

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 FY2021 FILP

(Unit: billion yen)

FY2021 FILP	Estimated outstanding amount of FILP lending at the end of FY2020
54.1	677.5

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2020	FY2021	Fluctuation
1. Government expenditure (subsidies, etc.)	0.7	0.6	-0.1
2. Government revenue (payments to the government, etc.) <sup>*1</sup>	-	-	-
3. Opportunity cost of capital investments, etc.	0.0	-0.0	-0.0
<b>Total (1+2+3=policy cost(A))</b>	<b>0.7</b>	<b>0.6</b>	<b>-0.1</b>
Analysis period (years)	35 years	35 years	-

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

Category	FY2020	FY2021	Fluctuation
(A) Policy cost (previously cited)	0.7	0.6	-0.1
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	0.7	0.6	-0.1
Government expenditure (subsidies, etc.)	0.7	0.6	-0.1
Government revenue (payments to the government, etc.) <sup>*1</sup>	-	-	-
Opportunity cost of surplus, etc.	-	-0.0	-0.0
Opportunity cost of capital investments, etc.	-	-	-

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2020	FY2021	Simple fluctuation
		Simple comparison (before adjustment)	0.7	0.6
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2021 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2020)	Real fluctuation (2-1)
		0.6	0.6	+0.0

【Real fluctuation factor analysis】

○Factors behind policy cost increase

-Increase in cost due to an increase in FY2021 recovery (+0.0 billion yen)

○Factors behind policy cost decrease

- None

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

(A) Policy cost in FY2021 (previously cited)	0.6
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	0.6

(5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

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

(A) Policy cost (previously cited)	Case of a 1% increase in loans	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.) <sup>*1</sup>			3. Opportunity cost of capital investments, etc.		
			0.6	0.6	+0.0	-	-	-	-	-	-

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

<sup>\*1</sup> 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.

<sup>\*2</sup> 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 58.5 billion yen for FY2021 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 FY2021 onward.
- 6) No loan charge-off has been seen since the commencement of operations. Therefore, loan charge-off is not projected from FY2021 onward.

FY	Result				Estimated 2020	Planned 2021	Assumptions for calculation 2022-2055
	2016	2017	2018	2019			
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	2016 result	2017 result	2018 result	2019 result	2020 estimated	2021 planned
Facility development	40.6	35.0	27.9	22.3	36.0	38.1
Equipment development	15.3	32.1	18.6	22.5	24.0	20.4
Total	55.9	67.1	46.5	44.8	60.0	58.5

<FY2021 planned operations>

Planned facility development operations: Asahikawa Medical University lifeline revival, 29 other universities

Planned equipment development operations: Asahikawa Medical University hospital equipment development, 21 other universities

○ Facility loan result

- Accumulated facility loan results (FY2004-FY2019)
  - Facility maintenance cost: 606.3 billion yen (846 projects)
  - Special medical appliance maintenance cost: (Equipment development): 320.2 billion yen (425 projects)
- Facility loan results in FY2019
  - Facility maintenance cost: 22.3 billion yen (46 projects)
  - Special medical appliance maintenance cost: (Equipment development): 22.5 billion yen (24 projects)
- Planned facility loan cost in FY2021
  - Facility maintenance cost: 38.1 billion yen (56 projects)
  - Special medical appliance maintenance cost: (Equipment development): 20.4 billion yen (22 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 January 22, 2021)

• 41 national universities are certified to implement advanced medical techniques. National university hospitals as a whole are certified for 16 (69.6%) of the 23 Group 2 advanced medical (advanced medical A) techniques and 39 (67.2%) of the 58 Group 3 advanced medical (advanced medical B) techniques.

2. Organ transplants from brain-dead donors (as of January 28, 2021)

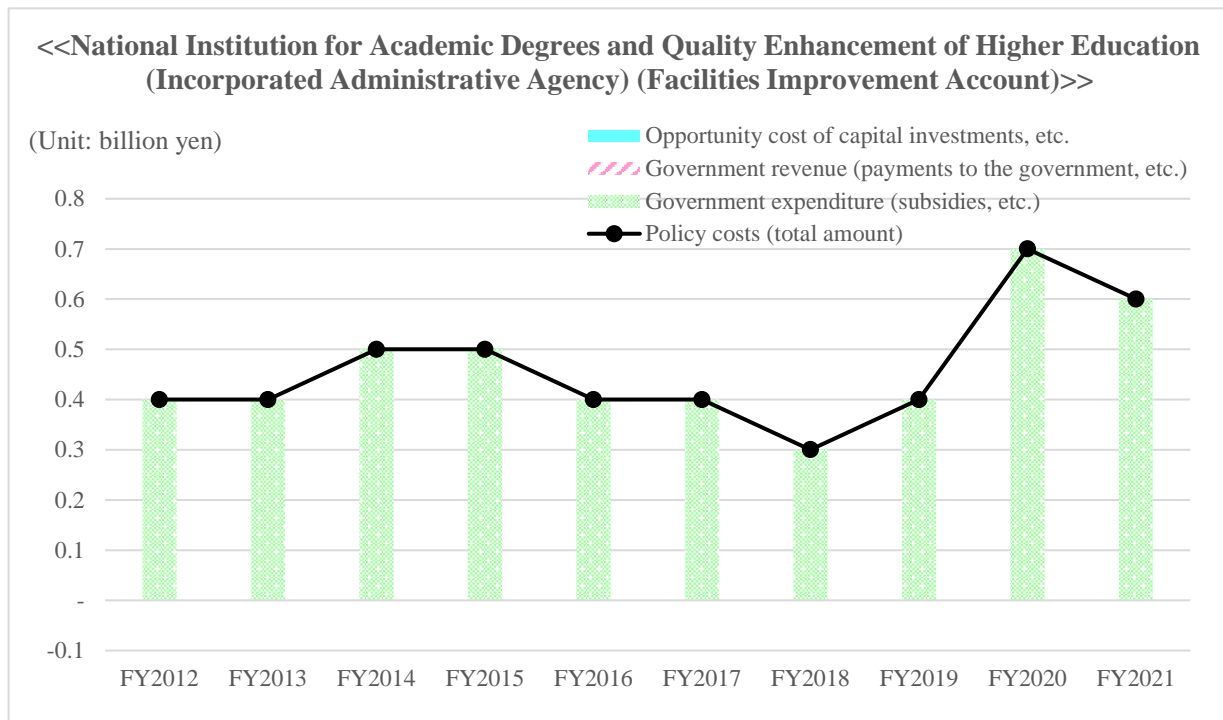
• 38 national university hospitals are designated as medical institutions for organ transplants (90.5%) and 1,858 of the total of 3,210 organ transplants from braindead donors were performed at national university hospitals (57.9%).

3. Response to political medical care (as of August 27, 2020)

• 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 (13 advanced critical care and emergency centers and 12 critical care and emergency centers), general perinatal centers (19 general perinatal centers and 22 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)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Policy costs (total amount)	0.4	0.4	0.5	0.5	0.4	0.4	0.3	0.4	0.7	0.6
Government expenditure (subsidies, etc.)	0.4	0.4	0.5	0.5	0.4	0.4	0.3	0.4	0.7	0.6
Government revenue (payments to the government, etc.)	-	-	-	-	-	-	-	-	-	-
Opportunity cost of capital investments, etc.	-	-	-	-	-	-	-	-	0.0	-0.0

## 【Explanation of policy cost trends】

- From FY2012 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 (FY2021)】

- The policy cost in FY2021 remained similar to the level in usual years and marked a miniscule increase from the previous year.
- Regarding future cash flow, used as an assumption for the policy cost estimation, nothing extraordinary was recognized. Therefore, the National Institution for Academic Degrees and Quality Enhancement of Higher Education's assessment is that financial soundness has been maintained.
- The results of the sensitivity analysis (case before the negative interest rate policy) showed a miniscule increase in the policy cost. However, as most of the increase was attributable to "opportunity cost of capital investments, etc.," the National Institution for Academic Degrees and Quality Enhancement of Higher Education's assessment is that the impact on the actual financial conditions is minimal.
- The results of the sensitivity analysis (case of a 1% increase in loans) showed an increase in the policy cost due to "opportunity cost of capital investments, etc." attributable to profits from investment of surplus funds. However, as the increase is small, the National Institution for Academic Degrees and Quality Enhancement of Higher Education's assessment is that the impact on the actual financial conditions is minimal.

## (Reference) Financial Statements

## Balance Sheet (Facilities Improvement Account)

(Unit: million yen)

Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)	Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	729,804	724,478	713,608	Current liabilities	68,085	66,299	66,009
Cash and bank deposits	12,641	14,470	11,164	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	5,440	-	-	Long-term debts payable to be repaid within a year	38,542	41,332	44,379
Inventory assets	1,707	1,347	1,321	Inherited debts to be repaid within a year	24,458	19,905	16,550
Accrued income	88	58	78	Accrued payments	1	1	1
Loans on facility expenses	607,234	628,708	641,235	Accrued expenses	84	61	79
Inherited debt burden claims	102,695	79,895	59,810	Fixed liabilities	643,036	642,530	635,701
				National Institution for Academic Degrees and Quality Enhancement of Higher Education bonds	21,000	26,300	26,300
				Long-term loans payable	543,798	557,898	567,618
				Inherited debt	78,238	58,333	41,783
				(Total liabilities)	711,121	708,829	701,710
				Retained earnings	18,684	15,649	11,898
				Reserve fund under Article 18 of the Act on the National Institution for Academic Degrees and Quality Enhancement of Higher Education	18,684	15,649	11,898
				Unappropriated income for the current year	-	-	-
				(Of this, gross profit)	(-)	(-)	(-)
				(Total equity)	18,684	15,649	11,898
Total assets	729,804	724,478	713,608	Total liabilities and equity	729,804	724,478	713,608

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

## Income Statement (Facilities Improvement Account) (Unit: million yen)

Item	FY2019 (Result)	FY2020 (Estimated)	FY2021 (Planned)
Ordinary expenses	7,810	7,172	7,086
Operating expenses	7,793	7,144	7,072
Finance expenses	16	28	14
Ordinary income	6,854	4,137	3,335
Income from leasing assets to be disposed	82	67	63
Gain on disposal of assets	1,381	1,381	100
Income from facility expense subsidy	1,687	59	68
Interest received	3,703	2,630	3,103
Financial income	2	1	-
Ordinary profit or loss	- 955	- 3,034	- 3,751
Net profit or loss	- 955	- 3,034	- 3,751
Reversal of reserve fund under Article 18 of the Act on the National Institution for Academic Degrees and Quality Enhancement of Higher Education	955	3,034	3,751
Gross profit	-	-	-

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