ten years
Borrowings	14,970	33,348	9,916	8,008	6,684	1,276

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, 2026)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	—	157	—	157
Loans and bills discounted	—	71,912	—	71,912
Total assets	—	72,069	—	72,069
Borrowings	—	72,114	—	72,114
Total liabilities	—	72,114	—	72,114

(Note 1) Explanation of valuation techniques used for calculation of fair values and inputs for calculation of fair values

Assets

(1) Cash and due from banks

For cash and due from banks that do not mature, the carrying amount is used as fair value because fair value resembles the carrying amount, classified into level 2 fair value.

(2) Loans and bills discounted

All loans have a fixed interest rate and fair value is calculated by discounting the principal and interest by the interest rate, 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) Reconciliation schedule of opening balance and closing balance of projected benefit obligations

Opening balance of projected benefit obligations	70 million yen
Service cost	3
Interest cost	0
Actuarial difference	(19)
Payment of retirement benefits	—
Prior service cost	—
Other	(0)
Closing balance of projected benefit obligations	<u>54</u>

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

Opening balance of fair value of plan assets	17 million yen
Expected return on plan assets	0
Actuarial difference	(4)
Financing from employer	2
Payment of retirement benefits	—
Other	(0)
Closing balance of fair value of plan assets	<u>14</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	10 million yen
Fair value of plan assets	(14)
	(4)
Projected benefit obligations of unfunded plan	44
Unfunded pension obligations	40
Actuarial unrecognized difference	11
Unrecognized prior service cost	0
Net amount of liabilities and assets recorded on the balance sheet	<u>52</u>
Provision for retirement benefits	56
Prepaid pension cost	(4)
Net amount of liabilities and assets recorded on the balance sheet	<u>52</u>

(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	2
Amortization of prior service cost accounted for as expense	0
Other	—
Net pensions cost related to defined benefits plan	<u>6</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	56%
General account	10%
Cash and deposits	6%
Total	<u>100%</u>

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	3.2%
2) Long-term expected rate of return on plan assets	2.0%
3) Expected rates of future salary increase	2.3% to 5.8%

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, 2026 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, 2026
Principal shareholder	Ministry of Finance (Minister of Finance) ^(Note i)	100 (Direct)	Administration for policy based financing	Receipt of funds ^(Note ii)	22,000	Borrowings	74,202
				Repayment of borrowings	14,886		
				Payment of interest on borrowings	207	Accrued expenses	113

(Notes)

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

-Cabinet Office	
Receipts from the national budget	¥23 million
-Ministry of Economy, Trade and Industry	
Receipts from the national budget	¥377 million
-Ministry of Land, Infrastructure, Transport and Tourism	
Receipts from the national budget	¥8 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	¥0.41
Net loss per share	¥0.09

12. Subsequent events

Not applicable.

Risk-monitored Loans

JFC reports risk-monitored loan amounts calculated based on the “Ministerial Ordinance Concerning Accounting of Japan Finance Corporation” (Ordinance of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry; Ordinance No. 3 of 2008).

Risk-monitored Loans

(Millions of yen)

	Micro Business and Individual Unit (Account for Micro Business and Individual Operations)	Agriculture, Forestry, Fisheries and Food Business Unit (Account for Agriculture, Forestry, Fisheries and Food Business Operations)	Small and Medium Enterprise (SME) Unit (Account for SME Loan Programs and Securitization Support Programs (Guarantee-type Operation))	Total
Risk-managed loan rate	14.74%	9.43%	13.11%	13.25%
Risk-managed loan balance	1,394,761	321,866	970,910	2,687,538
Bankrupt or its equivalent	21,332	4,537	9,393	35,263
Doubtful loans	130,139	112,896	792,058	1,035,094
Loans with interest or principal repayments more than three months in arrears	51	1,658	—	1,710
Restructured loans	1,243,238	202,774	169,458	1,615,470
Normal	8,066,045	3,090,964	6,433,391	17,590,400
Total loan balance	9,460,807	3,412,830	7,404,330	20,277,968

(Definitions)

- Bankrupt or its equivalent:
Loans or loan equivalents to borrowers who have gone bankrupt for reasons such as a declaration of bankruptcy, reorganization, or revitalization proceedings.
- Doubtful loans:
Loans to borrowers who have not yet reached a state of legal bankruptcy but whose financial position and business performance have deteriorated; therefore, the prospect of complete repayment of principal and interest is remote in accordance with the contract obligations (excluding bankrupt or de facto bankrupt borrowers).
- Loans with interest or principal repayments more than three months in arrears:
Loans whose principal or interest payments are more than three months in arrears (excluding bankrupt or de facto bankrupt and doubtful).
- Restructured loans:
Loans whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers' recovery from financial difficulties to facilitate collection of the loans (excluding bankrupt or de facto bankrupt, doubtful, and loans with interest or principal repayments more than three months in arrears).

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