



Overview of Fiscal Investment and Loan Program 2023





Mito City/ Public project, etc. (Renovation project of the new civic center) / Mito civic center/ Mito City, Ibaraki



The Okinawa Development Finance Corporation/[Industrial Investment target] Investment in MRO Japan (Support for the nation's first MRO project which becomes a core of new industrial cluster) /Aircraft maintenance company/Naha city, Okinawa

Source of photos on the front page



- ① Japan Organization for Metals and Energy Security/Investment in ITC Platinum Development Limited (Support for the overseas mineral exploration and development project by Itochu Corporation)/Mineral exploration of Platreef platinum group metals/South Africa
- ② Cool Japan Fund Inc./Investment in a food-tech start-up company, DAIZ Inc. which intends to develop globally the sprouted soybean-derived plant-based meat ingredients originated in Japan/Extruder which realizes a meat-like texture (food extrusion and processing machine)/Mashiki-machi, Kamimashiki-gun, Kumamoto
- ③ Development Bank of Japan Inc./[Industrial Investment target] Support for tourism vitalization through the fund for Setouchi Tourism Vitalization/Traditional Japanese house/Onomichi City, Hiroshima
- ④ Japan Finance Corporation (Operations aimed at agriculture, forestry, fisheries and food business)/ Smart agriculture/Greenhouse which introduced environmental control system/Mito City, Ibaraki
- ⑤ Japan Railway Construction, Transport and Technology Agency/New Shinkansen project/Kyushu Shinkansen/Nagasaki City, Nagasaki
- ⑥ Muroto City/Depopulated area development project [Muroto Municipal Muroto Clinic construction project]/ Muroto Municipal Muroto Clinic/Muroto City, Kochi
- ⑦ Urban Renaissance Agency/Land readjustment project/Umekita 2nd District/Osaka City, Osaka
- ⑧ Japan Railway Construction, Transport and Technology Agency/Ship sharing and building project/Reimei Maru/Yawatahama City, Ehime
- ⑨ Welfare and Medical Service Agency/Welfare fund loan project/Geriatric health services facility, Excelente/Sendai City, Miyagi
- ⑩ Japan Finance Corporation/Loan to Daiwa Gear Manufacturing Co., Ltd. (Capital Subordinated Loans execution) (Project details: manufacture of precision gears)/ 3rd factory in Wakayama/Hidakagawa-cho, Hidaka-gun, Wakayama

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Central Japan International Airport Company, Ltd. /Airport construction project/Chubu Centrair International Airport/ Tokoname City, Aichi

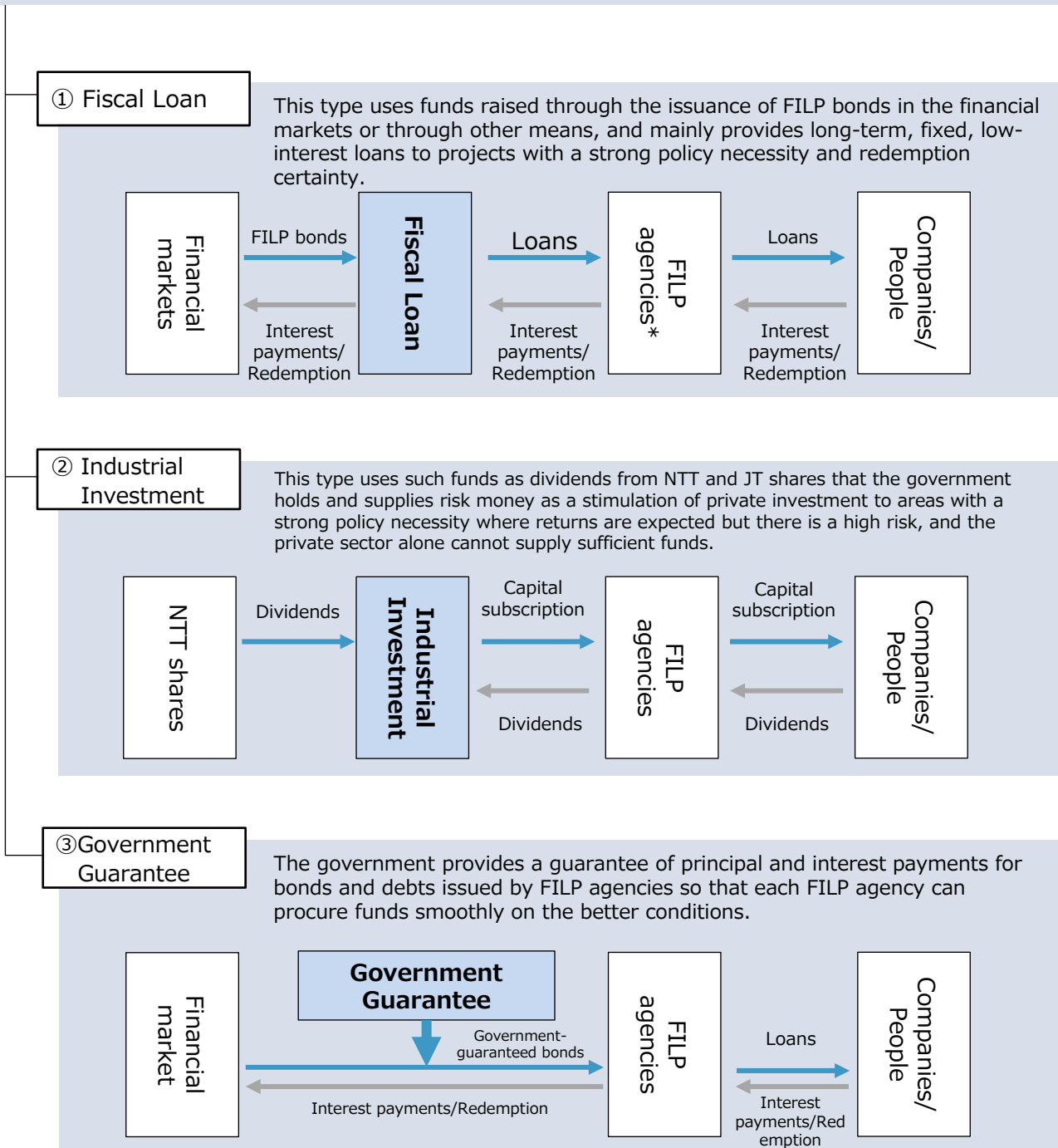
I Mechanism of FILP

This Chapter will explain the Fiscal Investment and Loan Program (FILP), including the features of FILP, which is a fiscal policy, and the utilization of FILP to date.

1 What is FILP

FILP is the investment and lending operations by the government, which does not use tax revenue sources, but uses the funds raised through the issuance of FILP bonds, a kind of Japanese government bond.

FILP is classified into three types: ① **Fiscal Loan**, ② **Industrial Investment**, and ③ **Government Guarantee**. They have different financial resources and funding targets.



*: "FILP agencies" mean the agencies that utilize FILP in the relevant fiscal year, such as policy-based financial institutions and independent administrative agencies.

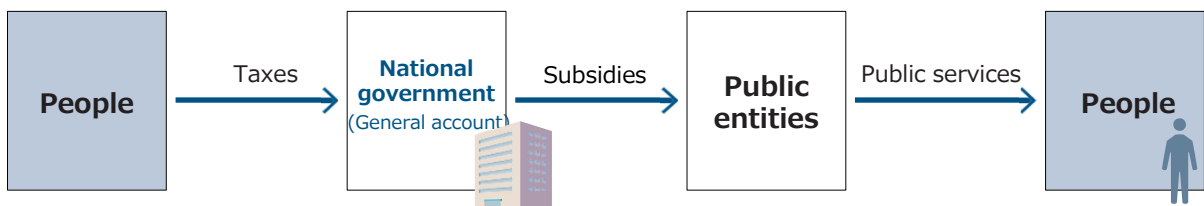
2 Features of FILP

> Difference of fund flow between general account budget and **Fiscal Loan**

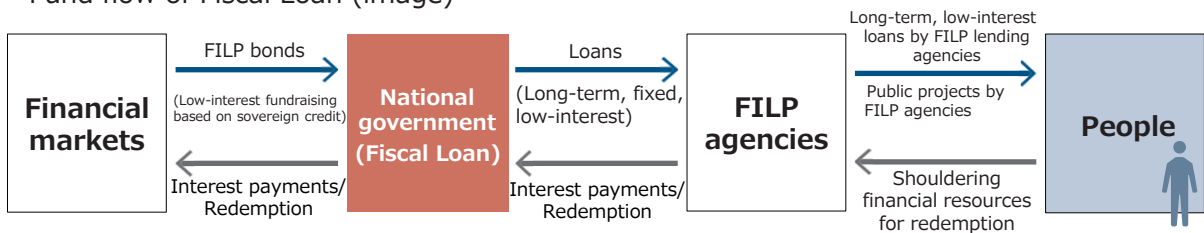
Subsidies in the general account budget are spent by the government as a budget in a one-way fund flow.

In contrast, the Fiscal Loan indicates a two-way fund flow under which funds raised from the financial markets are used for loans to FILP agencies, while interest payments and redemptions are required.

Fund flow of subsidies in the general account (image)

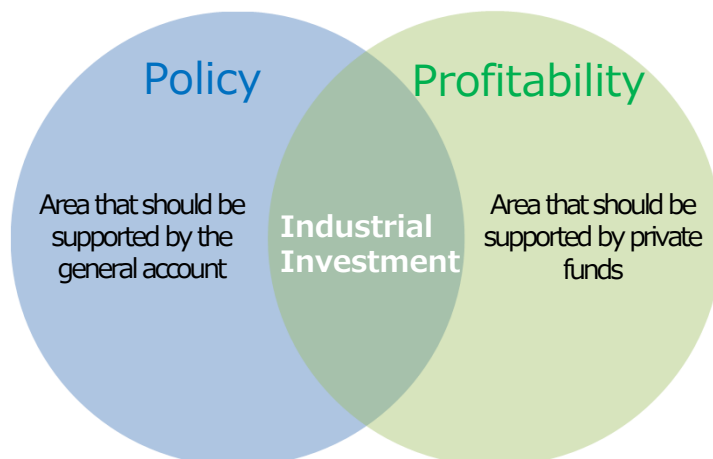


Fund flow of Fiscal Loan (image)



> Features of **Industrial Investment**

Industrial Investment is an investment activity by the national government that reinvests returns from its investees with the objective of developing industry and promoting trade. Industrial Investment targets are required to be a *policy* that leads to the strengthening of the growth potential of the Japanese economy in an internationally competitive environment and to have a certain degree of *profitability* that exceeds the principal amount.



3 Challenges facing the Japanese economy and the roles of FILP

> Challenges facing the Japanese economy and public finance

In the current situation of a declining population, improvement of productivity and creation of innovation have been pointed out as challenges for the sustainable growth of Japanese economy.

To resolve these challenges, investment from a medium-to-long-term perspective is essential, and in areas where private finance alone cannot adequately bear the risk, the government is required to exercise its public finance function.

> Roles of FILP

FILP plays the following roles as one of the public finances in both normal times and in times of crisis on the premise of supplementary nature for private business, that is *what can be done by the private sector is left to the private sector*.

Normal times

▶ Medium-to-long-term fund supply that the private sector cannot bear

In large-scale and very long-term projects, such as airports and urban redevelopment, that benefit the overall national and regional economy, FILP bears the risk that the private sector cannot bear, such as medium-to-long-term fund supply.

▶ Supplement for private financial markets

FILP realizes policy objectives that are difficult to achieve through private finance, for SMEs and micro enterprises and the agriculture, forestry, and fisheries industries with weak financial bases regarding creditworthiness and collateral, and under an environment that is difficult to optimally allocate resources due to external economic effects, and for areas such as welfare that require a certain level of policy guidance.

▶ Effect of inducement of private funds

FILP induces the supply of funds from private finance by providing financing support for venture companies and others that create added values beyond conventional boundaries in the fields that contribute to the realization of policy objectives.

Times of crisis

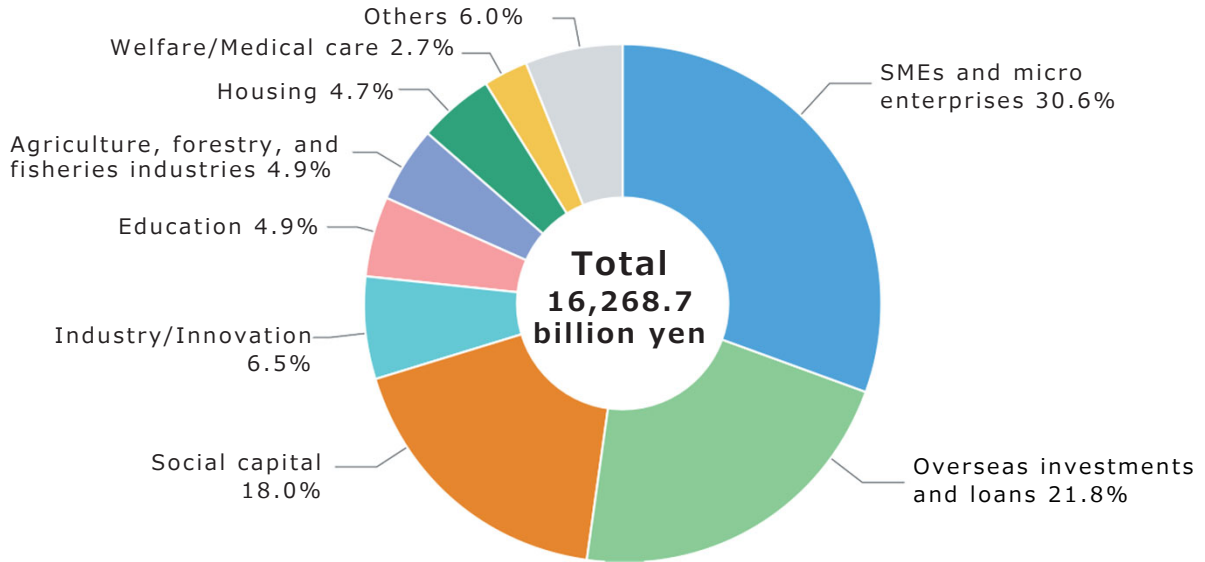
▶ Quantitative supplement in times of crisis

In times of crisis, such as the collapse of the Lehman Brothers, Great East Japan Earthquake and COVID-19 infection, FILP provides a *quantitative supplement* for private finance beyond the roles in normal times, because there are limits in the risk that can be borne by the private finance.

4 Fields where FILP is utilized

FILP is utilized in various fields through projects carried out by FILP agencies, such as policy-based finance institutions and independent administrative agencies.

[Proportion of the amount of FILP in each field (FY 2023 FILP plan)]



▶ SMEs and micro enterprises

FILP is used to support cash flow for, and to supply funds for capital investment for the foundation and management reorganization of SMEs and micro enterprises that have weak financial bases in terms of creditworthiness and collateral.

- Japan Finance Corporation (JFC), The Okinawa Development Finance Corporation, etc.



JFC(Operations aimed at the micro/small businesses and individuals)/Loans for Connected Robotics Inc. (Project details: Development and sales of robot services for restaurants and food factories)/Food serving robot, Delibot/Koganei City, Tokyo

▶ Overseas investments and loans

FILP is used to secure resources and energy in a stable manner, and to promote overseas project development of Japanese companies.

- Japan Bank for International Corporation (JBIC), Japan Organization for Metals and Energy Security (JOGMEC), Cool Japan Fund Inc., and others.



JOGMEC/Wheatstone LNG project/Panoramic view of the project site/Australia

▶ Social capital

FILP is used to promote and accelerate large-scale, very long-term projects such as maintenance of airports, railways and expressways.

- Japan Railway Construction, Transport and Technology Agency (JRJT), Japan Expressway Holding and Debt Repayment Agency, and others.



JRJT/New Shinkansen project/Kyusyu Shinkansen/Nagasaki City, Nagasaki

▶ Industry/Innovation

FILP is used to supply risk money necessary for strengthening of the competitiveness of industries and for creation of innovation.

- Development Bank of Japan Inc. (DBJ), Japan Finance Corporation (JFC), and others.



DBJ/LNG vessel

▶ Education

FILP is used to carry out a loan-type scholarship project for students and others and to lend funds necessary for maintenance of facilities of private schools.

- Japan Student Services Organization (JSSO), Promotion and Mutual Aid Corporation for Private Schools of Japan (PMAC), and others.



PMAC/Loan project (general facility costs)/International Christian University/Mitaka City, Tokyo

▶ Agriculture, forestry and fisheries industries

FILP is used to respond to the demand for funds for capital investment, etc. in the agriculture, forestry and fisheries industries that are susceptible to natural conditions and that have a long production-cycle and other characteristics.

- Japan Finance Corporation (JFC), National Federation of Land Improvement Associations, and others.



JFC (Projects for agriculture, forestry and fisheries industries) /Scale expansion/Cowshed/Teshio-cho, Hokkaido

▶ Housing

FILP is used for promotion of reconstruction of dilapidated rental housing, and for disaster restoration housing loans to address disasters, such as Great East Japan Earthquake.

- Urban Renaissance Agency (UR), Japan Housing Finance Agency, and others.



UR/Rental housing projects/Hama Koshien Danchi/Nishinomiya City, Hyogo

▶ Welfare/Medical care

FILP is used to promote maintenance of welfare and medical facilities through loans for medical corporations and social welfare corporations.

- Welfare and Medical Service Agency (WAM), National Hospital Organization, and others.



WAM/Welfare loan project/Certified childcare institutions, Ruri Kindergarten/Shizuoka City, Shizuoka

5 Transition of FILP-target fields

FILP has been used for the development of important industries and other purposes according to the social conditions of the times. In recent years, FILP has been used proactively to meet the capital needs at the time of economic and financial crises by utilizing the features of FILP, which is a fiscal policy that does not rely on tax revenues and can supply funds flexibly according to the social and economic circumstances.

> From 1945 to early 1970s

Utilization of FILP from the post-war reconstruction period to the rapid economic growth period

- ▶ During the post-war reconstruction period, focus was placed on the development of key industries (coal, steel, shipping, electricity, etc.).
- ▶ After entering to the high economic growth period, FILP was also used in the housing field for infrastructure development and acquisition of private homes, which lagged behind Europe and the United States.

[Major example of utilization]

| Fields | FILP agencies | Examples of utilization |
|----------------------------|--|---|
| Housing | Japan Housing Corporation | Development of Tama New Town and Takashimadaira Danchi |
| SMEs | Japan Finance Corporation for SMEs (JASME) | Loans for the start-up and growth periods of Sony Corporation, Kyocera Corporation, etc. |
| Social capital improvement | Japan Highway Public Corporation (JH)/Japanese National Railways (KNR)/New Tokyo International Airport Authority (NAA) | Construction of Tomei and Meishin Expressways, Construction of Tokaido-Sanyo Shinkansen, Construction of Narita International Airport |
| Industry | Electric Power Development Co., Ltd./The Japan Development Bank | Construction of dams for electricity supply (Miboro dam), Long-term loans for key industries (coal, steel, shipping, electricity, etc.) |

> From the late 1970s to 1990s

Utilization of FILP from the stable growth period to the post-bubble period

- ▶ From late 1970's to early 1980's, utilization of FILP has been increased in housing and SMEs fields, and the utilization in these fields together with the field of living infrastructure improvement (urban development, etc.) has reached to 60% of the total of FILP.
- ▶ In 1990's after the collapse of bubble economy, utilization in the housing field had increased, while public projects were being promoted as an economic measure.

[Major example of utilization]

| Fields | FILP agencies | Examples of utilization |
|--|---|---|
| Housing | Japan Housing Corporation/ Land Development Corporation (Takuchi Kaihatsu kodan) | Loan for construction of houses, Development of Chiba New Town |
| Living infrastructure improvement/ Regional development | Housing and Urban Development Corporation/Japan Regional Development Corporation/Water Resources Development Public Corporation | Urban redevelopment (Minatomirai 21), development of Science City (Tsukuba), development of Iwaki New Town, Nagaoka New Town, redevelopment of provincial cities, and construction of Naramata Dam and Sameura dam for the development and use of water resources |
| SMEs | JASME/ People's Finance Corporation | Loans for SMEs that have difficulties to borrow money from private financial institutions |
| Social capital improvement | Japan Railway Construction Public Corporation/ Special account for airport development, etc. | Construction of Nagano New Shinkansen, Offshore expansion and re-expansion of Tokyo International Airport (Haneda) |

> Since the 2000s

- ▶ To make FILP more efficient and harmonized with market principles, FILP Reform (see below) has been carried out since 2001.
- ▶ FILP has responded flexibly to economic and financial crisis after the collapse of Lehman Brothers (2008), Great East Japan Earthquake (2011), and the COVID-19 infection (since 2020) through financial support for companies.

Response to economic and financial crisis after the collapse of Lehman Brothers

| Fields | FILP agencies | Examples of utilization |
|--|---|--|
| SMEs and micro enterprises | Japan Finance Corporation (JFC) | Safety Net Loans to SMEs that are expected to recover in the medium to long term |
| Medium and large-sized enterprises, etc. | JFC | Crisis response loans through the designated financial institutions (Development Bank of Japan, The Shoko Chukin Bank) |
| Overseas investments and loans | Japan Bank for International Cooperation (JBIC) | Provision of credit to support overseas operations of Japanese companies |

Response to Great East Japan Earthquake

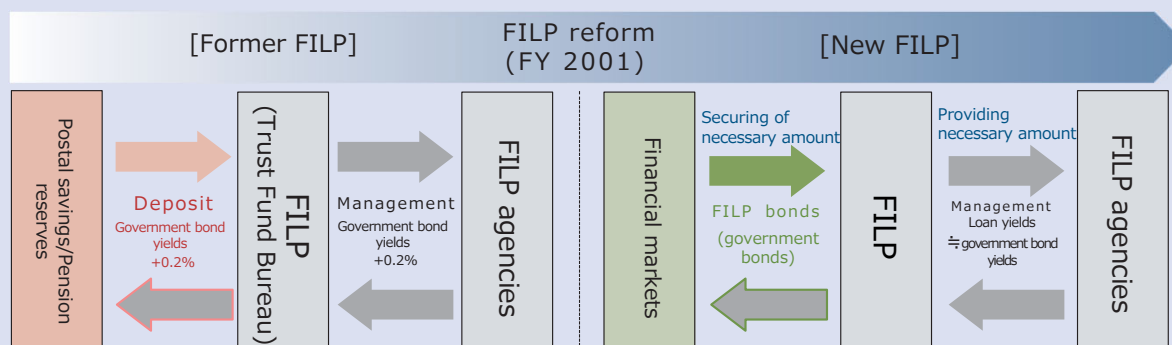
| Fields | FILP agencies | Examples of utilization |
|--|-------------------------------------|---|
| SMEs and micro enterprises | JFC | Financial support through Great East Japan Earthquake Recovery Special Loans, provision of capital funds for SMEs affected by the earthquake (Capital Subordinated Loans, etc.) |
| Medium and large-sized enterprises, etc. | JFC | Crisis response loans through the designated financial institutions (Two-step loans) |
| Local | Local governments | Funding for disaster prevention and mitigation measures based on lessons learned from Great East Japan Earthquake |
| Welfare/Medical care | Welfare and medical care facilities | Restoration of damaged hospitals and welfare facilities and provisions of loans for working capital |
| Housing | Japan Housing finance Corporation | Expansion of disaster restoration loans related to damaged housing |

Response to COVID-19 infection

| Fields | FILP agencies | Examples of utilization |
|--|-------------------------------------|--|
| SMEs and micro enterprises | JFC | Financial support through COVID-19 Special Loan program, substantially interest-free/unsecured loans by providing interest subsidies |
| Medium and large-sized enterprises, etc. | JFC | Crisis response loans through the designated financial institutions (Development Bank of Japan, The Shoko Chukin Bank), capital subordinated loans promoting financial support from private financial institutions |
| Agriculture, forestry and fisheries industries | JFC | Financial support for agriculture, forestry and fisheries businesses whose business operations have been affected, through substantially interest-free and unsecured loans |
| Welfare/Medical care | Welfare and medical care facilities | Financial support for welfare and medical businesses that have suspended or curtailed their operations, through substantially interest-free and unsecured loans |

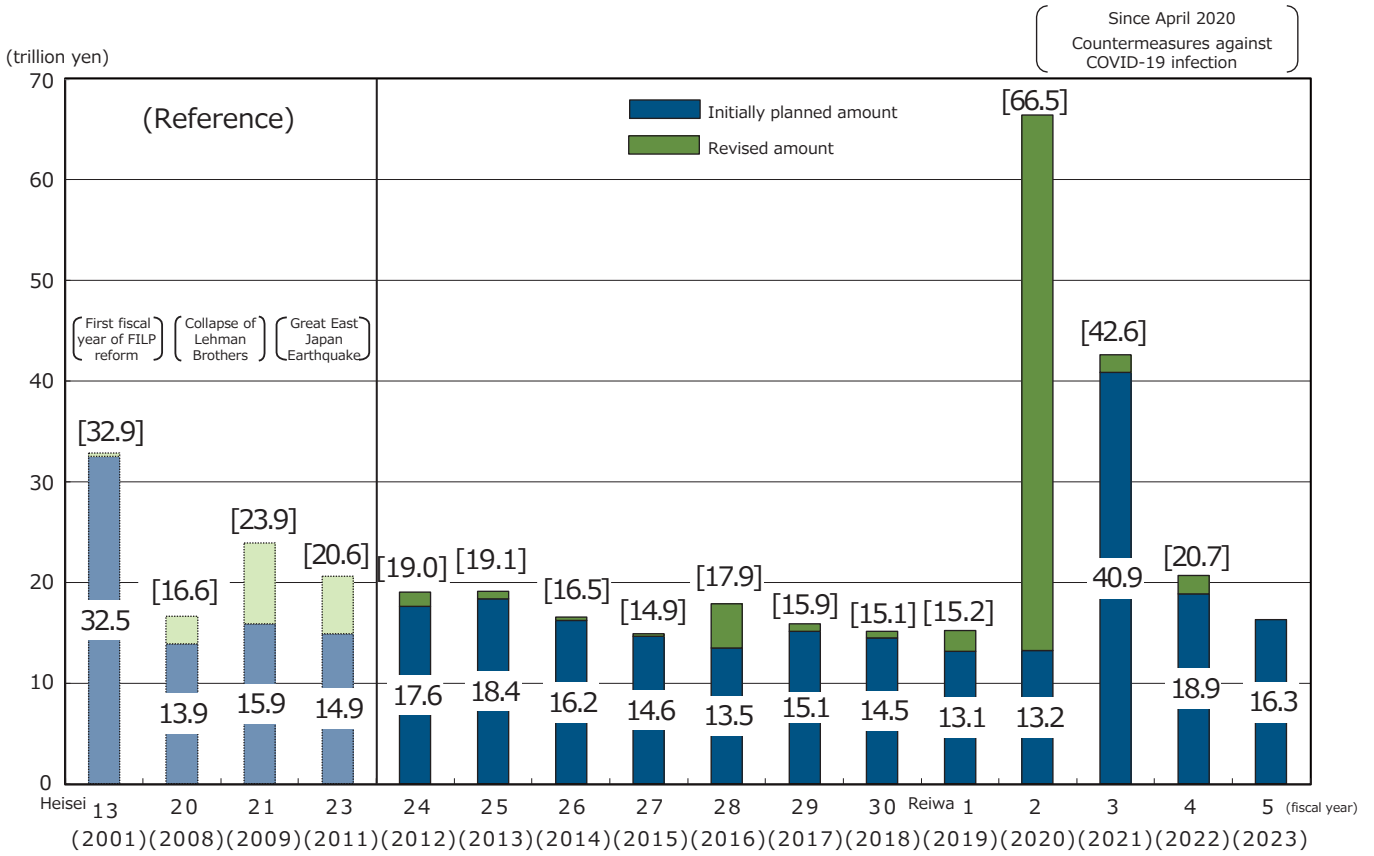
Point of FILP reform

FILP was reformed fundamentally in fiscal year 2001 (FILP reform). Although postal savings and pension reserves had been mandatorily deposited as a source of fiscal investment and loan funds before this reform, problems with regard to inefficient management had been pointed out because the funds had been collected regardless of the amount of funds needed for policy objectives. Therefore, an obligation to deposit postal savings and pension reserves was abolished in the FILP reform, and now only the truly necessary amount of FILP funds is raised independently from the financial markets through FILP bonds.

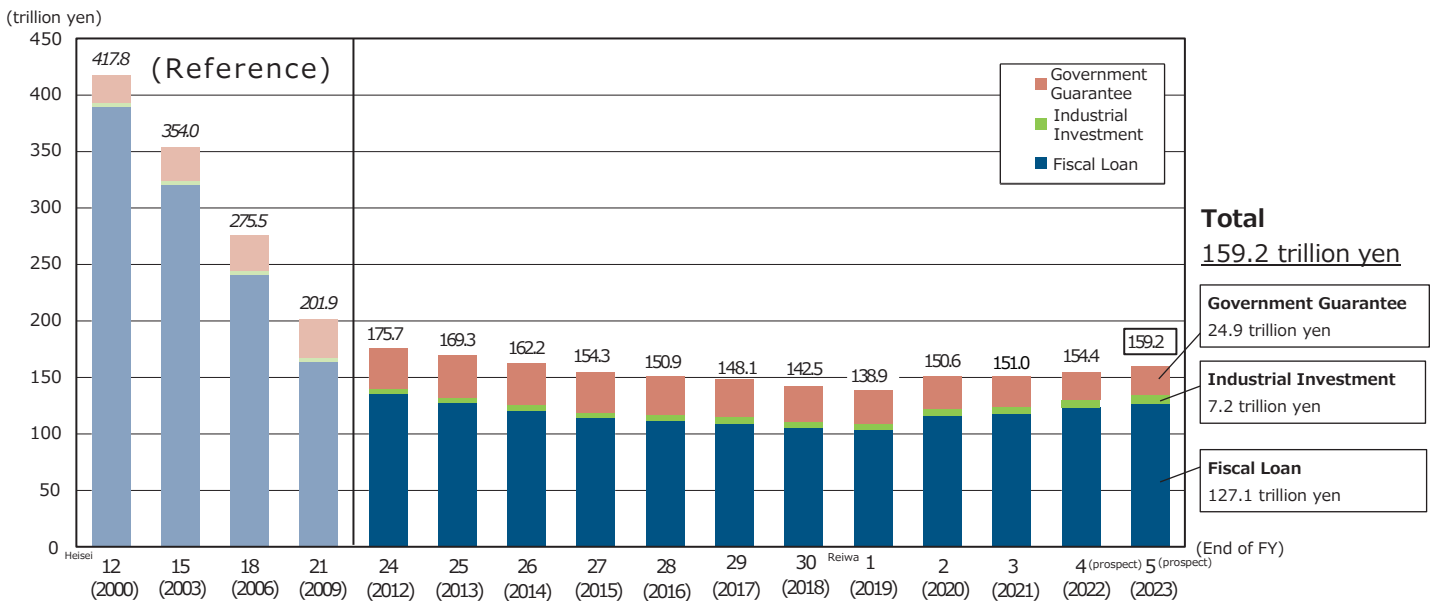


Reference

➤ Transition of the planned amount of FILP (flow)



➤ Transition of planned balance of FILP (stock)



(Note) Figures until FY 2021 are actual amounts. Figures from FY 2022 and FW 2023 are prospects as of December 2022. Differences in the figures might occur in the future.



Urban Renaissance Agency/ Urban renewal project/ Nagaoka City, Otedori, Sakanoue-machi area / Nagaoka City, Niigata

II FILP plan

Details of the most recent FILP plan to be carried out from April 2023 are explained in this chapter.

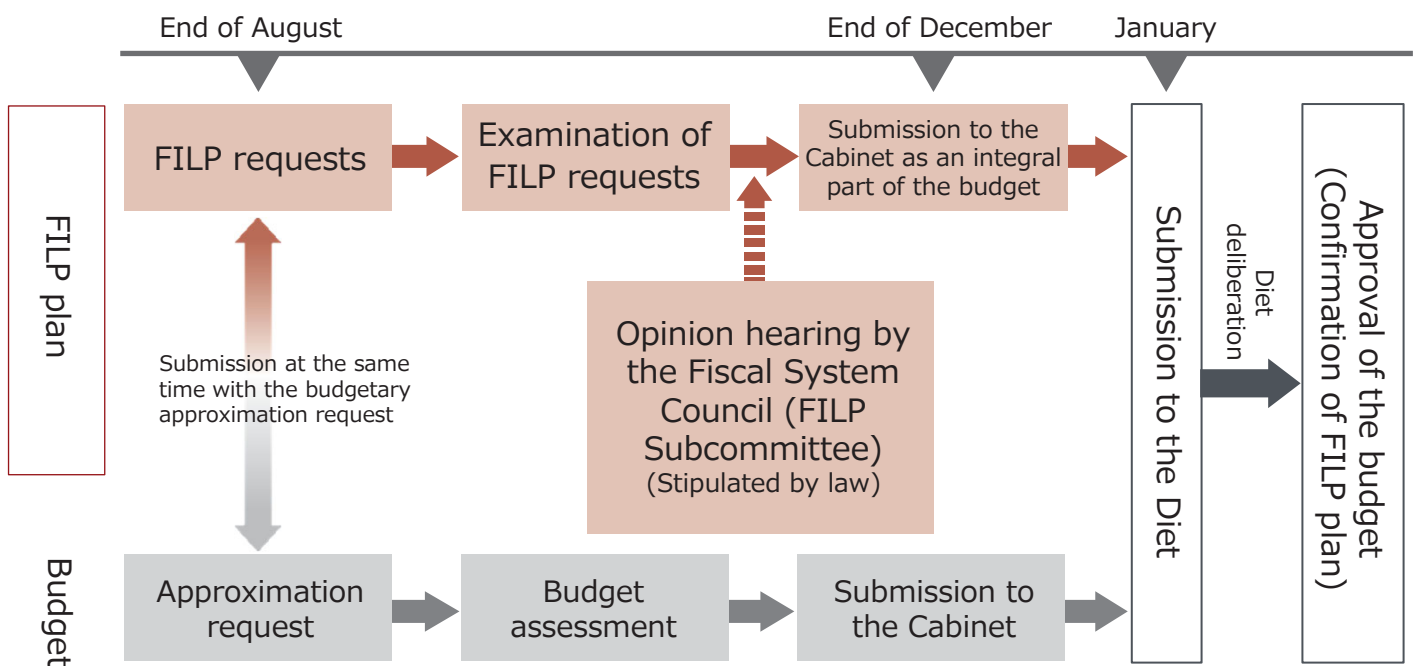
1 Flow of formulation of FILP plan

Fiscal investments and loans have an important function as an allocation of resources by the government, and the long-term investment and loan activities are considered to have a significant impact on people's lives. Therefore, the respective estimated amount of Fiscal Loan, Industrial Investment, and Government Guarantee* are calculated for each FILP agency and the FILP plan, which is organized in a unified and listed manner, is formulated annually.

* : In accordance with Article 5 of the Act on Special Measures on Long-Term Investment of Government Fiscal Loan Fund (Act on Long-Term Investment), Fiscal Loan (5 or more years), Industrial Investment (capital subscription and lending for five or more years), Government Guarantee (five or more years) are subject to the calculation.

- ▶ The Ministers in charge of FILP agencies compile the requests from the FILP agencies and submit them to the Minister of Finance by the end of August at the same time as the budget request in the general account.
- ▶ Toward the end of December, the Financial Bureau of the Ministry of Finance reviews the request of each FILP agency, while hearing opinions from the FILP Subcommittee of the Fiscal System Council.
- ▶ Formulated FILP plan is submitted to the Cabinet as an integral part of the budget.
- ▶ Then, the budget which includes the FILP plan is discussed in the ordinary Diet session which begins in January, and the FILP plan is implemented in the new fiscal year upon approval of the budget.

<Process of formulation of the FILP plan>



2 FY 2023 FILP Plan

The government has formulated the Fiscal Investment and Loan Program (FILP) Plan for FY 2023 with emphasis on the following areas.

- (1) Necessary and sufficient financial support to SMEs.
- (2) Investments and loans to key areas of the “New Form of Capitalism”.
- (3) Investments and loans to address uncertainties in international affairs.

FY 2023 FILP Plan: 16,268.7 billion yen

< FILP Plan > (Unit: billion yen)

| | FY 2021 | FY 2022 | FY 2023 | | |
|-----------------------|--------------|--------------|-----------------|-----------|-------------|
| | Total Amount | Total Amount | Total Amount | change | growth rate |
| FILP | 40,905.6 | 18,885.5 | 16,268.7 | ▲ 2,616.8 | ▲13.9% |
| Fiscal Loan | 38,302.7 | 16,448.8 | 12,709.9 | ▲ 3,738.9 | ▲22.7% |
| Industrial Investment | 362.6 | 326.2 | 429.8 | 103.6 | +31.8% |
| Government Guarantee | 2,240.3 | 2,110.5 | 3,129.0 | 1,018.5 | +48.3% |

*: Outside of the FILP plan for FY 2023, 636.7 billion yen will be transferred from the Fiscal Investment and Loan Special Account to the General Revenue Account.

< Main policy measures of the FILP Plan for FY 2023 >

1. Financial support

- JFC, ODFC and WAM will provide necessary and sufficient financial support to businesses and health and welfare service providers that are facing harsh conditions due to the impact of the COVID-19 pandemic and the rising prices.

A part of 6,232.4 billion yen
(Fiscal Loan + Industrial Investment)

2. Accelerating the “New Form of Capitalism”

① “Investment in people”

- DBJ will encourage companies to promote “Investment in people” by strengthening loan programs that focus on a company's non-financial information* regarding its human capital.

*: Company engagement in such areas as; minimizing the wage gap between men and women, initiatives for an environment conducive to raising children, reskilling, and promoting mental health measures.

- JFC and ODFC will encourage SMEs to “invest in people” by strengthening loan programs for enterprises recognized as “The Certified Health & Productivity Management Organizations”. (The interest rate will be reduced by 0.4%/0.65%.)
- PMAC will expand its loan program and support the restructuring of university faculties, in order to develop human resources with advanced expertise and the ability to lead in growing areas such as the “digital” and “green” sectors.

A part of 27.2 billion yen (Fiscal Loan)

② Start-ups

- JFC and ODFC will utilize a loan program, the maximum amount of which has been doubled to 1.44 billion yen, for start-ups with high growth potential, with the aim of strengthening financial support for start-ups.
- DBJ will provide more funds to start-ups and venture capital firms, through “DBJ Start-ups and Innovation Fund”*. *: The fund size is 200 billion yen.

A part of 40.0 billion yen
(Industrial Investment)

③ GX

- JICN, founded on Oct. 28, 2022, will invest in and finance a diverse range of projects that contribute to decarbonization.
- JHF will promote the spread of energy-efficient housing by issuing government-guaranteed green bonds.

40.0 billion yen (Industrial Investment)

220.0 billion yen (Government Guarantee)

3. Addressing uncertainties in the international affairs

- JBIC will provide financial support to Japanese companies to strengthen their supply chains and expand their business overseas in cutting-edge fields such as the “green” and “digital” sectors.
- JOGMEC will support projects that contribute to the stable supply of natural gas and metal mineral resources such as rare metals through investment and other means.
- In accordance with the Economic Security Promotion Act, JFC will provide preferential financing for the long-term and large-scale financial needs of businesses seeking to secure the stable supply of semiconductors, storage batteries, and other critical commodities.

A part of 1,972.0 billion yen
(Fiscal Loan + Industrial Investment + Government Guarantee)

139.6 billion yen
(Fiscal Loan + Industrial Investment)

A part of 236.7 billion yen (Fiscal Loan)

< FILP agencies >

- JFC (Japan Finance Corporation)
- ODFC (The Okinawa Development Finance Corporation)
- WAM (Welfare And Medical Service Agency)
- DBJ (Development Bank of Japan Inc.)
- PMAC (Promotion and Mutual Aid Corporation for Private Schools of Japan)
- JICN (Japan Green Investment Corporation for Carbon Neutrality)
- JHF (Japan Housing Finance Agency)
- JBIC (Japan Bank for International Cooperation)
- JOGMEC (Japan Organization for Metals and Energy Security)

Major examples

Japan Finance Corporation(JFC) (Operations aimed at micro/small businesses and individuals · Operations aimed at SMEs) , The Okinawa Development Finance Corporation(ODFC)

- To response to SMEs and others whose business operations have been affected by COVID-19 infection, they will continue to take all possible measures to support cash flow by ensuring sufficient project scales in light of the current demand for funds and other factors.

JFC (Operations aimed at micro/small businesses and individuals · Operations aimed at SMEs)
ODFC

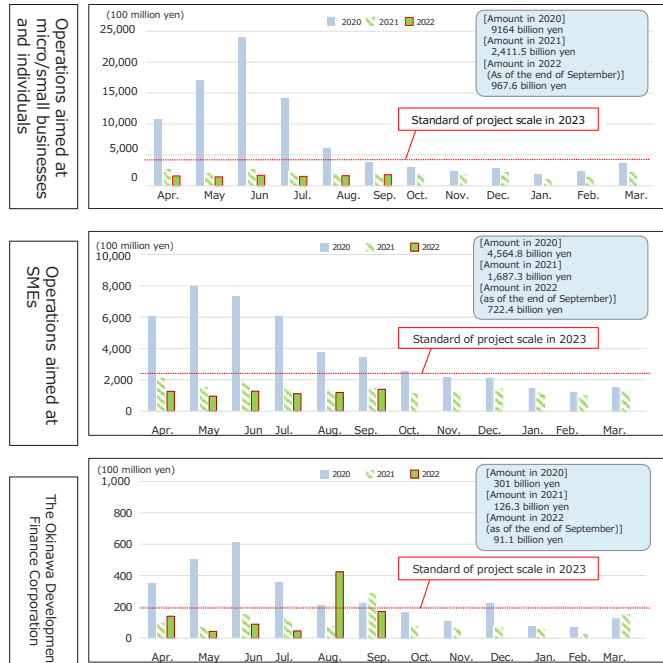
FY2023 : Fiscal Loan 4,970.0 billion yen, Industrial Investment 25.8 billion yen
FY2023 : Fiscal Loan 199.4 billion yen, Industrial Investment 7.0 billion yen

Project scale and FILP

(Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|---|-------------------|-------------------|-------------------|
| Operations aimed at micro/small businesses and individuals | | | |
| Project scale | 130,510 | 58,960 | 47,490 |
| FILP | 93,013 | 23,020 | 30,718 |
| Fiscal Loan | 90,500 | 23,000 | 30,700 |
| Industrial Investment | 13 | 20 | 18 |
| Government Guarantee | 2,500 | - | - |
| Operations aimed at SMEs | | | |
| Project scale | 62,400 | 33,700 | 27,400 |
| FILP | 49,354 | 11,969 | 19,240 |
| Fiscal Loan | 46,830 | 11,800 | 19,000 |
| Industrial Investment | 24 | 169 | 240 |
| Government Guarantee | 2,500 | - | - |
| The Okinawa Development Finance Corporation | | | |
| Project scale | 5,640 | 2,951 | 2,332 |
| FILP | 5,159 | 2,243 | 2,064 |
| Fiscal Loan | 5,137 | 2,217 | 1,994 |
| Industrial Investment | 22 | 26 | 70 |
| Government Guarantee | - | - | - |

Transition of the amount of lending



(N 1) "Standard of project scale in 2023" indicates the project scale of the full year divided into 12 equal portions.
 (N 2) Regarding The Okinawa Development Finance Corporation, the amount of investment is included.

JFC (Operations aimed at micro/small businesses and individuals · Operations aimed at SMEs)

- From the perspective of boosting economic growth toward the post-COVID 19 era, it proactively supports SMEs and others that are tackling management issues for the startup, enhancement of the growth potential, or for other purposes.

- It provides support by utilizing various loans, capital subordinated loans and other loans for SMEs and others that are tackling management issues for startup, enhancement of the growth potential, or for other purposes.

Support for start-ups/founders

[Financial support]

- Support for start-ups and others through start-up support loans

To promote the growth of start-ups that are expected to lead the economic growth and social transformation in Japan, JFC provides support to start-ups that have been provided support by private VC and others, by utilizing loans with stock subscription rights Loans, capital subordinated loans and others."

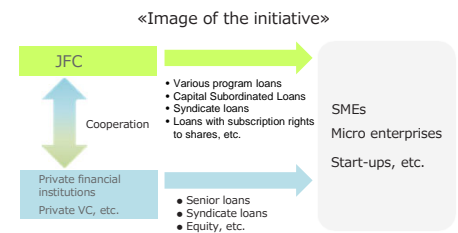
- Support for start-ups through new business opening loans

Support is provided through reduction of lending interest rates for young people who start a business under the approved specified business start-up support program.

[Non-financial support]

- Not only financial support, but also as non-financial support

- Holding seminars for founders/start-ups
- Holding the High School Student Business Plan Grand Prix for high school students.
- Promoting support for founders/start-ups through promotion of matching support for *Tsugu-sta* (note) A form of start-up in which a third party takes over the business and re-starts it (named by JFC)



«Merits of Tsugu-sta»

Potential to reduce the start-up cost by utilizing the existing equipment.

Potential to realize stable management by succeeding techniques and know-hows, etc.

Support for SMEs and others that are committed to investing in people

- Supporting SMEs and others by expanding the scope of targets of funds to support the promotion of work-style reform

Based on the fact that the importance of "Investment in people" as a source of corporate vitality is increasing, JFC promotes support for SMEs and others that view the health of their employees as a management strategy and engage in health management of their employees from the viewpoint of improving corporate productivity and vitality.

(Expansion of lending targets: SMEs and others that are Certified H&PM organization)

JFC (Operations aimed at agriculture, forestry, fisheries and food business)

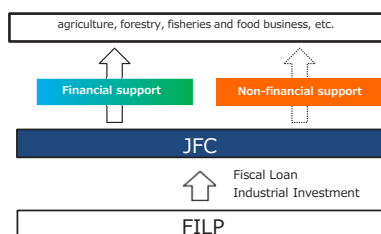
- To provide full support for the agriculture, forestry, fisheries and food business that are facing difficult circumstances due to the effects of COVID-19 infection, high prices and the weak yen, it secures sufficient project scale regarding the safety net funds (financial support).
- To steadily promote the transformation of agriculture, forestry and fisheries into growth industries, it secures sufficient project scale regarding the Super L Funds necessary for smart agriculture and greening, and regarding the funds responding to expansion of export of agricultural, forestry, fisheries and food products by taking advantage of the weak yen.
- In addition to these financial supports, it cooperates with and provides support for agriculture, forestry, fisheries and food business by promoting further the consulting business such as management adviser program for agriculture, forestry and fisheries industries.

FY2023: Fiscal Loan 763 billion yen, Industrial Investment 3.0 billion yen

Project scale and FILP (Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|----------------------|----------------------|----------------------|
| Project scale | 7,910 | 7,100 | 8,190 |
| FILP | 7,000 | 6,270 | 7,660 |
| Fiscal Loan | 7,000 | 6,270 | 7,630 |
| Industrial Investment | - | - | 30 |
| Government Guarantee | - | - | - |

Project scheme



Point of initiatives

Support responding to the COVID-19 infection, high prices, weak yen, etc. (207.2 billion yen)

- ✓ In order to provide full support for agriculture, forestry, and fisheries enterprises that are facing difficult circumstances due to the effects of COVID-19, high prices, and other factors, it secures sufficient project scale regarding the safety net funds (financial support). (202.2 billion yen)
- ✓ It secures sufficient project scale regarding capital subordinated loans (5 billion yen) to ensure smooth supply of funds from private financial institutions for expansion of business scale and entry into new businesses toward counteroffensive action.

Support for promoting smart agriculture, forestry and fisheries industries, DX, Greening, etc. (598.6 billion yen)

- ✓ It secures sufficient project scale regarding the Super L funds necessary for smart agriculture and greening and other funds to steadily promote the transformation of agriculture, forestry and fisheries into growth industries. (587.5 billion yen)
- ✓ It secures sufficient project scale regarding the funds for forestry infrastructure development that contributes to forest sink measures and funds for fisheries infrastructure development that contributes to make fisheries into growth industry. (11.1 billion yen)

Support for expansion of export of agriculture, forestry, fisheries and food products (13.2 billion yen)

- ✓ It secures sufficient project scale regarding the funds for enhancement of agricultural, forestry, fishery and food products export infrastructure to ensure that the capital needs of agriculture, forestry, fishery and other industries are fully met for expansion of export of agriculture, forestry, fisheries and food products by taking advantage of the weak yen.

Cooperation with and support for agriculture, forestry, fisheries and food business through exercise of JFC's consulting function (non-financial support)

- ✓ Underpinning for agriculture, forestry and fisheries industries through promotion of consulting business such as agriculture, forestry and fisheries industries management adviser program (*1), business matching, business succession, and trial export (*2).
- (*1) Fostering professional human resources with know-how necessary to provide management improvement support for agriculture, forestry, fisheries and food business.
- (*2) Support for first-time exporters of agricultural and fisheries products in cooperation with trading companies

Dairy farming operation influenced by COVID-19 and high prices

Scale expansion of aquaculture industry engaging in 6th industrialization

Mini tomato automatic harvesting robot

Induction to managed multi-stored forests through regeneration cutting

Processing facility responding to MACCP

Matching support for agriculture, forestry, fisheries and food business that are willing to export and trading companies

JFC (Operations to Facilitate Crisis Responses and Specific Businesses Promotion, etc.)

- On the basis of legislations in line with specific policy requirements (low carbon, business restructuring, shipbuilding, etc.), it provides loans for long-term, large-scale projects (for enterprises that are pursuing initiatives in line with such policy requirements) through the designated financial institutions by using two-steps loans to be provided by JFC.
- In the plan of fiscal year Reiwa 5 (2023), in addition to the existent businesses, business to promote and facilitate the securing of supply is newly created to provide financial support to enterprises that try to secure stable supply (hardening of supply chain) of goods whose supply disruption would have an enormous impact on the survival of people and on their daily lives and economic activities (specified critical goods: semiconductors, storage batteries, etc.)

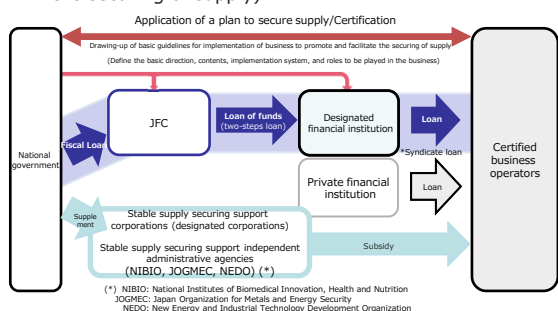
FY2023: Fiscal Loan 236.7 billion yen

Project scale and FILP (Total of new and existent businesses)

(unit : 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|----------------------|----------------------|----------------------|
| Project scale | 1,950 | 2,117 | 2,367 |
| FILP | 1,950 | 2,117 | 2,367 |
| Fiscal Loan | 1,950 | 2,117 | 2,367 |
| Industrial Investment | - | - | - |
| Government Guarantee | - | - | - |

Ref.(Scheme of business to promote and facilitate the securing of supply)



(*1) NIBIO: National Institutes of Biomedical Innovation, Health and Nutrition
 JOGMEC: Japan Organization for Metals and Energy Security
 NEDO: New Energy and Industrial Technology Development Organization

Previous support (e.g.)

Operations to Facilitate Business Restructuring Promotion

- To strengthen the competitiveness in the domestic electricity market and to make the energy business entities grow into global entities capable of competing to an equal level with competitors in the international energy market, it provides funds necessary for restructuring of fuel receiving, storage, and gas transmission projects and existing thermal power generation project, and for replacement with state-of-the-art gas-fired and coal-fired power plants.

Replacement with the state-of-the-art gas-fired and coal-fired power plants (image)

Operations to Facilitate Specific Businesses Promotion

- To realize a low-carbon society, it provides funds necessary to develop parts for large business jet engines that are expected to improve fuel efficiency by 10% to 20% compared to conventional engines through highly efficient design and weight reduction based on advanced analysis technology.

Development of metals aircraft engine parts (image)

Operations to Facilitate Business Foundation Reinforcement Promotion

- It provides support for domestic shipbuilding companies that are taking initiatives to improve productivity, including the introduction of equipment to improve process efficiency, to enhance the business infrastructure of the shipbuilding industry, which supports stable marine transportation, maritime security and local economy.

Source : Japan Marine United Corporation HP
 Domestic shipbuilding company that is taking initiatives to enhance the business infrastructure

Development Bank of Japan Inc. (DBJ)

- While it focuses on the initiatives to encourage "Investment in people" (loans with evaluation and certification focusing on non-financial information related to human capital) and investment in start-ups (including collaboration with domestic and overseas venture capitals), it continues to support for initiatives related to green transitions toward carbon neutral 2050 and initiatives related to innovation looking ahead to post-COVID 19.

FY2023: Fiscal Loan 300 billion yen, Industrial Investment 40 billion yen, Government Guarantee 350 billion yen

➤ Project scale and FILP (Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|----------------------|----------------------|----------------------|
| Project scale | 26,000 | 25,900 | 24,800 |
| FILP | 9,000 | 7,000 | 6,900 |
| Fiscal Loan | 4,500 | 3,000 | 3,000 |
| Industrial Investment | 1,750 | 500 | 400 |
| Government Guarantee | 2,750 | 3,500 | 3,500 |

➤ Example of fund supply

"Investment in people"

- It provides support for the initiatives for companies' human capital (*) by utilizing loan programs focusing on non-financial information related to human capital
- (*) Reskilling, support for balancing work with childcare, nursing care, mental and physical health promotion, optimization of working hours, and other support

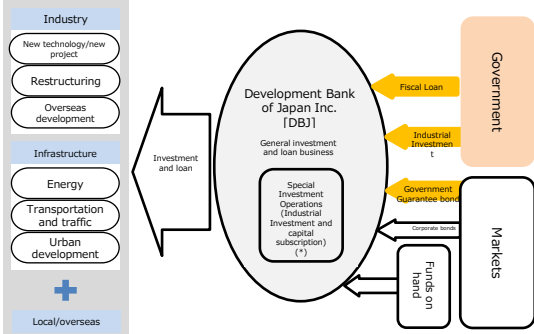
To solve social issues
Activate people and organizations
⇒ Raise corporate value
Engagement (so called)

Health Management I (Physical and mental health) Health Management II (Flexible and diverse working systems)

Thorough compliance under the Industrial Safety and Health Act

Logo mark and an image of DBJ health management ratings loan

➤ Project scheme



(*) Through the Special Investment Operations, it gives support for the initiatives to effectively utilize management resources and innovate management that meets the requirements of self-sustaining development of the local economy, strengthening of the competitiveness of Japanese companies and contribution to the development of the growth capital markets.

Startup/Innovation

- It promotes the creation and development of start-ups and open innovation by accelerating the supply of funds to start-ups that create innovation as a driving force of economic growth and VCs (including CVC) that invest in those start-ups by utilizing DBJ start-ups and innovation funds.

(e.g.) Investment in a startup company which develops "flying car"

Green transition

- It supports initiatives of enterprises and others that contribute to the realization of a decarbonized society including green transition (development and spreading of renewable energy and low-carbon technologies, low-carbonization of socioeconomic structure) while utilizing green investment funds.

(e.g.) Investments and loans for projects and enterprises, etc. related to renewable energy

Japan Bank for International Cooperation (JBIC)

- Based on the enhancement of functions such as establishment of the Global Investment Enhancement Facility and the expansion of businesses in developed countries, it provides support for Japanese companies operating overseas mainly in the initiatives contributing to the following.
 - ① Securing of critical supplies and technologies (hardening of supply chain)
 - ② Overseas development and market creation of cutting-edge technologies and new business models (startup innovation)
 - ③ Realization of a decarbonized society including low-carbon technologies and materials (green transition)

FY2023: Fiscal Loans 981 billion yen, Industrial Investment 90 billion yen, Government Guarantee 901 billion yen

➤ Project scale and FILP (Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan | |
|------------------------------|----------------------|----------------------|----------------------|---------------|
| Project scale | <Grand total> | 27,000 | 23,000 | 26,500 |
| | General | 26,000 | 22,000 | 25,000 |
| | Special | 1,000 | 1,000 | 1,500 |
| FILP | <Grand total> | 11,650 | 16,060 | 19,720 |
| | General | 10,740 | 15,150 | 18,860 |
| | Special | 910 | 910 | 860 |
| Fiscal Loan | <Grand total> | 2,150 | 4,010 | 9,810 |
| | General | 1,540 | 3,400 | 9,200 |
| | Special | 610 | 610 | 610 |
| Industrial Investment | <Grand total> | 600 | 850 | 900 |
| | General | 500 | 750 | 850 |
| | Special | 100 | 100 | 50 |
| Government Guarantee | <Grand total> | 8,900 | 11,200 | 9,010 |
| | General | 8,700 | 11,000 | 8,810 |
| | Special | 200 | 200 | 200 |

(Note) Support targets of special businesses are overseas infrastructure projects for which risk-taking is difficult in general businesses. (start from October 2016)

- Fiscal Loans and Government Guarantees are provided as resources for lending operations.
- Industrial Investments are made as a risk buffer (and resources) of lending operations.

➤ Example of expected financing

Hardening of supply chain

- To secure important supplies and technologies critical for economic activities and people's living in Japan, it provides support for initiatives toward restructuring of global supply chains (M&A) and establishment of local supply chains to develop new markets by Japanese companies.

(e.g.) Manufacturing and sales of zirconium compounds that are used as raw materials for various industrial products such as catalysts for automobile exhaust gas purification and for industrial use, and electronic materials, etc.

Green transition

- Toward the realization of a decarbonized society, it provides support for initiatives toward green environment (renewable energy, enhancement of electric transmission and distribution networks, power storage technology, establishment of hydrogen value chain, and transition (transition to natural gas, etc.) in emerging countries.

(e.g.) Investment funds targeting hydrogen-related projects such as hydrogen stations.

Startup innovation

- To maintain and improve international competitiveness of Japanese companies, it provides support for startup companies that create innovation and new projects as a driving force of economic growth beyond the framework of existing projects.

(e.g.) Research and development projects of nuclear fusion by Japanese startup company.

Japan International Cooperation Agency (JICA)

- It engages in economic development of developing countries through export of high-quality infrastructures to these countries through yen-loan and in securing and creation of business opportunities for Japanese companies operating overseas, and it also contributes to the socioeconomic stability of the developing countries where vulnerability is increasing and to the promotion of overseas cooperation by Japan through financial support to these countries.

FY2023: Fiscal Loan 1,043.1 billion yen, Government Guarantee 225.5 billion yen

➤ Project scale and FILP

(unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|----------------------|----------------------|----------------------|
| Project scale | 15,000 | 14,200 | 18,940 |
| FILP | 6,784 | 6,417 | 12,686 |
| Fiscal Loan | 6,144 | 5,237 | 10,431 |
| Industrial Investment | - | - | - |
| Government Guarantee | 640 | 1,180 | 2,255 |

➤ Example of support

Yen-loan (project type): Subway construction project in Chennai (India)

- It provides support for the development of mass rapid transit system with a total length of approximately 51 kilometers in Chennai Metropolitan Area, Tamil Nadu, India where commercial and industrial areas are rapidly expanding, and the traffic conditions are worsening in addition to the significant increase of vehicle registration.



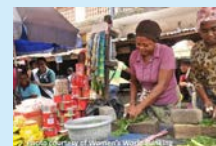
Yen-loan (program type): Development policy support program (Uzbekistan)

- It cooperates in the enhancement of governance of electric power sectors, the promotion of energy conservation and the enhancement of financial and operational maintenance and management of power generation department through financial support, and underpins the finances influenced by COVID-19, and it also supports promotion of innovation in electric power sectors.

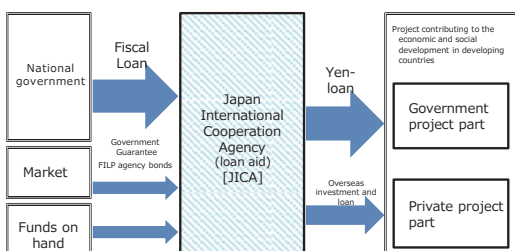


Overseas investment and loan: Women's World Banking, project to promote financial access for women

- It promotes financial access for women in developing countries through investment in the "Women's World Banking Capital Partners II" (funds for investments in and loans to financial institutions that provide financial services for women in developing areas).



➤ Project scheme



Welfare and Medical Service Agency (WAM)

- It provides support for stabilization of management of welfare and medical enterprises by accurately responding to the funding needs for facility development from the perspective of enhancement of the infrastructure of welfare and medical services and by supplying funds to facilities influenced by high prices.
- It also promotes smooth capital investment by giving continuous full financial support for welfare and medical enterprises influenced by COVID-19 infection and by establishing a new loan program for enterprises with outstanding COVID-19 loans.

FY2023: Fiscal Loan 264.2 billion yen

➤ Project scale and FILP

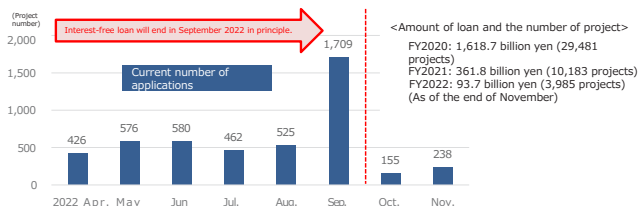
(Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|----------------------|----------------------|----------------------|
| Project scale | 17,860 | 8,686 | 3,301 |
| FILP | 16,898 | 8,565 | 2,642 |
| Fiscal Loan | 16,898 | 8,565 | 2,642 |
| Industrial Investment | - | - | - |
| Government Guarantee | - | - | - |

➤ Initiatives

<Support fund responding to COVID-19> [FY2023: Fiscal Loan 59.6 by yen]

- ✓ Ensure sufficient project scale based on funding needs and take all possible measures to support cash flow.



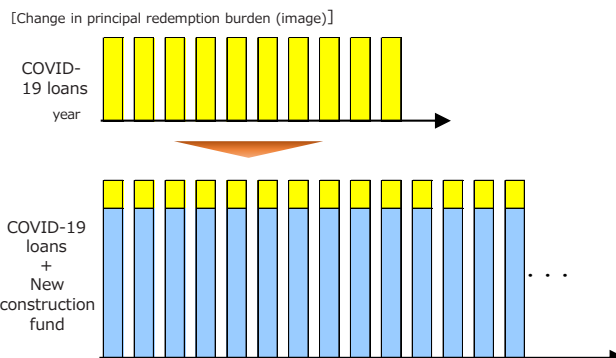
<Regular loan> [FY2023: Fiscal Loan 204.6 billion yen]

- ✓ Supply funds for development of welfare and medical facilities, funds for responding to the influence from high prices and other funds.



<New system: Preferential treatment related to the promotion of development of facilities with outstanding COVID-19 loans>

- ✓ Summing up the new construction fund and the outstanding COVID-19 loan to unify the bonds as the new construction fund
- ✓ Promoting the smooth capital investment as it reduces the redemption burden in a single year related to COVID-19 loans.



Promotion and Mutual Aid Corporation for Private Schools of Japan (PMAC)

- It provides focused support for "Investment in people" by responding accurately to the funding demand related to reconstruction and improvement of aging facilities from the viewpoint of enhancing the facilities of private schools and stabilizing their management and by providing loans for initiatives to reorganize faculties into growth areas.

FY2023: Fiscal Loan 27.2 billion yen

➤ Project scale and FILP

(Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|----------------------|----------------------|----------------------|
| Project scale | 600 | 570 | 575 |
| FILP | 291 | 221 | 272 |
| Fiscal Loan | 291 | 221 | 272 |
| Industrial Investment | - | - | - |
| Government Guarantee | - | - | - |

➤ Reference

"Basic Policy for Economic and Fiscal Management and Reform 2022" (extract) (approved by the Cabinet on June 7, 2023)

Chapter 2 Reform toward new capitalism

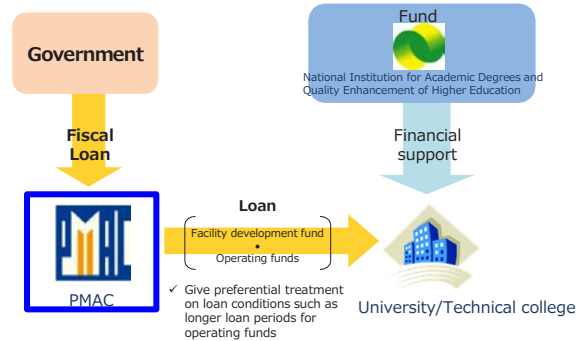
1. Focused investment fields toward new capitalism

(1) "Investment in people" and allocation

(Realization of quality education)

It strengthens the functions of universities and other institutions that nurture human resources who support the future. To this end, it proceeds with establishment of necessary mechanisms including consideration of support that enables the restructuring initiatives with predictability over multiple fiscal years and utilization of more strict criteria on allocation of subsidies for private schools in order to promote reorganization of universities and other institutions into growth areas such as digital green, etc. and to strengthen industry-academia-government collaboration and for other purposes. In so doing, it promotes initiatives that make use of the autonomy of motivated universities in an intensive manner over the next 5-10 years by setting the specific goals such as an aim to increase the percentage of students majoring in studies in the natural sciences (science course) which currently stands at 35%, to 50%, which is the highest standard in OECD countries.

➤ Project scheme of support for reorganization of faculties into growth areas



➤ Support targets

① Support for transformation to specified growth areas (digital green etc.) by restructuring of faculties

- Support details: Costs necessary for restructuring of faculties in universities (from the phase of consideration/preparation to the fiscal year of completion)

② Support for enhancement of functions toward ensuring of human resources of advanced information specialists

- Support details: Costs for enhancement of systems of universities (including graduate schools) with faculties and graduate schools of information science
- : Costs for new establishment and expansion of departments and courses of information science in technical colleges.

Japan Housing Finance Agency (JHF)

- It provides Fiscal Loans for the restoration of houses destroyed or damaged by disasters in order to support the early recovery of housing through the provision of low-interest funds.
- It provides Government Guarantees for green bonds issued for houses that meet the technical standards for energy conservation, including reduction of the interest rate on borrowing for a certain period when acquiring high-quality housing [Flat 35] S to promote the spread of energy-efficient housing.

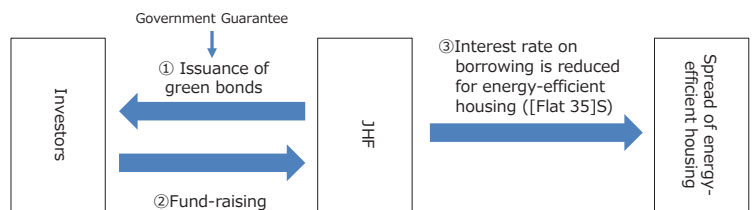
FY2023: Fiscal Loan 30.7 billion yen, Government Guarantee 220 billion yen

➤ Project scale and FILP

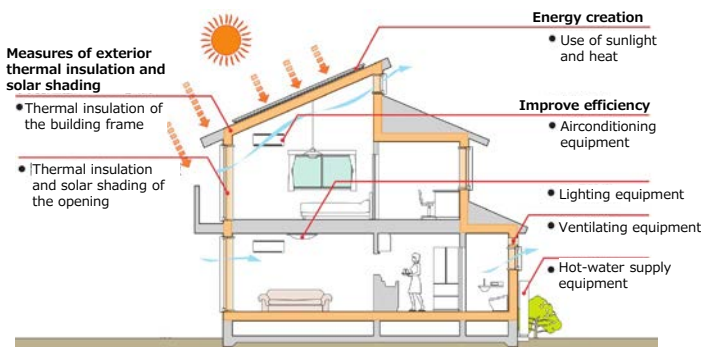
(Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|----------------------|----------------------|----------------------|
| Project scale | 24,343 | 23,757 | 23,420 |
| FILP | 2,631 | 2,549 | 2,507 |
| Fiscal plan | 431 | 349 | 307 |
| Industrial Investment | - | - | - |
| Government Guarantee | 2,200 | 2,200 | 2,200 |

➤ Mechanism of green bonds



➤ Example of initiatives to improve energy-saving performance



[Source] Building Research Institute: Case examples of projects to lead sustainable buildings, etc. (type to lead the reduction of CO2)

Japan Railway Construction, Transport and Technology Agency (JRTT) (Regional Public Transport Account)

- It provides support for the establishment of local public networks, including urban railway, BRT (Bus Rapid Transit), and others, in order to establish a transportation system that accurately responds to the sophisticated and diversified public demand for transportation.

FY2023:Fiscal Loan 16 billion yen

Project scale and FILP

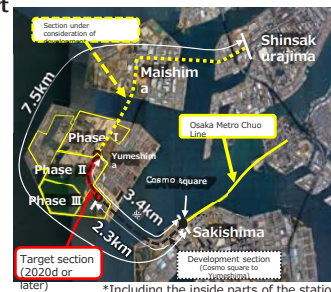
(Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|-------------------|--|-------------------|
| Project scale | 55 | 2,015 | 160 |
| FILP | 55 | 2,015 | 160 |
| Fiscal Loan | 55 | 2,015 | 160 |
| Industrial Investment | - | 0 <small>(*provided 10 million yen)</small> | - |
| Government Guarantee | - | - | - |

Initiatives

<Development of Hokko Techno-port Line>

- It provides continuous support for the construction project of the Hokko Techno-port Line aiming at opening before the Osaka-Kansai Japan Expo in 2025 to divide logistics and people flow in Osaka port and reduce traffic load on the arterial road network, as well as to smooth traffic to Yumeshima, which is the venue of the Expo.

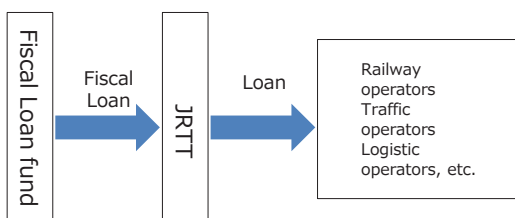


<DX·GX of traffic and logistics>

- It promotes improvement of convenience of passengers and enhancement of management capacity of enterprises and reduces the environmental loads by supporting enterprises working on DX (introduction of cash-less payment, optimization of services by utilizing data) or GX (introduction of electric vehicles, establishment of energy management system, etc.). Through these initiatives, it contributes to the sustainable provision of local passenger transportation services and the logistics efficiency.



Project scheme



Japan Expressway Holding and Debt Repayment Agency

- Road construction companies borrow funds from markets to construct new roads, then after the completion of the construction, assets and debts are transferred to the Agency, and the Agency receives lending fees funded by toll revenues from the road construction companies and repays the debts.
- Government Guarantees are provided to ensure early repayment of interest-bearing debts.

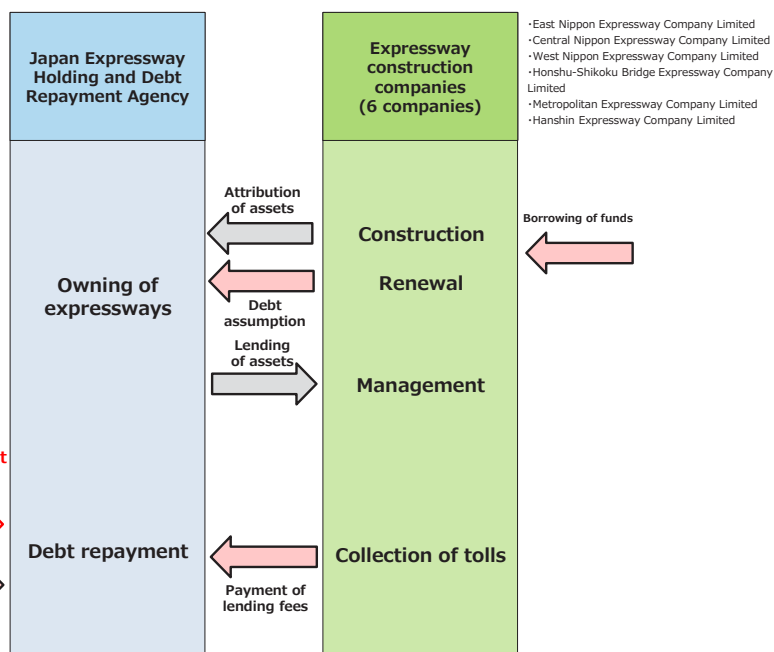
FY2023:Government Guarantee 1,253 billion yen

Project scale and FILP

(Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|-------------------|-------------------|-------------------|
| Project scale | - | - | - |
| FILP | 6,200 | 3,200 | 12,530 |
| Fiscal loan | 5,000 | 2,000 | - |
| Industrial investment | - | - | - |
| Government guarantee | 1,200 | 1,200 | 12,530 |

Project scheme



Examples of projects of expressway



Local governments

○ Fiscal loan funds are provided to the local governments based on the municipal bond plan to meet the needs of social infrastructure development and disaster recovery closely related to the daily lives of residents.

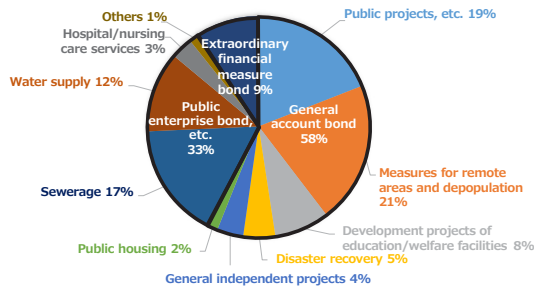
FY2023: Fiscal loan 2,423.8 billion yen

➤ FILP

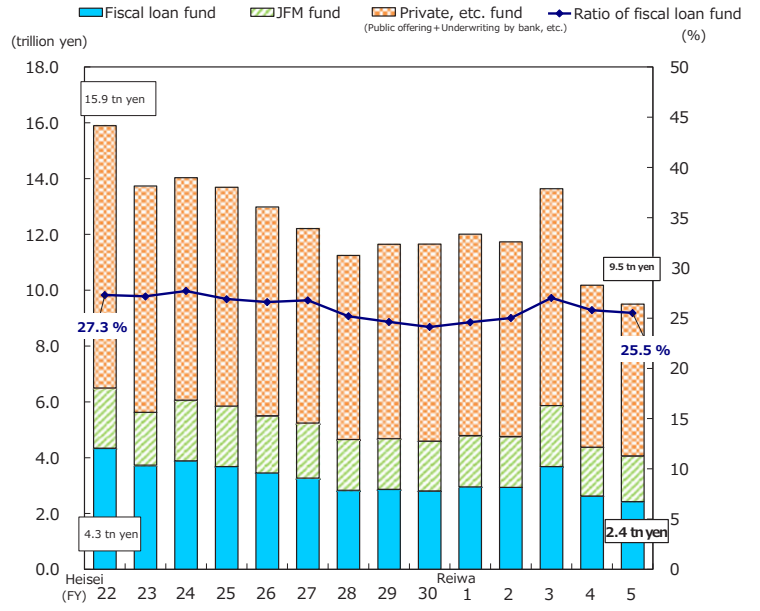
(Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|---|-------------------|-------------------|-----------------------|
| Amount in the municipal bond plan (total) | 136,383 | 101,814 | 94,994 |
| Fiscal loans | 36,847 (27.0%) | 26,264 (25.8%) | 24,238 (25.5%) |
| General account bonds/Public enterprise bonds | 81,587 | 84,009 | 85,048 |
| Fiscal loans | 22,162 (27.2%) | 22,169 (26.4%) | 21,951 (25.8%) |
| Extraordinary financial measure bonds | 54,796 | 17,805 | 9,946 |
| Fiscal loans | 14,685 (26.8%) | 4,095 (23.0%) | 2,287 (23.0%) |

➤ Planned amount of each project in fiscal year Reiwa 5 (2023) (fiscal loan)



➤ Transition of the total amount of the municipal bond plan and the fiscal loans for the local governments



Cool Japan Fund Inc.

- Although it has supported overseas development of attractive Japanese products and services since its foundation in 2013, it is carrying out the fundamental review, including a review of the state of organization as its accumulated loss at the end of FY 2021 was 30.9 billion yen. Currently it is making efforts to improve management based on the results of the study.
- Based on the discussion at the FILP subcommittee,
 - ▶ a concrete road map will be considered, including merger with other institutions or abolition at the point when the results from the fundamental review are not achieved and the *investment plan that should be achieved at a minimum* is not achieved.
 - ▶ in addition to that, it places focus on highly prioritized, near-exit projects in FY 2023 (Reiwa 5).

FY2023 : Industrial Investment 8.0 billion yen

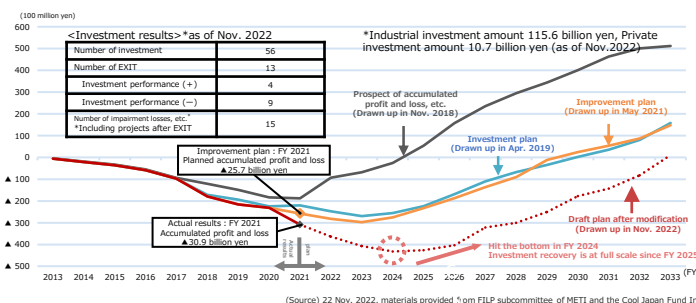
➤ FILP

(Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|-------------------|-------------------|-------------------|
| FILP | 120 | 90 | 80 |
| Fiscal Loan | - | - | - |
| Industrial Investment | 120 | 90 | 80 |
| Government Guarantee | - | - | - |

➤ Background leading to the "fundamental review"

Since both the investment plan and the improvement plan for elimination of accumulated loss that is based on the "Reform schedule" approved by the Council on Economic and Fiscal Policy were not achieved, "fundamental review" was conducted. In the course of the review, it made the "investment plan that should be achieved at a minimum" as shown below.



➤ Details of review and a sign of transition according to the review

Fundamental review (System restructuring and governance enhancement)

- ① Promotion of organizational renewal by creating a competitive environment
- ② Formulation of job descriptions for outside directors/Investment Committee members
- ③ Thorough review of existent projects
- ④ Establishment of a project support unit under the direct control of the president in Cool Japan Fund Inc.
- ⑤ Establishment of middle offices with supervisory function over investment teams
- ⑥ Establishment of a cooperative relationship with National Institute of Advanced Industrial Science and Technology (AIST)
- ⑦ Support for overseas business development by leveraging the strengths of the Cool Japan Fund Inc., and collaboration with government agencies
- ⑧ Backup structure at ALL METI

Change in features of investment projects

Based on what was learnt from previous investment projects, regarding the investment projects under the current system, efforts have been made on the project structuring to include the enterprise groups engaging in the following projects.

- Projects collaborating with businesses that have bases for their activities at the overseas sight
- Projects related to METI networks
- Projects in the cutting-edge technology field in lifestyle and culture related industries.

Example of new project: DAIZ Inc.

A startup company having original cutting-edge technology on development of soybean meat in the plant meat market which is attracting increasing attention worldwide.

- ✓ **Delicious soybean meat created by original technology**
It developed soybean meat with a taste which is good as beef by removing the smell, which is unpopular among Westerner by original Ochiai-style high-pressure method.
- ✓ **Price competitiveness created by simple manufacturing process**
It has high price competitiveness, because its manufacturing process is simple as it does not need to add other ingredients and additives.
- ✓ **Channel capacities between Japan and overseas**
It already has networks with domestic retail companies and major food companies, and in the future, overseas expansion will be promoted through government creditworthiness and support from the agency. *It has been certified as a Company Driving Regional Growth in 2020, and as J-Startup in 2021.

(Source) Materials provided from METI and Cool Japan Fund Inc. at FILP subcommittee meeting on Nov. 22, 2022, and DAIZ Inc. homepage

Japan Organization for Metals and Energy Security (JOGMEC)

- It supports for companies working on the stable supply of natural gas and metallic mineral resources to Japan from the viewpoint of promotion of economic security and smooth transition to carbon neutrality.

FY2023: Fiscal Loan 400 million yen, Industrial Investment 139.2 billion yen

➤ Project scale and FILP

(Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|-------------------|-------------------|-------------------|
| Project scale | 1,246 | 1,289 | 2,199 |
| FILP | 348 | 549 | 1,396 |
| Fiscal Loan | 6 | 3 | 4 |
| Industrial Investment | 342 | 546 | 1,392 |
| Government Guarantee | - | - | - |

- Example of investment projects that are expected to be supported in FY 2023 (Reiwa 5).

Natural gas


- Providing support for companies working on projects such as LNG development in Australia or other countries in order to contribute to the stable supply of energy through diversification of LNG procurement sources for Japanese companies.

Metallic mineral

- Providing support for companies working on smelting of rare metals in Southeast Asia and other countries to contribute to the stable supply of metallic minerals to Japan from the viewpoint of economic security, etc.


« Examples of previous investment »

[Project image]
Pan-pacific LNG development/liquefaction project (existent project)



(Source) Chevron Australia

[Project image]
Platreef platinum group metal/nickel exploring development project (existent project)



(Source) Ivanhoe Mines

➤ Referenc

6th Strategic Energy Plan (extract) (approved by the Cabinet on Oct. 22, 2021)

5. Policy response toward 2030 looking ahead to 2050
 (9) Promotion of securing stable energy supply and mineral resources looking ahead to the carbon neutral era
 The national government will promote comprehensive policies to achieve smooth transition to carbon neutrality while taking all possible measures to ensure a stable supply of resources and energy by considering the following as integral part of resources and fuel policy; ① further stable securing of oil, natural gas, etc. currently in demand, ② further stable securing of metallic mineral resources, such as rare metals for which demand is increasing due to electrification, and ③ the introduction and expansion of decarbonized fuel and technology.

Grand Design and Action Plan for a New Form of Capitalism (extract) (approved by the Cabinet on June 7, 2022)

III. Planned Priority Investment for a New Form of Capitalism
 4. Investment in GX (Green Transformation) and DX (Digital Transformation)
 (1) Investment in GX
 The situation in Ukraine requires Japan to reduce its dependence on Russia for resources and energy through further diversification of supplies and improvement of procurement abilities to secure stable resources and energy.

Japan Green Investment Corp. for Carbon Neutrality (JICN)

- It makes investments and provides loans (risk money supply) as a stimulation for various projects contributing to decarbonization toward realization of a carbon neutral society in 2050 (Reiwa 32) and makes the flow of funds necessary for decarbonization thicker and faster and contributes to the creation of new values, including economic and social development, regional development, knowledge accumulation, and human resource development (founded on Oct. 28, 2022).
- It maximizes the effect of attracting private capital, while compensating the private industry toward realization of a decarbonized society.
- It properly shares roles with other public and private funds and mutually cooperates to achieve synergistic effects by leveraging respective areas of expertise.

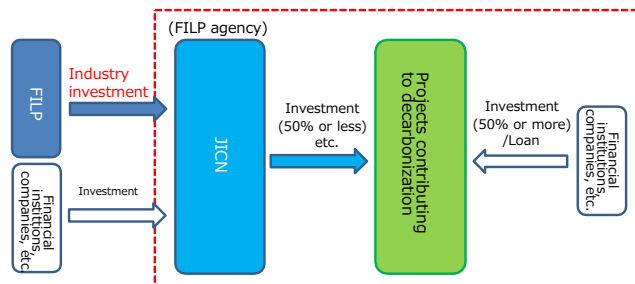
FY2023: Industrial Investment 40 billion yen

➤ Project scale and FILP

(Unit: 100 million yen)

| | 2021 initial plan | 2022 initial plan | 2023 initial plan |
|-----------------------|-------------------|-------------------|-------------------|
| Project scale | - | 240 | 600 |
| FILP | - | 200 | 400 |
| Fiscal Loan | - | - | - |
| Industrial Investment | - | 200 | 400 |
| Government Guarantee | - | - | - |

➤ Project scheme



- Establishment Period: Until the end of FY 2050 (structure of the system will be reviewed according to the status of achievement of the objective in FY 2030 (Greenhouse gas ▲46%))

➤ Example of investment areas

- | Reduction of energy-related CO ₂ | Reduction of CO ₂ other than energy-related CO ₂ |
|---|--|
| <ul style="list-style-type: none"> ● Reusable energy and energy-saving equipment ● Projects that introduce reusable energy and energy-saving equipment and other equipment integrally ● Large projects in the spread and expansion phase | <ul style="list-style-type: none"> ● Resource recycling (reduction of CO₂ from incineration of wastes) ● Measures for forest sink |

Investment and loans for companies that carry out the above

“Regional Decarbonization Roadmap” (extract) (approved by the Council for National and Local Decarbonization on Jun. 9, 2021)

4. Fundamental policy
 4-1. Establishment of local implementation structure and national proactive support mechanism (local decarbonization innovation through cooperation between the national and local governments)
 (2) Mechanism of proactive support by the national government
To realize the regional decarbonization, it is necessary to accelerate the initiatives leading to the transition to decarbonization in the various fields that include the creation of decarbonization-leading regions and nationwide implementation of priority measures especially in the next 5 years as a concentration period. For these initiatives of regional decarbonization, national government build the scheme to support proactively, continuously and comprehensively from the viewpoint of ①temporary staffing and training, ②information and know-how, and ③funds (the rest is omitted)
 (3) Funds
 (the previous is omitted) To provide intensive and focused support to local governments and enterprises that are ambitious about decarbonization projects, the mechanism of financial support is fundamentally reviewed, and the scheme is built to support continuously and comprehensively over multiple fiscal years. Support is provided in an effective manner based on the features of projects, including utilization of financial instruments, such as investments, to further promote the attraction of private investment. (the rest is omitted)

Reference

Outline of Industrial Investment

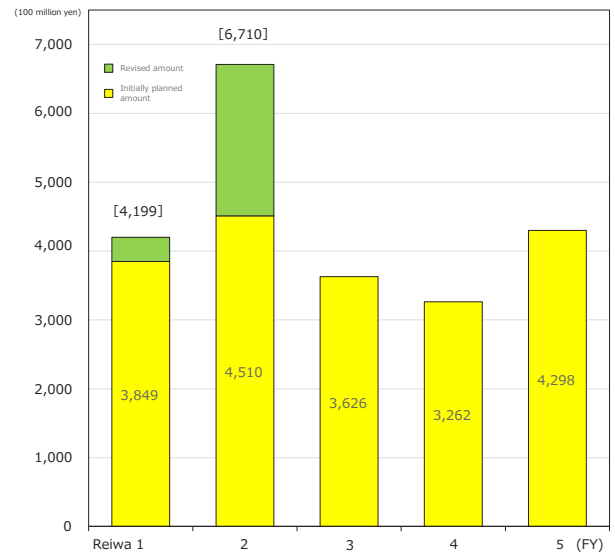
- Risk money is supplied to the fields contributing to the realization of new capitalism and ensuring of economic security.
- In particular, risk money is supplied to the various projects contributing to the securing of stable supply of natural gas and metallic mineral resources, support of startup innovation, and decarbonization.

FY2023 : Industrial Investment 429.8 billion yen

➤ Breakdown of Industrial Investment (Unit: 100 million yen)

| | 2022 initial plan | 2023 initial plan | Increase/ Decrease | Growth rate (%) |
|--|----------------------|----------------------|-----------------------|-----------------------|
| Japan Finance Corporation | 189 | 288 | 99 | 52.4 |
| Operations aimed at micro/small businesses and individuals | 20 | 18 | ▲2 | ▲10.0 |
| Operations aimed at SMEs | 169 | 240 | 71 | 42.0 |
| Operations aimed at agriculture, forestry and fisheries industries | - | 30 | 30 | All amounts increased |
| The Okinawa Development Finance Corporation | 26 | 70 | 44 | 169.2 |
| Japan Bank for International Cooperation | 850 | 900 | 50 | 5.9 |
| Japan Railway Construction, Transport and Technology Agency | 31 | 12 | ▲19 | ▲61.3 |
| Japan Organization for Metals and Energy Security | 546 | 1,392 | 846 | 154.9 |
| Japan Green Investment Corp. for Carbon Neutrality | 200 | 400 | 200 | 100.0 |
| Development Bank of Japan Inc. | 500 | 400 | ▲100 | ▲20.0 |
| Cool Japan Fund Inc. | 90 | 80 | ▲10 | ▲11.1 |
| Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development | 580 | 512 | ▲68 | ▲11.7 |
| Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc. | 250 | 244 | ▲6 | ▲2.4 |
| Total | 3,262 | 4,298 | 1,036 | 31.8 |

➤ Transition of Industrial Investment (flow)





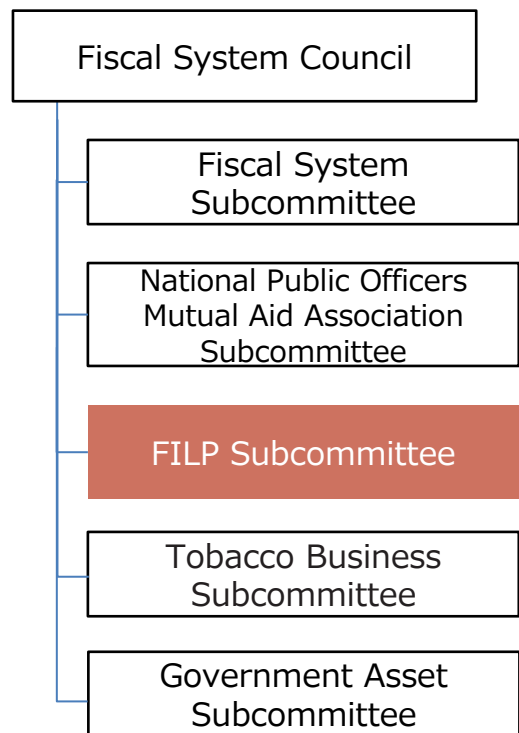
Urban Renaissance Agency/Rental Housing Project/Toyoshikidai Danchi/Kashiwa city, Chiba

Ⅲ System and initiatives related to FILP

System regulated for proper planning and implementation of FILP and initiatives to ensure soundness are explained in this chapter.

1 FILP Subcommittee of the Fiscal System Council

- ▶ Fiscal System Council is an advisory panel to the Minister of Finance to deliberate about the form of overall government finance and has the FILP subcommittee as one of the subcommittees under the Council.
- ▶ It deliberates about specific themes, such as the FILP plan and the FILP fund management plan, on which hearing of the Council’s opinions are required by laws as well as the Policy Cost Analysis and the Public-Private Investment Fund.
- ▶ It is composed of members from academia, the media, and the business community.



(FILP subcommittee meeting)



2 Ensuring of financial soundness of FILP

> Asset Liability Management (ALM)

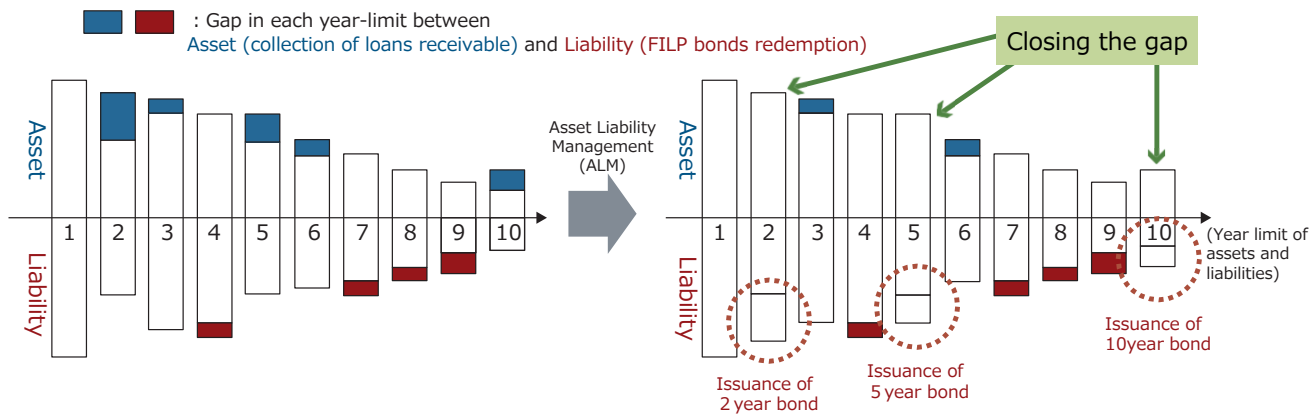
Regarding Fiscal Loan funds (source of Fiscal Loan), there is a risk of interest rate fluctuations due to the mismatch in the periods between lending and the procurement of funds (e.g. FILP bonds). To mitigate this risk, initiatives have been taken to close the gap arising from the cash flows between **assets**, such as loans receivable, and **liabilities**, such as FILP bonds.

► Risk of interest rate fluctuations occurs because of the mismatch in periods between lending and procurement of funds (FILP bonds).

| | |
|---|--|
| Lending (assets for the national government) | To meet the needs of FILP agencies → redemption period (5-40 years (grace period 0-30 years)) → Mainly <u>equal</u> redemption of principal and interest |
| Procurement (liabilities for the national government) | Due to constraint on the government bond market where FILP bonds are procured → Constraints on the period of issuance (6 months, 1, 2, 5, 10, 20, 30, and 40 years) → <u>Lump-sum</u> redemption upon maturity |

► Initiatives for proper Asset Liability Management (ALM) have been taken by closing the gap in the periods through adjustments in the issuance period of FILP bonds as much as possible.

[Image of Asset Liability Management (ALM)]

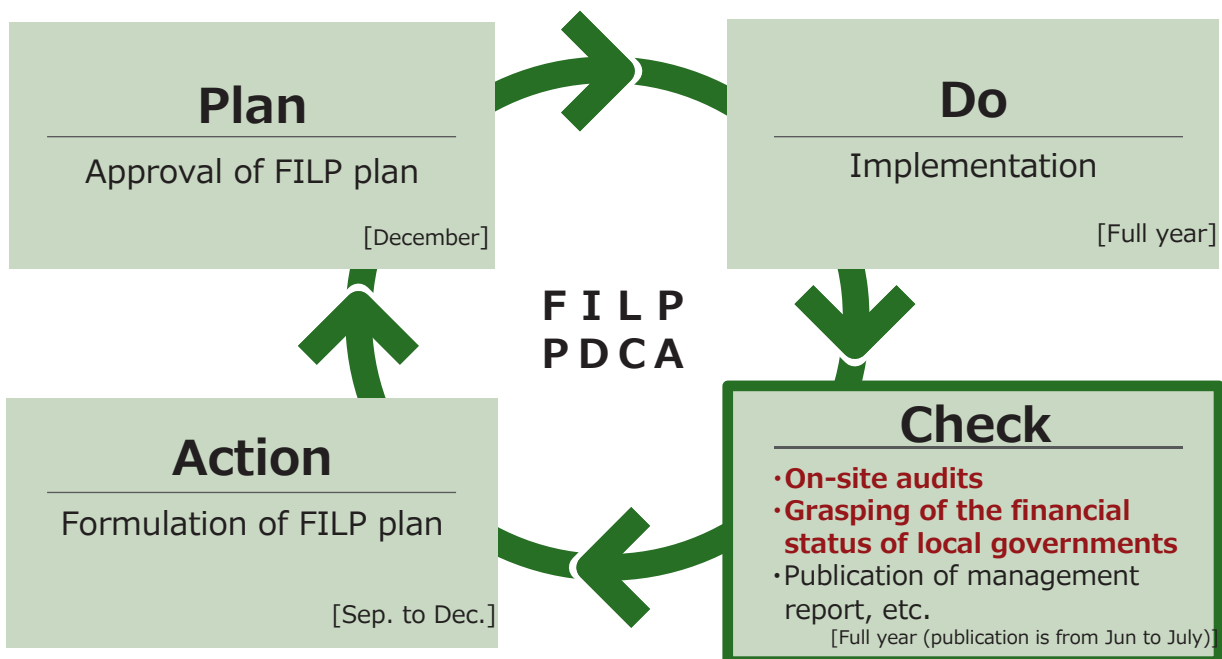


> Reserve fund (reserve for interest rate fluctuation)

After the FILP reform, although the risk of interest rate fluctuation in Fiscal Loan funds has been reduced gradually by ALM, there is still certain level of risk of interest rate fluctuation today. Therefore, whenever profit is generated, it is set aside as a reserve to cover possible future losses so that Fiscal Loans can be used in a stable manner over a long period of time. The maximum reserve ratio of such reserve funds is set at 50/1000 of the total assets related to the Fiscal Loans in accordance with a government ordinance.

3 Enhancement of a check function over the FILP agencies

Initiatives have been taken to enhance the function to check the FILP agencies by conducting on-site audits and grasping the financial status of local governments in order to ensure appropriate operation of the target projects of the FILP and to maintain fiscal soundness.



> On-site audits

On-site audits of corporations

Regarding FILP agencies, the ① significance in policymaking proper to the FILP target projects, ② financial soundness and redemption certainty, and ③ proper management of funds are checked.

On-site audit of local governments

Regarding local governments, the ① status of use of loan funds, ② project results, and ③ financial status (redemption certainty) are checked.

> Grasping of the financial status of local governments

Each local government that is a borrower of FILP funds is monitored through their account settlement statistics data. Based on the result of this monitoring, direct hearing sessions are conducted with some local governments, and based on the results of the hearing sessions, advice is given aiming at fiscal rehabilitation.

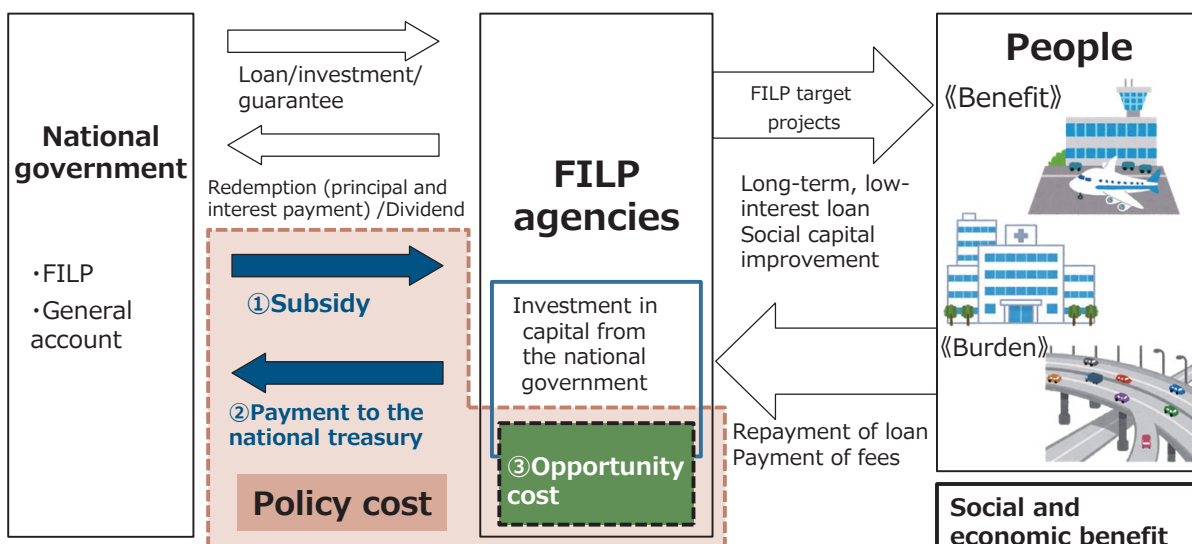
4 Enhancement of disclosure

> Policy cost analysis

In the policy cost analysis, in order to enhance the disclosure of FILP (disclosure of information on project details and financial status), future revenues and expenditures of each FILP agency are estimated based on certain prerequisites, then the amount obtained by the following formula is calculated as the policy cost, and the calculation result of each agency is published.

Policy cost = ① **Subsidy** - ② **Payment to the national treasury** + ③ **Opportunity cost**

- ① **Subsidy**
 Amount expected to be spent by the national government for projects of FILP agencies
 Example: Subsidies for FILP agencies, interest subsidies, and management expense grants
- ② **Payment to the national treasury**
 Amount expected to be paid to the national government from FILP agencies
 Example: Payment to national treasury from FILP agencies and corporate tax
- ③ **Opportunity cost (from investment in capital, etc.)**
 Amount of reduction in the burden of interest payment on government bonds that would be lost if the government makes investment in capital of FILP agencies
 (If the government does not make investment in capital of FILP agencies, the government may curtail the issuance of government bonds with that amount and may reduce the burden of interest payments.)



(Reference) Utilization of policy cost analysis

In the policy cost analysis, future cash flow of the FILP target project is estimated, then a long-term profit and loss statement and a long-term balance sheet until the end of the project are prepared. These are one of the key decision-making factors in confirming business prospects, financial conditions, redemption certainty of FILP, and other matters.

This pamphlet is prepared for a better understanding of Fiscal
Investment and Loan Program.

If you would like to understand more of the details of Fiscal Investment
and Loan Program, please see the home page of the Ministry of Finance.

(<https://www.mof.go.jp/english/policy/filp/index.html>)



Contact for inquiries regarding the contents of this pamphlet;
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03-3581-4061 (representative)

