

Japan Bank for International Cooperation (Special Operations Account)

<https://www.jbic.go.jp/ja/>

1. Summary of operations implemented using FILP funds

•Loans that contribute to supporting Japanese companies' overseas expansion for foreign social capital development projects, among those that contribute to promoting overseas development and acquisition of strategically important natural resources, maintaining and improving the international competitiveness of Japanese industries, promoting the overseas projects for preserving the global environment such as preventing global warming and preventing international financial turmoil or dealing with the damage caused thereby.

2. Amount of lending under FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
91.0	248.5

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	-8.3	-11.5	-3.1
3. Opportunity cost of capital investments, etc.	18.9	22.5	+3.6
Total (1+2+3=policy cost(A))	10.6	11.0	+0.4
Analysis period (years)	20 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)	10.6	11.0	+0.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	22.1	27.6	+5.5
2) Policy cost expected to be newly accrued during the analysis period	-11.5	-16.6	-5.1
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-8.3	-11.5	-3.1
Opportunity cost of surplus, etc.	-3.9	-6.0	-2.1
Opportunity cost of capital investments, etc.	0.7	0.9	+0.2

(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.	
11.0	12.0	+1.0	-	-	-14.5	-	-	+15.5	

(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.	
11.0	11.2	+0.2	-	-	+0.1	-	-	+0.1	

(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.

(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)	10.6	11.0
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)	Real fluctuation (2-1)
		11.3	10.8	-0.5

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to finalization of FY2020 results and revision of FY2021 projections (+9.4 billion yen)
- Increase in cost due to increase in prepayments (+0.1 billion yen)
- Others (Increase in cost due to a decrease in guarantee fees, etc.) (+4.3 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to interest rate gap for new loans provided in FY2022 (-13.8 billion yen)
- Decrease in cost due to decrease in loan losses (-0.5 billion yen)

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

(A) Policy cost in FY2022 (previously cited)	11.0
1) Prepayments	6.7
2) Loan losses	24.0
3) Others (including profit spread)	-19.7

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

- 1) The estimation covers the Special Operations Account of the Japan Bank for International Cooperation.
- 2) Scale of account: Outstanding balance of financing at the end of FY2021 is 100.0 billion yen (estimate), and 100.0 billion yen for FY2022.
- 3) The analysis period is 20 years from FY2022 to FY2041, when the longest-term loans will be repaid.
- 4) Prepayments rate based on the past record of JBIC is used for the estimation. Furthermore, regarding prepayment premiums, although there are cases where a set percentage of original principal for prepayment premiums is secured in some projects, this revenue is not estimated in the analysis.
- 5) For the administrative expenses for FY2022, the expense associated with new loan and that associated with the subsequent management of financing are distinguished and the latter is to be decreased according to the transition of the balance in FY2023 and thereafter.
- 6) The estimated write-off amount in sovereign loan is based on internal country ratings in order to reflect the unique characteristics of the Paris Club and other public organizations as much as possible, while, in the case of non-sovereign loans, it is calculated using external statistical data widely used by private financial institutions. (total amount during analysis period is 24.2 billion yen; however, the estimated amount is strictly a potential amount and will not necessarily be actualized in the future). The loan write-off ratio for both loans is as given below.

FY	Result			Estimated 2021	Planned 2022	Assumptions for calculation 2023-2041
	2018	2019	2020			
Prepayment ratio	-	-	-	-	-	Each FY: 1.82% ^{Note 1}
Loan write-off ratio	-	-	-	-	-	Cumulative total: 11.35% ^{Note 2}

Note 1: Percentage against gross amount of planned repayment in the following fiscal year and thereafter.

Note 2: Percentage of gross amount of estimated bad debts during the analysis term against the balance at the beginning of the FY2023 term.

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

Government funds are accepted as needed in order to reinforce the management base necessary for performing duties as prescribed in the Japan Bank for International Cooperation Act.

[Underlying laws and regulations]

[Capital investment provision]

“Japan Bank for International Cooperation Act”

Article 4: The Government may, when it finds it to be necessary, make contributions to JBIC within the amount appropriated in the budget.

[The national treasury payment provision]

“Japan Bank for International Cooperation Act”

Article 31: In the event that the amount of the surplus recorded in the settlement of accounts for each business year exceeds zero in each account related to the operations listed in each Item of Article 26-2 hereof, JBIC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order, among such surplus, until it reaches the amount prescribed by the Cabinet Order, and if there is still a surplus, JBIC shall pay the amount of such surplus into the National Treasury within three months after the end of such business year.

“Order for Enforcement of the Japan Bank for International Cooperation Act”

Article 6: The amounts calculated according to the standards specified by an ordinance under paragraph 1, Article 31 of the Act shall be equivalent to the amounts provided according to the classification of accounts in the following items:

2 Special operations account (special operations as provided in item 1, Article 26-2 of the Act; hereinafter the same shall apply): Amount equivalent to 50/100 of a surplus booked through the settlement of accounts in each business year.

Paragraph 2: The amounts specified by an ordinance under paragraph 1, Article 31 of the Act shall be equivalent to the amounts provided according to the classification of accounts in the following items:

2 Special operations account: Amount equivalent to the capital specified in the special operations

Article 7: In the event that the amount of the surplus recorded in each of the ordinary and special operations accounts through the settlement of accounts for each business year exceeds zero, JBIC shall submit to the Minister of Finance by June 20 of the following business year a statement of the payment to the national treasury in such business year calculated under paragraph 1, Article 31 of the Act, attaching thereto a balance sheet as of the end of such business year and an income statement of such business year and other financial documents which clarify the basis for the calculation of such payment to the national treasury.

Article 8: Concerning the payment to the national treasury in each of the ordinary and special operations accounts, the amount of the surplus prescribed in paragraph 1, Article 31 of the Act shall be divided depending on the amount of the contribution from the investment account of the General Account or the Special Account for FILP in each statement and returned to the General Account or the investment account of the Special Account for FILP.

Paragraph 2: The amount of the contribution prescribed in the previous clause shall be the amount of the contribution from the General Account for the investment account of the Special Account for FILP on the first day of business year when the amount of the surplus prescribed in the same clause occurred (In the event that the amount of the contribution from the General Account or the investment account of the Special Account for FILP increases/decreases during such business year after that day, the amount obtained by multiplying the number of days from the day of increase/decrease to the end of such business year by such increased/decreased amount of the contribution shall be added/reduced).

6. Special remarks

The policy cost analysis of the Japan Bank for International Cooperation (Special Operations Account) basically books the payments to the national treasury throughout the analysis period except for a certain period, so that additional fiscal spending is not required.

(Reference) Outcome and social and economic benefits of operations

1) Loans and investments, etc.

•Loans and investments approved in FY2016-2020: 39.1 billion yen (including 36.2 billion yen in loans and 2.9 billion yen in investments)

•Loans and investments approved in FY2020: 3.4 billion yen (including 0.4 billion yen in loans and 2.9 billion yen in investments)

•Loans and investments implemented in FY2020: 14.3 billion yen (including 11.7 billion yen in loans and 2.6 billion yen in investments)

•Outstanding loans and investments at the end of FY2020: 34.3 billion yen (including 31.6 billion yen in loans and 5.0 billion yen in investments)

•Loans and investments planned in FY2022: 100.0 billion yen (including 95.0 billion yen in loans and 5.0 billion yen in investments)

(Note) This account was created on October 1, 2016.

2) Primary types of financing for social and economic benefits

JBIC provides necessary finance in order to support Japanese companies' overseas business expansion in projects for the overseas development of social capital, thereby contributing to the sound development of domestic and international economic societies.

<Reference> Effects for maintaining and improving Japanese industries' international competitiveness

(Survey on domestic economic effects of export loans)

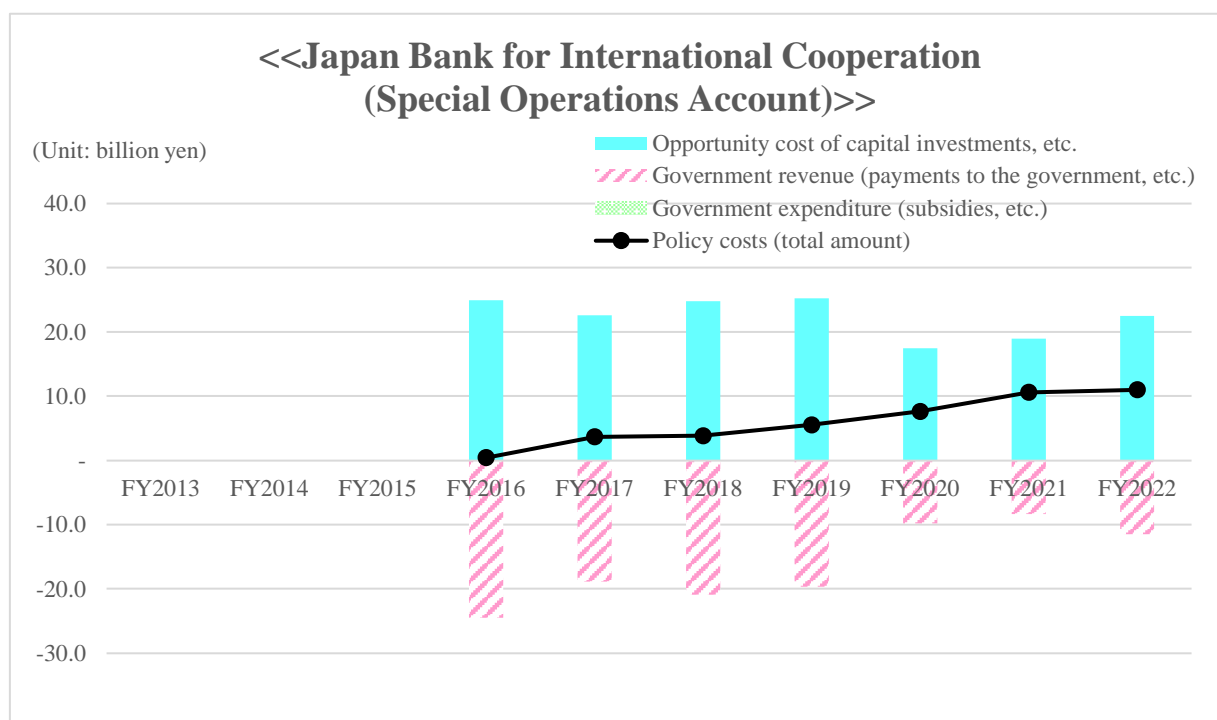
As for projects subject to export loans in FY2020, borrower exporters' own production and their orders placed with their domestic subcontractor are estimated at some 0.7 billion yen, including about 0.1 billion yen in orders placed with small and medium-sized enterprises (approved export loans totaled about 0.4 billion yen). These projects are estimated to have maintained or created about nine jobs a year at the exporters. (according to a JBIC survey in FY2021)

(Survey on spillover effects on the Japanese economy)

Economic effects expected from projects subject to loans include investment demand effects accompanying initial capital investments and future production effects accompanying future production. The trial calculation was performed for the primary investment demand effects of investments in projects subject to export loans approved in FY2020 (approved loans totaled 0.4 billion yen). As a result, these projects' spillover effects on the Japanese economy were estimated at about 0.5 billion yen in value added. Their spillover effects on developing and other foreign economies were estimated at about 5.7 billion yen in value added. The spillover effects on developing and other foreign economies include effects of not only the abovementioned projects but also projects subject to investments. (according to a JBIC survey in FY2021)

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)				0.4	3.7	3.8	5.5	7.6	10.6	11.0
Government expenditure (subsidies, etc.)				-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)				-24.5	-18.9	-20.9	-19.7	-9.8	-8.3	-11.5
Opportunity cost of capital investments, etc.				24.9	22.6	24.8	25.2	17.4	18.9	22.5

【Explanation of policy cost trends】

- Policy cost analysis of Japan Bank for International Cooperation (Special Operations Account) books the payments to the government throughout the period of analysis except for a certain period, so that additional fiscal spending including subsidies, etc. from the government is not required. However, policy cost is incurred because the profit level does not exceed the opportunity cost of capital investments, etc.

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

- The policy cost for the JBIC Special Operations Account in the FY2022 analysis rose slightly from the previous year due mainly to unnecessary effects, etc. in FY2020.
- In the sensitivity analysis of the case before the negative interest rate policy, the policy cost increased by about 1.0 billion yen as a rise in opportunity cost of capital investments due to a hike in assumed interest rates surpassed a hike in payments to the government through the assumed interest rate change.
- The results of the sensitivity analysis (case of a 1% increase in loan write-offs) showed an increase of around 0.2 billion yen in cost due to an increase in opportunity cost of capital investments, etc. and a decrease in payments to the government.
- As the policy cost analysis for the JBIC Special Operations Account basically books payments to the government throughout the analysis period, we assess that the account's financial soundness is secured, with no additional fiscal spending required.
- Investments in projects (planned at 100.0 billion yen on a budget basis) to be approved for JBIC loans in FY2022 are expected to produce a great investment demand effect, indicating that the policy cost for the JBIC Special Operations Account represents an indispensable cost for a spillover effect for the Japanese economy.

(Reference) Financial Statements

Balance Sheet

(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 and net assets)			
Cash and deposits				Borrowed money			
Deposits	271,852	7,662	11,662	Borrowings	4,200	85,200	166,200
Account for sales under agreement to resell	-	259,588	257,776	Other liabilities	2,415	622	801
Securities				Accrued expenses	5	406	564
Other securities	2,664	7,602	12,602	Derivatives	2,394	201	222
Loans and bills discounted				Other liabilities	16	16	16
Loan on deeds	31,630	124,998	213,638	Provision for bonuses	9	11	11
Other assets	3,035	9,452	14,320	Provision for directors' bonuses	0	0	0
Prepaid expenses	9	9	9	Provision for retirement benefits	26	26	26
Accrued revenue	790	1,821	2,882	Provision for directors' retirement benefits	0	0	0
Derivatives	-	5,386	9,193	Acceptances and guarantees	-	14,400	28,800
Cash collateral paid for financial instruments	2,230	2,230	2,230	(Total liabilities)	6,650	100,259	195,838
Other assets	6	6	6	Capital	303,300	313,300	323,300
Customer's liabilities for acceptance and guarantee	-	14,400	28,800	Retained earnings	- 117	863	1,422
Allowances for loan losses	- 425	- 3,347	- 7,735	Earned reserve	-	-	432
				Other retained earnings			
				Earned surplus carried forward	- 117	863	990
				Total shareholders' equity	303,183	314,163	324,722
				Valuation difference on securities	68	5	5
				Deferral hedge profit/loss	- 1,146	5,928	10,498
				Total valuation differences and translation adjustments	- 1,079	5,933	10,503
				(Total net assets)	302,105	320,096	335,225
Total assets	308,755	420,355	531,063	Total liabilities and net assets	308,755	420,355	531,063

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

Income Statement

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
Ordinary income	1,373	6,405	12,786
Revenue from fund management	1,360	5,584	11,492
Interest on loans and discounts	1,360	5,584	11,407
Interest on deposits	0	0	85
Other interest received	0	-	-
Revenue from service transactions, etc.	-	805	1,292
Other service revenue	-	805	1,292
Other operating revenue	11	-	-
Foreign exchange trading profit	11	-	-
Other ordinary income	2	16	1
Other ordinary income	2	16	1
Ordinary expenses	885	5,425	11,796
Financing cost	432	1,625	6,304
Interest on borrowed money	0	512	2,629
Interest on interest swaps	432	1,113	3,674
Other interest paid	0	1	1
Expenses for service transactions, etc.	73	392	571
Other service expenses	73	392	571
Other operating expenses	-	25	-
Foreign exchange trading losses	-	25	-
Business expenses	294	461	534
Other ordinary expenses	86	2,922	4,387
Provision of allowance for loan losses	86	2,922	4,387
Other ordinary expenses	0	-	-
Ordinary profit	488	980	990
Net profit	488	980	990

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