

National Institution for Academic Degrees and Quality Enhancement of Higher Education
(Incorporated Administrative Agency) (Facilities Improvement Account)

https://www.niad.ac.jp/

1. Summary of operations implemented using FILP funds

The National Institution for Academic Degrees and Quality Enhancement of Higher Education (NIAD-QE) grants loans to national university corporations for the improvement of hospital wards in order to enhance the facilities of national university hospitals and for the introduction of advanced medical equipment.

Note: Major non-FILP operations include university evaluation, awarding of academic degrees and grants for facilities.

2. Amount of lending under FY2020 FILP

(Unit: billion yen)

FY2020 FILP	Estimated outstanding amount of FILP lending at the end of FY2019
45.6	695.6

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2019	FY2020	Fluctuation
1. Government expenditure (subsidies, etc.)	0.4	0.7	+0.3
2. Government revenue (payments to the government, etc.) ^{*1}	-	-	-
3. Opportunity cost of capital investments, etc.	-	0.0	+0.0
Total (1+2+3=policy cost(A))	0.4	0.7	+0.3
Analysis period (years)	35 years	35 years	-

(2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

Category	FY2019	FY2020	Fluctuation
(A) Policy cost (previously cited)	0.4	0.7	+0.3
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	-	0.0	+0.0
2) Policy cost expected to be newly accrued during the analysis period	0.4	0.7	+0.3
Government expenditure (subsidies, etc.)	0.4	0.7	+0.3
Government revenue (payments to the government, etc.) ^{*1}	-	-	-
Opportunity cost of surplus, etc.	-	-	-
Opportunity cost of capital investments, etc.	-	-	-

(5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy ^{*2}	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.) ^{*1}	3. Opportunity cost of capital investments, etc.
0.7	0.6	-0.0	-0.0	-	-0.0

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

		FY2019	FY2020	Simple fluctuation
Policy cost	Simple comparison (before adjustment)	0.4	0.7	+0.3
	Past year comparison (after adjustment)	0.3	0.7	+0.4

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to increase in administrative cost accompanying new financing (+0.4 billion yen)

○Factors behind policy cost decrease

- None

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

(A) Policy cost in FY2020 (previously cited)	0.7
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	0.7

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

^{*1} 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.

^{*2} Assumed interest rates (discount factor and future interest rate) are based on the market yield on Japanese government bonds on January 28, 2016, before the introduction of the negative interest rate policy.

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

- 1) The estimation covers the project for loans from the National Institution for Academic Degrees and Quality Enhancement of Higher Education to finance facilities expenses at national universities. (Facilities Improvement Account)
- 2) The scale of loans is estimated to be 49.9 billion yen for FY2020 plus the loans that continue to be granted thereafter.
- 3) The analysis period is 35 years, during which all the loans granted under the above 2) are to be recovered (up to 30 years).
- 4) The amount of administration expenses is the sum of the property expenses and the personnel expenses proportionate to the number of people concerned. The cost of the project to offer loans for facilities expenses is calculated based on the proportion of new loans, while the cost of the project of liabilities redemption is calculated based on the proportion of the balance of borrowed money.
- 5) As prepayments have been limited to only five cases since the commencement of operations, no prepayment is projected from FY2020 onward.
- 6) No loan charge-off has been seen since the commencement of operations. Therefore, loan charge-off is not projected from FY2020 onward.

FY	Result				Estimated	Planned	Assumptions for calculation
	2015	2016	2017	2018	2019	2020	2021-2054
Prepayment ratio	-	-	-	-	-	-	-
Provision on loans	-	-	-	-	-	-	-

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

The National Institution for Academic Degrees and Quality Enhancement of Higher Education aims to improve and enhance education and research environment of national universities, etc. through its operations such as lending or delivering of funds necessary for purposes including improvement of such institutions.

Operation subsidy from the government covers such expenses as administration cost necessary to carry out and achieve such goals.

(Underlying laws and regulations)

- Article 46 of the Act on General Rules for Incorporated Administrative Agencies

"The Government can grant subsidies to cover part or whole of the funds required for the operation of incorporated administrative agencies within the limits of the budget."

6. Special remarks

1) Upon the promulgation of the Act for Partial Amendment of the Act on the National Institution for Academic Degrees and University Evaluation, Incorporated Administrative Agency, in May 2015, the duties performed by the Center for National University Finance and Management were succeeded to by the newly incorporated National Institution for Academic Degrees and Quality Enhancement of Higher Education, Incorporated Administrative Agency (the Center for National University Finance and Management and the National Institution for Academic Degrees and University Evaluation are to be integrated) as of April 1, 2016.

2) The Center for National University Finance and Management settled the accounting for its projects in the Facilities Improvement Account and received the funds necessary to cover operational expenses in the General Account as grants for operational expenses. The newly incorporated National Institution for Academic Degrees and Quality Enhancement of Higher Education has also adopted separate accounting, and settles the accounting of duties that had been performed by the Center for National University Finance and Management in the Facilities Improvement Account, while receiving the funds necessary to cover operational expenses in the General Account as grants for operational expenses and also settling the accounting of duties that had been performed by the National Institution for Academic Degrees and University Evaluation in the General Account.

3) In this analysis, out of the grants for operational expenses received in the General Account, expenses necessary for the operation of the facilities expense loan project subject to the fiscal investment and loan program are considered as and included in the policy cost. The organizational integration does not exert any particular influence on this policy cost analysis.

(Reference) Outcome and social and economic benefits of operations

○ Quantitative achievements of operations

[Financing results, etc.] (unit: billion yen)

Category	2015 result	2016 result	2017 result	2018 result	2019 estimated	2020 planned
Facility development	43.8	40.6	35.0	27.9	32.8	25.9
Equipment development	19.6	15.3	32.1	18.6	22.8	24.0
Total	63.4	55.9	67.1	46.5	55.5	49.9

<FY2020 planned operations>

Planned facility development operations: Tohoku University core environment development, 31 other universities

Planned equipment development operations: Hirosaki University hospital equipment development, 20 other universities

○ Facility loan result

• Accumulated facility loan results (FY2004-FY2018)

Facility maintenance cost: 584.0 billion yen (803 projects)

Special medical appliance maintenance cost: (Equipment development): 297.7 billion yen (401 projects)

• Facility loan results in FY2018

Facility maintenance cost: 27.9 billion yen (40 projects)

Special medical appliance maintenance cost: (Equipment development): 18.6 billion yen (25 projects)

• Planned facility loan cost in FY2020

Facility maintenance cost: 25.9 billion yen (54 projects)

Special medical appliance maintenance cost: (Equipment development): 24.0 billion yen (21 projects)

○ Social/Economic benefits

National university hospitals serve as the facilities necessary for the training and educational activities of the faculty of medicine and the faculty of dentistry, etc., play a role as medical institutions that train medical personnel who provide medical services in the future, provide specialized high-quality medical services, and develop advanced medical services.

In particular, national university hospitals play an important role as medical institutions. In Japan, most medical institutions that can provide advanced medical services are national university hospitals. They accept patients who are seriously ill or have intractable diseases because ordinary hospitals cannot diagnose or treat them properly. National university hospitals serve as central medical institutions in local communities in liaison with other medical institutions in the areas.

The National Institution for Academic Degrees and Quality Enhancement of Higher Education grants loans to national university hospitals for their improvement (improvement of facilities and special medical appliances), etc. in order to enhance their educational and medical research functions and properly respond to social demands.

1. Advanced medical technology (as of February 1, 2020)

• 41 national universities are certified to implement advanced medical techniques. National university hospitals as a whole are certified for 20 (74.1%) of the 27 Group 2 advanced medical (advanced medical A) techniques and 44 (73.3%) of the 66 Group 3 advanced medical (advanced medical B) techniques.

2. Organ transplants from brain-dead donors (as of February 6, 2020)

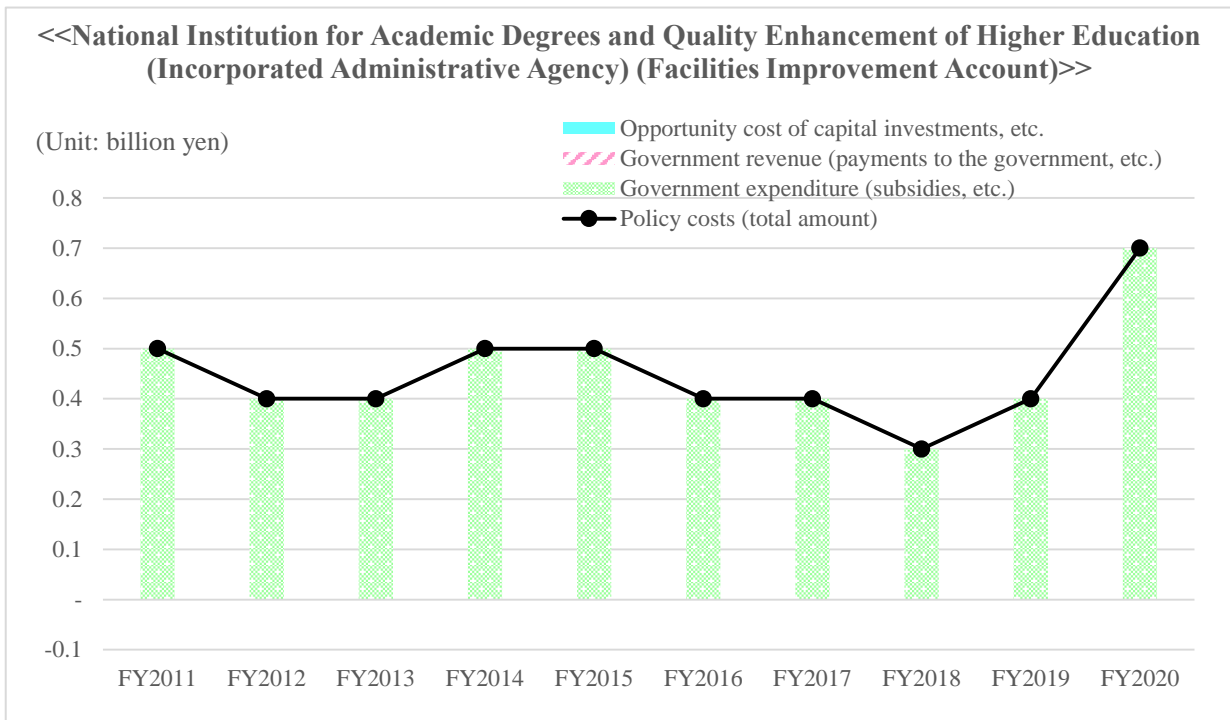
• 37 national university hospitals are designated as medical institutions for organ transplants (88.1%) and 1,708 of the total of 2,938 organ transplants from braindead donors were performed at national university hospitals (58.1%).

3. Response to political medical care (as of July 1, 2019)

• National university hospitals are designated as cancer treatment cooperation base hospitals (24 prefectural cancer treatment base hospitals and 18 regional cancer treatment cooperation base hospitals), advanced critical care and emergency centers (12 advanced critical care and emergency centers and 12 critical care and emergency centers), general perinatal centers (18 general perinatal centers and 23 regional perinatal centers), etc., making great contributions to medical services in Japan as the last bastion of regional medical services.

Overview of policy cost analysis results

[Changes in policy costs]



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

(Unit: billion yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Policy costs (total amount)	0.5	0.4	0.4	0.5	0.5	0.4	0.4	0.3	0.4	0.7
Government expenditure (subsidies, etc.)	0.5	0.4	0.4	0.5	0.5	0.4	0.4	0.3	0.4	0.7
Government revenue (payments to the government, etc.)	-	-	-	-	-	-	-	-	-	-
Opportunity cost of capital investments, etc.	-	-	-	-	-	-	-	-	-	0.0

【Explanation of policy cost trends】

- From FY2011 onward, the policy cost has consisted only of subsidies, etc. from the government (grants for operational expenses), which are applied to clerical costs for loaning the funds necessary for developing facilities and equipment of national university hospitals, etc., and has remained almost unchanged.

【FILP agency's self-assessment of policy cost analysis results (FY2020)】

- The FY2020 policy cost amount remained almost unchanged from the past years, indicating no problem with financial soundness.
- The sensitivity analysis showed little impact of higher interest rates on the policy cost amount, indicating that higher interest rates would have little impact on financial conditions.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)	Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	752,332	739,821	719,472	Current liabilities	68,485	68,159	66,501
Cash and bank deposits	7,473	11,916	13,723	National Institution for Academic Degrees and Quality Enhancement of Higher Education bonds in payable to be repaid within a year	5,000	5,000	5,000
Securities	10,080	5,440	-	Long-term debts payable to be repaid within a year	34,817	38,592	41,510
Inventory assets	2,082	1,707	1,344	Inherited debts to be repaid within a year	28,485	24,458	19,905
Accrued income	186	106	84	Accrued payments	1	1	1
Loans on facility expenses	601,330	617,956	626,082	Accrued expenses	181	108	85
Inherited debt burden claims	131,180	102,695	78,238	Fixed liabilities	664,208	654,575	638,760
				National Institution for Academic Degrees and Quality Enhancement of Higher Education bonds	20,000	22,000	22,000
				Long-term loans payable	541,513	554,337	558,427
				Inherited debt	102,695	78,238	58,333
				(Total liabilities)	732,693	722,734	705,261
				Retained earnings	19,639	17,087	14,211
				Reserve fund under Article 18 of the Act on the National Institution for Academic Degrees and Quality Enhancement of Higher Education	19,639	17,087	14,211
				Unappropriated income for the current year	-	-	-
				(Of this, gross profit)	-	-	-
				(Total equity)	19,639	17,087	14,211
Total assets	752,332	739,821	719,472	Total liabilities and equity	752,332	739,821	719,472

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

Income Statement

(Unit: million yen)

Item	FY2018 (Result)	FY2019 (Estimated)	FY2020 (Planned)
Ordinary expenses	9,188	8,042	8,085
Operating expenses	9,174	8,023	8,071
Finance expenses	14	19	14
Ordinary income	7,182	5,491	5,208
Income from leasing assets to be disposed	97	82	68
Gain on disposal of assets	1,810	1,381	1,381
Income from facility expense subsidy	255	392	54
Interest received	5,019	3,634	3,704
Financial income	1	2	0
Ordinary profit or loss (-)	-2,006	-2,551	-2,877
Net profit or loss (-)	-2,006	-2,551	-2,877
Reversal of reserve fund under Article 18 of the Act on the National Institution for Academic Degrees and Quality Enhancement of Higher Education	2,006	2,551	2,877
Gross profit	-	-	-

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