

1. Summary of operations implemented using FILP funds

Japan Railway Construction, Transport and Technology Agency undertakes railway improvement projects to increase the transportation capacity of commuting and ease congestion by the construction and major improvement of public railway systems in large cities and their surrounding areas, and to improve traffic flow and maintain and enhance urban functions. Specific projects are:

- 1) Construction of private railways
- 2) Transfer of private railways

Note: Major non-FILP projects include construction projects of new bullet trains (Shinkansen).

2. Amount of lending under FY 2011 FILP

(Unit: billion yen)

FY 2011 FILP	Estimated outstanding amount of FILP lending at the end of FY 2010
33.6	469.1

3. Outcome and social and economic benefits of operations

- 1) Expansion of existing lines to meet the increased demand of transportation capacity of commuting in large cities (Tokyo, Osaka-city and Nagoya-city) and their surrounding areas, construction of lines extending into city centers directly through underground lines, and construction of new lines for large scale new town development, intended to reduce commuting time and ease congestion.

- 2) Transfer result (As of the end of FY2010)
 - Transfer lines: 27 sections: 172.6km/extension

- 3) Reduced traveling time and eased congestion
 - Odakyu Odawara Line
(Higashi Kitazawa - Izumitama: Quadruplication)
(Setagaya-daita → Shimo-kitazawa)
Decreased congestion rate: 208 % → 166%
 - Seibu Ikebukuro Line (Nerima - Shakujiikoen: Quadruplication)
(Shiinamachi → Ikebukuro)
Decreased congestion rate: 208 % → 151%

Albeit the difficulty to obtain the quantitative measurement of the benefits generated by the operations, the benefit of the reduction of the time required and the moderation of congestion rate related to the operations currently under way can be estimated as follows based on a certain condition;

- in the case where the social discount factor is set to 4% and the longest analysis period is set to 30years; 1,714.9 billion yen.
- in the case where the social discount factor is set to that of the policy cost analysis; 2,205.8 billion yen.

Note: The quantitative benefit is estimated by the Agency.

4. Estimated policy (subsidy) cost analysis of the project

Policy (subsidy) cost

(Unit: billion yen)

Category	FY2010	FY2011	Fluctuation
1. Subsidies, etc. from the Government	-	-	-
2. Money transferred to the Government	-	-	-
Subtotal (1+2)	-	-	-
3. Opportunity cost of capital investments, etc. from the Government	-	-	-
Subtotal (1+2+3)	-	-	-
4. Decrease in retained losses	-	-	-
Total (1+2+3+4=policy cost(A))	-	-	-
Analysis period (years)	29	28	-1

Breakdown of policy cost by the time of the provision of funds

(Unit: billion yen)

Category	FY2010	FY2011	Fluctuation
(A) Policy cost (previously cited)	-	-	-
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	-	-	-
Subsidies, etc. from the Government	-	-	-
Money transferred to the Government	-	-	-
Policy cost accrued with a change in surplus funds	-	-	-
Opportunity cost of capital investments, etc.	-	-	-

Year-to-Year comparison analysis

(Unit: billion yen)

Category	FY2010	FY2011	Fluctuation
(A) Policy cost (previously cited)	-	-	-
(A') Policy cost obtained by re-calculating (A) using the same assumed interest rate as in the FY2010 analysis	-	-	-
(B) Policy cost of (A') generated in FY2011 or later	-	-	-

Policy cost is not generated in FY2011.

The reason is that operations eligible for FILP funding are limited to private railways and neither interest subsidies nor payments to the National Treasury are generated in estimates at the present interest rate.

Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

Changed assumption and extent of change	Policy cost (Fluctuation)	
Interest rates on money loaned and funds raised +1%	Without change in discount factor	With change in discount factor
	(-)	(-)
Fluctuation in opportunity cost	-	-

(Reference)

Budgeted amount of subsidies and capital investment in FY 2011

Subsidies:	-
Capital investment:	-

*Components in each column may not add up to the total because of rounding.

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

[Outline of estimation]

- 1) The estimation only covers the projects of construction and transfer of private railways subject to the fiscal investment and loan program in FY2011. Such projects as the new Shinkansen Lines and the Tsugaru-Kaikyo Line are excluded.
- 2) The estimation is made based on the current system (cost collection method). Under the system, a part of the funds for the construction of railways that is considered as interest-bearing loans will be collected in full through of the payments for the transfer collected after the transfer from the railway operator by the principal-interest equal semiannual repayment system.
- 3) The length of analysis period is 28 years (29 years in FY2010), during the projects that are mentioned above will be completed.
- 4) The future business was simulated based on the preconditions given under the above-mentioned presuppositions. The results of the simulation were used to calculate the necessary policy cost to carry out the projects.

[Project prospect]

- 1) Private railway construction projects which are being built now under the direction of the work execution plan will be completed by FY2013, and the cumulative amount of work costs from FY2011 on will be approximately ¥20.6 billion.

(Unit: billion yen)

FY	Result				Estimated	Planned	Trial assumption	
	2006	2007	2008	2009	2010	2011	2012	2013
Construction cost	6.2	8.6	9.8	9.1	9.8	8.2	5.5	6.9

- 2) Values for the transfer of private lines shall be collected an equal semiannual installment basis for 25 years after transfer, and will be totally redeemed by FY2038. No prepayment is expected from railway operators.

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

The Agency receives subsidies from general accounts for loans and a part of the interest payable of railway construction bonds, to ease the burden of transfer prices on private railway operators.

(Underlying laws and regulations)

- As for subsidies, each operator receives half of what exceeds beyond the interest rate specified in the annual budget for funds financed in each year. There are no underlying laws (Subsidies are granted under the budgetary steps).
- Payments to the National Treasury are defined for in the Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency) Law.

“Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency)”
(Exceptions to profit and loss deposition, etc.)

Article 18: The Agency may allocate 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 Law 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 Law (“medium-term target period” in this and the following paragraph) in an account relating to the operations described in the foregoing article, Paragraph 1, Items 3-4, to the financing of operations provided for in Article 12 (including transfers provided for in the foregoing article, Paragraph 3, and supplementary provisions, Article 3, Paragraph 13) based on the stipulations of the approved medium-term plan of Article 30, Paragraph 1, of the Law (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. The Agency’s railway facility subsidies account may establish the reserve fund which is defined in the same paragraph in the medium-term target period subsequent to current medium-term target period if there is still remaining balance (if such exists) of funds approved by the Minister of Land, Infrastructure, Transport and Tourism derived by deducting funds approved.
3. The Minister of Land, Infrastructure, Transport and Tourism shall take heed of the opinions of the Incorporated Administrative Agency Evaluation Committee of the Ministry of Land, Infrastructure and Transport in advance when considering approval as provided for in the foregoing Paragraph 2.
4. The Agency shall pay the remaining balance (if such exists) to the National Treasury derived by deducting the amount approved as provided for in Paragraphs 1 and 2 from an amount equivalent to reserves as provided for in Paragraph 1.
5. In regard to the application of the proviso of Article 44, Paragraph 1, of the Law in the account relating to operations described in Paragraph 1, Items 1 and 2, 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.”
6. The stipulations of Paragraphs 1, 3 and 4 shall apply correspondingly to the accounts of the foregoing paragraph. In such event, “Article 44, Paragraph 1, of the Law” shall read “Article 44, Paragraph 1, of the Law upon revision as provided for in Paragraph 5.”
7. 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.

7. Special remarks

- 1) Policy costs of the Agency are required to promote the railway improvement in response to urgent issues, such as the demand for increased transportation capacity of work and social commuters and eased congestion in large cities and their surrounding areas, improved traffic flow, and maintenance and enhancement of urban functions.
- 2) Since all the costs to raise funds for the projects shall be collected from railway operators on a long-term installment basis, the reduction of such costs through the investment of FILP would reduce construction costs, and consequently ease the burden on railway operators, and eventually on the general public, as ultimate users.
- 3) The Agency was integrated with the Corporation for Advanced Transport and Technology on October 1, 2003, and subsequently reestablished as the Japan Railway Construction, Transport and Technology Agency (Incorporated Administrative Agency) based on the Reorganization Plan for Special Public Corporations.
- 4) Changes in policy cost to date are as indicated below.

FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
0	0	0	—	—	—	—	—	—	—
billion	billion	billion							

Note 1. The policy cost is estimated to be zero and/or not generated after FY2002 because the projects subject to FILP only involve the construction and transfer of private railways.

2. The policy cost before FY2003 is based on the "general account" of the Japan Railway Construction Public Corporation.

(Reference) Financial Statements

Balance Sheet (Construction Account)

(Unit : million yen)

Item	End of FY2009 (Result)	End of FY2010 (Estimated)	End of FY2011 (Planned)	Item	End of FY2009 (Result)	End of FY2010 (Estimated)	End of FY2011 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	2,093,918	1,903,816	1,985,441	Current liabilities	603,869	514,911	503,473
Cash and deposits	16,590	27,711	142,491	Deposited subsidies, etc.	21,157	-	-
Securities	48,000	-	-	Japan Railway Construction, Transport and Technology Agency bonds to be redeemed within one year	119,900	144,100	104,400
Installment sales receivables	1,832,970	1,742,071	1,665,583	Discount on bonds to be written off within one year (-)	- 0	- 0	-
Disbursements for uncompleted construction	157,479	132,419	175,600	Long-term loans to be repaid within one year	264,232	248,231	236,029
Accrued income	1,016	886	885	Long-term loans from other accounts to be repaid within one year	11,262	12,826	16,454
Accounts receivable	31,576	729	883	Lease liabilities to be paid within one year	67	70	63
Other current assets	6,287	-	-	Accounts payable	43,846	6,892	5,776
Fixed assets	5,049,369	5,406,602	5,588,820	Accrued expenses	3,588	3,444	4,135
Tangible assets	4,822,221	5,147,643	5,338,918	Advance received	22,208	22,208	22,208
Buildings	57,049	74,684	71,824	Advance received for entrusted business	115,769	75,527	112,792
Structures	1,866,566	2,871,832	2,783,159	Reserves			
Machinery and equipment	49,087	95,974	86,967	Reserve for bonuses	923	1,033	1,036
Vehicles and transport equipment	8	5	3	Other current liabilities	917	579	579
Tools and equipment	181	162	129	Fixed liabilities	6,134,140	6,215,634	6,464,309
Land	460,048	615,125	615,125	Asset collateral liabilities	3,276,180	3,463,208	3,791,897
Lease assets	188	123	57	Asset collateral subsidies	1,024,242	2,035,307	1,966,055
Temporary account for construction	2,389,094	1,489,739	1,781,655	Asset collateral expenses	14,187	23,745	22,474
Intangible assets	139,304	175,782	169,357	Collateral subsidies of the temporary account for construction	2,144,988	1,305,848	1,528,349
Perpetual lease	60,612	63,816	63,816	Collateral expenses of the temporary account for construction	9,986	434	434
Facilities usage rights	78,683	111,900	105,475	Shinkansen asset collateral liabilities	82,779	97,874	274,585
Other intangible assets	9	66	66	Japan Railway Construction, Transport and Technology Agency bonds	839,560	865,307	922,907
Investments and other assets	87,844	83,177	80,544	Discount on bonds (-)	-49	-16	-11
Long-term accounts due	54,171	53,711	53,096	Long-term loans	1,316,606	1,209,807	1,100,078
Expected value of receivable loan fees	3,958	1,354	743	Long-term loans of other accounts	297,209	284,383	267,929
Allowance for employee retirement benefits	29,139	27,289	25,439	Lease liabilities	136	66	3
Security deposits	575	823	1,267	Reserves			
				Reserves for retirement benefits	43,342	42,817	41,996
				Collateral account for continuing debt	361,065	350,063	339,510
				Other fixed liabilities	90	-	-
				Reserves based on law			
				Reserves for adjustments on leased assets	107,378	127,685	154,539
				(Total liabilities)	6,845,387	6,858,230	7,122,320
				Capital			
				Government investment	56,170	52,521	52,521
				Capital surplus	235,710	391,500	390,574
				Capital surplus	243,215	399,871	399,864
				Accumulated depreciation for items other than profit/loss (-)	-6,656	-7,590	-8,508
				Accumulated depleted losses outside of profit and loss (-)	-849	-782	-782
				Retained earnings	6,021	8,167	8,846
				Reserve carried forward during former medium-term target period	3,818	3,818	3,818
				Reserve funds	1,265	2,202	4,349
				Unappropriated retained earnings for the period	937	2,147	679
				(Of which current gross profit)	937	2,147	679
				(Total equity)	297,900	452,188	451,941
Total assets	7,143,287	7,310,418	7,574,261	Total liabilities and equity	7,143,287	7,310,418	7,574,261

Income Statement

(Unit : million yen)

Item	FY2009 (Result)	FY2010 (Estimated)	FY2011 (Planned)	Item	FY2009 (Result)	FY2010 (Estimated)	FY2011 (Planned)
(Expenditure)				(Revenue)			
Operating expenses	247,689	344,371	300,874	Operating revenues	248,610	346,585	301,553
Construction administrative expenses	210,451	306,140	266,923	Railway facility transfer revenue	101,031	112,287	98,128
General and administrative expenses	1,426	1,380	1,583	Railway facility lease revenue	85,797	90,003	104,441
Finance expense	35,631	36,796	32,326	Railway cargo transport adjustment revenue	-	-	5,770
Miscellaneous losses	181	55	42	Revenue from entrusted business	3,839	80,438	857
Temporary loss	29	67	-	Revenue from subsidies for railway improvement projects	196	90	90
Loss from removal of fixed assets	1	67	-	Revenue from financial assistance for railway improvement projects	327	326	327
Loss on sale of fixed assets	28	-	-	Reversal of asset collateral subsidies	43,177	48,737	78,670
Gross profit	937	2,147	679	Reversal of burden cost of advance against collateral	1,009	1,055	1,371
				Reversal of collateral subsidies of the temporary account for construction	259	-	-
				Reversal of contributions to the construction in process account	6	-	-
				Reversal of collateral account for continuing debt	11,356	11,002	10,553
				Financial income	29	6	8
				Profit	1,584	2,642	1,337
				Extraordinary profit	46	-	-
				Profit on fixed asset sale	46	-	-
Total	248,656	346,585	301,553	Total	248,656	346,585	301,553

Note : Totals may not agree due to rounding.