

# Development Bank of Japan Inc.

<https://www.dbj.jp/>

## 1. Summary of operations implemented using FILP funds

The purpose of the operations is to maintain Development Bank of Japan's (DBJ) functions of investment and loans for long-term business funds and to contribute to the smooth financing and advancement of financing functions by conducting business using methods to provide investment and loans in an integrated manner and other highly sophisticated financial techniques.  
(Reference) NTT-C is excluded from the policy cost analysis.

## 2. Amount of lending under FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
690.0	11,453.8

## 3. Estimated policy cost analysis of the project

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

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	0.0	0.0	-0.0
2. Government revenue (payments to the government, etc.)*	-1,204.1	-1,618.5	-414.4
3. Opportunity cost of capital investments, etc.	-202.4	312.7	+515.0
<b>Total (1+2+3=policy cost(A))</b>	<b>-1,406.5</b>	<b>-1,305.8</b>	<b>+100.6</b>
Analysis period (years)	41 years	41 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)	-1,406.5	-1,305.8	+100.6
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	388.2	760.4	+372.2
2) Policy cost expected to be newly accrued during the analysis period	-1,794.6	-2,066.2	-271.6
Government expenditure (subsidies, etc.)	0.0	0.0	-0.0
Government revenue (payments to the government, etc.)*	-1,204.1	-1,618.5	-414.4
Opportunity cost of surplus, etc.	-590.5	-447.7	+142.8
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)	-1,406.5	-1,305.8
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)	-1,345.1	-1,472.2	-127.1
	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

- None

#### ○Factors behind policy cost decrease

- Decrease in cost due to the finalization of FY2021 results and revision of FY2022 forecast (-94.4 billion yen)  
- Decrease in cost due mainly to interest rate gap for new investments and loans provided in FY2023 (-32.7 billion yen)

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

(A) Policy cost in FY2023 (previously cited)	-1,305.8
1) Prepayments	7.1
2) Loan losses	75.7
3) Others (including profit spread)	-1,388.6

### (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.
			-1,305.8	-935.8	+370.0

(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.
			-1,305.8	-1,305.1	+0.8

(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

[Outline of estimation]

- 1) The estimation is made in relation to all FILP operations.
- 2) The estimation is based on the assumption that DBJ will implement financing, following the FY2023 financing plan (2,480.0 billion yen) in addition to the existing loan balance (as of the end of FY2022).
- 3) The analysis period is 41 years until the completion of FILP fund repayments.
- 4) For capital and reserves, it is assumed that the government's shareholdings will be disposed of in the final year of the analysis period based on the partial amendment of the Development Bank of Japan Act in May 2015, which no longer clarifies the timing of the disposition of the government's shareholdings (the wording was amended from "approximately 5 to 7 years from April 1, 2015" to "as early as possible").
- 5) Regarding payments to the national treasury and statutory reserves, it is assumed that DBJ will pay the amount equivalent to the corporate tax out of profits before taxes. As dividends, it is assumed that DBJ will pay the amount of 25% of profits after taxes to the government until the final year of the analysis period.
- 6) Because of the settlement of accounting changed to be prepared based on the private-sector accounting standards since the privatization in October 2008, it makes adjustments including the reversal of the balance of allowance for doubtful accounts to the equity part in order to maintain the continuity to the estimation based on the previous accounting of special corporations as far as possible.

[Project prospect]

- 1) Prepayment rate is estimated based on the previous results. Compensation for prepayment is estimated based on the assumption that full payment will be required except for borrowers that are severely slumping.
- 2) Write-off for normal loans is calculated with DBJ's past default data used. For loans to borrowers subject to special attention and riskier loans, the possibility of collection, including collateral disposal, is examined individually. Outstanding risk management loans at the end of March 2022 based on the Banking Act totaled 104.4 billion yen (non-consolidated). Allowances for loan losses at the end of March 2022, based on private-sector accounting standards, stood at 83.8 billion yen (non-consolidated).

FY	Result				Estimated	Planned	Assumptions for calculation
	2018	2019	2020	2021	2022	2023	2024-
Prepayment ratio	3.01%	2.04%	2.86%	3.44%	0.35%	0.34%	Accumulated total from FY2024 onwards: 1.88%
Loan write-off ratio	0.00%	0.00%	0.01%	0.00%	0.08%	0.24%	Accumulated total from FY2023 onwards: 0.26%

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

In order to reduce companies' interest burden, DBJ receives subsidies from Special Accounts for Energy Policy as resources of interest subsidies to be paid to the companies through DBJ.

<Corporate Tax>

It is assumed that DBJ will pay corporate tax, etc. based on the estimated result in FY2022 and based on the statutory effective tax ratio from current earnings before tax from FY2023 onwards.

<Dividend>

It is assumed that DBJ will pay dividends based on the estimated result in FY2022 and will pay an amount equivalent to 25% of profits after taxes to the national treasury annually from FY2023.

#### 6. Special remarks

Due to the partial amendment of the Development Bank of Japan Inc. Act in May 2015, the government is obliged to hold one-third or more of its issued shares for the time being in order to carry out Crisis Response Operations and to hold a half or more of its issued shares until the completion of the Special Investment Operations.

#### (Reference) Outcome and social and economic benefits of operations

##### 1) Capital investment and loan (based on annual reports)

	Loan amount	Investment amount
• April, 2017 – March 2018:	2,973.6 billion yen	179.7 billion yen
• April, 2018 – March 2019:	3,490.4 billion yen	300.4 billion yen
• April, 2019 – March 2020:	3,401.5 billion yen	550.3 billion yen
• April, 2020 – March 2021:	5,484.2 billion yen	302.5 billion yen
• April, 2021 – March 2022:	2,994.6 billion yen	227.9 billion yen

##### 2) Long-term loans with fixed interest rates are provided with an emphasis upon the following points until October 2008 (Former Development Bank of Japan):

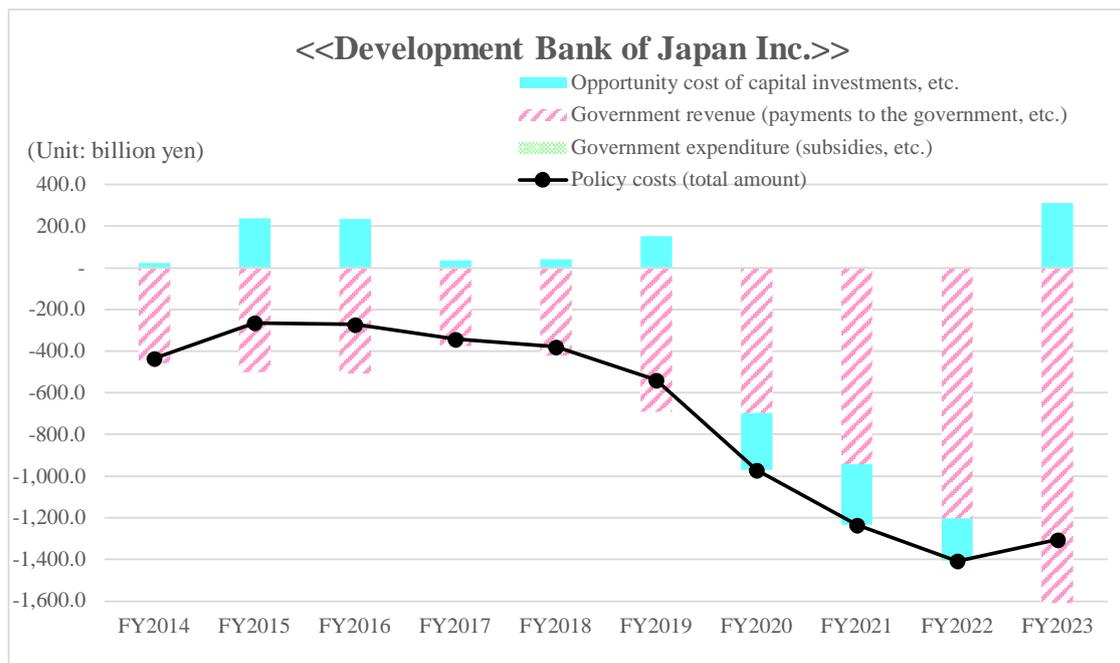
- Assistance to regional revitalization: Promotion of the development of regional towns including revitalization of urban areas; promotion of regional infrastructure; promotion of industrial location; promotion of projects that create employment opportunities in regions, etc.
- Enhancement of environment and infrastructure: environmental measures including waste and recycling measures; assistance to environmentally friendly enterprises, disaster prevention measures; measures for welfare and the aging society including the establishment of barrier-free building; establishment and/or improvement of traffic/distribution networks and telecommunications network, etc.
- Technology and economic revitalization: Promotion of investment in deregulated areas, assistance in the restructuring and/or rehabilitation of enterprises, promotion of imports / inward investment, development of new technology, assisting the collaborations in venture business between industries and universities, etc.

##### 3) DBJ carries out operations focusing on the following points from October 2008:

- Toward the realization of full-scale privatization, DBJ, as a designated financial institution responding to Crisis Response Operations, etc., properly carries out operations utilizing management resources in which DBJ cultivated as a policy finance institution as well as maintaining and deeply cultivating DBJ's customer base, focusing on its strongest area, increasing its earning capacity and heighten its corporate value.
- To be a private financial institution which can meet a broad spectrum of needs for highly-sophisticated and diversified financial services in the business activities and local economy, DBJ aims to use accumulated know-how of screening and industrial researches, win customers' trust with business solutions by creative financial activities and realize a prosperous future utilizing neutrality, reliability, fairness, etc. in which DBJ cultivated as a policy finance institution.

# 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)	-434.0	-263.8	-271.2	-342.1	-378.5	-539.4	-971.2	-1,233.6	-1,406.5	-1,305.8
Government expenditure (subsidies, etc.)	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government revenue (payments to the government, etc.)	-458.1	-501.8	-506.2	-376.0	-420.8	-692.3	-697.8	-943.6	-1,204.1	-1,618.5
Opportunity cost of capital investments, etc.	24.0	237.9	234.9	33.9	42.3	152.9	-273.4	-290.0	-202.4	312.7

### 【Explanation of policy cost trends】

- Based on the amendment of the Development Bank of Japan Inc. Act in 2015, the timing of the disposition of the government's shareholdings was changed again from "as of the scheduled full privatization" to "as of the completion of the project," and this caused an increase in the opportunity cost of capital investments in FY2015.
- The opportunity cost of capital investments decreased significantly due to the impact of negative interest rates in FY2017 and thereafter.
- In FY2019, each cost amount increases due to an analysis period extension accompanying a FILP fund repayment period extension.
- In FY2020, the opportunity cost of capital investments declined substantially due mainly to a discount factor hike accompanying a fall in the assumed interest rate.
- In FY2021, government revenue increased (policy cost decreased) due to a review of the prerequisites related to Special Investment Operations (rate of returns).
- In FY2022, government revenue increased (policy cost decreased) due to changes in the assumed interest rate.
- In FY2023, the opportunity cost of capital investments increased significantly due to a decline in discount rate accompanying the change in the assumed interest rate.

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

- Although the policy cost is susceptible to changes in the assumed interest rates because of the long analysis period, a level of profit higher than the discount factor is expected to be continuously maintained. Therefore, the policy cost has stably stayed negative.
- The result of the sensitivity analysis showed that policy cost increases by 370 billion yen in the case of assumed interest + 1%. However, as the reason for this is limited to the opportunity cost of capital investments, etc., the impact on real finances is not considered especially problematic. Policy cost also increases by 800 million yen in the case of a 1% increase in loan write-offs, so impact is minimal with no particular problems with the impact on real finances.

## (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)			
Cash and bank deposits	2,115,882	2,108,066	1,761,585	Bonds	3,339,098	3,333,388	3,343,998
Securities	3,086,107	3,386,107	3,666,107	Borrowings	10,370,044	11,318,321	11,343,830
Loans	14,490,759	15,450,750	15,844,193	Bond	3,048,138	3,293,622	3,496,435
Other assets	1,495,742	1,495,742	1,495,742	Other liabilities	672,329	672,329	672,329
				(Total liabilities)	17,429,609	18,617,661	18,856,592
				Capital	1,000,424	1,000,424	1,000,424
				Contingency reserve	206,529	206,529	206,529
				Specified investment reserve	1,543,000	1,524,089	1,528,089
				Specified investment surplus	22,439	37,519	37,519
				Capital surplus	241,466	275,922	293,922
				Retained earnings	705,538	739,038	805,068
				Valuation and translation adjustments	39,485	39,485	39,485
				(Total net assets)	3,758,881	3,823,005	3,911,036
Total assets	21,188,490	22,440,666	22,767,628	Total liabilities and net assets	21,188,490	22,440,666	22,767,628

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	280,208	311,500	320,500
Revenue from fund management	174,262		
Revenue from service transactions, etc.	10,369	311,500	320,500
Other business income	15,036		
Other ordinary income	80,541		
Ordinary expenses	198,051	214,700	197,800
Financing cost	44,470		
Expenses for service transactions, etc.	692		
Other operating expenses	13,933	214,700	197,800
Other ordinary expenses	84,801		
Business expenses	54,154		
Ordinary profit	82,157	96,800	122,700
Extraordinary profits	31	-	-
Extraordinary loss	131	-	-
Net profit before tax	82,056	96,800	122,700
Corporate tax, residence tax and enterprise tax	36,330	32,600	40,700
Income taxes-deferred	-11,106	-	-
Net profit	56,833	64,200	82,000

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