

1. Summary of operations implemented using FILP funds

JFC conducts the following operations, including the provision of necessary funds, for designated financial institutions in order to facilitate banks and other financial institutions to extend 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. Operations eligible for FILP are those specified in 1) below.

1) Loans to designated financial institutions

JFC extends loans to designated financial institutions using FILP as the fund source.

2) Provision of interest subsidies for loans extended by designated financial institutions

JFC provides interest subsidies to designated financial institutions as a policy measure to lower the interest rates on loans extended by designated financial institutions.

2. Amount of lending under FY2021 FILP

(Unit: billion yen)

FY2021 FILP	Estimated outstanding amount of FILP lending at the end of FY2020
195.0	191.6

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2020	FY2021	Fluctuation
1. Government expenditure (subsidies, etc.)	0.6	2.6	+2.0
2. Government revenue (payments to the government, etc.)*1	-	-	-
3. Opportunity cost of capital investments, etc.	0.1	0.2	+0.1
Total (1+2+3=policy cost(A))	0.7	2.8	+2.1
Analysis period (years)	20 years	21 years	1 year

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

Category	FY2020	FY2021	Fluctuation
(A) Policy cost (previously cited)	0.7	2.8	+2.1
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	0.7	2.7	+2.1
Government expenditure (subsidies, etc.)	0.6	2.6	+2.0
Government revenue (payments to the government, etc.)*1	-	-	-
Opportunity cost of surplus, etc.	0.1	0.1	+0.1
Opportunity cost of capital investments, etc.	-	0.0	+0.0

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2020	FY2021	Simple fluctuation
		Simple comparison (before adjustment)	0.7	2.8
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2021 analysis)	0.6	2.8	+2.2
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2020)			Real fluctuation (2-1)

【Real fluctuation factor analysis】

○Factors behind policy cost increase

-Increase in cost due to the occurrence of new subsidies related to the interest subsidy operation (+2.2 billion yen)

○Factors behind policy cost decrease

- None

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

(A) Policy cost in FY2021 (previously cited)	2.8
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	2.8

(5) 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.
2.8	2.8	-0.0	-0.0	-	-0.0

(A) Policy cost (previously cited)	Case of a 1% increase in interest subsidies	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
2.8	2.8	+0.0	+0.0	-	-

(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

- 1) All operations (loan and interest subsidies) are subject to estimation.
- 2) The estimation is made for the case of implementing loans worth 195.0 billion yen to designated financial institutions planned for FY2021 and the case of providing interest subsidies based on the operation size of 100 million yen.
- 3) The analysis period is 21 years until FILP funds based on FY2021 business plan are completely redeemed.
- 4) Administrative expenses decrease depending on assumed outstanding loans from FY2022.
- 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 receives capital investments and subsidies to lend funds required by designated financial institutions to provide loans to “certified business operators who develop or produce energy environment-friendly products,” etc. and to provide interest subsidies to designated financial institutions when they extend loans to “certified business operators planning to conduct activities to realize carbon neutrality.”

(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 FY2019: 190.4 billion yen

- Outstanding balance of loans at the end of FY2019: 133.0 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 industrial competitiveness.

- Operation to facilitate the promotion of business adaptation: JFC provides necessary funds in order to facilitate banks and other financial institutions to extend loans necessary for business adaptation from the viewpoint of enhancing industrial competitiveness. JFC also provides interest subsidies to designated financial institutions when they extend loans to certified business operators planning to conduct activities to realize carbon neutrality, among other business adaptation activities.

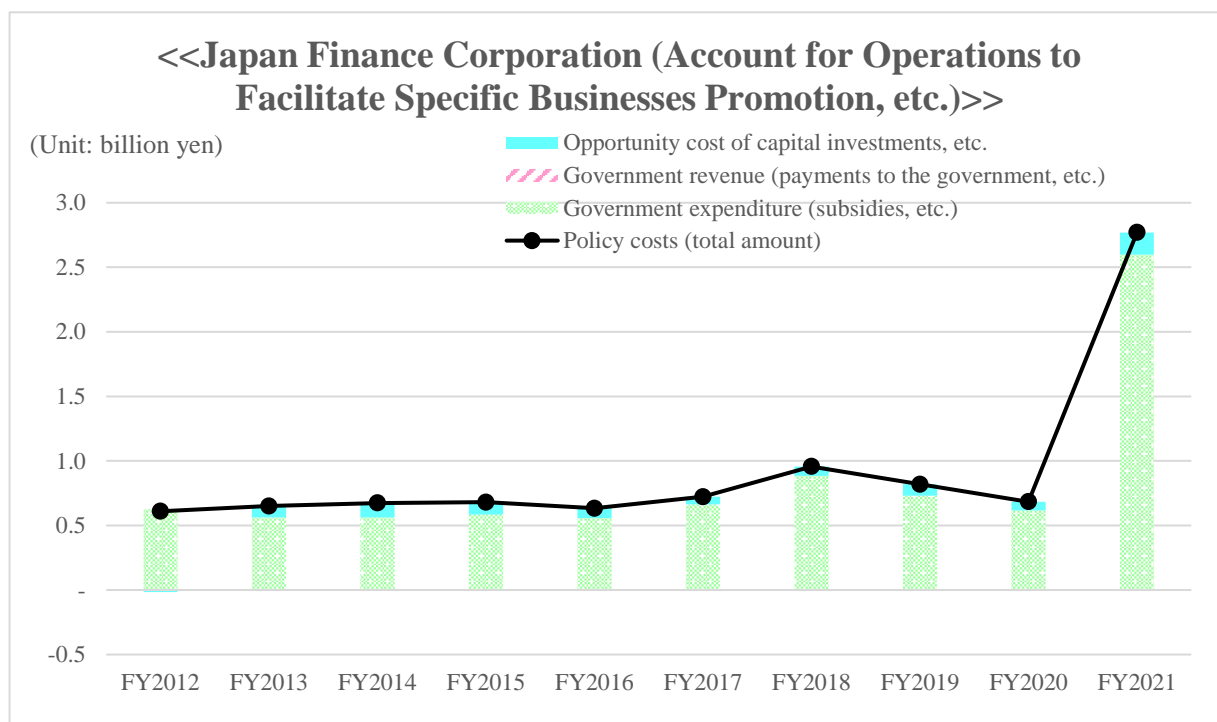
- Operation to facilitate the development and supply promotion: JFC provides funds required for banks and other financial institutions to facilitate lending for the development, supply or introduction of systems using specified advanced information and communications technologies that become infrastructure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

- Operation to facilitate the promotion of the enhancement of business foundations: JFC provides necessary funds in order to facilitate banks and financial institutions to extend loans necessary for shipbuilders, etc. to develop business foundations for improving productivity.

- Operation to facilitate the promotion of introduction: JFC provides necessary funds in order to facilitate banks and other financial institutions to extend loans necessary for shipping operators, etc. to introduce high-performance, high-quality ships.

Overview of policy cost analysis results

【Changes in policy costs】



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

(Unit: billion yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Policy costs (total amount)	0.6	0.7	0.7	0.7	0.6	0.7	1.0	0.8	0.7	2.8
Government expenditure (subsidies, etc.)	0.6	0.6	0.6	0.6	0.6	0.7	0.9	0.7	0.6	2.6
Government revenue (payments to the government, etc.)	-	-	-	-	-	-	-	-	-	-
Opportunity cost of capital investments, etc.	-0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2

【Explanation of policy cost trends】

- The policy cost remained at almost the same level until FY2020 but increased in FY2021 due to the start of the interest subsidy operation.

【FILP agency's self-assessment of policy cost analysis results (FY2021)】

- Most of the policy cost of Operations to Facilitate Specific Businesses Promotion, etc. are attributable to the provision of interest subsidies related to the interest subsidy operation. This is a cost indispensable for implementing operations.
- Adjusting the assumptions to assume the conditions before the negative interest rate policy or a 1% increase in interest subsidies under the sensitivity analysis has a limited impact.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)	Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
(Assets)				(Liabilities and equity)			
Cash and deposits	225	209	206	Borrowed money	132,977	191,647	367,315
Loans and discounts	132,977	191,647	367,315	Other liabilities	76	243	1,131
Other assets	73	238	1,126	Reserve for bonuses	3	4	4
Tangible fixed assets	1	3	3	Reserve for directors' bonuses	0	0	0
Intangible fixed assets	9	19	107	Reserves for retirement pensions	49	55	62
Prepaid pension cost	9	9	9	Reserve for directors' retirement benefits	0	0	0
				(Total liabilities)	133,107	191,950	368,513
				Capital	267	267	367
				Retained earnings	-77	-90	-111
				Total shareholders' equity	189	176	255
				(Total equity)	189	176	255
Total assets	133,296	192,127	368,768	Total liabilities and equity	133,296	192,127	368,768

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

Income Statement

(Unit: million yen)

Item	FY2019 (Result)	FY2020 (Estimated)	FY2021 (Planned)
Ordinary income	273	428	3,068
Revenue from fund management	198	336	2,868
Revenue from government grants	75	92	199
Other ordinary income	0	0	-
Ordinary expenses	286	441	3,089
Financing cost	198	336	2,868
Other operating expenses	-	-	100
Business expenses	87	104	121
Other ordinary expenses	0	-	-
Ordinary loss	12	12	21
Net loss	12	12	21

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