

# Japan Finance Corporation (Account for Operations to Facilitate Crisis Responses)

<https://www.jfc.go.jp/>

## 1. Summary of operations implemented using FILP funds

In the event of domestic or international financial chaos recognized by the state minister in charge or a large-scale disaster, JFC extends credit to designated financial institutions. The designated financial institutions receive credit from JFC, respond to the crisis and supply funds required for dealing with the crisis. The following project 1) is eligible for FILP.

### 1) Loans to designated financial institutions

JFC provides loans to designated financial institutions using FILP funds or bonds (government guaranteed bonds) as a resource.

### 2) Compensation for a loss of loans from designated financial institutions

JFC compensates a part of loss caused by loans from designated financial institutions by concluding a damage security contract with designated financial institutions.

### 3) Provision of interest subsidies to designated financial institutions which receive above credits and provide loans

JFC provides interest subsidies to designated financial institutions to politically reduce the interest on loans from the designated financial institutions.

## 2. Amount of lending under FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
99.0	2,082.3

## 3. Estimated policy cost analysis of the project

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

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	0.6	0.6	-0.0
2. Government revenue (payments to the government, etc.)*	-	-	-
3. Opportunity cost of capital investments, etc.	687.7	316.1	-371.6
<b>Total (1+2+3=policy cost(A))</b>	<b>688.3</b>	<b>316.7</b>	<b>-371.7</b>
Analysis period (years)	20 years	20 years	-

### (2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
(A) Policy cost (previously cited)	688.3	316.7	-371.7
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	101.1	98.3	-2.8
2) Policy cost expected to be newly accrued during the analysis period	587.3	218.4	-368.9
Government expenditure (subsidies, etc.)	0.6	0.6	-0.0
Government revenue (payments to the government, etc.)*	-	-	-
Opportunity cost of surplus, etc.	586.6	217.8	-368.8
Opportunity cost of capital investments, etc.	0.0	0.0	-0.0

### (5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case for raising lending and fundraising rates by 1 %	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
			-0.0	-	+47.1
316.7	363.7	+47.1	-0.0	-	+47.1

### (3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2018	FY2019	Simple fluctuation
		Simple comparison (before adjustment)	688.3	316.7
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2019 analysis)	639.2	317.9	-321.3
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2018)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

Factors behind policy cost increase

- None

Factors behind policy cost decrease

- Decrease in cost due to a decrease in loss compensation transaction scale (-321.3 billion yen)

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

(A) Policy cost in FY2019 (previously cited)	316.7
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	316.7

(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

- All projects (loans, loss compensation and interest subsidies) are eligible for estimation.
- The estimation has been made for the implementation of loans worth 199.0 billion yen to designated financial institutions and damage security services worth 123.2 billion yen (compensation for losses) in FY2019.
- The analysis period is 20 years until FILP funds based on FY2019 business plan are completely redeemed.
- The administrative expense decreases depending on assumed outstanding loans from FY2020.
- Since it is difficult to estimate prepayments at present, prepayments or compensation income accompanying prepayments are not projected for this estimation.

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

##### (Reasons)

In the event of crisis in which JFC cannot respond to using operations transferred from the former corporation, it is required to extend credit to designated financial institutions so that they can provide funds to deal with the crisis. JFC accepts investments and subsidies required for such operations.

##### (Underlying laws and regulations)

•Grants/Subsidies have no legal base (they are budgetary measures).

•The Japan Finance Corporation Act provides for capital investment. (Article 4)

Article 4 (1)The Government may, when it finds it to be necessary, make contributions to JFC within the amount appropriated in the budget.

(2)When a contribution is made by the Government pursuant to the provisions of the preceding Paragraph, JFC shall, notwithstanding the provisions of Article 445, Paragraph 2 of the Companies Act (Act No. 86 of 2005), be allowed not to record the amount exceeding half of such contribution amount as the capital.

(3)When a contribution is made by the Government investment to the provisions of Paragraph 1 of this Article, JFC shall, in accordance with the separation of accounting prescribed in Article 1 hereof, allocate the capital or reserve increased as a result of such contribution to each account related to the operations listed in each Item of the same Article.

•The Japan Finance Corporation Act provides for payment to the national treasury. (Article 47)

Article 47 (1) 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 41 hereof, JFC 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, JFC shall pay the amount of such surplus into the National Treasury within three months after the end of such business year.

(2) Omitted

#### 6. Special remarks

None

#### (Reference) Outcome and social and economic benefits of operations

##### 1) Financial result

FY2017 (Result)

(1) Loans to designated financial institutions	85.4 billion yen
(2) Damage security acceptance for loans from designated financial institutions	89.2 billion yen
(3) Interest subsidies to designated financial institutions	12.6 billion yen

Total financing results from FY2008 to FY2017

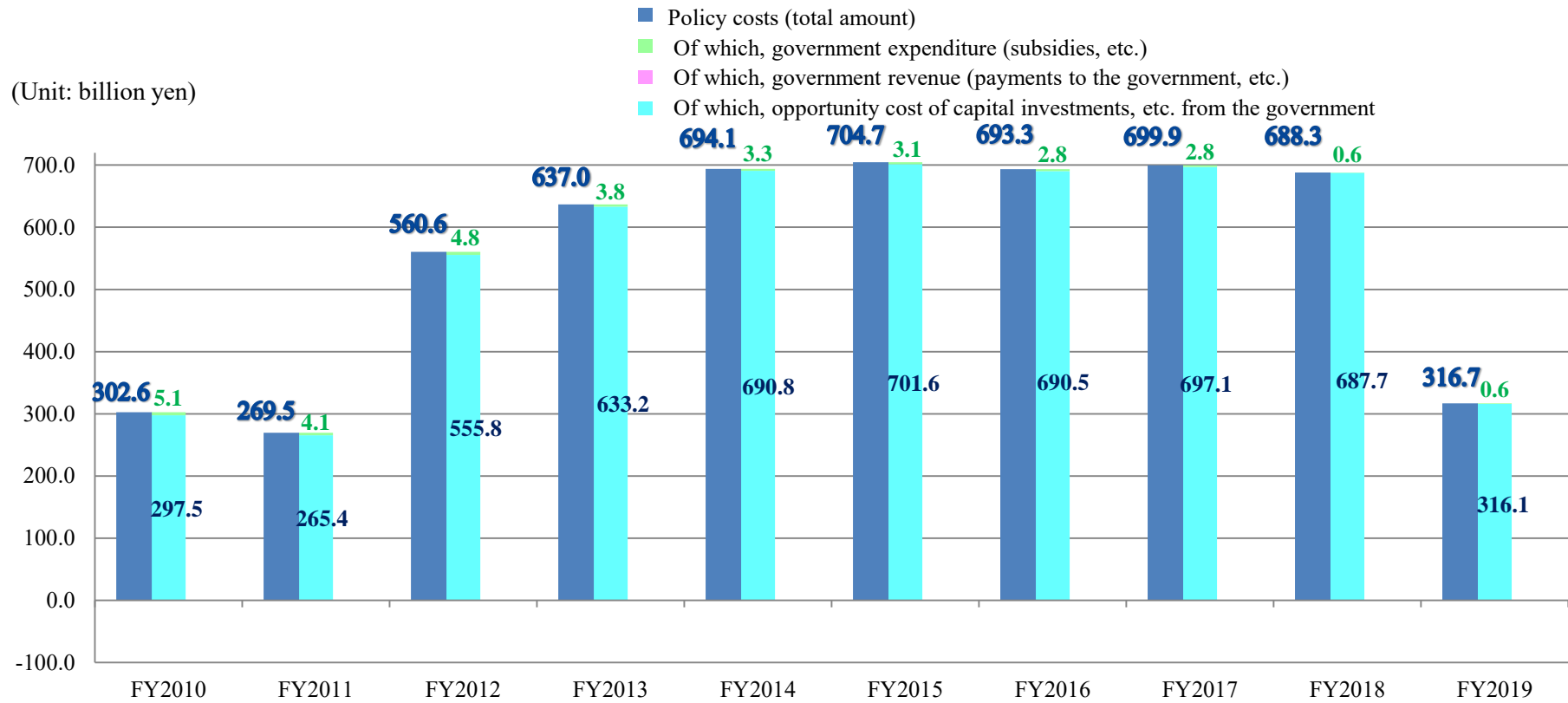
(1) Loans to designated financial institutions	9,001.2 billion yen
(2) Damage security acceptance for loans from designated financial institutions	11,618.2 billion yen
(3) Interest subsidies to designated financial institutions	63.2 billion yen

2) The purpose of Operations to Facilitate Crisis Responses is to extend credit to designated financial institutions so that they can promptly and smoothly supply funds required for dealing with domestic or global financial chaos, a large-scale disaster, terrorism or infection, etc.

3) With securing a crisis response which is the same level and same scope as that implemented by policy finance institutions such as the Shoko Chukin Bank and the Development Bank of Japan Inc. through Operations to Facilitate Crisis Responses, necessary funds are smoothly supplied in the event of crisis.

# (Reference) Changes in Policy Costs by Component

## <Japan Finance Corporation (Account for Operations to Facilitate Crisis Responses)>



Note: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

### (Point)

- Policy costs have remained high after increasing in FY2012 when JFC accepted capital investments to expand loss compensations and interest subsidies under initial and supplementary budgets to counter the Great East Japan Earthquake and relevant economic environment changes.
- In FY2019, policy costs declined due to such factors as a fall in estimated loss compensation payments through drops in loss compensation transactions and outstanding loans subject to loss compensation.

## (Reference) Financial Statements

## Balance Sheet

(Unit: million yen)

Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)	Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)
(Assets)				(Liabilities and equity)			
Cash and deposits	779,106	720,318	674,106	Borrowed money	2,383,219	2,082,312	1,796,358
Loans and discounts	2,383,219	2,282,312	2,096,358	Bonds payable	-	200,000	300,000
Other assets	439	432	407	Other liabilities	3,091	2,977	2,308
Tangible fixed assets	1	1	4	Reserve for bonuses	6	7	7
Intangible fixed assets	28	17	26	Reserve for directors' bonuses	0	0	0
Prepaid pension cost	25	25	25	Reserves for retirement pensions	102	112	122
				Reserve for directors' retirement benefits	0	0	0
				Compensation loss reserve	38,045	38,309	23,798
				(Total liabilities)	2,424,466	2,323,718	2,122,595
				Capital	969,398	969,466	969,534
				Retained earnings	-231,044	-290,078	-321,199
				Total shareholders' equity	738,353	679,387	648,334
				(Total equity)	738,353	679,387	648,334
Total assets	3,162,820	3,003,105	2,770,929	Total liabilities and equity	3,162,820	3,003,105	2,770,929

Note: Amounts of less than one million yen are rounded down.

## Income Statement

(Unit: million yen)

Item	FY2017 (Result)	FY2018 (Estimated)	FY2019 (Planned)	Item	FY2017 (Result)	FY2018 (Estimated)	FY2019 (Planned)
Ordinary income	24,702	16,242	17,211	Expenses for service transactions, etc.	-	15,172	3,059
Revenue from fund management	16,583	13,690	15,557	Other operating expenses	7,555	7,601	5,533
Revenue from service transactions, etc.	2,153	1,742	1,439	Business expenses	189	268	254
Revenue from government grants	256	209	213	Other ordinary expenses	22,446	38,597	24,116
Other ordinary income	5,709	600	-	Ordinary loss	22,025	59,034	31,121
Ordinary expenses	46,728	75,277	48,332	Net loss	22,025	59,034	31,121
Financing cost	16,537	13,637	15,368				

Note: Amounts of less than one million yen are rounded down.