

# Japan Bank for International Cooperation (Special Operations Account)

<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 FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
86.0	258.5

## 3. Estimated policy cost analysis of the project

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

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*	-11.5	-30.7	-19.2
3. Opportunity cost of capital investments, etc.	22.5	48.9	+26.4
<b>Total (1+2+3=policy cost(A))</b>	<b>11.0</b>	<b>18.2</b>	<b>+7.2</b>
Analysis period (years)	20 years	20 years	-

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

Category	FY2022	FY2023	Fluctuation
(A) Policy cost (previously cited)	11.0	18.2	+7.2
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	27.6	68.9	+41.2
2) Policy cost expected to be newly accrued during the analysis period	-16.6	-50.7	-34.0
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*	-11.5	-30.7	-19.2
Opportunity cost of surplus, etc.	-6.0	-21.0	-15.0
Opportunity cost of capital investments, etc.	0.9	1.1	+0.2

### (5) Sensitivity analysis (cases where assumptions change) (Unit: billion yen)

(A) Policy cost (previously cited)	Case of assumed interest rate + 1%	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
18.2	22.5	+4.3	-	-22.3	+26.6

(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.)*	3. Opportunity cost of capital investments, etc.
18.2	18.5	+0.3	-	+0.1	+0.1

(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.

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

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2022	FY2023	Simple fluctuation
		Simple comparison (before adjustment)	11.0	18.2
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)	11.9	14.2	+2.2
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

#### ○ Factors behind policy cost increase

- Increase in cost due to finalization of FY2021 results and revision of FY2022 projections (+11.0 billion yen)
- Increase in cost due to increase in loan losses (+3.2 billion yen)
- Increase in cost due to increase in prepayments (+1.4 billion yen)

#### ○ Factors behind policy cost decrease

- Decrease in cost due to interest rate gap for new loans provided in FY2023 (-11.4 billion yen)
- Other (Decrease in cost due to increase in guarantee charges, etc.) (-2.0 billion yen)

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

(A) Policy cost in FY2023 (previously cited)	18.2
1) Prepayments	7.8
2) Loan losses	26.7
3) Others (including profit spread)	-16.3

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

- 1) The estimation covers the Special Operations Account of the Japan Bank for International Cooperation (JBIC).
- 2) Scale of account: Outstanding balance of financing at the end of FY2021 is 52.0 billion yen, 100.0 billion yen planned investment loan for FY2022 and 150.0 billion yen for FY2023.
- 3) The analysis period is 20 years from FY2023 to FY2042, when the longest-term loans will be repaid.
- 4) 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 for FY2023, the expense associated with new loan 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 FY2024 and thereafter.
- 6) The estimated write-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 27.6 billion yen; however, the estimated amount is strictly a potential amount and will not necessarily be actualized in the future). The loan write-off ratio for both loans is as given below.

FY	Result				Estimated	Planned	Assumptions for calculation
	2018	2019	2020	2021	2022	2023	2024-2042
Prepayment ratio	-	-	-	-	-	-	Each FY: 2.13% Note 1
Loan write-off ratio	-	-	-	-	-	-	Cumulative total: 11.45% 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 FY2024 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 Special operations account (special operations 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 Special operations account: Amount equivalent to the capital specified in the special operations

Article 7: In the event that the amount of the surplus recorded in each of the ordinary and special operations 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 ordinary and special operations 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 Operations 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) Loans and investments, etc.

- Loans and investments approved in FY2016-2021: 51.9 billion yen (including 36.2 billion yen in loans and 15.7 billion yen in investments)
- Loans and investments approved in FY2021: 12.7 billion yen (including - billion yen in loans and 12.7 billion yen in investments)
- Loans and investments implemented in FY2021: 16.2 billion yen (including 3.3 billion yen in loans and 12.9 billion yen in investments)
- Outstanding loans and investments at the end of FY2021: 52.0 billion yen (including 36.1 billion yen in loans and 15.9 billion yen in investments)
- Loans and investments planned in FY2023: 150.0 billion yen (including 125.0 billion yen in loans and 25.0 billion yen in investments)

(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 private 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.

<Reference> Effects for maintaining and improving Japanese industries' international competitiveness

(Survey on domestic economic effects of export loans)

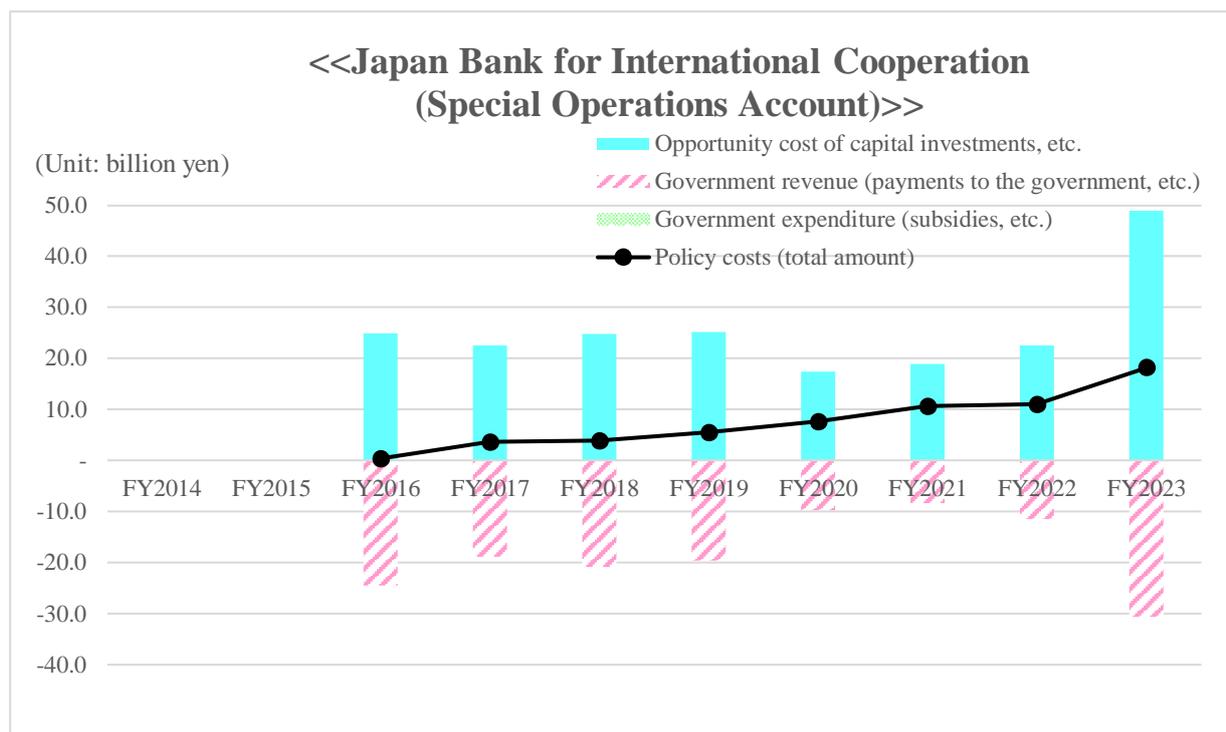
As for projects subject to export loans in FY2020, borrower exporters' own production and their orders placed with their domestic subcontractor are estimated at some 0.6 billion yen, including about 0.1 billion yen in orders placed with small and medium-sized enterprises (approved export loans totaled about 0.4 billion yen). In addition, these projects are estimated to have maintained or created about nine jobs a year at the exporters. (according to a JBIC survey in FY2022)

(Survey on spillover effects on the Japanese economy)

The economic effects expected from projects subject to investment and financing can be broadly classified into investment demand effects accompanying initial capital investments, etc. and future production effects accompanying future production. The trial calculation for the investment demand effect generated from investments in the investment target projects approved in FY2021 (approved loans totaled about 12.7 billion yen) was performed up to the first induced amount. Their spillover effects on developing and other foreign economies were estimated at about 0.8 billion yen in value added. The spillover effects on developing and other foreign economies include effects of projects subject to investments. (according to a JBIC survey in FY2022)

# 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)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)			0.4	3.7	3.8	5.5	7.6	10.6	11.0	18.2
Government expenditure (subsidies, etc.)			-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)			-24.5	-18.9	-20.9	-19.7	-9.8	-8.3	-11.5	-30.7
Opportunity cost of capital investments, etc.			24.9	22.6	24.8	25.2	17.4	18.9	22.5	48.9

### 【Explanation of policy cost trends】

- Policy cost analysis of Japan Bank for International Cooperation (Special Operations Account) books the payments to the government 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 (FY2023)】

- The policy cost for the JBIC (Special Operations Account) in the FY2023 analysis rose slightly from the previous year due mainly to unnecessary effects, etc. in FY2021.
- In the sensitivity analysis of the case of assumed interest rate + 1%, the policy cost increased by about 4.3 billion yen as a rise in opportunity cost of capital investments, etc. 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 write-offs) showed an increase of about 0.3 billion yen in cost due to an increase in opportunity cost of capital investments, etc. and a decrease in payments to the government.
- As the policy cost analysis for the JBIC (Special Operations Account) 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, among others.
- Investments in projects (planned at 125.0 billion yen on a budget basis) to be approved for JBIC loans in FY2023 are expected to produce a great investment demand effect, indicating that the policy cost for the JBIC (Special Operations Account) represents an indispensable cost for a spillover effect for the Japanese economy.

## (Reference) Financial Statements

## Balance Sheet

(Unit: million yen)

Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)	Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)
<b>(Assets)</b>				<b>(Liabilities and net assets)</b>			
Cash and deposits				Borrowed money			
Deposits	265,137	7,839	13,189	Borrowings	4,200	85,200	166,200
Account for sales under agreement to resell	-	260,042	206,607	Other liabilities	2,019	1,578	1,649
Securities				Accrued expenses	4	410	574
Other securities	15,882	21,218	46,218	Derivatives	1,960	1,113	1,021
Loans and bills discounted				Cash collateral received for financial instruments	20	20	20
Loan on deeds	36,092	126,362	241,428	Other liabilities	34	34	34
Other assets	3,276	6,553	8,864	Provision for bonuses	10	11	10
Prepaid expenses	8	8	8	Provision for directors' bonuses	0	0	0
Accrued revenue	980	1,210	2,236	Provision for retirement benefits	33	33	33
Derivatives	2	3,049	4,334	Provision for directors' retirement benefits	1	0	0
Cash collateral paid for financial instruments	2,280	2,280	2,280	Acceptances and guarantees	-	14,300	34,900
Other assets	6	6	6	(Total liabilities)	6,262	101,122	202,792
Customer's liabilities for acceptance and guarantee	-	14,300	34,900	Capital	313,300	323,300	328,300
Allowances for loan losses	-342	-5,736	-10,780	Retained earnings	29	1,004	1,509
				Earned reserve	-	14	509
				Other retained earnings			
				Earned surplus carried forward	29	990	1,000
				Total shareholders' equity	313,329	324,304	329,809
				Valuation difference on securities	336	672	672
				Deferral hedge profit/loss	119	4,479	7,152
				Total valuation differences and translation adjustments	455	5,151	7,824
				(Total net assets)	313,784	329,455	337,634
<b>Total assets</b>	<b>320,046</b>	<b>430,578</b>	<b>540,426</b>	<b>Total liabilities and net assets</b>	<b>320,046</b>	<b>430,578</b>	<b>540,426</b>

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

## Income Statement

(Unit: million yen)

Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
Ordinary income	1,896	9,840	16,504
Revenue from fund management	1,810	8,771	14,645
Interest on loans and discounts	1,810	8,662	14,492
Interest on deposits	0	108	153
Other interest received	0	0	-
Revenue from service transactions, etc.	-	946	1,859
Other service revenue	-	946	1,859
Other operating revenue	-	96	-
Foreign exchange trading profit	-	96	-
Other ordinary income	86	27	1
Reversal of allowance for doubtful accounts	83	-	-
Other ordinary income	3	27	1
Ordinary expenses	1,750	8,850	15,504
Financing cost	546	2,357	9,635
Interest on borrowed money	0	517	2,657
Interest on interest swaps	545	1,839	6,977
Other interest paid	1	1	1
Expenses for service transactions, etc.	78	571	346
Other service expenses	78	571	346
Other operating expenses	753	-	-
Foreign exchange trading losses	753	-	-
Business expenses	374	527	479
Other ordinary expenses	0	5,394	5,044
Provision of allowance for loan losses	-	5,394	5,044
Other ordinary expenses	0	-	-
Ordinary profit	146	990	1,000
Net profit	146	990	1,000

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