

# FILP REPORT 2012



# What is FILP? (Introduction)

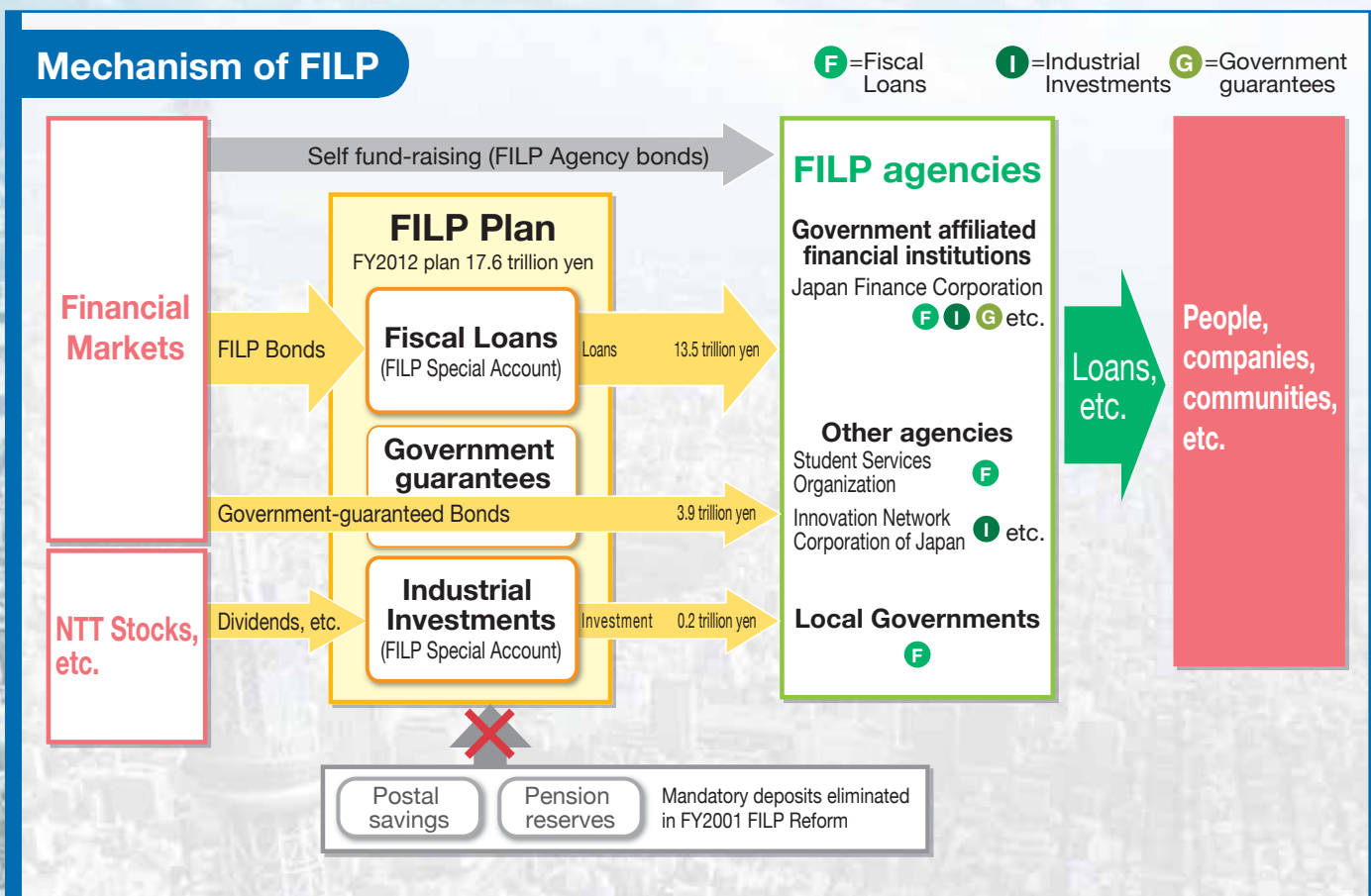
FILP is long term low interest loan and investment by the government to achieve policy objectives of financial support for small and medium enterprises, construction and improvement of hospitals and welfare facilities, and to obtain natural resources.

Procuring the capital through issuing FILP bonds, a type of Japanese Government Bond, FILP provides long-term and low-interest funds that are difficult for the private sector to deal with and enables the execution of large-scale and long-term public projects, etc.

This report has been prepared to answer many questions that we received concerning FILP. We have made every attempt to explain the mechanism and target fields of FILP. It also explains FILP by using the most updated information.

The Financial Bureau looks forward to your comments, and we will continue to enhance and improve this booklet.

Financial Bureau  
Ministry of Finance  
August 2012



Photographs courtesy of

- New Kansai International Airport Co., Ltd.
- Special Account for Energy Policy
- Japan Bank for International Cooperation
- Forestry and Forest Products Research Institute Center for Forestry and Agriculture Development (Incorporated Administrative Agency)
- Bizen City, Okayama Prefecture
- Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)
- Japan Water Agency (Incorporated Administrative Agency)
- Japan International Cooperation Agency (Incorporated Administrative Agency)
- Welfare and Medical Service Agency (Incorporated Administrative Agency)
- Urban Renaissance Agency (Incorporated Administrative Agency)
- Iriomote City, Kagoshima Prefecture
- Sendai City, Miyagi Prefecture
- Center for National University Finance and Management (Incorporated Administrative Agency)
- Japan Finance Corporation
- The Okinawa Development Finance Corporation
- The Promotion and Mutual Aid Corporation for Private Schools of Japan
- Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency)
- Innovation Network Corporation of Japan



## PART I Outline of Fiscal Investment and Loan Program (FILP)

1. Function of FILP	2
2. Features of FILP	4
3. Mechanism of FILP	5
Column History of FILP	6
Column FILP Conversion in FY2001 (FILP Reform)	7
Column FILP-target Project Review	8
Column FILP Agency bonds	9
4. Drawing up a FILP Plan and Submitting it to the Diet	10
5. Target Fields of FILP	11
Column Examples of FILP-target Projects	13
Column Fiscal Loans for Local Governments	15
Column Use of Loans in Various Countries	16

## PART II FILP Initiatives in Recent Years

1. Response to Economic and Financial Crises and the Great East Japan Earthquake	18
2. Development of Disclosure	21
(1) Policy Cost Analysis	21
(2) Preparation of Financial Statements Based on Private Sector Accounting by FILP Agencies	22
(3) Efforts to Ensure FILP Transparency	23
3. Improved Checking Function Against FILP Agencies	24
(1) On-site Monitoring	24
(2) Analysis of Financial Condition of Local Governments	25
4. Risk Management in Fiscal Loan Fund	26
Column Reserve Funds of the FILP Special Account	27
Column Policy to Secure Financial Soundness of the FILP Special Account	28
Column Statistics on FILP Bonds	29

## PART III FILP Movements in FY2011

1. Drafting the FY2012 FILP Plan	30
Column FILP to Revitalize Japan and Strengthen its Growth Potential	32
Column The FILP Special Account	34
2. Summary of the Fiscal Loan Fund Management Report for FY2011	35

## PART IV F A Q

Q. What are FILP agencies?	40
Q. How is the funding rate or the loan interest rate of the Fiscal Loan Fund decided?	41
Q. How do FILP agencies procure funds?	42
Q. How do FILP bonds differ from government bonds?	43
Q. Is the money from the postal savings and the pension reserves still being used in FILP?	44
Q. Can borrowers of Fiscal Loan Fund make a pre-maturity redemption?	45
Q. Can there be non-performing loans in FILP?	46

## PART V APPENDIX

Relevant Laws and Regulations (Excerpts)	48
Fiscal Investment and Loan Program	52
Fiscal Loan Fund Account of the FILP Special Account and Fiscal Loan Funds	60
FILP Special Account (Investment Account)	66
Policy (Subsidy) Cost Analysis	67

## PART VI Glossary

Basic Knowledge of the Fiscal Investment and Loan Program	74
---	----

## Information Directory

Section•URL•Address•Inquiry Office•TEL/FAX	82
--	----

# 1. Function of FILP

## FILP as a Fiscal Policy

Generally, in a market economy, goods and services are distributed according to the market mechanism, but when the economy is completely entrusted to this, it may lead to such problems as failed supply of necessary goods or services to the entire society, or the rise of drastic economic inequalities. Fiscal policies or economic activities of the government are implemented to solve those problems. The nature of funds provided by the government for executing fiscal policies can be divided into two categories:

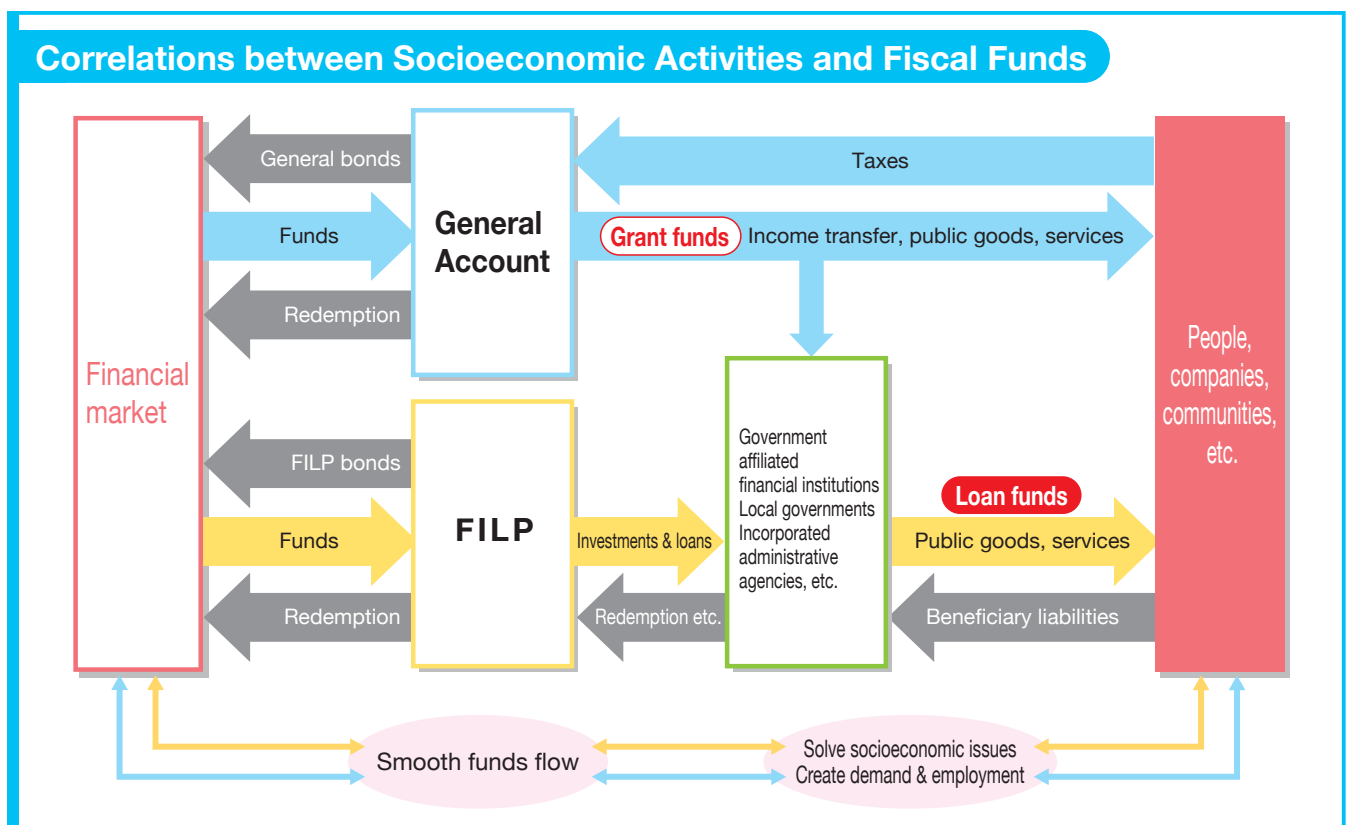
- (1) **Grant funds** which do not impose a repayment obligation, such as subsidies of budgetary measures with taxes as the main fiscal source.
- (2) **Loan funds** which assume a future return, such as loans and investments with redemption of capital, interest or dividends, etc.

Of these two, FILP is a fiscal policy tool by "loan funds." By providing funds in the form of loans and investments in sectors

which are difficult for private funding to handle, FILP plays a role with the General Account (budget and taxes), in promoting smooth flow of funds in the economy, in solving social and economic issues, and in creating demand and employment.



Special Account for Energy Policy/National Petroleum Stockpiling Project/  
Akita National Petroleum Stockpiling Base/Oga City, Akita Prefecture



It is generally said there are three fiscal functions in governmental economic activities: adjusting resource allocation, redistributing income, and stabilizing the economy. FILP performs the functions of adjusting resource allocation and economic stabilization, as follows.

## Resource Allocation Adjustment Function

FILP, which is one mechanism of fiscal policy, has a function of adjusting resource allocation. Since goods and services are not sufficiently provided if the economy is completely entrusted to the market mechanism, the government supplies them.

FILP supplies funds that are difficult to be procured in the private sector, to FILP agencies such as government affiliated financial institutions, incorporated administrative agencies and such FILP agencies play a role in adjusting resource allocation by supplying various goods and services using these funds. For instance, although small and medium enterprises play an important role in the Japanese economy, they have weak credit and collateral compared to large enterprises, and they have a difficulty to obtain necessary funds from private financial institutions alone. To solve this problem, loans are provided by government affiliated financial institutions using FILP.



Japan Bank for International Cooperation/  
Ultra-Deepwater FPSO Operation Project in Brazil /  
FPSO (Floating Production, Storage and Offloading System)/  
Off the coast of Rio de Janeiro (Lula Mining Area), Federative Republic of Brazil

## Economic Stabilization Function

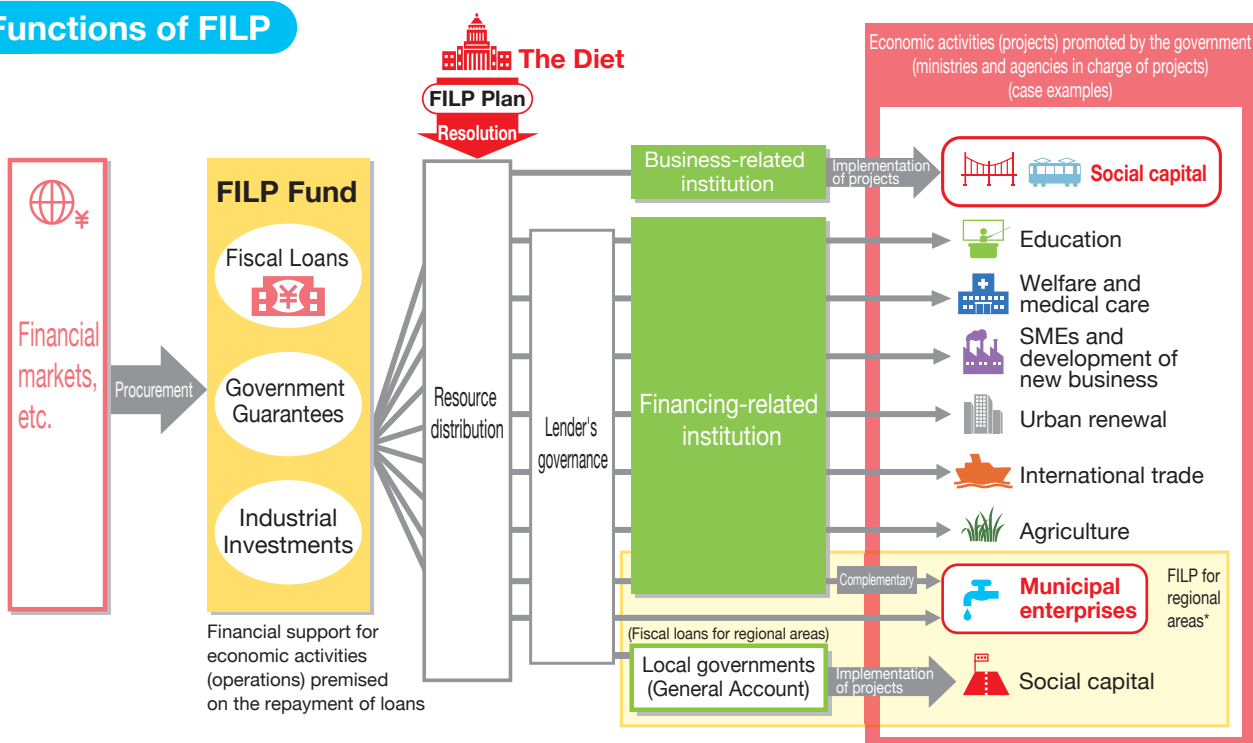
In addition to its function of adjusting resource allocation, FILP plays a role in stabilizing the economy. This function alleviates rapid economic changes by both helping the recovery when business conditions have deteriorated and putting a brake on overheated business conditions.

FILP demonstrates its economic stabilization function through providing funds required to respond to economic conditions.



Forestry and Forest Products Research Institute Center for Forestry and Agriculture Development/  
Watershed Forest Formation Project/Watershed Forest of Tamagawa Dam/  
Semboku City, Akita Prefecture

## Functions of FILP



\* Support provided focusing on economic activities implemented by local governments (i.e. activities that are worthy of support by the national government)



# 2. Features of FILP

With regard to Fiscal Loans and Government Guarantees of FILP, the borrower is obligated to repay the debt as stipulated in the terms of the contract. In the case of Industrial Investments, the receiver of the capital must return profits to the Investment Account of the FILP Special Account, which acts as the investor. When the government involves itself financially in a specific business, the involvement may take the form of grant funds such as subsidies. However, in the case of FILP, the involvement takes the form of loans provided on the assumption of future returns. Generally speaking, the execution of business using FILP loans has the following features.

## Reducing the Tax Burden

Fiscal Loans use funds procured at low interest rates on the basis of the government's creditworthiness through the issuance of FILP bonds. The repayment of the principal and interest on those bonds is covered by the principal and interest repaid by the borrowers of Fiscal Loans. Therefore, Fiscal Loans can be regarded as a policy instrument that is not accompanied by tax burdens. When government-affiliated financial institutions or incorporated administrative agencies, etc. execute business using Fiscal Loans, subsidies/ grants-in-aid from the General Account, etc. may be disbursed simultaneously. Even in such cases, however, the tax burden is lighter than when the business is executed with the use of subsidies or grants-in-aid alone.

## Efficient Execution of Business

When the government supports a specific business for a policy reason, providing loans instead of subsidies may raise cost consciousness and improve the efficiency of business execution in some cases due to the need for repayment. For example, loans may be more appropriate in the case of support for small and medium-size enterprises, ODA, etc.

## Beneficiary Liabilities

Since the beneficiaries can be specified in the case of the establishment and improvement of social infrastructure such as airports, requiring them to bear a certain financial burden rather than covering the cost through taxes alone can be appropriate from the viewpoint of fairness. In this case, the use of FILP can be considered as a way to have the beneficiaries bear a financial burden.

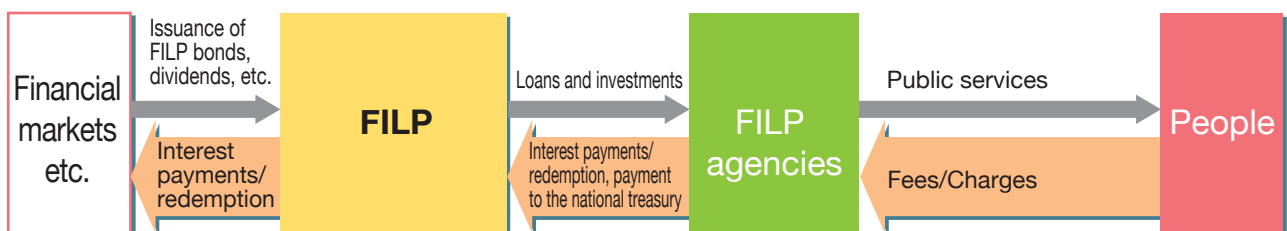
When the government involves itself financially in a specific business, it must take account of the above-mentioned features of FILP in determining the cases where FILP with loan funds is to be utilized. Generally speaking, the use of FILP is regarded as appropriate in cases where the business concerned has a certain level of profitability, and where the need for repayment leads the business operator to be cost conscious and execute the business effectively as a result.

## Difference of Fund Flow between the Subsidies, etc. of General Account and FILP

### Fund Flow of the Subsidies, etc. of General Account



### Fund Flow of FILP



- Unlike the General Account which does not have any tracking functions for awarded funds, FILP has a scheme with the redemption of the transferred funds in the future as its basis, making a long-term checking (i.e. governance) function against the available beneficiaries.
- Generally, when there are strong policy needs for such a project and a certain degree of profitability, support by a financial method (FILP) may be appropriate.

# 3. Mechanism of FILP

There are three different methods for supplying funds under FILP: (1) Fiscal Loans, (2) Industrial Investments and (3) Government Guarantees.

## Fiscal Loans

Fiscal loans are a mode of financing which utilizes the Fiscal Loan Fund for funding the national government special accounts, local governments, government-affiliated financial institutions, incorporated administrative agencies, etc.

The Fiscal Loan Fund consists of funds procured by issuing FILP bonds which are a kind of government bonds, or from sources of funds such as reserve funds or surplus funds set aside from the special accounts of the government. This is loaned to necessary fields for government policy. Fiscal Loan Fund is accounted for in the Fiscal Loan Fund Account of the FILP Special Account.

Before the FILP Reform in FY2001, the major source of revenue in the Trust Fund Bureau Fund (predecessor of the Fiscal Loan Fund) came from the deposits of postal savings and pension reserves. But the institutional linkage with postal savings and pension reserves was terminated by the reform, and at present FILP bonds become the main means of raising funds.

The Fiscal Loan Fund is financed based on the national credit under the most favorable terms and can provide long term, fixed and low-interest funds. Moreover, the Fiscal Loan Fund Account of the FILP Special Account is managed independently without transfers from the General Account, and its secure and efficient management is required.

## Industrial Investments

Industrial investments are investments for the industrial development and the promotion of international trade. These use dividends from stocks of NTT and JT, etc. held by the Investment Account of the FILP Special Account, and payments to the national treasury by Japan Bank for International Cooperation, etc. These industrial investments are accounted for in the Investment Account of the FILP Special Account.

In contrast to fiscal loans which have fixed interest rates, industrial investments provide funding (in the form of investments and loans) to essential policy projects that have expected returns and high risks, which cannot be funded sufficiently by the private sector alone.

## Government Guarantees

Government Guarantees are the guarantees provided by the government for bonds issued by government-affiliated financial institutions, incorporated administrative agencies, etc. for raising the necessary capital for business in a smooth and efficient way in the markets.

Due to the FILP Reform, the capital raised by the government by the way of FILP bonds could thereafter be lent out as fiscal loans. As government-guaranteed bonds are off-balanced debts for the government, and cost more than the issuance of FILP bonds, it was decided to make restricted and limited use of them.

Issues of the government-guaranteed bonds will continue to be temporarily and respectively approved after thorough scrutiny under each of the following 4 patterns.

- i. Issues of government-guaranteed bonds as a measure for organizations to be privatized to achieve a smooth transition toward raising capital from the markets.**
- ii. Issues of government-guaranteed bonds from the viewpoint of ALM (Assets and Liabilities Management) of government-affiliated financial institutions.**
- iii. Issues of government-guaranteed foreign bonds to meet the capital requirements for foreign currency loans.**
- iv. Issues of government-guaranteed bonds for those organizations which are not able to borrow from the Fiscal Loan Fund.**



Local government/Hospital Project/  
Bizen Municipal Hospital/Bizen City, Okayama Prefecture



# History of FILP

The history of FILP dates back to the beginning of the Meiji Era (1868-1912). Since private financial institutions were not well developed in those days, various funds were amassed at the government. Initially, the government only took custody of funds, but later began accepting deposits (postal savings) and started investing the funds in government bonds. In accordance with the increase of postal savings, the government gradually began using the funds for investment in domestic industry and government-backed entities. Some of them, however, became irrecoverable.

In order to ensure that the Trust Fund Bureau Fund is managed securely and efficiently, the recipients of FILP financing were limited by the law to the government (the General Account and Special Accounts), local governments, and their wholly owned corporations.

Under the current Fiscal Loan Fund, a similar idea is followed. As the Fiscal Loan Fund manages funds raised based on the national credit, the recipients of FILP financing are limited to the government, local governments and government related institutions that are legally supervised by the government, to manage the funds in secure and efficient ways.

## History of FILP (Outline)

### [Chronological table of FILP]

Early Meiji Era	<b>Reserve Funds Handling Bylaws</b>	Miscellaneous incomes other than tax incomes accumulated as "savings" and later as "reserves."
1876		Deposits of funds to the Government Bond Bureau of the Ministry of Finance, which was also responsible for their management.
1878		Postal Savings deposited with the Government Bond Bureau for management.
1885	<b>Deposit regulation</b>	Depositing funds to Ministry of Finance was legalized and the Deposits Section was set up. Initially, the Ministry focused on custody business rather than investments.
Mid-late Meiji Era to Taisho Era		Investments by the Deposits Section shifted from government bonds to bonds issued by industrial banks and special-purpose banks. In the early Taisho Era, some loans became irrecoverable, like the Nishihara Loan (note). Improvement of the Deposits Section system became necessary in order to ensure proper custody and management of funds.
1925	<b>Deposits Section Deposit Act</b>	Basic principles of "management in secure and efficient ways" and "for the benefit of the state and public" were clarified. "Deposits Section Fund Management Committee" was established.
Around WWII		With the country placed on a war footing, investment of funds gradually shifted to state-backed entities and war industries, and focused on China. As a result, the investments resulted in a huge loss.
1946	<b>Laws concerning Special Treatment of Losses Incurred by Deposit Section of the Ministry of Finance, etc.</b>	Liquidation of assets and liabilities of the Deposits Section.
Under U.S. occupation		GHQ ordered that recipient of the Deposits Section funds should basically be limited to the state and local governments.
1951	<b>Trust Fund Bureau Fund Act</b>	For post-war restoration, demand for long-term funds arose from industrial circles. <ul style="list-style-type: none"> <li>Unified management of state funds</li> <li>Investment of funds in secure and efficient ways</li> <li>Contribution to the promotion of public interest</li> </ul>
1973		Law on Special Measures for long-term management of the Trust Fund Bureau Fund and Postal Life Insurance Reserve was enforced.
1987	<b>Revision of Trust Fund Bureau Fund Act</b>	Development of interest deregulation and other changes in the economic and financial environment <ul style="list-style-type: none"> <li>The legal system for interest rates on deposits was amended and entrusted to government decree</li> <li>Foreign government bonds were added as targets for asset management of Trust Fund Bureau Fund</li> </ul>
2001	<b>FILP Reform Act</b>	Reflecting changes in environment, the focus of policies shifted from industry to living environment. <ul style="list-style-type: none"> <li>Elimination of the requirement that all Postal Savings and Pension Reserves be deposited with the Trust Fund Bureau. <ul style="list-style-type: none"> <li>Market-based fund-raising</li> </ul> </li> <li>Introduction of policy cost analysis <ul style="list-style-type: none"> <li>Enhanced information disclosure</li> </ul> </li> </ul>

Note: Nishihara Loan is a series of loans extended to China in 1917-1918. Some of the funds were financed from the Deposits Section but became irrecoverable. The state assumed the irrecoverable principal and interest payments.





# FILP Conversion in FY2001 (FILP Reform)

A fundamental reform was undertaken for the FILP system (the FILP Reform) in FY2001.

Prior to this reform, it was mandatory to deposit the funds from postal savings and pension reserves to the Trust Fund Bureau Fund (predecessor of the Fiscal Loan Fund), which was the main means of raising capital for FILP. FILP used postal savings and pension reserves, and as a fiscal policy of efficiently using domestic savings to develop social capital, this may have contributed to the economic development of Japan. On the other hand, funding methods in the mechanism prior to the FILP Reform were limited to the passive ones such as deposits from postal savings and pension reserves, etc., which led to the problem that funds were not be procured flexibly in response to the funding requirements, with a lack of efficient management.

Taking this into account, the FILP Reform was undertaken to make FILP more efficient and consistent with market principles.

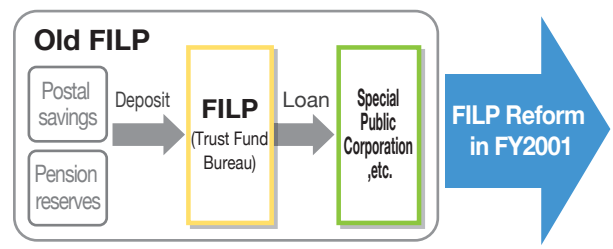
Looking at the actual content of the reform, firstly, regarding the way of capital raising for FILP, the mechanism was overhauled to eliminate mandatory deposits of postal savings and pension reserves to the Trust Fund Bureau, allowing independent management (in the financial markets in principle) of the entire deposits. For funds required for FILP, the entire amount is raised from the market by issuing FILP bonds which are a type of Japanese Government Bond. This enables efficient fund raising to meet required funding demands. This eliminated the systematic link between postal savings/pension reserves and FILP.

Moreover, FILP-target projects performed by government-affiliated financial institutions and incorporated administrative agencies (FILP agencies) are reviewed from the viewpoint of private-sector supplementation.

FILP agencies also issue FILP agency bonds to raise funds required for projects, working to raise capital themselves in the market. This aims at efficient and transparent project managements of FILP agencies.

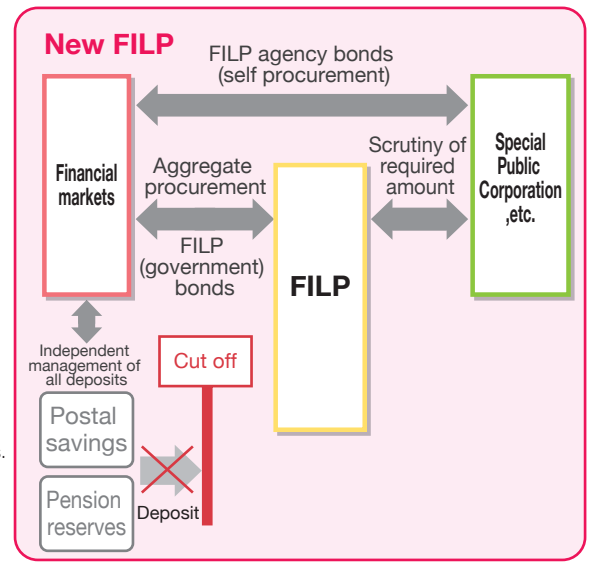
In addition, more information about FILP was disclosed by introducing policy cost analysis. This clarifies how much policy costs (opportunity costs of future expected subsidies and investments, etc.) would arise in projects utilizing FILP, provides information for judging the suitability of FILP-target projects and financial soundness of FILP agencies, etc.

## Image of the FILP Reform



### Main Points of Reform

- Elimination of the mandatory deposit of postal savings and pension reserves, and introduction of market-based fund raising
- Introduction of policy cost analysis and rigorous expansion of information disclosure.
- Obligation to deposit all postal savings and pension reserves was eliminated. Instead, these funds are to be managed independently in the financial markets.
- Only the necessary amount of funds is to be raised from FILP bonds in light of thorough scrutiny of the redemption certainty and the complementary function to the private sector.
- Loan interest rates based on market rates for Japanese government bonds according to maturities.
- Introduction and enhancement of policy cost analysis
- FILP agencies issued FILP agency bonds.
- Information disclosure was substantially expanded to ensure the discipline of special public corporations.



Notes: 1. Government guarantees and industrial investments are omitted for the purpose of simplification.  
2. There was no mandatory deposit for postal insurance even before the FILP Reform.



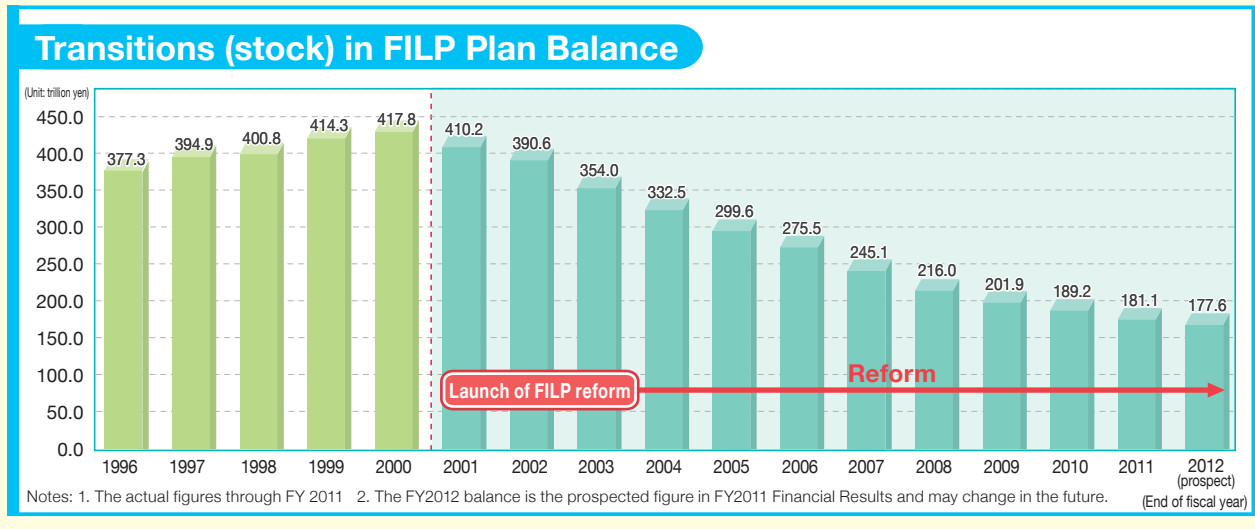
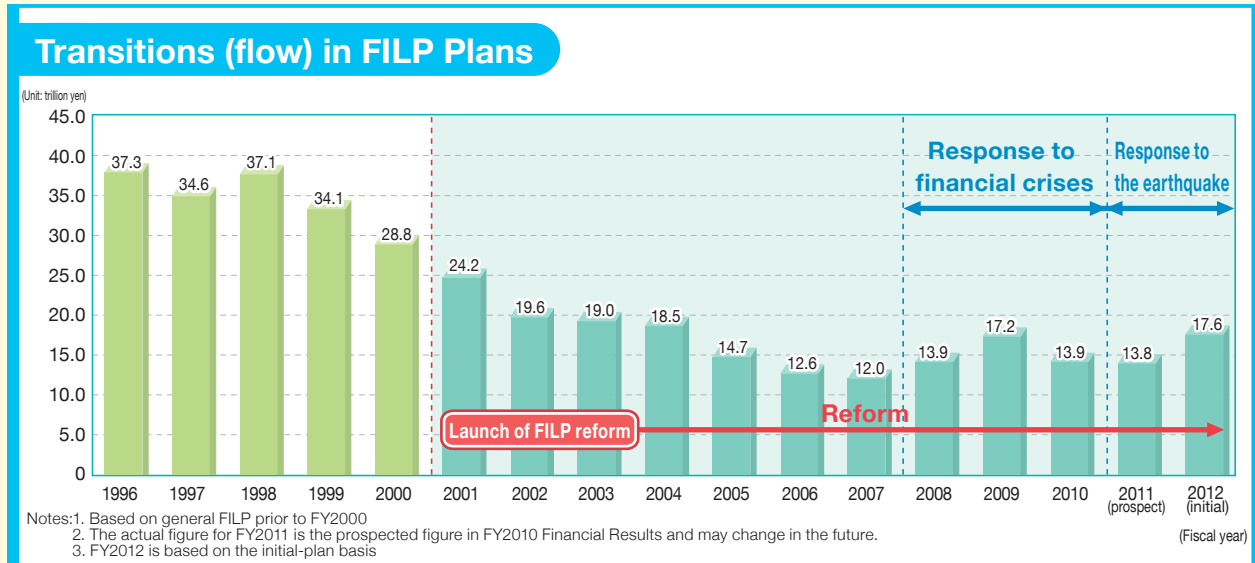
# Column FILP-target Project Review

Regarding the review of FILP-target projects since FILP Reform, "The Reorganization and Rationalization Plan for Special Public Corporations," adopted by the cabinet in December 2001, conducted a review of the organization and projects of 163 special public corporations including 38 FILP agencies. FILP-target projects have also been reviewed according to this plan.

In December 2004, the FILP Subcommittee of the Fiscal System Council put together the "Comprehensive Review of the FILP Reform," and (1) checked if the implementation of FILP reflects the aim of the FILP Reform, (2) confirmed the stage of implementation of "The Reorganization and Rationalization Plan for Special Public Corporations," and (3) examined policy-needs and financial soundness of all FILP-target projects. In the next year (December 2005), the FILP Subcommittee of the Fiscal System Council put together the "Follow-up to the Comprehensive Review of the FILP Reform," and confirmed that the items pointed out in the Comprehensive Review.

As a result of the inspection on FILP-target projects and focusing and improving efficiency of the projects, including assets and liabilities reform, we see that the FILP plans have been slimmed after the FILP reform. At the initial of FY2008, the flow fell to about one-third its peak, and the balance fell to less than half its peak size.

In recent years, the size of FILP flows has not decreased since the fall of 2008, in order to cope with the severe economic and financial conditions since the Lehman Shock, and to actively support recovery from the Great East Japan Earthquake. But the FILP balance is still expected to continue decreasing.





# FILP Agency Bonds

## ●What are FILP Agency Bonds?

Among the bonds issued by each FILP agency in the private financial markets, "FILP agency bonds" are those with no governmental guarantee for repayment of principal and interest. These FILP agency bonds were introduced by the FILP Reform in FY2001, and today they function as a means of fund-raising for FILP agencies. 16 of them plan to totally issue 4.3 trillion yen of FILP bonds (2.6 trillion yen excluding asset-backed securities) in FY2012. The outstanding balance of FILP agency bonds was 25.0 trillion yen at the end of FY2011.

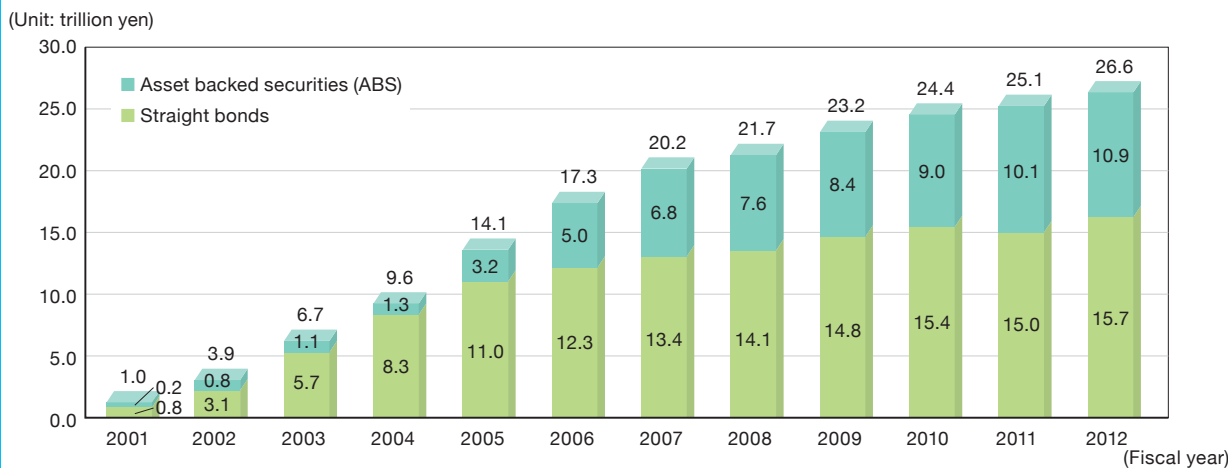
## ●Features and Status of FILP Agency Bonds

FILP agency bonds are expected to promote information disclosure by FILP agencies and improve the efficiency of business operations by external evaluation through Investor Relations (IR) activities on their financial conditions and operational results, regardless of the issued amount of FILP agency bonds. On the other hand, since the procurement costs of interest payment on FILP agency bonds are higher than those on governmental fiscal loans which equal those on government bonds, it is necessary to properly decide the amount of FILP agency bond issuance considering its effects and procurement costs. As it is generally probable that FILP agencies with small funding needs will suffer from higher costs compared to their size, due to low liquidity originating from the smallness of each issuance, it is appropriate that FILP agencies with suitable funding needs continue to issue FILP agency bonds.

### FILP Agency Bond Planned Issue Amounts (Flow)



### Outstanding Balance of FILP Agency Bonds





# 4. Drawing up a FILP Plan and Submitting it to the Diet

## FILP Plan

FILP has the important function of resource allocation by the government, and provides long-term funds through fiscal loans, industrial investments and government guarantees, thus having a great influence on the people's daily lives.

Though fiscal loans, industrial investments and government guarantees each have different mechanisms and features, they are similar in the sense that all of them are loan and investment activities carried out by the government for the policy-purposes and require overall conformance.

Taking into account the importance as the governmental resource distribution and the overall conformance, a FILP plan for the fiscal loans, industrial investments and government guarantees having a period of 5 years or more is planned with the list of reserved amounts for each FILP agency.

## Drawing up a FILP Plan

The competent authorities collect the requests from FILP agencies by the end of August and submit them along with the budget requests of the General Account, etc. to the Minister of Finance. Thereafter, the Financial Bureau of the Ministry of Finance examines the FILP plan requests in parallel with the budgetary process.

While utilizing policy cost analysis and policy evaluation, etc., FILP plan screening attempts to carry out thorough scrutiny by examining the necessity and importance of individual measures, repayment certainty and private-sector supplementation.

The drawn up FILP plan is then submitted with the budget to the Cabinet Meeting.

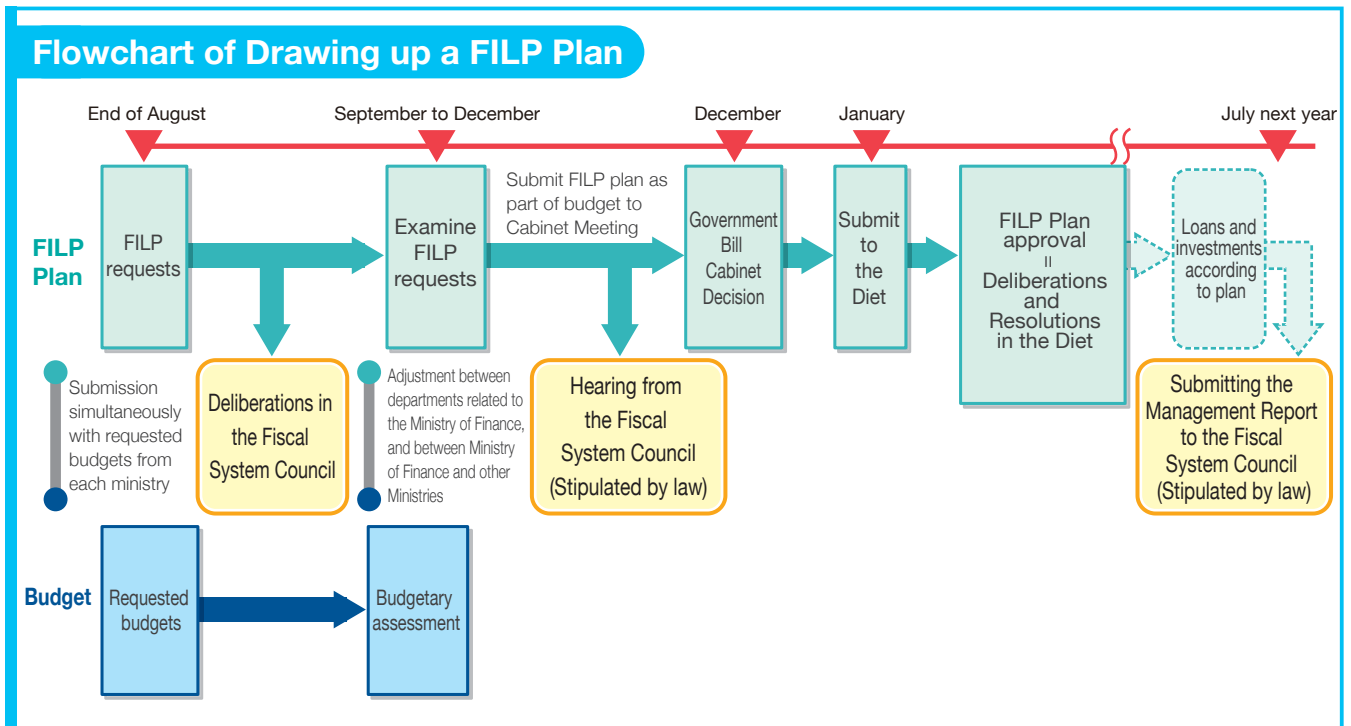
## Deliberations and Resolutions in the Diet

In accordance with the "Act on Special Measures on the Long-Term Management of the Fiscal Loan Fund" (Long-Term Management Act), the FILP plan drawn up as described above is submitted to the Diet as an attachment to the Special Account Budget in the ordinary Diet session each year.

Fiscal loans, industrial investments and government guarantees in the FILP plan respectively undergo deliberations and resolutions in the Diet as a part of the budget. Specifically, three methods of FILP constitute respectively parts of the budget, fiscal loans as the reserved amounts for long-term management of the Fiscal Loan Fund in the Special Account budgetary provisions, industrial investments as the budget for the Investment Account in the FILP Special Account, government guarantees as the limits of governmental guarantees in the General Account budgetary provisions.



Japan Railway Construction, Transport and Technology Agency (JRJT)/Railway Construction Project Private Rail Line "Quadruple track construction by going underground"/ Odakyu Odawara Line, Tokyo (Higashi Kitazawa - Izumi Tamagawa (10.4km))



# 5. Target Fields of FILP

**FILP is used for financing small and medium enterprises and in various fields related to education, welfare and medical services where proper fund supply cannot be provided by private financial institutions alone and it contributes to enhancing the life and economy of people.**

## (1) Small and Medium Enterprises / Agriculture, Forestry and Fisheries Industry

Small and medium enterprises serve as the industrial base of Japan, but since they have weak credit and collateral, it is not always possible to fund their operations adequately through private financial institutions alone. FILP supports the industrial base of Japan by providing long-term capital at low interest rates through Japan Finance Corporation, etc.

There is a high risk in agriculture, forestry and fisheries industry as they depend on natural conditions and have a long production cycle. As such FILP is utilized to provide long-term loans at low interest rates through Japan Finance Corporation, etc. for supporting capital investments of those engaged in agriculture, forestry and fisheries industry.

## (2) Education / Welfare / Medical Care

Loan business of providing scholarships to students, etc. is carried out from the viewpoint of cultivating human resources and providing equal opportunities for education. FILP is utilized for providing interest-bearing scholarship loans.

In response to the aging society with fewer children and to strengthen the medical care system, FILP is utilized in the fields of welfare and medical care to maintain facilities for children and the aged, and to maintain hospitals, medical clinics, etc.

## (3) Social Capital

Airports and urban redevelopment are large-scale and very long term projects where the features of FILP can be utilized best to procure long-term funds at low interest rates. FILP supports the development of the social capital to meet the changing needs of Japanese society, such as urban regeneration.

## (4) Industry / Research & Development

Consistently creating new values through technological innovation is an indispensable element for maintaining the industrial competitiveness of Japan (that has few natural resources) in the world markets. On the other hand, industry and research & development require large-scale investments, the involved risks are high and time is needed for achieving results, and as such it is difficult to procure funds for these fields from the private sector alone. FILP invests in industries and research & development which maintain the competitiveness of the Japanese industry.

## (5) International Finance / ODA

In the international finance field, FILP is utilized for such operations as those promoting the development and acquisition of important resources for Japan in foreign countries, maintaining and improving the international competitiveness of the Japanese industry, promoting of overseas projects which aim at global environmental preservation such as global warming prevention, and preventing and coping with damages from confusion in the international financial order.

Furthermore, FILP is also utilized for supporting the economic and social development of developing countries, since promoting self-efforts in recipient countries through Japanese ODA loans and contributing to their development is deeply connected to securing the safety and prosperity of Japan and enhancing the people's benefits.

## (6) Local Governments

FILP is primary utilized for: post-disaster restoration projects, emergency disaster prevention /mitigation projects, and works for improvement remote area, which the national government should take measures for, as well as public works such as for educational or social welfare facilities, which advance national policy interests.

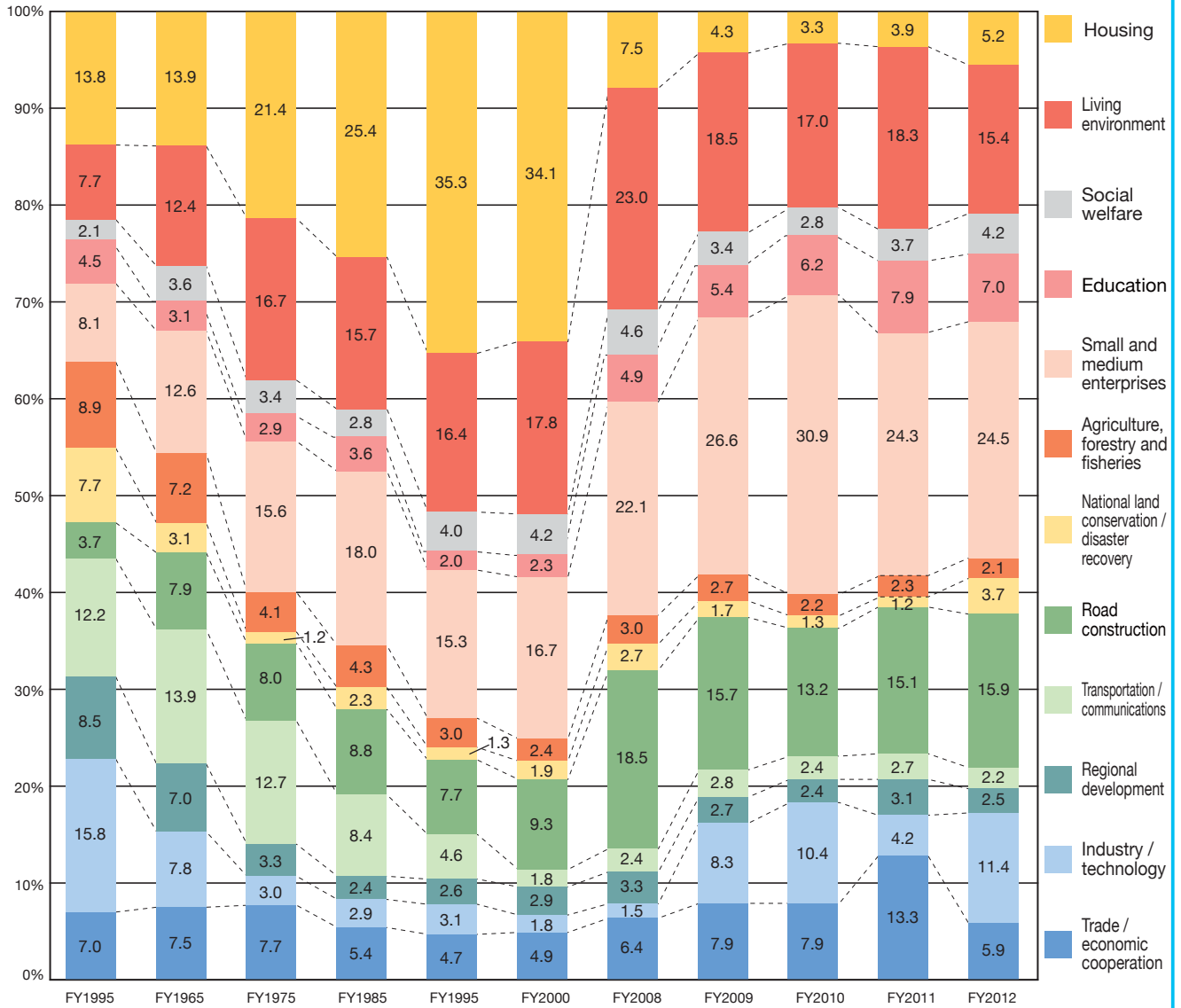
Also, FILP is utilized for local governments that lack in fund-raising capacity to help them to secure stable funds, considering wide variety of the fund-raising capacity among local governments due to budget scale and accessibility to financial market.

In addition, to clarify the fields through which FILP can contribute to the national economy or living, FILP plan amounts have been classified according to the purposes and a "FILP Classification Table by Purpose" has been created and made public.



Japan Water Agency/Toyogawa Canal System Reconstruction and Management Department/  
Bamba Regulating Reservoir/Toyohashi City, Aichi Prefecture

## Trends in FILP Classification by Purpose



Note : Figures for FY1995 and FY2000 are based on the general FILP, excluding fund management operations.



Japan Bank for International Cooperation/Highly Efficient Natural Gas-fired Combined Cycle Power Plant Project in Singapore/Senoko Power Station/Senoko, Republic of Singapore





# Examples of FILP-target Projects

## ●Japan International Cooperation Agency

Japan International Cooperation Agency (ODA loan operations) conducts operations by providing loan funds for developing regions overseas. Also, as a means of raising funds needed for this, it borrows fiscal loan funds. The FY2012 budget plans for 880 billion yen of projects, with 427 billion yen of FILP as a funding source.

### ◆Example : India "Delhi Mass Rapid Transport System Project Phase 3" (Loan contract signed March 2012, loan amount of 127,917 million yen)

Amidst India's rapid urbanization in recent years, development of public transport infrastructure is lagging. Especially in large cities like Delhi, a serious problem is that growing road traffic demand causes traffic jams. The Indian government's 11th 5 year plan (April 2007 to March 2012) recommends development of mass rapid transport systems to ensure safety, boost energy efficiency and for environmental conservation.

Also, the Japanese government is working to provide comprehensive support, utilizing Japan's very reliable and safe railway technologies.

This project matches the policies of both countries. The Delhi Metropolitan area has about 11.17 million people commuting to work and school. This yen loan project supports construction of a mass rapid transport system with a total length of about 103 kilometers.

Before this project, Phases 1 and 2 are supporting construction of about 142 kilometers (Phase 1: Loan amount of 162,751 million yen, Phase 2: Loan amount of 211,976 million yen)



Japan International Cooperation Agency/ "Delhi Mass Rapid Transport System Project"/India

## ●Welfare And Medical Service Agency

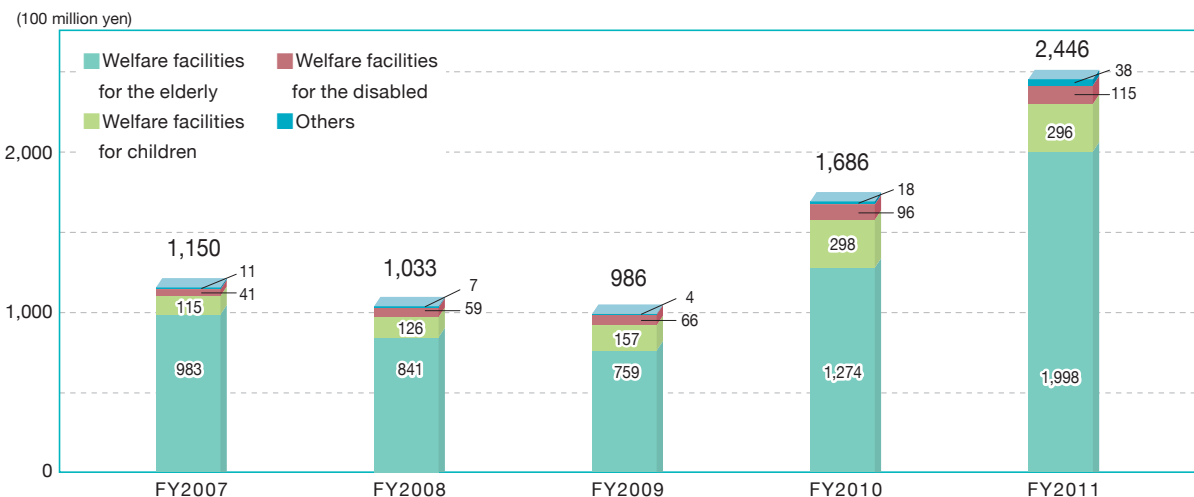
Welfare And Medical Service Agency provides funds and operating capital in long term, fixed low interest rate loans, needed for development of social welfare facilities such as special retirement homes for the elderly and nursery schools for children, and medical related facilities, such as hospitals which are essential for local medical care, and long-term care health facilities for people who need nursing. It thereby supports secure and safe lives for the people.

Also, recent years have brought an increase in loans of funds for recovery and reconstruction from the Great East Japan Earthquake, and funds needed for earthquake reinforcement of facilities.



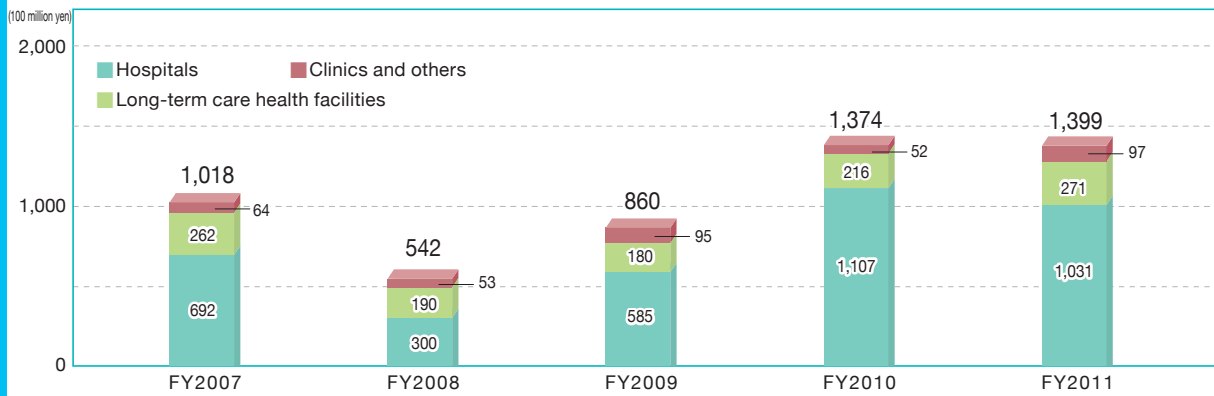
Welfare And Medical Service Agency/Medical Loan Operations (Disaster Recovery Funds)/ Long-Term Care Health Facilities SHION, Medical Corporate Body KEN-IKUKAI/ Ishinomaki City, Mitagi Prefecture

### Loan Results in the Last 5 Years (Welfare Loans)



(Note) Figures are rounded down to the nearest unit.

## Loan Results in the Last 5 Years (Medical Loans)



(Note) Figures are rounded down to the nearest unit.

## Urban Renaissance Agency

### ◆ Example: Area in Front of Hikifune Station

This area is located almost in the center of Tokyo's Sumida Ward. It is in an important transit location connecting Tobu Isesaki Line with Keisei Oshiage Line. It was expected to develop as a bustling urban center, but it had disaster-prevention problems unique to dense urban areas with many old wooden buildings and narrow streets, because it has escaped earthquakes and war damage.

The Urban Renaissance Agency received a request from land rights holders and Sumida Ward for its project support. By executing an urban redevelopment project, this project creates a good living environment and stimulation of local commerce along with public facilities development, achieving advanced uses which suit land in front of a train station, in urban development with excellent fire prevention.

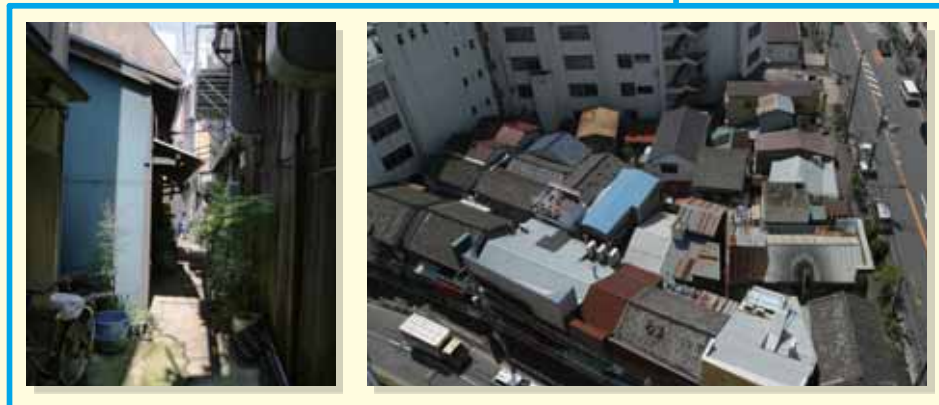
Fiscal loans are being utilized as part of the project funds for this area.

Photo when completed



Project Outline	
Land area	About 2.8ha
Project technique	Urban land redevelopment project (Urban Renaissance Agency carried out)
Project period	FY1994 - FY2010
Facilities & buildings	About 137,800m <sup>2</sup> (commercial facilities, housing, etc.)
Total project cost	About ¥43 billion

Photos before







# Fiscal Loans to Local Governments

## ● Current Status and Future Challenges

As for the fiscal loans to local government, prioritized financing has been made focusing on the fund-raising capacity of each local government and how the money was spent in accordance with the purpose of the FILP reform. As pointed out in the "Report on Fiscal Loans to Local Governments" put together in July 2009, efforts to supply funds should continue to be made in an appropriate manner with the following perspectives in mind.

1. Supplying funds to projects closely related to national policies.
2. Supplying funds in consideration of role-sharing with private funds and differences in fund-raising capacities of local governments
3. Response to financial market turmoil
4. Sharing roles with the Japan Finance Organization for Municipalities Funds
5. The way to underwrite deficit-covering Local Government Bonds
6. Safety-net function for the local governments in financial difficulties

In FY2012, while there is a great need to urgently implement measures throughout Japan for immediately effective disaster prevention and mitigation (emergency disaster prevention/mitigation projects) and the Local Government Bonds plan has been expanding, 3,887 billion yen (4.2% above the previous fiscal year's initial plan) is secured for the fiscal loans to local governments taking into consideration local governments' smooth fund-raising practices.

## ● Pre-maturity Redemption with Exemption from Compensation

Due to severe local fiscal conditions and large drop in tax revenues since autumn 2008, the pre-maturity redemptions with exemption from compensation from FY2007 to FY2009 were extended for three years as a temporary exceptional measure, on the condition that they implement further administrative reforms and/or public-enterprise management reforms. In FY2011, this amounted to 127.9 billion yen of pre-maturity redemptions (28.8 billion yen exempted from compensation).

In order to be granted a pre-maturity redemption exempt from compensation, local governments are required to implement thorough administrative reforms and thus realize eventual public burden reduction worth more than the corresponding compensation exempted. Each fiscal year, Local Finance Bureaus and Local Finance Offices follow up on the fiscal reconstruction plans submitted by local governments to ensure their steady implementation.



Local government (Tanegashima District Regional Affairs Association)/General Waste Disposal Project/Tanegashima Clean Center/Nishino-omote City, Kagoshima Prefecture



## (1) Use of Loans in Various Countries

Financial means in fiscal policy are widely used not only in Japan, but also in other Western countries. However, the specific mechanisms and eligible projects differ because of their different development histories and financial market conditions, etc.

For example, in Japan, funds for such measures are primarily procured from the market through the issuance of FILP bonds (one kind of government bonds) without using any tax revenue, whereas such funds are raised through a combination of taxation and issuing government bonds in the United States and the United Kingdom.

In addition, with regard to target areas, while the ratio of loans by the national government to local governments is about 30% in Japan, the ratio in the UK is at least 90%. On the other hand, the US government provides virtually no funds to local governments.

Although the specific mechanisms and target areas differ in each country, the use of financial means plays important roles in fiscal policy. Especially now, as countermeasures to economic crisis in a number of countries, governments are actively using loan funds: injecting capital into banks, purchasing bad assets, guaranteeing debts, etc.

## Examples of Utilization of Loans in Europe and the U.S.

	U.S.	UK	Germany	France	Japan
<b>Comprehensive unified credit accommodation by the government</b>	Federal Credit Program	None	None	None	FILP Plan
<b>Government loan balance (as of the end of FY2011)</b>	2,855 billion dollars <254 trillion yen>	105.6 billion pounds <15 trillion yen>	123.6 billion euros <17 trillion yen> (End of FY2010)	56.9 billion euros <7 trillion yen>	181 trillion yen
<b>Major sector eligible for financing</b>	Private sector	Public Sector (local governments etc.)	Public sector (KfW group etc.)	Private sector	Public sector (government-affiliated finance institutions, local governments, etc.)
<b>Main target areas</b>	Housing, SMEs, Education, Local development projects, Agriculture, Trade	Social infrastructure, SMEs, Education	Housing, Social infrastructure, SMEs, Agriculture	Housing, Social infrastructure, SMEs, Trade/ Foreign aid	SMEs, Social infrastructure, Education/Welfare/Medical care, Trade/Foreign aid, Housing, Agriculture
<b>Major institutions</b>					
<b>SMEs</b>	Small Business Administration (SBA)	Department for Business, Innovation and Skills (BIS)	KfW Mittelstandsbank	OSEO group, Caisse Dépôts et Consignations (CDC)	Japan Finance Corporation (Micro Business and Individual Operations) (Small and Medium Enterprise Operations)
<b>Housing</b>	Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank System (FHLBS)	—	KfW Förderbank	Caisse des Dépôts et Consignations (CDC)	Japan Housing Finance Agency
<b>Trade and foreign aid</b>	Export-Import Bank of the United States (EXIM)	—	KfW Entwicklungsbank, KfW IPEX-Bank, DEG	Agence Française de Développement (AFD), OSEO group	Japan Bank for International Cooperation, Japan International Cooperation Agency
<b>Policy financial institution loan balance (as of the end of FY2011)</b>	5,812 billion dollars <517 trillion yen>	—	275.3 billion euros <33 trillion yen>	133 billion euros <16 trillion yen>	120 trillion yen
<b>(Reference) Domestic non-financial sector debt (as of the end of FY2011)</b>	38,195.4 billion dollars <3,399 trillion yen>	7,083.6 billion pounds <978 trillion yen>	8,404 billion euros <1,126 trillion yen> (End of FY2010)	9,785 billion euros <1,174 trillion yen>	2,925 trillion yen

Notes:

- Figures are calculated based on the foreign currency conversion rate provided in Article 11, Paragraph 2, Item 4 of the Official Spending Regulation (Finance Ministry Ordinance No. 94 established in 1947).
- Figures may change in accordance with revision of statistical data in each country.
- In case of "Government loan balance," figures of the general government are noted for Germany and France, and other countries, figures of the central government are shown (for Japan, the figures show the FILP balance). The figures for the U.S. under "Policy financial institution loan balance" represent the aggregate for balance for government-sponsored enterprise (GSEs) financing and guarantees.
- KfW Bankengruppe is composed of KfW Förderbank, KfW Mittelstandsbank, KfW Entwicklungsbank, KfW IPEX-Bank and DEG.
- For the SMEs of Britain, the Enterprises Directorate in Department for Business, Enterprise and Regulatory Reform used to be in charge, but on June 5, 2009 the Business, Innovation and Skills Dept. (BIS) was newly established to integrate the Dept. for Business, Enterprise & Regulatory Reform (BERR) with the Dept. for Innovation, Universities and Skills (DIUS), and the Enterprise Directorate was also transferred to BIS.
- In case of SMEs and international trade assistance in France, the OSEO Group was established in Year 2005, and took over the business of Banque du Développement des PME (BDPME).

Source:

Analytical Perspectives - Budget of the U.S. Government Fiscal Year 2013 (U.S.: OMB), United Kingdom Economic Accounts, Quarter 4 2011 (UK: Office for National Statistics), Financial Accounts for Germany 2005 to 2010 (Germany: Deutsche Bundesbank), Comptes financiers trimestriels - France 4e trimestre 2011 (France: Banque de France), etc.

## (2) Examples of Utilization of FILP-like Systems in Foreign Countries (Germany and EU)

As examples of active utilization of FILP-like systems in foreign countries, we look at recent examples in Germany and the EU.

Germany has these federal level policy financial institutions: Kreditanstalt für Wiederaufbau (KfW, 80% owned by the federal government, 20% owned by the state governments) and KfW IPEX Bank which is a fully owned subsidiary of KfW. At the local level, there are state investment banks and development banks which provide policy loans in accordance with state policy; their major shareholders are state governments, etc. Loans by these policy finance institutions comprise about 10% of Germany's entire financial system. Among these, KfW has huge total assets of about 441 billion euros (about 59 trillion yen) in 2010, comprising about 5% of Germany's financial system, and in recent years total assets including loans have been increasing (2010 domestic loans were about 64 billion euros).

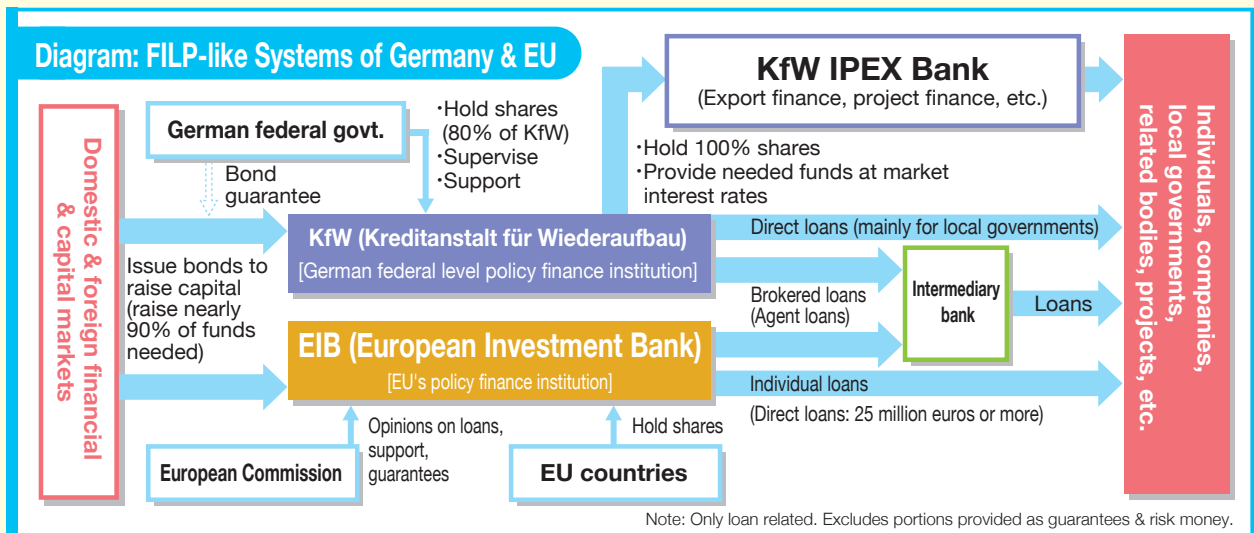
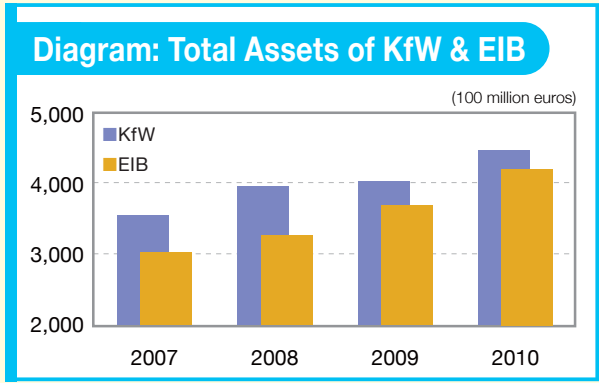
On the other hand, in Europe, as a policy finance institution for the entire EU, the European Investment Bank (EIB, formed with capital from 27 EU member countries) was established in 1958 by the Treaty of Rome. It had about 420 billion euros (about 56 trillion yen) of total assets in 2010, making it a policy finance institution about the same size as KfW. (EIB had about 70 billion euros of loans in 2010).

Both KfW and EIB raise the bulk of the funds they need from domestic and foreign capital markets by issuing bonds, etc. In Germany and Europe, under the policies of strongly promoting renewable energy, energy conservation, R&D, innovation, large infrastructure development, SME support, etc., they provide medium and long term loans to support these.

KfW's borrowers include SMEs, individual customers (housing loans, education loans), local governments and related bodies (mainly public operations such as electricity, gas, water, transport and welfare), companies with national and local government ownership (mainly infrastructure related, such as Berlin's new airport company), export finance, and developing country support. KfW IPEX bank provides export finance and project finance, etc.

EIB provides individual loans for large scale projects of at least 25 million euros (about 2.8 billion yen) (direct loans, about 80% of all loans) and brokered loans (indirect finance) mainly for projects of SMEs. Individual loan borrowers include large companies (major manufacturers, electric companies, etc.), mainly loans for R&D and energy conservation. In addition, its European Investment Fund (EIF) subsidiary provides investment capital and guarantee services.

In the economic and financial crises after the Lehman Shock, German companies (especially large companies) had worse cash flow, and KfW provided a special loan program, including for large companies. Features of this program are that the federal government bears up to 90% of the borrower's credit risks, even providing loans for large companies with at least 50 billion euros of sales. The EIB also greatly increased its loan amounts, and it was recently announced that EIB will be actively used in Europe's growth strategy.



(Note) Results of the survey on German and EU FILP-like systems were reported by the Fiscal System Council, FILP Subcommittee (June 26, 2012). They can be seen here. [http://www.mof.go.jp/about\\_mof/councils/fiscal\\_system\\_council/sub-of\\_filp/proceedings/index.html](http://www.mof.go.jp/about_mof/councils/fiscal_system_council/sub-of_filp/proceedings/index.html)

Local government/Disaster Recovery Project/  
Sendai City Gas Bureau Minato Plant (After restoration)/  
Sendai City, Miyagi Prefecture

## 1. Response to Economic and Financial Crises and the Great East Japan Earthquake

### 1. Response by FILP to Economic and Financial Crises and Great East Japan Earthquake

Compared to the General Account Budget which is funded mainly by tax revenues, FILP is characterized by its ability to flexibly supply funds in response to changing economic conditions.

In the economic crisis after the Lehman Shock in autumn 2008, measures were taken to support financial conditions of companies by Japan Finance Corporation. FILP was utilized as a main source of funds required to carry that out. As a result, the plan size saw large annual growth in the two consecutive

years since FY2008. It made certain contributions to financial support for companies in harsh conditions, and has been praised by users.

Also, taking into account the situation of the major damage caused by the Great East Japan Earthquake on March 11, 2011, FILP has actively provided funds needed to cope with cash-flow support for businesses damaged in the disaster and for disaster recovery via Japan Finance Corporation, etc.

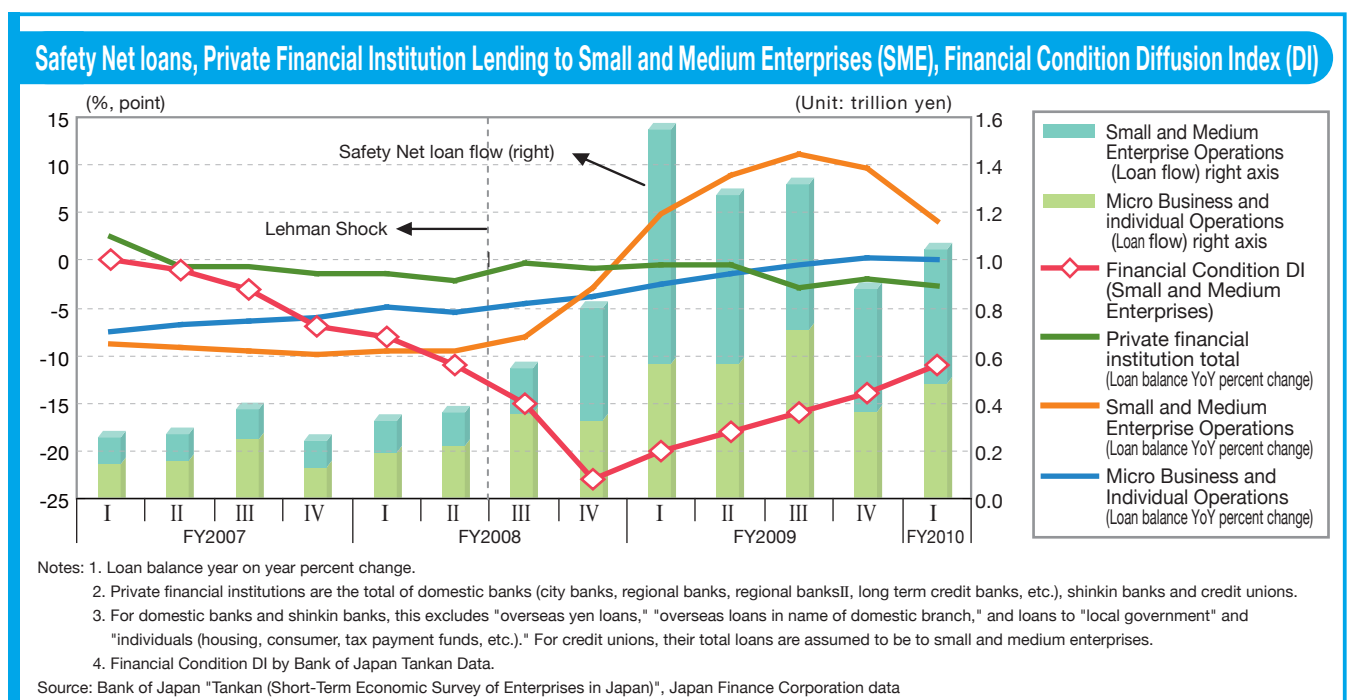
### 2. FILP Utilized to Support Financial Conditions of Companies in the Economic and Financial Crises after the Lehman Shock

#### (1) Safety Net Loans for Small and Medium Size Businesses

Japan Finance Corporation (Micro Business and Individual Operations, Small and Medium Enterprise Operations, etc.) provides Safety Net loans to support the business of small and medium enterprises in which sales or profits drop temporarily due to changes in the social and economic environment, but for which recovery and development are expected in the

medium and long term. It provided a cumulative total 11 trillion yen of credit from FY2008 to FY2010.

Safety Net loans grew quickly in April to June FY2009. Since then, the financial condition diffusion index (small and medium enterprises) improved. It is thought that Safety Net loans made certain contributions to improve the financial conditions of companies.





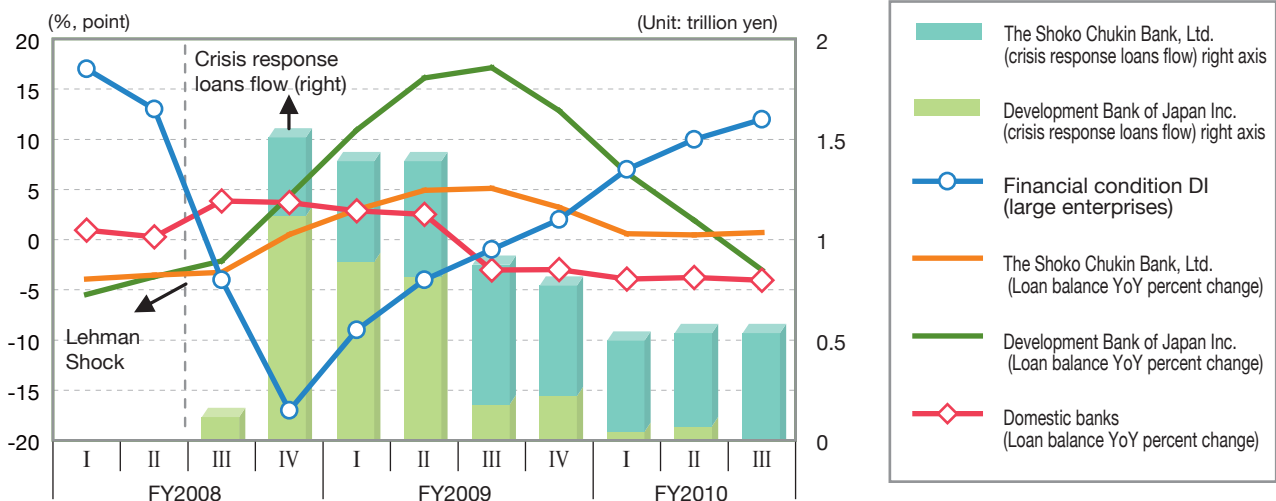
## (2) Crisis Response Operations

In crisis response operations, after the government's crisis authorization, designated financial institutions receive credit provided via Japan Finance Corporation (Operations to Facilitate Crisis Responses: [1] two-step loans, [2] loss collateral, [3] subsidized interest payments), and provide loans to enterprises etc. FILP is utilized as the main source of funds for these two-step loans. After the Lehman Shock, in response to worse enterprise financial condition, under the government's economic policy, a crisis was authorized by the "Case of Disruption of International Financial Order" (December 11, 2008), and financial crisis response operations began by Development Bank of Japan Inc. and the Shoko Chukin Bank, Ltd. which are designated financial institutions. They made the following crisis response loans: about 3.7 trillion yen (largely two-step loans) by Development Bank of Japan, Inc. and about 4.8 trillion yen (largely loans with loss collateral) by the Shoko Chukin Bank, Ltd.

After the Lehman Shock, amid an unclear future, there was

funding demand from even large enterprises which wanted to secure cash on hand. Market conditions made it difficult to turn over short term funds and secure funds. There was also funding demand from enterprises wanting to secure long term funds. Also, the corporate bond market functioned much worse, especially for low rated corporate bonds, so there was also funding demand for replacing such bonds. Crisis response loans provided a certain level of response to such funding demands, and it seems that these loans contributed to financial condition improvements, for which private financial institutions faced certain limits.

### Crisis Response Loans, Private Financial Institution Lending and Financial Condition Diffusion Index (DI, Large Enterprises)



Note 1: The Financial Condition DI (large enterprises) by Bank of Japan Tankan data.

Note 2: Loan balance year on year percent change, excluding loans to local governments and individuals. For Development Bank of Japan Inc. and the Shoko Chukin Bank, Ltd., YoY change in loan balance.

Sources: Bank of Japan "Loans and Bills Discounted by Sector" and "Tankan," Development Bank of Japan data, the Shoko Chukin Bank data

## (3) Emergency Operations to Support Japanese Overseas Business Activities

As part of a series of economic countermeasures against disruption of the international financial order after the Lehman Shock, Japan Bank for International Cooperation (hereinafter "JBIC") carried out Emergency Operations to Support Japanese Overseas Business Activities as a time-bound measure, providing a cumulative total of about 2.5 trillion yen of credit, mainly in foreign currency.

After the Lehman Shock, financial institutions faced unstable international financial markets while the interbank market stopped functioning, and cash on hand decreased. Meanwhile, they were pressured by funding demand from borrowers, and it seems that fund matching became more difficult than normally. Also, it was difficult for Japanese enterprises to raise foreign currency directly from financial markets and U.S. and European financial institutions which provide foreign currency were on the

brink of their own business crises, and also faced cash flow difficulties, making them unable to provide sufficient funds to enterprises that had funding demand. It is thought that Emergency Operations to Support Japanese Overseas Business Activities by JBIC responded to such foreign currency demand, and the same opinion is heard from users.

\* Details on this item were shown as the report including user comments. This was released by the Fiscal System Council, FILP Subcommittee, and can be viewed here: [http://www.mof.go.jp/about\\_mof/councils/fiscal\\_system\\_council/sub-of\\_filp/proceedings/material/zaitoa230621.htm](http://www.mof.go.jp/about_mof/councils/fiscal_system_council/sub-of_filp/proceedings/material/zaitoa230621.htm)

### 3. FILP Response to Great East Japan Earthquake

In response to demand for funds needed to recover from the Great East Japan Earthquake, a total 5.7 trillion yen of FILP plans were added in the FY2011 first and third supplementary budgets. Moreover, 4.1 trillion yen of FILP was secured as "Earthquake Response Portion in the FY2012 initial budget." Institutions below are taking following measures.

#### (1) Financial Support for Companies, etc.

- Japan Finance Corporation (Micro Business and Individual Operations and Small and Medium Enterprise Operations)

To help stabilize micro, small and medium sized businesses affected by the Great East Japan Earthquake etc., the Great East Japan Earthquake Recovery Special Loan System and Earthquake Recovery Support Capital Strengthening Exception (subordinated capital loans for small and medium companies affected by the disaster) were created, the project size needed to work for excellent cash flow support was secured, and it was decided to properly meet funding demands.

- Japan Finance Corporation (Operations to Facilitate Crisis Responses)

To stabilize businesses damaged by disaster etc., it was decided to provide capital needed to meet funding demand, by crisis response loans (Two Step Loans) via designated financial institutions (Development Bank of Japan Inc., the Shoko Chukin Bank, Ltd.).

- Development Bank of Japan Inc.

The bank's financial foundation was strengthened to cover loans for recovery and reconstruction demand in the disaster area and investments for earthquake recovery (supplement of risk money). The bank also provides funds to meet earthquake related funding need, for example to boost production of such as materials and equipment needed in reconstruction, and to provide funds for earthquake-resistance reinforcement for companies and factories not directly damaged by disaster, etc.

#### (2) Local Government

While there is a great need to urgently implement measures throughout Japan for immediately effective disaster prevention and mitigation, it was decided to implement earthquake-resistance of public school facilities, earthquake reinforcement of roads, escape route development, countermeasures against tsunami in rivers, etc. (emergency disaster prevention/mitigation projects).

#### (3) Other

- Japan Housing Finance Agency

For reconstruction of housing lost or damaged in the Great East Japan Earthquake, it was decided to provide strong support for the quick rebuilding of housing by expanding the disaster recovery housing loans to quickly provide low interest funds

- Welfare And Medical Service Agency (General Account)

To support reconstruction of welfare and medical facilities damaged in the disaster and their return to stable operation, it was decided to actively meet necessary funding demand. It was also decided to implement preferential measures: raise loan limits, reduce loan interest rates, raise loan ratios, extend payback deadlines, etc. To reduce the burdens of businesses which face overlapping debt problems, it was also decided to provide repayment grace period extensions, etc.

<Reference> Great East Japan Earthquake Reconstruction Basic Act (2011.6.24, Act No.76) (Excerpt)  
Chapter 2 Basic Policies

Article 7 (Measures to Secure Funding)

The national government shall take the following measures and other measures, and thereby strive to secure funding for reconstruction after the Great East Japan Earthquake.

- Thoroughly revise budgets concerning policies other than reconstruction and related policies; work to cut expenditures related to such policies.
- Actively utilize FILP related funds and private funds.

### FY2012 Breakdown of Earthquake Reconstruction Response in FILP Plan

(Unit: billion yen)

Institution name	FY2011 Supplement	FY2012 Plan
<b>Finance related support for companies, etc.</b>	<b>4,322.8</b>	<b>3,451.7</b>
Japan Finance Corporation (Micro Business and Individual Operations)	365.0	950.0
(Small and Medium Enterprise Operations)	705.0	950.0
(Agriculture, Forestry, Fisheries and Food Business Operations)	32.8	51.7
(Operations to Facilitate Crisis Responses)	3,000.0	1,300.0
Development Bank of Japan Inc.	220.0	200.0
<b>Local governments</b>	<b>910.0</b>	<b>268.2</b>
<b>Other</b>	<b>421.3</b>	<b>405.5</b>
Japan Housing Finance Agency	180.0	270.0
Welfare And Medical Service Agency	176.4	84.6
The Promotion and Mutual Aid Corporation for Private Schools of Japan	44.1	24.0
Urban Renaissance Agency	—	14.4
Special Account for Energy Policy	20.0	10.0
Special Account for Stable Supply of Food	0.5	1.5
Japan Water Agency	0.3	1.0
<b>Total</b>	<b>5,654.1</b>	<b>4,125.4</b>

# 2. Development of Disclosure

## (1) Policy Cost Analysis

In policy cost analysis, each FILP agency estimates future cash flow and calculates the following for a project's execution: (1) subsidies expected to be disbursed by the government in the future, (2) payment to the treasury and corporate tax expected to be paid in the future, (3) interest alleviation effect through investments, etc. (opportunity cost from the perspective of the government). The agency calculates these for the projects which utilize FILP, based on certain preconditions.

The calculated policy cost does not indicate the financial burden itself accompanying the future transfer of funds generated by execution of the FILP-target project (only item (1) represents the financial burden accompanying the future transfer of funds).

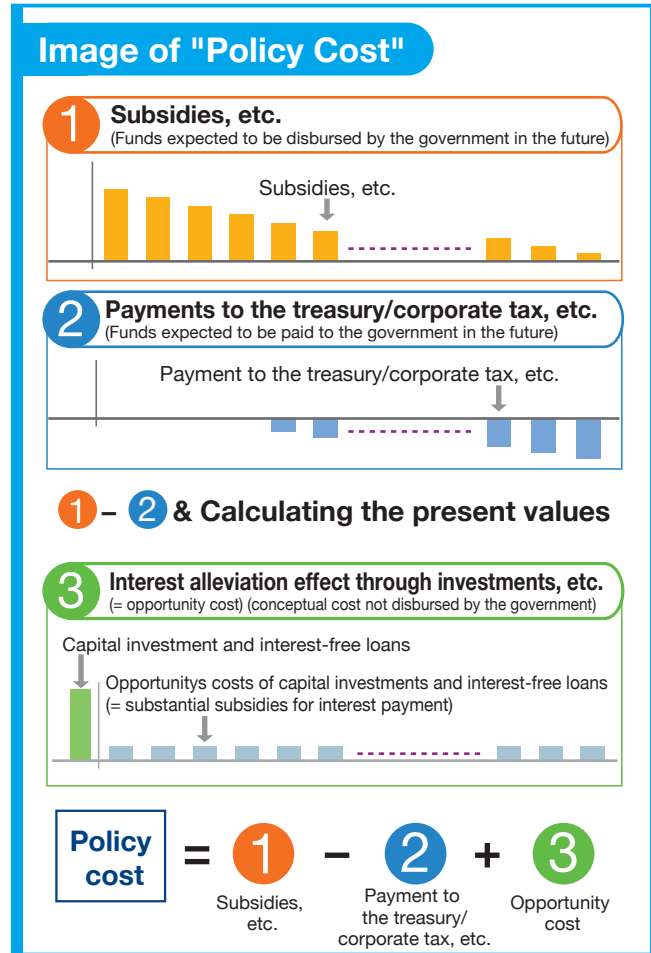
Since the relationship between benefit and burden is clearly defined in eligible projects for FILP and it is appropriate to require beneficiaries (users) to bear that burden, loans are essentially repaid on the beneficiaries burden. In order to ease the burden on beneficiaries, subsidies or investments, etc. are disbursed from the central government (General Account, etc.) to FILP agencies which execute projects. For the purpose of determining the suitability of such projects, trial calculations are made to estimate the degree of subsidies, etc. that will be disbursed into the future, or the extent of benefits realized through investments already disbursed. Disclosure of these as "policy costs" enhances the transparency of FILP.

Since policy cost is used to ease the burden on beneficiaries of projects under FILP, it is not appropriate to simply assess the relative size of the amount. Projects should be assessed comprehensively together with social and economic benefits realized as a result of the implementation of them.

In addition, in the process of conducting policy cost analysis, estimates are made about future cash flow (income and expenditure) of the project, which is valuable material utilized for judging the future outlook of the project, effects on its finance, whether there is redemption certainty with respect to the on-going FILP, etc.

Furthermore, each FILP agency also actively uses the results in investor briefings (IR activities) by noting policy costs analysis in explanations of their bond prospectuses (documents prepared for investors in compliance with the prospectuses required under the Financial Instruments and Exchange Act) when issuing FILP agency bonds.

We continue to steadily implement the policy cost analysis and improve the analysis technique as well as further utilizing it.



Special Account for Energy Policy/National Stockpiling Project/  
Kurashiki National LP Gas Stockpiling Base/Kurashiki City, Okayama Prefecture

## (2) Preparation of Financial Statements Based on Private Sector Accounting by FILP Agencies

All FILP-targeted incorporated administrative agencies in FY2012 (29 corporations) plan to prepare financial statements based on private sector accounting.

That is because the preparation of financial statements based on the private sector accounting is thought to be beneficial in enabling overarching clarification of the financial conditions of projects of FILP-targeted incorporated administrative agencies under unified standards with the same perspective as private

companies. It also enables FILP agencies to examine the nature of their own financial conditions under unified standards.

These financial statements based on the private sector accounting are prepared with a certain degree of outside involvement such as audits conducted by certified public accountants. Being subjected to audits by certified public accountants is thought to be an effective way for enhancing the reliability of such financial statements issued by FILP agencies.

### Involvement of Certified Public Accountants in the Preparation of the Private Sector Equivalent Financial Statements of FILP Agencies in FY2012 (29 incorporated administrative agencies)

	Institutions	Preparation and release of the private sector equivalent financial statements	Does the institution obtain an audit certificate of the financial statements (left) from a certified public accountant?
2 Special Public Corporations	The Okinawa Development Finance Corporation	In addition to financial statements based on regulations, including those in the act for establishment of the institution, "administrative cost financial statements" based on corporate accounting principles are prepared and released.	No (The institution receives advice and guidance etc. from certified public accountants)
	The Promotion and Mutual Aid Corporation for Private Schools of Japan	Pursuant to the provision of the act for establishment of the institution, financial statements based on corporate accounting principles are prepared and released as in principle	Yes (The institution voluntary obtains audit certificates from a certified public accountants)
9 Public Corporations	Japan Finance Corporation	Financial Statements based on the Companies Act, etc. are prepared and released.	Yes (The institution is audited by certified public accountants pursuant to the provision of the Companies Act, etc.)
	Japan Bank for International Cooperation		
	Japan Growth Fund Corporation for Agriculture, Forestry and Fisheries (tentative name)		
	New Kansai International Airport Co., Ltd		
	Central Japan International Airport Co., Ltd		
	PFI Promotion Corporation of Japan (tentative name)		
	Development Bank of Japan Inc.		
Innovation Network Corporation of Japan			
	Organization for Promoting Urban Development	In addition to financial statements already prepared under public interest corporation accounting standards, financial statements based on corporate accounting principles (only for FILP-target projects) are prepared and released.	Yes (The institution voluntary obtains audit certificates from a certified public accountants)
18 Incorporated Administrative Institutions	Japan International Cooperation Agency	Pursuant to the provision of the Act on General Rules on Incorporated Administrative Agency, financial statements based on corporate accounting principles are prepared and released in principle	Yes (The institution is audited by certified public accountants pursuant to the provision of the Act on General Rules on Incorporated Administrative Agency)
	Japan Housing Finance Agency		
	Urban Renaissance Agency		
	Japan Water Agency		
	Japan Railway Construction, Transport and Technology Agency		
	Japan Oil, Gas and Metals National Corporation		
	Welfare And Medical Service Agency		
	National Hospital Organization		
	National Cancer Center		
	National Center for Global Health and Medicine		
	Center for National University Finance and Management		
	Japan Student Services Organization		
	National Agriculture and Food Research Organization		
	Forestry and Forest Products Research Institute		
	Japan Expressway Holding and Debt Repayment Agency		
	Fund for the Promotion and Development of the Amami Islands		
	New Energy and Industrial Technology Development Organization		
	Japan Finance Organization for Municipalities		

Note: The Promotion and Mutual Aid Corporation for Private Schools of Japan voluntarily obtained an audit certificate by a certified public accountant for the grant account only.



### (3) Efforts to Ensure FILP Transparency

Fundamental transparency and visibility of the budget creation and execution process is an important issue. There are also active efforts to do these for FILP.

In order to deepen the people's understand of FILP, and to make it easier to check on its operations, based on the "Enhancement of FILP Transparency -Action Plan-" (April 16, 2010), in each stage of PDCA, more easily understood information is being provided, and transparency enhanced.

Until now, these efforts include: (1) Publish the "FILP Plan Expected Balance" which shows the expected balance of each FILP agency when deciding on the FILP plan, the "FILP Project Plans and Funding Plans, by Agency" which shows detailed flow information, and the "Supplementary Explanation Materials" which explain priority areas in an easily understood way (Plan); (2) Monthly publication of the execution status of each FILP loan, etc. (Do); (3) Execution of audits (spot audits) which place emphasis on verification of policy results (Check); (4) In the budgetary process, publish the issues in examinations and way of thinking of examination bureaus,

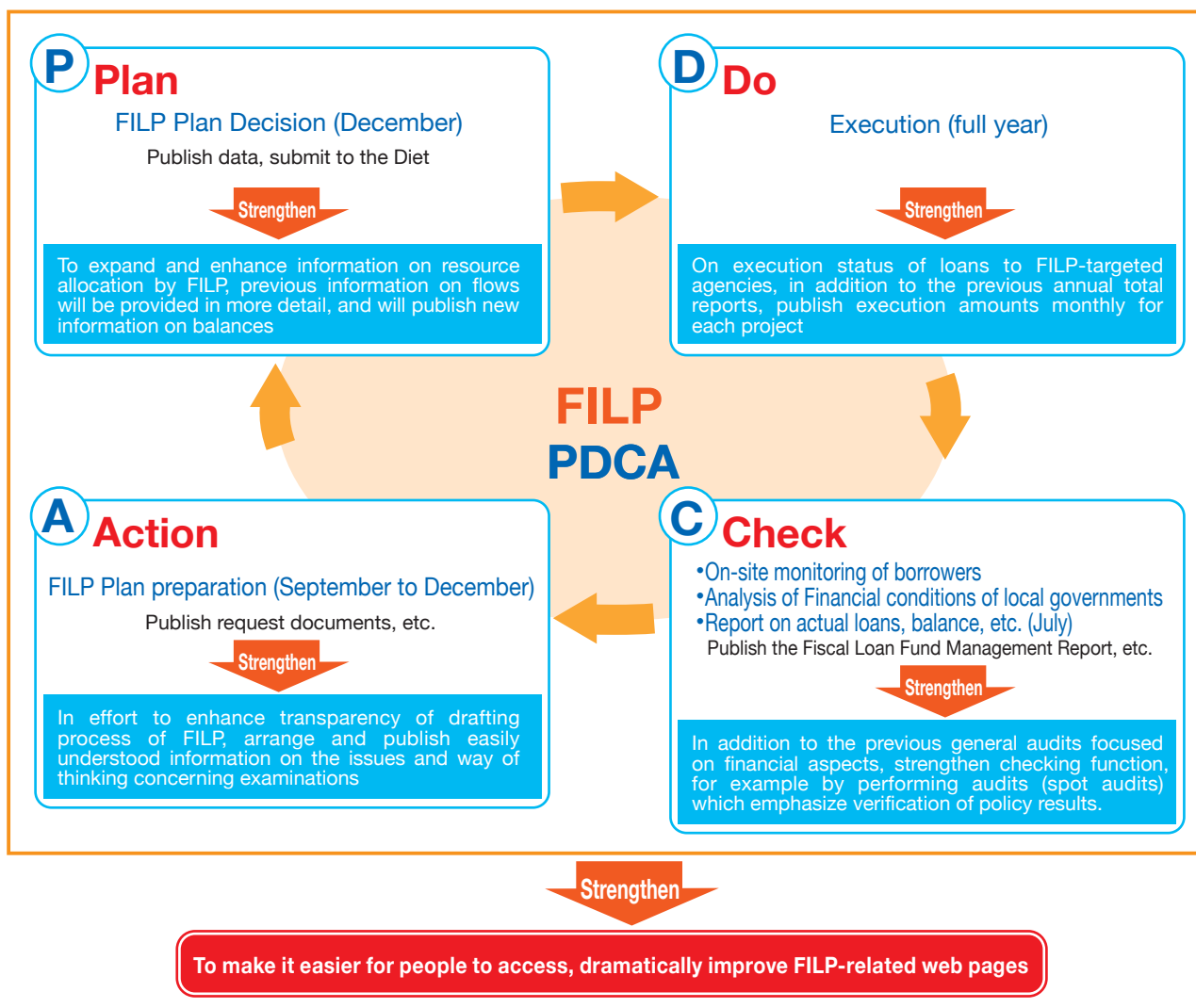
arranged in an easily understood manner (Action), etc.

\* For FILP's PDCA cycle, see the Ministry of Finance web page (Japanese)

[http://www.mof.go.jp/filp/summary/filp\\_cycle/index.htm](http://www.mof.go.jp/filp/summary/filp_cycle/index.htm)

#### For the Enhancement of FILP Transparency

To deepen understanding of FILP by people, and to make it easier to check on its management, work to improve delivery of more easily understood information for each stage of the PDCA cycle, and enhance transparency.



# 3. Improved Checking Function Against FILP Agencies

The checking function against FILP Agencies has been enhanced by conducting on-site monitoring and working on analysis of financial conditions of local governments, in order to ensure proper operation of the FILP target businesses and to maintain their financial soundness.

## (1) On-site Monitoring

### 1. On-site monitoring of FILP agencies

"The Comprehensive Review of the FILP Reform" released by the FILP Subcommittee of the Fiscal System Council in December 2004 proposed, "In order to thoroughly verify financial soundness and necessity of FILP projects, there is a need for on-site confirmation, in addition to annual assessment of a FILP plan." Beginning in FY2005, it was decided to conduct on-site monitoring on FILP agencies implementing FILP projects as well as the ongoing on-site monitoring on the local governments.

The on-site monitoring of FILP agencies checks the following items from the viewpoint of the lender of public funds: 1) sufficient policy significance to be a FILP project, 2) financial soundness and redemption certainty, 3) appropriate use of funds etc. The results of on-site monitoring are published, and used to assess annual FILP plans and linked to actual reexaminations of individual projects etc.

In FY2010, as a measure to strengthen the "check" portion of the "Enhancement of FILP Transparency -Action Plan-", in addition to the current on-site monitoring, audits (spot audits) focused on verification of currently important themes and policy results, etc. started.

### 2. On-site monitoring of local governments

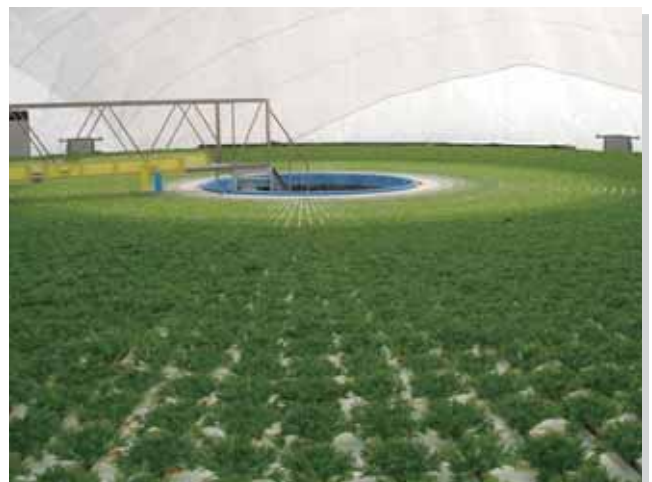
The FILP Subcommittee of the Fiscal System Council released the report named "the Follow-up to Comprehensive Review of the FILP Reform" in December 2005. This

report pointed out, "Though on-site monitoring on local governments has focused on checking borrowers' usage of FILP resources, it is advisable to shift the emphasis to assessing financial conditions of municipal enterprises hereafter." Based on this recommendation, the emphasis was shifted in FY2008 to on-site monitoring on financial conditions of municipal enterprises.

Specifically, their financial conditions were checked and evaluated from the viewpoint of securing the redemption certainty of loans, and where necessary, local governments were requested to report on securing the redemption certainty and their efforts to improve the financial conditions of municipal enterprises. Accordingly, it was decided to drastically simplify the on-site monitoring focusing on checking expenses outside the scope of FILP loans.



Center for National University Finance and Management/Business Loans for Facility Expenses/  
Kagoshima University MR Image Diagnostic Support Network System/  
Kagoshima City, Kagoshima Prefecture



Japan Finance Corporation (Agriculture, Forestry, Fisheries and Food Business Operations)/  
Loans for Facilities of Agriculture, Forestry and Fisheries/Dome house/  
Hadano City, Kanagawa Prefecture

I Outline of Fiscal Investment and Loan Program (FILP) P. 2 ~ P.17

II FILP Initiatives in Recent Years P. 18 ~ P.29

III FILP Movements in FY2011 P.30 ~ P.39

IV FAQ P.40 ~ P.46

V APPENDIX P.47 ~ P.73

VI Glossary Information Directory P.74 ~ P.83

## (2) Analysis of Financial Condition of Local Governments

The Ministry of Finance (Local Finance Bureau) began performing analysis of financial condition of local governments in FY2005, so that the Government, as the lender mandated to manage the Fiscal Loan Fund securely and efficiently, adequately, understand the financial standing of the borrower, i.e., local governments, and enhance loan assessment.

In July 2009, the “Working Team on Fiscal Loans to Local Governments,” under the Review Meeting on Basic Problems of FILP, prepared a “Report on Fiscal Loans to Local Governments” and recommended measures to practically utilize analysis of financial condition. In response to this report, the following measures have been taken: a “Handbook of Analysis of Financial Condition” was published to explain basic concepts and analysis techniques using major financial indices; each local government that undergo interviews with Local Finance Bureaus shall be provided a “Diagnosis Report,” which outlines the result of analysis of financial condition; and loan assessment should be tightened for the local government in deteriorating financial condition beyond a certain level.

In FY2011 undertaking of analysis of financial condition (based on FY2010 closing), monitoring of financial condition was performed on all the local governments, and part of them were interviewed as deemed necessary (198 bodies). Regarding the financial conditions of local governments interviewed, the situations varied for individual bodies. Their financial conditions are in an improving trend overall, but there are bodies with continuing high debt level due to the effects of Local Government Bonds issued for large scale construction projects in the past, some governments with low reserves because they drew down their public finance adjustment reserve funds due to construction investments and worse cash flows, and some governments have an increase in welfare benefit recipients creating higher benefit costs, or a decrease in local taxes, resulting in a low level of redemption funds (fiscal current account).

On the other hand, among the bodies where no particular

fiscal problems were found, for those bodies where fiscal problems were found in an earlier four year period (FY2006 to FY 2009), some bodies had suppressed issuance of Local Government Bonds by selection of standard construction projects, which improved their bond balance levels; some bodies cut personnel costs and shrunk fiscal current account expenditures by solidly implementing staff rationalization plans, which improved their cash flow levels; some bodies improved their cash flows and their reserves increased, which improved their reserve levels.

\* For results of analysis of financial condition for FY2011, refer to the Ministry of Finance web page (PDF is in Japanese language)

[http://www.mof.go.jp/about\\_mof/councils/fiscal\\_system\\_council/sub-of\\_filp/proceedings/material/zaitoa240626/3-1.pdf](http://www.mof.go.jp/about_mof/councils/fiscal_system_council/sub-of_filp/proceedings/material/zaitoa240626/3-1.pdf)

Handbook of Analysis of Financial condition is also available on the Ministry of Finance website (PDF is in Japanese language)

[http://www.mof.go.jp/about\\_mof/councils/fiscal\\_system\\_council/sub-of\\_filp/proceedings/material/zaitoa240626/sankou1.pdf](http://www.mof.go.jp/about_mof/councils/fiscal_system_council/sub-of_filp/proceedings/material/zaitoa240626/sankou1.pdf)



Japan Water Agency/Toyogawa Canal System Reconstruction and Management Department/  
Futagawa Open Canal/Toyohashi City, Aichi Prefecture



Japan Railway Construction, Transport and Technology Agency (JRRT)/  
Railway Construction Projects Private Rail Line  
“Quadruple track construction by high bridges”/  
Seibu Ikebukuro Line, Tokyo (Nerima - Shakuji Ko-en (4.1km))



# 4. Risk Management in Fiscal Loan Fund

## Asset Liability Management (ALM)

For the Trust Fund Bureau Fund(predecessor of the Fiscal Loan Fund) prior to the FILP reform, the management of funds(assets) was mainly conducted by 5 to 30 years lending, whereas the funds(liabilities) were primarily procured from deposits of 7 years by postal savings, pension funds etc. As such, there was a big mismatch between the duration of assets and liabilities and hence a huge gap between the amounts of collection from loans etc. and refunds of deposits, generating interest rate risk corresponding to interest rate variance. However, after the FILP reform, FILP bonds or kind of government bonds became the primary procurement means so that the issuance period of FILP bonds(currently 2 to 30 years) could be adjusted as much as possible within the scope of the entire JGB Issuance Plan, thereby reducing an each FY's gap between the amount of collection from loans etc. and that of repayment to FILP bonds etc. As such, the FILP special account has controlled interest rate risk as much as possible through conducting appropriate asset liability management (ALM).

## Reserves (Reserves for Interest Variance)

As shown on the left, the ALM after the FILP reform has continuously reduced interest rate risk of the Fiscal Loan Fund. However, the issuance period of FILP bonds is now confined to 2 years, 5 years, 10 years, 20 years and 30 years, and the majority of loans are of equal repayment type cash flows, whereas FILP bonds are of bullet maturity repayment type cash flows and deposits from other sources than postal savings and pension reserves remain to a large extent. As such, it is difficult to completely eliminate each FY's gap between assets and liabilities, and a certain level of interest rate risk still continues to exist. Therefore, to enable the FILP special account to conduct steady activities over a long term, based on the "Act on Special Accounts", profits are accumulated as reserves(Reserves for Interest Variance) to prepare for any loss which may arise in the future.

Moreover, the "Act on Special Accounts" provides that if the amount of reserves(Reserves for Interest Variance) exceeds the level required to secure financial soundness(prescribed by a Cabinet order), the excess amount can be transferred to the Special Account for the Government Debt Consolidation Fund pursuant to a budget. Returning deposits to postal savings and pension reserves was mostly completed by the end of FY2007, and it became easier to match the investments and procurement periods as the funds got to be raised for a broad range of periods by FILP bonds. As a result, the interest rate risk of the Fiscal Loan Fund was reduced, and the upper limit of reserves (Reserves for Interest Variance) was thus reduced in FY2008 from 100/1,000 to 50/1,000 of total assets.



Urban Renaissance Agency/Rental Housing/Sunvarie Sakurazutsumi/  
Musashino City, Tokyo



The Okinawa Development Finance Corporation/Loans for Industrial Development/  
High-speed liner/Nanjo City, Okinawa Prefecture



# Reserve funds of the FILP Special Account

## ● Temporary and Exceptional Transfers to General Account, etc.

The "Act on Special Accounts" provides that, in principle, the amount exceeding the upper limit of reserves (Reserves for Interest Variance) shall be transferred to the Special Account for the Government Debt Consolidation Fund to reduce the outstanding government bonds. This is based on the idea that since the reserves (Reserves for Interest Variance) have been accumulated as a result of long-term management of the Fiscal Loan Fund, it is appropriate to regard them as a common asset of the nation and to allot them for the redemption of government bonds or common liabilities of the nation.

However, in view of the harsh fiscal conditions of the General Account since FY2008, the Special Measures Act was passed, and 4,158 billion yen was transferred to the General Account in FY2008, 7,335 billion yen in FY2009, 4,754.1 billion yen in FY2010, and 1,058.8 billion yen in FY2011. Transfers into the General Account have been done as temporary and exceptional measures.

Moreover, under provisions of the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (hereinafter "Reconstruction Funding Act"), from FY2012 to FY2015, the FILP Special Account surplus can be utilized to fund redemption of reconstruction bonds. Thus in FY2012, the entire 996.7 billion yen expected reserve balance at the end of FY2012 is to be transferred into the Special Account for the National Debt Consolidation Fund.

Regarding utilization of future surplus for reconstruction funds, in a supplementary resolution of the Reconstruction Funding Act, "When studying having a surplus of the Fiscal Loan Fund Account of the FILP Special Account utilized for reconstruction funds, in the budget drafting process, that account's fiscal soundness shall be considered." Based on this clause, this must be studied in each fiscal year's budget drafting process.

## ● Transfer of Funds to the General Account, etc. and the Financial Soundness of FILP Special Account

In recent years, surplus has been expected from the outstanding balance of past loans at relatively high interest rates. Therefore, it is unlikely thought that financial problems will immediately arise in the finances of the FILP Special Account. Based on this, transfer to the General Account, etc. has been executed. However, as a result, the reserves (Reserves for Interest Variance) have dried up since FY2010, creating a situation with remarkably reduced leeway to handle interest rate changes.

Therefore, in preparation for losses which could arise in the future, great care is required for stable operation of the FILP Special Account over the long term.

(See the next page regarding specific policies to secure soundness of finances of the FILP Special Account)

Also, under provisions of the Reconstruction Funding Act, there are concerns that reserves will continue to deplete in the future, so in order to systematically ensure soundness of finances of the FILP Special Account, as an exceptional and temporary stipulation from FY2012 to FY2020, there is a stipulation for transfers from the General Account to the FILP Special Account.

### Transfer from FILP Special Account

- In FY2008, a simulation was run on future revenues and disbursements, and the upper limit of the reserve ratio was lowered from 100/1000 to 50/1000 of total assets. In FY2008, 7.2 trillion yen was transferred to the Special Account for the National Debt Consolidation Fund (based on the Act on Special Accounts), and 4.2 trillion yen was transferred to the General Account (handled under the Special Transfer Act)
  - In the FY2009 initial and supplementary budgets, 7.3 trillion yen was transferred to the General Account (handled under the Financial Resources Securing Act)
  - In the FY2010 initial budget, 4.8 trillion yen was transferred to the General Account (handled under the Act on Special Provisions concerning Issuance of Government Bonds for Financial Management)
  - In the FY2011 initial budget, 1.1 trillion yen was transferred to the General Account (handled under the Financial Resources Securing Act)
  - In the FY2012 initial budget, 1.0 trillion yen was transferred to the Special Account for the National Debt Consolidation Fund (handled under the Reconstruction Funding Act)
- \* The surplus is in a decreasing trend, due to a decrease in the outstanding balance of past loans at high interest rates

(Unit: trillion yen)

	2005 close	2006 close	2007 close	2008 close	2009 close	2010 close	2011 close	2012 expected
<b>Surplus at close</b>	4.0	2.8	2.5	2.3	1.5	1.1	1.0	0.5
<b>Fiscal yearend reserve balance</b>	22.4	14.4	17.2	8.4	3.4	0.1	0.1	0.1

Special Account for the National Debt Consolidation Fund : 12 trillion yen	Special Account for the National Debt Consolidation Fund : 7.2 trillion yen General Account : 4.2 trillion yen	Special Account for the National Debt Consolidation Fund : 7.2 trillion yen General Account : 4.8 trillion yen	General Account : 7.3 trillion yen	General Account : 4.8 trillion yen	General Account : 1.1 trillion yen	Special Account for the National Debt Consolidation Fund : 1.0 trillion yen
--	---	---	------------------------------------	------------------------------------	------------------------------------	---



# Policy to Secure Financial Soundness of the FILP Special Account

Temporary and exceptional transfers to the General Account ,etc. since FY2008 have exhausted the reserves of the FILP Special Account (Fiscal Loan Fund Account). Thus the reserve strength to respond to interest rate variances is remarkably lower. The necessity of securing financial soundness was also pointed out in the project screening (covering special accounts) by the Government Revitalization Unit in October 2010.

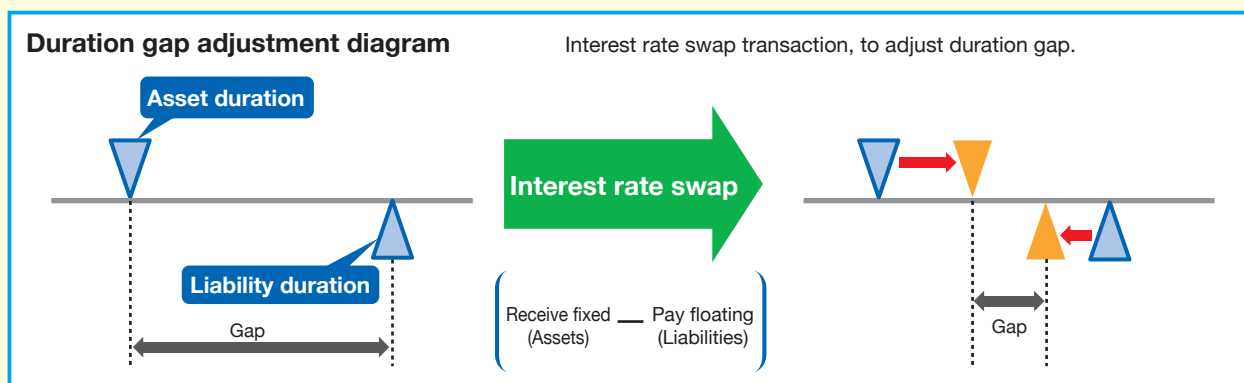
Considering these conditions, for more advanced asset liability management (ALM), starting in FY2011, measures will be taken such as interest rate swap transactions and retiring of FILP bonds. Also, in the "Basic Policy on Special Account Reform (January 24, 2012 Cabinet Decision)," it was decided to "continue implementing measures for more advanced asset liability management (ALM)." Based on this, in order to ensure soundness of finances of the FILP Special Account, appropriate ALM will continue to be done in FY2012.

Note: Assessment results of FILP Special Account project screening (summary)

Regarding reserves, build up required reserves to prepare against interest rate risk. Also regarding surplus, firstly build them up and if possible transfer to the General Account, while paying attention to interest rate risk and financial soundness. (Abbreviated thereafter)

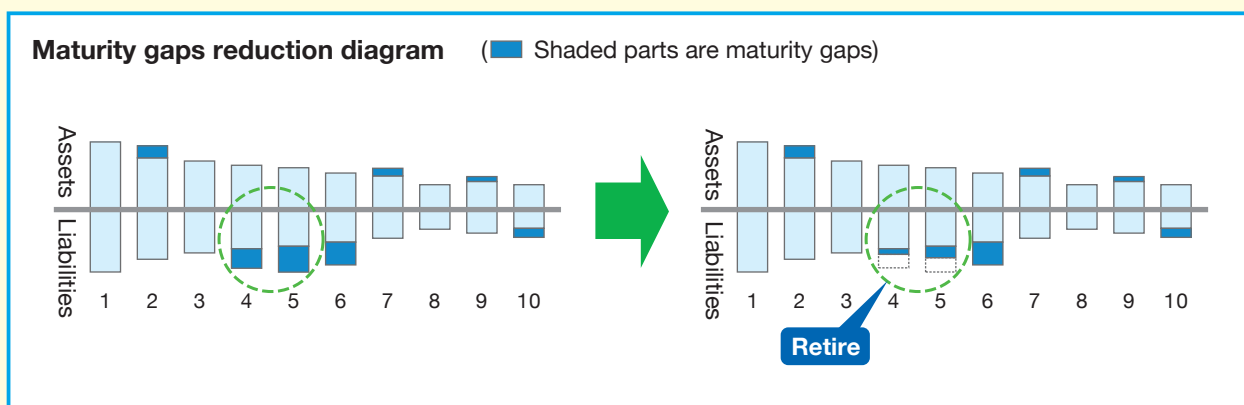
## (1) Interest rate swap transactions

Exchange interest rate cash flows, based on a specific notional amount from a fixed rate to a floating rate (or vice versa), to adjust duration gaps between assets and liabilities



## (2) Retire FILP bonds

Shift redemption dates of FILP bonds, to adjust maturity gaps of each fiscal year's assets and liabilities



## (3) Issue Finance Bills (FB)

In order to reduce expansion of maturity gaps, issue finance bills for part of the amount of funds which need to raise, and standardize FILP bond issue amounts over a two year period.





# Statistics on FILP Bonds

## 1. System of National Accounts (SNA)

The national economy is roughly comprised of three sectors: household, enterprise and government. Each of these three sectors carry out economic activities, while mutually related through economic transactions. In addition, the national economy is linked with overseas economic activities by international trade and capital transactions. The System of National Accounts (SNA) is a mechanism to understand the structure and cycles of the national economy.

SNA is a standard created by the UN, so each country prepares economic statistics based on a common standard. Within this, the public sector is divided into the general government and public enterprises, and debt of public enterprises is not included in debt of the general government.

Currently, the Fiscal Loan Fund is classified as a public enterprise, and FILP bonds are not included in debt of the general government.

## 2. Long Term Debt Balances of the Central and Local Governments

"Long term debt balances of the central and local governments" are totals of long term debts of both central and local governments, with interest payments and redemption funded mainly by tax revenues. These do not include FILP bonds, for which interest payments and redemptions are funded mainly by collections from borrowers of fiscal loans. Nor do they include short-term government securities issued to fill temporary fund shortages of the national treasury.



Japan International Cooperation Agency/Upper Kotmale Hydro Power Plant Construction Project / Run-of-the-river Hydro Power Plant/Sri Lanka



Urban Renaissance Agency/Land Readjustment Project/Saitama New Urban Center/ Saitama City, Saitama Prefecture

The Promotion and Mutual Aid Corporation for Private Schools of Japan/  
Fukushima College, Incorporated Educational Institution Fukushima College  
Construction of the main hall (Four-story building)/Fukushima City, Fukushima Prefecture

## 1. Drafting the FY2012 FILP Plan

**The FY2012 FILP Plan was submitted to the Cabinet Meeting on December 24, 2011, and approved along with the draft budget on April 5, 2012.  
The FY2012 FILP Plan outline is as follows**

### Basic Concept of FY2012 FILP Plan

The FY2012 FILP Plan continues its aim to focus on and improve the efficiency of the target projects. Taking into account the current weak economic and fiscal conditions while considering the importance of fiscal responses which do not rely on tax sources, based on the "Strategy for Rebirth of Japan" (December 24, 2011 Cabinet Decision) etc., it was decided to actively respond to demand for funds needed to rebuild from the Great East Japan Earthquake and to revitalize Japan and strengthen its growth potential.

As an earthquake reconstruction response, sufficient funds were prepared to support the interrupted cash flow to damaged businesses, etc. In order to revitalize Japan and strengthen its growth potential, the FY2012 FILP Plan is 17.6 trillion yen, 18.4% more than the FY2011 initial plan of 14.9 trillion yen. Of this amount, about 0.1 trillion is dedicated to strengthening Japan's resources acquisition strategy, most of which is provided by industrial investments. And 4.1 trillion yen is secured as the earthquake reconstruction response portion.

### Main Points of FY2012 FILP Plan

#### ◆ Related to Financial Support for Companies, etc.

To help stabilize businesses damaged by the Great East Japan Earthquake and to contribute to responses to the strong yen, the Japan Finance Corporation secured a sufficient amount of loans needed for crisis response operations for middle and large enterprises and cash flow support for micro small and medium enterprises, and properly responded to demand for funds needed for these. As a result, financial support for companies of FILP will be 7,091.2 billion yen, +43.5% compared to the initial plan of the previous year.

#### ◆ FILP for Local Governments

The required amount of FILP has been arranged, taking into consideration local governments' smooth fund-raising practices, addressing the Great East Japan Earthquake such as taking emergency disaster prevention/mitigation projects while the Local Government Bonds program has been expanding. As a result, FILP for local governments will be 4.6970 trillion yen, +5.8% compared to the initial plan of the previous year.

#### ◆ Overseas Investments & Loans Support Related

To strengthen Japan's resource procurement strategy, the Japan Oil, Gas and Metals National Corporation is working to obtain a stable supply chain of resources: metal, minerals,

natural gas, coal and geothermal. The Innovation Network Corporation of Japan is developing projects in the medical care, nursing, and environmental and energy sectors and utilizing positive effects of yen appreciation for large overseas acquisitions; As a result, the use of industrial investments is needed to obtain the investment funding.

On the other hand, the Japan Bank for International Cooperation reduced its FILP size, partly by increasing its equity capital other than FILP. Thus, overseas investments and loans support related FILP will be 1.1517 trillion yen, -43.3% compared to the initial plan of the previous year.

#### ◆ Related to Education, Welfare, Medical Care

Japan Student Services Organization will enhance its interest-bearing loan operations, and the Welfare And Medical Service Agency etc. will strengthen welfare and medical services infrastructure, including funds needed for reconstruction of welfare and medical facilities damaged by the Great East Japan Earthquake. As a result of properly responding to their funding demands, education, welfare and medical related FILP will be 1.3365 trillion yen, +18.0% compared to the initial plan of the previous year.

◆ Other Fields

FILP properly responds to crucial funding demand. For example, by facilitating redemption and interest payments of liabilities of the Japan Expressway Holding and Debt Repayment Agency, disaster reconstruction housing loans for housing damaged by disasters (provided by the Japan Housing Finance Agency), development of disaster public housing by the Urban Renaissance Agency, etc. Also, to provide growth capital to businesses working to shift to "the sixth industry", that is, collaboration of Primary, Secondary

and Tertiary industry, it was decided to establish Japan Growth Fund Corporation for Agriculture, Forestry and Fisheries (tentative name), and to establish PFI Promotion Corporation of Japan (tentative name) to work on further development of public infrastructure utilizing private sector know-how and capital. It was also decided to secure investment funds which would be needed along with legal developments concerning establishment of these new agencies. These will result in 3,371.8 billion yen, which is 42.9% more than the initial plan of the previous year.

## Planned Amount of FILP Bond Issues

Regarding FILP bonds which are the funding source for loans from the Fiscal Loan Fund, issuance of 15.0 trillion yen is planned based on the conditions such as the size of new fiscal loans (13.5242 trillion) and prospected amount of deposits.

Also, for FILP cash flow, the issuance of 2.7 trillion yen of fiscal loan fund securities (financing bills) is planned.

(Unit: trillion yen)

	FY2011 (Initial)	FY2011 (Including third supplementary budget)	FY2012 (Initial)
FILP bonds issue amount	14.0	16.5	15.0

## Planned Amount of FILP Agency Bonds Issues

Regarding FILP agency bonds individually issued by each FILP agency in the private financial market, in the FY2012 plan 16 agencies (15 agencies in FY2011) plan to issue 4,304.0 billion yen (FY2011 initial plan was 4,772.0 billion yen). Of this, the issue amount excluding asset backed securities will be 2,594.0 billion yen, an increase of 186.5 billion yen year on year.

### FY2012 FILP Plan

**Fiscal Loans**  
13.5 trillion yen

**Industrial Investments**  
0.2 trillion yen

**Government Guarantees**  
3.9 trillion yen

### FILP Agencies

Related to financial support for companies etc. .... 7.1trillion yen

- Japan Finance Corporation 6.2trillion yen
- Development Bank of Japan Inc. 0.9trillion yen
- The Okinawa Development Finance Corporation 0.1trillion yen

Local Bodies ..... 4.7trillion yen

- Local Governments 3.9trillion yen
- Japan Finance Organization for Municipalities 0.8trillion yen

Overseas investments support related .... 1.2trillion yen

- Japan Bank for International Cooperation 0.6trillion yen
- Japan International Cooperation Agency (ODA Loan Account) 0.4trillion yen
- etc.

Related to Education, Welfare & Medical Care .... 1.3trillion yen

- Japan Student Services Organization 0.8trillion yen
- Welfare And Medical Service Agency 0.4trillion yen
- etc.

Others ..... 3.4trillion yen

- Japan Expressway Holding and Debt Repayment Agency 2.3trillion yen
- Urban Renaissance Agency 0.5trillion yen
- Japan Housing Finance Agency 0.3trillion yen
- etc.





# FILP to Revitalize Japan and Strengthen its Growth Potential

## (1) FILP for Strengthening Growth Potential in Recent Years

For revitalizing and strengthening Japan, FILP has been also actively supporting the "The New Growth Strategy" (June 18, 2010 Cabinet Decision) and "Strategy for Rebirth of Japan" (December 24, 2011 Cabinet Decision), etc.

In the FY2011 FILP plan, industrial investments is expected to play the role of an engine to achieve the "The New Growth Strategy," etc. Investments were made which actively used FILP as a source of long term risk money, to support packaged infrastructure overseas deployment and procurement of natural resources such as rare earth minerals. And in the FY2012 FILP plan, based on the "Strategy for Rebirth of Japan," etc. it was decided to support Japan's revitalization and strengthen its growth potential, for example in its resource procurement strategy.

### ◆ "The New Growth Strategy" (June 18, 2010 Cabinet Decision) [Excerpt]

#### (7) Financial strategy

Promoting the active efforts of private-sector financial institution as measures to make use of national financial assets in growth fields and regions.

In addition, working in cooperation with the private sector. For example, promotion of the use of government-affiliated financial institutions and the Fiscal Investment and Loan Program (FILP), as well as the use and consideration of fund schemes.

### ◆ "Strategy for Rebirth of Japan" (December 24, 2011 Cabinet Decision) [Excerpt]

Under "short-term major high-priority projects in each field," the following measures utilizing FILP are listed.

- Utilizing positive effects of yen appreciation to encourage overseas M & A projects and procurement of resources <Innovation Network Corporation of Japan, and Japan Oil, Gas and Metals National Corporation (JOGMEC)>
- Expanding the supply of growth money through public-private cooperation <Innovation Network Corporation of Japan, Japan Growth Fund Corporation for Agriculture, Forestry and Fisheries (tentative name), PFI Project Promotion Public-Private Infrastructure Fund (tentative name)>
- Shifting to Sixth Industries, growth industries <Japan Growth Fund Corporation for Agriculture, Forestry and Fisheries (tentative name)>
- Using government-owned land to develop social welfare facilities

## (2) Active Utilization of FILP in Future

It is necessary to actively use FILP, taking into account the current harsh economic and fiscal conditions while considering the importance of fiscal measures which do not rely on tax sources, it is necessary to actively use FILP. This policy is established in the "Strategy for Rebirth of Japan" (July 31, 2012 Cabinet Decision).

### ◆ "Rebirth of Japan : A Comprehensive Strategy" (July 31, 2012 Cabinet Decision) [Excerpt]

#### Introduction

#### 5. Relation between "Strategy for Rebirth of Japan" and Drawing up a budget

- ③ In doing so, comprehensively take measures such as active utilization of FILP, tax system reform, regulatory reform, and system finance measures. Thereby ensure efficiency in priority areas.

#### III. Overcoming deflation and medium- to long-term economic and fiscal management

##### 1. Overcoming deflation

##### (2) Basic direction of policy to overcome deflation

- To dynamically mobilize goods, people and money as listed in item 2, the government will take optimal policy means, such as regulation and system reform, budgets and FILP, and the tax system in FY2012 and FY2013. It will take more concrete actions in its FY2013 budget process.

##### 2. Policy field that should be emphasized for overcoming deflation and for economic vitalization

##### (1) Mobilize goods

- Promotion of investments in infrastructure renewal through strong promotion of PFI and utilization of FILP, etc.

#### IV. Concrete Policies for Rebirth of Japan

##### 1. Framework of policy execution

##### (2) Preparation of policy execution means

- Taking into account the current harsh economic and fiscal conditions while considering the importance of fiscal measures which do not rely on tax, actively aiming at utilizing FILP.

##### 2. Concrete initiatives for "Country of Co-creation"

- 11 growth strategies and 38 priority policy actions-

##### ③ New funds cycle to vitalize financial and capital markets (financial strategy)

(Priority policy actions: policy finance and public-private cooperation to expand supply of funds)

- Actively use FILP, as it is a fiscal measure which does not rely on tax.

## <Example of Support to Strengthen Growth Potential> Japan Oil, Gas and Metals National Corporation (JOGMEC)

Japan Oil, Gas and Metals National Corporation (JOGMEC) provides risk money needed for exploration and development of petroleum, natural gas, and metal minerals, aiming at stable supplies of resources and energy and protection of the environment. JOGMEC also engages in operations needed for storage of petroleum and metal minerals, and provides funds needed to prevent harm from metal mining, etc.

### ◆Example : Republic of Chile "Caserones Copper and Molybdenum Mine Development Project"

This project was promoted by the two Japanese companies that hold 100% of the rights and interests in this large copper and molybdenum mine development project. It aims to start operating in 2013, and plans to supply the copper concentrate produced (about 150,000 tons of copper/year) to smelters in Japan. This is equal to about 11.5% of Japan's total 1,306,000 tons imports of copper concentrate (2010: Copper Bulletin June 2011). Thus it will greatly contribute to stable procurement of copper resources for Japan.

After the Japanese companies obtained the rights to this project in 2006, JOGMEC provided a total 12.9 billion yen of loans in the exploration stage, and debt guarantees for 90% (US\$270 million) of US\$300 million lent from private financial institutions in the development stage. This is the first JOGMEC mineral exploration loan project which advanced to the development stage, and the first metal resource development project which in the development stage JOGMEC provides support in cooperation with the Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI). This can be considered a large result of the Japanese government's policies for stable procurement of mineral resources.



Japan Oil, Gas and Metals National Corporation / Overseas Development Fund Debt Guarantee / Caserones Copper and Molybdenum Mine / Region III, Republic of Chile

## Innovation Network Corporation of Japan

To promote further development of the Japanese economy and industries, building and executing strategies to promote stronger competitiveness on a global level are becoming urgent issues. In this process, it is important to have "open innovation," which is the promotion of self-reform and innovation in vision and actions, unrestrained by business models which have become familiar to Japan and Japanese companies, and unbound by conventional frameworks of industries and companies. Based on this concept of "open innovation," Innovation Network Corporation of Japan engages in various activities in cooperation with the business world, to create industries which will generate national wealth of the next generation. Also, industry investment capital, etc. are utilized as fundraising means needed for these operations.

### ◆Example : Proactive Overseas Company Acquisition Project

Electric power generation by renewable energy is becoming popular in Europe. There, European governments have policies to support offshore wind power, so such power generation is growing rapidly now. In the North Sea over the next 10 years, there are plans to build offshore wind power sites which will deliver about 40 million KW (equivalent to the electricity generated by about 40 nuclear power plants).

In this environment, the Innovation Network Corporation of Japan and private companies purchased 100% ownership of a UK company which has a special ship dedicated to offshore installation work, and is a leading company providing installation of offshore wind power turbines and services for offshore gas platform facilities, with further growth expected. This supports Japanese companies' first full scale entry into the business of installation by a special ship targeting the offshore wind power generation business, where dramatic market expansion is expected.

This project utilized part of the support measures such as overseas company acquisition utilizing positive effects of yen appreciation, under the Third Supplementary Budget in November 2011.



Innovation Network Corporation of Japan/  
Utilization of Overseas Management Resources/  
Special offshore wind power turbine installation vessels owned  
by the UK company that has been acquired/Europe

# Column The FILP Special Account

The FILP special account is one of the special accounts of the government which is set up to clarify the management of the Fiscal Loan Fund and accounting of industrial investments. This special account was set up in FY2008 to integrate the "Fiscal Loan Fund Special Account" and the "Industrial Investment Special Account", in accordance with the "Act on Special Accounts" on the basis of Administrative Reform Promotion Act which showed the direction for the reform of special accounts.

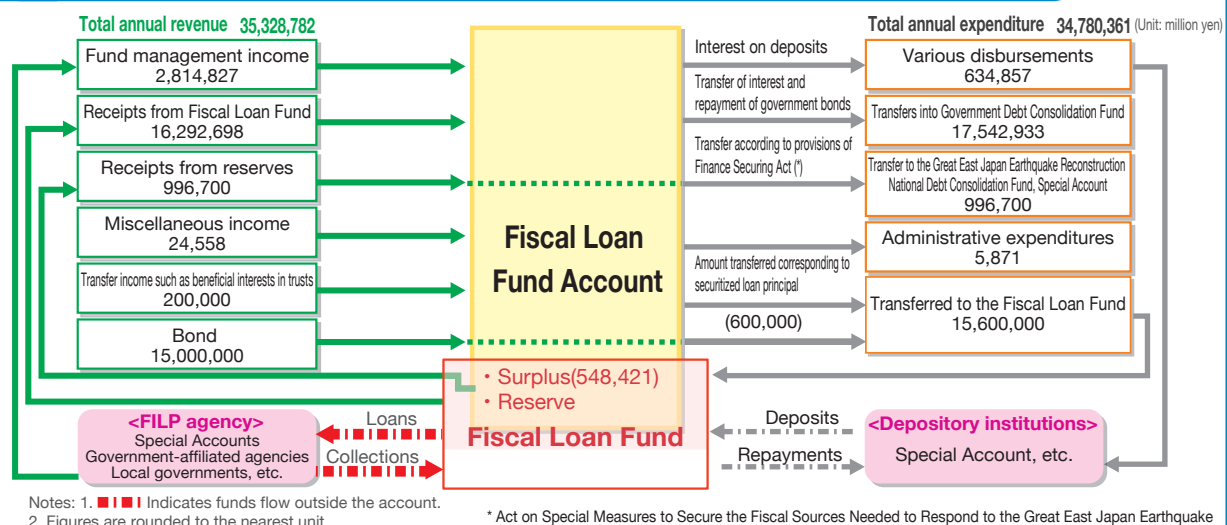
The FILP Special Account is subdivided into the Fiscal Loan Fund Account that executes the accounting for the Fiscal Loan Fund, the Investment Account which executes the accounting for industrial investments, and the Specific National Property Consolidation Account.

The main revenues for the Fiscal Loan Fund Account are Fiscal Loan Fund management income and public bonds (FILP bonds); its main expenditures are redemptions and interest payments for FILP bonds etc. (transfers into the Special Account for the Government Debt Consolidation Fund), and transfers into the Fiscal Loan Fund in order to make fiscal loans. The main revenues for the Investment Account are payments into the national treasury by Japan Bank for International Cooperation and dividends of NTT and JT shares etc. held in that account; its main expenditures are for industrial investments. In FY2012, in order to compensate for local government fiscal shortfalls, it was decided to use payments from the Japan Finance Organization for Municipalities, transferring them into the Special Account for the Allotment of Local Allocation Tax and Local Transfer Tax.

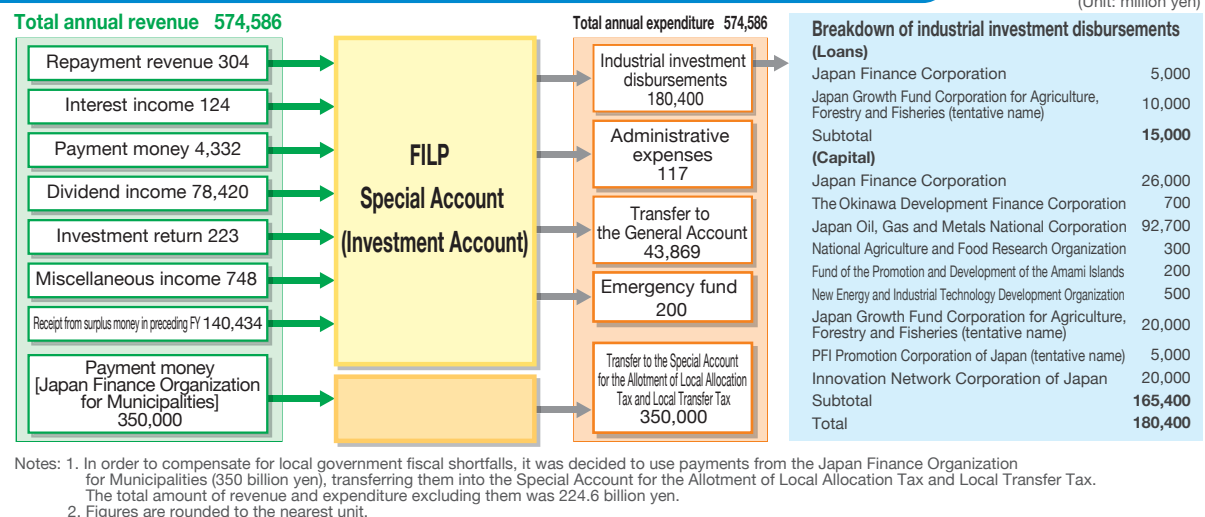
Profit and loss statements and balance sheets compiled on an accrual basis in accordance with business accounting principles are attached to the annual budget documents of the Fiscal Loan Fund Account and the Investment Account (FILP Special Account Financial Statements are shown in the Appendix, pages 60 to 65).

Note: Due to the merger of the Specific National Property Consolidation Special Account with the General Account starting FY2010, the Specific National Property Consolidation Account was set up as a transitional measure in order to account for projects not completed by the end of FY2009, from FY2010 until the fiscal year in which such projects are completed.

## Cash Flow of Fiscal Loan Fund Account of the FILP Special Account(FY2012 Budget)



## Cash Flow of Investment Account of the FILP Special Account(FY2012 Budget)



# 2. Summary of the Fiscal Loan Fund Management Report for FY2011

## 1. Allocation of FILP Funds in FY2011

(Unit: billion yen)

Classification	Initial Budget A	Revision B	Amount Carried over from FY2010 C	Total Amount following revision D (=A+B+C)	Used Amount in FY2011 E	Amount Carried Over to FY 2012 F	Unused Amount G (=D-E-F)
FY2011	14,905.9	5,664.1	2,682.6	23,252.6	13,879.8	2,538.3	6,834.5
Fiscal Loan	10,910.1	5,629.1	2,677.4	19,216.6	10,287.9	2,537.6	6,391.1
Industrial Investment	291.2	35.0	5.2	331.4	303.4	0.7	27.4
Government Guarantee	3,704.6	—	—	3,704.6	3,288.6	—	416.0
Reference: FY2010	18,356.9	234.0	2,556.3	21,147.2	13,825.2	2,682.6	4,639.4

The revision of 5,664.1 billion yen represents the aggregate value of the supplementary allocation of 4,322 billion yen as the financial resources in the first supplementary budget for FY2011 for the purpose of supporting devastated businesses in stabilizing operations following the damage caused by the Great East Japan Earthquake and of addressing the financial demands for post-disaster rehabilitation; and the supplementary allocation of 1,342.1 billion yen as financial resources in the third supplementary budget for FY2011 for the purpose of facilitating the recovery from the Great East Japan Earthquake and addressing measures against the rapid appreciation of the yen against foreign currencies.

### Classification of FILP plan outstanding amount

(Unit: billion yen)

Classification	End FY2010	Increase/Decrease in FY2011	End FY2011
FILP Plan	189,161.0	△8,031.2	181,129.8
Fiscal Loan	152,263.5	△9,012.0	143,251.5
Fiscal Loan Fund	136,771.3	△8,265.6	128,505.7
Industrial Investment	3,789.8	+272.7	4,062.5
Government Guarantee	33,107.7	+708.0	33,815.7

### Changes in the Amount of Used Funds in the FILP Plan

(Unit: billion yen)

FY	FILP Plan	Fiscal Loan
2000	36,602.4	26,570.4
2001	23,971.1	19,249.6
2002	20,218.1	15,180.7
2003	20,043.8	14,011.2
2004	19,872.3	13,497.2
2005	15,320.9	9,475.8
2006	13,595.0	8,725.4
2007	12,259.1	7,683.5
2008	13,946.0	10,042.5
2009	16,765.4	13,116.5
2010	13,825.2	10,630.8
2011	13,879.8	10,287.9

### Changes in the Amount of Unused Funds in the FILP Plan

(Unit: billion yen)

FY	FILP Plan	Fiscal Loan
2000	9,306.0	8,828.8
2001	8,703.7	7,735.0
2002	7,257.2	6,268.8
2003	4,445.8	3,611.6
2004	2,185.0	1,626.2
2005	2,468.8	1,592.0
2006	2,421.0	1,711.2
2007	2,179.3	1,729.7
2008	2,692.0	2,038.0
2009	6,749.0	4,916.4
2010	4,639.4	2,951.3
2011	6,834.5	6,391.1

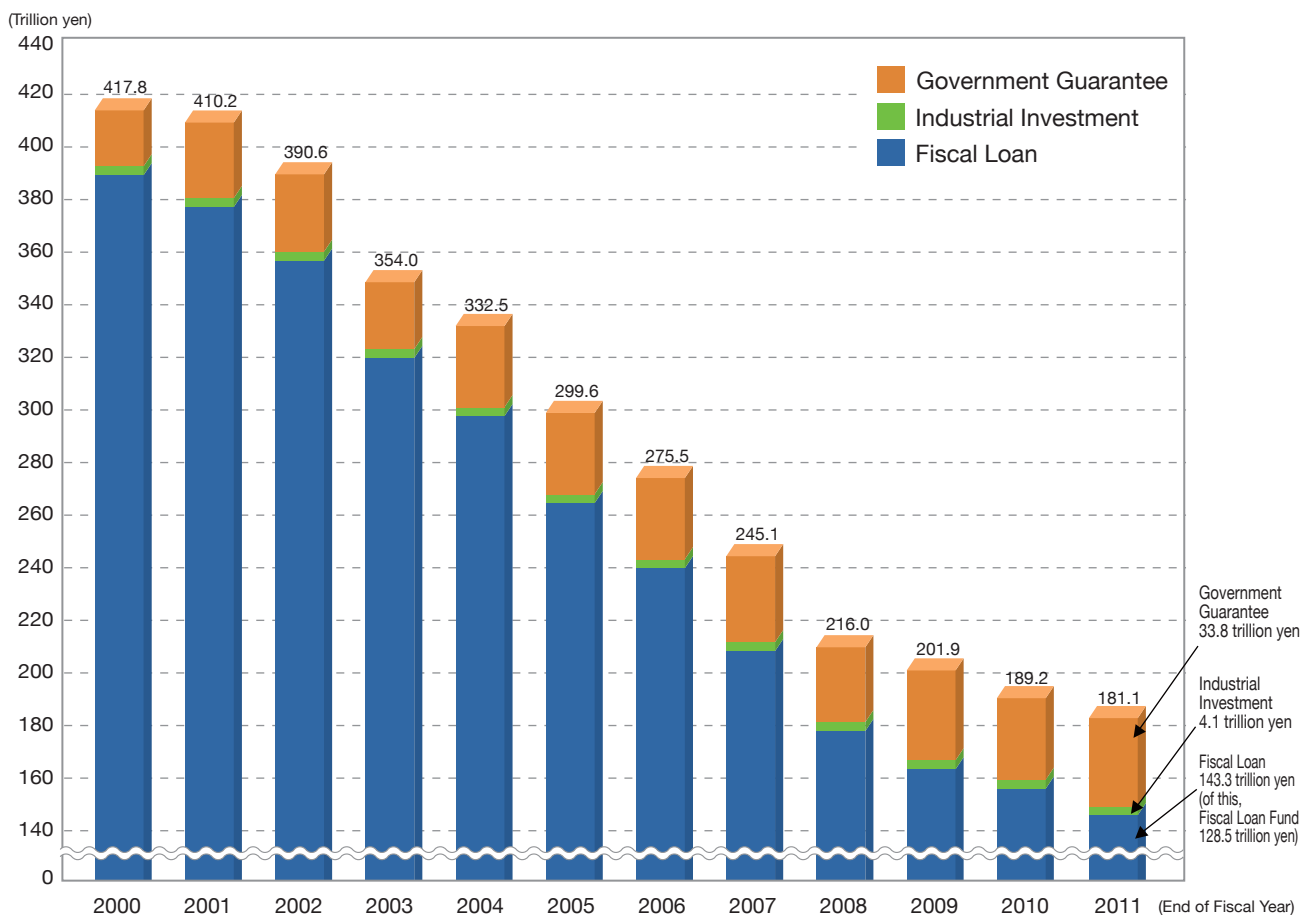


## Major Institutions with Large Amounts of Used Funds in the FILP Plan for FY2011

(Unit: billion yen)

Institution	Initial Budget (A)	Amount Carried over from FY2010 (B)	Additional Amount (C)	Total Amount following Revision (A+B+C)	Used Amount	Unused Amount	Amount Carried Over to FY2011
Japan Finance Corporation	5,748.7	—	4,102.8	9,851.5	4,902.8	4,948.7	—
Local Governments	3,731.0	2,627.0	910.0	7,268.0	3,805.0	955.6	2,507.4
Japan Expressway Holding and Debt Repayment Agency	1,720.0	—	—	1,720.0	1,712.7	7.3	—
Development Bank of Japan Inc.	650.0	—	220.0	870.0	796.3	73.7	—
Japan Student Services Organization	768.8	—	—	768.8	757.3	11.5	—
Japan Finance Organization for Municipalities	710.0	—	—	710.0	709.9	0.1	—
Urban Renaissance Agency	399.0	30.5	—	429.5	371.0	46.7	11.8
Welfare And Medical Service Agency	246.0	—	176.4	422.4	319.3	103.1	—
Japan International Cooperation Agency	438.0	—	—	438.0	78.2	359.8	—
The Okinawa Development Finance Corporation	83.7	—	—	83.7	77.4	6.3	—
Others	410.7	25.1	254.9	690.7	349.8	321.8	19.1
<b>Total</b>	<b>14,905.9</b>	<b>2,682.6</b>	<b>5,664.1</b>	<b>23,252.6</b>	<b>13,879.8</b>	<b>6,834.5</b>	<b>2,538.3</b>
<b>Fiscal Loans</b>	<b>10,910.1</b>	<b>2,677.4</b>	<b>5,629.1</b>	<b>19,216.6</b>	<b>10,287.9</b>	<b>6,391.1</b>	<b>2,537.6</b>

## Changes in the Outstanding Amount of the FILP Plan Balance



## 2. Allocation of the Fiscal Loan Fund in FY2011

### (1) Plan and Performance of Long-Term Fund Allocation

(Unit: billion yen)

Classification	Budgetary Amount for Long-Term Fund Allocation A	Amount Carried over from FY2010 B	Follow-Up Funding by the Flexible Management Clause C	Total Planned Amount for Long-Term Fund Allocation D (=A+B+C)	Used Amount in FY2011 E	Amount Carried Over to FY2012 F	Unused Amount G (=D-E-F)
Long-Term Fund Allocation Plan	16,539.2	2,677.4	—	19,216.6	10,287.9	2,537.6	6,391.1
Central Government	59.2	2.9	—	62.1	47.0	4.4	10.7
Government Financial Institutions	9,305.8	—	—	9,305.8	4,318.8	—	4,987.0
Incorporated Administrative Agencies, etc.	2,533.2	47.4	—	2,580.6	2,117.1	25.8	437.7
Local Governments	4,641.0	2,627.0	—	7,268.0	3,805.0	2,507.4	955.6

Note: "Budgetary Amount for Long-Term Fund Allocation" represents the planned amount revised after the supplementary allocation.

### (2) Short-Term Fund Allocation Performance

(Unit: billion yen)

Classification	Outstanding Amount at the End of FY2010	Increase/Decrease in FY2011	Outstanding Amount at the End of FY2011
Short-Term Fund Allocation	16,062.1	△799.9	15,262.3
Bonds	2,897.5	+399.7	3,297.2
Loans	13,164.7	△1,199.6	11,965.1
Special Account for the Allotment of Local Allocation Tax and Local Transfer Tax	11,684.8	△1,200.0	10,484.8
Special Account for Pension	1,479.2	—	1,479.2

Notes: The bonds mentioned above are all national government bond securities with sell-back conditions retained under Gensaki operation.

## 3. Change in Fiscal Loan Fund Assets in FY2011

(Unit: billion yen)

Classification	Outstanding Amount at the End of FY2010	Increase/Decrease in FY2011	Outstanding Amount at the End of FY2011
Bonds	6,129.4	+394.7	6,524.2
Loans	161,719.0	△10,049.8	151,669.2
Local Governments	55,205.7	△1,151.7	54,053.9
Japan Finance Corporation	20,264.5	+132.9	20,397.4
Japan Housing Finance Agency	21,344.9	△3,897.9	17,447.0
Urban Renaissance Agency	10,676.7	△60.0	10,616.7
Development Bank of Japan Inc.	4,747.0	△261.6	4,485.4
Beneficiary Trust Certificates	221.6	—	221.6

Note: The 6,524.2 billion yen in bonds consist of,

- National government bond securities with sell-back conditions retained under Gensaki operation (3,297.2 billion yen)
- Road bonds transferred government bonds and Honshu-Shikoku Bridge bonds transferred from the Japan Expressway Holding and Debt Repayment Agency to general accounts in FY2008 based on the "Act on State's Special Financial Measures on Road Construction and Improvement Projects" (722.8 billion yen).
- Special corporation bonds (2,454.2 billion yen)

## 4. Fiscal Investment and Loan Program Bonds (FILP Bonds) in FY2011

(Unit: billion yen)

Classification	Amount outstanding as of the End of FY 2010	Issuance in FY 2011	Redemption in FY2011	Amount outstanding as of the End of FY 2011
FILP Bonds	118,191.8	13,094.4	20,376.3	110,912.2
2-year Bonds	4,330.0	4,569.9	979.9	7,919.9
5-year Bonds	13,073.0	3,407.8	5,395.3	11,085.5
10-year Bonds	80,072.4	4,037.0	13,911.6	70,197.8
10-year Bonds (Inflation-Indexed)	1,078.3	—	89.4	991.3
15-year Bonds (Floating-rate)	1,725.8	—	—	1,725.8
20-year Bonds	15,295.6	989.8	—	16,285.4
30-year Bonds	2,616.6	89.9	—	2,706.5

Note : The amount outstanding for 10-year Inflation-Indexed Bonds as of the end of FY2011 includes an increase in the notional principal of 2.4 billion yen due to a change in commodity prices.

## 5. Deposits into the Fiscal Loan Fund in FY2011

(Unit: billion yen)

Classification	Outstanding Amount of Deposits at the End of FY2010	Increase/Decrease in FY2011	Outstanding Amount of Deposits at the End of FY2011
Deposits	49,479.9	△2,438.5	47,041.4

## 6. Profit and Loss Statement and Balance Sheet of FILP Special Account (Fiscal Loan Fund Account) in FY2011

Fiscal Loan Fund in FY2011 showed a profit of 904.2 billion yen (1,030.2 billion yen in FY2010). Based on Article 56-1 of the "Act on Special Accounts", this profit is carried forward to the next year.

Furthermore, in FY2011, 1,058.8 billion yen was transferred to the general account based on Article 2-1 of the "Act on Special Measures to Secure the Fiscal Sources Needed to Respond to Great East Japan Earthquakes", thus disposing the accounts in such a way that the overall profits for the amount carried forward declined. As a result, the interest rate fluctuation reserve fund stood at 324.9 billion yen as of the end of FY2011.

In FY2011, advance redemptions were accepted from local governments based on Supplementary Provision 33-9 of the "Local Finance Law". The advance redemption amounts and amounts equivalent to exemption of compensation (amount equivalent to abandonment of obtainable future profit) implemented in accordance with this provision are shown below.

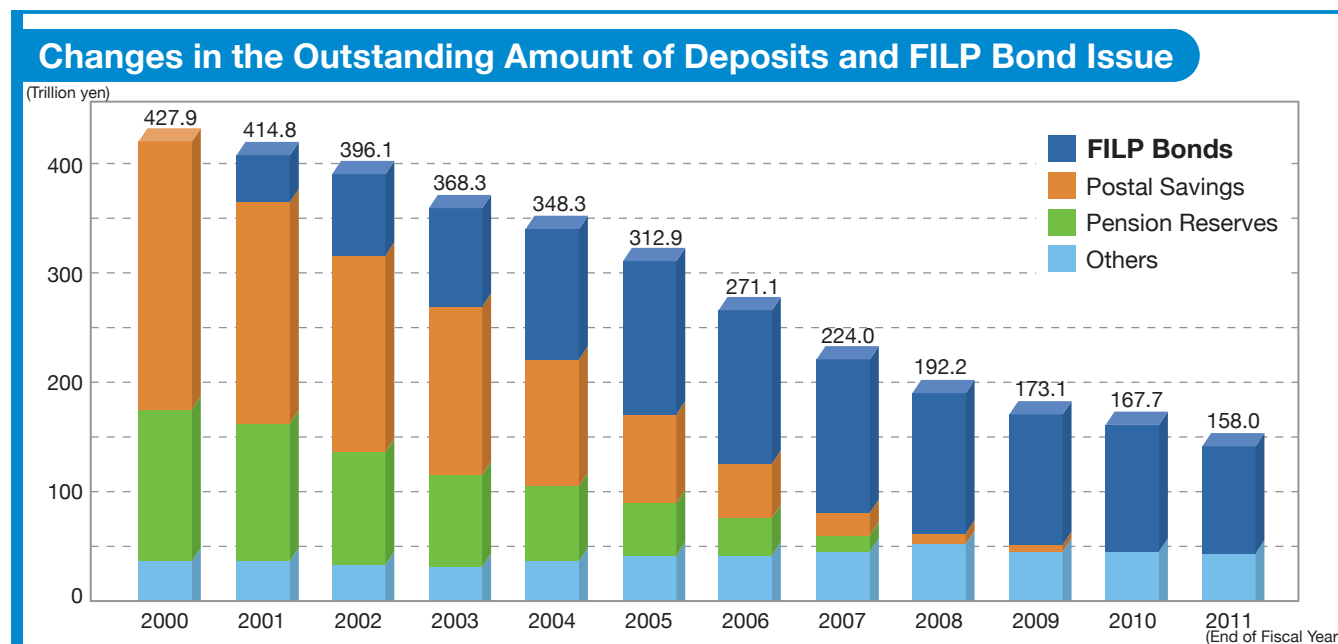
(Unit: billion yen)

Institution	Advance Redemptions	Amount Equivalent to Exemption from Compensation
Local Governments	127.9 (3,566.7)	28.8 (839.8)

Note: Figures in parentheses for "Advance Redemptions" and "Amount Equivalent to Exemption from Compensation" indicate amounts accumulated since FY2007

## 7. Chart of Categories of Projects Funded by the FILP in FY2011

Classifying FILP in 2011 by utilization type, from the actual FILP allocation of 13,879.8 billion yen in FY2011, the main areas were Small to medium enterprises: 2,787.1 billion yen, ;Living environment improvement: 2,726.4 billion yen; and Road construction: 2,263.2 billion yen.



(Unit: trillion yen)

	End of FY2000 Results	End of FY2001 Results	End of FY2002 Results	End of FY2003 Results	End of FY2004 Results	End of FY2005 Results	End of FY2006 Results	End of FY2007 Results	End of FY2008 Results	End of FY2009 Results	End of FY2010 Results	End of FY2011 Results		Total Increase/Decrease (FY2011-2000)
												Results	Increase/Decrease	
FILP Bonds	0.0	43.8	75.6	91.8	121.6	139.4	138.9	139.8	131.1	122.2	118.2	110.9	△ 7.3	110.9
Deposits	427.9	371.0	320.5	276.4	226.8	173.6	132.2	84.3	61.2	50.8	49.5	47.0	△ 2.4	△ 380.8
<b>Total</b>	<b>427.9</b>	<b>414.8</b>	<b>396.1</b>	<b>368.3</b>	<b>348.3</b>	<b>312.9</b>	<b>271.1</b>	<b>224.0</b>	<b>192.2</b>	<b>173.1</b>	<b>167.7</b>	<b>158.0</b>	<b>△ 9.7</b>	<b>△ 269.9</b>



## What are FILP agencies?

### Answer:1

FILP agencies are institutions which utilize FILP. Concretely, they include government affiliated financial institutions like Japan Finance Corporation and incorporated administrative agencies like Japan Student Services Organization.

FILP consists of three elements: fiscal loans, industrial investments and government guarantees. Among them, fiscal loans are provided to the national government (special accounts) and local governments as well as special public corporations / incorporated administrative agencies (corporations established based on special laws, which do not receive private sector financing) etc. Industrial investments are provided to government affiliated financial institutions and incorporated administrative agencies, etc. which comply with the purpose of developing industries and promoting trade, and which have legislative provisions allowing them to receive investments from and return profits to the national government. Government guarantees are basically provided to the institutions with legislative provisions to allow them to receive government guarantees.

In formulating FILP, each fiscal year, while accurately responding to truly required capital demand, eligible projects for FILP are further focused and made more efficient. Therefore, the number of FILP agencies can vary by fiscal year.

#### Ratio of FILP Agencies Among Special Public Corporations and Incorporated Administrative Agencies (as of April 1, 2012)



# Question:2 Q&A

## How is the funding rate or the loan interest rate of the Fiscal Loan Fund decided?

### Answer:2

The funds raised through FILP bonds in the Fiscal Loan Fund are procured at the same interest rate as that of government bonds since FILP bonds are counted as a sort of government bonds. Moreover, the Minister of Finance is authorized to determine the interest rates of the deposits from national special accounts' reserves or surpluses, based on that of government bonds depending on their deposit periods. Therefore, the procurement interest rate of the Fiscal Loan Fund is basically at the same level as the interest rate of government bonds. Likewise, the Minister of Finance decides the loan interest rates based on the market yields of JGB corresponding to loan periods, after reflecting on the different forms of repayment such as the method of reimbursement (ex. principal equal maturity payment, Annuity repayment, bullet repayment) and the deferment period.

The above-mentioned method for setting interest rates was introduced by the FILP Reform. Until then, the deposit interest rate was to be fixed by a cabinet order after considering other market interest rates as well as that of government bonds, and the situations of depositors. Actually, at the time of the FILP Reform, the deposit interest rate for 7 years or more was fixed by adding 0.2% to the nominal interest rate of the 10 years fixed-coupon government bonds which were issued every month. At the same time, the loan interest rate was fixed at the same rate as that of deposits for 7 years or more regardless of loan periods. The FILP Reform enabled the deposit interest rate to be decided based on the interest rate of government bonds by abolishing the preferential regulations for depositors. The FILP Reform also enabled the loan interest rate to be fixed based on the market yields of JGB achieving the harmony with market principles.

In recent years, profits have been generated in the FILP Special Account, but as understood from the above-mentioned method for setting the loan interest rate, the loan interest rate of the Fiscal Loan Fund is basically at the same level as the funding rate. Nevertheless, the FILP Special Account now earns profits. These profits are produced from the difference between the yields on the loan balances and the funding costs of the FILP bonds, etc. This difference is generated by the fact that the 7 years-periods deposits of postal savings and pension reserves on which the procurement was once mainly centered are now replaced with the FILP bonds etc. which have comparatively lower interest rates, while loans with comparatively higher interest rates still remain since fiscal loans include lending for the maximum of 30 years.

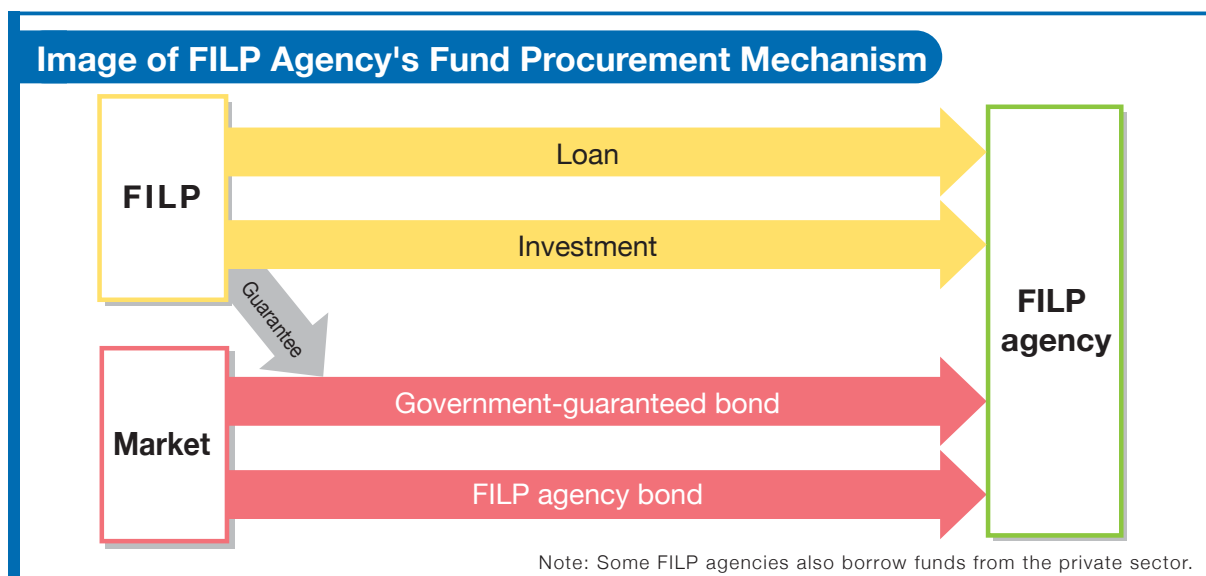
# Q&A Question:3

## How do FILP agencies procure funds?

### Answer:3

Since FILP agencies are provided with funds from the government owing to their policy-roles, they are subject to stringent reviews: for example, funding from FILP is authorized only when it is judged as necessary for policy-purposes through the discussions and resolution of the Diet, after using policy cost analysis and policy evaluation techniques to examine whether the private sector cannot conduct their works, whether provided funds will surely be repaid, etc.

Corporations externally raise funds when they are not able to cover necessary funds to carry out their business only by self-funding. Specific examples of the methods to raise funds are issuing stocks and bonds, borrowing from financial institutions, etc. Though FILP agencies earn income from their own business operations, they also externally raise necessary funds through governmental capital investments and loans, borrowing from the private sector, and the issuance of bonds (FILP agency bonds, etc.) (subsidies may also be provided to ease the burden on users).



## Question:4

# Q&A

## How do FILP bonds differ from the other government bonds?

## Answer:4

FILP bonds are bonds issued by the government, forming a part of government bonds. Since they have the same merchantability as ordinary government bonds and are issued together with the latter, we can observe no difference as financial commodities between them. Both bonds are also the same in the sense that the maximum issuance amount is determined by a Diet resolution. Also, FILP bonds are classified as one sort of government bonds in each fiscal year's government bond issuance plan.

Still, FILP bonds are different from ordinary government bonds in the sense that, in case of FILP bonds, the funds procured through the government bond issuance supply resources to Fiscal Loans of the Fiscal Loan Fund and their redemption is covered by returns from these loans and the 60 year rule does not apply, while ordinary government bonds supply resources to expenditures of the General Account and their repayment is covered by taxation etc. Also, FILP bonds are not classified as debts of the general government in the System of National Accounts, based on the unified standard of economic indicators established by the UN.

### JGB Issuance Plan for FY2012

(Unit: trillion yen)

Classification	Planned Issuance for FY2011, Initial Budget	Including FY2011 Fourth Supplementary Budget	Planned Issuance for FY2012 Initial Budget
FILP bonds	14.0	16.5	15.0
New financial resource bonds	44.3	44.3	44.2
Construction bonds	6.1	8.4	5.9
Special Deficit-financing bonds	38.2	35.9	38.3
Reconstruction bonds	-	11.6	2.7
Refunding bonds	111.3	109.2	112.3
<b>Total</b>	<b>169.6</b>	<b>181.5</b>	<b>174.2</b>

Note: Figures may not sum up to the total because of rounding.



# Q&A Question:5

## Is the money from the postal savings and the pension reserves still being used in FILP?

### Answer:5

At present, the postal savings and the pension reserves are independently managed in the markets, and there is no systematic relation between FILP and these funds.

Prior to the FILP Reform, it was mandatory that the postal savings and the pension reserves be deposited in the Trust Fund Bureau Fund or the predecessor of the Fiscal Loan Fund, providing main financial resources to FILP. However, by the FILP Reform, the postal savings and the pension reserves were made to be managed independently in the markets, and the mandatory deposit in the Fiscal Loan Fund was abolished. Currently, Japan Post Bank manages the postal savings, and the Government Pension Investment Fund (GPIF) manages the pension reserves. Now that the postal savings and the pension reserves deposited prior to the FILP Reform is refunded steadily as per their contracts, the refunding of the pension reserves has been completed by the end of FY2008, and the refunding of the normal postal savings has been completed by the end of FY2007. (Note)

Since both organizations manage the most of their huge assets by buying Japanese Government Bonds, it is often pointed out that the postal savings and the pension reserves are even now being substantially used for FILP through the purchase of government bonds (FILP bonds). However, Japan Post Bank and the GPIF manage the postal savings and the pension reserves respectively in the markets by their own management decisions according to their independent objectives and investment policies, and there is no system for them to be automatically used for FILP.

(Note) Amongst the postal savings, the in-house managed amount (the amount corresponding to the past "financial liberalization fund") was also fully repaid by the end of FY 2010.

## Question:6

# Q&A

## Can borrowers of Fiscal Loan Fund make a pre-maturity redemption?

### Answer:6

When lending or borrowing with fixed interests, both lenders and borrowers bear a certain risk relevant to variances in the future level of interest rates. While borrowers can continue borrowing at the same fixed low interest rate even when the market interest rate hikes, they are rather forced to continue paying at the same high interest rate when the market interest rate drops. As for lenders, while they can continue receiving relatively high interest when the market interest rate falls, they need to be satisfied with the same relatively low interest rate if the market rate increases.

Under such circumstances, if the borrower chooses to do pre-maturity redemption (forwarded repayment) to the lender, the lender loses interest income which would normally continue to be received after such pre-maturity redemption. At the same time, however, the lender is also capable of earning interest income through making new loans by using the funds obtained from the borrower by the pre-maturity redemption. The gap between the lost interest income and newly acquired interest income is ultimately recognized as a loss for the lender caused by the pre-maturity redemption.

Since the Fiscal Loan Fund is managed to achieve account balance without profit margins, the Fund is not capable of simply accepting losses generated by such pre-maturity redemption. The acceptance of pre-maturity redemption is therefore premised on the payment of compensation corresponding to the losses generated by pre-maturity redemption.

The pre-maturity redemption without such compensation is an exceptional measure and therefore the following four requirements stipulated by the FILP Subcommittee of the Fiscal System Council, need to be fulfilled;

- (1) Fundamental revision of the projects
- (2) Separation of the account for the projects subject to pre-maturity redemption from others
- (3) Establishment of a management improvement plan
- (4) Resulting mitigation of the ultimate financial burdens for the people

Pre-maturity redemption must also be implemented in compliance with concerned laws and regulations.

Along with the above-mentioned requirements, pre-maturity redemption without compensation was approved for Government Housing Loan Corporation (currently "Japan Housing Finance Agency"), Urban Renaissance Agency and the Government Pension Investment Fund in FY2005.

Also, pre-maturity redemption without compensation was provided to local governments with severe financial conditions from FY2007 to FY2009. Moreover, this exemption was extended for three years as an exceptional measure, thus it shall also be implemented from FY2010 to FY2012.

# Q&A Question:7

## Can there be non-performing loans in FILP?

### Answer:7

The Fiscal Loan Fund is assumed to perform secure management as per the "Fiscal Loan Fund Act," and loans are restricted to the corporations established by special laws and local governments, etc. In fact, up until now, there have not been any non-performing loan arising from fiscal loans, and the repayments have been conducted in compliance with the contracts. In other words, the financial soundness of FILP-target projects has been assured.

However, as with policy finance for small and medium enterprises, it is a fact that each FILP agency faces various business risks including having bad debts. On this point, in the process of forming a yearly FILP plan, the redemption certainty of FILP agencies is thoroughly scrutinized by closely examining whether the interest rates for lending are fixed after considering credit risks, etc., whether the profitability of FILP-target projects is properly assured, etc. as well as by utilizing the method of policy cost analysis.

Also, in order to maintain sound finances of FILP, checking of FILP agencies is being enhanced, and efforts are being made for on-site monitoring and understanding the fiscal situations of local governments.

Although there are cases where national expenditures are disbursed from the General Account, etc. to FILP-target projects, the purpose of these national expenditure disbursements is not to help cash flows in debt repayments of FILP agencies, but to achieve specific policy goals.





# APPENDIX

Relevant Laws and Regulations (Excerpts) . . . . .	48
Fiscal Investment and Loan Program . . . . .	52
Fiscal Loan Fund Account of the FILP Special Account and Fiscal Loan Funds . . . . .	60
FILP Special Account (Investment Account) . . . . .	66
Policy (Subsidy) Cost Analysis . . . . .	67



## Relevant Laws and Regulations (Excerpts)

### The Fiscal Loan Fund Act (Act No.100 of 1951)

(Purpose)

**Article 1** The purposes of the Act are to establish a Fiscal Loan Fund, integrate and manage the funds deposited from reserves and surpluses in government special accounts and other money to the Fiscal Loan Fund under acts and cabinet orders, and reserves and surpluses in the Fiscal Loan Fund Account of the FILP Special Account and the money transferred from the Fiscal Loan Fund Account, and make loans of such funds to the national government, local governments or the juridical persons established pursuant to special acts in such a way as for them to manage the funds securely and efficiently, all of which contribute to improved public benefit.

(Sources of the Fiscal Loan Fund)

**Article 4** The Fiscal Loan Fund is financed by the funds set aside pursuant to the following article or Article 6 (1) or the provisions in other acts or cabinet orders (Hereinafter referred to as "deposits to the Fiscal Loan Fund".), reserves and surpluses in the Fiscal Loan Fund Account of the FILP Special Account and the money transferred under Article 64 (1) of the Act on Special Accounts (Act No. 23 of 2007).

(Management of the Fiscal Loan Fund)

**Article 10** (1) The Fiscal Loan Fund may be invested in matters listed in the following items.

- (i) Government bonds
- (ii) Loans to the national government
- (iii) Bonds issued by juridical persons whose budgets need Diet decision or approval as provided for Act.
- (iv) Loans to the juridical persons prescribed in the preceding item
- (v) Municipal bonds
- (vi) Loans to local governments
- (vii) Bonds issued by a juridical person that are allowed to issue bonds pursuant to a special act, of those established pursuant to a special act (Excluding the juridical persons prescribed in item (iii) above and don't receive capital investments from other sources than the national government, the juridical persons prescribed in item (iii) and local governments.)
- (viii) Loans to the juridical persons prescribed in the preceding item
- (ix) Bonds issued by foreign governments, international organizations and foreign juridical persons established pursuant to foreign special acts (in the following paragraph referred to as "foreign bonds".)
- (x) Loans to financial institutions or other juridical persons specified in cabinet orders whose bonds are taken up or purchased with the fiscal loan fund

(2) The amount of the Fiscal Loan Fund to be invested in foreign bonds pursuant to the provision of the preceding paragraph shall not exceed one tenth of the total amount of the Fiscal Loan Fund.

(3) Notwithstanding the provision of Paragraph (1), in the event that any of the measures set out in the items of Article 66 (1) of the Act on the Special Accounts need to be implemented, the Fiscal Loan Fund may be invested in the beneficial interests of trust prescribed

in Article 66 (1)(i) and the Asset Backed Securities prescribed in Article 66 (1)(ii).

### The Act on the Special Measures on the Long-Term Management of the Fiscal Loan Fund (Act No. 7 of 1973)

(Purpose)

**Article 1** The Act shall provide for Diet approval, submission of Fiscal Investment and Loan Program (FILP) plan to the Diet and other necessary measures to manage the Fiscal Loan Fund properly and effectively in consideration of the significance of the resource allocation through the long-term management of the Fiscal Loan Fund (the Fiscal Loan Fund specified in Article 2 of the Fiscal Loan Fund Act (Act No. 100 of 1951; hereinafter referred to as the "Fund Act"); the same definition shall apply hereinafter) in the national economy.

(The resolution of the Diet)

**Article 2** (1) Fiscal Loan Funds whose term is 5 years or longer (Excluding those that may be operated pursuant to the provision of the following Article.) of all new Fiscal Loan Funds managed in every fiscal year pursuant to the provisions of the Fund Act shall receive Diet approval on the scheduled amount as part of the budget by target area.

(2) The target areas mentioned as in the preceding Paragraph divide Fiscal Loan Funds for the national bonds and bonds listed in Article 10 (1)(ix) of the Fund Act or for others. The latter category is further divided into the subcategories listed in the following items. The funds related to the national government are also further categorized by type of account while those related to the juridical persons prescribed in Items 2 and 3 are further categorized by type of juridical person.

- (i) National government
- (ii) Juridical persons prescribed in Article 10 (1)(iii) of the Fund Act
- (iii) Juridical persons prescribed in Article 10 (1)(vii) of the Fund Act
- (iv) Local governments

(Fiscal Investment and Loan Program plan)

**Article 5** (1) The Cabinet shall submit any Fiscal Investment and Loan Program (FILP) plan to the Diet when the Cabinet intends to require the resolution of the Diet prescribed in Article 2 (1).

(2) Every FILP plan shall clarify of the scheduled amount for the purpose as listed below and the total amount by target area (National government, juridical persons (Excluding local governments.) or local government. Funds related to the national government are further divided by type of account while those related to juridical persons (Excluding local governments.) are by type of juridical person.).

- (i) Use of the Fiscal Loan Fund that requires the resolution of the Diet pursuant to Article 2 (1) and that is categorized in the

- target areas listed in items of Article 2 (2).
- (ii) Investment prescribed in Article 50 of the Act on Special Accounts (Act No. 23 of 2007) (Excluding the investments that may be used pursuant to Article 14-3 (1) or the proviso in Article 42 of the said Act. Only loans whose term is five years or longer are allowed.)
  - (iii) Government guarantee of corporate bonds (Only corporations specified in Article 2, Paragraph 2, Items 2 to 4 and other corporations specified by cabinet orders) and liabilities of the borrowed money (Only when the guarantee term is five years or longer.)
- (3) The Minister of Finance shall take opinions from the Financial System Council before preparing any FILP plan.

## Act on Administrative Reform Promotion to Achieve a Lean and Efficient Government (Act No. 47 of 2006)

### Section 3 Reform of Special Accounts

(Review of the Industrial Investment Special Account)

- Article 37** (1) Investments managed through the Industrial Investment Account of the Industrial Investment Special Account will be limited to the necessary scope, and the Industrial Investment Account will be transferred to the Fiscal Loan Fund Special Account by FY2008.
- (2) There will be an examination of what should be done with the Industrial Investment Account after it has been transfer, taking into consideration private investments and other conditions, and this examination will include considering eliminating the account.
- (3) (Omitted)

(Review related to the Fiscal Loan Fund Special Account)

- Article 38** (1) In order to appropriately reduce the amount of Fiscal Loan funds, whose annual revenues and annual expenditures are managed in the Fiscal Loan Fund Special Account, the amount of public bonds issued to cover Fiscal Loan Fund Special Account expenditures should be steadily reduced and a plan for the redemption of those bonds should be created.
- (2) While ascertaining how the transfer covered in Article 7, Paragraph 1, is progressing, Fiscal Loan Fund loans to local governments will be gradually reduced.

### Section 5 Reform of Government Assets and Liabilities

(Aim and basic guidelines)

- Article 58** (1) Reform of government assets and liabilities should be undertaken through a review of the management of government assets and liabilities making active use of private sector knowhow at the same time that efforts are made to reduce national property (excluding such assets as foreign exchange stipulated in Article 1 of the Foreign Exchange Fund Special Account Act, money entrusted to Pension Reserve Management and Investment Fund, and publicly-used assets covered in Article 3, Paragraph 2, Item 2 of the National Property Act; the same shall apply in the following articles) by implementing measures, including the review of items such as surpluses (surpluses on the settlement of accounts and reserves in the special accounts; the same shall apply below) and the sale of national property (Assets stipulated in Article 2 of the National Property Act (Act No.73 of 1948); the same shall apply below) in addition to reducing expenditures and continuing to lower

the balance of Fiscal Loan Fund loans.

- (2) The Government shall engage into the financial administration pursuant to the principles set out below to contribute to the promotion of the reforms under the foregoing paragraph and shall proactively publish the information on the same for the furtherance of the nation's comprehension of the same.
- (i) To minimize the public financial burden in the future
  - (ii) To minimize the impacts on the financial administration incurred from the fluctuation of the market interest rate and other factors
  - (iii) To reduce the outstanding debts
  - (iv) To avoid excessive surpluses

(Reduction in government assets)

- Article 59** The government will implement the following measures, taking into consideration that the long-term goal is that the ratio of government asset of GDP in the end of FY2015 and following years should get as close as possible to one half of that in the end of FY2005.
- (i) Make a strict determination of the necessity of possessing government assets
  - (ii) To promote the sale of government assets which are considered to be available for sale
  - (iii) Utilize surpluses that are deemed to be excessive to reduce total government debt and the burden on the Japanese citizens

(Review of management of government assets and liabilities)

- Article 60** (1) The government should implement the following measures for managing government assets and liabilities:
- (i) (Omitted)
  - (ii) Based on the character of national properties, examine and ascertain securitization (the transfer of or putting in trust assets making use of methods such as the liquidation of assets stipulated in Article 2, Paragraph 2, of the Act on Asset Securitization (Act No. 105 of 1998); the same shall apply in the rest of this item) considering whether there are measures to diversify risks and whether the measures reduce the burden on Japanese citizens, and examine the appropriateness of securitization of government loans from a broad perspective.
  - (iii), (iv) (Omitted)
- (2) (Omitted)

## The Act on Special Accounts (Act No. 23 of 2007)

(Establishment)

- Article 2** (1) The Special Accounts listed in following items shall be established.
- (i) to (iii) (Omitted)
  - (iv) The Special Account for the Fiscal Investment and Loan Program
  - (v) to (xviii) (Omitted)
- (2) (Omitted)

(Purpose)

- Article 50** The purpose of the Special Account for the Fiscal Investment and Loan Program is to clarify the accounting of the Fiscal Loan funds and the accounting of investments (contributions and loans; the same shall apply in Article 54 (iii) and Article 59 (1)) utilizing government funds to develop industries and promote trade.

(Account sub-categorization)

**Article 52** The Special Account for the Fiscal Investment and Loan Program shall be subdivided into the Fiscal Loan Fund Account and the Investment Account.

(Accounting of capital and profit/loss)

**Article 56** (1) In the Fiscal Loan Fund Account, profit or loss occurring in the profit and loss calculation every fiscal year shall be carried forward and applied in the following fiscal year.

(2) The amount corresponding to the money transferred according to the regulations given in Article 58 (3) shall be deducted from the amount of profit carried forward in the preceding paragraph.

(Reserve funds)

**Article 58** (1) If there is any surplus resulting from the settlement of revenue and expenditure for each fiscal year in the Fiscal Loan Fund Account, then the sum equivalent to the amount received in the fiscal year concerned (Referred to as the "Received Amount" in the following paragraph.) less total of the amount paid in the fiscal year and the amount that is carried forward for the following fiscal year pursuant to Article 70 and that has become payable in the fiscal year and that is not paid by the closing of the revenue and expenditure (Referred to as the "Paid Amount Etc." in the following paragraph.) shall be held in reserve from the surplus.

(2) In the event of the Received Amount being insufficient for the Paid Amount Etc. at the closing of the fiscal year of the Fiscal Loan Fund Account, the reserve set forth under the previous paragraph shall supplement such insufficiency.

(3) If any amount of the reserve under the foregoing Paragraph 1 exceeding the amount calculated pursuant to the stipulation of the Cabinet Order, a sum from the revenue within such exceeding amount may be transferred to the revenue of the Fiscal Loan Fund Account to be subsequently transferred from the said Account to the Special Account for the Government Debt Consolidation Fund.

(4) Article 8 (2) shall not apply in the event that there is any surplus at the closing of the annual revenue and expenditure for the fiscal year concerned in the Fiscal Loan Fund Account.

(Measures to appropriate for the revenue source of Fiscal Loan Fund)

**Article 66** (1) If the Fiscal Loan Fund is required to be appropriated for the revenue source of management, the Minister of Finance may have the Operating Assets of the Fiscal Loan Fund (Hereinafter referred to as the "Operating Assets" in this article.) belong to the Fiscal Loan Fund Account and may implement the following measures to the said Operating Assets within the fiscal year where the Minister makes such Operating Assets belonging to the Account.

- (i) To entrust the Operating Assets to a financial institution authorized under the Article 1 (1) of the Act on Concurrent Operation of Trust Business by a Financial Institution (Act No. 43 of 1943) and to transfer the beneficial interests of the Operating Assets.
- (ii) To transfer the securities corresponding to assets (The securities corresponding to assets stipulated in Article 2 (11) of the Act on the Securitization of Assets (Act No. 105 of 1998)) to the issuer special purpose company (The issuer special purpose company stipulated in Article 2 (3) of the Act) within the same fiscal year.

(2) In the event that the Minister of Finance has the Operating Assets belong to the Fiscal Loan Fund Account pursuant to the preceding paragraph, the sum equivalent to the principal of the Operating

Assets shall be transferred from the Account to the Fiscal Loan Fund.

- (3) In case of the Minister of Finance implementing any measure stipulated under the Paragraph 1 of this article, the Minister of Finance may be entrusted with the affairs on collection including the collection of the principal and interest related to the Operating Assets entrusted pursuant to Item 1 of the Paragraph 1 or to the Operating Assets transferred pursuant to Item 2 thereof.

## The Implementing Order of the Act on Special Accounts (Cabinet Order No.124 of 2007)

(Presentation of Earning brought Forward on Balance Sheets)

**Article 44** The earning brought forward under Article 56, Paragraph 1 of the Act shall be categorized on balance sheets as follows

- (i) The amount less than the sum equivalent to one hundred thousandth of the total assets of the Fiscal Loan Fund Account of the FILP Special Account as at the end of the fiscal year (Referred to as the "Ceiling".); -Reserves for Interest Variance
- (ii) The amount exceeding the Ceiling; - Special Reserve

(Calculation on the transfer from the Reserve to the Special Account for the Government Debt Consolidation Fund)

**Article 45** The amount calculated pursuant to the stipulation of the Cabinet Order stipulated under Article 58, Paragraph 3 of the Act shall be the sum equivalent to the reserve under Article 58, Paragraph 1 less earning brought forward under Article 56, Paragraph 1 and plus the sum equivalent to fifty thousandth of the total assets on the estimated balance sheet of the fiscal year as stipulated under Article 54, Item 2 of the Act.

## Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake (Act No. 117 of December 2, 2011)

**Article 3** From FY2012 to FY2015, regardless of the provisions of Article 58, Paragraph 3 of the Act on Special Accounts (Act No. 23 of 2007; hereinafter referred to as "Special Accounts Act"), the government can transfer funds from the Fiscal Loan Fund Account of the FILP Special Account, according to provisions in the budget, into the Special Account for the National Debt Consolidation Fund.

(2) Funds transferred according to the provision of the preceding paragraph are treated as expenditures of the Fiscal Loan Fund Account of the FILP Special Account, and an amount equivalent to such transferred funds shall be transferred into revenues of that account from reserve under Article 58, Paragraph 1 of the Special Accounts Act.

(3) The amount equivalent to funds transferred according to the provision of the preceding paragraph shall be arranged by reduction from the amount of profit carried forward stated in Article 56, Paragraph 1 of the Special Accounts Act.

(Transfer of shares of Japan Tobacco Inc. into Special Account for the National Debt Consolidation Fund, etc.)

**Article 4** Under Supplementary Provisions, Article 225, Paragraph 4 of the Special Accounts Act, among the shares of Japan Tobacco Inc. (hereinafter referred to as "JT" in this paragraph) which belonged to the Investment Account of the FILP Special Account, a number of shares equivalent to the number which exceeds the

number required to hold more than one-third of the total number of shares issued by JT (excluding share types which are established as unable to exercise voting rights for all matters which can be voted on in a shareholders meeting; hereinafter the same shall apply in this paragraph) shall be transferred from that account into the Special Account for the National Debt Consolation Fund without compensation.

- (2) Shares transferred into the Special Account for the National Debt Consolation Fund under the provisions of the previous paragraph shall be disposed of by the government as quickly as possible.

(Use of Revenues of Reconstruction Special Tax, etc.)

**Article 72** Revenues of the Reconstruction Special Tax in the period from FY2012 to FY2037 shall be allocated to the financial resources for reconstruction costs and redemption costs (hereinafter referred to as “Costs (including government refinancing bonds concerning such reconstruction bonds; the same shall apply in the following Article, and Paragraph 1 of Article 74, and Article 17 of Supplementary Provisions) Required for Redemption of Reconstruction Bonds (in cases where government refinancing bonds are issued, this excludes portions allocated using revenues of those government refinancing bonds)”).

- (2) During the period from FY2012 to FY2015, the funds transferred under the provisions of Article 3 from the Fiscal Loan Fund Account of the FILP Special Account into the Special Account for the National Debt Consolidation Fund shall be allocated to financial resources for redemption costs.
- (3) Revenues arising by FY2022 due to the disposition of the shares listed below shall be allocated to financial resources for redemption costs.
  - (i) The shares of Japan Tobacco Inc. transferred into the Special Account for the National Debt Consolidation Fund, under the provisions of Article 4, Paragraph 1
  - (ii),(iii) (omitted)
- (4) (Omitted)

### Supplementary Provisions

(Measures necessary for securing sound management of the Fiscal Loan Fund Account of the FILP Special Account)

**Article 2** Regardless of the provisions of Article 6 of the Special Accounts Act, during the period from FY2012 to FY2020, for settlement of revenues and expenditures of the Fiscal Loan Fund Account of the FILP Special Account, the amount already received as stipulated in Article 58, Paragraph 1 of the Special Accounts Act is estimated to be less than the amount already expended as stipulated in the same paragraph. Also, if it is expected that this shortage cannot be supplemented by the provisions of Article 58, Paragraph 2, then with the limit set as the amount equivalent to the amount which it is expected cannot be covered by this supplement, in order to allocate to expenses under Article 53, Paragraph 1, Item 2 of the Special Accounts Act (excluding redemption of government bonds as stipulated in Item 2 (g)), in accordance with matters established in the budget, funds can be transferred from the General Account to the Fiscal Loan Fund Account.

- (2) Funds transferred according to the provisions of the previous paragraph shall be revenues of the Fiscal Loan Fund Account of the FILP Special Account.

(Review of such matters as the securing of funding required for reconstruction measures)

**Article 12** At the proper time after enforcement of this Act, the government shall consider such factors as the status of reconstruction from the Great East Japan Earthquake, and review how to handle reconstruction costs and how to handle various measures to secure the funds needed for reconstruction measures.

(Securing of funding by revenues other than tax revenues)

**Article 13** When reviewing in accordance with the provisions of the previous article, the government shall take the measures listed in the items below and other measures for securing revenues allocated to fund redemption costs of amounts equivalent to 2 trillion yen in the period from FY2011 to FY2022, as well as the matters stipulated in Chapter 2 and Chapter 3.

- (i) Regarding shares of Japan Tobacco Inc., consider the method of government participation in tobacco-related business based on the Tobacco Business Act, and study the possibility of their disposal by revising the approach to holding these shares.
  - (ii) (Omitted)
- (2) As a result of studying each item of the previous paragraph, when the government recognizes that it does not need to hold all or part of the shares stipulated in each item of that paragraph, it shall take legal and regulatory measures and other necessary measures, and dispose of such shares as soon as possible.



# Fiscal Investment and Loan Program

## FILP Plan and Balance

### General FILP Base

(Unit: billion yen)

Section	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Fiscal Loan										
Initial plan	19,461.2	16,026.3	12,214.0	10,361.5	9,422.8	9,388.0	11,991.8	13,505.7	10,910.1	13,524.2
Revised plan	19,461.2	16,281.7	12,214.0	10,361.5	9,422.8	12,002.4	18,442.1	13,715.7	16,539.2	
Results	15,627.8	14,468.2	10,521.6	8,534.9	7,657.2	9,950.8	13,518.8	10,759.4	10,251.0	
Balance	264,406.1	248,984.1	223,480.5	206,589.4	185,545.4	170,061.8	161,906.2	152,263.5	143,251.5	
Industrial Investment										
Initial plan	44.7	80.5	106.4	44.2	32.1	104.0	113.8	97.4	291.2	180.4
Revised plan	44.7	80.5	106.4	44.2	32.1	154.5	382.1	121.4	326.2	
Results	41.3	72.0	94.5	32.1	8.1	144.1	319.0	100.2	298.8	
Balance	3,293.2	3,229.4	3,290.5	3,310.5	3,317.6	3,371.5	3,701.3	3,789.8	4,062.5	
Government Guarantee										
Initial plan	3,905.6	4,382.6	4,831.4	4,598.9	4,707.3	4,376.9	3,757.6	4,753.8	3,704.6	3,943.6
Revised plan	3,905.6	4,382.6	4,831.4	4,598.9	4,707.3	4,426.9	5,087.6	4,753.8	3,704.6	
Results	3,320.5	3,976.5	4,099.9	3,999.4	4,286.8	3,783.3	3,318.1	3,086.9	3,288.6	
Balance	30,112.5	31,000.2	31,053.8	31,638.7	32,872.2	33,834.8	34,319.7	33,107.7	33,815.7	
FILP Total										
Initial plan	23,411.5	20,489.4	17,151.8	15,004.6	14,162.2	13,868.9	15,863.2	18,356.9	14,905.9	17,648.2
Revised plan	23,411.5	20,744.8	17,151.8	15,004.6	14,162.2	16,583.8	23,911.8	18,590.9	20,570.0	
Results	18,989.6	18,516.7	14,716.0	12,566.3	11,952.0	13,878.2	17,155.9	13,946.5	13,838.3	
Balance	297,811.8	283,213.7	257,824.9	241,538.6	221,735.2	207,268.2	199,927.2	189,161.0	181,129.8	

Note: In accordance with the reforms to the FILP system, calculation of the general FILP base excludes Portfolio Investments abolished in FY2001.

### Base with Portfolio Investments Included

(Unit: billion yen)

Section	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Fiscal Loan										
Initial plan	19,461.2	16,026.3	12,214.0	10,361.5	9,422.8	9,388.0	11,991.8	13,505.7	10,910.1	13,524.2
Revised plan	19,461.2	16,281.7	12,214.0	10,361.5	9,422.8	12,002.4	18,442.1	13,715.7	16,539.2	
Results	15,627.8	14,468.2	10,521.6	8,534.9	7,657.2	9,950.8	13,518.8	10,759.4	10,251.0	
Balance	320,587.1	298,274.1	265,240.5	240,549.4	208,955.4	178,761.8	163,906.2	152,263.5	143,251.5	
Industrial Investment										
Initial plan	44.7	80.5	106.4	44.2	32.1	104.0	113.8	97.4	291.2	180.4
Revised plan	44.7	80.5	106.4	44.2	32.1	154.5	382.1	121.4	326.2	
Results	41.3	72.0	94.5	32.1	8.1	144.1	319.0	100.2	298.8	
Balance	3,293.2	3,229.4	3,290.5	3,310.5	3,317.6	3,371.5	3,701.3	3,789.8	4,062.5	
Government Guarantee										
Initial plan	3,905.6	4,382.6	4,831.4	4,598.9	4,707.3	4,376.9	3,757.6	4,753.8	3,704.6	3,943.6
Revised plan	3,905.6	4,382.6	4,831.4	4,598.9	4,707.3	4,426.9	5,087.6	4,753.8	3,704.6	
Results	3,320.5	3,976.5	4,099.9	3,999.4	4,286.8	3,783.3	3,318.1	3,086.9	3,288.6	
Balance	30,112.5	31,000.2	31,053.8	31,638.7	32,872.2	33,834.8	34,319.7	33,107.7	33,815.7	
FILP Total										
Initial plan	23,411.5	20,489.4	17,151.8	15,004.6	14,162.2	13,868.9	15,863.2	18,356.9	14,905.9	17,648.2
Revised plan	23,411.5	20,744.8	17,151.8	15,004.6	14,162.2	16,583.8	23,911.8	18,590.9	20,570.0	
Results	18,989.6	18,516.7	14,716.0	12,566.3	11,952.0	13,878.2	17,155.9	13,946.5	13,838.3	
Balance	353,992.8	332,503.7	299,584.9	275,498.6	245,145.2	215,968.2	201,927.2	189,161.0	181,129.8	

Note: In accordance with the reforms to the FILP system, calculation of the general FILP base includes Portfolio Investments abolished in FY2001.

- References:
1. FILP results are figures arranged on a fund year basis.
  2. Results figures are estimated values at the time of FY2011 closing.
  3. For the FILP outstanding balance, bonds underwritten by the Fiscal Loan fund and the Postal Life Insurance fund are calculated by their holding value (money income base), and government-guaranteed bonds are calculated by face value (face value of government-guaranteed foreign bonds is converted by the foreign currency exchange rate).
  4. In accordance with the reforms to the FILP system, from FY2001 portfolio investment has been abolished, and from FY2001 government-guaranteed foreign bonds with be included in FILP Plan, and will be included in the outstanding balance of the FY2001 Government Guarantee, in addition bonds issued before FY2000 are included in the calculation.

# FY2010 FILP Plan and Results

(Unit: billion yen)

Section	Fiscal Loan			Industrial Investment			Government Guarantee			Total Amount of FILP Financing		
	Initial Plan	Revised Plan	Results	Initial Plan	Revised Plan	Results	Initial Plan	Revised Plan	Results	Initial Plan	Revised Plan	Results
<b>&lt;Special Accounts&gt;</b>												
Special Account for Energy Policy	42.7	42.7	41.7	-	-	-	-	-	-	42.7	42.7	41.7
Special Account for Stable Supply of Food	5.4	5.4	5.0	-	-	-	-	-	-	5.4	5.4	5.0
Special Account for Social Infrastructures Improvement	68.7	68.7	63.9	-	-	-	-	-	-	68.7	68.7	63.9
<b>&lt;Government Financial Institutions&gt;</b>												
Japan Finance Corporation	6,816.6	6,816.6	4,649.2	72.2	72.2	67.7	1,675.0	1,675.0	451.0	8,563.8	8,563.8	5,167.8
The Okinawa Development Finance Corporation	83.2	83.2	74.2	1.0	1.0	0.2	-	-	-	84.2	84.2	74.4
Japan International Cooperation Agency (Incorporated Administrative Agency)	299.9	299.9	192.2	-	-	-	95.0	95.0	-	394.9	394.9	192.2
<b>&lt;Incorporated Administrative Agencies, etc.&gt;</b>												
Japan Housing Finance Agency (Incorporated Administrative Agency)	30.0	30.0	-	-	-	-	-	-	-	30.0	30.0	-
Urban Renaissance Agency (Incorporated Administrative Agency)	406.5	406.5	394.5	-	-	-	-	-	-	406.5	406.5	394.5
Japan Water Agency (Incorporated Administrative Agency)	10.5	10.5	10.5	-	-	-	-	-	-	10.5	10.5	10.5
Japan Finance Organization for Municipalities	-	-	-	-	-	-	750.0	750.0	733.2	750.0	750.0	733.2
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)	53.2	53.2	44.2	-	-	-	-	-	-	53.2	53.2	44.2
Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency)	1.2	1.2	0.4	6.5	20.5	15.0	-	-	-	7.7	21.7	15.4
Welfare And Medical Service Agency (Incorporated Administrative Agency)	208.3	208.3	208.3	-	-	-	-	-	-	208.3	208.3	208.3
National Hospital Organization (Incorporated Administrative Agency)	24.6	24.6	-	-	-	-	-	-	-	24.6	24.6	-
National Cancer Center (Incorporated Administrative Agency)	2.8	2.8	1.8	-	-	-	-	-	-	2.8	2.8	1.8
National Cerebral and Cardiovascular Center (Incorporated Administrative Agency)	0.3	0.3	0.1	-	-	-	-	-	-	0.3	0.3	0.1
National Center for Global Health and Medicine (Incorporated Administrative Agency)	0.7	0.7	-	-	-	-	-	-	-	0.7	0.7	-
National Institute of Biomedical Innovation (Incorporated Administrative Agency)	-	-	-	0.4	0.4	0.4	-	-	-	0.4	0.4	0.4
The Promotion and Mutual Aid Corporation for Private Schools of Japan	32.6	32.6	32.6	-	-	-	-	-	-	32.6	32.6	32.6
Center for National University Finance and Management (Incorporated Administrative Agency)	48.4	48.4	44.0	-	-	-	-	-	-	48.4	48.4	44.0
Japan Student Services Organization (Incorporated Administrative Agency)	724.0	724.0	724.0	-	-	-	-	-	-	724.0	724.0	724.0
National Agriculture and Food Research Organization (Incorporated Administrative Agency)	-	-	-	1.7	1.7	0.5	-	-	-	1.7	1.7	0.5
Forestry and Forest Products Research Institute (Incorporated Administrative Agency)	7.1	7.1	7.1	-	-	-	-	-	-	7.1	7.1	7.1
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)	-	-	-	-	-	-	1,849.0	1,849.0	1,654.7	1,849.0	1,849.0	1,654.7
Fund for the Promotion and Development of the Amami Islands (Incorporated Administrative Agency)	-	-	-	0.2	0.2	0.2	-	-	-	0.2	0.2	0.2
New Energy and Industrial Technology Development Organization (Incorporated Administrative Agency)	-	-	-	5.0	5.0	5.0	-	-	-	5.0	5.0	5.0
National Institute of Information and Communications Technology (Incorporated Administrative Agency)	-	-	-	1.4	1.4	1.3	-	-	-	1.4	1.4	1.3
<b>&lt;Local Governments&gt;</b>												
Local Governments	4,339.0	4,549.0	3,965.8	-	-	-	-	-	-	4,339.0	4,549.0	3,965.8
<b>&lt;Special Corporations&gt;</b>												
Kansai International Airport Co., Ltd.	-	-	-	-	-	-	18.0	18.0	18.0	18.0	18.0	18.0
Central Japan International Airport Co., Ltd.	-	-	-	-	-	-	16.8	16.8	16.8	16.8	16.8	16.8
Development Bank of Japan Inc.	300.0	300.0	300.0	-	-	-	350.0	350.0	213.2	650.0	650.0	513.2
Innovation Network Corporation of Japan	-	-	-	9.0	19.0	10.0	-	-	-	9.0	19.0	10.0
<b>Total</b>	<b>13,505.7</b>	<b>13,715.7</b>	<b>10,759.4</b>	<b>97.4</b>	<b>121.4</b>	<b>100.2</b>	<b>4,753.8</b>	<b>4,753.8</b>	<b>3,086.9</b>	<b>18,356.9</b>	<b>18,590.9</b>	<b>13,946.5</b>

Notes: 1. FILP results are figures arranged on a fund year basis.  
2. The Fiscal Loan is solely comprised of the Fiscal Loan Fund.

# FY2011 FILP Plan and Results

(Unit: billion yen)

Section	Fiscal Loan			Industrial Investment			Government Guarantee			Total Amount of FILP Financing		
	Initial Plan	Revised Plan	Results	Initial Plan	Revised Plan	Results	Initial Plan	Revised Plan	Results	Initial Plan	Revised Plan	Results
<b>&lt;Special Accounts&gt;</b>												
Special Account for Energy Policy	33.1	53.1	42.8	—	—	—	—	—	—	33.1	53.1	42.8
Special Account for Stable Supply of Food	5.6	6.1	5.7	—	—	—	—	—	—	5.6	6.1	5.7
<b>&lt;Government Financial Institutions&gt;</b>												
Japan Finance Corporation	4,687.0	8,784.8	4,163.6	236.7	241.7	237.0	825.0	825.0	502.2	5,748.7	9,851.5	4,902.8
The Okinawa Development Finance Corporation	83.0	83.0	77.0	0.7	0.7	0.4	—	—	—	83.7	83.7	77.4
Japan International Cooperation Agency (Incorporated Administrative Agency)	438.0	438.0	78.2	—	—	—	—	—	—	438.0	438.0	78.2
<b>&lt;Incorporated Administrative Agencies, etc.&gt;</b>												
Japan Housing Finance Agency (Incorporated Administrative Agency)	30.0	210.0	16.8	—	—	—	—	—	—	30.0	210.0	16.8
Urban Renaissance Agency (Incorporated Administrative Agency)	399.0	399.0	352.3	—	—	—	—	—	—	399.0	399.0	352.3
Japan Water Agency (Incorporated Administrative Agency)	10.3	10.6	10.6	—	—	—	—	—	—	10.3	10.6	10.6
Japan Finance Organization for Municipalities	—	—	—	—	—	—	710.0	710.0	709.9	710.0	710.0	709.9
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)	53.1	53.1	53.1	—	—	—	—	—	—	53.1	53.1	53.1
Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency)	0.8	0.8	0.5	12.1	12.1	9.2	—	—	—	12.9	12.9	9.7
Welfare And Medical Service Agency (Incorporated Administrative Agency)	246.0	422.4	319.3	—	—	—	—	—	—	246.0	422.4	319.3
National Hospital Organization (Incorporated Administrative Agency)	27.2	27.2	10.0	—	—	—	—	—	—	27.2	27.2	10.0
National Cancer Center (Incorporated Administrative Agency)	3.2	3.2	2.5	—	—	—	—	—	—	3.2	3.2	2.5
National Center for Global Health and Medicine (Incorporated Administrative Agency)	1.8	1.8	0.7	—	—	—	—	—	—	1.8	1.8	0.7
The Promotion and Mutual Aid Corporation for Private Schools of Japan	30.7	74.8	14.5	—	—	—	—	—	—	30.7	74.8	14.5
Center for National University Finance and Management (Incorporated Administrative Agency)	54.8	54.8	51.9	—	—	—	—	—	—	54.8	54.8	51.9
Japan Student Services Organization (Incorporated Administrative Agency)	768.8	768.8	757.3	—	—	—	—	—	—	768.8	768.8	757.3
National Agriculture and Food Research Organization (Incorporated Administrative Agency)	—	—	—	0.3	0.3	0.3	—	—	—	0.3	0.3	0.3
Forestry and Forest Products Research Institute (Incorporated Administrative Agency)	6.7	6.7	6.7	—	—	—	—	—	—	6.7	6.7	6.7
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)	—	—	—	—	—	—	1,720.0	1,720.0	1,712.7	1,720.0	1,720.0	1,712.7
Fund for the Promotion and Development of the Amami Islands (Incorporated Administrative Agency)	—	—	—	0.2	0.2	0.2	—	—	—	0.2	0.2	0.2
New Energy and Industrial Technology Development Organization (Incorporated Administrative Agency)	—	—	—	1.2	1.2	1.2	—	—	—	1.2	1.2	1.2
<b>&lt;Local Governments&gt;</b>												
Local Governments	3,731.0	4,641.0	3,787.5	—	—	—	—	—	—	3,731.0	4,641.0	3,787.5
<b>&lt;Special Corporations&gt;</b>												
Organization for Promoting Urban Development	—	—	—	—	—	—	30.0	30.0	—	30.0	30.0	—
Kansai International Airport Co., Ltd.	—	—	—	—	—	—	49.0	49.0	49.0	49.0	49.0	49.0
Central Japan International Airport Co., Ltd.	—	—	—	—	—	—	20.6	20.6	18.8	20.6	20.6	18.8
Development Bank of Japan Inc.	300.0	500.0	500.0	—	20.0	0.4	350.0	350.0	295.9	650.0	870.0	796.3
Innovation Network Corporation of Japan	—	—	—	40.0	50.0	50.0	—	—	—	40.0	50.0	50.0
<b>Total</b>	<b>10,910.1</b>	<b>16,539.2</b>	<b>10,251.0</b>	<b>291.2</b>	<b>326.2</b>	<b>298.8</b>	<b>3,704.6</b>	<b>3,704.6</b>	<b>3,288.6</b>	<b>14,905.9</b>	<b>20,570.0</b>	<b>13,838.3</b>

Notes: 1. Results figures are estimated values at the time of FY2011 closing.  
2. The Fiscal Loan is solely comprised of the Fiscal Loan Fund

# FY2012 FILP Plan

(Unit: billion yen)

Section	Fiscal Loan	Industrial Investment	Government Guarantee	Total Amount of FILP Financing	(Reference) Own Funds, etc.
<b>&lt;Special Accounts&gt;</b>					
Special Account for Energy Policy	90.0	—	—	90.0	1,409.3
Special Account for Stable Supply of Food	6.4	—	—	6.4	48.0
<b>&lt;Government Financial Institutions&gt;</b>					
Japan Finance Corporation	5,942.0	31.0	185.0	6,158.0	(375.0) 3,038.7
The Okinawa Development Finance Corporation	82.5	0.7	—	83.2	(20.0) 32.3
Japan Bank for International Cooperation	400.0	—	211.5	611.5	(50.0) 1,686.5
Japan International Cooperation Agency (Incorporated Administrative Agency)	427.0	—	—	427.0	(80.0) 453.0
<b>&lt;Incorporated Administrative Agencies, etc.&gt;</b>					
Japan Housing Finance Agency (Incorporated Administrative Agency)	300.0	—	—	300.0	(2,233.3) 2,430.6
Urban Renaissance Agency (Incorporated Administrative Agency)	477.7	—	—	477.7	(80.0) 939.3
Japan Water Agency (Incorporated Administrative Agency)	9.9	—	—	9.9	(8.0) 159.7
Japan Finance Organization for Municipalities	—	—	810.0	810.0	2942.5
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)	58.1	—	—	58.1	(116.0) 447.2
Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency)	0.5	92.7	—	93.2	33.4
Welfare And Medical Service Agency (Incorporated Administrative Agency)	358.8	—	—	358.8	(73.0) 189.9
National Hospital Organization (Incorporated Administrative Agency)	29.1	—	—	29.1	(5.0) 39.6
National Cancer Center (Incorporated Administrative Agency)	3.0	—	—	3.0	0.0
National Center for Global Health and Medicine (Incorporated Administrative Agency)	0.9	—	—	0.9	0.1
The Promotion and Mutual Aid Corporation for Private Schools of Japan	54.5	—	—	54.5	(5.0) 39.3
Center for National University Finance and Management (Incorporated Administrative Agency)	51.9	—	—	51.9	(5.0) 3.5
Japan Student Services Organization (Incorporated Administrative Agency)	838.3	—	—	838.3	(180.0) 11.3
National Agriculture and Food Research Organization (Incorporated Administrative Agency)	—	0.3	—	0.3	0.2
Forestry and Forest Products Research Institute (Incorporated Administrative Agency)	6.6	—	—	6.6	24.9
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)	—	—	2,286.0	2,286.0	(610.0) 2,254.2
Fund for the Promotion and Development of the Amami Islands (Incorporated Administrative Agency)	—	0.2	—	0.2	2.4
New Energy and Industrial Technology Development Organization (Incorporated Administrative Agency)	—	0.5	—	0.5	0.1
<b>&lt;Local Governments&gt;</b>					
Local Governments	3,887.0	—	—	3,887.0	10143.1
<b>&lt;Special Corporations&gt;</b>					
Organization for Promoting Urban Development	—	—	30.0	30.0	30.0
Japan Growth Fund Corporation for Agriculture, Forestry and Fisheries (tentative name)	—	30.0	—	30.0	2.0
New Kansai International Airport Co., Ltd.	—	—	23.0	23.0	(63.7) 97.3
Central Japan International Airport Co., Ltd.	—	—	48.1	48.1	34.5
PFI Promotion Corporation of Japan (tentative name)	—	5.0	—	5.0	2.5
Development Bank of Japan Inc.	500.0	—	350.0	850.0	(400.0) 1,000.0
Innovation Network Corporation of Japan	—	20.0	—	20.0	200.0
<b>Total</b>	<b>13,524.2</b>	<b>180.4</b>	<b>3,943.6</b>	<b>17,648.2</b>	<b>(4,304.0)</b>

Notes: 1. Figures are based on the initial plan of FY2012.  
2. For "(Reference) Own funds, etc.", figures in ( ) are the amounts procured by the issuance of FILP bonds, public bonds without government guarantees issued by individual FILP agencies in private financial markets.  
3. The Fiscal Loan is solely comprised of the Fiscal Loan Fund.

I Outline of Fiscal Investment and Loan Program (FILP)  
P. 2 ~ P. 17

II FILP Initiatives in Recent Years  
P. 18 ~ P. 29

III FILP Movements in FY2011  
P. 30 ~ P. 39

IV FAQ  
P. 40 ~ P. 46

V APPENDIX  
P. 47 ~ P. 73

VI Glossary Information Directory  
P. 74 ~ P. 83



# FY2009, 2010, and 2011 Year-End FILP Plan Balance

(Unit: billion yen)

Section	Fiscal Loan			Fiscal Loan Fund			Industrial Investment			Government Guarantee			Total		
	FY2009	FY2010	FY2011	FY2009	FY2010	FY2011	FY2009	FY2010	FY2011	FY2009	FY2010	FY2011	FY2009	FY2010	FY2011
<b>&lt;General Accounts and Special Accounts&gt;</b>															
General Accounts	3,321.1	2,641.3	1,823.3	3,321.1	2,641.3	1,823.3	-	-	-	-	-	-	3,321.1	2,641.3	1,823.3
FILP Special Account	2.4	1.6	0.8	2.4	1.6	0.8	-	-	-	-	-	-	2.4	1.6	0.8
Special Account for Energy Policy	182.8	205.9	229.4	182.8	205.9	229.4	-	-	-	-	-	-	182.8	205.9	229.4
Special Account for National Centers for Advanced and Specialized Medical Care	172.8	-	-	172.8	-	-	-	-	-	-	-	-	172.8	-	-
Special Account for Stable Supply of Food	34.5	41.3	46.1	34.5	41.3	46.1	-	-	-	-	-	-	34.5	41.3	46.1
Special Account for National Forest Service	559.9	516.0	472.2	559.9	516.0	472.2	-	-	-	-	-	-	559.9	516.0	472.2
Special Account for Social Infrastructure Improvement	893.1	885.1	796.8	893.1	885.1	796.8	-	-	-	-	-	-	893.1	885.1	796.8
<b>&lt;Government Financial Institutions/Banks&gt;</b>															
Japan Finance Corporation	19,481.5	20,264.5	20,397.4	19,480.4	20,264.5	20,397.4	1,338.7	1,406.2	1,643.0	3,105.6	2,734.5	2,829.4	23,925.8	24,405.2	24,869.8
The Okinawa Development Finance Corporation	772.3	699.6	630.6	770.8	699.6	630.6	6.4	6.6	7.1	-	-	-	778.7	706.2	637.6
Japan International Cooperation Agency (Incorporated Administrative Agency)	2,730.2	2,459.8	2,220.0	2,730.2	2,459.8	2,220.0	-	-	-	-	-	-	2,730.2	2,459.8	2,220.0
<b>&lt;Incorporated Administrative Agencies, etc.&gt;</b>															
Japan Housing Finance Agency (Incorporated Administrative Agency)	24,480.6	21,344.9	17,447.0	24,469.2	21,344.9	17,447.0	99.5	99.5	88.9	711.6	110.0	-	25,291.7	21,554.4	17,535.9
Urban Renaissance Agency (Incorporated Administrative Agency)	10,745.8	10,701.7	10,633.3	10,682.3	10,676.7	10,616.7	61.2	61.2	61.2	-	-	-	10,807.0	10,762.9	10,694.5
Government Pension Investment Fund (Incorporated Administrative Agency)	152.1	-	-	152.1	-	-	-	-	-	-	-	-	152.1	-	-
Employment and Human Resources Development Organization of Japan (Incorporated Administrative Agency)	17.5	15.3	13.1	17.5	15.3	13.1	-	-	-	-	-	-	17.5	15.3	13.1
Japan Water Agency (Incorporated Administrative Agency)	617.4	556.8	516.3	595.3	556.8	516.3	-	-	-	-	-	-	617.4	556.8	516.3
Japan Finance Organization for Municipalities	-	-	-	-	-	-	-	-	-	11,673.9	10,566.9	9,528.3	11,673.9	10,566.9	9,528.3
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)	1,447.8	1,282.0	1,122.0	1,447.3	1,282.0	1,122.0	50.8	50.3	50.3	-	-	-	1,498.6	1,332.3	1,172.3
Environmental Restoration and Conservation Agency (Incorporated Administrative Agency)	46.2	31.8	20.0	46.2	31.8	20.0	-	-	-	-	-	-	46.2	31.8	20.0
Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency)	5.3	4.9	4.6	5.3	4.9	4.6	47.6	66.2	76.2	-	-	-	52.9	71.1	80.8
Welfare And Medical Service Agency (Incorporated Administrative Agency)	2,869.5	2,772.3	2,771.6	2,869.5	2,772.3	2,771.6	-	-	-	-	-	-	2,869.5	2,772.3	2,771.6
National Hospital Organization (Incorporated Administrative Agency)	524.9	494.1	457.9	524.9	494.1	457.9	-	-	-	-	-	-	524.9	494.1	457.9
National Cancer Center (Incorporated Administrative Agency)	-	15.5	17.6	-	15.5	17.6	-	-	-	-	-	-	-	15.5	17.6
National Cerebral and Cardiovascular Center (Incorporated Administrative Agency)	-	2.1	1.8	-	2.1	1.8	-	-	-	-	-	-	-	2.1	1.8
National Center of Neurology and Psychiatry (Incorporated Administrative Agency)	-	3.1	3.0	-	3.1	3.0	-	-	-	-	-	-	-	3.1	3.0
National Center for Global Health and Medicine (Incorporated Administrative Agency)	-	18.2	18.3	-	18.2	18.3	-	-	-	-	-	-	-	18.2	18.3
National Center for Child Health and Development (Incorporated Administrative Agency)	-	9.6	8.9	-	9.6	8.9	-	-	-	-	-	-	-	9.6	8.9
National Center for Geriatrics and Gerontology (Incorporated Administrative Agency)	-	0.9	0.7	-	0.9	0.7	-	-	-	-	-	-	-	0.9	0.7
National Institute of Biomedical Innovation (Incorporated Administrative Agency)	-	-	-	-	-	-	37.3	37.6	35.7	-	-	-	37.3	37.6	35.7
The Promotion and Mutual Aid Corporation for Private Schools of Japan	190.7	204.8	202.1	189.9	204.8	202.1	-	-	-	-	-	-	190.7	204.8	202.1
Center for National University Finance and Management (Incorporated Administrative Agency)	863.3	825.1	798.1	863.3	825.1	798.1	-	-	-	-	-	-	863.3	825.1	798.1

# FY2009, 2010, and 2011 Year-End FILP Plan Balance

(Unit: billion yen)

Section	Fiscal Loan			Fiscal Loan Fund			Industrial Investment			Government Guarantee			Total		
	FY2009	FY2010	FY2011	FY2009	FY2010	FY2011	FY2009	FY2010	FY2011	FY2009	FY2010	FY2011	FY2009	FY2010	FY2011
<b>&lt;Incorporated Administrative Agencies, etc.&gt;</b>															
Japan Student Services Organization (Incorporated Administrative Agency)	3,073.8	3,587.6	4,061.0	3,073.8	3,587.6	4,061.0	-	-	-	-	-	-	3,073.8	3,587.6	4,061.0
National Agriculture and Food Research Organization (Incorporated Administrative Agency)	-	-	-	-	-	-	34.6	34.9	35.1	-	-	-	34.6	34.9	35.1
Forestry and Forest Products Research Institute (Incorporated Administrative Agency)	280.3	259.1	238.7	280.3	259.1	238.7	-	-	-	-	-	-	280.3	259.1	238.7
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)	9,157.1	6,614.6	4,659.9	8,061.7	6,614.6	4,659.9	-	-	-	14,640.0	16,035.6	17,755.1	23,797.1	22,650.2	22,415.0
Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (Incorporated Administrative Agency)	2.0	-	-	-	-	-	65.1	64.8	64.8	-	-	-	67.1	64.8	64.8
Fund for the Promotion and Development of the Amami Islands (Incorporated Administrative Agency)	-	-	-	-	-	-	7.4	7.6	7.8	-	-	-	7.4	7.6	7.8
Deposit Insurance Corporation of Japan	-	-	-	-	-	-	10.0	10.0	10.0	-	-	-	10.0	10.0	10.0
Japan Science and Technology Agency (Incorporated Administrative Agency)	-	-	-	-	-	-	73.4	73.4	73.4	-	-	-	73.4	73.4	73.4
Information-technology Promotion Agency, Japan (Incorporated Administrative Agency)	-	-	-	-	-	-	4.3	3.7	3.7	-	-	-	4.3	3.7	3.7
New Energy and Industrial Technology Development Organization (Incorporated Administrative Agency)	-	-	-	-	-	-	78.3	70.0	74.2	-	-	-	78.3	70.0	74.2
National Institute of Information and Communications Technology (Incorporated Administrative Agency)	-	-	-	-	-	-	87.4	88.5	71.6	-	-	-	87.4	88.5	71.6
<b>&lt;Local Governments &gt;</b>															
Local Governments	73,585.1	70,671.5	68,782.1	56,521.4	55,204.3	54,052.9	-	-	-	17.5	-	-	73,602.6	70,671.5	68,782.1
<b>&lt;Special Corporations&gt;</b>															
Tokyo Metro Co., Ltd.	179.5	163.8	149.8	178.3	163.8	149.8	-	-	-	-	-	-	179.5	163.8	149.8
Organization for Promoting Urban Development	-	-	-	-	-	-	-	-	-	3.7	2.8	2.0	3.7	2.8	2.0
The Shoko Chukin Bank Co., Ltd.	10.0	-	-	10.0	-	-	101.6	101.6	101.6	-	-	-	111.6	101.6	101.6
East Nippon Expressway Co., Ltd.	-	-	-	-	-	-	-	-	-	260.0	260.0	260.0	260.0	260.0	260.0
Metropolitan Expressway Co., Ltd.	-	-	-	-	-	-	-	-	-	88.3	88.3	88.3	88.3	88.3	88.3
Central Nippon Expressway Co., Ltd.	-	-	-	-	-	-	-	-	-	370.0	250.0	250.0	370.0	250.0	250.0
West Nippon Expressway Co., Ltd.	-	-	-	-	-	-	-	-	-	290.4	290.4	290.4	290.4	290.4	290.4
Hanshin Expressway Co., Ltd.	6.3	-	-	6.3	-	-	-	-	-	40.5	34.2	34.2	46.8	34.2	34.2
Narita International Airport Corporation	25.4	-	-	8.7	-	-	-	-	-	86.6	86.6	86.6	112.0	86.6	86.6
Kansai International Airport Co., Ltd.	-	-	-	-	-	-	62.2	62.2	62.2	392.0	387.8	376.1	454.2	450.0	438.3
Central Japan International Airport Co., Ltd.	-	-	-	-	-	-	-	-	-	203.1	167.9	164.1	203.1	167.9	164.1
Development Bank of Japan Inc.	5,253.4	4,747.0	4,485.4	5,250.9	4,747.0	4,485.4	1,453.5	1,453.5	1,453.9	2,243.5	2,057.8	2,151.4	8,950.3	8,258.3	8,090.7
Electric Power Development Co., Ltd.	-	-	-	-	-	-	-	-	-	193.0	35.0	-	193.0	35.0	-
Japan Post Bank Co., Ltd.	2,000.0	-	-	2,000.0	-	-	-	-	-	-	-	-	2,000.0	-	-
Innovation Network Corporation of Japan	-	-	-	-	-	-	82.0	92.0	142.0	-	-	-	82.0	92.0	142.0
<b>Subtotal</b>	<b>163,684.6</b>	<b>152,041.8</b>	<b>143,029.9</b>	<b>145,402.1</b>	<b>136,549.7</b>	<b>128,284.1</b>	<b>3,701.3</b>	<b>3,789.8</b>	<b>4,062.5</b>	<b>34,319.7</b>	<b>33,107.7</b>	<b>33,815.7</b>	<b>201,705.5</b>	<b>188,939.4</b>	<b>180,908.1</b>
Trust beneficiary rights, etc.	221.6	221.6	221.6	221.6	221.6	221.6	-	-	-	-	-	-	221.6	221.6	221.6
<b>Total</b>	<b>163,906.2</b>	<b>152,263.5</b>	<b>143,251.5</b>	<b>145,623.7</b>	<b>136,771.3</b>	<b>128,505.7</b>	<b>3,701.3</b>	<b>3,789.8</b>	<b>4,062.5</b>	<b>34,319.7</b>	<b>33,107.7</b>	<b>33,815.7</b>	<b>201,927.2</b>	<b>189,161.0</b>	<b>181,129.8</b>

Notes: 1. Bonds underwritten by the Fiscal Loan fund and the Postal Life Insurance fund are calculated by their holding value (money income base), and government-guaranteed bonds are calculated on a face value base  
2. "Fiscal Loan" is the sum of the outstanding balances of the Fiscal Loan Fund, the Postal Savings fund and the Postal Life Insurances fund. (Including the Postal Savings fund and the Postal Life Insurance fund of Japan Post before the end of September, 2007)  
3. "Industrial Investment" is the balance of investment and loans in the investment account of the Fiscal Investment Special Account.  
4. Since government-guaranteed foreign bonds are added to the FILP Plan beginning in FY2001 concomitant with FILP reform, they are posted to "Government Guarantee" including the portion issued in FY2000 and earlier.  
5. FY2009 figures for "General Account" include those inherited from the former Japanese National Railways, former JNR Settlement Corporation, former Special Account for Government-Operated Land Improvement Projects, and Japan Expressway Holding and Debt Repayment Agency. FY2010 figures in the same row include those inherited from the former Japanese National Railways, former JNR Settlement Corporation, former Special Account for Government-Operated Land Improvement Projects, Japan Expressway Holding and Debt Repayment Agency, and former Special Account for Center for Advanced and Specialized Medical Care. FY2011 figures in the same row include those inherited from the former Special Account for Government-Operated Land Improvement Projects, Japan Expressway Holding and Debt Repayment Agency, and former Special Account for Center for Advanced and Specialized Medical Care.

## Status of FILP Funds

(Unit: billion yen)

Section	FY2008		FY2009		FY2010		FY2011		FY2012
	Initial Plan	Results	Initial Plan	Results	Initial Plan	Results	Initial Plan	Results	Initial Plan
Fiscal Loan	9,388.0	9,950.8	11,991.8	13,518.8	13,505.7	10,759.4	10,910.1	10,251.0	13,524.2
Fiscal Loan Fund	9,388.0	9,950.8	11,991.8	13,518.8	13,505.7	10,759.4	10,910.1	10,251.0	13,524.2
Postal Savings Fund	—	—	—	—	—	—	—	—	—
Postal Life Insurance Fund	—	—	—	—	—	—	—	—	—
Industrial Investment	104.0	144.1	113.8	319.0	97.4	100.2	291.2	298.8	180.4
FILP Special Account (Investment Account)	104.0	144.1	113.8	319.0	97.4	100.2	291.2	298.8	180.4
Government Guarantee	4,376.9	3,783.3	3,757.6	3,318.1	4,753.8	3,086.9	3,704.6	3,288.6	3,943.6
Government-guaranteed Domestic Bonds	3,726.9	3,533.8	3,257.6	3,174.2	4,173.8	2,619.0	2,914.6	2,749.5	3,582.1
Government-guaranteed Foreign Bonds	650.0	249.6	500.0	143.9	580.0	467.9	790.0	539.1	361.5
<b>Total</b>	<b>13,868.9</b>	<b>13,878.2</b>	<b>15,863.2</b>	<b>17,155.9</b>	<b>18,356.9</b>	<b>13,946.5</b>	<b>14,905.9</b>	<b>13,838.3</b>	<b>17,648.2</b>

Notes: 1. Figure of "Results" in FY2011 are projections made at the end of FY2011.

## Issuance of FILP Bonds

### Outstanding Amount of FILP Bonds by Remaining Period

(Unit: billion yen)

Remaining Period	1 yr or less	Over 1 yr and 2 yrs or less	Over 2 yr and 3 yrs or less	Over 3 yr and 4 yrs or less	Over 4 yr and 5 yrs or less	Over 5 yr and 6 yrs or less	Over 6 yr and 7 yrs or less	Over 7 yr and 8 yrs or less	Over 8 yr and 9 yrs or less	Over 9 yr and 10 yrs or less	Over 10 yrs	Total
End of FY2009	12,427.8	19,876.7	12,008.9	10,746.0	15,702.5	11,044.0	12,013.3	3,176.8	2,628.9	4,784.3	17,816.0	122,225.3
End of FY2010	19,876.7	15,359.0	10,745.7	15,702.1	13,382.1	12,012.0	3,176.2	2,628.9	5,255.2	2,524.2	17,529.6	118,191.8
End of FY2011	15,359.0	15,315.7	15,203.0	13,382.6	15,420.7	3,176.6	2,628.9	5,255.2	3,456.3	5,076.7	16,637.5	110,912.2

Note: Figures are on a face value basis. As for, inflation-indexed bonds, the figure of the indexed principal at the end of each year is listed.

### Breakdown of Outstanding Amount of FILP Bonds by Investor

(Unit: billion yen)

Section	Issued in open market	Total
FY2009 (Result)	9,402.8	9,402.8
FY2010 (Result)	8,397.5	8,397.5
FY2011 (Result)	13,094.4	13,094.4
FY2012 (Plan)	15,000.0	15,000.0
(Anticipated issuance of FILP bonds in FY2012 by type)		
30-year Bonds	120.0	120.0
20-year Bonds	780.0	780.0
10-year Bonds	4,500.0	4,500.0
5-year Bonds	5,250.0	5,250.0
2-year Bonds	4,350.0	4,350.0

Note: Figures are based on a face value basis in FY2009-2011 and on revenues in FY2012.

### Issued, Redeemed and Outstanding Amount of FILP Bonds by Issuance Maturity

(Unit: billion yen)

Bond type	Outstanding Amount at the end of FY2010	Issuance Amount in FY2011	Redemption Amount in FY2011	Outstanding Amount at the end of FY2011
30-year Bonds	2,616.6	89.9	—	2,706.5
20-year Bonds	15,295.6	989.8	—	16,285.4
15-year Floating-rate Bonds	1,725.8	—	—	1,725.8
10-year Bonds	80,072.4	4,037.0	13,911.6	70,197.8
10-year Inflation-Indexed Bonds	1,078.3	— [2.4]	89.4	991.3
5-year Bonds	13,073.0	3,407.8	5,395.3	11,085.5
2-year Bonds	4,330.0	4,569.9	979.9	7,919.9
<b>Total</b>	<b>118,191.8</b>	<b>13,094.4</b> [2.4]	<b>20,376.3</b>	<b>110,912.2</b>

Notes: 1. Figures are on a face value basis.

2. For Issuance Amount in FY2011 of 10-year Inflation-Indexed Bonds and Total, the figures in [ ] are the change in notional principal, which is obtained, upon retirement by purchase, by multiplying the face value by the inflation index as of the purchase date, plus the change in notional principal, which is obtained by multiplying the FY2011 year-end unredeemed principal by the inflation index as of March 31, 2012.

# Issuance of FILP Agency Bonds

## Planned Issuance and Results of Fiscal Investment and Loan Program (FILP) Agency Bonds for FY2010, FY2011 and FY2012

(Unit: billion yen)

Section	Amount				
	FY2010		FY2011		FY2012
	Planned Issuance	Results	Planned Issuance	Results	Planned Issuance
Japan Finance Corporation	500.0	325.0	495.0	295.0	375.0
Micro Business and Individual Operations	215.0	170.0	215.0	160.0	215.0
Small and Medium Enterprise Operations	160.0	80.0	135.0	60.0	135.0
Agriculture, Forestry, Fisheries and Food Business Operations	25.0	25.0	25.0	25.0	25.0
Japan Bank for International Cooperation Operations	100.0	50.0	120.0	50.0	April 1, 2012 Succeeded to Japan Bank for International Cooperation
The Okinawa Development Finance Corporation	22.0	20.0	20.0	10.0	20.0
Japan Bank for International Cooperation	Established on April 1, 2012				50.0
Japan International Cooperation Agency (Incorporated Administrative Agency)	80.0	60.0	80.0	60.0	80.0
Japan Housing Finance Agency (Incorporated Administrative Agency)	3,455.0	2,176.3	2,823.7	2,772.8	2,233.3
Including Straight Bonds	751.0	402.2	459.2	402.0	523.3
Asset Backed Securities	2,704.0	1,774.1	2,364.5	2,370.8	1,710.0
Urban Renaissance Agency (Incorporated Administrative Agency)	100.0(10.0)	60.0	90.0	35.0	80.0
Japan Water Agency (Incorporated Administrative Agency)	10.5(2.0)	10.5	8.5(2.0)	10.5	8.0
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)	100.0(3.0)	105.0	137.0	137.0	116.0
Welfare And Medical Service Agency (Incorporated Administrative Agency)	92.0	79.0	115.0	100.0	73.0
National Hospital Organization (Incorporated Administrative Agency)	5.0	—	5.0	—	5.0
The Promotion and Mutual Aid Corporation for Private Schools of Japan	8.0	8.0	5.0	5.0	5.0
Center for National University Finance and Management (Incorporated Administrative Agency)	5.0	5.0	5.0	5.0	5.0
Japan Student Services Organization (Incorporated Administrative Agency)	160.0	160.0	170.0	170.0	180.0
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)	670.0	590.0	460.0	520.0	610.0
New Kansai International Airport Co., Ltd. (Kansai International Airport Co., Ltd.)	68.3(2.7)	68.9	—(2.1)	0.3	63.7(1.8)
Central Japan International Airport Co., Ltd.	2.9	—	7.8(2.9)	10.0	—
Development Bank of Japan Inc.	300.0	80.0	350.0	253.1	400.0
<b>Total</b>	<b>5,578.7</b>	<b>3,747.7</b>	<b>4,772.0</b>	<b>4,383.7</b>	<b>4,304.0</b>
<b>[Number of Agencies]</b>	<b>(17.7) [16]</b>	<b>[14]</b>	<b>(7.0) [15]</b>	<b>[15]</b>	<b>(1.8) [16]</b>
<b>Including Straight Bonds</b>	<b>2,874.7</b>	<b>1,973.6</b>	<b>2,407.5</b>	<b>2,012.9</b>	<b>2,594.0</b>
<b>Asset Backed Securities</b>	<b>2,704.0</b>	<b>1,774.1</b>	<b>2,364.5</b>	<b>2,370.8</b>	<b>1,710.0</b>

Notes: 1.Names of agencies in ( ) are the names before organization changes.

2.Amounts are calculated on a nominal value basis (Revised amounts), and amounts in ( ) are brought forward from the previous fiscal year.

3.Japan Bank for International Cooperation was established as of April 1, 2012, and succeeded to the operations of Japan Finance Corporation (JBIC Operations).

## Current Condition of Interest Swap Trading in FILP Special Account

### Swaps Concluded from October 2011 to March 2012

Term	Receive		Pay	
	Frequency	Notional principle amount (billion yen)	Frequency	Notional principle amount (billion yen)
Up to 3 year	—	—	—	—
3 year to 7 year	—	—	2	60.0
7 year to 10 year	—	—	—	—
Beyond 10 year	—	—	—	—
<b>Sum</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>60.0</b>

### Outstanding Notional Principal Amount in FILP Special Account (as of March 31, 2012)

(billion yen)

Remaining years to maturity	Receive		Pay	
	Frequency	Notional principle amount (billion yen)	Frequency	Notional principle amount (billion yen)
Up to 3 year	—	—	—	—
3 year to 7 year	—	—	—	60.0
7 year to 10 year	—	—	—	—
Beyond 10 year	—	—	—	—
<b>Sum</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>60.0</b>



# Fiscal Loan Fund Account of the FILP Special Account and Fiscal Loan Funds

The Fiscal Loan Fund Account of the FILP Special Account was created to distinguish income and expenditures related to the management of the Fiscal Loan Fund from the government's General Account. Income includes returns on fund management, income from issuing public bonds and loans, refunds from the fund and miscellaneous revenues. Expenditures include interest payments on deposits collected by the fund, payments on losses incurred through fund management, commission fees, office expenses, interest on temporary loans and accommodation paper, redemption money and interest rates of public bonds and loans, transfers to the fund, expenses for the issuance and redemption of public bonds and accommodation paper.

Profits, losses, assets and liabilities under this account for FY2011 (April 2011-March 2012) are as follows.

## Profit and Loss

The revenues were 2,980.9 billion yen for FY2011 while expenditures were 2,076.7 billion yen. Profits for the fiscal year were 904.2 billion yen.

Profits of which fund management revenues accounted for the vast majority were 2,974.5 billion yen. This broke down into interest income on securities and loans.

Expenditures of which various outlays accounted for the vast majority were 484.6 billion yen. This broke down into interest payments on deposits, compensation for losses on securities sales and commission paid on fund management, etc.

In addition, expenses for the issuance of public bond interest, public bonds, etc., amounted to 1,572.1 billion yen and administrative expenses were 5.2 billion yen.

## Status of Assets and Liabilities

As of the end of fiscal 2011, total assets stood at 159,609.3 billion and total liabilities at 158,380.2 billion.

Of the total assets, the outstanding balance of loans at the end of the year stood at 151,669.2 billion (95.0% of the total assets) and the outstanding balance of securities held at the end of the year stood at 6,745.8 billion (4.2% of the total).

On the other hand, of the total liabilities, the outstanding balance of money on deposit at the end of the year stood at 47,041.4 billion (29.7% of the total liabilities) and the outstanding balance of government securities at 110,912.2 billion (70.0% of the total).

## <Notes from the following tables>

- ① In the following balance sheet, securities are listed at purchase prices.
- ② The following balance sheet and income statements were created on an accrual basis in accordance with corporate accounting principles.
- ③ In the following balance sheet and profit-and-loss statement, figures for FY2007 are from the Fiscal Loan Fund Special Account and those for FY2008 and later are from the Fiscal Loan Fund Account of the FILP Special Account.

# Fiscal Loan Fund Account of the FILP Special Account

## Financial Statements

### Balance Sheet

(Unit: billion yen)

Debit	End of FY2007	End of FY2008	End of FY2009	End of FY2010	End of FY2011
Cash /Deposits	1,969.9	1,023.1	744.1	985.1	798.0
Securities	33,178.7	18,260.3	5,147.7	6,351.1	6,745.8
Government bonds *1	27,196.2	14,893.0	2,321.9	3,620.3	4,020.0
Government-related institution bonds	250.4	370.6	—	—	—
Special corporation bonds *2	5,462.1	2,633.1	2,464.2	2,454.2	2,454.2
Bank debentures	30.0	—	—	—	—
Foreign bonds	140.0	140.0	140.0	55.0	50.0
Trust beneficiary rights, etc.	100.0	223.7	221.6	221.6	221.6
Loans	208,796.3	183,855.2	172,246.7	161,719.0	151,669.2
Loans to General Account or special accounts	34,778.5	35,409.2	34,472.6	31,913.4	29,206.8
Loans to government-related institutions	24,904.2	19,004.3	22,981.4	23,423.9	23,247.9
Loans to local governments	62,937.7	59,006.9	56,522.1	55,205.7	54,053.9
Loans to special corporations *2	86,175.9	70,434.8	58,270.6	51,176.0	45,160.5
Accrued Income *3	733.8	572.9	470.9	406.5	326.9
Discount on Public Bonds *4	81.3	76.5	74.4	71.9	67.1
Accrued interest of purchased bonds *5	8.8	8.4	1.1	2.3	2.4
<b>Total</b>	<b>244,768.9</b>	<b>203,796.5</b>	<b>178,684.9</b>	<b>169,535.8</b>	<b>159,609.3</b>

Credit	End of FY2007	End of FY2008	End of FY2009	End of FY2010	End of FY2011
Deposits	84,264.4	61,182.5	50,840.8	49,479.9	47,041.4
Deposits to the special account	54,845.0	43,713.7	41,107.4	42,704.8	38,999.3
Deposits to the fund	3,091.2	2,775.8	950.4	678.3	586.5
Deposits to the mutual aid association	5,205.9	4,825.4	4,450.3	4,307.1	4,203.0
Other deposits	21,122.3	9,867.6	4,332.8	1,789.7	3,252.6
Public Bonds *6	139,754.3	131,050.1	122,225.3	118,191.8	110,912.2
Compensation repayable *7	0.5	0.5	0.5	0.5	0.5
Accrued expenses *8	396.7	402.3	374.8	366.9	329.3
Advance received *9	2.6	1.5	1.5	1.3	0.8
Long-term unearned revenue *10	179.8	152.7	134.4	111.7	96.1
Earnings brought forward					
Reserves for interest variance	17,869.1	8,852.6	3,671.9	353.5	324.9
Profits	2,301.5	2,154.3	1,435.8	1,030.2	904.2
<b>Total</b>	<b>244,768.9</b>	<b>203,796.5</b>	<b>178,684.9</b>	<b>169,535.8</b>	<b>159,609.3</b>

- Notes: 1. The long-term government bonds include medium-term government bonds, 20-year super long-term government bonds, succeeded government bonds from the Japanese National Railways Settlement Corporation, succeeded government bonds from oil securities and succeeded government bonds from the Honshu-Shikoku Bridge Authority and succeeded government bonds from Japan Expressway Holding and Debt Repayment Agency, as well as interest-bearing government bonds with a sell-back condition.
2. Special corporations that were set up by a special law with capital from the government, government-related institutions and local governments and are authorized to issue bonds.
3. Securities interest and loan interest and refers to interest during the term of accrual from the final interest payment date of the relevant fiscal year until the end of the fiscal year.
4. Unamortized amount of the difference between the total face value of FILP bonds, issued under par, and the total income.
5. Interest of bonds purchased after the day of interest payment, accrued from the day of interest payment to the day of the purchase and paid by the TFB in place of the issuers.
6. Outstanding FILP bonds payable at face value (for inflation-linked bonds, it is the notional principal as of the end of the relevant fiscal year).
7. Amount of losses incurred due to the reassessment of the former Deposit Section assets, once covered by the General Account, and which has not been paid back to the General Account yet.
8. Deposit interest and interest on public bonds, etc., and refers to interest, etc., during the term of accrual from the final interest payment date of the relevant fiscal year until the end of the fiscal year.
9. Advance received of the accrued interests in accordance with the issuance of public bonds.
10. Unrefunded amount of the difference between the total face value of FILP bands, issued over par, and total income.

## Profit / Loss

(Unit: billion yen)

Profit	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Returns on fund management	7,062.7	5,937.4	4,851.4	3,794.4	3,321.6	2,974.5
Interest on securities	1,120.9	712.5	355.2	161.7	151.3	86.4
Interest on loans	5,904.3	5,147.3	4,278.7	3,632.1	3,170.3	2,888.2
Profits on securities sales	22.7	3.1	205.6	—	—	—
Profits on redeemed bonds	14.8	74.5	11.9	0.6	—	—
Profit on redemption of government securities *1	—	—	11.2	3.4	—	0.1
Miscellaneous	34.8	41.0	19.4	35.6	5.7	6.2
<b>Total</b>	<b>7,097.5</b>	<b>5,978.4</b>	<b>4,882.0</b>	<b>3,833.4</b>	<b>3,327.3</b>	<b>2,980.9</b>

Loss	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Other expenses	3,090.5	1,960.4	980.6	702.2	604.8	484.6
Commission paid on fund management *2	0.0	0.1	0.1	0.0	0.0	0.0
Loss from the sale of securities	121.6	27.5	48.6	75.0	90.0	32.4
Loss from the redemption of securities	423.5	257.3	40.0	—	—	—
Interests payable on deposits	2,545.3	1,675.5	891.8	627.2	514.8	452.2
Interest payable	—	—	—	—	—	0.0
Business expenses	6.0	5.8	6.2	5.0	4.8	5.2
Interests on public bonds *3	1,416.3	1,694.4	1,724.7	1,678.1	1,675.7	1,570.9
Interest on Fiscal Loan Fund Securities	—	—	—	—	—	0.0
Issuing costs of public bonds *4	5.0	5.0	4.9	1.4	1.3	1.3
Amortization of discounts on public bonds *5	10.2	11.4	11.4	10.9	10.5	10.6
Loss from redemption of government securities *1	—	—	—	0.1	—	4.1
Surplus for current year	2,569.5	2,301.5	2,154.3	1,435.8	1,030.2	904.2
<b>Total</b>	<b>7,097.5</b>	<b>5,978.4</b>	<b>4,882.0</b>	<b>3,833.4</b>	<b>3,327.3</b>	<b>2,980.9</b>

Notes: 1. Profit on redemption of government securities / loss from redemption of government securities = Difference between redemption prices and the amount of total receipts accruing from the retirement of FILP bonds.

2. Commissions paid to Bank of Japan for handing Fiscal Loan Funds.

3. Interest on public bonds = amount with adjusted fluctuation due to revision of notational principal as of the end of the term of inflation-linked bonds deducting reversal for the term for the difference between face value of FILP bonds issued over par and revenues (long-term unearned revenue) from FILP bonds generated in the current term.

4. Fees for underwriting, interest payments and redemption necessary in issuing public bonds and FILP financial bills.

5. Amortization of the term under review for the difference between the face value of FILP bonds, issued under par, and total revenue (Discount on Public Bonds).

## Profit calculations

(Unit: billion yen)

Section	FY2007	FY2008	FY2009	FY2010	FY2011
① Fund management income and expenditure*1	2,489.9	2,017.3	1,488.5	1,131.1	951.4
Of which, interest receivable	5,859.8	4,633.9	3,793.8	3,321.6	2,974.5
Of which, interest payable	- 3,369.9	- 2,616.6	- 2,305.3	- 2,190.5	- 2,023.1
② Commissions*2	- 0.1	- 0.1	- 0.0	- 0.0	- 0.0
③ Profits and losses on bond sales and redeemed bonds*3	- 207.2	128.9	- 74.4	- 90.0	- 32.4
Subtotal (① to ③)	2,282.6	2,146.2	1,414.1	1,041.1	919.0
④ Business expenses	- 5.8	- 6.2	- 5.0	- 4.8	- 5.2
⑤ Miscellaneous*4	24.6	14.3	26.6	- 6.1	- 9.6
<b>Total</b>	<b>2,301.5</b>	<b>2,154.3</b>	<b>1,435.8</b>	<b>1,030.2</b>	<b>904.2</b>

Notes: 1. Fund management income and expenditure = interest receivable - interest payable

2. Commissions = commissions received - commissions paid

3. Profit and loss from securities sales and redemption = profits generated from selling bonds and redeemed bond - loss from securities sales and redemption

4. Miscellaneous = profit on redemption of government securities + miscellaneous revenues - issuing costs of public bonds - amortization of discounts on public bonds - loss from redemption of government securities

## Average outstanding amount fund management / fund procurement

(Unit: billion yen)

Section	FY2007	FY2008	FY2009	FY2010	FY2011
Fund management	268,638.5	223,574.0	191,884.0	177,854.0	163,260.5
Of which, loans	222,319.8	195,968.3	178,184.8	166,603.4	156,116.6
Of which, securities*	43,611.8	25,644.0	12,303.1	11,058.7	6,634.0
Procured funds	250,343.0	208,074.1	181,838.7	172,720.1	161,746.9
Of which, deposits	108,445.3	71,655.8	54,528.5	49,742.1	46,450.5
Of which, public bonds	141,897.7	136,418.3	127,310.2	122,978.0	115,251.3

Note: Securities include interest accrued from the coupon payment day to the purchase day.

## Yields on fund management and procurement

(Unit: %)

Section	FY2007	FY2008	FY2009	FY2010	FY2011
①Yield *1	2.23	2.18	2.00	1.87	1.83
Of which, loans *2	2.32	2.18	2.04	1.90	1.85
Of which, securities *3	1.63	1.39	1.32	1.37	1.30
②Costs *4	1.47	1.31	1.32	1.33	1.28
Of which, payable interest rate *5	1.46	1.30	1.31	1.32	1.27
Of which, cost of deposits *6	1.55	1.24	1.15	1.03	0.97
Of which, cost of FILP bonds *7	1.19	1.26	1.32	1.36	1.36
Of which, expense rate *8	0.00	0.00	0.00	0.00	0.00
①—②	0.76	0.87	0.68	0.54	0.55

Notes: 1. Yield = Annual revenue / Average outstanding fund management amount × 100  
 2. Yield on loans = Interest on loans / Average outstanding loan amount × 100  
 3. Yield on securities = Interest on securities / Average outstanding amount of securities × 100  
 4. Costs = Annual expenditures / Average outstanding amount of fund procured × 100

5. Payable interest rate = Total of miscellaneous expenditures and interest on public bonds / Average outstanding amount of funds procured × 100  
 6. Deposit costs = Interest on deposits / Average outstanding amount of deposit × 100  
 7. FILP bond costs = Interest on FILP bonds / Average outstanding amount of FILP bonds × 100  
 8. Expense rate = Business expenses / Average outstanding amount of funds procured × 100

## Fiscal Loan Fund

### Deposits

#### Outstanding deposits amount by accounts

(Unit: billion yen, %)

Section	End of FY2007	End of FY2008	End of FY2009	End of FY2010	End of FY2011
Foreign Exchange Fund Special Account	18,455.7 [21.9]	20,582.5 [33.6]	21,588.6 [42.5]	20,726.3 [41.9]	16,476.2 [35.0]
Labor Insurance Special Account	12,578.1 [14.9]	13,443.5 [22.0]	12,496.6 [24.6]	12,475.2 [25.2]	13,034.4 [27.7]
Special Account for Pension	21,067.3 [25.0]	6,894.4 [11.3]	4,273.8 [8.4]	6,713.5 [13.6]	7,046.3 [15.0]
Mutual Aid Cooperative	5,205.9 [6.2]	4,825.4 [7.9]	4,450.3 [8.8]	4,307.1 [8.7]	4,203.0 [8.9]
Japan Finance Corporation	399.9 [0.5]	1,147.8 [1.9]	2,313.4 [4.6]	1,771.5 [3.6]	3,236.9 [6.9]
Special Account for Earthquake Reinsurance	1,118.7 [1.3]	1,184.3 [1.9]	1,250.7 [2.5]	1,316.7 [2.7]	821.3 [1.7]
Special Account for Trade Reinsurance	730.0 [0.9]	729.9 [1.2]	745.8 [1.5]	743.6 [1.5]	775.9 [1.6]
Employment Stabilization Fund	1,000.4 [1.2]	1,067.9 [1.7]	800.1 [1.6]	504.8 [1.0]	389.5 [0.8]
Special Account for Safety of Motor Vehicle	362.2 [0.4]	339.7 [0.6]	323.8 [0.6]	309.8 [0.6]	298.5 [0.6]
FILP Special Account (Investment Account)	107.6 [0.1]	74.8 [0.1]	68.6 [0.1]	79.1 [0.2]	203.9 [0.4]
Miscellaneous	23,238.6 [27.6]	10,892.4 [17.8]	2,529.2 [5.0]	532.4 [1.1]	555.6 [1.2]
<b>Total</b>	<b>84,264.4 [100.0]</b>	<b>61,182.5 [100.0]</b>	<b>50,840.8 [100.0]</b>	<b>49,479.9 [100.0]</b>	<b>47,041.4 [100.0]</b>

Notes: 1. Special Account for Employee's Insurance and Special Account for National Pension were abolished as of April 1, 2007, and deposits of both special accounts were succeeded to Special Account for Pension.  
 2. The Japan Finance Corporation for Small and Medium Enterprise and the Agriculture, Forestry and Fisheries Finance Corporation were dissolved as of Oct. 1, 2008, and deposits of the two corporations were succeeded to the Japan Finance Corporation.  
 3. Special Account for Guarantee for the Automobile Accident Compensation and Special Account for Motor Vehicle Inspection and Registration were abolished as of March 31, 2008, and deposits of both the special accounts were succeeded to Special Account for Safety of Motor Vehicle.  
 4. Labor Insurance Special Account succeeded a part of the deposits of Mariners Insurance Special Account, which was abolished as of December 31, 2009.  
 5. Industrial Investment Account of Industrial Investment Special Account was abolished as of April 1, 2008, and deposits of the account were succeeded to Investment Account of FILP Special Account.

#### Outstanding deposits by term remaining

(Unit: billion yen)

Section	End of FY2007	End of FY2008	End of FY2009	End of FY2010	End of FY2011
Less than 1 yr	40,955.9	23,610.0	15,287.0	18,425.9	20,984.8
1 yr or more, less than 2 yrs	9,941.0	5,586.7	7,230.7	4,971.7	4,593.6
2 yrs or more, less than 3 yrs	4,681.8	6,164.2	4,638.4	4,540.6	4,675.3
3 yrs or more, less than 4 yrs	6,164.2	3,665.5	4,660.8	4,672.9	4,013.8
4 yrs or more, less than 5 yrs	3,465.5	4,895.2	3,869.5	4,157.7	2,124.8
5 yrs or more, less than 6 yrs	4,165.5	3,591.1	3,064.5	2,309.0	2,217.3
6 yrs or more, less than 7 yrs	2,770.7	2,994.5	2,309.0	2,244.9	1,250.7
7 yrs or more	12,119.7	10,675.3	9,781.0	8,157.1	7,181.2
<b>Total</b>	<b>84,264.4</b>	<b>61,182.5</b>	<b>50,840.8</b>	<b>49,479.9</b>	<b>47,041.4</b>



## Fund Management

### Outstanding loan amounts by borrower

(Unit: billion yen, %)

Section	End of FY2007	End of FY2008	End of FY2009	End of FY2010	End of FY2011
General Account/Special Accounts	34,778.5 [16.7]	35,409.2 [19.3]	34,472.6 [20.0]	31,913.4 [19.7]	29,206.8 [19.3]
Government-related agencies	24,904.2 [11.9]	19,004.3 [10.3]	22,981.4 [13.3]	23,423.9 [14.5]	23,247.9 [15.3]
Local governments	62,937.7 [30.1]	59,006.9 [32.1]	56,522.1 [32.8]	55,205.7 [34.1]	54,053.9 [35.6]
Special corporations	86,175.9 [41.3]	70,434.8 [38.3]	58,270.6 [33.8]	51,176.0 [31.6]	45,160.5 [29.8]
<b>Total</b>	<b>208,796.3 [100.0]</b>	<b>183,855.2 [100.0]</b>	<b>172,246.7 [100.0]</b>	<b>161,719.0 [100.0]</b>	<b>151,669.2 [100.0]</b>

### Outstanding loan amounts by term remaining

(Unit: billion yen)

Section	End of FY2007	End of FY2008	End of FY2009	End of FY2010	End of FY2011
1 yr or less	30,873.2	23,583.3	19,601.8	17,216.5	15,369.4
More than 1 yr, 2 yrs or less	11,561.9	6,679.0	5,673.9	4,430.9	2,685.8
More than 2 yrs, 3 yrs or less	8,401.0	7,503.2	5,743.1	3,863.8	4,490.8
More than 3 yrs, 4 yrs or less	9,222.4	6,974.9	5,088.7	6,575.8	6,848.8
More than 4 yrs, 5 yrs or less	8,156.8	6,228.8	8,083.5	9,151.0	9,077.7
More than 5 yrs, 6 yrs or less	4,447.9	5,841.6	6,996.1	8,111.0	4,693.3
More than 6 yrs, 7 yrs or less	6,830.0	6,605.1	8,994.9	5,378.1	5,049.0
More than 7 yrs, 8 yrs or less	7,061.2	8,765.6	5,609.1	5,490.4	7,106.9
More than 8 yrs, 9 yrs or less	9,448.3	6,672.6	6,004.3	8,073.4	6,493.0
More than 9 yrs, 10 yrs or less	7,833.0	5,946.9	8,655.0	6,653.6	6,823.6
More than 10 yrs, 11 yrs or less	5,185.2	8,405.4	6,650.8	6,265.9	8,157.4
More than 11 yrs, 12 yrs or less	9,767.8	7,153.2	6,761.4	8,786.6	8,502.5
More than 12 yrs, 13 yrs or less	7,969.7	7,391.8	9,260.5	8,944.4	4,951.6
More than 13 yrs, 14 yrs or less	7,878.8	9,860.9	9,449.7	5,181.5	4,663.1
More than 14 yrs, 15 yrs or less	10,326.7	9,651.5	5,181.0	4,553.0	4,873.6
Over 15 yrs	63,832.2	56,591.3	54,492.7	53,043.2	51,882.8
<b>Total</b>	<b>208,796.3</b>	<b>183,855.2</b>	<b>172,246.7</b>	<b>161,719.0</b>	<b>151,669.2</b>

### Loan deposit ratio

(Unit: %)

Section	FY2007	FY2008	FY2009	FY2010	FY2011
Average during the fiscal year	88.81	94.18	97.99	96.46	96.52
At the end of fiscal year	93.12	95.54	99.40	96.33	95.95

Note: Rate = Average outstanding loans amount / average outstanding procurement fund × 100

## Risk management

Enhancement and improvement of the risk management system is one of the highest priority tasks in the management and operation of the Fiscal Loan Fund. The Fiscal Loan Fund has improved the risk management system that can appropriately respond to changes in the financial environment and system. The Asset-Liability Management Office monitors the overall market risk exposure of the Fiscal Loan Fund as well as general planning, survey and research services for assets and liabilities associated with the management and operation of the Fiscal Loan Fund.

## Non-performing loans

There are no non-performing loans (loans to borrowers in legal bankruptcy, past-due loans in arrears by three months or more, or restructured loans) in the Fiscal Loan Fund. The Fiscal Loan Fund does not hold any credit defined as "bankruptcy or virtual bankruptcy", "high risk" or defined in the Financial Rebuilding Law as "close observation."

## Outstanding balance in holding securities by term remaining

(Unit: billion yen)

Section	End of FY2007	End of FY2008	End of FY2009	End of FY2010	End of FY2011
1 yr or less	25,728.9	14,709.6	1,694.1	2,902.5	3,307.2
More than 1 yr, 2 yrs or less	622.9	95.0	5.0	10.0	2,173.3
More than 2 yrs, 3 yrs or less	95.0	5.0	10.0	2,173.3	1,003.7
More than 3 yrs, 4 yrs or less	5.0	10.0	2,173.3	1,003.7	—
More than 4 yrs, 5 yrs or less	10.0	2,173.3	1,003.7	—	40.0
More than 5 yrs, 6 yrs or less	2,573.3	1,003.7	—	40.0	25.0
More than 6 yrs, 7 yrs or less	2,003.7	—	40.0	25.0	196.6
More than 7 yrs, 8 yrs or less	1,000.0	40.0	25.0	196.6	—
More than 8 yrs, 9 yrs or less	1,040.0	25.0	196.6	—	—
More than 9 yrs, 10 yrs or less	100.0	198.7	—	—	—
Over 10 yrs	—	—	—	—	—
<b>Total</b>	<b>33,178.7</b>	<b>18,260.3</b>	<b>5,147.7</b>	<b>6,351.1</b>	<b>6,745.8</b>

## Security deposit ratio

(Unit: %)

Section	FY2007	FY2008	FY2009	FY2010	FY2011
Average during the fiscal year	17.42	12.32	6.76	6.39	4.10
At the end of fiscal year	14.80	9.49	2.97	3.78	4.27

Note: Rate = Average outstanding holding securities amount / average outstanding procurement fund × 100

## Outstanding balance in holding securities

(Unit: billion yen, %)

Section	End of FY2007		End of FY2008		End of FY2009		End of FY2010		End of FY2011	
Government bonds	27,196.2	[82.0]	14,893.0	[81.6]	2,321.9	[45.1]	3,620.3	[57.0]	4,020.0	[59.6]
Government-related institution bonds	250.4	[0.8]	370.6	[2.0]	—	[—]	—	[—]	—	[—]
Special corporation bonds	5,462.1	[16.5]	2,633.1	[14.4]	2,464.2	[47.9]	2,454.2	[38.6]	2,454.2	[36.4]
Bank debentures	30.0	[0.1]	—	[—]	—	[—]	—	[—]	—	[—]
Foreign bonds	140.0	[0.4]	140.0	[0.8]	140.0	[2.7]	55.0	[0.9]	50.0	[0.7]
Trust beneficiary rights, etc.	100.0	[0.3]	223.7	[1.2]	221.6	[4.3]	221.6	[3.5]	221.6	[3.3]
<b>Total</b>	<b>33,178.7</b>	<b>[100.0]</b>	<b>18,260.3</b>	<b>[100.0]</b>	<b>5,147.7</b>	<b>[100.0]</b>	<b>6,351.1</b>	<b>[100.0]</b>	<b>6,745.8</b>	<b>[100.0]</b>

## Outstanding short-term investments

(Unit: billion yen)

Section	End of FY2007	End of FY2008	End of FY2009	End of FY2010	End of FY2011
Bonds	16,684.9	14,086.8	1,599.1	2,897.5	3,297.2
① Japanese government bonds	16,684.9	13,886.9	1,599.1	2,897.5	3,297.2
Interest-bearing government bonds with a sell-back condition	7,298.7	5,991.8	999.1	2,897.5	3,297.2
Treasury Discount Bills	9,386.2	7,895.1	600.0	—	—
② Government agency bonds	—	199.9	—	—	—
Short-term debentures issued by Japan Finance Corporation	—	199.9	—	—	—
Loans	13,687.2	13,977.0	14,266.7	13,164.7	11,965.1
① Central government	13,680.1	13,972.1	14,264.0	13,164.0	11,964.0
Special Account for the Allotment of Local Allocation Tax and Local Transfer Tax	12,200.9	12,492.9	12,784.8	11,684.8	10,484.8
Special Account for Pension (Health Account)	1,479.2	1,479.2	1,479.2	1,479.2	1,479.2
② Special Corporations	3.4	3.4	2.0	—	—
Environmental Restoration and Conservation Agency (Incorporated Administrative Agency)	3.4	3.4	2.0	—	—
③ Local governments	3.7	1.4	0.7	0.6	1.0
<b>Total</b>	<b>30,372.1</b>	<b>28,063.7</b>	<b>15,865.8</b>	<b>16,062.1</b>	<b>15,262.3</b>

Note: Treasury Discount Bills in FY2007 are the balance of Financing Bills and those in FY2008 are the balance of Financing Bills issued by February 2009.

# FILP Special Account (Investment Account)

## Balance sheet

(Unit: billion yen)

Debit	End of FY2007	End of FY2008	End of FY2009	End of FY2010	End of FY2011
Cash/deposits	126.6	74.8	68.7	79.8	204.0
Accrued income	0.0	0.0	0.0	0.0	0.0
Loans	4.2	2.8	2.0	1.3	5.9
Land <sup>Note1</sup>	—	3.5	3.2	1.8	2.2
Subscription <sup>Note2</sup>	10,360.7	8,214.7	9,132.9	9,121.4	9,191.8
Accrued investment recovery	10.5	—	—	—	—
<b>Total</b>	<b>10,502.1</b>	<b>8,295.8</b>	<b>9,206.7</b>	<b>9,204.3</b>	<b>9,403.9</b>
Credit	End of FY2007	End of FY2008	End of FY2009	End of FY2010	End of FY2011
Capital	2,244.6	2,244.6	2,465.2	2,465.2	2,465.2
Accumulated profit <sup>Note3</sup>	1,411.5	1,420.3	1,515.2	1,596.9	1,546.6
Profits	60.5	94.8	102.8	119.9	501.7
Gain on revaluation of investment <sup>Note4</sup>	6,785.5	4,536.0	5,123.6	5,022.4	4,890.5
<b>Total</b>	<b>10,502.1</b>	<b>8,295.8</b>	<b>9,206.7</b>	<b>9,204.3</b>	<b>9,403.9</b>

Notes: 1. Prices of land, buildings, etc., that have become unnecessary due to the reorganization of policy finance institutions and that are imputed to the account and listed in the national property ledger as of the end of each fiscal year.  
 2. Subscriptions after the end of FY2006 are national property prices that were revised at the end of each fiscal year in accordance with Article 23 of the Order for Enforcement of the National Property Act (Cabinet Order No. 246 of 1948).  
 3. Unrealized gain on fixed assets is gain on valuation recorded due to revised prices of invested capital etc.  
 4. Unrealized gain on fixed assets is mainly due to market valuation of shares of Nippon Telegraph and Telephone Corporation and Japan Tobacco Inc., which the government is obligated to hold.

## Profit /Loss

(Unit: billion yen)

Profit	FY2007	FY2008	FY2009	FY2010	FY2011
Profits on loans	0.2	0.1	0.1	0.0	0.0
Interest on deposits	0.9	0.8	0.1	0.2	0.3
Payments	30.0	11.7	13.4	16.3	29.2
Japan Finance Corporation for Small and Medium Enterprise	0.2	—	—	—	—
Japan Finance Corporation	—	7.8	13.4	16.3	28.8
Development Bank of Japan	1.0	—	—	—	—
Japan Bank for International Cooperation	28.8	3.5	—	—	—
National Institute of Information and Communications Technology (Incorporated Administrative Agency)	—	—	—	—	0.1
Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency)	—	0.2	—	—	—
New Energy and Industrial Technology Development Organization (Incorporated Administrative Agency)	—	0.1	—	—	0.1
National Institute of Biomedical Innovation (Incorporated Administrative Agency)	—	—	—	—	0.1
Japan Housing Finance Agency (Incorporated Administrative Agency)	—	—	—	—	0.1
Dividends on stocks	67.1	79.0	89.5	103.7	156.0
Japan Tobacco Inc.	22.0	26.0	28.0	29.0	40.0
Nippon Telegraph and Telephone Corporation	45.1	53.0	61.0	63.6	64.9
Development Bank of Japan Inc.	—	—	—	10.0	50.0
The Shoko Chukin Bank, Ltd	—	—	0.5	1.0	1.0
Profit at Time of Asset succeeded*	—	3.3	—	—	—
Agriculture Forestry and Fisheries Finance Corporation	—	0.3	—	—	—
Japan Finance Corporation for Small and Medium Enterprise	—	0.1	—	—	—
Finance Corporation for Municipal Enterprises	—	0.5	—	—	—
Development Bank of Japan	—	1.1	—	—	—
Japan Bank for International Cooperation	—	1.3	—	—	—
Profits on disposal of shares	—	—	—	—	333.1
Miscellaneous Revenue	0.0	0.0	0.0	0.0	0.0
Miscellaneous Gains	—	—	0.0	0.1	—
<b>Total</b>	<b>98.2</b>	<b>94.9</b>	<b>103.1</b>	<b>120.2</b>	<b>518.5</b>
Loss	FY2007	FY2008	FY2009	FY2010	FY2011
Business expenses	0.1	0.1	0.1	0.1	0.1
Loss from the redemption of capital	37.7	—	—	—	—
Loss from the transfer of fixed assets into the Special Account for the National Debt Consolation Fund without compensation	—	—	—	—	16.7
Miscellaneous	—	0.0	0.2	0.3	0.0
Profits	60.5	94.8	102.8	119.9	501.7
<b>Total</b>	<b>98.2</b>	<b>94.9</b>	<b>103.1</b>	<b>120.2</b>	<b>518.5</b>

Note: Profit at time of Asset succeeded that have become unnecessary due to the reorganization of policy finance institutions and that are imputed to the account and listed in the national property ledger.

← To Fiscal Loan Fund Account of the FILP Special Account and Fiscal Loan Funds

# Policy (Subsidy) Cost Analysis

## 1. Policy cost analysis

### (1) Contents of policy cost analysis

In Policy cost analysis, each FILP agency estimates future cash flow and calculates the following for a project's execution: (1) subsidies expected to be disbursed by the government in the future, (2) payment to the treasury and corporate tax expected to be paid in the future, (3) interest alleviation effect through investments, etc. (opportunity cost from the prospective of the government). The agency calculates these for the projects which utilize FILP, based on certain preconditions future interest rates, project scale, use forecasts, etc.

The calculated policy cost does not indicate the financial burden itself accompanying the future transfer of funds generated by execution of the FILP target project (only item (1) represents the financial burden accompanying the future transfer of funds).

### (2) Purpose of policy cost analysis

Since the relationship between benefit and burden is clearly defined in eligible projects for FILP and it is appropriate to require beneficiaries (users) to bear that burden, loans are essentially repaid on the beneficiaries burden. In order to ease the burden on beneficiaries, subsidies or investments, etc. are disbursed from the central government (General Account, etc.) to FILP agencies which execute projects. For the purpose of determining the suitability of such projects, trial calculations are made to estimate the degree of subsidies, etc. that will be disbursed into the future, or the extent of benefits realized through investments already disbursed. Disclosure of these as "policy costs" enhances the transparency of FILP.

### (3) Assessment of policy cost

Since policy cost is used to ease the burden on beneficiaries of projects under FILP, it is not appropriate to simply assess the relative size of the amount. Projects should be assessed comprehensively together with social and economic benefits realized as a result of the implementation of them.

Policy cost, is for the purpose of strengthening the degree of support of FILP-target projects as financial policy, and does not indicate whether or not there are problems with the financial soundness of FILP agencies.

## 2. Policy cost analysis framework

### (1) Components of policy cost

#### ① Subsidies from the Government (General Account and/or Special Accounts)

The amount of that is obtained after subsidies, grants-in-aid, and grants expected to be invested from FILP agencies to the government for each fiscal year in the future are converted to the discounted present value respectively and then aggregated is treated as "policy cost."

#### ② Contributions, corporate taxes, etc., to the government

The amount that is obtained after contributions, corporate taxes, and dividends expected to be paid from FILP agencies to the Government for each fiscal year in the future are converted to the discounted present value and then aggregated is treated as "negative policy cost."

#### ③ The effect of reducing interest payment (opportunity costs) by the provision of funds from the Government

The effect of reducing interest payment by the provision of funds or non-interest bearing loans to an FILP agency (opportunity cost estimated assuming that the funds provided by the Government will be repaid in full until the last year of the analysis period) is treated as policy cost.

### (2) Subject to policy cost analysis

Subject to policy cost analysis are limited to those receiving FILP during each fiscal year. Therefore, even if a FILP agency receives subsidies, etc. from the national government to implement projects that were not subject to FY2011 FILP, that portion is not subject to analysis. Therefore, when using policy cost analysis, it is necessary to take into account the mechanism of the analysis method, scope of relevant projects and other factors.

### (3) Setting of preconditions

#### [Analysis period]

The analysis period for policy cost analysis is the period from the analyzed fiscal year until the fiscal year when the FILP agency ends the FILP-target project. In the case of a financing institution (government affiliated financing institution, etc.), the analysis period is until the FILP agency finishes collection of its loan receivables, in principle assuming that new loans will not be provided from the next fiscal year onwards. In the case of a business institution, the analysis period is until the time of finishing repayment of the Fiscal loan funds, etc. the FILP agency raised, following the project ends, assuming that it will only implement projects being implemented or continued, and projects for which their new launch is already planned in the interim plan etc.

#### [Future FILP interest rate, discount factor, etc.]

In policy cost analysis, the future FILP interest rate and the discount factor for converting future cash flow into the discounted present value are set as common assumptions by calculating them using theoretical equations, based on actual market yields on government bonds on the base date on which the budget and FILP proposals for the fiscal year under analysis are adopted.

## 3. Calculation of social and economic benefits

Policy cost should be assessed comprehensively together with, including social and economic benefits from implementation of the project. However, it is difficult to uniformly and quantitatively understand the social and economic benefits of different individual projects. Consequently, for business institutions, it is possible to make quantitative trial calculations of social and economic benefits under generally uniform standards by making use of material such as the Cost-Benefit Analysis Manual established by the related government ministries for public projects. Therefore, trial calculations of the social and economic benefits are made based on the preconditions listed below.

#### [Subject projects]

Similar to policy cost analysis, trial calculation is done for work that is being undertaken or that is already expected to be launched on account of items such as medium-term plans (analysis is not conducted for already completed or terminated work.).

#### [Benefits measurement method]

Trial calculation of benefits is done according to benefit measurement methods specified in documents such as the Cost-Benefit Analysis Manual.

#### [Applied discount rate]

There are two types of trial calculation - social discount rate (4%) as specified by the Cost-Benefit Analysis Manual, and discount rate used in policy cost analysis.

#### [Analysis period]

There are two types of trial calculation - analysis period set in consideration of service life into the subject project's implementation period as specified by the Cost-Benefit Analysis Manual, and analysis period (repayment period) which is the same as for policy cost analysis.

#### [Start of trial calculation]

This is basically the same as for policy cost analysis. However, based on the Cost-Benefit Analysis Manual, etc., past results of trial calculations of social and economic benefits are used in unavoidable situations, for example because of the difficulty of acquisition and update of fundamental data.

Quantitative trial calculations cannot be done for some business institutions and projects, because a manual is not prepared which is the basis for trial calculation, or because one cannot obtain suitable data for trial calculation of social and economic benefits, etc. Also, there are no techniques established for financing institutions, so uniform trial calculations are not being done.

(Unit: billion yen : year)

Name of agency (work)	Discount rate			
	Social discount rate		Rate of policy cost analysis	
	4%	Analysis period		Analysis period
Urban Renaissance Agency (Incorporated Administrative Agency)	739.4		1,176.3	
Projects to renew urban functions (land readjustment)	116.7	50	185.9	50
Projects to renew urban functions (urban renewal)	337.5	50	537.8	50
Residential environment development project	285.1	47	452.7	47
Japan Water Agency (Incorporated Administrative Agency)				
Construction of canals	13,200.9	53	14,407.3	27
Japan Railway Construction, Transport, and Technology Agency (Incorporated Administrative Agency)				
Construction Account (private railway project)	1,714.9	30	2,198.1	27
Forestry and Forest Products Research Institute (Incorporated Administrative Agency)				
Forestation for Water Conservation	1,641.5	69	2,175.7	69
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)				
Expressway Project	11,560.2	24	17,792.8	24
Central Japan International Airport Co., Ltd.				
Airport Construction Project	1,629.8	43	1,580.9	23

Continued To Policy (Subsidy) Cost Analysis ➔



# 1. FY2012 Policy Cost Analysis Table (Past year comparison)

(Unit: billion yen)

Institutions	Policy Cost	Primary Cause of Real Fluctuation	Analysis period (year)	Note
Total ① (simple addition)	FY2012	<b>2,627.0</b>		
	FY2011	<b>2,414.6</b>		
	Fluctuation	<b>+212.4</b>		
Total ② (For FILP agencies [their accounts] for both FY2011 and FY2012)	FY2012	<b>2,627.0</b>	Adjustment to calculate real fluctuation: +356.7 Impact of assumed interest: +258.5, Policy cost during FY2011: 98.2	
	FY2011	<b>2,416.1</b>		
	Fluctuation (Real fluctuation)	<b>+210.9 (+567.7)</b>		
<b>&lt;Government Financial Institutions, etc.&gt;</b>				
Japan Finance Corporation	FY2012	<b>949.9</b>		
	FY2011	<b>581.4</b>		
	Fluctuation (Real fluctuation)	<b>+368.5 (+517.6)</b>		
(Account for Micro Business and Individual Operations)	FY2012	<b>144.6</b>	Adjustment to calculate real fluctuation: +34.9 Impact of assumed interest: -8.1, Policy cost during FY2011: 42.9	31 ↑ 31
	FY2011	<b>148.7</b>	New financing: -155.1 Bad debt: +127.6 Other (new loan administrative expenses, etc.): +58.4	
	Fluctuation (Real fluctuation)	<b>-4.0 (+30.9)</b>		
(Account for SME Loan Programs and Securitization Support Programs [Guarantee-type Operations])	FY2012	<b>105.7</b>	Adjustment to calculate real fluctuation: +28.4 Impact of assumed interest: -11.6, Policy cost during FY2011: 40.1	21 ↑ 21
	FY2011	<b>31.6</b>	New financing: -126.7 Advanced redemption: -5.6 Bad debt write-off: +186.4 Other (new loan administrative expenses, etc.): +48.3	
	Fluctuation (Real fluctuation)	<b>+74.0 (+102.5)</b>		
(Account for Securitization Support Programs [Purchase-type Operation])	FY2012		[Exempt from analysis in FY2012]	↑ 4
	FY2011	<b>-1.5</b>		
	Fluctuation (Real fluctuation)	<b>+1.5</b>		
(Account for Agriculture, Forestry, Fisheries and Food Business Operations)	FY2012	<b>138.4</b>	Adjustment to calculate real fluctuation: +13.3 Impact of assumed interest: -5.6, Policy cost during FY2011: 18.9	60 ↑ 57
	FY2011	<b>132.3</b>	New financing: +4.9 Bad debt write-off: -6.1 Other (Increase in capital investment, etc.) +20.6	
	Fluctuation (Real fluctuation)	<b>+6.1 (+19.4)</b>		
(Account for Operations to Facilitate Crisis Responses)	FY2012	<b>560.6</b>	Adjustment to calculate real fluctuation: +73.7 Impact of assumed interest: -0.1, Policy cost during FY2011: 73.8	20 ↑ 20
	FY2011	<b>269.5</b>	New projects portion in FY2012 and cost increase due to FY2011 expected revisions: +261.4 Increase in capital investment: +101.3 Other (Increase in subsidies, etc.) +2.0	
	Fluctuation (Real fluctuation)	<b>+291.1 (+364.7)</b>		
(Account for Operations to Facilitate Specific Business Promotion, etc.)	FY2012	<b>0.6</b>	Adjustment to calculate real fluctuation: +0.2 Impact of assumed interest: +0.0, Policy cost during FY2011: 0.2	20 ↑ 20
	FY2011	<b>0.7</b>	Increase in subsidies, etc. +0.1	
	Fluctuation (Real fluctuation)	<b>-0.1 (+0.1)</b>		
The Okinawa Development Finance Corporation	FY2012	<b>-13.1</b>	Adjustment to calculate real fluctuation: +3.6 Impact of assumed interest: +2.1, Policy cost during FY2011: 1.5	37 ↑ 37
	FY2011	<b>-19.8</b>	Advanced redemption: +9.1 Other (Clerical costs increase, etc.): +1.1	
	Fluctuation (Real fluctuation)	<b>+6.7 (+10.2)</b>		
Japan Bank for International Cooperation	FY2012	<b>74.8</b>	Adjustment to calculate real fluctuation: +2.5 Impact of assumed interest: +13.3, Policy cost during FY2011: -10.9	29 ↑ 29
	FY2011	<b>92.3</b>	New financing: -42.0 Bad debt write-off: +11.2 Advanced redemption: -2.1 Other (new loan administrative expenses, etc.): +17.9	
	Fluctuation (Real fluctuation)	<b>-17.5 (-15.0)</b>		
Japan International Cooperation Agency (JICA) (Incorporated Administrative Agency)	FY2012	<b>502.4</b>	Adjustment to calculate real fluctuation: +47.0 Impact of assumed interest: +124.1, Policy cost during FY2011: -77.1	40 ↑ 40
	FY2011	<b>496.1</b>	New financing: +52.5 Cost reduction due to FY2010 & FY2011 expected revisions: -50.1 Other (Clerical costs increase, etc.): +50.8	
	Fluctuation (Real fluctuation)	<b>+6.3 (+53.2)</b>		

# 1. FY2012 Policy Cost Analysis Table (Past year comparison)

(Unit: billion yen)

Institutions		Policy Cost	Primary Cause of Real Fluctuation	Analysis period (year)	Note
<b>&lt;Incorporated Administrative Agencies, etc.&gt;</b>					
Japan Housing Finance Agency (Incorporated Administrative Agency)	FY2012	<b>64.4</b>	Adjustment to calculate real fluctuation: +1.4 Impact of assumed interest: +1.4, Policy cost during FY2011: 0.0	<b>32</b> ↑ <b>27</b>	◎
	FY2011	<b>0.4</b>	New financing: +39.0 Bad debt write-off: +12.9 Other (Portion of cost increase due to FY2011 new loans, etc.): +13.5		
	Fluctuation (Real fluctuation)	<b>+64.0</b> <b>(+65.4)</b>			
Urban Renaissance Agency (Incorporated Administrative Agency) (Urban Development Account)	FY2012	<b>-1,616.0</b>	Adjustment to calculate real fluctuation: -46.6 Impact of assumed interest: -35.1, Policy cost during FY2011: -11.5	<b>80</b> ↑ <b>80</b>	
	FY2011	<b>-1,667.7</b>	Increase in subsidies: +12.2 Other (Decrease due to zero interest borrowing redemptions, etc.): -7.2		
	Fluctuation (Real fluctuation)	<b>+51.7</b> <b>(+5.0)</b>			
Japan Water Agency (Incorporated Administrative Agency)	FY2012	<b>121.3</b>	Adjustment to calculate real fluctuation: +19.6 Impact of assumed interest: +3.8, Policy cost during FY2011: 15.8	<b>27</b> ↑ <b>28</b>	
	FY2011	<b>147.4</b>	Subsidy reduction due to project cost reduction, etc.: -4.6 Increase in retained earnings due to effects of interest, etc.: -1.9		
	Fluctuation (Real fluctuation)	<b>-26.1</b> <b>(-6.5)</b>			
Japan Finance Organization for Municipalities	FY2012	<b>-380.0</b>	Adjustment to calculate real fluctuation: +125.6 Impact of assumed interest: +125.6, Policy cost during FY2011: -	<b>25</b> ↑ <b>26</b>	◎
	FY2011	<b>-</b>			
	Fluctuation (Real fluctuation)	<b>-380.0</b> <b>(-254.4)</b>	Decrease due to payments into treasury : -254.4		
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)	FY2012	<b>-13.5</b>			
	FY2011	<b>-15.6</b>			
	Fluctuation (Real fluctuation)	<b>+2.2</b> <b>(+3.0)</b>			
(Construction Account)	FY2012	<b>-</b>		<b>27</b> ↑ <b>28</b>	
	FY2011	<b>-</b>	(No Fluctuation)		
	Fluctuation (Real fluctuation)	<b>-</b> <b>(-)</b>			
(Maritime Affairs Account)	FY2012	<b>-13.5</b>	Adjustment to calculate real fluctuation: +0.8 Impact of assumed interest: +2.3, Policy cost during FY2011: -1.5	<b>16</b> ↑ <b>16</b>	◎
	FY2011	<b>-15.6</b>	Fluctuation in expected write-offs of nonperforming loans: +2.3 New projects portion: -1.5 Increase in clerical costs due to new projects: +0.8 Other: +1.4		
	Fluctuation (Real fluctuation)	<b>+2.2</b> <b>(+3.0)</b>			
Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency)	FY2012	<b>0.5</b>			
	FY2011	<b>0.5</b>			
	Fluctuation (Real fluctuation)	<b>+0.0</b> <b>(+0.1)</b>			
(General Account for Metal Mining)	FY2012	<b>0.5</b>	Adjustment to calculate real fluctuation: +0.1 Impact of assumed interest: -0.0, Policy cost during FY2011: 0.1	<b>16</b> ↑ <b>16</b>	◎
	FY2011	<b>0.5</b>			
	Fluctuation (Real fluctuation)	<b>+0.0</b> <b>(+0.1)</b>	New financing: +0.1		
(Account for Oil and Natural Gas)	FY2012	<b>0.0</b>	Adjustment to calculate real fluctuation: +0.0 Impact of assumed interest: -0.0, Policy cost during FY2011: 0.0	<b>14</b> ↑ <b>14</b>	◎
	FY2011	<b>0.0</b>			
	Fluctuation (Real fluctuation)	<b>-0.0</b> <b>(+0.0)</b>	New financing: +0.0		
Welfare And Medical Service Agency (Incorporated Administrative Agency) (General Account)	FY2012	<b>30.4</b>	Adjustment to calculate real fluctuation: +18.3 Impact of assumed interest: +10.9, Policy cost during FY2011: 7.4	<b>40</b> ↑ <b>32</b>	◎
	FY2011	<b>14.7</b>	New financing: -7.2 Cost increase related to FILP agency bond issuance FY2013 onwards: +10.5 Cost increase due to FY2010 final results and FY2011 expected revision: +8.2 Other: +22.4		
	Fluctuation (Real fluctuation)	<b>+15.7</b> <b>(+34.0)</b>			
National Hospital Organization (Incorporated Administrative Agency)	FY2012	<b>144.1</b>	Adjustment to calculate real fluctuation: -10.3 Impact of assumed interest: +16.6, Policy cost during FY2011: -26.9	<b>25</b> ↑ <b>25</b>	
	FY2011	<b>153.3</b>			
	Fluctuation (Real fluctuation)	<b>-9.2</b> <b>(-19.5)</b>	Increase in surplus: -22.0 Other: +2.4		

**I** Outline of Fiscal Investment and Loan Program (FILP) P. 2 ~ P.17

**II** FILP Initiatives in Recent Years P.18 ~ P.29

**III** FILP Movements in FY2011 P.30 ~ P.39

**IV** FAQ P.40 ~ P.46

**V** APPENDIX P.47 ~ P.73

**VI** Glossary Information Directory P.74 ~ P.83

# 1. FY2012 Policy Cost Analysis Table (Past year comparison)

(Unit: billion yen)

Institutions		Policy Cost	Primary Cause of Real Fluctuation	Analysis period (year)	Note
National Cancer Center (Incorporated Administrative Agency)	FY2012	11.0	Adjustment to calculate real fluctuation: +1.8 Impact of assumed interest: +2.1, Policy cost during FY2011: -0.3	27 ↑ 26	
	FY2011	-1.0			
	Fluctuation (Real fluctuation)	+11.9 (+13.8)	Increase in government subsidies, etc.: +0.4 Reduction in surplus: +13.4		
National Center for Global Health and Medicine (Incorporated Administrative Agency)	FY2012	42.9	Adjustment to calculate real fluctuation: +6.9 Impact of assumed interest: +1.3, Policy cost during FY2011: 5.6	28 ↑ 29	
	FY2011	47.1			
	Fluctuation (Real fluctuation)	-4.2 (+2.7)	Reduction in government subsidies, etc.: -2.4 Reduction in surplus, etc.: +5.2		
The Promotion and Mutual Aid Corporation for Private Schools of Japan (Grant Account)	FY2012	16.0	Adjustment to calculate real fluctuation: +1.0 Impact of assumed interest: +1.0, Policy cost during FY2011: -0.0	26 ↑ 21	◎
	FY2011	0.5			
	Fluctuation (Real fluctuation)	+15.5 (+16.5)	New financing: +0.9 FY2010, FY2011 assets under management: +2.0 Bad debt write-off: +4.0 Other: +9.6		
Center for National University Finance and Management (Incorporated Administrative Agency)(Facilities Improvement Account)	FY2012	0.4	Adjustment to calculate real fluctuation: +0.1 Impact of assumed interest: -0.0, Policy cost during FY2011: 0.1	29 ↑ 29	◎
	FY2011	0.5			
	Fluctuation (Real fluctuation)	-0.0 (+0.1)	Retained earnings reduction: +0.1		
Japan Student Services Organization (Incorporated Administrative Agency)	FY2012	190.5	Adjustment to calculate real fluctuation: +45.9 Impact of assumed interest: +15.3, Policy cost during FY2011: 30.6	26 ↑ 26	◎
	FY2011	238.7			
	Fluctuation (Real fluctuation)	-48.3 (-2.4)	Increase in interest subsidy etc. due to new loans portion: +41.7 Impact of collection ratio: -38.7 Advanced redemption: -7.5 Other: +2.0		
Forestry and Forest Products Research Institute (Incorporated Administrative Agency) (Forestation for Water Conservation)	FY2012	692.8	Adjustment to calculate real rate fluctuation: -32.4 Impact of assumed interest: -35.5, Policy cost during FY2011: 3.1	89 ↑ 89	
	FY2011	613.7			
	Fluctuation (Real fluctuation)	+79.1 (+46.7)	Increase in injected governmental costs: +16.9 Reduction in surplus: +29.8		
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)	FY2012	2,243.4	Adjustment to calculate real fluctuation: +56.7 Impact of assumed interest: +53.8, Policy cost during FY2011: 2.9	33 ↑ 34	
	FY2011	2,181.1			
	Fluctuation (Real fluctuation)	+62.3 (+119.0)	Increase in capital investment: +119.0		
<b>&lt;Special Corporations, etc.&gt;</b>					
New Kansai International Airport Co., Ltd.	FY2012	46.1	Adjustment to calculate real fluctuation: -14.5 Impact of assumed interest: -17.2, Policy cost during FY2011: 2.7	47 ↑ 60	
	FY2011	41.4			
	Fluctuation (Real fluctuation)	+4.7 (-9.8)	Cost decrease due to management integration with Osaka International Airport : -32.0 Decrease in subsidies :-7.2 Fluctuations in estimated demand, etc.: +29.4		
Central Japan International Airport Co., Ltd.	FY2012	-30.1	Adjustment to calculate real fluctuation: +7.4 Impact of assumed interest: +6.9, Policy cost during FY2011: 0.5	23 ↑ 24	
	FY2011	-5.5			
	Fluctuation (Real fluctuation)	-24.6 (-17.2)	Project revisions: -2.1 Fluctuations in estimated demand: -8.0 Cost reduction: -7.1		
Development Bank of Japan Inc.	FY2012	-451.0	Adjustment to calculate real fluctuation: -28.4 Impact of assumed interest: -8.7, Policy cost during FY2011: -19.8	26 ↑ 26	◎
	FY2011	-484.8			
	Fluctuation (Real fluctuation)	+33.8 (+5.3)	Increase in capital investment: +36.6 Cost reduction due to FY2010 & FY2011 expected revisions: -26.0 Other (Cost decrease related to new loans, etc.): -5.3		
Organization for Promoting Urban Development	FY2012	-0.1	Adjustment to calculate real fluctuation: -0.1 Impact of assumed interest: -0.1, Policy cost during FY2011: -0.0	21 ↑ 21	◎
	FY2011	-0.1			
	Fluctuation (Real fluctuation)	+0.0 (-0.1)	Increase in investment revenues :-0.1		

Note 1: In the "Primary Cause of Real Fluctuation" column, "Adjustment to calculate real change" is the total of the Impact of assumed interest rate plus Policy cost during FY2011.  
Note 2: A breakdown of policy cost by causative factor was estimated and noted for agencies with a ◎ mark in the Remarks column.

## 2. FY2012: Policy Cost Analysis Table (breakdown & sensitivity)

(Unit: billion yen)

Institutions		Policy cost ①+②+③	Subsidies from government ①	Payments to the treasury/ corporate tax, etc. ②	Opportunity cost =a+b+c ③	Funds provided before the beginning of the analysis period a	Policy costs expected to be newly accrued during the analysis term period		Sensitivity analysis Assumed interest rate +1%	
							Change in surplus, etc. b	Change in investment c	Discount rate unchanged	Discount rate changes
Total	FY2012	2,627.0	835.6	-6,721.2	8,512.6	9,987.2	-2,007.0	532.3	3,652.0	6,201.5
	FY2011	2,414.6	904.4	-5,040.9	6,551.1	9,176.7	-3,258.8	633.2	3,180.4	5,481.8
	Fluctuation	+212.4	-68.7	-1,680.4	+1,961.5	+810.5	+1,251.9	-100.9		
<b>&lt;Government Financial Institutions, etc.&gt;</b>										
Japan Finance Corporation	FY2012	949.9	176.2	-210.8	984.6	1,251.7	-303.1	36.0	943.6	1,210.3
	FY2011	581.4	172.0	-167.1	576.4	966.5	-402.8	12.8	593.2	790.2
	Fluctuation	+368.5	+4.1	-43.8	+408.1	+285.1	+99.7	+23.2		
(Account for Micro Business and Individual Operations)	FY2012	144.6	43.8	—	100.8	414.4	-321.7	8.2	138.3	231.7
	FY2011	148.7	38.3	—	110.3	307.9	-197.6	—	159.2	189.1
	Fluctuation	-4.0	+5.5	—	-9.5	+106.5	-124.2	+8.2		
(Account for SME Loan Programs and Securitization Support Programs [Guarantee-type Operations])	FY2012	105.7	61.3	—	44.4	327.6	-296.9	13.7	89.4	197.6
	FY2011	31.6	61.7	—	-30.1	263.0	-305.6	12.5	25.4	111.9
	Fluctuation	+74.0	-0.5	—	+74.5	+64.5	+8.8	+1.2		
(Account for Securitization Support Programs [Purchase-type Operation])	FY2012									
	FY2011	-1.5	—	-0.5	-1.0	0.3	-1.2	0.0	-1.5	-0.7
	Fluctuation	+1.5	—	+0.5	+1.0	-0.3	+1.2	-0.0		
(Account for Agriculture, Forestry, Fisheries and Food Business Operations)	FY2012	138.4	65.7	-210.8	283.6	276.4	2.2	5.0	154.8	233.8
	FY2011	132.3	67.2	-166.6	231.7	230.9	0.5	0.2	139.9	217.2
	Fluctuation	+6.1	-1.5	-44.3	+51.9	+45.5	+1.6	+4.8		
(Account for Operations to Facilitate Crisis Responses)	FY2012	560.6	4.8	—	555.8	233.2	313.4	9.1	560.6	546.6
	FY2011	269.5	4.1	—	265.5	164.4	101.1	0.0	269.5	272.0
	Fluctuation	+291.1	+0.7	—	+290.3	+68.9	+212.3	+9.1		
(Account for Operations to Facilitate Specific Business Promotion, etc.)	FY2012	0.6	0.6	—	-0.0	0.1	-0.1	0.0	0.6	0.6
	FY2011	0.7	0.7	—	0.1	0.0	-0.0	0.0	0.7	0.7
	Fluctuation	-0.1	-0.0	—	-0.1	+0.0	-0.1	-0.0		
The Okinawa Development Finance Corporation	FY2012	-13.1	1.6	-55.8	41.0	40.7	-0.1	0.4	-6.7	3.1
	FY2011	-19.8	1.6	-61.5	40.1	39.7	-0.0	0.4	-11.2	0.1
	Fluctuation	+6.7	+0.0	+5.7	+1.0	+1.0	-0.0	+0.0		
Japan Bank of International Cooperation	FY2012	74.8	—	-537.3	612.0	562.6	49.4	—	67.1	156.9
	FY2011	92.3	—	-543.6	635.9	498.0	46.6	91.3	94.5	160.2
	Fluctuation	-17.5	—	+6.3	-23.8	+64.6	+2.8	-91.3		
Japan International Cooperation Agency (JICA) (Incorporated Administrative Agency)	FY2012	502.4	—	-2,057.4	2,559.8	4,582.0	-2,056.2	34.0	361.9	1,044.1
	FY2011	496.1	—	-1,549.4	2,045.5	4,381.8	-2,373.3	37.0	381.1	1,062.6
	Fluctuation	+6.3	—	-508.1	+514.3	+200.2	+317.2	-3.0		
<b>&lt;Incorporated Administrative Agencies, etc.&gt;</b>										
Japan Housing Finance Agency (Incorporated Administrative Agency)	FY2012	64.4	53.9	-111.3	121.8	4.3	117.5	—	70.9	72.1
	FY2011	0.4	—	—	0.4	3.8	-3.4	—	0.3	0.6
	Fluctuation	+64.0	+53.9	-111.3	+121.4	+0.5	+120.9	—		
Urban Renaissance Agency (Incorporated Administrative Agency) (Urban Development Account)	FY2012	-1,616.0	74.5	-2,137.2	446.7	575.9	-129.2	0.1	-583.5	-304.6
	FY2011	-1,667.7	85.3	-2,080.3	327.3	514.9	-187.7	0.1	-636.5	-269.0
	Fluctuation	+51.7	-10.9	-56.9	+119.4	+60.9	+58.5	-0.0		
Japan Water Agency (Incorporated Administrative Agency)	FY2012	121.3	70.5	—	50.8	3.7	47.2	—	134.3	139.1
	FY2011	147.4	83.1	—	64.2	4.0	60.2	—	163.7	165.2
	Fluctuation	-26.1	-12.7	—	-13.4	-0.4	-13.1	—		

Continued To Policy (Subsidy) Cost Analysis ➔

I Outline of Fiscal Investment and Loan Program (FILP) P. 2 ~ P. 17  
 II FILP Initiatives in Recent Years P. 18 ~ P. 29  
 III FILP Movements in FY2011 P. 30 ~ P. 39  
 IV FAQ P. 40 ~ P. 46  
 V APPENDIX P. 47 ~ P. 73  
 VI Glossary Information Directory P. 74 ~ P. 83



## 2. FY2012: Policy Cost Analysis Table (breakdown & sensitivity)

(Unit: billion yen)

Institutions		Policy cost ①+②+③	Subsidies from government ①	Payments to the treasury/ corporate tax, etc. ②	Opportunity cost =a+b+c ③	Funds provided before the beginning of the analysis period a	Policy costs expected to be newly accrued during the analysis term period		Sensitivity analysis Assumed interest rate +1%	
							Change in surplus, etc. b	Change in investment c	Discount rate unchanged	Discount rate changes
Japan Finance Organization for Municipalities	FY2012	-380.0	—	-997.9	618.0	—	618.0	—	-132.6	104.1
	FY2011	—	—	—	—	—	—	—	—	—
	Fluctuation	-380.0	—	-997.9	+618.0	—	+618.0	—		
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)	FY2012	-13.5	—	—	-13.5	13.8	-27.2	—	-12.5	-9.6
	FY2011	-15.6	—	—	-15.6	15.0	-30.7	—	-10.7	-8.0
	Fluctuation	+2.2	—	—	+2.2	-1.3	+3.5	—		
(Construction Account)	FY2012	—	—	—	—	—	—	—	—	—
	FY2011	—	—	—	—	—	—	—	—	—
	Fluctuation	—	—	—	—	—	—	—		
(Maritime Affairs Account)	FY2012	-13.5	—	—	-13.5	13.8	-27.2	—	-12.5	-9.6
	FY2011	-15.6	—	—	-15.6	15.0	-30.7	—	-10.7	-8.0
	Fluctuation	+2.2	—	—	+2.2	-1.3	+3.5	—		
Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency)	FY2012	0.5	0.6	-0.1	0.0	—	0.0	—	0.5	0.5
	FY2011	0.5	0.6	-0.1	0.0	—	0.0	—	0.5	0.5
	Fluctuation	+0.0	+0.0	+0.0	+0.0	—	+0.0	—		
(General Account for Metal Mining)	FY2012	0.5	0.5	-0.1	0.0	—	0.0	—	0.5	0.5
	FY2011	0.5	0.5	-0.1	0.0	—	0.0	—	0.5	0.5
	Fluctuation	+0.0	—	+0.0	+0.0	—	+0.0	—		
(Account for Oil and Natural Gas)	FY2012	0.0	0.0	—	—	—	—	—	0.0	0.0
	FY2011	0.0	0.0	—	—	—	—	—	0.0	0.0
	Fluctuation	-0.0	-0.0	—	—	—	—	—		
Welfare And Medical Service Agency (Incorporated Administrative Agency) (General Account)	FY2012	30.4	17.7	—	12.8	11.3	1.5	—	46.7	45.5
	FY2011	14.7	16.7	—	-2.0	2.2	-4.2	—	17.7	18.1
	Fluctuation	+15.7	+0.9	—	+14.8	+9.0	+5.8	—		
National Hospital Organization (Incorporated Administrative Agency)	FY2012	144.1	176.8	—	-32.8	77.6	-110.4	—	145.6	215.9
	FY2011	153.3	186.0	—	-32.8	83.8	-116.6	—	154.7	244.8
	Fluctuation	-9.2	-9.2	—	-0.0	-6.2	+6.2	—		
National Cancer Center (Incorporated Administrative Agency)	FY2012	11.0	10.7	—	0.2	37.0	-36.8	—	11.0	32.2
	FY2011	-1.0	9.9	—	-10.9	38.2	-49.1	—	-0.9	21.3
	Fluctuation	+11.9	+0.9	—	+11.1	-1.3	+12.3	—		
National Center for Global Health and Medicine (Incorporated Administrative Agency)	FY2012	42.9	14.6	—	28.3	28.4	-0.1	—	43.2	50.6
	FY2011	47.1	17.3	—	29.9	31.0	-1.1	—	47.7	55.0
	Fluctuation	-4.2	-2.7	—	-1.5	-2.5	+1.0	—		
The Promotion and Mutual Aid Corporation for Private Schools of Japan (Grant Account)	FY2012	16.0	—	-12.5	28.6	34.4	-5.8	—	15.4	30.8
	FY2011	0.5	—	-15.8	16.3	20.5	-4.3	—	-0.5	9.2
	Fluctuation	+15.5	—	+3.3	+12.3	+13.8	-1.6	—		
Center for National University Finance and Management (Incorporated Administrative Agency) (Facilities Improvement Account)	FY2012	0.4	0.4	—	—	—	—	—	0.4	0.4
	FY2011	0.5	0.5	—	—	—	—	—	0.5	0.4
	Fluctuation	-0.0	-0.0	—	—	—	—	—		
Japan Student Services Organization (Incorporated Administrative Agency)	FY2012	190.5	208.6	—	-18.1	0.0	-18.2	—	313.2	303.1
	FY2011	238.7	246.3	—	-7.6	0.0	-7.6	—	371.3	354.5
	Fluctuation	-48.3	-37.7	—	-10.6	-0.0	-10.6	—		
Forestry and Forest Products Research Institute (Incorporated Administrative Agency) (Forestation for Water Conservation)	FY2012	692.8	22.9	—	669.9	572.2	-14.0	111.7		
	FY2011	613.7	25.0	—	588.8	506.4	-14.3	96.6		
	Fluctuation	+79.1	-2.1	—	+81.2	+65.9	+0.3	+15.2		

## 2. FY2012: Policy Cost Analysis Table (breakdown & sensitivity)

(Unit: billion yen)

Institutions		Policy cost ①+②+③	Subsidies from government ①	Payments to the treasury/ corporate tax, etc. ②	Opportunity cost =a+b+c ③	Funds provided before the beginning of the analysis period a	Policy costs expected to be newly accrued during the analysis term period		Sensitivity analysis Assumed interest rate +1%	
							Change in surplus, etc. b	Change in investment c	Discount rate unchanged	Discount rate changes
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)	FY2012	2,243.4	—	—	2,243.4	1,893.2	—	350.1	2,605.5	3,173.1
	FY2011	2,181.1	—	—	2,181.1	1,801.4	—	379.7	2,376.1	2,959.6
	Fluctuation	+62.3	—	—	+62.3	+91.8	—	-29.5		
<b>&lt;Special Corporations, etc.&gt;</b>										
New Kansai International Airport Co., Ltd.	FY2012	46.1	6.4	-8.5	48.2	144.4	-96.2	—	98.6	121.6
	FY2011	41.4	54.5	-26.0	12.9	146.8	-149.2	15.4	116.0	155.2
	Fluctuation	+4.7	-48.1	+17.5	+35.2	-2.4	+53.0	-15.4		
Central Japan International Airport Co., Ltd.	FY2012	-30.1	—	-24.3	-5.8	27.9	-33.7	—	-23.0	-2.3
	FY2011	-5.5	—	-14.6	9.1	32.8	-23.7	—	1.5	19.2
	Fluctuation	-24.6	—	-9.7	-14.9	-4.9	-10.0	—		
Development Bank of Japan Inc.	FY2012	-451.0	0.3	-563.0	111.7	126.4	-14.7	—	-447.2	-185.3
	FY2011	-484.8	0.5	-577.5	92.2	89.7	2.4	—	-478.4	-257.9
	Fluctuation	+33.8	-0.2	+14.4	+19.5	+36.6	-17.1	—		
Organization for Promoting Urban Development	FY2012	-0.1	—	-5.1	5.0	—	5.0	—	-0.1	-0.2
	FY2011	-0.1	5.0	-5.1	—	—	—	—	-0.1	-0.1
	Fluctuation	+0.0	-5.0	-0.0	+5.0	—	+5.0	—		

# Basic Knowledge of the Fiscal Investment and Loan Program

## A

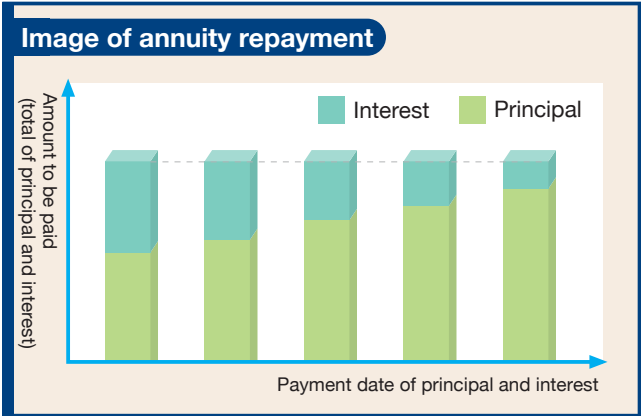
**Accrual basis <FILP Special Account>**  
 Accrual basis is a basis on which income or expense is recognized and booked at the time of the occurrence of an increase or decrease in the economic value of a good or service, regardless of receipt or payment of cash.  
 With regard to the FILP Special Account, since FY2001 an income statement and balance sheet have been prepared based on the accrual basis from the viewpoint of clarifying financial conditions.  
 (➔ Cash basis)

**ALM (Asset Liability Management) <ALM>**  
 ALM means the “integrated management of assets and liabilities,” and is one of the business management methods used to secure financial soundness in financial institutions, etc.

**Analysis of financial condition (analysis of financial condition of local government) <FILP for Local Governments>**

This is an analysis of each local government’s debt repayment capacity and its cash-flow management, which has been conducted by the Ministry of Finance (Local Finance Bureau) since 2005 from the perspective of facilitating loan assessments as the lender of the Fiscal Loan Fund. All the local governments undergo monitoring of financial standing and some of them which deemed necessary are interviewed. The outline of results is published every year.

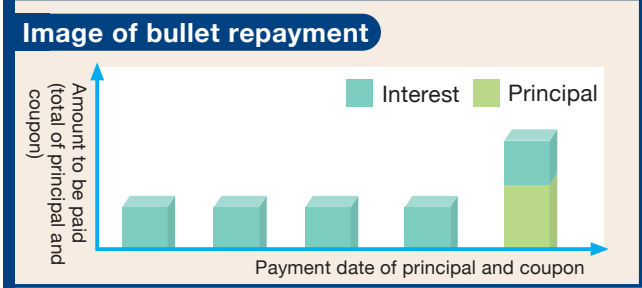
**Annuity repayment <FILP System>**  
 This is the repayment method whereby the total amount of combined interest and principal is constant.



## B

**Bullet repayment <FILP System>**  
 This is the method of repaying the entire principal on the last

payment date. FILP bonds and many other coupon-bearing bonds use the bullet repayment method.



## C

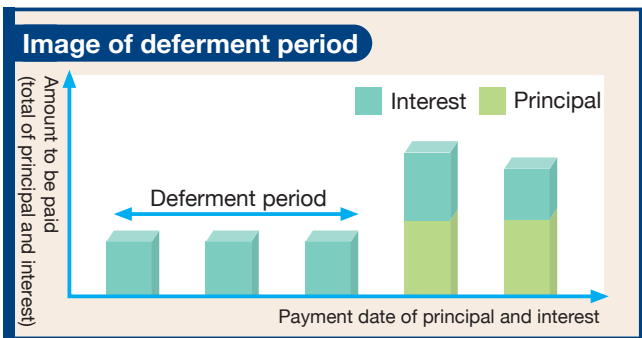
**Carryforward (amount) <FILP System>**  
 This means carrying forward the unexecuted portion of a FILP plan to the next fiscal year in line with the progress of relevant projects, etc.

**Cash basis <FILP Special Account>**  
 Cash basis is a basis on which accounting and calculation are processed by identifying the time of receipts or payments of cash and the occurrence of income or expense. The recognition and booking of profits and losses are linked to the time.

**Current figure <FILP System>**  
 The current figure is the amount obtained by adding the FILP plan amount for a fiscal year and the carryforward amount from the previous fiscal year.

## D

**Deferment period <FILP System>**  
 Deferment period is a period commencing on the execution date of a loan wherein only interest, not the principal, is repaid.



## Deposits <FILP System>

Deposits are funds left from the special accounts, and so forth, to the Fiscal Loan Fund. Reserves and surpluses (cash generated as surpluses for the payment) in each special account are deposited to the Fiscal Loan Fund and managed in an integrated manner.

Interest is imposed on deposits based on the interest rate of government bonds, depending on the deposit periods specified in the contract

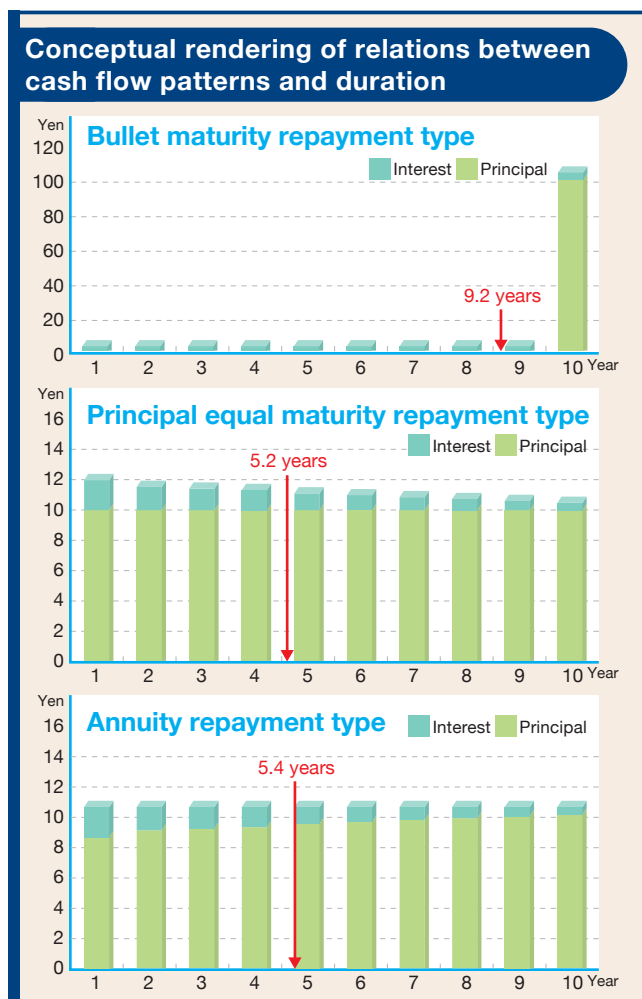
## Diagnosis Report (analysis of financial condition of local government) <FILP for Local Governments>

Diagnosis Report describes financial conditions and causes of financial deterioration in an easy-to-understand manner with respect to all the local governments interviewed in the process of analysis of financial condition. Local Finance Bureaus start to provide this document to local governments in FY2010.

## Duration <ALM>

Duration is a figure obtained by discounting future cash flows generated by assets (collections on loans, etc.) or liabilities (redemptions of FILP bonds, etc.) to their present values and then calculating the period of time until the cash flows are generated by the weighted average method based on the present value. It represents the average remaining period of the assets or liabilities.

In addition to the average term remaining, duration also has a characteristic of representing a price change resulting from interest rate variance. Therefore, the longer duration is, the larger the price (present value) change becomes.



## Duration gap <ALM>

A duration gap is the mismatch between the duration of assets and that of liabilities. When this gap exists, it may be the factors that bring about interest rate risk, because of the difference between the fluctuation in present assets value and liabilities one by interest rate movements.

# E

## Earning at Risk <ALM>

Earning at Risk is one of the methods of evaluating risks, and its measures, through such analytical methods as Monte Carlo Simulation, the fluctuation in profits and losses that may occur in the future with a constant probability.

## Extraordinary financial countermeasures bonds <FILP for Local Governments>

In principle, Local Government Bonds are allowed to be issued in the cases provided in Article 5 of the Local Finance Act, such as the case of raising capital for the funding source of expenses of municipal enterprises (transportation, gas, water, etc.) or construction expenses. As an exception to this, extraordinary financial countermeasures bonds are issued to compensate for the shortage in the ordinary balance of the Local Public Finance Program. They have been issued since FY2001.

# F

## FILP agencies <FILP System>

FILP agencies are institutions which utilize FILP.

FILP consists of three elements: fiscal loans, industrial investment and government guarantees. Among them, fiscal loans are provided to the national government (special accounts) and local governments as well as government-affiliated financial institutions / incorporated administrative agencies etc. (institutions established based on special laws, which do not receive capital injection from the private sector). Industrial investment is provided to government affiliated financial institutions and incorporated administrative agencies, etc. which comply with the purpose of developing industries and promoting trade, and which have legislative provisions allowing them to receive investments from and return profits to the national government. Government guarantees are basically provided to government affiliated financial institutions and incorporated administrative agencies, etc., which have legislative provisions to allow them to receive government guarantees.

## FILP agency bonds <FILP System>

Among the bonds issued by each FILP agency in the private financial markets, FILP agency bonds are those with no governmental guarantee for repayment of principal and interest.

These FILP agency bonds were introduced by the FILP Reform in FY2001, and today they function as a means of fund-raising for FILP agencies.

## FILP bonds (Fiscal Investment and Loan Program Bonds) <FILP System>

FILP bonds are bonds issued by the national government (government bonds) as a funding source for management of the Fiscal Loan Fund. Funds procured by issuing FILP bonds constitute a part of revenue in the FILP Special Account Fiscal



Loan Fund Account and are transferred to the Fiscal Loan Fund as expenditures.

Since they have the same merchantability as ordinary government bonds and are issued together with the latter, we can observe no difference as financial commodities between them. Both bonds are also the same in the sense that the maximum issuance amount is determined by a Diet resolution. FILP bonds are classified as one sort of government bond in each fiscal year's government bond issuance plan.

Still, FILP bonds are different from ordinary government bonds in the sense that their repayment is covered by returns from loans of the Fiscal Loan Fund, and the 60 year redemption rule is not applied, while the repayment of ordinary government bonds is covered by taxation and so forth. Also, FILP bonds are not classified as debts of the government in the System of National Accounts, based on the unified standard of economic indicators established by the United Nations.

### FILP plan <FILP System>

The FILP plan is the list of reserved amounts for each FILP agency with respect to each fiscal year's FILP (among fiscal loans, industrial investment, and government guarantees having a period of 5 years or more). It is submitted first to the Cabinet Meeting and then to the Diet, as an attachment to the Special Account Budget.

Fiscal loans, industrial investment, and government guarantees are stated as a part of the budget in the Special Account budgetary provisions, the budget for the FILP Special Account Investment Account, and the General Account budgetary provisions, respectively. They are subject to the deliberations and resolutions of the Diet.

### FILP Reform <FILP System>

FILP Reform is a fundamental review of FILP conducted in FY2001. The main pillar of the reform was that the way of capital raising for FILP was changed to the funds through issuing FILP bonds (government bonds) from the mandatory-deposited funds in postal savings and pension reserves.

Looking at the actual content of the reform, due to the amendment to the Trust Fund Bureau Fund Act and others in FY2001, the following measures were implemented.

- (1) Mandatory deposits of postal savings and pension reserves to the Trust Fund Bureau Fund were abolished.
- (2) FILP-target projects performed by special public corporations, etc. are reviewed from the viewpoint of private-sector supplementation.
- (3) With regard to capital raising for FILP agencies,
  - (i) the agencies endeavor to raise truly necessary capital themselves in the market by issuing FILP agency bonds; and
  - (ii) funds procured by the government through the issuance of FILP bonds (government bonds) are lent to FILP agencies.
- (4) The interest rate system for the funding rate and loan interest rate of fiscal loans was amended to one based on the market interest rate of government bonds corresponding to the applicable period.

Funding methods in the mechanism prior to the FILP Reform were limited to the passive ones such as deposits from postal savings and pension reserves, etc., which led to the problem that funds were not be procured efficiently in response to the capital requirements. Taking this into account, the reform was undertaken to make FILP more efficient and consistent with market principles.

In addition, more information about FILP was disclosed and provision of information for making a decision on FILP-target projects' appropriateness and assurance of the financial soundness of FILP agencies was promoted by introducing policy

cost analysis: the policy cost analysis clarifies how much policy costs (such as expected future opportunity costs for subsidies and investments) for FILP projects would become.

### FILP Special Account Fiscal Loan Fund Account <FILP Special Account>

This account is set up to clarify the accounting related to the management of the Fiscal Loan Fund by distinguishing it from the General Account. Its predecessor is the Fiscal Loan Fund Special Account, which was set up by renaming the Trust Fund Bureau Fund Special Account in FY2001.

The main revenues for the account are Fiscal Loan Fund investment income and public bonds (FILP bonds). Its main expenditures are redemptions and interest payments for FILP bonds etc., and transfers into the Fiscal Loan Fund.

This account is managed independently without transfers from the General Account (i.e. tax revenues).

### FILP Special Account Investment Account <FILP Special Account>

This account is set up to clarify the accounting related to investment (investment of capital and loans) using the government fiscal funds, which are made for the purpose of the industrial development and the promotion of international trade, by distinguishing it from the General Account. Its predecessor is the Industrial Investment Account of the Industrial Investment Special Account, which was set up in FY1953.

The main revenues for the account are payments to the treasury by Japan Bank for International Cooperation and Japan Finance Organization for Municipalities and dividends from stocks of NTT and JT etc. held by the account. Its main expenditures are disbursements for industrial investment (industrial investment in the FILP plan).

In FY2012, in order to allocate supplements for shortages of local fiscal sources, payments from the Japan Finance Organization for Municipalities (350 billion yen) are to be exceptionally transferred into local allocation taxes and the Local Transfer Tax Allocation Special Account.

### FILP subcommittee (FILP Subcommittee of the Fiscal System Council) <FILP System>

The FILP subcommittee is set up in the Fiscal System Council, which is an advisory council to the Minister of Finance to deliberate on the ideal form of the overall government finance. The FILP subcommittee is composed of academic experts, and it is legally prescribed that the subcommittee states opinions concerning the FILP plan and Fiscal Loan Fund Management Plan for each year in advance and receives a Fiscal Loan Fund Management Report after the end of the fiscal year. In addition, it serves to research and deliberate on important matters related to the FILP system, FILP plan and Fiscal Loan Fund.

### Fiscal loans <FILP System>

Fiscal loans are one of the methods of supplying funds in FILP, meaning lending the Fiscal Loan Fund to FILP agencies (national government special accounts, local governments, government affiliated financial institutions, incorporated administrative agencies, etc.) which engage in FILP projects contributing to the economy and society in various fields, such as small and mediumsized enterprises, education, social welfare, and the like.

The funding source of fiscal loans is the Fiscal Loan Fund, which is financed based on the national credit under the most favorable terms, enabling the provision of long term, fixed, and low-interest

funds which are difficult for private financial institutions to provide.

### Fiscal Loan Fund <FILP System>

The Fiscal Loan Fund is a funding source (financial resource) for providing fiscal loans.

It is composed of funds procured by FILP bonds (government bonds) and reserves (see Note) or surpluses, etc. set aside from the special accounts that are under integrated management. These serve as a funding source (financial resource) for fiscal loans.

The purpose of setting it up is to integrate and manage funds procured based on the national credit, such as reserves in the special accounts, and to operate the funds securely and efficiently, thereby contributing to improved public benefit. Its predecessor, the Trust Fund Bureau Fund which was set up in FY1951, was renamed as the Fiscal Loan Fund as part of the fundamental FILP Reform in FY2001.

Loans of 5 years or more in the FILP plan are stated as the reserved amounts for long-term investments of the Fiscal Loan Fund in the Special Account budgetary provisions, and they are subject to the resolutions of the Diet.

Management of the Fiscal Loan Fund is accounted for in the FILP Special Account Fiscal Loan Fund Account, which is managed independently without transfers from the General Account (= tax revenues).

(Note) Excluding reserves pertaining to the national pension account and employee's pension account of the pension special account

### Fiscal Loan Fund Management Plan <FILP System>

Fiscal Loan Fund Management Plan describes the planned amount for the management of the Fiscal Loan Fund for the relevant year. The Minister of Finance decides it after hearing opinions from the Fiscal System Council (FILP Subcommittee) in accordance with the Fiscal Loan Fund Act.

### (The former) Fiscal Loan Fund Special Account <FILP Special Account>

This is a special account which was set up to clarify the accounting related to the management of the Fiscal Loan Fund by distinguishing it from the General Account.

Its predecessor was the Trust Fund Bureau Special Account, which was set up in FY1951 to process accounting transactions by distinguishing revenue and expenditures related to the Trust Fund Bureau Fund from the General Account. The Trust Fund Bureau Special Account was renamed as the Fiscal Loan Fund Special Account as part of the FILP Reform in FY2001.

As a result of the reform of special accounts, in FY2008 the Industrial Investment Account of the Industrial Investment Special Account was transferred to the Fiscal Loan Fund Special Account and renamed as the FILP Special Account, and (the former) Fiscal Loan Fund Special Account became the FILP Special Account Fiscal Loan Fund Account.

### Flexible Management Clause <FILP System>

The Flexible Management Clause allows an increase in expenditures to the extent that the revenue increase is secured when the need to increase the expenses of each special account has arisen by the end of the fiscal year, based on the provisions of the Act on Special Accounts and in accordance with the budgetary provisions.

Also in the FILP plan, in order to respond swiftly and flexibly to changes in economic conditions and otherwise measures are implemented to allow increases in the reserved amounts for longterm investments of the Fiscal Loan Fund and in the limits of

government guarantees, to the extent provided in the budgetary provisions.

## G

### Government guarantees <FILP System>

Government guarantees are one of the methods of supplying funds for FILP, meaning the government provides guarantees for the payment of principal and interest when government affiliated financial institutions, incorporated administrative agencies, and others raise capital in the financial market. This enables raising the necessary capital for business in a smooth and efficient way.

Government guarantee obligation is subdivided into government-guaranteed bonds, which are the obligation for bonds issued by FILP agencies, etc., and government-guaranteed loans, which are the obligation for loans.

Government-guaranteed bonds issued by FILP agencies and other entities in the foreign market are called "government-guaranteed foreign bonds."

The limits of government guarantees for the fiscal year are stated in the General Account budgetary provisions and are subject to the resolutions of the Diet. Those of 5 years or more are booked in the FILP plan.

### Grant funds <FILP System>

Grant funds are funds provided without imposing a repayment obligation. Subsidies are an example of grant funds.

## I

### Industrial investment <FILP System>

Industrial investments are one of the methods of supplying funds for FILP and are investments (investments of capital and loans) for the industrial development and the promotion of international trade. These use dividends from stocks of NTT and JT etc. held by the Investment Account of the FILP Special Account, and payments to the national treasury by JBIC.

In contrast to fiscal loans which have fixed interest rates, industrial investment provide funding (investments of capital and loans) to essential policy projects that have expected returns and high risks, which cannot be funded sufficiently by the private sector alone.

### (The former) Industrial Investment Special Account <FILP Special Account>

This is a special account which was set up in FY1953 to conduct investment (industrial investment) for the purpose of the reconstruction of the economy, the industrial development and the promotion of international trade, and to clarify its accounting by distinguishing it from the General Account (see Note).

With the utilization of income from the sale of NTT stocks, in FY1987 an interest-free loan system was established to promote social infrastructure improvement. The account was subdivided into the Industrial Investment Account and the Social Infrastructure Improvement Account. Moreover, as a result of the reform of special accounts, in FY2008 the Industrial Investment Account was transferred to the Fiscal Loan Fund Special Account, and, after being renamed as the FILP Special Account, it became the

Investment Account.

The Social Infrastructure Improvement Account was abolished and transferred to the General Account.

(Note) Due to an amendment in FY1985, reconstruction of the economy, which had been prescribed as one of the objectives, was deleted.

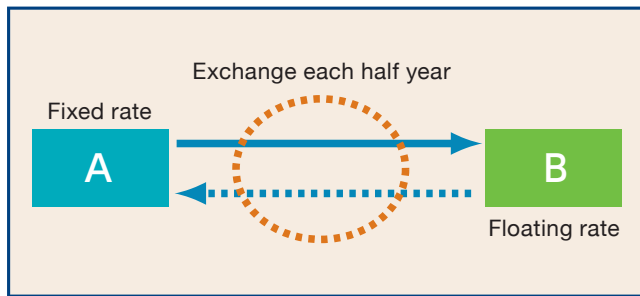
**Interest rate risk <ALM>**

Interest rate risk is risks for the fluctuations in profits and losses caused by interest volatility. For example, in the case of raising capital to refinance debts with higher interest rates than before, the funding rate may exceed the loan interest rate (negative margin), incurring losses.

In the FILP Special Account, the ALM has been carried out since the FILP Reform, reducing interest rate risk. However, the majority of loans are of a principal-equal-maturity-repayment-type cash flow or an annuity payment-type cash flow, whereas procured capital is of a bullet-maturity-repayment-type cash flow. It is difficult to completely eliminate maturity gaps, and a certain level of interest rate risk still has existed.

**Interest Rate Swap Transactions <FILP System>**

An interest rate swap transaction is a transaction in which different types of interest payments (e.g., floating rate and fixed rate) are exchanged for a specific period of time. An interest rate swap transaction affects the durations of both assets and liabilities, so it can be utilized for adjusting the duration gaps.



**(Amount of) Investment balance <FILP System>**

Investment balance is the amount of the unexecuted portion of the fiscal loans, government guarantees, etc., in a FILP plan.

With regard to the investment balance of the Fiscal Loan Fund, the issuance of FILP bonds corresponding to the balance is not conducted. Similarly, with regard to the investment balance of government-guaranteed bonds, the execution of government guarantees corresponding to the balance is suspended. As such, the occurrence of an investment balance does not mean that excess capital procurement takes place.

**Japan Finance Organization for Municipalities Funds <FILP for Local Governments>**

This is a local bond fund to which the Japan Finance Organization for Municipalities (hereinafter referred to as the "Organization") lends. As the Japan Finance Corporation for Municipal Enterprises was abolished, due to policy-based financial reforms, the Organization was established in FY2008 as a finance organization with the joint capital contribution of all local governments. The purpose of the Organization is to contribute to the sound financial management of local governments and the promotion

of the welfare of local residents by providing long-term, low-interest loans to local governments and supporting them with respect to fundraising from the capital market. Unlike the former Japan Finance Corporation for Municipal Enterprises, since FY2009 the Organization has covered a broad range of loans, including municipal enterprise bonds, general account bonds, and extraordinary financial countermeasures bonds.

**L**

**Loan funds <FILP System>**

Loan funds are funds provided with the assumption of a future return, such as interest and dividends. Fiscal loans and industrial investments are examples of loan funds.

**Loan interest rate of the Fiscal Loan Fund <FILP System>**

The Fiscal Loan Fund rate is an interest rate on the fiscal loans, to be decided based on the distribution yields of JGBs corresponding to loan periods, after reflecting on the repayment method and the deferral period.

The FILP Special Account is managed independently without receiving transfers from the General Account (General Account). The loan interest rate of the Fiscal Loan Fund is basically at the same level as the interest rate of FILP bonds and deposits. The fiscal loans are designed to achieve account balance without profit margins.

**Local Government Bonds <FILP for Local Governments>**

Local Government Bonds are the debts which local governments bear when financing by their fiscal needs from outside sources, and the performance of which is to be executed for longer than one fiscal year. In principle, local Government Bonds are allowed to be issued in the cases provided in Article 5 of the Local Finance Act, such as the case of raising capital for funding the source of expenses incurred by municipal enterprises (transportation, gas, water service, etc.) or construction expenses.

When classifying Local Government Bonds by their underwriting entity, they are primarily subdivided into Public Funds (Fiscal Loan Fund and the Japan Finance Organization for Municipalities Funds) and Private Funds (Public Offering Funds and Private Placement Funds). The planned amount of each item is booked in the Local Government Bond Program.

Among them, the Fiscal Loan Fund is booked in the FILP plan as fiscal loans for local governments.

Local Government Bonds	Public Funds	Fiscal Loan Fund
		Japan Finance Organization for Municipalities Funds
	Private Funds	Public Offering Funds
		Private Placement Funds

**Local Government Bond Advance Notification System <FILP for Local Governments>**

Since FY2012, in order to boost local autonomy and independence, the Local Government Bond Consultation System was partially revised, and the Local Government Bond Advance Notification System was introduced.

When a local government meets certain requirements such as the real debt service ratio, by giving advance notification to the Minister for Internal Affairs and Communications or the governor

of the prefecture, it can issue Local Government Bonds to raise private funds, or intends to change its method of issuing bonds. When giving advance notification to them, a local government need to clarify such matters as the Local Government Bonds' purposes, maximum amount, method of issuance, funds, interest rates, and method of redemption.

The Minister for Internal Affairs and Communications collects notifications from local governments, and notifies the Minister of Finance.

### Local Government Bond Consultation System <FILP for Local Governments>

In the case of issuing Local Government Bonds, or the case of altering the method of bond issuance, interest rate, or the method of redemption, local governments are required to consult with the Minister for Internal Affairs and Communications or the governor of the prefecture by clarifying the purpose of bond issuance, the maximum amount, the method of bond issuance, funds, interest rate, the method of redemption. After consulting with the Minister, local governments can issue Local Government Bonds without the consent of the Minister as long as they report to the assembly in advance. However, the consent is required in the case of borrowing Public Funds.

When the Minister for Internal Affairs and Communications agrees to the consultation, a prior consultation with the Minister of Finance is required in principle with respect to the maximum amount and funds for the Local Government Bonds.

### Local Government Bond Program <FILP for Local Governments>

Local Government Bond Program is an annual plan that describes such information as the total of planned amounts of Local Government Bonds. It is formulated and published every fiscal year after the consultation by the Minister for Internal Affairs and Communications with the Minister of Finance.

As for the Local Government Bond Program, please refer to the website of the Ministry for Internal Affairs and Communications (<http://www.soumu.go.jp/>).

## M

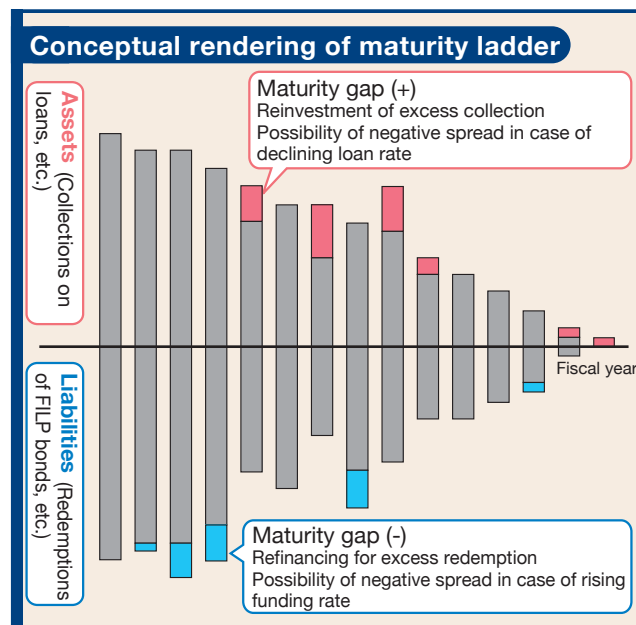
### Maturity gap <ALM>

A maturity gap is the difference between the values of the assets (collections on loans, etc.) and liabilities (redemptions of FILP bonds, etc.) that mature in a given term. When this gap exists, there is a time lag between the period of asset reinvestment and that of liability refinancing, creating interest rate risk.

### Maturity ladder <ALM>

A maturity ladder is the total value of cash inflows (from assets) and cash outflows (from liabilities) that mature in a specified period of time or have a renewed interest rate applied, and then arranging them in chronological order.

The analysis of maturity ladder helps one to understand maturity gaps.



### Monte Carlo Simulation <ALM>

Monte Carlo Simulation is a mathematical technique that analyzes and quantifies uncertain factors such as interest rates and exchange by running thousands of calculations which use random values from the probability functions.

Monte Carlo Simulation furnishes the FILP Special Accounts with the effects of uncertainties and is utilized in ALM.

## O

### On-site monitoring <FILP System> <FILP for Local Governments>

On-site monitoring means visiting FILP agencies or places where the FILP projects are implemented and checking actual conditions, with the aim of ensuring secure operation and appropriate management. There are mainly two kinds of on-site monitoring: on-site monitoring of FILP agencies and on-site monitoring of local governments.

(On-site monitoring of FILP agencies)

In the case of on-site monitoring of FILP agencies, officers who belong to the Financial Bureau of the Ministry of Finance, such as Chief Fiscal Loan Inspector and Fiscal Loan Inspector, visit the incorporated administrative agencies, etc. where the FILP projects are implemented. They check the following items from the viewpoint of a lender of public funds and the provider of high creditworthiness: 1) sufficient policy significance to be a FILP project, 2) financial soundness and redemption certainty, 3) appropriate use of funds etc.

The results of on-site monitoring are published, and used to assess annual FILP plans and linked to actual reexaminations of individual projects etc.

In addition to the above-mentioned existing monitoring, audits (spot audits) which place emphasis on verification of policy results are implemented from the viewpoint of increasing FILP transparency.

(On-site monitoring of local governments)

In the case of on-site monitoring of local governments, officers who belong to Local Finance Bureaus, Local Finance Offices, etc.,



such as Fund Inspectors, visit local governments (including service associations) which are FILP agencies. They check the following items: 1) the redemption of loans and financial conditions, 2) statements of the use of lent funds, 3) outcome of projects, etc.

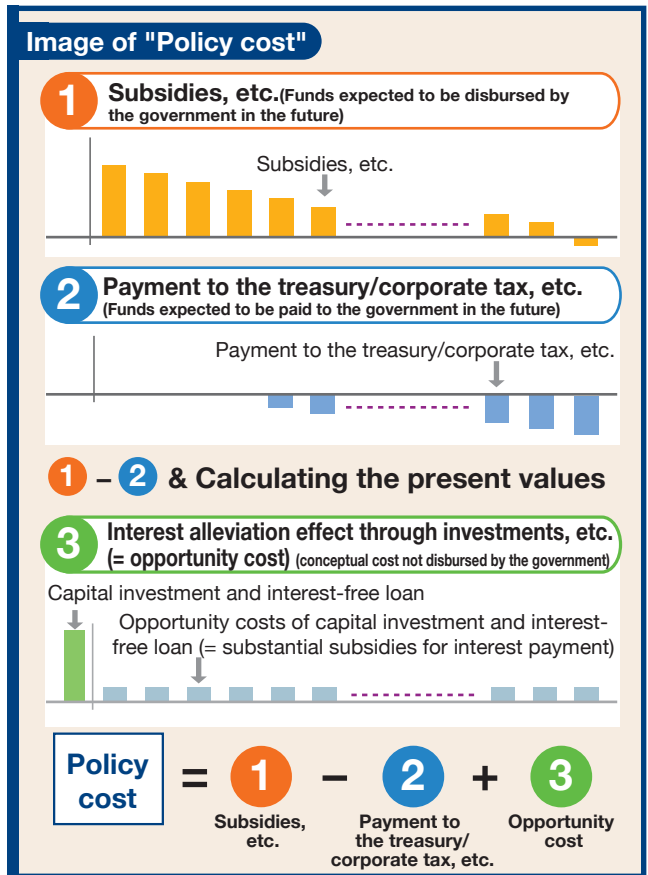
Among these items, they focus in particular on checking and evaluating the financial conditions of municipal enterprises, which belong to "1) the redemption of loans and financial conditions." Based on the checking of these conditions, where necessary, local governments are requested to report on securing the redemption certainty and their efforts to improve the financial conditions of municipal enterprises. In addition, they work on checking whether or not there are expenses that should not be covered by the loans.

## P

### Policy cost analysis <FILP System>

Policy cost analysis refers to subsidies expected to be required in the future to execute FILP-target projects and opportunities costs such as capital already injected for the projects utilizing FILP. Each FILP agency calculates these based on certain preconditions established.

Policy cost is designed to enhance the degree of assistance provided to the FILP-target project as in fiscal policy, through such methods as reducing the beneficiaries' burden of interest and fees from the policy perspective. Therefore, it doesn't mean that there is a problem in the sound financial condition of a FILP agency.



### Pre-maturity redemptions with exemption from compensation <FILP System> <FILP for Local Governments>

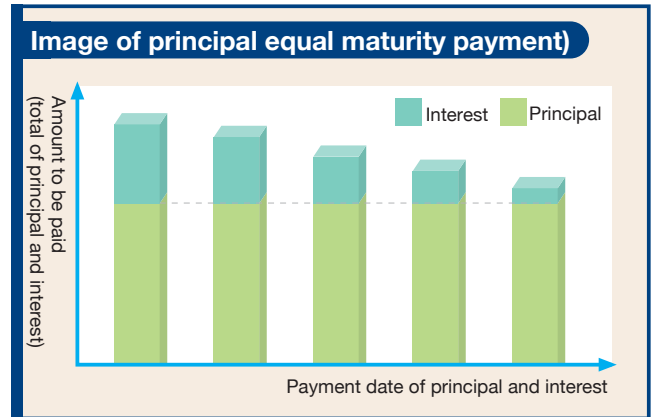
With the aim of providing loans with the possible lowest interest rate, the Fiscal Loan Fund sets the loan interest rate and funding rate at the same amount. It provides long term, fixed loans with no spread between the rates and has managed to achieve account

balance without profit margins. Therefore, when FILP agencies conduct pre-maturity redemptions, the payment of compensation (income that would be earned in the future) will be required.

However, pre-maturity redemptions with exemption from compensation will be implemented in accordance with the relevant laws in exceptional cases where it is found unavoidable in order to mitigate the ultimate financial burdens for the people, exploiting fundamental revision of the project, including the withdrawal from the project that is subject to for the pre-maturity redemptions.

### Principal equal maturity payments < FILP System>

This is the method of repaying an equal amount of the principal, within the total of principal and interest.

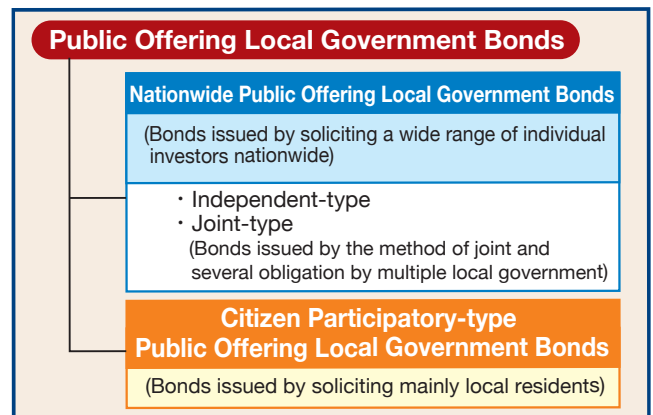


### Private Placement Funds <FILP for Local Governments>

Private Placement Funds are funds raised by borrowing from financial institutions, etc. or their underwriting.

### Public offering funds <FILP for Local Governments>

Among Local Government Bonds, Public Offering Funds are funds raised through the method of offering a wide range of investors. For Nationwide Public Offering Local Government Bonds, in addition to issuing bonds individually by a single local government, the joint issuance of these bonds started in FY2003 in order to reduce issuance costs and ensure stable financing by increasing the issuance lot. Furthermore, so as to diversify the financing methods through the promotion of the purchase of Local Government Bonds by individual investors and public offerings, and to enhance the residents' sense of participation in local administration, the issuance of "Citizen Participatory-type Public Offering Local Government Bonds" started in March 2002.



## Private-sector supplementation <FILP System>

Private-sector supplementation means that the field of an FILP agency's project, or the project itself, is too difficult to be handled by the private sector alone. This is one of important points in the assessment of FILP.

# R

## Redemption certainty <FILP System>

Redemption certainty is one of important points in the assessment of FILP, meaning that FILP agencies are deemed to have the ability to redeem their obligations without fail.

## Repayment method <FILP System>

There are three ways to repay loans of the Fiscal Loan Fund. Principal equal maturity payment, amortization by repayment, and bullet repayment.

## Reserves (reserves in the FILP Special Account Fiscal Loan Fund Account) <FILP Special Account>

In the Fiscal Loan Fund Account, in cases wherein a surplus arises in a fiscal year as a result of the settlement of account, the surplus is reserved as reserves (Article 58, Paragraph 1 of the Act on Special Accounts) to prepare for any deficiency which may arise from interest volatility in the future. The purpose of this is to secure financial soundness in the Fiscal Loan Fund Account.

The Act on Special Accounts provides that if the amount of reserves exceeds the level required to secure the financial soundness (Article 45 of the Enforcement Ordinance of the Act on Special Accounts), the excess amount can be transferred to the Special Account for the Government Debt Consolidation Fund if provided in a budget (Article 58, Paragraph 3 of the same Act).

It must be noted that, since "reserves" are based on a cash basis, they do not equal to "Reserves for Interest Variance" on an accrual basis.

## Reserves for Interest Variance <FILP Special Account>

Reserves for Interest Variance are reserved from profits (calculated on an "accrual basis" in accordance with business accounting principles) generated in the FILP Special Account Fiscal Loan Fund Account in order to prepare for any loss which may arise from interest volatility in the future.

In the balance sheet, (1) the portion of the profit carried forward, which corresponds to the amount of 50/1,000 of the total assets of the Fiscal Loan Fund Account or less, shall be presented separately as "Reserves for Interest Variance;" and (2) in cases where the profit carried forward exceeds such amount, the excess amount shall be presented separately as "other reserves."

Returning deposits to postal savings and pension reserves was mostly completed by the end of FY2007, and it became easier to match the investment and procurement periods as the funds got to be raised for a broad range of periods by FILP bonds. As a result, interest volatility risks of the Fiscal Loan Fund were reduced, and the upper limit of Reserves for Interest Variance was thus reduced in FY2008 from 100/1,000 to 50/1,000 of total assets of the Fiscal Loan Fund Account.

It must be noted that, since "reserves" are based on a cash basis, they are not equal to the profit carried forward (Reserves for Interest Variance) on an accrual basis. The amount of reserves is stated in the "Detailed List of Reserves" from the Statement of the

Final Revenue and Expenditures.

## Rule for consenting to Local Government Bonds issuance <FILP for Local Governments>

This is a rule used for the consent or approval by the Minister for Internal Affairs and Communications or the governor of the prefecture with respect to the issuance of Local Government Bonds. It is set forth every fiscal year upon consultation by the Minister for Internal Affairs and Communications with the Minister of Finance with respect to its basic matters.

# S

## Securitization (securitization of loans of the Fiscal Loan Fund) <ALM>

Generally speaking, securitization means a financial method by which the holder of the assets raises capital through the issuance of securities backed by the assets which generate cash flows, such as real estate and claims, and the sale of such securities to investors.

In line with such laws as the "Act on Promotion of Administrative Reform for Realization of Small and Efficient Government," securitization of loans of the Fiscal Loan Fund has been implemented in order to reduce the outstanding balance of loans of the Fiscal Loan Fund as part of asset reduction measures put forward by the government.

Although securitization of loans of the Fiscal Loan Fund accompanies a cost increase, income generated by securitization provides a funding source to redeem existing FILP bonds (buyback) and narrow the gap between future collections on loans and the redemption of FILP bonds, enabling a reduction in interest volatility risks.

## Surplus (surplus in the FILP Special Account Fiscal Loan Fund Account) <FILP Special Account>

Generally speaking, surplus means a remaining amount obtained by subtracting expenditure (amount of expenditure disbursed) from revenue (the amount of revenue collected) at the end of fiscal year in the national finance scheme (annual surplus).

Surplus in the Fiscal Loan Fund Account is the amount obtained by subtracting interest payment, etc. of FILP bonds from interest income, etc. of loans. Although currently the funding rate has remained low due to the continued historically low interest rates in recent years, loans with comparatively higher past interest rates still remain, generating a surplus. However, such loans have been on the decreasing trend in recent years, and there is a future risk that deficiencies may arise out of the conditions of interest rates.

Surplus is required to be reserved in reserves pursuant to the provision of Article 58, Paragraph 1 of the Act on Special Accounts. In Paragraph 4 of the same Article, the application of the provision of transferring surplus to the General Account (Article 8, Paragraph 2 of the same Act) is exempted.

# Information Directory

Section	URL (Lower line is the URL for FILP)	Address	Inquiry Office	TEL/FAX
<b>&lt;Special Accounts&gt;</b>				
Special Account for Energy Policy		1-3-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8931	Petroleum Refining and Reserve Division, Natural Resources and Fuel Department, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry	TEL.03-3501-1993 FAX.03-3580-8467
Special Account for Stable Supply of Food		1-2-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8950	Land Improvement Special Account Group, Land Improvement Planning and Management Division, Rural Development Bureau, Rural Infrastructure Department, Ministry of Agriculture, Forestry and Fisheries	TEL.03-6744-2189 FAX.03-3501-4950
<b>&lt;Government Financial Institutions/Banks&gt;</b>				
Japan Finance Corporation	<a href="http://www.jfc.go.jp/">http://www.jfc.go.jp/</a> <a href="http://www.jfc.go.jp/company/sikin.html">http://www.jfc.go.jp/company/sikin.html</a>	Koko Bldg., 1-9-3, Ohtemachi, Chiyoda-ku, Tokyo 100-0004	Public Relations Department	TEL.03-3270-0631 FAX.03-3270-1643
The Okinawa Development Finance Corporation	<a href="http://www.okinawakouko.go.jp/">http://www.okinawakouko.go.jp/</a> <a href="http://www.okinawakouko.go.jp/news/topics/yusijiseki.pdf">http://www.okinawakouko.go.jp/news/topics/yusijiseki.pdf</a>	Kowa Nishi-Shinbashi Bldg. 10F, 2-1-1, Nishi-Shinbashi, Minato-ku, Tokyo 105-0003	General Coordination Division, General Coordination and Planning Department (Tokyo Office)	TEL.03-3581-3241 FAX.03-5511-8233
Japan Bank for International Cooperation	<a href="http://www.jbic.go.jp/ja/">http://www.jbic.go.jp/ja/</a>	1-4-1, Ohtemachi, Chiyoda-ku, Tokyo 100-8144	Public Relations Division, Corporate Planning Department	TEL.03-5218-3100 FAX.03-5218-3955
Japan International Cooperation Agency (Incorporated Administrative Agency)	<a href="http://www.jica.go.jp">http://www.jica.go.jp</a> <a href="http://www.jica.go.jp/about/financial/budget/katsuyou.html">http://www.jica.go.jp/about/financial/budget/katsuyou.html</a>	Nibancho Center Building 5-25, Niban-cho, Chiyoda-ku, Tokyo 102-8012	Public Relations Division	TEL.03-5226-9781 FAX.03-5226-6396
<b>&lt;Incorporated Administrative Agencies, etc.&gt;</b>				
Japan Housing Finance Agency (Incorporated Administrative Agency)	<a href="http://www.jhf.go.jp/">http://www.jhf.go.jp/</a> <a href="http://www.jhf.go.jp/teikyuu/index.html">http://www.jhf.go.jp/teikyuu/index.html</a>	1-4-10, Kouraku, Bunkyo-ku, Tokyo 112-8570	Management Planning Group, Corporate Strategy Department	TEL.03-5800-8014 FAX.03-5800-8182
Urban Renaissance Agency (Incorporated Administrative Agency)	<a href="http://www.ur-net.go.jp/">http://www.ur-net.go.jp/</a> <a href="http://www.ur-net.go.jp/ir/ur_mokuhyo_keikaku.html">http://www.ur-net.go.jp/ir/ur_mokuhyo_keikaku.html</a>	Yokohama I-land Tower, 6-50-1, Hon-cho, Naka-ku, Yokohama-shi, Kanagawa 231-8315	General Affairs Team, General Affairs & Personnel Department	TEL.045-650-0111 FAX.045-650-0177
Japan Water Agency (Incorporated Administrative Agency)	<a href="http://www.water.go.jp/honsya/index.html">http://www.water.go.jp/honsya/index.html</a> <a href="http://www.water.go.jp/honsya/honsya/zaimu/zaitou_katsuyou.html">http://www.water.go.jp/honsya/honsya/zaimu/zaitou_katsuyou.html</a>	Land Axis Tower, 11-2, Shintoshin, Chuo-ku, Saitama-shi, Saitama 330-6008	Public Relations Division, General Affairs Department	TEL.048-600-6500 FAX.048-600-6510
Japan Finance Organization for Municipalities	<a href="http://www.jfm.go.jp/">http://www.jfm.go.jp/</a>	Shisei Kaikan (Municipal Research Building), 1-3, Hibiya koen, Chiyoda-ku, Tokyo 100-0012	Corporate Planning Division, Corporate Planning Department	TEL.03-3539-2674 FAX.03-3539-2614
Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)	<a href="http://www.jrct.go.jp/">http://www.jrct.go.jp/</a> <a href="http://www.jrct.go.jp/01Organization/org/org-zaisei.html">http://www.jrct.go.jp/01Organization/org/org-zaisei.html</a>	Yokohama I-land Tower, 6-50-1, Hon-cho, Naka-ku, Yokohama-shi, Kanagawa 231-8315	Public Relations Division, General Affairs Department	TEL.045-222-9101 FAX.045-222-9089
Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency)	<a href="http://www.jogmec.go.jp/">http://www.jogmec.go.jp/</a> <a href="http://www.jogmec.go.jp/about_jogmec/informationopen/active_report/zaito.html">http://www.jogmec.go.jp/about_jogmec/informationopen/active_report/zaito.html</a>	Toranomon Twin Building 2-10-1 Toranomon, Minato-ku, Tokyo 105-0001	General Coordination Department	TEL.03-6758-8000 FAX.03-6758-8008
Welfare And Medical Service Agency (Incorporated Administrative Agency)	<a href="http://hp.wam.go.jp/">http://hp.wam.go.jp/</a> <a href="http://hp.wam.go.jp/koukai/katsuyou/tabid/119/Default.aspx">http://hp.wam.go.jp/koukai/katsuyou/tabid/119/Default.aspx</a>	Kamiyacho Central Place, 4-3-13, Toranomon, Minato-ku, Tokyo 105-8486	General Affairs Section, General Affairs and Planning Department	TEL.03-3438-0211 FAX.03-3438-9949
National Hospital Organization (Incorporated Administrative Agency)	<a href="http://www.hosp.go.jp">http://www.hosp.go.jp</a> <a href="http://www.hosp.go.jp/12,8030.html">http://www.hosp.go.jp/12,8030.html</a>	2-5-21, Higashiagaoka, Meguro-ku, Tokyo 152-8621	Corporate Planning Division, Corporate Planning Department	TEL.03-5712-5066 FAX.03-5712-5082
National Cancer Center (Incorporated Administrative Agency)	<a href="http://www.ncc.go.jp/jp/">http://www.ncc.go.jp/jp/</a> <a href="http://www.ncc.go.jp/jp/about/hojin/index.html">http://www.ncc.go.jp/jp/about/hojin/index.html</a>	5-1-1, Tsukiji, Chuo-ku, Tokyo 104-0045	Finance and Accounting Division, Finance and Accounting Department	TEL.03-3542-2511 FAX.03-3542-2547

Section	URL (Lower line is the URL for FILP)	Address	Inquiry Office	TEL/FAX
<b>&lt;Incorporated Administrative Agencies, etc.&gt;</b>				
National Center for Global Health and Medicine (Incorporated Administrative Agency)	<a href="http://www.ncgm.go.jp/">http://www.ncgm.go.jp/</a> <a href="http://www.ncgm.go.jp/center_info/koukai/zaitoku.html">http://www.ncgm.go.jp/center_info/koukai/zaitoku.html</a>	1-21-1, Toyama, Shinjuku-ku, Tokyo 162-8655	Finance and Accounting Division, Finance and Accounting Department	TEL.03-3202-7181 FAX.03-3207-1038
The Promotion and Mutual Aid Corporation for Private Schools of Japan	<a href="http://www.shigaku.go.jp/">http://www.shigaku.go.jp/</a> <a href="http://www.shigaku.go.jp/g_zaitou.htm">http://www.shigaku.go.jp/g_zaitou.htm</a>	1-10-12, Fujimi, Chiyoda-ku, Tokyo 102-8145	General Affairs Division, General Affairs Department	TEL.03-3230-7813 FAX.03-3230-1325
Center for National University Finance and Management (Incorporated Administrative Agency)	<a href="http://www.zam.go.jp/">http://www.zam.go.jp/</a> <a href="http://jigyou.zam.go.jp/hojinbunshyo/info_5.html">http://jigyou.zam.go.jp/hojinbunshyo/info_5.html</a>	Gakujutsu-Sogo Center, 2-1-2, Hitotsubashi, Chiyoda-ku, Tokyo 101-0003	Building and Equipment Aid Division, General Affairs Department	TEL.03-4212-6302 FAX.03-4212-6600
Japan Student Services Organization (Incorporated Administrative Agency)	<a href="http://www.jasso.go.jp/">http://www.jasso.go.jp/</a> <a href="http://www.jasso.go.jp/budget/budget.html">http://www.jasso.go.jp/budget/budget.html</a>	10-7, Ichigayahonmura-cho, Shinjuku-ku, Tokyo 162-8412	External Relations Division, Policy, Planning and External Relations Department	TEL.03-6743-6011 FAX.03-6743-6662
National Agriculture and Food Research Organization (Incorporated Administrative Agency)	<a href="http://www.naro.affrc.go.jp/">http://www.naro.affrc.go.jp/</a> <a href="http://www.naro.affrc.go.jp/brain/shien/index.html">http://www.naro.affrc.go.jp/brain/shien/index.html</a>	1-40-2, Nisshin-cho, Kita-ku, Saitama-shi, Saitama 331-8537	Private Research Promotion Service Division	TEL.048-669-9209 FAX.048-666-9266
Forestry and Forest Products Research Institute (Incorporated Administrative Agency)	<a href="http://www.green.go.jp/">http://www.green.go.jp/</a> <a href="http://www.green.go.jp/annai/zaitou.html">http://www.green.go.jp/annai/zaitou.html</a>	Kowa Kawasaki Nishiguchi Bldg., 66-2, Horikawa-cho, Saiwai-ku, Kawasaki-shi, Kanagawa 212-0013	Planning and Administration Division, Administration Department	TEL.044-543-2500 FAX.044-533-7277
Japan Expressway Holding and Debt Repayment Agency (Incorporated Administrative Agency)	<a href="http://www.jehdra.go.jp/">http://www.jehdra.go.jp/</a> <a href="http://www.jehdra.go.jp/irseihu.html">http://www.jehdra.go.jp/irseihu.html</a>	Sumitomo Fudosan Hibiya Bldg., 2-8-6, Nishi-Shinjuku, Minato-ku, Tokyo 105-0003	General Affairs Division, General Affairs Department	TEL.03-3508-5161 FAX.03-3508-5169
Fund for the Promotion and Development of the Amami Islands (Incorporated Administrative Agency)	<a href="http://www.amami.go.jp/">http://www.amami.go.jp/</a> <a href="http://www.amami.go.jp/zaiseitouyushi.html">http://www.amami.go.jp/zaiseitouyushi.html</a>	1-5, Nazeminato-machi, Amami-shi, Kagoshima 894-0026	General Affairs and Planning Section	TEL.0997-52-4511 FAX.0997-52-4514
New Energy and Industrial Technology Development Organization (Incorporated Administrative Agency)	<a href="http://www.nedo.go.jp/">http://www.nedo.go.jp/</a> <a href="http://www.nedo.go.jp/activities/CA_00122.html">http://www.nedo.go.jp/activities/CA_00122.html</a>	Muza Kawasaki Central Tower, 1310, Omiya-cho, Saiwai-ku, Kawasaki-shi, Kanagawa 212-8554	General Affairs Division, General Affairs and Policy Planning Department	TEL.044-520-5100 FAX.044-520-5103
<b>&lt;Special Corporations&gt;</b>				
Organization for Promoting Urban Development	<a href="http://www.minto.or.jp/">http://www.minto.or.jp/</a> <a href="http://www.minto.or.jp/products/mezzanine.html">http://www.minto.or.jp/products/mezzanine.html</a>	Toyosu Center Building, 3-3-3, Toyosu, Koto-ku, Tokyo 135-6008	General Affairs Division, General Affairs Department	TEL.03-5546-0781 FAX.03-5546-0796
New Kansai International Airport Co., Ltd.	<a href="http://www.nkiac.co.jp/">http://www.nkiac.co.jp/</a> <a href="http://www.nkiac.co.jp/company/ir/invest1/index.html">http://www.nkiac.co.jp/company/ir/invest1/index.html</a>	New Kansai International Airport Company Building 1-banchi, Senshu-Kuko Kita, Izumisano-shi, Osaka 549-8501	Public Relations Group, Corporate Communication Department	TEL.072-455-2201 FAX.072-455-2052
Central Japan International Airport Co., Ltd.	<a href="http://www.cjiac.co.jp/">http://www.cjiac.co.jp/</a> <a href="http://www.cjiac.co.jp/ir/seifu.html">http://www.cjiac.co.jp/ir/seifu.html</a>	1-1, Centrair, Tokoname-shi, Aichi 479-8701	General Affairs Group, General Affairs Division	TEL.0569-38-7775 FAX.0569-38-7773
Development Bank of Japan Inc.	<a href="http://www.dbj.jp/">http://www.dbj.jp/</a> <a href="http://www.dbj.jp/co/info/our_business.html">http://www.dbj.jp/co/info/our_business.html</a>	1-9-1, Ohtemachi, Chiyodaku, Tokyo 100-0004	Public Relations & Corporate Social Responsibility Office, Corporate Planning & Coordination Department	TEL.03-3244-1180 FAX.03-3271-8472
Innovation Network Corporation of Japan	<a href="http://www.incj.co.jp/">http://www.incj.co.jp/</a> <a href="http://www.incj.co.jp/about/overview.html">http://www.incj.co.jp/about/overview.html</a>	Marunouchi Eiraku Bldg. 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-0005	Business Development Group	TEL.03-5218-7200 FAX.03-3213-9479





- This report is also available on the Internet  
[http://www.mof.go.jp/english/filp/filp\\_report/zaito2012/index.html](http://www.mof.go.jp/english/filp/filp_report/zaito2012/index.html)

## **FILP REPORT 2012**

**For further information or comment, please contact**

Fiscal Investment and Loan Program Division,  
Financial Bureau, Ministry of Finance  
3-1-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8940  
Tel 03-3581-4111