

Organization for Promoting Urban Development (General Incorporated Foundation)

<https://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 long-term 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 FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
35.0	120.8

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*1	-4.5	-7.4	-2.8
3. Opportunity cost of capital investments, etc.	0.4	1.3	+0.9
Total (1+2+3=policy cost(A))	-4.1	-6.1	-1.9
Analysis period (years)	21 years	41 years	20 years

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

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	-4.1	-6.1	-1.9
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	-4.1	-6.1	-1.9
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-4.5	-7.4	-2.8
Opportunity cost of surplus, etc.	0.4	1.3	+0.9
Opportunity cost of capital investments, etc.	-	-	-

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2021	FY2022	Simple fluctuation
		Simple comparison (before adjustment)	-4.1	-6.1
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	-3.8	-6.2	Real fluctuation (2-1)
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)			-2.4

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to finalization of FY2020 results (+2.0 billion yen)
- Increase in cost due to an increase in loan losses (+1.6 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to interest rate gap for new loans provided in FY2022 (-5.6 billion yen)
- Others (Decrease in cost due mainly to an increase in return on investment.) (-0.4 billion yen)

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

(A) Policy cost in FY2022 (previously cited)	-6.1
1) Prepayments	-
2) Loan losses	3.1
3) Others (including profit spread)	-9.2

(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.
-6.1	-5.5	+0.6	-	-0.3	+0.9

(A) Policy cost (previously cited)	Case of a 1% increase in loan write-offs	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
-6.1	-6.0	+0.0	-	+0.0	-

(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

[Outline of estimation]

- 1) The estimation covers the mezzanine support project among the operations of the Organization for Promoting Urban Development.
- 2) The analysis covers the 41-year period during which all loans and bonds under the FY2022 plan will be redeemed.
- 3) No prepayment is projected in the absence of past data for the mezzanine support project.
- 4) Loan write-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

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)

[Provisions on capital]

- Outline of the urban revitalization promotion system Article 14-5, National aid

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

[Provisions on payments to the Government]

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

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

I. Lending and Equity participation

Support results etc.

- (1) Support results (10 matters): 111.6 billion yen
- (2) Planned support in FY2022: 45.0 billion yen

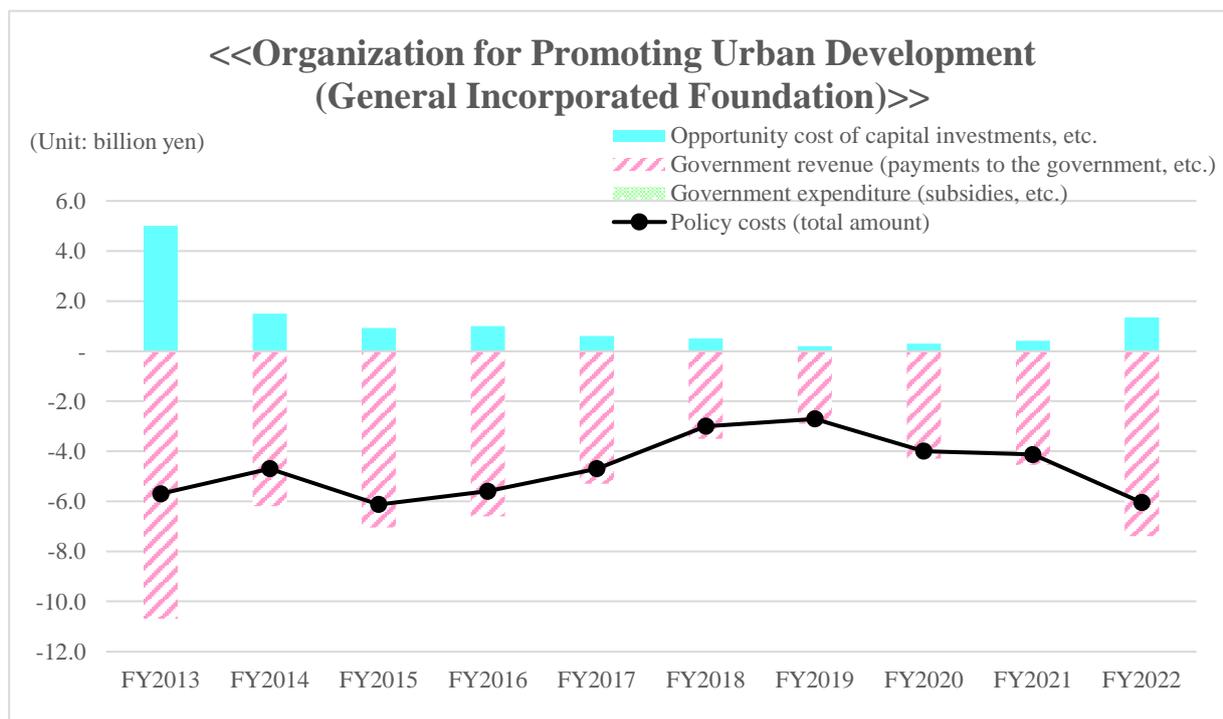
II. Primary types of financing for social and economic benefits

Mezzanine support project's demand creation effect (FY2022): About 892.0 billion yen

Economic effect of FILP project investment (FY2022): About 2,244.0 billion yen

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)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	-5.7	-4.7	-6.1	-5.6	-4.7	-3.0	-2.7	-4.0	-4.1	-6.1
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-10.7	-6.2	-7.1	-6.6	-5.3	-3.5	-2.9	-4.3	-4.5	-7.4
Opportunity cost of capital investments, etc.	5.0	1.5	0.9	1.0	0.6	0.5	0.2	0.3	0.4	1.3

【Explanation of policy cost trends】

- The policy cost has remained almost unchanged in the negative territory despite fluctuations attributable to business scale changes. In FY2022, the negative policy cost widened due mainly to an increase in the interest margin accompanying the extension of the lending period (from up to 20 years to up to 40 years).

【FILP agency's self-assessment of policy cost analysis results (FY2022)】

- Payments to the government increased due to an increase in interest payments during the analysis period.
- The results of the sensitivity analysis (case before the negative interest rate policy) showed an increase of 0.6 billion yen in the policy cost compared with the basic case, indicating a decline in profitability. This is presumed to reflect the effects of a decline in payments to the government (including taxes) due to changes in profits from investment of surplus funds and the profit margin. Therefore, the impact of interest rate differences on financial conditions cannot be said to be small.
- The results of the sensitivity analysis (case of 1% increase in loan write-offs) showed an increase of 0.0 billion yen in the policy cost compared with the basic case, indicating a slight decline in profitability. The cost increase is presumed to reflect the effects of a decline in payments to the government (including taxes) due to decrease in profits from investment of surplus funds and the profit margin. Given these points, it is believed that interest rate differences have no impact on financial conditions.
- The policy cost estimation indicated no problematic events, meaning that financial soundness has been secured.

(Reference) Financial Statements

Balance Sheet (Mezzanine Support Project)

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
(Assets)				(Liabilities)			
Current assets				Current liabilities			
Cash and deposits	159	153	153	Accrued payments	31	-	-
Fixed assets				Deposits received	0	-	-
Specific assets				Accrued corporate tax, etc.	75	-	-
Allowance deposit of support operations for private sector urban development projects	5,027	5,031	5,035	Provision for bonuses	6	-	-
Deposit for provision for retirement benefits	50	43	43	Fixed liabilities			
Loans for mezzanine support operations	91,600	136,300	181,000	Government-guaranteed borrowings	5,800	15,500	25,200
Allowance for loan losses	-	△ 6,105	△ 8,870	Government-guaranteed bonds	85,800	120,800	155,800
Management preparation deposit for mezzanine support operations	8,054	8,763	9,825	Provision for retirement benefits	50	43	43
Other fixed assets	1	-	-	Total liabilities	91,762	136,343	181,043
Total assets	104,890	144,185	187,186	(Net assets)			
				Specified net asset	5,027	5,031	5,035
				General net asset	8,101	2,811	1,108
				Total net assets	13,128	7,842	6,143
Total assets	104,890	144,185	187,186	Total liabilities and net assets	104,890	144,185	187,186

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

Revenue and Expenditure Budget (Mezzanine Support Project)

(Unit: million yen)

Item	FY2020 (Result)	FY2021 (Estimated)	FY2022 (Planned)	Item	FY2020 (Result)	FY2021 (Estimated)	FY2022 (Planned)
(Revenues)				(Expenditures)			
Revenues from investment of provisions for private sector urban development projects	0	5	5	Management expenses	145	171	171
Revenue from mezzanine support operations	749	3,020	3,882	Mezzanine support expenses	32,021	45,089	45,089
Interest received	749	2,720	3,582	Mezzanine support project expense	32,000	45,000	45,000
Collection of loans, etc.	-	300	300	Mezzanine support research expense, etc.	21	89	89
Borrowings from private sector	32,000	50,650	45,000	Redemption of loans, etc.	-	5,950	300
Government-guaranteed bonds	32,000	35,000	35,000	Interest and bond issuance expenses	328	1,256	1,702
Government-guaranteed borrowings	-	15,650	10,000	Interest on bonds	193	807	1,184
Reversal income of specific deposits	2	7	-	Interest on loans, etc.	5	305	255
Miscellaneous revenues	1	6	8	Commission paid on bonds	131	144	264
				Specific deposit expenses	202	714	1,066
				Provisions for private sector urban development project support operations	0	4	4
				Reserves for mezzanine support operations	196	710	1,062
				Deposit for provision for retirement benefits, etc.	6	-	-
				Taxes and dues	76	401	560
				Clerical mechanization expenses	5	7	7
Total revenues	32,753	53,688	48,895	Total expenditures	32,777	53,588	48,895
Balance brought forward	77	53	153	Balance	- 24	100	-
Total revenues	32,830	53,740	49,048	Balance to be brought forward	53	153	153

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 Sheet and Hypothetical Income Statement for Private Companies

Hypothetical Balance Sheet for Private Companies
(Mezzanine Support Project)

(Unit: million yen)

Item	End of FY2020	Category	End of FY2020
(Assets)		(Liabilities)	
Current assets	13,589	Current liabilities	5,912
Cash and bank deposits	13,289	Short-term borrowings	5,800
Short-term loans receivable	300	Accrued expenses	31
Fixed assets	91,301	Deposit received	0
Tangible fixed assets	1	Accrued corporate tax, etc.	75
Tools furniture and fixtures	1	Provision for bonuses	6
Accumulated depreciation	-0	Fixed liabilities	85,850
Tools furniture and fixtures (net)	1	Bonds	85,800
Investment and other assets	91,300	Provision for retirement benefits	46
Long-term loans receivable	91,300	Reserve for directors' retirement benefits	4
		(Total liabilities)	91,762
		(Net assets)	
		Capital stock	13,128
		Capital surplus	11,500
		Other capital surplus	11,500
		Retained earnings	1,628
		Other retained earnings	1,628
		Retained earnings brought forward	1,628
		(Total net assets)	13,128
Total assets	104,890	Total liabilities and net assets	104,890

Hypothetical Income Statement for Private Companies
(Mezzanine Support Project)

(Unit: million yen)

Item	End of FY2020
Sales	751
Interest received	448
Commission received	303
Costs of goods sold	328
Interest expenses	198
Commission paid	131
Gross operating profit	422
Sales and administration expenses	171
Operating profit	251
Ordinary profit	251
Net profit before tax	251
Corporate tax, residence tax and enterprise tax	75
Net profit (or loss)	176

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