

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 (utilizing 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 FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
584.9	6,429.7

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	92.5	149.9	+57.4
2. Government revenue (payments to the government, etc.)*1	-	-1.9	-1.9
3. Opportunity cost of capital investments, etc.	1.2	0.0	-1.2
Total (1+2+3=policy cost(A))	93.7	148.0	+54.2
Analysis period (years)	26 years	26 years	-

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

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	93.7	148.0	+54.2
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	93.7	148.0	+54.2
Government expenditure (subsidies, etc.)	92.5	149.9	+57.4
Government revenue (payments to the government, etc.)*1	-	-1.9	-1.9
Opportunity cost of surplus, etc.	1.2	-	-1.2
Opportunity cost of capital investments, etc.	-	-	-

(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.
148.0	133.8	-14.2	-8.6	-5.6	+0.0

(A) Policy cost (previously cited)	Case of a 1% increase in loan write-offs	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
148.0	149.2	+1.2	+1.2	-0.0	-

(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		FY2021	FY2022	Simple fluctuation
		Simple comparison (before adjustment)	93.7	148.0
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)			Real fluctuation (2-1)
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)	86.0	153.5	+67.5

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to the revision of the way of loan losses estimation (+76.5 billion yen)
- Increase in cost due to a rise in administrative expenses by new loans, etc. (+9.6 billion yen)
- Others (Increase in cost due to a rise in repayment exemptions, etc.) (+17.7 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to the appropriation of retained surplus to allowance for loan losses (-33.8 billion yen)
- Decrease in cost due to the elimination of opportunity cost accompanying the abovementioned appropriation of retained surplus (-1.8 billion yen)
- Decrease in cost due to the finalization of FY2020 results (-0.7 billion yen)

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

(A) Policy cost in FY2022 (previously cited)	148.0
1) Prepayments	7.8
2) Loan losses	37.2
3) Others (including profit spread)	103.0

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 620.8 billion yen in project cost planned in FY2022 and loans for relevant grades are implemented in addition to the outstanding loan balance of 6,687.2 billion yen at the end of FY2021.
- 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 estimated in the FY2022.
- 7) As for the loan write-off rate, loan write-offs are estimated under an assumption that estimated allowance for loan losses at the end of each fiscal year will be used for the write-offs within the rest of the analysis period. A total of 124.4 billion yen in loan write-offs are estimated in the analysis period beginning from FY2022.

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

FY	Result				Estimated 2021	Planned 2022	Assumptions for calculation 2023 and on
	2017	2018	2019	2020			
Prepayment ratio	3.573%	3.929%	2.043%	2.150%	1.303%	1.191%	2023 and on: 1.191%
Loan write-off ratio	-	-	-	-	0.014%	0.017%	Cumulative total in and after 2023: 0.564%

Prepayment and loan write-off ratios for the interest-bearing loan program

FY	Result				Estimated 2021	Planned 2022	Assumptions for calculation 2023 and on
	2017	2018	2019	2020			
Prepayment ratio	2.832%	2.752%	2.527%	2.759%	2.077%	1.852%	2023 and on: 1.852%
Loan write-off ratio	0.006%	0.008%	0.010%	0.006%	0.010%	0.006%	Cumulative total in and after 2023: 3.316%

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 write 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.

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 JASSO shall refinance them to long-term FILP funds at the end of the loan lending period 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 personal guarantee since FY2004.

The percentage of recruits in FY2020 using the institution guarantee is 55.4%.

Trend of institution guarantee members over the last three years, etc. are as follows:

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

Category	FY2018	FY2019	FY2020
Number of members	207,411	236,080	250,098
Percentage	47.7%	54.0%	55.4%

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

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

Category	FY2018	FY2019	FY2020
Number of payment under guarantee	11,220	13,073	12,205
Amount of payment under guarantee	23.728 billion yen	27.200 billion yen	24.779 billion yen

(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, etc.

(i) Interest-bearing loans (FY2020)

721,478 persons 614.4 billion yen

Non-interest-bearing loan program (using FILP) 8,637 persons 4.9 billion yen

Interest-bearing loan program 712,841 persons 609.5 billion yen

(ii) Interest-bearing loans (FY1984~2020)

5,668,483 persons 13,192.0 billion yen

Non-interest-bearing loan program (using FILP) 25,181 persons 32.0 billion yen

Interest-bearing loan program 5,643,302 persons 13,160.0 billion yen

(iii) Outstanding balance of loans (at the end of FY2020)

3,811,329 persons 6,705.7 billion yen

Non-interest-bearing loan program (using FILP) 24,581 persons 31.0 billion yen

Interest-bearing loan program 3,786,748 persons 6,674.7 billion yen

(iv) Projected lending (FY2021 planned)

769,871 persons 686.1 billion yen

Non-interest-bearing loan program (using FILP) 4,540 persons 2.8 billion yen

Interest-bearing loan program 765,331 persons 683.2 billion yen

(v) Projected lending (FY2022 planned)

726,622 persons 620.8 billion yen

Non-interest-bearing loan program (using FILP) 1,683 persons 1.0 billion yen

Interest-bearing loan program 724,939 persons 619.8 billion yen

(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)

(FY2017 planned) (FY2022 planned)

36,000 persons → 2,000 persons

Interest-bearing loan program

(FY1999) (FY2022 planned)

208,000 persons → 725,000 persons

•Change in percentage of borrowers among college students

(FY1999) (FY2022 planned)

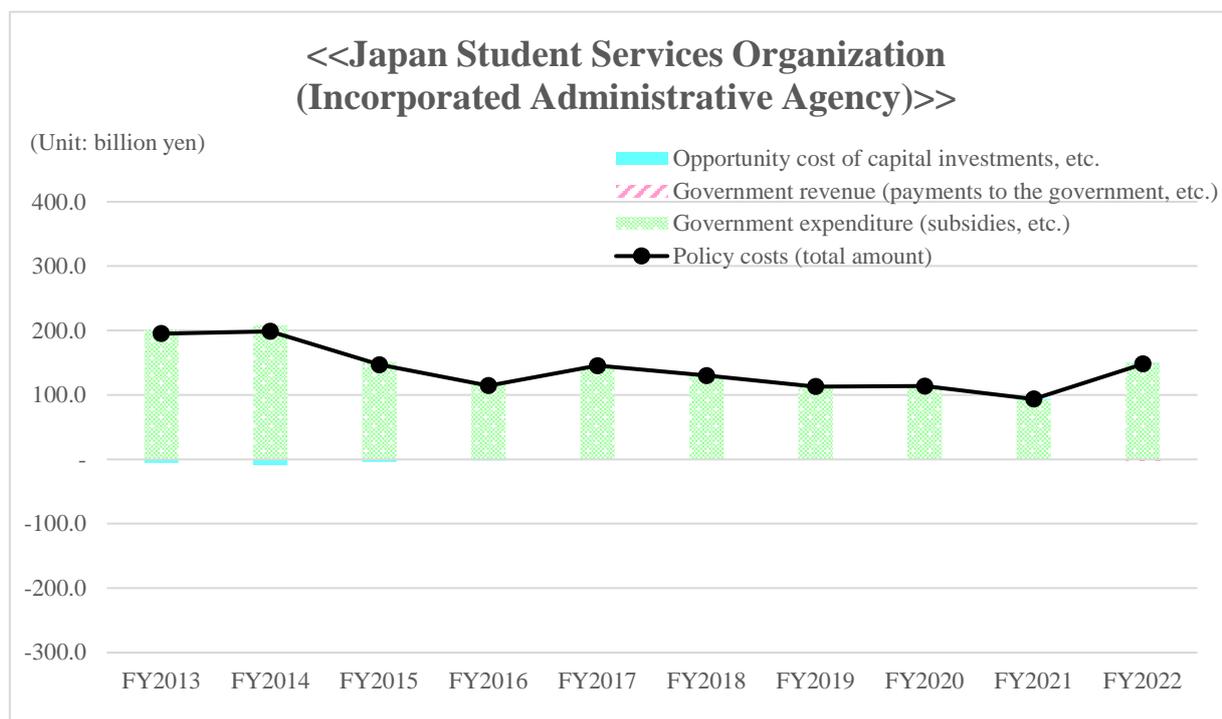
6.1% → 20.1%

(3.3 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.

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)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	195.3	198.7	146.9	114.2	145.4	130.1	112.9	113.6	93.7	148.0
Government expenditure (subsidies, etc.)	201.3	208.0	151.4	116.2	145.4	129.3	112.0	112.7	92.5	149.9
Government revenue (payments to the government, etc.)	-	-	-	-	-	-	-	-	-	-1.9
Opportunity cost of capital investments, etc.	-6.0	-9.3	-4.5	-1.9	-0.1	0.8	0.9	0.9	1.2	0.0

【Explanation of policy cost trends】

The Scholarship Loan Program has been enhanced and expanded through the relaxation of qualifications for scholarship loans to meet students' needs for loans to cover school expenses. However, JASSO's policy cost had followed a downtrend due mainly to the implementation of loan repayment recovery promotion measures and a decline in assumed interest rates.

The FY2022 policy cost turned upward apparently due to the significant revision of the way of loan losses estimation and an upward trend of assumed interest rates.

【FILP agency's self-assessment of policy cost analysis results (FY2022)】

The FY2022 policy cost increase came as the way of loan losses estimation was revised to secure its consistency with the way of estimating allowance for loan losses and future subsidies from government in budget, etc. Therefore, it is difficult to simply compare the results with previous ones. However, the policy cost increase is assessed as indispensable for meeting students' need.

In the sensitivity analysis (case before the negative interest rate policy), the policy cost decreased compared with the basic case because of factors such as the widening of interest rate differences arising from the restriction on borrowings from government fund for Fiscal Loan due to a rise in the assumed interest rates and an increase in the return on investment of surplus funds. Therefore, the analysis indicates no impact on JASSO's financial soundness.

In the sensitivity analysis (case of a 1% increase in loan write-offs), the policy cost increased compared with the basic case because it was necessary to increase subsidies from the national treasury due to an increase in the write-off amount. However, as the increase was limited, the impact on financial soundness is considered to be minimal.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
(Assets)				(Liabilities and net assets)			
Current assets	9,744,215	9,767,673	9,789,486	Current liabilities	990,142	1,101,398	1,347,091
Cash and bank deposits	310,234	304,208	304,772	Debt from grants for operation cost	745	-	-
Loans receivable	9,432,490	9,445,594	9,479,254	Deposited subsidies	46,498	-	-
First Category Scholarships	2,876,707	2,907,855	2,925,943	Deposited donations	3,472	1,968	1,123
Second Category Scholarships	6,592,624	6,568,111	6,578,391	Current portion of Japan Student Services Organization bonds	120,000	120,000	120,000
Allowance for loan losses	- 36,840	- 30,372	- 25,080	Current portion of long-term borrowings	811,096	970,715	1,215,332
Securities	-	16,400	4,000	Accrued payments	1,955	1,950	1,950
Advance payments	8	8	8	Unpaid consumption tax, etc.	-	52	52
Prepaid expenses	27	27	27	Lease liabilities	256	247	176
Accrued income	501	486	475	Accrued expenses	5,002	5,345	7,315
Allowance for loan losses	- 2	- 2	- 2	Advances received	157	142	142
Uncollected consumption tax	8	-	-	Deposit payable	561	576	599
Accounts receivable	581	581	581	Temporary receipts	30	30	30
Contra-accounts for provision for bonuses	370	372	372	Provisions			
Fixed assets	149,875	69,507	67,012	Provision for bonuses	370	372	372
Tangible fixed assets	31,302	30,200	29,389	Fixed liabilities	8,817,802	8,704,813	8,479,045
Buildings	19,387	18,568	17,972	Contra-accounts for assets	6,019	4,912	3,949
Structures	18	16	14	Contra-accounts for assets funded by operational grants	3,322	3,325	3,177
Vehicles and transportation equipment	0	0	0	Contra-accounts for assets funded by facilities expenses	0	0	0
Tools and equipment	1,224	943	731	Contra-accounts for assets funded by subsidies	2,691	1,581	766
Land	10,673	10,673	10,673	Contra-accounts for assets funded by contributions	6	6	6
Intangible fixed assets	10,580	9,639	8,794	Long-term deposited donations	1,552	3,349	4,751
Land lease rights	5,451	5,451	5,451	Japan Student Services Organization bonds	120,000	120,000	120,000
Software	5,129	4,187	3,343	Discount on bond	3	2	0
Telephone subscription right	1	1	1	Long-term borrowings	8,685,403	8,571,973	8,345,776
Investment and other assets	107,993	29,669	28,829	Long-term deposits	70	70	70
Investment securities	20,400	4,000	-	Long-term lease liabilities	453	340	326
Claims in bankruptcy, reorganization, rehabilitation, etc.	122,719	127,304	131,604	Provisions			
Allowance for loan losses	- 120,852	- 125,220	- 129,276	Provision for retirement benefits	4,303	4,167	4,172
Future subsidies from government	81,309	19,304	22,214	(Total liabilities)	9,807,944	9,806,212	9,826,136
Contra-accounts for provision for retirement benefits	4,303	4,167	4,172	Capital			
Guarantee deposits	114	114	114	Government investment	100	100	100
Total assets	9,894,091	9,837,181	9,856,498	Capital surplus	30,826	30,075	29,552
				Capital surplus	- 601	- 601	- 601
				Other administrative costs accumulated	- 27,318	- 28,069	- 28,592
				Amount equivalent to accumulated depreciation cost (-)	- 16,510	- 17,237	- 17,735
				Amount equivalent to accumulated net gains or losses on sale or disposal (-)	- 10,807	- 10,832	- 10,857
				Private-sector contributions	58,745	58,745	58,745
				Retained surplus	55,220	794	711
				Reserve fund carried over from the previous Mid-term Objective period	45,635	244	104
				Reserve fund	4,445	9,586	550
				Unappropriated profit or loss for the current year	5,141	- 9,035	56
				(Of this, gross profit or loss)	(5,141)	(- 9,035)	(56)
				(Total net assets)	86,147	30,969	30,363
				Total liabilities and net assets	9,894,091	9,837,181	9,856,498

Notes 1. The balance sheet includes amounts for projects other than those subject to the policy cost analysis.

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

Income Statement

(Unit: million yen)

Item	FY2020 (Result)	FY2021 (Estimated)	FY2022 (Planned)
Ordinary expenses	252,099	389,842	332,513
Administrative expenses for scholarships	119,108	136,199	62,667
Administrative expenses for scholarship grants	119	12	12
Administrative expenses for scholarship grants to support learning	121,418	234,674	253,051
Administrative expenses for support programs for international students	8,761	16,383	14,179
Administrative expenses for student support programs	284	301	282
General and administrative expenses	2,408	2,271	2,321
Ordinary income	250,746	388,847	332,106
Income from grants for operating expenses	13,739	14,727	13,922
Income from facility usage fee	34	597	415
Interest on student loans	26,684	23,712	21,421
Interest on delinquent accounts	3,813	2,687	2,666
Income from foreign student dormitories	566	597	597
Income from Japanese schools	219	325	325
Income from fees for the Examination for Japanese University Admission for International Students	351	426	426
Other operating income	1,551	177	177
Trustee income	21	33	33
Income from subsidies, etc.	198,668	340,806	288,863
Subsidy revenue	27	-	-
Income from donations	2,220	2,022	667
Income regarding contra-accounts for provision for bonuses	370	372	372
Income regarding contra-accounts for provision for retirement benefits	273	273	273
Reversal of contra-accounts for assets	2,173	2,085	1,942
(Reversal of contra-accounts for assets funded by operational grants)	(971)	(967)	(1,119)
(Reversal of contra-accounts for assets funded by facilities expenses)	(1)	(-)	(-)
(Reversal of contra-accounts for assets funded by subsidies)	(1,199)	(1,116)	(822)
(Reversal of contra-accounts for assets funded by contributions)	(2)	(1)	(1)
Financial income	37	6	5
Ordinary loss	1,352	995	407
Temporary losses	1	54,363	1
Loss on retirement of fixed assets	1	1	1
Reversal of expected amount to be granted from the national budget	-	54,362	-
Temporary profits	6,348	932	325
Reversal of allowance for loan losses	6,347	931	324
Reversal of contra-accounts for assets funded by operational grants	1	1	1
Reversal of contra-accounts for assets funded by contributions	0	0	0
Net profit or loss	4,995	- 54,426	- 83
Reversal of reserve fund carried over from the previous Mid-term Objective period	146	45,391	140
Gross profit or loss	5,141	- 9,035	56

Notes 1. The income statement includes amounts for projects other than those subject to the policy cost analysis.

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