

Japan Bank for International Cooperation (Account for Special Operations)

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

1. Summary of operations implemented using FILP funds

• Loans that contribute to supporting Japanese companies' overseas expansion for foreign social capital development projects, among those 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 global warming and preventing international financial turmoil or dealing with the damage caused thereby.

2. Amount of lending under FY2021 FILP

(Unit: billion yen)

FY2021 FILP	Estimated outstanding amount of FILP lending at the end of FY2020
91.0	234.3

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	-9.8	-8.3	+1.4
3. Opportunity cost of capital investments, etc.	17.4	18.9	+1.5
Total (1+2+3=policy cost(A))	7.6	10.6	+3.0
Analysis period (years)	20 years	20 years	-

(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)	7.6	10.6	+3.0
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	17.2	22.1	+4.9
2) Policy cost expected to be newly accrued during the analysis period	-9.5	-11.5	-2.0
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-9.8	-8.3	+1.4
Opportunity cost of surplus, etc.	-0.3	-3.9	-3.6
Opportunity cost of capital investments, etc.	0.6	0.7	+0.1

(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.
10.6	11.2	+0.6	-	-17.2	+17.9

(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.
10.6	10.8	+0.2	-	+0.1	+0.1

(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.

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2020	FY2021	Simple fluctuation
		Simple comparison (before adjustment)	7.6	10.6
Past year comparison (after adjustment)	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)
		8.4	10.5	+2.1

【Real fluctuation factor analysis】

○Factors behind policy cost increase

- Increase in cost due to finalization of FY2019 results and revision of FY2020 projections (+47.8 billion yen)

○Factors behind policy cost decrease

- Decrease in cost through new loans provided in FY2021 (-25.8 billion yen)
 - Decrease in cost due to decrease in loan losses (-8.1 billion yen)
 - Decrease in cost due to decrease in prepayments (-4.5 billion yen)
 - Others (Decrease in cost due to an increase in guarantee fees) (-7.3 billion yen)

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

(A) Policy cost in FY2021 (previously cited)	10.6
1) Prepayments	6.6
2) Loan losses	24.5
3) Others (including profit spread)	-20.5

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

- 1) The estimation covers the Special Services Account of the Japan Bank for International Cooperation.
- 2) Scale of account: Outstanding balance of financing at the end of FY2020 is 100.0 billion yen (estimate), and 100.0 billion yen for FY2021.
- 3) The analysis period is 20 years from FY2021 to FY2040, when the longest-term loans will be repaid.
- 4) Early prepayments rate based on the past record of JBIC 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 for FY2021, the expense associated with new financing and that associated with the subsequent management of financing are distinguished and the latter is to be decreased according to the transition of the balance in FY2022 and thereafter.
- 6) The estimated charge-off amount in sovereign loan is based on internal country ratings in order to reflect the unique characteristics of the Paris Club and other public organizations as much as possible, while, in the case of non-sovereign loans, it is calculated using external statistical data widely used by private financial institutions. (total amount during analysis period is 24.7 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.

FY	Result			Estimated 2020	Planned 2021	Assumptions for calculation 2022-2040
	2017	2018	2019			
Prepayment ratio	-	-	-	-	-	Each FY: 1.92% ^{Note 1}
Loan loss provision ratio	-	-	-	-	-	Cumulative total: 11.88% ^{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

Government funds are accepted as needed in order to reinforce the management base necessary for performing duties as prescribed in the Japan Bank for International Cooperation Act.

(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:

2 Account for special services (special 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:

2 Account for special services: Amount equivalent to the capital specified in the account for special 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 (Special Services Account) basically books the payments to the national treasury throughout the analysis period except for a certain period, so that additional fiscal spending is not required.

(Reference) Outcome and social and economic benefits of operations

1) Lending and Equity participation

•Loans approved in FY2016-2019: 35.8 billion yen

•Loan and equity commitments in FY2019: - billion yen

•Loans provided for FY2019: 14.1 billion yen

•Outstanding loans at the end of FY2019: 19.4 billion yen

•Loan, equity participation and guarantee commitment planned for FY2021: 100.0 billion yen (including 95.0 billion yen in loans and 5.0 billion yen in equity participation)

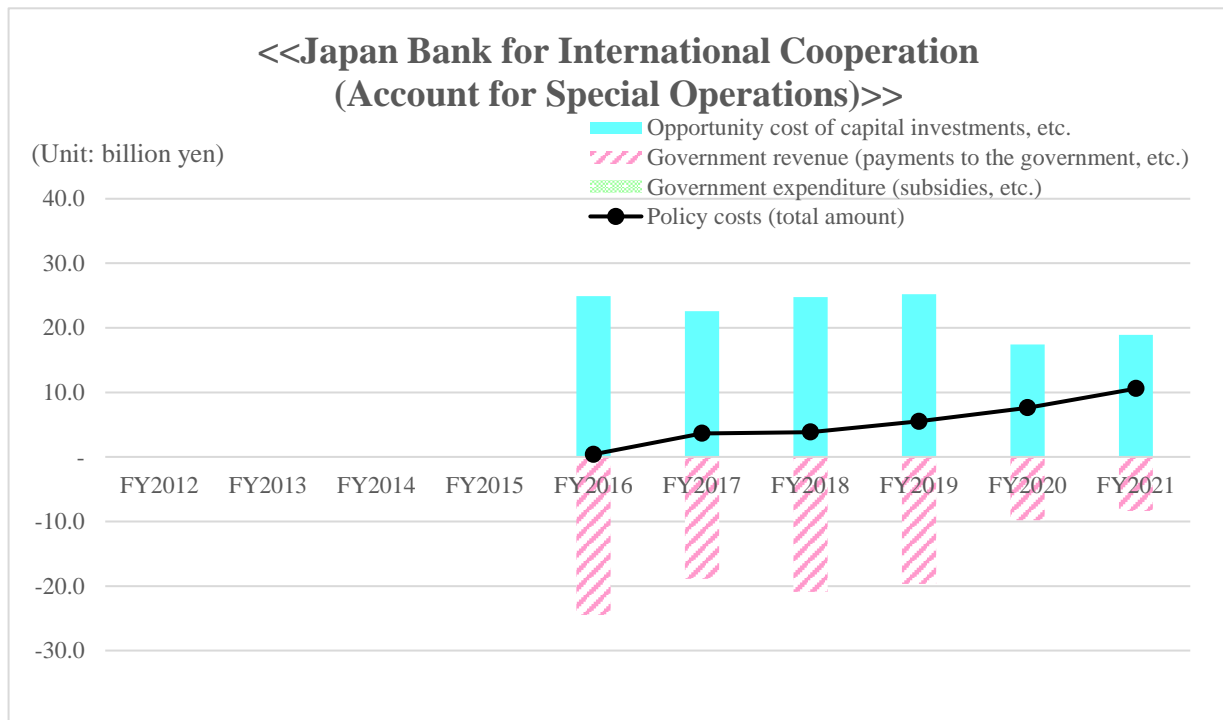
(Note) This account was created on October 1, 2016.

2) Primary types of financing for social and economic benefits

JBIC provides necessary finance in order to support Japanese companies' overseas business expansion in projects for the overseas development of social capital, thereby contributing to the sound development of domestic and international economic societies.

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)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Policy costs (total amount)					0.4	3.7	3.8	5.5	7.6	10.6
Government expenditure (subsidies, etc.)					-	-	-	-	-	-
Government revenue (payments to the government, etc.)					-24.5	-18.9	-20.9	-19.7	-9.8	-8.3
Opportunity cost of capital investments, etc.					24.9	22.6	24.8	25.2	17.4	18.9

【Explanation of policy cost trends】

- Policy cost analysis of Japan Bank for International Cooperation (Account for Special Operations) books the payments to the national treasury throughout the period of analysis except for a certain period, 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 policy cost for the JBIC Account for Special Operations in the FY2021 analysis rose to the highest level since the creation of the account due mainly to unnecessary effects in FY2019.
- In the sensitivity analysis of the case before the negative interest rate policy, the policy cost increased by about 0.6 billion yen as a rise in opportunity cost of capital investments due to a hike in assumed interest rates 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 200 million yen in cost 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 Account for Special 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 (planned at 100.0 billion yen on a budget basis) to be approved for JBIC loans in FY2021 are expected to produce a great investment demand effect, indicating that the policy cost for the JBIC Account for Special Operations represents an indispensable cost for a 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				Borrowings			
Deposits	271,848	6,462	10,662	Loans payable	-	81,000	162,000
Account for sales under agreement to resell	-	259,643	252,411	Other liabilities	1,658	30,143	29,515
Securities				Accrued expenses	5	396	555
Other securities	-	5,005	10,005	Derivatives	1,529	29,621	28,836
Loans				Cash collateral received for financial instruments	110	110	110
Loan on deeds	19,386	114,371	208,230	Other liabilities	15	15	15
Other assets	2,011	3,710	5,635	Reserve for bonuses	8	9	11
Prepaid expenses	8	8	8	Reserve for directors' bonuses	0	0	0
Accrued revenue	382	1,461	3,458	Reserves for retirement pensions	20	20	20
Derivatives	105	725	654	Reserve for directors' retirement benefits	0	0	0
Cash collateral paid for financial instruments	1,510	1,510	1,510	Acceptances and guarantees	-	19,600	39,200
Other assets	7	7	7	(Total liabilities)	1,687	130,772	230,747
Customer's liabilities for acceptance and guarantee	-	19,600	39,200	Capital	293,300	303,300	313,300
Allowances for bad debts	- 339	- 2,698	- 7,709	Retained earnings	- 605	365	1,163
				Earned reserve	-	-	183
				Other retained earnings			
				Earned surplus carried forward	- 605	365	980
				Total shareholders' equity	292,695	303,665	314,463
				Valuation difference on securities	-	5	5
				Deferral hedge profit/loss	- 1,477	- 28,349	- 26,779
				Total valuation differences and translation adjustments	- 1,477	- 28,344	- 26,774
				(Total equity)	291,218	275,322	287,688
Total assets	292,905	406,093	518,435	Total liabilities and equity	292,905	406,093	518,435

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	580	5,411	13,354
Revenue from fund management	577	4,223	11,533
Interest on loans	577	4,223	11,453
Interest on deposits	0	0	79
Other interest received	0	0	-
Revenue from service transactions, etc.	-	1,157	1,821
Other service revenue	-	1,157	1,821
Other operating revenue	0	22	-
Foreign exchange trading profit	0	22	-
Other ordinary income	2	10	1
Other ordinary income	2	10	1
Ordinary expenses	725	4,441	12,374
Financing cost	145	1,554	6,506
Interest on borrowed money	-	503	2,629
Interest on interest-rate swap	145	1,050	3,876
Other interest paid	0	1	1
Expenses for service transactions, etc.	38	170	392
Other service expenses	38	170	392
Business expenses	289	359	465
Other ordinary expenses	252	2,359	5,011
Provision of allowance for bad debts	252	2,359	5,011
Other ordinary expenses	0	-	-
Ordinary profit or loss (-)	- 146	970	980
Net profit or loss (-)	- 146	970	980

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