

**Report of Independent Auditors**

To the Governor of Japan Bank for International Cooperation

We have audited the accompanying Overseas Economic Cooperation Account balance sheets of Japan Bank for International Cooperation as of March 31, 2006 and 2005, and the related Overseas Economic Cooperation Account statements of operations, equity, and cash flows for the years then ended, all expressed in Japanese Yen. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Overseas Economic Cooperation Account of Japan Bank for International Cooperation as of March 31, 2005 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying financial statements.

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

June 23, 2006

**BALANCE SHEETS****JAPAN BANK FOR INTERNATIONAL COOPERATION****Overseas Economic Cooperation Account**

	In millions of yen		In millions of yen		In millions of U.S.dollars	
	March 31, 2006		March 31, 2005		March 31, 2006	
<b>Assets</b>						
Cash and due from banks (Note 3)	¥	18,730	¥	63,924	\$	160
Securities (Notes 4 and 19)		119,135		119,877		1,014
Loans (Note 5)		10,943,642		10,740,793		93,161
Miscellaneous assets (Note 6)		70,876		76,631		603
Premises and equipment (Note 7)		6,972		7,002		59
Deferred charges on bonds and notes (Note 8)		3		8		0
Allowance for possible loan losses (Note 9)		(125,156)		(182,511)		(1,065)
<b>Total assets</b>	<b>¥</b>	<b>11,034,203</b>	<b>¥</b>	<b>10,825,726</b>	<b>\$</b>	<b>93,932</b>

	In millions of yen		In millions of yen		In millions of U.S.dollars	
	March 31, 2006		March 31, 2005		March 31, 2006	
<b>Liabilities and equity</b>						
<b>Liabilities</b>						
Bonds and notes (Note 10)	¥	10,000	¥	25,000	\$	85
Borrowings (Note 11)		4,020,220		4,200,459		34,224
Miscellaneous liabilities (Note 12)		17,145		17,363		146
Allowance for bonus payments		387		365		3
Allowance for employee retirement benefits (Note 13)		6,259		6,565		53
<b>Total liabilities</b>		<b>4,054,013</b>		<b>4,249,752</b>		<b>34,511</b>
<b>Equity (Note 16)</b>						
Capital attributable to the Overseas Economic Cooperation Account		7,065,644		6,891,244		60,149
Reserve attributable to the Overseas Economic Cooperation Account		111,324		85,490		948
Accumulate deficit		(196,778)		(400,761)		(1,676)
<b>Total equity</b>		<b>6,980,190</b>		<b>6,575,973</b>		<b>59,421</b>
<b>Total liabilities and equity</b>	<b>¥</b>	<b>11,034,203</b>	<b>¥</b>	<b>10,825,726</b>	<b>\$</b>	<b>93,932</b>

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

**STATEMENTS OF OPERATIONS****JAPAN BANK FOR INTERNATIONAL COOPERATION****Overseas Economic Cooperation Account**

	In millions of yen		In millions of yen		In millions of U.S.dollars	
	FY 2005		FY 2004		FY 2005	
<b>Income</b>						
Interest income	¥	255,196	¥	253,095	\$	2,172
Interest on loans		249,467		249,456		2,123
Interest and dividend income on securities		5,728		3,638		49
Interest on due from banks		0		0		0
Fees and Commissions		686		685		6
Other operating income		145		21		1
Foreign exchange gains		145		21		1
Other ordinary income		163		76		1
Grant from general account (Note 15)		30,000		30,000		256
Reversal of allowance for possible loan losses		43,802		-		373
Recovery of Written-off Claims		824		1,077		7
Profits on sales of premises and equipment		4		17		0
<b>Total income</b>		<b>330,822</b>		<b>284,974</b>		<b>2,816</b>
<b>Expenses</b>						
Interest expenses		89,609		103,954		763
Interest on bonds and notes		614		744		5
Interest on borrowings		88,995		103,209		758
Fees and Commissions		2,657		2,143		23
Other operating expenses		17		354		0
Others		17		354		0
General and administrative expenses		8,495		8,613		72
Other ordinary expenses		218		55,825		2
Provision for allowance for possible loan losses		-		52,953		-
Write-off of equities and securities, etc.		217		2,867		2
Others		1		3		0
Losses on disposal of premises and equipment		6		2		0
<b>Total expense</b>		<b>101,005</b>		<b>170,894</b>		<b>860</b>
<b>Net income</b>	¥	<b>229,816</b>	¥	<b>114,079</b>	\$	<b>1,956</b>

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

**STATEMENTS OF CASH FLOWS****JAPAN BANK FOR INTERNATIONAL COOPERATION****Overseas Economic Cooperation Account**

	In millions of yen		In millions of yen		In millions of U.S.dollars	
	FY 2005		FY 2004		FY 2005	
<b>Cash flows from operating activities</b>						
Net income	¥	229,816	¥	114,079	\$	1,956
Depreciation and amortization		442		413		4
Increase(decrease) in allowance for possible loan losses		(57,354)		52,953		(488)
Increase in allowance for bonus payments		22		16		0
Decrease in allowance for employee retirement benefits		(305)		(58)		(3)
Interest income		(255,196)		(253,095)		(2,172)
Interest expenses		89,609		103,954		763
Net loss on securities		174		2,867		1
Foreign exchange gain		(159)		(32)		(1)
Net loss (gain) on sales of premises and equipment		2		(14)		0
Net increase in loans		(202,849)		(162,268)		(1,727)
Net decrease in bonds and notes		(15,000)		-		(128)
Net decrease in borrowings		(180,238)		(165,448)		(1,534)
Net decrease (increase) in due from banks (excluding cash equivalents)		18,968		(18,298)		161
Interest received		261,342		258,304		2,225
Interest paid		(90,024)		(104,780)		(766)
Others, net		(215)		(2,771)		(2)
<b>Net cash used in operating activities</b>		<b>(200,965)</b>		<b>(174,177)</b>		<b>(1,711)</b>
<b>Cash flows from investing activities</b>						
Purchases of securities		(111)		(2,416)		(1)
Sales of securities		689		693		6
Expenditures on premises and equipment		(270)		(70)		(2)
Proceeds from sales of premises and equipment		16		65		0
<b>Net cash provided by (used in) investing activities</b>		<b>323</b>		<b>(1,727)</b>		<b>3</b>
<b>Cash flows from financing activities</b>						
Proceeds from issuance of capital from Government		174,400		186,600		1,485
<b>Net cash provided by financing activities</b>		<b>174,400</b>		<b>186,600</b>		<b>1,485</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>0</b>		<b>0</b>		<b>0</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(26,241)</b>		<b>10,894</b>		<b>(223)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>44,106</b>		<b>33,412</b>		<b>375</b>
<b>Cash and cash equivalents at the end of the period</b>	¥	<b>17,865</b>	¥	<b>44,106</b>	\$	<b>152</b>

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

**STATEMENTS OF EQUITY**  
**JAPAN BANK FOR INTERNATIONAL COOPERATION**  
**Overseas Economic Cooperation Account**

In millions of yen

	Capital attributable to the Overseas Economic Cooperation Account	Reserve attributable to the Overseas Economic Cooperation Account	Accumulated deficit	Total Equity
Balance at March 31, 2005	¥ 6,891,244	¥ 85,490	¥ (400,761)	¥ 6,575,973
Transfer from net earnings accounted under the JBIC Law to reserve	-	25,833	(25,833)	-
Issuance of capital from Government	174,400	-	-	174,400
Net income	-	-	229,816	229,816
Balance at March 31, 2006	¥ 7,065,644	¥ 111,324	¥ (196,778)	¥ 6,980,190
Appropriations:				
Transfer from net earnings accounted under the JBIC Law to reserve	-	54,737	(54,737)	-
Total	¥ -	¥ 54,737	¥ (54,737)	¥ -
Unappropriated Accumulated deficit	¥ -	¥ -	¥ (251,516)	¥ -

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

## STATEMENTS OF EQUITY

### JAPAN BANK FOR INTERNATIONAL COOPERATION

#### Overseas Economic Cooperation Account

In millions of dollars

	Capital attributeable to the Overseas Economic Cooperation Account	Reserve attributable to the Overseas Economic Cooperation Account	Accumulated deficit	Total Equity
Balance at March 31, 2005	\$ 58,664	\$ 728	\$ (3,412)	\$ 55,980
Transfer from net earnings accounted under the JBIC Law to reserve	-	220	(220)	-
Issuance of capital from Government	1,485	-	-	1,485
Net income	-	-	1,956	1,956
Balance at March 31, 2006	\$ 60,149	\$ 948	\$ (1,676)	\$ 59,421
Appropriations:				
Transfer from net earnings accounted under the JBIC Law to reserve	-	466	(466)	-
Total	\$ -	\$ 466	\$ (466)	\$ -
Unappropriated Accumulated deficit	\$ -	\$ -	\$ (2,142)	\$ -

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

**STATEMENTS OF EQUITY**  
**JAPAN BANK FOR INTERNATIONAL COOPERATION**  
**Overseas Economic Cooperation Account**

In millions of yen

	Capital attributable to the Overseas Economic Cooperation Account	Reserve attributable to the Overseas Economic Cooperation Account	Accumulated deficit	Total Equity
Balance at March 31, 2004	¥ 6,704,644	¥ 20,667	¥ (450,018)	¥ 6,275,293
Transfer from net earnings accounted under the JBIC Law to reserve	-	64,823	(64,823)	-
Issuance of capital from Government	186,600	-	-	186,600
Net income	-	-	114,079	114,079
Balance at March 31, 2005	¥ 6,891,244	¥ 85,490	¥ (400,761)	¥ 6,575,973
Appropriations:				
Transfer from net earnings accounted under the JBIC Law to reserve	-	25,833	(25,833)	-
Total	¥ -	¥ 25,833	¥ (25,833)	¥ -
Unappropriated Accumulated deficit	¥ -	¥ -	¥ (426,595)	¥ -

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

**NOTES TO FINANCIAL STATEMENTS**  
**JAPAN BANK FOR INTERNATIONAL COOPERATION**  
**Overseas Economic Cooperation Account**

**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, 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 separate accounts 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 ¥117.47=\$1.00, the exchange rate as of March 31, 2006, 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 on 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 available market quotations and are carried at cost based on weighted average method.

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

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

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

**(i) Premises and equipment**

Premises and equipment are depreciated on the declining balance basis over their estimated useful economic lives except for buildings (excluding installed facilities) acquired on or after April 1, 1998, which are depreciated on the 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 estimated useful economic life (5 years).

**(e) 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.

JBIC has applied this new standard from the fiscal year beginning April 1, 2005, which has no effect on net income.

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

"Discounts on bonds and notes" are amortized over terms of redemption.

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

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

(i) 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 assessments.

**(h) 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 is included in the account.

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

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

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

**(j) 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.

**(k) 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 and the amount of cash and due from banks reported on the balance sheets as of March 31, 2006, and 2005 are as follows:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
	¥	¥	\$
Cash and due from banks	18,730	63,924	160
Due from banks (*)	(864)	(19,817)	(8)
Cash and cash equivalents	¥ 17,865	¥ 44,106	\$ 152

(\*) Excluding Due from Bank of Japan

**4. Securities**

Securities as of March 31, 2006 and 2005 are as follows:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
	¥	¥	\$
Equity	117,858	118,687	1,003
Other securities	1,277	1,190	11
	¥ 119,135	¥ 119,877	\$ 1,014

## 5. Loans

All of loans are loans on deeds. The amounts reported on the balance sheets as of March 31, 2006 and 2005 are as follows:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
	¥	¥	\$
Bankrupt loans	-	-	-
Non-accrual loans	96,998	122,764	826
Past due loans (3 months or more)	-	-	-
Restructured loans	184,691	724,275	1,572
	¥ 281,689	¥ 847,039	\$ 2,398

- (a) "Bankrupt loans" refer to loans, after write-offs, on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons, and 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; or
  - who have begun similar proceedings under any foreign law
- (b) "Non-accrual loans" are loans on which accrued interest income is not recognized, excluding loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
- (c) "Past due loans (3 months or more)" are loans whose principal or interest payment is past due for over three months, and which do not fall under the category of "Bankrupt loans" and "Non- accrual loans."
- (d) "Restructured loans" are loans whose repayment terms and conditions have been amended in favor of the borrowers (e.g. reduction of or exemption from the stated interest rate, the deferral of interest payments, the extension of principal repayments or renunciation of claims) in order to support the borrowers' recovery from financial difficulties, and which do not fall under the category of "Bankrupt loans," "Non-accrual loans" and "Past due loans (over 3 months)."
- (e) The amounts of Loans indicated in the table above are gross 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:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
	¥	¥	\$
Overseas Economic Cooperation Account	1,262,313	1,282,521	10,746

In terms of repayment probability of the loans rescheduled in the Paris Club, their nature as public debt, 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 self 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 the above table, is ¥184,691 million (\$1,572 million) of which ¥96,407 million (\$821 million) represents original principal attributable to the Overseas Economic Cooperation Account for the fiscal year ended March 31, 2006 and ¥724,275 million of which ¥570,270 million represents original principal attributable to the Overseas Economic Cooperation Account for the fiscal year ended March 31, 2005 respectively.

- (g) Upon special request, major creditor countries, including Japan, agreed at the Paris Club to offer grace period ("Moratorium") for countries affected by the Sumatra Earthquake and India Tsunami in December 2004, in order to

support their reconstruction and recovery. During this Moratorium period creditor countries will not expect any debt payment on the due date up to December 31, 2005, and will reschedule the repayment period of deferred debts for 5 years including a 1 year grace period.

As of the end of March 2006, of the affected countries, Indonesia and Sri Lanka had requested the Paris Club for the Moratorium. The amounts rescheduled repayment period for affected countries who requested the Moratorium are ¥168,017 million (\$1,430 million) in the Overseas Economic Cooperation Account.

Loans related to this Moratorium are not included in the loans described in (a) to (d) above, since lending terms has been modified based on an international agreement under this Moratorium to offer a grace period in order to support reconstruction and recovery of affected countries, and is therefore irrelevant to their debt-repayment ability.

- (h) 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 a predetermined amount, which 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 balance of unused commitment lines as of March 31, 2006 and 2005 are ¥3,667,762 million (\$31,223 million) and ¥4,001,500 million respectively.
- (i) 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 in written-off against the respective claims. There were no corresponding amounts as of March 31, 2006 and 2005.

## 6. Miscellaneous assets

Miscellaneous assets as of March 31, 2006 and 2005 are as follows:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
	¥	¥	\$
Prepaid expenses	512	400	4
Accrued income (a)	68,427	74,593	583
Other (b)	1,935	1,637	16
	¥ 70,876	¥ 76,631	\$ 603

(Notes)

- (a) "Accrued income" includes ¥67,903 million (\$578 million) and ¥74,097 million of accrued interest on loans and other as of March 31, 2006 and 2005, respectively.
- (b) "Other" includes ¥52 million (\$0 million) of suspense payments and other as of March 31, 2006 and ¥1,185 million of suspense payments and other as of March 31, 2005.

## 7. Premises and equipment

Premises and equipment as of March 31, 2006 and 2005 are as follows:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
	¥	¥	\$
<b>Tangible fixed assets</b>			
Land	2,994	2,994	26
Buildings	7,271	7,221	62
Equipment	1,213	1,250	10
Construction in progress	221	108	2
<b>Total</b>	¥ 11,701	¥ 11,576	\$ 100
Less-accumulated depreciation	5,048	4,890	43
<b>Net book value</b>	¥ 6,653	¥ 6,686	\$ 57
	¥	¥	\$
<b>Intangible fixed assets</b>			
Software	2,011	552	17
Guarantee deposit	318	316	3
Other	0	0	0
<b>Total</b>	¥ 2,329	¥ 868	\$ 20
Less-accumulated depreciation	488	327	4
<b>Net book value</b>	¥ 1,841	¥ 540	\$ 16

## 8. Deferred charges on bonds and notes

Deferred charges on bonds and notes as of March 31, 2006 and 2005 are as follows:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
	¥	¥	\$
Deferred discounts on bonds and notes	3	8	0
<b>Total</b>	¥ 3	¥ 8	\$ 0

## 9. Allowance for possible loan losses

Allowance for possible loan losses as of March 31, 2006 and 2005 are as follows:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
	¥	¥	\$
General allowance for possible loan losses	45,518	87,570	387
Specific allowance for possible loan losses	79,638	94,940	678
Allowance for possible losses on specific overseas loans	-	-	-
<b>Total</b>	¥ 125,156	¥ 182,511	\$ 1,065

## 10. Bonds and notes

Bonds and notes as of March 31, 2006 and 2005 are as follows:

Description of bonds and notes	Date of issuance	Currency and amounts		Interest rate (%)	Maturity date	March 31, 2006	March 31, 2005	March 31, 2006
		March 31, 2006 (In millions)				(In millions of yen)	(In millions of yen)	(In millions of U. S. dollars)
Overseas Economic Cooperation Fund Bonds guaranteed by Japanese govt.	November 1996	JPY	10,000	2.9	November 2006	¥ 10,000	¥ 25,000	\$ 85
						¥ 10,000	¥ 25,000	\$ 85

Scheduled redemptions of bonds and notes for each of the next five years as of March 31, 2006 are as follows:

	In millions of yen		In millions of U.S. dollars	
	¥		\$	
Fiscal year 2006		10,000		85
2007		-		-
2008		-		-
2009		-		-
2010		-		-

## 11. Borrowings

Borrowings as of March 31, 2006 and 2005 are as follows:

	Average interest rate	Due date of repayment	March 31, 2006	March 31, 2005	March 31, 2006
			(In millions of yen)	(In millions of yen)	(In millions of U. S. dollars)
Long-term borrowings			¥	¥	\$
Borrowings from the Government Fund for Fiscal Investment and Loan Program	2.02	September 2006-December 2020	3,978,612	4,140,383	33,869
Borrowings from the Government Post Office Life Insurance Fund	1.94		41,608	60,076	355
			¥ 4,020,220	¥ 4,200,459	\$ 34,224

Long-term borrowings with maturities for the next five years as of March 31, 2006 are as follows:

	In millions of yen		In millions of U.S. dollars	
	¥		\$	
Fiscal year 2006		500,113		4,257
2007		467,095		3,976
2008		460,249		3,918
2009		438,520		3,733
2010		392,312		3,340

## 12. Miscellaneous liabilities

Miscellaneous liabilities as of March 31, 2006 and 2005 are as follows:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
	¥	¥	\$
Accrued expenses (a)	16,113	16,711	137
Other (b)	1,031	651	9
	¥ 17,145	¥ 17,363	\$ 146

(Notes)

(a) "Accrued expenses" includes ¥15,938 million (\$136 million) of accrued interest on borrowings and ¥8 million (\$0 million) of accrued interest on bonds and notes and other as of March 31, 2006 (March 31, 2005: ¥16,345 million and ¥22 million, respectively).

(b) "Other" includes ¥1,031 million (\$9 million) of suspense receipts as of March 31, 2006 (March 31, 2005: ¥651 million).

## 13. Employee retirement benefits

JBIC has a defined benefit pension plan comprising of a welfare pension fund plan and lump-sum severance indemnity plan.

### (a) The funded status of the pension plans

Disposition		March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
		¥	¥	\$
Projected benefit obligation	(A)	(8,824)	(8,719)	(75)
Fair value of plans' assets	(B)	2,564	2,154	22
Unfunded pension obligation	(C) = (A) + (B)	(6,259)	(6,565)	(53)
Unrecognized net obligation at transition	(D)	-	-	-
Unrecognized net actuarial gains/losses	(E)	-	-	-
Unrecognized prior service cost	(F)	-	-	-
Net amount recognized on the balance sheet	(G) = (C) + (D) + (E) + (F)	(6,259)	(6,565)	(53)
Prepaid pension cost	(H)	-	-	-
Allowance for employee retirement benefits	(G) - (H)	¥ (6,259)	¥ (6,565)	\$ (53)

(Note) The projected benefit obligation above includes a portion in which the pension fund acts for the government welfare program.

### (b) Component of pension cost

Disposition		March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
		¥	¥	\$
Service cost		357	364	3
Interest cost		173	171	1
Expected return on plans' assets		(32)	(29)	(0)
Amortization of prior service cost		-	-	-
Amortization of net actuarial gains/losses		(345)	22	(3)
Amortization of net obligation at transition		-	-	-
Other costs		-	-	-
Net pension cost		¥ 152	¥ 528	\$ 1

(c) **Principal assumptions made**

	March 31, 2006	March 31, 2005
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	1.5%	1.5%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization period of prior service costs	-	-
Amortization period of actuarial gains/losses	Gains/losses are charged to net income for the year	Gains/losses are charged to net income for the year
Amortization period of net obligation at transition	-	-

**14. Assets pledged as collateral**

There were no assets pledged as collateral as of March 31, 2006 and 2005.

**15. 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 an extraordinary loss ("ODA-loan related losses") in the previous fiscal year. Under the policy to maintain the financial soundness of JBIC, the government provided JBIC with a grant totaling ¥30 billion (\$255 million) corresponding to "ODA-loan related losses" out of its general account for the fiscal year ended March 31, 2006 and 2005 respectively.

**16. Equity**

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

Losses carried forward to the following fiscal year are simply the sum of "Accumulated deficit at the fiscal year end" and statutory appropriation of net earnings as stipulated by the related law of JBIC. The deficit, which represents the shortfall of net assets to capital attributable to the Overseas Economic Cooperation Account as of March 31, 2006 and 2005 are ¥85,454 million (\$727 million) and ¥315,270 million respectively.

**17. Lease transactions**

Lease transactions in the fiscal year ended March 31, 2006 and 2005 are as follows. There are no impaired losses for the leased assets:

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

- Acquisition cost, accumulated depreciation and net balance of leased of leased property as of March 31, 2006 and 2005 are as follows:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U.S. dollars)
Acquisition cost	¥	¥	\$
Equipment	237	239	2
Other	192	192	2
Total	¥ 429	¥ 431	\$ 4
Accumulated depreciation			
Equipment	120	57	1
Other	96	57	1
Total	¥ 216	¥ 115	\$ 2
Net balance			
Equipment	117	181	1
Other	96	134	1
Total	¥ 213	¥ 316	\$ 2

- Future lease payment obligations as of March 31, 2006 and 2005 are summarized below:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U.S. dollars)
	¥	¥	\$
Due within 1 year	102	101	1
Due after 1 year	115	218	1
Total	¥ 218	¥ 320	\$ 2

- Lease payment, depreciation expense and interest expense for the fiscal year ended March 31, 2006 and 2005 are as follows:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U.S. dollars)
	¥	¥	\$
Lease payment	107	87	1
Depreciation expense	102	83	1
Interest expense	5	6	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 effective interest expense, and is allocated to each fiscal year using the interest method.

**(b) Operating lease transactions:**

- Future lease payment obligations as of March 31, 2006 and 2005 are summarized below:

	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U.S. dollars)
	¥	¥	\$
Due within 1 year	2	1	0
Due after 1 year	0	1	0
Total	¥ 3	¥ 2	\$ 0

## 18. Derivative transactions

There were no derivative transactions in the fiscal year ended March 31, 2006 and 2005.

## 19. Market value of securities

Notes to market value of securities as March 31, 2006 are as follows:

**(a) Trading securities**

Not applicable

**(b) Held-to-maturity debt securities with market value**

Not applicable

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

Not applicable

**(d) Held-to-maturity debt securities sold**

Not applicable

(e) ~~Available-for-sale securities sold~~

	March 31, 2006 (In millions of yen)	March 31, 2006 (In millions of U.S. dollars)
	¥	\$
Sales amount	128	1
Gains on sales	53	0
Losses on sales	-	-

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

	March 31, 2006 (In millions of yen)	March 31, 2006 (In millions of U.S. dollars)
	¥	\$
Held-to-maturity debt securities		
Unlisted foreign securities	-	-
Available-for-sale securities		
Unlisted Japanese equities other than over-the-counter	115,804	986
Unlisted foreign equities	2,053	17
Other unlisted Japanese securities	-	-
Other unlisted foreign securities	1,277	11
Total	¥ 119,135	\$ 1,014

(g) ~~Change in classification of securities~~

Not applicable

(h) ~~Redemption schedule of available-for-sale securities with maturity and held-to maturity debt securities~~

Not applicable

(i) ~~Equity securities of subsidiaries and affiliates with market value~~

Not applicable

(j) ~~Money held in trust~~

Not applicable

(k) ~~Net unrealized gain (loss) on available-for-sale securities~~

Not applicable

Notes to market value of securities as March 31, 2005 are as follows:

(a) ~~Trading securities~~

Not applicable

(b) ~~Held-to-maturity debt securities with market value~~

Not applicable

(c) ~~Available-for-sale securities with market value~~

Not applicable

(d) ~~Held-to-maturity debt securities sold~~

Not applicable

(e) ~~Available-for-sale securities sold~~

Not applicable

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

	March 31, 2005 (In millions of yen)	
	¥	
Held-to-maturity debt securities		
Unlisted foreign securities		-
Available-for-sale securities		
Unlisted Japanese equities other than over-the-counter		115,879
Unlisted foreign equities		2,807
Other unlisted Japanese securities		-
Other unlisted foreign securities		1,190
Total	¥	<u>119,877</u>

- (g) **Change in classification of securities**

Not applicable

- (h) **Redemption schedule of available-for-sale securities with maturity and held-to maturity debt securities**

Not applicable

- (i) **Equity securities of subsidiaries and affiliates with market value**

Not applicable

- (j) **Money held in trust**

Not applicable

- (k) **Net unrealized gain (loss) on available-for-sale securities**

Not applicable