

Japan Bank for International Cooperation

Summary of Japanese GAAP-Based Financial Statements for First Half of FY2005

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) made public its financial statements for the first half of FY2005 in accordance with generally accepted accounting principles and practices for Japanese private corporations (Japanese GAAP) on January 23, 2006. In order to ensure its objectivity, JBIC obtained an auditor's report from ChuoAoyama PricewaterhouseCoopers pursuant to Article 193.2 of the Securities Transaction Law.

Financial highlights of the Japanese GAAP-based financial statements for the first half of FY2005 are as follows.

(Unit: millions of yen)

| | First Half of FY2005 | | | First Half of FY2004 | | |
|--------------------------|----------------------|---------------------------------|---------------------------------------|----------------------|---------------------------------|---------------------------------------|
| | The Bank Account | International Financial Account | Overseas Economic Cooperation Account | The Bank Account | International Financial Account | Overseas Economic Cooperation Account |
| Ordinary Revenue | 291,988 | 166,156 | 125,831 | 259,613 | 134,110 | 125,502 |
| Ordinary Expenses | 161,251 | 116,921 | 51,697 | 166,261 | 112,137 | 59,033 |
| Net Ordinary Income | 130,736 | 49,234 | 74,133 | 93,352 | 21,973 | 66,469 |
| Net Extraordinary Income | 36,545 | 2,268 | 41,644 | 15,671 | 27 | 20,552 |
| Net Income | 167,282 | 51,503 | 115,778 | 109,023 | 22,001 | 87,022 |

(Unit: millions of yen, %)

| | As of September 30, 2005 | | | As of March 31, 2005 | | |
|---|--------------------------|---------------------------------|---------------------------------------|----------------------|---------------------------------|---------------------------------------|
| | The Bank Account | International Financial Account | Overseas Economic Cooperation Account | The Bank Account | International Financial Account | Overseas Economic Cooperation Account |
| Total Assets | 20,628,787 | 9,806,065 | 10,822,722 | 20,653,038 | 9,827,312 | 10,825,726 |
| Cash and Due from Banks | 461,133 | 448,285 | 12,848 | 170,029 | 106,105 | 63,924 |
| Securities | 119,302 | 212 | 119,090 | 119,980 | 103 | 119,877 |
| Loans | 18,891,945 | 8,172,388 | 10,719,556 | 19,187,414 | 8,446,621 | 10,740,793 |
| Miscellaneous Assets | 440,255 | 333,221 | 107,034 | 599,982 | 523,350 | 76,631 |
| Customer's Liabilities for Acceptances and Guarantees | 975,429 | 975,429 | — | 899,389 | 899,389 | — |
| Allowance for Possible Loan Losses | △288,927 | △146,172 | △142,754 | △353,664 | △171,153 | △182,511 |
| Total Liabilities | 12,262,152 | 8,188,081 | 4,074,070 | 12,477,695 | 8,227,942 | 4,249,752 |
| Bonds and Notes | 1,802,685 | 1,777,685 | 25,000 | 1,776,254 | 1,751,254 | 25,000 |
| Borrowings | 9,240,544 | 5,215,435 | 4,025,109 | 9,559,735 | 5,359,276 | 4,200,459 |
| Miscellaneous Liabilities | 225,304 | 208,255 | 17,049 | 224,079 | 206,716 | 17,363 |
| Acceptances and Guarantees | 975,429 | 975,429 | — | 899,389 | 899,389 | — |
| Total Capital and Retained Earnings | 8,366,635 | 1,617,983 | 6,748,652 | 8,175,343 | 1,599,369 | 6,575,973 |
| Capital | 7,933,644 | 985,500 | 6,948,144 | 7,876,744 | 985,500 | 6,891,244 |
| Retained Earnings and Reserve | 432,991 | 632,483 | △199,492 | 298,598 | 613,869 | △315,270 |
| Capital and Retained Earnings / Total Assets (%) | 40.6 | 16.5 | 62.4 | 39.6 | 16.3 | 60.7 |

I. Income (Loss)

JBIC's asset-liability structure is characterized by long maturities of both assets and liabilities, with the overall loan assets having a longer maturity than the liabilities. Thus low and stable interest rates in recent years have enabled JBIC to post consistently robust levels of net interest income. As there was no significant change in this trend during the first half of FY2005, operating income of the International Financial Account amounted to 49.2 billion yen, the Overseas Economic Cooperation Account 74.1 billion yen and The Bank Account 130.7 billion yen. Due to extraordinary income composed mainly of reversal for possible loan losses caused by the agreement of debt reduction measure for sovereign debtors among the creditor countries (the Paris Club creditors) and a grant provided by the Japanese government, net income of the International Financial Account amounted to 51.5 billion yen, the Overseas Economic Cooperation Account 115.7 billion yen and The Bank Account 167.2 billion yen.

This grant has been provided since FY 2003 in accordance with the policy of the Japanese government to ensure fiscal soundness of JBIC under the "Changes of the Debt Relief Method" announced in FY2002. (15.0 billion yen for the first half of FY2005)

<The Bank Account>

(Unit: hundred millions of yen)

| | First Half of FY2005 | First Half of FY2004 |
|--|----------------------|----------------------|
| Gross Operating Profit | 1,418 | 1,167 |
| Net Interest Income | 1,372 | 1,133 |
| Net Fees and Commissions | 31 | 15 |
| Net Other Operating Income | 14 | 18 |
| General and Administrative Expenses (△) | △111 | △115 |
| Net Operating Income (prior to provision for general allowance for possible loan losses) | 1,307 | 1,052 |
| Other Ordinary Gain/Loss (△) | △0 | △118 |
| Provision for General Allowance for Possible Loan Losses | — | △119 |
| Write-off of Loans | — | — |
| Gain on sale of Securities | 0 | — |
| Write-off of Securities | △2 | — |
| Others | 1 | 1 |
| Net Ordinary Income | 1,307 | 933 |
| Net Extraordinary Income | 365 | 156 |
| Net Income | 1,672 | 1,090 |

<International Financial Account>

(Unit: hundred millions of yen)

| | First Half of FY2005 | First Half of FY2004 |
|--|----------------------|----------------------|
| Gross Operating Profit | 634 | 459 |
| Net Interest Income | 585 | 422 |
| Net Fees and Commissions | 34 | 19 |
| Net Other Operating Income | 14 | 18 |
| General and Administrative Expenses (△) | △69 | △72 |
| Net Operating Income (prior to provision for general allowance for possible loan losses) | 565 | 387 |
| Other Ordinary Gain/Loss (△) | △72 | △168 |
| Provision for General Allowance for Possible Loan Losses | △73 | △168 |
| Write-off of Loans | — | — |
| Gain on sale of Securities | — | — |
| Write-off of Securities | — | — |
| Others | 0 | 0 |
| Net Ordinary Income | 492 | 219 |
| Net Extraordinary Income | 22 | 0 |
| Net Income | 515 | 220 |

<Overseas Economic Cooperation Account>

(Unit: hundred millions of yen)

| | First Half of FY2005 | First Half of FY2004 |
|--|----------------------|----------------------|
| Gross Operating Profit | 784 | 707 |
| Net Interest Income | 786 | 710 |
| Net Fees and Commissions | △2 | △3 |
| Net Other Operating Income | 0 | 0 |
| General and Administrative Expenses (△) | △41 | △43 |
| Net Operating Income (prior to provision for general allowance for possible loan losses) | 742 | 664 |
| Other Ordinary Gain/Loss (△) | △1 | 0 |
| Provision for General Allowance for Possible Loan Losses | — | — |
| Write-off of Loans | — | — |
| Gain on sale of Securities | 0 | — |
| Write-off of Securities | △2 | — |
| Others | 0 | 0 |
| Net Ordinary Income | 741 | 664 |
| Net Extraordinary Income | 416 | 205 |
| Net Income | 1,157 | 870 |

(Note) General allowance for possible loan losses is the allowance for claims on debtors other than Bankrupt Borrowers, Substantially Bankrupt Borrowers and Potentially bankrupt Borrowers.

II. Assets, Liabilities and Capital

As of September 30, 2005, the International Financial Account had total assets of 9,806.0 billion yen (decreased 21.2 billion yen from the previous fiscal year), total liabilities of 8,188.0 billion yen (decreased 39.8 billion yen from the previous fiscal year), and total capital and retained earnings of 1,617.9 billion yen (increased 18.6 billion yen from the previous fiscal year). The Overseas Economic Cooperation Account had total assets of 10,822.7 billion yen (decreased 3.0 billion yen from the previous fiscal year), total liabilities of 4,074.0 billion yen (decreased 175.6 billion yen from the previous fiscal year), and total capital and retained earnings of 6,748.6 billion yen (increased 172.6 billion yen from the previous fiscal year). Overall, the Bank had total assets of 20,628.7 billion yen (decreased 24.2 billion yen from the previous fiscal year), total liabilities of 12,262.1 billion yen (decreased 215.5 billion yen from the previous fiscal year), and total capital and retained earnings of 8,366.6 billion yen (increased 191.2 billion yen from the previous fiscal year).

III. Loans

The results of self-assessment, including the classification of risk-monitored loans shown below and loan assets required to be disclosed in accordance with disclosure requirements set forth in the Financial Revitalization Law (FRL), were audited by ChuoAoyama PricewaterhouseCoopers based on the Practical Guidelines for Examining Internal Control Regarding Self-Assessment of Assets in Banks and Other Financial Institutions and Auditing Writeoffs for Defaulted Loans and Provisioning for Possible Loan Losses,” (Japanese Institute of Certified Public Accountants, Special Committee Report No. 4, April 15, 1997).

What is unique about JBIC’s operations is that its loans for developing country governments are taken to be official credit. Thus, when an indebted country is temporarily unable to service debt due to economic difficulties, debt rescheduling will sometimes takes place, based on an international agreement among the creditor countries in the Paris Club, in order to ensure sustainable debt service. A debtor country receiving such temporary support for overcoming the liquidity problem will implement economic restructuring programs agreed upon with the IMF to acquire sustainable debt service capacity.

As for the probability of repayment for the loans rescheduled in the Paris Club, this needs to reflect their nature as official credit, whereby the above international framework provides an asset-securing mechanism which is not found with private financial institutions. Nevertheless, to facilitate comparison between JBIC and private financial institutions, JBIC, in principle, treats the loans rescheduled in the Paris Club and whose debtor countries are categorized as “needs attention” in its self assessment of asset quality as loans assets required to be disclosed, classifying them either as restructured loans (under the Banking Law of Japan) or substandard loans (under the Financial Revitalization Law).

<Risk-Monitored Loans>

In the following table, loans were classified based on self-assessment on asset quality and in accordance with the disclosure standard of risk-monitored loans adopted by private financial institutions under the relevant regulations of the Banking Law of Japan.

(Unit: hundred millions of yen, %)

| <The Bank Account> | As of the end of September 2005 | Change from the end of March 2005 | As of the end of March 2005 | Ratio to Total Loans | |
|---------------------------------------|---------------------------------|-----------------------------------|-----------------------------|-----------------------|-------------------|
| | | | | End of September 2005 | End of March 2005 |
| Total Amounts of Risk-Monitored Loans | 13,336 | △1,073 | 14,409 | 7.06% | 7.51% |
| Bankrupt Loans | 713 | 713 | — | 0.38% | — |
| Non-Accrual Loans | 2,868 | △1,017 | 3,885 | 1.52% | 2.03% |
| Past Due Loans (Three months or more) | 102 | 75 | 27 | 0.05% | 0.01% |
| Restructured Loans | 9,652 | △844 | 10,497 | 5.11% | 5.47% |
| Total Amounts of Outstanding Loans | 188,919 | △2,954 | 191,874 | 100.00% | 100.00% |

(Unit: hundred millions of yen, %)

| <International Financial Account> | As of the end of September 2005 | Change from the end of March 2005 | As of the end of March 2005 | Ratio to Total Loans | |
|---------------------------------------|---------------------------------|-----------------------------------|-----------------------------|-----------------------|-------------------|
| | | | | End of September 2005 | End of March 2005 |
| Total Amounts of Risk-Monitored Loans | 4,998 | △940 | 5,939 | 6.12% | 7.03% |
| Bankrupt Loans | 713 | 713 | — | 0.87% | — |
| Non-Accrual Loans | 1,776 | △810 | 2,657 | 2.17% | 3.15% |
| Past Due Loans (Three months or more) | 27 | — | 27 | 0.03% | 0.03% |
| Restructured Loans | 2,481 | △773 | 3,254 | 3.04% | 3.85% |
| Total Amounts of Outstanding Loans | 81,723 | △2,742 | 84,466 | 100.00% | 100.00% |

(Unit: hundred millions of yen, %)

| <Overseas Economic Cooperation Account > | As of the end of September 2005 | Change from the end of March 2005 | As of the end of March 2005 | Ratio to Total Loans | |
|--|---------------------------------|-----------------------------------|-----------------------------|-----------------------|-------------------|
| | | | | End of September 2005 | End of March 2005 |
| Total Amounts of Risk-Monitored Loans | 8,337 | △132 | 8,470 | 7.78% | 7.89% |
| Bankrupt Loans | — | — | — | — | — |
| Non-Accrual Loans | 1,091 | △136 | 1,227 | 1.02% | 1.14% |
| Past Due Loans (Three months or more) | 75 | 75 | — | 0.07% | — |
| Restructured Loans | 7,171 | △71 | 7,242 | 6.69% | 6.74% |
| Total Amounts of Outstanding Loans | 107,195 | △212 | 107,407 | 100.00% | 100.00% |

< Loan Assets Required to be Disclosed under the FRL >

In the following table, loan assets were classified based on self-assessment on asset quality and in accordance with disclosure requirements set forth in the Financial Revitalization Law (FRL).

(Unit: hundred millions of yen, %)

| <The Bank Account> | As of the end of September 2005 | Change from the end of March 2005 | As of the end of March 2005 | Ratio to Total Loans | |
|--|---------------------------------|-----------------------------------|-----------------------------|-----------------------|-------------------|
| | | | | End of September 2005 | End of March 2005 |
| Credits required to be disclosed under the FRL | 13,336 | △1,074 | 14,411 | 6.65% | 7.11% |
| Bankrupt and Quasi-bankrupt Assets | 716 | 18 | 697 | 0.36% | 0.34% |
| Doubtful Assets | 2,865 | △324 | 3,189 | 1.43% | 1.57% |
| Substandard Loans | 9,754 | △769 | 10,524 | 4.86% | 5.20% |
| Normal Assets | 187,361 | △786 | 188,148 | 93.35% | 92.89% |
| Total | 200,698 | △1,861 | 202,559 | 100.00% | 100.00% |

(Unit: hundred millions of yen, %)

| <International Financial Account> | As of the end of September 2005 | Change from the end of March 2005 | As of the end of March 2005 | Ratio to Total Loans | |
|--|---------------------------------|-----------------------------------|-----------------------------|-----------------------|-------------------|
| | | | | End of September 2005 | End of March 2005 |
| Credits required to be disclosed under the FRL | 4,998 | △942 | 5,940 | 5.41% | 6.29% |
| Bankrupt and Quasi-bankrupt Assets | 716 | 18 | 697 | 0.78% | 0.74% |
| Doubtful Assets | 1,773 | △187 | 1,961 | 1.92% | 2.08% |
| Substandard Loans | 2,508 | △773 | 3,281 | 2.71% | 3.48% |
| Normal Assets | 87,455 | △1,013 | 88,469 | 94.59% | 93.71% |
| Total | 92,454 | △1,956 | 94,410 | 100.00% | 100.00% |

(Unit: hundred millions of yen, %)

| <Overseas Economic Cooperation Account> | As of the end of September 2005 | Change from the end of March 2005 | As of the end of March 2005 | Ratio to Total Loans | |
|--|---------------------------------|-----------------------------------|-----------------------------|-----------------------|-------------------|
| | | | | End of September 2005 | End of March 2005 |
| Credits required to be disclosed under the FRL | 8,337 | △132 | 8,470 | 7.70% | 7.83% |
| Bankrupt and Quasi-bankrupt Assets | — | — | — | — | — |
| Doubtful Assets | 1,091 | △136 | 1,227 | 1.01% | 1.14% |
| Substandard Loans | 7,246 | 3 | 7,242 | 6.69% | 6.70% |
| Normal Assets | 99,905 | 227 | 99,678 | 92.30% | 92.17% |
| Total | 108,243 | 94 | 108,148 | 100.00% | 100.00% |

End