

1. Summary of operations implemented using FILP funds

· Operations to Facilitate Specific Businesses Promotion. (launched in August 2010)

Based on the Low Carbon Investment Promotion Act (Law No. 38, 2010), Japan Finance Corporation provides funds to facilitate the provision of loans by banks and other financial institutions for the implementation of business operations that contribute to the development and improvement of Japan's industrial activities, among operations to develop and manufacture environmentally friendly products for which demand is expected to increase at home and abroad.

Designated financial institutions promote specific types of business with credits from JFC, providing loans as necessary.

· Operations to Facilitate Business Realignment promotion, etc. (launched in January 2014)

Based on the Industrial Competitiveness Enhancement Act (Act No. 98, 2013), JFC provides funds to facilitate the provision of loans by banks and other financial institutions for the implementation of business realignment and other operations to enhance Japanese enterprises' industrial competitiveness. Designated financial institutions promote business realignment and other operations with credits from JFC, providing loans as necessary.

(Note) Business restructuring and other operations based on the Act on Special Measures Concerning Revitalization of Industry and Innovation in Industrial Activities were promoted before the enforcement of the Industrial Competitiveness Enhancement Act (January 2014).

2. Amount of lending under FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
140.0	114.7

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	0.9	0.7	-0.2
2. Government revenue (payments to the government, etc.)*	-	-	-
3. Opportunity cost of capital investments, etc.	0.1	0.1	+0.0
Total (1+2+3=policy cost(A))	1.0	0.8	-0.1
Analysis period (years)	20 years	20 years	-

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

Category	FY2018	FY2019	Fluctuation
(A) Policy cost (previously cited)	1.0	0.8	-0.1
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	0.0	0.0	-0.0
2) Policy cost expected to be newly accrued during the analysis period	0.9	0.8	-0.1
Government expenditure (subsidies, etc.)	0.9	0.7	-0.2
Government revenue (payments to the government, etc.)*	-	-	-
Opportunity cost of surplus, etc.	0.0	0.1	+0.0
Opportunity cost of capital investments, etc.	-	-	-

(5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case for raising lending and fundraising rates by 1 %	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
0.8	0.8	-0.1	-0.0	-	-0.0

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2018	FY2019	Simple fluctuation
		Simple comparison (before adjustment)	1.0	0.8
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2019 analysis)	0.8	0.8	0.0
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2018)			Real fluctuation (2-1)
				-0.0

[Real fluctuation factor analysis]

○ Factors behind policy cost increase

- None

○ Factors behind policy cost decrease

- Decrease in cost due to a decrease in clerical costs, etc. (-0.0 billion yen)

(4) Breakdown of policy cost by causative factor (Unit: billion yen)

(A) Policy cost in FY2019 (previously cited)	0.8
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	0.8

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

* 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.

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

- 1) All projects are eligible for estimation.
- 2) The estimation is made for the implementation of loans worth 140.0 billion yen to designated financial institutions planned for FY2019 in addition to outstanding loans to these institutions (as planned for the end of FY2018).
- 3) The analysis period is 20 years until FILP funds based on FY2019 business plan are completely redeemed.
- 4) Administrative expenses decrease depending on assumed outstanding loans from FY2020.
- 5) No new loan loss provisions are projected. This is because redemption is considered to have been secured, given that the competent minister designates appropriate financial institutions under certain standards and is authorized to inspect and supervise designated financial institutions and verify their soundness.
- 6) Since it is difficult to estimate prepayments at this time, no prepayments are projected for this estimation.

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

(Reasons)

JFC accepts investment and subsidies required for lending funds for designated financial institutions' loans to "business operators certified to develop and manufacture environmentally friendly products" and "business operators certified to attempt to implement business realignment, etc."

(Underlying laws and regulations)

·Grants have no legal base (they are budgetary measures).

·The Japan Finance Corporation Act (Act No. 57, 2007) provides for capital investment (Article 4).

Article 4 (1) The Government may, when it finds it to be necessary, make contributions to JFC within the amount appropriated in the budget.

(2) When a contribution is made by the Government pursuant to the provisions of the preceding Paragraph, JFC shall, notwithstanding the provisions of Article 445, Paragraph 2 of the Companies Act (Act No. 86 of 2005), be allowed not to record the amount exceeding half of such contribution amount as the capital.

(3) When a contribution is made by the Government investment to the provisions of Paragraph 1 of this Article, JFC shall, in accordance with the separation of accounting prescribed in Article 41 hereof, allocate the capital or reserve increased as a result of such contribution to each account related to the operations listed in each Item of the same Article.

· The Japan Finance Corporation Act provides for payment to the national treasury (Article 47).

Article 47 (1) In the event that the amount of the surplus recorded in the settlement of accounts for each business year exceeds zero in each account related to the operations listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order, among such surplus, until it reaches the amount prescribed by the Cabinet Order, and if there is still a surplus, JFC shall pay the amount of such surplus into the National Treasury within three months after the end of such business year.

6. Special remarks

None

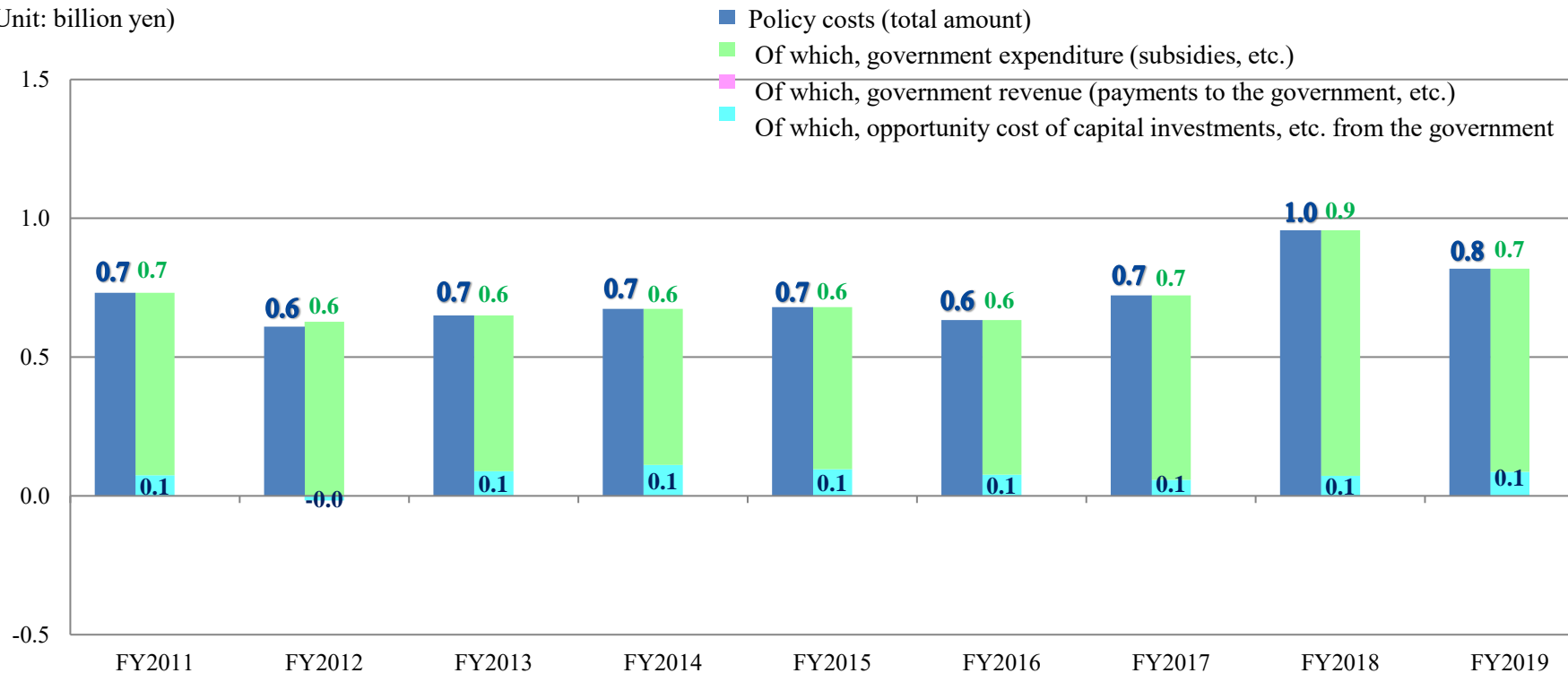
(Reference) Outcome and social and economic benefits of operations

- 1) Financing results
Total loans in FY2017: 90.4 billion yen
Outstanding balance of loans at the end of FY2017: 56.9 billion yen
- 2) Operations to Facilitate Specific Businesses Promotion
JFC provides funds to facilitate the provision of loans by banks and other financial institutions for the implementation of business operations that contribute to the development and improvement of Japan's industrial activities, among operations to develop and manufacture environmentally friendly products for which demand is expected to increase at home and abroad.
- 3) Operations to Facilitate Business Realignment Promotion, etc.
JFC provides funds to facilitate the provision of loans by banks and other financial institutions for the implementation of business realignment and other operations to enhance Japanese enterprises' industrial competitiveness.

(Reference) Changes in Policy Costs by Component

<Japan Finance Corporation (Account for Operations to Facilitate Specific Businesses Promotion, etc.)>

(Unit: billion yen)



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

(Point)

• Policy costs remain almost unchanged over a medium to long term although there are changes in losses due to an increase in the depreciation cost in accordance with the reversal of loan loss provisions and an increase in the fixed asset acquisition cost.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)	Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)
(Assets)				(Liabilities and equity)			
Cash and deposits	255	255	245	Borrowed money	56,862	114,703	242,977
Loans and discounts	56,862	114,703	242,977	Other liabilities	134	233	793
Other assets	134	231	789	Reserve for bonuses	3	4	4
Tangible fixed assets	0	0	2	Reserve for directors' bonuses	0	0	0
Intangible fixed assets	9	6	10	Reserves for retirement pensions	60	65	71
Prepaid pension cost	10	10	10	Reserve for directors' retirement benefits	0	0	0
				(Total liabilities)	57,060	115,006	243,846
				Capital	267	267	267
				Retained earnings	- 54	- 65	- 77
				Total shareholders' equity	212	201	189
				(Total equity)	212	201	189
Total assets	57,273	115,207	244,035	Total liabilities and equity	57,273	115,207	244,035

Note: Amounts of less than one million yen are rounded down.

Income Statement

(Unit: million yen)

Item	FY2017 (Result)	FY2018 (Estimated)	FY2019 (Planned)
Ordinary income	392	501	2,300
Revenue from fund management	313	403	2,199
Revenue from government grants	78	98	100
Other ordinary income	0	0	-
Ordinary expenses	404	512	2,312
Financing cost	313	403	2,199
Business expenses	90	109	112
Other ordinary expenses	0	-	-
Ordinary loss	11	11	11
Net loss	11	11	11

Note: Amounts of less than one million yen are rounded down.