

1. Summary of operations implemented using FILP funds

To secure financial resources for supporting the establishment of the necessary research infrastructures required to realize World-Class Research University on a long-term and stable basis through subsidies to universities for the enhancement of research environments for internationally excellent science and technology as well as activities which contribute to promoting the development and success of outstanding young researchers, the JST efficiently invests subsidies while controlling risks appropriately from the long-term perspective.

2. Amount of lending under FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
4,888.9	4,000.0

3. Estimated policy cost analysis of the project

(1) Policy cost

(Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*1	-	-	-
3. Opportunity cost of capital investments, etc.	-	296.6	+296.6
Total (1+2+3=policy cost(A))	-	296.6	+296.6
Analysis period (years)	- years	41 years	41 years

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

		FY2021	FY2022	Simple fluctuation
Policy cost	Simple comparison (before adjustment)	-	296.6	+296.6
	Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)	Real fluctuation (2-1)

[Real fluctuation factor analysis]

• The real fluctuation factor analysis is unavailable because FY2022 is the first year for the JST policy cost analysis.

(2) Breakdown of policy cost by the time of the provision of funds

(Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	-	296.6	+296.6
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	-	296.6	+296.6
2) Policy cost expected to be newly accrued during the analysis period	-	-	-
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-	-	-
Opportunity cost of surplus, etc.	-	-	-
Opportunity cost of capital investments, etc.	-	-	-

(4) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy*2	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
296.6	488.2	+191.6	-	-	+191.6

(A) Policy cost (previously cited)	Case for the rate of return at -1%	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
296.6	296.6	-	-	-	-

(Note) Components in each column may not add up to the total because of rounding.

*1 Government revenue (payments to the government, etc.) is booked as a negative amount. Example: -10 b. yen for 10 b. yen in payments to government, etc.

*2 Assumed interest rates (discount factor and future interest rate) are based on the market yield on Japanese government bonds on January 28, 2016, before the introduction of the negative interest rate policy.

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

[Outline of estimation]

1. Dividend and interest revenue

• The rate of return on investment of grants is established for estimation in line with a basic policy for grant investment (approved by the Ministry of Education, Culture, Sports and Technology on January 19, 2022) calls for achieving return equivalent to an expenditure limit (300 billion yen per year in a real terms) as early as possible by the end of the fiscal year when five years pass after the launch of investment and for setting the rate of return on investment at the beginning of each fiscal year at or above the sum of the annual expenditure target rate of 3% and the inflation rate (1.38%, net of various expenses.).

2. Grants to universities designated as universities for international research excellence that also have approved plans for enhancing universities for international research excellence research arrangements and to universities related to support for outstanding doctoral course students

• As a basic approach to investment policy of university endowment fund toward building world-class research universities (decided on by the Council for Science, Technology and Innovation (CSTI) in August 2021) calls for setting a target expenditure rate at 3% and an expenditure limit (at 300 billion yen per year in a real terms), the JST estimates grants to universities under an assumption that grants will be disbursed within the limit.

• Article 3 of the act on strengthening systems for leveraging research and research results of universities for international research excellence calls for the JST to formulate a policy for grants to universities based on a basic policy decided on by the Minister of Education, Culture, Sports, Science and Technology and receive approval from the Minister. At present, however, the basic policy has yet to be fixed. Therefore, grants to universities under the current medium to long-term plan (for FY2022-2026) are planned as shown by the reference below. As each fiscal year's grant amount is planned to be decided on through government conferences, with financial conditions of the grant account taken into account, the Cabinet Office and the Ministry of Education, Culture, Sports, Science and Technology assume that support will be phased in from FY2024.

3. Operational costs and interest on fiscal loans

• Operational costs cover the trust fee and other clerical expenses, the general administration expense and the personnel expense, excluding investment and university grant expenses.

The trust fee, which accounts for most of operational costs, is calculated as 0.2% of investment principal for each fiscal year.

• The personnel and general administration expenses are estimated for arrangements required for operations at present.

• The interest rate of 0.004% used for preparing a JST budget (in December 2021) was adopted for estimating interest on fiscal loans.

(Reference)

(Unit: million yen)				
	Result	Estimated	Planned	Estimated
FY	2020	2021	2022	2023-2026
Dividend and interest revenue	-	91	41,468	940,616
University grant expense	-	-	-	-
Operational expenses	2	695	15,189	94,438
Interest on fiscal loans	-	-	115	1,399

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

For the granting operation, the JST receives capital investment from the General Account to secure financial resources.

Capital investment from the General Account totals 1,111.1 billion yen. Provisions on capital investment and underlying laws are as follows:

(Underlying laws and regulations)

[Regulations for capital investments]

<Act on Japan Science and Technology Agency, National Research and Development Agency>

Article 6 (2) When necessary, the Agency may increase its stated capital with the permission of the Minister of Education, Culture, Sports, Science and Technology.

(3) The government may make contributions to the Agency up to an amount specified in the budget when the Agency increases its stated capital pursuant to the provisions of the preceding paragraph.

[Regulations with regard to the contribution to the national treasury]

<Act on Japan Science and Technology Agency, National Research and Development Agency>

Article 32 The provisions of Article 44, paragraphs 1 and 3 of the Act on General Rules do not apply to the account for trust money investment (referred to as "trust money investment account" in the next paragraph).

2 When reserves regarding the provisions of Article 44, paragraph 1 of the Act on General Rules are left in the trust money investment account after liquidation based on the provisions of Article 44, paragraphs 1 and 2 of the Act, the Agency must use the amount equivalent to the reserves to fund trust money investment from the next business year and on.

3 When reserves as provided by Article 44, paragraph 1 of the Act on General Rules are left after liquidation based on the provisions of Article 44, paragraph 1 or 2 of the Act on General Rules for the last business year of the period for medium to long-term goals (referred to as "medium to long-term goal period" in this and next paragraphs) as provided in Article 35-4, paragraph 2, item 1 of the Act, the Agency may use the part approved by the Minister of Education, Culture, Sports, Science and Technology of the amount equivalent to the reserves to fund operations cited by Article 23, item 6 for the next medium to long-term goal period approved under Article 35-5, paragraph 1 of the Act on General Rules (if changes as provided by the second half of the paragraph are approved, the changed period takes effect).

4 When any remainder is left in the grant account even after the amount approved under the provisions of the previous paragraph is excluded from the reserves as provided in the previous paragraph, the Agency may liquidate the part approved by the Minister of Education, Culture, Sports, Science and Technology of the amount equivalent to the remainder as reserves as provided in the previous paragraph for the next medium to long-term goal period.

5 When any remainder is left after the amount approved under paragraph 2 above is excluded from the amount of the reserves as provided by paragraph 3 above, the Agency must pay the remainder amount to the state coffer.

<Act on General Rules for Incorporated Administrative Agencies>

(Payment to National Treasury in relation to Unnecessary Property)

Article 46-2 (1) An Incorporated Administrative Agency is to make payments to the national treasury in relation to any Unnecessary Property pertaining to contribution or expenditure from the government (other than any property which the contribution is in the form of money)(hereinafter referred to as "Unnecessary Property Pertaining to Government Contribution, etc." in this paragraph) with an authorization of the competent minister, without delay; provided, however, that the Incorporated Administrative Agency is not required to obtain an authorization of the competent minister if it specifies the plan referred to in Article 30, paragraph (2), item (v) for a Medium-term Plan of an Agency Managed under the Medium-term Objectives, the plan referred to in Article 35-5, paragraph (2), item (v) for a Medium to Long-term Plan of a National Research and Development Agency, or the plan referred to in Article 35-10, paragraph (3), item (v) for an Annual Objective Plan of an Agency Engaged in Administrative Execution, and it makes payment to the national treasury in relation to the Unnecessary Property Pertaining to Government Contribution, etc. in accordance with the relevant plan.

(2) An Incorporated Administrative Agency may make a payment to the national treasury in the amount calculated in accordance with the standards specified by the competent minister to the extent of the amount of income derived from the transfer of Unnecessary Property Pertaining to Government Contribution, etc. (other than money; hereinafter the same applies in this paragraph and the following paragraph) with the authorization of the competent minister (other than any amount exceeding the book value of the property (hereinafter referred to as "Amount Exceeding the Book Value" in the following paragraph)), in lieu of making payment to the national treasury in relation to the Unnecessary Property Pertaining to Government Contribution, etc. pursuant to the provisions of the preceding paragraph; provided, however, that the Incorporated Administrative Agency is not required to obtain an authorization of the competent minister if it specifies the plan referred to in Article 30, paragraph (2), item (v) for a Medium-term Plan of an Agency Managed under the Medium-term Objectives, the plan referred to in Article 35-5, paragraph (2), item (v) for a Medium to Long-term Plan of a National Research and Development Agency, or the plan referred to in Article 35-10, paragraph (3), item (v) for an Annual Objective Plan of an Agency Engaged in Administrative Execution, and it pays the amount to the national treasury in accordance with the relevant plan.

(3) In the case referred to in the preceding paragraph, if there is any Amount Exceeding the Book Value derived from the transfer of Unnecessary Property Pertaining to Government Contribution, etc., an Incorporated Administrative Agency is to pay the amount to the national treasury without delay; provided, however, that this does not apply to the amount authorized if the agency obtains an authorization from the competent minister for the exemption of payment of all or part of the amount.

(4) If an Incorporated Administrative Agency makes payment to the national treasury pursuant to the provisions of paragraph (1) or paragraph (2), and the Unnecessary Property Pertaining to Government Contribution, etc. for which the payment made, pertains to the contribution from the government, the amount specified by the competent minister as the portion pertaining to the Unnecessary Property Pertaining to Government Contribution, etc. for which the payment is made, out of the stated capital of the agency, is to be deemed to have not been contributed by the government to the agency, and the agency is to reduce the amount of its stated capital commensurate with such amount.

(5) Beyond what is provided for in the preceding paragraphs, the matters necessary for the disposal of the Unnecessary Property Pertaining to Government Contribution, etc. are specified by Cabinet Order.

6. Special remarks

1. The estimation was made under some assumptions and deviates from actual operations.

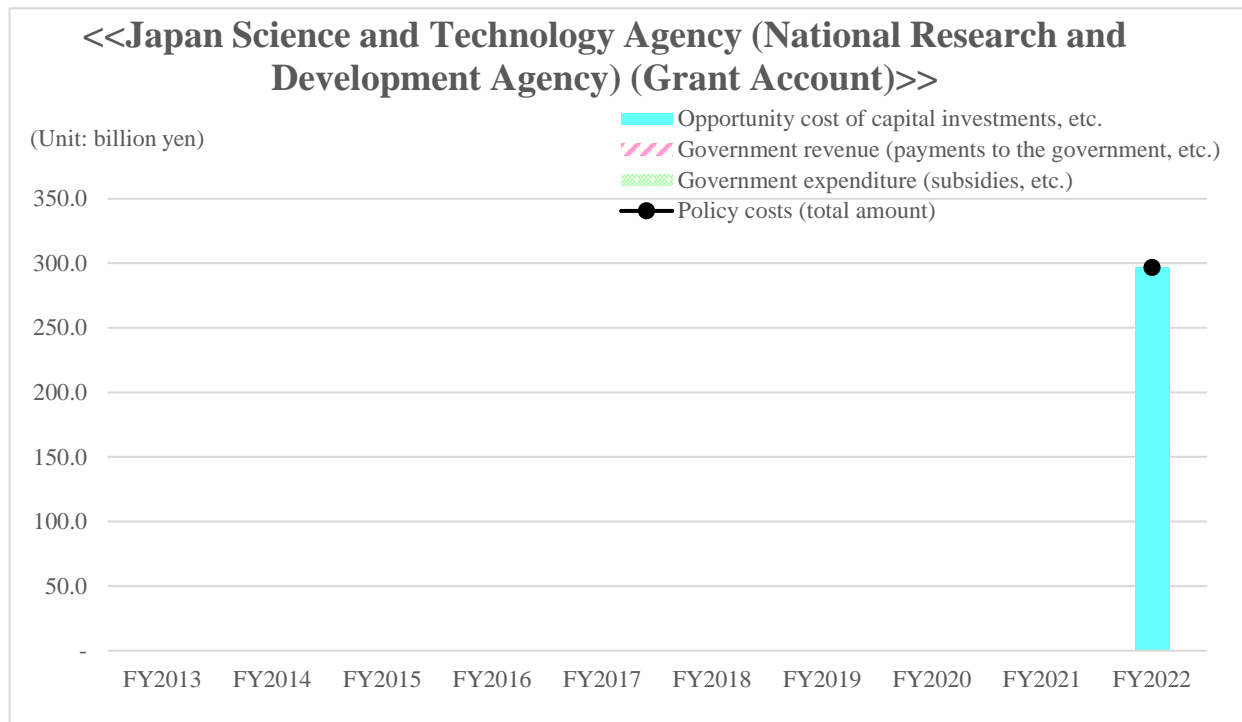
2. The granting operation (grant account) provides grants to universities from returns on grant fund investment (retained surplus and capital surplus). As noted in 4. above, however, specific treatments are left for future decisions. Therefore, retained surplus and other items at the end of the analysis period are excluded from the policy cost calculation.

(Reference) Outcome and social and economic benefits of operations

To realize World-Class Research University, the JST establish a 10 trillion yen the Japan University Fund and uses return on investment of the fund to invest in future university research infrastructure stably over a long term and complete university reform in order to fundamentally enhance research capabilities at Japan's research universities.

Overview of policy cost analysis results

[Changes in policy costs]



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

(Unit: billion yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)										296.6
Government expenditure (subsidies, etc.)										-
Government revenue (payments to the government, etc.)										-
Opportunity cost of capital investments, etc.										296.6

【Explanation of policy cost trends】

Policy cost analysis results are described only for FY2022 because the JST conducted the analysis in the year for the first time.

【FILP agency's self-assessment of policy cost analysis results (FY2022)】

The policy cost analysis in FY2022 determined the policy cost at 296.6 billion yen. This represents the opportunity cost for capital investment from the General Account under the third supplementary budget in FY2020 and the supplementary budget in FY2021.

Given that actual investment changes depending on fluctuating economic and market conditions, the JST will try to conduct stable investment over a long term in line with basic guidelines and policies while controlling risks appropriately through regular stress tests.

In the sensitivity analysis (case before the negative interest rate policy), the policy cost increased by 191.6 billion yen from the basic case due to a difference between discount factors based on given interest rates. In the sensitivity analysis (case for the rate of return at -1%), the policy cost was the same as the 296.6 billion yen in the basic case.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
(Assets)				(Liabilities and net assets)			
Current assets	500,000	4,443	59,239	Current liabilities	2	42	627
Cash and bank deposits	374,998	1,294	2,513	Accrued payments	-	1	28
Securities	80,000	-	-	Accrued expenses	2	29	543
Accrued income	2	3,149	56,727	Deposit received	0	2	7
Money in trust	45,000	-	-	Provisions			
Fixed assets				Provision for bonuses	1	11	50
Investment and other assets				Fixed liabilities	48	4,000,059	8,909,010
Money in trust	-	5,109,201	10,043,014	JST bonds	-	-	20,000
				Long-term borrowings	-	4,000,000	8,888,900
				Provisions			
				Provision for retirement benefits	48	59	110
				(Total liabilities)	51	4,000,102	8,909,637
				Capital			
				Government investment	500,000	1,111,100	1,111,100
				Retained earnings or loss carried forward	- 50	2,442	81,516
				Reserves under Article 32, paragraph 4 of the Act on Japan Science and Technology Agency	-	-	2,442
				Unappropriated profit or loss for the current year	- 50	2,442	79,073
				(Of this, gross profit or loss)	(- 50)	(2,493)	(79,073)
				(Total net assets)	499,950	1,113,542	1,192,616
Total assets	500,000	5,113,644	10,102,253	Total liabilities and net assets	500,000	5,113,644	10,102,253

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

Income Statement

(Unit: million yen)

Item	FY2020 (Result)	FY2021 (Estimated)	FY2022 (Planned)
Ordinary expenses	4	746	15,972
Operations expenses	4	713	15,734
General and administrative expenses	0	20	30
Finance expenses	-	13	208
Ordinary income	2	3,239	95,045
Revenue from fund management	-	3,239	95,045
Financial revenues	2	-	-
Ordinary profit or loss	- 2	2,493	79,073
Temporary losses	48	-	-
Provision of retirement benefits	48	-	-
Net profit or loss	- 50	2,493	79,073
Gross profit or loss	- 50	2,493	79,073

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