1-1. Points of the FY2024 policy cost analysis

○ Based on the 2024 fiscal year plan, the total policy cost of 25 institutions is 5.8 trillion yen.

○ The main institutions with high policy costs are:
[A] Institutions that cannot expect to secure profits exceeding the opportunity cost of capital investment (equivalent amount of government bond interest) [Japan Expressway Holding and Debt Repayment Agency, Japan Finance Corporation, Japan International Cooperation Agency (JICA), Forest Research and Management Organization, National Hospital Organization]
[B] Institutions that cannot expect to secure profits exceeding subsidies [Japan Railway Construction, Transport and Technology Agency]
On the other hand, the main institutions that will incur negative policy costs are:
[C] Institutions that can expect to secure profits exceeding the opportunity cost of capital investment [Development Bank of Japan, Urban Renaissance Agency]

○ Even in institutions with high policy costs, looking at the social and economic benefits estimated arbitrarily by each institution, the benefits exceed the policy costs in the Japan Expressway Holding and Debt Repayment Agency, Forest Research and Management Organization, and Japan Railway Construction, Transport and Technology Agency. Even the Japan Finance Corporation, the Japan International Cooperation Agency, and the National Hospital Organization, where quantitative evaluation is difficult, are making a certain level of contributions to the nation, society, and the economy.

Institutions	Policy Cost (Billion Yen)	Project outcomes, and social and economic benefits
Total of 25 institutions	5,772.4	
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)	A 2,077.5	The estimated effects of expressway development (benefits in the aspects of reducing traveling times, reducing travel costs, and reducing the number of traffic accidents) in relation to new sections put into operation from FY2024 (267 km) were **12.7 trillion yen**.
Japan Finance Corporation (Individual, SME, Agriculture, Forestry and Fishery, Crisis Response, Specific Business Promotion)	1,829.3	The total number of loan projects (value of loans) as of the end of FY2022 was approximately 2.78 million projects (28 trillion yen). These loans contribute to the growth and promotion of micro, small, and medium-sized enterprises, as well as to creating and preventing loss of employment.
Japan International Cooperation Agency (Incorporated Administrative Agency) (Finance and Investment Account)	1,514.5	The balance of loans as of the end of FY2022 was 15.6 trillion yen. This support contributes to the establishment and maintenance of good diplomatic relationships with developing countries, and by improving infrastructure and alleviating poverty, contributes to the economic and social development, poverty reduction, environmental conservation, improvement of welfare and livelihood, and stabilization of economy in developing countries.
Forest Research and Management Organization (National Research and Development Agency)(Water Source Forest Account)	709.3	Planting was carried out on 491,000 ha of private sector water source forests until the end of FY2023. Of this, the estimated benefit generated from FY2024, including water source development and protection effect (flood prevention, water preservation at watersheds, water purification) and mountain terrain preservation effect (soil outflow prevention, mudslide prevention), was **2.8 trillion yen.**
National Hospital Organization (Incorporated Administrative Agency)	313.7	From the perspective of contributing further to medical fields (such as tuberculosis, severe physical and mental disabilities, and intractable neurological and muscular diseases) that cannot be dealt with properly by non-National Hospital organizations, as well as to local medical services, the National Hospital Organization provides safe and high-quality medical services that the people are satisfied with, through medical services provided in the fields related to 5 diseases and 6 projects (cancer, emergency medical care, etc.).
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)(Construction, Maritime Affairs, Local Public Transportation)	B 634.9	The benefits (user benefits, supplier benefits, environment improvement benefits, etc.) related to the development of new Shinkansen railway lines (Hokkaido Shinkansen (Shin-Hakodate-Hokuto - Sapporo section), Hokuriku Shinkansen (Kanazawa - Tsuruga section), Kyushu Shinkansen (Takeo Onsen - Nagasaki section), were estimated to be **3.3 trillion yen**.
Development Bank of Japan Inc.	C △ 1,097.5	The balance of loans as of the end of FY2022 was 17.3 trillion yen. This support contributes to addressing social issues through decarbonization, fortifying infrastructure, strengthening the supply chain, and creation of new technologies (innovation), among others.
Urban Renaissance Agency (Incorporated Administrative Agency) (Urban Renaissance Account)	△ 313.2	The estimated effects of projects to advance city functions and improve living environments, implemented from FY2024, was **2.0 trillion yen**.

(Note) The benefits of the Japan Expressway Holding and Debt Repayment Agency, Forest Research and Management Organization, Japan Railway Construction, Transport and Technology Agency, and Urban Renaissance Agency are estimated based on a discount rate similar to that used in policy cost analysis.
[Reference] In addition to the aggregation targets in the table, the opportunity cost from the national capital investment in the Japan Science and Technology Agency (JST) is 554.4 billion yen (an increase of 11.8 billion yen from last year).

1-2. Points of the FY2024 policy cost analysis

<Past year comparison analysis> ~ Understanding the variation factors in policy costs from last year (excluding the impact of changes in the assumed interest rate) ~

○ In JICA, due to the interest rate gap for new loans provided in FY2024*, the policy cost has increased by 341 billion yen from last year. In addition, at the Japan Finance Corporation, based on the most recent results, the policy cost has increased by 219.9 billion yen from last year, as the expected allowance for loan losses in operations for the general public increased. These trends need to be kept in mind.

*Support from the institution is generally structured to provide loans at lower interest rates than procurement, so as not to impose a heavy burden on developing regions. In response to the growing scale of projects such as support for the Global South, the interest rate gap has been expanding in recent years.

<Sensitivity Analysis> ～Confirming how much the policy cost changes when the assumed interest rate is raised by 1%～

○ In the Japan Expressway Holding and Debt Repayment Agency, the future interest payment costs related to refinancing are expected to rise and the policy cost will increase by 879.5 billion yen. Similarly, at the Urban Renaissance Agency, the policy cost has increased by 706.1 billion yen. Both institutions need to be cautious about the interest rate rise risk associated with future refinancing.

Institutions	Main topics in past year comparison analysis and sensitivity analysis
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)	A 1% increase in assumed interest rate in the sensitivity analysis leads to an increase in interest payments related to future refinancing, thereby increasing policy cost by 879.5 billion yen.
Japan Finance Corporation (Individual, SME, Agriculture, Forestry and Fishery, Crisis Response, Specific Business Promotion)	Based on the most recent results, the expected allowance for loan losses for individual operations was increased, contributing to an increase of 219.9 billion yen in policy cost from the previous fiscal year.
Japan International Cooperation Agency (Incorporated Administrative Agency) (Finance and Investment Account)	Policy cost increased by 341 billion yen from the previous fiscal year due to the interest rate gap for new loans provided in FY2024, among other factors.
Forest Research and Management Organization (National Research and Development Agency) (Water Source Forest Account)	Policy cost decreased by 7.3 billion yen from the previous fiscal year due to factors such as an expected increase in revenue from sales of timber from developed forests in view of rising prices.
National Hospital Organization (Incorporated Administrative Agency)	Policy cost increased by 55.8 billion yen from the previous fiscal year due to an expected increase in personnel costs associated with an increase in base salary, among other factors.
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)(Construction, Maritime Affairs, Local Public Transportation)	Policy cost increased by 3.7 billion yen from the previous fiscal year due to a review of the timing for recording subsidies related to the development of new Shinkansen lines, and an increase in the discounted present value for subsidies.
Development Bank of Japan Inc.	Policy cost increased by 116.1 billion yen from the previous fiscal year due to factors such as an expected increase in training and other operational expenses for promoting investment in growth sectors.
Urban Renaissance Agency (Incorporated Administrative Agency) (Urban Renaissance Account)	A 1% increase in assumed interest rate in the sensitivity analysis leads to an increase in interest payments related to future refinancing, thereby increasing policy cost by 706.1 billion yen.

2-1. Main institution's policy cost for FY2024

○ In order to widely disclose information for evaluating the projects of the Fiscal Investment and Loan Program, groups are divided according to the [A, B, C] characteristics of policy cost. The results of past year comparison analysis (real fluctuation analysis) and sensitivity analysis are organized according to the amount of policy cost of each institution, as well as the content of the results of the project and social and economic benefits*, etc.
*Note that depending on the nature of the business, there are cases where monetary evaluation is difficult.

[A: Groups that cannot expect to secure profits exceeding the opportunity cost of the capital investment]

(Unit: billion yen)

Institution				
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)				
Policy cost	Government expenditure (subsidies, etc.)	Government revenue (payments to the government, etc.)	Opportunity cost for the government	Analysis period
2,077.5	42.1	-	2,035.4	41years

Summary of operations implemented using FILP funds	Project outcomes, and social and economic benefits
The Japan Expressway Holding and Debt Repayment Agency aims to ease the public's expressway-related burden by holding and leasing expressway-related road assets and ensuring the early and reliable repayment of loans, while supporting the smooth implementation of expressway-related projects by the respective expressway companies.	Based on the same analysis period and discount rate used in the policy cost analysis, the estimated effects of expressway development (benefits in the aspects of reducing traveling times, reducing travel costs, and reducing the number of traffic accidents) in relation to new sections put into operation from FY2024 (267 km) were 12.7 trillion yen.

Past year comparison analysis	Main factor of past year comparison analysis
+193.2	Due to a delay in the repayment period for investments and increase in opportunity costs, caused by the extension of the toll collection period in order to update and upgrade expressways.

Sensitivity analysis	Main factor of sensitivity analysis
+879.5	Due to a delay in the repayment period for investments and increase in opportunity costs associated with an increase in interest payments related to future refinancing when assumed interest rate is increased by 1%.

(Unit: billion yen)

Institution				
Japan Finance Corporation				
Policy cost	Government expenditure (subsidies, etc.)	Government revenue (payments to the government, etc.)	Opportunity cost for the government	Analysis period
1,829.3	249.2	-850.2	2,430.3	Individual 31 years; SME 21 years; Agriculture, Forestry and Fishery 60 years; Crisis Response 20 years; Specific Business Promotion 25 years

Summary of operations implemented using FILP funds	Project outcomes, and social and economic benefits
- Individual, SME, and Agriculture, Forestry and Fishery: Japan Finance Corporation (JFC) provides support to boost the cash flow of micro businesses, SMEs, and agriculture, forestry and fishery operators affected by the COVID-19 pandemic and high prices. - Crisis Response: In the event of domestic or international financial chaos recognized by the state minister in charge or a large-scale disaster, JFC extends a certain amount of credit to designated financial institutions. - Specific Business Promotion: JFC loans the funds necessary for designated financial institutions to provide loans to certified business operators that wish to implement specific projects recognized by the state minister.	(Balance of loans as of the end of FY2022) ・2.46 million cases, 12,156.4 billion yen [Individual] ・150,000 cases, 8,365.7 billion yen [SME] ・170,000 cases, 3,670.8 billion yen [Agriculture, Forestry and Fishery] ・3,808.9 billion yen [Crisis Response] ・95.3 billion yen [Specific Business Promotion] The above loans contribute to the growth and promotion of micro, small, and medium-sized enterprises, as well as to creating and preventing loss of employment.

Past year comparison analysis	Main factor of past year comparison analysis
+219.9	Due to an increase in the expected allowance for loan losses for individual operations in relation to loans associated with COVID-19, based in the most recent results.

Sensitivity analysis	Main factor of sensitivity analysis
+115.4	Due to the increase in opportunity cost of capital investments, etc., despite an increase in payment to the government associated with an increase in investment yields from surplus capital when assumed interest rate is increased by 1%.

2-2. Main institution's policy cost for FY2024

[A: Groups that cannot expect to secure profits exceeding the opportunity cost of the capital investment (continued)]

(Unit: billion yen)

Institution				
Japan International Cooperation Agency (Incorporated Administrative Agency) (Finance and Investment Account)				
Policy cost	Government expenditure (subsidies, etc.)	Government revenue (payments to the government, etc.)	Opportunity cost for the government	Analysis period
1,514.5	-	- 2,536.3	4,050.8	51years

Summary of operations implemented using FILP funds	Project outcomes, and social and economic benefits
As Japan's core institution providing Official Development Assistance (ODA), the Japan International Cooperation Agency (JICA) provides concessional funds with low interest rates and super-long terms across a wide range of fields related to the economic and social development of developing areas. ・ODA Loan: Loan of the necessary funds, to governments or others in developing areas, for the execution of their development projects, or for the accomplishment of plans related to the economic stability of such areas. ・Private Sector Investment Finance (PSIF): Debt or equity finance to corporations or others in Japan or in developing areas, for the execution of development projects.	The balance of loans as of the end of FY2022 was 15.6 trillion yen. This support contributes to the establishment and maintenance of good diplomatic relationships with developing countries, and by improving infrastructure and alleviating poverty, contributes to the economic and social development, poverty reduction, environmental conservation, improvement of welfare and livelihood, and stabilization of economy in developing countries.

Past year comparison analysis	Main factor of past year comparison analysis
+341.0	Due to the interest rate gap for new loans provided in FY2024.

Sensitivity analysis	Main factor of sensitivity analysis
+1,011.4	Due to the increase in opportunity cost of capital investments, etc., despite an increase in payment to the government associated with an increase in investment yields from surplus capital when assumed interest rate is increased by 1%.

(Unit: billion yen)

Institution				
Forest Research and Management Organization (National Research and Development Agency) (Water Source Forest Account)				
Policy cost	Government expenditure (subsidies, etc.)	Government revenue (payments to the government, etc.)	Opportunity cost for the government	Analysis period
709.3	5.5	-	703.8	89years

Summary of operations implemented using FILP funds	Project outcomes, and social and economic benefits
Forestation for Water Conservation: The Forest Research and Management Organization, with the aim of conserving headwaters, bears expenses for the project to plant water reservoir forests, conserve water resources indispensable to people's lives, preserve national land and prevent global warming in private sector forests where planting cannot be advanced only through forestry production activities by the forest owners, although planting is necessary.	Planting was carried out on 491,000 ha (equivalent to the total area of Tokyo and Kanagawa Prefectures) of private sector water source forests until the end of FY2023. Of this, the estimated benefit generated from FY2024, including water source development and protection effect (flood prevention, water preservation at watersheds, water purification) and mountain terrain preservation effect (soil outflow prevention, mudslide prevention), was 2.8 trillion yen, based on an analysis period of 60 years and the same discount rate as used in the policy cost analysis.

Past year comparison analysis	Main factor of past year comparison analysis
- 7.3	Due to an expected increase in revenue from sales of timber from developed forests in view of rising prices.

Sensitivity analysis	Main factor of sensitivity analysis
+19.2	Due to the increase in opportunity cost of capital investments, etc. when assumed interest rate is increased by 1%.

2-3. Main institution's policy cost for FY2024

[A: Groups that cannot expect to secure profits exceeding the opportunity cost of the capital investment (continued)]

(Unit: billion yen)

Institution				
National Hospital Organization (Incorporated Administrative Agency)				
Policy cost	Government expenditure (subsidies, etc.)	Government revenue (payments to the government, etc.)	Opportunity cost for the government	Analysis period
313.7	-	-	313.7	32years

Summary of operations implemented using FILP funds	Project outcomes, and social and economic benefits
The National Hospital Organization builds and improves medical facilities such as hospital facilities and introduces medical equipment and other devices in order to provide proper medical services for diseases that have great effects on the health of Japanese people and for other medical problems.	From the perspective of contributing further to medical fields (such as tuberculosis, severe physical and mental disabilities, and intractable neurological and muscular diseases) that cannot be dealt with properly by non-National Hospital organizations, as well as to local medical services, the National Hospital Organization provides safe and high-quality medical services that the people are satisfied with, through medical services provided in the fields related to 5 diseases and 6 projects (cancer, emergency medical care, etc.).

Past year comparison analysis	Main factor of past year comparison analysis
+55.8	Due to an expected increase in personnel costs associated with an increase in base salary.

Sensitivity analysis	Main factor of sensitivity analysis
+47.8	Due to the increase in opportunity cost of capital investments, etc. when assumed interest rate is increased by 1%.

[B: Groups that cannot expect to secure profits exceeding subsidies]

(Unit: billion yen)

Institution				
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)				
Policy cost	Government expenditure (subsidies, etc.)	Government revenue (payments to the government, etc.)	Opportunity cost for the government	Analysis period
634.9	631.9	-	3	Construction 21 years; Maritime Affairs 18 years; Local Public Transportation 39 years

Summary of operations implemented using FILP funds	Project outcomes, and social and economic benefits
・Construction: To promote the development of Japan's rail network, Japan Railway Construction, Transport and Technology Agency（JRTT） undertakes the construction of new Shinkansen lines to form the nationwide transportation network, and of city railway systems in major urban regions to improve convenience. ・Maritime Affairs: JRTT provides support for long-term loans with low interest rates through the joint construction of ships with maritime operators, in order to promote the building of ships that contribute to the greening of coastal shipping. ・Local Public Transportation: JRTT provides support, through investments and loans, toward the development of railway facilities and intercity transportation infrastructure aimed at securing the provision of sustainable local passenger transportation services, enhancing city railway networks, and further improving convenience.	Based on the same analysis period and discount rate used in the policy cost analysis, the benefits (user benefits, supplier benefits, environment improvement benefits, etc.) related to the development of new Shinkansen railway lines (Hokkaido Shinkansen (Shin-Hakodate-Hokuto - Sapporo section), Hokuriku Shinkansen (Kanazawa - Tsuruga section), Kyushu Shinkansen (Takeo Onsen - Nagasaki section), were estimated to be 3.3 trillion yen.

Past year comparison analysis	Main factor of past year comparison analysis
+3.7	In the Construction Account, due to a review of the timing for recording subsidies related to the development of new Shinkansen lines, and an increase in the discounted present value for subsidies.

Sensitivity analysis	Main factor of sensitivity analysis
- 19.5	Due to a decrease in the discounted present value for subsidies related to the development of new Shinkansen lines in the Construction Account, when assumed interest rate is increased by 1%.

2-4. Main institution's policy cost for FY2024

[C: Institutions that can expect to secure profits exceeding the opportunity cost of the capital investment]

(Unit: billion yen)

Institution				
Development Bank of Japan Inc.				
Policy cost	Government expenditure (subsidies, etc.)	Government revenue (payments to the government, etc.)	Opportunity cost for the government	Analysis period
- 1,097.5	0	-1,612.9	515.4	40years

Summary of operations implemented using FILP funds	Project outcomes, and social and economic benefits
・General investment and loan services: Provides long-term loans when private-sector funds alone are not sufficient for projects in the manufacturing industry or infrastructural projects such as electricity/gas and transportation. ・Special investment operations: Provides risk management services in cooperation with private financial institutions and other organizations, to increase in competitiveness of Japan and domestic enterprises and encourage self-reliant development regional economies.	The balance of loans as of the end of FY2022 was 17.3 trillion yen. This support contributes to addressing social issues through decarbonization, fortifying infrastructure, strengthening the supply chain, and creation of new technologies (innovation), among others.

Past year comparison analysis	Main factor of past year comparison analysis
+116.1	Due to an expected increase in training and other operational expenses for promoting investment in growth sectors.

Sensitivity analysis	Main factor of sensitivity analysis
+441.8	Due to the increase in opportunity cost of capital investments, etc. , when assumed interest rate is increased by 1%.

(Unit: billion yen)

Institution				
Urban Renaissance Agency (Incorporated Administrative Agency) (Urban Renaissance Account)				
Policy cost	Government expenditure (subsidies, etc.)	Government revenue (payments to the government, etc.)	Opportunity cost for the government	Analysis period
- 313.2	55.4	-979.9	611.4	80years

Summary of operations implemented using FILP funds	Project outcomes, and social and economic benefits
・Urban redevelopment: Promotes urban redevelopment projects of great political significance, etc. ・Rental housing: Provides quality housing and carries out urban development through the development of mixed communities by utilizing UR rental housing, and the utilization and reuse of housing stock. ・Disaster response support: Implements operations related to reconstruction from the Great East Japan Earthquake, and provides support for recovery and reconstruction from disasters.	The estimated effects of projects to advance city functions and improve living environments, implemented from FY2024, was 2.0 trillion yen, based on an analysis period of about 50 years and the same discount rate as used in the policy cost analysis.

Past year comparison analysis	Main factor of past year comparison analysis
+74.9	Due to a decrease in revenue from the rental housing services and a decrease in payment to the national treasury, as a result of a decline in the number of housing units under the Agency's management associated with advancements in the utilization and reuse of rental housing stock.

Sensitivity analysis	Main factor of sensitivity analysis
+706.1	Due to an increase in interest payments related to future refinancing when assumed interest rate is increased by 1%.

3-1. (Reference) Trends in policy cost for each fiscal year

○ The policy cost (total) for each fiscal year cannot be compared completely due to differences in the assumed interest rate and the institutions being analyzed, but for each fiscal year after FY2020, the trend of policy costs is as follows.

・(FY2020 to 2021) An increase of 5.1 trillion yen due to capital measures for COVID-19 special loans at the Japan Finance Corporation (Individual and SME).

・(FY2021 to 2022) A decrease of 2.1 trillion yen due to the fact that the performance of the COVID-19 related operating loss guarantee at the Japan Finance Corporation (Crisis Response) fell below the budget amount.

・(FY2022 to 2023) An increase of 2.0 trillion yen due to the increase in the opportunity cost of capital investments at each institution accompanying the rise in the assumed interest rate.

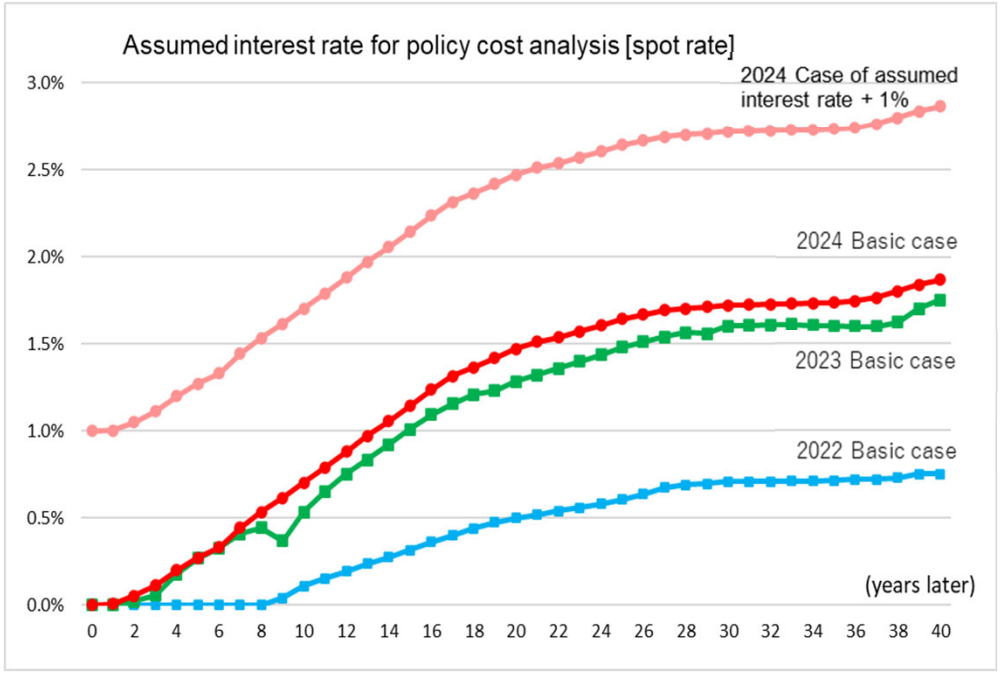
・(FY2023 to 2024) An increase of 2.2 trillion yen due to the increase in terms of actual policy cost at institutions such as JICA and the Japan Finance Corporation.

○Trends in policy cost and actual increases and decreases for each fiscal year (FY2020 - FY2024)

(Unit: trillion yen)

	Assumed interest rate (spot rate: 10-Year bonds)	Policy cost in current fiscal year		Policy cost in previous fiscal year		Real fluctuation (1)-(2)
			(1) After adjusting assumed interest rates		(2) After adjusting initial years of analysis periods	
FY2020	0.03%	- 1.4	1.1	- 1.0	- 0.6	+1.7
FY2021	0.03%	3.7	3.1	- 1.4	- 1.2	+4.3
FY2022	0.1%	1.6	1.5	3.7	2.6	- 1.0
FY2023	0.5%	3.6	0.2	1.6	1.0	- 0.7
FY2024	0.7%	5.8	4.7	3.6	3.0	+1.6

○Spot rates and future interest rate scenarios used in the policy cost analysis for FY2024

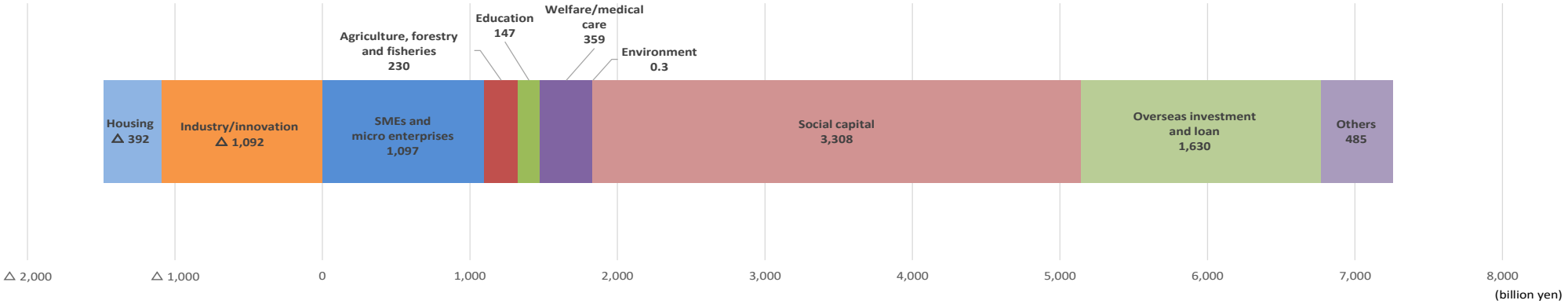


(Note) The assumed interest rate is calculated based on the yield on government bonds on the date of cabinet decision on the government's budget proposal.

3-2. (Reference) Breakdown of policy cost by investment field

○ Regarding the policy cost for FY2024 (total), which amounts to 5.8 trillion yen, the breakdown by support area for each institution is as follows.

○ Japan Expressway Holding and Debt Repayment Agency, JICA, and Japan Finance Corporation (Individual and SME) have a high policy cost for social infrastructure, overseas investment and financing, and small and micro enterprises. While the Development Bank of Japan Inc., and the Urban Renaissance Agency have a negative policy cost in the industry, innovation, and housing sectors.



Classification	Institutions
SMEs and micro enterprises	Japan Finance Corporation (Account for Micro Business and Individual Operations, Account for SME Loan Programs and Securitization Support Programs), The Okinawa Development Finance Corporation
Agriculture, forestry and fisheries	Special Account for Stable Supply of Food, Japan Finance Corporation (Account for Agriculture, Forestry, Fisheries and Food Business Operations), The Okinawa Development Finance Corporation, National Federation of Land Improvement Associations, Japan Water Agency
Education	Japan Finance Corporation (Account for Micro Business and Individual Operations), The Okinawa Development Finance Corporation, The Promotion and Mutual Aid Corporation for Private Schools of Japan, Japan Student Services Organization
Welfare/medical care	The Okinawa Development Finance Corporation, The Promotion and Mutual Aid Corporation for Private Schools of Japan, Welfare and Medical Service Agency, National Hospital Organization, National Center for Child Health and Development, National Center for Geriatrics and Gerontology, National Institution for Academic Degrees and Quality Enhancement of Higher Education
Environment	Japan Organization for Metals and Energy Security (General Account for Metal Mining)
Industry/innovation	Special Account for Energy Measures, Japan Finance Corporation (Account for Operations to Facilitate Specific Business Promotion, etc.), The Okinawa Development Finance Corporation, Japan Railway Construction, Transport and Technology Agency (Maritime Affairs Account), Japan Organization for Metals and Energy Security (Account for Oil, Natural Gas, etc.), Development Bank of Japan Inc.
Housing	Japan Housing Finance Agency (Account for Housing Loans, etc., Account for Securitization Support), Urban Renaissance Agency
Social capital	Japan Railway Construction, Transport and Technology Agency (Construction Account, Local Public Transportation Account), Japan Expressway Holding and Debt Repayment Agency, Japan Water Agency, Forest Research and Management Organization, Organization for Promoting Urban Development, Central Japan International Airport Co., Ltd., Special Account for Motor Vehicles Safety (Airport improvement Account)
Overseas investment and loans	Japan Bank for International Cooperation (Ordinary Operations, Special Operations), Japan International Cooperation Agency
Others	Japan Finance Corporation (Account for Operations to Facilitate Crisis Responses)

4-1. (Reference) Points of the policy cost analysis

○ In projects eligible for FILP, the repayment of assistance loans is carried out through beneficiary burdens, but when it is necessary to reduce the beneficiary's burden in terms of policy, subsidies and capital investments are being provided from the general account to that project (FILP Agency).

○ Policy cost analysis is performed by calculating the extent to which policy costs will arise due to opportunity cost,* such as subsidies and capital investments, that will be incurred until the funds are collected for the current year's FILP based on certain conditions, in order **to enhance the disclosure of information regarding future public burdens and improve the transparency of fiscal investment and financing**.

*The profit lost by choosing one economic action that would have been gained by choosing another. If the capital investment is not disbursed to the FILP Agency, the amount can be used to suppress the issuance of government bonds and reduce interest payments, so "the amount of reduction in interest payments on government bonds that is lost by investing capital" is recognized as an opportunity cost.

Framework of Analysis

Estimation of the [policy cost] from the following amounts derived from future cash flows estimated by each FLIP Agency.

① Total amount of **subsidies, etc.** expected to be disbursed by the government in the future.
② Total amount of **corporation tax and other payments to the national treasury** expected in the future.
③ Amount of **opportunity cost** to the government due to capital investments, etc.

Policy cost = ①Subsidies, etc. − ②National treasury payments + ③Opportunity cost

*The values applied to the calculation formula are all based on present values.

Estimation of policy costs (image)

① Subsidies, etc.
Assuming certain conditions, the amount of subsidies, grants, and allowances to be provided in each future fiscal year is estimated, and then each is converted to its discounted present value and summed up.

②National treasury payments, etc.
After estimating the future profit and loss, the amounts of the estimated levies, corporate tax, and dividends to be paid in each fiscal year are converted to their discounted present values and summed up.

(unit: million yen)

Discount rate	FY	Flow (nominal)		Stock (nominal)	
		Subsidies, etc.	National treasury payments, etc.	Beginning of year Investment balance, etc.	End of year Investment balance, etc.
1.000000	2024	2,100	500	2,300,000	
0.999940	2025	1,900	700		
0.998725	2026	1,800	800		
0.996119	2027	1,600	900		
0.991022	2028	1,500	1,000		
0.985217	2029	1,300	1,100		2,315,000
Total		10,200	5,000	2,300,000	2,315,000
Total (after discount)		10,159	4,970	2,300,000	2,280,777
		(a)	(b)	(c)	(d)

③ Opportunity cost of capital investments, etc.
Based on the premise that the capital investments, etc. (government investments, capital surplus, and retained earnings proportionate to the government investment ratio) will be returned to the government by the end of the analysis period, a calculation of future profit and loss will be performed, and the discounted present value of the capital investments, etc. at the end of the analysis period will be subtracted from the amount of capital investments, etc. at the beginning of the analysis period.

Policy Cost Analysis Results

(unit: million yen)

① Subsidies, etc.	(a)	10,159
② National treasury payments, etc.	(b)	4,970
③ Opportunity cost of government capital investments, etc.	(c)-(d)	19,223
Total（①-②+③）		**24,412**

4-2. (Reference) Points of the policy cost analysis

Target institutions

○ **The institutions (excluding public-private funds) for which fiscal loans or government guarantees recorded in the fiscal investment and loan plan for the current year** are the subjects of analysis. Industrial investment institutions (including public-private funds) are excluded from the analysis due to the high uncertainty of future income and expenditure forecasts. (Governance will be implemented separately as an investor.)

Prerequisites for analysis

[Analysis Period]

○ **With the premise that no new loans (business) will be conducted from the next fiscal year onwards,** financial loans and government guaranteed bonds anticipated to be procured after the current fiscal year will be paid off, and the period until the collection of funds that are commensurate with the receivables or assets acquired through the business is completed.

[Assumed interest rate and discount rate]

○ Assumed interest rate and discount rates are calculated based on **the yield on government bonds on the date of the Cabinet decision on the government's budget proposal.**

[Future Revenue and Expenses]

○ It is necessary to make certain assumptions regarding future revenue and expenses forecasts. At financing institutions, interest income is estimated based on the contract conditions of existing loans. In addition, operating expenses (personnel expenses and administrative expenses) are estimated by gradually reducing the operating expenses in the current fiscal year's business plan in accordance with the future loan balance.

Analysis method

○ In addition to the basic analysis, the government is conducting analyses from a more multifaceted perspective through the following analytical methods.

・ **Past year comparison analysis (real fluctuation analysis):** After making adjustments such as **excluding the impact of changes in the assumed interest rate,** by comparing the policy costs of the current year and the previous year, the impact of new loans (business) implementation in the analysis fiscal year, as well as the **actual increase or decrease in policy costs and their factors** due to changes over time such as bad debts and business expenses.

・**Sensitivity analysis: By changing the assumed interest rate level by +1%,** etc., how much the policy cost increases or decreases and the degree of impact can be estimated.

Analysis results

○ Policy cost analysis is based on hypothetical calculations under certain assumptions and **does not constrain future systems or policies of the FILP Agency.**

○ Policy cost is the result that represents the degree of support for the project as a fiscal policy to reduce the burden on beneficiaries.

・ **This does not indicate a problem with the financial soundness of the institution.**

・ It is not appropriate to simply evaluate the size of that amount, **but it should be comprehensively evaluated along with the results of that project and social and economic benefits.**