

1. Summary of operations implemented using FILP funds

For sustainable and sound development of agriculture, forestry and fisheries or businesses contributing to the security of stable food supply, JFC uses FILP funds for supplying long-term loans with low interest rates intended to complement financial services of general financial institutions to persons engaged in agriculture, forestry and fisheries management or in the business of manufacturing foodstuffs.

Note: Operations not eligible for FILP include financing related to interest free loans for forest management specially designed to maintain bio-diversity etc. JFC extends interest free loans using other funds than FILP. Securitization support operations are exempt from the analysis.

2. Amount of lending under FY 2011 FILP

(Unit: billion yen)

FY 2011 FILP	Estimated outstanding amount of FILP lending at the end of FY 2010
170.0	2,192.1

3. Outcome and social and economic benefits of operations

1) Aggregate amount of loan commitment from FY1953 to FY2009

Loan commitment in FY2009	3.76 million cases	¥18,0428 trillion *
Outstanding loan at the end of FY2009	10,000 cases	¥247.2 billion *

Loan Commitment planned for FY2011	185,000 cases	¥2.5853 trillion *
		¥310.0 billion

* Excluding financing related to interest free loans for farmland improvement projects specially designed to expand farming scales of principal farmers (it was not eligible for FILP until FY2009), and for forest management specially designed to maintain bio-diversity and socio-economic functions.

2) Assistance for agricultural sector

JFC extends loans to support various highly-motivated farmers' efforts to improve their farm management in accordance with the policy of the "Basic Law and Plan on Food, Agriculture and Rural Areas".

a 15% (36 thousand) of certified farmers (farmers whose plans for improving agricultural management approved by municipal governments) use Super L Loan (Long-term Investment Loan for certified farmers) to realize efficient and stable farm management. The figure increases to 35% for corporate certified farmers alone.

b JFC extended 129.4 billion yen of Super L Loans to 5,100 parties to foster and support certified farmers in FY2009. The borrowers would enjoy the increase of 978.2 billion yen of gross production and 282.2 billion yen of agricultural income.

c JFC provided loans to land improvement projects in order to enhance productivity of farmland, etc. Its loan commitment was 16.7 billion yen in FY2009. It is estimated by the existing cases that benefits of entire projects such as crop production effects and saving effects in farming costs will be 134.4 billion yen.

d JFC provided loans to farmers whose businesses temporarily suffer a downturn because of unexpected disasters such as typhoons and changes in social and economic environments such as skyrocketing prices of materials (e.g. oil) and feed. It is estimated that the Corporation contributed to the maintenance of employment opportunities for 10,041 people in FY2009.

3) Assistance for forestry sector

JFC is assisting improvement of forests and stability and preservation of forestry management to contribute to the maintenance of forests' multiple functions through financing in accordance with the policy development of the "Basic Law on Forests and Forestry" and "Basic Plan for Forests and Forestry."

a JFC provided forestation related loans to 211 forestry management organizations and supported the forestation of 6.8 million ha in FY2009.

b The size of planted forests managed by 3,509 forestry management organizations that have the balance of forestry funds is estimated to be 155 million ha, and, according to the past research, public benefit functions are calculated at about 4.3 trillion yen, that include carbon dioxide absorption function (76.4 billion yen) and water retention function (538.6 billion yen).

4) Assistance for fishery sector

JFC is proactively assisting fishermen's efforts for stable supply of fisheries products and sustainable use of fishery resources through financing in accordance with the policy development of the "Basic Law on Fisheries Policy."

a It is estimated that the fishermen financed by JFC loans produce 196.3 billion yen or 1,185 thousand tons (29% of domestic production) in marine fishery, the main fishery production in Japan. This contributes to the stable supply of fishery products and creation and maintenance of about 10 thousand job opportunities in fishery areas.

b JFC provided loans to farmers whose businesses temporarily suffer a downturn because of unexpected disasters such as typhoons, red tide and changes in social and economic environments such as skyrocketing prices of materials (e.g. oil). It is estimated that the Corporation contributed to the maintenance of employment opportunities in fishing villages for 2,256 people in FY2009.

5) Support for food industry

JFC positively supports efforts for cooperation between agriculture, forestry and fisheries and food industries and highly-developed health management for secure and safe stable supply of food through financing to food processors.

a The financing was offered to 242 cases (41.6 billion yen) in FY2009. This contributed to the creation of 1,662 job opportunities with such projects.

b It is estimated that transaction volume of domestic agricultural, forestry and marine production in such borrowers will increase to about 90,000 tons within 3 to 5 years, and transaction value of domestic agricultural, forestry and marine production by stable transaction contracts with people who engage in agriculture, forestry, and fishery will increase to about 2.6 billion yen. This contributes to the advancement of domestic agriculture, forestry and fisheries.

4. Estimated policy (subsidy) cost analysis of the project

Policy (subsidy) cost

(Unit: billion yen)

Category	FY2010	FY2011	Fluctuation
1. Subsidies, etc. from the Government	76.2	67.2	-9.0
2. Money transferred to the Government	-155.2	-166.6	-11.4
Subtotal (1+2)	-79.0	-99.3	-20.3
3. Opportunity cost of capital investments, etc. from the Government	248.7	231.7	-17.0
Subtotal (1+2+3)	169.7	132.3	-37.4
4. Decrease in retained losses	-	-	-
Total (1+2+3+4=policy cost(A))	169.7	132.3	-37.4
Analysis period (years)	57	57	-

Breakdown of policy cost by timing of the funding

(Unit: billion yen)

Category	FY2010	FY2011	Fluctuation
(A) Policy cost (previously cited)	169.7	132.3	-37.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	244.4	230.9	-13.5
2) Policy cost expected to be newly accrued during the analysis period	-74.7	-98.6	-23.9
Subsidies, etc. from the Government	76.2	67.2	-9.0
Money transferred to the Government	-155.2	-166.6	-11.4
Policy cost accrued with a change in surplus funds	2.8	0.5	-2.3
Opportunity cost of capital investments, etc	1.5	0.2	-1.3

Year-to-Year comparison analysis

(Unit: billion yen)

Category	FY2010	FY2011	Fluctuation
(A) Policy cost (previously cited)	169.7	132.3	-37.4
(A') Policy cost obtained by re-calculating (A) using the same assumed interest rate as in the FY2009 analysis	169.7	134.7	-35.0
(B) Policy cost of (A') generated in FY2010 or later	144.8	134.7	-10.1

Policy cost in FY2011 is ¥132.3 billion. The analysis shows a decrease of ¥10.1 billion in real policy cost over FY2010 when the effect of change in the assumed interest rate for FY2010 and FY2011 is eliminated and the policy costs that accrue in FY2011 and thereafter are compared. This increase in real policy cost is considered to be attributable to the following factors:

- Increase in cost due to new loans in FY2011 (+ ¥10.6 billion)
- Decrease in charge-off (- ¥16.1 billion)
- Other factors (including cost decreases on increases in investment income) (- ¥4.6 billion)

Breakdown of policy cost by causative factor

(Unit: billion yen)

Category	FY2011
(A) Policy cost in FY2011 (previously cited)	132.3
1) Prepayments	9.0
2) Loan losses	20.5
3) Others (including profit spread)	102.8

Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

Changed assumption and extent of change	Policy cost (Fluctuation)	
	Without change in discount factor	With change in discount factor
Interest rates on money loaned and funds raised +1%	139.9 (+7.5)	217.2 (+84.9)
Fluctuation in opportunity cost	-	+38.6
10% rise in charge-off	136.0 (+3.7)	
Fluctuation in opportunity cost	-	

(Reference)

Budgeted amount of subsidies and capital investment in FY 2011

Subsidies:	¥19.0 billion
Capital investment:	¥0.3 billion

*Components in each column may not add up to the total because rounding.

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

- 1) The estimation is made in respect of all lending operations financed by FILP.
- 2) The estimation is made on the assumption that financing is implemented based on the FY2011 operation plan (¥308.3 billion) in addition to the existing loan balance of ¥2,501.7 billion (estimated as of the end of FY2010).
- 3) The analysis period is supposed to be 57 years until the complete repayment of loans made based on the FY2011 operation plan (¥308.3 billion) as well as existing loans.
- 4) In accordance with the above assumptions the estimate was made in relation to some data including subsidies to be required for the implementation of the operation plan, and the payment to the national treasury is expected in FY2021 and onwards.
- 5) The JFC loan interest rate is supposed to be a fixed rate of 1.974% for FY2011.
- 6) For the prepayment ratio, the average figure except management changeover funds for the preceding 3 years from FY2007 to FY2009 (2.03%) is applied. The loan loss provision ratio is the average figure for the preceding 5 years from FY2005 to FY2009 (0.23%).

(Unit:%)

FY	Result				Estimated	Planned	Assumptions for calculation				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	• • •	• • •
Prepayment ratio	2.87%	2.34%	1.73%	2.02%	2.09%	1.44%	2.03%	2.03%	Same as left	After deduction of management changeover funds	
Loan loss provision ratio	0.27%	0.42%	0.16%	0.01%	0.00%	0.00%	0.23%	0.23%	Same as left		

- 7) In the policy cost analysis, accumulated bad debt write-off is computed based on the average loan loss provision ratio in the preceding 5 years. It is estimated to be ¥43.6 billion.

The loan loss provisions are calculated on the assumption that the end-of-term loan loss provisions are calculated according to the loan provision ratio (0.915% under the FY2011 budget) based on the asset assessment after the charge-off.

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

Agriculture, forestry and fisheries are subject to nature. Most managing bodies engaged in these sectors are small, often unstable and barely profitable. Therefore it takes a long time to recover invested capital.

The objective of JFC (Agriculture, Forestry, Fisheries and Food Business Operations) is to provide long-term loans with low interest intended to complement financial services of general financial institutions to persons engaged in agriculture, forestry and fisheries management. JFC receives financial assistance from the general account of the national treasury for smooth and sustainable service.

(Underlying laws and regulations)

- Subsidies have no legal base (they are budgetary measures).
- Capital fund and payment to the national treasury are stipulated in the Japan Finance Corporation Law.

(Japan Finance Corporation Law)

Article 4: 1) The Government may, when it finds it to be necessary, make contributions to JFC within the amount appropriated in the budget.

Article 47: 1) In the event that the amount of the surplus recorded in the settlement of accounts for each business year exceeds zero in each account related to the operations listed in each Item of Article 41 hereof, JFC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order, among such surplus, until it reaches the amount prescribed by the Cabinet Order, and if there is still a surplus, JFC shall pay the amount of such surplus into the National Treasury within three (3) months after the end of such business year.

7. Special remarks

- 1) This indicates the policy cost involving policies required for the purpose of providing a stable supply of long-term, low fixed-interest funding for businesses in the fields of agriculture, forestry and fisheries that have difficulty obtaining financing from private sector financial institutions.
- 2) Changes in policy cost to date are as indicated below (Costs up to FY2008 are AFFFC's ones.):

FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
¥412.9 billion	¥307.6 billion	¥300.4 billion	¥318.4 billion	¥295.1 billion	¥259.4 billion	¥224.7 billion	¥212.7 billion	¥169.7 billion	¥132.3 billion

(Reference) Financial Statements**Balance Sheet**

(Unit : million yen)

Item	End of FY2009 (Result)	End of FY2010 (Estimated)	End of FY2011 (Planned)	Item	End of FY2009 (Result)	End of FY2010 (Estimated)	End of FY2011 (Planned)
(Assets)				(Liabilities and equity)			
Cash and deposits	45,330	45,139	9,771	Borrowed money			
Cash	3	3	3	Loans payable	2,181,597	2,125,247	2,060,198
Deposits	45,327	45,136	9,767	Bonds payable	149,906	174,920	199,935
Pecuniary claims payable	—	297	812	Trust money	37,288	37,964	39,654
Securities				Other liabilities	18,510	12,536	12,014
Securities				Accrued expenses	10,012	10,156	9,978
Stocks	2,030	2,030	2,030	Revenue received in advance	0	11	22
Loans and discounts				Lease obligations	832	766	409
Loan on deeds	2,647,339	2,618,915	2,619,115	Other liabilities	7,664	1,600	1,603
Other assets	17,255	19,046	16,698	Reserve for bonuses	583	571	571
Prepaid expenses	20	2,432	1,687	Reserve for board members' bonuses	6	6	6
Accrued revenue	16,164	15,052	13,313	Reserve for retirement pensions	22,739	22,853	22,967
Agency account receivable	804	804	804	Reserve for directors' retirement benefits	17	29	25
Other assets	265	756	892	Acceptances and guarantees	395	3,120	6,085
Tangible fixed assets	44,324	37,368	36,964	(Total liabilities)	2,411,044	2,377,249	2,341,457
Buildings	2,629	2,416	2,387	Capital	325,400	327,400	327,723
Land	40,767	7,334	7,334	Capital surplus	2,797	747	747
Lease assets	792	730	389	Earned reserve	2,797	2,797	747
Temporary construction account	0	26,790	26,790	Other earned surplus			
Other tangible fixed assets	134	96	62	Earned surplus carried	—	- 2,050	—
Intangible fixed assets	1,747	1,956	2,478	Total shareholders' equity	328,197	328,147	328,470
Software	1,271	1,891	2,299	(Total equity)	328,197	328,147	328,470
Other intangible fixed assets	475	65	178				
Guaranty endorsement	395	3,120	6,085				
Loan loss provisions	-19,180	-22,478	-24,028				
Total assets	2,739,242	2,705,396	2,669,927	Total liabilities and equity	2,739,242	2,705,396	2,669,927

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

2. Amounts of less than one million yen are rounded down.

Income Statement

(Unit : million yen)

Item	FY2009 (Result)	FY2010 (Estimated)	FY2011 (Planned)
Ordinary income	72,277	73,177	69,240
Revenue from fund management	57,075	50,734	49,925
Interest on loans and discounts	57,031	50,700	49,890
Interest from repurchase agreements	8	16	16
Interest on deposits	34	14	13
Other interest received	0	3	6
Revenue from service transactions, etc.	2	25	68
Other service revenue	2	25	68
Revenue from government grants	14,982	22,201	19,021
Receipts from the general account	14,982	22,201	19,021
Other ordinary income	216	215	224
Other ordinary income	216	215	224
Ordinary expenses	74,108	73,454	70,940
Financing cost	50,506	44,693	44,535
Interest on call money	—	0	—
Interest on borrowed money	46,335	41,535	40,547
Interest on bonds	2,661	3,157	3,987
Other paid interest	1,509	—	—
Expenses for service transactions, etc.	6,388	6,387	6,255
Other service expenses	6,388	6,387	6,255
Other operation expenses	48	325	329
Amortization of bond issue expenses	48	325	329
Business expenses	15,614	18,726	18,269
Other ordinary expenses	1,550	3,321	1,550
Provision for reserve for possible loan loss	1,423	3,297	1,550
Loan amortization	126	24	—
Other ordinary expenses	0	0	0
Ordinary losses	1,831	276	1,700
Extraordinary profits	2,088	1,500	1,700
Profit on fixed asset sales	—	0	—
Bad debt recovered	2,088	1,500	1,700
Extraordinary losses	256	3,273	—
Loss on retirement of fixed assets	27	3,256	—
Impairment loss	228	17	—
Net profit/loss(-)	—	-2,050	—

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

2. Amounts of less than one million yen are rounded down.