

Japan Railway Construction, Transport and Technology Agency
(Incorporated Administrative Agency) (Local Public Transportation Account)

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1. Summary of operations implemented using FILP funds

The urban railway loans, logistics facility loans, and local public transportation loans (tentative name) provided by the Japan Railway Construction, Transport and Technology Agency (JRTT) are loans of the necessary funds for the construction of railway facilities related to urban railways as specified in the Designated Region Public Transportation Convenience Enhancement Implementation Plan, the implementation of Certified Integration and Streamlining Projects for the improvement of logistics facilities and logistics DX/logistics GX-related facilities, and the implementation of Certified Rail Transportation Advancement Projects including transportation DX/transportation GX for buses, taxis, etc. (excluding urban railway loans).

2. Amount of lending under FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
16.0	322.6

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	0.4	2.2	+1.8
2. Government revenue (payments to the government, etc.)*	-0.0	-0.0	-0.0
3. Opportunity cost of capital investments, etc.	-	-	-
Total (1+2+3=policy cost(A))	0.4	2.2	+1.8
Analysis period (years)	41 years	40 years	-1 year

(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)	0.4	2.2	+1.8
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	0.4	2.2	+1.8
Government expenditure (subsidies, etc.)	0.4	2.2	+1.8
Government revenue (payments to the government, etc.)*	-0.0	-0.0	-0.0
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 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.
2.2	2.0	-0.3	-0.3	+0.0	-

(A) Policy cost (previously cited)	Case of a 1% increase in various project management expenses	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
2.2	2.2	+0.0	+0.0	-	-

(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)	0.4	2.2
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)			Real fluctuation (2-1)
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)	0.4	2.5	

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in costs due to an increase in operating expense operating subsidies associated with the expansion of loan-eligible projects (+2.1 billion yen)

○Factors behind policy cost decrease

- None

(4) Breakdown of policy cost by causative factor

(Unit: billion yen)

(A) Policy cost in FY2023 (previously cited)	2.2
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	2.2

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

[Outline of estimation]

- 1) Of the projects carried out under JRJT's local public transportation, etc. accounts, urban railway loans, logistics facility loans, and local public transportation loans (tentative name) that are eligible for FILP, are included in the estimation.
- 2) The estimation covers the FY2023 business plan (including 7.7 billion yen in urban railway loans, 2.0 billion yen in logistics facility loans and 6.3 billion yen in local public transportation loans (tentative name))
- 3) The analysis period covers 40 years during which loans under business plans for FY2020 and later will be fully collected.
- 4) Urban railway development, anticipated to be undertaken through urban railway loans, is aimed at connecting urban areas with harbor-side areas as well as facilitating smooth traffic at ports. At the same time, it is expected to have strong profitability potential due to the anticipated use by an increasing number of inbound tourists. With regard to logistics facility loans, repayment certainty is expected to be high, with the utilization of the mechanism of the Act on Advancement of Integration and Streamlining of Distribution Business and expected long-term profitability. Local public transportation loans (tentative name) are targeted at projects with expectations of high repayment certainty, such as DX and GX investments that utilize the mechanism of the Act on Revitalization and Rehabilitation of Local Public Transportation Systems with the aim of improving management while enhancing user convenience. For these reasons, prepayment and irrecoverable loan losses are not anticipated.

[Project prospect]

- 1) Urban railway loans worth 7.7 billion yen are assumed to be redeemed 20 years.
- 2) The logistics facility loans worth 2.0 billion yen are assumed to be redeemed 5 years.
- 3) Local public transportation loans (tentative name) worth 6.3 billion yen are assumed to be redeemed in 5 years and 8 years.

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

[Operational subsidies]

JRJT receives operational subsidies from the General Account to cover expenses for providing logistic facility loans and local public transportation loans (tentative name) .

“Act on General Rules for Incorporated Administrative Agencies”

Article 46 The government may, within the scope of the budget, deliver to an Incorporated Administrative Agency an amount, equivalent to all or part of the necessary amount of money, to be appropriated to the financial resources for its operations.

[Provisions on payments to the Government]

“Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency) Act”

Article 18: The Agency may apply funds approved by the Minister of Land, Infrastructure, Transport and Tourism equivalent to the amount of reserves (if such exist) provided for in Article 44, Paragraph 1, of the Act for development implemented as provided for in Article 44, Paragraph 1 or 2, relevant to the final project year of the medium-term target period) provided for in Article 29, Paragraph 2, Item 1, of the Act ("medium-term target period" in this and the following paragraph) in Grant Account, to the financing of operations provided for in Article 13 (including transfers provided for in the foregoing article, Paragraph 3, and supplementary provisions, Article 3, Paragraph 11) based on the stipulations of the approved medium-term plan of Article 30, Paragraph 1, of the Act (the plan subsequent to revision in the event that revision has been authorized as provided for in the latter section of the Paragraph 1) for the medium-term target period subsequent to said medium-term target period.

2. (Omitted)

3. The Agency shall pay the remaining balance (if such exists) to the National Treasury derived by deducting the amount approved as provided for in the preceding Paragraph 2 from an amount equivalent to reserves as provided for in Paragraph 1.

4. In regard to the application of the proviso of Article 44, Paragraph 1, of the Act in the account relating to operations described in Paragraph 1, Items 1 to 3, of the foregoing article, the text "in the event of allocation to uses of Paragraph 3 as provided for in the same paragraph" in said paragraph shall read "in the event of the payment to the National Treasury of an amount calculated as stipulated by government ordinance or allocation to uses of Paragraph 3 as provided for in the same paragraph."

5. The stipulations of Paragraphs 1 and 3 shall apply correspondingly to the accounts of the foregoing paragraph. In such event, "Article 44, Paragraph 1, of the Act" shall read "Article 44, Paragraph 1, of the Act upon revision as provided for in Paragraph 4."

6. In addition to the stipulations of the foregoing paragraphs, items required for payment procedures for payments and the disposal of other reserves shall be stipulated by government ordinance.

“Act on General Rules for Incorporated Administrative Agencies”

Article 44: For each business year, when profits have accrued as a result of the calculation of profits and losses, an Incorporated Administrative Agency must offset any losses carried forward from the preceding business year, and if there is a remainder, it must record the amount of the remainder as reserve funds; provided, however, that this does not apply if it appropriates the amount of the remainder for the use referred to in Paragraph 3 pursuant to the provisions of the paragraph.

2. For each business year, an Incorporated Administrative Agency must, when losses have occurred as a result of the calculation of profits and losses, record the losses by reducing the amount of the reserve funds under the provisions of the preceding paragraph, and if there is still a shortfall, it must dispose of the amount of the shortfall as a loss carried forward.

3. When there is a remainder provided for in Paragraph 1, an Agency Managed under the Medium-term Objectives and a National Research and Development Agency may appropriate all or a part of the amount of the remainder for the use of a surplus referred to in Article 30, Paragraph 2, item (vii) for a Medium-term Plan (meaning a Medium-term Plan referred to in Article 30, Paragraph 1 as authorized under same paragraph (or a revised plan if the agency obtains authorization for revision under the provisions of the second sentence of same paragraph); the same applies hereinafter) or the use of a surplus referred to in Article 35-5, Paragraph 2, item (vii) for a Medium to Long-term Plan (meaning a Medium to Long-term Plan referred to in Article 35-5, Paragraph 1 as authorized under the paragraph (or a revised plan if the agency obtains authorization for revision under the provisions of the second sentence of the paragraph); the same applies hereinafter), by obtaining the approval of the competent minister.

4. The disposal of reserve funds under the provisions of Paragraph 1 is specified by the relevant Individual Act.

6. Special remarks

None

(Reference) Outcome and social and economic benefits of operations

1. Quantitative achievements of operations

[Urban railway]

Construction site	Travel time	
	Before development	After development
Naniwasuji Line (Osaka – JR Namba / Nankai Shin-imamiya)	Osaka (Umeda) - Kansai Int'l Airport (JR line, daytime) * 1	
	64 minutes	44 minutes
	Osaka (Umeda) - Kansai Int'l Airport (Nankai Line, daytime)	
	54 minutes	45 minutes
Hokko Technoport Line (Yumeshima – Cosmosquare) (Shorter travel time)	Umeda – Yumeshima * 2	
	About 33 minutes	About 26 minutes
Road section (Yumeshima – Sakishima) (Reducing traffic congestion)	Ebie Intersection – Yumeshima * 2	
	About 39 minutes	About 36 minutes
Tokyo Metro Yurakucho Line (Toyosu – Sumiyoshi)	Oshiage (SKYTREE) – Toyosu	
	About 23 minutes	About 16 minutes
Tokyo Metro Namboku Line (Shinagawa –Shirokane–takanawa)	Shinagawa – Roppongi-itcho	
	About 19 minutes	About 9 minutes

*1 Including the effect of a plan to take a JR Tokaido branch line underground

*2 As estimated by Osaka Municipality

[Logistic facility]

○Planned FY2023 loans: 2.0 billion yen

[Local public transportation]

○Planned FY2023 loans: 6.3 billion yen

2. Social and economic benefits of operations

[Urban railway]

User benefits from Naniwasuji Line, Hokko Technoport Line, Tokyo Metro Yurakucho Line and Tokyo Metro Namboku Line development were estimated according to the railway project assessment manual (revised in 2012) and the port and harbor development project cost-benefit analysis manual (March 2017).

Railway line for development	Total benefits (in billions of yen)
Naniwasuji Line	439.7*1
Hokko Technoport Line	719.6*2
Tokyo Metro Yurakucho Line	265.6*1
Tokyo Metro Namboku Line	157.9*1

*1 Cumulative benefits for 30 years after opening based on the social discount factor of 4%

*2 Cumulative benefits for 40 years after opening based on the social discount factor of 4%

[Logistic facility]

(1) Social and economic benefits

- Promotion of trunk transport efficiency
- Cooperative transport and integration of transport networks to improve logistics efficiency and reduce environmental load
- Conclusion of disaster assistance agreements with local communities to make contributions to logistics in the event of disaster

(2) Quantitative benefits

The economic effect of projects related to the improvement of logistics facilities and logistics DX/logistics GX are estimated using the values for road freight transportation (economic effect coefficient) in the Input-Output Table (2015 Input-Output Table, Inverse Matrix Coefficient $[I - (I - M^A)]^{-1}$ (Integrated Subcategories)).

- 1) Case for the social discount factor of 4%: about 19.5 billion yen
- 2) Case for the same discount rate as in the policy cost analysis: about 20.3 billion yen

[Local public transportation]

(1) Social and economic benefits

- Securing and maintenance of local public transportation

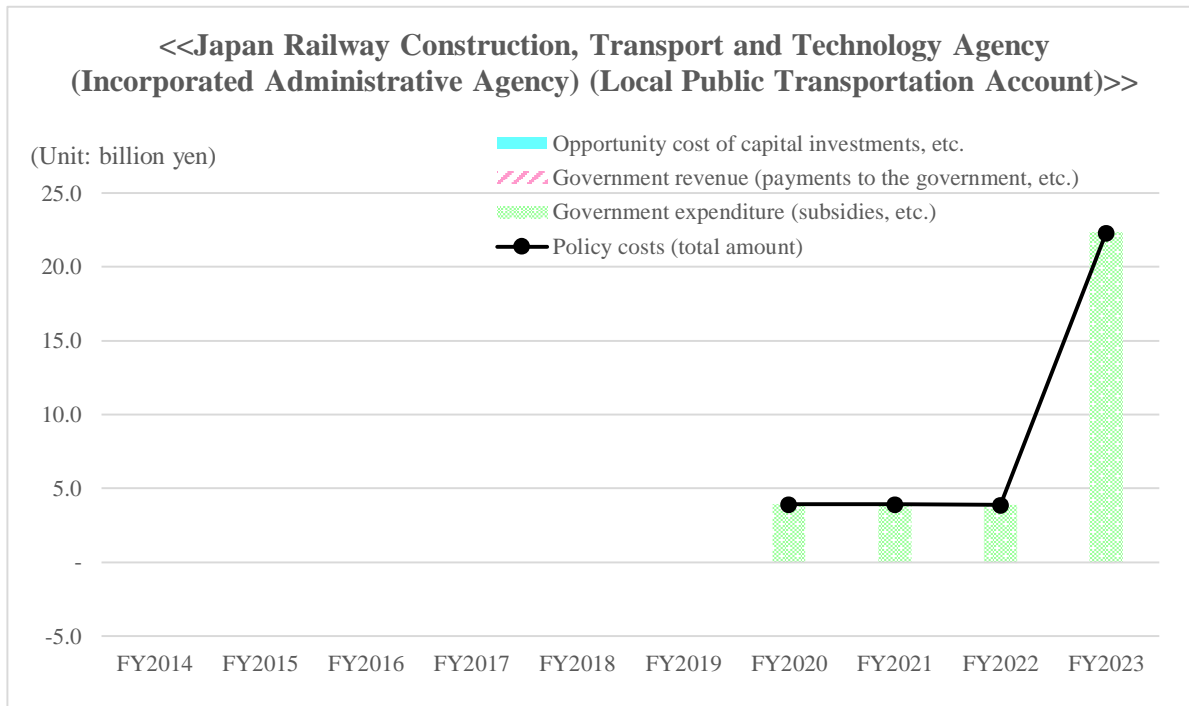
(2) Quantitative benefits

The economic effect of projects related to the transportation DX/transportation GX projects certified by the Minister based on the Act on Revitalization and Rehabilitation of Local Public Transportation Systems are estimated using the values for road freight transportation (economic effect coefficient) in the Input-Output Table (2015 Input-Output Table, Inverse Matrix Coefficient $[I - (I - M^A)]^{-1}$ (Integrated Subcategories)).

- 1) Case for the social discount factor of 4%: about 8.2 billion yen
- 2) Case for the same discount rate as in the policy cost analysis: about 8.5 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)	/	/	/	/	/	/	0.4	0.4	0.4	2.2
Government expenditure (subsidies, etc.)	/	/	/	/	/	/	0.4	0.4	0.4	2.2
Government revenue (payments to the government, etc.)	/	/	/	/	/	/	-	-	-0.0	-0.0
Opportunity cost of capital investments, etc.	/	/	/	/	/	/	-	-	-	-

[Explanation of policy cost trends]

- This was an estimation of policy costs equivalent to operational subsidies related to logistics facility loan operations and local public transportation loan operations (tentative name).
- From FY2020 to FY2022, policy cost remained largely the same as operational subsidies were the same amount every fiscal year and the period of receiving the subsidies was also the same. However, in FY2023, operational subsidies increased but payments to the National Treasury remained mostly the same. As a result, policy cost increased by 1.8 billion yen from the previous fiscal year to 2.2 billion yen.

[FILP agency's self-assessment of policy cost analysis results (FY2023)]

- Policy cost in FY2023 increased by 1.8 billion yen from the previous fiscal year to 2.2 billion yen. However, since operational subsidies are provided to cover the expenses necessary for operations, the impact on financial soundness is minimal.
- In the sensitivity analysis (case of assumed interest rate + 1%), the policy cost declined 0.3 billion yen from the basic case in line with a drop in the discount factor, indicating little impact on financial soundness.
- The results of the sensitivity analysis (case of a 1% increase in various project management expenses) showed a minimal increase in the policy cost compared with the basic case. As this is attributable to an increase in grants for operational expenses due to a rise in various project management expenses, the impact on financial soundness is minimal.

(Reference) Financial Statements

Balance Sheet (Local Public Transportation 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)
(Assets)				(Liabilities and net assets)			
Current assets	378	858	1,604	Current liabilities	347	835	1,583
Cash and bank deposits	45	33	33	Current portion of long-term borrowings	307	781	1,431
Accrued revenues	21	42	135	Accrued payments	14	6	6
Contra-accounts for provision for bonuses	3	2	4	Accrued expenses	21	42	135
Current portion of long-term loans receivable	307	781	1,431	Provisions			
Accounts receivable	1	-	-	Provision for bonuses	5	5	9
Fixed assets	120,654	322,778	337,416	Other current liabilities	1	1	1
Tangible fixed assets	1	1	0	Fixed liabilities	120,653	322,767	337,407
Buildings	0	0	0	Contra-accounts for assets	1	1	1
Tools furniture and fixtures	1	0	0	Contra-accounts for assets funded by operational grants	1	1	1
Intangible fixed assets				Contra-accounts for assets funded by subsidies	0	0	0
Software	1	1	1	Long-term loans payable	120,551	321,845	336,414
Investment and other assets	120,652	322,776	337,415	Transfers to the construction account	101	921	991
Investment securities	101	931	1,001	Provisions			
Long-term loans receivable	120,551	321,845	336,414	Provision for retirement benefits	0	1	1
Contra-accounts for provision for retirement benefits	0	0	0	(Total liabilities)	121,000	323,602	338,989
				Capital			
				Government investment	-	10	10
				Capital surplus	-	-	-
				Capital surplus	47	47	47
				Other administrative costs accumulated			
				Amount equivalent to accumulated net gains or losses on sale or disposal (-)	-47	-47	-47
				Retained earnings	32	24	21
				Reserve fund carried over from the previous Mid-term Objective period	22	21	21
				Reserve fund	2	3	-
				Unappropriated income for the current year	9	-	-
				(Of this, gross profit)	9	-	-
				(Total net assets)	32	34	31
Total assets	121,032	323,636	339,020	Total liabilities and net assets	121,032	323,636	339,020

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 (Local Public Transportation Account)

(Unit: million yen)

Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
Ordinary income	829	875	4,763
Operational grants income	65	57	103
Interest revenue on loans	694	720	4,522
Loan management expense revenue	67	92	133
Income regarding contra-accounts for provision for bonuses	3	2	4
Income regarding contra-accounts for provision for retirement benefits	0	0	0
Reversal of contra-accounts for assets funded by operational grants	0	0	0
Reversal of contra-accounts for assets funded by subsidies	0	0	0
Financial revenues	0	-	-
Miscellaneous income	1	4	1
Ordinary expenses	835	876	4,764
Local public transport operation expenses	12	20	20
General and administrative expenses	130	136	222
Finance expenses	692	720	4,522
Temporary losses			
Loss on sales of fixed assets	0	-	-
Temporary profit			
Gain on sale of fixed assets	0	-	-
Net loss	5	1	1
Reversal of reserve fund carried over from the previous Mid-term Objective period	14	1	1
Gross profit	9	-	-

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.