

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 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 FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
211.7	297.3

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	2.6	6.2	+3.6
2. Government revenue (payments to the government, etc.)*1	-	-	-
3. Opportunity cost of capital investments, etc.	0.2	0.2	+0.0
Total (1+2+3=policy cost(A))	2.8	6.4	+3.7
Analysis period (years)	21 years	25 years	4 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)	2.8	6.4	+3.7
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	2.7	6.4	+3.6
Government expenditure (subsidies, etc.)	2.6	6.2	+3.6
Government revenue (payments to the government, etc.)*1	-	-	-
Opportunity cost of surplus, etc.	0.1	0.2	+0.0
Opportunity cost of capital investments, etc.	0.0	0.0	-0.0

(5) Sensitivity analysis (cases where assumptions change) (Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy*2	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
6.4	6.4	-0.0	-0.0	-	-0.0

(A) Policy cost (previously cited)	Case of a 1% increase in interest subsidies	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
6.4	6.5	+0.1	+0.1	-	-

(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		FY2021	FY2022	Simple fluctuation
		Simple comparison (before adjustment)	2.8	6.4
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	2.5	6.4	+3.9
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

○Factors behind policy cost increase

-Increase in cost due to an increase in subsidies related to the interest subsidy operation (+3.9 billion yen)

○Factors behind policy cost decrease

- None

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

(A) Policy cost in FY2022 (previously cited)	6.4
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	6.4

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 211.7 billion yen to designated financial institutions planned for FY2022 and the case of providing interest subsidies based on the operation size of 600 million yen.
- 3) The analysis period is 25 years until FILP funds based on FY2022 business plan are completely redeemed.
- 4) Administrative expenses decrease depending on assumed outstanding loans from FY2023.
- 5) No new allowances for 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 regulation]

[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

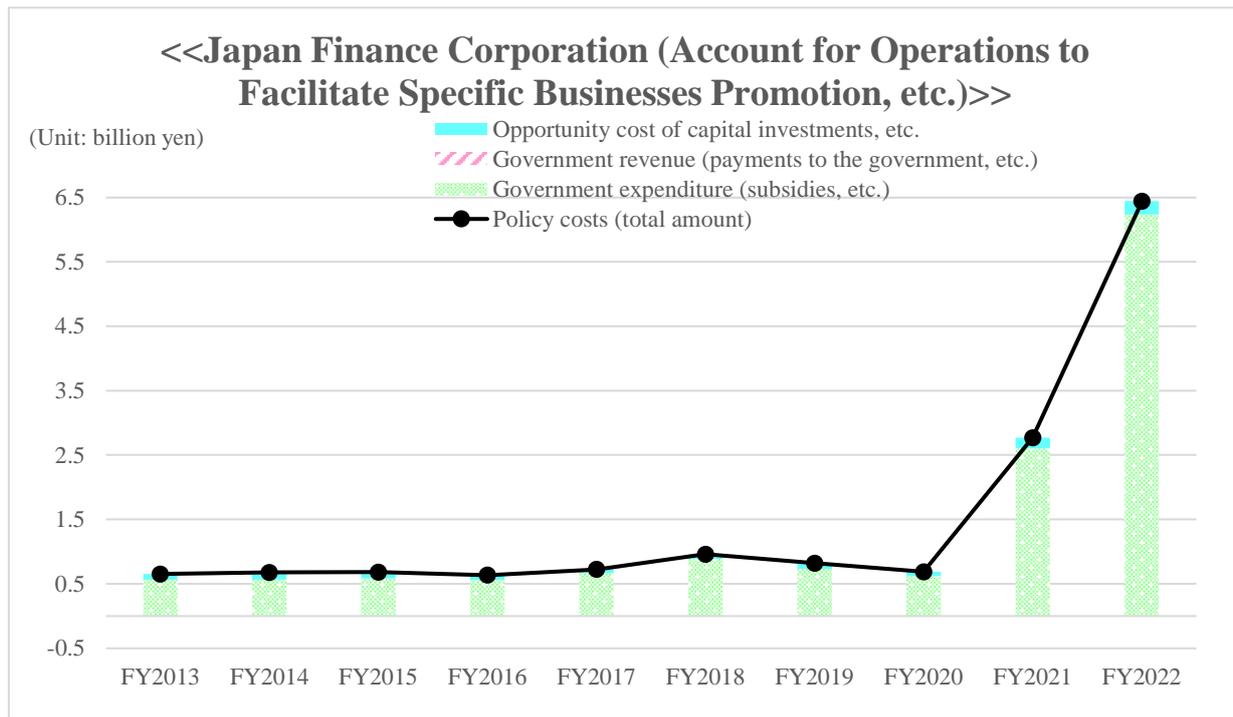
- Total loans until the end of FY2020: 190.4 billion yen
- Outstanding balance of loans at the end of FY2020: 121.6 billion yen

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.
- 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 and supply of systems using specified advanced information and communications technologies that become infrastructure for national life and economic activities, or for the development of production facilities for specified semiconductors.
- 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)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	0.7	0.7	0.7	0.6	0.7	1.0	0.8	0.7	2.8	6.4
Government expenditure (subsidies, etc.)	0.6	0.6	0.6	0.6	0.7	0.9	0.7	0.6	2.6	6.2
Government revenue (payments to the government, etc.)	-	-	-	-	-	-	-	-	-	-
Opportunity cost of capital investments, etc.	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2

【Explanation of policy cost trends】

- The policy cost remained at almost the same level until FY2020 but increased in FY2021 due to a government expenditure rise caused by the start of a new interest subsidy operation.
- In FY2022, government expenditure increased due to a rise in subsidies regarding the interest subsidy operation.

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

- 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 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	210	300	197	Borrowed money	121,647	297,315	492,110
Loans and bills discounted	121,647	297,315	492,110	Other liabilities	96	833	1,684
Other assets	83	828	1,679	Provision for bonuses	3	4	4
Tangible fixed assets	2	2	2	Provision for directors' bonuses	0	0	0
Intangible fixed assets	19	16	137	Provision for retirement benefits	47	54	60
Prepaid pension cost	9	9	9	Provision for directors' retirement benefits	0	0	0
				(Total liabilities)	121,794	298,206	493,859
				Capital	267	367	407
				Retained earnings	-89	-102	-129
				Total shareholders' equity	177	264	277
				(Total net assets)	177	264	277
Total assets	121,972	298,471	494,136	Total liabilities and net assets	121,972	298,471	494,136

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

Income Statement

(Unit: million yen)

Item	FY2020 (Result)	FY2021 (Estimated)	FY2022 (Planned)
Ordinary income	216	1,396	5,374
Revenue from fund management	140	1,200	4,672
Revenue from government grants	75	195	702
Other ordinary income	0	0	-
Ordinary expenses	227	1,409	5,401
Financing cost	140	1,200	4,672
Other operating expenses	-	100	600
Business expenses	86	108	129
Other ordinary expenses	0	-	-
Ordinary loss	11	12	27
Net loss	11	12	27

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