

Japan Bank for International Cooperation

Summary of Japanese GAAP-Based Financial Statements for Fiscal Year Ending March 2007

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) made public its financial statements for the fiscal year ending March 2007 in accordance with generally accepted accounting principles and practices for Japanese private corporations (Japanese GAAP) on June 29, 2007. In order to ensure its objectivity, JBIC obtained an auditor's report from ERNST & YOUNG SHINNIHON 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 2007 are as follows.

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 FY2007, net operating income of the International Financial Account amounted to 49.7 billion yen, the Overseas Economic Cooperation Account 152.6 billion yen and The Bank Account 202.3 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 49.8 billion yen, the Overseas Economic Cooperation Account 151.3 billion yen and The Bank Account 201.1 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 69.5 billion yen, the Overseas Economic Cooperation Account 204.3 billion yen and The Bank Account 273.9 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 FY2007)

<The Bank Account>

(Unit: hundred millions of yen)

	Fiscal Year ending March 2007	Fiscal Year ending March 2006
Gross Operating Profit	2,283	2,643
Net Interest Income	2,259	2,586
Net Fees and Commissions	24	29
Net Other Operating Income	1	27
General and Administrative Expenses	260	226
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	2,023	2,416
Provision for General Allowance for Possible Loan Losses	-	-
Other Ordinary Gain/Loss ()	12	1
Net gain/loss on stocks	15	2
Write-off of Loans	-	-
Provision for Specific Allowance for Possible Loan Losses	-	-
Provision for Allowance for Possible Losses on Specific Overseas Loans	-	-
Others	3	3
Net Ordinary Income	2,011	2,417
Net Extraordinary Income	727	678
Grant from general account	300	300
Recovery of Written-off Claims	26	32
Reversal of Allowance for Possible Loan Losses	402	346
Net Income	2,739	3,095

<International Financial Account>

(Unit: hundred millions of yen)

	Fiscal Year ending March 2007	Fiscal Year ending March 2006
Gross Operating Profit	659	1,005
Net Interest Income	602	931
Net Fees and Commissions	57	49
Net Other Operating Income	1	26
General and Administrative Expenses	162	141
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	497	864
Provision for General Allowance for Possible Loan Losses	-	61
Other Ordinary Gain/Loss ()	2	151
Net gain/loss on stocks	-	-
Write-off of Loans	-	-
Provision for Specific Allowance for Possible Loan Losses	-	168
Provision for Allowance for Possible Losses on Specific Overseas Loans	-	15
Others	2	2
Net Ordinary Income	498	774
Net Extraordinary Income	197	23
Recovery of Written-off Claims	18	24
Reversal of allowance for possible loan losses	179	-
Net Income	695	797

<Overseas Economic Cooperation Account>

(Unit: hundred millions of yen)

	Fiscal Year ending March 2007	Fiscal Year ending March 2006
Gross Operating Profit	1,624	1,637
Net Interest Income	1,657	1,656
Net Fees and Commissions	33	20
Net Other Operating Income	0	1
General and Administrative Expenses	98	85
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	1,526	1,552
Provision for General Allowance for Possible Loan Losses	-	-
Other Ordinary Gain/Loss ()	13	1
Net gain/loss on stocks	15	2
Write-off of Loans	-	-
Provision for Specific Allowance for Possible Loan Losses	-	-
Provision for Allowance for Possible Losses on Specific Overseas Loans	-	-
Others	1	1
Net Ordinary Income	1,513	1,552
Net Extraordinary Income	530	746
Grant from General Account	300	300
Recovery of Written-off Claims	8	8
Reversal of Allowance for Possible Loan Losses	223	438
Net Income	2,043	2,298

(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, 2007, the International Financial Account had total assets of 9,736.9 billion yen (decreased 126.7 billion yen from the previous fiscal year), total liabilities of 8,058.4 billion yen (decreased 159.1 billion yen from the previous fiscal year), and total net assets of 1,678.5 billion yen. The Overseas Economic Cooperation Account had total assets of 11,085.8 billion yen (increased 51.6 billion yen from the previous fiscal year), total liabilities of 3,735.4 billion yen (decreased 318.6 billion yen from the previous fiscal year), and total net assets of 7,350.4 billion yen. Overall, the Bank had total assets of 20,822.7 billion yen (decreased 75.1 billion yen from the previous fiscal year), total liabilities of 11,793.8 billion yen (decreased 477.6 billion yen from the previous fiscal year), and total net assets of 9,028.9 billion yen.

(Unit: hundred millions of yen)

	As of March 31, 2007			As of March 31, 2006		
	The Bank Account	International Financial Account	Overseas Economic Cooperation Account	The Bank Account	International Financial Account	Overseas Economic Cooperation Account
Total Assets	208,227	97,369	110,858	208,978	98,636	110,342
Cash and Due from Banks	3,290	2,607	683	6,555	6,368	187
Securities	1,101	8	1,093	1,195	4	1,191
Loans	188,288	78,885	109,403	190,236	80,800	109,436
Miscellaneous Assets	2,612	1,982	629	2,760	2,052	709
Customer's Liabilities for Acceptances and Guarantees	14,970	14,970	-	10,661	10,661	-
Allowance for Possible Loan Losses	2,330	1,301	1,029	2,731	1,480	1,252
Total Liabilities	117,938	80,584	37,354	122,714	82,174	40,540
Bonds and Notes	19,761	19,761	-	20,540	20,440	100
Borrowings	80,948	43,800	37,148	89,268	49,066	40,202
Miscellaneous Liabilities	2,087	1,946	141	2,071	1,900	171
Acceptances and Guarantees	14,970	14,970	-	10,661	10,661	-
Total Capital and Retained Earnings	-	-	-	86,264	16,462	69,802
Capital	-	-	-	80,511	9,855	70,656
Retained Earnings and Reserve	-	-	-	5,752	6,607	855
Total Net Assets	90,289	16,785	73,504	-	-	-
Capital	82,170	9,855	72,315	-	-	-
Retained Earnings and Reserve	8,130	6,941	1,189	-	-	-
Valuation and Translation Adjustments	11	11	-	-	-	-

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 ERNST & YOUNG SHINNIHON 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 30, 1999).

One characteristic of JBIC’s operations is that a considerable portion of its loans is official credit for the governments of developing countries. Thus, when an indebted country is temporarily unable to service debt due to economic difficulties, debt rescheduling will sometimes take 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 loan 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 2007	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of March 2007	End of March 2006
Total Amounts of Risk-Monitored Loans	5,489	803	6,292	2.92	3.31
Bankrupt Loans	473	-	473	0.25	0.25
Non-Accrual Loans	2,035	500	2,535	1.08	1.33
Past Due Loans (Three months or more)	-	27	27	-	0.01
Restructured Loans	2,981	276	3,257	1.58	1.71
Total Amounts of Outstanding Loans	188,288	1,948	190,236	100.00	100.00

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of March 2007	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of March 2007	End of March 2006
Total Amounts of Risk-Monitored Loans	2,868	607	3,475	3.64	4.30
Bankrupt Loans	473	-	473	0.60	0.59
Non-Accrual Loans	1,266	298	1,565	1.61	1.94
Past Due Loans (Three months or more)	-	27	27	-	0.03
Restructured Loans	1,129	281	1,410	1.43	1.75
Total Amounts of Outstanding Loans	78,885	1,915	80,800	100.00	100.00

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account >	As of the end of March 2007	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of March 2007	End of March 2006
Total Amounts of Risk-Monitored Loans	2,621	196	2,817	2.40	2.57
Bankrupt Loans	-	-	-	-	-
Non-Accrual Loans	769	201	970	0.70	0.89
Past Due Loans (Three months or more)	-	-	-	-	-
Restructured Loans	1,852	5	1,847	1.69	1.69
Total Amounts of Outstanding Loans	109,403	33	109,436	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 2007	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of March 2007	End of March 2006
Credits required to be disclosed under the FRL	5,489	803	6,292	2.68	3.11
Bankrupt and Quasi-bankrupt Assets	477	0	477	0.23	0.24
Doubtful Assets	2,032	500	2,531	0.99	1.25
Substandard Loans	2,981	304	3,284	1.46	1.62
Normal Assets	199,150	3,051	196,099	97.32	96.89
Total	204,639	2,248	202,391	100.00	100.00

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of March 2007	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of March 2007	End of March 2006
Credits required to be disclosed under the FRL	2,868	607	3,475	3.03	3.77
Bankrupt and Quasi-bankrupt Assets	477	0	477	0.50	0.52
Doubtful Assets	1,263	298	1,561	1.33	1.69
Substandard Loans	1,129	309	1,437	1.19	1.56
Normal Assets	91,753	2,953	88,800	96.97	96.23
Total	94,621	2,346	92,275	100.00	100.00

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account>	As of the end of March 2007	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of March 2007	End of March 2006
Credits required to be disclosed under the FRL	2,621	196	2,817	2.38	2.56
Bankrupt and Quasi-bankrupt Assets	-	-	-	-	-
Doubtful Assets	769	201	970	0.70	0.88
Substandard Loans	1,852	5	1,847	1.68	1.68
Normal Assets	107,397	98	107,299	97.62	97.44
Total	110,017	98	110,115	100.00	100.00

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