

Japan Bank for International Cooperation (Ordinary Operations Account)

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

1. Summary of operations implemented using FILP funds

- Loans and other financial tools 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 the global warming and preventing international financial turmoil or dealing with damage caused thereby.
- The Ordinary Operations Account pertains to all services other than special services concerning projects for the overseas development of social capital.

2. Amount of lending under FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
1,886.0	9,637.7

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.)*	-227.0	-548.0	-321.0
3. Opportunity cost of capital investments, etc.	266.2	639.7	+373.5
Total (1+2+3=policy cost(A))	39.3	91.7	+52.4
Analysis period (years)	27 years	29 years	2 years

(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)	39.3	91.7	+52.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	265.0	640.4	+375.4
2) Policy cost expected to be newly accrued during the analysis period	-225.7	-548.7	-322.9
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*	-227.0	-548.0	-321.0
Opportunity cost of surplus, etc.	-10.4	-31.2	-20.8
Opportunity cost of capital investments, etc.	11.6	30.5	+18.9

(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)	39.3	91.7
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)	87.3	-41.1	-128.4
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

○ Factors behind policy cost increase

- Increase in cost due to increase in loan losses (+106.0 billion yen)
- Increase in cost due to increase in prepayments (+3.9 billion yen)
- Increase in cost due to finalization of FY2021 results and revision of FY2022 projections (+1.0 billion yen)

○ Factors behind policy cost decrease

- Decrease in cost due to interest rate gap for new loans provided in FY2023 (-17.9 billion yen)
- Decrease in cost due to amendments, etc. to the FY2022 budget and FILP plan (-9.9 billion yen)
- Other (decrease in cost due to increase in margins after yen conversion as the result of yen depreciation, etc.) (-211.5 billion yen)

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

(A) Policy cost in FY2023 (previously cited)	91.7
1) Prepayments	38.6
2) Loan losses	649.8
3) Others (including profit spread)	-596.7

(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.		
91.7	219.1	+127.4	-	-	-	-264.5	-	-	-	+391.9	

(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.		
91.7	97.6	+5.9	-	-	-	+3.5	-	-	-	+2.4	

(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.

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

- 1) The estimation covers the Ordinary Operations Account of the Japan Bank for International Cooperation (JBIC).
- 2) Scale of account: Outstanding balance of financing at the end of FY2021 is 15.031 trillion yen, 2.5 trillion yen for FY2022 (estimate), and 2.5 trillion yen for FY2023 (estimate).
- 3) The analysis period is 29 years from FY2023 to FY2051, when the longest-term loans will be repaid.
- 4) Prepayments rate based on the past record 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 of FY2023, the expense associated with new financing and the one associated with the management of past financing are distinguished and the latter will be decreased according to the transition of the balance from FY2024.
- 6) Sovereign loans losses are estimated based on internal country ratings in order to reflect the unique characteristics of public organizations (i.e., Paris Club) as much as possible, while, in the case of non-sovereign loans, the estimated write-off amount is calculated using external statistical data widely used by private financial institutions (total amount during analysis period is 652.2 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.
- 7) At the end of FY2021, the outstanding balance of the risk management loans was 583.8 billion yen. The share of such loans in the total outstanding loan balance was 3.97%.

FY	Result				Estimated 2022	Planned 2023	Assumptions for calculation 2024-2051
	2018	2019	2020	2021			
Prepayment ratio	2.35%	2.50%	1.44%	5.51%	0.91%	0.72%	Each FY: 2.13% (Note 1)
Loan write-off ratio	-	0.02%	-	-	-	-	Cumulative total: 3.83% (Note 2)

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

2: Percentage of gross amount of estimated bad debts during the analysis term against the balance at the beginning of the FY2024 term.

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

To enhance the business base for performing projects stipulated in the Japan Bank for International Cooperation Act, as needed, capital investment is received from the Special Account for FILP and General Account.

[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:

- 1 Ordinary operations account (ordinary 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:

- 1 Ordinary operations account: Amount equivalent to the capital specified in the ordinary operations account

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 (Ordinary Operations Account) basically books the payments to the national treasury throughout the period of analysis, so that additional fiscal spending is not required.

(Reference) Outcome and social and economic benefits of operations

1) Lending and Equity participation

- Aggregate amount of loan, equity participation and guarantee commitments from FY 1950-2021: 86,583.7 billion yen (including 78,235.5 billion yen in loans and 524.9 billion yen in equity participation)
- Loan, equity participation and guarantee commitments in FY2021: 2,052.8 billion yen (including 1,941.2 billion yen in loans and 22.5 billion yen in equity participation)
- Loan, equity participation and guarantee disbursements in FY2021: 2,178.7 billion yen (including 2,035.2 billion yen in loans and 24.4 billion yen in equity participation)
- Loan, equity participation and guarantee outstanding balance at the end of FY2021: 16,752.0 billion yen (including 14,723.1 billion yen in loans and 307.7 billion yen in equity participation)
- Loan, equity participation and guarantee commitment planned for FY2023: 2,500.0 billion yen (including 2,350.0 billion yen in loans and 150.0 billion yen in equity participation)

2) Primary types of financing for social and economic benefits

JBIC provides necessary finance in order to develop and obtain foreign resources, which are important for Japan, maintain and improve the international competitiveness of Japanese industry, prevent global warming and otherwise protect the global environment, prevent international financial turmoil or deal with damage caused thereby, and contribute to the sound development of domestic and international economic societies. Instances of social and economic benefits are as follows:

- Export loans: Assistance for exports to developing countries of marine vessels and plants by Japanese companies that have a significant effect on production and employment.
- Import loans: Assistance for imports of important resources for Japan, aircraft, etc.
- Overseas investment loans: Securing and ensuring stable supply of resources and energy to Japan, a country poor in natural resources, and assistance for the reinforcement of competitive strength through the development of international operations implemented by Japanese companies under conditions of intense international competition
- Untied loans: Promotion of global warming prevention and other projects to conserve the global environment. Contributions to the international assistance activities of Japanese companies through efforts such as the development of the economic infrastructure in developing countries and assistance for developing-country governments to cope with financial crises
- Bridge loans: Assistance for facilitation of trades to foreign governments which have difficulties in carrying out transactions due to payment difficulty
- Equity participation: Supporting overseas operations of its clients by participating in their investments.

<Reference 1> Effect on development and obtaining of foreign resources which are important for Japan

Among domestic demand for major natural resources, natural resources supplied by projects funded by JBIC (import loans/investment loans for the purpose of assuring the stable supply of energy and other important resources that support the economic activities of Japan) in FY2021 included about 5.30 million tons of liquefied natural gas, about 25.00 million barrels of crude oil. (according to a JBIC survey in FY2022)

<Reference 2> Effect on maintenance and improvement of the international competitiveness of Japanese industries

(Survey concerning the effects of export financing on the domestic economy)

In relation to export-related operations financed in FY2020 and FY2021, the production by export corporations and the order placed to domestic suppliers is about 29.3 billion yen in total. Of this amount, the order to medium and small business is estimated about 2.4 billion yen (Total approved amount is about 61.5 billion yen). In addition, the estimated employees maintained/hired within the export corporations are about 607 per year. (according to a JBIC survey in FY2022)

(Survey on the effects on the Japanese economy)

The economic effects expected from the operations receiving investment and financing can be classified into investment demand effect associated with initial capital investment and future production effect associated with future production activities. The trial calculation was performed for the primary investment demand effects of the investments (aggregate total of project funding at about 4,056.5 billion yen) in projects subject to export, investment, business development and other loans approved in FY2021 (worth about 1,039.1 billion yen). As a result, spillover effects on the Japanese economy are estimated at about 2,609.1 billion yen when value added is taken into account. In addition, the effect on foreign economies is about 382.8 billion yen when value added is taken into account. Furthermore, the spillover effects on developing and other foreign economies include the effects of projects subject to investment. (according to a JBIC survey in FY2022)

(Survey on gain of foreign assets by Japanese companies)

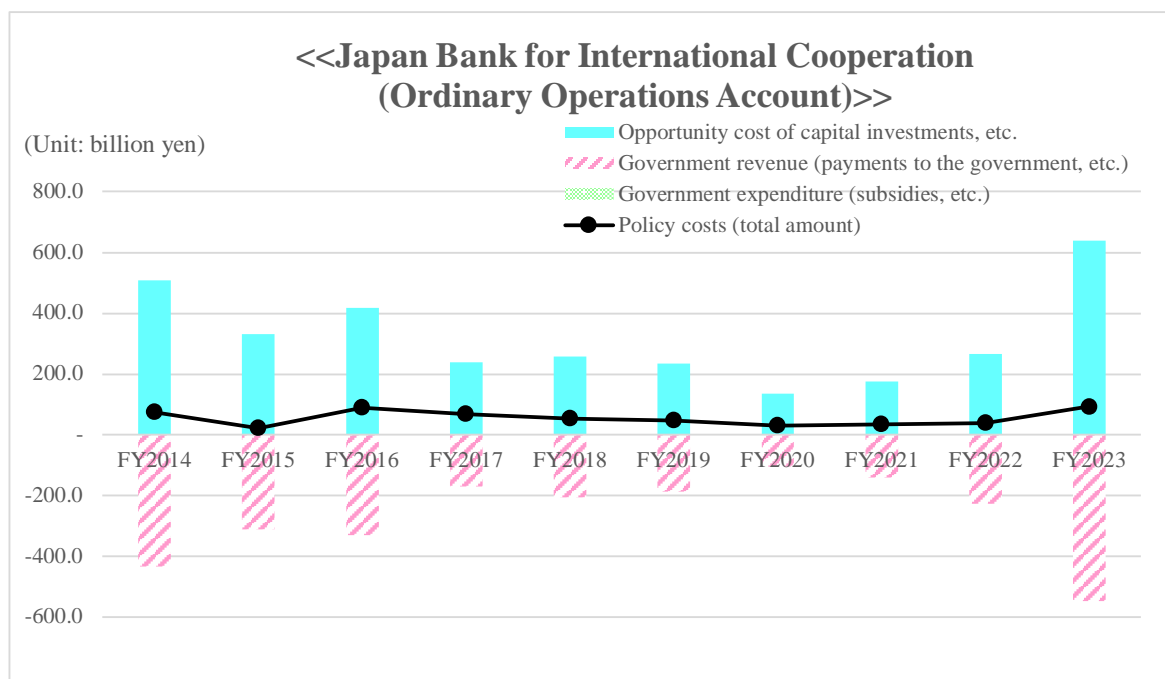
Foreign assets gained by Japanese companies through operations subject to investment loans and investment in FY2021 are estimated at about 3,342.0 billion yen (according to a JBIC survey in FY2022)

<Reference 3> Result on the preservation of the global environment

Loans totaling about 57.7 billion yen were approved in FY2021 for projects subjected to JBIC's environmental operations called "Global Action for Reconciling Economic Growth and Environmental Preservation (GREEN)," which support the global diffusion of advanced Japanese technologies given high ratings internationally and projects expected to substantially reduce greenhouse gas emissions (according to a JBIC survey in FY2022).

Overview of policy cost analysis results

[Changes in policy costs]



Notes

1. Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.
2. Figures from FY2014 to FY2015 indicate the policy cost of JBIC, and those from FY2016 to FY2023 indicate the policy cost of JBIC(Ordinary Operations Account).

(Unit: billion yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)	73.8	21.8	89.4	68.1	52.9	47.8	30.3	33.8	39.3	91.7
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-434.1	-310.9	-329.6	-170.5	-204.9	-187.7	-105.0	-141.3	-227.0	-548.0
Opportunity cost of capital investments, etc.	507.9	332.7	418.9	238.6	257.8	235.5	135.3	175.1	266.2	639.7

【Explanation of policy cost trends】

- Policy cost analysis of Japan Bank for International Cooperation (Ordinary Operations Account) books the payments to the national treasury throughout the period of analysis, 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 (FY2023)】

- The results of the analysis of the policy cost for the JBIC (Ordinary Operations Account) in FY2023 showed an increase in the policy cost due to such factors as a rise in the discount factor assumed for all FILP agencies throughout the policy cost analysis period compared with the previous year.
- In the sensitivity analysis of the case of assumed interest rate + 1%, the policy cost increased by about 127.4 billion yen from the basic case as the impact of the rise in opportunity cost of capital investments due to the increase in assumed interest rates over the analysis period surpassed the increase in payments to the Government due to the change in interest rates.
- The results of the sensitivity analysis (case of a 1% increase in loan write-offs) showed an increase of around 5.9 billion yen in cost compared to the basic case due to an increase in opportunity cost of capital investments, etc. and a decrease in payments to the government, etc.
- As the policy cost analysis for the JBIC (Ordinary 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 relevant projects approved for JBIC loans in FY2021 produced a large investment demand effect (estimated at about 2,609.1 billion yen in value added for primary investment induction), indicating that the policy cost for the JBIC (Ordinary Operations Account) represents an indispensable cost for the spillover effects on the Japanese economy.

(Reference) Financial Statements

Balance Sheet

(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)			
Cash and deposits	1,185,333	366,225	377,143	Borrowed money			
Cash	0	0	0	Borrowings	7,550,009	8,468,968	8,113,972
Deposits	1,185,333	366,225	377,143	Bonds payable	5,634,984	6,382,288	7,153,375
Account for sales under agreement to resell	-	611,583	287,578	Other liabilities	607,234	1,180,378	787,347
Securities	307,947	480,091	630,091	Accrued expenses	45,093	133,917	159,239
Stocks	255	255	255	Advance revenues	22,884	16,003	10,087
Other securities	307,692	479,836	629,836	Derivatives	480,589	966,283	553,845
Loans and bills discounted				Cash collateral received for financial instruments	18,590	18,590	18,590
Loan on deeds	14,723,083	16,518,569	17,029,472	Other liabilities	40,078	45,585	45,585
Other assets	598,283	849,888	918,241	Provision for bonuses	587	587	637
Prepaid expenses	472	472	472	Provision for directors' bonuses	10	10	10
Accrued revenue	51,956	311,870	386,111	Provision for retirement benefits	6,024	6,024	6,024
Derivatives	20,268	10,789	4,901	Provision for directors' retirement benefits	51	11	11
Cash collateral paid for financial instruments	524,820	524,820	524,820	Acceptances and guarantees	1,721,217	1,876,034	1,981,903
Other assets	767	1,936	1,936	(Total liabilities)	15,520,116	17,914,300	18,043,279
Tangible fixed assets	29,207	31,175	32,959	Capital	1,710,500	1,785,500	1,870,500
Buildings	3,696	4,793	6,395	Retained earnings	974,231	1,002,816	1,027,966
Land	24,312	24,312	24,312	Earned reserve	959,601	966,916	984,866
Construction in progress	222	689	1,380	Other retained earnings			
Other tangible fixed assets	977	1,381	872	Earned surplus carried forward	14,629	35,900	43,100
Intangible fixed assets				Total shareholders' equity	2,684,731	2,788,316	2,898,466
Software	9,169	9,400	13,257	Valuation difference on securities	15,748	33,376	33,376
Customer's liabilities for acceptance and guarantee	1,721,217	1,876,034	1,981,903	Deferral hedge profit/loss	-116,849	-538,219	-268,182
Allowances for loan losses	-470,492	-545,192	-563,706	Total valuation differences and translation adjustments	-101,100	-504,843	-234,807
				(Total net assets)	2,583,630	2,283,473	2,663,660
Total assets	18,103,747	20,197,772	20,706,938	Total liabilities and net assets	18,103,747	20,197,772	20,706,938

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

Income Statement

(Unit: million yen)

Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
Ordinary income	309,481	685,420	1,075,390
Revenue from fund management	226,273	627,388	1,062,159
Interest on loans and discounts	172,124	618,080	1,055,419
Interest and dividends on securities	531	310	-
Interest on deposits	1,918	8,993	6,740
Interest on interest swaps	51,674	-	-
Other interest received	27	4	-
Revenue from service transactions, etc.	25,771	16,858	13,091
Other service revenue	25,771	16,858	13,091
Other operating revenue	32,147	39,684	-
Foreign exchange trading profit	32,147	39,684	-
Other ordinary income	25,290	1,489	140
Recoveries of written-off claims	6,674	-	-
Gain on sale of stocks, etc.	173	-	-
Equity earnings regarding investment in association	18,192	-	-
Other ordinary income	251	1,489	140
Ordinary expenses	294,855	649,233	1,031,984
Financing cost	135,363	538,635	973,416
Interest on borrowed money	21,108	219,306	372,513
Interest on bonds	114,153	145,910	203,195
Interest on interest swaps	-	172,236	395,990
Other interest paid	102	1,182	1,718
Expenses for service transactions, etc.	2,752	3,662	3,777
Other service expenses	2,752	3,662	3,777
Other operating expenses	1,989	5,439	5,342
Amortization of bond issue expenses	1,069	4,481	4,460
Expenses on derivatives	316	-	-
Other operating expenses	603	958	882
Business expenses	21,137	26,797	30,936
Other ordinary expenses	133,614	74,700	18,514
Provision of allowance for loan losses	131,076	74,700	18,514
Loss on sale of stocks, etc.	7	-	-
Provision on stocks	2,526	-	-
Other ordinary expenses	5	-	-
Ordinary profit	14,626	36,186	43,406
Extraordinary profits	4	-	-
Gain on sales and retirement of noncurrent assets	4	-	-
Extraordinary loss	1	286	306
Loss on sales and retirement of noncurrent assets	1	286	306
Net profit	14,629	35,900	43,100

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