

Japan Bank for International Cooperation (Account for Ordinary Operations)

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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 General Services Account pertains to all services other than special services concerning projects for the overseas development of social capital.

2. Amount of lending under FY2021 FILP

(Unit: billion yen)

FY2021 FILP	Estimated outstanding amount of FILP lending at the end of FY2020
1,074.0	8,476.2

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2020	FY2021	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*1	-105.0	-141.3	-36.3
3. Opportunity cost of capital investments, etc.	135.3	175.1	+39.8
Total (1+2+3=policy cost(A))	30.3	33.8	+3.5
Analysis period (years)	24 years	23 years	-1 year

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

Category	FY2020	FY2021	Fluctuation
(A) Policy cost (previously cited)	30.3	33.8	+3.5
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	129.0	165.4	+36.5
2) Policy cost expected to be newly accrued during the analysis period	-98.6	-131.6	-33.0
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-105.0	-141.3	-36.3
Opportunity cost of surplus, etc.	0.7	4.7	+4.0
Opportunity cost of capital investments, etc.	5.7	5.0	-0.7

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

	FY2020	FY2021	Simple fluctuation
Simple comparison (before adjustment)	30.3	33.8	+3.5
Past year comparison (after adjustment)	64.2	18.9	-45.2
	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2021 analysis)	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2020)	Real fluctuation (2-1)

【Real fluctuation factor analysis】

○Factors behind policy cost increase

- Increase in cost due to increase in loan losses (+59.8 billion yen)
- Increase in cost due to increase in advanced redemption (+19.0 billion yen)
- Increase in cost due to finalization of FY2019 results and revision of FY2020 projections (+5.0 billion yen)

○Factors behind policy cost decrease

- Decrease in cost through new loans provided in FY2021 (-91.2 billion yen)
- Cost decrease due to supplementary FY2020 budgets and FILPs (-37.0 billion yen)
- Others (Decrease in cost due to an increase in guarantee fees, etc.) (-0.8 billion yen)

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

(A) Policy cost in FY2021 (previously cited)	33.8
1) Prepayments	42.4
2) Loan losses	586.6
3) Others (including profit spread)	-595.1

(5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy*2	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
33.8	138.5	+104.6	-	-120.2	+224.9

(A) Policy cost (previously cited)	Case of a 1% increase in loan charge-offs	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
33.8	39.1	+5.2	-	+2.8	+2.5

(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

- 1) The estimation covers the General Services Account of the Japan Bank for International Cooperation.
- 2) Scale of account: Outstanding balance of financing at the end of FY2019 is 13.4673 trillion yen, 3.3 trillion yen for FY2020 (estimate), and 2.6 trillion yen for FY2021 (estimate).
- 3) The analysis period is 23 years from FY2021 to FY2043, when the longest-term loans will be repaid.
- 4) Early 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 FY2021, 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 FY2022.
- 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 charge-off amount is calculated using external statistical data widely used by private financial institutions (total amount during analysis period is 587.6 billion yen; however, the estimated amount is strictly a potential amount and will not necessarily be actualized in the future). The loan loss provision ratio for both loans is as given below.
- 7) At the end of FY2019, the outstanding balance of the risk management loans was 353.1 billion yen. The share of such loans in the total outstanding loan balance was 2.69%.

FY	Result				Estimated 2020	Planned 2021	Assumptions for calculation 2022-2043
	2016	2017	2018	2019			
Prepayment ratio	1.21%	2.28%	2.35%	2.50%	1.04%	0.81%	Each FY: 1.92% ^{Note 1}
Loan loss provision ratio	-	-	-	0.02%	-	-	Cumulative total: 3.77% ^{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 FY2022 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 Account for general services (general services 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 Account for general services: Amount equivalent to the capital specified in the account for general services

Article 7: In the event that the amount of the surplus recorded in each of the general and special services 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 general and special services 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 (General Services 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 1950-2019: 81,934.9 billion yen (including 74,035.1 billion yen in loans and 490.3 billion yen in equity participation)
- Loan, equity participation and guarantee commitments in FY2019: 1,678.8 billion yen (including 1,593.2 billion yen in loans and 9.7 billion yen in equity participation)
- Loan, equity participation and guarantee disbursements in FY2019: 1,794.9 billion yen (including 1,659.9 billion yen in loans and 30.2 billion yen in equity participation)
- Loan, equity participation and guarantee outstanding balance at the end of FY2019: 15,585.7 billion yen (including 13,114.6 billion yen in loans and 352.8 billion yen in equity participation)
- Loan, equity participation and guarantee commitment planned for FY2021: 2,600.0 billion yen (including 2,500.0 billion yen in loans and 100.0 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 FY2019 included 1.95 million tons of liquefied natural gas, 860,000 tons of methanol, 95,000 tons of copper, 95,000 tons of lead (on a contained metal basis). (Japan Bank for International Cooperation survey, FY2020)

(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 FY2018 and FY2019, the production by export corporations and the order placed to domestic suppliers is 297.9 billion yen in total. Of this amount, the order to medium and small business is estimated 26.5 billion yen (Total approved amount is 291.8 billion yen). The estimated employees maintained/hired within the export corporations are about 483 per year. (Japan Bank for International Cooperation survey, FY2020)

(Survey on the effects on the Japanese economy)

The economic effects expected from the operations receiving financing can be classified into investment demand effect associated with initial capital investment and future production effect associated with future production activities. Of this, the trial calculation was performed, for the investment demand effect arising from the investment (aggregate total of project funding about 3,172.5 billion yen) in operations receiving the loans (total approved loan: 735.9 billion yen) - export loans, overseas investment loans including energy and natural resources finance or untied loans - approved in FY2019 up to the first induction stage. As a result, the effect on the Japanese economy is estimated to be about 1,294.1 billion yen when value added is taken into account. In addition, the effect on foreign economies is about 821.5 billion yen when value added is taken into account. (Japan Bank for International Cooperation survey, FY2020)

(Survey on gain of foreign assets by Japanese companies)

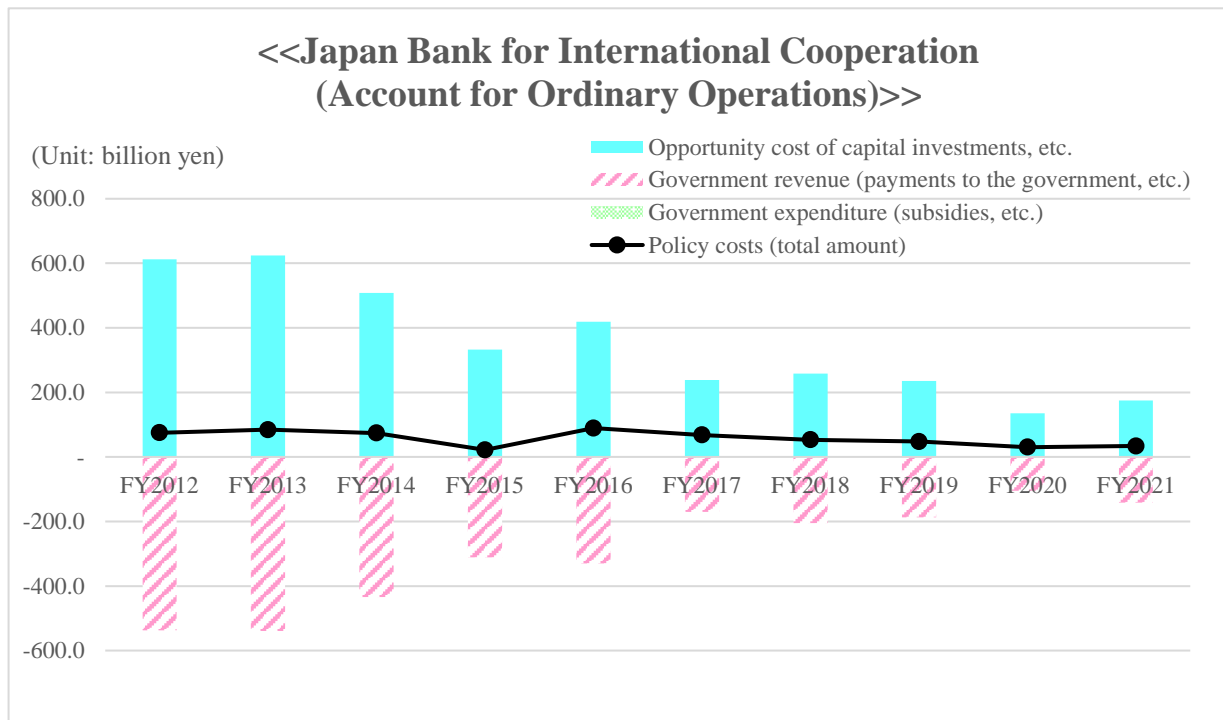
The amount of foreign assets gained by Japanese companies through operations receiving the overseas investment loans conducted in FY2019 is estimated to be about 3,850.2 billion yen. (Japan Bank for International Cooperation survey, FY2020)

(Reference 3) Effect on the preservation of the global environment

Loan guarantees totaling 22.0 billion yen were approved in FY2019 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 FY2020).

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 for FY2012 indicates the policy cost of JBIC operation, those from FY2013 to FY2015 indicate the policy cost of JBIC, and those from FY2019 to FY2021 indicate the policy cost of JBIC (General Services Account).

(Unit: billion yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Policy costs (total amount)	74.7	84.4	73.8	21.8	89.4	68.1	52.9	47.8	30.3	33.8
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-537.3	-539.6	-434.1	-310.9	-329.6	-170.5	-204.9	-187.7	-105.0	-141.3
Opportunity cost of capital investments, etc.	612.0	624.0	507.9	332.7	418.9	238.6	257.8	235.5	135.3	175.1

【Explanation of policy cost trends】

• Policy cost analysis of Japan Bank for International Cooperation (Account for Ordinary Operations) 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 (FY2021)】

- The results of the analysis of the policy cost for the JBIC Account for Ordinary Operations in FY2021 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, but the cost was the third lowest level in the past 10 years.
- In the sensitivity analysis of the case before the negative interest rate policy, the policy cost increased by about 104.6 billion yen from the basic case as a rise in opportunity cost of capital investments due to a hike in assumed interest rates throughout the analysis period 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 charge-offs) showed an increase of around 5.2 billion yen in cost due to a 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 Account for Ordinary Operations 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 approved for JBIC loans in FY2019 produced a great investment demand effect (estimated at about 1,294.1 billion yen in value added for primary investment induction), indicating that the policy cost for the JBIC Account for Ordinary Operations represents an indispensable cost for the spillover effect for the Japanese economy.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)	Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
(Assets)				(Liabilities and equity)			
Cash and deposits	1,272,476	288,629	332,807	Borrowed money			
Cash	0	0	0	Loans payable	6,786,499	6,453,088	5,893,263
Deposits	1,272,476	288,629	332,807	Bonds	4,886,647	6,478,394	7,996,768
Account for sales under agreement to resell	-	940,326	741,662	Other liabilities	422,800	911,461	989,013
Securities	352,751	405,397	505,397	Accrued expenses	57,183	74,341	109,580
Stocks	255	255	255	Advance revenues	41,921	31,415	22,884
Other securities	352,496	405,142	505,142	Derivatives	48,336	530,523	581,368
Loans				Cash collateral received for financial instruments	268,350	268,350	268,350
Loan on deeds	13,114,594	14,486,835	15,592,394	Other liabilities	7,011	6,832	6,832
Other assets	431,616	229,047	310,655	Reserve for bonuses	579	609	612
Prepaid expenses	603	603	603	Reserve for directors' bonuses	10	10	10
Accrued revenue	81,436	120,762	229,095	Reserves for retirement pensions	6,695	6,695	6,695
Derivatives	293,535	50,944	24,219	Reserve for directors' retirement benefits	44	11	11
Cash collateral paid for financial instruments	55,440	55,440	55,440	Acceptances and guarantees	2,118,383	2,273,440	2,236,360
Other assets	602	1,299	1,299	(Total liabilities)	14,221,658	16,123,709	17,122,733
Tangible fixed assets	28,115	28,593	29,444	Capital	1,590,500	1,660,500	1,710,500
Buildings	3,030	3,403	3,858	Retained earnings	996,188	987,833	1,017,083
Land	24,312	24,312	24,312	Earned reserve	879,277	937,733	962,783
Construction in progress	0	196	808	Other retained earnings			
Other tangible fixed assets	773	682	466	Earned surplus carried forward	116,911	50,100	54,300
Intangible fixed assets				Total shareholders' equity	2,586,688	2,648,333	2,727,583
Software	5,220	4,857	10,378	Valuation difference on securities	-3,487	-4,312	-4,312
Customer's liabilities for acceptance and guarantee	2,118,383	2,273,440	2,236,360	Deferral hedge profit/loss	232,780	-449,976	-476,572
Allowances for bad debts	-285,516	-339,372	-389,666	Total valuation differences and translation adjustments	229,294	-454,288	-480,884
				(Total equity)	2,815,982	2,194,044	2,246,699
Total assets	17,037,639	18,317,753	19,369,432	Total liabilities and equity	17,037,639	18,317,753	19,369,432

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

Income Statement

(Unit: million yen)

Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
Ordinary income	481,707	371,189	738,960
Revenue from fund management	416,721	351,004	723,803
Interest on loans	398,798	346,139	720,310
Interest and dividends on securities	1,004	491	-
Interest on deposits	16,859	4,302	3,493
Other interest received	61	71	-
Revenue from service transactions, etc.	25,269	18,439	15,037
Other service revenue	25,269	18,439	15,037
Other operating revenue	-	1,014	-
Foreign exchange trading profit	-	1,014	-
Other ordinary income	39,717	733	120
Reversal of allowance for doubtful receivables	7,468	-	-
Bad debt recovered	29,308	0	-
Equity earnings regarding investment in association	2,742	-	-
Other ordinary income	199	733	120
Ordinary expenses	364,812	321,077	684,639
Financing cost	329,655	234,858	600,117
Interest on borrowed money	126,813	70,149	162,024
Interest on bonds	118,281	122,246	238,984
Interest on interest-rate swap	84,542	42,180	198,870
Other interest paid	19	283	238
Expenses for service transactions, etc.	2,567	3,106	2,945
Other service expenses	2,567	3,106	2,945
Other operating expenses	8,900	5,453	5,313
Foreign exchange trading losses	6,465	-	-
Amortization of bond issue expenses	1,118	4,330	4,434
Expenses on derivatives	814	-	-
Other operating expenses	503	1,123	880
Business expenses	20,791	23,805	25,970
Other ordinary expenses	2,900	53,856	50,294
Provision of allowance for bad debts	-	53,856	50,294
Written-off of loans	2,898	-	-
Other ordinary expenses	2	-	-
Ordinary profit	116,894	50,112	54,321
Extraordinary profits	17	1	-
Gain on sales and retirement of noncurrent assets	17	1	-
Extraordinary loss	0	13	21
Loss on sales and retirement of noncurrent assets	0	13	21
Net profit	116,911	50,100	54,300

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