

Report of Independent Auditors

To the Governor of Japan Bank for International Cooperation

We have audited the accompanying International Financial Account balance sheets of Japan Bank for International Cooperation as of March 31, 2006 and 2005, and the related International Financial 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 International Financial 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****International Financial Account**

	In millions of yen		In millions of yen		In millions of U.S. dollars	
	March 31, 2006		March 31, 2005		March 31, 2006	
Assets						
Cash and due from banks (Note 3)	¥	636,786	¥	106,105	\$	5,421
Securities (Note 4 and Note 19)		400		103		3
Loans (Note 5)		8,080,007		8,446,621		68,784
Miscellaneous assets (Note 6)		205,162		523,350		1,747
Premises and equipment (Note 7)		18,901		19,184		161
Deferred charges on bonds and notes (Note 8)		4,227		3,711		36
Customers' liabilities for acceptances and guarantees		1,066,099		899,389		9,075
Allowance for possible loan losses (Note 9)		(147,963)		(171,153)		(1,260)
Total assets	¥	9,863,621	¥	9,827,312	\$	83,967

	In millions of yen		In millions of yen		In millions of U.S. dollars	
	March 31, 2006		March 31, 2005		March 31, 2006	
Liabilities and equity						
Liabilities						
Bonds and notes (Note 10)	¥	2,043,963	¥	1,751,254	\$	17,400
Borrowings (Note 11)		4,906,569		5,359,276		41,769
Miscellaneous liabilities (Note 12)		189,951		206,716		1,617
Allowance for bonus payments		632		595		5
Allowance for employee retirement benefits (Note 13)		10,213		10,711		87
Acceptances and guarantees (Note 14)		1,066,099		899,389		9,075
Total liabilities		8,217,430		8,227,942		69,953

Equity						
Capital attributable to the International Financial Account		985,500		985,500		8,389
Reserve attributable to the International Financial Account (Note 16)		709,148		676,258		6,037
Accumulated deficit		(48,457)		(62,388)		(412)
Total equity		1,646,190		1,599,369		14,014
Total liabilities and equity	¥	9,863,621	¥	9,827,312	\$	83,967

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

STATEMENTS OF OPERATIONS**JAPAN BANK FOR INTERNATIONAL COOPERATION****International Financial Account**

	In millions of yen		In millions of yen		In millions of U.S.dollars	
	FY 2005		FY 2004		FY 2005	
Income						
Interest income	¥	319,119	¥	235,525	\$	2,717
Interest on loans		312,822		209,527		2,663
Interest on due from banks		6,297		2,458		54
Interest on swaps (net)		-		23,538		-
Fees and Commissions		8,097		5,648		69
Other operating income		3,840		13,130		32
Foreign exchange gains		3,606		1,640		30
Gains on derivative instruments		-		11,353		-
Others		234		136		2
Other ordinary income		191		125		1
Recovery of Written-off Claims		2,355		329		20
Profits on sales of premises and equipment		2		4		0
Total income		333,606		254,763		2,839
Expenses						
Interest expenses		226,059		180,620		1,925
Interest on bonds and notes		63,522		63,259		541
Interest on borrowings		91,355		117,361		778
Interest on swaps (net)		71,181		-		606
Fees and Commissions		3,212		3,524		27
Other operating expenses		1,275		1,856		11
Amortization of bonds and notes issuance costs		1,053		990		9
Others		221		866		2
General and administrative expenses		14,140		14,350		120
Other ordinary expenses		9,186		38,060		78
Provision for allowance for possible loan losses		9,158		38,039		78
Write-off of loans		-		11		-
Others		28		10		0
Losses on disposal of premises and equipment		20		7		0
Total expense		253,895		238,420		2,161
Net income	¥	79,711	¥	16,343	\$	678

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

STATEMENTS OF CASH FLOWS**JAPAN BANK FOR INTERNATIONAL COOPERATION****International Financial Account**

	In millions of yen		In millions of yen		In millions of U.S. dollars	
	FY 2005		FY 2004		FY 2005	
Cash flows from operating activities						
Net income	¥	79,711	¥	16,343	\$	678
Depreciation and amortization		955		942		8
Increase (decrease) in allowance for possible loan losses		(23,190)		37,285		(197)
Increase in allowance for bonus payments		37		26		0
Decrease in allowance for employee retirement benefits		(497)		(94)		(4)
Interest income		(319,119)		(235,525)		(2,717)
Interest expenses		226,059		180,620		1,925
Net loss on securities		26		7		0
Foreign exchange gain		(334,982)		(60,049)		(2,852)
Net loss on sales of premises and equipment		18		2		0
Net decrease in loans		760,051		376,086		6,471
Net increase in bonds and notes		229,542		179,225		1,954
Net decrease in borrowings		(452,707)		(667,742)		(3,854)
Net increase in due from banks (excluding cash equivalents)		(251,814)		(15,610)		(2,144)
Interest received		332,126		248,002		2,828
Interest paid		(227,148)		(186,767)		(1,934)
Others, net		290,453		71,350		2,473
Net cash provided by (used in) operating activities		309,522		(55,895)		2,635
Cash flows from investing activities						
Purchases of securities		(309)		(111)		(2)
Sales of securities		1		-		0
Expenditures on premises and equipment		(440)		(114)		(4)
Proceeds from sales of premises and equipment		11		26		0
Net cash used in investing activities		(737)		(199)		(6)
Cash flows from financing activities						
Payment to National Treasury		(34,726)		(36,547)		(296)
Net cash used in financing activities		(34,726)		(36,547)		(296)
Effect of exchange rate changes on cash and cash equivalents		0		0		0
Net increase (decrease) in cash and cash equivalents		274,058		(92,642)		2,333
Cash and cash equivalents at the beginning of the period		26,683		119,325		227
Cash and cash equivalents at the end of the period	¥	300,742	¥	26,683	\$	2,560

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

STATEMENTS OF EQUITY
JAPAN BANK FOR INTERNATIONAL COOPERATION
International Financial Account

In millions of yen

	Capital attributable to the International Financial Account	Reserve attributable to the International Financial Account	Accumulated deficit	Total Equity
Balance at March 31, 2005	¥ 985,500	¥ 676,258	¥ (62,388)	¥ 1,599,369
Transfer from net earnings accounted under the JBIC Law to reserve	-	32,889	(32,889)	-
Payment to National Treasury	-	-	(32,889)	(32,889)
Net income	-	-	79,711	79,711
Balance at March 31, 2006	¥ 985,500	¥ 709,148	¥ (48,457)	¥ 1,646,190
Appropriations:				
Transfer from net earnings accounted under the JBIC Law to reserve	-	36,087	(36,087)	-
Payment to National Treasury	-	-	(36,087)	(36,087)
Total	¥ -	¥ 36,087	¥ (72,175)	¥ (36,087)
Unappropriated Accumulated deficit	¥ -	¥ -	¥ (120,633)	¥ -

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

STATEMENTS OF EQUITY**JAPAN BANK FOR INTERNATIONAL COOPERATION****International Financial Account**

In millions of dollars

	Capital attributable to the International Financial Account	Reserve attributable to the International Financial Account	Accumulated deficit	Total Equity
Balance at March 31, 2005	\$ 8,389	\$ 5,757	\$ (531)	\$ 13,615
Transfer from net earnings accounted under the JBIC Law to reserve	-	280	(280)	-
Payment to National Treasury	-	-	(280)	(280)
Net income	-	-	678	678
Balance at March 31, 2006	\$ 8,389	\$ 6,037	\$ (413)	\$ 14,013
Appropriations:				
Transfer from net earnings accounted under the JBIC Law to reserve	-	307	(307)	-
Payment to National Treasury	-	-	(307)	(307)
Total	\$ -	\$ 307	\$ (614)	\$ (307)
Unappropriated Accumulated deficit	\$ -	\$ -	\$ (1,027)	\$ -

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

STATEMENTS OF EQUITY
JAPAN BANK FOR INTERNATIONAL COOPERATION
International Financial Account

In millions of yen

	Capital attributable to the International Financial Account	Reserve attributable to the International Financial Account	Accumulated deficit	Total Equity
Balance at March 31, 2004	¥ 985,500	¥ 638,582	¥ (3,380)	¥ 1,620,702
Transfer from net earnings accounted under the JBIC Law to reserve	-	37,675	(37,675)	-
Payment to National Treasury	-	-	(37,675)	(37,675)
Net income	-	-	16,343	16,343
Balance at March 31, 2005	¥ 985,500	¥ 676,258	¥ (62,388)	¥ 1,599,369
Appropriations:				
Transfer from net earnings accounted under the JBIC Law to reserve	-	32,889	(32,889)	-
Payment to National Treasury	-	-	(32,889)	(32,889)
Total	¥ -	¥ 32,889	¥ (65,779)	¥ (32,889)
Unappropriated Accumulated deficit	¥ -	¥ -	¥ (128,168)	¥ -

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

NOTES TO FINANCIAL STATEMENTS
JAPAN BANK FOR INTERNATIONAL COOPERATION
International Financial 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) Valuation method for derivative financial instruments

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

(d) Hedge accounting for interest rate risks

(i) Hedge accounting

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

(ii) Hedging instruments and hedged items

Hedging instruments: interest rate swaps

Hedged items: loans, bonds and notes

(iii) Hedging policy

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

(iv) Assessment of hedge effectiveness

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

(e) Hedge accounting for foreign exchange risks

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

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

(f) Foreign currency translation and revaluation method

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

(g) Depreciation basis for fixed assets

(i) Premises and equipment

Premises and equipment are depreciated on the declining balance basis over their 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).

(h) Accounting standard for impairment of fixed assets

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

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

(i) Method of amortization for deferred charges

"Discounts on bonds and notes" are amortized over terms of redemption, and "Bonds and notes issuance costs" are amortized over 3 years, on the straight-line basis in accordance with the Commercial Code of Japan.

(j) Allowance for possible loan losses

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.

(k) Allowance for bonus payments

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

(l) Allowance for employee retirement benefits

Allowance for employee retirement benefits represents the future payment for pension and retirement benefits 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.

(m) Lease transactions

Finance leases that do not involve the transfer of ownership to the lessee at the end of the lease term are accounted for as operating lease.

(n) Consumption taxes

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

3. Cash and cash equivalents

The reconciliation between the balance of cash and cash equivalents 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	¥ 636,786	¥ 106,105	\$ 5,421
Due from banks (*)	(336,044)	(79,421)	(2,861)
Cash and cash equivalents	¥ 300,742	¥ 26,683	\$ 2,560

(*) 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	¥ 12	¥ 12	\$ 0
Other securities	387	90	3
	¥ 400	¥ 103	\$ 3

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	¥ 47,333	¥ -	\$ 403
Non-accrual loans	156,454	265,797	1,332
Past due loans (3 months or more)	2,714	2,714	23
Restructured loans	141,007	325,428	1,200
	¥ 347,510	¥ 593,940	\$ 2,958

- (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 payments, 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 the 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)
International Financial Account	¥ 417,943	¥ 487,301	\$ 3,558

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 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 ¥20,470 million (\$174 million) of which ¥10,890 million (\$93 million) represents original principal attributable to the International Financial Account for the fiscal year ended March 31, 2006 and is ¥77,863 million of which ¥74,580 million represents original principal attributable to the International Financial 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 a 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 dates 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 ¥9,410 million (\$80 million) in the International Financial 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 ¥1,388,562 million (\$11,820 million) and ¥1,212,442 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 is written-off against the respective claims. The amounts of the accumulated write-offs as of March 31, 2006 and 2005 are ¥5,489 million (\$47 million) and ¥16,824 million respectively.

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	354	654	3
Accrued income (a)	81,840	95,391	697
Derivatives	96,560	406,902	822
Deferred hedge losses (b)	3,912	-	33
Preliminary payment to the National Treasury (c)	19,892	18,056	170
Other (d)	2,601	2,346	22
	<u>¥ 205,162</u>	<u>¥ 523,350</u>	<u>\$ 1,747</u>

(Notes)

- (a) "Accrued income" includes ¥80,420 million (\$685 million) and ¥94,122 million of accrued interest on loans and other as of March 31, 2006 and 2005, respectively.
- (b) "Deferred hedge losses" are net unrealized losses from hedging instruments. The gross amounts of deferred hedge gains and losses before netting as of March 31, 2006 are ¥40,822 million (\$348 million) and ¥44,734 million (\$381million), respectively (March 31, 2005: ¥135,610 million and ¥2,458 million, respectively).
- (c) Pursuant to Article 44 of the JBIC Law, a portion of the net earnings on the General Account of the International Financial Account is paid to the National Treasury. Preliminary payment to the National Treasury, made on a best estimate basis, is accounted for on an accrual basis.
- (d) "Other" includes ¥116 million (\$1 million) of suspense payments as of March 31, 2006 and ¥1,980 million of suspense payments 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)
	¥	¥	\$
Tangible fixed assets			
Land	9,556	9,556	81
Buildings	19,496	19,480	166
Equipment	3,752	3,882	32
Construction in progress	362	177	3
Total	<u>¥ 33,167</u>	<u>¥ 33,097</u>	<u>\$ 282</u>
Less-accumulated depreciation	14,446	14,081	123
Net book value	<u>¥ 18,720</u>	<u>¥ 19,015</u>	<u>\$ 159</u>
Intangible fixed assets			
Software	3,281	901	28
Guarantee deposit	174	162	1
Other	66	66	1
Total	<u>¥ 3,522</u>	<u>¥ 1,130</u>	<u>\$ 30</u>
Less-accumulated depreciation	857	595	7
Net book value	<u>¥ 2,665</u>	<u>¥ 535</u>	<u>\$ 23</u>

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		2,532		2,180		22
Deferred bonds and notes issuance costs		1,694		1,530		14
	¥	4,227	¥	3,711	\$	36

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		40,872		46,980		348
Specific allowance for possible loan losses		93,249		108,840		794
Allowance for possible losses on specific overseas loans		13,841		15,332		118
	¥	147,963	¥	171,153	\$	1,260

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 March 31, 2006 (In millions)		Interest rate (%)	Maturity date	March 31, 2006 (In millions of yen)		March 31, 2005 (In millions of yen)		March 31, 2006 (In millions of U. S. dollars)	
						¥		¥		\$	
Export-Import Bank of Japan Bonds guaranteed by Japanese govt. 37, 39, 40, 42	May 1996- December 1997	EUR	1,044	5.750- 8.000	February 2007- June 2008	231,280		371,824		1,969	
Japan Bank for International Cooperation Bonds guaranteed by Japanese govt. 1,3-13	November 1999- March 2006	JPY USD EUR THB	60,000 5,650 1,750 3,000	0.350- 7.000, LIBOR +0.0625	December 2006- March 2016	982,683		759,430		8,365	
FILP Agency Bonds 1-4, 6, 8, 10,12-23(*)	October 2001- March 2006	JPY	830,000	0.510- 2.090	September 2006- December 2025	830,000		620,000		7,066	
						¥ 2,043,963		¥ 1,751,254		\$ 17,400	

(*) Non-government guaranteed bonds issued in domestic market.

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	299,534	2,550
2007	165,674	1,410
2008	114,947	979
2009	167,470	1,426
2010	285,265	2,428

Based on debt assumption agreements with financial institutions, JBIC has transferred the debt repayment obligation for certain bonds to such financial institutions. As of March 31, 2006, JBIC had contingent obligations in respect to the following bonds.

	In millions of yen	In millions of U. S. dollars
FILP Agency Bond 5	50,000	426
FILP Agency Bond 7	60,000	511
FILP Agency Bond 9	50,000	426
FILP Agency Bond 11	50,000	426

11. Borrowings

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

	Average interest rate	Due date of repayment	March 31, 2006 (In millions of yen)	March 31, 2005 (In millions of yen)	March 31, 2006 (In millions of U. S. dollars)
			¥	¥	\$
Long-term borrowings					
Borrowings from the Government Fund for Fiscal Investment and Loan Program	1.62	April 2006- March 2016	4,844,321	5,263,934	41,239
Borrowings from the Government Post Office Life Insurance Fund	2.12		62,248	95,342	530
			¥ 4,906,569	¥ 5,359,276	\$ 41,769

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	769,046	6,547
2007	1,060,140	9,025
2008	1,140,132	9,706
2009	599,829	5,106
2010	498,504	4,244

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)	45,310	46,026	386
Unearned income	5,041	4,649	43
Derivatives	137,705	20,484	1,172
Deferred hedge gains	-	133,151	-
Other (b)	1,894	2,404	16
	¥ 189,951	¥ 206,716	\$ 1,617

(Notes)

- (a) "Accrued expenses" includes ¥18,710 million (\$159 million) of accrued interest on borrowings and ¥26,262 million (\$224 million) of accrued interest on bonds and notes and other as of March 31, 2006 (March 31, 2005: ¥21,392 million and ¥24,072 million, respectively).
- (b) "Other" includes ¥1,818 million (\$15 million) of suspense receipts and other as of March 31, 2006 (March 31, 2005: ¥2,244 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	March 31, 2005	March 31, 2006
		(In millions of yen)	(In millions of yen)	(In millions of U. S. dollars)
		¥	¥	\$
Projected benefit obligation	(A)	(14,397)	(14,226)	(123)
Fair value of plans' assets	(B)	4,184	3,514	36
Unfunded pension obligation	(C) = (A) + (B)	(10,213)	(10,711)	(87)
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)	(10,213)	(10,711)	(87)
Prepaid pension cost	(H)	-	-	-
Allowance for employee retirement benefits	(G) - (H)	¥ (10,213)	¥ (10,711)	\$ (87)

(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	March 31, 2005	March 31, 2006
	(In millions of yen)	(In millions of yen)	(In millions of U. S. dollars)
	¥	¥	\$
Service cost	582	594	5
Interest cost	283	279	2
Expected return on plans' assets	(52)	(48)	(0)
Amortization of prior service cost	-	-	-
Amortization of net actuarial gains/losses	(563)	36	(5)
Amortization of net obligation at transition	-	-	-
Other costs	-	-	-
Net pension cost	¥ 249	¥ 862	\$ 2

(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. Acceptances and guarantees

Acceptances and guarantees 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)
Acceptances	¥ -	¥ -	\$ -
Guarantees	1,066,099	899,389	9,075
	¥ 1,066,099	¥ 899,389	\$ 9,075

15. Assets pledged as collateral

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

16. Reserve

Pursuant to Article 44 of the JBIC Law, the reserve attributable to the International Financial Account is provided from net earnings from the International Financial Account.

17. Lease transactions

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

(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 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	387	390	3
Other	313	313	3
Total	¥ 701	¥ 704	\$ 6
Accumulated depreciation			
Equipment	196	94	2
Other	156	94	1
Total	¥ 352	¥ 188	\$ 3
Net balance			
Equipment	191	296	2
Other	156	219	1
Total	¥ 348	¥ 516	\$ 3

- 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	167	166	1
Due after 1 year	188	356	2
Total	¥ 356	¥ 522	\$ 3

- 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	175	142	1
Depreciation expense	167	136	1
Interest expense	9	10	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	4	1	0
Due after 1 year	1	2	0
Total	¥ 5	¥ 4	\$ 0

18. Derivative transactions

Notes to derivative transactions in the fiscal year ended March 31, 2006 are as follows:

(a) Policy for derivative transactions

JBIC engages in derivative transactions solely for the purpose of hedging foreign exchange rate risks and interest rate risks that are incurred in respect of its lending and funding operations.

(b) Transactions

Derivative transactions include interest rate and currency swaps and forward exchange contracts.

(c) Risks involved in derivative transactions

Derivative transactions involve the following risks:

(i) Credit risk

Potential loss from the failure of a counterparty to perform its obligations in accordance with terms and conditions under the contract governing transactions due to bankruptcy or deteriorating business.

(ii) Market risk

Potential loss from the changes in the market value of financial products due to fluctuations in interest rates or exchange rates.

(d) Policies for risk management on derivative transactions

(i) Credit risk

JBIC constantly monitors the market value of its derivative transactions with each counterparty and the amount of its credit exposure and creditworthiness of each counterparty in order to ascertain the appropriateness of entering into or maintaining a transaction with each counterparty.

(ii) Market risk

JBIC uses derivative transactions solely for the purpose of hedging. Therefore, the market risk on derivative transactions and that on hedged (lending or funding) transactions basically offset each other.

Credit risk amounts of derivative etc.	(In 100 millions of yen)		(In 100 millions of U.S. dollars)	
	Contract amount/notional amount	Credit risk	Contract amount/notional amount	Credit risk
	¥	¥	\$	\$
Interest rate swaps	25,003	502	213	4
Currency swaps	44,152	3,969	376	34
Forward exchange contracts	60	1	0	0
Other derivatives	-	-	-	-
Credit risk reductions through nettings	-	(2,081)	-	(18)
Total	<u>¥ 69,217</u>	<u>¥ 2,392</u>	<u>\$ 589</u>	<u>\$ 20</u>

(Note) Credit risk amounts are calculated under Uniform International Standards in accordance with the Banking Law of Japan and the related regulations.

(e) Interest rate-related transactions

There are no interest rate-related derivative transactions recorded at fair value as of the balance sheet date, since hedge accounting is applied to all interest rate-related derivative transactions outstanding at year end.

(f) Currency-related transactions

There are no currency-related derivative transactions, recorded at fair value as of the balance sheet date, since hedge accounting is applied to all currency-related derivative transactions outstanding at year end.

(g) Equity-related transactions

Not applicable

(h) Bond-related transactions

Not applicable

(i) Commodity-related transactions

Not applicable

(j) Credit derivatives transactions

Not applicable

Notes to derivative transactions in the fiscal year ended March 31, 2005 are as follows:

(a) Policy for derivative transactions

JBIC engages in derivative transactions solely for the purpose of hedging foreign exchange rate risks and interest rate risks that are incurred in respect of its lending and funding operations.

(b) Transactions

Derivative transactions include interest rate and currency swaps and forward exchange contracts.

(c) Risks involved in derivative transactions

Derivative transactions involve the following risks:

(i) Credit risk

Potential loss from the failure of a counterparty to perform its obligations in accordance with terms and conditions under the contract governing transactions due to bankruptcy or deteriorating business.

(ii) Market risk

Potential loss from the changes in the market value of financial products due to fluctuations in interest rates or exchange rates.

(d) Policies for risk management on derivative transactions

(i) Credit risk

JBIC constantly monitors the market value of its derivative transactions with each counterparty and the amount of its credit exposure and creditworthiness of each counterparty in order to ascertain the appropriateness of entering into or maintaining a transaction with each counterparty.

(ii) Market risk

JBIC uses derivative transactions solely for the purpose of hedging. Therefore, the market risk on derivative transactions and that on hedged (lending or funding) transactions basically offset each other.

(In 100 millions of yen)

Credit risk amounts of derivative etc.	Contract amount/notional amount		Credit risk
	¥		¥
Interest rate swaps		23,098	572
Currency swaps		41,679	7,063
Forward exchange contracts		13	0
Other derivatives		-	-
Credit risk reductions through nettings		-	(1,680)
Total	¥	64,791	¥ 5,956

(Note) Credit risk amounts are calculated under Uniform International Standards in accordance with the Banking Law of Japan and the related regulations.

(e) Interest rate-related transactions

There are no interest rate-related derivative transactions recorded at fair value as of the balance sheet date, since hedge accounting is applied to all interest rate-related derivative transactions outstanding at year end.

(f) Currency-related transactions

There are no currency-related derivative transactions recorded at fair value as of the balance sheet date, since hedge accounting is applied to all currency-related derivative transactions outstanding at year end.

(g) Equity-related transactions

Not applicable

(h) Bond-related transactions

Not applicable

(i) Commodity-related transactions

Not applicable

(j) Credit derivatives transactions

Not applicable

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

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, 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	12	0
Unlisted foreign equities	-	-
Other unlisted Japanese securities	250	2
Other unlisted foreign securities	136	1
Total	¥ 400	\$ 3

(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

	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	12
Unlisted foreign equities	-
Other unlisted Japanese securities	30
Other unlisted foreign securities	60
Total	¥ 103

(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