

# The Promotion and Mutual Aid Corporation for Private Schools of Japan (Grant Account)

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## 1. Summary of operations implemented using FILP funds

For the purpose of maintaining and improving educational conditions of private schools diminishing the education-related economic burden on students and others and promoting sound management of private schools, the Promotion and Mutual Aid Corporation for Private Schools of Japan provides to educational institutions long-term loans with low interest rates needed to expand and improve premises buildings and other facilities of private schools.

Note: Operations that are outside of FILP are operations such as the granting of subsidies for current expenses of private universities etc., the granting of subsidies, receipt and distribution of contributions, collection and granting of funds, information assistance concerning management and educational conditions, and the granting of expenses for reducing or waiving tuition fees.

## 2. Amount of lending under FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
27.2	316.2

## 3. Estimated policy cost analysis of the project

### (1) Policy cost (Unit: billion yen)

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*	-19.6	-42.3	-22.7
3. Opportunity cost of capital investments, etc.	17.1	41.8	+24.6
<b>Total (1+2+3=policy cost(A))</b>	<b>-2.4</b>	<b>-0.5</b>	<b>+1.9</b>
Analysis period (years)	31 years	31 years	-

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

Category	FY2022	FY2023	Fluctuation
(A) Policy cost (previously cited)	-2.4	-0.5	+1.9
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	21.1	41.9	+20.8
2) Policy cost expected to be newly accrued during the analysis period	-23.5	-42.4	-18.9
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*	-19.6	-42.3	-22.7
Opportunity cost of surplus, etc.	-3.9	-0.1	+3.8
Opportunity cost of capital investments, etc.	-	-	-

### (4) Sensitivity analysis (cases where assumptions change) (Unit: billion yen)

(A) Policy cost (previously cited)	Case of assumed interest rate + 1%	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
-0.5	6.6	+7.1	-	-9.8	+16.9

(A) Policy cost (previously cited)	Case of a 1% increase in loan write-offs	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
-0.5	-0.5	+0.1	-	+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.

### (3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2022	FY2023	Simple fluctuation
		Simple comparison (before adjustment)	-2.4	-0.5
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)	-2.4	-3.1	-0.6
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

○ Factors behind policy cost increase

- Increase in cost due to increase in loan loss (+1.6 billion yen)  
- Others (increase in administrative cost due to new loans, etc.) (+1.2 billion yen)

○ Factors behind policy cost decrease

- Decrease in cost due to interest rate gap for new loans provided in FY2023 (-3.4 billion yen)

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

(A) Policy cost in FY2023 (previously cited)	-0.5
1) Prepayments	0.2
2) Loan losses	1.8
3) Others (including profit spread)	-2.5

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

- 1) Subjected to estimation: Lending by the Promotion and Mutual Aid Corporation for Private Schools of Japan (Grant Account)
- 2) Size of operations subjected to estimation: Outstanding loans at the end of FY2021 at 522.3 billion yen, loans planned in FY2022 at 57.0 billion yen, loans planned in FY2023 at 57.5 billion yen
- 3) Analysis period: 31 years from FY2023 to FY2053 when the collection of longest loans will be completed
- 4) Given that prepayments (without compensation) are planned at 0.5 billion yen for FY2023, those in FY2024 and thereafter are estimated by multiplying the balance of long-term loans at the beginning of each fiscal year by the estimated prepayment ratio of 0.09% for FY2023. Prepayments with compensation (introduced in October 1998) are projected at 3.0 billion yen for each fiscal year, based on past results. Relevant compensation revenues are also taken into account.
- 5) Of loans that were classified as those that could potentially, virtually or actually bankrupt borrowers at the end of FY2021, it is projected that 5.6 billion yen in irrecoverable loans will be written off in the period from FY2024 through FY2034. In addition, new loans in arrears emerging in FY2024 and thereafter are calculated for each of the years with the annual increase projected at 0.04%, based on annual growth in loans that could potentially, virtually or actually bankrupt borrowers for FY2017-2021. Of the new loans in arrears, it is projected that 1.3 billion yen in irrecoverable loans will be written off in the period from FY2024 through FY2050. At the end of FY2021, risk management loans stood at 7.5 billion yen and allowance for loan losses at 5.0 billion yen (Allowance for loan losses/total loans = 0.94%).

FY	Result				Estimated 2022	Planned 2023	Assumptions for calculation 2024 and on
	2018	2019	2020	2021			
Prepayment ratio	0.02%	0.00%	0.02%	0.02%	0.10%	0.09%	After FY2024: 0.09%
Loan write-off ratio	-	-	-	0.005%	-	-	Average write-off rate at 0.18% for FY2024-2053

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

Subsidies, etc. for projects under the Fiscal Investment and Loan Programs are not recorded in the FY2023 budget.

In the past fiscal years, capital investments were applied to make low-interest loans possible to private schools and to cover administrative expenses and others with its fund management gains.

This capital investment becomes capital of the Corporation as well as financial sources for the Corporation's lending business. Capital investments were applied in FY1952 to FY2001, FY2009 (Supplementary Budgets), FY2011 (Supplementary Budgets), FY2012 (Reserve Fund and Supplementary Budgets), and FY2014 (Supplementary Budgets).

[Underlying laws and regulations]

[Regulations for capital investments]

<Act on the Promotion and Mutual Aid Corporation for Private Schools of Japan >

Article 5.2: The government shall be able to provide the Corporation with an additional capital investment within the limit of the amount specified in the budget when it recognizes the necessity.

3: When the capital investment prescribed in the preceding clause is made by the government the Corporation shall be able to increase its capital according to the amount of capital invested.

[Regulations with regard to the contribution to the national treasury]

<Act on the Promotion and Mutual Aid Corporation for Private Schools of Japan >

Article 36: After completing liquidation as provided for in Article 35, Paragraph 1 or Paragraph 2 of the Act on General Rules for Incorporated Administrative Agencies in the last business year of the mid-term target period as provided for in Article 29, Paragraph 2, Item 1 of said Act which is applied mutatis mutandis in Article 26, the Corporation shall contribute to the national treasury the amount equivalent to the surplus in excess of the amount provided for in the orders of the Ministry of Education, Culture, Sports, Science and Technology taking the stability of operation of the subsidized project into account.

<Enforcement Regulations for the Act on the Promotion and Mutual Aid Corporation for Private Schools of Japan>

Article 21: The amount provided for in Article 36, Paragraph 1 of the Act which is determined by the orders of the Ministry of Education, Culture, Sports, Science and Technology shall be 2.0 billion yen.

#### 6. Special remarks

1) Most of the policy cost of the Corporation is opportunity cost of investment to maintain low interest rates. The Corporation contributes to maintaining educational condition of private schools reducing economic burden such as to pupils or students of private schools for education and stabilizing management of incorporated schools.

2) Based on the Act on the Promotion and Mutual Aid Corporation for Private Schools of Japan, the related provisions of the Act on General Rules for Incorporated Administrative Agencies has been applied to the medium-term target, medium-term plan, plan for the fiscal year, evaluations, etc. as well as the accounting standards for independent administrative corporations in terms of this Grant Account.

(Reference) Outcome and social and economic benefits of operations

1) Financing results

- Financing from FY1952 to FY2021 (aggregate amount): 3,370.3 billion yen (38,125 cases)
- Financing in FY2021: 33.8 billion yen (91 cases)
- Outstanding balance of financing in FY2021: 522.3 billion yen (2,025 cases)
- Planned financing in FY2023: 57.5 billion yen

2) Main policy purposes and social/economic benefits

Approximately 70% of university students, 30% of high school students and 90% of kindergarten children go to private schools. Considering the importance of roles that private schools play in our public education the Corporation provides long-term loans with lower interest as a part of expenses for expansions of facilities, etc. that temporarily require a great amount of money. This encourages vitalization of rich and unique education and research activities of private schools and greatly contributes to the improvement of school education in our country. This leads to the fostering of human resources on whom our future depends, the development of new technologies, and the creation of new industries, etc. and eventually makes a tremendous contribution to the development of our country.

The Promotion and Mutual Aid Corporation for Private Schools of Japan provides long-term loans with low interest rates not available from private financial institutions to meet the fund needs of school juridical persons. Moreover the Corporation provides loans with favorable conditions to meet government policies or loans to carry out emergent measures including disaster restoration. Thus the Corporation's operations greatly contribute to medium and long term stabilization of the management of school juridical persons who establish private schools and to the improvement and expansion of educational environment

(1) Percentage of school juridical person loans extended to the Corporation for financing

In regard to the conditions of loans to school juridical persons that established high schools or higher level schools as of the end of FY2021 the ratio of Corporation financing when compared to private sector financial institutions is as indicated below.

- 20-year loan term: 66.4%
- 10-year loan term: 12.6%

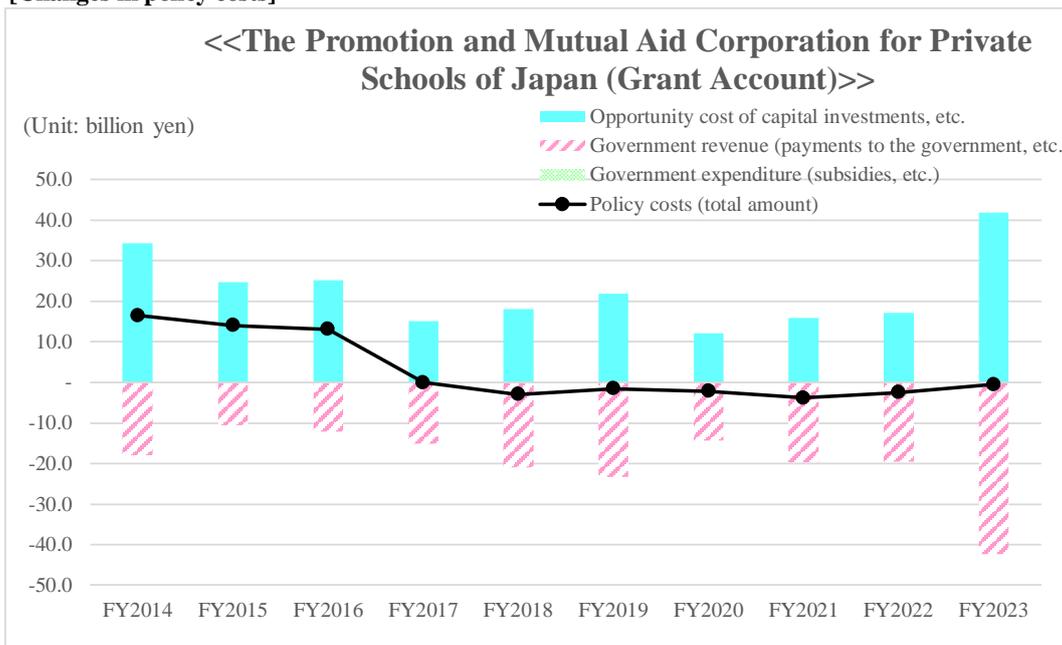
(2) Implementation of emergency policy financing, etc.

Cumulative totals of financing under favorable loan conditions in addressing policy issues (from FY2017 thorough FY2021) are as follows:

- Loans to restoration support from the Great East Japan Earthquake and 2016 Kumamoto Earthquakes: 9.7 billion yen
- Seismic strengthening of private schools: 52.7 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)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)	16.4	14.1	13.1	-0.1	-3.0	-1.5	-2.1	-3.9	-2.4	-0.5
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-17.9	-10.6	-12.1	-15.1	-21.0	-23.3	-14.2	-19.7	-19.6	-42.3
Opportunity cost of capital investments, etc.	34.3	24.6	25.2	15.0	18.0	21.8	12.1	15.8	17.1	41.8

### 【Explanation of policy cost trends】

- Policy costs (opportunity cost of capital investments, etc. from the government) from FY2012 to FY2016 have increased due to the effects of receiving government subsidies in the FY2011 and FY2012 supplementary budgets and the FY2012 reserve funds and FY2014 supplementary budgets to respond to the disaster and provide long-term, low-interest loans.
- In FY2017, policy costs declined due to the termination of long-term, low-interest loans for the promotion of antiseismic reinforcement and the government capital investment opportunity cost's drop accompanying a change in the assumed interest rate. Decrease in cost due to new financing in FY2018. Increase in cost due to administrative cost for new financing and decrease in opportunity cost, etc. of capital investments through analysis period extension in FY2019.  
Decrease in cost due to new financing in FY2020 and FY2021. In FY2022 and FY2023, the policy cost rose as opportunity cost for capital investments, etc. increased due to a drop in the discount factor.

### 【FILP agency's self-assessment of policy cost analysis results (FY2023)】

- As loans provided from the Grant Account are based on FILP and other loans and the Corporation's own resources or capital investments from the Government, the loan recovery amount exceeds the loan repayment amount. In the policy cost analysis, therefore, surplus funds are planned to emerge after the termination of new lending in FY2024, leading financial earnings to fluctuate depending on changes in return on investment of surplus funds.
- As the discount factor for FY2023 was lower than the one for FY2022 on a finalized basis, it worked to increase the cost.
- In the case of assumed interest rate + 1%, compared to the basic case, the policy cost on nominal basis came to -85.6 billion yen, indicating a cost drop, due to an increase in the investment yield, but due to a decline in the discount factor, the policy cost increased.
- As 108.7 billion yen in capital investments introduced for the lending operation are set to be paid back to the government in the final year of the analysis period, a decline in the discount factor at the time of the payment works to directly raise cost. Comparison between the basic case and the case of assumed interest rate + 1% after the discount rose by 7.1 billion yen.
- In the case of a 1% increase in loan write-offs, provisions of allowance for loan losses increased from the basic case, leading the policy cost to increase by 70 million yen due to a cut in payments to the government.
- In any case, the results of the policy cost analysis for FY2023 show negative costs on both the nominal and present value basis, and the FILP project can be assessed to be financially sound.

## (Reference) Financial Statements

## Balance Sheet (Grant Account)

(Unit: million yen)

Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)	Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)
<b>(Assets)</b>				<b>(Liabilities and net assets)</b>			
Current assets	541,513	546,929	554,080	Current liabilities	64,203	58,300	56,689
Cash and bank deposits	23,061	20,855	20,848	Deposited subsidies, etc.	464	-	-
Securities	800	800	800	Contributions received	18,536	18,536	18,536
Loans receivable	519,675	527,874	534,987	Current portion of bonds for the promotion of private schools	5,000	-	-
Allowance for loan losses	-2,772	-2,800	-2,822	Current portion of long-term borrowings	39,832	39,443	37,810
Accounts receivable	575	0	0	Accrued payments	201	151	151
Accrued income	168	194	261	Accrued expenses	68	65	86
Allowance for loan losses	-0	-0	-0	Accrued corporate tax, etc.	0	0	0
Contra-accounts for provision for bonuses	6	5	5	Provisions			
Other current assets	2	2	2	Provision for bonuses	90	95	96
Fixed assets	6,038	6,391	6,333	Other current liabilities	11	11	11
Tangible fixed assets	1,284	1,233	1,186	Fixed liabilities	366,600	378,512	387,284
Buildings	590	541	498	Contra-accounts for assets			
Structures	4	3	3	Contra-accounts for assets funded by subsidies	39	28	84
Vehicles and transportation equipment	1	1	1	Long-term contributions received	502	479	443
Tools furniture and fixtures	26	24	22	Long-term borrowings	364,324	376,281	384,971
Land	663	663	663	Provisions			
Intangible fixed assets	365	302	313	Provision for retirement benefits	1,735	1,724	1,786
Software	365	302	313	(Total liabilities)	430,803	436,812	443,974
Telephone subscription right	0	0	0	Capital			
Investment and other assets	4,389	4,857	4,833	Government investment	108,678	108,678	108,678
Investment securities	4,050	4,541	4,532	Capital surplus			
Bankruptcy or rehabilitation claims, etc.	2,599	2,599	2,599	Private-sector contributions	5,415	5,416	5,417
Allowance for loan losses	-2,260	-2,283	-2,298	Retained earnings	2,655	2,414	2,345
Others	0	0	0	Reserve fund	1,724	2,498	2,414
Total assets	547,551	553,320	560,413	Unappropriated profit or loss (-) for the period	931	-84	-69
				(of this, gross profit or loss (-))	931	-84	-69
				(Total net assets)	116,748	116,508	116,440
				Total liabilities and net assets	547,551	553,320	560,413

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

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

## Income Statement (Grant Account)

(Unit: million yen)

Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
Ordinary expenses	429,918	533,301	537,183
Operating expenses	426,768	531,293	536,536
General and administrative expenses	594	620	647
Miscellaneous losses	2,557	1,389	-
Ordinary income	430,132	533,217	537,114
Revenues from subsidies, etc.	399,236	505,446	504,268
Interest on loans	4,707	4,246	4,710
Contributions	23,605	22,111	28,110
Income regarding contra-accounts for provision for bonuses	6	5	5
Reversal of contra-accounts for assets	12	12	13
Financial income	0	0	0
Miscellaneous income	2,565	1,397	9
Ordinary profit or loss (-)	213	-84	-69
Extraordinary losses	1	0	-
Loss on retirement of fixed assets	0	0	-
Loss on profit and loss adjustment for the previous fiscal year	1	-	-
Extraordinary profits	720	-	-
Allowances for loan losses	696	-	-
Gain on profit and loss adjustment for the previous fiscal year	24	-	-
Net profit or loss (-) before tax	932	-84	-69
Corporate tax, residence tax and enterprise tax	0	0	0
Net profit or loss (-)	931	-84	-69
Gross profit or loss (-)	931	-84	-69

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

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