

1. Summary of operations implemented using FILP funds

The National Center for Geriatrics and Gerontology (NCGG) constructs new buildings for medical care services, installs medical equipment there, implements surveys, research and technology development for medical care regarding aging-related diseases that exert great impacts on citizens' health and allows the provision of medical care services and training of technicians for these operations to integrally function in order to provide better medical care services to citizens.

2. Amount of lending under FY2020 FILP

(Unit: billion yen)

FY2020 FILP	Estimated outstanding amount of FILP lending at the end of FY2019
0.2	7.3

3. Estimated policy cost analysis of the project

(1) Policy cost

(Unit: billion yen)

Category	FY2019	FY2020	Fluctuation
1. Government expenditure (subsidies, etc.)	2.4	1.2	-1.2
2. Government revenue (payments to the government, etc.) ^{*1}	-	-	-
3. Opportunity cost of capital investments, etc.	3.0	-0.1	-3.1
Total (1+2+3=policy cost(A))	5.3	1.1	-4.3
Analysis period (years)	33 years	32 years	-1 year

(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)	5.3	1.1	-4.3
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	2.4	1.4	-1.1
2) Policy cost expected to be newly accrued during the analysis period	2.9	-0.3	-3.2
Government expenditure (subsidies, etc.)	2.4	1.2	-1.2
Government revenue (payments to the government, etc.) ^{*1}	-	-	-
Opportunity cost of surplus, etc.	0.5	-1.5	-2.0
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.
1.1	2.9	+1.8	-0.1	-	+1.9

(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)	5.3	1.1
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2020 analysis)	4.7	1.9	-2.8
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2019)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- None

○Factors behind policy cost decrease

- Decrease due to fall in medical services expenses (-1.4 billion yen)
 - Decrease in subsidies, etc. regarding retirement allowances (-1.3 billion yen)
 - Others (decrease due to revision of demand projection) (-0.1 billion yen)

(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]

•Operations subject to the analysis construct buildings and install medical equipment there for the NCGG to provide medical care regarding aging-related diseases that exert great impacts on citizens' health.

•Subject to the analysis are FY2019-2021 operations worth 3.8 billion yen. The analysis period is 33 years during which borrowings regarding those operations will be repaid.

[Approach on future operations]

•Medical services revenues and expenses that exert great influence on policy cost changes are assumed to change according to data in Article 28 of the Public Finance Act.

As for the future, a hospital building will be completed at the end of FY2021. Medical services revenues are conservatively estimated to remain unchanged from FY2020. Among medical services expenses, personnel cost is estimated to gradually decline, reflecting plans to reduce the number of senior doctors by some five and the rate of regional allowance for doctors from 15% to 6%.

•The revision of medical services represents an uncertain factor and is not reflected in the estimation.

(Unit: million yen)

FY	Result					Estimated	Planned	Assumptions for calculation			
	2014	2015	2016	2017	2018			2019	2020	2021	2022
Medical services revenues	5,555	5,616	5,723	6,012	6,502	6,776	7,061	7,061	7,061	...	7,061
Medical services expenses	5,250	5,304	5,291	5,894	5,958	6,207	6,345	6,270	6,269	...	6,195

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

(Reasons)

In order to contribute to the progress and improvement of public health through the improvement of advanced technical medical services for age-related diseases as a national medical policy by carrying out investigation, research, and exploitation of techniques of medical services for age-related diseases, and providing medical services closely related to these works and giving training to technicians.

(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 national government may give incorporated administrative agencies grants equivalent to all or any part of the funds necessary for their operations.

(Underlying laws and regulations for the 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)

Paragraph 1 of Article 20

(Disposition of Reserve Funds)

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).

Paragraph 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.

Paragraph 3 (omitted)

6. Special remarks

•Under provisions of the Act on Incorporated Administrative Agency engaging in Research on Highly Specialized Medicine (Act No. 93 of 2008), the National Center for Geriatrics and Gerontology covered by the now-defunct special account for national advanced medical centers became an incorporated administrative agency with the same name. Later, under provisions of Article 130 of the Act on the Arrangement of Relevant Acts Incidental to Enforcement of the Act Partially Amending the Act on General Rules for Incorporated Administrative Agencies (Act No. 67 of 2014), the National Center for Geriatrics and Gerontology became a national research and development agency with the same name.

•In addition to subsidies from the national Government for hospital building construction, the NCGG plans to receive 1 billion yen in local government subsidies from FY2019 to FY2021.

(Reference) Outcome and social and economic benefits of operations

1. Diagnostic treatment

The Center provides advanced pioneering medical technologies concerning diseases unique to elderly people and tries to standardize geriatrics and gerontology to enhance effectiveness and safety for elderly people.

1) Compiling its research outcomes and knowledge of domestic and overseas research institutes and medical institutions, etc., and providing advanced pioneering medical services to prevent, diagnose, and treat diseases unique to elderly people and to restore their deteriorated functions.

2) Promoting the standardization of geriatrics and gerontology based on the outcomes of cooperative clinical research between the research institute and the hospital, by providing medical services based on the most recent scientific grounds and seeking more effective and safer application of existing medical technologies whose effectiveness has already been proven, such as minimally invasive operations safer for elderly people and optimal drug therapies for them.

3) Offering medical services and comprehensive assistance related to dementia and providing model medical care services at home.

4) Implementing comprehensive medical examination of frailty, sarcopenia, and locomotive syndrome as the world's first epoch-making outpatient service

5) Implementing the five-sense examination at the Center for Sensory Organ

2. Research

The Center promotes studies for figuring out the onset mechanism of dementia and preventing deterioration of elderly people's self-reliance levels, and has also been carrying out long-term research and surveys on age changes covering broad fields of medical science, psychology, exercise physiology, nutrition science, etc.

The Center has tackled essential investigation, prevention, diagnosis and therapy approach development for diseases that it covers, particularly dementia (Alzheimer's disease) and made great contributions to the promotion of medical care by taking the following measures:

1) Promoting the world's first initiative to make practical use of blood biomarkers

2) Advancing the development of a preemptive medicine for Alzheimer's disease and conducting talks on its commercialization

3) Conducting the world's first cohort research covering young to geriatric ages

3. Educational training

To become a base for developing useful human resources for Japan and other countries, the Center nurtures human resources who would lead the promotion of medical care and research regarding aging-related diseases.

1) Fostering and training dementia support doctors (six training sessions were held in FY2019 for a total of 1,305 persons, with the cumulative number of training session participants since their initiation in FY2005 reaching 11,255)

2) Training sessions for initial dementia patient support team members (five sessions were held in FY2019 for 1,669 persons, with the cumulative number of training session participants since their initiation in FY2015 reaching 10,046)

3) Comprehensive nursing training for geriatrics and home care (one training session was held in FY2019 for 166 persons, with the cumulative number of training session participants since their initiation in FY2014 reaching 1,175)

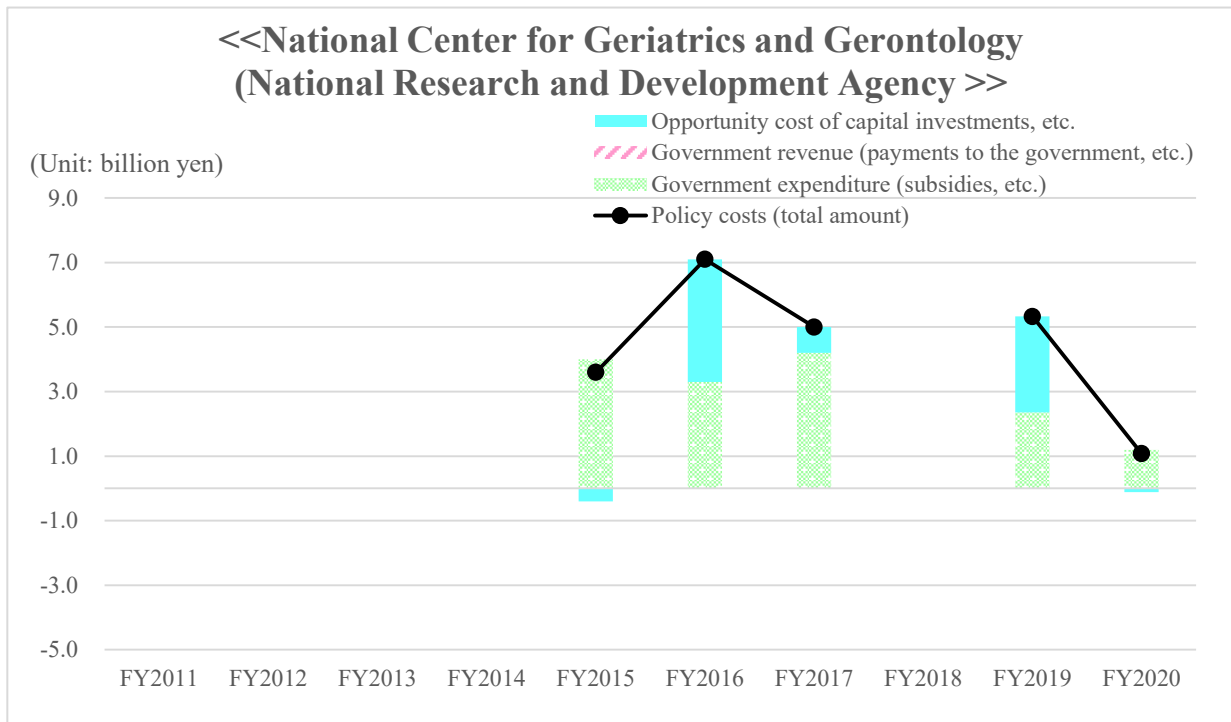
4) Training sessions for cognicise (cognition and exercise) instructors (two sessions were held in FY2019 for 65 persons, with the cumulative number of training session participants since their initiation in FY2015 reaching 318)

5) Training for cognicise practitioners (two training sessions were held in FY2019 for 159 persons, with the cumulative number of training session participants since their initiation in FY2015 reaching 720)

6) Training for urination (one training session was held in FY2019 for 22 persons, with the cumulative number of training session participants since the training's initiation in FY2018 reaching 51)

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)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Policy costs (total amount)					3.6	7.1	5.0		5.3	1.1
Government expenditure (subsidies, etc.)					4.0	3.3	4.2		2.4	1.2
Government revenue (payments to the government, etc.)					-	-	-		-	-
Opportunity cost of capital investments, etc.					-0.4	3.8	0.8		3.0	-0.1

【Explanation of policy cost trends】

- The policy cost includes the opportunity cost of Government subsidies (including operational subsidies) and capital investments from the Government for developing hospital buildings and other facilities and installing medical equipment regarding medical services.

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

- In the FY2020 analysis, the policy cost decreased due to a cut in medical services expenses and a fall in operational subsidies regarding policy-related medical services. This has no problem in terms of financial soundness.
- In the sensitivity analysis (in which interest rates before the negative interest rate policy were substituted for the assumed interest rates), the policy cost increased by 1.8 billion yen from the basic case. In the future, the Center will try to reduce medical services expenses exerting great influence on the policy cost even amid interest rate hikes.

(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)			
Current assets	3,866	3,709	3,909	Current liabilities	2,464	2,234	2,285
Cash and bank deposits	2,633	2,363	2,540	Debt from grants for operation cost	123	-	-
Accounts due for medical operations	999	1,123	1,139	Donation received	135	146	156
Accounts receivable	159	149	157	Long-term loans to be repaid within a year	51	71	186
Inventory assets	54	54	54	Accounts payable	254	330	334
Other current assets	20	20	20	Money unpaid	1,307	1,089	1,007
Fixed assets	14,613	17,703	17,626	Unpaid consumption tax, etc.	17	17	17
Tangible fixed assets	14,595	16,027	16,009	Advances received	128	128	128
Buildings	9,695	9,247	9,101	Deposit received	122	122	122
Structures	234	214	194	Temporary receipts	0	-	-
Medical instruments and equipment	711	1,048	987	Accrued expenses	0	0	0
Other instruments and equipment	655	503	274	Reserves			
Vehicles	2	1	0	Reserve for bonuses	326	330	335
Land	3,294	3,294	3,294	Fixed liabilities	7,668	11,189	11,240
Construction in progress	-	1,717	2,156	Asset collateral liabilities	680	922	1,159
Other tangible fixed assets	3	3	3	Grants for asset collateral operation cost	337	313	232
Intangible fixed assets	17	13	10	Asset collateral subsidies	309	199	88
Software	13	10	6	Asset collateral contributions	34	24	14
Telephone subscription right	0	0	0	Collateral facilities expenses for construction in progress	-	328	555
Other intangible fixed assets	4	4	3	Collateral subsidies for construction in progress	-	59	270
Investment and other assets	1	1,662	1,608	Long-term loans payable	5,537	7,253	7,219
Long-term loan receivable	5	5	5	Unpaid long-term expenses	1,278	1,179	1,080
Reserves for repayment exemption	-5	-5	-5	Reserves	174	1,835	1,781
Bankruptcy or rehabilitation claims, etc.	11	11	12	Provision for retirement benefits	108	1,769	1,715
Loan loss provisions	-11	-11	-12	Reserves for environment protection measures	66	66	66
Return for provision for retirement benefits	-	1,661	1,608	(Total liabilities)	10,131	13,422	13,524
				Capital			
				Financing by the Government	10,334	10,334	10,334
				Capital surplus	-2,153	-2,223	-1,991
				Capital surplus	2,936	3,100	3,570
				Other administrative costs accumulated	-5,089	-5,322	-5,561
				Amount equivalent to accumulated depreciation cost (-)	-4,867	-5,100	-5,339
				Amount equivalent to accumulated net gains or losses on sale or disposal (-)	-222	-222	-222
				Retained earnings or deficit carried forward	166	-121	-331
				Reserve carried forward during former medium-term target period	473	166	-
				Unappropriated loss for the period (-)	-306	-287	-210
				(of this, gross loss (-))	-306	-287	-210
				(Total equity)	8,347	7,990	8,011
Total assets	18,478	21,412	21,536	Total liabilities and equity	18,478	21,412	21,536

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

Income Statement

(Unit: million yen)

Item	FY2018 (Result)	FY2019 (Estimated)	FY2020 (Planned)
Ordinary expenses	11,903	12,014	12,068
Operating expenses	11,849	11,959	12,009
Research operating expenses	1,018	1,191	1,269
Clinical research operations expenses	3,527	3,143	3,032
Medical care operations expenses	6,468	6,750	6,843
Education and research operations expenses	322	275	275
Information operating expenses	70	68	69
General and administrative expenses	444	533	521
Other ordinary expenses	54	54	59
Ordinary income	11,591	11,726	11,857
Income from grants for operating expenses	2,754	2,802	2,811
Operating income	8,460	8,522	8,697
Research operating income	30	17	17
Clinical research operations income	1,635	1,408	1,408
Medical care operations income	6,598	6,901	7,076
Education and research operations income	190	188	189
Other operating income	6	8	7
Other ordinary income	377	402	349
Ordinary loss	-313	-288	-210
Temporary losses	4	1,758	-
Loss on retirement of fixed assets	4	-	-
Other temporary losses	-	1,758	-
Temporary profits	10	1,758	-
Other temporary profits	10	1,758	-
Net loss	-306	-287	-210
Gross loss	-306	-287	-210

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