

1. Summary of operations implemented using FILP funds

The NCCHD develops hospital facilities or medical machines to provide medical services related to intractable, genital and other diseases of mothers, fathers, babies and infants for which special medical services are required to ensure that children are born and grow up safe and sound (hereinafter referred to as “growth-related diseases”).

(Reference) Operations other than those subject to FILP include surveys, research and technology development related to the abovementioned medical services and training of technicians related closely to these operations.

2. Amount of lending under FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
0.9	8.9

3. Estimated policy cost analysis of the project

(1) Policy cost

(Unit: billion yen)

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	3.8	3.4	-0.4
2. Government revenue (payments to the government, etc.)*	-	-	-
3. Opportunity cost of capital investments, etc.	11.1	-3.4	-14.5
Total (1+2+3=policy cost(A))	14.9	0.0	-14.9
Analysis period (years)	16 years	16 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)	14.9	0.0	-14.9
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	1.7	5.2	+3.5
2) Policy cost expected to be newly accrued during the analysis period	13.2	-5.2	-18.4
Government expenditure (subsidies, etc.)	3.8	3.4	-0.4
Government revenue (payments to the government, etc.)*	-	-	-
Opportunity cost of surplus, etc.	9.4	-8.6	-18.0
Opportunity cost of capital investments, etc.	-	-	-

(4) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case of assumed interest rate + 1%	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
0.0	5.9	+5.9	-0.2	-	+6.1

(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.)*	3. Opportunity cost of capital investments, etc.
0.0	3.3	+3.3	-	-	+3.3

(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)	14.9	0.0
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)	14.3	-4.9	Real fluctuation (2-1)
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)			-19.2

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- None

○Factors behind policy cost decrease

- Decrease in cost due to an increase in revenue from medical services (-19.2 billion yen)

(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.

4. Outline of estimation and project prospect employed in the analysis

[Outline of estimation]

The estimation covers hospital facilities or medical machine development for medical services by the NCCHD to provide medical services for growth-related diseases.

The analysis period covers 16 years for the redemption of 0.9 billion yen in fiscal loans committed in FY2023 for the operation.

[Project prospect]

Estimates were prepared in consideration of management efforts related to revenue from medical services, which is a significant premise influencing the increase or decrease in policy costs at the NCCHD.

Note that revisions to medical fees have not been reflected as there are still undetermined factors.

(Unit: million yen)

FY	Result		Estimated	Planned	Assumptions for calculation						
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Medical services revenues	18,766	21,360	21,946	22,463	22,463	22,463	22,463	22,463	22,463	22,463	22,463
Medical services expenses	17,997	19,666	20,419	20,780	20,780	20,780	20,780	20,780	20,780	20,780	20,780

FY	Assumptions for calculation							
	2031	2032	2033	2034	2035	2036	2037	2038
Medical services revenues	22,463	22,463	22,463	22,463	22,463	22,463	22,463	22,463
Medical services expenses	20,780	20,780	20,780	20,780	20,780	20,780	20,780	20,780

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

[Reasons for granting of subsidies]

The NCCHD improves medical services for growth-related diseases under national healthcare policies by conducting surveys, research and technology development, and by providing medical services related closely to medical services for growth-related diseases and training technicians for such services so as to contribute to the improvement and promotion of public health.

(Underlying laws and regulations)

Act on General Rules for Incorporated Administrative Agencies (Act No.103 of 1999)

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)

Act on National Research and Development Agencies that Conduct Research related to Advanced and Specialized Medical Care (Act No.93 of 2008)

Article 20 (1) 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

Based on the Act on the Promotion of Administrative Reform to Realize Simple and Efficient Government (Act No. 47 of 2006) and Act on Incorporated Administrative Agency Engaging in Research on Highly-Specialized Medicine (Act No. 93 of 2008), etc., the Special Account of the National Center for Advanced and Specialized Medical Care was abolished as of the end of FY2009, and the National Center for Advanced and Specialized Medical Care was reorganized into an Incorporated Administrative Agency on April 1, 2010.

Under the provisions of Article 130 of the Act on the Arrangement of the Relevant Acts Incidental to Enforcement of the Act for Partial Amendment of the Act on the General Rules for Incorporated Administrative Agencies (Act No. 67 of 2014), the National Center for Child Health and Development (Incorporated Administrative Agency) was reorganized into the National Center for Child Health and Development (National Research and Development Agency) on April 1, 2015.

(Reference) Outcome and social and economic benefits of operations

1. Diagnosis and Cure

The NCCHD promotes research and medical care for diseases that occur in the lifecycle that is linked to reproduction, starting from fertilization and pregnancy, through to the fetal, neonatal, childhood, and adolescent stages and leading to adulthood. It has also established and expanded a model that takes into consideration team-based and comprehensive medical care for child health and development in general, including pediatric emergency medical care and perinatal care. Going forward, it aims to provide, implement, and establish advanced and specialized medical care, including the following:

- Gene therapies for congenital immunodeficiency syndromes (chronic granulomatosis and Wiskott-Aldrich syndromes);
- Genetic diagnosis for rare child diseases utilizing next-generation sequencers;
- Non-stressed pre-implantation genetic diagnosis using maternal blood;
- Establishment of new treatment methods for inborn error of metabolisms;
- Heart surgeries during neonatal period;
- Further development of organ transplants for children.

2. Research

In order to further strengthen the Center's functions as the base for clinical research on child health and development-related diseases, the research contributing to the development of advanced pioneering care and the establishment of standard medical care will be conducted as follows:

- To figure out the mechanism of new diseases through comprehensive genomic analyses of patients with obstetrical abnormalities, growth impairment, reproductive dysfunction, or congenital malformation, etc.;
- To figure out the interaction between environmental factors and genes associated with child health and development-related diseases (in particular, to ascertain patterns of genetic mutations in Japanese patients and determinants for the seriousness of diseases, and figure out the correlation between bacterial flora and perinatal diseases);
- To conduct data screening for the purpose of building a database of child patients;
- To develop a drug for immune deficiency diseases for which hematopoietic stem cell transplants are not available.

3. Educational training

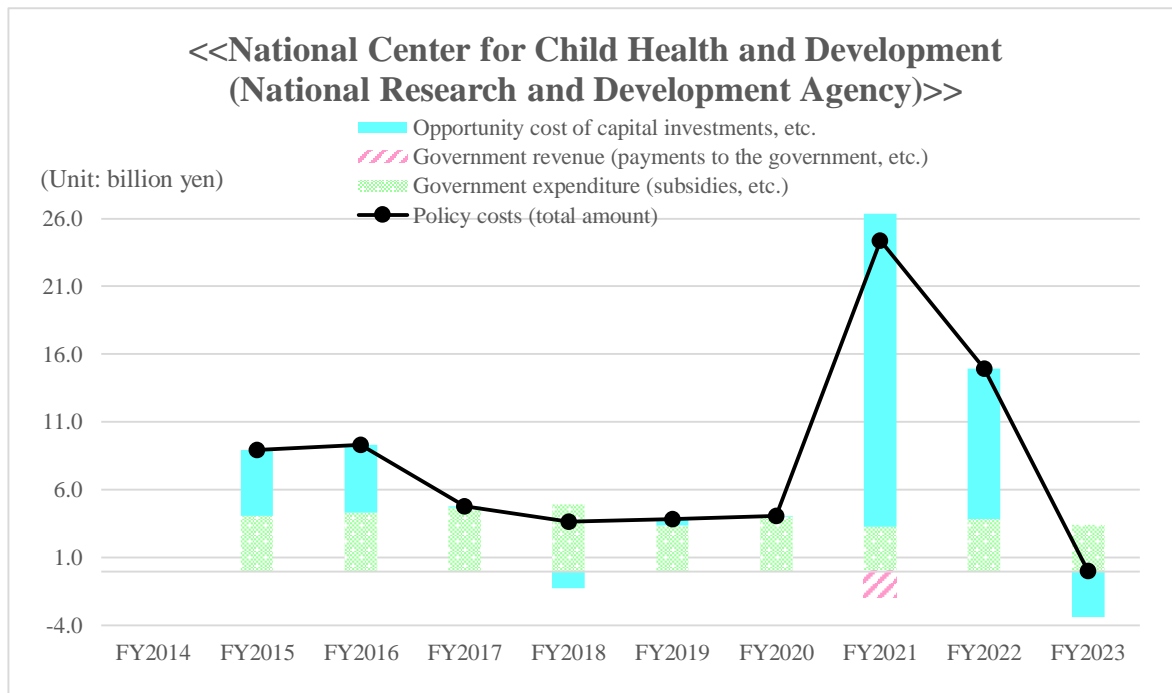
The educational training project aims to foster specialists in clinical research at research institutions and Clinical Research and Medical Innovation Centers. At hospitals, pioneering personnel with leadership and expertise in medical services for child health and development-related diseases are to be fostered and dispatched nationwide to promote the leveling of the medical services for children.

4. Information transmission

Ideal pediatrics, perinatal care, and maternal care, as well as ideal health services as a whole, will be discussed to present a grand design therefor, with the aim of providing the general public and medical institutions with information, such as research outcomes and latest domestic and international knowledge, promptly and in an easy-to-understand manner.

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)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)		8.9	9.3	4.8	3.6	3.8	4.1	24.4	14.9	0.0
Government expenditure (subsidies, etc.)		4.1	4.3	4.7	4.9	3.3	4.0	3.2	3.8	3.4
Government revenue (payments to the government, etc.)		-	-	-	-	-	-	-2.0	-	-
Opportunity cost of capital investments, etc.		4.9	5.0	0.1	-1.2	0.5	0.1	23.1	11.1	-3.4

【Explanation of policy cost trends】

- Policy costs include government subsidies related to the medical services segment (operating expense subsidies, etc.) and opportunity cost of capital investments, etc. by the government.
- The policy cost decreased by 4.5 billion yen from FY2016 to FY2017 due primarily to an improvement in medical business revenue as the NCCHD promoted business improvement efforts including lump-sum procurement of medical machines and supplies, the revision of outsourcing contracts for clerical and janitorial services, and an increase in the number of pediatric intensive care units to raise hospitalized care revenue.
- The policy cost increased by 20.3 billion yen from FY2020 to FY2021 due to a decrease in medical service revenues amid the COVID-19 crisis.
- In FY2022 and FY2023, policy costs decreased due to a decrease in closing loss balance from improvements in revenue from medical services associated with an increase in patient numbers, as well as an increase in the ending reserve balance.

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

- With regard to estimation results from the analysis of policy costs in FY2023, although policy costs decreased against FY2022 estimation results, this was due to a decrease in closing loss balance from improvements in revenue from medical services associated with an increase in patient numbers, as well as an increase in the ending reserve balance.
- In the sensitivity analysis (case of assumed interest rate + 1%), the policy cost increased as the opportunity cost of capital investments rose due to a change in the discount factor. The financial impact of the policy cost increase is assessed as minimal.
- The results of the sensitivity analysis (case of a 1% decrease in medical services revenues) showed that policy costs increased 3.3 billion yen due to a decrease in retained earnings and an increase in the opportunity cost of capital investments, etc. for NHCCD. However, the financial impact of the policy cost increase is assessed as minimal.

(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)
(Assets)				(Liabilities and net assets)			
Current assets	11,950	13,712	15,356	Current liabilities	6,556	9,284	12,678
Cash and bank deposits	6,693	7,847	7,391	Management expense grants liabilities	36	18	-
Accounts due for medical operations	4,373	4,920	6,328	Donation received	744	767	811
Accounts receivable	711	755	1,448	Current portion of long-term borrowings	1,385	1,435	1,436
Inventory assets	128	145	145	Accounts payable	1,004	1,041	1,198
Prepaid expenses	3	3	3	Money unpaid	2,090	4,226	7,559
Other current assets	40	40	40	Current portion of lease obligation	111	104	103
Fixed assets	49,034	50,106	50,703	Unpaid expenses	0	0	0
Tangible fixed assets	42,727	44,116	45,031	Unpaid consumption tax, etc.	1	1	1
Buildings	14,599	15,536	15,762	Advances received	11	11	11
Structures	43	43	43	Deposits payable	315	315	315
Medical instruments and equipment	3,473	3,737	4,237	Provisions			
Other instruments and equipment	806	993	1,183	Provision for bonuses	794	1,301	1,180
Vehicles	10	10	10	Other current liabilities	64	64	64
Land	23,796	23,796	23,796	Fixed liabilities	14,132	13,675	12,839
Other tangible fixed assets	1	1	1	Contra-accounts for assets	1,067	1,063	890
Intangible fixed assets	1,597	1,650	1,703	Long-term borrowings	7,523	7,487	6,951
Software	1,596	1,649	1,702	Lease liabilities	279	175	72
Telephone subscription right	0	0	0	Provisions	5,207	4,895	4,870
Other intangible fixed assets	1	1	1	Provision for retirement benefits	5,182	4,870	4,845
Investment and other assets	4,711	4,340	3,969	Provision for environment protection measures	25	25	25
Long-term prepaid expenses	6	6	6	Asset retirement obligation	55	55	55
Bankruptcy or rehabilitation claims, etc.	10	10	10	(Total liabilities)	20,688	22,959	25,517
Allowance for loan losses	-10	-10	-10	Capital			
Contra-accounts for provision for retirement benefits	4,704	4,333	3,962	Government investment	36,383	36,383	36,383
				Capital surplus	694	1,232	1,057
				Retained earnings	3,219	3,244	3,102
				(Total net assets)	40,296	40,859	40,542
Total assets	60,984	63,818	66,059	Total liabilities and net assets	60,984	63,818	66,059

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

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

Income Statement

(Unit: million yen)

Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
Ordinary expenses	28,815	30,316	31,009
Operating expenses	28,730	30,238	30,934
Research operating expenses	1,248	1,334	1,351
Clinical research operations expenses	2,937	3,130	3,128
Medical care operations expenses	21,767	22,772	23,460
Education and research operations expenses	1,785	1,866	1,866
Information operating expenses	216	305	305
General and administrative expenses	779	831	824
Other ordinary expenses	85	78	75
Ordinary income	29,068	30,354	30,881
Income from grants for operating expenses	3,026	3,057	3,045
Operating income	23,633	24,879	26,257
Clinical research operations income	2,113	2,188	2,188
Medical care operations income	21,348	22,493	23,871
Education and research operations income	23	37	37
Other operating income	149	161	161
Other ordinary income	2,409	2,418	1,579
Ordinary profit or loss(-)	252	38	-128
Temporary losses	43	14	14
Loss on retirement of fixed assets	42	14	14
Other extraordinary losses	2	0	0
Temporary profits	3	0	0
Profit on fixed asset sale	0	-	-
Other temporary profits	3	0	0
Net profit or loss(-)	212	25	-142
Reversal of reserve fund carried over from the previous Mid-term Objective period	-	-	142
Gross profit	212	25	-

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

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