

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 FY2021 FILP

(Unit: billion yen)

FY2021 FILP	Estimated outstanding amount of FILP lending at the end of FY2020
3.1	7.4

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2020	FY2021	Fluctuation
1. Government expenditure (subsidies, etc.)	1.2	1.6	+0.4
2. Government revenue (payments to the government, etc.)*1	-	-	-
3. Opportunity cost of capital investments, etc.	-0.1	-0.2	-0.0
Total (1+2+3=policy cost(A))	1.1	1.4	+0.3
Analysis period (years)	32 years	31 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)	1.1	1.4	+0.3
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	1.4	1.9	+0.5
2) Policy cost expected to be newly accrued during the analysis period	-0.3	-0.5	-0.2
Government expenditure (subsidies, etc.)	1.2	1.6	+0.4
Government revenue (payments to the government, etc.)*1	-	-	-
Opportunity cost of surplus, etc.	-1.5	-2.1	-0.6
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.
1.4	2.6	+1.2	-0.1	-	+1.3

(A) Policy cost (previously cited)	Case of a 1% decrease in medical services revenues	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
1.4	1.6	+0.2	-	-	+0.2

(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.

(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)	1.1	1.4
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2021 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2020)	Real fluctuation (2-1)
		1.1	0.9	-0.2

【Real fluctuation factor analysis】

○Factors behind policy cost increase

- None

○Factors behind policy cost decrease

- Decrease due to fall in medical services expenses (-0.2 billion yen)

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 5.1 billion yen. The analysis period is 33 years during which borrowings regarding those operations will be repaid.

【Approach on future operations】

- Regarding medical services expenses, the Center promoted rejuvenation of staff, mainly doctors, while projecting an increase in materials cost, etc. due to a rise in medical services revenues in FY2021 and later and personnel replenishment following a significant decline in the number of staff members due to the retirement of nurses in FY2020. As a result, medical services expenses were booked in a way that reflected the streamlining of personnel cost

(Unit: million yen)

FY	Result					Estimated 2020	Planned 2021	Assumptions for calculation			
	2015	2016	2017	2018	2019			2022	2023	...	2051
Medical services revenue	5,616	5,723	6,012	6,502	6,782	6,430	7,147	7,147	7,147		7,147
Medical services expenses	5,304	5,291	5,894	5,958	5,970	5,797	6,137	6,132	6,126		6,097

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)

(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).

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

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 1.0 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 longterm 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) Making progress in research on blood biomarkers concerning amyloid-beta (A β), and advancing the research in order to develop binding stratification markers regarding dementia
- 2) Identifying new gene locus related to Alzheimer's disease
- 3) Examining aging-related changes in the brain and the factors that prevent aging through a project to analyze brain images of local resident cohorts

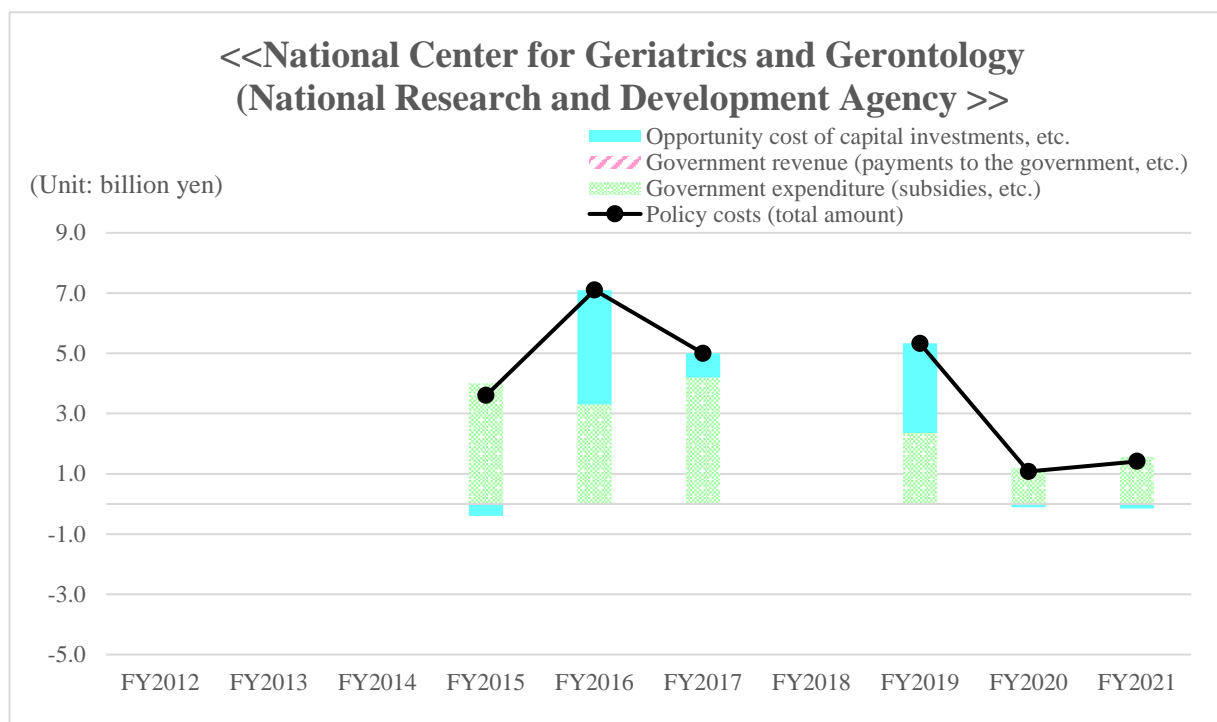
3. Educational training

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 (in FY2020, a web-based session was held in place of an on-site session, and 213 persons participated in it. The cumulative number of participants since the first training session in FY2005 is 11,468.)
- 2) Training sessions for initial dementia patient support team members (five sessions were held in FY2020 for 840 persons, with the cumulative number of training session participants since their initiation in FY2015 reaching 10,886)
- 3) Comprehensive nursing training for geriatrics and home care (one training session was held in FY2020 for 156 persons, with the cumulative number of training session participants since their initiation in FY2014 reaching 1,331)
- 4) Training sessions for cognitive (cognition and exercise) instructors (one session was held in FY2020 for 25 persons, with the cumulative number of training session participants since their initiation in FY2015 reaching 343)
- 5) Training for cognitive practitioners (two training sessions were held in FY2020 for 51 persons, with the cumulative number of training session participants since the first session in FY2015 reaching 791).
- 6) Training for urination (a training session planned in FY2020 was cancelled due to the COVID-19 pandemic. The cumulative number of training session participants since the first session in FY2018 is 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)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Policy costs (total amount)				3.6	7.1	5.0		5.3	1.1	1.4
Government expenditure (subsidies, etc.)				4.0	3.3	4.2		2.4	1.2	1.6
Government revenue (payments to the government, etc.)				-	-	-		-	-	-
Opportunity cost of capital investments, etc.				-0.4	3.8	0.8		3.0	-0.1	-0.2

【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.
- In FY2021, retained earnings in FY2021 decreased from FY2020 due to an increase in personnel and other costs (fixed costs) caused by the effects of working style reform. Despite a decrease in opportunity cost of capital investments, etc., the policy cost rose due to an increase in operational subsidies.

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

- While government expenditure (subsidies, etc.) increased, opportunity cost of capital investments, etc. decreased. As a result, the total amount of policy cost did not increase significantly.
- The results of the sensitivity analysis (case before the negative interest rate policy) showed an increase of 1.2 billion yen in the policy cost due to a rise in opportunity cost of capital investments, etc. caused by changes in surplus. However, as most of the increase is attributable to "opportunity cost of capital investments, etc.," the Center's assessment is that the impact on the actual financial conditions is minimal.
The results of the sensitivity analysis (the case of a 1% decrease in medical services revenues) and the analysis of the basic case showed an increase of 200 million yen in the policy cost due to a rise in opportunity cost of capital investments, etc. However, the Center's assessment is that the impact on the actual financial conditions is minimal.

(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)			
Current assets	4,296	4,191	4,443	Current liabilities	2,930	2,965	3,081
Cash and bank deposits	2,873	2,905	3,103	Debt from grants for operation cost	195	-	-
Accounts due for medical operations	978	1,098	1,151	Donation received	130	141	151
Accounts receivable	368	116	116	Long-term loans to be repaid within a year	66	186	284
Inventory assets	51	51	51	Accounts payable	244	273	289
Other current assets	26	22	22	Money unpaid	1,470	1,539	1,521
Fixed assets	17,707	17,745	20,948	Unpaid consumption tax, etc.	-	9	9
Tangible fixed assets	16,100	16,133	19,348	Advances received	123	123	123
Buildings	9,152	9,077	14,204	Deposit received	380	380	380
Structures	218	213	192	Temporary receipts	-	-	-
Medical instruments and equipment	967	924	1,428	Accrued expenses	0	0	0
Other instruments and equipment	657	428	226	Reserves	321	314	324
Vehicles	2	1	1	Reserve for bonuses	321	314	324
Land	3,294	3,294	3,294	Fixed liabilities	11,242	11,355	13,099
Construction in progress	1,808	2,194	-	Asset collateral liabilities	1,067	1,265	293
Other tangible fixed assets	3	3	3	Grants for asset collateral operation cost	368	299	230
Intangible fixed assets	30	25	16	Asset collateral subsidies	201	120	55
Software	26	22	13	Asset collateral contributions	30	18	8
Telephone subscription right	0	0	0	Collateral facilities expenses for construction in progress	409	558	-
Other intangible fixed assets	4	3	3	Collateral subsidies for construction in progress	59	270	-
Investment and other assets	1,577	1,586	1,583	Long-term loans payable	7,211	7,224	10,040
Long-term loan receivable	2	2	2	Unpaid long-term expenses	1,179	1,080	981
Reserves for repayment exemption	-2	-2	-2	Reserves	1,786	1,786	1,786
Long-term prepaid expenses	-	9	6	Provision for retirement benefits	1,679	1,679	1,679
Bankruptcy or rehabilitation claims, etc.	10	10	11	Reserves for environment protection measures	107	107	107
Loan loss provisions	-10	-10	-11	(Total liabilities)	14,172	14,320	16,181
Return for provision for retirement benefits	1,577	1,577	1,577	Capital	10,334	10,334	10,334
				Financing by the Government	10,334	10,334	10,334
				Capital surplus	-2,309	-2,006	-171
				Capital surplus	3,011	3,559	5,676
				Other administrative costs accumulated	-5,320	-5,565	-5,847
				Amount equivalent to accumulated depreciation cost (-)	-5,077	-5,321	-5,603
				Amount equivalent to accumulated net gains or losses on sale or disposal (-)	-243	-243	-243
				Retained earnings or deficit carried forward	-194	-712	-953
				Reserve carried forward during former medium-term target period	166	-	-
				Unappropriated loss for the period (-)	-360	-712	-953
				(of this, gross loss (-))	-360	-518	-242
				(Total equity)	7,831	7,616	9,210
Total assets	22,003	21,936	25,390	Total liabilities and equity	22,003	21,936	25,390

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 expenses	11,987	13,191	13,497
Operating expenses	11,932	13,131	13,437
Research operating expenses	1,030	1,314	1,233
Clinical research operations expenses	3,451	4,563	4,471
Medical care operations expenses	6,457	6,414	6,761
Education and research operations expenses	327	240	281
Information operating expenses	69	39	43
General and administrative expenses	600	561	648
Other ordinary expenses	54	60	59
Ordinary income	11,604	12,674	13,255
Income from grants for operating expenses	2,546	2,992	2,809
Operating income	8,564	8,970	9,688
Research operating income	36	27	27
Clinical research operations income	1,602	2,316	2,316
Medical care operations income	6,768	6,550	7,200
Education and research operations income	153	73	137
Other operating income	5	3	8
Other ordinary income	494	711	759
Ordinary loss	-382	-517	-242
Temporary losses	1,607	1	-
Loss on retirement of fixed assets	2	1	-
Cost of eliminating fixed assets	3	-	-
Other temporary losses	1,603	-	-
Temporary profits	1,629	0	0
Other temporary profits	1,629	0	0
Net loss	-360	-518	-242
Gross loss	-360	-518	-242

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