

Japan Bank for International Cooperation

Summary of Japanese GAAP-Based Financial Statements for First Half of FY2004

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) made public its financial statements for the first half of FY2004 in accordance with generally accepted accounting principles and practices for Japanese private corporations (Japanese GAAP) on December 28, 2004. In order to ensure its objectivity, JBIC obtained an auditor's report from ChuoAoyama PricewaterhouseCoopers pursuant to Article 193.2 of the Securities Transaction Law.

Financial highlights of the Japanese GAAP-based financial statements for the first half of FY2004 are as follows.

(Unit: Million yen)

	First Half of FY2004			First Half of FY2003		
	The Bank Account	International Financial Account	Overseas Economic Cooperation Account	The Bank Account	International Financial Account	Overseas Economic Cooperation Account
Ordinary Revenue	259,613	134,110	125,502	267,363	141,038	126,324
Ordinary Expenses	166,261	112,137	59,033	179,619	110,834	68,785
Net Ordinary Income	93,352	21,973	66,469	87,743	30,203	57,539
Net Extraordinary Income	15,671	27	20,552	37,554	502	37,051
Net Income	109,023	22,001	87,022	125,297	30,705	94,591

(Unit: Million yen)

	As of September 30, 2004			As of March 31, 2004		
	The Bank Account	International Financial Account	Overseas Economic Cooperation Account	The Bank Account	International Financial Account	Overseas Economic Cooperation Account
Total Assets	21,034,217	10,345,618	10,688,598	20,839,757	10,146,237	10,693,520
Cash and Due from Banks	450,325	419,061	31,263	217,328	182,404	34,924
Securities	119,840	-	119,840	120,514	-	120,514
Loans	19,329,063	8,750,452	10,578,610	19,306,245	8,727,720	10,578,524
Miscellaneous Assets	534,048	457,647	76,401	704,284	622,481	81,802
Customer's Liabilities for Acceptances and Guarantees	845,107	845,107	-	724,924	724,924	-
Allowance for Possible Loan Losses	274,692	150,044	124,647	263,425	133,868	129,557
Total Liabilities	13,008,373	8,740,590	4,267,782	12,943,761	8,525,535	4,418,226
Bonds and Notes	1,895,891	1,870,891	25,000	1,561,373	1,536,373	25,000
Borrowings	9,977,839	5,761,271	4,216,568	10,392,925	6,027,018	4,365,907
Miscellaneous Liabilities	271,286	252,006	19,279	246,191	225,843	20,347
Acceptances and Guarantees	845,107	845,107	-	724,924	724,924	-
Total Capital and Retained Earnings	8,025,844	1,605,027	6,420,816	7,895,995	1,620,702	6,275,293
Capital	7,748,644	985,500	6,763,144	7,690,144	985,500	6,704,644
Retained Earnings and Reserve	277,199	619,527	342,328	205,851	635,202	429,350
Capital and Retained Earnings / Total Assets	38.2%	15.5%	60.1%	37.9%	16.0%	58.7%

I. Income (Loss)

JBIC's asset-liability structure is characterized by long maturities of both assets and liabilities, with the overall loan assets having a longer maturity than the liabilities. Thus declining or low and stable interest rates in recent years have enabled JBIC to post consistently robust levels of net interest income. As there was no significant change in this trend during first half of FY2004, operating income amounted to 105.2 billion yen, with ordinary income recording 93.3 billion yen.

In Accordance with the "Changes of the Debt Relief Method" announced by the Japanese government in FY2002, the government started to provide JBIC a grant out of its general account in FY2003. The amount of this grant was 15 billion yen for the reported half year, which was recorded as part of extraordinary income ("Revenue from government grant").

<The Bank Account>

(Unit: 100 Million yen)

	First Half of FY2004	First Half of FY2003
Gross operating profit	1,167	1,006
Net interest income	1,133	1,043
Net fees and commissions	15	20
Net other operating income	18	57
General and Administrative Expenses ()	115	129
Net operating income (prior to provision for general allowance for possible loan losses)	1,052	876
Other ordinary gain/loss ()	118	1
Provision for general allowance for possible loan losses	119	-
Write-off of Loans	-	1
Write-off of securities	-	1
Others	1	4
Net ordinary income	933	877
Net extraordinary income	156	375
Net income	1,090	1,252

<International Financial Account>

(Unit: 100 Million yen)

	First Half of FY2004	First Half of FY2003
Gross operating profit	459	380
Net interest income	422	415
Net fees and commissions	19	22
Net other operating income	18	56
General and Administrative Expenses ()	72	81
Net operating income (prior to provision for general allowance for possible loan losses)	387	299
Other ordinary gain/loss ()	168	2
Provision for general allowance for possible loan losses	168	-
Write-off of Loans	-	1
Write-off of securities	-	-
Others	0	3
Net ordinary income	219	302
Net extraordinary income	0	5
Net income	220	307

<Overseas Economic Cooperation Account>

(Unit: 100 Million yen)

	First Half of FY2004	First Half of FY2003
Gross operating profit	707	625
Net interest income	710	628
Net fees and commissions	3	1
Net other operating income	0	0
General and Administrative Expenses ()	43	48
Net operating income (prior to provision for general allowance for possible loan losses)	664	576
Other ordinary gain/loss ()	0	1
Provision for general allowance for possible loan losses	-	-
Write-off of Loans	-	-
Write-off of securities	-	1
Others	0	0
Net ordinary income	664	575
Net extraordinary income	205	370
Net income	870	945

(Note) General allowance for possible loan losses is the allowance for claims on debtors other than Bankrupt Borrowers, Substantially Bankrupt Borrowers and Potentially bankrupt Borrowers.

II. Assets, Liabilities, and Capital

As of September 30, 2004, the International Financial Account had total assets of 10,345.6 billion yen (increased 199.3 billion yen from the previous fiscal year), total liabilities of 8,740.5 billion yen (increased 215.0 billion yen from the previous fiscal year), and total capital and retained earnings of 1,605.0 billion yen (decreased 15.6 billion yen from the previous fiscal year). The Overseas Economic Cooperation Account had total assets of 10,688.5 billion yen (decreased 4.9 billion yen from the previous fiscal year), total liabilities of 4,267.7 billion yen (decreased 150.4 billion yen from the previous fiscal year), and total capital and retained earnings of 6,420.8 billion yen (increased 145.5 billion yen from the previous fiscal year). Overall, the Bank had total assets of 21,034.2 billion yen (increased 194.4 billion yen from the previous fiscal year), total liabilities of 13,008.3 billion yen (increased 64.6 billion yen from the previous fiscal year), and total capital and retained earnings of 8,025.8 billion yen (increased 129.8 billion yen from the previous fiscal year).

III. Loans

The results of self-assessment, including the classification of risk-monitored loans shown below and loan assets required to be disclosed in accordance with disclosure requirements set forth in the Financial Revitalization Law (FRL), were audited by ChuoAoyama PricewaterhouseCoopers based on the Practical Guidelines for Examining Internal Control Regarding Self-Assessment of Assets in Banks and Other Financial Institutions and Auditing Writeoffs for Defaulted Loans and Provisioning for Possible Loan Losses,” (Japanese Institute of Certified Public Accountants, Special Committee Report No. 4, April 15, 1997).

What is unique about JBIC’s operations is that its loans for developing country governments are taken to be official credit. Thus, when an indebted country is temporarily unable to service debt due to economic difficulties, debt rescheduling will sometimes takes place, based on an international agreement among the creditor countries in the Paris Club, in order to ensure sustainable debt service. A debtor country receiving such temporary support for overcoming the liquidity problem will implement economic restructuring programs agreed upon with the IMF to acquire sustainable debt service capacity.

As for the probability of repayment for the loans rescheduled in the Paris Club, this needs to reflect their nature as official credit, whereby the above international framework provides an asset-securing mechanism which is not found with private financial institutions. Nevertheless, to facilitate comparison between JBIC and private financial institutions, JBIC, in principle, treats the loans rescheduled in the Paris Club and whose debtor countries are categorized as “needs attention” in its self assessment of asset quality as loans assets required to be disclosed, classifying them either as restructured loans (under the Banking Law of Japan) or substandard loans (under the Financial Revitalization Law).

<Risk-Monitored Loans>

In the following table, loans were classified based on self-assessment on asset quality and in accordance with the disclosure standard of risk-monitored loans adopted by private financial institutions under the relevant regulations of the Banking Law of Japan.

(Unit: 100 Million yen, %)

<The Bank Account>	As of the end of September 2004	Change from the end of March 2004	As of the end of March 2004	Ratio to total loans	
				End of September 2004	End of March 2004
Total Amounts of Risk-Monitored Loans	14,749	206	14,542	7.63%	7.53%
Bankrupt Loans	5	4	0	0.00%	0.00%
Non-Accrual Loans	3,186	506	2,680	1.65%	1.39%
Past Due Loans (Three months or more)	567	135	702	0.29%	0.36%
Restructured Loans	10,989	169	11,158	5.69%	5.78%
Total Amounts of Outstanding Loans	193,290	228	193,062	100.00%	100.00%

(Unit: 100 Million yen, %)

<International Financial Account>	As of the end of September 2004	Change from the end of March 2004	As of the end of March 2004	Ratio to total loans	
				End of September 2004	End of March 2004
Total Amounts of Risk-Monitored Loans	6,292	114	6,177	7.19%	7.08%
Bankrupt Loans	5	4	0	0.01%	0.00%
Non-Accrual Loans	2,670	506	2,164	3.05%	2.48%
Past Due Loans (Three months or more)	63	96	160	0.07%	0.18%
Restructured Loans	3,553	299	3,852	4.06%	4.41%
Total Amounts of Outstanding Loans	87,504	227	87,277	100.00%	100.00%

(Unit: 100 Million yen, %)

<Overseas Economic Cooperation Account>	As of the end of September 2004	Change from the end of March 2004	As of the end of March 2004	Ratio to total loans	
				End of September 2004	End of March 2004
Total Amounts of Risk-Monitored Loans	8,456	91	8,365	7.99%	7.91%
Bankrupt Loans	-	-	-	-	-
Non-Accrual Loans	515	-	515	0.49%	0.49%
Past Due Loans (Three months or more)	504	38	542	0.48%	0.51%
Restructured Loans	7,436	130	7,306	7.03%	6.91%
Total Amounts of Outstanding Loans	105,786	0	105,785	100.00%	100.00%

< Loan Assets Required to be Disclosed under the FRL >

In the following table, loan assets were classified based on self-assessment on asset quality and in accordance with disclosure requirements set forth in the Financial Revitalization Law (FRL).

(Unit: 100 Million yen, %)

<The Bank Account>	As of the end of September 2004	Change from the end of March 2004	As of the end of March 2004	Ratio to total loans	
				End of September 2004	End of March 2004
Credits required to be disclosed under the Financial Revitalization Law	14,753	198	14,554	7.25%	7.20%
Bankrupt and Quasi-bankrupt Assets	708	24	683	0.35%	0.34%
Doubtful Assets	2,487	477	2,009	1.22%	0.99%
Substandard Loans	11,557	304	11,861	5.68%	5.87%
Normal Assets	188,788	1,187	187,601	92.75%	92.80%
Total	203,542	1,385	202,156	100.00%	100.00%

(Unit: 100 Million yen, %)

<International Financial Account>	As of the end of September 2004	Change from the end of March 2004	As of the end of March 2004	Ratio to total loans	
				End of September 2004	End of March 2004
Credits required to be disclosed under the Financial Revitalization Law	6,296	106	6,189	6.49%	6.48%
Bankrupt and Quasi-bankrupt Assets	708	24	683	0.73%	0.72%
Doubtful Assets	1,971	477	1,493	2.03%	1.56%
Substandard Loans	3,616	396	4,012	3.73%	4.20%
Normal Assets	90,718	1,332	89,386	93.51%	93.52%
Total	97,015	1,438	95,576	100.00%	100.00%

(Unit: 100 Million yen, %)

<Overseas Economic Cooperation Account>	As of the end of September 2004	Change from the end of March 2004	As of the end of March 2004	Ratio to total loans	
				End of September 2004	End of March 2004
Credits required to be disclosed under the Financial Revitalization Law	8,456	91	8,365	7.94%	7.85%
Bankrupt and Quasi-bankrupt Assets	-	-	-	-	-
Doubtful Assets	515	-	515	0.48%	0.48%
Substandard Loans	7,941	91	7,849	7.45%	7.36%
Normal Assets	98,070	144	98,215	92.06%	92.15%
Total	106,527	53	106,580	100.00%	100.00%

End