

1. Summary of operations implemented using FILP funds

JFC provides funds to facilitate banks and other financial institutions to lend loans for operations to develop or produce energy environment-friendly products expected to be in strong demand in Japan and other countries while contributing to developing and improving Japan's industrial activities, as well as for business realignment to enhance industrial competitiveness and for developing, supplying or introducing systems using specified advanced information and communications technologies.

2. Amount of lending under FY2020 FILP

(Unit: billion yen)

FY2020 FILP	Estimated outstanding amount of FILP lending at the end of FY2019
70.0	173.0

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2019	FY2020	Fluctuation
1. Government expenditure (subsidies, etc.)	0.7	0.6	-0.1
2. Government revenue (payments to the government, etc.)* <sup>1</sup>	-	-	-
3. Opportunity cost of capital investments, etc.	0.1	0.1	-0.0
<b>Total (1+2+3=policy cost(A))</b>	<b>0.8</b>	<b>0.7</b>	<b>-0.1</b>
Analysis period (years)	20 years	20 years	-

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

Category	FY2019	FY2020	Fluctuation
(A) Policy cost (previously cited)	0.8	0.7	-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	0.8	0.7	-0.1
Government expenditure (subsidies, etc.)	0.7	0.6	-0.1
Government revenue (payments to the government, etc.)* <sup>1</sup>	-	-	-
Opportunity cost of surplus, etc.	0.1	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 before the negative interest rate policy* <sup>2</sup>	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)* <sup>1</sup>	3. Opportunity cost of capital investments, etc.
0.7	0.7	-0.0	-0.0	-	-0.0

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2019	FY2020	Simple fluctuation
		Simple comparison (before adjustment)	0.8	0.7
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2020 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2019)	Real fluctuation (2-1)
		0.7	0.7	-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 FY2020 (previously cited)	0.7
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	0.7

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

\*<sup>1</sup> 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.

\*<sup>2</sup> 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

- 1) All projects are eligible for estimation.
- 2) The estimation is made for the implementation of loans worth 70.0 billion yen to designated financial institutions planned for FY2020 in addition to outstanding loans to these institutions (as planned for the end of FY2019).
- 3) The analysis period is 20 years until FILP funds based on FY2020 business plan are completely redeemed.
- 4) Administrative expenses decrease depending on assumed outstanding loans from FY2021.
- 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

JFC receives capital investments and subsidies from the General Account to lend funds required by designated financial institutions to provide loans to “certified business operators who develop or produce energy environment-friendly products,” “certified business operators who plan to implement business realignment,” and “certified business operators who plan to develop, supply or introduce systems using specified advanced information and communications technologies.”

(Underlying laws and regulations)

[Capital investment provision]

<The Japan Finance Corporation Act>

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 national treasury payment provision]

<The Japan Finance Corporation Act >

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

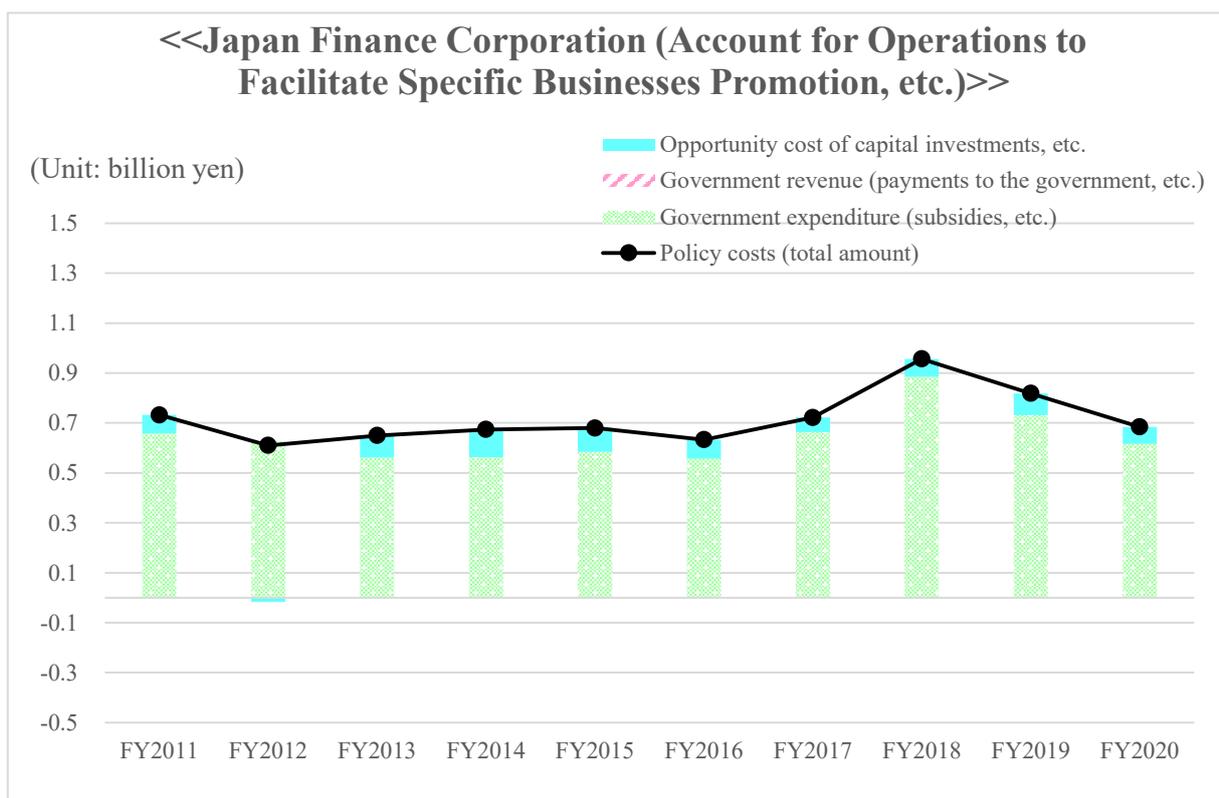
- Total loans in FY2018: 90.4 billion yen
- Outstanding balance of loans at the end of FY2018: 44.7 billion yen

##### 2) Primary types of financing for social and economic benefits

- 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.
- 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.
- Facilitation of development and supply promotion: JFC provides funds required for banks and other financial institutions to facilitate lending for the development, supply or introduction of systems using specified advanced information and communications technologies that become infrastructure for national life and economic activities.

# 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)

FY	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Policy costs (total amount)	0.7	0.6	0.7	0.7	0.7	0.6	0.7	1.0	0.8	0.7
Government expenditure (subsidies, etc.)	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.9	0.7	0.6
Government revenue (payments to the government, etc.)	-	-	-	-	-	-	-	-	-	-
Opportunity cost of capital investments, etc.	0.1	-0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

### 【Explanation of policy cost trends】

- 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.

### 【FILP agency's self-assessment of policy cost analysis results (FY2020)】

- Costs for the smooth, steady implementation of the facilitation must be subsidized because interest rates on JFC's loans to designated financial institutions are equal to those on FILP loans from the Government to JFC and produce no profit margin for JFC.
- The adjustment of assumptions to conditions before the negative interest rate policy in the sensitivity analysis has a limited impact.

## (Reference) Financial Statements

## Balance Sheet

(Unit: million yen)

Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)	Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)
(Assets)				(Liabilities and equity)			
Cash and deposits	257	225	209	Borrowed money	44,703	172,977	231,647
Loans and discounts	44,703	172,977	231,647	Other liabilities	154	196	547
Other assets	130	194	541	Reserve for bonuses	3	4	4
Tangible fixed assets	0	1	4	Reserve for directors' bonuses	0	0	0
Intangible fixed assets	6	9	19	Reserves for retirement pensions	44	50	55
Prepaid pension cost	11	11	11	Reserve for directors' retirement benefits	0	0	0
				(Total liabilities)	44,906	173,228	232,255
				Capital	267	267	267
				Retained earnings	-65	-77	-88
				Total shareholders' equity	201	189	178
				(Total equity)	201	189	178
Total assets	45,108	173,418	232,433	Total liabilities and equity	45,108	173,418	232,433

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

## Income Statement

(Unit: million yen)

Item	FY2018 (Result)	FY2019 (Estimated)	FY2020 (Planned)
Ordinary income	330	427	1,622
Revenue from fund management	254	329	1,522
Revenue from government grants	75	98	99
Other ordinary income	0	0	-
Ordinary expenses	341	439	1,634
Financing cost	254	329	1,522
Business expenses	86	110	111
Other ordinary expenses	0	-	-
Ordinary loss	10	11	11
Net loss	10	11	11

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