

# Japan Student Services Organization (Incorporated Administrative Agency)

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

## 1. Summary of operations implemented using FILP funds

For the purpose of fostering young people of high caliber who will become future leaders of society, and for the purpose of contributing to the maintenance of the principle of equal opportunity in education, Japan Student Services Organization (JASSO) provides non-interest-bearing loans (using FILP) and interest-bearing educational loans for school fees to promising students who have difficulty in continuing their studies for economic reasons.

Note: In operations that are outside of FILP, JASSO provides non-interest-bearing loans and grants for school fees to especially superior students who have serious difficulty in continuing their studies for economic reasons under the Scholarship Programs for Japanese Students. Also, it implements the Support Programs for International Students and the Student Support Programs

## 2. Amount of lending under FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
674.4	6,306.7

## 3. Estimated policy cost analysis of the project

### (1) Policy cost

(Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	129.3	112.0	-17.3
2. Government revenue (payments to the government, etc.)*	-	-	-
3. Opportunity cost of capital investments, etc.	0.8	0.9	+0.2
<b>Total (1+2+3=policy cost(A))</b>	<b>130.1</b>	<b>112.9</b>	<b>-17.1</b>
Analysis period (years)	26 years	26 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)	130.1	112.9	-17.1
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	0.0	0.0	-0.0
2) Policy cost expected to be newly accrued during the analysis period	130.1	112.9	-17.1
Government expenditure (subsidies, etc.)	129.3	112.0	-17.3
Government revenue (payments to the government, etc.)*	-	-	-
Opportunity cost of surplus, etc.	0.7	0.9	+0.2
Opportunity cost of capital investments, etc.	-	-	-

### (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)	130.1	112.9
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2019 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2018)	Real fluctuation (2-1)
		119.7	114.6	-5.1

[Real fluctuation factor analysis]

#### ○Factors behind policy cost increase

- Increase in cost due to increase in loan losses (+8.9 billion yen)
- Increase in cost due to interest rate change for FY2019 loans (+4.8 billion yen)
- Increase in cost due to effects of prepayments (+3.9 billion yen)

#### ○Factors behind policy cost decrease

- Decrease in cost due to actualization of applied interest rates (-10.9 billion yen)
- Others (decrease in interest payments due to changes in terms and conditions for fiscal loans, etc.) (-11.8 billion yen)

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

(A) Policy cost in FY2019 (previously cited)	112.9
1) Prepayments	-14.0
2) Loan losses	48.3
3) Others (including profit spread)	78.6

### (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.		
112.9	129.6	+16.7		+13.1							+3.5
(A) Policy cost (previously cited)	Case for raising the bad loan write-off by 10 %	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.)*			3. Opportunity cost of capital investments, etc.		
112.9	117.6	+4.7		+4.7							-
(A) Policy cost (previously cited)	In absence of repayment forgiveness	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.)*			3. Opportunity cost of capital investments, etc.		
112.9	111.0	-1.9		-1.9							-

(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) Non-interest-bearing loans (using FILP) and interest-bearing loans provided under the scholarship programs by Japan Student Services Organization (JASSO) are included in calculation.
- 2) Estimation was made for a case in which 698.4 billion yen in project cost decided on in FY2019 and loans for relevant grades are implemented in addition to the outstanding loan balance of 6,707.0 billion yen at the end of FY2018.
- 3) The analysis period continues for a period of 26 years including the initial period in which loans are provided as described in the above item 2) (the longest period is 6 years for the students studying in medical departments) in addition to the loans already provided and the ensuing period (the longest period is 20 years) in which these loans are recovered in full.
- 4) Interest rates on interest-bearing loans are capped at 3% and no interest accrues when recipient students are in school. No interest accrues on non-interest-bearing loans over full terms.
- 5) With regard to management expenses, expenses pertaining to administration of scholarship programs are extracted from the general management expenses of JASSO and classified into expenses for new loans and those for loan management. Expenses for new loans are calculated based on the amount of scholarship loans provided and those for loan management are calculated based on the ratio of the balance of scholarship loans.
- 6) Prepayments are calculated based on the prepayment ratio in the FY2019.
- 7) The loan charge-off is calculated based upon the GAAP for the Incorporated Administrative Agencies. As for the method for estimating the charge-off, future cash flow is first estimated, with the total amount of loans to borrowers that are bankrupt and in the process of revitalization and rehabilitation, etc. (the total installment amount that is in arrears for 10 years or more and the amount based on the charge-off ratio for FY2017) as of the end of each year assumed to be ¥48.9 billion. This amount will be charged off in FY2019 and the remaining years of the analysis period.

##### Prepayment and loan charge-off ratios for the non-interest-bearing loan program (using FILP)

	Result	Estimated	Planned	Assumptions for calculation
FY	2017	2018	2019	2020 and on
Prepayment ratio	3.573%	1.579%	1.579%	2020 and on: 1.579%
Loan charge-off ratio	-	0.002%	0.004%	Cumulative total in and after 2020: 0.776%

##### Prepayment and loan charge-off ratios for the interest-bearing loan program

	Result				Estimated	Planned	Assumptions for calculation
FY	2014	2015	2016	2017	2018	2019	2020 and on
Prepayment ratio	2.941%	2.985%	3.007%	2.832%	2.657%	2.657%	2020 and on: 2.657%
Loan charge-off ratio	0.007%	0.005%	0.004%	0.006%	0.004%	0.006%	Cumulative total in and after 2020: 3.666%

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

In order to accomplish the purpose of scholarship programs, the Government, for the purpose of achieving its goals, provides financial assistance for administrative expenses, compensation for repayment exemption, and compensation for bad loan charge offs, as well as subsidies from the national treasury to reduce the burden on borrowers.

[Underlying laws and regulations]

- Subsidies and the Government's grants-in-aid are provided under the following law:

Article 23 of the Act on the Japan Student Services Organization

“The Government can subsidize part of the funds required for the scholarship programs operated by Japan Student Services Organization (JASSO) as provided for in Item 1, Paragraph 1, Article 13 of the Act within the limits of the budget.”

- Grants for operating expenses are provided under the following law:

Article 46(1) of the Act on General Rules for Incorporated Administrative Agencies

“The Government can grant subsidies to cover part or whole of the funds required for the operation of incorporated administrative agencies within the limits of the budget.”

- Government investment is provided under the following law:

Article 5, Paragraph 2 of the Act on the Japan Student Services Organization

“The Government can provide JASSO with additional capital investment within the limits of the amount specified in the budget, if recognized as necessary.”

(Underlying law for payments to the national treasury)

Act on General Rules for Incorporated Administrative Agencies

Article 46-2 An Incorporated Administrative Agency is to make payment to the national treasury in relation to any Unnecessary Property pertaining to contribution or expenditure from the government (excluding any property which is in the form of contribution 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 a Business 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.

Supplementary Provisions (Act No.37 of May 28, 2010) (excerpt)

(Transitional measure)

Article 3 Transfer of assets that is conducted by an incorporated administrative agency before the date on which the Act comes into effect and that is defined by the competent minister as equivalent to transfer of unnecessary assets involving government investment, etc. stipulated in Article 46-2, Paragraph 1 of the new Act on the date on which the Act comes into effect shall be defined as transfer of unnecessary assets involving government investment, etc. stipulated in Paragraph 2 of the said Article conducted on the date on which the Act comes into effect, and the provisions from Paragraph 2 to Paragraph 6 of the said Article apply. In this case, “may make a payment” in Paragraph 2 of the said Article shall be replaced with “shall make a payment.”

Act on the Japan Student Services Organization

Article 18 (1) When the Organization has the reserves stipulated in Article 44(1) of the Act on the General Rules for Incorporated Administrative Agencies after the adjustments stipulated in Article 44(1) or 44(2) of the Act for the last fiscal year of the period for a medium-term target period (hereinafter referred to as the “medium-term target period” in this paragraph) stipulated by Article 29(2)(i) of the Act, the Organization may use the portion approved by the Minister of Education, Culture, Sports, Science and Technology out of the equivalent to the reserve amount for operations stipulated in Article 13 of the Act for the next medium-term plan period, under the medium-term plan approved pursuant to Article 30(1) of the Act with regard to the next medium-term target period after the relevant medium-term target period.

(2) When the Organization has a surplus after deducting the amount approved in paragraph (1) from the reserve amount stipulated in the same clause, it shall pay the surplus to the national treasury.

(3) In addition to the matters stipulated in the above two paragraphs, any other necessary matters regarding procedures for payment to the national treasury and other measures for disposal of reserves shall be stipulated by government ordinance.

## 6. Special remarks

- 1) The policy costs of Japan Student Services Organization (JASSO)'s non-interest-bearing loan program (using FILP) and interest-bearing loan program are incurred because JASSO provides long-term funds with low interest rates for school fees to superior students who have difficulty in continuing their studies for economic reasons. As a result, these students can be self-supported and study without worry, developing capable and creative human resources that will make significant contribution to society in the future.
- 2) This analysis is for the accounting division of the "administration pertaining to the Category 1 Loans" (using FILP) and the "administration pertaining to the Category 2 Loans" under Article 17 Paragraph 1 Items 2 and 3 of the Ministerial Order Pertaining to JASSO (Incorporated Administrative Agency.)
- 3) The following systematic revisions apply for the newly qualified borrower students as of FY2007 in order to contribute to the reduction of the interest subsidies in the future and to the convenience of the students.
  - (A) Since the funds for the student loan within the period spent at school are interest-free (No interest on non-interest-bearing loans over full terms), such funds shall be short-term private borrowing, etc. in order to reduce the procurement cost of JASSO and the borrowers shall refinance such loans to long-term FILP funds upon the completion of financing depending on the selected interest rate.
  - (B) Provide students with options to select from a fixed interest rate or a variable interest rate for their repayment to eliminate the mismatching interest rates by borrowing the Fiscal Loan Fund in accordance with the selections.
- 4) The institution guarantee system by Japan Education Exchanges and Services has been introduced for recruits as well as the conventional personnel guarantee since FY2004.  
The percentage of recruits in FY2017 using the institution guarantee is 44.0%.  
Trend of institution guarantee members over the last three years, etc. are as follows:

<Trend of institution guarantee members (with and no interest)>

Category	Fy2015	FY2016	FY2017
Number of members	199,236	185,849	194,071
Percentage	43.5%	41.3%	44.0%

(Note) Figures in the above table represent the number of institution guarantee users and their percentage share of the total number of scholarship recruits.

<Trend of payment under guarantee (with and no interest)>

Category	Fy2015	FY2016	FY2017
Number of payment under guarantee	7,168	7,910	9,889
Amount of payment under guarantee	¥15.298 billion	¥17.165 billion	¥21.252 billion

(Note) The amount of payment under guarantee covers principal, interest and delinquency charges.

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

### 1) Interest-bearing loans

#### (i) Interest-bearing loans (FY2017)

781,029 persons    ¥687.9 billion  
 Non-interest-bearing loan program (using FILP) 8,655 persons    ¥5.2 billion  
 Interest-bearing loan program    772,374 persons    ¥682.7 billion

#### (ii) Interest-bearing loans (FY1984~2017)

4,950,207 persons    ¥11,301.4 billion  
 Non-interest-bearing loan program (using FILP) 8,655 persons    ¥5.2 billion  
 Interest-bearing loan program    4,941,552 persons    ¥11,296.2 billion

#### (iii) Outstanding balance of loans (at the end of FY2017)

3,644,359 persons    ¥6,627.3 billion  
 Non-interest-bearing loan program (using FILP) 8,639 persons    ¥5.2 billion  
 Interest-bearing loan program    3,635,720 persons    ¥ 6,622.1 billion

#### (iv) Projected lending (FY2018 planned)

781,783 persons    ¥693.7 billion  
 Non-interest-bearing loan program (using FILP) 24,352 persons    ¥16.6 billion  
 Interest-bearing loan program    757,431 persons    ¥677.1 billion

#### (v) Projected lending (FY2019 planned)

798,648 persons    ¥698.4 billion  
 Non-interest-bearing loan program (using FILP) 33,678 persons    ¥22.1 billion  
 Interest-bearing loan program    764,970 persons    ¥676.2 billion

(Note) The number of borrowers in (iii) include those who were repaying loans and those in school.

### 2) Main policy purposes and social/economic benefits

(i) Under the Scholarship Loan Program, loans for school fees are provided to students at universities, junior colleges, graduate schools, technical colleges, and special training colleges (professional courses) on the assumption that they will use their income after their graduation from these institutions for repaying the loans.

A part of the non-interest-bearing loan program is a transitional, limited measure to use fiscal loans from FY2017 only for students eligible for non-interest-bearing scholarship loans who have received interest-bearing loans and those who have become eligible for them as a result of the relaxation of academic results requirements for children of low-income households.

Since FY1999, the interest-bearing loan project has been drastically expanded to meet the needs of students through a significant increase in the number of borrowers, the introduction of an option system where students can select monthly loan amounts, the relaxation of lending terms, and other changes.

#### • Change in the number of borrowers

Non-interest-bearing loan program (using FILP)		Interest-bearing loan program	
(FY2017 planned)	(FY2019 planned)	(FY1999)	(FY2019 planned)
36,000 persons	→ 34,000 persons	208,000 persons	→ 765,000 persons

#### • Change in percentage of borrowers among college students

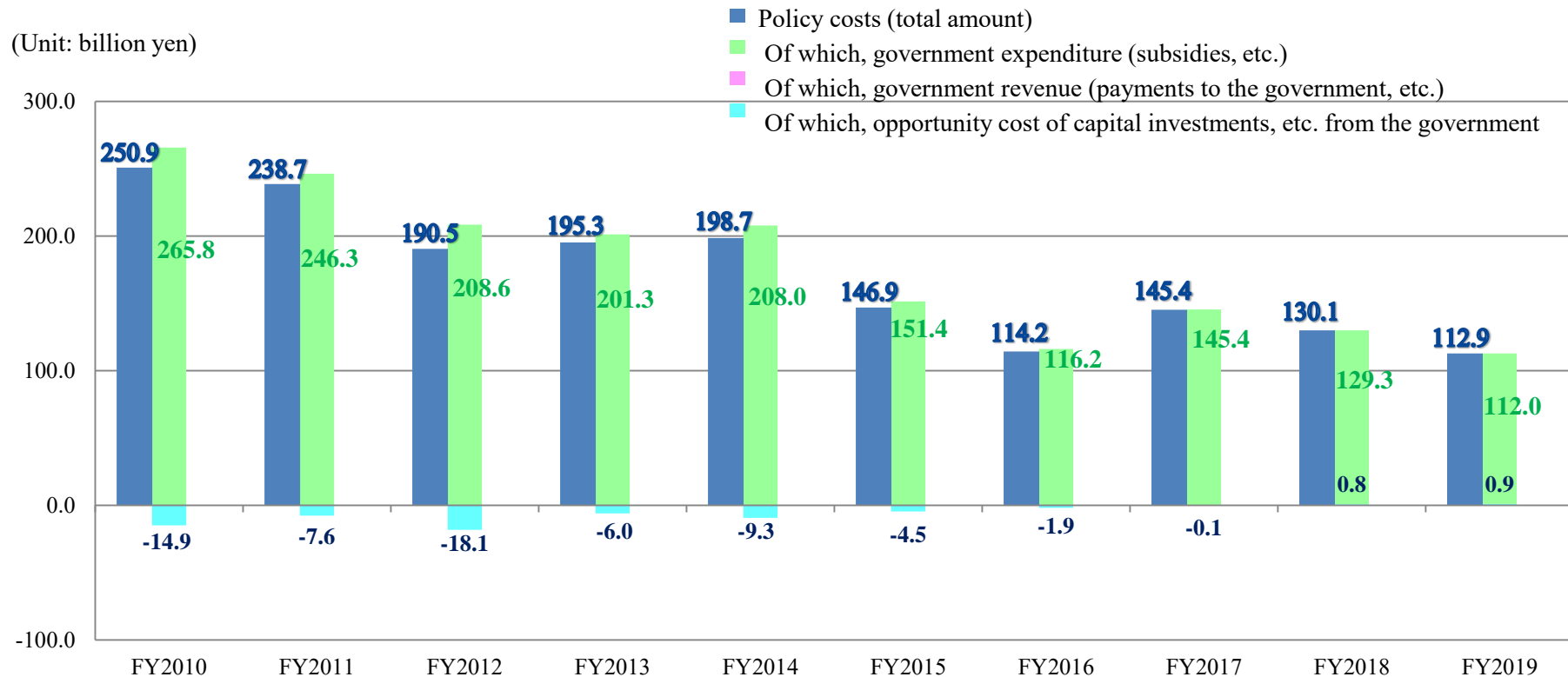
(FY1999)	(FY2019 planned)
6.1%	→ 22.7%
	(3.7 times)

(ii) Scholarship loan programs pave the way for students and others to gain independence and study with peace of mind, contribute to developing creative human resources having rich human capacities needed to shoulder the responsibilities of future generations and also to promoting mutual international understanding.

# (Reference) Changes in Policy Costs by Component

## <Japan Student Services Organization (Incorporated Administrative Agency)>

(Unit: billion yen)



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

### (Points)

• Policy costs have been on a decreasing trend in accordance with a decline in assumed interest rates, etc. Borrowers have decreased since FY2013. In the FY2019 plan, the number of borrowers stands at 34,000 for non-interest-bearing loans (using FILP) and 765,000 for interest-bearing loans.

(Reference) The following systematic revisions apply for newly qualified borrower students as of FY2007, mainly due to the reduction of the interest subsidies in the future, eliminating the mismatching interest rates.

- (1) Borrowers shall refinance loans as FILP funds depending on the selected interest rate condition (fixed interest rate reviewed every 5 years) for repayment.
- (2) As for interest rate for repayment, students can select a fixed interest rate or a variable interest rate for borrowing from the Fiscal Loan Fund.

## (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)
<b>(Assets)</b>				<b>(Liabilities and equity)</b>			
Current assets	9,421,231	9,545,355	9,731,119	Current liabilities	1,018,949	1,158,102	1,421,954
Cash and bank deposits	202,871	177,814	186,809	Debt from grants for operation cost	3,262	-	-
Loans	9,207,856	9,364,055	9,539,380	Deposited subsidies	1,018	-	-
First Category Scholarships	2,713,022	2,803,489	2,903,813	Deposited donations	2,486	2,664	2,664
Second Category Scholarships	6,561,633	6,622,007	6,692,406	Japan Student Services Organization bonds to be redeemed within a year	120,000	120,000	120,000
Loan loss provisions	-66,799	-61,441	-56,839	Long-term debts payable to be repaid within a year	880,540	1,023,694	1,285,429
Securities	6,699	2,499	3,598	Accrued payments	4,221	4,221	4,221
Advance payments	10	10	10	Unpaid consumption tax, etc.	21	21	21
Prepaid expenses	14	14	14	Lease liabilities	585	361	79
Accrued income	809	807	811	Accrued expenses	6,094	6,419	8,477
Reserve for possible loan loss	-6	-6	-6	Advances received	318	318	318
Accounts receivable	2,978	162	162	Deposit payable	350	350	350
Return for provision for bonuses	-	-	342	Temporary receipts	53	53	53
Fixed assets	171,054	168,623	176,254	Provisions	-	-	342
Tangible fixed assets	33,913	32,799	32,001	Provision for bonuses	-	-	342
Buildings	21,637	21,080	20,652	Fixed liabilities	8,497,147	8,475,454	8,402,100
Structures	27	25	23	Asset collateral liabilities	6,053	5,780	5,214
Vehicles and transportation equipment	1	1	1	Grants for asset collateral operation cost	2,715	2,925	3,118
Tools and equipment	1,575	1,022	652	Asset collateral facilities expenses	1	1	1
Land	10,673	10,673	10,673	Asset collateral subsidies	3,327	2,846	2,089
Intangible fixed assets	10,404	10,029	9,370	Asset collateral contributions	10	8	7
Land lease rights	5,451	5,451	5,451	Long-term deposited donations	2,470	1,781	848
Software	4,952	4,578	3,919	Japan Student Services Organization bonds	120,000	120,000	120,000
Telephone subscription right	1	1	1	Discount on bond	2	1	0
Investment and other assets	126,738	125,794	134,883	Long-term loans payable	8,367,899	8,347,498	8,271,216
Investment securities	22,486	23,993	20,400	Long-term deposits	70	70	70
Bankruptcy credit, revitalization credit, rehabilitation credit and the like	99,614	104,963	110,607	Long-term lease liabilities	540	211	132
Loan loss provisions	-99,221	-104,468	-109,943	Provisions	113	113	4,621
Expected value of outstanding financing measures	103,812	101,260	109,266	Provision for retirement benefits	-	-	4,507
Return for provision for retirement benefits	-	-	4,507	Provision for environmental measures	113	113	113
Guarantee deposits	46	46	46	(Total liabilities)	9,516,096	9,633,556	9,824,055
				Capital	100	100	100
				Government's equity	100	100	100
				Capital surplus	33,049	32,436	31,953
				Capital surplus	-601	-601	-601
				Other administrative costs accumulated	-25,095	-25,708	-26,191
				Amount equivalent to accumulated depreciation cost (-)	-14,515	-14,952	-15,435
				Amount equivalent to accumulated impairment loss (-)	-484	-	-
				Amount equivalent to accumulated net gains or losses on sale or disposal	-10,095	-10,756	-10,756
				Private-sector contributions	58,745	58,745	58,745
				Retained earnings	43,039	47,885	51,265
				Reserve carried forward during former medium-term target period	18,030	18,030	46,618
				Reserve fund	19,024	25,009	-
				Unappropriated income for the current year	5,985	4,846	4,647
				(Of this, gross profit)	5,985	4,846	4,647
				(Total equity)	76,189	80,421	83,318
Total assets	9,592,285	9,713,977	9,907,373	Total liabilities and equity	9,592,285	9,713,977	9,907,373

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

## Income Statement

(Unit: million yen)

Item	FY2017 (Result)	FY2018 (Estimated)	FY2019 (Planned)
Ordinary expenses	89,894	93,923	97,896
Administrative expenses for scholarships	70,904	74,356	78,732
Administrative expenses for assistance to foreign students	16,247	17,052	16,682
Administrative expenses for assistance to students	286	307	309
General and administrative expenses	2,457	2,208	2,173
Ordinary income	93,711	98,769	102,543
Income from grants for operating expenses	12,744	15,749	11,552
Interest on student loans	34,955	32,241	29,589
Interest on delinquent accounts	4,054	3,236	3,383
Income from foreign student dormitories	633	597	597
Income from Japanese schools	285	325	325
Income from fees for the Examination for Japanese University Admission for International Students	539	331	331
Other operating income	306	178	177
Trustee income	-	13	-
Income from subsidies, etc.	21,869	27,143	28,430
Expected value of financing measures	15,127	14,853	23,178
Income from donations	1,970	2,722	2,665
Income regarding return for provision for bonuses	-	-	342
Income regarding return for provision for retirement benefits	-	-	385
Reversal of asset collateral liabilities	1,015	1,186	1,478
(Reversal of grants for asset collateral operation cost)	640	703	720
(Reversal of asset collateral facilities expenses)	1	-	-
(Reversal of asset collateral subsidies)	372	481	757
(Reversal of asset collateral contributions)	1	1	1
Financial income	215	192	112
Ordinary profit	3,818	4,846	4,647
Temporary losses	11	0	4,790
Loss on sale of fixed assets	3	0	-
Loss on retirement of fixed assets	6	-	-
Impairment loss	2	-	-
Loss on disposal of leasing assets	1	-	-
Transfer of provision for bonuses	-	-	345
Retirement allowance cost accompanying accounting standard revision	-	-	4,445
Temporary profits	2,179	0	4,790
Reversal of allowance for doubtful receivables	2,169	-	-
Reversal of grants for asset collateral operation cost	9	0	-
Reversal of asset collateral subsidies	0	-	-
Other extraordinary profits	1	-	-
Income regarding return for provision for bonuses	-	-	345
Income regarding return for provision for retirement benefits	-	-	4,445
Net profit	5,985	4,846	4,647
Gross profit	5,985	4,846	4,647

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