

Japan Bank for International Cooperation

Summary of Japanese GAAP-Based Financial Statements for Fiscal Year Ending March 2006

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) made public its financial statements for the fiscal year ending March 2006 in accordance with generally accepted accounting principles and practices for Japanese private corporations (Japanese GAAP) on June 30, 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 fiscal year ending March 2006 are as follows.

(Unit: millions of yen)

	Fiscal Year ending March 2006			Fiscal Year ending March 2005		
	The Bank Account	International Financial Account	Overseas Economic Cooperation Account	The Bank Account	International Financial Account	Overseas Economic Cooperation Account
Ordinary Revenue	587,439	331,248	256,191	508,310	254,430	253,879
Ordinary Expenses	345,715	253,874	100,999	409,305	238,413	170,892
Net Ordinary Income	241,724	77,373	155,192	99,004	16,017	82,987
Net Extraordinary Income	67,803	2,337	74,624	31,418	326	31,092
Net Income	309,527	79,711	229,816	130,423	16,343	114,079

(Unit: millions of yen, %)

	As of March 31, 2006			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	20,897,824	9,863,621	11,034,203	20,653,038	9,827,312	10,825,726
Cash and Due from Banks	655,517	636,786	18,730	170,029	106,105	63,924
Securities	119,535	400	119,135	119,980	103	119,877
Loans	19,023,649	8,080,007	10,943,642	19,187,414	8,446,621	10,740,793
Miscellaneous Assets	276,038	205,162	70,876	599,982	523,350	76,631
Customer's Liabilities for Acceptances and Guarantees	1,066,099	1,066,099	-	899,389	899,389	-
Allowance for Possible Loan Losses	△273,120	△147,963	△125,156	△353,664	△171,153	△182,511
Total Liabilities	12,271,443	8,217,430	4,054,013	12,477,695	8,227,942	4,249,752
Bonds and Notes	2,053,963	2,043,963	10,000	1,776,254	1,751,254	25,000
Borrowings	8,926,789	4,906,569	4,020,220	9,559,735	5,359,276	4,200,459
Miscellaneous Liabilities	207,097	189,951	17,145	224,079	206,716	17,363
Acceptances and Guarantees	1,066,099	1,066,099	-	899,389	899,389	-
Total Capital and Retained Earnings	8,626,381	1,646,190	6,980,190	8,175,343	1,599,369	6,575,973
Capital	8,051,144	985,500	7,065,644	7,876,744	985,500	6,891,244
Retained Earnings and Reserve	575,236	660,690	△85,454	298,598	613,869	△315,270
Capital and Retained Earnings / Total Assets (%)	41.3	16.7	63.3	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 FY2005, net operating income of the International Financial Account amounted to 86.3 billion yen, the Overseas Economic Cooperation Account 155.2 billion yen and The Bank Account 241.6 billion yen. Net ordinary income, subsequent to provision for allowance for possible loan losses and other ordinary gain and loss, of the International Financial Account amounted to 77.3 billion yen, the Overseas Economic Cooperation Account 155.1 billion yen and The Bank Account 241.7 billion yen. Due to extraordinary income composed mainly of reversal for possible loan losses for sovereign debtors and a grant provided by the Japanese government, net income of the International Financial Account amounted to 79.7 billion yen, the Overseas Economic Cooperation Account 229.8 billion yen and The Bank Account 309.5 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. (30.0 billion yen for FY2005)

<The Bank Account>

(Unit: hundred millions of yen)

	Fiscal Year ending March 2006	Fiscal Year ending March 2005
Gross Operating Profit	2,642	2,156
Net Interest Income	2,586	2,040
Net Fees and Commissions	29	6
Net Other Operating Income	26	109
General and Administrative Expenses (△)	△226	△229
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	2,416	1,926
Other Ordinary Gain/Loss (△)	1	△936
Provision for Allowance for Possible Loan Losses	-	△909
Write-off of Loans	-	△0
Write-off of Securities	△2	△28
Others	3	1
Net Ordinary Income	2,417	990
Net Extraordinary Income	678	314
Net Income	3,095	1,304

<International Financial Account>

(Unit: hundred millions of yen)

	Fiscal Year ending March 2006	Fiscal Year ending March 2005
Gross Operating Profit	1,005	683
Net Interest Income	930	549
Net Fees and Commissions	48	21
Net Other Operating Income	25	112
General and Administrative Expenses (△)	△141	△143
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	863	539
Other Ordinary Gain/Loss (△)	△89	△379
Provision for Allowance for Possible Loan Losses	△91	△380
Write-off of Loans	-	△0
Write-off of Securities	-	-
Others	1	1
Net Ordinary Income	773	160
Net Extraordinary Income	23	3
Net Income	797	163

<Overseas Economic Cooperation Account>

(Unit: hundred millions of yen)

	Fiscal Year ending March 2006	Fiscal Year ending March 2005
Gross Operating Profit	1,637	1,473
Net Interest Income	1,655	1,491
Net Fees and Commissions	△19	△14
Net Other Operating Income	1	△3
General and Administrative Expenses (△)	△84	△86
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	1,552	1,387
Other Ordinary Gain/Loss (△)	△0	△557
Provision for Allowance for Possible Loan Losses	-	△529
Write-off of Loans	-	-
Write-off of Securities	△2	△28
Others	1	0
Net Ordinary Income	1,551	829
Net Extraordinary Income	746	310
Net Income	2,298	1,140

(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 March 31, 2006, the International Financial Account had total assets of 9,863.6 billion yen (increased 36.3 billion yen from the previous fiscal year), total liabilities of 8,217.4 billion yen (decreased 10.5 billion yen from the previous fiscal year), and total capital and retained earnings of 1,646.1 billion yen (increased 46.8 billion yen from the previous fiscal year). The Overseas Economic Cooperation Account had total assets of 11,034.2 billion yen (increased 208.4 billion yen from the previous fiscal year), total liabilities of 4,054.0 billion yen (decreased 195.7 billion yen from the previous fiscal year), and total capital and retained earnings of 6,980.1 billion yen (increased 404.2 billion yen from the previous fiscal year). Overall, the Bank had total assets of 20,897.8 billion yen (increased 244.7 billion yen from the previous fiscal year), total liabilities of 12,271.4 billion yen (decreased 206.2 billion yen from the previous fiscal year), and total capital and retained earnings of 8,626.3 billion yen (increased 451.0 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 March 2006	Change from the end of March 2005	As of the end of March 2005	Ratio to Total Loans	
				End of March 2006	End of March 2005
Total Amounts of Risk-Monitored Loans	6,291	△8,117	14,409	3.31	7.51
Bankrupt Loans	473	473	—	0.25	—
Non-Accrual Loans	2,534	△1,351	3,885	1.33	2.03
Past Due Loans (Three months or more)	27	—	27	0.01	0.01
Restructured Loans	3,256	△7,240	10,497	1.71	5.47
Total Amounts of Outstanding Loans	190,236	△1,637	191,874	100.00	100.00

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of March 2006	Change from the end of March 2005	As of the end of March 2005	Ratio to Total Loans	
				End of March 2006	End of March 2005
Total Amounts of Risk-Monitored Loans	3,475	△2,464	5,939	4.30	7.03
Bankrupt Loans	473	473	—	0.59	—
Non-Accrual Loans	1,564	△1,093	2,657	1.94	3.15
Past Due Loans (Three months or more)	27	—	27	0.03	0.03
Restructured Loans	1,410	△1,844	3,254	1.75	3.85
Total Amounts of Outstanding Loans	80,800	△3,666	84,466	100.00	100.00

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account >	As of the end of March 2006	Change from the end of March 2005	As of the end of March 2005	Ratio to Total Loans	
				End of March 2006	End of March 2005
Total Amounts of Risk-Monitored Loans	2,816	△5,653	8,470	2.57	7.89
Bankrupt Loans	—	—	—	—	—
Non-Accrual Loans	969	△257	1,227	0.89	1.14
Past Due Loans (Three months or more)	—	—	—	—	—
Restructured Loans	1,846	△5,395	7,242	1.69	6.74
Total Amounts of Outstanding Loans	109,436	2,028	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 March 2006	Change from the end of March 2005	As of the end of March 2005	Ratio to Total Loans	
				End of March 2006	End of March 2005
Credits required to be disclosed under the FRL	6,291	△8,119	14,411	3.11	7.11
Bankrupt and Quasi-bankrupt Assets	476	△221	697	0.24	0.34
Doubtful Assets	2,531	△658	3,189	1.25	1.57
Substandard Loans	3,284	△7,240	10,524	1.62	5.20
Normal Assets	196,098	7,950	188,148	96.89	92.89
Total	202,390	△168	202,559	100.00	100.00

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of March 2006	Change from the end of March 2005	As of the end of March 2005	Ratio to Total Loans	
				End of March 2006	End of March 2005
Credits required to be disclosed under the FRL	3,475	△2,465	5,940	3.77	6.29
Bankrupt and Quasi-bankrupt Assets	476	△221	697	0.52	0.74
Doubtful Assets	1,561	△400	1,961	1.69	2.08
Substandard Loans	1,437	△1,844	3,281	1.56	3.48
Normal Assets	88,800	330	88,469	96.23	93.71
Total	92,275	△2,135	94,410	100.00	100.00

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account>	As of the end of March 2006	Change from the end of March 2005	As of the end of March 2005	Ratio to Total Loans	
				End of March 2006	End of March 2005
Credits required to be disclosed under the FRL	2,816	△5,653	8,470	2.56	7.83
Bankrupt and Quasi-bankrupt Assets	—	—	—	—	—
Doubtful Assets	969	△257	1,227	0.88	1.14
Substandard Loans	1,846	△5,395	7,242	1.68	6.70
Normal Assets	107,298	7,620	99,678	97.44	92.17
Total	110,115	1,966	108,148	100.00	100.00

End