

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 FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
588.1	6,351.3

3. Estimated policy cost analysis of the project

(1) Policy cost

(Unit: billion yen)

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	149.9	106.6	-43.2
2. Government revenue (payments to the government, etc.)*	-1.9	-48.8	-46.9
3. Opportunity cost of capital investments, etc.	0.0	0.0	+0.0
Total (1+2+3=policy cost(A))	148.0	57.8	-90.1
Analysis period (years)	26 years	26 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)	148.0	57.8	-90.1
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	148.0	57.8	-90.1
Government expenditure (subsidies, etc.)	149.9	106.6	-43.2
Government revenue (payments to the government, etc.)*	-1.9	-48.8	-46.9
Opportunity cost of surplus, etc.	-	-	-
Opportunity cost of capital investments, 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)	148.0	57.8
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)	Real fluctuation (2-1)
		137.1	117.2	-19.9

[Real fluctuation factor analysis]

○ Factors behind policy cost increase

- Increase in cost due to interest rate gap for new loans provided in FY2023 (+6.2 billion yen)
- Increase in cost due to a rise in administrative expenses of new loans, etc. (+4.3 billion yen)
- Increase in cost due to a rise in repayment exemptions. (+2.5 billion yen)

○ Factors behind policy cost decrease

- Decrease in cost due to increase in prepayments (-6.4 billion yen)
- Decrease in cost due to decrease in loan losses (-3.4 billion yen)
- Decrease in cost due to finalization of FY2021 results and revision of FY2022 projections (-1.6 billion yen)
- Other (Decrease in cost due to increase in investment income, etc.) (-21.5 billion yen)

(4) Breakdown of policy cost by causative factor

(Unit: billion yen)

(A) Policy cost in FY2023 (previously cited)	57.8
1) Prepayments	-0.3
2) Loan losses	28.2
3) Others (including profit spread)	29.9

(5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case of assumed interest rate + 1%	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.)*		3. Opportunity cost of capital investments, etc.	
57.8	-11.9	-69.8	-11.1	-58.7	+0.0				
(A) Policy cost (previously cited)	Case of a 1% increase in loan write-offs	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.)*		3. Opportunity cost of capital investments, etc.	
57.8	59.0	+1.1	+1.1	+0.0	-				

(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 595.0 billion yen in project cost planned in FY2023 and loans for relevant grades are implemented in addition to the outstanding loan balance of 6,600.0 billion yen at the end of FY2022.
- 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, etc.) 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, etc.. Expenses for new loans are calculated based on the amount of scholarship loans provided and those for loan management, etc. are calculated based on the ratio of the balance of scholarship loans.
- 6) Prepayments are calculated based on the prepayment ratio estimated in the FY2023.
- 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 120.6 billion yen in loan write-offs are estimated in the analysis period beginning from FY2023.

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

FY	Result				Estimated 2022	Planned 2023	Assumptions for calculation 2024-2048
	2018	2019	2020	2021			
Prepayment ratio	3.929%	2.043%	2.150%	1.766%	1.527%	1.527%	2024 and on: 1.527%
Loan write-off ratio	-	-	-	-	0.018%	0.021%	Average in and after 2024: 0.530%

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

FY	Result				Estimated 2022	Planned 2023	Assumptions for calculation 2024-2048
	2018	2019	2020	2021			
Prepayment ratio	2.752%	2.527%	2.759%	2.634%	2.527%	2.527%	2024 and on: 2.527%
Loan write-off ratio	0.008%	0.010%	0.006%	0.008%	0.006%	0.008%	Average in and after 2024: 3.252%

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

In order to accomplish the purpose of scholarship programs, the Organization accepts operating expense grants such as administrative expenses, national subsidies for repayment exemption and loan write-offs compensations, and interest subsidies to reduce the burden on the users.

[Underlying laws and regulations]

- Subsidies and the interest subsidies 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 FY2021 using the institution guarantee is 53.8%.
Trend of new institutional guarantee members over the last three years, etc. are as follows:

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

Category	FY2019	FY2020	FY2021
Number of members	236,080	250,098	216,447
Percentage	54.0%	55.4%	53.8%

(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	FY2019	FY2020	FY2021
Number of payment under guarantee	13,073	12,205	10,649
Amount of payment under guarantee	27.200 billion yen	24.779 billion yen	20.933 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 (FY2021)

689,257 persons	590.4 billion yen		
Non-interest-bearing loan program (using FILP)		3,732 persons	2.1 billion yen
Interest-bearing loan program		685,525 persons	588.3 billion yen

(ii) Interest-bearing loans (FY1984~2021)

5,881,576 persons	13,782.4 billion yen		
Non-interest-bearing loan program (using FILP)		25,181 persons	34.1 billion yen
Interest-bearing loan program		5,856,395 persons	13,748.3 billion yen

(iii) Outstanding balance of loans (at the end of FY2021)

3,826,370 persons	6,663.9 billion yen		
Non-interest-bearing loan program (using FILP)		24,092 persons	31.7 billion yen
Interest-bearing loan program		3,802,278 persons	6,632.2 billion yen

(iv) 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

(v) Projected lending (FY2023 planned)

693,476 persons	595.0 billion yen		
Non-interest-bearing loan program (using FILP)		146 persons	0.1 billion yen
Interest-bearing loan program		693,330 persons	594.9 billion yen

(Note) The number of borrowers in (iii) includes 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, and the relaxation of loan criteria, and other changes.

• Change in the number of borrowers

Non-interest-bearing loan program (using FILP)		Interest-bearing loan program	
(FY2017 planned)	(FY2023 planned)	(FY1999)	(FY2023 planned)
36,000 persons	→ 146 persons	208,000 persons	→ 693,000 persons

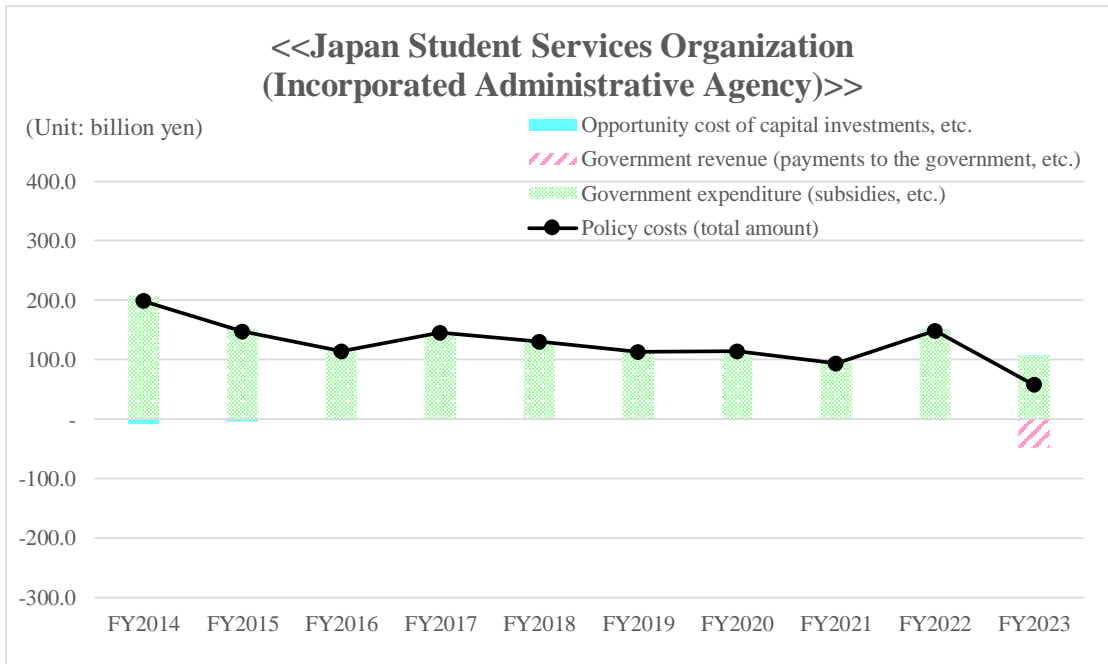
• Change in percentage of borrowers among college students

(FY1999)	(FY2023 planned)
6.1%	→ 18.9%
	(3.1 times)

(ii) Scholarship loan programs pave the way for students 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)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)	198.7	146.9	114.2	145.4	130.1	112.9	113.6	93.7	148.0	57.8
Government expenditure (subsidies, etc.)	208.0	151.4	116.2	145.4	129.3	112.0	112.7	92.5	149.9	106.6
Government revenue (payments to the government, etc.)	-	-	-	-	-	-	-	-	-1.9	-48.8
Opportunity cost of capital investments, etc.	-9.3	-4.5	-1.9	-0.1	0.8	0.9	0.9	1.2	0.0	0.0

【Explanation of policy cost trends】

The Scholarship Loan Program has been enhanced and expanded through the relaxation of qualifications, etc. 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.

In FY2022, policy cost turned to an increasing trend due to a major review of the future estimation method for the amount of loans write-offs, etc. However, in FY2023, policy cost decreased again.

【FILP agency's self-assessment of policy cost analysis results (FY2023)】

While the FY2023 analysis followed the future estimation method reviewed in the FY2022 analysis, the method for estimating the amount of borrowing from the Fiscal Loan Fund during the estimation period was reviewed, and the resulting increase in business expense carried forward, combined with the rise in assumed interest rate, led to an increase in the interest on the investment of surplus funds. For this reason, policy cost is inferred to have decreased.

The policy cost of this project is impacted by the introduction of new programs or the expansion of existing programs. However, financial soundness is assessed to be ensured as estimations were carried out based on the premise that current project schemes such as financing and loan repayment recovery are implemented. The sensitivity analysis (case of assumed interest rate +1%) showed that interest on the investment of surplus funds gained through a high interest rate setting was larger than the basic case, resulting in a decrease in cost compared to the basic cost. Accordingly, in the analysis, it is assumed that there is no impact on 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 FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)	Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)
(Assets)				(Liabilities and net assets)			
Current assets	9,739,837	9,643,008	9,627,502	Current liabilities	998,299	983,313	1,016,274
Cash and bank deposits	339,616	308,334	315,750	Debt from grants for operation cost	1,296	-	-
Loans receivable	9,381,048	9,329,379	9,310,452	Deposited subsidies	17,326	-	-
First Category Scholarships	2,864,338	2,874,169	2,899,739	Deposited donations	1,784	1,611	1,635
Second Category Scholarships	6,548,933	6,482,585	6,434,038	Current portion of Japan Student Services Organization bonds	120,000	120,000	120,000
Allowance for loan losses	-32,223	-27,375	-23,324	Current portion of long-term borrowings	848,179	852,750	883,580
Securities	16,400	4,000	-	Accrued payments	3,159	1,909	1,909
Advance payments	2	2	2	Unpaid consumption tax, etc.	39	72	72
Prepaid expenses	20	20	20	Lease liabilities	677	645	708
Accrued income	459	458	459	Accrued expenses	4,885	5,360	7,371
Allowance for loan losses	-2	-2	-2	Advances received	99	84	84
Accounts receivable	1,929	446	446	Deposit payable	465	485	515
Contra-accounts for provision for bonuses	365	372	375	Temporary receipts	25	25	25
Fixed assets	70,101	68,122	68,148	Provisions	-	-	-
Tangible fixed assets	31,993	36,138	35,080	Provision for bonuses	365	372	375
Buildings	18,665	23,465	22,844	Fixed liabilities	8,780,404	8,692,511	8,644,829
Structures	16	14	12	Contra-accounts for assets	6,005	13,381	10,558
Vehicles and transportation equipment	0	0	0	Contra-accounts for assets funded by operational grants	3,065	2,672	2,359
Tools and equipment	2,474	1,987	1,552	Contra-accounts for assets funded by facilities expenses	253	895	933
Land	10,673	10,673	10,673	Contra-accounts for assets funded by subsidies	2,517	9,808	7,261
Construction in progress	165	-	-	Contra-accounts for assets funded by contributions	6	6	5
Intangible fixed assets	10,280	17,136	14,261	Construction in progress funded by subsidies for facilities	165	-	-
Land lease rights	5,451	5,451	5,451	Long-term deposited donations	3,461	2,766	2,496
Software	4,829	11,685	8,810	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	27,827	14,848	18,806	Long-term borrowings	8,645,444	8,551,380	8,507,244
Investment securities	4,000	-	-	Long-term deposits	70	70	70
Claims in bankruptcy, reorganization, rehabilitation, etc.	122,369	125,143	128,118	Long-term lease liabilities	1,305	892	478
Allowance for loan losses	-120,486	-123,158	-126,005	Provisions	-	-	-
Future subsidies from government	17,710	8,724	12,594	Provision for retirement benefits	4,118	4,022	3,982
Contra-accounts for provision for retirement benefits	4,118	4,022	3,982	(Total liabilities)	9,778,703	9,675,824	9,661,103
Guarantee deposits	117	117	117	Capital	-	-	-
Total assets	9,809,938	9,711,130	9,695,649	Government investment	100	100	100
				Capital surplus	30,075	34,414	33,802
				Capital surplus	-601	4,602	4,602
				Other administrative costs accumulated	-28,069	-28,934	-29,546
				Amount equivalent to accumulated depreciation costs (○)	-17,253	-17,363	-17,966
				Amount equivalent to accumulated net gains or losses on sale or disposal (○)	-10,816	-11,571	-11,579
				Private-sector contributions	58,745	58,745	58,745
				Retained surplus	1,060	792	645
				Reserve fund carried over from the previous Mid-term Objective period	246	106	23
				Reserve fund	9,586	814	686
				Undisposed loss for the current period	-8,771	-129	-64
				(Of this, gross loss)	(- 8,771)	(- 129)	(- 64)
				(Total net assets)	31,235	35,305	34,547
				Total liabilities and net assets	9,809,938	9,711,130	9,695,649

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	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
Ordinary expenses	283,637	339,983	344,264
Administrative expenses for scholarships	128,824	66,518	65,279
Administrative expenses for scholarship grants	16	12	11
Administrative expenses for scholarship grants to support learning	143,468	253,051	260,688
Administrative expenses for support programs for international students	8,685	15,644	15,165
Administrative expenses for student support programs	248	322	285
General and administrative expenses	2,397	4,435	2,835
Ordinary income	279,903	338,451	343,968
Income from grants for operating expenses	13,755	17,427	14,647
Income from facility usage fee	59	168	0
Interest on student loans	23,835	21,872	21,693
Interest on delinquent accounts	3,517	2,666	2,583
Income from foreign student dormitories	557	597	597
Income from Japanese schools	252	325	325
Income from fees for the Examination for Japanese University Admission for International Students	575	426	426
Other operating income	343	177	177
Trustee income	33	33	-
Income from subsidies, etc.	233,420	290,474	297,767
Subsidy revenue	57	-	-
Income from donations	854	1,671	1,610
Income regarding contra-accounts for provision for bonuses	365	372	375
Income regarding contra-accounts for provision for retirement benefits	172	172	172
Reversal of contra-accounts for assets	2,100	2,064	3,594
(Reversal of contra-accounts for assets funded by operational grants)	(956)	(1,047)	(967)
(Reversal of contra-accounts for assets funded by facilities expenses)	(5)	(32)	(64)
(Reversal of contra-accounts for assets funded by subsidies)	(1,137)	(985)	(2,562)
(Reversal of contra-accounts for assets funded by contributions)	(1)	(1)	(1)
Financial income	9	5	1
Ordinary loss	3,734	1,532	297
Temporary losses	54,363	1	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	3,936	1,265	150
Reversal of allowance for loan losses	3,935	1,264	150
Reversal of contra-accounts for assets funded by operational grants	1	1	1
Reversal of asset collateral subsidies	0	0	0
Net loss	54,160	268	147
Reversal of reserve fund carried over from the previous Mid-term Objective period	45,389	139	83
Gross loss	8,771	129	64

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.