

# Welfare And Medical Service Agency (Incorporated Administrative Agency) (General Account)

<https://www.wam.go.jp/hp>

## 1. Summary of operations implemented using FILP funds

For the purpose of improving social welfare and expanding/improving medical services, the Welfare and Medical Service Agency (WAM) operates lending businesses, which provide loans for establishing social welfare facilities, including special nursing homes for the elderly, and medical treatment facilities, including hospitals, clinics, and welfare/care facilities for the elderly.

Note: Operations out of FILP are operations such as management diagnosis/guidance, welfare/health information services, and subsidizing business by funds for long-life, childrearing, and handicapped persons.

## 2. Amount of lending under FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
856.5	5,930.4

## 3. Estimated policy cost analysis of the project

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

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	5.1	4.0	-1.1
2. Government revenue (payments to the government, etc.)*1	-	-	-
3. Opportunity cost of capital investments, etc.	149.4	66.8	-82.6
<b>Total (1+2+3=policy cost(A))</b>	<b>154.5</b>	<b>70.8</b>	<b>-83.7</b>
Analysis period (years)	38 years	38 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)	154.5	70.8	-83.7
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	36.8	38.0	+1.2
2) Policy cost expected to be newly accrued during the analysis period	117.7	32.8	-84.9
Government expenditure (subsidies, etc.)	5.1	4.0	-1.1
Government revenue (payments to the government, etc.)*1	-	-	-
Opportunity cost of surplus, etc.	112.6	28.8	-83.9
Opportunity cost of capital investments, etc.	-	-	-

### (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)	154.5	70.8
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)			Real fluctuation (2-1)
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)	135.9	69.3	-66.6

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to decrease in losses at the beginning of the analysis period (+3.3 billion yen)  
- Others (Increase in administrative cost due to new loans, etc.) (+0.2 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to finalization of FY2020 and revision of FY2021 projections (-41.5 billion yen)  
- Decrease in cost due to increase in investment income (-16.8 billion yen)  
- Decrease in cost due to decrease in projected FILP agency bond issues from FY2023 (-4.6 billion yen)  
- Decrease in cost due to interest rate gap for new loans provided in FY2022 (-4.0 billion yen)  
- Decrease in cost due to decrease in loan losses (-3.2 billion yen)

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

(A) Policy cost in FY2022 (previously cited)	70.8
1) Prepayments	1.0
2) Loan losses	77.0
3) Others (including profit spread)	-7.2

### (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.
70.8	81.0	+10.2	+0.0	-	+10.2
(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.
70.8	71.9	+1.1	+0.3	-	+0.8

(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.

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

##### [Outline of estimation]

- 1) Of the Agency's operations, the general account recording loan operation is estimated. However, costs for the welfare and medical service management guidance, welfare and healthcare information service and assistance for social welfare services which are included in this account were excluded from the analysis.
- 2) The estimate is made on the assumption that new loans of 868.6 billion yen will be provided for the FY2022 operation plan in addition to the outstanding loan balance of 6,350.2 billion yen (estimated as of the end of FY2021).
- 3) The analysis period is assumed to be 38 years, covering a period in which outstanding loans and new ones to be provided under the FY2022 plan will be repaid completely.
- 4) Administrative expenses are limited to loan control and collection operations in and after FY2024.

##### [Project prospect]

- 1) The Agency's loan, 877.2 billion yen (FY2022) and 57.9 billion yen (FY2023) respectively, is scheduled to be collected by FY2059. (57.9 billion yen to be loaned in FY2023 will be subsidized to be loaned in association with loans prior to FY2022.)
- 2) For loan applications accepted on October 1, 1998 onward, repayment compensation is to be collected upon voluntary prepayment, which means that there are two types of prepayment, i.e., that requiring repayment compensation and that not requiring repayment compensation. However, prepayment requiring repayment compensation is also applicable to FILP loans and this will not affect the policy cost. Therefore, only prepayment not requiring repayment compensation is reflected here. The amount of prepayment for FY2022 is recorded as the amount equal to the rough estimate. Amounts of prepayment for FY2023 onward are calculated by multiplying the outstanding amount at the beginning of each fiscal year by the prepayment ratio based on the past performance. As the loan balance not subject to redemption compensation requirements will decrease year by year, the prepayment ratio is expected to decline accordingly.
- 3) As the amount of loans equivalent to the amount of allowances for loan losses which have been set aside in the FY2022 budget and which are associated with loans related to COVID-19 is projected to be written off within the analysis period, the total write-off amount is expected to be 102.5 billion yen. It should be mentioned that the amount of loan write-off is based on the loan balance of each year. The loan write-off ratio is indicated below.

(Unit: %)

FY	Result	Estimated	Planned	Assumptions for calculation		
	2020	2021	2022	2023	2024-2050	2051-2059
Prepayment ratio (welfare)	0.27	0.03	0.01	0.01	0.01	—
Prepayment ratio (medical)	0.90	0.09	0.20	0.20	0.19	—
Loan write-off ratio	0.003	—	1.61% on a cumulative total basis *			

\*Note: Ratio of estimated total loan write-off during the analysis period to the outstanding loan balance at the beginning of FY2022.

- 4) The outstanding balance of the risk management loans as at the end of FY2020 amounted to 267.0 billion yen. Allowances for loan losses according to private-sector accounting standards at the end of FY2020 amounted to 21.2 billion yen. (Allowances for loan losses/Outstanding balance of loans (after the deduction of loan received) = 0.441%)

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

##### (Reasons for granting of subsidies)

In response to the aging society with fewer children, social welfare facilities and treatment medical facilities that function as a base to provide welfare, health and medical services are social resources that are indispensable for the lives of citizens. To facilitate establishment of these facilities, the Agency provides long-term funds with low interest rates. To this end, the Agency receives subsidies from the general account of the national treasury as compensation for expenses, including differences in the interest rates for financing and lending.

##### (Underlying laws and regulations)

· Article 46 of the Act on General Rules for Incorporated Administrative Agencies (Grants for operating expenses)

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.

· Budget assistance (interest subsidies)

##### (Underlying law with regard to the contribution to the national treasury)

Welfare and Medical Service Agency Act

##### Article 16

1. The Agency may, if there is a reserve fund as prescribed by Paragraph 1 of Article 44 of the Act after the deposition as prescribed by Paragraph 1 or 2 of Article 44 of the Act in the last fiscal year of the project in the period of the medium-term target (hereinafter referred to as "medium-term target period") as prescribed by item 1 of Paragraph 2 of Article 29 of the Act, use the amount approved by Minister of Health, Labour and Welfare as revenue for operations as prescribed by Paragraph 1 of Article 12 in the next medium-term target period as specified in the medium-term plan approved as prescribed by Paragraph 1 of Article 30 of the Act concerning next medium-term target period (if any change is approved as prescribed by the same Paragraph, use the plan after the change).

2. If there is still remaining amount after deduction of the amount approved as prescribed by the preceding paragraph from the amount equivalent to the reserve fund as prescribed by the same paragraph in the account for operations in item 1 of the preceding article, the remaining amount must be paid to the national treasury.

3. (Omitted)

4. Other than the preceding three paragraphs, necessary items in relation to the procedures for the payment to the national treasury and allocation of reserve is governed by the Government Order.

Act on General Rules for Incorporated Administrative Agencies

Article 46-2

(1) An Incorporated Administrative Agency is to make payments to the national treasury in relation to any Unnecessary Property pertaining to contribution or expenditure from the government (other than any property which the contribution is in the form of money) (hereinafter referred to as "Unnecessary Property Pertaining to Government Contribution, etc." in this paragraph) with an authorization of the competent minister, without delay; provided, however, that the Incorporated Administrative Agency is not required to obtain an authorization of the competent minister if it specifies the plan referred to in Article 30, paragraph (2), item (v) for a Medium-term Plan of an Agency Managed under the Medium-term Objectives, the plan referred to in Article 35-5, paragraph (2), item (v) for a Medium to Long-term Plan of a National Research and Development Agency, or the plan referred to in Article 35-10, paragraph (3), item (v) for an Annual Objective Plan of an Agency Engaged in Administrative Execution, and it makes payment to the national treasury in relation to the Unnecessary Property Pertaining to Government Contribution, etc. in accordance with the relevant plan.

(2) An Incorporated Administrative Agency may make a payment to the national treasury in the amount calculated in accordance with the standards specified by the competent minister to the extent of the amount of income derived from the transfer of Unnecessary Property Pertaining to Government Contribution, etc. (other than money; hereinafter the same applies in this paragraph and the following paragraph) with the authorization of the competent minister (other than any amount exceeding the book value of the property (hereinafter referred to as "Amount Exceeding the Book Value" in the following paragraph)), in lieu of making payment to the national treasury in relation to the Unnecessary Property Pertaining to Government Contribution, etc. pursuant to the provisions of the preceding paragraph; provided, however, that the Incorporated Administrative Agency is not required to obtain an authorization of the competent minister if it specifies the plan referred to in Article 30, paragraph (2), item (v) for a Medium-term Plan of an Agency Managed under the Medium-term Objectives, the plan referred to in Article 35-5, paragraph (2), item (v) for a Medium to Longterm Plan of a National Research and Development Agency, or the plan referred to in Article 35-10, paragraph (3), item (v) for an Annual Objective Plan of an Agency Engaged in Administrative Execution, and it pays the amount to the national treasury in accordance with the relevant plan.

(3) In the case referred to in the preceding paragraph, if there is any Amount Exceeding the Book Value derived from the transfer of Unnecessary Property Pertaining to Government Contribution, etc., an Incorporated Administrative Agency is to pay the amount to the national treasury without delay; provided, however, that this does not apply to the amount authorized if the agency obtains an authorization from the competent minister for the exemption of payment of all or part of the amount.

(4) If an Incorporated Administrative Agency makes payment to the national treasury pursuant to the provisions of paragraph (1) or paragraph (2), and the Unnecessary Property Pertaining to Government Contribution, etc. for which the payment made, pertains to the contribution from the government, the amount specified by the competent minister as the portion pertaining to the Unnecessary Property Pertaining to Government Contribution, etc. for which the payment is made, out of the stated capital of the agency, is to be deemed to have not been contributed by the government to the agency, and the agency is to reduce the amount of its stated capital commensurate with such amount.

(5) Beyond what is provided for in the preceding paragraphs, the matters necessary for the disposal of the Unnecessary Property Pertaining to Government Contribution, etc. are specified by Cabinet Order.

6. Special remarks

The policy cost of the Agency's welfare and medical loan operation is incurred due to the government policy of providing long-term funds at low interest rate that are needed to establish and/or improve social and medical facilities including hospitals. This kind of social resources is indispensable to improve the welfare, medical, and nursing services of aging society with fewer children. Through the Agency's loan, efforts are made to establish and improve social welfare and medical facilities, to increase social welfare services, and to expand medical services.

(Reference) Outcome and social and economic benefits of operations

1. Lending activities

	Total lending in FY2020		Aggregate amount of lending up to FY2020		Outstanding balance of loans at the end of FY2020	
Welfare loans	8,594 cases	443.2 billion yen	54,626 cases	5,679.4 billion yen	24,979 cases	2,377.4 billion yen
Medical loans	19,447 cases	1,283.3 billion yen	115,482 cases	8,025.2 billion yen	23,095 cases	2,496.4 billion yen
Total	28,041 cases	1,726.4 billion yen	170,108 cases	13,704.6 billion yen	48,074 cases	4,873.9 billion yen

2. Outcome of lending over the past 10 years (FY2011-2020)

1) Welfare loans led to the establishment of 9,000 private social welfare facilities (capacity: 440,000 persons).

Welfare facilities for the elderly: 164,000 persons ( 702,000 persons)

Welfare facilities for the disabled: 24,000 persons ( 136,000 persons)

Welfare facilities for children: 248,000 persons (2,214,000 persons)

2) Medical loans led to the establishment of 500 medical facilities and the expansion/renovation of 800 such facilities.

Institutions providing care and health services for the elderly: 19,000 persons ( 363,000 persons)

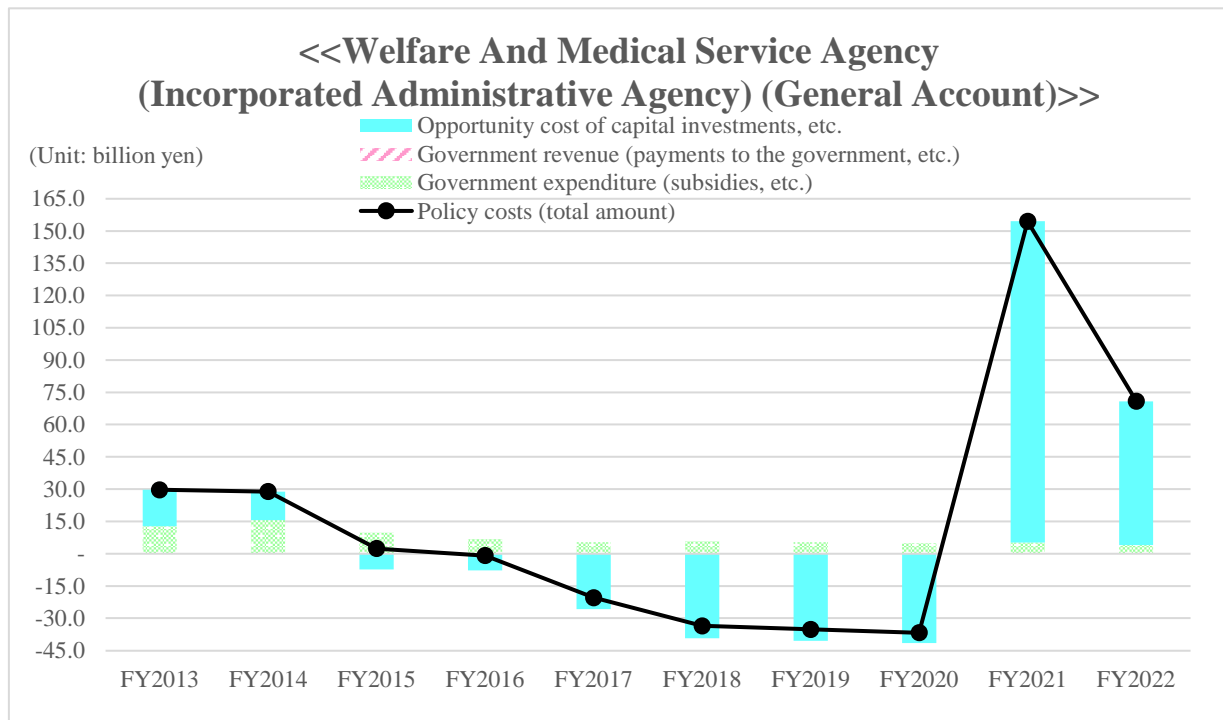
Hospitals: 7,000 beds (1,183,000 beds)

Note: Figures in parentheses indicate the capacities (provisional figures) of the private social welfare facilities as of October 2020.

As for hospitals, however, the number of beds is as of October 2019.

# 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)	29.7	28.8	2.4	-0.9	-20.5	-33.5	-35.2	-36.7	154.5	70.8
Government expenditure (subsidies, etc.)	12.7	15.6	9.7	6.8	5.3	5.7	5.3	4.9	5.1	4.0
Government revenue (payments to the government, etc.)	-	-	-	-	-	-	-	-	-	-
Opportunity cost of capital investments, etc.	16.9	13.2	-7.4	-7.7	-25.7	-39.3	-40.5	-41.6	149.4	66.8

### 【Explanation of policy cost trends】

Until FY2014, "opportunity cost of capital investments, etc." remained positive due to the receipt of capital investments from the government under the FY2011 supplementary budget that was intended to compensate for the difference in interest rates (loss margin) generated by disaster rehabilitation and reconstruction loans (interest-free loans, etc.) after the Great East Japan Earthquake, etc.

Between FY2015 and FY2020, profit increased and a surplus arose because of a significant decrease in the cost of issuing bonds for the fund-raising purpose due to a decline in the assumed interest rate. As a result, "opportunity cost of capital investments, etc." became negative.

From FY2021, due to the effects of loans associated with COVID-19, "opportunity cost of capital investments, etc." increased significantly.

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

In FY2022, the policy cost decreased by 83.7 billion yen from the previous year due to improved interest rate gaps for COVID-19-related loans.

Regarding future cash flow, which is used as an assumption for the policy cost estimation, although financial soundness has been secured, it is necessary to keep a close watch on the effects of loans associated with COVID-19 on financial conditions.

The results of the sensitivity analysis (case before the negative interest rate policy) showed an increase of 10.2 billion yen in the policy cost. However, as "opportunity cost of capital investments, etc." accounts for most of the cost increase, WAM's assessment is that the impact on the financial conditions is minimal.

The results of the sensitivity analysis (case of a 1% increase in loan write-offs) showed an increase of 1.1 billion yen in the policy cost. However, as the increase is limited, WAM's assessment is that the impact on the financial conditions is minimal.

## (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)			
Current assets	283,948	287,674	289,362	Current liabilities	292,613	282,497	269,574
Cash and bank deposits	10,232	4,414	2,115	Debt from grants for operation cost	945	-	-
Current portion of long-term loans	269,283	280,544	285,024	Deposited subsidies, etc.	37	-	-
Accrued income	3,355	2,912	2,423	Deposited donations	146	200	140
Accounts receivable	1,245	-	-	Current portion of WAM bonds	33,000	27,000	15,000
Others	7	-	-	Current portion of long-term borrowings	252,945	250,775	250,206
Allowance for loan losses	- 322	- 333	- 338	Accrued payments	604	228	228
Contra-accounts for provisions for bonuses	148	137	137	Accrued expenses	4,328	4,024	3,735
Fixed assets	4,531,717	6,048,913	6,633,344	Advances received	1	-	-
Tangible fixed assets	563	549	394	Deposit received	14	-	-
Buildings	4	3	3	Provisions	-	-	-
Vehicles and transportation equipment	0	0	0	Provision for bonuses	148	137	137
Tools furniture and fixtures	559	545	391	Others	445	132	128
Intangible fixed assets	1,378	978	629	Fixed liabilities	4,462,039	5,893,524	6,504,280
Software	1,377	977	628	Contra-accounts for assets	1,528	1,111	739
Telephone subscription right	1	1	1	Contra-accounts for assets funded by operational grants	1,140	809	525
Investment and other assets	4,529,776	6,047,386	6,632,320	Contra-accounts for assets funded by subsidies	388	302	215
Long-term loan receivable	4,537,030	6,058,587	6,648,078	Long-term deposited donations	421	321	281
Claims in bankruptcy/ revitalization, doubtful accounts, and other	10,743	11,027	11,311	WAM bonds	217,000	210,000	215,000
Security deposit and guarantee	751	751	751	Discount on bond (-)	- 6	- 5	- 4
Allowance for loan losses	- 20,917	- 25,149	- 29,990	Long-term borrowings	4,240,578	5,679,602	6,285,896
Contra-accounts for provision for retirement benefits	2,170	2,170	2,170	Provisions	-	-	-
				Provision for retirement benefits	2,170	2,170	2,170
				Others	349	325	197
				(Total liabilities)	4,754,652	6,176,021	6,773,854
				Capital			
				Government investment	58,695	160,605	160,605
				Capital surplus	- 775	- 775	- 775
				Capital surplus	1,095	1,095	1,095
				Other administrative costs accumulated	- 1,870	- 1,870	- 1,870
				Amount equivalent to accumulated depreciation cost (-)	- 97	- 97	- 97
				Amount equivalent to accumulated net gains or losses	- 1,773	- 1,773	- 1,773
				on sale or disposal			
				Retained earnings or loss carried forward (-)	3,095	736	- 10,978
				Reserve fund	2,277	3,095	736
				Unappropriated profit or loss for the current year	818	- 2,358	- 11,714
				(of this, gross profit or loss)	(818)	(- 2,358)	(- 11,714)
				(Total net assets)	61,014	160,566	148,851
Total assets	4,815,666	6,336,587	6,922,706	Total liabilities and net assets	4,815,666	6,336,587	6,922,706

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

(Unit: million yen)

Item	FY2020 (Result)	FY2021 (Estimated)	FY2022 (Planned)
Ordinary expenses	41,142	39,819	54,261
Cost of administrating welfare and medical loans	38,180	35,627	51,354
Expenses for management consultation operations	468	456	489
Cost of administrating welfare/health information services	798	1,598	644
Cost of administrating assistance for social welfare	850	1,304	879
General and administrative expenses	842	835	894
Miscellaneous losses	4	-	-
Ordinary income	41,950	37,461	42,546
Operation grant income	1,384	2,343	651
Income from welfare and medical loan operations	35,468	29,585	37,623
Income from management services	21	73	73
Income from welfare/health information services	5	4	5
Income from assistance for social welfare services	11	11	-
Income from subsidies, etc.	4,153	4,511	3,379
Contributions	187	146	200
Reversal of contra-accounts for assets funded by operational grants	360	430	285
Reversal of contra-accounts for assets funded by subsidies	43	87	87
Income from contra-accounts for provision for bonuses	148	137	137
Income from contra-accounts for provision for retirement benefits	159	130	102
Financial income	-	0	-
Miscellaneous income	11	5	5
Ordinary profit or loss (-)	808	- 2,358	- 11,714
Extraordinary profits	10	-	-
Reversal of provision for retirement benefits	10	-	-
Reversal of allowance for loan losses	0	-	-
Net profit or loss	818	- 2,358	- 11,714
Gross profit or loss	818	- 2,358	- 11,714

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.