FISCAL INVESTMENT AND LOAN PROGRAM REPORT 2018

Financial Bureau, Ministry of Finance, JAPAN
What is FILP?

FILP (Fiscal Investment and Loan Program) represents investment and lending operations by the Japanese Government that use capital raised through the issuance of FILP bonds†, a kind of Japanese Government Bond, without depending on tax revenue. Under FILP, the Government provides long-term, fixed- and low-interest loans and risk money for fields where high risk prevents the private sector from providing sufficient money and funding is required in light of the government policy on the premise that the money will be repaid. To be concrete, there are three methods in FILP -- loan (Fiscal Loan†), investment (Industrial Investment†) and guarantee (Government Guarantee†) -- to provide funds through government-affiliated financial institutions and other organizations for such purposes as supporting cash flow for small and medium-sized enterprises and micro enterprises, providing scholarship loans and supporting overseas expansion of infrastructure business by Japanese companies.

Under the current severe fiscal conditions in Japan, FILP has apparently grown even more important as a fiscal measure that does not depend on tax revenue.

In this report, we made every attempt to explain the mechanism, targets and other details of FILP, in order to deepen your understanding about FILP. The report also explains the latest FILP data.

The Financial Bureau looks forward to your comments, and we will continue to enhance and improve this booklet.

Financial Bureau
Ministry of Finance, Japan
September 2018

[Mechanism of FILP]

(Note) Figures may not add up to the total because of rounding.

Photographs courtesy of

(Note) 1. Terms marked with "†" appear for the first time in this booklet and are included in the glossary.
2. The fiscal year in Japan begins on April 1 and ends on March 31 of the next year.
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1. Mechanism of FILP

**Difference with General Account**

FILP represents investment and lending operations by the Government, which use funds raised through the issuance of FILP bonds, a kind of Japanese Government Bond.

The Government conducts various official operations such as policing, fire services, court trials, diplomacy, education, social security, the promotion of agriculture, forestry and fisheries, and other industries, social capital development, environmental conservation and national security to provide citizens with public services.

The General Account collects taxes from taxpayers and spends a budget to cover public services. In contrast, FILP raises long-term, fixed- and low-interest funds and lends them to FILP agencies such as Development Bank of Japan Inc. that build on these funds to conduct public projects including the provision of long-term, fixed- and low-interest funds to citizens who use these funds for economic operations. FILP agencies also use dividends from Government-held shares for investment for industry promotion.

The fund flow shows that taxes are collected from taxpayers for the Government’s budget spending in a one-way flow. In contrast, FILP indicates a two-way fund flow. FILP uses funds raised by the Government from the market for investment in or loans to FILP agencies that provide investment and loans for citizens, while citizens’ interest payments and loan repayments to FILP agencies are used for these agencies’ interest payments and loan repayments to FILP that are used for the Government’s bond redemption and interest payments in the market.

**[Difference of fund flow between subsidies, etc. from the General Account and FILP]**

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<table>
<thead>
<tr>
<th>People</th>
<th>Taxes</th>
<th>National government (General Account, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Subsidies, etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public projects by business operators</td>
</tr>
<tr>
<td>Financial markets, etc.</td>
<td>FILP bonds (Low-interest fundraising based on sovereign credit)</td>
<td>Loans (long-term, low-interest)</td>
</tr>
<tr>
<td></td>
<td>Interest payments/redeemption</td>
<td>Interest payments/redeemption</td>
</tr>
<tr>
<td>People</td>
<td>People</td>
<td></td>
</tr>
</tbody>
</table>
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3 FILP methods

There are three methods for supplying funds under FILP: Fiscal Loan, Industrial Investment and Government Guarantee. They have different financial resources, accounting categories and funding targets.

Fiscal Loan

Fiscal Loan utilizes the Fiscal Loan Fund consisting of funds procured through the issuance of FILP bonds and reserves or surplus funds deposited from government special accounts to provide long-term, fixed and low-interest loans to such entities as special government accounts, local governments, government-affiliated agencies, incorporated administrative agencies, etc.

The Fiscal Loan Fund is accounted for in the Fiscal Loan Fund Account of the FILP Special Account. Fiscal Loan targets are projects that are highly needed for policy purposes and secure loan repayment. Because Article 1 of the Fiscal Loan Fund Act requires management of the Fiscal Loan Fund "securely and efficiently," Article 10 of the Act limits Fiscal Loan Fund targets to national and local governments, government-affiliated agencies, etc. to secure the safety and public nature of the funds.

Industrial Investment

Industrial Investment is investment (mainly capital subscription) using such funds as national treasury payments by Japan Bank for International Cooperation and dividends from NTT and JT shares which the Investment Account of the FILP Special Account holds.

Industrial Investment is accounted for in the Investment Account of the FILP Special Account. Industrial Investment aims at developing industry and promoting trade, and plays a role in inducing the private sector to provide capital subscriptions or subordinated capital loans by providing them as pump-priming for essential policy projects that have potential returns but cannot be funded sufficiently by the private sector alone because of their risks.

Government Guarantee

Government Guarantee is the guarantee provided by the Government for bonds issued in financial markets by and loans to agencies (e.g., government-affiliated agencies, incorporated administrative agencies). With the Government Guarantee, FILP Agencies can procure funds necessary for business in a smooth and efficient way.

Given that government-guaranteed bonds represent debt off the Government’s balance sheet and that the FILP Reform has introduced loans from the Fiscal Loan Fund raised through FILP bonds (carrying lower interest than government-guaranteed bonds), the Government has been trying to reduce government-guaranteed bond issues as far as possible.

Based on "The FILP: its challenges and future perspective", the Government recently continues to strictly screen individual Government Guarantee requests and implements them according to fund demand.

[Fiscal Loan and Industrial Investment]

- **Market**
  - FILP Bonds
    - Interest bearing debt
    - Redemption

- **NTT, JT, etc.**
  - Dividends, etc.
    - Past investment returns, etc.

- **Fiscal Loan Fund**
  - (FILP Special Account)
  - (Fiscal Loan Account)

- **Industrial Investment**
  - (FILP Special Account)
  - (Investment Account)

- **Loan**
  - Fixed interest loan

- **Capital subscription**
  - Capital subscription (including Loans)

- **“Secure & efficient”**
  - (Fiscal Loan Fund Act, Article 1)
  - Project with strong policy necessity, and redemption certainty
  - Long-term funds, at fixed, low-interest rates

- **“Risk money”**
  - Project
    - with strong policy necessity
    - with promising return
    - not sufficient funds by the private sector alone due to high risks
2. Functions and features of FILP

Functions of FILP

Generally, in a capitalist economy, goods and services are distributed according to the market mechanism. If the market mechanism were to govern the economy completely, however, the following problems and others would be expected to emerge: (i) goods and services will be supplied insufficiently to meet demand for the entire society and (ii) drastic economic inequalities will accrue. Fiscal policies or economic operations by the Government are implemented to solve those problems.

There are two categories for funds provided by the Government to execute fiscal policies:

1. “Grant funds” that do not impose a repayment obligation, including budgetary measures for subsidies.
2. “Loan funds” that are provided as loans or investment on the precondition of future repayment.

Features of FILP

The General Account mainly covers fiscal policies using the abovementioned ① “grant funds” backed by tax and other revenues. In contrast, FILP represents a fiscal policy using ② “loan funds” without depending on tax revenues. It can be interpreted as a policy means using financial methods. FILP is used for fields where beneficiary-pays and other projects financed by loan funds are efficient and effective as well as where it is difficult for private sector financial institutions to provide funds.

FILP represents fiscal policy using “loan funds.” Projects using loan funds have the following features:

[Reducing the tax burden]
Fiscal Loan uses funds procured from the market at low interest rates based on sovereign credit through the issuance of FILP bonds, etc. Their redemptions and interest payments are covered by the principal and interest repaid by the borrowers of Fiscal Loan. Therefore, the tax burden is reduced.

When government-affiliated agencies or incorporated administrative agencies execute their business using Fiscal Loan, subsidies/grant-in-aid from the General Account are sometimes used at the same time. Even in such cases, the tax burden is lighter with greater business scales secured than when the business is executed only with the use of subsidies/grant-in-aid, etc.

[Efficient execution of business]
When the Government supports a specific business for a policy reason, providing loans instead of subsidies is expected to contribute to the efficient execution of the business because business operators and debtors are destined to finally bear costs.

[Realization of beneficiary liabilities]
From the viewpoint of fairness, it is appropriate that those who receive the benefits from the construction and improvement of specific public property (beneficiaries) bear the costs or fees to match their benefits.
3. FILP-target fields

FILP has been used for various fields such as cash flow support for SMEs and micro enterprises, scholarship provision, and support for overseas expansion of infrastructure business, contributing to people’s life and economic growth in Japan.

SMEs and micro enterprises

FILP is used to support SMEs and micro enterprises that have weak financial bases regarding creditworthiness and collateral, and cannot receive sufficient fund supply from private-sector financial institutions alone.

For example, Japan Finance Corporation supports cash flow for SMEs and micro enterprises and regional revitalization initiatives such as business startups and business revitalization.

Agriculture, forestry and fisheries industry

FILP is used for initiatives for the sustainable and sound development of the agriculture, forestry and fisheries industry, given that private financial institutions alone fail to provide sufficient funds to the industry due to high risks involving natural conditions and long production cycles.

For example, Japan Finance Corporation backs up business expansion, collaboration among the primary, secondary and tertiary industries, and other efforts by farmers supporting regional communities.

Education

Fiscal Loan is used for student scholarship loans, earthquake resistance improvements in private school facilities and other educational projects.

For example, Japan Student Services Organization provides interest-bearing scholarship loans to all students meeting scholarship eligibility requirements to prevent students willing to enter higher education from giving up on doing so for financial reasons.

Welfare/Medical care

Fiscal Loan is used for tackling the falling birthrate and aging population and for enhancing medical care arrangements.

For example, Welfare and Medical Service Agency provides social welfare, medical and other corporations with loans required for developing childcare and aged welfare facilities, hospitals, clinics and other facilities in order to enhance welfare and medical service infrastructure.

Industry/Innovation

FILP is used to provide business funds (including risk money) required for creating innovations indispensable for enhancing industrial competitiveness and invigorating industry.

For example, Development Bank of Japan Inc. provides growth money including capital funds to promote private financial institutions’ fund supply and to support enterprises’ proactive growth efforts in order to enhance competitiveness and vitalize regional communities.

Housing

In order to respond to such disasters as the Great East Japan Earthquake, FILP is used for Japan Housing Finance Agency's post-disaster housing reconstruction loans and for Urban Renaissance Agency's publicly developed housings for disaster-affected people.

FILP is also used for reconstructing and integrating old Urban Renaissance housing complexes under the rental housing program of Urban Renaissance Agency.

Social capital

FILP is used for projects to develop social capital such as airports, railways and expressways as these projects are large in scale and take a long time for recovering funds.

For example, Japan Expressway Holding and Debt Repayment Agency supports the smooth implementation of expressway projects by repaying debt for constructing and improving expressways promptly and accurately.

Overseas investment and loans

FILP is used for maintaining and improving Japanese industry's international competitiveness through the promotion of stable resources and energy security, and Japanese enterprises’ overseas expansion in infrastructure and other fields.

For example, Japan Bank for International Cooperation provides investments, loans and guarantees to support stable securement of resources, reduction of import cost, diversification of supply source and other initiatives, as well as Japanese companies’ overseas investment and expansion into overseas regions where infrastructure demand is robust.

Local governments

Fiscal Loan is, with regard to projects implemented by local governments, mainly used for projects which the national government should be responsible for, like post-disaster reconstruction, outland and depopulated area development, and infrastructure projects, which are deeply related to the daily life of residents, like educational facilities and water and sewerage.

Fiscal Loan is also used for stable fund security of local governments that have less fundraising capacity than others due to their small budget scales and weak access to the capital market.
Transitions in FILP-target fields

1.1945 through early 1970s (Postwar reconstruction through high economic growth)

In the postwar reconstruction period, FILP gave priority to nurturing basic industries (including coal, steel, shipping and electric power).

In the high economic growth period, FILP was also used for infrastructure development where Japan was still lagging behind Western countries and for housing including home purchases. Furthermore, FILP covered support for SMEs and public projects. The number of FILP agencies increased to cover these new fields, leading to a full range of various FILP agencies for various policy objectives.

- Specific industrial areas: Japan Development Bank, other government-affiliated financial institutions
- SME measures: Small Business Finance Corporation, People’s Finance Corporation
- Expressways: Japan Highway Public Corporation
- Airports: New Tokyo International Airport Corporation
- Housing construction: Japan Housing Corporation, Housing Loan Corporation

**[Postwar reconstruction through high economic growth (major FILP utilization cases)]**

<table>
<thead>
<tr>
<th>Major fields</th>
<th>FILP agencies</th>
<th>FILP utilization cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>Japan Housing Corporation</td>
<td>Tama New Town and Takashimadaira Housing Complex development, etc.</td>
</tr>
<tr>
<td>SME support</td>
<td>Small Business Finance Corporation</td>
<td>Lending to Sony Corp., Kyocera Corp. and other corporations in their startup and development phases</td>
</tr>
<tr>
<td>Social capital development</td>
<td>Japan Highway Public Corporation, New Tokyo International Airport Corporation</td>
<td>Construction of Tomei, Meishin and other expressways, Construction of Tokaido and Sanyo Shinkansen bullet train lines, Construction of Narita International Airport</td>
</tr>
<tr>
<td>Industry</td>
<td>Electric Power Development Co., Japan Development Bank</td>
<td>Construction of dams for electricity supply (Miboro Dam), etc. Long-term loans for basic industries (coal, steel, shipping, electric power, etc.)</td>
</tr>
</tbody>
</table>

2. Late 1970s through 1990s (Stable growth through economic bubble/post-bubble)

As enterprises became less ambitious to invest amid Japan’s shift to a stable growth period after oil crises, FILP finance for housing and SMEs expanded from the late 1970s through the early 1980s. Housing and SME finance, and life environment development (including urban development) accounted for 60% of FILP. FILP was used for large-scale new town and academic town development mainly in major urban regions, local industrial base construction and other areas where profitability was not necessarily high.

In the 1990s after the burst of the economic bubble, FILP finance for housing expanded to account for one-third of FILP as public works were promoted to stimulate the economy.

**[Stable growth through economic bubble/post-bubble (major FILP utilization cases)]**

<table>
<thead>
<tr>
<th>Major fields</th>
<th>FILP agencies</th>
<th>FILP utilization cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>Housing Loan Corporation, Residential Land Development Corporation</td>
<td>Loans for housing construction, Chiba New Town development, etc.</td>
</tr>
<tr>
<td>Life environment development Local development</td>
<td>Housing and Urban Development Corporation, Japan Regional Development Corporation, Water Resources Development Public Corporation</td>
<td>Urban redevelopment (Minato Mirai 21), academic town (Tsukuba) development, etc., Iwaki New Town and Nagaoka New Town development, rural city redevelopment, Construction of Naramata, Sameura and other dams for developing and utilizing water resources</td>
</tr>
<tr>
<td>SME support</td>
<td>Small Business Finance Corporation, People’s Finance Corporation</td>
<td>Lending to SMEs and other firms that have difficulties in receiving loans from private financial institutions</td>
</tr>
<tr>
<td>Social capital development</td>
<td>Japan Railway Construction Public Corporation, Airport Development Special Account, etc.</td>
<td>Construction of Nagano and other Shinkansen bullet train lines, Offshore expansion and re-expansion of Tokyo International Airport (Haneda Airport)</td>
</tr>
</tbody>
</table>
3. From 2000s

The Government implemented a thorough FILP reform from 2001, selecting target fields more strictly and improving financing efficiency. Under the Reorganization and Rationalization Plan for Special Public Corporations (Cabinet Decision, December 2001) and other initiatives, housing’s share of FILP declined substantially. Later, FILP was used for responding to the economic crisis following the 2008 Lehman Brothers collapse and to the 2011 Great East Japan Earthquake, providing support (Safety-Net Loans and Crisis Management Operations) for cash-strapped enterprises and funds for post-disaster restoration and reconstruction and for disaster prevention and reduction measures.

[Response to Economic and Financial Crisis after the 2008 Lehman Brothers collapse]

<table>
<thead>
<tr>
<th>Support measures</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety-Net Loans for SMEs and micro business operators</td>
<td>Loans were made to SMEs and other firms that suffered temporary sales and profit drops due to social and other factors and were expected to recover over the medium to long term. Such loans provided between FY2008 and FY2010 totaled 11 trillion yen.</td>
</tr>
<tr>
<td>Crisis Response Operations</td>
<td>After the Lehman collapse, even large enterprises had difficulties in raising funds as it became difficult for them to issue bonds. To address cash flow deterioration for enterprises in response to the Government’s economic measures, Development Bank of Japan Inc and the Shoko Chukin Bank, Ltd. designated by the Government for lending to private enterprises, provided crisis response loans. Crisis response loans from Development Bank of Japan Inc. totaled about 3.7 trillion yen, while those from the Shoko Chukin Bank, Ltd. aggregated about 4.8 trillion yen.</td>
</tr>
<tr>
<td>Emergency operations to support Japanese overseas business activities</td>
<td>In order to support overseas operations of Japanese enterprises, Japan Bank for International Cooperation provided about 2.5 trillion yen in loans.</td>
</tr>
</tbody>
</table>

[FILP response to the Great East Japan Earthquake]

<table>
<thead>
<tr>
<th>Support measures</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial support for enterprises, etc.</td>
<td>To stabilize business performances of SMEs and micro enterprises, Japan Finance Corporation created a special loan system for reconstruction from the Great East Japan Earthquake and a special capital enhancement system for supporting post-disaster reconstruction (a subordinated capital loan system for disaster-affected SMEs) in a bid to take all possible measures to support cash flow for enterprises. To stabilize business performances of disaster-affected business operators, the Government expanded crisis response loans (two-step loans) through the designated financial institutions (Development Bank of Japan Inc. and the Shoko Chukin Bank, Ltd.) to provide funds to meet demand.</td>
</tr>
<tr>
<td>Local government projects</td>
<td>FILP has provided funds for emergent and quick-impact disaster prevention/reduction measures (e.g. seismic retrofitting of public school facilities, anti-tsunami measures for rivers, etc.) based on lessons learned from the Great East Japan Earthquake.</td>
</tr>
<tr>
<td>Others</td>
<td>FILP has provided funds for the reconstruction of housing and healthcare/welfare facilities damaged by the Great East Japan Earthquake.</td>
</tr>
</tbody>
</table>

In recent years, FILP has been used for supporting overseas infrastructure development through government-affiliated financial institutions and public-private investment funds to promote the Government’s growth strategy.

Currently, the Government is taking advantage of low interest rates to use FILP for large-scale transportation infrastructure development projects including those to accelerate the opening of the Linear Chuo Shinkansen line and the development of the ring roads in metropolitan areas.

Recent FILP utilization fields are specified in 3. FILP-target fields (p.4).

(Reference) Response to Economic and Financial Crisis and the Great East Japan Earthquake

The FILP Plan features flexible fund provision responding to the social and economic situation as it represents a fiscal policy not dependent on tax revenues and includes built-in measures (flexible management clause) to increase the planned Fiscal Loan amount and the ceiling on Government Guarantee within a certain range every fiscal year in prompt, flexible response to changes in economic and other conditions. FILP has been proactively used to meet fund demand arising from the economic and financial crisis after the Lehman collapse and after the Great East Japan Earthquake.

FILP projects in this respect, for example, include support (Safety-Net Loans and Crisis Response Operations) for cash-strapped enterprises, post-disaster restoration and reconstruction, and disaster prevention and reduction.
COLUMN Utilizing Industrial Investment

1. Role of Industrial Investment

Industrial Investment aims at developing industry and promoting trade, and plays a role in inducing the private sector to provide capital subscriptions or subordinated capital loans by providing them as pump-priming for essential policy projects that have potential returns but cannot be funded sufficiently by the private sector alone because of their risks.

2. Target fields of Industrial Investment

Industrial Investment has been provided to agencies (e.g. government-affiliated financial institutions, incorporated administrative agencies) to enhance their financial bases for providing capital funds and supporting projects required for policy objectives. In recent years, Industrial Investment has been made through public-private funds to provide long-term risk money as a catalyst to induce private capitals.

Regarding public-private funds, particularly in fields such as research and development, and startups, the Government needs to take measures based on management by human resources and know-how of the private sector by utilizing Industrial Investment to build new public-private partnerships led by the private sector. For this purpose, Innovation Network Corporation of Japan was created in FY2009. The range of public-private fund investment targets has been expanded to cover not only Development Bank of Japan Inc. projects for enhancing business competitiveness and invigorating regional economies, but also collaboration among the primary, secondary and tertiary industries, the Cool Japan′ strategy, infrastructure development under the PFI † (private finance initiative) and support for overseas infrastructure system development involving the Government′s growth strategy (public-private funds are described on P.8).

Meanwhile, investment in research and development corporations has been substantially reduced (to zero since FY 2014) as relevant projects at these corporations have been abolished and new projects have been adopted under the “Basic Policy for Reforming Clerical Work and Projects at Incorporated Administrative Agencies” (Cabinet Decision, December 7, 2010).

3. Role and feature of Industrial Investment Capital Subscription and Loans

Industrial Investment, unlike Fiscal Loan, provides mainly equity finance for high-risk projects. Recently, Industrial investment has become a mezzanine finance source, providing exceptional, limited loans in addition to equity finance. Unlike Fiscal Loan with fixed interest rates, Industrial Investment loans can deal with long-term, bullet repayment loans with performance-based interest rates, and are used for Japan Finance Corporation and other organizations that handle mezzanine finance including subordinated loans.

(Reference) Organizations subject to Industrial Investment loans (Initial FY2018 FILP Plan)

● Japan Finance Corporation (Small and Medium Enterprise Unit): Subordinated capital loans (responding to earthquake disasters), etc.

[Image of performance-based interest rates] [Effects of subordinated capital loans]

※Interest may be paid in full after a 10-year period. (Interest may vary depending on business performance in the 10-year period)

Bullet repayment† upon 10-year maturity

New loans are available
Providing risk money through public-private funds

1. What are public-private funds?

While private sector funds have not been provided sufficiently as risk money in Japan, public-private funds, based on a principle of supplementing private business, induce private sector investment (pump-priming effect) by taking risks that are difficult for the private sector to take. Funds provision by public-private funds is limited to such policy objectives as the realization of growth strategy of the Government, the revitalization of local economies, and the creation of new industries and markets. Those funds aim to realize economic growth led by the private sector.

[Overview of public-private funds (Targets of Industrial Investment)]

<table>
<thead>
<tr>
<th>Institution</th>
<th>Date of establishment (Lifetime)</th>
<th>Purpose of establishment</th>
<th>Industrial Investment (At the end of March 2018)</th>
<th>Private sector investment (At the end of March 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation Network Corporation of Japan (INCJ)</td>
<td>July 2009 (24 years)</td>
<td>Invest in progressive projects in order to promote the creation of next-generation businesses through open innovation</td>
<td>286 billion yen (capital subscription)</td>
<td>14 billion yen</td>
</tr>
<tr>
<td>Regional Economy Vitalization Corporation of Japan (REVIC)</td>
<td>March 2013 (13 years)</td>
<td>Support business turnaround for the selection, concentration and realignment of business operations, and back up new business startups, switches and local vitalization projects</td>
<td>13 billion yen (capital subscription)</td>
<td>10.1 billion yen</td>
</tr>
<tr>
<td>Agriculture, forestry and fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan (A-FIVE)</td>
<td>January 2013 (20 years)</td>
<td>Support companies co-funded by one in agriculture, forestry, and fisheries and others in different industries, practicing collaboration among the primary, secondary and tertiary industries in order to develop aggressive agriculture, forestry and fisheries Industry</td>
<td>30 billion yen (capital subscription)</td>
<td>1.9 billion yen</td>
</tr>
<tr>
<td>Private Finance Initiative Promotion Corporation of Japan</td>
<td>October 2013 (15 years)</td>
<td>Foster infrastructure investment markets by promoting the introduction of private sector funds for PFI projects that collect funds from usage charge income</td>
<td>10 billion yen (capital subscription)</td>
<td>10 billion yen</td>
</tr>
<tr>
<td>Cool Japan Fund Inc.</td>
<td>November 2013 (20 years)</td>
<td>In collaboration with private companies, invest and participate in Japan Mall and other projects for commercializing Japanese attractions to promote the overseas expansion of Cool Japan</td>
<td>58.6 billion yen (capital subscription)</td>
<td>10.7 billion yen</td>
</tr>
<tr>
<td>Fund for Japanese Industrial Competitiveness (Development Bank of Japan Inc. (DBJ))</td>
<td>March 2013 (About 10 years)</td>
<td>Promote creation of new businesses, from cooperation between different industries and by utilizing latent technology in corporations</td>
<td>79 billion yen (loans)</td>
<td>50 billion yen (proprietary DBJ funds)</td>
</tr>
<tr>
<td>Special Investment Operations (Development Bank of Japan Inc. (DBJ))</td>
<td>June 2015 (10 years)</td>
<td>Promote financing by private financial institutions and support proactive growth initiatives of enterprises in order to enhance their competitiveness and vitalize local economies</td>
<td>165 billion yen (capital subscription)</td>
<td>165 billion yen (proprietary DBJ funds)</td>
</tr>
<tr>
<td>Japan Overseas Infrastructure Investment Corporation for Transport &amp; Urban Development (JOIN)</td>
<td>October 2014 (10 years)</td>
<td>Invest and participate in high-speed railway construction and other overseas projects in order to promote transportation and urban infrastructure exports</td>
<td>40.5 billion yen (capital subscription)</td>
<td>6.9 billion yen</td>
</tr>
<tr>
<td>Fund Corporation for the Overseas Development of Japan's ICT and Postal Services (JICT)</td>
<td>November 2015 (20 years)</td>
<td>Invest and participate in terrestrial digital broadcasting network development and other overseas projects in order to promote the overseas expansion of telecommunications, broadcasting and postal projects</td>
<td>6.6 billion yen (capital subscription)</td>
<td>2.4 billion yen</td>
</tr>
</tbody>
</table>

(Note) The figures are rounded.

[Scheme for public-private fund]

1. National government
   2. Government Guarantee for fundraising
   3. General account investment/Industrial Investment (Capital Subscription)
   4. Capital subscription, etc.
   5. Public-private fund
   6. Pump-priming effect
   7. Sub-fund
   8. Pump-priming effect
   9. Capital subscription, etc.
   10. Private sector
   11. Investment target companies
   12. Capital subscription, etc.

*Case for using sub-funds
2. Example of public-private fund investment

Development Bank of Japan Inc. (Special Investment Operations [DBJ])

◆ Overview
Special Investment Operations were launched on June 29, 2015, as a new investment mechanism for Development Bank of Japan Inc. to promote risk money supply (including equity funds and mezzanine finance, etc.) temporarily and intensively to enhance Japan’s business competitiveness and invigorate regional economies under the recognition that any source or market for risk money for such purpose was still unmatured in Japan.

◆ Case example: New small rocket launching project
In August 2017, Development Bank of Japan Inc. created a Business Planning Company with CANON ELECTRONICS INC., IHI AEROSPACE Co., Ltd. and Shimizu Corporation to plan and verify development of small rockets. The Business Planning Company and the aforementioned four companies have verified the feasibility of development of small rockets since then and concluded that the project would be feasible and appropriate. In July 2018, the four companies took procedures including investment expansion to develop the Business Planning Company into an Operating Company (SPACE ONE Co., Ltd.). The project will contribute to enhancing the Japanese space industry’s competitiveness through cross-industrial cooperation in new business development. In a bid to meet globally growing demand for small satellite launch services, the Operating Company and the four companies will accelerate the plans to commercialize the project by FY2021.
**History of Fiscal Loan**

① Early Meiji Era to Mid-late Meiji Era

The history of the Fiscal Loan Fund dates back to the beginning of the Meiji Era. Since private financial institutions were underdeveloped in those days, various funds were amassed at the Government. The Reserve Funds Handling Bylaws in 1876 required those funds to be deposited for management at the Government Bond Bureau of the Ministry of Finance. In 1878, the bureau began to accept deposits (Postal Savings) and invest the funds in Government Bonds. In May 1885, the deposit regulation was created to legalize depositing funds at the Ministry of Finance. As the regulation had no provision about specific methods or details for investment of those deposits, the Ministry might have initially focused on custody business rather than investment.

② Late Meiji Era to World War II

In a decade from 1907, the Ministry began to invest deposits not only in Government Bonds but also in local bonds and other securities and in loans to the Government’s General Account and Special Accounts. In the Taisho Era from 1912, the Ministry expanded investment of these deposits in bonds issued by the Industrial Bank of Japan and Nippon Kanyo Bank and loans to special banks in order to provide funds for domestic business operations and overseas investment. Since some investment problems arose, however, the Deposits Section Deposit Act and the Ministry of Finance Deposits Section Special Account Act were established in 1925 to clarify basic investment principles and accounting and create relevant organizations (including the Deposits Section). As the wartime regime was established later, the investment focus shifted to fund supply for national policy concerns and defense companies and investment in the Asian Continent.

③ After World War II

After World War II, assets and debts at the Deposits Section were straightened due to losses on bonds issued by special companies and banks and on loans to them. Under a policy of the General Headquarters of the Allied Powers, investment targets under the Allied occupation were limited in principle to national and local governments. As national life stabilized later, funds at the Deposits Section, including Postal Savings, rapidly increased to general surplus funds. As the industry sector then called on the Government to provide long-term funds for equipment investment, the Trust Fund Bureau Fund Act was established in 1951 to develop arrangements for providing long-term funds. The Trust Fund Bureau Fund created under the act was the predecessor of the Fiscal Loan Fund.

The Trust Fund Bureau Fund Act clarified that Postal Savings and government funds such as special account reserves and surpluses should be integrated at the Trust Fund Bureau for unified investment. To ensure secure and efficient investment, the act limited investment targets to the national government (the General Account and Special Accounts), local governments and their wholly owned corporations, etc. The current Fiscal Loan Fund has taken over a similar idea.
# History of Fiscal Loan (Outline)

## [Chronological table of Fiscal Loan]

<table>
<thead>
<tr>
<th>Early Meiji Era</th>
<th>Reserve Funds Handling Bylaws</th>
<th>Miscellaneous incomes other than tax incomes accumulated as “savings” and later as “reserves.”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1876</td>
<td>Deposit regulation</td>
<td>Deposits of funds to the Government Bond Bureau of the Ministry of Finance, which was also responsible for their management.</td>
</tr>
<tr>
<td>1878</td>
<td></td>
<td>Postal Savings deposited with the Government Bond Bureau for management.</td>
</tr>
<tr>
<td>1885</td>
<td></td>
<td>Depositing funds to Ministry of Finance was legalized and the Deposits Section was set up. Initially, the Ministry focused on custody business rather than investments.</td>
</tr>
</tbody>
</table>

## Mid-late Meiji Era to Taisho Era

<table>
<thead>
<tr>
<th></th>
<th>Investments by the Deposits Section shifted from Government Bonds to bonds issued by industrial banks and special-purpose banks.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1885</td>
<td>In the early Taisho Era, some loans became irrecoverable, like the Nishihara Loan (note). Improvement of the Deposits Section system became necessary in order to ensure proper custody and management of funds.</td>
</tr>
</tbody>
</table>

## Around WWII

<table>
<thead>
<tr>
<th></th>
<th>With the country placed on a war footing, investment of funds gradually shifted to state-backed entities and war industries, and focused on China. As a result, the investments resulted in a huge loss.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>Basic principles of “management in secure and efficient ways” and “for the benefit of the state and public” were clarified. “Deposits Section Fund Management Committee” was established.</td>
</tr>
<tr>
<td>Around WWII</td>
<td>Laws concerning Special Treatment of Losses incurred by Deposits Section of the Ministry of Finance, etc.</td>
</tr>
<tr>
<td>1946</td>
<td>Liquidation of assets and liabilities of the Deposits Section.</td>
</tr>
</tbody>
</table>

## Under U.S. occupation

<table>
<thead>
<tr>
<th></th>
<th>GHQ ordered that recipient of the Deposits Section funds should basically be limited to the state and local governments.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>For post-war restoration, demand for long-term funds arose from industrial circles.</td>
</tr>
<tr>
<td></td>
<td>• Unified management of state funds</td>
</tr>
<tr>
<td></td>
<td>• Contribution to the promotion of public interest</td>
</tr>
<tr>
<td></td>
<td>• Investment of funds in secure and efficient ways</td>
</tr>
</tbody>
</table>

## 1973

<table>
<thead>
<tr>
<th></th>
<th>The Act on Special Measures on the long-term management of the Trust Fund Bureau Fund and Postal Life Insurance Reserve was enforced.</th>
</tr>
</thead>
</table>

## 1987

<table>
<thead>
<tr>
<th></th>
<th>Development of interest deregulation and other changes in the economic and financial environment.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• The legal system for interest rates on deposits¹ was amended and entrusted to government decree</td>
</tr>
<tr>
<td></td>
<td>• Foreign government bonds were added as targets for asset management of Trust Fund Bureau Fund</td>
</tr>
</tbody>
</table>

## 2001

<table>
<thead>
<tr>
<th></th>
<th>Reflecting changes in environment, the focus of policies shifted from industry to living environment.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Elimination of the requirement that all Postal SAVINGS and Pension Reserves be deposited with the Trust Fund Bureau (the FILP Reform)</td>
</tr>
<tr>
<td></td>
<td>• Introduction of policy cost analysis¹</td>
</tr>
<tr>
<td></td>
<td>• Enhanced information disclosure</td>
</tr>
<tr>
<td></td>
<td>• Market-based fund-raising</td>
</tr>
</tbody>
</table>

Note: Nishihara Loan is a series of loans extended to China in 1917-1918. Some of the funds were financed from the Deposits Section but became irrecoverable. The state assumed the irrecoverable principal and interest payments.
COLUMNS

History of Industrial Investment

The history of Industrial Investment dates back to the establishment of the Industrial Investment Special Account 1 in FY1953. The special account that clearly distinguishes its accounting from the General Account was then established under the Industrial Investment Special Account Act to conduct investment for "economic reconstruction, industrial development and trade promotion," taking over funds at the U.S. Aid Counterpart Fund Special Account and the funds from the General Account to Japan Development Bank and the Export-Import Bank of Japan.

Since Japan was then urgently required to develop electric power, shipping, coal, steel and other key industries, the Industrial Investment Special Account used a transfer from the General Account as its main financial resources for investment and loans to government-affiliated organizations, etc. As the transfer from the General Account to the Industrial Investment Special Account decreased rapidly due to fiscal deterioration since 1975, the Industrial Investment Special Account Act was revised to enhance the capital of the special account and reform the special account. Under the revision, (1) NTT and JT shares owned by the Government were transferred from the General Account to the Industrial Investment Special Account, (2) a provision was made for a transfer from the Industrial Investment Special Account to the General Account, and (3) the term "economic reconstruction" was deleted from the provision for the establishment of the special account.

In FY1987, the Industrial Investment Special Account was divided into the Industrial Investment Account and the Social Infrastructure Development Account as an interest-free loan system was made for using income from the sale of NTT shares to promote social infrastructure development.

In response to the establishment of the Act on Special Accounts, the Industrial Investment Account was transferred to the Fiscal Loan Fund Special Account 1 renamed then as the Fiscal Loan and Investment Special Account and became the Investment Account of the FILP Special Account in FY2008.

(Note) The Social Infrastructure Development Account was abolished in FY2007 and transferred to the General Account.

[History of FILP Special Account (Investment Account)]

<table>
<thead>
<tr>
<th>Year</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953</td>
<td>Establishment of Industrial Investment Special Account</td>
</tr>
<tr>
<td></td>
<td>The special account was established to take over funds at the U.S. Aid</td>
</tr>
<tr>
<td></td>
<td>counterpart Fund Special Account (established in 1949 based on U.S.</td>
</tr>
<tr>
<td></td>
<td>aid including GARIOA (Government and Relief in Occupied Areas) and</td>
</tr>
<tr>
<td></td>
<td>EROA (Economic Rehabilitation in Occupied Areas) funds) and the funds</td>
</tr>
<tr>
<td></td>
<td>from the General Account to Japan Development Bank and the Export-Import</td>
</tr>
<tr>
<td></td>
<td>Bank of Japan.</td>
</tr>
<tr>
<td>1955 ~ 1984</td>
<td>Revision of the Industrial Investment Special Account</td>
</tr>
<tr>
<td></td>
<td>Shares in Nippon Telegraph and Telephone Corp. (NTT) (owned one-third</td>
</tr>
<tr>
<td></td>
<td>by the Government) and Japan Tobacco, Inc. (JT) (owned one-half by the</td>
</tr>
<tr>
<td></td>
<td>Government) were transferred from the General Account to the Industrial</td>
</tr>
<tr>
<td></td>
<td>Investment Special Account to enhance the financial base of the special</td>
</tr>
<tr>
<td></td>
<td>account. A provision was made for a transfer from the Industrial</td>
</tr>
<tr>
<td></td>
<td>Investment Special Account to the General Account.</td>
</tr>
<tr>
<td></td>
<td>(Note) Because there was no transfer provision to the General Account</td>
</tr>
<tr>
<td></td>
<td>before the revision of the Industrial Investment Special Account.</td>
</tr>
<tr>
<td></td>
<td>The special account transferred funds to the General Account under</td>
</tr>
<tr>
<td></td>
<td>laws established as necessary.</td>
</tr>
<tr>
<td>2008</td>
<td>Under the Act on Special Accounts, the Industrial Investment Special</td>
</tr>
<tr>
<td></td>
<td>Account became the Industrial Account of the FILP Special Account.</td>
</tr>
</tbody>
</table>
4. FILP Reform

A fundamental reform was undertaken of the FILP system (the FILP Reform) in FY2001. Prior to this reform, it was mandatory under the Trust Fund Bureau Fund Act to deposit postal savings and pension reserves with the Trust Fund Bureau Fund, which was the main means for raising capital for FILP. It can be addressed that FILP, using postal savings and pension reserves, has contributed to the economic development in Japan as a fiscal policy tool to use domestic savings efficiently to develop social capital. As the FILP size grew enormously with financial resources collected irrespective of actual demand for policy-requirement, however, problems including the lack of efficient management were pointed out.

In response, the FILP Reform was undertaken to make FILP more efficient and consistent with market principles.

Under the reform, firstly, the fundraising mechanism of FILP was overhauled to eliminate mandatory deposits of postal savings and pension reserves to the Trust Fund Bureau, allowing for the independent investment (in the market in principle) of the entire deposits. Funds required for FILP were allowed to be raised from the market through the issuance of FILP bonds, enabling efficient fundraising to meet demand. At the same time, interest rates on FILP bonds were determined as equal to those on Government Bonds in principle.

Moreover, FILP-target projects performed by FILP agencies were reviewed from the viewpoint of supplementing private business. FILP agencies were also allowed to issue FILP agency bonds to independently raise funds required for their projects.

In addition, the policy cost analysis was introduced. The analysis clarifies policy costs (including prospective subsidies, opportunity costs of investments) to enrich information on the reasonability of FILP-target projects and the fiscal soundness of FILP agencies from the viewpoint of FILP disclosure.

[Image of the FILP Reform]

<table>
<thead>
<tr>
<th>Old FILP</th>
<th>FILP Reform in FY2001</th>
<th>New FILP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postal savings → FILP (Trust Fund Bureau) → Loan</td>
<td>Financial markets</td>
<td>FILP agency bonds</td>
</tr>
<tr>
<td>Pension reserves</td>
<td>Aggregate procurement</td>
<td>Scrutiny of required amount</td>
</tr>
<tr>
<td>Deposit</td>
<td>FILP (government) bonds</td>
<td>Loan interest rate = Government bonds interest</td>
</tr>
<tr>
<td>Postal savings</td>
<td>FILP agencies</td>
<td>FILP agencies</td>
</tr>
<tr>
<td>Pension reserves</td>
<td>Deposit abolition</td>
<td>Independent management of all deposits</td>
</tr>
</tbody>
</table>

Main points of the Reform

- Elimination of the mandatory deposit of all postal savings and pension reserves, and introduction of market-based fund raising
- Introduction of policy cost analysis and rigorous expansion of information disclosure
- Obligation to deposit all postal savings and pension reserves was eliminated. Instead, these funds are to be managed independently in the financial markets.
- Only the necessary amount of funds is to be raised through the issuance of FILP bonds in light of thorough scrutiny of the redemption certainty and the supplementary function to the private sector.
- Loan interest rates are based on market rates on Japanese government bonds according to loan period.
- Policy cost analysis is to be introduced and enhanced.
- FILP agencies are to issue FILP agency bonds.
- Information disclosure is to be substantially expanded to ensure the discipline of special public corporations, etc.
The FILP Reform in FY2001 repealed the mandatory deposition of postal savings and pension reserves for financing Fiscal Loans accounting for most of FILP and introduced a mechanism for FILP bonds to be issued to actively raise funds from the market in principle. At the same time, the Government selected FILP target projects more strictly and improved FILP efficiency and reduced FILP demand through a special public corporation reform under the Reorganization and Rationalization Plan for Special Public Corporations (Cabinet Decision, December 19, 2001) and other initiatives. As a result, the scale of the FILP Plan was slimmed down.

Later, the Government, while continuing to select FILP target projects more strictly and improve FILP efficiency, proactively addressed the serious economic and financial situation after the September 2008 Lehman Brothers collapse and reconstruction after the March 2011 Great East Japan Earthquake. In recent years, the Government has taken advantage of low interest rates to use Fiscal Loans for accelerating the opening of the Linear Chuo Shinkansen line under the supplementary budget for FY2016 and the FY2017 FILP Plan and for speeding up the development of the ring roads in metropolitan areas under the FY2018 FILP Plan.

[Transition (flow) in FILP Plan]

[Unit: trillion yen]

<table>
<thead>
<tr>
<th>Year</th>
<th>Initial plan</th>
<th>Revised plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>32.5</td>
<td>20.7</td>
</tr>
<tr>
<td>2003</td>
<td>26.8</td>
<td>19.0</td>
</tr>
<tr>
<td>2004</td>
<td>23.4</td>
<td>17.2</td>
</tr>
<tr>
<td>2005</td>
<td>20.5</td>
<td>15.0</td>
</tr>
<tr>
<td>2006</td>
<td>17.2</td>
<td>14.2</td>
</tr>
<tr>
<td>2007</td>
<td>15.9</td>
<td>13.9</td>
</tr>
<tr>
<td>2008</td>
<td>16.8</td>
<td>15.9</td>
</tr>
<tr>
<td>2009</td>
<td>15.9</td>
<td>14.9</td>
</tr>
<tr>
<td>2010</td>
<td>18.4</td>
<td>18.4</td>
</tr>
<tr>
<td>2011</td>
<td>16.2</td>
<td>16.2</td>
</tr>
<tr>
<td>2012</td>
<td>16.8</td>
<td>16.8</td>
</tr>
<tr>
<td>2013</td>
<td>16.3</td>
<td>16.3</td>
</tr>
<tr>
<td>2014</td>
<td>15.1</td>
<td>15.1</td>
</tr>
<tr>
<td>2015</td>
<td>15.1</td>
<td>15.1</td>
</tr>
<tr>
<td>2016</td>
<td>14.5</td>
<td>14.5</td>
</tr>
<tr>
<td>2017</td>
<td>15.9</td>
<td>15.9</td>
</tr>
<tr>
<td>2018</td>
<td>17.9</td>
<td>17.9</td>
</tr>
</tbody>
</table>

[Transition (stock) in FILP Plan balance]

[Unit: trillion yen]

<table>
<thead>
<tr>
<th>Year</th>
<th>Initial plan</th>
<th>Revised plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>417.8</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>410.2</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>390.6</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>354.0</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>327.5</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>299.6</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>275.5</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>245.1</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>216.0</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>201.9</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>189.2</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>181.1</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>175.7</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>169.3</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>162.2</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>154.3</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>152.8</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>146.1</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>140.4</td>
<td></td>
</tr>
</tbody>
</table>

(Note) The actual figures through FY2017.
5. Formulating FILP Plan and submitting it to the Diet

About FILP Plan

FILP has the important function of resource allocation by the Government, and the long-term investment and loan activities may have a great influence on the people’s daily lives.

Fiscal Loan, Industrial Investment and Government Guarantee have different mechanisms and characteristics, but share the aspect of government investment and loan activities from a policy viewpoint. So, it is necessary to arrange them overall into one unified list.

Formulating FILP Plan

The government offices with jurisdiction over FILP agencies compile budget requests to the General Account, etc. and requests of FILP agencies and submit them to the Minister of Finance. Later, the FILP Plan is formulated along with the budget. The Financial Bureau of the Ministry of Finance screens the requests of FILP agencies while hearing opinions from the Fiscal System Council.

In screening the requests, the bureau utilizes the policy evaluations, policy cost analysis and other approaches to examine:

- Necessity and importance of each measure (necessity of the policy)
- Whether the private sector can handle each measure and whether each measure would squeeze the private sector (complementing the private sector)
- Whether provided funds will be securely repaid (redemption certainty)

The FILP Plan is put together in this way and submitted to the Cabinet Meeting simultaneously with the budget.

Diet deliberation and decision

Based on the Long-Term Management Act, the FILP Plan is submitted to the Diet as an attachment to the Special Accounts Budgets each year, during the ordinary session of the Diet.

FILP Plan components are incorporated into the budget, including Fiscal Loan as the planned amount for long-term management in the general provisions of the Special Account Budget, Industrial Investment as the expenditure in the Investment Account of the FILP Special Account and Government Guarantee as the limit on government guarantee contracts in the general provisions of the General Account Budget. As the Diet deliberates and votes on the budget, it puts the FILP Plan under its fiscal control.

[Flowchart of formulating a FILP Plan]
1. Formulating Initial FY2018 FILP Plan

The FY2018 FILP Plan was submitted to the Cabinet Meeting along with the Draft FY2018 budget on December 22, 2017, and to the Diet on January 22, 2018, after government ministries and agencies presented FY2018 FILP requests by the end of August 2017 and the FILP Subcommittee of the Fiscal System Council discussed issues regarding the plan’s formulation at four of its meetings.

As the FY2018 FILP Plan components were incorporated into the Draft FY2018 budget, the plan passed the Diet upon the enactment of the FY2018 budget on March 28, 2018.

Basic concept of FY2018 FILP Plan

In formulating the FY2018 FILP Plan, the Government considered providing long-term financing proactively to improve productivity. Specifically, the Government decided to support capital investment by business operators tackling the improvement of competitiveness and the invigoration of regional economies and by farmers attempting to expand their business sizes and to accelerate the development of expressways forming the core of logistic networks. It also decided to provide risk money required for promoting international expansion strategies. At the same time, the Government considered encouraging each FILP agency to make effective use of cash on hand and distributing FILP funds efficiently in a bid to appropriately meet demand for truly necessary funds.

The size of the FY2018 FILP Plan remains almost unchanged from recent years at 14,463.1 billion yen, including 10,853.8 billion yen for Fiscal Loan, 364.5 billion yen for Industrial Investment and 3,244.8 billion yen for Government Guarantee.
## Outline of FY2018 FILP Plan

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2017 (Initial Plan)</th>
<th>FY2018 (Initial Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improvement of productivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Regional Revitalization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan Finance Corporation (JFC)</td>
<td>4,478.7</td>
<td>4,744.2</td>
</tr>
<tr>
<td>Micro Business and Individual Operations and SME Operations</td>
<td>3,057.0</td>
<td>2,997.5</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fisheries and Food Business Operations</td>
<td>235.0</td>
<td>483.0</td>
</tr>
<tr>
<td>Development Bank of Japan Inc. (DBJ)</td>
<td>700.0</td>
<td>779.0</td>
</tr>
<tr>
<td>(2) Development of transportation infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan Expressway Holding and Debt Repayment Agency</td>
<td>2,954.6</td>
<td>2,823.0</td>
</tr>
<tr>
<td>Japan Railway Construction, Transport and Technology Agency</td>
<td>1,529.4</td>
<td>27.2</td>
</tr>
<tr>
<td>2. Promoting strategy of global outreach</td>
<td>2,444.0</td>
<td>2,004.6</td>
</tr>
<tr>
<td>Japan Bank for International Cooperation (JBIC)</td>
<td>1,666.0</td>
<td>1,172.4</td>
</tr>
<tr>
<td>Japan International Cooperation Agency (JICA)</td>
<td>548.7</td>
<td>618.4</td>
</tr>
<tr>
<td>Japan Overseas Infrastructure Investment Corporation for Transport &amp; Urban Development (JOIN)</td>
<td>113.7</td>
<td>126.8</td>
</tr>
<tr>
<td>Fund Corporation for the Overseas Development of Japan’s ICT and Postal Services (JICT)</td>
<td>41.6</td>
<td>31.2</td>
</tr>
<tr>
<td>Cool Japan Fund Inc.</td>
<td>21.0</td>
<td>13.5</td>
</tr>
<tr>
<td>3. Education, welfare and medical services</td>
<td>1,219.7</td>
<td>1,244.9</td>
</tr>
<tr>
<td>Japan Student Services Organization</td>
<td>700.3</td>
<td>707.5</td>
</tr>
<tr>
<td>Welfare and Medical Service Agency</td>
<td>353.1</td>
<td>348.6</td>
</tr>
<tr>
<td>4. Local Governments, etc.</td>
<td>3,473.0</td>
<td>3,210.2</td>
</tr>
<tr>
<td>Local Governments</td>
<td>2,868.0</td>
<td>2,810.2</td>
</tr>
<tr>
<td>5. Others</td>
<td>558.2</td>
<td>436.2</td>
</tr>
<tr>
<td>FILP plan</td>
<td>15,128.2</td>
<td>14,463.1</td>
</tr>
</tbody>
</table>

### Transition (flow) in FILP Plan

- **Initial plan**
- **Revised plan** (Revision with supplementary budgets and follow-up funding by the flexible management clause)

[Graph showing transition (flow) in FILP Plan]

(Notes) 1. On an initial plan basis. Data in parentheses are those revised with supplementary budgets and follow-up funding by the flexible management clause.
2. FY2000 is based on general FILP.
Major policy measures

1 Improving productivity

Regional revitalization

Japan Finance Corporation responds to demand for funds for SMEs’ and microenterprises’ business startup and turnaround efforts and their productivity-improving initiatives contributing to the working-style reform and for farmers’ capital investment in the livestock farming area to expand their business sizes. Development Bank of Japan Inc. supports projects contributing to the improvement of business competitiveness and regional revitalization.

(Reference) The FY2017 FILP Plan expanded Fiscal Loan for Development Bank of Japan Inc. by 280 billion yen to meet demand for funds for such purposes as business operators’ capital investment to improve productivity.

Japan Finance Corporation (JFC) (Agriculture, Forestry, Fisheries and Food Business Operations)

JFC (Agriculture, Forestry, Fisheries and Food Business Operations) supports fundraising by agriculture, forestry, fisheries and food business operators as a policy-based institution that aims to complement financial activities carried out by private financial institutions.

The planned scale of business for its FY2018 budget is worth 615 billion yen including 483 billion yen in Fiscal Loan.

Project example: Utilizing the agricultural business infrastructure reinforcement loan (“Super L” Loan) for farmers undertaking large-scale livestock farming

A livestock farmer planned to triple livestock production and purchase forage crops produced at local idle farmland to respond to nationwide raw milk shortages and make effective use of idle farmland.

JFC and private financial institutions cooperated in assessing the feasibility of the plan and agreed to provide a syndicated loan comprising JFC money for constructing barns and other facilities and private financial institution money for working capital to support the farmer’s business size expansion.

Business scheme

Loan terms and conditions (agricultural business infrastructure reinforcement loan; “Super L” Loan)

| Loan targets | Certified farmers (individuals or corporations that prepared agricultural business improvement plans and had them certified by municipal government heads) Note: Individuals are required to have kept or keep books. |
| Loan purposes | Loans may be used for the following funds for implementing agricultural business improvement plans. However, business improvement fund plans must be prepared by relevant farmers and certified by special loan system promotion councils for which municipal governments serve as secretariats. |
| Loan limit | [Individual] 300 million yen (600 million yen for a certified special case) [Corporation] 1 billion yen (2 billion yen for a certified special case [3 billion yen for a certain case]) |
| Loan period | 25 or less years (including a grace period† of up to 10 years) |
| Interest rate | 0.25-0.40% (as of August 20, 2018) |

Actual loans

- FY2015: 7,016 cases worth 209.2 billion yen
- FY2016: 7,605 cases worth 248.0 billion yen
- FY2017: 8,206 cases worth 328.6 billion yen
Japan Finance Corporation (JFC) (Micro Business and Individual Operations/Small and Medium Enterprise Operations)

JFC supports fundraising by SMEs and micro enterprises as a policy-based institution that aims to complement financial activities carried out by private financial institutions. The planned scale of business for its FY2018 budget is worth 4.44 trillion yen including 2.7695 trillion yen in Fiscal Loan, 43 billion yen in Industrial Investment and 185 billion yen in Government Guarantee.

◆ Project example: Utilizing subordinated capital loans for venture businesses

A person, who has established his independent business after engaging in soft drink manufacturing for a long time, launched a venture business and required funds for a new plant to introduce new production lines and sales approaches and to differentiate the firm from others.

As the startup, this venture needed a strong financial profile; JFC provided the venture with a subordinated capital loan that financial institutions treat as capital rather than debt when assessing borrowers' financial profiles. The loan allowed the venture to simultaneously expand its business operations and enhance its financial profile, contributing to facilitating the venture's fundraising by triggering loans from private financial institutions.

![Business scheme](image)

<table>
<thead>
<tr>
<th>Loan terms and conditions (for SME Unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan targets</strong></td>
</tr>
<tr>
<td>1) New business loan borrowers: Those who launch new businesses, expand into other industries or fields, expand into foreign countries and succeed businesses※ Including successors who are not relatives of business owners.</td>
</tr>
<tr>
<td>2) Business turnaround loan borrowers: Those who tackle business reconstruction</td>
</tr>
<tr>
<td><strong>Loan limit</strong></td>
</tr>
<tr>
<td>300 million yen</td>
</tr>
<tr>
<td><strong>Loan period</strong></td>
</tr>
<tr>
<td>5 years and 1 month, 7 years, 10 years, 15 years (bullet repayment)</td>
</tr>
<tr>
<td><strong>Loan interest rate</strong></td>
</tr>
<tr>
<td>Interest rates indexed to business performances (0.40% to 5.95% depending on borrower categories, periods and business performances)</td>
</tr>
<tr>
<td><strong>Others</strong></td>
</tr>
<tr>
<td>Unsecured, unguaranteed&lt;br&gt;※Even in Micro Business and Individual Unit, subordinated capital loans are provided. Loan limit: 40 million yen Loan period: 5 years and 1 month to 15 years (bullet repayment) Loan interest rate: Interest rates indexed to business results (1.00% to 6.20% depending on borrower categories, periods and business performances)</td>
</tr>
</tbody>
</table>

### Actual loans

- FY2015: 1,076 loans worth 63.9 billion yen
- FY2016: 1,068 loans worth 61.1 billion yen
- FY2017: 1,087 loans worth 60.5 billion yen
② Transport infrastructure development
Taking advantage of current low interest rates, FILP provides the Japan Expressway Holding and Debt Repayment Agency with long-term financing for future refinancing to reduce its future interest payment burden to ① improve productivity by accelerating the development of the ring roads in metropolitan areas promote safety and security by speeding up the enhancement of expressway bridges' earthquake resistance.

(Reference) Government Guarantee is provided to allow the Japan Expressway Holding and Debt Repayment Agency to reduce its interest payment burden for refinancing. Part of future Government Guarantee is replaced with very-long-term Fiscal Loan to reduce the agency’s future interest payment burden and increase its capacity for assuming debt from expressway companies.

Taking advantage of low interest rates to accelerate expressway development

FILP takes advantage of current low interest rates to ① improve productivity by accelerating the development of the ring roads in metropolitan areas and ② promote safety and security by speeding up the enhancement of expressway bridges’ earthquake resistance.

[Reducing interest payment burden, etc.]

[Project example]

- Adding very-long-term (40-year), fixed-rate Fiscal Loan worth 1.5 trillion yen, etc.
- Japan Expressway Holding and Debt Repayment Agency: Cutting interest payments by some 1 trillion yen ⇒ Increasing debt assumption capacity
- Expressway companies: Increasing investment capacity

(Assumed projects)
- Accelerating the development of The Ken-O Expressway linking large logistic facilities, an international airport, etc.
- Improving productivity by increasing logistics efficiency and inducing private sector investment
- Expanding a two-lane road to a four-lane road

[Accelerating construction]
[Expanding a two-lane road to a four-lane road]
Speeding up the enhancement of bridges’ earthquake resistance for safety and security

Influence of bridge damage on disaster affected areas

- Bridges’ earthquake resistance should be enhanced urgently for prompt restoration and reconstruction from disasters.

  [Bridge damage caused by the 2016 Kumamoto Earthquake (on April 16, 2016)]

- Promoting earthquake resistance enhancement measures for bridges mainly in regions where large earthquakes are highly anticipated

- Implementing these measures intensively in regions where earthquakes are highly anticipated by FY2021

- Probability of earthquakes measuring 6-lower or more on the Japanese scale of 7 in the next three decades

Source: National Institute for Earth Science and Disaster Resilience

*Based on data from the Headquarters for Earthquake Research Promotion, Ministry of Education, Culture, Sports, Science and Technology (probability data were as of January 1, 2014, after the Great East Japan Earthquake)
Japan Bank for International Cooperation (JBIC) provides loans, equity participations and guarantees to support stable securement of resources, reduction of import cost, diversification of supply sources and other initiatives, as well as Japanese companies’ overseas investment and expansion into overseas regions where infrastructure demand is robust.

The planned scale of business for its FY2018 budget is worth 2.2569 trillion yen including 290 billion yen in Fiscal Loan, 62.4 billion yen in Industrial Investment and 820 billion yen in Government Guarantee.

### Business scale and FILP

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business scale</td>
<td>2,610.0</td>
<td>2,310.0</td>
<td>300.0</td>
<td>2,256.9</td>
<td>2,010.0</td>
<td>246.9</td>
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<tr>
<td>FILP</td>
<td>1,666.0</td>
<td>1,366.0</td>
<td>300.0</td>
<td>1,172.4</td>
<td>1,050.1</td>
<td>122.3</td>
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<tr>
<td>Fiscal Loan</td>
<td>441.0</td>
<td>209.5</td>
<td>231.5</td>
<td>290.0</td>
<td>230.0</td>
<td>60.0</td>
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<tr>
<td>Industrial Investment</td>
<td>85.0</td>
<td>36.5</td>
<td>48.5</td>
<td>62.4</td>
<td>20.1</td>
<td>42.3</td>
</tr>
<tr>
<td>Government Guarantee</td>
<td>1,140.0</td>
<td>1,120.0</td>
<td>20.0</td>
<td>820.0</td>
<td>800.0</td>
<td>20.0</td>
</tr>
</tbody>
</table>

### Special Operations Account

- Regarding the Special Operations Account to more proactively provide risk money for Japanese companies’ overseas infrastructure development:
  1. Setting strategic priority areas for developing projects
  2. Special Operations promotion arrangements, including the development of risk control measures based on the special characteristics of the operations, will be enhanced.

### Utilizing JBIC’s own funds, etc. (350 billion yen)

- Utilizing 300 billion yen in reserves for Japanese companies’ overseas infrastructure development
- Booking financial resources available through the liquidation of risk assets (sale of claims) using a “tranche-wise loan” from FY2018
Setting strategic priority areas

The following priority areas are set for developing future projects:

1. Projects for the leading exploration of developing company markets that have just participated in or come back to the international community

- Example approved deal in FY2016: Iraq

   Supporting Japanese companies’ participation in a substation construction project in Iraq coming back to the international community (about 31.5 billion yen)

2. Projects for using government engagement to create business opportunities

- Project assumed for FY2018: LNG gas value chain

   Developing downstream gas power plant projects (for users) in major ASEAN countries as leverage for creating opportunities for Japanese companies to participate in midstream (pipeline) and upstream (gas field development) projects

3. Responding to global digital innovation (expanding into innovative fields)

- Project assumed for FY2018: Investing in technology companies

   Supporting Japanese companies’ cross-border information and communications network development projects (demand risk-taking projects)

Enhancing Special Operations promotion arrangements including development of risk control measures

- Launching a task force to promote Special Operations by working out guidelines for JBIC-wide risk-control measures for each risk category ahead of or in parallel with project development from the viewpoint of responding to the diversification of risk categories accompanying the expansion of the Special Operations Account.

- An advisory committee comprising outside experts and directors will be commissioned to consider and recommend guidelines for risk-control measures for risks of large projects or each risk category.

- When progress is made in accumulating projects, stress tests meeting each project’s characteristics will be conducted with stress being applied to economic conditions and the business environment for assembling portfolios to control risks.

Past example project: Indonesian geothermal power generation project (approved in FY2017)

As electricity demand is increasing through stable economic growth in Indonesia, geothermal power generation development taking advantage of the country’s rich geothermal resources is promoted proactively. Under such situation, JBIC signed a project finance contract for a loan of up to about $188 million with Indonesia’s PT. Supreme Energy Rantau Dedap in which Japanese companies have invested. Under the contract, JBIC will provide long-term financing for the project to construct and operate a geothermal power plant in Indonesia’s South Sumatra to sell electricity over 30 years.

JBIC’s support for the project meets the Japanese Government’s policy, such as the Export Strategy for Infrastructure Systems revised in May 2017, and contributes to maintaining and enhancing Japanese companies’ international competitiveness.
Japan Student Services Organization implements loan-type and other scholarship programs for students ambitious to pursue higher education. Welfare and Medical Service Agency promotes the development of welfare facilities for children and aged people and medical facilities to enhance welfare and medical service infrastructure.

JASSO implements grant-type and loan-type scholarship programs (see Reference 1 below) as the Government’s key educational project under the philosophy of equal opportunity in education to allow motivated and capable students to study at universities, etc. on their own choice and responsibility. Fiscal Loan provides JASSO with funds required for lending interest-bearing scholarship loans. In FY2018, the Government earmarked 707.5 billion yen in Fiscal Loan in the FY2018 FILP program for lending loans to all students willing to use interest-bearing scholarship loans.

The number of borrowers of interest-bearing scholarship loans had been increasing due mainly to a rise in the university advancement rate. Recently, however, the number has been decreasing slightly due chiefly to the expansion of interest-free scholarship loans and falling birthrates (see Reference 2 below).

◆ (Reference 1) Scholarship loan program

JASSO provides interest-free and interest-bearing scholarship loans to students at graduate schools, universities, junior colleges, technical colleges, etc.

Academic score requirements for students eligible to borrow scholarship loans are tougher for interest-bearing loans than for interest-free loans. While the requirements for interest-bearing loan borrowers include “average or higher academic scores” and “ambition to study,” those for interest-free loan borrowers include “senior high school academic scores at 3.5 or more.” In FY2017, the Government implemented a scholarship loan reform including the effective repeal of the academic scores requirements for interest-free loan borrowers from low-income households.

◆ (Reference 2) Changes in annual scholarship loan borrowers and outstanding scholarship loans

![Graph showing changes in annual scholarship loan borrowers and outstanding scholarship loans from 2004 to 2016.](image)
Local governments

The Government provides local governments with Fiscal Loan Fund to contribute to their smooth fundraising mainly for social capital development and post-disaster reconstruction under the Local Bond Program.

Although in recent years, projects supposed to be undertaken by local governments in general have not been subject to Fiscal Loan, in consideration of frequent large-scale disasters, the Government added the projects for disaster prevention to Fiscal Loan targets to support their disaster prevention and reduction initiatives.

To encourage local governments to introduce concessions for public water supply and sewage, the Government relieves local governments of compensations for their pre-maturity redemption of debt for public water supply and sewage as far as they are in serious financial conditions and making self-help efforts. Reserve for interest rate volatility in the management account of the Japan Finance Organization for Municipalities are supposed to be utilized to cover such relief which is estimated at up to 1.5 billion yen.

Local governments

For social capital development undertaken by local governments, the Government provides local governments with long-term, low-interest funds that are difficult for private financial institutions to offer.

Fiscal Loan to local governments plays a key role in post-disaster reconstruction and other projects for which the Government should be responsible and in water supply and sewage and other social capital development linked closely to the people’s life.

The FY2018 Local Bond Program sets the total Fiscal Loan to local governments at 2.810.2 trillion yen (up 1.2% from the initial level for the previous year) to contribute to local governments’ smooth fundraising, in consideration of their respective spending purposes and fundraising capacities.

◆ (Reference 1) Local Government Bonds

Local Government Bonds are debt that local governments owe for raising funds externally and repay over a period of time exceeding one fiscal year. In principle, fundraising through Local Government Bonds is allowed in the cases provided in Article 5 of the Local Government Finance Act, such as raising financial resources for expenses for municipal enterprises and construction projects.

Local governments raise funds from public funds (Fiscal Loan Fund, etc. and Japan Finance Organization for Municipalities Funds (see Reference 2 below)) and private funds (Public Offering Funds and banks, etc.). Funds raised from the Fiscal Loan Fund are booked as Fiscal Loan to local governments in the FILP Plan.

In principle, local governments should raise funds from the private sector for promoting their autonomous fiscal management. As the Government has promoted the prioritization of Fiscal Loan to local governments in view of their fundraising capacities and spending purposes since the FILP Reform, the share for Local Government Bonds purchased by the Fiscal Loan Fund has declined while that for purchases with public offering and other private funds has risen ("growth in market-absorbed local bonds").

◆ (Reference 2) Japan Finance Organization for Municipalities funds

The funds are raised by Japan Finance Organization for Municipalities through bond issuance. The organization has been founded with investment from all prefectural and municipal governments to provide local governments with long-term, low-interest funds.
Planned amount of FILP bond issuance

FY2018 FILP bond issuance to provide financial resources for loans from the Fiscal Loan Fund is planned at 12 trillion yen based on the planned new Fiscal Loan amount (10,853.8 billion yen) and estimated deposits.

Fiscal Loan Fund Financing Bills† (FB) issuance to cover cash flow for the Fiscal Loan Fund are planned at 1.5 trillion yen.

<table>
<thead>
<tr>
<th>FILP bond issue amount</th>
<th>FY2017 (Initial)</th>
<th>FY2018 (Initial)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12.0</td>
<td>12.0</td>
</tr>
</tbody>
</table>

Planned amount of FILP agency bond issuance

As for FILP agency bonds to be issued by individual FILP agencies in the private financial market in FY2018, 16 agencies (15 agencies in FY2017) plan to issue 4,376.9 billion yen in total (4,359.5 billion yen (initial budget) under the FY2017 Plan). Excluding Asset-Backed Securities†, FILP agency bond issuance in FY2018 is planned to total 2,332.1 billion yen, down 216.3 billion yen from FY2017.

COLUMNS

Flexible management clause invocation in FY2017

The annual general provisions of the Special Account Budget include a clause that allows the FILP Plan to be increased to a certain extent for inevitable reasons such as unpredictable economic changes (flexible management clause).

In FY2017, the flexible management clause was invoked two times as follows:

1. Increasing Fiscal Loan to Japan Finance Corporation

   Japan Finance Corporation (Agriculture, Forestry, Fisheries and Food Business Operations) had planned to receive 235 billion yen in Fiscal Loan for loans totaling 420 billion yen in FY2017.

   As demand increased for funds for farmers’ equipment investment for expanding livestock farming from April 2017, Fiscal Loan to Japan Finance Corporation was increased by 117.5 billion yen on November 8, 2017, under the flexible management clause.

2. Increasing Fiscal Loan to local governments

   In response to the enactment of a supplementary budget for FY2017, the Government increased Fiscal Loan to local governments by 372.7 billion yen on February 14, 2018, under the flexible management clause to secure funds required by local governments for implementing the supplementary budget.
A

Asset-backed securities (ABS)

Asset-backed securities are financial products that are issued by corporations and the like for fundraising purposes, with their redemption backed by the creditworthiness of their issuers' assets (including monetary claims, movable assets and real estate) instead of the issuers.

Among FILP agencies, the Japan Housing Finance Agency buys housing loans from private sector financial institutions, entrusts these loans to trust banks, etc. and issues bonds backed by these loans to raise funds.

(Ref.) "FILP agencies," "FILP agency bonds"

B

Bullet repayment

This is the method of repaying the entire principal on the last repayment date. FILP bonds and many other coupon-bearing bonds use the bullet repayment method.

C

Collaboration among the primary, secondary and tertiary industries

The cooperation is designed to integrate agriculture, forestry and fisheries as the primary industry with the secondary industry for processing and other operations, and the tertiary industry for services and sales, to expand the potential of agriculture, forestry and fisheries.

D

Deposits

Deposits are funds left from the special accounts, and so forth, to the Fiscal Loan Fund. Reserves (see Note) and surpluses (cash generated as surpluses for the payment) in each special account are deposited to the Fiscal Loan Fund and managed in an integrated manner.

Interest is imposed on deposits based on yields on government bonds, depending on deposit periods specified in contracts.

(Note) Excluding reserves pertaining to the national pension account and employee's pension account of the pension special account.

(Ref.) "Fiscal Loan Fund"

F

FILP agencies

FILP agencies are institutions that utilize FILP in the relevant fiscal year.

FILP consists of three fund provision means -- Fiscal loan, Industrial Investment and Government Guarantee -- for their respective targets.

Complementing the private sector

This is one of the key points for the screening of FILP projects. Projects undertaken by FILP agencies must be those that are difficult for the private sector alone to undertake.

(Ref.) "Redemption certainty"

Cool Japan

The Cool Japan campaign aims to convert Japanese culture and lifestyle, including fashion, food and housing practices, and contents (including animation, TV and film, and music), into added value.
Fiscal Loan is provided to the national government’s special accounts, local governments, government-affiliated institutions, and incorporated administrative agencies/government-backed corporations and the like (institutions established based on special laws, which do not receive capital injection from the private sector).

Industrial Investment is provided to government-affiliated institutions, incorporated administrative agencies, etc. that have the purpose of “developing industries and promoting trade” and rules for receiving capital subscription from and returning profit to the national government.

Government Guarantee is basically provided to government-affiliated institutions and incorporated administrative agencies, etc. whose establishment laws have provisions allowing them to receive the Government Guarantee.

FILP agency bonds

Among the bonds issued by each FILP agency in the private-sector financial markets, FILP agency bonds are those with no governmental guarantee for repayment of principal and interest. These FILP agency bonds were introduced by the FILP Reform in FY2001, and today they function as a means of fundraising for FILP agencies. They are divided into two categories: straight bonds that depend on the creditworthiness of their issuers, and asset-backed securities that depend on the creditworthiness of assets provided as security.

(Ref. “FILP agencies,” “asset-backed securities (ABS)”)

FILP bonds (FILP Special Account bonds)

FILP bonds are bonds issued by the national government (government bonds) as a funding source for management of the Fiscal Loan Fund. Funds procured by issuing FILP bonds constitute a part of revenue in the FILP Special Account Fiscal Loan Fund Account and are transferred to the Fiscal Loan Fund as expenditures.

Since they have the same merchantability as ordinary government bonds and are issued together with the latter, we can observe no difference between them as financial instruments.

Both bonds are also the same in the sense that the maximum issuance amount is determined by a Diet resolution. FILP bonds are classified as one sort of government bonds in each fiscal year’s government bond issuance plan.

Still, FILP bonds are different from ordinary government bonds in the sense that FILP bonds provide financial resources for loans from the Fiscal Loan Fund and are redeemed with returns from these loans while ordinary government bonds provide financial resources for the General Account and are redeemed with tax and other revenues. FILP bonds are not classified as debt of the government in the System of National Accounts (SNA) (see Note 1), based on the unified standards of economic indicators established by the United Nations. They are not included in “long-term debt outstanding of central and local governments” (see Note 2).

(Ref. “Fiscal Loan Fund”)

FILP Reform

See p.13.

FILP Plan

See p.15.

FILP Special Account

The FILP Special Account is one of the special accounts of the national government established to clarify the management of the Fiscal Loan Fund and the accounting of Industrial Investment.

(Ref. “Fiscal Loan Fund Special Account (defunct),” “Industrial Investment Special Account (defunct)”

(Fiscal Loan Fund)
FILP Subcommittee of the Fiscal System Council

The Fiscal System Council, an advisory panel to the Minister of Finance to deliberate on the ideal form of overall government finance, has set up the FILP subcommittee that takes charge of deliberations on key matters regarding the Fiscal Loan system, FILP Plan and the Fiscal Loan Fund. The subcommittee composed of academic experts is legally prescribed to state opinions concerning the “FILP Plan” and “Fiscal Loan Fund Management Plan” for each year in advance and receive a “Fiscal Loan Fund Management Report” for a fiscal year by July 31 after the end of the fiscal year.

(Ref.) “FILP Plan,” “Fiscal Loan Fund Management Plan”

Fiscal Loan

See p.2.

(Ref.) “FILP Special Account,” “Fiscal Loan Fund,” “Fiscal Loan Fund Management Plan,” “Fiscal Loan Fund Special Account (defunct)”

Fiscal Loan Fund

The Fiscal Loan Fund is a funding source (financial resources) for providing fiscal loans.

The Fiscal Loan Fund has been set up under the Fiscal Loan Fund Act to integrally manage funds procured by FILP bonds (government bonds) and special account reserves (see Note) and other funds collected based on government credit and invest these funds securely and advantageously in order to contribute to promoting the public interest. Its predecessor, the Trust Fund Bureau Fund, was created in FY1951 and renamed the Fiscal Loan Fund under the FY2001 FILP Reform.

Management of the Fiscal Loan Fund is accounted for in the FILP Special Account Fiscal Loan Fund Account, which is managed independently without transfers from the General Account (= tax revenues).

(Note) Excluding reserves pertaining to the national pension account and employee’s pension account of the pension special account.

(Ref.) “Fiscal Loan,” “Fiscal Loan Fund Management Plan”

Fiscal Loan Fund Financing Bills

Fiscal Loan Fund Financing Bills are Financing Bills which can be issued at the expense of the FILP Special Account Fiscal Loan Fund Account when cash that belongs to the Fiscal Loan Fund is short, so as to temporarily supplement the shortage.

The maximum issuance amount must be determined by a Diet resolution as part of a budget, and the bills must be redeemed within one year.

Fiscal Loan Fund Management Plan

The Fiscal Loan Fund Management Plan describes the planned amount for the management of the Fiscal Loan Fund for the relevant fiscal year. The Minister of Finance decides it after hearing opinions from the FILP Subcommittee of the Fiscal System Council in accordance with the Fiscal Loan Fund Act.

(Ref.) “Fiscal Loan,” “Fiscal Loan Fund”

Fiscal Loan Fund Special Account (defunct)

This is a special account which was set up to clarify the accounting related to the management of the Fiscal Loan Fund by distinguishing it from the General Account.

Its predecessor was the Trust Fund Bureau Special Account, which was set up in FY1951 to process accounting transactions by distinguishing revenues and expenditures related to the Trust Fund Bureau Fund from the General Account. The Trust Fund Bureau Special Account was renamed as the Fiscal Loan Fund Special Account under the FILP Reform in FY2001.

As a result of the reform of special accounts in FY2008, the Industrial Investment Account of the Industrial Investment Special Account was transferred to the Fiscal Loan Fund Special Account became the FILP Special Account Fiscal Loan Fund Account.

(Ref.) “FILP Special Account,” “Fiscal Loan,” “Fiscal Loan Fund”

Flexible management clause

Based on the provisions of the Act on Special Accounts, the flexible management clause allows an increase in expenditures to the extent that the revenue increase is secured, when the need to increase the expenses of any special account has arisen within the scope decided by the Diet in the general budget provisions during a fiscal year.

The planned amount for long-term
management of the Fiscal Loan Fund and the limit on Government Guarantee in the FILP Plan may be increased within the scope given in the general budget provisions to respond swiftly and flexibly to changes in economic conditions.

G

Government Guarantee

See p.2.

Grace period

The grace period is a period commencing on the execution date of a loan wherein only interest is paid without principal repayment.

Image of grace period

- Interest
- Principal
- Grace period
- Payment date of principal and interest

J

Japan Finance Organization for Municipalities funds

See p.25.

(Ref.) “Local Government Bonds”

Local Bond Program

The Local Bond Program is an annual plan that describes such information as the total planned issuance amount of Local Government Bonds. It is formulated and published every fiscal year after the consultation by the Minister for Internal Affairs and Communications with the Minister of Finance. As for the Local Bond Program, please refer to the website of the Ministry of Internal Affairs and Communications (http://www.soumu.go.jp/english/).

L

Local Government Bonds


Open innovation

Open innovation means combining technologies, ideas, funds, human resources and other business resources across industries or companies.
**P**

**PFI (Private Finance Initiative)**

The PFI is a means that takes advantage of funds, management capabilities and know-how in the private sector for the construction, maintenance and management of public facilities (including airports, parks, and educational and cultural facilities) to provide public services more efficiently and more effectively than the Government or local governments do.

PFIs are implemented under the Act on Promotion of Private Finance Initiative (PFI Act).

**Pre-maturity redemption**

See p.25.

**Public offering funds**

Among funds raised through Local Government Bonds, Public offering funds are those raised through bonds offered to a wide range of investors. For Nationwide Public Offering Local Government Bonds, in addition to bonds issued individually by local governments, those for the joint issuance by multiple local governments were introduced in FY2003 to reduce issuance costs and ensure stable financing by expanding issue sizes. Furthermore, so as to diversify the financing methods through the promotion of the purchase of Local Government Bonds by retail investors and public offerings, and to enhance the residents’ sense of participation in local administration, the issuance of “Citizen Participatory-type Public Offering Local Government Bonds” started in March 2002.

**Policy cost analysis**

See p.13.

**R**

**Redemption certainty**

This is one of the key points for the screening of FILP projects. FILP agencies are required to have the ability to redeem their obligations without fail.

(Ref.) “Complementing the private sector”

**S**

**Subordinated capital loans**

The subordinated capital loans are deemed by financial institutions as capital instead of debt when they check financial conditions of borrowers.

(Ref.) “Local Government Bonds”
Information Directory

Special Accounts

**Special Account for Stable Supply of Food**

**Inquiry Office**
Accounting Group, Administration Division, Rural Development Bureau, Ministry of Agriculture, Forestry and Fisheries

**Address** 1-2-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8950
TEL.03-3502-1990  FAX.03-3592-1483

**URL** http://www.maff.go.jp/e/index.html

**Special Account for Energy Policy**

**Inquiry Office**
Petroleum Refining and Reserve Division, Natural Resources and Fuel Department, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry

**Address** 1-3-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8931
TEL.03-3501-1993  FAX.03-3580-8467

**URL** http://www.enecho.meti.go.jp/en/

**Government Financial Institutions/Banks**

**Japan Finance Corporation**

**Inquiry Office**
Public Relations Department

**Address** Otemachi Financial City North Tower 1-9-4, Otemachi, Chiyoda-ku, Tokyo 100-0004
TEL.03-3270-0631  FAX.03-3270-1643

**URL** https://www.jfc.go.jp/n/english/
https://www.jfc.go.jp/n/company/sikin.html (URL for FILP) (Japanese)

**The Okinawa Development Finance Corporation**

**Inquiry Office**
General Coordination Division, General Coordination and Planning Department (Tokyo Office)

**Address** Kowa Nishi-Shinbashi Bldg. 10F 2-1-1, Nishi-Shinbashi, Minato-ku, Tokyo 105-0003
TEL.03-3581-3241  FAX.03-5511-8233

**URL** https://www.okinawakouko.go.jp/english/

**Japan Bank for International Cooperation**

**Inquiry Office**
Public Relations Division, Corporate Planning Department

**Address** 1-4-1, Otemachi, Chiyodaku, Tokyo 100-8144
TEL.03-5218-3100  FAX.03-5218-3955

**URL** https://www.jbic.go.jp/en

**Japan International Cooperation Agency (Incorporated Administrative Agency)**

**Inquiry Office**
Public Relations Division

**Address** Nibancho Center Building 5-25, Niban-cho, Chiyodaku, Tokyo 102-8012
TEL.03-6743-6011  FAX.03-6743-6662

**URL** https://www.jica.go.jp/english/index.html

**Incorporated Administrative Agencies, etc.**

**The Promotion and Mutual Aid Corporation for Private Schools of Japan**

**Inquiry Office**
General Affairs Division, General Affairs Department

**Address** 1-10-12, Fujimi, Chiyoda-ku, Tokyo 102-8145
TEL.03-5226-9781  FAX.03-5226-6396

https://www.jasso.go.jp/about/diessure/zaimu/zaitou/index.html (URL for FILP) (Japanese)

**Japan Student Services Organization (Incorporated Administrative Agency)**

**Inquiry Office**
External Relations Division, Policy, Planning and External Relations Department

**Address** 10-7, Ichigayahonmuracho, Shinjuku-ku, Tokyo 162-8412
TEL.03-3438-0211  FAX.03-3438-9949

**URL** https://www.wam.go.jp/hp/english-tabid-90/
Incorporated Administrative Agencies, etc.

**National Hospital Organization (Incorporated Administrative Agency)**

**Inquiry Office**
Corporate Planning Division, Corporate Planning Department
Address: 2-5-21, Higashigaoka, Meguro-ku, Tokyo 152-8621
TEL: 03-5712-5066 FAX: 03-5712-5082
URL: https://nho.hosp.go.jp (Japanese)
https://nho.hosp.go.jp/disclosure/cnt1-0_000049.html (URL for FILP) (Japanese)

**National Cancer Center (National Research and Development Agency)**

**Inquiry Office**
Finance and Accounting Division, Finance and Accounting Department
Address: 5-1-1, Tsukiji, Chuo-ku, Tokyo 104-0045
TEL: 03-3542-2511 FAX: 03-3542-2544
URL: https://www.ncc.go.jp/en/index.html

**National Cerebral and Cardiovascular Center (National Research and Development Agency)**

**Inquiry Office**
Financial Affairs and Accounting Division, Financial Affairs and Accounting Department
Address: 5-7-1, Fujishiro-dai, Suitashi, Osaka 565-8565
TEL: 06-6833-5012 FAX: 06-6833-9865
URL: http://www.ncvc.go.jp/english/
http://www.ncvc.go.jp/about/overview/jyohokokai/financial-update.html (URL for FILP) (Japanese)

**National Center for Child Health and Development (National Research and Development Agency)**

**Inquiry Office**
Division of Financial Affairs, Department of Financial Affairs
Address: 2-10-1, Okura, Setagaya-ku, Tokyo 157-8535
TEL: 03-3416-0181 FAX: 03-3416-2222

**National Center for Geriatrics and Gerontology (National Research and Development Agency)**

**Inquiry Office**
Finance and Accounting Division, Finance and Accounting Department
Address: 7-430, Morioka-cho, Obushi, Aichi 474-8511
TEL: 0562-46-2311 FAX: 0562-48-2373
URL: http://www.ncgg.go.jp/english/index.html

**National Institution for Academic Degrees and Quality Enhancement of Higher Education (Incorporated Administrative Agency)**

**Inquiry Office**
National University Facilities Support Division, Department of Administration
Address: 2-1-2, Hitotsubashi, Chiyoda-ku, Tokyo 101-0003
TEL: 03-4212-6000 FAX: 03-4212-6400
URL: https://www.niad.ac.jp/english/
https://www.niad.ac.jp/support/facility_fee/ (URL for FILP) (Japanese)

**Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)**

**Inquiry Office**
Public Relations Division, General Affairs Department
Address: Yokohama I-land Tower 6-50-1, Hon-cho, Naka-ku, Yokohama-shi, Kanagawa 231-8315
TEL: 045-222-9101 FAX: 045-222-9089
URL: https://www.jrtt.go.jp/11English/English-index.html
https://www.jrtt.go.jp/01Organization/org/org-zaisei.html (URL for FILP) (Japanese)

**Japan Housing Finance Agency (Incorporated Administrative Agency)**

**Inquiry Office**
Management Planning Group, Corporate Strategy Department
Address: 1-4-10, Kouraku, Bunkyo-ku, Tokyo 112-8570
TEL: 03-5800-8014 FAX: 03-5800-8182
URL: https://www.jhf.go.jp/english/index.html
https://www.jhf.go.jp/teikyou/zaitou.html (URL for FILP) (Japanese)

**Urban Renaissance Agency (Incorporated Administrative Agency)**

**Inquiry Office**
General Affairs Team, General Affairs Department
Address: Yokohama I-land Tower 6-50-1, Honcho, Naka-ku, Yokohama-shi, Kanagawa 231-8315
TEL: 045-650-0111 FAX: 045-650-0177
URL: https://www.ur-net.go.jp/sitemap/english.html
Incorporated Administrative Agencies, etc.

Japan Expressway Holding and Debt Repayment Agency
(Incorporated Administrative Agency)

Inquiry Office
General Affairs Division, General Affairs Department
Address: Yokohama Mitsui Bldg.
1-1-2, Takashima, Nishi-ku, Yokohama-shi, Kanagawa
220-0011
TEL.045-228-5977 FAX.045-228-5969
URL: http://www.jehdra.go.jp/english/president.html
http://www.jehdra.go.jp/irseihu.html (URL for FILP) (Japanese)

Japan Water Agency
(Incorporated Administrative Agency)

Inquiry Office
Public Relations Division, General Affairs Department
Address: Land Axis Tower 11-2, Shintoshin, Chuo-ku,
Saitama-shi, Saitama 330-6008
TEL.048-600-6513 FAX.048-600-6510
URL: http://www.water.go.jp/honsya/honsya/english/index.html
https://www.water.go.jp/honsya/honsya/zaimu/zaitokatsuyo/index.html

Japan Finance Organization for Municipalities

Inquiry Office
Corporate Planning Division, Corporate Planning Department
Address: Shisei Kaikan (Municipal Research Building)
1-3, Hibiya koen, Chiyoda-ku, Tokyo 100-0012
TEL.03-3539-2674 FAX.03-3539-2614
URL: http://www.jfm.go.jp/en/

Forest Research and Management Organization
(National Research and Development Agency)

Inquiry Office
Planning and Administration Division, Administration Department
Address: Kowa Kawasaki Nishiguchi Bldg 11F
66-2, Horikawa-cho, Saiwai-ku, Kawasaki-shi,
Kanagawa 212-0013
TEL.044-543-2500 FAX.044-533-7277
URL: https://www.green.go.jp/global/index.html
https://www.green.go.jp/zaito/index.html

Japan Oil, Gas and Metals National Corporation
(Incorporated Administrative Agency)

Inquiry Office
General Coordination Department
Address: Toranomon Twin Building
2-10-1 Toranomon, Minatoku, Tokyo 105-0001
TEL.03-6758-8000 FAX.03-6758-8008
URL: http://www.jogmec.go.jp/english/index.html
http://www.jogmec.go.jp/disclosure/regulation_corporation_003.html (URL for FILP) (Japanese)
Special Corporations

Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan

Inquiry Office
General Affairs Department
Address: PMO Hanzomon 5F
2-1 Kojimachi, Chiyoda-ku, Tokyo 102-0083
TEL.03-5215-5223 FAX.03-5215-5224
URL: http://www.a-five-j.co.jp/ (Japanese)
http://www.a-five-j.co.jp/corporate/outline.html (URL for FILP) (Japanese)

Development Bank of Japan Inc.

Inquiry Office
Public relations & Corporate Social Responsibility Office, Corporate Planning & Coordination Department
Address: South Tower, Otemachi Financial City
9-6, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8178
TEL.03-3244-1180 FAX.03-3271-8472
URL: https://www.dbj.jp/en/

New Kansai International Airport Company, Ltd.

Inquiry Office
General Affairs Group, General Affairs Division
Address: 1, Senshukuko Naka, Tajiri-cho, Sennan-gun, Osaka 549-0011
TEL.072-455-4030 FAX.072-455-4090
URL: http://www.nkiac.co.jp (Japanese)

Organization for Promoting Urban Development

Inquiry Office
General Affairs Division, General Affairs Department
Address: Toyosu Center Building 3-3-3, Toyosu, Koto-ku, Tokyo 135-6008
TEL.03-5546-0781 FAX.03-5546-0796
URL: http://www.minto.or.jp/ (Japanese)
http://www.minto.or.jp/products/mezzanine.html (URL for FILP) (Japanese)

Central Japan International Airport Co., Ltd.

Inquiry Office
General Affairs Group, General Affairs Division
Address: Centrair Building 1
1-1, Centrair, Tokoname-shi, Aichi 479-8701
TEL.0569-38-7777 FAX.0569-38-7773
URL: https://www.centrair.jp/en/
https://www.centrair.jp/corporate/ir/seifu/ (URL for FILP) (Japanese)

Private Finance Initiative Promotion Corporation of Japan

Inquiry Office
Business Administration Department
Address: Otemachi Building
1-6-1, Otemachi, Chiyoda-ku, Tokyo 100-0004
TEL.03-6256-0071
URL: http://www.pfipcj.co.jp/ (Japanese)
http://www.pfipcj.co.jp/about/overview.html (URL for FILP) (Japanese)

The Shoko Chukin Bank, Ltd.

Inquiry Office
General Co-ordinating Division
Address: 2-10-17, Yaesu, Chuo-ku, Tokyo 104-0028
TEL.03-3272-6111 FAX.03-3273-2968
URL: https://www.shokochukin.co.jp/english/index.html

Cool Japan Fund Inc.

Inquiry Office
Corporate Planning Group
Address: Roppongi Hills Mori Tower
6-10-1, Roppongi, Minatoku, Tokyo 106-6117
TEL.03-6406-7500 FAX.03-6406-7501
URL: https://www.cj-fund.co.jp/en/
https://www.cj-fund.co.jp/en/about/scheme.html (URL for FILP)

Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development

Inquiry Office
Planning and Administration Department
Address: Marunouchi-Nakadori Building
2-2-3, Marunouchi, Chiyoda-ku, Tokyo 100-0005
TEL.03-5293-6700 FAX.03-3218-5561
URL: http://www.join-future.co.jp/english/index.html
Special Corporations

Fund Corporation for the Overseas Development of Japan’s ICT and Postal Services.

Inquiry Office
Planning and Administration Department
Address: Nittochi Uchisaiwaicho Building 10F
1-2-1, Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011
TEL: 03-5501-0092  FAX: 03-3593-6770
URL: [http://www.jictfund.co.jp/](http://www.jictfund.co.jp/) (Japanese)