

**INTERIM BALANCE SHEETS****JAPAN BANK FOR INTERNATIONAL COOPERATION**

	In millions of yen		In millions of yen		In millions of yen		In millions of U.S. dollars	
	September 30, 2004		September 30, 2003		March 31, 2004		September 30, 2004	
<b>Assets</b>								
Cash and due from banks (Note 3)	¥	450,325	¥	591,804	¥	217,328	\$	4,055
Securities (Notes 4 and 16)		119,840		122,852		120,514		1,079
Loans (Note 5)		19,329,063		19,385,247		19,306,245		174,058
Miscellaneous assets (Note 6)		534,048		562,852		704,284		4,809
Premises and equipment (Note 7)		26,616		27,637		27,178		240
Deferred charges on bonds and notes		3,907		2,288		2,707		35
Customers' liabilities for acceptances and guarantees		845,107		680,401		724,924		7,610
Allowance for possible loan losses		(274,692)		(243,600)		(263,425)		(2,474)
<b>Total assets</b>	¥	<b>21,034,217</b>	¥	<b>21,129,483</b>	¥	<b>20,839,757</b>	\$	<b>189,412</b>

	In millions of yen		In millions of yen		In millions of yen		In millions of U.S. dollars	
	September 30, 2004		September 30, 2003		March 31, 2004		September 30, 2004	
<b>Liabilities and equity</b>								
<b>Liabilities</b>								
Bonds and notes	¥	1,895,891	¥	1,655,889	¥	1,561,373	\$	17,072
Borrowings		9,977,839		10,809,174		10,392,925		89,850
Miscellaneous liabilities (Note 8)		271,286		292,930		246,191		2,443
Allowance for bonus payments		976		943		918		9
Allowance for employee retirement benefits		17,273		18,063		17,429		156
Acceptances and guarantees (Note 9)		845,107		680,401		724,924		7,610
<b>Total liabilities</b>		<b>13,008,373</b>		<b>13,457,401</b>		<b>12,943,761</b>		<b>117,140</b>

<b>Equity</b>								
Capital attributable to the International Financial Account		985,500		985,500		985,500		8,874
Capital attributable to the Overseas Economic Cooperation Account		6,763,144		6,563,344		6,704,644		60,902
Reserve attributable to the International Financial Account (Note 13)		676,258		638,582		638,582		6,089
Reserve attributable to the Overseas Economic Cooperation Account (Note 13)		85,490		20,667		20,667		770
Accumulated deficit		(484,549)		(536,012)		(453,398)		(4,363)
<b>Total equity</b>		<b>8,025,844</b>		<b>7,672,081</b>		<b>7,895,995</b>		<b>72,272</b>
<b>Total liabilities and equity</b>	¥	<b>21,034,217</b>	¥	<b>21,129,483</b>	¥	<b>20,839,757</b>	\$	<b>189,412</b>

See accompanying "Notes to Financial Statements" which are an integral part of these statements.

**INTERIM STATEMENTS OF OPERATIONS**  
**JAPAN BANK FOR INTERNATIONAL COOPERATION**

	In millions of yen		In millions of U.S. dollars	
	First half of FY 2004	First half of FY 2003	FY 2003	First half of FY 2004
<b>Income</b>				
Interest income	¥ 253,822	¥ 263,800	¥ 519,452	\$ 2,286
Interest on loans	232,858	238,616	467,635	2,097
Interest and dividend income on securities	1,366	965	2,280	12
Fees and Commissions	3,182	3,149	6,746	29
Other operating income	2,491	-	309	22
Other ordinary income	116	412	494	1
Grant from general account (Note 11)	15,000	15,000	30,000	135
Other extraordinary income	673	22,560	3,773	6
<b>Total income</b>	<b>275,287</b>	<b>304,923</b>	<b>560,777</b>	<b>2,479</b>
<b>Expenses</b>				
Interest expenses	140,520	159,481	305,501	1,265
Fees and Commissions	1,621	1,100	5,754	15
Other operating expenses	594	5,740	5,123	5
General and administrative expenses	11,559	12,988	24,435	104
Other ordinary expenses (Note 12)	11,965	308	12,036	108
Other extraordinary losses	2	6	14	0
<b>Total expenses</b>	<b>166,263</b>	<b>179,626</b>	<b>352,866</b>	<b>1,497</b>
<b>Net income</b>	<b>¥ 109,023</b>	<b>¥ 125,297</b>	<b>¥ 207,910</b>	<b>\$ 982</b>

See accompanying "Notes to Financial Statements" which are an integral part of these statements.

**INTERIM STATEMENTS OF CASH FLOWS**  
**JAPAN BANK FOR INTERNATIONAL COOPERATION**

	In millions of yen		In millions of yen		In millions of yen		In millions of U.S. dollars	
	First half of FY 2004		First half of FY 2003		FY 2003		First half of FY 2004	
<b>Cash flows from operating activities</b>								
Net income	¥	109,023	¥	125,297	¥	207,910	\$	982
Depreciation and amortization		670		715		1,461		6
Increase (decrease) in allowance for possible loan losses		11,266		(64,563)		(44,737)		101
Increase in allowance for bonus payments		58		188		163		1
Decrease in allowance for employee retirement benefits		(156)		(26)		(660)		(1)
Interest income		(253,822)		(263,800)		(519,452)		(2,286)
Interest expenses		140,520		159,481		305,501		1,265
Net loss on securities		-		186		1,992		-
Foreign exchange (gain) loss		(181,112)		117,675		299,725		(1,631)
Net gain on sales of premises and equipment		(16)		(263)		(674)		(0)
Net decrease in loans		203,391		441,632		316,955		1,831
Net increase in bonds and notes		287,255		120,000		54,212		2,587
Net decrease in borrowings		(415,086)		(409,506)		(825,756)		(3,738)
Net decrease (increase) in due from banks (excluding cash equivalents)		(245,219)		(323,583)		87,302		(2,208)
Interest received		259,155		359,739		630,355		2,334
Interest paid		(133,571)		(158,496)		(321,621)		(1,203)
Others, net		167,866		(145,770)		(319,839)		1,512
<b>Net cash used in operating activities</b>		<b>(49,776)</b>		<b>(41,095)</b>		<b>(127,160)</b>		<b>(448)</b>
<b>Cash flows from investing activities</b>								
Purchases of securities		(76)		(239)		(262)		(1)
Sales of securities		693		50		635		6
Expenditures on premises and equipment		(29)		(547)		(842)		(0)
Proceeds from sales of premises and equipment		55		329		858		1
<b>Net cash provided by (used in) investing activities</b>		<b>642</b>		<b>(407)</b>		<b>389</b>		<b>6</b>
<b>Cash flows from financing activities</b>								
Proceeds from issuance of capital from Government		58,500		59,000		200,300		527
Payment to National Treasury		(23,748)		(26,008)		(38,459)		(214)
<b>Net cash provided by financing activities</b>		<b>34,751</b>		<b>32,991</b>		<b>161,840</b>		<b>313</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>0</b>		<b>(0)</b>		<b>(0)</b>		<b>0</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(14,381)</b>		<b>(8,511)</b>		<b>35,068</b>		<b>(129)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>152,738</b>		<b>117,669</b>		<b>117,669</b>		<b>1,375</b>
<b>Cash and cash equivalents at the end of the period</b>	¥	<b>138,356</b>	¥	<b>109,157</b>	¥	<b>152,738</b>	\$	<b>1,246</b>

See accompanying "Notes to Financial Statements" which are an integral part of these statements.

## **NOTES TO FINANCIAL STATEMENTS**

### **JAPAN BANK FOR INTERNATIONAL COOPERATION**

#### **1. Basis of presentation**

The accompanying financial statements have been prepared from the accounts maintained by Japan Bank for International Cooperation ("JBIC") in accordance with the provisions set forth in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Bank's accounts are separated into the International Financial Account and the Overseas Economic Cooperation Account as required under Article 41 of the Japan Bank for International Cooperation Law ("JBIC Law") whereby the accounting shall be separated according to the categories of international financial operations and overseas economic cooperation operations and be recorded by establishing a separate account for each operation. In separating the accounts, transactions directly related to either of the operations are attributed to the account for these operations and overhead expenses and others are allocated to both of the accounts in accordance with certain pre-defined allocation rate.

Consolidated financial statements are not prepared since JBIC has no subsidiaries.

The amounts indicated in millions of yen are rounded down by omitting figures less than one million. Totals may therefore not add up exactly because of such omission.

Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥111.05=\$1.00, the exchange rate as of September 30, 2004, has been used in translation. The presentation of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

#### **2. Significant accounting policies**

##### **(a) Cash and cash equivalents**

"Cash and cash equivalents" as stated in the statements of cash flows consists of cash in hand and due from Bank of Japan included in "Cash and due from banks" in the balance sheets.

##### **(b) Securities**

All securities are classified as "Available-for-sale securities" which have no market value and are carried at cost based on a moving average cost valuation.

##### **(c) Valuation method for derivative financial instruments**

All derivative financial instruments are carried at fair value, except for certain derivatives that are designated as hedging instruments as discussed below.

##### **(d) Hedge accounting for interest rate risks**

###### **(i) Hedge accounting**

JBIC measures derivatives used for interest rate hedging purposes under the deferral method.

###### **(ii) Hedging instruments and hedged items**

Hedging instruments: interest rate swaps

Hedged items: loans, bonds and notes

###### **(iii) Hedging policy**

JBIC enters into hedging transactions up to the value of the underlying hedged assets and liabilities.

###### **(iv) Assessment of hedge effectiveness**

JBIC assesses the effectiveness of designated hedges by measuring and comparing the fluctuations of fair value or cumulative fluctuations of cash flows of both hedging instruments and corresponding hedged items from the date of inception of the hedges to the effectiveness testing date.

##### **(e) Hedge accounting for foreign exchange risks**

Hedge instruments used to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities are measured using the deferral method, in accordance with the standard treatments of The Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 25.

The effectiveness of the hedging instruments described above, such as currency-swap, exchange swap and similar transactions, hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed by comparing the foreign currency position of the hedged monetary assets and liabilities with that of the hedging instruments.

**(f) Foreign currency translation and revaluation method**

JBIC maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the market exchange rate prevailing at the interim fiscal year end.

**(g) Depreciation basis for fixed assets**

(i) Premises and equipment

Premises and equipment are depreciated on the declining balance basis over their useful economic lives except for buildings (excluding installed facilities) acquired on or after April 1, 1998, which are depreciated on a straight-line basis.

The principal estimated useful economic lives are as follows:

Buildings: 38 years to 50 years

Equipment: 2 years to 20 years

(ii) Software

Software used by JBIC is amortized on the straight-line basis over its useful life (5 years).

**(h) Accounting standard for impairment of fixed assets**

On August 9, 2002, the Business Accounting Council in Japan issued the "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss shall be recognized in the statements of operations by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal year beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

JBIC has not yet applied this new standard nor has determined the effect of applying it on the financial statements.

**(i) Method of amortization for deferred charges**

"Discounts on Bonds and Notes" are amortized over terms of redemption, and "Bonds and Notes Issuance Costs" are amortized over 3 years, on the straight-line basis in accordance with the Commercial Code of Japan.

**(j) Allowance for possible loan losses**

JBIC provides "Allowance for possible loan losses" as follows:

The allowance for claims on debtors who are legally bankrupt ("Bankrupt Borrowers") or substantially bankrupt ("Substantially Bankrupt Borrowers") is provided based on the outstanding balance after the write-offs described in Note 5 (h) and the deductions of the amount expected to be collected through the disposal of collateral and execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt but are likely to become bankrupt ("Potentially Bankrupt Borrowers") is provided based on an assessment of the overall solvency of the debtors after deducting the amount expected to be collected through the disposal of collateral or the execution of guarantees.

The allowance for claims on debtors other than Bankrupt Borrowers, Substantially Bankrupt Borrowers and Potentially Bankrupt Borrowers is provided primarily based on the default rate, which is calculated based on the actual defaults during a certain period in the past.

The allowance for possible losses on specific overseas loans is provided based on the expected loss amount taking into consideration the political and economic situations of these countries.

All claims are assessed initially by the operational departments and secondly by risk evaluation departments based on internal rules for self-assessment of asset quality. The internal audit department, which is independent from the operational departments, reviews these self-assessments, and the allowance is provided based on the results of the assessment.

**(k) Allowance for bonus payments**

"Allowance for bonus payments" is calculated and provided for based on estimated amounts of future payments attributable to the services that have been rendered by employees to the date of the balance sheet. Allowance for bonus payments to executive directors are included in the account.

**(l) Allowance for employee retirement benefits**

Allowance for employee retirement benefits represents the future payment for pension and retirement to employees and executive directors, and is accrued based on the projected benefit obligations and the estimated pension plan assets at the interim fiscal year end.

The actuarial gain or loss is recognized in the year in which it arises.

**(m) Lease transactions**

Finance leases that do not involve the transfer of ownership to the lessee at the end of the lease term are

accounted for as operating lease.

#### (n) Consumption taxes

Consumption taxes including local consumption tax are excluded from the transaction amounts.

### 3. Cash and cash equivalents

The reconciliation between the balance of cash and cash equivalents at the end of each (interim) fiscal year and the amount of cash and due from banks reported in the (interim) balance sheets as of September 30, 2004, 2003 and March 31, 2004 are as follows:

	September 30, 2004 (In millions of yen)		September 30, 2003 (In millions of yen)		March 31, 2004 (In millions of yen)		September 30, 2004 (In millions of U.S. dollars)	
Cash and due from banks	¥	450,325	¥	591,804	¥	217,328	\$	4,055
Due from banks (*)		(311,968)		(482,647)		(64,590)		(2,809)
Cash and cash equivalents	¥	138,356	¥	109,157	¥	152,738	\$	1,246

(\*) Excluding Due from Bank of Japan

### 4. Securities

Securities as of September 30, 2004, 2003 and March 31, 2004 are as follows:

	September 30, 2004 (In millions of yen)		September 30, 2003 (In millions of yen)		March 31, 2004 (In millions of yen)		September 30, 2004 (In millions of U.S. dollars)	
Equity	¥	119,225	¥	122,232	¥	119,902	\$	1,074
Other securities		615		620		612		5
	¥	119,840	¥	122,852	¥	120,514	\$	1,079

### 5. Loans

All of Loans are loans on deeds. The amounts reported in the (interim) balance sheets as of September 30, 2004, 2003 and March 31, 2004 are as follows:

International Financial Account	September 30, 2004 (In millions of yen)		September 30, 2003 (In millions of yen)		March 31, 2004 (In millions of yen)		September 30, 2004 (In millions of U.S. dollars)	
Bankrupt loans	¥	504	¥	130	¥	83	\$	4
Non-accrual loans		267,084		240,189		216,429		2,405
Past due loans (3 months or more)		6,340		10,463		16,032		57
Restructured loans		355,316		418,988		385,225		3,200
	¥	629,246	¥	669,771	¥	617,770	\$	5,666

  

Overseas Economic Cooperation Account	September 30, 2004 (In millions of yen)		September 30, 2003 (In millions of yen)		March 31, 2004 (In millions of yen)		September 30, 2004 (In millions of U.S. dollars)	
Bankrupt loans	¥	-	¥	-	¥	-	\$	-
Non-accrual loans		51,584		51,584		51,584		464
Past due loans (3 months or more)		50,424		19,338		54,245		454
Restructured loans		743,680		765,930		730,673		6,697
	¥	845,689	¥	836,853	¥	836,504	\$	7,615

- (a) "Bankrupt loans," which are classified as non-accrual (i.e. interest receivable is admitted to be no longer accrued), are loans to borrowers who fall into the following categories:
- who have begun bankruptcy, settlement, reorganization, winding-up or special liquidation proceedings under the Bankruptcy Law, the Corporate Reorganization Law, the Civil Rehabilitation Law, the Commercial Code or other similar laws of Japan
  - who have had their transactions with the promissory note clearinghouse suspended
  - who have begun similar proceedings under any foreign law
- These loans are categorized as loans to "Bankrupt borrowers" under the self-assessment of asset quality.
- (b) "Non-accrual loans" are loans that are classified as non-accrual and which do not fall into the "Bankrupt loans" category. These loans are categorized as loans to "Substantially bankrupt borrowers" or "Potentially bankrupt borrowers" under the self-assessment of asset quality.
- (c) "Past due loans (3 month or more)" are loans whose principal and/or interest is past due three months or more counted from the date following the scheduled payment date, and which do not fall into the "Bankrupt loans" and "Non-accrual loans" categories. These loans are also categorized as loans to "Watchlist borrowers" under the self-assessment of asset quality.
- (d) "Restructured loans" are loans whose contracts were amended in favor of obligors (e.g. reduction of or exemption from stated interest, deferral of interest payments, extension of maturity dates, renunciation of claims) in order to assist or facilitate the restructuring processes of the obligors in financial difficulties, and which do not fall into the "Bankrupt loans," "Non-accrual loans," and "Past due loans (3 month or more)" categories. These loans are also categorized as loans to "Watchlist borrowers" under the self-assessment of asset quality.
- (e) The amounts of Loans indicated in the table above are shown the gross amounts prior to deduction of allowance for possible loan losses.
- (f) In the event that a debtor country encounters temporary payment difficulties and requests debt rescheduling with respect to external public debt (whose creditors are Sovereigns, Trade Insurance Institutions and Export Credit Institutions, etc.) due to an unfavorable balance of international payment, meetings of creditor countries (the "Paris Club") would be held to discuss debt relief measures (rescheduling). When creditor countries agree on debt relief measures, debt-rescheduling agreements between the creditors and a debtor are agreed. Under such temporary liquidity assistance, the debtor carries out Economic Restructuring Program that was agreed with the International Monetary Fund ("IMF") and continues to make repayments of the debt. The principal amount of loans for which JBIC has agreed to provide debt relief pursuant to the Paris Club agreements is as follows:

	September 30, 2004	September 30, 2003	March 31, 2004	September 30, 2004
	(In millions of yen)	(In millions of yen)	(In millions of yen)	(In millions of U.S. dollars)
International Financial Account	¥ 456,442	¥ 466,232	¥ 463,600	\$ 4,110
Overseas Economic Cooperation Account	1,250,091	1,225,426	1,251,786	11,257

In terms of repayment probability of the loans rescheduled in the Paris Club, their nature as public credit, unlike loans provided by private financial institutions, provides an asset securing mechanism under such an international framework. Nonetheless, in order to facilitate comparison with private financial institutions, JBIC classifies those loans to borrowers classified "under the assessment as "Watchlisted" (but not "Past due Loans (3 months or more)"), that were rescheduled under the Paris Club as "Restructured loans". The amount of such loans, included in "Restructured loans" in above table, is ¥92,458 million (\$833 million) of which ¥86,695 million (\$781 million) represents original principal attributable to the International Financial Account and ¥743,680 million (\$6,697 million) of which ¥565,842 million (\$5,095million) represents original principal attributable to the Overseas Economic Cooperation Account for the interim year ended September 30, 2004. The amount of such loans, included in "Restructured loans" in above tables, is ¥118,206 million of which ¥75,874 million represents original principal attributable to the International Financial Account and ¥765,930 million of which ¥554,030 million represents original principal attributable to the Overseas Economic Cooperation Account for the interim year ended September 30, 2003 and ¥115,380 million of which ¥78,955 million represents original principal attributable to the International Financial Account and ¥730,673 million of which ¥565,183 million represents original principal attributable to the Overseas Economic Cooperation Account for the year ended March 31, 2004 respectively.

- (g) As JBIC's debtors mainly require long-term loans, JBIC generally enters into commitment line contracts with these debtors. JBIC provides commitment lines under which it lends necessary funds up to the

predetermined amount, that is within the borrowers' financing needs for the projects and up to the agreed maximum to lend, upon borrowers' request, provided that the request meets terms and conditions for disbursement prescribed in the Loan Agreement. The total balances of unused commitment lines as of September 30, 2004, 2003 and March 31, 2004 are ¥4,950,745 million (\$44,581 million), ¥5,495,015 million and ¥5,486,046 million, respectively.

(h) With respect to claims with collateral or guarantees on debtors who are legally or substantially bankrupt ("Bankrupt borrowers and Substantially bankrupt borrowers"), the residual booked amount of the claims after deduction of the amount which is deemed collectible through the disposal of collateral or the execution of guarantees is written-off against the respective claims. The amounts of the accumulated write-offs as of September 30, 2004, 2003 and March 31, 2004 are ¥18,661 million (\$168 million), ¥7,468 million and ¥18,092 million, respectively.

## 6. Miscellaneous assets

A part of the net earnings on the International Financial Account is paid to the National Treasury, pursuant to Article 44 of the JBIC law. Preliminary payments to the National Treasury, made on a best estimation basis amounted to ¥5,257 million (\$47 million) for the interim year ended September 30, 2004, ¥6,734 million for the interim year ended September 30, 2003 and ¥19,185 million for the year ended March 31, 2004 respectively, and accounted for under Miscellaneous assets on the (interim) balance sheets.

## 7. Premises and equipment

Depreciation expense in First half of FY 2004, 2003 and FY 2004 and Accumulated Depreciation as of September 30, 2004, 2003 and March 31, 2004 are as follows:

	First half of FY2004 (In millions of yen)	First half of FY2003 (In millions of yen)	FY2004 (In millions of yen)	First half of FY2004 (In millions of U.S. dollars)
Depreciation Expense				
International Financial Account	¥ 467	¥ 503	¥ 1,024	\$ 4
Overseas Economic Cooperation Account	202	211	435	2

	September 30, 2004 (In millions of yen)	September 30, 2003 (In millions of yen)	March 31, 2004 (In millions of yen)	September 30, 2004 (In millions of U.S. dollars)
Accumulated Depreciation				
International Financial Account	¥ 13,756	¥ 13,130	¥ 13,412	\$ 124
Overseas Economic Cooperation Account	4,759	4,451	4,611	43

## 8. Miscellaneous liabilities

Deferred hedge gains is net realized or unrealized gains from hedging instruments. The gross amount of deferred hedge gains and losses before netting are as follows:

	September 30, 2004 (In millions of yen)	September 30, 2003 (In millions of yen)	March 31, 2004 (In millions of yen)	September 30, 2004 (In millions of U.S. dollars)
Gains	¥ 156,869	¥ 328,710	¥ 169,900	\$ 1,413
Losses	8,516	160,084	16,328	77



## 9. Acceptances and guarantees

Acceptances and Guarantees as of September 30, 2004, 2003 and March 31, 2004 are as follows:

	September 30, 2004 (In millions of yen)	September 30, 2003 (In millions of yen)	March 31, 2004 (In millions of yen)	September 30, 2004 (In millions of U.S. dollars)
	¥	¥	¥	\$
Acceptances	-	-	-	-
Guarantees	845,107	680,401	724,924	7,610
	¥ 845,107	¥ 680,401	¥ 724,924	\$ 7,610

## 10. Assets pledged as collateral

There were no assets pledged as collateral as of September 30, 2004, 2003 and March 31, 2004.

## 11. Grant from general account

In accordance with the "Changes of the Debt Relief Method" announced by the Japanese government on December 10, 2002, JBIC reported the extraordinary loss ("ODA-loan related losses") in FY2002. Under the policy to maintain the financial soundness of JBIC, the government provided JBIC with a grant totaling ¥15 billion (\$135 million) corresponding to "ODA-loan related losses" out of its general account for interim fiscal year ending September 30, 2004 and September 30, 2003 respectively, and ¥30 billion for fiscal year ending March 31, 2004.

## 12. Other ordinary expenses

Other ordinary expenses include Provision for allowance for possible loan losses, ¥11,962 million (\$107 million) and ¥9,921 million for the (interim) years ended September 30, 2004 and March 31, 2004, respectively, also include write-off of equities and securities, etc ¥1,924 million for the years ended March 31, 2004.

## 13. Reserve

Pursuant to Article 44 of the JBIC Law, the reserve attributable to the International Financial Account is provided from net earnings from the International Financial Account, and the reserve attributable to the Overseas Economic Cooperation Account is provided from or reversed to net earnings from the Overseas Economic Cooperation Account, respectively.

## 14. Lease transactions

Lease transactions in the (interim) fiscal year ended September 30, 2004, 2003 and March 31, 2004 are as follows:

### (a) Finance lease transactions, excluding leases that ownership of the property are deemed to be transferred to the lessee:

Acquisition cost, accumulated depreciation and net balance of leased property as of September 30, 2004, 2003 and March 31, 2004, are as follows:

	September 30, 2004 (In millions of yen)	September 30, 2003 (In millions of yen)	March 31, 2004 (In millions of yen)	September 30, 2004 (In millions of U.S. dollars)
	¥	¥	¥	\$
Acquisition cost				
Equipment	317	-	322	3
Others	506	-	506	5
Total	¥ 823	¥ -	¥ 828	\$ 8
Accumulated depreciation				
Equipment	67	-	38	1
Others	101	-	50	1
Total	¥ 168	¥ -	¥ 89	\$ 2
Net balance				
Equipment	249	-	283	2
Others	405	-	455	4
Total	¥ 655	¥ -	¥ 738	\$ 6

- Future lease payment obligations as of September 30, 2004, 2003 and March 31, 2004 are summarized below:

	September 30, 2004 (In millions of yen)	September 30, 2003 (In millions of yen)	March 31, 2004 (In millions of yen)	September 30, 2004 (In millions of U.S. dollars)
	¥	¥	¥	\$
Due within 1 year	163	-	162	1
Due after 1 year	497	-	579	5
Total	¥ 661	¥ -	¥ 742	\$ 6

- Lease payment, depreciation expenses and interest expense for the fiscal year ended September 30, 2004, 2003 and March 31, 2004 are as follows:

	September 30, 2004 (In millions of yen)	September 30, 2003 (In millions of yen)	March 31, 2004 (In millions of yen)	September 30, 2004 (In millions of U.S. dollars)
	¥	¥	¥	\$
Lease payment	88	-	95	1
Depreciation expense	83	-	91	1
Interest expense	6	-	7	0

- Depreciation expense is calculated using the straight-line method over the useful economic life of the respective leased assets with zero residual value.
- The difference between total lease payments and the acquisition cost of leased assets is debited to interest expenses, and is allocated to each fiscal year using the interest method.

**(b) Operating lease transactions:**

- Future lease payment obligations as of September 30, 2004, 2003 and March 31, 2004 are summarized below:

	September 30, 2004 (In millions of yen)	September 30, 2003 (In millions of yen)	March 31, 2004 (In millions of yen)	September 30, 2004 (In millions of U.S. dollars)
	¥	¥	¥	\$
Due within 1 year	0	2	1	0
Due after 1 year	-	0	-	-
Total	¥ 0	¥ 3	¥ 1	\$ 0

## 15. Derivative transactions

Notes to derivative transactions in the interim fiscal year ended September 30, 2004 are as follows:

**(a) Interest rate-related transactions**

Gains or losses arising from changes in fair value of interest rate-related derivatives are not included in the interim statements of operations.

Hedge accounting is applied to all interest rate-related derivative transactions.

**(b) Currency-related transactions**

Gains or losses arising from changes in fair value of currency-related derivatives are not included in the interim statements of operations.

Hedge accounting is applied to all currency-related derivative transactions.

**(c) Equity-related transactions**

Not applicable

**(d) Bond-related transactions**

Not applicable

**(e) Commodity-related transactions**

Not applicable

**(f) Credit derivatives transactions**

Not applicable

Notes to derivative transactions in the interim fiscal year ended September 30, 2003 are as follows:

**(a) Interest rate-related transactions**

Gains or losses arising from changes in fair value of interest rate-related derivatives are not included in the interim statements of operations.

Hedge accounting is applied to all interest rate-related derivative transactions.

**(b) Currency-related transactions**

Gains or losses arising from changes in fair value of currency-related derivatives are not included in the interim statements of operations.

Hedge accounting is applied to all currency-related derivative transactions.

**(c) Equity-related transactions**

Not applicable

**(d) Bond-related transactions**

Not applicable

**(e) Commodity-related transactions**

Not applicable

**(f) Credit derivatives transactions**

Not applicable

Notes to derivative transactions in the fiscal year ended March 31, 2004 are as follows:

**(a) Interest rate-related transactions**

Gains or losses arising from changes in fair value of interest rate-related derivatives are not included in the statements of operations.

Hedge accounting is applied to all interest rate-related derivative transactions.

**(b) Currency-related transactions**

Gains or losses arising from changes in fair value of currency-related derivatives are not included in the statements of operations.

Hedge accounting is applied to all currency-related derivative transactions.

**(c) Equity-related transactions**

Not applicable

**(d) Bond-related transactions**

Not applicable

**(e) Commodity-related transactions**

Not applicable

**(f) Credit derivatives transactions**

Not applicable

## 16. Market value of securities

Notes to market value of securities as of September 30,2004 are as follows:

**(a) Held-to-maturities debt securities**

Not applicable

**(b) Available-for-sale securities with market value**

Not applicable

**(c) Held-to-maturity debt securities and available-for-sale securities whose market value is not readily determinable are as follows:**

	September 30,2004 (In millions of yen)	September 30,2004 (In millions of U.S. dollars)
	¥	\$
Held-to-maturity debt securities	-	-
Unlisted foreign securities	-	-
Available-for-sale securities	119,840	1,079
Unlisted Japanese equities other than over-the-counter	116,417	1,048
Unlisted foreign equities	2,808	25
Unlisted Japanese local government bonds	-	-
Unlisted Japanese corporate bonds	-	-
Unlisted foreign bonds	-	-
Other Japanese securities	-	-
Other unlisted foreign securities	615	6
Total	¥ 119,840	\$ 1,079

Notes to market value of securities as of September 30,2003 are as follows:

**(a) Held-to-maturities debt securities**

Not applicable

**(b) Available-for-sale securities with market value**

Not applicable

**(c) Held-to-maturity debt securities and available-for-sale securities whose market value is not readily determinable are as follows:**

	September 30,2003 (In millions of yen)
	¥
Held-to-maturity debt securities	-
Unlisted foreign securities	-
Available-for-sale securities	122,852
Unlisted Japanese equities other than over-the-counter	118,848
Unlisted foreign equities	3,383
Unlisted Japanese local government bonds	-
Unlisted Japanese corporate bonds	-
Unlisted foreign bonds	-
Other Japanese securities	-
Other unlisted foreign securities	620
Total	¥ 122,852

Notes to market value of securities as of March 31, 2004 are as follows:

**(a) Held-to-maturities debt securities**

Not applicable

**(b) Available-for-sale securities with market value**

Not applicable

**(c) Held-to-maturity debt securities and available-for-sale Securities whose market value is not readily determinable are as follows:**

	March 31, 2004	
	(In millions of yen)	
	¥	
Held-to-maturity debt securities		-
Unlisted foreign securities		-
Available-for-sale securities		120,514
Unlisted Japanese equities other than over-the-counter		117,110
Unlisted foreign equities		2,791
Unlisted Japanese local government bonds		-
Unlisted Japanese corporate bonds		-
Unlisted foreign bonds		-
Other Japanese securities		-
Other unlisted foreign securities		612
Total	¥	<u>120,514</u>