

National Cancer Center (National Research and Development Agency)

<http://www.ncc.go.jp>

1. Summary of operations implemented using FILP funds

The National Cancer Center unerringly provides citizens with better-quality healthcare by developing medical facilities and machines, by conducting surveys and developing research and technology on medical measures against cancer and other malignant neoplasms that have a grave impact on the health of citizens, and by integrating the relevant healthcare services with the training of technicians.

2. Amount of lending under FY2018 FILP

(Unit: billion yen)

| FY2018 FILP | Estimated outstanding amount of FILP lending at the end of FY2017 |
|-------------|---|
| 5.4 | 16.9 |

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

| Category | FY2017 | FY2018 | Fluctuation |
|--|--------|--------|-------------|
| 1. Subsidies, etc. from the Government | 10.4 | 10.1 | -0.3 |
| 2. Payments to the Government | - | - | - |
| Subtotal (1+2) | 10.4 | 10.1 | -0.3 |
| 3. Opportunity cost for the Government | -4.1 | -2.8 | +1.3 |
| Subtotal (1+2+3) | 6.3 | 7.3 | +1.1 |
| 4. Fluctuation in retained losses | - | - | - |
| Total (1+2+3+4=policy cost(A)) | 6.3 | 7.3 | +1.1 |
| Analysis period (years) | 26 | 26 | - |

(2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

| Category | FY2017 | FY2018 | Fluctuation |
|---|--------|--------|-------------|
| (A) Policy cost (previously cited) | 6.3 | 7.3 | +1.1 |
| 1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period | 14.0 | 15.9 | +2.0 |
| 2) Policy cost expected to be newly accrued during the analysis period | -7.7 | -8.6 | -0.9 |
| Subsidies, etc. from the Government | 10.4 | 10.1 | -0.3 |
| Payments to the Government | - | - | - |
| Policy cost accrued with a change in surplus funds | -18.1 | -18.7 | -0.7 |
| Opportunity cost for the Government | - | - | - |

<Reference> Budgeted amounts of subsidies and capital investment in FY2018

Subsidies: 0.4 billion yen
Capital investment: - billion yen

(3) Year-to-Year comparison analysis (Unit: billion yen)

| Category | FY2017 | FY2018 | Fluctuation |
|--|--------|--------|-------------|
| (A) Policy cost (previously cited) | 6.3 | 7.3 | +1.1 |
| (A') Policy cost obtained by re-calculating (A) using the same assumed interest rate as in the FY2017 analysis | 6.3 | 4.8 | -1.5 |
| (B) Policy cost of (A') generated in FY2018 or later | 5.7 | 4.8 | -1.0 |

Policy cost in FY2018 is 7.3 billion yen. The analysis shows a decrease of 1.0 billion yen in real policy cost over FY2017 when the effect of change in the assumed interest rate for FY2017 and FY2018 is eliminated and the policy cost that accrues in FY2018 and thereafter are compared. This decrease in real policy cost is considered to be attributable to the following factors:

- Increase in cost due to increase in medical service cost (+35.0 billion yen)
- Decrease in cost due mainly to research income increase (-41.4 billion yen)
- Increase in cost due to new capital investments (+5.4 billion yen)

(4) Sensitivity analysis (cases where assumptions change) (Unit: billion yen)

| Changed assumption and extent of change | Policy Cost (Fluctuation) |
|---|---------------------------|
| Funds raised +1% | 28.2 (+20.9) |
| Fluctuation in opportunity cost | +22.1 |
| Income from medical works -1% | 13.7 (+6.4) |
| Fluctuation in opportunity cost | +6.4 |

4. Outline of estimation and project prospect employed in the analysis

[Outline of estimation]

The estimation covers the National Cancer Center's development of buildings and medical machines that are required for providing medical services involving cancer and other malignant neoplasms that have a grave impact on the health of citizens.

[Project prospect]

The scale of projects is estimated to be ¥5.4 billion in FY2018. The length of analysis period is 26 years, during which the redemption of debts related to the projects will be completed.

(Unit: million yen)

| | Result | | | | Estimated | Planned | Assumptions for calculation | | |
|---------------------------|--------|--------|--------|--------|-----------|---------|-----------------------------|--------|--------|
| FY | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Medical services revenues | 35,890 | 38,910 | 43,093 | 48,316 | 48,792 | 50,077 | 50,127 | 50,177 | 50,177 |
| Medical services expenses | 32,790 | 34,017 | 36,304 | 41,293 | 42,054 | 43,462 | 43,411 | 43,361 | 43,361 |

5. Reasons for granting of subsidies, mechanism and underlying laws

Reasons for granting of subsidies and mechanism
(Reasons)

In order to contribute to the progress and improvement of the public health, improving the high and technical medical treatments of cancer and other new vicious organisms as a national medical policy by carrying out the investigation, research, and exploitation of techniques of medical treatments of cancer and other new vicious organisms and providing medical treatments related closely to these works, and training of engineers.

(Underlying laws and regulations)

Article 46 of the Act on General Rules for Incorporated Administrative Agencies (Act No.103 of 1999)

(Delivery of Financial Resources)

Article 46

The government may, within the scope of the budget, deliver to an Incorporated Administrative Agency an amount, equivalent to all or part of the necessary amount of money, to be appropriated to the financial resources for its operations.

(Underlying law for payments to the national treasury)

Article 20, Paragraph 1 and 2 of the Act on National Research and Development Agencies that Conduct Research related to Advanced and Specialized Medical Care (Act No.93 of 2008)

(Disposition of Reserve Funds)

Article 20

National Centers for Advanced and Specialized Medical Care may, if there is a reserve fund as prescribed by Article 44, Paragraph 1 of the Act after the deposition as prescribed by Article 44, Paragraph 1 or 2 of the Act in the last fiscal year of the project in the period of the medium to long-term target (hereinafter referred to as "medium to long-term target period") as prescribed by Article 35-4, Paragraph 2, Item 1 of the Act, use the amount approved by Minister of Health, Labour and Welfare as revenue for operations which National Centers for Advanced and Specialized Medical Care conduct, as prescribed by from Article 13 to 19 in the next medium to long-term target period as specified in the medium to long-term plan approved as prescribed by Article 35-5, Paragraph 1 of the Act concerning next medium to long-term target period (if any change is approved as prescribed by the same Paragraph, use the plan after the change).

2 National Centers for Advanced and Specialized Medical Care may deduct from the amount equal to the reserve specified in Paragraph 1 the amount approved under the said Paragraph. After the deduction, the remaining amount, if any, shall be paid to the national treasury.

3 (omitted)

6. Special remarks

Based on the Act on the Promotion of Administrative Reform to Realize Simple and Efficient Government (Act No. 47 of 2006) and Act on Incorporated Administrative Agency Engaging in Research on Highly-Specialized Medicine (Act No. 93 of 2008), etc., the Special Account of the National Center for Advanced and Specialized Medical Care was abolished as of the end of FY2009, and the National Center for Advanced and Specialized Medical Care was reorganized into an Incorporated Administrative Agency on April 1, 2010.

Under the provisions of Article 130 of the Act on the Arrangement of the Relevant Acts Incidental to Enforcement of the Act for Partial Amendment of the Act on the General Rules for Incorporated Administrative Agencies (Act No. 67 of 2014), the National Cancer Center Japan (Incorporated Administrative Agency) was reorganized into the National Cancer Center (National Research and Development Agency) on April 1, 2015.

(Reference) Outcome and social and economic benefits of operations

1 Diagnosis and Cure

NCC establishes the explication, diagnosis, and remedy of the carcinogenesis, promotes the multidisciplinary remedy including the chemotherapy and the radiation therapy, achieves good results proud of to the world, and does its best to disseminate the normal remedy of the cancer in Japan.

NCC establishes the various databases about the prevention, research, and diagnosis of the cancer, aims at more improvement of the levels of research and diagnosis, and tries to operate the overall support system of the cancer diagnosis that restores the newest information and technology to the region by giving that information to medical institutions of distant lands.

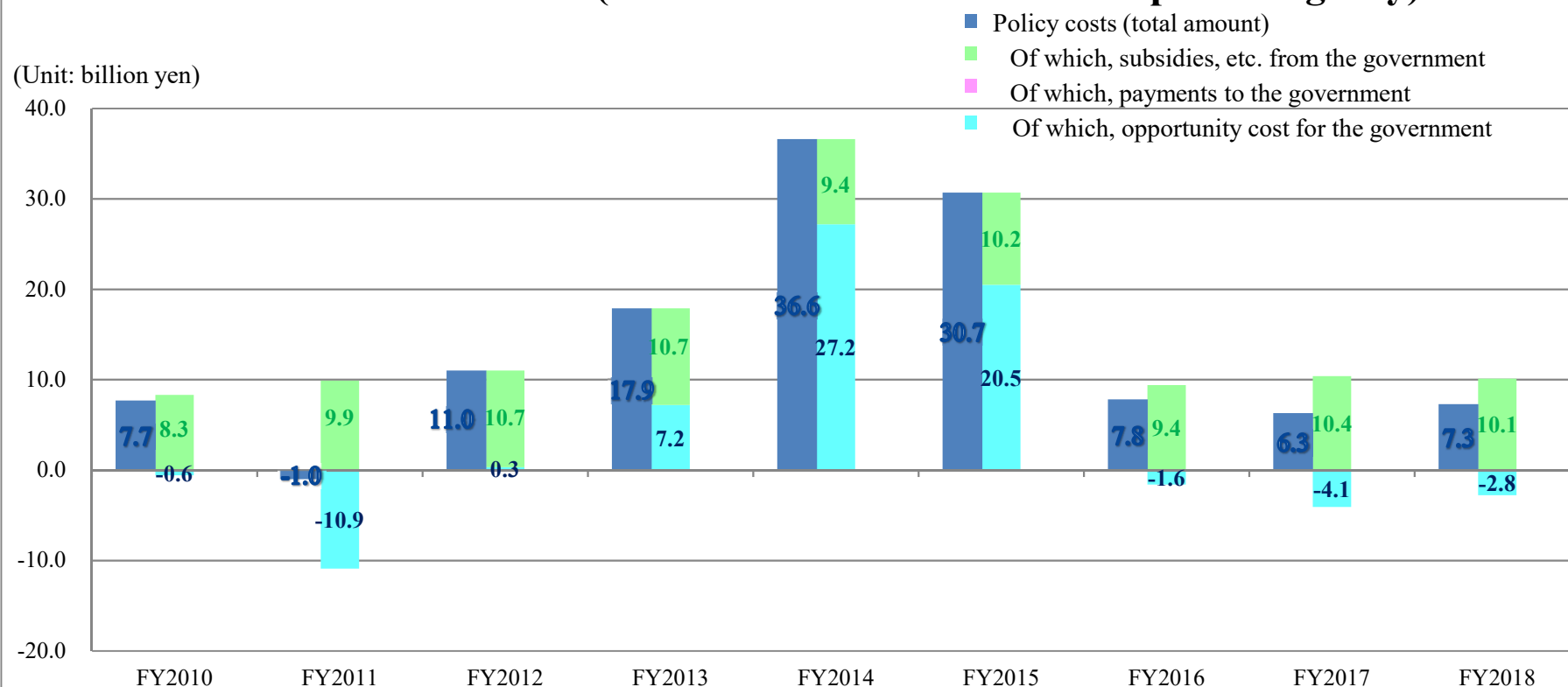
Furthermore, NCC engages actively in the various medical examinations for cancer prevention, the proton beam therapy, and the palliative care that relieves the pain and improves the quality of lives of the patients whose cancer were too advanced and incurable.

2 Research

NCC advances the research that is helpful to prevention, diagnosis and curing of cancer, and puts extensive researches in effect, from a research that is connected directly with the clinical experiences to a research that treats genetic levels.

(Reference) Changes in Policy Costs by Component

<National Cancer Center (National Research and Development Agency)>



Note: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

(Points)

- The FY2018 policy costs rose to 7.3 billion yen due to a cost increase of 1.1 billion yen through a hike in the opportunity cost for investments, etc. that accompanied a change in the assumed interest rate.
- In the analyses in FY2014 and FY2015, the policy cost was on a rise due to deterioration in the current balance, but turned to be on a decrease since FY2016 as a result of management improvement.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

| Item | End of FY2016 (Result) | End of FY2017 (Estimated) | End of FY2018 (Planned) | Item | End of FY2016 (Result) | End of FY2017 (Estimated) | End of FY2018 (Planned) |
|---|---------------------------|------------------------------|----------------------------|--|---------------------------|------------------------------|----------------------------|
| (Assets) | | | | (Liabilities and equity) | | | |
| Current assets | 23,695 | 21,640 | 23,719 | Current liabilities | 25,881 | 19,377 | 18,247 |
| Cash and bank deposits | 14,081 | 10,474 | 12,364 | Debt from grants for operation cost | 246 | - | - |
| Accounts due for medical operations | 7,435 | 8,075 | 8,189 | Subsidy received, etc. | 10 | - | - |
| Accounts receivable | 1,648 | 2,559 | 2,634 | Donation received | 53 | 77 | 92 |
| Inventory assets | 348 | 348 | 348 | Long-term loans to be repaid within a year | 2,279 | 1,972 | 2,341 |
| Prepaid expenses | 7 | 7 | 7 | Accounts payable | 3,093 | 4,273 | 4,200 |
| Other current assets | 177 | 177 | 177 | Money unpaid | 13,643 | 6,541 | 5,345 |
| Fixed assets | 116,387 | 113,226 | 112,249 | Lease obligation to be paid within a year | 891 | 643 | 163 |
| Tangible fixed assets | 114,492 | 111,144 | 110,935 | Advances received | 3,719 | 3,719 | 3,719 |
| Buildings | 43,570 | 42,693 | 42,625 | Deposits payable | 597 | 597 | 597 |
| Structures | 248 | 229 | 208 | Unpaid expenses | 20 | 20 | 24 |
| Medical instruments and equipment | 6,190 | 4,404 | 5,324 | Reserve for bonuses | 1,151 | 1,354 | 1,585 |
| Other instruments and equipment | 3,355 | 2,565 | 1,858 | Other current liabilities | 181 | 181 | 181 |
| Vehicles | 0 | 0 | 0 | Fixed liabilities | 19,623 | 19,570 | 21,935 |
| Land | 61,085 | 61,085 | 60,820 | Asset collateral liabilities | 1,695 | 1,101 | 576 |
| Construction in progress | 20 | 145 | 75 | Grants for asset collateral operation cost | 318 | 162 | 112 |
| Other tangible fixed assets | 25 | 25 | 25 | Asset collateral subsidies | 1,317 | 893 | 432 |
| Intangible fixed assets | 1,836 | 2,024 | 1,257 | Asset collateral contributions | 60 | 47 | 32 |
| Software | 1,814 | 2,002 | 1,235 | Long-term loans payable | 14,312 | 14,891 | 17,798 |
| Telephone subscription right | 0 | 0 | 0 | Lease liabilities | 852 | 668 | 505 |
| Other intangible fixed assets | 22 | 22 | 22 | Reserve for retirement pensions | 431 | 563 | 696 |
| Investment and other assets | 59 | 58 | 58 | Reserves for environment protection measures | 154 | 154 | 154 |
| Long-term loan receivable | 16 | 15 | 14 | Asset retirement obligation | 2,178 | 2,192 | 2,206 |
| Long-term prepaid expenses | 43 | 43 | 43 | Other fixed liabilities | 0 | 0 | 0 |
| Bankruptcy or rehabilitation claims, etc. | 22 | 35 | 48 | (Total liabilities) | 45,504 | 38,947 | 40,183 |
| Loan loss provisions | -22 | -35 | -48 | Capital | | | |
| Other investment assets | 0 | 0 | 0 | Financing by the Government | 91,662 | 91,662 | 91,662 |
| | | | | Capital surplus | -444 | -1,097 | -1,721 |
| | | | | Capital surplus | 6,157 | 6,157 | 6,157 |
| | | | | Accumulated depreciation outside of profit and loss | -6,580 | -7,233 | -7,856 |
| | | | | Accumulated impaired loss outside of profit and loss | -8 | -8 | -8 |
| | | | | Accumulated interest cost outside of profit and loss | -13 | -13 | -13 |
| | | | | Retained earnings | 3,359 | 5,353 | 5,844 |
| | | | | Reserve fund | 878 | 3,359 | 5,353 |
| | | | | Unappropriated retained earnings for the period | 2,481 | 1,994 | 491 |
| | | | | (Of this, gross profit) | 2,481 | 1,994 | 491 |
| | | | | (Total equity) | 94,578 | 95,919 | 95,786 |
| Total assets | 140,082 | 134,866 | 135,968 | Total liabilities and equity | 140,082 | 134,866 | 135,968 |

Notes 1. The balance sheet includes costs for projects other than those subject to the policy cost analysis.

2. Components may not add up to the total because of rounding.

Income Statement

(Unit: million yen)

| Item | FY2016 (Result) | FY2017 (Estimated) | FY2018 (Planned) | Item | FY2016 (Result) | FY2017 (Estimated) | FY2018 (Planned) |
|--|--------------------|-----------------------|---------------------|--|--------------------|-----------------------|---------------------|
| (Losses) | | | | (Profits) | | | |
| Ordinary expenses | 65,423 | 68,442 | 70,133 | Ordinary income | 68,051 | 70,425 | 70,654 |
| Operating expenses | 65,130 | 68,064 | 69,857 | Income from grants for operation cost | 5,893 | 6,936 | 6,477 |
| Research operating expenses | 9,576 | 9,913 | 9,938 | Operating income | 59,893 | 61,425 | 62,525 |
| Clinical research operations expenses | 4,706 | 4,879 | 5,145 | Research operating income | 8,035 | 8,127 | 8,390 |
| Medical care operations expenses | 45,281 | 47,442 | 48,968 | Clinical research operations income | 3,682 | 3,838 | 3,894 |
| Education and research operations expenses | 2,436 | 2,470 | 2,496 | Medical care operations income | 48,041 | 49,355 | 50,134 |
| Information operating expenses | 1,861 | 2,123 | 2,113 | Education and research operations income | 51 | 51 | 52 |
| General and administrative expenses | 1,269 | 1,237 | 1,197 | Information operating income | 46 | 55 | 55 |
| Other ordinary expenses | 293 | 378 | 276 | Other operating income | 39 | - | - |
| Temporary losses | 172 | 4 | 30 | Other ordinary income | 2,265 | 2,064 | 1,652 |
| Loss on retirement of fixed assets | 133 | 4 | - | Temporary profits | 25 | 15 | - |
| Loss on sale of fixed assets | - | 0 | 30 | Gain on sales of fixed assets | 13 | 1 | - |
| Other temporary losses | 39 | 0 | - | Other temporary profits | 12 | 14 | - |
| Net profit | 2,481 | 1,994 | 491 | | | | |
| Total | 68,076 | 70,440 | 70,654 | Total | 68,076 | 70,440 | 70,654 |

Notes 1. The income statement includes costs for projects other than those subject to the policy cost analysis.

2. Components may not add up to the total because of rounding.