

1. Summary of operations implemented using FILP funds

For sustainable and sound development of agriculture, forestry and fisheries or businesses contributing to the security of stable food supply, JFC uses FILP funds for supplying long-term loans with low interest rates intended to complement financial services of general financial institutions to persons engaged in agriculture, forestry and fisheries management or in the business of manufacturing foodstuffs.

Note: Operations not eligible for FILP include financing related to interest free loans for forest management specially designed to maintain bio-diversity etc. JFC extends interest free loans using other funds than FILP. Securitization support operations are exempt from the analysis.

2. Amount of lending under FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
627.0	3,162.1

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	63.9	51.3	-12.6
2. Government revenue (payments to the government, etc.)*1	-119.9	-148.5	-28.6
3. Opportunity cost of capital investments, etc.	153.9	177.5	+23.6
Total (1+2+3=policy cost(A))	97.9	80.3	-17.5
Analysis period (years)	60 years	60 years	-

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

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	97.9	80.3	-17.5
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	153.0	176.4	+23.5
2) Policy cost expected to be newly accrued during the analysis period	-55.1	-96.1	-41.0
Government expenditure (subsidies, etc.)	63.9	51.3	-12.6
Government revenue (payments to the government, etc.)*1	-119.9	-148.5	-28.6
Opportunity cost of surplus, etc.	0.9	1.1	+0.1
Opportunity cost of capital investments, etc.	0.0	0.0	+0.0

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2021	FY2022	Simple fluctuation
		Simple comparison (before adjustment)	97.9	80.3
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	80.0	75.8	Real fluctuation (2-1)
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)			-4.2

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to finalization of FY2020 results and revision of FY2021 projections (+18.5 billion yen)
- Increase in cost due to an increase in administrative cost accompanying new loans (+17.6 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to interest rate gap for new loans provided in FY2022 (-25.4 billion yen)
- Decrease in cost due to decrease in loan losses (-7.5 billion yen)
- Decrease in cost due to a decrease in prepayments (-7.4 billion yen)

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

(A) Policy cost in FY2022 (previously cited)	80.3
1) Prepayments	-1.2
2) Loan losses	-1.3
3) Others (including profit spread)	82.9

(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.
			80.3	127.6	+47.3

(A) Policy cost (previously cited)	Case of a 1% increase in loan write-offs	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
			80.3	80.6	+0.3

(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) The estimation is made in respect of all lending operations financed by Fiscal Loan Fund.
- 2) The estimation is made on the assumption that financing is implemented based on the FY2022 operation plan (709.4 billion yen) in addition to the existing loan balance of 3,701.2 billion yen (estimated as of the end of FY2021).
- 3) The analysis period is supposed to be 60 years until the complete repayment of loans made based on the FY2022 operation plan as well as existing loans.
- 4) The prepayment ratio is projected at the average level (of 2.35%) for the preceding 5 years.
- 5) The provisions of allowance for loan losses are calculated on the assumption that the end-of-term allowances for loan losses are calculated according to the ratio of allowance for loan losses (0.95% under the FY2022 decision) based on the asset assessment after the write-off (the write-off ratio at the average of 0.11% for the preceding 5 years).
- 6) The administrative cost from FY2023 covers only an expense for the management and collection of loans (calculated according to the relevant personnel share of 49% in August 2021) and is assumed to gradually decrease according to a fall in outstanding loans.

FY	Result				Estimated 2021	Planned 2022	Assumptions for calculation 2022-2080
	2017	2018	2019	2020			
Prepayment ratio	2.27%	2.05%	1.84%	1.85%	1.68%	1.46%	2.35%
Loan write-off ratio	0.20%	0.06%	0.05%	0.09%	0.33%	0.04%	0.11%

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

Agriculture, forestry and fisheries are subject to nature. Most managing bodies engaged in these sectors are small, often unstable and barely profitable. Therefore it takes a long time to recover invested capital.

The objective of JFC (Agriculture, Forestry, Fisheries and Food Business Operations) is to provide long-term loans with low interest intended to complement financial services of general financial institutions to persons engaged in agriculture, forestry and fisheries management. JFC receives financial assistance from the general account of the national treasury as compensation for expenses (policy costs) which are not covered by spread.

[Underlying laws and regulations]

- Grants have no legal base (they are budgetary measures).
- Capital fund and payment to the national treasury are stipulated in the Japan Finance Corporation Act.

(Japan Finance Corporation Act)

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

Article 47: 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

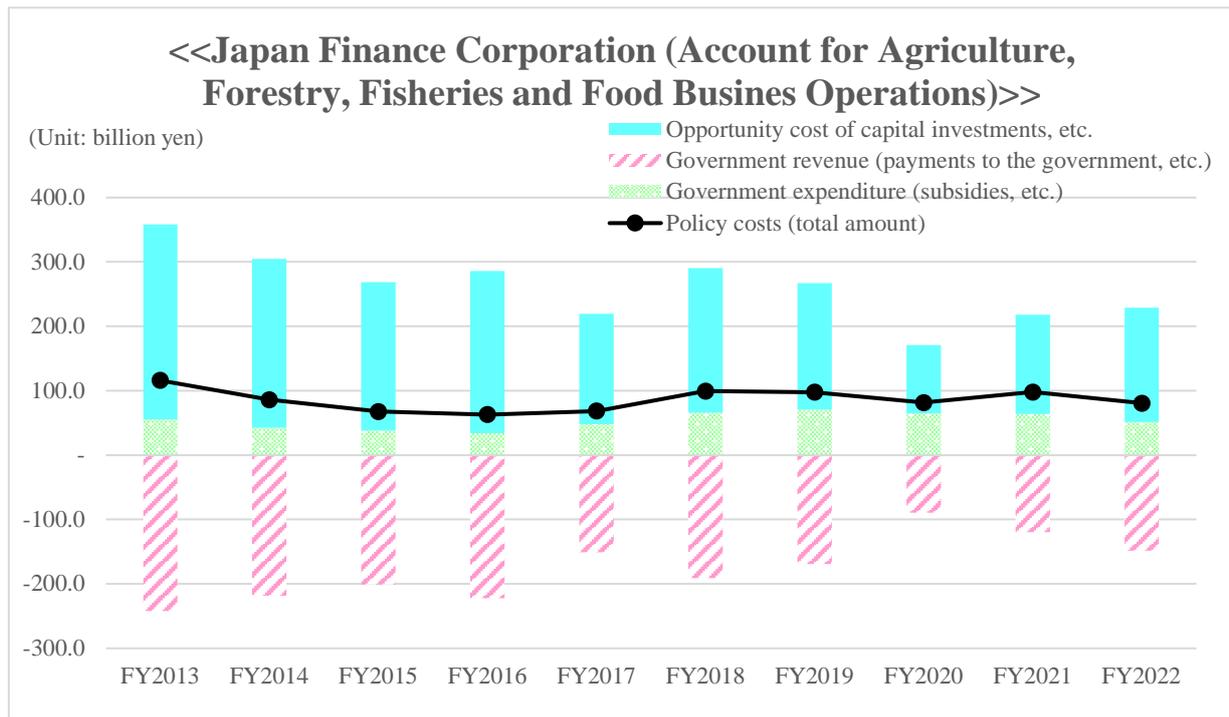
None

(Reference) Outcome and social and economic benefits of operations

- 1) Aggregate amount of loan commitment from FY1953 to FY2020 3.94 million cases 22,988.6 billion yen
 Loan commitment in FY2020 24,000 cases 705.8 billion yen
 Outstanding loan at the end of FY2020 160,000 cases 3,485.4 billion yen
 Loan Commitment planned for FY2022 710.0 billion yen
- 2) Assistance for agricultural sector
 JFC extends loans to support various highly-motivated farmers' efforts to improve their farm management in accordance with the policy of the "Basic Act and Plan on Food, Agriculture and Rural Areas."
 - a. 14% (33 thousand) of certified farmers (farmers whose plans for improving agricultural management approved by municipal governments) use Super L Loan (Long-term Investment Loan for certified farmers) to realize efficient and stable farm management. The figure increases to 35% for corporate certified farmers alone.
 - b. JFC extended 283.9 billion yen of Super L Loans to 6,520 parties to foster and support certified farmers in FY2020. The borrowers would enjoy the increase of 1,769.6 billion yen of gross production and 392.3 billion yen of agricultural income.
 - c. JFC provided loans to land improvement projects in order to enhance productivity of farmland, etc. Its loan commitment was 28.7 billion yen in FY2020. It is estimated by the existing cases that benefits of entire projects such as crop production effects and saving effects in farming costs will be 308.5 billion yen.
 - d. JFC provided necessary loans for stability and preservation of management to farmers whose businesses temporarily suffer a downturn because of disasters such as earthquakes/typhoons, the COVID-19 pandemic and changes in social and economic environments such as drops in prices of agricultural products. It is estimated that the Corporation contributed to the maintenance of employment opportunities for 46,422 people in FY2020.
- 3) Assistance for forestry sector
 JFC is assisting improvement of forests and stability and preservation of forestry management to contribute to the maintenance of forests' multiple functions through financing in accordance with the policy development of the "Basic Act on Forests and Forestry" and "Basic Plan for Forests and Forestry."
 - a. JFC provided forestation related loans to 202 forestry management organizations and supported the forestation of 24 thousand hectares in FY2020.
 - b. The size of planted forests managed by 1,445 forestry management organizations that have the balance of forestry funds as of the end of FY2020 is estimated to be 1.18 million hectares, and, according to the past research, public benefit functions are calculated at about 3,330.9 billion yen, that include surface erosion prevention function (1,339.5 billion yen) and water purification function (693.8 billion yen).
- 4) Assistance for fishery sector
 JFC is proactively assisting fishermen's efforts for stable supply of fisheries products and sustainable use of fishery resources through financing in accordance with the policy development of the "Basic Act on Fisheries Policy."
 - a. It is estimated that the fishermen financed by JFC loans produce 211.8 billion yen or 1,100 thousand tons (34% of domestic production) in FY2020 in marine fishery, the main fishery production in Japan. This contributes to the stable supply of fishery products and creation and maintenance of about 8 thousand job opportunities in fishery areas.
 - b. JFC provided necessary loans for stability and preservation of management to fishermen whose businesses temporarily suffer a downturn because of disasters such as typhoons, the COVID-19 pandemic and changes in social and economic environments such as drops in the prices of fishery products, in addition to fishermen affected by the Great East Japan Earthquake. It is estimated that the Corporation contributed to the maintenance of employment opportunities for 10,659 people in FY2020.
- 5) Support for food industry
 JFC positively supports efforts for cooperation between agriculture, forestry and fisheries and food industries and highly-developed health management for secure and safe stable supply of food through financing to food processors.
 - a. The financing was offered to 233 cases (58.5 billion yen) in FY2020. This contributed to the creation of 1,597 job opportunities with such projects.
 - b. It is estimated that transaction volume of domestic agricultural, forestry and marine production in such borrowers will increase to about 173,000 tons within 3 to 5 years, and transaction value of domestic agricultural, forestry and marine production by stable transaction contracts with people who engage in agriculture, forestry, and fishery will increase to about 30,000 tons. This contributes to the advancement of domestic agriculture, forestry and fisheries.

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)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	115.7	85.9	67.4	63.0	68.3	99.2	97.4	81.4	97.9	80.3
Government expenditure (subsidies, etc.)	55.2	42.4	37.8	33.7	47.8	65.5	70.4	64.4	63.9	51.3
Government revenue (payments to the government, etc.)	-242.6	-218.7	-201.2	-222.7	-150.9	-191.3	-169.4	-89.6	-119.9	-148.5
Opportunity cost of capital investments, etc.	303.1	262.1	230.8	252.0	171.5	225.0	196.5	106.6	153.9	177.5

【Explanation of policy cost trends】

- From FY2013 to FY2016, government revenue (payments to the government, etc.) and the opportunity cost of capital investments, etc. have increased due to the extension of the analysis period in accordance with the extension of the loan period as a response to the Great East Japan Earthquake.
- In FY2022, the policy cost decreased because of factors including a rise in payments to the government through a change in the assumed interest rate, as well as a drop in government grants through a decrease in outsourcing and other costs.

【FILP agency's self-assessment of policy cost analysis results (FY2022)】

- In the basic case, the policy cost decreased by 17.5 billion yen from the FY2021 policy cost analysis to 80.3 billion yen due to an increase in government revenue (payments to the government, etc.) through a change in assumed interest rates. The policy cost analysis results are apparently adequate, reflecting realities.
- In the case before the negative interest rate policy under the sensitivity analysis, the policy cost increased 47.3 billion yen compared with the basic case to 127.6 billion yen because of factors such as an increase in opportunity cost of capital investments due to a change in the assumed interest rate. In the case of a 1% increase in loan write-offs under the sensitivity analysis, the policy cost increased 300 million yen compared with the basic case to 80.6 billion yen because of factors such as an increase in government expenditures (subsidies, etc.) due to growth in loan write-offs. The policy cost analysis results in both cases are considered to reflect the reality and be appropriate.
- JFC provides agriculture, forestry, and fisheries business operators with long-term, fixed-interest loans that are difficult for private financial institutions to provide, considering that those business operators are vulnerable to natural conditions, require large-scale infrastructure development, and take much time to recover investment. Given that long periods of time are required to recover loans, policy cost analysis periods are very long and the discount factor set in response to the assumed interest rate for the analysis makes great contributions to boosting the policy cost.
- JFC sees the analysis as effective for identifying the cost for social and economic benefits of services to support the sustainable, sound development of agriculture, forestry and fisheries and secure stable food supply. Based on analysis results for multiple years, JFC plans to know the sizes of policy cost components.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
(Assets)				(Liabilities and net assets)			
Cash and deposits	69,049	120,447	62,842	Borrowed money			
Cash	0	0	0	Borrowings	2,812,074	3,170,115	3,391,186
Deposits	69,049	120,446	62,841	Bonds payable	224,984	219,987	214,989
Securities	3,244	14,114	14,038	Trust money	26,085	24,675	23,349
Stocks	2,030	2,030	2,030	Other liabilities	8,663	4,619	4,292
Other securities	1,214	12,084	12,008	Accrued expenses	3,464	3,246	3,031
Loans and bills discounted				Revenue received in advance	10	11	13
Loan on deeds	3,416,516	3,733,955	4,007,289	Lease obligations	541	533	554
Other assets	7,785	8,925	8,334	Other liabilities	4,648	828	692
Prepaid expenses	0	0	0	Provision for bonuses	668	664	664
Accrued revenue	7,108	8,248	7,657	Provision for directors' bonuses	8	7	7
Agency account receivable	330	330	330	Provision for retirement benefits	11,350	11,266	11,113
Other assets	346	346	346	Provision for directors' retirement benefits	16	20	3
Tangible fixed assets	33,066	33,332	34,373	Acceptances and guarantees	2,841	—	—
Buildings	7,534	7,715	7,743	(Total liabilities)	3,086,694	3,431,356	3,645,607
Land	24,933	24,933	24,933	Capital	424,823	448,832	448,897
Lease assets	395	431	478	Retained earnings	2,642	2,642	2,642
Construction in progress	130	150	1,100	Earned reserve	2,642	2,642	2,642
Other tangible fixed assets	72	100	116	Other retained earnings			
Intangible fixed assets	4,141	5,834	5,598	Retained earnings brought forward	—	—	—
Software	1,651	4,346	4,222	Total shareholders' equity	427,465	451,474	451,539
Lease assets	84	40	15				
Other intangible fixed assets	2,405	1,447	1,360	(Total net assets)	427,465	451,474	451,539
Guaranty endorsement	2,841	—	—				
Allowances for loan losses	-22,486	-33,778	-35,328				
Total assets	3,514,160	3,882,831	4,097,146	Total liabilities and net assets	3,514,160	3,882,831	4,097,146

Notes 1. The balance sheet includes amounts for projects other than those subject to the policy cost analysis.

2. Amounts of less than one million yen are rounded down.

Income Statement

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
Ordinary income	49,931	50,945	43,524
Revenue from fund management	23,612	22,797	25,526
Interest on loans and discounts	23,611	22,795	25,524
Interest from repurchase agreements	—	0	0
Interest on deposits	1	1	1
Other interest received	0	—	—
Revenue from service transactions, etc.	37	40	49
Return on financial derivatives	37	40	49
Revenue from government grants	25,636	26,679	17,290
Receipts from the general account	25,623	26,669	17,281
Receipts from the special account	12	10	9
Other ordinary income	645	1,427	658
Recoveries of written-off claims	253	894	253
Other ordinary income	391	533	404
Ordinary expenses	49,905	50,927	43,522
Financing cost	18,465	17,075	20,356
Interest on call money	-0	-0	—
Interest on borrowed money	15,673	14,276	17,515
Interest on bonds	2,792	2,799	2,841
Expenses for service transactions, etc.	2,746	3,414	2,409
Other service expenses	2,746	3,414	2,409
Other operating expenses	29	62	61
Amortization of bond issue expenses	29	62	61
Business expenses	15,749	19,074	19,068
Other ordinary expenses	12,914	11,300	1,626
Provision of allowance for loan losses	12,655	11,292	1,550
Written-off of loans	160	8	—
Other ordinary expenses	99	—	76
Ordinary profit	25	17	2
Extraordinary loss	25	17	2
Loss on disposal of fixed assets	24	17	2
Impairment loss	1	—	—
Net profit	—	—	—

Notes 1. The income statement includes amounts for projects other than those subject to the policy cost analysis.

2. Amounts of less than one million yen are rounded down.