

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, 2007 and 2008, and the related statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in Japanese Yen. These financial statements are the responsibility of the Company'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, 2007 and 2008, 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 U.S. dollar amounts in the accompanying financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shin Nihon

June 27, 2008

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, 2008	March 31, 2007	March 31, 2008
Assets			
Cash and due from banks (Note 3)	¥ 305,395	¥ 260,732	\$ 3,048
Securities (Notes 4 and 19)	790	804	8
Loans (Note 5)	6,662,680	7,888,505	66,501
Miscellaneous assets (Note 6)	639,161	198,249	6,380
Tangible fixed assets (Note 7)	18,041	18,457	180
Intangible fixed assets (Note 7)	2,642	2,180	26
Deferred charges on bonds and notes (Note 8)	1,145	1,066	11
Customers' liabilities for acceptances and guarantees (Note 14)	1,536,922	1,496,958	15,340
Allowance for possible loan losses (Note 9)	(116,226)	(130,061)	(1,160)
Total assets	¥ 9,050,552	¥ 9,736,893	\$ 90,334
Liabilities and net assets			
Liabilities			
Bonds and notes (Note 10)	¥ 2,053,373	¥ 1,976,086	\$ 20,495
Borrowings (Note 11)	3,665,483	4,380,023	36,585
Miscellaneous liabilities (Note 12)	42,797	194,629	427
Reserve for bonus payments	641	637	6
Reserve for employee retirement benefits (Note 13)	10,673	10,031	107
Acceptances and guarantees (Note 14)	1,536,922	1,496,958	15,340
Total liabilities	7,309,891	8,058,365	72,960
Net assets			
Capital:			
Capital attributable to the International Financial Account	985,500	985,500	9,836
Retained earnings:			
Other retained earnings			
Reserve attributable to the International Financial Account (Note 16)	780,375	745,236	7,789
Accumulated deficit	(57,429)	(51,086)	(573)
	722,946	694,149	7,216
Total stockholders' equity	1,708,446	1,679,649	17,052
Net deferred gains (losses) on hedges	32,215	(1,122)	322
Total valuation differences and translation adjustments	32,215	(1,122)	322
Total net assets	1,740,661	1,678,527	17,374
Total liabilities and net assets	¥ 9,050,552	¥ 9,736,893	\$ 90,334

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 2007		FY 2006		FY 2007	
Income						
Interest income	¥	340,867	¥	340,956	\$	3,402
Interest on loans		329,238		332,441		3,286
Interest on due from banks		11,629		8,515		116
Fees and Commissions		10,597		7,759		106
Other operating income		113		1,100		1
Foreign exchange gains		-		1,099		-
Gains on derivative instruments		113		0		1
Other ordinary income		140		205		2
Reversal of allowance for possible loan losses		11,749		17,901		117
Recovery of written-off claims		1,915		1,825		19
Profits on sales of tangible fixed assets		8		17		0
Total income		365,392		369,765		3,647
Expenses						
Interest expenses		273,771		280,718		2,733
Interest on bonds and notes		63,463		72,052		634
Interest on borrowings		64,297		76,547		642
Interest on swaps (net)		146,010		132,117		1,457
Fees and Commissions		1,838		2,042		18
Other operating expenses		8,939		1,193		89
Foreign exchange losses		8,103		-		81
Amortization of bonds and notes issuance costs		641		979		6
Losses on derivative instruments		-		17		-
Others		194		195		2
General and administrative expenses		16,789		16,178		168
Other ordinary expenses		-		43		-
Others		-		43		-
Losses on disposal of tangible fixed assets		118		43		1
Total expenses		301,457		300,218		3,009
Net income	¥	63,935	¥	69,546	\$	638

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 2007		FY 2006		FY 2007	
Cash flows from operating activities						
Net income	¥	63,935	¥	69,546	\$	638
Depreciation and amortization		1,356		1,267		14
Decrease in allowance for possible loan losses		(13,835)		(17,901)		(138)
Increase in reserve for bonus payments		4		4		0
Increase (decrease) in reserve for employee retirement benefits		642		(182)		6
Interest income		(340,867)		(340,956)		(3,402)
Interest expenses		273,771		280,718		2,732
Net (gain) loss on securities		(13)		43		(0)
Foreign exchange loss (gain)		133		(10,419)		1
Net loss on sales of tangible fixed assets		110		26		1
Net decrease in loans		1,225,825		256,940		12,235
Net increase (decrease) in bonds and notes		77,719		(122,204)		776
Net decrease in borrowings		(714,540)		(526,546)		(7,132)
Net decrease in due from banks (excluding cash equivalents)		35,466		107,848		354
Interest received		353,333		346,338		3,527
Interest paid		(281,881)		(285,199)		(2,813)
Others, net		(563,731)		8,421		(5,627)
Net cash provided by (used in) operating activities		117,430		(232,253)		1,172
Cash flows from investing activities						
Purchases of securities		(187)		(438)		(2)
Sales of securities		82		-		1
Purchases of tangible fixed assets		(417)		(445)		(4)
Purchases of intangible fixed assets		(1,107)		(189)		(11)
Proceeds from sales of tangible fixed assets		12		21		0
Net cash used in investing activities		(1,618)		(1,052)		(16)
Cash flows from financing activities						
Payment to National Treasury		(35,681)		(36,314)		(356)
Net cash used in financing activities		(35,681)		(36,314)		(356)
Effect of exchange rate changes on cash and cash equivalents		(0)		0		(0)
Net (decrease) increase in cash and cash equivalents		80,129		(269,619)		800
Cash and cash equivalents at the beginning of the period		31,122		300,742		311
Cash and cash equivalents at the end of the period	¥	111,251	¥	31,122	\$	1,111

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

STATEMENTS OF CHANGES IN NET ASSETS
JAPAN BANK FOR INTERNATIONAL COOPERATION
International Financial Account

For the year ended March 31, 2008

(In millions of yen)

	Stockholders' equity				Valuation differences and translation adjustments		Total net assets	
	Capital	Retained earnings		Total stockholders' equity	Net deferred gains (losses) on hedges	Total valuation differences and translation adjustments		
	Capital attributable to the International Financial Account	Other retained earnings						Total retained earnings
Reserve attributable to the International Financial Account		Accumulated deficit						
Balance at March 31, 2007	985,500	745,236	(51,086)	694,149	1,679,649	(1,122)	(1,122)	1,678,527
Changes during the accounting period								
Proceeds from issuance of capital stocks attributable to the International Financial Account	-	-	-	-	-	-	-	-
Transfer to reserve attributable to the International Financial Account from accumulated deficit	-	35,139	(35,139)	-	-	-	-	-
Payment to National Treasury from the International Financial Account	-	-	(35,139)	(35,139)	(35,139)	-	-	(35,139)
Net income	-	-	63,935	63,935	63,935	-	-	63,935
Net changes in the items other than stockholders' equity	-	-	-	-	-	33,338	33,338	33,338
Net changes during the accounting period	-	35,139	(6,343)	28,796	28,796	33,338	33,338	62,134
Balance at March 31, 2008	985,500	780,375	(57,429)	722,946	1,708,446	32,215	32,215	1,740,661

STATEMENTS OF CHANGES IN NET ASSETS
JAPAN BANK FOR INTERNATIONAL COOPERATION
International Financial Account

For the year ended March 31, 2008

(In millions of U.S. dollars)

	Stockholders' equity					Valuation differences and translation adjustments		Total net assets
	Capital	Retained earnings			Total stockholders' equity	Net deferred gains (losses) on hedges	Total valuation differences and translation adjustments	
	Capital attributable to the International Financial Account	Other retained earnings		Total retained earnings				
Reserve attributable to the International Financial Account		Accumulated deficit						
Balance at March 31, 2007	9,836	7,438	(510)	6,928	16,764	(11)	(11)	16,753
Changes during the accounting period								
Proceeds from issuance of capital stocks attributable to the International Financial Account	-	-	-	-	-	-	-	-
Transfer to reserve attributable to the International Financial Account from accumulated deficit	-	351	(351)	-	-	-	-	-
Payment to National Treasury from the International Financial Account	-	-	(351)	(351)	(351)	-	-	(351)
Net income	-	-	638	638	638	-	-	638
Net changes in the items other than stockholders' equity	-	-	-	-	-	333	333	333
Net changes during the accounting period	-	351	(63)	287	287	333	333	620
Balance at March 31, 2008	9,836	7,789	(573)	7,216	17,052	322	322	17,374

STATEMENTS OF CHANGES IN NET ASSETS
JAPAN BANK FOR INTERNATIONAL COOPERATION
International Financial Account

For the year ended March 31, 2007

(In millions of yen)

	Stockholders' equity				Valuation differences and translation adjustments		Total net assets	
	Capital	Retained earnings		Total stockholders' equity	Net deferred losses on hedges	Total valuation differences and translation adjustments		
	Capital attributable to the International Financial Account	Other retained earnings						Total retained earnings
Reserve attributable to the International Financial Account		Accumulated deficit						
Balance at March 31, 2006	985,500	709,148	(48,457)	660,690	1,646,190	-	-	1,646,190
Changes during the accounting period								
Proceeds from issuance of capital stocks attributable to the International Financial Account	-	-	-	-	-	-	-	-
Transfer to reserve attributable to the International Financial Account from accumulated deficit	-	36,087	(36,087)	-	-	-	-	-
Payment to National Treasury from the International Financial Account	-	-	(36,087)	(36,087)	(36,087)	-	-	(36,087)
Net income	-	-	69,546	69,546	69,546	-	-	69,546
Net changes in the items other than stockholders' equity	-	-	-	-	-	(1,122)	(1,122)	(1,122)
Net changes during the accounting period	-	36,087	(2,628)	33,459	33,459	(1,122)	(1,122)	32,336
Balance at March 31, 2007	985,500	745,236	(51,086)	694,149	1,679,649	(1,122)	(1,122)	1,678,527

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" or the "Bank") 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 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 ¥100.19=\$1.00, the exchange rate as of March 31, 2008, 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 market value and are carried at cost based on the moving 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) Accounting for hedges of interest rate risks

(i) Hedge accounting

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

(ii) Hedging instruments and hedged items

Hedging instruments: interest rate swaps

Hedged items: loans, borrowings, bonds and notes

(iii) Hedging policy

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

(iv) Assessment of hedge effectiveness

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

(e) Accounting for hedges of 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 period end.

(g) Depreciation basis for fixed assets

(i) Tangible fixed assets

Tangible fixed assets are depreciated under the declining balance method over their useful economic lives except for buildings (excluding installed facilities) acquired on or after April 1, 1998, which are depreciated under the

straight-line method, and the applicable share of estimated annual depreciation costs for the fiscal period is recorded based on the following range of useful lives.

The principal estimated useful economic lives are as follows:

Buildings: 38 years to 50 years

Equipment: 2 years to 20 years

In accordance with the amendment of the corporate tax laws in this fiscal year, the tangible fixed assets acquired on or after April 1, 2007 are depreciated based on the depreciation method under the amended corporate tax laws. Formerly, the assets were depreciated to the uniform residual values determined by the tax laws. Under the amended tax laws, the uniform residual values were removed. As for the tangible fixed assets acquired before April 1, 2007, from this fiscal period, their residual values are depreciated over five years using the straight line method after the regular depreciation to the uniform residual values completes. This accounting change had no material impact on the financial statements of this fiscal period.

(ii) Intangible fixed assets

Amortization of intangible fixed assets is computed by the straight-line method. Software used by JBIC is amortized over its useful life (5 years).

(h) Method of amortization for deferred charges

Bonds and notes issuance costs are amortized under the straight-line method over the terms to redemption.

Bonds and notes issuance costs recorded on the balance sheet as of March 31, 2006 are amortized over 3 years by applying the previous accounting method based on the tentative measure stipulated in the "Tentative Solution on Accounting for Deferred Assets" (the Accounting Standards Board of Japan ("ASBJ") Statement No.19, August 11, 2006).

(i) 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 the 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 and 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 assessment.

(j) Reserve for bonus payments

"Reserve 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. Reserve for bonus payments to executive directors is included in the account.

(k) Reserve for employee retirement benefits

"Reserve 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 period end.

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

(l) 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 an operating lease.

(m) Consumption taxes

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

(n) Significant changes in accounting policies

The definitions of securities in "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10) and in "Practical Guidelines on Accounting Standards for Financial Instruments" (JICPA Laws and Regulations Committee Report No. 14) were partially revised on June 15, 2007 and on July 4, 2007 respectively, which is applicable from the fiscal period ending on or after the enforcement date of the Financial Instruments and Exchange Law. JBIC has adopted the

revised standards and guidelines commencing with this fiscal period.

3. Cash and cash equivalents

The reconciliation between the balance of cash and cash equivalents at the end of each fiscal year and the amount of cash and due from banks reported in the balance sheets as of March 31, 2008 and 2007 were as follows:

	March 31, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U. S. dollars)
	¥	¥	\$
Cash and due from banks	305,395	260,732	3,048
Due from banks (*)	(194,143)	(229,610)	(1,938)
Cash and cash equivalents	¥ 111,251	¥ 31,122	\$ 1,110

(*) Excluding Due from Bank of Japan

4. Securities

Securities as of March 31, 2008 and 2007 were as follows:

	March 31, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U. S. dollars)
	¥	¥	\$
Equity	12	12	0
Other securities	777	791	8
	¥ 790	¥ 804	\$ 8

5. Loans

All of loans are loans on deeds. The amounts reported on the balance sheets as of March 31, 2008 and 2007 were as follows:

	March 31, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U. S. dollars)
	¥	¥	\$
Bankrupt loans	35,877	47,333	358
Non-accrual loans	109,805	126,610	1,096
Past due loans (3 months or more)	-	-	-
Restructured loans	42,820	112,868	427
	¥ 188,504	¥ 286,813	\$ 1,881

- (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 Corporate Law 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 three months or more, 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 (3 months or more).”

- (e) The amounts of loans indicated in the table above are gross amounts 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 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, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U. S. dollars)
International Financial Account	¥ 334,826	¥ 347,972	\$ 3,342

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 ¥8,806 million (\$88 million) of which ¥5,220 million (\$52 million) represents original principal attributable to the International Financial Account as of March 31, 2008, ¥7,753 million of which ¥3,838 million represents original principal as of March 31, 2007.

- (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 2008, of the affected countries, Indonesia and Sri Lanka had requested the Paris Club for the Moratorium. The amounts rescheduled repayment period for affected countries, as of the end of March 2008, were ¥4,922 million (\$49 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, 2008 and 2007 were ¥1,282,848 million (\$12,804million), ¥1,242,335 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, 2008 and 2007 were ¥4,642million (\$46 million) and ¥5,472 million respectively.

6 . Miscellaneous assets

Miscellaneous assets as of March 31, 2008 and 2007 were as follows:

	March 31, 2008		March 31, 2007		March 31, 2008
	(In millions of yen)		(In millions of yen)		(In millions of U. S. dollars)
	¥		¥		\$
Prepaid expenses		221		172	2
Accrued income (a)		64,113		77,186	640
Derivatives		553,945		100,569	5,529
Preliminary payment to the National Treasury (b)		20,661		20,119	207
Other (c)		219		201	2
	¥	639,161	¥	198,249	\$ 6,380

(Notes)

- (a) "Accrued income" includes ¥62,493 million (\$624 million) and ¥75,578 million of accrued interest on loans and other as of March 31, 2008 and 2007 respectively.
- (b) 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.
- (c) "Other" includes ¥5 million (\$0 million) of suspense payments as of March 31, 2008 and ¥27 million of suspense payments as of March 31, 2007.

7 . Fixed assets

Fixed assets as of March 31, 2008 and 2007 were as follows:

	March 31, 2008		March 31, 2007		March 31, 2008
	(In millions of yen)		(In millions of yen)		(In millions of U. S. dollars)
	¥		¥		\$
Tangible fixed assets					
Buildings		19,166		19,364	191
Land		9,556		9,556	96
Construction in progress		22		45	0
Other		3,787		3,794	38
Total	¥	32,532	¥	32,760	\$ 325
Less-accumulated depreciation		14,491		14,303	145
Net book value	¥	18,041	¥	18,457	\$ 180
Intangible fixed assets					
Software		3,929		3,555	39
Other		800		66	8
Total	¥	4,729	¥	3,622	\$ 47
Less-accumulated depreciation		2,087		1,441	21
Net book value	¥	2,642	¥	2,180	\$ 26

8 . Deferred charges on bonds and notes

Deferred charges on bonds and notes as of March 31, 2008 and 2007 were as follows:

	March 31, 2008		March 31, 2007		March 31, 2008
	(In millions of yen)		(In millions of yen)		(In millions of U. S. dollars)
	¥		¥		\$
Bonds and notes issuance costs	¥	1,145	¥	1,066	\$ 11
	¥	1,145	¥	1,066	\$ 11

9 . Allowance for possible loan losses

Allowance for possible loan losses as of March 31, 2008 and 2007 were as follows:

	March 31, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U. S. dollars)
	¥	¥	\$
General allowance for possible loan losses	15,041	25,064	150
Specific allowance for possible loan losses	90,290	92,698	901
Allowance for possible losses on specific overseas loans	10,894	12,299	109
	¥ 116,226	¥ 130,061	\$ 1,160

10 . Bonds and notes

Bonds and notes as of March 31, 2008 and 2007 were as follows:

Description of Bonds and notes	Date of issuance	Currency and amounts March 31, 2008 (In millions)		Interest rate (%)	Maturity date	March 31, 2008	March 31, 2007	March 31, 2008
						(In millions of yen)	(In millions of yen)	(In millions of U. S. dollars)
Export-Import Bank of Japan Bonds guaranteed by Japanese govt. 40	June 1997	EUR	304	5.750	June 2008	¥ 48,230	¥ 164,477	\$ 481
Japan Bank for International Cooperation Bonds guaranteed by Japanese govt. 1,5-16	November 1999- March 2008	USD EUR THB	6,892 1,750 3,000	3.250- 7.000	July 2008- March 2016	975,428	981,901	9,736
FILP Agency Bonds 2, 4, 6, 8, 10,12-29(*)	October 2001- November 2007	JPY	1,029,715	0.540- 2.090	September 2009- December 2025	1,029,715	829,706	10,278
						¥ 2,053,373	¥ 1,976,086	\$ 20,495

(*) 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, 2008 were as follows:

	In millions of yen	In millions of U.S. dollars
Fiscal year 2008	¥ 127,323	\$ 1,271
2009	150,109	1,498
2010	259,588	2,591
2011	325,094	3,245
2012	359,519	3,588

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, 2008 JBIC had contingent obligations in respect to the following bonds.

	In millions of yen	In millions of U. S. dollars
FILP Agency Bond 7	60,000	599
FILP Agency Bond 9	50,000	499
FILP Agency Bond 11	50,000	499

11 . Borrowings

Borrowings as of March 31, 2008 and 2007 were as follows:

	Average interest rate	Due date of repayment	March 31, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U. S. dollars)
Long-term borrowings			¥	¥	\$
Borrowings from the Government Fund for Fiscal Investment and Loan Program	1.43	April 2008- June 2017	3,649,403	4,342,505	36,425
Borrowings from the Government Post Office Life Insurance Fund	2.08		16,080	37,518	160
			¥ 3,665,483	¥ 4,380,023	\$ 36,585

Long-term borrowings with maturities for the next five years as of March 31, 2008 were as follows:

	In millions of yen		In millions of U.S. dollars	
	¥	\$		
Fiscal year 2008	1,015,132		10,132	
2009	599,829		5,987	
2010	500,927		5,000	
2011	367,356		3,667	
2012	331,494		3,309	

12 . Miscellaneous liabilities

Miscellaneous liabilities as of March 31, 2008 and 2007 were as follows:

	March 31, 2008 (In millions of yen)		March 31, 2007 (In millions of yen)		March 31, 2008 (In millions of U. S. dollars)	
	¥	\$	¥	\$		
Accrued expenses (a)	33,039		40,993		330	
Unearned income	6,367		7,780		63	
Derivatives	1,885		143,734		19	
Other (b)	1,504		2,121		15	
	¥ 42,797	¥	194,629	\$	427	

(Notes)

(a) "Accrued expenses" includes ¥10,301 million (\$103 million) of accrued interest on borrowings and ¥22,418 million (\$224 million) of accrued interest on bonds and notes and other as of March 31, 2008 (March 31, 2007: ¥14,852 million and ¥25,546 million respectively).

(b) "Other" includes ¥1,486 million (\$15 million) of suspense receipts and other as of March 31, 2008 (March 31, 2007: ¥2,067 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, 2008	March 31, 2007	March 31, 2008
		(In millions of yen)	(In millions of yen)	(In millions of U. S. dollars)
		¥	¥	\$
Projected benefit obligation	(A)	(14,803)	(14,518)	(148)
Fair value of plans' assets	(B)	4,130	4,486	41
Unfunded pension obligation	(C) = (A) + (B)	(10,673)	(10,031)	(107)
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)	(10,673)	(10,031)	(107)
Prepaid pension cost	(H)	-	-	-
Allowance for employee retirement benefits	(G) – (H)	¥ (10,673)	¥ (10,031)	\$ (107)

(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, 2008	March 31, 2007	March 31, 2008
	(In millions of yen)	(In millions of yen)	(In millions of U. S. dollars)
	¥	¥	\$
Service cost	528	547	5
Interest cost	289	286	3
Expected return on plans' assets	(67)	(62)	(0)
Amortization of prior service cost	-	-	-
Amortization of net actuarial gains/losses	622	23	6
Amortization of net obligation at transition	-	-	-
Other costs	-	-	-
Net pension cost	¥ 1,373	¥ 794	\$ 14

(c) Principal assumptions made

	March 31, 2008	March 31, 2007
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, 2008 and 2007 were as follows:

	March 31, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U.S. dollars)
	¥	¥	\$
Acceptances	-	-	-
Guarantees	1,536,922	1,496,958	15,340
	¥ 1,536,922	¥ 1,496,958	\$ 15,340

15. Assets pledged as collateral

There were no assets pledged as collateral as of March 31, 2008 and 2007.

16. Reserve

Pursuant to Article 44 of JBIC Law, "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 years ended March 31, 2008 and 2007 were as follows. There were 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, 2008 and 2007 were as follows:

	March 31, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U.S. dollars)
	¥	¥	\$
Acquisition cost			
Equipment	372	408	4
Others	516	340	5
Total	¥ 888	¥ 748	\$ 9
Accumulated depreciation			
Equipment	206	295	2
Others	320	221	3
Total	¥ 527	¥ 516	\$ 5
Net balance			
Equipment	165	113	2
Others	195	118	2
Total	¥ 361	¥ 231	\$ 4

• Future lease payment obligations as of March 31, 2008 and 2007 are summarized below:

	March 31, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U.S. dollars)
	¥	¥	\$
Due within 1 year	128	147	1
Due after 1 year	237	91	2
Total	¥ 366	¥ 238	\$ 3

• Lease payment, depreciation expense and interest expense for the fiscal year ended March 31, 2008 and 2007 were as follows:

	March 31, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U.S. dollars)
	¥	¥	\$
Lease payment	213	177	2
Depreciation expense	204	169	2
Interest expense	7	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 expenses, and is allocated to each fiscal year using the interest method.

(b) Operating lease transactions:

- Future lease payment obligations as of March 31, 2008 and 2007 are summarized below:

	March 31, 2008 (In millions of yen)	March 31, 2007 (In millions of yen)	March 31, 2008 (In millions of U.S. dollars)
	¥	¥	\$
Due within 1 year	-	-	3
Due after 1 year	-	-	-
Total	¥ -	¥ -	3 \$

18. Derivative transactions

Notes to derivative transactions in the fiscal year ended March 31, 2008 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 associated with 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	24,138	730	241	7
Currency swaps	36,129	7,845	361	78
Forward exchange contracts	12	0	0	0
Other derivatives	-	-	-	-
Credit risk reductions through nettings	-	(1,240)	-	(12)
Total	¥ 60,280	¥ 7,335	\$ 602	\$ 73

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

(f) Currency-related transactions

There were no currency-related derivative transactions, recorded at fair value as of the balance sheet date, since hedge accounting was 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, 2007 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 for 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		26,097	441
Currency swaps		45,921	3,987
Forward exchange contracts		23	0
Other derivatives		-	-
Credit risk reductions through nettings		-	(2,010)
Total	¥	72,042	¥ 2,418

(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, 2008 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 were as follows:

	March 31, 2008 (In millions of yen)	March 31, 2008 (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	222	2
Other unlisted foreign securities	554	6
Total	¥ 790	\$ 8

(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, 2007 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 were as follows:

	March 31, 2007 (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	253
Other unlisted foreign securities	537
Total	¥ 804

(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