

## Report of Independent Auditors

To the President of Japan International Cooperation Agency

We have audited the accompanying Overseas Economic Cooperation Account 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 Overseas Economic Cooperation Account 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 18, Japan Bank for International Cooperation was dissolved and the Overseas Economic Cooperation Operations of former Japan Bank for International Cooperation was merged into the Operations of the Cooperation through Finance and Investment of Japan International Cooperation Agency on October 1, 2008.

*Ernst & Young ShinNihon LLC*

December 22, 2008

**BALANCE SHEETS****JAPAN BANK FOR INTERNATIONAL COOPERATION****Overseas Economic Cooperation Account**

|   | In millions of yen<br>September 30, 2008 | In millions of yen<br>March 31, 2008 | In millions of U.S.dollars<br>September 30, 2008 |
|---|--|--------------------------------------|--|
| <b>Assets</b>                               |  |                                      |  |
| Cash and due from banks (Note 3)            | ¥ 4,067                                  | ¥ 1,858                              | \$ 39  |
| Securities (Notes 4 and 17)                 | 103,594                                  | 103,701                              | 1,000  |
| Loans (Note 5)                              | 10,921,146                               | 10,962,845                           | 105,447  |
| Miscellaneous assets (Note 6)               | 58,548                                   | 58,897                               | 565  |
| Tangible fixed assets (Note 7)              | 6,655                                    | 6,496                                | 64   |
| Intangible fixed assets (Note 7)            | 1,895                                    | 1,618                                | 19   |
| Allowance for possible loan losses (Note 8) | (119,492)                                | (87,609)                             | (1,153)  |
| <b>Total assets</b>                         | <b>¥ 10,976,416</b>                      | <b>¥ 11,047,808</b>                  | <b>\$ 105,981</b>                                |

|   | In millions of yen<br>September 30, 2008 | In millions of yen<br>March 31, 2008 | In millions of U.S.dollars<br>September 30, 2008 |
|---|--|--------------------------------------|--|
| <b>Liabilities and net assets</b>   |  |                                      |  |
| <b>Liabilities</b>  |  |                                      |  |
| Borrowings (Note 9)   | ¥ 3,114,262                              | ¥ 3,306,703                          | \$ 30,069  |
| Miscellaneous liabilities (Note 10)   | 13,617                                   | 14,062                               | 132  |
| Reserve for bonus payments  | 389                                      | 393                                  | 4  |
| Reserve for employee retirement benefits (Note 11)                          | 6,512                                    | 6,541                                | 63   |
| <b>Total liabilities</b>  | <b>3,134,782</b>                         | <b>3,327,701</b>                     | <b>30,268</b>                                    |
| <b>Net assets</b>   |  |                                      |  |
| <b>Capital:</b>   |  |                                      |  |
| Capital attributable to the Overseas Economic Cooperation Account           | 7,456,772                                | 7,390,572                            | 71,997   |
| <b>Retained earnings:</b>   |  |                                      |  |
| Other retained earnings   |  |                                      |  |
| Reserve attributable to the Overseas Economic Cooperation Account (Note 14) | 487,797                                  | 305,464                              | 4,710  |
| Accumulated earnings (deficit)  | (102,936)                                | 24,069                               | (994)  |
|   | 384,861                                  | 329,534                              | 3,716  |
| <b>Total stockholders' equity</b>   | <b>7,841,633</b>                         | <b>7,720,106</b>                     | <b>75,713</b>                                    |
| <b>Total valuation differences and translation adjustments</b>              | <b>-</b>                                 | <b>-</b>                             | <b>-</b>   |
| <b>Total net assets</b>   | <b>7,841,633</b>                         | <b>7,720,106</b>                     | <b>75,713</b>                                    |
| <b>Total liabilities and net assets</b>                                     | <b>¥ 10,976,416</b>                      | <b>¥ 11,047,808</b>                  | <b>\$ 105,981</b>                                |

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

**STATEMENTS OF OPERATIONS**  
**JAPAN BANK FOR INTERNATIONAL COOPERATION**  
**Overseas Economic Cooperation Account**

|  | In millions of yen |                | In millions of yen |                | In millions of U.S.dollars |              |
|--|--------------------|----------------|--------------------|----------------|----------------------------|--------------|
|  |                    | FY 2008        |                    | FY 2007        |                            | FY 2008      |
| <b>Income</b>                                    |                    |                |                    |                |                            |              |
| Interest income                                  | ¥                  | 116,505        | ¥                  | 247,097        | \$                         | 1,125        |
| Interest on loans                                |                    | 112,105        |                    | 231,875        |                            | 1,083        |
| Interest and dividend income on securities       |                    | 4,264          |                    | 15,014         |                            | 41           |
| Interest on due from banks                       |                    | 135            |                    | 207            |                            | 1            |
| Fees and Commissions                             |                    | 324            |                    | 669            |                            | 3            |
| Other operating income                           |                    | -              |                    | -              |                            | -            |
| Foreign exchange gains                           |                    | -              |                    | -              |                            | -            |
| Other ordinary income                            |                    | 49             |                    | 14,530         |                            | 1            |
| Grant from general account (Note 13)             |                    | 6,750          |                    | 20,000         |                            | 65           |
| Reversal of allowance for possible loan losses   |                    | -              |                    | 11,539         |                            | -            |
| Recovery of written-off claims                   |                    | 7              |                    | 15             |                            | 0            |
| Profits on sales of tangible fixed assets        |                    | 30             |                    | 10             |                            | 0            |
| <b>Total income</b>                              |                    | <b>123,667</b> |                    | <b>293,861</b> |                            | <b>1,194</b> |
| <b>Expenses</b>                                  |                    |                |                    |                |                            |              |
| Interest expenses                                |                    | 28,924         |                    | 68,317         |                            | 279          |
| Interest on bonds and notes                      |                    | -              |                    | -              |                            | -            |
| Interest on borrowings                           |                    | 28,924         |                    | 68,317         |                            | 279          |
| Fees and Commissions                             |                    | 1,649          |                    | 4,174          |                            | 16           |
| Other operating expenses                         |                    | 22             |                    | 220            |                            | 0            |
| Foreign exchange losses                          |                    | 22             |                    | 220            |                            | 0            |
| Others   |                    | -              |                    | -              |                            | -            |
| General and administrative expenses              |                    | 5,736          |                    | 10,159         |                            | 56           |
| Other ordinary expenses                          |                    | 31,883         |                    | 282            |                            | 308          |
| Provision for allowance for possible loan losses |                    | 31,883         |                    | -              |                            | 308          |
| Write-off of equities, securities, etc.          |                    | -              |                    | 282            |                            | -            |
| Others   |                    | -              |                    | -              |                            | -            |
| Losses on disposal of tangible fixed assets      |                    | 124            |                    | 48             |                            | 1            |
| <b>Total expenses</b>                            |                    | <b>68,340</b>  |                    | <b>83,202</b>  |                            | <b>660</b>   |
| <b>Net income</b>                                | ¥                  | <b>55,326</b>  | ¥                  | <b>210,658</b> | \$                         | <b>534</b>   |

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

**STATEMENTS OF CASH FLOWS**

JAPAN BANK FOR INTERNATIONAL COOPERATION

**Overseas Economic Cooperation Account**

|   | In millions of yen |                 | In millions of yen |                  | In millions of U.S.dollars |              |
|---|--------------------|-----------------|--------------------|------------------|----------------------------|--------------|
|   | FY 2008            |                 | FY 2007            |                  | FY 2008                    |              |
| <b>Cash flows from operating activities</b>                         |                    |                 |                    |                  |                            |              |
| Net income  | ¥                  | 55,326          | ¥                  | 210,658          | \$                         | 534          |
| Depreciation and amortization                                       |                    | 388             |                    | 705              |                            | 4            |
| Increase (decrease) in allowance for possible loan losses           |                    | 31,883          |                    | (15,288)         |                            | 308          |
| Increase (decrease) in reserve for bonus payments                   |                    | (3)             |                    | 2                |                            | (0)          |
| Increase (decrease) in reserve for employee retirement benefits     |                    | (28)            |                    | 393              |                            | (0)          |
| Interest income   |                    | (116,505)       |                    | (247,097)        |                            | (1,125)      |
| Interest expenses   |                    | 28,924          |                    | 68,317           |                            | 279          |
| Net loss (gain) on securities                                       |                    | 72              |                    | (14,142)         |                            | 1            |
| Foreign exchange loss   |                    | 25              |                    | 177              |                            | 0            |
| Net loss on sales of tangible fixed assets                          |                    | 93              |                    | 37               |                            | 1            |
| Net decrease (increase) in loans                                    |                    | 41,699          |                    | (22,502)         |                            | 403          |
| Net decrease in borrowings  |                    | (192,441)       |                    | (408,099)        |                            | (1,858)      |
| Net increase in due from banks (excluding cash equivalents)         |                    | (2,788)         |                    | (585)            |                            | (27)         |
| Interest received   |                    | 117,699         |                    | 251,022          |                            | 1,136        |
| Interest paid   |                    | (29,214)        |                    | (68,361)         |                            | (282)        |
| Others, net   |                    | (782)           |                    | 45               |                            | (8)          |
| <b>Net cash used in operating activities</b>                        |                    | <b>(65,651)</b> |                    | <b>(244,715)</b> |                            | <b>(634)</b> |
| <b>Cash flows from investing activities</b>                         |                    |                 |                    |                  |                            |              |
| Purchases of securities   |                    | (256)           |                    | (32)             |                            | (3)          |
| Sales of securities   |                    | 14              |                    | 19,619           |                            | 0            |
| Purchases of tangible fixed assets                                  |                    | (449)           |                    | (255)            |                            | (4)          |
| Purchases of intangible fixed assets                                |                    | (518)           |                    | (678)            |                            | (5)          |
| Proceeds from sales of tangible fixed assets                        |                    | 81              |                    | 13               |                            | 1            |
| Proceeds from sales of intangible fixed assets                      |                    | 0               |                    | -                |                            | 0            |
| <b>Net cash (used in) provided by investing activities</b>          |                    | <b>(1,128)</b>  |                    | <b>18,666</b>    |                            | <b>(11)</b>  |
| <b>Cash flows from financing activities</b>                         |                    |                 |                    |                  |                            |              |
| Proceeds from issuance of capital stocks from government            |                    | 66,200          |                    | 159,064          |                            | 639          |
| <b>Net cash provided by financing activities</b>                    |                    | <b>66,200</b>   |                    | <b>159,064</b>   |                            | <b>639</b>   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> |                    | <b>0</b>        |                    | <b>(0)</b>       |                            | <b>0</b>     |
| <b>Net decrease in cash and cash equivalents</b>                    |                    | <b>(579)</b>    |                    | <b>(66,985)</b>  |                            | <b>(6)</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b>     |                    | <b>583</b>      |                    | <b>67,569</b>    |                            | <b>6</b>     |
| <b>Cash and cash equivalents at the end of the period</b>           | ¥                  | <b>4</b>        | ¥                  | <b>583</b>       | \$                         | <b>0</b>     |

**STATEMENTS OF CHANGES IN NET ASSETS**  
**JAPAN BANK FOR INTERNATIONAL COOPERATION**  
**Overseas Economic Cooperation Account**

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 | Total valuation differences and translation adjustments |                  |
|  | Capital attributable to the Overseas Economic Cooperation Account | Other retained earnings   |                                | Total retained earnings |                            |   |                  |
|  |   | Reserve attributable to the Overseas Economic Cooperation Account | Accumulated earnings (deficit) |                         |                            |   |                  |
| Balance at March 31, 2008  | 7,390,572   | 305,464   | 24,069                         | 329,534                 | 7,720,106                  | -   | 7,720,106        |
| Changes during the accounting period   |   |   |                                |                         |                            |   |                  |
| Proceeds from issuance of capital stocks attributable to the Overseas Economic Cooperation Account     | 66,200  | -   | -                              | -                       | 66,200                     | -   | 66,200           |
| Transfer to reserve attributable to the Overseas Economic Cooperation Account from accumulated deficit | -   | 182,333   | (182,333)                      | -                       | -                          | -   | -                |
| Net income   | -   | -   | 55,326                         | 55,326                  | 55,326                     | -   | 55,326           |
| Net changes in the items other than stockholders' equity   | -   | -   | -                              | -                       | -                          | -   | -                |
| Net changes during the accounting period   | 66,200  | 182,333   | (127,006)                      | 55,326                  | 121,526                    | -   | 121,526          |
| Balance at September 30, 2008  | 7,456,772   | 487,797   | (102,936)                      | 384,861                 | 7,841,633                  | -   | 7,841,633        |

**STATEMENTS OF CHANGES IN NET ASSETS**  
**JAPAN BANK FOR INTERNATIONAL COOPERATION**  
**Overseas Economic Cooperation Account**

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 | Total valuation differences and translation adjustments |                  |
|  | Capital attributable to the Overseas Economic Cooperation Account | Other retained earnings   |                                | Total retained earnings |                            |   |                  |
|  |   | Reserve attributable to the Overseas Economic Cooperation Account | Accumulated earnings (deficit) |                         |                            |   |                  |
| Balance at March 31, 2008  | 71,358  | 2,950   | 232                            | 3,182                   | 74,540                     | -   | 74,540           |
| Changes during the accounting period   |   |   |                                |                         |                            |   |                  |
| Proceeds from issuance of capital stocks attributable to the Overseas Economic Cooperation Account     | 639   | -   | -                              | -                       | 639                        | -   | 639              |
| Transfer to reserve attributable to the Overseas Economic Cooperation Account from accumulated deficit | -   | 1,760   | (1,760)                        | -                       | -                          | -   | -                |
| Net income   | -   | -   | 534                            | 534                     | 534                        | -   | 534              |
| Net changes in the items other than stockholders' equity   | -   | -   | -                              | -                       | -                          | -   | -                |
| Net changes during the accounting period   | 639   | 1,760   | (1,226)                        | 534                     | 1,173                      | -   | 1,173            |
| Balance at September 30, 2008  | 71,997  | 4,710   | (994)                          | 3,716                   | 75,713                     | -   | 75,713           |

**STATEMENTS OF CHANGES IN NET ASSETS**  
**JAPAN BANK FOR INTERNATIONAL COOPERATION**  
**Overseas Economic Cooperation 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 | Total valuation differences and translation adjustments |                  |
|  | Capital attributable to the Overseas Economic Cooperation Account | Other retained earnings   |                                | Total retained earnings |                            |   |                  |
|  |   | Reserve attributable to the Overseas Economic Cooperation Account | Accumulated earnings (deficit) |                         |                            |   |                  |
| Balance at March 31, 2007  | 7,231,508   | 166,062   | (47,187)                       | 118,875                 | 7,350,383                  | -   | 7,350,383        |
| Changes during the accounting period   |   |   |                                |                         |                            |   |                  |
| Proceeds from issuance of capital stocks attributable to the Overseas Economic Cooperation Account     | 159,064   | -   | -                              | -                       | 159,064                    | -   | 159,064          |
| Transfer to reserve attributable to the Overseas Economic Cooperation Account from accumulated deficit | -   | 139,401   | (139,401)                      | -                       | -                          | -   | -                |
| Net income   | -   | -   | 210,658                        | 210,658                 | 210,658                    | -   | 210,658          |
| Net changes in the items other than stockholders' equity   | -   | -   | -                              | -                       | -                          | -   | -                |
| Net changes during the accounting period   | 159,064   | 139,401   | 71,257                         | 210,658                 | 369,722                    | -   | 369,722          |
| Balance at March 31, 2008  | 7,390,572   | 305,464   | 24,069                         | 329,534                 | 7,720,106                  | -   | 7,720,106        |

**NOTES TO FINANCIAL STATEMENTS**  
**JAPAN BANK FOR INTERNATIONAL COOPERATION**  
**Overseas Economic Cooperation 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 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) Foreign currency translation and revaluation method**

JBIC maintains its accounting record 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.

**(d) 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 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

**(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.

**(e) 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.

**(f) 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.

**(g) 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.

**(h) 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.

**(i) Consumption taxes**

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

**(j) 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 on 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 the accounting standards and the guideline resulted in an increase of ¥30 million in leased assets in "tangible fixed assets," ¥1 million in leased assets in "intangible fixed assets," and ¥33 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,<br>2008<br>(In millions of<br>yen) | March 31,<br>2008<br>(In millions of<br>yen) | September 30,<br>2008<br>(In millions of<br>U.S.dollars) |
|---------------------------|--|--|--|
|                           | ¥  | ¥  | \$   |
| Cash and due from banks   | 4,067  | 1,858  | 39   |
| Due from banks (*)        | (4,063)  | (1,275)                                      | (39)   |
| Cash and cash equivalents | ¥ 4  | ¥ 583  | \$ 0   |

(\*) Excluding Due from Bank of Japan

#### 4. Securities

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

|                  | September30,<br>2008<br>(In millions of<br>yen) | March 31,<br>2008<br>(In millions of<br>yen) | September30,<br>2008<br>(In millions of<br>U.S. dollars) |
|------------------|---|--|--|
| Equity           | ¥ 102,921                                       | ¥ 102,921                                    | \$ 994   |
| Other securities | 673   | 779  | 6  |
|                  | ¥ 103,594                                       | ¥ 103,701                                    | \$ 1,000   |

#### 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:

|                                   | September30,<br>2008<br>(In millions of<br>yen) | March 31,<br>2008<br>(In millions of<br>yen) | September30,<br>2008<br>(In millions of<br>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 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:

|                                       | September 30,<br>2008   | March 31,<br>2008       | September 30,<br>2008            |
|---------------------------------------|-------------------------|-------------------------|----------------------------------|
|                                       | (In millions of<br>yen) | (In millions of<br>yen) | (In millions of<br>U.S. dollars) |
| 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 ¥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 ¥139,647 million of which ¥63,663 million represents original principal as of March 31, 2008.

- (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 date 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 ¥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 balance of unused commitment lines as of September 30, 2008 and March 31, 2008 were ¥3,776,054 million (\$36,459 million), and ¥3,803,800 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. There were no corresponding amounts as of September 30, 2008 and March 31, 2008.

## 6. Miscellaneous assets

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

|                    | September 30,<br>2008     | March 31,<br>2008         | September 30,<br>2008             |
|--------------------|---------------------------|---------------------------|-----------------------------------|
|                    | ( In millions of<br>yen ) | ( In millions of<br>yen ) | (In millions of<br>U. S. dollars) |
|                    | ¥                         | ¥                         | \$                                |
| Prepaid expenses   | 340                       | 369                       | 3                                 |
| Accrued income (a) | 56,543                    | 57,714                    | 546                               |
| Other (b)          | 1,664                     | 813                       | 16                                |
|                    | ¥ 58,548                  | ¥ 58,897                  | \$ 565                            |

(Notes)

- (a) "Accrued income" includes ¥56,280 million (\$543 million) and ¥57,475 million of accrued interest on loans and other as of, September 30, 2008 and March 31, 2008, respectively.
- (b) "Other" includes ¥208 million (\$2 million) of suspense payments and other as of September 30, 2008 and ¥0 million of suspense payments and other as of March 31, 2008.

## 7. Fixed assets

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

|                                | September 30,<br>2008<br>( In millions of<br>yen ) | March 31,<br>2008<br>( In millions of<br>yen ) | September 30,<br>2008<br>(In millions of<br>U. S. dollars) |
|--------------------------------|--|--|--|
|                                | ¥  | ¥  | \$   |
| <b>Tangible fixed assets</b>   |  |  |  |
| Buildings                      | 6,699  | 6,867  | 65   |
| Land                           | 3,216  | 2,994  | 31   |
| Leased assets                  | 31   | -  | 0  |
| Construction in progress       | 46   | 13   | 1  |
| Other                          | 1,254  | 1,258  | 12   |
| <b>Total</b>                   | <b>¥ 11,248</b>                                    | <b>¥ 11,134</b>                                | <b>\$ 109</b>  |
| Less-accumulated depreciation  | 4,593  | 4,637  | 45   |
| <b>Net book value</b>          | <b>¥ 6,655</b>                                     | <b>¥ 6,496</b>                                 | <b>\$ 64</b>   |
|                                |  |  |  |
| <b>Intangible fixed assets</b> |  |  |  |
| Software                       | 3,249  | 2,408  | 32   |
| Leased assets                  | 1  | -  | 0  |
| Other                          | 127  | 449  | 1  |
| <b>Total</b>                   | <b>¥ 3,377</b>                                     | <b>¥ 2,858</b>                                 | <b>\$ 33</b>   |
| Less-accumulated depreciation  | 1,482  | 1,239  | 14   |
| <b>Net book value</b>          | <b>¥ 1,895</b>                                     | <b>¥ 1,618</b>                                 | <b>\$ 19</b>   |

## 8. Allowance for possible loan losses

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

|  | September 30,<br>2008<br>( In millions of<br>yen ) | March 31,<br>2008<br>( In millions of<br>yen ) | September 30,<br>2008<br>(In millions of<br>U. S. dollars) |
|--|--|--|--|
|  | ¥  | ¥  | \$   |
| General allowance for possible loan losses               | 69,172   | 37,289   | 668  |
| Specific allowance for possible loan losses              | 50,319   | 50,319   | 485  |
| Allowance for possible losses on specific overseas loans | -  | -  | -  |
| <b>Total</b>   | <b>¥ 119,492</b>                                   | <b>¥ 87,609</b>                                | <b>\$ 1,153</b>  |

## 9. Borrowings

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

|  | Average<br>interest<br>rate | Due date of<br>repayment   | September 30,<br>2008<br>( In millions of<br>yen ) | March 31,<br>2008<br>( In millions of<br>yen ) | September 30,<br>2008<br>(In millions of<br>U. S. dollars) |
|--|-----------------------------|----------------------------|--|--|--|
| <b>Long-term borrowings</b>  |                             |                            | ¥  | ¥  | \$   |
| Borrowings from the Government Fund for Fiscal Investment and Loan Program | 1.69                        | November 2009-<br>May 2033 | 3,114,262  | 3,306,703                                      | 30,069   |
| <b>Total</b>   |                             |                            | <b>¥ 3,114,262</b>                                 | <b>¥ 3,306,703</b>                             | <b>\$ 30,069</b>   |

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

|                              | In millions of yen |         | In millions of U.S. dollars |       |
|------------------------------|--------------------|---------|-----------------------------|-------|
|                              | ¥                  |         | \$                          |       |
| Within one year              |                    | 396,804 |                             | 3,831 |
| Between one and two years    |                    | 402,125 |                             | 3,883 |
| Between two and three years  |                    | 379,337 |                             | 3,663 |
| Between three and four years |                    | 347,712 |                             | 3,357 |
| Between four and five years  |                    | 327,966 |                             | 3,167 |

## 10. Miscellaneous liabilities

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

|                      | September 30,<br>2008<br>( In millions of<br>yen ) |        | March 31,<br>2008<br>( In millions of<br>yen ) |        | September 30,<br>2008<br>(In millions of<br>U. S. dollars) |
|----------------------|--|--------|--|--------|--|
|                      | ¥  |        | ¥  |        | \$   |
| Accrued expenses (a) |  | 13,470 |  | 13,738 | 130  |
| Lease obligations    |  | 33     |  | -      | 1  |
| Other (b)            |  | 114    |  | 324    | 1  |
|                      | ¥  | 13,617 | ¥  | 14,062 | \$ 132   |

(Notes)

- (a) "Accrued expenses" includes ¥13,299 million (\$128 million) of accrued interest on borrowings and other as of March 31, 2008 (March 31, 2008: ¥13,589 million).
- (b) "Other" includes ¥114 million (\$1 million) of suspense receipts as of September 30, 2008 (March 31, 2008: ¥324 million).

## 11. 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,<br>2008<br>( In millions of<br>yen ) | March 31,<br>2008<br>( In millions of<br>yen ) | September 30,<br>2008<br>(In millions of<br>U. S. dollars) |
|--|--------------------------------|--|--|--|
|  |                                | ¥  | ¥  | \$   |
| Projected benefit obligation               | (A)                            | (9,182)  | (9,073)  | (89)   |
| Fair value of plans' assets                | (B)                            | 2,669  | 2,531  | 26   |
| Unfunded pension obligation                | (C) = (A) + (B)                | (6,512)  | (6,541)  | (63)   |
| 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)<br>+ (E) + (F) | (6,512)  | (6,541)  | (63)   |
| Prepaid pension cost                       | (H)                            | -  | -  | -  |
| Allowance for employee retirement benefits | (G) - (H)                      | ¥ (6,512)  | ¥ (6,541)                                      | \$ (63)  |

(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,<br>2008   | March 31,<br>2008       | September 30,<br>2008             |
|--|-------------------------|-------------------------|-----------------------------------|
|  | (In millions of<br>yen) | (In millions of<br>yen) | (In millions of<br>U. S. dollars) |
|  | ¥                       | ¥                       | \$                                |
| Service cost                                 | 161                     | 324                     | 1                                 |
| Interest cost                                | 90                      | 177                     | 1                                 |
| Expected return on plans' assets             | (18)                    | (41)                    | (0)                               |
| Amortization of prior service cost           | -                       | -                       | -                                 |
| Amortization of net actuarial gains/losses   | -                       | 381                     | -                                 |
| Amortization of net obligation at transition | -                       | -                       | -                                 |
| Other costs                                  | -                       | -                       | -                                 |
| Net pension cost                             | ¥ 233                   | ¥ 841                   | \$ 2                              |

**(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                 | -   | -   |

**12. Assets pledged as collateral**

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

**13. 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 an 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.

**14. Reserve**

Pursuant to Article 44 of JBIC Law, "Reserve attributable to the Overseas Economic Cooperation Account" is provided from net earnings from the Overseas Economic Cooperation Account.

**15. 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 assets:

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,<br>2008<br>( In millions of<br>yen ) | March 31,<br>2008<br>( In millions of<br>yen ) | September 30,<br>2008<br>( In millions of<br>U.S. dollars ) |
|--------------------------|--|--|---|
|                          | ¥  | ¥  | \$  |
| Acquisition cost         |  |  |   |
| Tangible Fixed Assets    | 271  | 228  | 3   |
| Intangible Fixed Assets  | 361  | 316  | 3   |
| Total                    | ¥ 632  | ¥ 544  | \$ 6  |
| Accumulated depreciation |  |  |   |
| Tangible Fixed Assets    | 133  | 126  | 1   |
| Intangible Fixed Assets  | 210  | 196  | 2   |
| Total                    | ¥ 343  | ¥ 323  | \$ 3  |
| Net book value           |  |  |   |
| Tangible Fixed Assets    | 137  | 101  | 1   |
| Intangible Fixed Assets  | 151  | 120  | 2   |
| Total                    | ¥ 288  | ¥ 221  | \$ 3  |

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

|                   | September 30,<br>2008<br>( In millions of<br>yen ) | March 31,<br>2008<br>( In millions of<br>yen ) | September 30,<br>2008<br>( In millions of<br>U.S. dollars ) |
|-------------------|--|--|---|
|                   | ¥  | ¥  | \$  |
| Due within 1 year | 74   | 78   | 1   |
| Due after 1 year  | 214  | 145  | 2   |
| Total             | ¥ 289  | ¥ 224  | \$ 3  |

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

|                      | September 30,<br>2008<br>( In millions of<br>yen ) | March 31,<br>2008<br>( In millions of<br>yen ) | September 30,<br>2008<br>( In millions of<br>U.S. dollars ) |
|----------------------|--|--|---|
|                      | ¥  | ¥  | \$  |
| Lease payment        | 66   | 130  | 1   |
| Depreciation expense | 63   | 125  | 1   |
| Interest expense     | 2  | 4  | 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.

## 16. Derivative transactions

There were no derivative transactions in the fiscal year ended September 30, 2008 and March 31, 2008.

## 17. Market value of securities

Notes to market value of securities as September 30, 2008 were 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<br>( In millions of yen ) | September 30, 2008<br>( In millions of<br>U.S. dollars) |
|--|--|---|
|  | ¥  | \$  |
| Held-to-maturity debt securities                       |  |   |
| Unlisted foreign securities                            | -  | -   |
| Available-for-sale securities                          |  |   |
| Unlisted Japanese equities other than over-the-counter | 102,921                                      | 994   |
| Unlisted foreign equities                              | 0  | 0   |
| Other unlisted Japanese securities                     | -  | -   |
| Other unlisted foreign securities                      | 673  | 6   |
| Total  | ¥ 103,594                                    | \$ 1,000  |

**(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<br>( 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<br>( In millions of yen ) |                |
|--|--|----------------|
|  | ¥  |                |
| Held-to-maturity debt securities                       |  |                |
| Unlisted foreign securities                            |  | -              |
| Available-for-sale securities                          |  |                |
| Unlisted Japanese equities other than over-the-counter |  | 102,921        |
| Unlisted foreign equities                              |  | 0              |
| Other unlisted Japanese securities                     |  | -              |
| Other unlisted foreign securities                      |  | 779            |
| Total  | ¥  | <u>103,701</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

## 18. Subsequent Events

JBIC was dissolved and The Overseas Economic Cooperation Operations of former JBIC was merged into the Operations of the Cooperation through Finance and Investment of Japan International Cooperation Agency on October 1, 2008.