

# Financial Conditions

## 1 Two-Year Financial Statements

### 1-1 General Account

#### Balance Sheet

(Unit: Millions of yen)

	As of March 31, 2018	As of March 31, 2019		As of March 31, 2018	As of March 31, 2019
<b>Assets</b>			<b>Liabilities</b>		
I. Current assets			I. Current liabilities		
Cash and deposits	198,210	214,926	Operational grant liabilities	20,101	31,300
Inventories			Funds for grant aid	164,071	174,791
Stored goods	426	361	Donations received	389	398
Payments for uncompleted contracted programs	—	19	Accounts payable	14,072	15,916
Advance payments	24,808	22,963	Accrued expenses	236	228
Prepaid expenses	177	106	Lease obligations	88	111
Accrued income	0	0	Advance payments received	1	365
Accounts receivable	3,798	3,346	Deposits received	611	495
Short-term loans for development projects	29	53	Unearned revenue	—	0
Allowance for loan losses	(0)	(0)	Suspense receipt	0	—
Short-term loans for emigration projects	1	0	Total current liabilities	199,569	223,604
Allowance for loan losses	(0)	(0)			
Goods in transit	—	237	II. Non-current liabilities		
Suspense payments	31	67	Contra-accounts for assets	5,208	6,999
Advance paid	2	2	Long-term lease obligations	84	232
Total current assets	227,482	242,081	Long-term deposits received	123	119
			Asset retirement obligations	276	276
II. Non-current assets			Total non-current liabilities	5,690	7,626
1. Tangible assets					
Buildings	41,897	41,948	Total liabilities	205,260	231,230
Accumulated depreciation	(18,204)	(19,298)			
Accumulated impairment loss	—	(451)	<b>Net assets</b>		
Structures	1,615	1,622	I. Capital		
Accumulated depreciation	(1,084)	(1,131)	Government investment	62,452	62,452
Accumulated impairment loss	—	(11)	Total capital	62,452	62,452
Machinery and equipment	209	205			
Accumulated depreciation	(125)	(126)	II. Capital surplus		
Vehicles	2,013	2,291	Capital surplus	(979)	(1,233)
Accumulated depreciation	(1,208)	(1,233)	Accumulated depreciation not included in expenses	(19,197)	(20,179)
Tools, furniture, and fixtures	1,986	2,295	Accumulated impairment loss not included in expenses	(10)	(537)
Accumulated depreciation	(1,146)	(1,304)	Accumulated interest expenses not included in expenses	(7)	(7)
Land	14,398	14,398	Total capital surplus	(20,193)	(21,957)
Accumulated impairment loss	(9)	(75)			
Construction in progress	0	10	III. Retained earnings		
Total tangible assets	40,342	39,141	Reserve fund carried over from the previous		
			Mid-term Objective period	19,509	7,013
2. Intangible assets			Reserve fund	—	4,304
Trademark rights	2	1	Unappropriated income for the current business year	4,304	3,168
Telephone subscription rights	2	2	[Total income for the current business year]	[4,304]	[3,168]
Software	163	172	Total retained earnings	23,813	14,485
Software in progress	1,570	3,148			
Total intangible assets	1,736	3,323	Total net assets	66,072	54,981
3. Investments and other assets					
Long-term loans for development projects	118	89			
Allowance for loan losses	(0)	(0)			
Long-term loans for emigration projects	23	17			
Allowance for loan losses	(21)	(16)			
Claims probable in bankruptcy, claims probable in rehabilitation, and other pertaining to loans for development projects	162	81			
Allowance for loan losses	(117)	(81)			
Claims probable in bankruptcy, claims probable in rehabilitation, and other pertaining to loans for emigration projects	364	326			
Allowance for loan losses	(364)	(326)			
Long-term prepaid expenses	72	18			
Expected amount to be granted from the national budget	—	29			
Long-term guarantee deposits	1,535	1,529			
Total investments and other assets	1,772	1,666			
Total non-current assets	43,849	44,130			
Total assets	271,332	286,211	Total liabilities and net assets	271,332	286,211

## Statement of Income

(Unit: Millions of yen)

	April 1, 2017– March 31, 2018	April 1, 2018– March 31, 2019
<b>Ordinary expenses</b>		
Operating expenses		
Expenses for priority sectors and regions	72,754	78,686
Expenses for private sector partnership	4,962	5,016
Expenses for domestic partnership	18,666	18,506
Expenses for other operations	3,814	3,384
Expenses for operation support	38,070	37,417
Expenses for grant aid	90,152	94,985
Expenses for facilities	11	29
Expenses for contracted programs	197	69
Expenses for donation projects	36	12
Depreciation	587	600
General administrative expenses	8,586	8,593
Financial expenses		
Foreign exchange losses	348	243
Miscellaneous loss	3	1
<b>Total ordinary expenses</b>	<b>238,184</b>	<b>247,543</b>
<b>Ordinary revenues</b>		
Revenues from operational grants	132,494	139,031
Revenues from grant aid	90,152	94,985
Revenues from contracted programs		
Revenues from contracted programs from Japanese government and local governments	193	69
Revenues from contracted programs from other parties	3	2
Revenues from interest on development projects	1	0
Revenues from settlement projects	0	0
Revenues from emigration projects	2	1
Donations	36	12
Revenues from subsidy for facilities	11	—
Revenues from expected amount to be granted from the national budget	—	29
Reversal of allowance for loan losses	49	34
Reversal of contra-accounts for assets	575	530
Financial revenues		
Interest income	10	6
Miscellaneous income	4,191	3,751
<b>Total ordinary revenues</b>	<b>227,716</b>	<b>238,451</b>
<b>Ordinary income</b>	<b>(10,468)</b>	<b>(9,093)</b>
<b>Extraordinary losses</b>		
Loss on disposal of non-current assets	76	31
Loss on sales of non-current assets	4	3
Payments to national treasury	611	—
<b>Extraordinary income</b>		
Reversal of contra-accounts for assets	59	60
Gain on sales of non-current assets	31	8
<b>Net loss</b>	<b>(11,068)</b>	<b>(9,059)</b>
<b>Reversal of reserve fund carried over from the previous Mid-term Objective period</b>	<b>15,372</b>	<b>12,227</b>
<b>Total income for the current business year</b>	<b>4,304</b>	<b>3,168</b>

## Statement of Cash Flows

(Unit: Millions of yen)

	April 1, 2017– March 31, 2018	April 1, 2018– March 31, 2019
<b>I. Cash flows from operating activities</b>		
Payments of operating expenses	(134,815)	(130,351)
Payments for grant aid	(89,465)	(95,355)
Payments for contracted programs	(197)	(89)
Payments of personnel expenses	(16,867)	(17,221)
Payments for other operations	(660)	(202)
Proceeds from operational grants	154,316	152,364
Proceeds from grant aid	108,614	105,714
Proceeds from contracted programs	291	437
Proceeds from interest on loans	3	2
Proceeds from settlement projects	(0)	0
Interest revenues	0	0
Installments receivable	(0)	0
Proceeds from donations	15	21
Proceeds from other operations	3,374	4,235
<b>Subtotal</b>	<b>24,608</b>	<b>19,557</b>
Interest income received	10	6
Payments to national treasury	(8,392)	(97)
<b>Net cash provided by operating activities</b>	<b>16,227</b>	<b>19,466</b>
<b>II. Cash flows from investing activities</b>		
Payments for purchase of non-current assets	(1,820)	(2,748)
Proceeds from sales of non-current assets	44	15
Proceeds from subsidy for facilities	—	159
Proceeds from collection of loans	49	97
Payments into time deposits	(130,210)	(60,300)
Proceeds from time deposit refund	130,210	60,300
Payments for purchase of negotiable deposits	(425,000)	—
Proceeds from refund of negotiable deposits	523,000	—
<b>Net cash used in investing activities</b>	<b>96,273</b>	<b>(2,477)</b>
<b>III. Cash flows from financing activities</b>		
Repayments of lease obligations	(141)	(145)
Payments to national treasury for unnecessary property	(611)	—
<b>Net cash used in financing activities</b>	<b>(752)</b>	<b>(145)</b>
<b>IV. Effect of exchange rate fluctuation on funds</b>	<b>(175)</b>	<b>(128)</b>
<b>V. Net increase (decrease) in funds</b>	<b>111,573</b>	<b>16,716</b>
<b>VI. Funds at the beginning of the business year</b>	<b>80,337</b>	<b>191,910</b>
<b>VII. Funds at the end of the business year</b>	<b>191,910</b>	<b>208,626</b>

## 1-2 Finance and Investment Account

## Balance Sheet

(Unit: Millions of yen)

	As of March 31, 2018	As of March 31, 2019		As of March 31, 2018	As of March 31, 2019
<b>Assets</b>			<b>Liabilities</b>		
I. Current assets			I. Current liabilities		
Cash and deposits	255,639	323,390	Current portion of bonds	20,000	67,305
Securities	5,000	—	Current portion of borrowings from government fund for Fiscal Investment and Loan Program	150,179	138,032
Loans	12,005,004	12,300,294	Accounts payable	9,698	8,078
Allowance for loan losses	(171,804)	(165,844)	Accrued expenses	5,788	6,847
Advance payments	22,629	19,217	Derivatives	14,786	13,984
Prepaid expenses	47	29	Lease obligations	147	153
Accrued income			Deposits received	1,475	2,106
Accrued interest on loans	29,394	27,224	Unearned revenue	30	17
Accrued commitment charges	585	490	Provision		
Accrued interest	2	288	Provision for bonuses	299	323
Accounts receivable	1,553	973	Provision for contingent losses	10,598	9,286
Goods in transit	—	61	Suspense receipt	254	11
Suspense payments	5	5	Total current liabilities	213,256	246,141
Advances paid	0	0			
Short-term guarantee deposits	23,686	14,163	II. Non-current liabilities		
Total current assets	12,171,739	12,520,290	Bonds	683,132	733,299
II. Non-current assets			Discounts on bonds payable	(512)	(424)
1. Tangible assets			Borrowings from government fund for Fiscal Investment and Loan Program	1,761,334	1,899,402
Buildings	3,249	3,827	Long-term lease obligations	264	181
Accumulated depreciation	(1,037)	(1,126)	Long-term deposits received	3,482	4,737
Accumulated impairment loss	(665)	(665)	Provision for retirement benefits	4,203	4,193
Structures	50	96	Asset retirement obligations	70	70
Accumulated depreciation	(24)	(25)	Total non-current liabilities	2,451,974	2,641,459
Accumulated impairment loss	(12)	(12)			
Machinery and equipment	196	198	Total liabilities	2,665,229	2,887,600
Accumulated depreciation	(69)	(72)			
Accumulated impairment loss	(102)	(102)	<b>Net assets</b>		
Vehicles	399	497	I. Capital		
Accumulated depreciation	(210)	(234)	Government investment	8,037,408	8,083,418
Tools, furniture and fixtures	714	791	Total capital	8,037,408	8,083,418
Accumulated depreciation	(229)	(386)			
Land	12,703	12,703	II. Retained earnings		
Accumulated impairment loss	(6,091)	(6,091)	Reserve fund	1,546,921	1,626,110
Construction in progress	30	31	Unappropriated income for the current business year	79,188	77,771
Total tangible assets	8,904	9,431	[Total income for the current business year]	[79,188]	[77,771]
2. Intangible assets			Total retained earnings	1,626,110	1,703,881
Trademark rights	0	0			
Software	4,360	4,907	III. Valuation and translation adjustments		
Software in progress	875	850	Valuation difference on available-for-sale securities	826	3,391
Total intangible assets	5,236	5,758	Deferred gains or losses on hedges	(50,631)	(47,360)
3. Investments and other assets			Total valuation and translation adjustments	(49,805)	(43,969)
Investment securities	4,701	6,033			
Shares of affiliated companies	43,546	44,100	Total net assets	9,613,713	9,743,329
Money held in trust	32,551	40,809			
Claims probable in bankruptcy, claims probable in rehabilitation, and other	87,063	87,063			
Allowance for loan losses	(75,454)	(83,193)			
Long-term prepaid expenses	19	5			
Long-term guarantee deposits	638	633			
Total investments and other assets	93,064	95,450			
Total non-current assets	107,204	110,639			
Total assets	12,278,942	12,630,929	Total liabilities and net assets	12,278,942	12,630,929

## Statement of Income

(Unit: Millions of yen)

	April 1, 2017– March 31, 2018	April 1, 2018– March 31, 2019
<b>Ordinary expenses</b>		
Expenses related to operations of cooperation through finance and investment		
Interest on bonds and notes	7,327	9,331
Interest on borrowings	17,130	16,541
Interest on interest rate swaps	7,395	6,720
Other Interest expenses	1	2
Operations consignment expenses	32,484	33,865
Bond issuance cost	557	567
Foreign exchange losses	—	1,200
Personnel expenses	3,896	4,156
Provision for bonuses	299	323
Retirement benefit expenses	137	390
Operating and administrative expenses	14,212	13,621
Depreciation	461	1,341
Taxes	80	92
Loss on valuation of investment securities	174	—
Loss on valuation of shares of affiliated companies	144	—
Loss on investment in money held in trust	1,497	—
Provision for allowance for loan losses	8,244	1,779
Other operating expenses	10	17
Other ordinary expenses	0	0
<b>Total ordinary expenses</b>	<b>94,049</b>	<b>89,945</b>
<b>Ordinary revenues</b>		
Revenues from operations of cooperation through finance and investment		
Interest on loans	145,294	138,201
Interest on bonds	0	0
Dividends on investments	19,319	20,872
Commissions	3,308	2,339
Foreign exchange gains	1,248	—
Gain on valuation of investment securities	—	323
Gain on valuation of shares of affiliated companies	—	555
Gain on investment in money held in trust	—	2,343
Reversal of provision for allowance for contingent losses	2,532	1,313
Financial revenues		
Interest income	266	782
Miscellaneous income	1,342	973
Recoveries of written-off claims	20	20
<b>Total ordinary revenues</b>	<b>173,328</b>	<b>167,721</b>
<b>Ordinary income</b>	<b>79,279</b>	<b>77,776</b>
<b>Extraordinary losses</b>		
Loss on disposal of non-current assets	20	6
Loss on sales of non-current assets	0	0
Loss on transfer of benefit obligation relating to Employees' Pension Fund	77	—
<b>Total extraordinary losses</b>	<b>97</b>	<b>6</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	6	2
<b>Total extraordinary income</b>	<b>6</b>	<b>2</b>
<b>Net income</b>	<b>79,188</b>	<b>77,771</b>
<b>Total income for the current business year</b>	<b>79,188</b>	<b>77,771</b>

## Statement of Cash Flows

(Unit: Millions of yen)

	April 1, 2017– March 31, 2018	April 1, 2018– March 31, 2019
<b>I. Cash flows from operating activities</b>		
Payments for loans	(1,112,261)	(1,079,145)
Repayments of borrowings from government fund for Fiscal Investment and Loan Program	(231,406)	(206,179)
Redemption of bonds	—	(20,000)
Interest expenses paid	(28,807)	(29,015)
Payments for personnel expenses	(4,485)	(4,854)
Payments for other operations	(77,893)	(68,334)
Proceeds from collection of loans	774,113	789,222
Proceeds from borrowings from government fund for Fiscal Investment and Loan Program	402,600	332,100
Proceeds from issuance of bonds	114,429	113,966
Proceeds from interest on loans	142,494	135,396
Proceeds from commissions	2,959	2,950
Proceeds from other operations	29,035	34,747
<b>Subtotal</b>	<b>10,779</b>	<b>852</b>
Interest and dividend income received	19,583	21,365
<b>Net cash provided by (used in) operating activities</b>	<b>30,362</b>	<b>22,218</b>
<b>II. Cash flows from investing activities</b>		
Payments for purchase of non-current assets	(4,966)	(2,333)
Proceeds from sales of non-current assets	58	16
Payments for purchase of investment securities	(2,316)	(403)
Proceeds from sales and redemption of investment securities	373	1,478
Payments for purchase of shares of affiliated companies	(1,525)	—
Proceeds from sales and redemption of shares of affiliated companies	927	—
Payments for increase of money held in trust	(17,449)	(5,539)
Payments into time deposits	(221,593)	(61,199)
Proceeds from time deposit refund	215,201	49,454
Payments for purchase of negotiable deposits	(30,100)	(42,300)
Proceeds from refund of negotiable deposits	27,100	47,300
<b>Net cash used in investing activities</b>	<b>(34,289)</b>	<b>(13,525)</b>
<b>III. Cash flows from financing activities</b>		
Repayments of lease obligations	(76)	(162)
Receipt of government investment	45,180	46,010
<b>Net cash provided by financing activities</b>	<b>45,104</b>	<b>45,848</b>
<b>IV. Effect of exchange rate fluctuation on funds</b>	<b>(1,216)</b>	<b>1,122</b>
<b>V. Net increase (decrease) in funds</b>	<b>39,962</b>	<b>55,663</b>
<b>VI. Funds at the beginning of the business year</b>	<b>208,993</b>	<b>248,954</b>
<b>VII. Funds at the end of the business year</b>	<b>248,954</b>	<b>304,618</b>

## 2 Disclosure of Financial Conditions of Finance and Investment Account

## Average Balance of Interest-Earning Assets and Interest-Bearing Liabilities, Interest and Earning Yields

(Units: Millions of yen, %)

	FY2017			FY2018		
	Average Balance	Interest*	Yield	Average Balance	Interest*	Yield
Interest-earning assets	12,086,191	166,370	1.38	12,496,246	165,414	1.32
Loans	11,821,297	148,602	1.26	12,110,616	140,540	1.16
Investments	72,673	17,504	24.09	88,628	24,092	27.18
Deposits + Securities	192,220	265	0.14	297,002	781	0.26
Interest-bearing liabilities	2,342,000	24,456	1.04	2,608,962	25,871	0.99
Borrowings	1,668,759	17,130	1.03	1,831,177	16,541	0.90
Bonds	673,241	7,327	1.09	777,785	9,331	1.20

\* Investments include investment securities, shares of affiliated companies and money held in trust. Dividends received, gain and loss associated with the valuation of investment securities, and gain and loss associated with the valuation of shares of affiliated companies, and gain and loss associated with the investment in money held in trust are recorded as interest items

## Balance of Deposits and Securities—Application of Surplus Funds

(Unit: Millions of yen)

	End of FY2017	End of FY2018
Deposits + Securities	260,639	323,390

## Yield/Interest rate

(Unit: %)

	End of FY2017	End of FY2018
Total average interest rate spread	(2.21)	(2.01)
Yields on interest-earning assets	1.38	1.32
Costs of interest-bearing liabilities	3.59	3.33

Note:

Yields on Interest-Earning Assets = Interest / Average Balance of Interest-Earning Assets  
 Costs of Interest-Bearing Liabilities = (Interest Expenses + Bonds and Notes Expenses + Other Expenses) / Average Balance of Interest-Bearing Liabilities

cf.

Interest-Earning Assets = Interest on Loans + Interest on Bonds  
 + Dividends on Investments + Interest Income + Commissions  
 + Gain and Loss Associated with the Valuation of Investment Securities  
 / Shares of Affiliated Companies  
 + Gain and Loss Associated with the Investment in Money Held in Trust

Average Balance of Interest-Earning Assets =  
 Loans + Investments + Bank Deposits (excluding Checking Accounts)

Interest Expenses = Interest on Borrowings + Interest on Bonds and Notes  
 + Interest on Interest Rate Swaps + Other Interest Expenses

Bonds and Notes Expenses = Bonds and Notes Issuance Costs

Other Expenses = Operations Consignment Expenses

+ Personnel Expenses

(including Provisions for Allowance for Retirement Benefits / Bonuses)

+ Operating and Administrative Expenses + Depreciation + Tax

+ Other Operating Expenses (Derivative Expenses)

Average Balance of Interest-Bearing Liabilities = Borrowings + Bonds and Notes

## Breakdown of Allowance for Possible Loan Losses

(Unit: Millions of yen)

	End of FY2017	End of FY2018
Loans	171,804	165,844
Claims probable in bankruptcy, claims probable in rehabilitation, and other	75,454	83,193
Total	247,259	249,037

Note: 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 of loan claims after the deductions of the amount expected to be collected through the disposal of collateral and execution of guarantees, or the same amount is written off directly. 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 overall assessment of the solvency of the debtors after the deductions of the amount expected to be collected through the disposal of collateral and the execution of guarantees, or the same amount is written off directly. There were no write-offs from the above-mentioned outstanding balance of loan claims.

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 situation of these countries.

All claims are assessed initially by the operational departments (including regional departments) based on internal rules for self-assessment of asset quality. Internal audit department, which is independent from the operational departments, reviews these self-assessments, and an allowance is provided based on the results of the assessments.

## Principal Assets in Foreign Currency

(Units: Thousands of US\$, Thousands of PHP, Thousands of PKR, Millions of KHR)

	End of FY2017	End of FY2018
Cash and deposits (US\$)	200,243	448,560
Cash and deposits (PHP)	20	20
Loans (US\$)	102,152	210,998
Loans (PHP)	—	1,434,000
Shares of affiliated companies (US\$)	30,000	29,571
Investment securities (US\$)	27,344	23,325
Investment securities (PKR)	240,000	240,000
Investment securities (KHR)	59,054	117,936
Money held in trust (US\$)	306,778	369,571

**Maturity Structure of Loans as of March 31, 2019**

(Unit: Billions of yen)

Maturity	Repayment from Loans
1 year or less	765.6
over 1 year, up to 2 years	702.2
over 2 years, up to 3 years	684.0
over 3 years, up to 4 years	676.6
over 4 years, up to 5 years	657.9
over 5 years, up to 10 years	2,805.5
over 10 years, up to 15 years	2,190.6
over 15 years, up to 20 years	1,730.1
over 20 years, up to 25 years	1,101.7
over 25 years, up to 30 years	618.3
over 30 years, up to 35 years	327.6
over 35 years, up to 40 years	79.8
over 40 years	0.1
Total	12,340.0

Note: The figures exclude principal in arrears for over three months as of the end of March 2019 from the total projected collection from "Loans" and "Claims in bankruptcy, rehabilitation, reorganization or other equivalent claims."

**Maturity Structure of Borrowings from Government Fund for Fiscal Investment and Loan Program (FILP) as of March 31, 2019**

(Unit: Billions of yen)

Maturity	Repayment of Borrowings
1 year or less	138.0
over 1 year, up to 2 years	110.8
over 2 years, up to 3 years	108.8
over 3 years, up to 4 years	101.6
over 4 years, up to 5 years	146.6
over 5 years, up to 10 years	818.4
over 10 years, up to 15 years	297.4
over 15 years, up to 20 years	257.2
over 20 years, up to 25 years	58.7
over 25 years	0.0
Total	2,037.4

**Maturity Structure of Bonds as of March 31, 2019**

(Unit: Billions of yen)

**Fiscal Investment and Loan Program (FILP) Agency Bonds**

Maturity	Redemption
1 year or less	10.0
over 1 year, up to 2 years	0.0
over 2 years, up to 3 years	10.0
over 3 years, up to 4 years	30.0
over 4 years, up to 5 years	30.0
over 5 years, up to 10 years	150.0
over 10 years, up to 15 years	170.0
over 15 years, up to 20 years	160.0
over 20 years, up to 25 years	5.0
over 25 years, up to 30 years	15.0
over 30 years	0.0
Total	580.0

**Government-Guaranteed Bonds**

Maturity	Redemption
1 year or less	57.3 [\$500 million]*
over 1 year, up to 2 years	0.0
over 2 years, up to 3 years	0.0
over 3 years, up to 4 years	0.0
over 4 years, up to 5 years	0.0
over 5 years, up to 10 years	163.3 [\$1.5 billion]*
over 10 years	0.0
Total	220.6

\* Figure in parentheses denotes the amount of money in foreign currency.



## Information on the Quality of Assets of Japan International Cooperation Agency (JICA) Finance and Investment Account

Although the Banking Act and Act on Emergency Measures for the Revitalization of the Financial Functions of 1998 (the "Financial Revitalization Act") do not apply to JICA, JICA has made self-assessments of the quality of its assets since the fiscal year ended March 31, 2001, in accordance with the standards set forth in the Inspection Manual for Deposit-Taking Institutions of the Financial Services Agency of Japan. This was aimed at increasing disclosure on its asset quality and improving the internal management of credit risks.

One characteristic of JICA's operation is that a considerable portion of its loans is official credit for the governments of developing countries. Thus, when an indebted country is temporarily unable to service debt due to economic difficulties, debt rescheduling will sometimes take place, based on an international agreement among the creditor countries in the Paris Club, in order to ensure sustainable debt service.<sup>(Note 1)</sup> 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.

The loans rescheduled under the agreement in the Paris Club have a high probability of repayment, because, unlike loans provided by private financial institutions, their nature as official credit provides an asset-securing mechanism under the above international framework. Nonetheless, to facilitate comparison with private financial institutions, JICA, in principle, discloses the loans rescheduled in the Paris Club and whose debtor countries are categorized as "needs attention" in its self-assessments of asset quality, as loan assets require to be disclosed classifying them either as "Restructured Loans" (under the Banking Act) or "Special Attention Assets" (under the Financial Revitalization Act).

**Note 1.** An international consensus was reached at the creditor nation conference (Paris Club Meeting) on rescheduling foreign government debt (where the debtor is a country, and debt originates from such government entities as trade insurance or export credit agencies) of debtor nations temporarily unable to make payments due to a deterioration in their balance of payments. As a result, a temporary liquidity support program for debtor nation governments (balance of payments assistance under the framework of international cooperation) will be shortly executed. In conjunction with this temporary liquidity assistance, debtor nations will implement an economic reform program agreed upon with the International Monetary Fund (IMF), making it possible for the country to continue to service its debt obligations. The total foreign government debt principal applicable to the debt rescheduling agreement at the Paris Club Meeting held in JICA's Finance and Investment Account was ¥725,959 million as of the end of FY2018.

### 1 Risk Monitored Loans <sup>(Note 2)</sup>

The following table shows the classification of Risk Monitored Loans based on the self-assessments of asset quality in accordance with the disclosure standard of Risk Monitored Loans applied to private financial institutions (under the Banking Act). Each category of Risk Monitored Loans is defined as follows:

#### (1) Loans to Debtor in Legal Bankruptcy <sup>(Note 3)</sup>

Among loans that are placed in non-accrual status (except the portion deduced as allowance for loan losses), when collection of either principal or interest becomes doubtful for the reason that principal or interest is past due for a considerable period of time or for other reasons, those loans which there is filing of reorganization procedures under the Corporate Reorganization Act or bankruptcy procedures under the Bankruptcy Act or special liquidation procedures under the Companies Act or other relevant laws, or there is suspension of transactions in promissory notes issued by the borrowers in the clearing house.

#### (2) Past Due Loans <sup>(Note 3)</sup>

Loans that are placed in non-accrual status except those classified as "Loans to Debtor in Legal Bankruptcy" or those whose interest payments are deferred in order to expedite the borrowers' business restructuring or support their business operations

#### (3) Loans in Arrears by 3 Months or More

Loans whose principal or interest is past due three months or more from the date following the contractually scheduled payment date and not classified as "Loans to Debtor in Legal Bankruptcy" or "Past Due Loans"

#### (4) Restructured Loans

Loans whose terms and conditions are modified in favor of the borrowers in order to expedite the borrowers' business restructuring or support their business operations by, among others, reducing the stated interest rate, deferring interest payments or write-downs, and that are not classified as "Loans to Debtor in Legal Bankruptcy," "Past Due Loans" and "Loans in Arrears by 3 Months or More"

(Unit: Millions of yen)

	March 2019 Reporting Period
Loans to Debtor in Legal Bankruptcy	—
Past Due Loans	87,063
Loans in Arrears by 3 Months or More	—
Restructured Loans	609,303
Total (1)	696,366
Balance of Loans Receivable (2)	12,387,357
(1)/(2)	5.62%

**Note 2.** Deferred principal included in loans as shown in the chart above accounts for ¥22,306 million of the Past Due Loans of ¥87,063 million, and for ¥572,868 million of the Restructured Loans of ¥609,303 million. Other deferred principal, accounting for a total of ¥130,784 million, are of loans that are not categorized as Risk Monitored Loans.

**Note 3.** Under the framework of the Ordinance for Enforcement of Banking Law 19, 2-1-5, which establishes the disclosure standards of risk-management loans held by private financial institutions, debt owed by foreign debtors must be disclosed as bankrupt debtor debt for all debtors fulfilling each of the following conditions: 1) nonpayment of interest or principal within the most recent previous three-year period from the end of the term; 2) no contract signed regarding the extension of the redemption deadline within the most recent previous three-year period from the end of the term; and 3) no specific plans to sign a contract regarding the extension of the redemption at the end of the term. In making disclosures based on the above, JICA, in line with its asset self-assessments and taking into consideration the international framework for cooperation, has classified the aforementioned foreign government debt as debt with bankruptcy concern, while in the disclosure of Risk Monitored Loans, this debt is included as "Past Due Loans."

### 2 Loan Assets Required to be Disclosed under the Financial Revitalization Act <sup>(Note 4)</sup>

The table at right shows the classification of loans based on the self-assessments of asset quality in accordance with the disclosure standard of the Financial Revitalization Act.

Each category of Loan Assets to be disclosed under the Financial Revitalization Act is defined as follows.

#### (1) Bankrupt or De Facto Bankrupt Assets

"Bankrupt or De Facto Bankrupt Assets" are loans and other credits to debtors who have begun proceedings under the Bankruptcy Act, the Corporate Reorganization Act, the Financial Revitalization Act and other similar laws of Japan and have financially failed. In the asset quality self-assessments, these loans are loans to debtors who are legally or substantially bankrupt.

#### (2) Doubtful Assets

"Doubtful Assets" are loans and other credits to debtors whose financial and operational conditions have deteriorated and who have a possibility that payment of principal and/or interest will not be made on a contractual basis. In the asset quality self-assessments, these loans are loans to the debtors who are likely to become bankrupt.

#### (3) Special Attention Assets

"Special Attention Assets" are loans to debtors who are categorized as "needs attention borrower" in the asset quality self-assessments, and (i) loans whose principal and/or interest is overdue for three months or more from the date following the scheduled payment date but which are not categorized as "Bankrupt or De Facto Bankrupt Assets" and "Doubtful Assets" ("Past due loans (three months or more)"); (ii) restructured loans on which JICA granted concessions to borrowers in financial difficulties through amending terms and conditions of the loans to assist them to recover and eventually be able to pay to creditors, but which are not categorized as "Bankrupt or De Facto Bankrupt Assets", "Doubtful Assets" or "Overdue loans (three months or more)."

**(4) Normally Performing Assets**

"Normally Performing Assets" are loans to borrowers with no particular problem in their financial conditions, categorized in the asset quality self-assessments either as "loans to normal borrowers" or "loans to needs attention borrowers (excluding Special Attention Assets)," but which are not categorized as "Bankrupt or De Facto Bankrupt Assets," "Doubtful Assets" and "Special Attention Assets."

Note 4. Deferred principal included in loans as shown in the table below accounts for ¥22,306 million of the Doubtful Assets of ¥87,063 million, for ¥572,868 million of the Special Attention Assets of 609,303 million, and for ¥130,784 million of the Normally Performing Assets of ¥11,718,793 million.

(Unit: Millions of yen)

March 2019 Reporting Period		
Loans Payable* <sup>1</sup> (% of total credit transactions)	Bankrupt or De Facto Bankrupt Assets	— (—)
	Doubtful Assets	87,063 (0.70)
	Special Attention Assets	609,303 (4.91)
	Sub Total	696,366 (5.61)
	Normally Performing Assets	11,718,793 (94.39)
Loan-loss Reserve* <sup>1</sup>	Bankrupt or De Facto Bankrupt Assets	—
	Doubtful Assets	83,193
	Special Attention Assets	45,030
	Sub Total	128,223
	General Loan-loss Reserve for loans not requiring close monitoring	120,749
	Special Allowance for Foreign Debt	65
	Total	249,037
Collateral / Guarantees	Bankrupt or De Facto Bankrupt Assets	—
	Doubtful Assets	—
	Special Attention Assets	—
	Sub Total	—
Coverage Amount* <sup>2</sup> (Coverage Ratio, %)	Bankrupt or De Facto Bankrupt Assets	—
	Doubtful Assets	83,193 (95.56)
	Special Attention Assets	45,030 (7.39)
	Sub Total	128,223 (18.41)

\*<sup>1</sup> Based on JICA's self-assessments of assets, the difference between the debt exposure to bankrupt debtors and debtors in bankruptcy and the amount recognized as recoverable by means of collateral or guarantees is considered as the projected amount that cannot be collected on, and so is subtracted directly from the total debt exposure. As such, this figure is not included in the above chart under "Loans Payable" or "Loan-loss Reserve."

\*<sup>2</sup> Coverage amount refers to the combined total of the loan-loss reserve set aside for each debt and the value of collateral and guarantees, while the coverage ratio represents the ratio of the coverage amount as a percentage of total loans payable.