

Japan Railway Construction, Transport and Technology Agency  
(Incorporated Administrative Agency) (Construction Account)

https://www.jrtt.go.jp/

1. Summary of operations implemented using FILP funds

Under the private railway project, Japan Railway Construction, Transport and Technology Agency undertakes the construction and major improvement of private railway systems in major urban regions to increase commuter transportation capacity, reduce congestion rates, increase the convenience of transportation, and maintain and improve urban functions. Under the Shinkansen new bullet train line project, JRJT constructs and leases Shinkansen lines to form nationwide high-speed railway networks to contribute to developing the national economy, expanding the national life sphere and promoting regional development.

Note: Major non-FILP projects include an urban railway convenience promotion project.

2. Amount of lending under FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
10.6	1,125.9

3. Estimated policy cost analysis of the project

(1) Policy cost

(Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	972.7	913.2	-59.4
2. Government revenue (payments to the government, etc.)*	-	-	-
3. Opportunity cost of capital investments, etc.	-	-	-
<b>Total (1+2+3=policy cost(A))</b>	<b>972.7</b>	<b>913.2</b>	<b>-59.4</b>
Analysis period (years)	27 years	26 years	-1 year

(2) Breakdown of policy cost by the time of the provision of funds

(Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
(A) Policy cost (previously cited)	972.7	913.2	-59.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	-	-	-
2) Policy cost expected to be newly accrued during the analysis period	972.7	913.2	-59.4
Government expenditure (subsidies, etc.)	972.7	913.2	-59.4
Government revenue (payments to the government, etc.)*	-	-	-
Opportunity cost of surplus, etc.	-	-	-
Opportunity cost of capital investments, etc.	-	-	-

(4) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case for raising lending and fundraising rates by 1 %	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
			913.2	861.1	-52.2

(A) Policy cost (previously cited)	Case for cutting operating revenue by 10%	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
			913.2	913.2	-

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

\* Government revenue (payments to the government, etc.) is booked as a negative amount. Example: -10 b. yen for 10 b. yen in payments to government, etc.

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost	Simple comparison (before adjustment)	FY2018	FY2019	Simple fluctuation
		972.7	913.2	-59.4
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2019 analysis)	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2018)	Real fluctuation (2-1)	
		899.2	913.4	+14.2

[Real fluctuation factor analysis]

Factors behind policy cost increase

- Increase in cost due to increase in subsidies for routes for construction under Shinkansen project (+14.2 billion yen)

Factors behind policy cost decrease

- None

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

##### [Outline of estimation]

Subject to the estimation are the private railway project for the construction, major improvement and transfer of private railways subjected to FILP and the Shinkansen project for the construction and leasing of Shinkansen lines. (As for the Shinkansen project, only three portions of three new lines under construction (Hokkaido Shinkansen (Shin-Hakodate-Hokuto - Sapporo portion), Hokuriku Shinkansen (Kanazawa - Tsuruga portion), Kyushu Shinkansen (Takeo Onsen - Nagasaki portion)) are subjected to the estimation.)

##### 1) Private railway project

- The estimation is made based on the current system (cost collection method). Under the system, a part of the funds for the construction of railways that is considered as interest-bearing loans will be collected in full through of the payments for the transfer collected after the transfer from the railway operator by the principal-interest equal semiannual repayment system.
- The length of analysis period is 25 years (to FY2043), during the project will be completed.

##### 2) Shinkansen project

- Fiscal loans are planned to cover the construction of three portion of three new lines under construction and be repaid with rent income.
- The analysis period covers 26 years (to FY2044) in which the fiscal loans will be repaid.

The future business was simulated based on the preconditions given under the above-mentioned presuppositions. The results of the simulation were used to calculate the necessary policy cost to carry out the projects.

##### [Project prospect]

##### 1) Private railway project

- As the construction of private railway systems based on instructions in construction plans was completed in FY2018, the transfer of private lines is only projected for years from FY2019.
- Values for the transfer of private lines shall be collected an equal semiannual installment basis for 25 years after transfer, and will be totally redeemed by FY2043. No prepayment is expected from railway operators.

##### 2) Shinkansen project

- As noted in an agreement between the government and ruling parties on “Handling of New Shinkansen Railway Lines” on January 14, 2015, new Shinkansen lines will form nationwide high-speed railway networks to contribute to developing the national economy, expanding the national life sphere and promoting regional development and should be opened to produce their effects as early as possible for the national economy.

(Schedules for opening of three new lines’ three portions under construction)

\*Hokkaido Shinkansen (Shin-Hakodate-Hokuto - Sapporo portion): Scheduled to open at the end of FY2030.

\*Hokuriku Shinkansen (Kanazawa - Tsuruga portion): Scheduled to open at the end of FY2022.

\*Kyushu Shinkansen (Takeo Onsen - Nagasaki portion): Scheduled to open in FY2022

•In using future rent income in advance for front-loading the completion, JRJT will utilize long-term, fixed-low-interest FILP funds to reduce interest cost and accelerate the development of new Shinkansen lines.

(Unit: billion yen)

		Estimated	Planned	Assumptions for calculation
FY		2018	2019	2020-2033
Construction cost	Hokkaido Shinkansen (Shin-Hakodate-Hokuto - Sapporo)	37.0	49.0	1,476.6
	Hokuriku Shinkansen (Kanazawa - Tsuruga)	225.0	264.0	397.8
	Kyushu Shinkansen (Takeo Onsen - Nagasaki)	83.0	76.0	61.4
Total		345.0	389.0	1,935.8

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

##### 1) Private railway project

The Agency receives subsidies from general accounts for loans and a part of the interest payable of railway construction bonds, to ease the burden of transfer prices on private railway operators.

(Underlying laws and regulations)

As for subsidies, each operator receives half of what exceeds beyond the interest rate specified in the annual budget for funds financed in each year. There are no underlying laws. (they are budgetary measures)

##### 2) Shinkansen project

Based on the Nationwide Shinkansen Railway Development Act, the Minister of Land, Infrastructure, Transport and Tourism designated JRJT as the builder of three new Shinkansen lines – Hokkaido Shinkansen (Aomori - Sapporo), Hokuriku Shinkansen (Tokyo - Osaka) and Kyushu Shinkansen (Fukuoka - Nagasaki) – for which a construction plan was decided on in 1973.

Based on an agreement between the government and ruling parties in December 2004 and that in December 2011 on “Handling of New Shinkansen Railway Lines,” three new Shinkansen lines’ three portions – Hokkaido Shinkansen’s Shin-Hakodate-Hokuto - Sapporo portion, Hokuriku Shinkansen’s Kanazawa - Tsuruga portion and Kyushu Shinkansen’s Takeo Onsen - Nagasaki portion – totaling about 393 kilometers are now under construction.

(Underlying laws and regulations)

Part of the subsidies are covered by rent income from the Japan Railway group. Of the remaining subsidies, two-thirds are provided by the central government and one-third by local governments under Article 13 of the Nationwide Shinkansen Railway Development Act and Article 8 of an ordinance for the enforcement of the Act.

Payments to the National Treasury are defined for in the Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency) Act.

[Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency) Act]

(Exceptions to profit and loss deposition, etc.)

Article 18:

The Agency may allocate funds approved by the Minister of Land, Infrastructure, Transport and Tourism equivalent to the amount of reserves (if such exist) provided for in Article 44, Paragraph 1, of the Law for development implemented as provided for in Article 44, Paragraph 1 or 2, relevant to the final project year of the medium-term target period) provided for in Article 29, Paragraph 2, Item 1, of the Act ("medium-term target period" in this and the following paragraph) in Grant Account to the financing of operations provided for in Article 13 (including transfers provided for in the foregoing article, Paragraph 3, and supplementary provisions, Article 3, Paragraph 11) based on the stipulations of the approved medium-term plan of Article 30, Paragraph 1, of the Act (the plan subsequent to revision in the event that revision has been authorized as provided for in the latter section of the Paragraph 1) for the medium-term target period subsequent to said medium-term target period.

2. The Agency's railway facility subsidies account may establish the reserve fund which is defined in the same paragraph in the medium-term target period subsequent to current medium-term target period if there is still remaining balance (if such exists) of funds approved by the Minister of Land, Infrastructure, Transport and Tourism derived by deducting funds approved.

3. The Agency shall pay the remaining balance (if such exists) to the National Treasury derived by deducting the amount approved as provided for in preceding two paragraphs from an amount equivalent to reserves as provided for in Paragraph 1.

4. In regard to the application of the provision of Article 44, Paragraph 1, of the Act in the account relating to operations described in Paragraph 1, Items 1 to 3, of the foregoing article, the text "in the event of allocation to uses of Paragraph 3 as provided for in the same paragraph" in said paragraph shall read "in the event of the payment to the National Treasury of an amount calculated as stipulated by government ordinance or allocation to uses of Paragraph 3 as provided for in the same paragraph."

5. The stipulations of Paragraphs 1 and 3 shall apply correspondingly to the accounts of the foregoing paragraph. In such event, "Article 44, Paragraph 1, of the Act" shall read "Article 44, Paragraph 1, of the Act upon revision as provided for in Paragraph 4."

6. In addition to the stipulations of the foregoing paragraphs, items required for payment procedures for payments and the disposal of other reserves shall be stipulated by government ordinance.

[Act on General Rules for Incorporated Administrative Agencies]

Article 44

For each business year, when profits have accrued as a result of the calculation of profits and losses, an Incorporated Administrative Agency must offset any losses carried forward from the preceding business year, and if there is a remainder, it must record the amount of the remainder as reserve funds; provided, however, that this does not apply if it appropriates the amount of the remainder for the use referred to in paragraph (3) pursuant to the provisions of the paragraph.

2. For each business year, an Incorporated Administrative Agency must, when losses have occurred as a result of the calculation of profits and losses, record the losses by reducing the amount of the reserve funds under the provisions of the preceding paragraph, and if there is still a shortfall, it must dispose of the amount of the shortfall as a loss carried forward.

3. When there is a remainder provided for in paragraph (1), an Agency Managed under the Medium-term Objectives and a National Research and Development Agency may appropriate all or a part of the amount of the remainder for the use of a surplus referred to in Article 30, paragraph (2), item (vii) for a Medium-term Plan (meaning a Medium-term Plan referred to in Article 30, paragraph (1) as authorized under same paragraph (or a revised plan if the agency obtains authorization for revision under the provisions of the second sentence of same paragraph); the same applies hereinafter) or the use of a surplus referred to in Article 35-5, paragraph (2), item (vii) for a Medium to Long-term Plan (meaning a Medium to Long-term Plan referred to in Article 35-5, paragraph (1) as authorized under the paragraph (or a revised plan if the agency obtains authorization for revision under the provisions of the second sentence of the paragraph); the same applies hereinafter), by obtaining the approval of the competent minister.

4. The disposal of reserve funds under the provisions of paragraph (1) is specified by the relevant Individual Act.

## 6. Special remarks

The Corporation for Advanced Transport and Technology was integrated with the Japan Railway Construction Public Corporation on October 1, 2003, and subsequently reestablished as the Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency) based on the Reorganization and Rationalization Plan for Special Public Corporations.

### 1) Private railway project

Policy costs of the Agency are required to promote the railway improvement in response to urgent issues, such as the demand for increased transportation capacity of work and social commuters and eased congestion in metropolitan areas, improved traffic flow, and maintenance and enhancement of urban functions. Since all the costs to raise funds for the projects shall be collected from railway operators on a long-term installment basis, the reduction of such costs through the investment of FILP would reduce construction costs, and consequently ease the burden on railway operators, and eventually on the general public, as ultimate users.

### 2) Shinkansen project

The Economic Measures for Realizing Investment for the Future (Cabinet Decision on August 2, 2016) called for taking advantage of the current low interest situation for providing super-long-term funds for infrastructure development to accelerate investment for the future. Under additional FILP measures based on the second supplementary budget for FY2016, the JRJT construction account was set to utilize low-interest FILP loans for the construction of new Shinkansen lines to reduce interest cost and accelerate the construction.

## (Reference) Outcome and social and economic benefits of operations

### ○ Shinkansen project

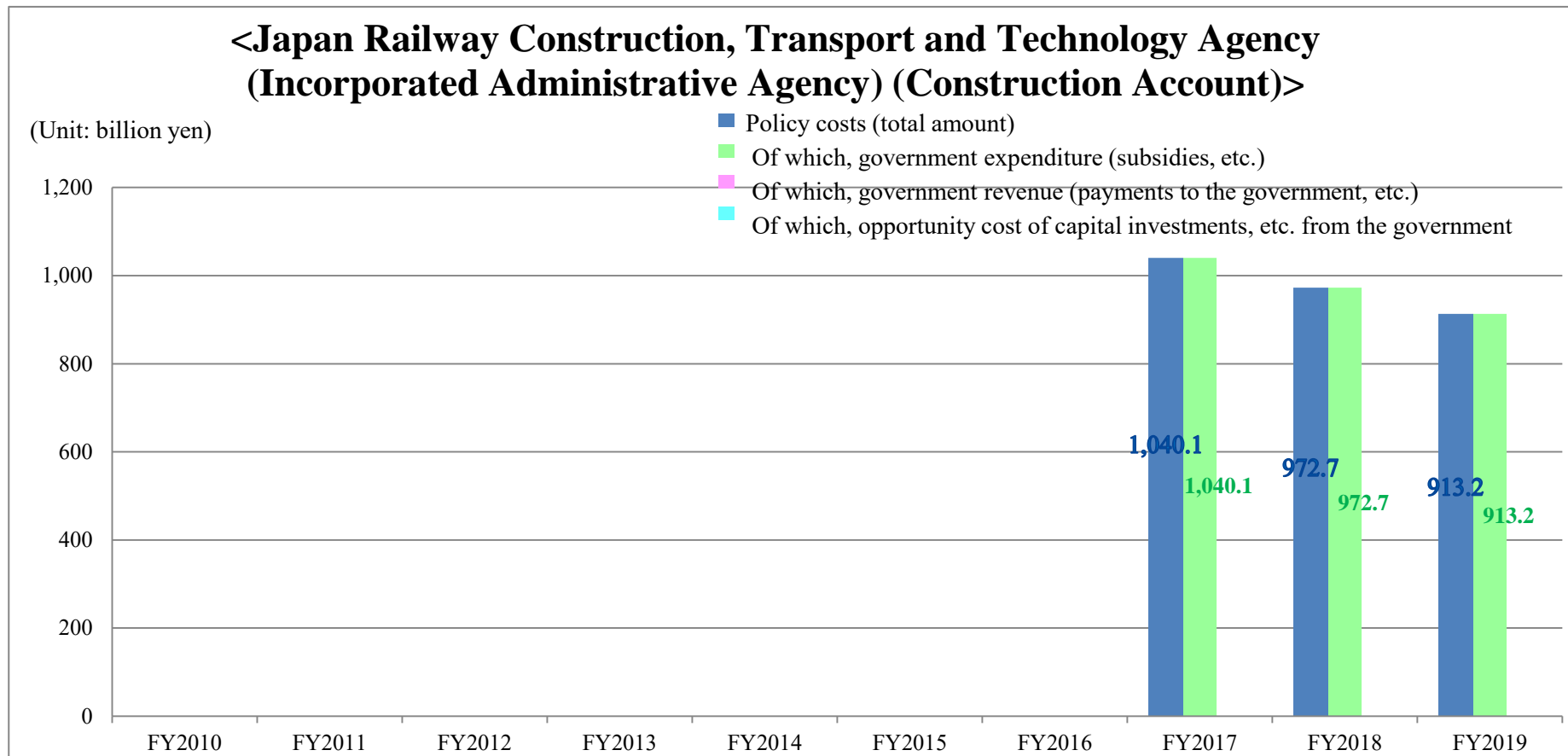
Based on assumptions for the policy cost analysis, JRJT estimates users' benefits from Shinkansen development (improvement of convenience for users through shorter traveling time and fewer transfers), supplier benefits (a gap between railway operators' profits based on the absence and presence of Shinkansen development) and environment improvement benefits (environment improvement through users' switch from aircraft or automobiles to railways).

•Case for an analysis period of 50 years after Shinkansen opening with the social discount factor assumed at 4%: 3,435.5 billion yen  
(Unit: billion yen)

Portions for development	Total benefits
Hokkaido Shinkansen (Shin-Hakodate-Hokuto - Sapporo)	1,399.7
Hokuriku Shinkansen (Kanazawa - Tsuruga)	1,434.4
Kyushu Shinkansen (Takeo Onsen - Nagasaki)	601.4
Total	3,435.5

•In the case where the social discount factor is set to that of the policy cost analysis: 3,534.3 billion yen

# (Reference) Changes in Policy Costs by Component



Note: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

**(Point)**

- Policy costs of JRJT (Construction Account) had been generated through interest subsidies from the government to mitigate costs for the transfer of private railway lines. Under the estimates at interest rates set between FY2007 and FY2016, no interest subsidies were estimated for the future, with no policy cost generated.
- Regarding additional FILP measures under the second supplementary budget for FY2016, the government built on the Economic Measures for Realizing Investment for the Future (Cabinet Decision on August 2, 2016) to utilize low-interest FILP loans for the construction of new Shinkansen lines and subject the Shinkansen project to the policy cost analysis in FY2017. In FY2018, policy costs involving subsidies declined on progress in Shinkansen line construction.

## (Reference) Financial Statements

## Balance Sheet (Construction Account)

(Unit: million yen)

Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)	Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)
<b>(Assets)</b>				<b>(Liabilities and equity)</b>			
Current assets	2,403,471	2,035,758	1,770,297	Current liabilities	416,062	338,850	321,386
Cash and bank deposits	924,929	668,188	450,367	Short-term borrowings	-	47	94
Securities	190,300	190,300	190,300	Japan Railway Construction, Transport and Technology Agency bonds to be redeemed within one year	136,500	108,000	74,000
Installment sales receivables	1,225,772	1,154,455	1,088,784	Discount on bonds to be written off within one year (-)	- 0	-	-
Disbursements for uncompleted construction	22,209	20,375	38,144	Long-term debts payable to be repaid within a year	148,226	137,272	138,558
Accrued income	346	231	358	Long-term loans from other accounts to be repaid within a year	28,373	26,640	23,820
Accounts receivable	36,782	2,209	2,344	Lease obligations planned for payment within 1 year	22	23	25
Other current assets	3,132	-	-	Accrued payments	66,319	31,883	31,964
Fixed assets	5,967,791	6,299,444	6,564,533	Accrued expenses	2,316	2,228	2,339
Tangible fixed assets	5,771,483	6,105,806	6,375,983	Advances received	10,003	9,934	9,865
Buildings	180,744	171,498	162,536	Advance received for entrusted business	22,962	21,627	39,396
Structures	3,744,658	3,604,881	3,461,141	Reserves			
Machinery and equipment	196,291	185,674	174,445	Reserve for bonuses	685	807	938
Tools furniture and fixtures	195	176	210	Asset disposal obligations planned for implementation within 1 year	36	-	-
Land	699,883	777,385	776,910	Other current liabilities	620	389	389
Leasing assets	86	65	43	Fixed liabilities	7,208,353	7,161,262	7,159,451
Construction in progress	949,627	1,366,126	1,800,696	Asset collateral liabilities	4,447,167	4,481,012	4,561,098
Intangible fixed assets	142,269	140,550	133,335	Asset collateral subsidies	3,240,235	3,124,033	2,990,551
Perpetual lease	56,573	56,550	56,550	Asset collateral expenses	42,367	40,412	36,947
Software	37	53	89	Collateral subsidies for construction in progress	632,256	733,877	894,606
Facilities usage rights	85,632	83,921	76,669	Collateral expenses for construction in progress	819	254	254
Other intangible fixed assets	26	26	26	Shinkansen asset collateral liabilities	531,490	582,435	638,739
Investment and other assets	54,039	53,088	55,215	Japan Railway Construction Transport and Technology Agency bonds	835,500	867,600	907,600
Shares in affiliates	-	-	3,200	Discount on bond (-)	0	0	0
Long-term accounts due	46,245	44,736	43,226	Long-term loans payable	1,347,111	1,279,804	1,200,552
Expected value of receivable loan fees	663	641	617	Long-term loans of other accounts	96,873	70,233	46,413
Return for provisions for retirement allowances in Article 11-2 of the Ministry of Finance Ordinance on the Japan Railway Construction, Transport and Technology Agency	6,576	6,868	7,173	Lease obligations	74	51	26
Security deposit and guarantee	555	843	998	Long-term advances received	190,726	180,793	170,928
				Reserves			
				Reserve for retirement pensions	14,698	15,998	17,404
				Collateral account for continuing debt	276,112	265,771	255,430
				Other fixed liabilities	91	-	-
				Reserves based on law			
				Reserves for adjustments on leased assets	147,664	145,171	161,277
				(Total liabilities)	7,772,079	7,645,282	7,642,115
				Capital			
				Financing by the Government	51,709	51,508	54,708
				Capital surplus	535,112	625,452	624,607
				Capital surplus	549,358	640,605	640,637
				Other administrative costs accumulated	- 14,246	- 15,154	- 16,030
				Amount equivalent to accumulated depreciation cost (-)	- 13,497	- 14,264	- 15,138
				Amount equivalent to accumulated impairment loss (-)	- 31	- 31	- 0
				Amount equivalent to accumulated net gains or losses on sale or disposal (-)	- 719	- 859	- 893
				Retained earnings	12,361	12,960	13,401
				Reserve carried forward during former medium-term target period	8,880	12,361	12,361
				Reserve fund	3,124	-	599
				Unappropriated income for the current year	357	599	441
				(Of this, gross profit)	357	599	441
				(Total equity)	599,182	689,920	692,716
Total assets	8,371,262	8,335,202	8,334,831	Total liabilities and equity	8,371,262	8,335,202	8,334,831

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

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

3. Results at the end of FY2017 and projections at the end of FY2018 are adjusted for comparison with planned results at the end of FY2019.

## Income Statement (Construction Account)

(Unit: million yen)

Item	FY2017 (Result)	FY2018 (Estimated)	FY2019 (Planned)	Item	FY2017 (Result)	FY2018 (Estimated)	FY2019 (Planned)
(Losses)				(Profits)			
Ordinary expenses	366,394	381,263	361,208	Ordinary income	366,833	381,862	361,649
Construction administrative expenses	353,448	369,185	350,329	Railway facility transfer revenue	82,955	82,328	73,388
General and administrative expenses	1,338	1,403	1,258	Railway facility lease revenue	117,065	115,373	115,648
Finance expenses	10,755	10,607	9,524	Revenues from overseas operations	-	132	267
Miscellaneous losses	853	67	97	Revenue from cargo adjustment project	13,413	14,557	14,557
Temporary losses	82	-	-	Revenue from entrusted business	40	16,099	626
Loss on retirement of fixed assets	9	-	-	Revenue from subsidies for railway improvement projects	37	40	-
Loss on sale of fixed assets	74	-	-	Revenue from financial assistance for railway improvement projects	89	70	52
Net profit	357	599	441	Reversal of asset collateral subsidies	137,865	138,081	142,381
Gross profit	357	599	441	Reversal of asset collateral expenses	3,875	3,897	3,962
				Reversal of collateral subsidies for construction in progress	140	-	-
				Reversal of collateral account for continuing debt	10,343	10,341	10,341
				Financial income	16	10	5
				Miscellaneous income	995	934	422
				Temporary profits	0	-	-
				Gain on sales of fixed assets	0	-	-
Total	366,834	381,862	361,649	Total	366,834	381,862	361,649

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

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