

Organization for Promoting Urban Development (General Incorporated Foundation)

http://www.minto.or.jp

1. Summary of operations implemented using FILP funds

The Organization for Promoting Urban Development provides mezzanine support for facilitating the provision of middle-risk funds for longterm private sector urban development projects, contributing to the advancement of urban functioning and the improvement of urban living environments, and steadily promoting excellent private sector urban development projects that feature great direct and spillover effects of investment.

2. Amount of lending under FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
25.0	64.9

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*	-3.5	-2.9	+0.6
3. Opportunity cost of capital investments, etc.	0.5	0.2	-0.3
Total (1+2+3=policy cost(A))	-3.0	-2.7	+0.3
Analysis period (years)	20 years	15 years	-5 years

(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)	-3.0	-2.7	+0.3
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	-3.0	-2.7	+0.3
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*	-3.5	-2.9	+0.6
Opportunity cost of surplus, etc.	0.5	0.2	-0.3
Opportunity cost of capital investments, etc.	-	-	-

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2018	FY2019	Simple fluctuation
		Simple comparison (before adjustment)	-3.0	-2.7
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)
		-2.6	-2.7	-0.1

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to finalization of FY2017 results and revision of FY2018 projections (+2.1 billion yen)
- Increase in cost due to increase in loan losses (+0.1 billion yen)

○Factors behind policy cost decrease

- Decrease in cost through new loans provided in FY2019 (-2.1 billion yen)
- Others (decrease in administrative cost due to analysis period shortening, etc.) (-0.1 billion yen)

(4) Breakdown of policy cost by causative factor (Unit: billion yen)

(A) Policy cost in FY2019 (previously cited)	-2.7
1) Prepayments	-
2) Loan losses	1.8
3) Others (including profit spread)	-4.5

(5) 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.
			-2.7	-2.9	-0.2

(A) Policy cost (previously cited)	Case for raising the bad loan write-off by 10 %	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
			-2.7	-2.6	+0.1

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

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

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

- 1) The estimation covers the mezzanine support project among the operations of the Organization for Promoting Urban Development.
- 2) The analysis covers the 15-year period during which all loans and bonds under the FY2019 plan will be redeemed.
- 3) No prepayment is projected in the absence of past data for the mezzanine support project.
- 4) Loan charge-off is calculated based on default ratios obtained from private sector rating agencies, since mezzanine support aims to provide middle-risk funds.
- 5) The Organization for Promoting Urban Development is a general incorporated foundation, so the mezzanine support project is subject to the imposition of corporate tax and interest income tax. Therefore, the estimation covers the tax amount in each fiscal year until the fiscal year when the project is completed.

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

(Reason)

The Organization received subsidies from the general account in FY2011 for recapitalization to stably conduct mezzanine support operations over the long term.

(Underlying laws and regulations of granting subsidies)

•Outline of the urban revitalization promotion system Article 14-5, Government Subsidy.

The government can grant a subsidy necessary to allowance deposit of support operations for private sector urban development projects within a budget.

[Underlying laws and regulations for the payments to the national treasury]

(Underlying laws and regulations)

•Outline of the urban revitalization promotion system Article 14-6

Implementation of support operations for private sector urban development projects

Paragraph 1~2 (omitted)

Paragraph 3

Organization for Promoting Urban Development must pay to the national treasury the balance of allowance deposit of support operations for private sector urban development projects when Organization for Promoting Urban Development abolishes mezzanine support operations.

6. Special remarks

Organization for Promoting Urban Development was shifted from an incorporated foundation to a general incorporated foundation on April 1, 2013, approved by the Prime Minister pursuant to the provisions under Article 45 of the Act on Revising Related Acts in accordance with the Implementation of the Act on General Incorporated Associations and General Incorporated Foundations and the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundation.

(Reference) Outcome and social and economic benefits of operations

Support results etc.

(1) Support results (7 matters): ¥54.6 billion

(2) Planned support in FY2019: ¥35.0 billion

Mezzanine support project's demand creation effect:

About ¥232.3 billion

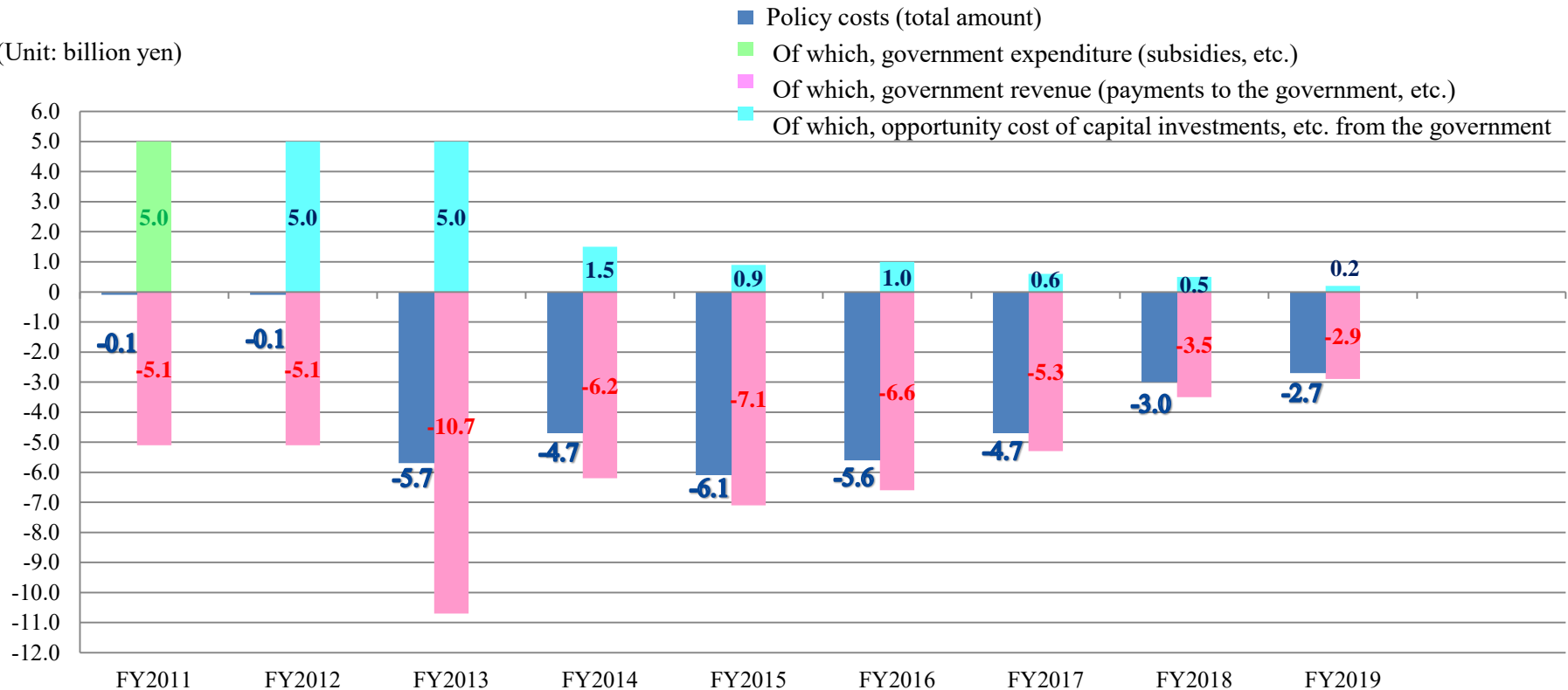
Economic effect of FILP project investment:

About 584.4 billion yen

(Reference) Changes in Policy Costs by Component

<Organization for Promoting Urban Development (General Incorporated Foundation)>

(Unit: billion yen)



Notes 1. Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

2. Figures until FY2012 indicate the policy cost of Organization for Promoting Urban Development (Urban Renaissance Promotion Account).

(Point)

• In accordance with the change of the Organization for Promoting Urban Development to a general incorporated foundation on April 1, 2013, the mezzanine support project that was covered by the estimation became subject to the imposition of corporate tax and interest income tax. Therefore, government revenue has increased since FY2013, resulting in the policy costs having been substantially decreased. Since then, negative costs have been decreasing in line with the shrinking business scale.

(Reference) Financial Statements

Balance Sheet (Mezzanine Support Project)

(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)
(Assets)				(Liabilities)			
Current assets				Current liabilities			
Cash and deposits	140	121	121	Accrued payments	14	-	-
Fixed assets				Accrued corporate tax, etc.	24	-	-
Specific assets				Reserve for bonuses	8	8	8
Allowance deposit of support operations for private sector urban development projects	5,026	5,026	5,030	Fixed liabilities			
Deposit for reserve for retirement benefits	44	37	37	Government-guaranteed borrowings	5,800	15,800	25,800
Loans for mezzanine support operations	42,600	80,700	115,700	Government-guaranteed bonds	36,800	64,900	89,900
Allowance for possible loan losses	0	- 2,784	- 4,639	Reserves for retirement pensions	44	37	37
Investments securities for mezzanine support operations	-	-	-				
Management preparation deposit fo mezzanine support operations	7,712	7,595	8,630	Total liabilities	42,691	80,746	115,746
Other fixed assets	5	5	5				
				(Equity)			
				Specified net asset	5,026	5,026	5,030
				General net asset	7,810	4,928	4,108
				Total equity	12,836	9,954	9,139
Total assets	55,526	90,700	124,884	Total liabilities and equity	55,526	90,700	124,884

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

Revenue and Expenditure Budget (Mezzanine Support Project)

(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)
(Revenues)				(Expenditures)			
Revenues from investment of provisions for private sector urban development projects	1	1	5	Management expenses	141	171	171
Revenue from mezzanine support operations	344	305	2,759	Mezzanine support expenses	5,009	38,158	35,067
Interest received	344	305	2,759	Mezzanine support project expense	5,000	38,100	35,000
Collection of loans, etc.	-	-	-	Mezzanine support research expense, etc.	9	58	67
Borrowings from private sector	10,800	38,100	35,000	Redemption of loans, etc.	5,800	-	-
Government-guaranteed bonds	5,000	28,100	25,000	Interest and bond issuance expenses	119	198	972
Government-guaranteed borrowings	5,800	10,000	10,000	Interest on bonds	94	102	630
Reversal income of specific deposits	4	124	-	Interest on loans, etc.	7	5	260
Miscellaneous revenues	25	25	29	Commission paid on bonds	18	91	82
				Specific deposit expenses	104	0	1,040
				Provisions for private sector urban development project support operations	0	0	4
				Reserves for mezzanine support operations	98	-	1,035
				Deposit for reserve for retirement benefits, etc.	6	-	-
				Taxes and dues	28	4	540
				Clerical mechanization expenses	4	4	4
Total revenues	11,174	38,555	37,793	Total expenditures	11,206	38,536	37,793
Balance brought forward	134	102	121	Balance	-32	19	-
Total revenues	11,308	38,657	37,914	Balance to be brought forward	102	121	121

Notes 1. Components may not add up to the total because of rounding.

2. Organization for Promoting Urban Development does not prepare an income statement because it is a general incorporated foundation and employs an accounting method based on the public interest corporation accounting standards.

(Reference) Hypothetical Balance Sheets and Hypothetical Profit and Loss Statements for Private Companies

Hypothetical Balance Sheet for Private Companies
(Mezzanine Support Project)

(Unit: million yen)

Item	End of FY2017	Category	End of FY2017
(Assets)		(Liabilities)	
Current assets	9,070	Current liabilities	47
Cash and bank deposits	9,070	Accrued expenses	14
Accounts receivable	0	Accrued corporate tax, etc.	24
Fixed assets	46,456	Reserve for bonuses	8
Intangible fixed assets	5	Fixed liabilities	42,644
Software	5	Bonds	36,800
Investment and other assets	46,451	Long-term loans payable	5,800
Long-term loan receivable	3,851	Reserves for retirement pensions	40
Investment securities	42,600	Reserve for directors' retirement benefits	3
		(Total liabilities)	42,691
		(Equity)	
		Capital stock	12,682
		Capital surplus	11,500
		Other capital surplus	11,500
		Retained earnings	1,182
		Other retained earnings	1,182
		Retained earnings brought forward	1,182
		Valuation and translation adjustments	154
		Valuation difference on securities	154
		(Total equity)	12,836
Total assets	55,526	Total liabilities and equity	55,526

Hypothetical Profit and Loss Statement for Private Companies
(Mezzanine Support Project)

(Unit: million yen)

Item	End of FY2017
Sales	
Interest received	316
Commission received	54
Costs of goods sold	
Interest expenses	101
Commission paid	18
Gross operating profit	251
Sales and administration expenses	163
Operating profit	88
Ordinary profit	88
(Extraordinary profits)	-
(Extraordinary loss)	-
Net profit before tax	88
Corporate tax, residence tax and enterprise tax	24
Net profit (or loss)	64

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