

Japan Bank for International Cooperation

1. Account for International Financial Operations

1. Summary of operations implemented using FILP funds

Loans, etc., that contribute to the promotion of international trade in Japan or economic activities overseas or to the stability of international financial order.

2. Amount of lending under FY 2004 FILP

(Unit: billion yen)

FY 2004 FILP	Estimated outstanding amount of FILP lending at end of FY 2003
563.6	7,164.0

3. Outcome and social and economic benefits of operations

- 1) Lending and Equity participation
 - Aggregate amount of loan, equity participation and guarantee commitments from FY 1950–2002: ¥46.4962 trillion
 - Loan, equity participation and guarantee commitments in FY 2002: ¥1.3934 trillion
 - Loan, equity participation and guarantee disbursements in FY 2002: ¥1.3895 trillion
 - Loan, equity participation and guarantee outstanding balance at the end of FY 2002: ¥10.3923 trillion
- 2) Primary types of financing for social and economic benefits
 - Export loans: Assistance for exports to developing countries of marine vessels and plants by Japanese companies that have a significant effect on production and employment. Economic effects are also realized in the developing countries including the development of the industrial infrastructure, increased employment opportunities and technology transfers through operation guidance.
 - Product import loans (guarantees): Contributions to the supply to Japan of goods essential in the lives of the people.
 - Natural Resource loans: Assistance for the stable assurance of resources and energy to Japan, a country poor in natural resources.
 - Overseas Investment loans: Assistance for the reinforcement of competitive strength through the development of international operations implemented by Japanese companies under conditions of intense international competition. Investment recipient countries obtain the economic effects of the transfer of capital, technology, management expertise, etc.
 - Untied loans: Contributions to the international assistance activities of Japanese companies through the stabilization of the international financial structure, such as the response to the Asian currency crisis, development of the economic infrastructure in developing countries, etc.

(Reference 1) Survey of the effects on the Japanese economy

Upon estimating the effect on the economy of operations receiving export loans, general investment loans, resource loans and untied loans (excluding structural adjustment financing) (aggregate total of operation funding: ¥27.7 trillion, total approved loan: ¥9.6 trillion), for which an outstanding balance was posted as of the end of FY2001, the effect on the Japanese economy was estimated to be ¥9.8 trillion when value added is taken into account (Japan Bank for International Cooperation survey, FY2002).

(Reference 2) Survey of the role in securing resources

In the performance for FY2000, the ratio of the domestic demand of major resources supplied by projects funded by resource financing for the purpose of assuring the stable supply of energy and other important resources that support the economic activities of Japan is oil: 14.7%, natural gas 94.2% and coal: 34.5%. Financed projects supplied a share of 26.1% of the demand of the primary energy resources of oil, natural gas and coal (Japan Bank for International Cooperation survey, FY2002).

(Reference 3) Survey concerning the effects of export financing on the domestic economy

In relation to export-related operations financed in FY2001 and FY2002, the production by export corporations and the order placed to domestic suppliers is ¥520.4 billion in total. Of this amount, the order to medium and small business is estimated ¥70.2 billion (Total approved amount is ¥373.7 billion). The estimated employees maintained/hired within the export corporations are about 5,000 per year. (Japan Bank for International Corporation Survey, FY2003)

4. Estimated policy (subsidy) cost analysis of the project

Policy (subsidy) cost

(Unit: billion yen)

Category	FY2003	FY2004	Increase/Decrease
1. Subsidies from the Government	–	–	–
2. Money transfer to the Government	– 306.8	– 345.1	– 38.4
Subtotal (1+2)	– 306.8	– 345.1	– 38.4
3. Opportunity cost of capital investment from the Government	367.5	447.6	+ 80.1
Subtotal (1+2+3)	60.8	102.5	+ 41.7
4. Decrease in loss	–	–	–
Total (1+2+3+4=policy cost(A))	60.8	102.5	+ 41.7
Analysis period (years)	25	24	–1

Breakdown of policy cost by the time of the provision of funds

[Upper figure: Discounted present value]
[Lower figure: Nominal value]

Category	FY2003	FY2004	Increase/Decrease
(A) Policy cost (previously cited)	60.8 – 670.5	102.5 – 713.6	+ 41.7 – 43.1
1) Opportunity cost such as capital investment made before the beginning of the analysis period	343.6 –	371.5 –	+27.9 –
2) Policy cost expected to newly accrue during the analysis period	– 282.8 – 670.5	– 269.0 – 713.6	+13.8 – 43.1
Subsidies from the Government	–	–	–
Money transfer to the Government	– 306.8 – 381.6	– 345.1 – 449.4	– 38.4 – 67.8
Policy cost in connection with increase/decrease in surplus	23.9 – 288.9	76.1 – 264.2	+52.2 +24.7
Opportunity cost such as capital investment	–	–	–

Year -to-Year comparison analysis

(Unit: billion yen)

Category	FY2003	FY2004	Increase/Decrease
(A) Policy cost (previously cited)	60.8	102.5	+41.7
(A') Policy cost obtained by re-calculating (A) using the same assumed interest rate as in the FY2003 analysis	60.8	75.9	+15.2
(B) Policy cost of (A') generated in FY2004 or later	82.2	75.9	– 6.3

The FY2004 total policy cost is ¥102.5 billion. Abstracting the impact of the change in the assumed interest rate for FY2003 and FY2004 and comparing to policy cost to accrue after FY2004, year on year net decrease in policy cost is ¥6.3 billion. The decrease in real cost is considered to be attributable to the following factors:

- Cost reduction due to new financing in FY2004 (–¥18.7 billion)

Breakdown of policy cost by causative factor

(Unit: billion yen)

(A) Policy cost in FY2004	102.5
1) Prepayments	36.9
2) Defaults	390.3
3) Other (spread, etc.)	– 324.7

The case if assumption is changed

(Unit: billion yen)

Changed assumption and extent of change	Increase / decrease in policy cost
Interest and funds raised +1%	193.5 (+91.0)

(Reference)

Budgeted amount of subsidies and capital investment in FY 2004

Subsidies:	–
Capital investment:	–

5. Outline of estimation and project prospect employed in the analysis

- 1) The estimation covers accounts relating to International Financial Operations.
- 2) Scale of account: Outstanding balance of financing at the end of FY2003 is ¥9,200.7 billion (estimate), and ¥1,140 billion for FY2004.
- 3) The analysis period is 24 years from FY2004 to FY2027, when the longest-term loans will have been repaid (25 years for the FY2003 analysis).
- 4) The new loans are assumed to be collected based on the amortization schedule of the outstanding loans.
- 5) The standard interest rates of the Bank apply to new loans.
- 6) For advanced redemption of yen loans, advanced redemption rate based on the past record is used for the estimation. Advanced redemption of foreign loans is not expected, because the floating rate is dominant and the effect on a policy cost is limited.
- 7) Debt forgiveness amounting ¥32.2 billion is to be incorporated as bad debts in the policy cost analysis as the result of a revision of the debt relief method. Along with this, sovereign loans are estimated based on internal country ratings in order to reflect the unique characteristics of the Paris Club and other public organizations as much as possible, while, in the case of non-sovereign loans, the estimated amount of bad debt write-offs is calculated using external statistical data widely used by private financial institutions (total amount during analysis period is ¥ 395.2 billion; however, the estimated amount is strictly a potential amount and will not necessarily be actualized in the future). The bad debt write-off rate of both totals is as given below.

	Result				Estimated	Planned	Trial assumption
FY	1999	2000	2001	2002	2003	2004	2005 ~ 2027
Advanced redemption rate	3.95%	6.26%	2.18%	9.25%	3.34%	3.29%	average for 2005 and on : 3.56
Loans charged off rate	—	—	—	0.00%	0.03%	0.13%	2005-2027 cumulative rate : 4.30

- 8) At the end of FY2002, the outstanding balance of the risk management loans was ¥612.8 billion. The share of such loans in the total outstanding loan balance was 6.3%. The allowance for possible loan losses calculated based on the private-sector accounting standards was ¥127.2 billion (at the end of FY2002). Its share in the total outstanding loan balance was 1.3 %.

6. Reasons for granting of subsidies, mechanism and underlying laws

To keep revenues and expenditures in balance and to enhance the business base for performing projects stipulated in the Japan Bank for International Cooperation Law, capital investment is received from the Industrial Investment Special Account.

(Underlying laws and regulations)

- Capital investment provision

«Japan Bank for International Cooperation Law»

Article 5-2: The Government may, when it deems it to be necessary, make additional subscription to the Japan Bank for International Cooperation within the amount appropriated in a budget.

- The national treasury payment provision

«Japan Bank for International Cooperation Law»

Article 44: If, upon the calculation of profit and loss of the international financial account for each business year, a profit is found to exist, the Japan Bank for International Cooperation shall accumulate as a reserve an amount to be calculated in accordance with the standard prescribed in a Cabinet Order until it reaches the same amount as the capital disposed into the international financial account.

5. The Japan Bank for International Cooperation shall pay, for the respective account with respect to the operations prescribed in each section of Clause 1, Article 41, the balance remaining after deduction from any profit found to exist upon the settlement of income and expenses for each business year of a reserve or a set-aside fund in accordance with the provisions of Clause 1 or Clause 2, into the National Treasury by May 31 of the following business year.

«Japan Bank for International Cooperation Law Enforcement Regulations»

Article 7: The amounts calculated according to the standards specified by an ordinance under Clause 1, Article 44 of the Law is equivalent to 50/100 of the profit in statements of earnings of each business year.

Article 8: The profit in statements of earnings of each business year in the international financing and other accounts, based on which the amount that the Japan Bank for International Cooperation pays to the national treasury under the provision of clause 5, Article 44, is the amount of the sum of the surpluses listed in Item No. 1 in the relevant business year minus the sum of deductible expenses listed in Item No. 2 in the said business year.

1 Surplus (Omitted)

2 Deductible expenses (Omitted)

7. Special remarks

- 1) The policy cost analysis of the International Finance Operations account basically books the payments to the national treasury throughout the period of analysis, so that additional fiscal spending is not required. However, the level of surpluses does not exceed that of the opportunity cost of capital investments. This is what is generating the policy cost.
- 2) Transitions in policy cost to date are as indicated below.

FY1999	FY2000	FY2001	FY2002	FY2003	FY2004
¥188.1 billion	¥148.7 billion	¥88.9 billion	¥99.3 billion	¥60.8 billion	¥102.5 billion

(Reference) Financial Statements**Balance Sheet**

(Unit : million yen)

Item	End of FY 2002 (Result)	End of FY 2003 (Estimated)	End of FY 2004 (Planned)	Item	End of FY 2002 (Result)	End of FY 2003 (Estimated)	End of FY 2004 (Planned)
(Assets)				(Liabilities and capital)			
Loans	9,760,698	9,196,574	8,877,348	Borrowings	6,606,964	6,030,218	5,583,976
Investment	1,141	4,141	10,141	FILP funds	6,426,646	5,895,414	5,488,634
Securities	–	43,975	44,286	Postal life insurance reserve	180,318	134,804	95,342
Cash/Deposits	228,712	52,882	52,346	Bonds	1,643,298	1,673,818	1,963,893
Accrued revenue	92,585	84,665	82,991	Accrued expenses	59,254	67,399	84,421
Accrued interest on loans	75,470	72,000	78,652	Accrued interest on borrowing	34,941	28,565	22,912
Other accrued interest	17,115	12,665	4,339	Accrued interest on bonds	18,095	21,644	31,935
Miscellaneous	15,752	73,052	244,391	Other accrued interest	6,184	17,142	29,536
Temporary payment	374	374	374	Other accrued expenses	34	49	37
Accounts receivable	608	456	456	Miscellaneous	105,690	5,010	4,630
Prepayment	3,020	1,209	6,346	Temporary receipts	3,668	3,640	3,606
Estimated payment	10,972	7,183	6,835	Advance received profit	1,628	1,325	979
Foreign exchange	–	63,621	230,171	Unpaid bond	45	45	45
Other miscellaneous account	778	209	209	Foreign exchange	100,349	–	–
Premises and equipment	20,761	20,132	19,430	Acceptances and guarantees	630,498	753,562	960,080
Deferred charges	2,836	5,001	7,559	(Total liabilities)	9,045,705	8,530,007	8,596,999
Discounts on bonds and notes	1,964	2,392	3,460	Capital	985,500	985,500	985,500
Bond and note issue expenses	872	2,609	4,099	Reserve	608,336	638,582	649,633
Customer's liabilities for acceptances and guarantees	630,498	753,562	960,080	Current term profit	60,492	22,100	21,032
Allowance for possible loan and investment losses	– 52,950	– 57,795	– 45,408	(Accumulated reserve)	30,246	11,050	10,516
				(Payment to the national treasury)	30,246	11,050	10,516
				(Total capital)	1,654,329	1,646,183	1,656,164
Total assets	10,700,034	10,176,190	10,253,164	Total liabilities and capital	10,700,034	10,176,190	10,253,164

Income Statement

(Unit : million yen)

Item	FY 2002 (Result)	FY 2003 (Estimated)	FY 2004 (Planned)	Item	FY 2002 (Result)	FY 2003 (Estimated)	FY 2004 (Planned)
(Losses)				(Profits)			
Current expenses	323,919	290,749	407,494	Current income	384,412	312,849	428,525
Interest on borrowing	161,240	124,121	108,010	Interest on loans	285,925	203,532	353,136
Interest on bonds	54,338	48,474	81,603	Guarantee charge	2,746	3,204	3,449
Other paid interests	29,317	29,174	131,417	Interest on deposits	3,813	2,295	3,273
Administrative expenses	15,445	16,714	16,292	Miscellaneous interest received	49,357	48,301	10,798
Depreciation of premises and equipment	1,112	952	1,068	Commissions	2,373	1,199	–
Commissions	3,307	3,640	3,573	Foreign exchange gains	2,931	273	–
Foreign exchange losses	4,133	3,627	1,788	Securities profit	–	0	0
Loans written off	316	3,277	13,441	Miscellaneous gains	986	1,096	74
Amortization of discounts on bonds and notes	1,060	856	1,264	Reversal of allowance for possible loan and investment losses	36,281	52,950	57,795
Amortization of bond and note issue expenses	624	969	2,296				
Miscellaneous loss	78	920	1,104				
Provision for allowance for possible loan and investment losses	52,950	57,795	45,408				
Contingency	–	229	229				
Profit for the current term	60,492	22,100	21,032				
Total	384,412	312,849	428,525	Total	384,412	312,849	428,525

Note: Totals may not agree due to rounding.

2. Account for Overseas Economic Cooperation Operations

1. Summary of operations implemented using FILP funds

As a core institution providing Official Development Assistance (ODA), Japan Bank for International Cooperation (JBIC) provides developing countries with highly concessional loans that have long maturity and low interest rates in order to support economic and social development and poverty reduction.

Actual examples include:

ODA Loans:

Lending to foreign governments or others in developing areas, funds required for the execution of development projects (projects deemed to contribute to economic and social development in developing areas and that promote economic relations between such areas and Japan) and for the accomplishment of plans related to the economic stability of such areas. Private Sector Investment Finance (PSIF): Lending, to corporation or others in Japan or in developing areas, of funds required for the execution of development projects or the making of capital contributions to such corporations in order to effectuate development projects.

2. Amount of lending under FY 2004 FILP

(Unit: billion yen)

FY 2004 FILP	Estimated outstanding amount of FILP lending at end of FY 2003
511.0	4,452.1

3. Outcome and social and economic benefits of operations

- Capital investments and lending
 - Aggregate amount of loan and equity participation commitments from FY 1961–2002: ¥21.5151 trillion
 - Aggregate amount of loan and equity participation disbursements from FY 1961–2002: ¥15.6158 trillion
 - Loan and equity participation commitments in FY 2002: ¥553.6 billion
 - Loan and equity participation disbursements in FY 2002: ¥596.6 billion
 - Loan and equity participation outstanding balance at the end of FY 2002: ¥11.3882 trillion
- Social and economic benefits
 - Contributing to economic and social development, environment conservation and stabilization of national economy in developing areas through improving infrastructure and alleviating poverty;
 - Promoting economic relations and human exchanges between Japan and developing countries;
 - Developing transportation networks in Asian countries; and
 - Contributing to the establishment and maintenance of good relationships with developing countries through continued assistance from Japan.

(Reference 1) Survey on the relationship between Japanese ODA and economic development in developing countries

- An estimation covering 100 countries has confirmed an economic growth promotion effect of 0.23% through continued provision of ODA corresponding to 1% of the recipient country's GDP. Examining the ODA multiplier on this basis shows that in eight years, the amount of ODA provided and the amount of increase of GDP become more or less equal. In 16 years, an increase of almost double the ODA amount can be expected for GDP. (Survey by the former Economic Planning Agency, 2000.)
- It is estimated that the provision of ODA loans in FY1996–2000 demonstrated an effect in raising the average annual GDP in the following countries by about 0.1–1.6%: Vietnam: 1.65%, Philippines: 0.71%, Indonesia: 0.5%, Thailand: 0.49%, Malaysia: 0.2% and China: 0.12% (Cabinet Office Economic and Social Research Institute survey, FY2002).
- The economic growth promotion effect of loan aid is confirmed irrespective of the policy and institutional environment of recipient countries, when the effect on economic growth (per capita GDP growth rate) is measured by making a distinction on aid data between loan and grant, based on the examination using the data between 1970 and 1997 (Kohama, H. et al (2003) "Aid, Policies, and Growth Reconsidered", Mimeo).

(Reference 2) Effect of ODA loans in inducing production in Japan
It was estimated that ¥307.9 billion in ODA loans financing provided in FY1998 as an Asian assistance measure had the effect of stimulating production in Japan in the amount of ¥63.0 billion in the same year (survey of the Japan Bank for International Cooperation conducted in FY2000).

(Reference 3) ODA loan social benefit index :
The average EIRR (Economic Internal Rate of Return), an index of the social benefits of development projects for which ex-post surveys were conducted during the ten-year period of 1993–2002, was 16.6% (Japan Bank for International Cooperation survey, FY2003)

(Reference 4) Number of beneficiaries of water resource related projects financed by ODA loans :
Water resource related projects, including water supply and sewerage systems, flood control and irrigation, were implemented that benefited about 130 million people in countries around the world during the ten-year period of 1992–2001 (Japan Bank for International Cooperation survey, FY2002).

(Reference 5) Development of regional transportation networks in Asia financed by ODA loans :

To date, assistance has been provided by ODA loans for major international airports in Thailand, Malaysia, China, Philippines and Indonesia, responding to the travel demands of about 140 million people per year (Japan Bank for International Cooperation survey, FY2002)

- Post-project evaluation for the period from FY2001 to FY2003 states that the Bank has improved passenger transportation for more than 0.6 billion users by developing the railway networks in countries including Indonesia, India and Philippine, enhanced safety and convenience for users; and revitalized the regional economy. The construction of electric power plant in countries such as India has contributed to electric power supply by generating over 40,000 GWh (global average in 2000) annually essential for economic development (equivalent to energy consumption by 18 million people. (Survey of Japan Bank for International Cooperation, FY2003)

4. Estimated policy (subsidy) cost analysis of the project

Policy (subsidy) cost

(Unit: billion yen)

Category	FY2003	FY2004	Increase/Decrease
1. Subsidies from the Government	30.0	148.9	+118.9
2. Money transfer to the Government	- 781.8	- 1,185.1	- 403.3
Subtotal (1+2)	- 751.8	- 1,036.2	- 284.4
3. Opportunity cost of capital investment from the Government	1,281.0	1,625.9	+345.0
Subtotal (1+2+3)	529.1	589.7	+60.6
4. Decrease in loss	-	-	-
Total (1+2+3+4=policy cost(A))	529.1	589.7	+60.6
Analysis period (years)	40	40	-

Breakdown of policy cost by the time of the provision of funds

[Upper figure: Discounted present value]
[Lower figure: Nominal value]

Category	FY2003	FY2004	Increase/Decrease
(A) Policy cost (previously cited)	529.1 - 792.7	589.7 - 9,564.4	+60.6 - 8,771.8
1) Opportunity cost such as capital investment made before the beginning of the analysis period	1,173.0 -	4,110.9 -	+2,937.9 -
2) Policy cost expected to newly accrue during the analysis period	- 643.9 - 792.7	- 3,521.2 - 9,564.4	- 2,877.3 - 8,771.8
Subsidies from the Government	30.0 30.0	148.9 150.0	+118.9 +120.0
Money transfer to the Government	- 781.8 - 894.2	- 1,185.1 - 2,889.6	- 403.3 - 1,995.4
Policy cost in connection with increase/decrease in surplus	71.9 71.5	- 2,599.4 - 6,824.8	- 2,671.2 - 6,896.4
Opportunity cost such as capital investment	36.1 -	114.4 -	+78.3 -

Year -to-Year comparison analysis

(Unit: billion yen)

Category	FY2003	FY2004	Increase/Decrease
(A) Policy cost (previously cited)	529.1	589.7	+60.6
(A') Policy cost obtained by re-calculating (A) using the same assumed interest rate as in the FY2003 analysis	529.1	324.1	- 205.0
(B) Policy cost of (A') generated in FY2004 or later	499.0	324.1	- 174.9

The FY 2004 total policy cost is ¥589.7 billion. Abstracting the impact of the change in the assumed interest rate for FY2003 and FY2004 and comparing to policy cost to accrue after FY2004, year on year net decrease in policy cost is ¥174.9 billion. The decrease in real cost is considered to be attributable to the following factors:

- Cost reduction due to the decrease in bad debt write-off (- ¥174.5 billion)

Breakdown of policy cost by causative factor

(Unit: billion yen)

(A) Policy cost in FY2004	589.7
1) Prepayments	-
2) Defaults	1,126.7
3) Other (spread, etc.)	- 537.0

The case if assumption is changed

(Unit: billion yen)

Changed assumption and extent of change	Increase / decrease in policy cost
Interest and funds raised +1%	1,275.4 (+685.7)

(Reference)

Budgeted amount of subsidies and capital investment in FY 2004

Subsidies: ¥30.0 billion
Capital investment: ¥186.6 billion

5. Outline of estimation and project prospect employed in the analysis

- 1) The estimation covers the account for Overseas Economic Cooperation Operations
- 2) Scale of account: Outstanding balance of financing at the end of FY2003 is ¥11,519.9 billion (estimate), and ¥700 billion for FY2004.
- 3) The analysis period is 40 years from FY2004 to FY2044, when the longest-term loans will have been repaid.
- 4) The new loans are assumed to be collected based on the amortization schedule of the outstanding loans.
- 5) The standard interest rates of the Bank apply to new loans.
- 6) For advanced redemption of yen loans, advanced redemption rate based on the past record is used for the estimation. Advanced redemption of foreign loans is not expected, because the nature of ODA is fund transfer rather than loan.
- 7) Debt forgiveness amounting ¥741.1 billion is to be incorporated as bad debts in the policy cost analysis as the result of a revision of the debt relief method. Along with this, sovereign loans are estimated based on internal country ratings in order to reflect the unique characteristics of the Paris Club and other public organizations as much as possible, while, in the case of non-sovereign loans, the estimated amount of bad debt write-offs is calculated using external statistical data widely used by private financial institutions (total amount during analysis period is ¥1,134.6 billion; however, the estimated amount is strictly a potential amount and will not necessarily be actualized in the future). The bad debt write-off rate of both totals is as given below.

FY	Result				Estimated	Planned	Trial assumption
	1999	2000	2001	2002	2003	2004	2005 ~ 2043 (Cumulative rate)
Loans charged off rate	0.00%	–	0.00%	–	1.11%	1.70%	9.90%

- 8) At the end of FY2002, the outstanding balance of the risk-monitored loans was ¥141.8 billion. The share of such loans in the total outstanding loan balance was 1.4%. The allowance for possible loan losses calculated based on the private-sector accounting standards was ¥181.0 billion (end of FY2002). Its share in the total outstanding loan balance was 1.7%.

6. Reasons for granting of subsidies, mechanism and underlying laws

This account receives capital investment from the general account of the government because such capital is needed to provide highly concessional, long-term and low interest rate loans to developing areas. The government may provide grants within the limit budgeted to cover part of JBIC expenses for providing highly concessional loans.

(Underlying laws and regulations)

- Capital investment and grant provision

«Japan Bank for International Cooperation Law»

Article 5-2: The Government may, when it deems it to be necessary, make additional subscription to the Japan Bank for International Cooperation within the amount appropriated in a budget.

Article 48: The Government may, within the limits of the budget, grant to the Japan Bank for International Cooperation an amount corresponding to a part of the expenses required for the overseas economic cooperation operations.

- The national treasury payment provision

«Japan Bank for International Cooperation Law»

Article 44-2: If, upon the calculation of profit and loss of the overseas economic cooperation account for each business year, a profit is found to exist, the Japan Bank for International Cooperation shall cover any loss carried forward from the previous business year, and if there is still a surplus, it shall accumulate as a set-aside fund until it reaches the same amount as the capital disposed into the overseas economic cooperation account.

- 5: The Japan Bank for International Cooperation shall pay, for the respective account with respect to the operations prescribed in each section of Clause 1, Article 41, the balance remaining after deduction from any profit found to exist upon the settlement of income and expenses for each business year of a reserve or a set-aside fund in accordance with the provisions of Clause 1 or Clause 2, into the National Treasury by May 31 of the following business year.

«Japan Bank for International Cooperation Law Enforcement Regulations»

Article 8-2: The profit in statements of earnings of each business year in the account for overseas economic cooperation operations, based on which the amount that Japan Bank for International Cooperation pays to the national treasury under the provision of clause 5 of Article 44, is the amount of the sum of the surpluses listed in Item No. 1 in the relevant business year (an amount of grant from the government stipulated in Article 48 of the Law, if any, is added to the sum) minus the sum of deductible expenses listed as (a) to (r) in Item No. 2 in the said business year.

7. Special remarks

- 1) As for the financing related to the overseas economic cooperation operations, the Japan Bank for International Cooperation Law restricts the type of loans that can be extended to those with lenient lending conditions such as in terms of interest rate and repayment period. This is to prevent the lending conditions from overburdening the recipient developing countries and regions. The Bank is conducting the operations in compliance with this provision of the Law. As a result, there has emerged a structure where the Bank is increasingly extending highly concessional long-term and low interest rate loans to developing countries at lending interest rates which are lower than the Bank borrowing interest rates.
- 2) Transitions in policy cost to date are as indicated below.

FY2000	FY2001	FY2002	FY2003	FY2004
¥660.5 billion	¥634.2 billion	¥443.9 billion	¥529.1 billion	¥589.7 billion

(Reference) Financial Statements**Balance Sheet**

(Unit : million yen)

Item	End of FY 2002 (Result)	End of FY 2003 (Estimated)	End of FY 2004 (Planned)	Item	End of FY 2002 (Result)	End of FY 2003 (Estimated)	End of FY 2004 (Planned)
(Assets)				(Liabilities and capital)			
Loans	11,234,105	11,363,195	11,472,453	Borrowing	4,611,717	4,427,107	4,403,759
Investment	154,129	156,659	155,051	FILP funds	4,507,637	4,345,087	4,343,683
Securities	–	24,216	25,093	Postal life insurance reserve	104,080	82,020	60,076
Cash/Deposits	59,533	2,691	2,788	Bonds	25,000	25,000	25,000
Accrued revenue				Accrued expenses	17,677	17,612	16,037
Accrued interest on loans	127,988	86,838	94,983	Accrued interest on borrowing	17,634	17,573	16,006
Miscellaneous	563	563	563	Accrued interest on bonds	22	22	22
Temporary payment	228	228	228	Other accrued expenses	21	16	9
Other miscellaneous account	334	334	334	Miscellaneous			
Premises and equipment	7,335	7,053	6,821	Temporary receipts	2,299	45	45
Deferred account				(Total liabilities)	4,656,694	4,469,764	4,444,841
Discounts on bonds and notes	15	10	5	Capital	6,504,344	6,704,644	6,891,244
Allowance for possible loan and investment losses	– 401,962	– 400,414	– 394,908	Reserve	280,719	20,667	66,402
				Net profit or loss (-)	– 260,052	45,734	– 39,640
				(Total capital)	6,525,012	6,771,046	6,918,006
Total assets	11,181,706	11,240,810	11,362,847	Total liabilities and capital	11,181,706	11,240,810	11,362,847

Income Statement

(Unit : million yen)

Item	FY 2002 (Result)	FY 2003 (Estimated)	FY 2004 (Planned)	Item	FY 2002 (Result)	FY 2003 (Estimated)	FY 2004 (Planned)
(Losses)				(Profits)			
Current expenses	554,161	646,577	712,651	Current income	294,109	692,311	673,011
Interest on borrowing	139,377	121,486	108,550	Interest on loans	255,505	256,324	239,549
Interest on bonds	740	740	740	Dividends on investments	2,632	2,842	2,307
Administrative expenses	9,302	9,706	9,489	Receipts from the general account	–	30,000	30,000
Depreciation of premises and equipment	445	383	493	Interest on deposits	4	0	–
Commissions	2,027	2,218	2,190	Miscellaneous interest received	0	0	–
Foreign exchange losses	0	–	–	Commissions	606	636	696
Loans written off	–	420	4,608	Foreign exchange gains	3	–	–
Amortization of discounts on bonds and notes	–	110,461	186,499	Securities profit	–	0	0
Loss from disposal of investments	5	5	5	Miscellaneous gains	275	546	45
Miscellaneous loss	303	604	5,029	Reversal of allowance for possible loan and investment losses	35,084	401,962	400,414
Provision for allowance for possible loan and investment losses	401,962	400,414	394,908	Net loss	260,052	–	39,640
Contingency	–	141	141				
Profit for the current term	–	45,734	–				
Total	554,161	692,311	712,651	Total	554,161	692,311	712,651

Note: The figures may not add up to the totals due to rounding.