

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 FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
35.0	130.8

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.)*	-7.4	-8.9	-1.5
3. Opportunity cost of capital investments, etc.	1.3	2.5	+1.1
Total (1+2+3=policy cost(A))	-6.1	-6.4	-0.4
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)	-6.1	-6.4	-0.4
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	-6.1	-6.4	-0.4
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*	-7.4	-8.9	-1.5
Opportunity cost of surplus, etc.	1.3	2.5	+1.1
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			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
-6.4	-6.6	-0.2	-	-1.0	+0.8

(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.)*	3. Opportunity cost of capital investments, etc.
-6.4	-6.4	+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)	-6.1	-6.4
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)	-5.6	-6.2	Real fluctuation (2-1)
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)	-5.6	-6.2	-0.5

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to the finalization of FY2021 results and revision of FY2022 forecast (+3.6 billion yen)
- Increase in cost due to an increase in loan losses (+0.3 billion yen)
- Other (Increase in administrative costs due to new loans, etc.) (+0.6 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to interest rate gap for new loans provided in FY2023 (-5.0 billion yen)

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

(A) Policy cost in FY2023 (previously cited)	-6.4
1) Prepayments	-
2) Loan losses	2.7
3) Others (including profit spread)	-9.1

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 40-year period during which all loans and bonds under the FY2023 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 (11 matters): 131.6 billion yen
- (2) Planned support in FY2023: 45.0 billion yen

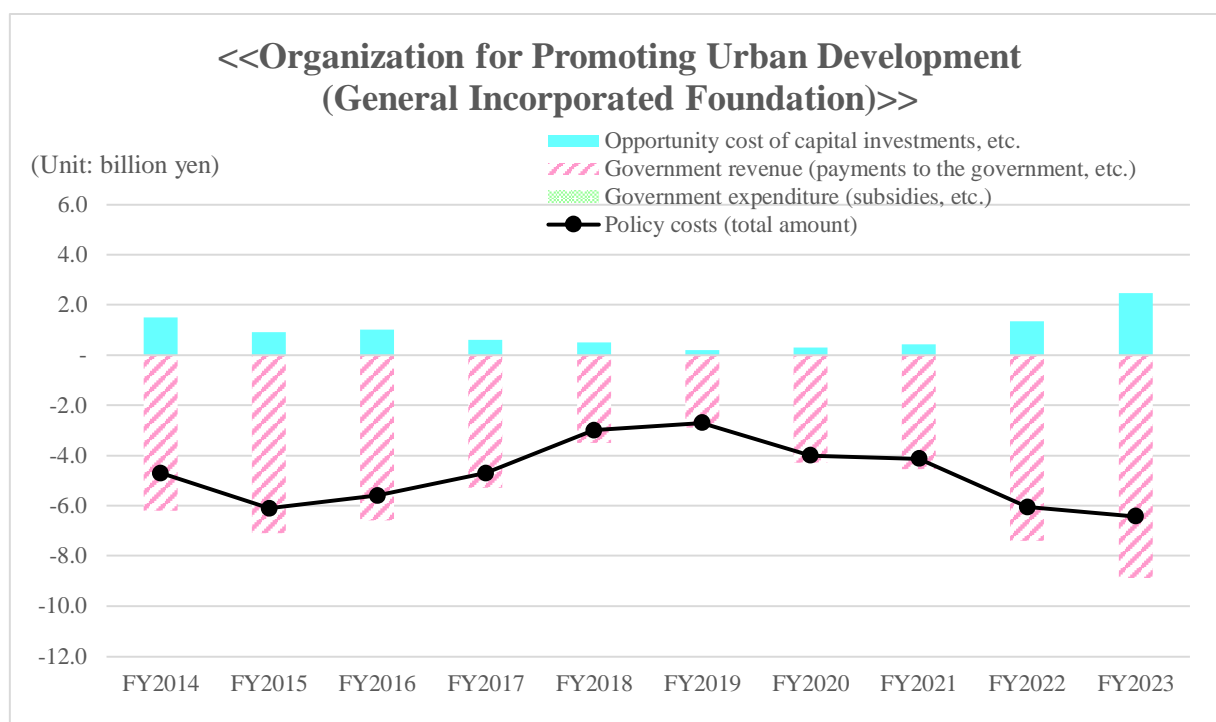
II. Primary types of financing for social and economic benefits

Mezzanine support project's demand creation effect (FY2023): About 948.9 billion yen

Economic effect of FILP project investment (FY2023): About 2,387.1 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)	-4.7	-6.1	-5.6	-4.7	-3.0	-2.7	-4.0	-4.1	-6.1	-6.4
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-6.2	-7.1	-6.6	-5.3	-3.5	-2.9	-4.3	-4.5	-7.4	-8.9
Opportunity cost of capital investments, etc.	1.5	0.9	1.0	0.6	0.5	0.2	0.3	0.4	1.3	2.5

【Explanation of policy cost trends】

- Despite increases and decreases associated with the fluctuations in the business scale, negative costs have remained largely the same. For FY2023, policy cost decreased due to an increase in income from interest, associated with an increase in loans as the fiscal year progresses.

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

- Payments to the government increased due to an increase in interest payments during the analysis period.
- The results of the sensitivity analysis (case of assumed interest rate + 1%) showed a decrease of 0.2 billion yen in the policy cost compared with the basic case, indicating an improvement in profitability. This is presumed to reflect the effects of an increase 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. 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 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)			
Current assets				Current liabilities			
Cash and deposits	208	126	126	Accrued payments	16	-	-
Suspense payment	1	-	-	Accrued corporate tax, etc.	67	-	-
Fixed assets				Fixed liabilities			
Specific assets				Government-guaranteed borrowings			
Allowance deposit of support operations for private sector urban development projects	5,027	5,032	5,036	Government-guaranteed bonds	95,800	130,800	155,800
Deposit for provision for retirement benefits	63	55	55	Provision for retirement benefits	63	55	55
Loans for mezzanine support operations	101,300	146,000	180,700				
Allowance for loan losses	-	-7,537	-8,929				
Investment securities for mezzanine support operations	-	-	-	Total liabilities	101,452	146,061	180,761
Management preparation deposit for mezzanine support operations	8,140	9,174	10,193				
Other fixed assets	2	-	-	(Net assets)			
				Specified net asset	5,027	5,032	5,036
				General net asset	8,262	1,757	1,384
				Total net assets	13,290	6,789	6,420
Total assets	114,742	152,850	187,181	Total liabilities and net assets	114,742	152,850	187,181

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

Revenue and Expenditure Budget (Mezzanine Support Project)

(Unit: million yen)

Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)	Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
(Revenues)				(Expenditures)			
Revenues from investment of provisions for private sector urban development projects	1	5	5	Management expenses	144	203	203
Revenue from mezzanine support operations	1,034	3,882	13,925	Mezzanine support expenses	10,006	45,089	45,089
Interest received	734	3,582	3,625	Mezzanine support project expense	10,000	45,000	45,000
Collection of loans, etc.	300	300	10,300	Mezzanine support research expense, etc.	6	89	89
Borrowings from private sector	15,650	45,000	45,000	Redemption of loans, etc.	5,950	300	10,300
Government-guaranteed bonds	10,000	35,000	35,000	Interest and bond issuance expenses	338	1,702	1,776
Government-guaranteed borrowings	5,650	10,000	10,000	Interest on bonds	293	1,184	1,259
Reversal income of specific deposits	1	8	-	Interest on loans, etc.	2	255	255
Miscellaneous revenues	1	8	8	Commission paid on bonds	42	264	262
				Specific deposit expenses	101	1,038	1,023
				Provisions for private sector urban development project support operations	1	4	4
				Reserves for mezzanine support operations	86	1,034	1,019
				Deposit for provision for retirement benefits, etc.	14	-	-
				Taxes and dues	68	560	537
				Depreciation expenses	2	-	-
				Clerical mechanization expenses	5	10	10
Total revenues	16,687	48,902	58,939	Total expenditures	16,614	48,902	58,939
Balance brought forward	53	126	126	Balance	73	-	-
Total revenues	16,740	49,028	59,064	Balance to be brought forward	126	126	126

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 FY2021	Category	End of FY2021
(Assets)		(Liabilities)	
Current assets	13,739	Current liabilities	389
Cash and bank deposits	13,438	Short-term borrowings	300
Short-term loans receivable	300	Accrued expenses	16
Suspense payment	1	Accrued corporate tax, etc.	67
Fixed assets	101,002	Provision for bonuses	5
Tangible fixed assets	2	Fixed liabilities	101,063
Tools furniture and fixtures	3	Bonds	95,800
Accumulated depreciation	-1	Long-term debts	5,200
Tools furniture and fixtures (net)	2	Provision for retirement benefits	57
Investment and other assets	101,000	Reserve for directors' retirement benefits	6
Long-term loans receivable	101,000		
		(Total liabilities)	101,452
		(Net assets)	
		Capital stock	13,290
		Capital surplus	11,500
		Other capital surplus	11,500
		Retained earnings	1,790
		Other retained earnings	1,790
		Retained earnings brought forward	1,790
		(Total net assets)	13,290
Total assets	114,742	Total liabilities and net assets	114,742

Hypothetical Income Statement for Private Companies

(Mezzanine Support Project)

(Unit: million yen)

Item	FY2021
Sales	736
Interest received	626
Commission received	110
Costs of goods sold	338
Interest expenses	296
Commission paid	42
Gross operating profit	398
Sales and administration expenses	169
Operating profit	229
Ordinary profit	229
Net profit before tax	229
Corporate tax, residence tax and enterprise tax	67
Net profit (or loss)	162

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