

Report of Independent Auditors

To the President of Japan International Cooperation Agency

We have audited the accompanying balance sheets of Japan Bank for International Cooperation as of March 31, 2008 and September 30, 2008 and the related statements of operations, changes in net assets, and cash flows for the year ended March 31, 2008 and the six months period ended September 30, 2008, 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 Japan Bank for International Cooperation as of March 31, 2008 and September 30, 2008, and the results of its operations and its cash flows for the year ended March 31, 2008 and the six months period ended September 30, 2008 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the six months period ended September 30, 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.

As described in Note 21, Japan Bank for International Cooperation was dissolved and the International Financial Operations and the Overseas Economic Cooperation Operation of former Japan Bank for International Cooperation were merged into the international wing of Japan Finance Corporation and the Operations of the Cooperation through Finance and Investment of Japan International Cooperation Agency respectively on October 1, 2008.

Ernst & Young ShinNihon LLC

December 22, 2008

BALANCE SHEETS**JAPAN BANK FOR INTERNATIONAL COOPERATION**

| | In millions of yen | | In millions of yen | | In millions of U.S. dollars | |
|---|--------------------|-------------------|--------------------|-------------------|-----------------------------|----------------|
| | September 30, 2008 | | March 31, 2008 | | September 30, 2008 | |
| Assets | | | | | | |
| Cash and due from banks (Note 3) | ¥ | 247,064 | ¥ | 307,253 | \$ | 2,385 |
| Securities (Notes 4 and 20) | | 114,302 | | 104,491 | | 1,104 |
| Loans (Note 5) | | 17,731,612 | | 17,625,525 | | 171,204 |
| Miscellaneous assets (Note 6) | | 573,641 | | 698,058 | | 5,539 |
| Tangible fixed assets (Note 7) | | 24,527 | | 24,537 | | 237 |
| Intangible fixed assets (Note 7) | | 4,990 | | 4,260 | | 48 |
| Deferred charges on bonds and notes (Note 8) | | 1,267 | | 1,145 | | 12 |
| Customers' liabilities for acceptances and guarantees (Note 14) | | 1,577,509 | | 1,536,922 | | 15,231 |
| Allowance for possible loan losses (Note 9) | | (245,805) | | (203,835) | | (2,373) |
| Total assets | ¥ | 20,029,111 | ¥ | 20,098,361 | \$ | 193,387 |

| | In millions of yen | | In millions of yen | | In millions of U.S. dollars | |
|--|--------------------|-------------------|--------------------|-------------------|-----------------------------|----------------|
| | September 30, 2008 | | March 31, 2008 | | September 30, 2008 | |
| Liabilities and net assets | | | | | | |
| Liabilities | | | | | | |
| Bonds and notes (Note 10) | ¥ | 2,212,393 | ¥ | 2,053,373 | \$ | 21,361 |
| Borrowings (Note 11) | | 6,556,346 | | 6,972,186 | | 63,304 |
| Miscellaneous liabilities (Note 12) | | 58,477 | | 56,860 | | 565 |
| Reserve for bonus payments | | 1,025 | | 1,035 | | 10 |
| Reserve for employee retirement benefits (Note 13) | | 17,139 | | 17,215 | | 165 |
| Acceptances and guarantees (Note 14) | | 1,577,509 | | 1,536,922 | | 15,231 |
| Total liabilities | | 10,422,890 | | 10,637,593 | | 100,636 |

Net assets**Capital:**

| | | | | | | |
|---|--|-----------|--|-----------|--|--------|
| Capital attributable to the International Financial Account | | 1,005,500 | | 985,500 | | 9,708 |
| Capital attributable to the Overseas Economic Cooperation Account | | 7,456,772 | | 7,390,572 | | 71,997 |
| | | 8,462,272 | | 8,376,072 | | 81,705 |

Retained earnings:

| | | | | | | |
|---|--|-----------|--|-----------|--|---------|
| Other retained earnings | | | | | | |
| Reserve attributable to the International Financial Account (Note 17) | | 809,205 | | 780,375 | | 7,813 |
| Reserve attributable to the Overseas Economic Cooperation Account (Note 17) | | 487,797 | | 305,464 | | 4,710 |
| Accumulated deficit | | (207,290) | | (33,359) | | (2,001) |
| | | 1,089,712 | | 1,052,480 | | 10,522 |

| | | | | | | |
|--|---|-------------------|---|-------------------|----|----------------|
| Total stockholders' equity | | 9,551,985 | | 9,428,552 | | 92,227 |
| Net deferred gains on hedges | | 54,235 | | 32,215 | | 524 |
| Total valuation differences and translation adjustments | | 54,235 | | 32,215 | | 524 |
| Total net assets | | 9,606,220 | | 9,460,768 | | 92,751 |
| Total liabilities and net assets | ¥ | 20,029,111 | ¥ | 20,098,361 | \$ | 193,387 |

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

STATEMENTS OF OPERATIONS**JAPAN BANK FOR INTERNATIONAL COOPERATION**

| | In millions of yen | | In millions of yen | | In millions of U.S. dollars | |
|--|--------------------|----------------|--------------------|----------------|-----------------------------|--------------|
| | FY 2008 | | FY 2007 | | FY 2008 | |
| Income | | | | | | |
| Interest income | ¥ | 236,891 | ¥ | 587,965 | \$ | 2,287 |
| Interest on loans | | 230,262 | | 561,114 | | 2,223 |
| Interest and dividend income on securities | | 4,264 | | 15,014 | | 41 |
| Interest on due from banks | | 2,365 | | 11,836 | | 23 |
| Fees and commissions | | 3,548 | | 11,267 | | 34 |
| Other operating income | | 165 | | 113 | | 2 |
| Foreign exchange gains | | - | | - | | - |
| Gains on derivative instruments | | 165 | | 113 | | 2 |
| Other ordinary income | | 127 | | 14,670 | | 1 |
| Grant from general account (Note 16) | | 6,750 | | 20,000 | | 65 |
| Reversal of allowance for possible loan losses | | - | | 23,289 | | - |
| Recovery of written-off claims | | 1,941 | | 1,930 | | 19 |
| Profits on sales of tangible fixed assets | | 18 | | 18 | | 0 |
| Total income | | 249,444 | | 659,254 | | 2,408 |
| Expenses | | | | | | |
| Interest expenses | | 117,788 | | 342,088 | | 1,137 |
| Interest on bonds and notes | | 33,844 | | 63,463 | | 327 |
| Interest on borrowings | | 54,548 | | 132,614 | | 526 |
| Interest on swaps (net) | | 29,395 | | 146,010 | | 284 |
| Fees and commissions | | 2,430 | | 6,013 | | 24 |
| Other operating expenses | | 1,144 | | 9,160 | | 11 |
| Foreign exchange losses | | 756 | | 8,324 | | 7 |
| Amortization of bonds and notes issuance costs | | 255 | | 641 | | 3 |
| Losses on derivative instruments | | - | | - | | - |
| Others | | 132 | | 194 | | 1 |
| General and administrative expenses | | 15,239 | | 26,948 | | 147 |
| Other ordinary expenses | | 41,971 | | 282 | | 405 |
| Provision for allowance for possible loan losses | | 41,970 | | - | | 405 |
| Write-off of equities, securities, etc. | | - | | 282 | | - |
| Others | | 1 | | - | | 0 |
| Losses on disposal of tangible fixed assets | | 232 | | 166 | | 2 |
| Loss on debt assumption agreement | | 4,575 | | - | | 44 |
| Total expenses | | 183,382 | | 384,659 | | 1,770 |
| Net income | ¥ | 66,062 | ¥ | 274,594 | \$ | 638 |

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

STATEMENTS OF CASH FLOWS
JAPAN BANK FOR INTERNATIONAL COOPERATION

| | In millions of yen | | In millions of U.S. dollars | |
|---|--------------------|------------------|-----------------------------|---------|
| | FY 2008 | FY 2007 | FY 2008 | FY 2007 |
| Cash flows from operating activities | | | | |
| Net income | ¥ 66,062 | ¥ 274,594 | \$ 638 | |
| Depreciation and amortization | 1,129 | 2,062 | 11 | |
| Increase (decrease) in allowance for possible loan losses | 41,970 | (29,124) | 405 | |
| Increase (decrease) in reserve for bonus payments | (9) | 7 | (0) | |
| Increase (decrease) in reserve for employee retirement benefits | (75) | 1,035 | (1) | |
| Interest income | (236,891) | (587,965) | (2,287) | |
| Interest expenses | 117,788 | 342,088 | 1,137 | |
| Net loss (gain) on securities | 73 | (14,155) | 1 | |
| Foreign exchange loss | 653 | 310 | 6 | |
| Net loss on sales of tangible fixed assets | 213 | 148 | 2 | |
| Net decrease (increase) in loans | (106,086) | 1,203,323 | (1,024) | |
| Net increase in bonds and notes | 159,475 | 77,719 | 1,540 | |
| Net decrease in borrowings | (415,840) | (1,122,639) | (4,015) | |
| Net decrease in due from banks (excluding cash equivalents) | 2,859 | 34,880 | 28 | |
| Interest received | 248,704 | 604,355 | 2,401 | |
| Interest paid | (116,067) | (350,242) | (1,121) | |
| Others, net | 116,952 | (563,685) | 1,129 | |
| Net cash used in operating activities | (119,089) | (127,285) | (1,150) | |
| Cash flows from investing activities | | | | |
| Purchases of securities | (10,802) | (220) | (104) | |
| Sales of securities | 14 | 19,701 | 0 | |
| Purchases of tangible fixed assets | (631) | (673) | (6) | |
| Purchases of intangible fixed assets | (1,365) | (1,786) | (13) | |
| Proceeds from sales of tangible fixed assets | 16 | 25 | 0 | |
| Proceeds from sales of intangible fixed assets | 0 | - | 0 | |
| Net cash (used in) provided by investing activities | (12,767) | 17,047 | (123) | |
| Cash flows from financing activities | | | | |
| Proceeds from issuance of capital stocks to government | 86,200 | 159,064 | 832 | |
| Payment to National Treasury | (11,672) | (35,681) | (113) | |
| Net cash provided by financing activities | 74,527 | 123,382 | 719 | |
| Effect of exchange rate changes on cash and cash equivalents | 0 | (1) | 0 | |
| Net (decrease) increase in cash and cash equivalents | (57,329) | 13,143 | (554) | |
| Cash and cash equivalents at the beginning of the period | 111,835 | 98,692 | 1,080 | |
| Cash and cash equivalents at the end of the period | ¥ 54,506 | ¥ 111,835 | \$ 526 | |

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

For the year ended September 30, 2008

(In millions of yen)

| | Stockholders' equity | | | | | | | | Valuation differences and translation adjustments | | Total net assets |
|--|---|---|---------------------|---|---|---------------------|-------------------------|----------------------------|---|---|------------------|
| | Capital | | | Retained earnings | | | | Total stockholders' equity | Net deferred gains on hedges | Total valuation differences and translation adjustments | |
| | Capital attributable to the International Financial Account | Capital attributable to the Overseas Economic Cooperation Account | Total capital stock | Other retained earnings | | | Total retained earnings | | | | |
| | | | | Reserve attributable to the International Financial Account | Reserve attributable to the Overseas Economic Cooperation Account | Accumulated deficit | | | | | |
| Balance at March 31, 2008 | 985,500 | 7,390,572 | 8,376,072 | 780,375 | 305,464 | (33,359) | 1,052,480 | 9,428,552 | 32,215 | 32,215 | 9,460,768 |
| Changes during the accounting period: | | | | | | | | | | | |
| Proceeds from issuance of capital stocks attributable to the International Financial Account | 20,000 | - | 20,000 | - | - | - | - | 20,000 | - | - | 20,000 |
| Proceeds from issuance of capital stocks attributable to the Overseas Economic Cooperation Account | - | 66,200 | 66,200 | - | - | - | - | 66,200 | - | - | 66,200 |
| Transfer to reserve attributable to the International Financial Account from accumulated deficit | - | - | - | 28,830 | - | (28,830) | - | - | - | - | - |
| Payment to National Treasury from the International Financial Account | - | - | - | - | - | (28,830) | (28,830) | (28,830) | - | - | (28,830) |
| Transfer to reserve attributable to the Overseas Economic Cooperation Account from accumulated deficit | - | - | - | - | 182,333 | (182,333) | - | - | - | - | - |
| Net income | - | - | - | - | - | 66,062 | 66,062 | 66,062 | - | - | 66,062 |
| Net changes in the items other than stockholders' equity | - | - | - | - | - | - | - | - | 22,019 | 22,019 | 22,019 |
| Net changes during the accounting period | 20,000 | 66,200 | 86,200 | 28,830 | 182,333 | (173,931) | 37,232 | 123,432 | 22,019 | 22,019 | 145,451 |
| Balance at September 30, 2008 | 1,005,500 | 7,456,772 | 8,462,272 | 809,205 | 487,797 | (207,290) | 1,089,712 | 9,551,985 | 54,235 | 54,235 | 9,606,220 |

STATEMENTS OF CHANGES IN NET ASSETS
JAPAN BANK FOR INTERNATIONAL COOPERATION

For the year ended September 30, 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 on hedges | Total valuation differences and translation adjustments | |
| | Capital attributable to the International Financial Account | Capital attributable to the Overseas Economic Cooperation Account | Total capital stock | Other retained earnings | | | Total retained earnings | | | | |
| | | | | Reserve attributable to the International Financial Account | Reserve attributable to the Overseas Economic Cooperation Account | Accumulated deficit | | | | | |
| Balance at March 31, 2008 | 9,515 | 71,358 | 80,874 | 7,535 | 2,949 | (322) | 10,162 | 91,036 | 311 | 311 | 91,347 |
| Changes during the accounting period | | | | | | | | | | | |
| Proceeds from Issuance of capital stocks attributable to the International Financial Account | 193 | - | 193 | - | - | - | - | 193 | - | - | 193 |
| Proceeds from issuance of capital stocks attributable to the Overseas Economic Cooperation Account | - | 639 | 639 | - | - | - | - | 639 | - | - | 639 |
| Transfer to reserve attributable to the International Financial Account from accumulated deficit | - | - | - | 278 | - | (278) | - | - | - | - | - |
| Payment to National Treasury from the International Financial Account | - | - | - | - | - | (278) | (278) | (278) | - | - | (278) |
| Transfer to reserve attributable to the Overseas Economic Cooperation Account from accumulated deficit | - | - | - | - | 1,760 | (1,760) | - | - | - | - | - |
| Net income | - | - | - | - | - | 638 | 638 | 638 | - | - | 638 |
| Net changes in the items other than stockholders' equity | - | - | - | - | - | - | - | - | 213 | 213 | 213 |
| Net changes during the accounting period | 193 | 639 | 832 | 278 | 1,760 | (1,679) | 359 | 1,192 | 213 | 213 | 1,404 |
| Balance at September 30, 2008 | 9,708 | 71,997 | 81,705 | 7,813 | 4,710 | (2,001) | 10,522 | 92,227 | 524 | 524 | 92,751 |

STATEMENTS OF CHANGES IN NET ASSETS
JAPAN BANK FOR INTERNATIONAL COOPERATION

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 | Capital attributable to the Overseas Economic Cooperation Account | Total capital stock | Other retained earnings | | | Total retained earnings | | | | |
| | | | | Reserve attributable to the International Financial Account | Reserve attributable to the Overseas Economic Cooperation Account | Accumulated deficit | | | | | |
| Balance at March 31, 2007 | 985,500 | 7,231,508 | 8,217,008 | 745,236 | 166,062 | (98,273) | 813,025 | 9,030,033 | (1,122) | (1,122) | 9,028,911 |
| Changes during the accounting period: | | | | | | | | | | | |
| Proceeds from issuance of capital stocks attributable to the International Financial Account | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds from issuance of capital stocks attributable to the Overseas Economic Cooperation Account | - | 159,064 | 159,064 | - | - | - | - | 159,064 | - | - | 159,064 |
| 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) |
| Transfer to reserve attributable to the Overseas Economic Cooperation Account from accumulated deficit | - | - | - | - | 139,401 | (139,401) | - | - | - | - | - |
| Net income | - | - | - | - | - | 274,594 | 274,594 | 274,594 | - | - | 274,594 |
| Net changes in the items other than stockholders' equity | - | - | - | - | - | - | - | - | 33,338 | 33,338 | 33,338 |
| Net changes during the accounting period | - | 159,064 | 159,064 | 35,139 | 139,401 | 64,914 | 239,455 | 398,519 | 33,338 | 33,338 | 431,857 |
| Balance at March 31, 2008 | 985,500 | 7,390,572 | 8,376,072 | 780,375 | 305,464 | (33,359) | 1,052,480 | 9,428,552 | 32,215 | 32,215 | 9,460,768 |

NOTES TO FINANCIAL STATEMENTS

JAPAN BANK FOR INTERNATIONAL COOPERATION

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 a separate account 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 ¥103.57=\$1.00, the exchange rate as of September 30, 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 hedged assets and liabilities.

() 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 year end.

(g) Depreciation basis for fixed assets

(i) Tangible fixed assets (except for leased 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 year 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

(ii) Intangible fixed assets (except for leased 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).

(iii) Leased Assets

Leased assets in "tangible fixed assets" or "intangible fixed assets," under finance leases that do not involve transfer of ownership to the lessee are amortized under the straight-line method over the lease term.

Unless otherwise specified, depreciation for leased assets is calculated with zero residual value. If contractually stipulated, depreciation for leased assets is calculated with the guaranteed residual value defined contractually.

(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 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 assessments.

(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 lease transactions that do not involve the transfer of ownership to the lessee, which commenced before April 1, 2008, are accounted for as an operating lease.

(m) Consumption taxes

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

(n) Changes in accounting policies

Finance lease transactions that do not involve the transfer of ownership to the lessee have been accounted for as an operating lease. However, "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13, issued on March 30, 2007) and "Guidance for Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16) became effective from the

fiscal period beginning on or after April 1, 2008. Accordingly, JBIC has adopted the standards and guidelines and stated capitalization of these leased assets commencing with this fiscal period.

The change in accounting standards and guideline resulted in an increase of ¥80 million in leased assets in "tangible fixed assets," ¥3 million in leased assets in "intangible fixed assets," and ¥87 million in lease obligations in "miscellaneous liabilities." The impact of this change on net income was immaterial.

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 September 30, 2008 and March 31, 2008 were as follows:

| | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U. S. dollars) |
|---------------------------|--|---|--|
| | ¥ | ¥ | \$ |
| Cash and due from banks | 247,064 | 307,253 | 2,385 |
| Due from banks (*) | (192,558) | (195,418) | (1,859) |
| Cash and cash equivalents | ¥ 54,506 | ¥ 111,835 | \$ 526 |

(*) Excluding Due from Bank of Japan

4. Securities

Securities as of September 30, 2008 and March 31, 2008 were as follows:

| | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U. S. dollars) |
|------------------|--|---|--|
| | ¥ | ¥ | \$ |
| Equity | 102,934 | 102,934 | 994 |
| Other securities | 11,367 | 1,557 | 110 |
| | ¥ 114,302 | ¥ 104,491 | \$ 1,104 |

5. Loans

All of Loans are loans on deeds. The amounts reported in the balance sheets as of September 30, 2008 and March 31, 2008 were as follows:

| International Financial Account | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U. S. dollars) |
|-----------------------------------|--|---|--|
| | ¥ | ¥ | \$ |
| Bankrupt loans | 35,877 | 35,877 | 347 |
| Non-accrual loans | 109,166 | 109,805 | 1,054 |
| Past due loans (3 months or more) | - | - | - |
| Restructured loans | 107,940 | 42,820 | 1,042 |
| | ¥ 252,985 | ¥ 188,504 | \$ 2,443 |

| Overseas Economic Cooperation Account | Septemeber 30, 2008 | March 31, 2008 | September 30, 2008 |
|---------------------------------------|---------------------------|---------------------------|-----------------------------------|
| | (In millions of yen) | (In millions of yen) | (In millions of U. S. dollars) |
| | ¥ | ¥ | \$ |
| Bankrupt loans | - | - | - |
| Non-accrual loans | 73,367 | 73,367 | 709 |
| Past due loans (3 months or more) | - | - | - |
| Restructured loans | 668,789 | 139,647 | 6,457 |
| | ¥ 742,156 | ¥ 213,015 | \$ 7,166 |

- (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 month 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 the 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:

| | September 30, 2008 | March 31, 2008 | September 30, 2008 |
|---------------------------------------|---------------------------|---------------------------|-----------------------------------|
| | (In millions of yen) | (In millions of yen) | (In millions of U. S. dollars) |
| | ¥ | ¥ | \$ |
| International Financial Account | 329,555 | 334,826 | 3,182 |
| Overseas Economic Cooperation Account | 1,222,583 | 1,228,905 | 11,804 |

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 ¥74,571 million (\$720 million) of which ¥71,149 million (\$687 million) represents original principal attributable to the International Financial Account and ¥668,789 million (\$6,457 million) of which ¥528,995 million (\$5,108 million) represents original principal attributable to the Overseas Economic Cooperation Account as of September 30, 2008, and ¥8,806 million of which ¥5,220 million represents original principal attributable to the International Financial Account and ¥139,647 million of which ¥63,663 million represents original principal attributable to the Overseas Economic Cooperation Account as of March 31, 2008 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 September 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 September 2008, were ¥3,700 million (\$36 million) in the International Financial Account and ¥72,484 million (\$700 million) in the Overseas Economic Cooperation 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 balances of unused commitment lines as of September 30, 2008 and March 31, 2008 were ¥5,207,682 million (\$50,282 million) and ¥5,086,649 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 September 30, 2008 and March 31, 2008 were ¥4,442 million (\$43 million) and ¥4,642 million, respectively.

6. Miscellaneous assets

Miscellaneous assets as of September 30, 2008 and March 31, 2008 were as follows:

| | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U. S. dollars) |
|---|--|---|--|
| | ¥ | ¥ | \$ |
| Prepaid expenses | 480 | 590 | 5 |
| Accrued income (a) | 109,788 | 121,827 | 1,060 |
| Derivatives | 458,049 | 553,945 | 4,423 |
| Preliminary payment to the National Treasury (b) | 3,503 | 20,661 | 34 |
| Other (c) | 1,819 | 1,033 | 17 |
| | ¥ 573,641 | ¥ 698,058 | \$ 5,539 |

(Notes)

- (a) "Accrued income" includes ¥108,191 million (\$1,045 million) and ¥119,968 million of accrued interest on loans and other as of September 30, 2008 and March 31, 2008 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 ¥209 million (\$2 million) of suspense payments and other as of September 30, 2008, and ¥5 million of suspense payments as of March 31, 2008.

7. Fixed assets

Fixed assets as of September 30, 2008 and March 31, 2008 were as follows:

| | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U. S. dollars) |
|--------------------------------|--|---|--|
| | ¥ | ¥ | \$ |
| Tangible fixed assets | | | |
| Buildings | 25,802 | 26,034 | 249 |
| Land | 12,511 | 12,551 | 121 |
| Leased assets | 81 | - | 1 |
| Construction in progress | 170 | 36 | 2 |
| Other | 4,974 | 5,045 | 48 |
| Total | ¥ 43,580 | ¥ 43,666 | \$ 421 |
| Less-accumulated depreciation | 19,052 | 19,129 | 184 |
| Net book value | ¥ 24,527 | ¥ 24,537 | \$ 237 |
| | | | |
| Intangible fixed assets | ¥ | ¥ | \$ |
| Software | 8,550 | 6,338 | 82 |
| Leased assets | 3 | - | 0 |
| Other | 402 | 1,249 | 4 |
| Total | ¥ 8,956 | ¥ 7,588 | \$ 86 |
| Less-accumulated depreciation | 3,965 | 3,327 | 38 |
| Net book value | ¥ 4,990 | ¥ 4,260 | \$ 48 |

8. Deferred charges on bonds and notes

Deferred charges on bonds and notes as of September 30, 2008 and March 31, 2008 were as follows:

| | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U. S. dollars) |
|--------------------------------|--|---|--|
| | ¥ | ¥ | \$ |
| Bonds and notes issuance costs | 1,267 | 1,145 | 12 |
| | ¥ 1,267 | ¥ 1,145 | \$ 12 |

9. Allowance for possible loan losses

Allowance for possible loan losses as of September 30, 2008 and March 31, 2008 were as follows:

| | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U. S. dollars) |
|--|--|---|--|
| | ¥ | ¥ | \$ |
| General allowance for possible loan losses | 90,243 | 52,330 | 871 |
| Specific allowance for possible loan losses | 140,613 | 140,610 | 1,358 |
| Allowance for possible losses on specific overseas loans | 14,948 | 10,894 | 144 |
| | ¥ 245,805 | ¥ 203,835 | \$ 2,373 |

10. Bonds and notes

Bonds and notes as of September 30, 2008 and March 31, 2008 were as follows:

| Description of bonds and notes | Date of issuance | Currency and amounts September 30, 2008 (In millions) | | Interest rate (%) | Maturity date | September 30, 2008 | March 31, 2008 | September 30, 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 | - | 5.750 | June 2008 | ¥ - | ¥ 48,230 | \$ - |
| Japan Bank for International Cooperation Bonds guaranteed by Japanese govt. 1, 6-17 | November 1999- June 2008 | USD 8,386 EUR 1,250 THB 3,000 | | 3.375- 7.000 | November 2009 - March 2016 | 1,062,662 | 975,428 | 10,260 |
| FILP Agency Bonds 2, 4, 6, 8-10, 12-31 (*) | October 2001- June 2008 | JPY 1,149,730 | | 0.540- 2.090 | December 2008 - December 2025 | 1,149,730 | 1,029,715 | 11,101 |
| | | | | | | ¥ 2,212,393 | ¥ 2,053,373 | \$ 21,361 |

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

Scheduled redemptions of bonds and notes for each of the next five years as of September 30, 2008 were as follows:

| Amounts Due | In millions of yen | | In millions of U.S. dollars | |
|------------------------------|--------------------|---------|-----------------------------|-------|
| | ¥ | | \$ | |
| Within one year | | 99,997 | | 966 |
| Between one and two years | | 317,782 | | 3,068 |
| Between two and three years | | 253,423 | | 2,447 |
| Between three and four years | | 227,603 | | 2,198 |
| Between four and five years | | 439,300 | | 4,242 |

Based on debt assumption agreements with financial institutions, JBIC has transferred the debt repayment obligation for certain bonds to such financial institutions. As of September 30, 2008, JBIC had contingent obligations in respect to the following bond:

| | In millions of yen | In millions of U. S. dollars |
|---------------------|--------------------|------------------------------|
| FILP Agency Bond 11 | 50,000 | 483 |

11. Borrowings

Borrowings as of September 30, 2008 and March 31, 2008 were as follows:

| | Average interest rate | Due date of repayment | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U. S. dollars) |
|--|-----------------------|----------------------------|--|--|--|
| Long-term borrowings | | | ¥ | ¥ | \$ |
| Borrowings from the Government Fund for Fiscal Investment and Loan Program | 1.54 | December 2008- May 2033 | 6,546,750 | 6,956,106 | 63,211 |
| Borrowings from the Government Post Office Life Insurance Fund | 2.08 | | 9,596 | 16,080 | 93 |
| | | | ¥ 6,556,346 | ¥ 6,972,186 | \$ 63,304 |

Long-term borrowings with maturities for the next five years as of September 30, 2008 were as follows:

| Amounts Due | In millions of yen | In millions of U.S. dollars |
|------------------------------|--------------------|-----------------------------|
| ¥ | | \$ |
| Within one year | 1,463,008 | 14,126 |
| Between one and two years | 699,121 | 6,750 |
| Between two and three years | 807,171 | 7,793 |
| Between three and four years | 830,468 | 8,018 |
| Between four and five years | 550,003 | 5,310 |

12. Miscellaneous liabilities

Miscellaneous liabilities as of September 30, 2008 and March 31, 2008 were as follows:

| | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U. S. dollars) |
|----------------------|--|--|--|
| | ¥ | ¥ | \$ |
| Accrued expenses (a) | 48,943 | 46,777 | 473 |
| Unearned income | 6,051 | 6,367 | 59 |
| Derivatives | 1,286 | 1,885 | 12 |
| Lease obligations | 87 | - | 1 |
| Other (b) | 2,108 | 1,829 | 20 |
| | ¥ 58,477 | ¥ 56,860 | \$ 565 |

(Notes)

(a) "Accrued expenses" includes ¥22,697 million (\$219 million) of accrued interest on borrowings and ¥25,788 million (\$249 million) of accrued interest on bonds and notes and other as of September 30, 2008 (March 31, 2008: ¥23,890 million and ¥22,418 million respectively).

(b) "Other" includes ¥2,105 million (\$20 million) of suspense receipts and other as of September 30, 2008 (March 31, 2008: ¥1,810 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 | | September 30, 2008 | March 31, 2008 | September 30, 2008 |
|--|--------------------------------|---------------------------|---------------------------|-----------------------------------|
| | | (In millions of yen) | (In millions of yen) | (In millions of U. S. dollars) |
| | | ¥ | ¥ | \$ |
| Projected benefit obligation | (A) | (24,164) | (23,876) | (233) |
| Fair value of plans' assets | (B) | 7,025 | 6,661 | 68 |
| Unfunded pension obligation | (C) = (A) + (B) | (17,139) | (17,215) | (165) |
| 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) | (17,139) | (17,215) | (165) |
| Prepaid pension cost | (H) | - | - | - |
| Allowance for employee retirement benefits | (G) - (H) | ¥ (17,139) | ¥ (17,215) | \$ (165) |

(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 | September 30, 2008 | March 31, 2008 | September 30, 2008 |
|--|---------------------------|---------------------------|-----------------------------------|
| | (In millions of yen) | (In millions of yen) | (In millions of U. S. dollars) |
| | ¥ | ¥ | \$ |
| Service cost | 426 | 852 | 4 |
| Interest cost | 238 | 466 | 2 |
| Expected return on plans' assets | (49) | (108) | (0) |
| Amortization of prior service cost | - | - | - |
| Amortization of net actuarial gains/losses | - | 1,003 | - |
| Amortization of net obligation at transition | - | - | - |
| Other costs | - | - | - |
| Net pension cost | ¥ 614 | ¥ 2,214 | \$ 6 |

(c) Principal assumptions made

| | September 30, 2008 | March 31, 2008 |
|---|---|---|
| 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 September 30, 2008 and March 31, 2008 were as follows:

| | September 30, 2008 | March 31, 2008 | September 30, 2008 |
|-------------|---------------------------|-------------------------|------------------------------------|
| | (In millions of yen) | (In millions of yen) | (In millions of U.S. dollars) |
| | ¥ | ¥ | \$ |
| Acceptances | - | - | - |
| Guarantees | 1,577,509 | 1,536,922 | 15,231 |
| | ¥ 1,577,509 | ¥ 1,536,922 | \$ 15,231 |

15. Assets pledged as collateral

There were no assets pledged as collateral as of September 30, 2008 and March 31, 2008.

16. Grant from general account

In accordance with the "Changes of the Debt Relief Method" announced by the Japanese government on December 10, 2002, JBIC reported the extraordinary loss ("ODA-loan related losses") for the year ended March 31, 2003. Under the policy to maintain the financial soundness of JBIC, the government provided JBIC with a grant totaling ¥6.75 billion (\$65 million) and ¥20 billion corresponding to "ODA-loan related losses" out of its general account for the fiscal year ended September 30, 2008 and March 31, 2008 respectively.

17. Reserve

Pursuant to Article 44 of the JBIC Law, "Reserve attributable to the International Financial Account" is provided from net earnings from the International Financial Account, and "Reserve attributable to the Overseas Economic Cooperation Account" is provided from or reversed to net earnings from the Overseas Economic Cooperation Account, respectively.

18. Lease transactions

Lease transactions in the fiscal years ended September 30, 2008 and March 31, 2008 were as follows. There were no impairment losses for the leased asset.

Finance Lease Transactions

(a) Finance lease transactions that do not involve ownership transfer to the lessee

(i) Description of leased assets is as follows:

Tangible fixed assets: Equipment and Property

Intangible fixed assets: Software

(ii) Depreciation of leased assets is calculated under the method as set forth in Note 2. (g).

(b) Finance lease transactions that do not involve ownership transfer to the lessee, accounted for as operating lease transactions:

· Acquisition cost, accumulated depreciation and net book value of leased assets as of September 30, 2008 and March 31, 2008 were as follows:

| | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U.S. dollars) |
|--------------------------|--|---|---|
| Acquisition cost | ¥ | ¥ | \$ |
| Tangible Fixed Assets | 713 | 600 | 7 |
| Intangible Fixed Assets | 951 | 832 | 9 |
| Total | ¥ 1,665 | ¥ 1,433 | \$ 16 |
| Accumulated depreciation | | | |
| Tangible Fixed Assets | 352 | 333 | 4 |
| Intangible Fixed Assets | 552 | 516 | 5 |
| Total | ¥ 905 | ¥ 850 | \$ 9 |
| Net book value | | | |
| Tangible Fixed Assets | 361 | 267 | 3 |
| Intangible Fixed Assets | 398 | 316 | 4 |
| Total | ¥ 760 | ¥ 583 | \$ 7 |

- Future lease payment obligations as of September 30, 2008 and March 31, 2008 are summarized below:

| | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U.S. dollars) |
|-------------------|--|---|---|
| | ¥ | ¥ | \$ |
| Due within 1 year | 194 | 207 | 2 |
| Due after 1 year | 565 | 383 | 5 |
| Total | ¥ 760 | ¥ 590 | \$ 7 |

- Lease payment, depreciation expense and interest expense for the fiscal year ended September 30, 2008 and March 31, 2008 were as follows:

| | September 30, 2008 (In millions of yen) | March 31, 2008 (In millions of yen) | September 30, 2008 (In millions of U.S. dollars) |
|----------------------|--|---|---|
| | ¥ | ¥ | \$ |
| Lease payment | 176 | 344 | 2 |
| Depreciation expense | 167 | 329 | 2 |
| Interest expense | 5 | 12 | 0 |

- Depreciation expense is calculated using the straight-line method over the useful economic life of the respective leased assets with zero residual value.
- Gross interest expenses are calculated as difference between total lease payments and the estimated acquisition cost of leased assets, and allocated to each fiscal year using the interest method.

19. Derivative transactions

Notes to derivative transactions in the fiscal year ended September 30, 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 | 26,666 | 684 | 258 | 7 |
| Currency swaps | 37,221 | 6,211 | 359 | 60 |
| Forward exchange contracts | 14 | 0 | 0 | 0 |
| Other derivatives | - | - | - | - |
| Credit risk reductions through nettings | - | (922) | - | (9) |
| Total | ¥ 63,903 | ¥ 5,973 | \$ 617 | \$ 58 |

(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, 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.

(In 100 millions of yen)

| Credit risk amounts of derivative etc. | Contract amount/notional amount | | Credit risk |
|---|---------------------------------|---------|-------------|
| | ¥ | ¥ | |
| Interest rate swaps | 24,138 | 730 | |
| Currency swaps | 36,129 | 7,845 | |
| Forward exchange contracts | 12 | 0 | |
| Other derivatives | - | - | |
| Credit risk reductions through nettings | - | (1,240) | |
| Total | ¥ 60,280 | ¥ 7,335 | |

(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

20. Market value of securities

Notes to market value of securities as September 30, 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:

| | September 30, 2008 (In millions of yen) | September 30, 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 | 102,934 | 994 |
| Unlisted foreign equities | 9,767 | 95 |
| Other unlisted Japanese securities | 226 | 2 |
| Other unlisted foreign securities | 1,374 | 13 |
| Total | ¥ 114,302 | \$ 1,104 |

(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, 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

| | March 31, 2008 (In millions of yen) |
|-----------------|--|
| | ¥ |
| Sales amount | 18,567 |
| Gains on sales | 14,307 |
| Losses on sales | - |

- (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) | |
|--|--|----------------|
| | ¥ | |
| Held-to-maturity debt securities | | |
| Unlisted foreign securities | | - |
| Available-for-sale securities | | |
| Unlisted Japanese equities other than over-the-counter | | 102,934 |
| Unlisted foreign equities | | 0 |
| Other unlisted Japanese securities | | 222 |
| Other unlisted foreign securities | | 1,334 |
| Total | ¥ | <u>104,491</u> |

- (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

21. Subsequent Events

JBIC was dissolved and the International Financial Operations and the Overseas Economic Cooperation Operation of former JBIC were merged into the international wing of Japan Finance Corporation and the Operations of the Cooperation through Finance and Investment of Japan International Cooperation Agency respectively on October 1, 2008.