

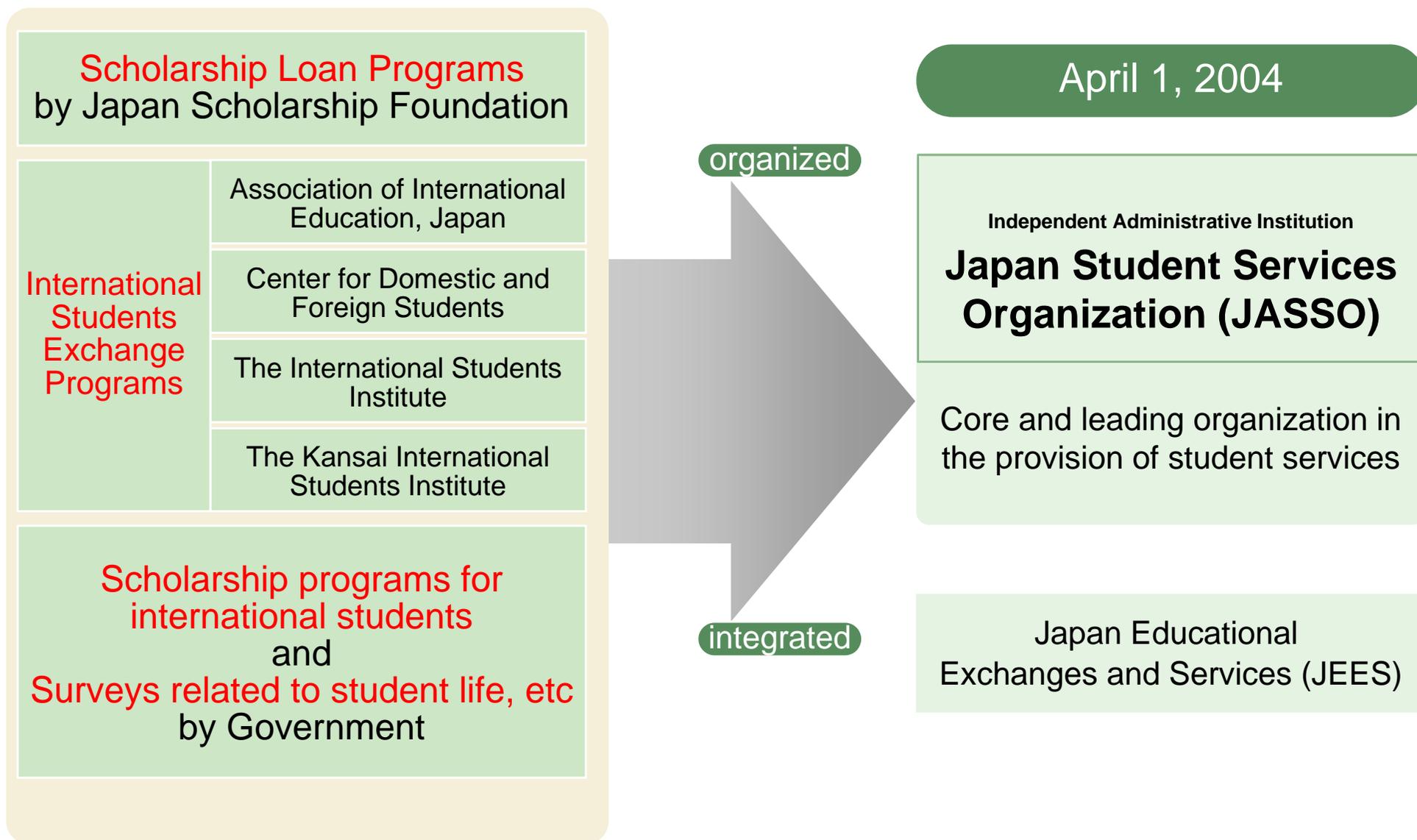


Independent Administrative Institution
**Japan Student Services
Organization**

PRESENTATION material of JASSO



Establishment



Purposes

- Providing scholarship loans and benefit scholarships, and student support services with the aim of contributing to equal educational opportunities
 - Offering consultation and guidance on student support services that universities and other educational institutions provide for academic programs, course options after graduation and other matters
 - Projects aimed at promoting exchange programs for international students
- ... Through the above,



Will establish adequate educational environment for students studying at universities and other educational institutions in Japan and thereby contribute to the development of the next generation of human resources who possess a rich humanity and creativity, and who are dedicated to the promotion of international mutual understanding.
(Article 3, Act on the Japan Student Services Organization, Independent Administrative Agency)

Program Overview

Program overview (Budget in FY2017)

Scholarship programs (1,098.8 billion yen)

- The Japan Student Services Organization (JASSO) provides student loans ("scholarship loans") to talented students who faces difficulty in receiving education because of financial challenges. It strives to improve its service, including enhancing its scholarship loan programs to address their varied needs, improving the ease of application, enhancing information provision on scholarship loans and collecting debts appropriately.
- FY2017, JASSO introduced a grant-style scholarship program to further assist individuals who may be forced to give up receiving education due to financial constraints, even though they have enthusiasm and talent.

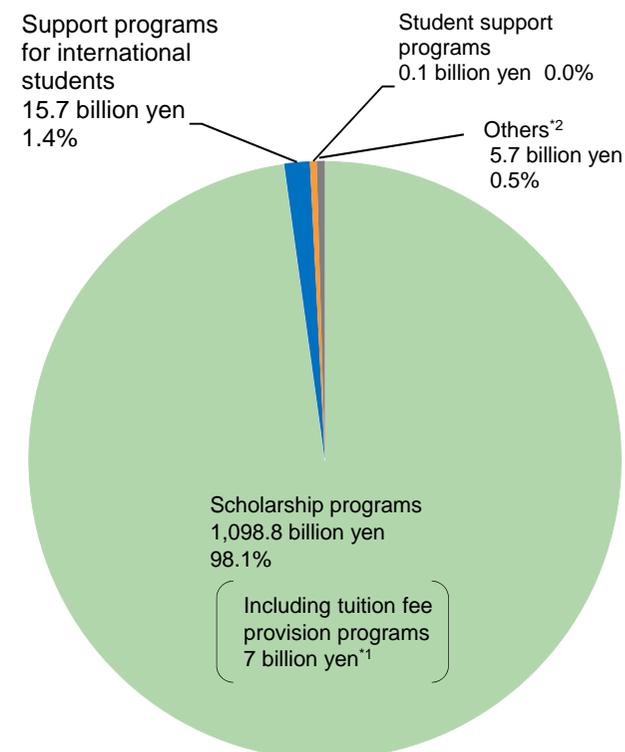
Support programs for international students (15.7 billion yen)

- For international students, JASSO operates scholarship loan and exchange programs, helps build boarding facilities, strives to improve school enrollment procedures through measures such as the operation of Examination for Japanese University Admission for International Students (EJU), and collects and provides information on study in Japan. We strive to enhance our programs and services with an aim to maintain the quality of international students.

Student support programs (0.1 billion yen)

- With an aim to assist educational institutions' efforts to support their students' daily lives, JASSO collects and analyzes information on notable student-support activities and shares such information with other institutions. In addition, JASSO supports the institutions' efforts to improve their services by providing training programs for their staff. The organization is constantly striving to precisely grasp the needs at institutions and enhance its programs.

FY2017 (1,120.2 billion yen)



*1 In order to introduce a grant-style scholarship, a 7 billion yen fund for tuition-fee payment service is set up within JASSO in FY2017 (operational costs of 1.5 billion yen budgeted for FY2017),

*2 Including personnel expenses, general and administrative expenses.

- **Scholarship programs** represent majority of JASSO's budget.

Political Position of Scholarship Programs

The Constitution of Japan and Fundamental Law of Education

[The right to receive education]

Article 26, The Constitution of Japan

- All people shall have the right to receive an equal education correspondent to their ability, as provided by law.

[Equal opportunity in education]

Article 4, Fundamental Law of Education

- Citizens shall all be given equal opportunities to receive education according to their abilities, and shall not be subject to discrimination in education on account of race, creed, sex, social status, economic position, or family origin.
- The national and local governments shall provide support in education to persons with disabilities, to ensure that they are given adequate education in accordance with their condition.
- The national and local governments shall take measures to provide financial assistance to those who, in spite of their ability, encounter difficulties in receiving education for economic reasons.

The Loan Ratio to Total Numbers of Students

- “1 in 2.7” students are utilizing JASSO's scholarship loan programs.

Classification	Loan Ratio		
	FY2006	FY2016	
Universities, Junior Colleges (except university correspondence courses)	One in every 3.6 students (27.9%)	One in every 2.6 students (38.1%)	Approximately 1.4 times
Graduate schools	One in every 2.6 students (38.7%)	One in every 3.1 students (32.0%)	Approximately 0.8 times
Colleges of technology	One in every 9.1 students (11.0%)	One in every 12.5 students (8.0%)	Approximately 0.7 times
Specialized training colleges (post-secondary courses)	One in every 4.7 students (21.1%)	One in every 2.5 students (40.8%)	Approximately 1.9 times
Total	One in every 3.7 students (27.1%)	One in every 2.7 students (37.7%)	Approximately 1.4 times

*Ratio: number of loan recipients / total number of students (actual number)

Types of Scholarship Loans

- Loans for school expenses are called "**scholarship loans**" and those receiving scholarship loans are called "**scholarship loan students**."
- Scholarship loans are classified into **Category 1** and **Category 2 loans**.

FY2017 Scholarship loan funding sources (budget)

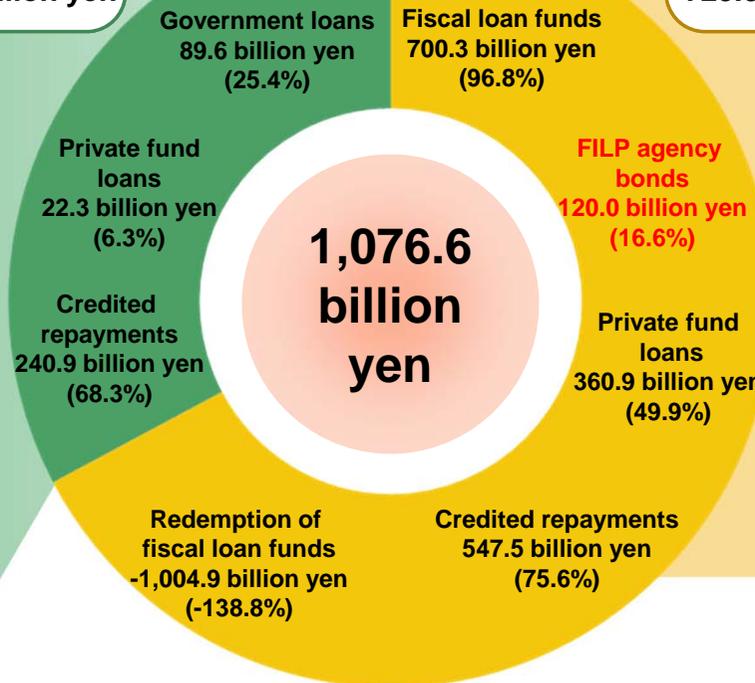
Category 1 Loans

Category 1 scholarship loans, **launched in 1943**, are **interest-free loans** provided to students attending junior colleges, universities, graduate schools, colleges of technology and specialized training colleges (post secondary courses) Loans are provided to students who are academically outstanding but who have extreme difficulties in pursuing their studies due to financial reasons.

In FY2004, a system was put in place to also provide these loans to law school students, and a waiver system which for especially outstanding students.

In order to eradicate eligible applicants fall out of the scholarship loan coverage and provide loans to all such students, the maximum number of recipients were increased in FY2017, For financially stricken students from households whose incomes are in nontaxable range, the application of academic-grade criteria was virtually abolished in this year.

352.8 billion yen



723.8 billion yen

Category 2 Loans

Category 2 scholarship loans (**launched in 1984**) are **interest-bearing loans** provided to students attending junior colleges, universities, graduate schools, colleges of technology (4th and 5th year students) and specialized training colleges (post secondary courses).

Eligibility requirements for Category 2 are not as strict as with that for Category 1 loans.

From 2004 a system was put in place to also provide these loans to law school students and for study abroad.

Financial Support from Government

- In accordance with Article 23 of the JASSO Act, the government's budget for each fiscal year shall include provisions to cover a portion of the expense incurred by JASSO in the provision of student loans.

Interest Subsidies

- In category 2 scholarship loans and category 1 scholarship loans (use of fiscal loan funds) as interest is not paid during the period in which JASSO provides students with Category and during grace periods for loan repayment, interest burdens are incurred by JASSO. Furthermore, the interest rate on Category 2 loans is capped at 3%, so there is an interest burden for JASSO when the rate for borrowing from the Fiscal Loan Fund exceeds 3%. In this case, interest subsidies are received to cover resulting gaps between income and expenditure.

Government Grants

- Subsidies are received to cover expenses associated with loan repayment exemptions such as in the case of a student's death, and for the writing off of debts that cannot be recovered.

Administrative Cost Subsidies

- Expense associated with operations and businesses taken over from MEXT, national universities and foreign student-related public interest corporations, as well as personnel and administrative expense are covered by administrative cost subsidies from the government and income generated by JASSO.

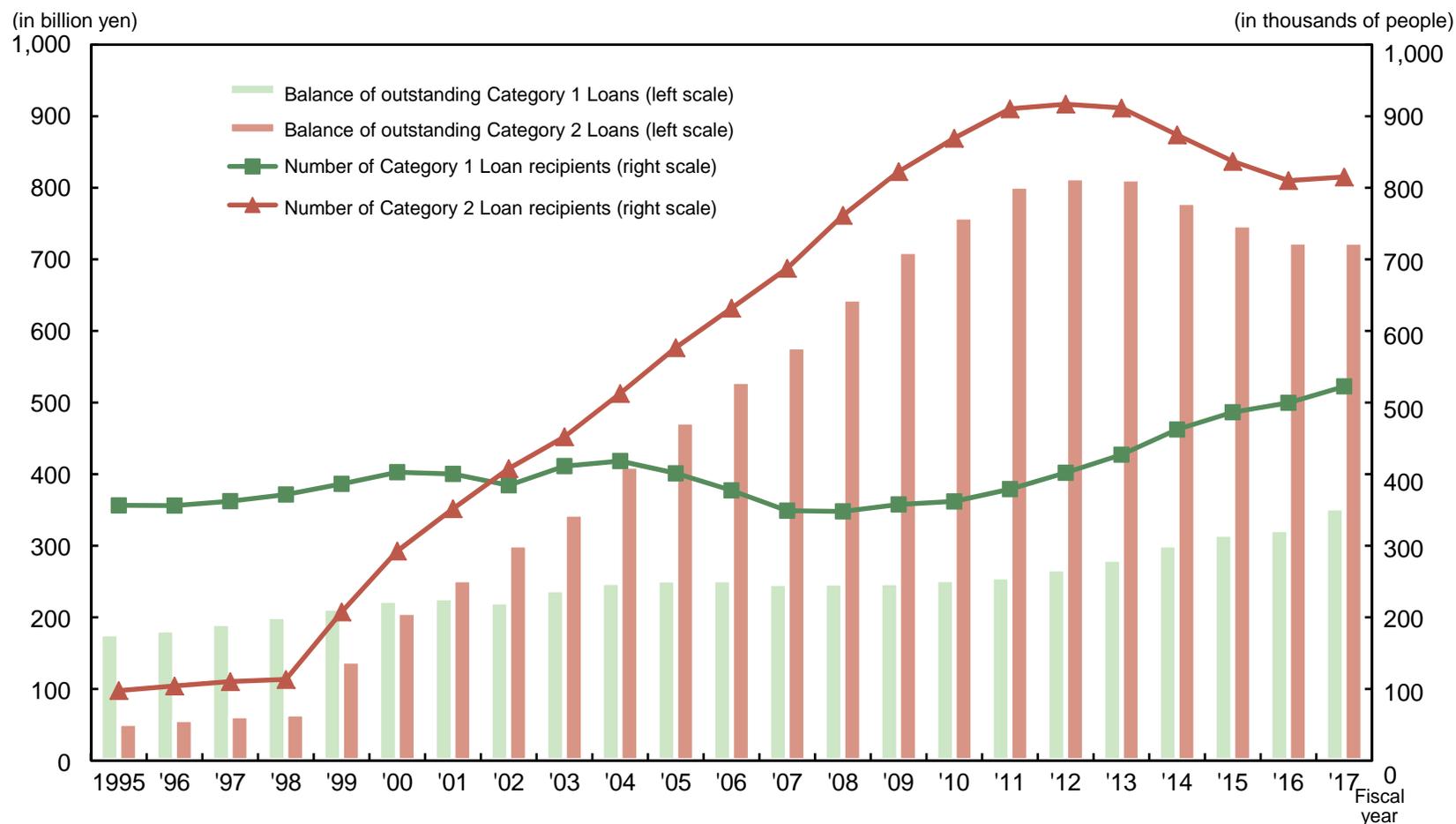
(unit: ¥ million)

FY	Interest Subsidies	Government Grants	Admin Cost Subsidies
2017(budget)	1,001	21,928(*)	13,773

*This number includes ¥6,863 million in subsidies associated with loan repayment exemptions.

Changes in Scholarship Loans

Changes in number of recipients and amount of scholarship loans

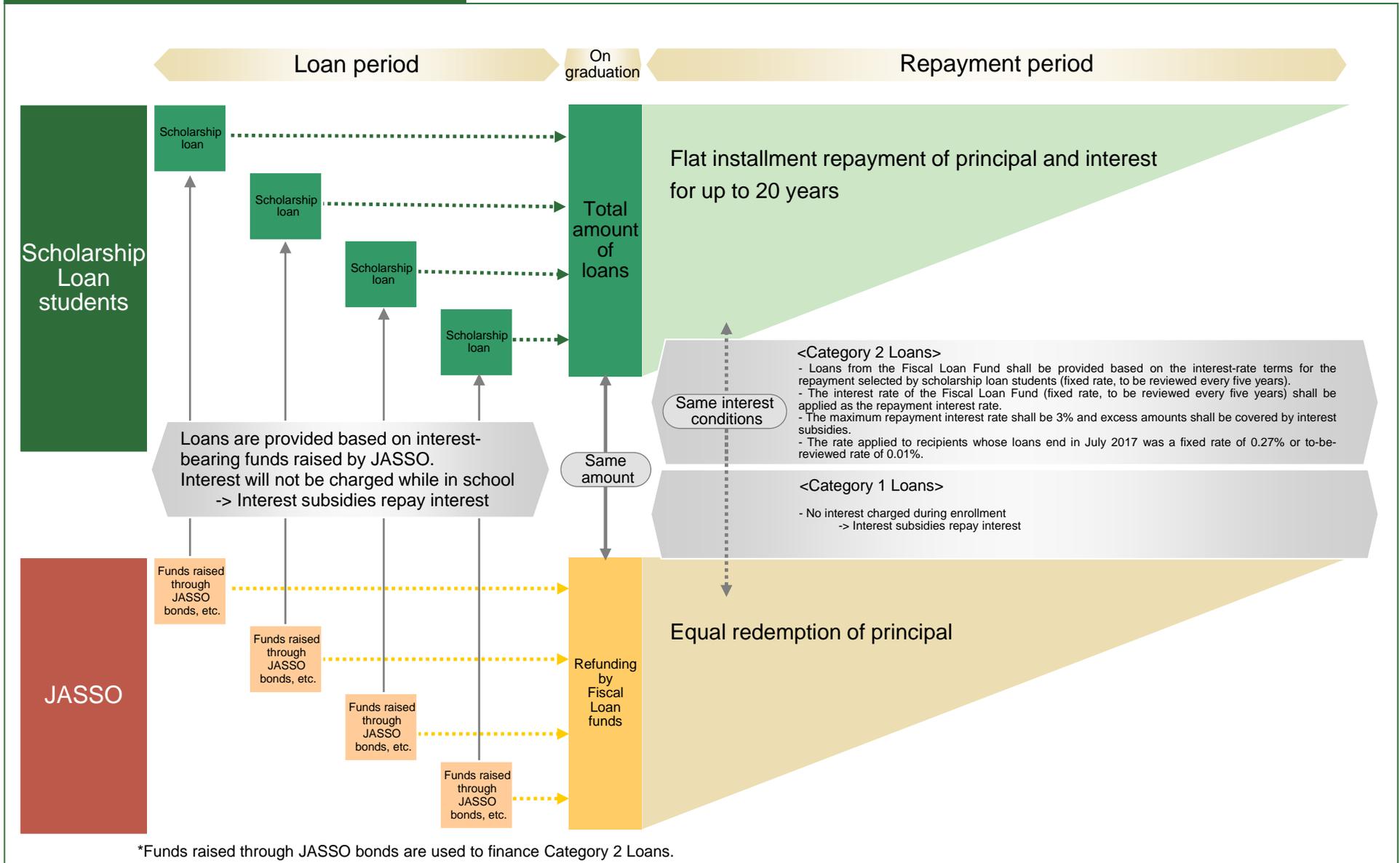


*Note: Figures for FY2017 are based on the budget.

JASSO (including former Japan Scholarship Foundation) has provided scholarship loans totaling about ¥18 trillion to about 12.46 million students in 74 years since 1943, when the scholarship loan programs were launched.

Funding, Loan Provision, Repayment and Interest Rates for Category 2 Loans (including use of fiscal loan funds of Category 1 Loans)

Cash Flow of Category 2 Loans



Current Status of Loan Claims

Current status of loans requiring repayment (total amount of loan claims after deducting portions currently being loaned to the recipients and portions loaned to recipients who are granted exemption from repayment)

(in billion yen)

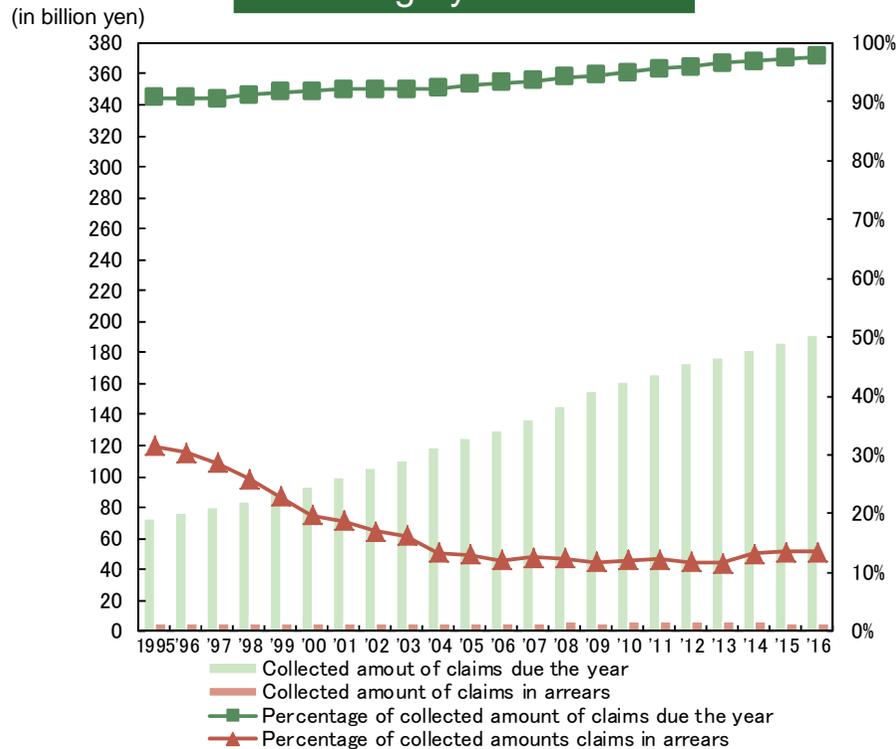
Category 1 Loans	FY2012	FY2013	FY2014	FY2015	FY2016
Claims in arrears for 3 months or more (A)	96.4	89.8	79.6	72.8	68.3
Total claims (B)	2,460.7	2,499.3	2,556.3	2,617.6	2,681.2
Loans requiring repayment (C)	1,702.4	1,737.9	1,777.7	1,822.4	1,870.6
Percentage of loans in arrears for 3 month or more in total claims (A/B)	3.9%	3.6%	3.1%	2.8%	2.5%
Percentage of loans in arrears for 3 month or more in loans requiring repayment (A/C)	5.7%	5.2%	4.5%	4.0%	3.7%

(in billion yen)

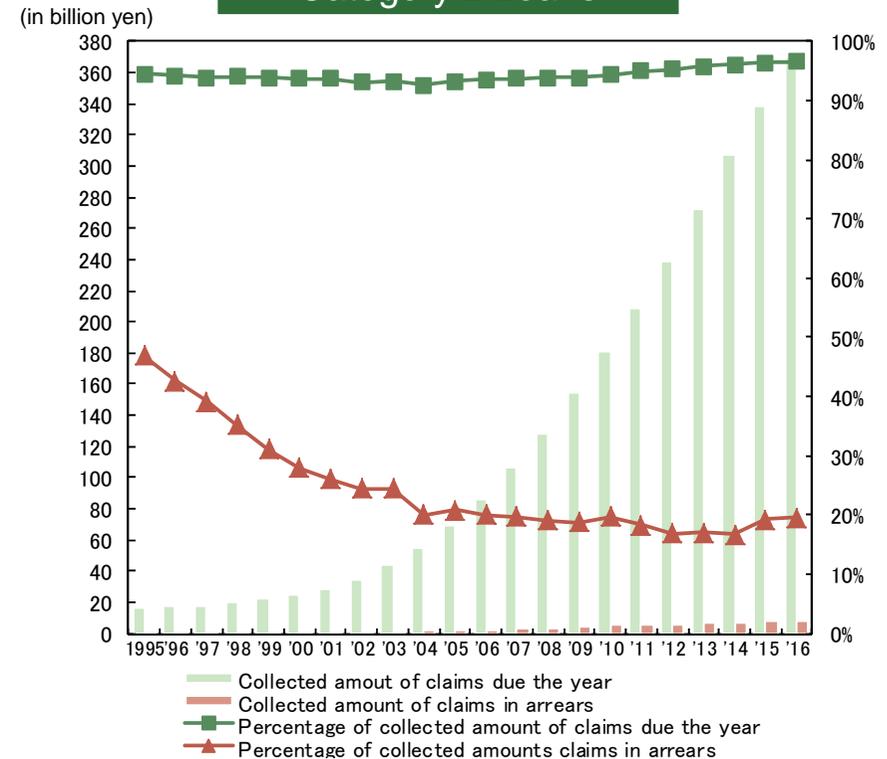
Category 2 Loans	FY2012	FY2013	FY2014	FY2015	FY2016
Claims in arrears for 3 months or more (A)	171.8	174.1	169.5	166.8	170.5
Total claims (B)	5,304.8	5,713.3	6,048.0	6,305.6	6,498.2
Loans requiring repayment (C)	3,552.2	3,949.9	4,324.1	4,657.9	4,916.6
Percentage of loans in arrears for 3 month or more in total claims (A/B)	3.2%	3.0%	2.8%	2.6%	2.6%
Percentage of loans in arrears for 3 month or more in loans requiring repayment (A/C)	4.8%	4.4%	3.9%	3.6%	3.5%

Current Status of Collection of Repayments

Category 1 Loans



Category 2 Loans



■ With the aim of promoting repayments and collection of claims, JASSO takes the following measures:

- Requirement to use account transfers (relay accounts) in principle for all borrowers
- Expansion in call consultation service
- Use of servicers to collect debts, including making calls to urge repayment
- Stepping up legal actions
- Use of personal credit information agencies

Systems to Assist Repayment

Reduction of the monthly installment

Applied to loan recipients who have difficulty repaying the monthly amount in full.

This is a system available for loan recipients who have difficulty in making repayments due to disaster, sickness, injury or financial reasons but can still pay if the installment is reduced. It reduces the monthly installment amount for a specified period while extending the repayment period accordingly.

*Note this is not available for Category 1 Loan recipients qualified in FY2017 or later who choose income-linked installments.
From FY2017

Enhancement to installment-reduction system

The system started with a 50% reduction, but **two-thirds reduction** has become available.

Extension of installment-reduction period

The maximum reduction period of **10 years** has been extended to **15 years**.

Postponement of repayment

For loan recipients who wants suspension of repayment

This system postponements installed repayment upon request by loan recipients who have difficulty in making repayments due to disaster, sickness, injury, financial issues or unemployment.

Maximum period of suspension

The maximum of **10 years, in total**, of suspension is available.

Application of repayment suspension to delinquent recipients

As long as delinquent recipients are experiencing a truly difficult situation, such as health reasons or financial conditions so serious as to be requiring public livelihood assistance, they are **eligible for repayment suspension** from the month in which they request it.

Exemption from repayment

This system, by request, waives obligations for recipients who died or have become unable to repay due to serious physical or mental disability.

For Category 1 Loans received for graduate-level education, there is also a system to waive obligations for outstanding achievements.
From FY2015

The system's Improvement and enhancement for loan recipients in doctoral courses

A system was introduced to designate scholarship loan students in doctoral courses as candidates for loan waivers at the time their eligibility is confirmed.

Program Enhancements in FY2017

Introduction of grant-style scholarship program

JASSO introduced a grant-style scholarship program to further assist individuals who may be forced to give up receiving education due to financial constraints, even though they have enthusiasm and talent.

This is a partial introduction of the full implementation slated for FY2018, and is made available in FY2017 for particularly stricken students financially.

Provision of Category 1 Loans to all eligible applicants

To provide loans to all who meet the screening criteria, JASSO increased the number of fresh recipients of Category 1 Loans by 44,000, including 36,000 new recipients for whom fiscal loan funds etc. were used.

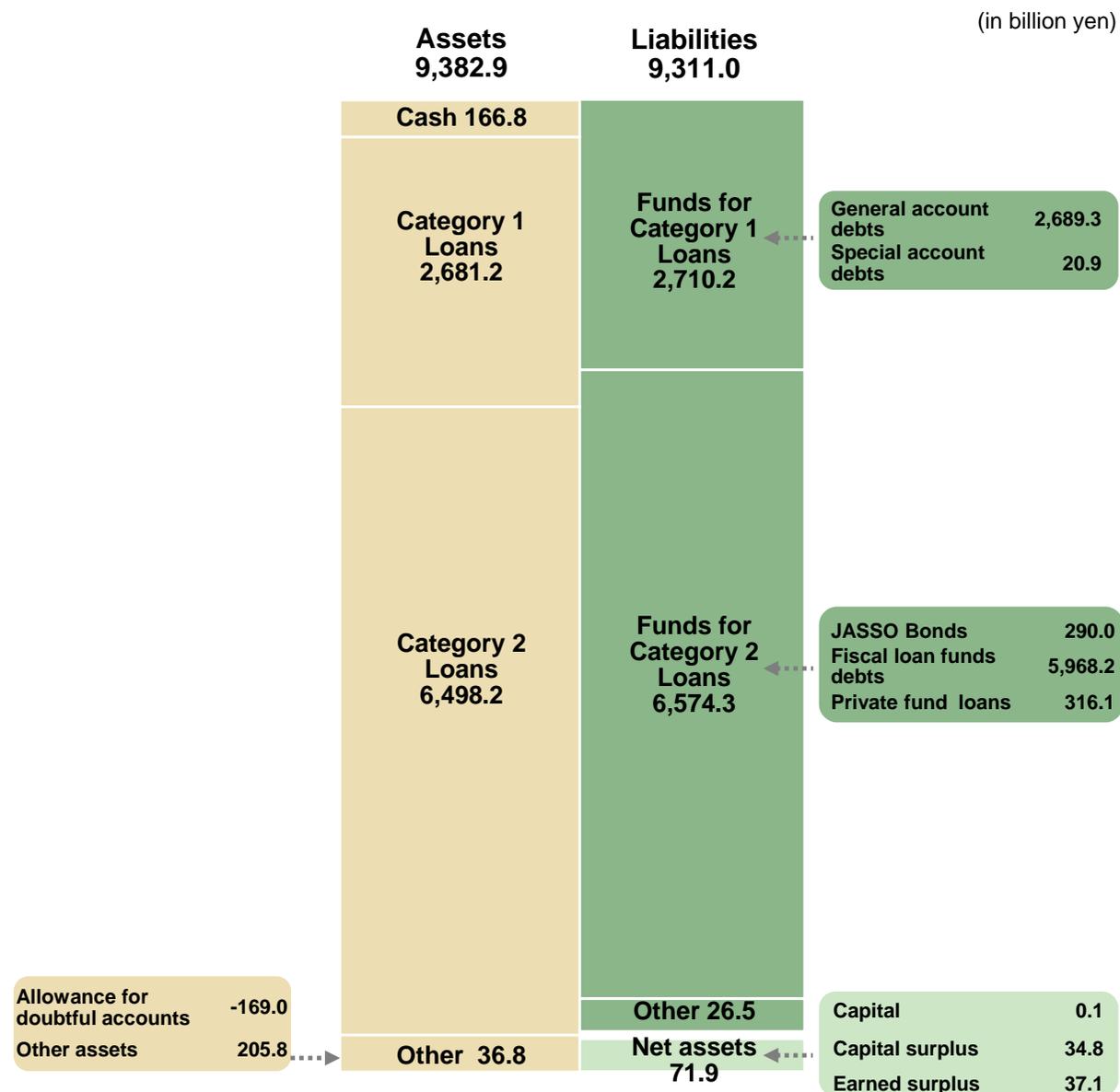
In addition to eliminating individuals who meet the criteria but fail to receive the loans, JASSO in effect abolished the school grade criteria that had been applied to children of low-income households exempt from residence tax, achieving the provision of Category 1 Loans to all children who need them.

Secure implementation of a new, income-linked repayment system

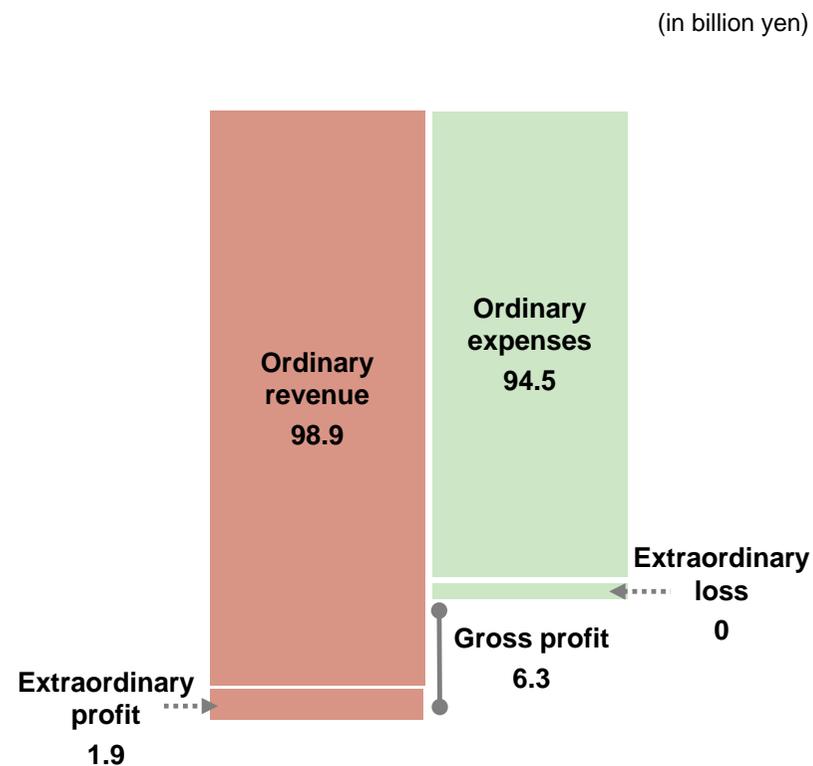
JASSO will operate a new system in which the amounts of monthly repayment installments are linked to the recipients' income levels. (available only to recipients of Category 1 Loans)

FY2016 Results

Balance sheet



Profit and Loss Statement



Overview of JASSO Bonds (1)

- 1** Organization responsible to protect **right to receive education**, under Article 26 of Japanese Constitution, ensure **equal opportunity in education**, under Article 4 of Basic Act on Education
- 2** Scholarship loan programs that support Japan's education policy
(Funds raised through JASSO bonds are used to fund part of Category 2 Loans provided while recipients are in enrollment.)

Societal role/creditworthiness

- Helps to create the next generation of people who will lead society
- Serves increasing needs for equal opportunity in education in response to changing societal trends
- Strong national government support, including financial assistance
- Low political risk
 - No substantial impact from administrative reforms, such as reforms of incorporated administrative agencies

Product quality

- **Issued every three months**
- **Provides general collaterals**
- BIS risk weight: **10%**
- High credit ratings
 - **AA (R&I), AA+ (JCR)**
- **Satisfies BOJ eligible collateral requirements**

Overview of JASSO Bonds (2)

- JASSO bonds are regularly issued four times a year.
- In FY2017, **30 billion** yen worth of 2-year bond is planned to be issued in June, September, November in 2017 and February in 2018.

Issuance history and plan for FY2017

	June	September	November	February	Total issuance
FY2014	3Y 50 billion yen	2Y 50 billion yen	2Y 40 billion yen	2Y 40 billion yen	180 billion yen
FY2015	2Y 30 billion yen	120 billion yen			
FY2016	2Y 30 billion yen	120 billion yen			
Issue date	June 7	Sept. 7	Nov. 8	Feb. 7	
FY2017	2Y 30 billion yen	120 billion yen			

* Funds raised through JASSO bonds are used to fund part of Category 2 Loans. For this reason, the issuance dates of JASSO bonds are scheduled two business days before the dates when scholarship loans are deposited in recipient accounts.

* In FY2017, the 47th JASSO bonds were issued on June 7.

Annual issuance results

JASSO Bonds													Plan
FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
76 billion yen	110 billion yen	117 billion yen	117 billion yen	117 billion yen	117 billion yen	160 billion yen	170 billion yen	180 billion yen	180 billion yen	180 billion yen	120 billion yen	120 billion yen	120 billion yen

* Japan Scholarship Foundation bonds worth 10 billion yen, 56 billion yen and 61 billion yen were issued respectively in FY2001, FY2002 and FY2003.

- The information herein has been prepared solely for information purposes and is not a solicitation of an offer to buy or sell any security or instrument.
- Investors are responsible for making their own investment decisions based on available latest data sources.

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