

Japan Bank for International Cooperation

Summary of Japanese GAAP-Based Financial Statements for Fiscal Year Ending March 2005

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) made public its financial statements for the fiscal year ending March 2005 in accordance with generally accepted accounting principles and practices for Japanese private corporations (Japanese GAAP) on June 30, 2005. 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 fiscal year ending March 2005 are as follows.

(Unit: million yen)

	Fiscal Year ending March 2005			Fiscal Year ending March 2004		
	The Bank Account	International Financial Account	Overseas Economic Cooperation Account	The Bank Account	International Financial Account	Overseas Economic Cooperation Account
Ordinary Revenue	508,310	254,430	253,879	527,003	271,282	255,721
Ordinary Expenses	409,305	238,413	170,892	352,851	225,271	135,362
Net Ordinary Income	99,004	16,017	82,987	174,152	46,010	120,358
Net Extraordinary Income	31,418	326	31,092	33,759	443	41,098
Net Income	130,423	16,343	114,079	207,910	46,453	161,457

(Unit: million yen, %)

	As of March 31, 2005			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	20,653,038	9,827,312	10,825,726	20,839,757	10,146,237	10,693,520
Cash and Due from Banks	170,029	106,105	63,924	217,328	182,404	34,924
Securities	119,980	103	119,877	120,514	-	120,514
Loans	19,187,414	8,446,621	10,740,793	19,306,245	8,727,720	10,578,524
Miscellaneous Assets	599,982	523,350	76,631	704,284	622,481	81,802
Customer's Liabilities for Acceptances and Guarantees	899,389	899,389	-	724,924	724,924	-
Allowance for Possible Loan Losses	△353,664	△171,153	△182,511	△263,425	△133,868	△129,557
Total Liabilities	12,477,695	8,227,942	4,249,752	12,943,761	8,525,535	4,418,226
Bonds and Notes	1,776,254	1,751,254	25,000	1,561,373	1,536,373	25,000
Borrowings	9,559,735	5,359,276	4,200,459	10,392,925	6,027,018	4,365,907
Miscellaneous Liabilities	224,079	206,716	17,363	246,191	225,843	20,347
Acceptances and Guarantees	899,389	899,389	-	724,924	724,924	-
Total Capital and Retained Earnings	8,175,343	1,599,369	6,575,973	7,895,995	1,620,702	6,275,293
Capital	7,876,744	985,500	6,891,244	7,690,144	985,500	6,704,644
Retained Earnings and Reserve	298,598	613,869	△315,270	205,851	635,202	△429,350
Capital and Retained Earnings / Total Assets (%)	39.6	16.3	60.7	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 FY2004, operating income amounted to 192.6 billion yen. However, affected by increase in allowance for possible loan losses due to the worsening conditions of some of the debtors, ordinary income resulted in 99.0 billion yen. By adding extraordinary income of 31.4 billion yen, mainly a grant of 30.0 billion yen provided by the Japanese government out of its general account, net income was recorded as 130.4 billion yen. This grant has been provided since FY 2003 in accordance with the policy of the Japanese government to ensure fiscal soundness of JBIC under the "Changes of the Debt Relief Method" announced in FY2002.

<The Bank Account> (Unit: hundred millions of yen)

	Fiscal Year ending March 2005	Fiscal Year ending March 2004
Gross Operating Profit	2,156	2,101
Net Interest Income	2,040	2,139
Net Fees and Commissions	6	9
Net Other Operating Income	109	△48
General and Administrative Expenses (△)	△229	△244
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	1,926	1,856
Other Ordinary Gain/Loss (△)	△936	△115
Provision for General Allowance for Possible Loan Losses	△909	△99
Write-off of Loans	△0	△1
Write-off of Securities	△28	△19
Others	1	4
Net Ordinary Income	990	1,741
Net Extraordinary Income	314	337
Net Income	1,304	2,079

<International Financial Account> (Unit: hundred millions of yen)

	Fiscal Year ending March 2005	Fiscal Year ending March 2004
Gross Operating Profit	683	787
Net Interest Income	549	807
Net Fees and Commissions	21	25
Net Other Operating Income	112	△46
General and Administrative Expenses (△)	△143	△152
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	539	634
Other Ordinary Gain/Loss (△)	△379	△174
Provision for General Allowance for Possible Loan Losses	△380	△177
Write-off of Loans	△0	△1
Write-off of Securities	-	-
Others	1	4
Net Ordinary Income	160	460
Net Extraordinary Income	3	4
Net Income	163	464

<Overseas Economic Cooperation Account>

(Unit: hundred millions of yen)

	Fiscal Year ending March 2005	Fiscal Year ending March 2004
Gross Operating Profit	1,473	1,314
Net Interest Income	1,491	1,331
Net Fees and Commissions	△14	△15
Net Other Operating Income	△3	△1
General and Administrative Expenses (△)	△86	△91
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	1,387	1,222
Other Ordinary Gain/Loss (△)	△557	△19
Provision for General Allowance for Possible Loan Losses	△529	-
Write-off of Loans	-	-
Write-off of Securities	△28	△19
Others	0	0
Net Ordinary Income	829	1,203
Net Extraordinary Income	310	410
Net Income	1,140	1,614

(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 March 31, 2005, the International Financial Account had total assets of 9,827.3 billion yen (decreased 318.9 billion yen from the previous fiscal year), total liabilities of 8,227.9 billion yen (decreased 298.5 billion yen from the previous fiscal year), and total capital and retained earnings of 1,599.3 billion yen (decreased 21.3 billion yen from the previous fiscal year). The Overseas Economic Cooperation Account had total assets of 10,825.7 billion yen (increased 132.2 billion yen from the previous fiscal year), total liabilities of 4,249.7 billion yen (decreased 168.4 billion yen from the previous fiscal year), and total capital and retained earnings of 6,575.9 billion yen (increased 300.6 billion yen from the previous fiscal year). Overall, the Bank had total assets of 20,653.0 billion yen (decreased 186.7 billion yen from the previous fiscal year), total liabilities of 12,477.6 billion yen (decreased 466.0 billion yen from the previous fiscal year), and total capital and retained earnings of 8,175.3 billion yen (increased 279.3 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: hundred millions of yen, %)

<The Bank Account>	As of the end of March 2005	Change from the end of March 2004	As of the end of March 2004	Ratio to Total Loans	
				End of March 2005	End of March 2004
Total Amounts of Risk-Monitored Loans	14,409	△132	14,542	7.51%	7.53%
Bankrupt Loans	—	△0	0	—	0.00%
Non-Accrual Loans	3,885	1,205	2,680	2.03%	1.39%
Past Due Loans (Three months or more)	27	△675	702	0.01%	0.36%
Restructured Loans	10,497	△661	11,158	5.47%	5.78%
Total Amounts of Outstanding Loans	191,874	△1,188	193,062	100.00%	100.00%

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of March 2005	Change from the end of March 2004	As of the end of March 2004	Ratio to Total Loans	
				End of March 2005	End of March 2004
Total Amounts of Risk-Monitored Loans	5,939	△238	6,177	7.03%	7.08%
Bankrupt Loans	—	△0	0	—	0.00%
Non-Accrual Loans	2,657	493	2,164	3.15%	2.48%
Past Due Loans (Three months or more)	27	△133	160	0.03%	0.18%
Restructured Loans	3,254	△597	3,852	3.85%	4.41%
Total Amounts of Outstanding Loans	84,466	△2,810	87,277	100.00%	100.00%

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account >	As of the end of March 2005	Change from the end of March 2004	As of the end of March 2004	Ratio to Total Loans	
				End of March 2005	End of March 2004
Total Amounts of Risk-Monitored Loans	8,470	105	8,365	7.89%	7.91%
Bankrupt Loans	—	—	—	—	—
Non-Accrual Loans	1,227	711	515	1.14%	0.49%
Past Due Loans (Three months or more)	—	△542	542	—	0.51%
Restructured Loans	7,242	△63	7,306	6.74%	6.91%
Total Amounts of Outstanding Loans	107,407	1,622	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: hundred millions of yen, %)

<The Bank Account>	As of the end of March 2005	Change from the end of March 2004	As of the end of March 2004	Ratio to Total Loans	
				End of March 2005	End of March 2004
Credits required to be disclosed under the FRL	14,411	△143	14,554	7.11%	7.20%
Bankrupt and Quasi-bankrupt Assets	697	13	683	0.34%	0.34%
Doubtful Assets	3,189	1,179	2,009	1.57%	0.99%
Substandard Loans	10,524	△1,337	11,861	5.20%	5.87%
Normal Assets	188,148	546	187,601	92.89%	92.80%
Total	202,559	403	202,156	100.00%	100.00%

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of March 2005	Change from the end of March 2004	As of the end of March 2004	Ratio to Total Loans	
				End of March 2005	End of March 2004
Credits required to be disclosed under the FRL	5,940	△248	6,189	6.29%	6.48%
Bankrupt and Quasi-bankrupt Assets	697	13	683	0.74%	0.72%
Doubtful Assets	1,961	468	1,493	2.08%	1.56%
Substandard Loans	3,281	△731	4,012	3.48%	4.20%
Normal Assets	88,469	△916	89,386	93.71%	93.52%
Total	94,410	△1,165	95,576	100.00%	100.00%

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account>	As of the end of March 2005	Change from the end of March 2004	As of the end of March 2004	Ratio to Total Loans	
				End of March 2005	End of March 2004
Credits required to be disclosed under the FRL	8,470	105	8,365	7.83%	7.85%
Bankrupt and Quasi-bankrupt Assets	—	—	—	—	—
Doubtful Assets	1,227	711	515	1.14%	0.48%
Substandard Loans	7,242	△606	7,849	6.70%	7.36%
Normal Assets	99,678	1,463	98,215	92.17%	92.15%
Total	108,148	1,568	106,580	100.00%	100.00%

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