

Japan Bank for International Cooperation (Account for Special Operations)

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

1. Summary of operations implemented using FILP funds

- Loans and other financial tools 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 the global warming and preventing international financial turmoil or dealing with damage caused thereby.
- The Special Services Account pertains to special services concerning projects for the overseas development of social capital.

2. Amount of lending under FY2016 FILP

(Unit: billion yen)

FY2016 FILP	Estimated outstanding amount of FILP lending at the end of FY2015
50.0	-

3. Estimated policy (subsidy) cost analysis of the project

(1) Policy (subsidy) cost

(Unit: billion yen)

Category	FY2015	FY2016	Fluctuation
1. Subsidies, etc. from the Government	-	-	-
2. Money transferred to the Government	-	-24.5	-24.5
Subtotal (1+2)	-	-24.5	-24.5
3. Opportunity cost of capital investments, etc. from the Government	-	24.9	+24.9
Subtotal (1+2+3)	-	0.4	+0.4
4. Fluctuation in retained losses	-	-	-
Total (1+2+3+4=policy cost(A))	-	0.4	+0.4
Analysis period (years)	-	20	+20

(3) Breakdown of policy cost by causative factor

(Unit: billion yen)

(A) Policy cost in FY2016 (previously cited)	0.4
1) Prepayments	0.7
2) Loan losses	14.0
3) Others (including profit spread)	-14.3

(4) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

Changed assumption and extent of change	Policy Cost (Fluctuation)
Interest rates on money loaned and funds raised +1%	3.7 (+3.3)
Fluctuation in opportunity cost	+15.1
10% rise in charge-off	1.8 (+1.4)
Fluctuation in opportunity cost	+1.3

(2) Breakdown of policy cost by the time of the provision of funds

(Unit: billion yen)

Category	FY2015	FY2016	Fluctuation
(A) Policy cost (previously cited)	-	0.4	+0.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	-	27.0	+27.0
2) Policy cost expected to be newly accrued during the analysis period	-	-26.6	-26.6
Subsidies, etc. from the Government	-	-	-
Money transferred to the Government	-	-24.5	-24.5
Policy cost accrued with a change in surplus funds	-	-8.0	-8.0
Opportunity cost of capital investments, etc.	-	5.9	+5.9

<Reference> Budgeted amounts of subsidies and capital investment in FY2016

Subsidies: - billion yen
Capital investment: 33 billion yen

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: Planned amount of financing for FY2016 is 200.0 billion yen.
- 3) The analysis period is 20 years from FY2016 to FY2035, when the longest-term loans will be repaid.
- 4) The new loans are assumed to be collected based on the amortization schedule of the outstanding loans of JBIC.
- 5) Interest rates for new loans are set based on the standard interest rates of the JBIC.
- 6) 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.
- 7) For the administrative expenses for FY2016, 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 FY2017 and thereafter.
- 8) Loan losses are estimated based on supposed loan programs, etc. (total amount during analysis period is ¥14.0 billion; 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.

	Planned	Assumptions for calculation
FY	2016	2017-2035
Prepayment ratio	0.00%	Each FY: 1.62% ^{Note 1}
Loan loss provision ratio	-	Cumulative total: 7.78% ^{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 FY2017 term.

* Components in each column may not add up to the total because of rounding.

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

Government funds will be 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 (3) months after the end of such business year.

Note: This provision has been amended by the Act for Partial Amendment of the Japan Bank for International Cooperation Act (Act No. 41 of May 18, 2016) and is scheduled to be put into effect as of the day specified by Cabinet Order until March 31, 2017, based on Article 1 of the Supplementary Provisions of said Act.

“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 equivalent to 50/100 of the profit in statements of earnings of each business year.

Paragraph 2: The amounts specified by an ordinance under paragraph 1, Article 31 of the Act shall equivalent to the capital of the Japan Bank for International Cooperation (JBIC).

Article 7: In the event that the amount of the surplus recorded in the settlement of accounts for each business year exceeds zero in each account, 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 paragraph1, 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, 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).

Note: These three provisions may be amended through the future amendment of the Order for Enforcement of the Japan Bank for International Cooperation Act accompanying the amendment of the Japan Bank for International Cooperation Act by the Act for Partial Amendment of the Japan Bank for International Cooperation Act (Act No. 41 of May 18, 2016).

6. Special remarks

- 1) Under the Act for Partial Amendment of the Japan Bank for International Cooperation Act (Act No. 41 of May 18, 2016), the Special Services Account is to be newly established for the Japan Bank for International Cooperation within FY2016. Accordingly, this account became subject to the analysis from this fiscal year.
- 2) 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

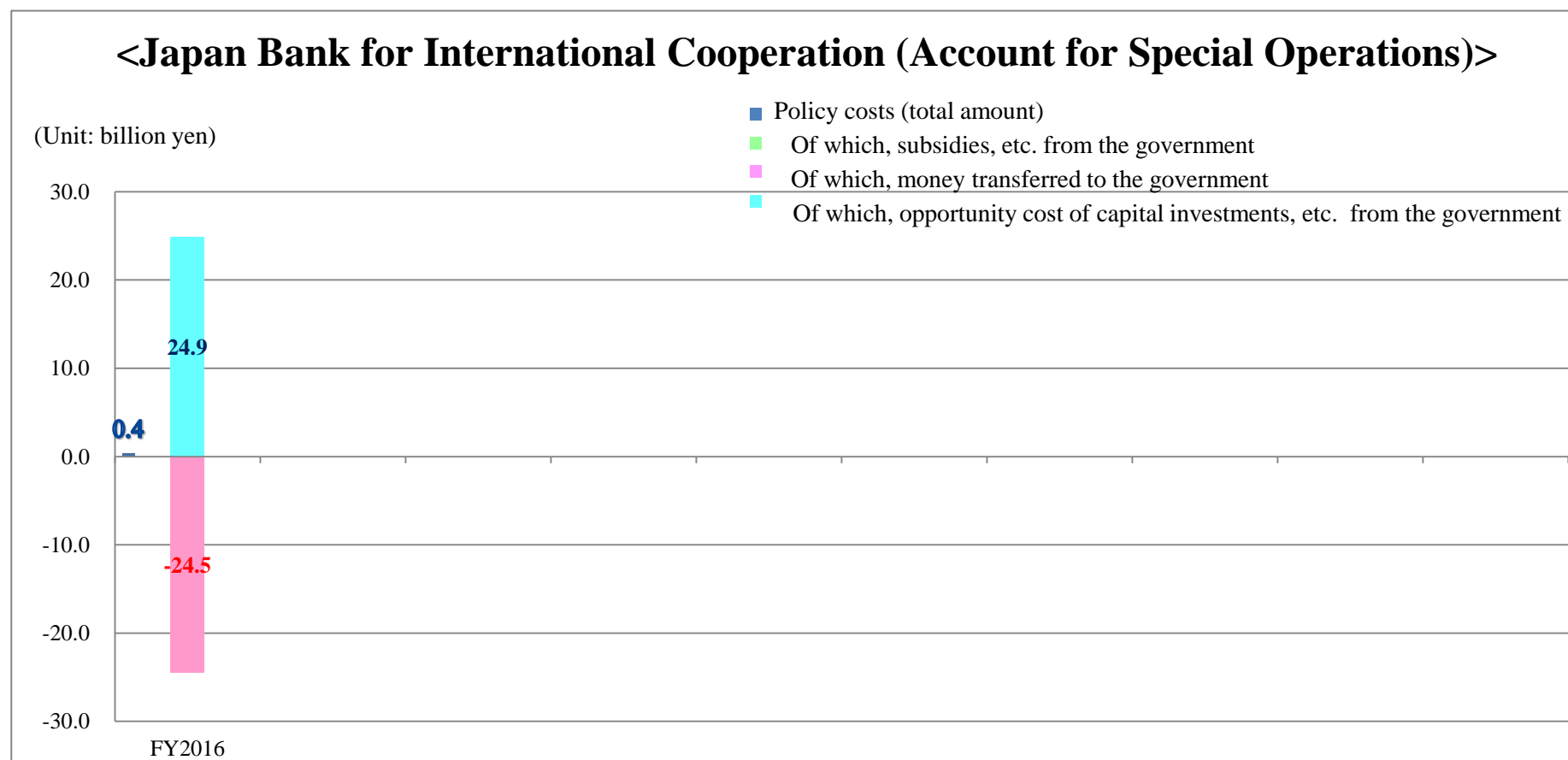
- 1) Lending and Equity participation

The Special Services Account is scheduled to be established within FY2016, and there has been no lending and equity participation yet.

- 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.

(Reference) Changes in Policy Costs by Component



Note. Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

(Point)

• Policy cost analysis of Japan Bank for International Cooperation (Special Services Account) books the payments to the national treasury throughout the period of analysis, 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.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2014 (Result)	End of FY2015 (Estimated)	End of FY2016 (Planned)	Item	End of FY2014 (Result)	End of FY2015 (Estimated)	End of FY2016 (Planned)
(Assets)				(Liabilities and equity)			
Cash and deposits	-	-	800	Borrowings	-	-	17,000
Deposits	-	-	800	Loans payable	-	-	17,000
Account for sales under agreement to resell	-	-	100	Other liabilities	-	-	10
Securities	-	-	20,000	Accrued expenses	-	-	10
Other securities	-	-	20,000	Reserve for bonuses	-	-	9
Loans	-	-	180,000	Reserve for directors' bonuses	-	-	0
Loan on deeds	-	-	180,000	Reserve for directors' retirement benefits	-	-	0
Other assets	-	-	332	Acceptances and guarantees	-	-	43,200
Accrued revenue	-	-	332	(Total liabilities)	-	-	60,219
Customer's liabilities for acceptance and guarantee	-	-	43,200	Capital	-	-	183,000
Allowances for bad debts	-	-	Δ 353	Retained earnings	-	-	859
				Other retained earnings	-	-	859
				Earned surplus carried forward	-	-	859
				Total shareholders' equity	-	-	183,859
				(Total equity)	-	-	183,859
Total assets	-	-	244,078	Total liabilities and equity	-	-	244,078

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

Income Statement

(Unit: million yen)

Item	FY2014 (Result)	FY2015 (Estimated)	FY2016 (Planned)
Ordinary income	-	-	1,440
Revenue from fund management	-	-	337
Interest on loans	-	-	325
Interest from repurchase agreements	-	-	12
Revenue from service transactions, etc.	-	-	1,103
Other service revenue	-	-	1,103
Ordinary expenses	-	-	581
Financing cost	-	-	8
Interest on borrowed money	-	-	8
Expenses for service transactions, etc.	-	-	24
Other service expenses	-	-	24
Business expenses	-	-	195
Other ordinary expenses	-	-	353
Provision of allowance for bad debts	-	-	353
Ordinary profit	-	-	859
Net profit	-	-	859

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