

## 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 FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
766.0	3,146.1

## 3. Estimated policy cost analysis of the project

## (1) Policy cost (Unit: billion yen)

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	51.3	53.2	+1.9
2. Government revenue (payments to the government, etc.)*	-148.5	-209.1	-60.7
3. Opportunity cost of capital investments, etc.	177.5	307.5	+130.0
<b>Total (1+2+3=policy cost(A))</b>	<b>80.3</b>	<b>151.5</b>	<b>+71.2</b>
Analysis period (years)	60 years	60 years	-

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

Category	FY2022	FY2023	Fluctuation
(A) Policy cost (previously cited)	80.3	151.5	+71.2
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	176.4	303.5	+127.1
2) Policy cost expected to be newly accrued during the analysis period	-96.1	-152.0	-55.9
Government expenditure (subsidies, etc.)	51.3	53.2	+1.9
Government revenue (payments to the government, etc.)*	-148.5	-209.1	-60.7
Opportunity cost of surplus, etc.	1.1	1.9	+0.8
Opportunity cost of capital investments, etc.	0.0	2.1	+2.1

## (5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case of assumed interest rate + 1%	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
151.5	196.1	+44.5	-4.8	-6.8	+56.1

(A) Policy cost (previously cited)	Case of a 1% increase in loan write-offs	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
151.5	151.8	+0.3	+0.2	+0.1	-

(Note) Components in each column may not add up to the total because of rounding.

\* 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.

## (3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2022	FY2023	Simple fluctuation
		Simple comparison (before adjustment)	80.3	151.5
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)	Real fluctuation (2-1)
	63.0	91.0	+28.0	

[Real fluctuation factor analysis]

## ○ Factors behind policy cost increase

- Increase in cost due to finalization of FY2021 results and revision of FY2022 projections (+3.2 billion yen)
- Other (Increase in administrative costs due to new loans, etc.) (+33.6 billion yen)

## ○ Factors behind policy cost decrease

- Decrease in cost due to interest rate gap for new loans provided in FY2023 (-5.5 billion yen)
- Decrease in cost due to decrease in loan losses (-3.2 billion yen)
- Decrease in cost due to a decrease in prepayments (-0.1 billion yen)

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

(A) Policy cost in FY2023 (previously cited)	151.5
1) Prepayments	-11.8
2) Loan losses	-6.1
3) Others (including profit spread)	169.5

#### 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 FY2023 operation plan (818.4 billion yen) in addition to the existing loan balance of 3,725.5 billion yen (estimated as of the end of FY2022).
- 3) The analysis period is supposed to be 60 years until the complete repayment of loans made based on the FY2023 operation plan as well as existing loans.
- 4) The prepayment ratio is projected at the average level (of 1.96%) 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 (0.98% under the FY2023 decision) based on the asset assessment after the write-off (the write-off ratio at the average of 0.10% for the preceding 5 years).
- 6) The administrative cost from FY2024 covers only an expense for the management and collection of loans (calculated according to the relevant personnel ratio of 48% in August 2022) and is assumed to gradually decrease according to a fall in outstanding loans.

FY	Result					Estimated	Planned	Assumptions for calculation
	2017	2018	2019	2020	2021	2022	2023	2024-2081
Prepayment ratio	2.27%	2.05%	1.84%	1.85%	1.79%	1.57%	1.62%	1.96%
Loan write-off ratio	0.20%	0.06%	0.05%	0.09%	0.09%	0.33%	0.01%	0.10%

#### 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 FY2021
 

3.96 million cases	23,489.4 billion yen
• Loan commitment in FY2021	16,000 cases
• Outstanding loan at the end of FY2021	160,000 cases
• Loan Commitment planned for FY2023	819.0 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 36% for corporate certified farmers alone.
  - b. JFC extended 301.2 billion yen of Super L Loans to 6,141 parties to foster and support certified farmers in FY2021. The borrowers would enjoy the increase of 2,039.7 billion yen of gross production and 339.3 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 30.8 billion yen in FY2021. 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 149.8 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 heavy rain, 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 16,284 people in FY2021.
- 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 207 forestry management organizations and supported the forestation of 20 thousand hectares in FY2021.
  - b. The size of planted forests managed by 1,424 forestry management organizations that have the balance of forestry funds as of the end of FY2021 is estimated to be 1.10 million hectares, and, according to the past research, public benefit functions are calculated at about 3,097.6 billion yen, that include surface erosion prevention function (1,245.7 billion yen) and water purification function (645.2 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."

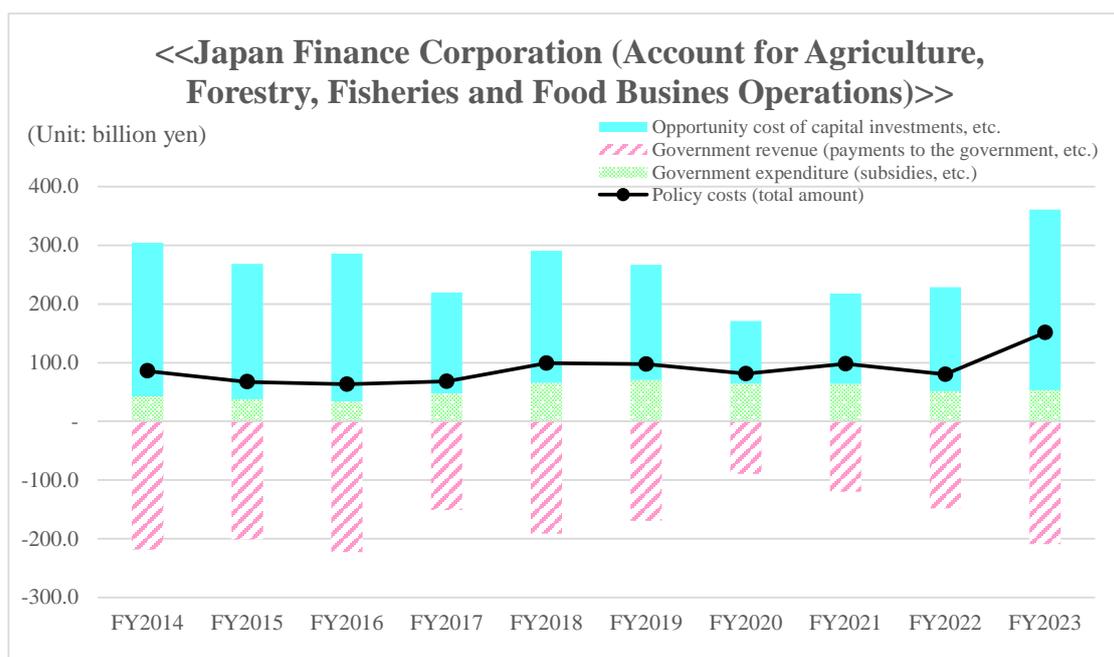
  - a. It is estimated that the fishermen financed by JFC loans produce 182.8 billion yen or 1,333 thousand tons (42% of domestic production) in FY2021 in marine fishery, the main fishery production in Japan. This contributes to the stable supply of fishery products and creation and maintenance of about 10 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 heavy rain, and the COVID-19 pandemic and changes in social and economic environments such as drops in the prices of fishery products. It is estimated that the Corporation contributed to the maintenance of employment opportunities for 3,248 people in FY2021.
- 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 268 cases (51.4 billion yen) in FY2021. This contributed to the creation of 2,201 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 117,000 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 45,000 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)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)	85.9	67.4	63.0	68.3	99.2	97.4	81.4	97.9	80.3	151.5
Government expenditure (subsidies, etc.)	42.4	37.8	33.7	47.8	65.5	70.4	64.4	63.9	51.3	53.2
Government revenue (payments to the government, etc.)	-218.7	-201.2	-222.7	-150.9	-191.3	-169.4	-89.6	-119.9	-148.5	-209.1
Opportunity cost of capital investments, etc.	262.1	230.8	252.0	171.5	225.0	196.5	106.6	153.9	177.5	307.5

### 【Explanation of policy cost trends】

- Policy cost increased leading up to FY2018 due to an increase in project scale.
- In FY2023, policy cost increased due to such factors as an increase in opportunity cost of capital investments associated with a fall in discount rate.

### 【FILP agency's self-assessment of policy cost analysis results (FY2023)】

- In the basic case, the policy cost increased by 71.2 billion yen from the FY2022 policy cost analysis to 151.5 billion yen due to an increase in the opportunity cost of capital investments, etc. The policy cost analysis results are apparently adequate, reflecting realities.
- In the case of assumed interest rate + 1% under the sensitivity analysis, the policy cost increased 44.5 billion yen compared with the basic case to 196.1 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 151.8 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 FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)	Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)
<b>(Assets)</b>				<b>(Liabilities and net assets)</b>			
Cash and deposits	108,197	69,388	49,218	Borrowed money			
Cash	0	0	0	Borrowings	2,902,575	3,151,641	3,463,615
Deposits	108,197	69,388	49,217	Bonds payable	209,987	204,989	194,992
Securities	3,412	18,813	18,736	Trust money	24,542	22,781	21,268
Stocks	2,530	2,530	2,530	Other liabilities	5,528	3,935	4,275
Other securities	882	16,283	16,206	Accrued expenses	3,053	2,840	2,750
Loans and bills discounted				Derivatives	44	73	79
Loan on deeds	3,474,105	3,754,321	4,073,135	Lease obligati	406	416	878
Other assets	7,097	7,760	8,014	Other liabilities	2,024	606	566
Prepaid expenses	3	3	3	Provision for bonuses	644	682	682
Accrued revenue	6,582	7,245	7,498	Provision for directors' bonuses	7	7	7
Derivatives	1	2	2	Provision for retirement benefits	11,538	11,513	11,442
Agency account receivable	181	181	181	Provision for directors' retirement benefits	22	24	4
Other assets	328	328	328	<b>(Total liabilities)</b>	3,154,845	3,395,577	3,696,288
Tangible fixed assets	32,936	33,050	34,754	Capital	448,606	453,671	456,735
Buildings	7,505	7,448	8,047	Retained earnings	2,642	2,642	2,642
Land	24,929	24,929	24,929	Earned reserve	2,642	2,642	2,642
Lease assets	315	352	780	Other retained earnings			
Construction in progress	129	230	878	Retained earnings brought forward	—	—	—
Other tangible fixed assets	56	90	118	Total shareholders' equity	451,248	456,313	459,377
Intangible fixed assets	4,870	4,526	8,261	<b>(Total net assets)</b>	451,248	456,313	459,377
Software	4,808	4,490	5,306				
Lease assets	40	15	9				
Other intangible fixed assets	21	20	2,944				
Allowances for loan losses	-24,524	-35,969	-36,453				
<b>Total assets</b>	3,606,094	3,851,891	4,155,666	<b>Total liabilities and net assets</b>	3,606,094	3,851,891	4,155,666

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	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
Ordinary income	47,673	48,736	43,316
Revenue from fund management	22,102	20,848	25,272
Interest on loans and discounts	22,102	20,847	25,271
Interest from repurchase agreements	—	0	0
Interest on deposits	0	0	0
Other interest received	0	—	—
Revenue from service transactions, etc.	2	20	52
Return on financial derivatives	2	20	52
Revenue from government grants	24,848	27,206	17,366
Receipts from the general account	24,838	27,198	17,360
Receipts from the special account	9	7	6
Other ordinary income	719	661	625
Recoveries of written-off claims	261	253	261
Other ordinary income	458	408	364
Ordinary expenses	47,618	48,718	43,316
Financing cost	16,958	15,811	20,263
Interest on call money	-0	0	—
Interest on borrowed money	14,166	13,178	17,544
Interest on bonds	2,792	2,632	2,718
Expenses for service transactions, etc.	2,053	2,360	2,219
Other service expenses	2,053	2,360	2,219
Other operating expenses	28	61	61
Amortization of bond issue expenses	28	61	61
Business expenses	16,528	18,940	20,212
Other ordinary expenses	12,049	11,544	560
Provision of allowance for loan losses	11,600	11,444	484
Written-off of loans	196	23	—
Other ordinary expenses	252	76	76
Ordinary profit	54	18	—
Extraordinary profit	5	—	—
Gain on disposal of noncurrent assets	5	—	—
Extraordinary loss	60	18	—
Loss on disposal of noncurrent assets	59	18	—
Impairment loss	0	—	—
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.